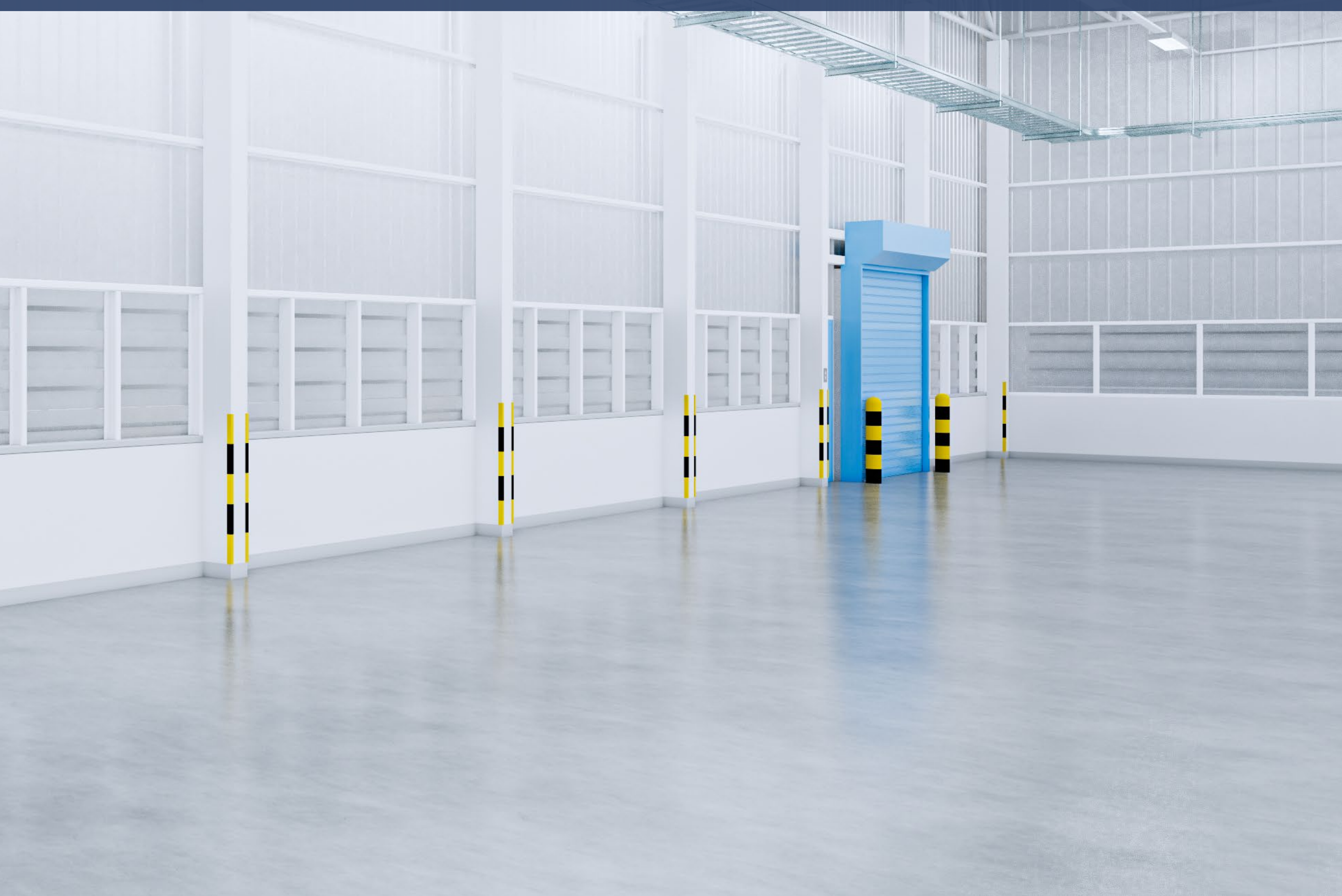
CommercialEdge

National Industrial Report

December 2024



Industrial Sector Normalizes in 2024

- After running hot for several years, the industrial sector experienced stabilization and normalization in 2024, but the year was not without challenges.

- The historic wave of new supply began to tail off in 2024, reflecting the drop in starts that began last year as demand for space cooled and higher borrowing costs made construction loans more expensive. More than 1.1 billion square feet were delivered between 2022 and 2023, but only 330.7 million square feet were delivered year-to-date through the end of November. Although this year will finish with more completions than every year this century prior to 2020 tracked by CommercialEdge, the new-supply slowdown will continue, as starts have totaled 208.7 million square feet so far this year.

