

National Industrial Market

The United States Industrial Market Shows Resiliency in the Face of Global Challenges

The first quarter of 2022 layered new challenges to economic stability and world order atop COVID-19, which continues to be a powerful global disruptor. While the United States has largely accepted the virus as endemic, other parts of the world have not; crucially, China. Shanghai, home of the world's largest port, began phased lockdown during the first quarter of 2022 on the heels of rising cases, as well as a number of major manufacturing hubs in the country. As the pandemic continues to aggravate supply chain issues, new shocks to the system come with the war in Ukraine, which has further disrupted global sourcing and movement of goods. These factors contribute to inflation, which has escalated each month of 2022 and is at heights not seen in over 40 years (8.5% in March 2022). Yet, the American consumer and the national industrial market remain resilient. For the sixth consecutive quarter, industrial absorption significantly outpaced new supply. A total of 103.5 million square feet was absorbed in the first three months of the year, a 33.0% decline from the all-time record quarterly absorption registered in Q3 2021, but still effectively double the pre-pandemic quarterly average of 2019.

At a new record-low vacancy rate of 4.0%, the national industrial market is starved for space and numerous major markets have little to no immediate occupancy opportunity for tenants. Competition for space has driven rent growth well past the nation's high inflation rate; the average industrial asking rent increased 12.8% from one year ago to \$9.26/SF.

Current Conditions

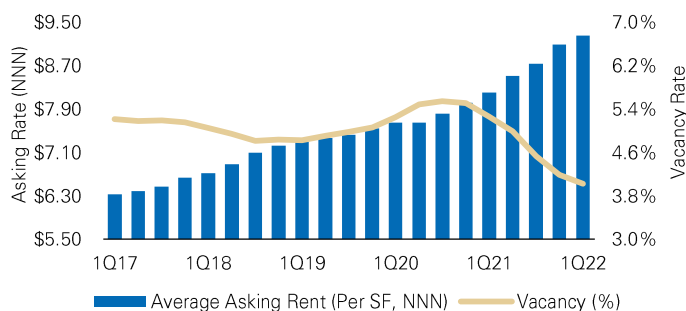
- Absorption topped 100 million square feet for the fourth consecutive quarter. Vacancy is at a record-low 4.0%.
- Asking rents grew 12.8% year over year to \$9.26/SF (NNN).
- The national industrial construction pipeline now measures 546.1 million square feet under construction, 3.4% of the total inventory.
- Quarterly deliveries totaled 81.1 million square feet.

Market Summary

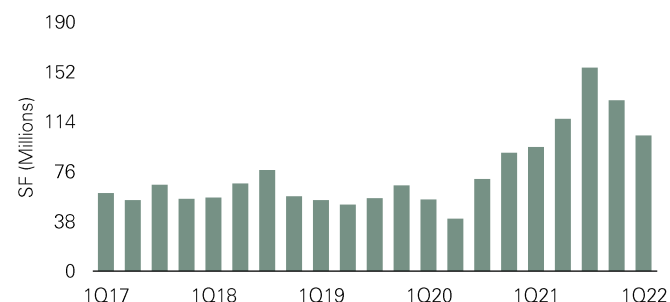
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	15.9 B	15.9 B	15.5 B	↑
Vacancy Rate	4.0%	4.2%	5.3%	↑
Quarterly Net Absorption (SF)	103.5 M	130.4 M	94.9 M	↓
Average Asking Rent/SF (NNN)	\$9.26	\$9.09	\$8.21	↑
Under Construction (SF)	546.1 M	492.4 M	374.9 M	→
Deliveries (SF)	81.1 M	80.0 M	62.7 M	↑

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Some Occupiers See Relief; Others, Potential Risk

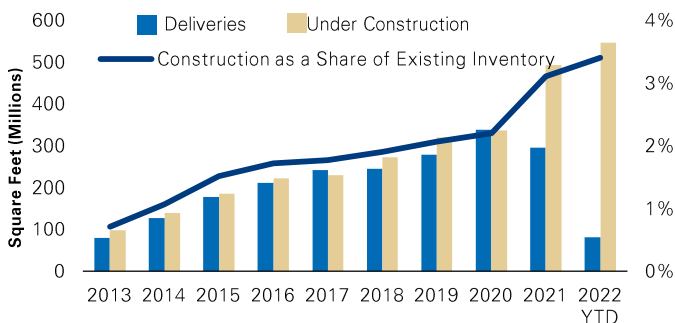
Industrial tenants are navigating a complicated environment marked by labor challenges and space scarcity, surging costs, supply chain disruption, and uncertainty about how consumer spending will perform amid persistently high inflation. While first-quarter leasing activity remained well above pre-pandemic levels, some firms have recently paused expansion projects in reaction to current conditions. Notable among firms taking a reassessment is Amazon, which reportedly has over 200 industrial projects in the pipeline in locations ranging from tertiary towns, to major markets. Stakeholders across the country noted the ecommerce giant recently withdrew plans for some new industrial projects. This decision will inevitably have an impact on leasing and absorption, yet also offers some potential relief to competitors for new space. It is likely that prospective tenants in expansion mode, particularly in the 3PL industry, will be willing to take projects Amazon withdraws from. Also, as a hypothetical exercise, if the nation's total development pipeline delivered all at once, completely vacant and unleased, vacancy would only rise to 7.1%, essentially market equilibrium.

