



CommercialEdge

National Industrial Report

October 2024



Seaports and Supply Chains

- East Coast ports avoided a massive disruption earlier this month when dock workers and operators reached a tentative agreement that ended a labor strike after only a few days. A finalized agreement will provide labor stability at ports, which combined with shifts in U.S. trade should prevent seaport bottlenecks from hamstringing the economy the way they did in 2022.
- Once a deal is finalized with workers at ports along the East Coast—the tentative agreement extends the previous contract until January 15 while remaining details are negotiated—there will be a period of labor stability at all major seaports in the country. West Coast dock workers came to a six-year deal last year following months of negotiations. This is welcome news for supply chains. The three-day strike this year at the East Coast ports caused weeks of backlogs at ports.
- The reshoring and nearshoring push in manufacturing began in earnest this decade and has already begun to alter the dynamics of U.S. trade. Some of the move to relocate the production of goods to the U.S. or its North American trading partners is a response to tariffs imposed on Chinese goods and tax incentives that promote domestic manufacturing. Other firms have nearshored or reshored as a response to the weak links in the global supply chain exposed by the pandemic. In 2023, Mexico passed China to become the U.S.'s top source of import, and the gap between the two countries has grown in 2024 year-to-date. Canada is third, closely behind China.
- The supply picture could look quite different in industrial port markets in coming years. In densely populated markets in the Northeast like New Jersey, there are emerging concerns that the amount of land available for industrial properties is drying up. While Southern California is not as densely populated as the Northeast, land close to the ports is increasingly hard to come by, and a recent bill passed in the California legislature imposes stricter standards on new industrial space in the state.
- Seaports will always remain crucial to global supply chains and drive demand for industrial space in nearby markets. While the potential for bottlenecks still exists—a September surge in activity at the ports of Los Angeles and Long Beach in response to the anticipated labor action at East Coast ports as well as shipping issues in the Red Sea has led to freight rail delays—supply chains are more resilient than they were four years ago. There also remains the possibility of black swan events, such as the Baltimore bridge collapse or the blockage of the Suez Canal, throwing supply chains into disarray, but by their nature black swan events are impossible to predict.



Rents and Occupancy: Sun Belt Markets Exhibit Strong Growth

- National in-place rents for industrial space averaged \$8.16 per square foot in September, up five cents from August and 7.1% over the past 12 months.
- In-place rents grew fastest in the Inland Empire (12.1% increase over the past 12 months), Miami (11.2%), Los Angeles (9.5%) and New Jersey (9.1%). Among markets not along a coast, the Sun Belt saw the highest gains for in-place rents. Nashville (8.4%), Atlanta (8.2%) and Dallas (8.1%) all experienced strong growth. During this decade, the Sun Belt has had high levels of in-migration and job formation, helping drive demand for industrial space in markets that serve as regional logistics hubs. Further propelling demand for industrial space, many of the new manufacturing plants to build electric vehicles and their batteries have been located in the region. Once these facilities are delivered, additional space will be needed for supplier networks.
- The national vacancy rate was 7.0% in September, up 30 basis points from August. The new-supply boom has steadily increased vacancies in recent quarters.
- The average rate for new leases signed in the past 12 months was \$10.36 per square foot, \$2.20 more than the average for all leases.
- The premium for a new lease was highest in Miami, where a lease signed in the past year cost \$5.65 more per foot than the overall market average rents. Bridgeport (\$4.38 more per foot) and Boston (\$3.70) saw large premiums paid for new space, as well. Among markets without access to a port, the Sun Belt had the largest premiums for new space. Phoenix (\$3.70), Charlotte (\$3.66), Nashville (\$3.62) and Atlanta (\$2.96) all had new lease rates significantly higher than the market's overall average rent.

