



TRANSWESTERN

COMMERCIAL REAL ESTATE **U.S. MARKET | INDUSTRIAL**

Third Quarter 2021

U.S. TRENDLINES

5-Year Trend Current Quarter

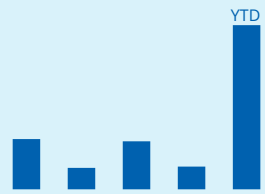
UNEMPLOYMENT RATE



4.8%

Disappointing overall, solid for industrial

RETAIL SALES GROWTH



0.0%

No quarterly change, but strong growth YoY

NET ABSORPTION



158.8 MSF

Largest quarterly growth since 2008

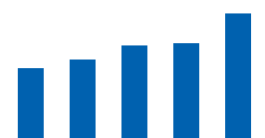
VACANCY



4.7%

Decreased steadily for past 12 months

UNDER CONSTRUCTION



636.6 MSF

Shortage remains despite record level

ASKING RENT



\$7.11 PSF

Accelerated growth across the country

U.S. HIGHLIGHTS

- September was the weakest month of 2021 for growth with only 194,000 jobs added; however, private sector employment increased by 317,000.
- Industrial-using jobs were consistently added on a monthly basis, including 112,000 in the latest report, but growth is minimal compared to what is needed.
- Ports continued to set cargo records ahead of the anticipated acceleration in e-commerce volume through the holiday season.

INDUSTRIAL MARKET

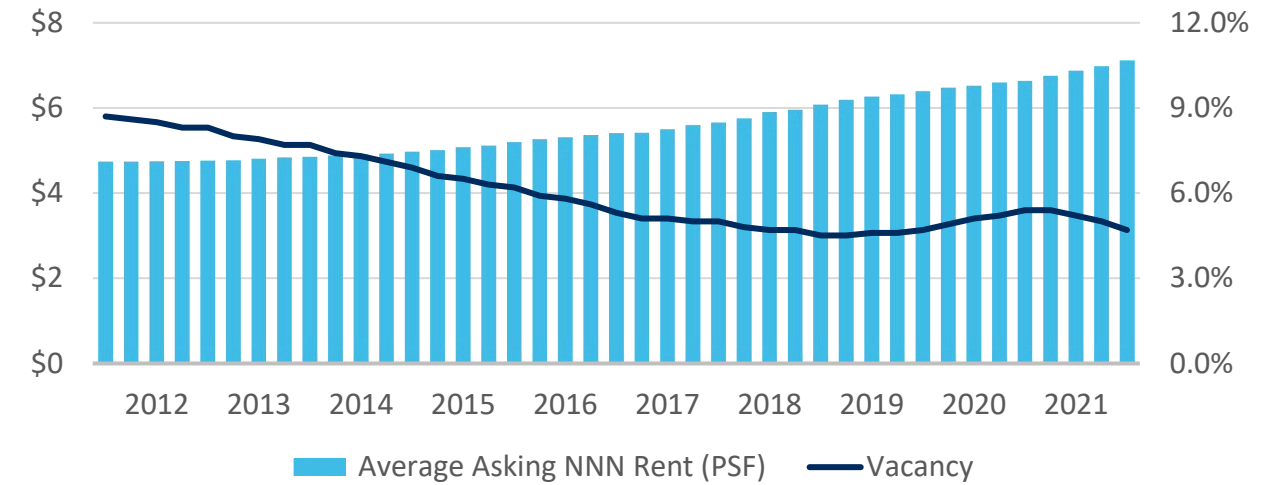
- Records were shattered across just about every key performance indicator.
- Over 540 million SF of net absorption was accumulated during the past four quarters – making it the first time that occupancy increased by more than 500 million SF YoY.
- After an uptick early in the COVID-19 pandemic, the overall vacancy rate improved in four consecutive quarters, a streak not seen in three years.
- New inventory delivered to the market was at its lowest level in two and a half years.
- The volume of product under construction is 35% higher YoY and nearly double that of five years ago.
- Double-digit percentage rent growth occurred in more than one-third of markets YoY; growth exceeded 20% in three markets.

LOOKING AHEAD

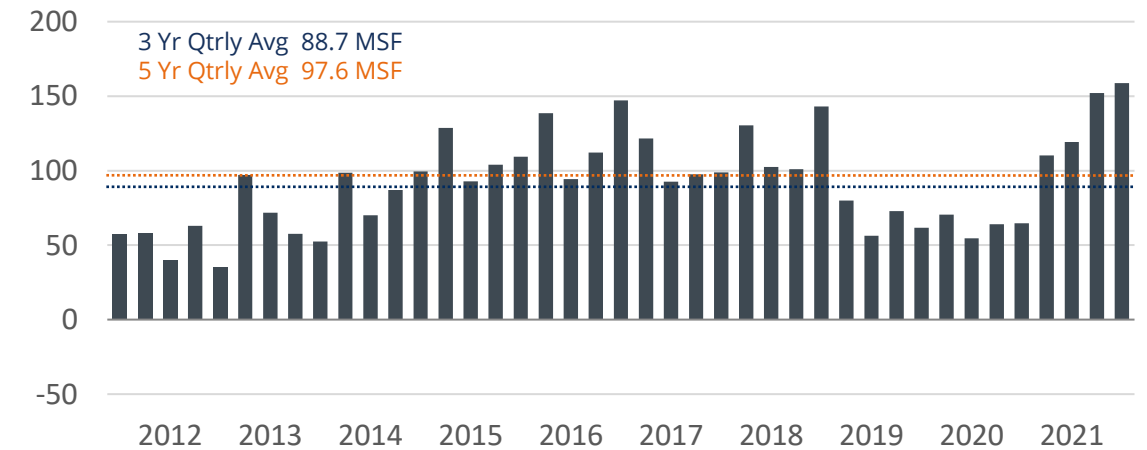
- Continued elevated net absorption is anticipated as pre-leased construction is delivered to the market.
- Builders will continue to be more creative on redevelopment projects as higher rents are helping to offset construction costs.
- Ongoing supply-chain issues will likely collide with a strong holiday spending season, as well as delay new and in-progress industrial real estate projects.

