

MID-YEAR 2024

# Trends & Challenges

*Industrial Real Estate*



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# TOPICS

The Economy

The Real Estate Cycle

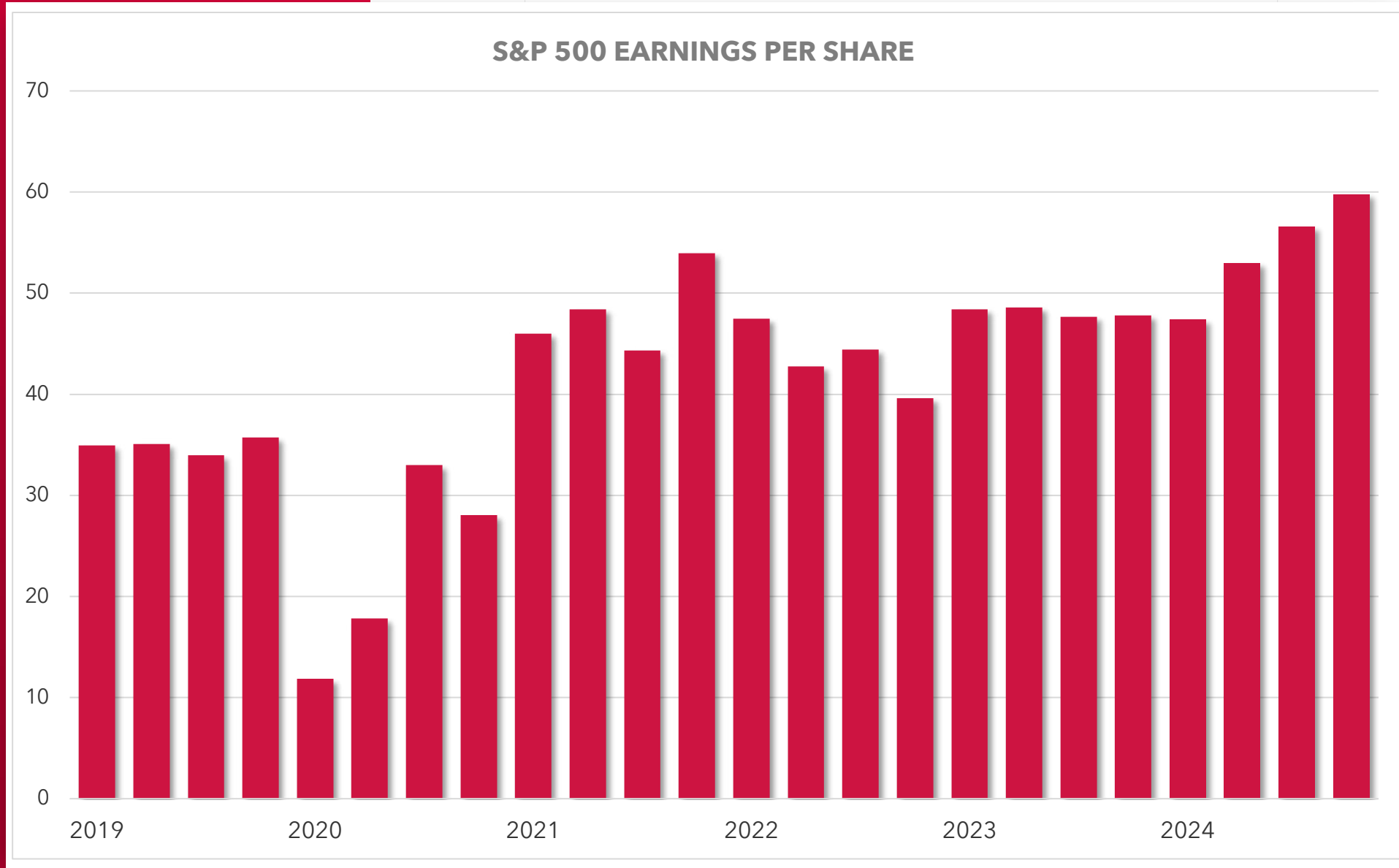
Ports

Rising Expenses

Trends to Watch

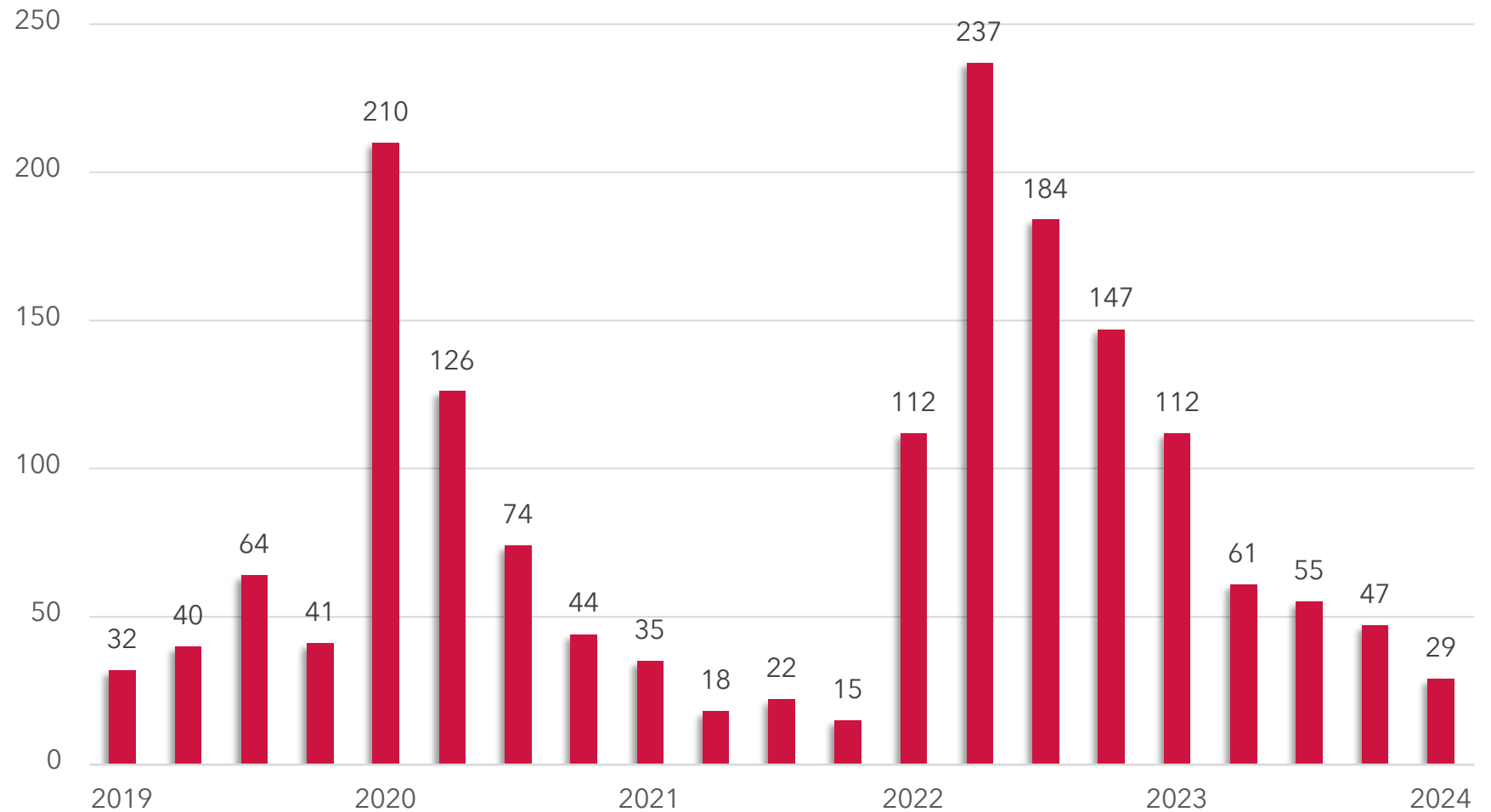


# S&P 500 Earnings Remain Robust, with Further Growth Expected



# Corporate Fears of Recession Are