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Q1 2024 | INDUSTRIAL

# State of the U.S. Industrial Market

Powered by Savills Research & Data Services

**The industrial market begins 2024 with slower leasing and higher vacancy, yet early signs of recovery are surfacing.**

## 01 **Amid Weak Q1, Early Signs of Recovery**

The year began with sharp leasing declines and a 60-basis-point vacancy uptick. Yet, rising port volumes and Amazon's expansion suggest early demand resurgence.

## 02 **Lease Terms Shift to Favor Tenants**

Effective rent growth stalls in key industrial hubs, with declines in Greater Los Angeles as tenants negotiate lower starting rents and higher concessions.

## 03 **Vacancy Diverges Across Building Sizes**

Buildings under 200,000 square feet typically exhibit lower vacancy due to their smaller share of recent construction, though variations by market remain.

## 04 **Expected Construction Slowdown Arrives**

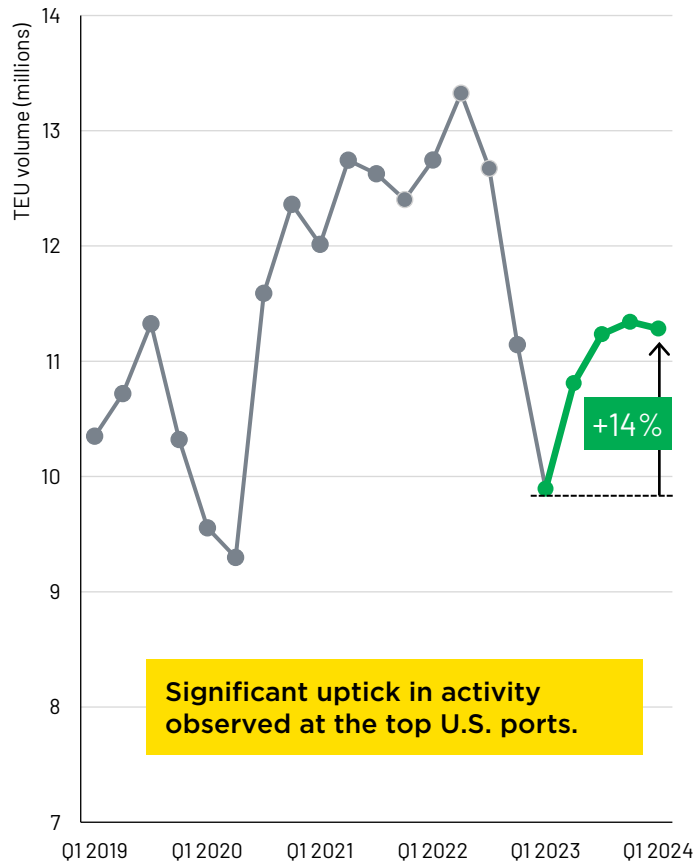
Construction starts hit a nine-year low in Q1, with the under-construction pipeline now 45% below its peak, setting the stage for a vacancy turnaround in 2025.

## 05 **Manufacturing Boom Shifts Focus**

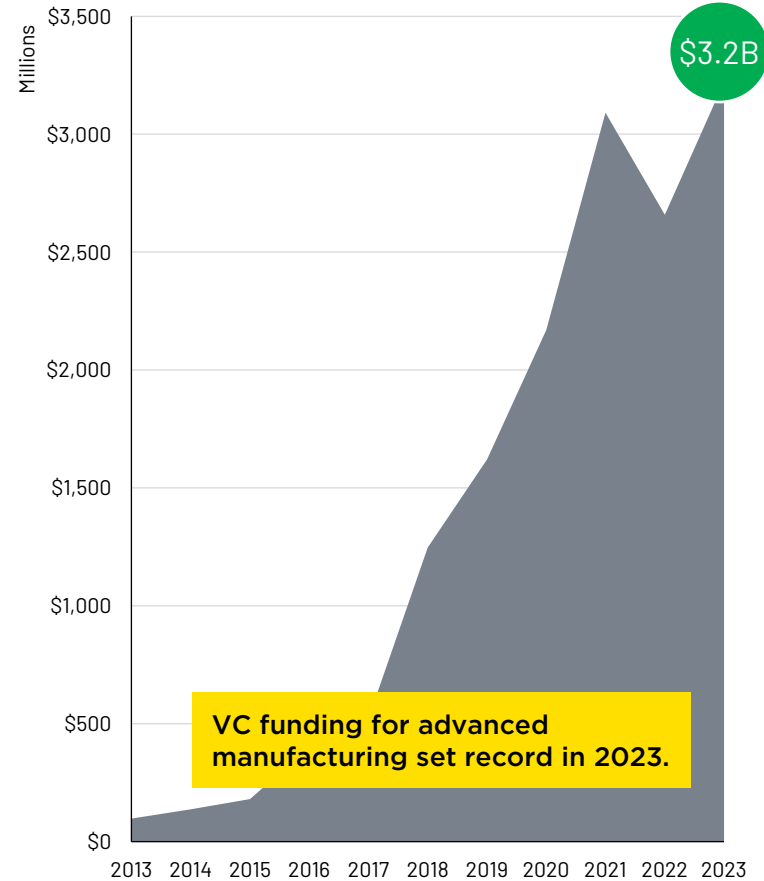
Since 2021, EV batteries formed 35% of manufacturing job announcements but are recently waning, while clean energy sees an uptick.

# Green Shoots Emerge, Signaling Potential for Demand Recovery

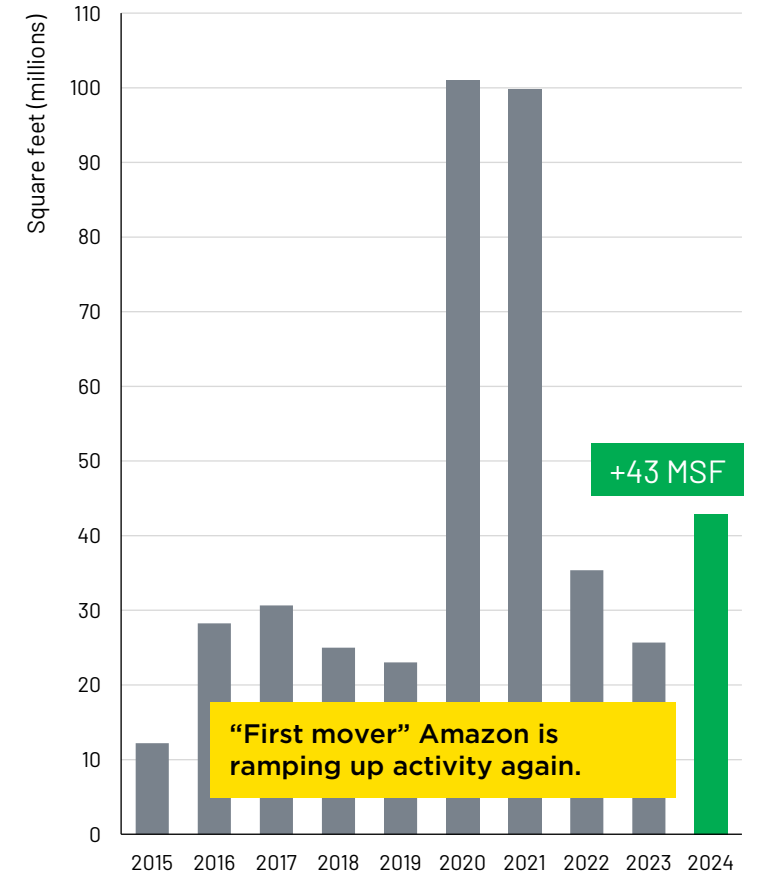
Quarterly Container Volumes for Top 9 Ports



Venture Capital Funding for Advanced Manufacturing









Net Change in Amazon's Active U.S. Facilities\*



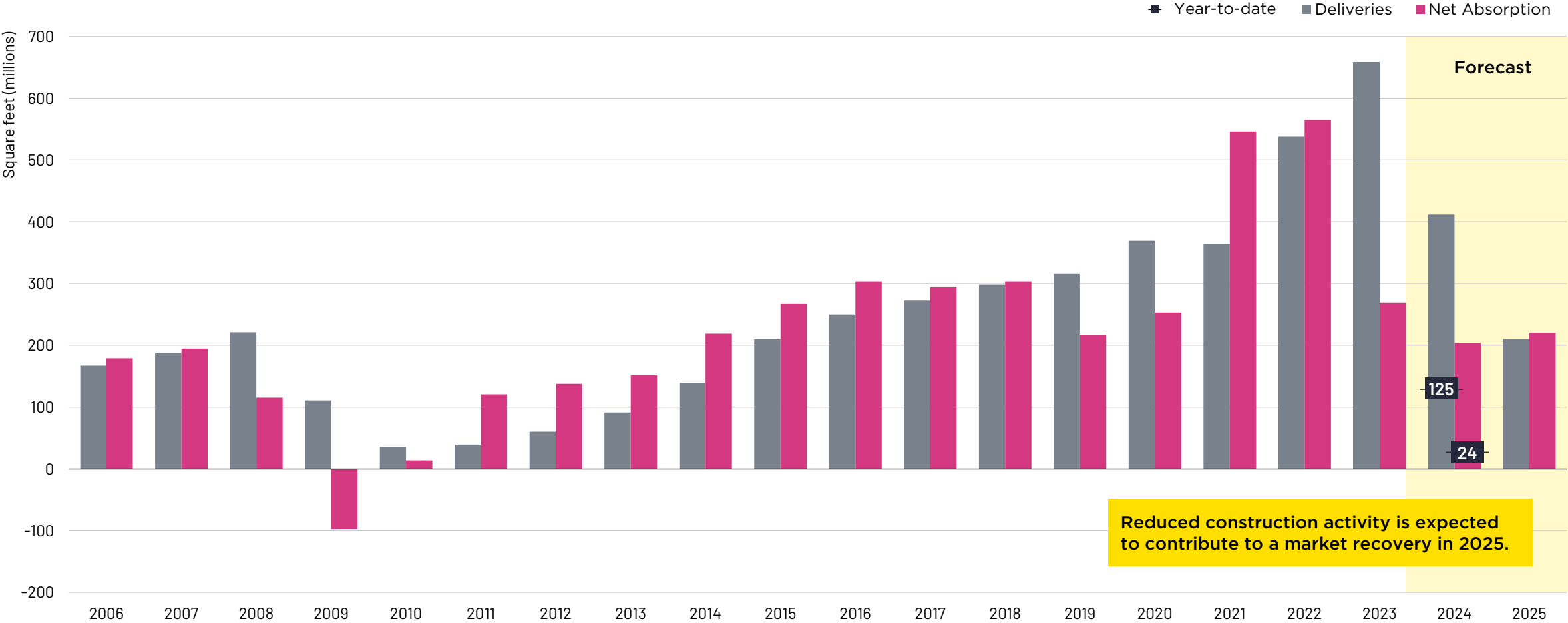
Source: Local port authorities, Pitchbook, MWPVL  
\*Ground square feet

# U.S. Industrial Market Key Statistics and Forecast

	CURRENT QUARTER Q1 2024	PRIOR QUARTER Q4 2023	YEAR AGO PERIOD Q1 2023	12-MONTH FORECAST
Inventory	16.5 BSF	16.4 BSF	15.8 BSF	
Vacancy Rate	6.7%	6.1%	4.3%	
Quarterly Net Absorption	23.9 MSF	48.0 MSF	91.4 MSF	
Under Construction	454.3 MSF	521.0 MSF	782.1 MSF	
Deliveries	125.1 MSF	187.6 MSF	163.1 MSF	
Asking Rental Rate	\$9.50	\$9.37	\$8.68	

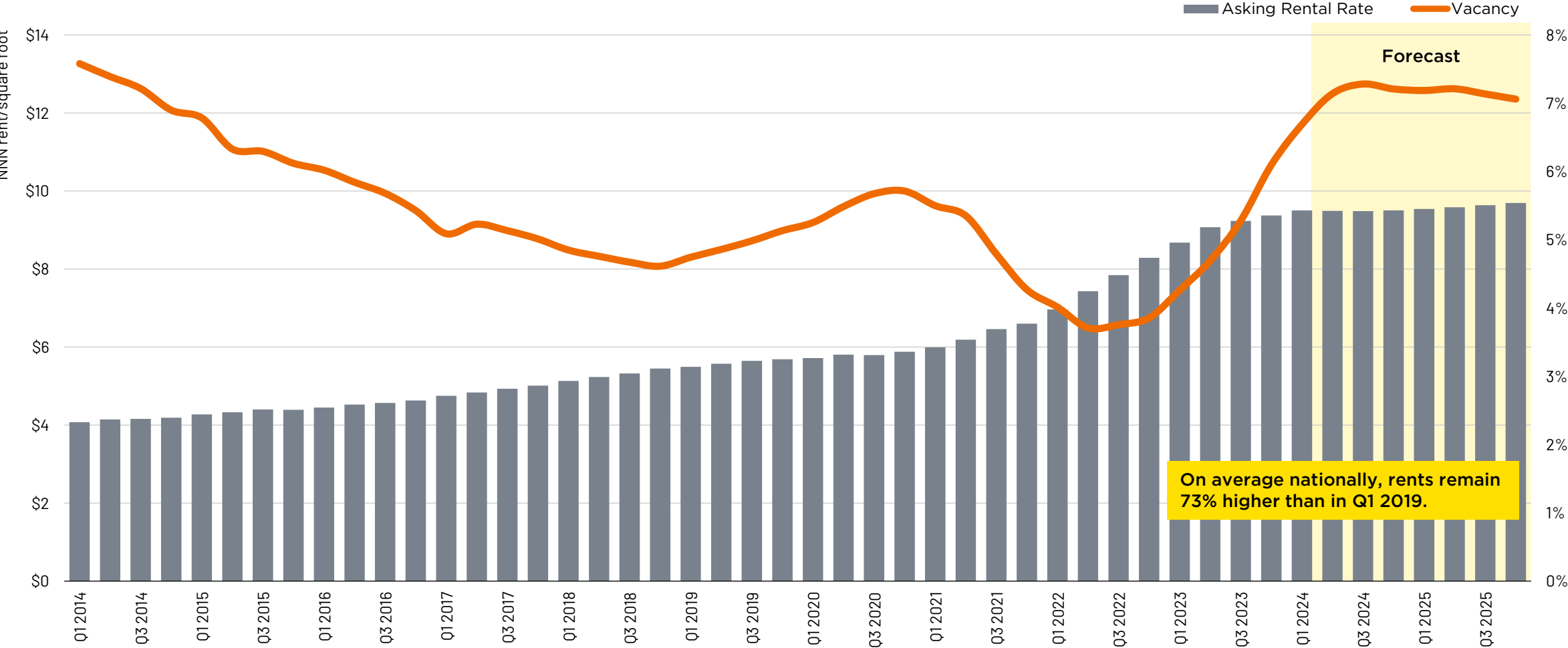
# High Supply Easing as Demand Dips in 2024

