

Capital Trends

US Industrial

Q1 2022

30.1% YOY price change

\$33.9b Transaction volume

50% YOY volume change

Industrial property sales were up at double-digit rates in Q1'22 despite the interest rate spike in March. Transactions often close over periods measured in months, so the level of activity through March reflects sentiment for the sector from the beginning of the year and not just recent concerns. Any fallout impacting deal volume would likely be seen in coming months.

Price growth came in at a record high in Q1'22 as the RCA CPPI for industrial properties rose 30.1% YOY. This growth was decelerating, however. Price growth in Q4'21 was up an extra 810 bps from the previous quarter while in Q1'22 growth was up only 650 bps. To put this change in the growth rate into perspective, consider this: on average from 2001 to the end of 2020, the RCA CPPI for industrial properties posted an average 4.0% CAGR.

It is not clear if this deceleration of price growth was in response to the increases in interest rates. In other property sectors price growth has been decelerating for several quarters now after an initial rebound relative to the worst parts of the pandemic.

Deal activity would have been weaker in Q1'22 if not for two entity-level transactions with significant exposure to the industrial sector. Entity-level sales totaled \$6.4b for the quarter, up from nothing a year earlier. These involved the merger of ILPT REIT and Monmouth REIT and the acquisition of CyrusOne by a joint venture of KKR and Global Infrastructure Partners.

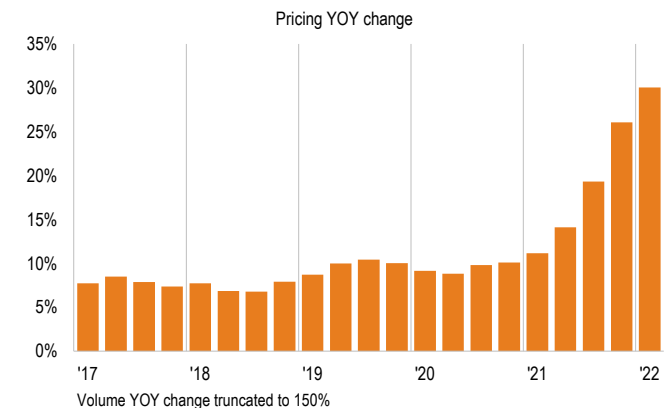
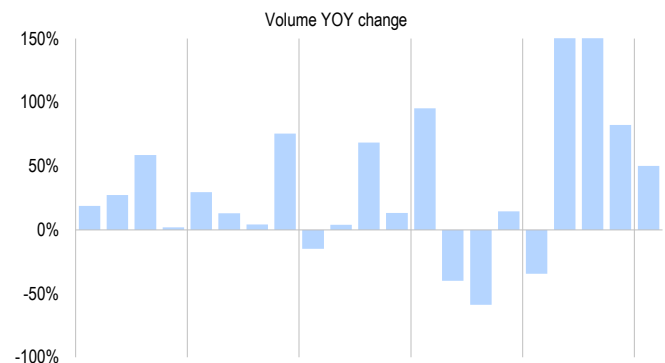
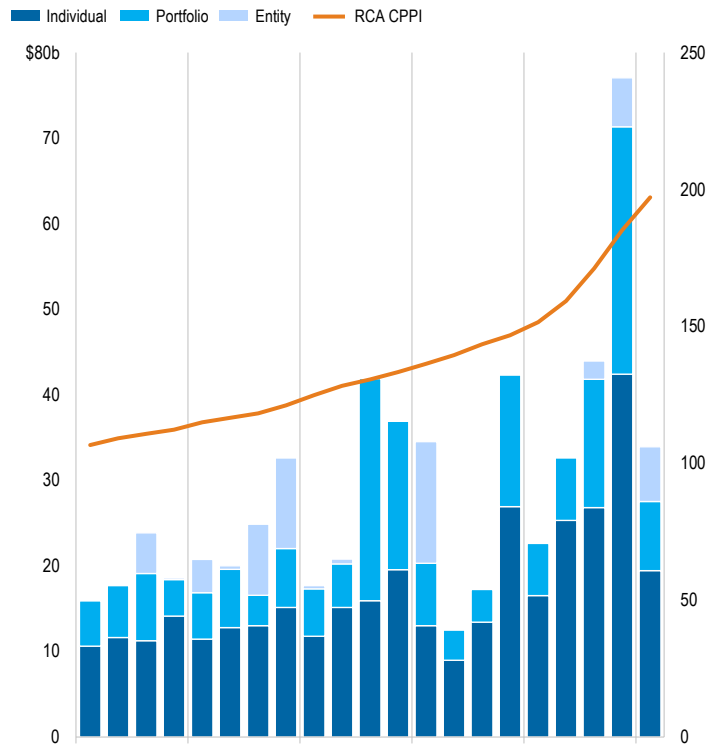
Deals involving individual assets were up 18% YOY in Q1'22 on sales of \$19.4b. This pace of growth is down from the triple-digit rates set in recent quarters, but from a long-term perspective, double-digit sales growth is healthy. For instance, from 2006 to 2020, individual assets sales averaged 11% YOY in each first quarter period.

