United States | Q3 2017

JLL Research Report

Industrial Outlook

e-commerce is helping propel the U.S. industrial market to all-time highs

3 key trends

Vacancy remained steady at **5.2%**, balanced leasing activity and net absorption helped despite new deliveries hitting the market.

Overall **pre-leasing** was stronger than the previous quarter, with the pre-leasing rate for new deliveries at **54.2%**.

E-commerce continues to be the fastest-expanding sector. **25%** of total U.S. leasing demand came from e-commerce companies expanding their footprints.

Contents

2017 marks all-time highs on rents for multiple U.S. industrial markets

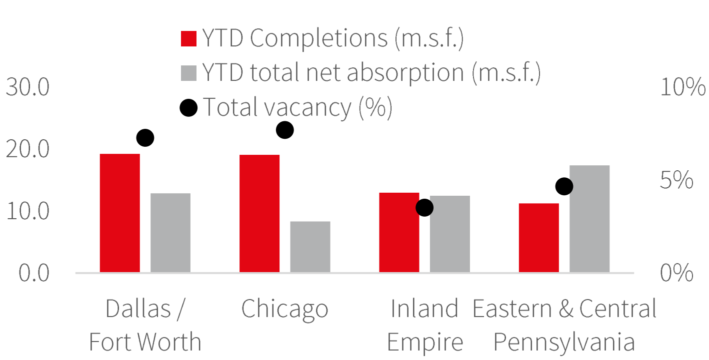
Total United States							
Type	Total stock (s.f.)	Total vacancy	Total availability	YTD net absorption	YTD const. deliveries	Under construction	Q2 2017 avg. rent
Warehouse & distribution	9,406,566,427	5.5%	7.9%	146,026,773	150,516,486	204,599,276	$5.45
Manufacturing	3,195,487,831	4.6%	6.2%	19,552,384	10,388,224	16,596,087	$5.23
Special purpose	36,900,768	2.8%	3.7%	67,312	46,500	73,000	$5.01
Totals	12,638,955,026	5.2%	7.4%	165,646,468	160,951,210	221,268,363	$5.40

Q3 2017 a solid quarter for both new completions and net absorption

After a somewhat slower second quarter, the third quarter brought momentum back to the U.S. industrial market. Both supply and demand indicators, new completions and net absorption of industrial space exceeded midyear levels. Year-to-date, the U.S. has absorbed nearly 165.6 million square feet and over the same time period has delivered 161.0 million square feet of new industrial product—a clear sign that demand continues to outpace new supply. Of the tier 1 markets, Baltimore, Atlanta and Inland Empire showed strong results with total net absorption as a percent of total stock exceeding 2.5 percent. Overall, in nearly 54.0 percent of the industrial markets tracked by JLL, the year-to-date total net absorption has exceeded total new deliveries, showing stable demand levels as new product is delivered to the market.

From a development perspective, nearly 221.2 million square feet of new inventory is currently under construction. Overall preleasing was stronger than the previous quarter, with the preleasing rate for new deliveries at 54.2 percent.

In Chicago & Dallas new completions exceed net absorption, offering tenants more supply options



Source: JLL Research

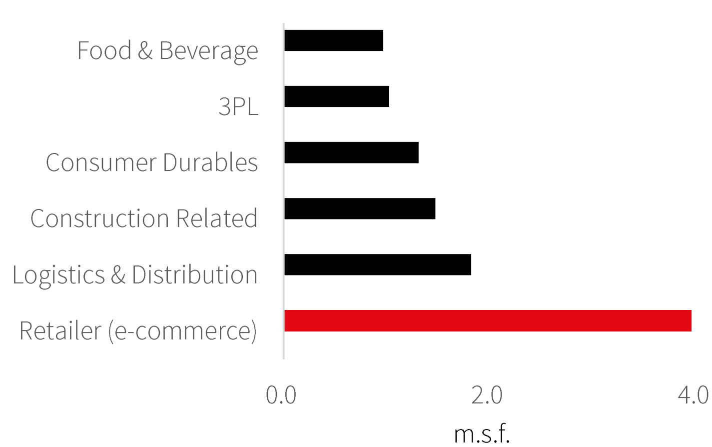
Vacancy remained steady from the second quarter at 5.2 percent. However, given continued strong leasing fundamentals, new completions and net absorption are each on track to complete the year over the 200 million-square-foot mark.

Make room: e-commerce companies demand more space

E-commerce continues to be the fastest-expanding sector. In the third quarter, nearly 25.0 percent of total U.S. leasing demand came from e-commerce companies expanding their footprints in markets where they already had a presence. In comparison, in 2016 e-commerce had 14.7 percent of the total U.S. leasing market share.

Also, for the first time in the past year, a higher number of e-commerce lease transactions were executed in existing facilities versus proposed buildings or spaces under construction. This is a function of continuing tight market conditions, matched against more immediate warehouse space needs to fulfill their consumer delivery expectations.

Expansion leases of existing tenants within a market



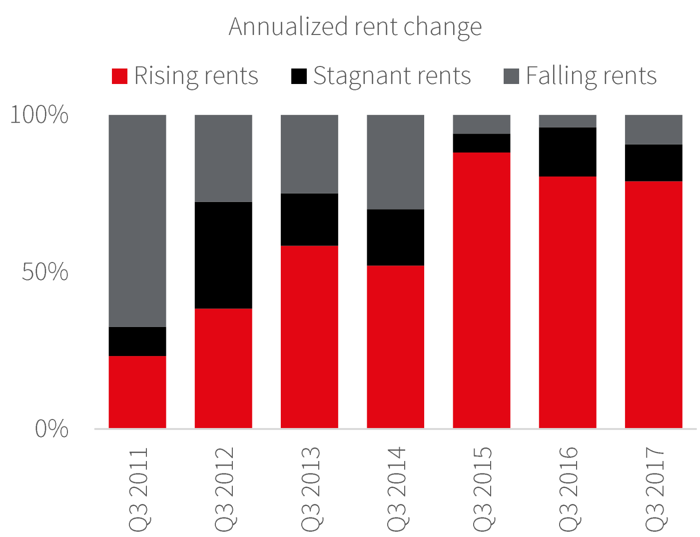
Source: JLL Research

Nearly 79% of U.S. markets are seeing rents rising

Spurred by an increase in warehouse and logistics absorption and persistently low market vacancy, U.S. industrial rents inched up further, reaching $5.40 per square foot, an all-time high. On an annualized basis, U.S. rents increased by 5.3 percent. Northern California and New Jersey are some of the strongest markets for rent growth, both experiencing double-digit year-over-year increases.

But will rising rents and low vacancy led to a potential slowdown in leasing activity? Not in the near term. In recent years, a focus on supply chain productivity has spurred growth in hot and expanding sectors like e-commerce, 3PLs and logistics & distribution, which has in turn helped increase demand for new, modern and efficient industrial space. Going forward, we expect asking rents for industrial space to face continuous upward pressure, due to a lack of available inventory and continued strong leasing demand. Furthermore, with nearly 200 million square feet in the development pipeline, a growing stock of Class A, high-quality product will continue pushing overall industrial asking rents higher.

Nearly 79% of U.S. markets are seeing rents rising



Source: JLL Research

Rethink the "last-mile" strategy: Over the next 18-24 months we anticipate seeing an increase in demand for "last-mile" industrial space by both developers and tenants.

Getting closer to the customer, faster shipping and multiple warehouses

In a bid to narrow the gap with brick and mortar stores, e-commerce and its related logistics companies are looking to accelerate their investment in "last-mile" warehouse spaces. Global and domestic tenants are expanding their presence beyond a "single mega-warehouse facility" to multiple U.S. cities, using logistics space to extend their reach to connect with customers.

At the same time distribution models are changing: location strategy is more focused on proximity to labor and proximity to customers. As population density increases and consumers ask for more "on-demand" delivery services, tenants will try to have a presence in smaller distribution centers closer to the urban cores. Going forward, as demand for infill locations increases and with existing quality product closer to the urban core getting leased up—finding the right location will get more challenging.

New development is changing the dynamics of key indicators—total net absorption and vacancy

On average nearly 70.0 percent of buildings built in the past few quarters are being built on a speculative basis—signaling an uptick in developer confidence of leased real estate. At the local market level, most logistics markets are seeing record-level of development activity that is leading to yearly absorption records as tenants take possession of their new buildings. Over the next 12 months, we expect vacancy to remain flat or have minor fluctuations. If we do see vacancy levels rising, it will largely be attributed to new deliveries hitting the market. As preleasing rates for new deliveries is closer to 50.0 percent, the newly built unleased vacant space will add pressure to the current U.S. vacancy rate. Although, given strong demand fundamentals, we expect these new spaces to get leased eventually, in the short term this will continue to add upward pressure on the U.S. vacancy rates.

So far in 2017 we have seen similar themes in nearly all U.S. markets, all-time-high rents, low vacancy and an active development pipeline. As we gear up to enter 2018, there is one pertinent question: ***Will this momentum continue?***

United States industrial statistics

Lowest vacancy	
Los Angeles	1.3%
Orange County	1.7%
East Bay	2.1%
Seattle	2.6%
Salt Lake City	2.6%
Long Island	2.9%

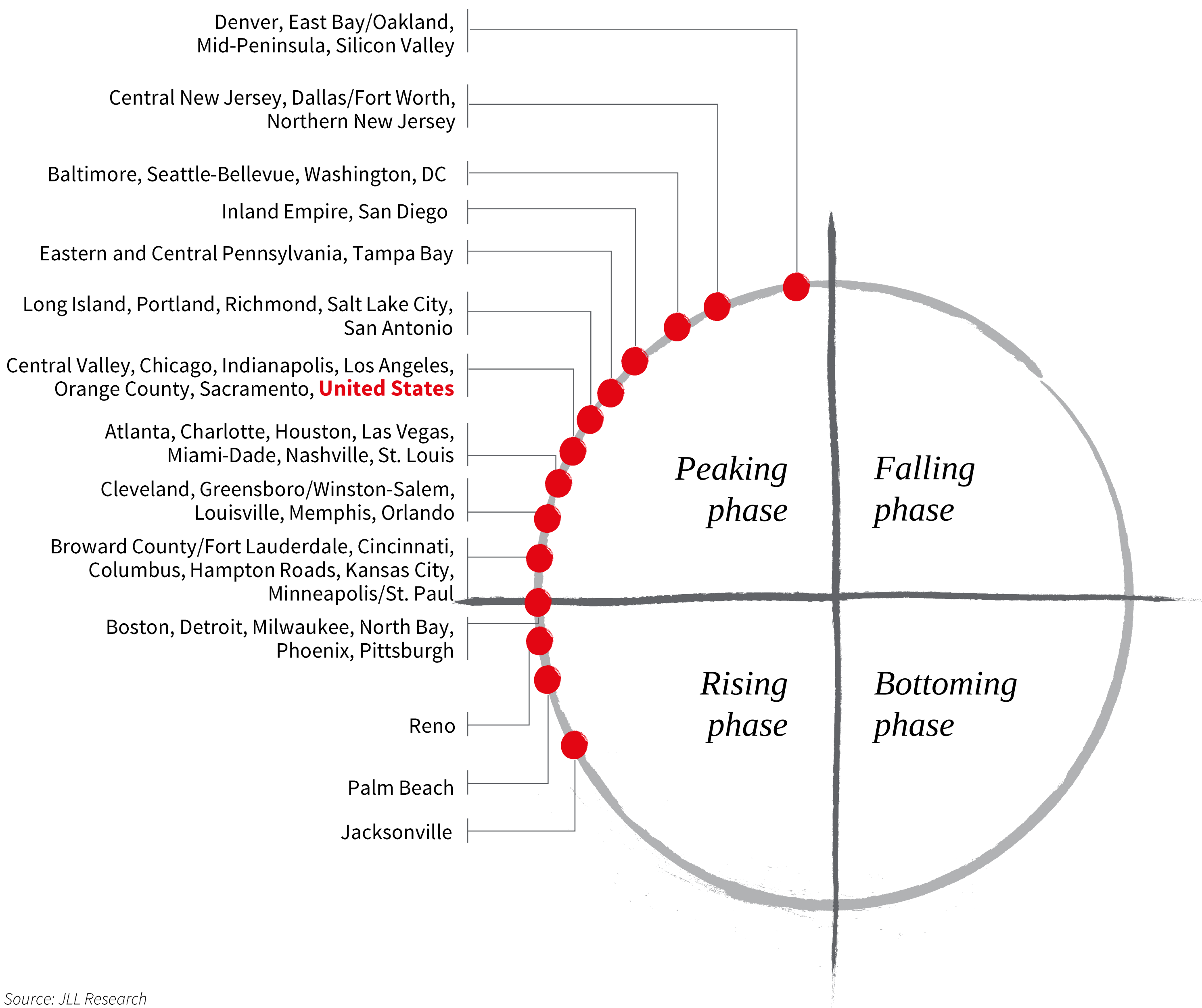
Highest year-to-date net absorption (s.f.)	
Eastern & Central Pennsylvania	17,370,779
Atlanta	16,799,445
Dallas/Fort Worth	12,866,240
Inland Empire	12,478,790
Chicago	8,340,345
Houston	6,646,063

Highest under construction (s.f.)	
Inland Empire	23,860,995
Dallas/Fort Worth	21,626,182
Eastern & Central Pennsylvania	20,351,308
Atlanta	18,352,944
Chicago	15,092,777
Los Angeles	6,843,498

Industrial clock

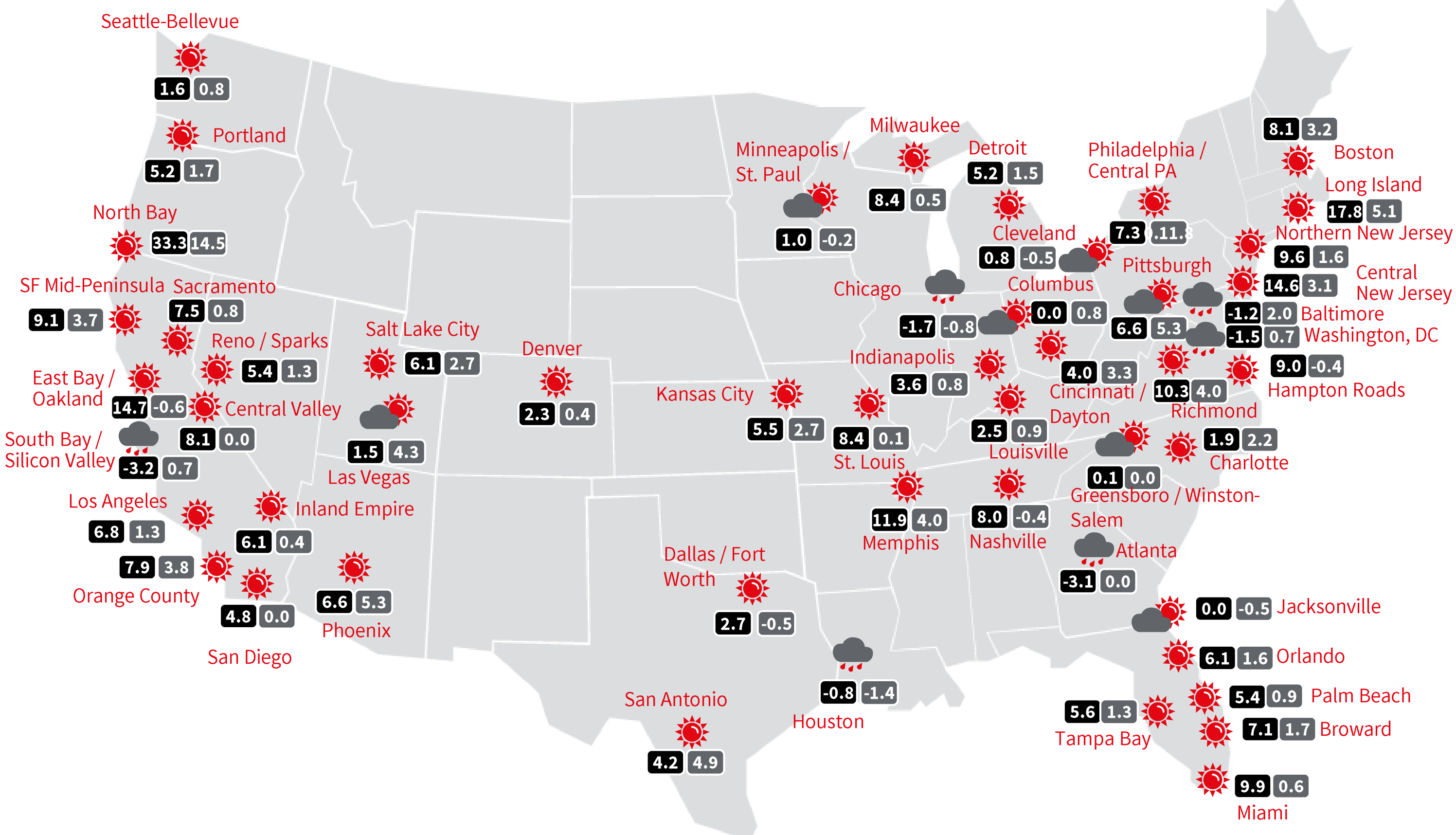
The JLL industrial property clock illustrates where each market sits within its real estate cycle. Markets generally move clockwise around the dial, with those markets on the left side generally facing more landlord-favorable environments, whereas those on the right experience generally tenant-favorable conditions. For the third quarter of 2017, the U.S. aggregate stayed stable at the 10:15 mark, in the peaking market quadrant.

Overall industrial leasing was healthy this quarter, and 92 percent of the markets tracked expect 2017 to continue to be favorable to landlords across the country. Through the end of 2017, expect markets to continue their progressive clockwise moves, while the overall U.S. position gradually climbs.



Source: JLL Research

Industrial rental rate weather map



Rental conditions

Rents growing
(greater than 1.5% growth year-over-year)

Rents stagnant
(between -0.5% and 1.5% year-over-year)

Rents falling
(greater than 0.5% decline year-over-year)

Average rental % change year-over-year*

Average rental % change quarter-over-quarter

Please note: weather imagery indicates only the direction of movement of rental prices in a particular market and is not designed to indicate favorable or non-favorable conditions for a specific leasing perspective

Source: JLL Research

Local markets

Atlanta

Demand soars as year-to-date absorption surpasses 2016's annual amount

- At 16.8 million square feet, year-to-date absorption surpasses 2016's annual amount by 205,085 square feet.
- Vacancy increases by 0.5% but remains historically low at 7.8%.
- Development is booming, with 4.7 million square feet of quarterly completions and 18.4 million square feet currently under construction.

Fundamentals	Forecast
YTD net absorption	16,799,445 s.f. ▲
QTD net absorption	3,768,309 s.f. ▶
Under construction	18,352,944 s.f. ▼
Total vacancy	7.8% ▼
Average asking rent (NNN)	$3.72 p.s.f. ▲
Tenant improvements	Stable ▶

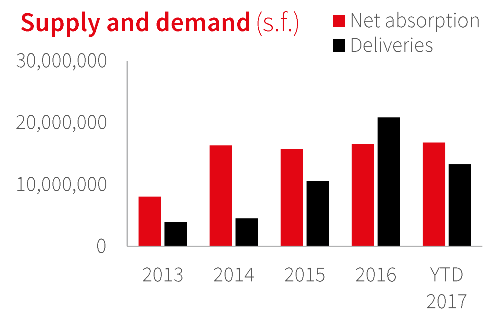
Unprecedented absorption in the first half of the year makes it appear that absorption is slowing, but with quarterly net absorption of 3.8 million square feet, this is far from the case. Third-quarter absorption spikes year-to-date absorption to 16.8 million square feet, surpassing 2016's total annual amount by more than 200,000 square feet. Similarly to last quarter, a large portion of this quarter's movement was in newer inventory. Four of the top five largest move-ins were in buildings completed this quarter. Dollar General's 1.2 million-square-foot distribution center and Home Depot's 1.0 million-square-foot fulfillment center delivered this quarter, with both companies taking immediate occupancy.

Vacancy rates increased slightly from 7.3 percent to 7.8 percent this quarter. With 4.6 million square feet of quarterly completions, this is a very insignificant jump. Rates increasing by only 0.5 percent suggests vacancy is holding steady as new inventory is absorbed almost as quickly as it is being delivered. This should help ease developers' uncertainty as the Atlanta market currently has 18.4 million square feet under construction, 14.6 million of which is speculative development.

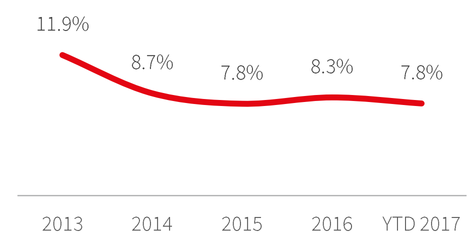
Outlook

Due to the incredibly fast start through the first half of the year, it is not surprising that Atlanta has already surpassed last year's historic absorption gains. It is quite extraordinary when looking at the possible absorption gains still to come this year. Leasing activity is up and interest in Atlanta is not slowing, with over 50 tenant requirements totaling 24.5 million square feet. Supply and demand have been neck and neck throughout the year, with demand staying ahead by a few million square feet. With 4.4 million square feet of speculative development set to deliver in the fourth quarter, supply could overtake demand at year-end.

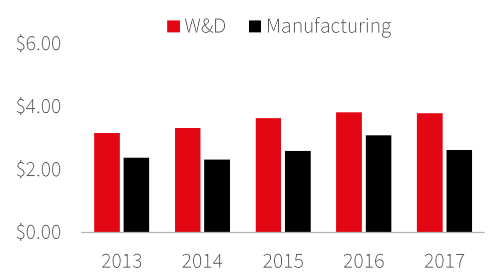
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



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Baltimore

Net absorption sets new highs as new construction leads to record numbers

- Rental rate growth rebounded, up 1.5 percent over the past three months, after a slight decline during the second quarter.
- Vacancy dipped yet again despite significant deliveries, particularly in the Baltimore County East submarket.
- Baltimore County East accounted for more than half of the quarterly absorption as Tradepoint Atlantic development continues.

Net absorption continued to climb at a rapid pace throughout the Baltimore metro, as the area has pushed to a new yearly absorption record at more than 6.3 million square feet of tenant growth so far in 2017. These numbers have been driven by robust development in the Northern I-95 markets. More than 1.5 million square feet of fully leased deliveries at Tradepoint Atlantic, as well as a 750,000-square-foot build-to-suit delivery in the Principio development, have helped vacancy remain at cyclical lows, despite the rapid growth in supply throughout the market.

Speculative construction has returned to the market again, with two additional speculative buildings breaking ground, in addition to Liberty Property Trust's build-to-suit for Intralox in the BW Corridor. There were multiple large move-ins in the third quarter, including Under Armour moving into 1.3 million square feet at Tradepoint Atlantic, FedEx moving into more than 300,000 square feet at Tradepoint, Lidl moving into a build-to-suit property at 239 Belvidere Road, and Southern Wine & Spirits taking 220,000 square feet at 7001 Quad Avenue in Baltimore County. Move-outs were relatively scarce, with the largest including Edgemere Terminals, which vacated 130,640 square feet at 8004 Stansbury Road.

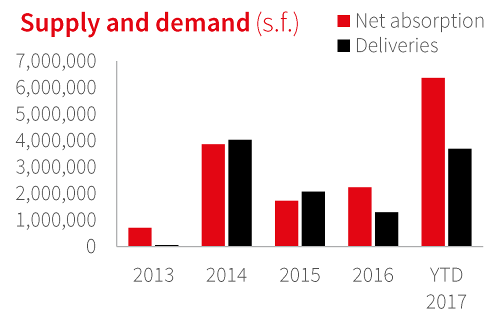
Outlook

In the fourth quarter, the market will likely see yet another quarter of positive absorption, with additional construction set to deliver, as well as limited tenant roll on the horizon. Absorption growth is expected to slow significantly, while vacancy may see an increase with speculative, yet-to-be-leased deliveries coming into the market in the coming months. New construction may continue to maintain elevated rents, while large-block vacancies may see rental growth slowing to remain competitive with newer development.

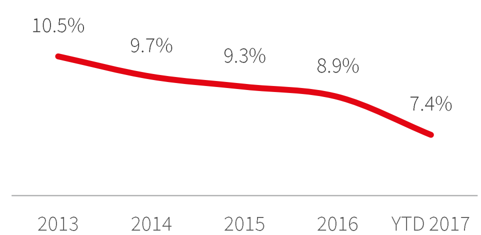
For more information, contact: Griffin Koupal | griffin.koupal@am.jll.com

Fundamentals		Forecast
YTD net absorption	6,366,263 s.f.	▲
QTD net absorption	3,046,684 s.f.	►
Under construction	2,756,245 s.f.	▲
Total vacancy	7.4%	▼
Average asking rent (NNN)	$5.05 p.s.f.	▲
Tenant improvements	Rising	▲

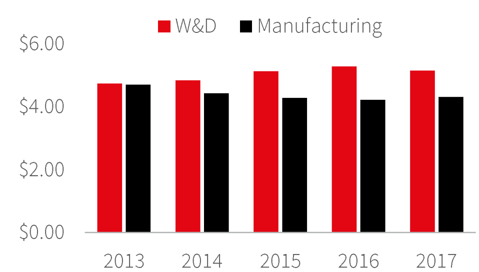
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Boston

Availability falls to lowest point in over a decade as tenants continue to absorb space

- Rising tenant demand has led to a scarcity of available large blocks. Vacancy has reached 6.1 percent and 8.8 percent for the industrial and flex/R&D markets, respectively.
- Asking rents are experiencing noteworthy growth, particularly warehouse and distribution rents, which have increased 8.3 percent year-over-year to $6.79 per square foot triple net.

All eyes are on the Boston industrial market as availability falls further, currently at 8.6 percent. An uptick in leasing has resulted in over 1.8 million square feet of industrial space being absorbed year-to-date. This has been driven by tenant growth and limited supply. With industrial vacancy at 6.1 percent, landlords continue to push rents. The average asking rent for warehouse and distribution space is now at $6.79 per square foot triple net. In particular, the average asking rent for the Class A market has reached $7.01 per square foot triple net, with direct vacancy hovering at 5.0 percent.

