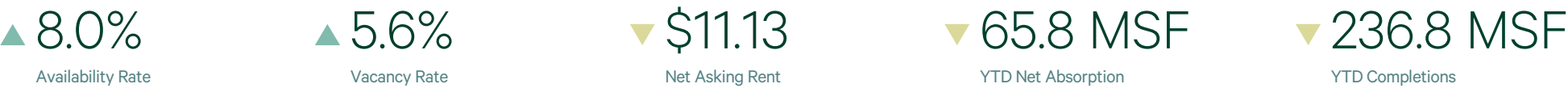


FIGURES | U.S. INDUSTRIAL | Q2 2024

Industrial Vacancy Rate Rises Despite Increased Demand



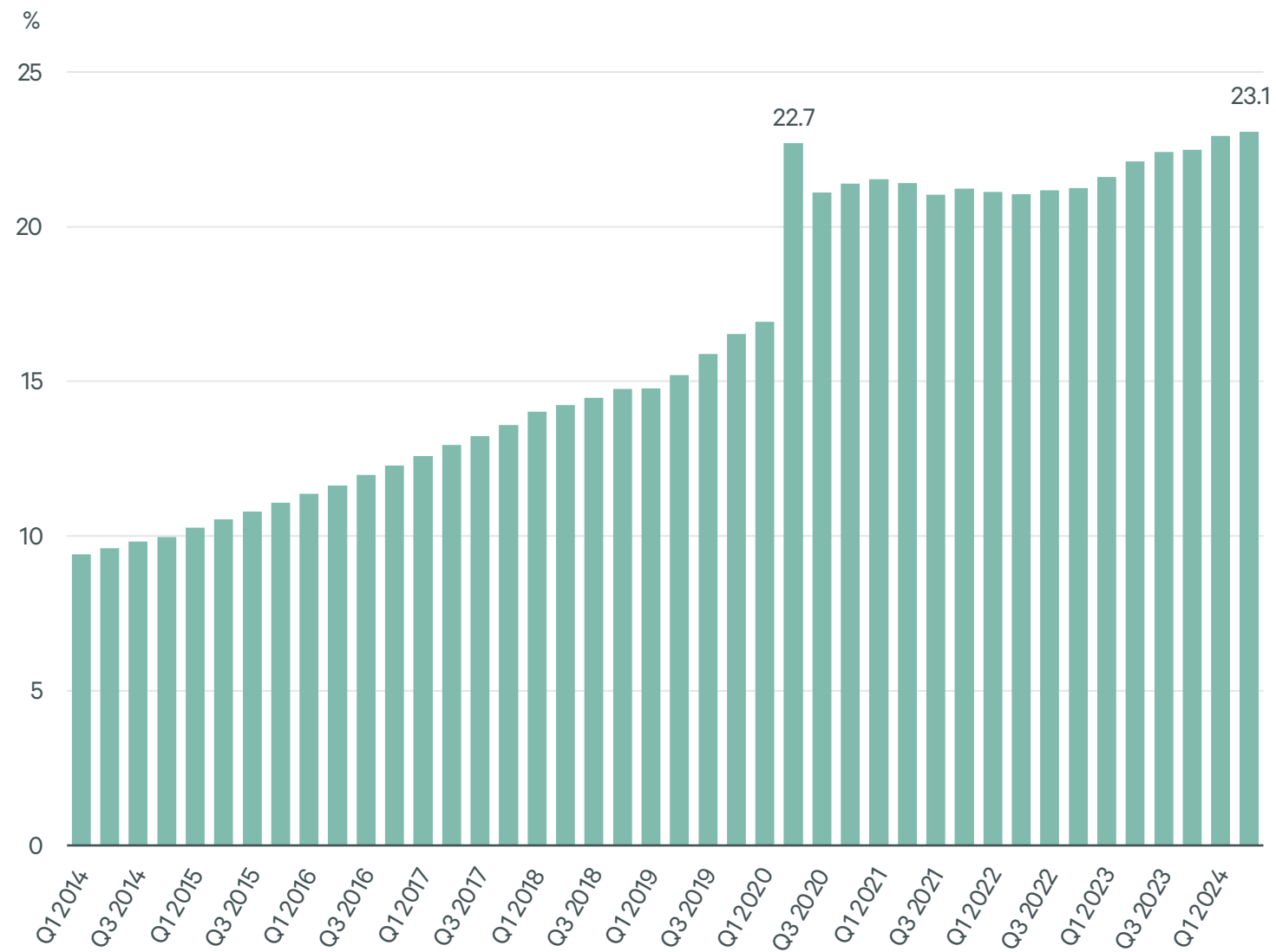
Note: Arrows indicate year-over-year change.

Executive Summary

- The industrial real estate market’s supply/demand imbalance continued for an eighth consecutive quarter. Net absorption was only about one-third of the nearly 121 million sq. ft. in Q2 construction completions in Q2, causing a 30-basis-point increase in the overall vacancy rate to 5.6%.
- Leasing activity increased by 4.9% year-over-year to 390.8 million sq. ft., 33% of which was in renewals. The number of big-box leases of 700,000 sq. ft or more rose by 12%.
- Net absorption increased to 41.8 million sq. ft. in Q2 from 23.9 million sq. ft. in Q1, but year-to-date net absorption of 65.8 million sq. ft. was down by 50% year-over-year.
- Sublease availability increased to a record 212.3 million sq. ft in Q2; however, the rate of increase slowed and there are signs it may be peaking.
- Average asking rent declined by 0.4% quarter-over-quarter and 0.6% year-over-year to \$11.13 per sq. ft., the first annual decrease since Q3 2011.
- Construction starts increased to 49.5 million sq. ft. in Q2. Build-to-suits accounted for 25% of starts in Q2, up from 18% in Q1 and the 15% quarterly average in 2023.

