

Market research for a volatile industrial sector: Actionable methods for occupiers

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ABSTRACT

The industrial market has undergone unprecedented upheaval over the past decade, especially during and after the COVID-19 pandemic. Industrial real estate has seen rapid shifts from undersupply to oversupply, causing pricing bubbles to form and burst quickly. While market research often adopts an investor or landlord perspective, this paper uniquely offers actionable methods from the occupier's viewpoint. It aims to help

corporate real estate (CRE) professionals evaluate their current facilities and leverage market conditions when acquiring new ones. By analysing key fundamentals — vacancy, rents, construction and absorption alongside lease comparable data and supply chain dynamics — readers will become educated consumers of market research, capable of appreciating nuances and asking the right questions when reviewing data and forecasts from brokerage or market research companies.

Keywords: *industrial real estate, market research, demand forecasting, supply chain, lease comparables and effective rents, vacancy and availability metrics*

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INTRODUCTION

As 2024 progresses, the industrial sector is undergoing significant changes from its peak conditions two years ago. Despite easing recession fears, the series of interest rate hikes since March 2022 have instilled caution in commercial real estate. The once-booming industrial sector has cooled, with rents stabilising or declining in some areas. After unprecedented growth and severe space shortages in 2021 and 2022, the US industrial market now faces challenges from elevated new construction and moderated tenant demand.¹

Periods of upheaval and uncertainty are when market researchers prove their worth. This paper aims to educate corporate real estate (CRE) leaders who are not market research specialists. It guides them in asking the right questions to brokers, interpreting market report statistics, and examining data trends critically and predictively to fact-check both current situations and future forecasts.

BEYOND THE BASICS OF VACANCY AND AVAILABILITY

Market fundamentals refer to the essential statistics found in nearly every real estate

market report. These include metrics such as vacancy rates, rents, and supply and demand. While anyone can appreciate the value of these basic metrics, gaining a deeper understanding of their nuances will help CRE leaders know when to use each metric and how to analyse them effectively, greatly enhancing their utility.

Although vacancy and availability are measures that are straightforward to understand, it is crucial to appreciate their subtleties. The vacancy metric refers to the percentage of physical space that is currently unoccupied, calculated by dividing the amount of empty space by the total inventory in a market. On the other hand, availability indicates whether a property is on the market for lease.² A property can be available but not vacant, as in the case of an impending vacancy, or vice versa, such as a recently leased property where the tenant has not yet occupied the space.

Vacancy and availability typically follow similar trends, with availability generally running higher. Often, vacancy is the preferred metric because it is more stable and reduces phantom variations caused by spaces being added or removed from the market; however, analysing these metrics separately at critical junctures is essential for understanding market dynamics. Availability serves as a leading indicator; it tends to decline before vacancy rates drop and increase before vacancy rates rise due to the time involved in tenant move-outs.

For example, during the critical turning point year of 2022, availability increased earlier and more swiftly, starting in the second quarter and moving up by 90 basis points by the end of the year. Meanwhile, vacancy rates did not begin to rise until the third quarter and only increased by 20 basis points by the year's end.³ This disparity highlights the importance of examining both metrics to gain a comprehensive understanding of market conditions.

Best predictor for market trends

Sublease availability, a subset of total availability, is often the best barometer for predicting market trends. It is a crucial indicator that tenants are contracting and was an early sign of market changes in 2022.⁴ The stabilisation and reduction of sublease availability will be key signs and prerequisites for market recovery.

As of mid-2024, sublease availability in the US industrial market totalled 185mft², reflecting an 8 per cent increase quarter-over-quarter.⁵ Notably, the rate of quarterly increase has declined over the past five quarters, providing a leading indicator that while conditions are not yet becoming more favourable for landlords, they are moving towards stabilisation.

The importance of vacancy segmentation

Vacancy segmentation is crucial as market-level metrics can often be misleading. One key area for the industrial sector is understanding vacancy within different size ranges. In a given location at a specific time, vacancy rates can vary considerably based on the size of the space, which can affect a tenant's negotiating position. While some spaces can be demised to fit different size requirements, there are often significant constraints due to building and site layout, limiting flexibility.

Method 1: Analysing vacancy by building size to understand true competitive position

Consider the example of vacancy rates in the Inland Empire over a one-year period (see Figure 1). A superficial glance at the overall vacancy rate of 8.5 per cent might suggest that the market has softened and has a moderate amount of vacancy. This headline figure, however, obscures significant segmentation by building size.

