

U.S. Industrial Real Estate Market Summary | Q4 2022

Industrial Real Estate Statistics

	Logistics	Specialized	Flex Space	12-Month Rent Growth	Vacancy Rate	12-Month Net Absorption	Average Sales Price per SF
Vacancy	4.1%	3.1%	5.9%	10.7%	4.1%	376M SF	\$145.28 PSF
Rent	\$10.25 psf	\$10.64 psf	\$17.63 psf				

Executive Summary

While industrial leasing activity is winding down from the historic highs witnessed in early 2022, the market remains strong and appears to have a positive outlook heading into 2023. National vacancy rates remain within a few basis points of all-time lows. Industrial activity was 50% higher in Q4 2022 than the same period in Q4 2019, representing the post-pandemic impact on demand for manufactured goods.



LEASING ACTIVITY

U.S. industrial leasing activity is down 10% from Q4 2021, but up 60% from Q4 2019. Activity is the highest in metropolitan areas with access to nearby large consumer spending populations.



SALES

Sales and cap rates held up remarkably well through 2022, even as commercial mortgage rates essentially doubled. Property sales by owners/users and sale-leaseback deals have continued to close in large volumes. Most likely reflective of the economic environment, Q4 2022 is predicted to have the lowest Q4 sales value since 2018.



RENT

At 10.7% year over year, industrial rent growth has moderated slightly from the 11.2% recorded last quarter. Rent growth is expected to continue to moderate throughout 2023.



NEW BUILDS

The stock of U.S. industrial properties is set to grow by 4% in 2023, marking the fastest pace of supply growth in more than three decades. In Q4 2022, construction starts are predicted to have slowed 30% to 40%.



LABOR & ECONOMY

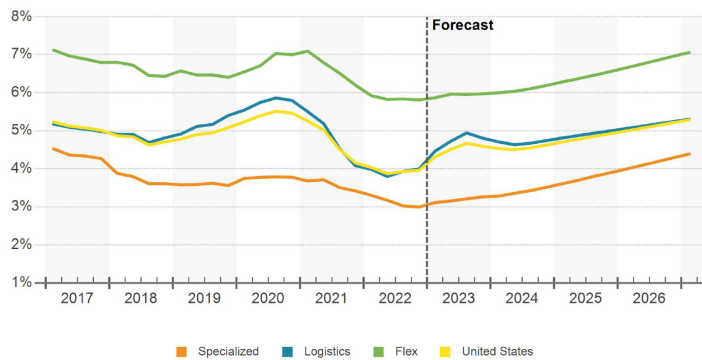
Consumer sentiment is unsteady as the odds of a recession are climbing. Inflation, shortages of material and labor, as well as supply chain issues have caused prices of consumer goods to rise significantly in recent months.

Industrial Leasing Outlook

Even with growing worries over an impending recession, the industrial market continued to perform strongly in Q4 2022. Inflation-adjusted retail sales and U.S. truck tonnage are very high relative to historic levels, while seaport imports are at a record high. Leasing activity in Q4 2022 was 60% higher than Q4 2019. With the U.S. economy expected to slow in 2023 on the back of 2022's abrupt interest rate hikes, leasing looks likely to continue to gradually moderate in the months ahead. At 10.7%, U.S. industrial rent growth remains near record highs on a year-over-year basis, but growth declined slightly for the second consecutive quarter after rising since Q1 2021.

