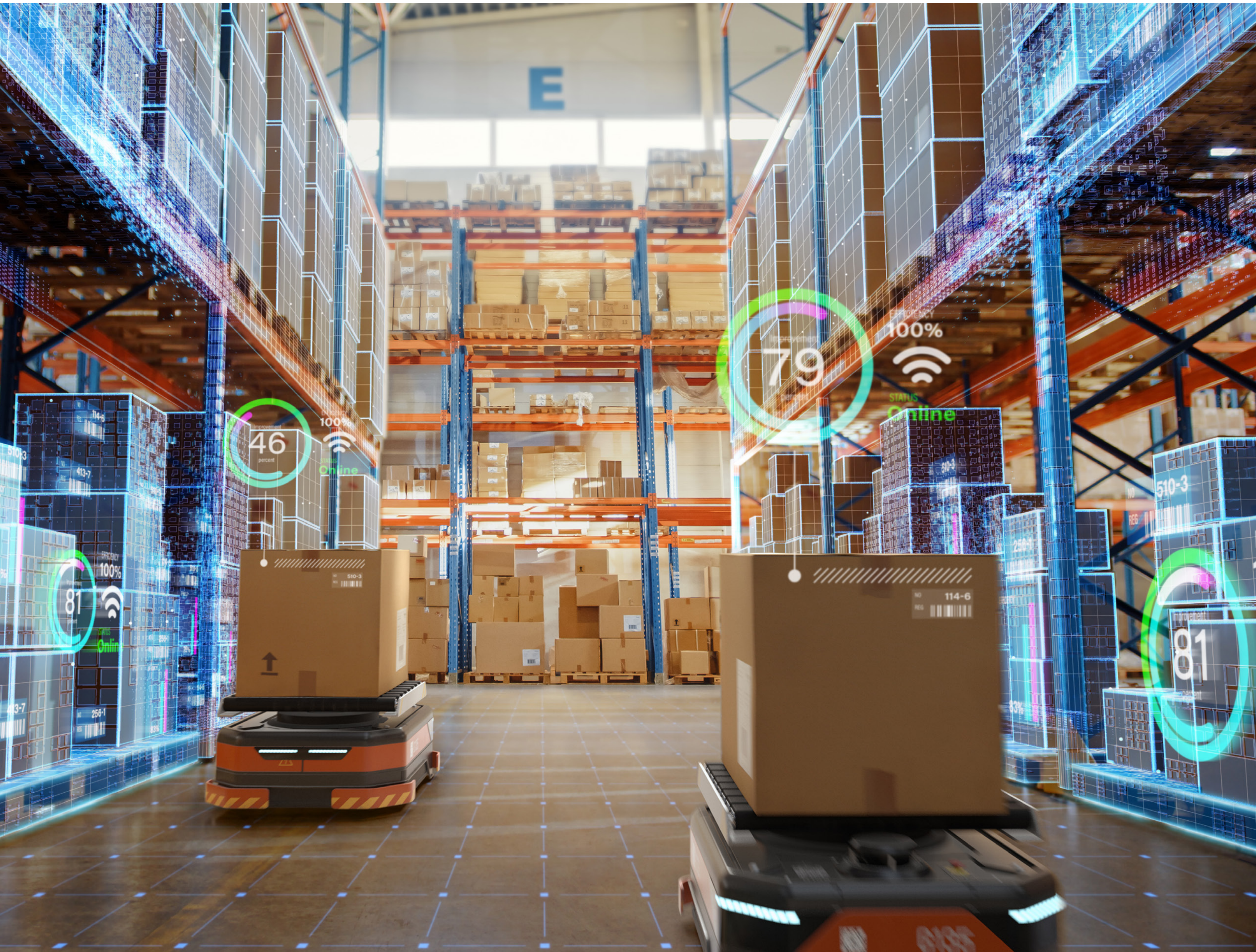
National Industrial Report

October 2023



E-Commerce Growth Normalizes

- The e-commerce boom that began in the early days of the pandemic helped send demand for industrial real estate to never-before-seen heights, but as growth has normalized, a rebalancing has taken shape.