At the time of writing, vacancy rates in buildings larger than 1mft² in the Inland Empire are extremely low and have actually

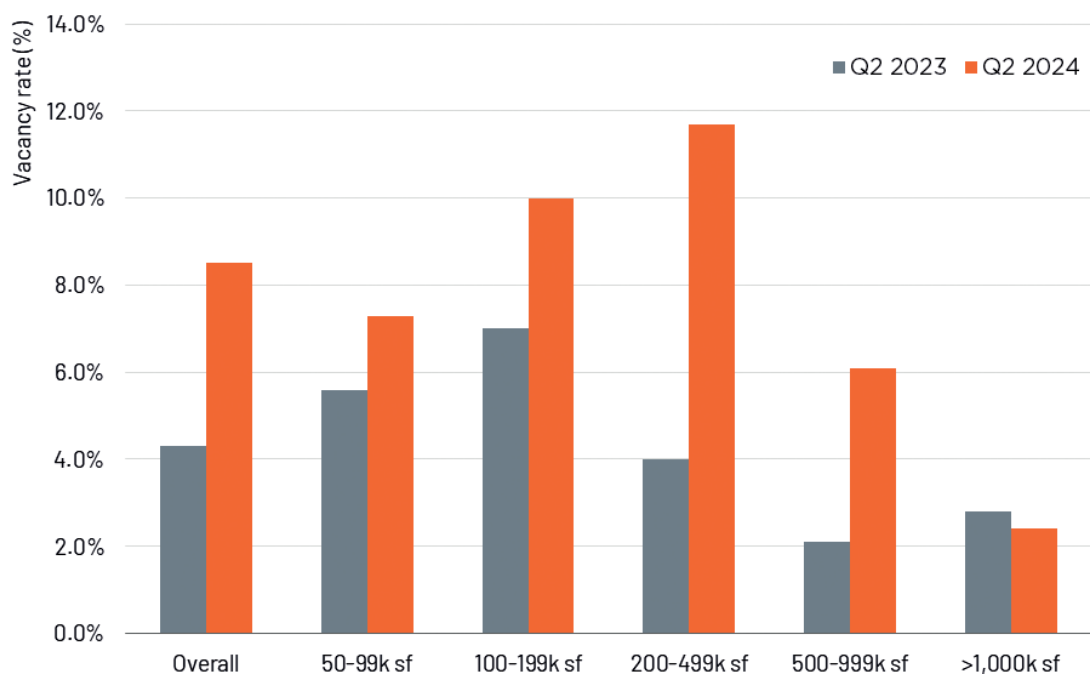


Figure 1 Inland Empire vacancy by building size
Source: Savills

decreased over the past year. Conversely, vacancy rates in mid-range buildings (200,000–500,000ft²) are nearing 12 per cent, indicating a significantly softer position than the headline market statistic would suggest.

Vacancy can be further segmented by factors such as age, quality and submarket geographies to provide a more nuanced and relevant understanding of the market.

THE ESSENTIALS OF PRICING

Considerable attention has been paid to market data on industrial rents, given the unprecedented growth rates and the subsequent period of price discovery continuing into 2024. Between 2019 and 2023, rents more than doubled in some key logistics markets, including Los Angeles, Northern New Jersey and South Florida. Recently, rates have started to decline, most notably on the West Coast. For example, Los Angeles

rents declined by 12 per cent from their Q1 2023 peak to mid-2024. Despite this stabilisation, several more years of mark-to-market analysis will be needed for expiring leases that are significantly below market rates.

A comparison of asking rent and aggregated lease comp data

Asking rent data is the most commonly quoted in research reports from brokerage companies and other data providers. It is important to note that this data is inherently softer, as asking rents are merely suggested pricing. Typically, asking rents are above the rates at which properties get leased. This was not always the case, however, during very tight market conditions when bidding wars on limited available spaces occurred. Additionally, average asking rents are typically weighted by space size, and the size composition of a market can greatly influence the statistics. Some markets have

a preponderance of smaller spaces with higher rents that affect the averages. In these markets, the weighted average rent can be significantly higher than what a user would pay for Class A bulk space. This highlights the importance of rent segmentation, akin to the value of vacancy segmentation.

When assessing aggregated lease comparable data, which includes average starting rents or effective rents, its advantage is that it is based on actual market deals and is a critical data point discussed in the upcoming section on comp analysis. Despite the availability of lease comp data, asking rents remain valuable due to the abundance of data and its timeliness. Asking rent data represents current available pricing, and when rents were growing rapidly, lease comps negotiated months earlier became less relevant. Asking rent is also the best method for understanding price changes due to the abundance and recency of the data.

Method 2: Estimating mark-to-market of existing leases using asking rent growth data

A simple method can provide a preliminary estimate of how much an in-place lease is below market. For example, consider a 60,000ft² lease in Atlanta signed in late 2019 with 3 per cent annual escalations. The average asking rent data suggests that this five-year lease, expiring shortly, is now more than 40 per cent below market (see Figure 2). This was determined by comparing the delta between the current average asking rent and the average asking rent when the lease was signed with the growth observed in the in-place rent over the same period, considering the lease-specified bumps.

