



National Industrial Market

Industrial Demand Drives New Quarterly Records

In the second quarter of 2021, improving national economic and health conditions unleashed pent-up consumer demand, which is fueling the consumption and production of goods and supporting continued industrial expansion. The U.S. industrial market remained on an impressive trajectory of positive absorption, rent growth, and new construction activity, breaking multiple quarterly records. Net absorption exceeded 100.0 million square feet for the first time as a total of 101.7 million square feet was absorbed nationwide, more than double the total accumulated during the most challenging stretch of the pandemic, in second-quarter 2020. A dip in quarterly construction completions (59.7 million square feet, down from 61.8 million square feet in the first quarter) coupled with record demand caused overall vacancy to drop for the second consecutive quarter to 5.1%, only 30 basis points above the cyclical low of 4.8% measured at the start of 2019. Consequently, average asking rents rose 3.0% quarter-over-quarter and 8.6% year-over-year to a new record of \$8.32/SF (NNN).

The nation's industrial development pipeline also surpassed previously-set records by increasing to an all-time high of 423.4 million square feet in the second quarter. This elevated volume remains primarily driven by historically strong occupier demand for new space, but is also partially inflated by projects under development, now facing completion delays because of commodity shortages. Due to persistent global supply chain disruptions and the whiplash-like effect of the economy's reheating, such shortages are widespread, lengthening construction timelines and causing upward pressure on prices. Despite a record volume of supply underway, these market dynamics may continue to challenge developers and prospective occupiers in the short to mid-term.

A primary force behind the national industrial market's striking performance over the past year was the accelerated growth in e-commerce. Online sales increased 39.1% from Q1 2020 to Q1 2021; by comparison, growth was 14.0% over the previous 12-month period. While the e-commerce impact on warehouse demand has dominated the industrial narrative pre- and post-pandemic, activity across the spectrum of industrial product was healthy and heightened in second-quarter 2021. The R&D/flex sector continues to draw strong focus due in large part to the ascendancy of life sciences, and manufacturing has seen robust sector expansion since the nation's economic contraction in second-quarter 2020. Across the nation, announcements of new facilities and manufacturer expansions abounded in the second quarter, with momentum likely to continue as more firms weigh the benefits of domestic operations in light of high transportation costs and global supply chain challenges.

NEWMARK

Current Conditions

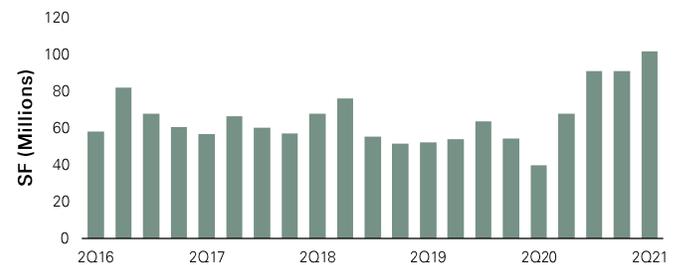
- Absorption totaled 101.7 million square feet during the second quarter, the largest quarterly volume on record.
- Upward pressure on asking rents continued this quarter, with the average asking rent growing 3.0% from the previous quarter to \$8.32/SF (NNN).
- The national industrial construction pipeline grew to a record 423.4 million square feet currently under construction.
- U.S. industrial sales activity totaled \$24 billion in Q2 2021, a 92.6% increase from the height of the pandemic in Q2 2020.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	15.6 B	15.6 B	15.4 B	↑
Vacancy Rate	5.1%	5.4%	5.5%	↑
Quarterly Net Absorption (SF)	101.7 M	91.0 M	39.9 M	↓
Average Asking Rent/SF (NNN)	\$8.32	\$8.08	\$7.66	↑
Under Construction (SF)	423.4 M	366.2 M	318.4 M	→
Deliveries (SF)	59.7 M	61.8 M	85.1 M	↑

Construction Deliveries Down, Pipeline Volume Up

Construction deliveries declined for the second consecutive quarter, tallying 59.7 million square feet, as many projects faced delays stemming from ongoing materials and labor shortages. Despite the challenging development environment, a wave of projects commenced in the second quarter to meet strong demand for new product. All 49 industrial markets tracked by Newmark had projects under construction at the close of the second quarter, spanning Dallas, which led the nation with 41.9 million square feet underway, to Silicon Valley, with just over 500,000 square feet in development. The 423.4 million square feet of industrial space under construction across the country was a 13.5% increase from the first quarter, the largest quarterly gain in this cycle.

