Yardi Matrix

National Industrial Report

May 2024

Manufacturing Push Continues

- The push to boost U.S. manufacturing, particularly for semiconductors and clean energy technology, has led to a boom in construction, but a true manufacturing resurgence remains years away.

- The manufacturing construction boom currently underway is being driven by manufacturers' desire to strengthen supply chains and reduce dependency on outsourcing, along with two major pieces of legislation. The CHIPS and Science Act provided tax credits and incentives for stateside production of semiconductors. The Inflation Reduction Act included funding and tax credits for both producers and consumers of U.S.-made clean energy technology products. According to the U.S. Census Bureau, annualized manufacturing construction spending reached $233 billion in April 2024, more than doubling in the last two years and nearly tripling in the last three. This wave of spending on manufacturing can be seen in Yardi Matrix data as well, with manufacturing accounting for more than 30% (124.8 million square feet) of all space under construction.

- While manufacturing construction has flourished, it has not yet translated into job gains like those that occurred in warehouse employment during the logistics boom. While the sector recovered pandemic job losses, manufacturing employment has been stagnant over the past 18 months, and April 2024 was only 1.4% higher than February 2020. This is likely due, at least in part, to the longer delivery times for these facilities, meaning many of the biggest projects have yet to be delivered.

- Restoring and protecting American manufacturing jobs in the current global economy was one of the chief reasons given by the Biden Administration when announcing new tariffs on clean energy and other technology imported from China. Plants that build solar panels, electric vehicles, batteries and semiconductors won't create jobs if they are undercut by cheaper Chinese goods. The protectionism stance is also driven by concerns over national security, self-sufficiency and China's dominance of the supply chains for critical materials. However, the U.S. may not be able to win a clean-energy trade war with China, given that China controls an estimated 80% of the supply chain for the components of clean technology and has a big head start in global markets.

- We anticipate that manufacturing will continue to drive a great deal of activity for industrial real estate, but it will be years before the impacts are fully seen. The new tariffs will increase prices of clean energy technology for consumers but will be a positive for the industrial sector. When projects deliver, we expect manufacturing employment will rise and supplemental firms will take root as well.

Rents and Occupancy:
Slowing Demand, New Supply Lead to Vacancy Rate Growth

- National in-place rents for industrial space averaged $7.96 per square foot in April, an increase of 11 cents from March and up 7.4% over the past 12 months.

- After a month in second place, the Inland Empire reclaimed the top spot for highest rate of in-place rent growth, with rates increasing 12.5% over the 12-month period. Miami was the second-fastest-growing market (12.0% increase in rents over the past 12 months), followed by Los Angeles (11.2%), Orange County (9.4%) and New Jersey (8.9%).

- Rent growth was lowest in Detroit (3.0% increase over the past 12 months), St. Louis (3.5%), Kansas City (3.6%) and Denver (4.1%).

- The national vacancy rate was 5.2% in April, unchanged from the previous month. Industrial vacancies have mostly returned to a normalized level in the past year, following a period of remarkable tightness that has occurred since the pandemic. In April 2023, the national vacancy rate was 4.1%, and many of the tightest markets—like the Inland Empire, Los Angeles and New Jersey—were below 3.0%. Today, those three markets are at or near 6.0% vacancy. Demand for space has slowed as inflation has increased firms' non-real estate costs and interest rate hikes have made capital more expensive for expansions. At the same time, a record level of new supply has been delivered to the market.

- The average rate for new leases signed in the past 12 months was $10.31 per square foot, $2.35 more than the average for all leases. Premiums for new leases were highest in Miami, where the average rate of a lease signed in the past 12 months was $5.97 higher per foot than the average for all leases. The Inland Empire saw tenants paying a $5.11-per-foot premium, and Los Angeles registered $4.61 per foot.

