Yardi Matrix

National Industrial Report

March 2023

Electric Vehicles Charge Up Industrial

- Driven by government incentives and a race among automakers to grab market share, the electric vehicle industry looks poised to fuel growth in the industrial sector for years to come.

- Boosting climate-friendly technology, including the electric vehicle industry, has been a focus of the Biden administration's first few years. The Inflation Reduction Act, passed last year, will provide billions of dollars in incentives to manufacturers of EVs and their parts as well as tax credits for consumers who purchase an EV. Crucially, the credits to consumers will only be available for vehicles that were manufactured in the U.S. Additionally, the CHIPS and Science Act will encourage domestic production of semiconductors, a key component in EVs.

- Tesla remains the biggest player in the EV space; it has produced an estimated two-thirds of all EVs sold. However, competition is ramping up from all sides. Domestic automakers like Ford—which in Tennessee is opening its first new auto plant in 53 years to build electric pickup trucks—are investing heavily in the sector. German automakers have been rapidly increasing investments in U.S. electric vehicle production, as well, partly to capture the tax credits offered by the IRA and partly in response to heightened energy prices in Europe. BMW announced a $700 million battery plant in South Carolina and another $1 billion in the U.S. production of EVs. Mercedes invested $1 billion in an Alabama battery plant and is converting some factories to make EVs.

- A number of roadblocks remain before electric vehicles can become ubiquitous. A big one is the shortage of charging stations. The White House announced that Tesla's charging stations will be opened to all brands of EVs in the near future, yet the country will still be well short of the required number. The administration's Charging and Fueling Infrastructure grant program makes $2.5 billion available for charging station construction over the next five years, in an effort to close this gap.

- The coming EV wave will create a plethora of opportunities for industrial real estate developers and investors, especially in the Southeast and Midwest. It will also transform the sector in other ways: Automakers will own their manufacturing plants, but will also require an array of supplemental manufacturers and suppliers nearby, as evidenced by the firms located around Tesla's gigafactories. Current battery ranges mean it will be a long time before electric semitrucks meaningfully reshape supply chains, but smaller electric delivery vehicles have the potential to make last-mile infill delivery sites more palatable to local communities by reducing associated noise and air pollution.

Rents and Occupancy:
New Lease Premium Highest in Port Markets

- National in-place rents for industrial space averaged $7.12 per square foot in February, up 6.9% year-over-year and two cents higher than January, according to Yardi Matrix.
- Growth of in-place rents is highest in markets adjacent to shipping ports, led by the Inland Empire (15.6% year-over-year), Los Angeles (11.6%), Boston (10.7%), Orange County (9.2%), Bridgeport (9.0%) and New Jersey (8.7%).
- The national vacancy rate was 3.9%, a decrease of 10 basis points over the previous month. More than a billion square feet of new stock has been delivered over the last 10 quarters, but vacancy rates remain historically low. Most markets have so far been able to absorb record levels of new supply.
- Port markets and inland logistics hubs have the lowest levels of available stock to lease. The lowest vacancy rates in the country were in Columbus (1.1%), the Inland Empire (1.7%), Phoenix (2.3%) and Indianapolis (2.5%).
- New leases signed in the last 12 months averaged $9.09 per square foot, $1.97 more than the average for all leases.
- The largest spreads between the average rate for all leases and the rate of a lease signed in the last 12 months were in port markets, both on the East and West coasts. Southern California, driven by record levels of containers being handled at the ports of Los Angeles and Long Beach in recent years, has seen the highest premiums paid for new leases. In Los Angeles, a new lease cost $7.16 more per square foot than the market average, in the Inland Empire $6.69 more and in Orange County $5.39 more. On the other side of the country, new leases cost $4.40 more per foot in New Jersey, $3.33 in Miami and $3.16 in Bridgeport.

