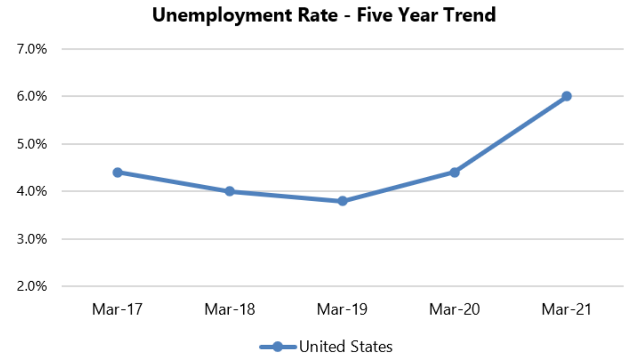
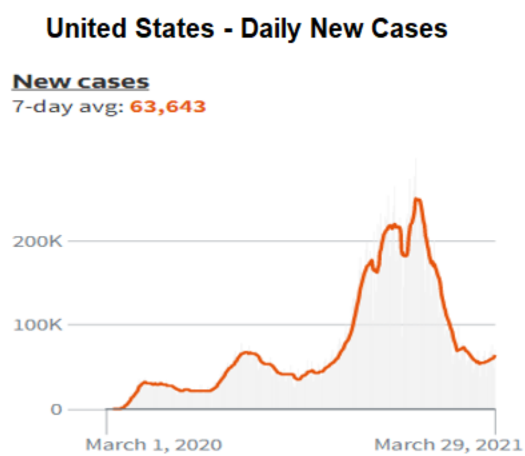
U.S. Class A Industrial-Distribution Sales Volume & Buying Trends – March 2021

COVID-19 surfaced in the United States in Mid-March 2020. Federal, state, and local governments responded by issuing strict stay-at-home orders and closing nonessential business. Trends in retail sales, vacancy rates, rent collection rates, and unemployment underscore the crippling effects of COVID-19 on American consumers and businesses alike. The United States Daily New Case table below highlights the progression of daily case counts relative to legislation imposed by state and local governments. A new high in case counts led to the implementation of the mask mandate in April 2020. Effective social distancing and mask mandates helped curb case counts over spring and summer 2020, and restrictions loosened. Colder weather and an increase in indoor gatherings around the holidays sent case counts surging again in the late fall and winter, shattering the previous high set in April 2020. Unemployment spiked over the period, reaching a high of 15.9 percent in United States in July. The unemployment rate decreased over the preceding months and continued to decrease in March 2021. Attention now turns to the rollout of the COVID vaccine and its effects on consumer sentiment and underlying market performance.

With COVID on the forefront, fundamentals in many major markets have been greatly altered. This publication analyzes sales trends in terms of number of transactions and dollar volume for Class A Industrial properties across the United States national market.

