United States | Q1 2022

Research

# Industrial Outlook

Asking rents see record spike as vacancy continues to plummet

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# Executive summary

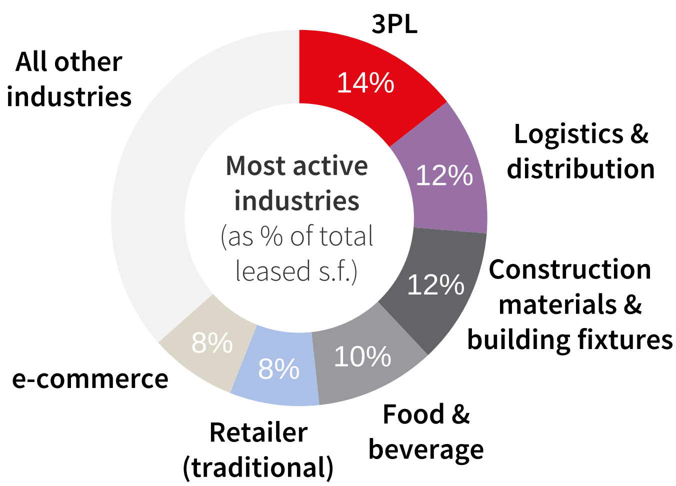
U.S. industrial fundamentals continue to break records. Despite a hearty influx of new deliveries, the national vacancy rate fell for the sixth consecutive quarter, from 3.8% to 3.4%. The competitive environment has given landlords the edge in the market and placed upward pressure on asking rents. The average asking rent climbed to $7.62 p.s.f., marking a 7% increase over the last quarter. This is the largest quarter-over-quarter increase since at least 2000. Occupiers' sticker shock is not limited to asking rents, though. Those looking to sign new leases in lowest-vacancy markets are facing steeper annual rent escalations and minimal concessions. Companies with a business imperative to locate in these white-hot markets are willing to pay the price, while more location-flexible occupiers are exploring their options in markets with cheaper rents, lower labor costs and more abundant new product. This trend is fueling a shift of demand to markets in the Southeast and South Central regions.

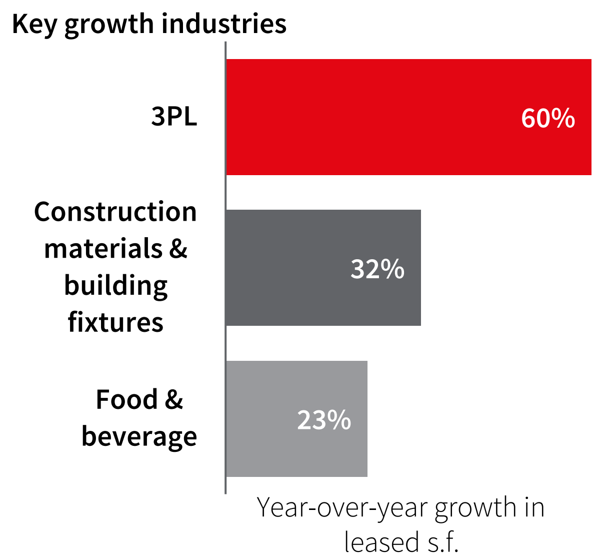
**Mehtab Randhawa,**
Senior Director

**Total United States**

| Type | Total stock (s.f.) | Total vacancy | Total availability | YTD net absorption | YTD const. deliveries | Under construction | Q1 2022 avg. rent |
|---|---|---|---|---|---|---|---|
| Warehouse & distribution | 10,636,366,929 | 3.8% | 7.4% | 102,585,855 | 87,241,390 | 509,729,171 | $7.64 |
| Manufacturing | 3,505,032,066 | 2.4% | 3.3% | 8,170,395 | 2,751,041 | 20,495,815 | $7.29 |
| Special purpose | 36,763,835 | 2.1% | 2.6% | 1,819 | 0 | 250,000 | $10.18 |
| Totals | 14,178,162,830 | 3.4% | 6.4% | 110,758,069 | 89,992,431 | 530,474,986 | $7.62 |

# Tenants in the 3PL industry continue to increase their market size



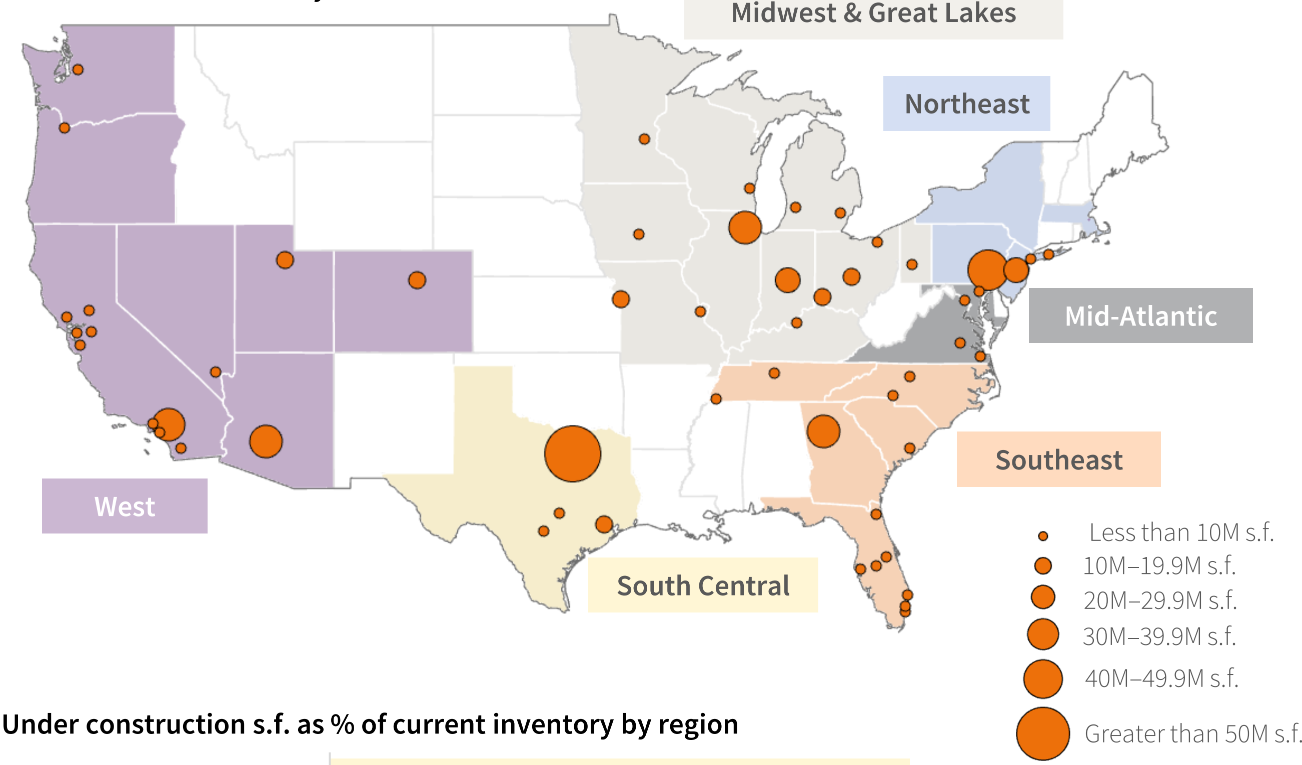




Note: Quarterly leasing figures are preliminary and subject to change. The distribution of leased s.f. by industry does not include leases for which a tenant or industry is unknown or undisclosed.
Source: JLL Research

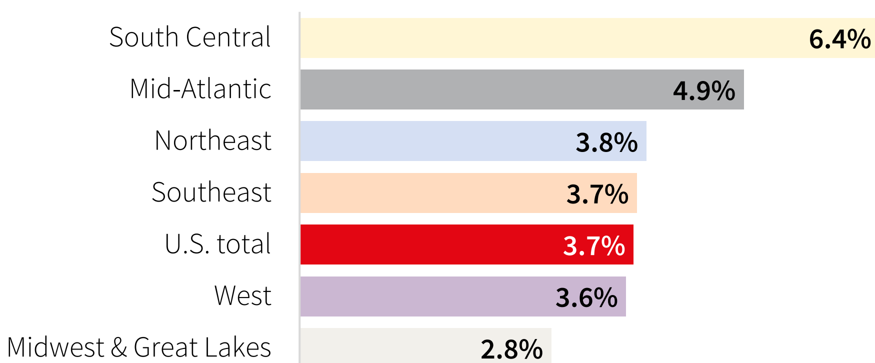
Industrial demand remains strong across the country. Occupiers absorbed 110.8 million s.f. in Q1 2022. While this marks a modest deceleration from Q4 2021, it is still a remarkable showing in what is typically the slowest time of year for move-ins. **Q1 2022 ranks as the third-highest quarter for net absorption on record and the highest of any first quarter by a considerable margin.** Leasing activity ramped up in Q1, which suggests upcoming quarters may bring even greater occupancy gains. Overall leasing volume increased 17% year-over-year. As in the previous few quarters, Logistics & Distribution and 3PL companies have been the leading drivers of demand. 3PLs leased especially aggressively in Q1, recording a 60% increase in leasing volume year-over-year. Retailers, eager to optimize their networks but struggling to secure the right space in the right place, are more likely than ever to outsource to 3PLs with footholds in strategic markets. While Traditional Retailers experienced a lull in leasing during the early stages of the pandemic, JLL Research found that this industry has increased its leasing volume by 38.4% over the last three years. Strong demand from home improvement retailers, such as Home Depot and Lowe’s, contributed to the industry outpacing e-commerce this quarter. The Construction Materials & Building Fixtures also continued its impressive leasing growth, closing out the quarter as one of the top three industries in terms of leasing volume.

# Southern regions are emerging as industrial growth nodes

**Under construction s.f. by market**

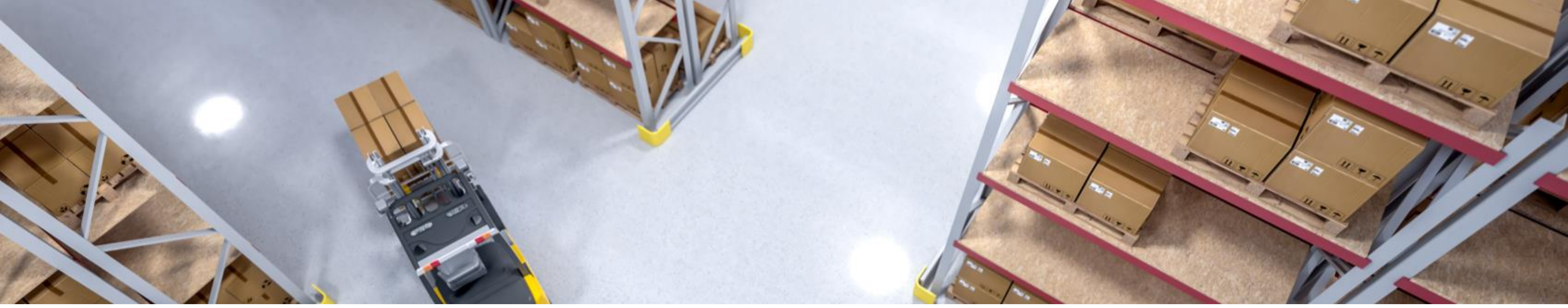



**Under construction s.f. as % of current inventory by region**

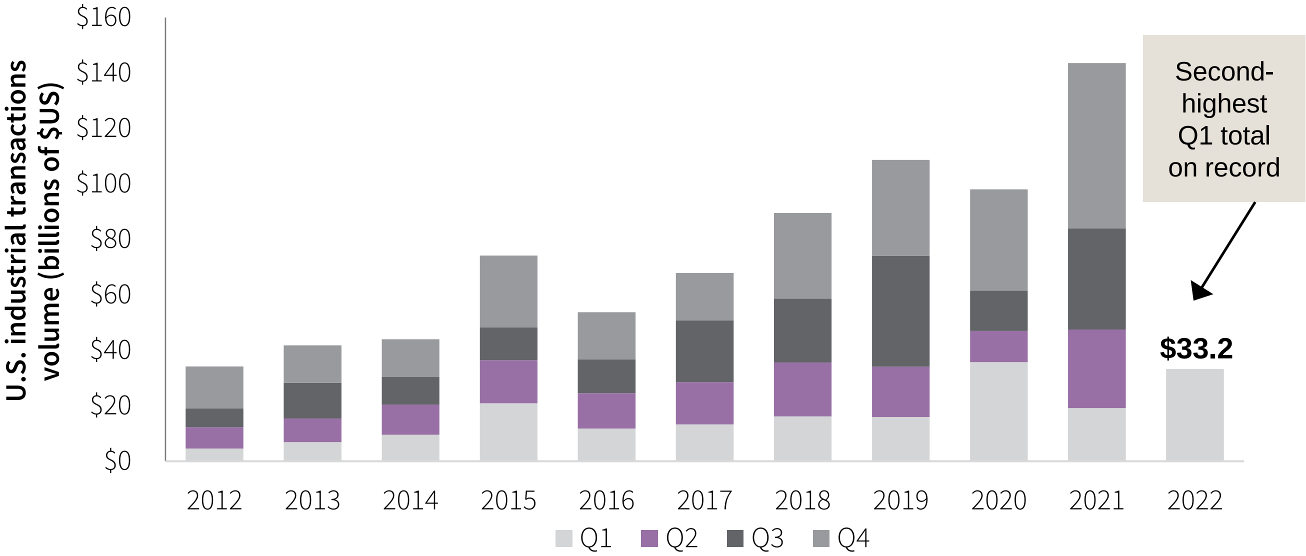



Source: JLL Research

Developers delivered 90 million s.f. of new inventory in Q1, effectively equal to last quarter. While strong by historical standards, especially for the first quarter, this influx of new space barely moved the needle on vacancy for most markets. Projects continue to be mired in delays due to materials and labor shortages, though volatility in material pricing has started to calm. The pipeline of under-construction space grew to 531 million s.f., over a quarter of which is in the mega-box size category of 1 million s.f. or larger. The Dallas–Fort Worth market alone added 20.3 million s.f. of new construction starts this quarter and is leading the nation in construction activity with over 56.5 million s.f. under construction. Eastern & Central Pennsylvania, Atlanta, Phoenix and the Inland Empire round out the top five markets for pipeline product, each with over 30 million s.f under construction.



# Strong fundamentals continue to drive capital toward the sector despite higher borrowing costs

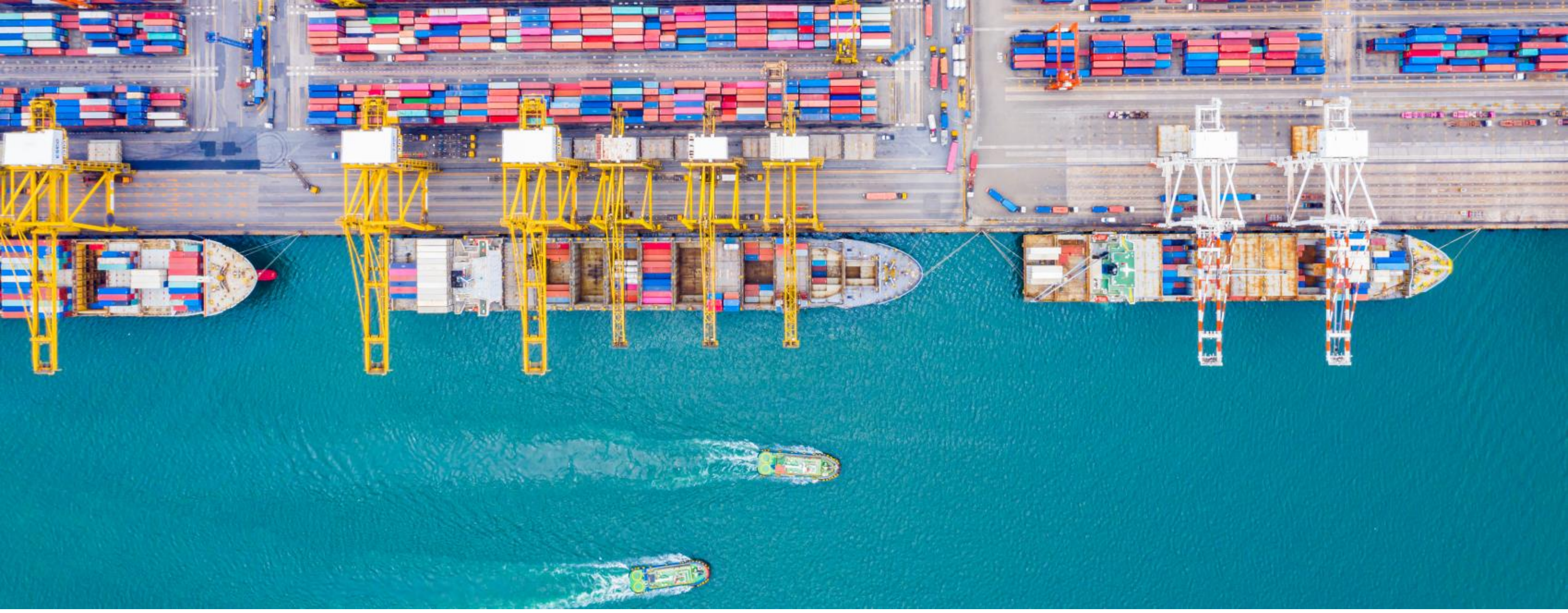



Sources: JLL Research, Real Capital Analytics (transactions $5M and greater)

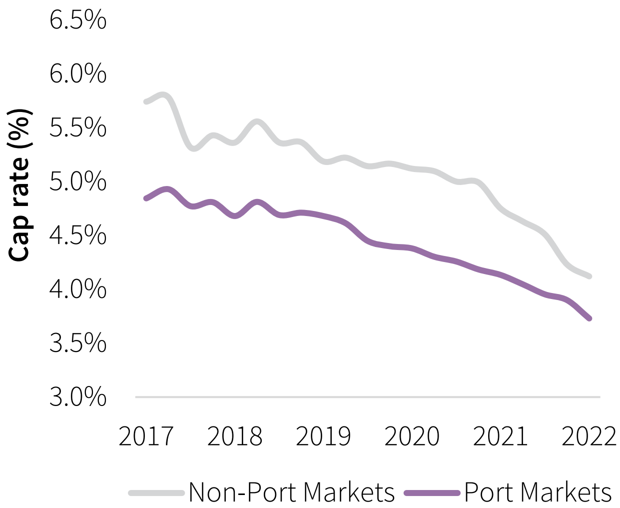
After a remarkable year that saw a record amount of capital pour into the industrial sector, investor sentiment continues to be very strong in 2022. Overall transaction volume for the first quarter reached $33.2 billion, the second-highest total ever for a first quarter. Concerns surrounding rising interest rates are causing investors to assess their underwriting, particularly among core investors targeting transactions $150 million and greater due to the higher prevalence for financing.

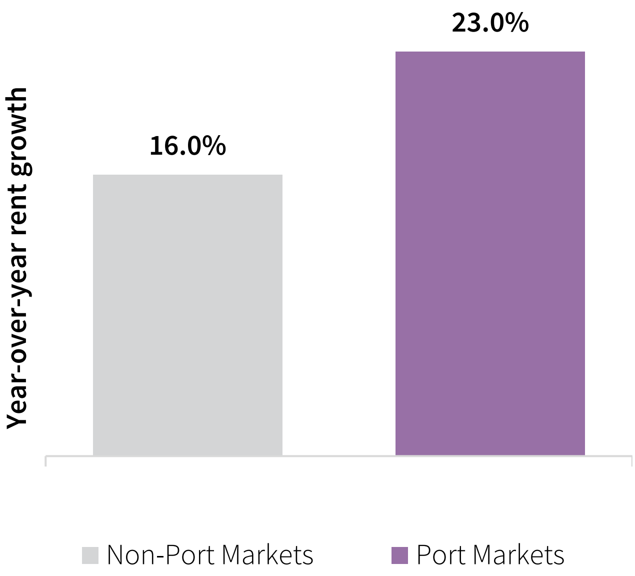
With higher interest rates impacting levered returns, cash-focused buyers are expected to be active and competitive on transactions, so deal velocity will be upheld throughout the remainder of 2022. Core and Core-plus opportunities will be in even greater demand as yields on value-add assets stand to be impacted amid rising interest rates, with the former providing immediate cash flow and less repositioning risk.

Investors anticipate strengthening property fundamentals will offset increased capital costs and inflation risk and are underwriting 7%+ rent growth in most markets. In this environment, shorter-WALT transactions are thus in favor, given the ability to drive rents. Well-capitalized buyers with strong lending relationships who can get aggressive debt pricing will have an advantage in this rising interest rate environment.



# Port markets maintain a pricing premium over non-port markets as rent growth hits 23% year-over-year




Sources: JLL Research, Real Capital Analytics (transactions $5M and greater)

While recent interest rate increases have had an impact across the sector, the effects on pricing and overall investor demand will not be homogenous across markets. Port markets, in particular, have seen year-over-year rent growth eclipse 23%, compared to 16% in non-port markets. And despite a near 40-basis-point pricing premium, these coastal cities represent an attractive opportunity for investors looking to secure long-term NOI growth. The lack of available land for development, as well as other barriers to new supply, is expected to drive property fundamentals well beyond 2022.

# Outlook

The pandemic and adoption of e-commerce contributed to an acceleration of demand for industrial real estate over the last two years. While this created numerous opportunities for occupiers and investors, it also brought challenges as space became scarcer and rents increased rapidly. The massive construction pipeline signals significant supply growth on the horizon, but the pace of deliveries will likely continue to be hampered by material and labor shortages. Additionally, relatively little of the new supply will be in the country's tightest markets, such as Los Angeles and New Jersey, where developers still face limited land availability and difficulty entitling projects. As supply growth faces headwinds, demand shows continued strength. The impressive leasing activity recorded in Q1 and the large, well-diversified pool of tenants in the market suggest sustained levels of demand in the near term. The primary barrier to demand growth is the limited availability of space to absorb.

From a tenant's perspective, occupiers are approaching expansions cautiously given rising rent and transportation costs. Transportation cost inflation may limit locational flexibility for some occupiers, as the rent savings achieved from locating further inland may be offset by significantly higher transportation costs. Given the growing demand and limited availability for occupancy, the property sector could see rents continue to increase in the near term. This could affect overall budgets for tenants and impact locational decisions.

## United States Industrial quick stats

| ▼ Lowest vacancy | |
|---|---|
| **Inland Empire** | **0.4%** |
| **Los Angeles** | **0.6%** |
| **New Jersey** | **1.0%** |
| **Orange County** | **1.3%** |
| **Hampton Roads** | **1.6%** |
| **Columbus** | **1.6%** |

| ▲ Highest YTD net absorption | |
|---|---|
| **Eastern & Central Pennsylvania** | **12,043,372** |
| **Chicago** | **8,147,746** |
| **Dallas–Fort Worth** | **5,877,821** |
| **Houston** | **5,139,975** |
| **Phoenix** | **4,753,747** |
| **Charlotte** | **4,646,413** |

| ▲ Highest under construction (s.f.) | |
|---|---|
| **Dallas–Fort Worth** | **56,507,934** |
| **Eastern & Central Pennsylvania** | **45,478,851** |
| **Atlanta** | **37,421,858** |
| **Phoenix** | **35,458,071** |
| **Inland Empire** | **30,734,496** |
| **Chicago** | **30,148,775** |

| ▲ Highest YTD completions (s.f.) | |
|---|---|
| **Atlanta** | **8,681,977** |
| **Eastern & Central Pennsylvania** | **8,606,909** |
| **Dallas–Fort Worth** | **7,301,266** |
| **Chicago** | **4,277,207** |
| **Central Valley** | **3,907,315** |
| **Inland Empire** | **3,723,023** |

# Local markets

# Atlanta

## Insatiable tenant demand outpaces supply even with unprecedented new deliveries

- Quarterly deliveries reached an all-time high of 8.7 million s.f., as multiple waves of construction hit the market at once - both planned and previously stalled projects.
- Despite 11.4 million s.f. of speculative development breaking ground, availability rates were down 40-basis points from Q1 2021, indicating the market is only getting more competitive.
- Robust leasing demand was seen widely across the market, with 11.5 million s.f. of deals signed – six large-block deals totaling 3.4 million s.f. and a flurry of smaller deals.

After an incredible 2021, Atlanta's industrial market began the year in its most constrained state ever with vacancy at a record low. Despite the sheer amount of new supply, replacing leased-up space is taking longer than demand is allowing for, so tenants got creative and signed at higher-than-expected rates and in many older, smaller buildings. Development is also at an all-time high. This quarter saw two waves of deliveries hit – those planned for Q1 delivery and those that were pushed from the second half of 2021 due to supply chain delays and material shortages.

Deliveries reached 8.7 million s.f. this quarter, 79.1% being speculative development, with well over a third of that preleased. Another 11.4 million s.f. of speculative development broke ground this quarter, 95.0% which remains available, boosting overall availability to 8.6% - up only 70-basis points from last quarter. New supply contributes to the bulk of availability in the market, as commodity buildings (those 3 years and older) have an extremely low availability rate of 3.8%. This speaks to the immediacy of tenant need, opting for ready-to-move-in space despite the building's age.

While commodity buildings are the tightest product type, movement is happening across all product types, with 11.5 million s.f. of deals signed this quarter. Even with an average lease size of 94,500 s.f., six large-block deals were also signed this quarter, the majority in speculative Class A product. And although deliveries nearly doubled quarterly absorption in terms of square feet, vacancy was relatively unchanged, up only 60 basis points from last quarter.

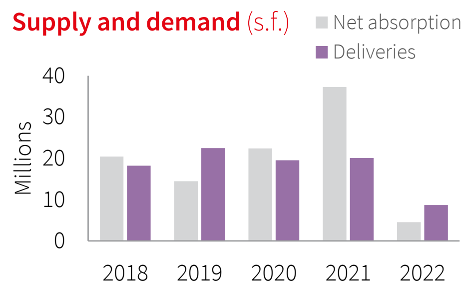
### Outlook

Though it may seem like the volume of development is more than the market can handle, supply will have a hard time keeping up with demand further in the year. Tenants that have secured space but are waiting for full build out will help to drop vacancy rates, and simultaneously there is already strong tenant demand for the rest of the year. Rates will likely keep climbing as landlords are following the market, and tenants are often left with limited options that fit their needs.

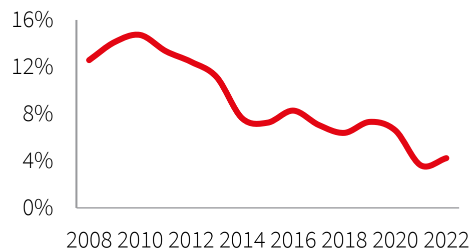
**For more information, contact: Harriet Westlake** | harriet.westlake@am.jll.com

| **Fundamentals** | Forecast |
|---|---|
| Q1 net absorption | 4,531,657 s.f. ▼ |
| Under construction | 37,421,858 s.f. ▼ |
| Total vacancy | 4.2% ▶ |
| Sublease vacancy | 851,547 s.f. ▼ |
| Direct asking rent | $4.70 p.s.f. ▲ |
| Sublease asking rent | $5.51 p.s.f. ▲ |
| Concessions | Flat ▶ |

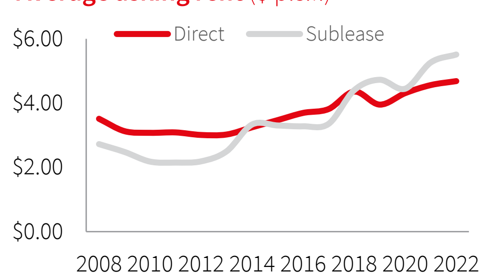
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)



# Austin

## New records continue to replace the prior quarter's, setting high-water mark in 2022?

- Continued strength in tenant demand pushed overall vacancy to new twenty-year historical low, seeing a 14.7% decrease from Q4 2021.
- Speculative and build-to-suit construction activity surpassed 5M s.f., a level not seen before in the Austin industrial market.
- Quarterly net absorption exceeded 1M s.f., with Applied Materials occupying over 700,000 s.f. of new space off Hwy 290 in the Northeast submarket.

Competition for Austin industrial supply remains tight in the new year with total vacancy falling below 3%. At the close of Q1, there were zero existing buildings on the ground with availability above 200,000 s.f., further fueling demand for new construction. Austin continues to see new deals enter the market requiring 200,000 s.f. or greater, however, as average tenant size maintains an upward trend, surpassing 80,000 s.f.. As a result of sustained supply constraints, asking rates for some new construction spaces have entered double digit territory.

As demand shows no signs of waning, there is significant product coming online, which should provide more optionality to tenants. Eight buildings totaling 1.2M s.f. broke ground in Q1, bringing speculative and build-to-suit development activity to over 5M s.f., 3.7 times the five year quarterly average. Furthermore, the largest speculative building in Austin's history broke ground at GTX Logistics Park (409,822 s.f.) in the Far North. Despite recent groundbreakings, over 50% of that total has already been preleased, and several more projects are expected to be fully leased prior to their delivery. Additional development is on the way, however with at least 10M s.f. of non owner-user product that is planned to deliver through 2023.

While the Austin industrial market continues to expand from San Marcos to Georgetown, some infill areas, particularly surrounding the Domain in the North submarket may actually see a contraction in supply over time. Some tenants may be pushed to outlying submarkets due to increasing rates and operating expenses, and as many of those industrial sites are reevaluated for higher and better use, especially as land prices surrounding the Domain have soared.

