



TRANSWESTERN

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

First Quarter 2020

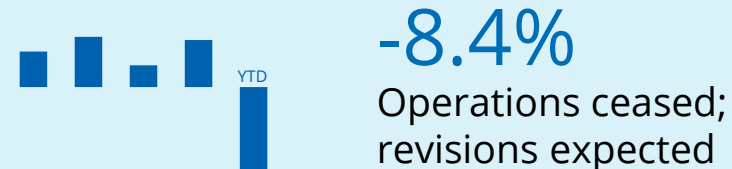
U.S. TRENDLINES

5-Year Trend Current Quarter

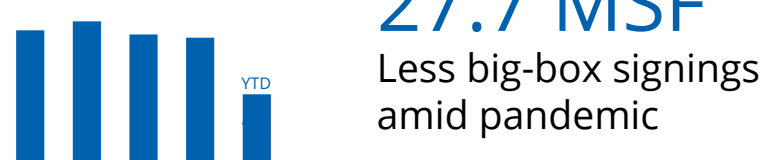
UNEMPLOYMENT RATE



RETAIL SALES GROWTH



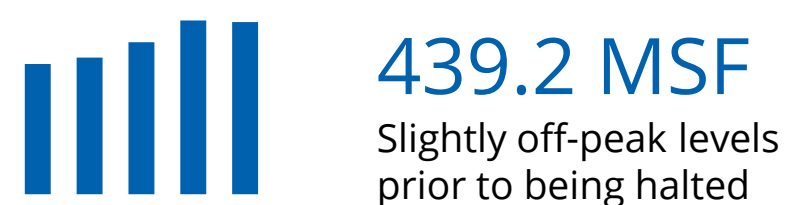
NET ABSORPTION



VACANCY



UNDER CONSTRUCTION



ASKING RENT



U.S. HIGHLIGHTS

The data in this report focuses on the first three months of 2020 and is not reflective of the current state of the market.

BEFORE COVID-19

- E commerce and logistics companies continued to accumulate space.
- Industrial product experienced most 12-month deliveries on record.

IMPACT OF COVID-19

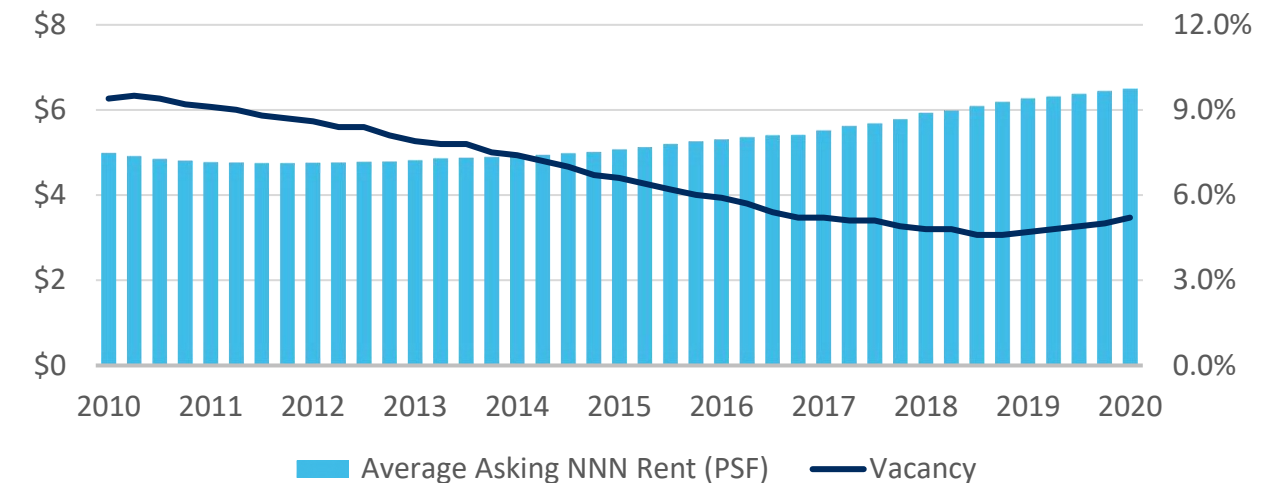
- It is largely presumed that the longest expansion in U.S. history ended in March:
 - Construction, manufacturing sectors have suffered losses, continued growth for transportation/warehousing employment.
 - Retail sales logged a record loss in March.
 - Los Angeles, home to the busiest North American port, suffered an occupancy loss not seen since the Great Recession.
 - Sublease vacancy increased by 15.0%.
 - Prologis, the largest industrial real estate developer in the U.S., is halting speculative development.
- Increased sublease space and paused construction could soften rent growth.

LOOKING FORWARD

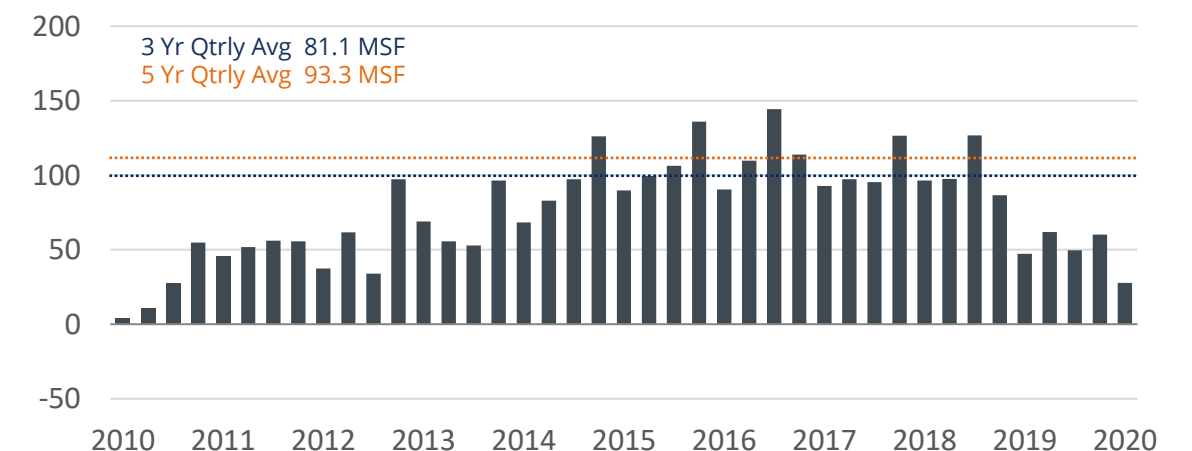
- The economy is expected to decline sharply through Q2 2020.
- A significant majority of economists forecast the economy to resume growth during the third and fourth quarters.
- The impacts of Covid-19 and social distancing could bring increased focus on e-commerce and distribution requirements.

