



National Industrial Market

Dramatic 4Q Activity Caps a Historic Year for the United States Industrial Market

The United States industrial market has been impacted in a myriad of ways by the global pandemic during the past two years. Most acutely, it has been stressed by the surge in demand for warehouse space coupled with significantly lower volumes of new construction delivered to address this need. This dynamic persisted in the fourth quarter of 2021 as net absorption significantly outpaced new demand, driving the national vacancy rate down to 4.2%. Retail spending in the fourth quarter of 2021, excluding motor vehicles, was 15.0% above pre-pandemic trendline forecasting, jumping in one year to a level that would have otherwise taken five years to reach. Thus, space to produce, warehouse, and distribute goods has been in high demand as firms race to keep up with consumption. The construction pipeline grew to half a billion square feet in the fourth quarter of 2021. With such a record volume of space underway, deliveries should pick up in 2022, despite ongoing pandemic-related obstacles. In this new Omicron phase of the pandemic, worker absenteeism related to rampant contagiousness of the variant is contributing to continuing challenges across the industrial sector from production, logistics and transportation and notably development, hampering the timeliness of new supply additions.

Some major markets are effectively out of available space, and competition for the limited opportunities that do exist has driven record pricing growth: the average industrial asking rent increased 12.9% from one year ago to \$8.82/SF.

Current Conditions

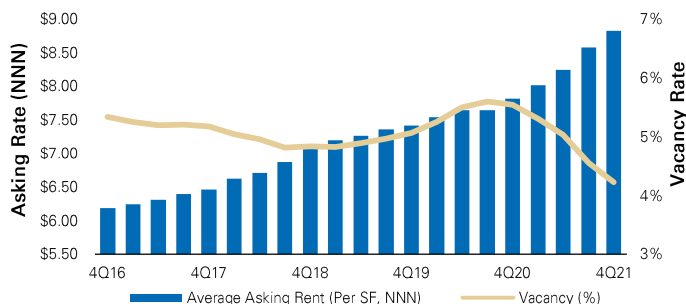
- Absorption totaled 109.5 million square feet, the 3rd largest quarterly volume on record. Vacancy is at a record-low 4.2%.
- Asking rents grew by a near-record quarterly pace of 2.9% to \$8.82/SF (NNN).
- The national industrial construction pipeline now measures 499.6 million square feet under construction: 3.2% of the total inventory.
- Industrial capital markets volume reached a new record in 2021 totaling \$160.3 billion.

Market Summary

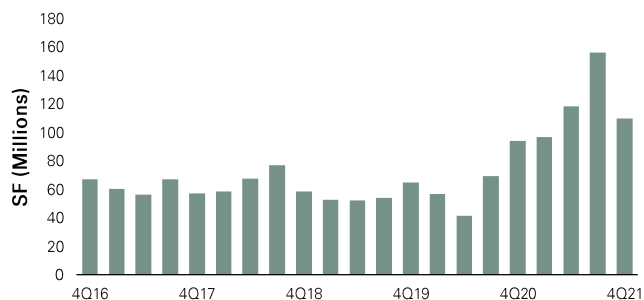
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	15.8 B	15.7 B	15.6 B	↑
Vacancy Rate	4.2%	4.5%	5.5%	↑
Quarterly Net Absorption (SF)	109.5 M	155.9 M	93.9 M	↓
Average Asking Rent/SF (NNN)	\$8.82	\$8.57	\$7.81	↑
Under Construction (SF)	499.6 M	450.1 M	337.4 M	→
Deliveries (SF)	68.8 M	87.3 M	90.1 M	↑

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Working to Mitigate Supply/Demand Imbalance

