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1021 – U.S. INDUSTRIAL

# The National Industrial Market: Conditions & Trends

NEWMARK



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# High-Level Takeaways

## 1. Market Characterized by Nearly Universal Growth

- Average asking rents grew 7.3% over the past year to \$8.10/SF/NNN
- Demand remained at near-record highs with 74.4 MSF in quarterly net absorption
- More development underway than ever before: 371.2 MSF

## 3. Economic Recovery Will Continue to Fuel the Industrial Market

- Supply chains are swelling with goods to meet demand: port imports, freight shipments and business inventories have all grown year-over-year
- Retail sales increased 27% from March 2020 and e-commerce continues to take an even greater share of those sales
- The labor market has substantially recovered from 1Q20 although job recovery has slowed

## 2. Secondary Markets are Rapidly Expanding

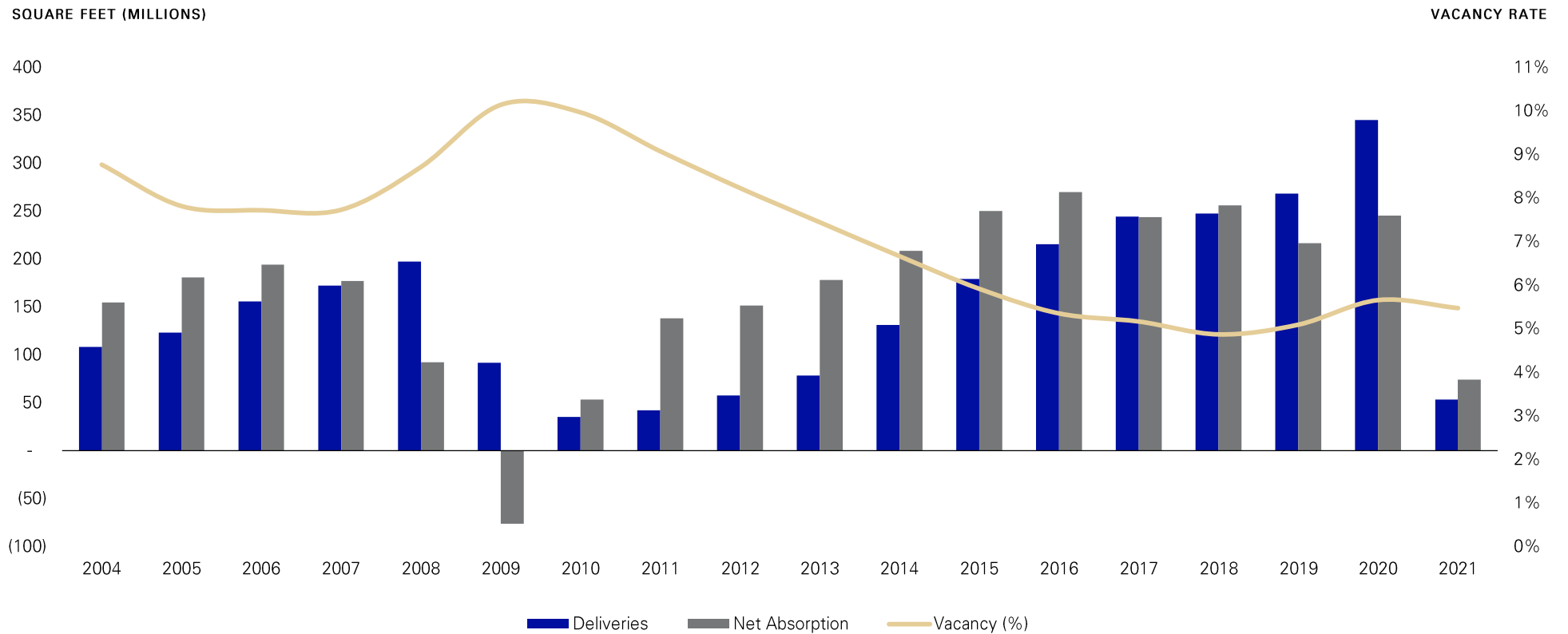
- The top 10 markets for rent growth were all secondary industrial markets
- The development response to pent-up demand in secondary and tertiary markets is accelerating quicker than in most gateway markets

## 4. Keeping Pace with Global Consumption Will be a Challenge

- Supply chain disruptions persist from the pandemic and are putting pressure on transportation costs
- A widespread shortage in commodities is driving up pricing and lengthening timelines for construction
- Lack of availability in land-constrained markets will remain an obstacle

# U.S. Industrial Deliveries, Net Absorption, and Vacancy

The resilient industrial market continues expansion through the pandemic.



Source: Newmark Research, May 2021.

