CRESA LOGISTICS INDEX

As the overall industrial warehouse/ distribution market takes a break after several years of historic growth, there are opportunities for tenants looking to find leverage in some markets.

By Craig Van Pelt

The Cresa Logistics Index is a semi-annual release that examines the Top 100 US Industrial markets in terms of total square footage of warehouse/industrial inventory through the lens of being either tenant or landlord favorable.

Fast-growing markets with oversupply and rising availabilities are the most tenant favorable.

Several different categories were evaluated and ranked from 1 through 100 (the number of markets studied) based on whether it was considered tenant favorable or landlord favorable. For example, the market with the lowest vacancy – Albuquerque, NM at 1.5 percent – was ranked number 1, or most landlord favorable/least tenant favorable in the vacancy category. While the market with the most sublease square footage as a percentage of inventory – Spartanburg, South Carolina at 5.1 percent – was ranked number 100, or most tenant favorable/least landlord favorable. A total of 7 categories were studied and the aggregate score was calculated to identify each markets' ranking. The tenant favorable rankings are from 1 (most tenant favorable) to 100 (least tenant favorable). An explanation and breakdown of the categories and rankings are included at the end of this report. The purpose of the Cresa Logistics Index is to provide a snapshot of broad market conditions and to compare these to other markets.

HIGHLIGHTS

Market with the Most Net Delivery SF (12-Mo)

56.6M DALLAS

Market with the Highest Availability Percentage

25.3% SPARTANBURG, SC

Market with the Highest Sublease SF

18.9M INLAND EMPIRE

Note: A breakdown of the methodology is included at the end of this report.

The Cresa Logistics Index considers several categories that were selected to represent how a market is performing.

Efforts to level the components of the index were utilized to remove the overall size of a market compared to others, such as evaluating a change in a market criteria as a percentage of total current inventory. This allows for comparison of large markets such as Chicago with smaller markets like Birmingham, Alabama. These categories were further divided into larger groups: 1) Market Rent Metrics, 2) Occupancy Metrics, and 3) Building Metrics. There is a complete list of the rankings for all 100 markets later in this report. Each of the categories are color-coded to help visualize whether a market is currently tenant or landlord favorable. The Cresa Logistics Index was calculated by adding the rankings of all the categories together and dividing by the highest total score available and multiplying by 100 to provide a score between 0 and 100. The higher the score, the more tenant favorable the market, while lower scores identify more landlord favorable markets.

TOP 10 MOST TENANT FAVORABLE MARKETS

Favorable Landlord ↔ Tenant

				Tenant Favorability Rank by Category (1 to 100)							
				Market Rent Metrics		Occupancy Metrics			Building Metrics		
Tenant Favorable Rank	Market	State	Inventory (Current)	Market Rent Change (Q-o-Q)	Market Rent Change ((1-year)	Vacancy Rate (Current)	Avail. Rate (Current)	Total Sublease SF as % of Inventory (Current)	Net Deliveries SF as % of Inventory (1-year)	Under Const. SF as % of Inventory (Current	Cresa Logistics Index Q2 2024
1	Austin	TX	102 M	96	76	95	99	65	96	100	89.57
2	Inland Empire	CA	652 M	99	99	75	88	98	82	81	88.86
3	Reno	NV	88 M	76	90	91	89	92	80	89	86.71
4	Boise	ID	42 M	84	96	84	95	35	91	98	83.29
5	Salt Lake City	UT	129 M	85	82	86	76	91	86	74	82.86
6	Charleston	SC	73 M	44	31	97	98	97	97	92	79.43
7	Las Vegas	NV	137 M	92	24	71	94	60	93	99	76.14
8	Phoenix	AZ	344 M	63	11	96	97	69	98	97	75.86
8	Houston	TX	639 M	95	93	82	71	50	83	57	75.86
8	San Antonio	TX	118 M	67	86	92	92	33	79	82	75.86

