

U.S. Industrial Real Estate Market Summary | Q3 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	5.7%	3.2%	6.5%	7.4%	5.2%	222M SF	\$150.53 PSF
Rent	\$10.94 psf	\$11.27 psf	\$18.16 psf				

Executive Summary

The U.S. industrial real estate market is downshifting 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 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 5.2%, 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 have pushed back expectations of a mild recession but still see one to begin this year or next 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 525 basis points from near zero in March of 2022, marking the most aggressive tightening program in history.



NEW BUILDS

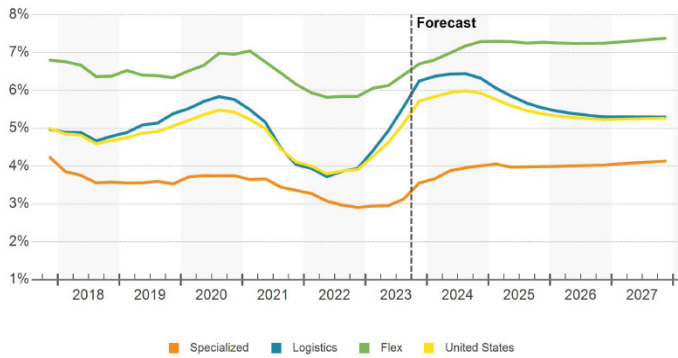
The stock of U.S. industrial buildings is set to rise by almost 3% in 2023, marking the fastest growth of supply in more than three decades. Construction starts have been sharply decelerating since the fall of 2022, with developers citing higher interest rates as the primary culprit.



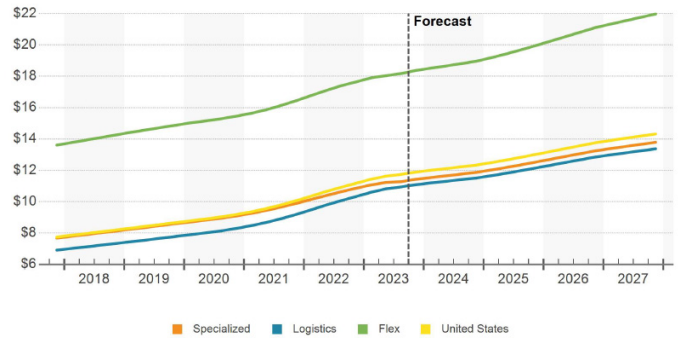
Industrial Leasing Outlook

Industrial activity on the west coast has been majorly impacted by 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.