Average Rent by Metro

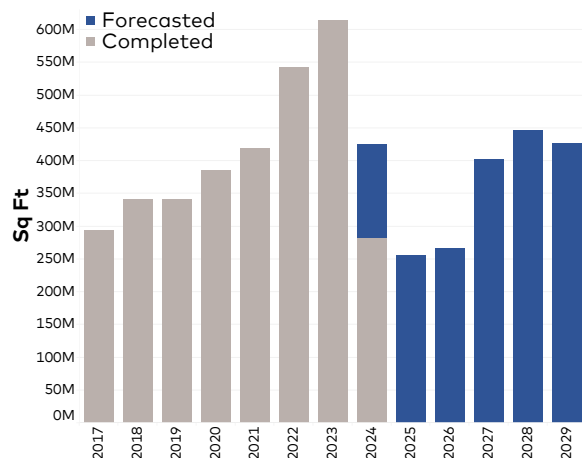
Market	Sep-24 Average Rent	12-Month Change	Avg Rate Signed in Last 12 Months	Vacancy Rate
National	\$8.16	7.1%	\$10.36	7.0%
Inland Empire	\$10.72	12.1%	\$13.08	7.3%
Miami	\$11.87	11.2%	\$17.52	4.8%
Los Angeles	\$14.98	9.5%	\$18.17	9.2%
New Jersey	\$10.98	9.1%	\$14.59	8.6%
Nashville	\$6.31	8.4%	\$9.93	5.1%
Atlanta	\$5.97	8.2%	\$8.93	6.1%
Dallas	\$6.11	8.1%	\$8.19	7.5%
Baltimore	\$8.20	7.8%	\$10.70	7.7%
Seattle	\$11.34	7.6%	\$12.43	7.3%
Orange County	\$15.73	7.4%	\$17.90	5.3%
Phoenix	\$9.12	7.4%	\$12.82	5.6%
Boston	\$10.87	7.2%	\$14.57	8.4%
Columbus	\$5.02	7.0%	\$7.08	5.1%
Indianapolis	\$4.91	6.7%	\$7.82	8.3%
Philadelphia	\$8.09	6.4%	\$10.37	6.1%
Portland	\$9.80	5.9%	\$11.15	4.7%
Tampa	\$7.72	5.9%	\$9.21	10.3%
Bay Area	\$13.49	5.8%	\$14.86	7.5%
Bridgeport	\$9.35	5.8%	\$13.73	3.8%
Cincinnati	\$4.88	5.2%	\$7.03	5.9%
Memphis	\$3.97	5.0%	\$4.72	8.5%
Charlotte	\$6.96	5.0%	\$10.62	4.1%
Twin Cities	\$7.05	4.8%	\$8.80	6.1%
Denver	\$8.68	4.7%	\$10.14	9.3%
Central Valley	\$6.24	4.7%	\$6.77	6.6%
Chicago	\$6.17	4.2%	\$7.16	7.8%
Houston	\$6.76	4.0%	\$8.30	7.1%
Detroit	\$6.89	3.8%	\$8.79	4.6%
St. Louis	\$4.90	2.9%	\$4.95	8.2%
Kansas City	\$4.76	2.1%	\$5.39	5.2%

Source: CommercialEdge. Data as of September 2024. Rent data provided by Yardi Market Insight. National rent and occupancy data is a weighted average of the top 30 markets.

Supply: New Bill to Impact California Development

- Currently, 362.6 million square feet of industrial space, or 1.8% of stock, are under construction nationally, according to [CommercialEdge](#).
- Industrial completions totaled 283.1 million square feet through the end of September. While the total amount of stock delivered this year will be a significant drop-off from the last two years, it will still be higher than any year recorded by [CommercialEdge](#) before 2020.
- A bill recently signed into law in California will place new requirements on industrial operators and change how large warehouses are operated in the state. Assembly Bill 98 establishes a minimum distance between loading bays on new properties and expansions as well as creating new standards for buffers and parking. It also requires larger warehouses to file truck route plans with local governments that avoid residential areas and community spaces. While the California Chamber of Commerce and California Retailers Association praised this bill as a solid compromise, it is likely to impact the amount of new supply added in Southern California. The region's new-supply pipeline has already decelerated in the past year, following a historic level of completions. More than 110 million square feet have been completed in the Inland Empire since 2020 (16.5% of stock).

National New Supply Forecast



Source: Yardi Matrix. Data as of September 2024

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	UC Plus Planned % Stock
National	362,629,868	1.8%	4.4%
Phoenix	33,828,215	8.3%	17.6%
Kansas City	10,704,247	3.7%	14.7%
Memphis	10,018,000	3.4%	3.9%
Philadelphia	12,689,337	2.8%	5.0%
Columbus	8,584,103	2.7%	4.0%
Denver	7,556,063	2.7%	5.8%
Central Valley	6,570,730	1.8%	2.4%
Charlotte	5,991,448	1.8%	5.6%
Dallas	15,294,490	1.6%	5.0%
Inland Empire	10,212,569	1.5%	6.1%
Houston	9,570,558	1.5%	4.9%
Baltimore	3,234,733	1.5%	2.4%
Nashville	3,233,444	1.5%	2.9%
Atlanta	8,239,870	1.4%	3.2%
Detroit	7,196,187	1.2%	1.6%
New Jersey	6,806,576	1.2%	2.9%
Bay Area	3,518,991	1.2%	2.8%
Portland	2,452,552	1.2%	1.9%
Chicago	8,889,301	0.8%	1.9%
Los Angeles	4,952,035	0.7%	2.0%
Cleveland	2,657,696	0.7%	0.8%
Seattle	2,229,831	0.7%	3.4%
Tampa	1,895,657	0.7%	4.7%
Boston	1,873,638	0.7%	2.6%
Indianapolis	2,329,334	0.6%	2.4%
Twin Cities	1,833,627	0.5%	1.2%
Cincinnati	1,439,315	0.5%	0.9%
Orange County	780,206	0.4%	1.3%
Bridgeport	431,443	0.2%	0.8%