U.S. HISTORICAL

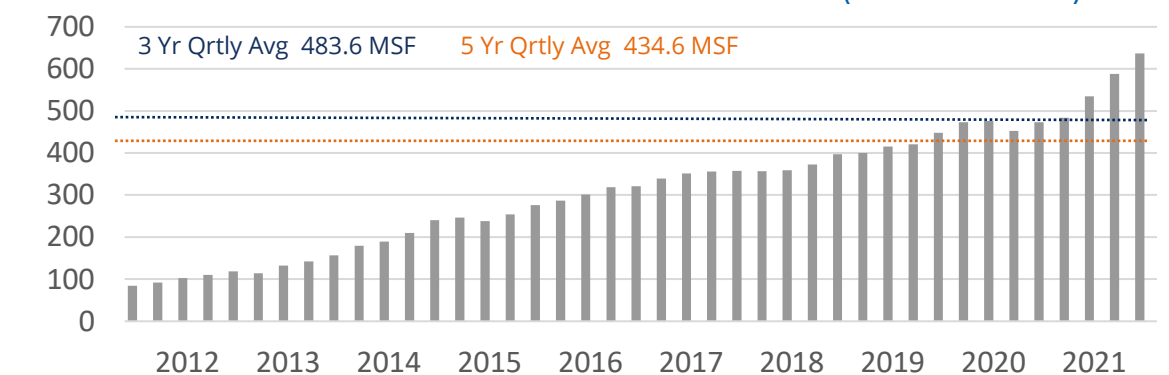
VACANCY VS ASKING RENT



NET ABSORPTION (MILLION SF)

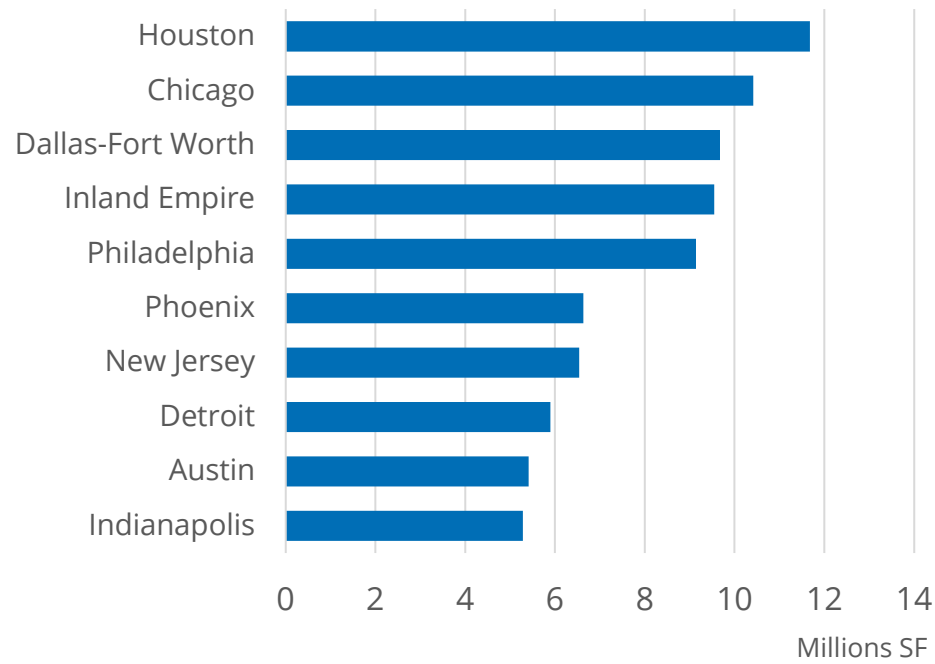


UNDER CONSTRUCTION (MILLION SF)