Average Rent by Metro

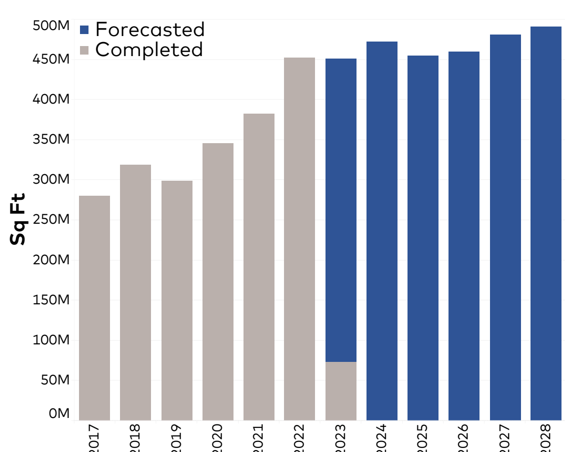
Market	Feb-23 Average Rent	12-Month Change	Avg Rate Signed in Last 12 Months	Vacancy Rate
National	$7.12	6.9%	$9.09	3.9%
Inland Empire	$8.32	15.6%	$15.01	1.7%
Los Angeles	$12.39	11.6%	$19.55	2.6%
Boston	$9.10	10.7%	$11.41	7.6%
Orange County	$13.20	9.2%	$18.59	3.7%
Bridgeport	$8.08	9.0%	$11.24	1.2%
New Jersey	$9.39	8.7%	$13.79	2.8%
Miami	$9.95	7.3%	$13.28	2.7%
Atlanta	$5.13	7.3%	$5.79	2.7%
Bay Area	$12.24	7.2%	$13.47	3.7%
Seattle	$9.99	7.0%	$11.40	5.2%
Phoenix	$7.85	6.5%	$8.89	2.3%
Philadelphia	$6.92	6.5%	$8.74	3.8%
Portland	$8.83	6.3%	$10.72	4.3%
Dallas-Fort Worth	$5.38	5.9%	$6.87	4.6%
Central Valley	$5.74	5.7%	$7.46	3.0%
Baltimore	$7.28	5.7%	$8.81	3.7%
Tampa	$6.86	5.4%	$7.23	7.3%
Cincinnati	$4.56	5.1%	$5.07	4.2%
Nashville	$5.55	4.3%	$7.57	2.9%
Detroit	$6.47	4.2%	$7.82	3.6%
Indianapolis	$4.34	4.1%	$5.49	2.5%
Denver	$8.24	3.9%	$8.48	7.1%
Charlotte	$6.37	3.7%	$6.64	3.9%
Columbus	$4.14	3.5%	$5.36	1.1%
Memphis	$3.60	3.4%	$3.95	6.0%
Kansas City	$4.63	3.3%	$4.26	4.4%
Twin Cities	$6.34	3.3%	$6.70	6.0%
Chicago	$5.63	3.1%	$6.25	4.3%
Houston	$6.19	2.7%	$6.18	7.6%
St. Louis	$4.36	1.4%	$4.33	2.6%

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

Supply: Manufacturers Target Phoenix

- Nationally, 667.5 million square feet of new industrial supply are under construction. So far, 73.4 million square feet have been delivered this year.
- Phoenix continues to be the country's hottest market for industrial development, with 54.1 million square feet currently under construction, representing 15.6% of stock.
- Phoenix has emerged as a prominent industrial market for a few reasons. It provides overflow for crowded Southern California markets, and crossborder shipping with Mexico has increased its standing as a Southwestern logistics hub. Manufacturing also plays a large role in the city's industrial development—Yardi Matrix estimates that manufacturing accounts for 12.5 million square feet under construction, though much of that stock will be owner-occupied. A big share of the new manufacturing is driven by the addition of large semiconductor facilities, including Taiwan Semiconductor Manufacturing Co.'s multibillion-dollar plant, which will fuel advanced manufacturing in the market. Chip manufacturing also brings in related firms, such as JX Nippon, a supplier of semiconductor materials that is opening a 240,000-square-foot facility in Mesa.

