

ELITE 11

U.S. Industrial Markets



TRANSWESTERN

MIDYEAR 2020

ELITE 11 DEFINED

In addition to an analysis of all primary and secondary markets nationwide in its quarterly [National Industrial Market Overview](#), Transwestern tracks 11 growth markets across the U.S. that continue to lure global investors of industrial real estate.

These Elite 11 regions are preferred locations for big-box distribution users and/or areas in high demand by logistics and manufacturing companies.

Growth indicators for the Elite 11 are based primarily on rent acceleration, space absorption and pace of development relative to the size of each market.

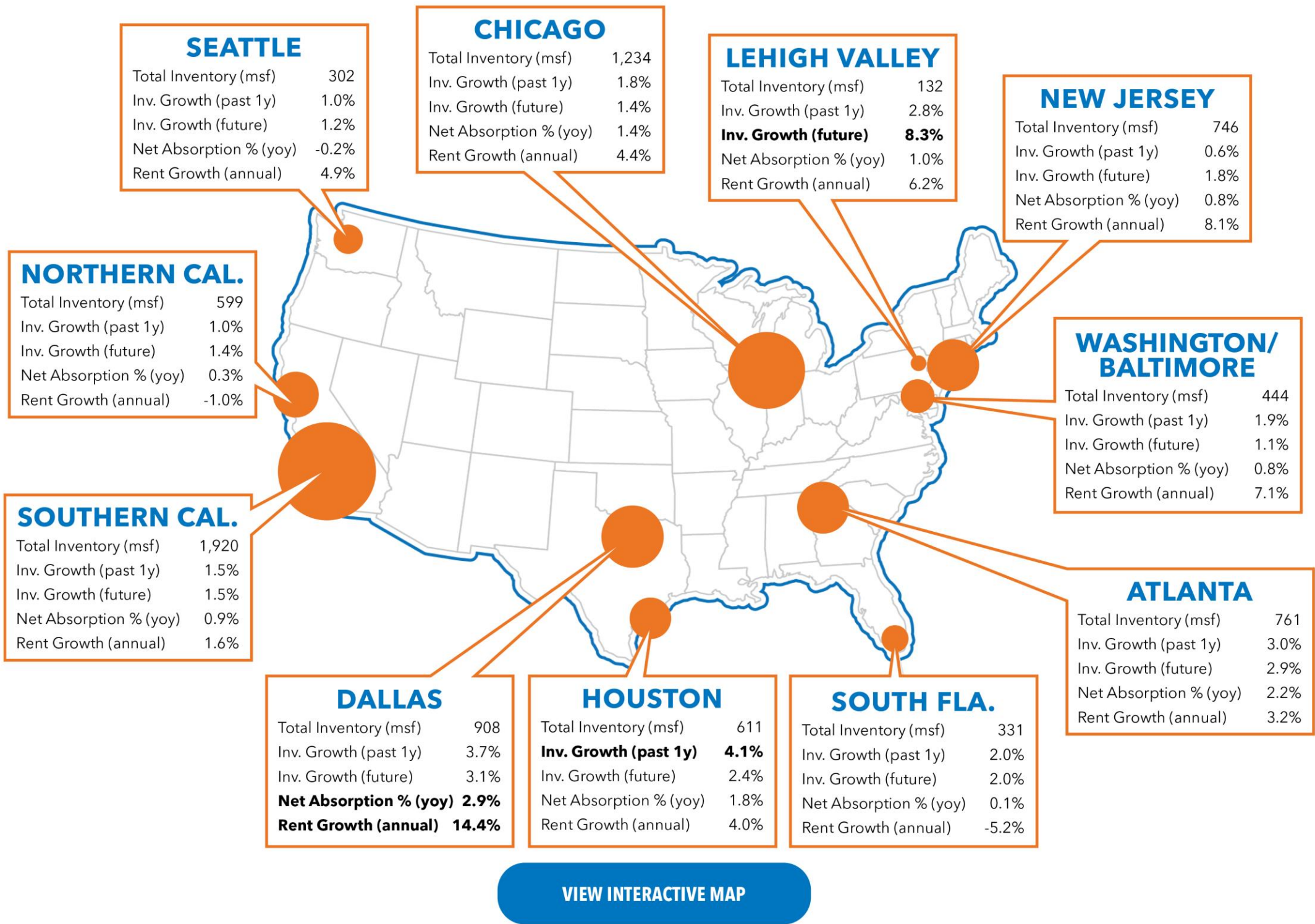
MARKET	INVENTORY (MSF)
Atlanta	761
Chicago	1234
Dallas-Fort Worth	908
Houston	611
Lehigh Valley	132
New Jersey	746
Northern California	599
Seattle	302
South Florida	331
Southern California	1920
Washington/ Baltimore	444

