



JULY 2022

# U.S. Industrial Market Update

Q2 2022



# Market Highlights

- **Demand Stays Strong Despite Macroeconomic Concerns**

The data is not yet indicating any measurable pullback with year-to-date net absorption ahead of the first half of 2021.

- **Vacancy Drops During Quarter**

After declining 20 basis points (bps) since 1Q and 140 bps year over year, vacancy now stands at 3.9%—an all-time low.

- **Construction Slowed by Material Backlogs**

A record 818 msf is under construction, but supply chain issues are delaying deliveries.

- **Sublease Space Having Minimal Impact on Market**

Availability of sublease space, which can be a leading indicator of a downturn, remains exceptionally low averaging just 0.3%.

- **Changing Consumption Patterns**

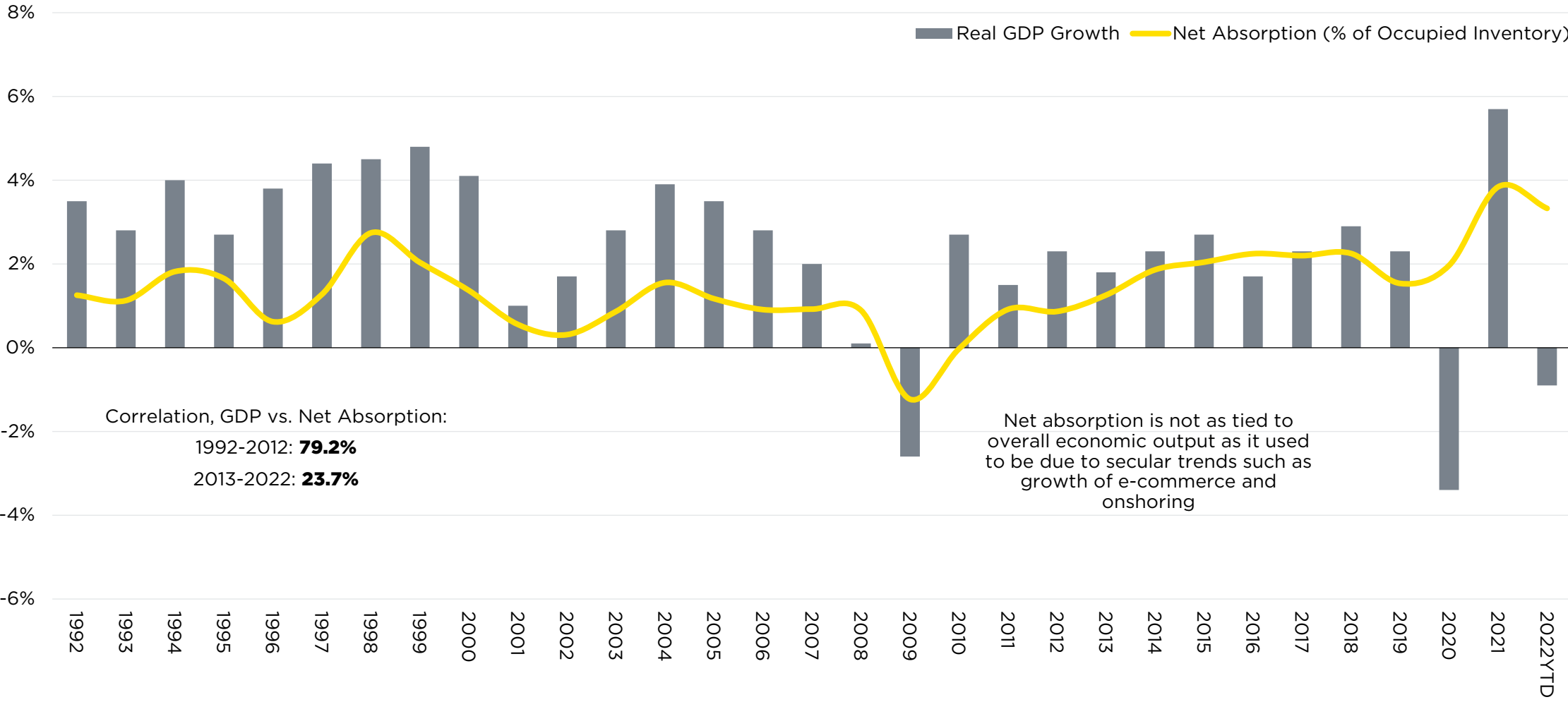
Growth in spending on goods, particularly online, has waned due to inflation as well as the decline of the stay-at-home economy.

- **Advanced Manufacturing Provides Tailwind for Sector**

Onshoring of microchip factories, EV battery plants to bolster absorption in years to come.



