



Freight Transportation

The disruption of global supply chains has caused ripples throughout the shipping and freight industry. Companies are hoping that 2023 provides some stability.

Occupiers in the industry have been caught between increased energy costs, escalating fixed real estate costs and limited parking options. The amount of new inventory being delivered in the industrial warehouse space may offer some relief, but transportation costs and a tight labor market are requiring companies to make difficult decisions on ways to protect margins and continue to meet customer demands.

Occupier View

Trends

- Consumers are sending mixed signals on demand for goods
- Finding qualified employees is difficult

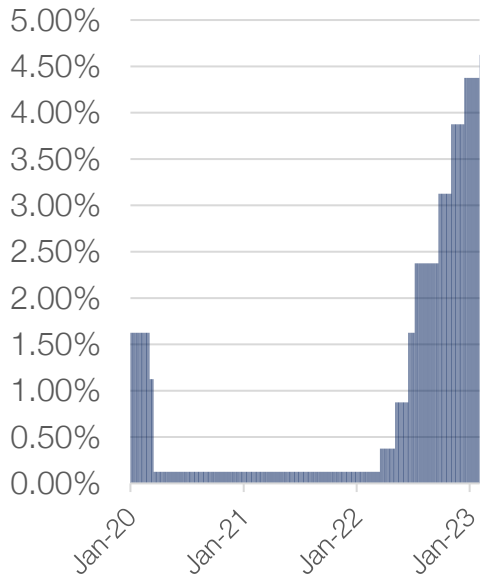
Look Ahead

- Concerns about a recession still linger, but optimism is high
- Available truck parking will continue to hinder operations for companies

Economy

Mixed signals from consumers as economy braces.

**Federal Funds Effective Rate
(As of February 2023)**



4.50-4.75%

The fed has increased rates 8 times since the start of 2022



Trending

Source: Board of Governors of the Federal Reserve System

**Consumer Price Index
(All Categories)**



6.3%

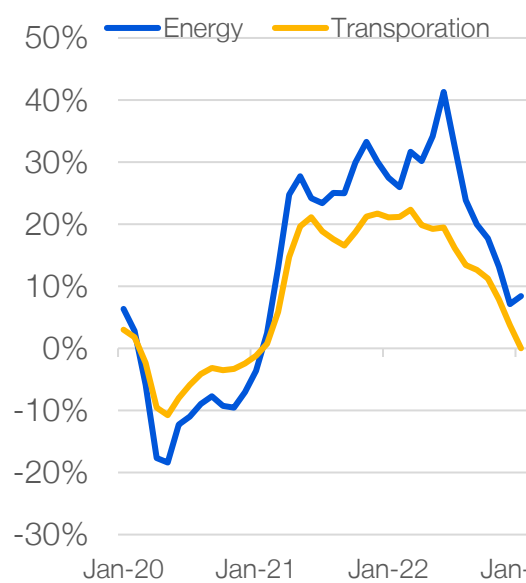
CPI has fallen since June 2022, but inflation increased 6.3 percent from a year-ago



Trending

Source: U.S. Bureau of Labor Statistics

**Consumer Price Index
(Energy & Transportation)**



41.3%

The CPI (inflation) for energy increased at an annual rate of 41.3 percent at its peak



Trending

Source: U.S. Bureau of Labor Statistics

After a volatile 2022, the economy likely awaits more chaos as inflation moderates. With a surprising GDP growth of 2.9 percent in the fourth quarter and a strong jobs report, there is optimism.

Fed Funds Rate

The Fed has raised rates 8 times since March 2022, including four 75 bps increases. Rates are expected to continue being raised in 2023 but at a less aggressive pace.

CPI (All Categories)

Inflation rose 0.5 percent in January 2023, a slightly higher pace than expected. Inflation had been receding in the second half of 2022, before a 0.01 percent increase in December.

