

# U.S. Industrial Real Estate Market Summary | Q4 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	6.5%	3.4%	6.7%	6.1%	5.8%	129M SF	\$151.15 PSF
Rent	\$11.04 <sub>psf</sub>	\$11.37 <sub>psf</sub>	\$18.24 <sub>psf</sub>				

## Executive Summary

U.S. industrial market performance continues to downshift heading into 2024. The national vacancy rate is not expected to rise above its 20-year average of 7.3%. Net absorption has remained positive but continued to lose steam, with the second half of 2023 registering the lowest third and fourth quarter absorption tallies in 13 years. One silver lining is that very early signs of a stabilization and eventual recovery in tenant demand are already emerging.



### LEASING ACTIVITY

Accelerating completions of new industrial developments have caused the U.S. industrial vacancy rate to rise from a record low 3.9% in mid-2022 to 5.8% as of 2024. This is still below the market's 20-year average vacancy rate of 7.3%.



### SALES

The industrial investment market returned to its pre-COVID sales volume in the third quarter, with just over \$44 billion trading in the first nine months of the year. However, the pace of individual transactions decelerated as trailing 12-month closings fell 36% compared to the same period in 2022. This slowdown highlights the lingering impacts of rising interest rates and uncertainties around asset pricing.



### RENT

U.S. industrial rent growth has decelerated significantly from the record highs set during the pandemic. Year-over-year national rent growth still stands at a healthy 6.1%; however, most of these year-over-year gains were achieved in early 2023.



### LABOR & ECONOMY

Expectations for the U.S. economy to fall into recession this year have not been met. With the Federal Reserve adding 5.25 percentage points to its overnight lending rate, most market observers had forecast a recession to begin by mid-year. The economy surged in the third quarter, growing by 4.9%. Many economists now see the Fed engineering a "soft landing" and avoiding a recession entirely.



### NEW BUILDS

The stock of U.S. industrial buildings is set to rise by almost 3% in 2023, marking the fastest growth of supply in more than three decades. Construction starts have been sharply decelerating since the fall of 2022, with developers citing higher interest rates as the primary culprit.

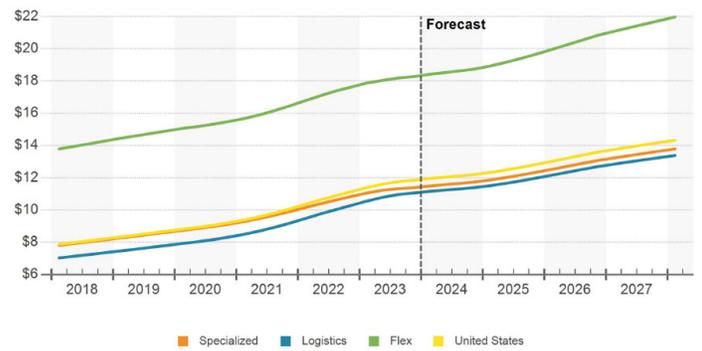
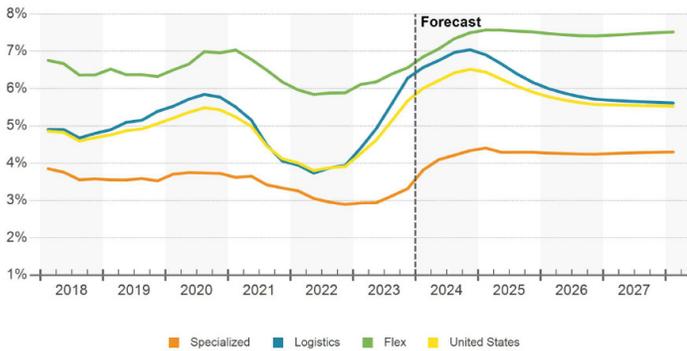