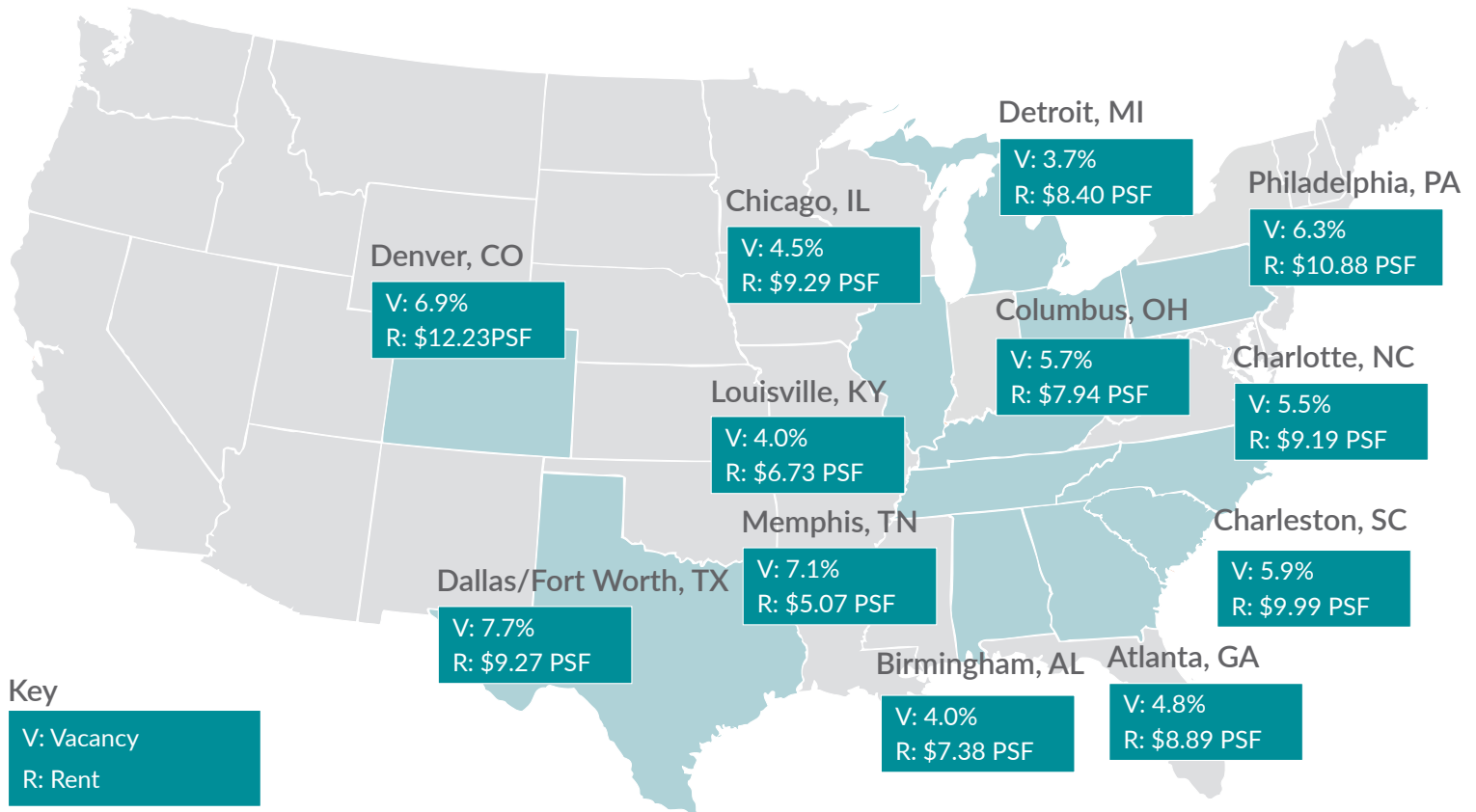
Leasing



Rent



Metrics from Select Metros

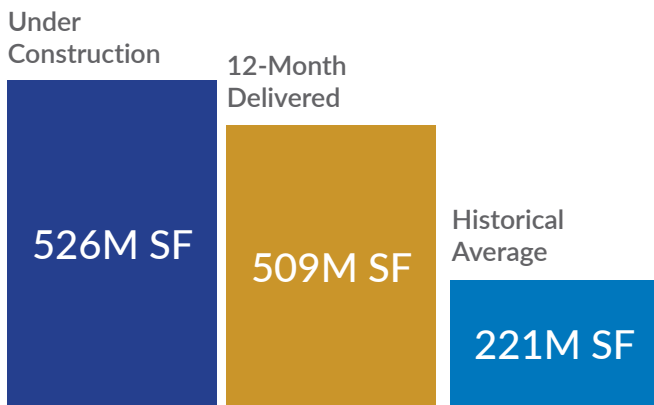




Industrial Construction & Deliveries

The stock of U.S. industrial buildings is set to rise just over 3% in 2023, marking the fastest growth of supply in more than three decades. High interest rates have caused developers to slow on new projects, with industrial construction starts down 50% in 2023 compared to 2022. The volume of space under construction is driving a moderate increase in vacancy, but not dramatically shifting the market in tenants' favor. Risk of oversupply is most prevalent in properties of 500,000 SF or larger, as speculative developers sought to scale efficiencies through major construction.

