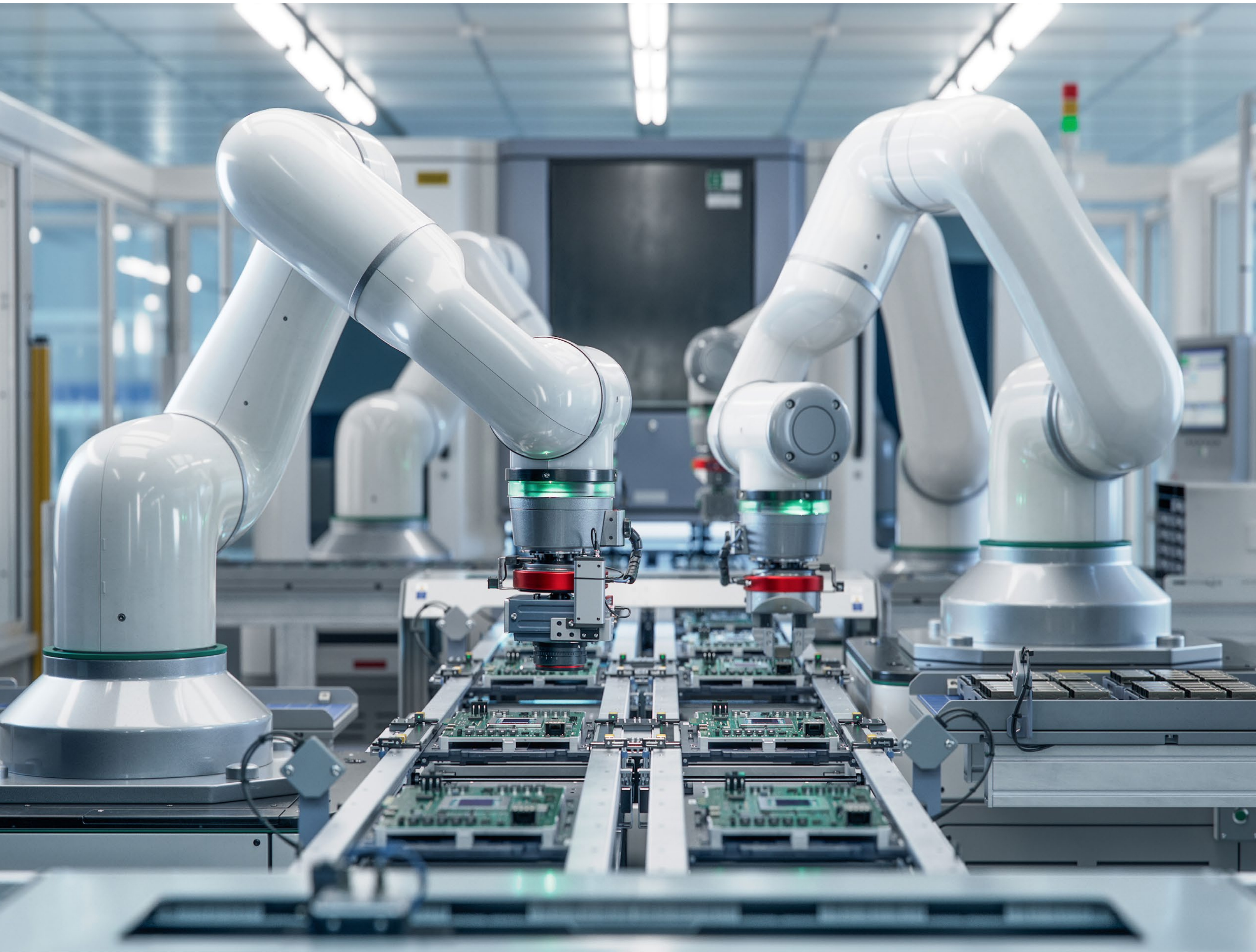
Yardi Matrix

National Industrial Report

February 2024



New Development Continues to Slow

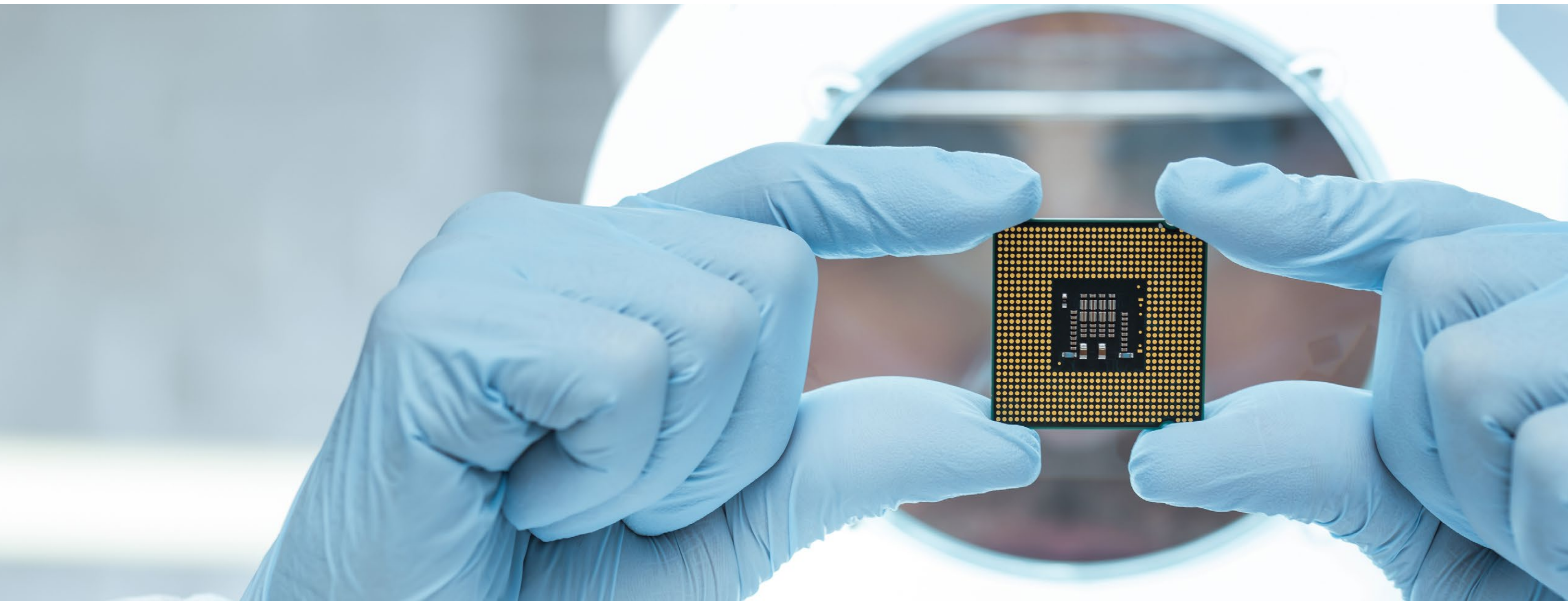
- After record levels of deliveries in the previous two years, the industrial pipeline has been undergoing a rebalancing. Starts are slowing and the amount of new supply will decelerate in coming years. More than 1.1 billion square feet of new industrial space (5.7% of stock) have been delivered since the start of 2022, helping to ease the pressure in industrial markets with red-hot demand and extremely tight vacancies coming out of the pandemic. However, that amount of growth is unsustainable over the long run. After bottoming at about 4.0%, the national vacancy rate has increased by 80 basis points over the last 12 months to 4.8%.

- New industrial starts in 2023 totaled 314.6 million square feet, down significantly from 2022 (593.2 million) and 2021 (557.4 million). Normalizing demand for industrial space and record levels of new deliveries were the main drivers of this cooling, but higher construction loan rates, banks pulling back on lending and general economic uncertainty have played a significant role, as well.

- The reshoring and nearshoring of manufacturing has the potential to reshape the geographic composition of new supply in coming years, especially from the growth in trade at the southern border. Mexico overtook China as America's top trading partner last year, according to the Census Bureau. We expect this trend to continue to increase demand in markets with access to the border with Mexico, particularly those in Texas along the I-35 Corridor—San Antonio, Dallas and Austin—which provides access to Laredo, the nation's busiest truck and rail border port, according to the Bureau of Transportation Statistics.

- While nearshoring is having an immediate impact on industrial real estate markets, the reshoring of manufacturing to the U.S. is still playing out. Annualized construction spending on manufacturing facilities was $214 billion in December, roughly tripling in the last three years, per the Census Bureau. This figure only began to increase at the end of 2021 and didn't see its largest gains until the beginning of last year.