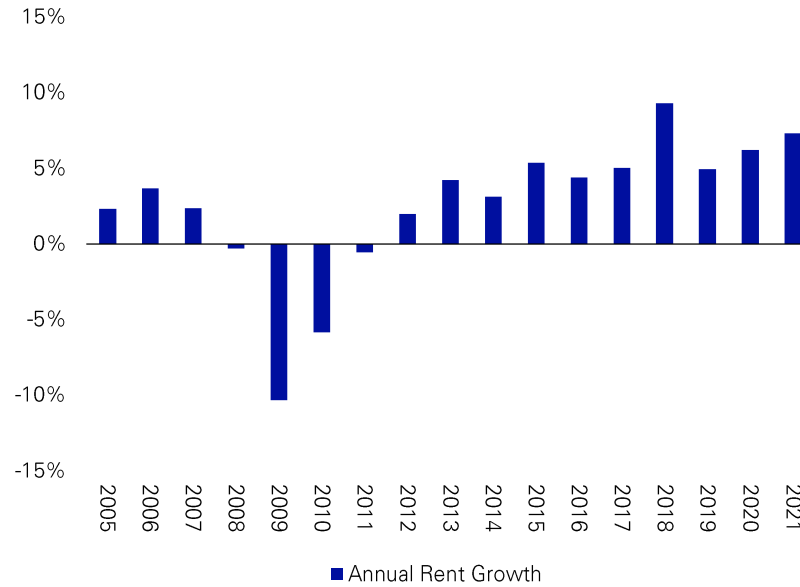
# U.S. Industrial Asking Rate Trends

Land-constrained coastal markets post highest rents; secondary markets and new construction driving rent growth.

## Asking Rent Rankings

Market	1Q21 NNN Avg. Asking Rent \$/SF
Silicon Valley*	\$27.24
Orange County, CA	\$14.44
Oakland/East Bay	\$13.96
San Diego	\$13.37
Long Island	\$13.26
Austin	\$11.27
Los Angeles	\$11.09
Boston	\$10.86
Seattle	\$10.40
Washington, DC	\$10.03
<b>U.S.</b>	<b>\$8.10</b>

## U.S. Industrial Annual Rent Growth



## Asking Rent Growth Rankings

Market	1Q21 Rent Growth (Y/o/y)
Sacramento	23.8%
Memphis	16.4%
Philadelphia	16.4%
San Antonio	15.4%
Boston	14.1%
Baltimore	9.9%
Orlando	12.8%
Salt Lake City	12.7%
Nashville	9.9%
Washington, DC	9.6%
<b>U.S.</b>	<b>7.3%</b>

\*Note: An outsized share of the Silicon Valley industrial market is R&D space which contributes to the relatively high overall asking rent.

Source: Newmark Research, May 2021.

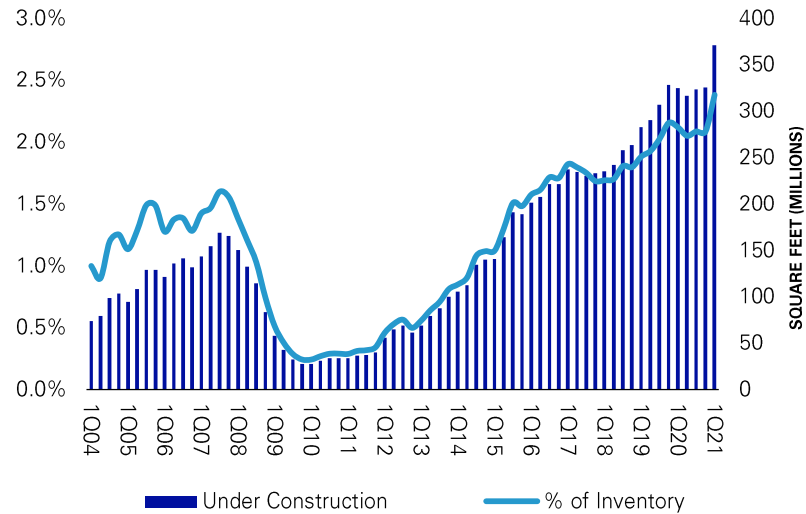
# U.S. Industrial Supply Trends

Development is at an all-time high, with a third of the total in just 5 top hubs, but secondary markets are growing faster.

## Construction Volume Rankings

Market	1Q21 Under Construction (MSF)
Dallas	31.8
Atlanta	21.9
Inland Empire, CA	21.3
Penn. I-81/78 Corridor	20.4
Chicago	18.6
Nashville	17.1
Philadelphia	16.3
Houston	14.5
Salt Lake City	14.4
Seattle	13.3
<b>U.S.</b>	<b>371.2</b>

## U.S. Industrial Under Construction and % of Inventory



## Construction Growth Rankings

Market	1Q21 Under Construction (% of Inventory)
Austin	12.3%
Nashville	6.8%
Charleston, SC	6.5%
Salt Lake City	5.7%
San Antonio	5.2%
Penn. I-81/78 Corridor	5.0%
Seattle	4.4%
Phoenix	4.1%
Las Vegas	3.8%
Memphis	3.7%
<b>U.S.</b>	<b>2.4%</b>

Source: Newmark Research, May 2021.

