CommercialEdge

National Industrial Report

May 2025

Data Centers Boom but Questions Remain

- Generative AI has made massive leaps in recent years, driving a demand boom for data centers. Yet AI firms face an array of challenges as the nascent industry moves into the future.

- Tech firms' massive investments in AI have led to a data center surge, with more than 51 million square feet of new data centers (23.6% of stock) breaking ground since the start of 2023. The rush may be slowing, however. In recent months, reports emerged that two tech giants are reducing data center leasing. AWS has paused some lease talks, and Microsoft is holding off on plans totaling $1 billion across three campuses in Ohio, part of a larger global pullback. Both firms downplayed these pauses as temporary and the result of capacity management, but it marks the first noteworthy slowing that has occurred since the AI boom began.

- Some investors are beginning to question the return on investment for the sector. Last summer, Goldman Sachs made waves when it expressed AI skepticism. In a research paper titled "Too Much Spend, Too Little Benefit," Jim Covello, head of the firm's global equity research, argued that AI will require $1 trillion in investment over the next few years, with no trillion-dollar problem to solve. Investor skepticism picked up again this year when Chinese startup DeepSeek unveiled a cheaper, less resource-intensive model than Western companies have been able to produce.

- Beyond financial challenges, AI faces other headwinds. Data center power requirements have led to site selection problems and community pushback. The phenomenon in generative AI known as hallucinations—producing false or misleading information—could severely reduce AI's impact in fields like medicine, manufacturing and legal, requiring significant human oversight to avoid critical errors. Critics say hallucinations are inherent to generative AI, and analysis of recent models from OpenAI have shown higher rates of hallucinations than previous ones produced. Additionally, legal challenges around copyright, liability and discrimination pose a serious threat to the growth of the industry.

- Generative AI is here to stay, and it will continue to fuel significant growth of data centers for the foreseeable future. Billions of dollars have already poured into the technology, and the current administration has adopted a favorable stance, offering support and little to no regulation of the industry. However, it is not a given that demand will continue to grow at this pace over the next decade. Issues around resource usage, return on investment, model accuracy and legal challenges will determine if AI reshapes the economy as we know it or if its uses will be more narrow.

Rents and Occupancy: Midwest Rents Lag Nation

- National in-place rents for industrial space averaged $8.49 per square foot in April, up five cents in the month and 6.7% over the past 12 months.
- The Midwest continues to be the region with the slowest industrial rent growth. While Memphis had the slowest growth of the top 25 markets covered by CommercialEdge over the past 12 months, at 3.7%, the next five of the slowest markets were all in the Midwest—Kansas City (3.8%), Detroit (3.9%), Indianapolis (4.0%), Cincinnati (4.3%) and Chicago (4.4%). The biggest reason for this slow growth is geography. Ample space for new development allowed new supply to quickly deliver when demand was red hot, keeping vacancy rates elevated compared to port markets. Demographics play a role, too—the region has seen population stagnate so far this decade.
- The national vacancy rate was 8.8% in March, an increase of 30 basis points from the previous month. Vacancy rates have more than doubled in the past few years. Demand began to cool at the same time that a historic level of new supply was coming to market. With new supply deliveries starting to taper off last year, we expect that the run-up in vacancy rates will not last much longer.
- As vacancy rates have risen, the premium paid for a new lease has shrunk in the past year. The national spread between a lease signed in the past 12 months and the overall in-place average rent was $1.80 per foot. Last April, the spread was $2.35 per foot.
- The premium for a new lease is highest in Bridgeport, where a lease signed in the past 12 months averaged $5.90 more per foot than the market's average rate. This spread was also high in Boston ($4.79 more per foot), Miami ($3.72), New Jersey ($3.60), Seattle ($3.58) and Charlotte ($3.44).