Amid Construction Boom, Challenges to Timely Delivery

The construction pipeline expanded to 546.1 million square feet in the first quarter of 2022. Nearly a third of this volume is concentrated in just four markets - Dallas, Phoenix, the Inland Empire and Chicago - yet all 49 markets tracked had product under construction. While the pipeline has grown 46.0% year-over-year, the 81.1 million square feet of space completed in the first three months of 2022 was only slightly above the rolling four-quarter average, indicating challenges to timely delivery. Continuing supply chain congestion, lengthening entitlement periods, difficulty finding skilled labor, and community pushback to warehouse development are all contributing to longer construction timelines. Secondary, less land-constrained markets often pose fewer hurdles to new development and greater flexibility in land use planning, and are experiencing the same rent appreciation trends as gateway markets. Consequently, development as a share of existing inventory has grown most significantly in secondary markets as developers seek opportunity to solve for tenant demand in a less-challenging environment. Charleston, Phoenix, Austin, and Indianapolis were among the top growth markets for new

Construction and Deliveries

UNITED STATES INDUSTRIAL MARKET



development in the first quarter of 2022, all touting approximately 7.0% or more of the current market inventory under construction.

Double Digits in Sight for Average Asking Rent

An insufficient volume of available industrial space to meet demand has driven rents to increasingly lofty heights. Since midyear 2020, rent growth has averaged 2.8% per quarter and has surpassed both the \$8.00/SF and \$9.00/SF marks. At \$9.26/SF in the first quarter of 2022, the national average asking rent is likely to cross the double-digit threshold in the next 12 to 15 months. Average asking rents over \$10.00/SF are already a reality for 19 of the 49 industrial markets tracked by Newmark.

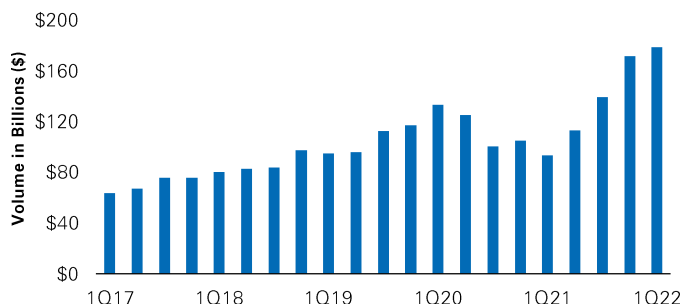
Rent pressure has caused some tenants to reconsider location; there has been a steady flow of location-flexible tenants relocating from high-cost markets to lower-cost alternatives. Often, however, tenants weigh real estate pricing against the spiraling cost of transportation and are willing to pay a premium on a prime location as a control for transportation costs.

Manufacturing Demand on the Rise

The disruption in global supply chains caused by COVID-19 and now exacerbated by war in Ukraine has caused many manufacturers that sell in the United States to reconsider where product is made and the path it takes to its end-user. As a result, demand for domestic manufacturing space is on the rise. A multitude of major announcements were made in the first quarter of 2022, including groundbreaking on Taiwan-based Sunlit Chemical's \$100.0-million factory in Phoenix; medical equipment manufacturer United Safety Technology's \$350.0-million investment in a new facility in Baltimore; and Eli Lilly & Co., which will expand its presence in North Carolina with a \$1.0-billion new manufacturing plant in Charlotte. These and many other new announcements are large, multi-year investments in development; other manufacturers have more time-sensitive, agile expansion requirements. Speculatively-constructed manufacturing space is not nearly as prevalent as speculative warehouse/distribution space. Some manufacturers, particularly among the plastics, packaging, medical and biotech industries, have leased new spec warehouse facilities and retrofitted the space for their specific needs. Manufacturing demand growth will be a trend to watch for economic development organizations and industrial developers.