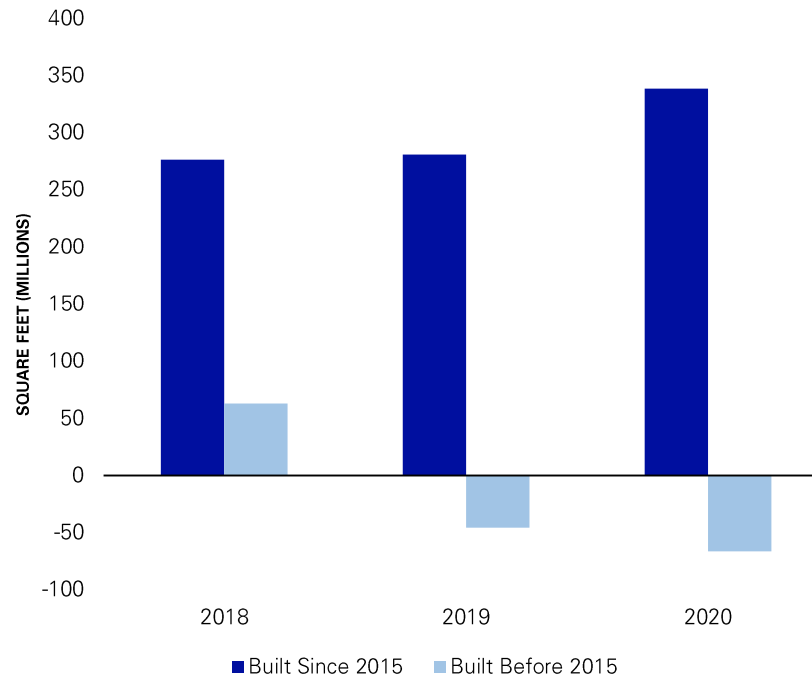
# U.S. Industrial Demand Trends

Net absorption remains near record highs, with demand for new construction significantly outpacing demand for older product.

## Net Absorption Rankings

Market	YTD Net Absorption (MSF)
Dallas	9.1
Inland Empire, CA	7.6
Atlanta	6.8
Chicago	5.7
Phoenix	5.1
Memphis	4.0
Columbus	3.9
Los Angeles	3.4
New Jersey Northern	3.0
Salt Lake City	3.0
<b>U.S.</b>	<b>74.4</b>

## Annual Net Absorption by Building Vintage



## Demand Growth Rankings

Market	12mo. Net Absorption (% of Inventory)
Charleston, SC	7.2%
Phoenix	5.7%
Memphis	5.3%
San Antonio	4.6%
Atlanta	4.5%
Penn. I-81/78 Corridor	4.1%
Las Vegas	3.7%
Austin	3.5%
Columbus	3.4%
Salt Lake City	3.4%
<b>U.S.</b>	<b>2.0</b>

Source: Newmark Research, CoStar, May 2021.

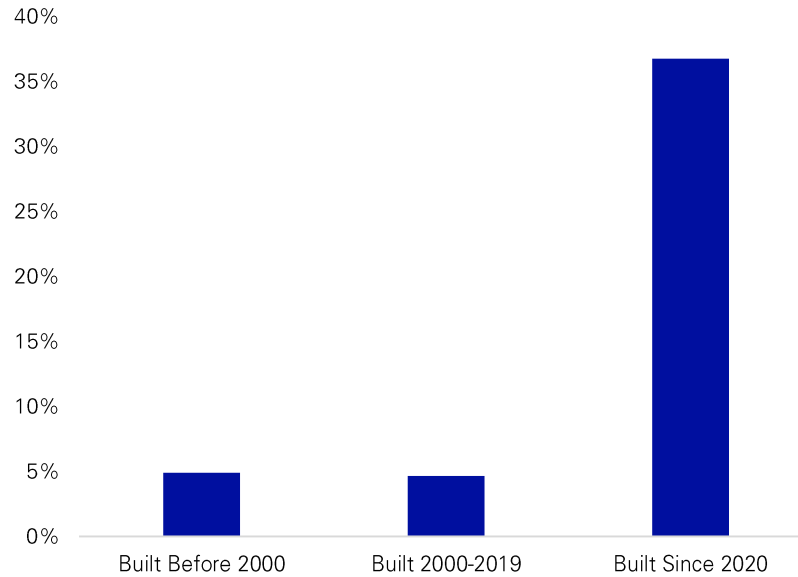
# U.S. Industrial Vacancy Trends

Vacancy remains historically low across the country but can fluctuate by market based on new speculative deliveries.