Average Rent by Metro

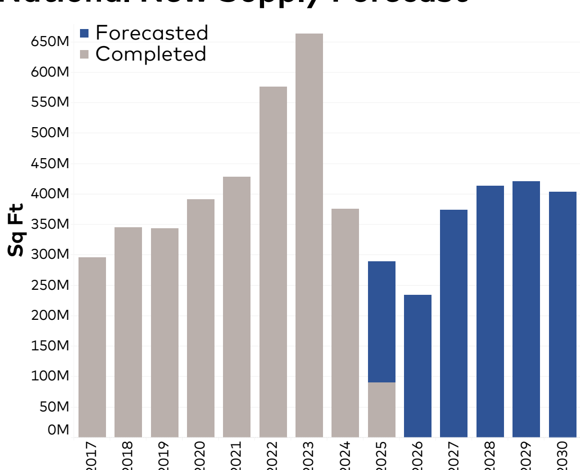
Market	Apr-25 Average Rent	12-Month Change	Avg Rate Signed in Last 12 Months	Vacancy Rate
National	$8.49	6.7%	$10.29	8.8%
New Jersey	$11.85	10.5%	$15.45	9.5%
Nashville	$6.66	10.3%	$9.34	9.1%
Miami	$12.65	9.7%	$16.37	11.6%
Atlanta	$6.27	9.6%	$8.72	8.2%
Dallas–Ft. Worth	$6.45	9.0%	$8.55	10.4%
Inland Empire	$11.22	8.2%	$12.47	6.8%
Orange County	$16.71	8.2%	$17.42	6.3%
Philadelphia	$8.30	7.9%	$10.92	8.1%
Phoenix	$9.42	6.9%	$11.80	7.4%
Boston	$11.23	6.9%	$16.02	10.3%
Bay Area	$13.83	6.8%	$14.76	8.3%
Columbus	$5.19	6.6%	$5.70	9.0%
Seattle	$11.91	6.4%	$15.49	8.3%
Portland	$10.29	6.1%	$11.00	8.7%
Bridgeport	$9.74	6.0%	$15.64	4.5%
Baltimore	$8.41	5.9%	$10.93	8.9%
Los Angeles	$15.21	5.9%	$16.50	8.7%
Central Valley	$6.57	5.8%	$8.75	10.2%
Tampa	$8.15	5.3%	$10.29	8.6%
Twin Cities	$7.29	5.2%	$8.86	9.7%
St. Louis	$5.05	5.0%	$5.39	8.8%
Charlotte	$7.10	4.9%	$10.54	9.9%
Houston	$6.95	4.7%	$8.15	6.6%
Denver	$8.96	4.6%	$10.09	11.0%
Chicago	$6.42	4.4%	$7.54	10.9%
Cincinnati	$5.08	4.3%	$5.07	8.9%
Indianapolis	$4.91	4.0%	$5.95	10.2%
Detroit	$7.24	3.9%	$7.99	6.4%
Kansas City	$4.92	3.8%	$4.49	5.1%
Memphis	$4.18	3.7%	$4.51	11.1%

Source: CommercialEdge. Data as of April 2025. Rent data provided by Yardi Market Insight. National rent and occupancy data is a weighted average of the top 30 markets.

Supply:
Dallas Pipeline Yet to Slow

- Currently, 352.9 million square feet of industrial space, or 1.7% of stock, are under construction nationally, according to CommercialEdge.
- While in most markets the new-development pipeline is slowing, that is not the case everywhere. Dallas is among a handful of markets with more space under construction than at this point last year. The 25.8 million square feet of new industrial space that have broken ground there over the past year account for more than 11% of all starts nationwide.
- The recent wave of new construction in Dallas is even more remarkable in the context of how much new space has been delivered in recent years. Between 2018 and 2024, more than a quarter billion square feet (26.5% of stock) have been completed in the market. The rapid industrial expansion in recent years has been driven by a population boom in Texas and the nearshoring of manufacturing to Mexico. While in-migration into the state is likely to continue for the foreseeable future, recent tariff uncertainty threatens to slow nearshoring. Dallas' location makes it a hub for imported goods manufactured in Mexico, but many firms may enter a holding period until a new United States-Mexico-Canada Agreement (USMCA) is reached.

National New Supply Forecast



Source: Yardi Matrix. Data as of April 2025.

