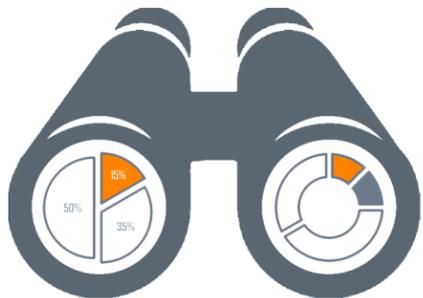


COMMERCIAL REAL ESTATE

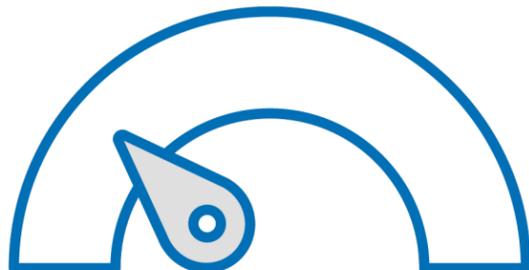
U.S. MARKET | Industrial

Q1 2024

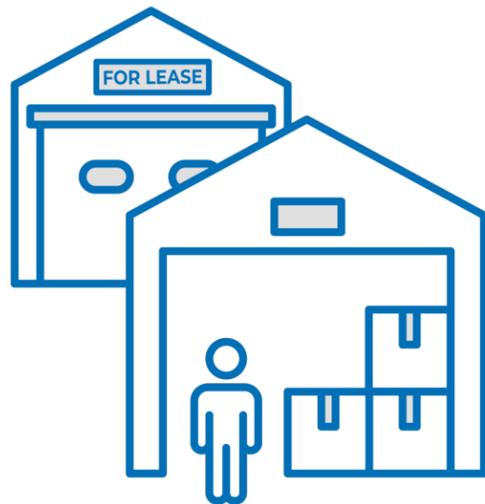
THE VIEW FROM HERE



The strength of this sector has led to a recent spike in bidders



After setting records, starts have dropped to 2015 levels, signaling significantly lower deliveries by 2Q25



While still below long-term averages, vacancies have softened and could shrink landlord pricing advantage

NET ABSORPTION
26 MSF
Continued deceleration of leasing activity

VACANCY RATE
5.7%
210 bps increase since historical low in 2022

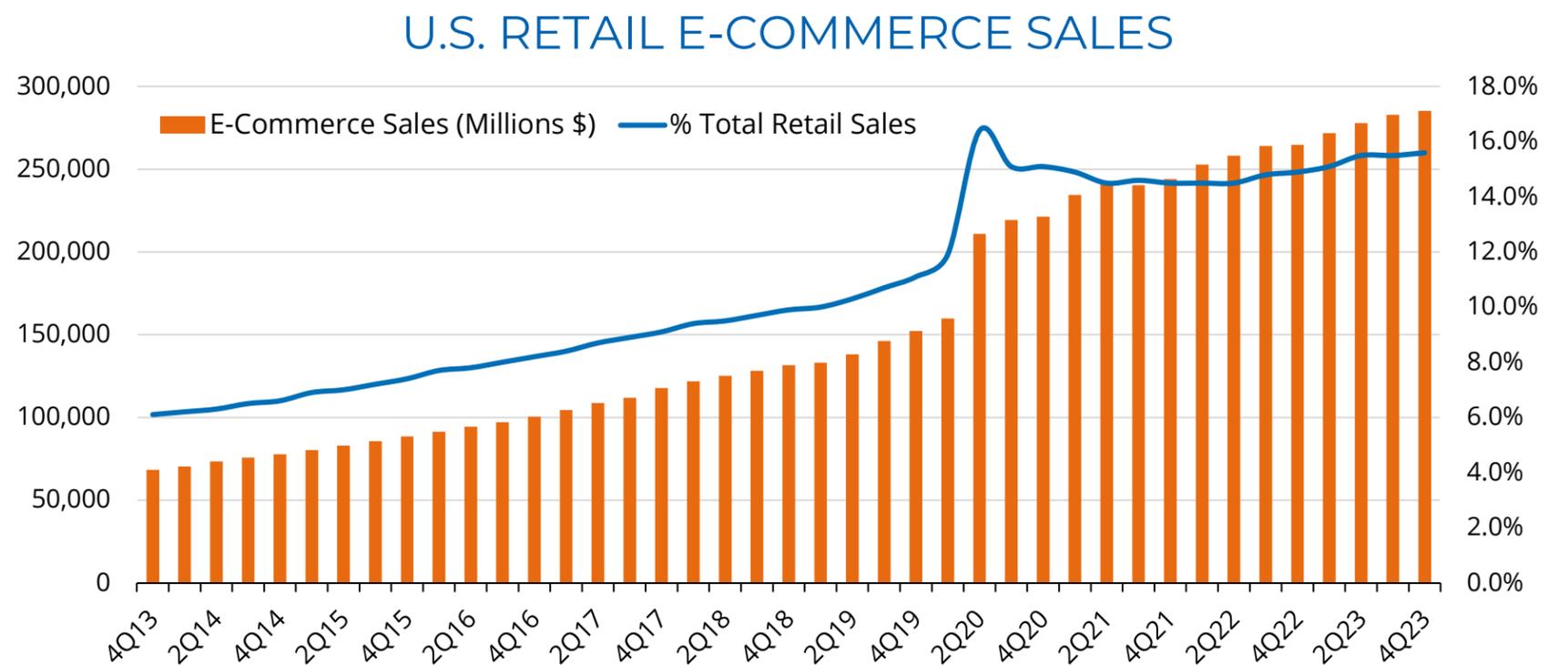
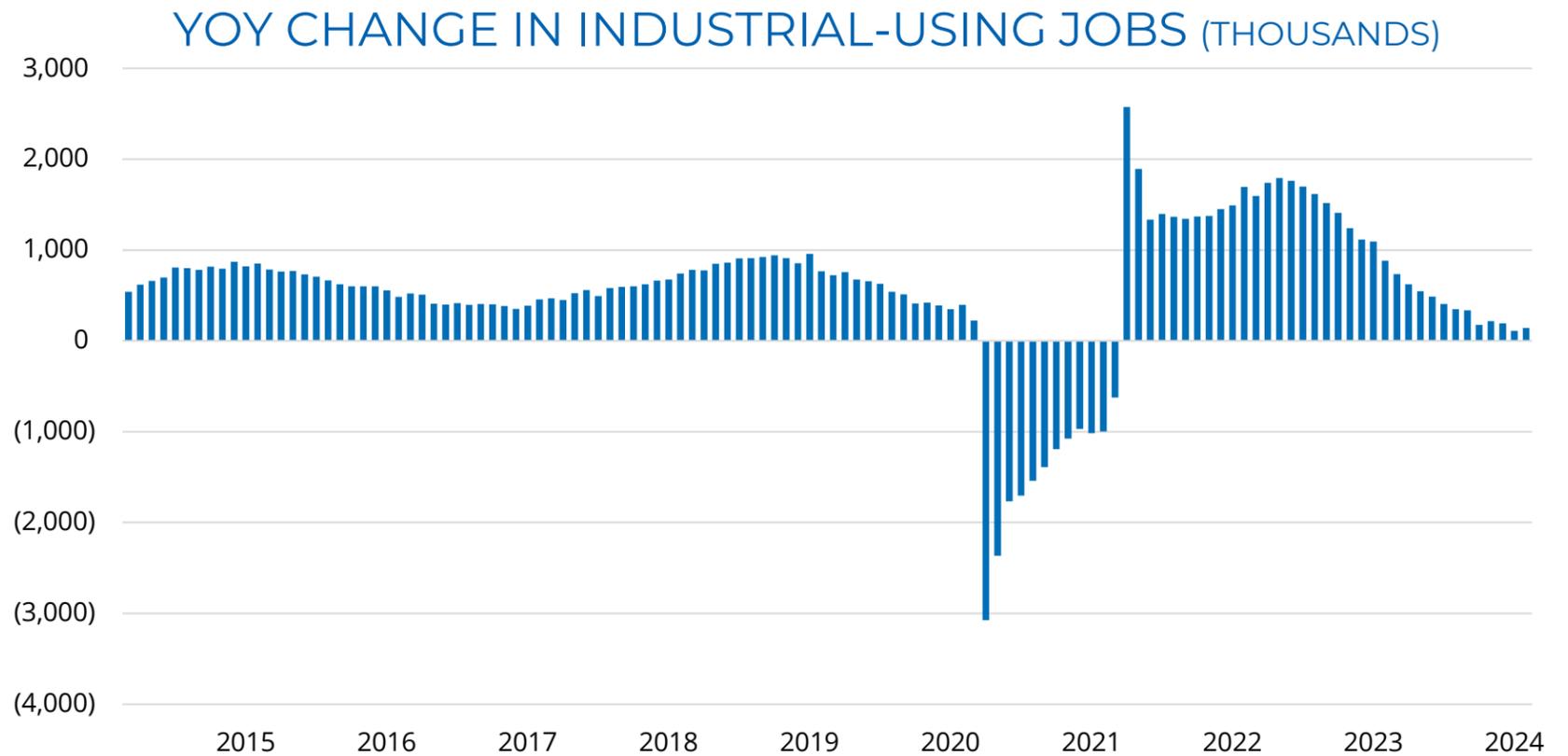
UNDER CONSTRUCTION
603 MSF
Lowest level in three years