Figure 1
E-commerce share of total retail sales
increased in Q2

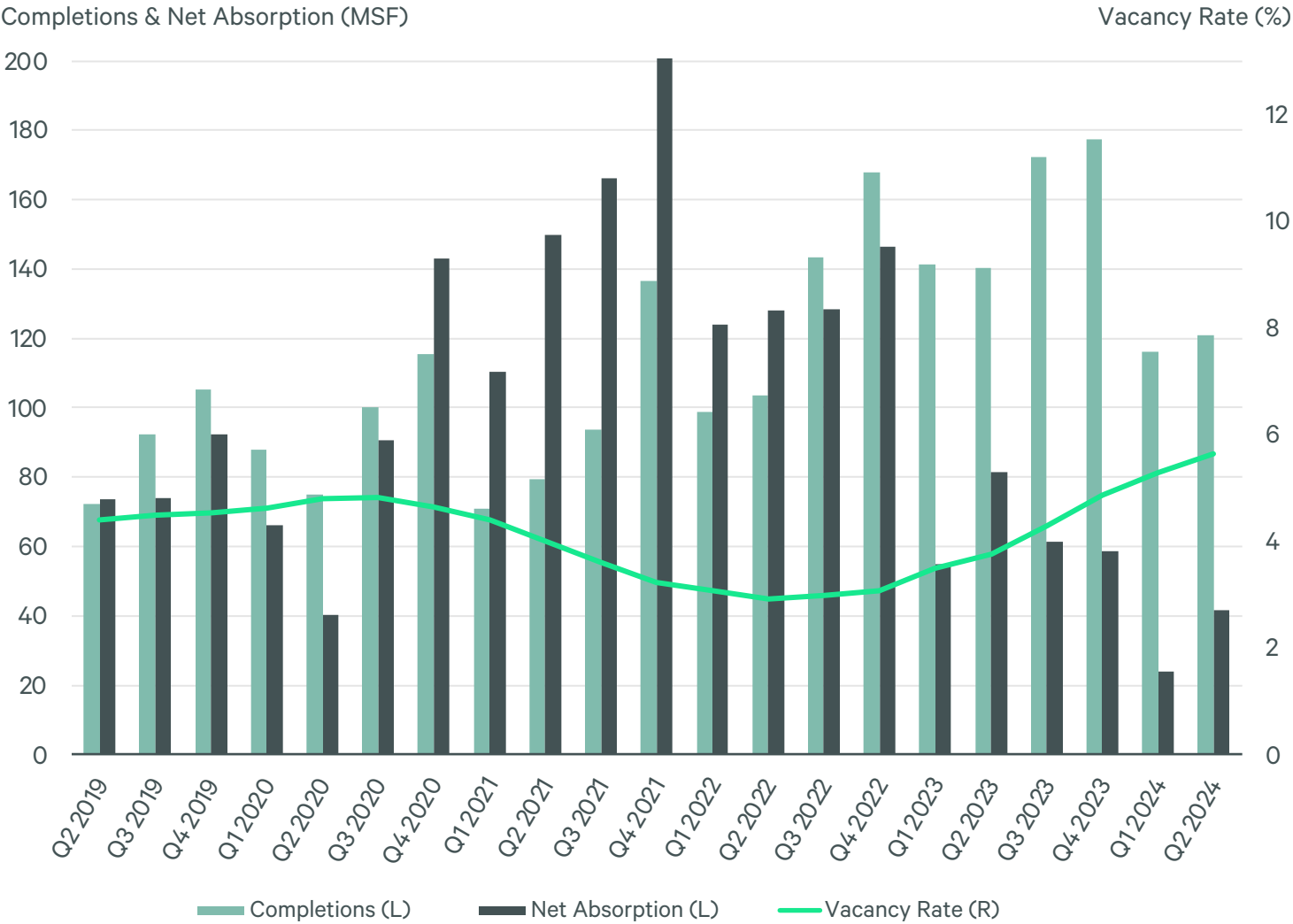
- The e-commerce share of total non-auto retail sales—a key indicator of demand for warehouse space—increased slightly to a record-high 23.1% in Q2.
- The e-commerce share of non-auto retail sales is expected to reach 30% by Q4 2029.



Source: CBRE Research, Q2 2024.