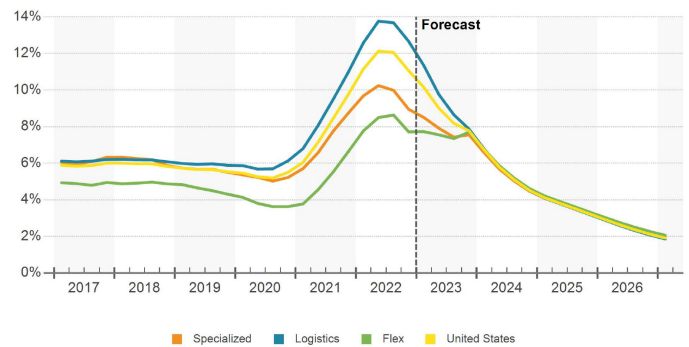
Leasing

VACANCY RATE

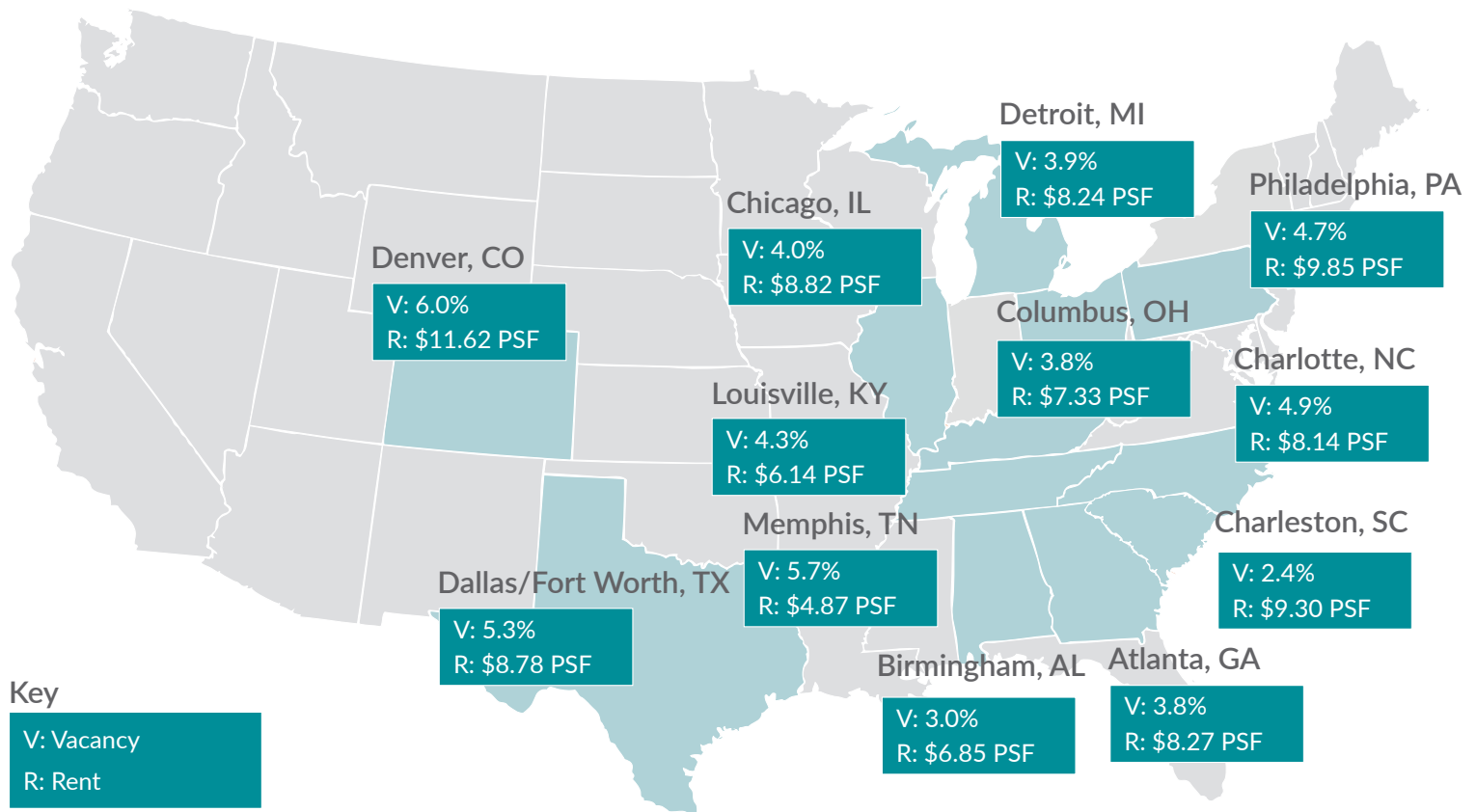


Rent

MARKET RENT GROWTH (YOY)