## Lowest Vacancy Rankings

Market	1Q21 Vacancy
Los Angeles	1.6%
Inland Empire, CA	2.4%
Orange County, CA	2.5%
Sacramento	3.1%
Salt Lake City	3.2%
Nashville	3.3%
Columbia, SC	3.9%
New Jersey Northern	4.1%
Raleigh/Durham	4.3%
Minneapolis	4.5%
<b>U.S.</b>	<b>5.5%</b>

## 1Q21 Vacancy Rate by Building Vintage



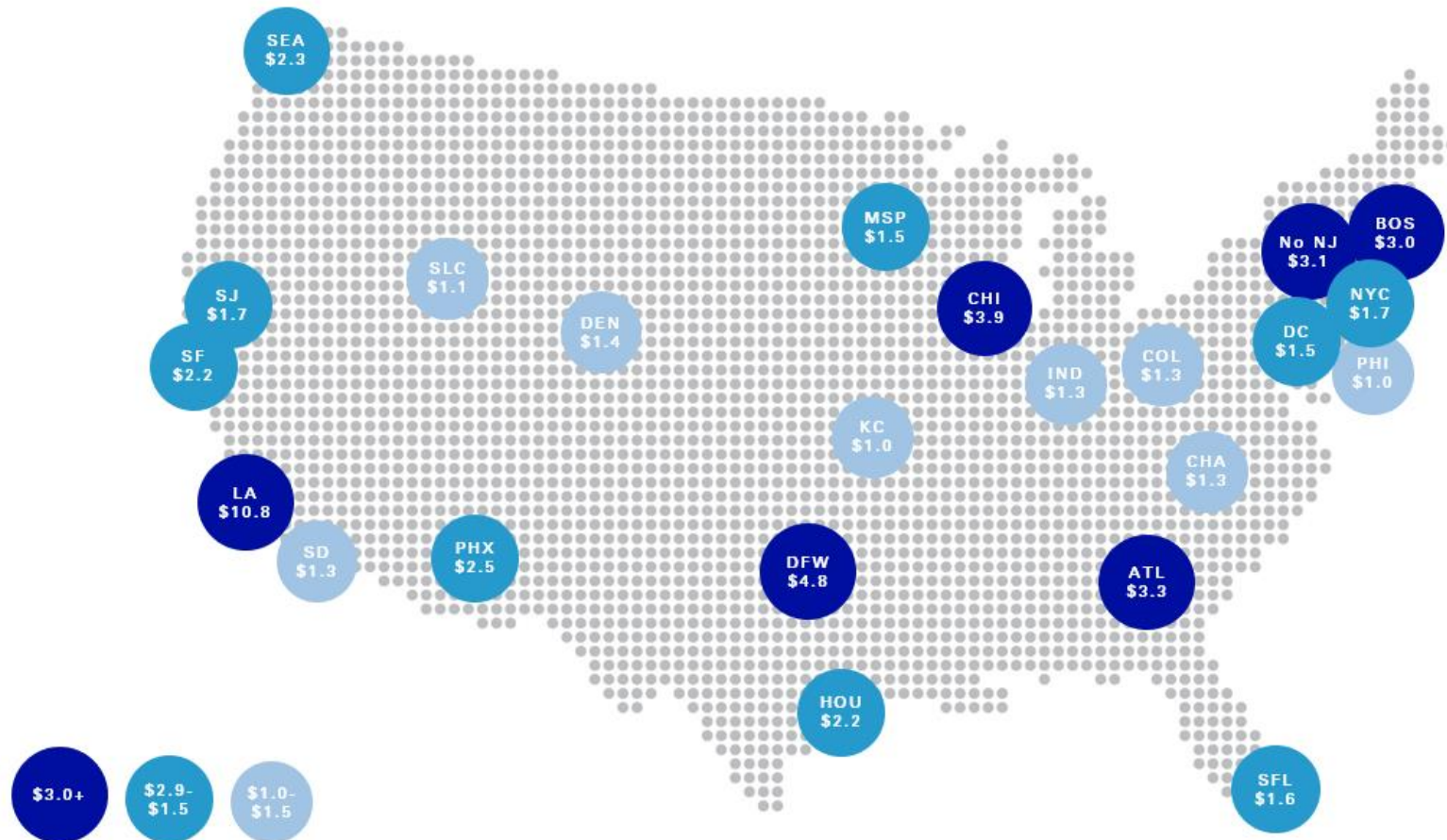
## Largest Vacancy Decline Rankings

Market	1Q20-1Q21 Vacancy Change (Bps)
Atlanta	-177
Austin	-140
Inland Empire, CA	-120
Penn. I-81/78 Corridor	-61
San Antonio	-60
Cleveland	-59
Philadelphia	-58
Orange County, CA	-50
Chicago	-47
Boston	-44
<b>U.S.</b>	<b>+19</b>

Source: Newmark Research, CoStar, May 2021.

# U.S. Industrial Sales Volume by Market, 12 Month Totals (\$B)

Gateway markets dominate, but more secondary markets are on the rise.