The market for individual asset sales continued to grow at an above average pace in the quarter then, but the growth is decelerating on a path that might suggest a return to that normal trend in the near future. Combine this deceleration of sales growth with the deceleration of price growth and it paints a picture of a market where both buyers and sellers have come to grips with the changes in the industrial sector.

Transaction Volume Summary

	Mar '22		Q1 '22	
	Vol (\$b)	YOY	Vol (\$b)	YOY
Industrial Total	13.2	53%	33.9	50%
Flex	4.7	192%	8.3	86%
Warehouse	8.5	21%	25.6	41%
Single Asset	7.6	15%	19.4	18%
Portfolio	5.5	181%	14.5	138%

Quarterly Transaction Volume & Pricing



Recent Trends

Price growth decelerated the most for the warehouse segments of the market in Q1'22. The RCA CPPI for warehouse properties climbed 31.7% over the four quarters to the end of Q1'22.

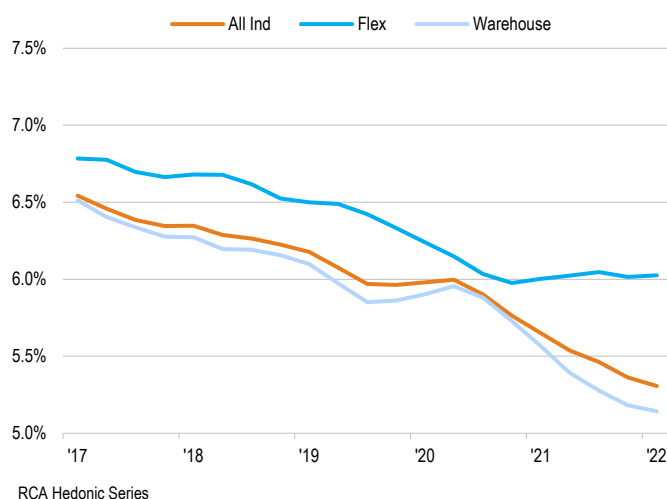
Looking at the annualized change between Q4'21 and Q1'22 however, price growth was only 27.3%. Granted, even 27.3% growth is an extraordinarily high pace of growth. The 440 bps downshift between the long- and short-term measure of annual price growth, however, suggests that much of the price momentum in this segment of the market was in the past.

The flex segments of the market did not experience as much of a downshift in price growth as warehouses, though a downshift was present. The RCA CPPI for flex assets climbed 22.8% over the four quarters to the end of Q1'22, but the annualized change from Q4'21 was only 21.3%. Again, annual price growth in the 21%-22% range is extraordinary. Here, too, the 150 bps of slower growth in the short-term measure of annual price growth suggests that momentum was more weighted to the trends in 2021.

