

2016 Industrial Momentum Lays the Groundwork for 2017

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In 2016, the U.S. industrial market completed its second consecutive year of record-breaking activity with every key indicator reaching all-time highs. E-commerce has made industrial the darling of commercial real estate, creating robust demand for big-box buildings in core industrial markets, last-mile distribution centers in secondary markets and industrial flex space in urban areas.

Even without the e-commerce boost, industrial likely would have performed well last year. Consumer spending was solid in 2016 with retail sales completing its seventh consecutive year of growth. Furthermore, nearly all major ports posted year-over-year gains in loaded inbound container volume — the most important seaport driver for warehouse demand.

As we look at the market performance at the end of 2016 and turn to expectations for 2017, these driving factors continue to support robust fundamentals in core industrial markets. These key drivers will also expand demand in secondary markets near inland ports and large population centers and lead to a resurgence in demand for both manufacturing space and flex space in markets throughout the country. Retailers, wholesalers and third-party logistics companies are all scrambling to find space near these locations to gain competitive advantage and get products to consumers faster.

Looking forward, the industrial sector could gain from U.S. economic policies anticipated in the coming years. However, uncertainty over the direction and impact of trade policies could ultimately prove to be a headwind for the sector.

Featured Highlights

- > E-commerce sales grew 14% in Q4 2016 compared with Q4 2015, and now represents 8.3% of total retail sales. E-commerce will continue to be a driving force for industrial real estate in 2017.
- > At year-end 2016, only 5.6% of the nation's industrial space was vacant — the lowest rate on record despite 246 million square feet of new supply completing in 2016. Product under construction also increased by a whopping 38 million square feet in 2016 to reach 230 million square feet — the most annual product under construction ever.

Market Indicators

Relative to Prior Period

	Q4 2016	Q1 2017*
VACANCY	—	=
NET ABSORPTION	+	+
CONSTRUCTION	+	+
RENTAL RATE**	+	+

* Projected

** Warehouse rents

Summary Statistics | Q4 2016

U.S. Industrial Market

Vacancy Rate	5.6%
Change From Q4 2015	-0.8%
Markets with Lower Vacancies Compared with Q4 2015	85.1%
2016 Absorption (MSF)	302.2
Markets with Positive Absorption	95.5%
2016 New Supply (MSF)	241.2
New Supply to Inventory	1.6%
Under Construction (MSF)	230.0
ASKING RENTS	
PER SQUARE FOOT PER YEAR	
Average Warehouse/Distribution Center	\$5.81
Change from Q4 2015	+7.3%

- › Manufacturing space — and warehouse space that can handle a manufacturing component — is a product type to watch in the coming year. In January 2017, the ISM Manufacturing Index rose to its highest level in two years as production and new orders surged. With “reshoring” on the rise due to consumer habits and anticipated government policies, industrial real estate with a manufacturing component will likely see increased demand in the coming year.
- › Flex space will continue to be a star for both investors and occupiers in 2017, especially in urban markets with younger populations. The push to service this population base will likely lead to a pickup in modern flex space construction as well as conversions of older industrial product within in-fill locations.
- › Tightening markets and new, higher-quality class A space drove up asking rents to \$5.81 per square foot per year in Q4 2016, an all-time record for the country (not adjusted for inflation). 2017 is anticipated to be another year of record development, which will likely slow the rate of growth in asking rents.
- › More than \$59 billion in industrial assets changed hands in 2016, among the highest annual totals ever. However, transaction levels were down from 2015 due to a significant pullback in large portfolio sales. We anticipate a pickup in large portfolio transactions in 2017 with Global Logistics Properties, the second-largest industrial owner in the nation, currently shopping its U.S. portfolio.

U.S. Economy Ends 2016 on a High Note

After 92 consecutive months of expansion, the U.S. economy is still chugging along. Annualized GDP growth dipped in the fourth quarter to just 1.9%, compared to the 3.5% pace in the third quarter. Growth for all of 2016 was only 1.6%, the weakest annual performance since 2011 and barely half the long-term average of 3.1%.

However, the larger story is that GDP growth surged from only 1.1% in the first half of the year to a relatively strong 2.7% in the second half, on par with the 2.6% growth in 2015. With consumer confidence near a 15-year high, consumers continue to be the main driver of growth. This confidence is supported by job gains and rising wealth, as home values and equity prices are both at record levels. Other relative bright spots include business investment and especially residential investment. The most notable weak spot in the economy is net exports as exports are falling while imports are rising.

Meanwhile, the economy continues to add jobs — the single most important metric for property markets and the strongest indicator in this cycle. Gains rose to 227,000 jobs in January 2017, the largest gain in four months after averaging only 165,000 per month in the fourth quarter. This is all the more impressive for an economy near full employment. The economy has now added jobs for a record 75 consecutive months. In all, private-sector employment has grown by 15.8 million jobs in this expansion after shedding 8.7 million jobs during the recession. Wage growth does remain weak, though the trend is generally firming.

U.S. Economic Indicators	
GDP	
Q4 2016	1.9%
Q3 2016	3.5%
ISM	
Jan. 2017 PMI®	+7.8% from Jan. 2016
RAIL TIME INDICATORS	
Jan. 2017 Total Railcar Traffic	+1.9% from Jan. 2016
Jan. 2017 Intermodal Traffic	-0.8% from Jan. 2016

Sources: BEA, ISM, AAR

U.S. Industrial Indicators January 2017						
INDEX	SERIES INDEX (JAN. 2017)	SERIES INDEX (DEC. 2016)	PERCENTAGE POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)
PMI®	56.0	54.5	1.5	Growing	Faster	5
New Orders	60.4	60.3	0.1	Growing	Faster	5
Production	61.4	59.4	1.8	Growing	Faster	5
Employment	56.1	52.8	3.3	Growing	Faster	4
Supplier Deliveries	53.6	53.0	0.6	Slowing	Faster	9
Inventories	48.5	47.0	1.5	Contracting	Slower	19
Customers' Inventories	48.5	49.0	-0.5	Too Low	Faster	4
Prices	69.0	65.5	3.5	Increasing	Faster	11
Backlog of Orders	49.5	49.0	0.5	Contracting	Slower	7
Exports	54.5	56.0	-1.5	Growing	Slower	11
Imports	50.0	50.5	-0.5	Unchanged	From Growing	1
Overall Economy				Growing	Faster	92
Manufacturing Sector				Growing	Faster	5

*Number of months moving in current direction
Source: ISM

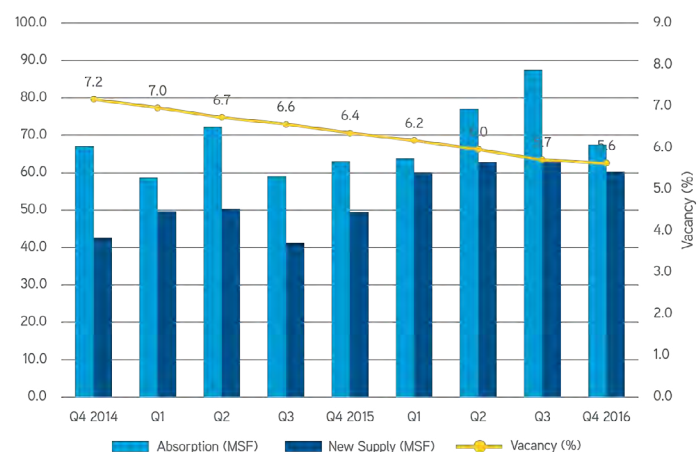
Overall, the economy ended 2016 on a relative high note and is on positive footing for 2017 and beyond with forward-looking indicators suggesting the expansion will continue. Positive responses in the Institute of Supply Management surveys of purchasing managers — reliable gauges of future economic activity — are at their highest levels in more than a year. And the leading economic indicators published by the Philadelphia Federal Reserve are still strong, if off peak levels.