Figure 2
Industrial completions & demand

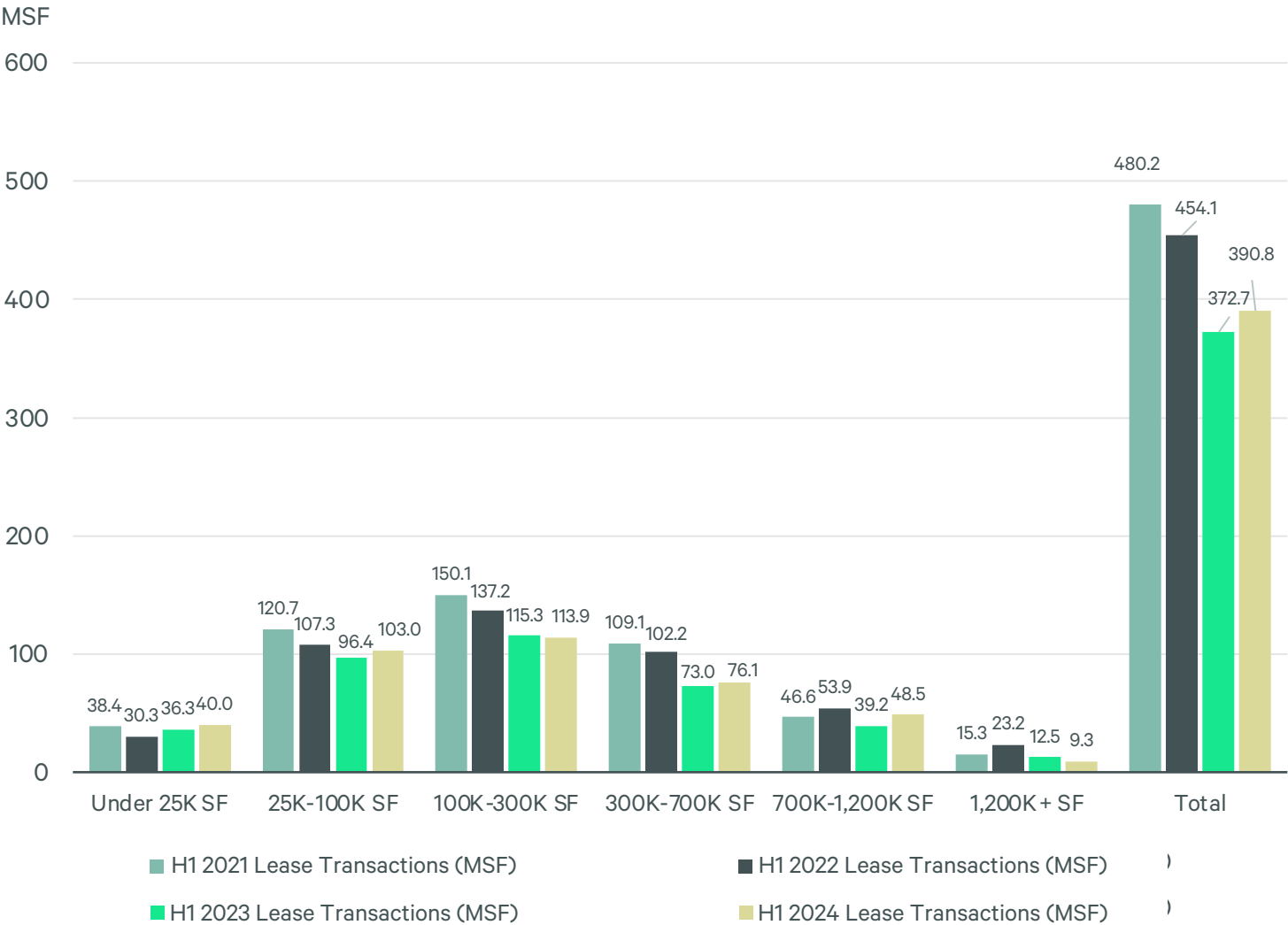
- Construction completions increased slightly in Q2 to 120.8 million sq. ft. but the H1 total of 236.8 million sq. ft. fell by 16% year-over-year.
- Net absorption nearly doubled quarter-over-quarter to 41.8 million sq. ft. but was significantly lower than the 10-year quarterly average of 91 million sq. ft.
- Q2 2024 was the eighth consecutive quarter in which construction completions outpaced net absorption, increasing the overall vacancy rate by 30 basis points (bps) quarter-over-quarter to 5.6%—the highest level since Q3 2015.
- An expected decrease in completions starting in Q3 2024 should alleviate supply-side pressures in subsequent quarters.



Source: CBRE Econometric Advisors, Q2 2024.

