

U.S. Industrial Real Estate Market Summary | Q1 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	4.6%	3.0%	6.2%	9.9%	4.4%	342M SF	\$154.54 PSF
Rent	\$10.54 psf	\$10.99 psf	\$17.93 psf				

Executive Summary

After several quarters of record-breaking performance, the industrial real estate market is predicted to decelerate moderately throughout 2023. This is heavily influenced by the the record amount of speculative development expected to enter the market this year. While activity is expected to subdue, all signs point to the industrial real estate market's continued impressive performance.



LEASING ACTIVITY

The completion of new industrial developments has caused the national vacancy rate to rise from the record low 3.9% in mid-2022 to 4.4%. The market is still performing incredibly well related to the 20-year vacancy average of 7.3%.



SALES

Sales and cap rates held up remarkably well through 2022, even as commercial mortgage rates essentially doubled. The gap between highest purchase price and lowest sale price has widened as buyers seek to remedy the increased cost of capital and sellers remain faithful to heightened demand.



RENT

Industrial rent growth remains strong at 9.9%, but has fallen slightly from the 2022 Q4 figure of 10.7%. On a quarterly basis, rent growth has decelerated from 3% in mid-2022 to 2% in Q1 2023.



LABOR & ECONOMY

The U.S. economy is still expanding, but signs of slowing are becoming more evident as the Federal Reserve boosts interest rates to tackle inflation that is still stubbornly high. With a pullback of consumer spending and business investment, many are expecting the economy to tip into a recession this year.



NEW BUILDS

The total inventory of U.S. industrial properties is set to increase by 4% in 2023, marking the most amount of annual supply growth in more than three decades.

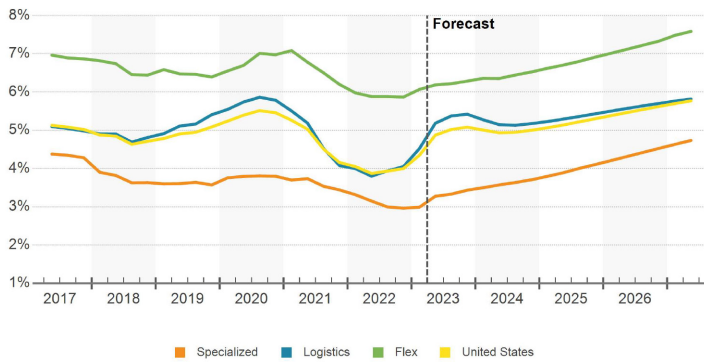


Industrial Leasing Outlook

Throughout 2023, a record number of new building deliveries is expected to pacify an elevated industrial space demand that has been present since the pandemic. With an excess of development activity, rental growth is not expected to reaccelerate in the near future. Spurred by recent legislative support and generous incentive packages, the onshoring/reshoring of high-tech manufacturing should help keep net absorption positive for the next several years. Major suppliers are following their key customers to “megasites” across the country, leading to a significant amount of development in non-urban areas.

