



National Industrial Market

Unprecedented Macroeconomic Conditions Drive Record-Shattering Industrial Demand

The United States witnessed a COVID-19 surge in the third quarter of 2021, slowing the recovery of jobs and complicating an anticipated return to “normal.” By quarter-end, the dangers of Delta appeared to be in steady decline, owing to several factors, including widespread vaccination. Throughout the pandemic rollercoaster of the summer, economic forces supporting the U.S. industrial market remained resilient; in particular, retail spending was up 15.1% from a year ago. Since March of this year, retail expenditures have spiked above the trendline that pre-pandemic spending would have forecasted. This metric likely has room to run through the end of the year, with the holiday season approaching and consumer pockets still lined with more savings than pre-pandemic levels owing to government stimulus. The movement of vast volumes of goods to meet this consumer demand is stressing global logistics infrastructure, still beset by pandemic-related disruption. Despite an environment of shortages and delays, however, the U.S. industrial market’s capacity for expansion shattered a series of records set only a quarter ago.

Net absorption eclipsed 100.0 million square feet for the second quarter in a row; an all-time high of 133.8 million square feet was absorbed nationally, driven primarily by third-party logistics (3PL) and distribution occupiers. This record absorption caused the national vacancy rate to plummet 50 basis points to a new low of 4.6%, the sharpest quarterly decline ever observed in the market. The construction pipeline has set a new bar for the past four consecutive quarters, increasing to 431.7 million square feet in the third quarter. Finally, average asking rents increased by nearly 4% quarter-over-quarter (another record) to reach \$8.62/SF.

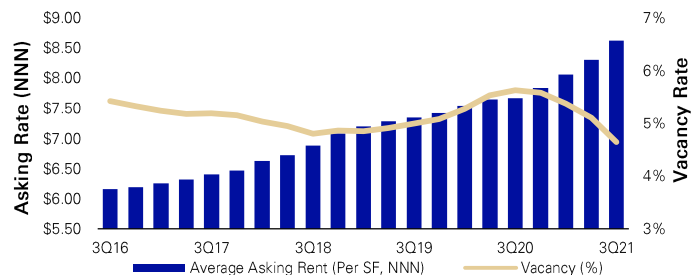
Consumer demand for products that need to be manufactured, shipped, and stored is at an unprecedented height as many Americans are armed with cash and reactionary reason to spend, but even when there is a correction in consumer activity, the likeliest scenario is a return to a sustainable pattern of steady growth, supporting a positive long-term outlook for industrial real estate. In the meantime, the industrial market continues to squeeze water from a stone as occupiers in expansion mode face a paucity of space even as a record volume of development is underway to address the chasm between demand and supply.

Current Conditions

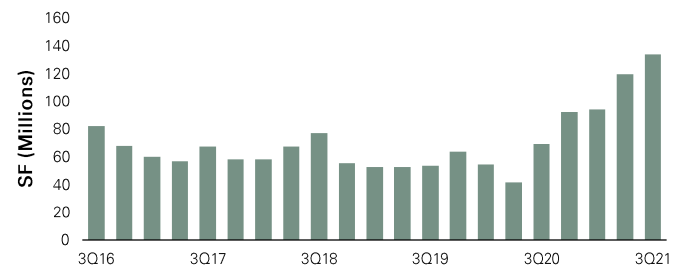
- Third-quarter absorption totaled 133.8 million square feet, the largest quarterly volume on record. Vacancy is at a record-low 4.6%.
- Asking rents grew by the fastest quarterly pace yet observed, as the average asking rent increased by 3.9% to \$8.62/SF (NNN).
- The national industrial construction pipeline grew to a record 431.7 million square feet currently under construction.
- U.S. industrial sales activity over the trailing 12-month period measured \$128 billion, nearly on par with pre-pandemic volume.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	15.7 B	15.7 B	15.5 B	↑
Vacancy Rate	4.6%	5.1%	5.6%	↑
Quarterly Net Absorption (SF)	133.8 M	119.5 M	69.0 M	↓
Average Asking Rent/SF (NNN)	\$8.62	\$8.30	\$7.67	↑
Under Construction (SF)	431.7 M	404.3 M	326.2 M	→
Deliveries (SF)	73.0 M	67.7 M	86.3 M	↑

Supply Additions Not Keeping Up with Demand for Modern Space

All 49 industrial markets tracked had projects under construction at the close of the third quarter, contributing to a total pipeline of 431.7 million square feet. A record number of 1.0-million-square-foot-plus facilities are under construction, including numerous preleased multi-story, highly automated e-commerce fulfillment centers in markets such as Seattle and San Antonio. Despite a large and growing supply pipeline, lengthening construction timelines have muted quarterly deliveries and demand has outpaced inventory additions at a sharply increasing pace for four consecutive quarters. 73.0 million square feet of space delivered in the third quarter, 16.0% below the quarterly average in 2020. Third-quarter net absorption was nearly double the amount of new supply.