TOP 10 MOST LANDLORD FAVORABLE MARKETS

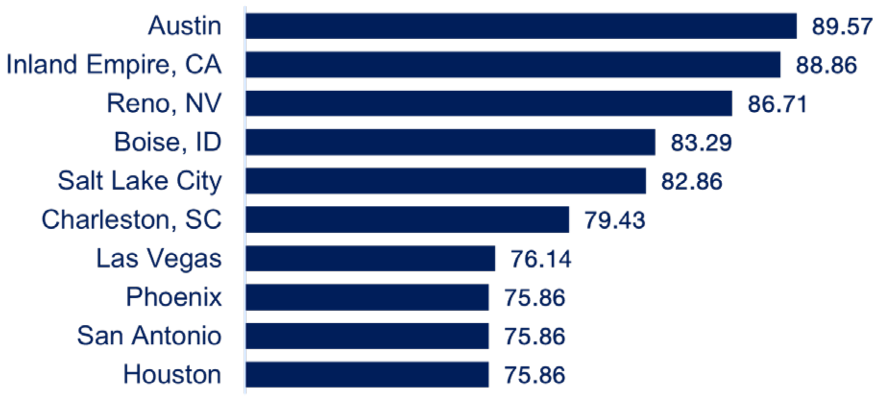
Favorable Landlord ↔ Tenant

				Tenant Favorability Rank by Category (1 to 100)							
				Market Rent Metrics		Occupancy Metrics			Building Metrics		
Tenant Favorable Rank	Market	State	Inventory (Current)	Market Rent Change (Q-o-Q)	Market Rent Change ((1-year)	Vacancy Rate (Current)	Avail. Rate (Current)	Total Sublease SF as % of Inventory (Current)	Net Deliveries SF as % of Inventory (1-year)	Under Const. SF as % of Inventory (Current	Cresa Logistics Index Q2 2024
100	Hickory	NC	42 M	37	33	27	11	9	7	5	18.43
99	Toledo	OH	56 M	27	53	2	9	6	30	18	20.71
98	Cleveland	OH	182 M	6	34	18	22	28	21	27	22.29
97	Knoxville	TN	50 M	31	19	7	4	5	52	46	23.43
96	Madison	WI	43 M	15	61	8	8	3	65	7	23.86
95	Fort Wayne	IN	42 M	13	49	17	12	4	41	35	24.43
93	Akron	OH	73 M	12	44	16	15	34	39	13	24.71
93	New Orleans	LA	64 M	55	26	9	6	11	15	51	24.71
92	Grand Rapids	MI	84 M	7	71	3	3	43	14	33	24.86
91	Tulsa	OK	60 M	16	62	15	14	36	11	24	25.43

TENANT FAVORABLE

Markets with high levels of new construction and high vacancies and availabilities are considered the most tenant favorable. The Austin and Inland Empire markets, despite several years of strong growth, are waiting for demand to catch up to supply, triggering landlords to be motivated to make concessions to close deals.

