4Q24

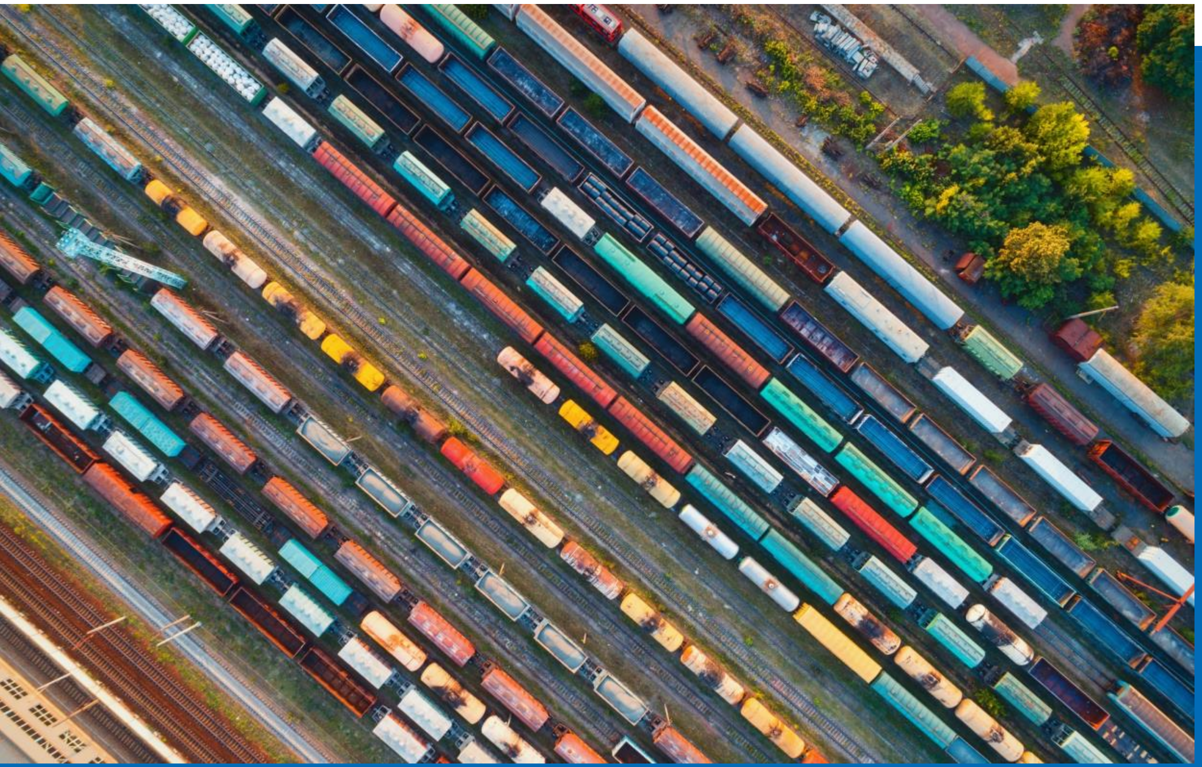
The U.S. Industrial Market: Conditions & Trends

NEWMARK

U.S. Market Fundamentals

4Q24 Key **Leasing Market** Fundamentals

U.S. VACANCY RATE	Availability Rate	Average Asking Rent (NNN PSF)	Net Absorption 2024	Total Leasing Volume 2024	Deliveries 2024	Construction Pipeline	Quarterly Construction Starts
UP	UP	DOWN	DOWN	UP	DOWN	DOWN	DOWN
6.9%	9.3%	$10.20 / SF	154.0 MSF	791.8 MSF	397.0 MSF	322.1 MSF	47 MSF
140 bps YOY	170 bps YOY	-0.1% YOY	-28% from 2023 volumes	0.9% from 2023 volumes	-30% from 2023 volumes	-36% YOY	-34% YOY



4Q24 Key **Capital Market** Fundamentals

Average Top Quartile Industrial Cap Rate	Average Total Industrial Cap Rate	Sales Volume 2024	Average Sale Price PSF
UP	UP	UP	UP
5.4%	6.4%	$99.6 B	$134
40 bps YOY	10 bps YOY	8% from 2023	5.7% YOY

U.S. Market Observations

Economic Conditions and Demand Drivers

- Economic indicators remain mixed, reflected in fluctuating consumer sentiment. The U.S. presidential election delivered a decisive outcome; however, early trade policy decisions by the new administration have introduced significant uncertainty for businesses domestically and abroad.
- Home sales, a key driver of purchases for furniture and other large-ticket goods—and therefore industrial demand—fell to a decade-plus low in 2024. Still, signs of a modest rebound for 2025 emerge, as U.S. pending home sales remained above 2023 levels for the third consecutive month in November.
- Manufacturing construction spending continues near record highs, reaching an inflation-adjusted $122 billion in November 2024—nearly double the pre-pandemic five-year average. The South captures the majority of this investment.

Leasing Market Fundamentals

- U.S. net absorption and new leasing activity softened in the fourth quarter compared to the previous two, driven by macroeconomic uncertainties, a persistent space overhang, and tenant move-outs stemming from credit losses. Despite these headwinds, demand remained solidly positive, marking the 60th consecutive quarter of net positive absorption.
- Overall market vacancy rose from 6.6% to 6.9% quarter-over-quarter, reaching its highest level in a decade. However, further expansion appears unlikely.
- Asking rents recorded their first annualized decline since 2012, though the -0.1% change reflects near stability compared to last year. Contract rates have held steady over the past year, while concessions continue to increase.

Capital Markets

- The fourth quarter ushered in $30 billion in sales volume, a strong increase from volumes one year ago – effectively ending the two-year-plus trend of annualized declines, though volumes were relatively flat year-over-year.
- Industrial transaction cap rates have fluctuated over the past 12 months around the low- to mid-5s, which will likely be the case again in 2025. Spreads to 10Y remain well below long-term averages.
- Across the ecosystem of investor profiles, private capital continues to account for nearly half of total acquisitions, although users accounted for 10% of purchases this year – the highest share in nearly a decade.

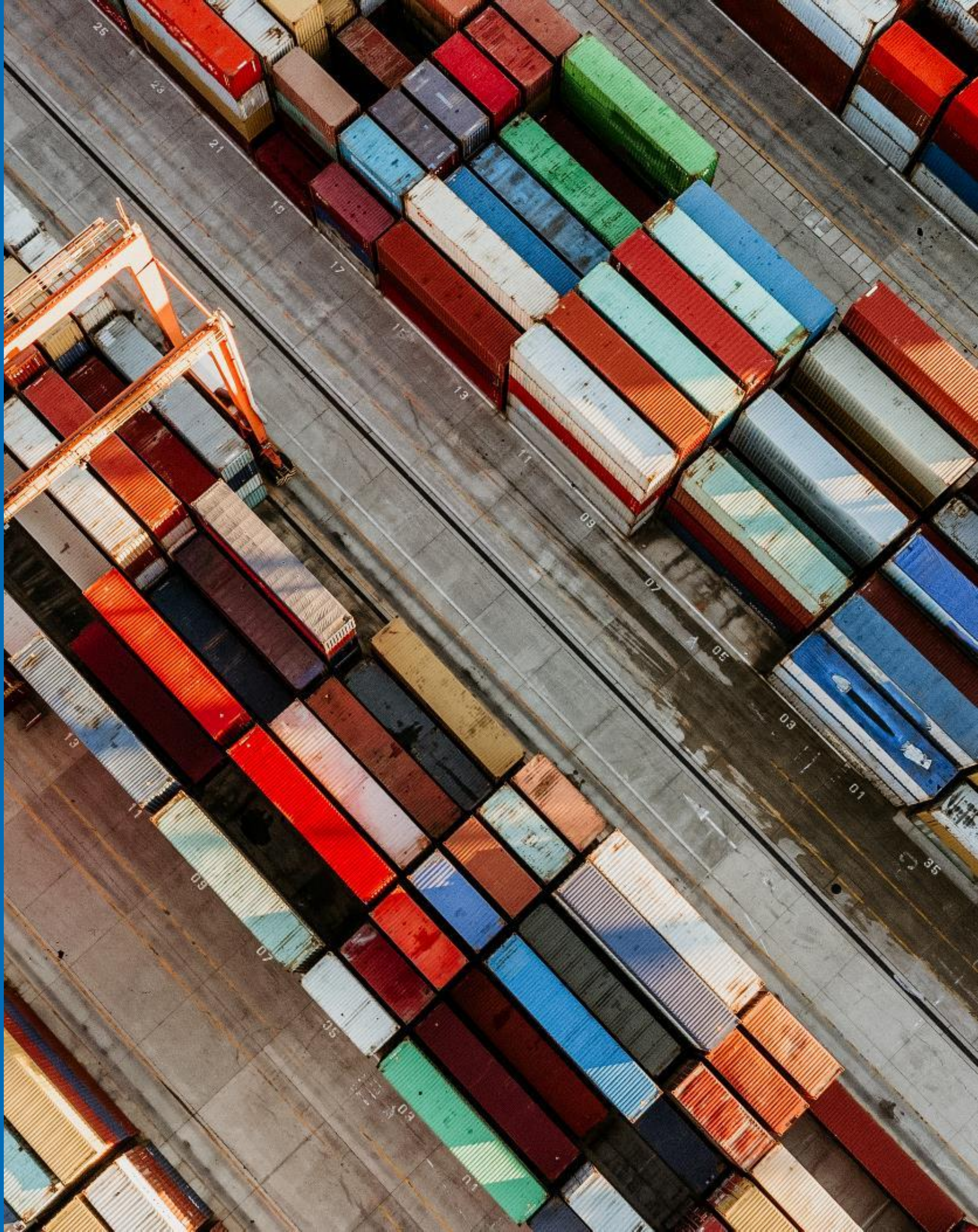
Outlook

- Vacancy will hover at a cyclical peak this year and is not expected to meaningfully move in either direction until 2026.
- Supply – both deliveries and development – will be under 2019 levels next year. Demand is projected to stay resolutely positive but softer than the pre-2020 baseline.
- Markets are primarily pricing in a soft landing, while also factoring in some risk of recession and persistent inflation, particularly after the election. Newmark Research projects the 10-year Treasury to trade between 4.00% and 5.00% by year-end.

TABLE OF CONTENTS

4Q24

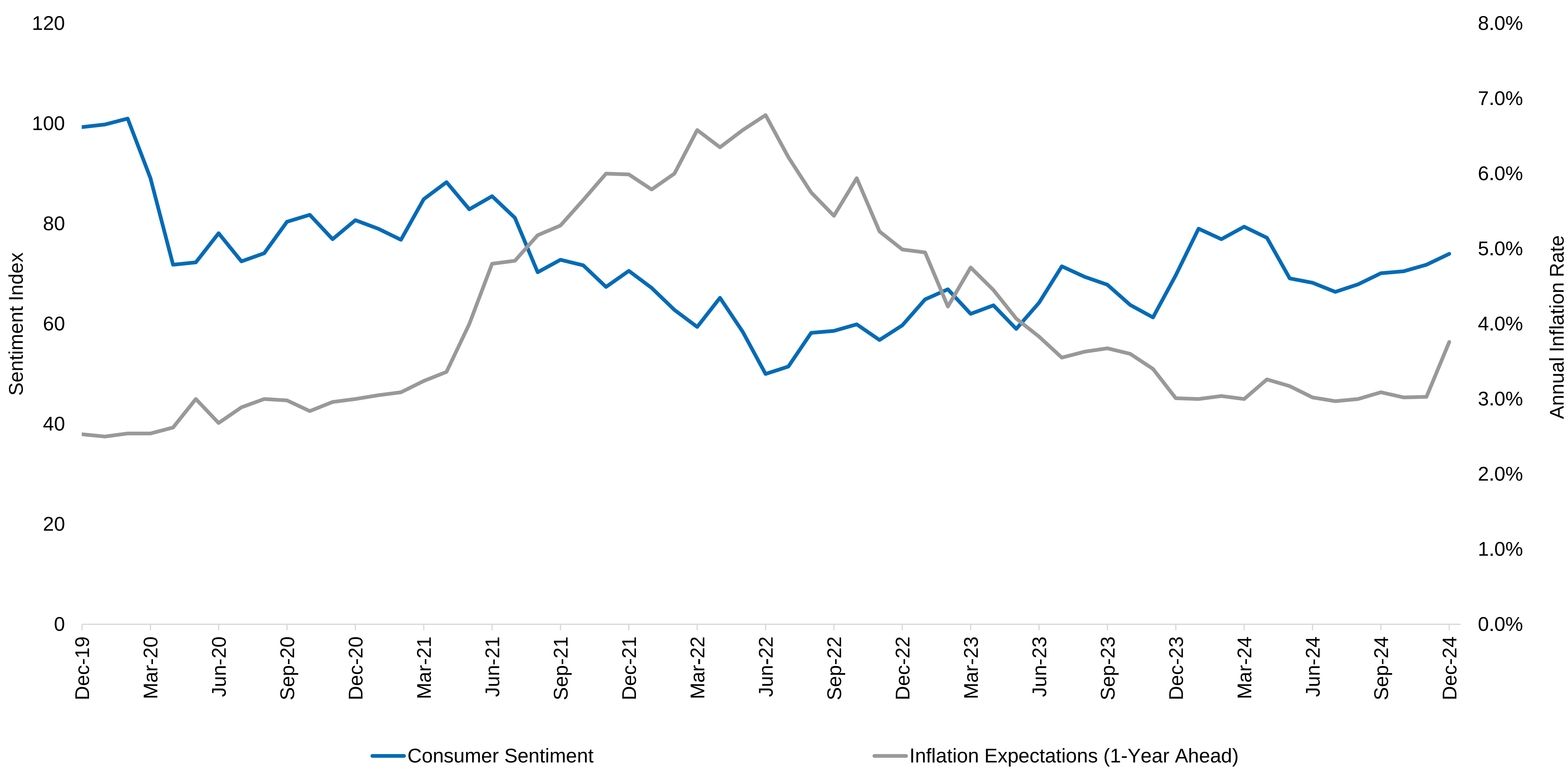
Economic Conditions



Inflation Expectations Tick Up

Consumer sentiment fluctuated throughout 2024 but has generally trended upward since its 2022 low. The U.S. presidential election in November 2024 delivered a decisive outcome; however, actions by the new administration appear to be fueling consumer expectations for higher inflation over the next 12 months.

Consumer Sentiment and Inflation Expectations

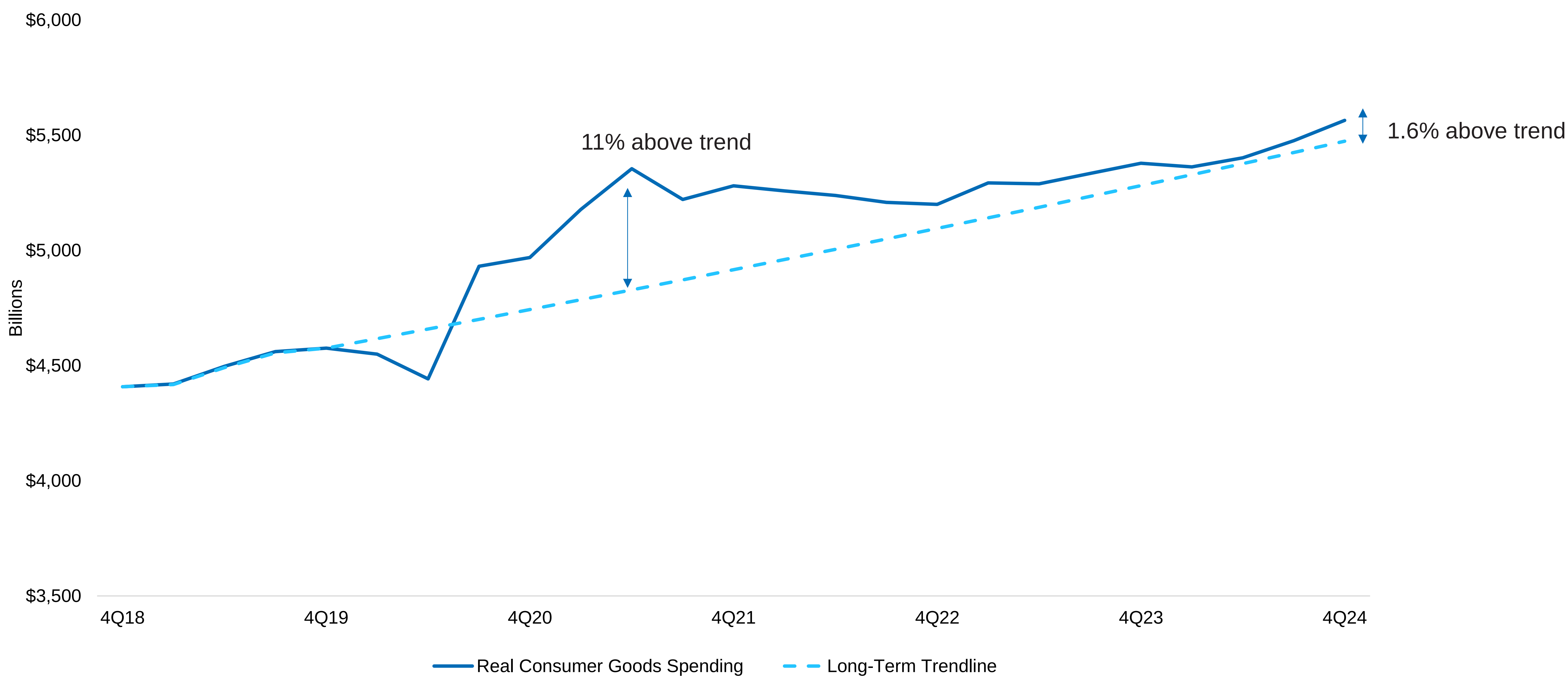


Source: Newmark Research, Federal Reserve of NY, University of Michigan, February 2025.

Consumer Goods Spending Increased – Partly as a Hedge Against Expected Inflation

Inflation-adjusted spending on goods has effectively returned to the pre-pandemic trendline, showing modest growth above that level in the fourth quarter as consumers continued to demonstrate resilience and a willingness to spend. Recent consumer surveys indicate that some Americans have made purchases ahead of anticipated tariffs.

Real Personal Consumption Expenditures, Goods

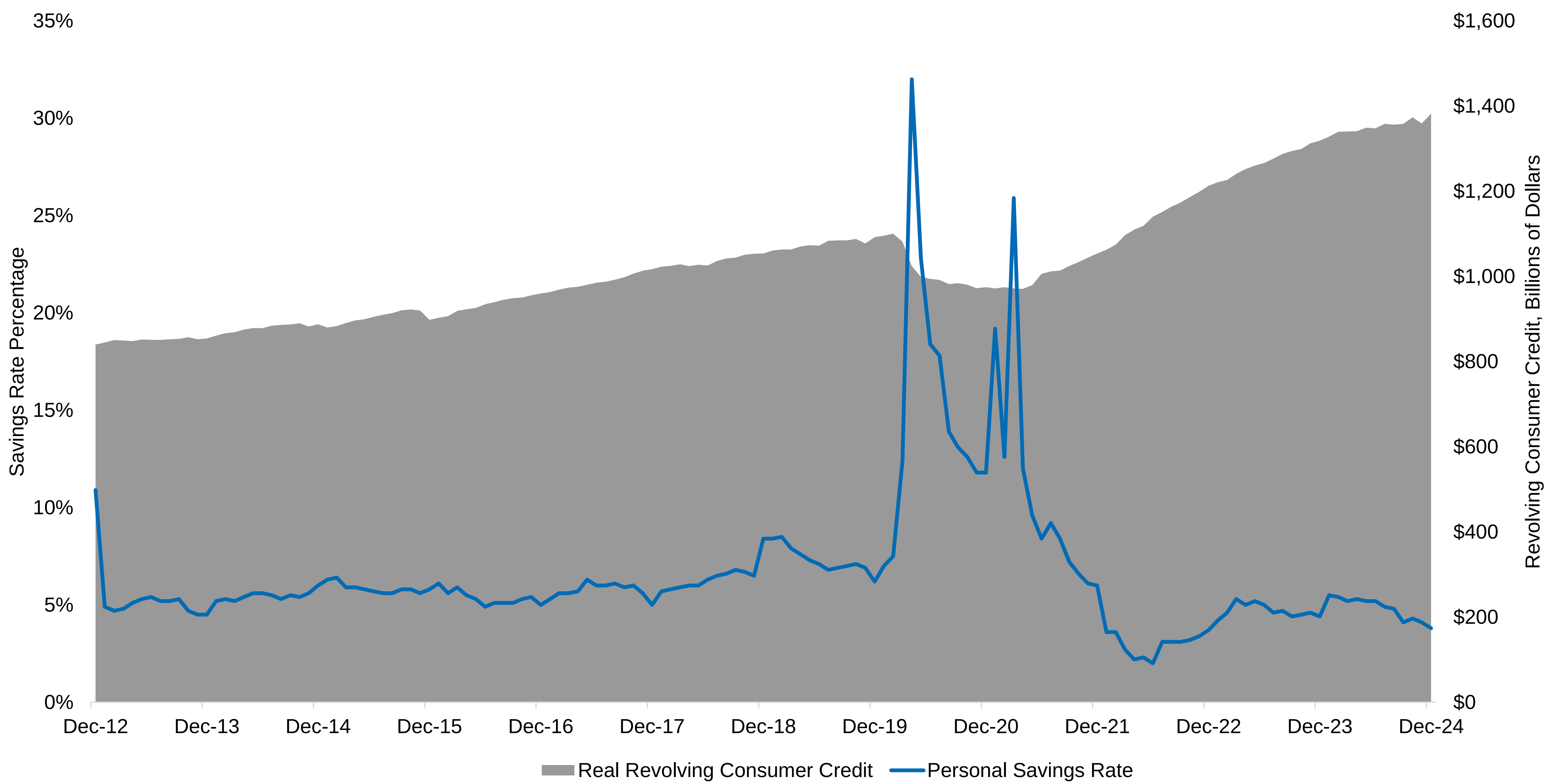


Source: St. Louis Federal Bank, Ipsos Consumer Tracker, Bid On Equipment Tariff Impact Survey, Newmark Research, February 2025.

Spending Is Increasingly Subsidized by Credit

Consumers have been increasingly relying on credit to sustain spending as the rate of saving dwindles. A January 2025 report from the Federal Reserve Bank of Philadelphia indicated that consumers are not only spending more on credit, leading to higher balances, but paying off less, increasing revolving amounts. The share of active credit card accounts making just the minimum payment hit a 12-year high in 2024.

Personal Savings Rate and Consumer Revolving Credit

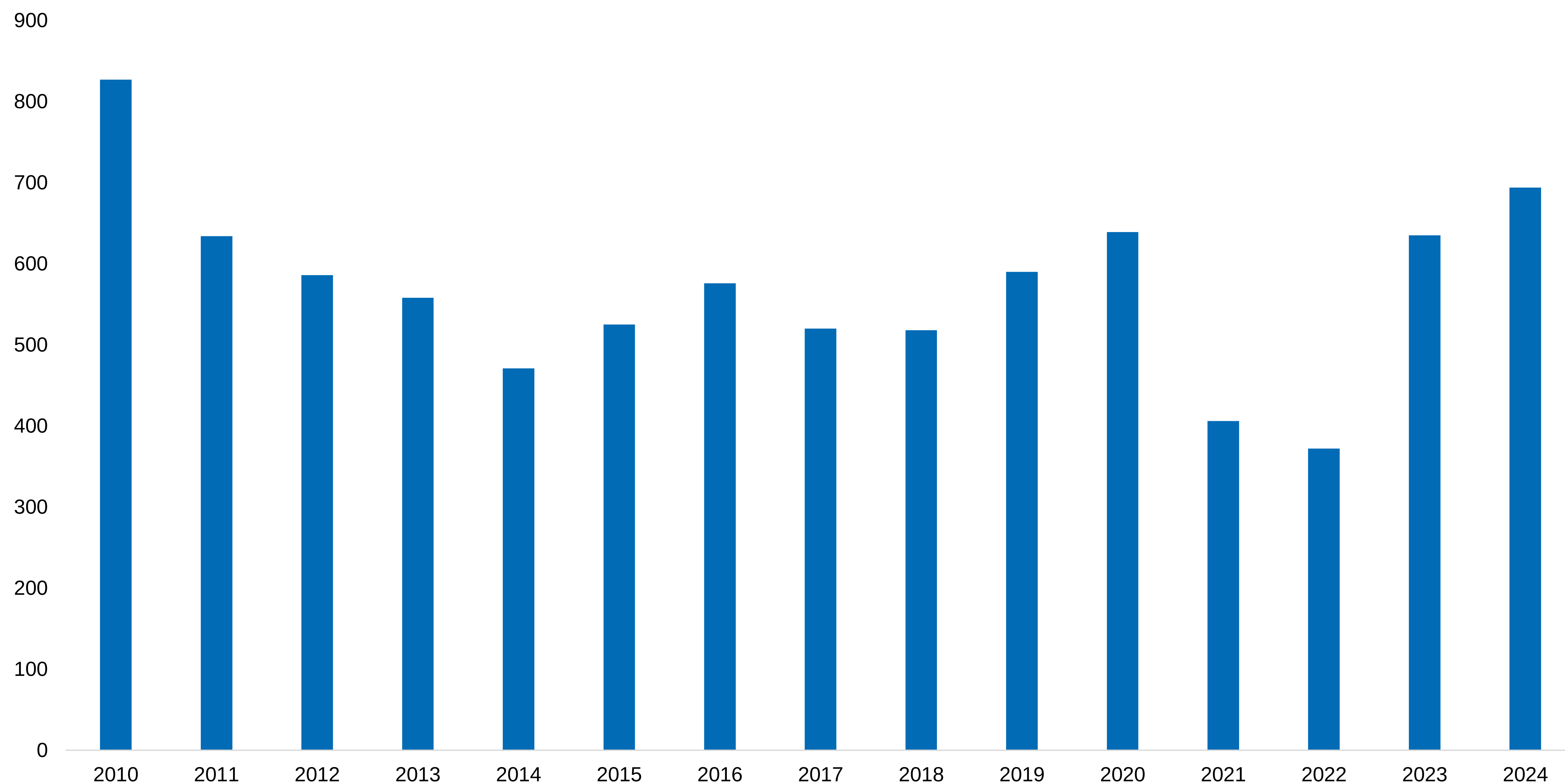


Source: St. Louis Federal Bank, Newmark Research, February 2025. Revolving consumer credit deflated by CPI=2012.

