

FIGURES | U.S. INDUSTRIAL | Q4 2023

Industrial Space Absorption Cools Amid Record New Construction in 2023

▲ 7.0%

Availability Rate

▲ 4.8%

Vacancy Rate

▲ \$10.24

Net Asking Rent

▼ 37.2 MSF

Q4 Net Absorption

▼ 159.1 MSF

Q4 Completions

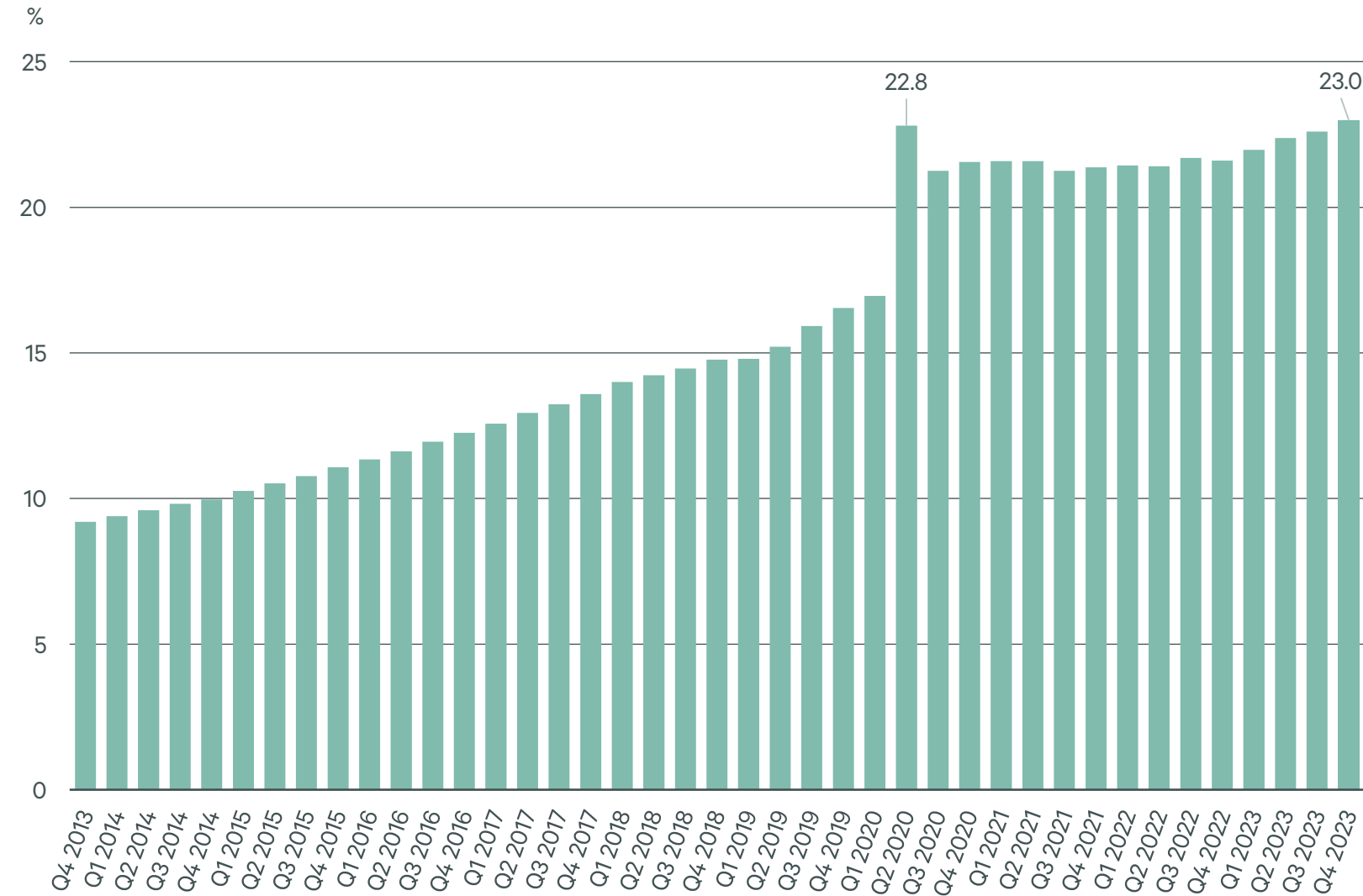
Arrows indicate year-over-year change.

