

# ELITE 11

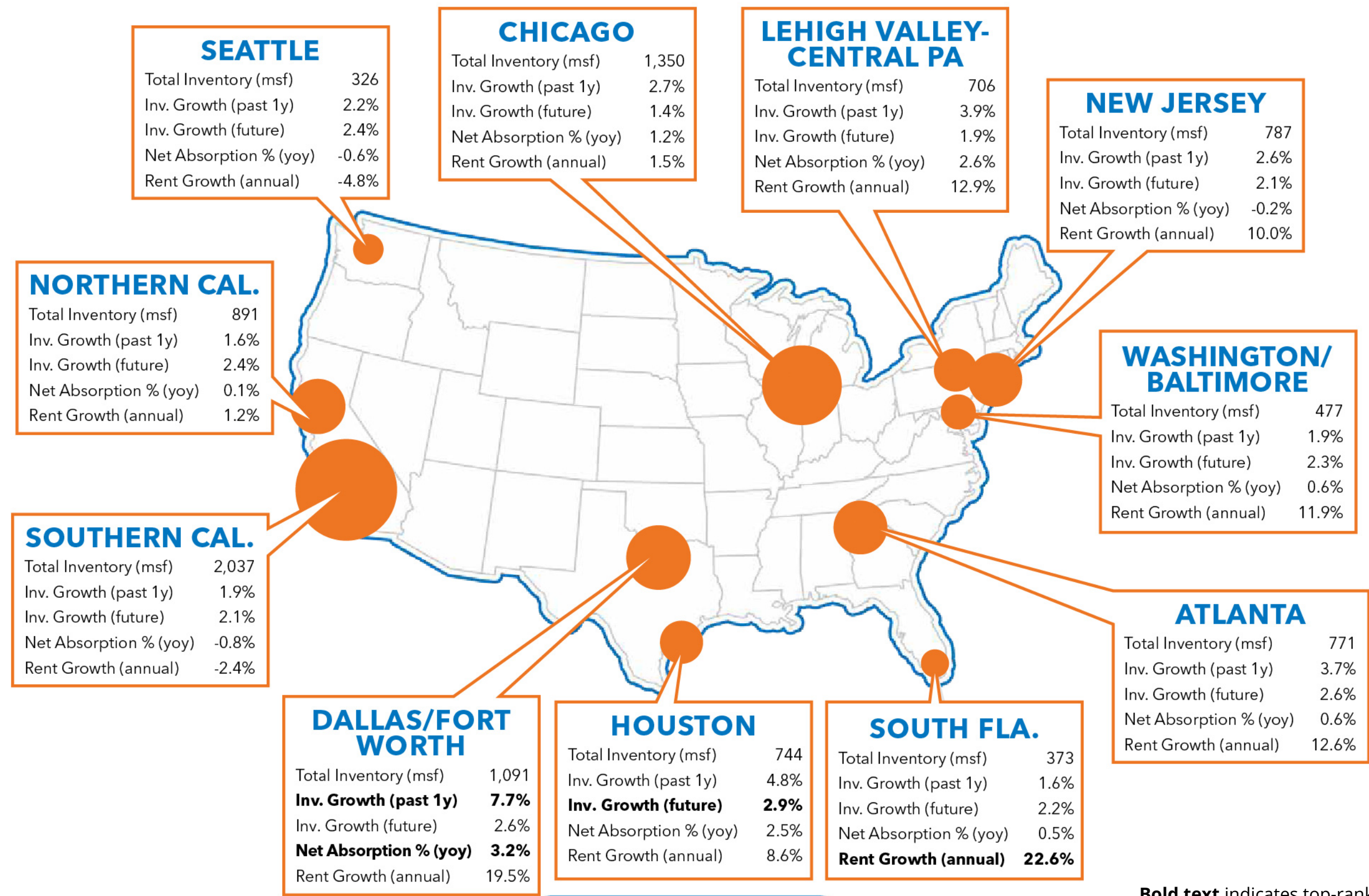
U.S. Industrial Markets

YEAR-END 2023



TRANSWESTERN





**Bold text** indicates top-ranked indicator among Elite 11.



VIEW INTERACTIVE MAP

## NATIONAL OVERVIEW

### Industrial Balancing After Historic Growth

Record-setting development in the U.S. industrial market resulted in both increased occupancy and rising vacancy rates in 2023.

