Yardi® Matrix

National Industrial Report

February 2022

Southeastern Industrial Boom Driven by Port Activity

- Supply chains and port backups have been a significant focus over the past year, and while much of the attention around port activity is focused on the two largest port districts in the country—the ports of Los Angeles and Long Beach and the Port of New York and New Jersey—nearly every port has seen record activity, leading to increased demand for industrial space nearby.

- The Savannah-Hilton Head market is home to the third-busiest port in the country, handling 5.6 million 20-foot equivalent units (TEUs) in 2021, 19% higher than the previous record of 4.7 million TEUs handled in 2020. In December, the Georgia Ports Authority (GPA) announced it was accelerating a $150 million expansion of the port, with a plan to increase container capacity 25% by June. Meanwhile, intermediate efforts have helped ease congestion from the worst point during the fall backup. The port added five "pop up" container yards throughout the region. Recent data from the GPA showed three ships at anchor outside the port in January, down from nearly 30 in September. The nearby Port of Charleston is likewise among the top 10 ports by amount of TEUs handled per month, with 2.8 million in 2021, also an annual record.

- The intense port activity is causing the industrial pipeline in some markets to reach unprecedented levels. Savannah-Hilton Head in particular has 23.5 million square feet under construction, representing an astounding 22.3% of stock. The largest facility underway in the area is a 2.6 million-square-foot Amazon fulfillment center located near the intersection of I-95 and I-16. Nearly all other large Savannah projects are expansions or initial phases of large-scale logistics parks. Charleston has 9.7 million square feet currently underway (14.7% of stock), including a 2.8 million-square-foot Walmart distribution center. There are spillover effects, too. Greenville, while not a port market, is experiencing a similar boom in industrial development, with 12.6 million square feet being built (6.7% of stock). Greenville benefits from being located between Atlanta and Charlotte—two of the fastest-growing metros over the last decade—and only a few hours from the ports of Savannah and Charleston.

- Beyond port activity, demographic trends also bolster the fortunes of the industrial markets in the region. In 2021, net domestic migration was highest in the Southeast. North Carolina saw the fourth-highest level of any state (88,700 net inbound residents), South Carolina was fifth (64,800), Tennessee was sixth (61,400) and Georgia seventh (50,600).

Rents and Occupancy: Midwest Rates Lag Rest of Country

- National in-place rents for industrial space averaged $6.46 per square foot in January, growing 4.0% over the last 12 months.

- While most of the highest growth in industrial rents has occurred in California and Northeastern port markets, Nashville led the country with 6.3% rent growth over the last 12 months.

- The national vacancy rate in January was 5.5%, down 20 basis points from the previous month.

- The weakest rent growth in the country is taking place in the Midwest. Detroit (0.9%) has seen rents grow the least over the last 12 months, followed by Kansas City (1.6%) and St. Louis (1.7%). Even Midwestern markets with low vacancy rates fail to capture the rental rate growth found on the coasts. Columbus has a vacancy rate of only 1.3%, but rental rates have grown just 2.3%. Similarly, Indianapolis has a vacancy rate of 2.6% but only 2.5% rent growth over the last 12 months. This is likely due to the abundance of land available on the outskirts of these markets, allowing developers to quickly respond to increased demand with new industrial stock. Indianapolis has 29.1 million square feet of space under construction (representing 9.4% of stock) and Columbus has 14.0 million square feet (5.2% of stock).

- Tenants have been paying a premium for new leases, with a lease signed in the last 12 months averaging $7.32 per square foot, 86 cents (13.3%) more than the national average rate.

- The largest spreads between new and existing leases were found in Orange County ($3.34 more per foot), the Inland Empire ($2.67), Boston ($2.24) and Los Angeles ($2.03).