Subsiding

**S&P 500 companies citing "recession" on earnings calls**



# Consumer Debt

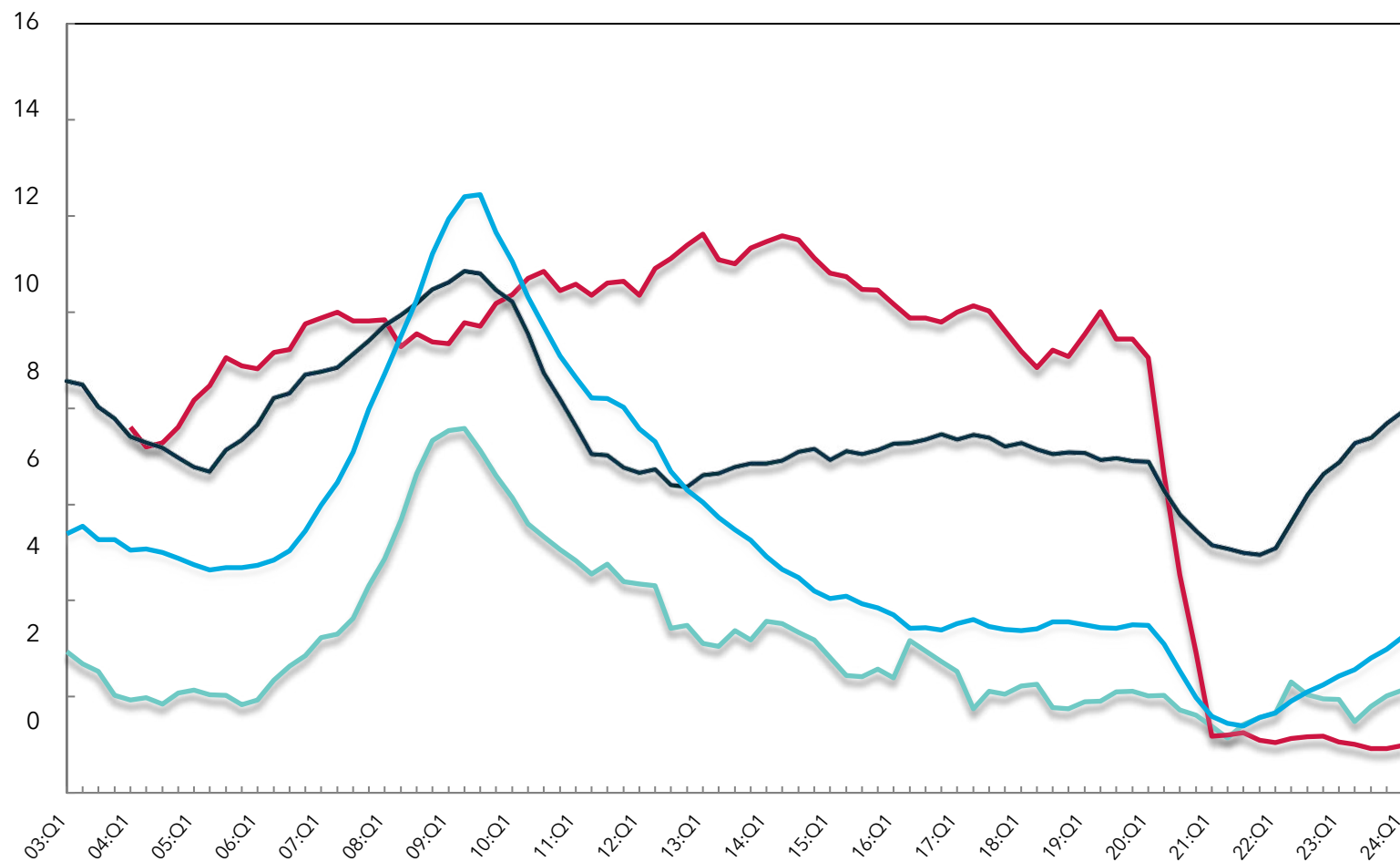
Consumers have been resilient and continue to spend, but remain vulnerable in the face of higher costs.

SOURCE:  
New York Fed Consumer Credit Panel/Equifax

## KEY

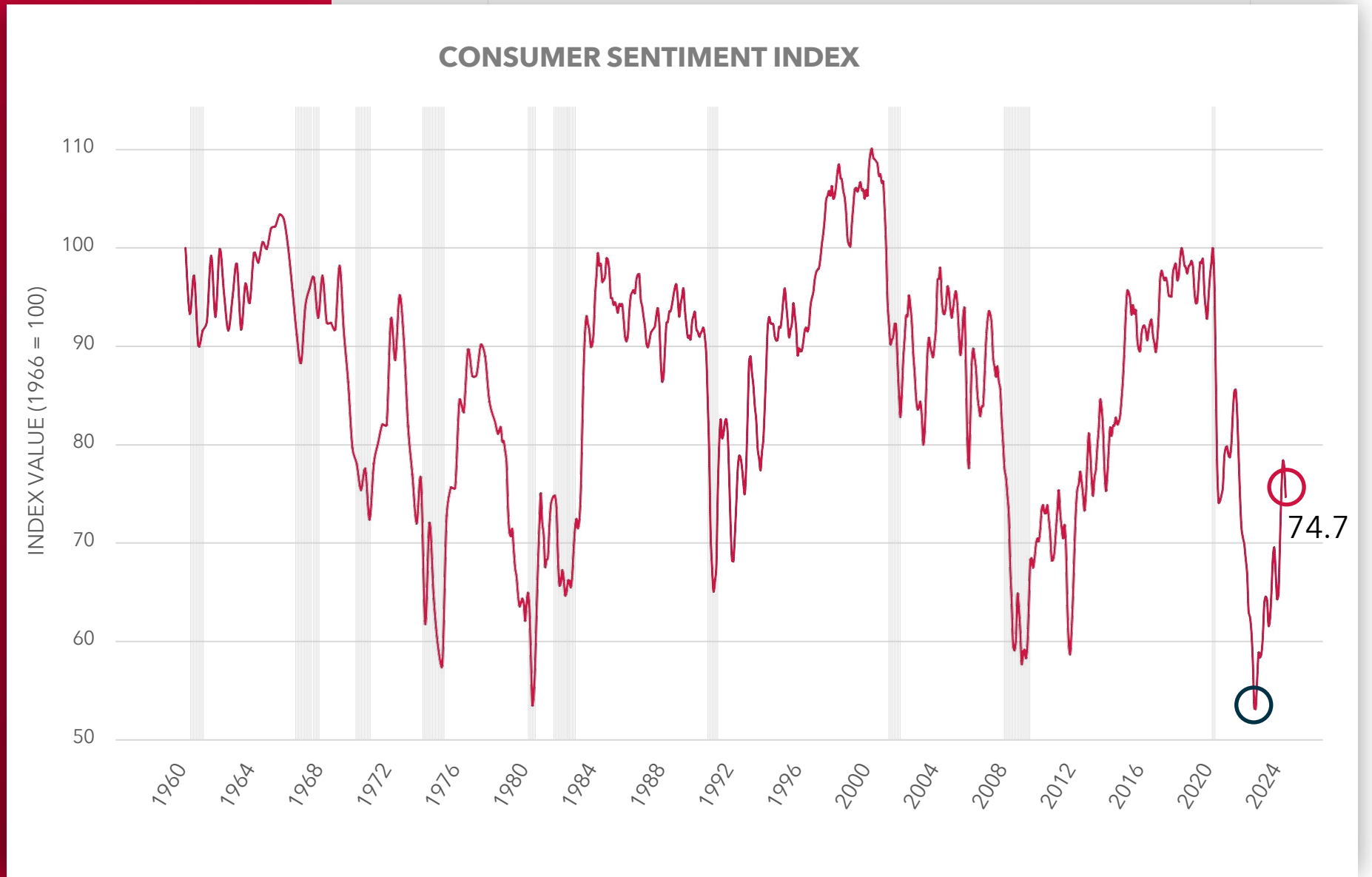
- Student Loan
- Auto Loan
- Mortgage
- Revolving Debt

