

Q2 2021

# U.S. INDUSTRIAL & LOGISTICS FIGURES



# Q2 2021 U.S. INDUSTRIAL & LOGISTICS FIGURES | EXECUTIVE SUMMARY

## SUPPLY/DEMAND IMBALANCE ACCELERATES IN Q2

 Availability Rate  
**6.4%**

 Vacancy Rate  
**4.0%**

 Net Asking Rent  
**\$8.66 PSF**

 Net Absorption  
**84.8 MSF**

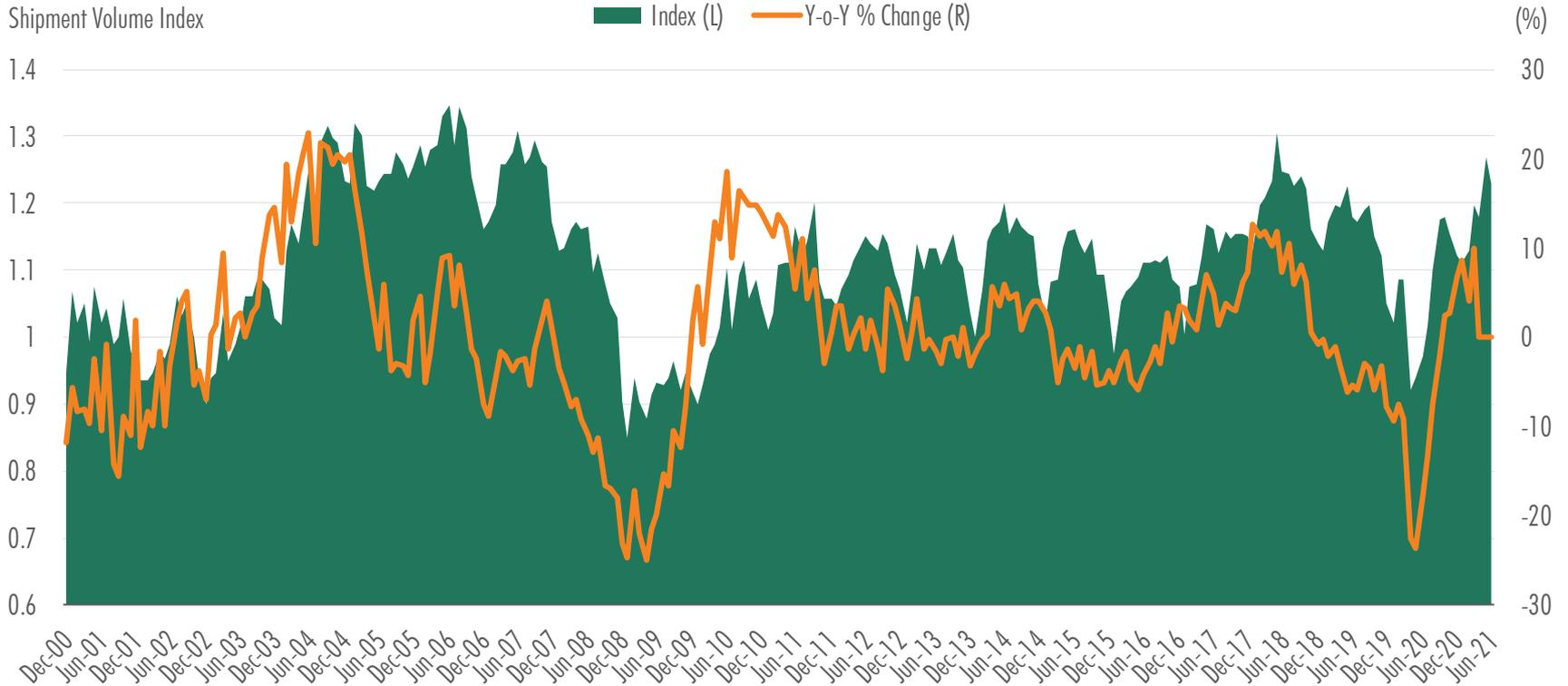
 Construction Completions  
**51.7 MSF**

Arrows indicate change from previous quarter.

