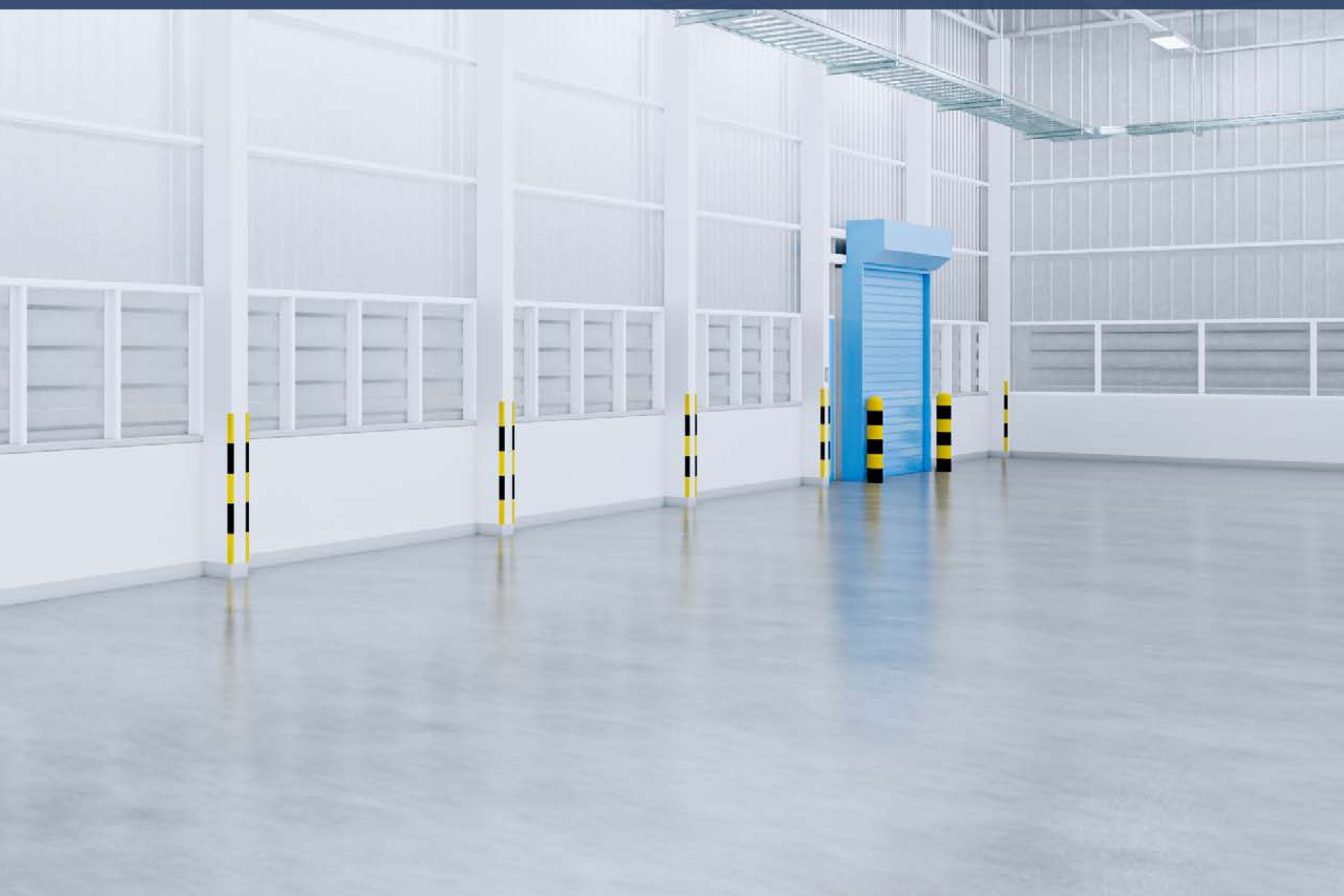
CommercialEdge

National Industrial Report

July 2023



Manufacturing Spending Spikes

- A United States manufacturing boom is beginning. Spending on manufacturing construction has exploded over the last year and a half, much of which is for advanced manufacturing facilities.

- The Census Bureau reported that in May, the annualized monthly rate for new manufacturing facilities was $194 billion, a figure that has doubled since the end of 2021. According to CommericalEdge, more than 90 million square feet across 200 plus manufacturing facilities are currently underway.

- Some of the construction spending has been driven by the passage of major pieces of legislation. The CHIPS and Science Act, Inflation Reduction Act and infrastructure bill all have increased spending on new manufacturing plants through tax credits and other incentives. Yet, the rise in manufacturing construction spending began before any of these bills were enacted. Supply chains were stressed during the pandemic, with port bottlenecks and shipping delays leading many manufacturers to reconsider where they produced their goods. Trade tensions with China and the ongoing war in Ukraine added further uncertainty to global trade.

