



State of the Market Report

INDUSTRIAL | 2025

Logistics Activity & Inventories



NATIONAL OVERVIEW

A generational shift towards e-commerce during the pandemic ushered in a new era of growth for Industrial real estate. However, as 2025 gets rolling, uncertain trade policy developments elevate the risk of an exogenous shock to the sector, and leading indicators for Industrial show that operators are experiencing some volatility.

After growing by its fastest pace in two and a half years during January, the Logistics Managers Index (LMI), a key proxy for industrial sector activity, experienced its third largest drop since tracking began in 2016. It also marked the shortest expansion in logistics activity in seven months.

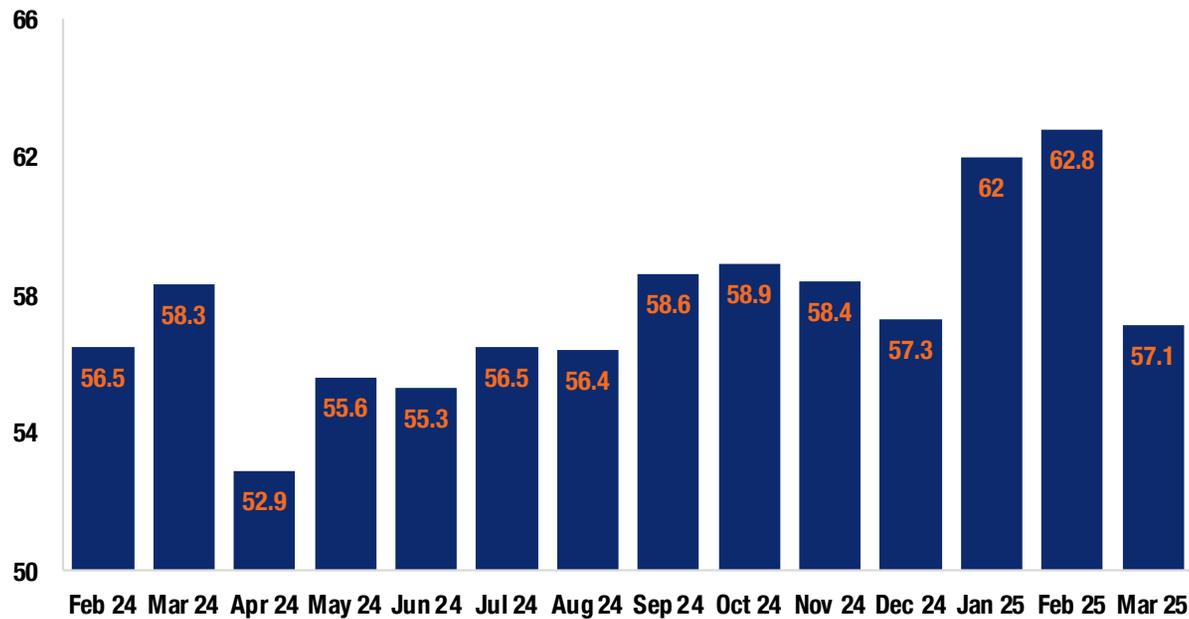
January's momentary surge came amid a spike in imports driven by North American firms trying to get ahead of potential tariffs on foreign-made goods, which has since subsided. Prices for warehousing, transportation, and inventory each fell in March, reversing price momentum seen to start the year.