- The supply boom that began in 2021 may have wound down in 2024, but its impact on vacancies is still being felt. Two years ago, the national vacancy rate was below 4% and the hottest markets had rates that were below 2%. Nearly every market saw a substantial increase in the amount of vacant space this year, and the national vacancy rate sits at 7.5%.

- Through November, $54.6 billion in industrial sales occurred, following $62.8 billion in 2023. Given that there is a lag in the collection of some sales data, it is likely that the final 2024 figure will come in close to last year. While volume remains roughly the same, the average sale price of an industrial asset has increased 2.7% this year and currently sits at $128 per foot. The year experienced a bigger sale price increase than 2023, when prices grew by 1.5%. The gains during the last two years were extremely modest when compared to 2021 (25.6% year-over-year average sales price growth) and 2022 (13.5%). That the average price of an industrial asset held steady after such rapid growth and in a high-interest-rate environment indicates that investor appetite remains elevated for these properties.

- While 2024 was generally a year of normalization for the industrial sector, there were shocks that tested the resilience of supply chains. This year saw Yemen's Houthi rebels attack ships in the Red Sea, a labor stoppage that shut down ports along the East Coast for three days, a drought in Panama that led to a 29% drop in vessel transit through the canal and the collapse of Francis Scott Key Bridge in Baltimore, which closed the Port of Baltimore for 11 weeks. While none of these events were as massive a shock as the pandemic that halted the global economy in its tracks, it is encouraging that supply chains weathered them all without large-scale bottlenecks or backlogs.

Rents and Occupancy: Midwest Trails in Rent Gains

- National in-place rents for industrial space averaged $8.27 per square foot in November, up three cents from October and 6.9% over the past 12 months.

- In-place rents were led by Miami, which grew 11.1% over the past 12 months; New Jersey (10.5%); the Inland Empire (10.0%); and Atlanta (9.2%). Southern California rents grew at a much higher rate for most of the previous few years but have decelerated in 2024.

- Midwest markets continue to see only minimal rent increases. Of the top 25 industrial markets covered by CommercialEdge, six of the bottom eight markets for rent growth were in the Midwest. St. Louis was the slowest-growing market, with in-place rents increasing 2.7% over the past 12 months. Kansas City (3.2%), Detroit (3.6%) and the Twin Cities (4.2%) round out the bottom four.

- The national vacancy rate was 7.5% in November, an increase of 30 basis points in the month. Demand normalization, alongside a wave of new supply, has increased vacancies in recent quarters.

- The spread between the market average in-place rent and a lease signed in the last 12 months was $2.15 in November.

- The spread between in-place and new rents was highest in Miami, where a new lease cost $5.86 more per foot. Bridgeport ($4.40 per foot), New Jersey ($4.11) and Phoenix ($4.08) also had large premiums being paid for a lease signed in the last 12 months.

- Midwestern markets also saw the lowest spreads between new rents and the market average, with St. Louis actually seeing new leases cost slightly less (-$0.17) than the market average rent.

Average Rent by Metro

Market	Nov-24 Average Rent	12-Month Change	Avg Rate Signed in Last 12 Months	Vacancy Rate
National	$8.27	6.9%	$10.42	7.5%
Miami	$12.11	11.1%	$17.97	7.9%
New Jersey	$11.37	10.5%	$15.48	7.9%
Inland Empire	$10.69	10.0%	$12.81	7.6%
Atlanta	$6.04	9.2%	$8.87	6.5%
Nashville	$6.35	8.7%	$9.27	6.6%
Dallas	$6.18	8.4%	$9.06	9.1%
Orange County	$15.78	8.2%	$18.50	4.2%
Los Angeles	$15.20	8.1%	$17.70	9.8%
Phoenix	$9.21	7.8%	$13.29	7.2%
Seattle	$11.54	7.6%	$12.86	7.3%
Boston	$10.87	7.1%	$14.01	9.4%
Charlotte	$6.96	6.7%	$10.23	5.4%
Portland	$10.02	6.7%	$11.02	6.4%
Tampa	$7.97	6.4%	$10.27	7.4%
Columbus	$5.01	6.1%	$7.10	7.8%
Philadelphia	$8.19	6.1%	$10.50	8.0%
Baltimore	$8.10	6.0%	$10.89	8.8%
Bridgeport	$9.42	5.8%	$13.82	4.4%
Cincinnati	$4.97	5.1%	$6.07	5.6%
Bay Area	$13.48	5.0%	$14.25	7.2%
Denver	$8.79	4.9%	$9.92	11.1%
Central Valley	$6.45	4.9%	$8.75	5.9%
Indianapolis	$4.90	4.7%	$6.43	9.6%
Chicago	$6.26	4.7%	$7.68	8.3%
Memphis	$4.09	4.6%	$4.67	8.6%
Houston	$6.81	4.3%	$7.95	6.8%
Twin Cities	$7.21	4.2%	$8.58	6.4%
Detroit	$7.16	3.6%	$7.96	4.6%
Kansas City	$4.91	3.2%	$5.47	3.3%
St. Louis	$4.86	2.7%	$4.69	7.5%

