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INDUSTRIAL REPORT
Spring 2018

Hitting Its Stride

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Industrial Sector Hits New Highs in 2017

Momentum to Continue in the Coming Quarters

After being largely bypassed by institutional investors for decades, the industrial sector has attracted new interest in recent years. The sector just posted its second year of record performance across key indicators and is heading for an even stronger 2018.

Behind the newfound attention is tremendous demand for space due to the skyrocketing growth in e-commerce, which relies heavily on fulfillment and distribution facilities near population centers. Institutional investors—both domestic and foreign—have embraced the story and are eager to get into the game in the early stages. According to the most recent MSCI IPD U.S. Quarterly Property Index, the industrial sector's 2017 total return was 12.1%, a figure that has benefited from strong demand for last-mile logistics assets.

Fundamentals back the optimistic outlook. Industrial vacancy rates fell to a record low 5% at year-end 2017, according to Cushman & Wakefield, even as new deliveries accounted for more than 232 million square feet during the year, including both speculative and build-to-suit properties. Meanwhile, rents reached an all-time high of $5.50 per square foot in fourth quarter 2017, up 5.4% year-over-year from the fourth quarter of 2016.