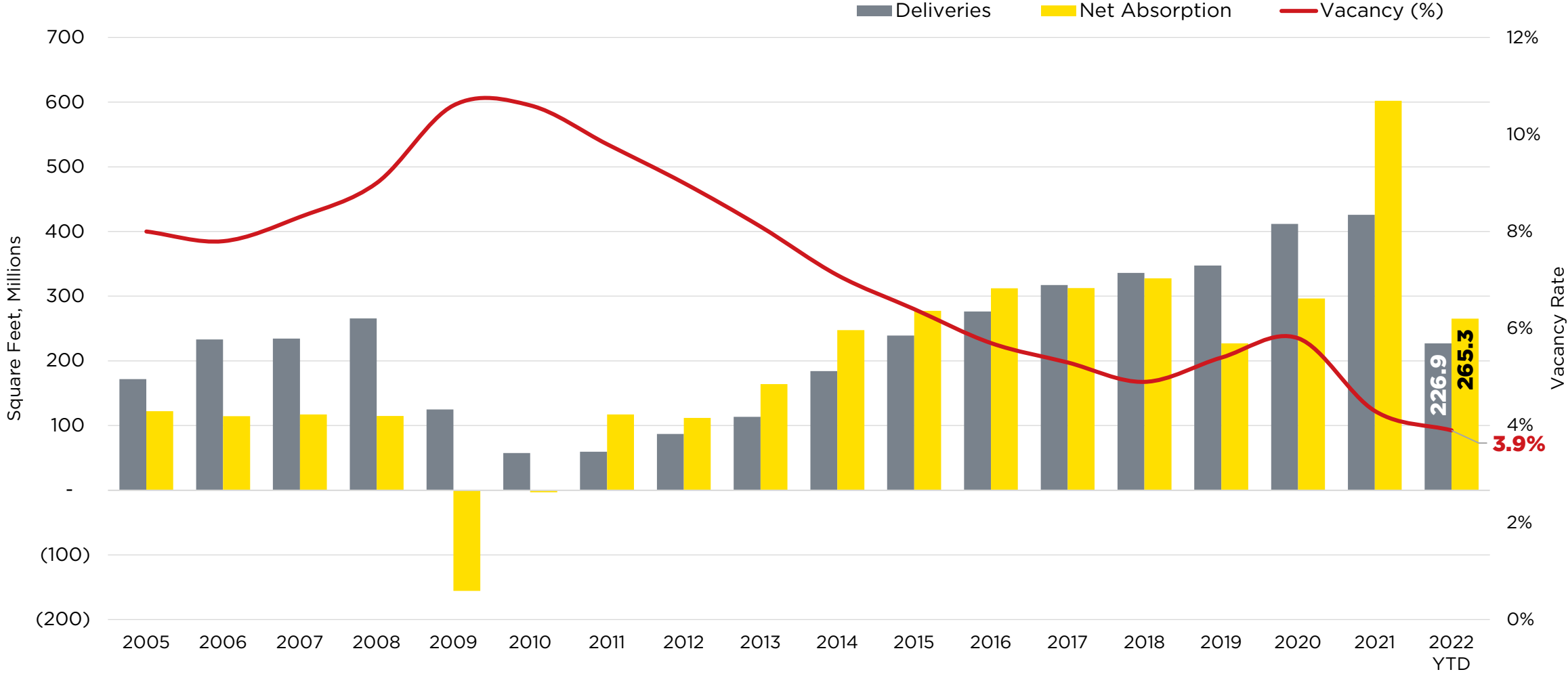
# Industrial Sector Poised for Resiliency Even as Recession Fears Grow