ASKING RENT
\$9.51
Pace of growth has slowed significantly

ECONOMIC HIGHLIGHTS

- U.S. economy grew 2.5% in 2023, boosted by a Q4 GDP reading of 3.3%. The initial reading for Q1 2024 was 1.6%, while forecasts for 2024 range between 2.2% and 2.5%.
- U.S. unemployment averaged 3.8% and has remained between 3.7% and 3.9% since August 2023.
- The number of jobs supporting the industrial real estate sector continued higher; however, the growth rate decelerated for the seventh consecutive quarter.
- While warehouse job totals declined, trucking recorded higher employment gains, and construction labor continued an upward path, yet a shortage remains.
- Following 16 months of contraction, U.S. manufacturing expanded to close the quarter. Labor changed minimally.
- Industries within the sector continue to increase technology and automation to address labor issues.
- Consumers continued to spend, though at a slower pace, including an increase in online shopping, despite record credit card debt and “higher for longer” inflation.
- After recording an annual decrease in total cargo in 2023 for the first time since 2020, U.S. ports reported strong container volumes for the first two months of 2024.
- Shipping volumes are anticipated to increase through 2024, despite an expected reduction in consumer spending, as retailers begin to restock diminishing inventory levels.
- The collapse of Baltimore’s Key Bridge adds more stress to an already unsettled supply chain and will result in rerouted cargo - not only to ports along the East Coast, but also to the Gulf and West Coasts.

