



2024 - 2025

Freight Transport Industry Report

Truck Transportation



The Trucking Industry Looks to
Mitigate Market Volatility

The U.S. truck transportation market is currently experiencing a period of fluctuation due to shifting economic conditions and evolving supply chain dynamics. Demand for freight services has been impacted by factors such as slowing industrial production, moderating consumer spending and rising inventory levels. Additionally, the trucking sector, which handles the majority of inland freight, has faced challenges including volatile fuel costs, driver shortages and stricter regulatory requirements. Still, inflation has been decreasing and job creation remains healthy as the US economy looks to close 2024 on a positive note.

Occupier View

Trends

- The demand for qualified drivers remains a top-priority for operators.
- Securing advantageous terms on fixed costs like real estate is important in a volatile environment for fuel and spot rate costs.

Look Ahead

- Reducing costs requires new operational models to maintain margins.
- Onshoring and nearshoring provide long-term impacts on freight patterns and create new opportunities.

The U.S. economy is currently navigating a mixed environment, characterized by slowing growth and persistent inflationary pressures. Despite a resilient labor market, higher interest rates and cautious consumer spending are weighing on economic momentum.

Fed Funds Rate/10-Year Treasury

After 11 consecutive rate increases, the US Fed dropped rates 50-basis points in September to provide economic support amid concerns of slowing growth and tightening financial conditions.

CPI (All Categories)

Inflation dropped to 2.6 percent annual increase to close August, marking the lowest increase since the onset of the pandemic. Both energy and transportation sector inflation have retreated in the past year.

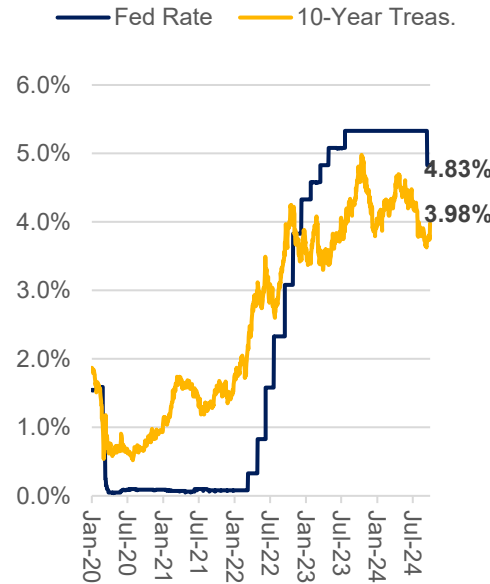
Gross Domestic Product

Real GDP has expanded for nine straight quarters, defying expectations for a slowdown over the past 12-months. The recent increases reflect consumer spending, business investment, and inventory investment.

Economy

Fed Lowers Rates as Inflation Cools

Fed Effect Rate v 10-Yr Treasury (Oct. 2024)

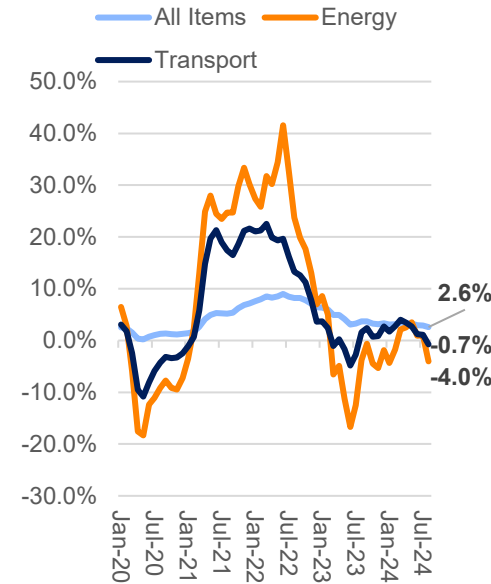


4.75-5%

The Fed dropped borrowing costs 50-basis points in September 2024



Consumer Price Index (Inflation) (All Items, Energy & Transport) (Oct. 2024)

