

Real Estate Market Report

Industrial | Q2 2024



Executive Summary

As we move into the latter half of 2024, the U.S. industrial market is showing signs of moderation. Although the national vacancy rate is anticipated to remain close to its 20-year average of 7.1%, the upcoming 6 to 12 months may be the most difficult period for the market in the next five years. The influx of new supply is expected to increase vacancies in the short term, which many believe will lead to the slowest rent growth since 2012.

Industrial Real Estate Statistics

National Average	Logistics	Specialized	Flex Space
6.6% Vacancy	7.4% Vacancy	3.7% Vacancy	7.2% Vacancy
\$12.00 Rent psf	\$11.18 Rent psf	\$11.58 Rent psf	\$18.57 Rent psf

4%
12-Month
Rent Growth

\$511M
12-Month Delivered
Construction

101M SF
12-Month Net
Absorption

\$150 PSF
Average Sales
Price per SF

Leasing Activity

U.S. industrial net absorption has remained positive but has noticeably decelerated over the past six months. Nevertheless, the industrial tenant base continues to expand.

New Builds

The U.S. industrial market is approaching the end of a record-making development phase. Quarterly net supply additions are projected to fall below the pre-pandemic three-year average by late 2024 and reach a 10-year low by the latter half of 2025.

Rent

U.S. industrial rent growth has slowed from the record highs seen during the pandemic. There is a risk that rent growth may fall below pre-pandemic levels in the coming months.

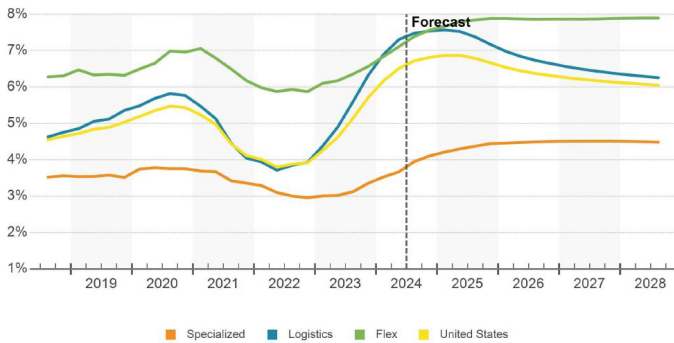
Labor & Economy

Economic activity and job growth are projected to slow through 2024 as the effects of higher interest rates take hold. Price increases in core services, excluding housing services, keep the Federal Reserve vigilant for potential inflation acceleration.

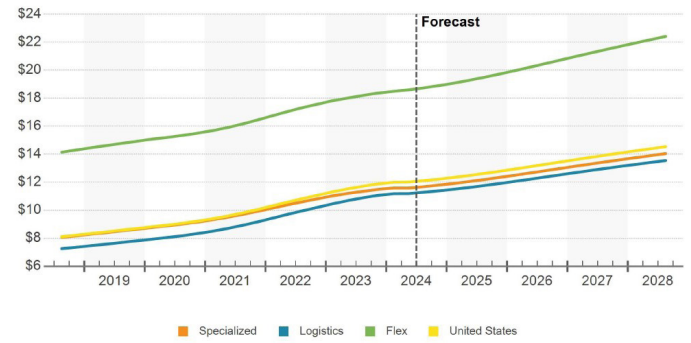
Leasing Outlook

U.S. industrial net absorption has remained positive but has noticeably decelerated over the past six months. Nevertheless, the industrial tenant base continues to expand. While a potential stagnation in consumer spending poses downside risks to net absorption, the reshoring of high-tech manufacturing to the United States could become a key driver of leasing throughout 2026.

