National Industrial Report

March 2021

Space Availability Shapes Industrial Market

- Industrial rents averaged $6.47 per square foot in February, a 5.1% increase over the last 12 months. The average vacancy rate was 6.1%.

- The $1.9 trillion economic stimulus bill recently signed into law should boost economic fundamentals this year as the country is vaccinated and rebounds from the pandemic. The Fed recently released its revised GDP projections for 2021, forecasting growth north of 6% for the year. While industrial demand exploded last year due to the unique circumstances of the pandemic, we expect growth this year will be driven by a rapidly recovering economy.

- While the supply boom continues across the nation, pipelines are larger in markets located in the middle of the country, where land is cheaper and geography is less of an issue. Phoenix, Dallas and Denver combined account for more than 17% (55 million square feet) of all development in the country and have an additional 59.7 million square feet in the planning stages. These markets have strong appeal as logistics and shipping hubs, but a continuous stream of new supply keeps rent growth modest, with Denver at 5.1%, Phoenix at 3.7% and Dallas at 3.6% over the last 12 months. Even a middle-country market with weaker rent growth like Kansas City (1.7% over the last 12 months) is rushing to add industrial space. Kansas City currently has 8.3 million square feet of new stock under construction and an additional 7.4 million in the planning stages.

- Yardi Matrix recorded $4.7 billion of transactions nationally during the first two months of the year, with the average price per square foot up 10% from the fourth quarter of last year to $112 per square foot.

- A lack of available space for new development is driving up sale prices. Recent trends show robust price growth in geographically constrained coastal markets, where land available for new industrial development is at a premium. Between 2016 and 2020, the average price per square foot of a sale in all three Southern California industrial markets increased more than 40%, with prices in Orange County moving from an average of $158 per square foot to $226, in Los Angeles from $138 to $197, and in the Inland Empire from $80 to $127. In New Jersey, prices grew from $78 per square foot in 2016 to $137 in 2020, a 75.4% increase. However, Boston takes the crown over the four-year period, with prices increasing 154.5%, from $63 per square foot to $160.

Rents and Occupancy:
Land Scarcity Drives Rent Growth and Vacancies

- The average rent for industrial space increased 5.1% over the last 12 months to $6.47 per square foot. Tenants continue to pay a substantial premium when signing new leases, with the average lease signed in the last 12 months averaging $7.42.
- Rents have increased the most over the last 12 months in markets with active ports. The Inland Empire (9.2%), South Carolina (8.1%) and Los Angeles (7.8%) saw the largest increases.
- Rent increases were lowest in the Midwest. St. Louis (0.3%) had the smallest gains over the last 12 months, followed by Kansas City (1.7%), Houston (1.8%) and the Twin Cities (2.4%).
- Coastal markets with less available space for new development have the tightest vacancy rates. Southern California has three of the four lowest rates in the country, with the Inland Empire (2.5%), Orange County (3.6%) and Los Angeles (4.4%) being joined by New Jersey (3.9%).
- Markets that are geographically confined and that have active ports are seeing the largest spreads between average rental rates and rates for leases signed over the last 12 months. The highest premiums paid for new leases can be found in New Jersey ($2.62 per square foot), Seattle ($1.96), Los Angeles ($1.67) and the Inland Empire ($1.51). Additionally, Boston, Orange County, the Bay Area and Miami all have spreads over a dollar.
- Conversely, little to no premium is being paid for new leases signed in most inland markets. In the Midwest, only Chicago is seeing a noteworthy spread, with new leases costing $1.09 more per square foot. Even inland markets with strong investor interest like Denver ($0.59), Dallas ($0.62) and Phoenix ($-0.28) are seeing little premium on new leases. Lower land costs have allowed developers to build product on spec to meet the surging demand in these markets.