The largest lease of the quarter belonged to Tweave/Gehring Tricot. The fabrics company absorbed 164,000 square feet of manufacturing space at 1450 Brayton Ave. in Fall River. Meanwhile, Novaya Real Estate benefited from a pair of warehouse leases at 1 Distribution Center Circle in Littleton. Curtis Strauss renewed for 60,000 square feet and WestRock relocated and expanded for 60,000 square feet, taking the balance of the building. Lastly, flex activity was highlighted by Tegra Medical, who signed a renewal for 81,000 square feet at 9 Forge Pkwy. in Franklin. Transaction volume remained high on the investment sales side as well. This was underscored by Northbridge Partners' acquisition of 525 Campanelli Industrial Drive in Brockton for $11.5 million. The fully leased, 300,000-square-foot warehouse was sold by PGIM Real Estate and Spaulding & Slye. Additionally, Boston Andes Capital and Jumbo Capital teamed up to acquire RiverTech Park I & II in Billerica from KBS REIT I for $40.9 million, or $143 per square foot. The two-building flex portfolio represented an 8.0 percent cap rate.

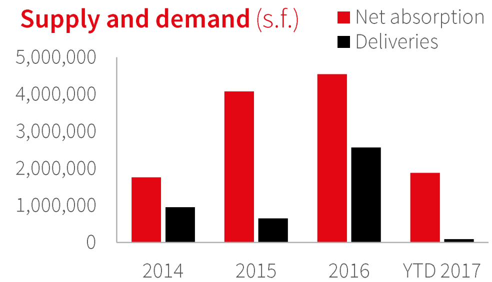
Outlook

The Greater Boston industrial market continues to experience growth as vacancy falls and asking rents rise. With less than half a million square feet in the development pipeline, there is little relief in sight. Furthermore, with demand remaining high, market conditions will continue to favor landlords.

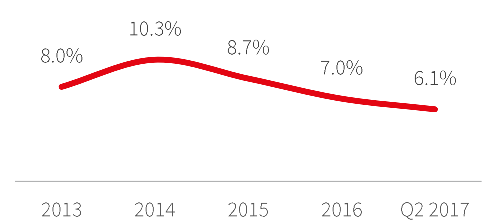
For more information, contact: Wes Simon | wes.simon@am.jll.com

Fundamentals		Forecast
YTD net absorption	1,881,526 s.f.	▲
QTD net absorption	617,111 s.f.	▲
Under construction	494,000 s.f.	▶
Total vacancy	6.7%	▼
Average asking rent (NNN)	$6.78 p.s.f.	▲
Tenant improvements	Falling	▼

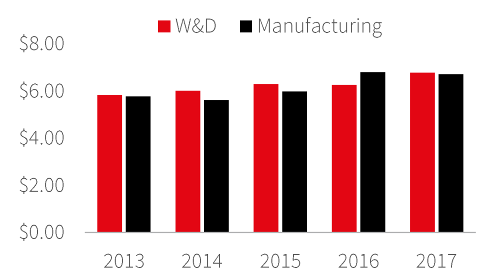
Supply and demand (s.f.)



Industrial vacancy



Average asking rents ($/s.f.)



Broward

Broward's industrial market continues to ride the expansion wave

- Demand is coming from a variety of industries.
- New space coming online by year-end will help offset the demand and supply imbalance experienced since 2009.
- Rents are at an all-time high, but not all submarkets are expensive.

As we enjoy the benefits of an extended positive real estate cycle, industrial occupiers remained busy leasing up space as the Broward market reached 96.1 percent in occupancy in the third quarter—an 11-year high. With almost 1.0 million square feet of positive year-to-date net absorption, heading into the end of the year, the market continued to experience solid growth in demand for quality warehouse space. Demand is coming from a diverse cross-section of industries including pharmaceutical, logistics, food and beverage, and manufacturing. Currently, there is an abundance of leasing activity up to 100,000 square feet in submarkets such as Central Broward and Northeast Broward, where developers have taken note. In fact, due to Broward's continued broad-based economic expansion, strong tenant demand and historically low vacancy rates, demand has been outpacing supply since 2009. To offset this imbalance, however, more than 700,000 square feet is slated to come online by year-end in the Northeast, Southeast and West Broward submarkets.

It stands to reason, then, that rents are spiking to record territory as the vacancy continues to decline. As a matter of fact, rents have increased by more than 37.0 percent between 2013 and 2017 to $8.60 per square foot for warehouse space. For comparison, a decade ago, rates ran about $7.33 per square foot countywide. Sure enough, rents are at an all-time high, but price-sensitive tenants looking for quality space can look in submarkets such as Southwest Broward, where rents stand around $7.90 per square foot.

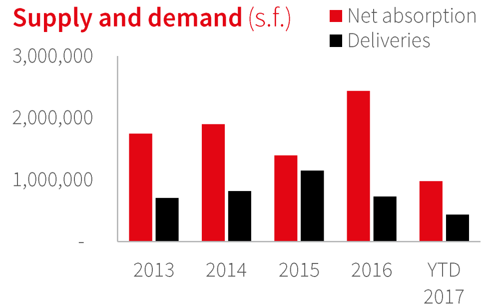
Outlook

As you look at the overall vacancy and absorption across our 91.2 million-square-foot industrial market, all signs point to a tight, positive industrial market for the near to medium term. Activity will continue to heat up especially after new product comes to the market in the next 12 months.

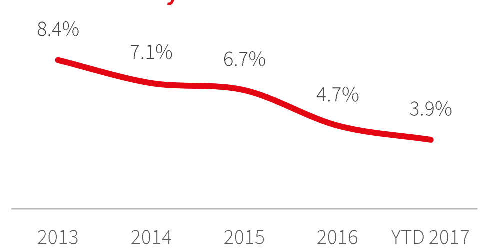
For more information, contact: Erik Rodriguez | Erik.Rodriguez@am.jll.com

Fundamentals	Forecast
YTD net absorption	977,761 s.f. ▲
QTD net absorption	242,966 s.f. ▲
Under construction	1,371,051 s.f. ▲
Total vacancy	3.9% ▼
Average asking rent (NNN)	$8.60 p.s.f. ▲
Tenant improvements	Stable ▶

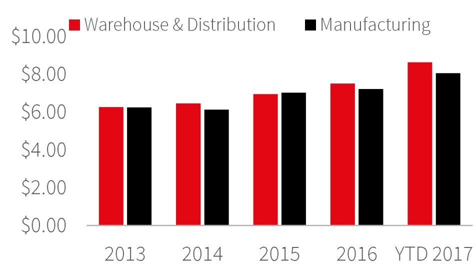
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Central Valley

If you build it, they will come

- The market saw 693,319 square feet absorbed with Sun Opta's lease of 220,000 square feet at 585 Garner Road and leasing at two of the three recently completed Christopher Way buildings in Lathrop carrying absorption.
- Two buildings completed construction this quarter. A 795,000-square-foot building at 1150 E. Arbor Road and a 325,000-square-foot building at 25555 W. Schulte Road, both in Tracy. This brings the year-to-date completed total to just over 3.0 million square feet.

Central Valley ended the third quarter defined by the same themes that defined the second: new construction starts and the leasing of large distribution warehouses. While 2017's absorption total is not likely to match that of previous years, leasing activity is still strong. In addition to Sun Opta, several other large leases commenced. The recently completed 19701 Christopher Way saw Raymond Handling and NorCraft Cabinets combined to absorb the entire 116,964-square-foot building. In the same business park, MXD took the entire 103,652-square-foot building at 18551 Christopher Way. Elsewhere, 3838 Imperial Way saw Allen Distribution take 105,000 of the 150,000-square-foot space.

Developer confidence that their product will lease and strong rent increases over the last two years has supported continued underwriting for new construction. Overall, Central Valley saw the start of nine new buildings ranging from 186,944 to 712,130 square feet. This brings the under-construction total to 6.7 million square feet across 15 buildings spread throughout the SE Stockton, Tracy, Modesto, Manteca,and Modesto submarkets.

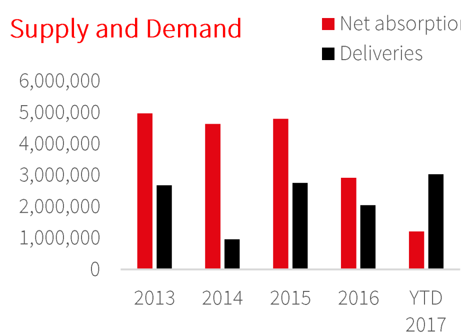
Outlook

With demand at its current level for new modern industrial space, there is no reason to think that Central Valley will be slowing down any time soon. In addition to all the development currently under way, several buildings are set to break ground later in the year, with the majority focused in the International Park of Commerce in Tracy and the Arch Logistics Center in Stockton. Multiple large leases, including those at the recently completed 2120 Boeing Way and 25555 Schulte Road, are expected to commence at the tail end of 2017 and early 2018 and should help absorption to remain high. Based on current demand, we anticipate increased rental rates marketwide and Class A spaces pushing toward the $0.45 NNN-per-square-foot range.

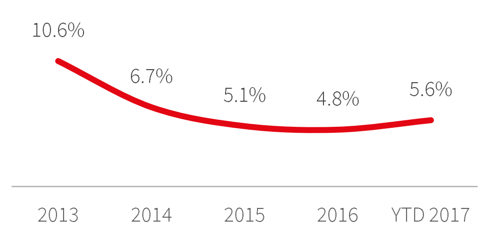
For more information, contact: Nathan Bustamante | nathan.bustamante@am.jll.com

Fundamentals	Forecast
YTD net absorption	1,209,220 s.f. ▲
QTD net absorption	693,319 s.f. ▲
Under construction	6,740,441 s.f. ▲
Total vacancy	5.6% ▼
Average asking rent (NNN)	$4.56 p.s.f. ▲
Tenant improvements	Stable ▶

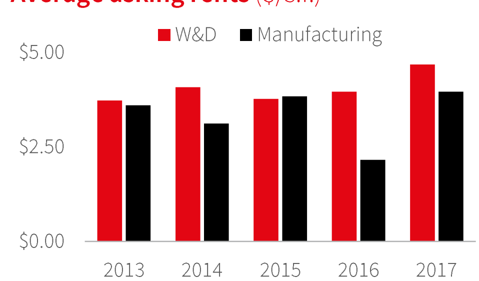
Supply and Demand



Total vacancy



Average asking rents ($/s.f.)



Charlotte

Strong fundamentals drive a tightening market

- Employment growth continues to drive demand: the Charlotte market has added more than 32,000 new jobs in the last 12 months.
- Charlotte's central location serves as a catalyst for distribution centers.
- e-commerce and logistics continue to drive leasing and construction activity.

The state of Charlotte's economy at the end of the third quarter continues to strengthen and bring optimism going into Q4 2017. North Carolina remains an attractive location for new and expanding businesses. The state still ranks near the top of most popular business climate rankings. The Charlotte MSA has added more than 32,000 new jobs over the last 12 months, which has led to an unemployment rate of 4.3 percent.

Location, location, location: 34 of the 51 metropolitan markets with more than 1 million people are located on the eastern seaboard. Twenty-nine lie within a 650-mile radius, or 24-hour truck delivery. Charlotte truly serves as the only major distribution center midway between the Northeast, Midwest and Florida markets.

This overall growth has led to a tightening in the real estate market. The average asking rate has risen by 19 percent since 2013, currently sitting at $3.60 per square foot. Speculative projects in the development pipeline marketing and achieving rates in the $4.50- $5.00-per-square-foot range are helping push the market's overall average rental rates upward.

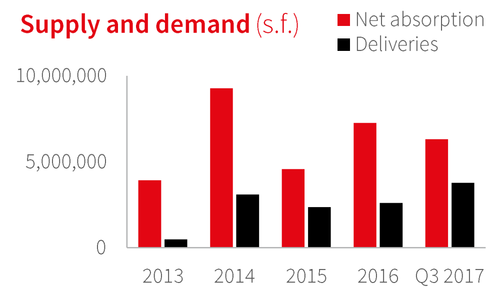
Outlook

The market's connectivity to secondary markets such as Greenville-Spartanburg, Greensboro and Columbia make it a well-rounded candidate for prospective tenants. Outside of new development occurring, there are a number of proposed projects set to break ground in the near future. Charlotte's low cost of labor and business-friendly environment continue to make it the preeminent distribution hub between the Atlanta and Virginia markets.

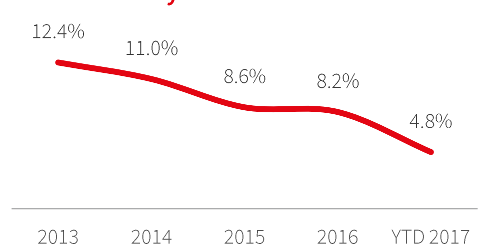
For more information, contact: Paul Hendershot | paul.hendershot@am.jll.com

Fundamentals	Forecast	
YTD net absorption	6,310,572 s.f.	▲
QTD net absorption	2,564,936 s.f.	▲
Under construction	3,374,520 s.f.	▲
Total vacancy	4.8%	▼
Average asking rent (NNN)	$3.60 p.s.f.	▶
Tenant improvements	Stable	▶

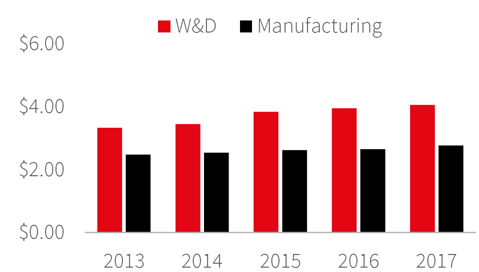
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Chicago

Spec development shifts leverage in tenants' favor

- Two 1.0 million-square-foot speculative projects are under way in I-80—the most ever being built at one time in the Chicago market.
- Development boom continues in I-355 Lockport micromarket.
- Additional supply coming to I-88 market despite inventory overhang
- Continued redevelopment activity across infill Cook County and O'Hare.
- Morgan Stanley expands its Class A footprint in the O'Hare market.

This summer, tenant demand waned in the Chicago market as the largest new lease was by Richwill Industries, taking 378,000 square feet of second-generation space in the South Suburban market. In the warehouse and distribution segment, 2.9 million square feet of net absorption was posted. However, negative absorption of 855,000 square feet for manufacturing space contributed to the quarterly total of 2.1 million square feet. The largest renewal recorded was Vanguard Logistics committing to stay in a 440,000-square-foot building owned by DCT Industrial at 250 Gary Avenue in Carol Stream. In Northlake, just south of O'Hare, Frozen Assets Cold Storage, a locally based public refrigerated warehouse, secured a newly renovated 132,343-square-foot facility on part of the former Dominick's Grocery Distribution campus. In the investment market, CBREI on behalf of a German client took out Venture One Real Estate on its recently delivered 1,000,560-square-foot build-to-suit for Georgia Pacific in University Park for nearly $53 million. Bridge Development Partners sold four recently completed speculative projects located in the infill market of O'Hare/West Cook totaling 491,010 square feet. Morgan Stanley purchased the assets for a combined $69 million.

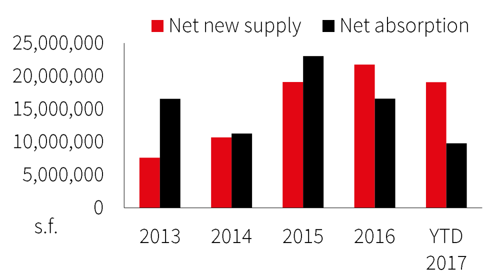
Outlook

Moving into the final months of the year, activity is expected to pick up slightly to put the market within reach of a healthy absorption figure in the 12 to 14 million-square-foot range. In addition, we expect the vacancy rate to inch up slightly; however, this is driven by speculative deliveries, not necessarily tenants contracting and giving up spaces aside from the typical market turnover.

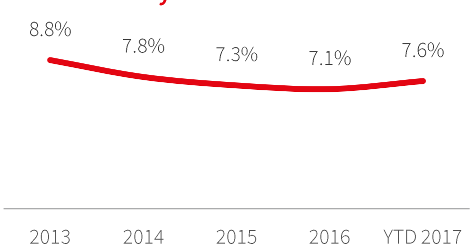
Foxconn's announcement to bring 10,000 jobs to Racine County Wisconsin could divert tenant demand to neighboring Lake County, IL, as these occupiers see less competition for employees.

For more information, contact: George Cutro | George.Cutro@am.jll.com
Paul Marsh | Paul.Marsh@am.jll.com Chad Buch | Chad.Buch@am.jll.com

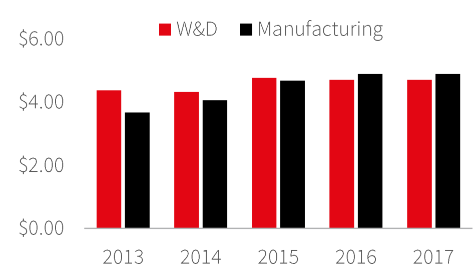
Fundamentals		Forecast
YTD net absorption	9,796,298 s.f.	▶
QTD net absorption	2,105,840 s.f.	▲
Under construction	15,092,777 s.f.	▲
Total vacancy	7.6%	▲
Average asking rent (NNN)	$4.76 p.s.f.	▶
Tenant improvements	Stable	▶



Total vacancy



Average asking rents ($/s.f.)



Cincinnati

Construction activity easing pressure in a tight market

- With limited large-block availabilities in the market, rental rates are continuing to climb with concessions falling.
- Vacancy is up slightly year-to-date as speculative construction projects are beginning to deliver.
- Construction activity is still not showing any sign of slowing down, with nearly 400,000 square feet of speculative construction breaking ground this quarter alone.

Fundamentals	Forecast	
YTD net absorption	2,908,418 s.f.	▲
QTD net absorption	571,498 s.f.	►
Under construction	3,133,493 s.f.	▲
Total vacancy	3.1%	▼
Average asking rent (NNN)	$3.87 p.s.f.	▲
Tenant improvements	Falling	▼

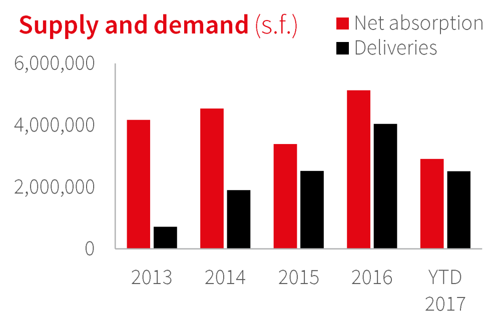
The Cincinnati industrial market has seen record-breaking activity since the start of 2017. With vacancy numbers hovering near record lows for three consecutive quarters, speculative construction activity has been white hot. Nearly 2.5 million square-feet of space has delivered year-to-date, along with 3.0 million square feet more in the pipeline set to deliver throughout the end of 2017 and into the beginning of 2018. With limited amounts of quality space available, landlords continue to hold the upper hand in a very tight market.

Despite lower absorption levels for the quarter, Cincinnati has still seen market-changing activity. Most recently, Amazon announced plans for a new fulfillment center at IDI Gazeley's Park North at Monroe, further increasing its footprint in Cincinnati. Charter Communications signed an 112,000-square-foot lease at the newly completed 10900 Kenwood Road building. Clarion Partners purchased the 1.6 million-square-foot industrial park at Port Union Commerce Center for approximately $102.1 million, proving that the market is performing healthy in all aspects.

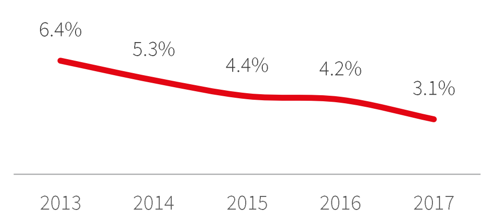
Outlook

Leverage among the entirety of the Cincinnati market continues to remain in the hands of the landlords, but with nearly 2.0 million square feet of speculative space set to deliver in the fourth quarter, vacancy will see a slight increase, giving leverage to large tenants in the market before the close of 2017. Even as more availabilities begin trickling into the market, rental rates will remain high. Construction activity has surged over the last year as much of the current inventory has become less and less suitable to meet tenant demand. But as shovel-ready sites become increasingly scarcer, this trend will eventually slow going into 2018.

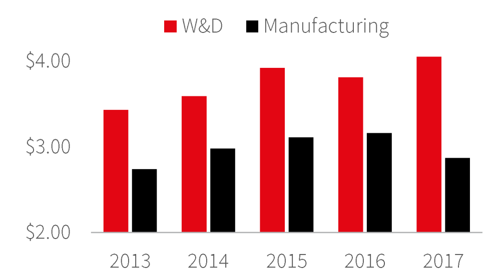
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



For more information, contact: Abby Armbruster | abby.armbruster@am.jll.com

Cleveland

Amazon makes a significant commitment to Cleveland, announces two fulfillment centers totaling 2.6 m.s.f.

- The fulfillment centers will be developed on sites that once housed malls, evidence of the shift from traditional retailing to e-commerce.
- Seefried Industrial Properties will build and own both warehouses. Construction is ongoing and should be complete by early 2019.
- Amazon's decision will have a positive impact on the outlook for the Cleveland industrial market, although the benefits may be limited.

Amazon announced plans in the second quarter to open two fulfillment centers in Cleveland totaling 2.6 million square feet. The commitment from Amazon represents a significant economic development win for the region, to the tune of $350.0 million and 3,000 new jobs. Amazon will lease the warehouses, which will be built and owned by Seefried Industrial Properties. Interestingly, both fulfillment centers will be constructed on sites that once housed regional malls. The redevelopment of these sites is indicative of the shift in consumer preferences from traditional retailing to e-commerce.

The first fulfillment center is being constructed on the site of the former Randall Park Mall. The mall closed in 2009 and was purchased by IRG in 2013. IRG spent the last four years demolishing the mall and preparing the site for redevelopment. Seefried recently purchased the property from IRG and immediately began construction on an 885,000-square-foot warehouse. Construction is expected to be completed in 2019. The second fulfillment center will be located on the site of the former Euclid Square Mall. Seefried has agreements to buy the shuttered mall and surrounding parcels from multiple owners. Demolition of the site is expected to start later this year. The Euclid fulfillment center will total 1.7 million square feet and is expected to be operational in 2019. In a switch from traditional warehouse design, the building will have three floors. The first floor will have an 18-foot clear height and the second two floors will house robotic storage with 9-foot clear heights.

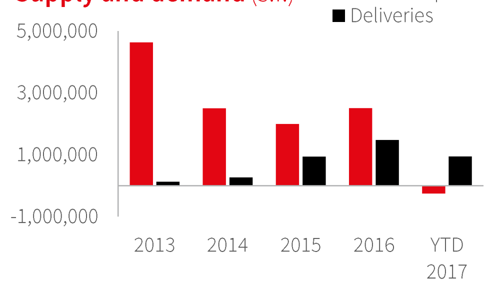
Outlook

Amazon's decision will have a positive impact on the long-term outlook for the Cleveland industrial market, although the benefits may be limited. There will likely be additional development adjacent to the fulfillment centers, as auxiliary services look to locate near Amazon. There are a number of developable sites surrounding Amazon’s Euclid location that could support this additional growth, particularly within the Bluestone Business Park.

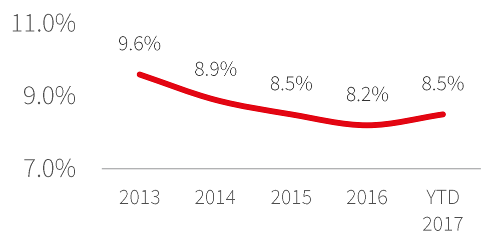
For more information, contact: Andrew Batson | andrew.batson@am.jll.com

Fundamentals	Forecast
YTD net absorption	-256,474 s.f. ▲
QTD net absorption	890,814 s.f. ▲
Under construction	2.0 m.s.f. ▶
Total vacancy	8.5% ▼
Average asking rent (NNN)	$3.88 p.s.f. ▲
Tenant improvements	Falling ▼

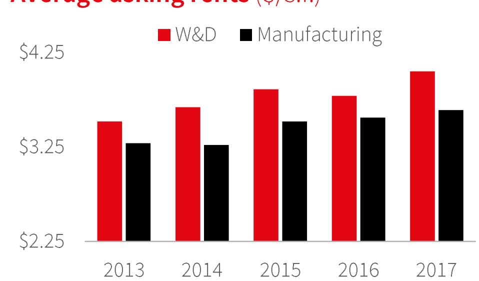
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Columbus

Speculative construction and user demand insist more activity ahead

- Speculative projects near completion as total vacancy falls to 4.4 percent with increased leasing in second-generation bulk warehouses.
- Midsize speculative product continues to experience strong preleasing due to limited availability.
- Market fundamentals are holding steady as active tenants consider relocation and expansion options.

Speculative construction is ramping up as total vacancy continues to fall in the Columbus industrial market. Over 3.2 million square feet of speculative product is currently under construction, with total vacancy now at 4.4 percent. Approximately 2.3 million square feet is located nearby Rickenbacker Intermodal in the Southeast submarket and Pickaway County. Breaking ground in the third quarter, Duke Realty's 673,000-square-foot bulk warehouse joins NorthPoint Development's 1.0 million-square-foot building as the two largest speculative projects. Both are expected to deliver by year-end, which will bring active tenants in the market much-needed bulk options; second-generation bulk warehouses experienced increased leasing activity in the third quarter, totaling 1.7 million square feet.

Speculative warehouse construction between 100,000 and 300,000 square feet has been especially successful in attracting tenants. With availability plummeting, preleasing is taking off in multitenant buildings within this size range. Duke Realty has two speculative warehouses that have been 100.0 percent preleased: a 192,000-square-foot building delivered and another is under construction at 231,000 square feet. Other examples include the 60.0 percent preleased Airside Three building in the East submarket, in addition to Pizzuti's 264,000-square-foot warehouse in Licking County that was 45.5 percent preleased at delivery in the first quarter.