TRANSITION INTO DELINQUENCY (30+ DAYS) BY LOAN TYPE



# Consumer Sentiment

Debt burdens and rising costs are impacting consumer sentiment, which is below expectations.





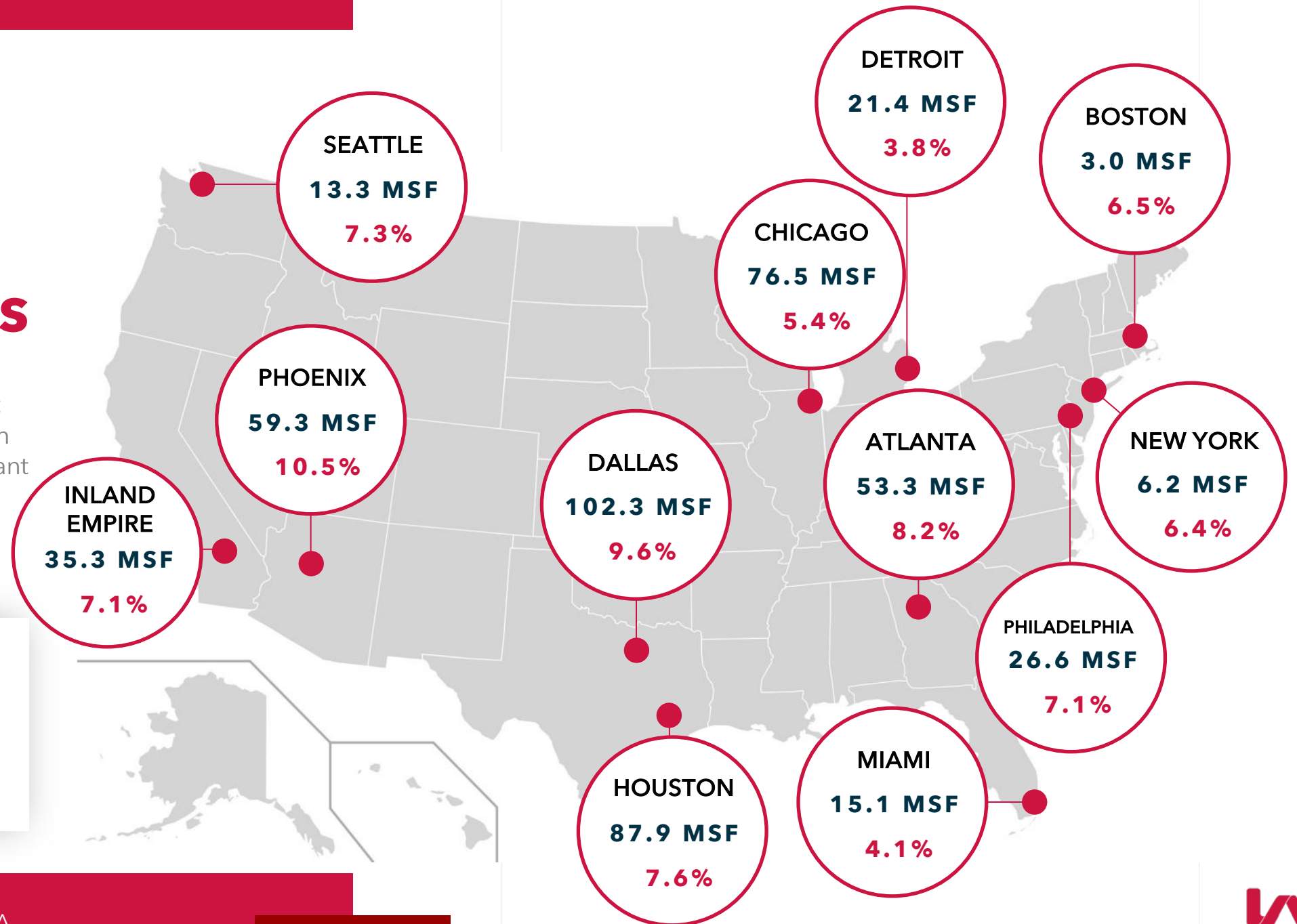
# The Real Estate *Cycle*

# Industrial Market Conditions

U.S. Industrial Markets are fundamentally healthy, but some are grappling with an overhang of late-cycle vacant speculative deliveries.