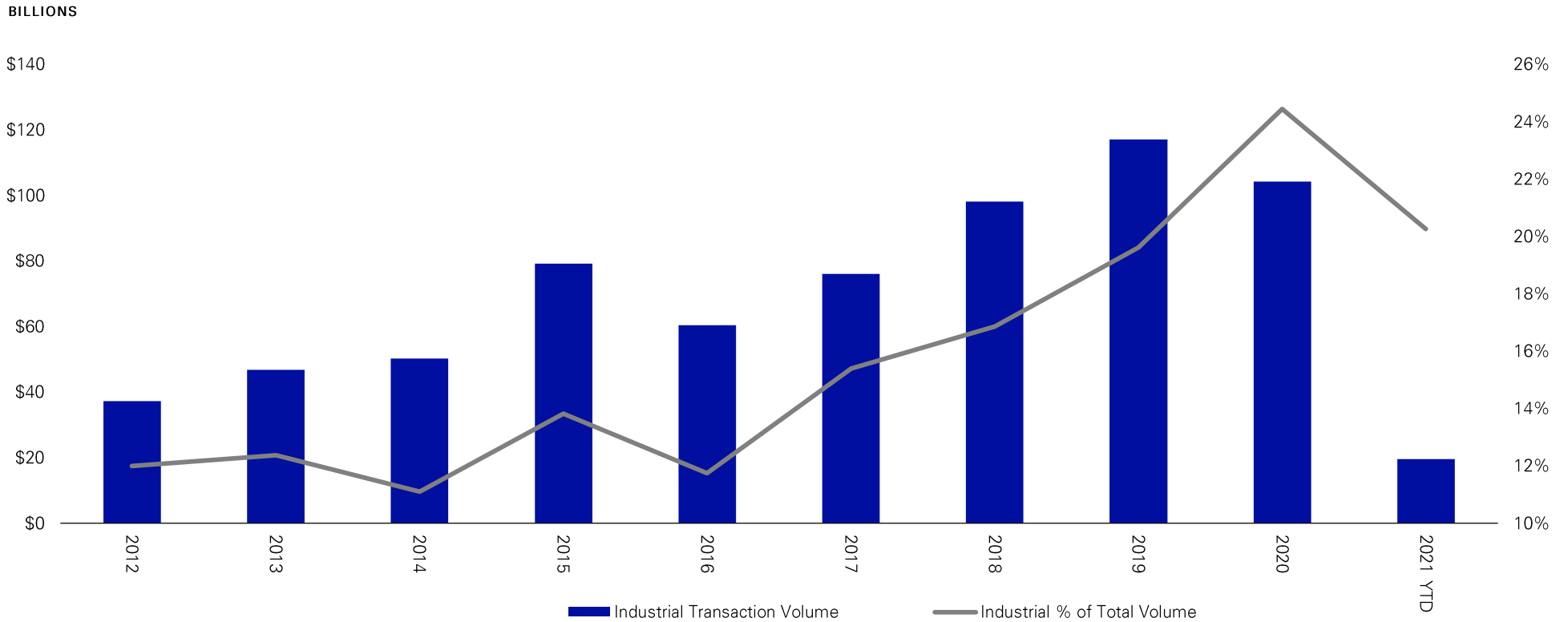
\*Note: Includes property or portfolio sales of \$2.5 million or greater.

Source: Newmark Research, May 2021.