US Logistics Activity

Index Levels > 50 Indicates Expansion Conditions



Source: Logistics Managers Index, Through March 2025

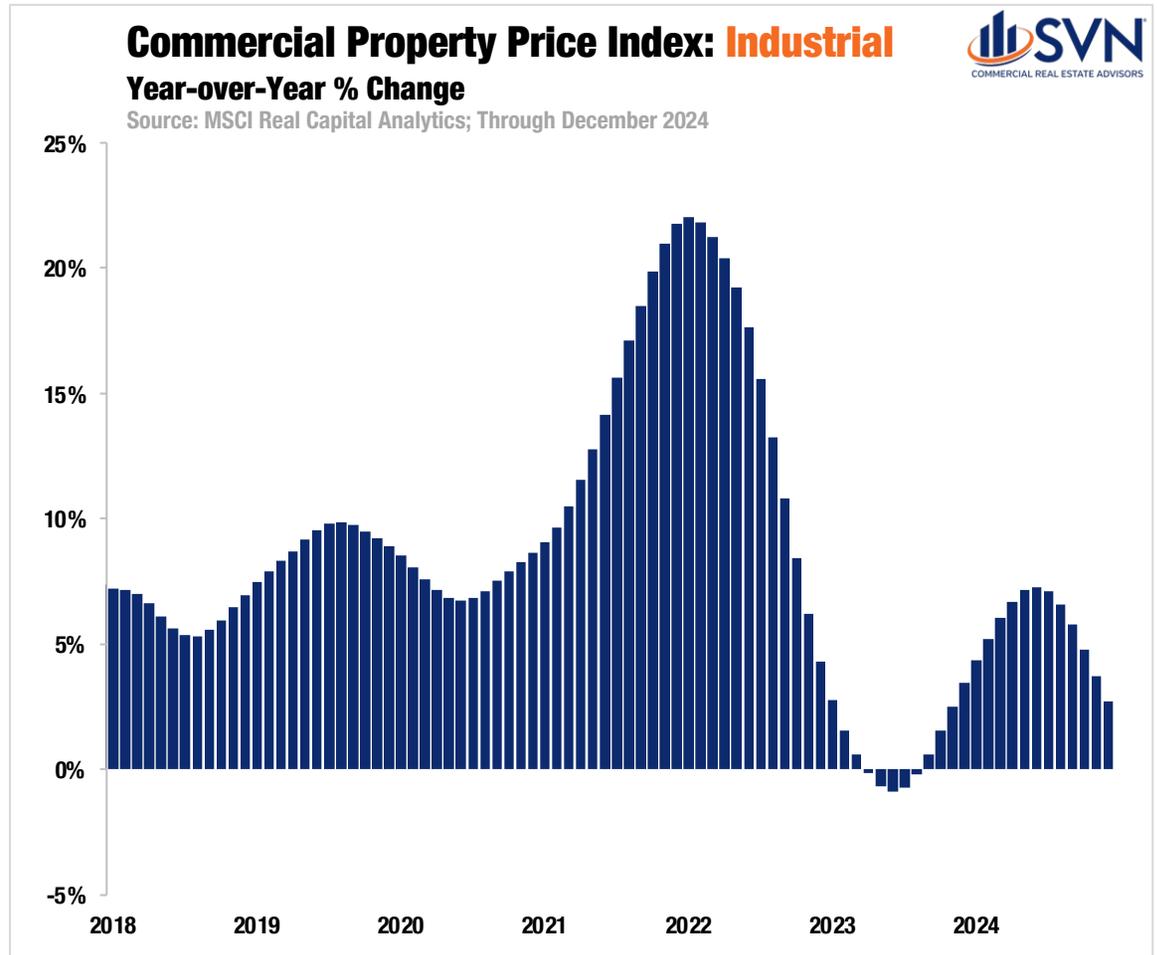


The trajectory of tariffs and trade negotiations will be an essential factor in Industrial's outlook for the remainder of 2025. However, not simply because of a potential rebalancing in US net exports, but rather its potential to effect consumer behavior more broadly.

Pricing

According to MSCI Real Capital Analytics' CPPI, the Industrial sector continued to see rising prices last year — joining Retail on the podium as the only other sector posting positive growth. On average, Industrial valuations grew by 2.7% in 2024. Compared to five years earlier, Industrial prices have surged by 46.5%, underscoring the sector's unique structural strengths, which only gained steam during and following the pandemic.

While recent pricing growth remains impressive, there are signs that momentum is beginning to slow. As of June 2024, annual price growth sat up at 7.3%. Annual gains then proceeded to slip in every month through the end of the year. Moreover, measured month-over-month, prices started decreasing in September and maintained their slide through December. Even as Industrial prices finished 2024 higher than where they ended in 2023, they have come down by 0.9% from their late-summer peak.