U.S. Corporate Bankruptcies Grew to a 14-Year High in 2024

Businesses continue to face pressure from elevated interest rates, with U.S. nonfinancial corporate debt reaching a record $8.5 trillion in 2024. Corporate bankruptcies notably affected fourth-quarter industrial absorption; Big Lots' bankruptcy alone accounted for several million square feet of occupancy loss. While approximately 700 bankruptcies in 2024 were recorded among companies tracked by S&P Global, the Administrative Office of the U.S. Courts reported 23,107 business bankruptcies—22% higher than the prior year.

U.S. Bankruptcy Filings by Year

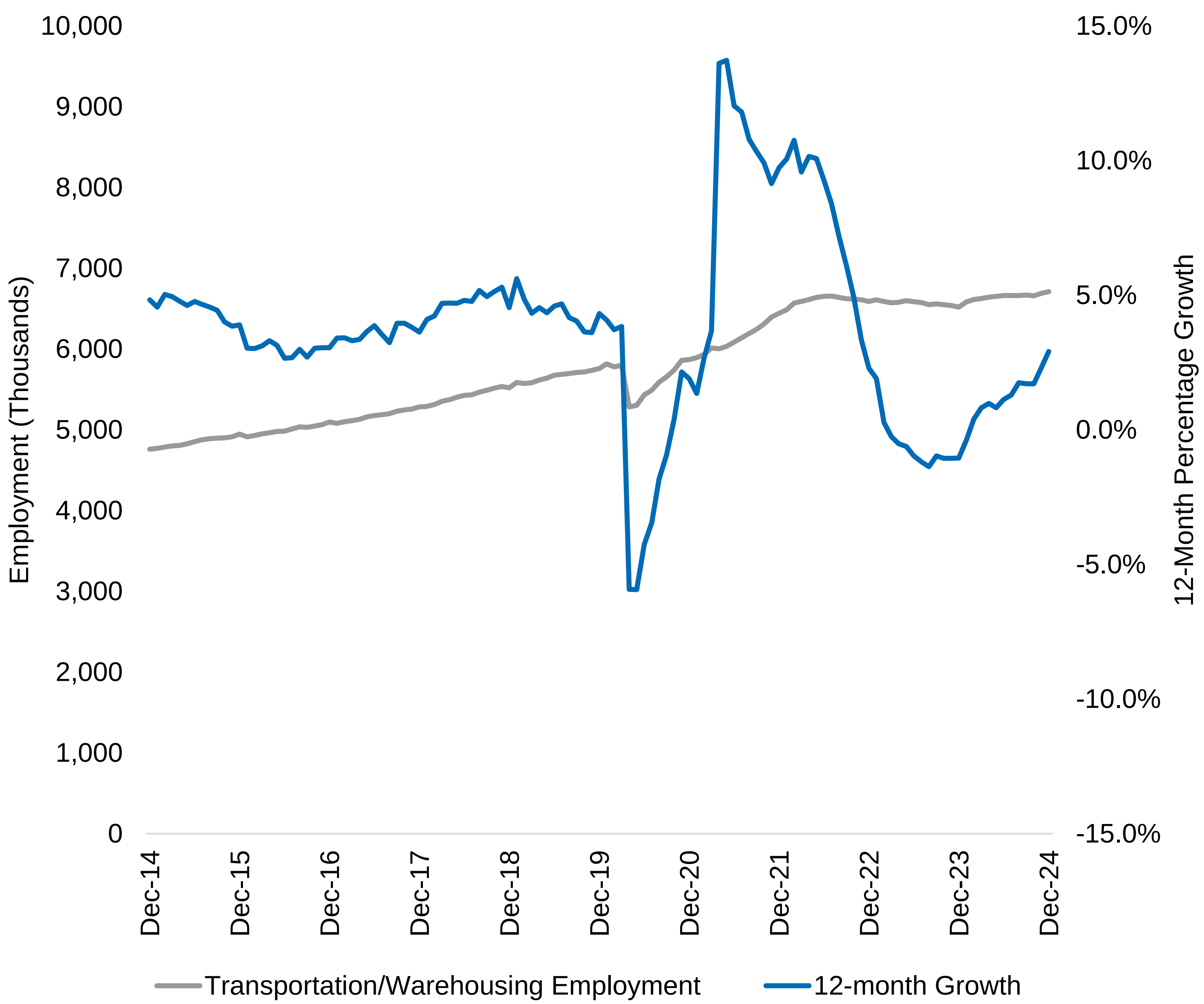


Source: Newmark Research, S&P Global. February 2025.

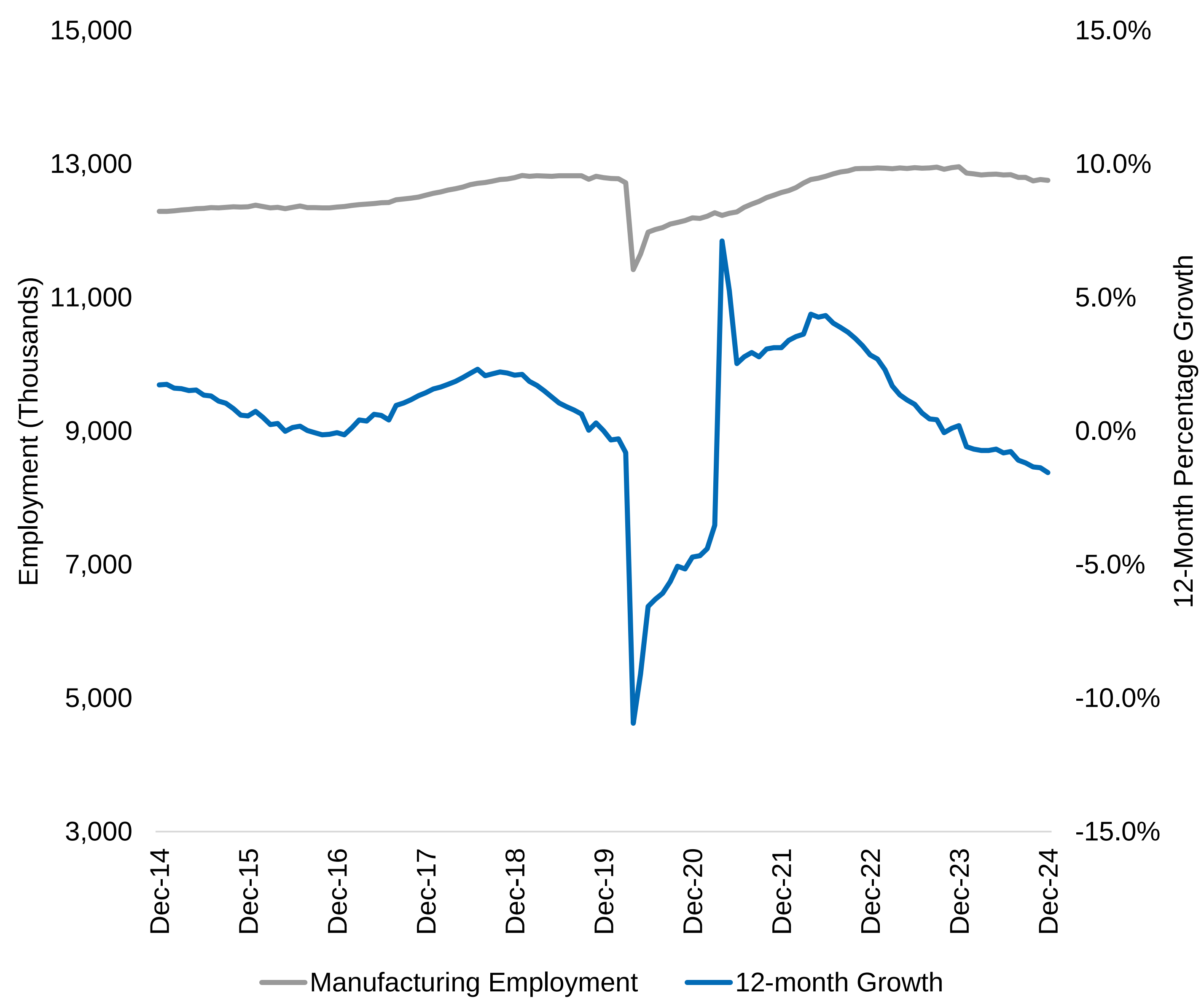
Warehousing Employment Steadily Improving; Manufacturing Potentially On The Cusp

Employment in the transportation/warehousing sector has steadily improved and ended 2024 above the previous pandemic-era high. Manufacturing employment continues to soften although perhaps for not much longer: the January 2025 ISM Manufacturing survey showed the employment index returned to expansion after contracting the last 14 of 16 months.

Total Employment and 12-Month Growth Rate, Transportation/Warehousing



Total Employment and 12-Month Growth Rate, Manufacturing

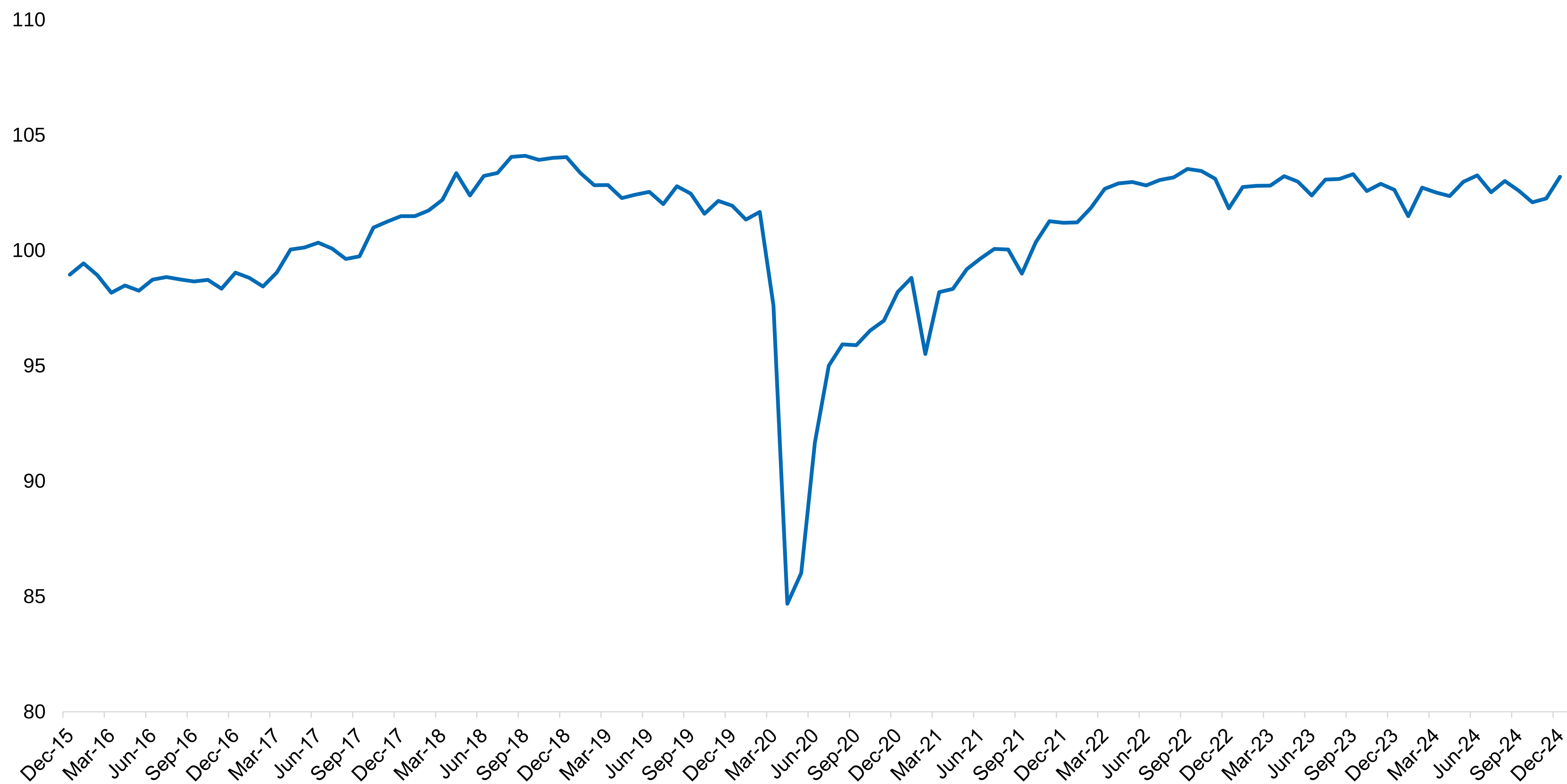


Source: Newmark Research, U.S. BLS, February 2025.

Industrial Production Improved in Q4

Gains in the output of aircraft and parts contributed to growth following the resolution of a work stoppage at Boeing. While industrial production has fluctuated modestly in 2024, its annual average is comfortably above the 2015 – 2019 average.

U.S. Industrial Production Index



Source: Newmark Research, FRED, February 2025.
Note: Index 2017=100, Seasonally Adjusted

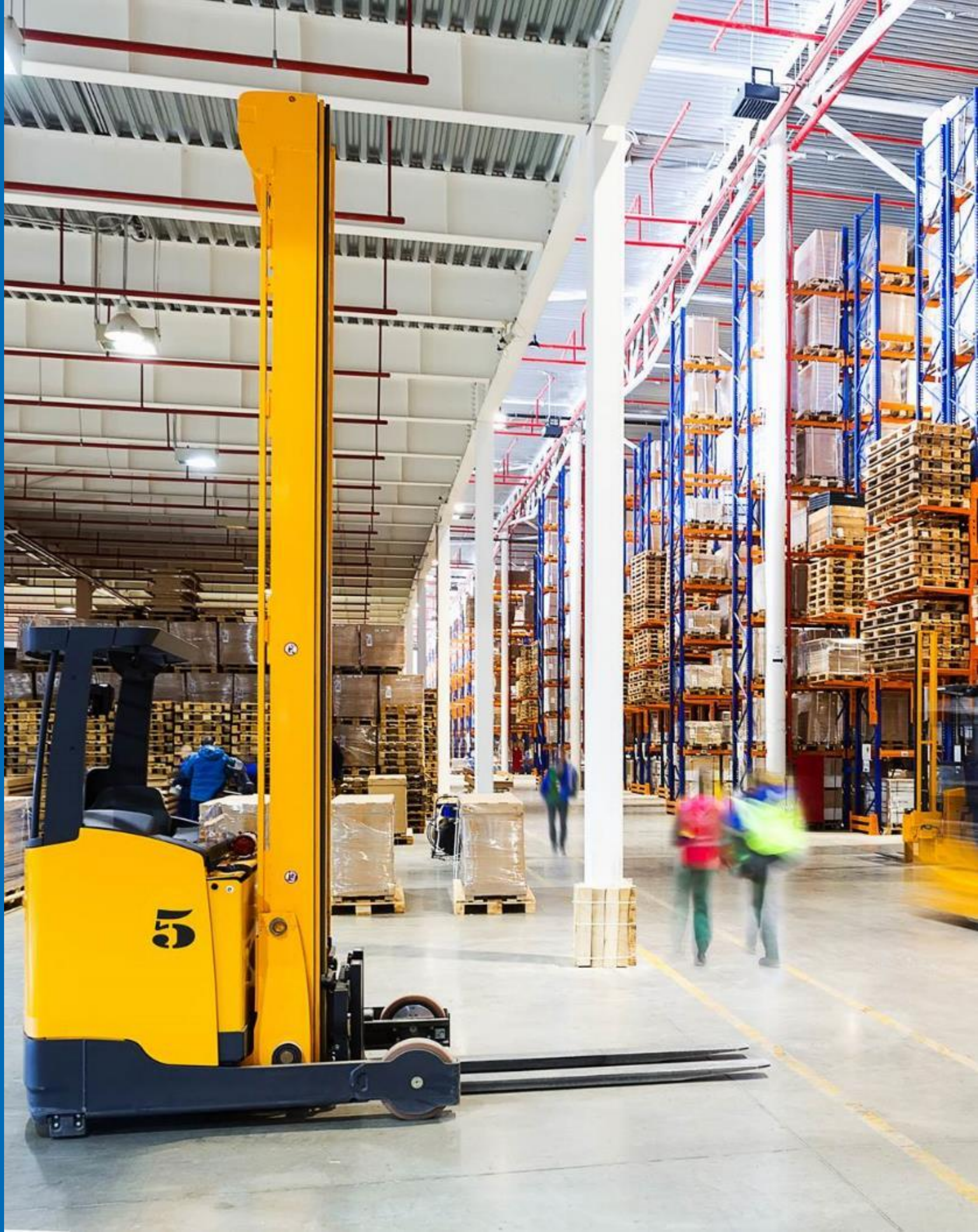
M(AI)D in the USA: Data Center Boom Also Driving Manufacturing Growth

Please reach out to your
Newmark business contact for this information

Data Center Power Demands Have Recently and Radically Changed

4Q24

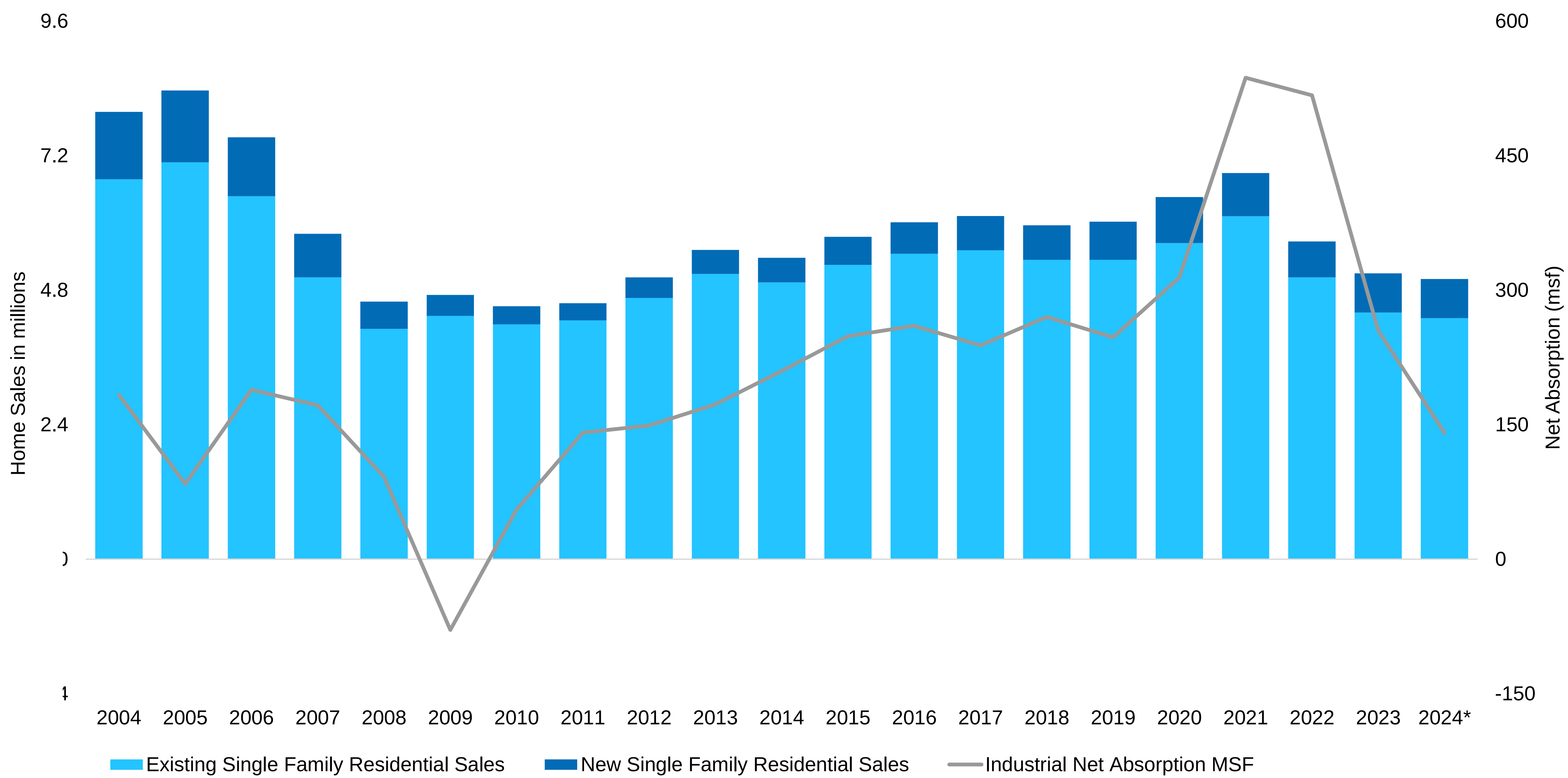
Industrial Demand Drivers



A Persistently Softer Housing Market Weighs on Industrial Demand

Swings in mortgage rates, elevated home prices and a limited inventory of homes for sale have led to a persistently softer home-buying market. This shift from pandemic-era peaks is having an impact on industrial demand and occupancy in the home and building supply sector. In 2022, The Home Depot was second only to Amazon in total annual leasing activity. However, by the end of 2024, the world's largest home improvement retailer had given back ~5 MSF of space nationwide.

Single Family Residential Sales and Industrial Net Absorption[1]



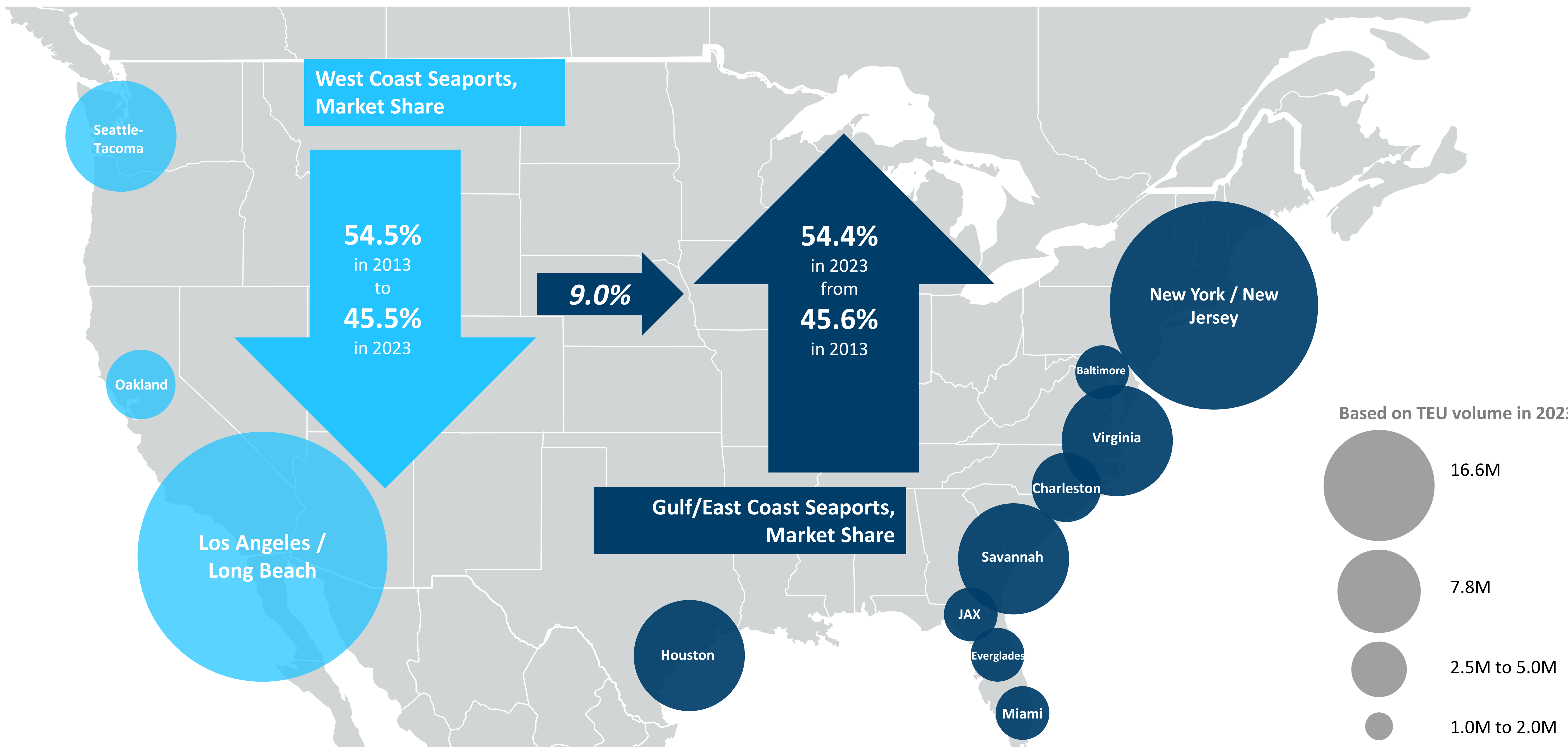
[1]Single Family Residential Sales not seasonally adjusted.*Annualized through November 2024.
Source: Newmark Research, CoStar, St. Louis Federal Bank, National Association of Realtors, U.S. Census Bureau, January 2025.