NATIONAL OUTLOOK

Many sectors of the economy have been put on pause since March, but not industrial real estate, which continues to flourish as much of its tenant base is essential businesses. Despite registering its lowest level in a decade, the streak of occupancy gains continued into the 42nd quarter as leasing activity recovered swiftly from the blow of COVID-19.

Still, the industrial market is not totally immune to conditions ushered in by the pandemic: New deliveries are on pace to set records in some markets, prompting concerns of overbuilding. As a result, the amount of product construction is expected to decline in the short term as major developers halt speculative projects. Nevertheless, we anticipate a slightly higher national vacancy rate at year-end.

The national average asking rent, similarly, continued its growth streak, ending the first half of 2020 at \$6.56 per square foot. Rent growth may slow a bit nationally as global economies wrestle with the pandemic. However, demand in primary markets, fueled by a tidal wave of unanticipated ecommerce activity – most notably online grocery shopping – will buttress the industrial sector for the foreseeable future.

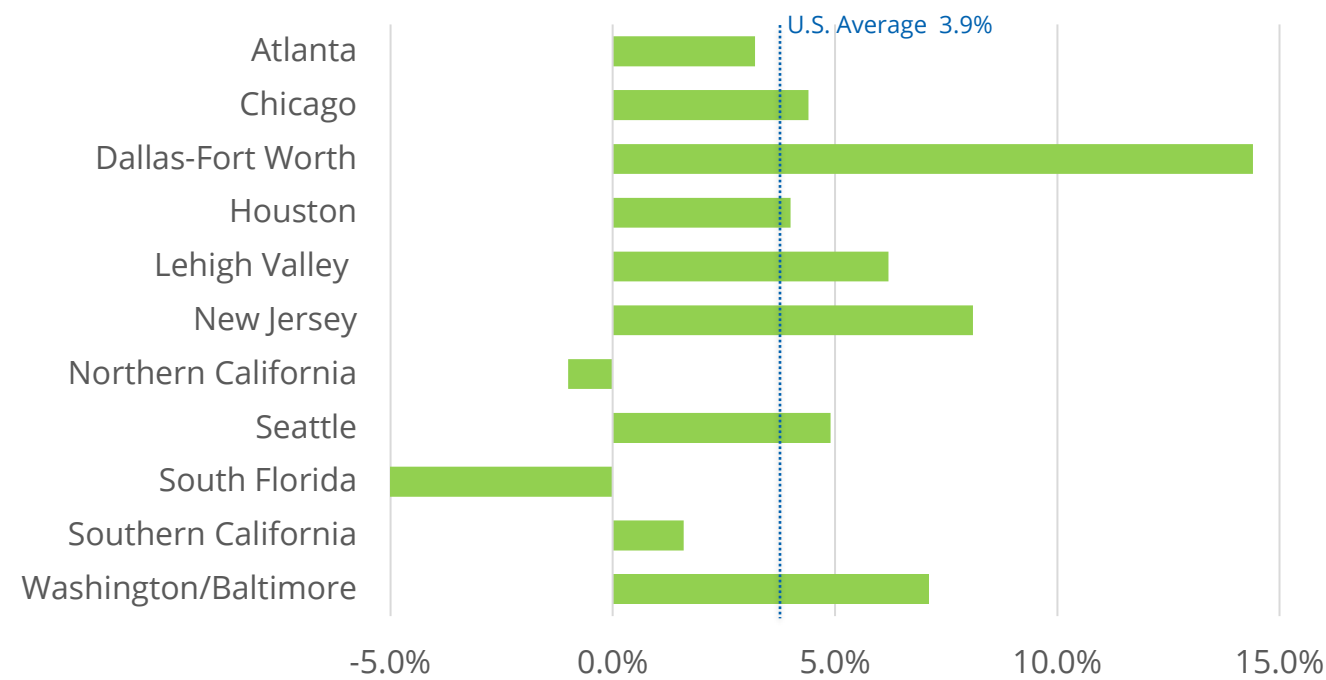


Bold text indicates top-ranked indicator nationally.

