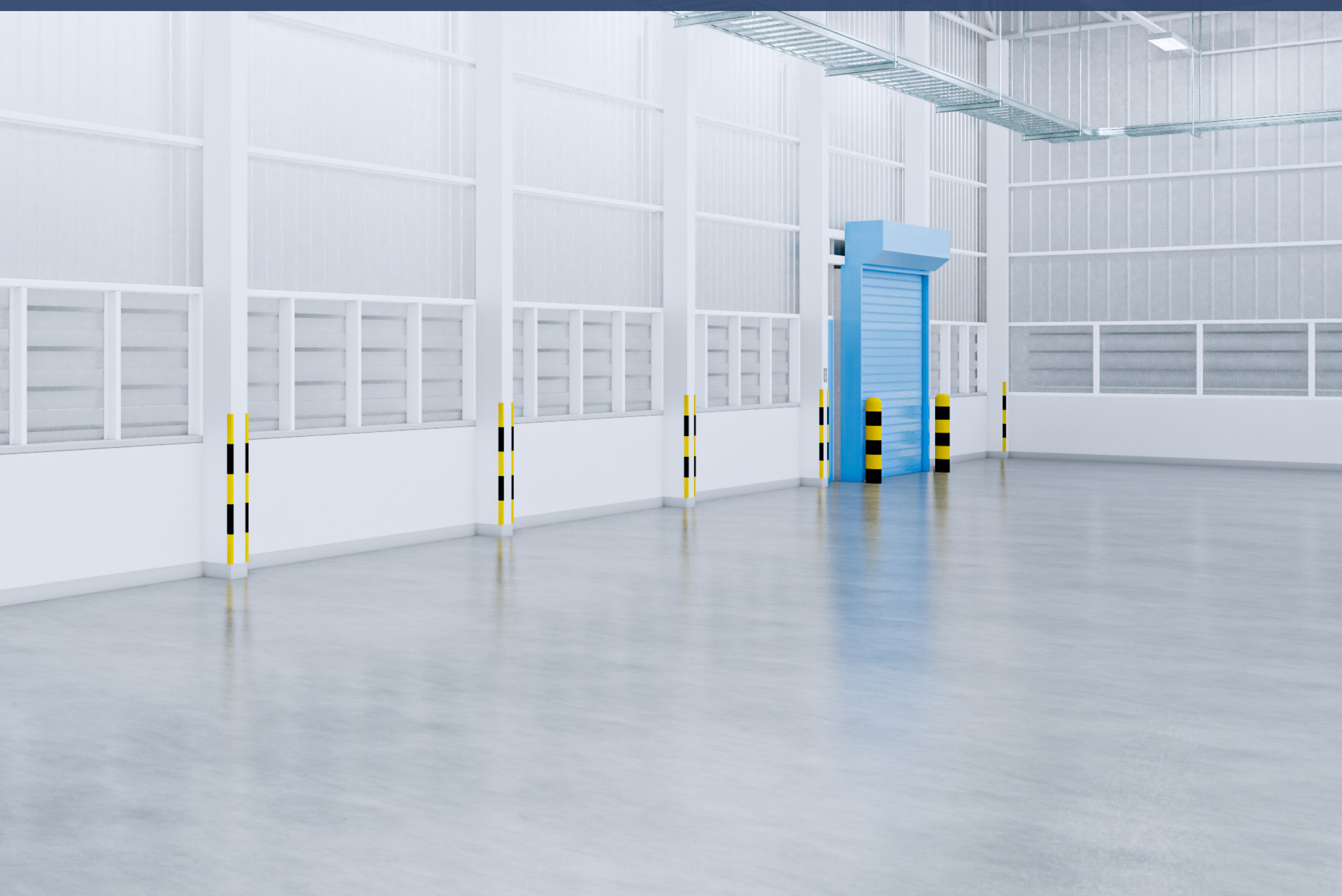
CommercialEdge

National Industrial Report

March 2022



Industrial Supply Hits Record Levels

- Demand for industrial space remains strong, largely due to the pandemic accelerating e-commerce growth over the last two years. More than 350 million square feet, or 2.0% of stock, was delivered last year in the 117 markets covered by CommercialEdge, the highest level of new supply since at least the turn of the century.

