

U.S. Industrial Real Estate Market Summary | Q2 2023

Industrial Real Estate Statistics

	Logistics	Specialized	Flex Space	12-Month Rent Growth	Vacancy Rate	12-Month Net Absorption	Average Sales Price per SF
Vacancy	5.1%	3.0%	6.2%	8.8%	4.7%	276M SF	\$147.94 PSF
Rent	\$10.79 psf	\$11.17 psf	\$18.06 psf				

Executive Summary

The U.S. industrial real estate market is predicted to downshift from its record level of activity that has persisted since the pandemic. After a major accumulation of inventory space from fall of 2021 to fall of 2022 to keep pace with consumer demand, manufacturing organizations are pausing further growth due to the bleak economic outlook. In addition, oncoming new supply of industrial buildings is predicted to pacify tenant demand throughout 2023.



LEASING ACTIVITY

New industrial developments have inched up the industrial vacancy rate. The current industrial vacancy rate is 4.7%, compared to the 3.9% figure measured in mid-2022.



SALES

Institutional investors have grown more cautious about granting generous equity checks. To limit exposure, they are making smaller investments across a wider geography. The market is moving to a price discovery period where difficult financing terms create scrutiny in property values.



RENT

Rent growth is predicted to slow from the record high levels witnessed in mid-2022 and is predicted to further decrease due to the record level of buildings being delivered throughout 2023.



LABOR & ECONOMY

Many economic professionals predict a recession this year as a result of pulled-back consumer spending and decreased business investment. This is a direct result of higher borrowing costs and weakening demand. The Federal Reserve has raised lending rates by 500 basis points from near zero in March of 2022, marking the most aggressive tightening program in history.



NEW BUILDS

The stock of U.S. industrial buildings is set to rise by almost 4% in 2023, marking the fastest growth of supply in more than three decades. Construction starts have been sharply decelerating since fall 2022, with developers citing higher interest rates as the primary culprit.

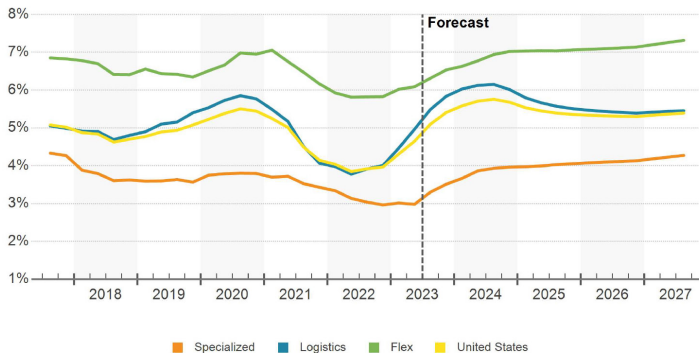


Industrial Leasing Outlook

Industrial activity on the west coast has been majorly impacted by the recent COVID-19 wave in China, as well as the impending risk of a strike from west coast dock workers. As a result, east coast ports have witnessed significant import growth. The 2022 passage of the CHIPS and Science Act coupled with additional federal incentives is expected to increase onshoring over the next several years. As the major wave of electric vehicle manufacturing takes prominence in the United States, Tier 2 and 3 suppliers are expected to follow major organizations to megasites.