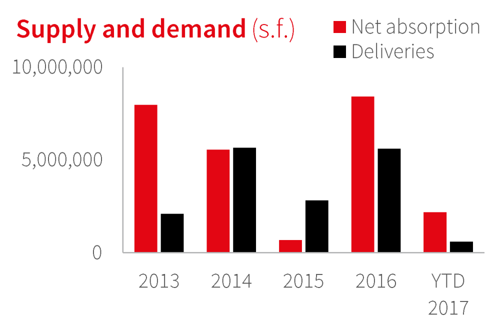
Outlook

JLL is currently tracking 9.5 to 10.0 million square feet of user demand in the market. Vacancy is at a historical low, which is likely to hold steady despite 1.6 million square feet of speculative space set to deliver by year-end. Roughly 1.3 million square feet of new construction remains available in the Southeast. With current user demand, this may dwindle significantly by the time new speculative development comes online.

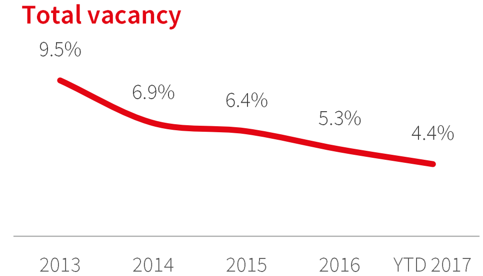
For more information, contact: Sam Stouffer | sam.stouffer@am.jll.com

Fundamentals	Forecast
YTD net absorption	2,187,114 s.f. ▲
QTD net absorption	2,180,114 s.f. ▲
Under construction	5,216,706 s.f. ▲
Total vacancy	4.4% ▶
Average asking rent (NNN)	$3.73 p.s.f. ▲
Tenant improvements	Stable ▶

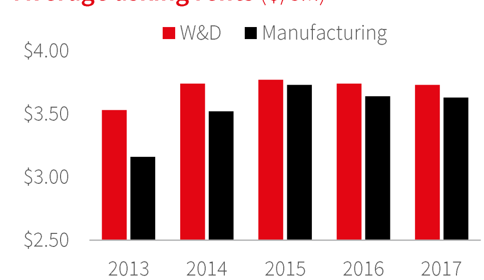
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Dallas

Conversion opportunities put creative spin on market

- New delivery and construction pipeline underscores healthy supply and demand—keeping up with expectations set in recent past
- Tenants in the market give hope to older product—showing interest in conversion to office use
- Unique labor mix accommodates growing trend in high-skill manufacturing and contact centers

With nearly 20 million square feet delivered this year—if the recent past holds true—this flurry of development activity will not be an oversupply. For example, 2015 delivered nearly 20 million square feet, and since then, more than 18 million square feet of that has been absorbed. Historically, there has been a lag in the lease-up of new Dallas industrial space. Not to worry: Dallas continues to see healthy absorption among Warehouse and Distribution properties—having already re-leased some of the larger move-outs from the GSW/Arlington submarket.

NE Dallas continues to emerge as a hot spot for manufacturing space. The tenants going into these spaces go beyond traditional manufacturing companies. They design, engineer and install their own products. Some of them are patenting new processes. This follows a growing trend to narrow the space between product designer, tester and assembly. To meet the needs of these types of tenants, NE Dallas is uniquely equipped with a labor mix able to fill the middle-skills gap between professional and vocational STEM skills.

Along these lines, interest in the market shows potential for converting older product into creative space. In addition, Dallas offers an above-average location for contact center workforce labor quality and operating environment. For that reason, companies are looking at older product with potential for creative conversion.

Outlook

We expect a lag time from delivery through lease-up with no long-term effect on vacancy in our most historically active submarkets. As Dallas' occupational growth outpaces its wage growth, the market can continue to offer a labor pool that meets growing needs for creative use of older industrial product.

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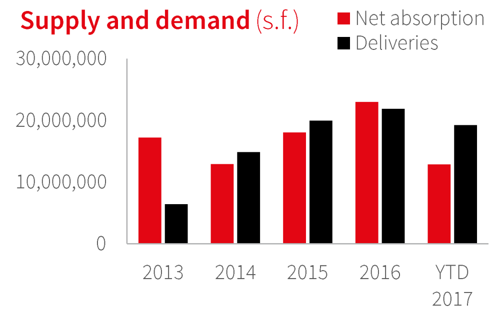
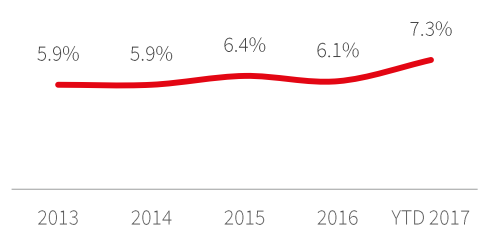
Fundamentals		Forecast
YTD net absorption	12,866,240 s.f.	▶
QTD net absorption	3,536,874 s.f.	▲
Under construction	21,626,182 s.f.	▼
Total vacancy	7.3%	▲
Average asking rent (NNN)	$4.41 p.s.f.	▲
Tenant improvements	Stable	▶

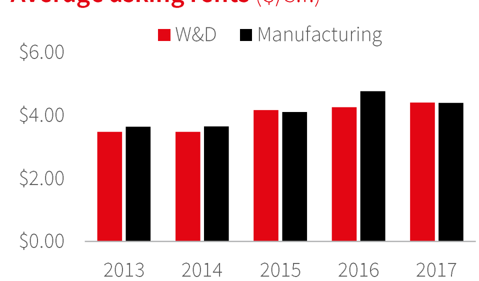
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Denver

As stabilization peeks over the horizon, we adjust to the new normal

- Staying relatively steady, rental rates increase by only $0.03 per square foot and are driven by new construction offering heavy TI packages.
- More sale-leaseback transactions demonstrate the growing desire of business owners to capitalize on cheaper, alternative financing options as we are finally in a stabilization period.
- Industrial employment has recorded only positive year-over-year gains since 2011; recent paltry increases are attributed to lack of available labor.

There has yet to be much speculation of an overbuilding in Denver. However, of the six buildings delivered this quarter, five projects were either build-to-suit or owner-user, and only one speculative, indicating a possible pullback in developers' confidence in the market. Additionally, with another 1.1 million square feet of spec construction expected to deliver by year-end, and only 270,000 square feet preleased, the sentiment of overbuilding may change with the upswing that the overall market vacancy will take as these projects come online. However, tenants will appreciate the newfound opportunities with the surplus of vacancies as landlords will be more aggressive in their offers.

The vast majority of absorption for this quarter was driven by Amazon moving into its 1.0 million-square-foot fulfillment facility and McLane Distribution occupying its 250,000-square-foot distribution warehouse by the airport. Fourth-quarter absorption will be heavily dependent upon tenants taking down large vacancies by way of expansion or out-of-town relocation. With that being said, we will close the year with what could be the second-highest absorption level in history.

With asking rates staying within an $0.08-per-square-foot range since the year's start, rental rate growth is leveling off and tenants wishing to find new space are sighing in relief as a sustainable growth period is finally here. Users find renewed enthusiasm as more opportunities present themselves.

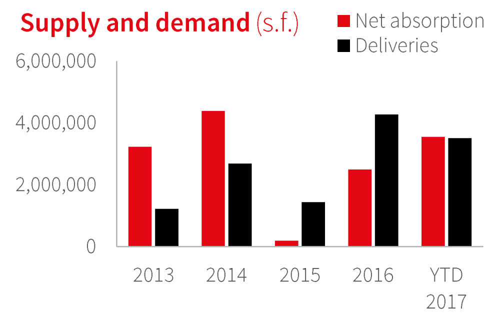
Outlook

With all this in mind, how does Denver fare for the foreseeable future? We still expect the buzz about the region to stay top of mind for those wanting to stay ahead of the changing economy and population. While absorption will not be nearly as high for the last quarter, primarily because no large build-to-suits will be delivered, we do not forecast a serious slowdown in the next 12 months.

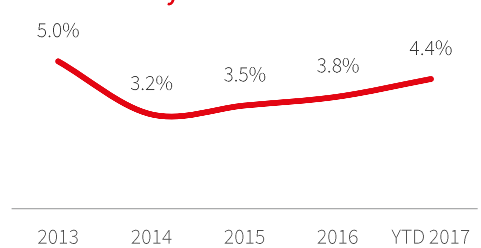
For more information, contact: Margaret James | Margaret.james@am.jll.com

Fundamentals		Forecast
YTD net absorption	3,550,527 s.f.	►
QTD net absorption	1,702,287 s.f.	►
Under construction	4,174,252 s.f.	►
Total vacancy	4.4%	►
Average asking rent (NNN)	$7.28 p.s.f.	►
Tenant improvements	Rising	▲

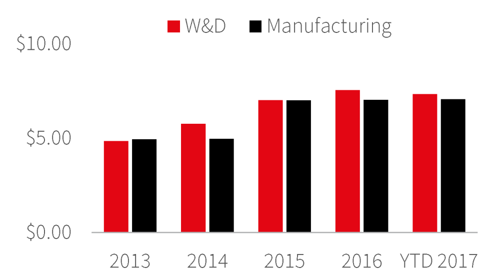
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Detroit

Construction pipeline continues to grow as market conditions steadily improve

- Rents continue to climb amid historical lows in vacancy.
- e-commerce and logistics continue to drive leasing and construction activity.
- Autonomous vehicle technology presents opportunity for growth in the Detroit industrial market.

The e-commerce and logistics business continues to drive much of the warehouse leasing and construction activity in the Detroit market. Amazon has announced three more facilities (Romulus, Shelby Township and a smaller location in Troy) in the area after its announcement of a 1.0 million-square-foot distribution center in Livonia this January. Insite Real Estate will build a $100.0 million, 606,000-square-foot regional distribution center for Penske Logistics on Wayne Road in Romulus, and Kroger announced plans for a $25.0 million distribution center in Chesterfield.

In the auto industry, it is more autonomous technology that is driving the market. While Michigan did not win Foxconn's massive investment in the U.S., the Chinese manufacturer announced plans to build an R&D center in Michigan to focus on autonomous vehicle technology and artificial intelligence. FCA announced the closure of the Viper plant in Detroit and Adient announced it is closing its Auburn Hills Recaro plant to move its seat assembly to its Bridgewater Interiors plant in Detroit, while French automaker Navya will build its first North American plant in Saline to assemble its autonomous vehicles. Flex N Gate continues to expand, planning to invest $2.2 million into a Sterling Heights R&D facility. Crown Enterprises, the real estate arm of billionaire trucking mogul Manuel "Matty" Moroun, purchased the former McLouth Steel site in Trenton and demolished the former Budd Wheel plant on Detroit's east side to expand a new vehicle logistics hub adjacent to FCA's Jefferson North Assembly.

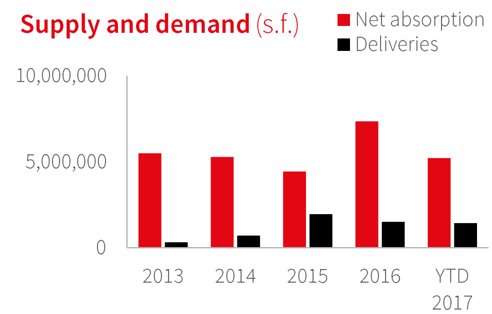
Outlook

We can expect construction volume to continue to increase, given the lack of availabilities in the market and the aging inventory that is available, particularly in the Airport/I-275 corridor. Autonomous technology will only become more prevalent, and it will be interesting to watch how OEMs and automakers adjust.

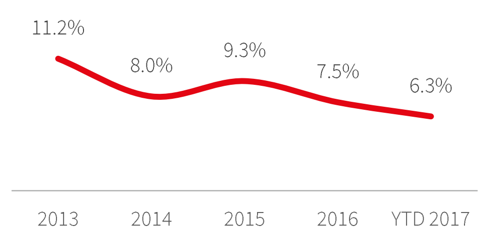
For more information, contact: Harrison West | harrison.west@am.jll.com

Fundamentals	Forecast
YTD net absorption	5,210,844 s.f. ▲
QTD net absorption	412,831 s.f. ▲
Under construction	3,870,820 s.f. ▲
Total vacancy	6.3% ▼
Average asking rent (NNN)	$4.88 p.s.f. ▶
Tenant improvements	Falling ▼

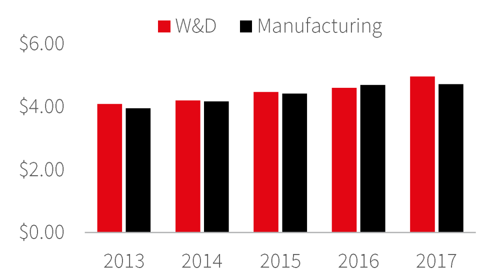
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



East Bay

Demand shifting to Class B buildings and surrounding markets as the core market continues to compress

- There are zero Class A warehouse and distribution and manufacturing space vacancies in all submarkets.
- This quarter signals all-time-high-water mark rental rates for Class B buildings.
- 2,230,895 square feet is currently under construction, all of which is planned to deliver by the end of the year.

Crow Holding's industrial project at the Livermore Logistics Center broke ground in Q3 2017, bringing the total under construction to 2,230,895 square feet. Nearly all projects are slated to deliver by the end of 2017, with 33.0 percent of the product already preleased. Additionally, Phase I of Centerpoint's highly anticipated logistics center is expected to break ground in Q1 2018, which will add another 440,000 square feet of industrial product to the port of Oakland, in addition to Prologis' port redevelopment. The Port will be constructing an owner-user rail spur connecting to the port's new 280,000-square-foot freezer/cooler space. These port-centric developments come at a crucial time, as the imported cargo volumes increased 10.2 percent since 2015.

Despite 1.0 million square feet of industrial product that has already delivered this year, the lack of supply is still the most dominating force dictating leasing activity and asking rates. Users searching for quality space in the East Bay are forced to either wait on the sideline for new product to deliver or expand their target geography to include surrounding markets. Demand is largely driven by the consumer goods industry, where companies are focused on same-day delivery capabilities. Corporate users pursuing space in the East Bay are prepared to pay the high rent costs in exchange for proximity to their customers.

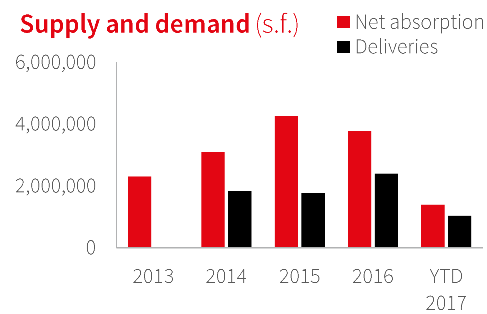
Outlook

Strike prices were recorded reaching as high as $0.80 NNN per square foot in the core markets. With zero existing Class A buildings available on the market and only one to two new developments delivering each quarter, demand has shifted to existing Class B product. Class B rents are seen hitting the high-water mark as a result, reaching as high as $0.74 NNN per square foot in Oakland. Smaller companies with more conservative budgets are struggling to maintain local operations as steep labor and real estate costs are increasing the cost of doing business in the area, and are moving to the Central Valley where rents are significantly lower.

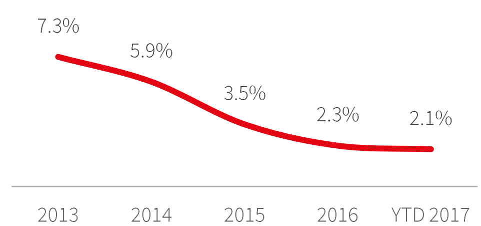
For more information, contact: Crystal Tseng | Crystal.tseng@am.jll.com

Fundamentals	Forecast
YTD net absorption	1,398,912 s.f. ▼
QTD net absorption	599,176 s.f. ▼
Under construction	2,230,895 s.f. ▲
Total vacancy	2.1% ▼
Average asking rent (NNN)	$0.70 p.s.f. ▲
Tenant concessions	Falling ▼

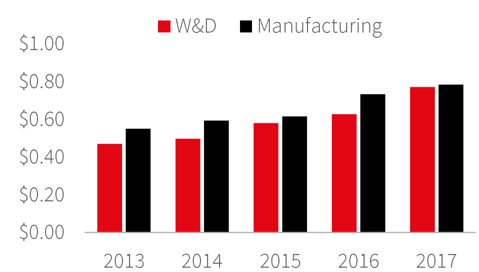
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Eastern & Central Pennsylvania

2017 closing in on previous net absorption record

- Landlords continued to push asking rental rates, with speculative development averaging $5.24 per square foot.
- Active construction was at an all-time high with 20,351,308 square feet under way, 75.8 percent of which was on speculative basis.
- In 2016, the market recorded +18.0 million square feet of net absorption, an all-time high. The year 2017 is on pace to set a new high-water mark as the market has already absorbed +17.4 million square feet year-to-date.

With 2017 on pace to be a record-breaking year in terms of net absorption and average asking rental rates, developers continued to proceed with speculative construction. During the quarter, 6.7 million square feet of development broke ground, 62.0 percent of which was on a speculative basis. These new groundbreakings should provide relief to tenants. At the end of the third quarter, tenant demand hovered at 26.2 million square feet. Meanwhile, there was only 12.7 million square feet of existing available Class A product. As a result, users are left with new development alternatives as they expand their footprints.

To no surprise, leasing activity continued to follow where speculative development occurred. With Central Pennsylvania contributing to 45.8 percent of the total speculative completions this year, two full-building lease transactions in the submarket highlight the quarterly leasing activity. Exel leased 51 Commerce Drive in Mechanicsburg and SUPERVALU leased 192 Kost Road in Carlisle. Landlords continued to push asking rents higher throughout the third quarter, now up 7.3 percent year-over-year. Strong fundamental growth in the Eastern and Central Pennsylvania industrial market has attracted many investors seeking yield. Competition is forcing winning bidders to pay an all-time premium for product with credible tenancy and significant remaining term.

Outlook

Pending deals and market fundamentals at the end of the third quarter suggest that the fourth quarter will again set historical annual records in terms of absorption, average asking rent and completions. At the end of the third quarter there was nearly 6.5 million square feet under way that we expect to deliver by year's end. With 5.9 million square feet of active tenant demand seeking 2017 occupancy, we expect 2017 to surpass 2016 as the strongest year in the Eastern and Central Pennsylvania industrial market.

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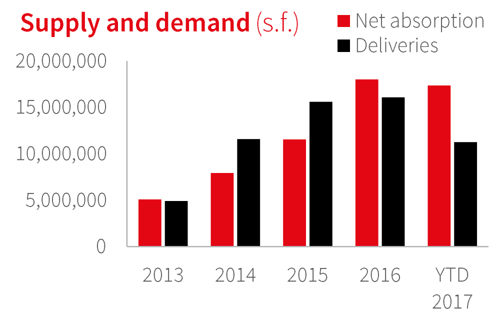
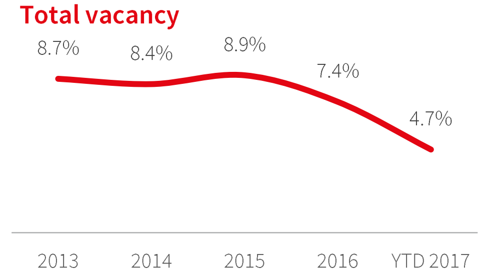
Fundamentals		Forecast
YTD net absorption	17,370,779 s.f.	▲
QTD net absorption	5,351,913 s.f.	▼
Under construction	20,351,308 s.f.	▲
Total vacancy	4.7%	▼
Average asking rent (NNN)	$4.55 p.s.f.	▲
Tenant improvements	Rising	▲

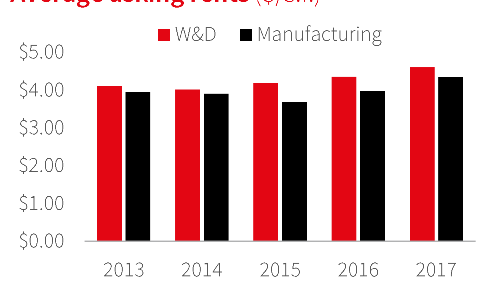
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Greensboro

Connectivity key to growing Greensboro market

- The Greensboro market has witnessed continued growth largely due to the business-friendly environment the city promotes through aggressive incentive programs.
- Vacancy rates continue to drop, settling in at 4.0 percent.
- Greensboro is situated on a confluence of major highways, making it an ideal industrial location.

Due to its location along Interstate 85, Greensboro is well connected to other major markets like Charlotte, Raleigh-Durham and Atlanta. The “Gate City” is home to major operations of many world-recognized brands, including Proctor & Gamble, Lenovo and FedEx. The region is not short on transportation infrastructure, with three major airports less than 90 minutes away and four ports less than 300 miles away.

The Greensboro/Winston-Salem market has seen high leasing activity year-over-year, with 1.3 million square feet absorbed year-to-date. Owners recognize that they have leverage when negotiating rental rates the current rental rate for the Greensboro/Winston-Salem market is $3.20 per square foot.

With projects in the development pipeline marketing rates in the $3.25- $3.75-per-square-foot range, we expect asking rates to continue to trend upward as new speculative projects come to market.

One of the larger deals in the Triad includes Pratt Industries, a cardboard recycling company, signing a 520,583-square-foot lease in Rock Creek on 6550 Judge Adams Drive.

Outlook

As the population of the Greensboro/Winston-Salem area continues to grow, the supply chain and logistics sector will reap the benefits. Prospective tenants will find a market that is pro-business and transportation friendly. We expect the vacancy to remain relatively low as the majority of deliveries in the past year see sustained preleasing.

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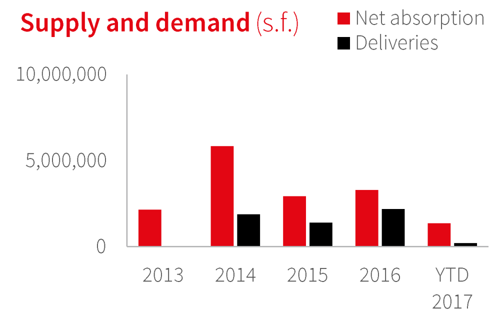
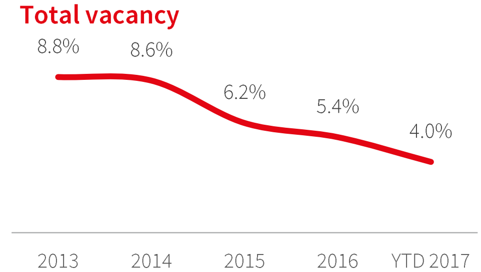
Fundamentals		Forecast
YTD net absorption	1,359,839 s.f.	▲
QTD net absorption	-118,521 s.f.	▲
Under construction	859,088 s.f.	▲
Total vacancy	4.0%	▼
Average asking rent (NNN)	$3.20 p.s.f.	▶
Tenant improvements	Stable	▶

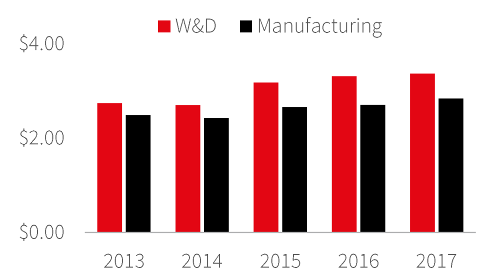
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Hampton Roads

High demand and low supply: Continuing absorption means the industrial market is just about full

- Even without a statistical boost from build-to-suit deliveries, net absorption remained high and vacancy rates dropped.
- Vacancy declines have not yet triggered increases in sales activity or pricing.
- With little available space in existing buildings or the construction pipeline, supply constraints may affect economic development.

Fundamentals		Forecast
YTD net absorption	2,112,986 s.f.	▲
QTD net absorption	481,621 s.f.	▶
Under construction	525,000 s.f.	▶
Total vacancy	3.9%	▶
Average asking rent (NNN)	$4.74 p.s.f.	▲
Tenant improvements	Stable	▶

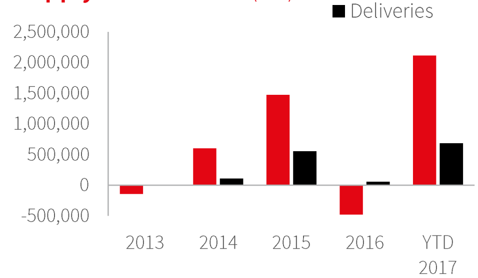
Spurred by a vibrant private-sector economy and continued record activity at the Port of Virginia, industrial demand pushed net absorption above recent norms for yet another quarter. Logistics firms filled spaces freed up at the end of 2016: and the end of the quarter saw almost 201,000 square feet at the Q2-delivered spec Class A warehouse at South Suffolk's Virginia Regional Commerce Center snapped up by an as-yet-undisclosed tenant.

Vacancy continued to decline across all building classes and types and in most submarkets. Flex absorption increased further as demand for building trades remained high and defense contractors stopped downsizing. But neither sales activity nor pricing has been affected by lower vacancy and rising rents yet. Only two of the year's 10 largest trades took place during the third quarter, both of which were older and delivered vacant. Prime Class A and B warehouses have not been offered for sale to establish a new baseline for cap rates on fully leased buildings in this market.

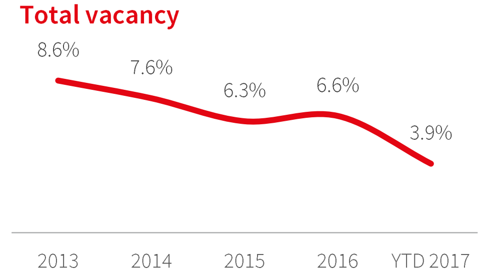
Outlook

Container traffic at the Port of Virginia sets year-over-year records every month. The private sector has increased its share of the local economy. And only one warehouse property—a 150,000-square-foot Class B warehouse with 20- to 25-foot ceilings in a Williamsburg location far from the container terminals—broke ground during the quarter. The large occupiers weighing Hampton Roads against other East Coast ports are looking for Class A facilities with more than 400,000 square feet available, and in this market they are restricted to build-to-suits. If the lease-up of 70.0 percent of Pannatoni's Virginia Regional Commerce Center building doesn't entice other developers to build more spec space, users already in the area and those considering locating here may find themselves with no place left to grow.