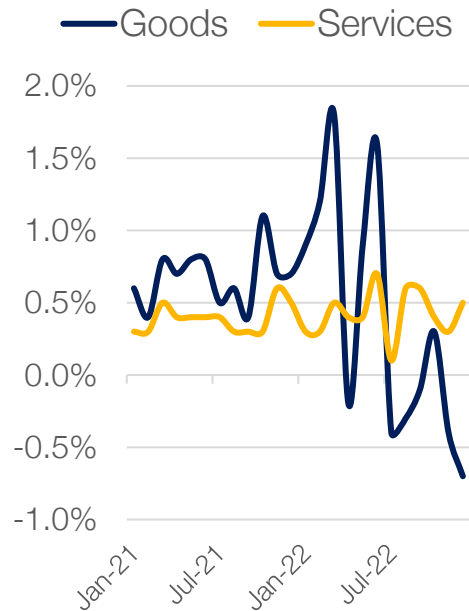
CPI (Energy & Transportation)

While inflation in the energy sector is falling, it remains 8.4 percent higher than a year ago. Meanwhile, inflation in the transportation sector has fallen back to levels from the previous year.

Consumers

Consumers continue to spend, but are wary of future.

PCE Index
(Month-over-Month change)

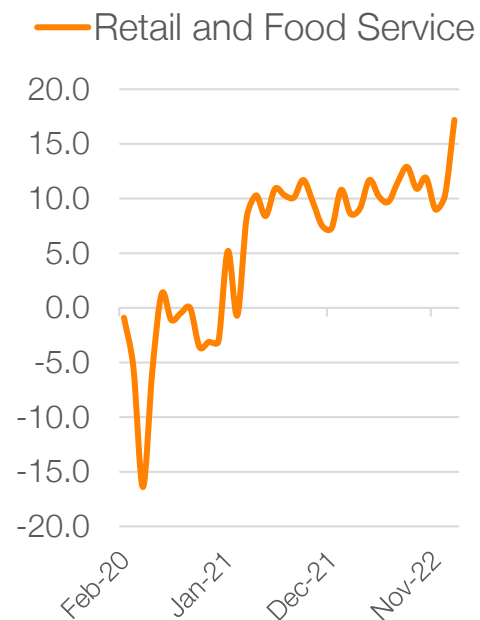


50%

Personal Consumption Expenditures for goods increased 6 of the last 12 months



Payment Card Transactions
(Month-over-Month change)

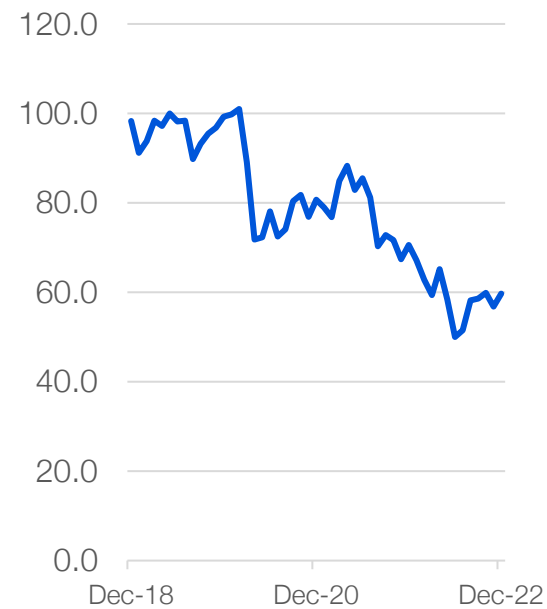


23

No. of consecutive months payment card transactions increased from the previous month



Consumer Sentiment Index
(All Categories)



8

No. of months CSI was below 60 between 1990–2021, while it was below 9 times in 2022



Consumer retail spending dropped by the highest level in the past 12 months in December, pulled down by a decrease in auto sales and other goods. This indicates a rocky start for 2023.

Personal Consumption Index

The Personal Consumption Expenditure (PCE) index is a measure of prices paid for goods and services. Prices paid for services have remained steady, while prices for goods have been falling.

Payment Card Transactions

Retail and food service transactions by payment card have been increasing since a precipitous drop in 2020, indicating consumers are still spending.