In response to the anticipated changes in federal economic policies, most economists have raised their growth forecasts for 2017 and 2018 slightly — as well as their risk expectations. The consensus forecast calls for real GDP growth of about 2.3% in each of the next two years (up from 1.6% in 2016), along with modest increases in inflation and interest rates.

We expect the Federal Reserve to begin raising target interest rates in 2017 a bit more aggressively than in recent years, but not nearly as quickly as we've seen in typical expansions.

U.S. Industrial Market

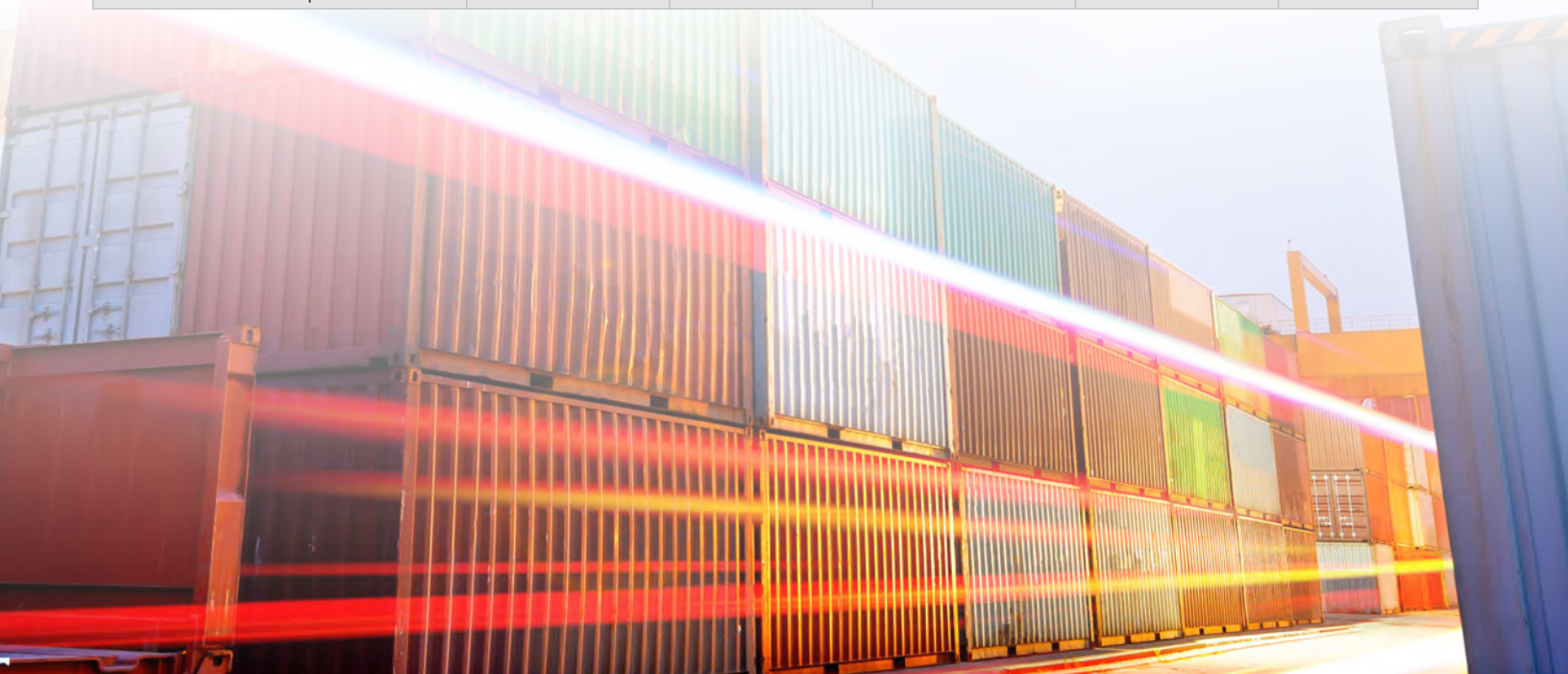
Q4 2014 to Q4 2016



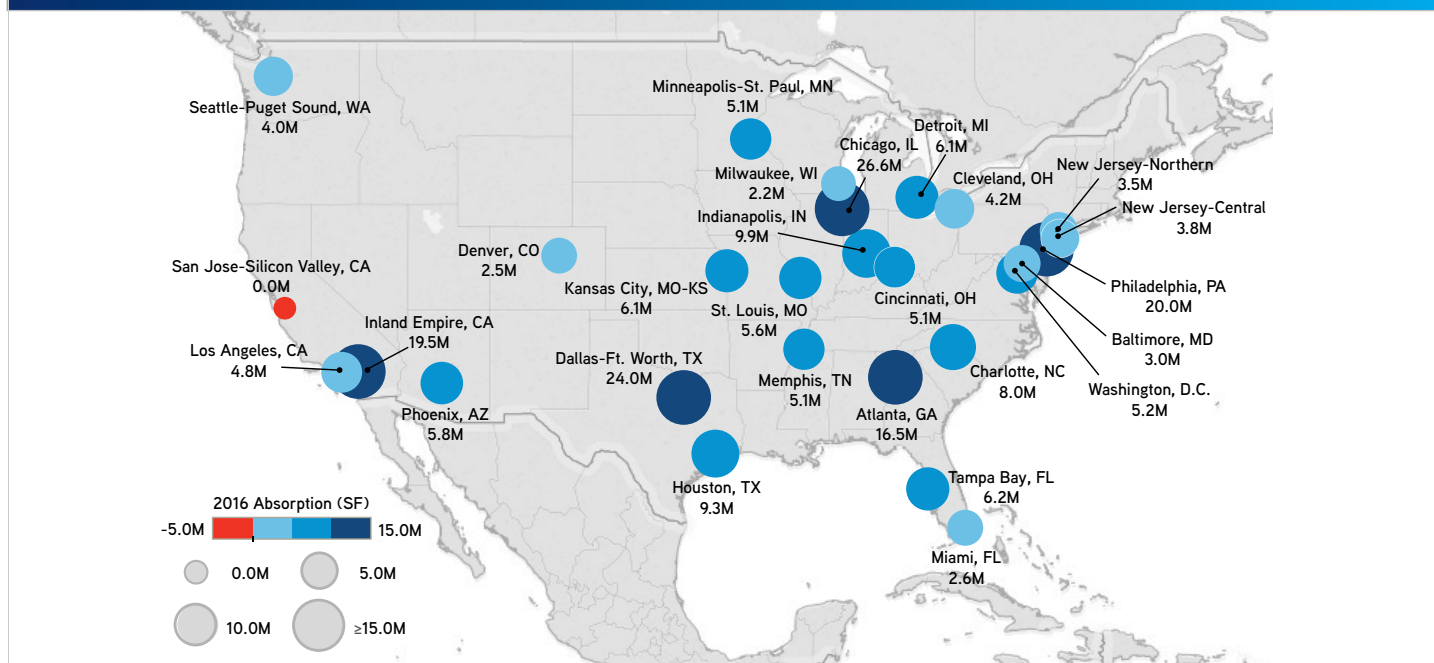
Source: Colliers International

U.S. Industrial Overview | Q4 2016

	UNITED STATES	WEST	MIDWEST	SOUTH	NORTHEAST
Number of Markets	71	23	13	24	11
Inventory (MSF)	15,397.2	3,982.0	4,283.3	4,782.5	2,349.4
% of U.S. Inventory	100.0%	25.9%	27.8%	31.1%	15.3%
Q4 2016 New Supply (MSF)	60.2	10.2	17.7	23.5	8.8
% of U.S. Q4 2016 New Supply	100.0%	16.9%	29.4%	39.1%	14.6%
2016 New Supply	241.2	57.5	62.6	94.3	26.7
% of U.S. 2016 New Supply	100.0%	23.9%	26.0%	39.1%	11.1%
Vacancy (%)	5.6%	4.2%	5.6%	6.3%	7.0%
Q4 2016 Absorption (MSF)	67.5	15.5	21.4	23.0	7.7
% of U.S. Q4 2016 Absorption	100.0%	22.9%	31.7%	34.0%	11.4%
2016 Absorption (MSF)	302.2	65.2	81.7	113.7	41.7
% of U.S. 2016 Absorption	100.0%	21.6%	27.0%	37.6%	13.8%



Top 30 Markets: Absorption in 2016



Record Demand Spreading Across the Country

E-commerce sales rose an impressive 14% in Q4 2016 compared with Q4 2015. The continued surge in e-commerce sales and the need to get products to consumers quickly while minimizing supply chain costs is forcing retailers and wholesalers into modern facilities and expanding their warehouse presences in secondary markets near inland ports, seaports and large population centers. The need for these types of facilities is rapidly improving fundamentals in many non-core locations. Consumer spending, job growth and a healthy housing market are also increasing demand for goods, as evidenced by robust loaded inbound container volume in most U.S. ports in 2016.