Deliveries vs. Net Absorption



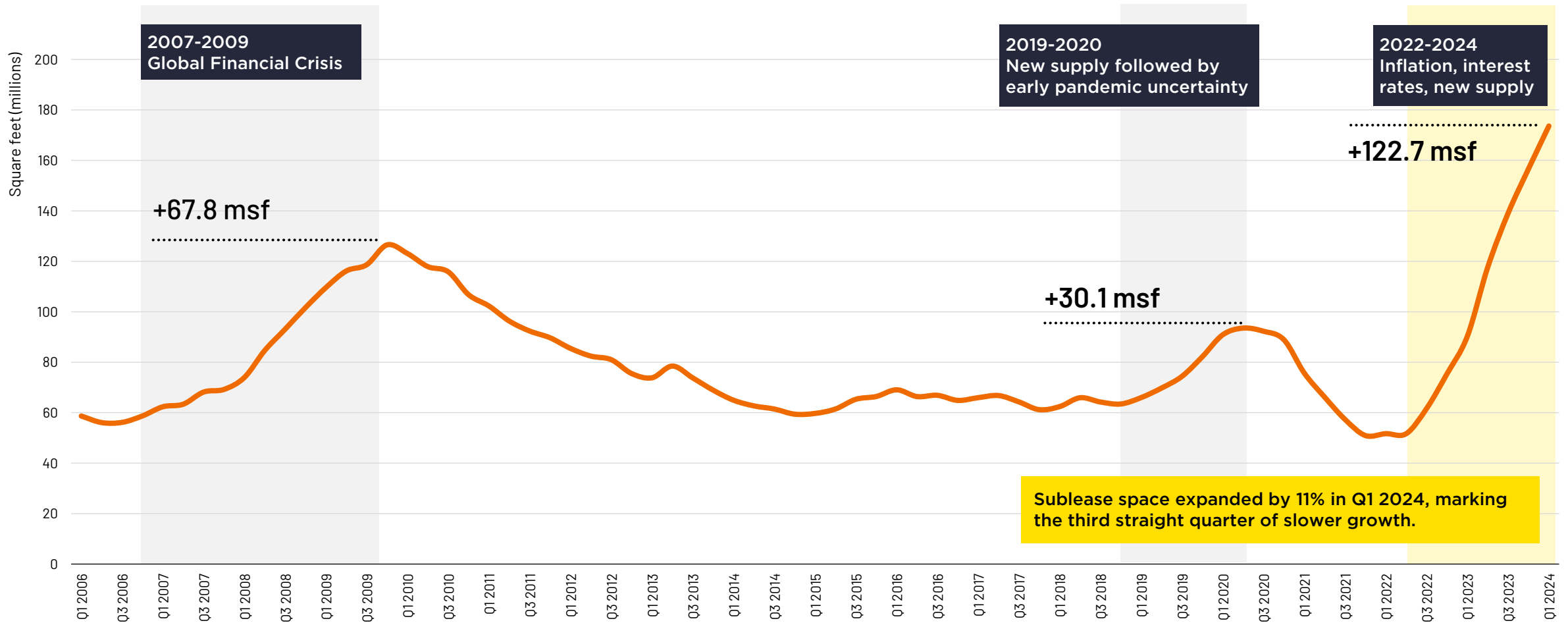
# Rising Vacancy to Peak in Late 2024, Weighing on Rents

Vacancy vs. Asking Rental Rate



# Sublease Availability Still Rising, Pace Begins to Slow

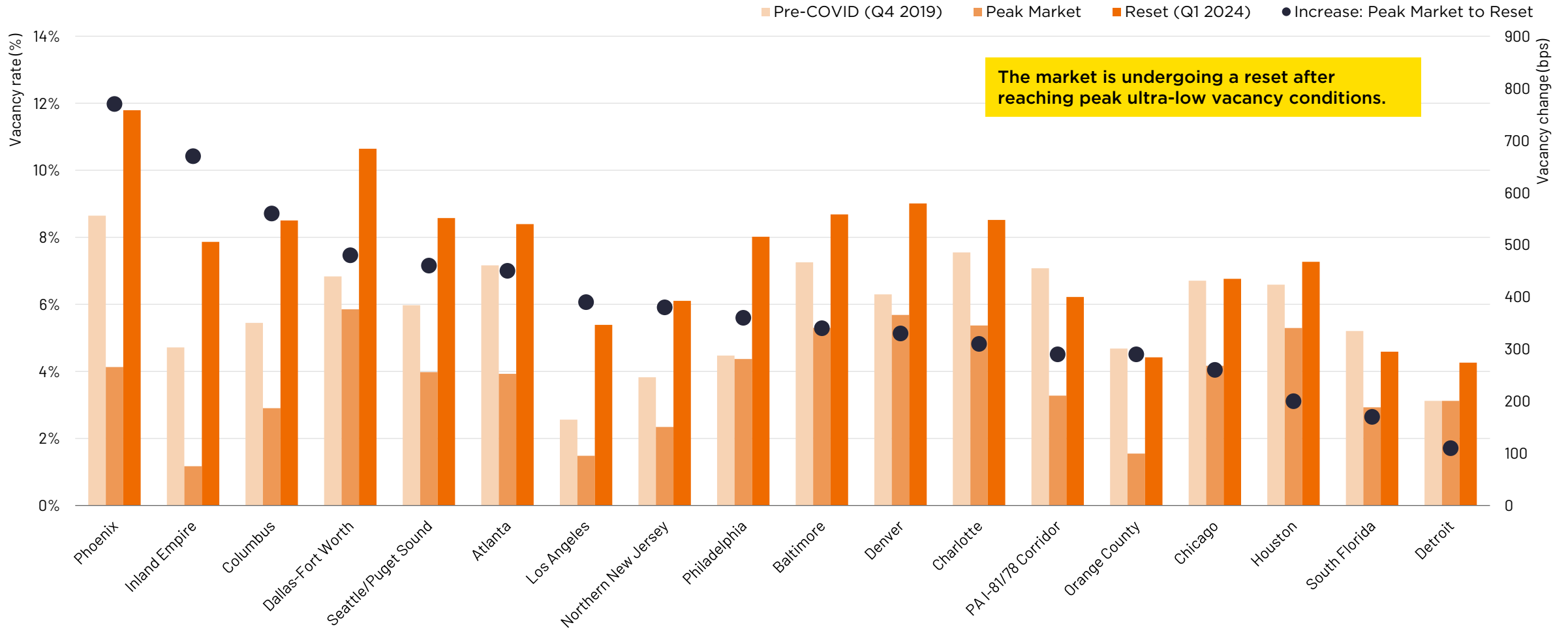
Sublease Availability





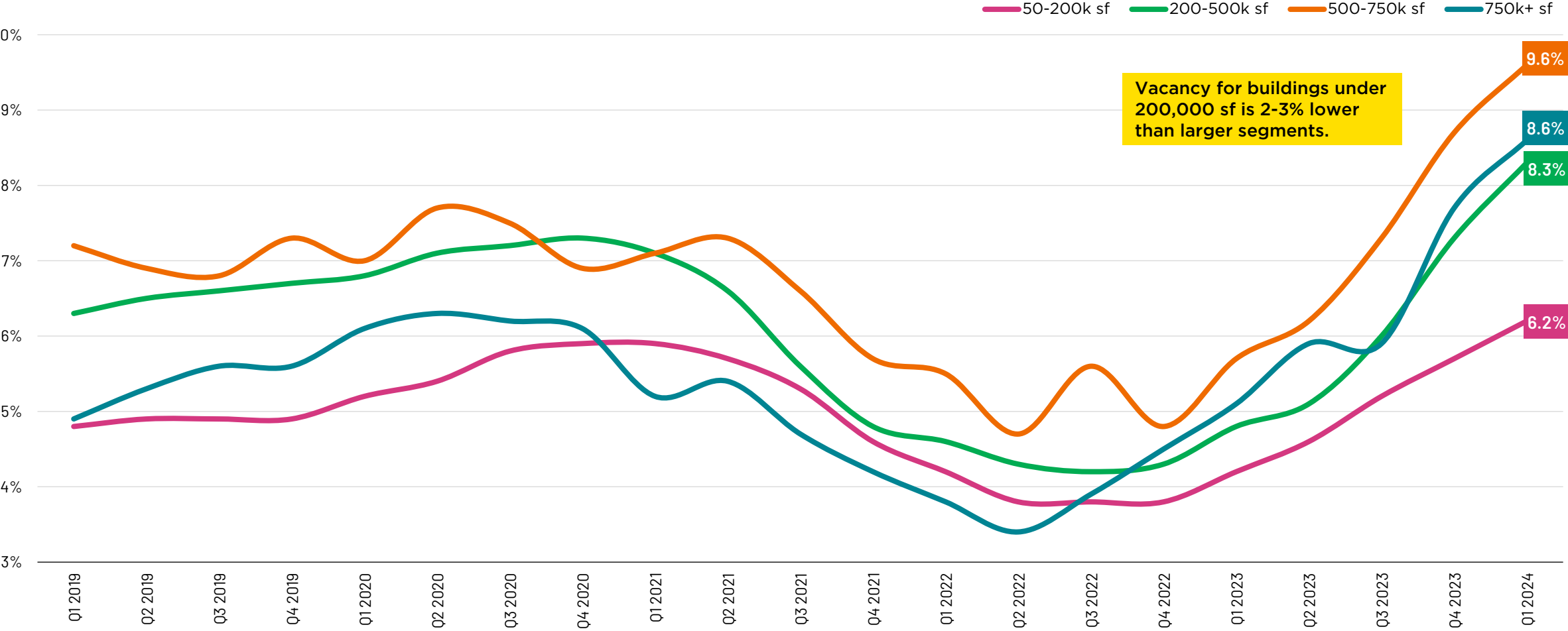
# Vacancy Rises Sharply From Pandemic Lows, Variation by Market

Vacancy Trend and Comparison, Major Markets



# Generally, Smaller Buildings Show Lower Vacancy

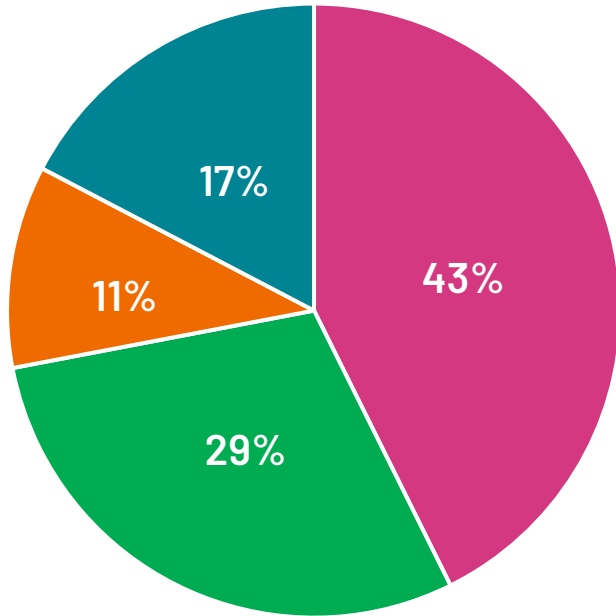
Vacancy by Building Size Range



# Reduced Share of Development in Smaller Buildings This Cycle

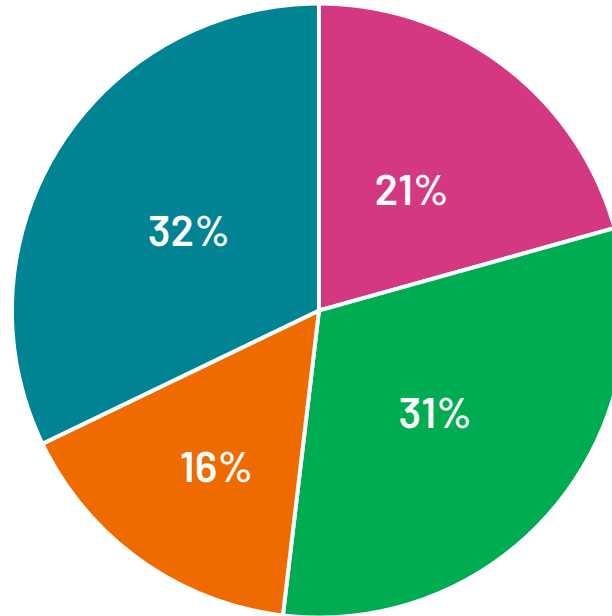
Inventory and Construction by Building Size