Source: Bureau of Economic Analysis, Savills Research



# Landlords Maintain Leverage as Supply-Demand Imbalance Persists

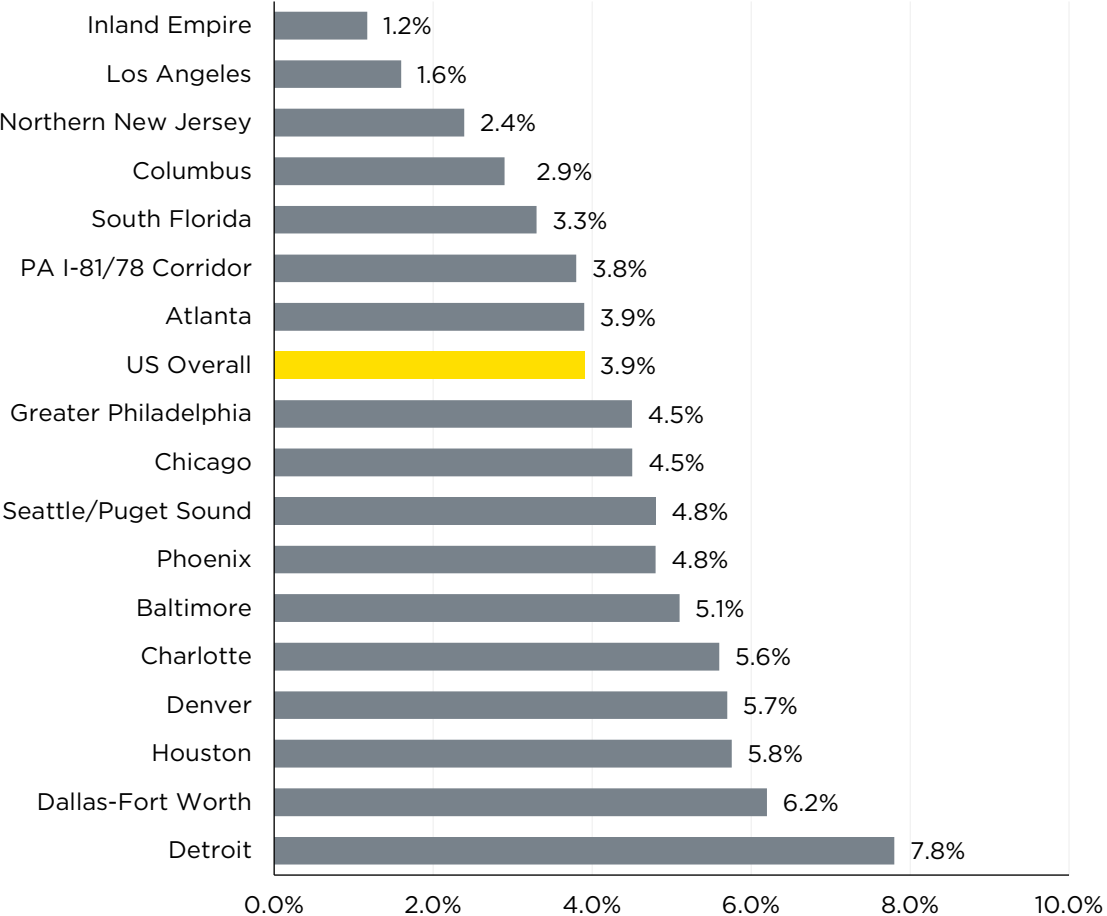


Source: Savills Research

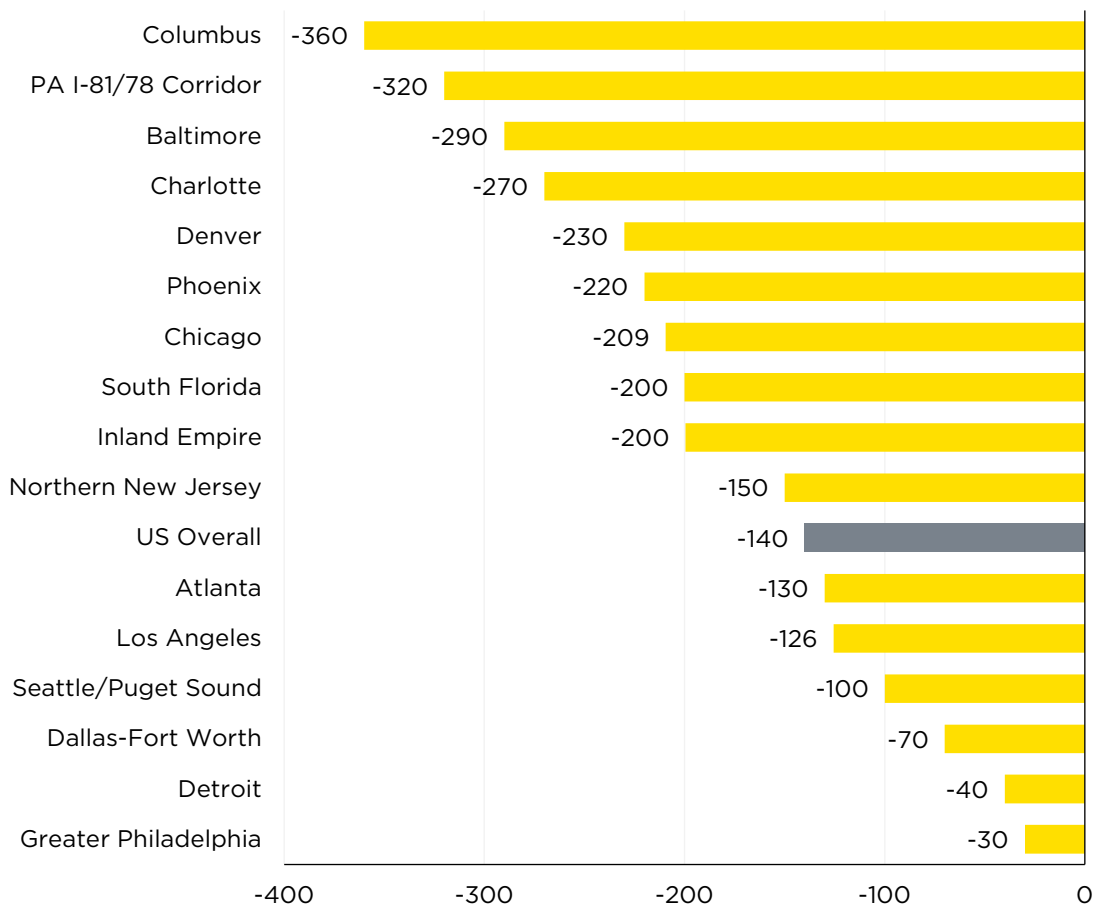


# With Coasts Sold Out, Steepest Vacancy Declines Seen Inland

Q2 2022 Vacancy Rate



One Year Vacancy Change (bps)