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

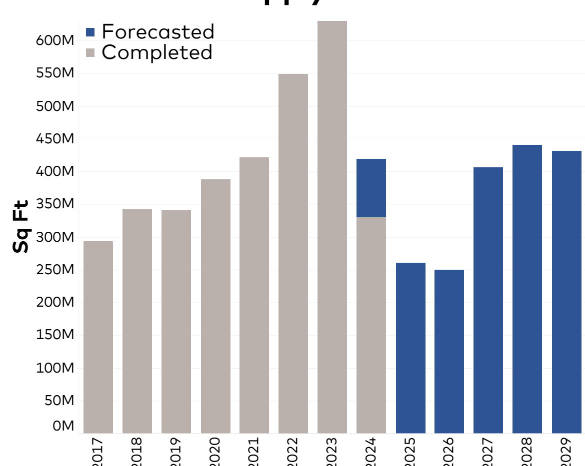
Supply:
Data Centers Keep Atlanta Pipeline Flowing

- Currently, 361.1 million square feet of industrial space, or 1.8% of stock, are under construction nationally, according to CommercialEdge. The pipeline grew for the first time this year, increasing 2.3 million square feet in the month.

- While the pipeline increased slightly in November, the year has marked a continued deceleration of development. Just 330.7 million square feet have been delivered in 2024, replenished by only 207.8 million square feet of starts.

- While pipelines in most markets have shrunk during the past year, Atlanta's has nearly doubled in size. The market currently has 9.3 million square feet underway (1.6% of stock), but the jump in construction this year is not coming from traditional sources. Atlanta's pipeline had been mostly logistics and manufacturing projects in recent years, but a flood of data centers have started construction in the last 18 months. Only Washington, D.C., with 6.0 million square feet, has more data center space under construction than Atlanta. Currently, 5.32 million square feet of data center space are under construction in the market, with 3.1 million square feet starting this year. With an additional 6.4 million square feet in the planning stages, it is likely this is only the beginning for the market.

National New Supply Forecast



Source: Yardi Matrix. Data as of November 2024

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	UC Plus Planned % Stock
National	361,088,384	1.8%	4.3%
Phoenix	24,013,077	5.7%	14.3%
Kansas City	11,456,389	3.9%	14.6%
Memphis	10,518,000	3.5%	4.0%
Philadelphia	11,235,642	2.5%	4.4%
Columbus	7,978,271	2.5%	3.9%
Denver	6,970,746	2.5%	6.0%
Houston	12,354,351	1.9%	4.9%
Charlotte	6,295,548	1.9%	6.6%
Nashville	3,672,324	1.7%	3.5%
Dallas	16,079,998	1.6%	5.5%
Atlanta	9,297,265	1.6%	4.0%
Seattle	4,836,597	1.6%	3.8%
Inland Empire	10,132,286	1.5%	5.6%
Detroit	7,702,187	1.3%	1.9%
Baltimore	2,792,533	1.3%	2.4%
Portland	2,531,699	1.3%	1.9%
New Jersey	6,832,026	1.2%	2.5%
Central Valley	4,226,623	1.2%	1.8%
Indianapolis	4,276,418	1.1%	3.3%
Bay Area	2,480,481	0.8%	2.6%
Tampa	2,066,682	0.8%	4.5%
Boston	1,977,684	0.8%	2.8%
Chicago	7,176,752	0.7%	1.8%
Los Angeles	5,267,014	0.7%	2.0%
Cleveland	2,979,622	0.7%	0.9%
Orange County	1,296,159	0.7%	1.3%
Twin Cities	1,862,766	0.5%	1.0%
Cincinnati	1,439,135	0.5%	0.9%
Bridgeport	200,443	0.1%	0.7%

Source: CommercialEdge. Data as of November 2024

Economic Indicators:
Strong E-Commerce Growth in Third Quarter

- E-commerce sales crossed the $300 billion threshold for the first time in the third quarter, increasing 2.6% ($7.5 billion) over the second quarter. This was the highest percentage increase since the second quarter of last year, and the third-highest mark since the start of 2022. On a year-over-year basis, online sales have increased 7.4%