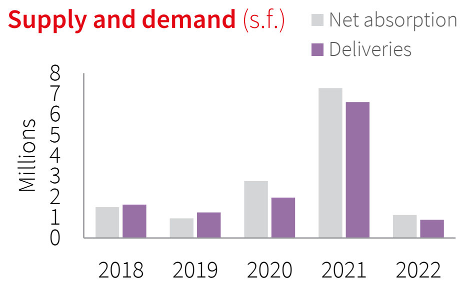
### Outlook

There is enough demand circulating the market to support the over 10M s.f. of supply planned to deliver in the next two years, and the market continues to see robust activity from advanced manufacturing and automotive companies. It is possible, however that the full extent of that product is not realized within the period given increasing cost of capital, supply chain bottlenecks, and pushed out timelines due to permitting approval delays.

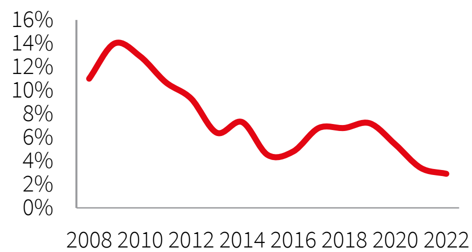
**For more information, contact: Gabrielle Jansen**| gabrielle.Jansen@am.jll.com

| Fundamentals | | Forecast |
|---|---|---|
| YTD net absorption | 1,120,703 s.f. | ▲ |
| Under construction | 10,014,755 s.f. | ▶ |
| Total vacancy | 2.9% | ▼ |
| Sublease vacancy | 293,476 s.f. | ▼ |
| Direct asking rent | $9.97 p.s.f. | ▲ |
| Sublease asking rent | $9.94 p.s.f. | ▲ |
| Concessions | Stable | ▶ |

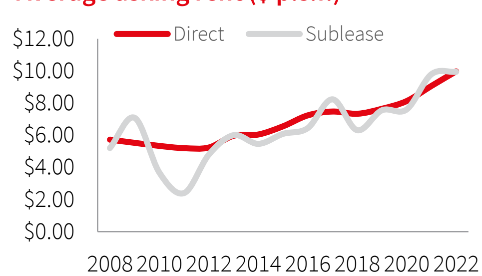
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent ($ p.s.f.)**



# Baltimore

## Construction activity highest since pre-pandemic levels as vacancy & availability continue to drop

- Eight deals over 100,000 s.f. were signed over the quarter with two transactions representing renewals.
- 2022 Industrial absorption topped 380,000 s.f. driven by occupancy gains in new construction within the Baltimore County East submarket.
- Quarter-over-quarter, direct Class A vacancy contracted 40 basis points to 3.2%; year-over-year, direct Class A vacancy compressed by 500 basis points.
- 10 existing or under construction Class A blocks over 200,000 s.f. are available in the region, nine of which are in the I-95 corridor north of Baltimore City.

Baltimore achieved 384,534 s.f. of occupancy gains for the quarter. Since the onset of the pandemic (Q2 2020), the market has absorbed 13.3 million s.f., the most net absorption recorded within a consecutive eight-quarter period. Occupancy gains into 2022 were driven by lease commencements both north and south of the I-95 Fort McHenry Tunnel. To the north, the largest move in of the quarter, Intralox took occupancy of their 309,211 s.f. facility located at 1800 Sparrows Point Blvd developed by Tradepoint Atlantic. To the south, 84 Lumber & Kimnori USA both took occupancy at 6940 San Tomas Rd for a total of 143,924 s.f. Within existing product in Baltimore, both total vacancy and availability rates are the tightest on record, compressing to 3.6% and 5.7%, respectively.

Over 7.3 million s.f. of industrial product is currently under construction, a 110% increase year-over-year. With construction levels at its highest since 2019, the current pipeline is still 26% lower than net absorption totals from 2021 warranting additional construction starts. Four properties broke ground this quarter totaling 1.3 million s.f. and collectively 86% preleased. The largest being 7020 Tradepoint Ave totaling 603,980 s.f. that is 100% leased to Niagara Bottling. To the south, MRP Industrial broke ground on two buildings located at 1201 S. Caton Ave. The properties total 299,975 s.f. and are currently 37% leased to a food & beverage distributor.

Average industrial asking rents were on the rise over the quarter. Currently, direct asking rents saw 5.6% growth quarter-over-quarter and 17.2% growth year-over-year. Most notably in the Baltimore Washington Corridor which boasts a sub-2% Class A vacancy rate, land constraints stifle supply increases which caused Class A rents to increase 42% from this time last year to $11.17 p.s.f., climbing into the double digits for the first time on record.

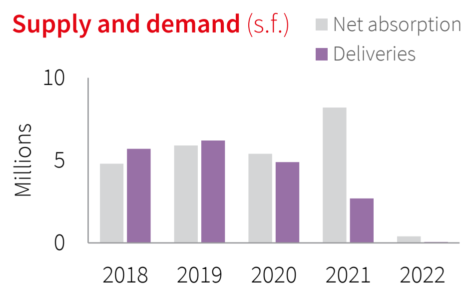
### Outlook

4.3 million s.f. of speculative product is slated to deliver through the end of 2022, these projects are cumulatively 80% available. With vacancy and availability at record lows, demand trends indicate most of this 1st generation supply will be leased, maintaining rent growth and landlord-favorable conditions.

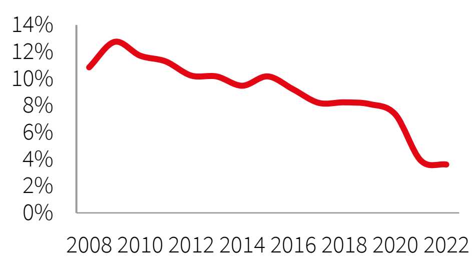
**For more information, contact: Ben Caffey**| Benjamin.Caffey@am.jll.com

| **Fundamentals** | Forecast | |
|---|---|---|
| YTD net absorption | 384,534 s.f. | ▲ |
| Under construction | 7,347,447 s.f. | ▲ |
| Total vacancy | 3.6% | ▼ |
| Sublease vacancy | 162,738 s.f. | ▶ |
| Direct asking rent | $6.94 p.s.f. | ▲ |
| Sublease asking rent | $5.63 p.s.f. | ▲ |
| Concessions | Falling | ▼ |

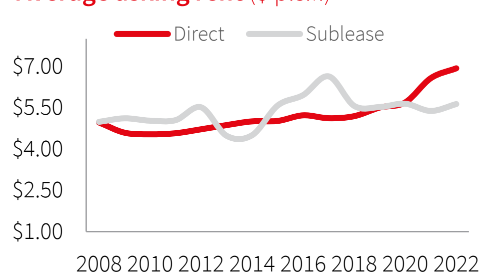
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)



# Broward

## Rents jump for Broward County, supported by tightening supply and increased demand

- Landlords seek top dollar for space as increased demand and a lack of supply continue to push rents toward new highs in Q1.
- Overwhelmingly positive net absorption signals continued market strength, up almost double from Q1 of last year.
- Vacancy in Broward is hovering around 4.2%, its lowest level since the onset of the pandemic.

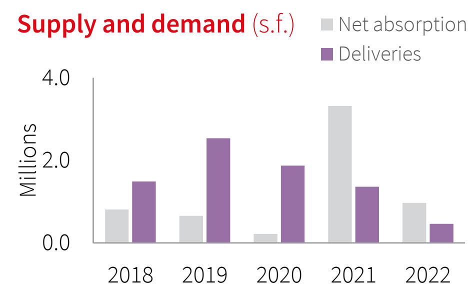
| Fundamentals | | Forecast |
|---|---|---|
| YTD net absorption | 967,176 s.f. | ▲ |
| Under construction | 1,308,183 s.f. | ▶ |
| Total vacancy | 4.2% | ▼ |
| Sublease vacancy | 173,820 s.f. | ▶ |
| Direct asking rent | $11.30 p.s.f. | ▲ |
| Sublease asking rent | $8.21 p.s.f. | ▲ |
| Concessions | Stable | ▶ |

The industrial market in Broward County continues to boom as demand for large space outpaces a tightening supply. Tenants are forced to seek alternative options, scaling businesses further north or between multiple locations. Those with last-mile requirements are continuing to find less available options and higher rates.

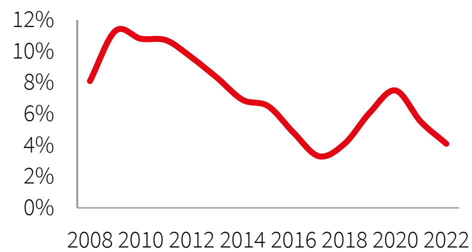
As E commerce continues to fuel demand for large space, tenants with upcoming renewals are likely to renew rather than find a new space as supply dwindles. Vacancy is at pre-pandemic levels and will likely continue to fall in the short term as demand outpaces supply.

Net absorption started off strong this year, showcasing a relentless demand for space as vacancy falls and new space deliveries were quickly absorbed. Leasing activity has boomed, outpacing last years record breaking year, with over 850,000 s.f. leased this quarter. Notable larger leases include International Distribution Corporation signing a 116,000 s.f. lease at Meridian Business Campus, Z Brothers Express signing a 116,000 s.f. lease at International Center, Shipmonk signing a 110,000 s.f. lease at Bridge Pointe, and Pet Supermarket signing a 97,000 s.f. lease - all scheduled to commence throughout this year.

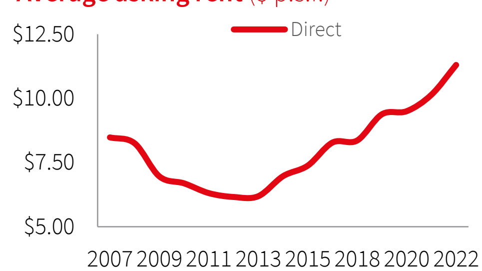
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)




### Outlook

Broward's industrial market continues to thrive as landlords and tenants capitalize on increased demand and lack of available space. Demand continues to remain strong, supported by a thriving local economy and capital and domestic migration. South Florida's ever-growing populace and business friendly environment continues to incentivize businesses to migrate and developers to produce and deliver new product. Demand is expected to remain strong in Broward, however, land constraints and development timelines may prove more challenging for firms and the region alike in the mid to long-term.

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# Central Valley

## New deliveries bring fresh space to a constrained market, rents climb to new heights

- Vacancy rose by 210-basis points this quarter, thanks to five speculative construction deliveries.
- Six speculative projects broke ground, adding 2.7 million s.f. to the development pipeline.
- With vacancy rates below 8% for years, rents have been driven to new heights, increasing 19% year-over-year.
- This year could see a record number of new product brought to market, if all delivers as scheduled.

| Fundamentals | Forecast | |
|---|---|---|
| YTD net absorption | 683,211 s.f. | ▲ |
| Under construction | 8,400,966 s.f. | ▶ |
| Total vacancy | 8.3% | ▶ |
| Sublease vacancy | 639,115 s.f. | ▶ |
| Direct asking rent | $0.62 p.s.f. | ▲ |
| Concessions | Stable | ▶ |

The Central Valley started the year off strong, realizing 683,000 s.f. of absorption, helped by a large move-in; an 830,000-s.f. build-to-suit on Grant Line Road in Tracy. The historically-low vacancy had stifled movement for years, but new product delivered this quarter has finally brought space to this constrained market, bringing vacancy up 210 basis points.

The start of the year saw a flurry of leasing activity, inking more than 1.8 million s.f. of new deals. Food 4 Less took 197,124 s.f. in the newly delivered Crossroads Commerce Center on Tesla Drive, JIT Transportation leased 100,369 s.f. at Building 10 at Prologis' International Park of Commerce (IPC) at a record-setting rent, Medline Industries took 338,564 s.f. on Christopher Way in Lathrop, Coasters Company of America signed for 84,145 s.f. on W Sugar Rd in Tracy, and Niagara Water preleased 705,000 s.f. at the LogistiCenter at Arch Road in Stockton, which is scheduled to deliver in June.

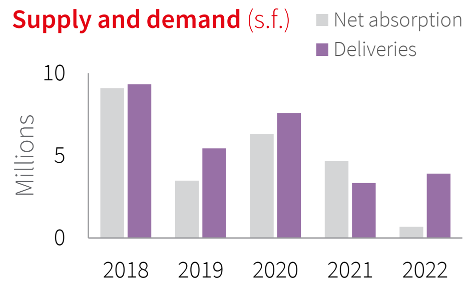
Aside from the build-to-suit delivery in Tracy, five speculative projects delivered; Building 3 of the TriPoint Logistics Center in Lathrop, Building 16 at Prologis' IPC in Tracy, and Seefried's Buildings 1, 2, & 3 on E Grant Line in Tracy. These deliveries total 3,077,315 s.f. of new Class A product, a breath of fresh air for the market. Six speculative projects broke ground this quarter, adding 2.7 million s.f. to the development pipeline.

The previously limited space and increased demand has pushed rents to new heights, which have increased almost 8% quarter-over-quarter and 19% year-over-year.

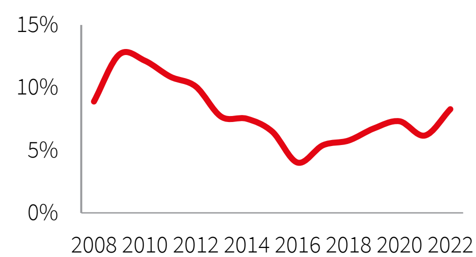
### Outlook

More options being added to the market could draw new tenants from outside of California, diversifying the tenant mix and allowing for more movement. The Central Valley's proximity to the I-5 and Hwy 99, interstate rail, and the Bay Area maritime ports make it a key location for distribution. Continued demand will push rents to new highs toward the end of 2022.

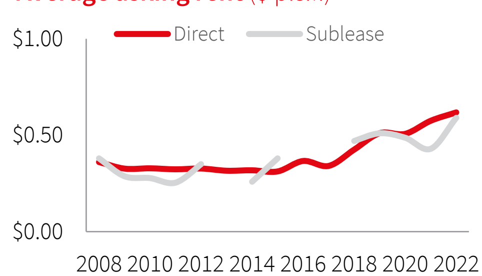
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)

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# Charlotte

## Vacancy falls to record lows generated by strong pre-leasing and large block occupiers

- Vacancy rates plummeted to all-time-lows in Q1 2022 while the market delivered 3.5 million s.f.
- The Westinghouse submarket accounted for nearly 44% of total net absorption.
- An international EV company occupied 523,000 s.f. following the delivery of two buildings in Airport Ind slated for manufacturing operations.
- Charlotte saw 12.2% year-over-year rent growth due to strong tenant demand, limited vacancies, and regional economic growth.

Charlotte recorded its lowest vacancy rate on record to start 2022. Despite the 3.5 million s.f. that delivered in the quarter, Charlotte's strong demand resulted in a 3.3% compression in the vacancy from last quarter. Increased pre-leasing activity across the market signals the steady demand for Class A space and access to interstate connectivity. Q2 2022 scheduled deliveries with preleased space include RiverWest, Stateline77, and Carolina 85 Logistics Center.

A large online retailer occupied a 1-million-s.f. build-to-suit in Westinghouse, while simultaneously adding 286,000 s.f. to their footprint in the region. Distribution and logistic operations continue to dominate leasing activity. On-shoring manufacturing operations will likely lag due to stringent supply chains and increased construction pricing. Material cost are up 33.7% from Q1 2021, increasing manufacturing operating costs and delaying expansions. 1.4 million s.f. of new construction is scheduled to break ground in Q2 2022 with heavy concentrations in the North I-77 corridor and Western Counties submarket.

Q1 leasing activity indicated average asking rents will trend upward through 2022 as demand strengthens. Square footage leased in Q1 2022 exceeded 3 million s.f. with an average first year rent of $5.78. With rates shifting rapidly, landlords are less likely to sign long term leases while tenants seek to avoid stiff competition and steep rent hikes. Sublease availabilities for tenants are a viable option for long term commitments. One notable sublease availability includes 382,668 s.f. at the Crate & Barrel Distribution Center in the Western Counties submarket.

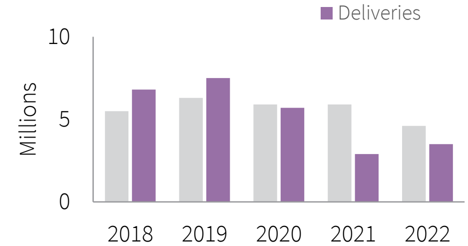
### Outlook

Land availability in Charlotte's outlying counties is becoming scarce. As industrial demand continues to surge, developers will contend with the need for residential units across the Charlotte-Concord-Gastonia MSA. The necessity for both industrial space and residential units will drive land and rent prices to record highs in future quarters. As suburban submarkets reach capacity, redevelopment of Class C buildings will likely be the next trend for investment opportunities.

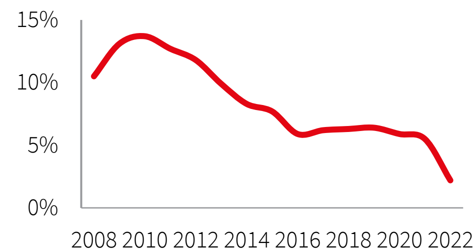
**For more information, contact: Khaliid Scott** | Khaliid.Scott@am.jll.com

| **Fundamentals** | Forecast | |
|---|---|---|
| YTD net absorption | 4,646,413 s.f. | ▲ |
| Under construction | 7,213,409 s.f. | ▲ |
| Total vacancy | 2.2% | ▶ |
| Sublease vacancy | 105,150 s.f. | ▶ |
| Direct asking rent | $5.39 p.s.f. | ▲ |
| Sublease asking rent | $5.00 p.s.f. | ▲ |
| Concessions | Stable | ▶ |

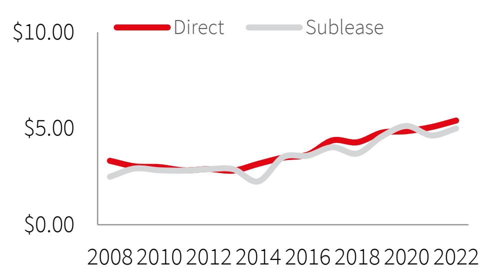
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)



# Chicago

## First quarter 2022 absorption posts historic high!

- Existing occupiers take down additional space around market
- Construction strong despite delays in securing materials
- No Class A million square foot inventory available until late Spring
- Sub-four cap rates seen in the O'Hare market
- Link Logistics continues to be both an active seller and buyer

Absorption started the year off at historic level despite geopolitical issues, COVID surges and rising fuel prices measuring 8.1 million s.f. This was a 2 million s.f. improvement from the figure posted one year ago. Chicago's overall vacancy rate continues to fall driving up asking rental rates. The first quarter vacancy rate of 3.1% represents a drop of 230 basis points over the last 12 months. The large single asset investment sale of Q1 was Avison Young Investment Management's acquisition of the 906,500-s.f. new Lion Electric Vehicles plant at Clarius Park Joliet. In O'Hare, Brennan Investment Group sold three high image buildings on Innovation Drive totaling 402,500 s.f. in the Elk Grove Technology Park to LBA Realty for $98.5 million at a 3.72% cap rate – a new highwater mark! Amazon signed two new million-s.f. leases in Q1. They are taking a newly completed speculative building at CenterPoint Intermodal Joliet and a build to suit in Kenosha, with Venture One Real Estate. In Bolingbrook, the Ferrara Candy sublease measuring 997,800 s.f. was leased. This building was at the time, the largest available second-generation space on the market.

### Outlook

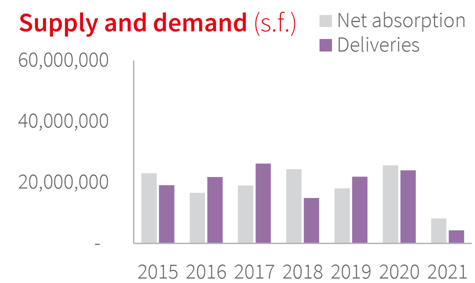
It is hard to foresee vacancy pushing much lower this year but with the way the market is heading, we could push into the high two percent range later this year. With preleasing is picking up and an expectation that construction deliveries will be elongated, we are moving into a period of supply constraints.

There is currently 30.1 million s.f. underway, almost 10 million s.f. more than at year end 2021 despite rising material costs and delays in receiving those supplies at the jobsite. Rents continue to push upward to $5.87 which is a whole dollar higher than the rate at year end 2018. Another positive trend for the market is that we continue to see existing businesses expand their footprint around the market. Large occupiers such as RJW Logistics and SC Johnson & Son continue to expand their footprints as both signed full building leases in speculative spaces. Also, infill redevelopment remains strong as Prologis signs 276,500 s.f. build to suit in O'Hare with R & M Trucking to deliver in late 2023.

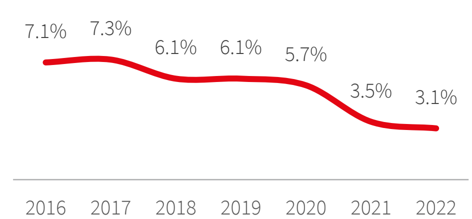
**For more information, contact:** George Cutro| George.Cutro@am.jll.com

| Fundamentals | | Forecast |
|---|---|---|
| YTD net absorption | 8,147,746 s.f. | ▼ |
| Under construction | 30,148,775 s.f. | ▼ |
| Total vacancy | 3.1 % | ▼ |
| Sublease vacancy | 0.23 % | ▶ |
| Direct asking rent | $ 5.87 p.s.f. | ▲ |
| Concessions | Stable | ▶ |

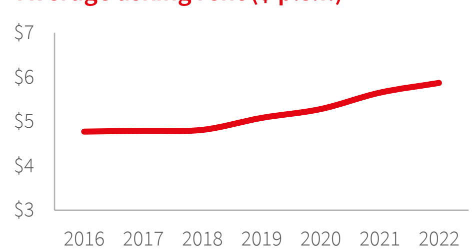
**Supply and demand** (s.f.)




**Total Vacancy**




**Average asking rent ($ p.s.f.)**



# Cincinnati

## Cincinnati market starts 2022 with strong occupancy gains as industrial continues its success from 2021

- Occupancy gains leaped to 2.8 million s.f., following a historic year in 2021 for absorption.
- Vacancy is at a historic rate of 4.5% and continuously compressing as more space in the market is taken down
- As supply continues to dwindle, rental rates are rising with year-over-year rent growth of 11.5%.

| Fundamentals | Forecast |
|---|---|
| YTD net absorption | 2,888,987 s.f. ▲ |
| Under construction | 10,599,323 s.f. ▶ |
| Total vacancy | 4.5% ▲ |
| Sublease vacancy | 645,576 s.f. ▼ |
| Direct asking rent | $4.86 p.s.f. ▲ |
| Sublease asking rent | $4.99 p.s.f. ▼ |
| Concessions | Rising ▲ |

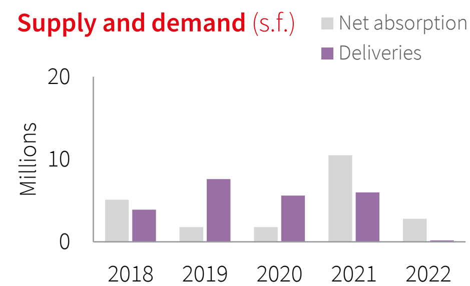
The Cincinnati industrial market started strong after following a record year in 2021. The market posted 2.8. million s.f of positive absorption in the first quarter driven by a large amount of leasing activity. Strong occupancy gains were anchored by the occupation of World Park at Union Centre 10 with Taylor Logistics taking 414,460 s.f. and Crescent Park Logistics taking 400,200 s.f. at Prologis Park Fairfield in the Tri County submarket. In the Airport Submarket Sygma Network is occupying Lakeland Logistics Center, a 330,648-s.f building. Vacancy decreased 90 basis points quarter-over-quarter to 4.5% with several large speculative buildings filling up amidst rising demand for bulk warehouse buildings.

As tenants continue to enter the market looking for space, construction continues its surge. Currently, around 10.5 million s.f. is under construction, including the 2.5-million-s.f. Amazon Prime Air Hub facility in the Airport submarket and Nestle Purina's 1.2-million-s.f. manufacturing facility being built in the East submarket. Over 195,954 s.f. of construction was completed in Q1 and an additional 2 million s.f. of construction broke ground in Q1 as developers strive to meet the demand of companies expanding their operations in the Cincinnati market

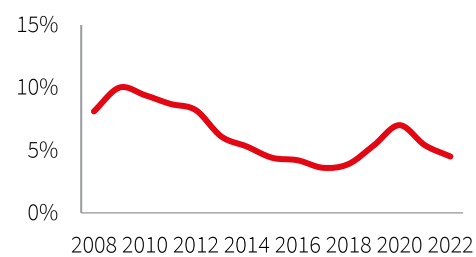
### Outlook

The long-term outlook for the Cincinnati industrial market remains positive heading into 2022. Looking to the second quarter of 2022, several tenants have already committed to space needs that will further add year-to-date absorption and continue to drive down the vacancy rate. With several developers announcing plans for future developments in the first quarter, more projects should break ground throughout 2022, offering more options to tenants entering the market. If the leasing velocity and construction continue at the pace it had in 2021, 2022 will be another great year for the Cincinnati market.

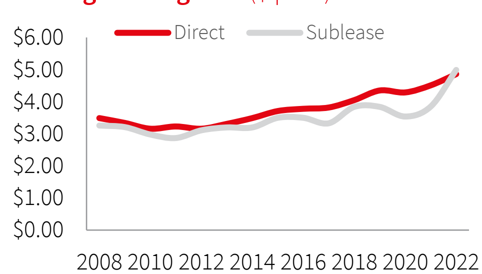
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)




**For more information, contact: Collin Fitzgerald**| Collin.fitzgerald@am.jll.com

# Cleveland

## The region's lack of supply is highlighted as occupier demand reaches historic levels

- Over 2.8 million s.f. was absorbed in Q1, setting a single-quarter record for Cleveland's industrial market
- A significant lack of supply paired with new construction has influenced industrial asking rents to increase roughly 25% since 2017
- 4.3 million s.f. is on track to deliver in 2022 following a record-breaking year for deliveries in 2021
- ICP recently signed Driverge to 153,000 s.f. at the recently-converted Chapel Hill mall in Akron

E-commerce giants and large-scale industrial companies are rethinking their real estate strategies to get closer to target audiences and reduce delivery timeframes while optimizing shipping costs. Ample infrastructure and a centrally-located position within the Midwest have made Cleveland a strong beneficiary of this trend. Following record-breaking annual absorption in 2021, over 2.8 million s.f. was absorbed in Q1 setting a single-quarter record. Subsequently vacancy fell 100 basis points to 3.5%, marking an all-time low. The glaring lack of supply in the region paired with new building deliveries has influenced rents to grow roughly 25% in the last 5 years.

Despite building material shortages and ongoing supply chain disruptions, developers remain eager to capitalize on favorable market conditions. Over 3.6 million s.f. delivered in 2021 and an additional 4.3 million s.f. is scheduled to deliver in 2022. Speculative development has continued to gain traction among developers as well. Nearly 65% of the square footage currently under construction is speculative. This comes as no surprise considering the performance of similar projects over the past five years. Since 2017, speculative developments have fully leased within 6 months of completion on average. Scarcity of land is becoming the most significant problem for local developers, but some are creating success in non-traditional ways. ICP of Solon has made a name for themselves converting several former retail properties into warehouse space. Most recently they signed auto company Driverge to 153,000 s.f. at the former Chapel Hill mall in Akron.

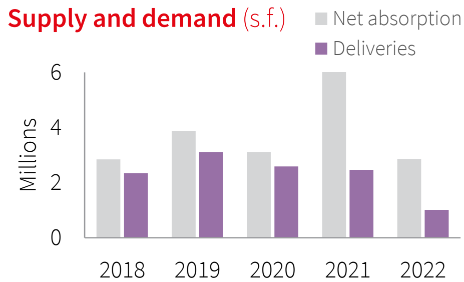
### Outlook

Developers will continue building to meet growing occupier demand in the region, but vacancy is likely to further decrease in 2022 as ongoing short-term challenges drag out construction timelines. The lack of available space paired with new construction has created upwards pressure on asking rents which will likely manifest throughout the course of 2022. Look for vacancy to decrease towards 3.0% in the coming quarters while asking rates will exceed the $5.00 p.s.f. mark.