# Investor Allocation to Industrial Product Growing

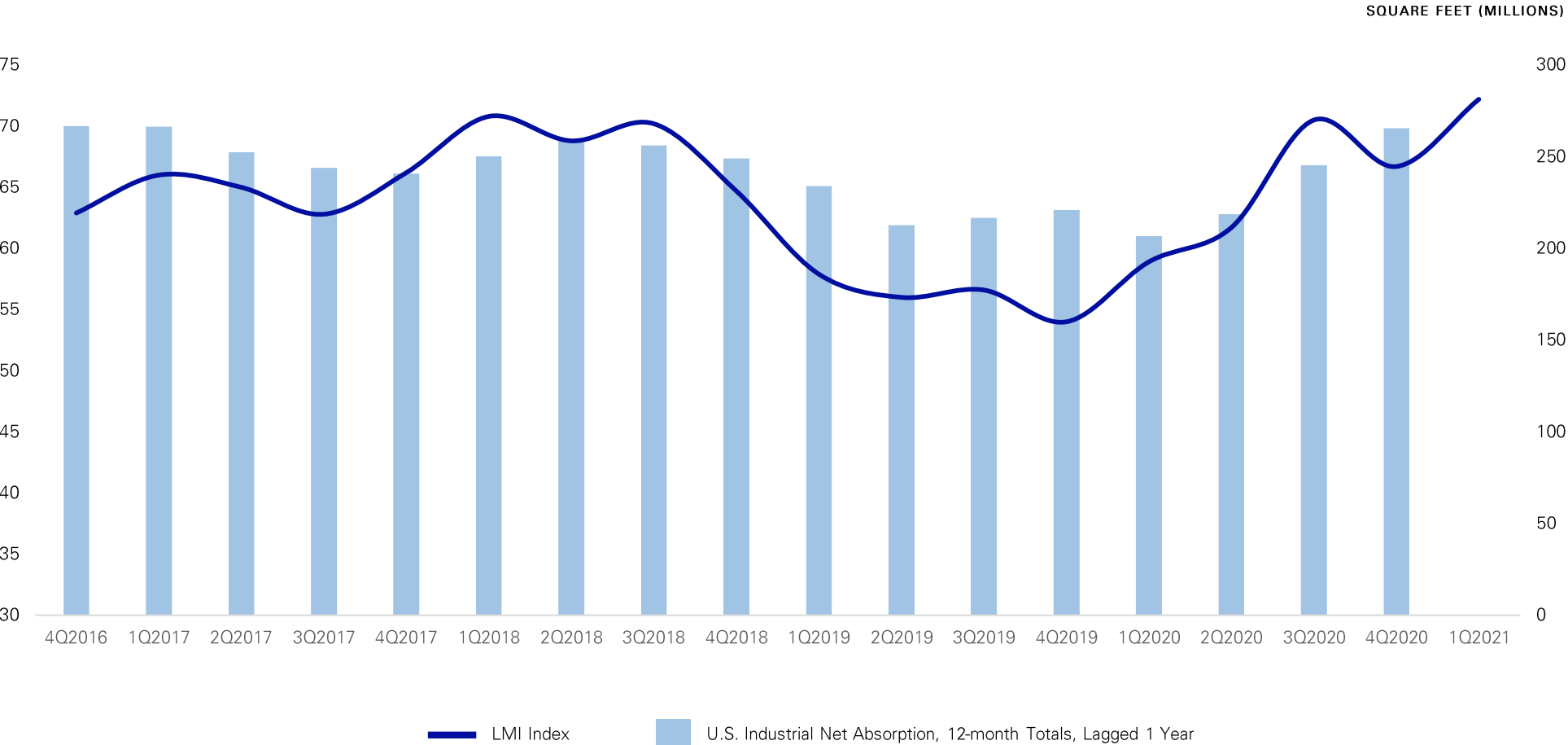
Industrial share of investment volume doubled in 10 years.



Source: Real Capital Analytics, May 2021.

# 2021 Should be Another Strong Year for Industrial Market Activity

Logistics Managers' Index is a leading indicator of industrial expansion.

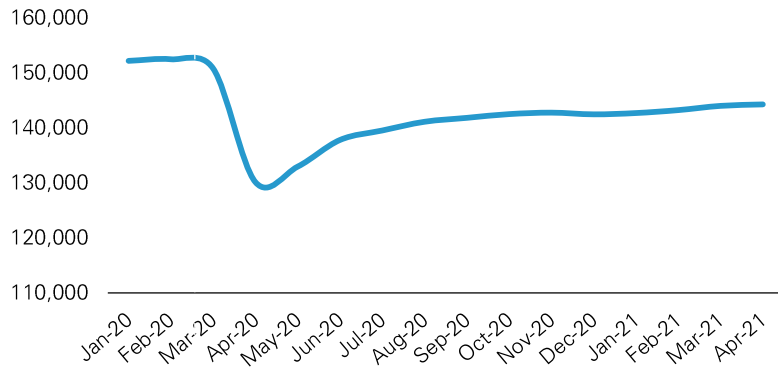


Source: Newmark Research, Logistics Managers' Index.

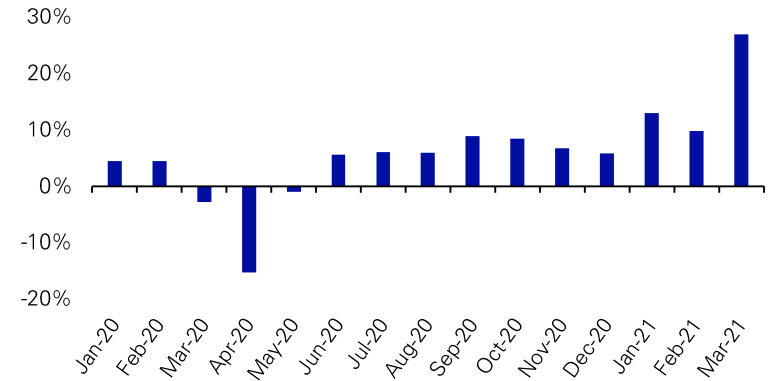
# Signs Point to Continued Economic Recovery

The labor market has improved; economic activity and spending trends signal a positive industrial outlook.