- Starts may be hitting a lull in 2024, but we anticipate they will pick up in another year or two, once interest rates come down and the industrial sector has had time to digest the recent levels of development. Economic growth and technology will continue to create demand. For example, new computer chip manufacturing facilities will allow for more advanced processes to occur stateside, spurring demand for more facilities.



Rents and Occupancy:
Potential Supply Chain Disruptions on Horizon

- National in-place rents for industrial space averaged $7.74 per square foot in January, an increase of four cents from December and up 7.6% year-over-year.

- We expect that rent growth will cool this year as demand for industrial space wanes and the record level of new supply delivered over the last two years is fully absorbed. However, the long-term drivers for industrial real estate remain positive, and rent growth should for the most part stay solid despite headwinds.

- Ship backlogs at ports have cleared as the stress on supply chains has eased, and most ports are now handling roughly the same amount of containers as they did before the pandemic. But just as things seemed to have normalized, two threats have emerged to supply-chain stability: Falling water levels in the Panama Canal due to drought have prompted reductions in daily ship traffic. In the Red Sea, attacks from Houthi rebels on cargo ships are leading to rerouting around Africa, causing delays for an array of products. Yardi Matrix will continue to monitor these developments.

- The national vacancy rate was 4.8% in January, up 20 basis points from the previous month.

- The average rate for new leases signed in the last 12 months was $10.12 per square foot, $2.38 more than the average for all leases.

- Coastal markets have the largest spread between the rate paid for a new lease and the market average. In the Bay Area, tenants paid a $5.82-per-square-foot premium for new leases, the most in the country. Los Angeles ($5.79 per foot), the Inland Empire ($5.73), Seattle ($5.52), Miami ($5.04) and Orange County ($4.92) were close behind.

Average Rent by Metro

Market	Jan-24 Average Rent	12-Month Change	Avg Rate Signed in Last 12 Months	Vacancy Rate
National	$7.74	7.6%	$10.12	4.8%
Inland Empire	$9.70	12.9%	$15.43	5.1%
Los Angeles	$13.95	12.1%	$19.74	5.6%
Miami	$11.04	11.4%	$16.08	4.6%
Orange County	$14.95	9.8%	$19.87	4.9%
Seattle	$10.83	9.4%	$16.35	6.0%
New Jersey	$10.29	9.1%	$13.96	4.6%
Phoenix	$8.49	8.6%	$10.33	3.7%
Dallas	$5.83	7.6%	$7.74	4.5%
Portland	$9.55	7.5%	$11.55	4.2%
Atlanta	$5.60	7.3%	$8.39	4.2%
Boston	$10.32	7.3%	$11.30	8.7%
Bay Area	$12.99	7.1%	$18.81	4.2%
Baltimore	$7.72	7.1%	$10.36	6.0%
Nashville	$5.62	7.0%	$8.15	3.4%
Philadelphia	$7.62	6.7%	$10.09	4.4%
Columbus	$4.66	6.4%	$5.95	2.6%
Bridgeport	$8.97	6.0%	$10.97	5.6%
Central Valley	$6.11	5.9%	$8.97	4.0%
Memphis	$3.86	5.8%	$4.03	5.4%
Twin Cities	$6.73	5.5%	$7.97	4.9%
Denver	$8.22	5.2%	$9.33	6.3%
St. Louis	$4.58	4.8%	$4.13	7.6%
Charlotte	$6.61	4.8%	$7.50	3.3%
Cincinnati	$4.80	4.6%	$5.89	5.7%
Chicago	$6.03	4.5%	$6.92	4.7%
Houston	$6.58	4.4%	$7.64	5.9%
Detroit	$6.83	4.3%	$6.70	5.0%
Kansas City	$4.71	3.7%	$5.40	2.6%
Indianapolis	$4.55	3.6%	$6.23	2.6%
Tampa	$7.35	3.5%	$9.49	6.0%

Source: Yardi Matrix. Data as of January 2024. Rent data provided by Yardi Market Insight. National rent and occupancy data is a weighted average of the top 30 markets.