HISTORICAL

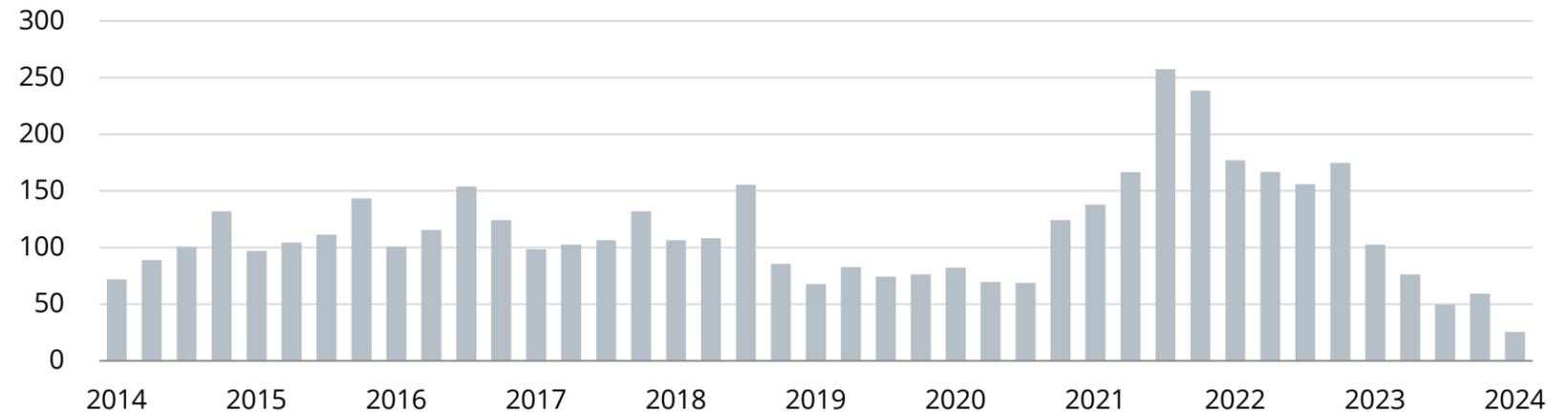


MARKET HIGHLIGHTS

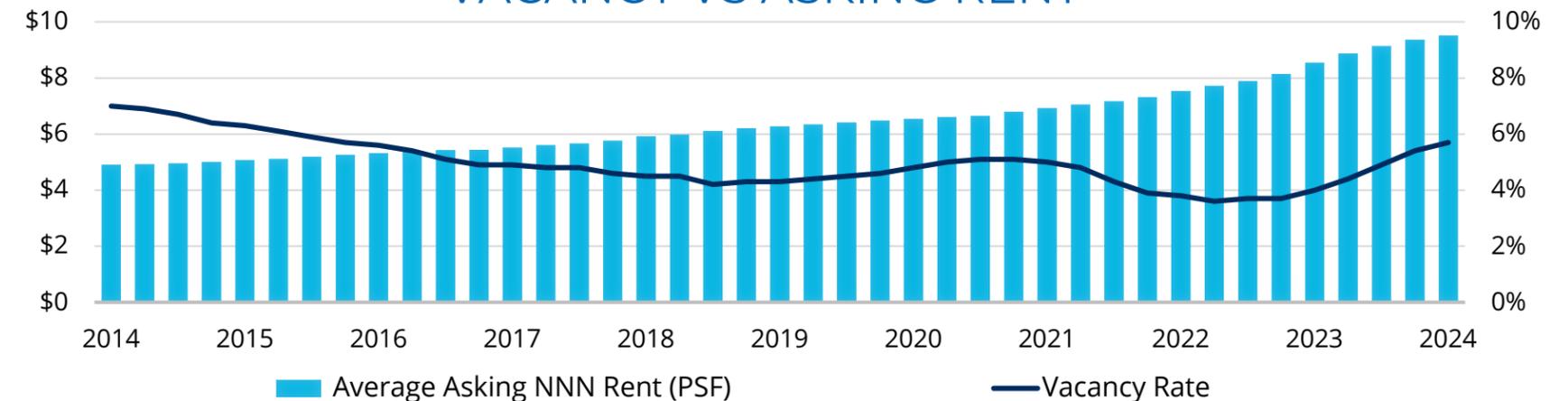
- Leasing velocity has fallen substantially beneath pre-pandemic averages to levels preceding the Global Financial Crisis (GFC) as market players navigate stubborn inflation, a hostile geopolitical environment, and ongoing supply chain disruptions.
- Occupancy continued to grow to open 2024, as positive absorption was recorded for the 56th straight quarter.
- The pace of growth slowed considerably, registering the lowest level in more than 13 years.
- For the first time during this expansionary period (post-GFC), the number of markets that experienced negative quarterly net absorption outpaced those with gains.
- Over the past 12 months, 33 of 44 markets recorded occupancy growth, down from 37 during Q4, while four markets absorbed more than 10 MSF YoY, compared from five at the close of 2023 and 11 a year ago.
- Despite continued growth in total occupancy, the overall vacancy rate increased by 30 basis points.
- The number of sublease listings continued to rise, accounting for 230 MSF of available space, an increase of more than 100 MSF in the past 12 months.
- The average asking rent registered a record high for the 27th consecutive quarter.
- YoY rent growth slowed to 11.3%, falling in consecutive quarters but still well above historical averages.
- More than 75% of markets reported YoY rent increases.
- Total product under construction fell for the sixth consecutive quarter to its lowest level in three years, while construction starts are at a 10-year low.

HISTORICAL

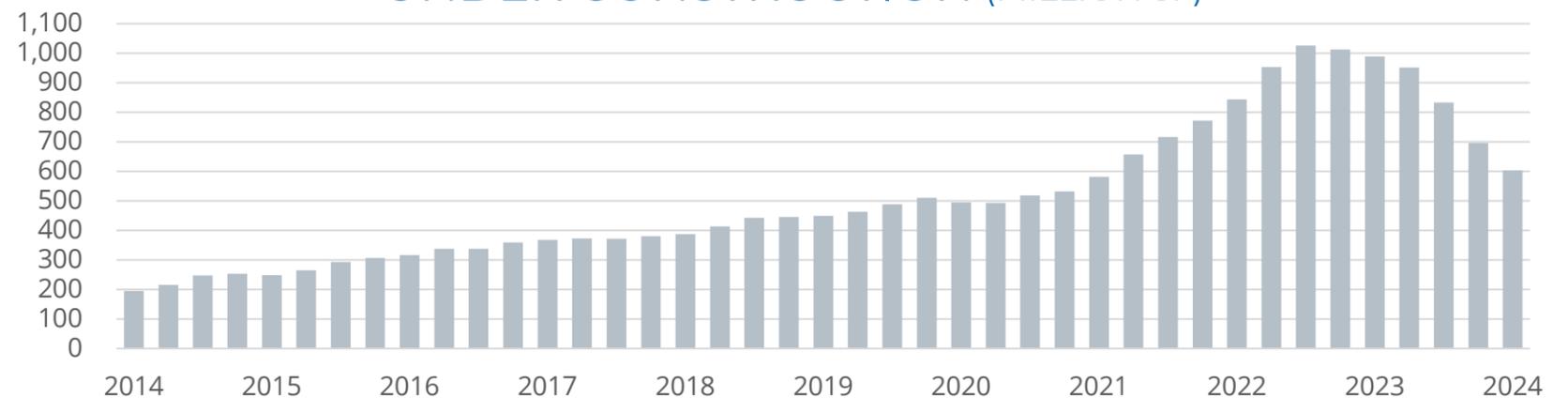
NET ABSORPTION (MILLION SF)



VACANCY VS ASKING RENT

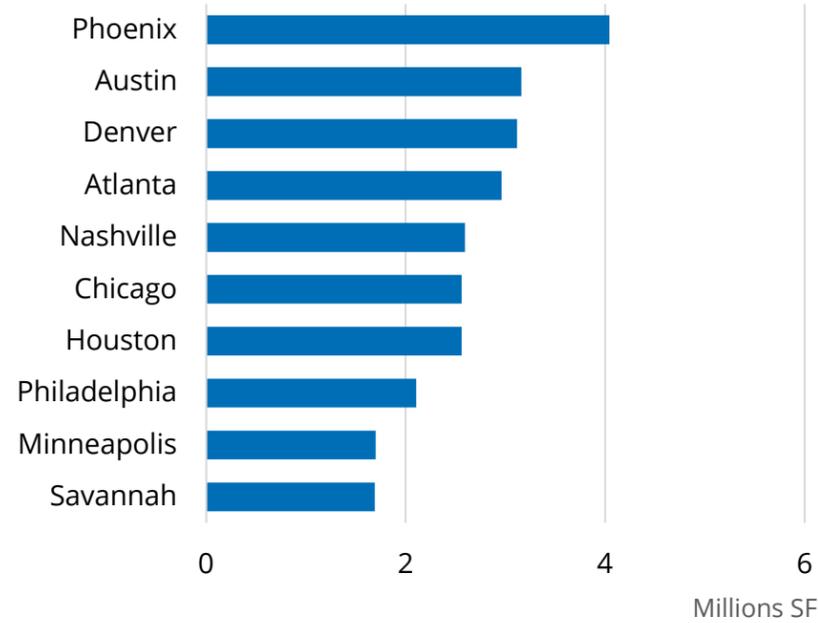


UNDER CONSTRUCTION (MILLION SF)