- E-commerce sales volume exploded in 2020, a shock that reshaped retail as we knew it. While growth cooled in subsequent quarters, the gains that were made during the pandemic are now entrenched. E-commerce sales volume has increased by 74% since the first quarter of 2021, although almost half of those gains were made in the initial spike in the second quarter of 2021. During the second quarter of this year, there were a total of $277.6 billion of e-commerce sales, according to the Census Bureau, an increase of 2.1% over the first quarter and 7.5% year-over-year.

- While on the surface these numbers look robust, there are caveats. From 2010 (when the Census Bureau began providing the data series) to the first quarter of 2020, e-commerce sales grew at an average rate of 3.6% per quarter. Following the initial COVID-induced spike, that average is just 2.2%. It is also important to note that these numbers are not inflation adjusted, and increasing prices account for a portion of the growth. Still, e-commerce's share of core retail sales (which exclude motor vehicles, their parts and gasoline) has increased from 14.2% in the first quarter of 2020 to 18.4% today.

- Even as online sales growth has normalized, it continues to drive significant demand for industrial space because e-commerce operations require much more logistics space than traditional brick-and-mortar. Prologis estimates the additional space required for online sales to be three times higher, due to "piece picking, product variety, direct-to-consumer shipping and the need to process returns." While Amazon made waves when it paused and cancelled large fulfillment centers last year, traditional big-box retailers are still in the process of adding those spaces. Wal-Mart recently opened a 1.5 million-square-foot automated fulfillment center, the second of four such announced projects that will allow the company to reach 95% of the population with one- or two-day shipping.

- We expect e-commerce to remain a considerable driver of growth in the industrial sector for the foreseeable future. Both multimillion-square-foot facilities and small-scale infill centers for last-mile delivery will be a necessity for retailers to provide a quick and efficient omnichannel experience for customers. Many existing retailers will look to consolidate brick-and-mortar operations and streamline logistics networks, further fueling demand for space.

Rents and Occupancy: Phoenix Remains in Demand

- National in-place rents for industrial space averaged $7.51 per square foot in September, an increase of 6 cents from August and up 7.4% year-over-year.

- While coastal port markets continue to see high growth of in-place rents, markets in the middle of the country have experienced modest gains in 2023. The lowest rent growth among the top markets was in Denver, which saw a 3.1% increase. Chicago (3.4%), Cincinnati (3.5%), Detroit (3.6%) and Indianapolis (3.6%) all were among the slowest-growing markets. The sole exception is Houston, which saw 3.6% growth of in-place rents despite having one of the nation's busier seaports.

- The national vacancy rate in September was 4.6%, an increase of 20 basis points over the previous month. Record levels of new supply have delivered in recent years, helping ease some of the availability crunch that made space hard to come by for many occupiers.

- The average rate for new leases signed in the last 12 months rose to $9.93 per square foot, $2.42 more than the average for all leases. Premiums were highest in port markets including the Inland Empire ($9.18 more per foot), Los Angeles ($6.91) and the Bay Area ($6.58). Midwestern markets Detroit, St. Louis, Indianapolis and Kansas City saw little to no premiums for new leases.

- Phoenix has been an in-demand industrial market of late, in part due to its being an overflow market for Southern California but also because of its status as an emerging manufacturing hub. A new-supply boom has yet to dampen in-place rent growth (7.3%) or send vacancy rates (2.7%) upward. New leases in Phoenix don't command the same premium seen in port markets, but leases signed in the last 12 months have cost $2.31 more than average.