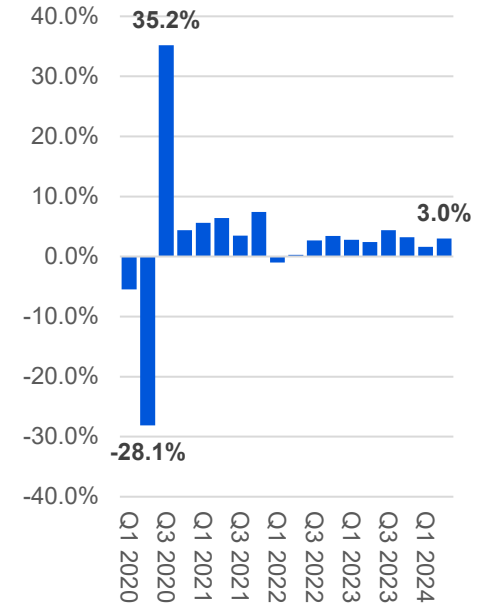


-4%

Energy CPI (inflation) has fallen sharply in past 12-months



Real Gross Domestic Product (2nd Qtr. 2024)



3%

GDP for the second quarter increased a solid 3%



Source: Board of Governors of the Federal Reserve System; [Federal Reserve Bank of St. Louis](#).

Source: [U.S. Bureau of Labor Statistics](#)

Source: [U.S. Bureau of Economic Analysis](#), Real GDP, Seas Note Q2 2024 data is the third estimate

Consumer spending has experienced moderate growth, supported by rising incomes. Spending on durable goods, like cars and household items has been subdued as discretionary spending remains muted.

Personal Consumption Index

The Personal Consumption Expenditure (PCE) index is a measure of prices paid for goods and services. Durable goods such as appliances and furniture have slipped in the last several quarters.

Consumer Spending

Spending has leveled off to pre-pandemic levels as consumers drew down on the savings accumulated during the period of lockdowns and social distancing.

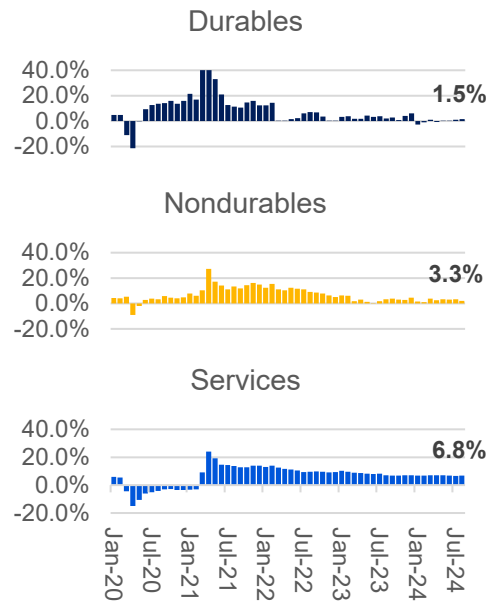
Consumer Sentiment Index

Consumer sentiment improved in 2023 before falling in 2024, remaining below historic averages. As consumer spending moderates, consumer sentiment will likely be slow to dramatically improve.

Consumers

Durable Goods Spending Drops as Overall Spending Slows

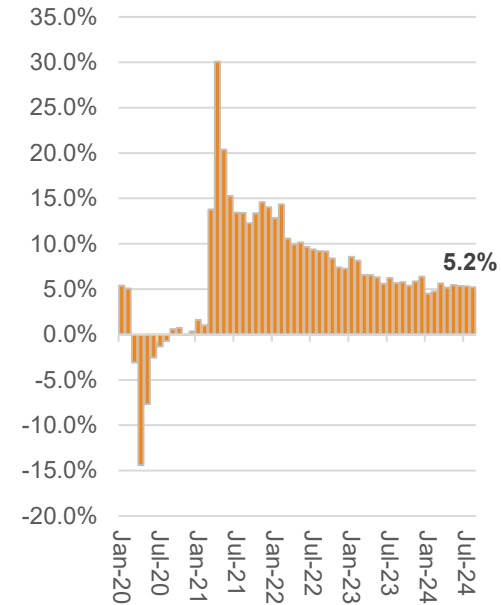
PCE Index
(Year-over-Year change)
(Sept. 2024)



1.5%
Annual increase for durable goods jumped the highest percentage since the start of the year

Trending

Consumer Spending
(Year-over-Year change)
(Sept. 2024)



5.2%
Annual increase in August 2024, the third lowest increase since March 2021

Trending

Consumer Sentiment Index
(All Categories: Sep. 2024)