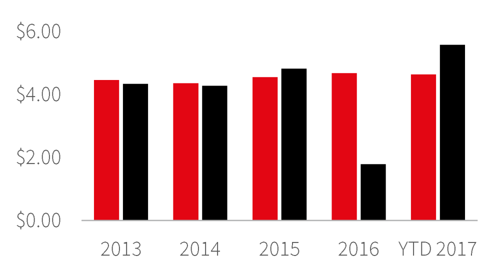
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



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Houston

Hot demand streak continues for Houston industrial

- Market tightens with declining vacancy, availability and a historically low construction pipeline on the supply side
- Strong market fundamentals drive investor interest and transaction activity for industrial product across the metro
- The North submarket becomes a standout on the positive side, dominating leasing activity and net absorption in the third quarter

After hitting pause at midyear, the industrial sector returned to business as usual with declining vacancy and availability, coupled with strong net absorption. Total vacancy once again dipped below the five-percent mark, falling 20 basis points to 4.9 percent. Availability followed suit, reaching 8.9 percent in the third quarter. Net absorption rebounded to 3.0 million square feet, well above the historical average, after a lackluster showing in the spring. The construction pipeline, which fell for the sixth consecutive quarter, is not bringing any relief on the supply side to tenants in the firmly landlord-favorable market. An almost 300,000-square-foot lease inked by Home Depot was one of several expansion deals signed in the wake of Hurricane Harvey. Consistently high occupancy, even through the energy downturn, has led to increased interest from institutional and foreign investors, and deal volume is up both on the quarter and the year.

The North submarket, which has struggled with oversupply in recent quarters, is mounting a recovery in late 2017. The submarket accounted for over 50.0 percent of leasing activity and over 40.0 percent of net absorption for the third quarter, assisted by declining asking rents as landlords get aggressive to fill vacant space.

Outlook

Consumer goods, retail distribution and plastics manufacturing will continue to drive market dynamics while supply plays catch-up across the metro. With over 10 million square feet of tenants in the market, there's no shortage of large-user demand in the pipeline.

Local and regional investors can expect to see increased competition as foreign capital looks to Houston for opportunities to achieve higher returns on industrial portfolios, given the long-term favorable market performance.

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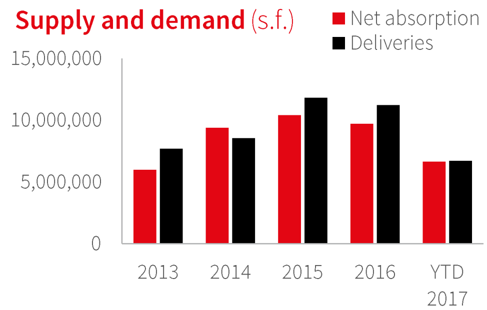
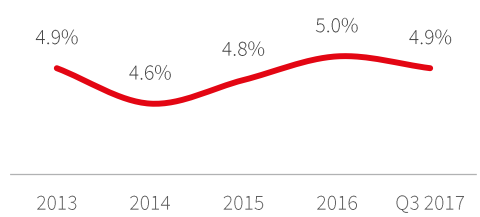
Fundamentals		Forecast
YTD net absorption	6,646,063 s.f.	▶
QTD net absorption	2,985,354 s.f.	▶
Under construction	2,271,878 s.f.	▼
Total vacancy	4.9%	▶
Average asking rent (NNN)	$6.17 p.s.f.	▶
Tenant improvements	Stable	▶

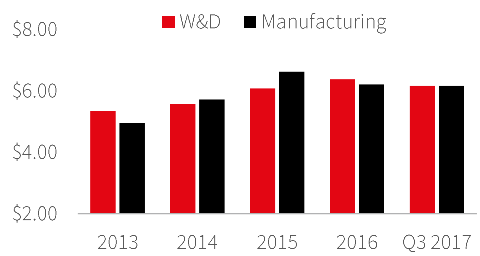
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Indianapolis

Indianapolis industrial market as vibrant as ever

- With one quarter remaining, the market is within 1 million square feet of breaking the previous record for construction in a single year.
- Leasing activity reached 5 million square feet in back-to-back quarters for the first time in two years.
- Investor interest remains high. Several sales closed this quarter and historic cap rates could be reached again as 2017 wraps up.

Construction continues to be the story of 2017. Completed construction more than doubled since last quarter to over 5 million square feet. Three million square feet came online in the third quarter alone! With 6 million square feet still under construction, it is not a matter of if the record will fall, but rather by how much. Once all this construction comes online, 12.0 percent of Indianapolis' industrial stock will have delivered in the past four years. This historic level of construction is applying more pressure to construction costs, which are up 3.3 percent year-over-year.

Leasing activity continues to hold steady with consecutive quarters of 5 million square feet. Several of these tenants will not move in until next year, leading us to believe that net absorption will return to the 5- to 7-million-square-foot range in 2018. The largest deal signed this quarter, and one of the biggest in recent years, was the leasing of the 1.1 million-square-foot former Pearson Education facility in Lebanon. This deal will provide a substantial boost to the market's year-to-date net absorption total once the tenant occupies next quarter.

Sale activity ramped up this quarter. 17 transactions closed during the third quarter, representing 40.0 percent of transactions year-to-date. This sales volume occurred across both multiple property types and submarkets, demonstrating the widespread appeal of the area to investors looking for a solid return on investment.

Outlook

Expect new deal volume to slow next quarter as most large distribution center users already have operations up and running in time for the holidays. Look for these users to re-emerge with strong demand early in 2018.

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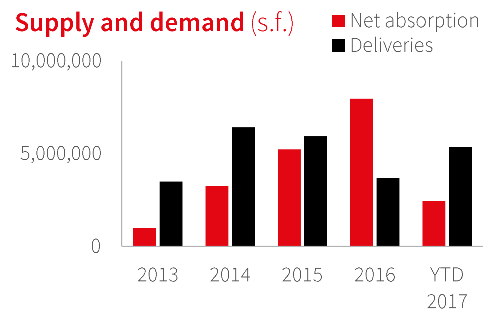
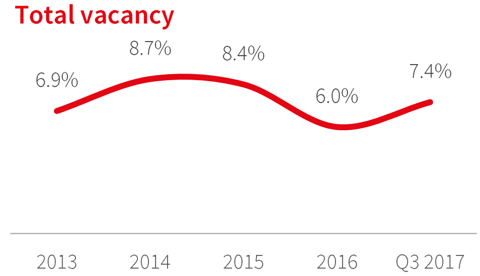
Brianna Marshall | brianna.marshall@am.jll.com

Fundamentals	Forecast	
YTD net absorption	2,451,438 s.f.	▲
QTD net absorption	1,252,237 s.f.	▲
Under construction	6,111,420 s.f.	▼
Total vacancy	7.4%	▲
Average asking rent (NNN)	$3.64 p.s.f.	▲
Tenant improvements	Rising	▲

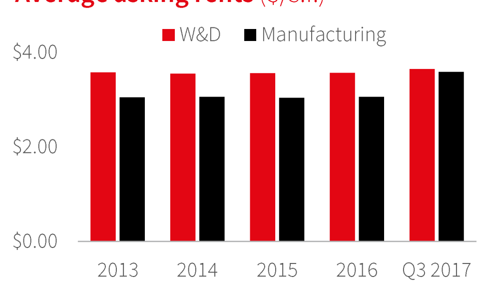
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



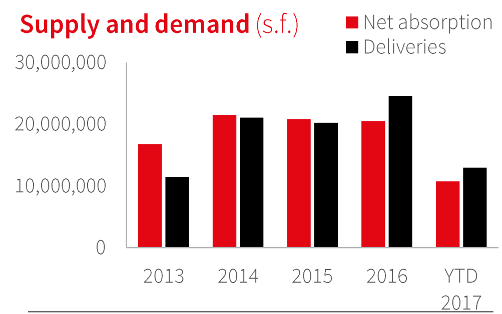
Inland Empire

Record port activity and aggressive e-commerce growth add fuel to hot market

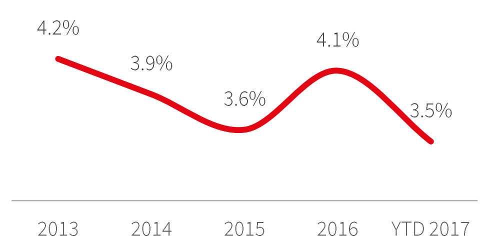
- Historic port activity levels are driving demand; YTD TEU volumes at the Ports of Los Angeles and Long Beach are outpacing last year's volumes by 9.0 and 7.0 percent, respectively.
- Rents continue to climb, moving faster for larger spaces.
- YTD net absorption and construction completions running neck and neck.

Fundamentals		Forecast
YTD net absorption	10,752,675 s.f.	▲
QTD net absorption	2,517,397 s.f.	▶
Under construction	23,860,995 s.f.	▼
Total vacancy	3.5%	▶
Average asking rent (NNN)	$0.53 p.s.f.	▲
Tenant improvements	Stable	▶

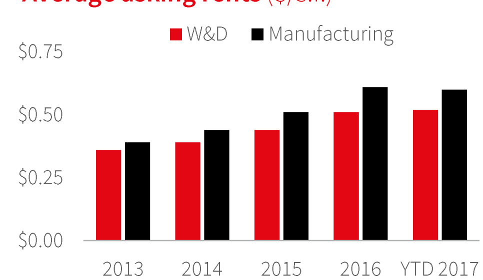
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Surging cargo volumes at the Ports of Los Angeles and Long Beach bode well for the economy in general and for the Inland Empire industrial market in particular. The two ports account for 40.0 percent of all U.S. imports, and year-to-date cargo volumes are on track to shatter last year's record-breaking TEUs volume. Not surprisingly, leasing activity during the third quarter was directly reflective of increasing levels of import/export activity, with some of the largest e-commerce and logistics companies continuing to take down big-box space as it becomes available.

Rents remain at an all-time high and continue to creep up, with asking rates among larger buildings moving faster than the rest of the market. While rising rental rates and limited available space are a pain point for tenants, especially the farther west they look, rent growth is not likely to spike given the amount of new construction poised to come online in the next 12 months.

Development activity remains high, with 24 million square feet of industrial product currently under construction, but tenant activity is also strong and the supply/demand balance continues to hover near equilibrium. Year-to-date net absorption and construction figures are neck and neck, at 10.8 million square feet and 13.0 million square feet, respectively.

Outlook

The 100,000– 200,000-square-foot market remains hot, but other segments may cool in the coming months, particularly larger buildings, with seven spec projects over 1.0 million square feet under construction. But unrelenting e-commerce demand and the Inland Empire's geographic advantages project sustained market stability into the remainder of the year and into next.

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Jacksonville

Jacksonville inventory begins to grow, may see record rents soon

- Creekside at Tradeport portfolio sells to Colony Northstar.
- Cecil Commerce Center building delivers to market as the only 400,000-square-foot availability left.
- Quarterly absorption and approaching holiday season may squeeze local warehouse labor.

The Jacksonville industrial market remains strong, with vacancy of 5.1 percent, and effectively zero available space for larger tenants. The drop in vacancy is due to the absorption of Grimes Logistics, occupying 566,016 square feet of 11530 New Berlin Road. Which is an 870,000-square-foot building with low historical occupancy. The primary driver of occupancy was the delivery and occupancy of the 855,000-square-foot Amazon fulfillment center at 12900 Pecan Park Road.

Around the city, many changes are taking effect. JAXPORT has retained its interim CEO, Eric Green, permanently. CSX is in the midst of paring down its large employee and contractor base, with 2,700 jobs eliminated so far. Shad Khan, owner of the Jacksonville Jaguars, has won a development agreement with the City of Jacksonville to redevelop the Jacksonville shipyards, a 70-acre tract of land on the Northbank.

Outlook

The massive influx of tenant demand into Jacksonville has completely filled the market and has left no option but to develop new product, whether build-to-suit or speculatively. Given the large amount of land still undeveloped in Jacksonville, the market will probably expand into proposed sites currently being marketed, and the next wave of industrial product will still be developed within the city limits.

The strong development of Nocatee in St. Johns County has brought numerous people to the Jacksonville area. The community is being labeled as one of the fastest-growing communities in the country. This influx of population will help bolster activity in the logistics and distribution sector in Jacksonville and local consumption.

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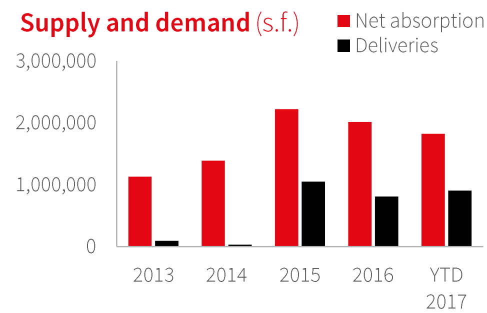
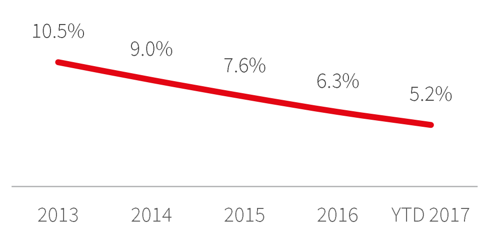
Fundamentals	Forecast
YTD net absorption	1,919,608 s.f. ▲
QTD net absorption	1,440,086 s.f. ▲
Under construction	1.454.041 s.f. ▶
Total vacancy	5.1% ▼
Average asking rent (NNN)	$3.86 p.s.f. ▲
Tenant improvements	Falling ▼

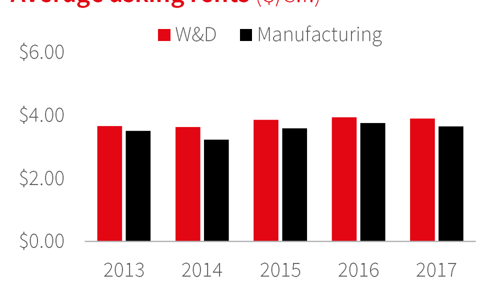
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Kansas City

Kansas City industrial market fundamentals remain strong

- BMS Logistics, Inc. inks a 432,000-square-foot lease in a spec building at Logistics Centre IV at KCI airport development.
- Colony Realty Partners purchased a five-building, 596,000-square-foot portfolio of properties in the Johnson County submarket.
- Construction and absorption activity throughout the Kansas City area continues at a record-setting pace.

Fundamentals		Forecast
YTD net absorption	2,633,339 s.f.	▲
QTD net absorption	1,467,589 s.f.	▲
Under construction	5,708,239 s.f.	▲
Total vacancy	5.9%	▶
Average asking rent (NNN)	$4.56 p.s.f.	▶
Tenant improvements	Falling	▼

The Kansas City real estate market continues to thrive during this expansion point in the cycle. In addition to the industrial segment, other product types, specifically office, are performing very well with low vacancy rates and capital infusion into the marketplace from recent sale transactions.

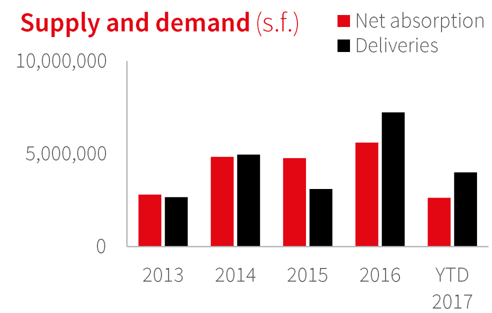
The Kansas City industrial market is officially on the big-box distribution "map," particularly for companies seeking a single distribution center or a three distribution center model. The market continues to be tenant favorable for requirements in excess of 150,000 square feet, as the result of over 15 million square feet of spec development hitting the market over the past 30 months.

Outlook

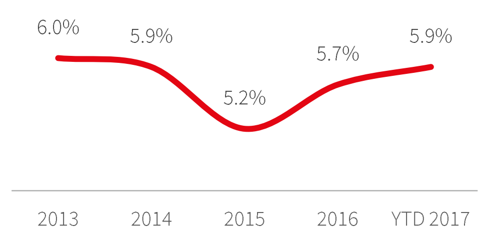
Although vacancy may tick up during the next quarter due to new deliveries of spec product, the overall market continues to be extremely healthy as evidenced by net absorption trends.

Sales activity may increase over the next few quarters, as institutional owners look to capitalize on recent market momentum for portfolio sales. For example, Odyssey has listed their 17-building, 589,000-square-foot portfolio of properties in the Johnson County submarket.

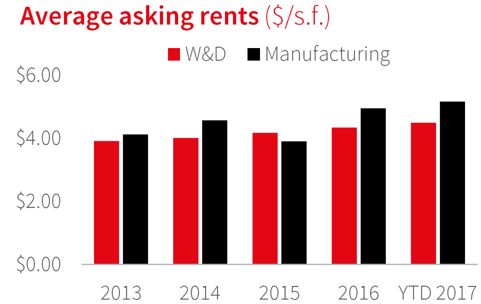
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



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Erik Lund | erik.lund@am.jll.com

Las Vegas

Strong and unprecedented big-box development momentum continues into late 2017 and beyond

- Number of big-box (over 500,000 square feet) industrial buildings in Las Vegas has doubled in the last 12 months, all in the NE/NLV submarket.
- Although VanTrust and Prologis position themselves to deliver greater than 1 million-square-foot buildings, none has committed yet.
- Midbay development finally gains traction with Harsch Speedway Commerce Center III.

Harsch Investment Properties broke ground on Building A, a 390,000-square-foot cross dock with 32-foot clear height. This building is part of the planned 722,800-square-foot two-building Class A project in the NE/North Las Vegas market called Speedway Commerce Center III. Offering units demised down to 16,000 square feet, the project represents the first large-scale offering in the submarket since the recession not specifically designed for 50,000- to 100,000+ square foot users. Speculative development of 400,000-square-foot and larger buildings in the Las Vegas Valley continues at an unprecedented pace, making up over 50.0 percent of the almost 8 million square feet currently planned or under construction in the Las Vegas Valley.

Prologis and VanTrust, in response to recent interest, have positioned themselves with land acquisitions to be able to deliver the Las Vegas market's first 1.0 million-square-foot speculative building but have yet to commit to delivering such a building. The single largest speculative building, currently under construction, remains the 731,561-square-foot building 9 at North Gate Distribution Center by VanTrust, scheduled to deliver in Q2 2018. VanTrust also completed an 813,000-square-foot Class A building for Amazon in Q3 2017 but that was a speculatively planned 500,000-square-foot-plus building modified for Amazon.

Outlook

The Las Vegas industrial market will continue to receive strong attention from e-commerce and 3PL companies and users seeking a Southern California alternative. As that migration continues, so will the drive for more Class A facilities, adding much needed depth to the Las Vegas market. Strong local demand driven in part by new construction both on and off-strip will translate to additional midbay speculative development. Do not expect any slowdown within the next two years. The lack of availability of ready-to-develop sites, especially 40+ acres, will remain a challenge.

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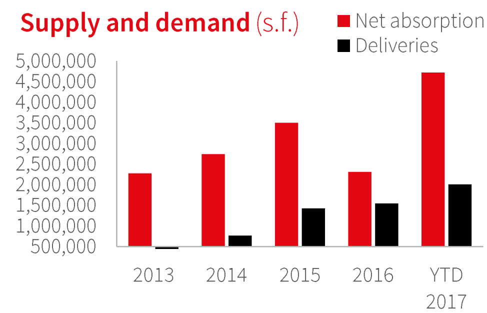
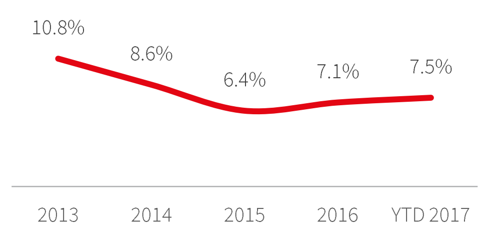
Fundamentals		Forecast
YTD net absorption	4,722,366 s.f.	▲
QTD net absorption	469,335 s.f.	▲
Under construction	3,199,696 s.f.	▶
Total vacancy	7.5%	▲
Average asking rent (NNN)	$6.98 p.s.f.	▲
Tenant improvements	Stable	▶

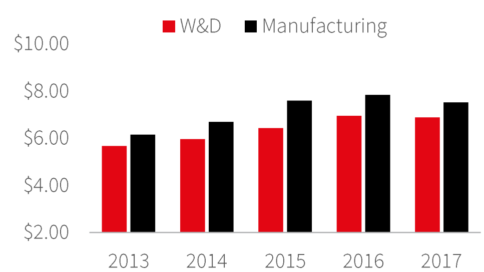
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Long Island

Expansions east drive availabilities to all-time lows

- Demand for industrial product persisted as availability rates in Nassau and Suffolk counties declined 130 basis points and 70 basis points from midyear 2017, respectively.
- Tightening market fundamentals drove average sale prices up 76.4 percent from 2014, to $120.00 per square foot in 2017.
- The sole construction project set to deliver in 2017 is a 32,000-square-foot build-to-suit facility at 25 Newton Place in Hauppauge.

Fundamentals	Forecast
YTD net absorption	-666,958 s.f. ▶
QTD net absorption	67,002 s.f. ▲
Under construction	312,824 s.f. ▲
Total vacancy	2.9% ▼
Average asking rent (NNN)	$13.00 p.s.f. ▲
Tenant improvements	Falling ▼

Nassau and Suffolk counties upheld unwavering industrial demand during the third quarter as expansions among both existing and new-to-market users spurred movement within Suffolk County. A majority of the largest expansions during the quarter took place in the Central Suffolk and Mid-Suffolk submarkets, particularly concentrated in Hauppauge, Bohemia and Ronkonkoma. These markets garnered tenant interest from an extensive pool of industries with the support of tax abatements from various IDAs. Growing users included Space/Craft Worldwide, Inc., which plans to purchase a 100,000-square-foot building at 395 Moreland Road in Hauppauge; Precision Label Corp., which is more than doubling its operations in its relocation from Farmingdale to Hauppauge; and HILO Materials Handling Group, which leased a 64,224-square-foot facility at 845 S. First Street in Ronkonkoma.

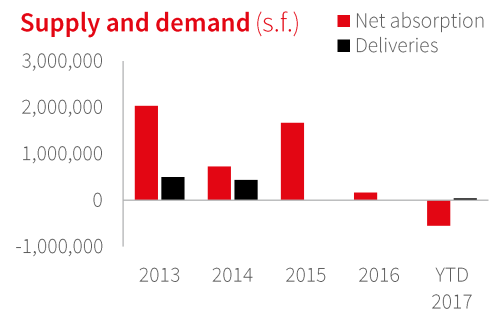
Large users also drove accelerated declines in availability rates in Nassau County. Less than 200,000 square feet of industrial space was available in Western Nassau, subsequently creating more opportunity for activity in Central/Eastern Nassau, which housed 70.0 percent of the total available space in Nassau last quarter. The submarket availability rate fell 260 basis points since then after significant transactions took place. Most notably, Amazon expanded its footprint on Long Island, leasing 140,000 square feet at 80 Grumman Road in Bethpage after taking occupancy of a 160,000-square-foot building the previous year.

Outlook

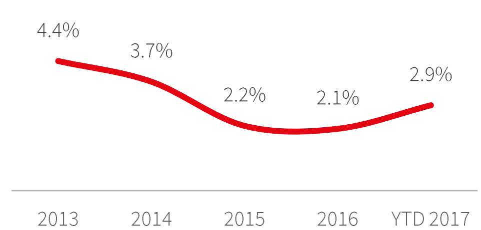
While the market should uphold demand throughout 2017, active tenant requirements will continue to outpace speculative construction in all size segments. Consequently, large product set to enter the Nassau market will be absorbed quickly. Supply-side imbalances are expected to keep rents at all-time highs. The shift east will likely continue as IDA assistance and viable costs draw industrial users from outer markets.

For more information, contact: Sarah Bouzarouata | Sarah.Bouzarouata@am.jll.com

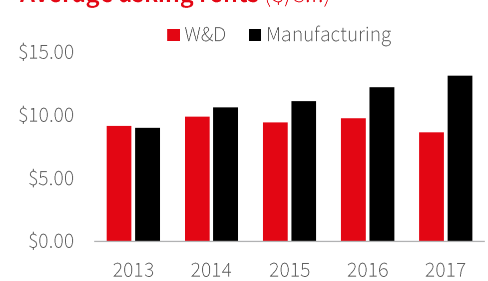
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Los Angeles

New deliveries push vacancy rate upward but the Los Angeles industrial market remains the tightest in the country

- No new projects started this quarter, but total deliveries year-to-date exceed annual deliveries in the last five years. By the end of 2017 another 4.5 m.s.f. of new product will deliver, bringing the annual total to approximately 8.0 m.s.f.
- Demand remains robust as tenants plan out space/growth strategies more than a year in advance.
- Nothing but blue skies for both landlords and sellers.

The much-needed new product delivered this quarter increased the vacancy rate by 40 basis points from this time last year to a still very low 1.3 percent. While this provided some relief for tenants looking for space, the Los Angeles industrial market remains very tight. Vacancy is historically low in all five submarkets, with Mid-capitalize posting the lowest at 0.7 percent. Activity is strong among established corporations and well-capitalized startups. Competition for space continues unabated. Tenants are now conditioned to compete for space and are ready to pay increased rents without hesitation. We are seeing tenants planning for space or growth as early as a year in advance. Average annual rent growth has averaged between 6.0 to 8.0 percent in the last few years and is expected to continue the upward trend throughout next year.