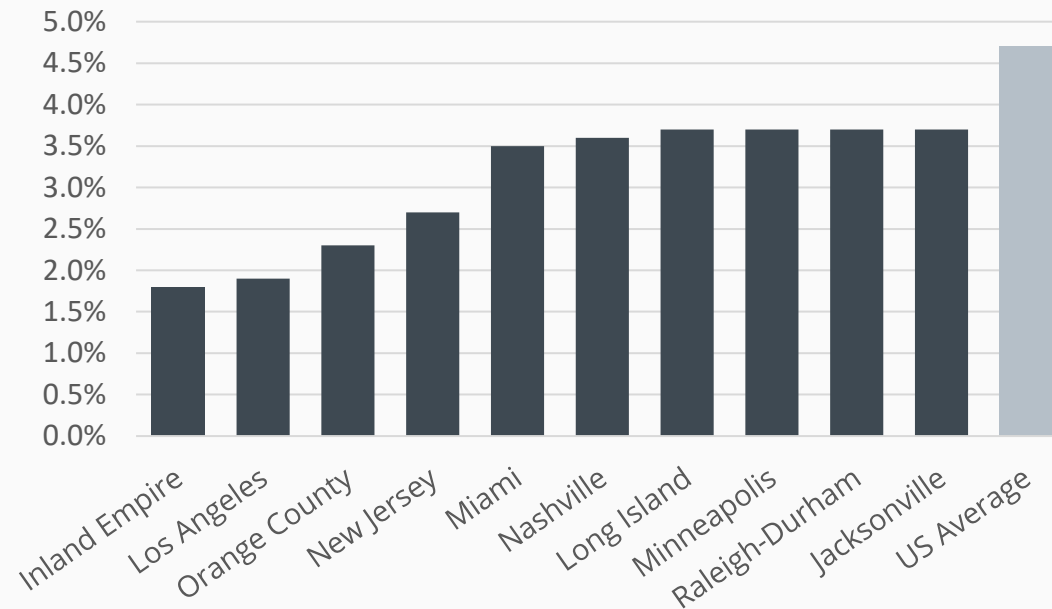
NET ABSORPTION

Q3 2021 Net Absorption



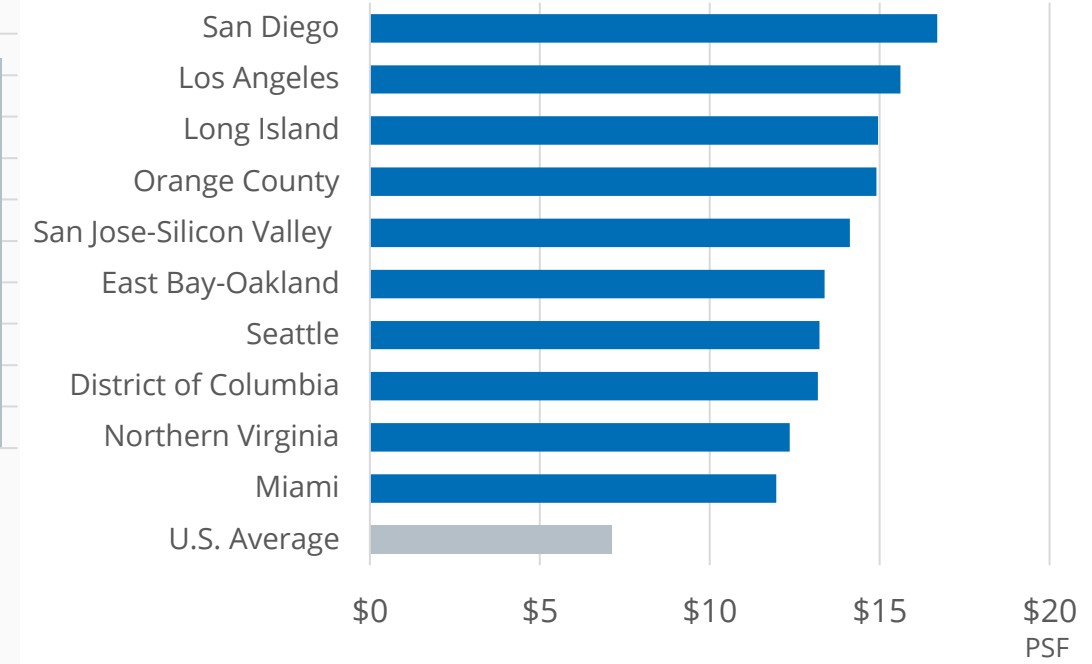
VACANCY/CONSTRUCTION

Q3 2021 Vacancy Rate

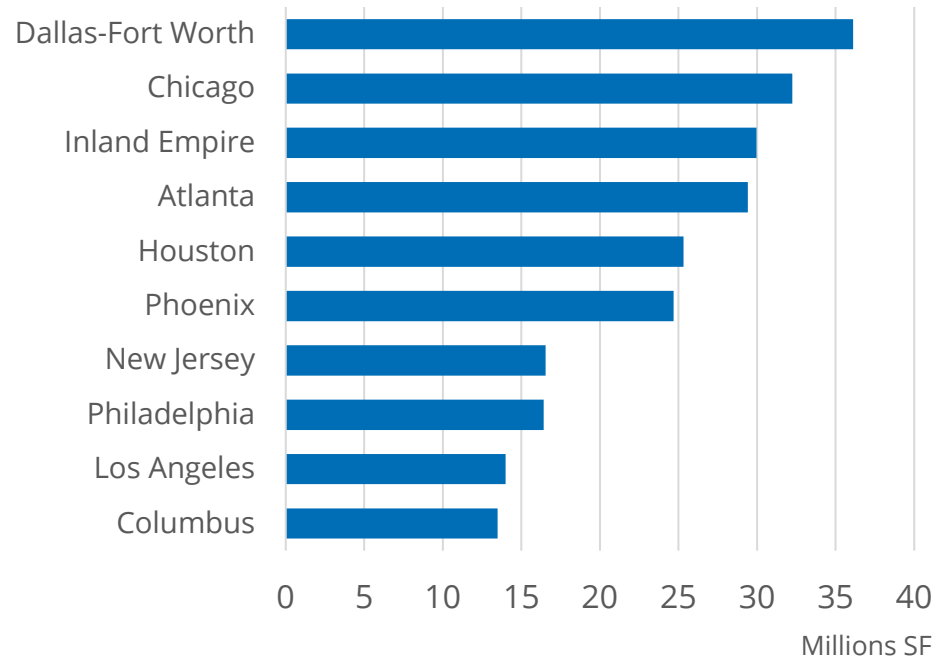


ASKING RENTS

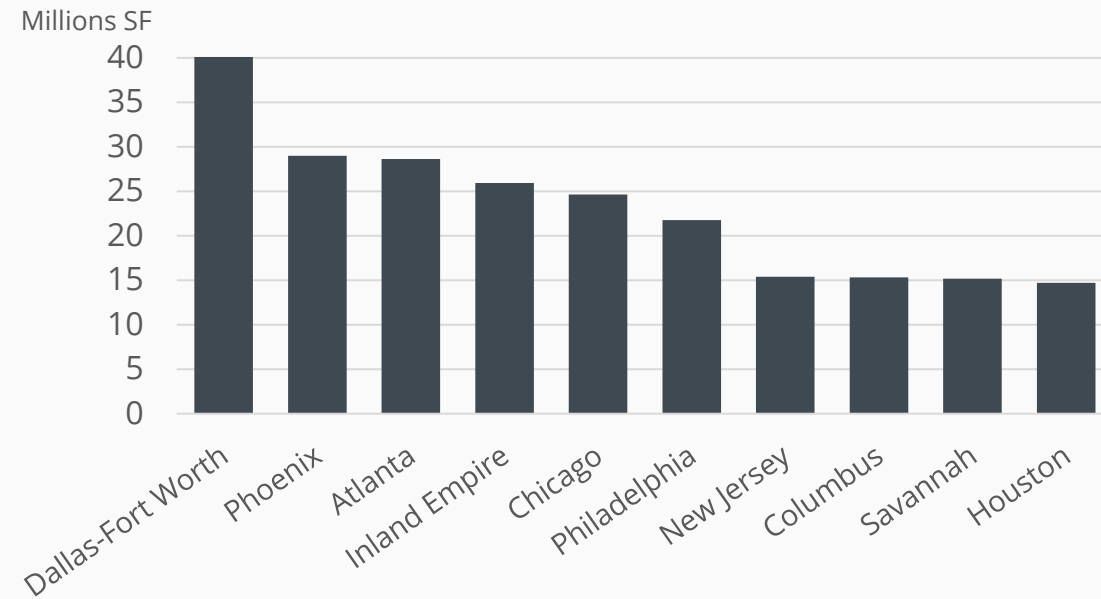
Q3 2021 Asking Rate NNN