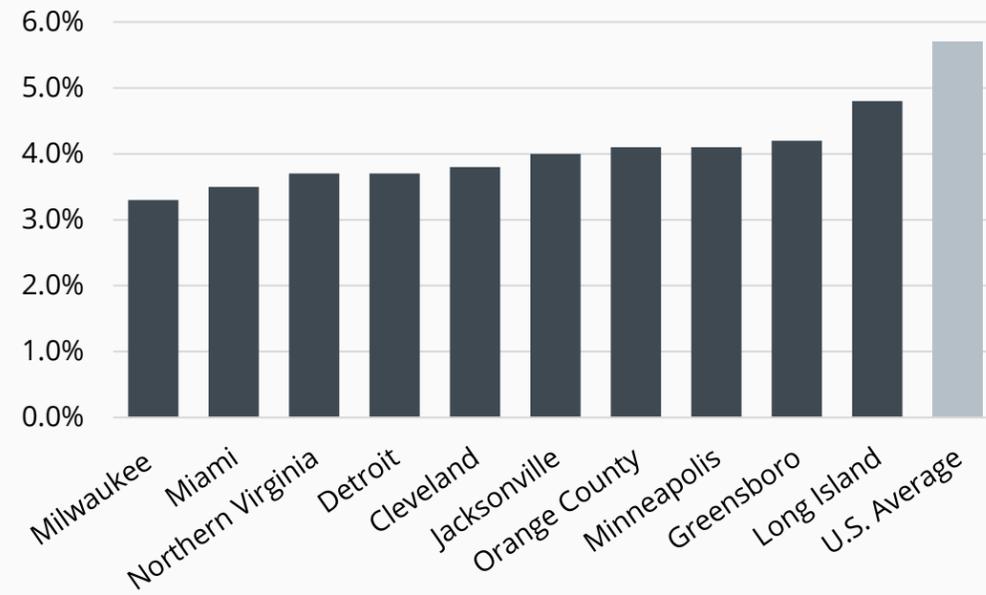
NET ABSORPTION

Q1 2024 Net Absorption



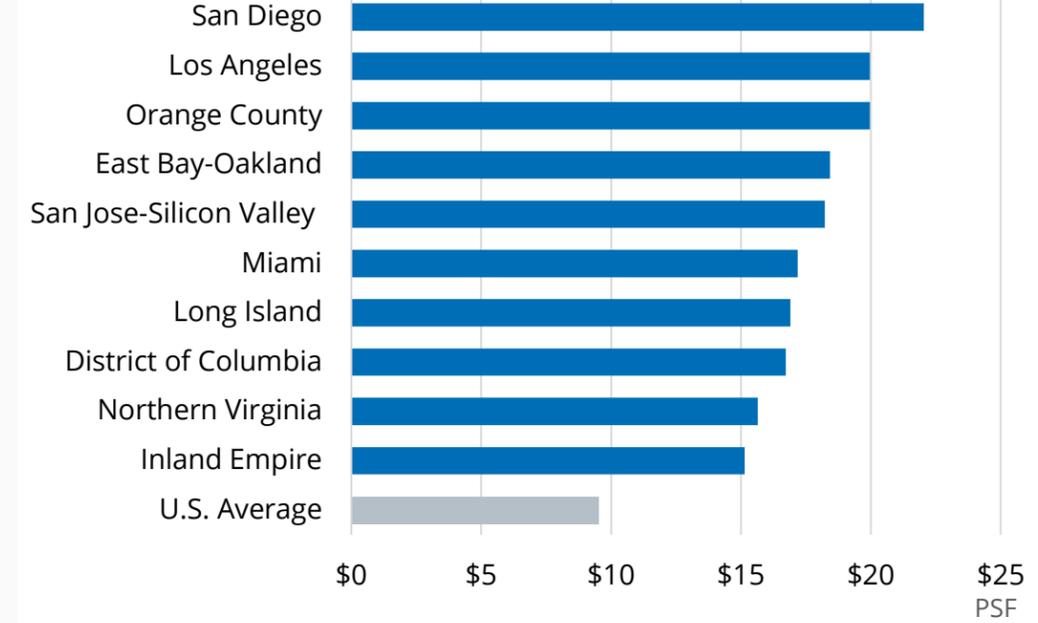
VACANCY/CONSTRUCTION

Q1 2024 Vacancy Rate

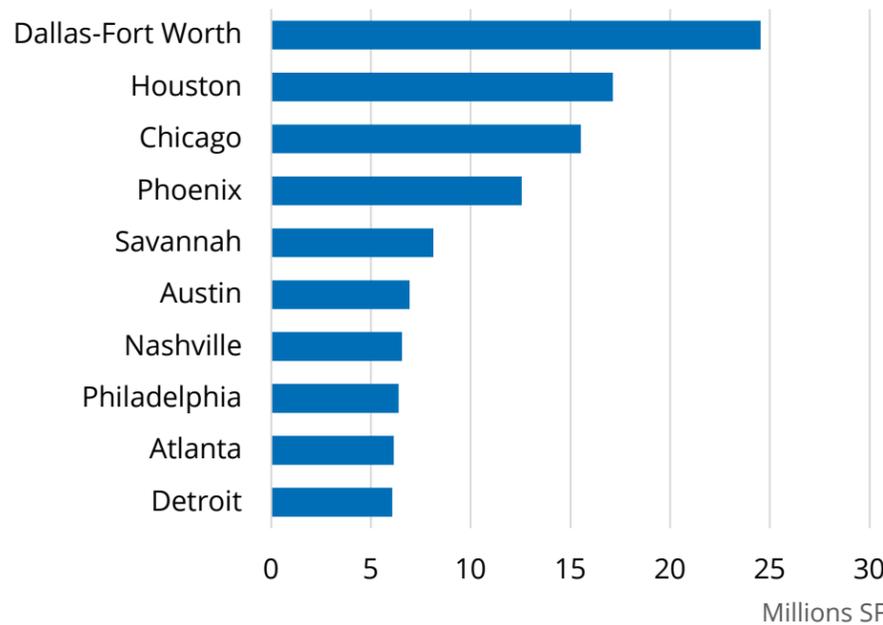


ASKING RENTS

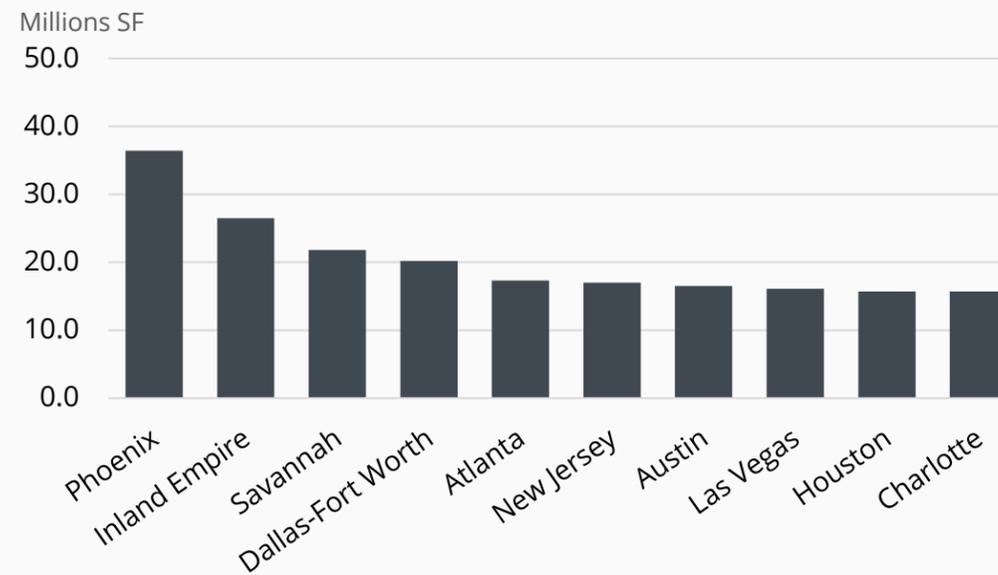
Q1 2024 Asking Rate NNN



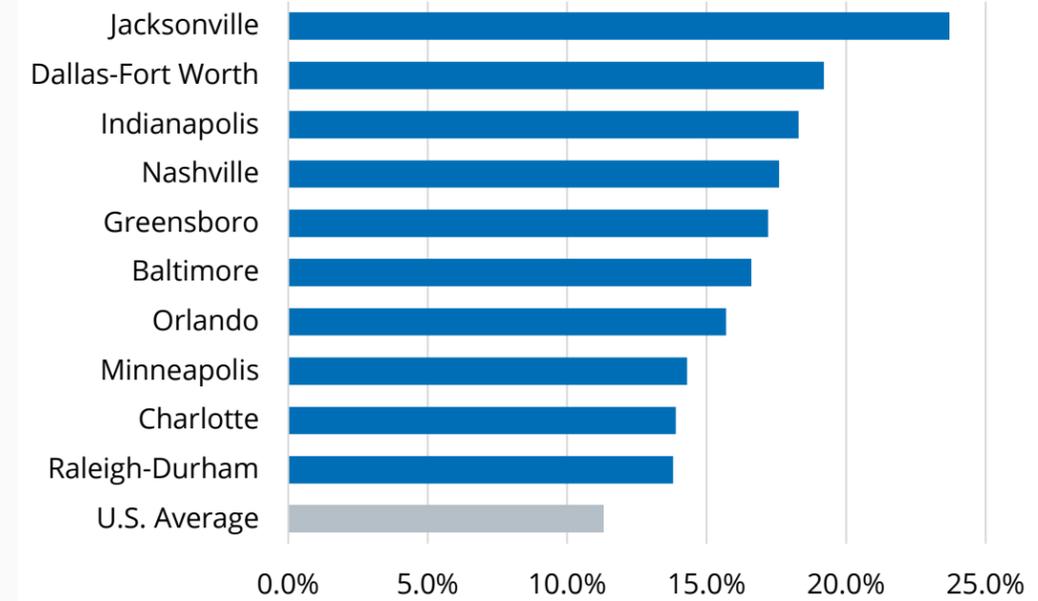
Trailing 4-Qtr Net Absorption