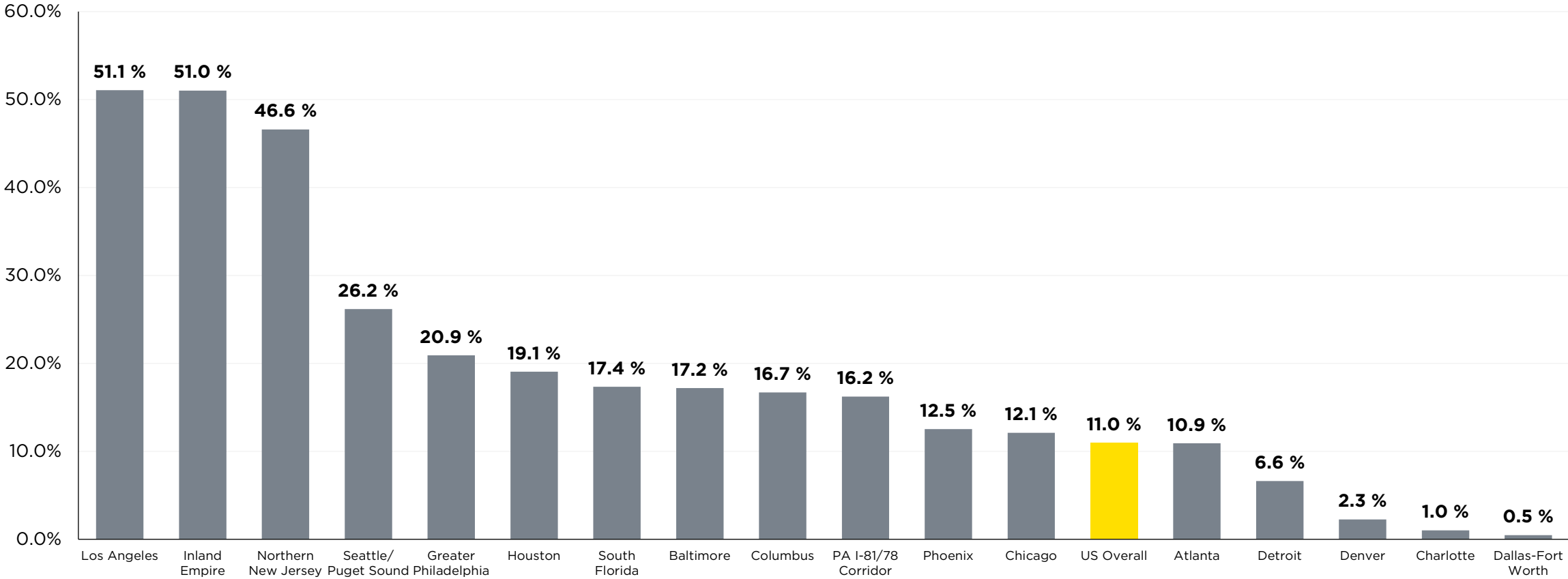


Source: Savills Research



# Recent Blockbuster Rent Growth Expected to Moderate Going Forward

## One Year Asking Rent Growth

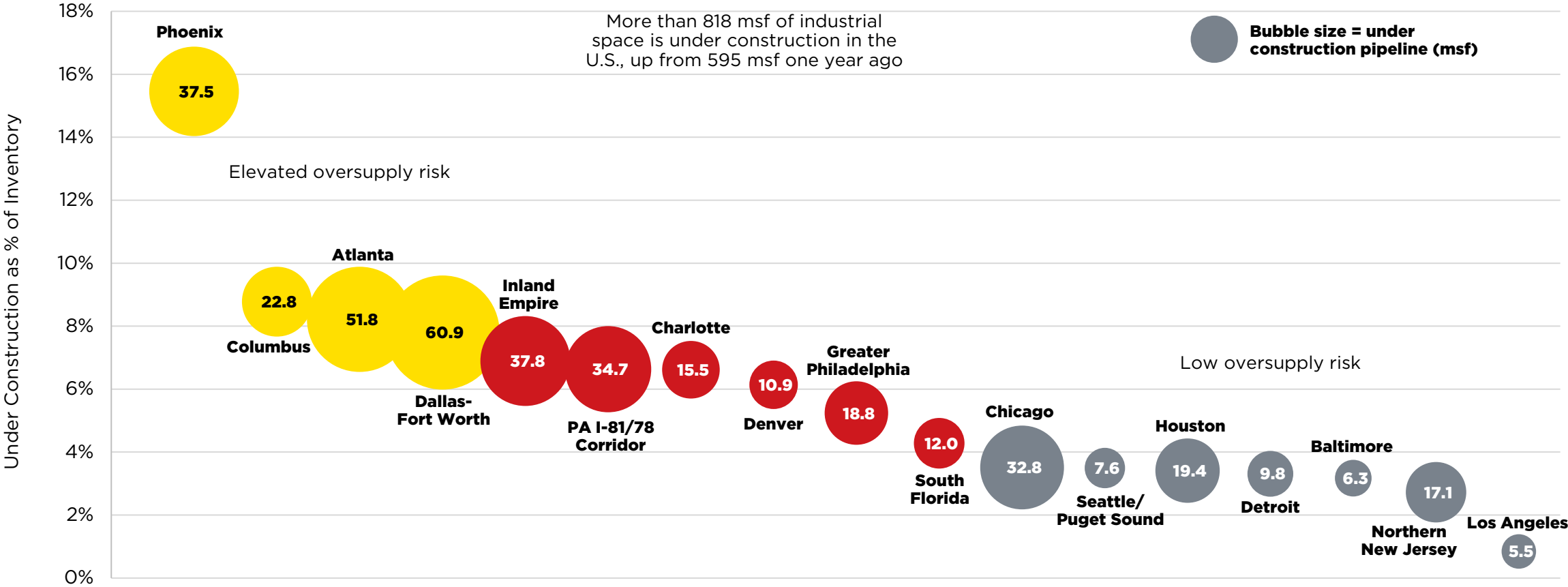


Source: Savills Research



# Amid Record New Development, Oversupply Risk Varies by Market

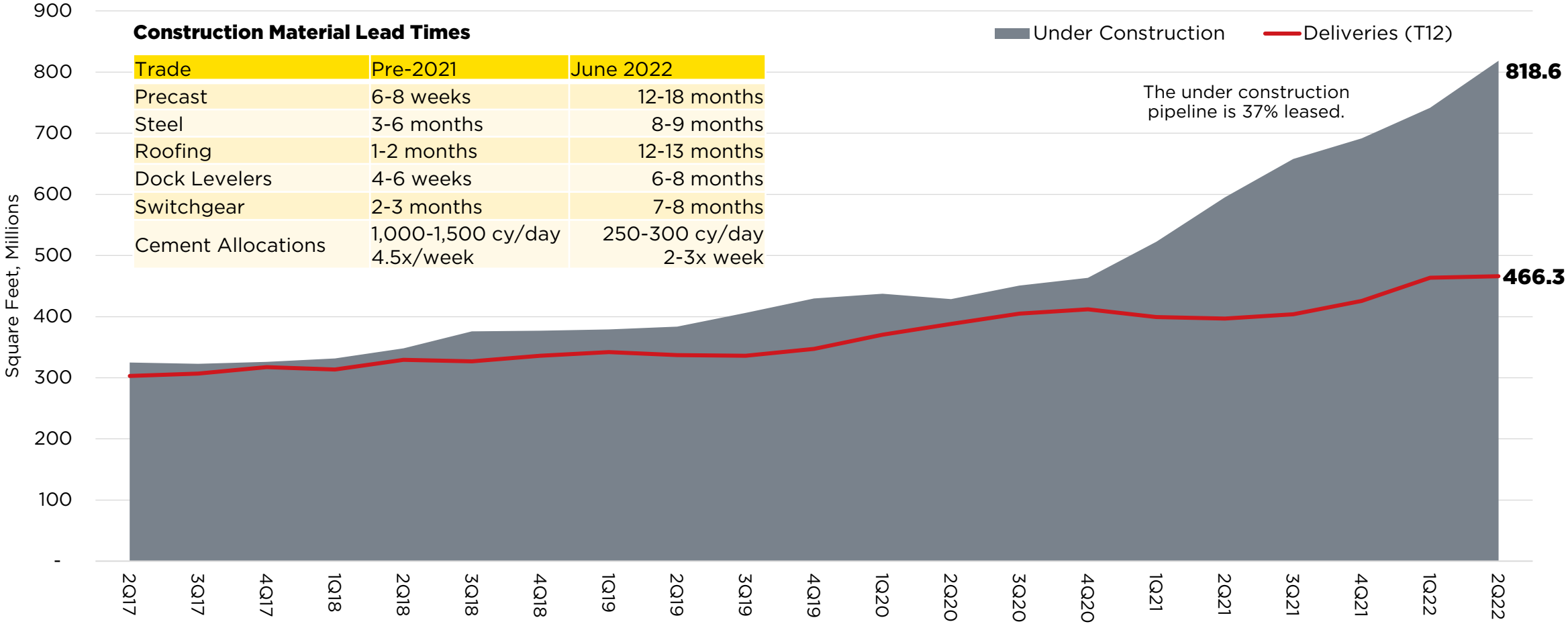
Construction Pipeline: Total SF vs. % of Market Inventory



