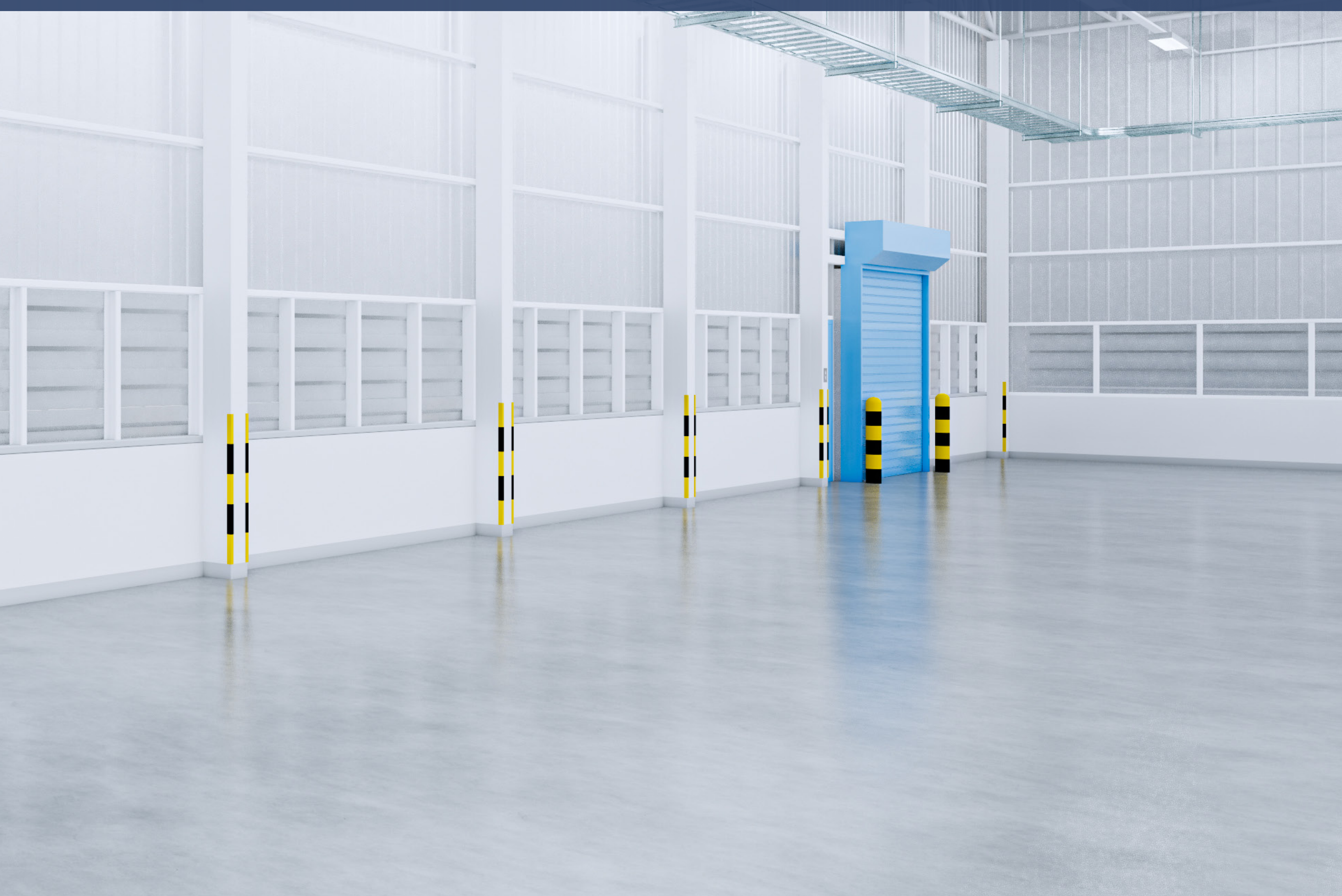
CommercialEdge

National Industrial Report

November 2022



Cautious Optimism as Year Winds Down

- The industrial sector remains on solid footing heading into 2023 despite rising interest rates, volatile capital markets, flattening e-commerce sales growth and Amazon's paused expansion plans.