Stakeholders across the industrial spectrum are keen to see groundbreakings on planned projects but delays in obtaining construction materials are so acute that some developers have been forced to pause on some projects, or explore sourcing alternative materials.

Surging Absorption Has Created a Highly Competitive Environment

The U.S. industrial market has absorbed 347.5 million square feet of space year-to-date, far surpassing 2020's annual totals. 46 of 49 industrial markets tallied occupancy gains this quarter, led by Dallas and Chicago, both with over 9 million square feet in absorption. 3PLs and logistics/distribution occupiers have driven the lion's share of year-to-date absorption, with significant demand also coming from e-commerce, consumer goods and manufacturing occupiers.

With vacancy now at an all-time low of 4.6% and all but two U.S. markets with a single-digit vacancy rate, tenants with immediate occupancy requirements are facing a critical shortage of options in many areas. In the Inland Empire (CA), despite having the third-largest volume of development underway among U.S. markets, a hypothetical 200,000-square-foot warehouse user with an occupancy requirement before year-end would have at most, a handful of viable existing or set-to-deliver properties among which to choose, in a market measuring 651 million square feet, and, with many competitors for that same handful of spaces.

Rents Grow by the Double-Digits

The national industrial average asking rent increased by 12.4% from one year ago, to \$8.62/SF. Supply-constrained coastal port markets such as Long Island, Northern New Jersey, Miami and Los Angeles observed some of the sharpest increases during the past 12 months, but nearly every market is experiencing upward pressure on rents. For the few markets tracking average asking rent declines, removal of higher-priced space from the inventory due to strong leasing activity was a primary reason behind the decline.

New construction, especially in the most desirable of a given metro's submarkets, has had an outsized impact on rent growth as occupiers overwhelmingly prefer modern, well-positioned space. Newmark Research studied taking rents for recently constructed facilities in prime submarkets and found that they grew by more than 24.0% since 2019 on average. With supply constraints not likely to start to ease until 2022, rapid rent growth is expected to continue, in prime submarkets as well as adjacent submarkets catching tenant demand overflow.

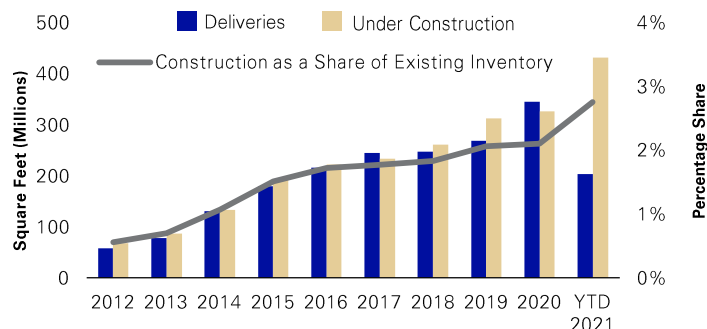
A Dynamic Capital Markets Landscape

Industrial capital markets activity over the trailing 12-month period measured \$128 billion, just shy of matching the height of pre-pandemic trade volume set in first-quarter 2020. New entrants continue to flow into the investor pool, attracted by the sector's impressive fundamentals, and market participants note multiple strong offers on every deal. Cap rates continue to compress, with sub-3.0% cap rates in gateway markets for institutional-grade industrial properties not uncommon.

Industrial asset values on an average price-per-square-foot basis have grown 12.6% year-over-year to a new high of \$111/SF. Across the industrial spectrum, sales pricing has escalated; in particular, land intended for future industrial development has seen remarkable increases. Average per-acre pricing on land purchased for industrial development increased 36.0% from mid-year 2020. Being a finite resource in hot demand, pricing will continue to grow.

Construction and Deliveries

UNITED STATES INDUSTRIAL MARKET



Source: Newmark Research, October 2021

Industrial Sales Volume

UNITED STATES, ROLLING 12-MONTH TOTALS



Source: Real Capital Analytics, October 2021. Data through August 2021.