Executive Summary

- Concerns about the economy, interest rates and consumer spending caused many industrial real estate occupiers and investors to curb their activity last year.
- Annual leasing activity fell by 8.8% year-over-year to 790.3 million sq. ft., with 267 million sq. ft. of that total in lease renewals. However, Q4 leasing activity totaling 182.7 million sq. ft. was up by 15.4% over Q4 2022.
- Net absorption of 37.2 million sq. ft. in Q4 capped an annual total of 238.9 million sq. ft.—less than half of the 526.8 million sq. ft. absorbed in 2022.
- Sublease availability increased by 11% quarter-over-quarter to 178.3 million sq. ft., the highest amount since the Global Financial Crisis. However, this total accounts for less than 1% of total U.S. industrial inventory.
- Average asking rent rose by 0.3% quarter-over-quarter and 6.0% year-over-year to a record \$10.24 per sq. ft. Average taking rent fell by 3.5% quarter-over-quarter but was 13.8% higher than a year ago.
- Construction completions totaling 159 million sq. ft. in Q4—69% of it vacant—pushed the overall industrial vacancy rate up by 50 basis points (bps) to 4.8%. For the year, completions reached a record 612.2 million sq. ft.
- Construction starts fell for the fifth consecutive quarter to 46.3 million sq. ft. in Q4, the lowest quarterly total since the onset of the pandemic and down by 46% from a year ago.

Figure 1
E-commerce share of total retail sales continues to rise

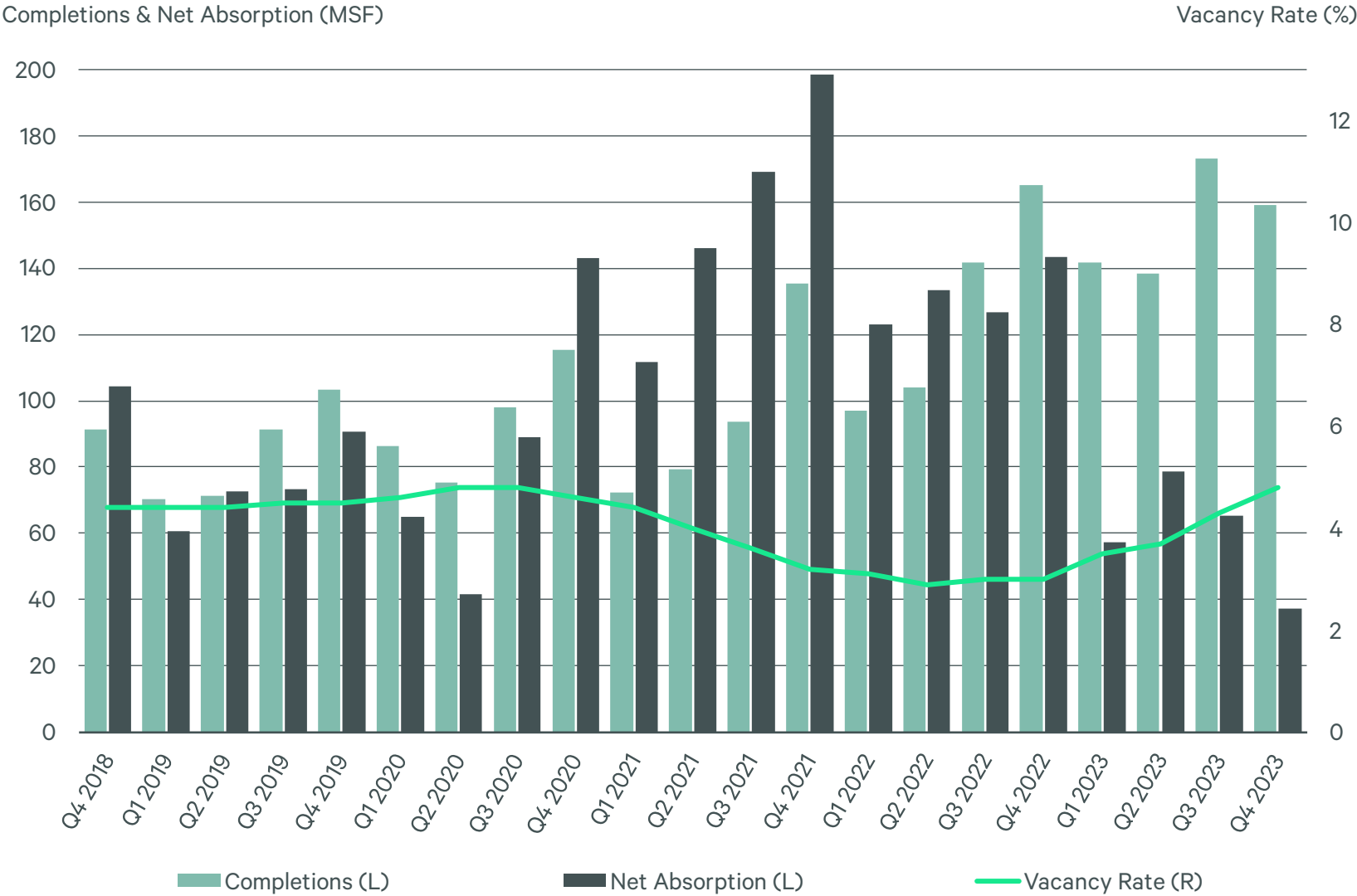
- The e-commerce share of total retail sales—a key indicator of demand for warehouse space—increased by 40 bps in Q4 to 23%, breaking the previous record of 22.8% in Q2 2020.
- The e-commerce share is expected to exceed 25% by 2025.