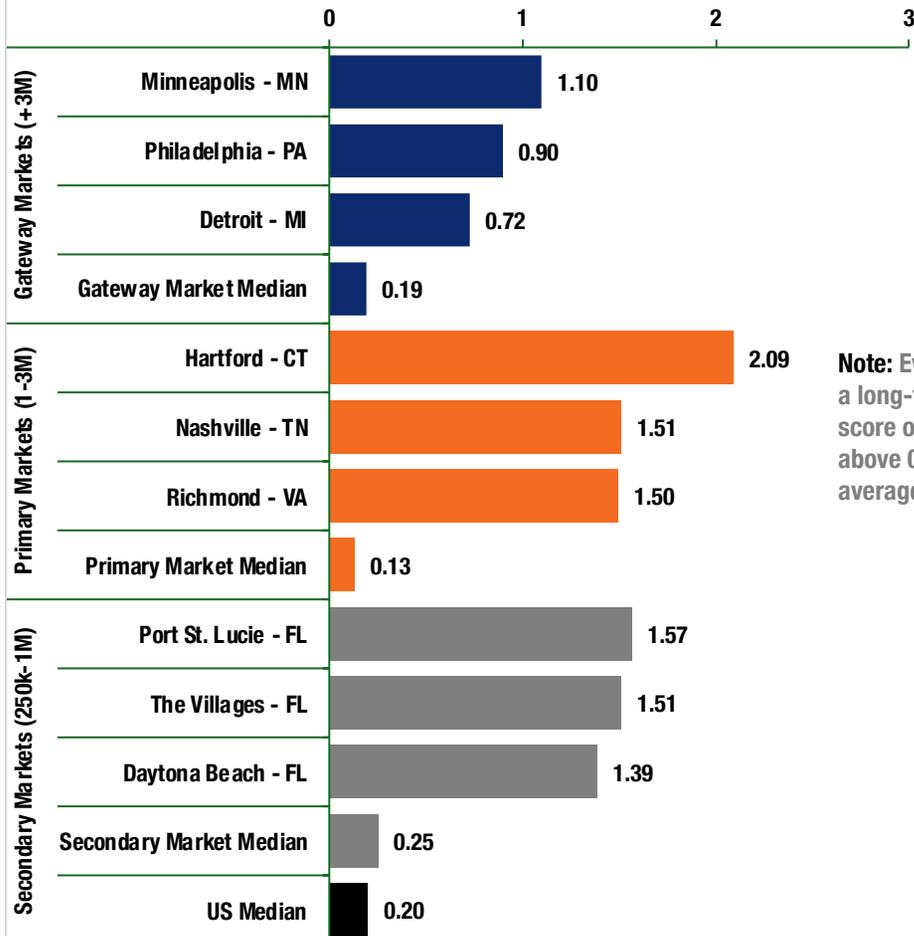
Standout Markets

Commercial Real Estate Market Index:

Industrial Sector

Top Performing Metro Markets

Source: Atlanta Federal Reserve; Through Q3 2024



Note: Every market has a long-term average score of 0. Scores above 0 indicate above average performance.

To identify standout Industrial markets in the past year, the SVN Research Team utilized the Atlanta Federal Reserve Bank’s Commercial Real Estate Market Index (CREMI). The CREMI provides a holistic view of a CRE sector’s performance within every major US metro – incorporating factors such as occupancy rates, net operating incomes, cap rates, asset pricing, absorption, and other local economic conditions.

Gateway Market Standout: Minneapolis

In 2024, the Minneapolis Industrial sector outperformed expectations, driven by strategic location advantages and continued growth in key industries. The region’s Industrial market benefits from its central position in the Upper Midwest – serving as a critical transportation

and logistics hub with access to major highways, rail networks, and the nearby Minneapolis-St. Paul International Airport. Over the year ending in Q3 2024, [net absorption](#) totaled 6.1 million square feet of Industrial space, an increase of about 58% from the twelve months prior. While space availability increased marginally, with the region's Industrial vacancy rate rising by 0.4 percentage points to 4.3%, rent pricing remained strong. Lease pricing in Minneapolis increased by an average of 7.6% from a year earlier. Overall, Minneapolis' Industrial sector thrived in 2024 due to favorable market fundamentals, solid economic drivers, and strategic importance in regional and national supply chains.

Major Market Standout: Hartford

In 2024, Hartford's Industrial sector experienced strong performance thanks to its strategic location

along the Northeast corridor. Geographically positioned between New York City and Boston, Hartford offers excellent connectivity via major highways like I-91 and I-84, making it an essential distribution hub for regional and last-mile logistics. Proximity to Bradley International Airport further enhances its appeal for companies focused on efficient supply chain operations. [NAR's analysis of CoStar data](#) notes that demand for Industrial space in Hartford is stronger than it is nationwide. Resultingly, absorption and rent growth trends are both outpacing the country as a whole. Manufacturing remains a key pillar of the local economy, with aerospace, defense, and advanced manufacturing industries driving industrial demand. Moreover, Hartford's Industrial market also benefits from limited new construction, which is helping to hold down vacancy rates (4.7%).

Secondary Market Standout: Port St. Lucie

The Port St. Lucie Industrial sector thrived due to population growth, increased infrastructure investments, and its strategic positioning along Florida's Treasure Coast. The city's proximity to key transportation networks, including I-95 and Florida's Turnpike, has made it a crucial logistics hub for South and Central Florida markets.

Businesses looking to avoid Miami and Orlando's congestion and higher costs have found Port St. Lucie an attractive alternative. While [vacancy rates](#) remain elevated (14.5%) in the metro thanks to a burst of speculative development in recent years, the take-up rate in the area has accelerated — with net absorption totaling 1.6 million square feet over the year ending in Q3 2024. Lease pricing trends also remain healthy, with annual rent

growth remaining up at 5.6%. The city's business-friendly policies and investments in infrastructure improvements, including port expansions and enhanced road connectivity, have further boosted industrial market fundamentals.

Overall, Port St. Lucie's industrial sector has benefited from a combination of demographic tailwinds, strategic location advantages, and increasing diversification of its economy, positioning it as an emerging industrial hotspot in Florida.



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