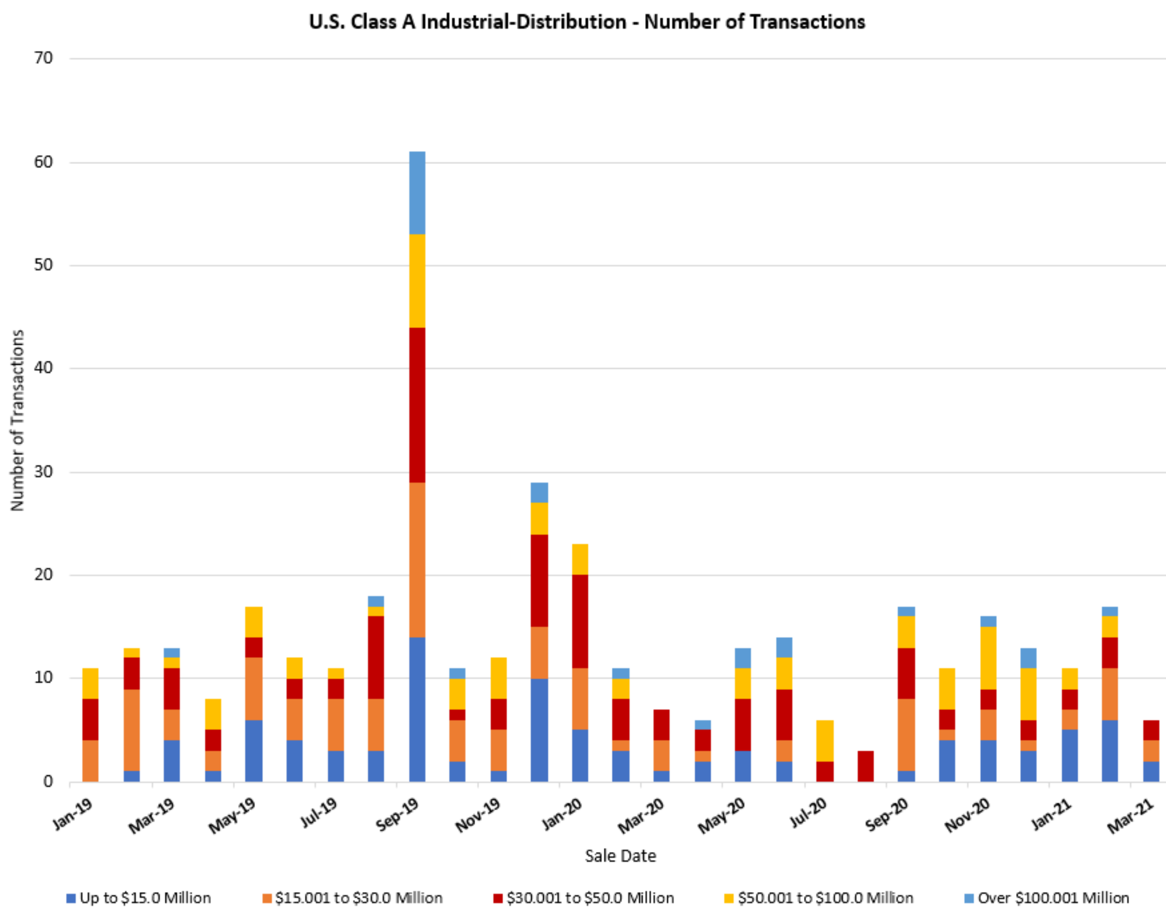




Source: Reuters

Number of Sales Transactions

- Parameters: All Class A industrial-distribution investment sales in the United States national market, segmented by price tranche.
- Consistent transaction volume from January 2019 to March 2020, except for a large spike in September 2019.
- March 2020- initial COVID shockwaves grip market, number of transactions falls but does not plummet.
- Uptick in transaction volume May and June 2020, but steep declines in July and August 2020.
- September 2020 – November 2020- general upward trend in number of transactions.
- December 2020- 13 total transactions- 16 less than December 2019.
- March 2021- 6 total transactions, well below the average of the prior 27-month period.
- March 2021 has the lowest transactions in 2021, and the lowest since August 2020.