Source: CBRE Research, Q4 2023.

Figure 2
Industrial completions & demand

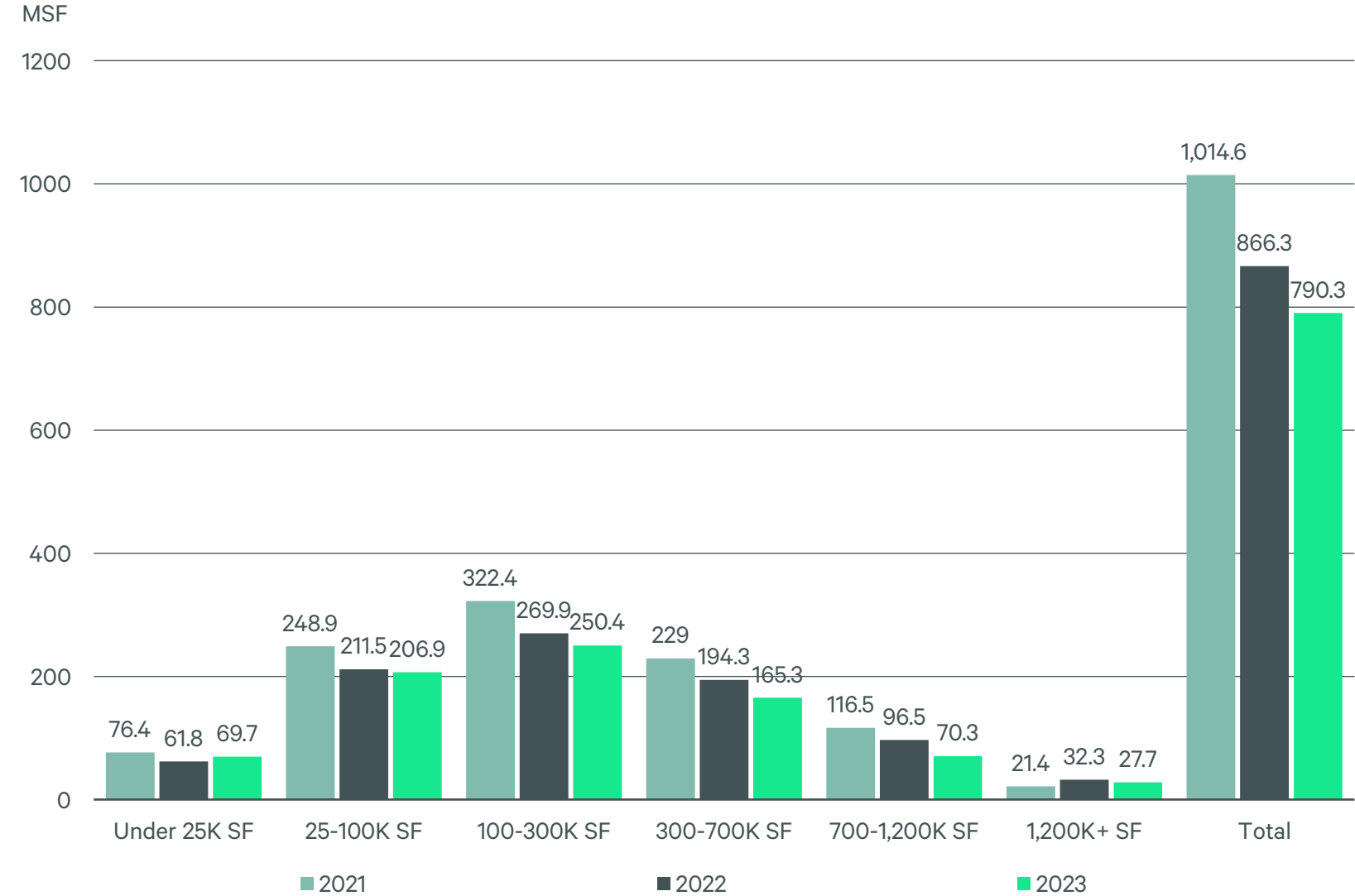
- Construction completions fell by 8.0% quarter-over-quarter to 159.1 million sq. ft. The annual total of 612.2 million sq. ft., however, was up by 20.5% from 2022.
- Net absorption fell by 43.2% quarter-over-quarter, the lowest quarterly total since Q3 2012. The annual total of 238.9 million sq. ft. was down by 54.7% from 2022.
- Construction completions have outpaced net absorption for six consecutive quarters, causing the overall vacancy rate to increase by 50 bps quarter-over-quarter to 4.8%, the highest level since Q3 2020.



Source: CBRE Econometric Advisors, Q4 2023.