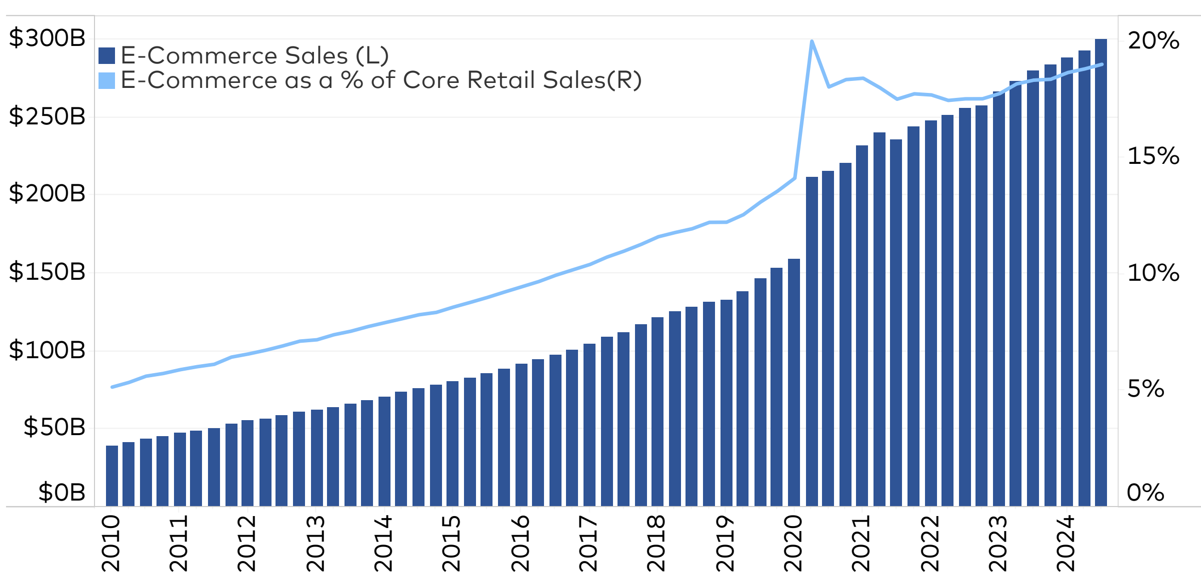
- E-commerce's share of core retail sales hit 19% in the quarter, a 20-basis-point increase over the second quarter and the largest share since the second quarter of 2020, when the pandemic drove a massive spike in online sales. While a rebalancing period followed the initial surge in e-commerce's share of core retail sales, the share has now increased for seven straight quarters and appears to be fully back on its pre-pandemic trend line. This should be welcome news for the industrial sector, since online sales are estimated to use three times as much logistics space as brick-and-mortar retail.

Economic Indicators

National Employment (November) 159.3M 0.1% MoM ▲ 1.4% YoY ▲	**ISM Purchasing Manager's Index** (November) 48.4 1.9 MoM ▲ 1.8 YoY ▲
Inventories (September) $2,587.1B 0.1% MoM ▲ 2.2% YoY ▲	**Imports** (October) $269.3B -5.5% MoM ▼ 3.1% YoY ▲
Core Retail Sales (October) $530.8B 0.1% MoM ▲ 3.8% YoY ▲	**Exports** (October) $170.7B -3.0% MoM ▼ -1.6% YoY ▼

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

Quarterly E-Commerce Sale



Sources: U.S. Census Bureau, CommercialEdge

Transactions:
Chicago Sales Grow Slower Than National Average

- Industrial transactions totaled $54.6 billion through the end of November, according to CommercialEdge, with properties trading at an average of $128 per square foot.

- Even with interest rates elevated and vacancies growing, capital remained available to purchase the right property in the right location during 2024.

