U.S. Research Report

INDUSTRIAL MARKET OUTLOOK

Q2 2019

Colliers INTERNATIONAL

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U.S. Industrial Fundamentals Remain on Solid Ground Heading into the Second Half of 2019

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Featured Highlights

- At the halfway point of 2019, only 4.9% of the nation's industrial space was vacant — one of the lowest rates on record despite an impressive 125 million square feet of new construction completed. Because of record low vacancies, an all-time high of 306.1 million square feet was under construction at year-end.
- Growing consumer preference to purchase goods online continues to be the primary driver of industrial real estate demand. Occupiers are expanding warehouse locations to service online consumers and cut transportation costs, which should keep industrial real estate demand robust into the coming year, baring a major economic downturn.
- Tightening markets and new, higher-quality Class A space drove up average asking rents to a record $6.01 per square foot per year for warehouse/distribution space at year-end. While record high asking rents were a sign of a potential slowdown in previous cycles, growing transportation costs remain a greater concern for occupiers. Companies will continue to lease more warehouse space to lower average haul lengths and cut transportation costs, despite rising asking rents.
- Warehouse space, especially in urban locations with young populations, will attract top interest for both investors and occupiers as everyone tries to solve the "final-mile." With record low vacancies in these markets, more occupiers will look towards co-warehousing options in the coming quarters.
- U.S. industrial investment sales finished midyear below last year's pace with total transactions of $17.3 billion, a 13% decline. Despite the drop in total transactions, sales prices continue to ascend, finishing midyear 3.3% higher than the same period a year ago.
- The overall outlook for industrial real estate is positive with continued positive absorption, low vacancy rates and ascending asking rental rates. There are some headwinds picking up, however. The greatest threats to industrial demand will be weakening economic fundamentals and the continued threat of escalating global trade wars, each of which have the potential to lower demand for industrial product in the coming quarters.

Market Indicators

Relative to Prior Quarter

	Q2 2019	Q2 2020*
VACANCY	−	=
NET ABSORPTION	−	=
CONSTRUCTION	−	+
RENTAL RATE**	+	+

* Projected
** Warehouse rents

Summary Statistics | Q2 2019

U.S. Industrial Market

Vacancy Rate	4.9%
Change From Q2 2018	-0.1%
Markets With Lower Vacancies Compared With Q2 2018	58.0%
YTD 2019 Net Absorption	104.7 MSF
Markets WithPositive Absorption	72.8%
YTD 2019 New Supply from Construction	125.0 MSF
New Supply to Inventory	0.8%
Under Construction	306.1 MSF
ASKING RENTS PER SQUARE FOOT PER YEAR	
Average Warehouse/Distribution Center	$6.01
Average Manufacturing Space	$6.04
Average Flex Space	$12.56

The U.S. industrial market remains on solid ground with record low vacancies and record high asking rents. E-commerce has the industrial real estate market firing on all cylinders, creating robust demand for big-box buildings, final-mile distribution centers, flex space, and in certain parts of the country, manufacturing facilities.

U.S. Economic Indicators	
GDP	
Q2 2019	+ 2.1%
Q1 2019	+ 3.2%
PMI	
June 2019 PMI®	June 2019 PMI 51.7%, down 8.5 percentage points from June 2018
RAIL TIME INDICATORS: AAR.ORG	
Total Railcar Traffic	- 3.1% since July 18
Intermodal Traffic	- 3.5% since July 18

Sources: BEA, ISM, AAR

As we turn to the second half of 2019, many factors continue to support positive absorption, robust development and escalating rents. With online sales projected to continue its rate of ascent, occupiers will increase warehouse locations to lower haul lengths, and thus transportation costs and time to consumers. Occupiers will focus expansion to markets near major distribution hubs and growing population centers throughout the country.

While the overall outlook for industrial is positive, there are some economic, trade and logistical headwinds that may affect activity in 2019. These headwinds include a slowing global economy, continued trade issues with China, and growing labor shortages in an economy near full employment.

