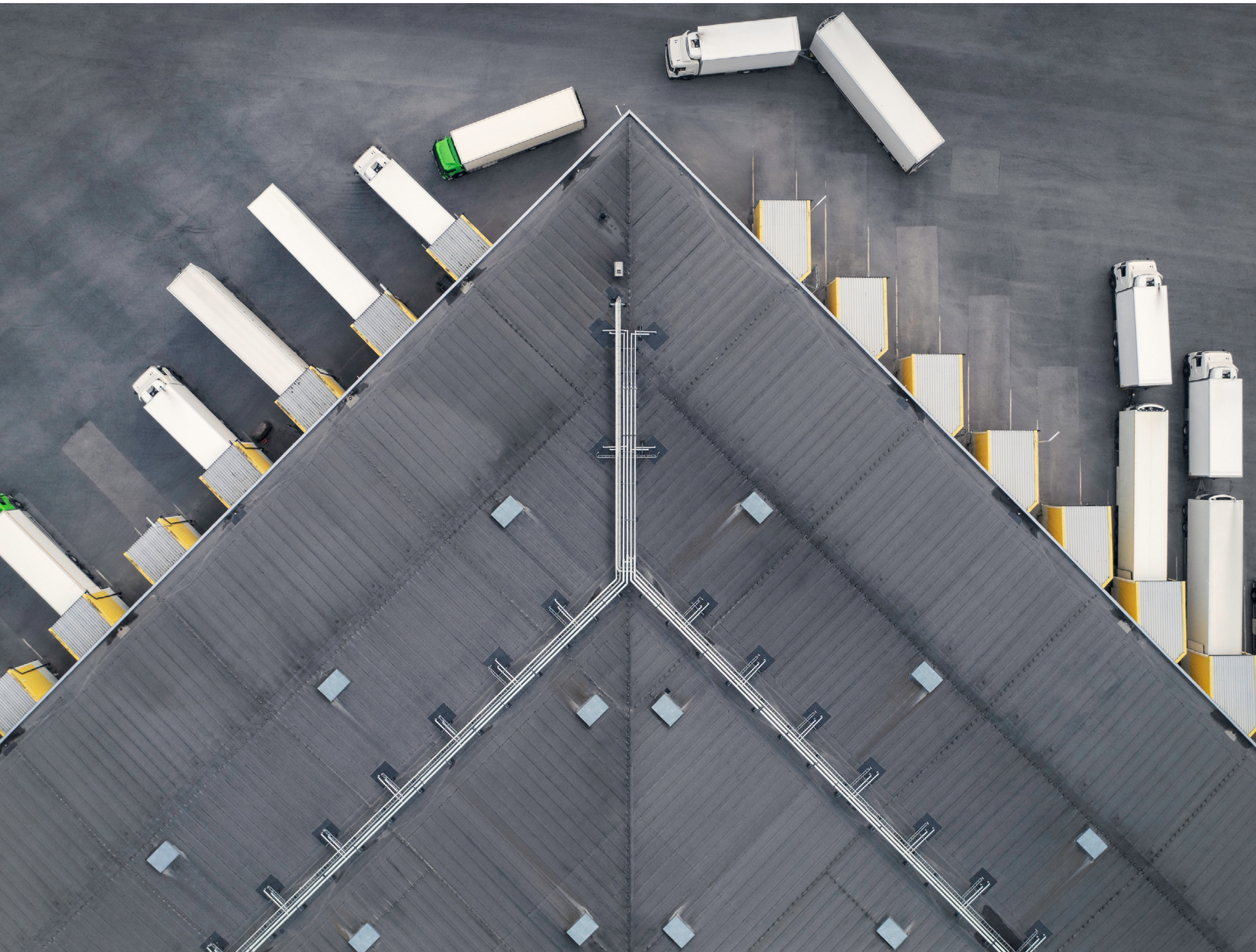
Yardi® Matrix

National Industrial Report

February 2023



Demand Pumps Up New Lease Rates

- Demand for industrial space has remained elevated since the pandemic started, and owners are benefiting when leases expire, according to Yardi Market Insight, a cutting-edge service that uses anonymized and aggregated data from other Yardi platforms. Yardi Market Insight found that leasing spreads—the difference between a new lease signed over the past six months and the prior rate for the same space—are up substantially. Of the 63 markets covered by Insight, 44 have a lease spread greater than 10%, and 16 are higher than 20%. The largest spreads are generally found in port markets and logistics hubs, although some tertiary and emerging markets have seen outsize spreads, as well.