Source: CommercialEdge. Data as of September 2024



Economic Indicators: Producer Prices Level Off

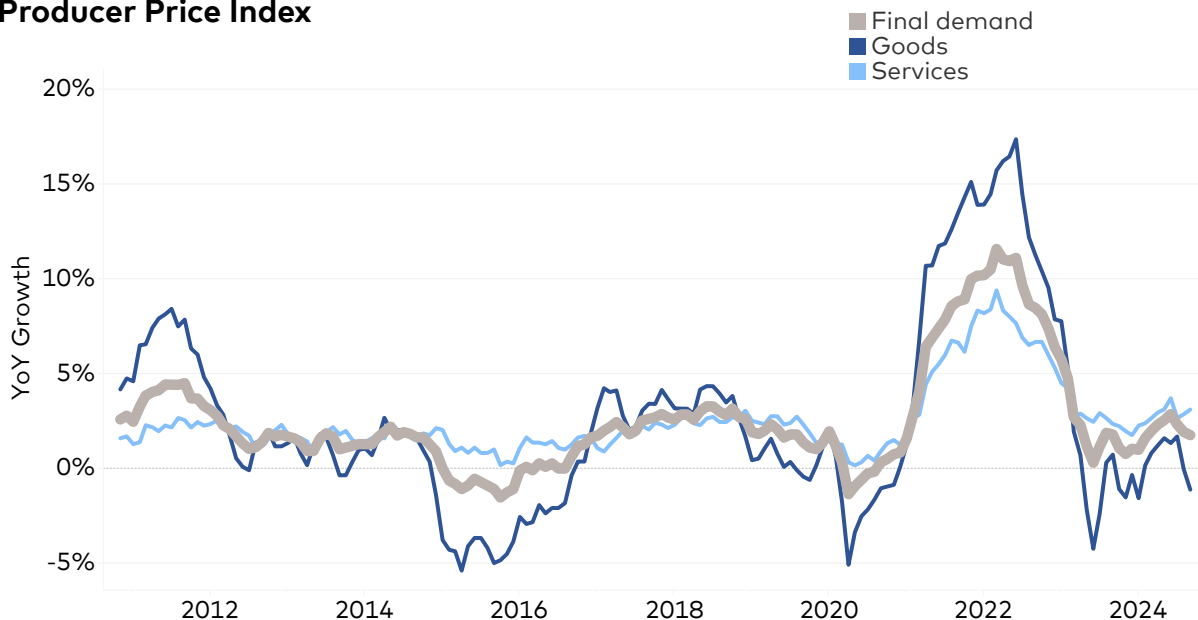
- The Producer Price Index (PPI) was unchanged in the month of September and up 1.8% year-over-year, according to the Bureau of Labor Statistics. The Final Demand for Goods portion of the index was down 0.2% in the month and 1.1% year-over-year, while Final Demand for Services was up 0.2% monthly and 3.1% yearly.
- The easing of increases in wholesale prices is another indicator of cooling inflation. While the PPI receives much less attention than its consumer counterpart, it is a leading indicator of CPI. The Federal Reserve was aggressive with rate hikes in an attempt to bring down inflation, and price increases have moved closer to target in the past year. Last month, the Fed cut rates by 50 basis points and signaled that further cuts could be forthcoming. As rates begin to fall in coming quarters, we expect industrial transaction activity to pick up. This also could lead to increased activity among industrial occupiers. Stable prices and falling interest rates should allow occupiers to consider expansions and new leases that previously were unfeasible.