- Many markets have set individual records for annual new industrial supply in recent years, with nearly one-third of all markets delivering record levels of new supply in 2020 or 2021. Some are tertiary markets, like Little Rock, which saw a giant e-commerce facility come online. However, most of the markets setting record supply levels are large, emerging industrial hotbeds. Some examples: Philadelphia, Denver, Indianapolis, Columbus and Memphis all set new-supply records in 2021, each delivering more than 10 million square feet. Phoenix delivered 14.9 million square feet in 2020 and followed it up with 12.5 million last year, increasing total stock by nearly 10% in that time. And Phoenix's supply boom is only getting started: It has 36.3 million square feet under construction and another 58.0 million in the planning stages. Even established industrial markets are delivering historic levels of new supply. Chicago—the largest market covered by CommercialEdge by total square footage—had its busiest year this century for new industrial supply in 2021, delivering 25.7 million square feet.

- The biggest driver of demand for industrial has been e-commerce, and the biggest player in the e-commerce space is Amazon. The 16 largest buildings delivered last year, all ranging from 2.5 million to 3.8 million square feet, were either leased or owned by Amazon. These new properties were completed in a wide array of markets, including small markets such as Albuquerque and El Paso. Two Amazon facilities, each with millions of square feet, were delivered last year in the Chicago metro, both within the Southwest Cook County submarket.

- Industrial supply levels will only grow in the coming years. Even though historic levels of new supply have been delivered recently, it has not been enough to meet demand. Currently, the markets covered by CommercialEdge have 592.5 million square feet of space under construction, an increase of more than 90 million (18%) in the last six months, and an additional 625.5 million square feet are in the planning stages. Yardi Matrix's industrial supply forecast—which utilizes historical trends to iterate through the supply pipeline—predicts that supply levels will continue to be elevated for the next five years, with more than 400 million square feet delivering from 2022 through 2027.

Rents and Occupancy:
Southern California Leads in All Metrics

- National in-place rents for industrial space averaged $6.45 in February, an increase of 4.4% over the last 12 months.

- Rent growth was highest in Southern California—Orange County grew 7.0% over the last 12 months, Los Angeles 6.7% and the Inland Empire 6.0%, while the nearby Central Valley market grew 6.5%. The ports of Los Angeles and Long Beach, already the busiest in the nation, handled record amounts of traffic in 2021, leading to high rent growth and low vacancy rates throughout the region. The Inland Empire's vacancy rate was a minuscule 0.6% in February, with Los Angeles at 2.5% and Orange County at 3.5%. Central Valley, seeing a boost to its industrial market due to overflow from Southern California, had a vacancy rate of 3.0%.

- The national vacancy rate in February was 5.2%, down 30 basis points from January.

- California is not alone in having tight markets. Some Midwestern logistics hubs also have low vacancies. In February, the vacancy rate in Columbus was 1.2%, while Indianapolis and Kansas City were both at 3.3%.

- The average price of leases signed in the last 12 months was $7.35 per square foot, 90 cents higher than the national average for all in-place leases.

- Tenants in nearly every market paid a premium for leases signed over the last year, but particularly in Southern California. The spread between the average lease rate and cost of a new lease was highest in Orange County, with the average lease signed $3.21 more per foot than the average in-place rent. On average, new leases cost $2.80 more per square foot in Los Angeles and $2.78 more in the Inland Empire. Eastern port markets were not far behind, with Boston ($2.76 higher per square foot) and New Jersey ($2.41) seeing large premiums being paid by tenants for new leases.