- According to an analysis from the Treasury Department, the majority of manufacturing construction growth has been driven by increases in spending for facilities categorized as computer/electronic. As recently as two years ago, these components were a minor segment of U.S. manufacturing construction, but have accounted for roughly half of all spending over the first four months of 2023. Much of this is being spent on semiconductor facilities. Taiwan Semiconductor Manufacturing Company is building a $12 billion plant in Phoenix, Samsung is adding a $17 billion chip fab in Austin and Intel is spending $20 billion in Ohio. Electric vehicle plants are also leading to large investments, with projects like Hyundai's $5.5 billion plant in Savannah and Panasonic's $4 billion EV battery facility in Kansas City.

- Employment in the manufacturing sector has yet to spike, with the sector adding 170,000 new jobs in the last year, an increase of 1.6%. Much of what is currently being developed is advanced manufacturing that will require highly specialized workers. Due to automation, it is unlikely that there will be a spike in employment akin to new construction spending, but we expect that growth in manufacturing employment will outpace the labor market as a whole over the remainder of the decade. We anticipate manufacturers will target markets with deep and talented labor pools.

Rents and Occupancy:
Ports Remain Largest Driver of Rent Gains

- National in-place rents for industrial space averaged $7.33 per square foot in June, an increase of four cents from May and up 7.4% year-over-year.
- Southern California continues to see the largest rent gains in the nation, with in-place rents jumping an astounding 17.4% in Inland Empire over the last twelve months, 13.2% in Los Angeles and 10.0% in Orange County. East Coast ports are seeing healthy gains as well, with Boston in-place rents growing 10.3%, New Jersey seeing 8.8% growth and Bridgeport 8.5%. Phoenix, which is undergoing a manufacturing boom and receives overflow activity from firms crowded out of Southern California, is the only market not near the water in the top ten for rent growth.
- The national average vacancy rate in the month of June was 4.5%, a 20 basis point increase from the previous month. New construction has been at all-time highs since the pandemic, and properties delivering while demand has normalized has led to a slight increase in vacancy rates across the country, although vacancies are still tight by historical standards.
- The average rate for new leases signed in the last 12 months rose to $9.76 per square foot through June, $2.43 more than the average for all leases.
- The markets with the largest spreads between in-place rents and new leases were all in California. New leases cost $8.46 more per foot in Inland Empire, $7.20 more in Los Angeles, $6.56 more in the Bay Area and $5.81 in Orange County. The Midwest generally had the lowest spreads between new and existing leases, but in Charlotte new leases were eight cents less than the average for all leases.

Average Rent by Metro

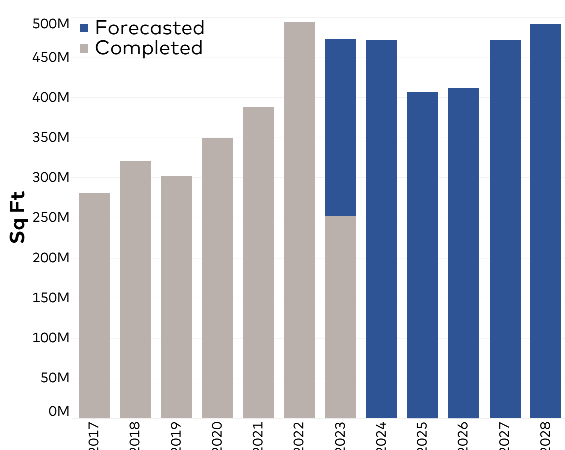
Market	Jun-23 Average Rent	12-Month Change	Avg Rate Signed in Last 12 Months	Vacancy Rate
National	$7.33	7.4%	$9.76	4.5%
Inland Empire	$8.79	17.4%	$17.25	2.7%
Los Angeles	$12.72	13.2%	$19.92	4.2%
Boston	$9.55	10.3%	$12.56	7.8%
Orange County	$13.70	10.0%	$19.51	4.4%
Phoenix	$8.22	9.0%	$9.60	3.5%
New Jersey	$9.52	8.8%	$14.00	5.2%
Bridgeport	$8.41	8.5%	$11.60	3.4%
Miami	$10.26	8.1%	$15.20	4.0%
Seattle	$10.18	7.8%	$12.71	4.6%
Portland	$9.18	7.7%	$11.26	3.7%
Bay Area	$12.55	7.6%	$19.11	3.7%
Atlanta	$5.30	7.1%	$6.35	2.8%
Philadelphia	$7.29	6.7%	$9.42	3.9%
Dallas–Fort Worth	$5.54	6.5%	$6.92	3.9%
Nashville	$5.69	5.2%	$8.50	2.6%
Columbus	$4.34	5.1%	$5.63	1.3%
Baltimore	$7.46	5.1%	$9.47	4.2%
Central Valley	$5.77	4.3%	$7.50	3.2%
Cincinnati	$4.63	4.3%	$5.44	5.0%
Denver	$8.08	4.1%	$9.00	6.8%
Kansas City	$4.67	4.0%	$4.67	3.6%
Twin Cities	$6.50	4.0%	$6.84	5.6%
Tampa	$7.13	3.9%	$7.96	5.6%
Chicago	$5.87	3.9%	$7.46	5.6%
Detroit	$6.66	3.6%	$7.07	4.0%
Houston	$6.30	3.4%	$6.82	9.2%
Indianapolis	$4.39	3.3%	$4.88	2.9%
St. Louis	$4.51	3.0%	$4.60	5.8%
Memphis	$3.68	2.8%	$4.16	5.0%
Charlotte	$6.43	2.7%	$6.35	3.4%