- The largest logistics providers in the nation paint a picture of cautious optimism for the logistics sector in recent earnings calls and research reports. Link Logistics, the logistics arm of Blackstone, is seeing "healthy, broad-based demand" and said that during the third quarter its same-store portfolio was 97.4% leased. Despite economic uncertainty, Link indicated that real-time data and insights from its platform provide "conviction in the favorable outlook for the logistics sector." Prologis' Industrial Business Indicator research report forecasts that the frantic pace of logistics leases will normalize in coming months.

- Although Prologis stated in its recent earnings call that it will slow speculative projects and favor developments with committed tenants, deliveries for the industrial sector as a whole will remain historically elevated at least through 2024. The new development pipeline continued to expand in the third quarter despite the headwinds of increasing financing costs and general economic uncertainty, signaling that demand for space continues to outstrip the pace of new deliveries. There are 713.6 million square feet of industrial space under construction, representing 4.0% of stock, according to CommercialEdge, and nearly 350 million square feet have already been delivered this year. Despite historic levels of new deliveries, the national vacancy rate, at 4.0% in October, has fallen steadily throughout the year. For a sector that has run hot for more than two years now, increased deliveries combined with the "slightly lower net absorption" in logistics that is forecasted by Prologis Research could bring more sustainable growth to industrial real estate.

- We expect that demand for industrial space will remain strong in coming years, although it is unlikely that the torrid pace at which the sector grew during the pandemic will be seen again. While the rapid growth of e-commerce and logistics may taper off, the slack could be picked up by reshored manufacturing. Numerous semiconductor plants were underway when 2022 began, and the passage of the CHIPS and Science Act, which includes billions in incentives for chip manufacturing, will stimulate further investment in semiconductors. Because they are a critical component in the production of countless goods—from washing machines and automobiles to smart phones and medical equipment—expanded chip manufacturing is a vital first step in a reshoring movement.

Rents and Occupancy: Port Markets Continue to Lead the Pack

- National in-place rents for industrial space averaged $6.95 per square foot in October, growing 6.2% year-over-year and seven cents over the previous month, according to CommercialEdge.

- Port markets continue to lead the country in in-place rent growth. In Southern California, the Inland Empire's rents have grown 11.6% over the last 12 months, Los Angeles' rents 9.7% and Orange County's 7.6%. Phoenix, which benefits from spillover demand from the ports of Los Angeles and Long Beach, has seen rents grow 7.6% over the same period. Across the country, Boston's rents have grown 8.9% and the New Jersey market has seen 7.2% growth. In recent months, the Port of New York and New Jersey became the busiest in the nation by number of containers handled, moving up from its long-held third spot. While the combined number of containers between the two Southern California ports still dwarfs other regions, the shift is notable. We expect demand to continue to grow in the region around the Port of NY & NJ, propelling growth in not just New Jersey but also Allentown-Bethlehem and Scranton-Wilkes-Barre.

- The national vacancy rate measured 4.0% in October, falling 10 basis points from the previous month.

- Vacancy rates are generally lowest in port markets, but non-port markets with a heavy logistics presence continue to see low levels of available space, as well. Nashville (1.4%), Columbus (1.6%), Atlanta (2.3%), Indianapolis (2.5%) and Kansas City (2.7%) all sport sub-3% vacancies.

- The premium paid by a tenant signing a lease over the past year continues to grow, with new leases costing $1.54 more per square foot than the national average for all leases. The largest spreads were in Los Angeles ($6.10 more per square foot), the Inland Empire ($5.60), Orange County ($4.17) and New Jersey ($3.32).