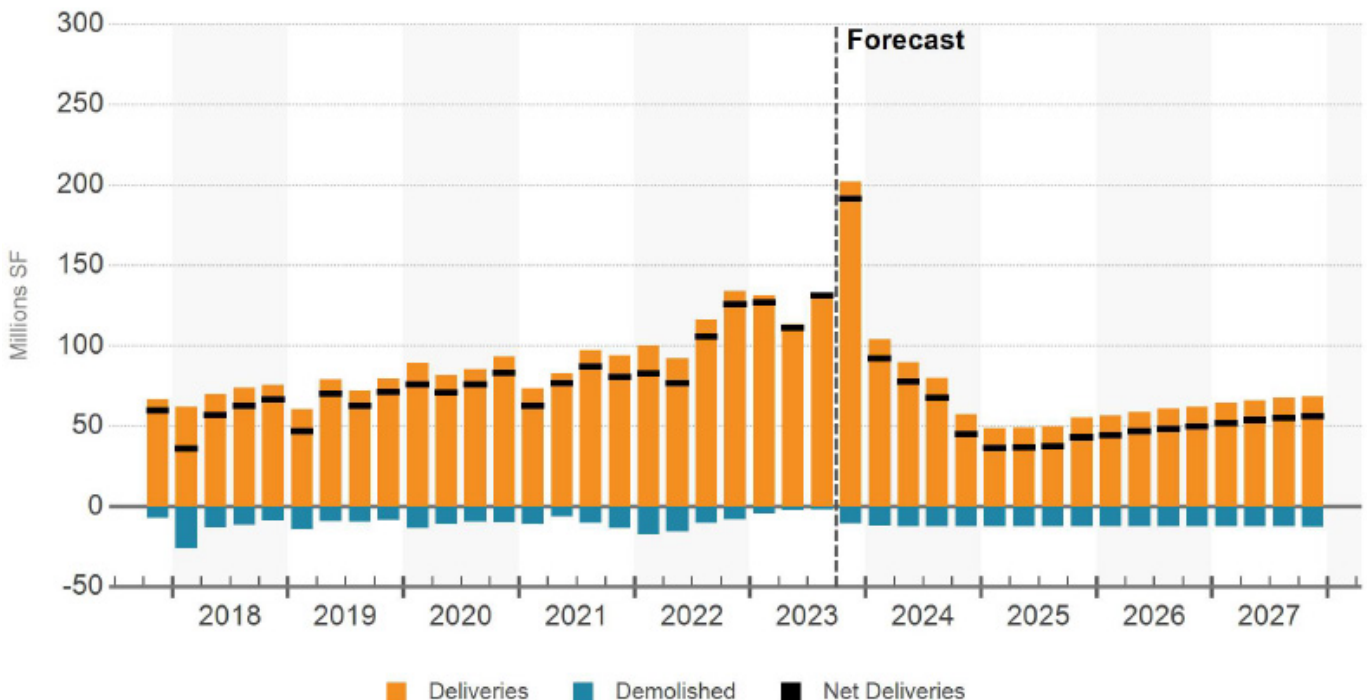
National Metrics



Metros Under Construction

Atlanta, GA 25.4M SF	Dallas/Ft. Worth, TX 52.M SF
Birmingham, AL (1.4)M SF	Denver, CO 11.2M SF
Charlotte, NC 17.2M SF	Detroit, MI 5.4M SF
Charleston, SC 3.1M SF	Louisville, KY 5.0M SF
Chicago, IL 28.2M SF	Memphis, TN 2.1M SF
Columbus, OH 13.4M SF	Philadelphia, PA 17M SF

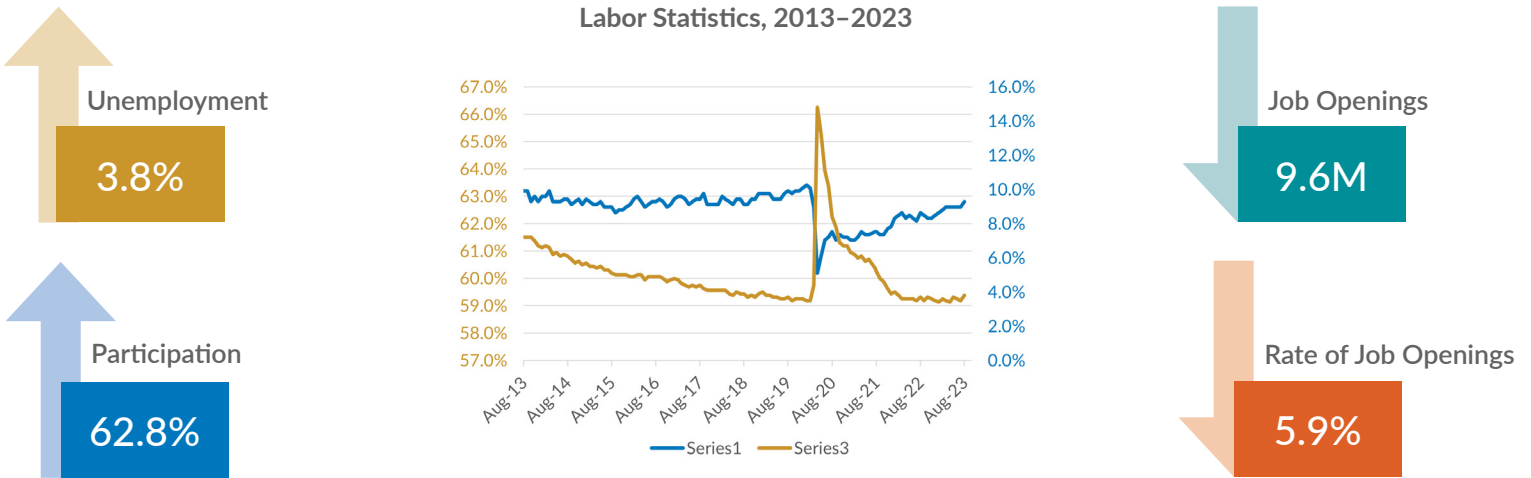
Deliveries & Demolitions



Economy

The U.S. economy has remained resilient as the Federal Reserve raises interest rates to cool inflation. Economic growth was stronger than expected. Economists have pushed back expectations of a mild recession but still see one beginning later this year. This is a direct result of higher borrowing costs and weakening demand for consumer goods. The Federal Reserve has raised lending rates by 525 basis points from near zero in March 2022, marking the most aggressive tightening program in history.

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 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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