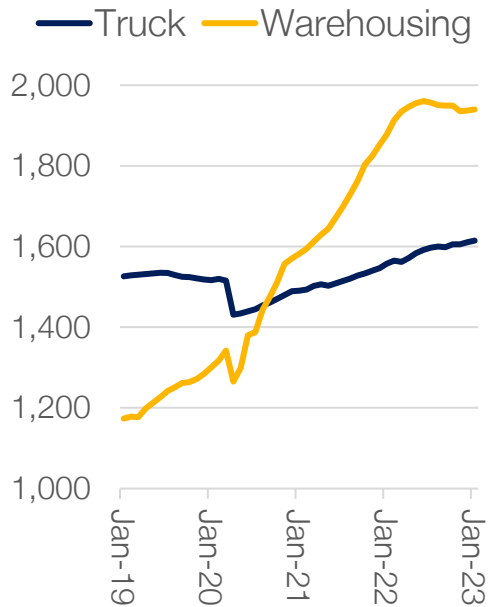
Consumer Sentiment Index

While consumer sentiment has been improving, it remains at historically low levels. High prices have weighed on consumers, as sentiment is still 22 percent below historic averages.

Transport

Jobs added while fuel prices provide transportation relief.

**Job Creation
(Truck and Warehousing)**



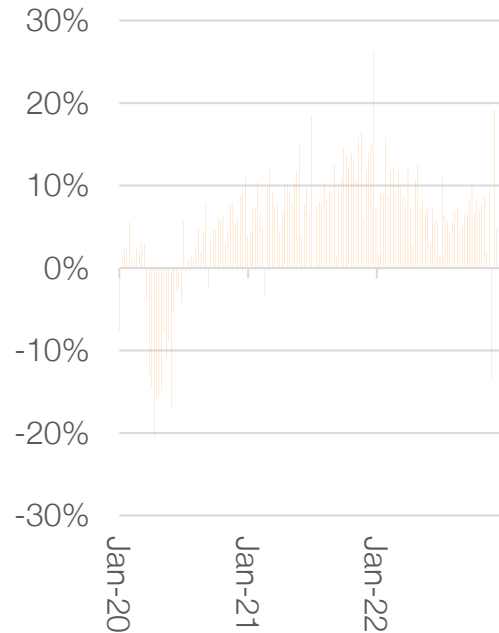
855,000

Jobs added since the start of 2019 in the truck drivers and warehouse sectors



Source: Bureau of Transportation Statistics-Current Employment Statistics

**Truck Mileage Traveled
(% Change from 2019)**



50 of 52

No. of weeks in 2022 that recorded more truck miles traveled compared to 2019



Source: TMAS Data, Office of highway Policy Information, FHWA

**Diesel Sale Prices
(Dollars Per Gallon)**



32

No. of weeks in 2022 that Diesel prices were above \$5.00 per gallon



Source: U.S. Energy Information Administration

Commercial trucking has benefitted from strong consumer demand and ecommerce. Disrupted supply chains, a jump in fuel prices, and a shortage of drivers are challenging the industry.

Job Creation

Demand has created a need for truck drivers and warehouse workers. In December 2022, there were 445,000 openings for truck and warehousing jobs, and only 336,000 hires, leaving over 100,000 unfilled jobs

Truck Mileage

After the initial Covid-19 shutdown, the total truck mileage has been above pre-pandemic levels consistently for the past 2 years, only lagging in 4 out of past 128 weeks.

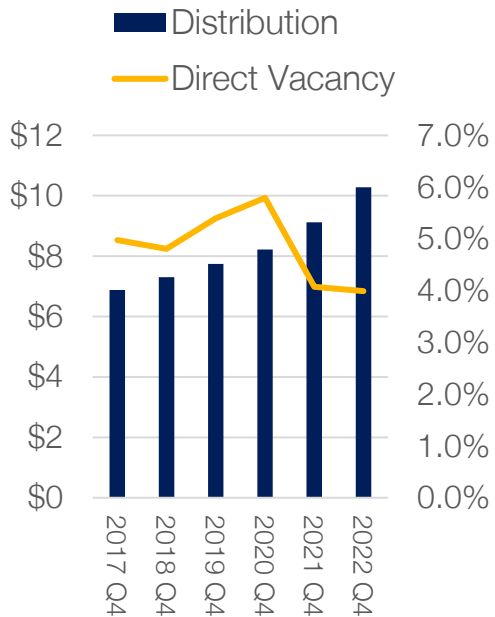
Diesel Sale Prices

The price for a gallon of diesel fuel consistently increased since the pandemic until it peaked at nearly \$6.00 per gallon in June 2022. It has fallen over \$1.50 since the peak.