Development is trying to catch up with demand. Year-to-date, 3.6 million square feet of new product was delivered to the LA Basin. Currently, there are 46 projects totaling 8.6 million square feet under way. The San Gabriel Valley market delivered the most new product this quarter and year-to-date at 1.5 million square feet. No new construction projects started this quarter. However, there is approximately 11.0 million square feet of planned product in the development pipeline. The highest construction activity is occurring in the Mid-Counties market with 2.0 million square feet under way followed by San Gabriel Valley and the South Bay markets.

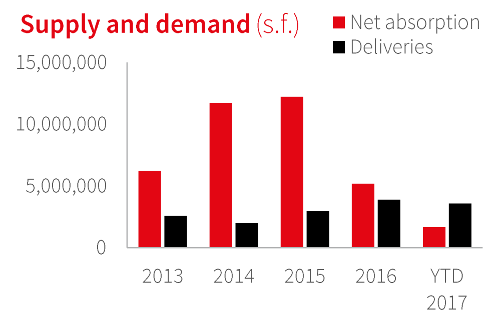
Outlook

More of the same market conditions will continue through the end of the year in the Los Angeles industrial market. Ports of LA and LB are strong indicators of industrial demand in Los Angeles. The combined cargo volumes are slightly above previous historical peaks. E-commerce and the LA Basin's important role in the supply chain are both contributing to this growth. As retail preferences continue to shift toward online, e-commerce and 3PL growth will be at the forefront of demand.

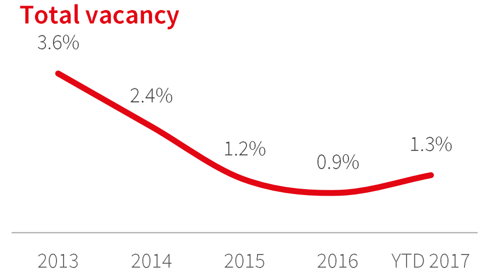
For more information, contact: Teresa Petrosyan | teresa.petrosyan@am.jll.com

Fundamentals		Forecast
YTD net absorption	1,665,721 s.f.	▶
QTD net absorption	758,798 s.f.	▶
Under construction	6,843,498 s.f.	▶
Total vacancy	1.3%	▶
Average asking rent (NNN)	$9.36 p.s.f.	▲
Tenant improvements	Falling	▼

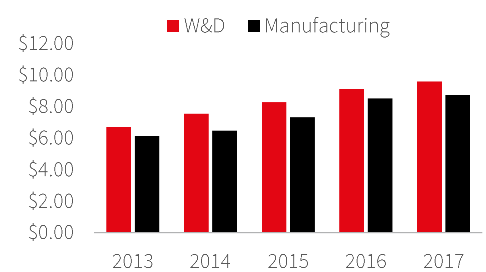
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Louisville

Sales activity stays hot while “Big 3” continue to grow

- Exeter’s buying spree continued in the third quarter with the acquisition of the two-building Globalport Business Center portfolio.
- GLP acquired 7101 Intermodal Drive; the single transaction followed their three-building acquisition from DCT in the second quarter.
- GE Appliances invested $30 million for its manufacturing operations, part of $100 million in new production investment this year.

Once viewed as a tertiary market and later defined as an emerging distribution hub, Metro Louisville is now established as an inland port and garners the attention of institutional developers, investors and occupiers. Growth in the market has been driven by Louisville’s central location within the United States as well as the three main employers: UPS, Ford Motor Co. and GE Appliances. On the heels of second-quarter investment announcements from both Ford and UPS, GE made additional investment from GE Appliances, reaffirming the Big Three’s commitment to advancing their operations in the Louisville market.

The success of the “Big 3” and Louisville's geographic advantage have led to the market’s ability to attract e-commerce fulfillment centers, pharmaceutical distribution operators, 3PL occupiers and Tier 1 vendors. This magnetic effect in the market was most recently displayed with Ingram Micro’s 592,000-square-foot lease at Van Trust’s speculative building in River Ridge.

The overall confidence in fundamentals and market consistency through recent years continues to convince existing owners to expand their portfolios and attract new players to the market. Exeter and GLP both made acquisitions in the third quarter to expand their Louisville presence and further solidify their confidence in the market.

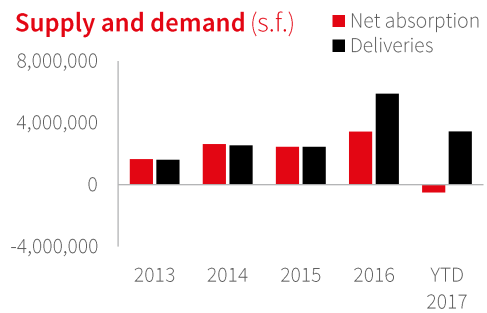
Outlook

While leasing activity has remained active through the third quarter, it has struggled to keep up with unprecedented pace of development. As the end of the year approaches, we expect a significant amount of vacant space to be absorbed due to the current market velocity looking for space in the market. As cap rates continue to hover around historical lows of 6.0–6.5 percent, we expect several landlords to bring core one-off facilities and small portfolios to market.

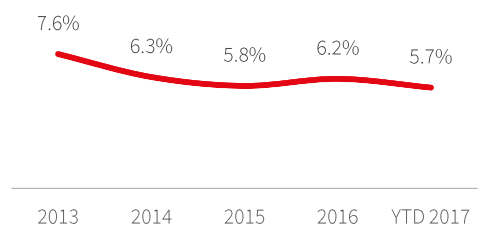
For more information, contact: Ross Bratcher | ross.bratcher@am.jll.com

Fundamentals		Forecast
YTD net absorption	-506,781 s.f.	▲
QTD net absorption	214,680 s.f.	▲
Under construction	4,444,045 s.f.	▲
Total vacancy	5.7%	▼
Average asking rent (NNN)	$3.67 p.s.f.	▲
Tenant improvements	Falling	▼

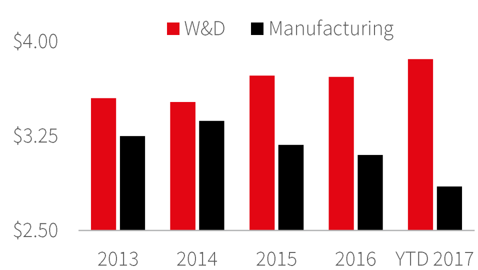
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Memphis

Vacancy falls below 6.0 percent as supply and demand find balance for the first time in years

- Supply and demand are balancing out, with supply trailing absorption by only 495,560 square feet.
- Vacancy falls 9.6 percent from last quarter, now below 6.0 percent.
- Tenants remain highly active with increased leasing activity, primarily in midsized deals ranging from 100,000 to 250,000 square feet.

Memphis witnessed another positive consecutive quarter with absorption surpassing 1.1 million square feet. Absorption is relatively unchanged quarter-over-quarter and with each quarter's absorption levels surpassing the 1 million-square-foot mark, year-to-date absorption lands at 3.5 million square feet. This year's absorption level is likely to end Memphis' three-year streak of annual absorption exceeding 6.5 million square feet, but this should not be seen as a sign of a weakening market. Memphis' market is tightening, with vacancy falling below 6.0 percent and availability rates dropping 9.5 percent year-over-year.

After years of demand greatly outpacing supply, absorption and construction levels are now balancing out. With nearly 3.0 million square feet of year-to-date deliveries, supply is only trailing absorption by only 495,560 square feet. Speculative construction remains the bulk of the development pipeline, and tenants are moving quickly to secure the new Class A product. Of the 2.3 million square feet of speculative construction that has delivered this year, 63 percent was preleased with tenants taking immediate occupancy at completion. With 1.2 million square feet of speculative development breaking ground this quarter, Memphis now has 4.3 million square feet under construction.

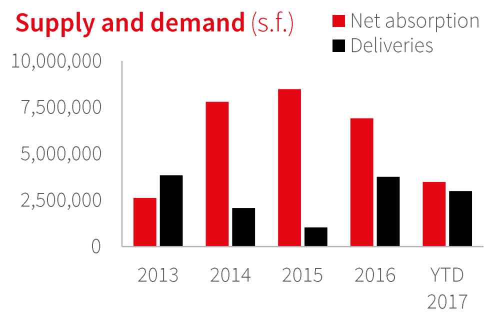
Outlook

Tenants remain highly active and leasing activity is increasing, especially in the midsized requirements. Third quarter's leasing activity in deals in the 100,000- to 250,000-square-foot range doubled the amount in the first and second quarter combined. With vacancy and availability at historic lows, the increased supply coming online will enhance tenants' opportunity for movement in the Memphis market, especially those with larger requirements.

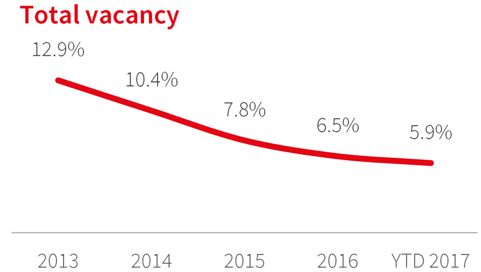
For more information, contact: Harriet Westlake | harriet.westlake@am.jll.com

Fundamentals	Forecast
YTD net absorption	3,486,672 s.f. ▲
QTD net absorption	1,117,814 s.f. ▶
Under construction	4,279,475 s.f. ▲
Total vacancy	5.9% ▶
Average asking rent (NNN)	$3.06 p.s.f. ▲
Tenant improvements	Rising ▲

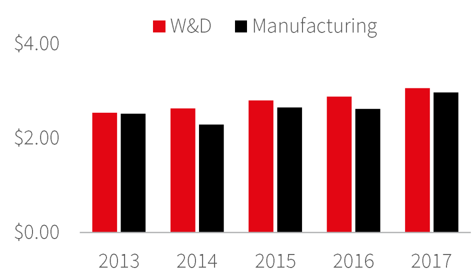
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Miami-Dade

Miami's industrial market remains in solid shape as rents continue surging

- E-commerce in Miami is spearheaded by Amazon.
- Rent growth continues to be impressive, rising 42.0 percent in the past seven years.
- Preleasing rates in Miami stand above 40.0 percent.

Heavyweights such as Amazon have helped cement Miami's status as one of the nation's top distribution hubs, as it continues to expand its massive footprint in the region—currently at 1.3 million square feet and pushing for more. In fact, Amazon alone has been responsible for almost 16.0 percent of Miami's total leasing activity in 2017, which stands at about 5.5 million square feet. Even though smaller and urban warehouses are still a good barometer of Miami's industrial health, "big-box" performance has become increasingly important for Miami in the past few years.

In addition, healthy demand from third-party logistics and distribution users and supply constraints continue to fuel rent growth. As a result, warehouse rents have increased by 42.0 percent in the past seven years, while absorption has remained positive for 31 consecutive quarters. On the development front, 3.1 million square feet has been delivered so far in 2017. Typically such robust pipeline would rebalance supply and demand, but these are not typical times for Miami. Even with net absorption distinctly positive in the third quarter, this figure does not accurately reflect the strength of the industrial demand in the market. In fact, there are currently 2.8 million square feet of known requirements targeting Miami, 37.0 percent of which are 250,000 square feet and above. At present, the market vacancy currently stands at 4.5 percent—a 50-basis-point increase from the previous year due to new deliveries.

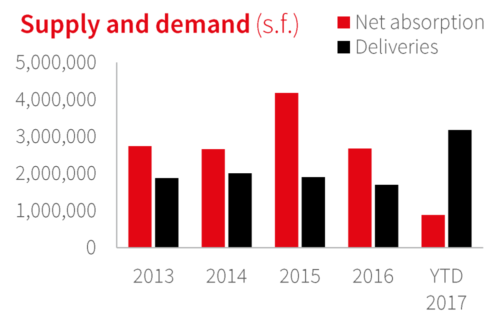
Outlook

Construction will continue to be the center of attention throughout the remainder of the year. However, out of the 3.5 million square feet of space under construction, 60.0 percent are build-to-suits coming online by year-end and mid-2018. Pair this with the strong leasing activity we have been experiencing and we should see net absorption numbers begin to rebound from a slow start. Expect fundamentals to remain strong in the near to medium term.

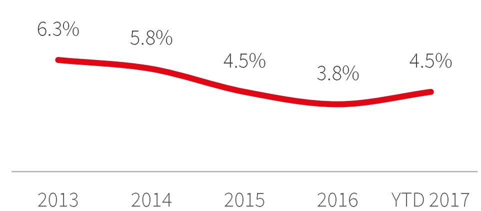
For more information, contact: Erik Rodriguez | Erik.Rodriguez@am.jll.com

Fundamentals	Forecast	
YTD net absorption	885,186 s.f.	▲
QTD net absorption	361,702 s.f.	▲
Under construction	3,554,664 s.f.	▲
Total vacancy	4.5%	▶
Average asking rent (NNN)	$7.20 p.s.f.	▲
Tenant improvements	Stable	▶

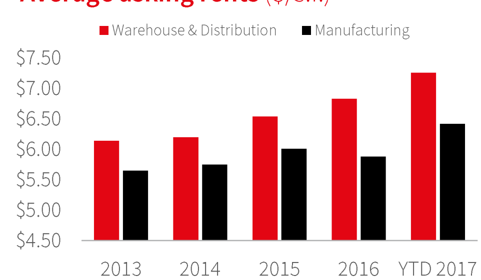
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Milwaukee

Vacancy continues to decline despite construction pipeline proposals stacking up

- ER Wagner completes its 158,525-square-foot expansion while Ursa's Burnham Business Center, with 82,500 square feet, delivers fully leased.
- YTD absorption leaps toward more typical annual trends but may yet fall short of last year's nearly 2.0 million square feet.
- Last quarter's small uptick in market vacancy is corrected for, as the market vacancy drops to just 3.8 percent.

Where Waukesha was the main contributor to marketwide net absorption last quarter, the third quarter was met with more equal contributions from Milwaukee, Waukesha and Ozaukee counties. Still, absorption is behind annual trends with at least part of the reason seeming to stem from the ever-shrinking availability of quality industrial space. It has been a notable trend for over a year now, but not enough new or renovated product has come online to make a case against it. Firms have been opting for renewals or expansions in existing space once they see what relatively few options exist in their desired area. This has kept leverage in the hands of landlords, who often only compete with a couple of sites that match a tenant's needs.

It's not only landlords who are benefiting from a market that continues to tighten, as developers and out-of-state investors alike are recognizing the opportunity that exists. Over 600,000 square feet of proposals are still on the table for speculative industrial product across the market, with an additional 550,000 square feet of projects holding out for committed tenants. In August, Oak Realty Group entered the Milwaukee industrial market as it acquired a 10 building, 880,000-square-feet industrial portfolio in Cudahy from WHI Real Estate Partners.

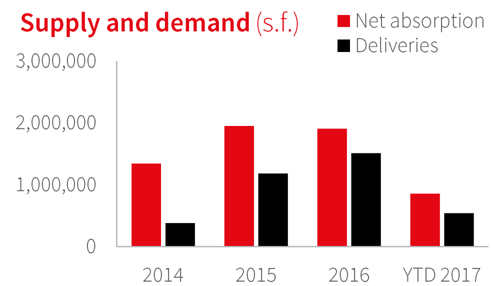
Outlook

Despite the few projects that have broken ground or delivered over the course of 2017, vacancy marketwide continues to decline. In the few months that remain, we expect additional product to break ground—both speculatively and built-to-suit. This should stabilize both vacancy and asking rents and bring the long-awaited new product that many firms are looking for. While unlikely that absorption will surpass last year's levels, we do expect to continue to see additional positive absorption over the last quarter.

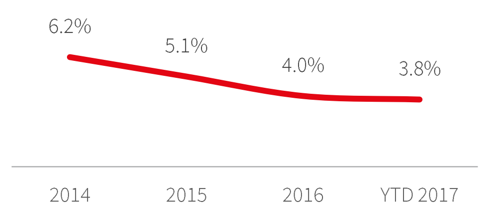
For more information, contact: Kyle Koller | kyle.koller@am.jll.com

Fundamentals	Forecast	
YTD net absorption	856,480 s.f.	▲
QTD net absorption	538,944 s.f.	▲
Under construction	751,069 s.f.	▲
Total vacancy	3.8 %	▶
Average asking rent (NNN)	$4.40 p.s.f.	▶
Tenant improvements	Stable	▶

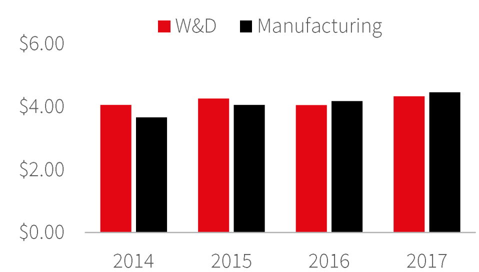
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Minneapolis - St. Paul

As new lease activity ramps up, growing companies wait eagerly for new supply to come online next quarter

- Consumer expenditures, especially via e-commerce, are propping up industrial expansions in industries that include printing/publishing/packaging and auto parts suppliers.
- A large share of local capital markets activity is due to national portfolio sales, specifically purchases by Gramercy and Farallon Capital.
- Expect to see nearly 1.4 million square feet of new bulk construction delivered by end of year.

Three-quarters of the way through 2017 and the year has seen strong industrial activity. Most new leases are representative of employer expansions, as opposed to side-to-side movement of tenants shuffling around. A strong consumer economy is driving a lot of this growth.

The printing market has picked up substantially. Although Minneapolis–St. Paul has always had a robust printing and publishing sector, most recent activity is driven by trends in specialized signage and electronic graphics. New or expanded leases in this sector include the Bindery, Resolution Graphics and Advanced Web Technologies. Demand for unique packaging is an effect of an economy filled with headquarters for retailers and food manufacturers.

While sales slowed down in Q3, national portfolio buyers Gramercy and Farallon Capital Management were responsible for much of our local activity. Portfolios are increasingly attractive due to a lot of money on the sidelines and the opportunity to rapidly put a large amount of capital to work.

Outlook

The Shakopee micromarket has buttoned up quickly, with most of its remaining industrial space filled over the past summer. Only one large bulk block over 50,000 square feet is still available in Savage. This is good news for the 1.1 million square feet of construction currently under way in the southern submarkets.

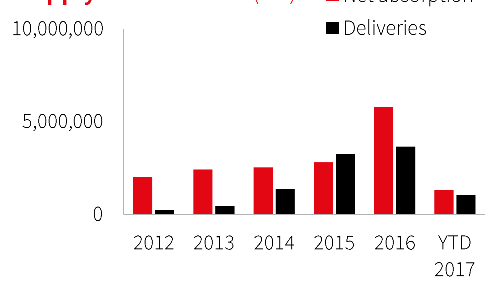
Opus is selling Valley Park III and 169 North Business Center. Considering the small industrial supply currently for sale, expect large demand from institutional investors and maybe some local players. We anticipate a number of large portfolio sales to finalize next quarter or at the beginning of next year, including Artis, Baker Tech and First Industrial.

In the Rogers micromarket no new leases have been inked yet but interest remains solid. The area is only a couple signed deals away from a healthy outlook.

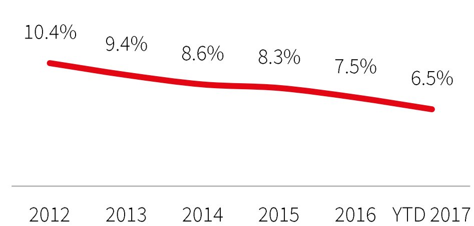
For more information, contact: Carolyn Bates | carolyn.bates@am.jll.com
Tyler Hegwood | tyler.hegwood@am.jll.com

Fundamentals		Forecast
YTD net absorption	1,311,706 s.f.	▲
QTD net absorption	1,012,211 s.f.	▶
Under construction	2,327,800 s.f.	▼
Total vacancy	6.5%	▼
Average asking rent (NNN)	$6.88 p.s.f.	▶
Tenant improvements	Stable	▶

Supply and demand (s.f.)

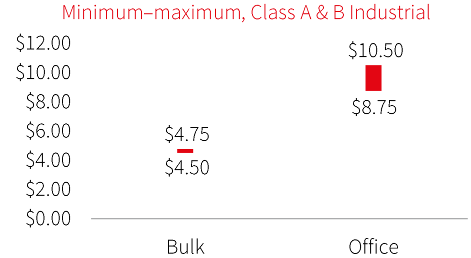


Total vacancy



Average asking rents ($/s.f.)

Minimum–maximum, Class A & B Industrial



Nashville

Demand spikes and third-quarter absorption doubles the amount reached in the first half of 2017

- Third-quarter absorption spikes year-to-date absorption to 2.9 million square feet
- Rental rates steady at $4.66 per square foot
- Vacancy falls below the 4.0 percent mark, now at 3.8 percent

Absorption in the third quarter reached 1.7 million square feet, doubling the amount reached in the first half of the year and spiking Nashville's year-to-date absorption to 2.9 million square feet. Over 70.0 percent of absorption was in buildings delivered this year, as tenants are taking occupancy at or soon after delivery. Leasing activity is also picking up in newer inventory, with nearly 60.0 percent of this quarter's deals being in buildings completed in 2017. NFI leased 622,830 square feet in Airport Business Park, taking immediate occupancy and accounting for a large portion of this quarter's absorption and leasing activity.

Rental rates are continuing on their upward trajectory, now at $4.66 per square foot. Warehouse and distribution rates specifically have increased 20.1 percent since 2015 as the market tightens. After a slight uptick last quarter, vacancy falls 30 basis points to 3.8 percent. With 1.2 million square feet of quarterly completions, this is a very impressive drop. Rates dropping despite the flurry of development suggests inventory is being absorbed as quickly as it is delivered, evident in this quarter's absorption and leasing activity.

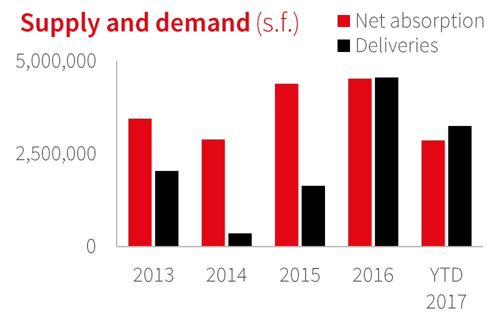
Outlook

While a high volume of leasing activity was in new inventory, the largest number of deals were in the smaller second-generation buildings. The diversity in leasing activity establishes Nashville as a balanced market, with demand not only dependent on the new Class A product. With an additional 866,085 square feet expected to deliver this quarter, supply may outpace demand at the end of the year. Despite supply overtaking demand, developers should not be fearful of overbuilding, as Nashville has one of the lowest vacancy rates in the country and continued tenant interest.

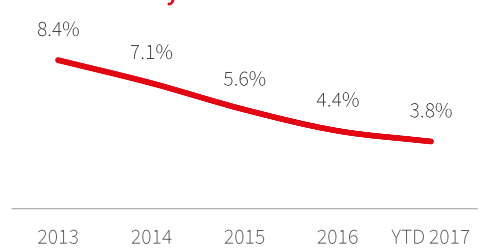
For more information, contact: Harriet Westlake | harriet.westlake@am.jll.com

Fundamentals		Forecast
YTD net absorption	2,863,574 s.f.	▲
QTD net absorption	1,687,364 s.f.	▶
Under construction	1,350,845 s.f.	▶
Total vacancy	3.8%	▶
Average asking rent (NNN)	$4.66 p.s.f.	▲
Tenant improvements	Stable	▶

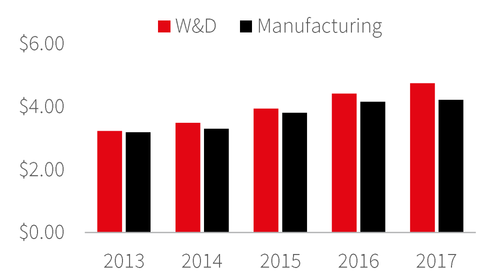
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



New Jersey

Supply-demand imbalance drives New Jersey's big-box leasing activity and rent growth

- New Jersey's premier submarkets are tight, as robust demand meets little supply.
- Rapid rental rate growth has not shown any signs of deterring leasing activity.
- Large, retail-focused tenants continued to accept that they will need to spend up in order to occupy spaces in close proximity to the population of the greater NY metro area.

Unrelenting demand for logistics space across New Jersey drove leasing activity in the third quarter to its highest point in 2017, while setting up 2018 for a strong start. Northern and Central New Jersey recorded 7.1 million square feet of leasing activity in the third quarter, with preleasing activity making up 26.3 percent of that volume. Most notably, Wayfair.com signed a 1.3 million-square-foot prelease at Clarion Partners' proposed development site on Brickyard Road in Cranbury. Meanwhile, an undisclosed paper manufacturer signed a 451,800-square-foot build-to-suit lease at 1 Turner Road in Piscataway with F. Greek Development and LaSalle Investment Management. Both leases are set to commence in 2018 and will help bolster net absorption in 2018.

As the dearth of quality industrial space reaches new levels, landlords have become evermore optimistic in their ability to achieve new high-water-mark rents. Aggressive pricing strategies forced average asking rates to $7.09 per square foot, an increase of 11.6 percent year-over-year. However, in some submarkets, the rental rate growth is even more acute. For example, in the Meadowlands where Class A and B asking rates have reached low- to mid-double-digit figures, asking rental rates increased 16.6 percent year-over-year.

Outlook

Tenants continued to show a willingness to accept higher sticker prices in the third quarter as leasing activity on big-box distribution space helped leasing activity spike. The continual imbalance between supply and demand has created two likely conclusions for tenants. First, rental rate growth should persist for the short to mid-term. Second, companies hoping to expand their distribution networks in the region via primary submarkets should plan early for their real estate needs as large blocks of space are continuing to come off the market quickly.