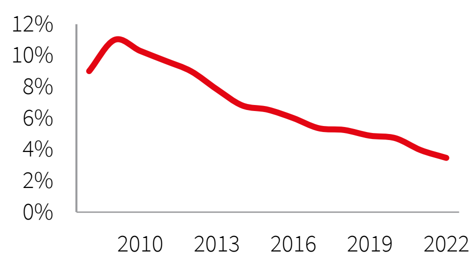
**For more information, contact: Joe Warren** | joe.warren@am.jll.com

| **Fundamentals** | Forecast | |
|---|---|---|
| YTD net absorption | 2,861,959 s.f. | ▶ |
| Under construction | 2,972,723 s.f. | ▶ |
| Total vacancy | 3.5% | ▼ |
| Sublease vacancy | 930,236 s.f. | ▼ |
| Direct asking rent | $4.97 p.s.f. | ▲ |
| Sublease asking rent | $4.52 p.s.f. | ▲ |
| Concessions | Decreasing | ▼ |

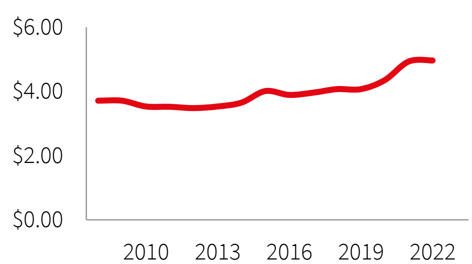
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)



# Columbus

## Total vacancy drops below 2% as market awaits construction completions

- Home Depot leased the largest vacancy on the market, pushing the overall market and modern bulk vacancy rates to record lows
- Only 12% of the 13 million s.f. currently under construction is preleased, a figure likely to rise in the coming months
- Asking rates have increased 12% year-over-year with new product accounting for majority of availabilities on the market
- Rates may continue to rise modestly, but it's not likely the current trajectory of growth will be sustained over the next 12 to 24 months

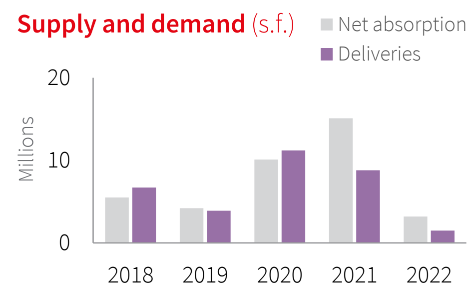
| Fundamentals | Forecast |
|---|---|
| YTD net absorption | 3,297,128 s.f. ▲ |
| Under construction | 13,377,004 s.f. ▶ |
| Total vacancy | 1.6% ▲ |
| Sublease vacancy | 304,440 s.f. ▶ |
| Direct asking rent | $4.62 p.s.f. ▲ |
| Sublease asking rent | $3.89 p.s.f. ▲ |
| Concessions | Decreasing ▼ |

With total vacancy dropping to 1.6%, a new market record for the fourth consecutive quarter, the Columbus industrial market has reached a point of dire need for new space. The construction pipeline is robust at over 13 million s.f. currently underway, but much of that is expected to deliver in the second half of the year. Only 12% is preleased at the moment, a figure that will surely rise in the coming months with the lack of availability across the market.

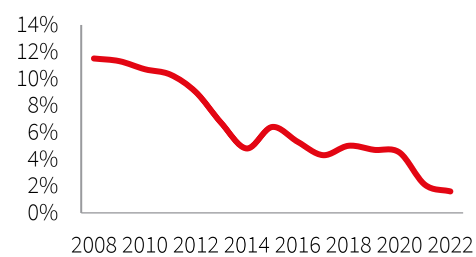
Just a few warehouses have sat vacant for several quarters, such as the 1.1-million-s.f. warehouse completed by Core5 in West Jefferson during Q1 2021. That had been the largest vacancy on the market since its completion. Home Depot leased the entirety of the building in Q1 2022, which played a major role in cutting vacancy from 2.2% to 1.6% quarter-over-quarter.

There was one modern bulk completion in the first quarter at 315,000 s.f. The lack of new supply coming onto the market paired with the largest vacancy coming off the market slashed modern bulk vacancy to a staggering 0.8%. This figure, in addition to the overall market vacancy rate, is not sustainable and will naturally rise throughout the year. Nonetheless, despite the speculative construction pipeline, it's unlikely the market experiences a rise in total vacancy close to the Q4 2020 rate of 4.5%.

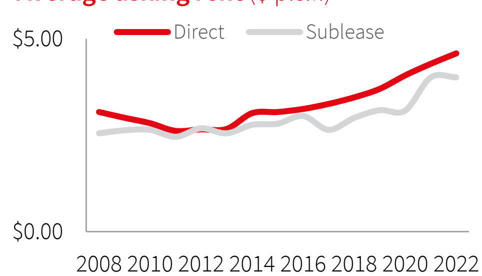
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)




### Outlook

Average direct asking rates eclipsed $4.60 p.s.f. Construction costs are pushing rates upward, yet the primary reason for the 12% increase year-over-year is the rapid absorption of older inventory. With such a low vacancy rate, the majority of availabilities are either recently delivered or currently under construction product. Rates may continue to rise modestly, but it's not likely the current trajectory of growth will be sustained over the next 12 to 24 months.

**For more information, contact: Sam Stouffer** | sam.stouffer@am.jll.com

# Dallas-Fort Worth

## 56.5 million s.f. of construction leads the nation in development activity as vacancy remains flat

- 20.3 million s.f. of new construction starts this quarter have pushed the development pipeline to the largest in nationally totaling 56.5 million s.f.
- Leasing activity was 15.5% higher than Q1 2021 marking the highest first quarter of the year since 2015, including leases for two "mega-box" warehouses of properties over 1 million s.f.
- Population growth in the Dallas-Fort Worth-Arlington, TX MSA led the country in 2021, as local growth continues to be a market driver for occupiers to serve the region and support labor requirements.

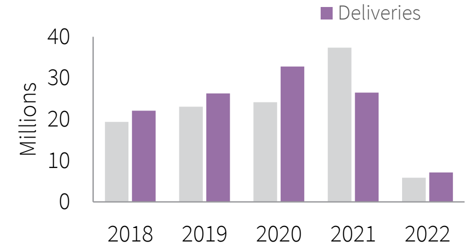
| Fundamentals | Forecast | |
|---|---|---|
| YTD net absorption | 5,877,821 s.f. | ▶ |
| Under construction | 56,507,934 s.f. | ▶ |
| Total vacancy | 6.0% | ▶ |
| Sublease vacancy | 2,946,224 s.f. | ▶ |
| Direct asking rent | $5.72 p.s.f. | ▲ |
| Sublease asking rent | $5.47 p.s.f. | ▲ |
| Concessions | Stable | ▶ |

The Dallas-Fort Worth industrial market continues to follow the national growth trend setting quarterly records for construction, asking rents and absorption. Absorption kept pace with deliveries this quarter with vacancy remaining relatively flat. Even with record new construction, tenants continue to compete for available space meeting their size and timing requirements as demand for every size range remains strong.

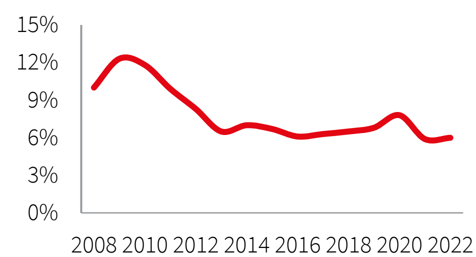
Led by demand by ecommerce and logistics occupiers for modern bulk space, the already active development pipeline set a record for new construction this quarter including 20.3 million s.f. of new construction starts. Over 20% of 56.5 million s.f. under construction has already been accounted for from pre-leasing and build-to-suit projects, with 51.8% (5.9 million s.f.) located in the South Dallas submarket. A dozen speculative "mega-box" projects, warehouses over 1 million s.f., are under construction across the market. The leasing activity for these properties remains strong as the last two of six speculative mega-box delivered between 2020 and 2021 was leased at the end of this quarter.

Market-wide, leasing activity was 11.8% lower than last quarter, down to 9.9 million s.f., but 15.5% higher than Q1 2021 and the highest first quarter for activity since 2016. Spaces 50,000-200,000 s.f. were the most active with 58 leases were signed, followed by three deals over 500,000 s.f. totaling 2.5 million s.f. of space.

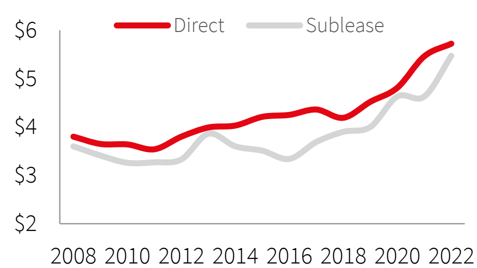
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)




### Outlook

The Dallas-Fort Worth-Arlington, TX MSA led the country in population growth according to Census Bureau estimates for 2021, adding 97,290 new residents. Local and regional growth will continue to be a long-term market driver for ecommerce and logistics occupiers. Average market rent continues to remain below gateway markets even with recent record growth and projected rates past 2022. Speculative construction is expected to continue support existing tenants in the market requirements and expansion by other occupiers for their short-term growth needs.

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# Denver

## Absorption trends toward historic average while development pipeline remains robust

- Absorption trends down toward ten-year average with 1.3 million s.f. absorbed – down 68% from Q4 2021.
- Development pipeline remains robust with over 10.5 million s.f. under construction.
- Average lease size dropped from 49,000 s.f. to 36,000 s.f. for the 2 million s.f. signed for. I-70 / East remains the most popular submarket amongst users (albeit, down from Q4 2021), but the Southeast is quickly gaining traction with nearly 14% of the total leasing activity.

| Fundamentals | | Forecast |
|---|---|---|
| YTD net absorption | 1,328,630 s.f. | ▼ |
| Under construction | 10,520,080 s.f. | ▲ |
| Total vacancy | 5.9% | ▶ |
| Sublease vacancy | 1,108,161 s.f. | ▶ |
| Direct asking rent | $7.84 p.s.f. | ▲ |
| Sublease asking rent | $7.61 p.s.f. | ▲ |
| Concessions | Stable | ▶ |

Absorption trended downward toward the ten-year quarterly average (around 1 million s.f.) with a little over 1.3 million s.f. occupied - an indication that most of the users who signed during the leasing frenzy of late 2020 and early 2021 settled into their spaces. There were a few notable exceptions, all over 100,000 s.f.; Meati Foods/Emergy, Sascho, International Paper and Pet Food Experts. Like the preceding quarters, built to suit deliveries, (Kroger for 289,000 s.f. and Subaru for 554,232 s.f. and Basalite for 197,000 s.f.) accounted for the majority (78%) of move-ins.

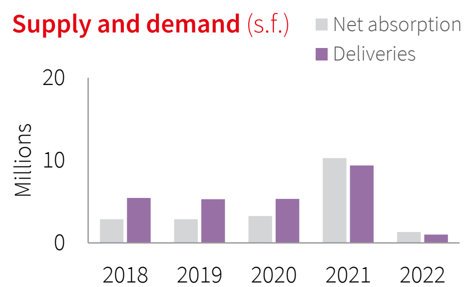
The volume in the construction pipeline wavered only by 100,000 s.f. from Q4 2021. The six new speculative buildings that broke ground (1,248,125 s.f. total) amounted to slightly less than the three build to suit deliveries.

The average lease size dropped again quarter-over-quarter, now hovering around 36,000-37,000 s.f. Now that speculative space comprises 91% of the construction pipeline, we expect to see a slight spike increase in average first year rates as landlords resume catering to the average-sized occupier, as they will be dominating future leasing/absorption activity. We have already noted an increase in escalations toward an average of 3%, which may explain the uptick in renewals in Q4 2021.

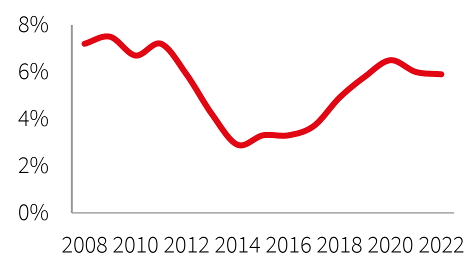
### Outlook

The rate of speculative construction deliveries outpaced that of both leasing and absorption for the past two quarters, meaning occupier appetite must match or exceed this quarter’s 1.6 million s.f. in new leases to digest both new and existing available space. At present, for every 1 s.f. there will be 5 s.f. delivered for the remainder of the year - assuming no further increases in construction lead times. The perception of demand for new construction (56% pre-leased) in 2021 was skewed by the amount of build to suit projects. With 9.5 million s.f. of speculative space in the pipeline, in addition to the more than 5 million s.f. of planned projects we are aware of, it is time to be more critical of the size, type and timing of future development endeavors.

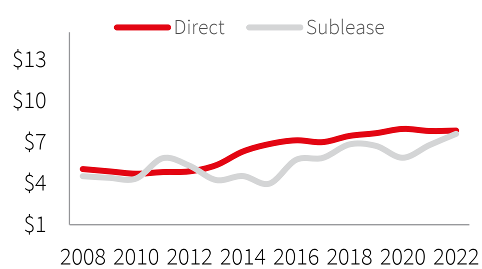
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)

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# Des Moines

## Rents climb as vacancy remains below 3% and market awaits construction completions

- The Amazon fulfillment center in Bondurant was sold for $326 million in February. This distribution warehouse at 500 32nd Avenue was purchased by Capital Square Realty Advisors of Richmond, Virginia. A long-term lease was in place at the time of sale.
- Construction costs are still a concern for developers, particularly the escalating prices of steel, copper and aluminum.
- 80% of the projects under construction will deliver in 2022 and there are more projects expected to break ground in Q2 2022.

Compared to Q1 2021, leasing activity by transaction count was cut in half (14 leases vs 33 leases). Despite the limited available space in the market, there was a good amount of positive absorption during the quarter, particularly in the North and East submarkets. The West submarket had negative absorption during the quarter with the Q2 outlook forecasted to be positive. The vacancy rate is just above the record low of 2.3% achieved in both 2017 and 2019.

Besides the Amazon fulfillment center, there were 11 sales during the quarter totaling $23.6 million. The average property size was 30,000 s.f. with an average price per square foot at $71. Currently, there are 13 properties for sale over 10,000 s.f. in the metro and two of those properties are under contract. The average age of the marketed properties is 37 years old.

Asking rents have on average increased by $0.43 p.s.f. since Q4 2021. The low vacancy coupled with increasing construction costs continue to push asking rents upward. Most of the speculative warehouse space under construction is today marketed as a negotiable lease rate. This allows landlords the flexibility to adjust rates as construction costs continue to change.

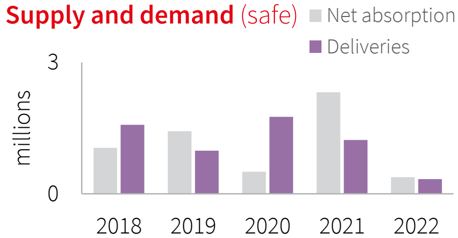
### Outlook

Ankeny, Altoona, Bondurant and Grimes will continue to be very active industrial markets but watch for development activity to expand into the southeastern part of the metro. Highway 5/Highway 65 offers quick access to Interstates 35/80 and all parts of the metro. Interest in the overall Des Moines market remains high from both in-market and out-of-market developers looking for industrial land parcels. Land prices in very active development areas range from $2.50 to $6.00 p.s.f. while more pioneering parts of the metro remain under $2.00 p.s.f.

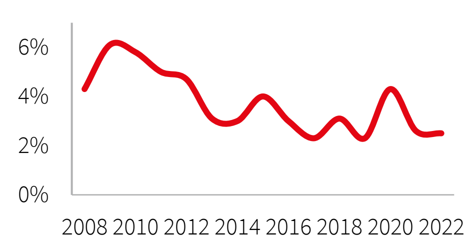
**For more information, contact:** **Eric Land**| eric.land@am.jll.com

| Fundamentals | | Forecast |
|---|---|---|
| YTD net absorption | 384,506 s.f. | ▶ |
| Under construction | 2,800,014 s.f. | ▶ |
| Total vacancy | 2.5% | ▶ |
| Sublease vacancy | 2,804 | ▶ |
| Direct asking rent | $6.44 p.s.f. | ▶ |
| Sublease asking rent | $5.91 p.s.f. | ▶ |
| Concessions | Stable | ▶ |

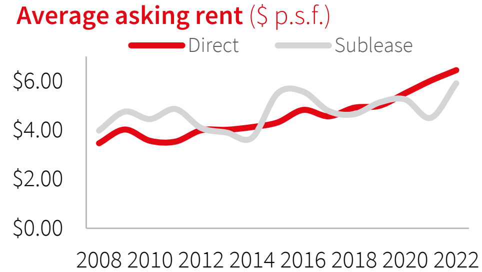
**Supply and demand** (safe)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)







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# Detroit

## More new construction on tap as market continues to tighten

- 2022 set to be another record-breaking year for the market, as a robust construction pipeline combined with seemingly unsatiable demand will drive vacancies further downward.
- NorthPoint, the most active industrial developer in the Detroit market, is set to break ground on the 1.0 million s.f. Romulus Trade Center, scheduled to deliver early-2023.
- Average asking rents across the market are $6.51 p.s.f. as of Q1, up 8.9% year-over-year, driven largely by new construction that is commanding top-end rents.

| Fundamentals | | Forecast |
|---|---|---|
| YTD net absorption | 808,409 s.f. | ▲ |
| Under construction | 4,959,981 s.f. | ▲ |
| Total vacancy | 4.8% | ▼ |
| Sublease vacancy | 1,118,262 s.f. | ▶ |
| Direct asking rent | $6.51 p.s.f. | ▲ |
| Sublease asking rent | $5.84 p.s.f. | ▲ |
| Concessions | Stable | ▶ |

The Detroit industrial market maintained its momentum through Q1; healthy absorption coupled with a robust construction pipeline pushed the market even tighter to start the year. Even with over 1.7 million s.f. delivering in the first quarter, there is still 4.9 million s.f. of space under construction and additional significant projects set to break ground this year. Kansas City-based NorthPoint, the most active industrial developer in the Detroit market, is set to break ground at Romulus Trade Center, a project that will add over 1.0 million s.f. by early-2023. Flint Development's speculative projects in Pontiac and Wixom delivered with space remaining available, making it the only existing Class A warehouse space available in the market for the time being. Average asking rents across the market are $6.51 p.s.f. as of Q1, up 8.9% year-over-year, driven largely by new construction that is commanding top-end rents.

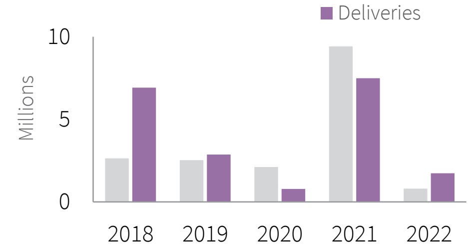
In March, Penske Logistics signed a lease for 160,000 s.f. at Building 2 of Livonia West Commerce Center, set to deliver later this spring. Other notable transactions from Q1 included TS Jaycee Logistics taking 30,000 s.f. of space at AeroPlex in Romulus along with Advanced Nutrients signing a lease for 50,000 s.f. at Assembly Park in Wixom.

In the automotive sector, GM announced plans to invest in their Orion Township plant to produce electric vehicles, while EV battery manufacturer Our Next Energy plans to move into a new HQ in Novi. In Warren, Graphex Technologies will open a 150,000-s.f. graphite processing plant by mid-2023, where they will give automakers a local supply of materials for lithium-ion car batteries.

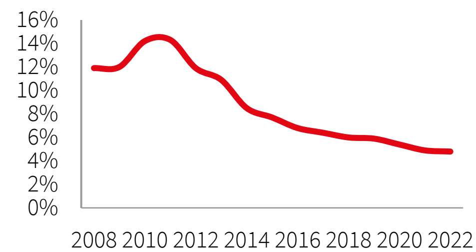
### Outlook

2022 is poised to be yet another record-breaking year for the Detroit industrial market. Strong pre-leasing among new warehouse deliveries will add additional occupied inventory to the market, driving vacancies further downward. Look for asking rent growth to continue to push upward north of $7.00 p.s.f., as strike rents are being seen as high as $7.50 p.s.f. in new product.

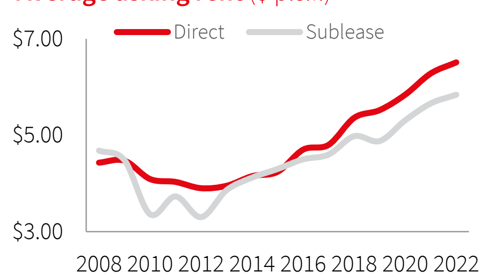
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)

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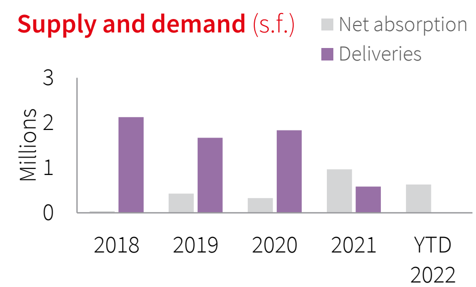
# East Bay

## New construction does little to relieve demand-supply imbalance as rent growth continues

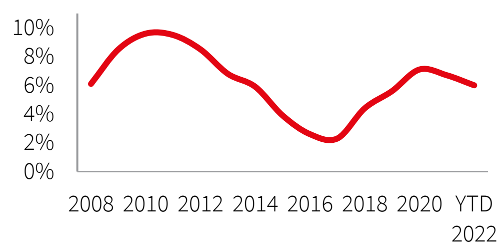
- An undisclosed e-commerce tenant puts almost 1.0 million s.f. of space up for sublease after failing to obtain an occupancy permit.
- The East Bay needs an additional 13 million s.f. of inventory to satisfy all active tenant requirements.
- Average asking rates skyrocket as a handful of projects break ground in the core I-880 Corridor.

| **Fundamentals** | Forecast | |
|---|---|---|
| YTD net absorption | 630,088 s.f. | ▲ |
| Under construction | 1,552,195 s.f. | ▲ |
| Total vacancy | 6.0 % | ▼ |
| Sublease vacancy | 1,003,172 s.f. | ▼ |
| Direct asking rent | $1.13 p.s.f. | ▲ |
| Sublease asking rent | $1.20 p.s.f. | ▶ |
| Concessions | Stable | ▶ |

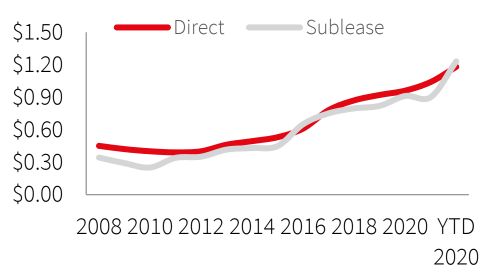
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)




Leasing activity momentum in the East Bay continues in 2022 as the market absorbs more than 630,000 s.f. in the first quarter. Absorption was bolstered by four tenants moving into 100,000+ s.f. spaces. Despite the robust leasing activity, vacancy in the market stubbornly remains above 6%. This is in large part to conditional use permits that are stymying leasing activity for distribution and last-mile users. Most notably, an undisclosed e-commerce company put almost 1.0 million s.f. of vacant sublease space on the market in Hayward and San Leandro as they were unable to obtain an occupancy permit. Given the robust demand across other industries, these Class A buildings are likely to be leased relatively quickly, with one space already leased by the end of the quarter.

Despite moratoriums and use permits hampering transactions, there is no shortage of tenants in the market. There are over 16.3 million s.f. of tenants looking for warehouse/distribution space with another 5.2 million s.f. of demand from advanced manufacturing users. Thus, there are 21.5 million s.f. of tenant requirements targeting only 8.1 million s.f. t of available space. To meet all demand, the East Bay needs 13 million s.f. of additional inventory. For reference, there is 5.7 million s.f. in the proposed pipeline.

With the supply and demand imbalance reaching new extremes, asking rents continue to climb. Asking rents in the Core I-880 Corridor increased $0.14 from last quarter to $1.18 p.s.f NNN. This 13.4%  increase was largely due to new construction projects breaking ground, bringing the development pipeline to 1.5 million s.f.. Asking rents for these premium spaces start at $1.25 p.s.f. NNN. With limited options for state-of-the-art facilities in the urban core, credit tenants have accepted current elevated rents, and competition for these few buildings is fierce.

### Outlook

Despite two major projects breaking ground, they will do little to relieve the supply and demand imbalance. With active requirements totaling over 15 million s.f. for more than 6 months, high demand persists and is unlikely to subside. This, coupled with a small proposed pipeline means tight conditions will remain in the East Bay into the foreseeable future.

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# Eastern & Central PA

## Record low vacancy drives Class A asking rents to new heights in the beginning of 2022

- Class A Vacancy plummeted 550-basis points year-over-year to a record low 2.6% after 9.6 million s.f. was absorbed in the same period.
- Following market-record absorption in 2021, developers broke ground on 9.4 million s.f. of projects in the first quarter, elevating active construction to an all-time high of 45.5 million s.f., 29.1% of which is preleased.
- Highlighting the unyielding demand for new inventory and record low vacancy, Class A asking rents grew by a record 32.7% year-over-year.

| Fundamentals | Forecast |
|---|---|
| YTD net absorption | 12,043,372 s.f. ▲ |
| Under construction | 45,478,851 s.f. ▶ |
| Total vacancy | 2.3% ▶ |
| Sublease vacancy | 16,350 s.f. ▲ |
| Direct asking rent | $7.27 p.s.f. ▲ |
| Sublease asking rent | $5.80 p.s.f. ▲ |
| Concessions | Stable ▶ |

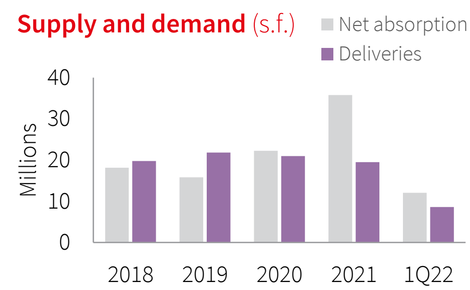
After a record 2021, net absorption, rent growth, and tenant demand remained strong at the start of 2022 throughout Eastern and Central Pennsylvania. 9.4 million s.f. of new leases were signed in the first quarter, representing a 24.7% quarter-over-quarter uptick in new leasing activity. 3PL users continued to dominate activity, accounting for 33.7% of leases signed this quarter, expanding their footprint by 18.2 million s.f. since the start of 2020. Of the new leasing activity, 44.8% was concentrated in the Central PA submarket for a total of 7.1 million s.f. The market recorded over 12 million s.f. of net absorption following this robust leasing velocity, setting a new historical record for quarterly absorption.

As net absorption continued to outpace new deliveries in the first quarter, the Class A vacancy rate declined by 50-basis points over the quarter to 2.6%. With landlord-favorable conditions in the market, Class A asking rents soared 12.2% quarter-over-quarter to an average of $7.75 p.s.f. As a result of the record low vacancy, developers broke ground on 9.4 million s.f. of new construction during the quarter, 86.9% of which was speculative. This represented the most quarterly speculative construction starts in market history, indicating that developers and investors maintain a bullish outlook on demand.

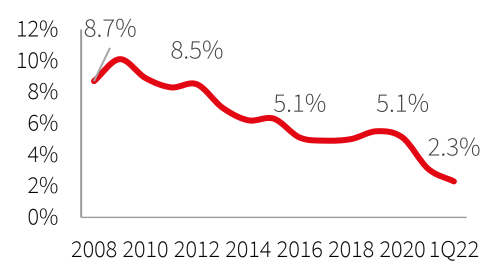
### Outlook

While 2021 was a record-setting year in the Eastern and Central Pennsylvania industrial market, the strong start to 2022 suggests a positive outlook remains. Despite another quarter of robust leasing activity, JLL was still tracking a record 61.5 million s.f. of tenant requirements at the end of the quarter, highlighting unyielding demand for Class A space. The 3PL, Food & Beverage and e-commerce industries are spearheading this demand, combining for over 40% of all current tenant requirements including Eastern & Central PA in their search. As a result of this continued demand growth, upward pressure on asking rents is likely to continue into the second quarter and the rest of the year.

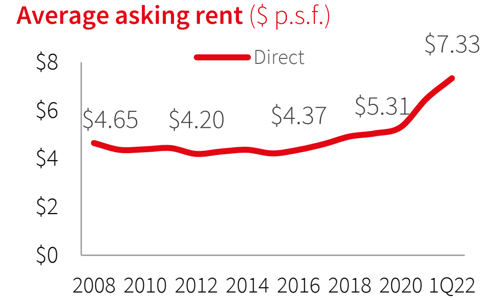
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)

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# Greensboro

## Another quarter of positive absorption pushed rental rates to new highs

- A high-profile aviation company announced plans to build a manufacturing and final assembly facility, adding 1,750 jobs to the region by 2030
- NorthPoint Development broke ground on 1.5 million s.f. in the West Greensboro submarket
- Direct asking rents have expanded 34% year-over-year, an indication of future growth and high demand
- Looking forward, the influx of new development in the Triad region will expand to rural counties and connect high growth markets

| Fundamentals | | Forecast |
|---|---|---|
| YTD net absorption | 382,393 s.f. | ▲ |
| Under construction | 4,096,612 s.f. | ▶ |
| Total vacancy | 2.7% | ▶ |
| Sublease vacancy | 40,000 s.f. | ▶ |
| Direct asking rent | $4.95 p.s.f. | ▲ |
| Sublease asking rent | $4.77 p.s.f. | ▲ |
| Concessions | Stable | ▶ |

Another large economic development project was announced in Q1 2022, adding to Greensboro's expanding industrial market. Boom Supersonic, an airliners manufacturer, plans to erect a 400,000-s.f. facility on a 65-acre site near the airport. Significant economic development projects are beginning to connect the Greensboro and Charlotte markets along the I-85 corridor with a heavy influx of new developments exceeding previous tenant requirements.

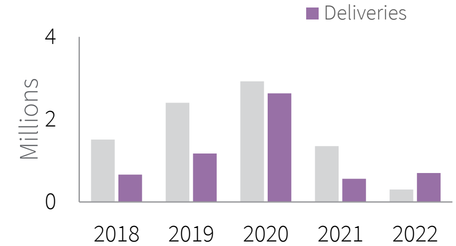
Over 2.4 million s.f. broke ground this quarter adding to Greensboro's development activity. Piedmont Commerce Center accounts for 67% of total under construction square footage across the market. Reedy Fork Logistics is another speculative development in the region with availabilities ranging from 100,000 s.f. to 500,000 s.f. displaying the variety of size options for tenants. The flexibility for future expansions is a trend expected to increase as supply remains limited and companies need to shift on short notice.