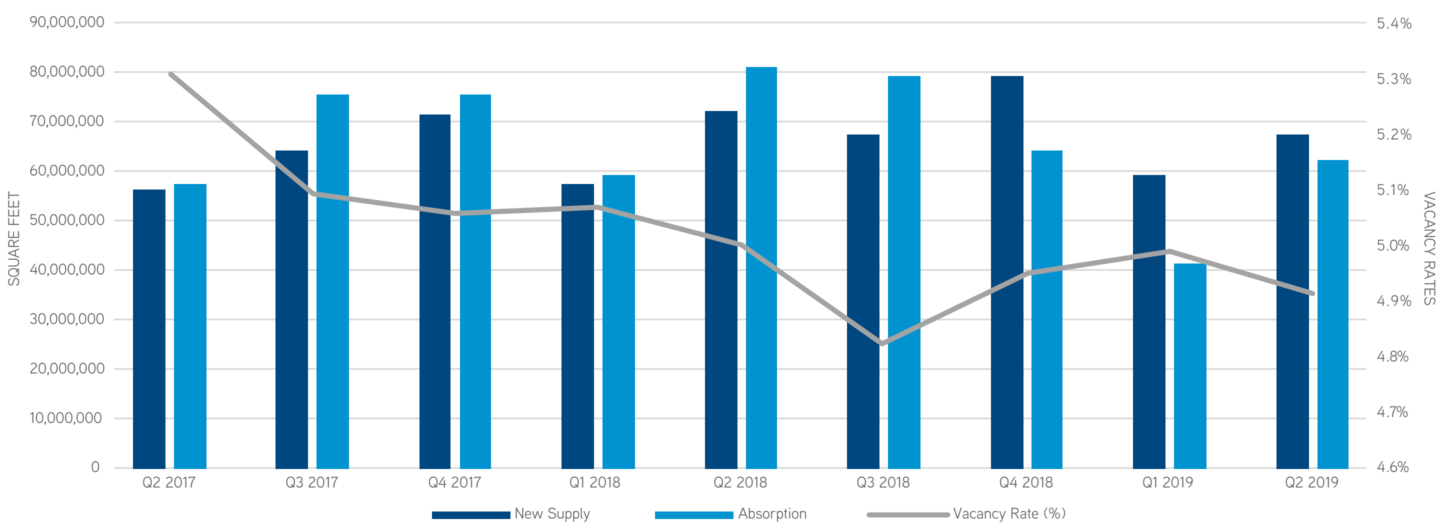
External Indicators Soften at Midyear

External indicators for industrial demand were solid at midyear, but lower compared with the same time a year ago. Steady U.S. hiring continued in the first half of 2019, providing a solid foundation for the decade long economic expansion at a time of global headwinds. Nonfarm payrolls rose by 164,000 in July, according to data released by the Labor Department. The unemployement rate last month held steady at 3.7%, near a 50-year low. Through the first seven months of 2019, employers added 165,000 jobs a month on average; while this is positive news it remains well below last year's average monthly pace of 223,000.

Despite solid job numbers, the Fed cut interest rates a quarter point, the first time it has taken this action since 2008. The Fed sighted a weakening global economy, anemic wage growth in the U.S. and increasing trade tensions as reasons for the cut. The cut in interest rates could help postpone a recession and will enable business investment and consumer spending to continue at higher rates than if interest rates had kept rising or even stayed the same.

U.S. Industrial Market

Q2 2017 to Q2 2019



Source: Colliers International

Looking ahead, business and consumer confidence, industrial output and business investment all remain at healthy, but declining, levels. Expect growth in the second half of 2019 to be in the mid-2% range, down from almost 3% in 2018.

While job growth and interest rate cuts are net positives for industrial real estate demand, recent transportation and manufacturing data point to a slowdown in goods production and movement. Rail traffic, which has gained in popularity the past few years because of its lower overall costs compared with truck transportation, posted a year-to-date decline of 3.1% in July. The Cass Freight Index, a measurement of total freight movement in the U.S. also declined 5.3% in July. Finally, the Institute for Supply Management (ISM) PMI survey for June showed a slowdown in manufacturing sentiment, at 51.7, however it is worth noting that a measurement more than 50 means participants in the survey still have an overall positive view of the sector. All of the slowdowns in external indicators for industrial real estate demand are a direct result in trade disruptions and if the downward trend continues, industrial real estate demand could be impacted.

U.S. Manufacturing Indicators | June 2019

INDEX	SERIES INDEX (JUN 2019)	SERIES INDEX (MAY 2019)	PERCENTAGE-POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)
PMI ®	51.7	52.1	-0.4	Growing	Slower	34
New Orders	50.0	52.7	-2.7	Unchanged	From Growing	1
Production	54.1	51.3	2.8	Growing	Faster	34
Employment	54.5	53.7	0.8	Growing	Faster	33
Supplier Deliveries	50.7	52.0	-1.3	Slowing	Slower	40
Inventories	49.1	50.9	-1.8	Contracting	From Growing	1
Customers' Inventories	44.6	43.7	0.9	Too Low	Slower	33
Prices	47.9	53.2	-5.3	Decreasing	From Increasing	1
Backlog of Orders	47.4	47.2	0.2	Contracting	Slower	2
Exports	50.5	51.0	-0.5	Growing	Slower	2
Imports	50.0	49.4	0.6	Unchanged	From Contracting	1
Overall Economy				Growing	Slower	122
Manufacturing Sector				Growing	Slower	34

*Number of months moving in current direction
Source: ISM

U.S. Industrial Market Absorption Rebounds but Remains Below Last Year's Pace

While external indicators slowed in Q2 2019, actual demand increased with occupancy gains of 60.9 million square feet, much higher than the first quarter's 42.1 million square feet. Year to date however, 104.7 million was absorbed, a 16% decrease from the same time a year ago. While the pick-up in net absorption in Q2 2019 is welcome news, the fact that 2019 net absorption remains well below 2018's pace signifies that we are past the peak of this cycle. Despite a drop in activity compared with the previous year, fundamentals for industrial real estate remain solid with record low vacancies, and record high asking rents and product under construction.

One trend that continues is the industrial markets reliance on new construction for positive net absorption. Because of tenants' insatiable demand, core markets — especially with land available to develop — are doing exceptionally well. Case in point is Dallas-Fort Worth, who finished midyear with the most construction completions (14.2 million square feet), product under construction (28.4 million square feet), and not surprisingly, took the top spot for overall net absorption at 12.9 million square feet. The other top markets for net absorption, including the Inland Empire (11.1 million square feet) and Chicago (8.9 million square feet), completed a significant amount of new construction.

Markets with robust new development did well the first half of 2019. 30 markets posted positive net absorption greater than one million square feet, with 23 of these markets completing more than one million square feet of new construction. Many of the top growth markets (net absorption as a percent of inventory), including Savannah, Greenville/Spartanburg/Anderson, Reno/Sparks and Salt Lake all posted robust new construction. On the flip side, markets with low-to-minimal new construction had a weak first half. At midyear, 20 markets (the highest since 2014) posted negative overall net absorption and 15 of these markets had construction completions less than one million square feet.