- U.S. industrial market conditions are as strong as ever, with record-high asking rents, a robust development pipeline and limited availability amid fierce demand from a diversified occupier base.
- Companies are leasing space at record levels to handle the large increase in e-commerce sales in the first half of 2021. Net absorption of 84.8 million sq. ft. in Q2 brought the year-to-date total to 153.8 million sq. ft.—the highest midyear level since 2016.
- Despite strong demand, construction completions dropped to 51.7 million sq. ft. in Q2, the lowest quarterly total since Q1 2018. Completions have been hampered by elevated construction costs and long lead times for sourcing materials. Nevertheless, a record 410 million sq. ft. is currently under construction.
- Atlanta, Dallas/Ft. Worth and Chicago have the largest under-construction volumes, totaling a combined 84.4 million sq. ft. as of Q2.
- Positive fundamentals and a drop in completions lowered the overall vacancy rate by 20 basis points (bps) to 4.0% in Q2, the lowest level since Q4 2019.
- Asking rents increased by 2.9% quarter-over-quarter and 9.8% year-over-year to a record \$8.66 per sq. ft. Rent growth is expected to hit double-digits by year-end.
- Increased e-commerce demand and the need for safety stock to counter supply chain disruptions will further push up asking rents and keep vacancy rates near record lows despite a large amount of new development this year.
- Wholesalers and third-party logistics operators (3PLs) are driving additional demand for warehouse space in both major markets and emerging hubs.

**FIGURE 1**

## CASS FREIGHT INDEX – SHIPMENTS



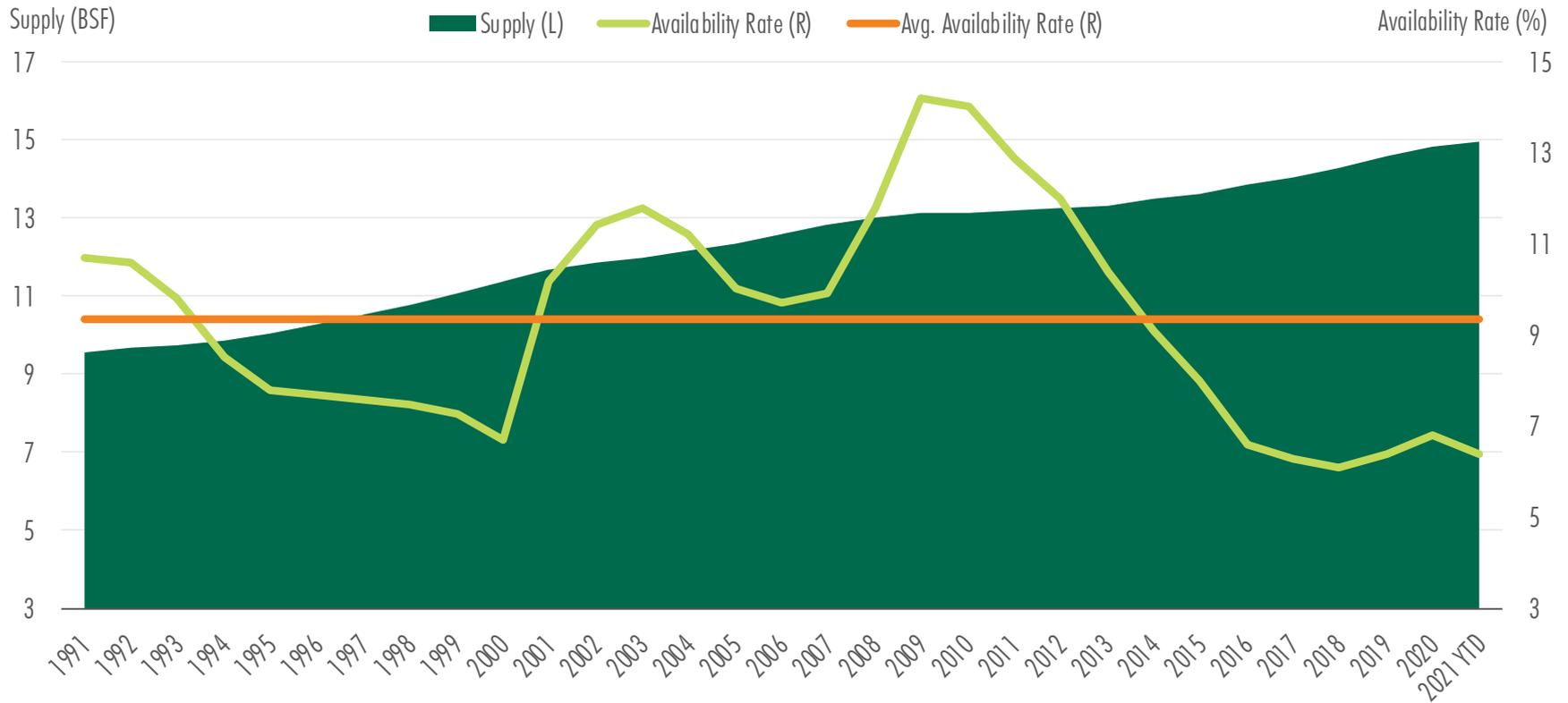
Source: Cass Information Systems and Stifel Research, Q2 2021.