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	UC Plus Planned % Stock
National	352,909,998	1.7%	3.8%
Memphis	12,518,000	4.2%	4.3%
Phoenix	15,409,594	3.5%	10.0%
Kansas City	8,305,226	2.8%	5.3%
Dallas	25,024,058	2.5%	5.0%
Houston	15,838,701	2.4%	5.7%
Denver	6,751,312	2.4%	5.2%
Columbus	7,587,134	2.3%	3.1%
Philadelphia	7,431,680	1.6%	3.1%
Atlanta	8,570,570	1.5%	3.3%
Charlotte	5,219,890	1.5%	4.9%
Inland Empire	9,359,906	1.4%	3.4%
Nashville	2,882,010	1.3%	3.1%
Detroit	7,442,858	1.2%	1.5%
Seattle	3,674,392	1.2%	2.4%
Indianapolis	4,255,174	1.1%	3.1%
New Jersey	6,280,771	1.0%	2.3%
Central Valley	3,658,098	1.0%	1.6%
Tampa	2,477,876	0.9%	3.7%
Portland	1,833,566	0.9%	1.1%
Tin Cities	2,938,398	0.8%	3.3%
Bay Area	2,355,839	0.8%	2.3%
Los Angeles	4,779,008	0.7%	2.0%
Baltimore	1,617,060	0.7%	1.6%
Cincinnati	1,845,000	0.6%	1.0%
Orange County	1,220,182	0.6%	1.0%
Chicago	5,865,808	0.5%	1.6%
Cleveland	1,963,926	0.5%	0.7%
Boston	725,968	0.3%	2.3%
Bridgeport	477,182	0.2%	0.6%

Source: CommercialEdge. Data as of April 2025.

Economic Indicators:
E-commerce Sales Growth Disappears in First Quarter

- E-commerce sales totaled $300.2 billion in the first quarter, virtually unchanged from the fourth quarter of 2024, according to the U.S. Census Bureau. This was the worst quarterly growth for online sales since the third quarter of 2021, which was the only quarter on record where e-commerce sales declined. On a year-over-year basis, e-commerce sales volume increased 6.1%, the third-lowest mark of the last 15 years.

- E-commerce's share of core retail sales also slipped in the month, falling to 19.0%, a drop of 20 basis points from the previous quarter. This is the first time since 2022 that the share decreased, and only the fifth quarter on record with a decline. All previous quarters when this share decreased were between 2020 and 2022, during a period of rebalancing following the pandemic-driven spike in online sales. While the first quarter numbers are unexpected and unwelcome for the industrial sector, long e-commerce drivers remain strong.

Economic Indicators

National Employment
(April)
159.5M
0.1% MoM ▲
1.2% YoY ▲

ISM Purchasing Manager's Index
(April)
48.7
-0.3 MoM ▼
-0.1 YoY ▼

Inventories
(March)
$2,578.1B
0.1% MoM ▲
2.5% YoY ▲

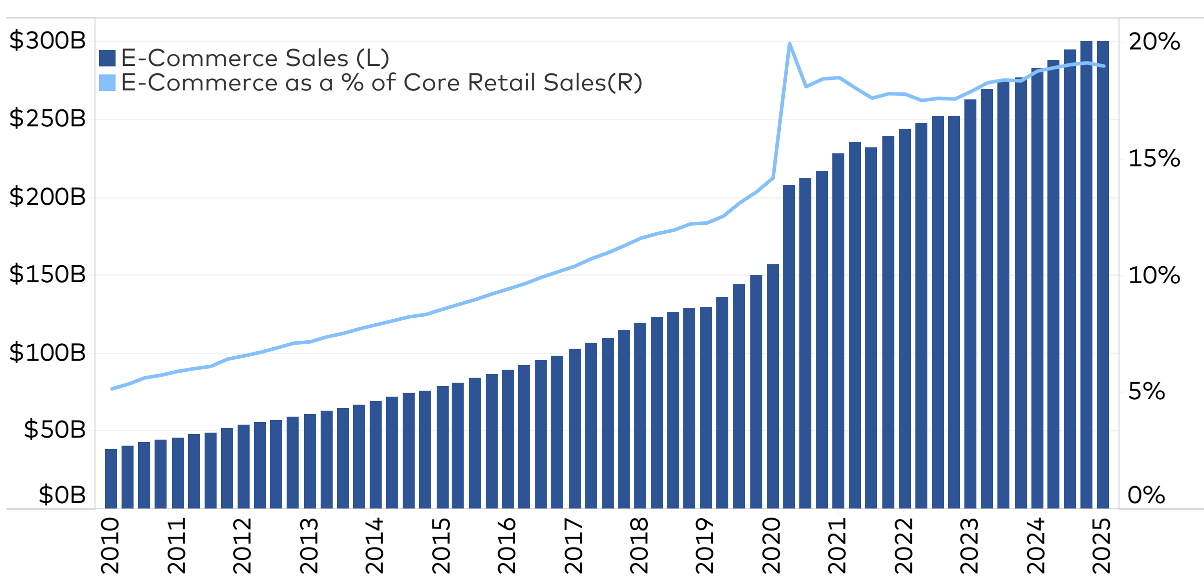
Imports
(March)
$346.8B
5.4% MoM ▲
31.2% YoY ▲