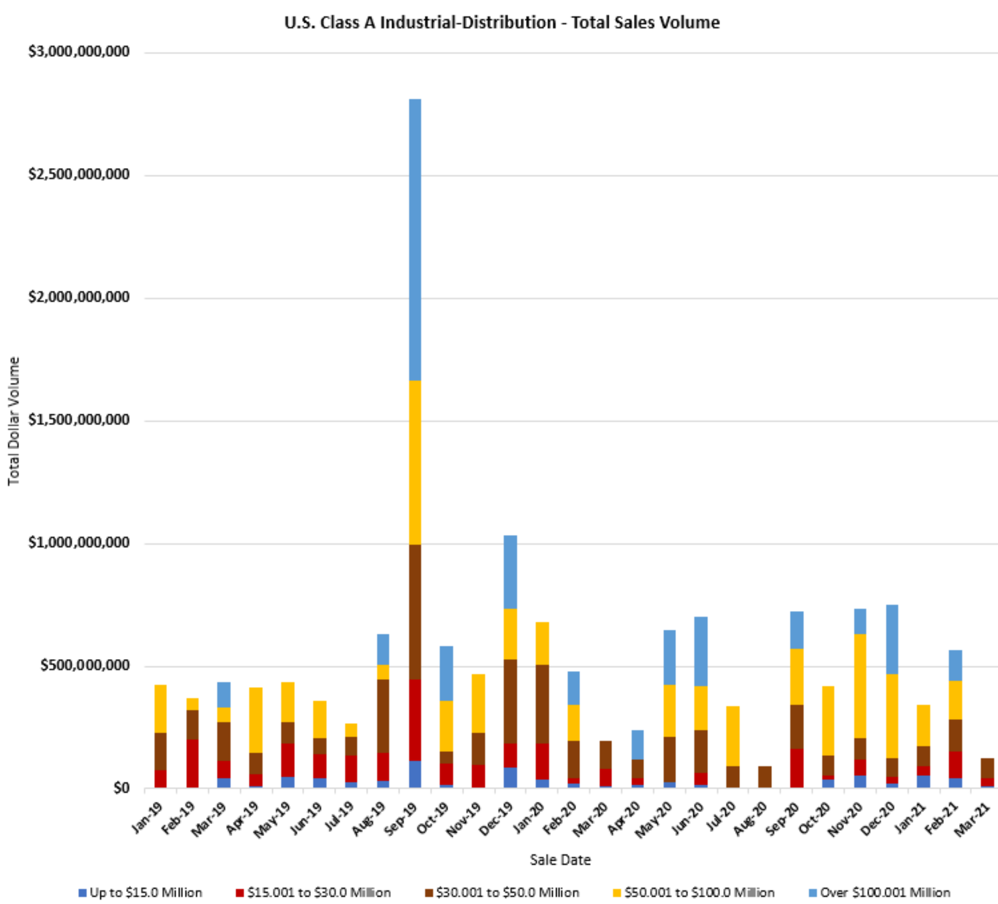
The Class A Industrial-Distribution markets have fared better than other markets during the post-COVID era. Transaction volume was quick to rebound after the onset of COVID-19. Average sales per month are not too far off from pre-COVID levels, as evidenced by the chart. However, the market has not experienced the same level of consistency as was seen prior to March 2020. April statistics should shed light on whether the market can recover following a significant decline in March.

Dollar Volume of Sales Transactions

In 2019, the average monthly sales volume was approximately $685 million. Comparatively, the average monthly sales volume in 2020 was roughly $500 million, reflecting a decrease of approximately 27%. In Q1 2021, the monthly average declined 31% from 2020 average. We tracked the dollar volume of monthly sales by tranche as seen below.

Total Dollar Volume - U.S. Class A Industrial-Distribution			
YEAR	2019	2020	2021 (Jan-Mar)
Min	$266,701,000	$94,230,500	$123,071,330
Max	$2,811,664,531	$750,444,834	$564,988,395
Average	$685,239,363	$499,828,029	$342,708,211
% Difference	-	-27.1%	-31.4%

- Average sales volume from January 2019 to February 2020 was $669,954,592.
- Average sales volume from March 2020 to March 2021 was $451,505,311.
- The largest increase in dollar volume was 667.5% from August 2020 to September 2020.
- The largest decrease in dollar volume was 79.4% from September 2019 to October 2019.
- March, July, August, October 2020, and January and March 2021 did not log any sales over $100 million.
- Sales from $50.001 to $100 million have generally comprised the largest share of all total sales.
- March 2021 recorded no sales within the $50.001 to $100 million tranche.



