National Industrial Report

October 2021

Electric Vehicle Manufacturing Intensifies

- Long promised as the future of transportation, electric cars have yet to gain a significant share of the United States auto market. Growing concern about climate change, political pressure from the Biden Administration and shifting consumer demand are leading to a ramp-up in electric vehicle production. Now, electric vehicle plants are driving tens of billions of dollars in investments as both traditional auto makers and upstart companies race to deliver electric vehicles to the masses, and electric vehicle production is fueling additional demand on an already tight industrial market.

- The largest electric car maker in the country made waves recently when Tesla announced it would be moving its headquarters from California to Texas. While the company was already building a new 4 million-square-foot manufacturing facility in the Austin market, the headquarters relocation suggests that Tesla sees the Lone Star State as critical to its long-term expansion plans. Tesla currently dominates the U.S. market, with estimates suggesting that the company accounts for roughly three quarters of all electric vehicle sales.

- Traditional auto makers are not keen on letting Tesla command the electric vehicle market and are looking to make moves to compete in the space. Last month, Ford Motors announced it would be spending more than $11 billion to build three battery factories across Kentucky and Tennessee and an electric truck manufacturing facility in Tennessee during the coming years. Toyota announced it will build a $1.3 billion battery manufacturing facility in the United States in efforts to ramp up electric vehicle production. Over the summer, GM announced it would invest $35 billion in electric and autonomous vehicle technologies through 2025. These investments include two new battery manufacturing facilities and capital to convert existing plants to electric vehicle factories.

- Detroit's Big Three are not the only competition that Tesla will have this decade, as two new entrants in the electric vehicle space have invested billions and plan to invest billions more. Lucid Motors, an upstart company headed by the former chief engineer of the Tesla Model S, has built a 1 million-square-foot facility in Casa Grande, Ariz., and plans an additional 2.7 million square feet of space after raising capital with its IPO this summer. Rivian Automotive is likewise trying to elbow its way into the electric vehicle space, backed by institutional capital and a partnership with Ford, but has yet to make a retail sale. Rivian currently operates one plant in Illinois but like Tesla has its eyes on Texas for expansion: The company is rumored to be planning a $5 billion facility in Fort Worth.

Rents and Occupancy: Port Markets See Largest Premium for New Leases

- National rents for industrial space averaged $6.35 per square foot in September, an increase of 3.5% over the last 12 months. Tenants looking for space of late have paid a substantial premium, with the average rate for leases signed in the last 12 months coming in at $7.16 per foot, 81 cents higher than the average rate.

- Rent growth was highest in markets with active ports as well as high-demand Southeastern locations. New Jersey saw the most gains over the last 12 months, with rents increasing 6.4%, followed by the Inland Empire (6.1%), Nashville (6.0%), Los Angeles (5.4), Atlanta (5.3%) and the Bay Area (5.2%).

- The premium tenants paid for new leases continues to be highest in port markets. New Jersey led the way, with leases signed over the last 12 months costing $2.60 more per square foot than the market average. Boston was not far behind at a premium of $2.53. The other markets with the highest spreads between new leases and the average rental rate were Seattle ($2.23 per foot), Los Angeles ($1.70), Orange County ($1.62) and the Inland Empire ($1.61).

- The national vacancy rate in September was 5.7%, a decrease of 20 basis points from last month.

- Vacancy rates continue to be lowest in port markets and Midwestern logistics hubs. Rates in the Inland Empire were the lowest nationwide in September, at a minuscule 1.1%. Across the rest of Southern California, space was not much easier to find. Los Angeles' vacancy rate was 3.0% and Orange County's was 3.3%. Midwestern markets popular with logistics companies are also seeing tight vacancy rates. Columbus' rate was 2.4%, Indianapolis' 2.3% and Kansas City's 3.4%. Despite the tight vacancies, new supply in outerlying portions of these markets has kept rent growth low.