While e-commerce-only occupiers, like Amazon, remain top of mind for industrial landlords, they only made up 10% of the bulk transactions (100,000 square feet and above) signed in the past 12 months — this is in line with the percentage of total retail sales e-commerce accounts for. The top occupier remains third-party logistics and packaging companies (3PLs), signing 67 million square feet of bulk transactions, 25% of the total transactions signed. 3PLs who offer logistics and warehousing services for retailers and wholesalers who choose to outsource, remain the top occupier of industrial space because of the sheer volume of companies who service every industry in the business. While 3PLs were the top overall occupier, the food, beverage, and pet supplier segment grew the most compared with the previous year at a rate of 6.5% and furthermore, they were the only occupier type to post a growth in year-over-year bulk transactions.

The Midwest beat out the Southeast as the top region of choice for bulk industrial occupiers, with 32% of the bulk transactions signed in the region. Both industrial and manufacturing occupiers continue to move into the market in droves because of the region's pro-business climate and significant logistics advantages. The Southeast region is still doing well as occupiers move into the region to support the growing population. At the time of this report, more than 70 million people populate the Southeast region, and this is expected to grow by a nation-leading 7% over the next five years. The West region finished in third, thanks to continued strong demand in the Inland Empire, which remains one of the top markets in the country for bulk leasing activity.

Industrial Real Estate Investment Activity Drops from a Lack of Supply

Investment activity was solid for the first half of 2019 but below last year's pace. Sales volumes totaled $17.3 billion, a 13% decline compared with the same time a year ago. Despite the drop in transaction volume, sales prices continued to ascend, finishing midyear at 13.3% higher than the same time a year ago. The rise in prices is a clear sign that investor demand for industrial product has not waned, rather there is just a lack of supply to purchase, especially in core markets.

Despite some uncertainty in the future of the U.S. economy, capitalization rates (cap rates) were largely unchanged over the past 24 months. Cap rates for flex assets averaged 6.7% at midyear, while warehouse cap rates finished at 6.3%. Cap rates in newer product and in core markets remain much lower than the national average, however. Markets including the New York boroughs, Los Angeles, Inland Empire and Northern California all finished midyear with cap rates less than 5%. Cap rates also vary by size range with big-box buildings (200,000 square feet and greater) finishing midyear with a cap rate of 5.7%. Having Amazon as a tenant lowered cap rates, with these facilities trading at a 4% to 5% range.

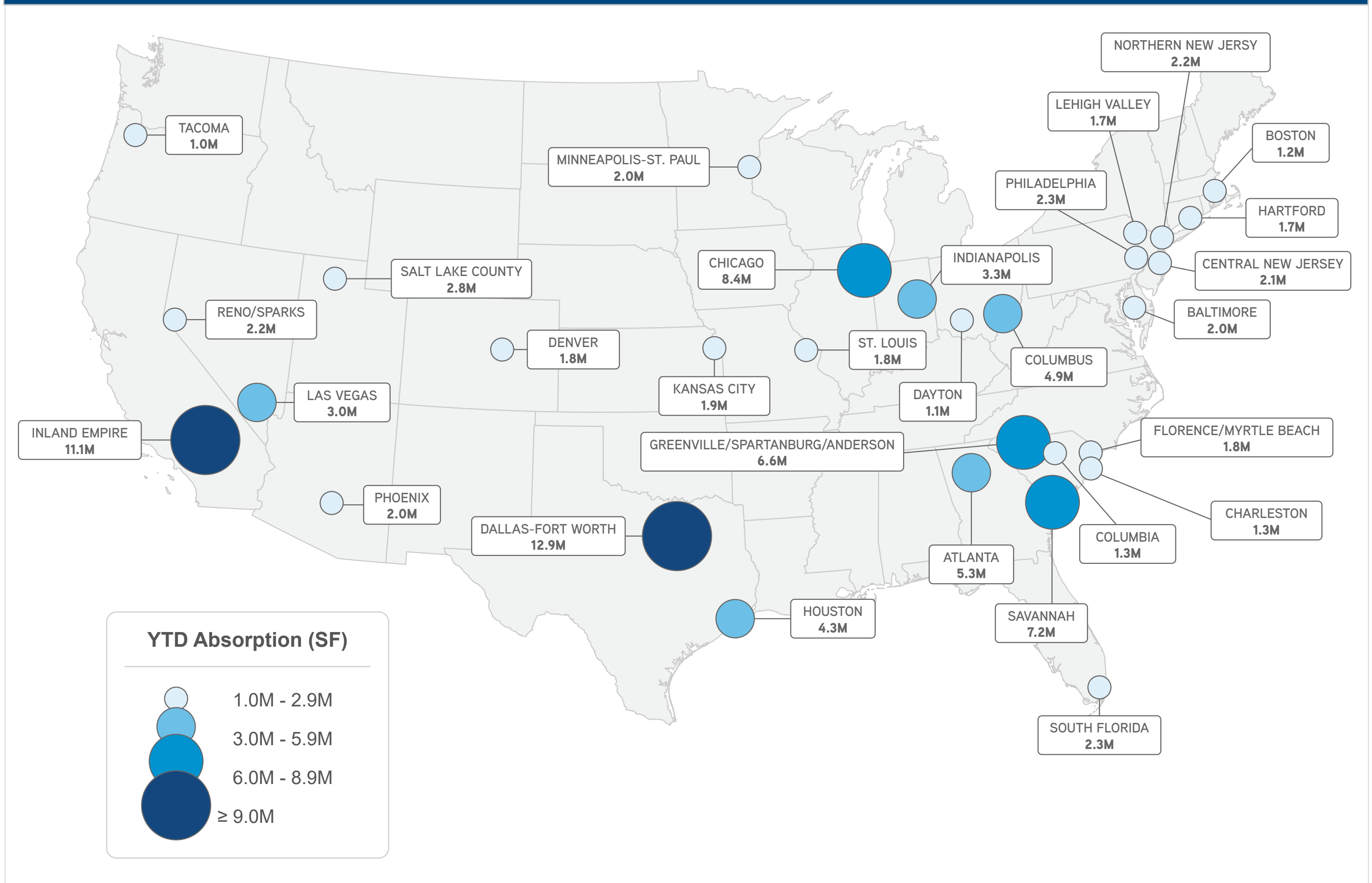
Looking ahead, investors will continue to focus on secondary and tertiary markets where it seems to be easier to find owners willing to sell and there is more room for rental rate growth. Some markets expected to continue to increase in demand in the coming quarters include Indianapolis, Boston, Minneapolis and Central Florida. Markets with large quantities of urban warehousing with high rents and low vacancies, including the Washington, D.C. area, San Diego, Long Island and South Florida, will see increased institutional owner interest. Emerging regional distribution hubs including Las Vegas, Greenville, Savannah and the inland markets of Northern California including Sacramento and Stockton will see the largest increase in demand, as investors will view these markets as strong alternatives to nearby core industrial markets with limited inventory available to purchase. Overall, while a lack of supply and economic and trade headwinds could lower investment volumes below its current pace, the sector will remain a favorite commercial product type for investment in the coming quarters.