WHAT TO KNOW ABOUT SUPPLY

The industrial market has historically been prone to overbuilding due to the relative ease and speed of constructing

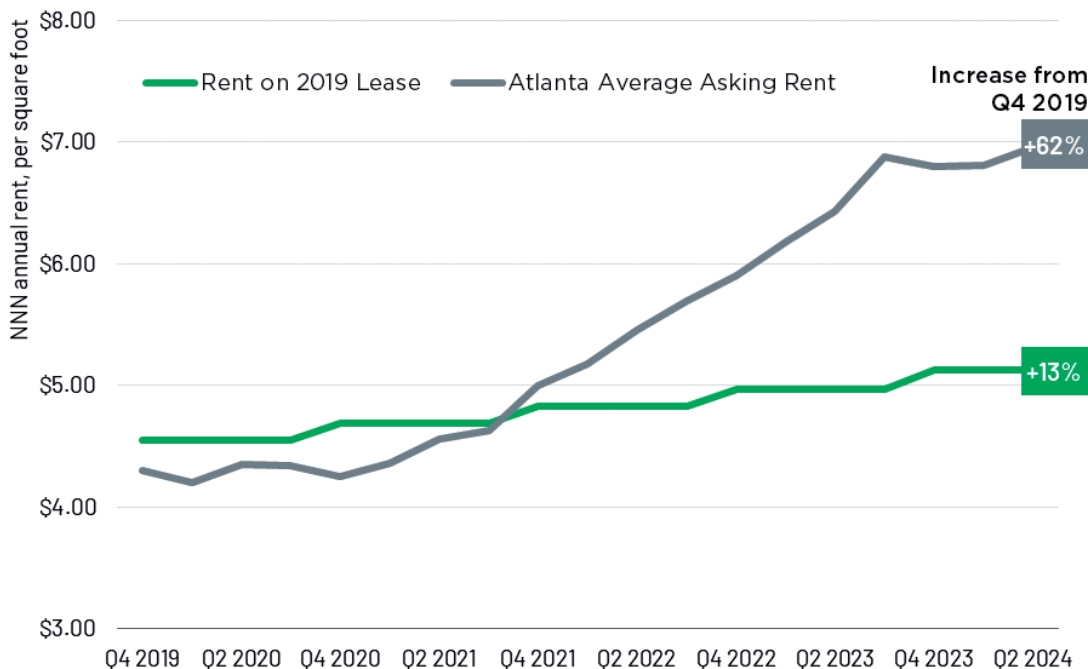


Figure 2 Rent growth comparison: In-place lease versus market

Source: Savills

warehouses, typically around 12 months. The COVID-19 pandemic extended these timelines, but developers could still respond to severe undersupply by delivering 1.2bnft² of new industrial space in 2022 and 2023, increasing total inventory by 7 per cent. Supply levels peaked just as demand began to soften in mid-2022. Although it will take time to work through ongoing projects, the rise in interest rates, while a drag on the overall economy and tenant demand, also served to slow new supply. By mid-2024, construction starts had decreased by 67 per cent from their peak in Q2 2022, indicating market correction.⁶

Just as trends of supply levels are critical market indicators, tracking construction is also essential for the industrial sector. Proposed buildings offer insights into future supply constraints influenced by factors such as development density, water features, topography and local policies. Understanding the under-construction pipeline is crucial, and this data should be considered as a percentage of total inventory since impacts vary by market. It is also important to analyse the pipeline's composition, including the percentage of speculative versus built-to-suit

projects and the pre-leasing rates. During the market peak, pre-leasing rates were high but have since lowered drastically.

Strategically using this data involves examining current vacancy and under-construction projects as a percentage of inventory to assess oversupply risk. Forecasting construction, at least in the near term, is relatively straightforward, with a database of current projects and anticipated deliveries providing a reliable outlook for the next 12–24 months.

Method 3: Understanding near-term future supply conditions by calculating under construction as a share of inventory and rate of pre-leasing

In Figure 3, the under-construction pipeline of Phoenix — a market experiencing overbuilding — is analysed by development type. As an advanced manufacturing hub, a significant portion of construction is build-to-suit, which is typically included in market reports. This leaves speculative projects, of which only a small portion are pre-leased. The remaining 20.1mft² under construction can be used to understand the near-term

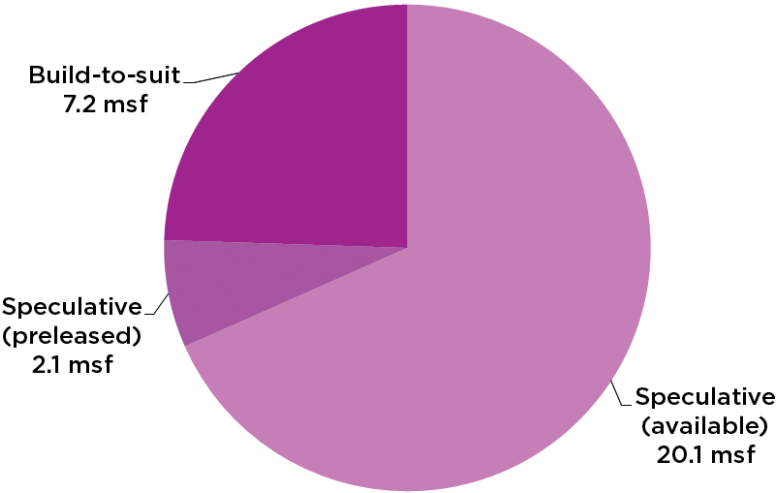


Figure 3 Phoenix under-construction pipeline
Source: Savills Research

market impact by calculating a hypothetical vacancy rate if this space were delivered tomorrow.