As the construction pipeline expands, so does the location and nature of development. In some markets, dwindling land availability, escalating prices and depleted labor pools in core nodes are pushing construction activity to emerging submarkets near or beyond the limits of established metropolitan areas. In the second quarter, Amazon announced plans for a major new distribution center in Charlton, Massachusetts, outside of the traditional boundaries of the Boston industrial market. For the most supply-and-land-constrained markets, like Los Angeles and Northern New Jersey, conversions/redevelopments and renovations are increasingly important complements to limited opportunities for ground-up infill development.

Record Net Absorption Further Tightens the Market

The U.S. industrial market absorbed 193 million square feet of space in the first half of 2021 and is on course to eclipse last year’s annual total of 253.1 million square feet; 43 of the 49 industrial markets tracked by Newmark contributed positively to the second quarter’s record-breaking 101.7 million square feet in net absorption. Chicago, with its own record-breaking total, led the nation with 10.1 million square feet of quarterly net absorption; Inland Empire (CA) and Atlanta tied for second, both absorbing 8.3 million square feet.

As quarterly demand dwarfed new supply additions, the national industrial vacancy rate declined, dropping 30 basis points from the prior quarter to 5.1%. Vacancy has fluctuated between the 4%-to-5% range for years, not cracking 6.0% since third-quarter 2015.

No Ceiling in Sight Yet for Asking Rent Growth

The average industrial asking rent across the U.S. continued its upward climb, setting the record anew at \$8.32/SF (NNN) in second-quarter 2021. This was a 3.0% increase from the previous quarter. The quarterly growth rate has again gained momentum after dipping to near-stasis at 0.4% by mid-year 2020. Many supply-constrained markets have seen taking rents growing even faster than asking rents as occupiers compete for limited space.

Of the 49 industrial markets tracked by Newmark, 44 recorded positive rent changes over the past year, with several exhibiting well above-average growth. The Baltimore industrial market led rent gains, growing an impressive 24% year-over-year on the heels of new, higher-priced supply deliveries. While industrial rent growth is a nearly universal trend, rate escalation has particularly heated up in the country’s tightest markets. Los Angeles had the lowest industrial vacancy in the nation (1.5%) and saw the strongest quarterly rent growth, 9.1% from the first quarter.

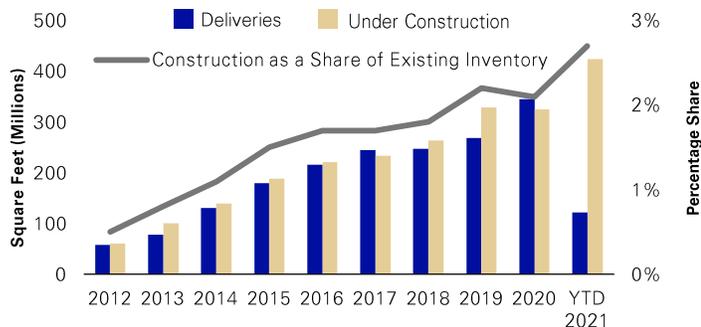
Across the spectrum of hard, soft and land costs, construction pricing is rising. Commodities shortages will likely ease in the mid-term, causing some costs to modulate, while others, such as labor and land costs may not be as elastic. As demand for industrial space remains robust, rents will continue to grow to support continued new development.