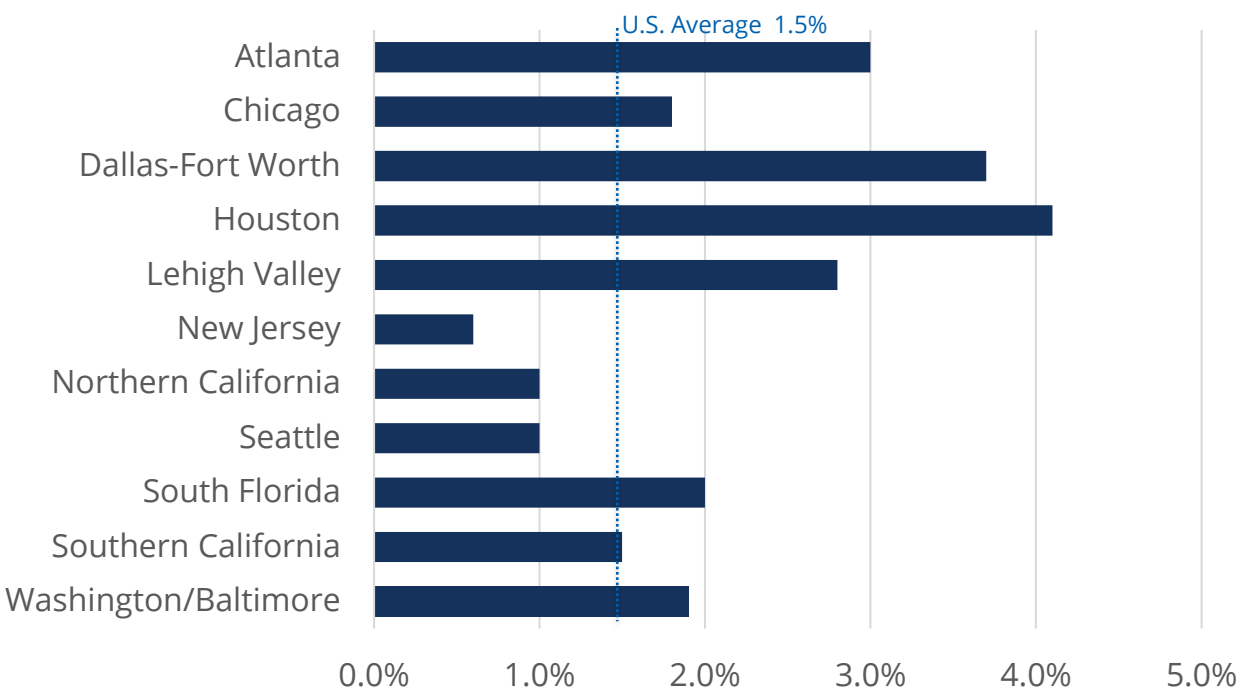
MARKET HIGHLIGHTS

- Seven of 11 markets came in above the U.S. average rent growth of 3.9%, with Dallas/Fort Worth, New Jersey, Washington-Baltimore and Lehigh Valley all exceeding 5%.
- Texas regions continued to grow at the fastest rate, led by Houston, the only market to expand by more than 4.0% during the past 12 months.
- Large users drove new leasing activity in Dallas-Fort Worth, which led all markets in YoY net absorption and rent acceleration.
- The average asking rent in New Jersey busted through the \$9.00 PSF NNN barrier in 2020, increasing by nearly 70% since the previous recession.
- Atlanta will very likely set a record for total SF delivered annually by the end of 2020, with 20 MSF under construction and 10 MSF already delivered this year.
- Product under construction in the Lehigh Valley market is at an all-time high, and its pace of future development is more than double that of all other Elite 11 regions.
- As a result of COVID-19, it is anticipated that developers will remain cautious in the short term, while favoring U.S. population centers, boding well for the Elite 11 markets.

