# Industrial Rents Are Projected To Tick Up 30% In These Key Markets

Year-over-year rent growth in Q1 2022 clocked in at 15.2%.

By **Lynn Pollack** | April 27, 2022 at 08:42 AM

Rents for warehouse and distribution space are projected to climb 30% over the next five years in several key US industrial markets, as demand continues to outpace supply for the sector.

That's according to a new report from Cushman & Wakefield, which says "the importance of forecasting rent growth for warehouse/distribution has never been more critical" than in the current cycle. The firm predicts increases in asking rents for warehouse/distribution space in excess of 20% in 21 key US markets between Q4 2021 and Q4 2025, with Los Angeles, the Inland Empire of Southern California, Central New Jersey and Nashville predicted to exceed 30%.

Year-over-year rent growth for industrial space in Q1 2022 clocked in at 15.2%, driven by aggressive competition for space. The average price per square foot hit $7.89, a record high, while warehouse/distribution rents rose 15.7% over the same period.

"Underwriting and predicting future rent growth is challenging given the myriad of economic and locational factors, as well as anticipated future supply entering the market over time," Cushman researchers note, further predicting "strong rent growth in the coming quarters, especially for Class A warehouse space located in core markets."

Industrial giant **Prologis also recently revised its annual rent growth estimates to 22%** in the US, up 11% from last quarter. The firm ended Q1 with 97.4% occupancy, a number consistent with Q4 2021 and counters the typical Q1 decline.

In a recent earnings call, Prologis CEO Hamid Moghadam said industrial rents are in “unprecedented territory.”

“They’ve never grown at these levels, but we’ve never had market conditions like we have now,” Moghadam said. “We’ve never had e-commerce at this level of importance. We’ve never had resilience becoming such a big factor. We haven’t had these bottlenecks in the supply chain that clog up the network.”

Cushman & Wakefield anticipates maritime port proximate markets to see some of the highest nominal rent upticks across the US, with primary or gateway industrial markets also expected to post strong growth.

“With most of those markets seeing strong labor pools and larger infrastructure buildouts, it’s an easy choice for occupiers to be in those markets,” the report notes. “Rents may seem high, and they do account for around 7-10% of total supply chain costs, location is critical in cutting costs in key areas such as labor and transportation, with transportation alone accounting for over 60% of total supply chain costs. By paying the higher rent for location, occupiers tend to have greater access to larger labor pools and reduced drive times.”