Note: Shipment volume through March.

- Supply constraints, such as driver shortages and limited intermodal capacity, caused a record 35.3% drop in the shipments component of the Cass Freight Index between May and June to 26.8%.

## FIGURE 2

### INDUSTRIAL SUPPLY VS. AVAILABILITY RATE

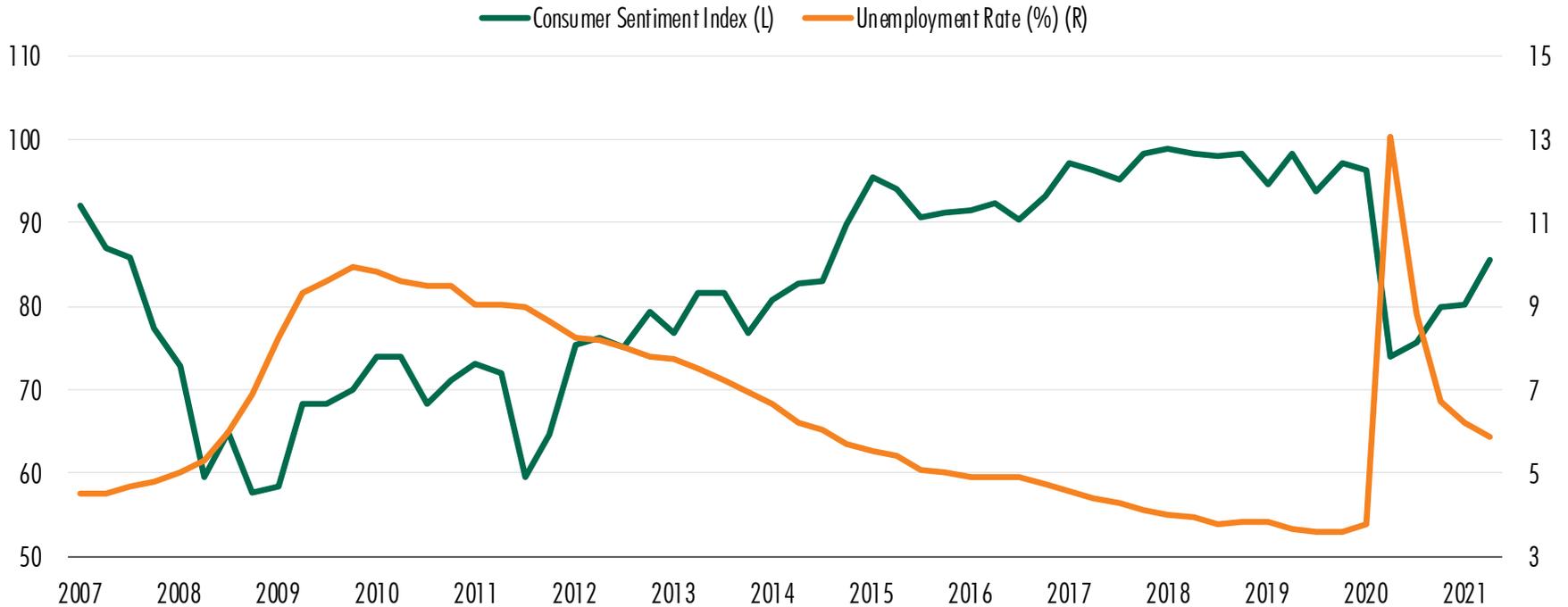


Source: CBRE Econometric Advisors, Q2 2021.

- The overall industrial availability rate remains well below its 30-year average, dropping to 6.4% in Q2.
- Despite a record 410 million sq. ft. under construction, availability is expected to remain low as tenants continue to seek first-generation space.