Figure 3
Industrial leasing activity by size range

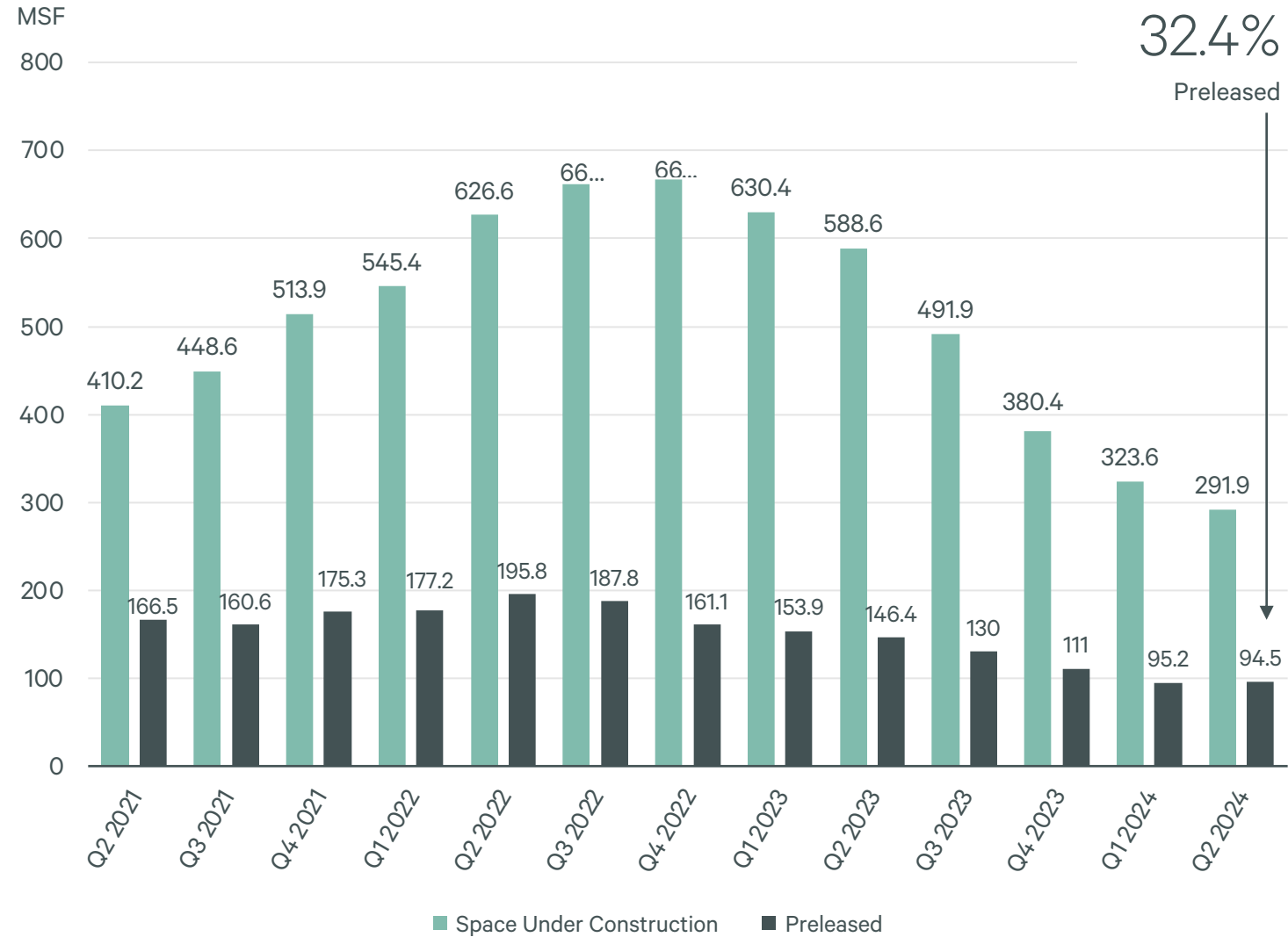
- H1 leasing activity increased by 4.9% year-over-year to 390.8 million sq. ft. but was 14% less than 2022's H1 total.
- All lease size ranges except for 100,000 to 300,000 sq. ft. and 1.2 million sq. ft. and above increased on a year-over-year basis.
- Thirty-one leases for blocks of 1 million sq. ft. or more were signed in the first half of 2024 vs. 23 in the same period last year.
- Despite more lease signings for 1 million sq. ft. or more, the average lease size in H1 2024 fell by 6.6% year-over-year to 68,371 sq. ft..



Note: new leases and renewals.
Source: CBRE Research Q2 2024.

Figure 4
Space under construction
continued to fall in Q2

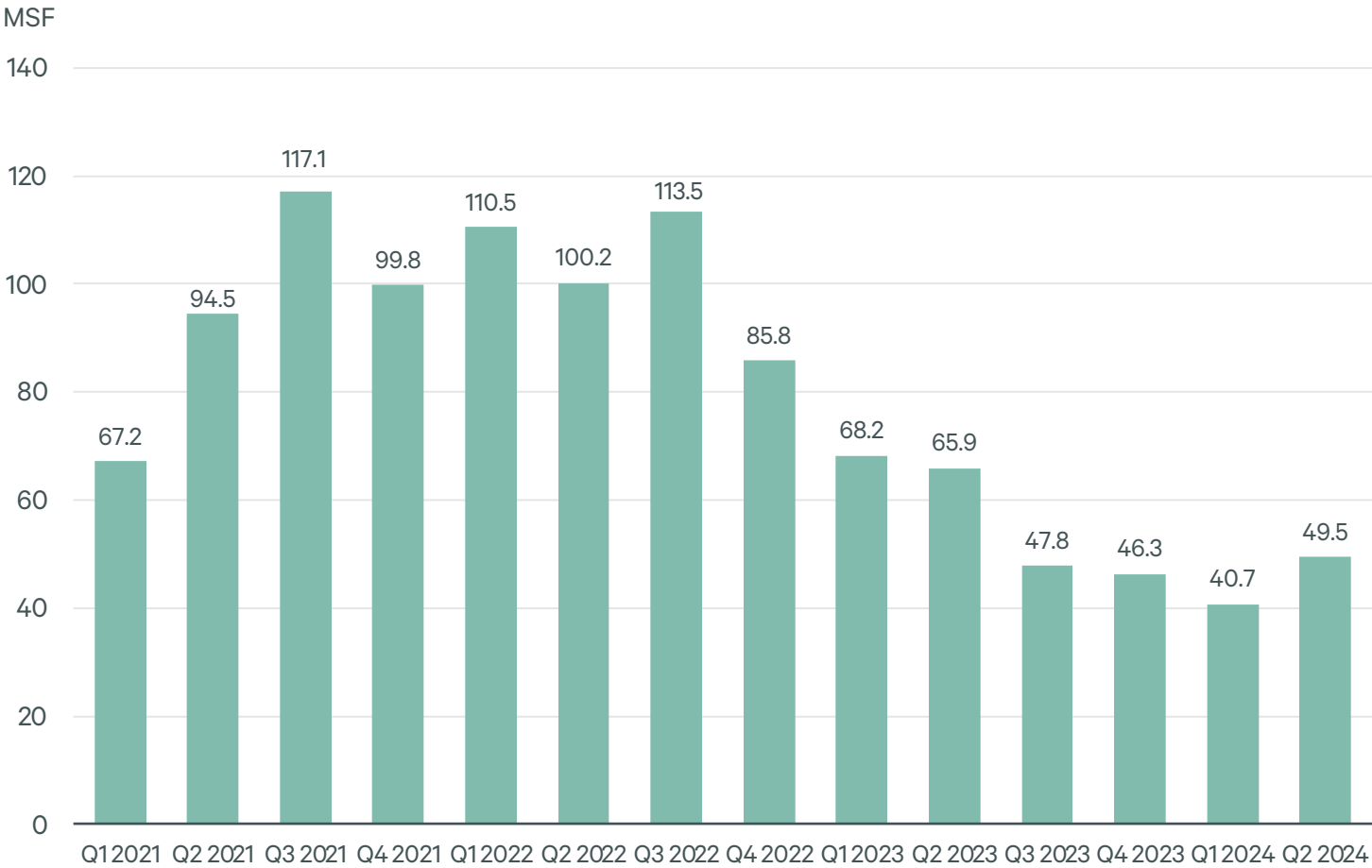
- Industrial space under construction fell for the sixth consecutive quarter to 291.9 million sq. ft, the lowest since Q3 2019.
- Preleasing increased to 32.4% in Q2, the highest since Q4 2021.
- The West region had the most space under construction at 89.5 million sq. ft., 28% of which was in Phoenix.