U.S. HISTORICAL

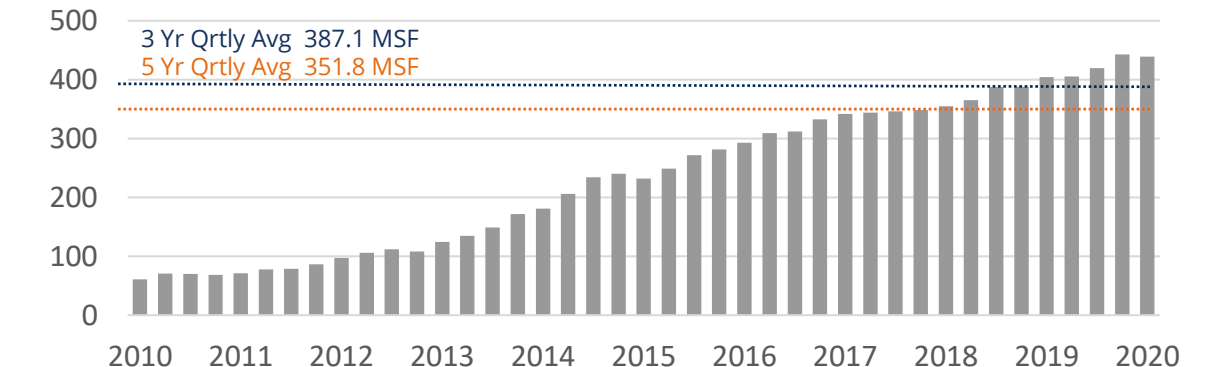
VACANCY VS ASKING RENT



NET ABSORPTION (MILLION SF)

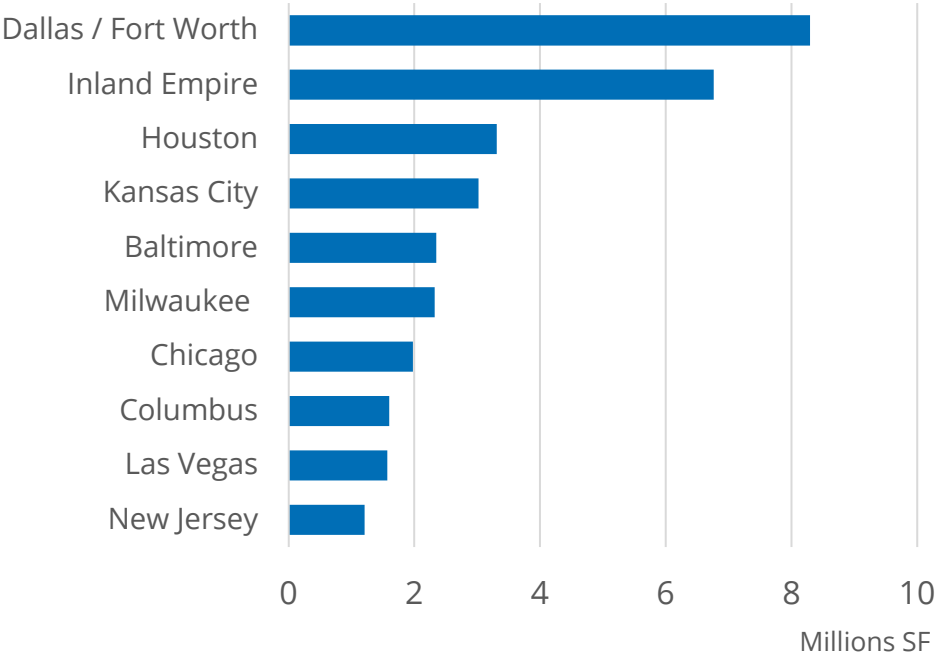


UNDER CONSTRUCTION (MILLION SF)