## KEY

- 3-Year Absorption
- Vacancy Rate





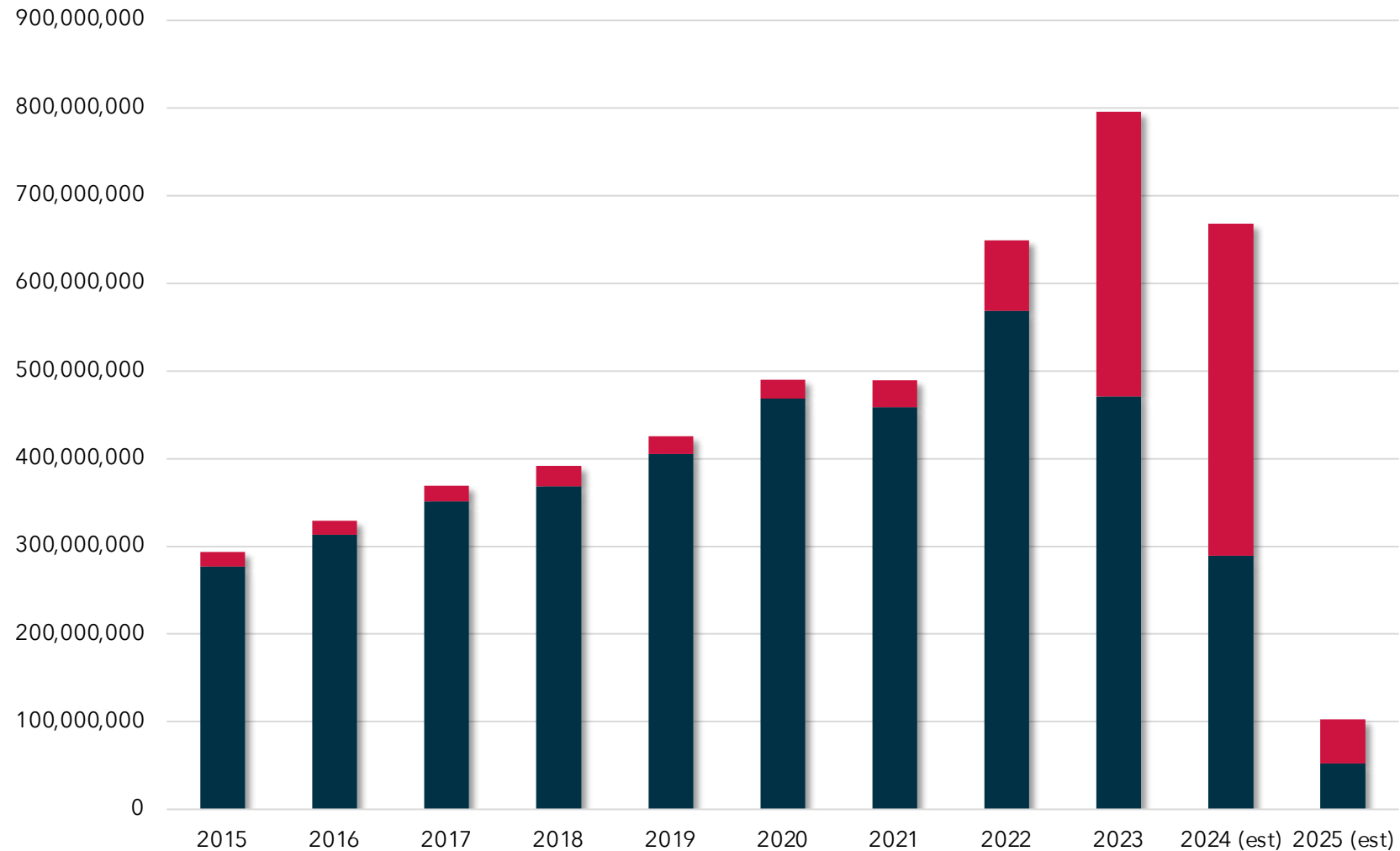
# Development Cycle

Tenants are absorbing new space at a steady pace, and a dwindling development pipeline will mean fewer tenant space options in 2025.

**KEY**

- Total Leased SF
- Total Available SF

COMMITMENT LEVEL OF NEW BUILDING DELIVERIES

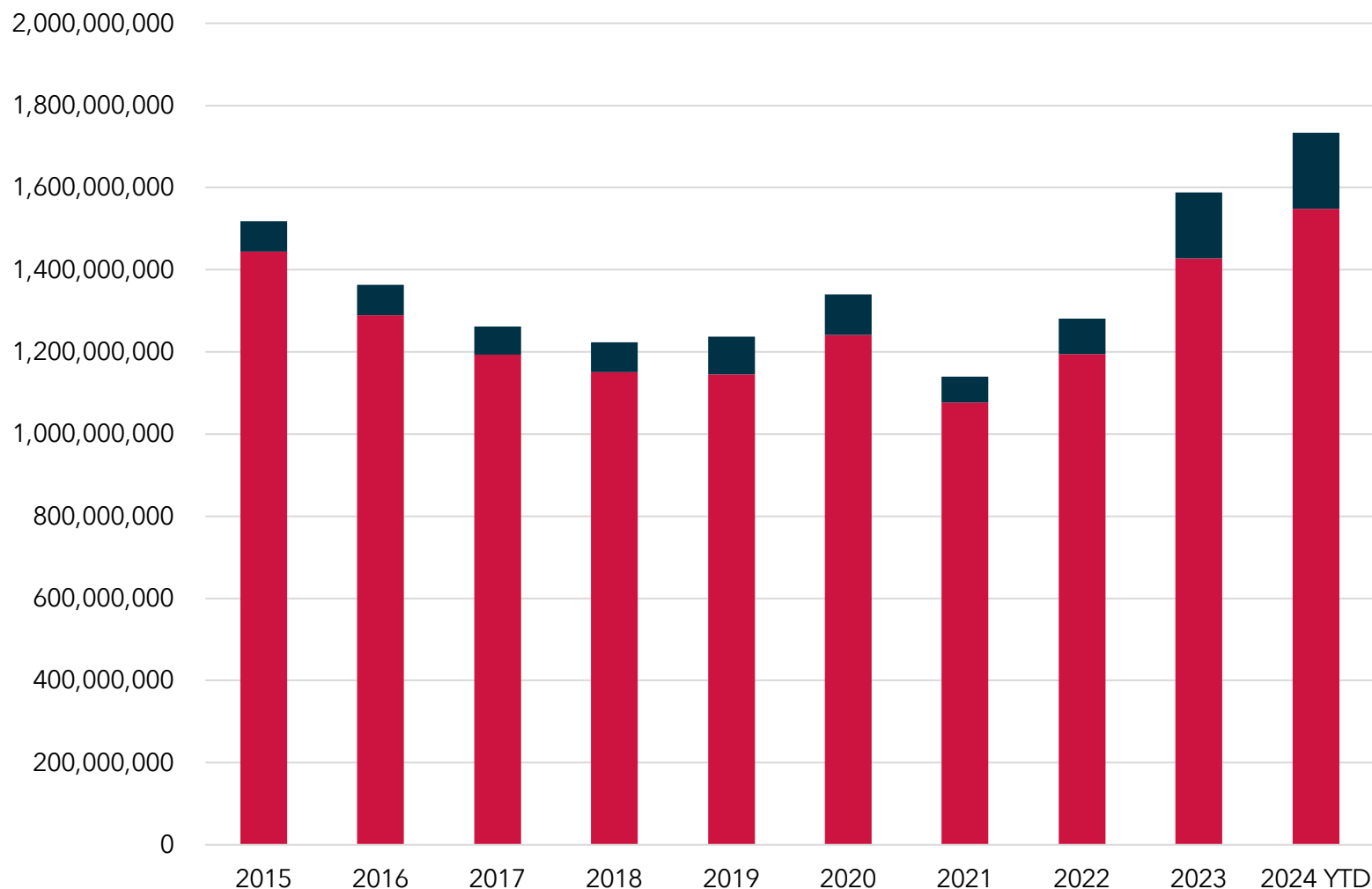
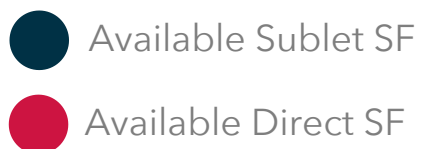