Notable 3Q 2021 Lease/User Transactions

Tenant	Building	Market	Type	Square Feet
Samsung	South Church Street	Penn. I-81/78 Corridor	Direct New	1,412,500
This under-construction warehouse in the Northeastern Pennsylvania submarket will serve as a new fulfillment center for Samsung.				
MLILY	6610 N. Alsup & 6605 N. Sarival Avenues	Phoenix	Direct New	1,253,382
The mattress and sleep product retailer MLILY expanded its existing manufacturing footprint in the market with this new lease.				
U.S. Medical Glove Company	325 State Route 31	Chicago	Direct New	1,000,000
The manufacturer signed a 15-year lease to re-purpose a former Caterpillar facility into the largest nitrile glove factory in the world.				
Saddle Creek Corporation	11900 S. Freeway Service Road	Dallas	Direct New	861,840
The 3PL is expanding its distribution network with this facility under development in Burleson, Texas.				
Peloton	600 Linden Logistics Way	Northern New Jersey	Direct New	840,203
This newly-constructed Linden, NJ warehouse will be the growing exercise-equipment retailer's largest distribution center.				

Notable 3Q 2021 Sales Transactions

Building	Market	Sale Price	Price/SF	Square Feet
KKR Industrial Portfolio	Nationwide	\$2,197,000,000	\$152	14,506,110
Oxford Properties Group purchased a portfolio of over 100 distribution buildings across 12 major U.S. markets from KKR.				
Prologis Key Logistics Portfolio	Nationwide	\$920,000,000	\$111	8,282,000
Prologis sold 48 industrial properties across 13 U.S. markets to Black Creek Industrial. The portfolio was 96.4% occupied.				
300 Creekview Avenue	Philadelphia	\$265,000,000	\$240	1,105,000
Torchlight Investors acquired this newly-built warehouse in Southern New Jersey, which is fully leased to Target.				
Matter Logistics Center @ West Cheyenne	Las Vegas	\$135,000,000	\$185	727,926
This fully occupied five-building industrial center, constructed in 2020, sold to Los Angeles-based investment firm Ares Management Corp.				
710 Oakley Industrial Boulevard	Atlanta	\$134,000,000	\$137	977,608
This fully-leased distribution center commanded the highest price paid for a single industrial asset in the Atlanta market in the past decade.				

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	15,688,095,265	431,748,525	133,814,757	347,460,431	4.6%	\$8.62
Atlanta	653,380,490	24,296,394	6,277,192	22,623,950	5.0%	\$5.32
Austin	103,386,057	11,752,063	5,262,853	8,050,382	4.8%	\$11.19
Baltimore	189,708,308	3,108,142	-605,011	1,784,114	10.1%	\$5.81
Boston	216,757,255	1,847,130	910,568	1,988,510	4.5%	\$11.49
Broward County, FL	111,485,077	840,927	622,807	1,714,437	5.2%	\$9.87
Charleston, SC	80,305,482	6,954,187	1,256,770	2,931,815	3.9%	\$6.10
Charlotte	406,824,943	11,119,314	1,737,425	2,006,612	6.0%	\$5.15
Chicago	1,163,931,663	15,175,800	9,018,780	24,629,814	5.7%	\$5.89
Cincinnati	294,795,914	3,381,354	2,576,387	5,360,412	5.5%	\$4.47
Cleveland	289,258,153	4,126,512	474,134	-45,976	4.9%	\$4.44
Columbia, SC	61,624,614	1,274,220	-14,569	-312,774	4.3%	\$4.19
Columbus	258,923,071	14,373,401	4,749,046	9,729,498	2.8%	\$4.62
Dallas	967,965,446	49,273,089	9,110,055	32,723,159	6.0%	\$7.70
Denver	215,128,553	9,279,339	2,545,145	4,378,515	6.7%	\$9.39
Detroit	406,556,197	7,580,936	956,334	4,499,846	4.2%	\$6.03
Greenville, SC	230,104,088	3,571,896	2,668,399	5,017,703	5.9%	\$4.05
Houston	612,090,170	19,124,171	8,683,254	14,116,742	8.0%	\$7.20
Indianapolis	364,568,190	14,133,077	4,003,270	11,265,529	4.8%	\$4.43
Inland Empire, CA	651,259,504	24,701,583	5,861,941	22,858,690	1.0%	\$9.90
Jacksonville	135,662,406	3,740,100	2,148,104	3,610,638	4.0%	\$5.82
Kansas City	300,245,276	12,782,976	1,783,357	6,060,901	4.8%	\$4.89
Las Vegas	136,321,116	5,962,261	2,873,644	7,807,350	2.9%	\$8.99
Long Island	161,210,756	1,722,108	617,004	1,489,559	4.0%	\$14.95
Los Angeles	1,051,133,468	6,973,503	3,421,915	10,961,764	1.2%	\$12.39
Memphis	288,653,821	13,083,587	1,212,319	6,727,058	5.1%	\$3.70