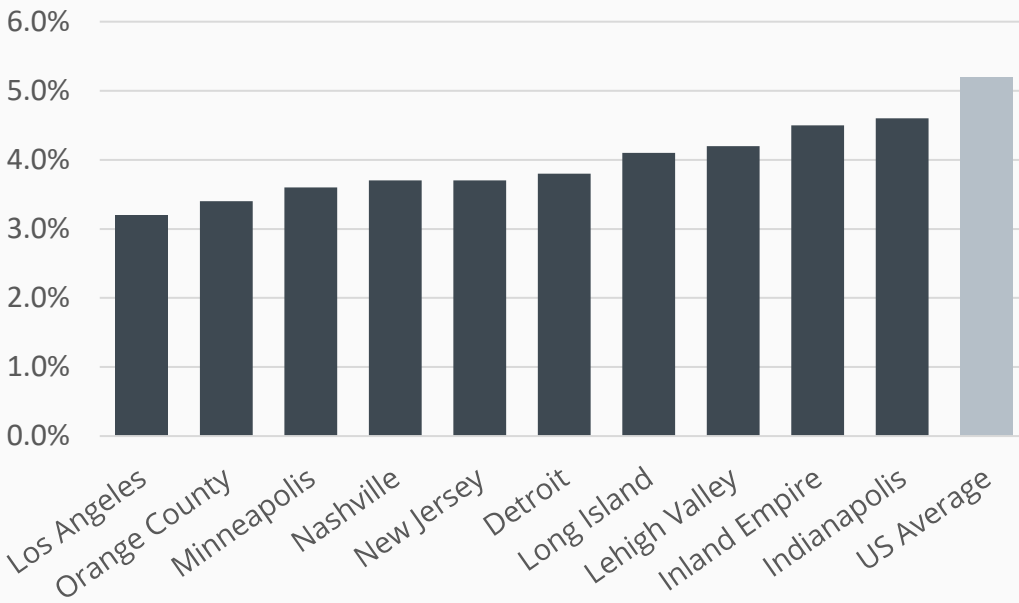
NET ABSORPTION

Q1 2020 Net Absorption



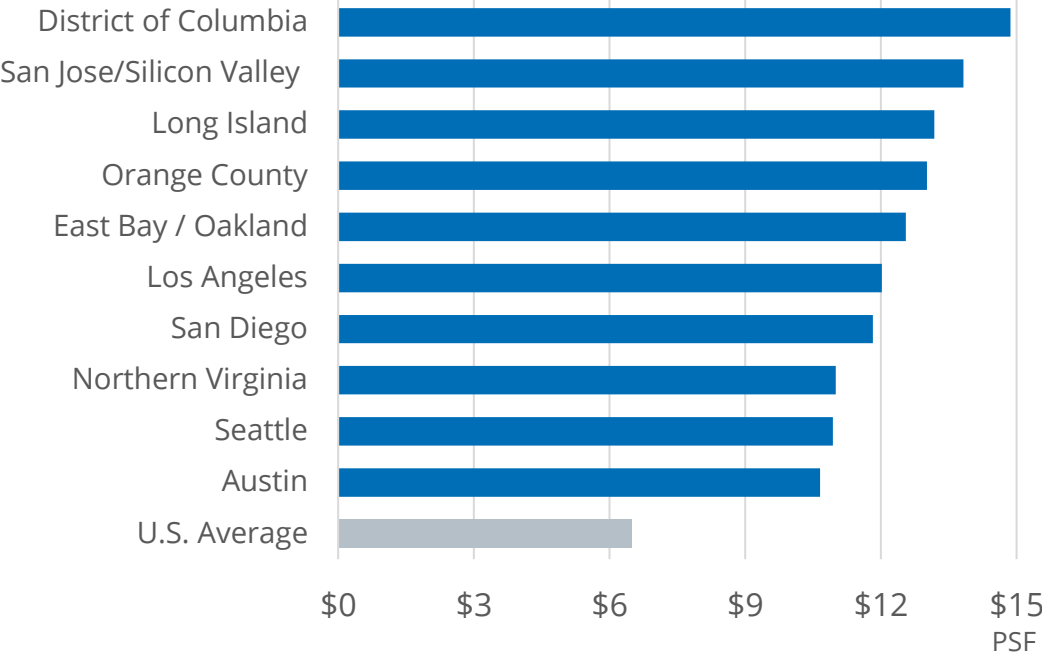
VACANCY/CONSTRUCTION

Q1 2020 Vacancy Rate

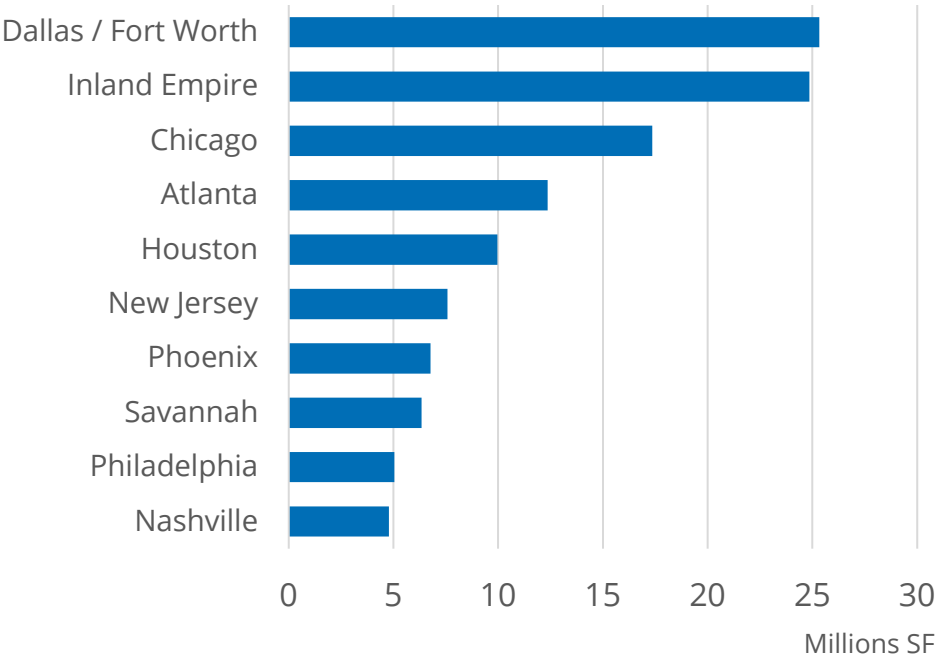


ASKING RENTS

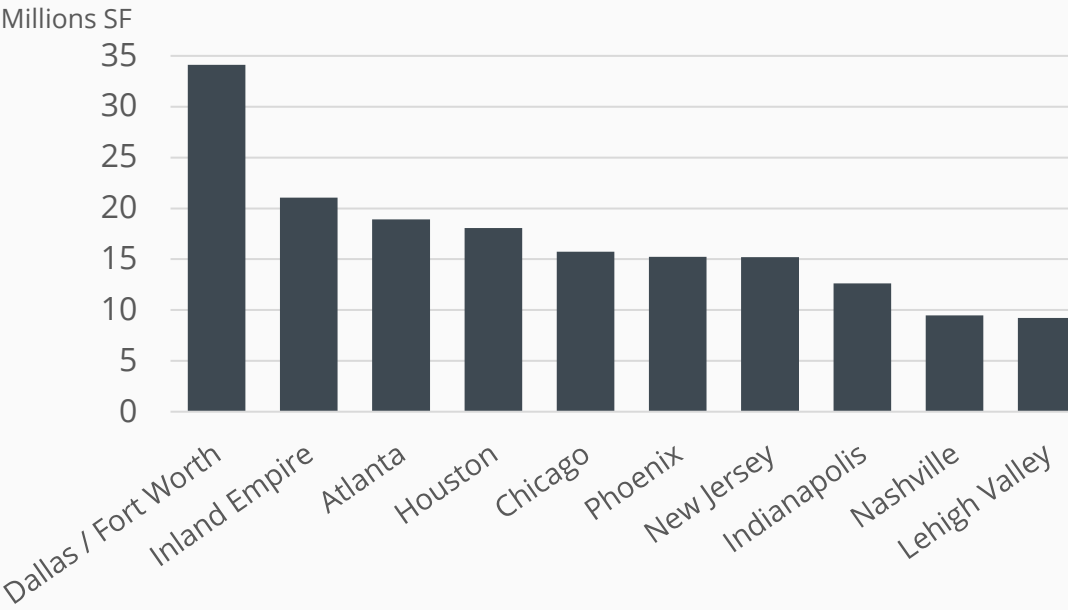
Q1 2020 Asking Rate NNN



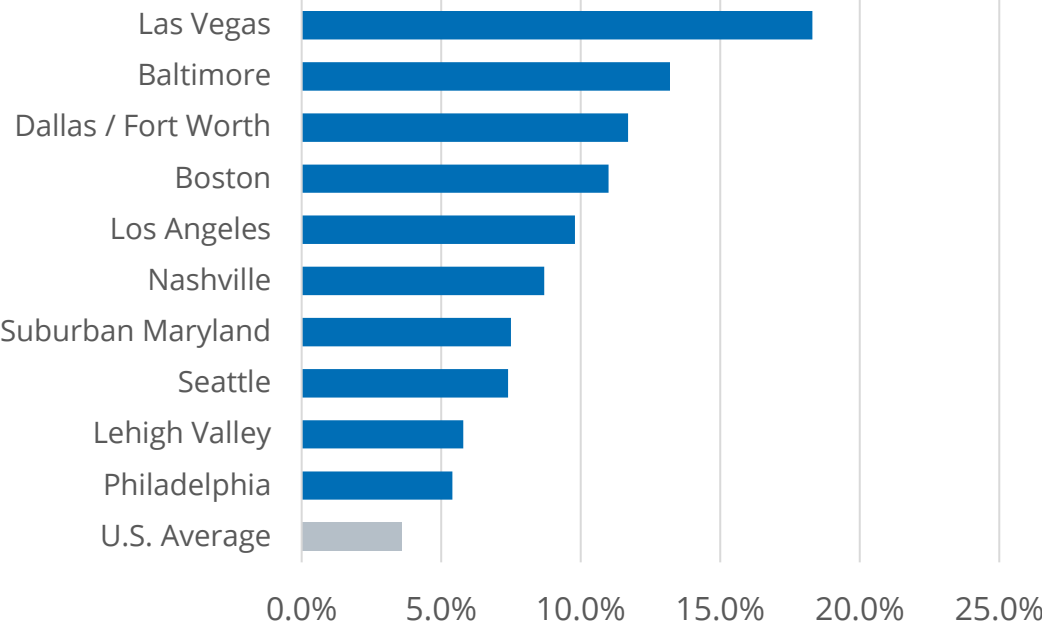
Trailing 4-Qtr Net Absorption



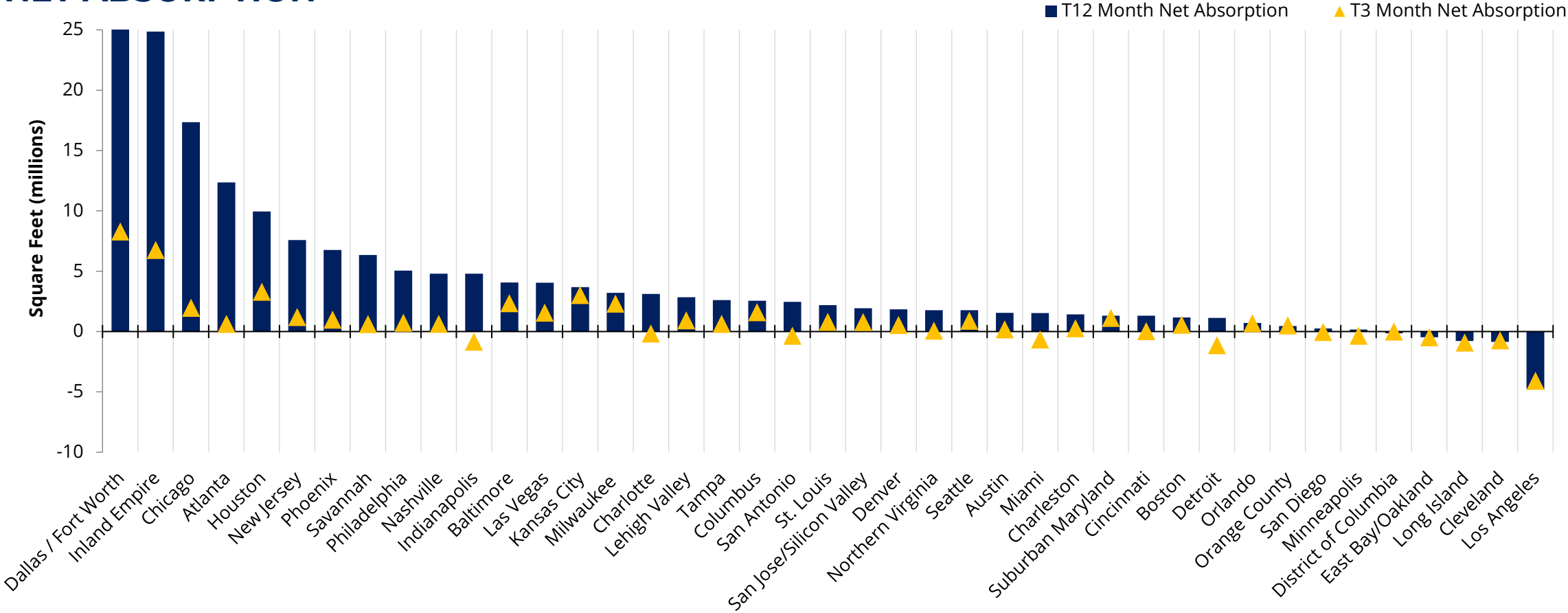
Q1 2020 Under Construction