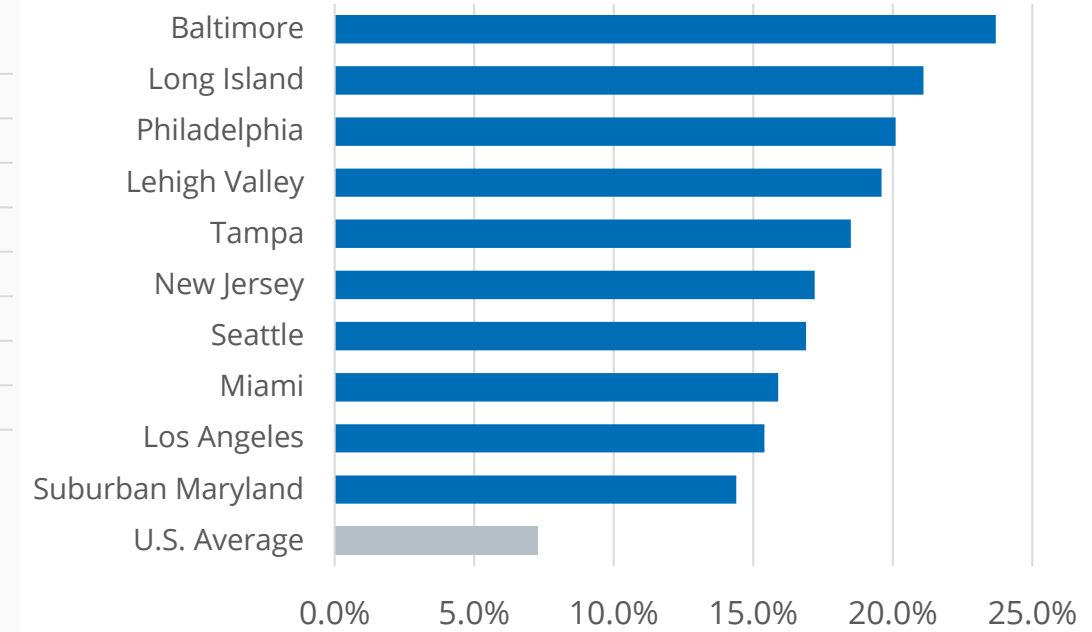
Trailing 4-Qtr Net Absorption



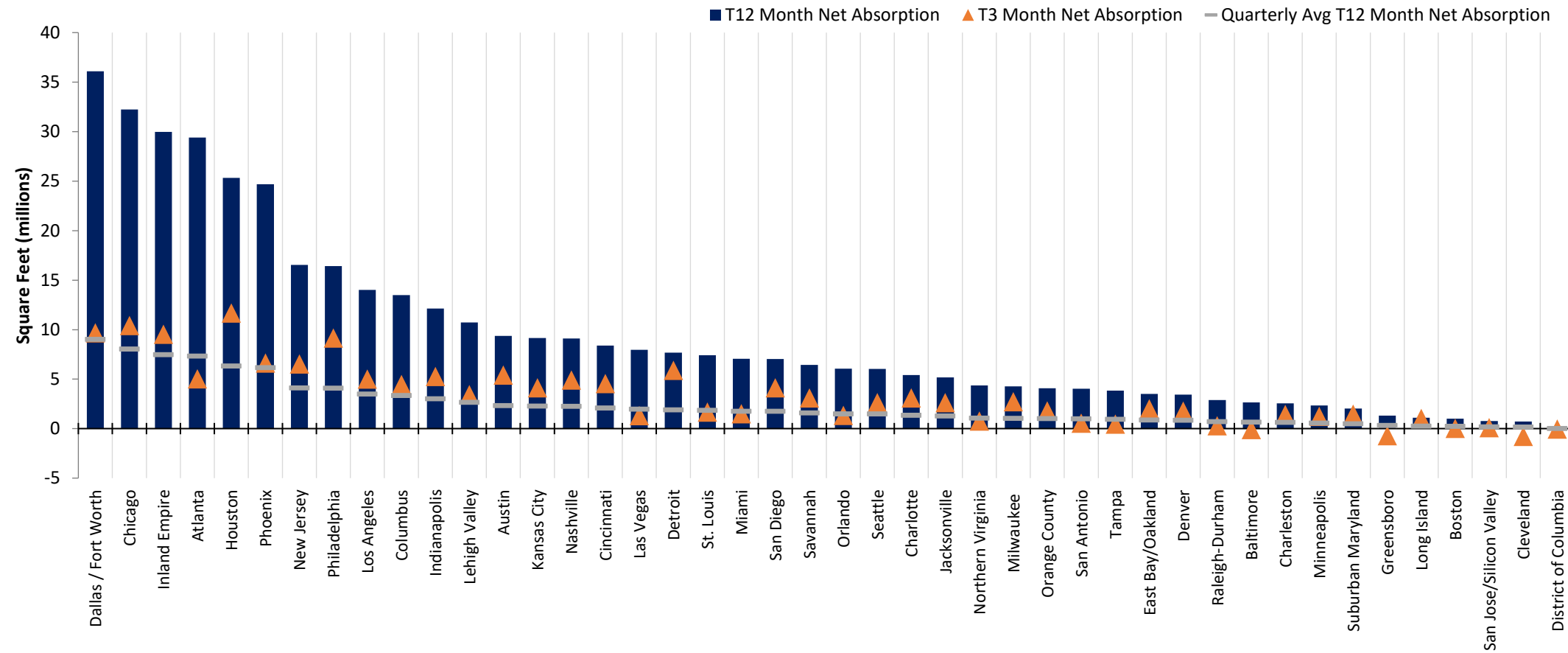
Q3 2021 Under Construction



Year-Over-Year Rent Growth

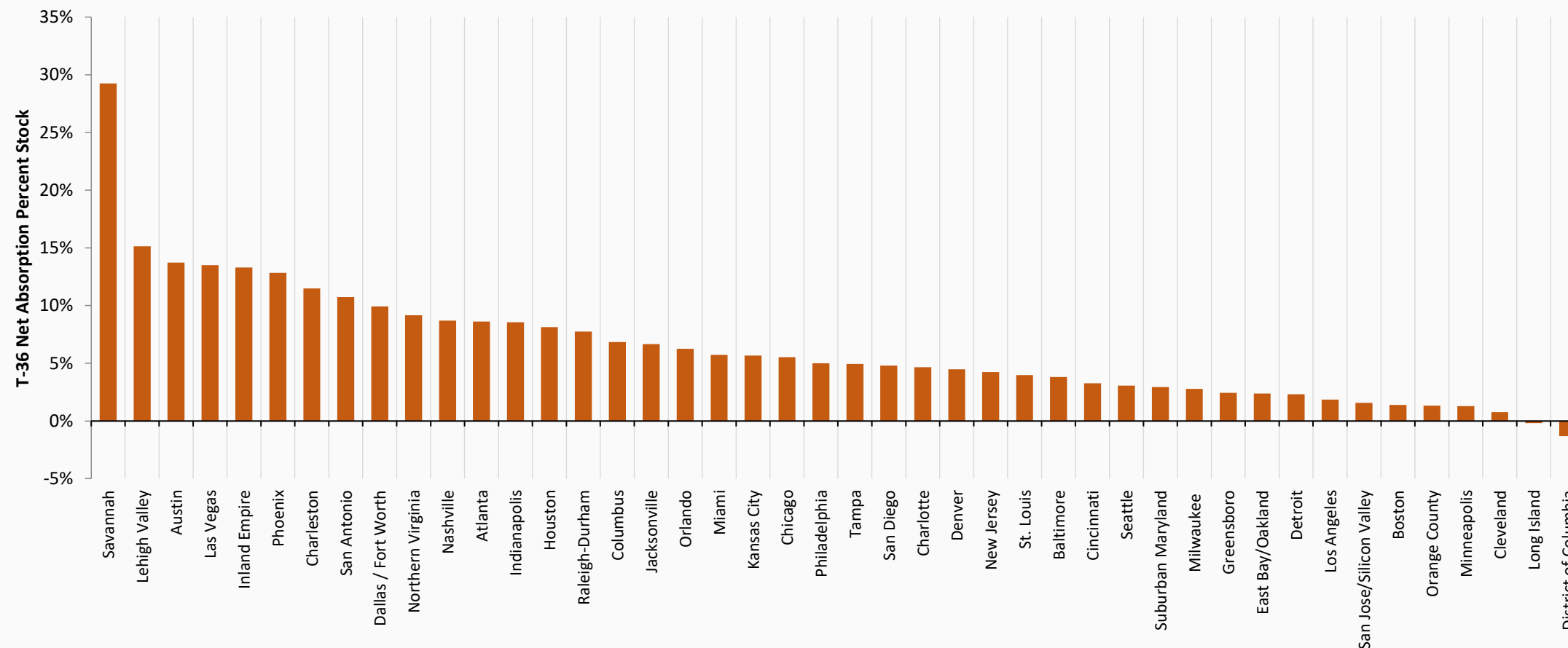


NET ABSORPTION



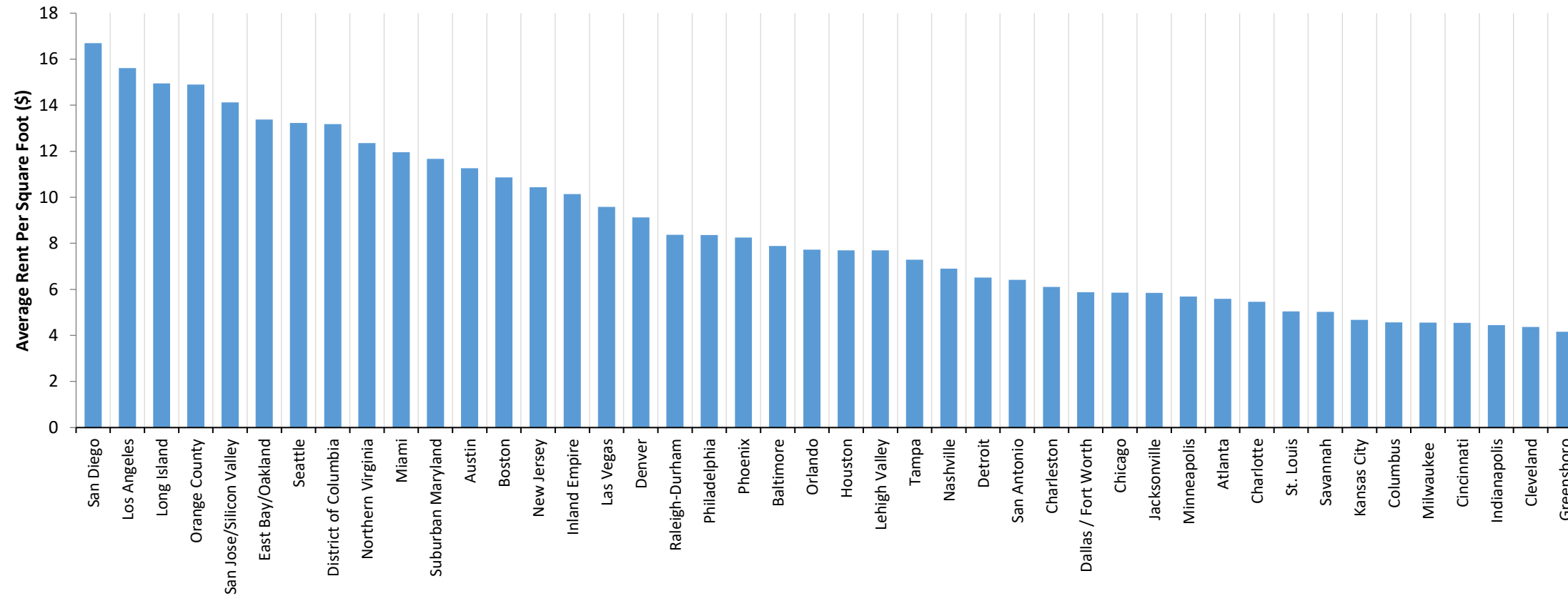
- Positive annual and quarterly net absorption were reported in almost all markets as industrial space needs continued to grow.
- Further, net absorption accelerated in Q3 for over 65% of tracked markets. This subset experienced higher net absorption in the past quarter than the quarterly average over the past 12 months.