Average Rent by Metro

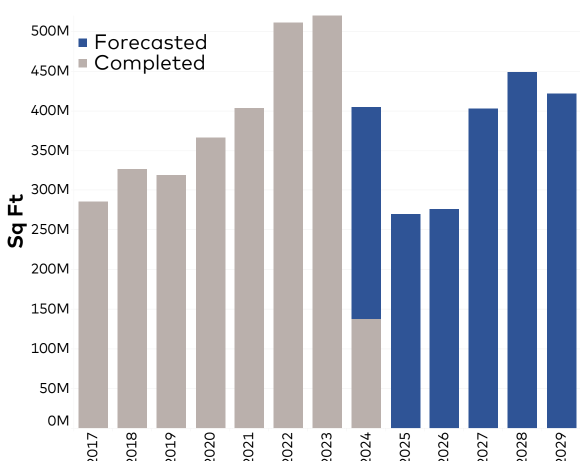
Market	Apr-24 Average Rent	12-Month Change	Avg Rate Signed in Last 12 Months	Vacancy Rate
National	$7.96	7.4%	$10.31	5.2%
Inland Empire	$10.01	12.5%	$15.12	6.2%
Miami	$11.39	12.0%	$17.36	4.6%
Los Angeles	$14.32	11.2%	$18.93	5.9%
Orange County	$15.37	9.4%	$18.21	4.0%
New Jersey	$10.53	8.9%	$13.28	6.0%
Seattle	$11.07	8.8%	$12.22	6.8%
Phoenix	$8.90	8.7%	$11.74	4.2%
Baltimore	$10.96	7.9%	$12.96	6.2%
Boston	$10.48	7.7%	$13.30	9.0%
Atlanta	$5.72	7.5%	$8.88	5.0%
Nashville	$5.88	7.5%	$9.26	3.6%
Tampa	$7.68	7.0%	$11.01	5.4%
Columbus	$4.80	6.7%	$6.16	2.7%
Dallas–Fort Worth	$5.92	6.7%	$8.72	3.9%
Philadelphia	$7.98	6.4%	$10.29	5.0%
Central Valley	$6.20	6.3%	$9.10	4.6%
Portland	$9.58	6.2%	$11.05	4.0%
Cincinnati	$4.86	6.1%	$6.11	4.6%
Bridgeport	$9.06	6.1%	$12.81	4.5%
Memphis	$3.91	6.0%	$4.46	6.8%
Bay Area	$13.14	5.9%	$15.87	4.9%
Indianapolis	$4.69	5.6%	$6.22	4.6%
Charlotte	$6.66	5.5%	$8.20	3.8%
Twin Cities	$6.91	5.5%	$8.06	5.4%
Chicago	$6.09	5.0%	$7.94	5.0%
Houston	$6.59	4.3%	$8.04	6.8%
Denver	$8.32	4.1%	$7.99	7.1%
Kansas City	$4.83	3.6%	$5.54	3.0%
St. Louis	$4.68	3.5%	$5.36	6.4%
Detroit	$6.90	3.0%	$6.75	5.0%

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

Supply:
Port Market Pipelines Drying Up

- Currently, 401.6 million square feet of industrial space, representing 2.0% of stock, are under construction, according to Yardi Matrix.
- New industrial starts continue to slow in 2024, with Yardi Matrix logging just 49.2 million square feet breaking ground through April.
- Port markets continue to capture the most rent growth, due to the combination of demand for space and a lack of land to add supply. While vacancy rates in these markets have eased in the past 18 months, we expect that rental rates will continue to grow at a robust pace because new-construction pipelines have slowed. Among the top five markets for rent growth, only Miami at 3.1% has greater than 2% of stock under construction. Los Angeles (0.3% stock under construction) and Orange County (0.4%) have pipelines that could be considered a rounding error based on the size of the market, and New Jersey's (1.3%) is not much larger. The Inland Empire (1.2%) pipeline has shrunk in recent months as a historic wave of new supply has been delivered and starts have dried up. At this point last year, the Inland Empire had 32.6 million square feet under construction, a number that has shrunk to 8.1 million this month.

National New Supply Forecast



Source: Yardi Matrix. Data as of April 2024

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	UC Plus Planned % Stock
National	401,627,918	2.0%	5.2%
Phoenix	41,797,674	10.8%	27.2%
Kansas City	13,295,626	4.6%	16.9%
Memphis	10,000,000	3.4%	3.9%
Charlotte	10,528,480	3.3%	7.5%
Denver	7,765,316	2.9%	4.6%
Dallas–Ft Worth	23,364,389	2.4%	7.5%
Central Valley	8,322,826	2.3%	2.9%
Atlanta	12,032,183	2.1%	4.3%
Columbus	6,703,730	2.1%	3.9%
Philadelphia	8,864,925	2.0%	5.7%
Tampa	4,296,525	1.6%	5.3%
Seattle	4,539,096	1.5%	4.7%
New Jersey	7,535,227	1.3%	3.0%
Bay Area	3,951,722	1.3%	5.6%
Inland Empire	8,095,176	1.2%	8.0%
Detroit	7,360,572	1.2%	2.3%
Indianapolis	4,585,203	1.2%	4.1%
Chicago	11,105,858	1.0%	2.7%
Houston	6,557,102	1.0%	4.3%
Portland	2,038,221	1.0%	2.2%
Boston	2,360,711	0.9%	2.2%
Nashville	1,781,723	0.8%	3.3%
Cleveland–Akron	2,600,000	0.7%	0.9%
Cincinnati	2,043,197	0.7%	1.2%
Baltimore	1,013,955	0.5%	1.8%
Orange County	695,108	0.4%	1.0%
Los Angeles	2,338,859	0.3%	2.3%
Twin Cities	853,485	0.2%	1.1%
Bridgeport	274,000	0.1%	1.2%