Here's the big picture.

#### Preleased space drove occupancy growth.

While a record-setting 736 MSF of new inventory was delivered in 2023, with nearly half of that product pre-leased, the overall vacancy rate increased by 40 basis points. Sublease offerings contributed to the rise in vacant space, more than doubling in the past twelve months.

#### Deliveries are outpacing net absorption.

Following a streak of seven quarters when net absorption outpaced new deliveries, the script flipped during each of the past six quarters. Vacancies are anticipated to remain near the long-term average as the pipeline of new construction burns off.

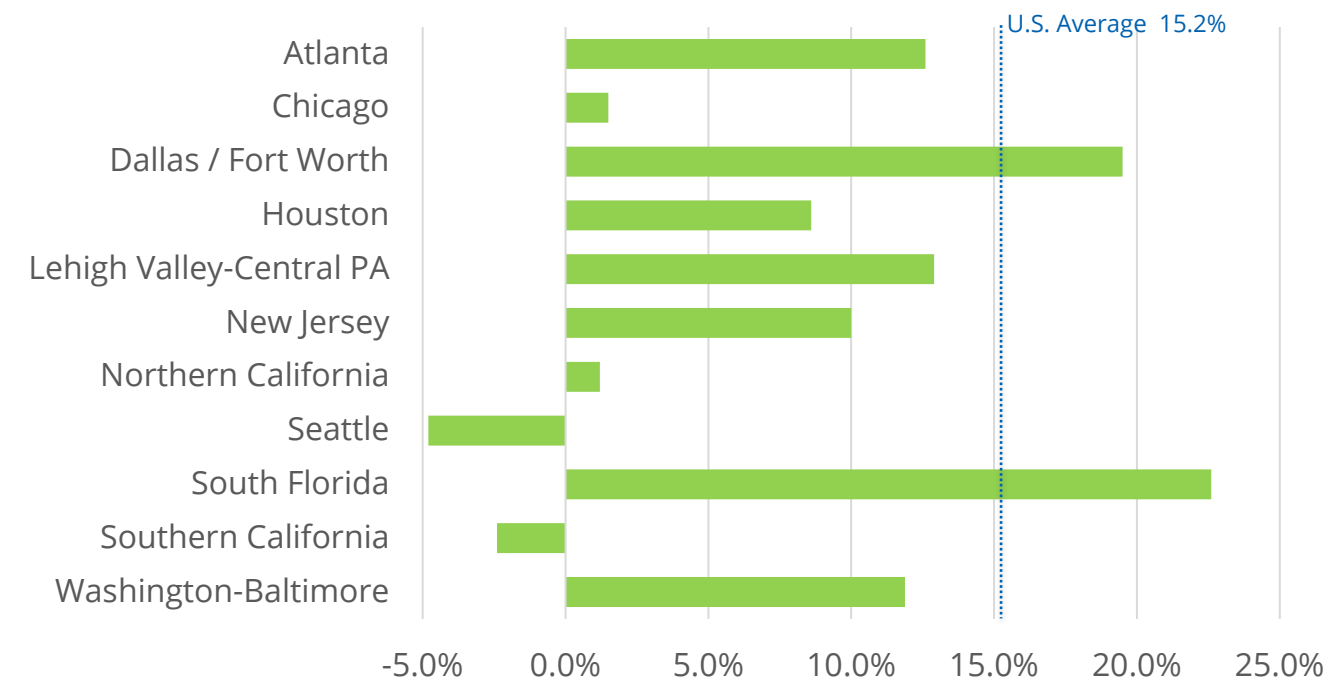
#### Developers remain opportunistic.

While a slowdown is anticipated to continue throughout 2024, developers increasingly seek conversion opportunities of non-performing properties in other asset classes, especially in core markets with limited vacant land.