Year-Over-Year Rent Growth

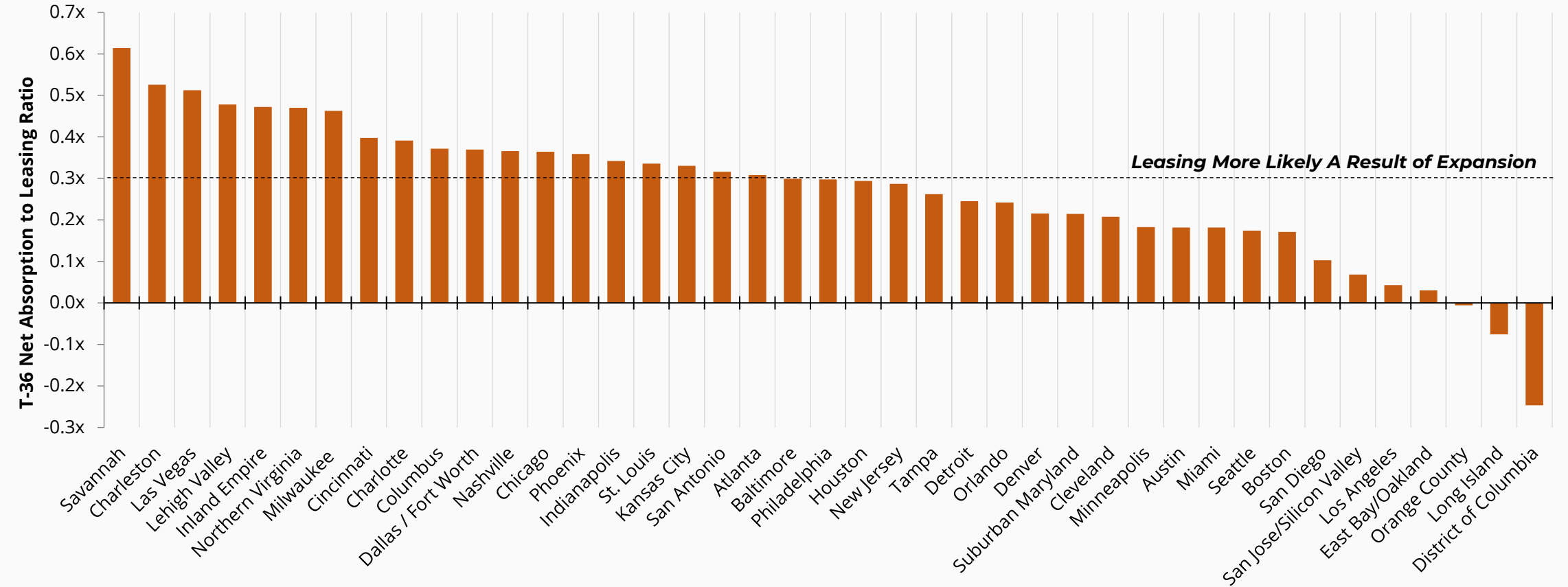


NET ABSORPTION



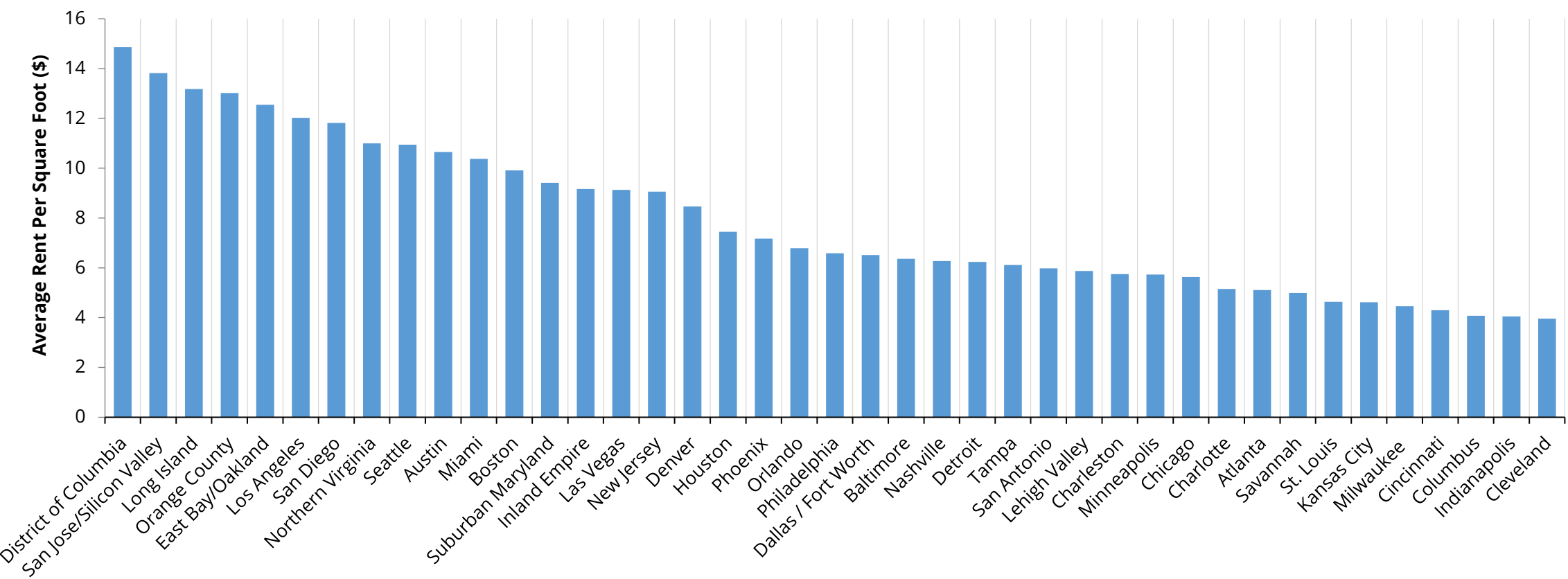
- Positive annual net absorption was experienced in most markets despite generally low vacancy rates for industrial product.
- Focusing on the few markets showing negative annual net absorption, all are relatively tight, with availability % of inventory rates lower than our 41-market average of 8.6%.