Only the Port of Long Beach, CA and the Port of New York/New Jersey saw year-over-year declines in 2016. The drop at Long Beach was due to international shipper Hanjin's bankruptcy. Prior to the bankruptcy, Hanjin accounted for 12% of the port's total containerized volume. Long Beach's sister port in Los Angeles made up for the loss with a 9% increase in loaded inbound containers, the biggest gain in the U.S. Strong inbound container volume in nearly all U.S. port locations was a boon to nearby markets, with industrial markets attached to seaports accounting for almost 30% of overall U.S. net absorption in 2016.

Robust demand for goods throughout the country lowered the overall industrial vacancy rate in the U.S. to 5.6%, the lowest vacancy rate on record. In Q4 2016, vacancies dropped in 85% of the markets we track compared with year-end 2015, as net absorption of just over 296 million square feet outpaced a record 246 million square feet of new construction completing. Development remains strong in core industrial markets, with Atlanta leading the way at 22.5 million square feet of new construction.

Development growth is also spreading into emerging secondary markets. One such emerging market is Kansas City, whose central location allows goods to be delivered to 85% of the nation's population within two days. This makes Kansas City a prime target for industrial occupiers and developers, with more than 8 million square feet completed in 2016 — the seventh-highest level of any U.S. market.

Many other markets are also seeing a pickup in new construction. At the end of 2016, 65% of the markets we track had more product under construction than at year-end 2015. Overall, 230 million square feet is under construction in the U.S. — the most on record and 20% higher than this time last year.

Loaded Inbound Container Volume

	2015 TOTAL	2016 TOTAL	% CHANGE
Port of Los Angeles	4,159,462	4,544,748	+9.3%
Port of Virginia	1,082,522	1,174,895	+8.5%
Port of Baltimore	399,810	425,887	+6.5%
Washington Seaport Alliance	1,308,217	1,391,591	+6.4%
Port of Charleston	835,336	883,336	+5.8%
Port of Houston	839,482	884,831	+5.4%
Port of Oakland	844,234	883,647	+4.7%
Port of Savannah	1,622,592	1,670,871	+3.0%
Port of New York and New Jersey	3,214,338	3,202,690	-0.4%
Port of Long Beach	3,625,265	3,442,575	-5.0%

Source: Haver Analytics, Colliers International

2016 Investment Activity Outpaced by 2015

2016 was another strong year for industrial investment activity, even if transaction levels were down from the record level of volume in 2015. More than \$59 billion in industrial assets changed hands in 2016, among the highest annual totals ever and up nearly 18% over 2014. The 24% decline in volume compared with 2015 was largely due to a 55% decline in large portfolio sales.

One bright spot for 2016 investment activity was a 7% increase in single-building sales, another sign of the market's overall strength. Despite a decline in overall activity, sale prices reached an all-time high of \$80 per square foot at year-end 2016 — \$6 per square foot higher than the previous year. Capitalization rates also remained at all-time lows, finishing the year at 6.8%, which is 0.7 percentage points lower than at year-end 2015.

In terms of investment by product type, the star of 2016 was flex. Flex space provides the flexibility for firms to sell and store products at the same location — a key ingredient for small businesses looking to keep supply chain costs low. Demand for flex product has increased in concert with the overall improvement in the U.S. economy. In 2016, investor purchases of flex space were up 7% over 2015 with a total sales volume of just under \$19 billion.

We anticipate a pickup in large portfolio sales in 2017. The year began with the news of DRC Advisors, LLC purchasing a \$1 billion portfolio spread across 21 markets from Cabot Properties, Inc. Global Logistics Properties, the second-largest industrial owner in the U.S., is also shopping its U.S. portfolio. In 2017, look for robust demand for multi-tenant, flex and manufacturing properties — all of which will likely see a surge in occupier activity.

Top 5 MSAs* in 2016: Transaction Volume

Los Angeles	\$4,383 million
Chicago	\$3,519 million
Dallas-Ft. Worth	\$2,462 million
Seattle	\$2,323 million
San Jose	\$2,288 million

*Metropolitan Statistical Area
Source: Colliers International

Top 5 MSAs* in 2016: Net Absorption

Chicago	26.6 MSF
Dallas-Ft. Worth	24.0 MSF
Philadelphia	20.0 MSF
Inland Empire	19.5 MSF
Atlanta	16.5 MSF

*Metropolitan Statistical Area
Source: Colliers International

Top U.S. Industrial Leases in 2016

TENANT	ADDRESS	MARKET	SF	TENANT INDUSTRY
Undisclosed Consumer Products Company	Ridgeport Logistics Center (Build-to-Suit)	Wilmington, IL	1,507,545	Retailer
Lego Systems	5600 Mark IV Pkwy	Fort Worth, TX	1,440,000	Retailer
Mars Corporation	4005 Cedar Creek Drive	Elwood, IL	1,388,000	Wholesaler
TTI	100 Ryobi Drive	Greenville, SC	1,300,000	Wholesaler
Wayfair.com	46 Station Road	Cranbury, NJ	1,240,967	Internet Retailer

Source: Colliers International

Top U.S. Industrial Sales in 2016

ADDRESS	MARKET	SF	PRICE	BUYER
2086 Corporate Center Drive W.	Tobyhanna, PA	1,369,000	\$72,500,000	Exeter Property Group
One True Temper Drive	Carlisle, PA	1,226,525	\$90,200,000	Clarion Partners
Airpark Center	Nashville, TN	1,155,037	\$87,000,000	Silverman Group
1595 Oakley Industrial Blvd.	Fairburn, GA	1,145,378	\$82,066,340	Gramercy Property Trust
24101 Iris Avenue	Moreno Valley, CA	1,103,000	\$92,100,000	Principal Financial

Source: Real Capital Analytics

What's Ahead for Industrial Real Estate?

Expect record fundamentals for industrial real estate to continue in 2017. Demand from rising retail sales, especially through e-commerce, should keep leasing activity strong in both core and secondary markets. However, we also anticipate a record amount of new construction this year, which could finally put absorption and construction at an equilibrium and slow the rapid ascent of asking rental rates.

Loaded inbound container volume will likely be robust in the near future as the overall economy is expected to remain strong. While the expansion of the Panama Canal will have little impact on industrial demand until improvements are completed along East Coast ports to better service larger vessels, industrial markets near seaports will benefit from elevated loaded inbound container volumes in the coming year. Some of the markets where we expect to see the strongest boost in fundamentals due to inbound container volume include Lehigh Valley, Shenandoah Valley, Charleston, Savannah, the Inland Empire and the East Bay markets of Oakland and Stockton.

In 2017, there are two primary product types to watch: manufacturing and flex space.

› **MANUFACTURING:** Even before the presidential election, retailers and wholesalers were evaluating reshoring — bringing offshored activities back to domestic locations — as a way to counteract rising freight costs and intellectual capital risks related to manufacturing in Asia. As the pace of reshoring increases in response to shifts in government policies and, more importantly, consumer demand for ever-faster product access, demand will increase for manufacturing space and warehouse space that can handle a manufacturing component.

The reshoring shift, along with an overall increase in demand for goods and a surge in production and new orders, increased the ISM Manufacturing Index to 56 in January 2017 — it's highest level in two years. Although we anticipate the need for manufacturing space will increase throughout the country, markets with existing infrastructure and the right demographics will initially benefit the most.