Direct asking rents have grown 19% quarter-over-quarter, supported by high demand and tight supply. The vacancy rate compression indicates Greensboro's market fares well when compared to other Sunbelt cities, recording positive absorption for consecutive quarters. Rental rates have exceeded $4.00 p.s.f. in all submarkets as anticipated. In comparison, Charlotte has two submarkets with comparable market rents but do not provide the same access to interstate connectivity and urban core. As the region continues to recruit large manufacturing operations, there will be a greater need for space in order to maintain sufficient supply chains and logistics operations.

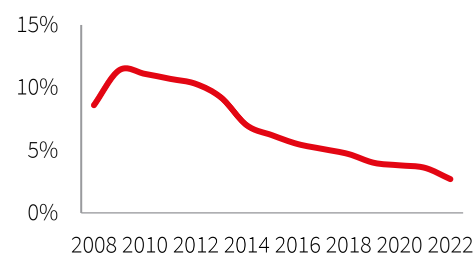
### Outlook

Rental rate growth and declining vacancy rates are the highlights of Q1 2022. Given the recent population growth along I-40 and I-85, Greensboro is well- positioned to increase industrial supply to sustain tenant demand regardless of size requirements. Investors are optimistic about future opportunities to fill raw land along interstates in order to connect the growing Carolina markets while supplying best-in-class products that satisfy new-to-market tenants. Davidson County is one of those submarkets that is expected to grow significantly in future quarters.

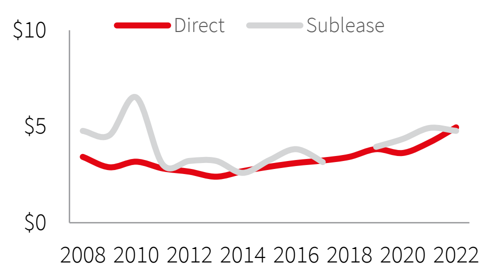
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)

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# Hampton Roads

## Construction hits a record high, but don't expect supply constraints to recede as a result

- There's still little space for immediate occupancy as vacancy was unchanged and Class A availability was nearly all under construction.
- With future deliveries comprising almost all available space, Class A rates are almost 25% higher than 12 months ago.
- New development is at a record high, but with only about a third of it available, it's unlikely to do much to reduce supply constraints.
- Requirements for several large occupiers are already in play, and port capacity improvements and changing distribution strategies will further boost demand.

Q1 saw the overall vacancy rate remained unchanged at 1.6%, while the availability rate rose 60 basis points to 3.0% as new spec projects were included in the quarter's spate of construction starts. Overall net absorption was determined by the delivery of two large distribution facilities serving online retail – without those, there would have been negative absorption of just under 162,000 s.f., all of which was Class B and Class C. With future deliveries comprising nearly all the available space, Class A direct asking rents showed a gain of 15.5% from Q4 2021 and 24.4% year-over-year.

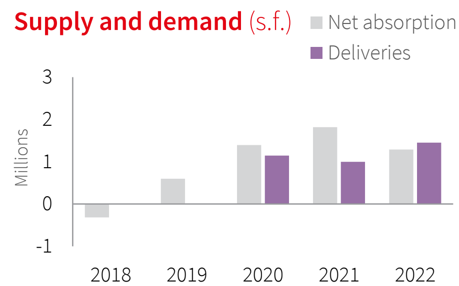
Construction began on several more distribution facilities over the quarter, boosting inventory under development to over 3.4 million s.f., by far the largest amount under construction at any point in time for at least 15 years. Two-thirds of that space is already spoken for, however, with Flint Development's 814,000-s.f. Coastal Logistics Center the largest block for which no leases have been announced. Commitments for the build-to-suit component of current development were made before the end of 2021, and restricted inventory meant most Q1 leasing activity consisted of renewals.

### Outlook

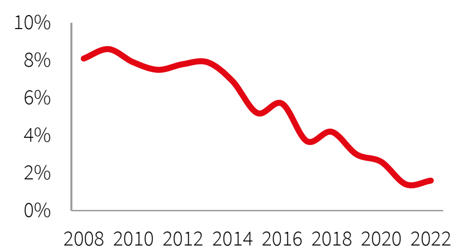
New construction is at a record high, but traffic at the Port of Virginia is also setting records, with loaded TEU counts up 5.6% from Q1 2021. With continued congestion at West Coast ports, users are now deploying strategies developed to mitigate ongoing supply chain disruption. The 40% increase in container handling capacity at the port's two main container terminals will be augmented by the deepest and widest shipping channels on the East Coast by the end of 2024. All of this will drive further demand, and with at least half a dozen requirements of 500,000 or more square feet already circulating, the share of new development that's currently available is unlikely to be available for long.

| Fundamentals | Forecast | |
|---|---|---|
| YTD net absorption | 1,289,771 s.f. | ▲ |
| Under construction | 3,429,305 s.f. | ▲ |
| Total vacancy | 1.6% | ▲ |
| Sublease vacancy | 55,744 s.f. | ▼ |
| Direct asking rent | $5.91 p.s.f. | ▲ |
| Sublease asking rent | $8.00 p.s.f. | ▶ |
| Concessions | Stable | ▶ |

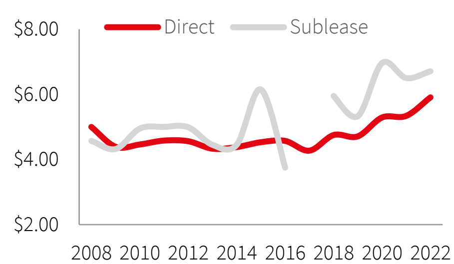
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)

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# Houston

## Momentum continues with long runway for growth in sight

- Leasing activity reached its second-highest volume on record with over 11.5 million s.f. of deals transacting.
- Net absorption totaled 5.1 million s.f., nearly 50% higher than the five-year quarterly average of 3.5 million s.f.
- Total vacancy declined for a fifth consecutive quarter, now down over 200-basis points from its 2020 peak.
- Construction activity grew to 15.5 million s.f. as market demand exceeded supply.

Houston continued to ride the wave of industrial growth occurring across the nation in Q1. Leasing activity moved at a brisk pace, with many tenants signing and occupying space within the same quarter. Houston has attracted many new-to-market companies relocating from more expensive, low-single-digit-vacancy industrial markets. The five largest leases of the quarter were all inked in new construction projects, three of which haven't broken ground yet.  Notable deals included Macy's for 908,853 s.f. at Interchange 249, Article Furniture for 507,225 s.f. at Cedar Port Distribution Center and Meiborg Brothers Trucking for 392,480 s.f. at Fairway North Logistics Park.

With a strong feedstock of leasing activity, net absorption hit 5.1 million s.f. to start the year, Houston's fourth-highest quarterly total on record. Larger tenant move-ins included Supply Chain Warehouses in the Southeast, Yokohama Tire in the South submarket and Pollock Orora in the Northwest. Occupied deliveries also played a major role, with owner-user buildings for Plastic Express, American Furniture Warehouse, VGXI and W8 Shipping completing this quarter. These occupancy gains pushed vacancy down another 40-basis points quarter-over-quarter to a healthier 7.2% in Q1.

Given the strength of demand for new product, construction activity climbed over 15 million s.f. with 29.3% currently preleased. The Southeast commanded the largest share of the pipeline with 4.5 million s.f. underway, followed by the West submarket with 3.1 million s.f. Port Houston saw its biggest January and February on record for containers, which is fueling demand not just in the Southeast port submarket but across Houston.

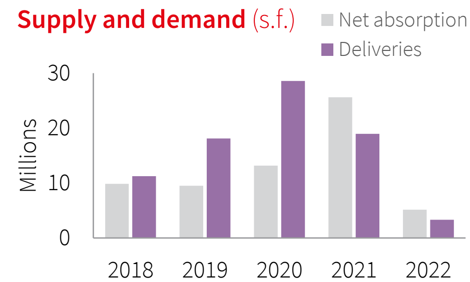
### Outlook

The industrial market will continue to see strong momentum, led by an infusion of new companies and marked growth from long-time Houston occupiers. Vacancy is expected to tighten further and is on pace to fall in line with the five-year quarterly average of 6.6% later this year. With a very robust tenants in the market pipeline, demand should remain ahead of supply over the next 12 months, driving strong performance and continued rent growth.

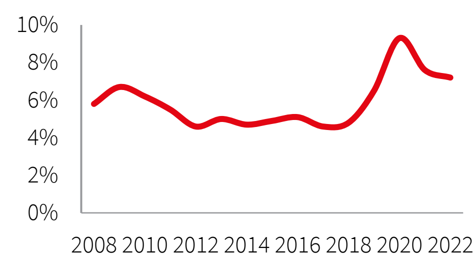
**For more information, contact: Rachel Alexander** | rachel.alexander@am.jll.com

| Fundamentals | Forecast |
|---|---|
| YTD net absorption | 5,139,975 ▲ |
| Under construction | 15,543,448 s.f. ▲ |
| Total vacancy | 7.2% ▼ |
| Sublease vacancy | 1,415,810 s.f. ▶ |
| Direct asking rent | $0.53 p.s.f. ▲ |
| Sublease asking rent | $0.47 p.s.f. ▲ |
| Concessions | Stable ▶ |

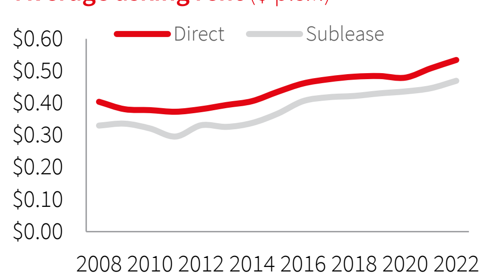
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)



# Indianapolis

## Industrial market continues to operate at unprecedented levels

- Demand outpaced supply to begin the year. 4 million s.f. absorbed compared to 3.2 million s.f. delivered.
- The 4 million s.f. absorbed this quarter is double historical averages for Q1 and lowered overall vacancy to sub-4%, a first for the market.
- Despite historically low vacancy, the market is in no danger of being constricted thanks to record levels of new construction.
- Asking rents continued to climb for the sixth consecutive quarter and are now above $4.60 p.s.f., another historic high.

| Fundamentals | Forecast |
|---|---|
| YTD net absorption | 3,954,009 s.f. ▲ |
| Under construction | 24,299,957 s.f. ▶ |
| Total vacancy | 3.8% ▲ |
| Sublease vacancy | 395,496 s.f. ▶ |
| Direct asking rent | $4.63 p.s.f. ▲ |
| Sublease asking rent | $5.28 p.s.f. ▶ |
| Concessions | Stable ▶ |

Quarterly absorption reached 4 million s.f. for the fourth consecutive quarter to begin 2022. This is particularly noteworthy because Q1 is historically a slow quarter for occupancy growth. In fact, the 4 million s.f. absorbed this quarter is double the historical averages for Q1 and triple what was posted to begin 2020 and 2021.

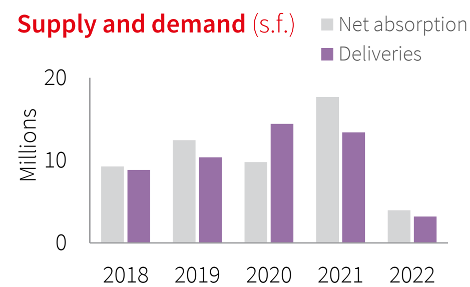
This growth continues to drive vacancy to levels never before seen in Indianapolis. Vacancy currently sits at 3.8%, the first time it's ever been below 4%. The market is in no way constricted, however. Availability stands at 10.5% as 24 million s.f. is under construction, the majority of which is speculative in nature.

This continued tenant demand and the pipeline of new construction pushed asking rents higher for the sixth consecutive quarter. Rents now exceed $4.60 p.s.f., an increase of 14% year-over-year and nearly 40% since this streak began. Due to this appreciation in rents along with rising construction costs, many landlords are no longer quoting asking rents on projects under construction until closer to completion.

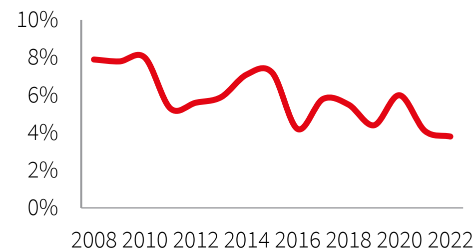
### Outlook

Demand has outpaced supply in three of the last four years and did so again to begin 2022. With another 20 million s.f. currently tracking for completion before year-end, this script may flip. However, there are 9 million s.f. of future occupancies expected later this year based on deals previously signed that have yet to take possession of the space. With 9 months remaining and at the pace new construction is being leased, if supply does exceed demand this year it likely will not be by much. Once this current pipeline delivers, approximately one-quarter of the total Indianapolis industrial inventory will have delivered since 2017. This provides a nice base of modern distribution space to keep the market competitive now and into the future.

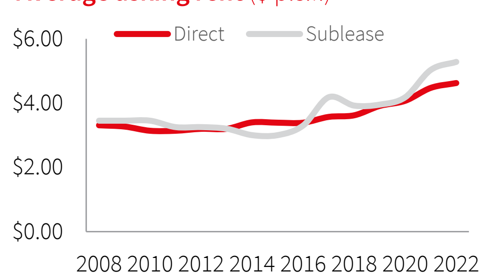
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)

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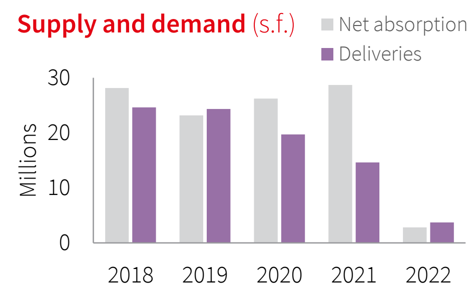
# Inland Empire

## Development ramps up as vacancy hits a new record low

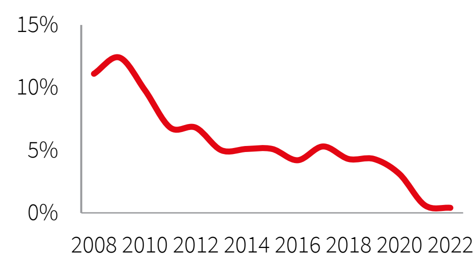
- Overwhelming tenant demand continued to push vacancy downward, which now sits at a remarkable 0.4%.
- The development pipeline grew by 11.2% quarter-over-quarter as developers remain bullish on market fundamentals.
- The Ports of LA and LB made significant strides to clear the backlog of ships waiting unload cargo through the first two months of 2022.
- Asking rates continued to climb, rising 17.7% from the previous quarter.

| Fundamentals | Forecast | |
|---|---|---|
| YTD net absorption | 2,823,137 s.f. | ▼ |
| Under construction | 30,734,496 s.f. | ▲ |
| Total vacancy | 0.4% | ▼ |
| Sublease vacancy | 63,161 s.f. | ▼ |
| Direct asking rent | $1.16 p.s.f. | ▲ |
| Sublease asking rent | $1.24 p.s.f. | ▲ |
| Concessions | Falling | ▼ |

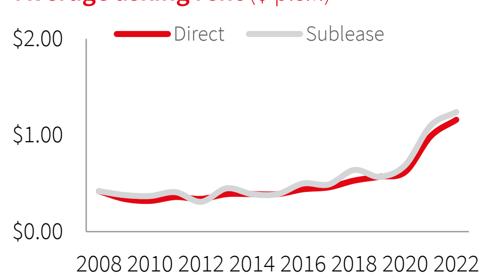
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)




Overwhelming tenant demand and a lack of availability continue to be the headline story in the Inland Empire. Despite extremely limited availability, leasing activity managed to total 10.9 million s.f. in Q1'22. This represents the lowest quarter in three years. With that said, this is entirely due to a lack of move-in ready supply. Developers are still scrambling to meet demand in the IE, and for the first time in five quarters, deliveries outpaced absorption. Despite this, most of the newly delivered supply was pre-leased. Vacancy dropped another 20-basis points on the quarter to a national low of 0.4%. As a result, rent growth in the Inland Empire continued to grow rapidly, increasing 17.7% quarter-over-quarter.

The development pipeline grew by nearly 3 million s.f. this quarter as builders scrambled to keep pace with record demand. Land availability in the traditional core of the Inland Empire is waning, forcing developers to turn to untested regions of the market to find opportunities to build. There are currently sizeable projects under construction on the Northern, Eastern and Southern most borders of the market that will bring much needed space to the country's tightest industrial market.

Concurrently, the longshoreman in San Pedro made progress in working through the backlogs of ships that have accumulated off the coast over the last year. The number of vessels awaiting to unload containers fell sharply from a high of 109 in January to 39 in March, the lowest level since September 2021. This led to record container volumes through the first two months of 2022.

### Outlook

Looking forward, we expect availability to remain extremely limited over the near-term to mid-term. As a result, we expect developers to remain very active in pursuing any opportunity to build. With that in mind, signs of forthcoming supply are on the horizon. Notably, the development pipeline hit a historical high this quarter, and the expectation is that many more projects will break ground in the coming months. This could foreshadow relief for tenants in the long-term.

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# Jacksonville

## Unprecedented demand has resulted in historic levels of new construction

- Over 750,000 s.f. of new product delivered, though only 8% remains available to lease.
- Over 6 million s.f. is under construction, including two buildings over 1 million s.f.
- Jacksonville saw its fourth consecutive quarter of over 1 million s.f. of positive absorption.

2022 started the year off strong with record levels of new construction. Over 6 million s.f. is currently under development, with two parks, Imeson Park South and Florida Gateway Logistics, accounting for over half of the square footage. Both multi-building parks include a building over 1 million s.f., highlighting the unprecedented demand for industrial space in Jacksonville. Further, even amid record construction, over 750,000 s.f. delivered across four buildings in the Northside and Westside submarkets. Of this however, only 8% remains available to lease. Total vacancy fell 70bps quarter-over-quarter as new supply was quickly leased up, however due to the massive increase in construction, total availability increased 280bps.

Jacksonville saw another quarter of over 1 million s.f. of positive absorption, with most of it driven by a handful of large tenants. Two move-ins over 450,000 s.f. took place this quarter, the largest of which was Iron Mountain taking occupancy of over 486,000 s.f. in building 3 at Westlake Trade Center. Crown Imports took down almost 470,000 s.f. at 600 Whittaker Rd. The largest move-out was Southeastern Metal Co vacating their old building after it sold, however nearly all this was offset by their move into 210,000 s.f. in building C at Park 295. As has been the case historically, almost all the activity took place in the Northside and Westside submarkets.

As demonstrated by the 6 million s.f. under construction, and the speed with which new space is leased, demand is relentless in Jacksonville. This demand, combined with rising construction costs and land prices, has resulted in another quarter of rent growth. Average direct asking rents have settled at $5.68 NNN, a 19.6% increase year-over-year, and new construction has asking rents up to $8.75 p.s.f. NNN.

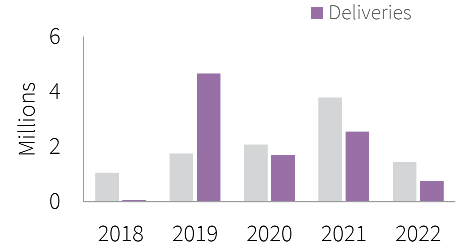
**Outlook**

Jacksonville's population growth out-paces the state, and that of other Florida metros, contributing to a growing consumer and labor base. This, paired with numerous land sites, relative affordability, and increasing instances in which companies like Sea Lead Shipping are relocating operations to JAXPORT, positions the market well for continued growth.

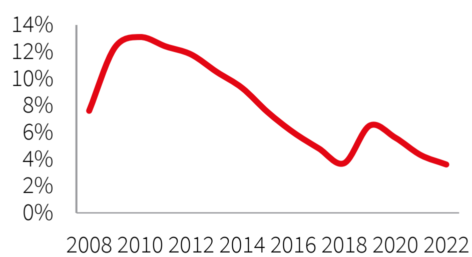
**For more information, contact: Rachel Dickinson** | rachel.dickinson@am.jll.com

| **Fundamentals** | Forecast | |
|---|---|---|
| YTD net absorption | 1,449,756 s.f. | ▲ |
| Under construction | 6,217,230 s.f. | ▼ |
| Total vacancy | 3.6 % | ▶ |
| Sublease vacancy | 382,079 s.f. | ▶ |
| Direct asking rent | $5.68 p.s.f. | ▲ |
| Sublease asking rent | $4.69 p.s.f. | ▲ |
| Concessions | Stable | ▶ |

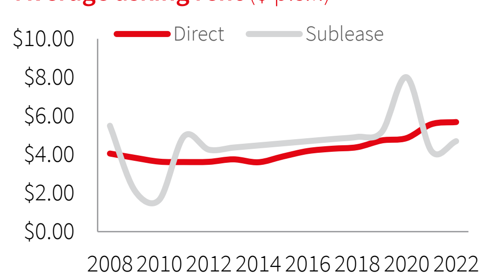
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)



# Kansas City

## Steady growth in new construction, leasing activity characterizes new normal

- Most Kansas City industrial submarkets remain highly occupied, with only one submarket (Johnson County) falling below 95% occupancy.
- Over 2 million s.f. of new, speculative construction was completed in Q1 in the Johnson County and Northland submarkets. The construction pipeline remains well-supplied, with over 10 million s.f. currently under construction.
- New Class A warehouse product is seeing steady rent growth at 5.1% year-over-year.

| Fundamentals | Forecast | |
|---|---|---|
| YTD net absorption | 1,172,029 s.f. | ▶ |
| Under construction | 10,420,876 s.f. | ▶ |
| Total vacancy | 4.7% | ▼ |
| Sublease vacancy | 496,995 s.f. | ▼ |
| Direct asking rent | $4.82 p.s.f. | ▲ |
| Sublease asking rent | $5.30 p.s.f. | ▲ |
| Concessions | Decreasing | ▼ |

The industrial market in Kansas City has remained steady since the beginning of 2021. Vacancy remains low with room to fall even more as deal activity is expected to accelerate throughout the course of the year. Occupancy exceeds 95% in all but one submarket (Johnson County), and all signs point to continued growth in rents and leasing activity in new warehouse and distribution space, largely driven by logistics users.

Industrial deliveries were concentrated in Johnson County and the Northland submarkets. Northpoint's Inland Port LII adds more than 1 million s.f. of speculative warehouse space to the market with access to the BNSF Railway's intermodal facility. Block Real Estate's Lenexa Logistics Centre North 5 also delivered at 565,000 s.f. In the Northland submarket, construction completions were smaller; Liberty Commerce Center's Building 1 led the way at 274,000 s.f. This is the first of up to seven buildings at the new industrial park in Liberty. Notably, only 67,000 s.f. of the new space delivered this quarter delivered as leased and occupied with Walgreens moving into the Liberty Commerce Center building in March.

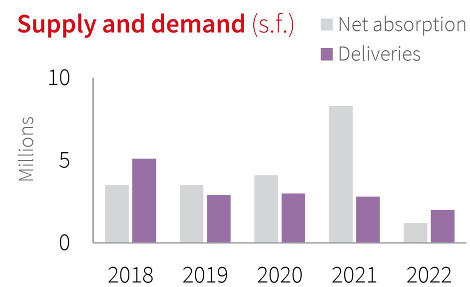
Absorption was mostly spread evenly across the market this quarter. Five submarkets representing both urban and suburban areas of Kansas City saw absorption of over 150,000 s.f. With anticipated demand and rising construction costs, rents at new warehouse and distribution centers are anticipated to rise $0.25 to $0.50 over the course of 2022.

**Outlook**

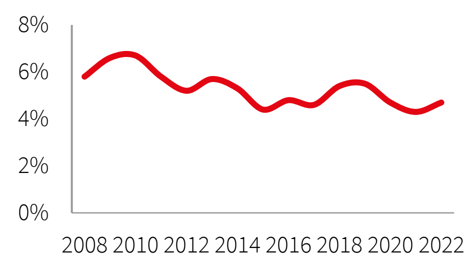
The construction pipeline is led by activity in the Northland submarket, accounting for 52% of all space under construction and 47% of all new buildings. Even with rents on an upward trajectory, new modern bulk space is still in high demand, with developers planning to kick off both speculative projects and build-to-suit projects later this year. Vacancy does remain somewhat higher at 4.7% compared to peer markets, indicating that Kansas City can support additional industrial occupiers, even as the market tightens. Leasing activity is expected to be strong throughout 2022, with over 8 million s.f. of speculative deliveries expected by year-end.

**For more information, contact: Chris Jackson** | chris.jackson1@am.jll.com

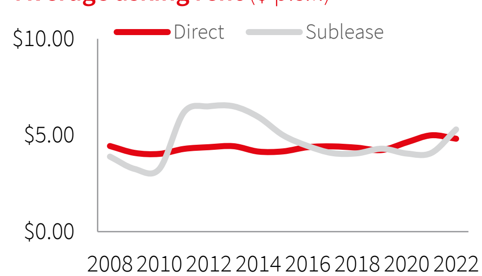
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)



# Las Vegas

## Strong user demand continues as developers capitalize on growing submarkets

- Absorption reached 30% of 2021 totals in the first quarter alone
- Direct vacancy dipped below 3% for the first time to a record 2.7% as supply remained historically tight.
- Asking rates have continued their momentum surpassing $9 p.s.f. for the first time on record. This pushed YoY growth to nearly 10%.
- Increased demand has pushed users outside of traditional markets and has areas like Apex set to be a hotbed of development in 2022.

| Fundamentals | Forecast | |
|---|---|---|
| YTD net absorption | 2,371,578 s.f. | ▶ |
| Under construction | 2,608,434 s.f. | ▶ |
| Total vacancy | 3.1% | ▲ |
| Sublease vacancy | 445,806 s.f. | ▶ |
| Direct asking rent | $9.02 p.s.f. | ▲ |
| Sublease asking rent | $9.53 p.s.f. | ▶ |
| Concessions | Stable | ▶ |

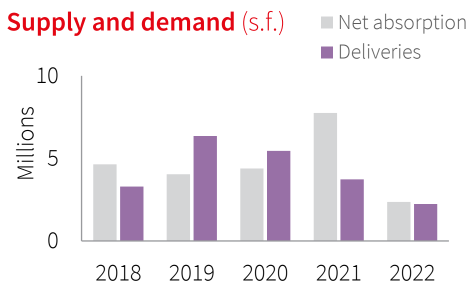
The Las Vegas industrial market continued to see unprecedented levels of demand in Q1. The market absorbed 2.3 million s.f. This represents 30% of the 2021 total YTD absorption making this the most active Q1 on record. As a result, direct vacancy dipped below 3% for the first time to 2.7%. This sent asking rates into record territory, breaking the $9 p.s.f. barrier. This marks approximately a 10% growth in direct asking rates since Q1 last year.

With few suitable development sites remaining, Las Vegas continues to be a land constrained market. Tight supply has forced users seeking large blocks of available space to branch outside of traditional Industrial markets into new areas of development. Apex, an 18,000-acre industrial area to the Northeast of downtown is now seen as the next major industrial hotspot. More and more developers are buying into users' willingness to locate further out and looking to capitalize by securing sites around Apex.

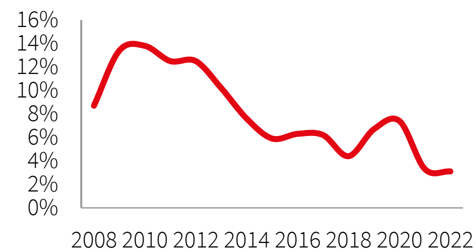
**Outlook**

As vacancy dips to historic lows, additional product is needed to keep up with demand. There is nearly 10 million s.f. proposed throughout the MSA with 6 million s.f. of that total currently scheduled to deliver by year-end. This should help to alleviate some of the constraint currently felt by users seeking large availability in the market. Rates are expected to continue to appreciate until the bulk of this product is delivered to quell some of the existing demand. Look for growth in both available inventory and occupancy to accelerate outside of the traditional Vegas industrial markets as land scarcity continues to be an issue for developers. Lastly, demand is expected to continue throughout the year from both tenants and occupiers in the logistics and manufacturing arenas.