Metrics from Select Metros

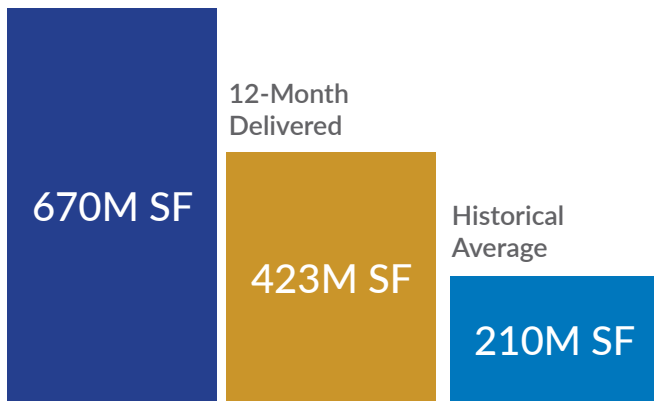


Industrial Construction & Deliveries

The stock of U.S. industrial properties is set to grow by approximately 4% in 2023, marking the fastest pace of supply growth in over three decades. This influx of newly delivered space is unlikely to shift the market to the tenant's favor as current space shortages exist across the country. While starts for U.S. industrial projects peaked during the first three quarters of 2022, Q4 2022 represented a 30% to 40% reduction in construction starts, most likely influenced by rising interest rates.