In particular, Greenville, SC; Nashville, TN; and Ohio's three primary industrial markets of Cincinnati, Cleveland and Columbus are some of the markets to watch in 2017. These markets offer distribution advantages but they also have the workforces, the inventories and the pro-business government environments to benefit from the manufacturing resurgence in the coming years.

› **FLEX SPACE:** Flex space will continue to be a star for both investors and occupiers in the coming year. Location will be the growth driver for this product type, especially in areas near large, urban millennial populations demanding fast access to goods.

The push to service this population base will lead to a pickup in modern flex space construction or conversions of older industrial product within in-fill locations. Some of the markets with the demographics for increased demand for flex space in the coming year include the urban centers of San Diego, Los Angeles, Seattle, Minneapolis and New York.

The industrial sector could also gain from economic policies anticipated in the coming years — though no new programs have been proposed yet, so any forecasts must be viewed as speculative. A stimulus package of infrastructure spending and tax cuts would likely increase industrial leasing as a result of increased GDP and employment, while the planned infrastructure program and greater military spending could provide direct benefits to the sector. The expected regulatory rollbacks in the energy sector could boost leasing as well.

However, the impacts of policy shifts are unlikely to be felt until late 2017 and into 2018, due to the time typically required to enact and implement legislation. It is also too soon to know whether changes in trade policies will be tailwinds or headwinds for the industrial sector.

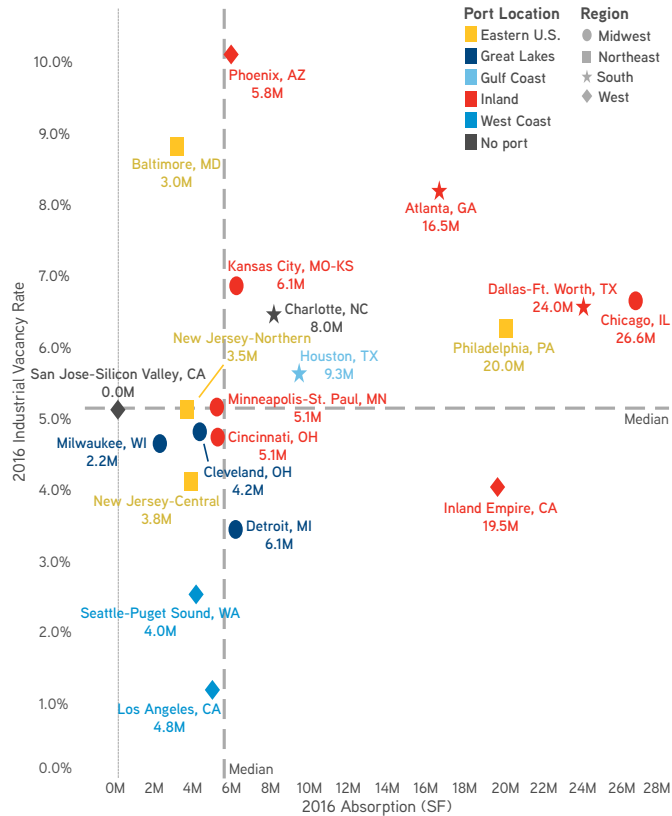
All in all, 2016 set the bar high for industrial market performance. But 2017 may prove to be another landmark in the record-setting pace industrial has established in recent years.



Supplemental Data

Vacancy vs. 2016 Absorption (Largest 20 Markets)

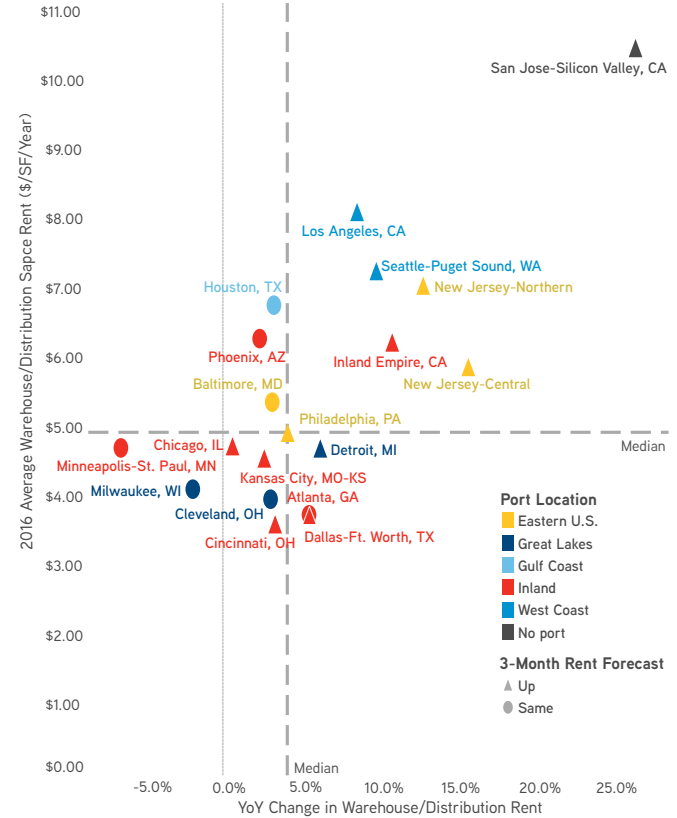
By Port Location and Region



Source: Colliers Q4 2016 Industrial Survey

Warehouse Rent Forecast (Largest 20 Markets)

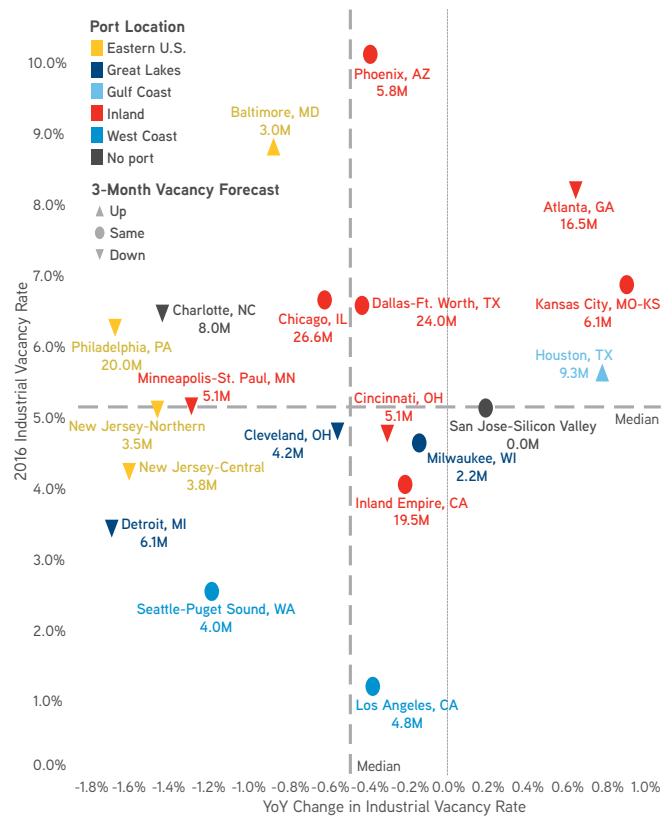
Expected Change in Rent Over Next 3 Months



Source: Colliers Q4 2016 Industrial survey

Vacancy vs. 2016 Absorption (Largest 20 Markets)