Average Rent by Metro

Market	Sep-21 Average Rent	12-Month Change	Avg Rate Signed in Last 12 Months	Vacancy Rate
National	$6.35	3.5%	$7.16	5.7%
New Jersey	$7.85	6.4%	$10.45	3.9%
Inland Empire	$6.45	6.1%	$8.06	1.1%
Nashville	$5.02	6.0%	$6.23	2.4%
Los Angeles	$10.16	5.4%	$11.86	3.0%
Atlanta	$4.48	5.3%	$5.45	5.2%
Bay Area	$10.91	5.2%	$12.05	6.7%
Seattle	$9.00	4.6%	$11.23	6.7%
Central Valley	$5.18	4.1%	$6.57	5.3%
Dallas–Fort Worth	$4.70	3.9%	$5.34	5.2%
Cincinnati	$4.07	3.8%	$3.97	8.3%
Miami	$8.73	3.8%	$9.65	5.1%
Philadelphia	$6.32	3.7%	$7.17	6.5%
Tampa	$6.31	3.4%	$6.50	4.8%
Portland	$8.08	3.0%	$8.19	4.9%
Phoenix	$6.99	2.8%	$6.96	5.3%
Baltimore	$6.70	2.7%	$7.06	7.0%
Memphis	$3.38	2.7%	$3.42	6.2%
Twin Cities	$5.84	2.6%	$5.97	7.6%
Denver	$7.58	2.5%	$7.87	11.1%
Houston	$5.90	2.4%	$6.14	12.0%
Orange County	$11.45	2.4%	$13.07	3.3%
Charlotte	$6.13	2.3%	$5.79	9.1%
Chicago	$5.31	2.1%	$5.75	6.6%
Kansas City	$4.40	2.1%	$4.21	3.4%
Indianapolis	$3.99	1.3%	$4.56	2.3%
Boston	$7.98	1.1%	$10.51	10.5%
Columbus	$3.92	0.8%	$4.53	2.4%
St. Louis	$4.00	0.2%	$3.65	7.2%
Detroit	$5.86	-2.0%	$5.88	7.2%

Source: Yardi Matrix. Data as of September 2021. Rent data provided by Yardi Market Insight. National rent and occupancy data is a weighted average of the top 30 markets.

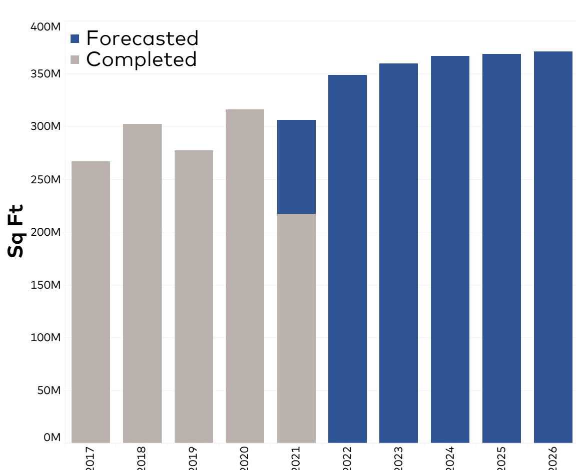
Supply:
Distribution and Logistics Drive Indianapolis

- Nationally, 217.3 million square feet of new industrial space have been delivered this year. Another 507.5 million square feet are currently under construction.

- Supply chain issues and material shortages haven't stopped the pipeline from growing this year, with the under-construction portion of the pipeline increasing more than 7 million square feet over last month and more than 50 million square feet over the last four months.

- Indianapolis is attractive to logistics companies due to its central location, infrastructure and the second-largest FedEx hub in the country. Space is scarce in the market, with a vacancy rate of only 2.3%, and development is rushing to catch up to demand. Two large distribution centers are underway, a 2.2 million-square-foot facility from Walmart in Hancock County and a 1 million-square-foot center from Five Below in Shelby County. Most other large properties under construction are in logistics parks. Mohr Logistics Park in Johnson County has two buildings totaling 1.9 million square feet under construction. Greenfield Commerce Center in Hancock County has a 1.1 million-square-foot building under construction and two more planned totaling 1.2 million square feet.