Industrial Sales Volume

UNITED STATES, ROLLING 12-MONTH TOTALS



Notable Q1 2022 Lease/User Transactions

Tenant	Building	Market	Type	Square Feet
Hart Consumer Products	1956 Moore Duncan Hwy.	Greenville	Direct New	1,850,113
This tool and lawn and garden consumer goods manufacturer that supplies only to Walmart is expanding its distribution capacity.				
Macy's	475 E. NC-152 Hwy.	Charlotte	Direct New	1,412,980
This new fulfillment center will account for close to 30% of the retailer's digital supply chain and serve customers nationwide.				
Lowe's	Crismon Rd. & Pecos Rd.	Phoenix	Direct New	1,263,080
Lowe's is in growth mode, and announced a partnership with Instacart to offer same-day delivery amid a changing home-owner demographic.				
Amazon	8560 E. Elliot Rd.	Phoenix	Direct New	1,194,923
Amazon's expansion in fast-growing Phoenix comes as the company is reportedly reassessing its industrial real estate needs.				
Unis	Wild Cat Dam Rd. & Main St.	Savannah	Direct New	1,193,920
The Southern California-based third-party logistics company leased space in the rail-served, port-adjacent Savannah Port Logistics Center.				

Notable Q1 2022 Sales Transactions

Building	Market	Sale Price	Price/SF	Square Feet
MTN1 Amazon Fulfillment Center	Philadelphia	\$392,000,000	\$101	3,883,950
Macquarie Group acquired the recently-opened multistory facility from Dermody Properties.				
Eddie Bauer/PacSun Distribution Center	Columbus	\$90,500,000	\$44	2,071,908
The single-tenant building with a 20-year lease in-place was purchased by Related Companies from LCN Capital Partners.				
Orchard Hills Distribution Facility	Atlanta	\$135,000,000	\$89	1,514,040
Retirement investment manager, Florida State Board of Administration, acquired the single-tenant Goodyear Tire & Rubber Company building.				
Briggs & Stratton Manufacturing Facility	Milwaukee	\$24,000,000	\$15	1,508,277
In a 15-year sale-leaseback transaction, Phoenix Investors purchased the 1970s-era building from Briggs & Stratton.				
Meridian Industrial Complex	Inland Empire	\$225,000,000	\$192	1,174,800
Prologis sold the distribution/cold storage building occupied by wholesale grocer, UNFI, to IDS Real Estate Group out of San Diego.				

Market Statistics (Continued on Next Page)

	Total Inventory (SF)	SF Under Construction	SF Absorbed This Quarter	SF Absorbed Year-to-Date	Vacancy Rate	Average Asking Rent (Price/SF)
National	15,943,805,436	546,096,224	103,509,510	103,509,510	4.0%	\$9.26
Atlanta	667,464,047	15,394,608	7,800,666	7,800,666	4.7%	\$6.07
Austin	109,995,912	9,021,374	5,982,377	5,982,377	3.4%	\$12.11
Baltimore	189,540,129	4,523,897	153,678	153,678	7.4%	\$6.25
Boston	216,194,787	6,078,764	643,087	643,087	3.1%	\$12.81
Broward County, FL	111,878,866	1,090,293	547,542	547,542	4.6%	\$10.89
Charleston, SC	83,539,418	10,667,683	1,417,800	1,417,800	3.2%	\$6.45
Charlotte	413,025,808	14,107,470	3,070,900	3,070,900	5.0%	\$5.50
Chicago	1,169,614,883	25,455,991	10,838,302	10,838,302	4.4%	\$6.12
Cincinnati	295,800,808	11,638,320	3,598,233	3,598,233	3.7%	\$4.61
Cleveland	290,687,095	2,204,983	1,787,959	1,787,959	4.4%	\$4.95
Columbia, SC	63,848,628	428,440	448,900	448,900	3.6%	\$4.24
Columbus	262,897,307	15,180,480	4,706,508	4,706,508	2.4%	\$4.41
Dallas	986,334,381	74,440,948	3,390,927	3,390,927	5.8%	\$7.27
Denver	218,499,137	12,970,007	828,564	828,564	6.1%	\$10.23
Detroit	412,586,770	5,147,872	377,051	377,051	4.3%	\$6.18
Greenville, SC	230,824,345	13,373,429	1,403,582	1,403,582	3.7%	\$4.58
Houston	678,721,316	18,373,600	5,574,689	5,574,689	6.5%	\$8.19
Indianapolis	370,719,114	24,703,222	4,582,067	4,582,067	3.6%	\$4.64
Inland Empire, CA	660,173,330	33,162,593	4,017,525	4,017,525	0.6%	\$12.37
Jacksonville	138,830,364	5,165,861	681,072	681,072	3.6%	\$6.40
Kansas City	307,905,219	12,823,835	2,624,045	2,624,045	4.8%	\$5.02
Las Vegas	139,435,284	8,478,902	1,634,183	1,634,183	2.4%	\$11.07
Long Island	161,421,153	2,018,398	185,027	185,027	3.4%	\$15.16
Los Angeles	1,054,337,496	4,333,818	1,386,451	1,386,451	0.9%	\$14.22
Memphis	301,954,350	6,989,066	-645,091	-645,091	7.2%	\$3.98