Figure 3
Industrial leasing activity

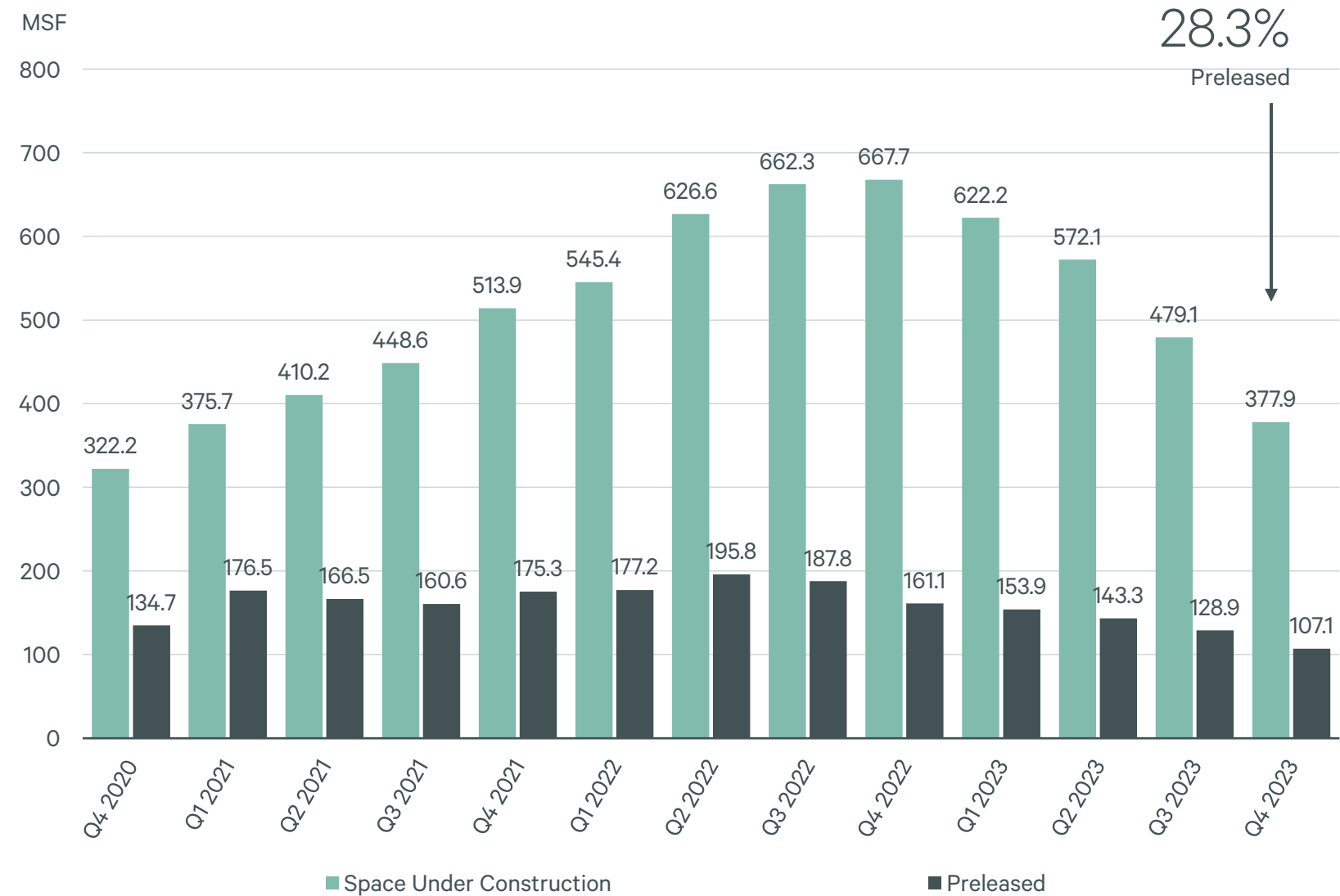
- Annual leasing activity totaling 790.3 million sq. ft. was down by 8.8% from 2022 and by 22% from 2021.
- Leases for less than 25,000 sq. ft. were the only size range with increased volume over last year.
- Only 43 leases for spaces of 1 million sq. ft. or more were signed in 2023, down from the 63 signed in 2022.
- Annual lease renewals totaling 267 million sq. ft. were up by 10.5% year-over-year, while new leasing activity fell by 16.2%.



Note: new leases and renewals.
Source: CBRE Research Q4 2023.