National New Supply Forecast



Source: Yardi Matrix. Data as of September 2021

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	UC Plus Planned % Stock
National	507,510,068	3.2%	6.3%
Phoenix	26,594,413	9.9%	23.9%
Indianapolis	16,988,700	6.2%	9.1%
Memphis	12,630,879	5.1%	6.8%
Dallas–Ft Worth	36,458,344	4.5%	10.5%
Kansas City	9,640,406	4.3%	10.4%
Columbus	11,135,077	4.1%	6.5%
Inland Empire	23,042,684	3.9%	8.1%
Charlotte	10,083,361	3.8%	10.5%
Seattle	9,720,110	3.6%	6.7%
Denver	8,352,784	3.5%	6.8%
Philadelphia	12,862,886	3.3%	8.6%
Houston	16,804,012	3.2%	6.2%
Tampa	6,099,652	3.0%	4.6%
Nashville	5,288,711	3.0%	6.1%
Boston	6,664,992	2.9%	4.4%
Bridgeport	5,652,925	2.8%	4.5%
Chicago	26,009,848	2.7%	5.7%
Portland	4,669,938	2.6%	4.3%
Central Valley	7,930,272	2.5%	4.7%
Atlanta	10,579,143	2.0%	3.8%
New Jersey	10,047,933	1.9%	4.8%
Baltimore	3,881,868	1.9%	3.6%
Detroit	9,085,850	1.7%	3.2%
Bay Area	4,763,685	1.7%	3.7%
Cincinnati	4,121,307	1.7%	2.2%
Twin Cities	3,980,276	1.3%	3.9%
Orange County	2,276,970	1.2%	1.9%
Los Angeles	7,100,042	1.1%	2.7%
Cleveland	3,425,398	0.9%	1.4%

Source: Yardi Matrix. Data as of September 2021

Economic Indicators:
Supply Chain Disruptions Threaten Economic Growth

- Port activity has been at record levels this year as the world rebounds from the sudden downturn in demand that occurred in response to the pandemic. However, activity has become so potent that it is creating supply bottlenecks, with reports of dozens of ships sitting offshore with containers waiting to be unloaded. The backlog of containers at ports is part of a larger supply chain struggle that has touched nearly every industry. Supply chain disruptions have become so worrisome that the White House named a "bottleneck czar" and has deemed it necessary to warn Americans that "there will be things that people can't get" during the holiday season.

- The Institute for Supply Management's index for manufacturing activity grew to 61.1 in September, up 1.2 points from August. A reading above 50—which has been the case since a negative reading in April 2020—indicates growth in manufacturing. However, the report accompanying the index notes that nearly every sector surveyed by the ISM is facing increasing supplier prices to go with increasing demand for goods.