Real Estate

Occupiers look for lease rate relief and a parking space.

Lease Rates & Vacancy (Warehouse/Distribution)

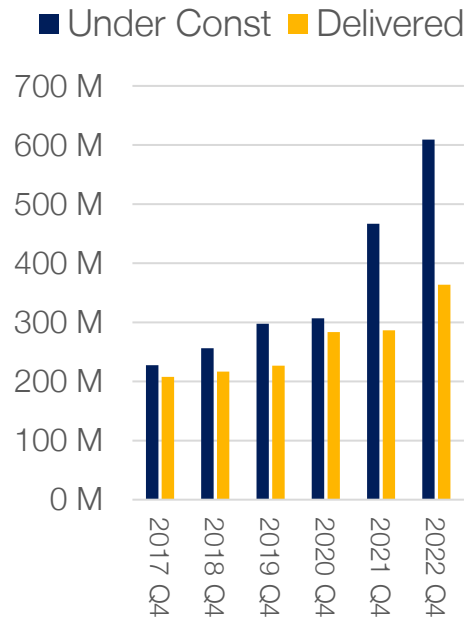


32.8%

Lease rate increase since the start of the pandemic.



New Construction Warehouse/Distribution)

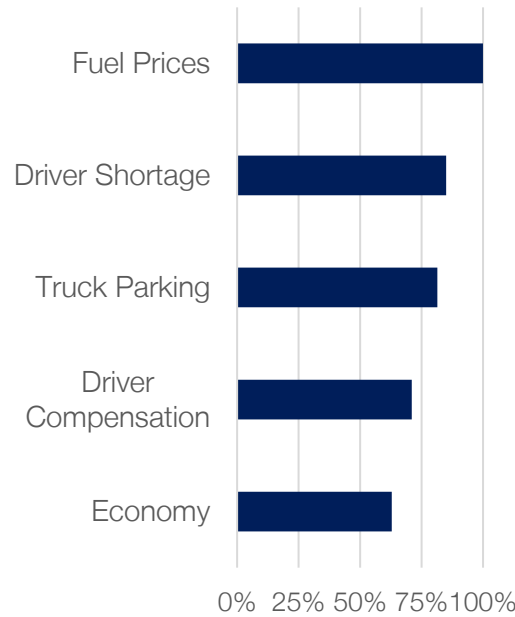


600 Million

Under construction warehouse space reached a record high to end 2022



Available Truck Parking (Industry Concern Index)



313,000

Parking spaces for semi-trucks in the United States, according to the ATRI Industry Concern Index



Industrial occupiers have been operating in an extremely challenging environment. Supply has lagged demand for several quarters, causing occupiers to make difficult decisions.

Lease Rates/Vacancy

The average asking rate for warehouse space has increased by more than \$2.50 per square foot since the start of the pandemic. Meanwhile, vacancy sits at 4 percent.

New Construction

Demand for warehouse space has pushed new construction above 600 million square feet, while new deliveries passed 300 million square feet in 2022, a historic high.