The calculation reveals that Phoenix could face a 17.7 per cent vacancy rate due to supply, even if demand remains steady (see Table 1). This would place Phoenix in a precarious position both historically and relative to other markets in the same range seen during 2009 and 2010. Consequently, Phoenix will likely see continued rent softening and a prolonged recovery period. In other words, tenants are currently in a strong negotiating position, which they are expected to maintain for the foreseeable future, subject to demand levels which will be explored in the upcoming section.

ANALYSING DEMAND THROUGH LEASING ACTIVITY AND ABSORPTION

Demand, alongside vacancy, pricing and supply, is a key fundamental for understanding market peaks and troughs, which largely follow broader economic cycles. Two major types of demand measures are typically used: leasing activity and absorption.

Leasing activity refers to the volume of square footage associated with leases signed during a specific period, including direct leases, subleases, renewals and pre-leasing activity. It is a natural counterpart to availability and tends to lead to other statistics. Leasing activity surged in 2020, reaching a record of over one billion square feet in 2021. As of mid-2024, it has fallen to a

decade low as inventories have been drawn down.

Unlike leasing activity, absorption measures changes in physical occupancy. The most commonly quoted term is net absorption, which is the growth in occupied space at the market level, measured by move-ins minus move-outs during a period, typically quarterly.⁷ In comparison, gross absorption measures the total amount of space occupied during a quarter without considering move-outs. Pre-leased buildings are included in both gross and net absorption only when the building is completed and the tenant moves in.

Since absorption is based on physical occupancy, it lags behind leasing activity. For example, 2022 was the peak year for net absorption, following the peak in leasing activity in 2021. Net absorption provides a more accurate measure of demand growth or contraction, as the lease term length can skew leasing metrics.

The challenge in demand forecasting

Demand metrics are segmented by market and submarket geography, as well as by tenant size and industry. This segmentation helps identify trends within these segments. Forecasting demand is challenging. Net absorption, a measure of growth, is commonly tied to economic growth variables. Industrial occupancy has historically grown with overall economic output, such as gross domestic product (GDP). Consumer spending is also a strong correlate. While manufacturing output was once closely tied

Table 1 Phoenix vacancy rate

<i>Metric</i>	<i>Current level</i>	<i>New supply impact</i>	<i>Projected level</i>
Inventory (mft ²)	314.4	+29.4 (total pipeline	343.8
Vacancy space (mft ²)	40.9	+20.1 (spec available)	61.0
Vacancy rate (%)	13.0%	+4.7%	17.7%

Source: Savills Research

to industrial demand, globalisation has weakened this connection; however, onshoring is beginning to revive it. Additionally, the growth of e-commerce has driven more industrial demand growth than GDP alone would predict, complicating demand forecasting.⁸

Method 4: Estimating future absorption levels based on economic indicators

Future absorption levels can be estimated using economic indicators. For instance, employment growth projections can be used to estimate industrial net absorption. At the national level, GDP and consumer spending are also leading indicators. Net absorption derived from these models can then be compared with forecasted construction (based on pipeline figures) to validate market forecasts. A positive correlation between net absorption (as a percentage of inventory) and industrial job growth is evident in Charlotte, where both have averaged 2.0–2.5 per cent annually over the past five years (see

Figure 4). A regional employment forecast can then be used to project net absorption for the next three years.

HOW SUPPLY CHAINS UNDERPIN INDUSTRIAL DEMAND CYCLES

Understanding macroeconomic correlates of industrial demand is crucial for grasping market dynamics and predicting future trends; however, the forces driving these demand cycles often originate upstream in the supply chain. To fully comprehend industrial real estate demand, one must consider supply chains’ vital role. Additionally, it is important to recognise that real estate market dynamics are rarely the primary driver of facility decisions for industrial occupiers, who prioritise transportation costs, labour, infrastructure and other business considerations.