Total Existing



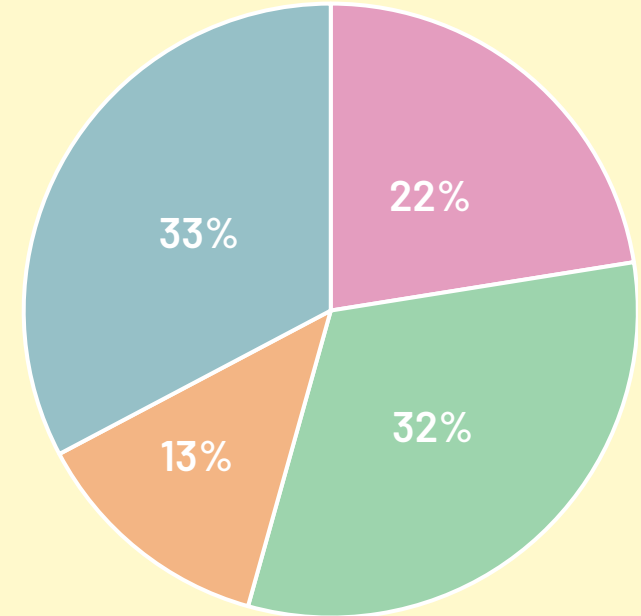
50-200k sf 200-500k sf  
500-750k sf 750k+ sf

Built 2021 to 2024



50-200k sf 200-500k sf  
500-750k sf 750k+ sf

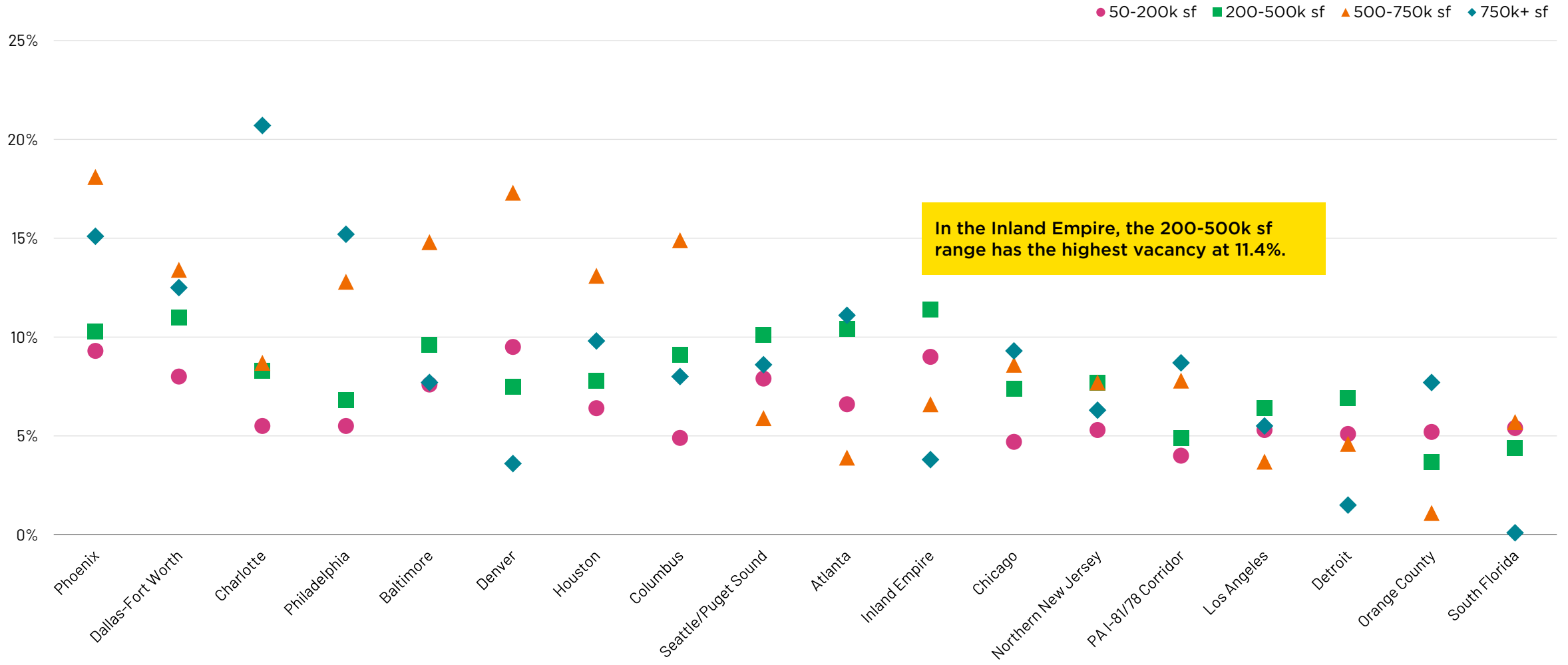
Under Construction



50-200k sf 200-500k sf  
500-750k sf 750k+ sf

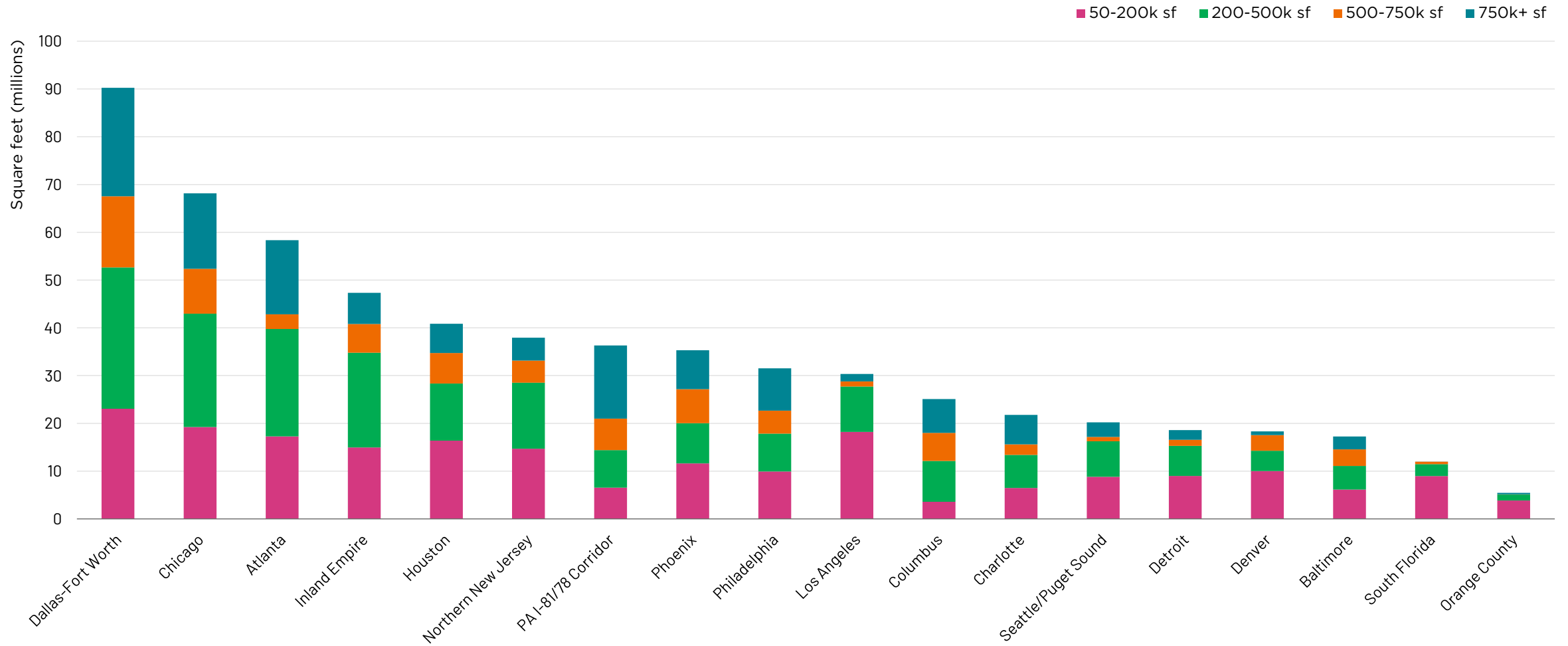
# Smaller Buildings Show Lower Vacancy, With Notable Exceptions

Vacancy by Building Size Range



# Vacancy by Building Size Varies Across Markets

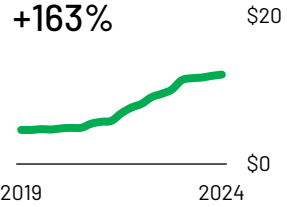
Total Vacant Space by Building Size Range



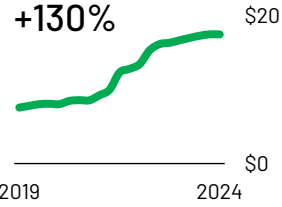
# Rents Dip in Key Markets, Remain Well Above Pre-COVID Levels

Asking Rental Rate and 5-Year Rental Growth, Major Markets

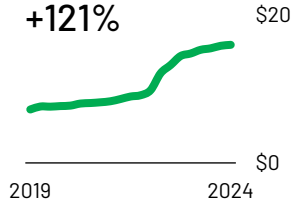
## Philadelphia



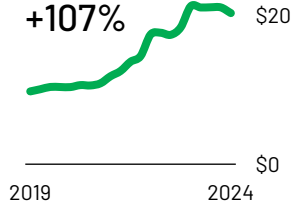
## Northern New Jersey



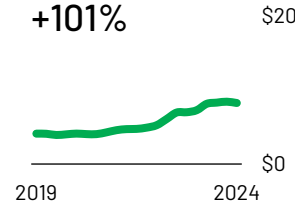
## South Florida



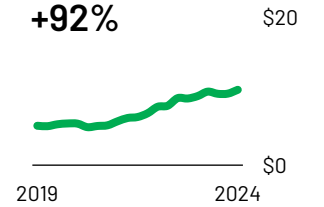
## Orange County



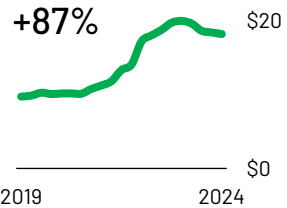
## PA I-81/78 Corridor



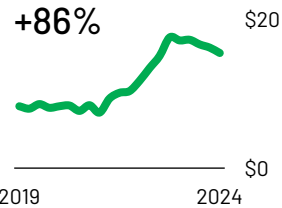
## Baltimore



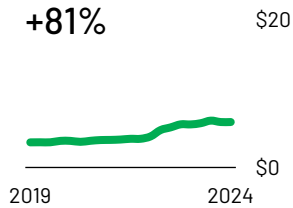
## Los Angeles



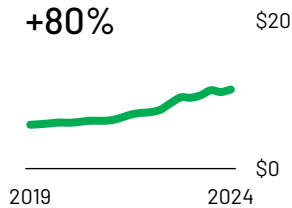
## Inland Empire



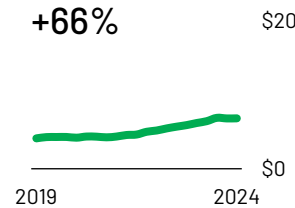
## Columbus



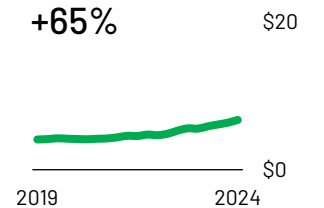
## Phoenix



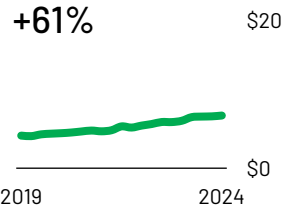
## Atlanta



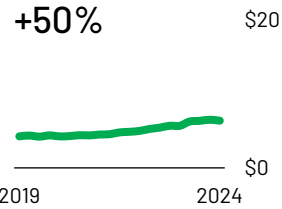
## Charlotte



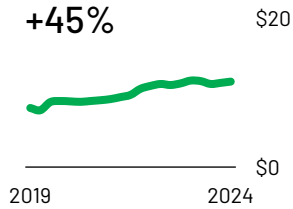
## Dallas-Fort Worth



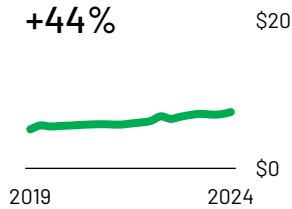
## Chicago



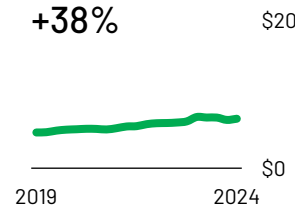
## Seattle/Puget Sound



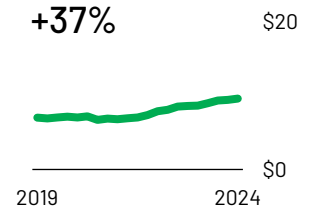
## Houston



## Detroit



## Denver



# Lease Terms Shift to Favor Tenants, Beginning in Greater LA

Comp Insights Across Key Time Periods (Los Angeles, Orange County and Inland Empire)