Average Rent by Metro

Market	Jan-22 Average Rent	12-Month Change	Avg Rate Signed in Last 12 Months	Vacancy Rate
National	$6.46	4.0%	$7.32	5.5%
Nashville	$5.20	6.3%	$6.43	5.1%
Inland Empire	$6.62	6.0%	$9.29	0.9%
New Jersey	$8.01	5.9%	$9.90	4.3%
Central Valley	$5.28	5.9%	$7.00	3.1%
Los Angeles	$10.33	5.7%	$12.36	2.6%
Bay Area	$10.99	5.3%	$12.60	5.8%
Boston	$8.03	5.1%	$10.27	9.6%
Orange County	$11.72	4.9%	$15.06	3.4%
Philadelphia	$6.23	4.8%	$6.39	6.2%
Phoenix	$6.94	4.7%	$7.10	5.0%
Portland	$8.14	4.3%	$8.45	6.0%
Dallas–Fort Worth	$4.80	4.3%	$5.65	4.1%
Seattle	$9.13	4.3%	$9.26	8.6%
Baltimore	$6.73	3.9%	$7.49	6.0%
Cincinnati	$4.16	3.7%	$4.40	10.4%
Twin Cities	$5.97	3.4%	$6.51	8.0%
Tampa	$6.39	3.2%	$6.81	4.8%
Atlanta	$4.67	3.1%	$5.19	4.5%
Memphis	$3.40	3.0%	$3.35	6.7%
Miami	$8.91	2.6%	$9.62	4.4%
Indianapolis	$4.03	2.5%	$4.21	2.6%
Columbus	$3.99	2.3%	$4.09	1.3%
Houston	$5.86	2.2%	$5.55	11.2%
Charlotte	$6.08	2.1%	$6.49	7.1%
Denver	$7.72	2.1%	$7.26	9.7%
Chicago	$5.38	2.1%	$5.71	5.4%
St. Louis	$4.12	1.7%	$3.99	6.0%
Kansas City	$4.35	1.6%	$4.37	3.9%
Detroit	$6.30	0.9%	$6.99	9.1%

Source: Yardi Matrix. Data as of January 2022. Rent data provided by Yardi Market Insight. National rent and occupancy data is a weighted average of the top 30 markets.

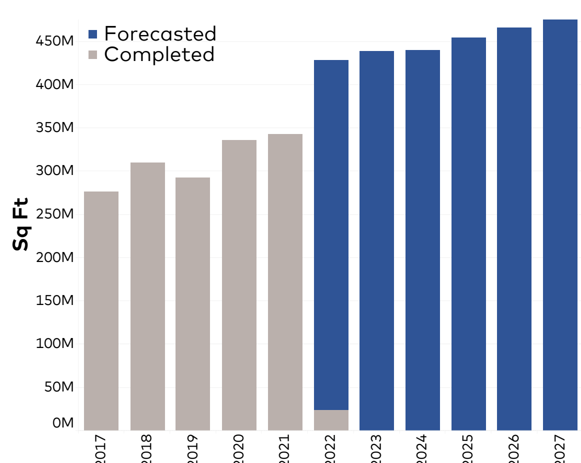
Supply: Logistics Propels Indianapolis Pipeline

- Nationally, 587.8 million square feet of new industrial stock is currently under construction. The supply boom continues for industrial real estate, with under-construction square footage representing 3.5% of stock. Including planned projects, the pipeline is 7.0% of stock.

- One of the many markets contributing to a roaring pipeline is Indianapolis, where 29.1 million square feet are currently under construction, the third-greatest amount in the country, after Phoenix and Dallas. New space represents 9.4% of stock, second only to Phoenix among the top 30 markets.

- Indianapolis delivered 11.2 million square feet in 2021, but the coming years could blow past that mark. The market is a popular logistics hub due to its central location, access to numerous interstate highways and the second-largest FedEx hub worldwide. The market includes six logistics buildings larger than 1 million square feet currently under construction, ranging from owner-occupied distribution centers—Walmart's 2.2 million-square-foot facility in Hancock County and Five Below's 1 million-square-foot building in Shelby County—to new spec facilities—such as the 1.1 million-square-foot Whiteland 65 Logistics Center in Johnson County.