MARKET EXPANSION: 3 YEAR NET ABSORPTION % STOCK



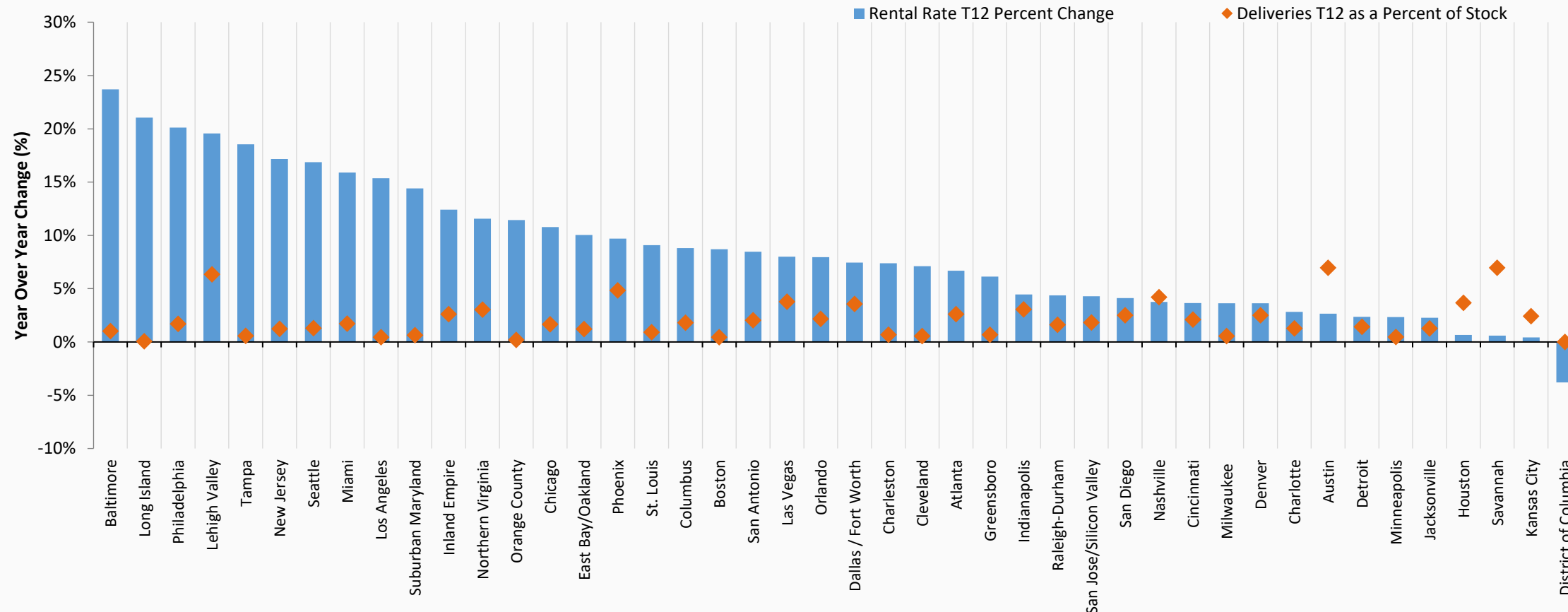
- Here we consider 3-year net absorption as a percent of stock. A higher percentage indicates that a market is more expansionary.
- Markets experiencing the most growth include Savannah, Lehigh Valley, Austin, Las Vegas, Inland Empire, Phoenix and Charleston.

RENTAL RATES (NNN)



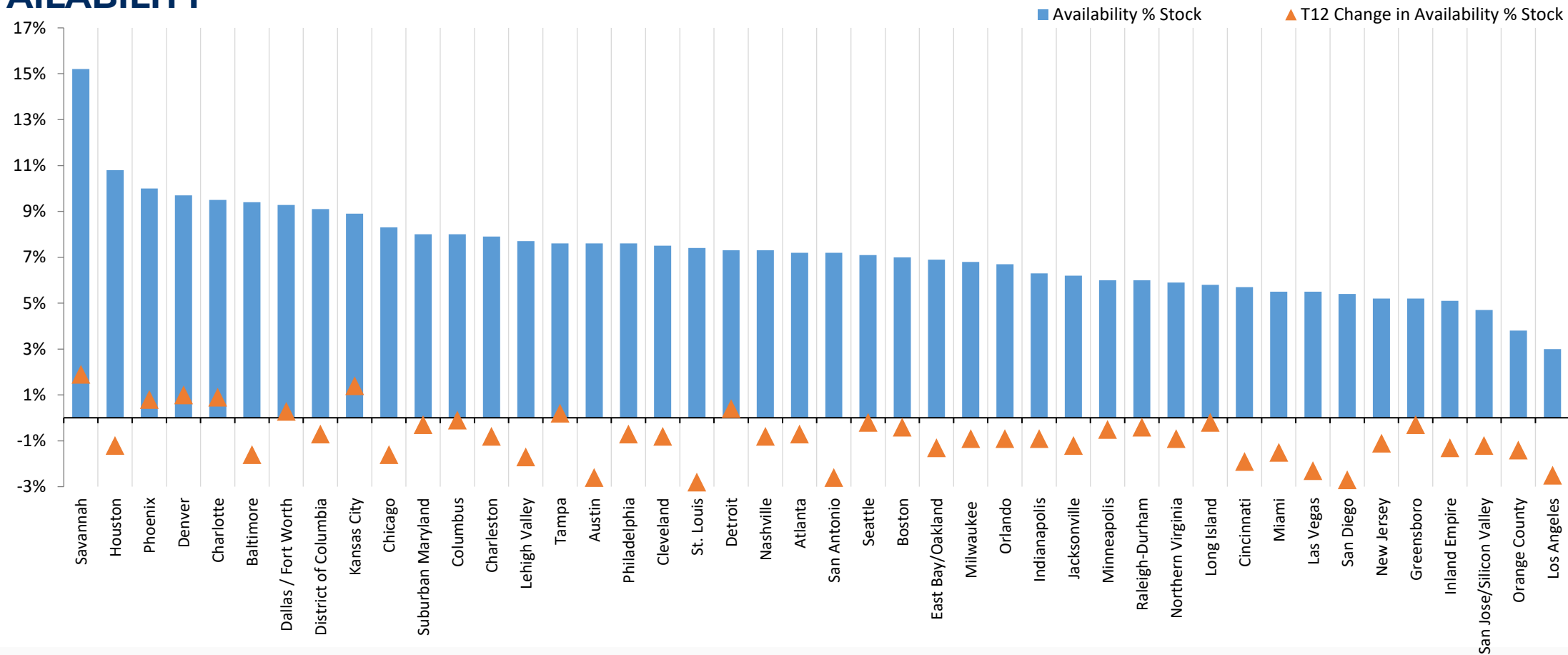
- Markets with the highest rental rates were located on the West Coast, and near Washington, D.C., and New York.
- Some Midwest markets with low rental rates saw relatively high rent growth over the past year, including St. Louis, Chicago, and Columbus.