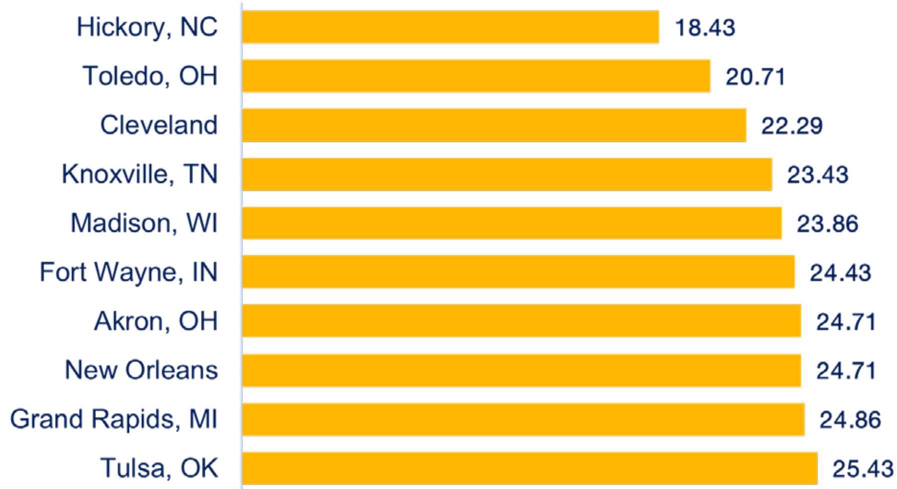
TOP 10 MOST TENANT FAVORABLE MARKETS



LANDLORD FAVORABLE

Markets with strong rent growth, high occupancy levels, and limited new construction are considered to be landlord favorable. Hickory, NC, which had 6.4 percent 1-year rent growth (ranked 33rd), a 4.6 percent availability rate (ranked 11th) and only 33,107 square feet under construction, or 0.1 percent of inventory, (ranked 5th), was considered most landlord favorable. Landlords in these types of markets are less likely to be flexible on lease terms.

TOP 10 MOST LANDLORD FAVORABLE MARKETS



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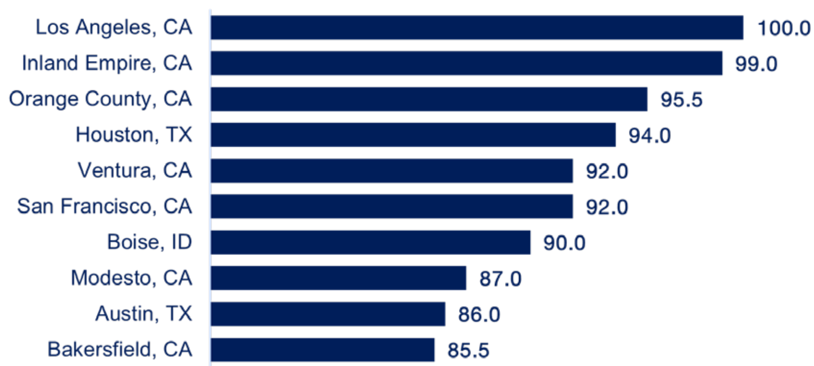
TENANT FAVORABLE
BY CATEGORY

Several southern California markets were ranked tenant favorable due to falling rents. The Inland Empire experienced double-digit yearly rent increases in both 2021 and 2022. After years of sharp increases and a robust construction pipeline, rents have retreated dropping more than 10 percent year-over-year, providing a window for tenants. Other fast growing industrial markets like Houston and Austin rank tenant favorable.

MARKET RENT METRICS

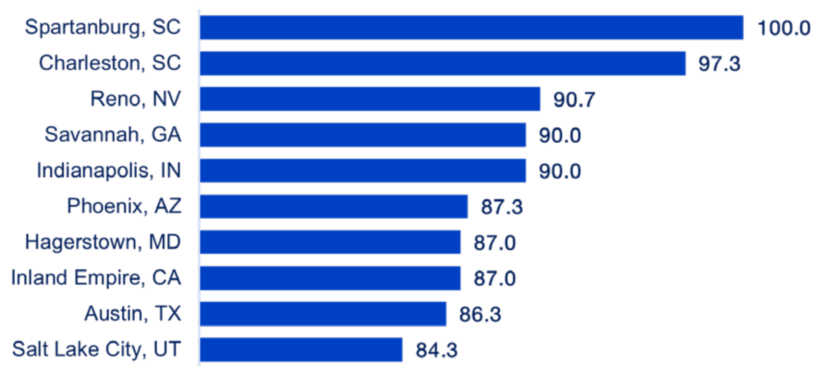
Ranked from Most Tenant Favorable
Lowest Rent Growth Ranking (Q-o-Q & 1-Year Percentage Changes)



Markets with oversupply have led to increased availabilities and spiking sublease square footage. These markets include several fast-growing markets, including Spartanburg, SC, which recorded a 25.3 percent availability rate last quarter, ranking the highest in terms of occupancy metrics.