Source: Yardi Matrix. Data as of April 2024

Economic Indicators:
Warehouse Employment Creeps Up

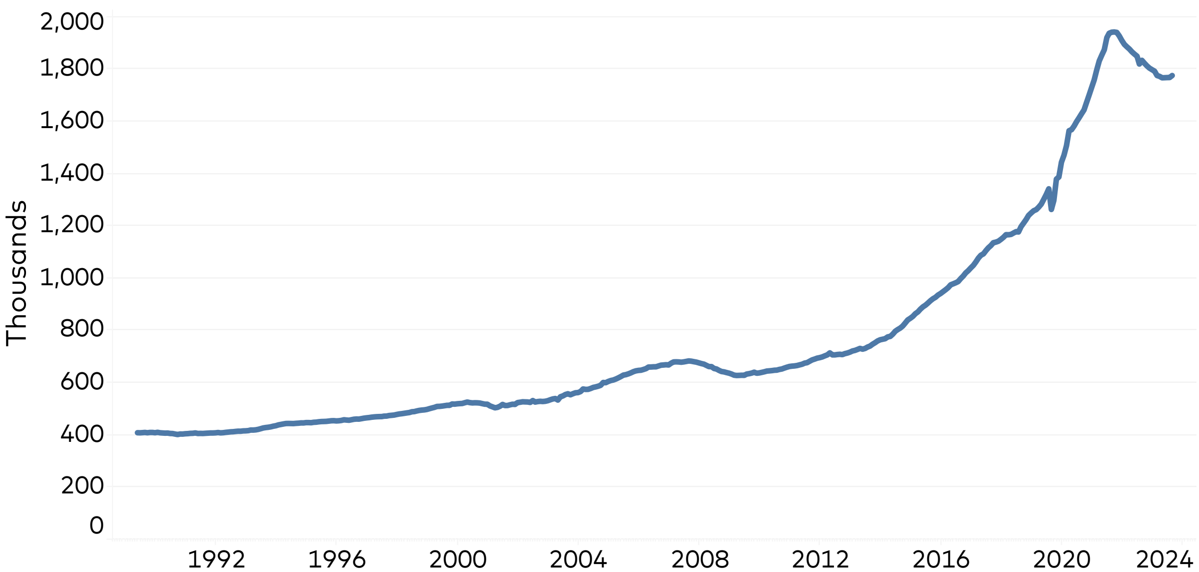
- The warehousing and storage sector of the labor market added 7,600 jobs in the month of April, according to the Bureau of Labor Statistics.
- Warehouse employment had remained relatively flat in 2024 before April, adding just 1,100 jobs in the first three months combined. These modest gains were still a welcome sign, however, because after reaching an all-time high in May 2022, the sector declined during 18 of the 19 subsequent months. Over that time, the sector shed 173,700 workers; it is currently still down 3.2% year-over-year. After expanding rapidly during the first two years of the pandemic, employment in the sector began to decline when people returned to physical stores and the e-commerce boom leveled off. The trend in warehouse employment mirrors the path of demand for logistics space: explosive growth during the first two years of the pandemic, followed by a period of pull-back and recalibration. Employment's improvement should be good news for the industrial sector.

Economic Indicators

National Employment (April)	ISM Purchasing Manager's Index (April)
158.3M	49.2
0.1% MoM ▲	-1.1 MoM ▼
1.8% YoY ▲	2.2 YoY ▲
Inventories (February)	**Imports** (March)
$2,540.7B	$263.8B
0.3% MoM ▲	-1.6% MoM ▼
0.7% YoY ▲	2.5% YoY ▲
Core Retail Sales (March)	**Exports** (March)
$517.2B	$171.3B
0.7% MoM ▲	-2.9% MoM ▼
4.5% YoY ▲	-2.8% 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, Yardi Matrix