U.S. Industrial Overview | Midyear 2019

	UNITED STATES	WEST	MIDWEST	SOUTH	NORTHEAST
Inventory	15,741,736,131	4,305,963,485	4,400,485,106	4,836,527,339	2,198,760,201
% of U.S. Inventory	100%	27.3%	28.0%	30.7%	14.0%
2019 YTD New Supply	125,005,032	26,762,024	28,780,611	57,820,418	11,641,979
% of 2019 YTD New Supply	100%	21.4%	23.0%	46.3%	9.3%
YTD 2019 Net Absorption	104,681,448	25,672,053	20,959,674	45,038,836	13,010,885
% of YTD 2019 Net Absorption	100%	24.5%	20.0%	43.0%	12.4%
YTD 2019 Overall Vacancy Rate	4.9%	3.8%	5.2%	5.6%	5.2%

Source: Colliers International

Top 30 Markets: Overal Net Absorption



What's Ahead for Industrial Real Estate?

Top Trends That Will Impact Industrial Real Estate in the Coming Quarters

GLOBAL TRADE

The movement of goods from sea, air and inland ports to their final destination is a key driver of the U.S. industrial market, but the trade dispute with China could undermine industrial demand, especially in port and manufacturing markets. China, who was once our top trading partner — for both imports and exports — has lowered the amount of American-made goods purchased and has seen a drop in exports to the U.S. Mexico has now taken over as the top trading partner with the U.S. in recent months.

Tariffs have hurt the Chinese economy and reciprocal tariffs have lowered Chinese demand for American-made goods. If this trend continues, demand from manufacturing occupiers, which accounted for nearly 13% of total industrial transactions during the first half of 2019, could decline and hurt regions in the Midwest and Southeast.

The possible rise in prices for goods in the U.S. could also hurt consumer spending, which will have an overall negative effect on distribution in the coming quarters. The upcoming holiday shopping season will paint a picture if and how much the trade dispute with China will impact Americans spending habits and thus the industrial real estate industry.

USING AMENITIES AND AUTOMATION TO SOLVE THE LABOR CRISIS

Growing labor shortages represents a key challenge ahead for the distribution industry. The U.S. unemployment rate hovers near a 50-year low. With industrial related hiring already at all-time highs, the insatiable need for labor to service growing e-commerce demands, combined with an economy at nearly full employment, is

exacerbating the labor shortage for distribution workers in many markets. Thus, occupiers and developers alike will deploy a number of strategies to attract the workers required for supply chain optimization.

A new trend, which will gain traction in the coming quarters to attract labor, is to offer more amenities and benefits. Distribution centers throughout the country are starting to look more like creative office space with break rooms including couches, ping pong tables and basketball courts. Other perks include daycare for children. Companies are recognizing that in order to attract and retain talent, both in the warehouse and in corporate America, they must entice the millennial and Gen Y crowd. These groups, as a whole, are more likely to work for a brand that they admire, even in distribution capacities. Developers will take notice of this trend, offering these build-outs as part of tenant improvement packages.

No matter how creative companies become in attracting and retaining talent, automation can reduce pressure placed on labor. By introducing automation into distribution centers, companies increase human efficiency by reducing the time it takes to complete any task as well as decrease the need for additional labor to accommodate demand, particularly seasonal demand. Reliance on automation will continue to increase as labor remains scarce and technology continues to advance. Developers will need to be ready as automation requires different building designs and build-outs including space for maintenance, higher clear heights for conveyor systems and more flexible and reliable power sources.

GETTING CREATIVE TO SOLVE THE FINAL-MILE

Consumers increasingly expect e-commerce orders to be fulfilled and delivered in two days or less. However, the costs of executing this quick delivery are the most expensive portion of the total transportation costs. To mitigate final-mile transportation costs, shippers increasingly find it more effective to locate their facilities closer to the end consumer base, despite facing higher lease rates.

In many populous areas, industrial markets are mature with low vacancies and few options for development. This is forcing occupiers to get more creative and utilize functionally obsolete industrial or converted retail space to service the end users. Although oftentimes not ideal for large-scale distribution, repurposing urban assets can meet the immediate needs for final-mile facilities. However, the cost to redevelop these properties can be excessive and not feasible in many locations. One way redevelopments could increase in urban areas is the use of tax and other incentives in newly enacted opportunity zones.

