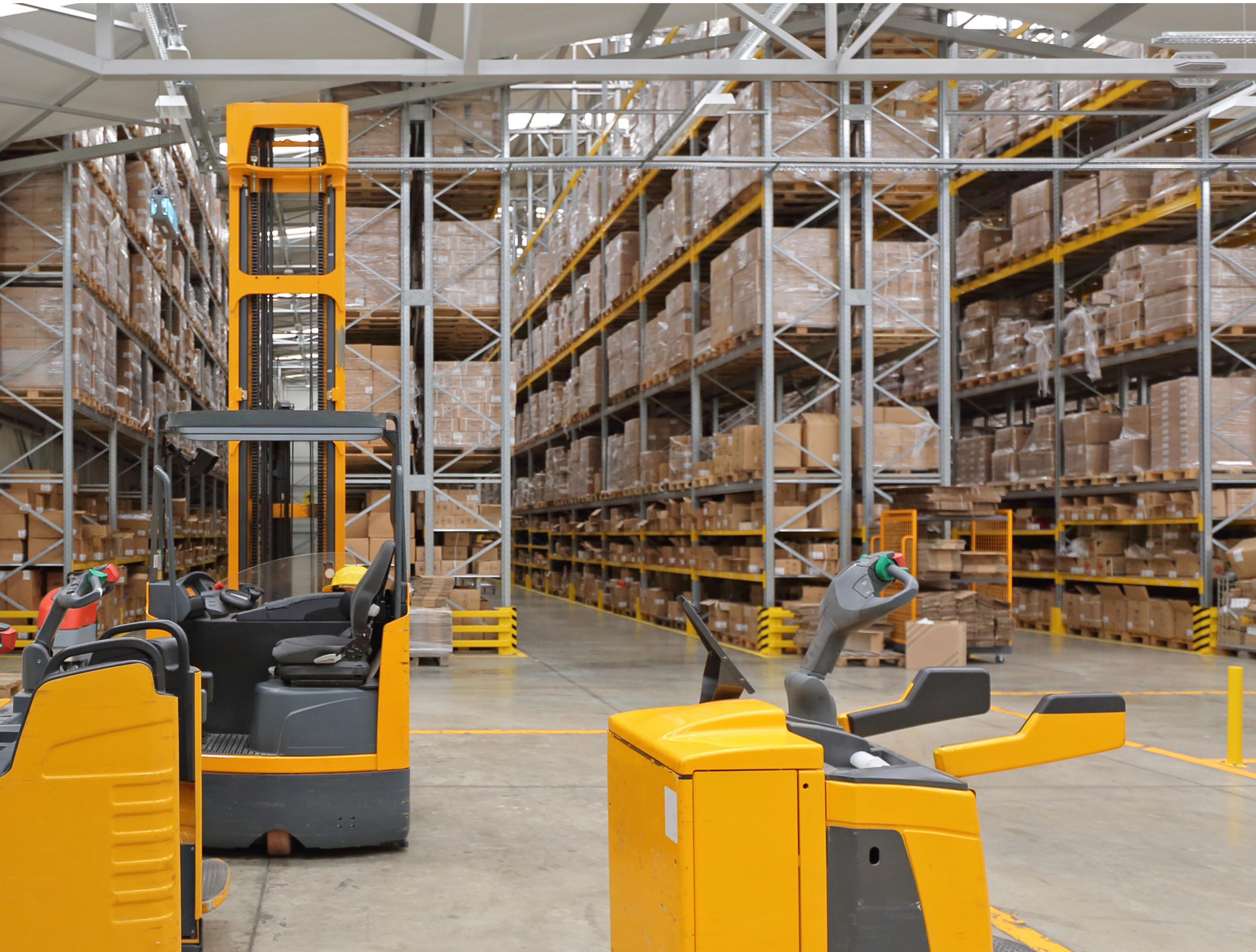
National Industrial Report

May 2021



The Amazon Effect: Industrial's Big Driver

- When it comes to e-commerce, there is Amazon and then there is everyone else. Between the behemoth's direct sales to consumers and third-party sales through its platform, it is by far the dominant force in online retailing. Even as other companies, like Wal-mart, surpassed it in e-commerce growth in 2020, they are still playing catch-up.