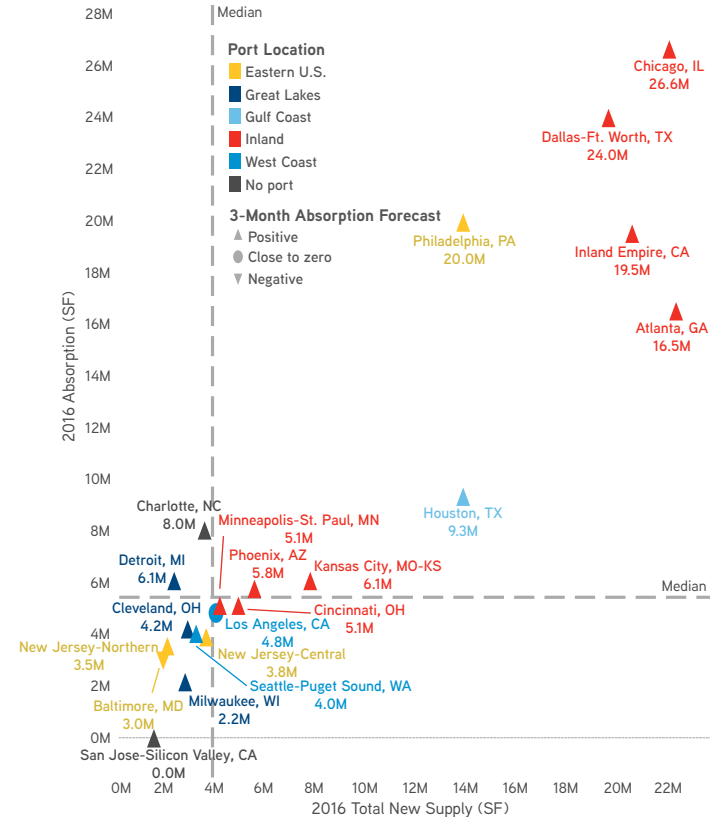
Expected Vacancy Over Next 3 Months



Source: Colliers Q4 2016 Industrial Survey

Absorption Forecast by Port Location (Largest 20 Markets)

Expected Absorption Over Next 3 Months



Source: Colliers Q4 2016 Industrial Survey

United States | Industrial Survey | Inventory, New Supply, Under Construction

MARKET	INVENTORY DEC. 31, 2016 (SF)	SPECULATIVE NEW SUPPLY Q4 2016 (SF)	TOTAL NEW SUPPLY Q4 2016 (SF)	SPEC UNDER CONSTRUCTION (SF)	TOTAL UNDER CONSTRUCTION (SF)
NORTHEAST					
Baltimore, MD	240,265,544	0	160,000	2,360,200	4,912,830
Hartford, CT	95,613,351	0	0	0	0
Long Island, NY	157,092,751	0	0	358,052	358,052
New Hampshire	61,640,526	0	0	0	0
New Jersey-Central	316,085,443	873,302	873,302	6,608,492	8,641,031
New Jersey-Northern	361,885,470	688,723	818,723	1,255,289	2,608,271
Philadelphia, PA	434,022,122	3,634,120	5,504,120	2,675,960	4,765,976
Pittsburgh, PA	180,851,688	80,000	180,501	100,000	361,031
Shenandoah Valley, MD-VA-WV	101,388,336	330,050	330,050	20,000	1,865,673
Washington, D.C.	229,246,970	273,921	562,921	1,060,201	3,258,071
Northeast Total	2,349,421,900	5,880,116	8,815,617	14,438,194	27,832,790
SOUTH					
Atlanta, GA	660,656,052	7,543,022	8,051,699	8,912,513	15,190,187
Austin, TX	70,184,999	68,215	77,600	735,405	1,487,905
Birmingham, AL	107,254,000	0	83,000	0	1,923,000
Charleston, SC	35,767,005	0	360,000	1,864,329	5,504,329
Charlotte, NC	354,004,924	0	665,029	0	4,385,902
Columbia, SC	83,544,153	0	657,848	0	744,000
Dallas-Ft. Worth, TX	789,758,042	4,184,995	4,420,170	17,956,355	21,765,490
Ft. Lauderdale-Broward, FL	112,388,373	286,048	286,048	577,891	577,891
Greenville-Spartanburg, SC	197,578,077	372,500	1,556,718	397,338	2,983,838
Houston, TX	534,229,328	875,371	2,917,904	1,712,305	5,236,409
Huntsville, AL	54,890,549	0	0	0	805,000
Jacksonville, FL	124,964,063	1,800	1,800	12,000	219,451
Louisville, KY	194,504,051	0	66,835	0	5,164,972
Memphis, TN	233,669,526	0	0	2,826,756	5,042,836
Miami, FL	217,829,161	314,057	314,057	3,370,813	3,370,813
Nashville, TN	193,355,943	0	1,104,101	1,871,280	4,200,000
Norfolk, VA	102,105,230	58,000	58,000	968,625	968,625
Orlando, FL	137,031,632	0	128,807	0	2,020,207
Raleigh, NC	108,408,600	0	440,487	0	898,838
Richmond, VA	116,028,791	0	0	754,070	754,070
Savannah, GA	49,742,650	0	1,137,200	2,237,500	5,168,700
Tampa Bay, FL	207,245,738	0	868,431	0	2,926,025
West Palm Beach, FL	52,089,955	329,760	329,760	422,335	422,335
South Total	4,782,506,752	14,033,768	23,525,494	44,619,515	91,760,823

Note: The detail for markets with older data has been removed, but the numbers they contribute remain in the totals.

United States | Industrial Survey | Inventory, New Supply, Under Construction (continued)

MARKET	INVENTORY DEC. 31, 2016 (SF)	SPECULATIVE NEW SUPPLY Q4 2016 (SF)	TOTAL NEW SUPPLY Q4 2016 (SF)	SPEC UNDER CONSTRUCTION (SF)	TOTAL UNDER CONSTRUCTION (SF)
MIDWEST					
Chicago, IL	1,355,612,625	4,854,648	7,161,154	11,284,904	21,850,854
Cincinnati, OH	254,039,738	795,250	930,250	2,283,741	3,226,001
Cleveland, OH	396,544,345	185,840	765,240	0	749,205
Columbus, OH	232,344,037	1,086,064	2,435,761	264,000	2,354,000
Dayton, OH	104,589,094	0	62,000	0	1,758,166
Detroit, MI	538,797,442	0	678,233		2,195,151
Indianapolis, IN	236,925,857	132,000	516,213	5,158,327	6,389,853
Kansas City, MO-KS	249,134,692	1,480,382	1,480,382	4,945,136	6,547,136
Milwaukee, WI	251,915,138	179,820	224,820	1,089,690	1,903,065
Minneapolis-St. Paul, MN	248,931,790	546,423	823,423	480,600	1,267,626
Omaha, NE	68,291,937	22,000	277,000	50,556	932,556
St. Louis, MO	231,949,021	942,780	2,157,780	2,723,903	3,453,683
Midwest Total	4,283,309,791	10,225,207	17,706,376	28,355,857	52,973,296
WEST					
Bakersfield, CA	38,194,762	0	0	307,602	587,202
Boise, ID	46,283,241	0	0	0	0
Denver, CO	224,801,200	1,377,604	1,377,604	2,709,463	3,620,525
Fairfield, CA	49,731,005	0	0	1,520,699	1,520,699
Fresno, CA	68,925,860	7,500	7,500	0	0
Honolulu, HI	39,950,156	0	0	0	0
Las Vegas, NV	122,711,953	863,750	926,320	3,844,220	4,472,122
Los Angeles-Inland Empire, CA	483,512,600	994,000	2,370,700	15,250,200	17,017,200
Los Angeles, CA	899,027,700	1,644,300	1,644,300	3,409,300	5,227,300
Oakland, CA	143,451,188	41,365	41,365	688,168	688,168
Orange County, CA	183,056,200	0	260,300	69,500	69,500
Phoenix, AZ	291,942,701	595,535	695,069	3,027,525	4,170,672
Pleasanton-Tri-Valley, CA	18,755,698	0	86,700	0	633,566
Portland, OR	200,960,808	635,835	726,835	1,793,813	1,977,166
Reno, NV	93,878,702	0	822,538	0	5,475,948
Sacramento, CA	163,984,695	0	0	0	1,268,054
San Diego, CA	189,566,145	233,227	721,836	1,360,194	1,360,194
San Francisco Peninsula, CA	39,545,300	0	0	0	0
San Jose-Silicon Valley, CA	255,798,490	0	0	862,092	1,261,992
Seattle-Puget Sound, WA	270,774,159	477,409	477,409	4,165,951	4,721,515
Stockton-San Joaquin County, CA	102,017,749	0	0	3,328,099	3,328,099
Walnut Creek, CA	17,703,948	0	0	15,240	15,240
West Total	3,981,961,200	6,870,525	10,158,476	42,352,066	57,415,162
U.S. TOTAL	15,397,199,643	37,009,616	60,205,963	129,765,632	229,982,071

Note: The detail for markets with older data has been removed, but the numbers they contribute remain in the totals.