Top 5 Markets Midyear 2019: Transaction Volume	
Los Angeles County	$2,487 Million
Inland Empire	$2,327 Million
NYC Boroughs	$1,530 Million
Dallas-Fort Worth	$1,474 Million
Chicago	$1,469 Million

Source: Colliers International

Top 5 Markets Midyear 2019: Overall Net Absorption	
Dallas-Fort Worth	12.9 MSF
Inland Empire	11.1 MSF
Chicago	8.4 MSF
Savannah	7.2 MSF
Greenville/Spartanburg/Anderson	5.6 MSF

Source: Colliers International

Another way companies will solve the final-mile is by utilizing co-warehousing facilitators to find space to store and ship products in highly populated areas. Industrial occupiers looking to service the final-mile are using co-warehousing platforms to find locations where its inventory can be stored and delivered. Typically, this space can be found in 3PL-occupied facilities. The main purpose of a 3PL is to store and deliver a wide range of products. The partnership of a 3PL with co-warehousing facilitators enables companies to fill any unused wracking, maximize warehouse locations and efficiently utilize labor — a very enticing option.

However, it's important to note that direct retailers and wholesalers are less likely to market available space on co-warehousing platforms due to zoning issues and labor. These companies focus on their own brand and have uses already set for their particular product — unlike 3PLs who typically distribute multiple brands and product types in one location. Because of this, partnering with co-warehousing facilitators to fill up unused space in direct retail or wholesale distribution centers is not practical.

IF YOU BUILD IT, THEY WILL COME

While headwinds have presented themselves throughout this cycle, the projected global economic and trade issues present the strongest danger to industrial real estate demand since the end of the recession. While these headwinds could lower the current pace of activity, the need to increase warehouse locations to optimize supply chains and cut down on transportation costs could yet again keep industrial fundamentals strong in the second half of 2019. E-commerce already accounts for more than 11% of non-auto retail sales in the U.S. and, according to eMarketer, will surpass 16% by 2021.

Occupiers will continue to need new warehouse facilities with modern amenities to service the growing number of people purchasing goods online. The good news for the U.S. industrial market is a record 306 million square feet is now under construction, and many of the markets that posted low or negative absorption because of a lack of new product have an increased amount of new product in the pipeline. While this means net absorption should increase in the coming quarters, a question to be answered will be if there will be an influx of Class B vacant product hitting the market, and if so, who will occupy this these types of facilities. This will be a major question for the industrial market going forward.

United States | Industrial Survey | Inventory, New Supply, Under Construction

MARKET	INVENTORY Q2 2019 (SF)	TOTAL NEW SUPPLY Q2 2019 (SF)	TOTAL UNDER CONSTRUCTION (SF)	SUM OF NEW SUPPLY YTD
NORTHEAST				
Baltimore Metro Area	215,214,806	2,209,380	9,088,594	2,209,380
Boston	158,354,387	66,100	1,868,000	629,100
Hartford	111,527,830	-	-	-
New Hampshire Markets	67,750,992	-	15,675	-
New York City Metro Area	839,901,875	2,217,965	9,895,074	5,157,956
> Central New Jersey	328,270,681	1,536,660	3,531,986	3,033,866
> Long Island	152,564,984	50,000	436,054	66,270
> Northern New Jersey	359,066,210	631,305	5,927,034	2,057,820
Philadelphia Metro Area	459,215,954	1,601,021	9,047,698	2,229,461
> Lehigh Valley	90,795,875	1,238,901	4,590,057	1,417,981
> Philadelphia	368,420,079	362,120	4,457,641	811,480
Pittsburgh	137,578,648	104,813	296,908	209,626
Washington, D.C.	209,215,709	682,688	1,696,107	1,206,456
Northeast Total	**2,198,760,201**	**6,881,967**	**31,908,056**	**11,641,979**
SOUTH				
Atlanta	719,648,643	4,767,702	20,549,612	10,241,637
Augusta/Aiken	13,565,007	-	-	-
Austin	52,936,505	302,800	1,780,068	480,198
Birmingham	128,784,067	-	-	-
Charleston	55,639,797	-	4,046,346	210,703
Charlotte	211,201,260	709,298	7,730,942	1,717,876
Columbia	71,288,384	-	1,198,056	-
Dallas-Fort Worth	853,902,720	6,303,713	28,422,858	14,214,995
Florence/Myrtle Beach	38,061,947	-	-	-
Greenville/Spartanburg/Anderson	207,078,598	-	8,682,769	2,784,139
Houston	586,556,939	5,525,746	14,143,700	8,748,385
Huntsville	33,480,483	-	95,000	-
Jacksonville	137,166,647	775,542	6,750,050	1,379,462
Memphis	253,381,897	15,000	7,277,974	52,000
Nashville	203,984,103	2,391,808	1,296,459	3,681,193
Norfolk	77,952,845	-	772,050	-
Orlando	148,345,156	904,314	3,078,820	1,677,064
Raleigh/Durham	64,605,605	-	166,800	120,000
Richmond	105,147,980	451,000	1,530,729	451,000
Savannah	77,908,913	3,601,280	6,318,704	6,609,819
Shenandoah Valley/I-81 Corridor	195,737,094	-	4,724,100	1,557,624
> North Shenandoah Valley	121,739,439	-	4,544,100	1,557,624
> South Shenandoah Valley	73,997,655	-	180,000	-
South Florida	379,911,406	1,005,354	4,453,051	2,231,157
> Fort Lauderdale	111,805,436	531,552	1,261,790	1,143,323
> Miami	214,716,840	473,802	2,911,261	1,031,674
> Palm Beach	53,389,130	-	280,000	56,160
Tampa Bay	220,241,343	1,613,166	6,447,411	1,663,166
South Total	**4,836,527,339**	**28,366,723**	**129,465,499**	**57,820,418**