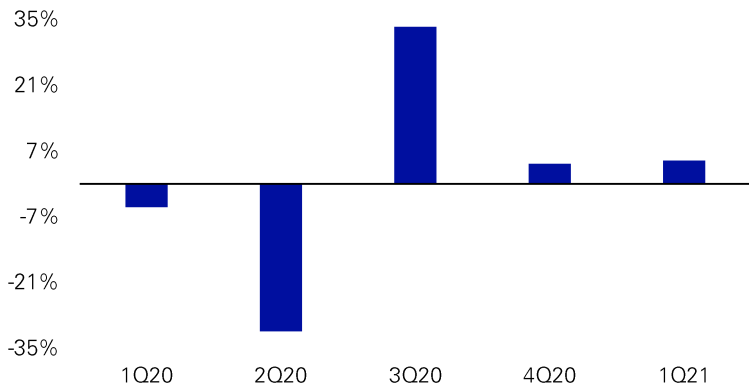
**U.S. Total Labor Pool (Thous.)**



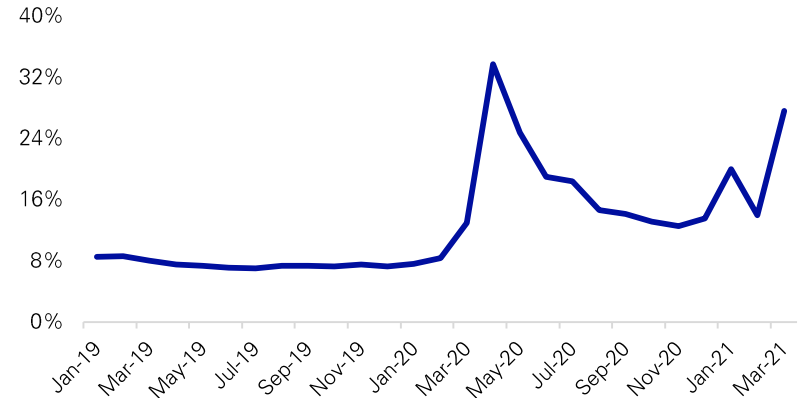
**U.S. Retail Sales Growth, 12mo % Change**



**Real U.S. GDP, Quarterly % Change**



**U.S. Personal Savings Rate**

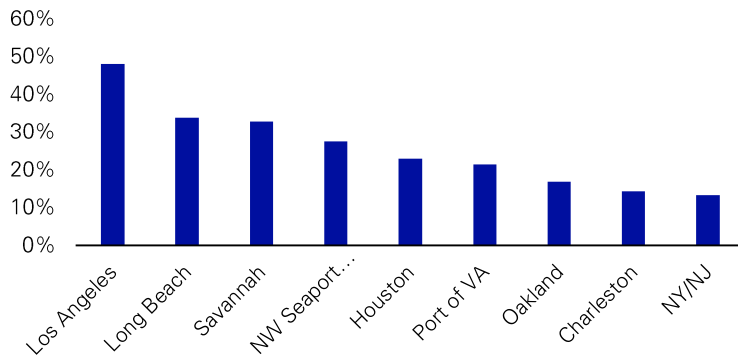


Source: Newmark Research, St Louis FRED, U.S. BLS, May 2021.

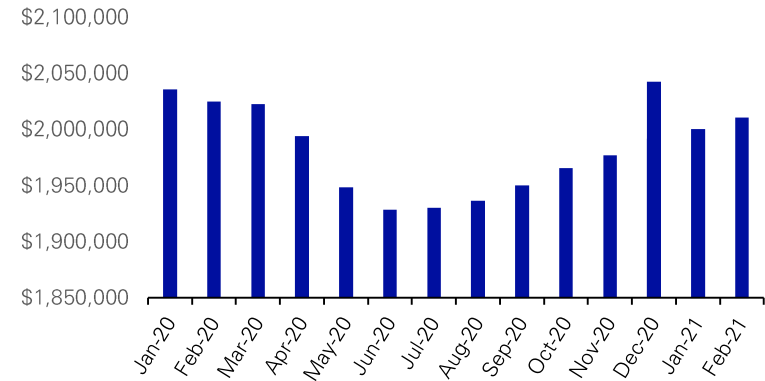
# Accelerating Supply Chain Activity to Meet Demand

More goods are moving from A to B and filling warehouses.

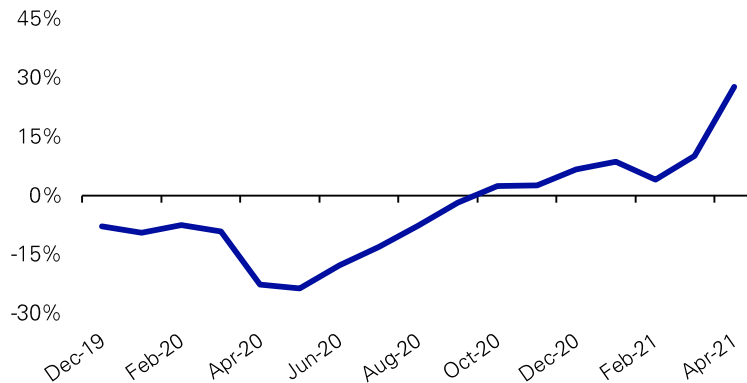
**Growth in Inbound Loaded TEUs, Major U.S. Ports, 1Q20-1Q21**