Average Rent by Metro

Market	Feb-21 Average Rent	12-Month Change	Avg Rate Signed Last 12-Month	Vacancy Rate
National	$6.47	5.1%	$7.42	6.1%
Inland Empire	$6.13	9.2%	$7.64	2.5%
South Carolina	$5.56	8.1%	$6.18	7.6%
Los Angeles	$9.73	7.8%	$11.40	4.4%
Nashville	$4.92	6.7%	$5.84	6.0%
Bay Area	$10.52	6.5%	$11.68	7.7%
Seattle	$8.47	5.8%	$10.43	9.3%
New Jersey	$7.37	5.2%	$9.99	3.9%
Denver	$7.27	5.1%	$7.86	7.5%
Philadelphia	$6.01	5.0%	$7.10	6.5%
Orange County	$10.99	4.6%	$12.30	3.6%
Boston	$7.56	4.3%	$8.93	8.9%
Miami	$8.44	4.3%	$9.58	6.3%
Phoenix	$6.87	3.7%	$6.66	5.6%
Dallas Fort Worth	$4.56	3.6%	$5.20	5.0%
Atlanta	$4.41	3.4%	$5.14	4.9%
Chicago	$5.22	3.1%	$6.31	8.1%
Detroit	$5.35	2.9%	$4.76	8.0%
Twin Cities	$5.59	2.4%	$5.31	7.6%
Houston	$5.72	1.8%	$6.22	9.6%
Kansas City	$4.14	1.7%	$3.82	5.0%
St. Louis	$3.99	0.3%	$3.31	5.9%

Source: Yardi Matrix. Data as of February 2021. Rent data provided by Yardi Matrix Expert

Supply:
Largest Pipelines in Markets With Available Land

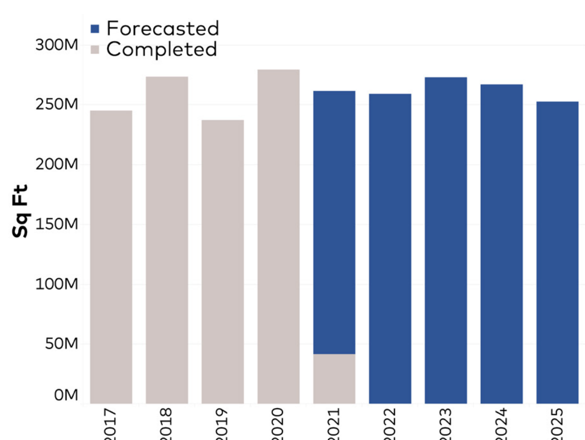
- Nationally, 41.7 million square feet of new industrial space was delivered in the first two months of 2021. A total of 346.6 million square feet is currently under construction, with an additional 394.4 million in the planning stages.

- According to forecasts from Yardi Matrix, the industrial supply boom will continue at least through the first half of this decade. A total of 261.6 million square feet of space is forecasted to be delivered this year, and national deliveries will remain in the range of 250 million to 300 million square feet through 2025.

- Much of the future supply will come in the middle of the country, where geographic constraints are not a factor. Markets like Phoenix (15 million square feet under construction, 5.9% of stock), Denver (12.7 million, 6.7%) and Dallas (27.2 million, 3.8%) have ample available space for new supply to keep up with demand.

- Smaller supply pipelines can be found in coastal markets that have space constraints, like Orange County (609,000 square feet, 0.3% of stock), Los Angeles (5.7 million, 0.9%) and New Jersey (8.0 million, 1.7%). With active ports, these markets have fast-growing rents due to low vacancy rates but lack space.

National New Supply Forecast



Source: Yardi Matrix. Data as of February 2021

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	UC Plus Planned % Stock
National	346,572,575	2.5%	5.4%
Phoenix	15,028,493	5.9%	13.6%
Denver	12,683,065	6.7%	10.1%
Dallas–Fort Worth	27,242,973	3.8%	8.5%
Seattle	6,100,293	2.7%	8.5%
Philadelphia	12,477,231	4.0%	7.9%
Charlotte	5,456,612	2.4%	7.8%
Kansas City	8,286,624	3.8%	7.2%
Indianapolis	9,794,517	3.6%	7.0%
Nashville	7,899,590	4.7%	6.9%
Memphis	12,162,638	5.1%	6.7%
Columbus	5,659,661	2.3%	6.1%
Inland Empire	13,971,480	2.4%	5.6%
Boston	1,605,813	0.9%	5.3%
Tampa	4,323,901	2.5%	5.3%
Central Valley	6,452,164	2.3%	5.2%
Houston	10,025,539	2.4%	4.5%
Portland	3,535,500	2.3%	4.5%
Chicago	21,307,224	2.5%	4.3%
New Jersey	8,034,362	1.7%	4.3%
Bay Area	3,090,057	1.1%	4.2%
Atlanta	10,429,120	2.3%	3.8%
Detroit	10,415,080	2.4%	3.6%
Cincinnati	6,598,272	2.8%	3.3%
Baltimore	2,907,533	1.6%	3.2%
Los Angeles	5,739,021	0.9%	2.7%
Bridgeport	2,252,740	1.4%	2.2%
Minneapolis	1,109,501	0.4%	1.4%
Orange County	609,331	0.3%	1.4%
Cleveland	1,232,750	0.5%	0.8%

Source: Yardi Matrix. Data as of February 2021

Economic Indicators:
E-commerce Reaches New Highs in 2020

- The COVID-19 pandemic upended the way consumers interact with retail, pushing more shoppers online last year. E-commerce sales grew 32% over the previous year, increasing from $596 billion to $788 billion and leading to a surge in demand for industrial space from both tenants and owners. While the industry is unlikely to experience e-commerce growth on this scale again, improving economic fundamentals should boost demand this year.