Source: CBRE Research, Q2 2024.

Figure5
Construction starts tick up in Q2

- Construction starts increased slightly quarter-over-quarter to 49.5 million sq. ft.
- Build-to-suits accounted for 25% of Q2 construction starts, much higher than their 18% share in Q1.
- Starts are much lower than they were over the past three years, which will lead to significant declines in construction completions beginning in Q3.



Source: CBRE Research, Q2 2024.

Figure 6
H1 net absorption & under
construction rankings

- Dallas-Ft. Worth inventory surpassed 1 billion sq. ft. in Q2, the second market to reach that threshold after Chicago with 1.3 billion sq. ft. Dallas-Ft. Worth also led for net absorption in H1.
- Phoenix had the most space under construction in Q2 at 25.2 million sq. ft., 25.4% of which was preleased. Austin followed with 14.8 million sq. ft.
- Savannah retook the top spot for growth markets in Q2 due to continued strong net absorption of newly constructed space.

Net Absorption

Ranking	Market (Existing Inventory MSF)	MSF
1	Dallas-Ft. Worth (1,006.8)	11.0
2	Houston (633.0)	10.1
3	Phoenix (427.1)	7.8
4	Chicago (1,266.1)	7.0
5	Atlanta (741.7)	6.9
6	Savannah (141.4)	6.1
7	Austin (124.0)	4.2
8	Columbus (315.9)	3.1
9	PA I-78/81 Corridor (531.0)	2.9
10	Inland Empire (659.4)	2.8

Under Construction

Ranking	Market	MSF
1	Phoenix (25.4%)	25.2
2	Austin (34.8%)	14.8
3	Dallas-Ft. Worth (15.2%)	14.3
4	Atlanta (36.1%)	14.1
5	Inland Empire (3.0%)	13.2
6	Philadelphia (2.5%)	12.2
7	Chicago (53.4%)	11.8
8	Houston (33.7%)	11.2
9	Charlotte (18.1%)	10.9
10	Savannah (42.3%)	10.6

Growth Rate*

Ranking	Market	Rate (%)
1	Savannah	4.3%
2	Austin	3.4%
3	Hartford	2.1%
4	El Paso	2.0%
5	Phoenix	1.8%
6	Houston	1.6%
7	Salt Lake City	1.5%
8	Raleigh-Durham	1.4%
9	Las Vegas	1.2%
10	Jacksonville	1.1%

*Growth Rate = Annual net absorption as % of existing inventory.
Source: CBRE Research, Q2 2024.

Figure 7
Traditional & online retailers drive bulk leasing

- Bulk leasing in H1 increased by 3.0% year-over-year.
- After a slow first quarter, leasing by third-party logistics (3PL) companies rebounded in Q2, making them the most active occupiers.
- E-commerce companies nearly doubled their leasing activity year-over-year in Q2, fueled by several signings for 1 million sq. ft. or more.
- General retail & wholesale and food & beverage occupiers leased more space than a year ago in Q2, largely due to increased renewal volume.

H1 2024 Lease Transactions of 100,000 Sq. Ft. or More

Occupier Type	SF Transacted (MSF)	Market Share
Third Party Logistics	73,261,780	29.60%
General Retail & Wholesale	62,533,497	25.20%
Food & Beverage	25,631,774	10.30%
E-Commerce Only	19,429,594	7.80%
Manufacturing	19,046,970	7.70%
Building Materials & Construction	16,050,852	6.50%
Automobiles, Tires & Parts	15,621,941	6.30%
Undisclosed	10,180,888	4.10%
Medical	6,165,422	2.50%
Total	247,922,718	100%