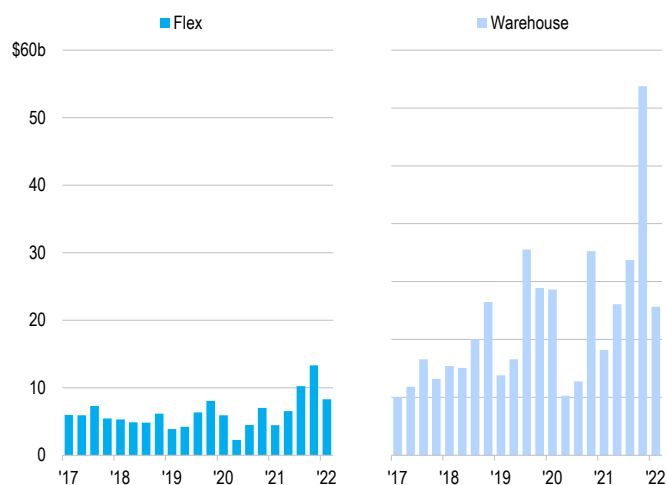
Deal volume climbed for both industrial subtypes in Q1'22, with sales involving flex assets up 86% YOY and warehouse sales up 41%. The activity in the flex segments was driven by portfolio and entity-level sales. Without these megadeals, activity was only up 1% from a year earlier for the flex category. Megadeal activity was also important for the warehouse segments of the market, with individual asset sales here up only 22% from a year earlier.

Cap rates continued to compress into Q1'22, but that is only a story for the warehouse segments of the market. Cap rates stood at an average 6.0% level in Q1'22 for the flex segments, the same level seen since midyear 2020. Warehouse cap rates fell 40 bps from a year ago, hitting an average 5.1% level in Q1'22. Warehouse cap rates now stand 50 bps lower than CBD office cap rates, while a year ago these measures were equal.

Cap Rates



Quarterly Transaction Volume by Subtype



Q1'22 Deal Volume and Pricing Summary

	Quarterly Volume				RCA CPPI		Price Averages		
	\$b	YOY Chg	#Props	YOY Chg	1-qtr Chg	1-yr Chg	\$/unit	Cap Rate	YOY Chg (bps)
Industrial	33.9	50%	1,798	-8%	6.5%	30.1%	139	5.3%	-30
Flex	8.3	86%	374	-4%	5.0%	22.8%	182	6.0%	0
Warehouse	25.6	41%	1,424	-10%	6.2%	31.7%	132	5.1%	-40
6-Major Metro	9.4	20%	533	-21%	5.4%	30.2%	208		
Non-Major Metro	24.5	66%	1,265	-2%	5.9%	27.5%	117		
Single Tenant	11.4	62%	456	-1%	4.9%	27.9%	130	5.4%	-40