Capital Markets Activity Expands

Industrial sales volume grew since second-quarter 2020, when the pandemic had the greatest impact on capital markets activity. Q2 2021 industrial totals measured approximately \$24 billion, a 92.6% increase compared to Q2 2020 and a 12.0% increase from the previous quarter. Rolling 12-month totals, however, indicate industrial volume has trended lower since reaching a pre-pandemic height. This is not for lack of investor interest but rather a lack of opportunity, reflective in pricing trends; pricing eclipsed pre-pandemic levels and hit a new high of \$123/SF in Q2 2021. With a record 423.4 million square feet of industrial space under construction, the development pipeline will, in a certain respect, also function as an investment pipeline, offering new opportunities to investors hungry for industrial assets.

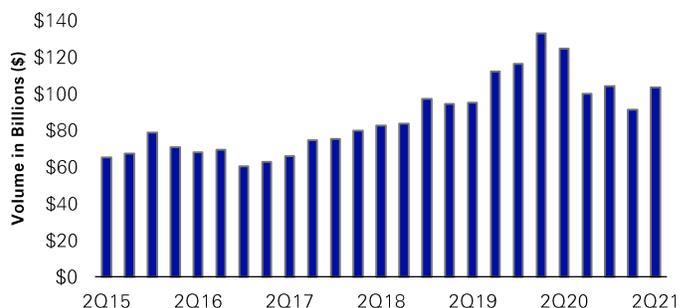
Construction and Deliveries Industrial Sales Volume

UNITED STATES INDUSTRIAL MARKET



Source: Newmark Research, July 2021

UNITED STATES, ROLLING 12-MONTH TOTALS



Source: Real Capital Analytics, July 2021

Notable 2Q 2021 Lease/User Transactions

Tenant	Building	Market	Type	Square Feet
Amazon	270 Midway Road	Penn. I-81/78 Corridor	Direct New	1,084,156
This Lehigh Valley warehouse, developed in 2018 and right off an exit along I-78, will serve as a new fulfillment center for Amazon.				
Lion Electric	3835 Youngs Road	Chicago	Direct New	906,517
The growing vehicle maker will produce electric school buses and trucks at this manufacturing facility in Joliet which is under construction.				
Relativity Space	2400 East Wardlow Road	Los Angeles	Direct New	883,971
The rocket manufacturer and launch service provider is taking over a facility previously occupied by Boeing next to the Long Beach airport.				
Henry Schein Inc	3701 Litsey Road	Dallas/Fort Worth	Direct Expansion	810,908
This newly-constructed warehouse was leased to Henry Schein, a leading distributor of medical supplies including PPE and vaccines.				
FedEx	3919 Lakeview Corporate Drive	St. Louis	Direct New	769,500
The leading 3PL is expanding its distribution network with this facility developed by Panattoni in 2018 and located in Edwardsville, IL.				

Notable 2Q 2021 Sales Transactions

Building	Market	Sale Price	Price/SF	Square Feet
Reno Logistics Portfolio	Reno	\$396,300,000	\$126	3,143,740
Starwood acquired this fully-occupied 21-building industrial and flex portfolio from Blackstone.				
3994 & 3996 South Riverside Avenue	Inland Empire, CA	\$231,200,000	\$166	1,396,495
Blackstone acquired two facilities that are fully-leased to furniture store Living Spaces and Razor USA, an electric scooter manufacturer.				
951 Willowbrook Road – Building A	Penn. I-81/78 Corridor	\$201,500,000	\$195	1,031,524
This newly-constructed building, which was purchased by Centerpoint, features a 40-foot clear height and is leased to the logistics firm Geodis.				
Independence Logistics Park	Houston	\$195,000,000	\$89	2,165,000
Starwood purchased the five-building complex from Hines. It includes both single and multi-tenant buildings leased to a variety of users.				
676 C. Fred Jones Boulevard	Tampa	\$170,000,000	\$158	1,078,000
Amazon leases this distribution center which was completed in May and developed by ProLogis. Eaton Vance was the buyer.				