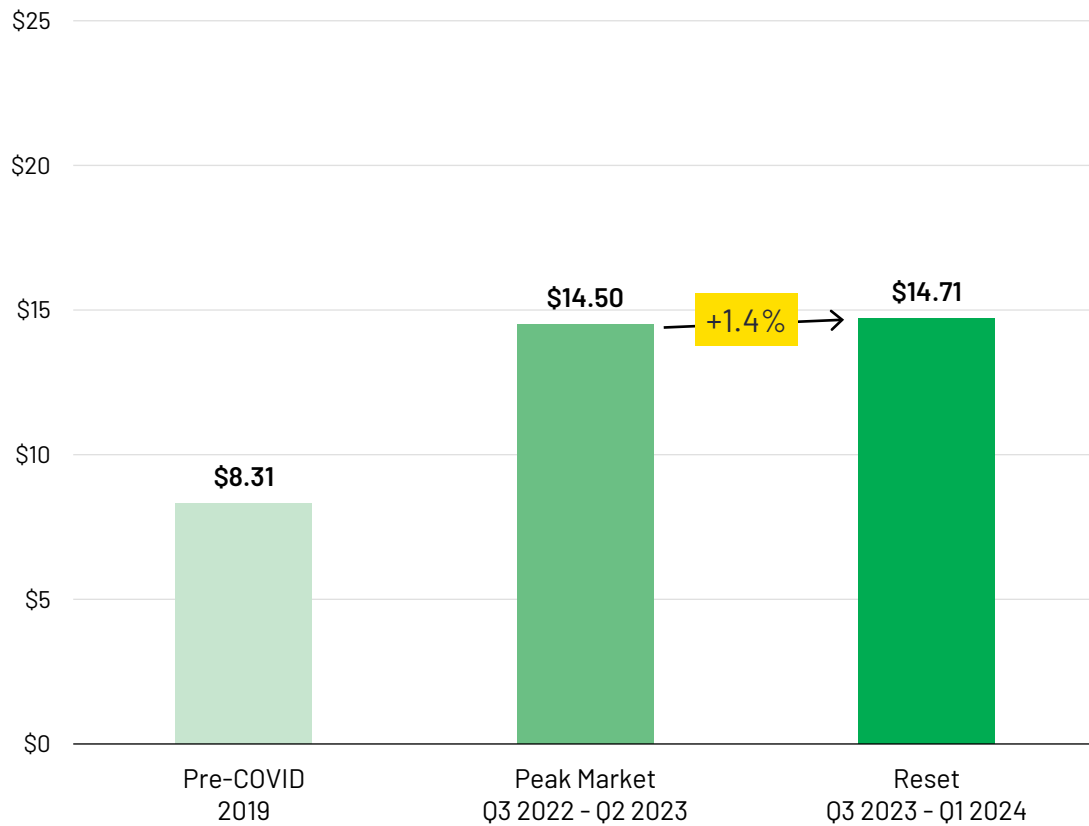
	PRE-COVID	PEAK MARKET	RESET	CHANGE FROM	
	2019	Q3 2022 – Q2 2023	Q3 2023 – Q1 2024	Pre-COVID to Reset	Peak Market to Reset
Average of Direct Leases 100,000+ SF					
<b>Effective Rent</b>	\$7.92	\$21.07	\$19.75	+149.4%	-6.3%
<b>Starting Rent</b>	\$7.69	\$19.52	\$18.85	+145.1%	-3.4%
<b>Rent Spread: Effective / Starting*</b>	3.0%	7.9%	4.8%	+178 bps	-317 bps
<b>Free Rent Months</b>	1.6	1.2	2.3	+0.7	+1.1
<b>Lease Term Months</b>	72.1	69.8	64.1	-8.0	-5.7
<b>Ratio: Free Months / Lease Term</b>	2.2%	1.7%	3.6%	+137 bps	+187 bps
<b>Annual Escalation</b>	3.0%	4.0%	3.8%	+80 bps	-20 bps

\*Higher effective/starting rent spreads indicate more landlord-favorable deal terms  
Source: CompStak

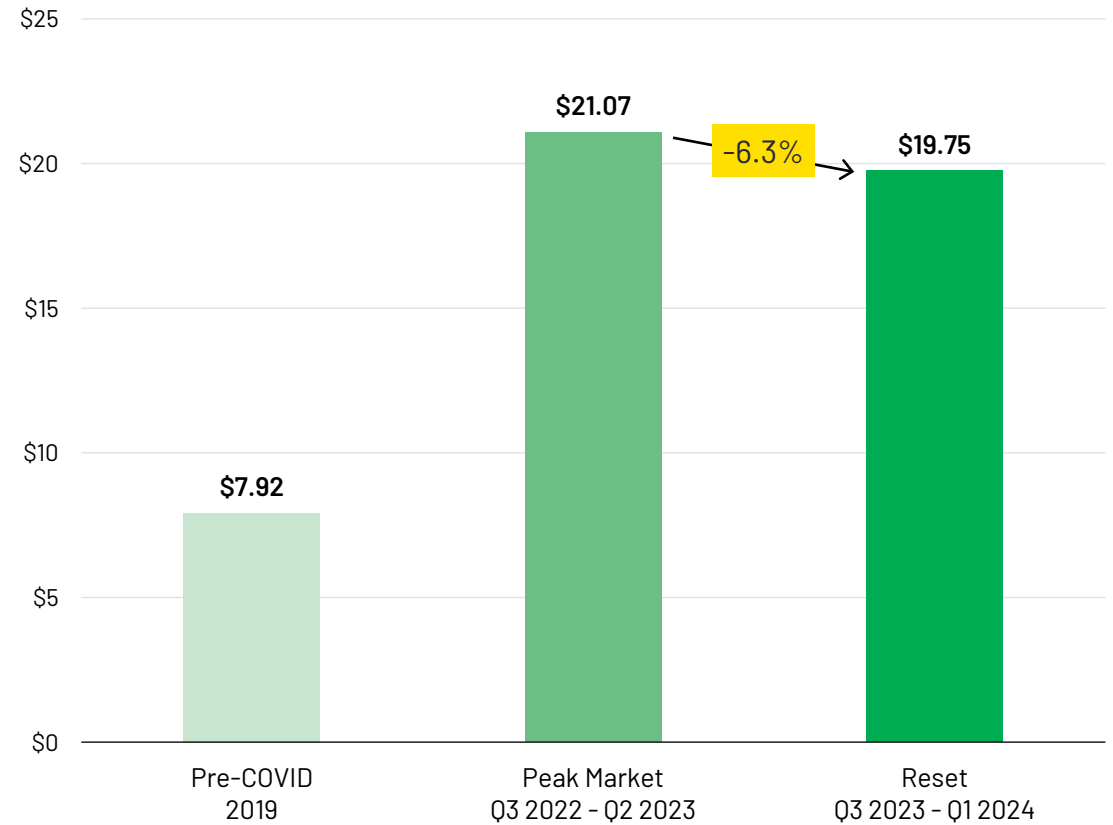
# Effective Rent Declines Not Observed in Under 100,000 SF Segment

Comp Insights Across Key Time Periods (Los Angeles, Orange County and Inland Empire)