83.4
Consumer Sentiment average since the year 2000, the average since the start of the pandemic is 70.1

Trending

Source: [Bureau of Economic Analysis](#)

Source: [Bureau of Economic Analysis](#),

Source: Surveys of Consumers, [University of Michigan](#); [Consumer Sentiment](#)

Transport

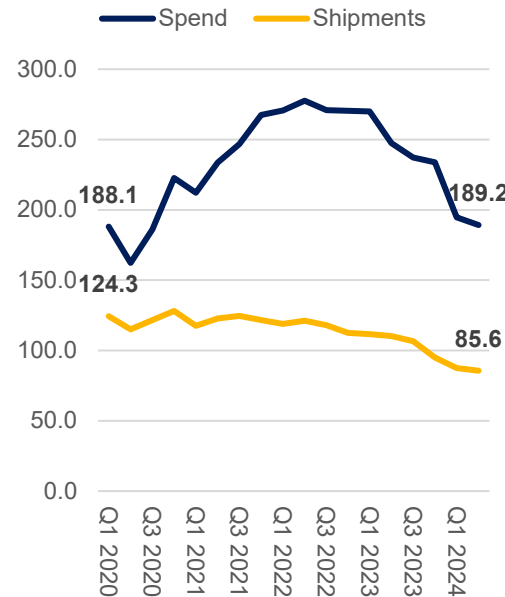
Jobs Added While Fuel Prices Provide Transportation Relief

After peaking in 2022, trucking freight levels have dropped back closer to pre-pandemic levels. Diesel prices have also dropped after peaking in the Summer of 2022.

US Bank Index

The national truck freight market trended lower in the second quarter. Both spending and shipment indexes declined at slower rates compared to previous quarters.

US Bank Freight Payment Index (2024 Q2)

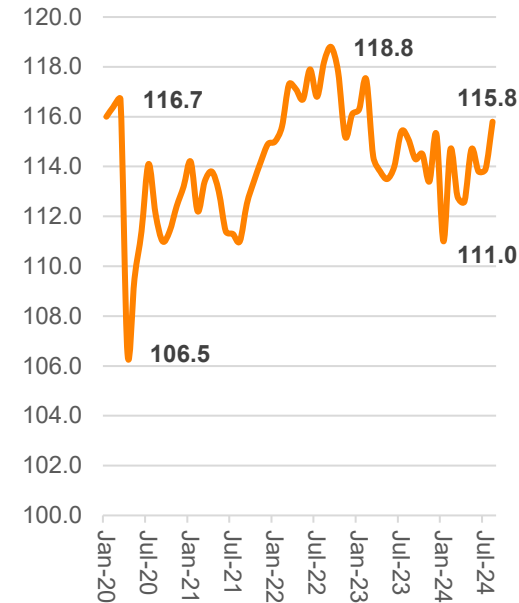


8
Trending

Consecutive quarters that both the spending and shipments index has dropped

Source: [U.S. Bank Freight Payment Index](#), Q2 2024

Truck Tonnage Index (Sept 2024)

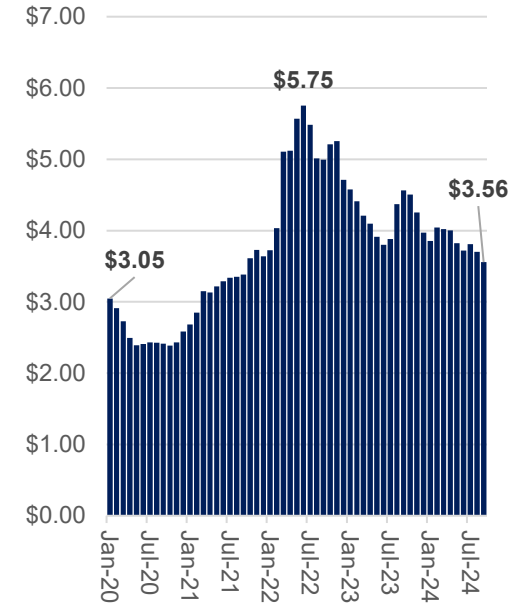


116.1
Trending

Truck tonnage index for the month before the start of the pandemic is near the August 2024 index

Source: U.S. Bureau of Transportation Statistics, [Truck Tonnage Index](#)

Diesel Sale Prices (Dollars Per Gallon: Sept. 2024)



-38.2%
Trending

Diesel prices are well-below the peak in the summer of 2022

Source: [U.S. Energy Information Administration](#)

Truck Tonnage Index

The truck tonnage index measures the gross tonnage of freight transported by motor carriers. The index rose to 115.8 in August, the highest level since February 2023.