Average Rent by Metro

Market	Oct-22 Average Rent	12-Month Change	Avg Rate Signed in Last 12 Months	Vacancy Rate
National	$6.95	6.2%	$8.49	4.0%
Inland Empire	$7.62	11.6%	$13.22	1.0%
Los Angeles	$11.64	9.7%	$17.74	2.1%
Boston	$9.03	8.9%	$11.10	8.3%
Phoenix	$7.74	7.6%	$8.36	2.7%
Orange County	$12.71	7.6%	$16.88	3.1%
New Jersey	$9.03	7.2%	$12.35	2.4%
Philadelphia	$6.79	6.8%	$7.85	4.5%
Seattle	$9.83	6.3%	$11.04	6.3%
Bay Area	$11.90	6.3%	$12.64	4.1%
Detroit	$6.15	6.2%	$6.25	6.3%
Miami	$9.57	6.0%	$11.90	3.3%
Dallas–Fort Worth	$5.15	6.0%	$6.12	3.5%
Atlanta	$4.88	5.9%	$5.62	2.3%
Portland	$8.71	5.8%	$9.79	4.9%
Baltimore	$7.18	5.7%	$8.88	3.2%
Nashville	$5.54	5.5%	$6.25	1.4%
Central Valley	$5.69	5.4%	$7.03	2.0%
Twin Cities	$6.25	5.2%	$7.57	6.7%
Cincinnati	$4.35	4.6%	$4.81	6.8%
Denver	$8.09	3.9%	$8.04	5.2%
Indianapolis	$4.24	3.4%	$4.49	2.5%
Memphis	$3.60	3.2%	$3.57	5.7%
Tampa	$6.67	3.1%	$6.96	7.3%
Houston	$6.11	3.0%	$6.15	7.6%
Columbus	$4.16	3.0%	$4.93	1.6%
Kansas City	$4.55	2.7%	$3.95	2.7%
Charlotte	$6.28	2.6%	$6.02	3.9%
Chicago	$5.59	2.6%	$6.40	3.9%
St. Louis	$4.21	2.4%	$3.69	8.1%

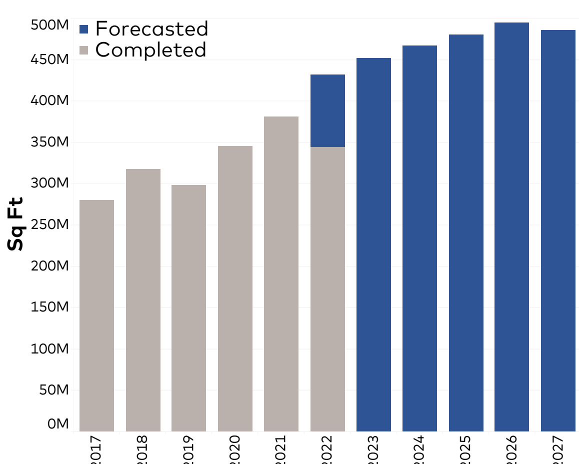
Source: CommercialEdge. Data as of October 2022. Rent data provided by Yardi Market Insight. National rent and occupancy data is a weighted average of the top 30 markets.

Supply:
Starts Continue Apace Despite Amazon Pullback

- A total of 713.6 million square feet of industrial space are currently under construction, representing 4.0% of national stock, according to CommercialEdge.

- In 2021, seven Amazon distribution centers larger than 2 million square feet started construction across the country. The company was rapidly expanding its distribution footprint after seeing e-commerce sales spike during the pandemic. In 2022, a year in which the company admitted that its expansion was overzealous and canceled or delayed numerous facilities, only three such Amazon projects have begun development: 3.9 million-square-foot facilities in Loveland, Colo., and Johnston, R.I., as well as a 2.8 million-square-foot distribution center in Charlton, Mass. Despite Amazon's pullback, shipping and logistics continues to drive much of the new development pipeline this year. Of the 20 largest buildings that have been started this year, 10 are logistics centers, including both new developments and expansions to existing centers. Chip manufacturing is included in the largest projects that started construction this year, as well. Six million square feet across the first two phases of Samsung's semiconductor manufacturing facility outside of Austin have broken ground this year alone.