**FIGURE 3**

## CONSUMER SENTIMENT INCREASES AS UNEMPLOYMENT TICKS DOWN



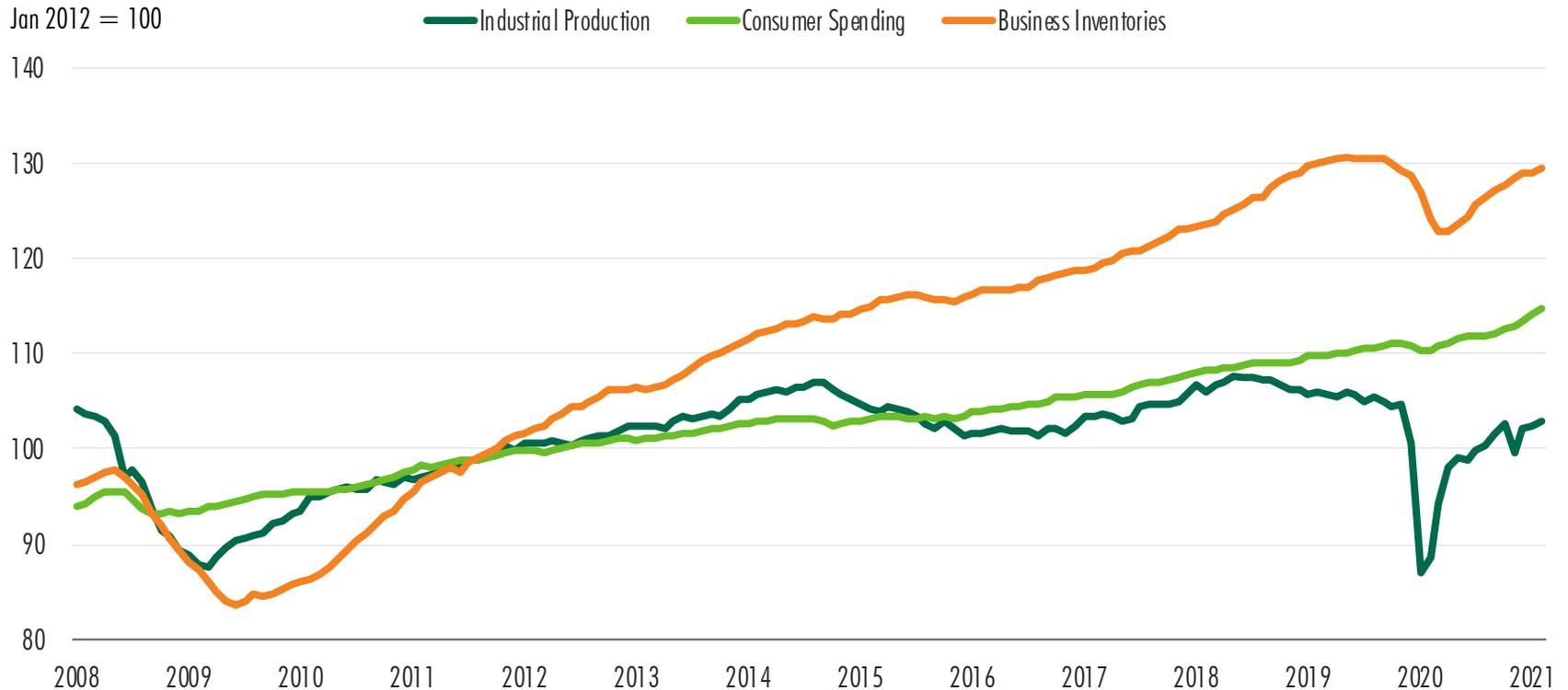
Source: University of Michigan, U.S. Bureau of Labor Statistics, Q2 2021.

Note: Consumer Sentiment Index through November and Unemployment Rate through March.

- The unemployment rate continued to rebound from the 2020 recession, finishing Q2 at 5.9%—down by 3 percentage points from the previous quarter.
- Consumer sentiment continues to improve, albeit still below pre-pandemic levels.