Continued High Import Volumes Forecasted

Please reach out to your
Newmark business contact for this information

Import Market Share Has Been Shifting Eastward

Over the last decade, U.S. Gulf and Eastern seaports have steadily gained market share from the West Coast seaports thanks to the investment in accommodating larger container vessels and other supportive infrastructure. Additionally, some global supply chains are moving from China toward friendlier South Asian countries, which align with East Coast sea routes for cost and speed to delivery considerations.

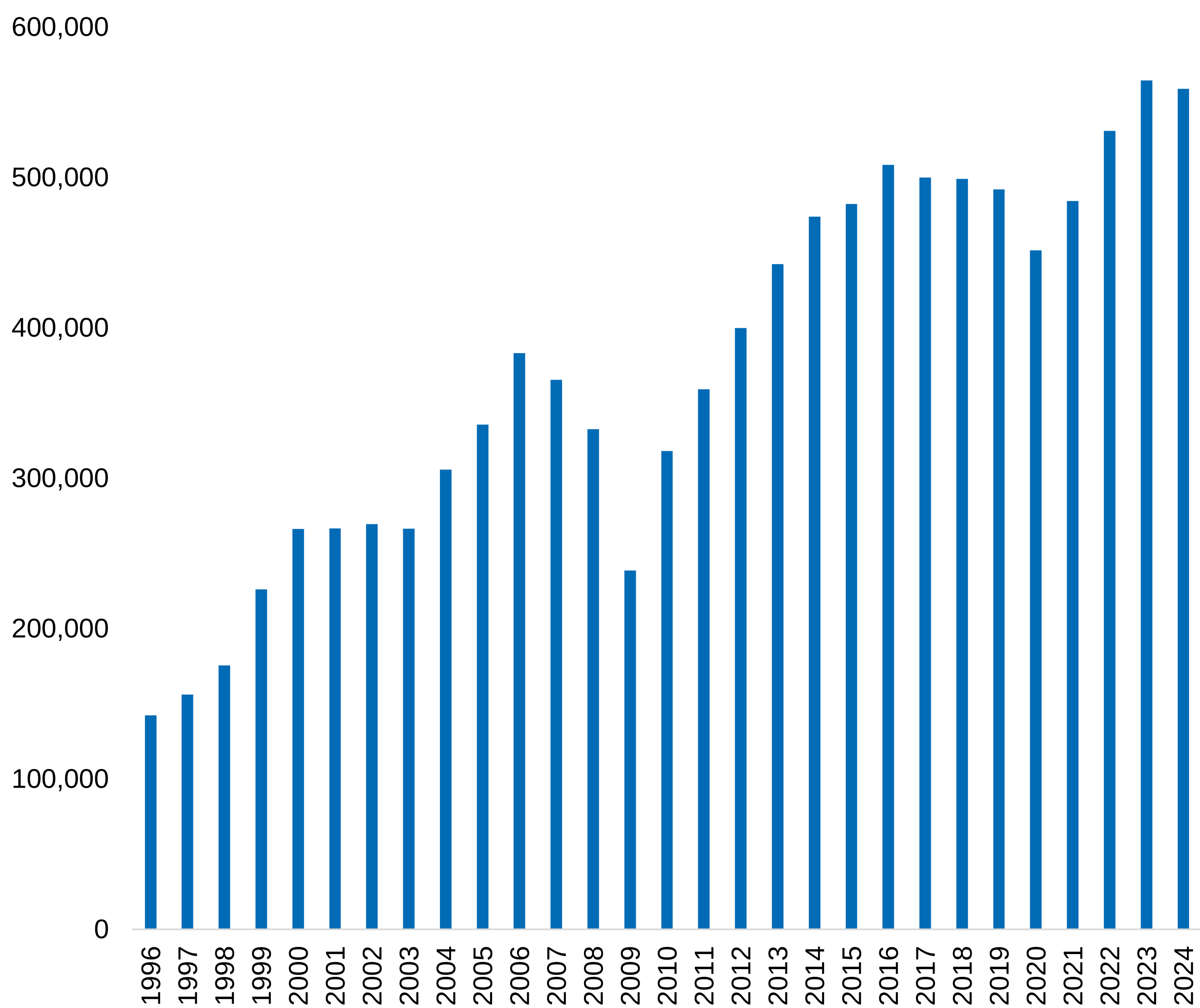


Source: Newmark SoCal Research, port websites.

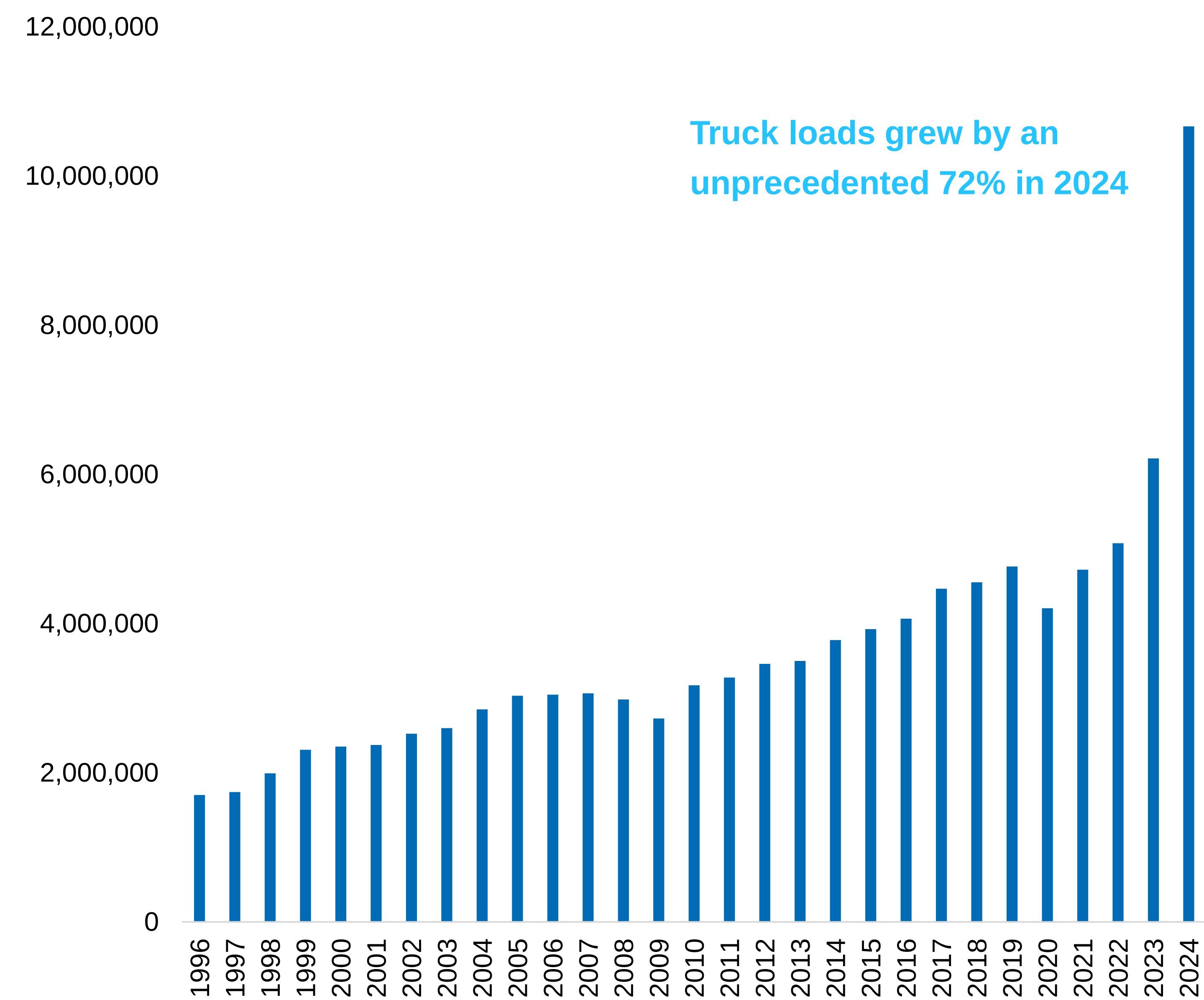
Goods Coming Across the Mexican Border Soared by 66% in 2024

Historic cross-border trade between the U.S. and Mexico was fueled by the USMCA agreement, nearshoring efforts, and an increased volume of foreign goods for U.S. consumers entering through Mexican seaports and transported by road or rail up to end-consumers. While tariff uncertainty looms in 2025, companies are expected to continue expanding in Mexico and across the border due to a broad range of factors.

Loaded Rail Containers Crossing from Mexico to U.S.



Loaded Truck Containers Crossing from Mexico to U.S.



Source: Dept. of Transportation, February 2025.

Evolving Trends In E-Commerce Continue Driving Demand

Please reach out to your
Newmark business contact for this information

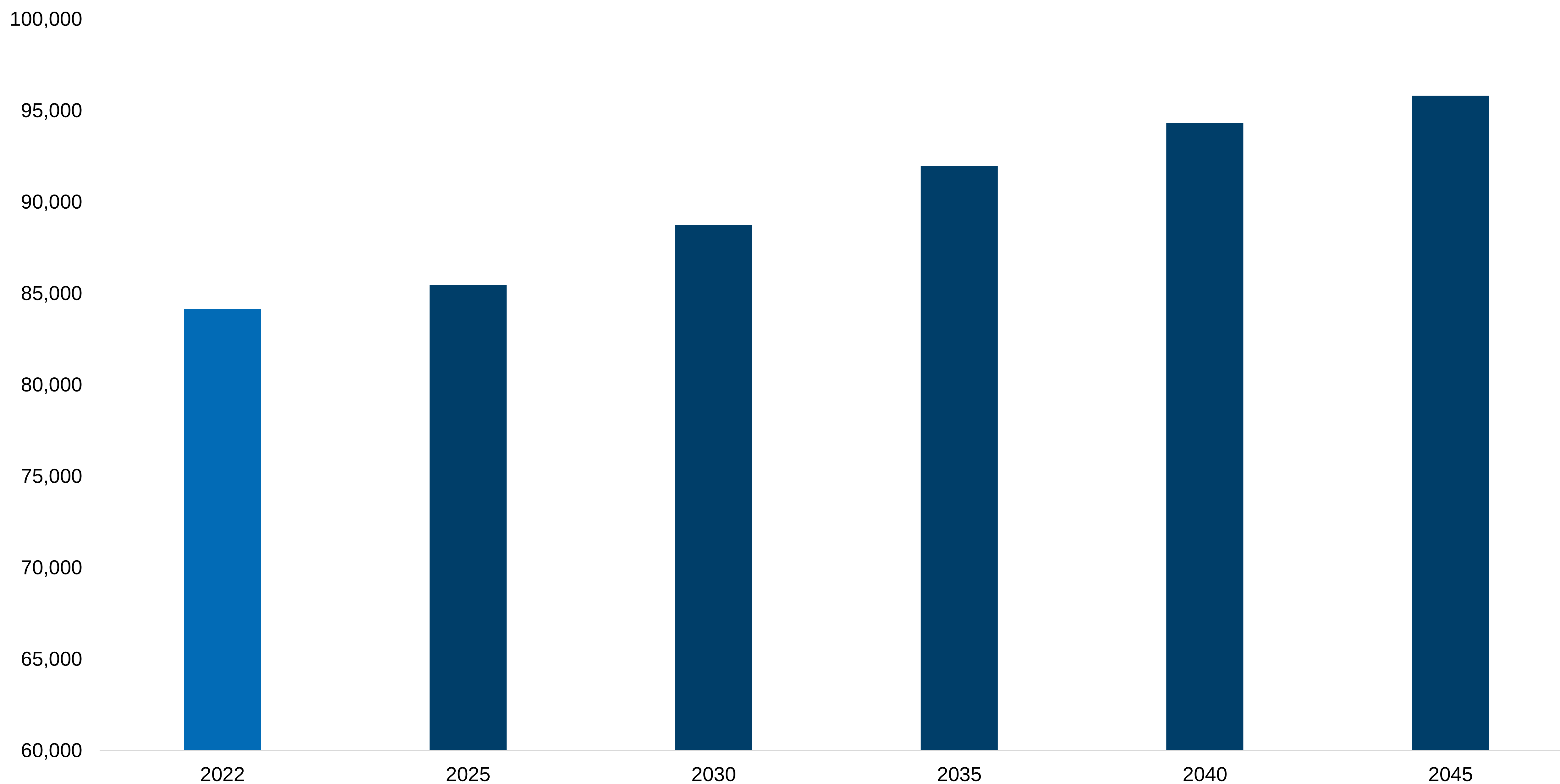
Online Grocery Sales Growth Underpins Demand for Cold Storage

Please reach out to your
Newmark business contact for this information

Millennials, the Leading E-commerce-Using Cohort, Enter Top Spending Years

For consumers, spending power peaks between ages 35 and 54. Millennials, the largest generation in the U.S. workforce, will be fully aging into this cohort between now and 2035. Millennials are the leading generation of online shoppers, thus e-commerce spending (and the industrial real estate needed to support) will continue to be fueled by this group's prime spending years.

U.S. Population and Projections, Age Cohort 35-54 (Thousands)

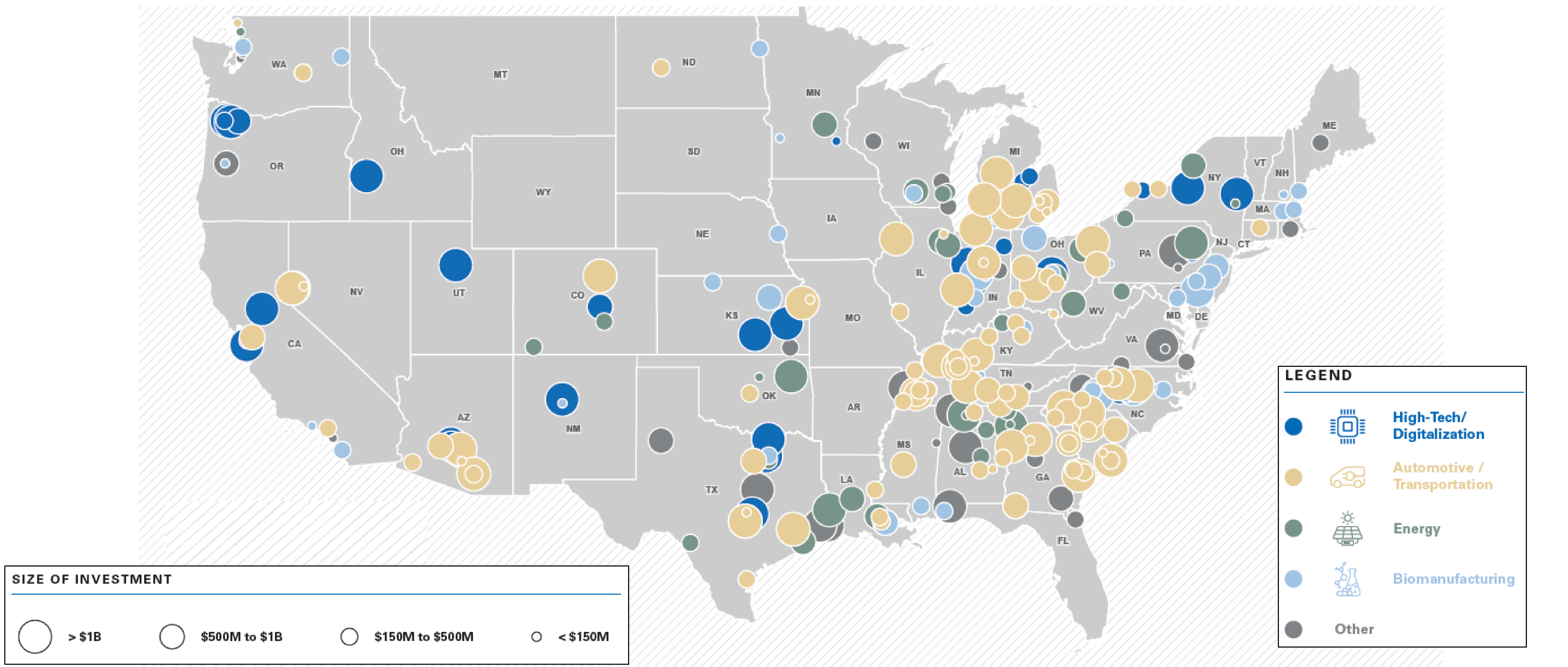


Source: Newmark Research, U.S. Census, Moody's Analytics, Statista

Monumental Growth in Domestic Manufacturing is Underway

A snapshot of initial manufacturing investments totaling a minimum of $100 million since 2020 reveals approximately $530 billion in investments pledged, 270,000+ new jobs and a minimum of 270 MSF of new industrial projects coming online between now and 2030. Four key advanced manufacturing sectors are driving the greatest volumes of investment and development, capturing over 90% of the major investments pledged: High-tech/digitalization, Automotive/transportation; Energy; and Biomanufacturing.

U.S. Major Manufacturing Announcements, 2020-2024 2Q

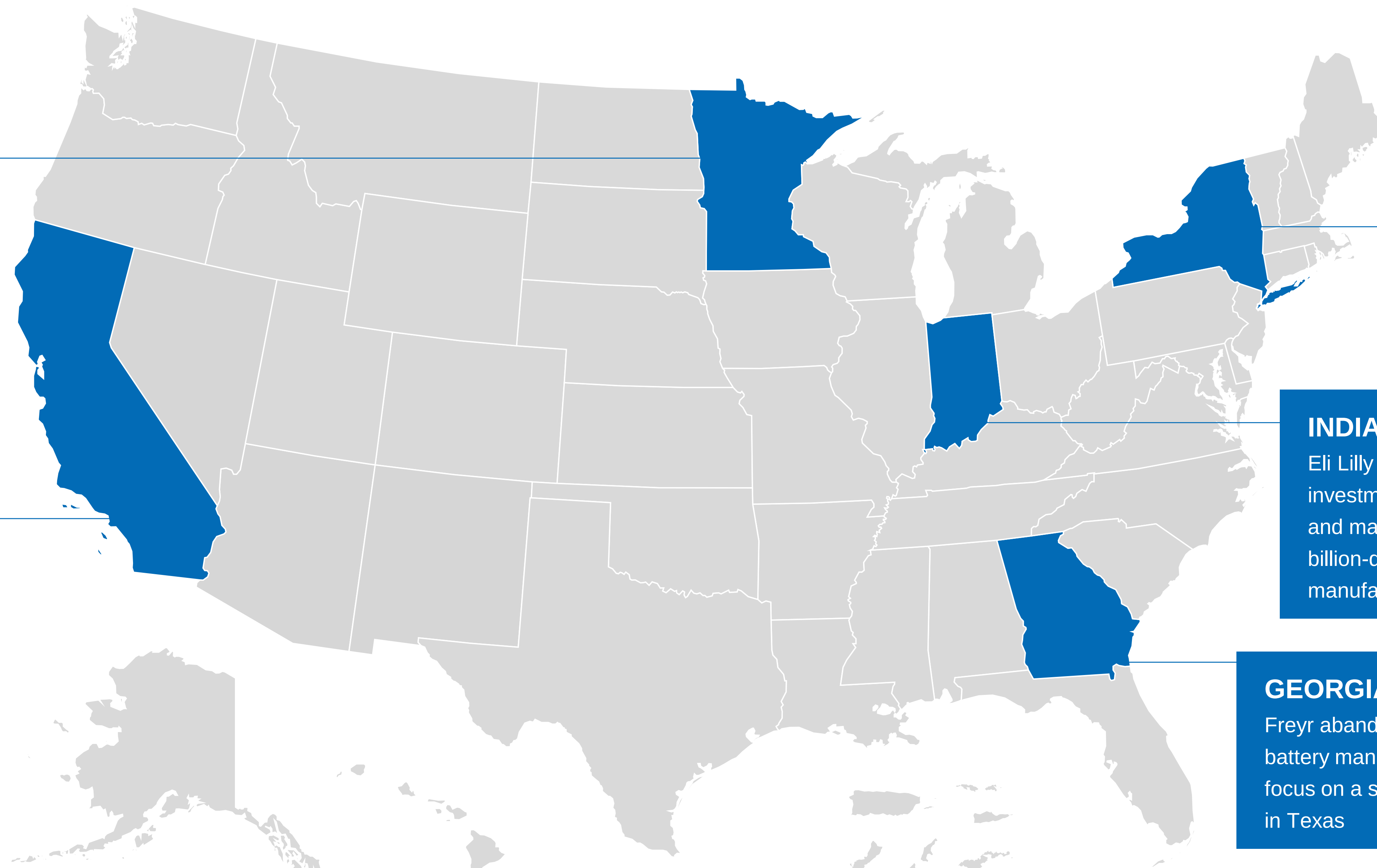


Note: Investments of at least $100 million. Investment dollars may include allocations to real estate and equipment, infrastructure, intellectual property, and other outlays.
Sources: Newmark Research, Newmark Global Strategy & Consulting, various press releases and articles

Megaproject Announcements Continue Amid Dynamic Manufacturing Landscape

Manufacturing investment remains near unprecedented levels, but the landscape is evolving. Many projects announced since 2020 have faced delays, downsizing, or cancellations, highlighting that not all plans will materialize. Challenging market conditions—such as inflation, high construction costs, a tight credit environment, permitting and funding delays, labor shortages, slowing consumer demand, and uncertainty surrounding new federal policies—are contributing to this fluid environment.

Select Major Manufacturing Project Updates and New Announcements, 4Q 2024



MINNESOTA
Biomanufacturer Aldevron is pausing plans for developing a Twin Cities office property it purchased in 2022 into a manufacturing facility.

CALIFORNIA
ZM Trucks, a zero-emissions commercial vehicle manufacturer, leased a 210,000 SF new building in the Inland Empire to manufacture electric commercial trucks, terminal tractors and airport ground service equipment.

NEW YORK
ON Semiconductor purchased a facility in East Syracuse to develop into a new manufacturing plant in anticipation of an influx of suppliers coalescing around the $100B Micron chip plant to begin construction in the market during 2025.

INDIANA
Eli Lilly announced the newest round of investment in its HQ state, a $4.5 B new R&D and manufacturing facility. This is atop multiple billion-dollar-plus investments in new manufacturing plants made since 2022.

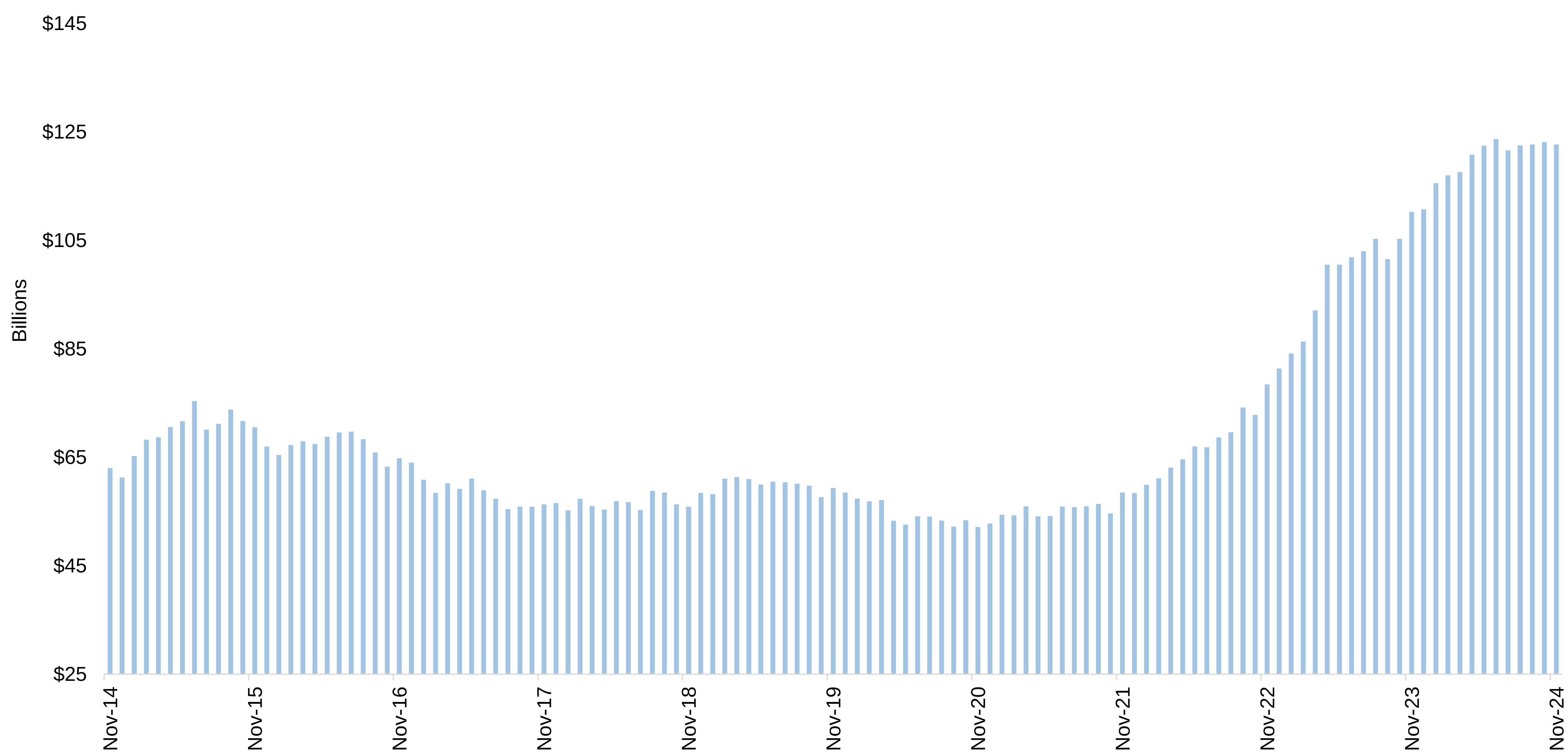
GEORGIA
Freyr abandoned plans to construct a $2.57 B battery manufacturing facility in Georgia to focus on a solar module manufacturing facility in Texas

Source: Newmark Research, various news articles and press releases, February 2025.