Economic Indicators

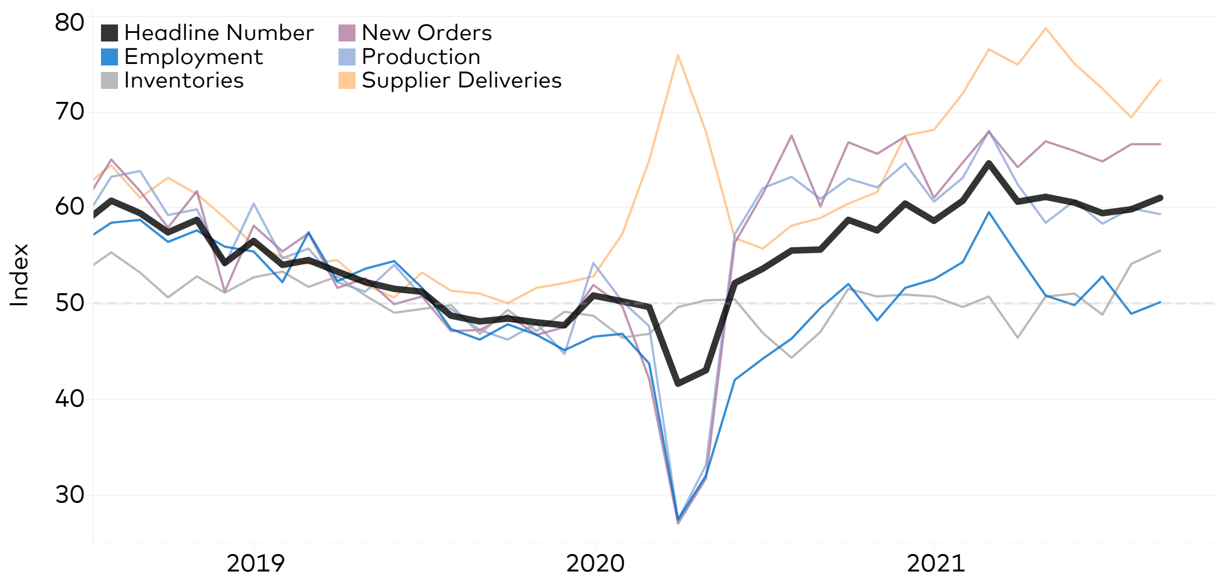
National Employment (September)	ISM Purchasing Manager's Index (September)
147.6M	61.1
0.1% MoM ▲	1.2 MoM ▲
4.0% YoY ▲	5.4 YoY ▲

Inventories (July)	Imports (August)
$2,069.5B	$239.1B
0.5% MoM ▲	1.1% MoM ▲
7.2% YoY ▲	18.4% YoY ▲

Core Retail Sales (August)	Exports (August)
$447.8B	$149.7B
2.0% MoM ▲	0.7% MoM ▲
14.3% YoY ▲	25.8% YoY ▲

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

ISM Manufacturing Purchasing Managers Index



Sources: U.S. Census Bureau, Yardi Matrix

Transactions:
Atlanta Key Market for Investors

- Investor appetite for industrial assets has intensified this year. Sales totaled $41.7 billion through the first three quarters of 2021, which is currently on pace to smash last year's sales volume of $47.1 billion—itself an all-time high.

- The average sales price for industrial assets in 2021 is also on track to blow past the all-time record set last year. Industrial properties have sold for $108 per foot in 2021, 23% higher than 2020. Nearly every market has seen a noticeable increase in average sales price this year.