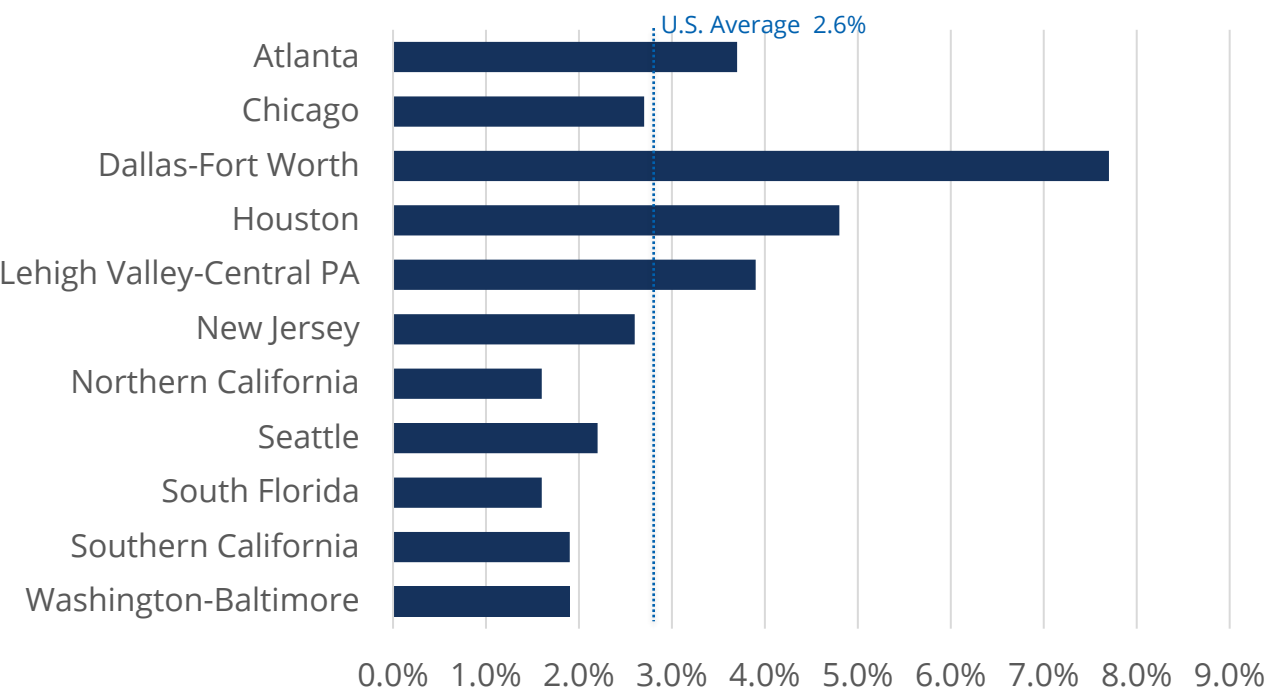
## ELITE 11 MARKET HIGHLIGHTS

- **Dallas** continued to grow faster than all markets, though record deliveries pushed its vacancy to its highest level since 2013.
- Despite tempered demand, **Houston's** pipeline was at the top of the list for future growth, preparing for a projected increase in leasing activity in the second half of 2024.
- Low vacancy rates continue to put pressure on asking rents in **South Florida**, which posted the most growth during 2023.
- Despite rising vacancies and a slowdown in rental growth, the long-term outlook for **Atlanta** remains strong as it continues to attract interest from large corporations.
- **Chicago's** rent growth and construction starts have waned, and while activity has cooled, it is too soon to tell whether the market is declining or simply normalizing.
- **Southern California** recorded occupancy losses in 2023, though increased leasing is anticipated as shipping shifts back West.
- Rents continued higher in the **Washington-Baltimore** region, a trend expected to continue as construction starts decelerate and quality available space remains scant.
- **Lehigh Valley** maintained stable growth and with a low vacancy rate, it appears there is room for expansion.