U.S. Manufacturing Construction Spending Has Surged

Advanced manufacturers are investing heavily in new construction. In real terms, manufacturing construction measured $122.7 billion in November 2024, up approximately 1% YOY and nearly double the pre-pandemic 5-year average. Growth is driven by both private and public investment, driven by geopolitical and supply chain risks affecting these critical sectors.

Total Real Private Manufacturing Construction Spending

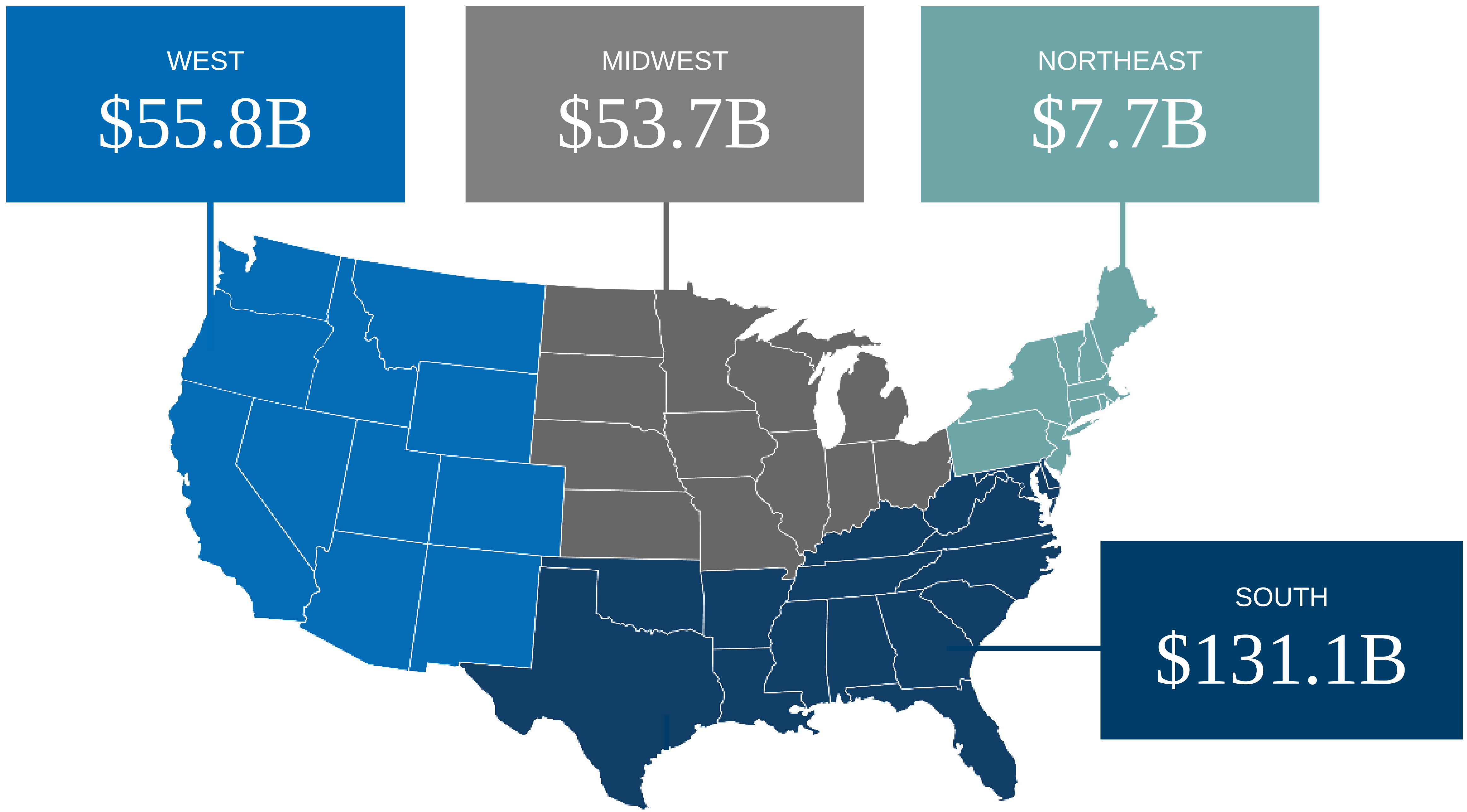


Source: Newmark Research, U.S. Census Bureau, FRED, January 2025
Note: Seasonally adjusted annual rate deflated by New Industrial Construction PPI, chained to 06/2007.

The South Leads the Nation In Manufacturing Construction Spending

Over the past 12 months, Southern states have seen $131 billion in nominal manufacturing construction spend, more than the rest of the country combined. Within the South, nearly $50B was spent just in the South Atlantic states.

Private Manufacturing Construction Spending by Megaregion, November 2023 to November 2024



Source: Newmark Research, U.S. Census, January 2025.

4Q24

Leasing Market Fundamentals

U.S. Industrial Fundamentals: Then and Now

	ABSORPTION	DELIVERIES	VACANCY RATE	AVAILABILITY RATE
2015 - 2019 Annual Average	251 MSF	246 MSF	5.2%	7.6%
2024	154 MSF	397 MSF	6.9%	9.3%

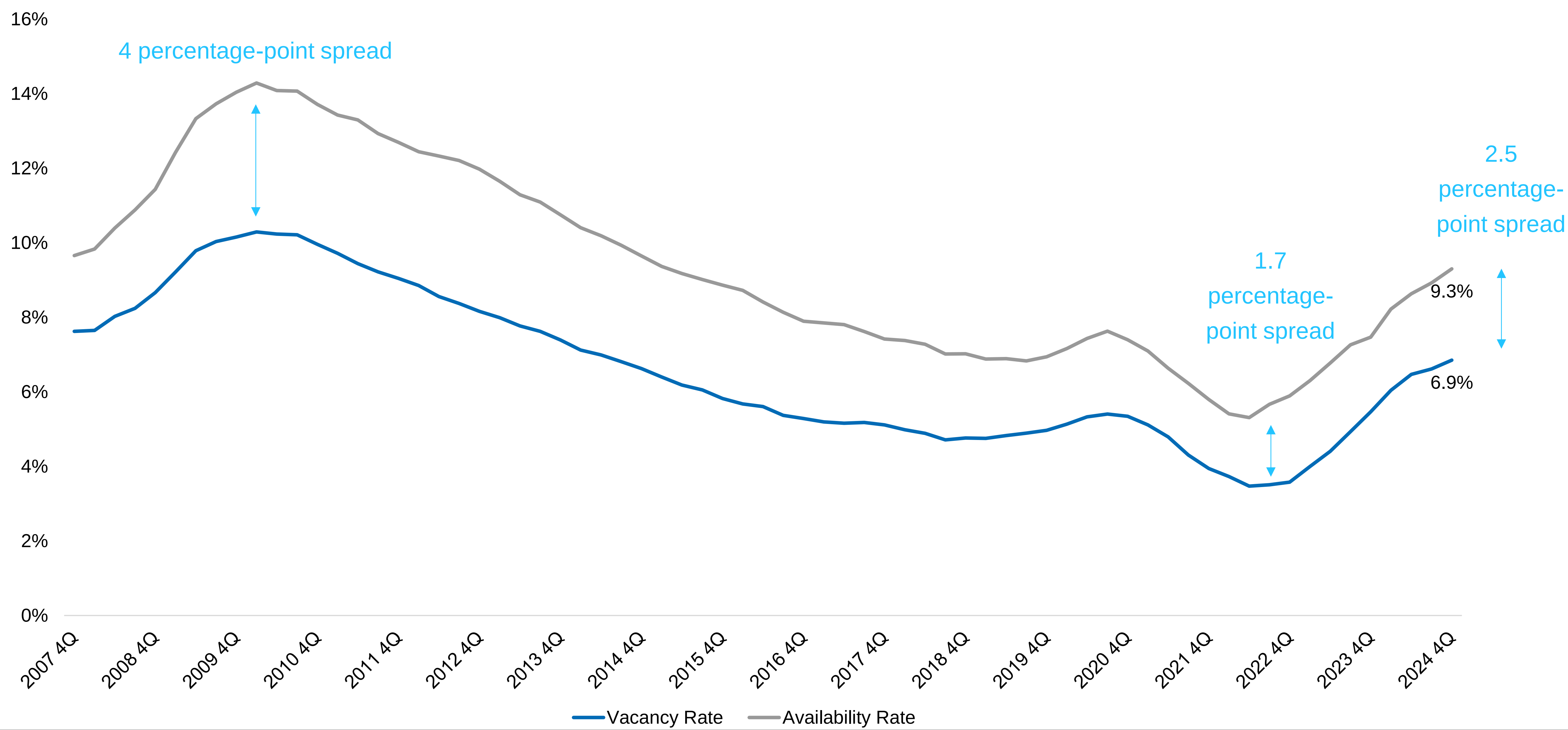
Source: Newmark Research

Vacancy to Remain Largely Stable in ‘25, Stage Set for Future Improvement

Vacancy and Availability Spreads Are within Historic Norms

The U.S. vacancy rate rose 30 bps and availability expanded by 40 bps from the previous quarter. The 2.5 percentage point spread between vacancy and availability remains within historic norms, close to the 2.3 percentage point average spread recorded quarterly between 2017 and 2019.

U.S. Industrial Vacancy and Availability Rates

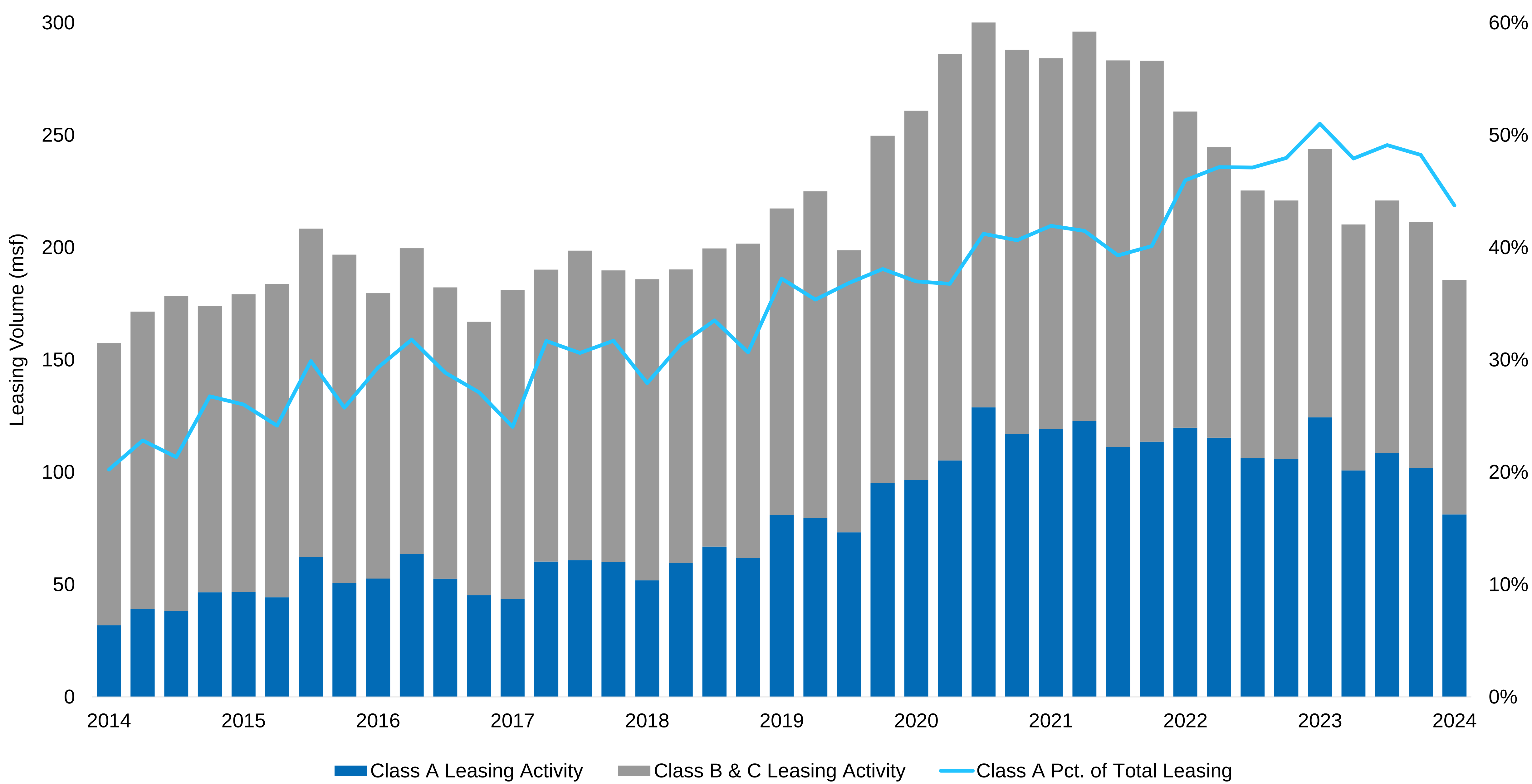


Source: Newmark Research, January 2025.

Uncertainty and Condensed Holiday Season Weighs on Q4 Leasing

New leasing activity declined in the fourth quarter of 2024, interrupting the recent trend toward stabilizing volumes. This slowdown was partly a function of the calendar: the shortened holiday season and mid-week holidays pushed many deals set to close in December into 2025. Additionally, uncertainty surrounding the U.S. presidential election contributed to the pause in activity. New leasing volumes are expected to stabilize in the first half of 2025.

U.S. New Industrial Leasing Activity by Class

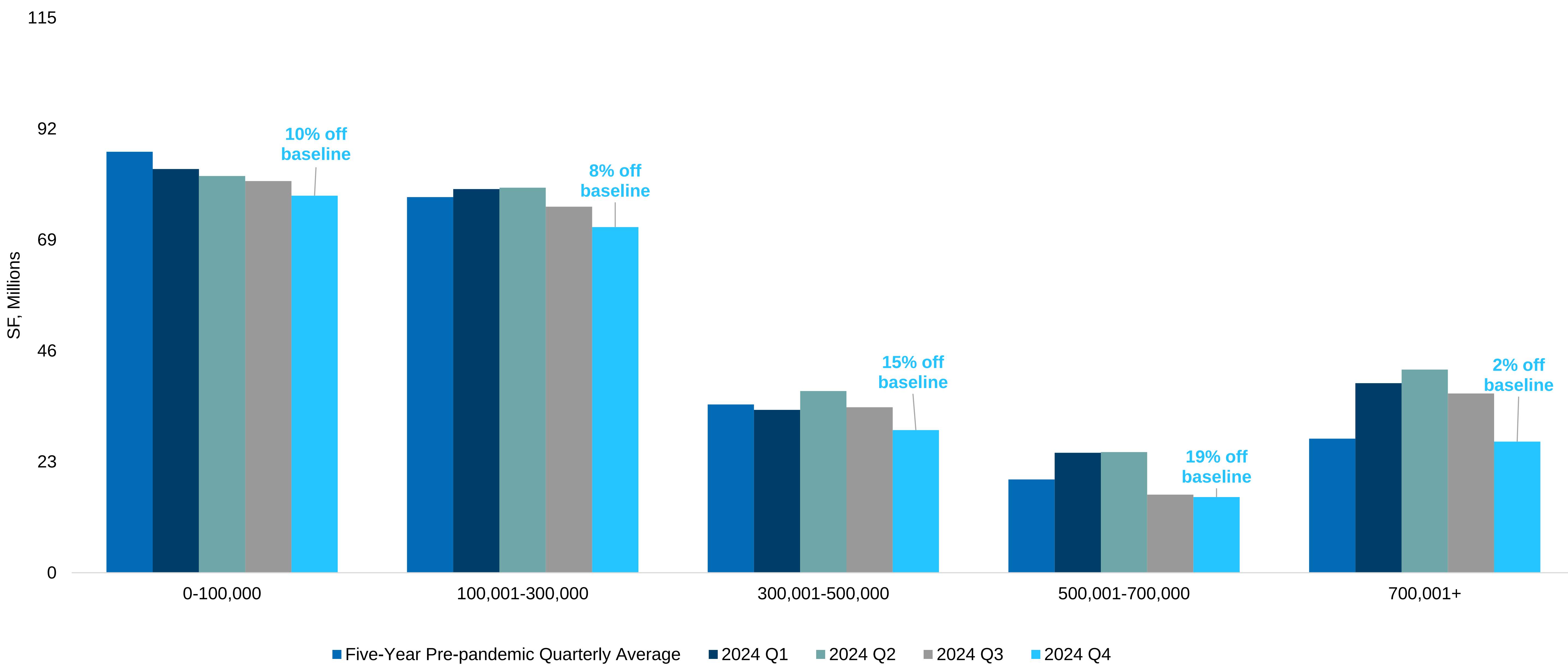


Source: CoStar, Newmark Research. Quarterly leasing volume data compiled February 2025 and is preliminary. Class A is broadly defined as 21st century build with clear heights that accommodate today's modern occupiers.

Megabox Leasing on Par With Historic Averages

Leasing activity in buildings sub-300,000 SF accounted for 67% of total activity for the quarter, a predictable outcome since the average industrial tenant is well below 100,000 SF. On the other end of the spectrum, the megabox segment (12% of total leasing volume) is currently the only size segment to see leasing essentially on par with a pre-pandemic baseline. Over 50 leases of 1MSF or more signed in 2024, just slightly below 2023 volumes.

Leasing Activity by Building Size



Source: CoStar, Newmark Research, February 2025.

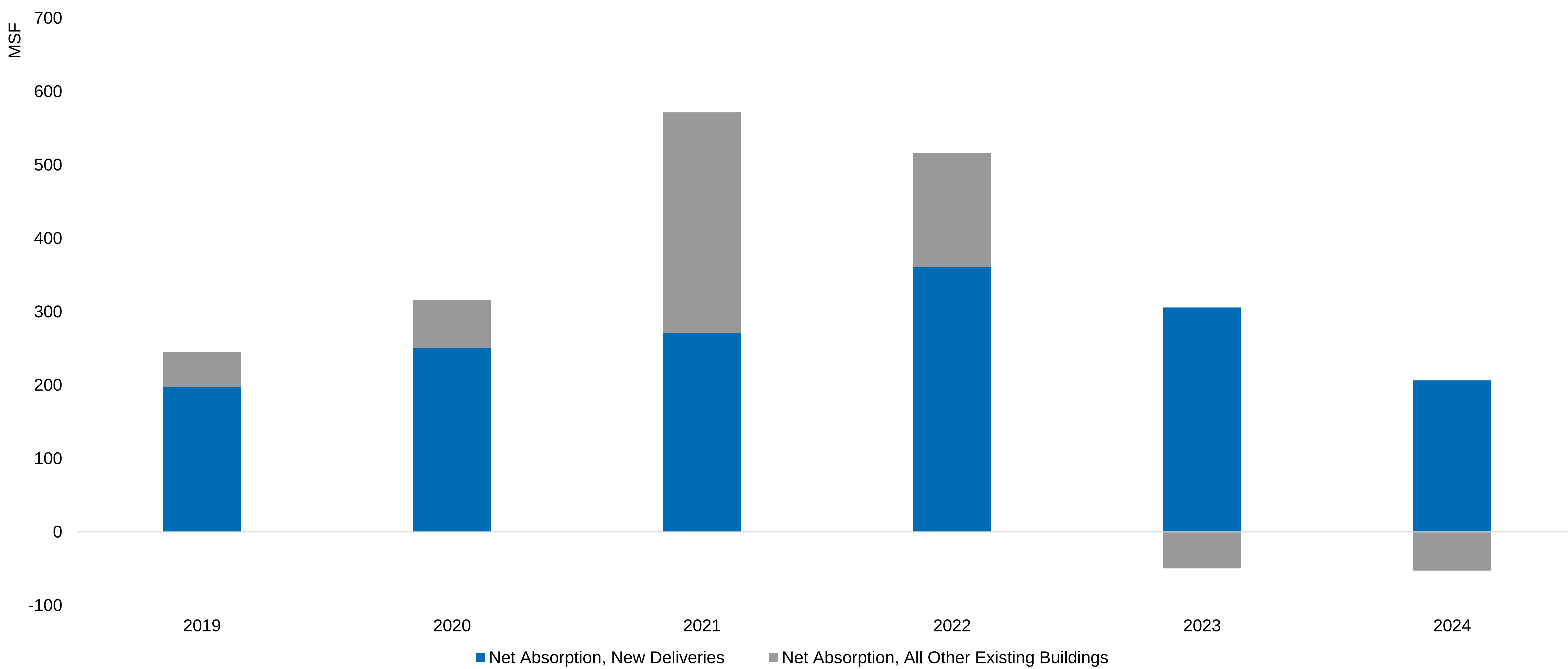
The Typical U.S. Industrial Lease is Sub-50,000 SF

Please reach out to your
Newmark business contact for this information

New Deliveries Drive Net Absorption As Older Properties Lose Ground

Preleased deliveries are demonstrating outsized contributions to total net absorption, driving over 200 MSF of new occupancy year-to-date. Conversely, older buildings, particularly those constructed before 2000, registered net move-outs of 52 MSF. This continues a trend established in 2023, a notable shift from 2021 and 2022, when demand reached unprecedented levels, supply chain constraints limited new deliveries, and occupiers sought any space available.

Annual U.S. Net Absorption, New Deliveries vs. All Other Building Vintages



Source: Newmark Research, CoStar, January 2025.

However, Vacancy by Far Highest in Newly Delivered Product

East and Gulf Coast Ports and Intermodal Markets Led Industrial Demand in 2024

Four markets – Savannah, Dallas, Houston and Phoenix – account for 18.6% of the U.S. inventory but absorbed nearly 60% of total U.S. net occupancy gains, emphasizing the prominence of East and Gulf Coast ports, inland intermodal hubs, and demographic shifts. Texas has four of the top-10 fastest growing cities in the U.S., the most of any state.

Net Absorption: Top 10 Markets

Market	2024 Net Absorption (msf)
Savannah, GA	21.3
Dallas	20.7
Houston	18.9
Phoenix	18.1
Atlanta	9.4
Chicago	7.4
Inland Empire, CA	7.4
Nashville	7.0
Philadelphia	6.1
Austin	5.7
United States	**154.0**

Demand Growth: Top 10 Markets

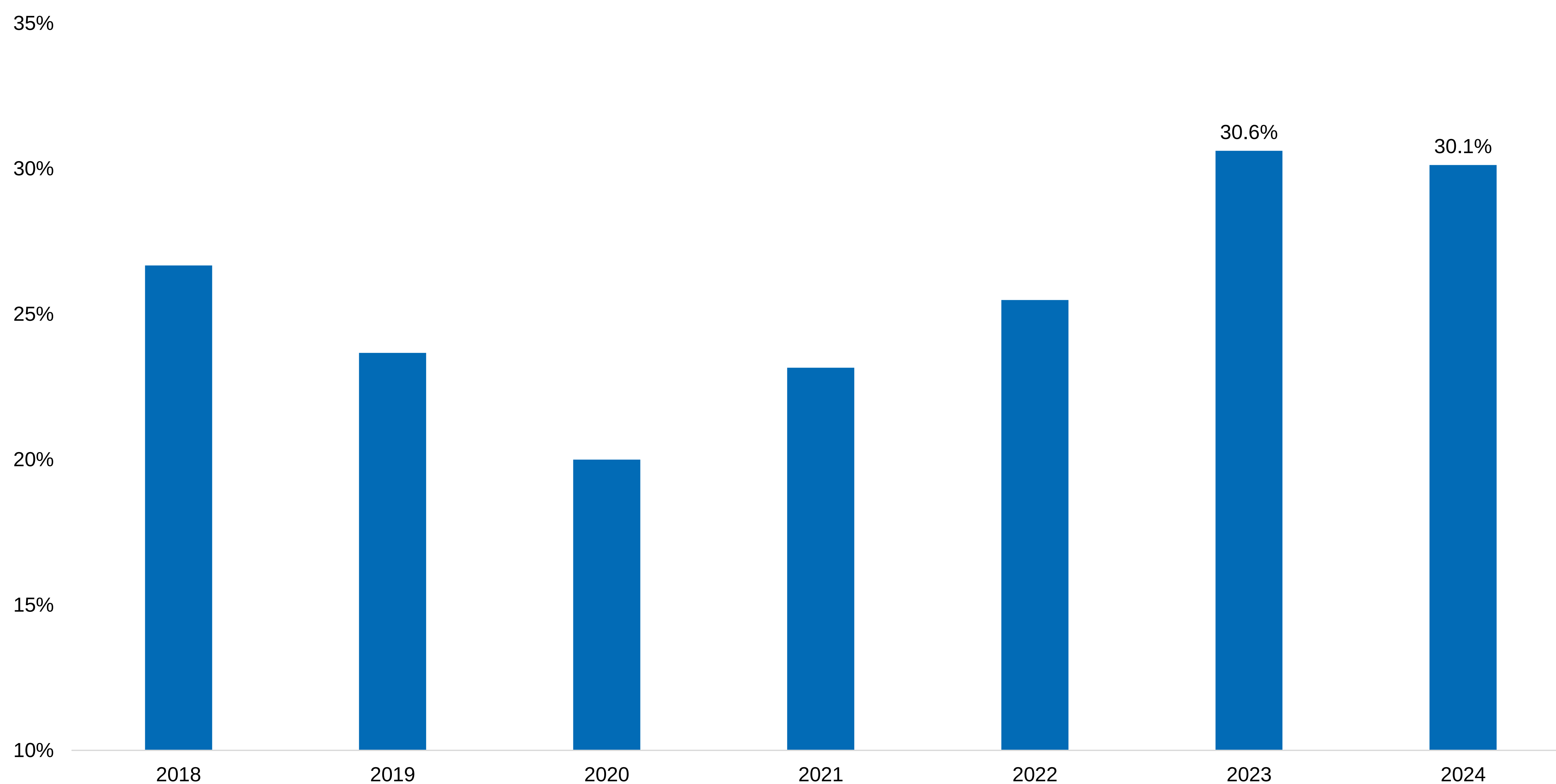
Market	2024 Net Absorption (% of Inventory)
Savannah, GA	14.0%
Phoenix	4.2%
Austin	3.9%
Houston	2.4%
Nashville	2.3%
Las Vegas	2.1%
Palm Beach	1.9%
Salt Lake City	1.8%
Dallas	1.8%
Columbia, SC	1.8%
United States	**0.8%**

Source: Newmark Research, SmartAsset, U.S. Census Bureau, January 2025.