Core Retail Sales
(March)
$530.6B
1.1% MoM ▲
5.3% YoY ▲

Exports
(March)
$183.2B
0.7% MoM ▲
7.3% YoY ▲

Sources: Bureau of Labor Statistics, Institute for Supply Management, U.S. Census Bureau, Bureau of Economic Analysis, Moody's Analytics

Quarterly E-Commerce Sales



Sources: U.S. Census Bureau, CommercialEdge

Transactions:
Chicago Prices Lag National Growth

- Industrial transactions totaled $15.5 billion during the first four months of the year, according to CommercialEdge, with properties trading at an average of $129 per foot.

- Through April, Chicago has seen the third greatest industrial sales volume in the country, with $790 million. The nation's largest industrial market by square feet, Chicago has had more than 70 industrial sales so far in 2025.

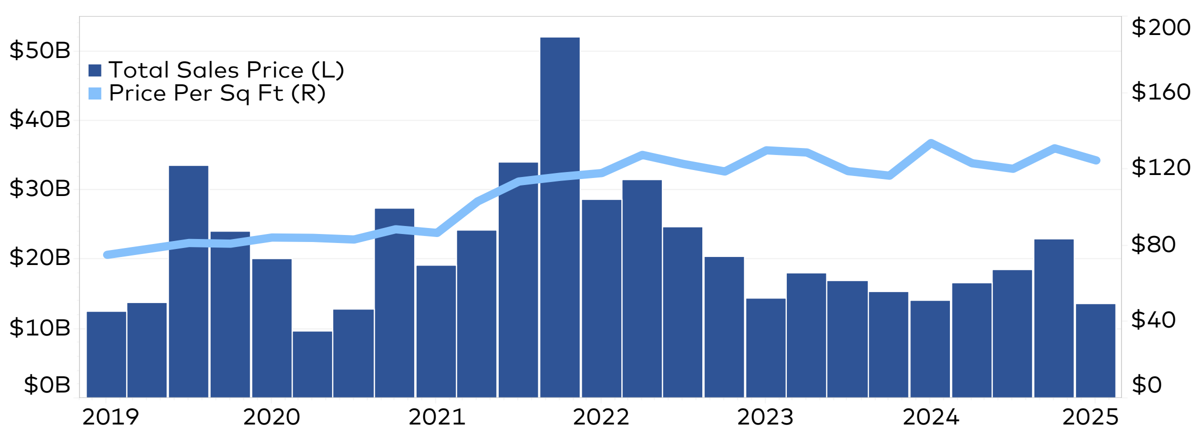
- Chicago's industrial market remains in demand due to its central location and infrastructure, with rail and airport infrastructure that is crucial to national supply chains. Properties in the O'Hare submarket, along with the adjacent I-90 Golden Corridor and Itasca submarkets, have consistently commanded the highest sale prices in recent years. However, price growth for the market overall remains muted, especially when compared to other large markets. While the average national sale price has increased 62% since 2019—moving from $79 per foot to $129 so far in 2025—the average price of an industrial property in Chicago has increased 40% over that same timeframe ($69 per foot to $96). This is largely due to the impact of new supply, with Chicago adding 125 million square feet (11.4% of stock) since the start of the decade.

Sales Activity

Market	YTD Sales Price PSF	YTD 2025 Sales (Mil)
National	$129	$15,494
New Jersey	$281	$1,122
Dallas–Fort Worth	$98	$944
Chicago	$96	$790
Phoenix	$184	$709
Los Angeles	$300	$671
Orange County	$293	$527
Inland Empire	$248	$489
Twin Cities	$98	$422
Baltimore	$162	$352
Houston	$81	$341
Seattle	$213	$333
Columbus	$96	$314
Kansas City	$75	$270
Boston	$158	$262
Atlanta	$143	$256
Charlotte	$103	$252
Central Valley	$66	$249
Tampa	$105	$190
Memphis	$76	$185
Philadelphia	$90	$184
Bay Area	$188	$178
Indianapolis	$111	$161
Nashville	$120	$149
Cincinnati	$60	$137
Bridgeport	$58	$122

Source: CommercialEdge. Data as of April 2025.