NET ABSORPTION vs. LEASING



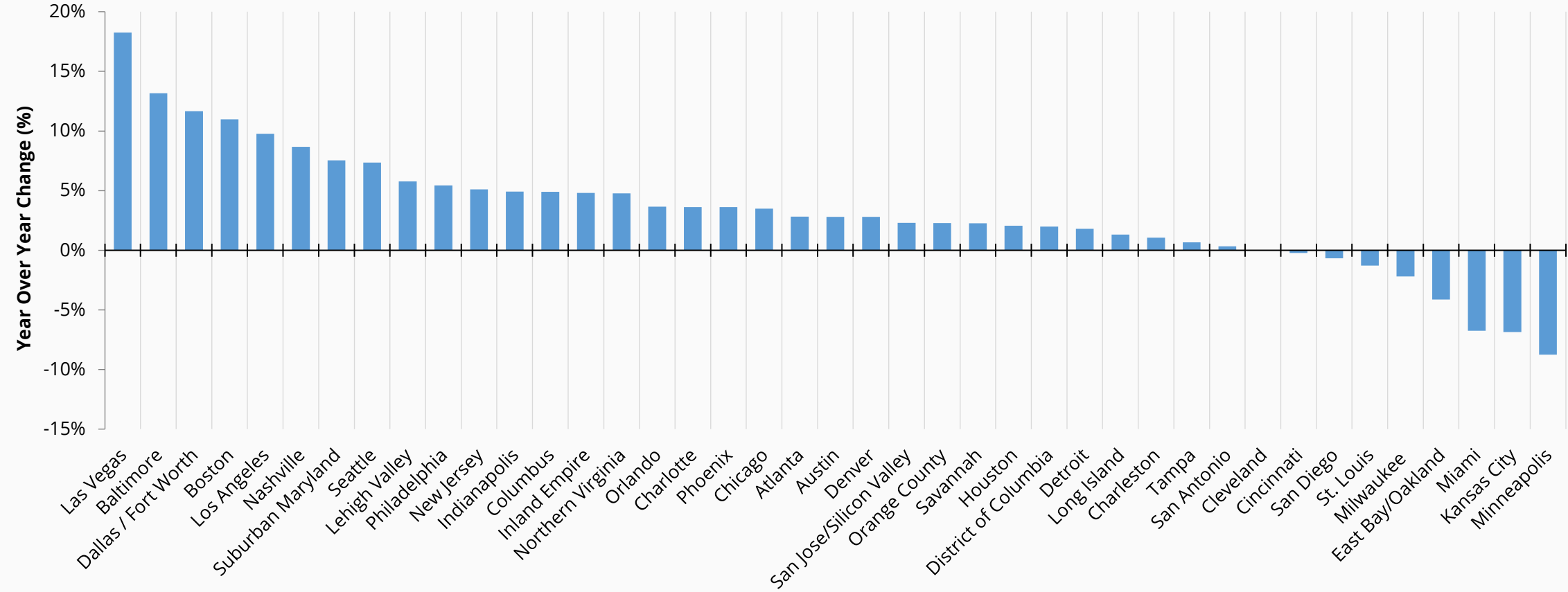
- Here we consider net absorption to leasing activity over the past three years. A higher ratio may indicate that a market is more expansionary – with less lease churn and more new space occupied.
- A few markets stand out as expansionary given their high ratio of absorption to leasing activity, including Savannah, Charleston, Las Vegas, and Lehigh Valley.

RENTAL RATES



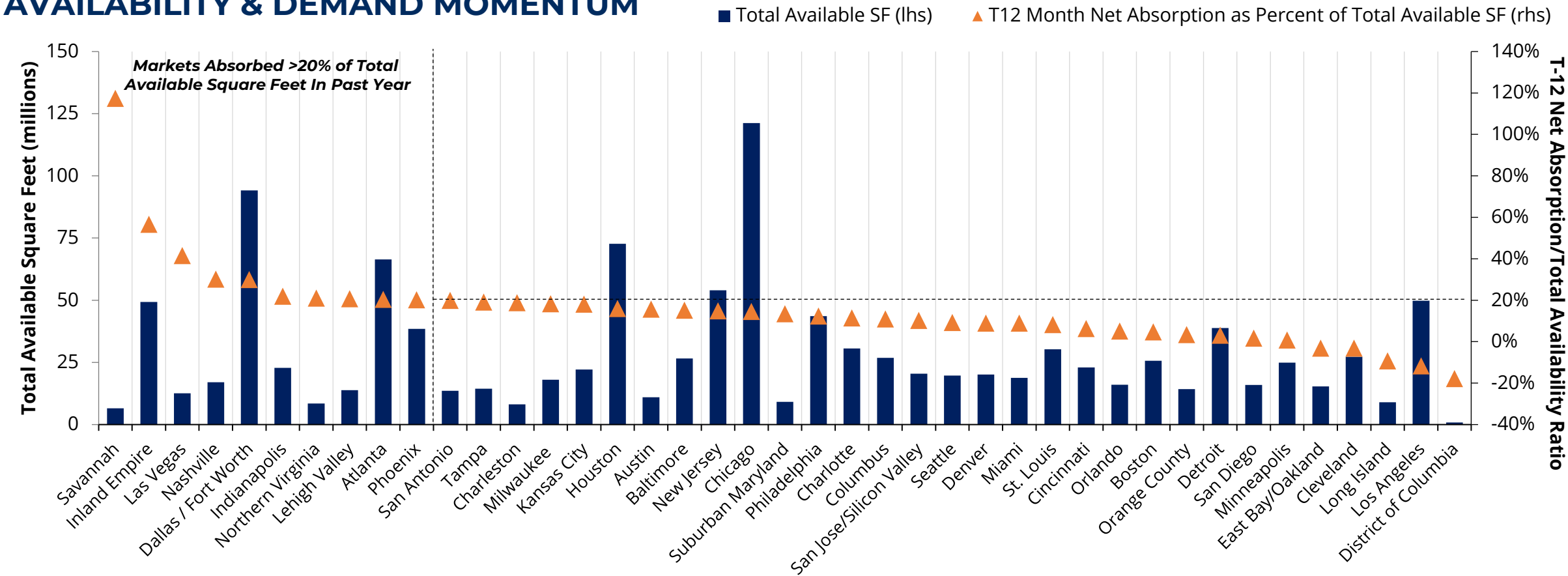
- Unsurprisingly, more geographically constricted markets, such as San Jose and Long Island, tend to command higher rental rates.
- Less constricted markets that still manage to command relatively higher rates fall mostly toward the middle and south of the country, including Austin, Las Vegas, Denver, Houston, and Phoenix.