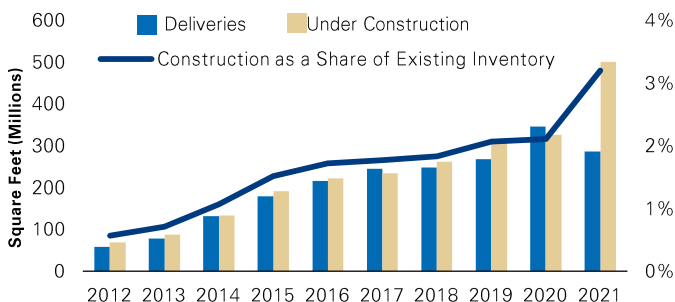
All 49 industrial markets tracked observed single-digit vacancy in the fourth quarter of 2021. The nation's most important port market, Los Angeles, and its complementary distribution hub, the Inland Empire, registered the tightest vacancy rates, 1.1% and 0.8%, respectively. In densely-populated major markets with critical land constraints, building inventory to meet demand was already a pre-pandemic challenge. In the evolving post-COVID-19 landscape of commercial real estate, demand has led some developers to identify obsolete retail or office properties for conversion. In Northern New Jersey, a 900,000-square-foot office campus formerly occupied by Novartis was purchased to be redeveloped into industrial space. In Chicago, Allstate announced it will sell a 2.0-million-square foot office campus to industrial developer Dermody Properties. It is expected that more office-to-industrial conversions will occur in 2022, while remaining a niche source of new inventory¹. With little to no space options in gateway markets, some tenant demand continues to spill into less-constrained inland markets with robust intermodal infrastructure like Dallas, Phoenix and the PA I-81/78 Corridor. In markets with strong demand and ample land to expand, particularly in the Southern United States, construction volumes grew significantly, driving the national construction pipeline to an all-time high of 499.6 billion square feet. Dallas now has a pipeline that rivals or even eclipses the size of some established industrial markets' total inventory. When the 64.0 million square feet underway delivers over the coming years, Dallas will join Chicago and Los Angeles in an elite group of markets with a billion square feet in inventory.

Lack of Available Product Drives Rent Growth

While the construction pipeline swelled in the fourth quarter of 2021, deliveries measured 68.8 million square feet, lower than last year's quarterly average. New (and existing) product is not enough to meet demand, which is driving up rents at a rapid pace. This dynamic is present in most major markets, and particularly in land-constrained port-serving markets including Los Angeles and the Inland Empire, Northern New Jersey, and Miami, all among the top annual rent-growth markets. Inland Empire asking rents grew 29.0%, the highest in the nation. This increase in asking rents is partially masking the true rent growth in that market; there are few availabilities on which to even place an asking rent, and market participants note that current contract rent pricing is being set on a

Construction and Deliveries

UNITED STATES INDUSTRIAL MARKET



deal-by-deal basis.

Industrial Capital Markets Activity Sets Records

Preliminary fourth-quarter data reveals that industrial sales volume reached a new record in 2021 totaling \$160.3 billion, a 37.7% increase over the pre-pandemic high in 2019. This year's volume was driven by an elevated number of single-assets and portfolio trading, as well as record prices paid on a per-square-foot basis. More warehouse assets traded over \$300/SF in 2021 than in the previous five years combined. In the next few years, as half a billion square feet of industrial space delivers, investor opportunities will grow. Also entering the competition are some major occupiers of industrial space, including Amazon, that have indicated an appetite for owning more of their industrial footprint.

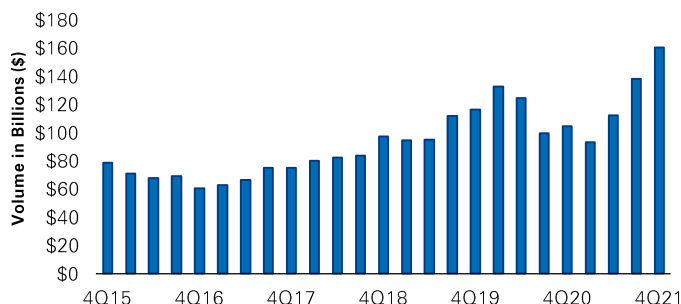
2022 Industrial Outlook

2022 will be another year of impressive industrial market expansion, albeit slightly more conservative expansion than observed in 2021, a truly anomalous year. Demand for modern industrial space will remain elevated above pre-pandemic levels, as firms may begin to move from merely reacting to abnormal conditions in the immediate term, to proactively focusing more on mid- and long-term growth strategy using lessons learned from the past two years. Markets in Southern California and Northern New Jersey with vacancy rates well under the national average will continue to experience the sharpest supply/demand imbalances in 2022. Redevelopment and infill development will remain priorities in those areas. Market participants in some inland regions have noted a plateau or slight slow-down in the volume of leasing as the fourth quarter closed. Whether impacted by Omicron-related delays in the decision-making process, a lack of available space to actually lease, a genuine, modest deceleration in demand, or a combination of the above, it stands to reason that any correction from all-time record highs to simply "strong demand" amid ongoing economic recovery is still going to result in tight market conditions throughout 2022. With a national vacancy rate significantly below what would signal market equilibrium, and numerous regions effectively out of space to lease, rental rates will continue to rise at a heightened pace.