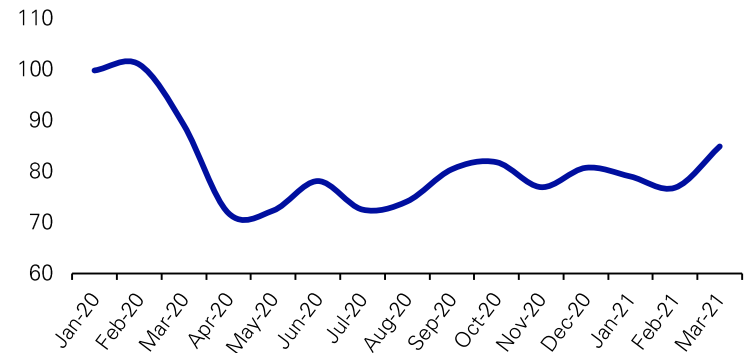
**U.S. Total Business Inventories (\$Millions)**



**Cass Freight Index: Growth in Shipments**



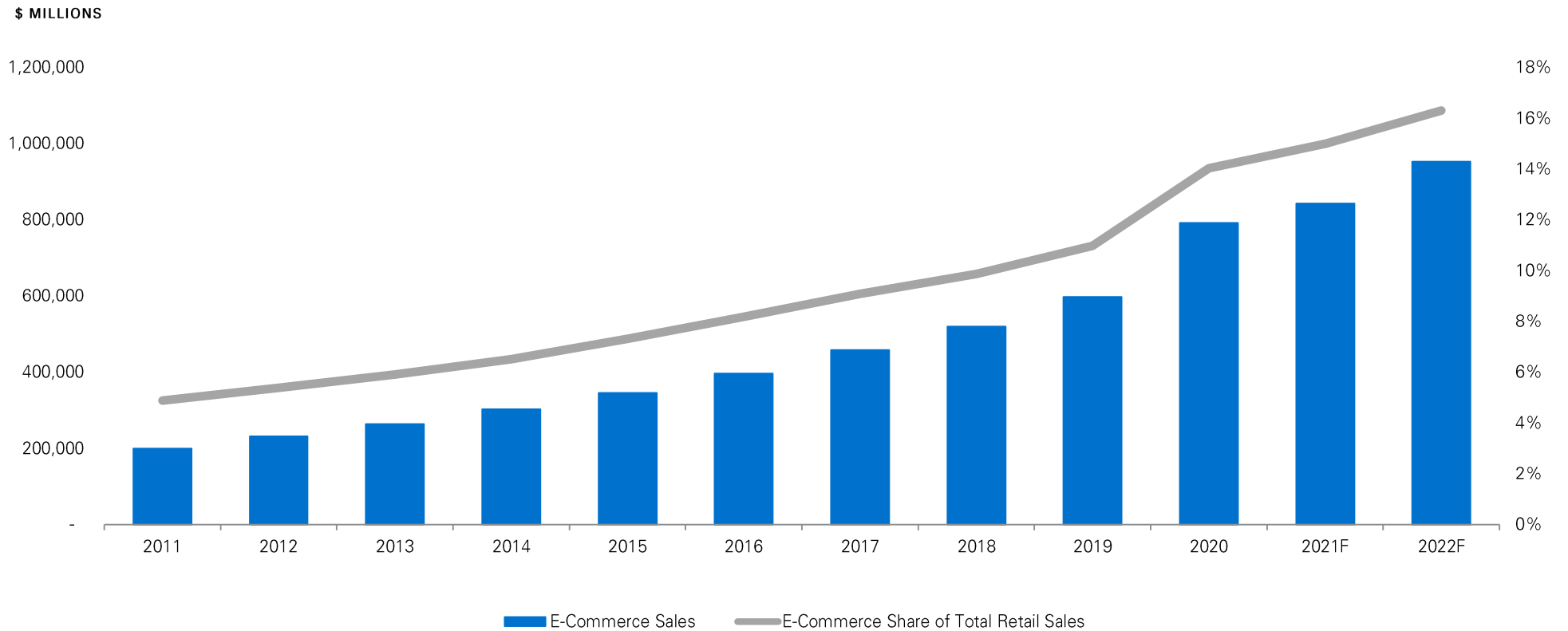
**U.S. Consumer Sentiment Index**



Source: Newmark Research, St Louis FRED, Port websites, May 2021.

# Major Driver of Industrial Demand to Continue Growing

E-commerce penetration to escalate, albeit at a slower rate than in the height of the pandemic.



Source: U.S. Department of Commerce, Emarketer, May 2021.

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## Challenges to Continued Industrial Expansion

**Commodity shortages  
and resultant increases  
in pricing,  
development timelines**

**Community opposition  
to warehouse  
development**

**Land constraints and  
low availability in key  
gateway markets**

**Labor availability and  
costs**

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