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	15,586,538,967	423,356,804	101,662,896	192,639,766	5.1%	\$8.32
Atlanta	650,461,161	26,377,191	8,228,117	16,645,368	5.7%	\$5.23
Austin	98,652,745	13,679,602	1,163,317	1,657,807	6.3%	\$11.05
Baltimore	188,591,990	3,907,142	1,194,422	2,171,826	9.5%	\$6.01
Boston	217,502,138	1,747,130	242,253	1,039,225	5.1%	\$11.41
Broward County, FL	110,982,890	1,114,879	372,076	913,652	5.5%	\$9.66
Charleston, SC	80,861,067	6,269,322	509,835	1,442,649	5.7%	\$5.92
Charlotte	406,525,760	11,868,926	-211,721	-1,467,629	6.6%	\$5.08
Chicago	1,158,713,512	16,809,074	10,060,028	15,611,034	6.0%	\$5.83
Cincinnati	291,789,595	8,596,721	930,575	2,790,352	5.6%	\$4.40
Cleveland	288,056,366	4,027,530	-814,115	-904,597	4.9%	\$4.45
Columbia, SC	62,177,515	1,092,780	-256,540	-476,353	4.3%	\$4.17
Columbus	257,666,000	10,187,671	3,000,000	8,000,000	3.8%	\$4.38
Dallas	959,041,548	41,909,665	7,479,844	18,659,334	6.6%	\$6.91
Denver	213,754,380	7,820,620	2,101,926	2,675,887	7.0%	\$9.02
Detroit	405,714,034	6,292,414	2,931,050	3,021,814	4.4%	\$6.08
Greenville, SC	226,806,681	3,261,280	617,745	1,966,273	7.1%	\$4.03
Houston	600,757,106	14,350,980	2,072,803	2,914,186	9.0%	\$7.34
Indianapolis	361,432,117	13,703,290	3,513,977	5,489,257	6.0%	\$4.34
Inland Empire, CA	648,587,220	22,628,752	8,286,129	16,297,025	1.7%	\$9.23
Jacksonville	134,440,952	3,544,275	963,432	1,279,192	4.8%	\$5.83
Kansas City	296,175,946	12,005,571	1,005,915	3,590,907	4.9%	\$4.64
Las Vegas	135,257,503	5,860,464	1,894,890	2,797,127	5.0%	\$8.65
Long Island	161,095,403	1,208,412	527,203	647,895	4.5%	\$13.85
Los Angeles	1,050,476,666	6,480,700	3,628,821	6,957,657	1.5%	\$12.10
Memphis	286,785,064	10,273,677	351,097	4,584,647	5.4%	\$3.64

Note: Absorption is the net change in occupied space over a period of time. Data may not match totals in some Newmark metro reports due to different local methodologies. Asking rents are quoted on a triple-net basis. Inventory in Sacramento and Silicon Valley markets was revised due to a change in data source.