### Direct Leases 10,000 to 100,000 SF



### Direct Leases 100,000+ SF

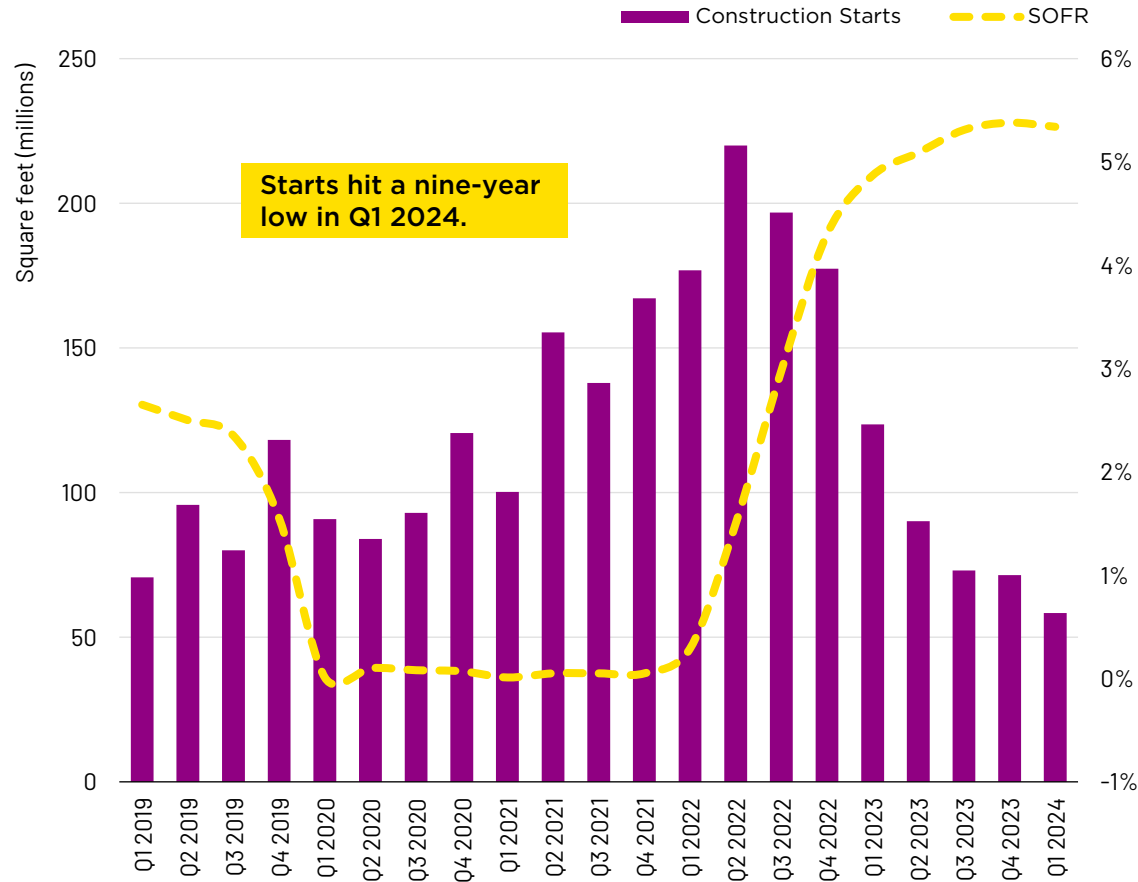


Source: CompStak

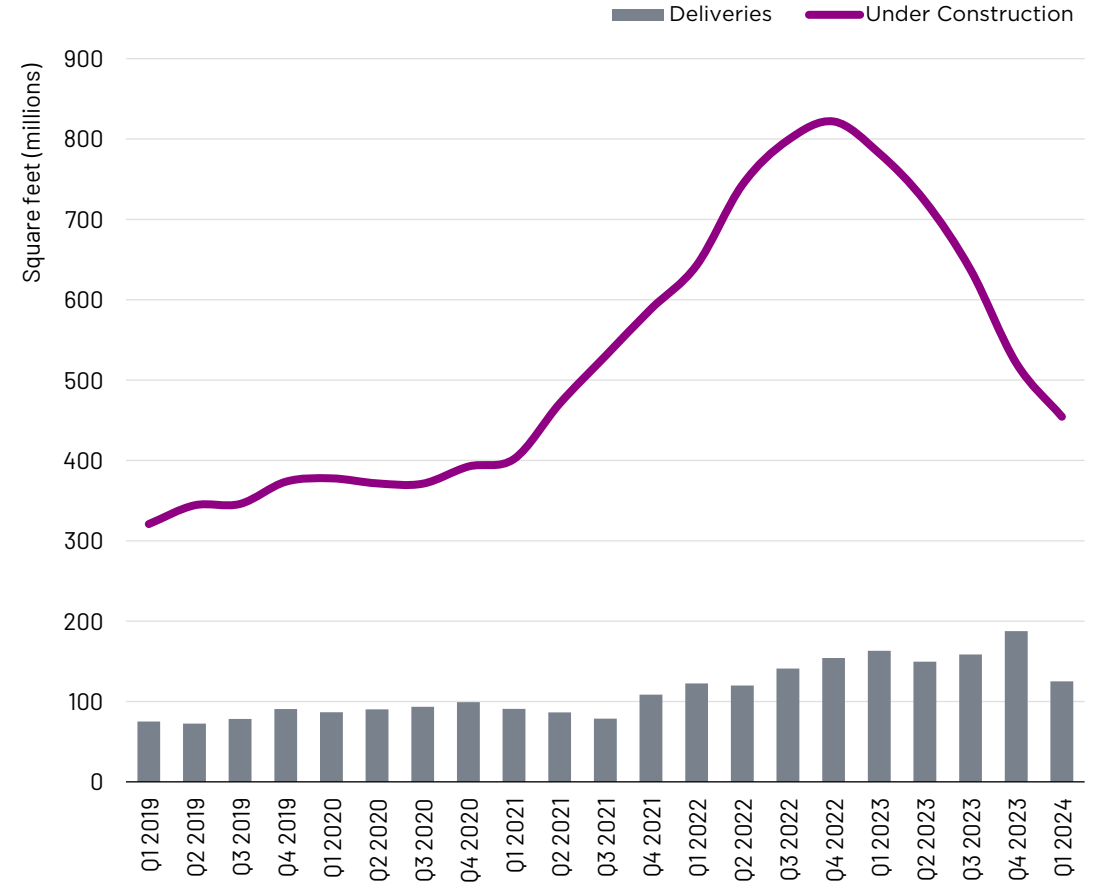


# Supply Edges Closer to Balance, Signaling Turnaround on Horizon

## Construction Starts vs. Secured Overnight Financing Rate (SOFR)

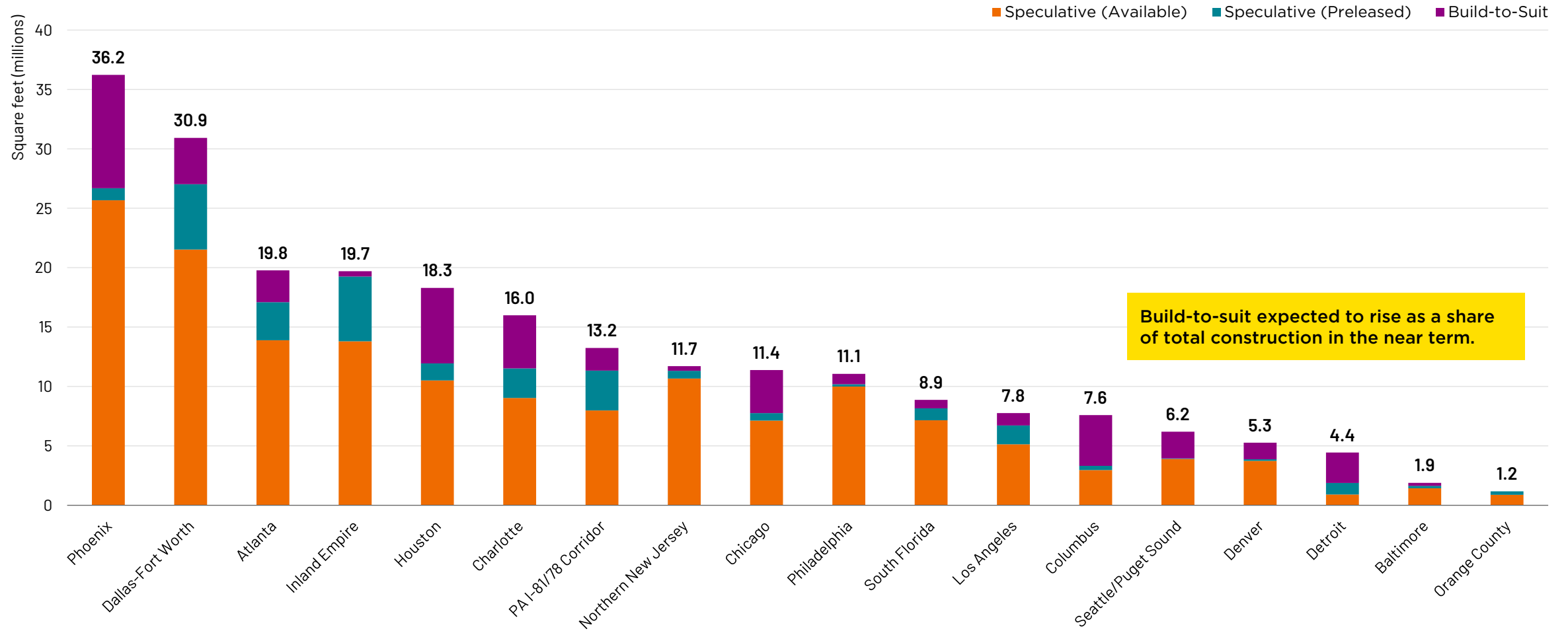


## Deliveries vs. Under Construction



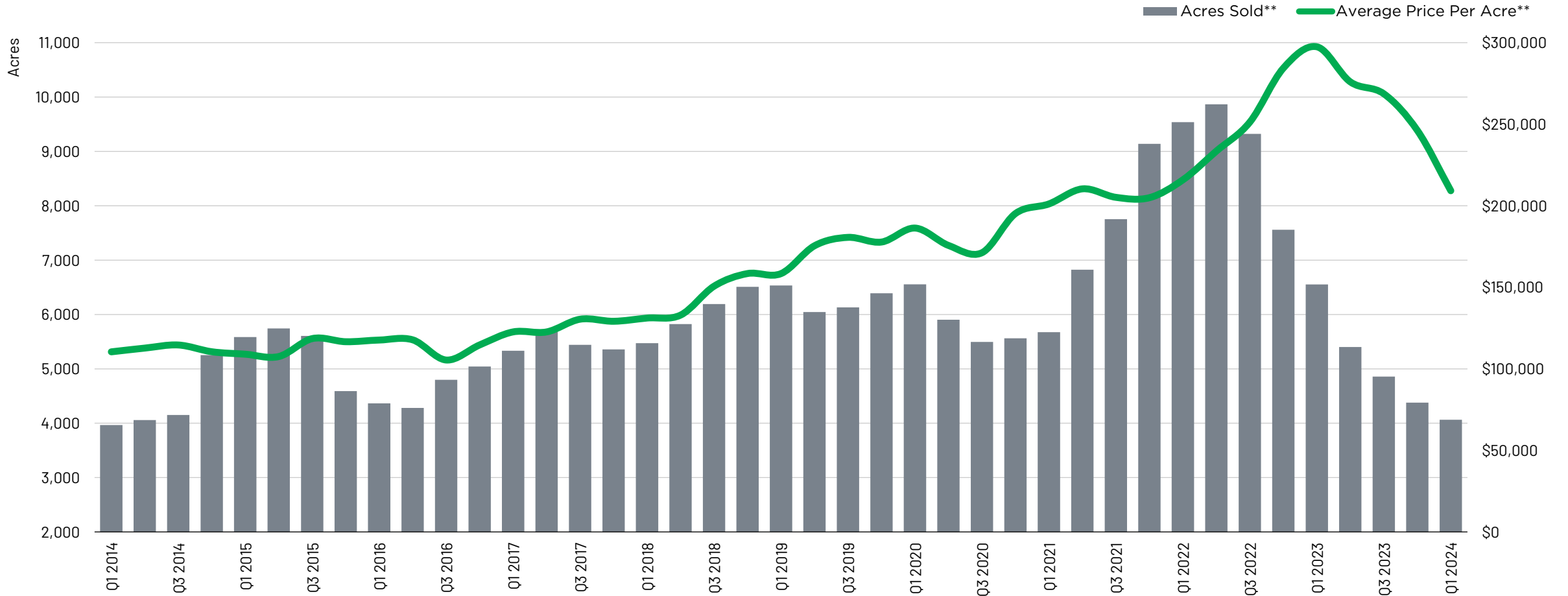
# Spec Developments Predominate in 454 MSF Pipeline

Under Construction Inventory By Development Type, Major Markets



# Land Sales and Prices Drop Amid Higher Interest Rates

Industrial Land Sales Volume vs. Average Price\*



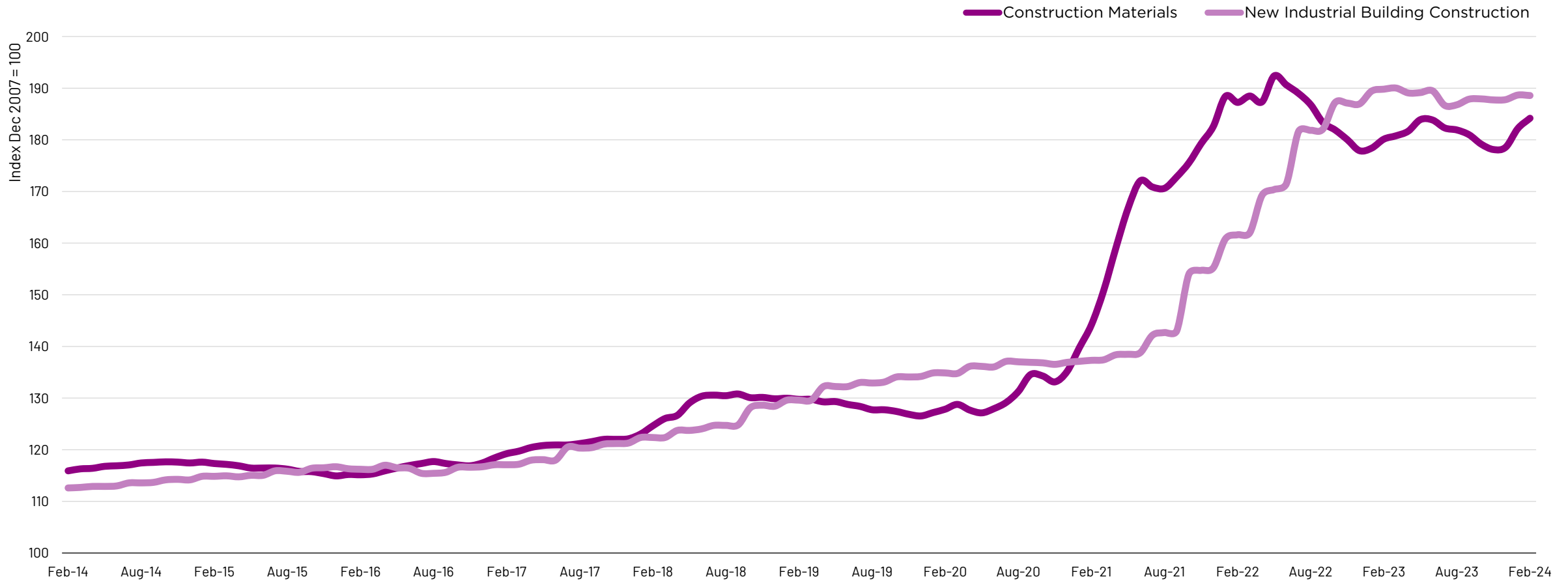
\*Includes industrial land sales between 10 and 100 acres

\*\*Trailing four quarter figures



# Construction Costs Remain Elevated

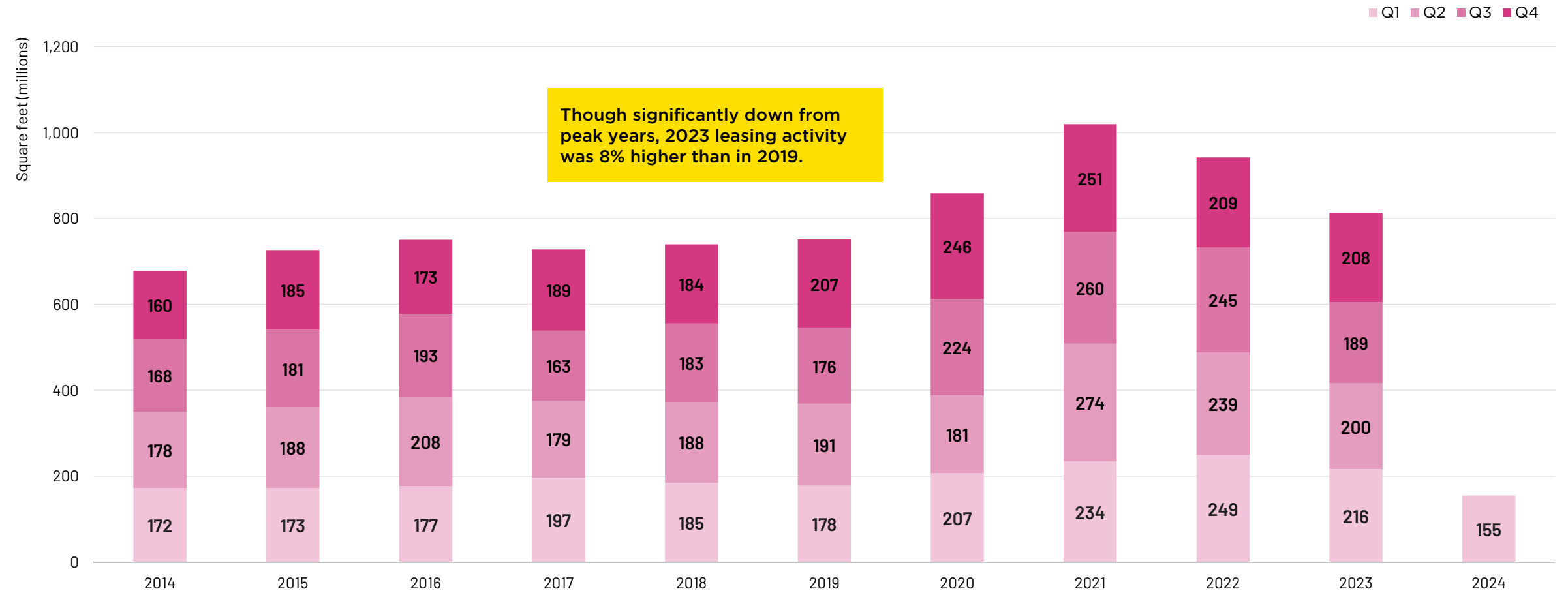
Producer Price Index: Construction Materials and New Industrial Building Construction



Source: St. Louis Federal Reserve

# Weak Leasing Volume Marks Start of the Year

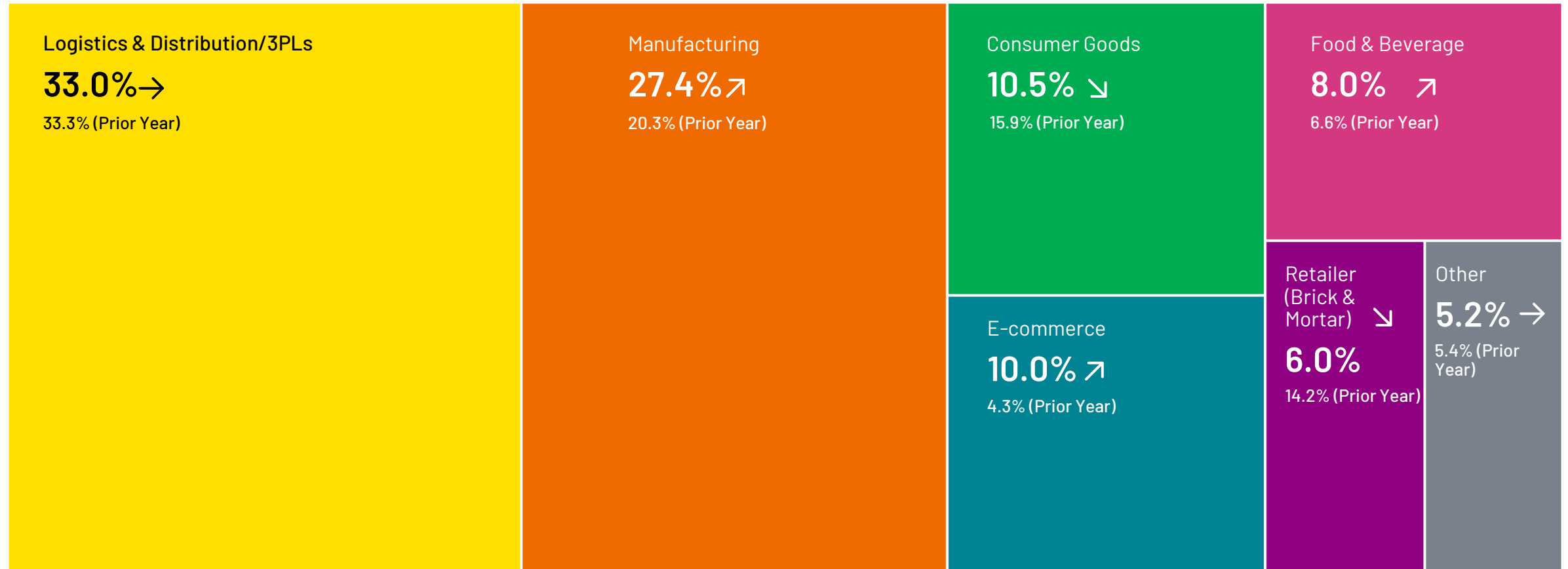
## Quarterly Leasing Activity



Note: Leasing activity adjusted for initial underreporting in most recent three quarters.