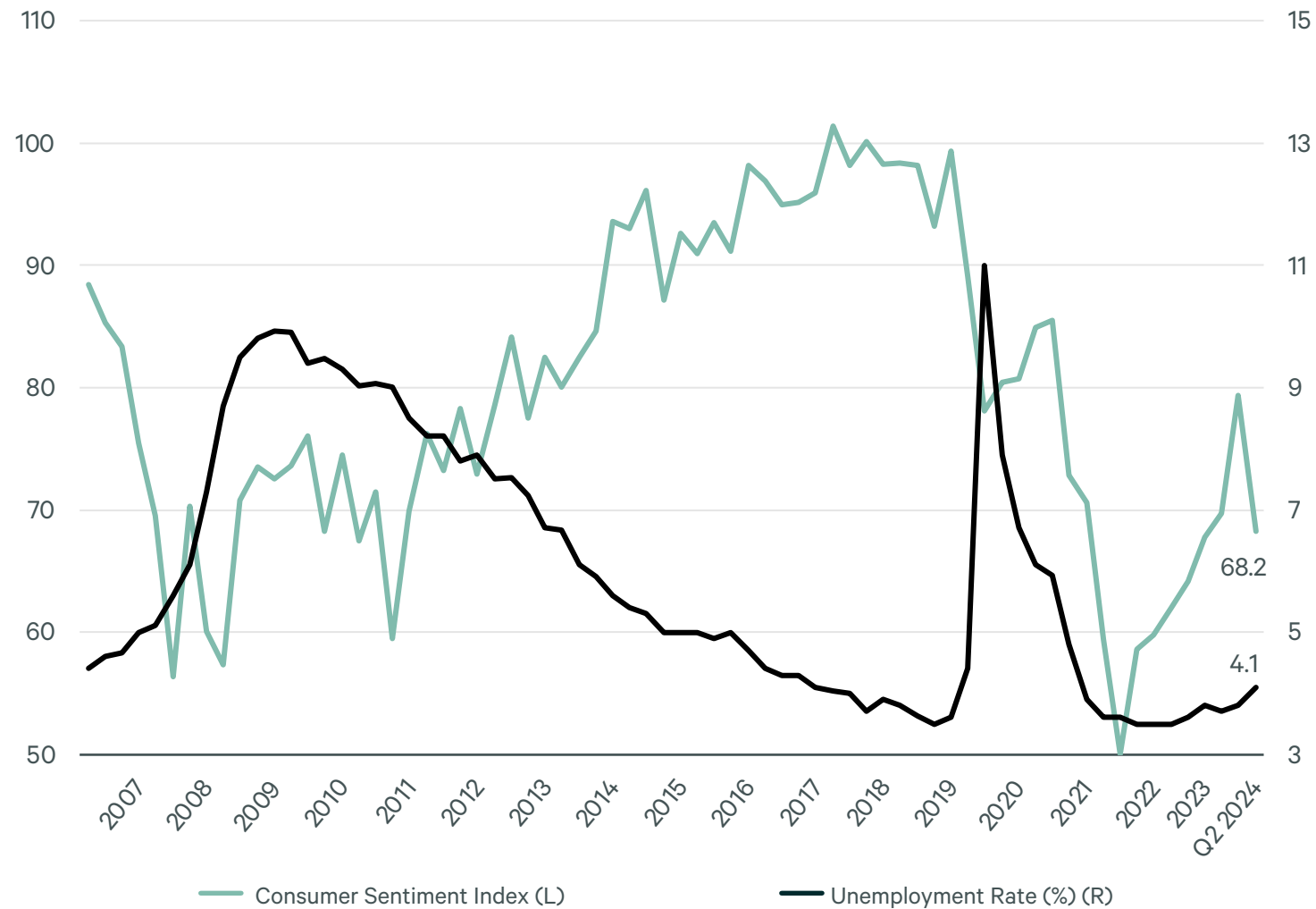
Source: CBRE Research, Q2 2024.

H1 2023 Lease Transactions of 100,000 Sq. Ft. or More

Occupier Type	SF Transacted (MSF)	Market Share
Third Party Logistics	75,444,212	31.30%
General Retail & Wholesale	56,121,110	23.30%
Food & Beverage	24,600,924	10.20%
Automobiles, Tires, & Parts	20,848,887	8.70%
Manufacturing	19,284,814	8.00%
Building Materials & Construction	17,246,733	7.20%
E-Commerce Only	9,754,069	4.10%
Undisclosed	9,467,572	3.90%
Medical	7,991,932	3.30%
Total	240,760,253	100%