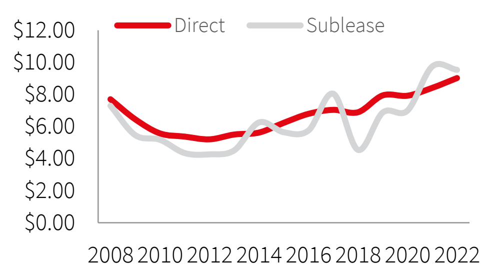
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)

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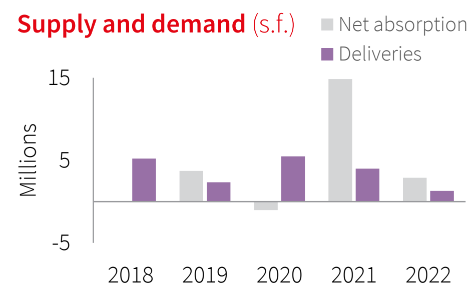
# Los Angeles

## Demand for industrial space pushes vacancy to a new low in Los Angeles

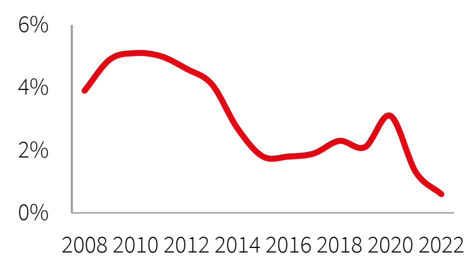
- Vacancy for Los Angeles ended the quarter at 0.6%, a 70 basis point decline from the previous quarter
- Asking rates increased an astounding 45% year-over-year due to record low vacancy
- The Greater San Fernando Valley  saw the strongest absorption of any region this quarter
- The San Pedro Port Complex posted record container volumes through the first two months of 2022

| **Fundamentals** | | Forecast |
|---|---|---|
| YTD net absorption | 2,894,618 s.f. | ▲ |
| Under construction | 5,095,991 s.f. | ▲ |
| Total vacancy | 0.6% | ▼ |
| Sublease vacancy | 322,011 s.f. | ▼ |
| Direct asking rent | $1.44 p.s.f. | ▲ |
| Sublease asking rent | $1.48 p.s.f. | ▲ |
| Concessions | Falling | ▼ |

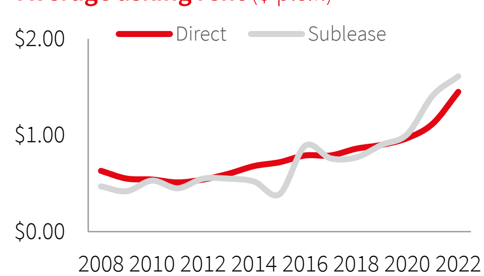
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)




Strong demand for industrial space persisted across the Los Angeles market in Q1'22, pushing vacancy to a new historic low. Leasing activity from apparel, technology, and logistics companies made up a bulk of the 5.5 million s.f. of leasing volume this quarter. These industries took down significant blocks of space, leaving limited industrial space left for other prospective tenants . ICER Brands moved into a 200,000-s.f. building in Cerritos while Pacific Expressway locked in leases for two buildings in Compton totaling over 211,000 s.f. Leases like these, and waning availability have driven asking rates across the market up 45% year-over-year. These market conditions are making it a difficult environment for occupiers who are coming up on renewals or need new space.

The Greater San Fernando Valley submarket tallied the most absorption of any region in Los Angeles this quarter. Large move-ins from Volt Lites, Iron Mountain, and North Star accounted for roughly a quarter of the total absorption. Additionally, several new developments delivered this quarter, all of which were pre-leased. The pre-lease rate across the Los Angeles pipeline now sits at 52.5%, indicating the insatiable tenant demand for newly constructed space.

The twin ports of Los Angeles and Long Beach made considerable progress to start the new year. The ports set both January and February high water marks for containers processed. This reduced the number of ships waiting to berth from 109 in January to 36 in March.

### Outlook

Looking forward, we expect to see similar market condition over the short to mid-term. Occupiers will continue to struggle to find available space, and should plan to engage in discussions well ahead of any lease expirations or net new requirements. On the other side of the table, landlords will likely be able to continue push rents as availability dwindles in LA and in the neighboring markets of the Inland Empire and Orange County.

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# Louisville

## Leasing velocity continues to push vacancy down

- Vacancy continues to drop to record levels as supply struggles to keep up with demand.
- At present there is no existing building with availability over 300,000 s.f.
- Hunt Midwest's fully leased Blankenbaker Logistic Center sold for $134 p.s.f.
- 79% of product delivered in Q1 2022 is leased.

| Fundamentals | Forecast | |
|---|---|---|
| YTD net absorption | 1,585,457 | ▲ |
| Under construction | 7,759,797 | ▶ |
| Total vacancy | 1.9% | ▶ |
| Sublease vacancy | 325,000 | ▶ |
| Direct asking rent | $4.75 p.s.f. | ▶ |
| Sublease asking rent | $4.45 p.s.f. | ▼ |
| Concessions | Stable | ▲ |

The Louisville industrial market started off the year relatively strong with over 1.0 million s.f. of net absorption. The pace of absorption is slightly behind 2021, which was expected given the lack of supply. At present there is no existing building with availability over 300,000 s.f. and only three existing options between 200,000 s.f. and 300,000 s.f. It was our expectation that the lack of existing options would lead to a slower start to 2022 compared to that of 2021. The dearth of existing availabilities has had an impact on tenants who have been evaluating Louisville, especially those with more immediate requirements.

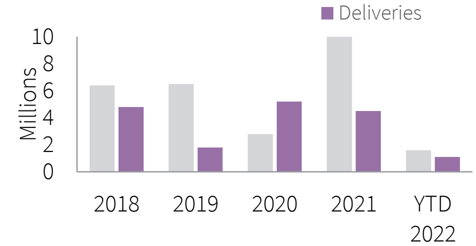
The development pipeline remains robust with over 7.7 million s.f. under construction. Approximately 92% of the product that has broken ground is within the submarkets of Bullitt County, Airport and Southern Indiana, which comprise the I-65 corridor. This development is needed given that since the start of 2021 over 95% of absorption has been within these same submarkets.

The investment sale market within Louisville remains hot with Hunt Midwest's fully leased Blankenbaker Logistics Center transferring at a 4.2% cap rate to Bixby. Increasingly properties within Louisville are no longer selling as one-off transactions but are being bundled into regional and national portfolios.

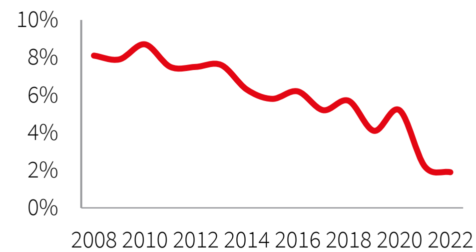
### Outlook

Moving into 2022, we expect the Louisville industrial market to continue its robust pace. The lack of existing supply is going to remain a concern and could keep the market from matching the leasing success of 2021, but developers are poised to deliver product across the market to meet tenant demand. Additionally, we expect investor appetite to remain strong as cap rates continue to compress.

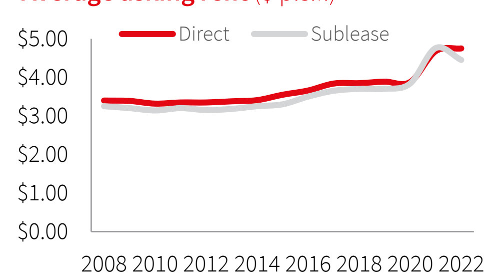
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)

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# Memphis

## Speculative development near transportation hubs provides relief from supply chain constraints

- Positive absorption surpasses the volume of quarterly completions, bringing the vacancy rate down to 5.2%
- Leasing activity approaches 6 million s.f. of new deals and renewals, dominated by 3PLs and wholesale distributors
- A development pipeline with 13 million s.f. of speculative space will meet demand from companies expanding in the market

Lease commencements in large bulk spaces by Walmart, Kenco Logistics Services, Viterra, and Designed Conveyor systems have started the year off strong for the Memphis industrial real estate market. Nearly 4 million s.f. of net absorption passed the rate of new construction deliveries and brought the vacancy rate down to a historic low at 5.2%. Rents also rose significantly, up 10% from the previous quarter and 17% above the average asking rate in Q1 2021.

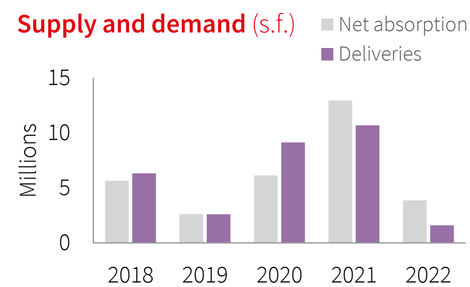
The development of additional warehouse and distribution space in Memphis is expected to provide relief to consumers and businesses that have been impacted by supply chain difficulties and inflation. Over the past two years, the rate of new construction in the DeSoto County submarket in north Mississippi has placed it on track to eventually surpass the inventory of the Southeast submarket within the Memphis city limits. However, construction projects in the Southeast submarket have higher rates of pre-leasing and absorption after delivery. Many wholesale distribution and 3PL tenants prefer the Shelby County location due to its transportation hubs and its proximity to neighborhoods with a high concentration of blue-collar labor. While the ample availability of land and smooth topography of northern Mississippi creates optimal construction conditions for developers, that ease also comes with the challenge of longer drivetimes for truckers and workers.

### Outlook

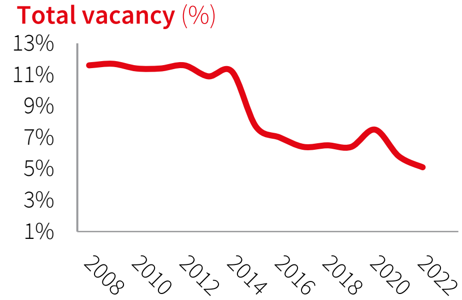
The outlook for Memphis remains positive and strong. The 6 million s.f. of new deals and renewals signed in Q1 indicates strong demand for modern bulk space, and the market can support additional inventory beyond the current high rates of new construction. 1.2 million s.f. of new warehouse product broke ground in Q1, marking a significant drop from the 4.3 million s.f. that broke ground in Q4 2021. This potential constriction of supply combined with growing demand will likely drive down the vacancy rate and increase average asking rents to over $4.00 per s.f. by the end of Q2.

| Fundamentals | | Forecast |
|---|---|---|
| YTD net absorption | 3,868,049 s.f. | ▲ |
| Under construction | 8,451,596 s.f. | ▶ |
| Total vacancy | 5.2% | ▼ |
| Sublease vacancy | 269,300 s.f. | ▶ |
| Direct asking rent | $3.93 p.s.f. | ▲ |
| Sublease asking rent | $3.80 p.s.f. | ▶ |
| Concessions | Stable | ▶ |

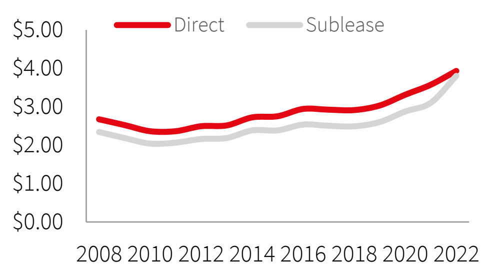
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)

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# Metro DC

## Market positioned for future growth with strong fundamentals to open 2022

- Suburban Maryland occupancy gains total over 376,000 million s.f. the highest Q1 total 2010; Northern Virginian experiencing gains over 310,000 s.f.
- Speculative construction activity continued over Q1 with 4 new groundbreakings
- Year-over-year rent growth for industrial product in Metro DC tops 14% with quarter-over-quarter growth registering 6.4%
- Eleven existing or under construction Class A blocks over 100,000 are available in the region, seven of which are in Suburban Maryland

| **Fundamentals** | Forecast | |
|---|---|---|
| YTD net absorption | 686,640 s.f. | ▲ |
| Under construction | 3,631,654 s.f. | ▲ |
| Total vacancy | 3.8% | ▼ |
| Sublease vacancy | 177,376 s.f. | ▼ |
| Direct asking rent | $10.78 p.s.f. | ▲ |
| Sublease asking rent | $10.22 p.s.f. | ▲ |
| Concessions | Falling | ▼ |

Metro DC's industrial market continues its historic pace, as Q1 absorption totals top 686,640 s.f., 75% higher than the trailing 3-year Q1 average. Both submarket clusters in Suburban Maryland and Northern Virginia experienced positive net absorption for Q1. Suburban MD led the way with 376,443 s.f. of absorption followed closely by Northern Virginia with 310,197 s.f. The quarter was marked by absorption totals in new construction contributing 392,548 s.f. of net occupancy gains. For example, Northwestern Mutual delivered 5 buildings in their North Woods Development in the Dulles North submarket totaling 319,319 100% leased. Strong lease-up fundamentals in new construction and expansions in 2$^{nd}$-generation supply brought Class A total vacancy to the lowest point on record at 3.3%

Over 3 million s.f. of speculative development remained under construction with 100% of that product available for lease. Over the quarter, five additional properties broke ground on a speculative basis totaling 372,440 s.f. The largest being Cabot Properties' s Firestone 66 project totaling 91,000 s.f. located in the Prince William West/Great Manassas submarket. The property is 100% available for lease with a delivery date slated for Q1 2023. The market is averaging 210,703 s.f. of speculative development per quarter over the last two years.

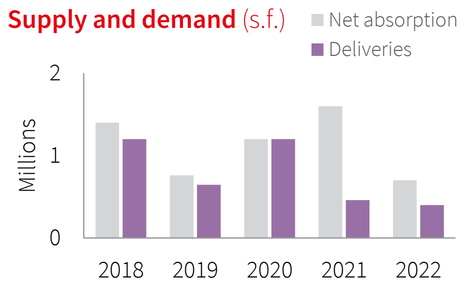
Positive rent growth remained evident throughout the quarter and into the new year. Direct asking rates were the highest on record for Metro DC at $10.78 per s.f. In a time of expansion, average direct rents grew 6.4% quarter-over-quarter and 14% year-over-year. In addition, Class A rents grew 15.7% year-over-year.

### Outlook

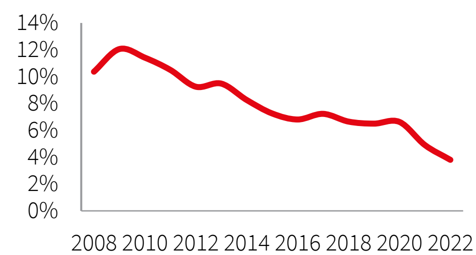
Metro DC's strong fundamentals across demand, pricing, and construction activity were expected to continue for the remainder of the year. Of the 2.5 million s.f. of product delivered since the beginning of 2020, 10% remained available. Considering this with vacancies and availabilities within existing product at historical lows coupled with 3.6 million s.f currently under construction resulting in supply expansion over 3.6%, positive absorption and rent growth is expected to continue.

**For more information, contact: Ben Caffey**| Benjamin.Caffey@am.jll.com

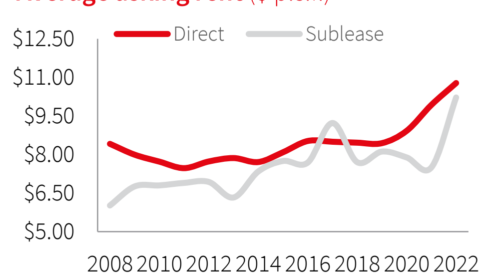
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)



# Miami

## Historic asking rates on sustained low vacancy

- Class A product and new construction is pushing asking rate increases, with many landlords asking north of $12.50 p.s.f. NNN.
- Q1 marks the fourth consecutive quarter of absorption over 1.0 million s.f.
- Total vacancy remained unchanged from year-end 2021, despite 1.5 million s.f. of deliveries.

| Fundamentals | | Forecast |
|---|---|---|
| YTD net absorption | 1,326,413 s.f. | ▲ |
| Under construction | 3,989,773 s.f. | ▶ |
| Total vacancy | 2.6 % | ▶ |
| Sublease vacancy | 88,128 s.f. | ▶ |
| Direct asking rent | $11.60 p.s.f. | ▲ |
| Sublease asking rent | $16.77 p.s.f. | ▲ |
| Concessions | Stable | ▶ |

2022 started the year with a bang on the heels of a historic 2021. All metrics point to another solid year for the Miami industrial market. Total vacancy has hovered around the mid-2.0% for the past six months. This sustained low vacancy rate has bolstered both existing and new construction landlords to continue to increase rates. At the close of Q1, averaging asking rates shattered records, ascending to $11.60 p.s.f. NNN, a 12.5% increase over Q4 2021 figures.

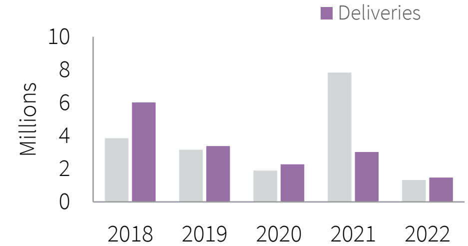
New construction continued to be a main driver for the Miami industrial market with approximately 1.5 million s.f. delivered in Q1 and an additional 4.0 million s.f. under construction. Over the past three years approximately 11 million s.f. has been added to the Miami industrial market. However, demand has consistently outweighed supply over that same timeframe, with 15.3 million s.f. of direct absorption. The Medley submarket led the market in terms of completions and under construction, with approximately 893,000 s.f. and 1.0 million s.f. respectively.

Absorption has exploded in Miami in large part due to the shift in consumer demand in response to the Pandemic. Since Q4 2020 8.8 million s.f. has been absorbed, for a quarterly average absorption of 1.5 million s.f. over the past six quarters. The Northwest Dade submarket led the market with 527,000 s.f. absorbed is Q1, or 40% of the total market's absorption.

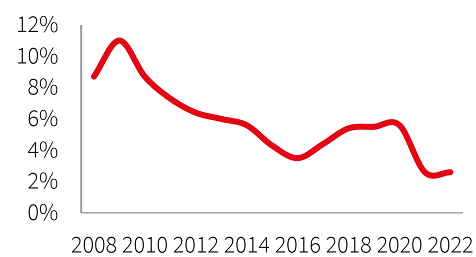
### Outlook

The Miami industrial market is showing little to no signs of slowing down. As the vacancy rate continues to decline, asking rates are anticipated to continuously break records for the foreseeable future. Miami will continue to be a top market for e-commerce and distribution companies looking to tap into a robust and growing population base.

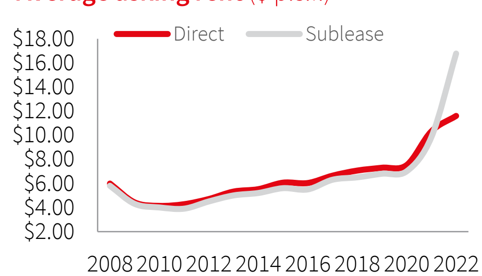
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)

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# Mid Peninsula

## Life science conversions continue to shrink available supply as market tightens

- Industrial leasing activity remained muted as the market experience marginal net occupancy losses
- Williams Sonoma vacated 144,000 s.f. in South San Francisco
- Life science conversions continued as lab vacancy remains tight and tenant demand continued to be elevated with rising rates.
- Sales activity slowed in Q1 with only four sales, including a purchase of Alexandria Real Estate at 230 Adrian Road.

Industrial total occupancy declined marginally in Q1 by less than 20,000 s.f. Still, with a reduction in supply in South San Francisco, vacancy remained at 4.4%. Total leasing activity was muted at slightly over 210,000 s.f. Williams Sonoma vacated its space at 435 and 440 Valley Drive and Inxeption vacated 22,708 s.f. at 185 Valley Drive in Brisbane. Conversely, Jericho Moving occupied 35,915 s.f. at 470 Valley Drive.

Despite lower leasing activity and negative absorption, pricing remains strong as overall supply conditions are tight. Since last quarter industrial inventory has been reduced by approximately 234,000 s.f. due to lab conversions. Average asking rents increased as higher quality space increased the overall asking rate to $2.09 per s.f., up from $1.66 per s.f. in Q4. While average asking direct rents rose by 25% quarter more than the previous quarter, rent growth was mostly realized in Redwood City.

There were over four sales transactions this quarter. The largest sale was 230 Adrian Road in Millbrae by Alexander Real Estate for $12 million or approximately $610 per s.f. This is likely another conversion to life science and reduction in total industrial inventory.

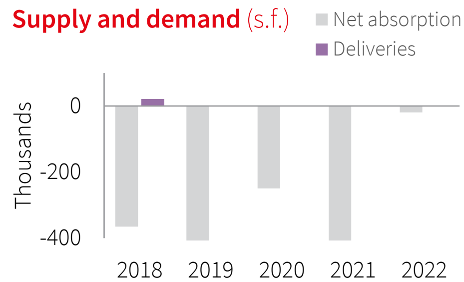
### Outlook

Despite a robust life science development pipeline in the Peninsula, there continues to be investor appetite to convert additional office and industrial space to lab. The result is continued pressures to convert industrial space and upward pricing pressures on the remaining industrial supply as tenants have fewer options.

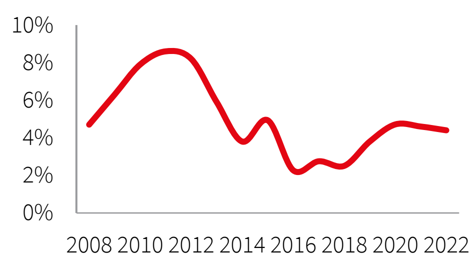
Despite the lack of new construction and ongoing conversions, industrial remains valuable for distribution and fleet operations. The proximity to a strong consumer based with significant disposable income combined with access San Francisco, Silicon Valley, international airports, and major ports makes the Mid-Peninsula an important hub for industrial product.

| Fundamentals | | Forecast |
|---|---|---|
| YTD net absorption | -19,238 s.f. | ▶ |
| Under construction | 0 s.f. | ▶ |
| Total vacancy | 4.4% | ▼ |
| Sublease vacancy | 113,980 s.f. | ▼ |
| Direct asking rent | $2.09 p.s.f. | ▶ |
| Sublease asking rent | $1.61 p.s.f. | ▶ |
| Concessions | Stable | ▶ |

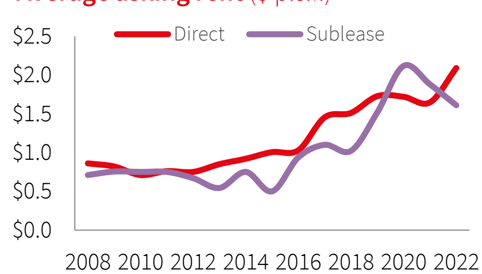
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)

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# Milwaukee

## Development continues at a strong pace with 2022 deliveries expected to top recent history.

- The high cost of construction has accelerated rent growth across new inventory relative to existing and increasingly less viable supply.
- Speculative projects account for 65% of the under construction pipeline and continue to move forward facing inflated build costs.
- Phoenix Investors acquire Briggs & Stratton's Wauwatosa manufacturing facility for $24M.

Total asking rates remained flat in Q1, but the gap in rates between new construction modern bulk supply and existing warehouse space continued to widen. Average asking rates of under construction space has reached $6.50 p.s.f or higher, carrying an elevated premium relative to the $4.46 p.s.f total market average. High construction costs have not yet seen relief, therefore continuing to put upward pressure on new construction asking rates.

Construction activity continues to commence despite increasing construction costs. Q1 had 212,000 s.f. break ground adding to a current total of 1.9 million s.f. of under construction supply with speculative construction making up 65% of the total under construction inventory. Yet to break ground but moving forward, ABB has closed on its land acquisition in New Berlin slated for its future manufacturing, distribution, and motion business headquarters campus. This site will bring 325,028 s.f. of combined manufacturing and office space as well as 308,528 s.f. of logistics space.

Briggs & Stratton and Phoenix Investors headlined Q1 investment sales activity as they came to terms on a long-term sale-lease back deal. Phoenix Investors acquired the 1.24 million s.f. Wauwatosa headquarters and manufacturing facility for $24M in February. Related to Briggs & Stratton, it is expected that they will cease all activity and soon fully vacate their 2019-built Germantown distribution center totaling 702,000 s.f.. The space has been listed in whole for sublease since Q1 2021, after the company emerged from bankruptcy. This quarter Kohler signed 225,000 s.f. of warehouse space and was the first sublessee.

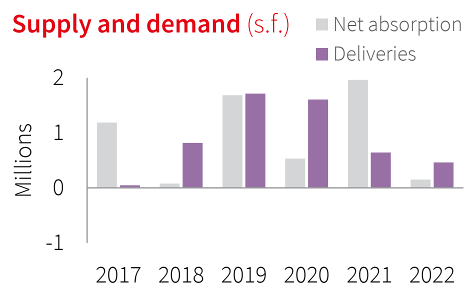
### Outlook

Total absorption in the Milwaukee metro was positive but not overwhelmingly strong in Q1. The tempered absorption is partially caused by diverging strength between warehousing and manufacturing inventories, where negative absorption experienced within the manufacturing inventory opposed the relatively strong warehousing absorption. This situation is likely to continue occurring, while potentially surfacing more redevelopment opportunities of aging manufacturing facilities.

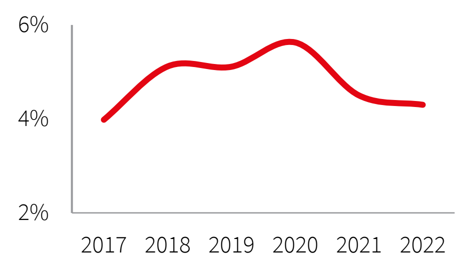
**For more information, contact: Tyler Hegwood** | Tyler.Hegwood@am.jll.com

| Fundamentals | | Forecast |
|---|---|---|
| YTD net absorption | 150,726 s.f. | ▲ |
| Under construction | 1,929,891 s.f. | ▶ |
| Total vacancy | 4.3% | ▼ |
| Sublease vacancy | 169,600 s.f. | ▲ |
| Direct asking rent | $4.46 p.s.f. | ▲ |
| Sublease asking rent | $4.78 p.s.f. | ▶ |
| Concessions | Steady | ▶ |

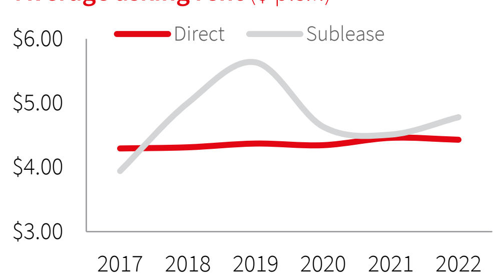
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)



# Minneapolis-St. Paul

## Absorption continues to drive demand for new industrial space

- Q1 2022 Industrial absorption was nearly 1.8 million s.f. and is on pace to exceed 2021 totals.
- Nearly 4.2 million s.f. is currently under construction and current tenants in the market total nearly 14.0 million s.f.
- New capital invested in the well-balanced Minneapolis-St. Paul market.
- Nearly 6.6 million s.f. of speculative development is either under construction or proposed that will likely complete in 2022 and 2023.

The Minneapolis-St. Paul industrial market remained on a tear in Q1 2022. Absorption was 1.8 million s.f. and leasing totaled more than 3.4 million s.f., easily exceeding the 2.8 million s.f. quarterly absorption average in 2021. Including owner-user sales, overall tenant activity was 4.3 million s.f. for the quarter. The Northeast and Northwest submarkets accounted for 75% of all Q1 leasing. Notable deals included an announcement by Blu Dot to build a new 400,000-s.f. facility in Otsego with an option to expand to 700,000 s.f., Owens & Minor expanded to more than 200,000 s.f. in Mounds View and Viking Engineering signed for 80,000 s.f. at the new Naples Street Business Center spec building in Blaine.

Nearly 4.2 million s.f. is currently under construction and at least 2.1 million s.f. of additional speculative development is expected to break ground in Q2 2022, possibly more. With nearly 1.2 million s.f., Scannell leads all developers with speculative projects under construction or planned to complete in 2022 and 2023, followed by Oppidan at nearly 1.0 million s.f.

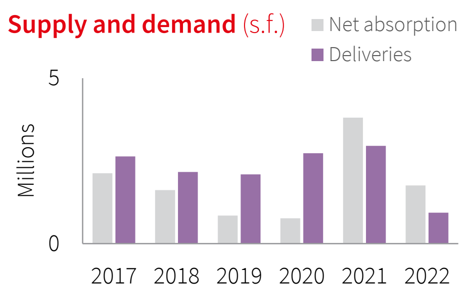
Investment sales remained near the pace of previous quarters, with nearly $292.0 million of transaction volume. The largest sale was a $137.4 million s.f., four-building, acquisition by Nuveen. The purchase includes NorthPark Business Center III and V and represents Nuveen's entry into the Minneapolis-St. Paul market. Lincoln Property Trust, Ryan Companies and Capital Partners all expanded their portfolios in the market in Q1.

### Outlook

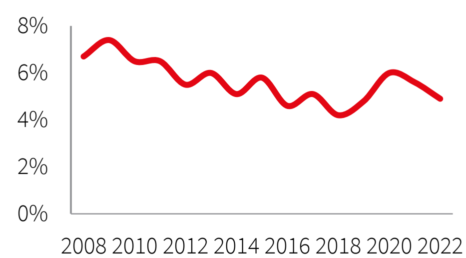
With well-rounded tenant demand from manufacturing, retail, life sciences, business services and logistics at nearly 14.0 million s.f., it is expected that leasing and owner-user sales activity will continue strong. Additional spec projects will be announced as the year progresses to complement the 6.6 million s.f. of development forecast to complete in 2022 and 2023.

| Fundamentals | | Forecast |
|---|---|---|
| YTD net absorption | 1,758,605 s.f. | ▲ |
| Under construction | 4,161,506 s.f. | ▲ |
| Total vacancy | 4.9 % | ▼ |
| Direct asking rent | $5.89 p.s.f. | ▲ |
| YTD completions | 935,500 s.f. | ▲ |
| Spec completions 2022 | 4,066,184 s.f. | ▲ |
| Concessions | Declining | ▶ |

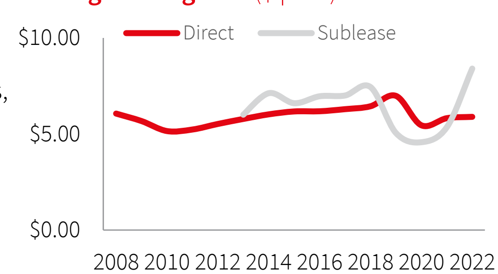
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)




**Minneapolis-St. Paul's industrial rental rate calculation changed in 2020*

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# Nashville

## Record volume of new warehouse construction suggests a peak in the market

- Construction pipeline tops 7 million s.f. despite shortages of available land, building materials, and labor
- The vacancy rate is below 4% primarily due to several lease commencements in recently delivered bulk product
- Average asking rent soars to $6.31 per s.f., marking 15% growth year-over-year
- Low availability of Class A space is impacting leasing activity, which totaled just 1.5 million s.f. in Q1

| Fundamentals | Forecast | |
|---|---|---|
| YTD net absorption | 2,378,098 s.f. | ▲ |
| Under construction | 7,028,498 s.f. | ▶ |
| Total vacancy | 3.9% | ▼ |
| Sublease vacancy | 385,163 s.f. | ▶ |
| Direct asking rent | $6.31 p.s.f. | ▲ |
| Sublease asking rent | $5.48 p.s.f. | ▶ |
| Concessions | Stable | ▶ |

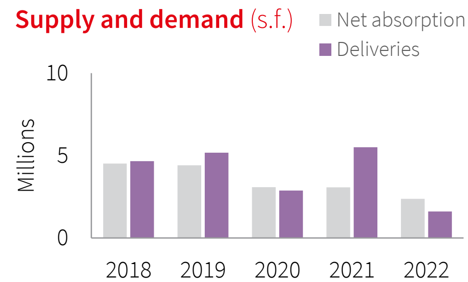
Companies searching the market for warehouse space in Nashville face fierce competition, especially for modern bulk product. While the vacancy rate hovers around 4%, the effective availability is even lower. The market experienced roughly 2.5 million s.f. of absorption in Q1, and 3 million s.f. of signed deals are scheduled to commence before the end of the year. Combined with deals yet to be closed, Nashville may see a staggering 6 to 7 million s.f. of net absorption in 2022. Wilson County continues to lead in new construction, leasing, and absorption. The submarket holds a 53% share of the total leasing volume in the market over the past 15 months.