United States | Industrial Survey | Absorption, Vacancy

MARKET	ABSORPTION Q4 2016 (SF)	YTD ABSORPTION	VACANCY RATE SEPT. 30, 2016	VACANCY RATE DEC. 31, 2016	CHANGE IN VACANCY
NORTHEAST					
Baltimore, MD	-136,652	3,011,100	8.8%	8.9%	0.1%
Hartford, CT	1,000,269	649,155	7.6%	6.5%	-1.0%
Long Island, NY	-12,077	537,411	3.1%	3.1%	0.0%
New Hampshire	573,460	1,160,244	7.2%	6.3%	-0.9%
New Jersey-Central	-115,058	3,777,378	4.0%	4.3%	0.2%
New Jersey-Northern	147,892	3,533,763	5.3%	5.2%	-0.1%
Philadelphia, PA	6,216,888	19,950,027	6.6%	6.3%	-0.2%
Pittsburgh, PA	42,677	2,045,632	5.8%	5.9%	0.1%
Shenandoah Valley, MD-VA-WV	518,066	1,782,085	7.7%	6.7%	-1.0%
Washington, D.C.	762,957	5,210,015	8.2%	8.0%	-0.2%
Northeast Total	7,667,168	41,656,810	7.0%	7.0%	-0.1%
SOUTH					
Atlanta, GA	2,338,887	16,533,766	7.5%	8.3%	0.8%
Austin, TX	-201,042	1,727,261	4.4%	4.8%	0.4%
Birmingham, AL	380,088	1,975,121	8.0%	7.6%	-0.4%
Charleston, SC	558,806	2,833,028	3.9%	3.3%	-0.6%
Charlotte, NC	3,683,441	8,024,531	7.4%	6.5%	-0.9%
Columbia, SC	752,759	1,974,887	7.5%	7.4%	-0.2%
Dallas-Ft. Worth, TX	4,788,629	23,983,337	6.4%	6.6%	0.2%
Ft. Lauderdale-Broward, FL	901,942	2,519,360	5.2%	4.6%	-0.6%
Greenville-Spartanburg, SC	1,921,242	9,183,427	7.1%	6.9%	-0.2%
Houston, TX	2,124,606	9,338,079	5.5%	5.7%	0.2%
Huntsville, AL	126,798	550,912	5.9%	5.7%	-0.2%
Jacksonville, FL	291,450	3,173,868	5.3%	5.1%	-0.2%
Louisville, KY	72,453	2,501,019	5.2%	5.2%	0.0%
Memphis, TN	174,818	5,092,596	7.0%	6.9%	-0.1%
Miami, FL	473,657	2,598,880	4.0%	3.9%	-0.1%
Nashville, TN	-256,158	4,631,262	3.4%	3.9%	0.4%
Norfolk, VA	-225,190	-69,489	6.6%	6.9%	0.3%
Orlando, FL	1,306,965	4,002,282	6.0%	5.1%	-0.9%
Raleigh, NC	414,209	1,023,787	5.4%	5.4%	0.0%
Richmond, VA	-82,697	893,088	7.1%	7.1%	0.1%
Savannah, GA	1,226,330	3,334,660	2.5%	2.4%	0.0%
Tampa Bay, FL	1,416,346	6,181,076	6.6%	6.3%	-0.3%
West Palm Beach, FL	391,909	1,320,950	4.4%	4.2%	-0.2%
South Total	22,973,409	113,720,849	6.2%	6.3%	0.0%

Note: The detail for markets with older data has been removed, but the numbers they contribute remain in the totals.

United States | Industrial Survey | Absorption, Vacancy (continued)

MARKET	ABSORPTION Q4 2016 (SF)	YTD ABSORPTION	VACANCY RATE SEPT. 30, 2016	VACANCY RATE DEC. 31, 2016	CHANGE IN VACANCY
MIDWEST					
Chicago, IL	7,073,349	26,645,843	6.8%	6.7%	0.0%
Cincinnati, OH	1,211,095	5,127,402	4.9%	4.8%	-0.1%
Cleveland, OH	1,737,067	4,227,414	5.1%	4.9%	-0.3%
Columbus, OH	3,908,666	8,736,860	5.7%	5.4%	-0.3%
Dayton, OH	205,991	1,545,020	6.3%	6.2%	-0.1%
Detroit, MI	1,615,911	6,064,011	3.7%	3.5%	-0.2%
Indianapolis, IN	1,469,247	9,896,887	5.7%	5.4%	-0.3%
Kansas City, MO-KS	1,561,253	6,096,349	7.0%	6.9%	-0.1%
Milwaukee, WI	-5,186	2,160,592	4.6%	4.7%	0.1%
Minneapolis-St. Paul, MN	625,821	5,113,109	5.4%	5.2%	-0.2%
Omaha, NE	204,651	410,472	3.2%	3.2%	0.1%
St. Louis, MO	1,705,726	5,631,204	6.5%	6.6%	0.1%
Midwest Total	21,423,629	81,655,163	5.7%	5.6%	-0.1%
WEST					
Bakersfield, CA	310,173	672,983	4.8%	4.3%	-0.5%
Boise, ID	136,775	671,241	2.6%	2.4%	-0.3%
Denver, CO	406,318	2,532,804	4.2%	4.6%	0.3%
Fairfield, CA	-89,708	308,030	5.9%	6.1%	0.2%
Fresno, CA	120,136	672,269	4.3%	4.1%	-0.2%
Honolulu, HI	74,534	64,582	1.8%	1.6%	-0.2%
Las Vegas, NV	958,724	3,374,289	5.5%	5.6%	0.0%
Los Angeles-Inland Empire, CA	4,271,000	19,521,900	4.5%	4.1%	-0.4%
Los Angeles, CA	1,780,900	4,828,600	1.3%	1.2%	-0.1%
Oakland, CA	727,306	1,209,828	2.0%	1.6%	-0.5%
Orange County, CA	831,700	1,706,000	2.6%	2.0%	-0.7%
Phoenix, AZ	2,384,382	5,792,834	10.8%	10.2%	-0.6%
Pleasanton-Tri-Valley, CA	88,910	1,826,781	1.6%	1.6%	0.0%
Portland, OR	895,707	3,509,121	4.5%	4.4%	-0.1%
Reno, NV	1,651,938	4,789,922	11.0%	10.4%	-0.6%
Sacramento, CA	855,075	3,328,548	9.1%	8.6%	-0.5%
San Diego, CA	572,928	1,524,569	4.6%	4.7%	0.1%
San Francisco Peninsula, CA	6,916	-141,668	2.0%	1.9%	-0.1%
San Jose-Silicon Valley, CA	-716,222	-7,402	4.9%	5.2%	0.2%
Seattle-Puget Sound, WA	812,135	4,015,428	2.8%	2.6%	-0.2%
Stockton-San Joaquin County, CA	-614,272	4,867,008	5.2%	6.0%	0.7%
Walnut Creek, CA	-106,218	128,461	6.4%	7.0%	0.6%
West Total	15,454,473	65,196,128	4.3%	4.2%	-0.2%
U.S. TOTAL	67,518,679	302,228,950	5.7%	5.6%	-0.1%

Note: The detail for markets with older data has been removed, but the numbers they contribute remain in the totals.