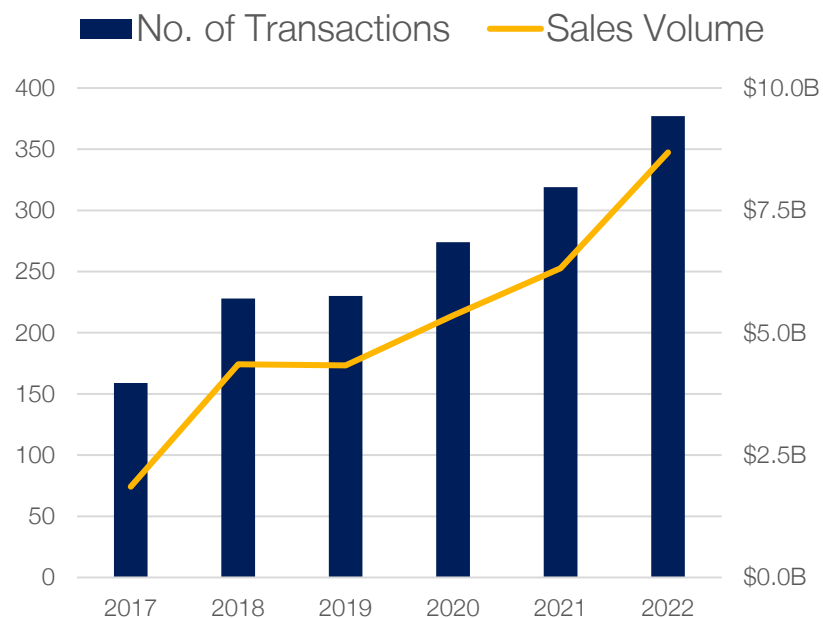
Truck Parking

Truck parking has become an industry-wide issue, causing both delays and safety issues. There is currently only a reported 1 parking spot for every 11 trucks on the road.

Sale-Leasebacks

Investors are looking for ways to enter the industrial market

**Sale-Leaseback Transactions
(Industrial Properties: >50K SF)**

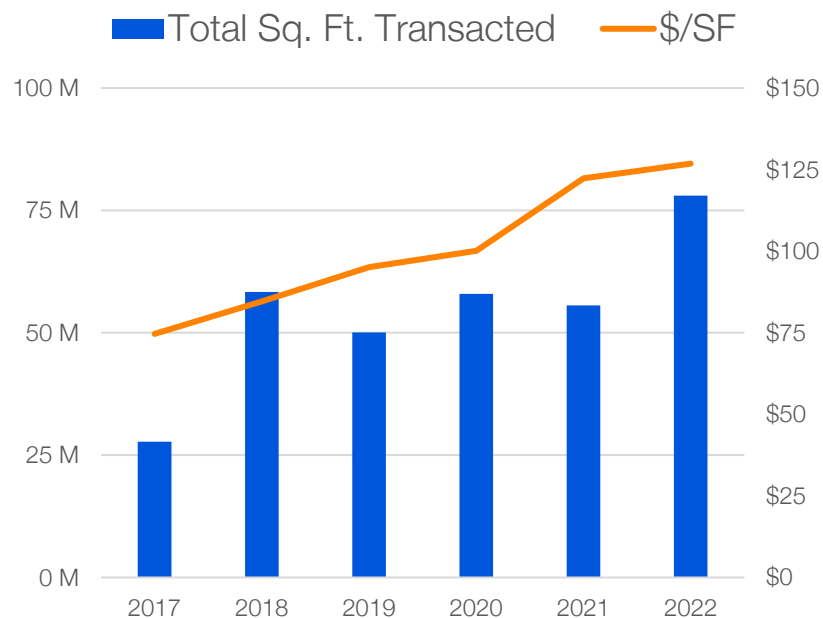


\$20.4 billion

Sales volume in the past three years, while sales in the three years before the pandemic totaled \$10.5 billion

Source: CoStar, Cresa

**Sale-Leaseback: Total Sq. Ft Transacted vs. \$/SF
(Industrial Properties: >50K SF)**



37.3%

Average price per square increase from sales before and after the start of the pandemic