Renewals as a Share of Leasing Activity Remain Elevated

Lease renewals accounted for 30.1% of total leasing volume in 2024, as some tenants remained cautious amid mixed economic conditions, taking a "wait and see" approach. The renewal share peaked in 1Q24 at 34% and been lower since, as new leasing gradually picks up steam.

Renewals as a Share of Industrial Leasing Activity



Source: Newmark Research, February 2025.

3PLs Take Largest Share of 2024 Leasing Activity

Top industrial leasing activity has been increasingly driven by the logistics sector, representing ~30% of top leasing activity in 2024. The sector expanded market share from 2023 by 100 basis points. The “Other” category’s largest driver this year was the Tech sector, as hyperscalers and related service firms are leasing warehouse space to support data center build-out.

Top Industrial Leasing Activity by Sector, 2024

Logistics & Distribution/ 3PLs	Consumer Goods/ Retailers	Manufacturing	Other	E-Commerce	Food & Bev.
29.7%	20.2%	18.5%	17.7%	6.3%	6.3%

Notable 4Q24 Lease Transactions

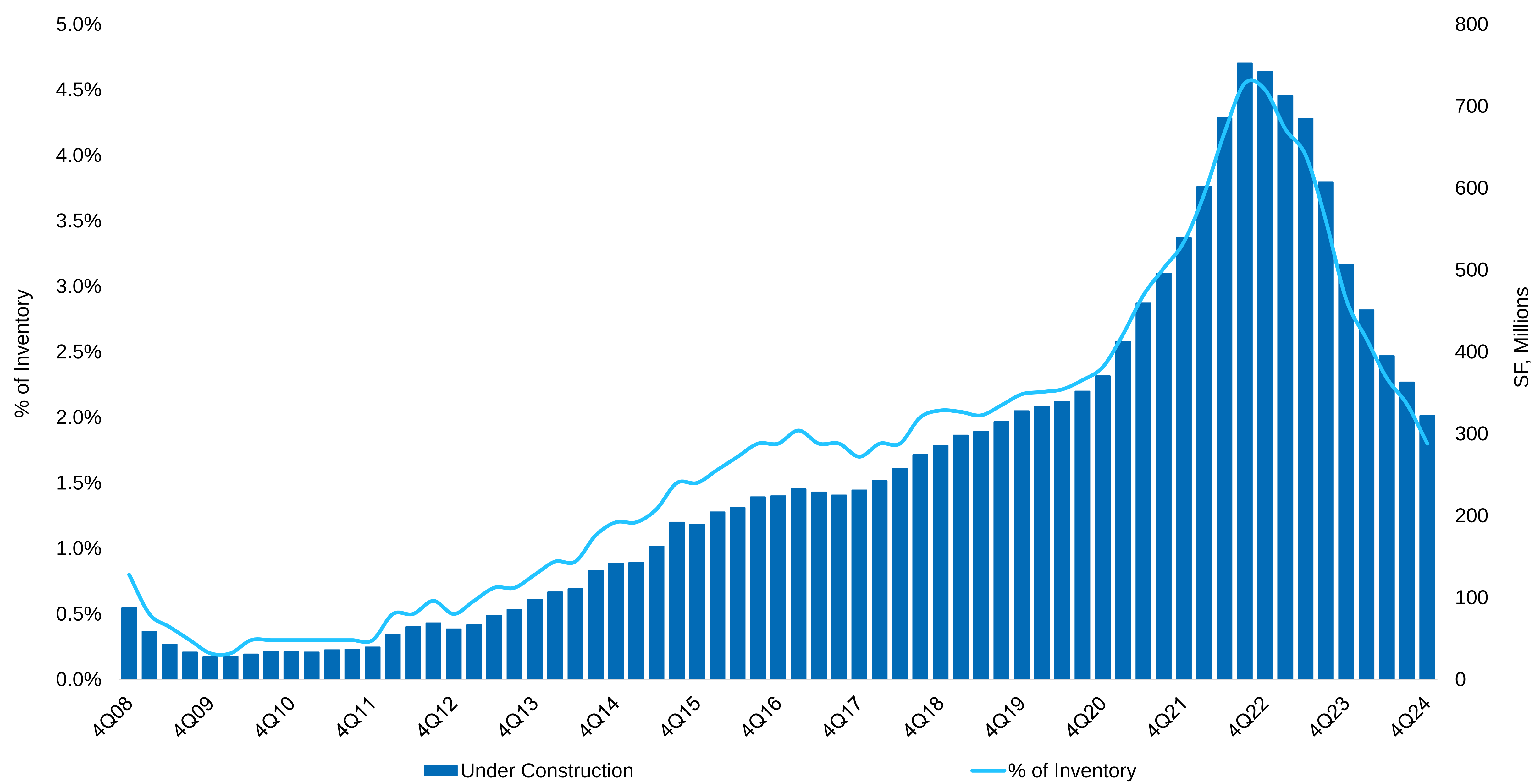
Tenant	Address	Market	Type	Square Feet	Industry
GE Appliances	19705-20005 Business Pky.	Los Angeles	Renewal	1,300,000	Consumer Goods
Ariat	2501 Eagle Pky.	Dallas	Direct New	1,251,160	Consumer Goods
Ford Motor Company	14741 Laplaisance Rd.	Detroit	Direct New	1,100,624	Automotive
CJ Logistics	1200 Fulghum Rd.	Dallas	Direct New	1,075,260	Logistics & Distribution/3PLs
Living Space Furniture	2630 Gravel Spring Rd.	Atlanta	Direct New	1,001,424	Consumer Goods

Source: Newmark Research, February 2025.
*Note: Based on top leasing activity in markets tracked by Newmark. Manufacturing sector includes automotive, aviation, industrial machinery industries as well.

The Pipeline Has Level-Set with 2019 Volumes

By year-end, the total industrial pipeline declined to 322 MSF, marking the lowest level of supply under construction since 2019. Looking ahead, the pipeline is projected to fall to 2018 levels by the end of 2025—still a historically robust volume.

U.S. Industrial Under Construction and % of Inventory

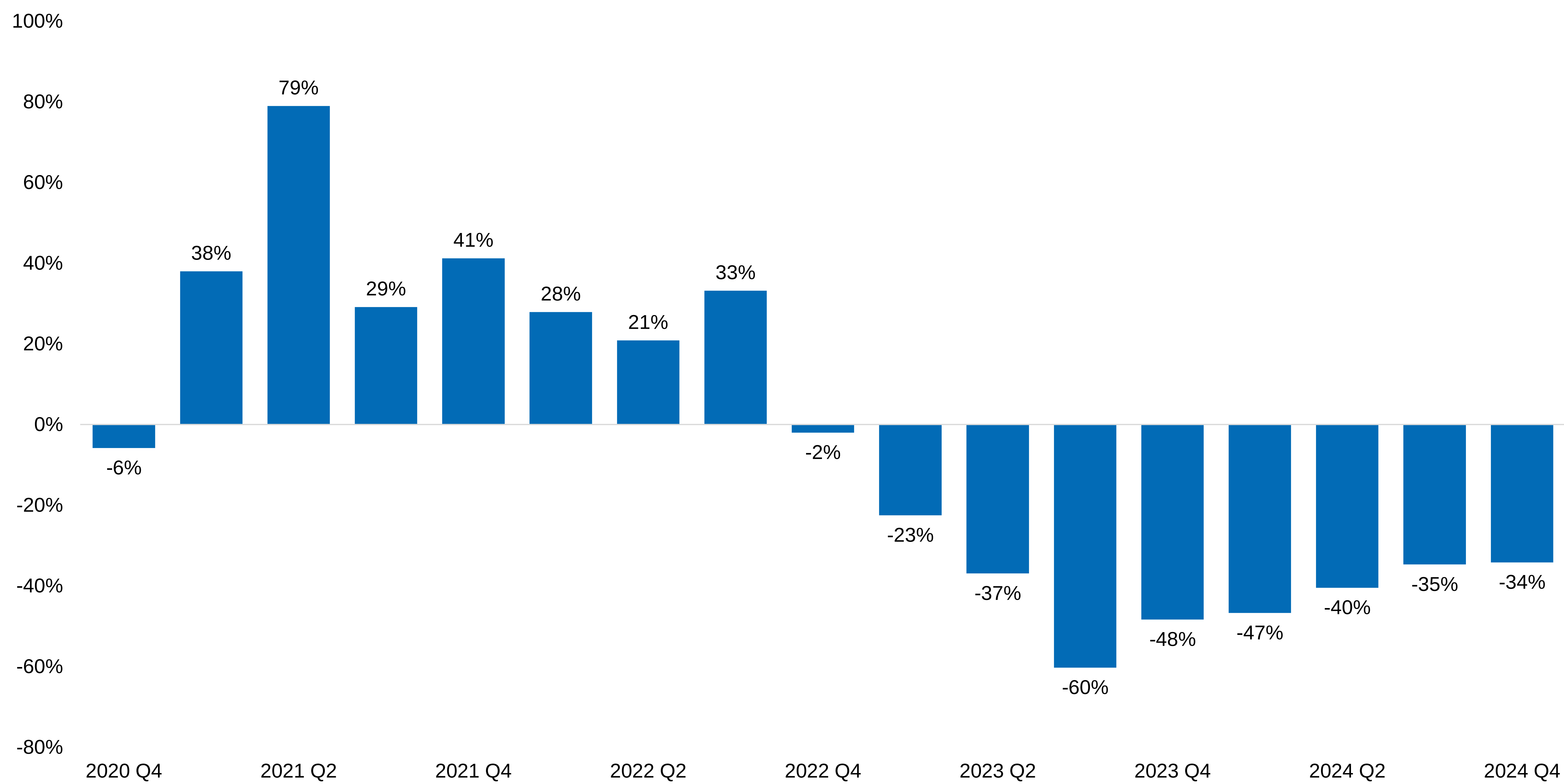


Source: Newmark Research, February 2025.

Starts Continue Annualized Declines but Show Quarterly Stabilization

The second quarter of 2023 was the last period in which quarterly starts measured over 100MSF. Throughout 2024, quarterly starts stabilized between +/- 50 and 60 MSF and will likely remain around that level in the first half of 2025. In comparison, quarterly starts averaged 80 MSF between 2017 and 2019.

Construction Starts, Year Over Year Percentage Change



Source: Newmark Research, CoStar, January 2025.

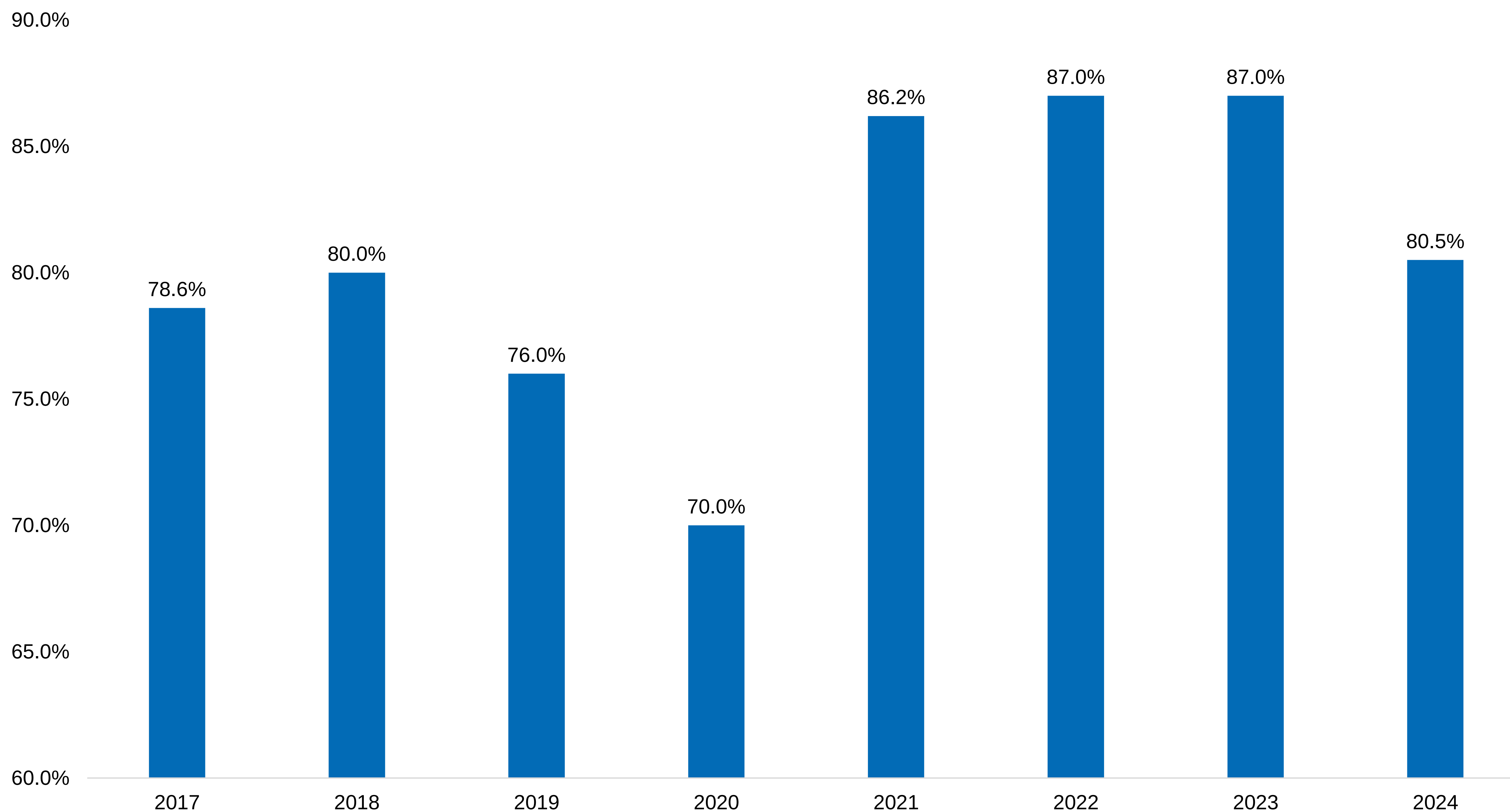
Most Markets Are Still Breaking Ground on New Product, Just Much Less Of It

Please reach out to your
Newmark business contact for this information

Spec Development Still Comprises Majority of Pipeline, But the Balance Has Shifted

Warehouse design has become increasingly uniform nationwide, fueling a rise in speculative construction that provides tenants with immediate-occupancy options. At the end of 2023, the pipeline was 87% speculative—a record high. By year-end 2024, that share declined to its lowest level in four years.

Speculative Share of the Industrial Development Pipeline

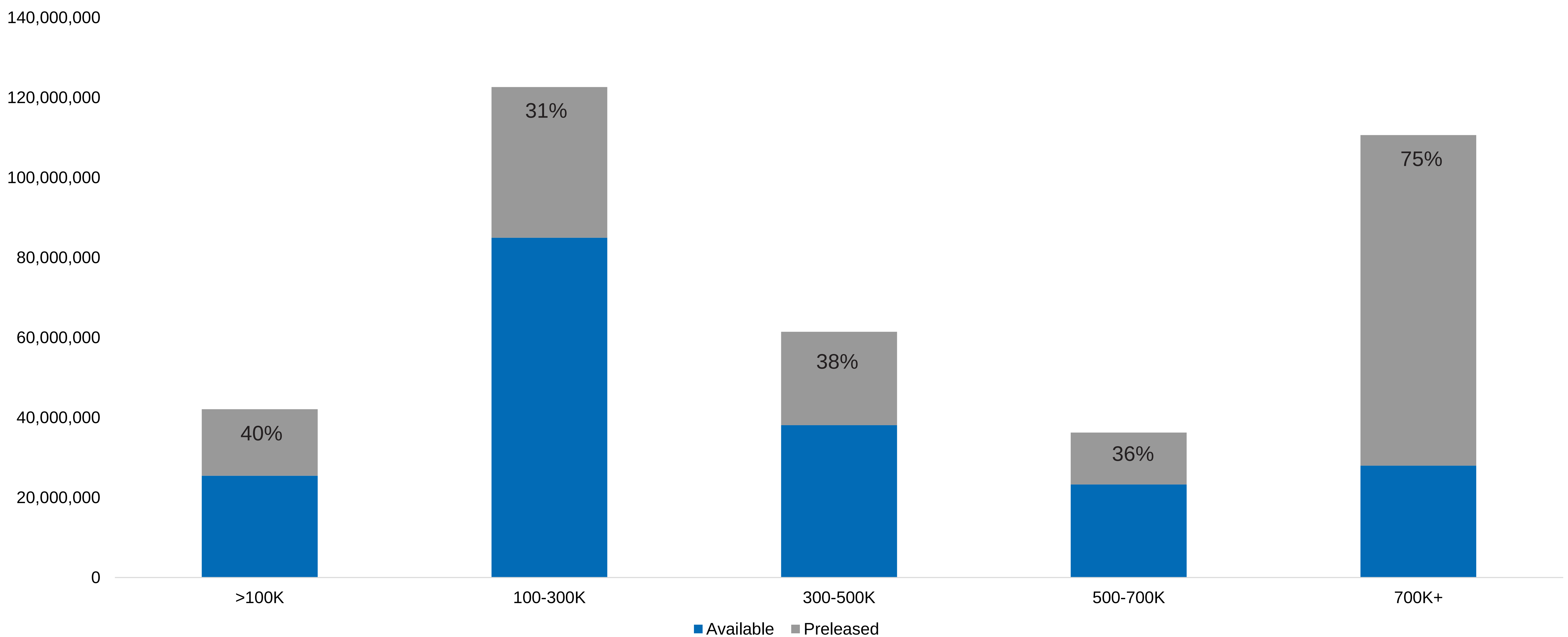


Source: Newmark Research, January 2025

Mega-Facilities Under Construction Have the Best Preleasing Rate

Among industrial projects measuring 700,000 SF+ in the pipeline, 75% of space is preleased or owner-developed. This size category saw the largest pullback in groundbreakings YOY, contributing to the higher preleasing rate. This trend is particularly acute in the 1 MSF+ slice which is 87% preleased. Limited new projects of scale in the pipeline will help reduce the existing mega-box vacancy rate.

4Q24 U.S. Industrial Construction Pipeline: Available vs Committed Space by Size Segment



Source: CoStar, Newmark Research, January 2025

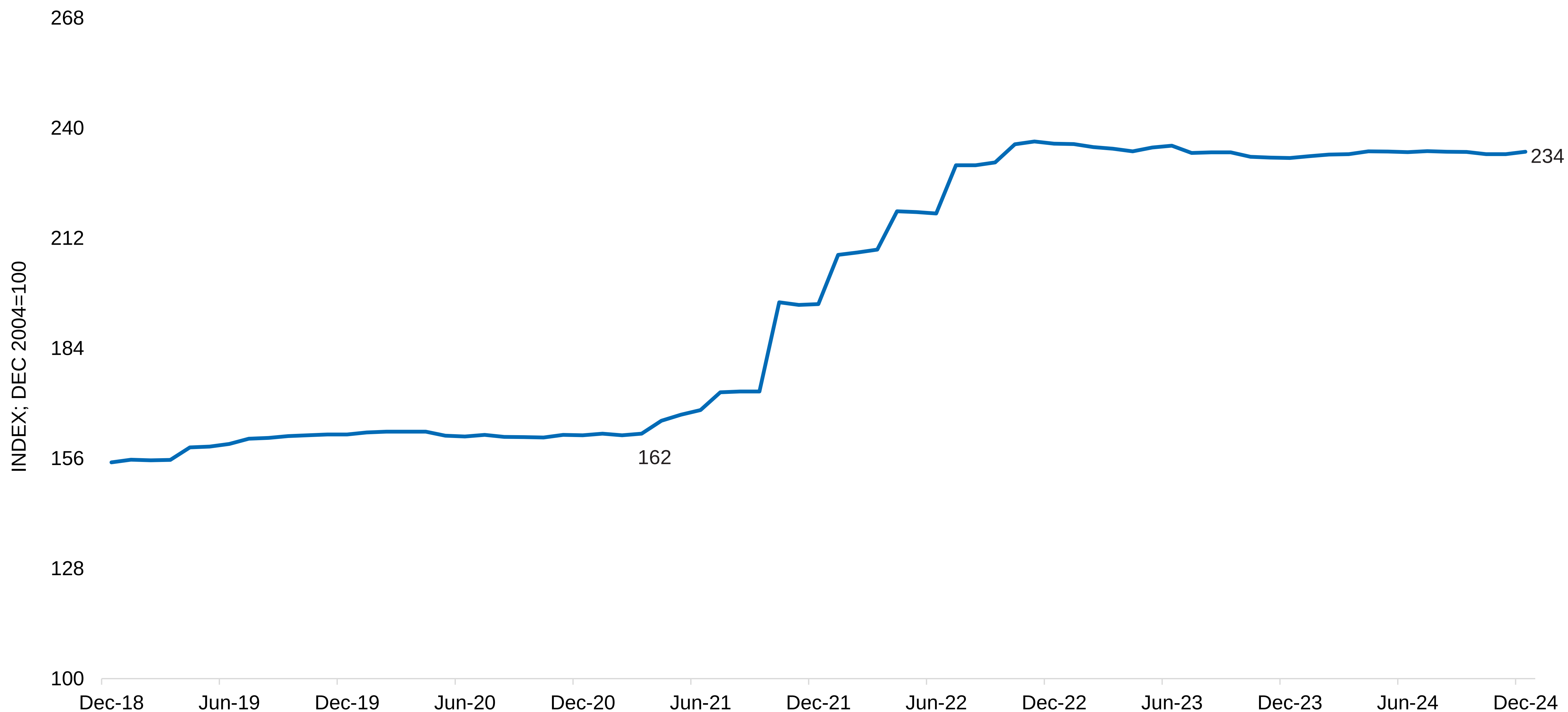
Some Markets Will Have More New Space to Work Through Than Others

Please reach out to your
Newmark business contact for this information

Warehouse Construction Costs Remain Elevated, But Flat Since Fall 2022

Industrial construction projects of all stripes are significantly more expensive to build now than in previous years. Costs remained stable by YE 2024, yet a variety of headwinds including rebuilding efforts after devastating California wildfires, tariff uncertainty, and immigration policies could cause costs to stay elevated or move up in the short to mid term.

Producer Price Index: New Warehouse Building Construction



Source: Newmark Research, St. Louis Federal Bank, February 2025.