## FIGURE 4

### U.S. SUPPLY CHAIN INDICATORS



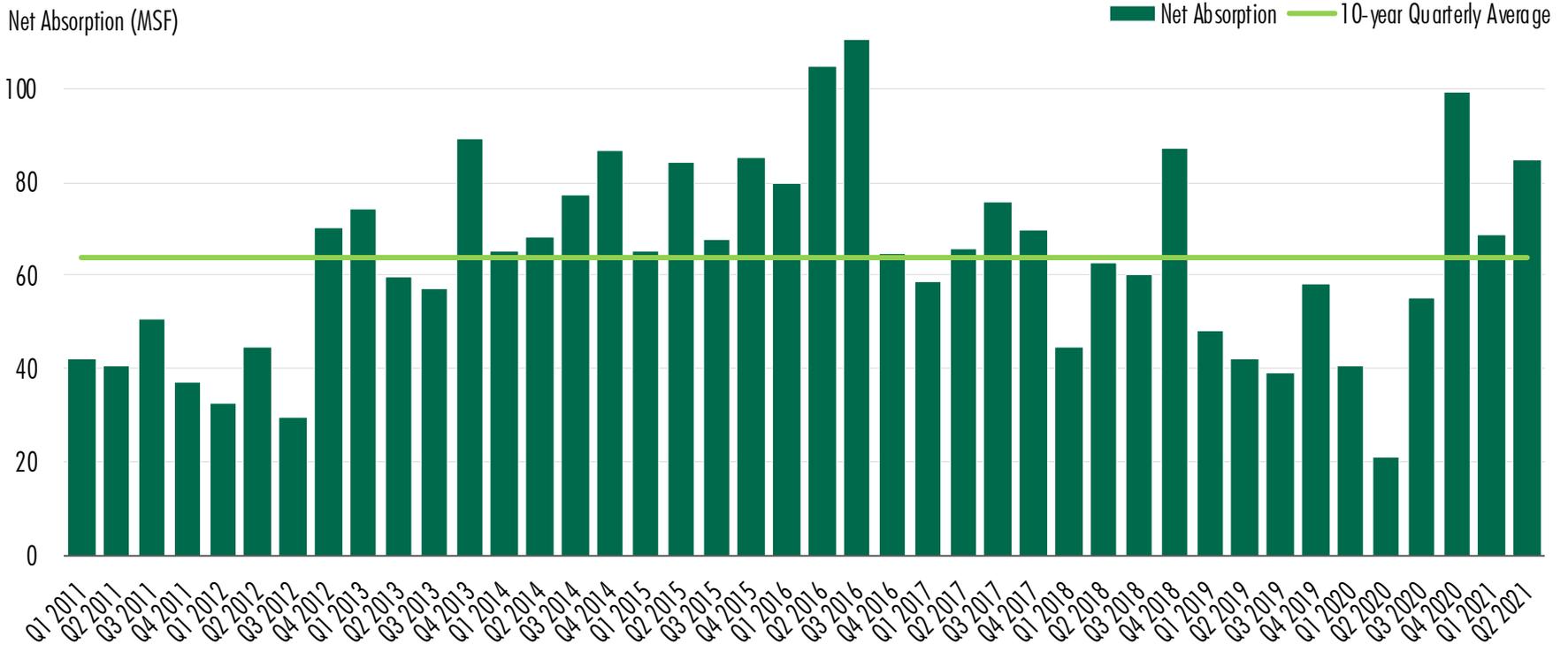
Source: Federal Reserve Bank of St. Louis, May 2021.

Note: Industrial Production and Consumer Spending through June, Business Inventories through May.

- U.S. industrial production ticked up marginally in Q2 due to difficulties in obtaining raw materials.
- Business inventories are still slightly below pre-COVID levels but have increased for 10 consecutive months. This trend is expected to continue and be a primary driver for industrial demand.