Transactions:
Cold Storage Grows in Dallas

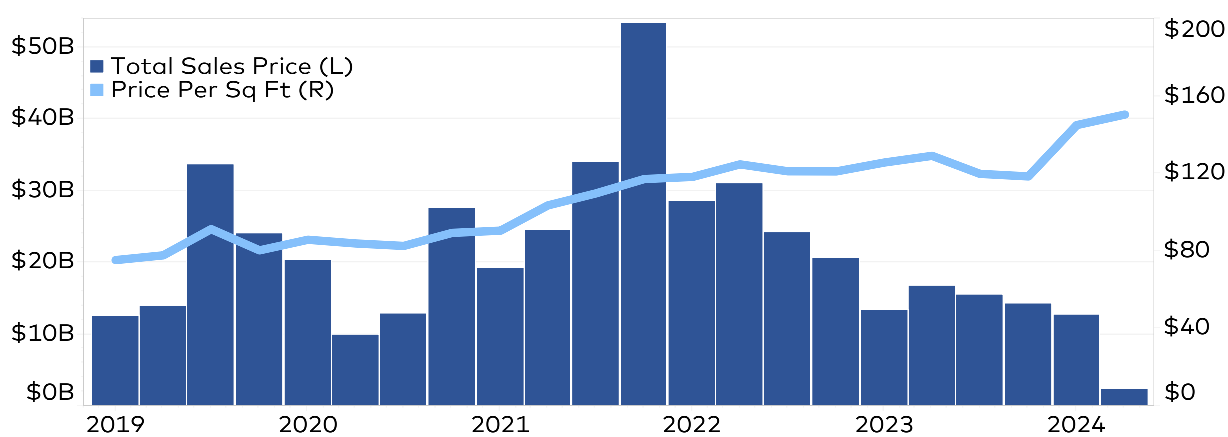
- Industrial sales totaled $15 billion through April, according to Yardi Matrix data, with properties trading at an average of $146 per square foot. Average sale prices remained elevated in the first four months of 2024, even as the number of sales and total sales volume decreased from previous years.
- Dallas has been one of the most active markets for sales activity this year, with more than $1 billion in industrial transactions through April, giving it the third-highest sales volume in the country. Recently, Vertical Cold Storage, a developer and operator sponsored by Platform Ventures, purchased a 400,000-square-foot cold storage facility in Burleson.
- Dallas-Fort Worth has become a hotbed for refrigerated warehouses. In all, 3.7 million square feet of cold storage space have been delivered in the market since the start of 2022, according to Yardi Matrix. No other market has completed even 1 million square feet in that time. We anticipate that Dallas' cold storage prominence will continue to grow in coming years. The market is centrally located, within a growing region of the U.S. About 40% of the country's population is within 24 hours of it, making the market a key link along the food-supply chain.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 4/30)
National	$146	$15,014
Bay Area	$620	$2,148
Los Angeles	$319	$1,352
Dallas–Fort Worth	$144	$1,013
Chicago	$89	$834
Phoenix	$159	$617
New Jersey	$293	$612
Houston	$109	$490
Inland Empire	$228	$485
Orange County	$311	$444
Denver	$138	$422
Columbus	$79	$318
Seattle	$241	$310
Atlanta	$113	$260
Charlotte	$70	$235
Tampa	$113	$233
Boston	$175	$156
Cincinnati	$76	$148
Twin Cities	$106	$139
Central Valley	$119	$124
Baltimore	$116	$118
Philadelphia	$91	$88
Cleveland	$49	$85
Memphis	$62	$78
Indianapolis	$65	$74
Detroit	$64	$71

Source: Yardi Matrix. Data as of April 2024

Quarterly Transactions



Source: Yardi Matrix. Data as of April 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.

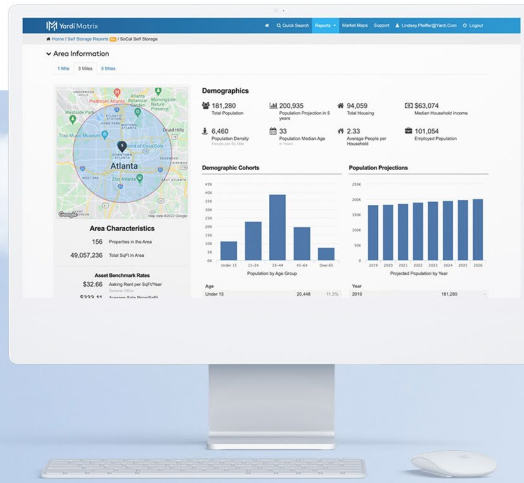
Stage of the supply pipeline:

- 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.

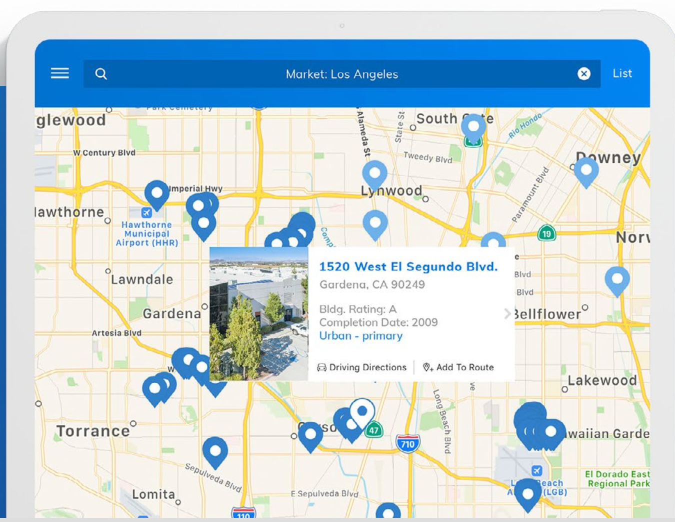
Yardi Matrix

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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