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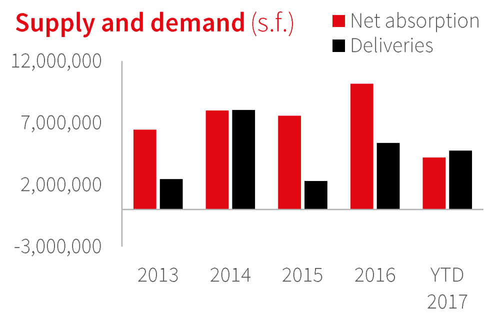
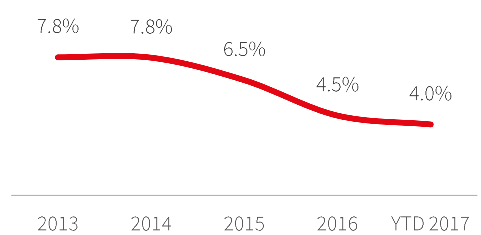
Alex Kachris | alex.kachris@am.jll.com

Fundamentals		Forecast
YTD net absorption	4,200,196 s.f.	▶
QTD net absorption	717,746 s.f.	▲
Under construction	6,460,124 s.f.	▶
Total vacancy	4.0%	▶
Average asking rent (NNN)	$7.09 p.s.f.	▲
Tenant improvements	Falling	▼

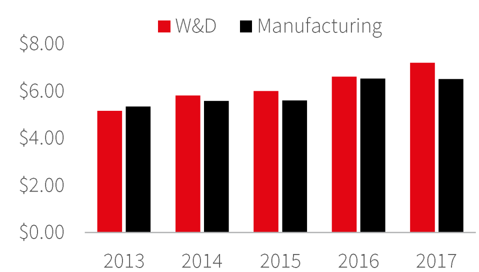
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



North Bay

Prelease activity signals continued demand for North Bay industrial product

- The market's vacancy rate continues to fall, now reaching an overall of 3.9 percent.
- Competitive leasing activity continues to push rents in Napa and Solano counties.
- 444,963 square feet of speculative product is currently under construction, with nearly half planned to deliver by the end of the year.

Nearly 1.0 million square feet of new product delivered in the third quarter, adding a total of 1,678,542 square feet of much needed industrial product year-to-date. A total of 1.1 million square feet of the 1.6 million in new product was preleased prior to delivery, leaving vacancy rate nearly unchanged at 5.1 percent, compared to 5.8 percent last quarter. Most notably, an e-commerce company leased 646,000 square feet at 1 Middleton Way in the Napa Logistics Center in American Canyon.

There continues to be a healthy amount of demand, with approximately 3.0 million square feet of industrial requirements targeting Napa and Solano counties. Tenants show a continued interest despite rising rental rates, which now sits at an average of $0.74 NNN per square foot marketwide. Solano County serves much of the spillover demand from nearby constrained markets, such as the Bay Area and Napa County. These includes Napa County users looking to expand operations and Bay Area corporate users looking for quality big-box space. Of the nearly 5 million square feet of tenant demand currently targeting the North Bay industrial market, the average tenant requirement size is 160,000 square feet. Around half of the users fall within the 100,000- to 250,000-square-feet requirement range. Demand is largely driven by the wine industry, wine-related production and the logistics and distribution industry.

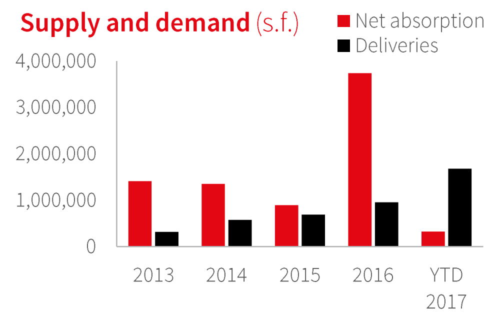
Outlook

Despite the 1.6 million square feet of inventory uptick from new development, vacancy rate has remained flat in the last 12 months due to tenant prelease activity. As a result, tenant demand is unlikely to cool off even with the additional half a million square feet of estimated speculative product planned to deliver by the end of the year. Tenants are encouraged to negotiate renewal contracts earlier, as tenant demand from nearby markets flow into the North Bay markets.

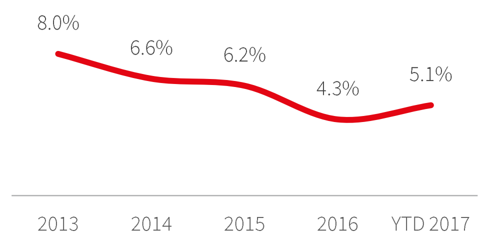
For more information, contact: Crystal Tseng | Crystal.tseng@am.jll.com

Fundamentals	Forecast	
YTD net absorption	323,060 s.f.	▼
QTD net absorption	386,590 s.f.	▼
Under construction	451,893 s.f.	▼
Total vacancy	5.1%	▶
Average asking rent (NNN)	$0.70 p.s.f.	▲
Tenant improvements	Falling	▼

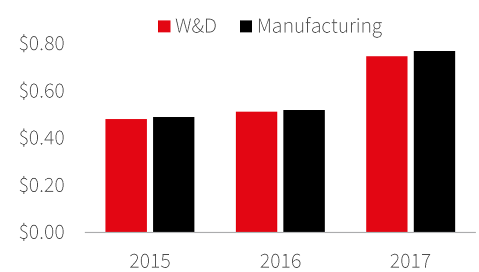
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Orange County

Largest development planned for the Airport Area in nearly 20 years

- The Airport Area is gearing up to see the largest industrial development in the submarket since 1999
- One tenant can make a difference; Q3 negative net absorption tied to Royalty Carpet Mills vacating 752,266 square feet
- Owner-occupier demand is outstripping supply five to one across all size segments throughout the market

Fundamentals	Forecast	
YTD net absorption	-61,191 s.f.	▶
QTD net absorption	-92,790 s.f.	▶
Under construction	1,078,762 s.f.	▶
Total vacancy	1.7%	▶
Average asking rent (NNN)	$0.81 p.s.f.	▲
Tenant improvements	Stable	▶

Since the industrial market began turning around in 2011, new development activity has almost exclusively occurred in North County. During this time period, 3.7 million square feet has been delivered to the market, with 86 percent of it developed in North County. The 495,000-square-foot multi-building development planned at Dyer Road and Tech Center Drive in Santa Ana will be the largest industrial development in the Airport Area so far this century. Buildings are set to range from 22,000 to 163,000 square feet. Industrial users are requiring increasingly higher functionality from their space than ever before, making many older properties obsolete, such as the one being demolished to make room for this new development.

The third quarter witnessed negative net absorption of -92,790 square feet, which was primarily due to Royalty Carpet Mills going out of business and vacating 752,266 square feet across three buildings in the Airport Area. Both the West and North County submarkets recorded Q3 positive net absorption of 514,498 and 438,972 square feet, respectively. This was driven by occupancy gains from Shaw Industries and Primary Colors in West County and Caran Precision, California Hi-Lites and Nutrition Corporation in North County.

Outlook

The strong demand for industrial space combined with the lack of available options has placed upward pressure not just on rental rates, but also on sales prices. In many situations, sellers are receiving multiple offers, often causing a bidding war among the potential buyers. Investors are now willing to pay more than owner-occupiers, which historically has not been the case, adding more pressure to owner-occupiers. Investors are confident they can lease properties quickly at historically high rental rates. Sales prices will continue to reach higher than historical peaks, including a greater number of buildings attracting prices over $200 per square foot.

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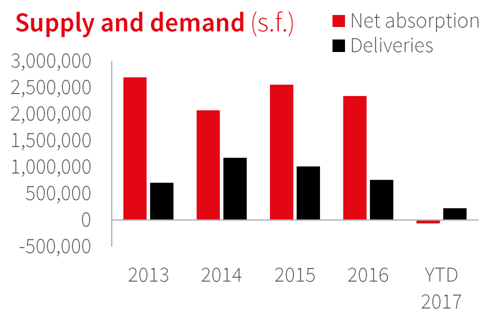
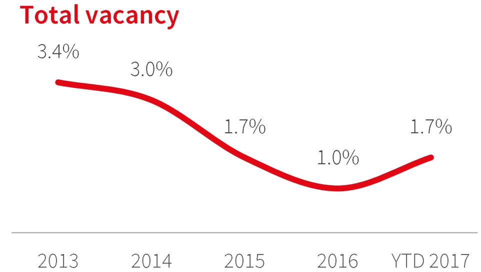
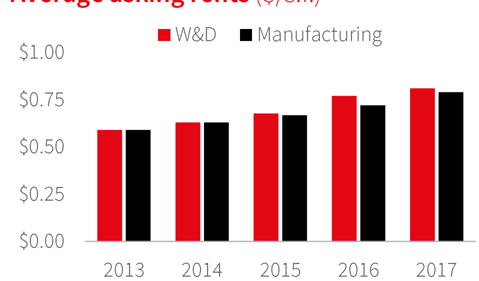
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Orlando

Construction spreads to smaller submarkets, while leasing slows

- Developers aggressively pursuing new development sites in Orlando.
- Construction boom continues into NW Orange submarket, as one building delivers and two new projects break ground.
- Leasing slows down in the middle market, with several large deals wrapping up.

Orlando is slightly past the peak of the market, as several larger transactions in the market are finally signed. The market has several availabilities that are expected to come to the market in the next year, and so tenants in the 100,000-square-foot range will have numerous options for leasing at that time.

After the large developments delivered to market in the heart of Orlando during 2016 and early 2017, new developments have broken ground in the North Orange submarket, but the developments are much smaller in size, as little as 20,000-square-foot buildings. These developments are located along the populous Toll-429 corridor and should appeal to tenants that operate and live on the west side of the city.

Outlook

The development cycle is past peak and next year will not likely match the 1.9 percent inventory growth expected by year-end 2017. Fortunately, numerous tenants are delaying real estate decisions to either the end of the year or early 2018. Given tenants' decisions to wait, leasing is expected to increase in the fourth quarter of 2017 and into 2018. This will likely fill in current developments, along with national tenants conducting multi-market surveys.

With the market at a peak and buildings leasing up, the market will soon become prime for investment. Developers and owners involved with adding value to a property may sell to investors more interested in holding property long term. The current development cycle has numerous build-to-suit deals that have been completed and sold, and some speculative development business parks that have reached substantial occupancy.

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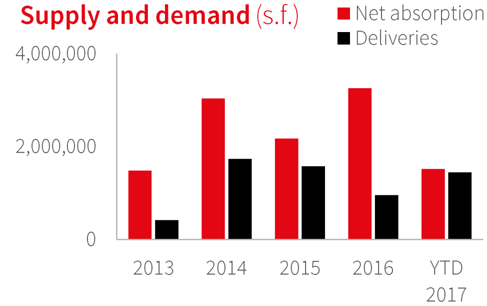
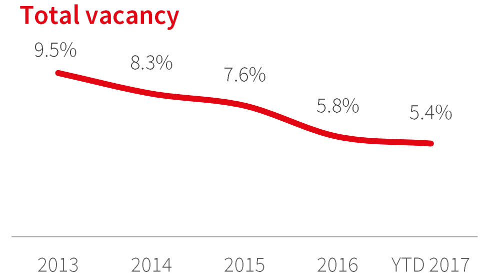
Fundamentals		Forecast
YTD net absorption	1,516,772 s.f.	▲
QTD net absorption	865,837 s.f.	▲
Under construction	632,325 s.f.	▼
Total vacancy	5.4%	▼
Average asking rent (NNN)	$5.79 p.s.f.	▲
Tenant improvements	Falling	▼

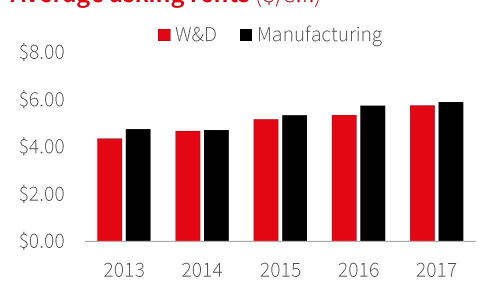
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Palm Beach

The Palm Beach industrial market continues performing at the highest levels

- Supply remains a consistent issue as demand continues to outpace deliveries.
- Smaller-than-average deals dominated leasing activity in the third quarter.
- High rent deals are now commonplace, and rents now stand at $8.96 per square foot.

Palm Beach's growth has spurred almost 2.4 million square feet of industrial development in the past four years. During this time period, the market has absorbed more than double that amount—primarily from the West Palm Beach and Boynton Beach submarkets. Strong leasing fundamentals have also driven vacancies for each submarket lower than at any point in the last cycle, as some are below 2.0 percent. Correspondingly, in order to avoid the risk of losing their existing space, many tenants are choosing to sign early renewals with the understanding there is a dearth of space availability and that landlords have several options for tenant replacements.

In addition, the third quarter lacked some of the larger transactions—90,000 square feet and greater—compared to the previous quarters, due partially to the decline in large available warehouse space options. Meanwhile, demand in the 10,000- to 25,000-square-feet range fueled leasing, accounting for more than half of the volume recorded this quarter. At the same time, with market fundamentals on their side, landlords were able to push asking rental rates through 2017. The average rent in the county stood at $8.96 per square foot in the third quarter, increasing 5.5 percent year-over-year.

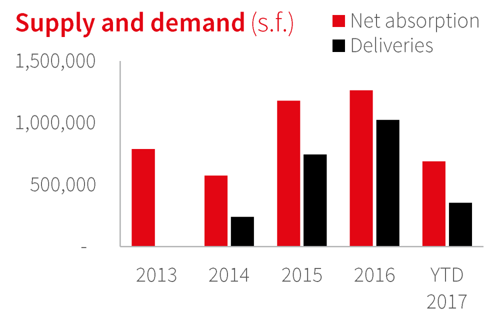
Outlook

The Palm Beach market will remain quite active going into the end of the year. There is a low supply of single-story well-located facilities with acceptable ceiling heights (30-foot and above). Demand for these types of facilities seems to be increasing and will continue to into the fourth quarter of 2017. In addition, the high cost of construction in the Palm Beach market is rising and will most likely impact asking rental rates, which seem to be peaking. Overall, the outlook remains optimistic with the hope that more quality, well-located properties will continue to become available for sale or lease.

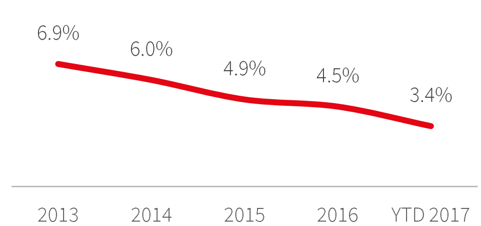
For more information, contact: Erik Rodriguez | Erik.Rodriguez@am.jll.com

Fundamentals		Forecast
YTD net absorption	688,800 s.f.	▲
QTD net absorption	251,717 s.f.	▲
Under construction	166,392 s.f.	▲
Total vacancy	3.4%	▼
Average asking rent (NNN)	$8.96 p.s.f.	▶
Tenant improvements	Stable	▶

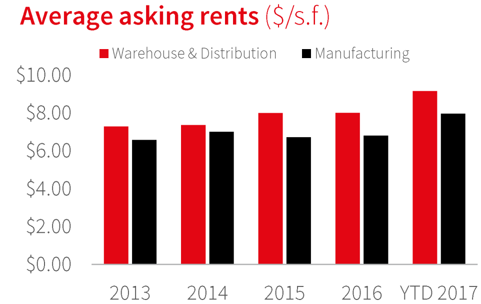
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Phoenix

Absorption on pace to reach all-time annual high

- Absorption on pace to surpass the 2005 peak of 7.9 million square feet
- The Northwest submarket has expanded nearly 18 percent year-to-date, now home to the second-largest concentration of construction activity
- An increase in manufacturing build-to-suits gives pipeline a boost

Vacancy in the Phoenix industrial market inched down in the third quarter, falling 20 basis points to 8.1 percent. Once again, absorption gains totaling over 1.8 million square feet were enough to outpace new construction. A large share of the positive absorption gains came from Conair, as its 1.0 million-square-foot facility delivered in the Northwest submarket.

Interest from manufacturing, food and beverage, and logistics users looking for a favorable socioeconomic climate has made the Northwest one of the fastest-growing submarkets in the Valley. Although it is one of the smallest submarkets, the Northwest has seen a boom in construction activity in 2017. Over 1.6 million square feet of new product has been delivered this year, representing a 17.7 percent increase in the submarket's inventory.

Development activity has been strong throughout the Valley, yet almost all of the speculative development available is tailored to warehouse and distribution operations. With manufacturing rates escalating in existing properties and no speculative manufacturing buildings under development, build-to-suits are becoming more common among manufacturing users. Most notably, Niagara Bottling, Cardinal Glass and Turbo Resources have a combined 700,000 square feet of custom manufacturing space under construction.

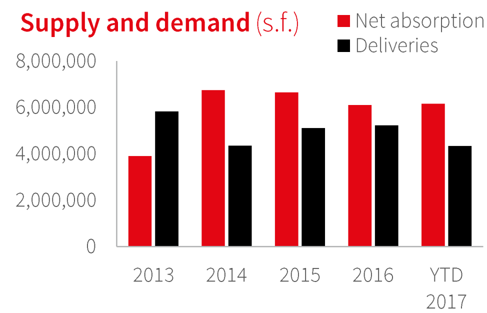
Outlook

With over 6.1 million square feet of positive net absorption already in the books through the third quarter, 2017 is on pace to be the fourth consecutive year of at least 6.0 million square feet of absorption. Over 1.1 million square feet of preleased space is expected to deliver in the fourth quarter, bringing the year-end forecast very close to the all-time high of 7.9 million square feet recorded in 2005. Even if 2017 falls short of the previous peak, the Phoenix industrial market is showing no signs of slowing down, with another 4.4 million square feet under construction to meet strong tenant demand.

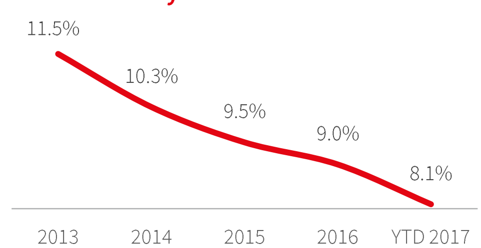
For more information, contact: Kiana Cox | kiana.cox@am.jll.com

Fundamentals		Forecast
YTD net absorption	6,163,969 s.f.	▲
QTD net absorption	1,872,059 s.f.	▲
Under construction	4,420,228 s.f.	▶
Total vacancy	8.1%	▼
Average asking rent (NNN)	$0.53 p.s.f.	▲
Tenant improvements	Rising	▲

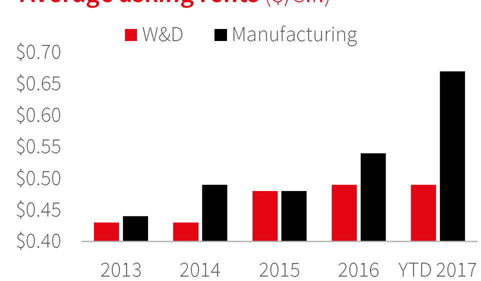
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Pittsburgh

This summer had a little bit of everything: manufacturing, distribution and storage

- Multiple additions of storage facilities is a good indication that Pittsburgh's population is increasing near the urban core.
- A new proposed distribution center on First and Main in Jackson Township is just what the supply doctor ordered.
- Manufacturing output showing signs of growth in Pennsylvania at a time when additive manufacturing, robotics and plastics are on everyone's minds.

The first half of the year began with slow activity in the industrial market with 91.7 percent occupancy. However, in the third quarter there were signs of life. Al. Neyer proposed a new 220,000-square-foot distribution center in Jackson Township, right next to the new FedEx distribution center along I-79 at the Evans City exit. With current speculative construction for the year over 400,000 square feet, the proposed distribution center would add 54.6 percent more Class A inventory in a desirable submarket within a market that has low availability in this asset class. News of the proposed distribution center broke not long after Castlebrook Development began site development on their 416,000-square-foot distribution center in Beaver County along the Pennsylvania Turnpike.

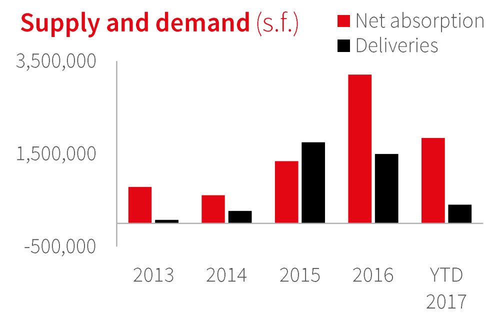
Outlook

All signs point to positive for the Pittsburgh industrial market. Although activity was modest at the start of the year, the planned distribution center construction proves that investment is gearing up for long-term demand. Manufacturing output was reported to have increased last year over 2015 by approximately $4.0 billion. Self-storage developers are investing and that is a good indication that Pittsburgh is growing overall. In the third quarter, there were several storage deals reported. Guardian Storage is opening two facilities in the region this quarter and is anticipating three more by the end of 2018. In addition, Nuvo Development LLC will be developing a 105,000-square-foot storage facility on a former industrial site in SouthSide. There are roughly 500 locations of storage facilities, big and small, in the Pittsburgh region. Investment, while taking a slight breather after the activity of 2016, is continuing to display confidence in tenant demand, evidenced by the low vacancy within the Class A sector.

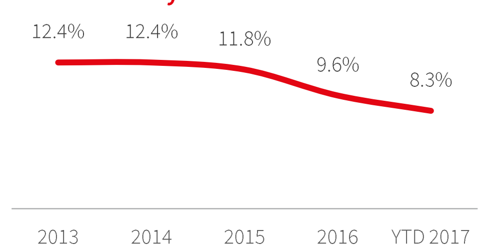
For more information, contact: Tobiah Bilski | tobiah.bilski@am.jll.com

Fundamentals	Forecast	
YTD net absorption	1,842,470 s.f.	▲
QTD net absorption	332,094 s.f.	▲
Under construction	652,864 s.f.	▲
Total vacancy	8.3%	▼
Average asking rent (NNN)	$5.13 p.s.f.	▲
Tenant improvements	Stable	▶

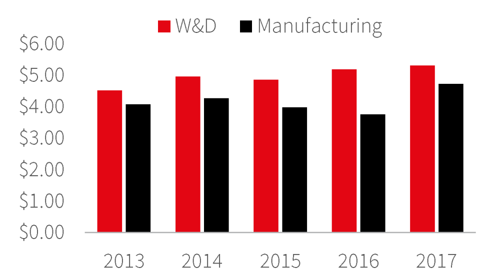
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Portland

Portland industrial market hits a new “high”

- Absorption surged past the 10-year average with large lease commencements in new deliveries
- Development activity is at a 20-year high with almost 3.5 million square feet currently under construction
- Rents hit a new market high of $0.61 per s.f. per month NNN, while vacancy ticked up 10 basis points as a few large boxes delivered vacant

Much has been made about the impact that cannabis growers have had on the Denver industrial market and we are seeing a similar situation play out in Portland. While it is difficult to get information about cannabis’s industrial space use, given the secrecy around grow operations, we identified at least four new leases that resulted in almost 400,000 square feet of positive net absorption in the third quarter. Because cannabis growers are generally not able to take up space in institutionally owned/bank-financed buildings, we have not seen any evidence of crowding out of traditional tenants. In fact, they appear to be providing owners of dated Class C buildings an alternative source of income for spaces that would otherwise be difficult to lease.

And while lower-quality Class C space is being sucked up by non-conventional users, almost 1.3 million square feet of new construction delivered to the market in the third quarter, taking year-to-date deliveries past 2.2 million square feet. With another 2.5 million square feet currently under construction and expected to deliver in Q4, 2017 should see the most construction delivered in a single year since 1997.

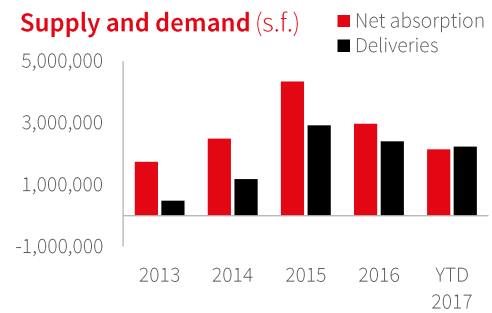
Outlook

Driven by the construction sector, employment in industrial sectors is pushing employment growth in Portland. It now contributes more than two and half times that of office employment to total year-over-year job growth in the metro area. And it is not about to slow down any time soon either. Another massive fulfillment center has been announced by a large e-commerce company, making it the third announcement of its kind in the region thus far in 2017. On the capital markets front, industrial asset sales have slumped in 2017, with just three sales above $10 million for a total of $88.7 million. The lack of sales is a supply-side problem, with investors holding onto their assets and pushing rates. Given what is currently on the market, and barring any large multimarket portfolio sales, 2017 will likely see total sales volume about a third of what we saw in 2016.

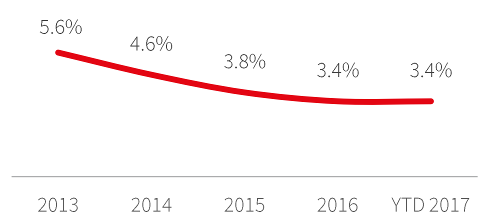
For more information, contact: Tim Harrison | tim.harrison@am.jll.com

Fundamentals		Forecast
YTD net absorption	2,144,627 s.f.	▲
QTD net absorption	776,143 s.f.	▲
Under construction	3,303,513 s.f.	▶
Total vacancy	3.4%	▶
Average asking rent (NNN)	$0.61 p.s.f.	▲
Tenant improvements	Stable	▶

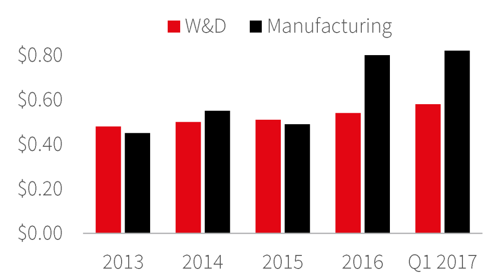
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Richmond

Last near-term speculative development 100% leased, but more out-of-market developers step in

- New construction pricing which ranged between $4.50 and $5.50 per square foot NNN, in line with the Class A average.
- Food and beverage, e-commerce and grocer requirements driving most demand and largest space takedowns in market.
- Land acquisitions gain traction, particularly along the I-95 corridor.
- Data center activity increases as counties slash their tax rate for that product type.