Q1 2024 Under Construction

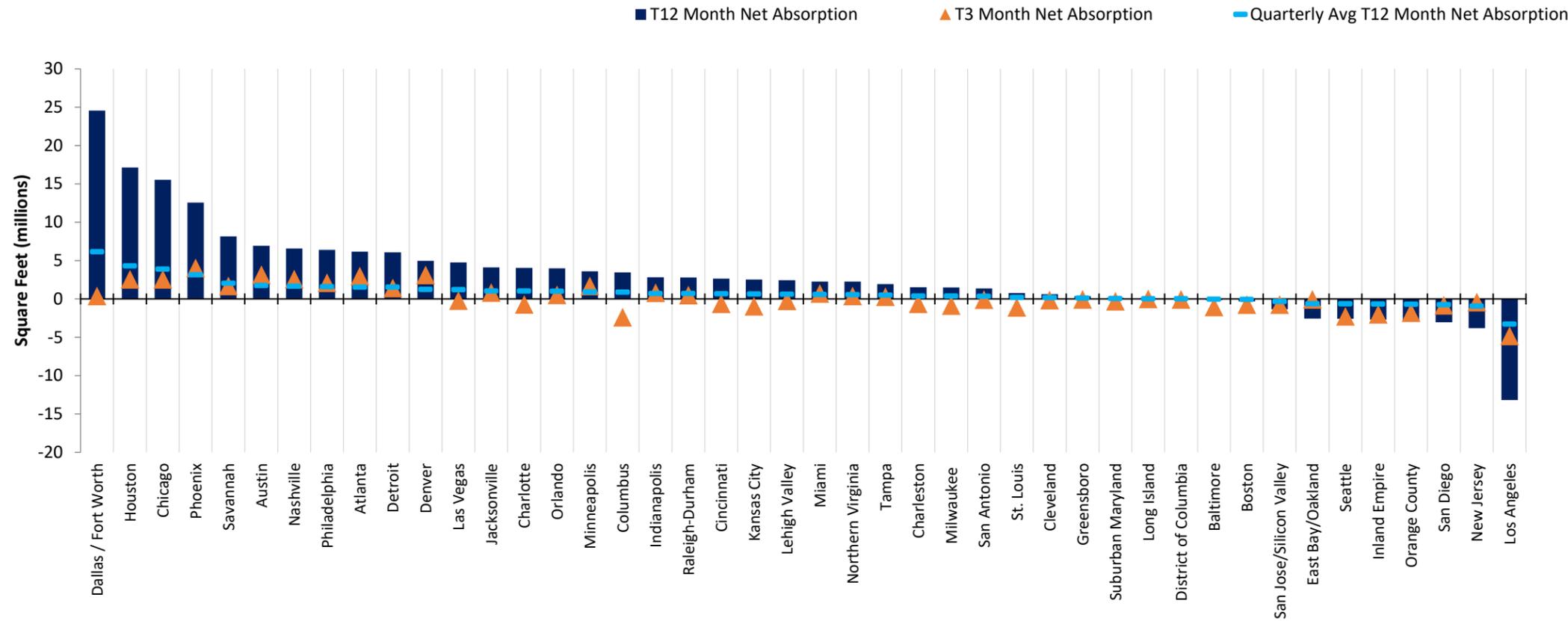


Year-Over-Year Rent Growth



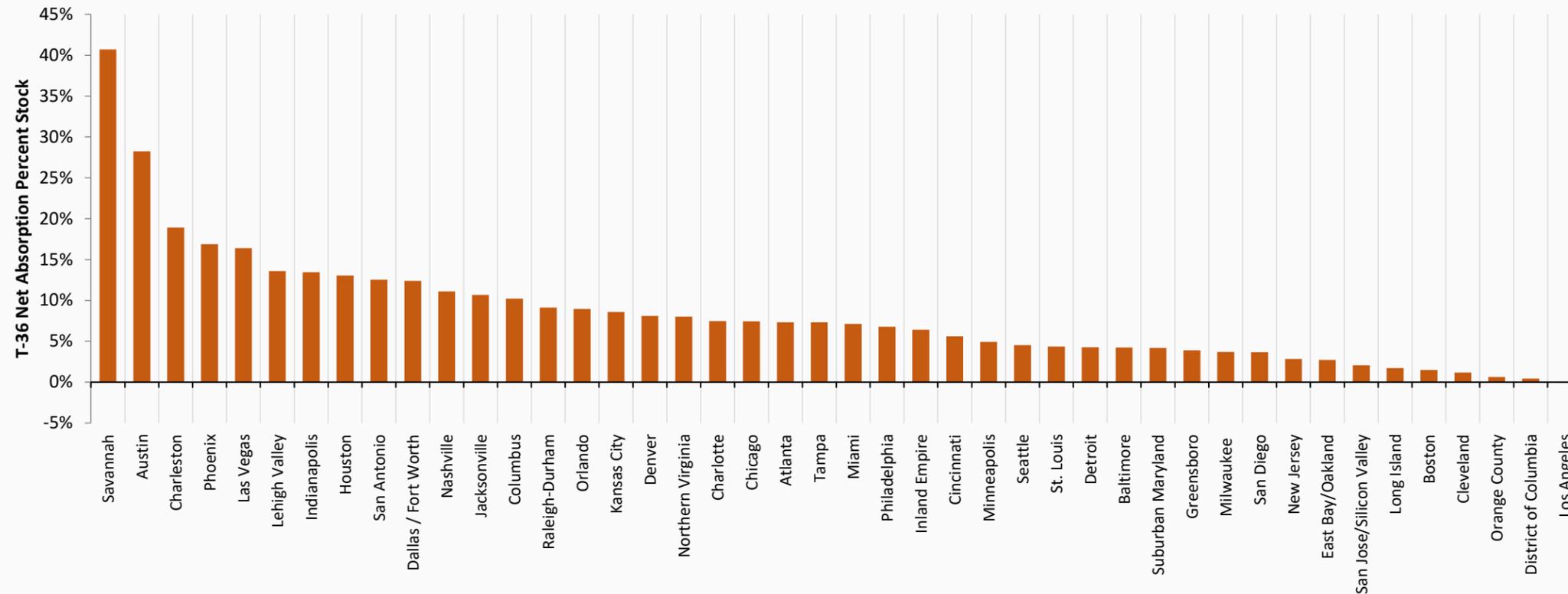
*Several factors can result in the variability of asking rent and rent growth figures including, but not limited to, the level of new construction and the number of available space with no listed asking rents,