**FIGURE 5**

## NET ABSORPTION WELL ABOVE 10-YEAR AVERAGE

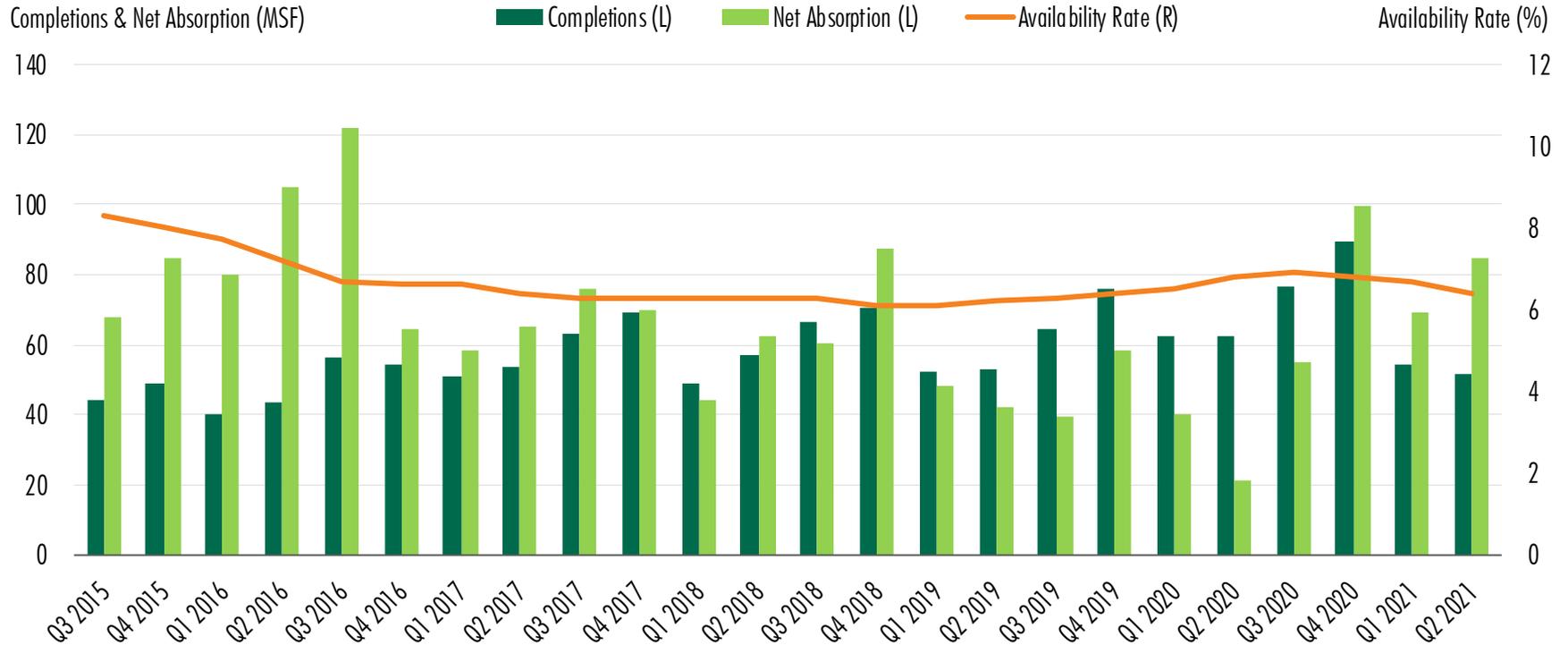


Source: CBRE Econometric Advisors, Q2 2021.

- Strong absorption of 85 million sq. ft. put the year-to-date total to 153.8 million, more than double the midyear total in 2020 and up by 70.4% from H1 2019.
- Robust demand for Class A space will lead to strong preleasing this year and keep net absorption positive for the foreseeable future.

**FIGURE 6**

**INDUSTRIAL SUPPLY & DEMAND**



Source: CBRE Econometric Advisors, Q2 2021.

- Construction completions fell by 5.5% quarter-over-quarter due to persistently high costs and a scarcity of available construction materials.
- As supply chain volatility subsides later this year, completions should tick up.

## FIGURE 7

### YTD NET ABSORPTION & UNDER-CONSTRUCTION RANKINGS

Net Absorption			Growth Rate*			Under Construction		
Ranking	Market (Existing Inventory MSF)	MSF	Ranking	Market	Rate (%)	Ranking	Market	MSF
1	Dallas/Ft. Worth (852.9)	25.9	1	San Antonio	3.9	1	Atlanta	30.1
2	Atlanta (660.0)	17.0	2	Las Vegas	3.7	2	Dallas/Ft. Worth	27.1
3	Chicago (1,244.9)	16.9	3	Phoenix	3.4	3	Chicago	27.1
4	Pennsylvania / I-78 / 81 Corridor (476.4)	12.2	4	Nashville	3.1	4	Pennsylvania/I-78/81 Corridor	21.4
5	Phoenix (348.2)	12.0	5	Salt Lake City	3.1	5	Phoenix	20.9
6	Inland Empire (581.8)	11.7	6	Dallas/Ft. Worth	3.0	6	Inland Empire	20.2
7	Los Angeles County (1,006.8)	8.3	7	Louisville	2.7	7	Philadelphia	19
8	Houston (560)	7.8	8	Austin	2.7	8	Indianapolis	16.3
9	Central New Jersey (452)	7.6	9	Reno	2.7	9	Houston	15.9
10	Columbus (278)	6.5	10	Atlanta	2.6	10	Memphis	13.8

Source: CBRE Research, Q2 2021.

