

Real Estate Market Report

Industrial | Q3 2024



Executive Summary

The U.S. industrial market has experienced eight consecutive quarters of rising vacancy rates, favoring tenants. Net absorption has improved for the first time in over five quarters, yet it remains below historical standards. Vacancy rates are projected to peak near 7% by mid-2025, with rent growth likely to accelerate as supply tightens.

Industrial Real Estate Statistics

National Average	Logistics	Specialized	Flex Space
6.7% Vacancy	7.5% Vacancy	3.7% Vacancy	7.4% Vacancy
\$12.03 Rent per SF	\$11.16 Rent per SF	\$11.63 Rent per SF	\$18.73 Rent per SF

3.0%
12-Month
Rent Growth

\$437M
12-Month Delivered
Construction

98.3M 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 in early 2025, hitting a 10-year low by the end of the year.

Rent

U.S. industrial rent growth has slowed from the record highs seen during the pandemic, reaching 2.9%, a rate far below the pre-pandemic five-year average.

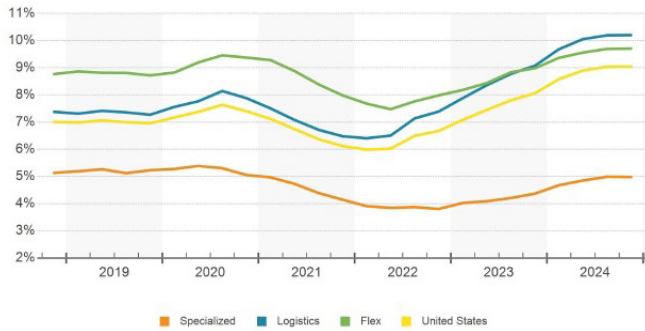
Labor & Economy

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.

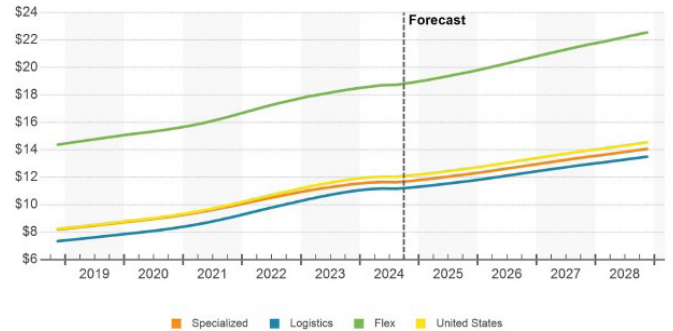
Leasing Outlook

U.S. industrial net absorption has improved for the first time in over five quarters, yet it remains below historical standards. Tenant demand is growing, spurred by retail spending and imports, although tariff risks continue to pose challenges. Despite these improvements, the recovery is projected to be slow, with net absorption not expected to increase each quarter over the next year.