Figure 4
Space under construction
continues to fall

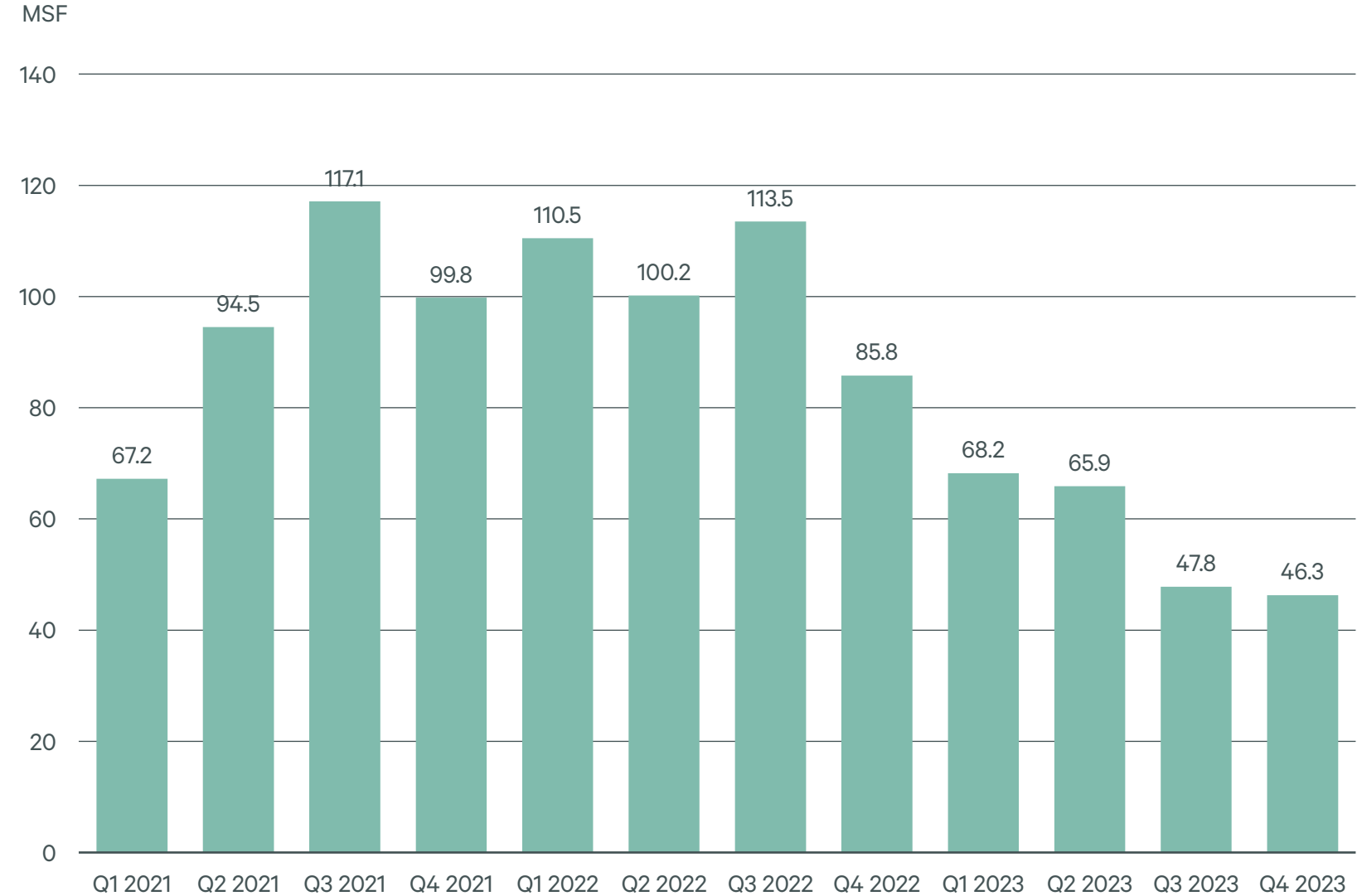
- Industrial space under construction fell for the fourth consecutive quarter, down by 43.4% year-over-year to 377.9 million sq. ft. Just 28.3% of that total was preleased.
- The South region had the most space under construction at 136.3 million sq. ft., followed by the West with 123.5 million.



Source: CBRE Research, Q4 2023.

Figure 5
Sharp drop in construction starts
year-over-year

— Construction starts fell for the fifth consecutive quarter to 46.3 million sq. ft.— approximately half of the 85.8 million -sq.-ft. Q4 2022 total. As a result, new deliveries are expected to drop considerably in H2 2024.



Source: CBRE Research, Q4 2023.

Figure 6
Annual net absorption & Q4
under-construction rankings

- Dallas-Ft. Worth had the most annual net absorption (31.3 million sq. ft.) of any market tracked by CBRE, followed by Chicago with 24.2 million and Houston with 20.7 million.
- Phoenix had the most space under construction in Q4 at 39.2 million sq. ft., with 31 million sq. ft. of that total in speculative distribution facilities.
- Dallas-Ft. Worth had the biggest quarter-over-quarter drop in space under construction (-16.8 million sq. ft.), while Tucson had the biggest increase (+1.8 million sq. ft.).
- Savannah had the highest annual growth rate (net absorption as a percentage of total inventory) for the sixth consecutive quarter at 10.3%, followed by Charleston at 7.0% and Las Vegas at 4.7%.