Economic Indicators

<p>National Employment (September) 159.1M 0.2% MoM ▲ 1.6% YoY ▲</p>	<p>ISM Purchasing Manager's Index (September) 47.2 0.0 MoM -1.4 YoY ▼</p>
<p>Inventories (July) \$2,574.9B 0.4% MoM ▲ 2.5% YoY ▲</p>	<p>Imports (August) \$274.3B -1.4% MoM ▼ 7.1% YoY ▲</p>
<p>Core Retail Sales (August) \$524.5B 0.2% MoM ▲ 3.3% YoY ▲</p>	<p>Exports (August) \$179.4B 2.5% MoM ▲ 4.0% YoY ▲</p>

Sources: Bureau of Labor Statistics, Institute for Supply Management, U.S. Census Bureau, Bureau of Economic Analysis, Moody's Analytics

Producer Price Index



Sources: U.S. Census Bureau, CommercialEdge

Transactions: Inland Empire Sales Volume Slips

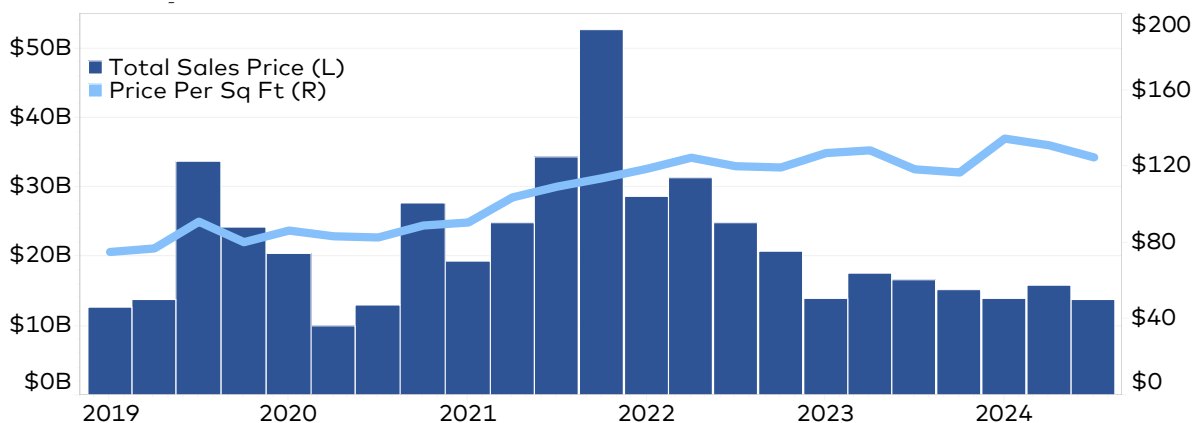
- Industrial transactions totaled \$43.7 billion through the first three quarters, according to [CommercialEdge](#), with properties trading at an average of \$130 per square foot.
- After being one of the top four markets for sales volume for the last six years and leading the nation in sales volume in 2023, the Inland Empire has slipped a bit this year. In 2024, the market ranks ninth in total sales volume, and the average price per square foot has slid to \$265, an 8% decrease from the high mark of \$289 per foot in 2022.
- Despite the slowdown, there are still some large sales occurring in the Inland Empire. The Fontana submarket has accounted for \$690.7 million of transactions, nearly half of all sales volume in the market this year. Properties in Fontana traded at \$331 per foot, a much higher rate than the market average. The largest sale in the submarket, and the market as a whole, was EQT Exeter's \$197 million acquisition of a 817,750-square-foot distribution center at 13423 Santa Ana Ave. The Fontana submarket's location at the intersection of Interstates 10, 15 and 215 drives demand for logistics and fulfillment centers. The submarket also has more than 26 million square feet of manufacturing space.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 9/31)
National	\$130	\$43,735
Dallas-Fort Worth	\$126	\$3,355
Bay Area	\$476	\$2,794
Los Angeles	\$297	\$2,202
Houston	\$106	\$2,143
Chicago	\$98	\$2,135
Phoenix	\$159	\$1,940
New Jersey	\$226	\$1,748
Atlanta	\$114	\$1,737
Inland Empire	\$265	\$1,526
Denver	\$142	\$969
Tampa	\$131	\$880
Twin Cities	\$94	\$862
Seattle	\$211	\$825
Nashville	\$132	\$808
Orange County	\$319	\$803
Philadelphia	\$116	\$687
Columbus	\$79	\$593
Charlotte	\$74	\$563
Cincinnati	\$71	\$474
Central Valley	\$129	\$437
Baltimore	\$132	\$419
Boston	\$156	\$405
Memphis	\$54	\$291
Cleveland	\$49	\$272
Portland	\$172	\$265

Source: CommercialEdge. Data as of September 2024

Quarterly Transactions



Source: CommercialEdge. Data as of September 2024

Definitions

CommercialEdge collects listing rate and occupancy data using proprietary methods.

- **Average Rents**—Provided by Yardi Market Insight, a cutting-edge service that uses anonymized and aggregated data from other Yardi platforms to provide the most accurate rental and expense information available.
- **Vacancy**—The total square feet vacant in a market, including subleases, divided by the total square feet of office space in that market. Owner-occupied buildings are not included in vacancy calculations. Also provided by Yardi Market Insight.

