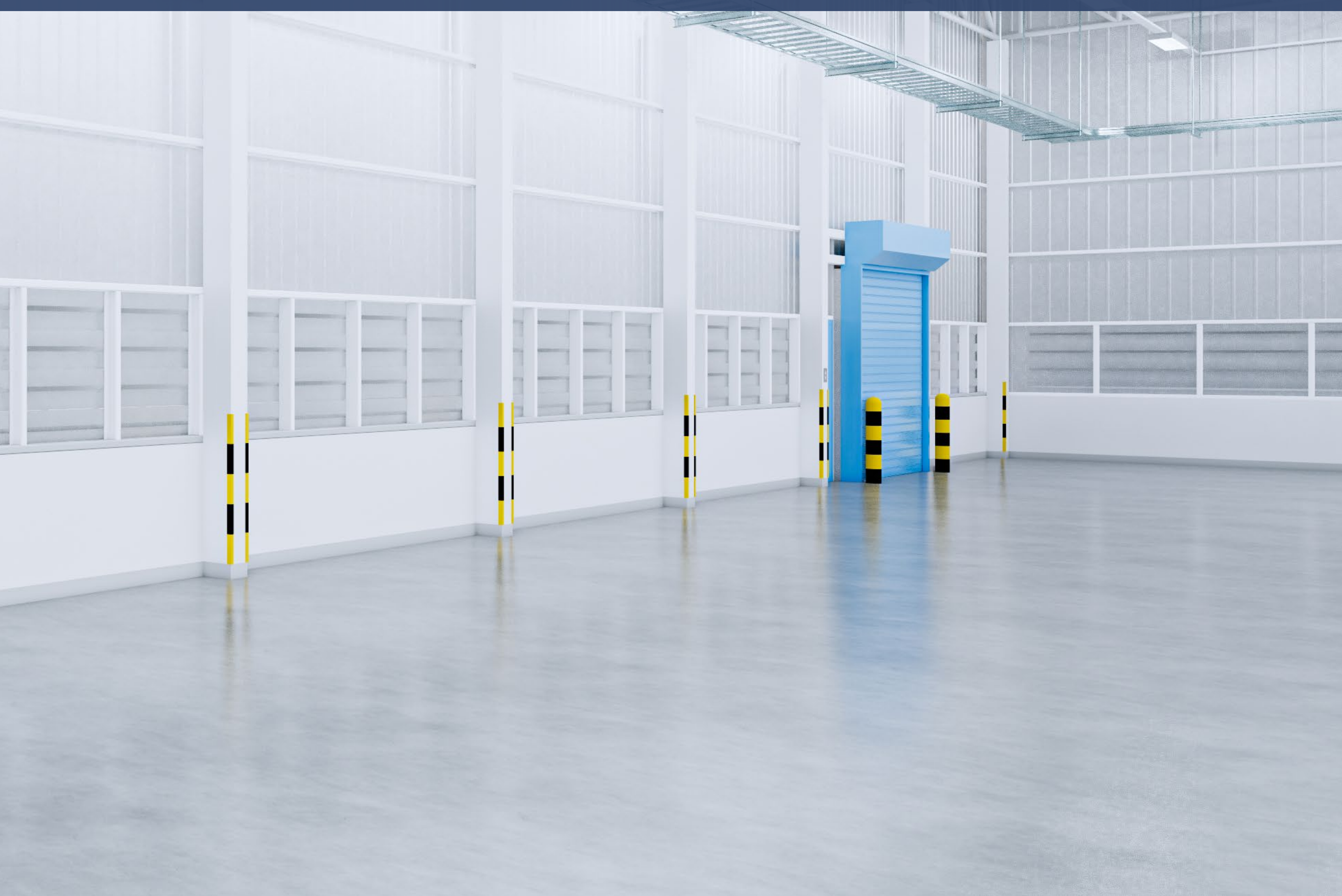
CommercialEdge

National Industrial Report

February 2025



Manufacturing Grows Despite Headwinds

- Manufacturing continues to expand, with more than 100 million square feet of space delivered since 2022 and another 100 million currently underway. Yet the industry faces challenges in bringing about a full-scale manufacturing resurgence.

