



Yardi[®] Matrix

National Industrial Report

January 2021



Commercial Real Estate's Darling Asset Class

- Welcome to the first Yardi Matrix Industrial Monthly, our new report on the industrial real estate sector. This report will cover data on rents, occupancy, supply and transactions, as well as the sector's most relevant economic indicators.
- Industrial rents averaged \$6.38 per square foot in December, a 4.8% increase over the last 12 months, with all of the top 20 markets covered by Yardi Matrix experiencing at least some measure of growth in average rent over that time period. Increased demand for industrial space during the pandemic is causing tenants looking for new space to pay a premium, with the average rental rate for new leases signed in the last 12 months at \$7.26 per square foot. The average vacancy rate was 4.8%.
- Rent growth across the board bucks the trend of other commercial real estate asset classes. Both multifamily and office have a substantial share of markets with falling rents and increasing vacancies, something not seen among the top 20 industrial markets covered by Yardi Matrix.
- A record 228.4 million square feet of industrial space was delivered in 2020, the most new space delivered this century, according to Yardi Matrix. That high-water mark is a further indicator of the health of industrial real estate. These projects were well underway before COVID-19 induced a demand surge for industrial space, signifying that the industry was already on the upswing before last year put things into overdrive.
- Economic indicators confirm that the exuberance for industrial space is not irrational. E-commerce, which had been growing at roughly the same pace for years, has exploded during the pandemic and currently accounts for nearly one-fifth of core retail sales. Inventories dipped nearly 6% on a year-over-year basis, and have yet to see a significant bounceback. Inventories recovering to pre-pandemic levels would further increase aggregate demand for industrial space.
- Industrial finished 2020 with three-quarters of 2019's total sales volume, a smaller drop than other commercial real estate asset classes. Meanwhile, the average price per square foot of an industrial deal increased 7.1% in 2020 to \$92.89.