- With so many transactions, Amazon is leading the competition for fulfillment centers and last-mile delivery locations, as well, impacting the new-supply pipeline as developers rush to provide it with big facilities. Many of the largest spaces in the Yardi Matrix Industrial database feature an Amazon lease—for instance, LogistiCenter at I-95 Wilmington, under development in Philadelphia and totaling some 3.8 million square feet. Similar-size facilities are underway in Austin, Detroit, Syracuse, N.Y., and Little Rock, Ark.

- Investors are also eager to acquire properties fully leased by Amazon, given the stable income it provides for the long term. Since the start of 2020, 83 transactions have involved buildings with Amazon as the tenant, accounting for roughly 7% of all sales volume. And the properties are going for a premium, trading at an average of $145 per square foot, vs. $94 per square foot for all properties sold in the last 16 months. Amazon facilities are even trading at astronomical prices in smaller markets. In Albany, N.Y., the 1 million-square-foot 1835 U.S. Route 9 sold for $125 million, or $125 per square foot. In larger markets, sale prices are even higher. 10Edison, a 900,000-square-foot building in Central New Jersey, recently traded for $247 million, or $274 per square foot. And in Los Angeles, the 223,000-square-foot 20730 Prairie St. sold for $74 million, or a whopping $332 per square foot.

- E-commerce sales figures for the first quarter of the year show online shopping accounting for more than 17% of core retail sales. While it may take years before e-commerce sales reach the 19% share achieved during last year's second quarter, it does appear that the pandemic has advanced the trend by a few years. Before the pandemic, e-commerce had a 13.7% share of market; if it followed the fairly linear track it had been on, the share of core retail would have been north of 17% sometime in 2023. We will keep a close eye on e-commerce figures during the waning days of the pandemic, but we believe the heightened shift to online retail is structural rather than temporary.

Rents and Occupancy:
Port Markets Continue Strong Performance

- The national average rent for industrial space was $6.54 per square foot in April. Tenants looking for space continue to pay a hefty premium, with leases signed in the last 12 months averaging nearly a dollar more. The national vacancy rate was 6.1%.

- Rent growth tended to be highest in port markets with limited space for new supply, such as the Inland Empire (8.2%), Los Angeles (7.3%) and Seattle (6.5%). Nashville (6.7%) was the only market without a port to crack 5% rent growth over the last 12 months.

- Similarly, the spread between overall rents and those for leases signed in the last 12 months was highest in port markets, with a few inland exceptions. On a percentage basis, the largest premiums for new leases were found in New Jersey (37% higher than the overall rental rate, $2.74 per square foot premium), Boston (33%, $2.61) and Chicago (30%, $1.60).

- Chicago commanded one of the larger premiums for new leases, which was surprising because those spreads are nowhere to be found in other Midwestern markets. Detroit, St. Louis, the Twin Cities and Kansas City have all had lower-than-average rates for new leases of late.

- Vacancy rates remain exceptionally low in Southern California, with its three major markets the tighest in the nation. The Inland Empire has only a 2.0% vacancy, while Orange County is at 3.7% and Los Angeles at 4.0%. The Port of Los Angeles continues to see record activity, and the growth in e-commerce over the last year ensures that the region will continue to see high levels of demand. Because land costs are high in these markets, new supply will be slower to come to market than in other places. We expect rents to continue to grow substantially for the foreseeable future.