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National	15,586,538,967	423,356,804	101,662,896	192,639,766	5.1%	\$8.32
Miami	223,170,173	3,524,024	2,112,003	3,041,953	4.0%	\$8.79
Milwaukee	244,562,463	3,078,277	334,476	-419,432	3.8%	\$4.35
Minneapolis	399,191,575	4,204,237	-160,990	151,537	4.2%	\$5.64
Nashville	253,539,131	13,566,292	1,594,587	4,126,158	3.2%	\$6.86
New Jersey Northern	670,757,118	14,226,521	3,234,514	6,272,670	3.8%	\$10.27
Oakland/East Bay	255,392,708	2,746,291	-82,829	465,597	6.7%	\$14.27
Orange County, CA	261,619,691	2,074,676	784,376	1,842,034	2.3%	\$14.57
Orlando	192,462,454	1,228,163	1,850,539	3,155,405	4.7%	\$7.26
Palm Beach	49,659,252	1,201,226	157,508	312,304	5.1%	\$10.08
Penn. I-81/78 Corridor	412,821,264	21,701,170	6,720,810	8,867,094	8.3%	\$5.04
Philadelphia	489,072,809	14,259,870	777,477	2,317,715	4.9%	\$8.22
Phoenix	324,450,659	16,102,315	5,047,605	10,692,625	6.8%	\$8.34
Pittsburgh	143,083,923	2,072,607	-472,499	-312,075	6.4%	\$5.30
Portland	201,550,601	2,584,156	2,114,176	2,352,463	4.3%	\$9.23
Raleigh/Durham	128,144,755	3,757,957	1,559,626	1,065,225	3.5%	\$8.38
Sacramento	163,320,334	3,266,247	1,315,425	4,165,305	2.5%	\$8.71
Salt Lake City	257,738,891	16,338,465	3,574,513	6,449,668	2.7%	\$7.96
San Antonio	135,129,675	8,929,589	378,294	1,676,921	6.2%	\$6.48
San Diego	165,347,200	5,332,356	932,416	1,015,673	4.6%	\$13.74
Seattle	300,865,019	14,612,701	4,099,057	5,644,478	4.2%	\$10.39
Silicon Valley	151,626,867	516,493	379,770	-135,733	10.2%	\$27.09
St. Louis	278,347,126	2,678,300	1,321,375	4,605,066	4.7%	\$4.61
Tampa/St. Petersburg	271,167,875	2,077,122	2,240,333	3,242,745	4.7%	\$6.33
Washington, DC	321,212,045	8,259,681	2,057,255	3,739,835	5.4%	\$10.30

Note: Absorption is the net change in occupied space over a period of time. Data may not match totals in some Newmark metro reports due to different local methodologies. Asking rents are quoted on a triple-net basis. Inventory in Sacramento and Silicon Valley markets was revised due to a change in data source.

Economic Conditions

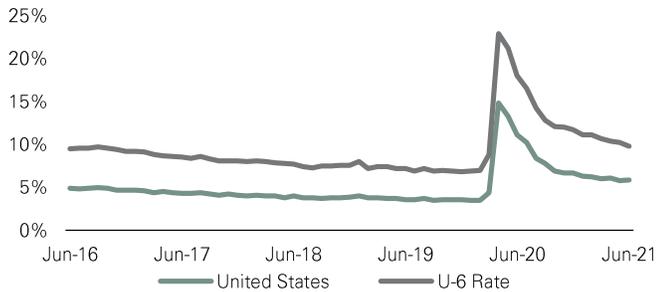
The U.S. economy continues to recover from the downturn brought on by the pandemic, with GDP increasing at an annualized rate of 6.4% in the most recently released first-quarter 2021 data. June's 5.9% unemployment rate represents an 890-basis-point decline from the peak of 14.8% in April 2020. Industrial jobs, which were largely resilient to COVID-19 restrictions, have increased by 4.4% over the past year and are now 97.0% recovered to pre-pandemic levels. Yet, this labor recovery has been outpaced by tremendous industrial expansion, leaving many occupiers to grapple with labor shortages.

Concerns regarding inflation are growing as the CPI jumped 0.9% in June, which is the largest one-month increase in 13 years. Over the past year, consumer prices were up 5.4%. There are strong implications for industrial occupiers with the cost of critical items such as fuel increasing rapidly. The rising price of construction materials, including steel, is also making industrial development more expensive. These increases are largely related to supply chain disruptions and are expected to moderate.

A proposed federal infrastructure plan including \$579.0 billion in new spending was announced by the Biden administration in June. Investments in transportation systems including roads stand to have an outsized benefit for the industrial real estate sector.