Figure 8
Consumer sentiment falls, unemployment rises in Q2

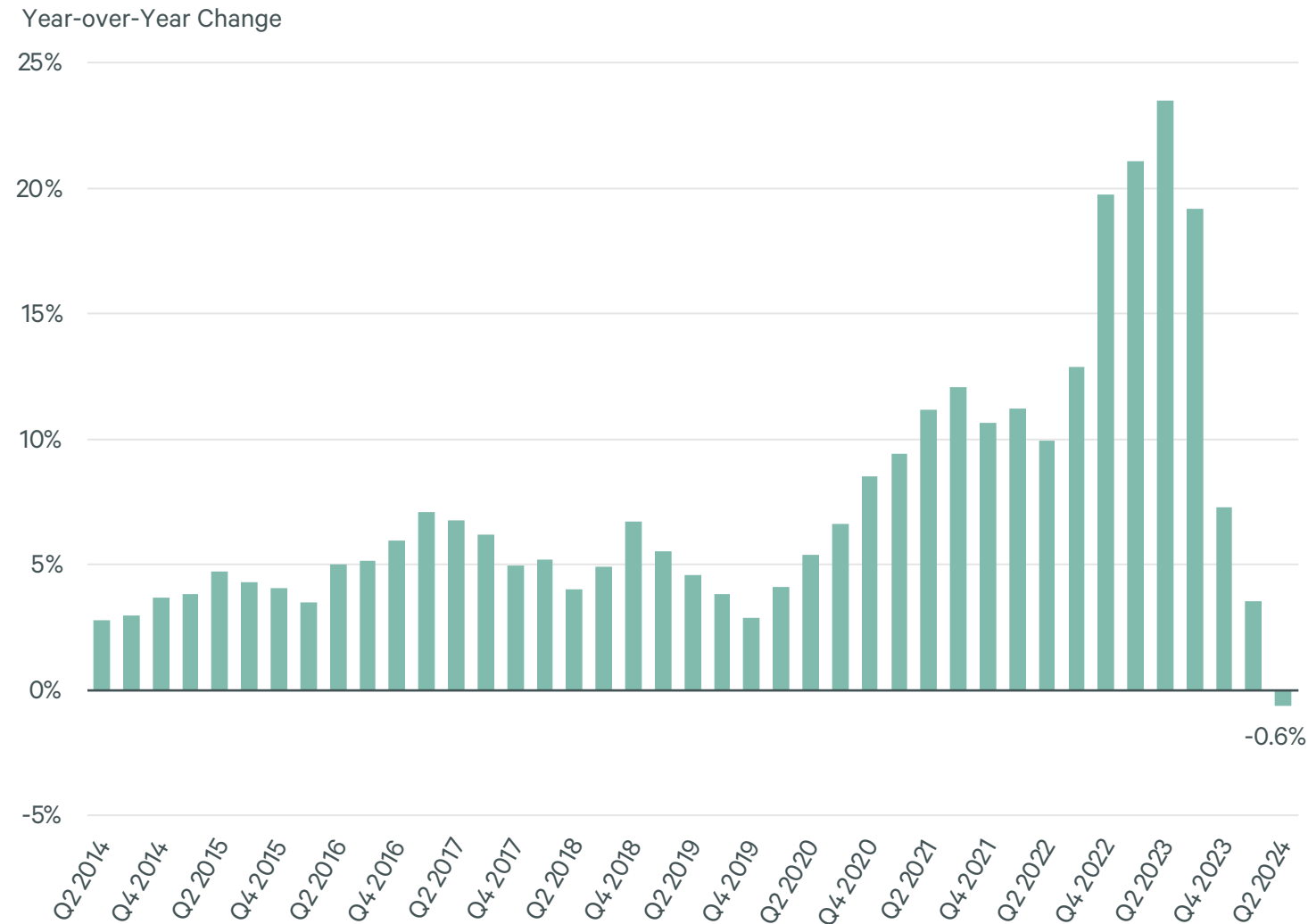
- Despite better-than-expected retail sales in June, consumer sentiment fell sharply at the end of Q2 to its lowest level since Q3 2023.
- The unemployment rate ticked up to 4.1% in June. Higher unemployment and lower inflation bode well for interest rate cuts to begin in September.



Source: University of Michigan, U.S. Bureau of Labor Statistics, Q2 2024.
Note: Consumer Sentiment®, Index 1966:Q1=100

Figure 9
Average asking rent declines

- Average asking rent fell by 0.4% quarter-over-quarter and 0.6% year-over-year—the first annual decrease since Q3 2011.
- Despite rising vacancy rates, average asking rents increased in several major markets year-over-year, including Hartford (21.9%), Tampa (20.5%), Dallas-Ft. Worth (17.8%), Savannah (16.1%) and Houston (15.5%).



Source: CBRE Econometric Advisors, Q2 2024.

Figure 10
At-a-glance industrial market metrics

Market	Size Rank	Q2 2024					NNN Asking Rate (\$)**
		Vacancy Rate (%)	Net Absorption (SF)	Construction Completions (SF)	Under Construction (SF)	Preleased (%)**	
Baltimore	32	7.6+	1,026,243	1,852,069	3,197,405	57.4	10.79+
Boston	19	6.0+	(1,934,149)	2,223,799	2,412,388	0.0	5.24+
Central New Jersey	34	5.6-	(472,492)	4,247,765	5,455,380	5.9	17.32+
Charleston	9	11.5+	920,669	7,888,549	2,701,725	24.3	7.48-
Charlotte	51	7.3+	2,762,821	9,734,871	10,896,569	18.1	7.62+
Greensboro/Winston-Salem	45	6.9-	583,802	971,817	2,435,162	70.1	6.50+
Greenville	22	10.0+	1,853,681	5,508,413	6,977,365	53.2	5.77+
Hartford	27	4.3-	1,672,192	2,686,050	250,240	0.0	7.41+
Louisville	53	4.3-	1,460,320	1,675,658	2,292,103	9.1	6.05+
Northern New Jersey	11	4.5-	1,533,468	1,223,240	4,735,712	2.8	19.91+
Northern Virginia*	54	4.7-	208,682	91,172	578,377	0.0	16.46+
Pennsylvania I-78/81 Corridor	8	6.7+	2,869,791	4,076,566	8,738,780	37.9	9.15+
Philadelphia	12	8.2+	606,411	2,356,572	12,220,123	2.5	12.18-
Pittsburgh	38	4.4-	334,026	590,220	443,815	36.1	9.24-
Raleigh-Durham	50	6.1+	1,503,772	2,067,277	2,895,225	59.8	10.88+
Suburban Maryland*	52	5.2-	390,311	218,877	3,131,348	29.7	13.40+
East		6.5+	15,319,548	47,412,915	69,361,717	24.5	10.96+
Chicago	1	4.4-	7,021,166	8,249,302	11,768,068	53.4	6.77+
Cincinnati	16	5.9+	281,130	1,200,922	895,630	100.0	6.27=
Cleveland	23	2.9-	585,271	305,000	1,198,200	91.7	5.63-
Columbus	18	6.6-	3,089,945	4,039,490	4,401,431	50.6	6.26+
Detroit	7	2.5+	1,973,287	2,706,621	1,489,041	50.7	7.41+
Indianapolis	13	10.6+	653,758	4,031,558	2,506,953	63.6	5.86-
Kansas City	17	4.2+	1,671,432	3,364,394	4,460,351	66.1	5.67+
Milwaukee	15	5.8-	1,782,278	4,495,873	2,143,437	100.0	5.23+
Minneapolis-St. Paul	14	3.9-	2,509,453	2,067,597	2,687,309	85.5	9.23-
St. Louis	28	4.8-	1,307,359	1,171,413	2,822,735	83.1	5.60+
Midwest		4.9+	20,875,079	31,632,170	34,373,155	65.7	6.39+

