

INDUSTRIAL REPORT
Fall 2018

Exceptional Growth Driven by E-Commerce

Yardi® Matrix

Industrial Space: Soaring Demand Balanced by New Construction



Overview

- Vacancy dipped below 5% in the first quarter, a record low since the early 2000s.
- Nearly 125 million square feet of industrial space came online in the first half of the year, with a high volume of new construction in traditional core industrial markets.
- Growth of 15.4% year-over-year in e-commerce sales drives a need for distribution centers near dense population centers.

Bolstered by healthy economic fundamentals, the U.S. industrial real estate market continued its historic growth throughout the first half of the year. Roughly 177,000 jobs were added year-over-year in the trade, transportation and utilities sectors as of mid-year, up 1.1%, a 30-basis-point increase from the same period the previous year. Nearly 125 million square feet of industrial product came online nationally in the first half of the year, with a combined 32.4 million square feet of construction characterizing three of the largest industrial markets at the end of the second quarter, according to Yardi Matrix.

The industrial sector—and industrial real estate as a result—continued to benefit from growth in consumer spending on e-commerce. Retail sales volume totaled \$1.3 trillion in the second quarter of 2018, according to U.S. Census Bureau data, with e-commerce accounting for roughly 9% of that, at \$120.4 billion. That percentage continues to increase, with e-com-