Quarterly Transactions



Source: CommercialEdge. Data as of April 2025.

Definitions

CommercialEdge collects listing rate and occupancy data using proprietary methods.

- Average Rents—Provided by Yardi Market Insight, a cutting-edge service that uses anonymized and aggregated data from other Yardi platforms to provide the most accurate rental and expense information available.
- Vacancy—The total square feet vacant in a market, including subleases, divided by the total square feet of office space in that market. Owner-occupied buildings are not included in vacancy calculations. Also provided by Yardi Market Insight.

Stage of the supply pipeline:

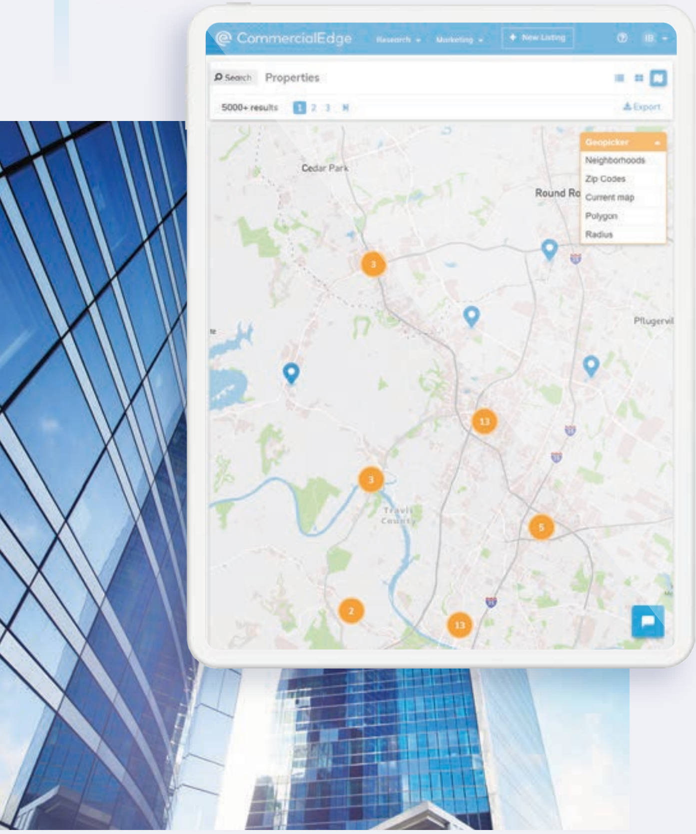
- Planned—Buildings that are currently in the process of acquiring zoning approval and permits but have not yet begun construction.
- Under Construction—Buildings for which construction and excavation has begun.

Sales volume and price-per-square-foot calculations for portfolio transactions or those with unpublished dollar values are estimated using sales comps based on similar sales in the market and submarket, use type, location and asset ratings, sale date and property size.

CommercialEdge

Reliable commercial real estate data, built up over more than a decade of extensive research. Powered by Yardi.

CommercialEdge provides the industrial segment's most comprehensive market intelligence service and listing management platform, sustaining data-driven decisions.



Key features:

- Continually growing nationwide coverage with 162 markets currently included
- Researched and verified data, powered by a team of 400 experienced property research specialists
- Exhaustive property reports featuring data points such as ownership, leases, sales, debt, taxes and more
- Building and portfolio performance overview with current average rents, vacancy rates and maturing leases
- Extensively researched tenant data with an accuracy rate two to three times higher than the industry average
- Real-time market trends based on actual transactional and leasing data with Yardi Market Insight
- Dedicated tools, including automated competitive building sets, broker tour books and dedicated property webpages
- Access to the CommercialEdge Listing Network — including CommercialCafe, PropertyShark, Point2 and CommercialSearch

Capitalize on comprehensive commercial real estate research
Nationwide property and listing data all in one place, specifically engineered for CRE professionals.

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