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

Supply:
Charlotte Pipeline Remains Substantial

- Nationally, 606.5 million square feet of industrial space is under construction, representing 3.3% of stock. So far this year, 202.0 million square feet of industrial space has been delivered.
- Due to higher borrowing costs and normalized demand, new industrial starts have cooled this year, with 147.1 million square feet beginning construction in the first half of the year. During the first half of 2022 there were 313.2 million square feet of starts.
- Charlotte is one of the more active markets for new development, with 14.9 million square feet (4.9% of stock) currently under construction after more than 16 million square feet have delivered since the start of 2022. Logistics is the main focus of the market, with the majority of square feet being built found in logistics parks, whether that be new locations or expansions to existing centers. Macy's has committed to the first building of 85 North Logistics Center, a 1.4 million square foot building in China Grove. Some companies are building their own logistics facilities in the market. Among the companies building owner-occupied distribution facilities in the Charlotte market are Sherwin-Williams, Charlotte Pipe and Foundry and Kroger.

National New Supply Forecast



Source: Yardi Matrix. Data as of June 2023

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	UC Plus Planned % Stock
National	606,536,325	3.3%	7.4%
Phoenix	58,849,459	16.6%	37.5%
Dallas–Fort Worth	52,713,422	5.9%	11.1%
Inland Empire	31,107,287	5.0%	16.0%
Charlotte	14,921,950	4.9%	10.8%
Philadelphia	20,240,971	4.8%	9.7%
Denver	11,527,956	4.5%	6.9%
Columbus	11,410,902	3.9%	8.8%
Houston	20,223,188	3.5%	6.1%
Indianapolis	11,308,929	3.2%	8.5%
Kansas City	7,679,030	2.8%	15.6%
Bay Area	7,837,691	2.7%	4.6%
Tampa	6,660,775	2.5%	6.5%
Boston	5,675,019	2.4%	3.7%
Seattle	6,392,705	2.3%	5.3%
Chicago	22,899,794	2.2%	4.7%
Cincinnati	5,451,191	2.0%	3.1%
Central Valley	6,503,646	1.9%	3.6%
New Jersey	10,217,247	1.8%	3.9%
Nashville	3,791,090	1.8%	3.8%
Detroit	8,253,734	1.5%	3.1%
Atlanta	8,261,544	1.5%	3.4%
Twin Cities	4,691,960	1.4%	3.8%
Memphis	2,902,128	1.0%	2.0%
Baltimore	1,448,683	0.7%	2.6%
Bridgeport	1,317,991	0.6%	2.1%
Portland	1,125,966	0.6%	2.3%
Los Angeles	3,302,765	0.5%	2.1%
Cleveland	2,097,755	0.5%	2.0%
Orange County	879,978	0.5%	0.9%