National New Supply Forecast



Source: Yardi Matrix. Data as of October 2022

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	UC Plus Planned % Stock
National	713,595,104	4.0%	7.8%
Phoenix	46,605,518	15.6%	33.9%
Dallas	66,728,262	7.8%	13.1%
Indianapolis	24,258,518	7.4%	12.6%
Columbus	16,658,564	5.9%	9.1%
Inland Empire	34,531,268	5.6%	9.9%
Charlotte	15,511,076	5.3%	13.3%
Kansas City	13,298,240	5.1%	18.6%
Denver	11,615,270	4.7%	7.6%
Houston	25,030,261	4.5%	7.6%
Philadelphia	16,713,133	4.1%	12.8%
Nashville	8,187,698	4.1%	5.3%
Central Valley	11,463,589	3.5%	4.6%
Cincinnati	9,661,933	3.5%	4.8%
Memphis	9,176,000	3.3%	4.8%
Seattle	8,400,849	3.0%	6.3%
Tampa	6,079,763	2.8%	6.4%
Boston	6,134,376	2.6%	3.4%
Baltimore	5,301,073	2.6%	4.2%
New Jersey	12,931,556	2.4%	4.5%
Bay Area	6,891,464	2.4%	4.5%
Chicago	22,849,268	2.3%	5.6%
Atlanta	11,844,436	2.2%	4.2%
Twin Cities	6,555,015	2.0%	4.3%
Orange County	2,365,921	1.3%	1.6%
Detroit	6,728,599	1.2%	2.7%
Bridgeport	2,438,622	1.2%	2.1%
Portland	1,504,504	0.8%	3.1%
Los Angeles	4,462,477	0.7%	2.5%
Cleveland	2,697,056	0.7%	2.2%

Source: CommercialEdge. Data as of October 2022

Economic Indicators:
Warehousing Employment Falls in Second Half of Year

- A pandemic-driven boom in e-commerce spending caused employment in the warehousing and storage sector of the labor market to surge for two years. However, since this summer, the number of jobs in the sector has fallen, with October being the fourth consecutive month of job losses. There were 20,000 fewer warehousing and storage jobs in October than September, a monthly decline of 1.1%. The sector has lost 49,000 jobs since June, a rapid turnaround after growing at least 9% year-over-year during the previous 24 months.

