

Interest Rate Hikes Haven't Made a Dent in Industrial Prices

The national average sale price is at \$131 per square foot, up \$7 from 2022.

By Richard Berger

Interest rates may have slowed sales volume for industrial properties but they have not yet impacted the average price of the properties that do sell, according to a new national industrial report from Yardi's Commercial Edge.

The national average sale price has increased slightly from \$124 per square foot in 2022 to \$131 per square foot in 2023.

"Some of the slowdown in sales may be due to a bid-ask gap between buyers and sellers," according to the report.

The Federal Reserve will continue its fight against inflation, according to remarks made by Federal Reserve Chair Jerome Powell at Jackson Hole, Wyo., on Aug. 25.

As capital has become scarcer and more expensive, industrial construction starts and sales have slowed.

Industrial deals totaled only \$27 billion through the end of July after coming in at \$98.5 billion in 2022 and \$128.2 billion in 2021.

"The data continues to show the collective deep breath that we anticipated the industrial market taking as it comes off of the record growth of the past few years," Peter Kolaczynski, CommercialEdge Senior Manager, said in prepared remarks.

Given that rent growth remained strong and vacancies tight, owners are comfortable holding properties, said the report.

Meanwhile, buyers may be hesitant to pay historically high figures when capital is expensive.

Indianapolis registered both the lowest vacancy rate and rent growth in the Midwest. Miami recorded the highest rent growth in the South, up 9% year-over-year in July. New Jersey logged \$1.15 billion in transactions, the largest volume in the Northeast.