Average Rent by Metro

Market	Sep-23 Average Rent	12-Month Change	Avg Rate Signed in Last 12 Months	Vacancy Rate
National	$7.51	7.4%	$9.93	4.6%
Inland Empire	$9.24	17.4%	$18.42	4.4%
Los Angeles	$13.34	11.8%	$20.25	5.6%
Orange County	$14.19	10.0%	$18.88	4.3%
Boston	$9.86	9.8%	$11.58	7.3%
Miami	$10.52	9.6%	$15.23	4.4%
New Jersey	$9.94	9.2%	$12.95	6.0%
Seattle	$10.50	8.5%	$14.79	4.5%
Bridgeport	$8.66	8.3%	$10.84	3.9%
Portland	$9.26	7.5%	$11.36	4.4%
Phoenix	$8.35	7.3%	$10.66	2.7%
Atlanta	$5.49	7.2%	$6.69	3.4%
Bay Area	$12.55	7.1%	$19.13	3.6%
Nashville	$5.90	7.1%	$8.74	1.9%
Columbus	$4.62	6.9%	$6.71	1.8%
Dallas	$5.63	6.8%	$7.55	3.5%
Philadelphia	$7.45	5.5%	$10.08	4.3%
Baltimore	$7.62	5.4%	$10.15	6.6%
Charlotte	$6.09	5.2%	$6.63	4.9%
Tampa	$7.26	5.1%	$8.80	6.5%
Twin Cities	$6.61	4.9%	$7.31	5.3%
St. Louis	$4.63	4.8%	$4.06	5.8%
Central Valley	$5.91	4.6%	$8.87	4.7%
Memphis	$3.73	4.2%	$3.80	4.4%
Kansas City	$4.77	3.7%	$5.09	3.7%
Indianapolis	$4.55	3.6%	$4.33	2.7%
Detroit	$6.65	3.6%	$5.89	5.1%
Houston	$6.38	3.6%	$7.13	8.3%
Cincinnati	$4.67	3.5%	$5.68	4.8%
Chicago	$5.86	3.4%	$6.87	3.4%
Denver	$8.29	3.1%	$9.19	7.4%

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

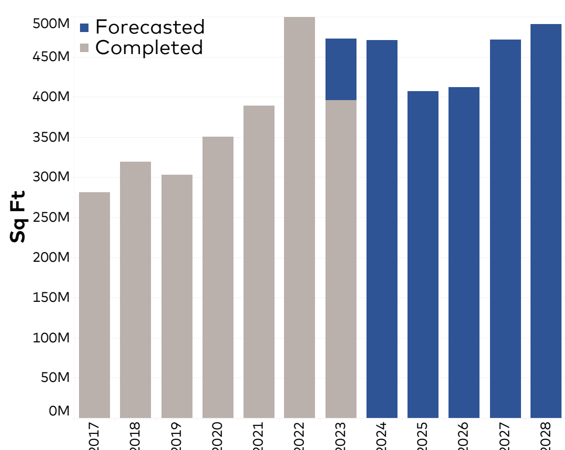
Supply:
Inland Empire Development Slows

- Some 535.6 million square feet of industrial supply are under construction, according to Yardi Matrix.

- Industrial pipelines remain historically large in most markets, but many have shrunk in size this year, as starts have fallen sharply in response to normalizing e-commerce demand and more expensive capital.

- The Inland Empire was an industrial boom market even before the pandemic shifted the sector into overdrive, delivering more than 215 million square feet since the start of 2013 (34% of stock). In 2023, that trend finally seems to be slowing down, with just 4.4 million square feet of starts this year. There are only so many sites suitable for industrial development in the market, and on top of all the new supply delivered in the last decade, Yardi Matrix tracks more than 70 properties currently being built and another 107 in the planning stages. The industrial development boom is drawing local pushback, with groups organizing to stop new projects and some local governments rejecting them. Moreno Valley City Council rejected a proposed 1.3 million-square-foot logistics center in April and Fontana City Council turned down a 541,000-square-foot project.