Unemployment Rate

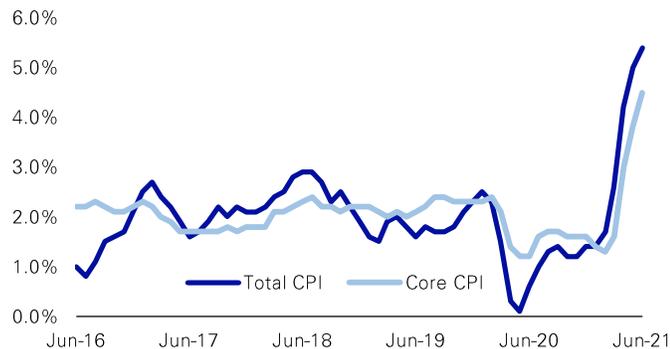
UNITED STATES, SEASONALLY ADJUSTED



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, July 2021

Consumer Price Index (CPI)

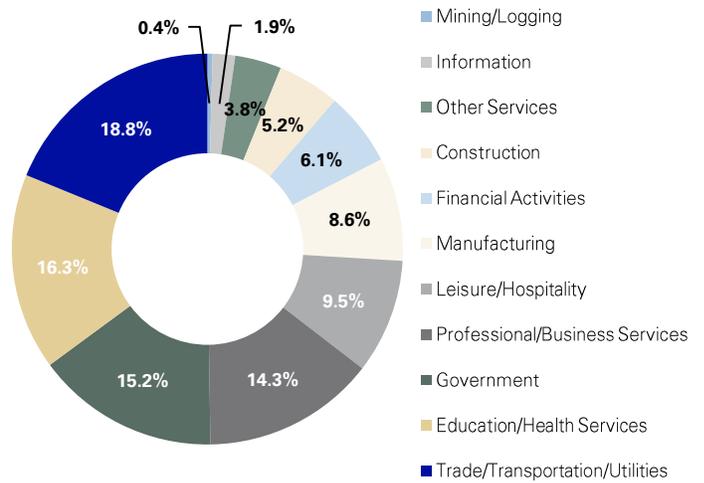
UNITED STATES, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Note: Core CPI excludes food and energy, which can be volatile; 1982-84=100
 Source: U.S. Bureau of Labor Statistics, Newmark Research, July 2021

Employment by Industry

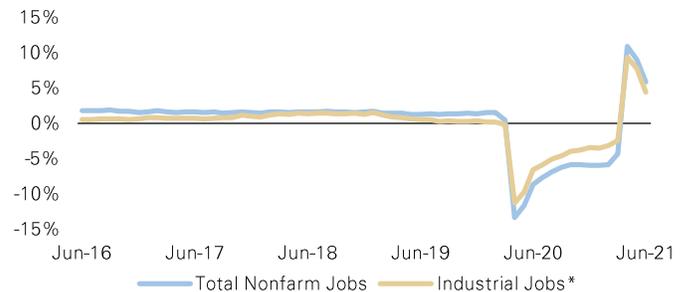
UNITED STATES, 12-MONTH AVERAGE



Source: U.S. Bureau of Labor Statistics, Newmark Research, July 2021

Payroll Employment

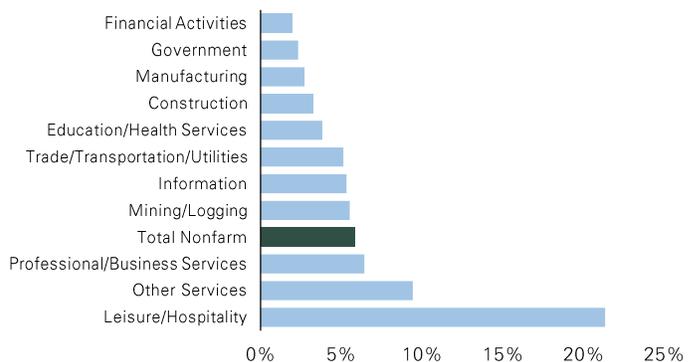
UNITED STATES, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



* Includes Manufacturing, Trade/Transportation/Utilities and Mining/Logging
 Source: U.S. Bureau of Labor Statistics, Newmark Research, July 2021

Employment Growth By Industry

U.S., JUNE 2021, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, Newmark Research, July 2021

RESEARCH Q2 2021

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