United States | Industrial Survey | Inventory, New Supply, Under Construction

MARKET	INVENTORY Q2 2019 (SF)	TOTAL NEW SUPPLY Q2 2019 (SF)	TOTAL UNDER CONSTRUCTION (SF)	SUM OF NEW SUPPLY YTD
MIDWEST				
Chicago	1,395,413,155	4,706,481	17,106,456	8,351,848
Cincinnati	261,804,416	1,956,818	10,289,471	2,903,479
Cleveland	366,792,587	1,274,500	2,354,525	1,857,365
Columbus	245,424,833	1,363,600	3,362,729	2,727,200
Dayton	94,682,678	786,000	1,021,000	855,000
Detroit	557,654,887	528,657	4,107,250	1,123,231
Grand Rapids	113,657,891	-	1,878,407	522,869
Indianapolis	257,794,247	2,316,445	11,452,076	2,829,297
Kansas City	264,017,111	521,000	4,519,104	2,130,230
Milwaukee	270,338,281	468,000	6,526,852	1,037,030
Minneapolis-St. Paul	256,559,754	44,000	1,926,444	1,471,451
Omaha	73,468,075	84,350	1,314,579	116,350
St. Louis	242,877,191	1,689,741	5,287,765	2,855,261
Midwest Total	**4,400,485,106**	**15,739,592**	**71,146,658**	**28,780,611**
WEST				
Albuquerque	39,510,270	-	-	-
Bakersfield	36,579,604	-	-	10,870
Boise	46,493,721	-	456,000	-
Central Idaho	20,957,792	-	-	-
Denver	271,763,833	1,492,278	4,664,380	2,782,366
Eastern Idaho	7,903,818	-	-	-
Fresno	53,446,577	19,418	-	38,836
Greater Los Angeles	1,627,574,253	3,545,300	32,883,900	8,960,506
› Inland Empire	531,487,400	3,260,400	25,541,000	7,650,200
› Los Angeles	896,722,700	284,900	6,737,200	1,041,806
› Orange County	199,364,153	-	605,700	268,500
Honolulu	40,543,506	-	95,881	-
Las Vegas	136,809,902	2,236,028	4,587,478	2,814,036
Phoenix	295,838,469	1,654,960	5,990,703	1,960,317
Portland	198,870,399	181,888	1,600,956	535,663
Reno/Sparks	89,667,936	1,861,465	1,740,300	1,861,465
Sacramento	157,812,246	473,016	790,672	473,016
Salt Lake City	162,888,939	371,696	1,740,024	1,146,675
› Salt Lake County	124,342,533	217,739	498,455	368,968
› Utah County	38,546,406	153,957	1,241,569	777,707
San Diego	193,113,618	76,512	1,837,344	1,201,950
San Francisco Bay Area	542,076,227	39,028	7,649,322	452,782
› East Bay	184,401,986	-	3,878,834	332,091
› Fairfield	51,819,427	39,028	998,151	120,691
› San Francisco Peninsula	57,213,642	-	317,005	-
› Silicon Valley	248,641,172	-	2,455,332	-
Santa Fe	1,469,884	-	-	-
Seattle/Puget Sound	266,518,942	2,191,453	3,274,494	2,393,453
› Bellevue	17,346,900	-	-	-
› Everett	44,100,009	635,514	206,720	635,514
› Kent Valley	98,579,339	927,989	394,665	927,989
› Seattle	40,514,533	71,460	-	71,460
› Tacoma	65,978,161	556,490	2,673,109	758,490
Stockton	116,123,549	1,723,644	6,293,121	2,130,089
West Total	**4,305,963,485**	**15,866,686**	**73,604,575**	**26,762,024**
U.S. TOTAL	**15,741,736,131**	**66,854,968**	**306,124,788**	**125,005,032**

