Capital Trends
US Industrial

REAL CAPITAL ANALYTICS

November 2019 **$4.4b** **Transaction volume** **-26%** **YOY volume change**

Investors are rotating out of the retail sector and into industrial properties, driving up both industrial prices and deal activity. Volume was down for the month, but this drop may simply be a pause as the market reassesses recent transactions.

Institutional investors – and Blackstone in particular – want to invest in the back end of the internet. Whether as a place to house the clicks in data centers or to satisfy the logistic needs of package delivery, there is an understanding that there is growing tenant demand for these spaces.

The list of institutional buyers of industrial properties falls off sharply from the pace set by Blackstone. Nuveen (formerly TIAA) is the second largest institutional buyer of industrial assets for the year to date with deals priced at $3.4b; Stockbridge is in third with $1.7b. These figures are great but pale in comparison to the $16.0b in acquisitions for the year by Blackstone and the $6.2b by Blackstone's BREIT.

The warehouse segment of the industrial market normally represents the lion's share of deal activity – 76% of total over the last five years. Still, the flex segments contribute interesting stories from time to time. In November, sales involving flex assets posted 21% YOY growth. A portfolio of three assets bought by Mapletree from Digital Realty Trust drove most of this volume. Without this deal, investment would have fallen for the month, with single asset sales involving flex properties down 43% YOY.

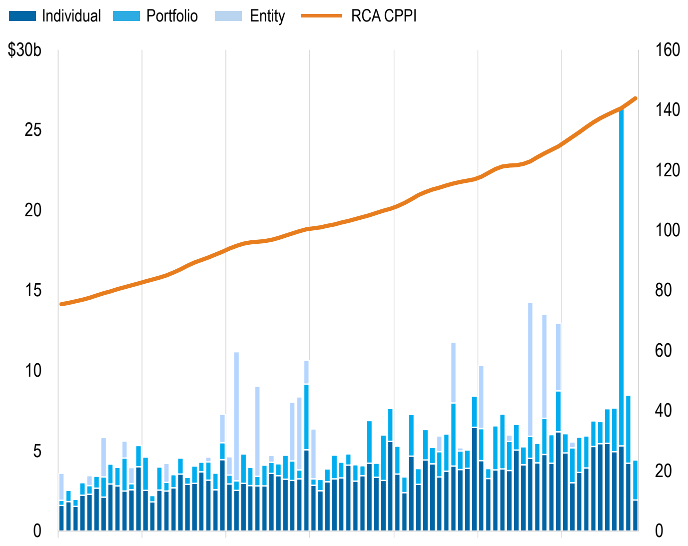
Activity was down overall for both November and October, but year-to-date deal volume is 8% higher than the level set through November 2018. The falling volume in October and November was met with cap rate compression and steady growth in industrial property prices. Cap rates averaged 6.3% in November, down from the 6.4% average set at midyear.

The RCA CPPI for the industrial sector climbed 13.6% YOY in November. This growth is outpacing that set by all other property sectors and marks the industrial sector as the only property type with a double-digit pace of growth this late in the cycle. By comparison, the All-Property RCA CPPI climbed 8.7% YOY for the month, itself the fastest rate of the year so far.

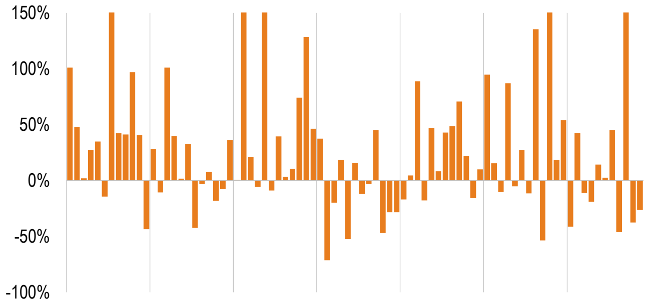
In This Issue:

In this month's Big Picture report we look at the defining influences for commercial real estate heading into 2020.