RENTAL RATE CHANGE



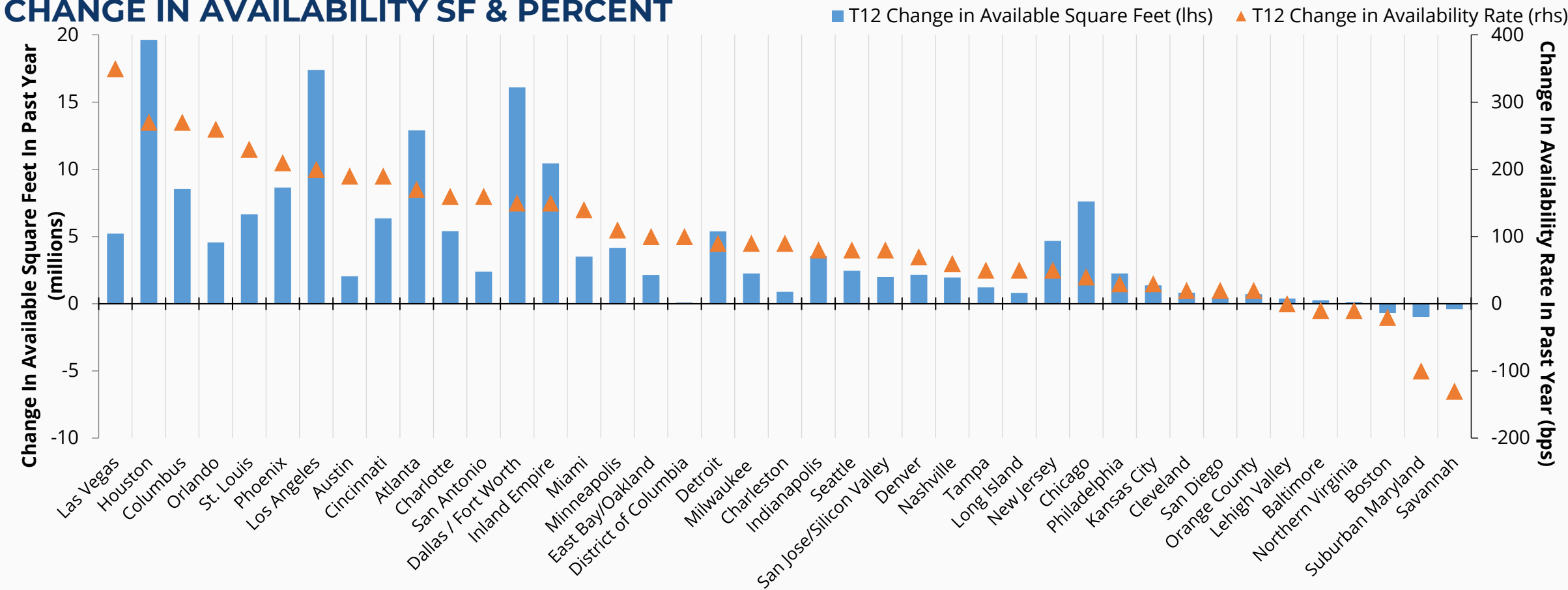
- Perhaps the most up-and-coming market over the past year was Las Vegas, with the highest annual rental rate change, one of the highest absorption-to-leasing ratios, and rental rates that have room to grow given its ranking at No. 15 among our 41 markets.
- Meanwhile, impressively strong markets include Los Angeles and Seattle – with rental rates and YoY rate changes both in the top 10.
- Lastly, quite a few markets with rates on the lower end experienced higher rental rate changes, including Lehigh Valley, Indianapolis, and Columbus.

AVAILABILITY & DEMAND MOMENTUM



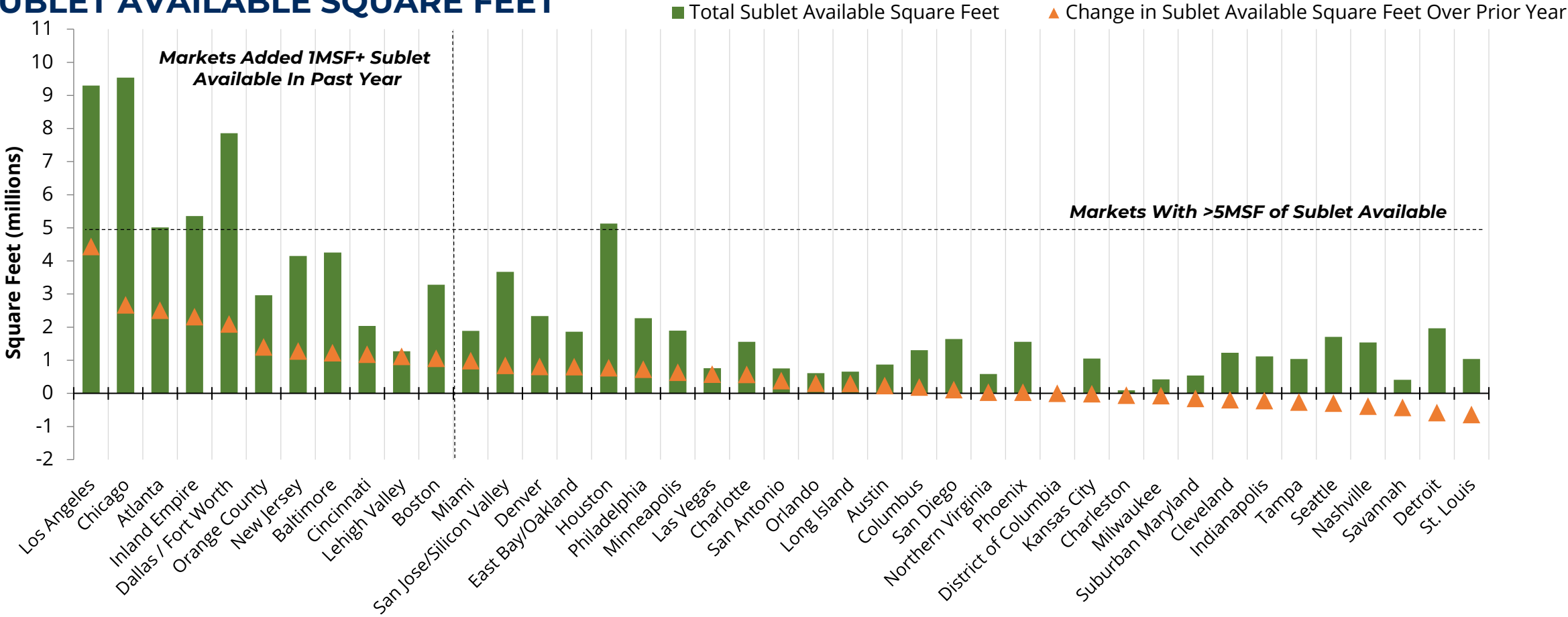
- Here we compare net absorption to the average available SF over the past year. Those markets absorbing a larger percent of available SF may be experiencing higher demand.
- The clear standout market for demand is Savannah, with 117% of average available SF absorbed over the past year. Unsurprisingly there is quite a bit of construction occurring in this market given its size: 9% of its total inventory is currently under construction – the highest by far in our group of markets.