Despite cold weather and supply chain difficulties, developers broke ground on over 3 million s.f. of warehouse space between January and March. Another 5 million s.f. of proposed projects are waiting to start, many of which face delays due to unavailable construction materials. Even with this historic amount of inventory in the construction pipeline, the market could support more development if investors could find more land zoned for industrial use. Buyers also find themselves competing with multifamily and retail projects for available land. These constraints to supply combined with record demand have driven the average asking rate up to $6.31 p.s.f.

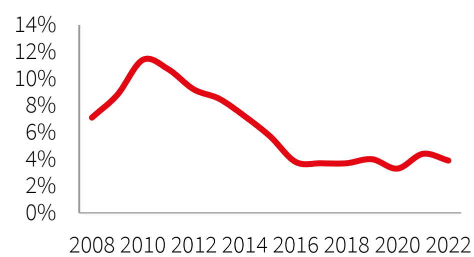
### Outlook

Leasing activity is often an early indicator of where the market will be in future quarters. In Q4 2021, 3.6 million s.f. of signed deals led to strong absorption numbers and a lowered vacancy rate for Q1 2022. This quarter's leasing activity, in contrast, is down to just 1.5 million s.f. Most of the absorption for 2022 will come from deals signed throughout 2021 while tenants eagerly wait for their buildings to deliver. Although demand is high, Q1 leasing activity suggests the Nashville industrial market may be approaching peak status. The current outlook depends on whether demand will continue to outstrip supply at the same levels seen throughout the past two years.

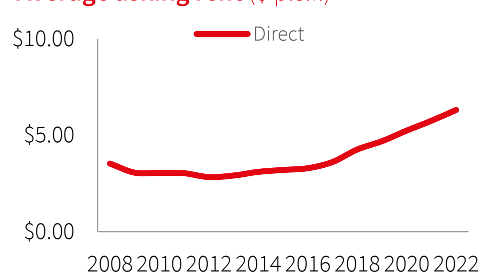
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)

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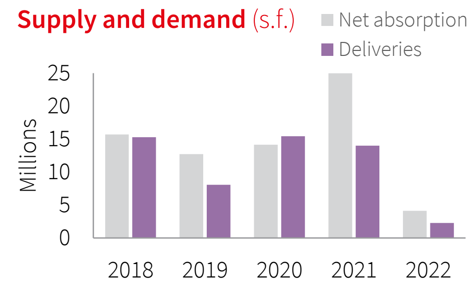
# New Jersey

## Development activity reaches record heights amidst a supply-stricken market

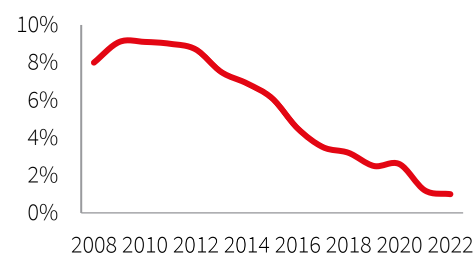
- 5.1 million s.f. of product broke ground in the first quarter, bringing total under construction activity to a market record 22.2 million s.f.
- Class-wide vacancy drops to 1.0%, the lowest level in the market's history, while greater annual escalations take hold.
- Landlords press Class A asking rents to 38.4% from their Q1 2021 levels.
- More sites have become economically feasible as rents accelerate, growing the planned pipeline to over 80.0 million s.f.

| Fundamentals | Forecast |
|---|---|
| YTD net absorption | 4,127,119 s.f. ▲ |
| Under construction | 22,167,966 s.f. ▲ |
| Total vacancy | 1.0% ▶ |
| Sublease vacancy | 581,368 s.f. ▶ |
| Direct asking rent | $13.59 p.s.f. ▲ |
| Sublease asking rent | $9.83 p.s.f. ▲ |
| Concessions | Falling ▼ |

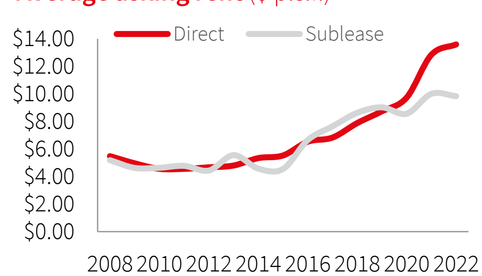
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)




Coming off a historic 2021, development activity across New Jersey has reached all-time highs as developers seek to satiate record demand. With Class A vacancy at record lows of 0.5%, developers broke ground on 5.1 million s.f. of new construction projects in the first quarter. As a result, 22.2 million s.f. is now actively under construction, over 90% of which is focused in Northern and Central New Jersey. As such, the current stock of under construction product is 64.8% higher than it was a year ago.

Despite record low vacancy, leasing volume reached 9.8 million s.f., which is in line with the trailing eight-quarter average. Given the lack of quality space in the market and the pick-up in construction activity, 25.0% of leasing activity was preleasing on speculative developments. Most notably, Noblehouse Furniture preleased Exeter's 705,000 s.f. development in Edgewater Park in Burlington County.

Hyper low vacancy, rising construction costs and rising logistics costs have given developers and landlords the upper-hand in negotiating rents, driving Class A rents 38.4% higher year-over-year. Such ferocious rent growth combined with inflationary pressures has resulted in landlords pushing for higher annual escalations in their leases. As a result, over 55% of leases signed over the last six months have been negotiated with annual escalations at or above 3.5%.

### Outlook

Despite record construction activity, demand still significantly outpaces supply. JLL is currently tracking 25.8 million s.f. of requirements across the state, whereas just 16.3 million s.f. of what is under construction is still available. This shortfall in available space is expected to cause continued rent growth for the remainder of the year. As a result, tenants looking to occupy space over the next twelve months should expect competition and record high lease rates. With that said, the acceleration in rents has made more sites economically feasible, which has grown the planned pipeline to over 80 million s.f. While these sites will deliver over the next three to five years, tenants that are willing to negotiate leases earlier could stand to benefit from the options coming down the pike.

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# North Bay

## Low availability is dampening leasing activity, driving rents

- Overall vacancy ticked up slightly this quarter, by 50 basis points, but is still limiting movement within the market.
- Three projects delivered this quarter, but due to preleasing and owner-user-use, only 400,000 s.f. remains available.
- Of the 1.15 million s.f. under construction, more than half is already preleased, and the remaining is seeing a lot of activity.
- The limited available space will keep driving asking rents, which increased 12% year-over-year.

The first quarter following a record-breaking year in absorption started strong, realizing more than 200,000 s.f. of net absorption. A stark contrast to the first quarter of last year, which, albeit slight, reported negative absorption. Owen's Corning leased and occupied 252,000 s.f. on Icon Way in Vacaville, and Acorn Paper moved into 95,000 s.f. in the newly delivered Buzz Oates project on E Monte Vista in Vacaville, they also have 46,000 s.f. available for sublease. California Gateway Partners' 83,000-s.f. project at 144 Gateway E in Napa delivered and will be used for wine production and storage.

Three projects delivered this quarter, but some of it was already spoken-for. Buzz Oates' two projects in Vacaville were completed; 2401 E Monte Vista Ave, which Acorn Paper leased about half of the space prior to delivery, and 304,000 s.f. at 1051 Aviator Dr, which delivered vacant but is seeing a lot of activity. The third project at 144 Gateway E in Napa was built and occupied by California Gateway Partners.

Leasing activity this quarter was muted compared to previous quarters, still, many larger deals were inked. Southern Glazer's Wine & Spirits preleased Panattoni's 113,670-s.f. project at 4750 Business Center Drive in Fairfield, which is still under construction and scheduled to deliver this summer. Crystal Geyser renewed at 5001 Fermi Drive, ProForm Manufacturing took 49,000 s.f. on Stone Road in Benicia, and We Ship Express leased 45,000 s.f. on E 2nd Street, also in Benicia.

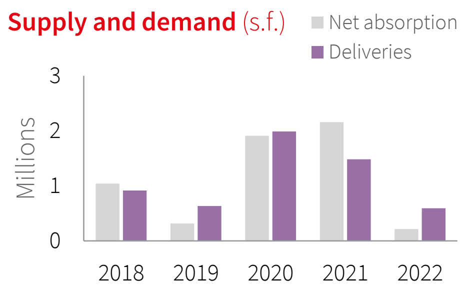
### Outlook

Leasing activity has been hindered by the consistently low vacancy, and most of the availability in the market is in planned projects. More than half of all industrial product currently under construction is already preleased, and what's available is seeing activity. Until more space is delivered, movement within the market will be limited. But the demand is only going to increase from their strong tenant base supporting the wine industry, other food and beverage companies, and more recently, spill-over from labor-constrained markets like the Central Valley and East Bay.

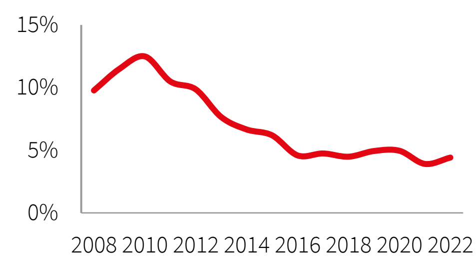
**For more information, contact: Kristin Hagedorn** | kristin.hagedorn@am.jll.com

| Fundamentals | Forecast |
|---|---|
| YTD net absorption | 216,594 s.f. ▲ |
| Under construction | 1,150,730 s.f. ▲ |
| Total vacancy | 4.4% ▼ |
| Sublease vacancy | 143,845 s.f. ▶ |
| Direct asking rent | $0.90 p.s.f. ▲ |
| Concessions | Stable ▼ |

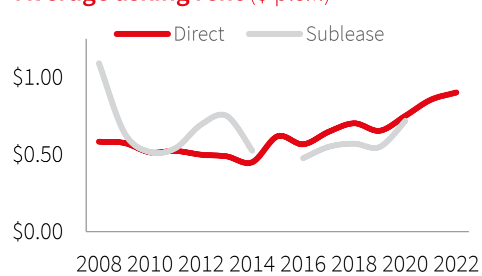
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)



# Orange County

## Rent growth accelerates as county-wide availability dwindles

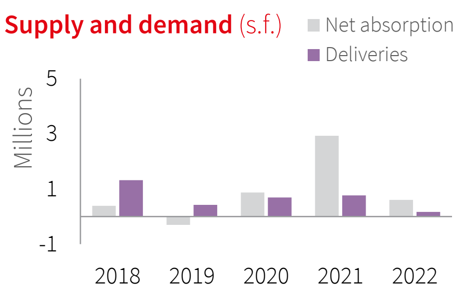
- Renewals accounted for more than half of leases signed in Q1'22, as tenants grappled with limited options
- Automotive and advanced manufacturing industries were the largest drivers of Orange County's absorption
- Limited availability and overwhelming demand continued to fuel rent growth, with rates rising 19% quarter-over-quarter
- 3.1 million s.f. of new industrial product is scheduled to deliver this year, bringing much needed space to a constrained market

| Fundamentals | Forecast | |
|---|---|---|
| YTD net absorption | 605,141 s.f. | ▲ |
| Under construction | 4,170,797 s.f. | ▲ |
| Total vacancy | 1.3% | ▼ |
| Sublease vacancy | 359,771 s.f. | ▼ |
| Direct asking rent | $1.31 p.s.f. | ▲ |
| Sublease asking rent | $1.26 p.s.f. | ▲ |
| Concessions | Falling | ▼ |

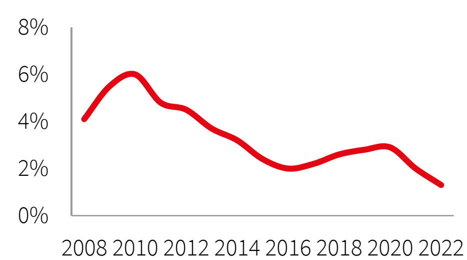
The Orange County industrial market continued to see demand outpace supply to start the year. Vacancy decreased 70 basis points quarter-over-quarter, bringing county-wide vacancy to a remarkably low 1.3%. Renewal transactions accounted for 1.2 million s.f., or roughly half of the total leasing volume this quarter. Tenants are finding fewer options when looking for space and are often left with having to renew in place. Net new leasing in Q1 was largely driven by automotive and advanced manufacturing companies. Three of these firms accounted for 80% of the net positive absorption witnessed in Q1'22.

With limited availability in Orange County and across the Greater Los Angeles Basin, asking rents increased a substantial 19% quarter-over-quarter, and are now up 27% year-over-year. As rental increases continue, developers remain active in trying to meet overwhelming demand. At current, 3.1 million s.f. of new product is scheduled to deliver this year, brining much needed new space to the market. Demand for this new product has been strong, with 45% of the pipeline already preleased. Projects like The Goodman Logistics Center in Fullerton will introduce 1.5 million s.f. of new Class A product next quarter.

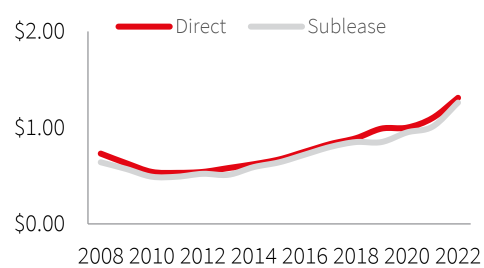
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)




### Outlook

Looking forward, we can anticipate renewal activity to carry throughout the year as limited availability persists across the Greater Los Angeles Basin. Competition for industrial space and limited availability will continue to support strong rent growth over the short to mid-term. As mentioned in previous quarters, conversion of legacy office product to logistics facilities remains a trend county-wide. At current, there are 13 of these conversions accounting for 4.8 million s.f. We expect developers to remain very active in looking for any opportunity to build.

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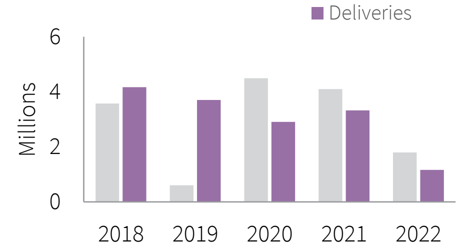
# Orlando

## 2022 off to a strong start with positive absorption, new construction, and historic asking rents

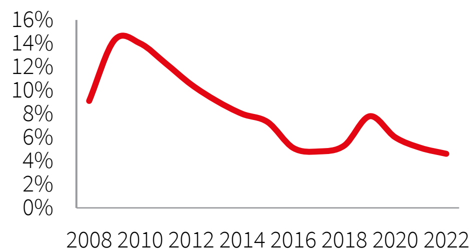
- Over 2.5 million s.f. across 20 buildings is under construction, with a majority located outside of the industrial core.
- Approximately 1.2 million s.f. of new product delivered this quarter, with asking rents for new construction ranging up to $9.95 NNN.
- Following a slight increase last quarter, both total vacancy and total availability dropped as demand continues to out pace supply.
- Approximately 1.8 million s.f. of positive absorption highlights sustained demand.

| Fundamentals | Forecast |
|---|---|
| YTD net absorption | 1,797,376 s.f. ▲ |
| Under construction | 2,528,309 s.f. ▲ |
| Total vacancy | 4.6 % ▶ |
| Sublease vacancy | 221,792 s.f. ▶ |
| Direct asking rent | $7.59 p.s.f. ▲ |
| Sublease asking rent | $7.32 p.s.f. ▲ |
| Concessions | Stable ▶ |

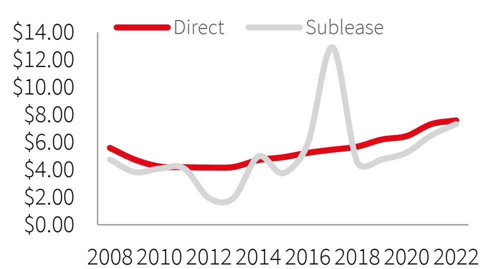
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)




2022 started the year strong , building off the momentum generated in 2021. Approximately 1.2 million s.f. of new product across eight buildings delivered this quarter, yet total vacancy and availability decreased 30bp and 60bp quarter-over-quarter, respectively. Further, at the close of the quarter, over 2.5 million s.f. remains under construction. As available land in Orlando's core industrial submarkets becomes increasingly scarce, most of the projects under development are in Osceola, Lake, and Seminole Counties. That said however, roughly 650,000 s.f. remains under construction in Orange County, pointing to the sustained demand in these submarkets, despite the rising costs.

Over the past 3 years, over 11 million s.f. has been delivered across Orlando, yet demand continues outpacing supply. Q1 2022 started out with numerous large move-ins, the largest of which was Imperial Dade taking down all of building 200 at Prologis Airport Park. FedEx moved into over 200,000 s.f. in building 300 at Distribution 429, marking it completely occupied as well. 650 Hermit Smith, which delivered this quarter, is already fully leased. Kitchen Cabinet Designers moved into about 172,000 s.f. this quarter, and the remaining 118,000 s.f. will be occupied Q2 2022. A vast majority of the large move-ins took place in the Orange County submarkets, again, highlighting their continued prominence as Orlando's industrial core.

Unprecedented demand and new construction have driven another increase in rents. New construction projects are asking up to $9.95 NNN, and overall, average asking rents have reached at a new high of $7.59 p.s.f. NNN, a staggering 15.5% increase year-over-year.

### Outlook

Migration to Florida post-COVID has continued into 2022, making Florida one of the fastest growing states in the nation. Orlando's growth outpaces that of the state, and most other major Florida metros. Historic population growth, paired with Orlando's central location and relative affordability should continue attracting industrial tenants for many quarters to come.

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# Palm Beach

## Rents continue to rise as vacancy tightens despite delivery of new construction.

- Rent growth continues to trend upward in Q1, pushing asking rates up over $0.50  from the previous quarter.
- Demand for space throughout Palm Beach continues, signaled by falling vacancy - despite over 200,000 s.f.  of new space delivered.
- Warehouse & distribution space remains the most desired use case for industrial space, fueled by e-commerce giants.

| Fundamentals | | Forecast |
|---|---|---|
| YTD net absorption | 135,862 s.f. | ▶ |
| Under construction | 321,872 s.f. | ▼ |
| Total vacancy | 3.5% | ▶ |
| Sublease vacancy | 0.2% | ▶ |
| Direct asking rent | $10.63 p.s.f. | ▶ |
| Sublease asking rent | $11.77 p.s.f. | ▶ |
| Concessions | Stable | ▶ |

Palm Beach's industrial market continues to remain strong amidst a tightening supply. Quarterly net absorption continues to accelerate, signaling continued strength in demand for industrial space as it becomes scarcer in neighboring counties throughout South Florida. Of note is demand for space along I-95 and key highways, adding confluence to a desire for space suited for warehouse & distribution purposes.

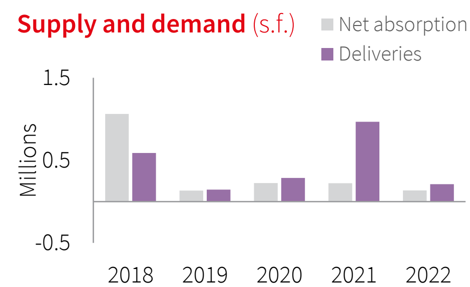
Although demand is strong and rental rates have increased, leasing volume has slowed substantially this quarter. Lack of available supply and/or new product is likely a factor in lower leasing volume.

General Technology was Palm Beach's largest signed lease for the quarter, signing for approximately 165,000 s.f. A close second goes to Eastern Metal Supply taking down 125,000 s.f. Both of these leases are scheduled to commence next quarter, highlighting a continued demand for larger space. There were no major move outs this quarter – hinting at renewals, indicating businesses are less likely to leave spaces as rents continue to rise and availability shrinks.

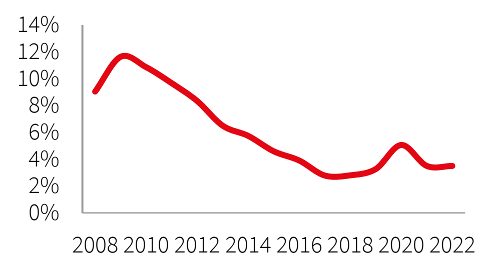
### Outlook

The market outlook for Palm Beach County remains strong as the region continues to experience a robust increase in population and business growth. Delivery of new space is quickly absorbed as the markets demand continues to outpace available supply. The region's need for warehouse space and last-mile facilities continues to increase. Proposed developments are highly sought after as available space decreases and pricing increases. Developers see an opportunity to ask for higher rates and are holding out on preleasing space, as investors and landlords alike question how much further rents will continue to rise.

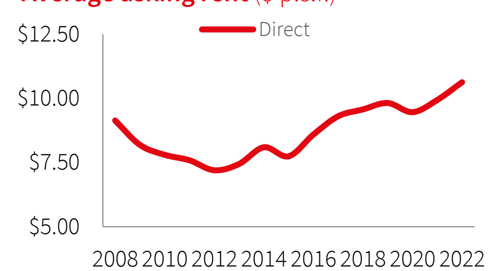
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)

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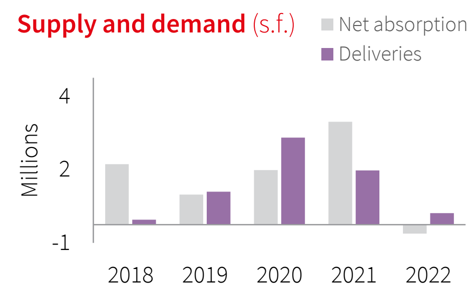
# Pittsburgh

## Developers evaluate and position for future growth after a very active 2021

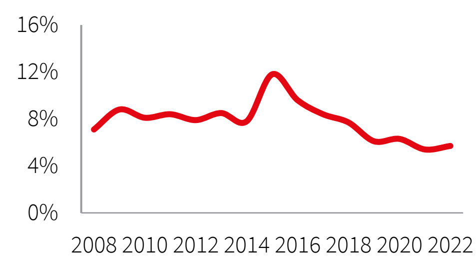
- Vacancy experiences an uptick to 5.6% in Q1 2022 as several older owner-occupied properties are added to the for-sale market.
- Absorption turns negative for the start of the year as new construction deliveries slow, indicating a cool-off after a hot 2021.
- An e-commerce company abandoned plans for a large distribution site in Churchill, but they may continue expanding in the region.
- Modern bulk total vacancy has increased slightly over the past 2 years totaling 7.9% as more speculative construction has delivered.

| Fundamentals | Forecast | |
|---|---|---|
| YTD net absorption | -247,897 s.f. | ▲ |
| Under construction | 1,334,424 s.f. | ▲ |
| Total vacancy | 5.6% | ▼ |
| Sublease vacancy | 56,977 s.f. | ▶ |
| Direct asking rent | $6.11 p.s.f. | ▲ |
| Sublease asking rent | $5.60 p.s.f. | ▶ |
| Concessions | Stable | ▶ |

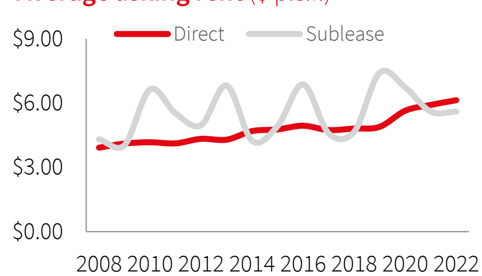
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)




The Logistics Manager's Index reached all-time-highs in March at 76.1, with the continued congestion noted as a driving factor of inventory costs, warehousing prices and logistics fees. The continued challenges are also impacting the cost of construction. New construction levels have already begun to subside to start the new year, however Al Neyer has planned developments in Westmoreland County and West submarkets to backfill the pipeline in the near term after nominal deliveries in the first quarter. Due to the lagging delivery numbers and a cool-off from last year's leasing activity, total net absorption for Q1 2022 was lack-luster at -247,897 s.f., pushing vacancy slightly higher to 5.6%. While a market correction was anticipated, vacancy remains below 6.0% and sustained rent growth of 10.9% year-over-year was the result as average direct asking rents equaled $6.11 p.s.f..

### Outlook

The enduring demand for industrial space across the country will also likely continue to impact the Pittsburgh region. The challenges are still present across the supply chain and will create delays and price increases in building materials unless pending interest rate hikes can slow the construction boom. Local leasing demand is anticipated to remain strong as there is a robust amount of current tenant space needs. However, there may be a decline in total new construction in the near term as the modern bulk inventory totaling approximately 8.9 million s.f. has begun to catch up slightly to demand with a direct vacancy rate of 7.9%.

Westmoreland County recorded the highest net domestic population growth year-over-year in the region. The population growth is a welcomed data point for an aging workforce. The 400,232 s.f. of new construction and Al Neyer's development at Commerce Crossings will provide additional jobs to support the county. As mentioned in previous quarters, demand from ecommerce, logistics, life science and advanced manufacturing will be the driving forces for the region. While a noteworthy e-commerce company will not be moving forward with their Churchill distribution, they will continue to expand their footprint in the region.

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# Polk County (FL)

## 1.2 million s.f. build-to-suit distribution hub broke ground this quarter

- Lowes' 1.2 million s.f. build-to-suit broke ground this quarter.
- Asking rents continue to hit historic highs but are still more cost effective than neighboring Tampa Bay and Orlando markets.
- Since 2014, over 21.9 million s.f. was added to the market. Of the newly constructed product, only 3.5 million s.f. remains available for lease with interest on much of that space.

| Fundamentals | | Forecast |
|---|---|---|
| YTD net absorption | 304,899 s.f. | ▲ |
| Under construction | 3,019,308 s.f. | ▶ |
| Total vacancy | 7.2 % | ▶ |
| Sublease vacancy | 69,000 s.f. | ▶ |
| Direct asking rent | $5.74 p.s.f. | ▲ |
| Sublease asking rent | N/A | ▲ |
| Concessions | Stable | ▶ |

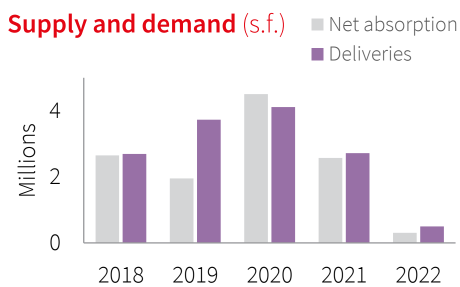
Polk County sits on an 18-month active construction high with 3 million s.f under construction. Of that, Lowes' new built-to-suit, which broke ground this quarter, accounts for 1.2 million s.f.. Lowes will be joining Ace Hardware and Home Depot along County Line Rd in their 780,000 s.f. and 710,000 s.f. facilities, respectively. Between these three buildings there have been 2.7 million s.f of build-to-suit product delivered in the last 3 years.

Absorption was driven in the market by a variety of tenants including retail, distribution, and food and beverage. Notably, Premier Transportation vacated 115,000 s.f. for a brand new 200,000 s.f. build-to-suit in West Polk this quarter.  Ross Stores and Premier Packaging each moved into 100,000 s.f. in the Coca-Cola building and Peak Logistics Center, respectively.

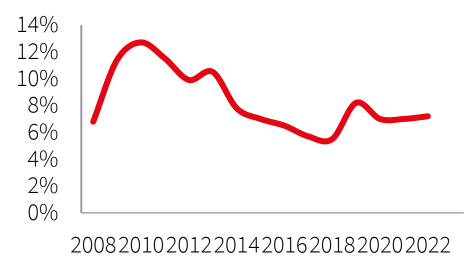
Vacancy rates increased 70 bps year-over-year in the Polk County industrial market,  however this increase is directly attributed to Brennan Investment Group's 1 million-s.f. warehouse at CenterState Logistics Park East. This project represents the largest speculative development in Polk County history and is also the largest existing availability in the entire State of Florida. While leasing activity in Polk County has been robust, total vacancy has yet to fall because of this record-breaking availability..

New construction deliveries and significant tenant demand drove rental rates up 10% year-over-year to a record high of $5.74. New construction asking rents averaged $6.37 p.s.f. NNN this quarter, 11% above the overall market. Despite the asking rate increases the Polk County market still provides a 25% and 32% rent discount when compared to Tampa Bay and Orlando.