- The ports of Los Angeles and Long Beach set records for number of containers handled in recent years and were a key bottleneck during the worst of the supply-chain crisis. This led to skyrocketing demand for industrial space, and in turn, to Southern California having some of the nation's largest leasing spreads. The Inland Empire, the hottest industrial market in the country, has a lease spread of 28.2%, Los Angeles 22.8% and Orange County 14.9%. Southern California industrial markets are so crowded that nearby markets are experiencing overflow demand. Central Valley's lease spread is 17.2%, Las Vegas' is 15.9%, and Phoenix—despite having more than 52 million square feet deliver in the last three years (15% of stock)—has a spread of 16.5%.

- Port markets are in high demand along the East Coast, as well. Boston has a lease spread of 22.5%, Charleston 21.5% and New Jersey 18.8%. Akin to what's happening on the West Coast, overflow demand is driving up spreads in places that are adjacent to port markets. Allentown-Bethlehem has a leasing spread of 21.6%. Cross-border shipping ports are also driving large lease spreads, as evidenced by El Paso's 24.9% spread.

- Lease spreads are lowest in Midwestern markets, especially those that have not established themselves as a logistics hub or those that have a substantial new delivery pipeline. In Kansas City, the spread is 4.4%, St. Louis 4.8%, Chicago 5.4% and the Twin Cities 5.8%. Even in Indianapolis, one of the most active logistics markets in the country, the lease spread is only 7.6%.

- With such substantial lease spreads, properties with leases that expire soon will be more attractive on the transaction market. Given the current interest rate environment and economic uncertainty, leasing expiration schedules could be the difference between a deal penciling or not.

Rents and Occupancy: Rents Grow Slower in Midwest

- National in-place rents for industrial space averaged $7.10 per square foot in January, up 6.9% year-over-year and seven cents higher than December, according to Yardi Matrix.

- Rent growth has been slowest in the Midwest. St. Louis (with a 2.1% increase in rents over the last 12 months), the Twin Cities (3.3%) and Chicago (3.5%) saw some of the lowest gains for in-place rents. Even in-demand markets with low vacancy rates such as Indianapolis (3.4% rent growth) and Columbus (3.5%) have not seen much rent movement over the last 12 months. New supply is easier to build in these locales than in the port markets, giving tenants more of an upper hand in rent negotiations than they would have in Southern California or along the East Coast.

- The national vacancy rate was 4.0%, an increase of 10 basis points over the previous month. After months of decreases, this marks the second month in a row that the national vacancy rate has increased. The increases have been minor, but are likely driven by record levels of new supply. It will be worth watching whether vacancies continue a slow upward path or plateau in coming months.

- The lowest vacancy rates in the country were found in the Inland Empire (1.6%), Columbus (1.7%) and Charlotte (2.2%).

- New leases signed in the last 12 months averaged $9.01 per square foot, $1.88 more than the average for all leases.

- Southern California had the largest difference between the average rate of new leases and the market average. In Los Angeles, a new lease costs $7.26 more per foot, in the Inland Empire $6.06 and in Orange County $5.43. Other markets where tenants paid hefty premiums to sign new leases were New Jersey ($3.61 more per foot), Nashville ($3.35) and Miami ($3.31).