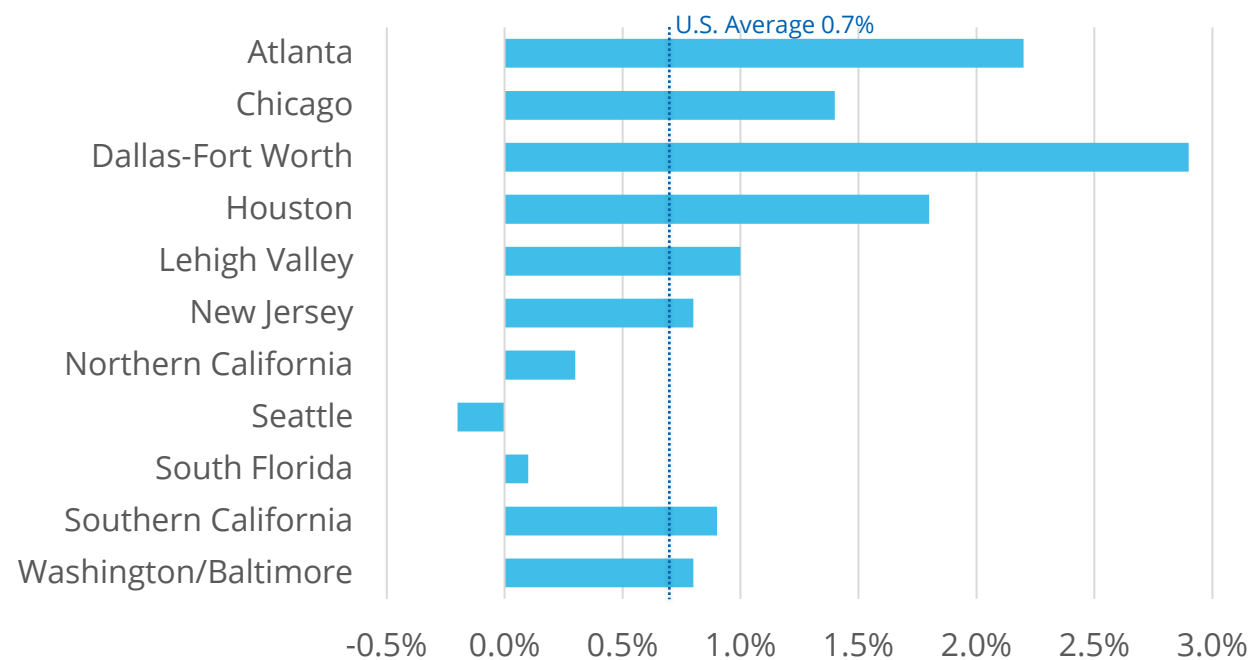
RENT GROWTH
Year-over-Year



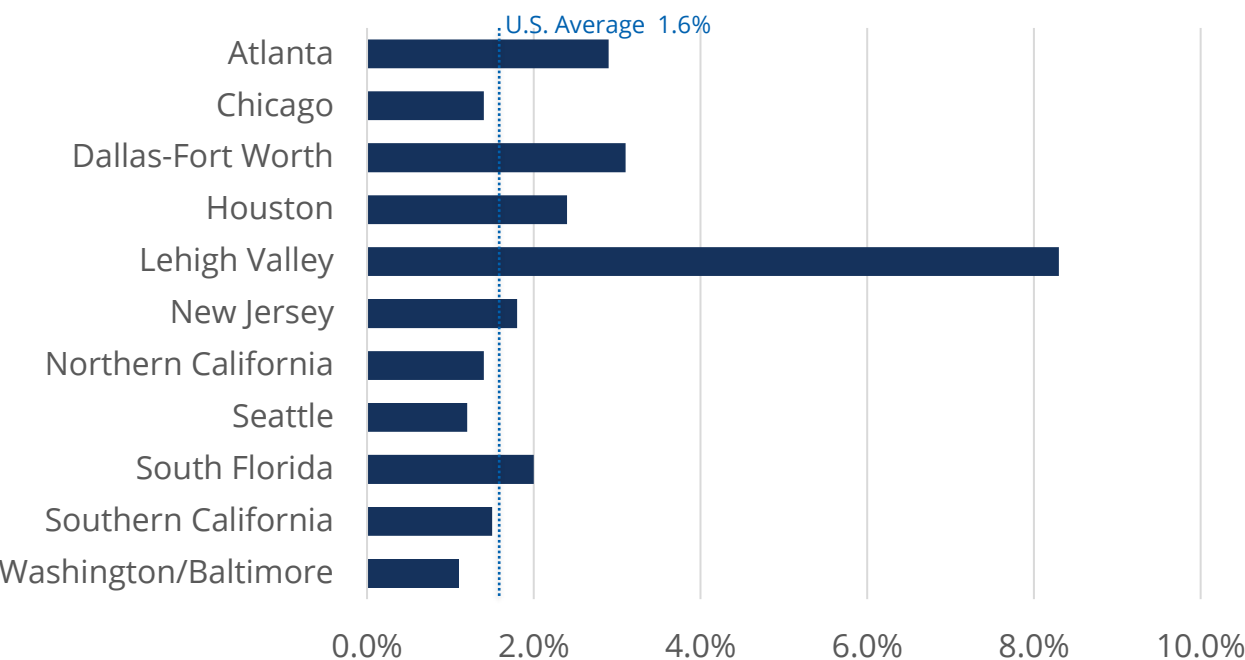
12-MONTH MARKET GROWTH