After a brief stay of new construction deliveries in the third quarter, which were the main source of occupancy gains since 2014, net absorption trickled in at 296,053 square feet, or 0.3 percent of the total inventory. Both speculative development and build-to-suits maintained the 1.2 million-square-foot supply pipeline as overall vacancy contracted to 4.4 percent and Class A warehouse vacancy reached a record-breaking sub 1.0 percent. New construction starts this quarter included the German grocer ALDI, breaking ground on its 562,570-square-foot distribution center in Dinwiddie County near Amazon's fulfillment center at the Dinwiddie Commerce Park. Additionally, Becknell Industrial was rumored to have signed a full-building user (202,560 square feet) at its final pad site in the East End submarket's Airport Distribution Center. While this removed all near-term speculative product proposed in the Richmond metro, Panattoni Development Company acquired 62.3 acres of raw land adjacent to the Port of Richmond this July to construct nearly 1.0 million square feet of speculative distribution space along the coveted I-95 corridor. This acquisition, coupled with a handful of new proposed build-to-suit sites, and increased land prospecting from outside developers could help alleviate space constraints for large users over the next 12 to 18 months.

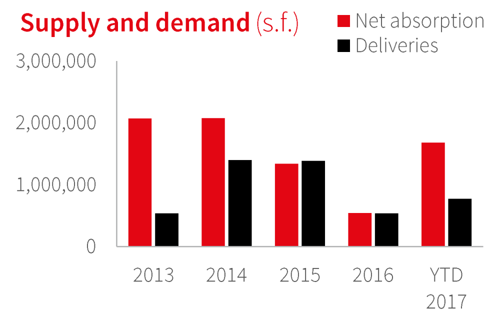
Outlook

A handful of market exits and consolidations could temporarily increase vacancy, but Richmond's industrial inventory will remain constrained. Class A and Class B asking rates demonstrated consistent growth as they have over the past four quarters, increasing occupancy costs for users across a broad spectrum of industries. New construction pricing may see a dramatic increase as well due to rising land values and construction costs maintaining an upward trajectory.

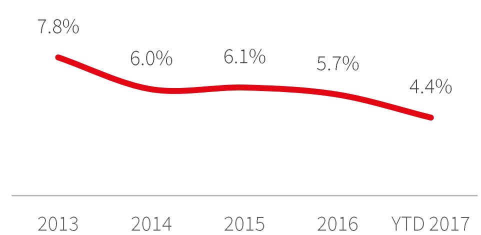
For more information, contact: Geoff Thomas | geoff.thomas@am.jll.com

Fundamentals	Forecast
YTD net absorption	1,681,206 s.f. ▲
QTD net absorption	296,053 s.f. ▲
Under construction	1,231,827 s.f. ▲
Total vacancy	4.4% ▼
Average asking rent (NNN)	$4.15 p.s.f. ▲
Tenant improvements	Falling ▼

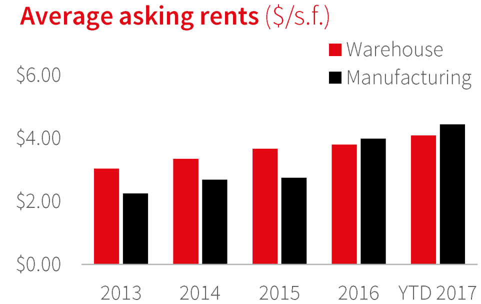
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Sacramento

Market set to close out year with strong gains

- Secondary submarkets are driving absorption, and primary submarkets are holding steady.
- Distribution rents are up 11.4 percent year-over-year.
- Two buildings completed construction for a total of 465,255 square feet delivered. 1.4 million square feet is currently under way.

Sacramento ended the summer with the same strength that it has exhibited all year. Strong demand for industrial properties, both new and second generation, pushed absorption to almost 1.2 million square feet this quarter—including two deals totaling 271,635 square feet in McClellan Park's massive Optisolar warehouse, U.S. Cold Storage's move-in at 4186 Forcum Ave, and 200,000 square feet occupied by Bay State Milling and Smart Metals Recycling in Woodland's 340–350 Hanson Way.

After stagnating for the better part of 2017, Sacramento's construction activity ramped up during the third quarter. McKesson's 300,000-square-foot build-to-suit started construction in Roseville, Harsch Properties broke ground on a 104,800-square-foot speculative building in West Sacramento, and a smaller 22,500-square-foot distribution space got under way in Roseville. Elsewhere U.S. Cold Storage completed construction on a 225,000-square-foot building in McClellan and 8670 Fruitridge Road completed as well. The Fruitridge space, a 240,250-square-foot foot speculative building, completed with 117,000 square feet preleased to Mitsubishi.

Lease rates remain strong in Sacramento, with distribution rents increasing 11.4 percent from this point last year. Despite these increases, Sacramento rents still represent a substantial discount from other Northern California markets, particularly the Bay Area, where rents are approximately 34.8 percent more expensive, giving potential tenants a good reason to consider Sacramento as a viable market.

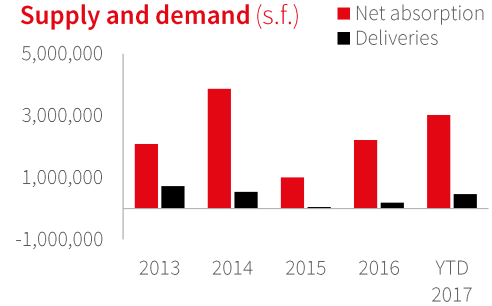
Outlook

Sacramento shows no sign of slowing down in the fourth quarter and into 2018 as several leases over 100,000 square feet are set to commence. In addition, 875,000 square feet of construction is set to deliver with a tenant already in place. With fundamentals remaining strong, 2017 should wind up being a banner year for Sacramento.

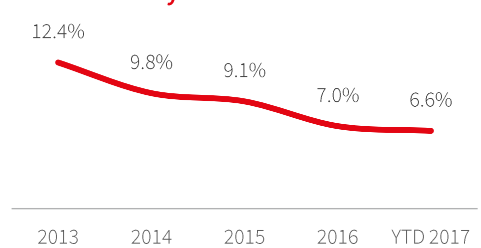
For more information, contact: Nathan Bustamante | Nathan.bustamante@am.jll.com

Fundamentals	Forecast	
YTD net absorption	3,015,306 s.f.	▲
QTD net absorption	1,168,638 s.f.	▲
Under construction	1,378,100 s.f.	▲
Total vacancy	6.6%	▼
Average asking rent (NNN)	$4.62 p.s.f.	▲
Tenant improvements	Stable	▶

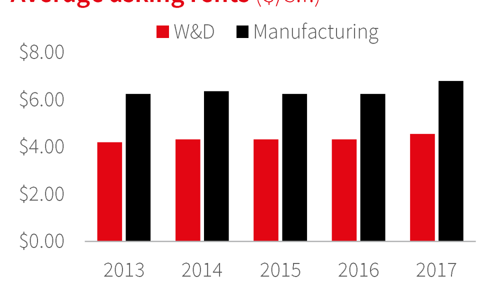
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Salt Lake

Sustained tenant demand brings record absorption, increasing rents and new construction

- Expanding companies driving record construction, both build-to-suit and speculative
- Total vacancy decreased 80 basis points this year, which elevated asking rents 5.0 percent
- Robust tenant demand and net absorption justify additional development through 2018

Salt Lake's economy continues to exhibit greater strength and momentum than the U.S. economy, with 3.4 percent unemployment and a 2.4 percent 12-month job growth rate, compared to a national 4.4 percent unemployment and a 1.4 percent 12-month job growth rate. This robust economic growth brought record industrial absorption to Salt Lake in 2017. In attempts to keep pace with this sustained tenant demand, developers have already completed nearly 2.7 million square feet of new industrial space with over 5.1 million square feet currently under construction, making 2017 a record year for new development.

Expanding companies, from both outside and inside Utah, are taking down additional space in Salt Lake. Large build-to-suits from companies like Post Foods, UPS, Readerlink, Home Depot and Amazon highlight Salt Lake's emergence as a significant national player in both manufacturing and distribution. In addition to the 4.0 million square feet of build-to-suit space, Salt Lake also has nearly 3.5 million square feet of speculative space that has delivered in 2017 or is currently under construction.

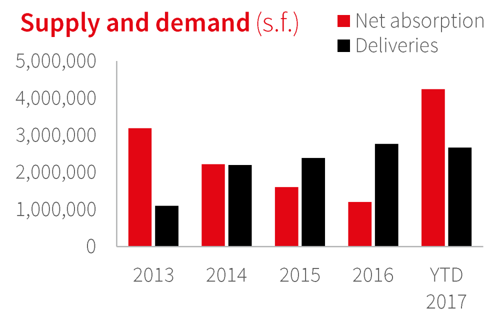
Outlook

A record 7.8 million square feet of industrial space delivered and is currently under construction, and over 4.2 million square feet of net absorption in 2017 thus far highlights the growth momentum of Salt Lake's industrial market. In spite of these additional tenant options, total vacancy now sits at a low 2.6 percent, while asking rates continue to rise. Strong tenant demand will continue to keep available supply tight and to justify increasing rents, while encouraging developers to kick off new projects into 2018.

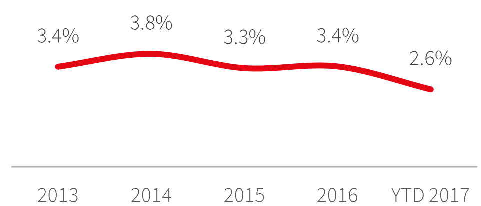
For more information, contact: Sean Eaton | sean.eaton@am.jll.com

Fundamentals	Forecast
YTD net absorption	4,243,313 s.f. ▲
QTD net absorption	1,749,803 s.f. ▲
Under construction	5,111,476 s.f. ▼
Total vacancy	2.6% ▶
Average asking rent (NNN)	$5.41 p.s.f. ▲
Tenant improvements	Stable ▶

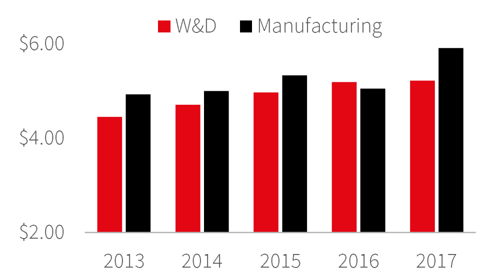
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



San Antonio

San Antonio industrial market continues rapid growth

- San Antonio experiences negative absorption during the third quarter
- Average rental rates inch higher as new construction demands higher prices
- Older buildings experience negative absorption, signaling a flight to quality for many industrial users

San Antonio's absorption of industrial product was negative in the third quarter of 2017. While often seen as a negative, this deficit in absorbed product in large part can be attributed to the several new industrial projects being delivered. In 2017 alone over 1.0 million square feet of new product has come on the market, well outpacing the square footage absorbed.

Predictably, marketwide rental rates are also experiencing a surge due to these new deliveries. Marketwide average asking rates now exceed $5.40 per square foot. The average asking rental rate for traditional warehouse and distribution product is $5.42 per square foot, while manufacturing space averages $5.37 per square foot asking rent.

Tenants have displayed a preference for newer buildings that feature higher clear heights, large concrete truck courts and abundant loading doors. As a result of this preference, older buildings have begun to see tenants relocate to new product. Thus far in 2017, buildings built prior to 1995 have experienced -601,115 square feet of absorption, while conversely buildings built after 1995 have experienced 1,219,399 square feet of absorption.

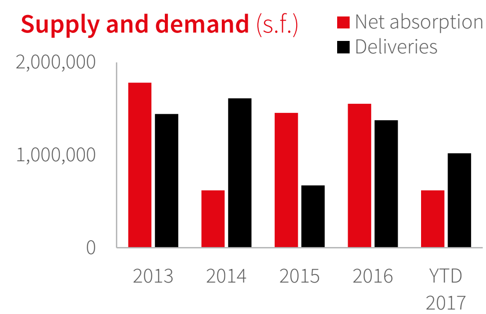
Outlook

The overall market should remain strong for the remainder of 2017. Most of the demand for space will be along the Interstate 35 corridor. This market has long been the preference of industrial users for its ease of access to all major interstates in San Antonio. As new space is delivered with higher clear heights and a more functional design, landlords with second-generation options will be forced to get more competitive to entice users.

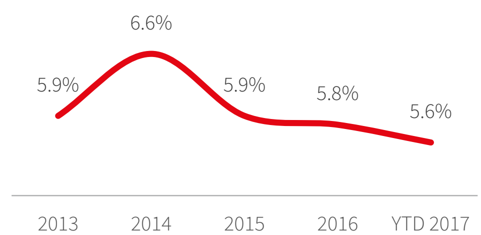
For more information, contact: Kyle Mueller | kyle.Mueller@am.jll.com

Fundamentals	Forecast
YTD net absorption	618,284 s.f. ▲
QTD net absorption	-148,725 s.f. ▲
Under construction	1,047,374 s.f. ▲
Total vacancy	5.5% ▼
Average asking rent (NNN)	$5.41 p.s.f. ▲
Tenant improvements	Stable ▶

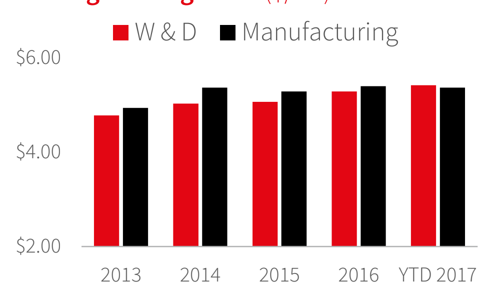
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



San Diego

San Diego industrial construction heats up

- Development activity is ramping up in North County West, totaling 1.1 million square feet under construction
- Manufacturing buildings are having a hard time leasing; big blocks are remaining empty
- Transportation and logistics activity are driving warehouse and distribution demand

The North County West region, which includes Carlsbad, San Marcos and Oceanside, is a hotbed of construction activity totaling 1.1 million square feet. Carlsbad alone is adding 950,978 square feet to its current 7.2 million square feet of existing inventory. Is this construction cycle bucking historical trends as new deliveries exceed demand? Much of this new activity is composed of speculative projects currently at 14 percent preleased. North County West overall demand so far in 2017 remains stagnant (negative 24,263 square feet net absorption), signifying monthly asking rents are expected to remain tight at $0.86 per square foot NNN.

San Diego industrial has been sluggish to fill its largest blocks of space; currently there are 16 spaces over 100,000 square feet across the county, 60 percent of which are manufacturing buildings. Manufacturing companies have been the slowest in committing to new large leases. Manufacturing buildings are currently at 5.8 percent vacancy. United Technologies was a major move-out in Q3 2017, contributing negative 232,942 square feet net absorption. The top manufacturing lease in 2017 is for KSARIA Corp for 60,000 square feet, but that is not enough to move the needle.

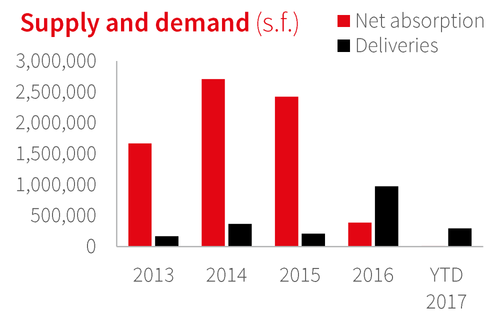
Outlook

San Diego is an international trading hub, straddling the border of Mexico and having a coastal location. Much of the leasing for 2017 so far has come from the e-commerce and logistics industries. These two sectors have contributed 487,604 square feet in 2017 year-to-date for warehouse and distribution in new leases. Supply chain employment has increased 33 percent in the last five years, adding nearly 6,000 jobs. With strong job growth and demand, expect warehouse leasing activity to accelerate. As a result of this, 2017 new construction has been mostly warehouse (1.8 million square feet), with manufacturing in less demand (281,593 square feet).

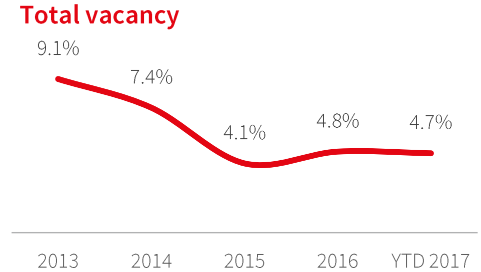
For more information, contact: Patrick Ashton | patrick.ashton@am.jll.com

Fundamentals		Forecast
YTD net absorption	9,728 s.f.	▶
QTD net absorption	-142,798 s.f.	▼
Under construction	1,831,915 s.f.	▲
Total vacancy	4.7%	▶
Average asking rent (NNN)	$0.87 p.s.f.	▶
Tenant improvements	Stable	▶

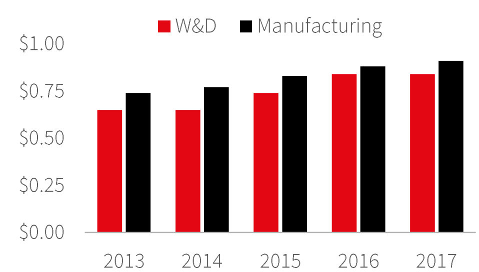
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



San Francisco Mid-Peninsula

Strong quarterly net absorption and lack of new supply push vacancy rates down

- Disparities in supply and demand are constraining leasing activity for spaces larger than 30,000 square feet
- Despite limited new availabilities and move-outs, competition for space is creating an uptick in rents
- Redevelopment of industrial properties keeping vacancy tight with no new construction slated to provide relief

The Mid-Peninsula is affected by an undersupply of suitable industrial inventory due to redevelopment of industrial properties into other uses and a lack of new construction. This is limiting tenant choices, resulting in very tight market conditions. Vacancy is currently hovering near five-year lows as large tenants with few, if any, options are forced to search in other markets. Meanwhile, demand for smaller spaces is robust, pushing market rents up 53.7 percent since 2013.

Healthy leasing activity in prior quarters drove substantial positive absorption during the third quarter, although year-to-date absorption is negative. Notable move-ins include Balfour Beatty into 70,000 square feet of space on East Grand Avenue and VC-funded technology company Yerdle Recommerce into 40,000 square feet on Bayshore Boulevard.

No new industrial projects are in the development pipeline; supply constraints will challenge both old and new tenants. In-place tenants will face mounting pressure negotiating renewals, either enduring higher rent rates or migrating to more affordable markets across the Bay.

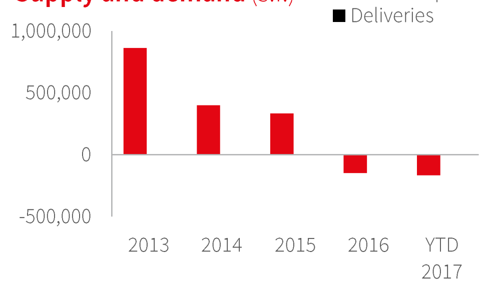
Outlook

Mid-Peninsula market conditions will remain tight unless new development breaks ground to relieve pressure on the market. Vacancy will stay compressed, and large users will be pushed to neighboring markets for suitable industrial space. Leasing activity will primarily be driven by tenants with requirements smaller than 30,000 square feet, keeping levels of demand moderate.

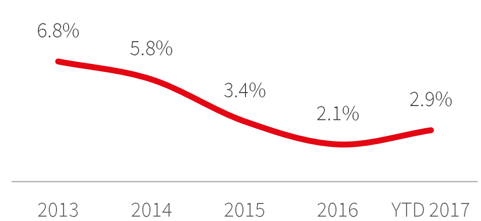
For more information, contact: Ada Wong | ada.wong@am.jll.com

Fundamentals		Forecast
YTD net absorption	-166,801 s.f.	▼
QTD net absorption	144,274 s.f.	▼
Under construction	0 s.f.	▶
Total vacancy	2.9%	▶
Average asking rent (NNN)	$16.24 p.s.f.	▲
Tenant improvements	Stable	▶

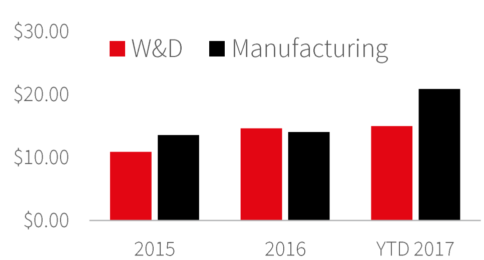
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Seattle-Bellevue

Vacancy ticks up slightly. Is relief coming for tenants?

- Q3 saw slow leasing activity, which was characterized by renewals and relocations.
- Vacancy increased by 30 basis points, but tenant demand remains strong, with 15.8 million square feet of active requirements in the market.
- There is 5.7 million square feet currently under construction and it will likely bring some relief to tenants looking for quality industrial space.

The Seattle metro's job market slowed, but the economy still has strong underlying fundamentals. Roughly 39,800 new jobs were added to the Seattle market over the last 12 months, despite a slight uptick in unemployment. The Ports of Seattle and Tacoma both reported strong growth in their container shipping business. Year-to-date imports were up 4.9 percent, with international shipping volumes increasing to 8.8 percent. Meanwhile, container exports fell by 1.4 percent.

Due to slow leasing activity in the third quarter, the Seattle-Bellevue industrial market recorded a significant slowdown in net absorption and overall vacancy rose to 2.6 percent. Demand remains strong, but prospective tenants are facing the twin challenges of finding quality space and rising rental costs.

Speculative construction represents nearly 99.0 percent of new development in the region. A few build-to-suit projects are proposed in Everett, where aerospace defense firm MTorres recently consolidated its operations and relocated into a 70,000-square-feet building. Most large tenants currently have very few options in the market and this quarter's "lengthy pause" may indicate that prospective tenants are seemingly waiting for new development in order to meet their needs.

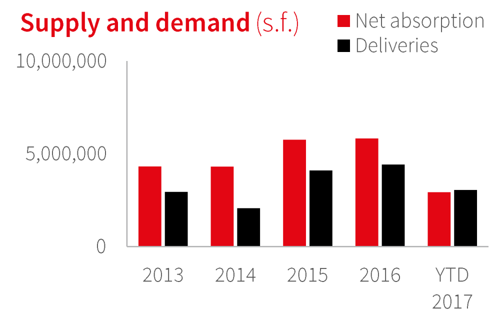
Outlook

While the industrial market experienced an increase in overall vacancy, this is unlikely to signify a market downturn. Industrial tenant demand is still outpacing the current development by a ratio of approximately 3:1. Big-box users will have more viable options by early 2018, as most of the new constructions consist of buildings over 100,000 square feet. Moving into Q4, the industrial market will remain positive from a landlord's perspective; tenants on the other hand will face fierce competition in a tight market to secure newly available industrial space.

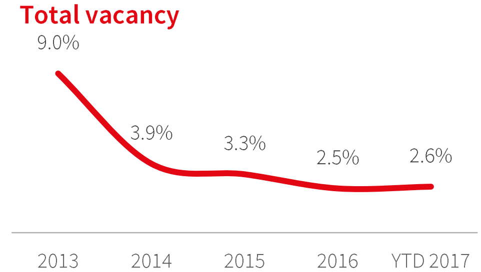
For more information, contact: Yeon Soo Lee | yeonsoo.lee@am.jll.com

Fundamentals		Forecast
YTD net absorption	2,933,907 s.f.	▲
QTD net absorption	177,649 s.f.	▶
Under construction	5,722,632 s.f.	▶
Total vacancy	2.6%	▶
Average asking rent (NNN)	$7.92 p.s.f.	▲
Tenant improvements	Falling	▼

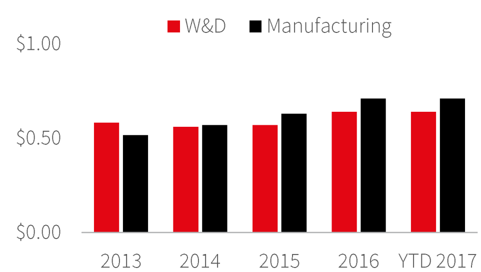
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Silicon Valley

Robust development pipeline and vacant-since-delivery projects steady rent growth

- Steady demand keeps vacancy below 5.0 percent while maintaining stable overall asking rents
- Limited inventory and lack of new supply continue to constrain market fundamentals and put pressure on adjacent markets
- Functional obsolescence of older inventory quells rent growth and limits leasing activity

The Silicon Valley industrial market is relatively balanced. Last-mile delivery services seeking optimal access to target demographics and automotive OEMs eyeing space near tech giants are shaping demand for industrial product. Net absorption was positive in the quarter but would have been stronger if not for a few large move-outs.

With vacancy below 5.0 percent, tenants, especially large-block users, have been pushed to the East Bay and Central Valley. Significant leasing activity this quarter was centered around Fremont, with tenants like Office Depot, RK Logistics and Boehringer Ingelheim either renewing or expanding into more than 930,000 square feet.

The area's aging inventory does not support new warehouse technology and automation trends. Still, new development is limited. Notable construction under way includes two buildings measuring 450,610 square feet in the McCarthy Creekside Industrial Center. The McCarthy project will eventually add five buildings for a total of 804,106 square feet to the Milpitas submarket, providing much-needed Class A industrial space.

Some new buildings that have not yet been leased are constraining rent growth, but overall asking rents are relatively stable, with a slight increase from last quarter, but still a bit lower than year-ago levels.

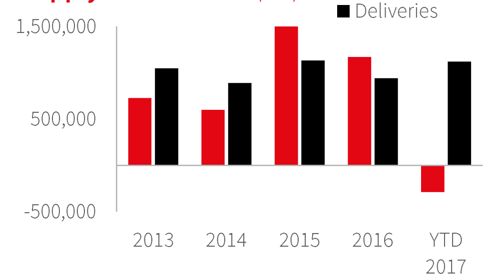
Outlook

The ongoing redevelopment of industrial product for office, residential and mixed-use projects will constrain leasing activity, at least until new industrial product is delivered.