Average Rent by Metro

Market	Jan-23 Average Rent	12-Month Change	Avg Rate Signed in Last 12 Months	Vacancy Rate
National	$7.13	6.9%	$9.01	4.0%
Inland Empire	$8.25	15.4%	$14.31	1.6%
Los Angeles	$12.29	11.4%	$19.55	2.8%
Boston	$9.15	10.4%	$11.57	7.2%
New Jersey	$9.21	9.1%	$12.82	2.8%
Miami	$9.82	7.2%	$13.13	2.6%
Atlanta	$5.06	7.2%	$5.68	3.2%
Philadelphia	$6.98	6.9%	$8.44	4.1%
Phoenix	$7.77	6.9%	$8.59	2.4%
Bay Area	$12.12	6.7%	$13.32	3.8%
Seattle	$9.93	6.5%	$10.72	5.4%
Portland	$8.78	6.0%	$10.45	4.7%
Orange County	$12.87	5.9%	$18.30	3.3%
Dallas-Fort Worth	$5.33	5.8%	$6.64	3.6%
Baltimore	$7.26	5.7%	$9.39	3.7%
Central Valley	$5.66	5.4%	$7.39	3.3%
Detroit	$6.25	5.2%	$6.55	3.3%
Cincinnati	$4.54	5.1%	$4.90	4.8%
Nashville	$5.47	4.6%	$8.82	2.9%
Tampa	$6.88	4.4%	$7.19	5.5%
Memphis	$3.61	4.3%	$3.81	4.5%
Denver	$8.03	3.7%	$8.39	5.3%
Kansas City	$4.61	3.6%	$4.15	4.0%
Columbus	$4.15	3.5%	$5.30	1.7%
Chicago	$5.69	3.5%	$6.43	4.1%
Indianapolis	$4.30	3.4%	$5.45	2.4%
Twin Cities	$6.29	3.3%	$6.61	6.1%
Houston	$6.26	3.0%	$6.40	8.8%
Charlotte	$6.30	2.8%	$6.66	2.2%
St. Louis	$4.31	2.1%	$4.37	5.5%

Source: Yardi Matrix. Data as of January 2023. Rent data provided by Yardi Market Insight. National rent and occupancy data is a weighted average of the top 30 markets.

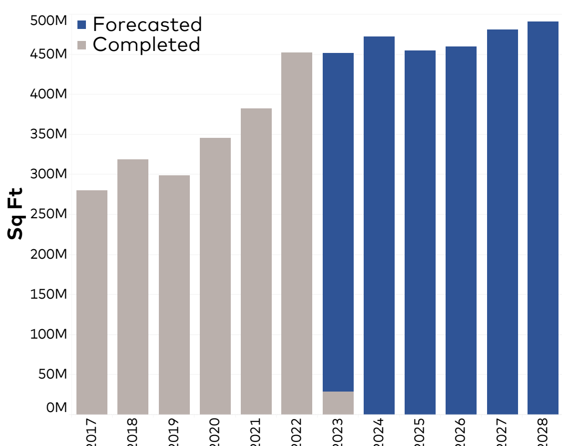
Supply:
Logistics Drives Dallas Construction

- Nationally, 691.0 million square feet of new industrial supply are under construction. An additional 706.6 million square feet are in the planning stages.

- While industrial construction is happening in markets across the country, much of it is concentrated in a handful of markets. The 10 largest pipelines make up nearly 40% of all stock under construction, and the top two markets (Dallas and Phoenix) account for one-sixth of all square footage currently being built.

- Dallas has the largest pipeline in the country, with 61.6 million square feet under construction and an additional 49.5 million square feet in the planning stage of development. Dallas has been an industrial boomtown for a while now, delivering more than 199 million square feet (23% of stock) since the start of 2016. Despite massive levels of new supply, its vacancy rate sat at 3.2% in January. Much of Dallas' development is in logistics parks or large fulfillment centers. The largest project in the market is a 2.5 million-square-foot state-of-the-art Walmart fulfillment center in Lancaster. In addition, there are 13 other logistics buildings under construction, both new properties and expansions of existing sites, that are larger than 1 million square feet.