Average Rent by Metro

Market	Apr-21 Average Rent	12-Month Change	Avg Rate Signed Last 12-Month	Vacancy Rate
National	$6.54	4.7%	$7.51	6.1%
Inland Empire	$6.25	8.2%	$7.61	2.0%
Los Angeles	$9.95	7.3%	$11.79	4.0%
Nashville	$4.92	6.7%	$6.24	6.0%
Seattle	$8.34	6.5%	$10.58	6.6%
New Jersey	$7.49	5.9%	$10.23	4.7%
Bay Area	$10.47	5.5%	$10.77	7.5%
Orange County	$10.79	5.0%	$11.89	3.7%
Philadelphia	$6.03	4.7%	$6.40	5.5%
Twin Cities	$5.82	4.7%	$5.36	7.4%
Miami	$8.48	4.5%	$9.35	6.7%
South Carolina	$5.52	4.2%	$6.11	9.6%
Atlanta	$4.43	4.1%	$5.22	4.8%
Dallas	$4.64	4.0%	$5.07	4.8%
Phoenix	$6.83	3.9%	$6.91	6.7%
Boston	$7.82	3.5%	$10.43	11.4%
Chicago	$5.29	3.3%	$6.89	7.3%
Houston	$5.70	1.8%	$6.36	11.3%
Kansas City	$4.14	1.5%	$3.86	4.2%
Denver	$7.57	1.3%	$8.26	8.3%
Detroit	$5.57	-0.2%	$4.18	8.1%
St. Louis	$3.91	-0.3%	$3.13	5.4%

Source: Yardi Matrix. Data as of April 2021. Rent data provided by Yardi Matrix Insight

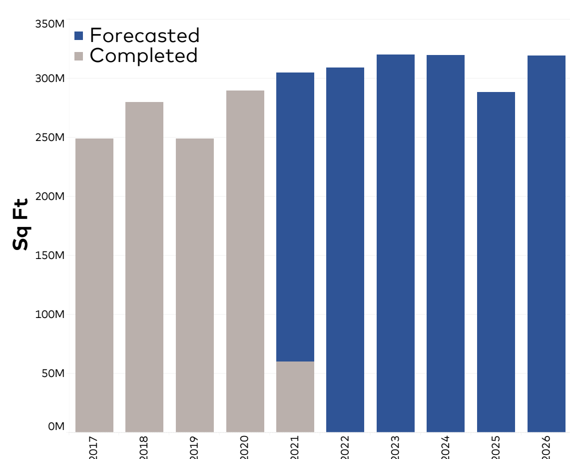
Supply:
Development Defies Rent Growth

- Nationally, 388.7 million square feet of new industrial stock is currently under construction, 57% concentrated in the top 20 markets.

- Despite Kansas City's soft rent growth, develoeprs are adding space, driven by its prominence as a Midwestern logistics hub. Currently, 8.1 million square feet are under construction, with 22.9 million square feet in the planning stages. Developers in inland markets are quick to build new projects on the fringes to meet demand, putting a ceiling on rent growth. The lower land costs do not mean that new supply can be added unabated, however. In the rural southeastern portion of the Kansas City market, the expansion of Kansas City Logistics Park met with local opposition. The first of the buildings is now underway, but similar opposition may emerge as industrial supply encroaches on what has typically been farmland.

- Denver (1.7% rent growth, 3.9% of stock under construction) is another in-demand market that won't be able to capture the rent growth enjoyed by port markets, simply because there is ample, inexpensive space on the outskirts of the city. In the last five years, more than 25 million square feet have been completed, increasing stock by over 11%.

National New Supply Forecast



Source: Yardi Matrix. Data as of April 2021

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	UC Plus Planned % Stock
National	388,651,874	2.7%	5.7%
Phoenix	15,422,620	5.9%	19.5%
Memphis	12,560,266	5.2%	6.2%
Nashville	8,844,335	5.2%	6.9%
Denver	9,018,313	3.9%	7.2%
Philadelphia	11,672,984	3.7%	7.9%
Kansas City	8,067,448	3.7%	10.5%
Charlotte	8,107,906	3.6%	8.5%
Dallas	26,685,365	3.3%	9.0%
Houston	16,999,577	3.3%	5.8%
Indianapolis	8,270,499	3.0%	7.0%
Columbus	6,691,440	2.7%	5.8%
Tampa	4,547,335	2.7%	5.6%
Portland	4,050,952	2.7%	4.6%
Inland Empire	15,408,502	2.6%	5.6%
Seattle	6,936,062	2.6%	7.8%
Central Valley	8,011,474	2.5%	5.4%
Cincinnati	5,821,064	2.5%	3.2%
Chicago	18,844,127	2.2%	4.3%
Atlanta	9,820,072	2.2%	4.3%
Detroit	9,106,932	2.1%	3.7%
Bay Area	5,396,933	2.0%	4.3%
New Jersey	8,481,980	1.8%	5.1%
Baltimore	2,858,565	1.6%	5.0%
Bridgeport	1,805,120	1.2%	2.3%
Los Angeles	7,432,421	1.1%	2.9%
Cleveland–Akron	2,489,060	0.9%	1.8%
Boston	1,673,117	0.9%	5.5%
Twin Cities	1,118,675	0.4%	2.0%
Orange County	718,451	0.4%	1.5%