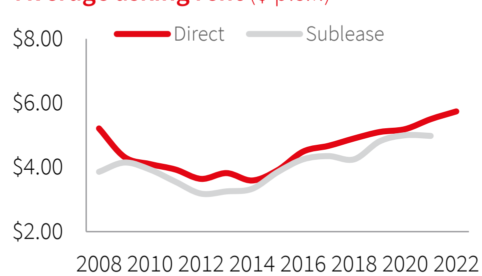
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)




### Outlook

Tenant demand is expected to continue to outpace supply in the near term. Polk County's cost effective asking rates and plethora of space options will continue to attract tenants. Vacancy rates will likely decrease as limited deliveries over the next months should facilitate additional occupancy improvements in existing product.

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# Portland

## Lull first quarter does not set tone for Portland's booming industrial market

- Direct asking rents are seeing historical levels of growth as they increased 11.6% year-over-year
- 56% of all non-owner-occupied space under development is pre-leased
- Supply under development returns to levels witnessed pre-pandemic as supply totals nearly 4 million s.f.

The Portland Industrial Market saw a muted start to the year with 95,000 s.f. of negative absorption. 87% of the negative absorption can be attributed to the 10 subleases that hit the market this quarter. The NE Columbia Corridor was home to the two largest subleases as P.K. Kinder Co 130,589 s.f. and Pomegranate Communications 84,192 s.f. both gave back space. While the move-outs dampened quarterly absorption, these availabilities add much needed large blocks of affordable space in Portland's most desirable submarket. Demand remains high and if all the available space was leased, there would still be an additional 650,000 s.f. in excess tenant demand.

As available space decreases, rents are feeling the effects of the low supply. Currently, the market has seen a 11.6% increase in average direct asking rents year-over-year, largely due to the supply-demand imbalance. Most notably, Clark County has seen a 32% increase year-over-year in asking rents as it has quickly become very attractive to tenants. Growth in this submarket can be attributed to several factors, with one being Washington's lack of state income tax. At this time, we are also witnessing elevated deal terms as more deals are completed with 3.5%-4% annual increases.

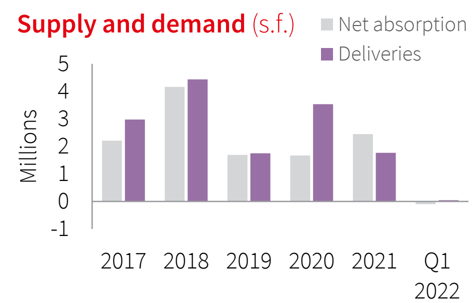
This quarter the market saw a small influx of new development as the 4th and 30th lot of the Ridgefield Industrial Center began construction in Clark County. These two lots will add an additional 470,000 s.f. of non-owner-occupied space, and possibly alleviate the squeeze on rents within the submarket. With the addition of the Ridgefield Industrial Center, the current supply under development totals almost 4 million s.f., which is comparable to pre-pandemic levels.

### Outlook

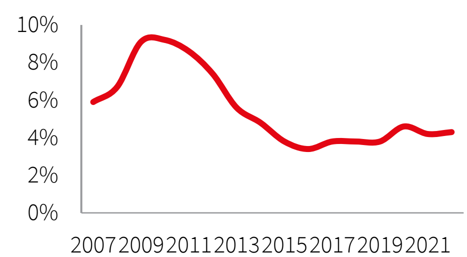
Over the next 6 months expect to see a significant departure from past deal terms. The economics on recently signed deals are already stale and not indicative of where the market is currently trading paper. New construction is driving this surge with pending deals well above $0.70 on the shell, with the Airport Way and Tualatin-Sherwood submarkets seeing the greatest activity. This activity will add a healthy amount of positive absorption to the market with half of the current development pipeline now pre-leased.

| Fundamentals | Forecast | |
|---|---|---|
| YTD net absorption | -95,673 s.f. | ▲ |
| Under construction | 3,920,168 s.f. | ▲ |
| Total vacancy | 4.3% | ▶ |
| Sublease vacancy | 733,152 s.f. | ▶ |
| Direct asking rent | $0.77 p.s.f. | ▲ |
| Sublease asking rent | $0.64 p.s.f. | ▲ |
| Concessions | Stable | ▶ |

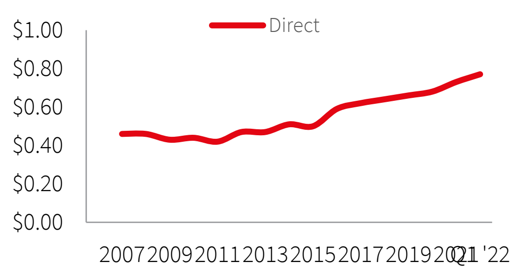
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)

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# Richmond

## Record high supply pipeline matched with growing number of bulk requirements in market

- Supply-demand dynamics maintained substantial rent growth with overall direct rents climbing 11% annually.
- 1st generation rents for non-bulk users ranged from $6.00 p.s.f. to $7.25 p.s.f., NNN. Bulk rents now start at $5.50 p.s.f., NNN.
- The largest takedown in the quarter was attributed to Advance Auto Parts 828,000-s.f. lease at Forge Logistics Center in New Kent County.
- 47.6% of the inventory under construction was speculative and 3 million s.f. is expected to deliver over the next three quarters.

| Fundamentals | Forecast | |
|---|---|---|
| YTD net absorption | -166,996 s.f. | ▲ |
| Under construction | 8,691,901 s.f. | ▲ |
| Total vacancy | 3.7% | ▲ |
| Sublease vacancy | 266,102 s.f. | ▶ |
| Direct asking rent | $5.43 p.s.f. | ▲ |
| Sublease asking rent | $5.76 p.s.f. | ▶ |
| Concessions | Stable | ▶ |

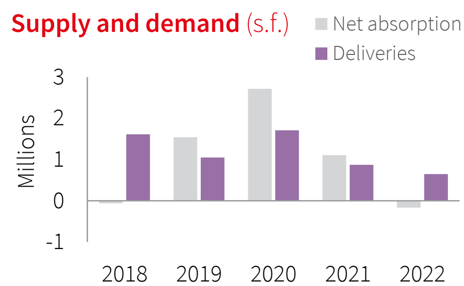
Richmond's near-term supply pipeline reached record levels at the start of 2022 due to a culmination of several bulk ground breakings over the past three quarters. Site work for Flint Development's 1.1-million-s.f. speculative development commenced in the quarter with an expected completion early 2023. This is the third speculative bulk development to break ground since 2021 with Becknell Industrial and Hollingsworth Co. wrapping up similar projects in the metro this year. Hollingsworth recently completed the shell building for a 650,000-s.f. speculative development at Southpoint Business Park and its delivery (0% preleased) contributed to the metro's overall vacancy increase in tandem with GSK's consolidation to the Central PA region this quarter.

With 76.7% of the Richmond market's total availability tied to product under construction or delivered YTD, space constraints remained within the existing, 2nd-generation inventory. Consequently, 51.7% of leases signed in the first quarter were commitments to 1st-generation space, more than doubling the totaling leasing volume recorded in Q1 2021. While a substantial portion was allocated towards build-to-suits, these takedowns also leased 100% of the speculative product delivered in 2021.

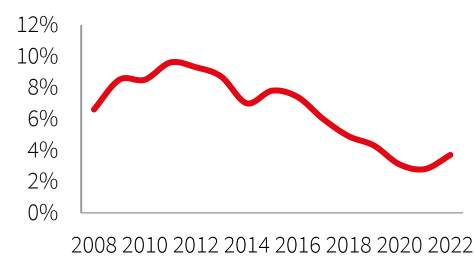
### Outlook

Despite a record level of development warranting near-term oversupply risk, the Richmond market saw a dramatic uptick in regional tenant requirements as well, from 8.5 million s.f. at the end of 2021 to over 16.9 million s.f. by the end of Q1 2022. Interestingly, the number of bulk users (>450,000 s.f.) rose as well – most likely a product of rising imports from the Port of Virginia – and accounts for 50% of the total number requirements in market. Due to the lack of land availability within the Richmond metro, developers have doubled down on land acquisitions along the northern I-95 corridor, with several trades anticipated to close by year's end, most of which cater to users in excess of 500,000 s.f. This momentum is expected to maintain a robust supply pipeline to meet tenant demand over the next 12 to 18 months.

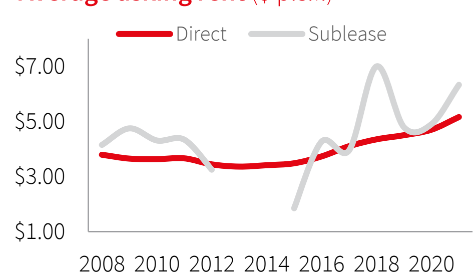
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)

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# Sacramento

## Developers acquire more than 1,300 acres as the race for space continues

- Metro Air Park remains the center of gravity with another 630,000 s.f. absorbed this quarter.
- Over 1.3 million s.f. of pre-leased and owner occupied space was absorbed this quarter,
- Investors race to acquire land across the market to grow in lock-step with the fastest growing cities.

With seven projects at varying stages of construction at Metro Air Park, the emerging micromarket is continuing to drive activity within Sacramento. In the first quarter alone, three more tenants occupied over 630,000 s.f. in the industrial park, including General Produce Company who moved into their built-to-space. There is an additional 700,000 s.f. of pending absorption on projects expected to delivery over the coming quarters. Given its premier location, Metro Air Park is attracting occupiers across all industries, with General Produce Company being the first fresh food distributor at the park. Additionally, Metro is expected to have its first advanced manufacturer move in later this year as life science company Orca Bioscience occupies their space.

A total of four buildings broke ground this quarter, adding an addition 495,000 s.f. to the development pipeline. With a handful of pre-leased buildings delivering this quarter, including 6101 Midway St in Power Inn that was pre-leased to Siemens and Ross, there are only two remaining pre-leased buildings in the pipeline. However, with robust tenant demand, the pre-leasing trend is expected to continue and these buildings will unlikely deliver vacant.

Over the past 6 months, institutional investors have been active with large land acquisitions across the Sacramento Area. Over 1,300 acres of land has been acquired for industrial use, with most of the land being acquired by NorthPoint Development in agricultural areas adjacent to Metro Air Park. Notably, Buzz Oates acquired 403 acres in Placer County with plans to develop 4 to 5 million s.f. of space over the next 10-20 years. In addition to NorthPoint's acquisition of Aerojet's land in Rancho Cordova, developers are positioning themselves early to align with the inbound migration and growth to top destinations like Roseville and Folsom

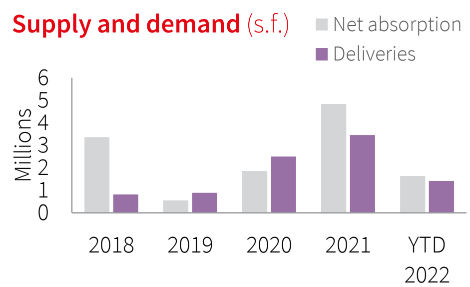
### Outlook

With the vacancy rate at 3.1%, Sacramento remains tight despite a pipeline of 3.2 million s.f. As persistent labor shortages become a bigger challenge for occupiers in the Central Valley, Sacramento is the viable option for large-block tenants, especially in the 500,000 s.f. and greater space. Expect demand for large-blocks from corporate occupiers to continue, despite Sacramento historically being occupied by small-bay tenants.

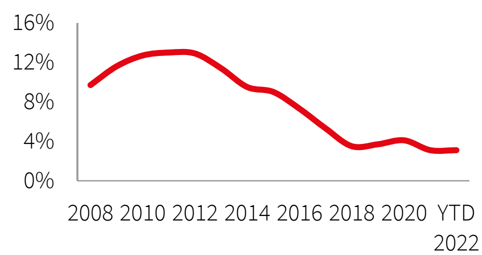
**For more information, contact: Joel Woodmass** | Joel.Woodmass@am.jll.com

| Fundamentals | | Forecast |
|---|---|---|
| YTD net absorption | 1,632,810 s.f. | ▶ |
| Under construction | 3,216,066 s.f. | ▲ |
| Total vacancy | 3.1% | ▼ |
| Sublease vacancy | 445,317 s.f. | ▶ |
| Direct asking rent | $0.70 p.s.f. | ▲ |
| Sublease asking rent | $0.57 p.s.f. | ▶ |
| Concessions | Falling | ▶ |

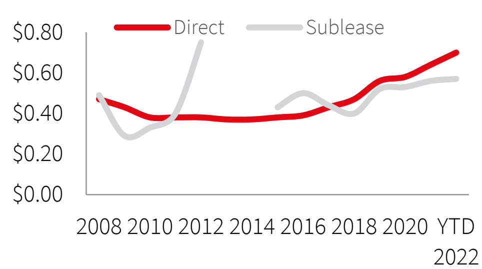
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)



# Salt Lake City

## Rents climb further as availability drops amid lagging development pipeline

- Average asking rent is up 17.5% year-over-year and 28.8% since the start of pandemic.
- Tenant demand remains strong market wide as occupants seek inland distribution to avoid coastal port congestion.
- Availability dropped from 13.8 million s.f. to 10.2 million s.f. between Q1 2021 and Q1 2022.
- Concessions are in decline as the market remains landlord-favored due to limited available space.

| Fundamentals | | Forecast |
|---|---|---|
| YTD net absorption | 2,042,124 s.f. | ▲ |
| Under construction | 10,336,059 s.f. | ▲ |
| Total vacancy | 2.5% | ▶ |
| Sublease vacancy | 106,875 s.f. | ▶ |
| Direct asking rent | $0.67 p.s.f. | ▲ |
| Sublease asking rent | $0.71 p.s.f. | ▲ |
| Concessions | Declining | ▼ |

A diverse array of industries is helping maintain strong leasing throughout the market. This quarter biotech and life sciences, food and beverage and construction materials companies dominated new leases. Most noteworthy is Myriad Genetics who vacated a large block of office space in the University of Utah Research Park in favor of 231,218 s.f. at 322-370 N 2200 W, an industrial facility in the Airport submarket.

The north-to-south road of 2200 W (West) on the eastern edge of the Airport submarket, bordering the I-215 belt route, has seen a flurry of activity in recent quarters. Even more is on the horizon. Scannell Logistics Center is expected to break ground mid-year on what will be a 6.1-million-s.f. industrial park. The activity helps to further solidify the Northwest Quadrant, which is comprised of the Airport, California Avenue and West Valley Industrial submarkets, as the dominant part of the market.

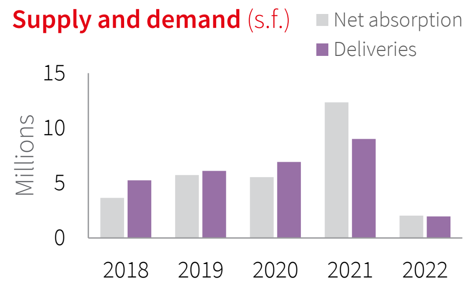
In addition to robust leasing activity, industrial sales abound with a mix of owner-occupier, local capital and institutional investors hotly pursuing opportunities. The rising demand for acquisitions and limited inventory are not only driving up land and building costs, but also contributing to rising rental rates in all submarkets.

### Outlook

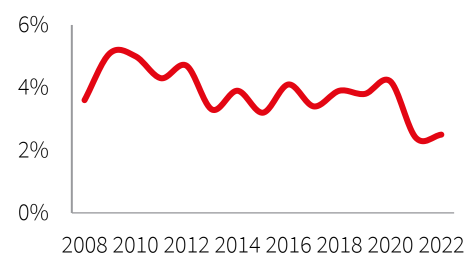
The south end of Utah County continues to evolve as an industrial hub with several parks under construction in and around Spanish Fork, growing lease sizes and large tenants.

A new industrial park is being developed in the West Jordan, one of the last remaining submarkets in Salt Lake County with large tracts of land. The Boyer Company has plans for 2.3 million s.f. of new industrial product across five buildings ranging from 145,600 s.f. to 1.0 million s.f.

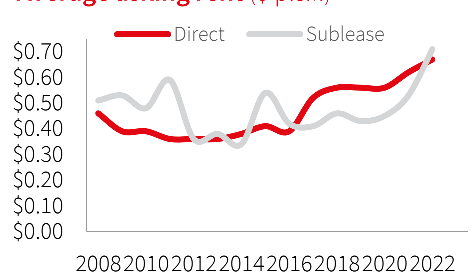
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)

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# San Antonio

## Industrial continues hot streak of positive absorption as new product delivers

- Q1 net absorption increased 72.95% quarter-over-quarter
- Significant increase in direct asking rents of 5.71% since last quarter
- Construction pipeline remains robust despite the delivery of over 2 million s.f. in Q1

| **Fundamentals** | Forecast |
|---|---|
| YTD net absorption | 1,701,689 s.f. ▲ |
| Under construction | 6,224,761 s.f. ▲ |
| Total vacancy | 6.2% ▲ |
| Sublease vacancy | 347,037 s.f. ▲ |
| Direct asking rent | $5.92 p.s.f. ▲ |
| Sublease asking rent | $4.45 p.s.f. ▲ |
| Concessions | Stable ▶ |

On the heels of an exceptionally strong year, the San Antonio industrial market maintained its hot streak of positive absorption into Q1. Over 1.7 million s.f. was absorbed in Q1, a significant quarter-over-quarter increase of 73%. Direct asking rents increased by 5.71% since Q4, from $5.60 p.s.f. to $5.92 p.s.f.  Some major moves in the market include Amazon occupying space on Cal Turner Drive, the State of Texas occupying 258,715 s.f. at Foster Ridge 1, and Daryl Flood taking 112,195 s.f. at Cornerstone Logistics Crossing 1.

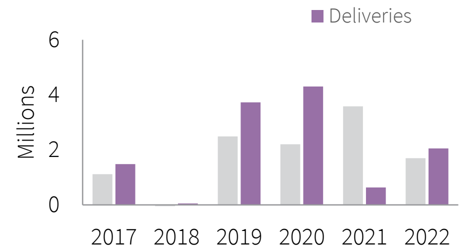
Despite absorbing over 1.7 million s.f., we observed a slight increase in total vacancy since last quarter. Over 2 million s.f. of new product was delivered in Q1, of which 39.4% was vacant, adding substantial vacancy to the inventory. Some major projects that delivered include the 440,000 s.f. building at Foster Ridge 2, as well as Cornerstone Logistics Crossing 1 and 2, which combined for 423,260 SF.

Even as we saw sizable deliveries this quarter, we still have over 6.2 million s.f. in the pipeline. Major projects include a 560,000-s.f. facility at Rosillo Creek Industrial Park, and a 305,000-s.f. warehouse at Selma Industrial Park, with more likely to be announced in the near future.

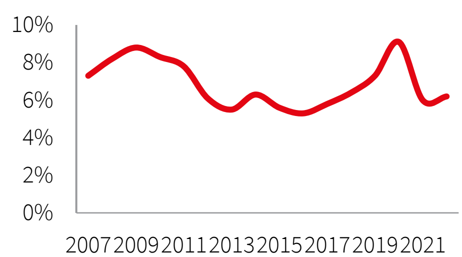
### Outlook

Industrial real estate in San Antonio has been red-hot for over a year now. With absorption continuing to rise, new product in the pipeline, and new tenants entering the market, we anticipate this trend to continue. After four consecutive quarters of vacancy decreases, landlords are taking every opportunity to increase rates. These strong market fundamentals paint a picture of a thriving industrial market that will likely continue to boom throughout 2022.

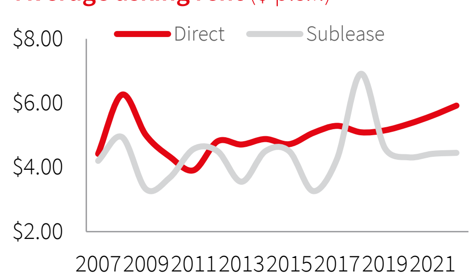
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)

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# San Diego

## Robust demand fuels record rent growth and strong pre-leasing

- Significant demand for low finish industrial space highlights scarcity and prompts spec development to alleviate pressure
- Nearly half of the product currently under construction is pre-leased
- County-wide vacancy remained at a historic low of 1.8%, driven by strong absorption in Otay Mesa
- Rents grew a rapid 13.3% quarter-over-quarter and now sit 20.2% higher than a year ago

Industrial market conditions across San Diego remained largely unchanged in Q1, as overwhelming tenant demand continued to outpace existing and new supply. Currently, the only remaining spaces larger than 50,000 s.f. are in the North and South County clusters. Competition for large blocks has prompted developers to increase the number of speculative projects in the market. Some notable new projects include phase one of Majestic Realty's Sunroad Logistics Center, Cabot Properties' Otay II Commerce Center and Hamann's Saint Andrews Otay Mesa Center. Nearly 600,000 s.f. were pre-leased upon completion.

Industrial move-ins on the quarter were most concentrated in Otay Mesa, where 769,205 s.f. of industrial product were occupied. Occupiers have focused on this region due to strategic infrastructure and availability of new product. Access to Mexico and the presence of a free-trade zone has attracted e-commerce, logistics, customhouse brokerages, and manufacturing to this submarket. In Q1 2022, logistics companies accounted for over half of the positive absorption in Otay Mesa.

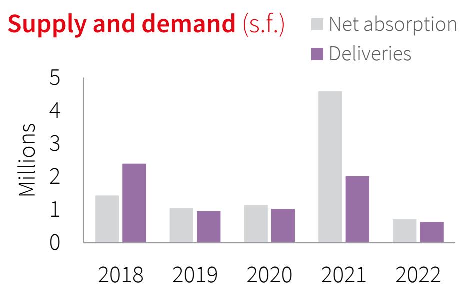
From a supply standpoint, there is currently 2.4 million s.f. under construction, nearly half of which is already spoken for. This strong pre-leasing rate, coupled with a vacancy rate of 1.8%, has allowed landlords to push rents aggressively. Rates grew 13.3% quarter-over-quarter, and now sit 20.2% higher than a year ago. For the first time, all five clusters now have average direct asking rents above $1.00 NNN.

### Outlook

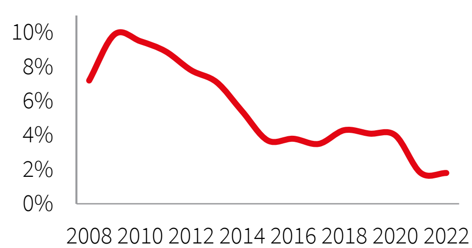
Despite a strong development pipeline, developers will still struggle to keep up with demand. Material shortages, availability of construction labor and land constraints all present additional challenges to developers trying to meet tenants' needs. Additionally, there continues to be a robust roster of tenants actively looking for space, which will further constrain availability. This should all continue to put upward pressure on rental rates across San Diego in the near-term.

| Fundamentals | Forecast |
|---|---|
| YTD net absorption | 707,068 s.f. ▲ |
| Under construction | 2,414,072 s.f. ▲ |
| Total vacancy | 1.8% ▼ |
| Sublease vacancy | 48,706 s.f. ▼ |
| Direct asking rent | $1.19 p.s.f. ▲ |
| Sublease asking rent | $1.27 p.s.f. ▲ |
| Concessions | Falling ▼ |

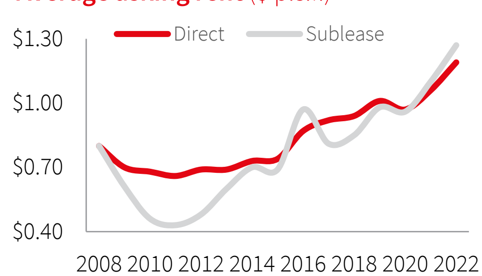
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)

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# San Francisco

## City supervisors place hold on new parcel-delivery operations while autonomous vehicle startups continue to expand

- San Francisco's advanced mobility firms collected $24 billion in 2021
- The City's industrial market was essentially flat in Q1 2022, returning minimal positive absorption of 7,135 s.f.
- City Supervisors place an 18-month moratorium on new parcel delivery sites

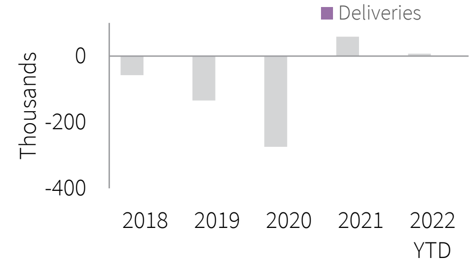
San Francisco saw minimal market fluctuations in Q1 2022. While net positive, absorption was essentially flat returning net 7,135 s.f. a considerable drop from Q4 2021 which saw more than 24,000 s.f. absorption though vacancy held at 3.9% through this quarter. The City saw a single notable move-in from Ace Roofing in the Bayview District this quarter while move-outs were dominated by small occupiers.
City Supervisors made headlines late in the quarter when they voted unanimously to place an 18-month moratorium on new parcel delivery sites. The decision comes in response to the proposed redevelopment of 900 7th Street. The former Recology site was slated to be developed into a 725,000-s.f. delivery hub and would've been the largest of its kind in San Francisco. Last-mile services are among the most active industrial tenants in the market following the industry's considerable growth through the pandemic. Demand for e-commerce delivery services in San Francisco will continue to grow. The Bay Area's e-commerce startups collectively raised $1 billion in Q1. Grocery delivery is anticipated to see more than 20% growth of the industry through 2030. It's expected that owners of existing distribution-capable sites could add to the City's availabilities to capitalize on the now limited inventory.
The other most active industry in San Francisco are advanced mobility firms. Last quarter Lyft signed 22,488 while Waymo leased a 20,000-s.f. warehouse in Bayview and continues to expand its overall commercial footprint through 2022.

### Outlook

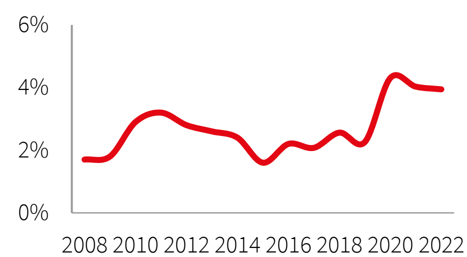
Over the past 2 years the region's advanced mobility firms raised $27.6 billion collectively while the industry accounted for half of the top 10 largest funding rounds on record for the Bay Area. In part due to the City's complex topography, all major autonomous vehicle firms do product testing in San Francisco, as well as keeping the desire to maintain proximity to future funding and office personnel. While some firms have launched services to the public in select cities, the industry is expected to make major steps into public spheres this year, launching their respective services in the Bay Area.

| Fundamentals | Forecast |
|---|---|
| YTD net absorption | 7,135s.f. ▲ |
| Under construction | 0 s.f. ▶ |
| Total vacancy | 3.9 % ▼ |
| Sublease vacancy | 9,600 s.f. ▼ |
| Direct asking rent | $23.08 p.s.f. ▲ |
| Concessions | Declining ▼ |

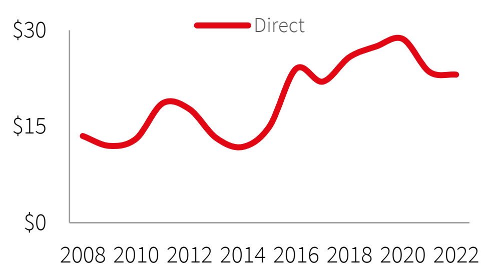
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)

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# Seattle -Puget Sound

## Unwavering demand and dwindling availability remain the cornerstones of the tightening industrial market

- Corporate occupiers are driving the demand for Class A space
- If all vacant space was leased, The Puget Sound needs an additional 3.9 million square feet of inventory to satisfy all active tenant requirements
- Average asking rental rate soars as significant numbers of distributors break ground along the I-5 corridor.

Leasing activity momentum continued this quarter as the market absorbed more than 713,000 s.f. in the first quarter. Absorption was bolstered by four large tenants occupying more than 100,000 s.f. Given the robust demand from corporate occupiers, Class A buildings are likely to be built-to-suit if not leased relatively quickly. Of the projects currently under construction, 53% are already pre-leased. Large contributors like Tempur Sealy signed a 10-year lease for nearly 494,900 s.f. in Dupont, bringing the Cubes project to 100% occupancy. Furthermore, Floor and Décor committed to 1.1 million s.f. on 80 acres and World Wide Express agreed to terms for 300,000 s.f. with Dalfen Industrial in Fredrickson

There are over 15.8 million s.f. of tenants looking for industrial space for Consumer Durables making up 13.2% of requirements. In addition, Logistics and Distribution and e-Commerce are also active, each with 1.6 million s.f. of actively touring tenants. Most tenants are focusing on Southend along the I-5 corridor, With these tenants competing for 11.9 million s.f. of current vacancy, and 4.1 million s.f. of available space under construction, the supply and demand imbalance is expected to persist.

As the supply-demand disparity has continued to widen, rates have risen 18.1% year-over-year as development has remained unable to keep up. Asking rents in the Southend increased to $0.69 NNN from last quarter to $0.82 NNN. This 18.8% increase was due to new construction projects breaking ground, bringing the development pipeline to 6 million s.f. in that submarket. Asking rents for these premium spaces start at $1.00 NNN and only increases from there.

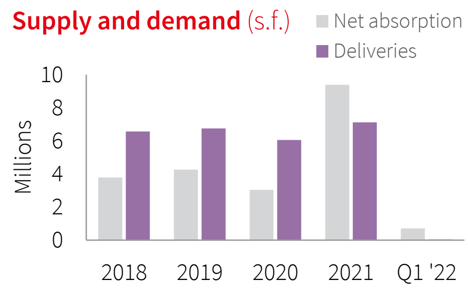
### Outlook

Despite notably larger projects breaking ground, they will do little to mitigate the supply and demand imbalance. Supply chain bottle-necking at port locations are elongating the lead times for new construction and increasing costs of materials and labor in addition to the scarcity of land. This, coupled with a smaller proposed pipeline and other disruptions, like the concrete driver strikes, mean tight market conditions will remain.