# Industrial Leasing Outlook

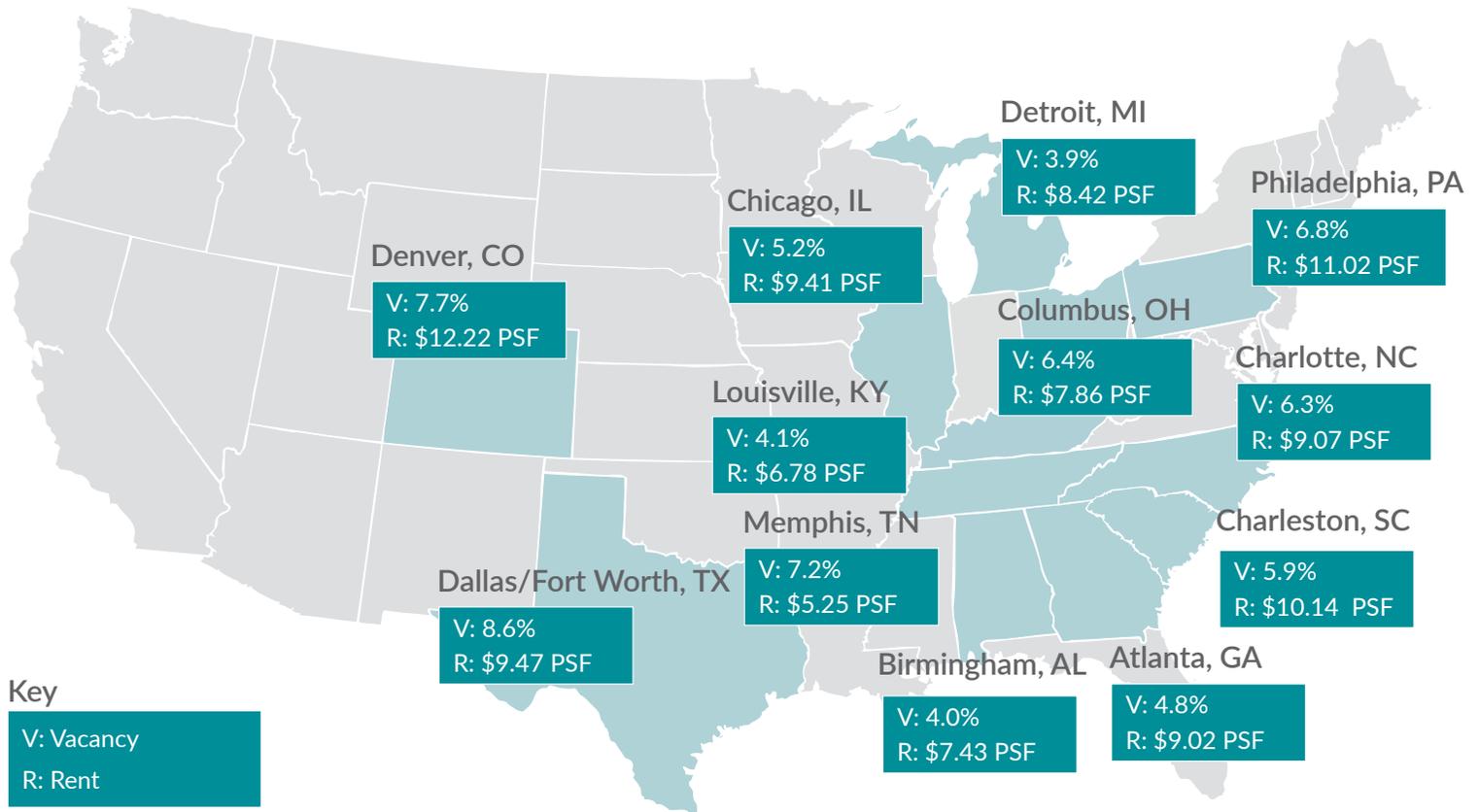
While U.S. imports have been declining since November 2022, the slowdown has been most pronounced at major West Coast ports, after year-long contract negotiations and threats of strike by the West Coast dockworkers union. The recent agreement on a new six-year contract may help stabilize tenant demand in these markets in the months ahead. Onshoring of high-tech manufacturing will likely be a key driver of leasing from 2024 to 2026. The 2022 passage of the CHIPS and Science Act and the Inflation Reduction Act approved over \$400 billion worth of incentives for growth in U.S.-based high-tech manufacturing sector.