National Metrics

Under Construction

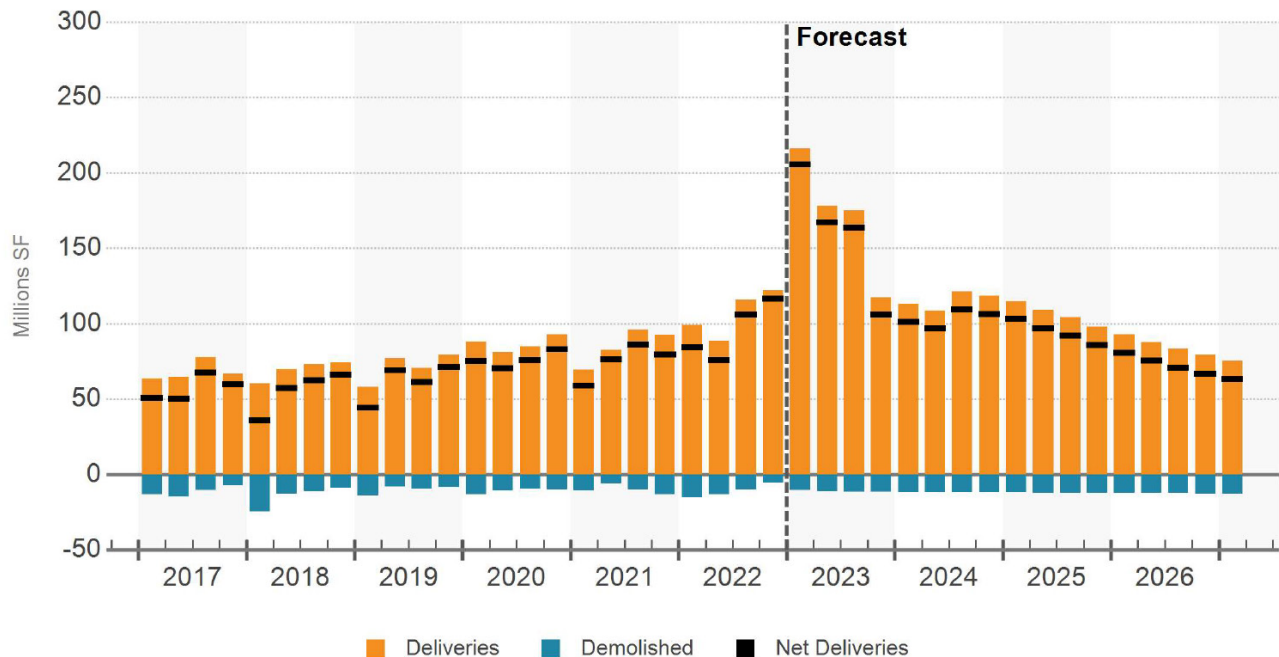


Metros Under Construction

Atlanta, GA 36.4M SF	Dallas/Ft. Worth, TX 84.9M SF
Birmingham, AL 0.5M SF	Denver, CO 8.3M SF
Charlotte, NC 22.7M SF	Detroit, MI 8.9M SF
Charleston, SC 11.8M SF	Louisville, KY 7.9M SF
Chicago, IL 37.4M SF	Memphis, TN 9.5M SF
Columbus, OH 22.1M SF	Philadelphia, PA 25.9M SF

Deliveries & Demolitions

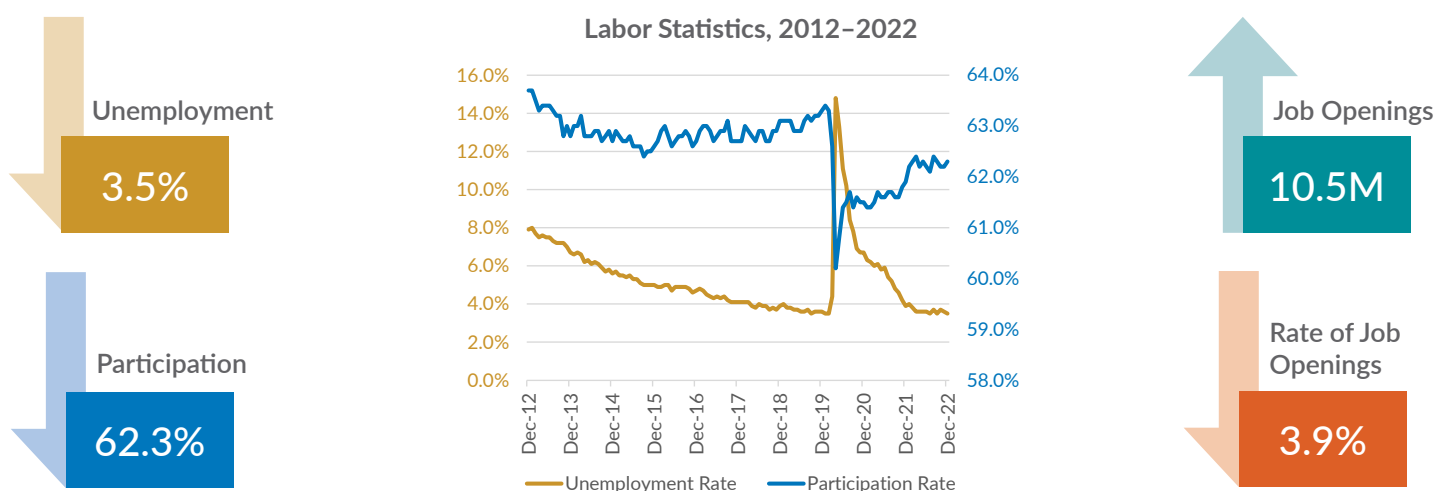
DELIVERIES & DEMOLITIONS



Economy

With the odds of the economy falling into a recession climbing, consumer sentiment is unsteady and threatens to derail consumer spending, which supports two-thirds of the U.S. economy. Shortages of materials, labor, supply chain disruptions, and inflation rates all contributed to rising prices. At 3.5%, the Q4 2022 unemployment rate hovers around its pre-pandemic level. With 10.5 million job openings in December 2022, there are almost two job vacancies for every unemployed worker.

National Labor Statistics



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Tenant & Buyer Representation

- Portfolio Optimization
- Site Selection
- Lease Administration
- Incentives



Owner's Representation

- Program Management
- Team Selection
- Master Budget & Schedule



Real Estate Consulting

- Strategic Planning
- Due Diligence
- Programming/Benchmarking

Contact

To learn more about your real estate market or to discuss your company's real estate needs, contact us today.

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