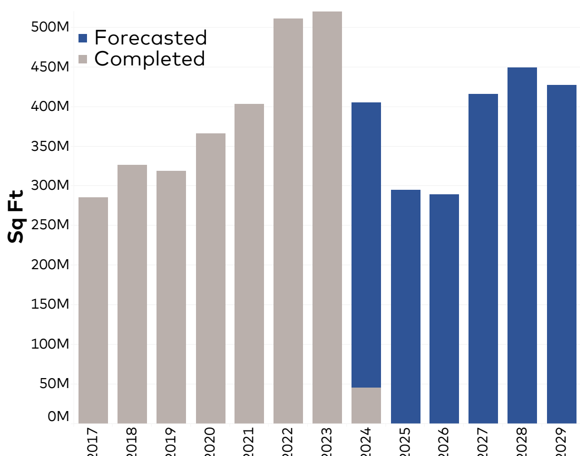
Supply:
Starts Down Nationwide

- Industrial supply under construction currently totals 424.5 million square feet, representing 2.2% of stock, according to Yardi Matrix. The under-construction pipeline has shrunk by roughly 300 million square feet over the past year. Starts are slowing owing to falling demand and rising capital costs.

- The impact of slower starts in 2023 varied by market. Among the top 30, Memphis saw the largest decline, with starts falling to 1.1 million square feet in 2023 from 12.3 million in 2022 (down 91%). On a percentage basis, other large drops occurred in Denver (12.3 million to 2.7 million, -78%), the Inland Empire (29.3 million to 6.7 million, -77%), Cincinnati (6.3 million to 1.5 million, -77%) and Philadelphia (20.5 million to 5.7 million, -72%). The Inland Empire saw the largest drop in the absolute number of starts, declining by 22.5 million square feet between 2022 and 2023. Dallas (down 19.6 million), Philadelphia (14.8 million) and Chicago (14.3 million) also saw large declines.

- Only two of the top 30 markets saw starts increase last year from 2022, both in the Northeast. Boston grew to 3.0 million square feet from 2.1 million and Bridgeport, Conn., to 2.9 million from 1.2 million.

National New Supply Forecast



Source: Yardi Matrix. Data as of January 2024

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	UC Plus Planned % Stock
National	424,478,805	2.2%	5.5%
Phoenix	41,637,513	10.9%	28.7%
Charlotte	12,466,529	4.0%	8.3%
Kansas City	10,697,792	3.9%	17.2%
Memphis	10,018,000	3.4%	4.2%
Dallas	28,602,627	3.1%	8.5%
Denver	7,325,476	2.8%	5.2%
Inland Empire	13,448,835	2.1%	9.2%
Central Valley	6,874,317	2.0%	3.1%
Bay Area	5,865,698	2.0%	3.7%
Tampa	5,035,368	1.9%	5.9%
Philadelphia	7,778,819	1.8%	6.5%
Columbus	5,326,315	1.7%	4.4%
Nashville	3,526,194	1.7%	3.3%
Houston	9,554,334	1.6%	3.5%
Seattle	4,709,034	1.6%	3.9%
Detroit	7,839,039	1.4%	2.4%
Bridgeport	2,944,300	1.4%	2.4%
New Jersey	7,101,117	1.3%	3.4%
Chicago	11,985,033	1.2%	2.6%
Atlanta	6,703,143	1.2%	3.3%
Boston	3,100,571	1.2%	2.2%
Indianapolis	3,396,503	0.9%	4.5%
Portland	1,546,966	0.8%	2.1%
Cincinnati	1,964,197	0.7%	1.7%
Los Angeles	3,915,769	0.6%	2.6%
Cleveland–Akron	2,400,000	0.6%	1.0%
Twin Cities	1,310,229	0.4%	1.4%
Baltimore	918,811	0.4%	2.0%
Orange County	432,959	0.2%	0.7%

Source: Yardi Matrix. Data as of January 2024

Economic Indicators:
Warehouse Employment Continues to Stagnate

- The warehousing and storage sector added 5,500 workers on a seasonally adjusted basis in the month of January, according to the Bureau of Labor Statistics, but the gains are minor after a stretch of declines. Since reaching its peak in May 2022, the sector has lost 163,200 workers, decreasing by 8.2% and registering losses in 17 of the most recent 20 months. Much like industrial real estate itself, warehouse employment expanded quickly in 2020 and 2021, and the last year-and-a-half have constituted a rebalancing period.