Percentage of Inventory



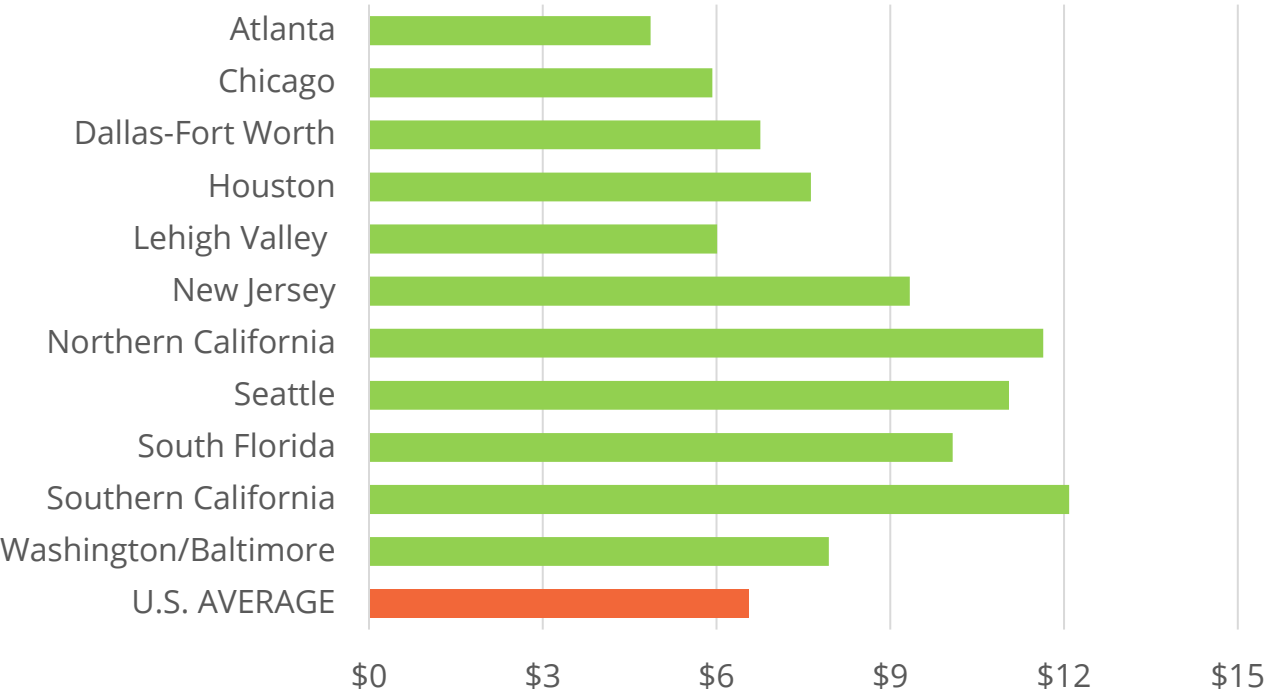
4-QUARTER NET ABSORPTION
Percentage of Inventory