United States | Industrial Survey | 3-Month Forecasts, Sales Price, Cap Rates

MARKET	VACANCY FORECAST (3 MONTHS)**	RENT FORECAST (3 MONTHS)**	ABSORPTION FORECAST (3 MONTHS)**	AVERAGE SALES PRICE (USD/SF)	AVERAGE CAP RATE
NORTHEAST					
Baltimore, MD	Up	Same	Negative	\$57	8.3%
Hartford, CT	Same	Same	Positive	\$38	8.5%
Long Island, NY	Up	Down	Positive	\$101	8.0%
New Hampshire	Down	Same	Positive		
New Jersey-Central	Down	Up	Positive	\$78	
New Jersey-Northern	Down	Up	Positive	\$79	5.9%
Philadelphia, PA	Down	Up	Positive	\$70	6.5%
Pittsburgh, PA	Same	Same	Positive	\$56	7.8%
Shenandoah Valley, MD-VA-WV	Down	Same	Positive	\$79	7.5%
Washington, D.C.	Same	Up	Positive	\$124	6.1%
Northeast Average*				\$76	7.3%
SOUTH					
Atlanta, GA	Down	Up	Positive	\$56	7.4%
Austin, TX	Same	Up	Close to zero	\$101	9.1%
Birmingham, AL	Same	Same	Positive		
Charleston, SC	Down	Up	Positive	\$53	
Charlotte, NC	Down	N/A	Positive		
Columbia, SC	Down	Up	Positive	\$40	
Dallas-Ft. Worth, TX	Same	Same	Positive	\$64	7.0%
Ft. Lauderdale-Broward, FL	Same	Up	Positive	\$86	7.6%
Greenville-Spartanburg, SC	Down	Up	Positive	\$32	
Houston, TX	Up	Same	Positive	\$71	7.4%
Huntsville, AL	Same	Same	Positive		
Jacksonville, FL	Down	Up	Positive	\$56	7.2%
Louisville, KY	Up	N/A	Positive		
Memphis, TN	Down	Up	Positive	\$38	6.5%
Miami, FL	Down	Up	Positive	\$243	6.8%
Nashville, TN	Same	Up	Positive	\$55	6.9%
Norfolk, VA	Down	Same	Close to zero	\$52	7.8%
Orlando, FL	Down	Up	Positive	\$70	7.0%
Raleigh, NC	Same	Up	Positive	\$49	8.2%
Richmond, VA	Same	Same	Close to zero	\$51	8.0%
Savannah, GA	Same	Up	Positive	\$48	7.0%
Tampa Bay, FL	Down	Up	Positive	\$88	7.0%
West Palm Beach, FL	Down	Up	Positive	\$103	5.7%
South Average*				\$71	7.3%

Note: The detail for markets with older data has been removed, but the numbers they contribute remain in the totals.

* Straight averages used

** Forecasts for warehouse space

United States | Industrial Survey | 3-Month Forecasts, Sales Price, Cap Rates (continued)

MARKET	VACANCY FORECAST (3 MONTHS)**	RENT FORECAST (3 MONTHS)**	ABSORPTION FORECAST (3 MONTHS)**	AVERAGE SALES PRICE (USD/SF)	AVERAGE CAP RATE
MIDWEST					
Chicago, IL	Same	Up	Positive	\$67	5.1%
Cincinnati, OH	Down	Up	Positive	\$37	6.9%
Cleveland, OH	Down	Same	Positive	\$45	8.1%
Columbus, OH	Same	Up	Positive	\$42	6.8%
Dayton, OH	Down	Same	Positive	\$36	
Detroit, MI	Down	Up	Positive	\$38	8.9%
Indianapolis, IN	Same	Up	Positive	\$55	6.7%
Kansas City, MO-KS	Same	Up	Positive	\$75	7.6%
Milwaukee, WI	Same	Same	Positive	\$62	7.8%
Minneapolis-St. Paul, MN	Down	Same	Positive	\$55	
Omaha, NE	Down	Same	Positive		
St. Louis, MO	Down	Up	Positive	\$59	6.3%
Midwest Average*				\$52	7.1%
WEST					
Bakersfield, CA	Same	Same	Positive	\$42	10.0%
Boise, ID	N/A	N/A	N/A		
Denver, CO	Same	Up	Positive	\$90	6.3%
Fairfield, CA	Up	Same	Negative	\$89	6.3%
Fresno, CA	Down	Up	Positive	\$47	7.0%
Honolulu, HI	Down	Up	Positive		
Las Vegas, NV	Down	Up	Positive	\$100	
Los Angeles-Inland Empire, CA	Same	Up	Positive	\$85	4.8%
Los Angeles, CA	Same	Up	Close to zero	\$123	5.3%
Oakland, CA	Down	Up	Positive	\$111	
Orange County, CA	Same	Same	Close to zero	\$125	5.2%
Phoenix, AZ	Same	Same	Positive	\$74	7.0%
Pleasanton-Tri-Valley, CA	Same	Same	Positive	\$190	6.3%
Portland, OR	Same	Up	Positive	\$97	5.5%
Reno, NV	Up	N/A	Positive		
Sacramento, CA	Down	Up	Positive	\$125	6.3%
San Diego, CA	Down	Up	Positive	\$135	5.8%
San Francisco Peninsula, CA	Same	Down	Close to zero	\$230	
San Jose-Silicon Valley, CA	Same	Up	Positive	\$229	
Seattle-Puget Sound, WA	Same	Up	Positive	\$143	6.0%
Stockton-San Joaquin County, CA	Down	Up	Positive		
Walnut Creek, CA	Same	Same	Positive		
West Average*				\$120	6.3%
U.S. Average*				\$83	7.0%

Note: The detail for markets with older data has been removed, but the numbers they contribute remain in the totals.

* Straight averages used

** Forecasts for warehouse space

United States | Industrial Survey | Average Asking NNN Rents as of December 2016

MARKET	WAREHOUSE / DISTRIBUTION SPACE (USD/SF/YR)	BULK SPACE (USD/SF/YR)	FLEX / SERVICE SPACE (USD/SF/YR)	TECH / R&D SPACE (USD/SF/YR)
NORTHEAST				
Baltimore, MD	\$5.38	\$4.73	\$10.38	\$12.27
Hartford, CT	\$4.20	\$5.89	\$7.66	\$6.50
Long Island, NY	\$10.79	\$10.79	\$12.25	
New Hampshire	\$5.25		\$6.17	\$9.00
New Jersey-Central	\$5.90	\$5.88	\$10.88	
New Jersey-Northern	\$7.06	\$7.35	\$10.17	
Philadelphia, PA	\$4.95	\$5.00	\$7.55	\$11.25
Pittsburgh, PA	\$5.16	\$5.60	\$11.48	\$11.48
Shenandoah Valley, MD-VA-WV	\$3.72	\$3.23	\$6.10	
Washington, D.C.	\$8.06	\$7.53	\$12.63	\$15.76
Northeast Average*	\$6.08	\$6.20	\$9.33	\$11.80
SOUTH				
Atlanta, GA	\$3.76	\$3.59	\$8.65	\$11.03
Austin, TX	\$10.36	\$6.82		
Birmingham, AL	\$3.25	\$3.75	\$9.28	
Charleston, SC	\$4.91	\$4.75	\$14.01	
Charlotte, NC	\$3.80	\$4.15	\$8.44	
Columbia, SC	\$2.98	\$3.26	\$7.00	\$5.66
Dallas-Ft. Worth, TX	\$3.75	\$3.60	\$8.25	\$11.25
Ft. Lauderdale-Broward, FL	\$8.31	\$7.86	\$10.17	\$8.31
Greenville-Spartanburg, SC	\$3.53	\$3.45	\$7.74	
Houston, TX	\$6.78	\$5.45	\$11.44	\$12.69
Huntsville, AL	\$6.52	\$4.87	\$9.67	
Jacksonville, FL	\$3.92	\$3.65	\$9.68	
Louisville, KY	\$3.71	\$3.79	\$7.12	
Memphis, TN	\$2.87	\$2.82	\$5.54	\$9.75
Miami, FL	\$10.43	\$9.57	\$23.74	\$9.93
Nashville, TN	\$4.85	\$4.33	\$9.67	\$9.37
Norfolk, VA	\$5.01	\$4.65	\$8.48	\$10.37
Orlando, FL	\$5.31	\$5.04	\$9.46	\$13.75
Raleigh, NC	\$5.01	\$4.79	\$12.69	\$17.23
Richmond, VA	\$4.19	\$4.44	\$7.88	\$10.48
Savannah, GA	\$4.00	\$3.85	\$7.25	\$10.50
Tampa Bay, FL	\$4.71	\$4.35	\$7.60	\$4.73
West Palm Beach, FL	\$8.56	\$7.40	\$10.52	\$8.37
South Average*	\$5.18	\$4.72	\$9.60	\$10.23