¹To learn more about this trend, read Newmark's November 2021 report, [Space to Replace: Divergent Market Fundamentals Drive Office-to-Industrial Conversions](#)

Industrial Sales Volume

UNITED STATES, ROLLING 12-MONTH TOTALS



Notable 4Q 2021 Lease/User Transactions

Tenant	Building	Market	Type	Square Feet
Lecangs	728 W. Rider St.	Inland Empire	Direct New	1,203,449
Third-party logistics provider Lecangs is expanding in the Inland Empire to further its goal of nationwide one-day delivery.				
Williams Sonoma	7723 N. Reems Rd.	Phoenix	Direct New	1,200,140
A new entrant to the market, the Fortune 500 home-goods retailer signed a lease to support ecommerce fulfillment.				
Serena & Lily	2016 Trade Center Blvd.	Savannah	Direct New	1,165,425
The growing ecommerce home-goods retailer is actively opening new brick-and-mortar design shops throughout the U.S. to reach customers.				
Amazon	1250 Cassville White Rd.	Atlanta	Direct New	1,108,990
Amazon continues its recent expansion in the northwest Atlanta metro area.				
Walmart	990 N. 6550 W.	Salt Lake City	Direct New	1,032,248
This will be Walmart's first fulfillment center in Salt Lake City, and will create 450 full-time, permanent jobs.				

Notable 4Q 2021 Sales Transactions

Building	Market	Sale Price	Price/SF	Square Feet
EQT Exeter Industrial Portfolio	Nationwide	\$6,806,500,000	\$97	70,500,000
In one of the largest industrial transactions ever recorded, Singaporean sovereign wealth fund, GIC, purchased the portfolio from EQT Exeter.				
Cabot Properties Portfolio	Nationwide	\$2,300,000,000	\$151	15,200,000
Blackstone acquired the assets of the Cabot Industrial Value Fund V, which launched in 2016, and comprised assets in major logistics markets.				
Presson Corp. Arizona Portfolio	Phoenix/Tucson	\$1,115,300,000	\$154	7,221,652
Philadelphia-based Equus Capital Partners acquired the 98%-occupied, 74-property portfolio from Presson Corp.				
Lincoln Logistics Bayonne	Northern New Jersey	\$438,899,588	\$495	886,256
Lincoln Equities Group sold the UPS-preleased building, located next to the Global Container Terminal, to PGIM Real Estate.				
Pecos Logistics Park	Denver	\$318,000,000	\$277	1,146,100
J.P. Morgan Asset Management acquired the I-76/I-70/I-25-adjacent, two-phase, seven-building park from Westfield Company.				

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	15,777,574,445	499,627,972	109,525,722	480,176,587	4.2%	\$8.82
Atlanta	657,966,798	21,057,407	3,270,657	27,682,639	4.8%	\$5.77
Austin	104,591,259	11,644,019	1,085,124	9,288,106	4.3%	\$11.75
Baltimore	190,679,708	2,348,502	2,246,521	4,042,917	8.7%	\$6.10
Boston	215,428,481	6,823,962	1,491,152	3,934,481	3.3%	\$12.27
Broward County, FL	111,245,077	1,166,445	790,824	2,565,056	4.5%	\$10.20
Charleston, SC	81,735,055	11,386,356	-122,788	3,567,746	4.1%	\$6.24
Charlotte	409,565,021	10,241,108	275,404	4,276,213	5.8%	\$5.41
Chicago	1,165,958,649	16,953,429	9,205,592	33,646,807	5.1%	\$5.99
Cincinnati	294,727,630	12,398,430	3,726,969	9,049,581	4.4%	\$4.62
Cleveland	290,669,342	3,574,863	536,016	901,182	5.0%	\$4.80
Columbia, SC	63,328,433	181,440	-72,078	634,253	4.5%	\$4.15
Columbus	261,806,675	16,603,532	4,486,458	14,278,530	2.7%	\$4.50
Dallas	976,271,196	63,796,094	8,263,088	44,265,663	5.5%	\$7.16
Denver	217,754,405	10,084,123	3,287,348	8,248,841	6.1%	\$10.20
Detroit	409,555,024	6,372,322	2,851,060	7,609,412	4.0%	\$6.05
Greenville, SC	229,741,424	9,654,439	2,180,402	7,445,751	5.1%	\$4.34
Houston	622,359,645	15,920,555	9,166,372	27,757,986	6.8%	\$7.41
Indianapolis	364,593,006	24,959,735	2,661,150	15,252,796	3.9%	\$4.53
Inland Empire, CA	656,565,155	24,904,665	5,133,294	28,871,886	0.8%	\$10.98
Jacksonville	137,109,020	5,520,116	45,119	4,605,253	3.5%	\$6.04
Kansas City	305,380,820	11,301,253	2,747,414	9,754,816	4.7%	\$4.83
Las Vegas	138,462,782	6,241,686	1,042,895	9,009,195	3.5%	\$9.93
Long Island	161,582,640	1,823,472	468,756	2,167,813	3.6%	\$14.67
Los Angeles	1,053,629,554	6,341,752	2,859,324	13,702,813	1.1%	\$13.05
Memphis	296,709,117	7,470,842	3,642,759	12,093,506	6.1%	\$3.84