National New Supply Forecast



Source: Yardi Matrix. Data as of January 2022

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	UC Plus Planned % Stock
National	587,847,768	3.5%	7.0%
Phoenix	35,098,221	12.5%	31.4%
Indianapolis	29,148,975	9.4%	14.3%
Philadelphia	11,601,421	2.9%	12.0%
Kansas City	12,964,662	5.2%	10.8%
Dallas	38,868,468	4.7%	10.0%
Inland Empire	26,226,734	4.4%	9.4%
Charlotte	10,275,842	3.6%	9.3%
Columbus	14,029,127	5.2%	9.2%
Memphis	11,739,663	4.4%	6.4%
Nashville	8,911,705	4.6%	6.4%
Seattle	10,485,160	3.9%	6.3%
Denver	7,817,006	3.2%	5.7%
Chicago	27,910,753	2.8%	5.6%
Houston	16,292,072	3.0%	5.5%
New Jersey	11,948,921	2.2%	4.9%
Central Valley	7,528,722	2.3%	4.7%
Tampa	4,532,427	2.1%	4.4%
Atlanta	10,733,884	2.1%	4.1%
Baltimore	4,031,728	2.0%	4.1%
Bay Area	4,962,963	1.8%	4.1%
Boston	6,899,478	3.0%	3.6%
Detroit	9,259,782	1.7%	3.4%
Portland	3,978,289	2.2%	3.4%
Twin Cities	3,356,482	1.1%	3.3%
Cincinnati	5,192,574	2.0%	2.5%
Los Angeles	4,311,359	0.6%	2.4%
Bridgeport	2,069,584	1.0%	2.2%
Orange County	1,969,531	1.1%	1.6%
Cleveland	2,865,566	0.8%	1.5%

Source: Yardi Matrix. Data as of January 2022

Economic Indicators: E-Commerce Growth Cools

- E-commerce has been the biggest driver of industrial real estate demand over the last two years. Health measures to slow the spread of the virus led to a rapid acceleration in both e-commerce sales volume and share of core retail sales. Both figures spiked in the second quarter of 2020 but have cooled in recent quarters.

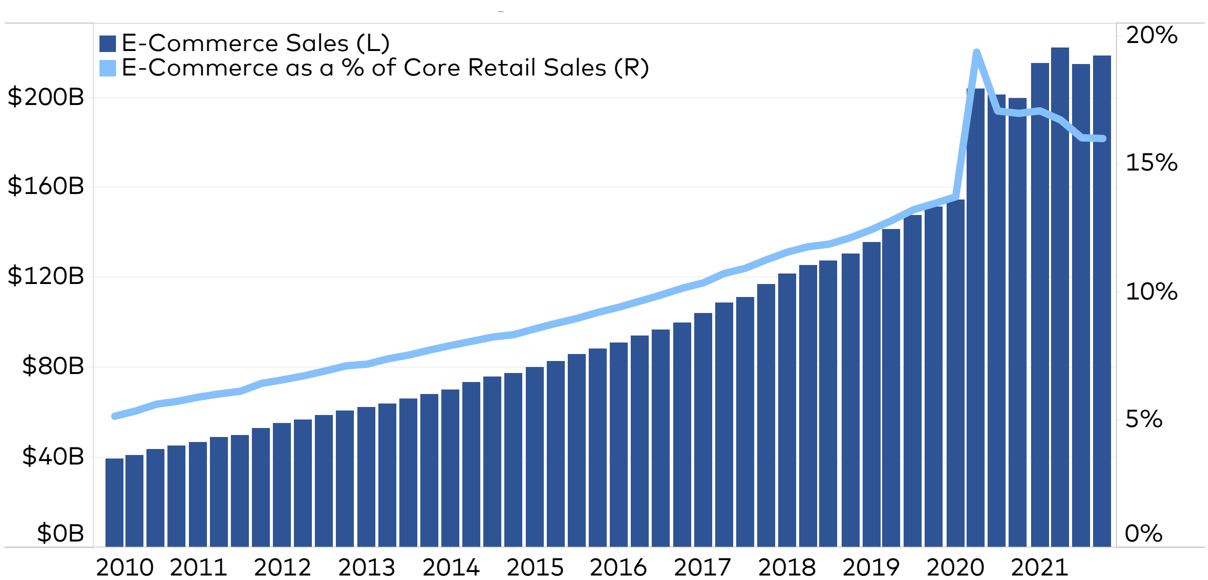
- Although e-commerce sales are ahead of the pandemic trend, growth cooled in 2021 and share of core retail sales fell through the year. According to the Census Bureau, e-commerce sales volume grew 9.4% year-over-year in the fourth quarter of 2021, a far cry from the 32.1% growth in the fourth quarter of 2020 and the lowest yearly growth since the bureau first generated the series in 2010. While e-commerce sales grew during the year, it was not at the same rate as core retail sales, which increased 16.4% year-over-year. As a result, e-commerce's share of core retail sales fell from 17.0% in the fourth quarter of 2020 to 16.1% at the end of last year.