- Construction spending on manufacturing has increased threefold since 2021, according to the U.S. Census Bureau, driven by a variety of factors. The weakness exposed in supply chains during the pandemic led to firms reshoring production. National security concerns and a push for renewable energy led to the federal government's support of the domestic production of goods during the previous presidential administration, which signed legislation that included billions of dollars in incentives for the stateside production of electric vehicles and their batteries, computer chips and clean energy technology. The new administration is taking a protectionist stance on trade to boost stateside production, although some of the previous funding may be at risk.

- The wave of spending is only the beginning of the impact manufacturing will have on industrial real estate in coming years. The so-called multiplier effect of manufacturing facilities—the supplier and logistics networks that locate nearby to support the production of goods—will spur millions of square feet of additional development. This effect can vary greatly, based on what type of product is being manufactured, with automobiles typically seeing the largest multiplier. This effect can be seen clearly in the Savannah–Hilton Head market. Hyundai is currently building a $5.9 billion, 17 million-square-foot EV plant in the market, with some portions of the project already completed and cars beginning production last October. Multiple suppliers for Hyundai, such as Daechang Seat Co. and Ecoplastic Corp., opened facilities in the market last year, and more are on the way.

- While we anticipate manufacturing to be a major driver of industrial development and activity going forward, there will be headwinds for the sector. Location selection will present a significant challenge for manufacturing sites. The availability of land will be a major issue, as will access to water and power, and the scarcity of these resources will be amplified as these facilities become larger. Finding locations with a significant pool of skilled labor, as is required for most advanced manufacturing, will also present a challenge. Potential tariffs threaten to disrupt the manufacturing sector, especially among firms that have nearshored facets of production to Mexico and opened plants along the southern border. Trade policy may also ignite a trade war and trigger retaliatory tariffs that could jolt manufacturers that export a significant portion of their goods.

Rents and Occupancy: Port Market Rents Grow Despite Vacancies

- National in-place rents for industrial space averaged $8.35 per square foot in January, up five cents from November and 6.8% over the past 12 months.

- Port-adjacent markets and the Southeast continue to see the highest gains in in-place rents. New Jersey led the nation with a 10.9% increase in in-place rents over the past 12 months, followed by the Inland Empire (9.2%), Miami (9.2%), Nashville (9.0%) and Atlanta (8.6%). While the new-supply boom has increased vacancy rates in these markets, average in-place rents have continued to grow due to strong demand for new space, which is typically high quality and more expensive than the market average of in-place rents.

- The national vacancy rate was 8.0% in January, unchanged from the previous month. Vacancy rates have moved higher in nearly every market over the past two years due to the dual impacts of new supply and normalizing demand. However, as the supply boom fades, we anticipate that vacancy rates will plateau in 2025 before beginning to tick back down towards the end of the year. Long-term demand drivers remain solid, and new deliveries are expected to decelerate through the end of next year, leading to absorption of currently vacant space.

- The spread between market average in-place rents and the average rate of a lease signed within the last 12 months was $2.22 per foot in January.

- The premium for a new lease was highest along the East Coast, with a new lease costing $5.22 more per foot in Bridgeport, followed by Miami ($4.96), New Jersey (4.31) and Boston ($4.09).