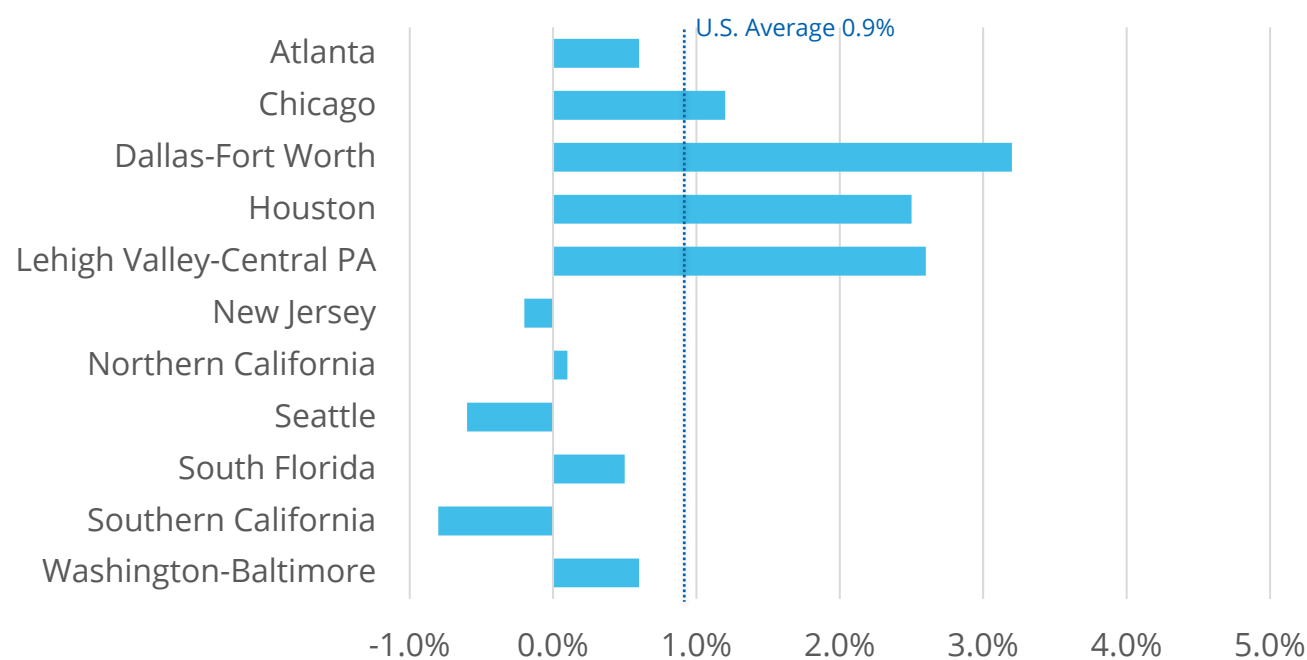
RENT GROWTH  
Year-over-Year



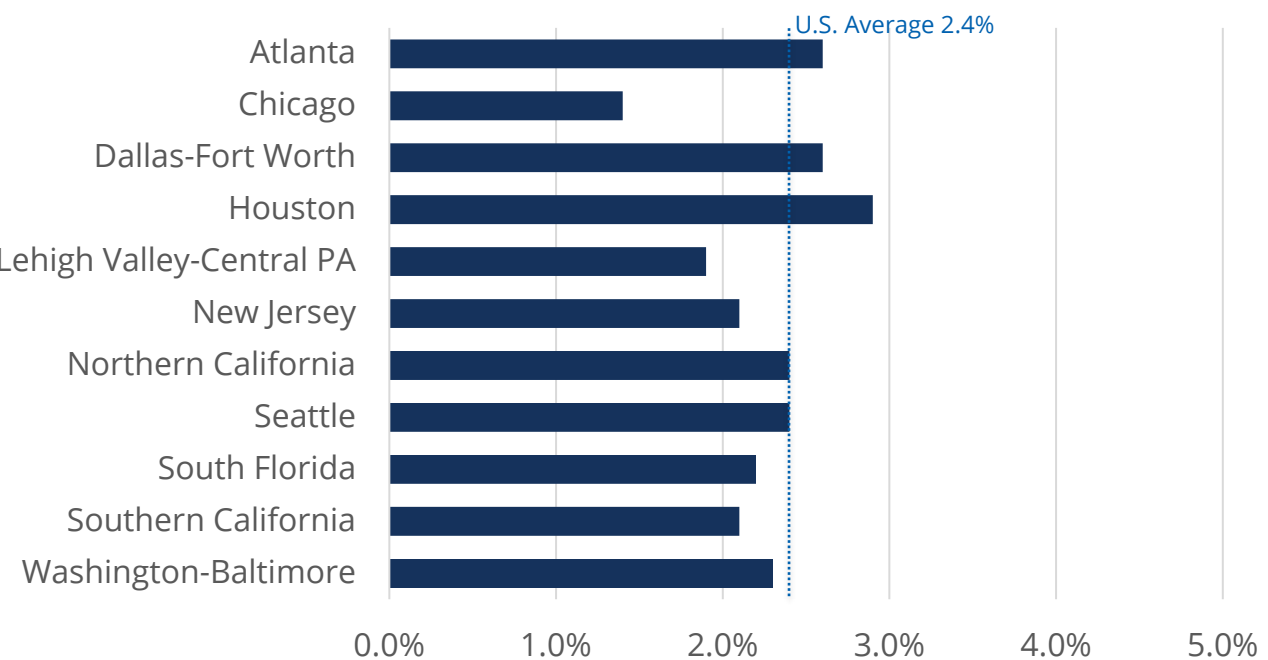
12-MONTH MARKET GROWTH  
Percentage of Inventory