## Leasing

## Rent



# Metrics from Select Metros



**Key**

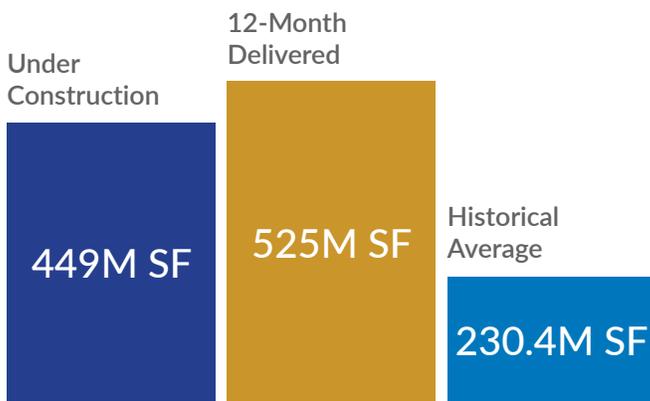
- V: Vacancy
- R: Rent



# Industrial Construction & Deliveries

The stock of U.S. industrial properties is now growing at its fastest pace in more than three decades. Over the past 12 months, the total stock of U.S. industrial space has grown by 2.8%, almost triple the pre-pandemic 20-year average for annual supply growth. New deliveries will likely remain elevated for the next six to nine months, driving the national vacancy rate higher. Risk of oversupply is most prevalent in properties of 500,000 SF or larger, as speculative developers sought to scale efficiencies through major construction.