Average Rent by Metro

Market	Feb-22 Average Rent	12-Month Change	Avg Rate Signed in Last 12 Months	Vacancy Rate
National	$6.45	4.4%	$7.35	5.2%
Orange County	$11.61	7.0%	$14.82	3.5%
Los Angeles	$10.41	6.7%	$13.21	2.5%
Central Valley	$5.28	6.5%	$6.89	3.0%
Inland Empire	$6.65	6.0%	$9.43	0.6%
Boston	$7.93	5.8%	$10.69	9.7%
New Jersey	$8.10	5.5%	$10.51	3.7%
Bay Area	$11.00	4.9%	$12.60	5.8%
Seattle	$9.13	4.7%	$10.35	7.2%
Portland	$8.09	4.7%	$8.53	6.0%
Nashville	$5.15	4.6%	$5.68	4.5%
Dallas–Fort Worth	$4.80	4.5%	$5.41	3.7%
Detroit	$5.95	4.4%	$5.44	6.5%
Phoenix	$6.97	4.4%	$7.41	4.2%
Philadelphia	$6.17	4.3%	$6.82	7.0%
Baltimore	$6.73	4.1%	$7.63	6.0%
Cincinnati	$4.14	3.7%	$4.47	10.2%
Atlanta	$4.59	3.6%	$5.16	4.7%
Twin Cities	$5.96	3.4%	$6.29	8.8%
Kansas City	$4.38	3.0%	$4.14	3.3%
St. Louis	$4.19	2.9%	$4.04	5.8%
Tampa	$6.40	2.9%	$6.85	7.5%
Columbus	$4.00	2.8%	$3.95	1.2%
Miami	$8.88	2.5%	$9.54	4.0%
Denver	$7.44	2.3%	$7.48	8.8%
Memphis	$3.53	2.3%	$3.45	6.4%
Chicago	$5.38	2.3%	$5.65	5.2%
Indianapolis	$4.02	2.3%	$4.37	3.3%
Houston	$5.86	1.7%	$5.71	10.1%
Charlotte	$6.22	1.1%	$6.27	7.6%

Source: CommercialEdge. Data as of February 2022. Rent data provided by Yardi Market Insight. National rent and occupancy data is a weighted average of the top 30 markets.

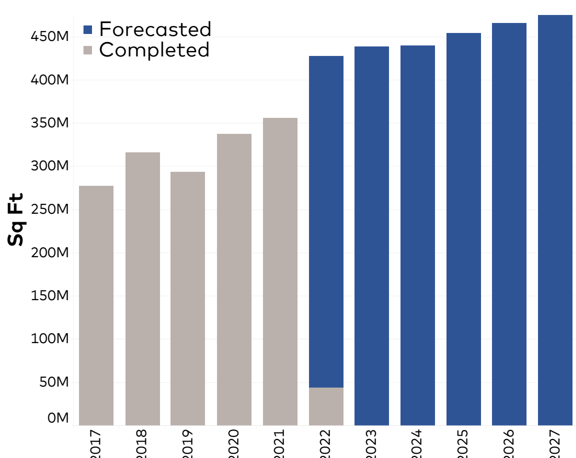
Supply:
Booming Supply Holds Back Kansas City Rents

- Nationally, 592.5 million square feet of industrial stock are under construction. An additional 625.5 million square feet are in the planning stages.

- The first two months of the year saw 44.6 million square feet of new supply delivered, according to CommercialEdge. A lag in collecting data on some new completions means that this number will increase as more completions are documented. We expect the first quarter of this year to surpass the 77.3 million square feet delivered in the first quarter of 2021, which was the start of a record-setting year.

- While markets near ports are in a constant battle to find affordable land to develop, Midwestern markets are adding space at a robust pace to meet demand, limiting rent growth even in markets with low vacancy rates. Kansas City added 38.0 million square feet of new supply over the last five years, increasing stock by more than 15% over that time. The robust pipeline helps explain why rent growth is in the middle of the pack at 3.0% and new leases signed over the last 12 months have not come at a premium despite a low vacancy rate of 3.3%. That trend will likely continue, with 13.4 million square feet under construction and 14.3 million square feet in the planning stages.