Average Rent by Metro

Market	Jan-25 Average Rent	12-Month Change	Avg Rate Signed in Last 12 Months	Vacancy Rate
National	$8.35	6.8%	$10.57	8.0%
New Jersey	$11.57	10.9%	$15.88	9.1%
Inland Empire	$11.06	9.2%	$13.82	7.9%
Miami	$12.25	9.2%	$17.21	9.8%
Nashville	$6.42	9.0%	$9.37	6.8%
Atlanta	$6.09	8.6%	$8.94	7.2%
Dallas–Ft. Worth	$6.31	8.4%	$8.63	9.3%
Philadelphia	$8.26	7.7%	$10.92	8.5%
Los Angeles	$14.99	7.6%	$16.52	9.4%
Phoenix	$9.39	7.4%	$13.22	7.9%
Columbus	$5.22	7.4%	$7.11	7.9%
Baltimore	$8.32	7.1%	$11.16	8.5%
Orange County	$16.56	7.0%	$18.46	5.0%
Boston	$11.03	6.9%	$15.12	10.1%
Charlotte	$7.07	6.6%	$10.34	7.4%
Portland	$10.17	6.3%	$10.99	6.4%
Seattle	$11.61	6.0%	$15.42	8.4%
Tampa	$8.15	6.0%	$10.04	7.9%
Bay Area	$13.48	5.9%	$13.82	7.6%
Bridgeport	$9.56	5.8%	$14.78	4.2%
Cincinnati	$5.06	5.4%	$6.22	6.0%
Memphis	$4.09	5.1%	$4.63	8.9%
Central Valley	$6.38	4.9%	$9.12	6.8%
Twin Cities	$7.20	4.8%	$8.56	7.9%
Chicago	$6.37	4.8%	$7.60	10.0%
Houston	$6.86	4.3%	$8.18	6.5%
Indianapolis	$4.85	3.9%	$6.57	9.1%
Denver	$8.70	3.8%	$9.57	10.5%
St. Louis	$4.82	3.2%	$5.21	7.1%
Kansas City	$4.88	3.0%	$4.91	3.2%
Detroit	$7.02	2.9%	$9.54	5.5%

Source: CommercialEdge. Data as of January 2025. Rent data provided by Yardi Market Insight. National rent and occupancy data is a weighted average of the top 30 markets.

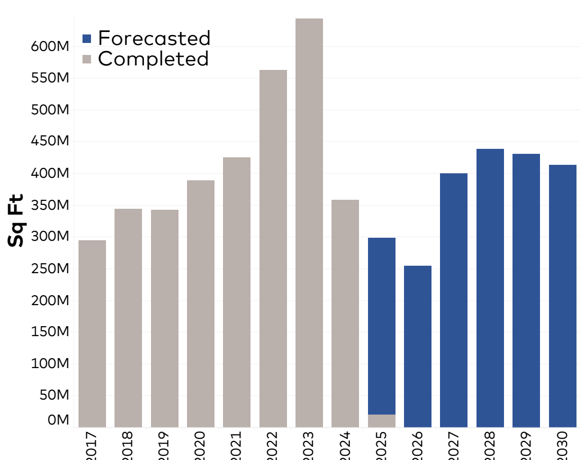
Supply:
Charlotte's Manufacturing Boom

- Currently, 346.2 million square feet of industrial space, or 1.7% of stock, are under construction nationally, according to CommercialEdge.

- Markets across the Southeast have seen a surge of manufacturing development in recent years. Nearly 2 million square feet of Charlotte's under-construction pipeline are for manufacturing, representing a third of all space currently underway in the market. An additional 1.9 million square feet of manufacturing space are in the planning stages, 13% of the planned pipeline. We anticipate that the significance of manufacturing to the market will expand in coming years.

- Some firms are making notable manufacturing investments in Charlotte, including Bosch, which is investing $130 million in a 325,000-square-foot plant in Lincolnton that will make power tool accessories. Corvid Technologies is adding a 200,000-square-foot manufacturing building in its Mooresville headquarters expansion. A former Philip Morris site in Cabarrus County has more than $1 billion in planned investment coming. A facility from Eli Lilly is already underway, with planned developments from Rauch, Red Bull and Ball creating a beverage campus at the site.