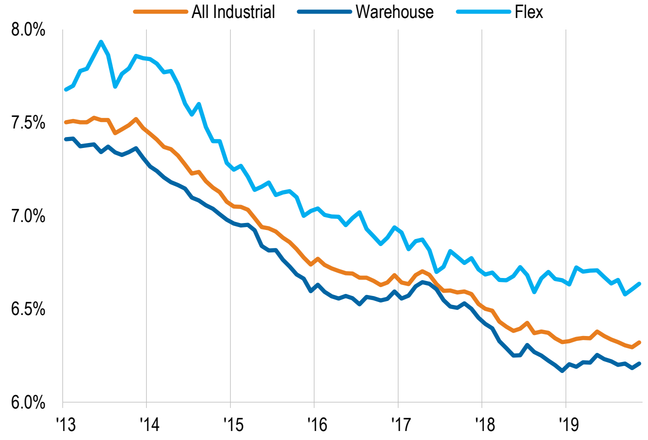
Monthly Transaction Volume & Pricing



Volume Year-Over-Year Change

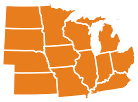
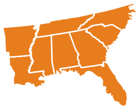
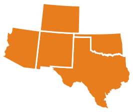
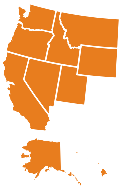