CHANGE IN AVAILABILITY SF & PERCENT



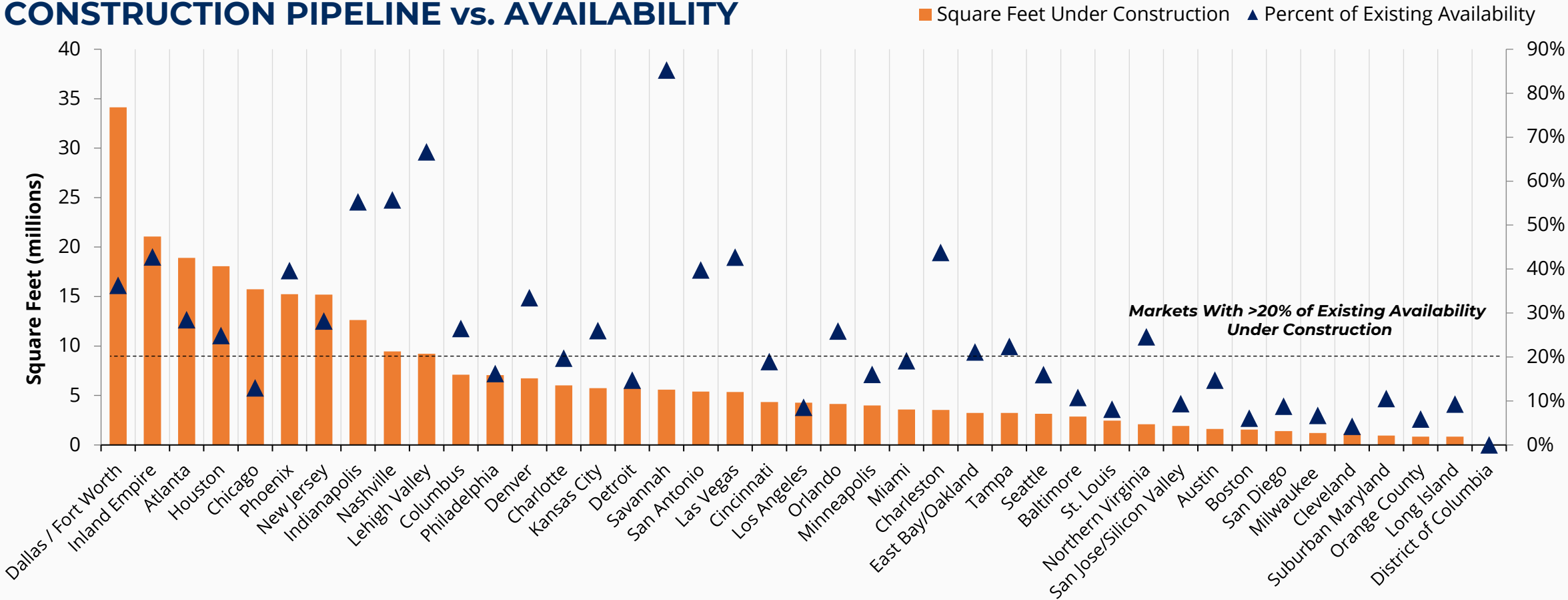
- Quite a few markets with strong rent growth also saw increased availability as supply chased demand, including Las Vegas, Columbus, Los Angeles, Dallas, and the Inland Empire.
- However, some markets loosened over the past year, with relatively higher availability rate changes and negative rental rate growth, including St. Louis, Cincinnati, and Miami.

SUBLET AVAILABLE SQUARE FEET



- Here we consider available sublet space which can react quickly to changes in demand and may be affected by upcoming potential adjustments to tenants' needs for industrial space.
- Quite a few markets experienced an increase in sublet available SF, including Los Angeles and Chicago.