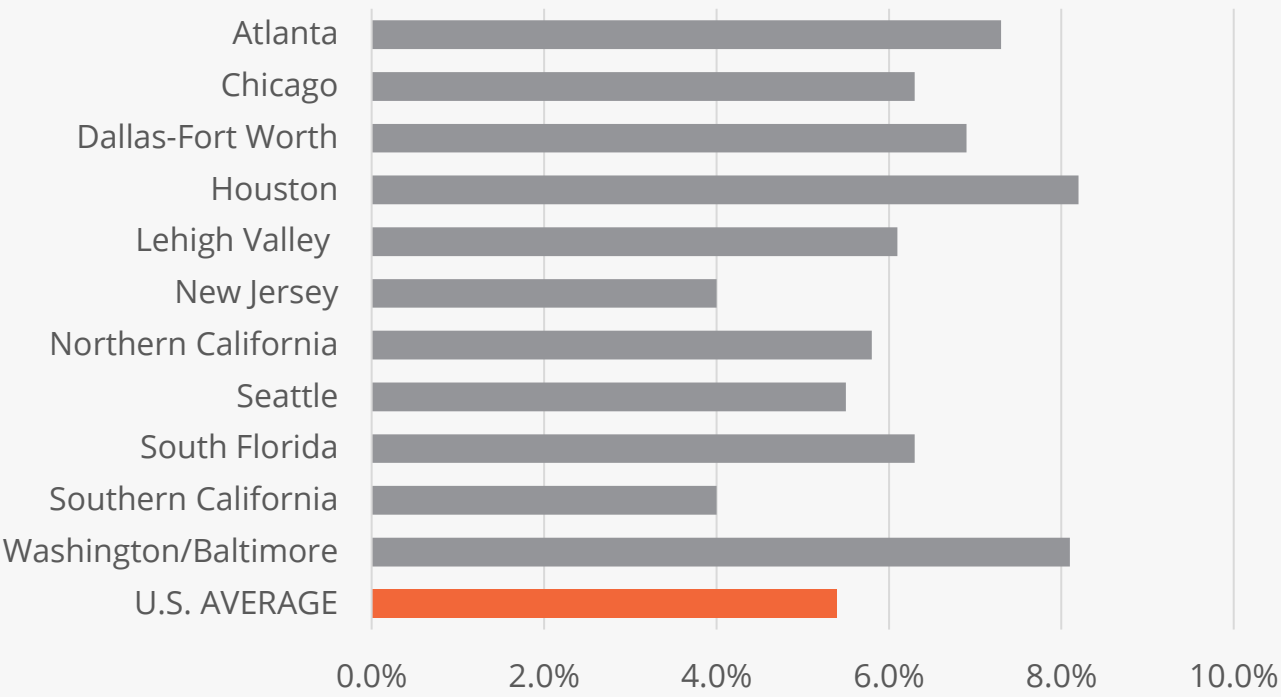
FUTURE DELIVERIES
Percentage of Inventory