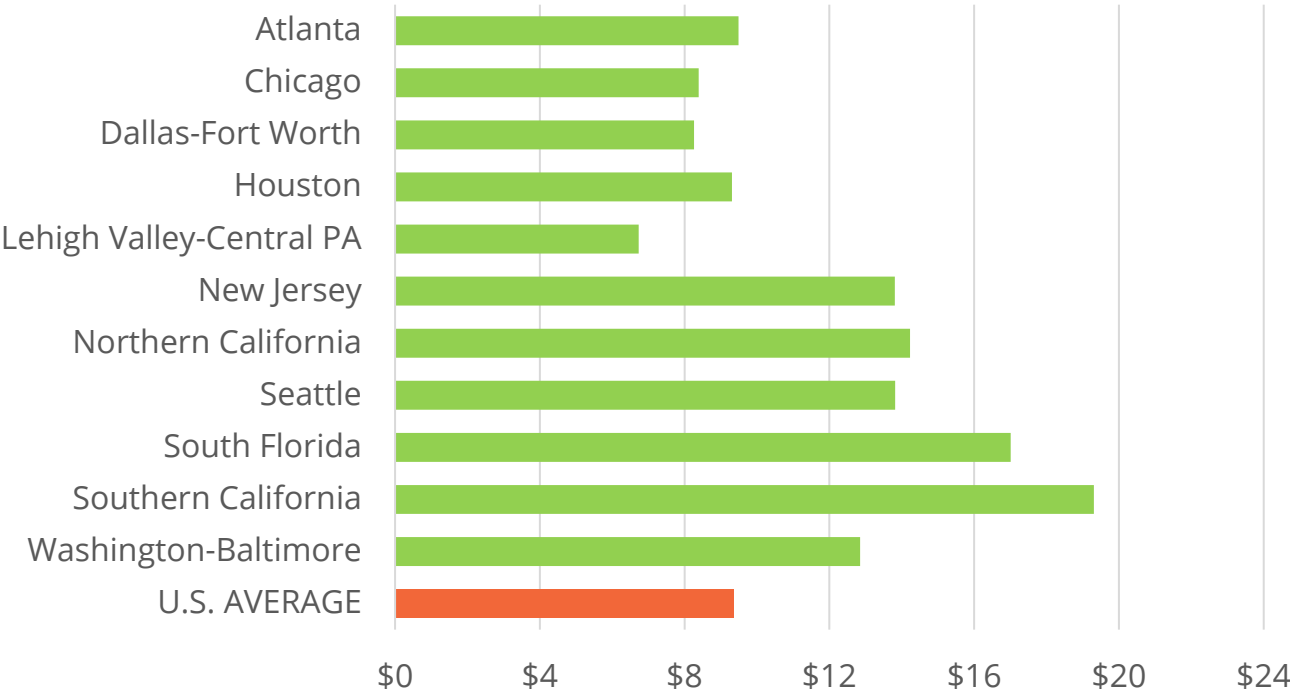
4-QUARTER NET ABSORPTION  
Percentage of Inventory