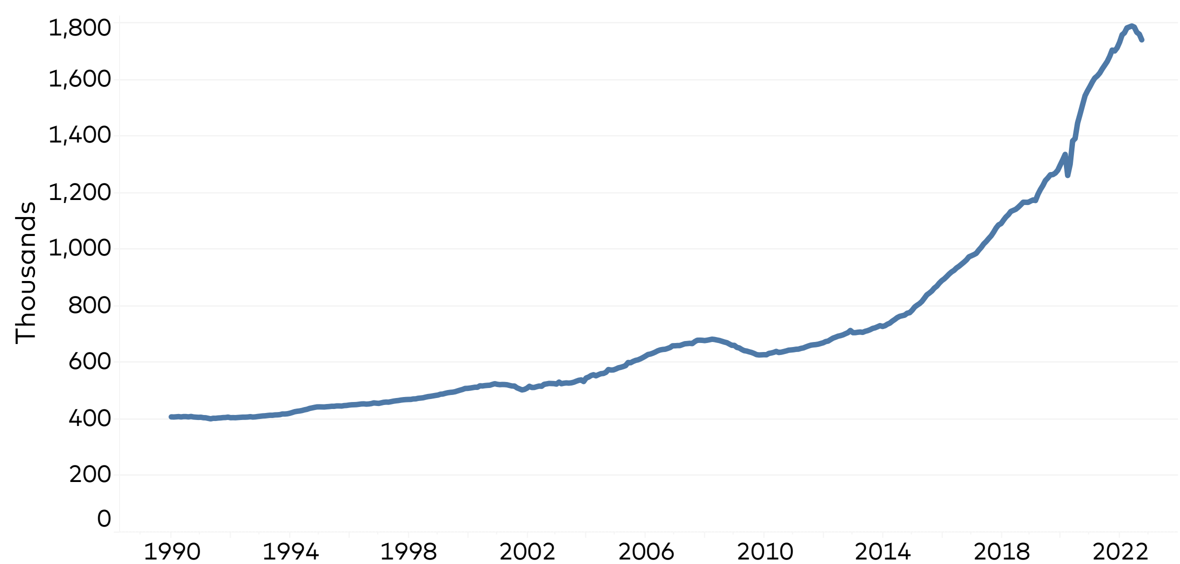
- Amazon—the largest employer in the warehousing and storage sector—has abandoned or delayed the opening of multiple distribution facilities across the country, and admitted in earnings calls earlier this year that it hired too many fulfillment center workers in 2021. The high turnover rate of workers in Amazon warehouses, reported to be around 100% per year, means that a hiring slowdown by the company could be causing the drop in the sector, simply through attrition of its workforce.

Economic Indicators

National Employment	(October)	153.3M	0.2% MoM ▲	3.6% YoY ▲
ISM Purchasing Manager's Index	(October)	50.2	-0.7 MoM ▼	-10.6 YoY ▼
Inventories	(August)	$2,453.2B	0.8% MoM ▲	18.2% YoY ▲
Imports	(September)	$272.9B	1.1% MoM ▲	13.4% YoY ▲
Core Retail Sales	(September)	$493.5B	0.3% MoM ▲	7.5% YoY ▲
Exports	(September)	$180.2B	-2.0% MoM ▼	24.7% 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), CommercialEdge

Transactions:
Smaller Sales Drive New Jersey Volume

- Year to date, $71.9 billion of transactions have occurred, according to CommercialEdge.

- The first two quarters of 2022 were ahead of 2021—which was a record-setting year—but sales volume has slowed in the second half of this year. With the Federal Reserve hiking the fed funds rate by 75 basis points multiple times, the transactions market has cooled as capital has grown more expensive and deals have gotten tougher to pencil out. Despite increasing rates and general economic uncertainty, investors are looking to buy well-positioned assets.