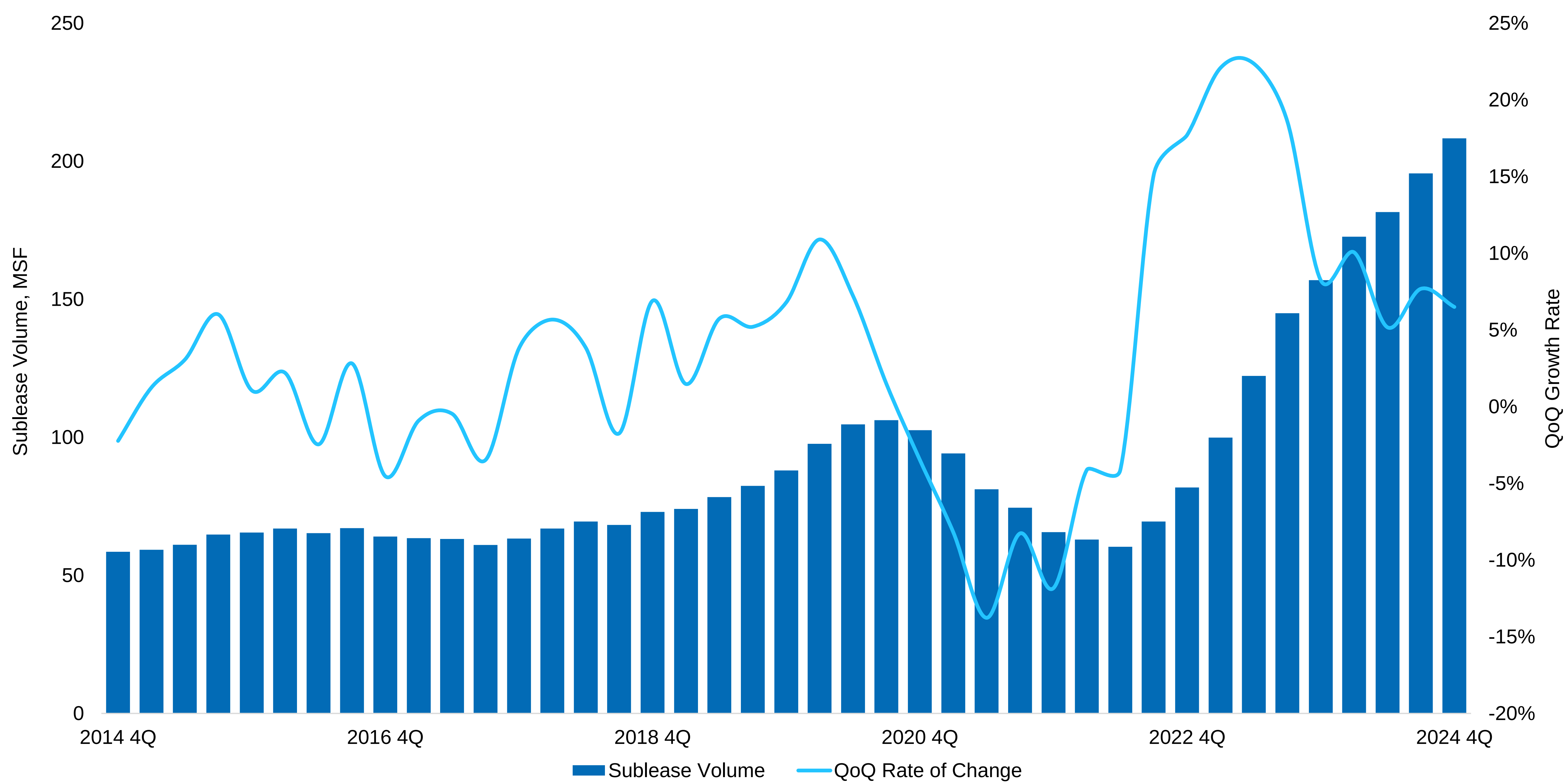
Market Expansion Necessary to Align with Growing Populations and Industry Shifts

Please reach out to your
Newmark business contact for this information

Industrial Sublease Availability Still Growing, But at a Slower Clip

Sublease space hit 208 MSF by 4Q 2024. While historically, sublease availability has risen faster in recessions and been absorbed faster in recoveries than direct space, this pattern may change. Factors that could cause direct availability to decline before sublease availability in this cycle include FASB accounting rules (like GAAP amortization requirements) adopted in the previous cycle of rapid expansion, non-transferable lease options preventing subleasees from receiving direct extension options and the cost of modern facility build-out.

Available Industrial Sublease Volume and QoQ Change



Source: Newmark Research, February 2025.

While Vacancy Rises Nationally, Some Markets Remain Very Tight

The national vacancy rate rose to 6.9% in the third quarter of 2024, up from 5.5% one year ago. Some markets have seen vacancy double or even triple over the last 12 months, while others have experienced relatively stable market vacancy. All of the ten markets in the right chart are under the national vacancy rate, and most are also below their individual market historical vacancy, and all have experienced the slightest change in vacancy in the country.

Lowest Vacancy: Top 10 Markets

Market	4Q24 Vacancy
Milwaukee	3.7%
Orange County, CA	4.0%
Broward County, FL	4.0%
Cleveland	4.1%
Los Angeles	4.3%
Detroit	4.6%
Richmond	4.6%
Minneapolis	4.6%
St. Louis	4.6%
Salt Lake City	4.6%
United States	**6.9%**

Vacancy Stability: Top 10 Markets

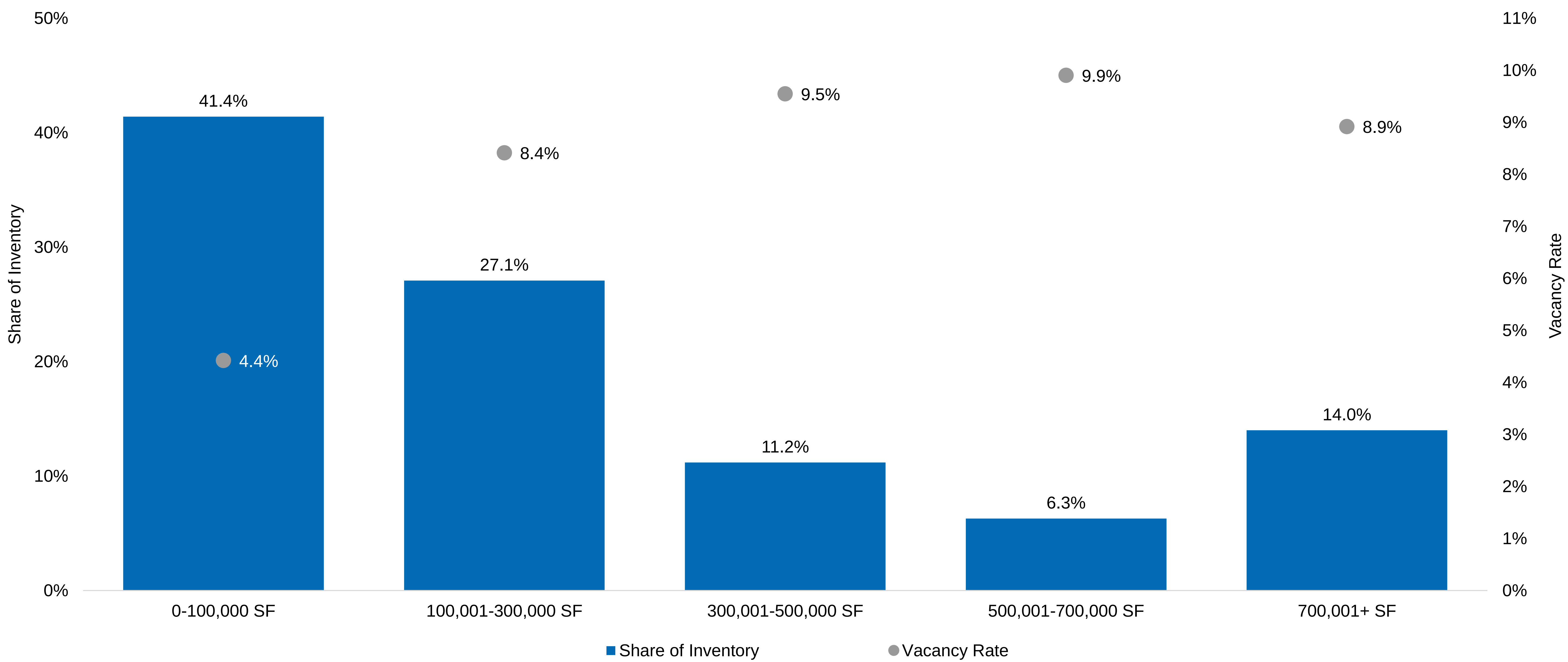
Market	4Q23 – 4Q24 Vacancy Change (BPS)
Cleveland	-45
Salt Lake City	-21
St. Louis	-10
Houston	-10
Kansas City	0
Cincinnati	16
Minneapolis	20
Pittsburgh	30
Broward County, FL	34
Milwaukee	48
United States	**140**

Source: Newmark Research, February 2025.

The 100,000 SF and Under Segment Is the Bedrock of the Market…

The sub-100,000-square-foot building tranche, inclusive of small-bay and single-tenant, is the largest in terms of share of inventory and lowest in vacancy and contains a significant portion of the industrial buildings built before 2000. While vacancy in this segment has risen, it is growing the slowest, as economies of scale and recent surging demand drove development in larger size categories

4Q24 Industrial Vacancy Rate by Building Size



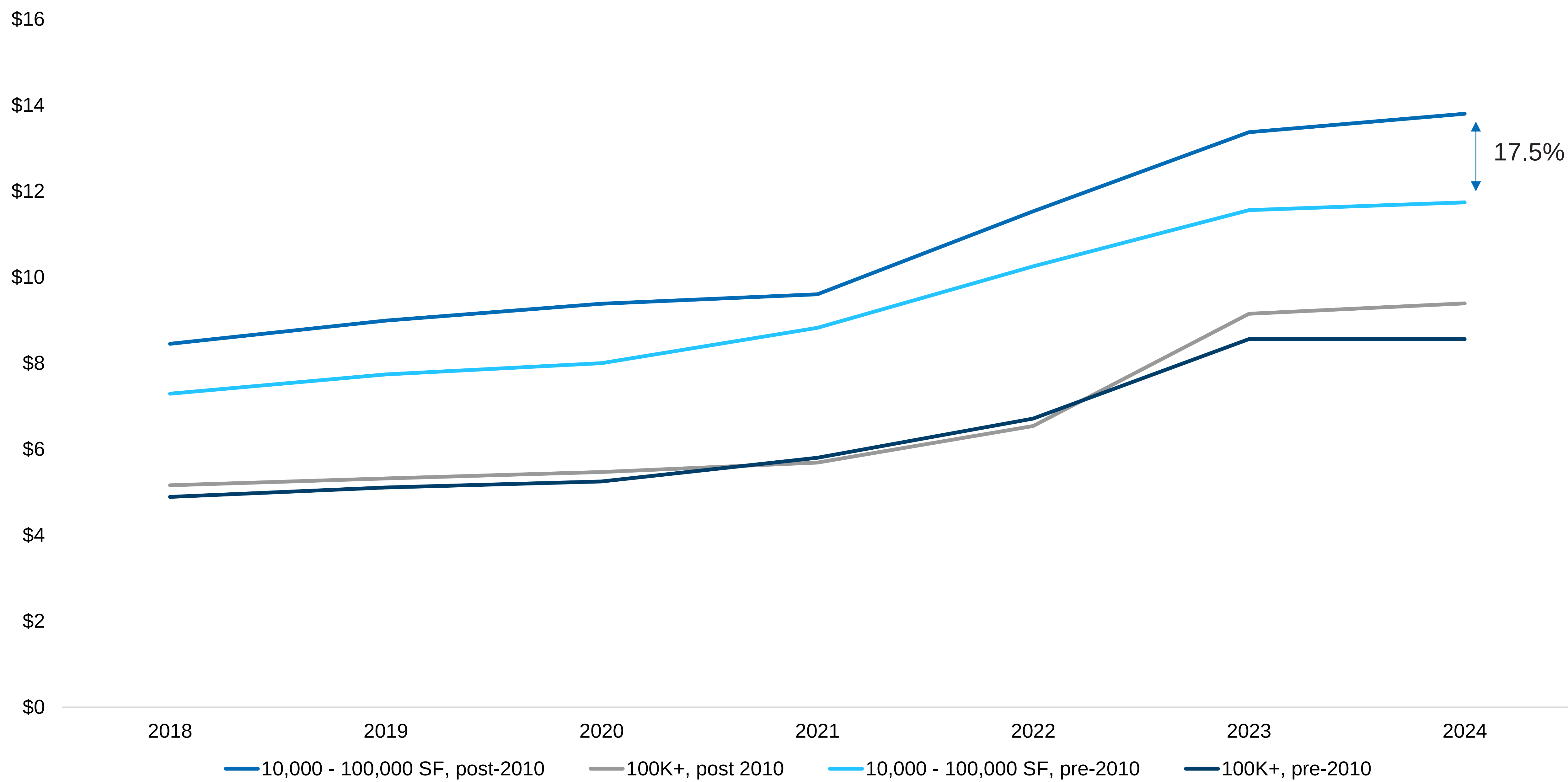
Source: CoStar, Newmark Research, January 2025.

Although, That Segment Has Faced Net Occupancy Loss Two Years in a Row

Premium on Newer, Smaller Industrial Facilities

Limited new construction in the small-bay segment, coupled with diverse tenant demand, has driven a rent premium, especially for newer facilities. Rent growth has slowed even in this segment, partially due to some modest increases in vacancy due to occupancy loss, and in part, because of development of 100,000 to 300,000 SF properties, which represent a significant portion of recent supply additions. This new product may compete with small-bay offerings as landlords become more open to demising larger spaces.

U.S. Industrial Asking Rent by Property Size and Age

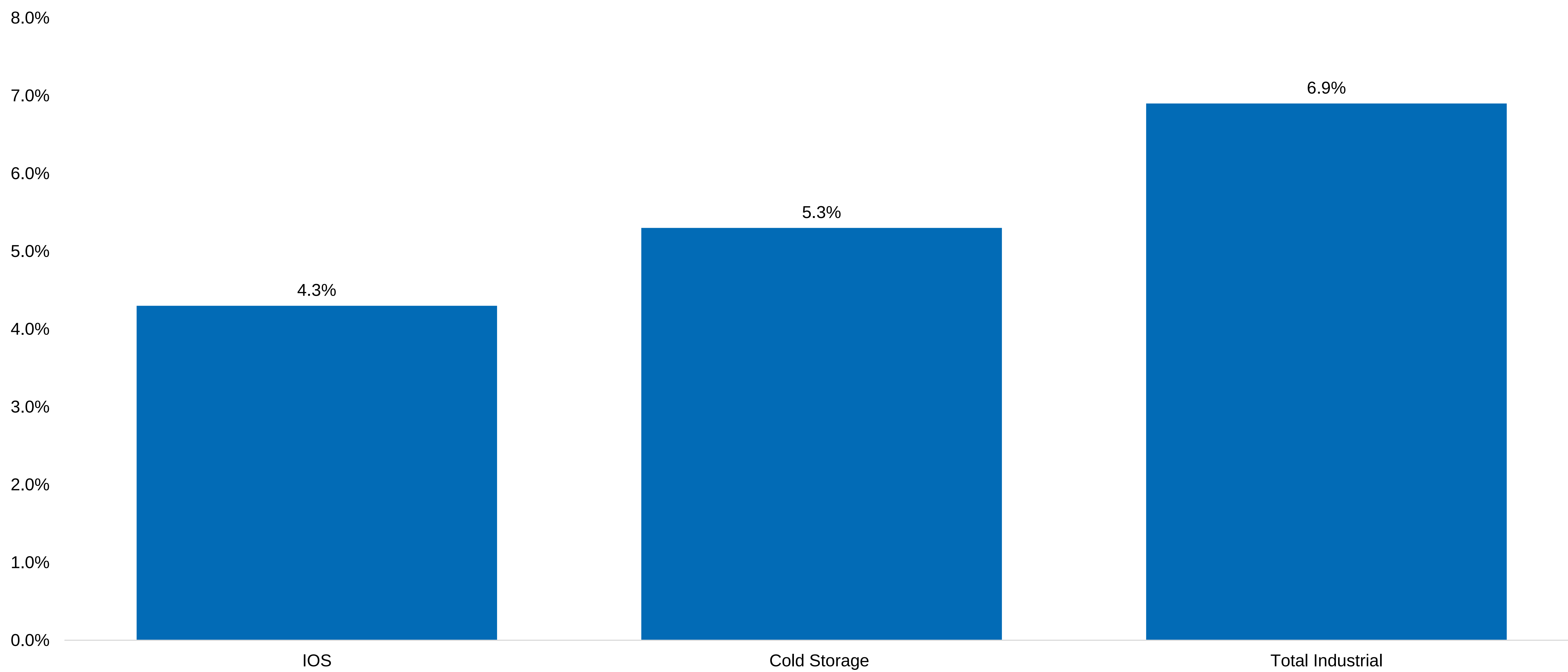


Source: Newmark Research, CoStar

Vacancy is Lowest in Alternative Industrial Sectors

Fundamentals in niche industrial sectors such as industrial outdoor storage (IOS) and temperature-controlled warehousing/distribution are tighter than the overall industrial average, owing to limited supply with high barriers to new development, coupled with consistent demand.

4Q24 National Vacancy Rate (%), Select Alternatives and Total Industrial

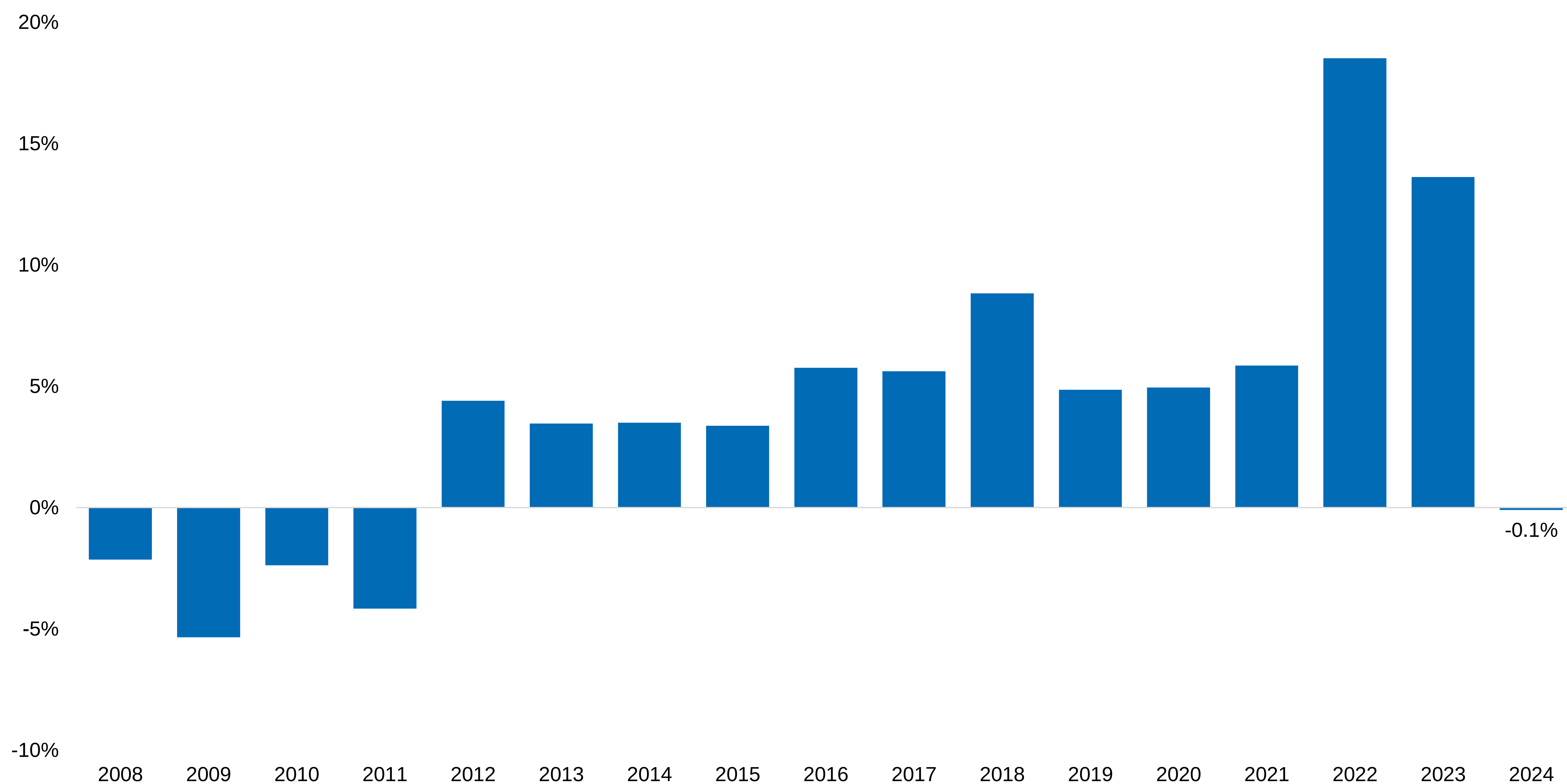


Source: Newmark Research, CoStar, February 2025.

Industrial Asking Rents Show First Annual Decline in Over a Decade

Average asking rents recorded a slight -0.1% annualized decline, ending 2024 essentially unchanged from fourth-quarter 2023 levels.

Year-Over-Year Industrial Asking Rent Growth



Source: Newmark Research, February 2025.

Land-Constrained Port Markets Maintain Substantially Higher Rents

Industrial markets across the U.S. continue to experience annual asking rent growth. Higher-priced space delivering in traditionally lower-rent markets has partially driven this trend, contributing to notable rental growth in Columbia, SC—an outlier with a double-digit increase. Additionally, rising small-bay availabilities with higher rents helped push average asking rents upward in that market.

Highest Asking Rent: Top 10 Markets

Market	4Q24
Silicon Valley*	$29.91
Oakland/East Bay	$20.76
Los Angeles	$18.61
Orange County, CA	$18.58
San Diego	$17.71
New Jersey Northern	$17.17
Long Island	$16.65
Boston	$16.32
Miami	$15.40
Broward County, FL	$15.09
United States	**$10.20**

Largest Asking Rent Growth: Top 10 Markets

Market	4Q23-4Q24 Pct. Change
Columbia, SC	21.2%
Milwaukee	8.6%
Memphis	7.8%
Nashville	7.8%
New Jersey Northern	5.9%
Charleston, SC	5.9%
Washington, DC	5.6%
Pittsburgh	5.1%
Denver	5.0%
San Antonio	4.7%
United States	**-0.1%**

Source: Newmark Research, January 2025.
*Note: An outsized share of the Silicon Valley industrial market is R&D space which contributes to the relatively high overall asking rent.

Rent Growth Has Generally Slowed to a Halt, But Performance Varies Widely

Please reach out to your
Newmark business contact for this information

Contract Rents Have Been Largely Stable Since 2Q23

Please reach out to your
Newmark business contact for this information

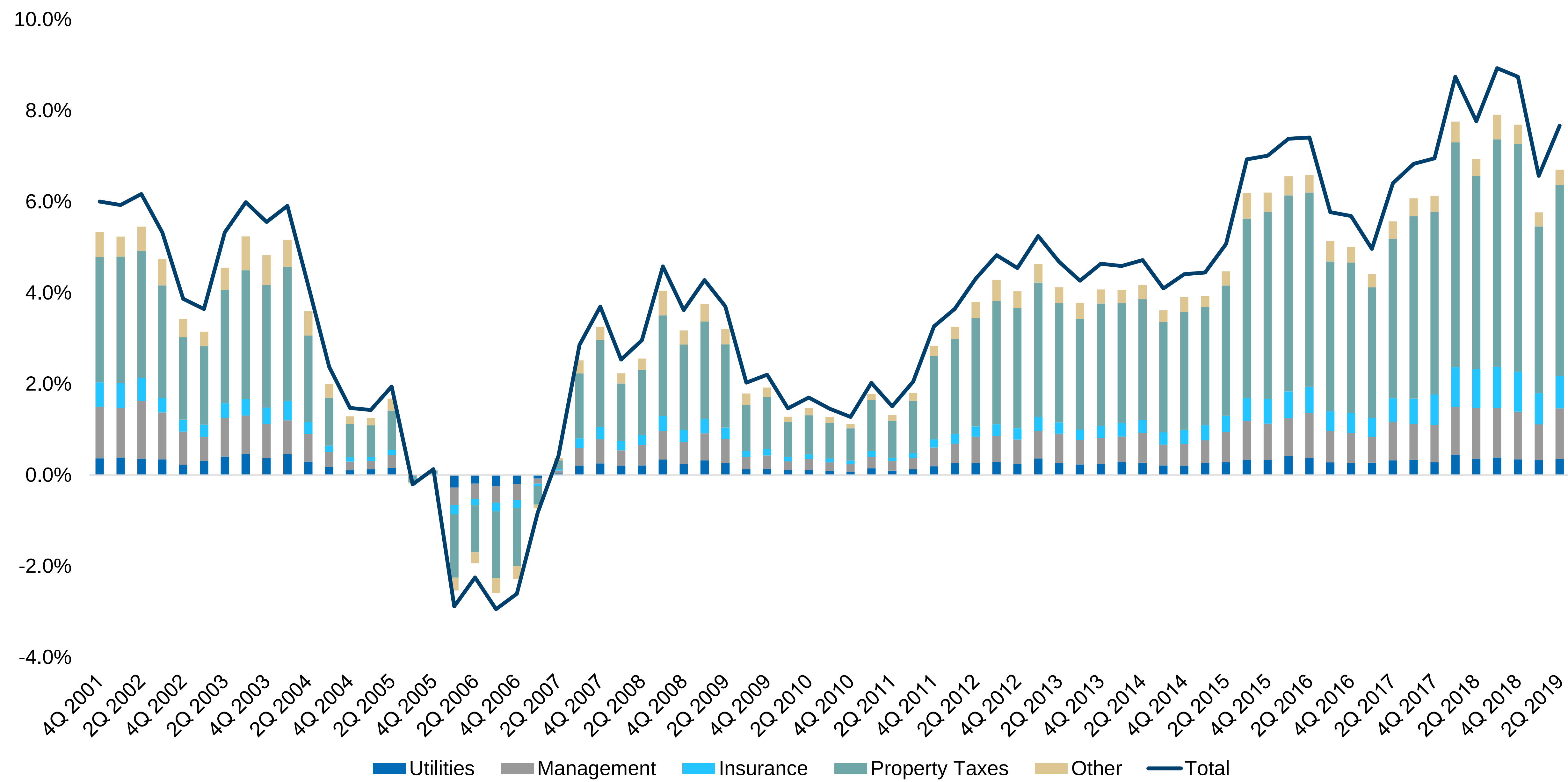
Concessions Are Up, Escalations Have Slightly Moderated

Please reach out to your
Newmark business contact for this information

Operational Costs Are Still Rising Faster than Pre-2020

Industrial opex increased by nearly 8% year-over-year, led by growth in property taxes. Property taxes, the largest bucket of opex, have risen ~100% since 2019. While many markets offer abatement programs for new builds, facilities without such benefits are likely to face even greater challenges with property taxes as properties undergo reassessment.