Source: Yardi Matrix. Data as of April 2021

Economic Indicators:
E-commerce Maintains Momentum

- E-commerce sales enjoyed a robust first quarter as shopping was boosted by stimulus checks in the early months of the year. E-commerce sales increased 7.7%, or $215 billion, from fourth quarter 2020 to first quarter 2021. That marked the second-largest increase in the history of e-commerce sales data, only behind the massive spike in the second quarter of last year, when consumers responded to coronavirus shutdowns. E-commerce sales fell slightly in the two subsequent quarters.

- Equally important, e-commerce's share of core retail sales rose slightly in the first quarter of the year, to 17.1%, an increase of 14 basis points over fourth quarter 2020. While that's well below the high of 19.3% in second quarter 2020, it is increasingly likely that the rapid gains in e-commerce as a share of core retail in the past year have marked a structural shift in consumer behavior rather than a temporary response to a health crisis. As the pandemic nears its end, we do not expect e-commerce sales to return to their pre-coronavirus trajectory.

Economic Indicators

National Employment
(April)
144.3M
0.2% MoM ▲
10.9% YoY ▲

ISM Purchasing Manager's Index
(April)
60.7
-4.0 MoM ▼
19.0 YoY ▲

Inventories
(March)
$2,014.3B
0.3% MoM ▲
0.0% YoY ▼

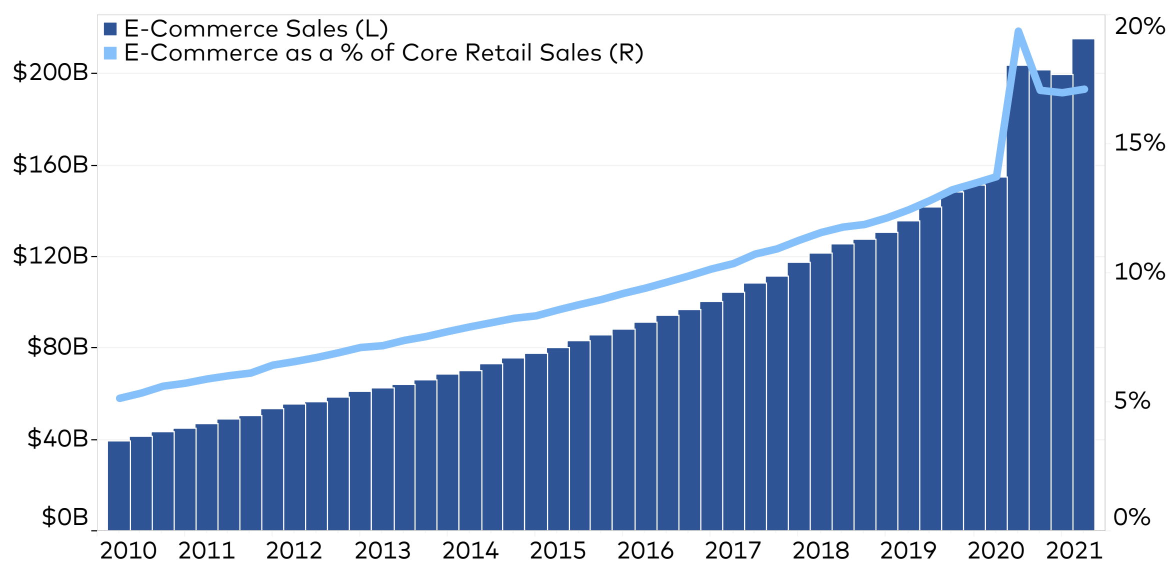
Imports
(March)
$234.4B
7.0% MoM ▲
20.8% YoY ▲

Core Retail Sales
(March)
$437.8B
8.9% MoM ▲
19.1% YoY ▲

Exports
(March)
$142.9B
8.9% MoM ▲
11.9% 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:
Miami Closes In on 2020 Total Volume

- There was $13.2 billion in industrial transactions nationally during the first four months of the year. The price per square foot averaged $109, up 22% from last year.