CONSTRUCTION PIPELINE vs. AVAILABILITY

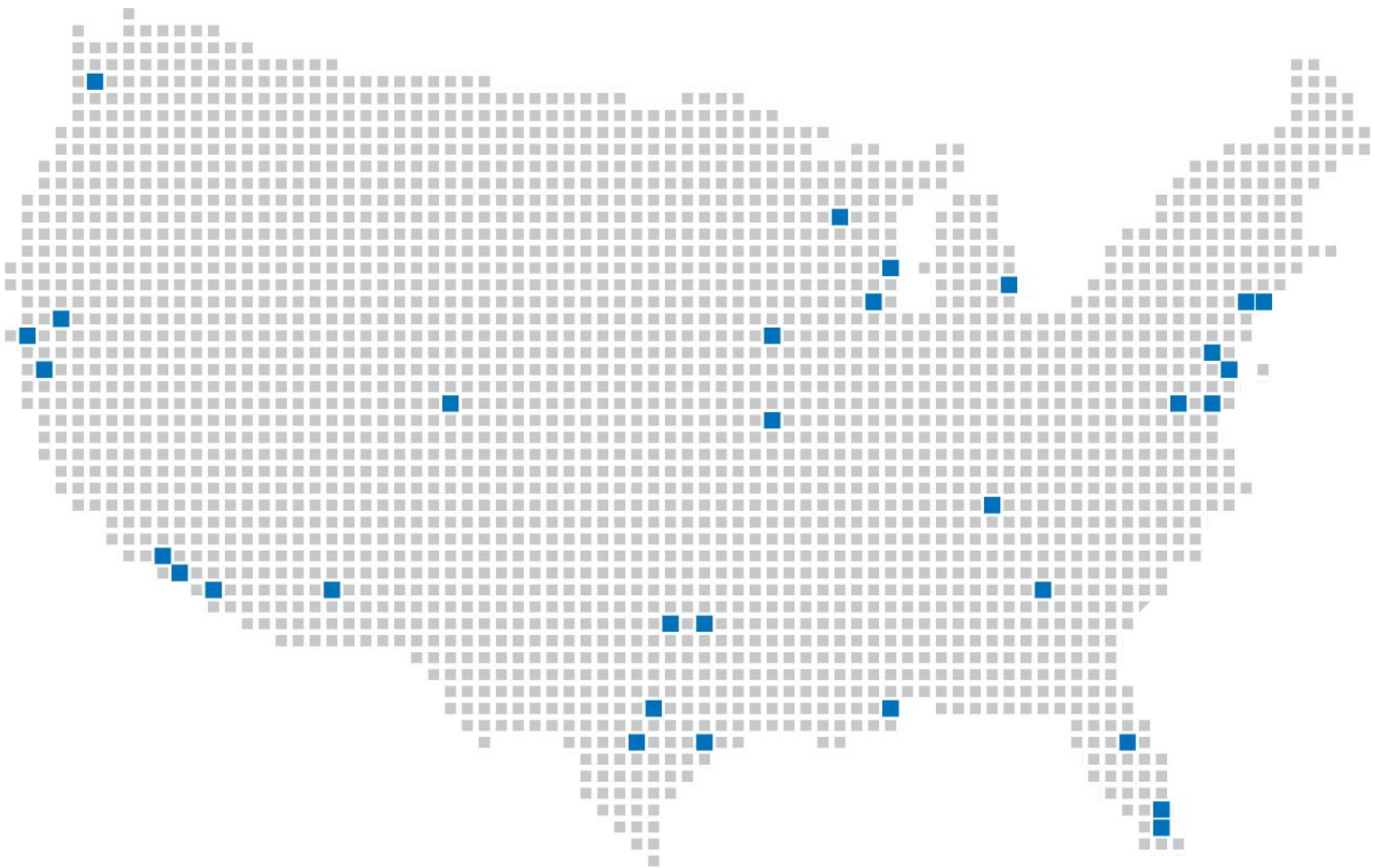


- Under construction percent of existing availability can be a good determinate of future tightening or loosening in a market.
- For the most part, construction was under control going into the economic downturn.
- Savannah, Lehigh Valley, Nashville, and Indianapolis have the highest under construction percent of existing availability. Yet, they have shown strong demand through rent growth and relatively steady availability rates.

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	669,418,641	6.4%	6.1%	636,378	12,357,010	\$5.11	2.8%	18,903,807
Austin	95,212,908	8.4%	7.9%	191,986	1,558,238	\$10.65	2.8%	1,610,819
Baltimore	223,713,000	8.5%	7.5%	2,347,924	4,064,647	\$6.36	13.2%	2,859,995
Boston	324,938,752	5.1%	4.7%	566,265	1,175,265	\$9.91	11.0%	1,559,339
Charleston	75,604,010	7.3%	7.2%	281,489	1,422,048	\$5.75	1.1%	3,545,595
Charlotte	313,354,132	7.0%	6.7%	(169,265)	3,123,506	\$5.15	3.6%	6,021,006
Chicago	1,229,506,885	6.3%	5.9%	1,976,413	17,351,731	\$5.63	3.5%	15,729,360
Cincinnati	314,276,928	5.0%	4.8%	32,475	1,310,383	\$4.30	-0.2%	4,345,639
Cleveland	325,988,585	5.0%	4.8%	(733,816)	(851,959)	\$3.96	0.0%	1,145,400
Columbus	289,381,046	5.7%	5.1%	1,599,396	2,549,412	\$4.07	4.9%	7,104,121
Dallas / Fort Worth	858,933,052	6.6%	6.2%	8,295,874	25,335,893	\$6.51	11.7%	34,134,317
Denver	226,008,871	5.8%	5.3%	542,844	1,838,002	\$8.46	2.8%	6,728,841
Detroit	550,321,297	3.8%	3.7%	(1,128,019)	1,140,861	\$6.24	1.8%	5,720,002
District of Columbia	9,547,243	5.9%	5.9%	6,338	(147,843)	\$14.86	2.0%	0
East Bay / Oakland	196,087,338	5.4%	5.1%	(467,772)	(464,719)	\$12.55	-4.1%	3,233,863
Houston	613,211,423	7.9%	7.5%	3,309,382	9,960,356	\$7.45	2.1%	18,073,823
Indianapolis	320,647,620	4.6%	4.1%	(842,786)	4,786,223	\$4.05	4.9%	12,619,609
Inland Empire	628,075,887	4.5%	4.2%	6,765,528	24,851,893	\$9.16	4.8%	21,066,789
Kansas City	284,334,447	5.0%	4.7%	3,020,134	3,690,539	\$4.62	-6.9%	5,741,573
Las Vegas	131,763,003	5.4%	5.2%	1,572,914	4,050,101	\$9.13	18.3%	5,348,874
Lehigh Valley	130,106,710	4.2%	4.1%	923,006	2,850,655	\$5.87	5.8%	9,212,580

Market	Inventory Square Feet	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent NNN	Annual Rent Change	Under Construction
Long Island	153,614,039	4.1%	3.8%	(914,675)	(787,852)	\$13.18	1.3%	833,044
Los Angeles	841,185,387	3.2%	2.8%	(4,074,803)	(4,797,241)	\$13.55	9.0%	4,265,454
Miami	227,216,326	4.9%	4.5%	(653,272)	1,529,480	\$10.37	-6.7%	3,582,739
Milwaukee	238,536,433	4.6%	4.5%	2,324,717	3,204,189	\$4.46	-2.2%	1,202,105
Minneapolis	373,476,805	3.6%	3.3%	(347,822)	167,455	\$5.73	-8.8%	3,985,327
Nashville	213,299,989	3.7%	3.3%	636,487	4,792,582	\$6.27	8.7%	9,456,583
New Jersey	745,561,377	3.7%	3.5%	1,207,306	7,579,426	\$9.06	5.1%	15,201,521
Northern Virginia	104,905,981	6.0%	5.7%	73,656	1,772,276	\$11.00	4.8%	2,086,314
Orange County	272,466,632	3.4%	3.0%	516,270	454,655	\$13.02	2.3%	835,838
Orlando	161,396,323	6.7%	6.6%	687,574	710,443	\$6.79	3.7%	4,144,450
Philadelphia	519,155,785	5.1%	4.9%	726,809	5,042,010	\$6.58	5.4%	7,065,177
Phoenix	329,378,592	7.6%	7.3%	991,437	6,772,070	\$7.17	3.6%	15,235,240
San Antonio	122,749,227	7.4%	7.0%	(338,829)	2,461,160	\$5.98	0.3%	5,399,191
San Diego	175,543,436	6.1%	5.7%	(38,815)	254,791	\$16.05	3.0%	1,397,568
San Jose/Silicon Valley	228,474,443	6.7%	5.9%	794,768	1,931,120	\$23.63	-2.0%	1,912,516
Savannah	64,454,295	7.4%	6.7%	628,013	6,338,946	\$4.99	2.3%	5,597,060
Seattle	302,239,760	5.0%	4.6%	896,536	1,769,997	\$10.94	7.4%	3,153,594
St. Louis	289,850,849	5.4%	5.2%	797,705	2,193,966	\$4.63	-1.3%	2,459,874
Suburban Maryland	102,524,635	6.3%	5.9%	1,137,771	1,320,128	\$9.41	7.5%	958,591
Tampa	174,331,058	5.4%	5.2%	647,313	2,610,308	\$6.11	0.7%	3,228,185

TRANSWESTERN LOCATIONS



ABOUT TRANSWESTERN

The privately held Transwestern companies have been delivering a higher level of personalized service and innovative real estate solutions since 1978. An integrated approach formed from fresh ideas drives value for clients across commercial real estate services, development, investment management and opportunistic programs for high-net-worth investors. The firm operates through 34 U.S. offices and global alliances with BNP Paribas Real Estate and Devencore. Learn more at transwestern.com and [@Transwestern](https://twitter.com/Transwestern).

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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