National New Supply Forecast



Source: Yardi Matrix. Data as of January 2023

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	UC Plus Planned % Stock
National	691,020,084	3.8%	7.7%
Phoenix	52,470,626	15.3%	34.1%
Dallas-Fort Worth	61,628,357	7.1%	12.8%
Charlotte	15,846,016	5.3%	11.9%
Denver	12,845,295	5.1%	8.3%
Inland Empire	30,062,324	4.9%	9.7%
Philadelphia	19,774,350	4.8%	12.6%
Indianapolis	15,742,309	4.6%	10.3%
Columbus	12,996,291	4.5%	7.1%
Houston	23,286,022	4.1%	7.1%
Kansas City	10,574,338	4.0%	16.7%
Seattle	9,885,574	3.5%	6.2%
Cincinnati	8,723,781	3.2%	4.5%
Tampa	6,713,672	3.1%	9.3%
Nashville	6,172,480	3.1%	4.9%
Central Valley	9,412,312	2.8%	4.1%
Boston	6,591,540	2.8%	3.8%
Chicago	26,883,035	2.7%	6.5%
Bay Area	6,280,949	2.2%	4.4%
New Jersey	10,926,028	2.0%	4.2%
Detroit	10,513,020	1.9%	2.9%
Baltimore	4,033,124	1.9%	3.7%
Atlanta	9,185,801	1.7%	3.5%
Twin Cities	5,331,595	1.6%	4.0%
Memphis	4,627,400	1.6%	4.2%
Cleveland	3,378,923	0.9%	2.3%
Bridgeport	1,842,168	0.9%	2.4%
Portland	1,636,708	0.9%	2.7%
Los Angeles	3,586,942	0.5%	2.2%
Orange County	758,378	0.4%	0.8%

Source: Yardi Matrix. Data as of January 2023

Economic Indicators:
Warehouse Employment Continues to Slide

- The e-commerce boom that began with the pandemic led to a massive upsurge in employment in the warehousing and storage sector of the economy, according to the Bureau of Labor Statistics. Between April 2020 and June 2022, the sector grew by 46%, adding 695,000 workers. Since that June peak, however, the sector has lost 20,000 workers.

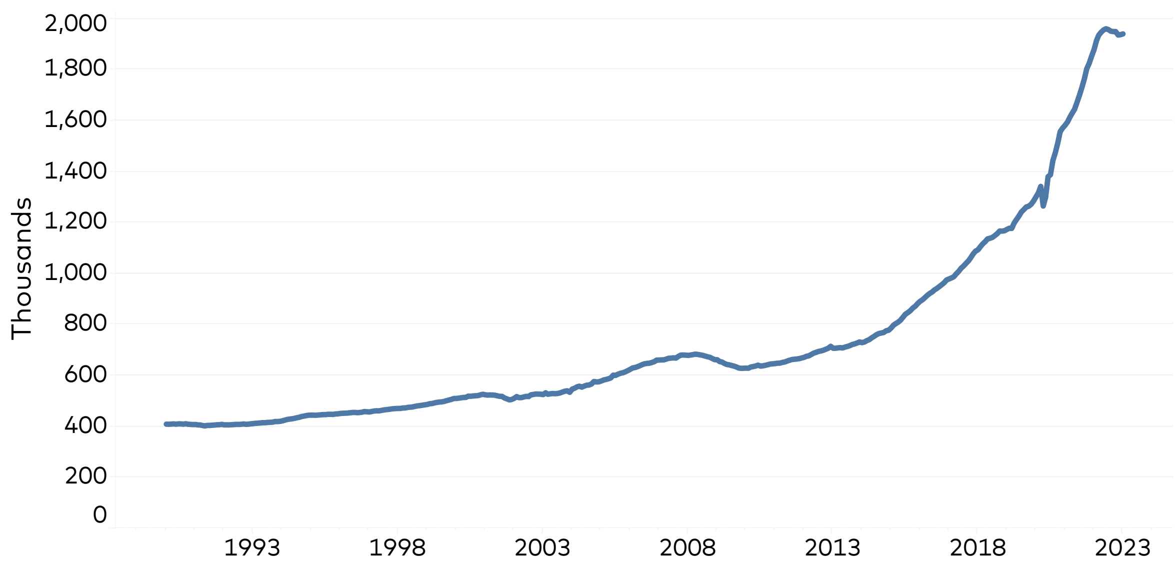
- There are a few drivers of the decline in warehousing and storage employment. A tight labor market allows workers to find higher-paying jobs, and service jobs that disappeared during the pandemic have returned. Yet the main force behind the contraction is the largest employer in the sector: Amazon. The e-commerce behemoth has delayed, paused or outright cancelled facilities and listed millions of square feet for sublease. Amazon's frenzied hiring during the first two years of the pandemic fueled most of the sector's growth, but now the company has slowed its hiring. With its turnover rate estimated to be higher than 100%, the hiring slowdown will likely lead to declining employment.