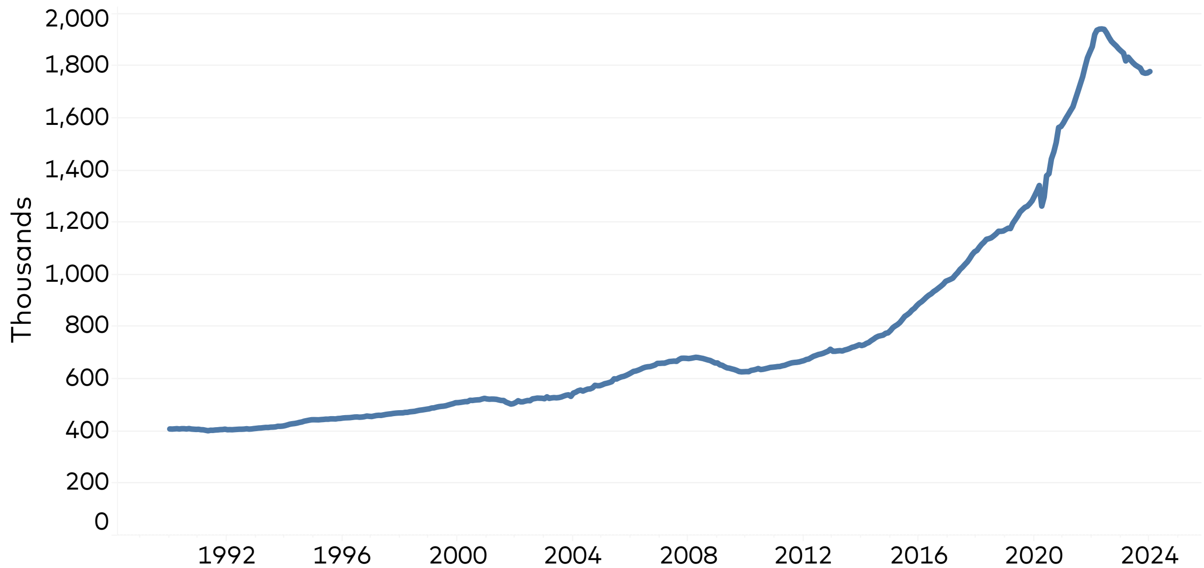
- The decline in warehouse employment began at the same time that Amazon began pulling back from its rapid post-pandemic expansion. With recent reports that Amazon, by far the largest employer in the sector, is putting more space up for sublease, it is unlikely that warehouse employment will see a major uptick anytime in the near future. Amazon has delayed opening of some projects under construction as well as listing millions of square feet for sublease.

Economic Indicators

National Employment	(January)	157.7M	0.2% MoM ▲	1.9% YoY ▲
ISM Purchasing Manager's Index	(January)	49.1	2.0 MoM ▲	1.7 YoY ▲
Inventories	(November)	$2,546.8B	-0.1% MoM ▼	0.3% YoY ▲
Imports	(December)	$260.3B	1.5% MoM ▲	-0.5% YoY ▼
Core Retail Sales	(December)	$518.2B	0.6% MoM ▲	5.6% YoY ▲
Exports	(December)	$171.2B	1.8% MoM ▲	0.9% 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:
Chicago Leads Nation to Start Year

- Industrial sales totaled $2.6 billion in the first month of 2024, according to Yardi Matrix data, with properties trading at an average of $145 per square foot.

- Chicago took the early lead in sales volume, with $243 million of sales in January, led by LBA Realty's $95 million ($201 per square foot) acquisition of two logistics and cold storage buildings totaling more than 480,000 square feet near O'Hare Airport. Even with interest rates rising and vacancies growing, capital remains available to purchase the right property in the right location. Last year, Blackstone's Link Logistics paid $118 million for three properties totaling 702,000 square feet ($169 per foot) in the O'Hare submarket.

