

U.S. Industrial, Q3 2015

U.S. industrial market posts lowest availability since 2001

ECONOMY

U.S. ECONOMY CONDITIONS FAVORABLE FOR INDUSTRIAL SECTOR

While the strong U.S. dollar has been somewhat of a drag for manufacturers and exporters, the entire import supply chain stands to see significant growth. The impact of the dollar was reflected in the August trade figures which saw exports of goods fall 3.5% while imports increased 1.8%. The import market is closely tied to industrial demand as growing imports increase the need for warehouse and distribution space along the entire supply chain.

DEMAND

LEASING DEMAND STRONG AND CONSISTENT

The U.S. industrial market expanded for the 22nd consecutive quarter, logging 55.6 million sq. ft. of positive net absorption in Q3 2015. This figure was down 19% from the previous quarter and 13% year-over-year. However, the year-to-date net absorption of 174.3 million sq. ft. was up over the same period in the previous year and was the most space absorbed during the first three quarters of a year since 2005. All but four markets tracked by CBRE Research saw positive demand in Q3 2015 with 21 markets posting over 1 million sq. ft. of net absorption led by the Inland Empire and Chicago with 6.2 million sq. ft. and 4.3 million sq. ft., respectively.

SUPPLY

CONSTRUCTION ACTIVITY EXPANDS TO MEET DEMAND

A total of 37.6 million sq. ft. of new supply was added nationwide in Q3 2015, the third strongest quarter in the current cycle. Eleven markets delivered over 1 million sq. ft. led by the Inland Empire, Atlanta, Dallas/Ft. Worth and Chicago—each of which delivered over 3 million sq. ft. Development activity was widespread with 85% of the markets tracked by CBRE Research completing new space in the quarter.

AVAILABILITY

NATIONWIDE AVAILABILITY HITS 9.6%—A NEW CYCLE LOW

The U.S. availability rate shed 20 basis points (bps) quarter-over-quarter to hit a new cycle low. This was the 21st consecutive quarter with an availability decline and the rate was at its lowest since Q3 2001. Availability declines were widespread with 74% of the markets tracked by CBRE Research at or below the Q2 2015 mark. San Francisco Peninsula, Orange County, Los Angeles, Cincinnati, Miami and Oakland led the way with the lowest availability rates.

RENTS

RENTS MAINTAIN PACE OF GROWTH IN Q3 2015

The average net asking rent grew 1.0% to \$6.11 in Q3 2015 and was up 4.3% year-over-year. Rents have grown in 17 of the last 21 quarters and are just 4.4% below the previous cycle high. Q3 2015 average rents were at or above the previous quarter in 77% of the markets tracked by CBRE Research, with San Francisco Peninsula, Orange County, Oakland, Los Angeles and San Diego posting the strongest growth.

U.S. INDUSTRIAL MARKET DASHBOARD



Availability Rate
9.6%



Lease Rate
\$6.11 PSF



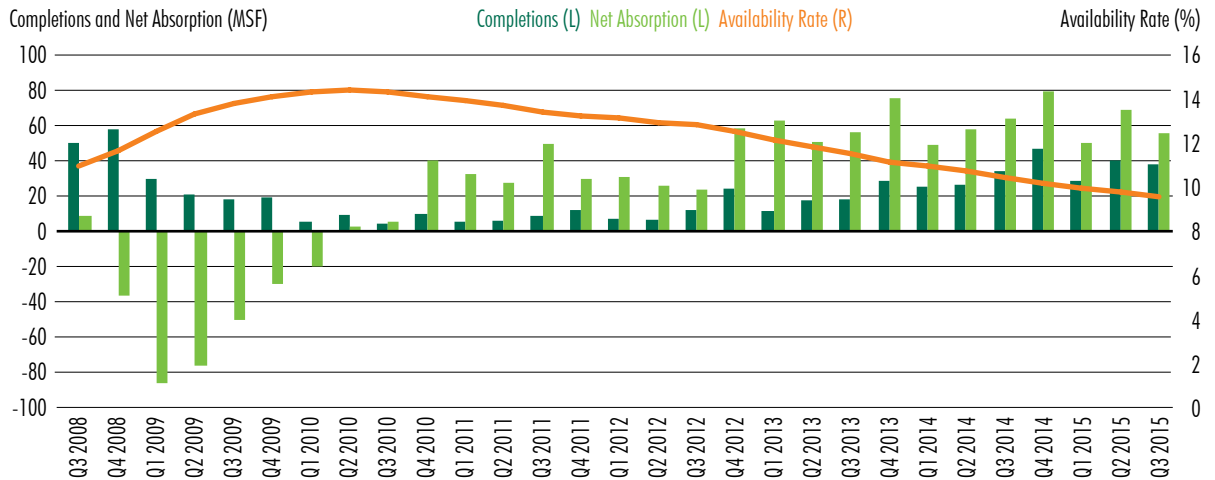
Net Absorption
55.6 MSF



Completions
37.6 MSF

*Arrows indicate change from previous quarter.
Source: CBRE Econometric Advisors, Q3 2015.

Figure 1: U.S. Industrial Supply and Demand



Source: CBRE Econometric Advisors, Q3 2015.