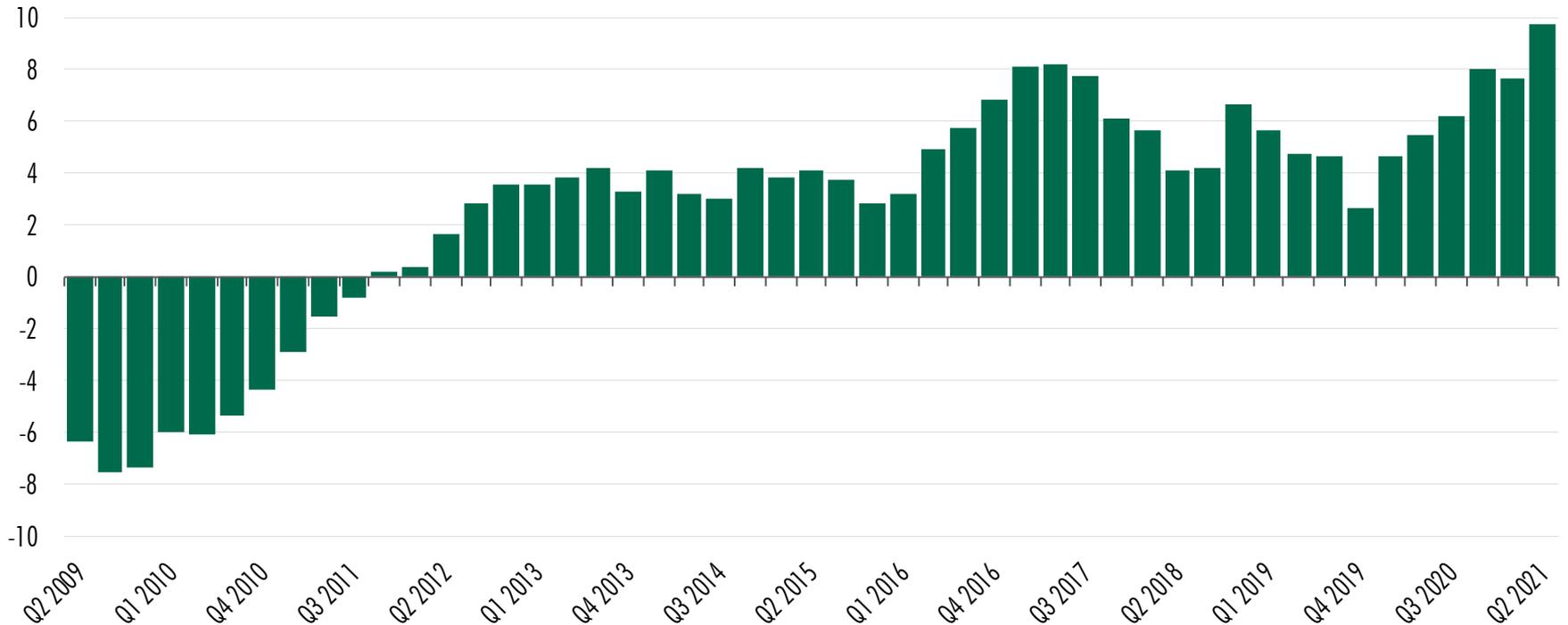
\*Growth Rate = YTD net absorption as % of existing inventory.

- Dallas/Fort Worth was the top market for net absorption at midyear with a record 25.9 million sq. ft.
- Western interior markets dominated the growth rankings (net absorption as a percent of total inventory). San Antonio led the country with a growth rate of 3.9%.

## FIGURE 8

### STRONG FUNDAMENTALS LEAD TO SHARP RISE IN RENTS

Year-over-Year Rent Growth (%)



Source: CBRE Econometric Advisors, Q2 2021.

- Net asking rent rose 2.9% from Q1 and 9.8% from a year ago—the highest annual increase in nearly 20 years.
- As demand increases, rental rate growth is expected to accelerate in coming quarters and could even hit double-digits by year-end.

# FIGURE 9

## U.S. INDUSTRIAL AVAILABILITY RATES (%)

Market	Size Rank	NNN Asking Rate (\$)**		Availability Rate (%)		
		Q2 2021	Q2 2021	Q2 2021	Q1 2021	Q2 2020
Baltimore	34	7.35	5.8	9.0	8.9	11.0
Boston	22	10.53	2.5	4.7	5.9	8.4
Charleston	51	6.40	3.0	5.7	6.1	9.3
Charlotte	27	7.19	3.7	4.2	5.6	6.1
Greenville	30	4.04	6.9	9.9	12.8	13.3
Hartford	49	5.30	7.2	8.5	9.6	10.0
Louisville	35	4.23	3.4	4.9	5.7	6.7
Suburban Maryland*	46	11.55	4.8	6.2	6.7	6.3
Central New Jersey	9	8.77	2.1	4.6	5.0	5.4
Northern New Jersey	10	8.98	2.1	5.5	5.9	6.4
Pennsylvania/I-78/81 Corridor	8	5.43	5.8	7.1	9.0	8.6
Philadelphia	12	7.11	4.0	6.7	7.0	7.8
Pittsburgh	38	6.37	6.7	8.7	8.5	7.7
Northern Virginia*	48	12.37	4.7	6.5	7.1	6.6
<b>East</b>		<b>6.89</b>	<b>4.1</b>	<b>6.3</b>	<b>7.2</b>	<b>7.8</b>
Chicago	1	6.15	2.9	6.0	7.1	7.0
Cincinnati	15	4.49	6.3	7.4	6.4	7.2
Cleveland	19	4.63	4.1	5.8	5.4	4.4
Columbus	20	4.33	4.1	6.0	5.3	6.1
Detroit	7	6.56	2.1	4.5	4.4	3.4
Indianapolis	16	4.58	5.3	6.4	6.0	4.5
Kansas City	17	4.72	4.4	5.5	5.4	5.7
Milwaukee	14	4.31	3.1	4.2	3.9	3.5
Minneapolis/St. Paul	13	6.47	4.6	6.2	6.4	6.4
St. Louis	28	4.47	4.0	6.3	6.0	6.7
<b>Midwest</b>		<b>5.25</b>	<b>3.7</b>	<b>5.8</b>	<b>5.9</b>	<b>5.8</b>
<b>U.S.</b>			<b>4.0</b>	<b>6.4</b>	<b>6.7</b>	<b>6.8</b>