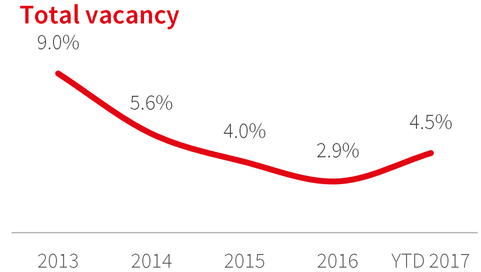
For more information, contact: Ada Wong | ada.wong@am.jll.com

Fundamentals		Forecast
YTD net absorption	-287,480 s.f.	▼
QTD net absorption	124,867 s.f.	▼
Under construction	472,786 s.f.	▶
Total vacancy	4.5%	▶
Average asking rent (NNN)	$11.82 p.s.f.	▲
Tenant improvements	Stable	▶

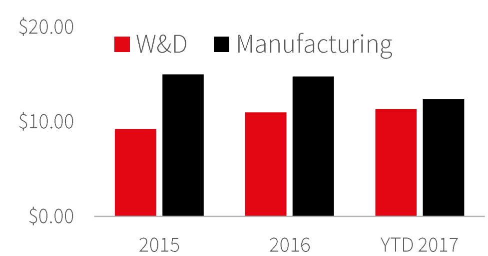
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



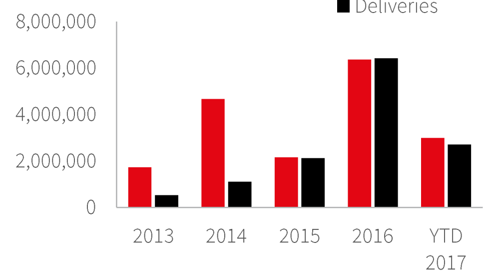
St. Louis

Absorption and construction reach highest levels of 2017

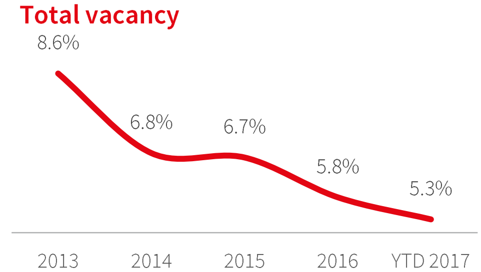
- Low vacancy rates and new construction have pushed asking rates up 5.6 percent year-over-year.
- Investment activity was headlined by Westcore and DRA's warehouse portfolio sale that spanned four submarkets.
- New construction will exceed 4.0 million square feet by year-end, the second most since 2006.

Fundamentals		Forecast
YTD net absorption	2,996,976 s.f.	▲
QTD net absorption	1,838,444 s.f.	▶
Under construction	3,021,128 s.f.	▶
Total vacancy	5.3%	▶
Average asking rent (NNN)	$3.99 p.s.f.	▲
Tenant improvements	Stable	▶

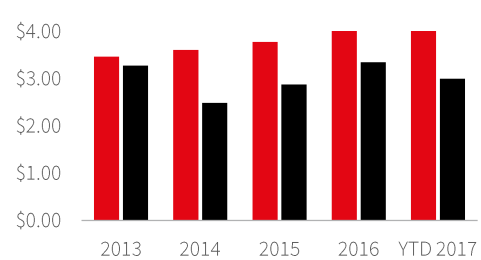
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



As expected, the industrial market had its biggest quarter of 2017. Both absorption and new construction hit high-water marks for the year. Metro East and North County led the way again, combining for 1.7 million square feet of absorption. Leases commencing by Geodis, DB Schenker and Amazon added 1.5 million square feet of growth. Leasing activity came from smaller tenants this quarter; the average size was just under 60,000 square feet. Headlining the quarter were two leases in North County. UPS leased 90,000 square feet and the American Red Cross signed a 95,000-square-foot lease at Hazelwood Logistics Center.

Transwestern Investment Group entered the market with an eight-building purchase. Seven of the eight properties were bought from Blackstone as part of a larger, national portfolio that was sold by Westcore and DRA Advisors. Blackstone owned the assets for only a few weeks. The buildings are spread throughout four submarkets. It immediately makes Transwestern one of the largest owners of institutional bulk space in St. Louis.

Outlook

The market continues to keep a healthy equilibrium with new construction. Velocity and tenant demand remain brisk. With absorption approaching 4.0 million square feet in 2017, the current cycle is surpassing 10-year averages. Over the past five years, average annual absorption is projected to be 70.0 percent higher than the previous 10 years.

Following up on data from the Federal Reserve last quarter, manufacturing employment has been gradually rising since the spring. Growth has been coming in durable goods production, which until recently had been steadily declining for 12 months. This bodes well for warehouse demand as increased production leads to the need for more storage space.

For more information, contact: Blaise Tomazic | blaise.tomazic@am.jll.com

Tampa Bay

New developments continue to fill up quickly as demand stays strong through the third quarter

- After a slow second quarter, leasing activity picked back up, resulting in more than 398,000 square feet of positive absorption in the third quarter.
- Positive absorption continues to outpace deliveries by more than 930,000 square feet through the first three quarters of 2017.
- Developers remain bullish on the market, with more than 700,000 square feet of speculative development currently under construction.

There are currently only 12 blocks greater than 100,000 square feet of existing product available in the Hillsborough and Polk County submarkets. The current lack of large blocks available across the market is allowing landlords to achieve higher rents year-over-year and hold out for larger tenants in most cases. There are a number of speculative developments coming online over the next few quarters, which is creating a race to fill new product. More than 50 percent of the total absorption during the first three quarters has taken place in the East Side and Polk County submarkets, with more expected in the final quarter. The region continues to be a hotbed of activity thanks to strong market dynamics, a large employment pool, relatively inexpensive land and prime locations with easy access to two major interstates. Additionally, tenants are regularly choosing first- or second-generation product that offers more efficient operations than older product.

This is in stark contrast to the market dynamics in the Pinellas and Westshore/Airport submarkets, where vacant land is nonexistent and landlords have been able to aggressively raise asking rates and have their choice of tenants. Asking rates for warehouse and distribution space are currently at their 10-year high and have risen 11.4 percent and 11.9 percent in the Westshore-Airport and Pinellas County submarkets, respectively.

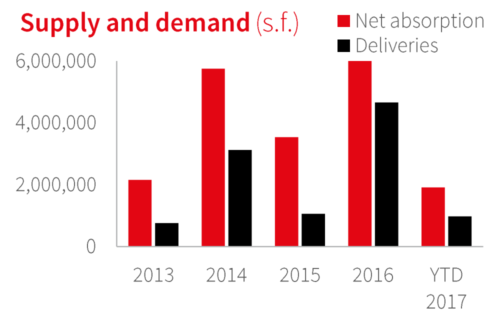
Outlook

The vast majority of current construction is speculative development with the average building size exceeding 215,000 square feet. Landlords will look to target midsize to large users that will be able to take most if not all of the available space in each development. With strong job growth in the region and consistent demand for space, expect warehouse leasing activity to continue through the last quarter of 2017 and into next year.

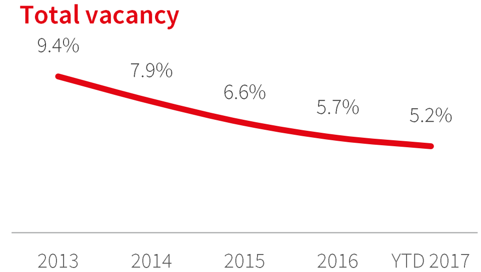
For more information, contact: Drew Gilligan | Drew.Gilligan@am.jll.com

Fundamentals	Forecast	
YTD net absorption	1,916,398 s.f.	▲
QTD net absorption	398,784 s.f.	▲
Under construction	1,950,012 s.f.	▲
Total vacancy	5.2%	▼
Average asking rent (NNN)	$5.20 p.s.f.	▲
Tenant improvements	Falling	▼

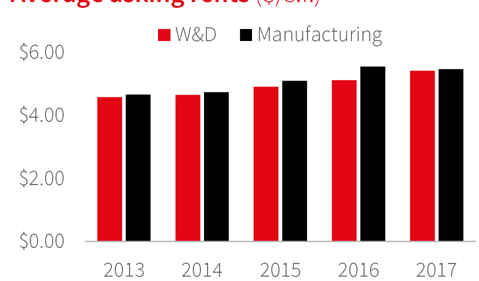
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Washington, DC

After a slow second quarter, Metro DC industrial market returns to positive net absorption

- Decreased tenant roll, and numerous large block move-ins, led to a rebounding quarter for the Metro DC market.
- Vacancy has dipped back down on limited new construction deliveries, coupled with increased leasing activity.
- Despite functional blocks remaining on the market, construction in outer submarkets maintains momentum.

Despite an average of 10,820 square feet for lease transactions, increased small-deal velocity along with multiple large move-ins have combined to create tightening fundamentals in the quarter. While the second quarter saw the Washington area's net absorption dip negative on the year, move-ins in Suburban Maryland have helped push yearly net absorption positive yet again, overcoming the large move-out of HH Gregg earlier in the year.

The largest contribution to positive net absorption lies in the three largest move-ins during the third quarter. DM Moore moved into more than 150,000 square feet at 4612 Navistar Drive in Frederick County, while Starbucks and Iron Mountain moved into 129,600 square feet and 125,079 square feet, respectively, both in Prince George's County. While Craftsman Press vacated its 175,039-square-foot space at 2300 Craftsman Circle, there was only one other move-out in the quarter that totaled more than 30,000 square feet. That move-out, a 54,421-square-foot space leased by Tessada & Associates at 45055 Underwood Ln., was also the largest move-out in Northern Virginia, adding a functional block onto the market in the Dulles submarket.

Outlook

Despite functional blocks remaining available, construction remains active, particularly in outer submarkets such as Prince William West and the Manassas area in Northern Virginia. Competing land uses in the Washington-proximate submarkets have kept rental rates elevated, and with the groundbreaking of the Purple Line light rail system across Suburban Maryland, the scope of redevelopment has expanded to potentially put a large portion of the Northern Prince George's County industrial supply in the path of possible redevelopment as the infrastructure project progresses. In Northern Virginia, a significant driver of leasing activity is expected to be the I-66 widening project, as contractors and construction companies drive demand in the market.

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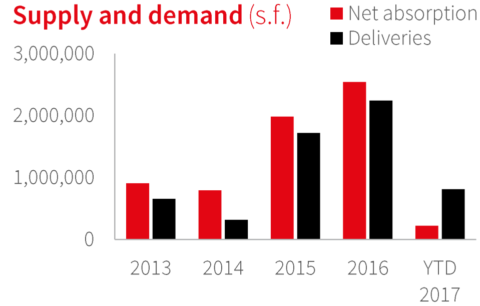
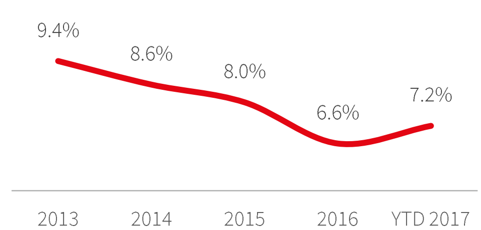
Fundamentals		Forecast
YTD net absorption	223,202 s.f.	▶
QTD net absorption	699,552 s.f.	▶
Under construction	1,790,669 s.f.	▼
Total vacancy	7.2%	▶
Average asking rent (NNN)	$8.12 p.s.f.	▲
Tenant improvements	Falling	▼

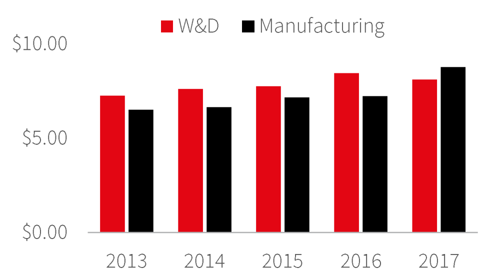
Supply and demand (s.f.)



Total vacancy

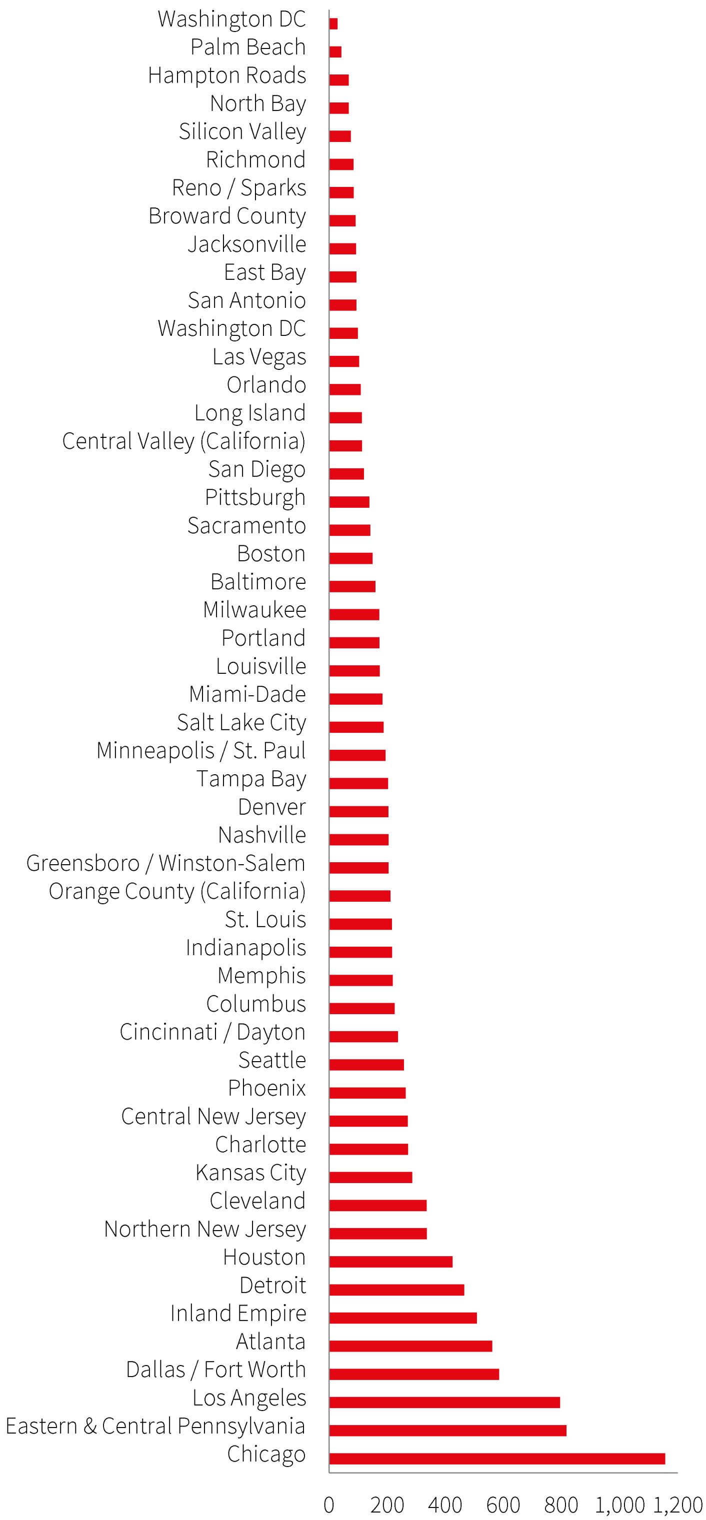


Average asking rents ($/s.f.)

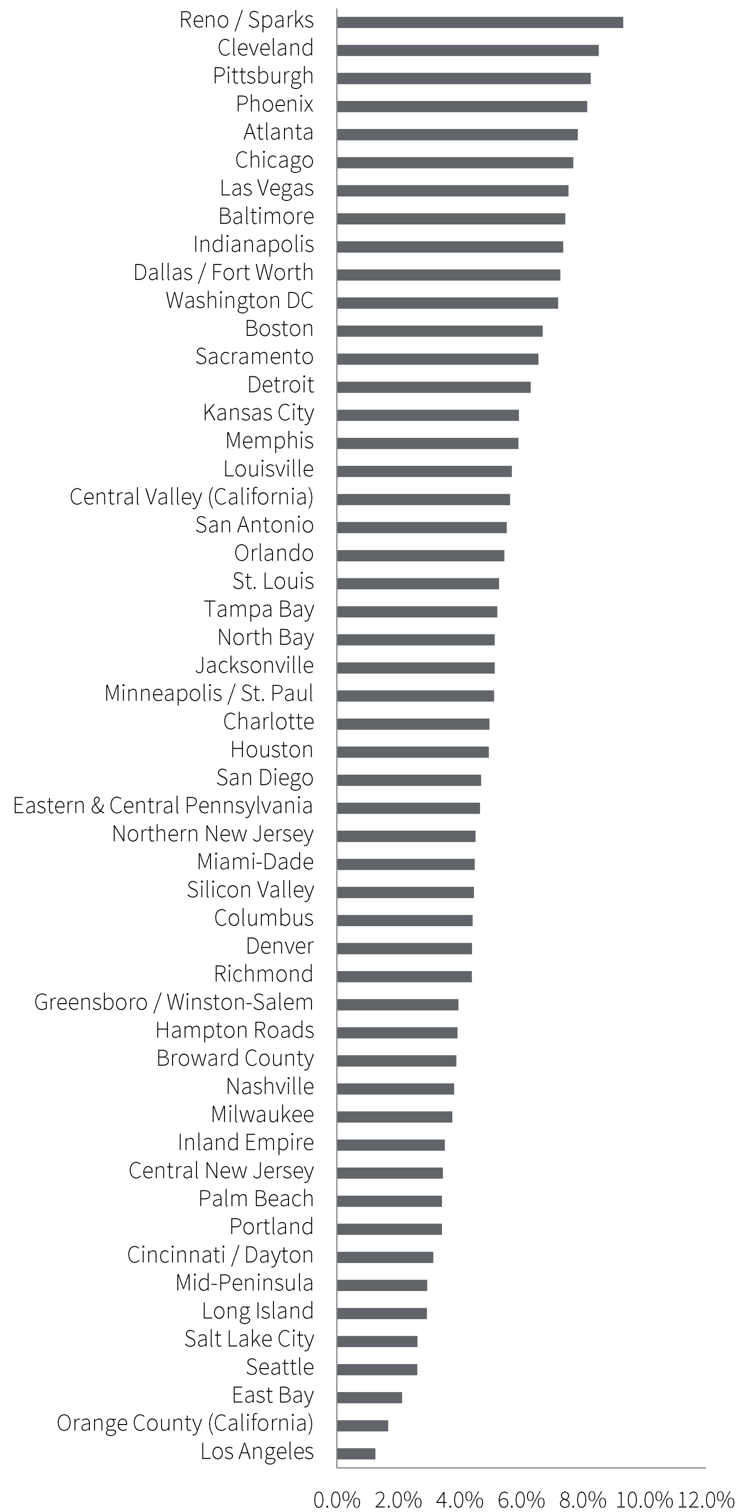


United States industrial rankings

Total inventory (millions of s.f.)



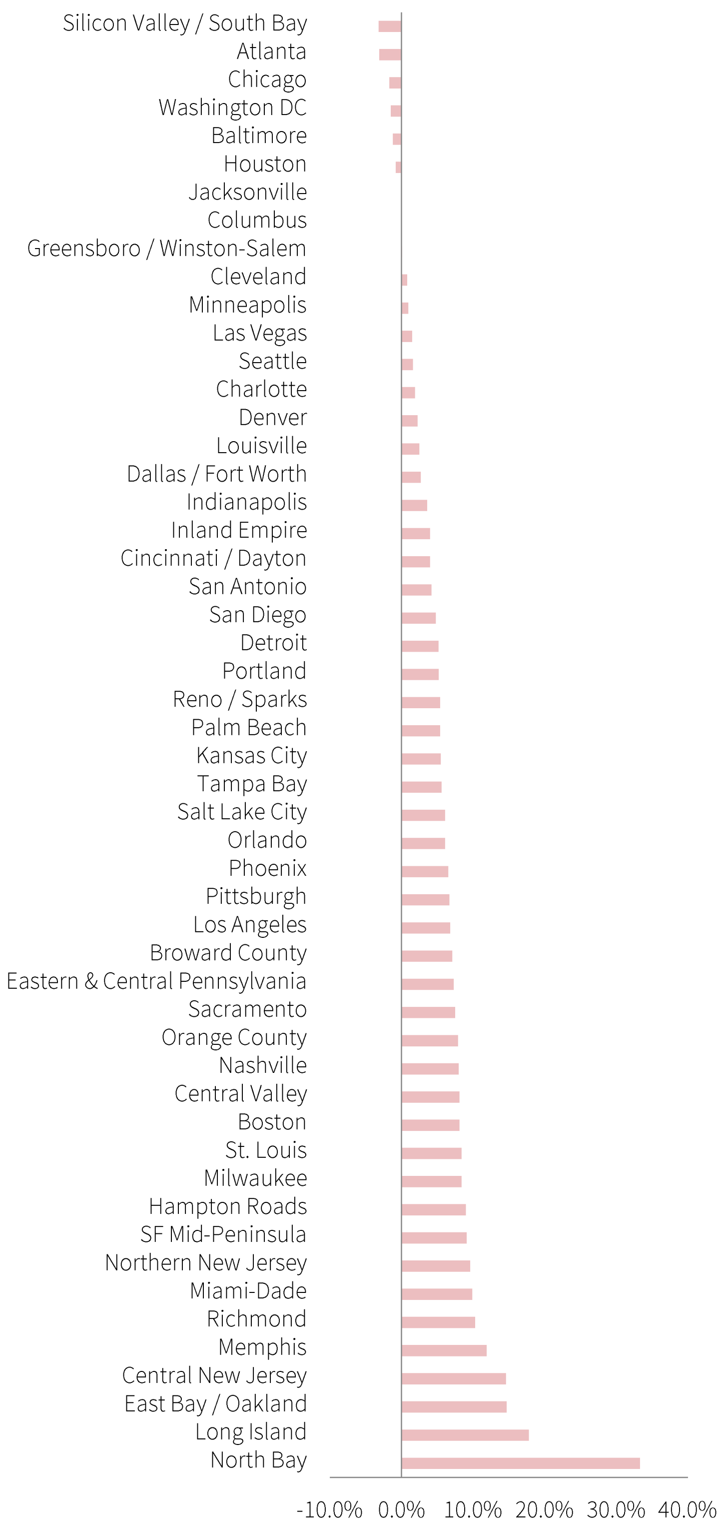
Total vacancy



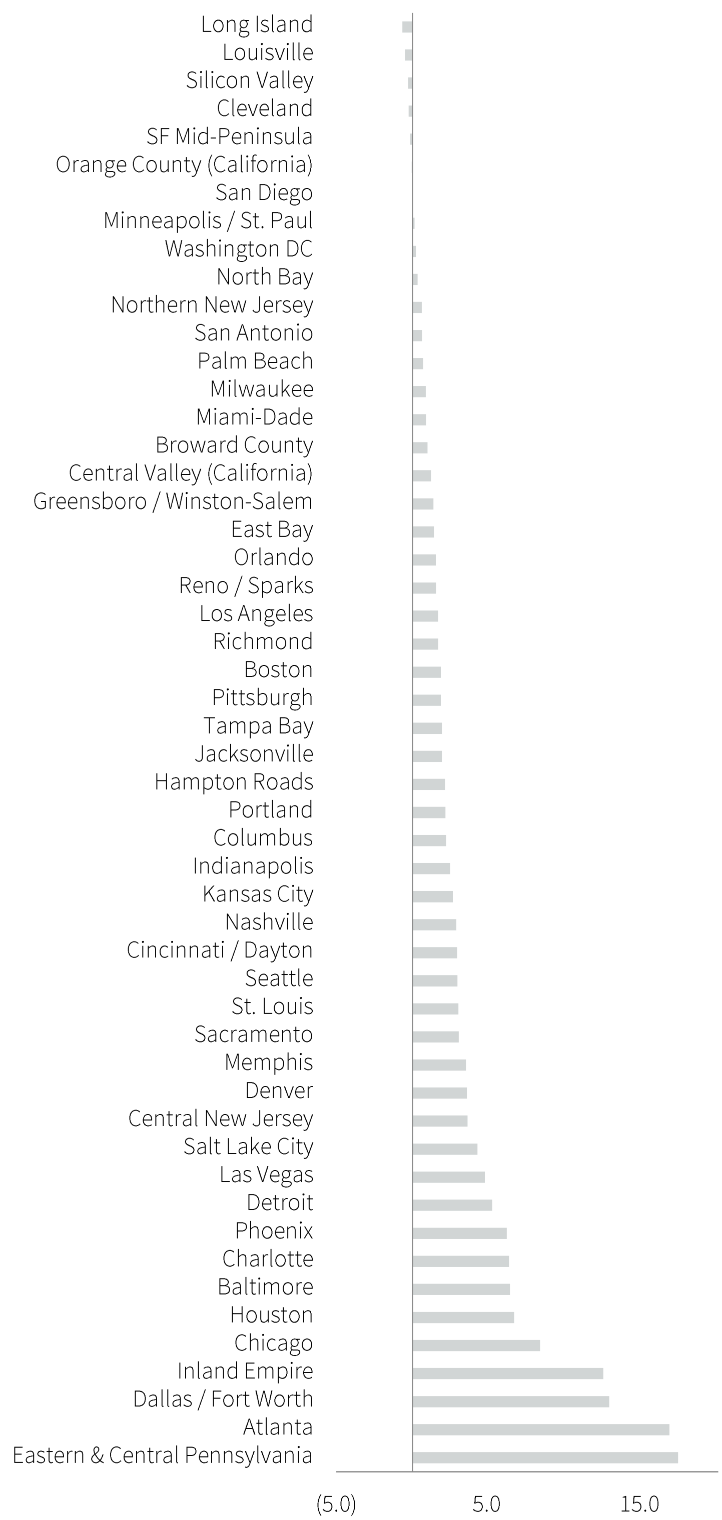
Source: JLL Research

United States industrial rankings

YOY average total asking rent changes



YTD net absorption (millions of s.f.)



Source: JLL Research

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