National New Supply Forecast



Source: Yardi Matrix. Data as of February 2023

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	UC Plus Planned % Stock
National	667,512,975	3.7%	7.6%
Phoenix	54,064,187	15.6%	35.3%
Dallas-Fort Worth	58,966,118	6.7%	12.2%
Charlotte	17,158,614	5.8%	12.2%
Denver	11,644,618	4.6%	7.7%
Inland Empire	27,674,759	4.5%	9.3%
Columbus	12,838,772	4.5%	8.2%
Philadelphia	18,570,328	4.4%	12.2%
Houston	22,127,051	3.9%	6.6%
Indianapolis	12,263,676	3.5%	8.6%
Cincinnati	8,696,031	3.2%	4.5%
Kansas City	8,637,162	3.2%	16.0%
Seattle	8,536,932	3.0%	5.1%
Tampa	6,599,232	3.0%	9.3%
Nashville	5,859,412	2.9%	4.7%
Chicago	27,323,730	2.7%	5.9%
Boston	6,427,301	2.7%	3.6%
Bay Area	7,532,380	2.6%	4.7%
Central Valley	8,434,938	2.5%	4.1%
New Jersey	10,978,006	2.0%	4.2%
Detroit	11,100,208	2.0%	3.0%
Baltimore	4,033,124	1.9%	3.6%
Atlanta	9,572,321	1.8%	3.5%
Memphis	4,645,400	1.6%	4.1%
Twin Cities	4,154,108	1.3%	3.6%
Portland	1,596,708	0.8%	2.3%
Cleveland	2,523,493	0.7%	2.1%
Bridgeport	1,265,924	0.6%	1.9%
Los Angeles	3,296,692	0.5%	2.2%
Orange County	570,858	0.3%	0.7%

Source: Yardi Matrix. Data as of February 2023

Economic Indicators:
E-Commerce Slips in Fourth Quarter

- Seasonally adjusted e-commerce sales totaled $262 billion in the fourth quarter, according to the U.S. Census Bureau, $250 million less (-0.1%) than the previous quarter. E-commerce's share of core retail sales fell 10 basis points to 17.6% in the quarter. Year-over-year growth for the fourth quarter was 6.5%, the lowest since 2009. Despite the slowdown, e-commerce sales topped $1 trillion annually for the first time last year.

- Decelerating e-commerce growth was to be expected as the country emerged from the pandemic, but the slowdown has been fiercer than anticipated. Physical stores reopened as restrictions eased and consumers slowly returned to in-person shopping, while pent-up demand for services led to consumption shifting away from goods. Yet inflation also likely plays a role in slowing e-commerce sales growth. With consumers being forced to spend more of their income on necessities like food, shelter and utilities, they have less money to spend on goods from online retailers.