Economic Indicators

National Employment (January)	ISM Purchasing Manager's Index (January)
155.1M	47.4
0.3% MoM ▲	-1.0 MoM ▼
3.3% YoY ▲	-10.2 YoY ▼
Inventories (November)	**Imports** (December)
$2,475.0B	$258.8B
0.3% MoM ▲	1.8% MoM ▲
15.0% YoY ▲	-0.4% YoY ▼
Core Retail Sales (December)	**Exports** (December)
$493.1B	$168.1B
-0.4% MoM ▼	-1.7% MoM ▼
7.3% YoY ▲	5.5% YoY ▲

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

Warehousing and Storage Employment



Sources: U.S. Census Bureau (BOC), Yardi Matrix

Transactions:
Sales Activity to Slow in 2023 Despite Investor Appetite

- Some $1.1 billion of industrial transactions were completed in January, according to Yardi Matrix. The national average sale price was $125 per square foot.

- Although demand for industrial real estate remains high, transaction volume is likely to fall this year. Rising interest rates are slowing investment across all asset classes, and industrial is not immune, with a higher cost of capital leading investors to reevaluate their allocations and underwriting assumptions. Investors are also worried that inflation could continue to eat away at yield if leases at properties include only minor escalations. A potential recession on the horizon could dampen tenant demand in all but prime markets, although vacancies are tight enough that a mild economic downturn would likely have minimal effect.

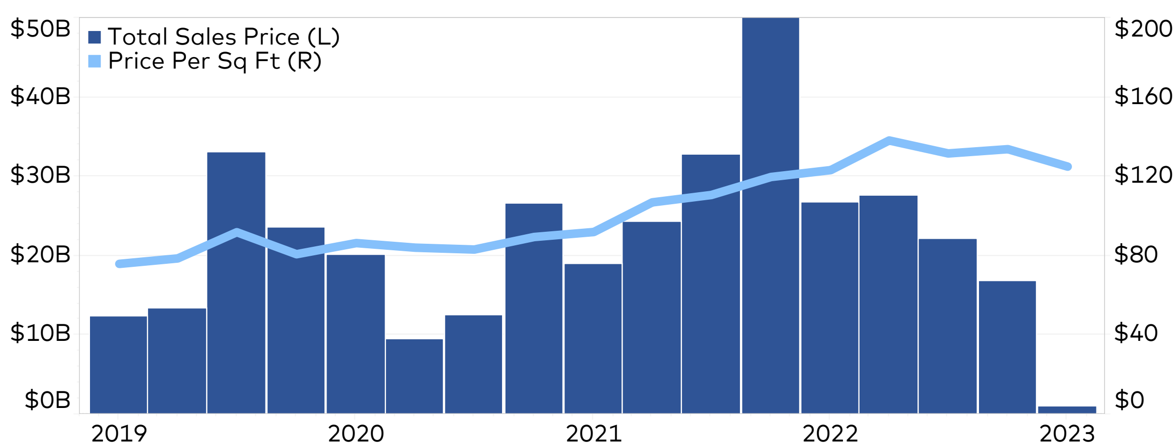
- The run-up in prices that has occurred over the last few years means there is a smaller pool of attractive properties that can pencil out for investors. The average sale price of an industrial property in the fourth quarter of 2022 was $134 per square foot, a 76% increase form the first quarter of 2019.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 01/31)
National	$125	$1,073
Bay Area	$237	$169
New Jersey	$202	$149
Indianapolis	$123	$112
Columbus	$303	$50
Seattle	$325	$48
Charlotte	$111	$47
Inland Empire	$40	$33
Twin Cities	$70	$25
Los Angeles	$449	$22
Phoenix	$197	$19
Houston	$71	$17
Cleveland	$48	$13
Kansas City	$70	$13
Bridgeport	$106	$13
Nashville	$105	$8
Tampa	$81	$6
Chicago	$127	$5
Philadelphia	$149	$4
Dallas-Fort Worth	$125	$4
Boston	$48	$3
Baltimore	$48	$2
Memphis	$40	$2
Cincinnati	$15	$0
Atlanta	$0	$0
Central Valley	$0	$0