National New Supply Forecast



Source: Yardi Matrix. Data as of September 2023

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	UC Plus Planned % Stock
National	535,594,839	2.9%	6.9%
Phoenix	46,621,995	12.7%	34.7%
Dallas	49,325,498	5.4%	10.7%
Charlotte	14,573,810	4.8%	10.9%
Inland Empire	29,587,901	4.7%	16.2%
Denver	10,666,778	4.2%	6.6%
Philadelphia	16,119,250	3.8%	8.7%
Memphis	10,845,290	3.8%	4.6%
Houston	18,211,577	3.1%	5.4%
Kansas City	7,892,972	2.9%	17.9%
Columbus	8,706,133	2.9%	8.1%
Indianapolis	8,414,173	2.4%	7.0%
Bay Area	5,772,267	2.0%	4.0%
Central Valley	6,930,626	2.0%	2.8%
Tampa	5,075,966	1.9%	6.3%
Chicago	19,806,983	1.9%	4.3%
Bridgeport	3,864,893	1.8%	3.0%
New Jersey	8,157,751	1.5%	4.2%
Nashville	2,715,950	1.3%	4.1%
Twin Cities	4,424,997	1.3%	3.1%
Detroit	7,215,575	1.3%	2.7%
Cincinnati	3,735,055	1.3%	2.4%
Boston	2,348,975	1.0%	2.1%
Seattle	2,607,657	0.9%	4.3%
Atlanta	4,588,552	0.8%	2.7%
Los Angeles	5,263,838	0.8%	2.2%
Baltimore	1,513,664	0.7%	2.5%
Orange County	1,168,818	0.6%	0.9%
Cleveland	1,533,755	0.4%	1.9%
Portland	563,594	0.3%	2.2%

Source: Yardi Matrix. Data as of September 2023

Economic Indicators: Producer Prices Level Off

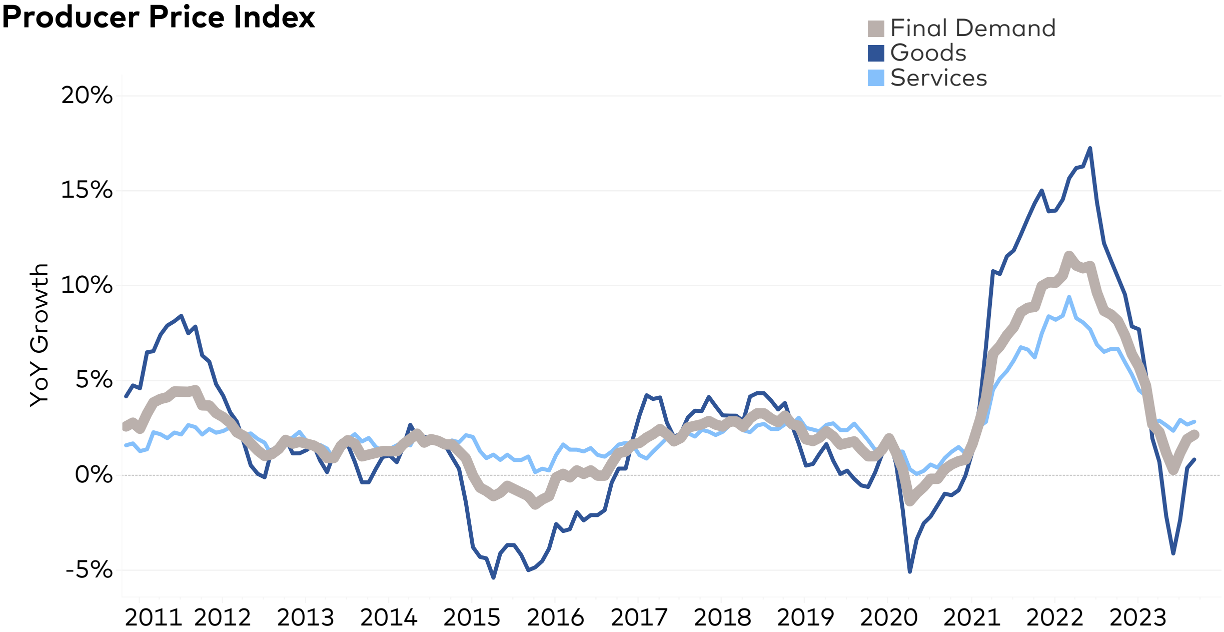
- Wholesale prices increased 0.5% in the month and 2.2% year-over-year in September, according to the Bureau of Labor Statistics. The headline Producer Price Index (PPI)—which measures the prices received by producers—came in higher than analyst expectations. Core PPI, which excludes the volatile food and energy categories, increased 2.7% year-over-year.
- The final demand services index increased 2.8% year-over-year, while final demand goods increased 0.8% since last September.
- Over the last 18 months, the Federal Reserve has been aggressive in using interest rate hikes in an attempt to drive down inflation, increasing the federal funds rate 11 times. The PPI, a leading indicator for headline consumer inflation, continues to show price increases easing in 2023. However, the slowdown in producer prices appears to have just as much to do with the clearing of bottlenecks in logistics networks as it does the increase in interest rates.

