

## US Industrial Investment “Likely to Slow” But Not Stall in 2023



According to a new report by CommercialEdge, investment into industrial real estate is dropping, with just \$1.1 billion worth of industrial transactions completed in January 2023.

The proptech platform notes that even though demand for industrial real estate “remains high”, the sector isn’t immune to the effects of rising interest rates which are slowing investment across the commercial real estate (CRE) industry.

### A Declining Trend

CommercialEdge previously reported a bumper year in 2021 with over \$125 billion in transactions taking place, but added that 2022’s total was shaping up to be considerably lower at just \$88 billion.

They noted at the time (January 2023) that “a certain lag in collecting sales data means that 2022 numbers will continue to climb,” but also that it was: “certain to come in under the \$125.7 billion [recorded in] 2021.”

### 2023 Outlook in Context

In their analysis of the CommercialEdge data, CRE news outlet Commercial Observer added that January 2023’s \$1.1 billion transaction total was “considerably less than the \$9.9 billion in trades recorded the previous month, and below the \$3.6 billion monthly total hit in January 2022.”

Despite this, CommercialEdge reports that the industrial market outlook remains “solid” in 2023, and that the asset class will remain attractive to investors.

# US Industrial Investment “Likely to Slow” But Not Stall in 2023

## Rents and Vacancies

A quick look at the rent and vacancy data from their latest report makes it clear that this optimism isn't unfounded.

Nationally, rents for existing “in-place” leases of industrial properties averaged \$7.10 per square foot in January, a 6.9% year-over-year increase. Meanwhile, newer leases signed in the last 12 months came in at an average of \$9.01 per square foot, with some metros running much hotter as the value of renewals far outstripped previous rental rates.

Industrial vacancies also remain tight at 4% nationally, though CommercialEdge does note a slight uptick over the past two months, stating: “It will be worth watching if vacancies continue a slow upward push or plateau off in coming months.”

Also worth noting is that there were record levels of new industrial supply delivered in 2022, which may further impact the situation this year.

## Slowing, but Steady

Though there are some ‘mixed signals’ in the CommercialEdge report, our main conclusion is that the industrial sector remains robust in the face of economic headwinds. It should also be kept in mind that any potential ‘downturn’ comes on the back of a year’s long red hot streak for the sector. In other words, even if things do slow down, we may simply be headed for ‘steady’ rather than still accelerating.

For our part here at NAI Realvest, we'll be keeping a close eye on the market in the coming months, so be sure to check back for more insights as the industrial situation unfolds.