NET ABSORPTION



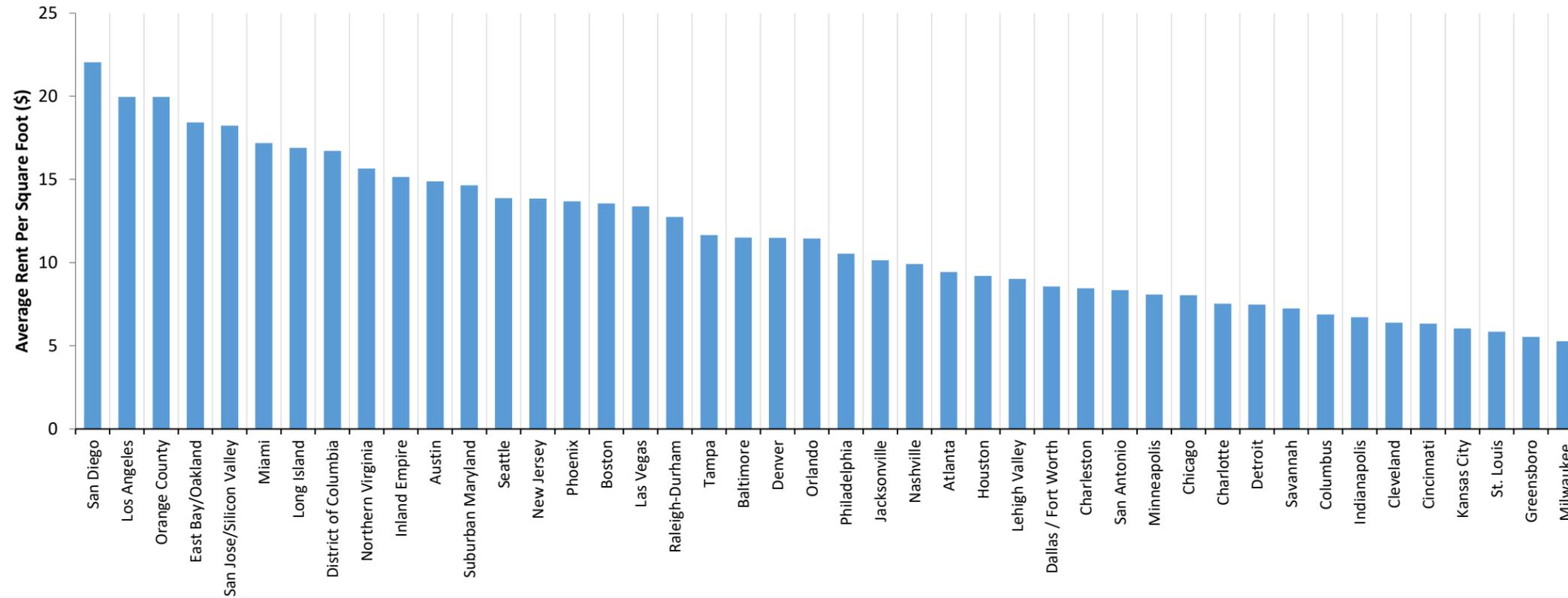
- Positive net absorption was reported in 75% of markets over the past 12 months, down from 82% in 4Q 2023.
- Growth decelerated in 1Q 2024 with only 25% of markets posting quarterly net absorption higher than the quarterly average for the past year.
- Over 63% of all net absorption over the past 12 months occurred in the top six markets: Dallas-Fort Worth, Houston, Chicago, Phoenix, Savannah, and Austin.

MARKET EXPANSION: 3 YEAR NET ABSORPTION % STOCK



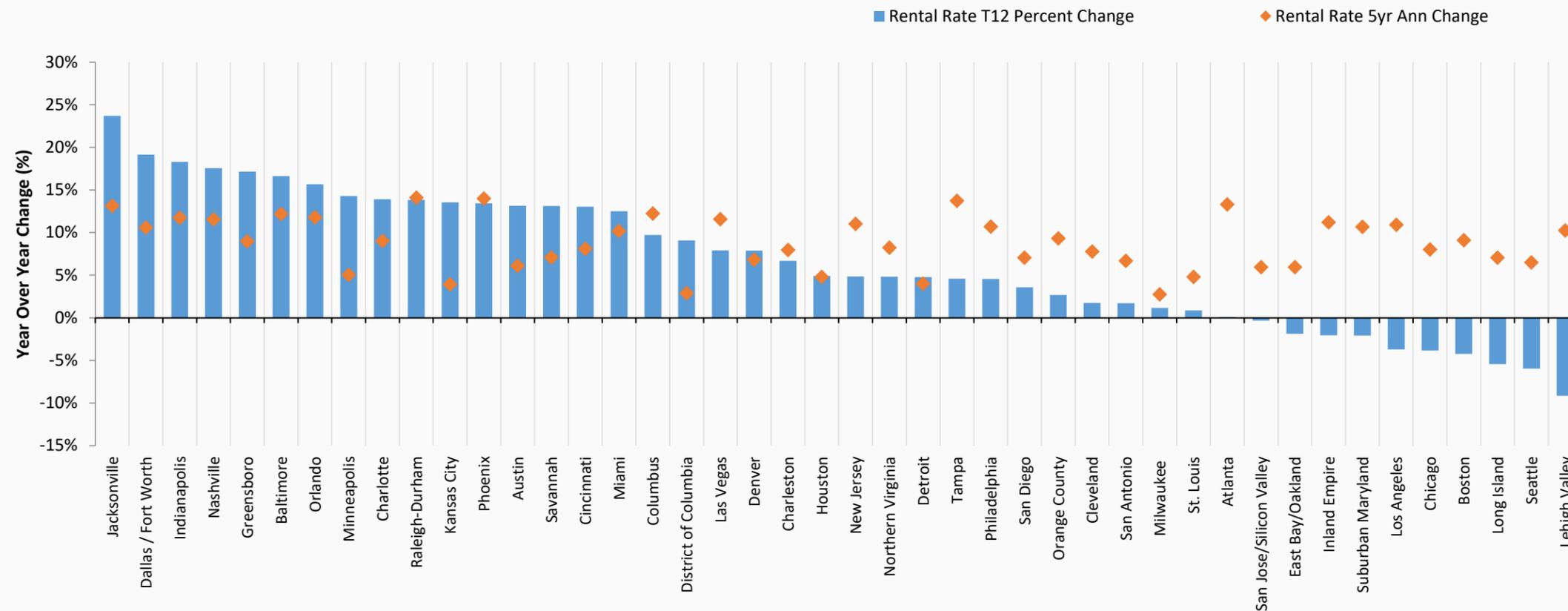
- Here, we consider 3-year net absorption as a percent of stock. A higher percentage indicates that a market is more expansionary.
- As population shifts to the Sun Belt, tenants continue to seek industrial space in the region. The top five markets for expansion are all located in the Sun Belt.

