

Industrial Rents Up By 7.3% Despite New Supply Plaguing Landlords

By Bianca Barragán

In-place industrial rents rose in July to \$8.15 per SF, according to a report from CommercialEdge. The 7.3% year-over-year increase is good news for landlords that have been coping with a supply surge, but the overall industrial market is still down from its record highs in 2022.

Rent growth was greatest in the Inland Empire, Los Angeles, Miami and New Jersey, which saw year-over-year increases of 12%, 11%, 9.7% and 9%, respectively, according to CommercialEdge.

But even where the rents have risen, it isn't all good news for industrial real estate. Nationally, the vacancy rate has risen to 6.4%, a 30-basis-point increase compared to July.

While actual rents have increased, CommercialEdge reported the average cost of a new lease has declined in 2024 by \$3.37 per SF in the Inland Empire and by \$1.98 in LA. Both markets are major industrial hubs because of their proximity to ports.

Prologis acknowledged softness in the Inland Empire, telling investors on a second-quarter earnings call that demand in the market was "sluggish" and that it anticipated these conditions to continue over the next 12 months, CommercialEdge reported. Those comments were made well before the interest rate cut announced Wednesday, which may impact interest in new projects in at least some markets.

Prologis also said its customers overall demonstrated a lack of urgency in their dealings and renegotiations with the landlord and that rents in the area were falling because of increased concessions.

Many industrial landlords have long anticipated that the year would end with a lackluster market as tenants hesitated to make decisions and prioritize controlling costs over all else.

Some of that sluggishness has come from the more than 1B SF of industrial space that came online in the last two years.

Roughly 379M SF of industrial space is under construction, a decline from 595M SF under construction at the same time last year. This year, just over 229M SF has come online, and the pace is expected to continue to slow, CommercialEdge reported.