Net Absorption

Ranking	Market (Existing Inventory MSF)	MSF
1	Dallas-Ft. Worth (979.8)	31.3
2	Chicago (1,257.1)	24.2
3	Houston (624.2)	20.7
4	Pennsylvania I-78/81 Corridor (526.6)	13.4
5	Phoenix (410.0)	13.2
6	Savannah (121.3)	12.4
7	Indianapolis (356.4)	10.5
8	Nashville (218.2)	9.7
9	Atlanta (733.1)	8.6
10	Columbus (313.2)	8.4

Under Construction

Ranking	Market	MSF
1	Phoenix	39.2
2	Dallas-Ft. Worth	30.1
3	Inland Empire	20.2
4	Atlanta	20.2
5	Las Vegas	17.4
6	Chicago	17.0
7	Charlotte	14.4
8	Houston	14.3
9	Austin	14.1
10	Savannah	13.4

Growth Rate*

Ranking	Market	Rate (%)
1	Savannah	10.3
2	Charleston	7.0
3	Las Vegas	4.7
4	Nashville	4.4
5	El Paso	4.2
6	Reno	3.9
7	Austin	3.9
8	Jacksonville	3.9
9	Houston	3.3
10	Louisville	3.3

Source: CBRE Research, Q4 2023.

Figure 7
2023 bulk lease transactions
(100,000 sq. ft. or more)

- Bulk leasing activity for spaces of 100,000 sq. ft. or more fell by 13.4% year-over-year in 2023. Third-party logistics (3PL) providers remained the most active bulk occupiers.
- Automobile, tire & parts dealers posted the highest year-over-year gain (53%) in total square footage of bulk leases. Strong demand from electric vehicle manufacturers drove the increase.
- E-commerce, 3PL and medical occupiers had the biggest year-over-year declines in total square footage of bulk leases.

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

Occupier Type	SF Transacted (MSF)	Market Share
Third-Party Logistics	156.2	30.4%
General Retail & Wholesale	128.8	25.1%
Food & Beverage	50.0	9.7%
Automobiles, Tires & Parts	45.9	8.9%
Manufacturing	44.8	8.7%
Building Materials & Construction	40.7	7.9%
E-Commerce Only	19.8	3.8%
Undisclosed	13.9	2.7%
Medical	13.7	2.7%
Total	513.8	100%

2022 Lease Transactions of 100,000 Sq. Ft. or More

Occupier Type	SF Transacted (MSF)	Market Share
Third-Party Logistics	208.8	35.2%
General Retail & Wholesale	156.1	26.3%
Manufacturing	52.0	8.8%
Food & Beverage	48.9	8.2%
Building Materials & Construction	34.3	5.8%
E-Commerce Only	31.0	5.2%
Automobiles, Tires & Parts	30.0	5.1%
Medical	16.8	2.8%
Undisclosed	15.1	2.6%
Total	593.0	100%

Source: CBRE Research, Q4 2023.