Diesel Sale Prices

The price for a gallon of diesel fuel consistently increased since the pandemic until it peaked at nearly \$5.75 per gallon in June 2022. Since that time, prices have dropped more than \$2.00 per gallon.

Real Estate

Warehouse/Distribution Real Estate Market Slows

Demand for warehouse/distribution spaces has dropped after consumer spending and supply chain disruptions spurred historic building and sharp asking rate increases. Both new construction and rent growth have moderated in the past 12-months.

Lease Rates/Vacancy

The average asking rate for warehouse space has dramatically slowed, with quarterly growth less than one percent, compared to between two and three percent growth in 2022 and 2023. Meanwhile, vacancy has nearly doubled since the low in the first quarter of 2022.

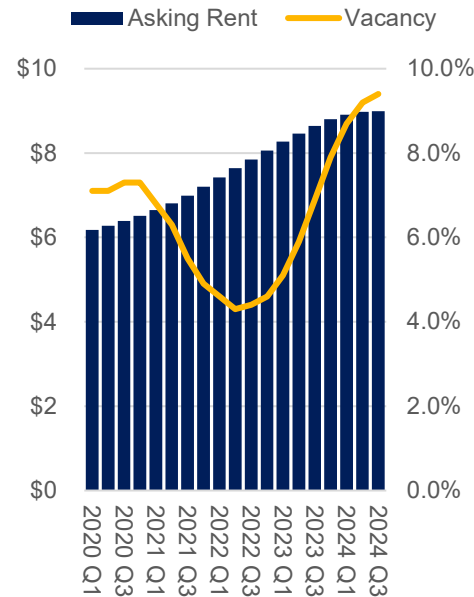
Net Absorption

Absorption for 2024 is on track to be near pre-pandemic levels, following two years of historic gains. A robust pipeline will keep absorption elevated moving forward.

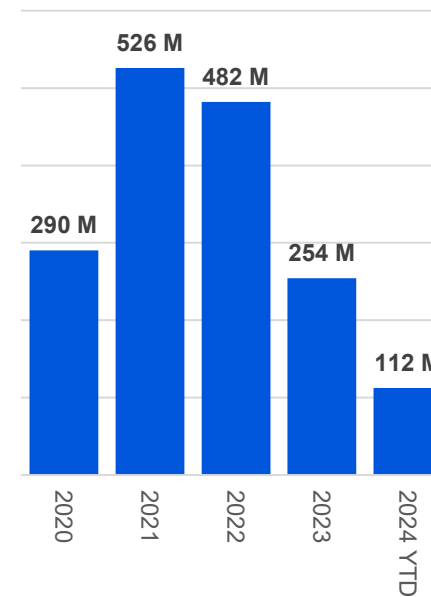
Construction

New construction starts have dropped to levels last seen in 2016 as the market waits to absorb the high number of new deliveries in the past 24-months. Rates and high construction costs have also helped to curb new ground breakings.

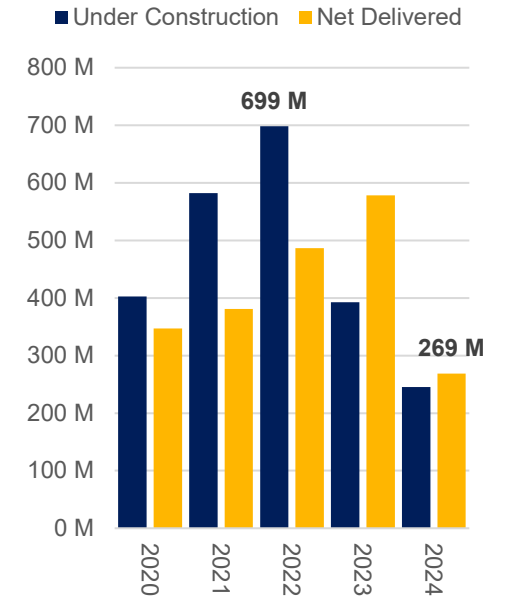
Lease Rates & Vacancy (Warehouse/Distribution)



Net Absorption (Warehouse/Distribution)