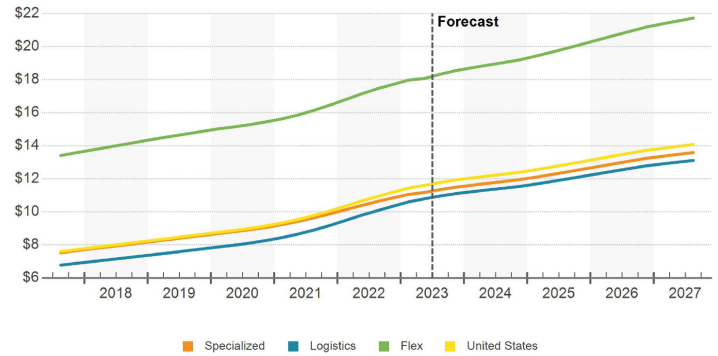
Leasing

VACANCY RATE

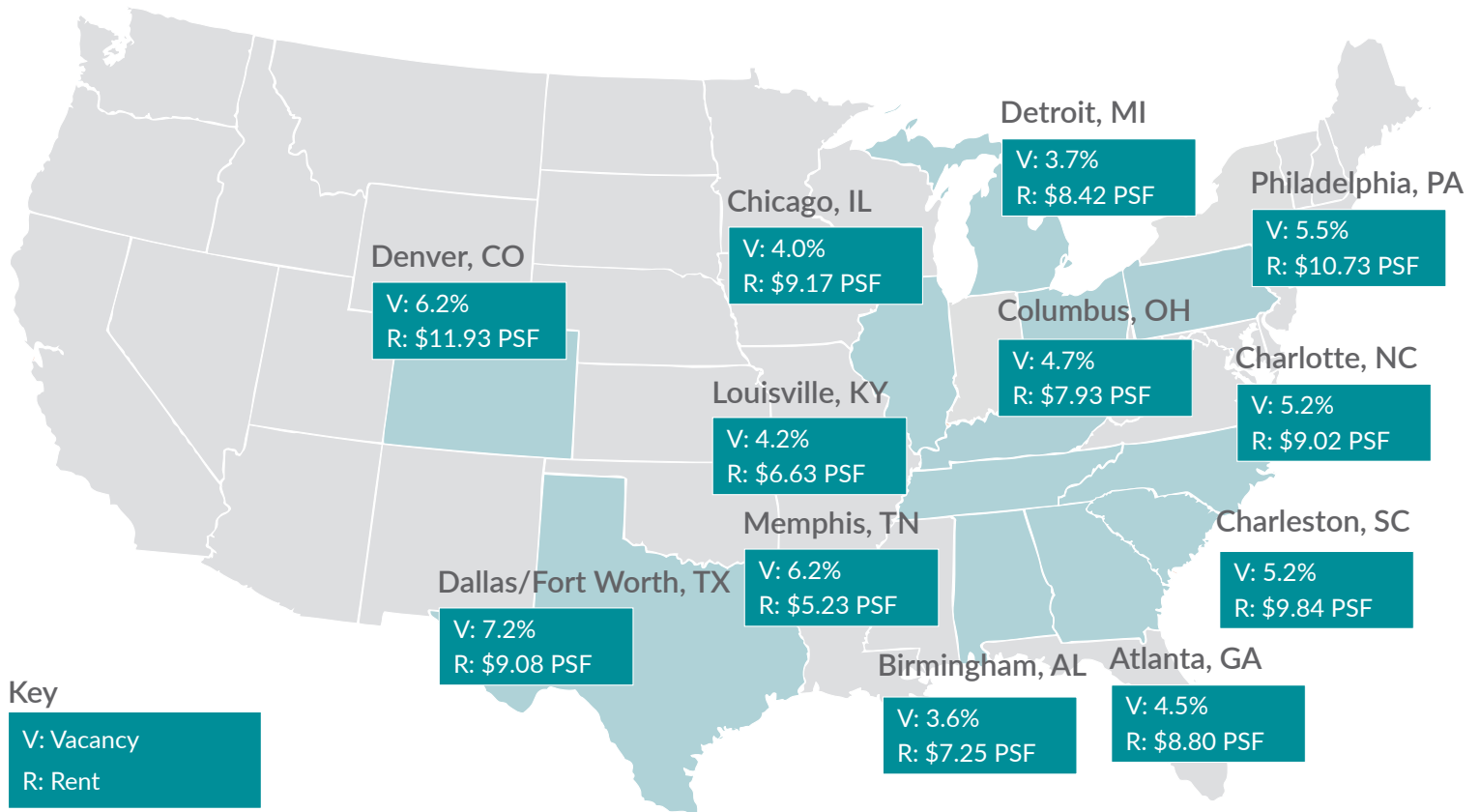


Rent

MARKET RENT PER SQUARE FEET



Metrics from Select Metros

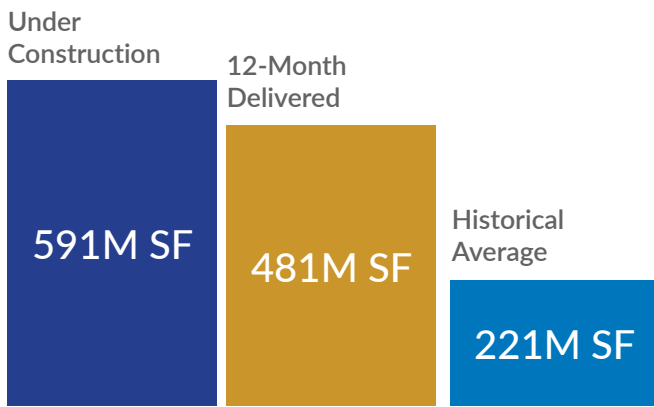




Industrial Construction & Deliveries

The stock of U.S. industrial buildings is set to rise by almost 4% in 2023, marking the fastest growth of supply in more than three decades. High interest rates have caused developers to slow on new projects by 30% to 40% in fall 2022 and winter 2023 compared to typical levels. The volume of space delivered in 2023 is only expected to moderate, not fully satisfy, tenant demand. Risk of oversupply is most prevalent in properties of 500,000 SF or larger, as speculative developers sought to scale efficiencies through major construction.