National New Supply Forecast



Source: Yardi Matrix. Data as of January 2025

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	UC Plus Planned % Stock
National	346,196,770	1.7%	3.9%
Kansas City	11,177,248	3.8%	14.2%
Phoenix	17,672,836	4.1%	11.1%
Charlotte	5,949,598	1.8%	6.3%
Denver	6,787,561	2.4%	5.8%
Dallas–Ft. Worth	22,564,123	2.3%	5.3%
Inland Empire	10,279,557	1.5%	4.8%
Houston	13,168,809	2.0%	4.6%
Tampa	1,661,524	0.6%	4.1%
Memphis	11,718,000	3.9%	4.0%
Philadelphia	10,961,143	2.3%	3.9%
Atlanta	8,184,190	1.4%	3.7%
Columbus	6,827,107	2.1%	3.4%
Nashville	2,931,314	1.3%	3.1%
Indianapolis	4,516,124	1.2%	3.0%
Seattle	4,961,784	1.6%	2.8%
Boston	1,544,322	0.6%	2.6%
New Jersey	5,629,635	0.9%	2.5%
Twin Cities	2,355,908	0.7%	2.5%
Bay Area	1,985,719	0.7%	2.4%
Baltimore	2,533,333	1.2%	2.3%
Detroit	7,921,422	1.3%	1.9%
Central Valley	4,176,823	1.1%	1.9%
Portland	3,170,712	1.6%	1.9%
Los Angeles	5,310,405	0.8%	1.7%
Chicago	5,825,436	0.5%	1.6%
Orange County	1,521,079	0.8%	1.3%
Cleveland–Akron	2,979,622	0.7%	0.9%
Cincinnati	1,916,000	0.7%	0.9%
Bridgeport	410,240	0.2%	0.6%

Source: CommercialEdge. Data as of January 2025

Economic Indicators:
E-Commerce Grows in Fourth Quarter

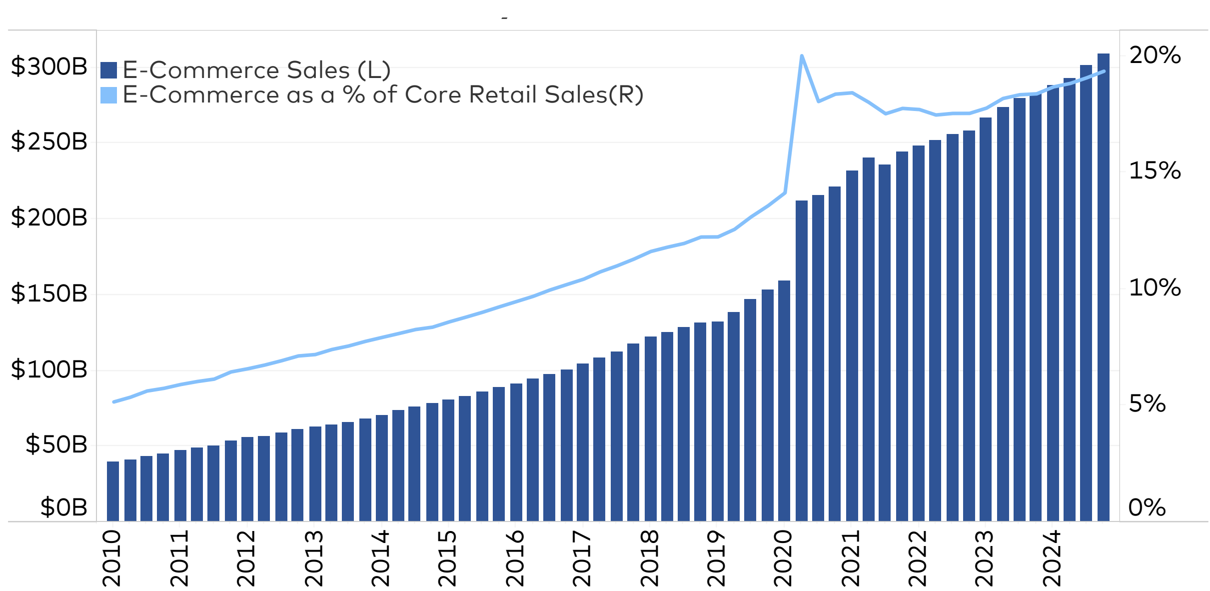
- E-commerce sales totaled $308.9 billion in the fourth quarter of 2024, according to the U.S. Census Bureau, an increase of 2.7% in the quarter and 9.4% year-over-year. E-commerce's share of core retail sales grew to 19.3% in the quarter, up 20 basis points from the previous quarter. E-commerce's share of retail sales has grown for eight consecutive quarters.
- During the last two years, e-commerce growth has looked more like it did last decade than it did during the first few years of this one. Between 2010 and the first quarter of 2020, both e-commerce sales overall and its share of retail sales grew at a steady, predictable rate. The pandemic upended this paradigm, but it appears to have returned in the past two years. We expect e-commerce sales to continue to be a major driver of industrial real estate demand, even as growth has stabilized. Estimates place e-commerce sales as needing three times as much square footage per dollar as traditional brick and mortar, and retailers continue to expand their online and omnichannel options for consumers.