United States | Industrial Survey | Absorption, Vacancy				
MARKET	ABSORPTION Q2 2019 (SF)	YTD ABSORPTION	VACANCY RATE PREVIOUS QUARTER	VACANCY RATE Q2 2019
NORTHEAST				
Baltimore Metro Area	1,487,541	1,961,903	8.1%	8.3%
Boston	588,495	1,240,171	10.6%	10.2%
Hartford	1,468,790	1,731,330	5.9%	4.8%
New Hampshire Markets	-257,316	-296,438	5.9%	6.2%
New York City Metro Area	3,969,467	3,970,495	3.4%	3.2%
› Central New Jersey	2,309,557	2,127,862	2.6%	2.4%
› Long Island	63,046	-388,652	3.6%	3.6%
› Northern New Jersey	1,596,864	2,231,285	4.0%	3.8%
Philadelphia Metro Area	2,162,044	3,978,136	4.9%	4.7%
› Lehigh Valley	1,309,314	1,654,837	4.4%	4.3%
› Philadelphia	852,730	2,323,299	5.0%	4.8%
Pittsburgh	-18,683	-37,366	5.6%	5.6%
Washington, D.C.	175,699	462,654	6.7%	6.9%
Northeast Total	**9,576,037**	**13,010,885**	**5.3%**	**5.2%**
SOUTH				
Atlanta	4,263,103	5,308,818	6.3%	6.3%
Augusta/Aiken	-290,872	-105,193	11.5%	13.6%
Austin	-150,833	-126,931	7.7%	8.4%
Birmingham	164,792	462,993	3.6%	3.3%
Charleston	632,810	1,287,761	8.2%	8.7%
Charlotte	-100,647	31,545	7.0%	7.3%
Columbia	757,094	1,262,924	7.0%	5.8%
Dallas-Fort Worth	6,020,734	12,899,381	6.3%	6.2%
Florence/Myrtle Beach	1,805,391	1,783,999	12.2%	7.6%
Greenville/Spartanburg/Anderson	2,173,064	5,570,396	5.0%	4.5%
Houston	1,896,206	4,258,386	5.7%	6.3%
Huntsville	89,089	649,304	7.7%	8.1%
Jacksonville	-315,383	-130,812	3.1%	3.8%
Memphis	-522,992	959,451	5.3%	5.6%
Nashville	55,171	153,895	4.8%	5.0%
Norfolk	358,769	320,117	4.4%	3.7%
Orlando	-694,284	-922,666	4.9%	5.9%
Raleigh/Durham	209,567	-80,095	5.7%	5.4%
Richmond	1,081,226	832,926	3.7%	3.1%
Savannah	5,213,485	7,195,557	4.5%	2.3%
Shenandoah Valley/I-81 Corridor	62,202	726,837	5.1%	5.1%
› North Shenandoah Valley	-40,152	528,174	3.7%	3.7%
› South Shenandoah Valley	102,354	198,663	7.5%	7.3%
South Florida	2,385,057	2,250,508	3.7%	4.0%
› Fort Lauderdale	212,104	104,636	3.1%	4.1%
› Miami	2,470,033	2,740,032	4.0%	4.0%
› Palm Beach	-297,080	-594,160	3.5%	3.5%
Tampa Bay	149,095	449,735	4.7%	5.7%
South Total	**25,241,844**	**45,038,836**	**5.5%**	**5.6%**

United States | Industrial Survey | Absorption, Vacancy

MARKET	ABSORPTION Q2 2019 (SF)	YTD ABSORPTION	VACANCY RATE PREVIOUS QUARTER	VACANCY RATE Q2 2019
MIDWEST				
Chicago	4,672,676	8,387,510	6.3%	6.3%
Cincinnati	120,964	-192,235	4.1%	4.7%
Cleveland	-656,737	-492,810	5.0%	5.5%
Columbus	2,469,762	4,939,524	4.8%	4.8%
Dayton	990,185	1,105,665	7.3%	7.0%
Detroit	-2,300,335	-1,567,076	4.8%	3.5%
Grand Rapids	-230,967	-92,278	1.7%	2.1%
Indianapolis	1,616,422	3,293,900	4.4%	4.7%
Kansas City	594,937	1,926,432	6.4%	6.2%
Milwaukee	145,858	272,995	3.9%	3.8%
Minneapolis-St. Paul	1,043,748	1,976,716	5.2%	4.9%
Omaha	-214,422	-349,330	3.3%	3.4%
St. Louis	1,307,842	1,750,661	6.2%	6.2%
Midwest Total	**9,559,933**	**20,959,674**	**5.3%**	**5.2%**
WEST				
Albuquerque	-167,522	215,615	2.8%	3.7%
Bakersfield	218,490	223,305	4.2%	3.7%
Boise	158,308	5,557	2.0%	1.7%
Central Idaho	40,898	40,898	1.4%	1.2%
Denver	1,357,873	1,794,503	4.8%	4.8%
Eastern Idaho	72,379	72,379	6.0%	5.1%
Fresno	2,842	5,684	4.7%	4.7%
Greater Los Angeles	6,726,500	11,584,500	2.6%	2.4%
› Inland Empire	5,384,100	11,060,100	3.6%	3.4%
› Los Angeles	1,468,500	777,200	1.6%	1.6%
› Orange County	-126,100	-252,800	3.8%	3.9%
Honolulu	-50,340	-5,936	1.9%	2.0%
Las Vegas	1,763,797	2,999,274	3.2%	3.5%
Phoenix	1,420,288	1,996,163	7.5%	7.1%
Portland	-234,434	-1,041,593	4.1%	4.2%
Reno/Sparks	1,543,773	2,171,049	5.0%	5.7%
Sacramento	-76,437	254,223	4.4%	4.7%
Salt Lake City	2,821,615	3,601,729	3.4%	2.9%
› Salt Lake County	2,053,312	2,785,069	3.6%	3.0%
› Utah County	768,303	816,660	2.9%	2.6%
San Diego	458,239	882,644	5.1%	5.3%
San Francisco Bay Area	-468,079	-1,218,005	3.8%	3.8%
› East Bay	-104,080	-875,126	2.9%	3.0%
› Fairfield	-1,059,683	-365,115	4.0%	6.1%
› San Francisco Peninsula	-110,388	-304,076	2.7%	2.6%
› Silicon Valley	806,072	326,312	4.5%	4.1%
Santa Fe	-4,020	-8,040	0.3%	0.3%
Seattle/Puget Sound	1,580,569	1,088,217	4.7%	4.9%
› Bellevue	-37,456	-54,553	3.9%	4.1%
› Everett	-9,933	215,433	3.1%	4.5%
› Kent Valley	775,339	182,480	5.4%	5.6%
› Seattle	-5,232	-289,442	4.7%	4.7%
› Tacoma	857,851	1,034,299	4.9%	4.4%
Stockton	1,069,324	1,009,887	5.6%	6.1%
West Total	**18,234,063**	**25,672,053**	**3.8%**	**3.8%**
U.S. TOTAL	**62,611,877**	**104,681,448**	**5.0%**	**4.9%**