RENTAL RATE CHANGE



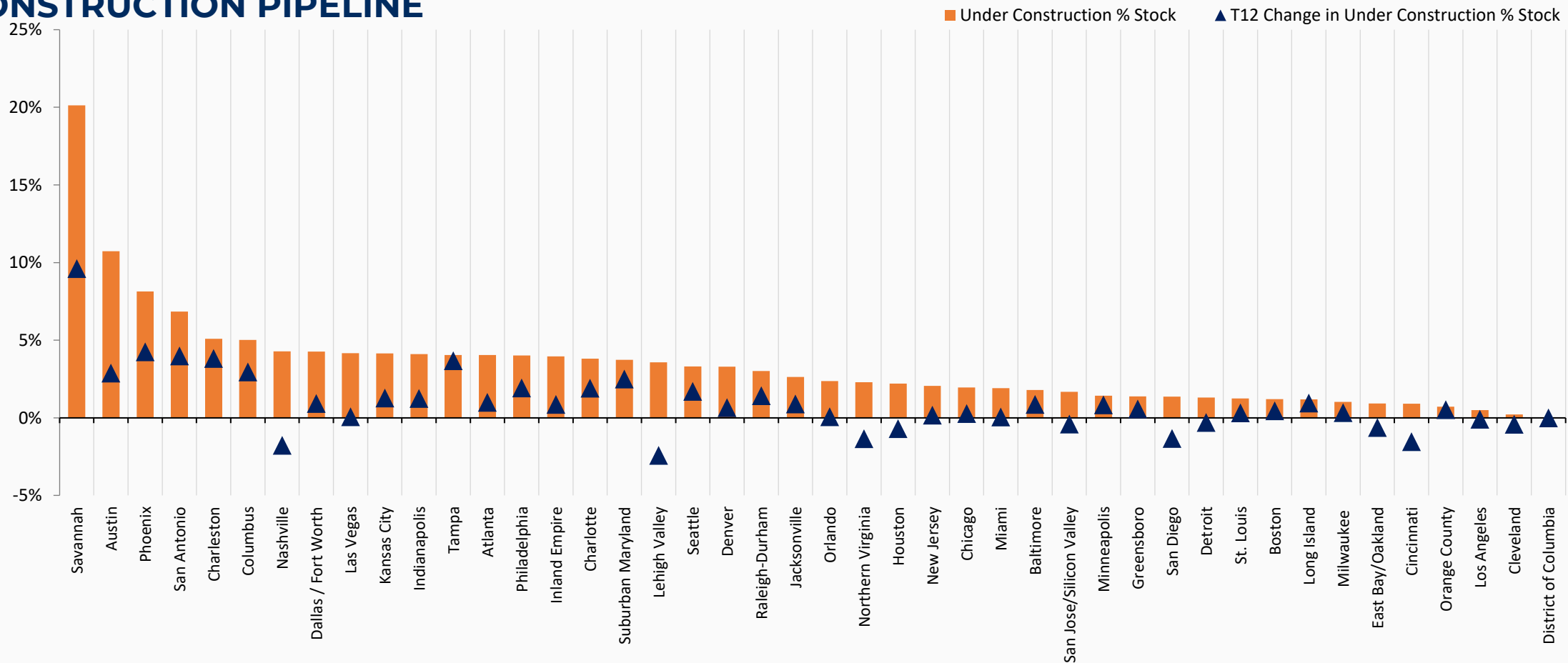
- More than half of the tracked markets saw rental growth for the year surpass 5%, with all but one increasing over the past 12 months.
- While a few of the markets with low or negative rental-rate changes may be reacting to recent strong supply (e.g., Austin, Savannah), others may be adjusting to low or negative net absorption (e.g., Washington, D.C., Minneapolis).

AVAILABILITY



- Many coastal markets where the busiest U.S. container ports are located reported the lowest availability as a percent of stock.
- Markets seeing the largest increases in availability include Savannah and Kansas City – both of which also have higher than average overall availability as a percent of stock.
- Those registering the largest decreases in availability include Austin, St. Louis, San Antonio, Las Vegas, San Diego, and Los Angeles.

CONSTRUCTION PIPELINE

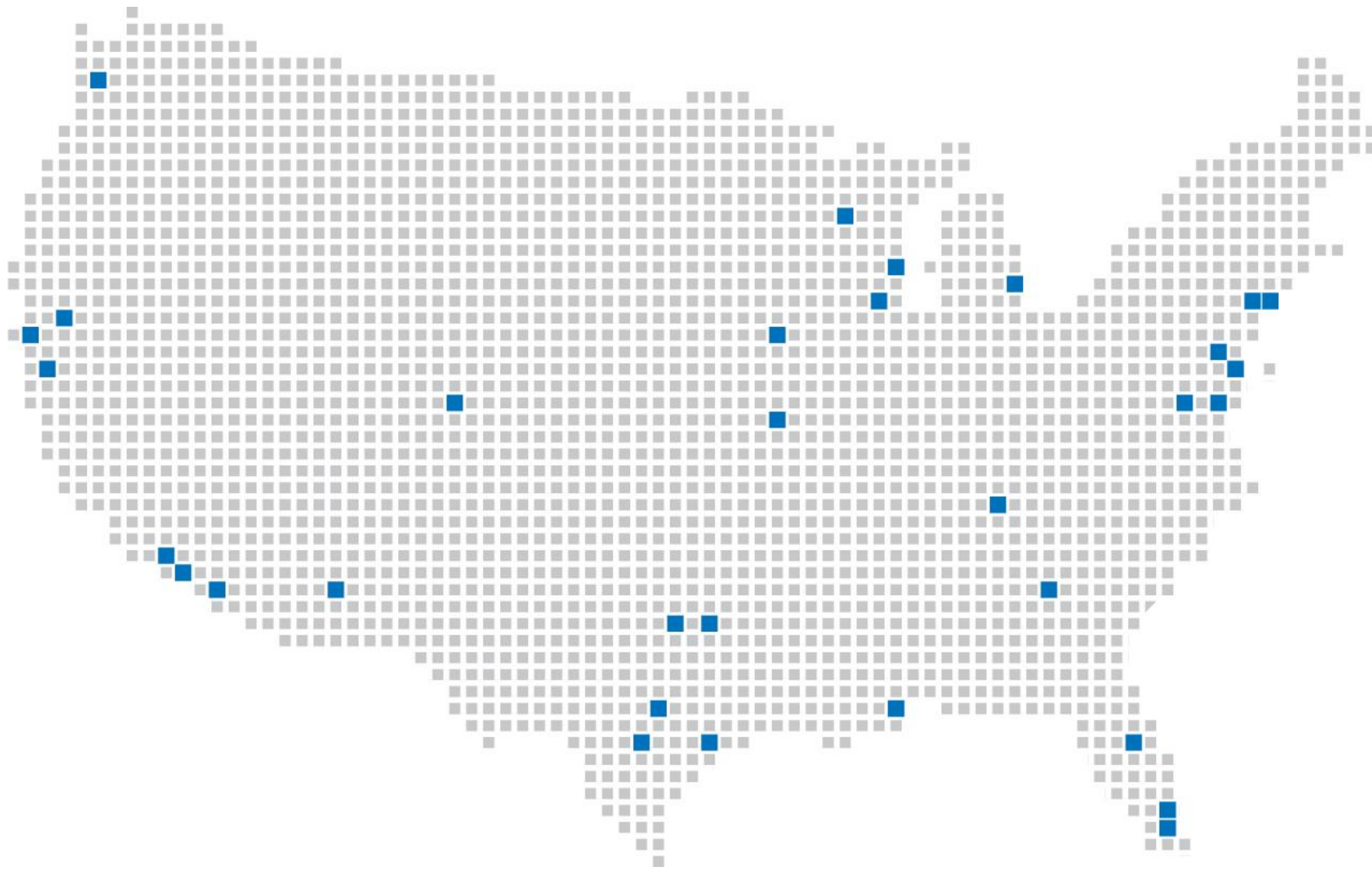


- Under construction stock is indicative of future expansion.
- Savannah and Austin are growing relatively quickly with under construction stock exceeding 10%.
- Growth in the Sunbelt is evidenced here, as Savannah, Phoenix, San Antonio, Charleston, and Tampa have seen the most acceleration of under construction SF as a percent of stock over the past year.