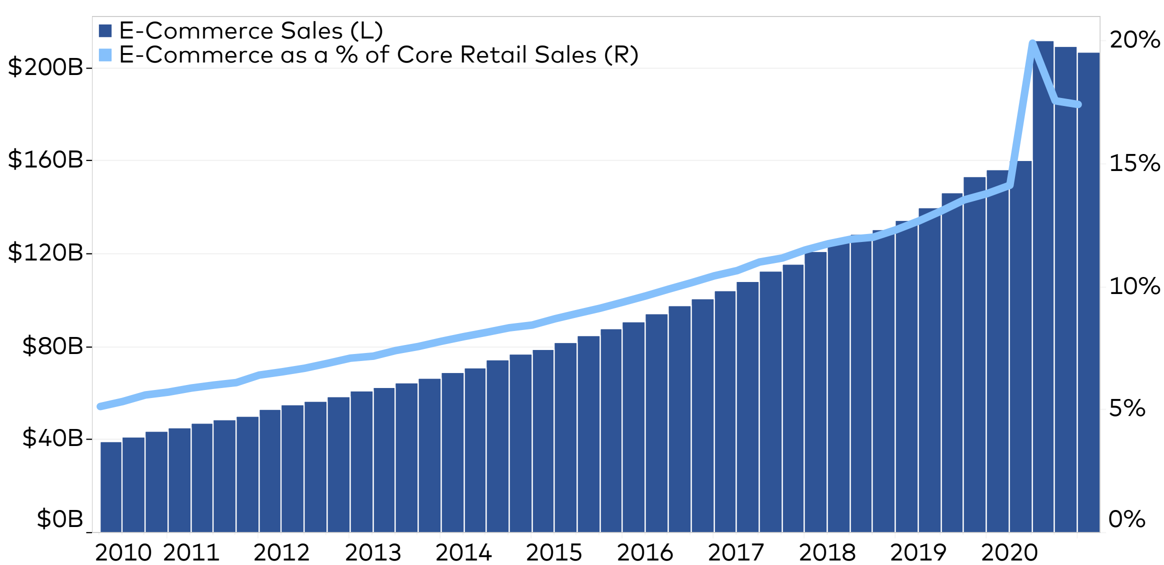
- Retail numbers for the fourth quarter of 2020 show the share of online sales dropping slightly from the previous quarter, with e-commerce's share of core retail sales falling 20 basis points to 17.4%. After spiking to 19.9% in the second quarter of 2020, when much of the country went into lockdown, the last two quarters are the only time since the Census Bureau began tracking e-commerce sales that the share has fallen. As the country gets vaccinated and embraces post-pandemic life, we expect historical trends to resume and the share of e-commerce to experience steady upward movement.

Economic Indicators

National Employment	(February)	143.0M	0.3% MoM ▲	-6.2% YoY ▼
ISM Purchasing Manager's Index	(February)	60.8	2.1 MoM ▲	10.5 YoY ▲
Inventories	(December)	$1,971.7B	0.6% MoM ▲	-2.6% YoY ▼
Imports	(January)	$221.1B	1.6% MoM ▲	8.5% YoY ▲
Core Retail Sales	(January)	$410.1B	6.1% MoM ▲	7.6% YoY ▲
Exports	(January)	$135.7B	1.6% MoM ▲	-1.0% YoY ▼

Sources: Bureau of Labor Statistics; Institute for Supply Management, U.S. Census Bureau; Bureau of Economic Analysis; Moody's Analytics

E-Commerce Sales



Sources: U.S. Census Bureau, Yardi Matrix

Transactions:
New Jersey's Sales Surge

- Nationally, $4.7 billion of transactions were completed in the first two months of the year, according to Yardi Matrix.

- E-commerce demand is leading to increased sale prices across the nation, an effect that is even more pronounced in places where space is at a premium. Nowhere exemplifies this more than New Jersey. Nearly a half billion dollars in sales were completed in the first two months of the year, with an average price per square foot of an astronomical $292. Some of this is due to the unique asset mix of these transactions and a small sample size to begin the year. Nevertheless, the impact of e-commerce on New Jersey's industrial market is clear.

