

## U.S. Industrial &amp; Logistics, Q4 2015

# Despite oil slump, industrial & logistics expansion continues

**ECONOMY****STRONG U.S. DOLLAR, RISING IMPORTS SPURRING INDUSTRIAL DEMAND**

The warehouse and distribution segment is benefiting from cheaper prices of foreign goods and healthy consumer sentiment. On the other hand, exporters face a drag from a strong U.S. dollar and plunging commodity prices, most notably oil. While falling oil prices can impact markets that are reliant on the energy industry, in aggregate, lower prices are a benefit to the industrial market. Lower gas prices result in more disposable income, greater consumer consumption, and ultimately, more demand for the goods that run through the industrial supply chain.

**DEMAND****OCCUPIER DEMAND ENDS YEAR ON A HIGH NOTE**

The U.S. industrial market expanded for the 23rd consecutive quarter, logging 64.1 million sq. ft. of positive net absorption in Q4 2015. This figure was up nearly 10% over the previous quarter and contributed to a total of 239.7 million sq. ft. of net absorption in 2015. All but three markets tracked by CBRE Research saw positive demand in Q4 2015, with 20 markets posting more than 1 million sq. ft. of net absorption—led by Chicago, at 7.6 million sq. ft., the Inland Empire and Philadelphia both with 5.9 million sq. ft.

**SUPPLY****CONSTRUCTION MARKET STRONG AS SUPPLY EXPANDS**

A total of 41.6 million sq. ft. of new supply was added nationwide in Q4 2015, the second strongest quarter since 2009. For the year, 148.7 million sq. ft. was delivered, the strongest year since 2008. All but two markets tracked by CBRE Research delivered new product in Q4 2014, with 15 completing more than 1 million sq. ft. The Inland Empire and Chicago led the way with 5.2 million sq. ft. and 5.0 million sq. ft., respectively.

**AVAILABILITY****NATIONWIDE AVAILABILITY HITS 9.4%**

After reaching a new low in Q3 2015, the U.S. availability rate shed an additional 20 basis points in Q4 2015. This was the 22nd consecutive quarter with a decline in availability and the lowest rate since Q3 2001. Availability declines were widespread with nearly 74% of CBRE Research markets tracked at or below the Q3 2015 mark. San Francisco Peninsula, Oakland, Orange County, Los Angeles, Cincinnati and Louisville led the way with the nation's lowest availability rates.

**RENTS****RENTS GROW IN Q4 2015 THOUGH PACE SLOWS**

The average net asking rent grew 0.7% quarter-over-quarter to \$6.15 in Q4 2015 and was up 3.4% year-over-year. Rents have grown in 18 of the last 22 quarters and are just 3.8% below the 2007 high. The Q4 2015 average asking rents were at or above the previous quarter in 79% of the markets tracked by CBRE Research, with San Jose, Oakland, Louisville and San Francisco Peninsula posting the strongest growth.