Source: Savills Research



# Supply Chain Issues Delaying Construction Deliveries



Source: NAIOP, Savills Research





# Industrial Demand is Diverse and Tied to Consumer Economy

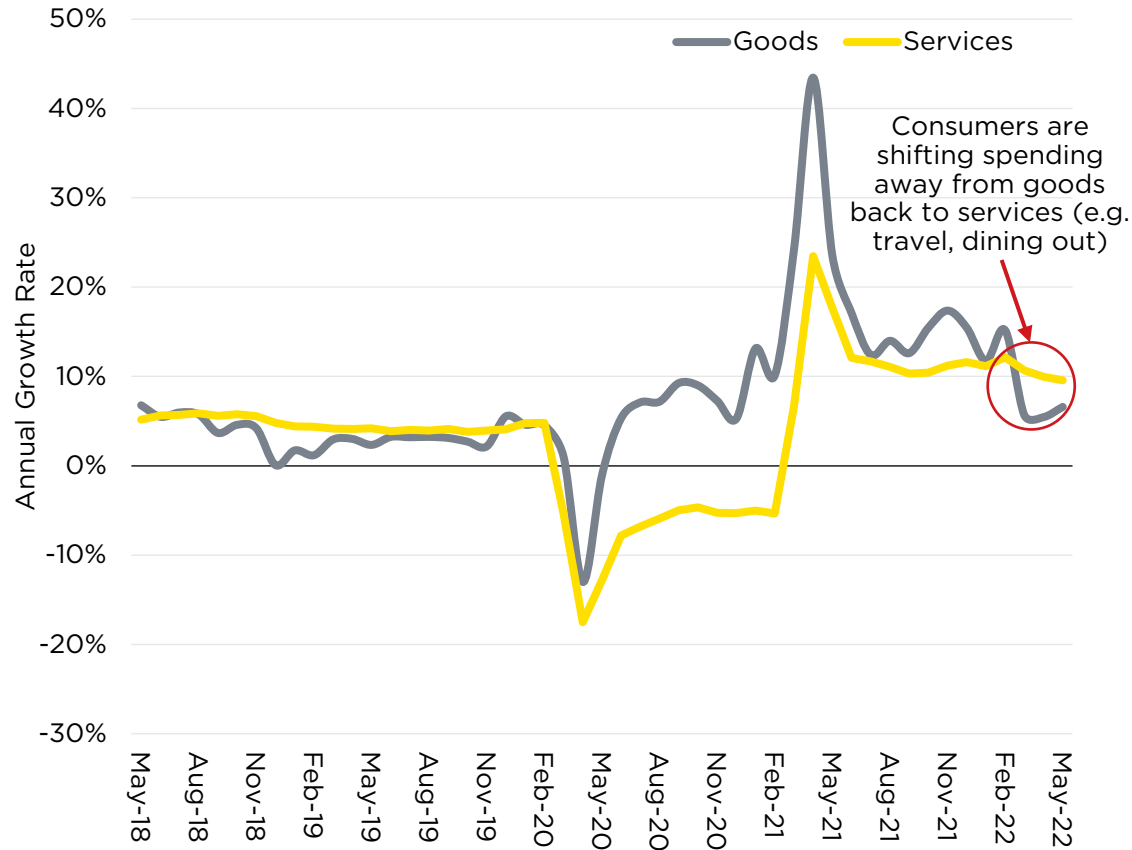
Leasing Activity by Industry, Past 5 Years\*



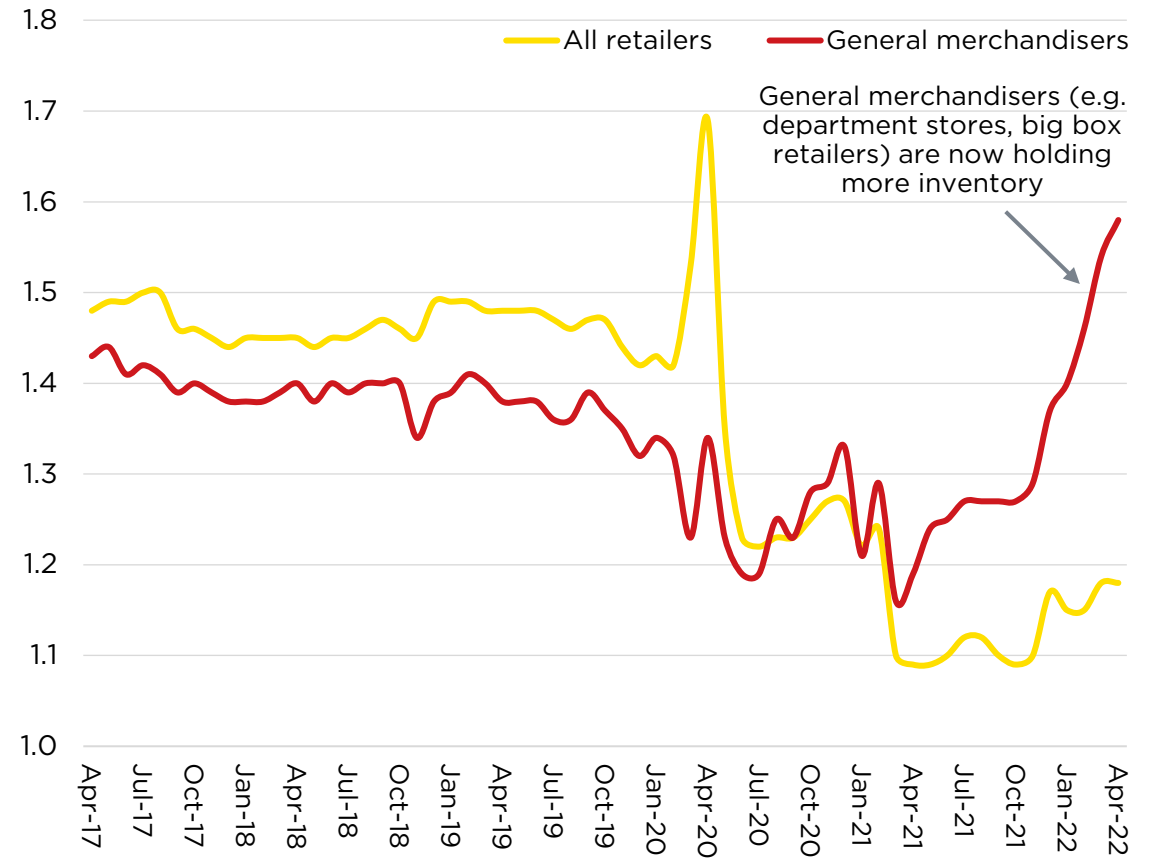
\*Includes leases over 100,000 sf  
Source: Savills Research