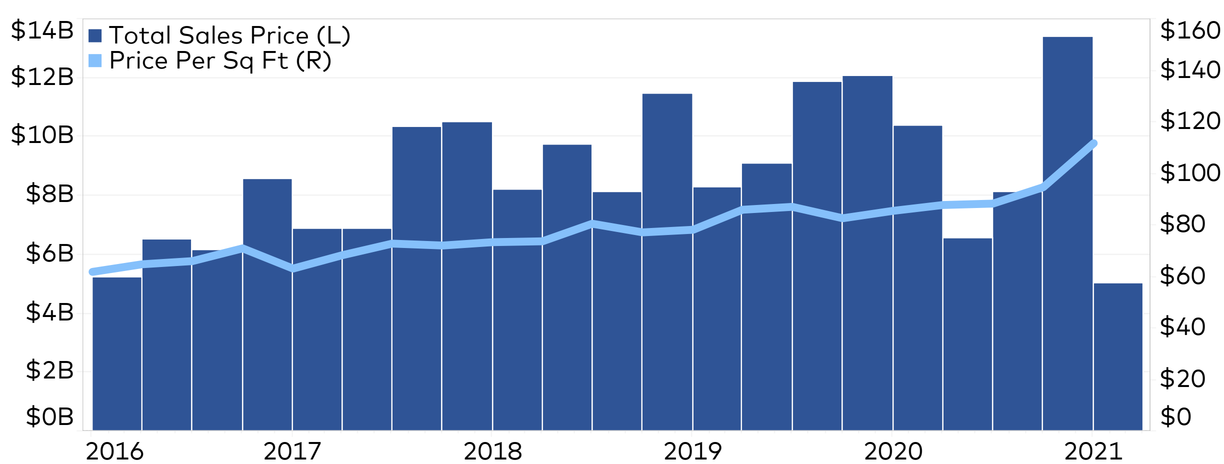
- Two sales accounted for most of the transaction volume in New Jersey to start the year. 10Edison, a 900,000-square-foot building leased by Amazon, recently sold for $247 million. Located next to the New Jersey Turnpike and Route 287, the property is ideally located for the online retail giant as it continues its explosive growth. 38 Porete Ave. is a FedEx Freight location that recently sold for $120 million. The building itself is only 139,000 square feet, which has inflated the market's per-square-foot numbers, but it sits on a 44-acre site.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 2/28)
National	$112	$4,731
New Jersey	$292	$478
Inland Empire	$156	$291
Chicago	$59	$287
Philadelphia	$75	$214
Los Angeles	$127	$209
Phoenix	$152	$188
Seattle	$250	$169
Bay Area	$146	$149
Columbus	$58	$128
Nashville	$71	$121
Baltimore	$112	$97
Denver	$125	$85
Tampa	$68	$77
Dallas–Fort Worth	$92	$71
Bridgeport	$149	$53
Kansas City	$68	$44
Central Valley	$134	$42
Atlanta	$59	$37
Minneapolis	$84	$36
Boston	$99	$33
Indianapolis	$58	$27
Memphis	$36	$19
Cleveland–Akron	$50	$15
Charlotte	$17	$7
Cincinnati	$22	$1

Source: Yardi Matrix. Data as of February 2021

Quarterly Transactions



Source: Yardi Matrix. Data as of February 2021

Definitions

Yardi Matrix collects listing rate and occupancy data using proprietary methods.

- Average Rents—Provided by Yardi Matrix Expert, a cutting-edge service that uses anonymized and aggregated data from other Yardi platforms to provide the most accurate rental and expense information available.
- Vacancy—The total square feet vacant in a market, including subleases, divided by the total square feet of office space in that market. Owner-occupied buildings are not included in vacancy calculations.

Stage of the supply pipeline:

- Planned—Buildings that are currently in the process of acquiring zoning approval and permits but have not yet begun construction.
- Under Construction—Buildings for which construction and excavation has begun.

Sales volume and price-per-square-foot calculations do not always include portfolio transactions or those with unpublished dollar values.

Supply statistics exclude owner-occupied properties.

Contacts

Peter Kolaczynski
Manager, Commercial
Peter.Kolaczynski@Yardi.com
(800) 866-1124 x2410

Rob McCartney
Sales Manager, Matrix
Rob.McCartney@Yardi.com
(800) 866-1124 x2412

Doug Ressler
Manager, Business Intelligence
Doug.Ressler@Yardi.com
(800) 866-1124 x2419

Yardi Matrix