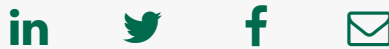




# U.S. MarketFlash: Industrial Taking Rents Now Growing Faster Than Asking Rents, Reflecting Voracious Demand

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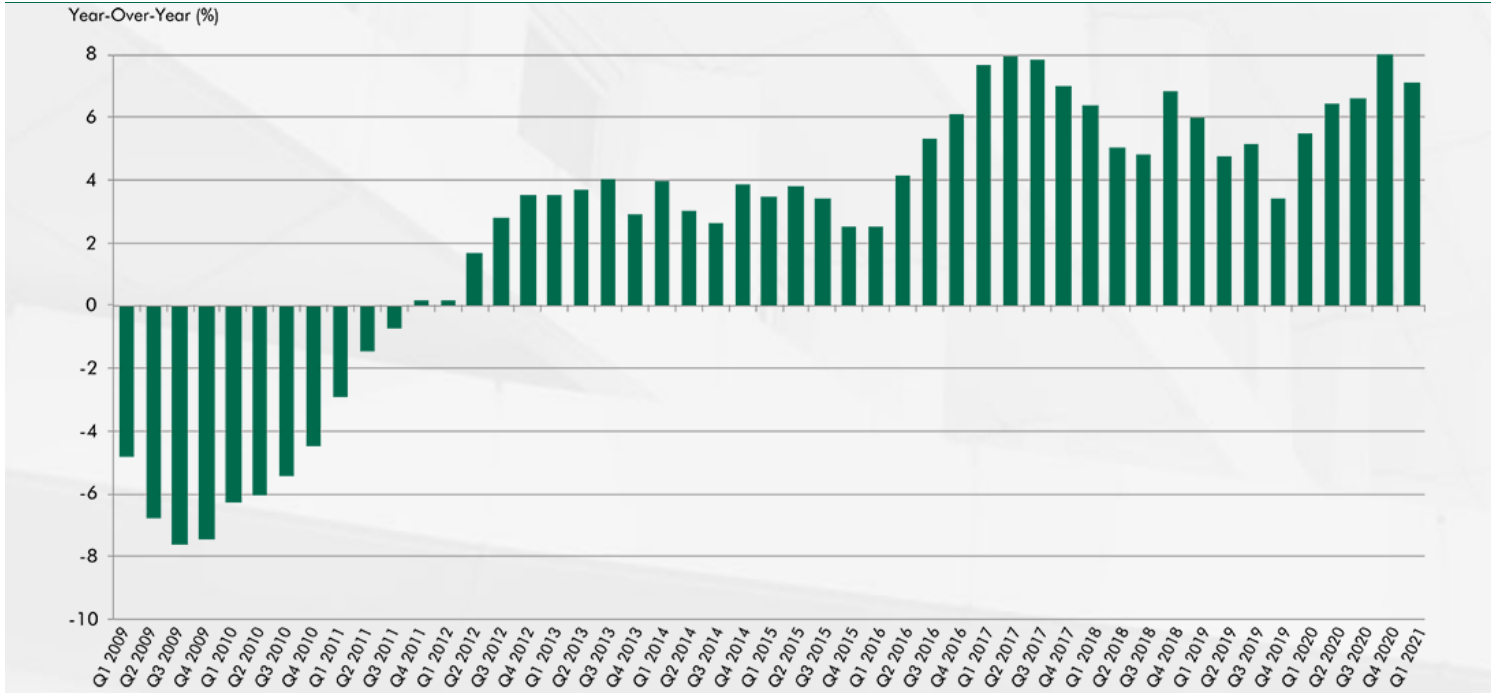
Average industrial asking rents increased by a record 8.3% year-over-year in Q4 2020 and by 7.1% in Q1 2021. Over the past five years, asking rents have averaged 6.8% annual growth.