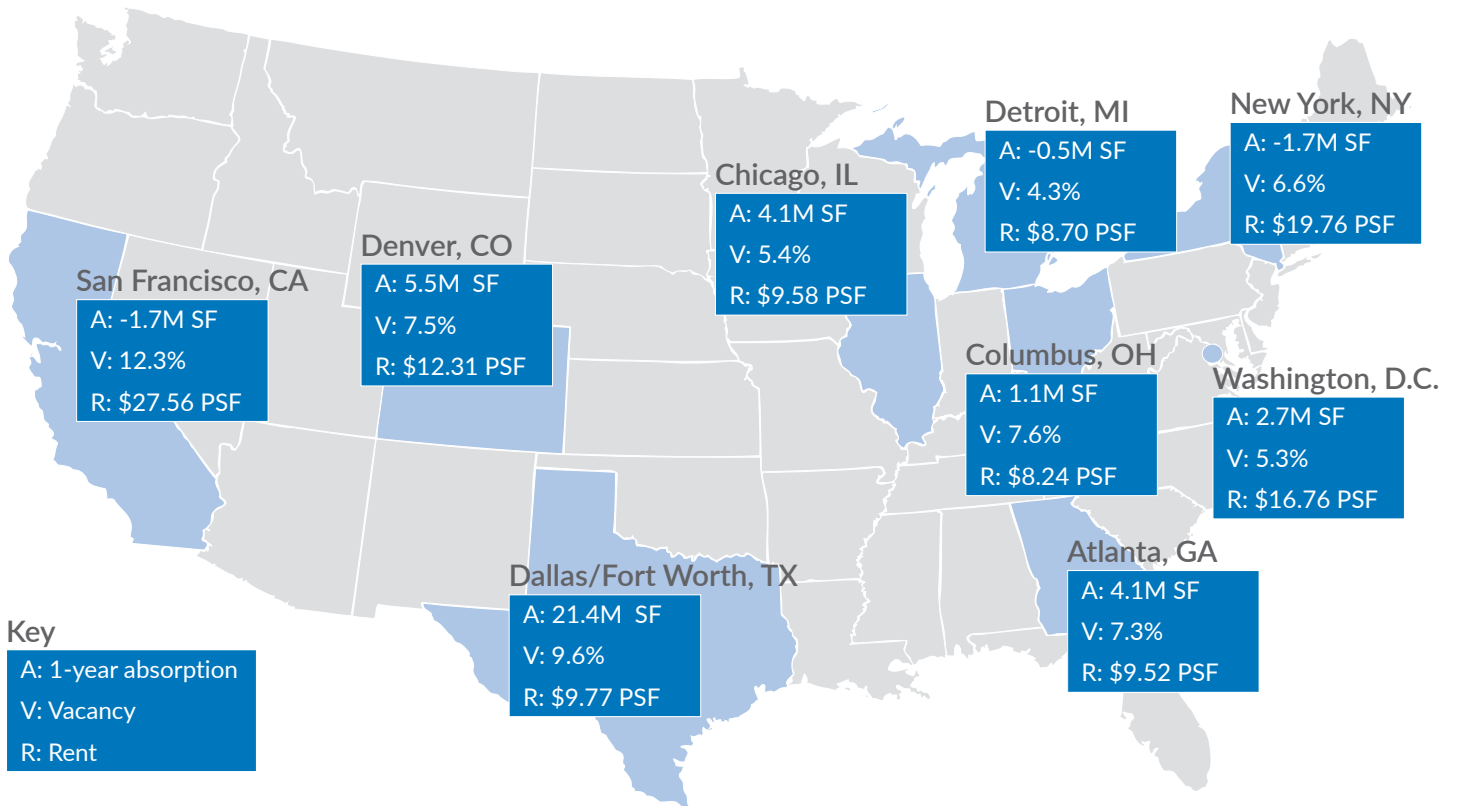
Leasing



Rent



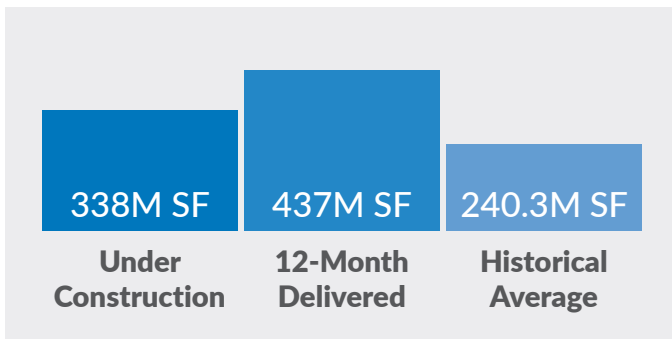
Metrics from Select Metros



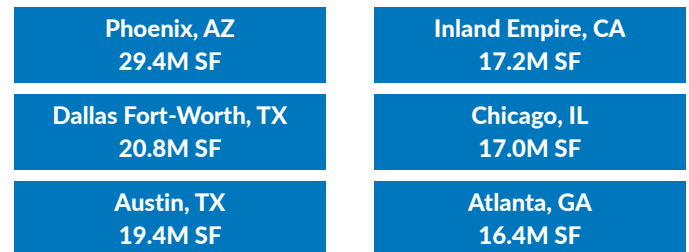
Construction & Deliveries

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 in early 2025 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

+1.1% Over Year

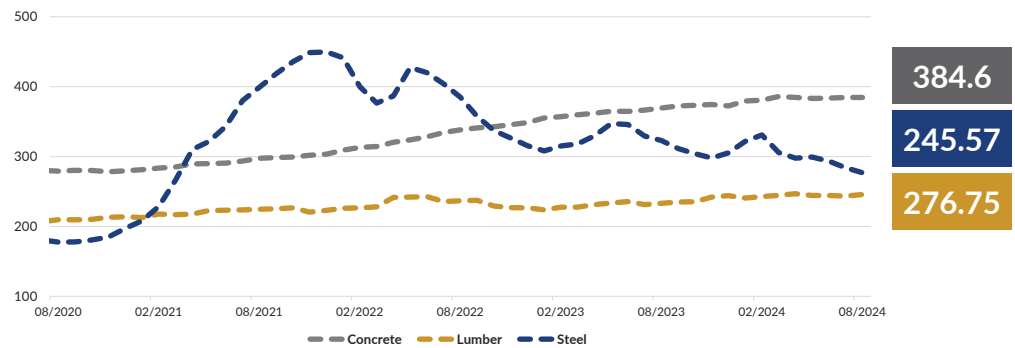
Materials Cost Index

+2.6% 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 37.8%, 17.1%, and 55.8%, respectively, since January 2020. Steel saw the most fluctuation since that time, hitting a high of 449.7 in December 2021.

Producer Price Index



The PPI for concrete is up 4.2%, while lumber decreased -1.3% over last year, and steel has seen a 10.0% decrease. Since last month, concrete has decreased 0.16%, lumber is up 1.8%, and steel has decreased 0.3%.

Economy

The U.S. economy reaccelerated in the second quarter with a 3.0% growth rate, driven by strong household spending and business investment, following a slowdown at the beginning of the year. Policymakers are shifting their focus from inflation risk to decelerating job growth, which has fallen since mid-2021. Still, rapid economic growth could soon prompt a reevaluation of the Federal Reserve's rate cut projections. However, at present, the Fed appears strategically positioned to continue its gradual rate reductions as inflation continues to ease.

National Labor Statistics

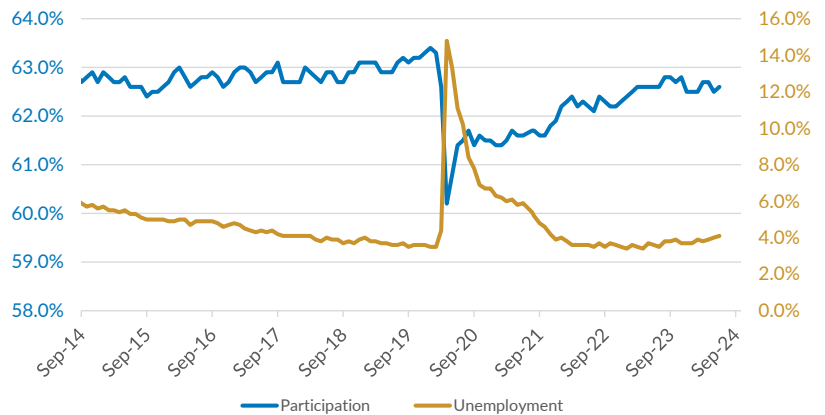
+4.1% Unemployment

+62.7% Participation

+8M Job Openings

+4.8% 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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