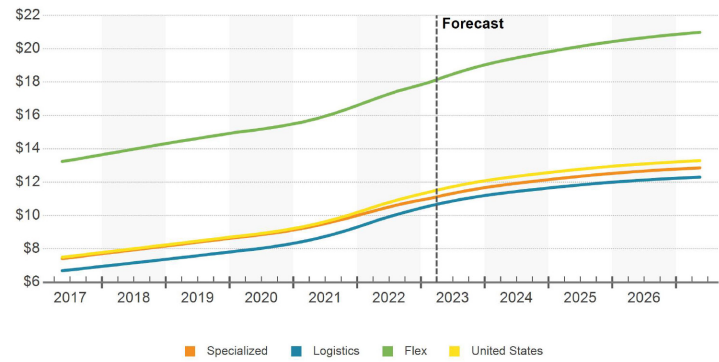
Leasing

VACANCY RATE

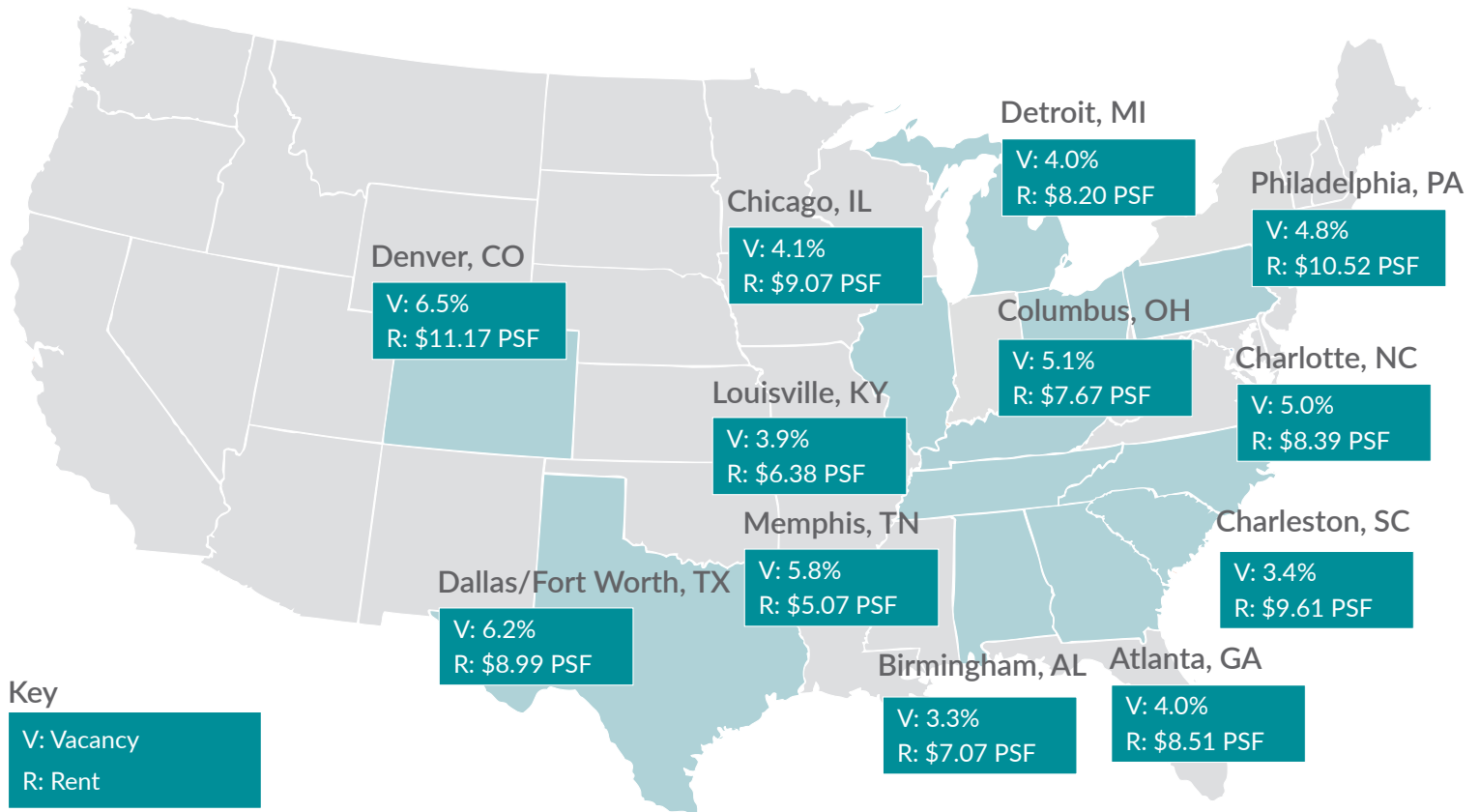


Rent

MARKET RENT PER SQUARE FEET



Metrics from Select Metros



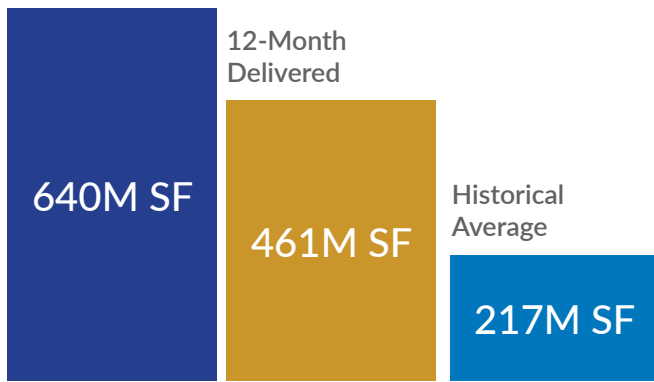


Industrial Construction & Deliveries

The total inventory of U.S. industrial properties is set to increase by 4% in 2023, marking the most amount of annual supply growth in more than three decades. While groundbreakings on industrial projects peaked in the first three quarters of 2022, higher interest rates have caused developers to decline construction starts by 30% to 40% in Q1 2023. New developments are anticipated to moderately increase vacancy without dramatically shifting the market in the tenant's favor. Risk of oversupply is most relevant in properties over 500,000 SF.