Economic Indicators

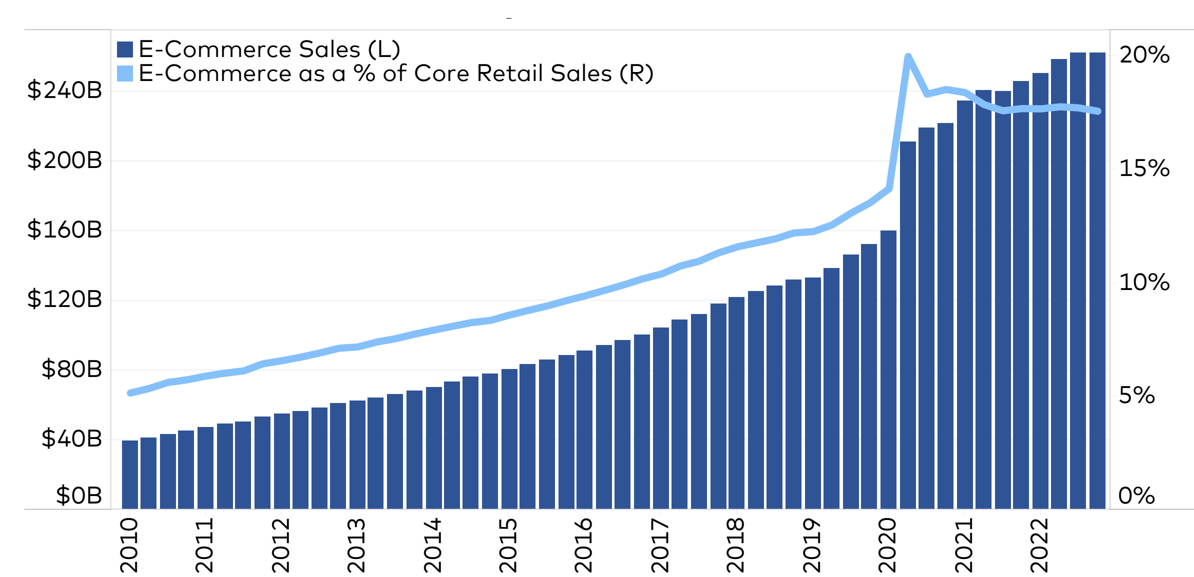
National Employment	ISM Purchasing Manager's Index
(February)	(February)
155.4M	47.7
0.2% MoM ▲	0.3 MoM ▲
2.9% YoY ▲	-10.7 YoY ▼

Inventories	Imports
(December)	(January)
$2,481.5B	$267.9B
0.3% MoM ▲	3.7% MoM ▲
12.6% YoY ▲	1.3% YoY ▲

Core Retail Sales	Exports
(January)	(January)
$508.9B	$177.8B
2.8% MoM ▲	6.0% MoM ▲
9.0% YoY ▲	13.6% 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 (BOC), Yardi Matrix

Transactions:
Inland Empire Stays Hot Amid National Slowdown

- The first two months of the year saw $3.9 billion in industrial sales, at an average of $150 per square foot, according to Yardi Matrix. While a lag in collecting all data means that number is not yet final, this is a significant drop-off from last year, when $9.1 billion in sales had been logged at this point.

- With a vacancy rate of 1.7% and in-place rent growth of 15.6% year-over-year, the Inland Empire is the hottest market for industrial real estate. While capital for many deals has dried up, sales are still getting done in the market, where $855 million in transactions took place in the first two months of the year. The Inland Empire accounts for more than one-fifth of all sales volume nationwide.