The impact of the pandemic on global supply chains was unprecedented. Inventory movement and availability were no longer reliable or predictable. Lead times lengthened and port disruptions created a massive

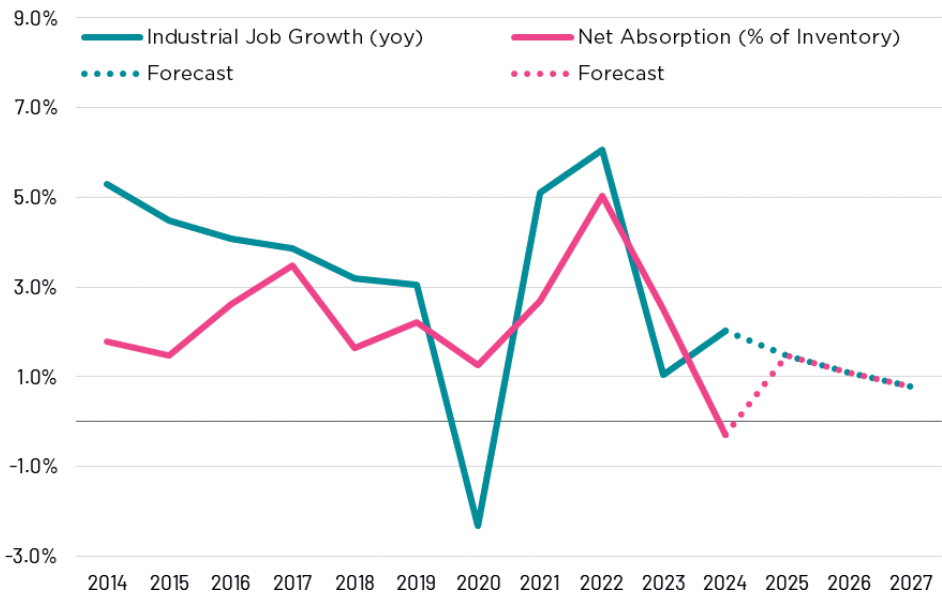


Figure 4 Charlotte net absorption versus job growth
Source: Savills Research, Lightcast

backlog of container ships to be offloaded. Coupled with a substantial spike in e-commerce volume, labour shortages and wildly unpredictable supply and demand signals, companies erred on the side of caution by ramping up safety stock of inventory to unprecedented levels, particularly for core products and materials. The result was that many companies experiencing significant shortages of inventory at the peak of the supply crisis were suddenly overpopulated with inventory once the constraints on supply started to relax. These companies went from largely empty warehouses to needing supplemental space to house all of the extra inventory on hand.

Demand signals were, and in many cases continue to be, difficult to pin down. Forecasting future demand, already a challenge before the pandemic, cannot typically be accomplished with much accuracy any more by looking exclusively at past behaviours. Technology can help, and artificial intelligence (AI) can provide further assistance, but consumer and business behaviour has been and continues to be somewhat mercurial, particularly as world economies expand and recede. A lack of forecast accuracy often results in over-ordering to avoid out-of-stock positions and missed sales. Over-ordering then begets over-indexing in the other direction by slowing or shutting down the supply pipeline, thereby creating a bullwhip effect. Too little warehouse or production space is followed by too much space. Inaccuracies in demand forecasting can result in facilities being launched in the wrong place for future growth.

Specifically in relation to e-commerce, which typically requires more space due to the extra handling and processing of small orders as well as facilities that are more proximate to the customer, expansion has continued ahead of the pace of pre-pandemic predictions but slower than during the 2020–22 timeframe. Service levels and customer demands (how quickly a company

gets their product or material to their customer), particularly in retail and consumer goods, continue to be compressed for companies to remain competitive or differentiate themselves from competitors. Those companies that can predict their customers' behaviour and location most accurately and develop a forward-looking strategy for their supply chain facilities separate themselves from their competitors.

Supply chain predictability and the shift to 'shoring'

When developing a forward-looking strategy, companies are met with questions of how to better predict their space needs and location requirements, plan for future growth and provide for future resiliency within their supply chain. A variety of software companies and service providers provide network optimisation capabilities, digital twins and risk predicting for just this purpose. These capabilities, studies and software packages, sometimes along with AI, enable companies to use modelling to build out a variety of growth and risk scenarios to test various factors while developing their strategy for the growth or alignment of their supply chain facilities. Mitigation plans, expansion or consolidation opportunities, service or capability redundancy, unpredictable demand and channel shifts (eg growth or reduction of e-commerce) can be modelled, analysed and tested in a clean, risk-free environment.

While modelling does not solve these questions, if done on an ongoing or periodic basis, it enables companies to determine the best strategy and adjust the number, placement and function of their supply chain facilities. A better, more efficient and more cost-effective supply chain can result when paired with advanced systems and capabilities for forecasting and planning supply and demand. While this will not necessarily make space and location an exact strategy for supply chain facilities, when done effectively and with some frequency, it provides a

greater degree of flexibility and resilience for an unpredictable future.