Economic Indicators

National Employment (September)	ISM Purchasing Manager's Index (September)
156.9M	49.0
0.2% MoM ▲	1.4 MoM ▲
2.1% YoY ▲	-2.0 YoY ▼
Inventories (July)	**Imports** (August)
$2,539.2B	$256.0B
0.1% MoM ▲	-0.9% MoM ▼
1.4% YoY ▲	-5.0% YoY ▼
Core Retail Sales (August)	**Exports** (August)
$509.9B	$171.5B
0.3% MoM ▲	1.8% MoM ▲
3.9% YoY ▲	-6.4% YoY ▼

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

Producer Price Index



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

Transactions:
New Jersey Prices Hold Steady

- Industrial sales totaled $40.3 billion through the first three quarters of the year, according to Yardi Matrix.

- Investors have remained subdued in the industrial transaction market this year despite the solid fundamentals of the sector. A bid-ask gap appears to be the culprit behind the low level of activity. Sellers have yet to readjust price expectations to a higher-interest-rate environment and buyers are unwilling to pay historically high prices when financing is both more expensive and harder to come by.

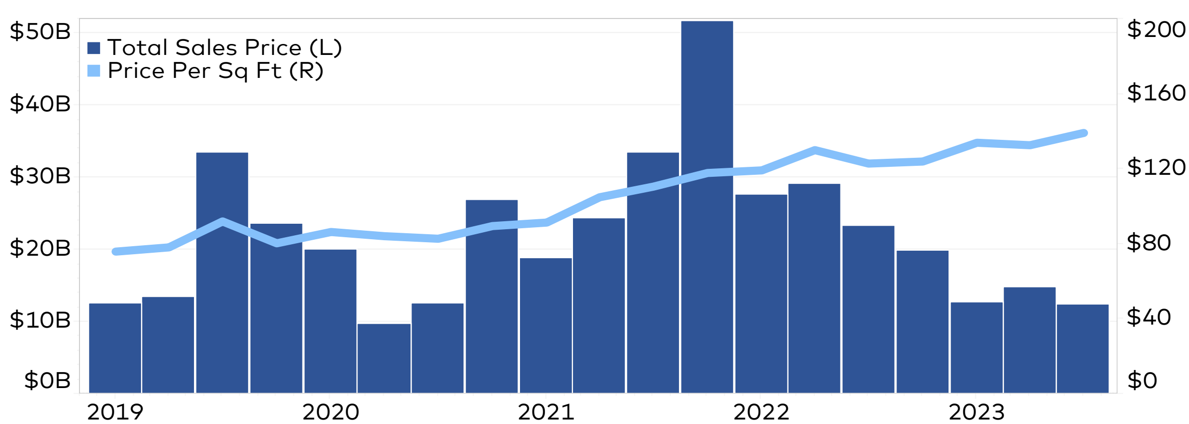
- Despite headwinds, the national average sale price has increased $11 per square foot (9%) this year, and in some markets prices are still on the rapid upward trajectory that they have been on since the beginning of the pandemic. The average sale price of an industrial