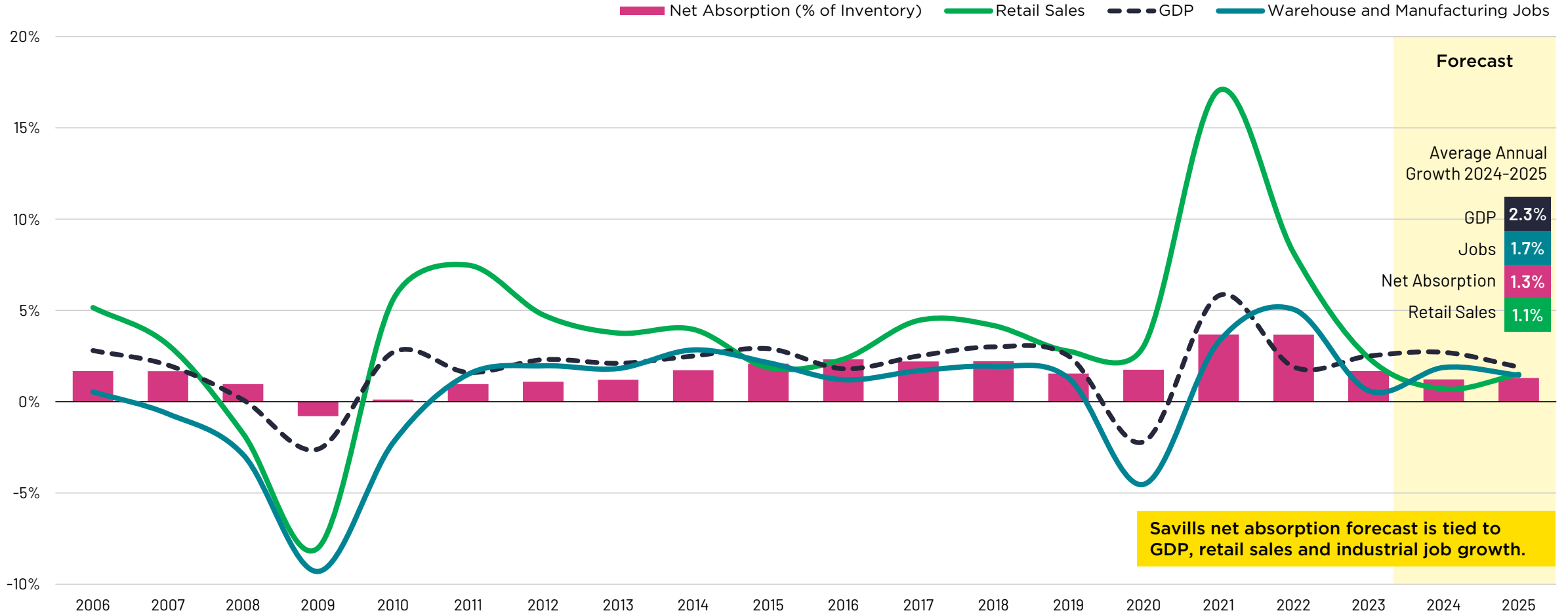
# E-commerce Bounces Back in Q1, Led By Amazon Expansion

Leasing Activity by Industry (Past Four Quarters)



Note: Based on largest deals from top 20 markets

# Demand Forecast Influenced by Uncertain Economic Outlook



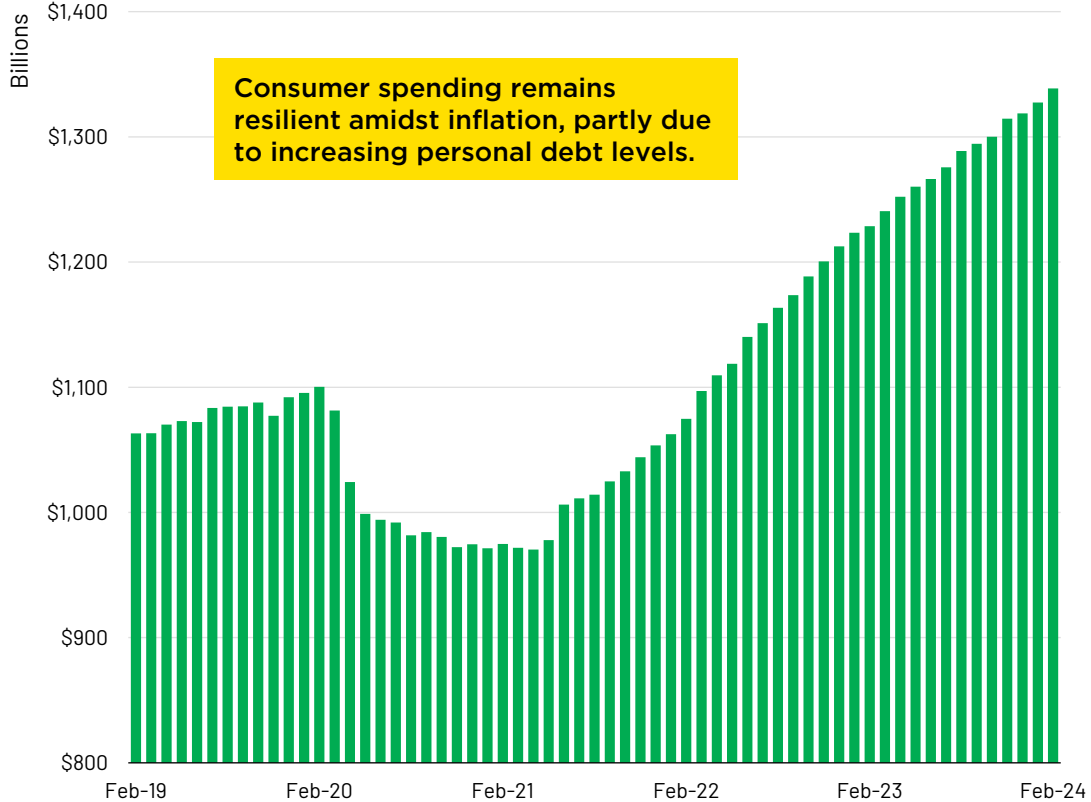
Source: IMF, Lightcast, St. Louis Federal Reserve, Wells Fargo