RENTAL RATES (NNN)



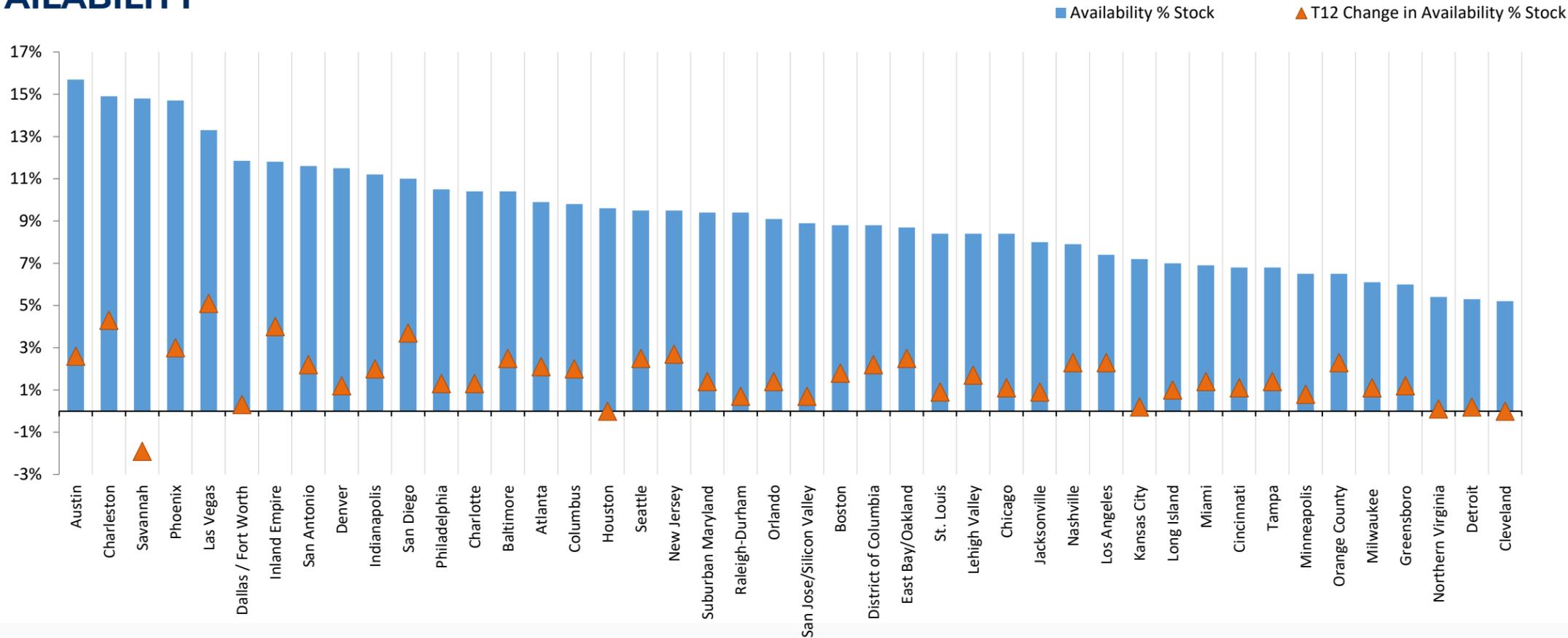
- The markets with the highest rental rates are predominantly located in the largest shipping port regions on the west and east coasts.
- The structural import of these locations, coupled with constraints on supply, account for many of the high rent averages in these core, coastal markets.

RENTAL RATE CHANGE



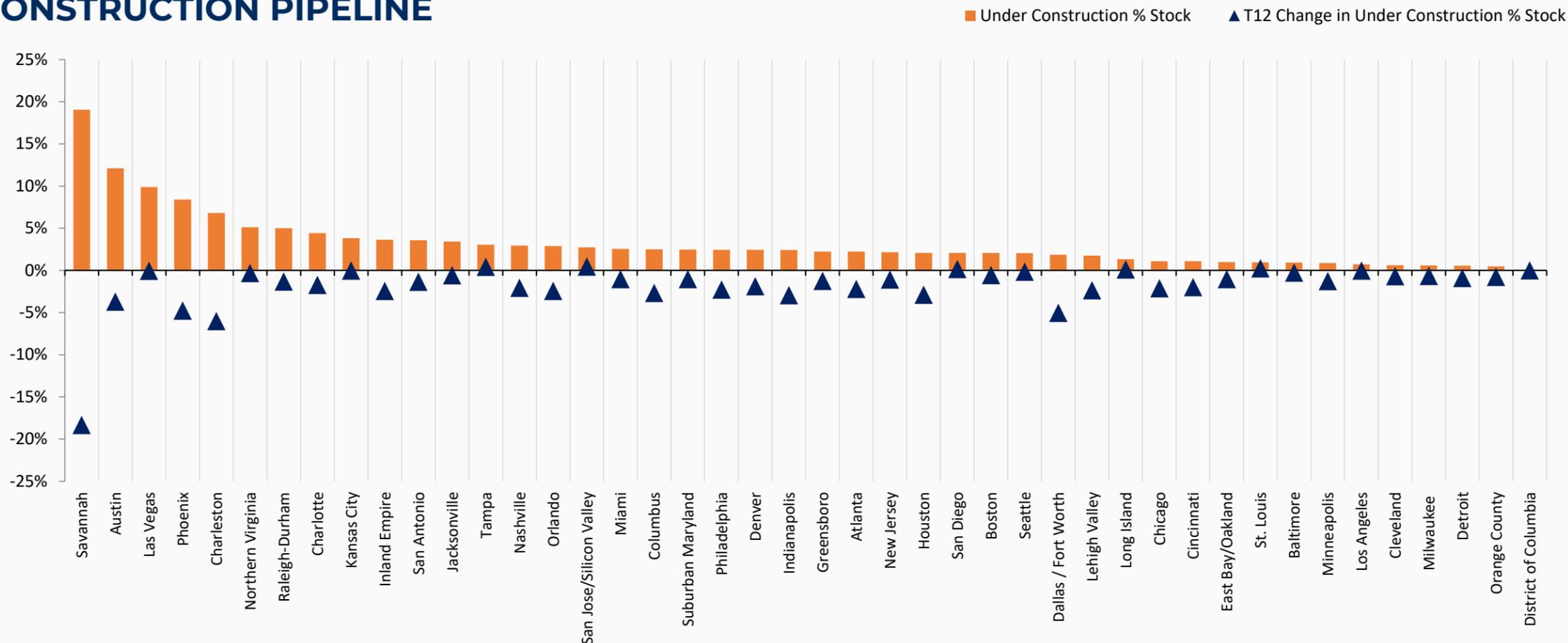
- Over 36% of markets experienced rent growth over 10% during the past year.
- However, many markets are experiencing heightened deliveries and a pull back in demand, slowing rent growth overall. Over 20% of markets experiencing a decline in rent over the past year.