property in New Jersey has nearly doubled since 2019, moving from $118 per square foot to $232 in 2023. The Cranford-Union submarket has been the most active for sales this year, with $638 million in activity across 29 sales. The I-287 South submarket is not far behind, also having 29 sales in 2023 totaling $601 million.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 09/30)
National	$135	$40,327
Inland Empire	$251	$3,629
Los Angeles	$319	$3,113
Bay Area	$334	$2,221
Dallas	$122	$2,133
New Jersey	$232	$1,856
Houston	$131	$1,811
Phoenix	$156	$1,613
Chicago	$83	$1,457
Atlanta	$114	$1,021
Twin Cities	$95	$780
Orange County	$324	$699
Charlotte	$96	$686
Philadelphia	$117	$663
Cincinnati	$105	$591
Boston	$135	$577
Tampa	$122	$557
Baltimore	$122	$530
Bridgeport	$99	$466
Columbus	$86	$449
Detroit	$74	$433
Seattle	$203	$416
Indianapolis	$85	$392
Denver	$133	$288
Memphis	$72	$254
Nashville	$115	$204

Source: Yardi Matrix. Data as of September 2023

Quarterly Transactions



Source: Yardi Matrix. Data as of September 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.

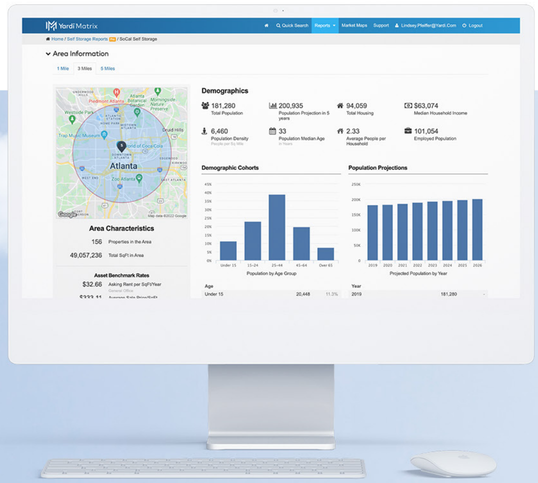
Stage of the supply pipeline:

- 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.

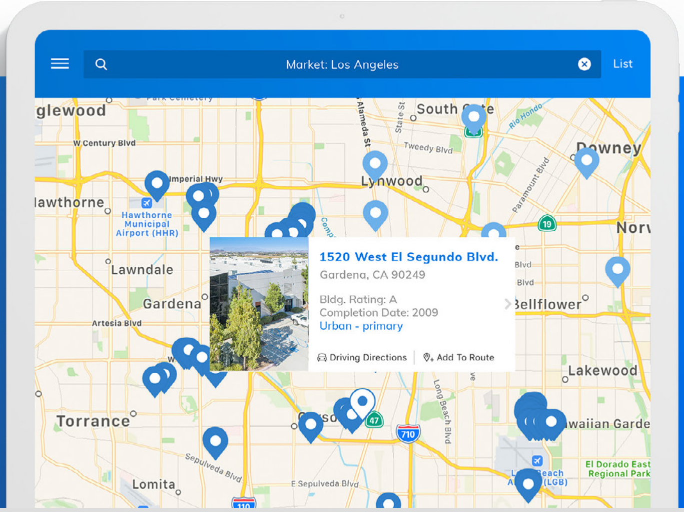
Yardi® Matrix

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



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