Figure 8
Consumer sentiment improves,
despite slight rise in
unemployment

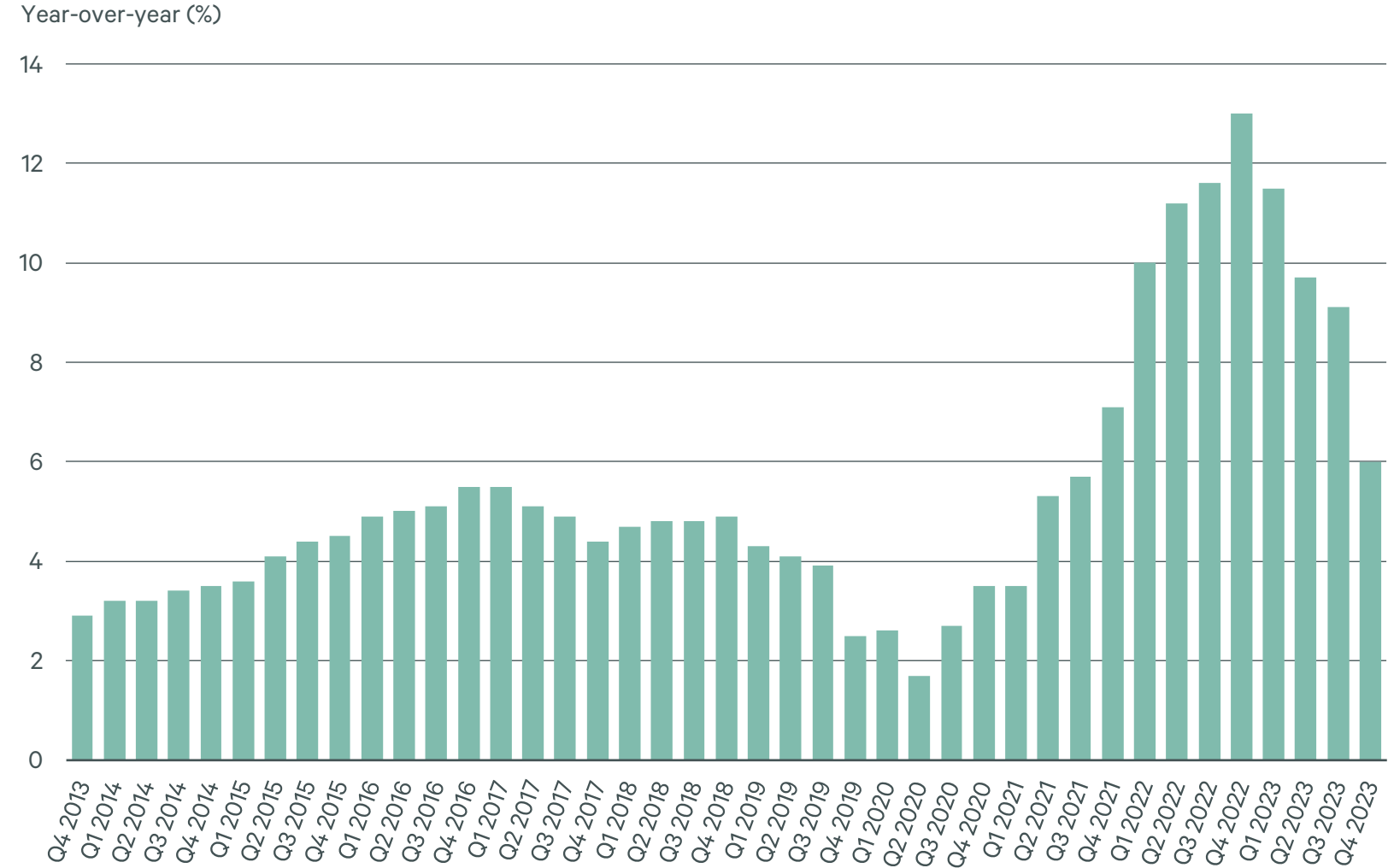
- The U.S. unemployment rate increased by 20 bps year-over-year in 2023 to 3.7%.
- The Consumer Sentiment Index rose to 69.4 in December, 39% above the all-time low of 50.0 in June 2022 but well below pre-pandemic levels.



Note: Consumer Sentiment Index Q1 1966= 100
Source: University of Michigan, U.S. Bureau of Labor Statistics, Q4 2023.

Figure 9
Average asking rent growth

- Average net asking rent rose 0.3% quarter-over-quarter and 6.0% year-over-year in Q4 to a record \$10.24 per sq. ft.
- Despite rising vacancy rates, average asking rents increased in several major markets last year, including the Pennsylvania I-78/81 Corridor (41.2%), Houston (30.9%), Indianapolis (20.6%) and Dallas-Ft. Worth (19.3%).



Source: CBRE Econometric Advisors, Q4 2023.

Figure 10
At-a-glance industrial market metrics

2023 TOTAL							
Market	Size Rank	Vacancy Rate (%)	Net Absorption (SF)	Construction Completions (SF)	Under Construction (SF)	Preleased (%)**	NNN Asking Rate (\$)**
Baltimore	32	7.0+	1,057,371	3,848,665	3,962,469	33.3	10.10+
Boston	23	4.8+	(543,179)	2,986,048	2,658,464	13.4	15.74+
Charleston	50	3.5+	5,851,025	8,059,167	7,198,497	43.4	8.79+
Charlotte	21	5.2+	8,415,812	13,002,913	14,448,171	19.4	7.20+
Greenville	27	8.9+	4,134,627	14,873,854	7,466,627	39.9	5.14+
Hartford	51	4.1+	(211,818)	530,000	2,686,050	36.1	6.49+
Louisville	34	4.2+	5,838,249	6,872,922	2,825,088	29.0	5.63+
Central New Jersey	9	4.5+	3,212,406	10,015,837	6,769,741	2.9	17.06-
Northern New Jersey	11	4.5+	(3,841,296)	4,061,407	3,592,206	10.1	17.97-
Northern Virginia*	52	4.8+	789,596	908,001	524,092	0.0	15.80+
Pennsylvania I-78/81 Corridor	8	6.3+	13,395,337	25,021,955	4,604,646	7.7	8.55+
Philadelphia	12	7.7-	5,504,662	20,879,175	6,758,769	1.5	12.08+
Pittsburgh	38	4.4-	2,681,030	2,884,157	1,124,067	36.5	8.62+
Suburban Maryland*	49	5.4+	77,315	1,806,457	2,540,850	11.8	13.13
East		5.6+	46,361,137	115,750,558	67,159,737	21.0	11.42+
Chicago	1	4.1+	24,166,727	37,994,824	17,038,406	52.1	6.47+
Cincinnati	16	5.5+	2,554,106	11,634,720	2,030,349	51.1	6.34-
Cleveland	22	3.1+	779,817	2,825,092	1,127,602	100.0	5.87+
Columbus	18	6.3+	8,443,046	17,060,071	5,082,940	45.1	6.19-
Detroit	7	2.4+	2,156,524	3,941,446	3,800,793	49.8	7.76+
Indianapolis	14	9.3+	10,466,143	32,528,517	4,959,626	27.3	5.98-
Kansas City	17	3.7+	6,576,525	11,011,860	6,032,695	41.1	5.29+
Milwaukee	15	4.6+	3,811,327	10,659,649	5,152,159	61.3	5.26-
Minneapolis-St. Paul	13	3.9+	5,637,840	8,492,521	3,724,362	69.3	9.23+
St. Louis	28	4.2-	(1,076,507)	1,946,203	2,008,413	63.2	5.50-
Midwest		4.5+	63,515,548	138,094,903	50,957,345	51.2	6.38-