Cap Rates



12-mth trailing cap rates

Market Table *All Industrial*

Industrial Transactions Reported Closed		**Flex**				**Warehouse**				**All Industrial**			
		Volume		**Price**		**Volume**		**Price**		**Volume**		**Price**	
YTD through Nov'19		**$m**	**# Props**	**$/sf**	**Avg Cap Rate**	**$m**	**# Props**	**$/sf**	**Avg Cap Rate**	**$m**	**# Props**	**$/sf**	**Avg Cap Rate**
Mid-Atlantic	Baltimore	281.4	17	51		657.1	46	88	6.5%	938.5	63	73	6.2%
	DC					136.1	9	326		136.1	9	326	
	DC MD burbs	237.4	23	155	7.1%	364.4	23	127		601.8	46	144	7.1%
	DC VA burbs	1,198.4	16	186	6.7%	572.6	22	97		1,771.0	38	125	6.4%
	Philadelphia	172.3	13	130	7.0%	569.6	63	46	7.6%	741.9	76	55	7.4%
	Pittsburgh	5.2	1			213.3	16	72	5.3%	218.5	17	73	5.3%
	Richmond/Norfolk	36.8	6	87		407.9	18	65		444.7	24	67	
	Tertiary Mid-Atlantic	108.1	21	43	7.1%	1,942.5	115	68	5.9%	2,050.5	136	66	6.2%
	Total	**2,039.5**	**97**	**98**	**6.8%**	**5,247.8**	**341**	**70**	**6.3%**	**7,287.3**	**438**	**75**	**6.5%**
Midwest	Chicago	549.1	76	94		4,604.1	332	78	7.2%	5,153.2	408	80	7.3%
	Cincinnati	75.3	9	77		749.3	62	64		824.6	71	65	
	Cleveland	8.0	2	44		106.8	18	41		114.8	20	41	
	Columbus	33.4	5			1,012.5	48	73	6.4%	1,045.9	53	73	6.4%
	Detroit	118.5	17	71		357.8	39	45	7.1%	476.3	56	48	7.9%
	Indianapolis	153.2	10	57		1,093.7	51	55	7.2%	1,246.9	61	56	7.2%
	Kansas City	96.0	7	75		519.6	32	52		615.6	39	57	
	Minneapolis	309.2	41	89		1,082.9	116	75	6.7%	1,392.2	157	78	6.9%
	St Louis	102.9	12	71	7.9%	364.8	49	52	7.7%	467.7	61	54	7.8%
	Tertiary Midwest	177.2	34	85	8.4%	2,215.2	257	43	7.7%	2,392.4	291	45	7.8%
	Total	**1,622.8**	**213**	**82**	**8.3%**	**12,106.8**	**1,004**	**62**	**7.3%**	**13,729.6**	**1,217**	**64**	**7.5%**
Northeast	Boston	679.6	33	173		1,076.7	92	131	6.3%	1,756.3	125	144	6.6%
	Hartford	33.3	4			110.0	18	37		143.4	22	37	
	Long Island	91.6	16	109		218.5	38	126		310.1	54	121	7.5%
	Manhattan					44.6	2	1,379		44.6	2	1,379	
	No NJ	537.2	41	118	6.7%	2,576.8	179	116		3,114.0	220	117	6.1%
	NYC Boroughs	279.6	16	328		2,172.1	121	399	5.2%	2,451.7	137	389	5.2%
	Stamford	28.6	5	30		23.3	4	79		52.0	9	42	
	Westchester	342.6	28	187		449.6	27	92		792.2	55	122	
	Tertiary Northeast	208.6	24	93	7.8%	1,045.2	113	66	6.6%	1,253.8	137	70	7.1%
	Total	**2,201.1**	**167**	**144**	**7.2%**	**7,716.8**	**594**	**131**	**6.1%**	**9,917.9**	**761**	**134**	**6.5%**
Southeast	Atlanta	323.9	39	76	7.2%	2,567.2	244	65	6.0%	2,891.1	283	66	6.3%
	Broward	282.5	25	131	5.9%	868.1	50	159		1,150.5	75	147	5.9%
	Charlotte	106.1	11	96		703.2	66	75		809.3	77	77	
	Jacksonville	36.3	2	43		353.0	15	75		389.3	17	70	
	Memphis	49.6	11			707.6	46	39	6.9%	757.1	57	39	6.9%
	Miami	450.2	18	141		1,264.1	94	135	6.0%	1,714.3	112	136	6.0%
	Nashville	23.7	4	119		802.8	63	81		826.6	67	82	
	Orlando	107.5	13	111		224.2	26	76		331.7	39	85	6.1%
	Palm Beach	92.3	14	89		217.3	32	102		309.7	46	98	
	Raleigh/Durham	535.4	33	190		260.6	29	76	6.1%	796.0	62	125	6.1%
	Tampa	145.2	10	117		534.6	40	77		679.8	50	84	6.4%
	Tertiary Southeast	339.1	37	84	6.7%	3,217.9	316	49	7.6%	3,557.0	353	51	7.5%
	Total	**2,491.8**	**217**	**111**	**6.7%**	**12,023.1**	**1,064**	**66**	**6.8%**	**14,514.9**	**1,281**	**71**	**6.8%**
Southwest	Austin	469.2	17	157		794.6	62	114		1,263.8	79	145	
	Dallas	697.8	49	90	7.5%	3,483.2	211	82	5.4%	4,181.0	260	83	5.8%
	Denver	261.9	22	140	6.9%	1,077.6	97	125	6.4%	1,339.6	119	129	6.6%
	Houston	392.3	44	77	7.8%	1,319.9	121	93		1,712.2	165	87	7.8%
	Phoenix	756.8	63	135	6.3%	1,716.9	102	96	6.0%	2,473.7	165	107	6.1%
	San Antonio	121.0	7	233		198.6	20	80		319.6	27	126	
	Tertiary Southwest	254.4	40	121	7.2%	955.6	126	68	7.1%	1,210.0	166	79	7.1%
	Total	**2,953.4**	**242**	**127**	**7.0%**	**9,546.4**	**739**	**90**	**6.1%**	**12,499.8**	**981**	**99**	**6.4%**
West	East Bay	704.5	35	227	5.5%	1,487.3	78	192	4.9%	2,191.8	113	203	5.2%
	Inland Empire	335.6	37	115	5.3%	4,426.0	156	128	5.1%	4,761.5	193	126	5.1%
	Las Vegas	180.4	20	135		1,082.0	52	110	5.6%	1,262.4	72	115	5.6%
	Los Angeles	1,065.7	65	382	5.4%	4,644.8	356	192	4.6%	5,710.6	421	215	4.7%
	Orange Co	894.7	57	220	5.2%	1,715.4	86	194	4.9%	2,610.0	143	201	5.1%
	Portland	324.5	20	133		1,052.3	65	114	5.3%	1,376.8	85	120	5.4%
	Sacramento	114.3	20	107		264.5	39	91		378.8	59	95	
	Salt Lake City	39.9	8	98		638.3	43	104		678.3	51	102	
	San Diego	844.0	49	269	6.6%	767.2	66	177	4.8%	1,611.3	115	224	5.9%
	San Francisco	394.4	13	637	4.5%	480.2	54	412		874.6	67	496	4.9%
	San Jose	579.4	28	348	7.0%	617.0	37	253		1,196.4	65	305	6.8%
	Seattle	675.1	44	198	6.2%	1,549.3	114	167	5.0%	2,224.5	158	175	5.2%
	Tertiary West	377.0	44	161	6.2%	3,511.7	241	107	6.3%	3,888.7	285	112	6.2%
	Total	**6,529.6**	**440**	**228**	**5.9%**	**22,236.0**	**1,387**	**151**	**5.2%**	**28,765.6**	**1,827**	**167**	**5.4%**
Total	**Total US**	**17,838.1**	**1,376**	**142**	**6.6%**	**73,749.8**	**5,449**	**90**	**6.2%**	**91,587.9**	**6,825**	**99**	**6.3%**