SOURCE: Costar Group and Lee & Associates - Atlanta



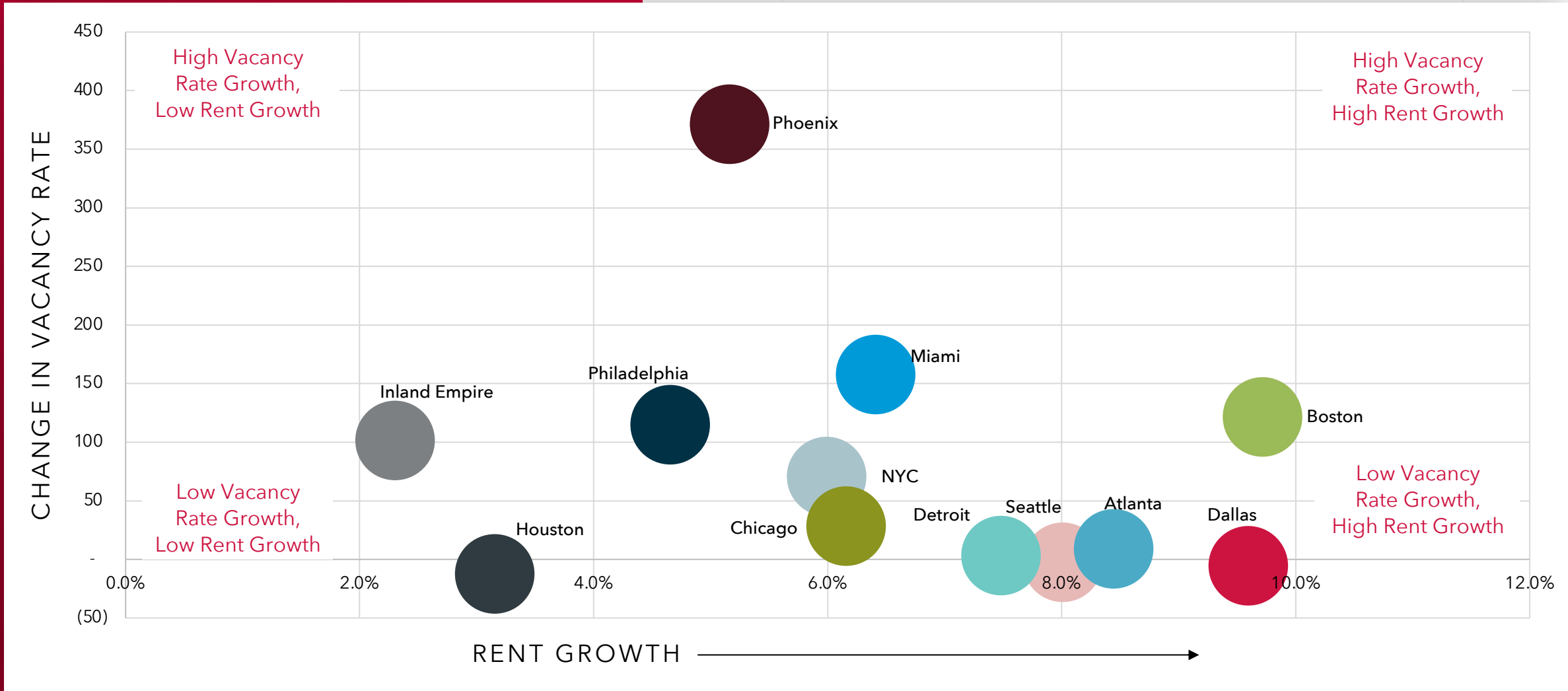
# National Industrial Availability

Space availability remains historically tight; subleases offer small window of opportunity for tenants.



# Year-End 2025 Forecast

High-growth markets like Dallas, Atlanta, Miami expected to outperform; but established metros of Boston, Chicago, Detroit not far behind.