Another response to unpredictable circumstances affecting supply chains has been 'shoring'. Government incentives, unpredictable lead times for products and materials produced overseas, rising labour costs in formerly low-wage countries and geographies, geopolitical risk factors and supplier diversification initiatives have all contributed to a shift toward 'shoring' initiatives, whereby manufacturing and/or suppliers are brought 'closer to home' or into countries with a lower risk profile or more friendly/predictable trade arrangements. In the US, for example, government incentives and programmes have facilitated the growth of manufacturing facilities in electric vehicles (EVs) and batteries, semiconductors, clean energy and biomanufacturing, among many other industry segments. These industries not only often require huge factories but also sub-supplier locations proximate to the factory. While shoring initiatives in the US have largely cooled a bit since 2022, they continue to provide growth, particularly in the Eastern US.

LEASE COMPARABLES AND EFFECTIVE RENTS: CRITICAL TOOLS FOR OCCUPIERS

All the methods and metrics described above are integral for tracking the momentum or lack thereof in an industrial market. Still, lease comparables are arguably the most crucial data point for market research. They are integral because they illustrate the financial and structural parts of real transactions closing (leasing) in the marketplace.

Lease comps consist of individual transactions, each composed of relatively standardised components. The key parts of a lease comp include the following:

- Term length, which includes components such as execution, commencement and expiration dates.
- Parties involved, which includes details such as the tenant and landlord names and tenant or landlord representatives.
- Location/space, which gives key information such as the address, submarket or market and square footage of the deal.
- Financial and rent details are among the most crucial components, encompassing the starting rent, rent schedule, expense type (eg triple net [NNN] or gross) and any landlord concessions, such as a free rent period, work value or tenant improvement allowance.

The financial and rent details are most impactful because they determine the occupancy cost for tenants. As mentioned earlier, asking rents are valuable for understanding a market; however, they often serve as informational indicators rather than reflecting the true final pricing of a transaction, which is actually in the effective rent.

Method 5: Calculating effective rents — the true cost of a lease

Computing effective rents requires details such as the starting rent of a lease in its initial period and the rent increases for the remainder of the term. In addition, determining effective rent also involves evaluating the value of concessions, such as the duration of free rent (typically given in months) and the tenant improvement allowance, which is the dollar amount per square foot provided for interior construction and furnishing.

Using the effective rent calculation formula shown in Table 2, we can determine how different an effective rent can vary from an initial starting rent depending on other details given in a lease, especially those that lean more landlord-favourable (Example A) versus tenant-favourable (Example B).

With a 60-basis point lower escalation per year (3.2 per cent), two additional months of free rent, and 100 per cent higher work value, the effective rent for lease comparable in Example B is 15.7 per cent below that of

Table 2 Landlord-favourable versus tenant-favourable leases

	<i>Lease comparable: Example A (more landlord-favourable)</i>	<i>Lease comparable: Example B (more tenant-favourable)</i>
	Tenant X has received a lease proposal for 100,000ft ² for 60 months (or 5 years) in lease term for US\$10 per square foot (psf) annually with 3.8% annual increases, two months free, and US\$5psf in tenant improvement allowance.	Tenant X has received a lease proposal for 100,000ft ² for 60 months (or 5 years) in lease term for US\$10psf annually with 3.2% annual increases, four months free, and US\$10psf in tenant improvement allowance.
Step 1: Total rent before concessions (Starting rent* <i>square footage</i> * <i>time period(months)</i>)/12)+ (escalated rent* <i>square footage</i>)* <i>time period(months)</i>)/12) ... etc.	US\$5,407,830	US\$5,330,405
Step 2: Total rent less value of concessions <i>Total rental amount (from above) – (tenant improvement amount*<i>square footage</i>)+(free rent(months)*<i>square footage</i>*starting rent)/12)</i>	US\$5,407,830 – US\$666,667 = US\$4,741,163	US\$5,330,405 – US\$1,333,333 = US\$3,997,072
Step 3: Total rent less value of concessions divided by lease term* <i>transaction size</i> (<i>Rental amount minus concessions (from above)</i>)/(total lease term* <i>square footage</i>)	US\$4,741,163 / <u>500,000</u>	US\$3,997,072 / <u>500,000</u>
Final effective rent	= \$9.48psf annual	= \$7.99psf annual
Total space cost over lease <i>Effective rent (annual)*<i>transaction size</i>*lease term in years</i>	<u>US\$9.48 * 100,000 * 5 =</u> US\$4,741,163 Total space cost	<u>US\$7.99 * 100,000 * 5 =</u> US\$3,997,072 Total space cost

the effective rent in Example A. Calculating the effective rent helps evaluate the true cost over the life of a lease to a tenant, compare options, and finally, aid in decision-making.