AVAILABILITY



- Markets with the highest availability are also those with the highest construction levels and include fast-growing Savannah, Austin, Las Vegas, Phoenix, and Charleston.
- Many markets loosened over the last year as demand eased, with over 93% experiencing an increase in availability.
- Markets experiencing the largest increases in availability include Las Vegas, Charleston, and Inland Empire, all of which rose at least 400 basis points.

CONSTRUCTION PIPELINE



- Under construction stock is indicative of future expansion.
- Capitalizing on much-needed industrial real estate inventory due to substantial population growth and a recent shipping shift, developers continue to build in the Sun Belt. The region dominates the top 10 highest growth markets as it pertains to under-construction stock.
- Depressed demand and a difficult capital markets environment has caused construction to slow over the past year in over 85% of markets.

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	779,142,595	6.7%	6.0%	2,961,972	6,153,163	\$9.43	0.1%	17,339,209
Austin	136,138,424	9.3%	8.5%	3,160,549	6,939,883	\$14.88	13.2%	16,475,296
Baltimore	235,679,104	7.4%	6.6%	(1,058,678)	(155,597)	\$11.50	16.6%	2,181,699
Boston	340,431,545	6.0%	5.5%	(759,287)	(324,758)	\$13.56	-4.2%	7,027,075
Charleston	97,820,478	8.9%	7.4%	(615,000)	1,518,229	\$8.45	6.7%	6,677,590
Charlotte	354,597,941	7.7%	7.2%	(730,640)	4,042,482	\$7.53	13.9%	15,664,679
Chicago	1,350,975,458	5.4%	5.1%	2,562,750	15,523,138	\$8.04	-3.8%	14,803,151
Cincinnati	340,591,002	5.2%	4.9%	(617,868)	2,630,434	\$6.33	13.0%	3,705,484
Cleveland	332,380,336	3.8%	3.8%	(151,054)	632,267	\$6.38	1.8%	2,062,894
Columbus	352,538,802	7.9%	6.6%	(2,384,806)	3,448,467	\$6.88	9.7%	8,791,526
Dallas-Fort Worth	1,089,988,798	10.0%	8.1%	372,821	24,533,066	\$8.56	19.2%	20,226,065
Denver	263,504,872	7.8%	7.4%	3,115,889	4,977,334	\$11.49	7.9%	6,411,587
Detroit	587,366,375	3.7%	3.4%	1,434,074	6,070,688	\$7.48	4.8%	3,324,705
District of Columbia	8,719,769	6.2%	5.8%	(73,872)	(15,634)	\$16.72	9.1%	0
East Bay-Oakland	254,705,797	6.6%	5.3%	(56,219)	(2,563,782)	\$18.43	-1.9%	2,513,079
Greensboro	162,434,745	4.2%	3.8%	(73,975)	347,072	\$5.53	17.2%	3,629,985
Houston	754,365,630	7.5%	7.0%	2,561,064	17,123,501	\$9.20	4.9%	15,710,646
Indianapolis	402,080,496	8.9%	7.8%	793,109	2,815,255	\$6.72	18.3%	9,666,279
Inland Empire	730,126,173	6.9%	5.1%	(2,006,272)	(2,703,537)	\$15.14	-2.1%	26,482,442
Jacksonville	147,793,340	4.0%	3.6%	819,972	4,095,416	\$10.13	23.7%	5,039,924
Kansas City	331,812,889	5.5%	4.5%	(969,932)	2,535,945	\$6.04	13.5%	12,693,487
Las Vegas	163,037,406	6.1%	5.3%	(218,560)	4,763,451	\$13.38	7.9%	16,125,443

Market	Inventory Square Feet	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent NNN	Annual Rent Change	Under Construction
Lehigh Valley	160,376,960	5.2%	5.0%	(247,794)	2,429,978	\$9.02	-9.2%	2,811,530
Long Island	158,113,694	4.8%	4.4%	6,661	86,051	\$16.90	-5.4%	2,098,089
Los Angeles	932,438,428	5.0%	4.3%	(4,837,935)	(13,173,933)	\$19.96	-3.7%	6,653,798
Miami	249,762,054	3.5%	3.2%	712,197	2,247,084	\$17.18	12.5%	6,379,137
Milwaukee	250,193,644	3.3%	3.2%	(867,708)	1,497,444	\$5.27	1.2%	1,458,516
Minneapolis	404,244,017	4.1%	3.8%	1,699,144	3,607,978	\$8.08	14.3%	3,582,737
Nashville	254,192,681	5.0%	3.9%	2,593,663	6,560,721	\$9.91	17.6%	7,483,632
New Jersey	788,010,861	6.1%	5.4%	(408,461)	(3,810,330)	\$13.85	4.8%	17,011,318
Northern Virginia	125,621,136	3.7%	3.5%	392,811	2,244,340	\$15.65	4.8%	6,441,218
Orange County	273,539,374	4.1%	3.4%	(1,781,185)	(2,857,696)	\$19.96	2.7%	1,352,906
Orlando	185,658,502	5.8%	5.3%	525,831	3,974,738	\$11.45	15.7%	5,354,147
Philadelphia	586,127,287	7.2%	6.9%	2,105,732	6,390,108	\$10.54	4.6%	14,359,975
Phoenix	432,529,172	10.1%	9.4%	4,042,197	12,558,016	\$13.68	13.4%	36,390,698
Raleigh-Durham	143,312,173	6.7%	6.3%	496,595	2,791,489	\$12.75	13.8%	7,186,463
San Antonio	159,809,377	8.3%	7.8%	(90,920)	1,370,245	\$8.35	1.7%	5,721,958
San Diego	187,142,176	7.2%	5.9%	(828,934)	(3,026,602)	\$22.04	3.6%	3,896,303
San Jose-Silicon Valley	184,614,331	7.5%	6.6%	(745,041)	(1,352,296)	\$18.23	-0.3%	5,061,786
Savannah	114,248,312	13.2%	11.1%	1,689,175	8,136,666	\$7.24	13.1%	21,755,061
Seattle	327,127,972	7.3%	6.5%	(2,269,042)	(2,584,345)	\$13.87	-6.0%	6,719,558
St. Louis	317,284,421	5.0%	4.5%	(1,095,267)	757,883	\$5.85	0.9%	3,063,533
Suburban Maryland	108,871,289	7.1%	6.1%	(290,442)	150,554	\$14.65	-2.1%	2,681,295
Tampa	193,357,138	5.2%	4.9%	279,841	1,938,121	\$11.65	4.6%	5,913,497



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ABOUT THE TRANSWESTERN COMPANIES

Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award-winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all. 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 and can be skewed, in some cases, due to factors including, but not limited to, the level of new construction and the amount of available space with no listed asking rents.