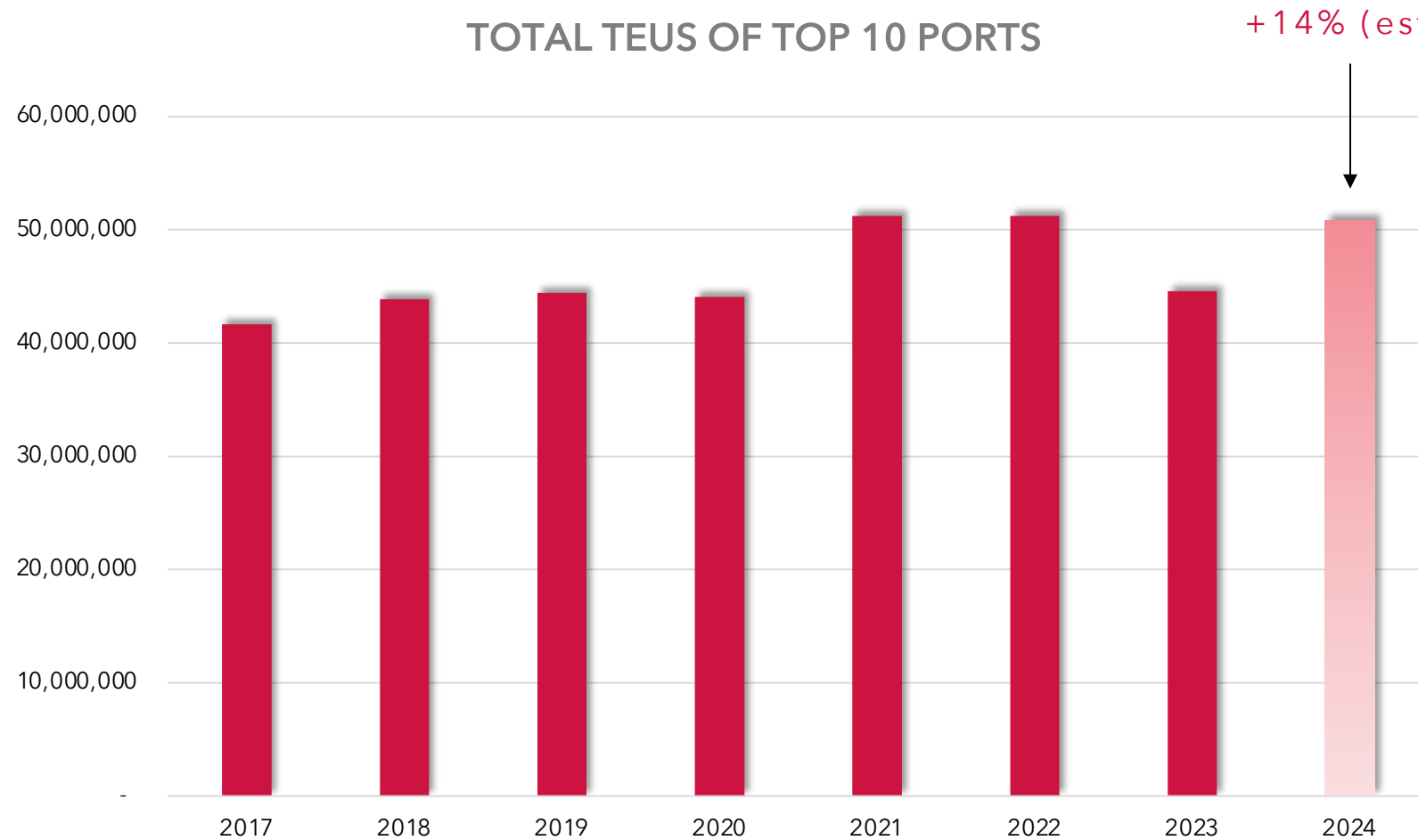
# Ports





# Port Volume Top 10

TOTAL TEUS OF TOP 10 PORTS



*Annual (2023) in order of largest to smallest TEU volume*

Los Angeles

Long Beach

New York | New Jersey

Savannah

Houston

Virginia

Charleston

Seattle

Oakland

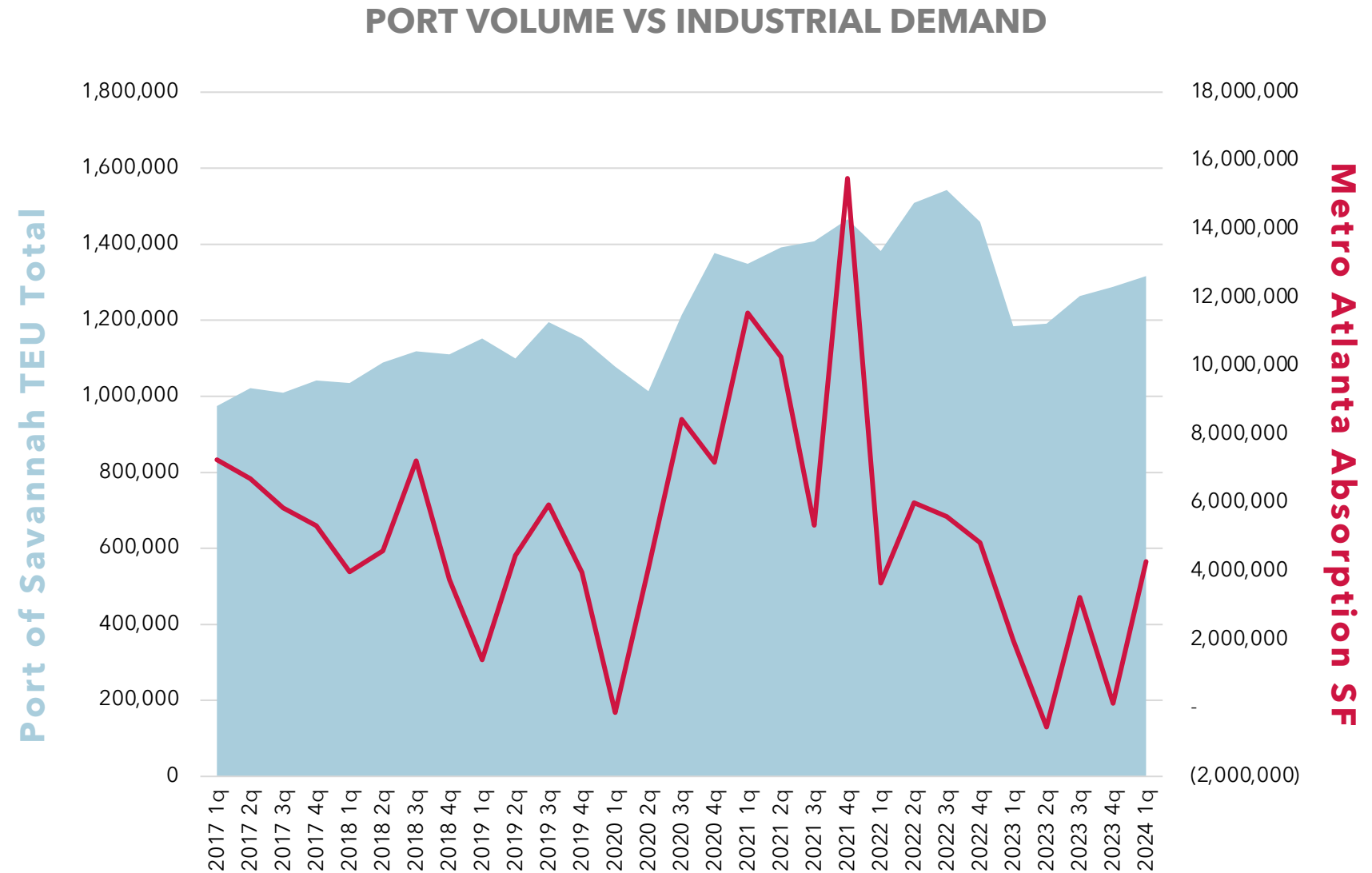
Jacksonville

Port volumes are expected to rise in 2024, supporting further demand for industrial space



# Savannah Port Impact on Atlanta Demand

Atlanta continues to be the primary destination for cargo processed through growing port of Savannah



The Laredo border crossing accounts for  
60% of the truck traffic between  
Texas and Mexico and is the largest  
inland port in the US.