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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Miami	223,631,565	4,139,600	1,667,046	4,789,855	3.3%	\$9.49
Milwaukee	245,925,030	2,202,652	2,723,380	3,764,097	3.7%	\$4.57
Minneapolis	400,286,770	5,432,027	871,459	1,380,363	3.8%	\$5.68
Nashville	257,610,983	8,978,138	4,645,456	8,252,725	3.2%	\$6.88
New Jersey Northern	672,553,319	13,904,242	4,724,423	10,993,656	3.4%	\$10.72
Oakland/East Bay	256,087,855	1,929,840	1,638,709	2,899,368	6.0%	\$15.32
Orange County, CA	262,094,225	2,351,565	656,963	2,232,176	2.3%	\$15.24
Orlando	192,323,628	2,501,572	1,271,855	4,700,235	3.8%	\$7.46
Palm Beach	50,660,478	200,000	1,198,954	1,522,660	4.4%	\$10.32
Penn. I-81/78 Corridor	417,543,157	15,502,391	2,843,425	11,710,519	8.6%	\$5.11
Philadelphia	493,702,409	12,087,266	7,249,111	9,088,530	4.4%	\$7.33
Phoenix	327,820,313	26,112,301	8,266,647	19,921,921	4.7%	\$8.40
Pittsburgh	144,291,902	1,243,425	1,539,323	1,227,248	6.1%	\$5.28
Portland	201,640,531	2,802,790	573,399	2,925,862	4.0%	\$9.22
Raleigh/Durham	128,636,184	3,970,376	165,051	1,336,408	3.7%	\$8.27
Sacramento	164,443,278	2,713,132	1,677,312	5,784,510	2.1%	\$8.88
Salt Lake City	260,584,547	15,490,943	2,668,504	9,767,926	2.1%	\$8.20
San Antonio	135,989,370	9,605,708	348,518	2,711,810	5.9%	\$6.76
San Diego	167,861,403	2,309,240	3,476,097	4,626,725	4.5%	\$14.01
Seattle	306,431,907	11,813,168	2,818,469	7,674,660	4.3%	\$11.01
Silicon Valley	151,682,491	128,253	-423,338	-902,509	10.3%	\$27.81
St. Louis	279,196,981	2,678,300	1,600,930	7,298,072	4.2%	\$4.84
Tampa/St. Petersburg	272,279,072	2,887,262	905,743	4,144,458	4.7%	\$6.34
Washington, DC	323,537,849	10,586,264	2,556,198	7,630,908	4.8%	\$10.53

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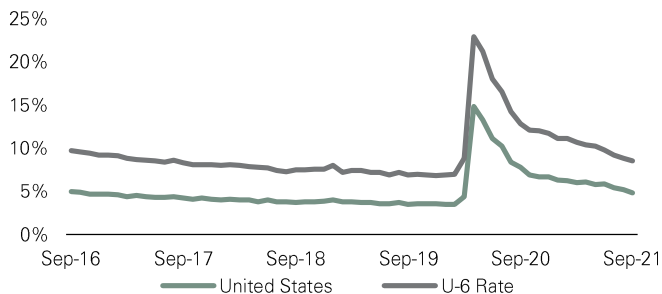
Economic Conditions

The U.S. economy continued its recovery in the third quarter, albeit proceeding slower than expected due to the lingering impact of COVID-19. The unemployment rate fell by 40 basis points to 4.8% in September, with payroll employment increasing by 194,000 jobs (seasonally adjusted), the lowest monthly addition this year. Yet, the number of Americans filing new claims for unemployment benefits in September fell to a pandemic-low, indicating that employment gains in the last quarter of the year may be more robust, especially as the pandemic appears to be on the decline and vaccines are on track to be made available to younger children in the fourth quarter.