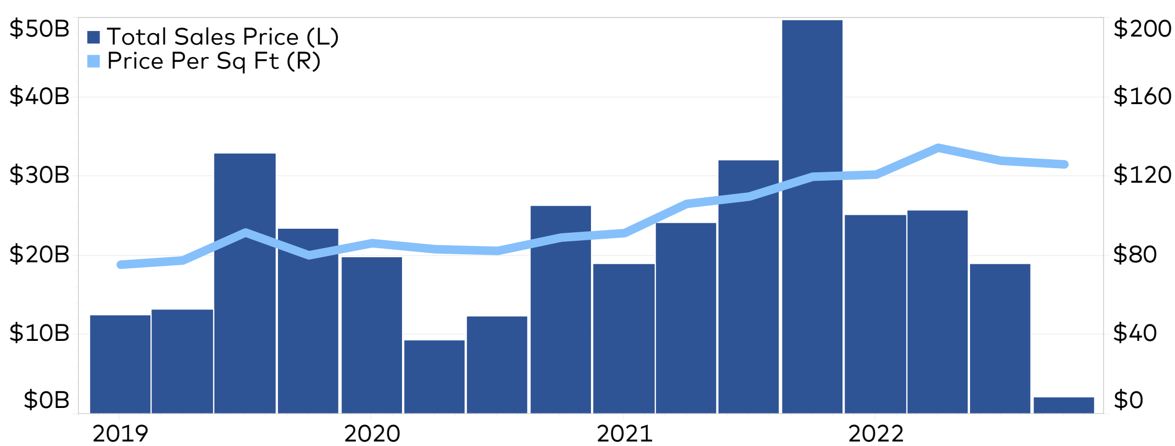
- New Jersey was one of the few markets where total sales volume did not fall year-over-year in the third quarter. The Port of New York and New Jersey has become the most active in the country, and demand for industrial spaces in the region continues to be strong. Unlike other markets with comparable volume, New Jersey is not boosted by massive transactions figures from a few properties, but rather has seen numerous sales of smaller properties. The median sale price in the market is $10.1 million across more than 150 transactions. The largest sale this year in the New Jersey market was Middlebrook Crossroads, a logistics park in Bridgewater, for $110.4 million.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 10/31)
National	$128	$71,899
Los Angeles	$297	$4,370
Inland Empire	$301	$4,058
Dallas	$104	$4,048
Houston	$135	$3,687
Chicago	$87	$3,644
Phoenix	$204	$2,992
New Jersey	$176	$2,871
Philadelphia	$124	$2,529
Atlanta	$117	$1,815
Bay Area	$236	$1,773
Boston	$180	$1,700
Denver	$164	$1,607
Tampa	$128	$1,174
Seattle	$235	$1,091
Columbus	$81	$1,024
Orange County	$360	$1,006
Indianapolis	$80	$993
Nashville	$152	$956
Baltimore	$122	$936
Detroit	$66	$850
Memphis	$60	$769
Twin Cities	$105	$745
Charlotte	$90	$724
Central Valley	$108	$549
Portland	$150	$527

Source: CommercialEdge. Data as of October 2022

Quarterly Transactions



Source: CommercialEdge. Data as of October 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:

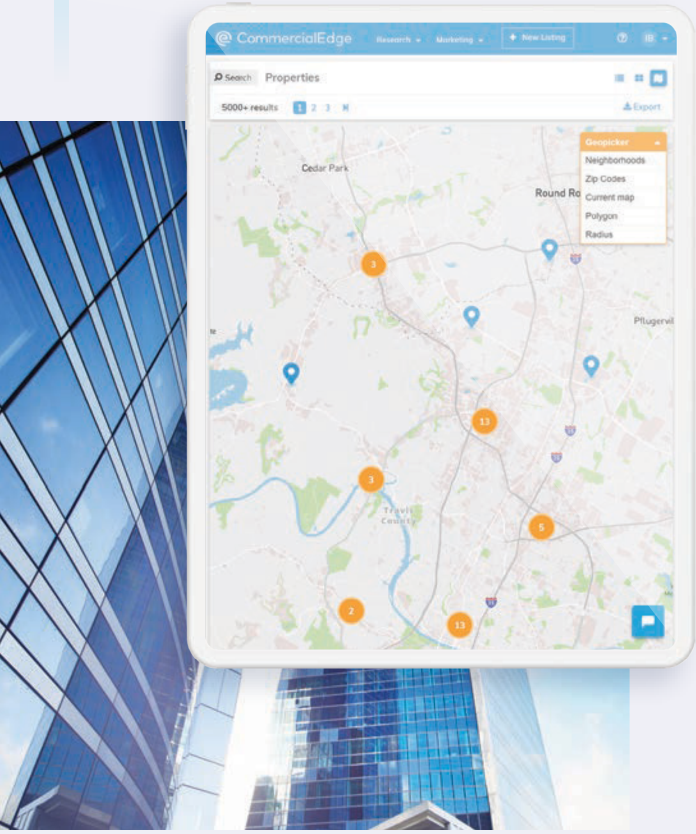
- Planned—Buildings that are currently in the process of acquiring zoning approval and permits but have not yet begun construction.
- Under Construction—Buildings for which construction and excavation has begun.

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.

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