

Q3 2021 Market Review

Q3 Overview

Unprecedented demand drives long awaited new construction

After years of steady vacancy rate decreases, accelerating lease rate growth, and burgeoning consensus that more space is desperately needed, new construction of industrial real estate is finally a reality.

As of this writing, four speculative bulk distribution facilities totaling more than 500,000 square feet of space are at various stages of design, permitting, and construction, each of which have projected completion dates in 2022. Furthermore, an additional 665,000 square feet of space is proposed, though timelines for its completion are yet to be clarified.

This new space will provide welcome relief to but one slice (bulk warehousing and distribution) of a market with much broader needs as tenants with requirements in the 1,000 – 20,000 square foot range continue to rely on securing existing, often outdated space. Significant opportunities remain for developers to deliver new options for this dynamic market segment.

The vacancy rate hit a new low of 1.22% in mid-July but slight increases in August and September resulted in a quarterly average of 1.39%. Median lease rates on a modified gross (\$10.12/SF) and triple-net (\$8.57/SF)

basis are up 5% and 7% respectively from the previous quarter contributing significantly to each rate's year over year growth at 10.2% and 9.6%, respectively. These rates are commensurate with revenue projections that are required to justify new construction and will hopefully stimulate interest among developers to meet the smaller scale needs referenced above.

As COVID-19's stubborn presence continues to disrupt office and retail properties via continued mitigation efforts, industrial real estate surges forward unabated.

Market Tracking - 12 Months

Mo - Yr	Vacancy	Modified Gross	NNN Median	Available SF
Dec-19	2.96%	\$9.11	\$7.50	1,145,894
Mar-20	2.70%	\$9.15	\$7.81	1,028,059
Jun-20	2.49%	\$9.28	\$7.50	1,152,184
Sep-20	2.78%	\$9.25	\$7.75	1,075,127
Dec-20	2.24%	\$9.18	\$7.50	871,751
Mar-21	2.28%	\$9.50	\$7.85	890,659
Jun-21	1.71%	\$9.53	\$8.25	668,969
Sep-21	1.47%	\$10.42	\$8.70	574,515

Fast Facts



Largest Vacancy: 4595 San Mateo Blvd. NE
53,300 SF | Bulk distribution/warehousing



Median Vacancy: 5901 Pan American Fwy. NE
5,377 SF | Office/warehouse/flex

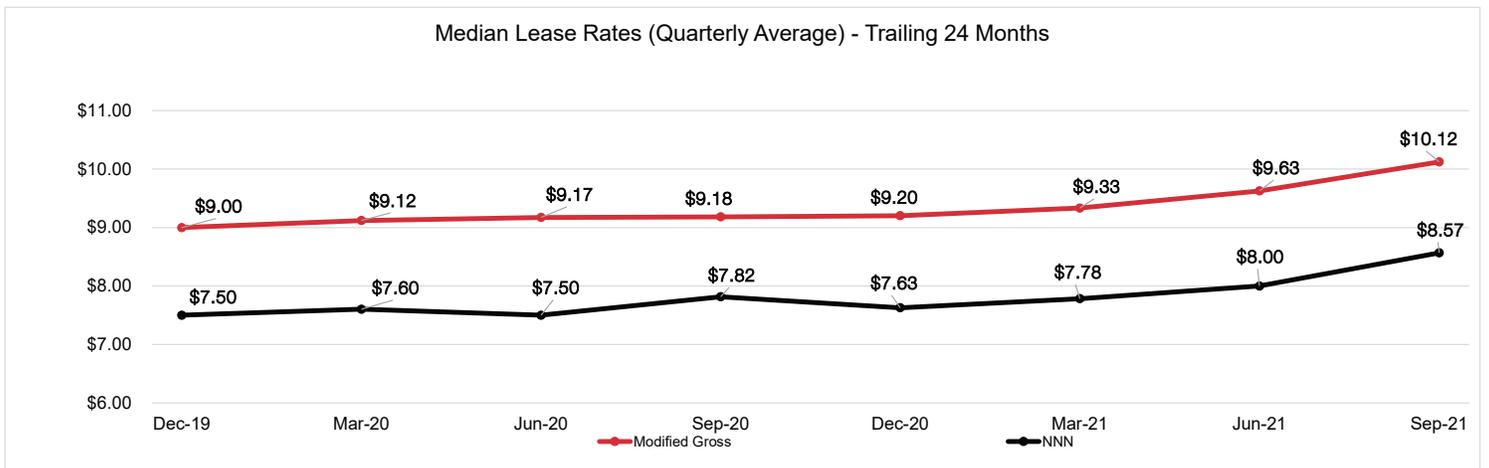
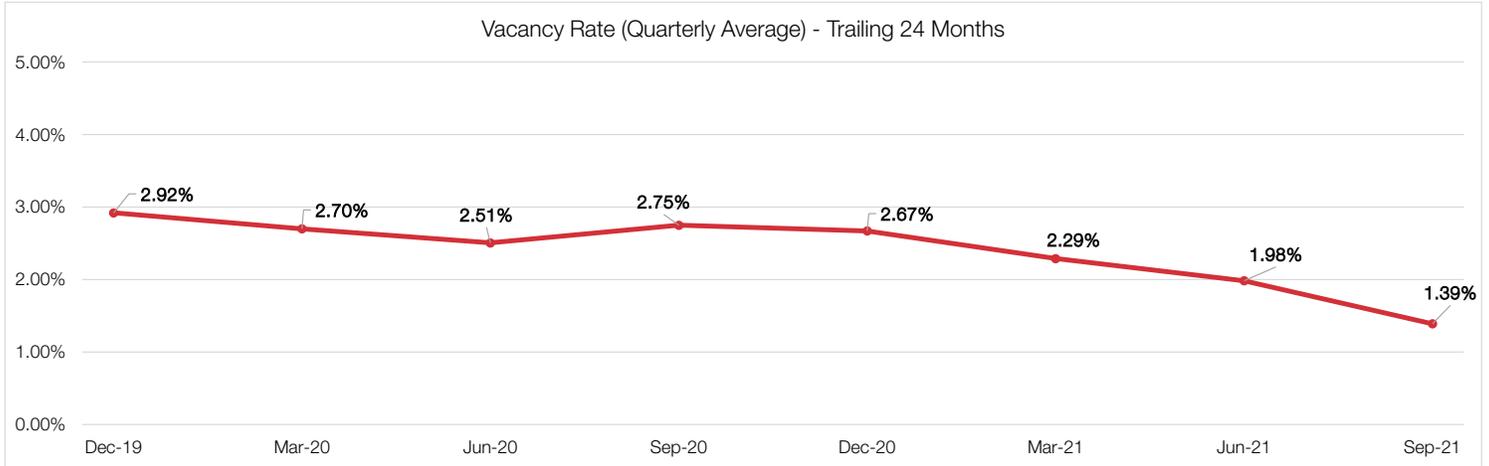


Smallest Vacancy: 3306 4th St. NW
800 SF | Warehouse/shop

Median Office to Warehouse Ratio
37:63

Quarterly Net Absorption
100,375 SF

Q3 2021 Market Review



The information contained herein was obtained from sources deemed to be reliable. We have no reason to doubt the accuracy of information, however, we cannot, and do not, make any guarantees. The information and perspectives contained herein is not a substitute for a thorough due diligence investigation.