OCCUPANCY METRICS

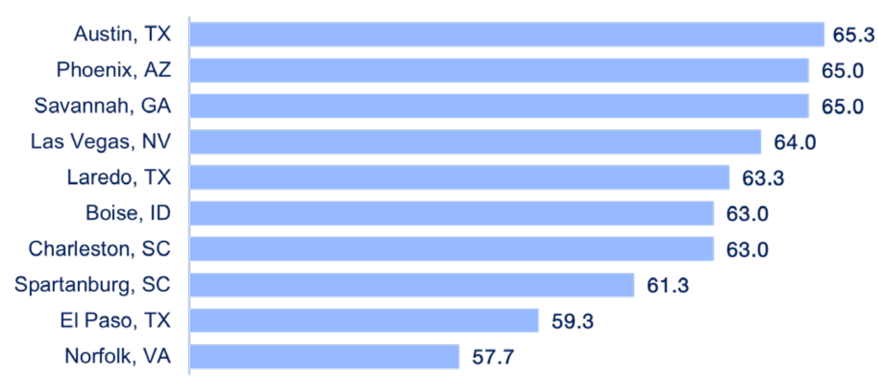
Ranked from Most Tenant Favorable
Highest Total Vacancy, Availability & Sublease SF as % of Inventory



The markets noted as tenant favorable due to building metrics included high amounts of new construction as part of the historic levels of new supply under construction and delivered in the past several years. Austin and Phoenix, which both had over 10 percent of their total inventory delivered in the past 1-year, are considered landlord favorable as tenants have more leverage due to oversupply.

BUILDING METRICS

Ranked from Most Tenant Favorable
Most Net Deliveries & Under Construction as a % of Inventory



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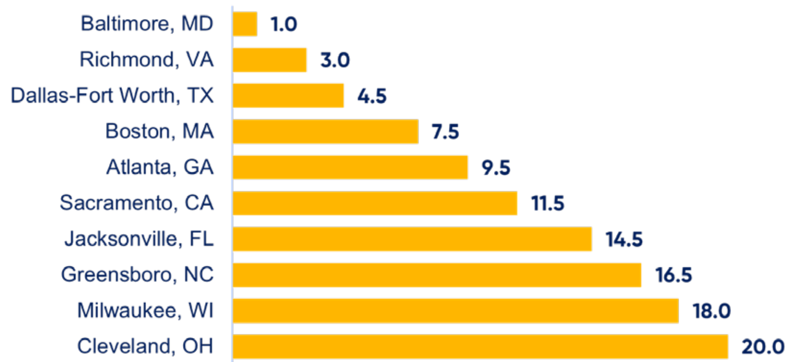
LANDLORD FAVORABLE
BY CATEGORY

After 5 years of strong growth, the overall warehouse/ distribution market has begun to slow. Some markets, like Dallas and Richmond, are still pushing rates higher. Many of these markets have seen robust population growth and are well-located for distribution purposes. The Richmond market, for example, saw rent increase over 10 percent over the past year with 5.2 percent vacancy.

MARKET RENT METRICS

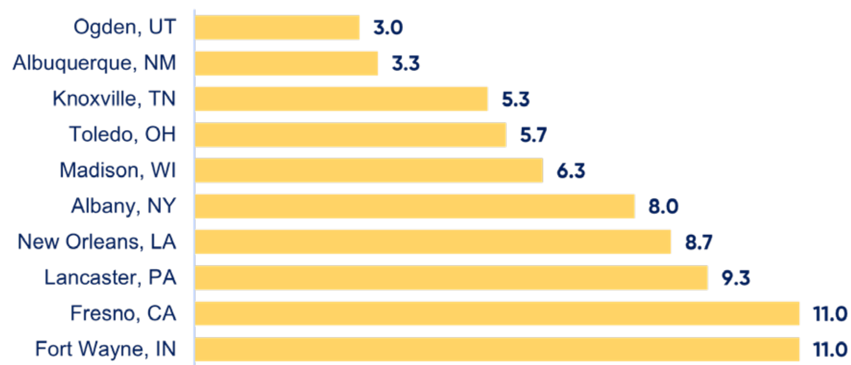
Ranked from Most Tenant Favorable
Lowest Rent Growth Ranking (Q-o-Q & 1-Year Percentage Changes)