Industrial Opex, Year-over-Year Change



Source: Newmark Research, NCREIF, February 2025.

Green Street Industrial Effective Rent Forecast

Please reach out to your
Newmark business contact for this information

“Safe Shore” Infill Port Markets Will See Superior Rent Growth – After a Larger Reset

4Q24

Capital Markets

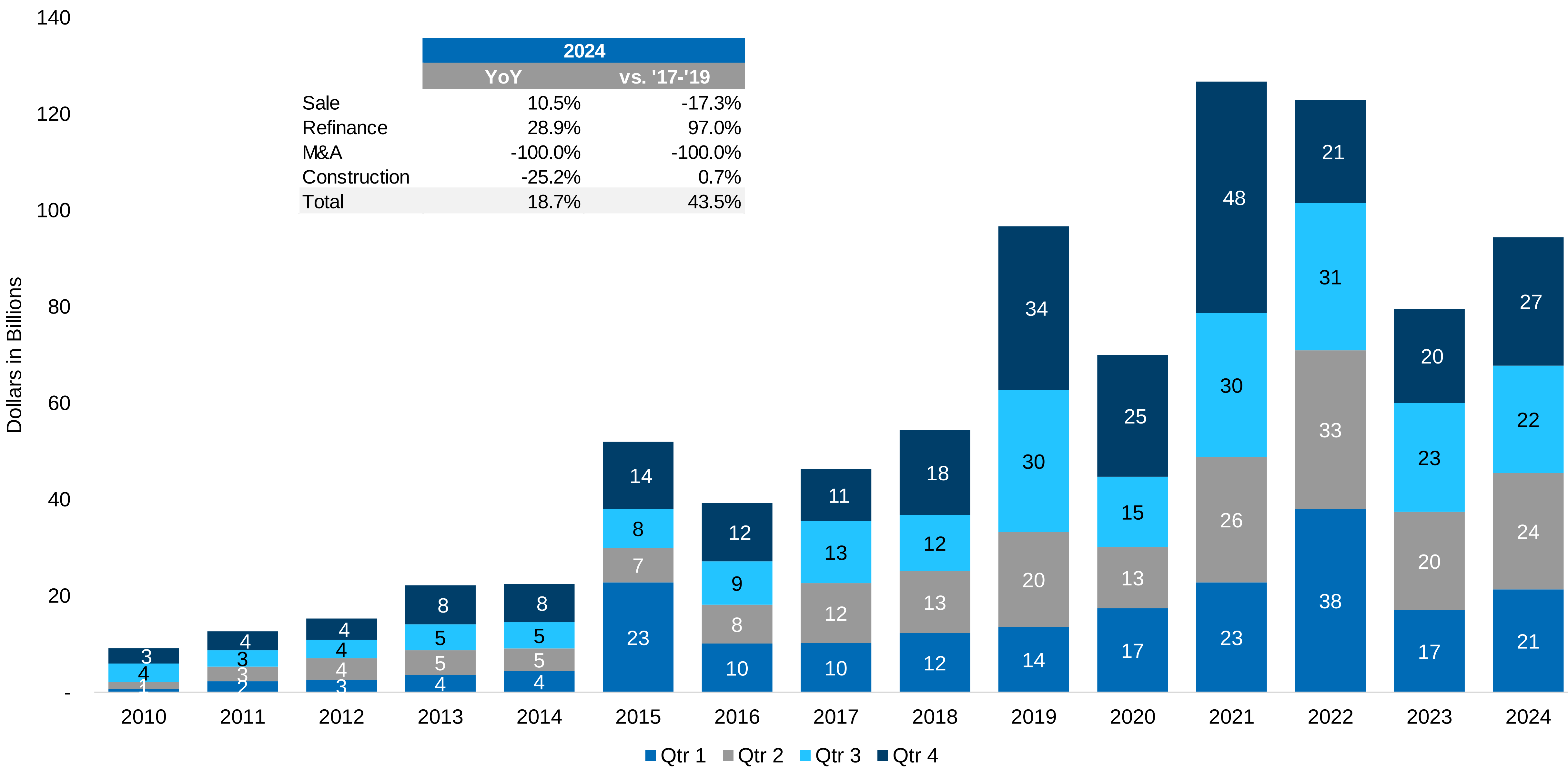
Newmark Scenario Weighted Terminal 10-Year Treasury Yield Up To 4.3%

Industrial Debt Originations Posted Solid Year In 2024 – Mostly Due To Refinancing

Industrial debt origination volume declined 36% YoY in 2023 but came roaring back in 2024, increasing 18.7% and nearly matching 2019 levels. Refinancings drove volume growth, though financings for sales also picked up, while construction financing fell in line with overall Industrial construction receding.

Industrial Debt Origination Volume

	2024	
	YoY	vs. '17-'19
Sale	10.5%	-17.3%
Refinance	28.9%	97.0%
M&A	-100.0%	-100.0%
Construction	-25.2%	0.7%
Total	18.7%	43.5%

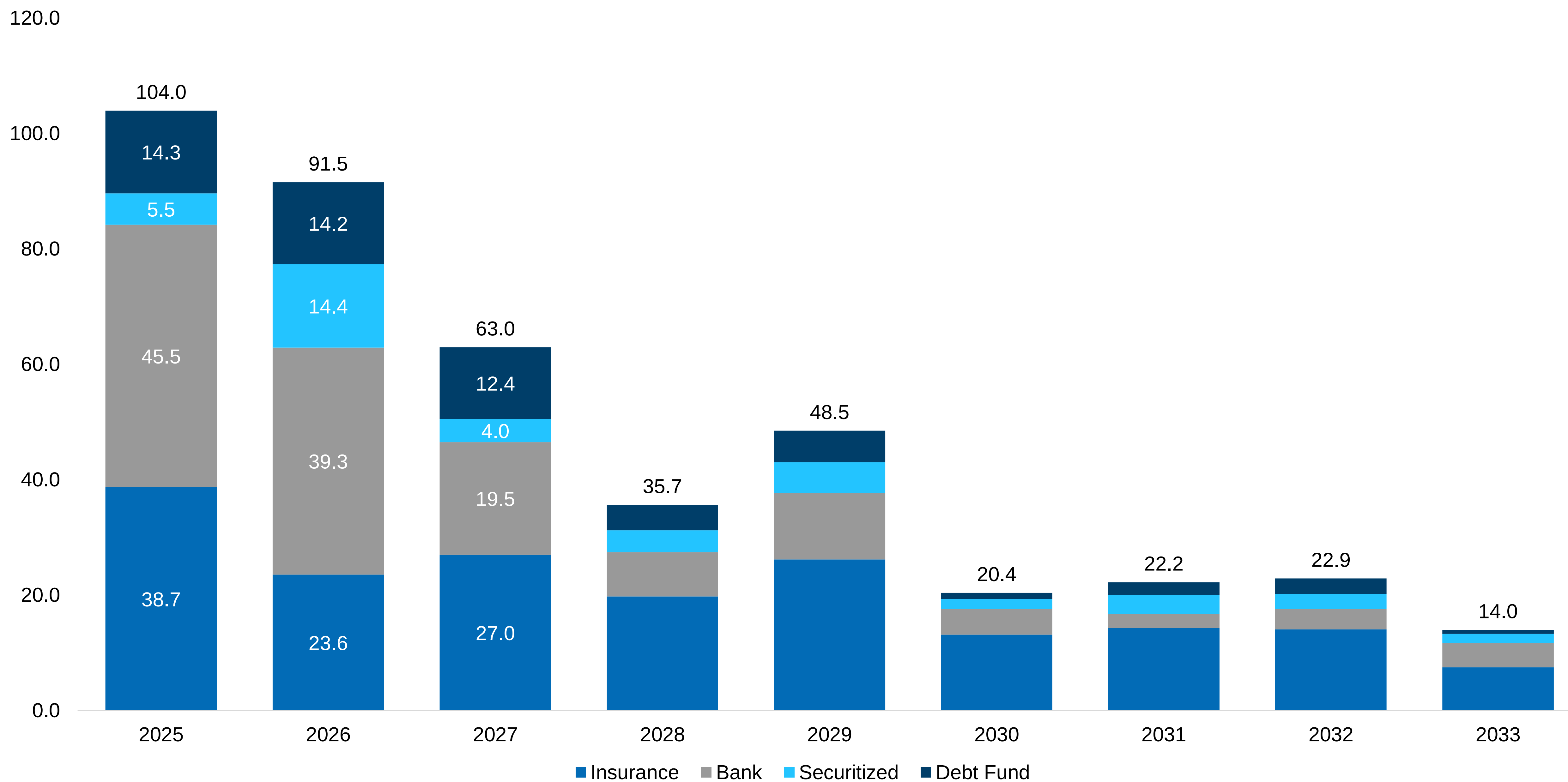


Source: RCA, Newmark Research as of 1/21/2025
Note: loan origination volumes are adjusted for future expected revisions using Newmark's proprietary models
**Excludes construction loans

Over $250B In Industrial Maturities Expected By End Of 2027

Near-term Industrial maturities largely reside with the banks, who have been largely working to moderate their CRE exposure, while Insurance lenders make up the majority of post-2027 maturities. Industrial debt has largely managed to avoid distress, as the last ten years of strong rent and value growth gives borrowers room to deal with high interest rates.

Potentially Troubled Loans by Maturity Year*



Source: RCA, Newmark Research as of 1/21/2025

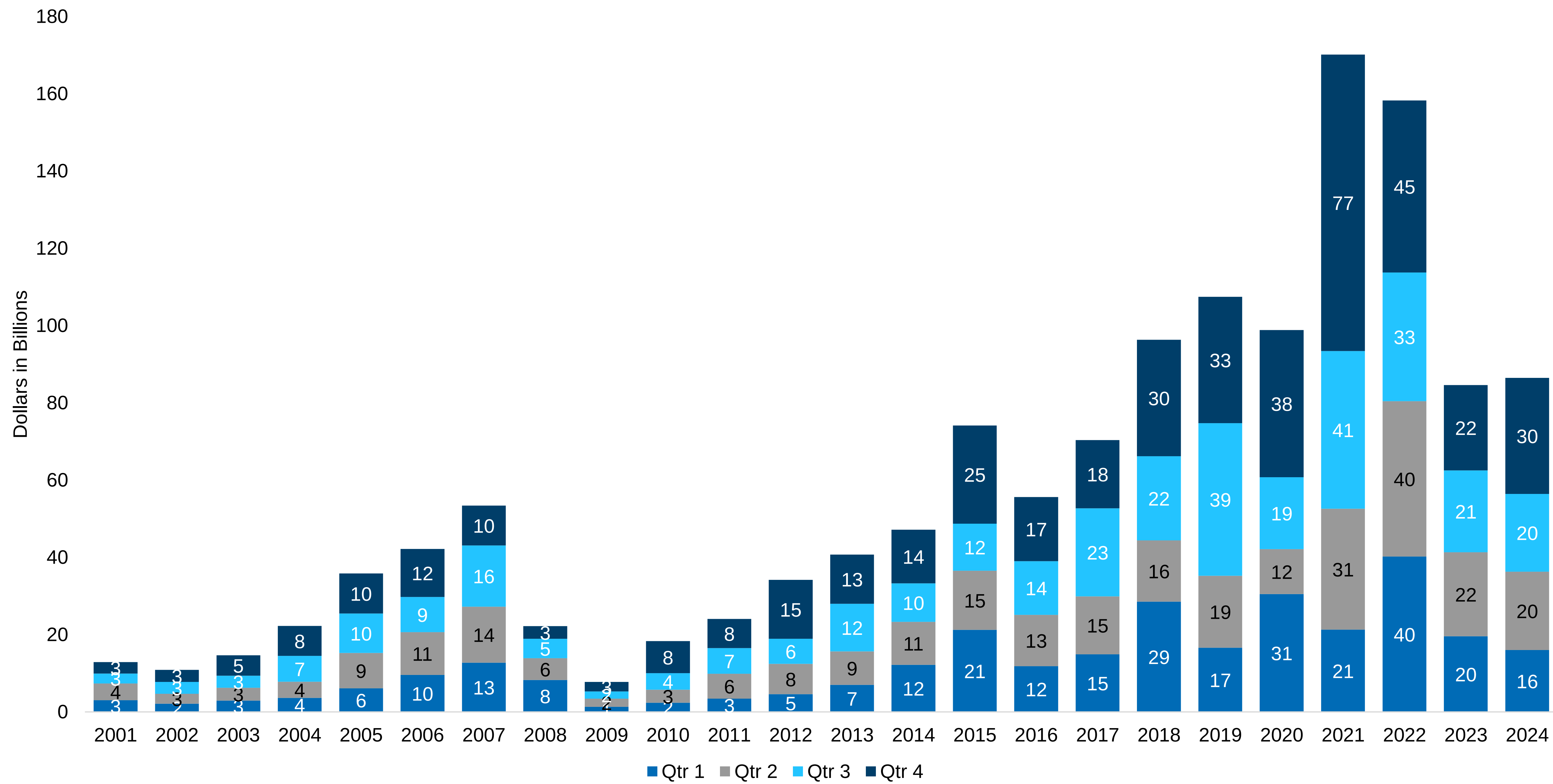
Demand For New Data Centers Has Propelled Development to New Heights

Please reach out to your
Newmark business contact for this information

2024 Volume Roughly The Same As 2023 On The Back Of Strong 4th Quarter

The fourth quarter ushered in $30 billion in sales volume, a strong increase from volumes one year ago – effectively ending the two-year-plus trend of annualized declines, though volumes were relatively flat year-over-year.

Investment Sales Volume

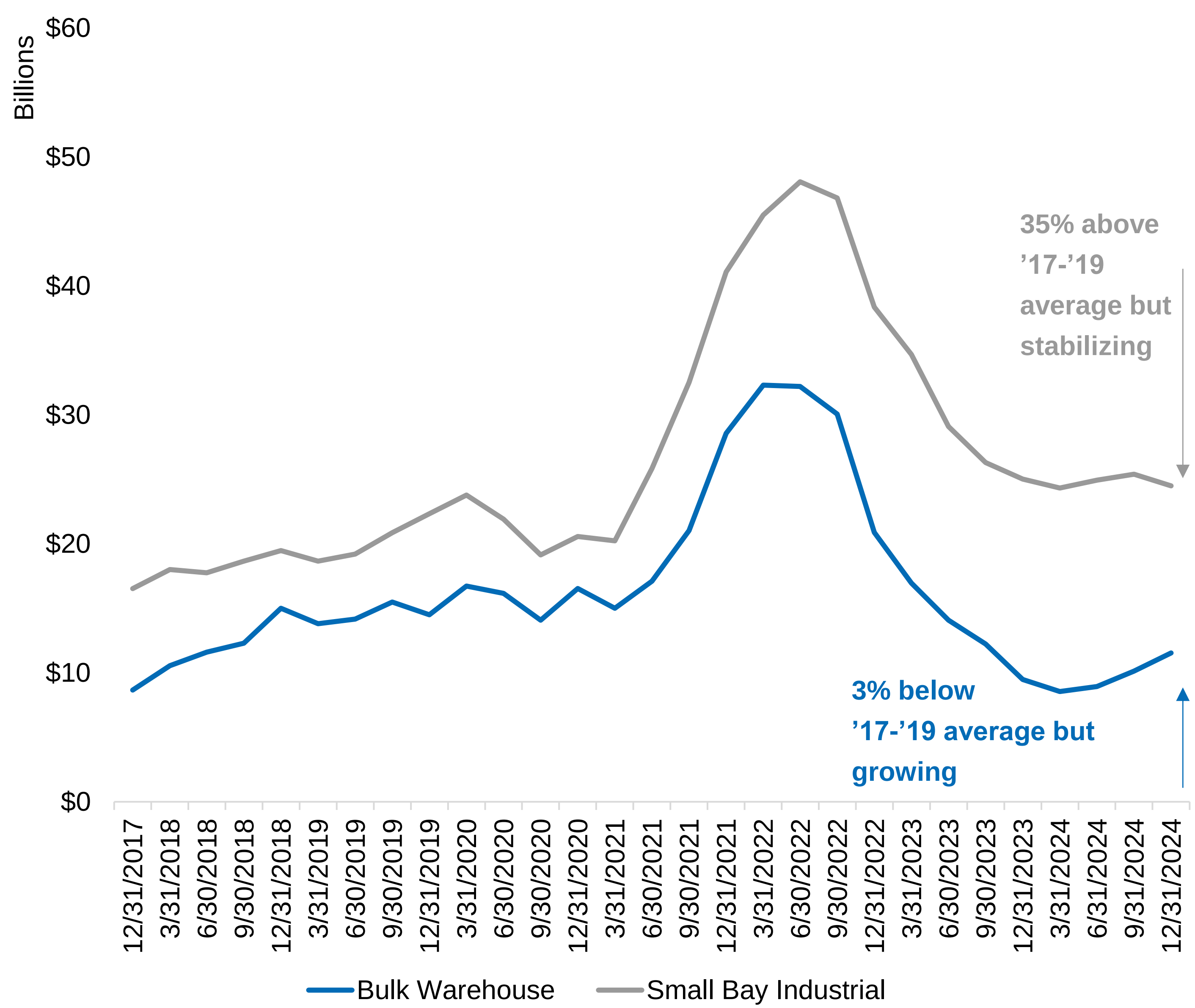


Source: Newmark Research, MSCI Real Capital Analytics. 1/21/2025

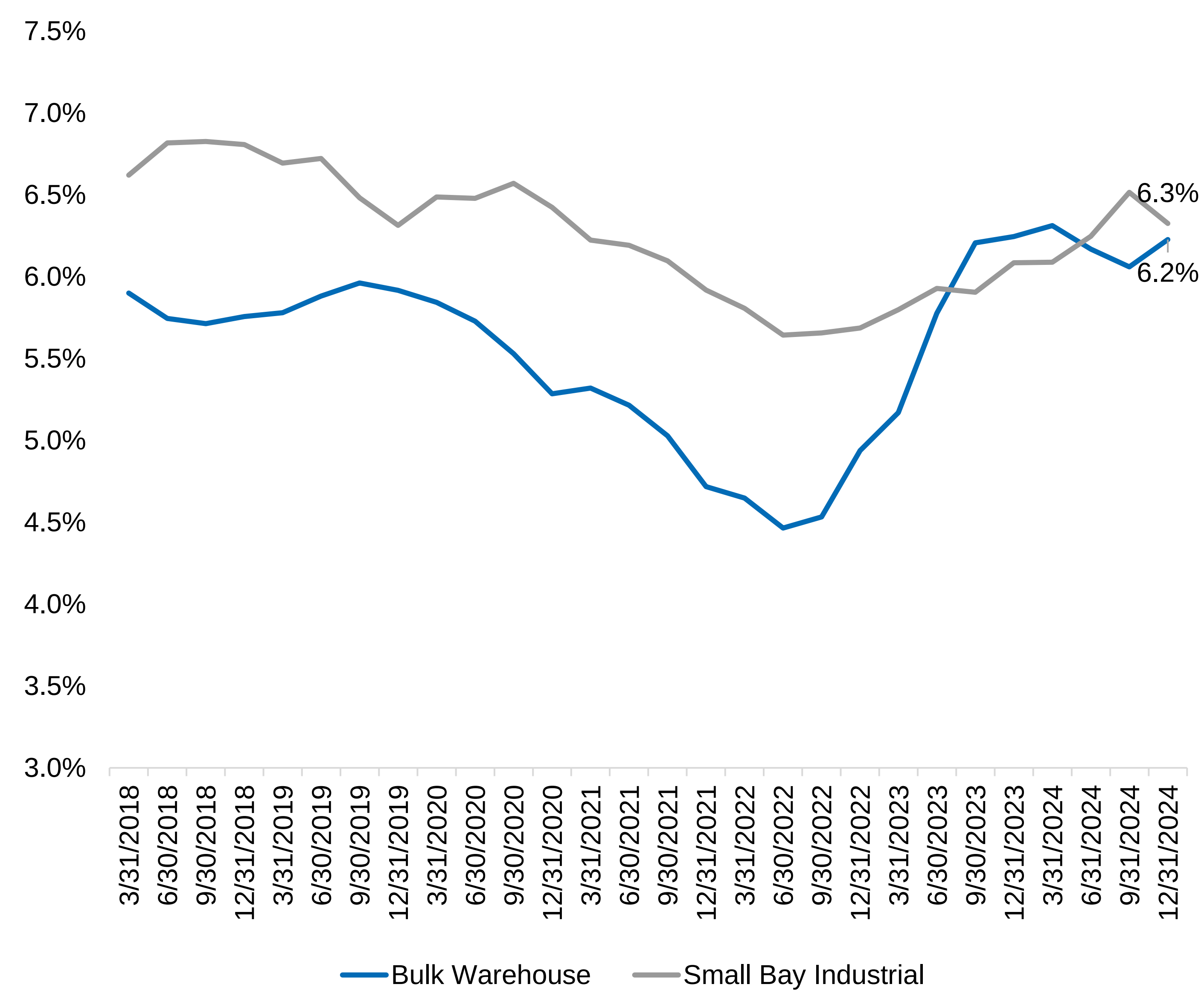
Small Bay Sales Volume Remains Significantly Above Baseline Average

Small-bay industrial properties offer diversification in tenancy cash flow but require greater tenant management and often involve fewer credit tenants. Because of these dynamics (and others, including age of product), it has historically traded in a general range of 50 to 100 bps higher than stabilized bulk distribution. This relationship reversed in 2023 and into 2024, as investors are showing increased appetite for stabilized core assets, cap rates are signaling the start of a reversion towards historic spreads.