Source: U.S. national figures provided by CBRE Econometric Advisors; all other figures compiled by CBRE Research, Q2 2024.

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

**Represents percentage of preleased currently under construction.

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

+ indicates increase / - indicates decrease from previous quarter.

Figure 10
At-a-glance industrial market metrics

		Q2 2024					
Market	Size Rank	Vacancy Rate (%)	Net Absorption (SF)	Construction Completions (SF)	Under Construction (SF)	Preleased (%)**	NNN Asking Rate (\$)**
Atlanta	4	7.8+	6,924,709	9,169,238	14,146,231	36.1	7.46+
Austin	46	11.0+	4,182,262	7,430,124	14,731,998	34.8	12.67-
Dallas-Ft. Worth	2	9.8+	10,955,191	23,185,672	14,308,003	15.2	8.75-
El Paso	55	5.7+	1,478,119	3,102,022	4,862,192	35.6	9.25+
Ft. Lauderdale	49	4.3+	627,441	186,105	398,940	0.0	15.87+
Houston	6	6.2=	10,132,245	10,471,369	11,161,056	33.7	9.01-
Jacksonville	44	4.8+	1,419,988	1,549,130	4,545,155	39.9	7.92-
Memphis	20	6.5-	204,656	-	-	100.0	4.61-
Miami	26	5.0+	1,080,882	4,047,895	5,031,812	9.4	15.46-
Nashville	30	2.9-	2,365,798	1,301,589	5,517,264	27.9	8.70+
Orlando	39	8.2+	1,158,886	3,639,263	4,252,868	29.5	8.87+
Palm Beach	56	6.2+	97,627	991,405	619,149	0.5	15.90+
San Antonio	41	8.6+	774,837	2,090,597	4,889,928	26.2	8.11-
Savannah	40	8.8+	6,116,551	8,098,831	10,589,807	42.3	7.27+
Tampa	37	5.5+	1,172,779	3,929,202	3,646,899	39.7	10.89+
South		7.4+	48,691,971	79,192,442	98,701,302	30.6	10.05+

Source: U.S. national figures provided by CBRE Econometric Advisors; all other figures compiled by CBRE Research, Q2 2024.
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Figure 10
At-a-glance industrial market metrics

		Q2 2024					
Market	Size Rank	Vacancy Rate (%)	Net Absorption (SF)	Construction Completions (SF)	Under Construction (SF)	Preleased (%)**	NNN Asking Rate (\$)**
Central Valley, CA	42	7.1+	607,263	1,015,791	5,469,681	63.9	8.91+
Denver	24	8.3+	874,749	2,720,946	4,650,934	57.8	9.34-
Inland Empire	5	6.8+	2,832,045	15,241,863	13,222,908	3.0	16.07-
Las Vegas	35	6.8+	2,146,837	8,170,976	10,449,315	9.8	13.78-
Los Angeles	3	3.4+	(7,687,628)	3,175,523	6,720,231	15.2	18.54+
Oakland	43	5.9+	(2,482,309)	722,059	781,870	71.9	15.90-
Orange County	25	2.1+	(964,609)	934,552	1,731,833	61.9	21.17-
Phoenix	10	10.1+	7,814,993	20,886,963	25,226,150	25.4	13.90+
Portland	29	5.1+	(1,404,476)	1,156,016	3,161,244	36.0	12.23+
Reno	47	9.0+	(1,016,787)	2,918,222	933,437	17.5	10.38+
Sacramento	31	4.8-	962,413	1,522,585	158,373	0.0	9.96+
Salt Lake City	36	5.4-	2,502,641	2,364,429	3,967,964	44.9	9.64+
San Diego	33	5.2+	(947,400)	1,234,649	2,705,810	65.8	18.17+
San Francisco Peninsula	59	5.3+	(611,376)	22,000.0	0.0	100.0	21.70-
San Jose	48	3.2+	(796,515)	-	2,751,946	0.0	20.40+
Seattle	21	7.8+	(1,047,451)	3,316,358	5,424,260	55.6	14.49+
Tucson	58	5.3+	140,608	-	2,140,900	7.7	10.80-
Walnut Creek/I-680 Corridor	57	5.6-	(18,844)	-	0.0	100.0	18.38+
West		5.9+	904,154	65,402,932	89,496,856	27.6	14.65+
U.S.		5.6+	66 M	237 M	291.9 M	32.4	11.01-

Source: U.S. national figures provided by CBRE Econometric Advisors; all other figures compiled by CBRE Research, Q2 2024.
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