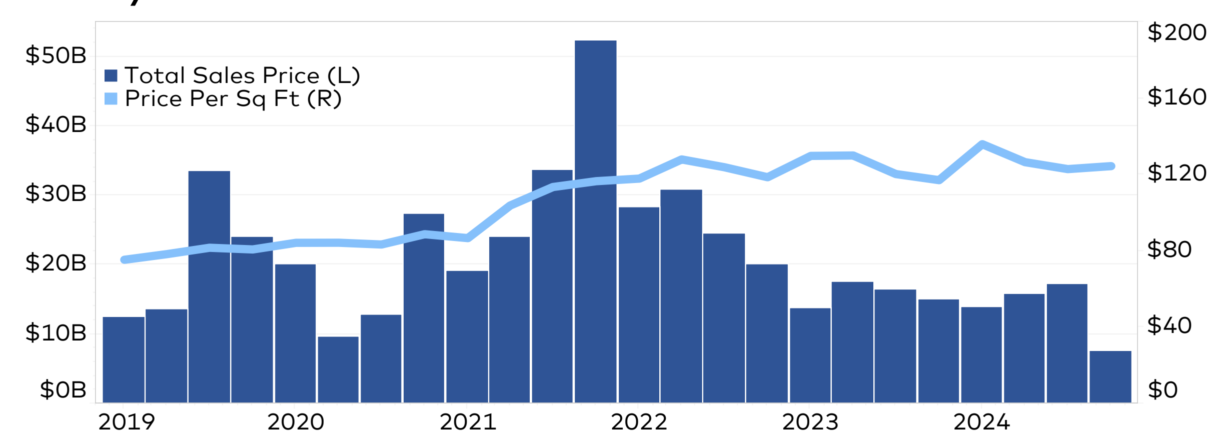
- By total square footage, Chicago is the nation's largest industrial market, yet it has not experienced the same sales frenzy that occurred in other large markets this decade. While the national average sale price of an industrial property has increased 60% since 2019, it has grown 35% in Chicago. The market lacks a seaport, and the shipping that comes through the Port of Chicago is largely commodities. This leads to solid, steady growth, but the market does not capture robust e-commerce-fueled demand. The two largest acquisitions in the market this year both came in January. LBA Realty purchased two logistics and cold storage buildings totaling more than 480,000 square feet near O'Hare Airport for $95 million ($201 per square foot). That month, Brookfield Properties spent $83.5 million to acquire a data center in Elk Grove Village as part of its takeover of Cyxtera, which filed for Chapter 11 bankruptcy protection last year.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 11/30)
National	$54,568	$128
Dallas	$4,223	$113
Bay Area	$3,016	$460
Houston	$2,813	$108
Chicago	$2,498	$94
Los Angeles	$2,483	$290
Phoenix	$2,466	$155
New Jersey	$2,268	$218
Atlanta	$2,056	$115
Inland Empire	$1,896	$270
Denver	$1,268	$137
Twin Cities	$1,194	$95
Philadelphia	$1,004	$125
Seattle	$1,001	$208
Orange County	$837	$314
Columbus	$832	$80
Nashville	$808	$132
Tampa	$786	$126
Charlotte	$781	$79
Boston	$639	$161
Cincinnati	$502	$68
Baltimore	$486	$132
Detroit	$470	$74
Central Valley	$445	$114
Cleveland	$382	$55
Memphis	$362	$57

Source: CommercialEdge. Data as of November 2024

Quarterly Transactions



Source: CommercialEdge. Data as of November 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:

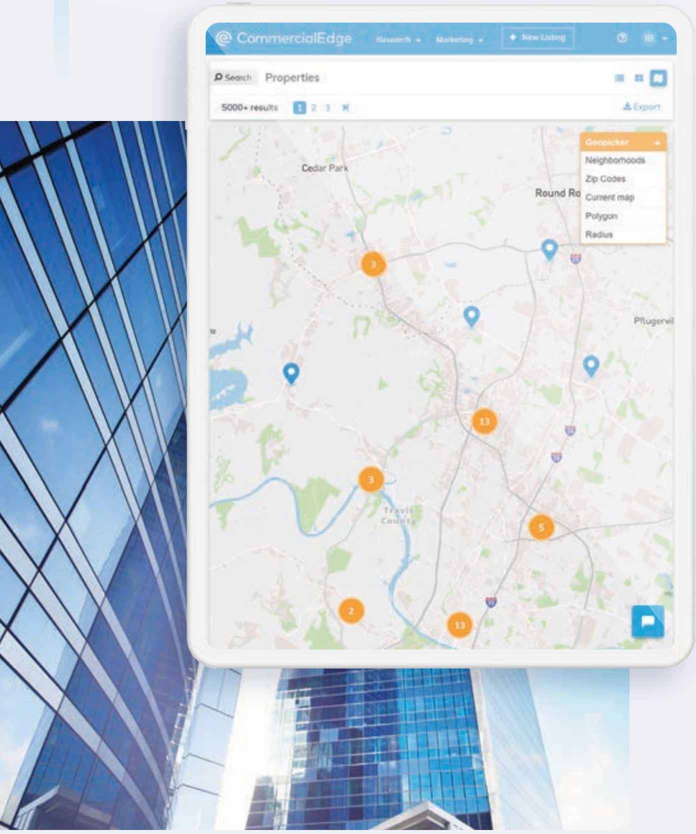
- Planned—Buildings that are currently in the process of acquiring zoning approval and permits but have not yet begun construction.
- Under Construction—Buildings for which construction and excavation has begun.

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.

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