Note: The detail for markets with older data has been removed, but the numbers they contribute remain in the totals.
* Straight averages used

United States | Industrial Survey | Average Asking NNN Rents as of December 2016 (continued)

MARKET	WAREHOUSE / DISTRIBUTION SPACE (USD/SF/YR)	BULK SPACE (USD/SF/YR)	FLEX / SERVICE SPACE (USD/SF/YR)	TECH / R&D SPACE (USD/SF/YR)
MIDWEST				
Chicago, IL	\$4.75	\$4.42	\$9.60	
Cincinnati, OH	\$3.63	\$3.67	\$6.26	\$6.26
Cleveland, OH	\$3.98	\$3.98	\$7.47	\$7.47
Columbus, OH	\$2.99	\$2.99	\$6.40	\$6.40
Dayton, OH	\$2.82	\$2.65	\$4.68	\$4.68
Detroit, MI	\$4.72	\$4.18	\$9.13	\$9.13
Indianapolis, IN	\$3.54	\$3.49	\$6.33	
Kansas City, MO-KS	\$4.57	\$4.15	\$8.41	\$7.62
Milwaukee, WI	\$4.12	\$3.88	\$5.50	
Minneapolis-St. Paul, MN	\$4.72	\$4.64	\$6.95	\$7.65
Omaha, NE	\$5.15	\$5.11	\$6.21	\$5.40
St. Louis, MO	\$4.12	\$3.94	\$9.35	\$14.64
Midwest Average*	\$4.00	\$3.84	\$7.00	\$7.39
WEST				
Bakersfield, CA	\$4.00	\$3.40	\$8.40	
Boise, ID	\$6.87	\$5.99	\$7.01	\$6.60
Denver, CO	\$7.26	\$5.75	\$10.51	\$11.99
Fairfield, CA	\$5.81	\$5.66	\$7.44	\$8.02
Fresno, CA	\$4.72	\$3.91	\$9.17	\$9.17
Honolulu, HI	\$14.52			
Las Vegas, NV	\$6.48	\$6.13	\$8.76	\$10.20
Los Angeles-Inland Empire, CA	\$6.24	\$5.52	\$7.50	\$8.25
Los Angeles, CA	\$8.13	\$6.55	\$10.69	\$13.79
Oakland, CA	\$8.52	\$10.56	\$9.72	\$22.20
Orange County, CA	\$9.12	\$8.03	\$14.75	\$11.25
Phoenix, AZ	\$6.30	\$5.08	\$12.64	\$12.70
Pleasanton-Tri-Valley, CA	\$6.60	\$7.80		
Portland, OR	\$7.54	\$6.75	\$12.38	\$10.82
Reno, NV	\$4.39	\$3.97	\$8.33	
Sacramento, CA	\$5.16	\$3.72	\$5.28	\$4.80
San Diego, CA	\$10.08	\$8.88	\$12.24	\$19.08
San Francisco Peninsula, CA	\$15.00	\$13.20	\$37.32	\$37.32
San Jose-Silicon Valley, CA	\$10.49	\$10.20	\$12.73	\$23.97
Seattle-Puget Sound, WA	\$7.28	\$5.98	\$15.61	\$16.56
Stockton-San Joaquin County, CA	\$4.68	\$5.04	\$6.96	\$8.16
Walnut Creek, CA	\$4.92		\$11.04	\$13.20
West Average*	\$7.36	\$6.50	\$11.32	\$13.54
U.S. Average*	\$5.81	\$5.32	\$9.59	\$11.12

Note: The detail for markets with older data has been removed, but the numbers they contribute remain in the totals.

* Straight averages used

U.S. | Vacancy Rankings

MARKET	VACANCY RATE DEC. 31, 2016	MARKET	VACANCY RATE DEC. 31, 2016	MARKET	VACANCY RATE DEC. 31, 2016
Los Angeles, CA	1.2%	Milwaukee, WI	4.7%	New Hampshire	6.3%
Oakland, CA	1.6%	San Diego, CA	4.7%	Philadelphia, PA	6.3%
Honolulu, HI	1.6%	Austin, TX	4.8%	Charlotte, NC	6.5%
Pleasanton-Tri-Valley, CA	1.6%	Cincinnati, OH	4.8%	Hartford, CT	6.5%
San Francisco Peninsula, CA	1.9%	Cleveland, OH	4.9%	Dallas-Ft. Worth, TX	6.6%
Orange County, CA	2.0%	Jacksonville, FL	5.1%	St. Louis, MO	6.6%
Boise, ID	2.4%	Orlando, FL	5.1%	Chicago, IL	6.7%
Savannah, GA	2.4%	New Jersey-Northern	5.2%	Shenandoah Valley, MD-VA-WV	6.7%
Seattle-Puget Sound, WA	2.6%	San Jose-Silicon Valley, CA	5.2%	Norfolk, VA	6.9%
Long Island, NY	3.1%	Louisville, KY	5.2%	Greenville-Spartanburg, SC	6.9%
Omaha, NE	3.2%	Minneapolis-St. Paul, MN	5.2%	Kansas City, MO-KS	6.9%
Charleston, SC	3.3%	Raleigh, NC	5.4%	Memphis, TN	6.9%
Detroit, MI	3.5%	Columbus, OH	5.4%	Walnut Creek, CA	7.0%
Nashville, TN	3.9%	Indianapolis, IN	5.4%	Richmond, VA	7.1%
Miami, FL	3.9%	Las Vegas, NV	5.6%	Columbia, SC	7.4%
Los Angeles-Inland Empire, CA	4.1%	U.S. AVERAGE	5.6%	Birmingham, AL	7.6%
Fresno, CA	4.1%	Huntsville, AL	5.7%	Washington, D.C.	8.0%
West Palm Beach, FL	4.2%	Houston, TX	5.7%	Atlanta, GA	8.3%
New Jersey-Central	4.3%	Pittsburgh, PA	5.9%	Sacramento, CA	8.6%
Bakersfield, CA	4.3%	Stockton-San Joaquin County, CA	6.0%	Baltimore, MD	8.9%
Portland, OR	4.4%	Fairfield, CA	6.1%	Phoenix, AZ	10.2%
Denver, CO	4.6%	Dayton, OH	6.2%	Reno, NV	10.4%
Ft. Lauderdale-Broward, FL	4.6%	Tampa Bay, FL	6.3%		

Note: The detail for markets with older data has been removed, but the numbers they contribute remain in the totals.



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Glossary

Bulk Space – Warehouse space 100,000 square feet or more with minimum ceiling heights of 24 feet. All loading is dock-height.

Flex Space – Single-story buildings having 10- to 18-foot ceilings with both floor-height and dock-height loading. Includes wide variation in office space utilization, ranging from retail and personal service, to distribution, light industrial and occasional heavy industrial use.

Service Space – Single-story (or mezzanine) with 10- to 16-foot ceilings with frontage treatment on one side and dock-height loading or grade-level roll-up doors on the other. Less than 15% office space.

Tech/R&D – One and two-story, 10- to 15-foot ceiling heights with up to 50% office/dry lab space (remainder in wet lab, workshop, storage and other support), with dock-height and floor-height loading.

Warehouse – 50,000 square feet or more with up to 15 % office space, the balance being general warehouse space with 18- to 30-foot ceiling heights. All loading is dock-height.

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