Many stable, smaller industrial warehouse/distribution markets that have seen limited amounts of new construction, and are well-located, have high occupancy levels and low sublease availability. Landlords in these tertiary markets are less likely to negotiate on rates and concession packages due to lack of competition.

OCCUPANCY METRICS

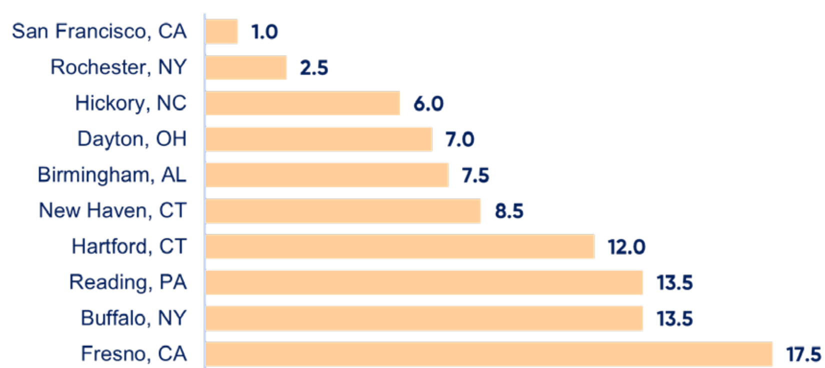
Ranked from Most Tenant Favorable
Highest Total Vacancy, Availability & Sublease SF as % of Inventory



Limited demand has resulted in many markets missing out on the historic levels of new construction taking place in other markets. Consequently, market rates have not been pushed like other markets. However, the stability of the markets have not motivated landlords to make the same types of concessions as other markets with oversupply. The top 10 markets with the lowest building metrics delivered less than 1 million square feet in the past 12-months.

BUILDING METRICS

Ranked from Most Tenant Favorable
Most Net Deliveries & Under Construction as a % of Inventory



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CRESA LOGISTICS INDEX (1-50)