Source: Yardi Matrix. Data as of January 2023

Quarterly Transactions



Source: Yardi Matrix. Data as of January 2023

Definitions

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

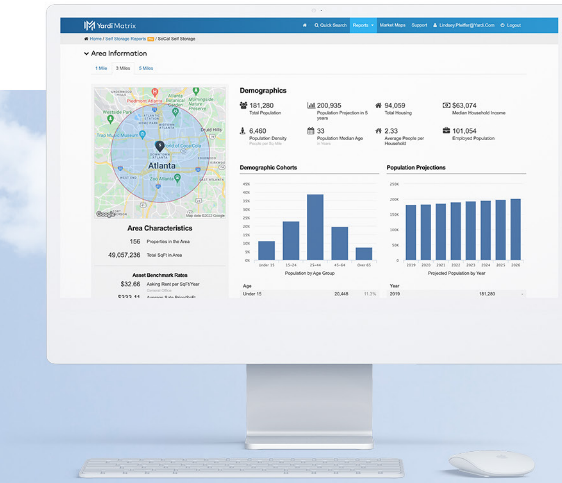
- Average Rents—Provided by Yardi Market Insight, a cutting-edge service that uses anonymized and aggregated data from other Yardi platforms to provide the most accurate rental and expense information available.
- Vacancy—The total square feet vacant in a market, including subleases, divided by the total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

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.

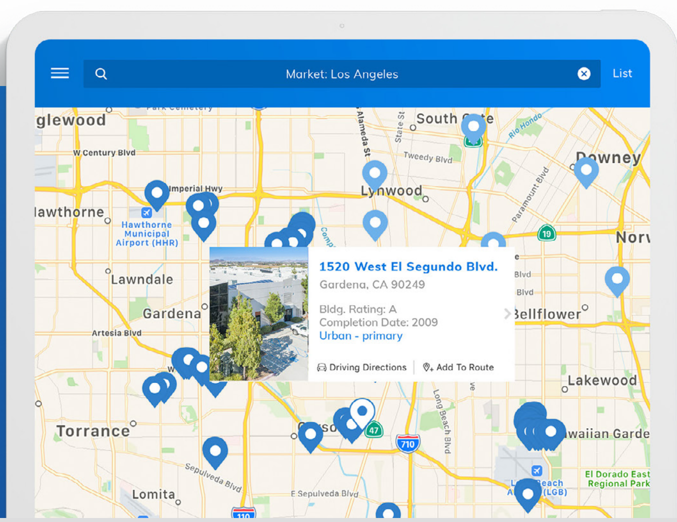
Yardi Matrix



Power your business with the industry's leading data provider

INDUSTRIAL KEY FEATURES

- Active in 107 markets across the U.S., covering over 16 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 at the asset and portfolio level
- Gain new supply pipeline information at the asset, competitive set and market level
- Anonymized transacted rents and expense comps



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

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