# As Consumer Behavior Shifts, Warehouse Inventories Adjust

## Personal Consumption Expenditures

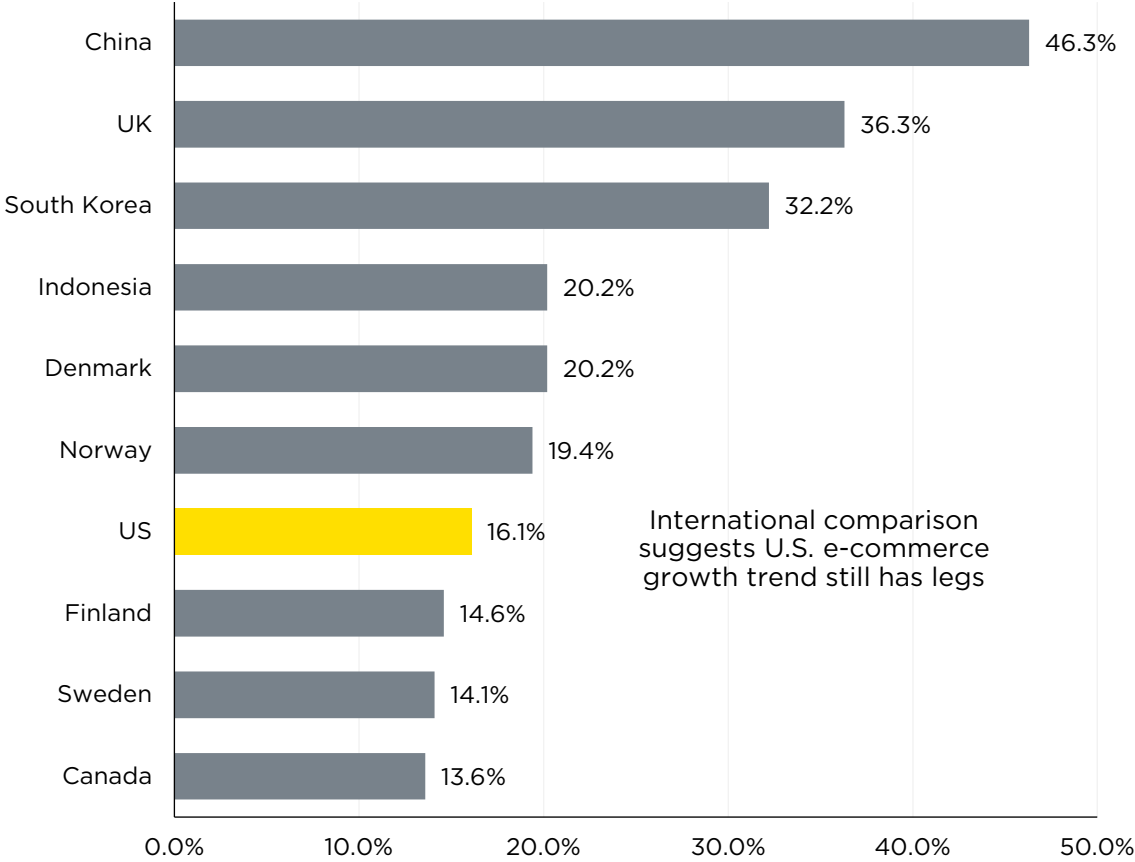


## Retail Inventories to Sales Ratio

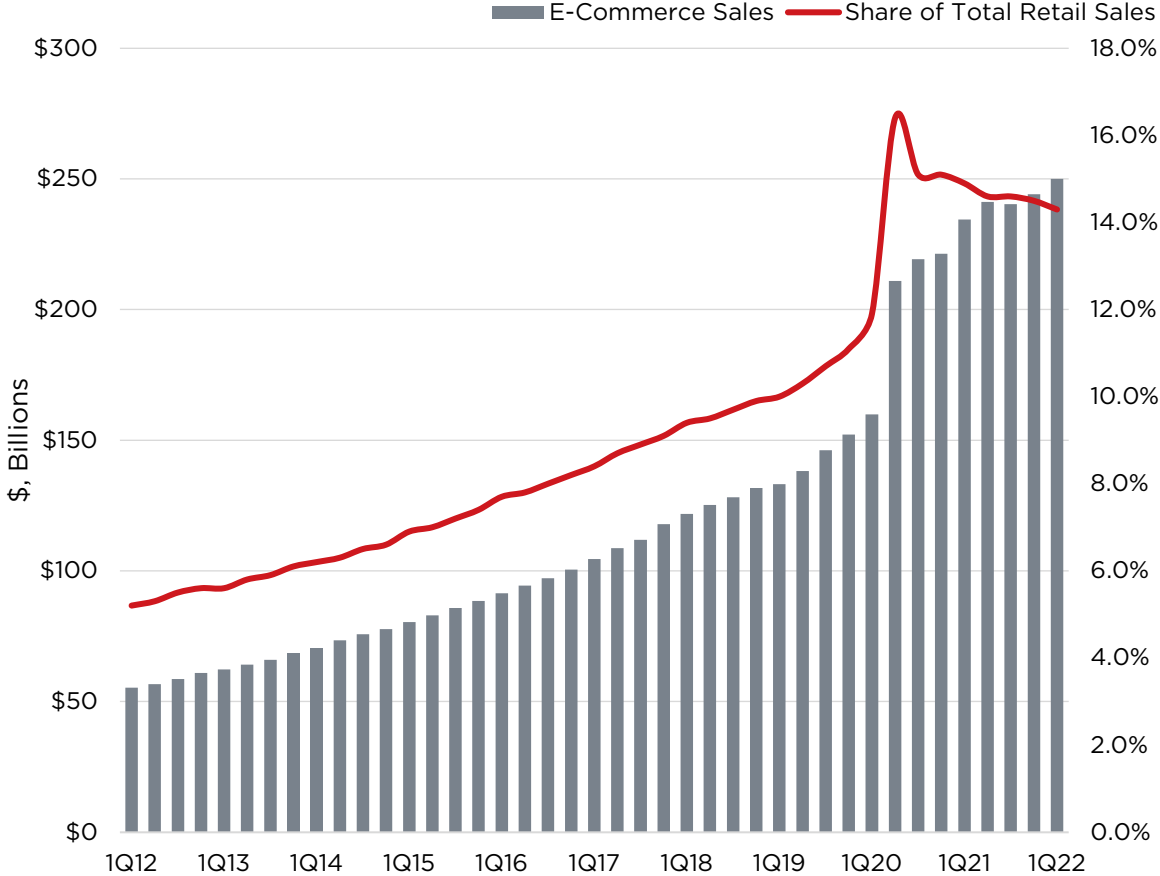


# Pandemic Pop Ends, But E-Commerce Outlook Still Positive

**Top 10 Countries Ranked by E-Commerce Share of Total Retail Sales**



**E-Commerce Penetration**

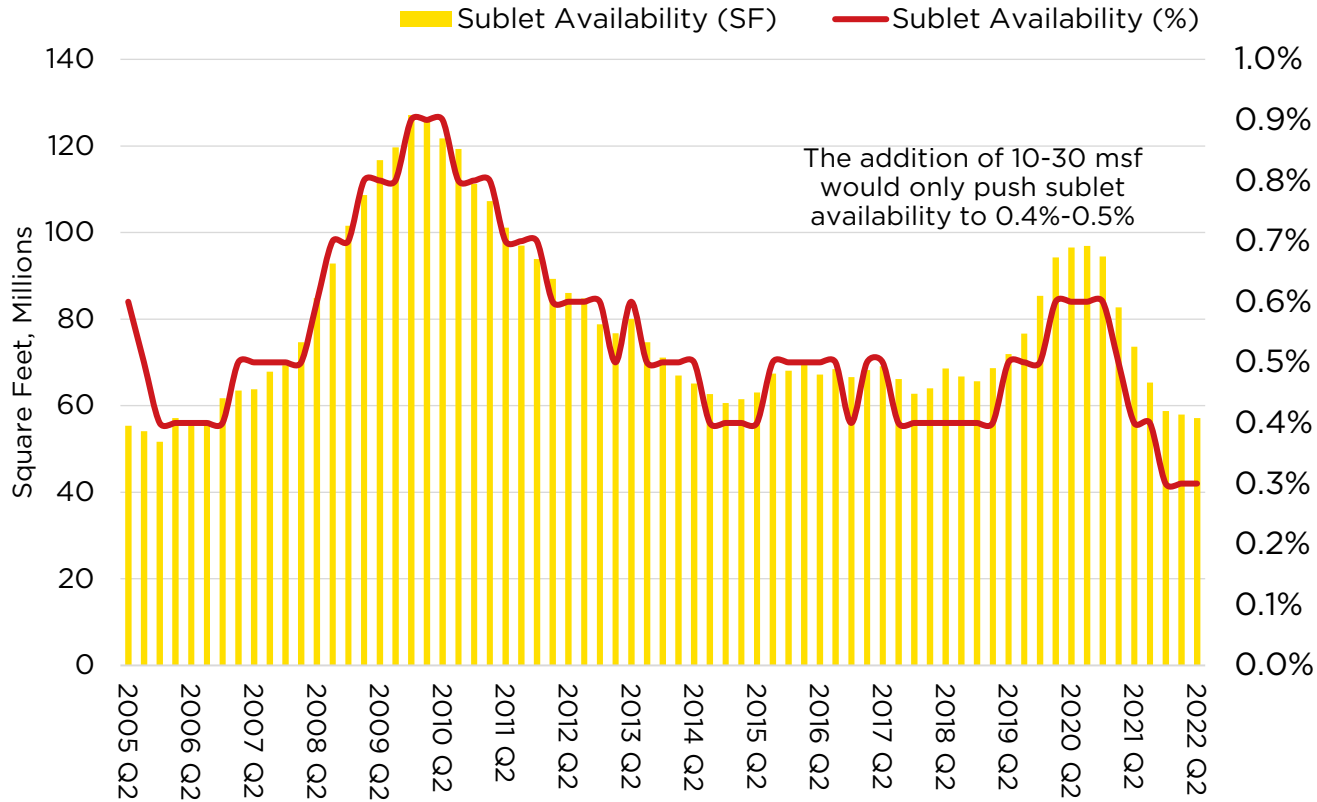


Source: eMarketer, U.S. Department of Commerce

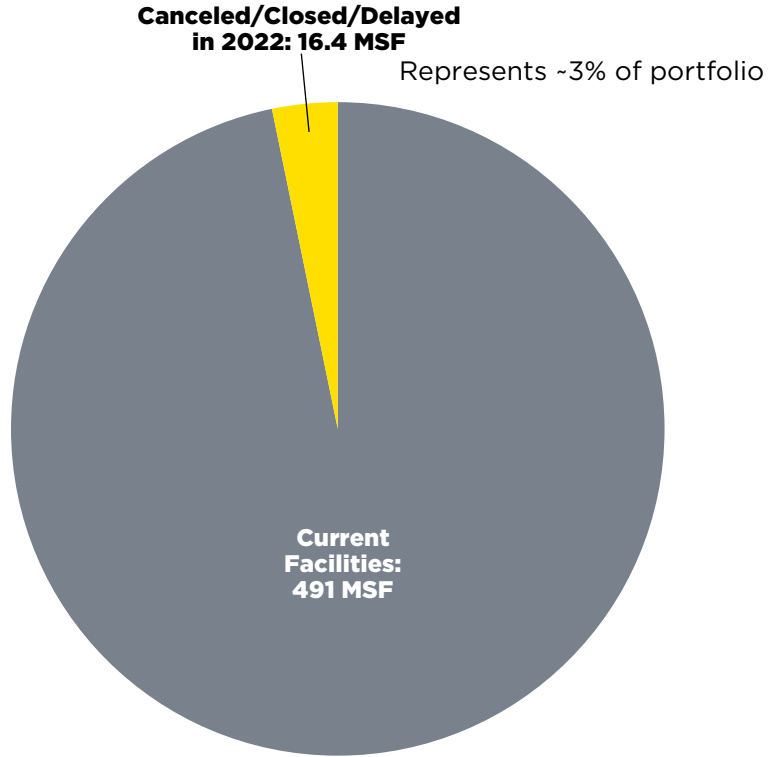