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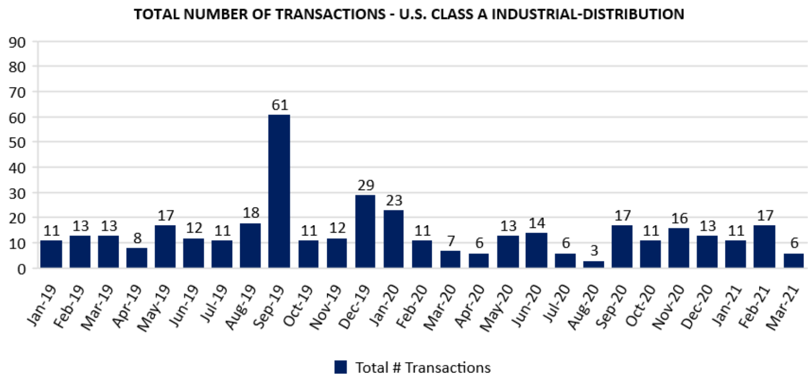
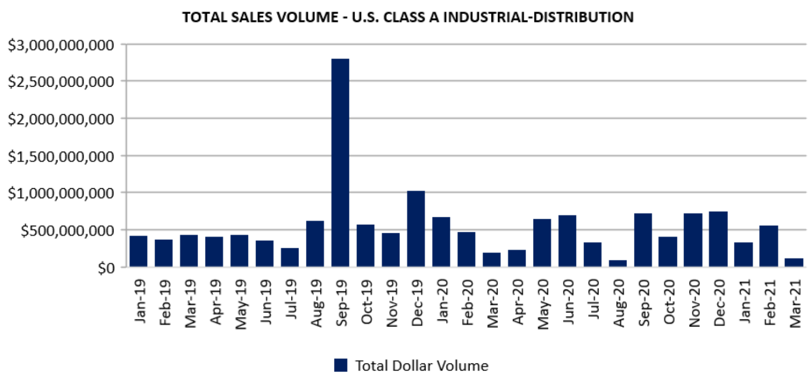
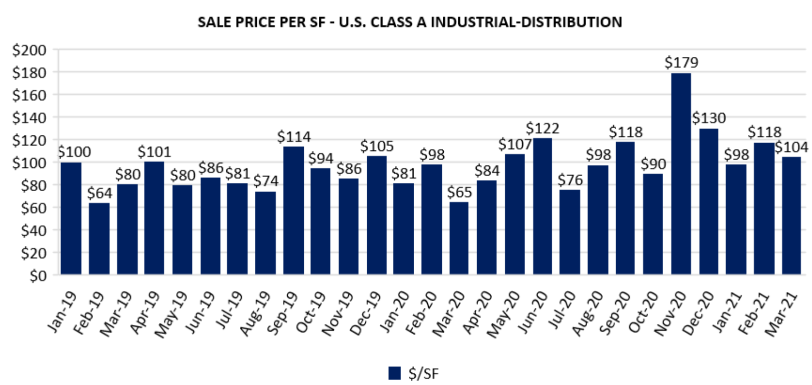






SALES (2019-2021): Volume

Pre-COVID-19, sales volume fluctuated at a relatively high level, ranging from 8 to 61 sales per month from January 2019 through February 2020. March 2020 marked a slight drop in the number of transactions. Transaction count increased over the next few months, except for July and August 2020. December 2020 saw a slight decrease from the previous month. The number of transactions in March decreased and is tied for the second lowest total of the 27-month period.

Dollar Volume of Sales

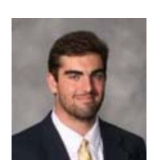
The number of transactions decreased in March, leading to a significant decrease in dollar volume. Totaling 6 transactions, 11 less than February 2021, dollar volume decreased by almost 79%. The decrease in total sales volume is due to the lack of high dollar transactions. Of the 6 total sales, 4 (67%) were up to $30 million and there were 2 (33%) transactions between $30 million and $50 million.

Sale Price Per Square Foot

From January 2019, sales price per square foot has ranged from $64 per square foot to $179 per square foot, averaging $98 per square foot. From January 2019 to February 2020, industrial and flex properties sold at an average price of $89 per square foot. From March 2020 to March 2021, these properties sold at an average of $107 per square foot. March 2021 ranks around the middle of both averages with an average price per square foot of $104. Demand remains high in the Class A industrial-distribution sector. The sector has been fueled by rising ecommerce spending since the onset of the ongoing COVID pandemic.

Patrick T. Craig, MAI, MRICS
Executive Managing Director
Real Estate Valuation Practice
212.897.9481
ptcraig@marshall-stevens.com

Catherine Gu, MAI
Senior Director
Real Estate Valuation Practice
646.438.7602
cgu@marshall-stevens.com



Vinnie Ratamess
Analyst
Real Estate Valuation Practice
215.630.9550
vratamess@marshall-stevens.com

SOURCE: CoStar, STDB, US Bureau of Labor Statistics, and Marshall & Stevens