Source: U.S. national figures provided by CBRE Econometric Advisors; all other figures compiled by CBRE Research, Q4 2023.

*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.

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2023							
Market	Size Rank	Vacancy Rate (%)	Net Absorption (\$F)	Construction Completions (\$F)	Under Construction (\$F)	Preleased (%)**	NNN Asking Rate (\$)**
Atlanta	4	7.7+	8,590,682	36,035,159	20,192,436	31.1	7.31+
Austin	45	8.1+	4,558,156	9,823,636	14,143,514	31.1	12.04+
Dallas-Ft. Worth	3	8.1+	31,338,541	65,419,488	30,148,019	31.8	7.18-
El Paso	53	3.7+	3,006,905	4,451,086	4,947,856	40.0	8.93-
Ft. Lauderdale	48	4.0+	1,014,099	1,120,817	358,088	0.0	15.45+
Houston	6	6.0+	20,747,594	28,826,276	14,323,053	40.2	8.37+
Jacksonville	43	4.5+	4,793,459	6,616,681	5,563,041	20.1	6.96-
Memphis	19	6.3-	3,958,197	9,585,595	-	0.0	4.77-
Miami	26	3.6	3,389,644	5,392,058	8,578,711	17.8	15.00+
Nashville	30	3.4-	9,667,402	8,747,237	10,324,151	3.7	7.73-
Orlando	39	6.8+	4,185,431	9,818,469	4,587,989	7.2	10.73+
Palm Beach	54	4.2-	337,886	1,499,371	1,540,769	0.2	15.40+
San Antonio	40	7.5+	4,051,137	8,081,283	2,967,589	24.6	7.22-
Savannah	44	8.4+	12,437,728	20,957,458	13,424,474	10.2	6.26+
Tampa	37	3.9	4,025,637	3,624,956	5,177,808	57.1	9.03+
South		6.5+	116,102,498	219,999,570	136,277,498	26.7	8.39+

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2023							
Market	Size Rank	Vacancy Rate (%)	Net Absorption (\$F)	Construction Completions (\$F)	Under Construction (\$F)	Preleased (%)**	NNN Asking Rate (\$)**
Central Valley, CA	41	7.3+	4,490,261	5,381,696	4,639,945	35.6	8.84+
Denver	24	7.8+	4,937,246	7,660,418	6,377,980	40.1	8.93+
Inland Empire	5	5.2+	4,656,764	31,440,313	20,215,465	19.7	18.00-
Las Vegas	36	3.6+	7,687,998	11,329,613	17,361,203	15.1	13.50-
Los Angeles	2	2.1+	(6,355,796)	3,950,672	7,973,089	18.5	18.24-
Oakland	42	3.8+	(680,776)	1,403,783	1,162,137	31.8	15.89-
Orange County	25	1.2+	829,015	1,816,121	1,399,186	27.5	21.00+
Phoenix	10	7.4+	13,203,708	31,191,540	39,164,067	18.1	13.97+
Portland	29	3.3+	(957,576)	2,039,032	2,803,847	35.6	12.34+
Reno	46	4.2+	4,383,827	7,329,441	2,563,304	9.5	10.46-
Sacramento	31	4.5+	(47,793)	2,987,494	433,543	40.9	9.72+
Salt Lake City	35	5.6+	823,916	6,177,280	5,966,543	38.5	9.37-
San Diego	33	4.2+	(1,877,929)	2,111,676	2,270,735	53.2	17.76+
San Francisco Peninsula	57	3.7+	(604,069)	-	-	-	22.26+
San Jose	47	2.6+	(416,583)	387,343	910,583	0.0	18.09-
Seattle	20	6.5+	194,551	7,314,295	8,124,386	40.6	14.40+
Tucson	56	6.3+	332,441	1,843,041	2,120,000	100.0	10.20+
Walnut Creek/I-680 Corridor	55	6.4+	(1,474,043)	98,430	-	-	18.87+
West		4.4+	29,125,162	124,462,188	123,486,013	24.7	14.43+
U.S.		4.8+	239 M	612 M	378 M	28.3	10.24+

Source: U.S. national figures provided by CBRE Econometric Advisors; all other figures compiled by CBRE Research, Q4 2023.
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