National New Supply Forecast



Source: Yardi Matrix. Data as of February 2022

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	UC Plus Planned % Stock
National	592,530,545	3.5%	7.1%
Phoenix	36,328,026	12.9%	33.6%
Indianapolis	26,967,142	8.6%	13.2%
Kansas City	13,375,838	5.4%	11.1%
Nashville	9,120,037	4.7%	6.4%
Dallas - Ft Worth	38,021,216	4.6%	9.7%
Columbus	12,699,742	4.6%	9.4%
Inland Empire	25,936,323	4.4%	9.4%
Charlotte	10,367,782	3.7%	9.3%
Memphis	10,073,546	3.7%	5.6%
Seattle	9,861,584	3.6%	6.1%
Philadelphia	14,033,136	3.5%	12.1%
Houston	18,470,478	3.4%	5.6%
Boston	6,963,337	3.0%	3.6%
Central Valley	8,660,209	2.7%	4.6%
Chicago	25,884,951	2.6%	5.5%
Denver	6,017,163	2.5%	4.9%
New Jersey	11,726,849	2.2%	4.9%
Tampa	4,478,227	2.1%	4.1%
Portland	3,835,874	2.1%	3.3%
Atlanta	10,537,541	2.0%	3.8%
Cincinnati	5,192,574	2.0%	2.6%
Baltimore	3,630,328	1.8%	3.9%
Detroit	9,287,057	1.7%	3.4%
Bay Area	4,773,894	1.7%	4.1%
Twin Cities	3,795,357	1.2%	3.6%
Orange County	1,654,535	0.9%	1.5%
Bridgeport	1,597,046	0.8%	2.0%
Cleveland	2,565,566	0.7%	1.4%
Los Angeles	3,934,425	0.6%	2.4%

Source: CommercialEdge. Data as of February 2022

Economic Indicators:
Surging Employment in Transportation and Warehousing

- E-commerce and logistics are not only the main drivers of the industrial supply boom but are also behind an employment upsurge in related sectors.

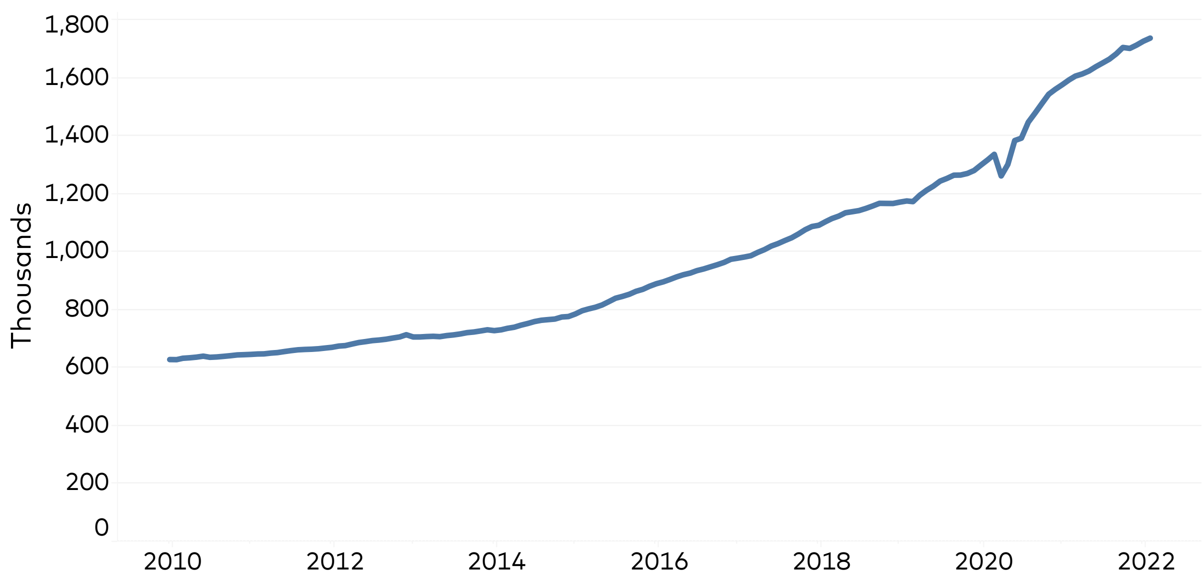
- While many sectors of the labor market have yet to fully recover to pre-pandemic levels, that is not the case for warehousing and storage. According to the Bureau of Labor Statistics, the sector—which includes a wide array of jobs engaged in the storing of goods and logistics services—had more jobs in June 2020 than it did in February, the pre-pandemic high point for the national labor market. Two years later, the sector employs 1.7 million workers, 409,000 more than it did pre-pandemic, growing 31% over the last two years. This growth is more astounding when considering that the overall labor market remains 2.1 million jobs below pre-pandemic levels, a decrease of 1.4%. Wages are rising as demand for labor grows. According to the BLS, average hourly earnings in the sector have grown 10.9% over the last two years.