New Construction (Warehouse/Distribution)



0.1%
Lease rate increase since last quarter, the lowest quarterly increase in the past 10 years



1.01 Billion
Positive net absorption in 2021 and 2022, both record highs



-66.8%
Warehouse/distribution space under construction level compared to 2022 high

Note: Data includes Class A & B warehouse, distribution, and cold storage facilities over 100,000 square feet.
Source: CoStar, Cresa

A shortage of truck terminals, particularly in the less-than-truckload (LTL) market, exacerbated by the exit of the carrier Yellow, has resulted in struggle to fill the capacity gap. The shortage leads to inefficiencies and rising operating costs.

Lease Rates/Vacancy

Asking rates have steadily grown as vacancy has fluctuated between three and five percent. Leasing trends are characterized by a cautious approach until the market stabilizes.

Sale Price

The limited supply of truck terminals have caused overall sale prices to jump in the past five years. Prices are driven by size and accessibility of terminals.

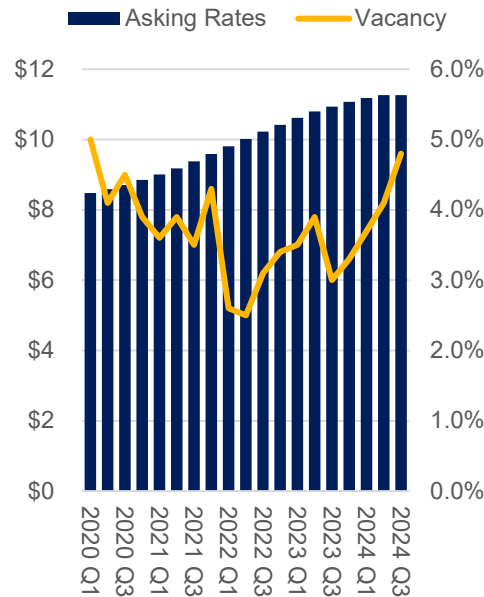
Construction

New truck terminal projects under construction have been relatively stable over the past couple of years. Finding sizable lots in favorable locations and rising land prices have made developing truck terminals more challenging.

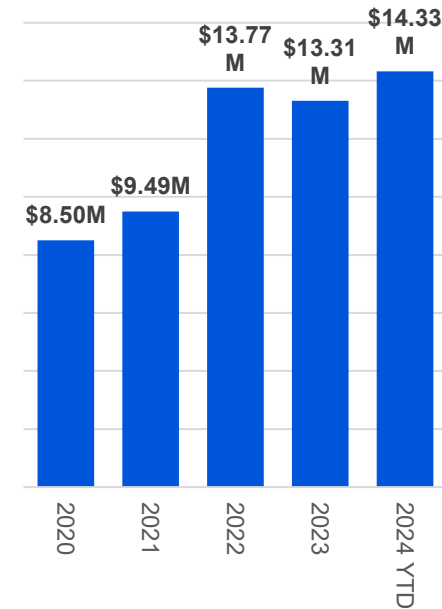
Real Estate

Truck Terminals Needed

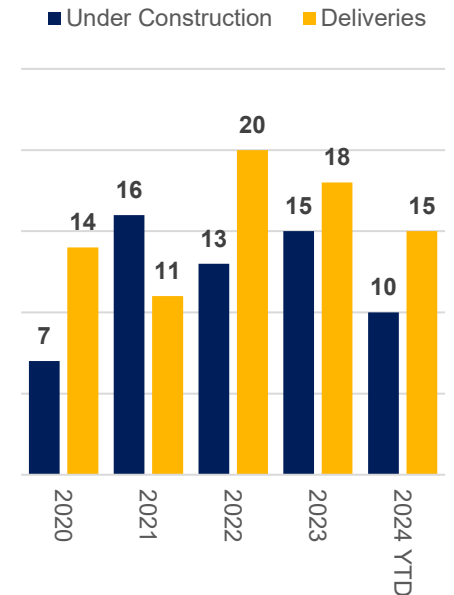
Lease Rates & Vacancy (Truck Terminals)



Sale Price Per Terminal (Truck Terminals)



New Construction: Total Projects (Truck Terminals)