Source: CommercialEdge. Data as of June 2023

Economic Indicators: Producer Prices Cool

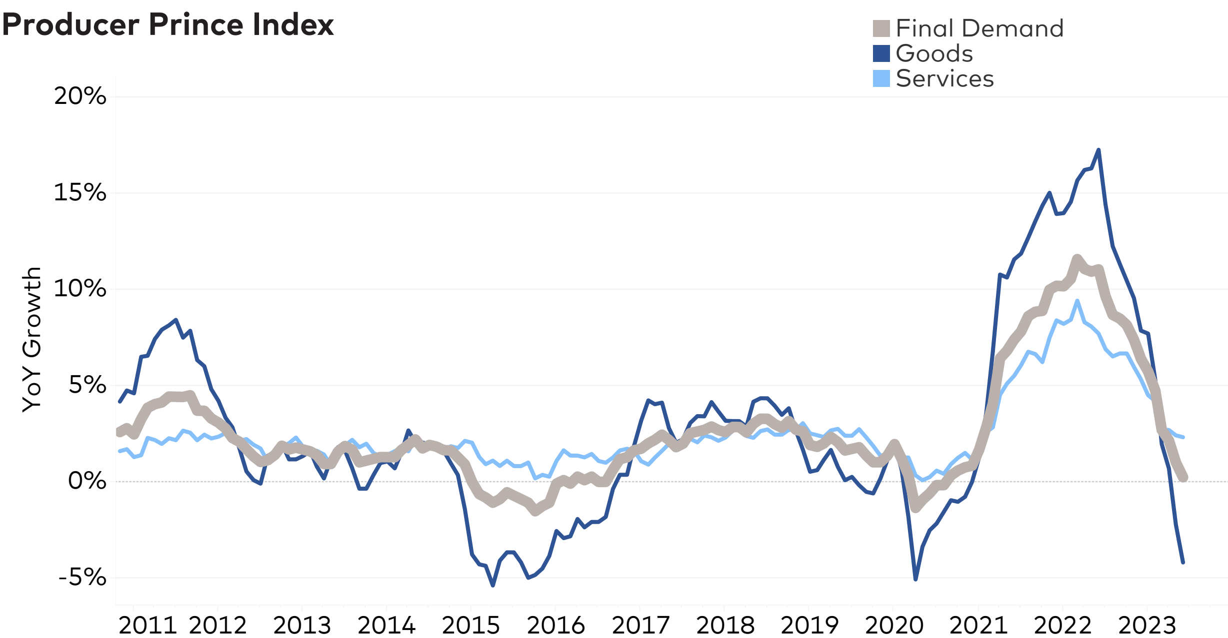
- The June reading of the Producer Price Index (PPI) showed wholesale prices that producers pay for goods and services increased 0.1% year-over-year, the lowest mark in nearly three years, according to the Bureau of Labor statistics.
- The final demand services index increased 2.3% year-over-year while final demand goods decreased 4.4% since last June.
- While the PPI receives much less interest than its consumer counterpart, it is a leading indicator of the CPI. With additional interest rate hikes in the cards during the second half of the year, the PPI indicates that the tightening cycle could be near its end. Cooling producer prices is also good news for the industrial sector. More stable prices should allow occupiers to consider expansions and new leases that may not have been feasible when inflation was running hot.

Economic Indicators

National Employment (June) 156.2M 0.1% MoM ▲ 2.5% YoY ▲	**ISM Purchasing Manager's Index** (June) 46.0 -0.9 MoM ▼ -7.1 YoY ▼
Inventories (April) $2,542.0B 0.1% MoM ▲ 5.2% YoY ▲	**Imports** (May) $256.1B -2.7% MoM ▼ -9.0% YoY ▼
Core Retail Sales (May) $502.2B 0.5% MoM ▲ 4.2% YoY ▲	**Exports** (May) $164.8B -1.5% MoM ▼ -7.4% YoY ▼

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

Producer Prince Index



Sources: U.S. Census Bureau (BOC), CommercialEdge

Transactions:
Prologis Acquires Portfolio from Blackstone

- $21.2 billion of industrial transactions have been logged through June, according to CommercialEdge. The first half of 2023 has seen a significant slowdown in sales volume compared to last year, which saw more than $55 billion in sales during the same period.

- While transaction volume has fallen sharply this year, the average sale price of an industrial property has risen slightly. So far in 2023, industrial properties traded at an average of $129 per square foot, up from $124 per foot last year.