Small Bay Industrial vs Bulk Warehouse, 4-Q Rolling Sales Volume



Small Bay Industrial vs Bulk Warehouse, Average Cap Rate Performance

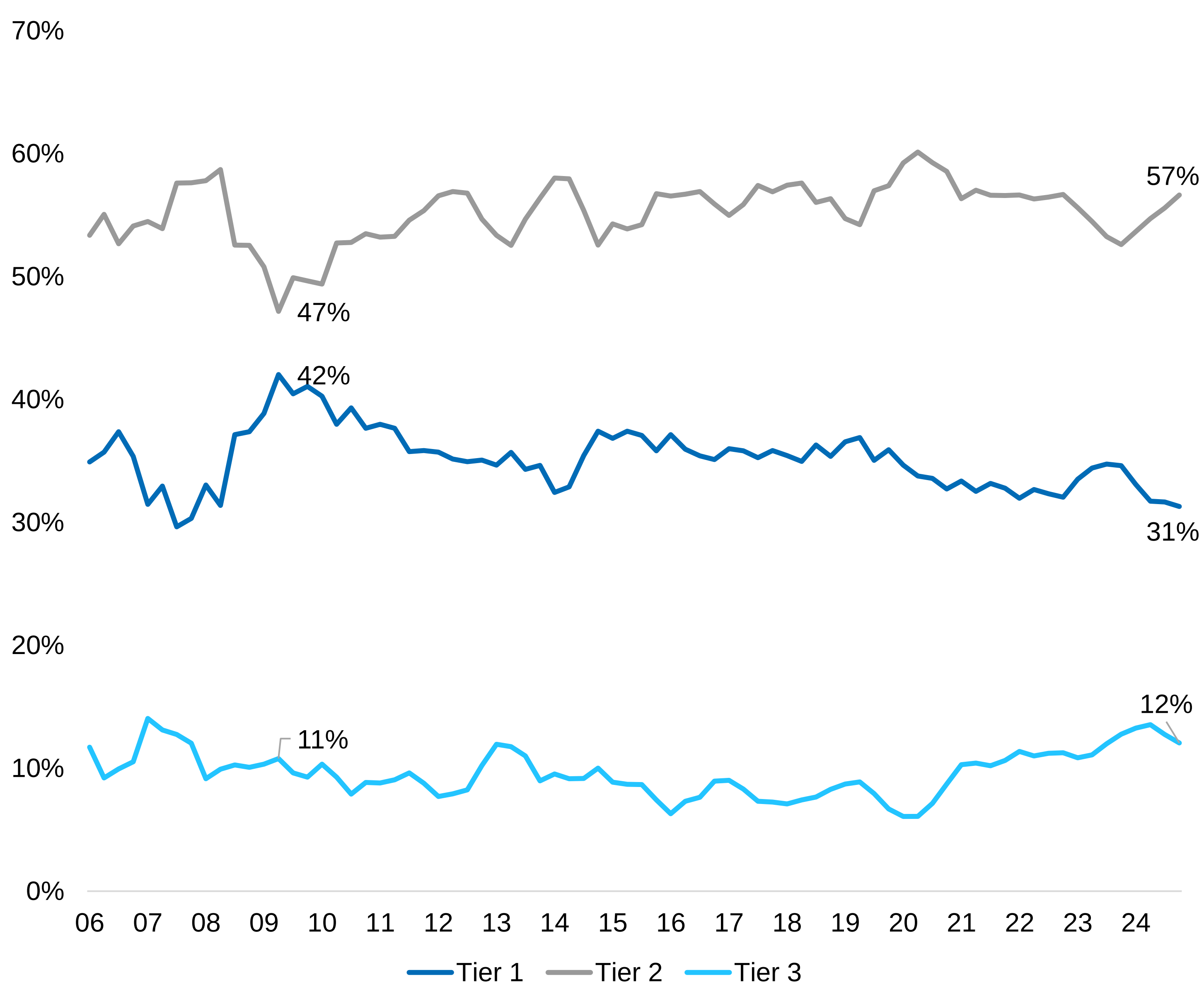


Source: Newmark Research, January 2025. Small bay industrial, 100K and under multitenant properties, generally divisible to 10K. Bulk warehouse – stabilized, single tenant warehouse / distribution buildings 200K+

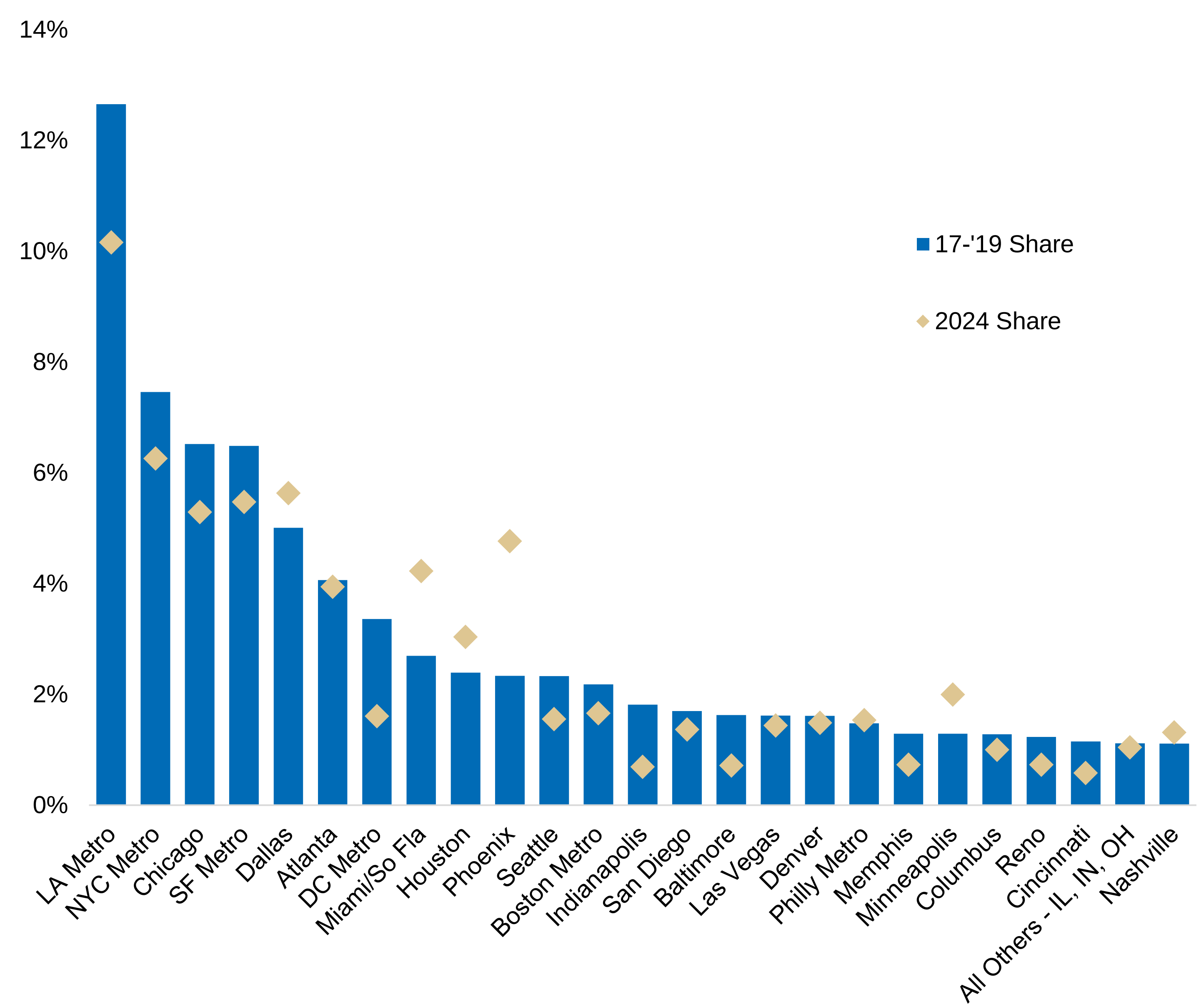
Tier 2 Markets Won Back Market Share In 2024

In 2024, investment trends shifted back toward diversification into Tier 2 markets, with Miami, Houston, and Phoenix seeing increased activity, while Tier 1 markets like Los Angeles, New York, and Chicago experienced a pullback. Investment volume has increasingly followed population growth, favoring high-growth Sunbelt markets.

Investment Sales Share By MSA Tier*



Investment Sales Share By MSA – Top 25*



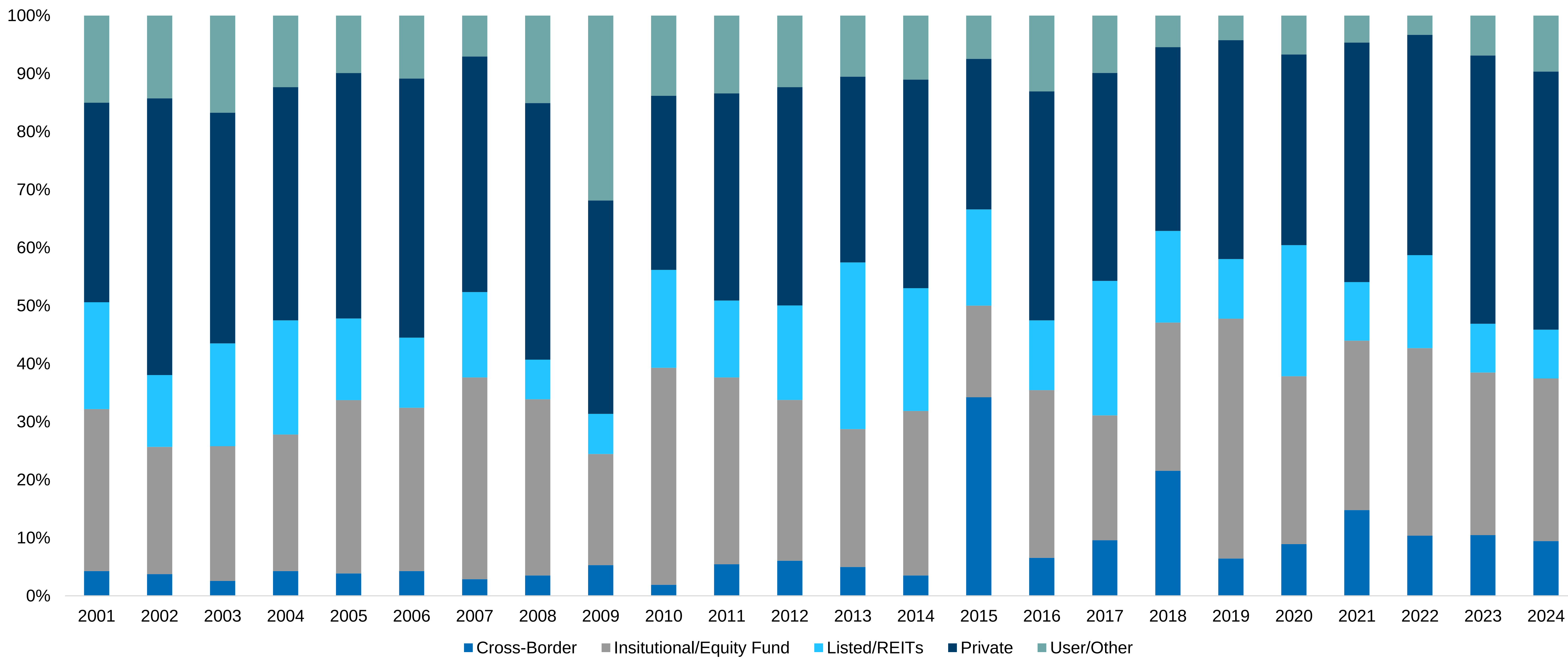
Source: Newmark Research, U.S. Census, MSCI, January 2025 *Tier 1 metros include: Los Angeles, New York, Chicago, Dallas, and Atlanta, while tier 2 is the remaining top 50 markets by transaction volume. Tier 3 is the remaining U.S.

Liquidity Still Flows into Top Tier Markets – Even in a Volatile Market

Users Boost Acquisition Share to the Highest Since 2016

Across the ecosystem of investor profiles, private capital continues to account for nearly half of total acquisitions. Users are seeing more opportunity than the buyer type has seen in years, buying more volume year-to-date than in all of 2023. Users accounted for 10% of purchases this year – the highest share in nearly a decade.

Composition of Industrial Buyers

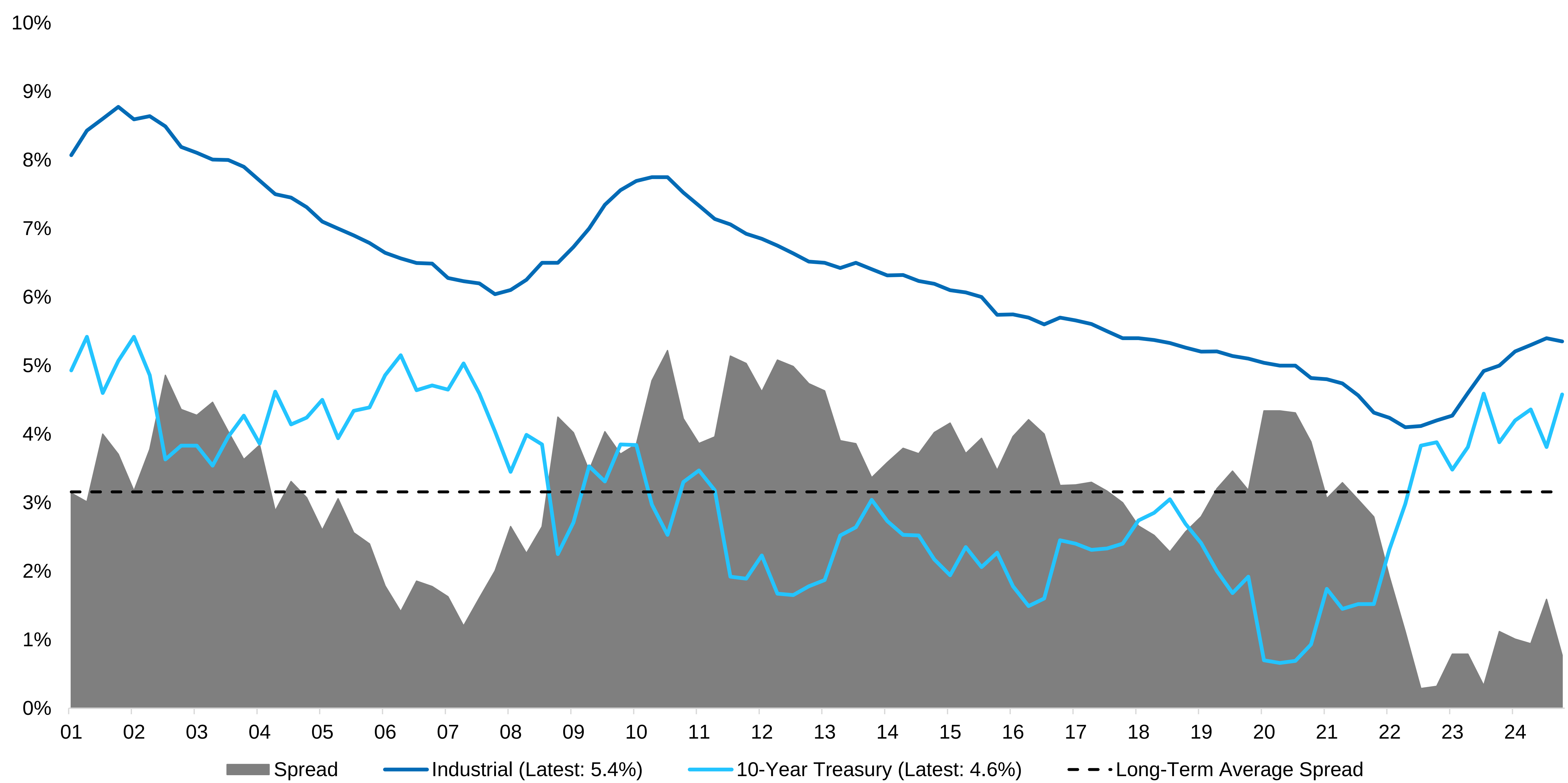


Source: Newmark Research, MSCI Real Capital Analytics, As of 1/21/2025.

Industrial Cap Rates Stabilize In Mid-5s

Industrial transaction cap rates have fluctuated over the past 12 months around the low- to mid-5s, which will likely be the case again in 2025. Spreads to 10-Year Treasury Yields remain well below long-term averages.

Top Quartile Transaction Cap Rate*

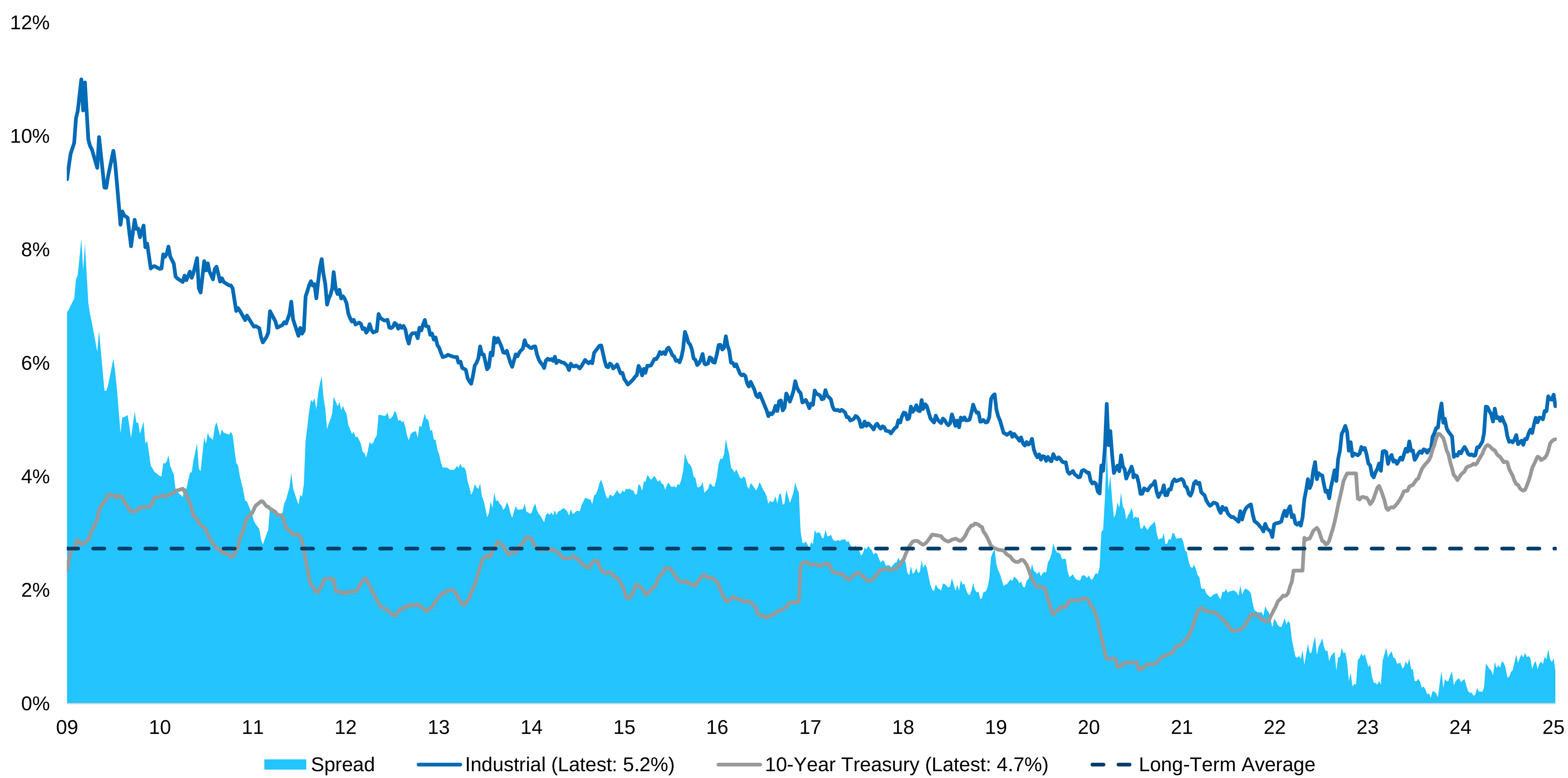


Source: Real Capital Analytics, Federal Reserve Bank of St. Louis, Moody's as of 1/21/2025
*Quarterly

Public Market Spreads To Treasuries Narrow Even After Late 2024 Expansion

Industrial implied cap rates have had tight cap rate spreads for the last two years. Historically abnormal NOI growth has been a factor in keeping cap rates compressed, but reduced expectations for NOI growth may cause some recalibration.

REIT-Implied Nominal Cap Rate

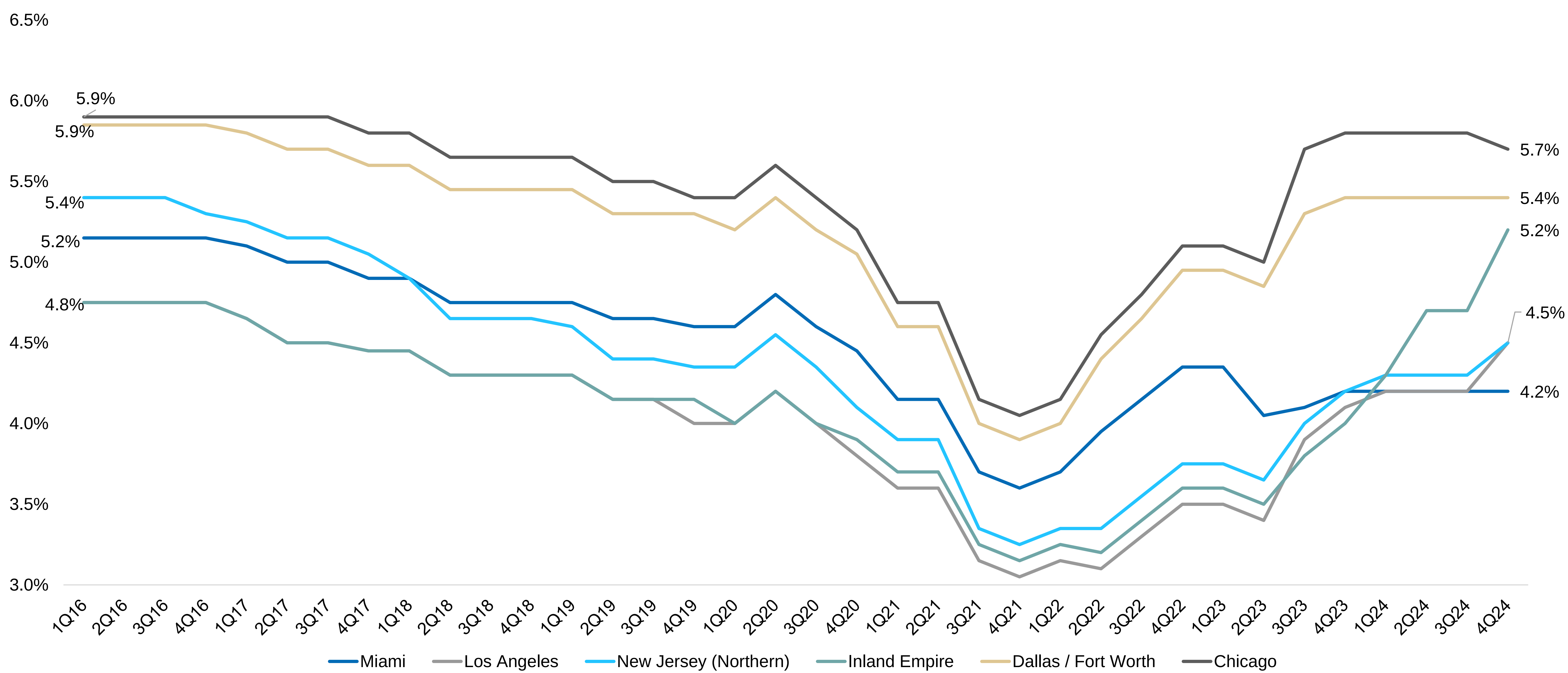


Source: Green Street, FRED, Nareit, Newmark Research as of 1/28/2025.

Cap Rate Performance Varies Across Markets; Most Are Still Low Relational to History

In keeping with the national trend, major markets such as DFW, Chicago, and Miami have seen relatively stable cap rates over the past 12 months; the Inland Empire on the other hand continues to see cap rates expand beyond historic norms.

Prime Logistics Cap Rates, Key Markets



Source: Green Street, MSCI

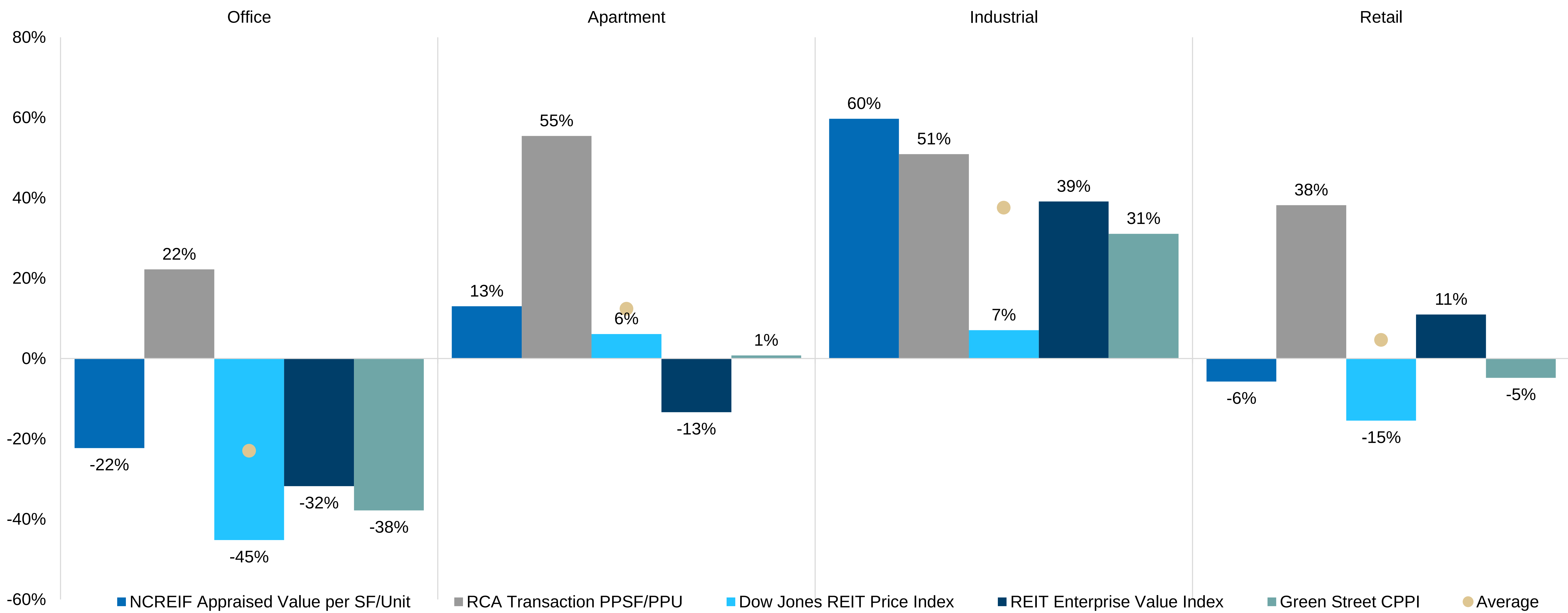
Industrial REIT Returns Have Underperformed

Please reach out to your
Newmark business contact for this information

What Has Happened to Values? Depends On the Benchmark

Industrial is the only sector for which a range of benchmarks show large and significant gains since 4Q19. Conversely, most benchmarks show office values down, but there is a large difference between appraisal / transaction-based measures, which show modest depreciation and measures informed by the public markets. The latter seem far more realistic. Multifamily markets show the same cleavage with the enterprise value a clear outlier. Retail measures, on the other hand, have little consistency.

Comparison of Value Benchmarks: Cumulative Index Change since 4Q19



Source: NCREIF, RCA, Dow Jones, Green Street, Moody's Analytics, Newmark Research as of 1/21/2025

For more information:

Lisa DeNight
Managing Director,
National Industrial Research
t 610-675-5826

Joseph Biasi
Director, Head of Commercial Capital Markets Research
t 617-863-8116

David Bitner
Executive Managing Director,
Global Head of Research
t 415-216-2509

Jack Fraker
President,
Global Head of Industrial & Logistics Capital Markets
t 214-538-2070

New York Headquarters
125 Park Avenue
New York, NY 10017
t 212-372-2000

nmrk.com

NEWMARK