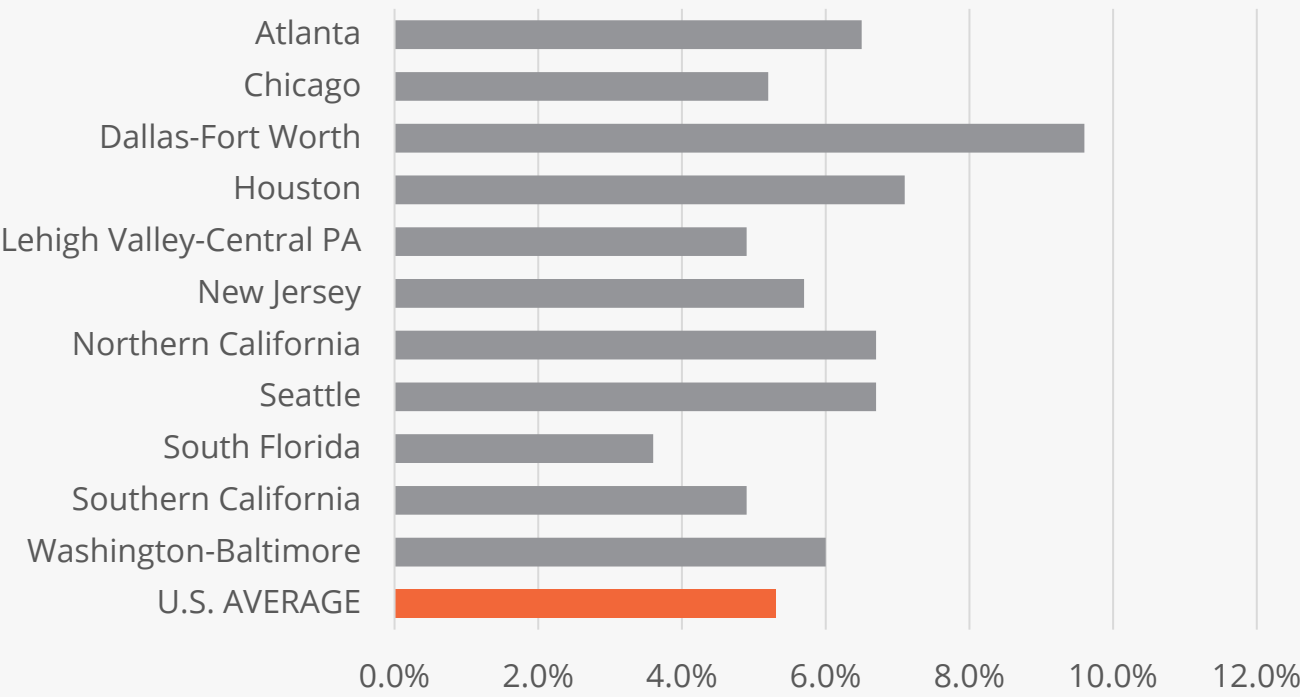
FUTURE DELIVERIES  
Percentage of Inventory