## Figure 1: Strong Fundamentals Increase Asking Rents

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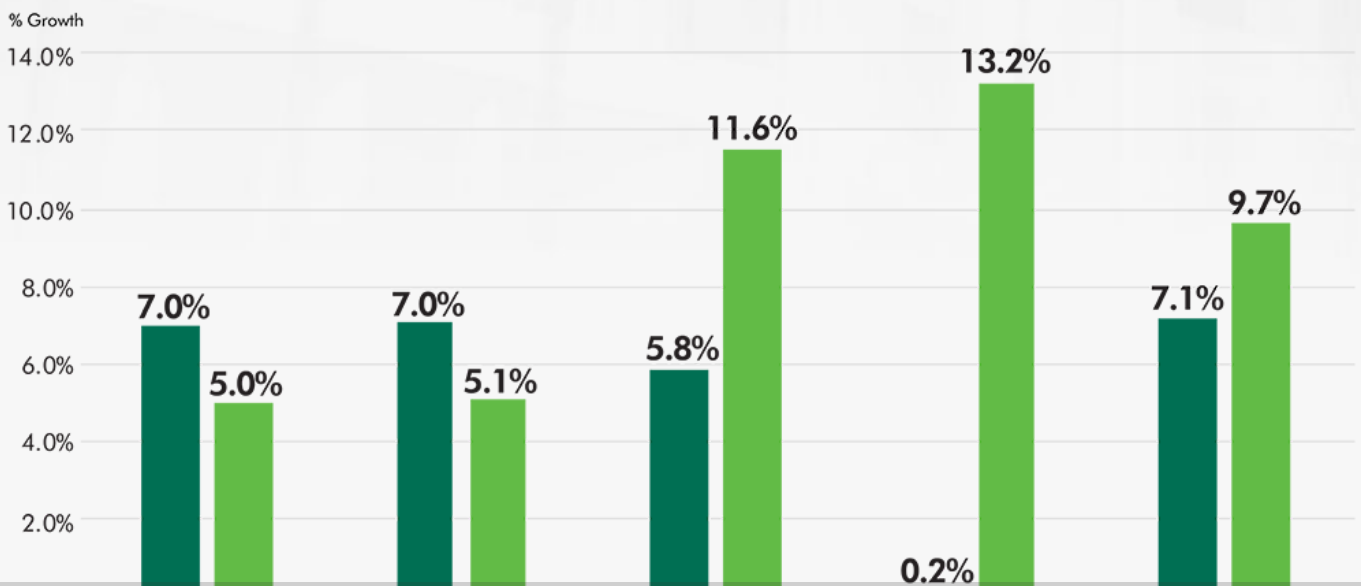
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Source: CBRE Econometric Advisors, Q1 2021.

Taking rents are growing even more robustly. First-year base rents on leases of 12 months or more rose by 9.7% year-over-year for the first five months of 2021. Bulk warehouses have seen even sharper taking rent growth, logging increases of 13.2% for leases of 500,000 sq. ft. or more and 11.6% for leases of between 100,000 and 499,999 sq. ft.

**Figure 2: Taking Rent Growth Exceeds Asking Rent Growth**



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Coastal markets, those near growing population centers or those with inland port hubs had the most growth in rents. First-year base rents in Northern New Jersey were up by 33.3% year-over-year through May, while Inland Empire rents grew by 24.1%. These two markets have long been regional distribution hubs because of their proximity to the country's largest seaports and metropolitan areas. They also have some of the lowest industrial vacancy rates in the country with the Inland Empire at 1.5% and Northern New Jersey at 2.2%. The need to have facilities in these markets, coupled with record low vacancy rates, has often led to bidding wars among occupiers that are driving up rental rates.

**Figure 3: Coastal Markets Dominate Year-Over-Year Base Rent Growth**

	Market	% Change		Market	% Change
1	Northern New Jersey	33.3%	9	Central New Jersey	13.6%
2	Inland Empire	24.1%	10	Indianapolis	13.4%
3	Philadelphia	19.7%	11	Phoenix	12.1%
4	Louisville	19.0%	12	Reno	11.4%
5	Orange County	16.9%	13	Denver	9.6%
6	Boston	14.8%	14	East Bay, CA	8.3%
7	Nashville	14.5%	15	Los Angeles County	7.6%
8	Sacramento	14.1%			

Note: Compares year-over-year % growth in lease comparables signed from Jan. 1 to May 31, 2021. Includes base rents for new lease and renewal transactions 10,000 sq. ft. and above with a lease term of 12 months or more.

Source: CBRE Research.

With continued near-record low vacancy rates, taking rent growth will outpace asking rent growth for the foreseeable future. Consequently, taking rents will remain a better gauge of the market's strength than more traditional metrics.

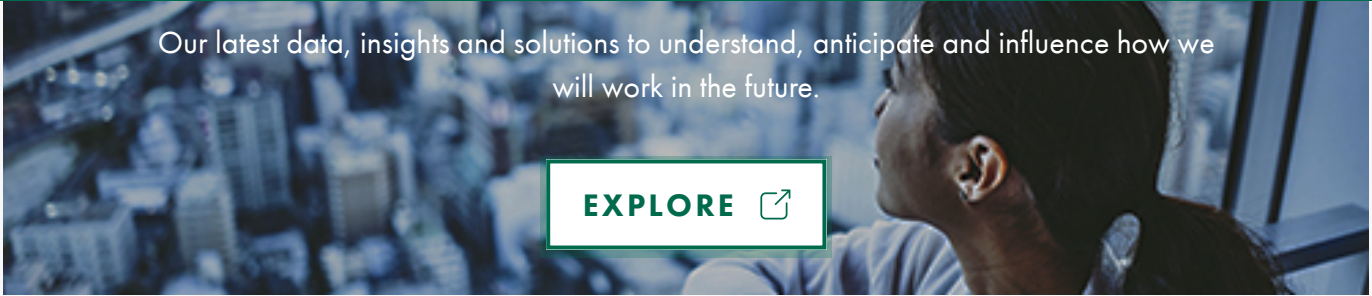
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