Figure 2: Lowest and Highest Availability Rates (%)

Lowest Availability Rates		Highest Availability Rates	
SAN FRANCISCO PENINSULA	3.8	BALTIMORE	14.9
ORANGE COUNTY	4.2	BOSTON	14.4
LOS ANGELES	4.5	MEMPHIS	14.0
CINCINNATI	4.9	MARYLAND SUBURBAN	13.9
MIAMI & OAKLAND	5.5	ORLANDO	13.4

Source: CBRE Research, Q3 2015.

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

Largest Decreases in Availability		Largest Increases in Availability	
EL PASO	-1.7	HARTFORD	1.2
SAN DIEGO	-1.1	MILWAUKEE	0.8
PALM BEACH & WALNUT CREEK	-0.9	MINNEAPOLIS/ST. PAUL	0.6
AUSTIN, DETROIT, NEW JERSEY CENTRAL & PHOENIX	-0.8	DENVER & GREENVILLE	0.5
LAS VEGAS, MEMPHIS, NASHVILLE & TUCSON	-0.7	SALT LAKE CITY	0.4

Source: CBRE Research, Q3 2015.

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

Market	Size Rank	NNN Asking Rate (\$)**	Availability Rate (%)		
			Q3 2015	Q2 2015	Q3 2014
BALTIMORE	31	5.72	14.9	14.7	15.4
BOSTON	34	6.80	14.4	14.7	16.7
CHARLOTTE	32	5.65	6.4	7.0	7.3
GREENVILLE	30	3.32	10.5	10.0	9.1
HARTFORD	45	4.83	12.6	11.4	13.3
LOUISVILLE	38	2.46	6.9	6.7	4.5
MARYLAND SUBURBAN*	42	7.71	13.9	13.9	14.8
NEW JERSEY CENTRAL	10	4.94	8.3	9.1	10.0
NEW JERSEY NORTHERN	9	6.51	7.9	8.4	8.2
NORFOLK	43	4.71	8.9	9.3	10.8
PHILADELPHIA	8	4.05	8.1	8.6	10.0
VIRGINIA NORTHERN*	44	10.09	12.1	12.2	13.3
EAST			9.5	9.7	10.4
CHICAGO	1	4.68	6.6	6.7	7.4
CINCINNATI	14	3.81	4.9	4.7	5.1
CLEVELAND	13	4.39	7.0	6.8	7.1
COLUMBUS	21	3.34	9.2	9.1	9.4
DETROIT	5	4.69	8.4	9.2	10.8
INDIANAPOLIS	16	4.12	9.2	9.7	9.0
KANSAS CITY	18	4.35	7.4	7.6	7.6
MILWAUKEE	19	3.92	6.9	6.1	8.3
MINNEAPOLIS/ST. PAUL	11	5.19	7.5	6.9	7.6
ST. LOUIS	24	4.12	8.5	8.6	10.3
MIDWEST			7.4	7.4	8.1
ATLANTA	4	3.86	11.9	11.9	13.3
AUSTIN	48	9.14	10.5	11.3	13.3
DALLAS/FT. WORTH	3	4.31	10.3	10.5	10.3
EL PASO	47	4.02	12.1	13.8	15.7
FT. LAUDERDALE	41	7.65	8.8	9.2	11.6
HOUSTON	6	5.74	7.3	7.0	7.8
JACKSONVILLE	40	4.05	13.0	13.1	14.4
MEMPHIS	23	2.80	14.0	14.7	15.8
MIAMI	25	5.73	5.5	5.6	7.2
NASHVILLE	29	4.10	10.5	11.2	11.8
ORLANDO	37	5.47	13.4	13.5	13.2
PALM BEACH	49	8.49	7.4	8.3	8.5
SAN ANTONIO	51	7.48	11.4	11.2	12.3
TAMPA	35	5.52	12.1	12.5	13.4
SOUTH			10.3	10.5	11.3
ALBUQUERQUE	50	6.92	8.6	9.1	9.8
DENVER	22	7.05	6.9	6.4	7.0
INLAND EMPIRE	7	5.04	7.0	6.9	8.2
LAS VEGAS	39	6.96	6.1	6.8	9.2
LOS ANGELES	2	8.34	4.5	5.0	5.8
OAKLAND	33	7.89	5.5	5.6	5.9
ORANGE COUNTY	17	8.76	4.2	4.2	5.3
PHOENIX	12	7.08	12.2	13.0	13.2
PORTLAND	26	4.80	5.6	6.2	7.3
SACRAMENTO	28	5.28	12.9	13.3	13.7
SALT LAKE CITY	36	4.97	7.5	7.1	6.6
SAN DIEGO	27	13.18	7.7	8.8	10.3
SAN FRANCISCO PENINSULA	46	25.80	3.8	4.2	4.7
SAN JOSE	20	16.03	8.2	8.4	10.4
SEATTLE	15	7.22	6.6	7.1	7.2
TUCSON	52	6.05	12.3	13.0	13.4
WALNUT CREEK	53	8.16	8.7	9.6	9.2
WEST			6.8	7.1	8.0
UNITED STATES			9.6	9.8	10.5

*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, Q3 2015.

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COMING SOON

Look out for the full Q3 2015 U.S. Industrial 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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