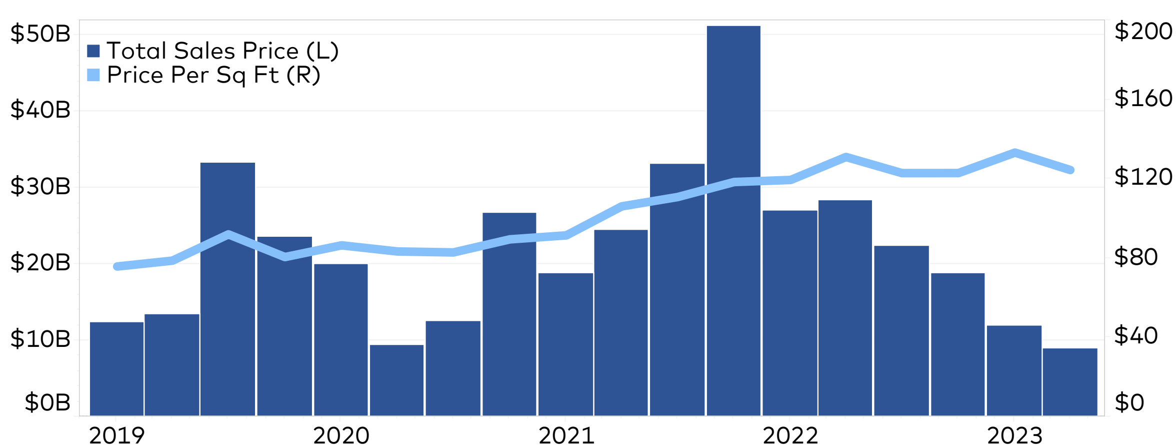
- Despite the slowdown in sales volume across all commercial property types, there is a still a significant appetite for high-quality industrial assets. Take Prologis's $3.1 billion portfolio purchase from Blackstone. The portfolio is reported to cover 14 million square feet across roughly 70 properties in a wide variety of locations including Southern California, Atlanta, Dallas and Washington D.C. The companies announced that the price of the sale "represents a 4% cap rate in the first year and a 5.75% cap rate when adjusting to today's market rents." There is hope that the transaction could help provide valuable sales comps for where the transactions market is at in 2023 and help close some of the bid/ask gap.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 06/30)
National	$129	$21,177
Inland Empire	$259	$2,443
Bay Area	$355	$1,231
Los Angeles	$344	$1,201
New Jersey	$224	$1,117
Dallas–Fort Worth	$110	$957
Houston	$108	$907
Phoenix	$173	$891
Chicago	$84	$764
Philadelphia	$111	$482
Atlanta	$114	$402
Twin Cities	$88	$377
Cincinnati	$145	$349
Tampa	$114	$347
Detroit	$70	$345
Charlotte	$95	$337
Seattle	$195	$320
Baltimore	$98	$315
Orange County	$321	$301
Columbus	$80	$298
Boston	$136	$278
Bridgeport	$108	$234
Indianapolis	$89	$209
Denver	$131	$137
Cleveland	$43	$115
Nashville	$97	$114

Source: CommercialEdge. Data as of June 2023

Quarterly Transactions



Source: CommercialEdge. Data as of June 2023

Definitions

CommercialEdge 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:

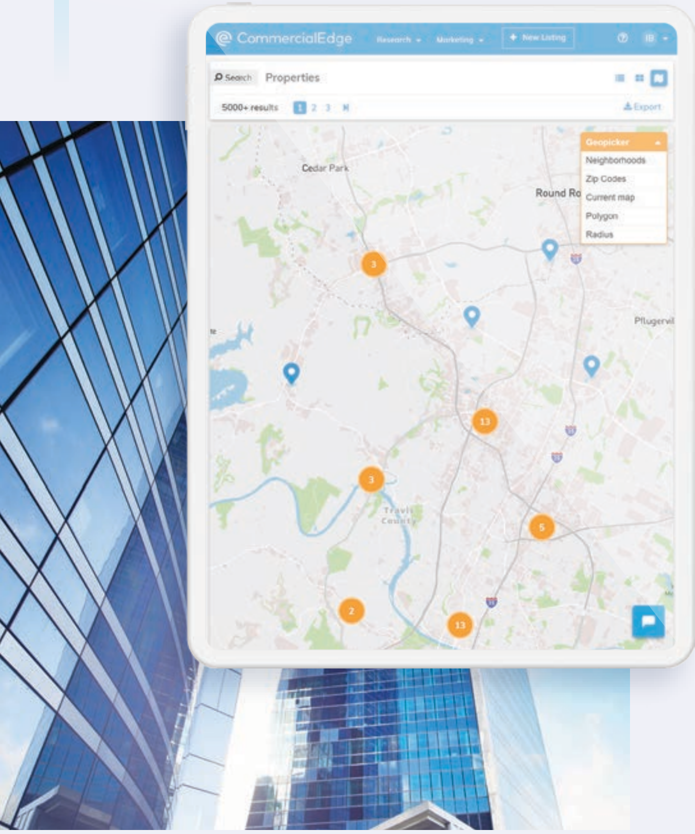
- Planned—Buildings that are currently in the process of acquiring zoning approval and permits but have not yet begun construction.
- Under Construction—Buildings for which construction and excavation has begun.

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.

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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