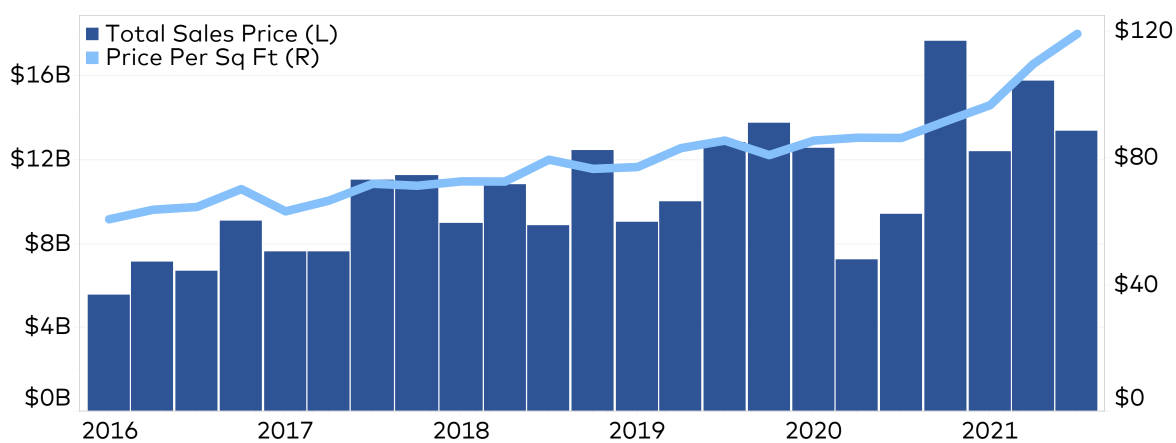
- Atlanta is currently one of the hottest industrial markets in the nation, due to its positioning as a logistics hub. Strong population growth, proximity to the ports of Charleston and Savannah, access to rail and highway transportation networks, and one of the largest air cargo hubs in the country combine to make the market attractive to both tenants and investors. Institutional investors have become active in Atlanta. The largest purchase this year was Goldman Sachs' $134 million acquisition of Majestic Airport Center III - Building 5 from Link Logistics, Blackstone's industrial platform. Link Logistics obtained the property, fully leased to Kraft Heinz, in March of this year in a portfolio transaction with Majestic Realty.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 9/30)
National	$108.22	$41,700
Los Angeles	$210.68	$3,263
Inland Empire	$182.78	$2,544
Chicago	$71.35	$2,412
Atlanta	$80.46	$1,954
New Jersey	$192.77	$1,792
Bay Area	$221.71	$1,538
Philadelphia	$94.32	$1,478
Phoenix	$139.16	$1,353
Boston	$134.77	$1,341
Denver	$172.78	$1,198
Tampa	$101.14	$1,109
Seattle	$199.95	$962
Baltimore	$105.70	$846
Twin Cities	$82.53	$752
Central Valley	$95.55	$719
Orange County	$300.27	$662
Columbus	$62.19	$662
Dallas - Fort Worth	$91.62	$610
Houston	$77.70	$499
Charlotte	$87.77	$450
Nashville	$103.76	$442
Cleveland	$44.02	$358
Memphis	$48.17	$309
Indianapolis	$51.79	$298
Bridgeport	$57.95	$294
Cincinnati	$64.61	$288
Portland	$124.85	$171
Detroit	$59.12	$169
Kansas City	$78.39	$164

Source: Yardi Matrix. Data as of September 2021

Quarterly Transactions



Source: Yardi Matrix. Data as of September 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.

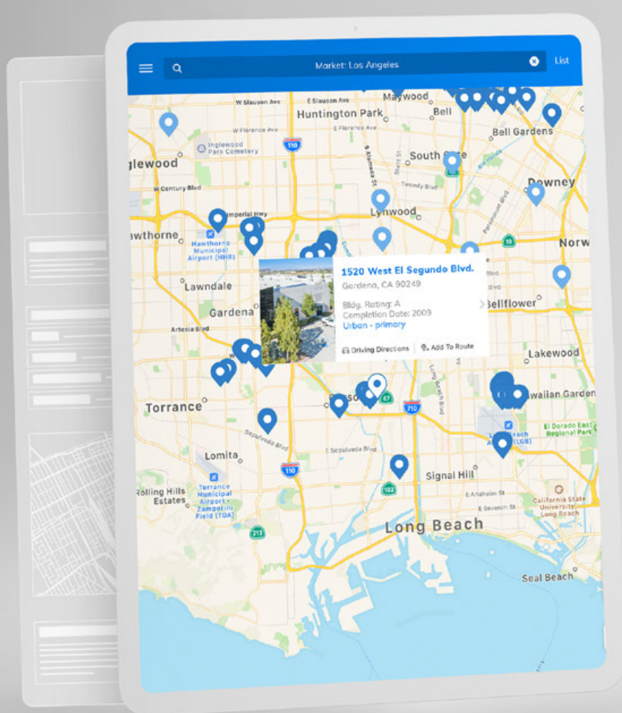
Stage of the supply pipeline:

- 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.

Yardi® Matrix

Power your business with the industry's leading source for originating, pre-underwriting and managing assets for profitable loans and investments.



Yardi Matrix Industrial delivers comprehensive property-level data, allowing you to make informed business decisions faster than ever.

Key features

- Active in 60+ major markets across the U.S., covering over 12 billion square feet
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Pierce the LLC with true ownership and contact info
- Gain new supply pipeline information at the asset, competitive set and market level
- Benchmark performance to similar assets
- Access trend reports on sales, lease and listing comps as well as portfolios of owners, managers, buyers and sellers

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