U.S. INDUSTRIAL MARKET DASHBOARD

Availability Rate  
9.4%

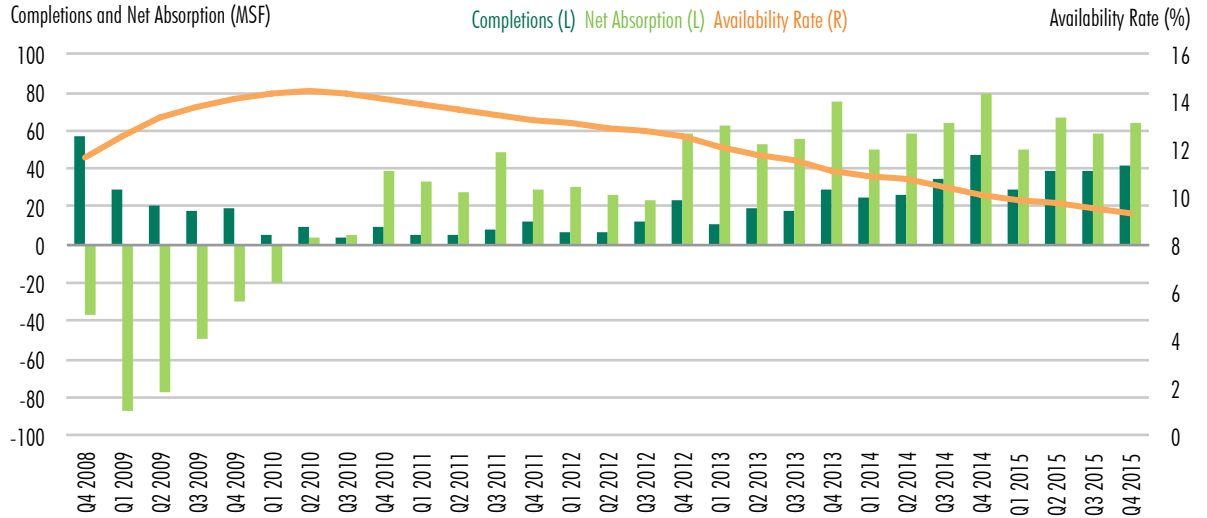
Lease Rate  
\$6.15 PSF

Net Absorption  
64.1 MSF

Completions  
41.6 MSF

\*Arrows indicate change from previous quarter.  
Source: CBRE Econometric Advisors, Q4 2015.

Figure 1: U.S. Industrial Supply and Demand



Source: CBRE Econometric Advisors, Q4 2015.

Figure 2: Lowest and Highest Availability Rates (%)

Lowest Availability Rates		Highest Availability Rates	
SAN FRANCISCO PENINSULA	3.5	BALTIMORE	14.0
OAKLAND	4.1	MARYLAND SUBURBAN & ORLANDO	13.7
ORANGE COUNTY	4.4	MEMPHIS	13.6
LOS ANGELES	4.6	BOSTON	13.4
CINCINNATI & LOUISVILLE	5.3	JACKSONVILLE	12.9

Source: CBRE Research, Q4 2015.

Figure 3: Largest Quarterly Changes in Availability Rates (Percentage Point Change)

Largest Decreases in Availability		Largest Increases in Availability	
HARTFORD & LOUISVILLE	-1.6	DENVER, HOUSTON & WALNUT CREEK	0.6
DETROIT, NORFOLK & OAKLAND	-1.4	AUSTIN	0.5
BOSTON	-1.0	CINCINNATI, COLUMBUS & LAS VEGAS	0.4
ATLANTA, BALTIMORE & SACRAMENTO	-0.9	ORLANDO	0.3
SALT LAKE CITY	-0.8	MINNEAPOLIS/ST. PAUL, ORANGE COUNTY & PORTLAND	0.2

Source: CBRE Research, Q4 2015.

Figure 4: U.S. Industrial Availability Rates (%)