- Miami has seen an explosion of interest in recent months. At $439 million in sales through April, Miami had already reached 83% of last year's total volume.

- More than two-fifths of Miami's volume this year is due to CenterPoint Properties' acquisition of a pair of facilities at Countyline Corporate Park in Hialeah. The purchase price was $184 million, or $176 per square foot, for the two facilities, leased entirely by Home Depot. This illustrates the attractiveness of facilities with in-place leases to large tenants: Home Depot may not have the massive e-commerce footprint of Amazon, but it nonetheless provides long-term stability for the facility's owner.

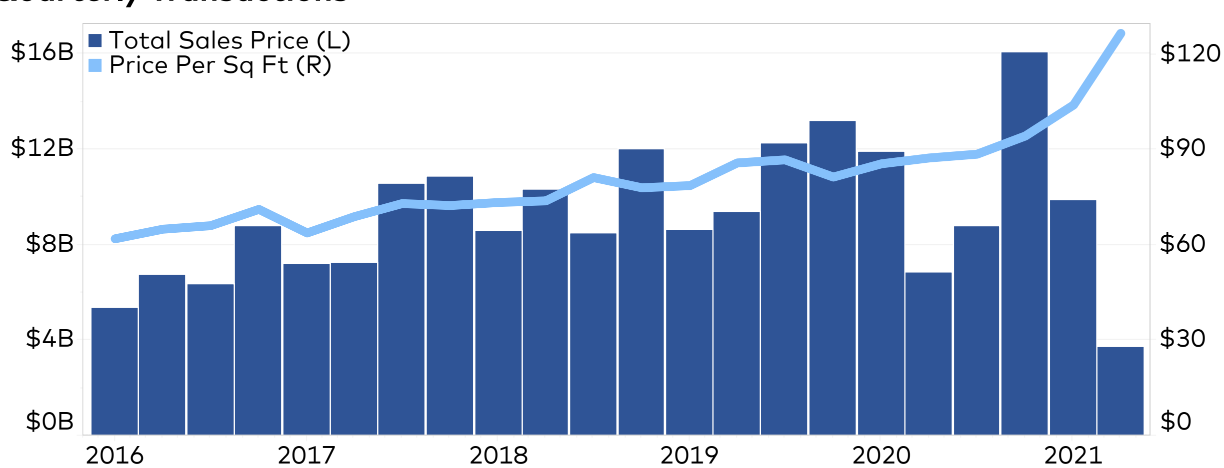
- Smaller properties have also been in demand. In fact, the 19 other properties trading in Miami so far this year averaged 92,000 square feet and went for $148 per square foot.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 4/30)
National	$109	$13,186
Los Angeles	$183	$1,040
Inland Empire	$162	$854
Chicago	$68	$732
New Jersey	$251	$669
Seattle	$173	$641
Denver	$181	$623
Boston	$141	$518
Bay Area	$177	$491
Phoenix	$134	$489
Miami	$159	$439
Baltimore	$119	$426
Philadelphia	$75	$355
Columbus	$53	$252
Tampa	$83	$239
Central Valley	$71	$206
Twin Cities	$91	$200
Nashville	$73	$169
Atlanta	$62	$147
Dallas	$91	$125
Memphis	$50	$118
Bridgeport	$77	$103
Houston	$63	$84
Orange County	$237	$78
Kansas City	$67	$70
Indianapolis	$47	$57
Cincinnati	$49	$42

Source: Yardi Matrix. Data as of April 2021

Quarterly Transactions



Source: Yardi Matrix. Data as of April 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.

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