Inflation concerns are at the forefront of the economy as the CPI increased by 5.4% in September from measures one year ago. Higher prices are driven by rampant disruption in the global supply chain, which is likely to persist into 2022. However, the Biden administration is working to address supply chain volatility with public and private sector partnership: among announcements made in September, the Port of Los Angeles will move to a 24/7 schedule to ease the unprecedented bottleneck of ships, numerous key retailers and logistics providers have pledged to increase hours of operation, and the federal government is working with states to increase the issuance of commercial drivers licenses to relieve the shortage of truck drivers.

Unemployment Rate

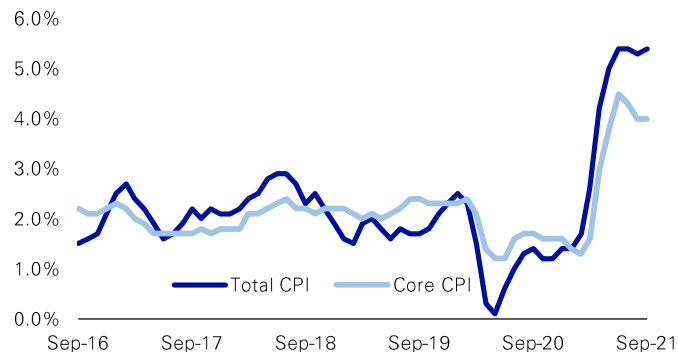
UNITED STATES, SEASONALLY ADJUSTED



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, October 2021

Consumer Price Index (CPI)

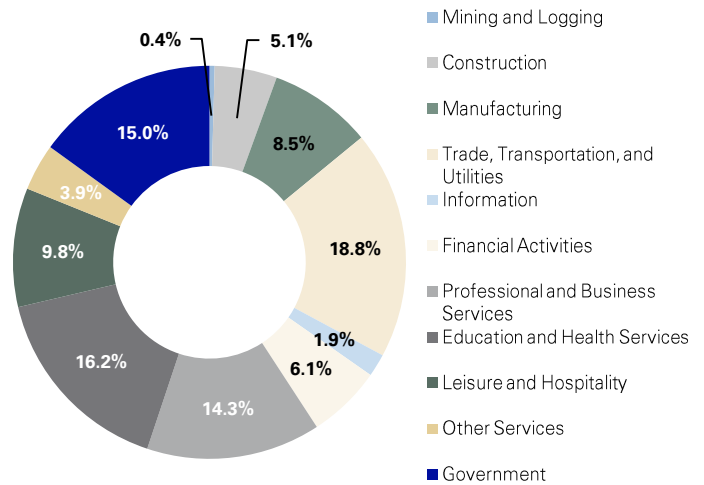
UNITED STATES, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



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

Employment by Industry

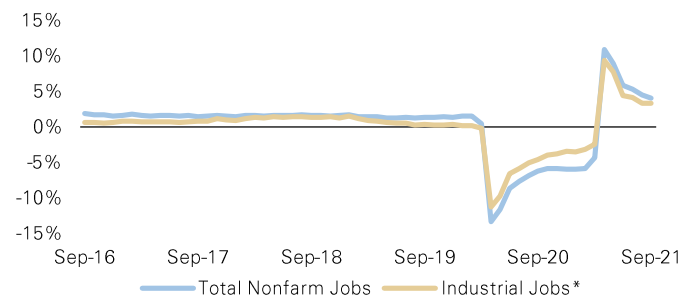
UNITED STATES, 12-MONTH AVERAGE



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

Payroll Employment

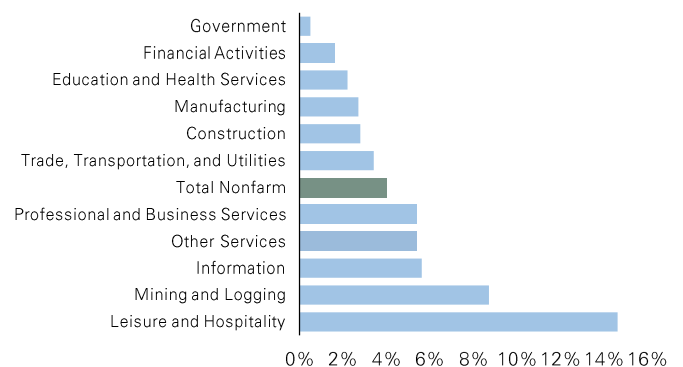
UNITED STATES, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



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

Employment Growth By Industry

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



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

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