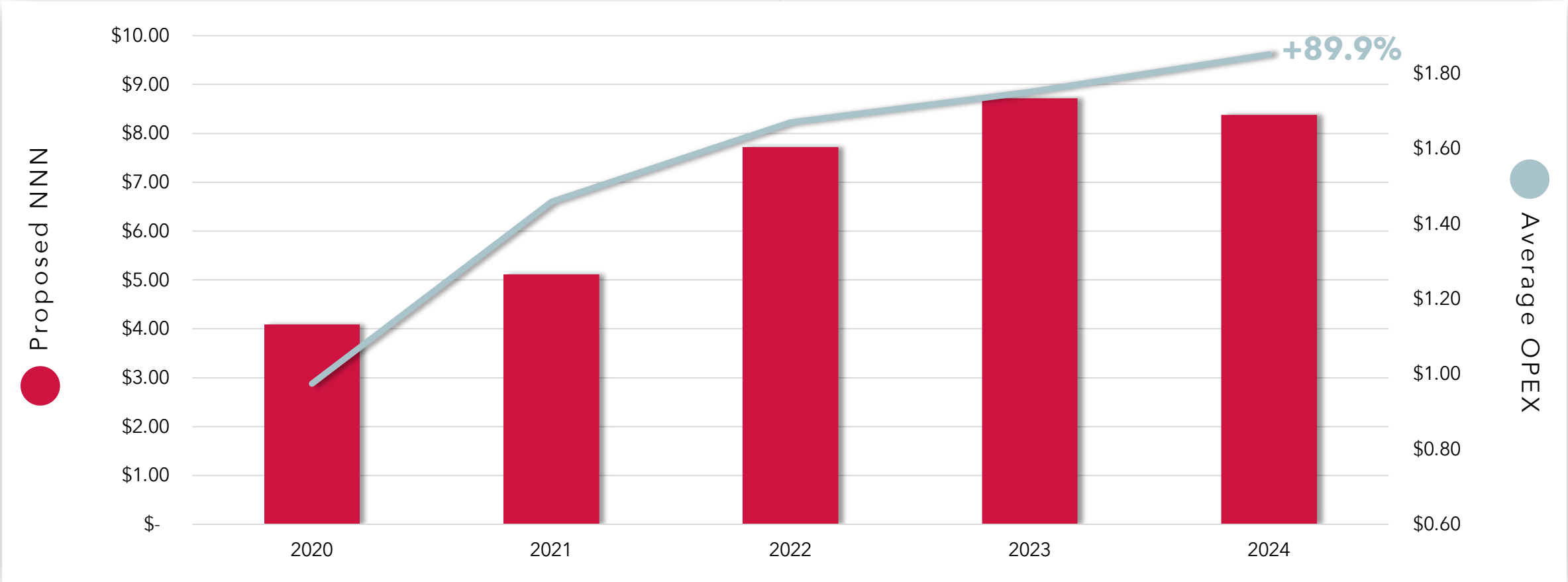


# Rising Expenses



# Proposed Rental Rates vs OPEX

Tenants expect rent escalations given market tightness, but operating expenses have unexpectedly increased the cost burden significantly since 2020.





**WHEN DOES**  $\$2.00 - \$1.50 =$

**\$270,816**

The cost difference in OPEX over a 5-year lease term for 100K SF Tenant...  
(Assuming 4% annual growth)

*The Impact of Higher OPEX on Tenants is Significant over the course of a Typical 5-Year Lease Term*