Source: CoStar, Cresa

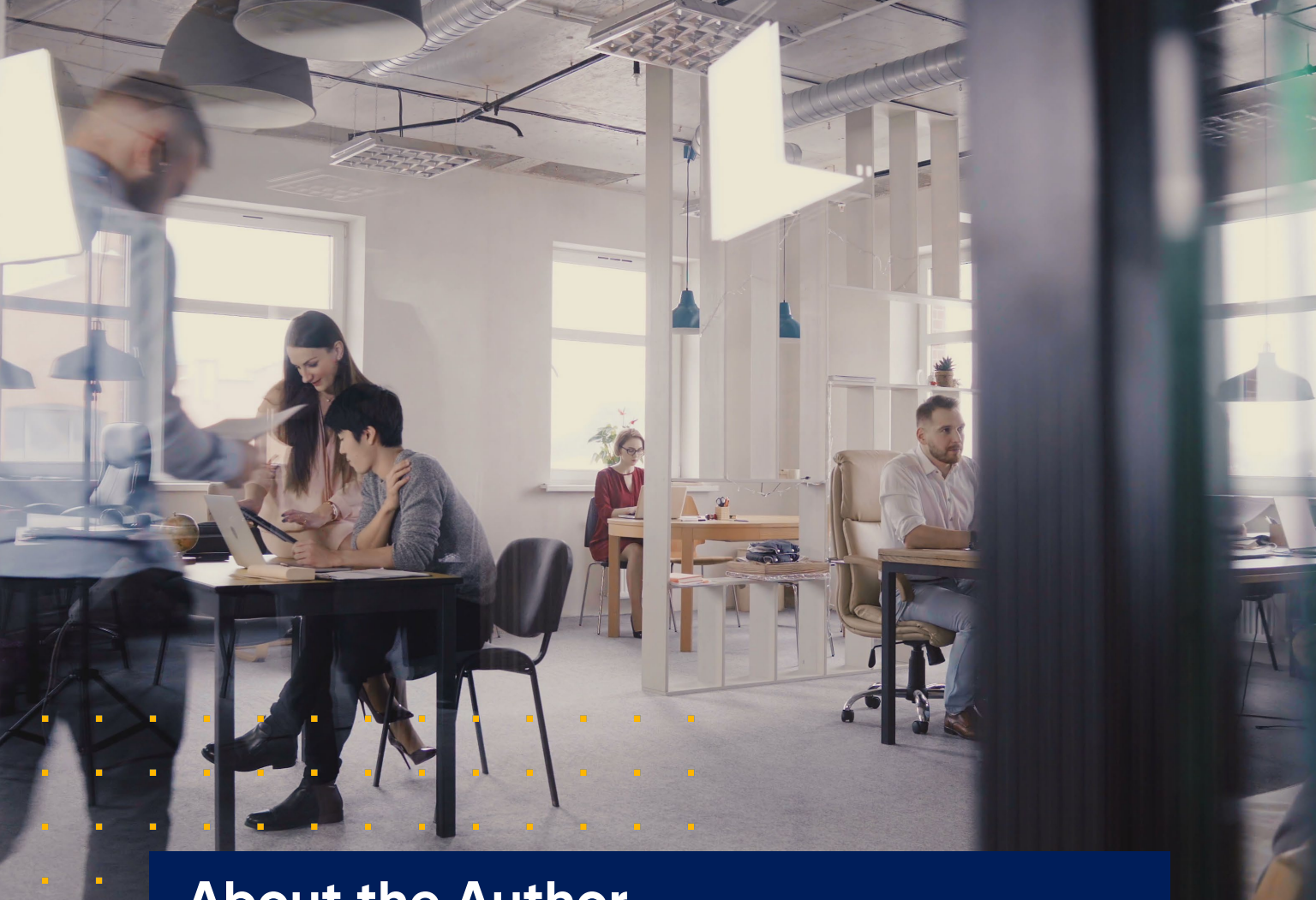
As commercial transportation companies navigate a blistering industrial real estate market, there are options to consider, particularly larger companies with substantial portfolios. Larger portfolios provide leverage and opportunity. For example, sale-leasebacks in the industrial sector have boomed despite challenging capital market conditions as owners/users look to cash out and relieve debt burdens. Investment managers and public REITs are the most active in the sale-leaseback market since the start of 2021.

Transactions & Sales Volume

The number of sale-leaseback transactions steadily increased in the past 3 years, with the number of transactions increasing at around 20 percent per year since 2020. The total sales volume followed this increase slowly, with sale-leasebacks for properties over 50,000 square feet reaching nearly \$9 billion in 2022.

Price Increases

While the total square footage purchased has been tracking higher, the prices per square foot have reached record highs, with the average price received over \$125 per square foot in 2022. As investors look to take advantage of a blistering industrial market, they are willing to pay higher prices with smaller cap rates to acquire properties with steady income streams in the sale-leaseback market.



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