# Main Driver of Industrial Occupier Demand Resilient Despite Challenges

### Real Personal Consumption Expenditures: Goods



### Revolving Consumer Credit Owned and Securitized

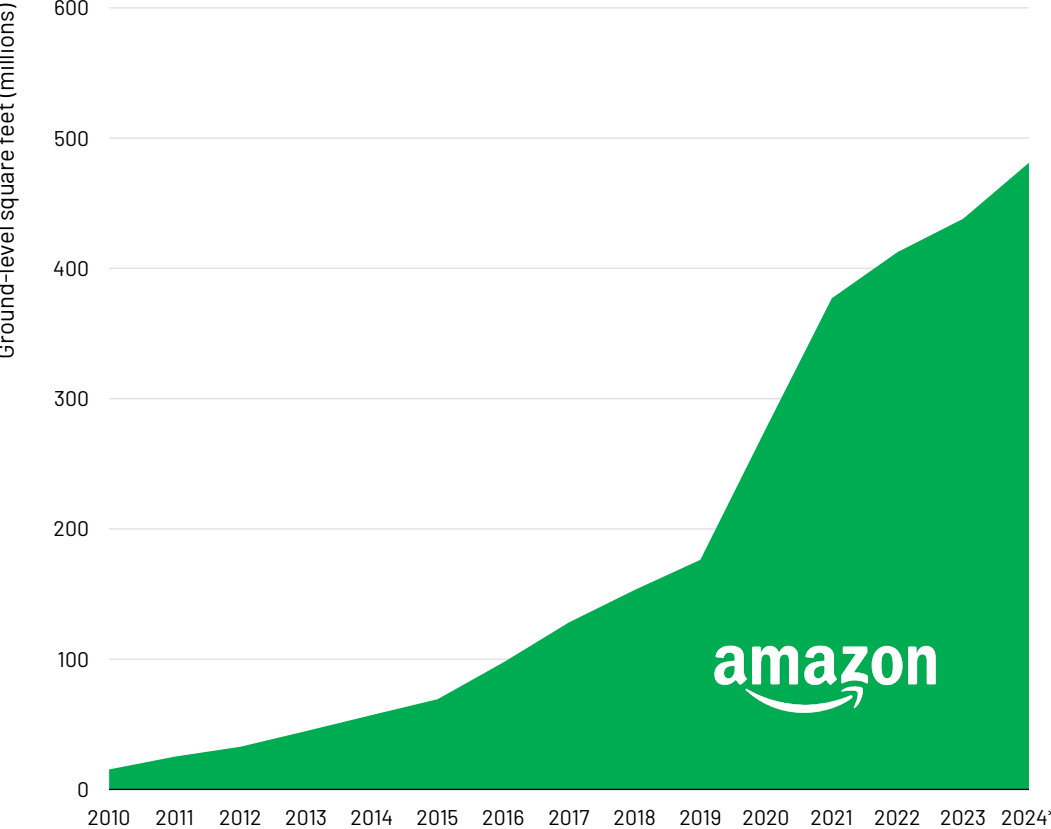


Source: St. Louis Federal Reserve

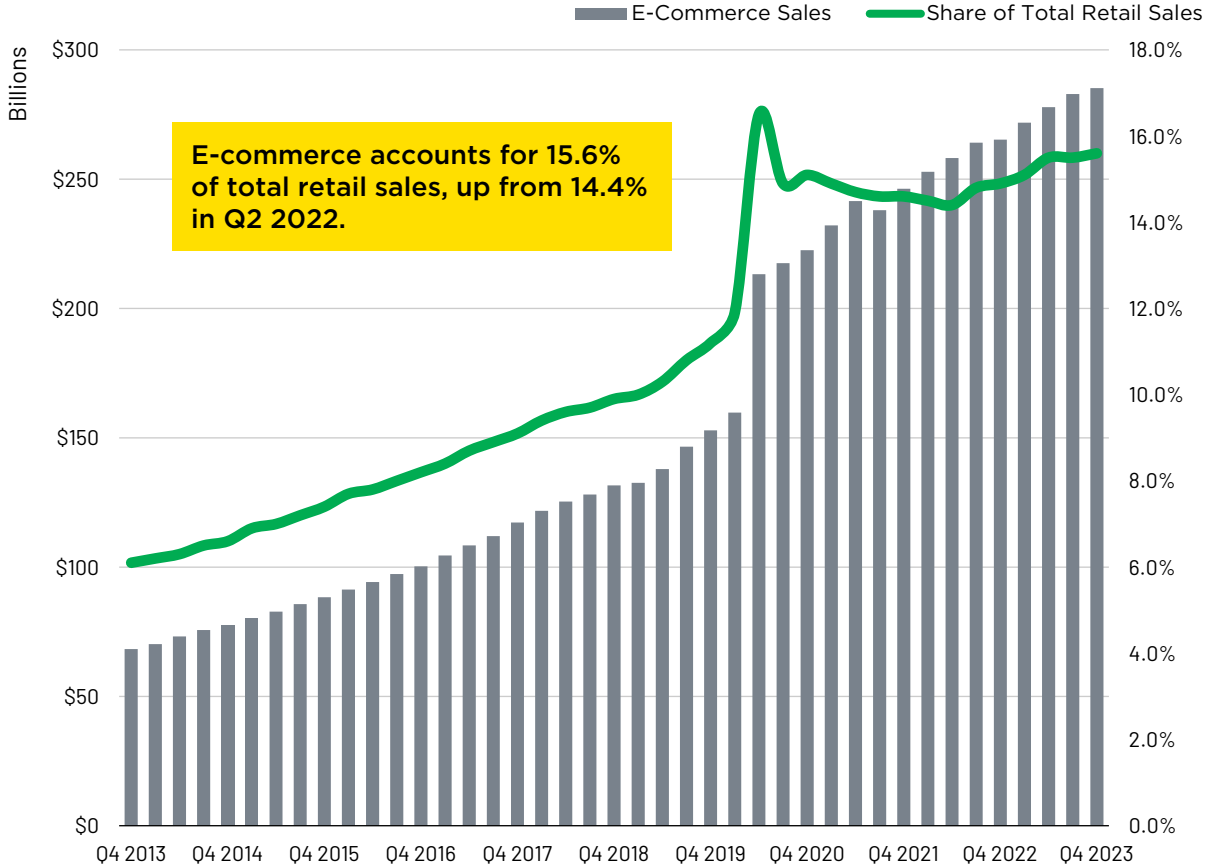


# E-commerce Growing Steadily Again in Post-COVID Era

Amazon's Active U.S. Facilities




E-commerce Penetration

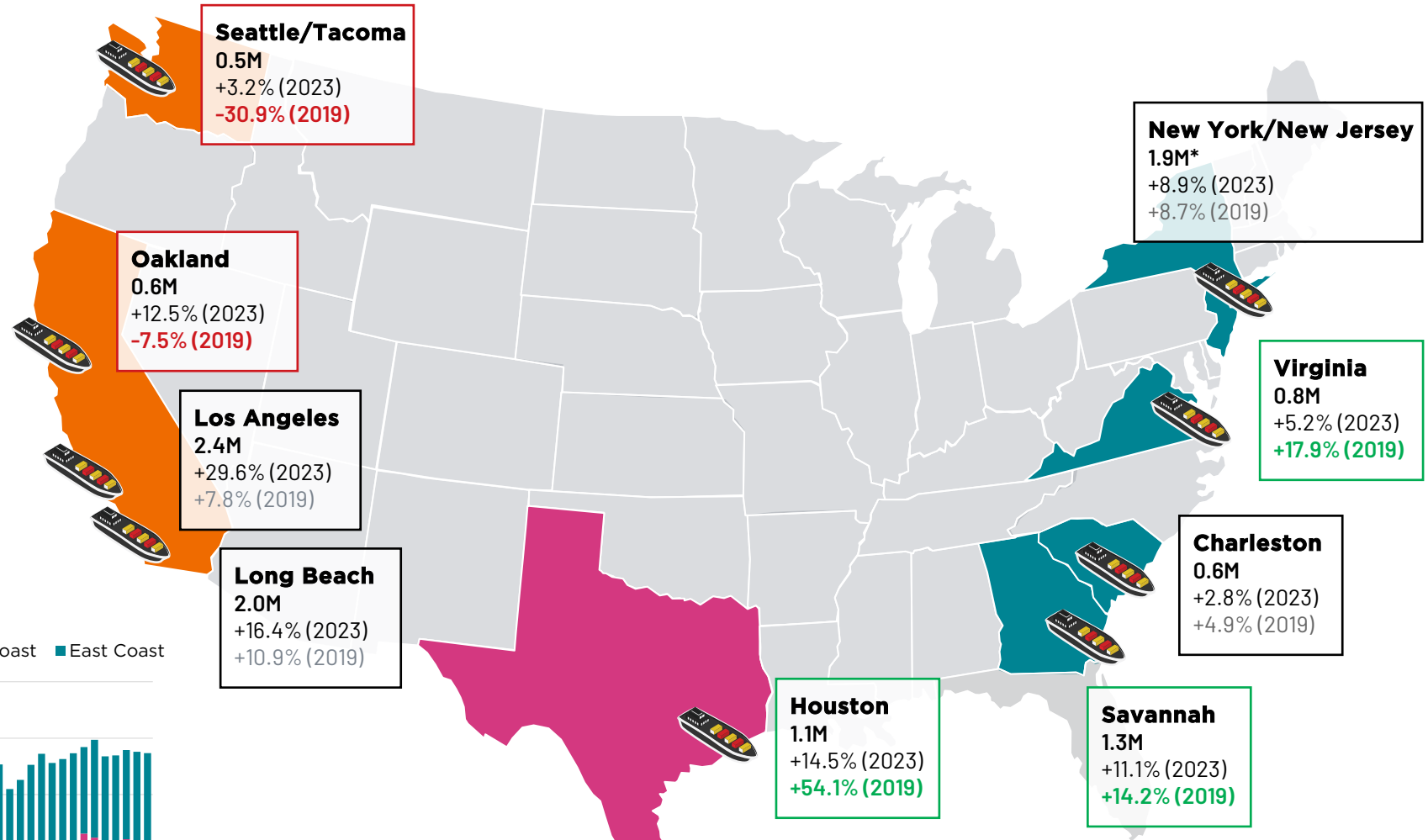


\*Forecast  
Source: MWPVL, U.S. Department of Commerce

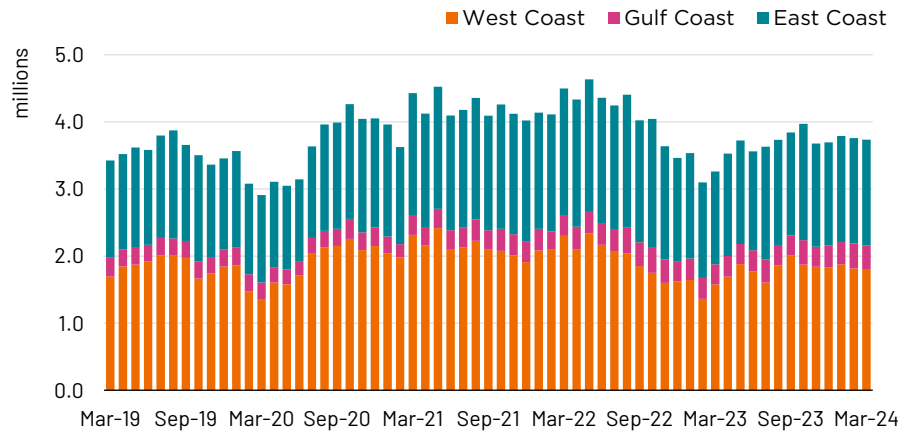
# Ports Start Year Strong, Long-Term Winners and Losers Emerge

## Legend

 **Port**  
 Q1 2024 TEU Volume  
 % Increase from 2023  
 % Increase from 2019



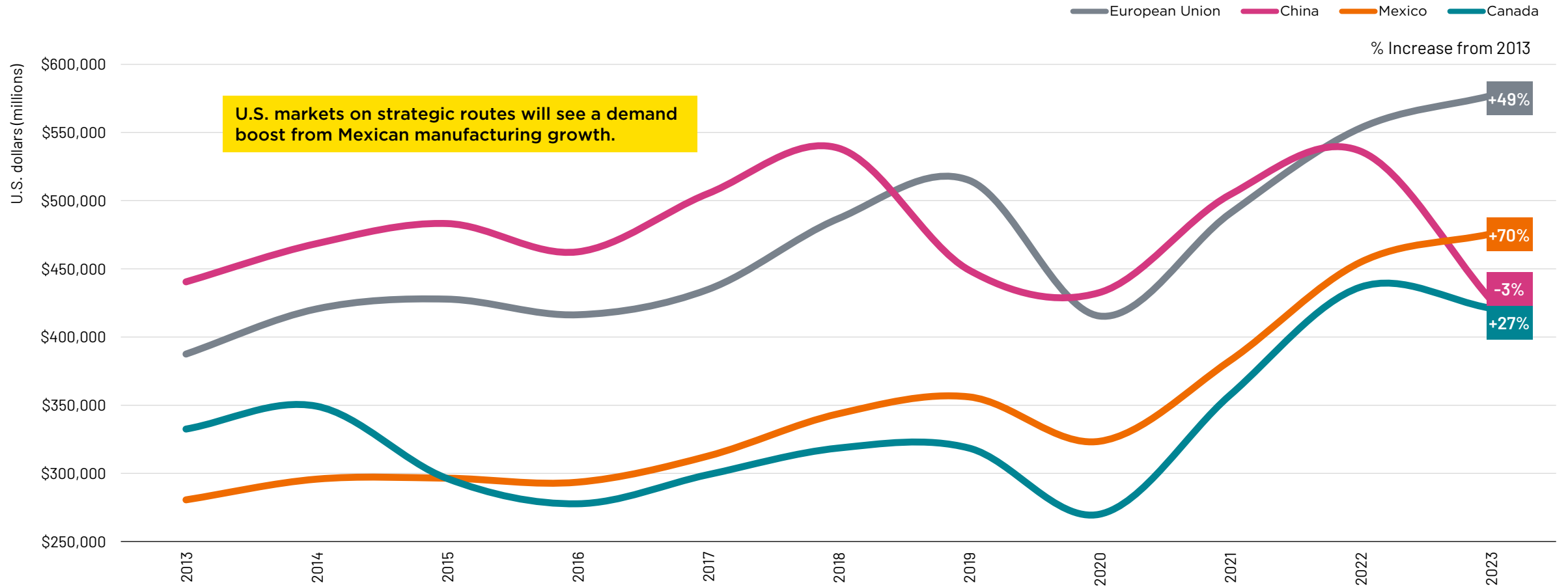
## Monthly TEU Volume, Top 9 Ports



Source: Local port authorities  
 \*Projected

# Near-Shoring and Friend-Shoring Transform Supply Chains

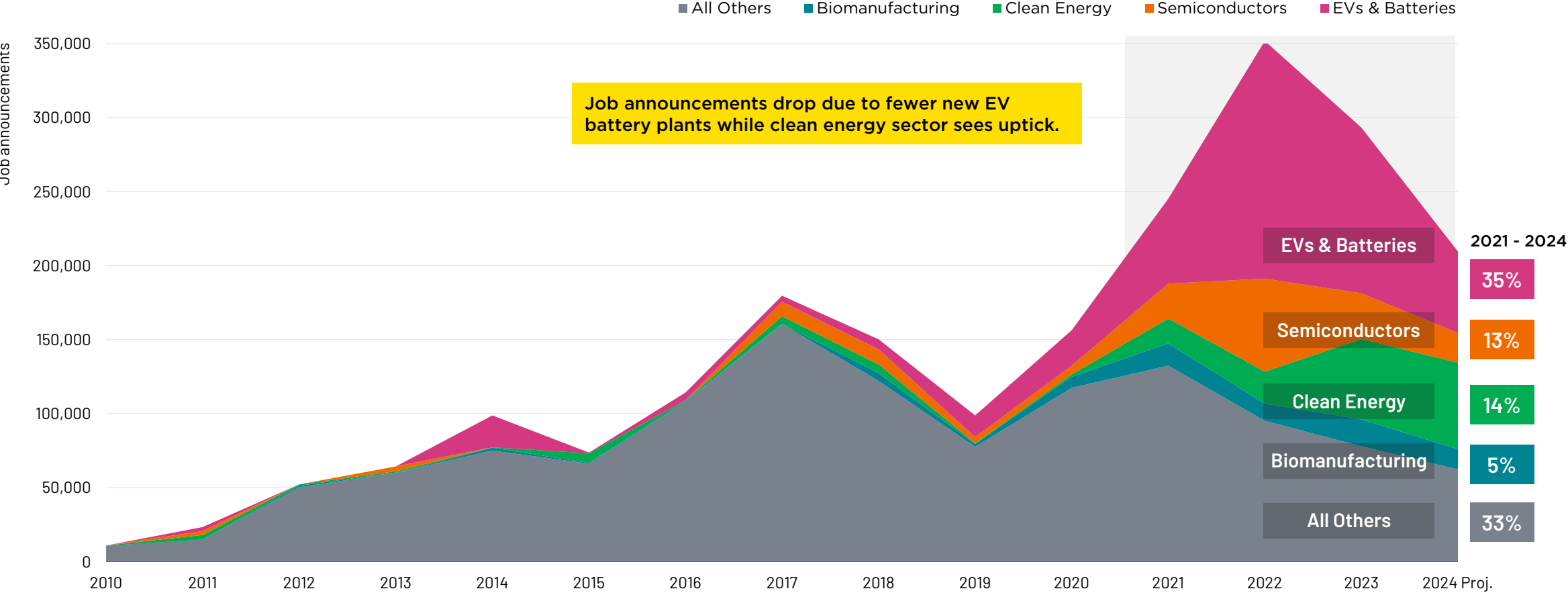
## Largest Sources of U.S. Imported Goods



Source: St. Louis Federal Reserve

# Manufacturing Growth Moderates, Long-Term Upswing Intact

U.S. Manufacturing Job Announcements\*



\*Reshoring and FDI jobs adjusted for supply chain impact  
Source: Reshoring Initiative (Data through March 2024)

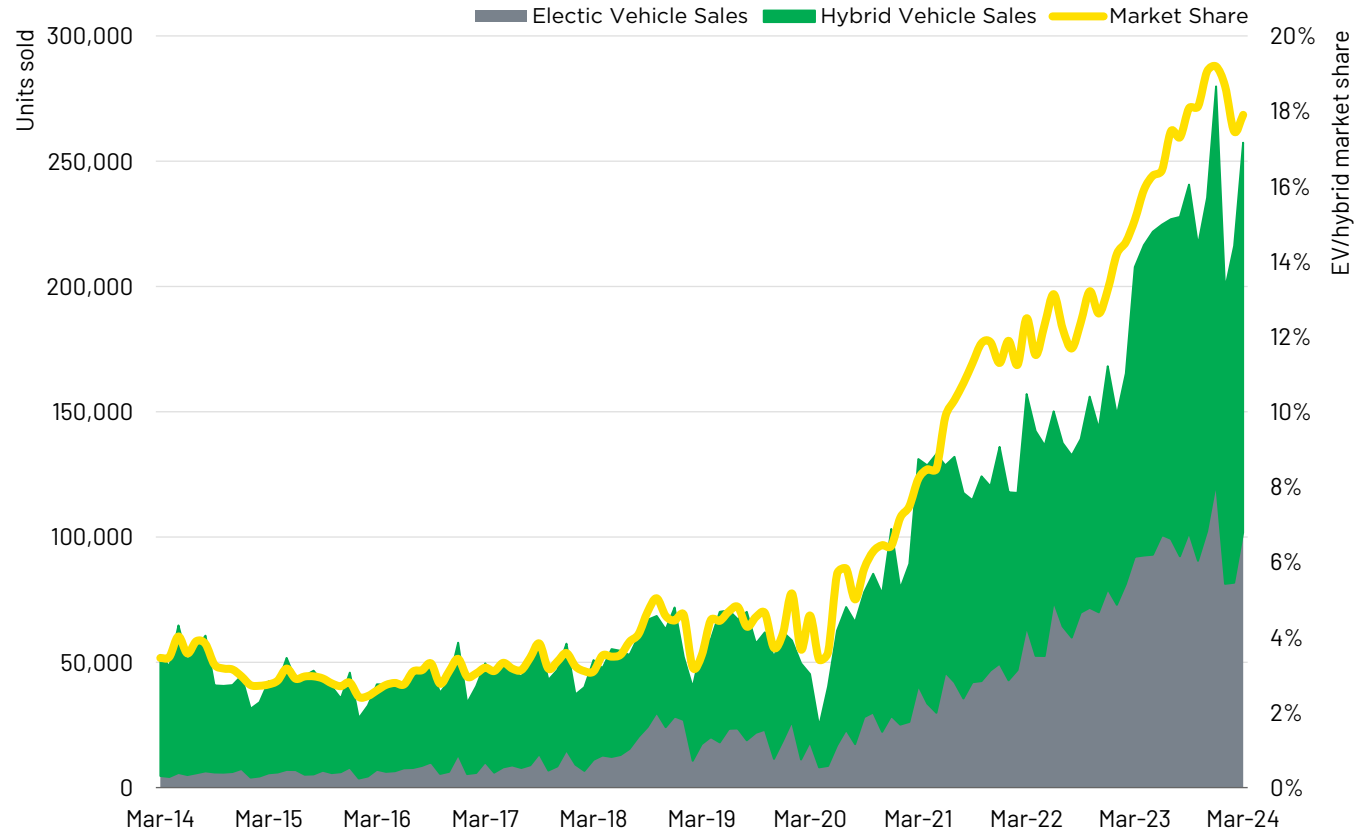
# Largest Manufacturing Job Announcements: 2021 - 2024