Favorable Landlord ↔ Tenant

				Tenant Favorability Rank by Category (1 to 100)							
				Market Rent Metrics		Occupancy Metrics			Building Metrics		
Tenant Favorable Rank	Market	State	Inventory (Current)	Market Rent Change (Q-o-Q)	Market Rent Change ((1-year)	Vacancy Rate (Current)	Avail. Rate (Current)	Total Sublease SF as % of Inventory (Current)	Net Deliveries SF as % of Inventory (1-year)	Under Const. SF as % of Inventory (Current	Cresa Logistics Index Q2 2024
1	Austin	TX	102 M	96	76	95	99	65	96	100	89.57
2	Inland Empire	CA	652 M	99	99	75	88	98	82	81	88.86
3	Reno	NV	88 M	76	90	91	89	92	80	89	86.71
4	Boise	ID	42 M	84	96	84	95	35	91	98	83.29
5	Salt Lake City	UT	129 M	85	82	86	76	91	86	74	82.86
6	Charleston	SC	73 M	44	31	97	98	97	97	92	79.43
7	Las Vegas	NV	137 M	92	24	71	94	60	93	99	76.14
8	Phoenix	AZ	344 M	63	11	96	97	69	98	97	75.86
8	Houston	TX	639 M	95	93	82	71	50	83	57	75.86
8	San Antonio	TX	118 M	67	86	92	92	33	79	82	75.86
11	Spartanburg	SC	74 M	24	18	100	100	100	94	90	75.14
12	Indianapolis	IN	305 M	80	36	94	91	85	69	61	73.71
13	Savannah	GA	114 M	33	17	98	93	79	99	96	73.57
13	Laredo	TX	44 M	77	84	42	65	57	95	95	73.57
15	Denver	CO	198 M	82	80	89	84	58	74	47	73.43
16	Nashville	TN	195 M	93	67	59	60	89	72	66	72.29
17	El Paso	TX	61 M	71	83	83	74	16	92	86	72.14
18	Vallejo-Fairfield	CA	38 M	74	87	38	56	76	87	78	70.86
19	Worcester	MA	65 M	68	30	74	81	86	62	94	70.71
20	Bakersfield	CA	47 M	79	92	87	63	48	55	63	69.57
21	Stockton	CA	124 M	65	58	79	73	74	66	53	66.86
22	Charlotte	NC	265 M	62	38	70	82	49	75	91	66.71
23	San Diego	CA	91 M	56	70	68	67	82	49	72	66.29
24	New York	NY	647 M	90	78	64	72	54	33	69	65.71
25	Memphis	TN	274 M	88	77	78	83	90	31	8	65.00
26	Philadelphia	PA	441 M	57	40	81	87	37	73	77	64.57
27	Hagerstown	MD	42 M	34	47	99	96	66	100	1	63.29
28	Columbus	OH	304 M	52	9	88	77	78	81	50	62.14
29	East Bay	CA	165 M	70	98	61	54	94	27	23	61.00
30	San Francisco	CA	49 M	89	95	76	68	88	1	1	59.71
31	Oklahoma City	OK	89 M	75	88	58	38	22	84	52	59.57
32	Los Angeles	CA	654 M	100	100	43	52	70	20	31	59.43
33	Dallas-Fort Worth	TX	891 M	3	6	93	90	68	90	64	59.14
33	Orlando	FL	154 M	69	5	63	70	46	88	73	59.14
35	Northern New Jersey	NJ	175 M	91	74	45	47	64	47	42	58.57
36	Seattle	WA	245 M	10	41	85	80	87	50	54	58.14
36	Columbia	SC	44 M	59	32	62	75	19	76	84	58.14
38	Orange County	CA	160 M	97	94	31	39	84	23	37	57.86
39	Greenville	SC	87 M	41	16	67	61	67	78	60	55.71
40	Atlanta	GA	670 M	11	8	80	79	80	71	56	55.00
41	Scranton	PA	83 M	25	51	56	43	93	60	55	54.71
42	Norfolk	VA	85 M	50	60	24	48	25	85	88	54.29
43	Miami	FL	228 M	81	46	29	44	61	59	59	54.14
44	Lehigh Valley	PA	131 M	23	48	55	69	73	46	62	53.71
45	Raleigh	NC	55 M	39	15	51	59	45	77	87	53.29
46	Des Moines	IA	61 M	17	54	77	66	62	54	38	52.57
47	Portland	OR	179 M	64	73	44	42	75	29	40	52.43
48	San Jose	CA	54 M	86	72	28	19	77	3	75	51.43
49	Reading	PA	49 M	32	45	69	85	99	8	19	51.00
50	York	PA	55 M	30	55	13	58	95	18	85	50.57

CRESA LOGISTICS INDEX (51-100)