Market Statistics (Continued from Previous Page)

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National	15,943,805,436	546,096,224	103,509,510	103,509,510	4.0%	\$9.26
Miami	224,969,405	6,119,363	1,135,020	1,135,020	2.8%	\$10.46
Milwaukee	246,517,854	2,440,890	-352,559	-352,559	2.8%	\$4.62
Minneapolis	405,172,433	3,787,555	1,159,785	1,159,785	3.6%	\$5.88
Nashville	262,425,099	8,879,382	-150,986	-150,986	4.4%	\$7.09
New Jersey Northern	676,281,034	14,162,615	2,988,511	2,988,511	2.9%	\$12.23
Oakland/East Bay	254,858,487	4,695,398	-36,365	-36,365	4.9%	\$18.87
Orange County, CA	262,881,688	3,131,307	277,044	277,044	2.2%	\$17.04
Orlando	194,273,391	3,736,773	667,003	667,003	4.1%	\$8.33
Palm Beach	50,859,505	733,944	182,827	182,827	4.2%	\$10.99
Penn. I-81/78 Corridor	424,023,407	23,718,352	5,876,959	5,876,959	6.3%	\$5.31
Philadelphia	500,418,106	20,268,797	4,508,457	4,508,457	4.1%	\$7.83
Phoenix	336,303,486	36,409,379	3,850,176	3,850,176	5.1%	\$10.05
Pittsburgh	144,354,912	1,524,082	12,847	12,847	6.1%	\$5.44
Portland	200,820,218	2,347,866	325,909	325,909	3.4%	\$9.97
Raleigh/Durham	130,276,933	7,568,937	236,932	236,932	3.4%	\$9.37
Sacramento	165,538,914	4,506,322	819,486	819,486	2.0%	\$10.18
Salt Lake City	269,385,771	16,246,812	4,413,600	4,413,600	1.9%	\$8.80
San Antonio	143,523,345	8,610,074	4,543,542	4,543,542	4.7%	\$7.53
San Diego	167,158,459	2,123,761	697,939	697,939	3.2%	\$14.48
Seattle	309,301,814	8,743,850	1,331,130	1,331,130	3.6%	\$12.23
Silicon Valley	154,980,558	720,854	1,263,017	1,263,017	8.3%	\$27.30
St. Louis	280,549,646	7,921,950	1,452,553	1,452,553	3.5%	\$5.23
Tampa/St. Petersburg	274,979,161	5,280,184	403,369	403,369	5.0%	\$6.44
Washington, DC	327,721,863	14,643,923	867,270	867,270	4.3%	\$10.91

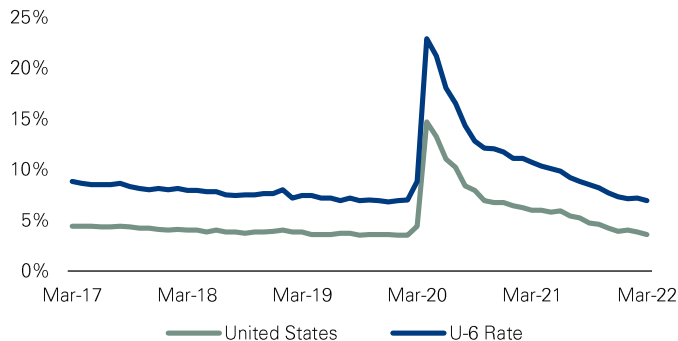
Economic Conditions

Inflation continues to be of major concern; the CPI was up 8.5% year over year; outstripping wage growth. The Federal Reserve begun raising interest rates in an effort to tamp down 40-year high inflation and signaled six interest rate hikes for 2022, with one of those hikes expected to be a half-point increase. Employment growth continues to be strong at 4.6% year over year, and the unemployment rate is now just 10 basis points higher than the pre-COVID-19 recession rate of 3.5%. Employers are still struggling to find workers with 11.3 million job openings and only 6.3 million unemployed as the Great Resignation persists with 4.4 million workers quitting their job in February 2022. The trade, transportation, and utilities sector accounted for about 25.0% of those quits.