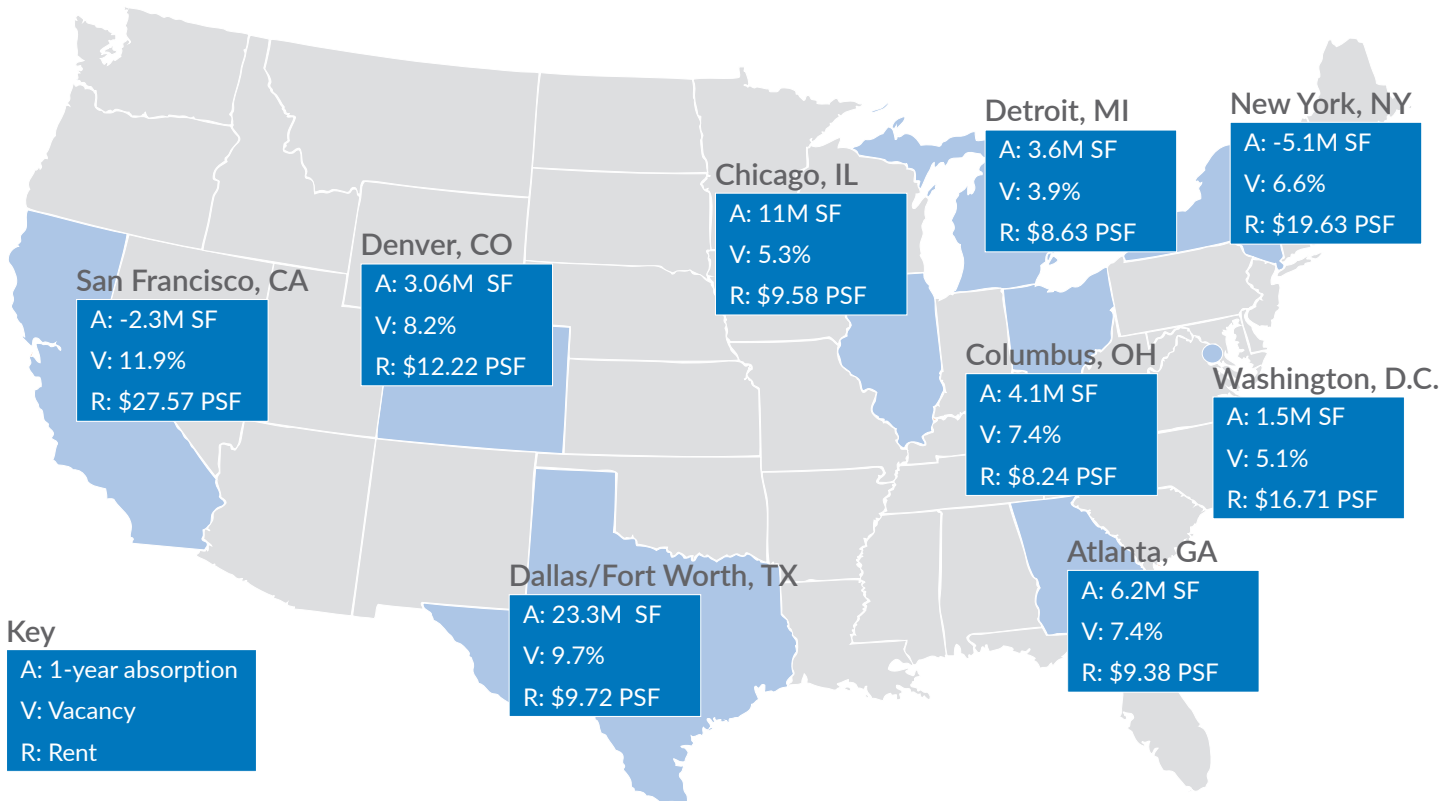
Leasing



Rent



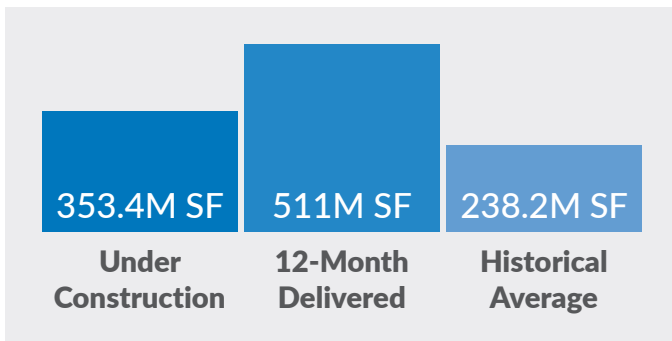
Metrics from Select Metros



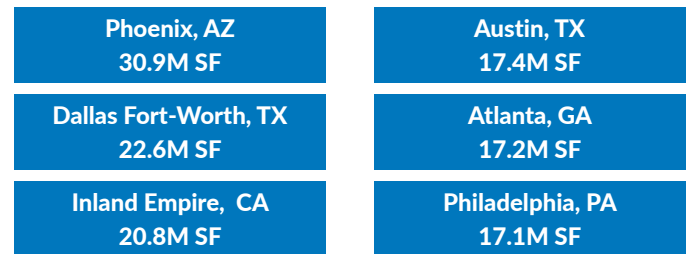
Construction & Deliveries

The U.S. industrial market is approaching the end of a record-making development phase. The volume of projects finishing construction each month should remain elevated through summer; however, quarterly net supply additions are projected to fall below the pre-pandemic three-year average by late 2024 and reach a 10-year low by the latter half of 2025. U.S. industrial construction starts peaked in mid-2022. Since peaking, starts have been on a steady decline due to higher short-term interest rates and reduced absorption rates.