National Metrics

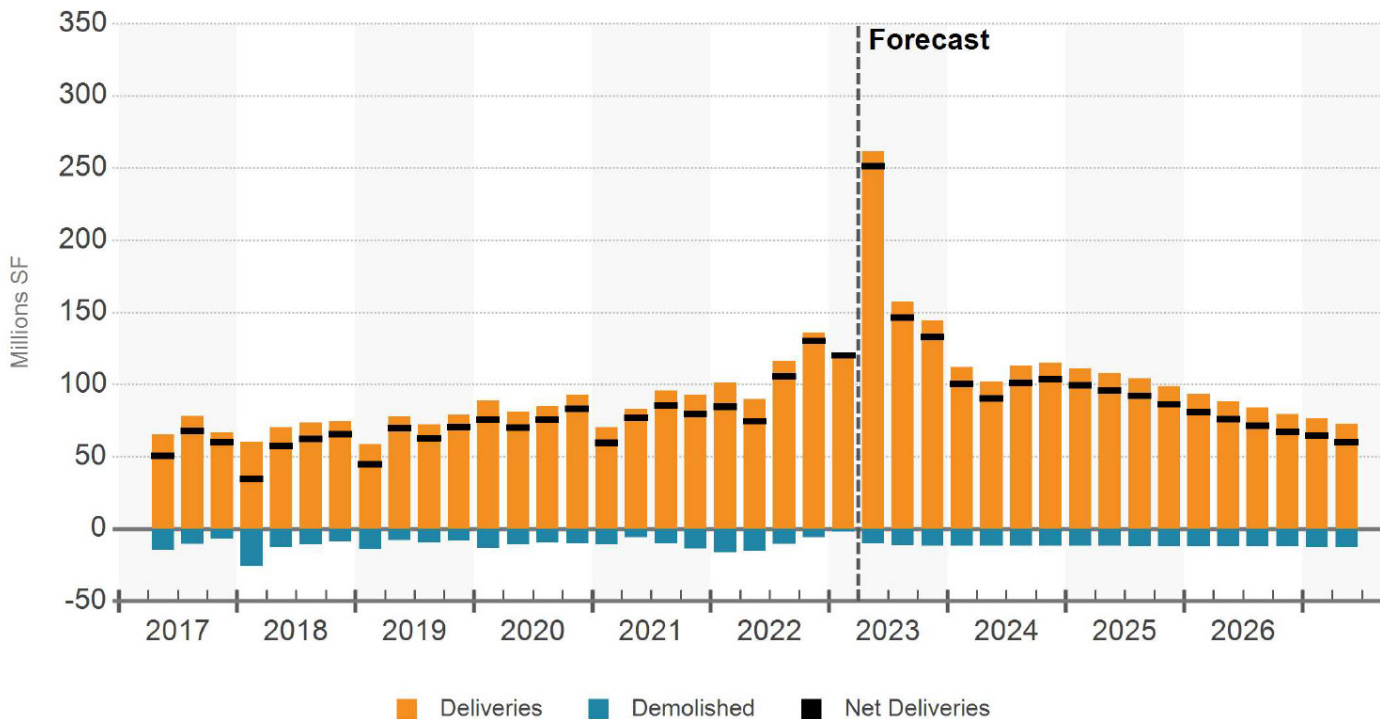
Under Construction



Metros Under Construction

Atlanta, GA 31.8M SF	Dallas/Ft. Worth, TX 76.7M SF
Birmingham, AL 0.3M SF	Denver, CO 8.9M SF
Charlotte, NC 22.2M SF	Detroit, MI 8.2M SF
Charleston, SC 11.9M SF	Louisville, KY 6.4M SF
Chicago, IL 39.9M SF	Memphis, TN 8.2M SF
Columbus, OH 15.7M SF	Philadelphia, PA 26.6M SF

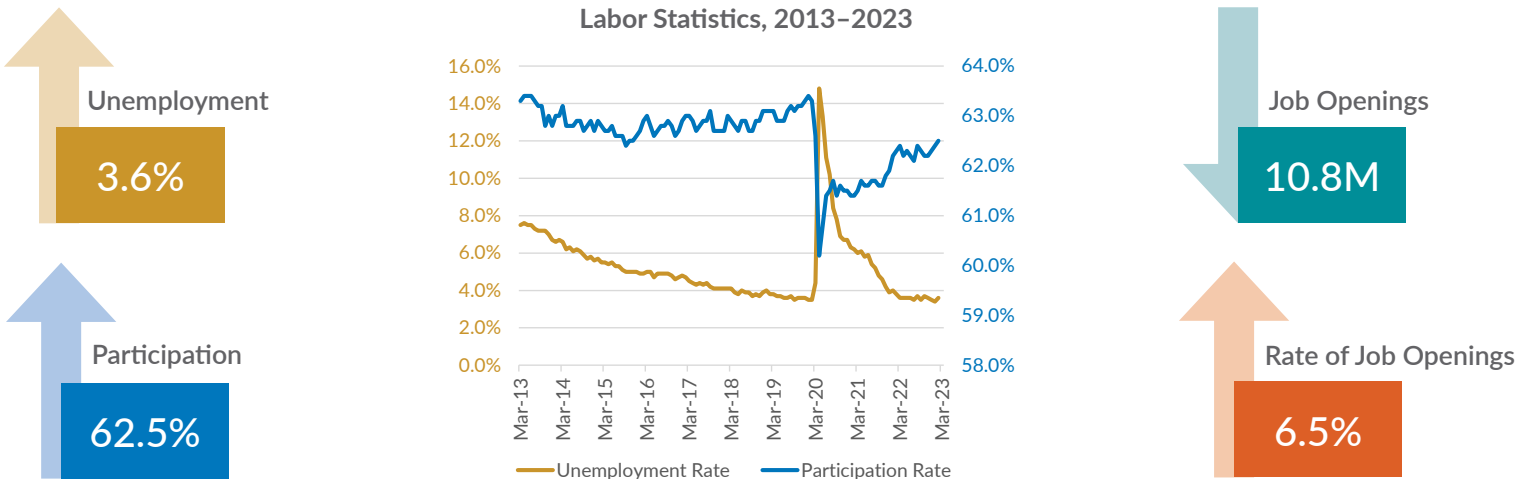
Deliveries & Demolitions



Economy

The U.S. economy is still expanding, but signs of slowing are proliferating as the Federal Reserve boosts interest rates to tackle inflation that is still stubbornly high. With a pullback of consumer spending and business investment, many are expecting the economy to tip into a recession by the end of the year. With COVID relief payments in the rear-view mirror, consumer spending is expected to moderate. Hiring freezes and impending layoffs are widespread across industries.

National Labor Statistics



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About Plante Moran Cresa

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:

	<p>Tenant & Buyer Representation</p> <ul style="list-style-type: none"> Portfolio Optimization Site Selection Lease Administration Incentives 		<p>Owner's Representation</p> <ul style="list-style-type: none"> Program Management Team Selection Master Budget & Schedule 		<p>Real Estate Consulting</p> <ul style="list-style-type: none"> Strategic Planning Due Diligence Programming/Benchmarking
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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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