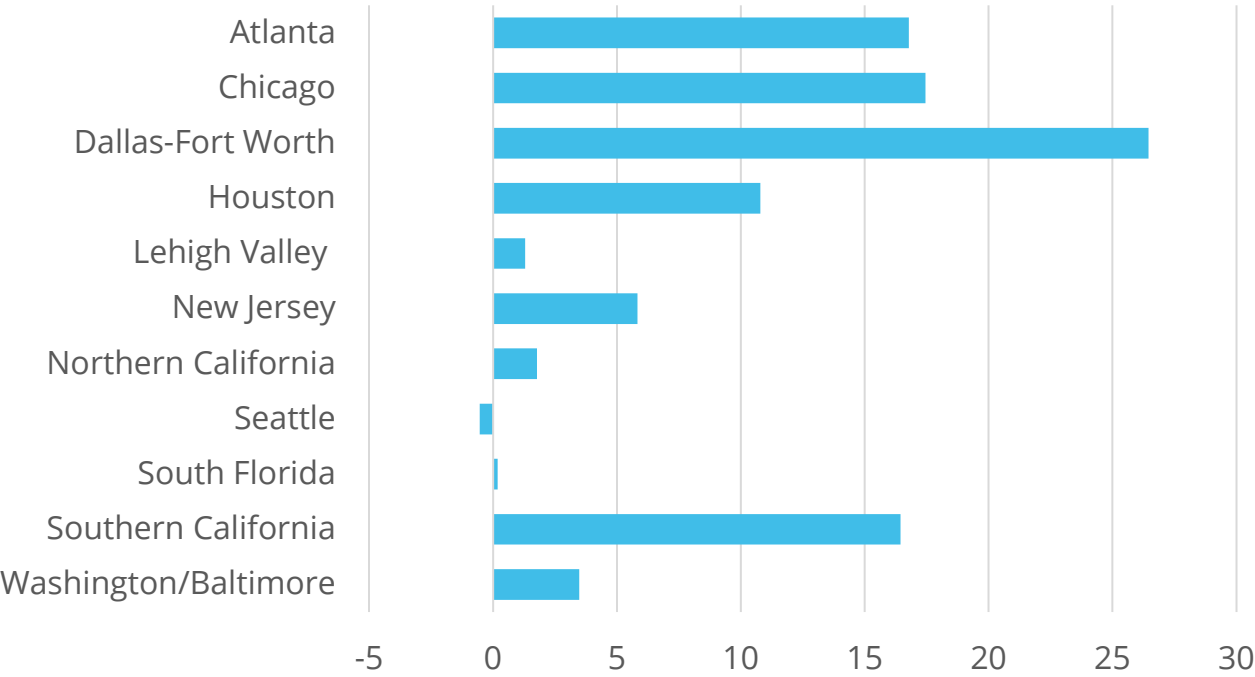
ASKING RENT PSF NNN



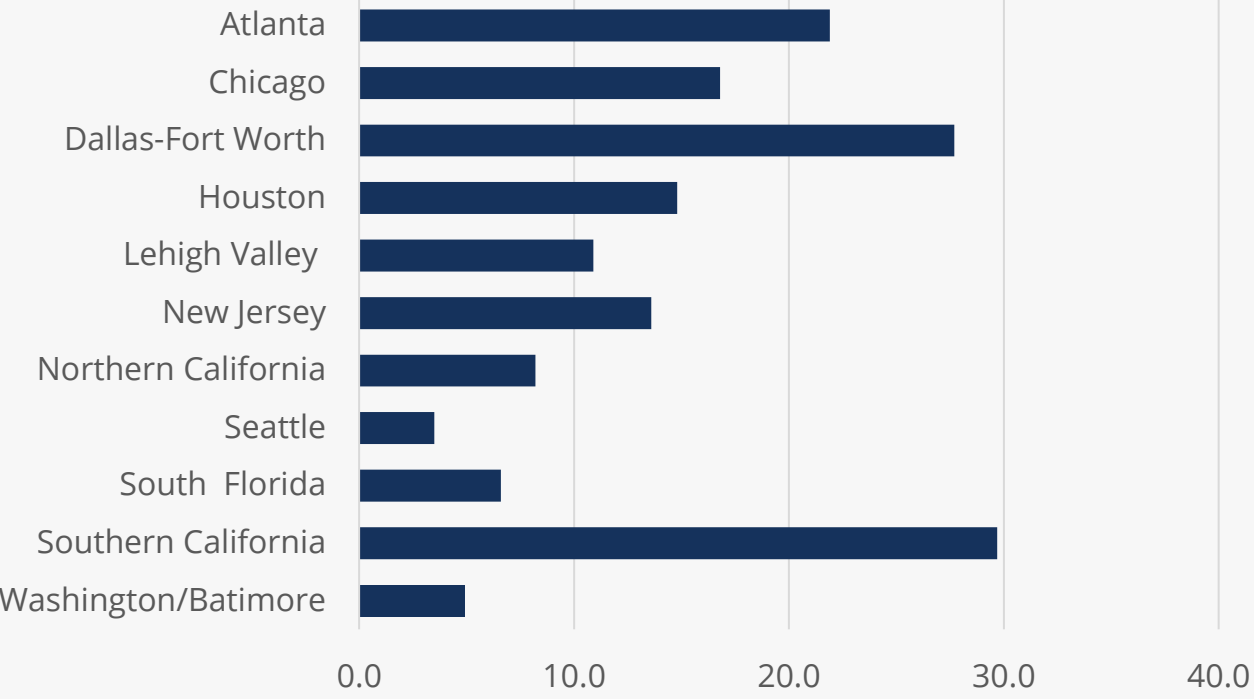
VACANCY RATE



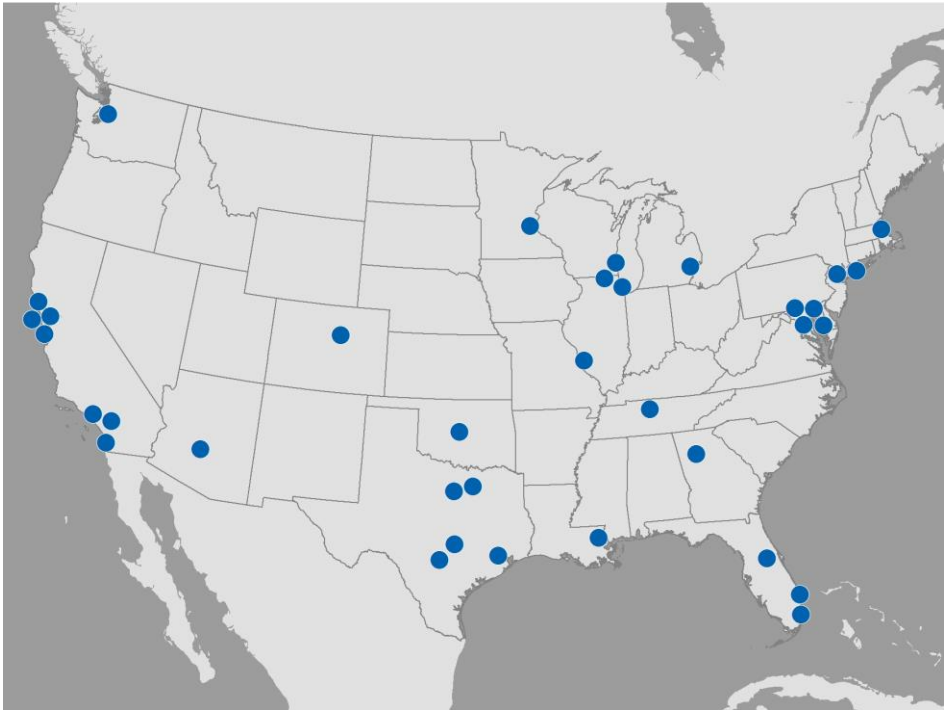
TRAILING 4-QUARTER NET ABSORPTION (MSF)



UNDER CONSTRUCTION (MSF)



TRANSWESTERN LOCATIONS



REPORT METHODOLOGY

The information in this report is a compilation of competitive industrial and flex properties located in select U.S. metropolitan areas.

- Northern California includes East Bay/Oakland, Sacramento and San Jose/Silicon Valley
- Southern California includes Inland Empire, Los Angeles, Orange County and San Diego
- South Florida includes Miami and Broward County
- Washington/Baltimore includes Baltimore, District of Columbia, Northern Virginia and Suburban Maryland

TRANSWESTERN RESEARCH

In markets across the country, our research professionals produce sophisticated data analyses, local market reports and insight on national trends that helps clients make informed real estate decisions.

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