Economic Indicators

National Employment (February) 150.4M 0.5% MoM ▲ 4.6% YoY ▲	**ISM Purchasing Manager's Index** (February) 58.6 1.0 MoM ▲ -2.3 YoY ▼
Inventories (December) $2,206.7B 2.1% MoM ▲ 10.5% YoY ▲	**Imports** (January) $264.8B 1.8% MoM ▲ 20.0% YoY ▲
Core Retail Sales (January) $462.9B 3.8% MoM ▲ 11.4% YoY ▲	**Exports** (January) $155.9B -1.5% MoM ▼ 15.8% 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, CommercialEdge

Transactions:
Investors Value Amazon-Leased Facilities

- Nationally, $9.1 billion of transactions were logged in the first two months of the year by CommercialEdge. The first quarter is typically the slowest for commercial real estate transactions, but this strong start to the year is a sign that investor appetite for industrial assets is not changing.

- Continued investor demand for industrial properties is notable in the face of rising prices. The average sale price has increased for six straight quarters, growing 50% from the third quarter of 2020 until the first quarter of this year.

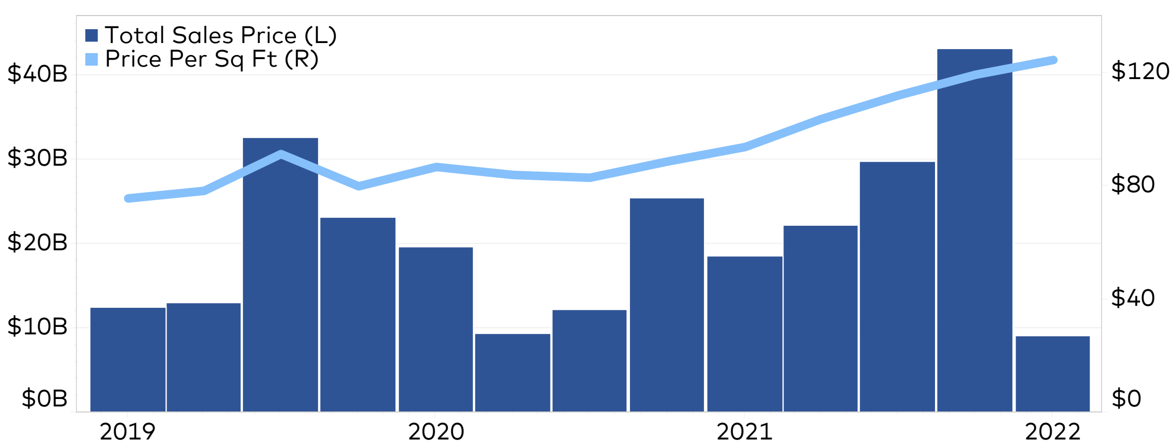
- Philadelphia has seen the most transaction volume in the start of this year, in large part due to investor demand for assets leased by Amazon. The largest-volume sale in the market so far in 2022 is the 3.8 million-square-foot LogistiCenter at I-95 Wilmington, which was delivered last year. Macquarie Asset Management Real Estate purchased the facility for $392 million from developer Dermody Properties. An Amazon-leased property also holds the market's highest average sale price this year: In January, 700 Ramona Ave. was purchased by LBA Realty for $28 million, an average of $283 per square foot.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 02/28)
National	$125	$9,060
Philadelphia	$106	$725
Chicago	$100	$689
New Jersey	$185	$603
Los Angeles	$258	$597
Houston	$86	$559
Phoenix	$199	$302
Denver	$162	$242
Dallas–Fort Worth	$89	$227
Baltimore	$140	$194
Atlanta	$137	$193
Tampa	$96	$166
Nashville	$88	$160
Columbus	$66	$128
Inland Empire	$176	$84
Seattle	$357	$79
Boston	$227	$74
Bay Area	$311	$72
Twin Cities	$92	$69
Indianapolis	$70	$61
Detroit	$56	$61
Portland	$134	$54
Cincinnati	$66	$45
Central Valley	$114	$43
Kansas City	$45	$42
Charlotte	$95	$40