COMPANY	INDUSTRY VERTICAL	CITY	STATE	HEADQUARTERS COUNTRY	JOBS CREATED	CAPITAL INVESTMENT	YEAR OPEN
Micron	● Semiconductors	Clay	New York	U.S.	9,000	\$20.0B	2030
HMG Metaplant America	● EVs & Batteries	Ellabell	Georgia	South Korea	8,500	\$7.6B	2025
Rivian	● EVs & Batteries	Madison	Georgia	U.S.	7,500	\$5.0B	2024
VinFast	● EVs & Batteries	Moncure	North Carolina	Vietnam	7,500	\$4.0B	2025
Ford/SK Innovation	● EVs & Batteries	Stanton	Tennessee	U.S./South Korea	6,000	\$5.6B	2025
Toyota	● EVs & Batteries	Liberty	North Carolina	Japan	5,000	\$13.8B	2025
Ford/SK innovation	● EVs & Batteries	Glendale	Kentucky	U.S./South Korea	5,000	\$5.8B	2025
Samsung	● Semiconductors	Taylor	Texas	South Korea	4,500	\$40.0B	2026
TSMC	● Semiconductors	Phoenix	Arizona	Taiwan	4,500	\$40.0B	2024-2026
Panasonic Energy	● EVs & Batteries	DeSoto	Kansas	Japan	4,000	\$4.0B	2025
Scout Motors	● EVs & Batteries	Blythewood	South Carolina	U.S.	4,000	\$2.0B	2026
Hyundai Motor Group and SK On	● EVs & Batteries	Cartersville	Georgia	South Korea	3,500	\$5.0B	2025
Texas Instruments	● Semiconductors	Sherman	Texas	U.S.	3,000	\$30.0B	2025
Intel	● Semiconductors	New Albany	Ohio	U.S.	3,000	\$20.0B	2025
Intel	● Semiconductors	Chandler	Arizona	U.S.	3,000	\$20.0B	2024
KORE Power	● EVs & Batteries	Buckeye	Arizona	U.S.	3,000	\$1.3B	2024

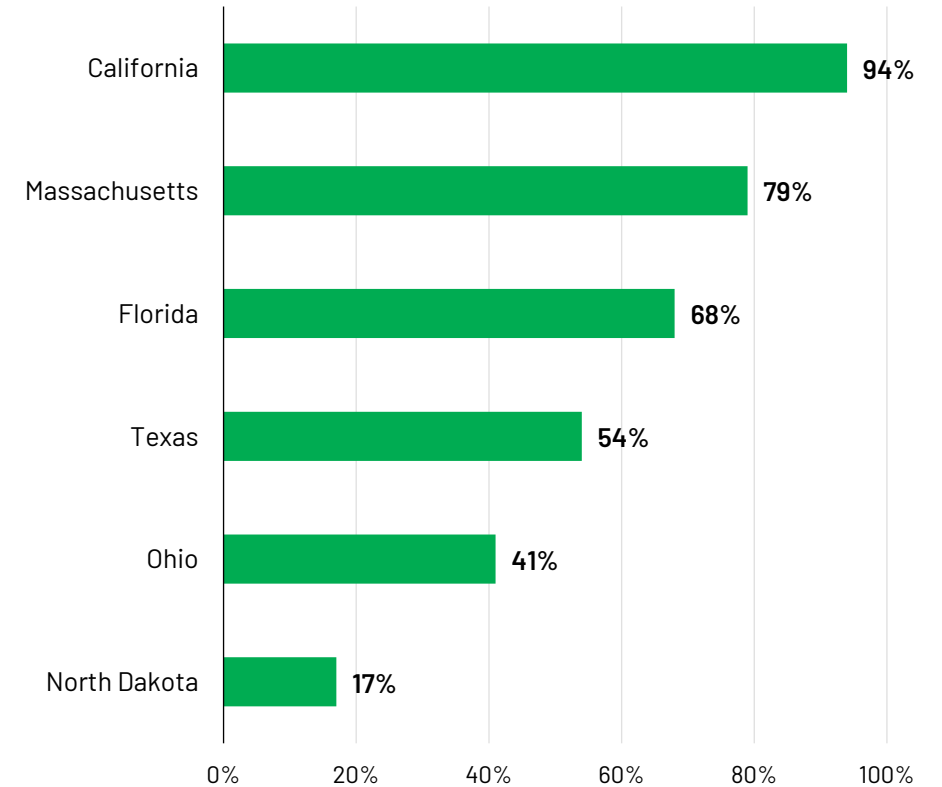
Source: Reshoring Initiative

# EVs Sales See Recent Dip, But Market Share Set to Grow Long Term

Monthly Electric and Hybrid Sales vs. Total Market Share of Auto Sales



2035 Forecast EV Market Share, Select States



Source: Argonne National Laboratory, J.D. Power

**Near-term demand faces  
uncertainty, but long-term drivers  
remain strong and supply is  
expected to rebalance by 2025.**

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# Appendix



# Local Market Statistics

	INVENTORY		VACANCY		UNDER CONSTRUCTION		ASKING RENTAL RATE	
	Q1 2024 (msf)	1 Year Change (msf)	Q1 2024 (%)	1 Year Change (bps)	Q1 2024 (msf)	1 Year Change (msf)	Q1 2024 (\$/sf)	1 Year Change (%)
National	16,542.4	735.4	6.7%	240	454.3	-327.8	\$9.50	9.5%
Atlanta	697.5	37.1	8.4%	320	19.8	-23.9	\$6.81	10.2%
Austin	101.8	12.2	9.9%	440	15.2	-3.0	\$13.26	17.2%
Baltimore	207.0	4.8	8.7%	140	1.9	-3.0	\$10.19	9.1%
Boise City/Nampa	42.0	2.7	7.9%	340	5.0	-2.4	\$9.63	6.3%
Boston	384.8	6.5	5.7%	120	11.7	-2.2	\$11.06	0.0%
Buffalo	87.9	0.5	4.7%	170	0.1	-0.4	\$6.72	12.0%
Charleston/N Charleston	88.1	7.6	9.9%	700	6.8	-5.5	\$7.92	6.5%
Charlotte	256.8	17.3	8.5%	270	16.0	-5.2	\$6.73	21.2%
Chicago	1,010.6	48.0	6.8%	210	11.4	-24.0	\$6.37	12.4%
Cincinnati/Dayton	430.9	11.0	5.7%	210	4.2	-8.1	\$5.35	5.3%
Cleveland	476.7	3.6	3.9%	20	1.8	-3.6	\$5.47	8.5%
Columbus	295.5	21.5	8.5%	300	7.6	-8.6	\$6.13	5.5%
Dallas-Fort Worth	850.7	82.6	10.6%	400	30.9	-47.4	\$7.11	11.0%
Denver	203.5	15.2	9.0%	190	5.3	-8.0	\$9.56	11.1%
Detroit	499.8	11.8	4.3%	10	4.4	-2.7	\$6.68	-3.4%
East Bay/Oakland	183.5	1.9	5.7%	200	1.0	-1.3	\$14.10	-3.6%
Greensboro/Winston-Salem	268.1	6.0	5.0%	230	4.3	-3.3	\$5.08	12.6%
Greenville/Spartanburg	241.0	15.9	8.7%	350	10.1	-6.6	\$4.97	11.4%
Hampton Roads	100.4	4.5	3.2%	130	3.2	-1.4	\$8.98	16.2%
Houston	645.2	46.3	7.3%	200	18.3	-14.5	\$7.60	5.4%

Note: Asking rental rates are weighted averages of available disclosed rates for all classes and sizes

# Local Market Statistics

	INVENTORY		VACANCY		UNDER CONSTRUCTION		ASKING RENTAL RATE	
	Q1 2024 (msf)	1 Year Change (msf)	Q1 2024 (%)	1 Year Change (bps)	Q1 2024 (msf)	1 Year Change (msf)	Q1 2024 (\$/sf)	1 Year Change (%)
<b>National</b>	16,542.4	735.4	6.7%	240	454.3	-327.8	\$9.50	9.5%
Indianapolis	378.1	15.8	9.2%	330	9.2	-11.1	\$6.29	15.4%
Inland Empire	603.4	34.0	7.9%	500	19.7	-15.2	\$15.55	-9.9%
Jacksonville	130.0	4.9	4.0%	0	5.0	-1.5	\$9.03	31.4%
Kansas City	352.2	9.4	5.2%	180	12.6	-0.7	\$5.44	11.9%
Las Vegas	137.8	9.3	6.4%	320	16.4	1.2	\$12.71	13.2%
Long Island	265.6	1.4	5.5%	50	6.4	0.2	\$22.58	8.3%
Los Angeles	677.6	11.4	5.4%	210	7.8	0.8	\$18.16	-9.0%
Louisville	222.9	5.2	5.3%	140	5.4	-1.9	\$5.15	2.2%
Memphis	301.2	9.0	8.0%	300	0.4	-8.9	\$4.39	-0.7%
Milwaukee/Madison	383.4	7.8	3.8%	90	2.0	-6.0	\$5.02	-3.3%
Minneapolis/St Paul	325.2	9.3	4.5%	150	3.0	-6.2	\$6.86	13.8%
Nashville	262.6	11.1	4.7%	160	8.8	-4.2	\$9.12	24.8%
Northern New Jersey	666.4	26.2	6.1%	270	11.7	-6.2	\$17.46	4.8%
Omaha/Council Bluffs	79.1	1.7	2.7%	80	2.6	-1.2	\$7.10	7.1%
Orange County	146.6	4.0	4.4%	230	1.2	-0.4	\$20.39	-4.4%
Orlando	164.2	7.7	5.7%	210	5.6	-3.8	\$10.48	12.4%
PA I-81/78 Corridor	585.0	31.4	6.2%	210	13.2	-11.3	\$8.24	13.4%
Philadelphia	393.6	23.5	8.0%	350	11.1	-15.1	\$12.08	6.7%
Phoenix	300.3	37.0	11.8%	710	36.2	-13.2	\$10.68	11.4%
Pittsburgh	172.8	2.9	5.7%	90	0.5	-2.7	\$7.56	5.7%

Note: Asking rental rates are weighted averages of available disclosed rates for all classes and sizes

# Local Market Statistics

	INVENTORY		VACANCY		UNDER CONSTRUCTION		ASKING RENTAL RATE	
	Q1 2024 (msf)	1 Year Change (msf)	Q1 2024 (%)	1 Year Change (bps)	Q1 2024 (msf)	1 Year Change (msf)	Q1 2024 (\$/sf)	1 Year Change (%)
National	16,542.4	735.4	6.7%	240	454.3	-327.8	\$9.50	9.5%
Raleigh/Durham	103.3	4.3	5.3%	180	5.8	-0.6	\$9.52	33.7%
Sacramento	148.6	3.9	6.1%	170	1.1	-2.5	\$8.82	2.0%
Salt Lake City	243.1	14.0	7.5%	360	5.4	-9.9	\$10.97	11.3%
San Antonio	134.7	6.2	9.1%	370	5.1	-1.6	\$7.20	6.0%
San Diego	113.8	2.7	6.3%	360	1.6	-0.3	\$15.76	8.2%
Savannah	123.4	20.1	12.1%	920	27.7	-7.2	\$7.13	13.7%
Seattle/Puget Sound	236.5	13.2	8.6%	370	6.2	-4.6	\$11.55	-1.2%
South Bay/San Jose	73.1	0.0	4.9%	160	3.8	1.8	\$17.82	-0.5%
South Florida	304.3	16.2	4.6%	170	8.9	-6.6	\$15.94	8.0%
St. Louis	286.7	2.0	5.3%	50	3.2	0.8	\$5.51	0.2%
Stockton/Modesto	186.9	5.3	6.0%	120	4.7	-3.5	\$7.69	1.9%
Tampa/St Petersburg	256.8	7.7	6.8%	200	8.2	-1.0	\$10.46	6.8%
Tucson	28.6	1.9	8.3%	600	0.0	-1.9	\$9.08	8.1%
Washington, DC	143.4	1.5	5.4%	160	3.8	-0.9	\$12.51	-2.8%

Note: Asking rental rates are weighted averages of available disclosed rates for all classes and sizes

# Thank you



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