Market	Size Rank	NNN Asking Rate (\$)**	Availability Rate (%)		
			Q4 2015	Q3 2015	Q4 2014
BALTIMORE	31	5.76	14.0	14.9	15.1
BOSTON	34	6.64	13.4	14.4	16.2
CHARLOTTE	32	5.84	6.1	6.4	7.1
GREENVILLE	30	3.32	10.6	10.5	9.6
HARTFORD	44	4.85	11.0	12.6	12.6
LOUISVILLE	38	3.19	5.3	6.9	5.0
MARYLAND SUBURBAN*	42	7.69	13.7	13.9	15.0
NEW JERSEY CENTRAL	10	5.02	7.8	8.3	10.0
NEW JERSEY NORTHERN	9	6.69	7.9	7.9	8.4
NORFOLK	43	4.77	7.5	8.9	9.7
PHILADELPHIA	8	4.08	7.5	8.1	9.2
VIRGINIA NORTHERN*	45	10.07	11.8	12.1	12.6
<b>EAST</b>			<b>8.9</b>	<b>9.5</b>	<b>10.2</b>
CHICAGO	1	4.76	6.5	6.6	7.2
CINCINNATI	14	3.87	5.3	4.9	5.3
CLEVELAND	13	4.37	7.0	7.0	6.8
COLUMBUS	21	3.41	9.6	9.2	10.0
DETROIT	5	4.88	7.0	8.4	10.6
INDIANAPOLIS	16	4.06	9.1	9.2	8.6
KANSAS CITY	18	4.37	6.8	7.4	7.5
MILWAUKEE	19	3.88	6.9	6.9	8.0
MINNEAPOLIS/ST. PAUL	11	5.26	7.7	7.5	7.9
ST. LOUIS	24	4.25	8.4	8.5	9.4
<b>MIDWEST</b>			<b>7.1</b>	<b>7.4</b>	<b>8.0</b>
ATLANTA	4	3.97	11.0	11.9	12.5
AUSTIN	48	9.60	11.0	10.5	13.9
DALLAS/FT. WORTH	3	4.32	9.6	10.3	10.6
EL PASO	47	4.04	11.8	12.1	15.6
FT. LAUDERDALE	41	7.64	8.8	8.8	10.8
HOUSTON	6	5.74	7.9	7.3	7.3
JACKSONVILLE	40	4.12	12.9	13.0	13.6
MEMPHIS	23	2.73	13.6	14.0	15.9
MIAMI	25	5.85	5.4	5.5	6.5
NASHVILLE	28	4.10	9.9	10.5	11.5
ORLANDO	37	5.55	13.7	13.4	13.1
PALM BEACH	49	8.45	6.9	7.4	8.0
SAN ANTONIO	51	7.25	11.4	11.4	9.8
TAMPA	35	5.52	11.5	12.1	13.1
<b>SOUTH</b>			<b>10.0</b>	<b>10.3</b>	<b>11.0</b>
ALBUQUERQUE	50	6.93	7.9	8.6	9.7
DENVER	22	7.23	7.5	6.9	6.6
INLAND EMPIRE	7	5.40	7.0	7.0	7.4
LAS VEGAS	39	6.96	6.5	6.1	8.6
LOS ANGELES	2	8.40	4.6	4.5	5.8
OAKLAND	33	8.88	4.1	5.5	5.9
ORANGE COUNTY	17	9.00	4.4	4.2	4.7
PHOENIX	12	6.96	12.2	12.2	12.9
PORTLAND	26	4.80	5.8	5.6	6.9
SACRAMENTO	29	5.28	12.0	12.9	13.0
SALT LAKE CITY	36	5.13	6.7	7.5	6.3
SAN DIEGO	27	13.20	7.8	7.7	10.0
SAN FRANCISCO PENINSULA	46	26.52	3.5	3.8	4.0
SAN JOSE	20	17.26	7.7	8.2	9.7
SEATTLE	15	7.62	6.6	6.6	7.4
TUCSON	52	6.11	12.2	12.3	12.9
WALNUT CREEK	53	8.40	9.3	8.7	8.1
<b>WEST</b>			<b>6.7</b>	<b>6.8</b>	<b>7.6</b>
<b>UNITED STATES</b>			<b>9.4</b>	<b>9.6</b>	<b>10.2</b>

\*Maryland Suburban and Virginia Northern represent Washington, D.C. area.

\*\*NNN asking rates are displayed on a per sq. ft. and per annum basis.

Source: U.S. national figures provided by CBRE Econometric Advisors, all other figures compiled by CBRE Research, Q4 2015.

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#### **COMING SOON**

Look out for the full Q4 2015 U.S. Industrial & Logistics MarketView report in the next few weeks, featuring:

- CBRE's proprietary five-year rent and availability forecasts for the U.S. industrial market

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