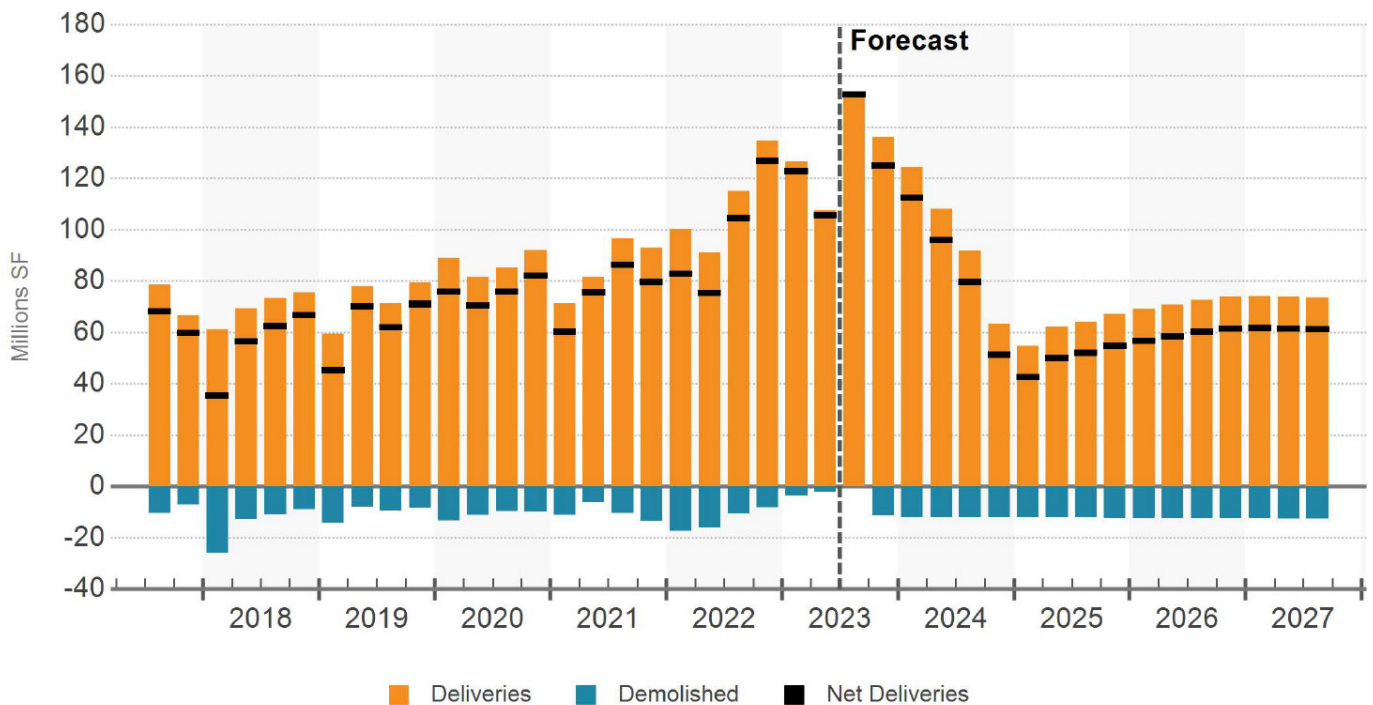
National Metrics



Metros Under Construction

Atlanta, GA 30.2M SF	Dallas/Ft. Worth, TX 64.0M SF
Birmingham, AL 0.1M SF	Denver, CO 10.8M SF
Charlotte, NC 20.5M SF	Detroit, MI 7.4M SF
Charleston, SC 11.5M SF	Louisville, KY 7.0M SF
Chicago, IL 35.8M SF	Memphis, TN 6.4M SF
Columbus, OH 13.7M SF	Philadelphia, PA 23.8M SF

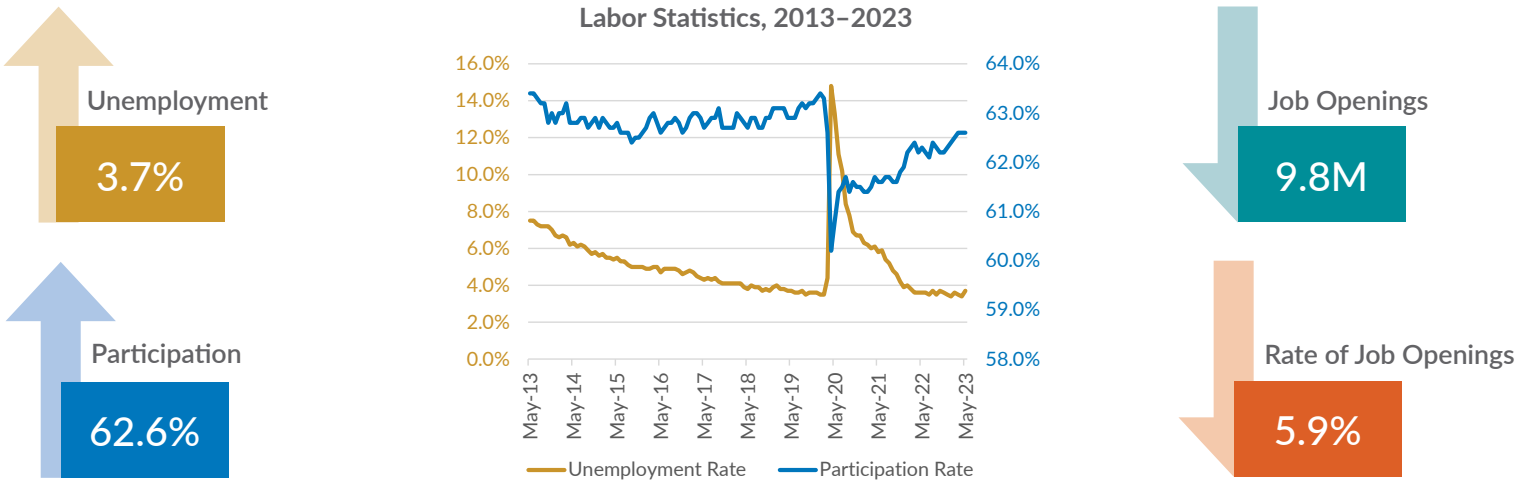
Deliveries & Demolitions



Economy

Many economic professionals predict a recession this year as a result of pulled-back consumer spending and decreased business investment. This is a direct result of higher borrowing costs and weakening demand for consumer goods. The Federal Reserve has raised lending rates by 500 basis points from near zero in March 2022, marking the most aggressive tightening program in history.

National Labor Statistics



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Plante Moran Cresa offers unbiased advocacy for companies looking to lease, buy, build, or develop a comprehensive real estate strategy that will align their company goals and real estate. Here's how we serve industrial space users:



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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