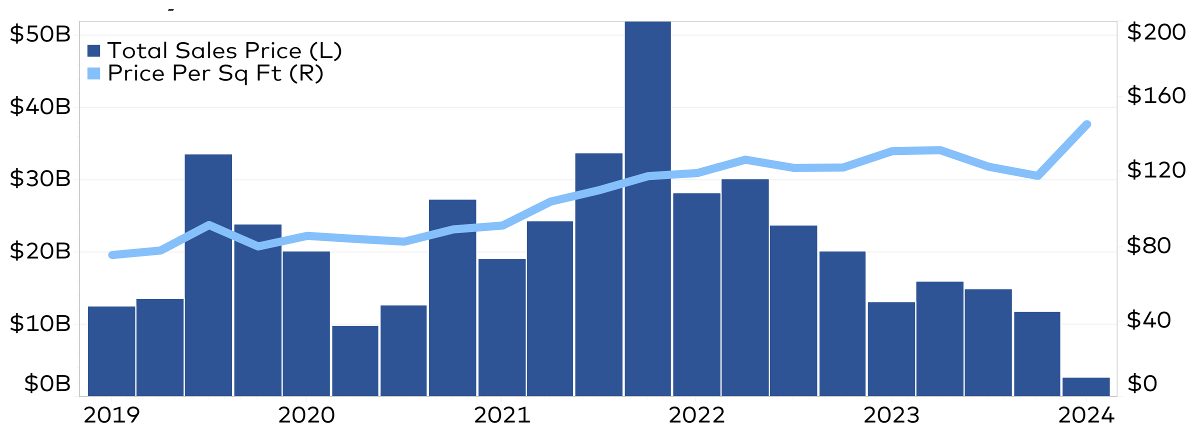
- Chicago's industrial market, the largest in the country, has added 84.1 million square feet (8.1% of stock) since the start of 2021. The wave of new supply helped keep sales price growth muted, with the average price growing 22% (to $91 from $75 per foot) between 2019 and 2023. While impressive, the increase in sales per foot pales when compared to other large markets that have seen historic levels of growth in recent years. During that same time, sales per foot grew by 106% in the Inland Empire, 84% in Dallas and 68% in Atlanta.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 1/31)
National	$145	$2,619
Chicago	$100	$243
Bay Area	$319	$229
Denver	$142	$210
Phoenix	$152	$161
Inland Empire	$172	$138
Atlanta	$111	$112
Columbus	$77	$108
Boston	$247	$103
Los Angeles	$290	$80
Seattle	$217	$75
Central Valley	$124	$66
Houston	$128	$64
Twin Cities	$93	$50
New Jersey	$202	$46
Cincinnati	$55	$31
Portland	$174	$25
Kansas City	$104	$12
Tampa	$126	$4
Cleveland	$19	$2
Bridgeport	$0	$0
Philadelphia	$0	$0
Charlotte	$0	$0
Baltimore	$0	$0
Orange County	$0	$0
Detroit	$0	$0

Source: Yardi Matrix. Data as of January 2024

Quarterly Transactions



Source: Yardi Matrix. Data as of January 2024

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

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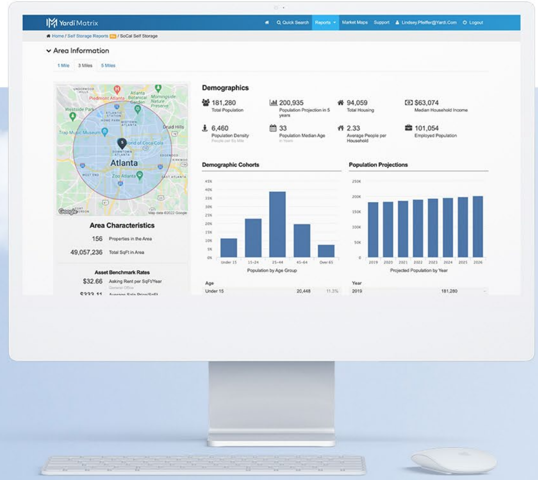
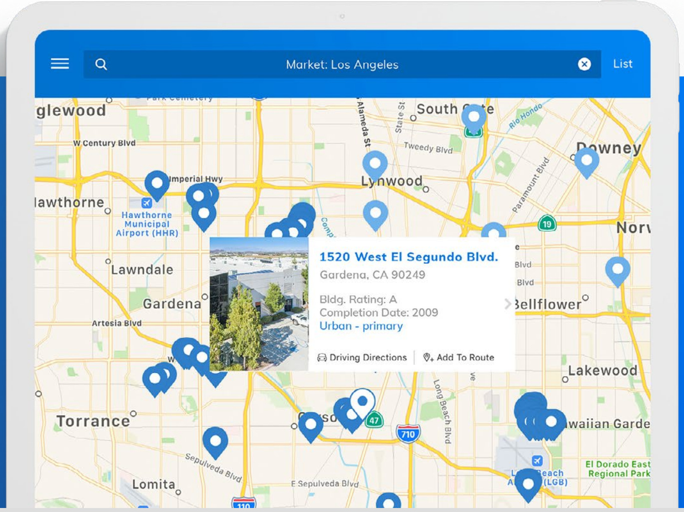


INDUSTRIAL KEY FEATURES

- 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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