Source: CommercialEdge. Data as of February 2022

Quarterly Transactions



Source: CommercialEdge. Data as of February 2022

Definitions

CommercialEdge collects listing rate and occupancy data using proprietary methods.

- Average Rents—Provided by Yardi Matrix Expert, 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.

Stage of the supply pipeline:

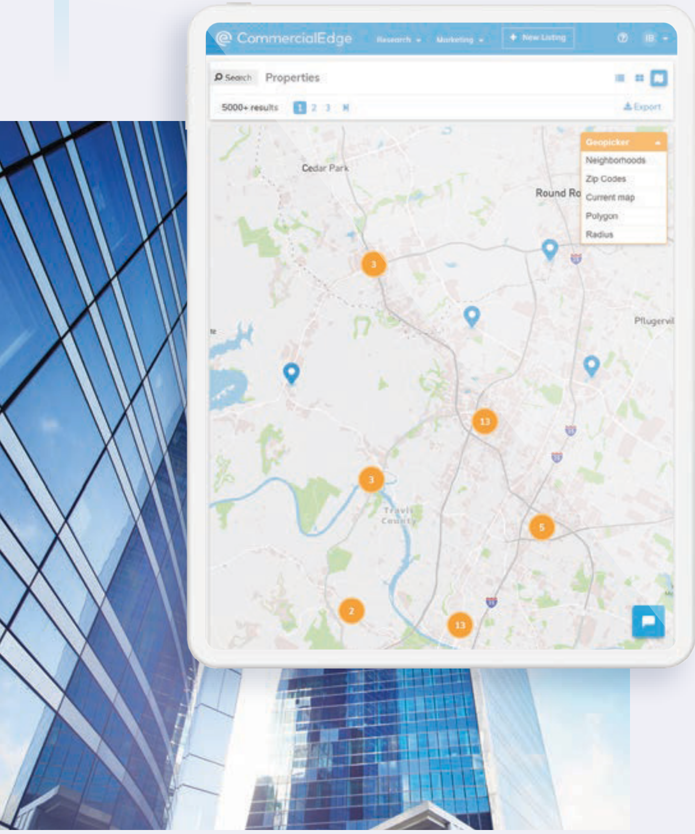
- Planned—Buildings that are currently in the process of acquiring zoning approval and permits but have not yet begun construction.
- Under Construction—Buildings for which construction and excavation has begun.

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.

CommercialEdge

Reliable commercial real estate data, built up over more than a decade of extensive research. Powered by Yardi.

CommercialEdge provides the industrial segment's most comprehensive market intelligence service and listing management platform, sustaining data-driven decisions.



Key features:

- Continually growing nationwide coverage with 162 markets currently included
- Researched and verified data, powered by a team of 400 experienced property research specialists
- Exhaustive property reports featuring data points such as ownership, leases, sales, debt, taxes and more
- Building and portfolio performance overview with current average rents, vacancy rates and maturing leases
- Extensively researched tenant data with an accuracy rate two to three times higher than the industry average
- Real-time market trends based on actual transactional and leasing data with Yardi Market Insight
- Dedicated tools, including automated competitive building sets, broker tour books and dedicated property webpages
- Access to the CommercialEdge Listing Network — including CommercialCafe, PropertyShark, Point2 and CommercialSearch

Capitalize on comprehensive commercial real estate research
Nationwide property and listing data all in one place, specifically engineered for CRE professionals.

The data presented in this report is provided by CommercialEdge.
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