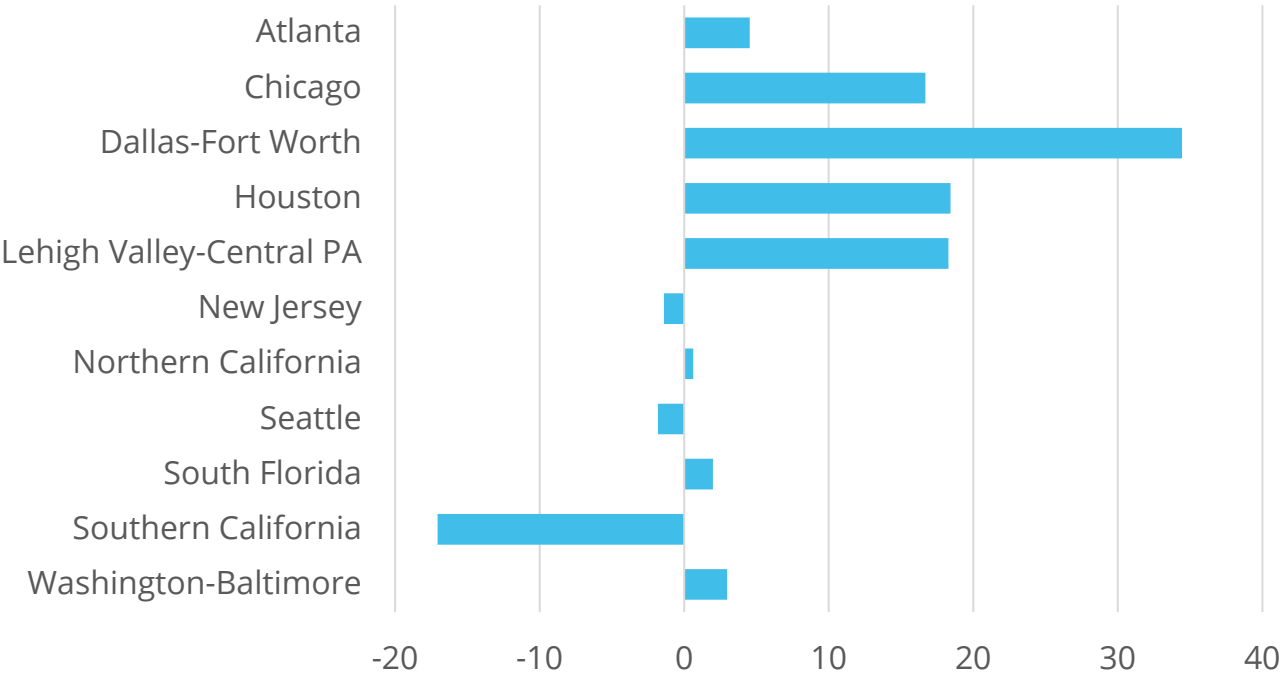
ASKING RENT PSF NNN



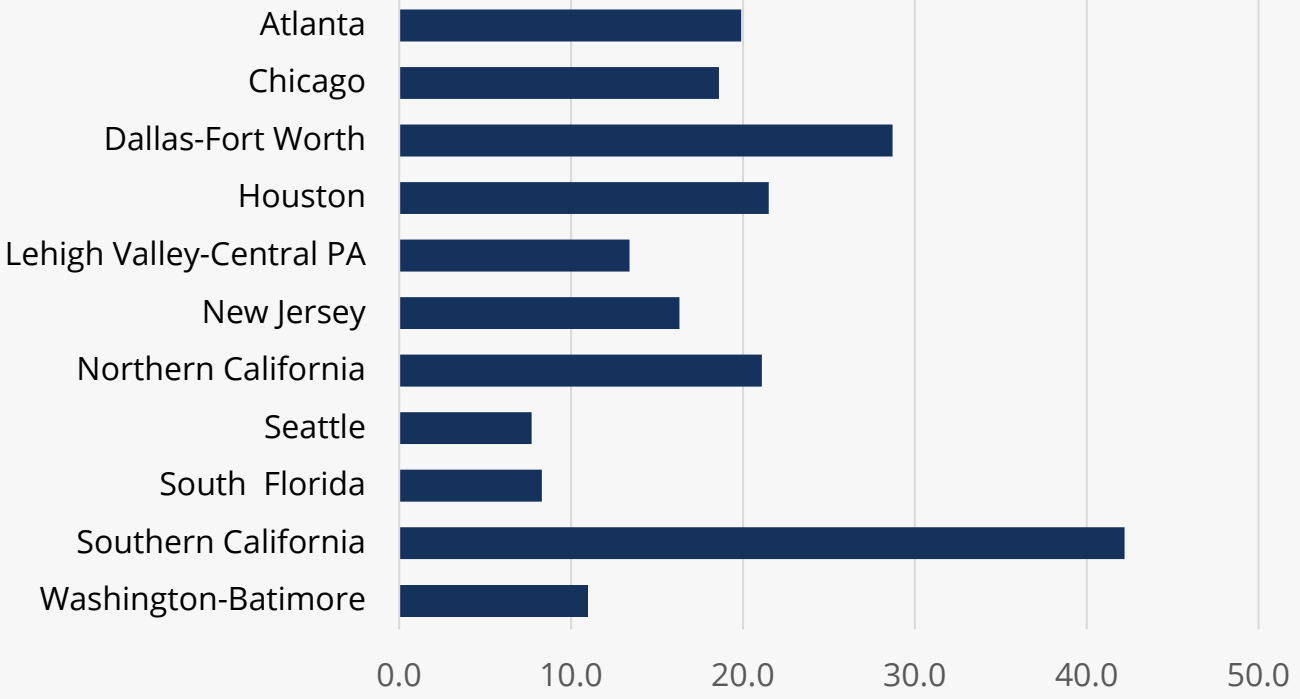
VACANCY RATE



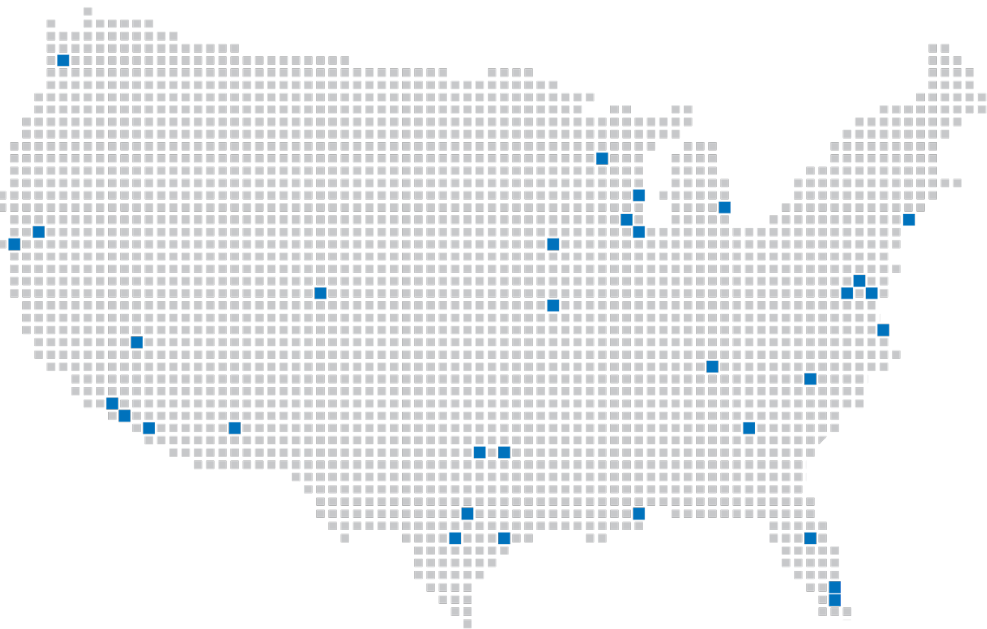
TRAILING 4-QUARTER NET ABSORPTION (MSF)



UNDER CONSTRUCTION (MSF)



TRANSWESTERN LOCATIONS



DEFINITION & METHODOLOGY

Transwestern tracks 11 core and 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. The information in this report is a compilation of competitive industrial and flex properties located in select U.S. metropolitan areas. All rents are reported as triple net.

- Lehigh Valley-Central PA** includes the Lehigh Valley as well as Northeast and Central Pennsylvania
- Northern California** includes East Bay/Oakland, Sacramento, San Jose/Silicon Valley and Central Valley
- Southern California** includes the Inland Empire, Los Angeles, Orange County and San Diego
- South Florida** includes Miami and Broward County
- Washington/Baltimore** includes Baltimore, the District of Columbia, Northern Virginia and Suburban Maryland

For further analysis of industrial markets nationwide, view our quarterly [National Industrial Market Overview](#).

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