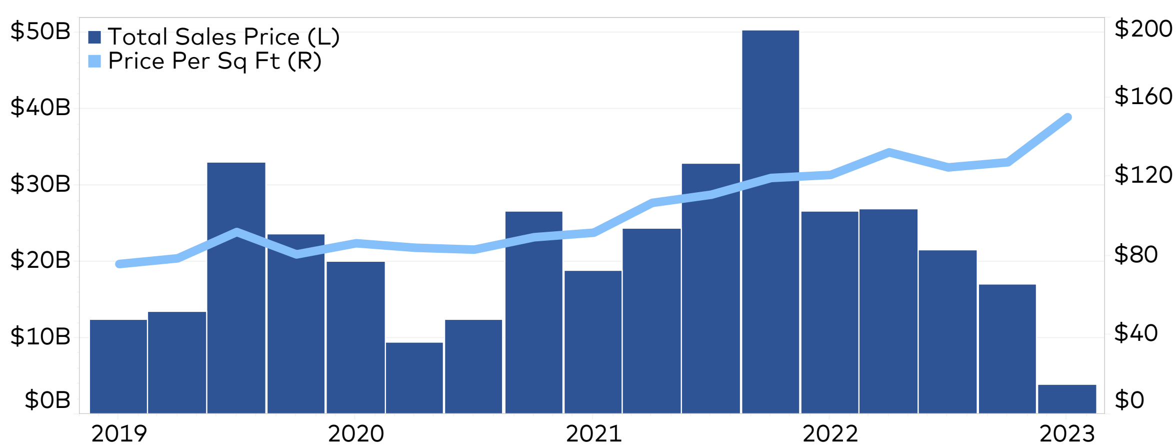
- Inland Empire properties often sell as soon as they deliver. In January, Brookfield Asset Management purchased the 155-acre I-10 Logistics Park, which includes two buildings totaling 1.8 million square feet, for $329 million ($180 per square foot). The logistics center was delivered in December by a joint venture between Shopoff Realty Investments and Artemis Real Estate Partners and is fully leased to fashion retailer Shein.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 02/28)
National	$150	$3,860
Inland Empire	$240	$855
New Jersey	$219	$209
Charlotte	$93	$186
Los Angeles	$575	$155
Indianapolis	$153	$151
Bridgeport	$186	$150
Phoenix	$282	$139
Houston	$155	$120
Twin Cities	$85	$111
Philadelphia	$218	$111
Columbus	$240	$61
Atlanta	$150	$60
Orange County	$302	$58
Bay Area	$190	$58
Portland	$205	$49
Seattle	$325	$48
Memphis	$86	$45
Chicago	$91	$43
Boston	$82	$34
Denver	$88	$30
Dallas-Fort Worth	$109	$30
Detroit	$60	$24
Cleveland	$51	$24
Baltimore	$62	$14
Kansas City	$70	$13

Source: Yardi Matrix. Data as of February 2023

Quarterly Transactions



Source: Yardi Matrix. Data as of February 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.

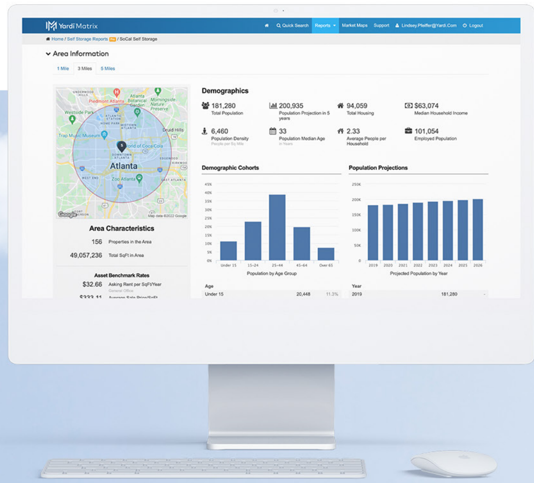
Stage of the supply pipeline:

- 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.

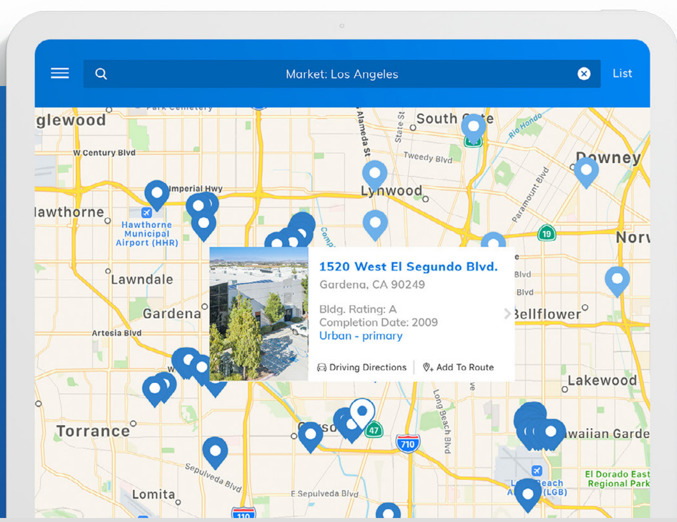
Yardi® Matrix

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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