Market	Inventory Square Feet	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent NNN	Annual Rent Change	Under Construction
Atlanta	708,322,762	4.1%	3.9%	5,025,113	29,407,372	\$5.59	6.7%	28,623,183
Austin	103,848,577	4.8%	4.3%	5,412,401	9,373,358	\$11.26	2.6%	11,145,224
Baltimore	229,662,133	8.7%	8.4%	(78,087)	2,659,878	\$7.88	23.7%	4,113,703
Boston	330,496,244	4.6%	4.4%	27,059	999,720	\$10.86	8.7%	3,980,835
Charleston	78,809,046	3.9%	3.6%	1,426,329	2,561,270	\$6.11	7.4%	4,008,837
Charlotte	322,935,939	6.6%	6.2%	3,094,964	5,426,033	\$5.46	2.8%	12,286,794
Chicago	1,258,588,207	5.3%	5.1%	10,415,868	32,242,959	\$5.86	10.8%	24,623,460
Cincinnati	324,225,345	5.3%	5.1%	4,564,956	8,386,839	\$4.55	3.6%	2,966,250
Cleveland	330,553,961	5.3%	5.0%	(786,979)	729,765	\$4.37	7.1%	708,000
Columbus	305,579,786	4.7%	4.5%	4,466,761	13,495,284	\$4.57	8.8%	15,335,285
Dallas-Fort Worth	955,941,193	6.1%	5.7%	9,676,404	36,110,847	\$5.87	7.4%	40,755,788
Denver	239,751,359	6.8%	6.3%	1,773,811	3,443,158	\$9.13	3.6%	7,895,697
Detroit	569,082,826	4.5%	4.3%	5,898,505	7,675,336	\$6.51	2.4%	7,467,724
District of Columbia	9,166,955	5.3%	5.3%	(41,578)	158,036	\$13.18	-3.8%	0
East Bay-Oakland	195,162,676	5.3%	4.7%	2,012,774	3,507,146	\$13.38	10.0%	1,792,984
Greensboro	284,619,552	3.9%	3.9%	(713,781)	1,320,910	\$4.16	6.1%	3,914,101
Houston	666,515,459	7.9%	7.7%	11,681,707	25,330,978	\$7.70	0.7%	14,697,722
Indianapolis	346,376,961	4.7%	4.1%	5,282,777	12,138,743	\$4.45	4.5%	14,230,158
Inland Empire	655,599,622	1.8%	1.8%	9,546,695	29,974,813	\$10.14	12.4%	25,928,839
Jacksonville	133,910,524	3.7%	3.6%	2,616,366	5,185,930	\$5.85	2.3%	3,520,062
Kansas City	299,699,720	4.9%	4.7%	4,118,843	9,146,514	\$4.68	0.4%	12,416,433
Las Vegas	140,705,684	4.1%	3.8%	1,315,260	7,966,764	\$9.58	8.0%	5,858,100

Market	Inventory Square Feet	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent NNN	Annual Rent Change	Under Construction
Lehigh Valley	144,339,520	4.7%	4.4%	3,448,373	10,725,756	\$7.70	19.6%	5,155,933
Long Island	154,290,995	3.7%	3.4%	1,037,090	1,112,274	\$14.95	21.1%	1,834,602
Los Angeles	851,002,182	1.9%	1.7%	5,008,711	14,003,820	\$15.61	15.4%	4,164,119
Miami	233,214,123	3.5%	3.3%	1,498,445	7,065,869	\$11.96	15.9%	4,452,752
Milwaukee	243,257,750	3.7%	3.7%	2,723,840	4,268,861	\$4.56	3.6%	2,500,652
Minneapolis	378,982,590	3.7%	3.4%	1,256,368	2,331,560	\$5.69	2.3%	5,407,396
Nashville	228,590,713	3.6%	3.2%	4,919,532	9,105,059	\$6.90	3.8%	9,768,018
New Jersey	747,650,850	2.7%	2.5%	6,538,894	16,551,232	\$10.44	17.2%	15,410,387
Northern Virginia	111,413,921	4.2%	4.1%	759,905	4,357,454	\$12.35	11.6%	2,546,588
Orange County	271,733,078	2.3%	2.1%	1,786,136	4,089,977	\$14.90	11.4%	1,927,952
Orlando	167,431,874	4.5%	4.2%	1,337,731	6,067,512	\$7.73	8.0%	3,959,816
Philadelphia	542,057,472	4.1%	3.9%	9,143,561	16,427,263	\$8.36	20.1%	21,768,704
Phoenix	356,570,277	5.6%	5.5%	6,631,597	24,687,323	\$8.25	9.7%	29,006,252
Raleigh-Durham	126,617,366	3.7%	3.6%	290,443	2,898,930	\$8.37	4.4%	3,819,724
San Antonio	117,440,382	5.7%	5.5%	566,260	4,038,122	\$6.41	8.5%	8,043,234
San Diego	180,841,440	4.6%	4.3%	4,119,189	7,034,715	\$16.69	4.1%	2,455,608
San Jose-Silicon Valley	84,643,124	4.0%	3.8%	92,029	764,230	\$14.12	4.3%	1,417,931
Savannah	75,467,832	5.5%	4.5%	3,101,819	6,441,718	\$5.02	0.6%	15,191,599
Seattle	308,808,333	4.9%	4.5%	2,636,453	6,033,743	\$13.23	16.9%	10,220,592
St. Louis	299,045,262	4.0%	3.6%	1,674,489	7,418,591	\$5.04	9.1%	3,704,926
Suburban Maryland	105,419,401	5.4%	5.1%	1,459,417	2,022,356	\$11.67	14.4%	3,931,403
Tampa	179,844,246	4.3%	4.2%	457,440	3,837,994	\$7.29	18.5%	7,281,710

TRANSWESTERN LOCATIONS



ABOUT TRANSWESTERN

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RESEARCH METHODOLOGY

The information in this report is a compilation of single and multi-tenant industrial and flex properties located in select U.S. metropolitan areas. Government-owned buildings are excluded from analysis. All rents are reported as triple net.

FOR MORE INFORMATION

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