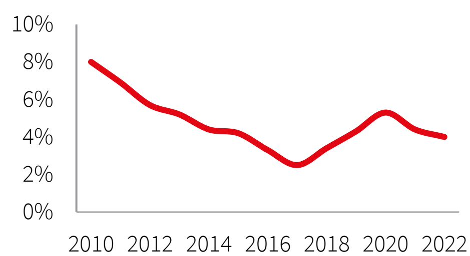
**For more information, contact: Drew Garcia**| Andrew.Garica@am.jll.com

| Fundamentals | Forecast | |
|---|---|---|
| YTD net absorption | 713,794 s.f. | ▲ |
| Under construction | 8,803,849 s.f. | ▲ |
| Total vacancy | 4.0% | ▶ |
| Sublease vacancy | 1,585,250 s.f. | ▶ |
| Direct asking rent | $1.00 p.s.f. | ▲ |
| Sublease asking rent | $.72 p.s.f. | ▶ |
| Concessions | Stable | ▶ |

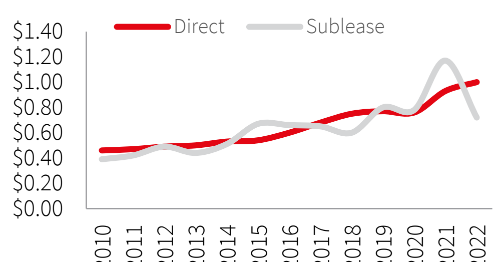
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)



# Silicon Valley

## Advanced manufacturing momentum carries through into 2022

- Advanced manufacturing makes up the majority of demand in the markets
- Although one new project broke ground in the core market, the space didn't last long as an advanced automotive company pre-leased the building.
- Given space constraints in the market, developers are increasingly turning to underused flex properties for redevelopment plays.

Demand from advanced manufacturing tenants continues to drive the market into 2022. There were only two spaces greater than 100,000 s.f. absorbed this quarter, both occupied by advanced manufacturers. One of the tenants is Quanta Computer who leased 101,191 s.f. at Pacific Commons South, which was the last remaining large-block of space at that project. Despite conditional use permits that restricted the amount of distribution within the park, the project was well-positioned and well-timed to benefit from the resurgence of advanced manufacturing to the Silicon Valley over the past year. Of the active tenant requirements, advanced manufacturing represent 52% of total demand in the market.

Although the Silicon Valley needs 4 million s.f. of additional inventory to satisfy demand, the development pipeline remains relatively dormant with the only project breaking ground this quarter. However, the space did not remain on the market for long as it has already been pre-leased to an advanced automotive company. The pre-leasing of Steelwave's 110,588-s.f. building on Kato Rd is a microcosm of the trends driving the market – extremely stiff competition for Class A space matched with demand from advanced manufacturing tenants, especially in the advanced automotive and transportation industry. With the project already leased, there are no large projects under construction in the core Silicon Valley submarkets.

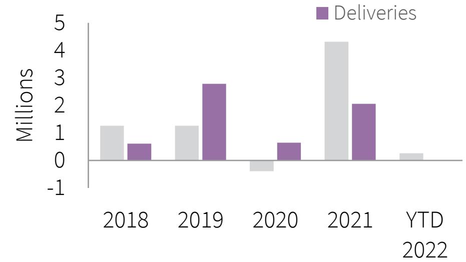
With land scarcity, developers are turning to underutilized flex buildings for redevelopment plays. Currently, there are six projects tagged for redevelopment by institutional investors like Hines, Duke Realty, and Link Logistics. Many of these projects are working through entitlements and are expected to break ground over the next few years, with the rest waiting for leases to expire. However, despite the influx of future product, it does nothing to alleviate the tight market conditions of today.

### Outlook

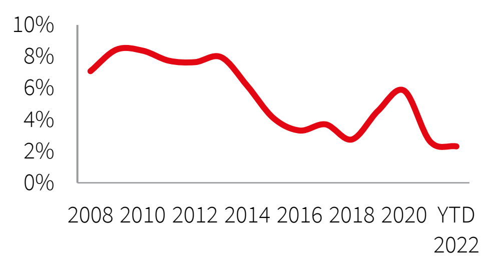
With the vacancy rate the lowest it has been since Q1 2018, and a development pipeline just as lean, expect asking rents to continue to increase even when new projects break ground later this year as tenants compete for the little available space that remains.

| Fundamentals | Forecast | |
|---|---|---|
| YTD net absorption | 265,962 s.f. | ▶ |
| Under construction | 520,689 s.f. | ▲ |
| Total vacancy | 2.3 % | ▼ |
| Sublease vacancy | 34,950 s.f. | ▼ |
| Direct asking rent | $1.34 p.s.f. | ▲ |
| Sublease asking rent | $1.21 p.s.f. | ▶ |
| Concessions | Stable | ▶ |

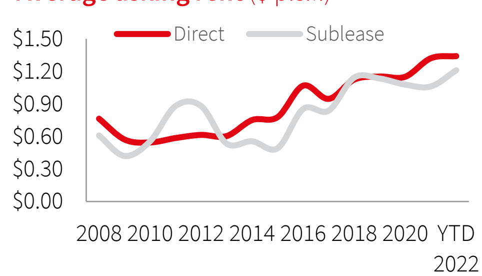
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)

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# St. Louis

## Industrial absorption continues historic streak as users await further product deliveries.

- Absorption continued its record-breaking streak and shows no sign of abating.
- Vacancy reached historic lows as availability continues to tighten across the region.
- Asking rates contracted this quarter due to several factors including developers no longer quoting rates on projects under construction.
- Development in Central County continues to heat up as developers look to keep pace with tenant demand.

| Fundamentals | Forecast |
|---|---|
| YTD net absorption | 1,788,255 s.f. ▲ |
| Under construction | 7,319,157 s.f. ▶ |
| Total vacancy | 2.7 % ▼ |
| Sublease vacancy | 319,089 s.f. ▶ |
| Direct asking rent | $5.09 p.s.f. ▶ |
| Sublease asking rent | $4.53 p.s.f. ▶ |
| Concessions | Stable ▶ |

Industrial absorption for Q1 tracked in at 1.7 million s.f., the fourth quarter in a row to exceed 1 million s.f. of occupancy growth. JLL is currently tracking 7.1 million s.f. of speculative product scheduled to deliver by the end of 2022. With vacancy reaching a historic low of 2.7%, it is reasonable to assume that St. Louis is on track to set a record with 8 to 10 million s.f. of absorption, if demand continues to exceed supply.

Despite this growth, average asking rates contracted this quarter as a result of less competitive product dragging the average down across the MSA. Developers have also recently been less inclined to quote asking rates for new speculative developments. This is a trend playing out in several markets and is due to fluctuations related to inflation, rising construction costs and delays in receiving material. As such, the average rate of $5.06 should not be considered indicative of what a user would pay for competitive Class A product in St. Louis. As economics return to normal, developers should become more comfortable quoting further out allowing for a more detailed insight into rate growth in the future.

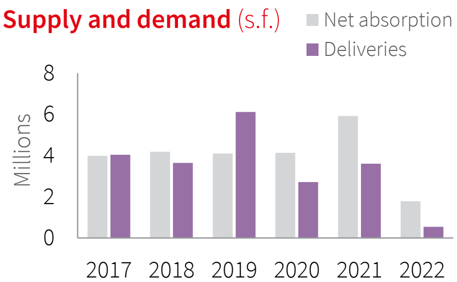
Central County continues to be a hotbed for speculative development as two additional industrial parks were proposed this quarter including Maryland Heights Commerce Center and an additional yet unnamed park. TriStar also broke ground on the third building in Westport Commerce Center in early April adding to the growing list of speculative product under construction in the region.

### Outlook

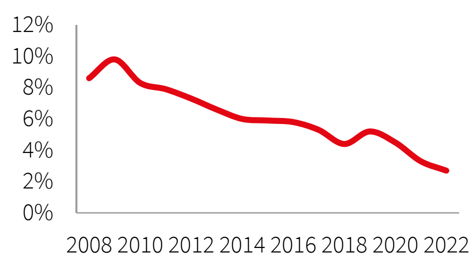
Supply constraints will remain tight throughout early Spring, but relief is on the horizon. Developers are expected to deliver the first large batch of product this year during Q2. Nearly 3 million s.f. is slated to deliver before June. This will bring much needed relief to a very tight market.

As there was not sufficient data to support an average asking rate increase this quarter, expect a larger than usual increase in rates next quarter as data becomes available upon product delivery.

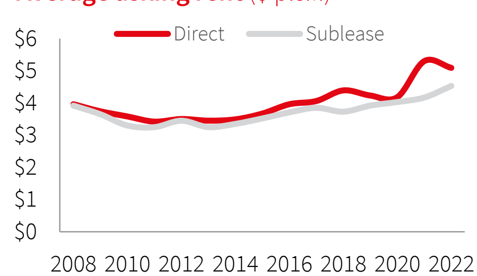
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)

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# Tampa Bay

## Sustained low vacancy drives asking rents to new records

- Asking rents reach an all time high, breaking $7.00 NNN for the first time in Tampa Bay history.
- The City Furniture build-to-suit accounts for half of the under-construction supply.
- Occupancy is slowly approaching 97% despite 4 million s.f. of deliveries in the past year.

| Fundamentals | Forecast | |
|---|---|---|
| YTD net absorption | 810,006 s.f. | ▲ |
| Under construction | 3,039,716 s.f. | ▶ |
| Total vacancy | 3.1 % | ▶ |
| Sublease vacancy | 319,440 s.f. | ▶ |
| Direct asking rent | $7.18 p.s.f. | ▲ |
| Sublease asking rent | $7.56 p.s.f. | ▲ |
| Concessions | Stable | ▶ |

All metrics point to another explosive year for the Tampa industrial market. Unrelenting tenant demand coupled with limited speculative construction has kept vacancy below 4% for four consecutive quarters. This sustained low vacancy rate has given landlords the upper-hand causing asking rents to reach $7.20 this quarter, another $0.32 increase from last quarters record-shattering rate.

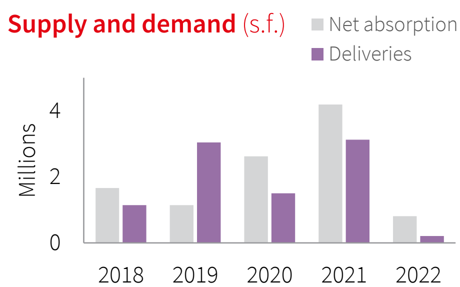
Demand for new construction continues to be a main driver of the Tampa industrial market with 208,000 s.f. delivered in Q1 and an additional 3.0 million s.f under construction. Since 2019, approximately 7.8 million s.f. has been added to the Tampa industrial market. Over the same time frame however, 8.8 million s.f. of space was absorbed, highlighting that despite new deliveries, demand consistently out paces the market's supply. Additionally, half of the 500,000 s.f. of under construction supply in Westshore/Airport is already leased.

Asking rents have continued their upward trajectory, averaging at or above $6.00 p.s.f. for the past seven quarters. Asking rents gains have been fueled by new construction and recently completed product, with several landlords increasing rates by $0.50-$0.75 p.s.f. in the last quarter. The delta between new construction and existing product's asking rates have reached an all time high, with new construction asking rents being $1.50-$2.00 higher than existing product. The main drivers are the increase in cost of construction materials and an increase demand in new space.

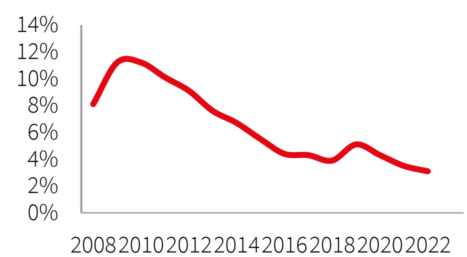
### Outlook

Limited speculative deliveries over the next three to six months should facilitate additional occupancy gains in existing product over the coming quarters. Absorption in forecasted to continue to outpace supply throughout 2022. Further tightening of the market could result in even higher asking rates, especially in new construction.

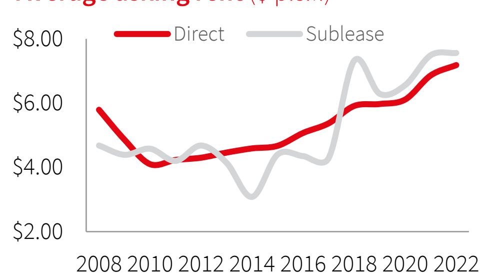
**Supply and demand** (s.f.)




**Total vacancy** (%)




**Average asking rent** ($ p.s.f.)

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# West Michigan

## Momentum continues to build in West Michigan industrial market

- The Northwest Grand Rapids submarket continues to see a large amount of new construction activity, currently accounting for 27% of the construction pipeline.
- LG Energy Solutions will invest $1.7 billion to expand their lithium-ion battery manufacturing in Holland, likely to bring additional automotive suppliers to the area.
- Multiple users across West Michigan have announced multi-million dollar expansions to existing facilities as well as new construction projects to expand their operations.

Momentum continued to build in the West Michigan industrial market in Q1. Nearly 1 million s.f. of absorption, buoyed by occupied new deliveries, drove vacancy to 3.2%, down 60 basis points year-over-year. Direct average asking rents keep trending upward, currently at $4.06 p.s.f., up 1.8% since the close of 2021. The development pipeline is robust, with 2.5 million s.f. of new space currently under construction with additional projects set to break ground later this year. LG Energy Solutions will invest $1.7 billion to expand their lithium-ion battery manufacturing in Holland. This massive project will be a boon to the region, as LG's activity should entice both existing and new automotive suppliers to the area.

Users across West Michigan have announced expansions and new construction, with PADNOS, a scrap management and recycling company, undergoing a $6.6 million expansion, and Roll & Hill, a lighting manufacturer, investing $1.5 million to expand - both in Wyoming. In Holland, Art Mulder & Sons Trucking will invest more than $31.0 million to build a new 147,000-s.f. facility to enhance cold storage capabilities, while in Van Buren County, global food manufacturer Welch's will invest $26.2 million to support a new bottling line at their existing facility.

The Northwest Grand Rapids submarket continues to see a large amount of new construction activity, currently accounting for 27.0% of the construction pipeline. In March, Franklin Partners purchased the 74-acre former General Motors stamping plant site in Wyoming with plans to build a manufacturing campus, though no further details have been provided about the plans yet.

### Outlook

Owner occupied expansions combined with new speculative development will continue to add to the already strong construction pipeline. Vacancies should compress further as demand has shown no signs of letting up. Speculative warehouse construction should remain heavily preleased by delivery, and we expect to see additional projects break ground this summer.

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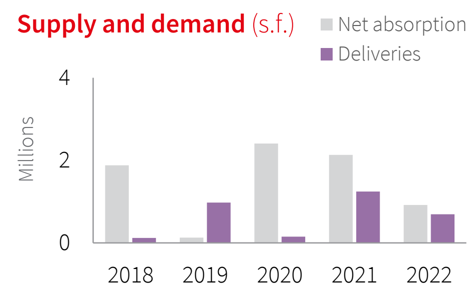
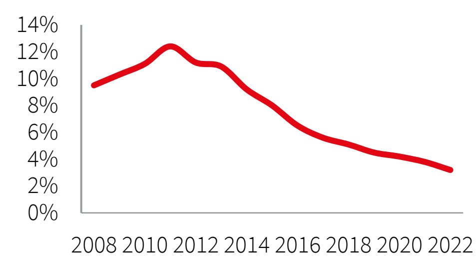
| Fundamentals | Forecast | |
|---|---|---|
| YTD net absorption | 921,392 s.f. | ▲ |
| Under construction | 2,512,750 s.f. | ▲ |
| Total vacancy | 3.2% | ▼ |
| Sublease vacancy | 617,814 s.f. | ▶ |
| Direct asking rent | $4.06 p.s.f. | ▲ |
| Sublease asking rent | $4.94 p.s.f. | ▲ |
| Concessions | Stable | ▶ |

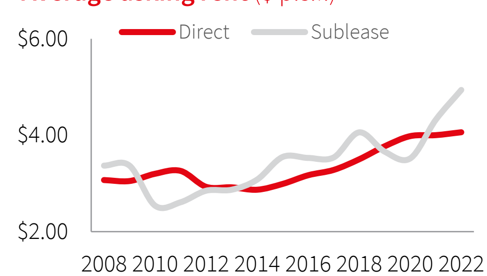
**Supply and demand** (s.f.)




**Total vacancy** (%)

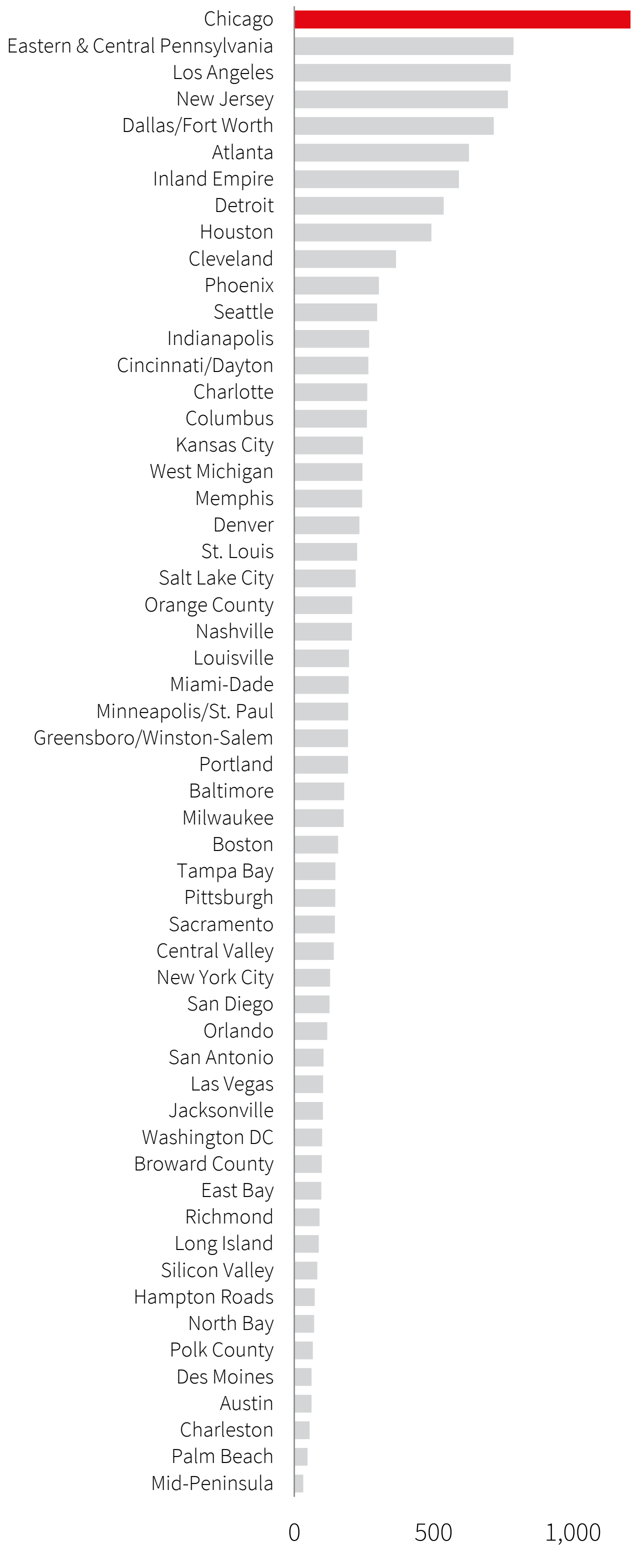



**Average asking rent** ($ p.s.f.)



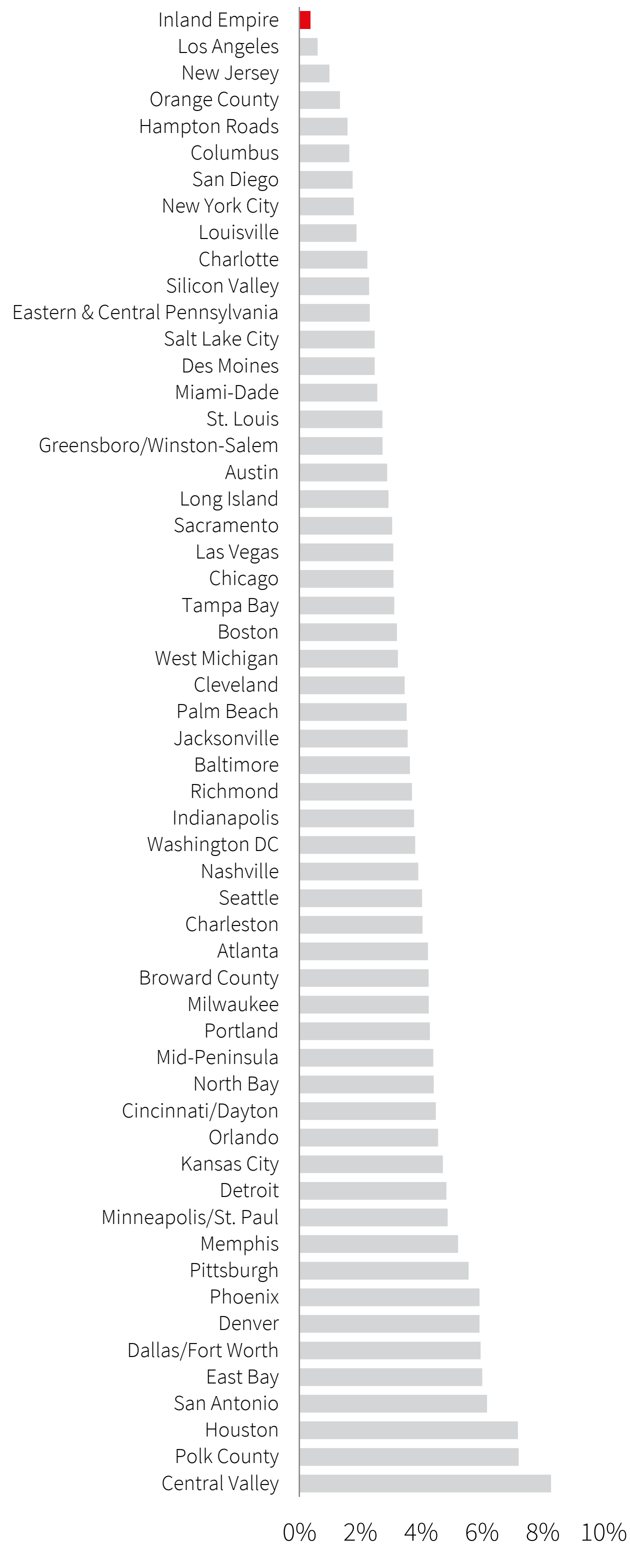
# Appendix

**Inventory**
Square feet (millions)



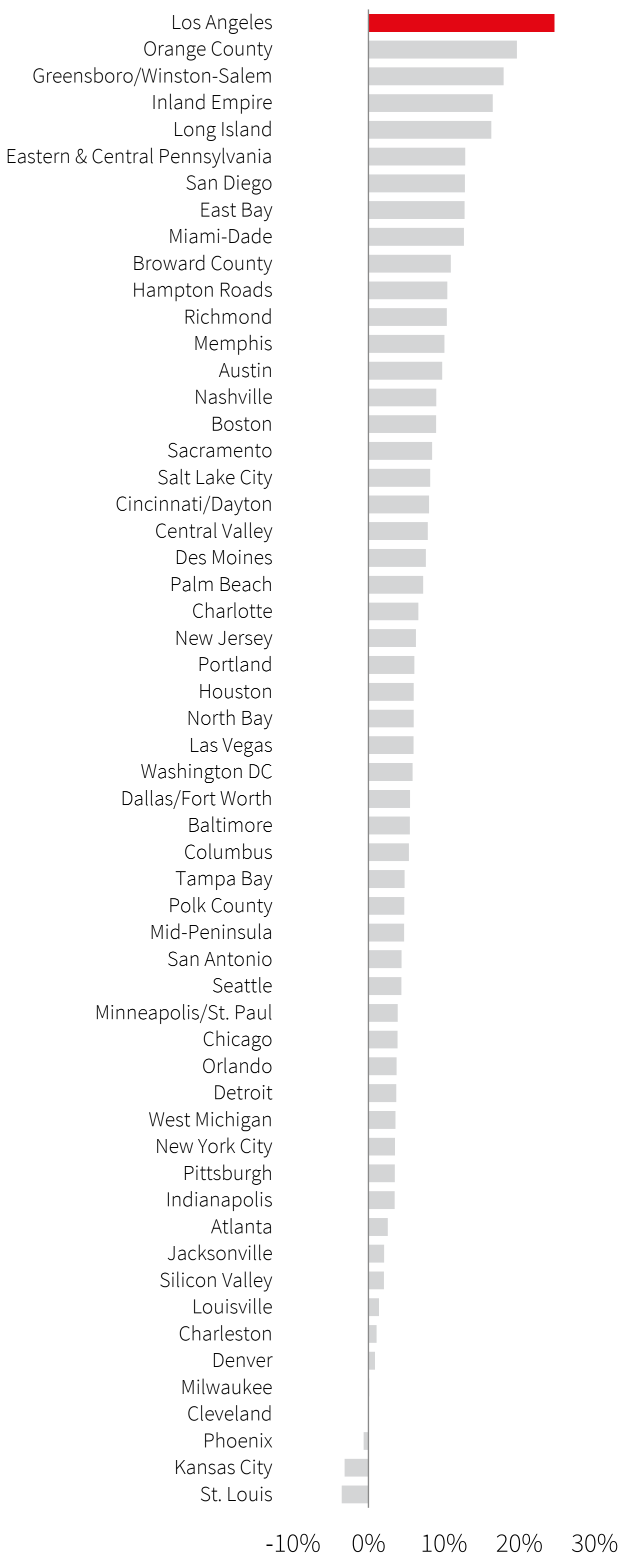

Source: JLL Research

**Total vacancy rates**
Vacancy rate (%)



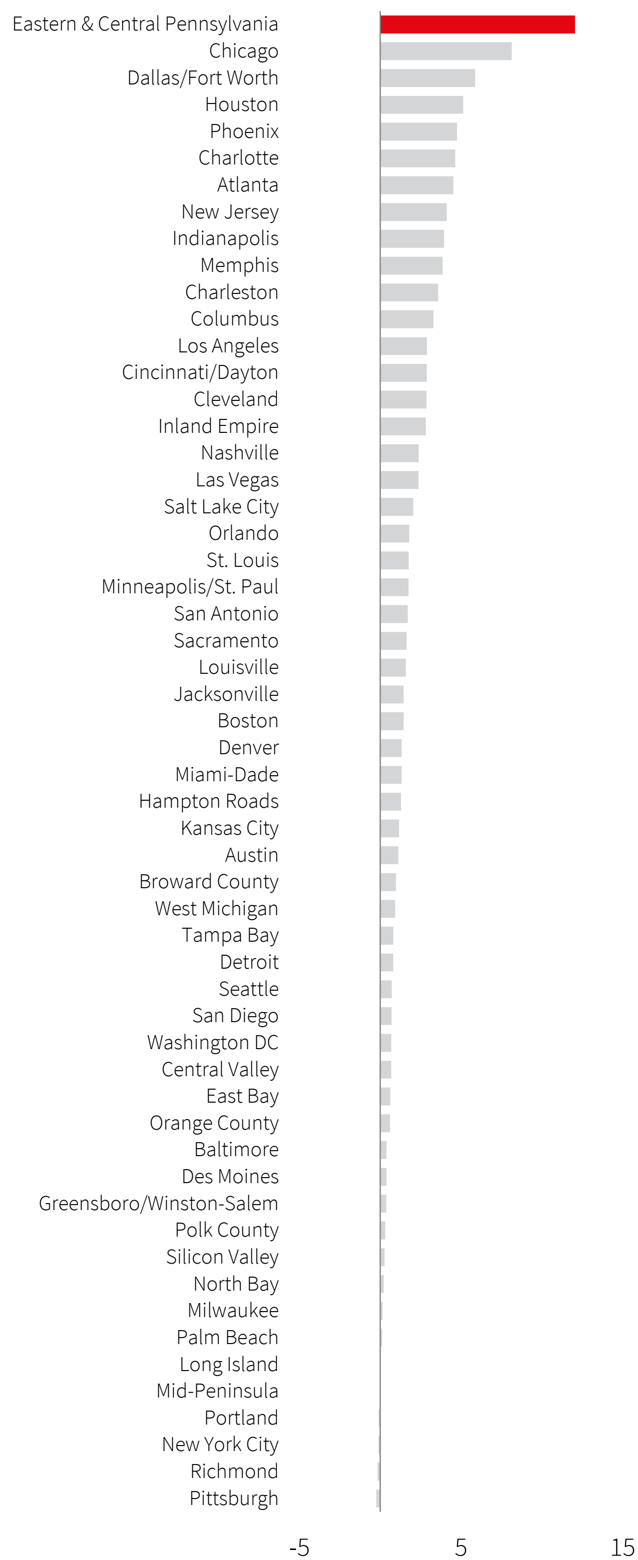

Source: JLL Research

**Total asking rent changes**
% quarter over quarter




Source: JLL Research

**YTD total net absorption**
Square feet (millions)




Source: JLL Research

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