Global headwinds complicate the economic outlook. The Russian invasion of Ukraine is causing a humanitarian crisis and exacerbating inflation, particularly in the energy and food markets, and further disrupting a beleaguered supply chain. Additionally, China's COVID-19 lockdowns will cause more supply chain trouble.

Unemployment Rate

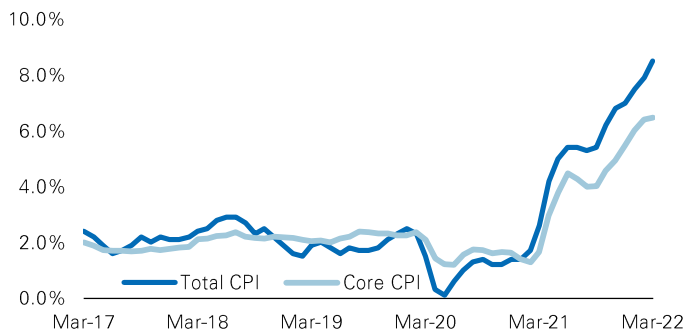
UNITED STATES, SEASONALLY ADJUSTED



Note: U-6 rate includes total unemployed, marginally attached workers, and those working part time for economic reasons
Source: U.S. Bureau of Labor Statistics, Newmark Research, March 2022

Consumer Price Index (CPI)

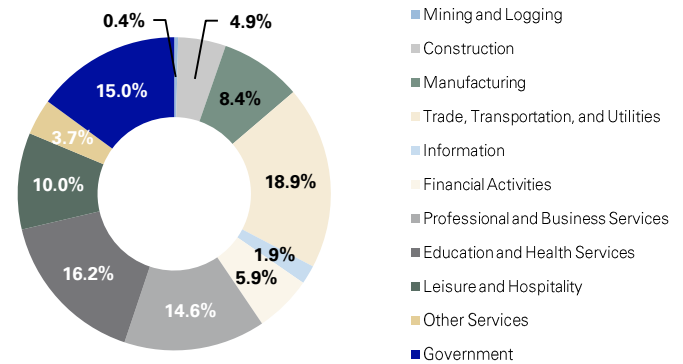
UNITED STATES, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Note: Core CPI excludes food and energy, which can be volatile; 1982-84=100
Source: U.S. Bureau of Labor Statistics, Newmark Research, March 2022

Employment by Industry

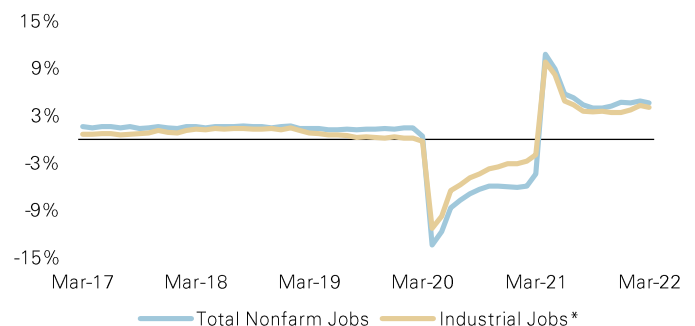
UNITED STATES, 12-MONTH AVERAGE



Source: U.S. Bureau of Labor Statistics, Newmark Research, March 2022

Payroll Employment

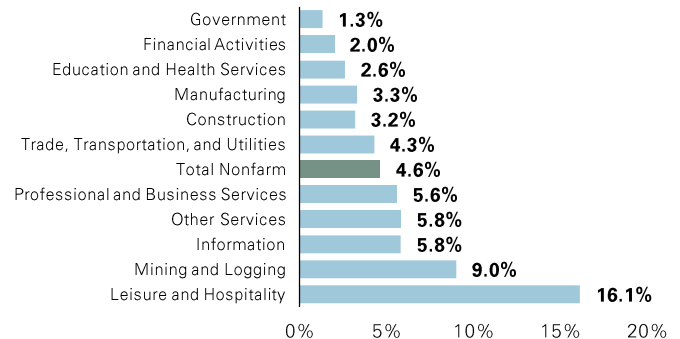
UNITED STATES, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



* Includes Manufacturing, Trade/Transportation/Utilities and Mining/Logging
Source: U.S. Bureau of Labor Statistics, Newmark Research, March 2022

Employment Growth by Industry

U.S., MARCH 2022, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, Newmark Research, March 2022

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/research.

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