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Moody's Analytics Forecasts Resilient Outlook for US Industrial Property Rents

NEW YORK, November 11, 2020 – Moody's Analytics today announced new forecasts for commercial real estate (CRE) rents and vacancies, covering eight property types and more than 3,000 submarkets across the United States. The forecasts reflect the latest Q3 data on US CRE markets collected and curated by the Moody's Analytics CRE Solutions group.

Throughout 2020, industrial properties such as warehouses used for storage and distribution of goods have likely benefited from an acceleration of e-commerce sales, even as brick-and-mortar retail floundered amid the coronavirus pandemic. The sector will likely not remain unscathed over the next year as a surge in COVID-19 cases forces further shutdowns and a fall in international trade volumes weighs on the manufacturing industry. Industrial property vacancy rates are expected to rise to 11.8% in 2021, and the sector is predicted to incur its biggest drop in effective rents in 10 years, down 4.5% in 2021.

However, Moody's Analytics projects that industrial properties will recover quickly, supported by a long-term trend toward online commerce. Logistics facilities are in high demand, given how retail sales have rebounded and hit historic highs for some e-retailers. As vacancy rates decline steadily over the next five years, effective rents are forecast to rise by 1.4% in 2022.

"The industrial sector has outperformed other real estate property types during the pandemic as demand remained strong," said Victor Calanog, Head of CRE Economics at Moody's Analytics. "However, future growth for the sector is dependent on getting COVID-19 cases under control, and additional financial aid by the government to support consumers as the economy begins to recover."

By contrast, the retail sector has been on a downward trajectory even before the COVID-19 crisis, and the global pandemic has only pushed the market further along this path. Shutdowns forced store closures and the subsequent economic toll of the virus has affected retail businesses. The retail sector is projected to incur its largest drop in effective rents on record, falling by 7.5% in 2021, greatly surpassing the last significant drop of 3.7% in 2009.

Retail property vacancies are also forecast to reach a historic level of 12.6% in 2021 and are not expected to return to pre-COVID-19 rates until 2027.

CRE market participants may access these forecasts through the Moody's Analytics REIS platform, and can gain further insight by using the Moody's Analytics COVID-19 CRE Impact Dashboard, available free for the duration of the crisis.

About Moody's Analytics
Moody's Analytics provides financial intelligence and analytical tools to help business leaders make better, faster decisions. Our deep risk expertise, expansive information resources, and innovative application of technology help our clients confidently navigate an evolving marketplace. We are known for our industry-leading and award-winning solutions, made up of research, data, software, and professional services, assembled to deliver a seamless customer experience. We create confidence in thousands of organizations worldwide, with our commitment to excellence, open mindset approach, and focus on meeting customer needs. For more information about Moody's Analytics, visit our website or connect with us on Twitter or LinkedIn.

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