Economic Indicators

National Employment (January) 159.1M 0.1% MoM ▲ 1.3% YoY ▲	**ISM Purchasing Manager's Index** (January) 50.9 1.7 MoM ▲ 1.8 YoY ▲
Inventories (November) $2,588.8B 0.1% MoM ▲ 2.6% YoY ▲	**Imports** (December) $293.1B 4.0% MoM ▲ 12.7% YoY ▲
Core Retail Sales (December) $534.3B 0.5% MoM ▲ 3.9% YoY ▲	**Exports** (December) $170.2B -4.2% MoM ▼ -0.9% YoY ▼

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

Quarterly E-Commerce Sales



Sources: U.S. Census Bureau, CommercialEdge

Transactions:
Southern California Falls From Top of Sales Volume

- Industrial transactions totaled $69.2 billion in 2024, according to CommercialEdge, with properties trading at an average of $129 per square foot.

- The sector has slowly moved away from being dominated by port-adjacent markets in recent quarters, a trend that can be seen in 2024's year-end sales data. Dallas led the nation with nearly $6 billion in industrial sales last year, followed by Houston ($3.4 billion) and Phoenix ($3.4 billion). Los Angeles saw the most sales volume of any port market in 2024, and finished fourth overall, with $3.2 billion in industrial sales. This is in contrast with previous years, where port-adjacent markets outpaced the nation in sales volume. Los Angeles led the nation in sales volume in 2022 and had the second most in 2023. The Inland Empire experienced an even more pronounced slowdown, with volume falling by 45% from 2023, when the market led the country with $4.3 billion in sales.

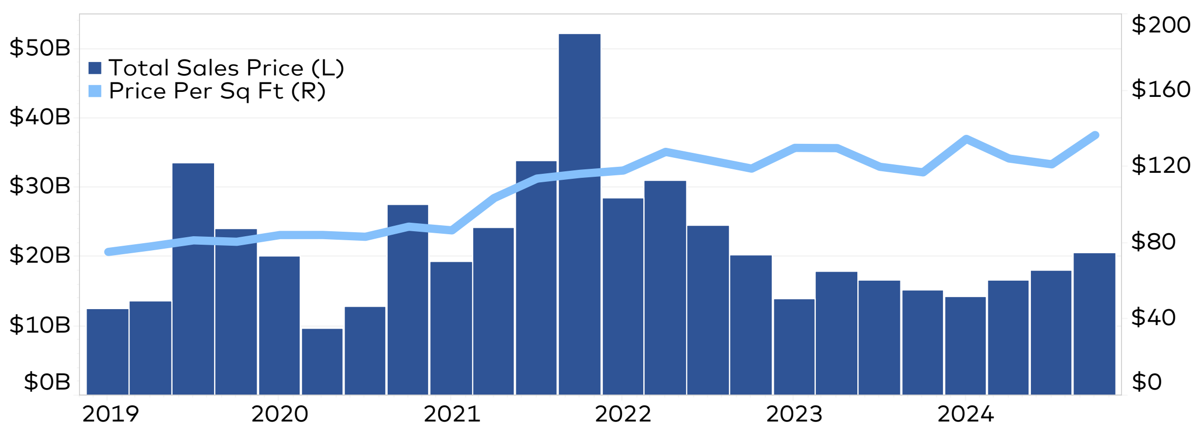
- While volume fell in Southern California in 2024, the average sale price of an industrial property was sticky. In the Inland Empire, the average price per square foot increased by 5.3% over 2023, while in Los Angeles the price slipped just 2.5%.