# Sublease Space Having Minimal Impact on Market

Available Sublet Space



Amazon U.S. Facilities



Source: Savills Research, MWPVL

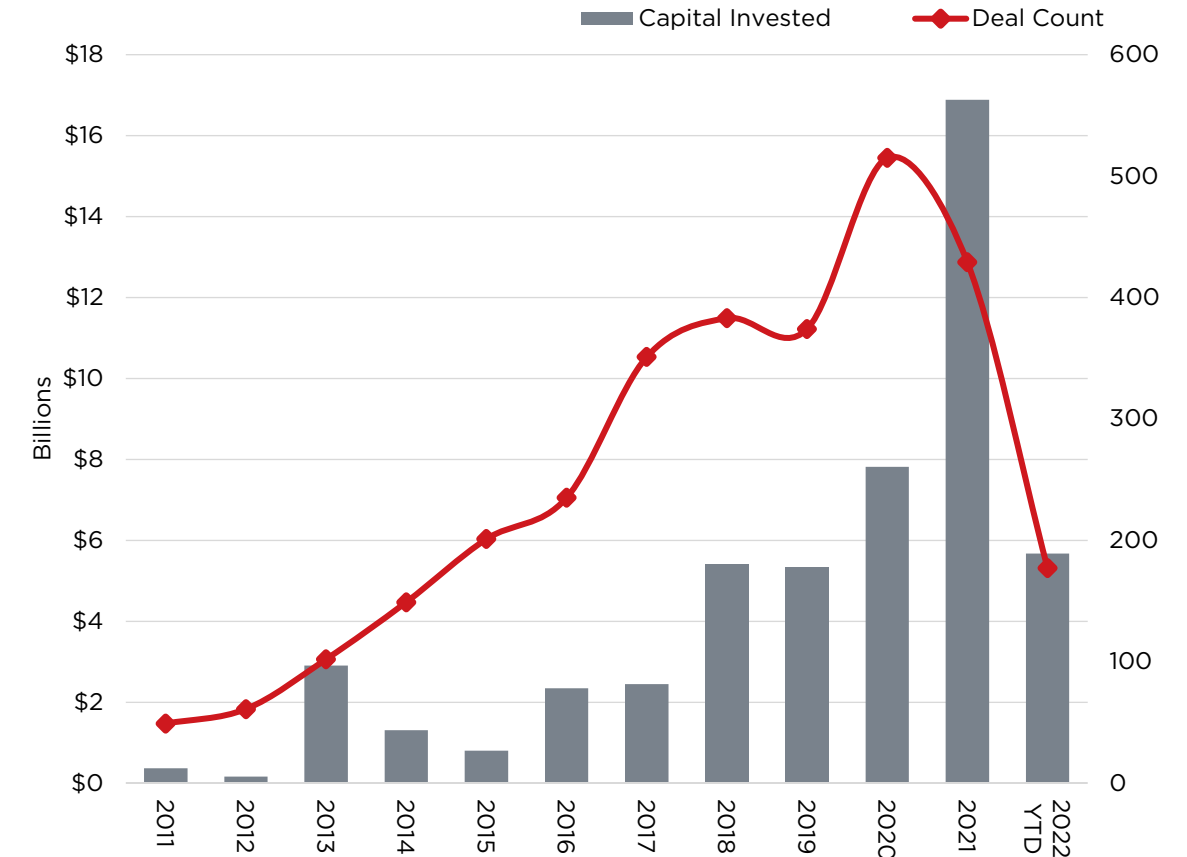


# High Tech Manufacturing to Bolster Absorption in Coming Years

## Recent EV Manufacturing Announcements

Manufacturer	Location	Opening	Investment	Jobs
Ford/SK Innovation	Stanton, TN	2025	\$5.6B	5,700
Ford/LG	Glendale, KY	2025	\$5.8B	5,000
Stellantis/LG	Windsor, ON	2024	\$5.0B	2,500
General Motors/LG	Lordstown, OH	2022	\$2.3B	1,100
General Motors/LG	Spring Hill, TN	2023	\$2.3B	1,300
SK Innovation	Commerce, GA	2022	\$2.6B	3,000
Toyota	Greensboro, NC	2025	\$1.3B	1,750
Hyundai	Ellabell, GA	2026	\$5.5B	8,100
Rivian	Social Circle, GA	2025	\$5.0B	7,500
Vinfast	Raleigh, NC	2024	\$5.0B	7,500
Italtolt/Statevolt	Imperial Valley, CA	2023	\$4.0B	2,500

## Advanced Manufacturing Capital Invested



Source: Savills Research, Pitchbook



# Thank you

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