Favorable Landlord ↔ Tenant

				Tenant Favorability Rank by Category (1 to 100)							
				Market Rent Metrics		Occupancy Metrics			Building Metrics		
Tenant Favorable Rank	Market	State	Inventory (Current)	Market Rent Change (Q-o-Q)	Market Rent Change ((1-year)	Vacancy Rate (Current)	Avail. Rate (Current)	Total Sublease SF as % of Inventory (Current)	Net Deliveries SF as % of Inventory (1-year)	Under Const. SF as % of Inventory (Current	Cresa Logistics Index Q2 2024
51	Harrisburg	PA	94 M	26	50	73	62	96	24	20	50.14
52	Chicago	IL	972 M	60	42	50	55	53	53	36	49.86
53	Lakeland	FL	68 M	28	14	90	86	14	64	41	48.14
54	Saint Louis	MO	231 M	54	75	47	46	72	19	22	47.86
55	Palm Beach	FL	47 M	46	20	60	57	23	45	80	47.29
56	Ventura	CA	41 M	87	97	14	21	51	12	48	47.14
57	Cincinnati	OH	244 M	58	25	65	51	32	63	32	46.57
58	Modesto	CA	44 M	83	91	11	23	13	28	70	45.57
59	Kansas City	MO	271 M	29	35	57	41	59	57	30	44.00
60	Jacksonville	FL	116 M	22	7	35	50	44	61	83	43.14
61	Louisville	KY	181 M	18	39	33	32	47	58	71	42.57
62	New Haven	CT	45 M	53	63	48	33	83	13	4	42.43
62	Washington	DC	169 M	40	23	36	45	55	40	58	42.43
64	Greensboro	NC	103 M	21	12	30	37	63	56	76	42.14
65	Tampa	FL	151 M	61	3	46	35	39	42	68	42.00
65	Fort Lauderdale	FL	110 M	94	68	21	27	42	25	17	42.00
65	Winston-Salem	NC	60 M	38	37	66	53	1	32	67	42.00
68	Boston	MA	180 M	5	10	54	64	52	68	39	41.71
69	Minneapolis	MN	189 M	43	13	53	49	38	67	28	41.57
70	Baltimore	MD	180 M	1	1	72	78	81	2	44	39.86
71	Ogden	UT	46 M	72	81	5	2	2	34	79	39.29
72	Providence	RI	77 M	73	4	22	20	40	17	93	38.43
73	Dayton	OH	83 M	98	69	39	29	7	5	9	36.57
73	Pittsburgh	PA	128 M	9	85	49	36	21	44	12	36.57
75	Buffalo	NY	57 M	51	65	52	31	17	16	11	34.71
76	Little Rock	AR	51 M	42	29	23	13	27	89	10	33.29
77	Albuquerque	NM	39 M	78	89	1	1	8	36	16	32.71
78	Sacramento	CA	144 M	2	21	40	40	56	43	26	32.57
79	Detroit	MI	336 M	36	43	26	28	41	37	15	32.29
80	Richmond	VA	101 M	4	2	34	34	12	70	65	31.57
81	Birmingham	AL	74 M	48	22	37	26	71	9	6	31.29
82	Wichita	KS	43 M	20	64	41	18	24	26	25	31.14
83	Fresno	CA	62 M	66	79	10	5	18	6	29	30.43
84	Albany	NY	56 M	45	56	4	10	10	51	34	30.00
85	Omaha	NE	61 M	14	59	12	17	26	38	43	29.86
86	Lancaster	PA	50 M	35	52	6	7	15	35	49	28.43
86	Long Island	NY	128 M	19	27	25	30	31	22	45	28.43
88	Rochester	NY	59 M	49	66	32	24	20	4	1	28.00
89	Hartford	CT	64 M	47	57	20	16	29	10	14	27.57
90	Milwaukee	WI	104 M	8	28	19	25	30	48	21	25.57
91	Tulsa	OK	60 M	16	62	15	14	36	11	24	25.43
92	Grand Rapids	MI	84 M	7	71	3	3	43	14	33	24.86
93	Akron	OH	73 M	12	44	16	15	34	39	13	24.71
93	New Orleans	LA	64 M	55	26	9	6	11	15	51	24.71
95	Fort Wayne	IN	42 M	13	49	17	12	4	41	35	24.43
96	Madison	WI	43 M	15	61	8	8	3	65	7	23.86
97	Knoxville	TN	50 M	31	19	7	4	5	52	46	23.43
98	Cleveland	OH	182 M	6	34	18	22	28	21	27	22.29
99	Toledo	OH	56 M	27	53	2	9	6	30	18	20.71
100	Hickory	NC	42 M	37	33	27	11	9	7	5	18.43