National Metrics



Top Metros Under Construction



Construction Cost Index

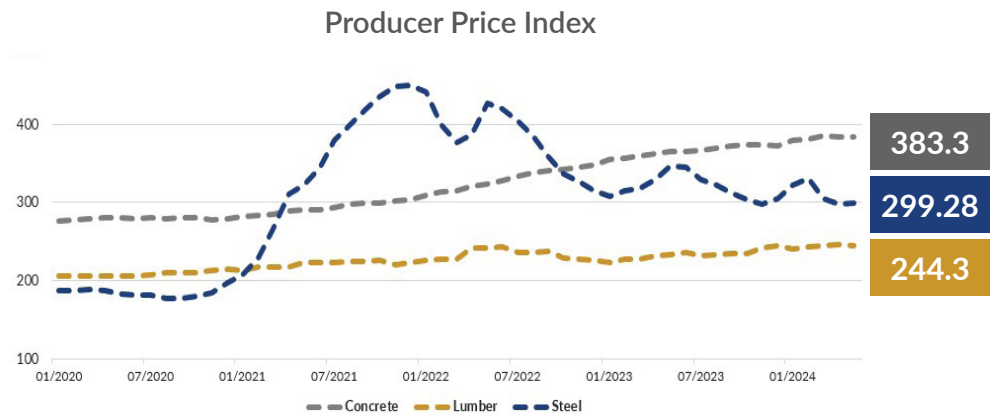
+1.5% Over Year

Materials Cost Index

+5.3% Over Year

Cost of Materials

Increases in the cost of construction materials and higher interest rates are leading to more expensive construction projects. As determined by the U.S. Bureau of Labor Statistics, the Producer Price Index (PPI) for concrete, lumber, and steel has increased by 35.3%, 19.0%, and 65.1%, respectively, since January 2020. Steel saw the most fluctuation since that time, hitting a high of 449.7 in December 2021.



The PPI for concrete and lumber are up 5% to 4.6%, respectively, over last year, while steel has seen a modest 3% decrease. Since last month, concrete has remained the same at -0.3%, lumber is down 0.2%, and steel is down 4%.

Economy

The U.S. economy decelerated in the first quarter of the year following a strong second half of 2023. This slowdown was primarily due to reduced household spending growth, which has persisted into the second quarter. The labor market is also experiencing a downturn, with the unemployment rate rising to 4% and increases in both initial and continuing claims for unemployment benefits. The Federal Reserve's monetary tightening has impacted inflation, but economic activity and job growth are expected to slow throughout 2024 as higher interest rates take hold. Price increases in core services, excluding housing services, keep the Federal Reserve vigilant for potential inflation acceleration.

National Labor Statistics

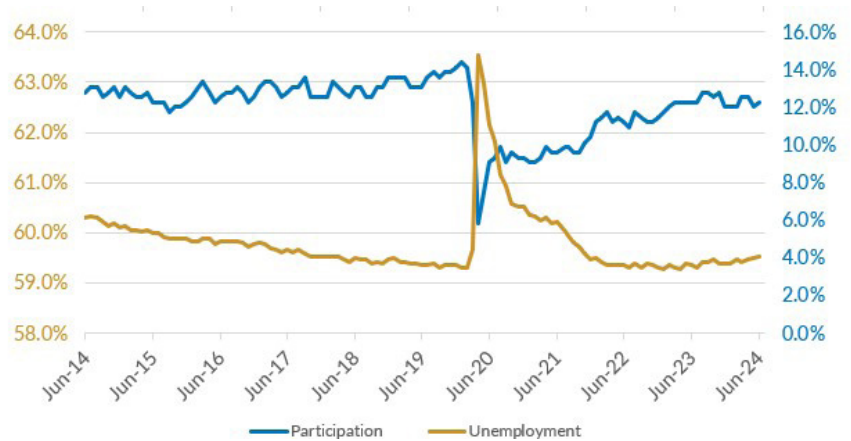
+4.1% Unemployment

+62.6% Participation

+8.1M Job Openings

+4.9% Rate of Job Openings

Labor Statistics, 2014-2024



About Plante Moran Realpoint

Plante Moran Realpoint offers unbiased advocacy for companies looking to lease, buy, build, invest, or develop a real estate strategy that will align their company goals and real estate. Learn more at pmrealpoint.com/industrial.

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



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