Lease comparables are useful for comparing costs and options individually. In aggregate, comps can be analysed to reveal trends and compare individual transactions with overall market movements. This analysis can be applied to closed lease transactions in specific geographies, markets and subsets, such as certain building sizes, transaction sizes and building classes. This is why lease comps are valuable for assessing market health or opportunities. Sourcing sufficient lease comparable data can be challenging, however, especially in larger quantities, but

real estate brokerage companies representing tenants and landlords are a valuable potential resource. Additionally, real estate data providers collect and productise transaction details and commercial lease comps. With a set of lease comps from the desired time period, you can assess whether an individual lease transaction aligns with recent deals and determine whether it represents an advantageous agreement for a user.

Method 6: Using multiple lease comps to compare market trends and inform negotiation options

Often changes in a market can be observed first in the trend in effective rents and closed transaction details — for example, effective

rents may start flattening or declining in advance of any change in asking rents or starting rents. In this first example, transaction data for deals 100,000ft² and larger (bulk deals) executed from 2021 through 2024 was analysed and revealed that the average weighted starting rent increased steadily in the Central PA–Philadelphia–Southern NJ Industrial market each year and, as of 2024, remains well above a pre-COVID-19 average (see Figure 5). In this most recent period (2023–24 year to date), however, landlords are also offering an increasing number of free months, which, as of 2024, exceeds the pre-COVID-19 years in this analysis. This is an important data point as it indicates landlords have been less willing to negotiate on starting rents in a moderating market but have increasingly offered more months of rent-free periods over the last two years. This trend can inform current lease contract negotiations in this market.

Secondly, term length can also be a key negotiating factor in a lease. In this following example, lease transactions of 100,000ft² or

more closed since 2017 in the Los Angeles–OC–Inland Empire industrial market show a healthy drop in lease term length from 2022 to 2023 before rebounding slightly in 2024 year to date (see Figure 6); however, it remains below all the years demonstrated before 2021. During this softening period in the industrial market, shorter average lease terms may suggest that tenants seek flexibility or that landlords prefer shorter commitments to reassess and potentially raise rents sooner, anticipating a more robust future market. Conversely, longer lease terms could signal tenant confidence in long-term space needs or a desire from both parties to lock in current rents in a competitive market. Understanding where lease term lengths are trending may better inform an occupier’s negotiating power. For example, an occupier might be more willing to accept a shorter lease term if the tenant wants the ability to reassess business plans sooner. In such a case, the occupier might accept a higher annual lease escalation rather than a longer lease with lower escalations.

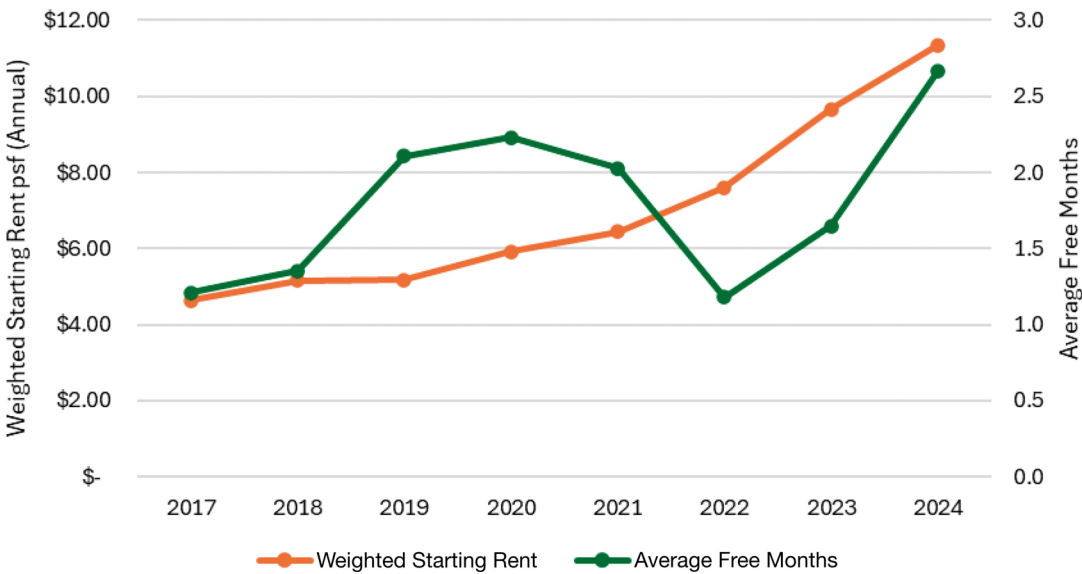


Figure 5 Average weighted starting rent versus average free months, Philadelphia–Central PA market, 2017–24 year to date

Source: CompStak, includes transactions of 100,000ft² and larger, for the Philadelphia–Central PA market