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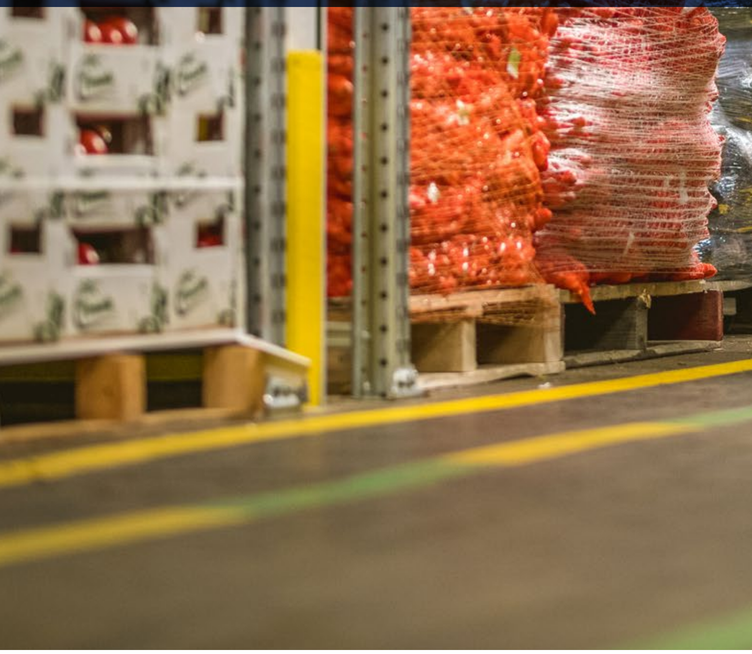
CONCLUSIONS

The industrial warehouse/distribution market is driven by consumer demand, which is why so many in the industry closely follow the overall health of the economy. Unfortunately, economic indicators are mixed. While consumer spending remains firm, overall consumer sentiment is down. Speculation on a decrease in interest rates is welcome news for many, but inflation remains stubbornly elevated. Further, unemployment continues to drift higher, despite still being below historical averages. This means industrial occupiers will be making decisions in a clouded economic setting, while at the same time have opportunities in many markets for leverage due to a stalled industrial market. With an election year cycle in full progress, there is further reasons to delay decision-making. However, companies with well-informed, reasoned approaches can take advantage and be well-positioned to leverage knowledge on securing the deal that best meets their needs as landlords look to fill their spaces and consider the next development cycle.



Notes & Definitions

The data included within report includes the following selected criteria:

- US Industrial markets, Industrial logistics space (warehouse/distribution), buildings over 50,000 square feet, Class A & B, non-owner occupied. The top 100 markets in terms of total square were included in the index. The data was collected from CoStar and Cresa data points.
- Data points were collected from 7 separate categories: Market rent percentage change (quarter-over-quarter; Market rent percentage change (1-year), Total vacancy rate (current), Availability rate (current); Sublease square footage as a percentage of inventory (current), Net delivered square footage as a percentage of inventory (1-year); Under construction as a percentage of inventory (current).
- The Cresa Logistics Index was calculated by ranking each of the categories from 1 to 100 based on whether it was tenant or landlord favorable. The lower ranking corresponds with most landlord favorable. Therefore, the lowest total index score equates to the most landlord favorable, while the highest total index score equates to the most tenant favorable. The index was calculated by adding all the 7 categories' rankings for each market and dividing the total by the highest possible score (7 categories x 100 markets). The number was multiplied by 100 to reflect the Cresa Logistics Index score which falls between 0 – 100.

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Craig serves as the Head of Research for Cresa, the leading commercial real estate tenant advisory in the world. The research role provides insight, thought leadership, and trends impacting occupiers of real estate, and supports existing client relationships and business development.

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