Selected Recent Transactions

Property Name Address Location	SF Year Built Notes	Price $/sf Qualifier	O Owner/Buyer S Seller ↔ Broker

Mid-Atlantic

Property Name Address Location	SF Year Built Notes	Price $/sf Qualifier	O Owner/Buyer S Seller ↔ Broker
1332 Londontown Boulevard 1332 Londontown Blvd Sykesville, MD	**388,168** 1975 Warehouse	**$15,775,000** $41 approximate	O K&S Capital from S BTR Capital Group
Dulles South IV 14280 Sullyfield Cir Chantilly, VA	**83,361** 1988 Flex	**$10,650,000** $128 approximate	O Exeter from S Buchanan Partners JV Elion Partners JV Pactia

Midwest

Property Name Address Location	SF Year Built Notes	Price $/sf Qualifier	O Owner/Buyer S Seller ↔ Broker
1800 West Central Road 1800 W Central Rd Mount Prospect, IL	**637,566** 1957 Flex	**$42,300,000** $66 approximate	O Ares Management from S Colony Realty Partners
Skyline Displays 3355 Discovery Rd Eagan, MN	**276,550** 1998 Warehouse	**$23,300,000** $84 confirmed	O STAG Industrial from S Hendricks Com'l Props

Northeast

Property Name Address Location	SF Year Built Notes	Price $/sf Qualifier	O Owner/Buyer S Seller ↔ Broker
160 Dascomb Road 160 Dascomb Rd Andover, MA	**125,609** 1966 Flex	**$26,250,000** $209 confirmed	O NorthBridge CRE from S Condyne LLC JV Greenstreet Partners by ↔ JLL
Metal Dimensions 166 Berry St Brooklyn, NY	**6,200** 1950 Warehouse	**$20,000,000** $3,226 confirmed	O Wharton Properties from S Berry Realty Corp by ↔ B6 Real Estate Advisors

Southeast

Property Name Address Location	SF Year Built Notes	Price $/sf Qualifier	O Owner/Buyer S Seller ↔ Broker
Transformco Dist Center 655 SW 52nd Ave Ocala, FL	**2,018,296** 1990 Warehouse	**$70,000,000** $35 confirmed	O Reich Brothers JV HFZ Capital Group by ↔ Avison Young from S ESL Investments by ↔ Avison Young
Bridge Point Industrial Park 1951 N Powerline Rd Pompano Beach, FL	**467,800** 2019 Flex	**$68,950,276** $147 confirmed	O Morgan Stanley from S Bridge Dev Partners by ↔ CBRE

Southwest

Property Name Address Location	SF Year Built Notes	Price $/sf Qualifier	O Owner/Buyer S Seller ↔ Broker
Chewy Distribution Center 255 143rd Ave Goodyear, AZ	**800,000** 2018 Warehouse	**$67,002,500** $84 approximate	O Lexington Realty from S NorthPoint Development
Home Depot Distribution Center 9410 Heinz Way Commerce City, CO	**140,630** 2005 Warehouse	**$22,250,000** $158 approximate	O ASB Real Estate Investments from S Link Industrial Properties

West

Property Name Address Location	SF Year Built Notes	Price $/sf Qualifier	O Owner/Buyer S Seller ↔ Broker
San Diego Tech Center 9605-9855 Scranton Rd San Diego, CA	**655,643** 1982 Flex	**$229,927,500** $351 approximate	O Alexandria from S Lionstone Investments JV Locale Advisors Inc OBO CalSTRS
Gateway Corporate Center 12646 Interurban Ave S Tukwila, WA	**177,350** 1986 Flex	**$40,000,000** $226 confirmed	O Nicola Crosby S Boeing Employee CU by ↔ Kidder Mathews

San Diego Tech Center
San Diego, CA

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About Real Capital Analytics

Real Capital Analytics (RCA) is the authority on the deals, the players and the trends that drive the commercial real estate investment markets. Covering all markets globally, RCA delivers timely and reliable data with unique insight into market participants, pricing and capital flows. The most active investors, lenders and advisors depend on RCA's market intelligence to formulate strategy and to source, underwrite and execute deals. An industry pioneer since 2000, RCA has offices in New York, San Jose, London and Singapore. For more information, visit: rcanalytics.com

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, Europe and Global Capital Trends are published quarterly.

Methodology

Data based on properties and portfolios $2.5m and greater unless otherwise stated.
For RCA Hedonic Series methodology click here.

For the most current data and even more options for
analysis, visit: rcanalytics.com