United States | Industrial Survey | Direct Asking NNN Rents as of Q2 2019			
MARKET	MANUFACTURING SPACE (USD/SF/YR)	FLEX / SERVICE SPACE (USD/SF/YR)	WAREHOUSE / DISTRIBUTION SPACE (USD/SF/YR)
NORTHEAST			
Baltimore Metro Area	$7.71	$11.01	$5.68
Boston	$8.84	$11.10	$9.41
Hartford	$4.43	$7.79	$5.19
New Hampshire Markets	$5.99	$8.78	$6.73
New York City Metro Area	$9.18	$11.19	$9.61
> Central New Jersey	$7.43	$10.11	$8.15
> Long Island	$15.17	$14.31	$12.61
> Northern New Jersey	$8.81	$12.11	$9.21
Philadelphia Metro Area	$4.64	$9.54	$5.43
> Lehigh Valley	$6.30	$10.17	$5.76
> Philadelphia	$4.54	$9.50	$5.33
Pittsburgh	$4.06	$6.50	$5.66
Washington, D.C.	$7.37	$13.14	$7.99
Northeast Total	**$6.71**	**$11.14**	**$7.33**
SOUTH			
Atlanta	$5.84	$9.74	$4.31
Augusta/Aiken	$2.35	-	$3.39
Austin	-	$13.42	$8.68
Birmingham	$3.66	$9.04	$3.85
Charleston	$4.13	$8.88	$6.34
Charlotte	-	$10.41	$5.14
Columbia	$3.01	$8.21	$4.14
Dallas-Fort Worth	$4.86	$10.66	$4.86
Florence/Myrtle Beach	$2.46	$8.32	$3.61
Greenville/Spartanburg/Anderson	$5.37	$7.86	$3.61
Houston	-	$9.24	$7.29
Huntsville	$3.81	$12.74	$5.39
Jacksonville	-	$10.81	$4.81
Memphis	-	$6.79	$2.96
Nashville	$4.39	$11.83	$5.78
Norfolk	$5.31	$9.27	$4.83
Orlando	-	$10.49	$6.57
Raleigh/Durham	-	$14.77	$5.75
Richmond	$4.87	$8.70	$4.66
Savannah	$1.87	-	$5.61
Shenandoah Valley/I-81 Corridor	$3.94	$3.94	$3.94
> North Shenandoah Valley	$4.61	$4.61	$4.61
> South Shenandoah Valley	$3.33	$3.33	$3.33
South Florida	$8.10	$16.05	$9.97
> Fort Lauderdale	$6.67	$13.26	$8.92
> Miami	$8.06	$19.68	$10.67
> Palm Beach	$9.25	$14.30	$8.87
Tampa Bay	-	$10.03	$5.38
South Total	**$4.15**	**$9.95**	**$5.43**

United States | Industrial Survey | Direct Asking NNN Rents as of Q2 2019

MARKET	MANUFACTURING SPACE (USD/SF/YR)	FLEX / SERVICE SPACE (USD/SF/YR)	WAREHOUSE / DISTRIBUTION SPACE (USD/SF/YR)
MIDWEST			
Chicago	-	-	$5.25
Cincinnati	$3.24	$6.74	$4.35
Cleveland	$3.07	$7.34	$3.85
Columbus	-	$6.25	$3.62
Dayton	$2.57	$5.58	$3.87
Detroit	-	$9.93	$5.80
Grand Rapids	$3.76	$4.89	$3.20
Indianapolis	$3.75	$7.65	$3.94
Kansas City	$4.37	$9.16	$4.34
Milwaukee	$4.68	$6.77	$5.08
Minneapolis-St. Paul	$5.00	$5.05	$5.00
Omaha	$3.66	$7.59	$5.40
St. Louis	$6.46	$6.95	$4.50
Midwest Total	**$4.25**	**$7.42**	**$4.84**
WEST			
Albuquerque	$8.24	$9.68	$6.72
Bakersfield	$10.09	$7.42	$5.78
Boise	-	-	$7.76
Central Idaho	-	-	$7.67
Denver	-	$11.93	$7.81
Eastern Idaho	-		$4.68
Fresno	$2.81	$9.90	$4.93
Greater Los Angeles	-	-	$9.44
> Inland Empire	-	-	$8.02
> Los Angeles	-	-	$10.34
> Orange County	-	-	$11.11
Honolulu	-	-	$14.80
Las Vegas	$9.94	$15.15	$7.12
Phoenix	$8.13	$13.52	$6.11
Portland	$8.07	$14.03	$7.93
Reno/Sparks	-	-	$5.33
Sacramento	$8.82	$10.52	$8.05
Salt Lake City	-	-	$6.22
> Salt Lake County	-	-	$5.91
> Utah County	-	-	$7.30
San Diego	$11.73	$27.60	$11.48
San Francisco Bay Area	$13.25	$26.96	$9.70
> East Bay	$11.51	$18.46	$9.41
> Fairfield	$9.61	$11.20	$5.82
> San Francisco Peninsula	$21.18	$55.19	$23.27
> Silicon Valley	$17.57	$25.83	$12.05
Santa Fe	-	-	$10.45
Seattle/Puget Sound	$8.53	$18.96	$9.23
> Bellevue	$11.43	$21.68	$9.54
> Everett	$8.14	$19.39	$9.30
> Kent Valley	$9.27	$16.13	$8.90
> Seattle	$11.31	$16.46	$12.34
> Tacoma	$6.07	$11.16	$7.94
Stockton	$5.30	$4.95	$6.15
West Total	**$10.46**	**$21.11**	**$8.14**
U.S. TOTAL	**$6.04**	**$12.56**	**$6.01**

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