Market Statistics (Continued from Previous Page)

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National	15,777,574,445	499,627,972	109,525,722	480,176,587	4.2%	\$8.82
Miami	223,704,678	4,174,344	1,332,501	6,108,168	2.7%	\$9.95
Milwaukee	245,489,070	3,189,926	854,288	2,613,172	2.9%	\$4.35
Minneapolis	402,601,814	4,952,744	1,296,720	4,300,470	3.6%	\$5.70
Nashville	259,271,705	9,915,804	1,509,316	10,124,404	3.1%	\$6.82
New Jersey Northern	673,976,118	13,269,494	2,971,920	13,964,963	3.1%	\$10.90
Oakland/East Bay	255,037,282	3,312,658	2,666,368	6,214,798	4.7%	\$16.20
Orange County, CA	262,096,211	2,956,724	350,511	2,532,779	2.3%	\$15.67
Orlando	192,398,868	2,188,534	585,941	5,298,163	3.7%	\$7.88
Palm Beach	50,660,478	521,872	132,862	1,653,722	4.1%	\$10.88
Penn. I-81/78 Corridor	420,781,367	18,562,282	8,237,469	19,591,435	7.2%	\$5.16
Philadelphia	497,232,554	20,050,183	1,473,207	10,561,737	4.8%	\$7.66
Phoenix	330,413,087	29,463,888	3,438,479	23,360,400	4.6%	\$8.45
Pittsburgh	144,291,902	1,493,625	-18,498	1,254,230	6.0%	\$5.27
Portland	201,284,107	2,667,326	1,109,228	4,035,090	3.5%	\$9.61
Raleigh/Durham	129,429,281	7,993,530	-20,434	1,617,230	3.9%	\$9.05
Sacramento	164,159,398	3,749,475	486,560	6,470,766	1.9%	\$9.62
Salt Lake City	261,947,108	18,863,111	2,756,609	11,902,496	1.8%	\$8.53
San Antonio	138,585,717	9,723,821	1,406,133	4,640,246	5.2%	\$6.93
San Diego	166,869,755	2,172,567	2,238,833	6,792,557	3.4%	\$14.85
Seattle	308,632,391	9,703,048	1,622,803	9,297,763	4.5%	\$11.49
Silicon Valley	152,575,535	128,253	1,500,880	925,437	9.5%	\$27.84
St. Louis	280,199,204	6,580,610	636,248	8,173,409	4.1%	\$5.02
Tampa/St. Petersburg	273,323,296	2,412,412	818,868	4,963,326	4.7%	\$6.28
Washington, DC	325,197,603	12,811,194	870,078	9,126,584	4.4%	\$10.90

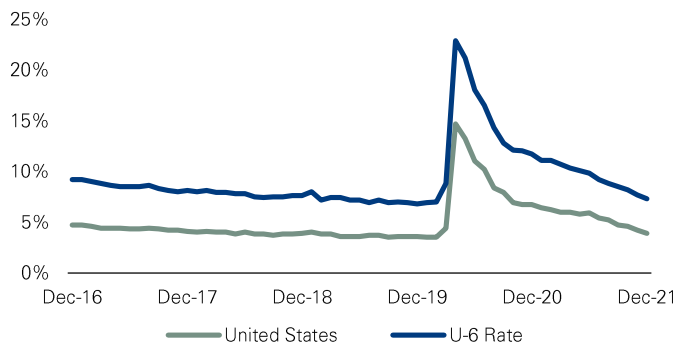
Economic Conditions

With the Omicron variant beginning to surge in late fourth-quarter of 2021, the U.S. economy slowed more than expected. Even with the slowdown, unemployment dropped an additional 80 basis points in the fourth quarter and now stands at 3.9%. Only 199,000 jobs (seasonally adjusted) were added in December, which is the lowest monthly gain since December 2020. Initial jobless claims have begun to rise as the highly contagious variant takes hold, but claims remain well below the spikes seen in the nascent months of the pandemic. Omicron is expected to surge and subside quickly but will stir some economic turbulence.