Economic Indicators

National Employment	ISM Purchasing Manager's Index
(January)	(January)
149.6M	57.6
0.3% MoM ▲	-1.2 MoM ▼
4.6% YoY ▲	-1.1 YoY ▼
Inventories	**Imports**
(November)	(December)
$2,161.4B	$259.7B
1.5% MoM ▲	2.0% MoM ▲
8.9% YoY ▲	20.1% YoY ▲
Core Retail Sales	**Exports**
(December)	(December)
$445.8B	$158.3B
-3.2% MoM ▼	1.3% MoM ▲
16.4% YoY ▲	20.4% YoY ▲

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

Quarterly E-Commerce Sales



Sources: U.S. Census Bureau, Yardi Matrix

Transactions:
Strong Start to 2022

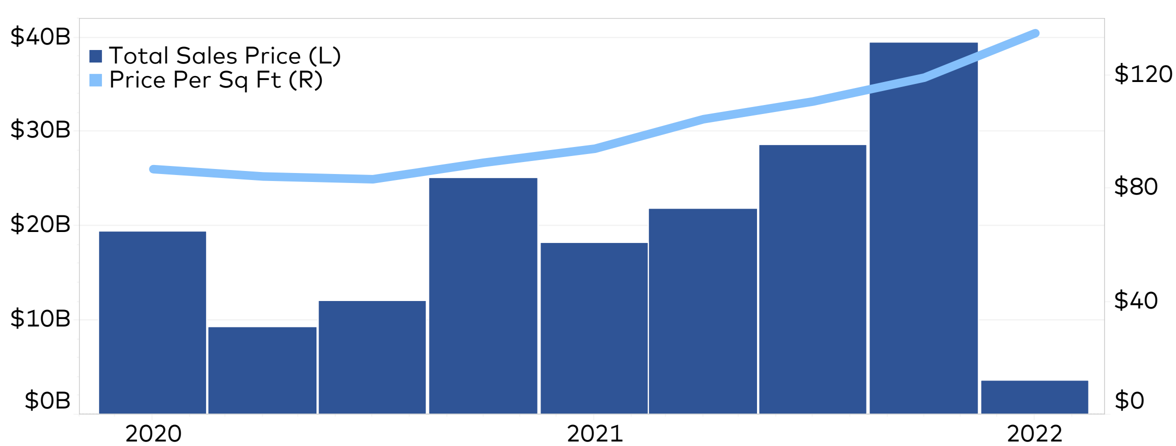
- Nationally, $3.6 billion in industrial transactions were completed in the first month of the year. There is typically a lag in collecting all sales data, which means that the final number for January will be higher.
- The first quarter is typically the quietest for transactions, but some buyers have already been active this year. According to Yardi Matrix, more than 400 properties were traded in the month of January alone.
- The average sale price of industrial buildings has increased for five consecutive quarters, and 2022 looks to continue that trend. In the first month of the quarter, the average sales price of an industrial property grew 13%, to $135 per foot, from $119 per foot in the fourth quarter of last year.
- Yardi Matrix adjusted the way it reports sales volume this month. Sales figures for unpublished and portfolio transactions—previously not included in this report—are now estimated using sales comps based on similar sales in the market and submarket, use type, location and asset ratings, sale date and property size. Comparing sales values in this and future reports to previously published reports will not be possible.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 01/31)
National	$135	$3,587
New Jersey	$237	$375
Houston	$100	$210
Philadelphia	$106	$178
Chicago	$105	$147
Los Angeles	$225	$118
Denver	$153	$112
Atlanta	$135	$109
Columbus	$65	$106
Tampa	$108	$92
Bay Area	$311	$72
Dallas	$94	$72
Phoenix	$182	$66
Portland	$134	$54
Baltimore	$132	$36
Nashville	$91	$34
Seattle	$382	$33
Twin Cities	$88	$32
Cincinnati	$72	$30
Inland Empire	$189	$29
Central Valley	$144	$28
Detroit	$57	$18
Indianapolis	$35	$11
Kansas City	$12	$7
Cleveland	$25	$3
Bridgeport	$18	$2

Source: Yardi Matrix. Data as of January 2022

Quarterly Transactions



Source: Yardi Matrix. Data as of January 2022

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 for portfolio transactions or those with unpublished dollar values are estimated using sales comps based on similar sales in the market and submarket, use type, location and asset ratings, sale date and property size.

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