

Inside the Wild Swings of Smaller Industrial Sales

Some areas that were in high demand are seeing considerable cooling.

By Erik Sherman

Industrial properties were perhaps the best performing through the pandemic, to its heights, and through 2022, because of expansions of e-commerce and increased inventories for many companies that wanted to avoid the supply chain problems of the previous two years.

That was then, this is now, as the economy shifts, supply chains return to normal, and the needs for industrial real estate are finally changing, at least in this smaller size category.

Out of the 20 metros with the highest collective first half year sales, only seven were higher than the same period in 2022, according to a Green Street analysis.

The largest year-over-year percentage increase, 111.0%, was in Central New Jersey. But it was only number nine in dollar sales, with \$241.9 million and 19 properties.

That was a remarkably high increase, more than doubling. In second place of growth year over year was the Atlanta metro area, 79.1% growth. But the dollar sales of \$203.6 million and 20 properties were only high enough for twelfth place.

Third was Miami: 25.7% increase and fifth place in dollar volume with \$288.2 million and 25 properties.

Fourth: Washington, D.C.'s 25.3% increase on \$155.5 million and 19 properties, which was only enough for seventeenth place overall.

The numbers drop off even faster now, as New York had \$345.5 on 38 properties, which was strong enough for a dollar third place, but the 17.0% year-over-year growth was fifth. Sixth and Seventh were Portland, Oregon (7.1%, \$103.5 million, 12 properties, and twentieth place in dollars) and Northern New Jersey (6.0%, \$194.2 million, 21 properties, and fourteenth place in dollars).

But some of these are signs of how the air has come out of the product category. Even a 17.0% increase seems small in New York. The biggest drop was 56.9% in Minneapolis, with \$131.2 million and 15 buildings in sales that put it into nineteenth place. Just behind was Seattle — sixteenth place in dollars with \$174.4 million and 16 properties but a drop of 56.8% over the first half of 2022. Perhaps most surprising were San Diego (-42.9%, thirteenth place with \$196.2 million and 18 properties) and the Inland Empire (-42.8%, \$273.6 million and 27 properties for eighth place). Both of those have been hot areas, but with supply chains improving, it might be a response to lessening pressure of ships backed up in the harbor. Chicago, second at \$357.4 million and 41 properties, was down 32.8%. Boston, -31.9%; Philadelphia, -31.5%; and Chicago, -32.8%.

Across all metros, it was -26.9%, and all but the top metros, -35.1%. There are significant shifts for investors and developers to watch in the near term.