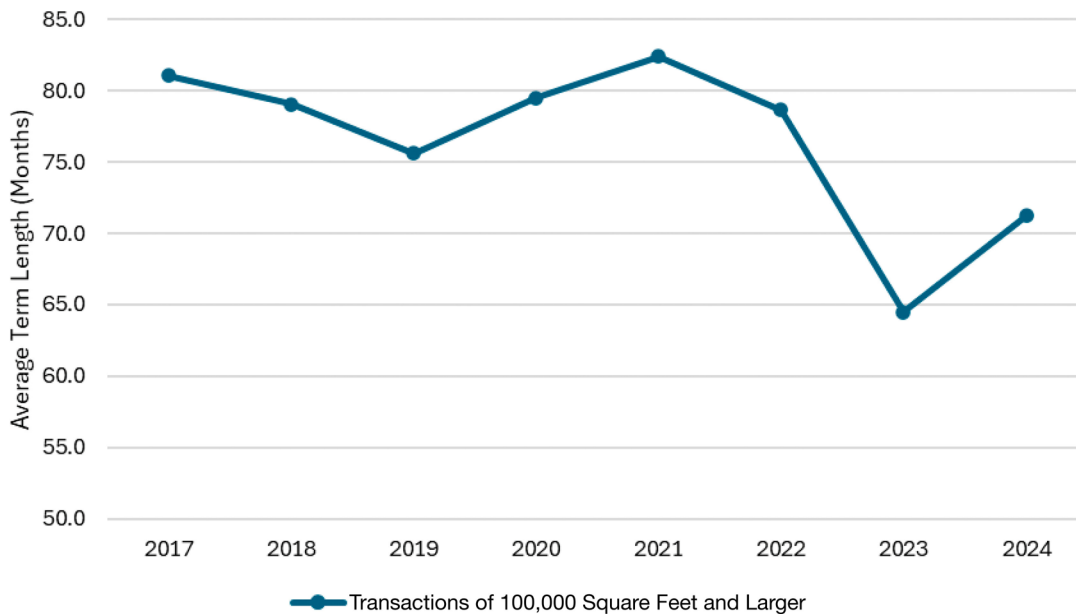


Figure 6 Average term length, Los Angeles–OC–Inland Empire, 2017–24 year to date

Source: CompStak, includes new lease and expansion transactions in the Los Angeles–OC–Inland Empire market

Finally, term length, starting rent and free months are among the components of effective rent that can be adjusted and negotiated to satisfy an occupier's needs and remain competitive with current market conditions.

Pass-through expenses

In addition to lease comp analysis, understanding pass-through expenses is crucial for occupiers, given the prevalence of triple-net leases for industrial space. The occupier bears significant risk here, which has become more pronounced in recent years due to rising costs and inflation. Property taxes are among the most significant components of pass-through expenses that warrant particular scrutiny. The taxes are typically quoted along with asking rents on available spaces. It is important to understand whether these property taxes are based on an assessment that is stabilised and aligned with market reality; otherwise, there is a risk of substantial increases happening virtually overnight.

Property taxes vary widely, with market averages ranging from US\$0.69 to US\$2.26psf, accounting for 6.9–19.3 per cent of total occupancy costs. Over the past five years, property taxes on industrial buildings in the study markets have grown by 21.3 per cent, primarily due to a 29.6 per cent increase in assessments. Additional increases in property taxes are expected as assessments catch up to sale prices, which have grown by 70.4 per cent compared to 4.3 per cent for other commercial real estate sectors.⁹

Method 7: Determine whether a property has undergone tax reassessment shock

One method for assessing the amount of risk is to examine the past five years of assessments and compare them to a benchmark of market value. Table 3 shows the past five years of assessments on a property outside Atlanta. As shown, the building's assessed value increased substantially in 2023. The five-year assessment increase is 79 per cent,

Table 3 Atlanta property assessment

	Property 1	Property 2
Current taxes (psf)	US\$2.40	US\$1.90
Assessment (5-year increase)	79%	10%
Market value (5-year increase)	80%	80%
Reassessment risk	Low	High

Source: Savills Research, MSCI Real Capital Analytics

closely matching the Atlanta average sale price increase over the same period. This suggests that this property likely has a relatively low risk of substantial increases in the near term, as values have stabilised and the assessment already appears to have been brought up to market.

CONCLUSION

Commercial real estate information — particularly industrial real estate data and analysis — is unique. This sector and its data have traditionally been more specialised, parochial, less standardised and more opaque than other business sectors. Further, for the industrial user, there are a variety of considerations that may take precedence over occupancy costs. The occupier may prioritise sufficient infrastructure such as energy and water, access to labour or government resources and optimisation of the business’s supply chain, among other factors. Yet, it is evident that having a solid grasp of the ‘common language’ of industrial real estate and understanding the discussed concepts, such as supply metrics, absorption, asking and effective rents and lease comparables, can make the difference between a well-positioned deal and a less favourable one. This framework for understanding market movements and making informed decisions is especially crucial during times of market fluctuation, as is the case in the industrial sector today. Moderating conditions have

recently shifted some negotiating power to tenants after a period of relentless rent and property value increases, but the pendulum is likely to swing back. In these uncertain times, data and fundamental tools undoubtedly prove their worth.

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