Source: U.S. national figures provided by CBRE Econometric Advisors, all other figures compiled by CBRE Research, Q2 2021.

\*Suburban Maryland and Northern Virginia represent Washington, D.C. area.

\*\*NNN asking rates are displayed on a per sq. ft. and per annum basis.

## FIGURE 9 CONTINUED

### U.S. INDUSTRIAL AVAILABILITY RATES (%)

Market	Size Rank	NNN Asking Rate (\$)** Vacancy Rate (%)		Availability Rate (%)		
		Q2 2021	Q2 2021	Q2 2021	Q1 2021	Q2 2020
Atlanta	4	5.35	5.0	6.1	6.7	8.5
Austin	53	10.95	6.6	9.2	9.3	13.0
Dallas/Ft. Worth	3	7.11	4.6	6.3	7.4	7.6
El Paso	52	5.70	3.8	6.1	5.3	5.3
Ft. Lauderdale	44	9.73	7.3	9.4	9.2	12.9
Houston	6	4.92	7.0	9.6	9.8	9.7
Jacksonville	43	5.33	5.0	7.6	8.6	10.5
Memphis	21	3.26	4.9	7.0	7.8	7.8
Miami	26	10.78	4.0	5.8	6.6	8.5
Nashville	32	6.12	4.1	6.0	6.1	9.3
Orlando	41	7.59	5.9	8.0	8.3	10.5
Palm Beach	55	10.83	4.0	6.0	6.5	5.8
San Antonio	54	5.69	12.5	13.9	14.9	15.8
Savannah	47	5.40	5.5	5.7	4.1	7.6
Tampa	40	6.45	4.5	7.2	6.8	8.0
<b>South</b>		<b>6.26</b>	<b>5.3</b>	<b>7.2</b>	<b>7.7</b>	<b>8.8</b>
Central Valley, CA	42	6.60	6.7	9.0	8.5	9.4
Denver	24	8.96	7.3	9.2	9.3	10.2
Inland Empire	5	8.64	1.4	4.5	5.0	6.3
Las Vegas	39	10.32	2.9	4.3	6.2	5.8
Los Angeles	2	11.92	1.2	3.9	4.5	5.3
Oakland	36	12.24	3.3	7.5	6.7	5.4
Orange County	23	13.48	2.0	4.7	5.3	5.4
Phoenix	11	8.88	4.7	6.3	7.6	8.6
Portland	29	7.97	4.2	5.7	6.1	5.8
Reno	45	6.96	2.7	3.6	4.3	5.9
Sacramento	33	8.88	2.9	4.6	5.7	7.3
Salt Lake City	37	7.60	2.1	2.6	3.7	4.3
San Diego	31	13.65	3.4	5.4	6.4	7.9
San Francisco Peninsula	50	18.36	4.9	7.0	6.4	4.6
San Jose	25	26.20	7.5	9.6	9.6	8.8
Seattle	18	11.53	6.2	6.5	6.8	6.1
Tucson	57	7.11	6.0	7.5	7.1	8.5
Walnut Creek/I-680 Corridor	56	12.01	6.2	7.8	8.9	8.6
<b>West</b>		<b>12.03</b>	<b>3.4</b>	<b>5.5</b>	<b>6.1</b>	<b>6.6</b>
<b>U.S.</b>			<b>4.0</b>	<b>6.4</b>	<b>6.7</b>	<b>6.8</b>

Source: U.S. national figures provided by CBRE Econometric Advisors, all other figures compiled by CBRE Research, Q2 2021.

\*\*NNN asking rates are displayed on a per sq. ft. and per annum basis.



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