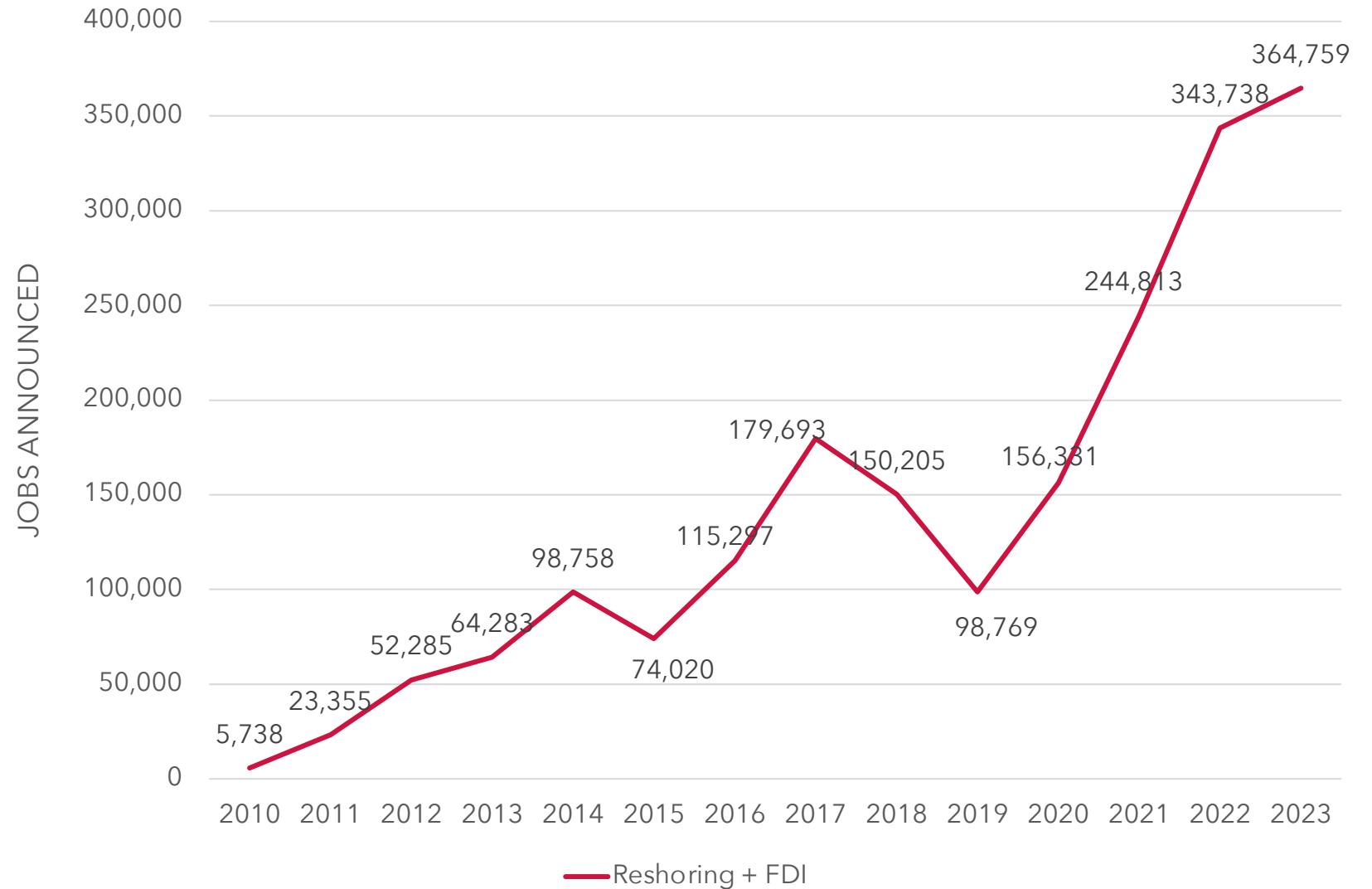
# Trends to Watch



# Reshoring: Job Additions

Some companies are reshoring to maintain the durability of their supply chains

SOURCE: Reshoring Initiative

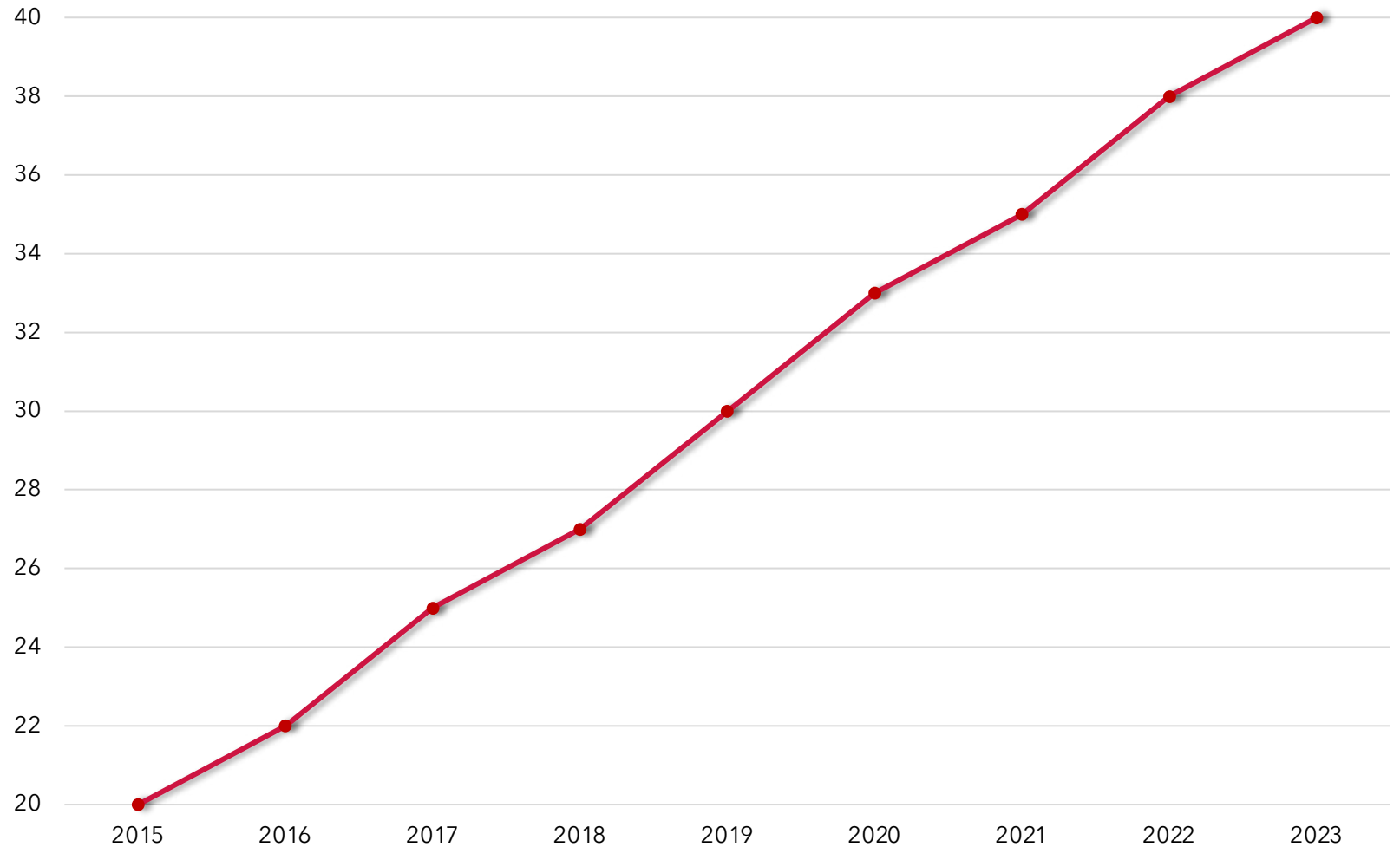


# Industrial Automation Spending

The spend on industrial automation has doubled in 8 years, led by companies such as UPS, Walmart and Amazon

SOURCE: BEA, McKinsey

INDUSTRIAL AUTOMATION SPENDING (BILLIONS)



# Longer Road for EV Truck Implementation

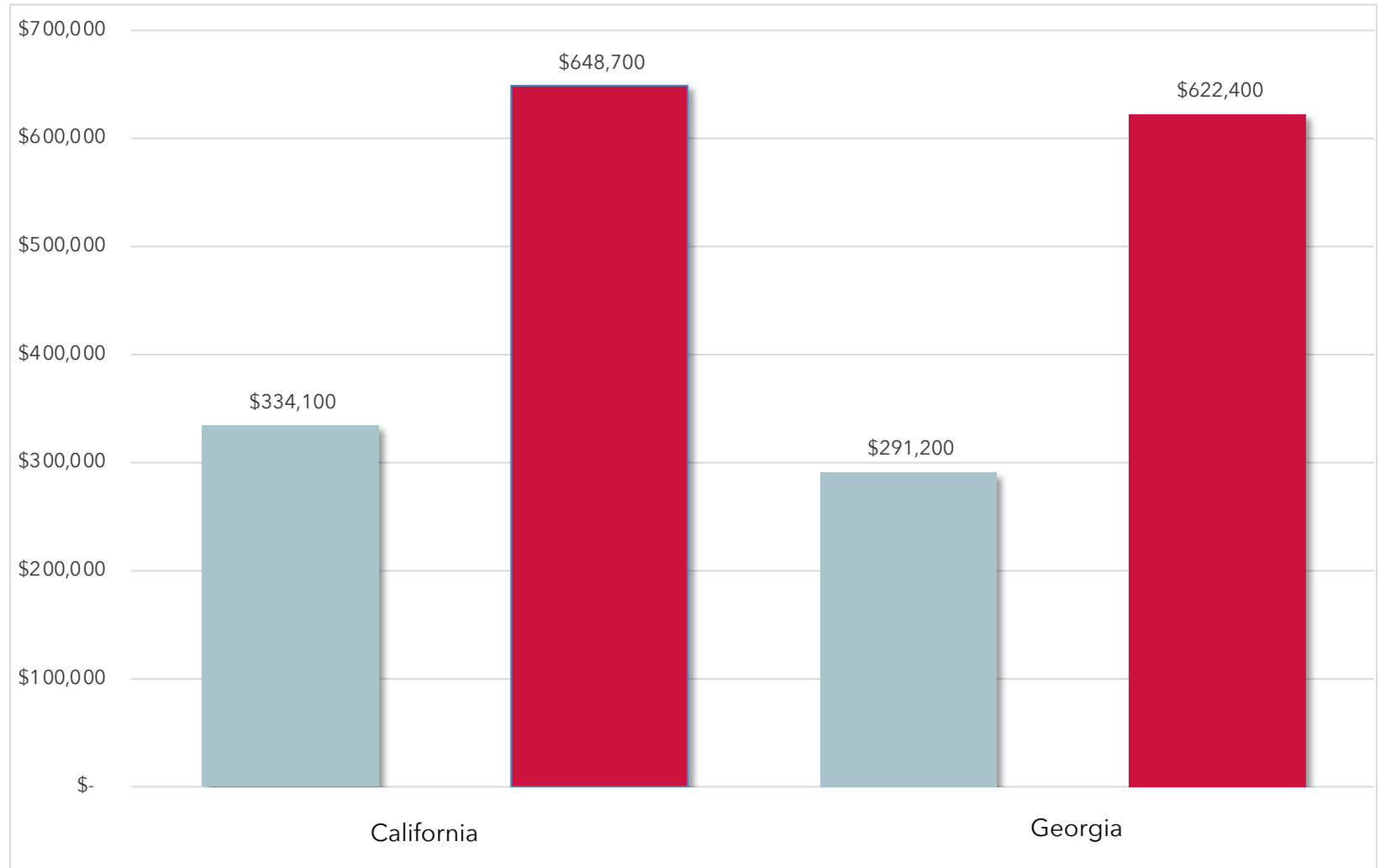
Conversion of trucking fleets to EV faces challenges, including significantly higher operating costs.

SOURCE: Ryder Systems

## KEY

- Diesel TCT
- EV TCT

## TOTAL COST TO TRANSPORT (ANNUAL)



# AI is Impacting the CRE Industry

Introduction and use of AI in CRE creates efficiencies & disruption, but ultimately enhances the quality of decisions



Google AI



OpenAI



Azure



IBM Watson



NVIDIA

TESLA



einstein

Baidu 百度

intel

aws





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