RCA Hedonic Series cap rates

Top Brokers Q1 2022

By Region

Mid-Atlantic

CBRE
JLL
Eastdil Secured
Newmark
Colliers International

Midwest

Eastdil Secured
CBRE
Cushman & Wakefield
JLL
Colliers International

Northeast

CBRE
Cushman & Wakefield
NAI Global
JLL
Newmark

Southeast

CBRE
Cushman & Wakefield
Eastdil Secured
JLL
Colliers International

Southwest

Cushman & Wakefield
CBRE
JLL
Eastdil Secured
Newmark

West

CBRE
Newmark
Colliers International
Cushman & Wakefield
Eastdil Secured

Ranked by investment volume

By Industrial Investment Volume

Flex



Warehouse

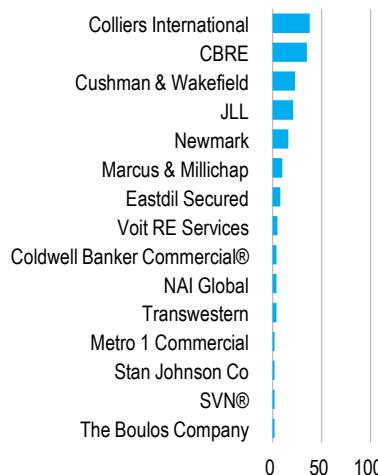


All Industrial

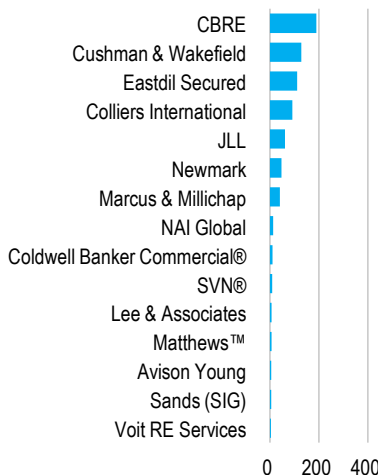


By Number of Industrial Properties

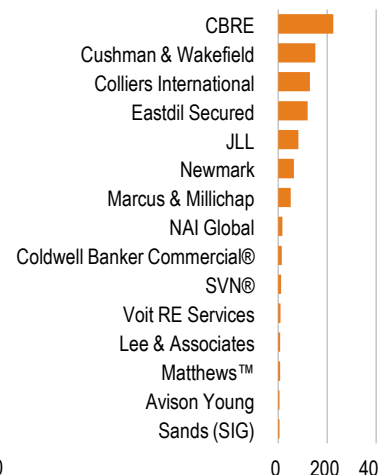
Flex



Warehouse



All Industrial



Methodology: Full credit assigned to each broker when multiple brokers involved. For partial-interest, volume is based on the pro-rated share of the total property or portfolio value. Based on sell-side representation. The transaction volume of brokerage firms that have merged are left unconsolidated before the merger date and are attributed to the surviving or newly formed company after the merger date. For more information on rankings please visit the RCA website.

