



Yardi[®] Matrix

National Industrial Report

March 2021



Space Availability Shapes Industrial Market

- Industrial rents averaged \$6.47 per square foot in February, a 5.1% increase over the last 12 months. The average vacancy rate was 6.1%.
- The \$1.9 trillion economic stimulus bill recently signed into law should boost economic fundamentals this year as the country is vaccinated and rebounds from the pandemic. The Fed recently released its revised GDP projections for 2021, forecasting growth north of 6% for the year. While industrial demand exploded last year due to the unique circumstances of the pandemic, we expect growth this year will be driven by a rapidly recovering economy.
- While the supply boom continues across the nation, pipelines are larger in markets located in the middle of the country, where land is cheaper and geography is less of an issue. Phoenix, Dallas and Denver combined account for more than 17% (55 million square feet) of all development in the country and have an additional 59.7 million square feet in the planning stages. These markets have strong appeal as logistics and shipping hubs, but a continuous stream of new supply keeps rent growth modest, with Denver at 5.1%, Phoenix at 3.7% and Dallas at 3.6% over the last 12 months. Even a middle-country market with weaker rent growth like Kansas City (1.7% over the last 12 months) is rushing to add industrial space. Kansas City currently has 8.3 million square feet of new stock under construction and an additional 7.4 million in the planning stages.
- Yardi Matrix recorded \$4.7 billion of transactions nationally during the first two months of the year, with the average price per square foot up 10% from the fourth quarter of last year to \$112 per square foot.
- A lack of available space for new development is driving up sale prices. Recent trends show robust price growth in geographically constrained coastal markets, where land available for new industrial development is at a premium. Between 2016 and 2020, the average price per square foot of a sale in all three Southern California industrial markets increased more than 40%, with prices in Orange County moving from an average of \$158 per square foot to \$226, in Los Angeles from \$138 to \$197, and in the Inland Empire from \$80 to \$127. In New Jersey, prices grew from \$78 per square foot in 2016 to \$137 in 2020, a 75.4% increase. However, Boston takes the crown over the four-year period, with prices increasing 154.5%, from \$63 per square foot to \$160.