Stage of the supply pipeline:

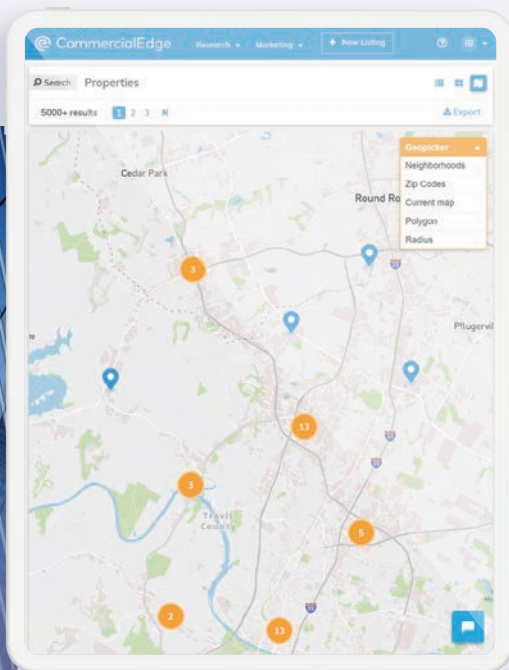
- **Planned**—Buildings that are currently in the process of acquiring zoning approval and permits but have not yet begun construction.
- **Under Construction**—Buildings for which construction and excavation has begun.

Sales volume and price-per-square-foot calculations for portfolio transactions or those with unpublished dollar values are estimated using sales comps based on similar sales in the market and submarket, use type, location and asset ratings, sale date and property size.

CommercialEdge

Reliable commercial real estate data, built up over more than a decade of extensive research. Powered by Yardi.

CommercialEdge provides the industrial segment's most comprehensive market intelligence service and listing management platform, sustaining data-driven decisions.



Key features:

- ✓ Continually growing nationwide coverage with 162 markets currently included
- ✓ Researched and verified data, powered by a team of 400 experienced property research specialists
- ✓ Exhaustive property reports featuring data points such as ownership, leases, sales, debt, taxes and more
- ✓ Building and portfolio performance overview with current average rents, vacancy rates and maturing leases
- ✓ Extensively researched tenant data with an accuracy rate two to three times higher than the industry average
- ✓ Real-time market trends based on actual transactional and leasing data with Yardi Market Insight
- ✓ Dedicated tools, including automated competitive building sets, broker tour books and dedicated property webpages
- ✓ Access to the CommercialEdge Listing Network — including CommercialCafe, PropertyShark, Point2 and CommercialSearch

Capitalize on comprehensive commercial real estate research
Nationwide property and listing data all in one place, specifically engineered for **CRE professionals**.

Contacts

Peter Kolaczynski

Manager, Commercial
Peter.Kolaczynski@Yardi.com
(800) 866-1124 x14001

Matt Gleason

Senior Account Executive, Commercial
Matthew.Gleason@Yardi.com
(800) 866-1124 x21954

Doug Ressler

Media Contact
Doug.Ressler@Yardi.com
(800) 866-1124 x14025

Author

Justin Dean
Senior Research Analyst

DISCLAIMER

Although every effort is made to ensure the accuracy, timeliness and completeness of the information provided in this publication, the information is provided "AS IS" and Yard Matrix does not guarantee, warrant, represent or undertake that the information provided is correct, accurate, current or complete. CommercialEdge is not liable for any loss, claim, or demand arising directly or indirectly from any use or reliance upon the information contained herein.

COPYRIGHT NOTICE

This document, publication and/or presentation (collectively, "document") is protected by copyright, trademark and other intellectual property laws. Use of this document is subject to the terms and conditions of Yardi Systems, Inc. dba CommercialEdge's Terms of Use (<https://resources.yardi.com/legal/commercialedge/commercialedge-terms-of-service/>) or other agreement including, but not limited to, restrictions on its use, copying, disclosure, distribution and decompilation. No part of this document may be disclosed or reproduced in any form by any means without the prior written authorization of Yardi Systems, Inc. This document may contain proprietary information about software and service processes, algorithms, and data models which is confidential and constitutes trade secrets. This document is intended for utilization solely in connection with CommercialEdge publications and for no other purpose.

Yardi®, Yardi Systems, Inc., the Yardi Logo, CommercialEdge, and the names of Yardi products and services are trademarks or registered trademarks of Yardi Systems, Inc. in the United States and may be protected as trademarks in other countries. All other product, service, or company names mentioned in this document are claimed as trademarks and trade names by their respective companies.

© 2024 Yardi Systems, Inc. All Rights Reserved.