Top Deals Q1 2022

Property Sales

	Property	Location	Size	Type	Volume(\$m) ^A	\$/unit	Buyer	Seller
1	Amazon	Christiana, DE	3,883,950 sq ft	IND	392.0	101	Macquarie Group	Dermody Properties JV IGIS
2	Amazon Fulfillment Center	Bondurant, IA	2,680,000 sq ft	IND	325.3	121	Capital Square 1031	Mesirow Financial JV Hillwood
3	Modells Warehouse	Bronx, NY	366,000 sq ft	IND	-	-	Confidential	Realterm Global
4	COPT DC-6	Manassas, VA	233,000 sq ft	IND	222.5	955	CloudHQ	COPT
5	DTW3 & DTW9 Amazon FC	Romulus, MI	1,267,500 sq ft	IND	219.3	173	Stockbridge Real Estate	Hillwood JV Ryan Companies
6	Amazon Huntsville	Huntsville, AL	1,080,308 sq ft	IND	188.1	174	Preylock RE Holdings	Truist
7	Highland Cross	East Rutherford, NJ	360,000 sq ft	IND	185.0	514	UBS	Lincoln Equities Group
8	Vigor Industrial Shipyard	Seattle, WA	507,770 sq ft	IND	180.6	356	Oak Street RE Capital	Vigor Industrial
9	3100 State Drive Phase I	Lebanon, PA	970,000 sq ft	IND	167.0	172	CBRE Investment Mgmt	Deutsche Post AG JV DHL Logistics
10	Rock-Building IV	Piscataway, NJ	469,600 sq ft	IND	150.0	319	Duke Realty	Kiss Products Inc
11	3561-3661 Bur Wood Dr	Waukegan, IL	1,438,410 sq ft	IND	149.8	104	Blackstone	PGIM Real Estate
12	150 Industrial Road	San Carlos, CA	229,640 sq ft	IND	142.5*	827	BentallGreenOak	TIAA
13	Eagle Business Park	March Air Res, CA	390,480 sq ft	IND	134.1	343	TA Realty	Operon Group
14	Landing 3	Mesa, AZ	525,000 sq ft	IND	130.0	248	Cohen Asset Mgmt JV ASB RE Invmts	Marwest Enterprises JV Dune RE Ptnrs LP
15	Interchange Industrial Center	North Las Vegas, NV	683,436 sq ft	IND	121.4	178	Dream Alternatives Trust JV Pauls	CapRock Partners
16	LogistiCenter at Rialto I (Bldg 4)	Rialto, CA	411,330 sq ft	IND	117.6	286	AXA Group	Dermody Properties
17	Northlake Logistics Crossing I & II	Fort Worth, TX	1,391,800 sq ft	IND	115.5**	83	AIREIT	Scannell Properties
18	Amazon DFL4	Orlando, FL	1,090,000 sq ft	IND	115.5	106	Related Companies	Starwood Property Trust
19	4800 Midway Road	Vacaville, CA	617,800 sq ft	IND	110.5	179	TIAA	PCCP (Pacific Coast) JV LDK Ventures
20	810 Boxwood Drive	Christiana, DE	322,951 sq ft	IND	97.0	300	AXA Group	Dermody Properties
21	Lion Electric	Joliet, IL	906,500 sq ft	IND	-	-	Avison Young	Clarius Partners JV Walton Street Capital
22	Rancho Bernardo Dist Cntr	San Diego, CA	217,645 sq ft	IND	96.0	441	LBA Realty	Blackstone
23	Maple Valley Logistics Bus Pk	Maple Valley, WA	112,138 sq ft	IND	95.0	847	ElmTree Funds	Panattoni Development JV Lincoln Prop Co
24	Mid-Atlantic Dist Cntr Bldg A	Aberdeen, MD	672,000 sq ft	IND	94.4	140	CBRE Investment Mgmt	Blackstone
25	Reframe Studios	Los Angeles, CA	189,000 sq ft	IND	92.5	489	Swift Realty Partners	Westbrook Ptnrs JV Avalon Investment Co

Portfolio and Entity Sales

	Buyer	Seller	Location	# Props	Type	Volume(\$m) ^A
1	ILPT REIT	Monmouth REIT	Multiple, USA	124	IND	-
2	KKR JV Global Infrastructure Partners	CyrusOne	Worldwide	22	IND	-
3	Equus Capital Partners	Prologis	Multiple, USA	75	IND	882.5
4	Carlyle Group	iStar Inc	North America	13	IND	-
5	DataBank Ltd	CyrusOne	Houston, TX	4	IND	670.0**
6	Farallon Cap Ptnrs	Brennan Investment Group	Multiple, USA	38	IND	-*
7	TPG Real Estate	Adler Realty Investments	Boise	29	IND	333.3*
8	OMERS	Blackstone	San Diego, CA	7	IND	314.1
9	TIAA	Blackstone	Houston	5	IND	-
10	Ares Real Estate Income Trust	Blackstone	Orlando	5	IND	206.2

^A When prices are not known, estimated prices are used in the ranking but are not shown. Volume is adjusted pro-rata for partial interests although \$/unit reflects 100% valuation.

* Partial interest ** Forward sale

The number of buyers or sellers shown on a deal is truncated to two. For full deal and player information go to the RCA website.

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Methodology

Data based on properties and portfolios \$2.5m and greater unless otherwise stated. Data as of April 20, 2022 unless otherwise stated.

About Capital Trends

Capital Trends reports analyze and interpret trends in the global real estate market using RCA's comprehensive data. US Capital Trends is a monthly edition comprising an overview of the U.S. market and separate reports on the five main property types. Asia Pacific, Australia, Europe and Global Capital Trends are published quarterly.

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