



Yardi Matrix

National Industrial Report

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2023: A Transformative Year

- This was a year of transition for the industrial sector. Port activity returned to normal, manufacturing surged in North America, and interest rate hikes dampened the pace of both transactions and new development.
- This past year saw further easing of the strains ports experienced during the pandemic. The largest ports were extremely stressed in previous years, but have seen activity return to pre-pandemic levels in 2023. The ports of Los Angeles and Long Beach, for example, handled 17% fewer containers through October than they had through the same period last year. While there are many reasons for this, one of the biggest has been subdued demand for goods. Consumer preferences rotated back toward services once the pandemic ended, and inflation has eaten away at consumers' discretionary income.
- The other factor behind port activity normalizing this year is the nearshoring and reshoring of manufacturing. Manufacturers want to avoid the kind of disruptions seen in 2020 and 2021, and are increasingly looking to move operations to North America. The past year may prove to be a major turning point in U.S. trade, with Mexico surpassing China as the country's No. 1 trade partner. In October, 15.5% of export volume was from Mexico while 15% was from China, according to the Census Bureau. Within the United States, production of electric vehicles and their batteries has led to dozens of large manufacturing facilities breaking ground throughout the Midwest and Southeast.
- Interest rate hikes continued in 2023, putting downward pressure on transaction volume and new development, both of which had record-setting years in 2021 and 2022. Through the end of November, \$48.6 billion in industrial sales had taken place, following \$129 billion in 2021 and \$101.2 billion in 2022. Despite the downturn in sales volume, the average sale price of an industrial property had a modest increase of 6% in 2023, moving from \$123 per square foot to \$130.
- More than 508 million square feet were delivered through the end of November, already the most for a calendar year tracked by Yardi Matrix. With a month left in the year and a lag in collecting some data, this year will far surpass the previous record of 506 million square feet of new deliveries set last year. The new-supply wave will crest soon, however, as starts have fallen precipitously in 2023. This year saw 282.4 million square feet in starts, down from 598 million square feet in 2022. Starts slowed as the year went on and interest rates continued to rise. The third quarter saw 66.2 million square feet of starts, following 93.1 million in the second quarter and 100.6 million in the first quarter.