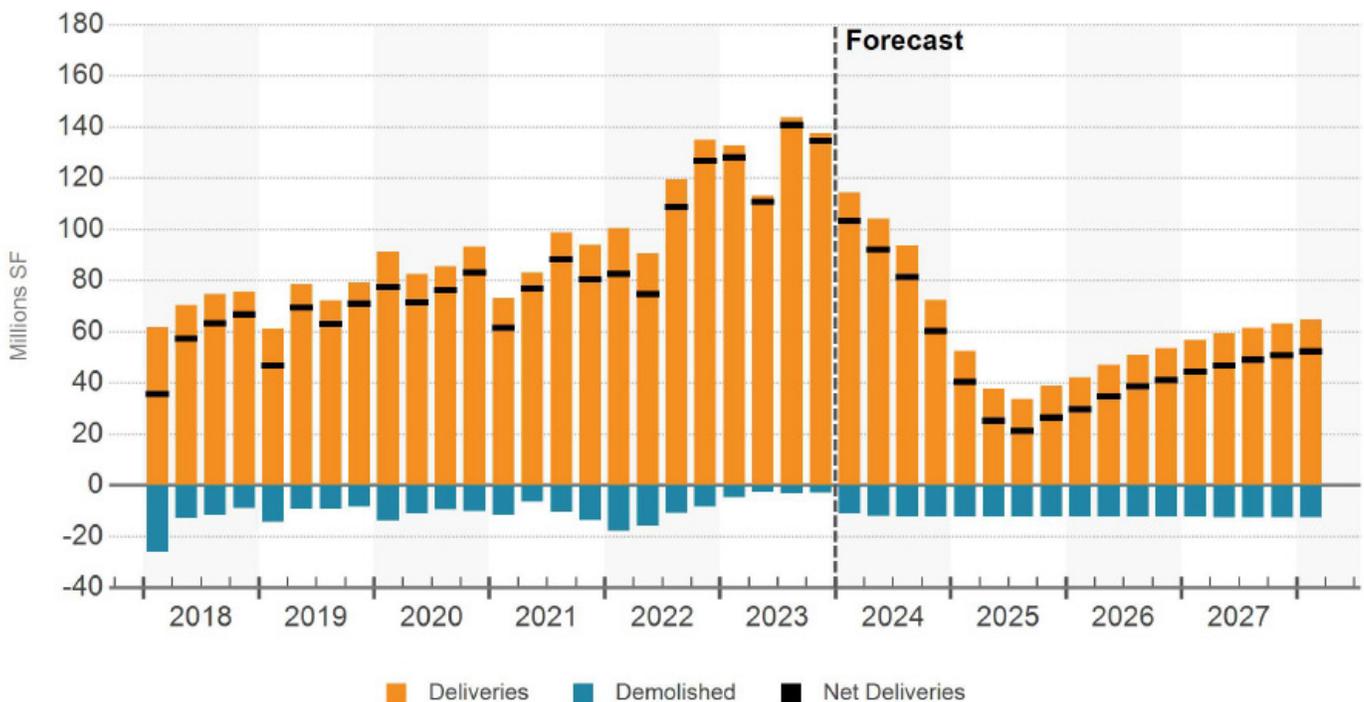
## National Metrics



## Metros Under Construction

Atlanta, GA   20.1M SF	Dallas/Ft. Worth, TX   43.1M SF
Birmingham, AL   974K SF	Denver, CO   8.9M SF
Charlotte, NC   15.6M SF	Detroit, MI   4.8M SF
Charleston, SC   8.6M SF	Louisville, KY   6.8M SF
Chicago, IL   18.7M SF	Memphis, TN   1.8M SF
Columbus, OH   10.8M SF	Philadelphia, PA   12M SF

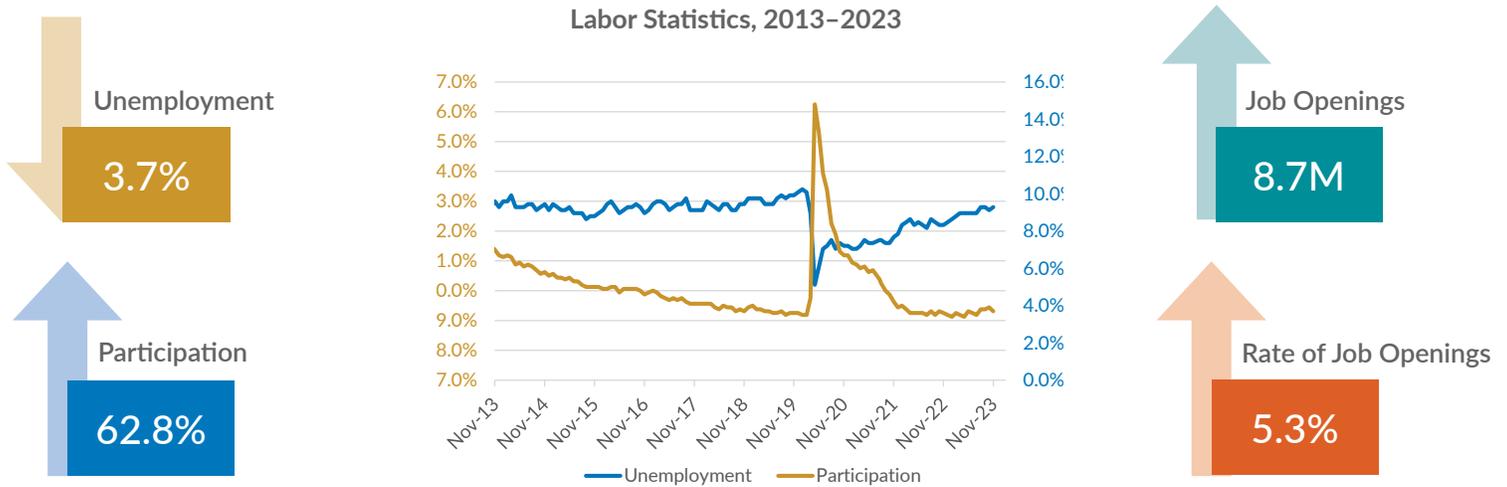
## Deliveries & Demolitions



## Economy

Despite tightening financial conditions and higher business costs, the U.S. economy has remained resilient. The Federal Reserve has made some headway in its attempt to tamp inflation down as its preferred measure of inflation, the personal consumption expenditures (PCE) price index, eased from its peak of 7.1% in June 2022 to 3.0% in October of this year. Recent revisions to economic data show that households have been spending at a slower pace than previously reported and business investment has weakened more in response to higher borrowing costs. These trends are expected to continue, slowing the economy in coming months.

### National Labor Statistics



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## About Plante Moran Realpoint

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

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