Inflation jumped to a 40-year high in December, as the CPI increased by 7.0% from December 2020 to December 2021, driven by widespread disruption in the global supply chain. Inflation trends are likely to continue through much of 2022 and may impact consumer spending, which is significantly elevated above pre-pandemic trends. December retail sales data indicated a larger-than-expected dip in spending; this will be a key metric to watch in 2022.

Unemployment Rate

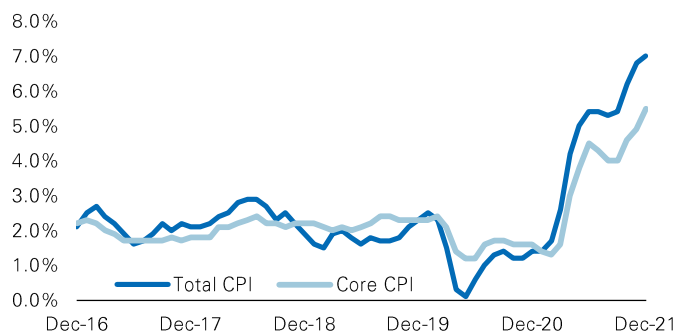
UNITED STATES, SEASONALLY ADJUSTED



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, December 2021

Consumer Price Index (CPI)

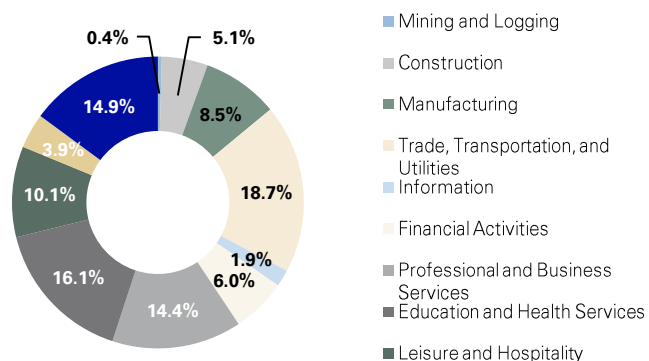
UNITED STATES, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



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

Employment by Industry

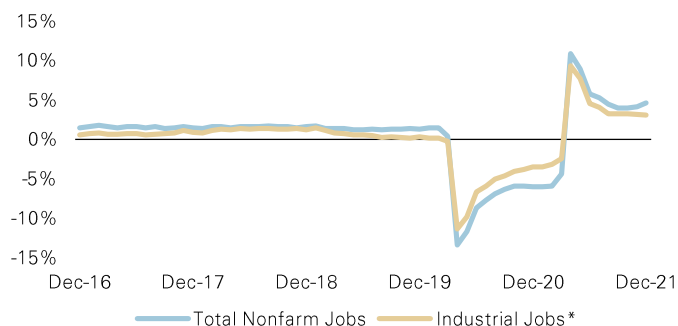
UNITED STATES, 12-MONTH AVERAGE



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

Payroll Employment

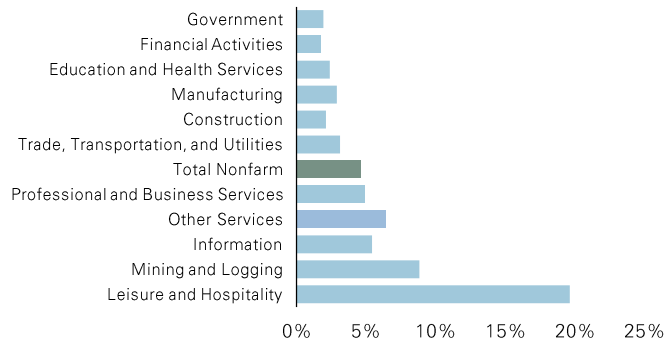
UNITED STATES, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



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

Employment Growth by Industry

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



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

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