Sales Activity

Market	YE 2024 Sales Price PSF	YE 2024 Sales (Mil)
National	$129	$69,160
Dallas–Fort Worth	$133	$5,989
Houston	$106	$3,409
Phoenix	$163	$3,351
Los Angeles	$294	$3,194
Bay Area	$414	$3,111
Chicago	$92	$3,063
New Jersey	$210	$2,797
Atlanta	$109	$2,580
Inland Empire	$261	$2,363
Denver	$138	$1,573
Twin Cities	$95	$1,491
Charlotte	$89	$1,476
Seattle	$207	$1,217
Philadelphia	$126	$1,212
Tampa	$124	$1,069
Columbus	$79	$989
Orange County	$314	$948
Nashville	$128	$846
Boston	$163	$724
Cincinnati	$75	$722
Baltimore	$133	$524
Cleveland	$59	$519
Detroit	$73	$518
Central Valley	$117	$507
Portland	$144	$500

Source: CommercialEdge. Data as of January 2025

Quarterly Transactions



Source: CommercialEdge. Data as of January 2025

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:

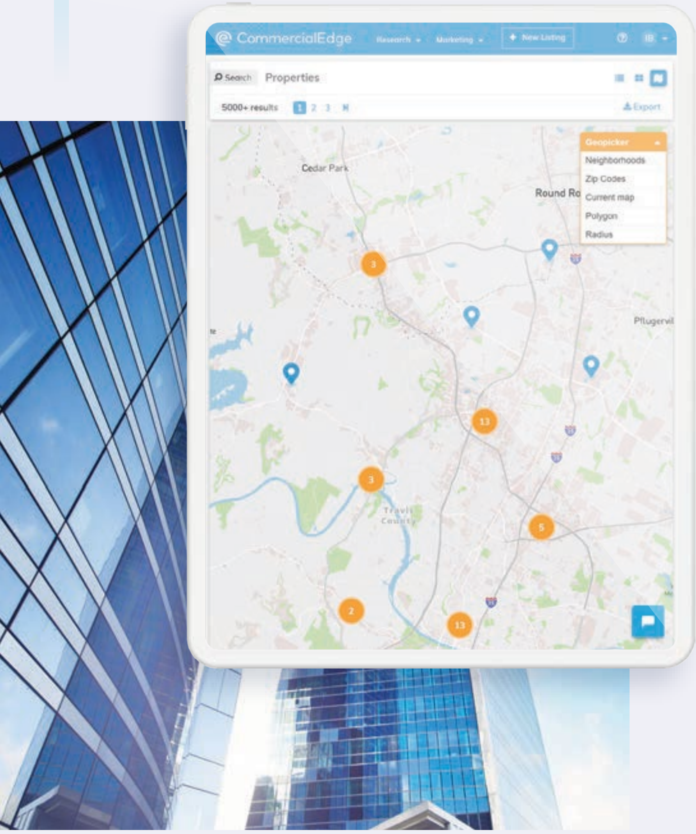
- Planned—Buildings that are currently in the process of acquiring zoning approval and permits but have not yet begun construction.
- Under Construction—Buildings for which construction and excavation has begun.

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

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

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

Author

Justin Dean
Senior Research Analyst

CommercialEdge