4.8%
 Trending
 Vacancy rates have been below 5% since the start of 2020

68.6%
 Trending
 Overall average sale price increase since 2020

78
 Trending
 New truck terminals delivered since the start of 2020

Note: Data includes truck terminals over 5 acres
 Source: CoStar, Cresa

Looking Ahead

The freight transportation industry is anticipating moderate growth as companies continue to look to strike the right balance between anticipating demand and controlling costs. The industry is still grappling with excess capacity post-pandemic which is applying pressure on operators, particularly small trucking companies that rely on margins to stay afloat. Technological advancements and shifts toward sustainability are expected to accelerate, providing new growth opportunities. However, ongoing labor shortages for qualified drivers, regulatory pressures and fluctuating fuel/energy prices are obstacles for the trucking industry. Investing in new technologies, building strong partnerships, and exploring new operational models to maintain margins will keep operators ahead of the curve. Speed to customers remains the lone non-negotiable factor that will require logistics companies to keep pace. Understanding customer demand and consumer trends will be paramount in growing market share.



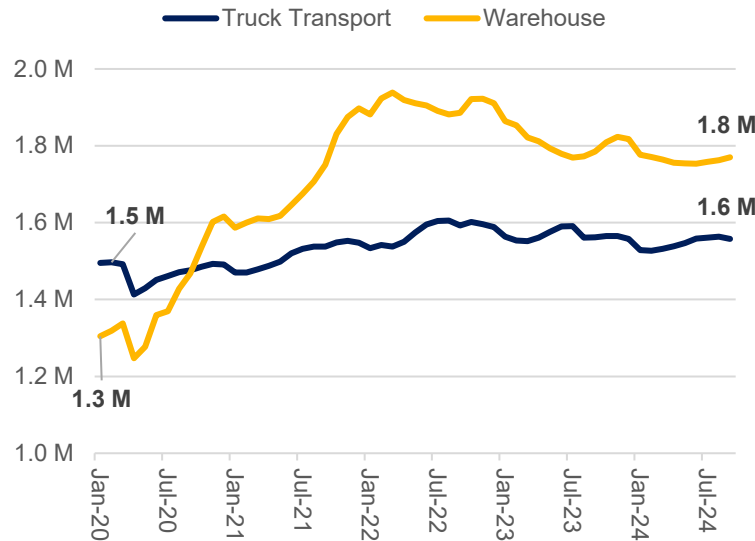
Craig Van Pelt

Head of Research

cvanpelt@cresa.com

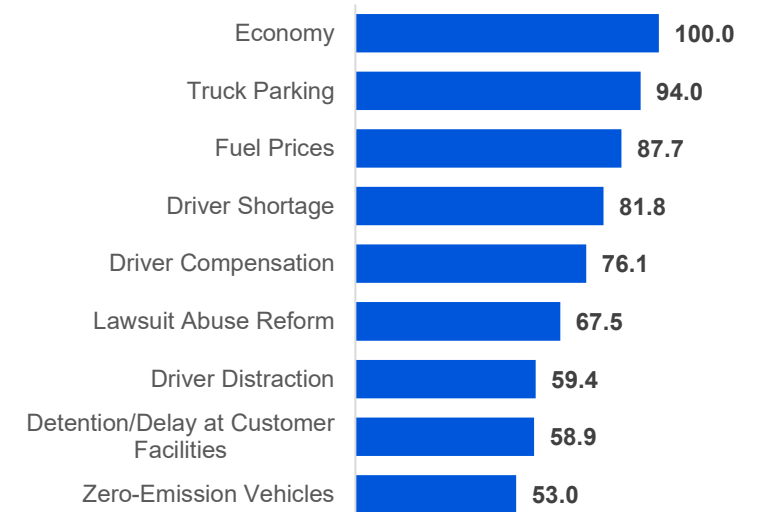
Trends

Job Creation
(Truck & Warehousing: Sept 2024)



Job creation in **truck transportation has remained steady**, while **warehouse and storage jobs have generally stalled**.

Trucking Industry Concern Index



The American Transportation Research Initiative: Critical Issues in the Trucking Industry report conducts a yearly survey to understand issues that impact the industry. The **economy remains a top concern** with consumers remaining cautious. **Truck parking has increased in importance** from last year as safety issues and lack of options for drivers continue to make parking an important concern. Recent government regulations have placed **increased pressure on zero-emission vehicles being put into service** causing concern for players within the industry to prepare for this potential shift.