CommercialEdge

National Industrial Report

July 2021

Investor Demand Drives Up Sales Prices

- Industrial may be the hottest asset class in all of commercial real estate right now. E-commerce leapt to prominence during the pandemic and now represents more than 17% of core retail sales, a figure only expected to grow in coming years. As work, socializing, schooling and communication have moved online over the last 16 months, data center demand has continued to grow. A recovering economy has boosted consumer demand for goods, leading to busy ports and driving the need for last mile and cold storage facilities. These factors have converged to propel investor interest in industrial assets to new heights. Already, CommercialEdge has logged $23.3 billion of sales so far this year, putting 2021 on pace to surpass 2020's record $45.0 billion in transactions.

- Record sales volume this year would not be driven by an increase in the total number of sales but rather due to a rise in average sales prices. In the second quarter, industrial buildings traded at $113 per square foot, an increase of 13.3% quarter-over-quarter and a staggering 30.6% year-over-year. The growth of sales prices has not solely been a response to the increase in demand for industrial assets, although the pandemic did accelerate the trend. Rather, the run-up began in the second half of the last decade. In the first quarter of 2016, the average price of an industrial building was $62 per foot. Prices increased nearly 40% by the first quarter of 2020 to $86 per foot.

- Average sales prices have increased the most in New Jersey (from $134 per foot in 2020 to $202 this year, a 51% increase), Orange County ($224 to $322, 44%) and Denver ($119 to $164, 39%). In New Jersey, 10Edison, a 900,000-square-foot building leased to Amazon, sold for $274 per foot. Orange County's priciest sale so far this year was CBRE Global Investors' acquisition of Irvine Crossings at $457 per foot. The complex, fully leased to Amazon and a data center, sold at $119 per foot in 2011.

- The number of institutions looking to get into the industrial sector for the first time or increase their allocation could be driving up prices, as well. Greystar, known for its large rental housing portfolio, recently acquired the remaining 55% stake in Thackeray Partners, which specializes in both multifamily and industrial, after taking a 45% stake last year, saying it looks to "capitalize on growth opportunities in the industrial space." Other firms entering into industrial include Velocis, Rockpoint Group, Alliance Residential Co. and Rising Realty Partners. In addition to brand-new firms, private equity giant Blackstone has spent recent years massively expanding its industrial footprint and now has a major stake in the sector under the moniker Link Logistics, which operates more than 400 million square feet.

Rents and Occupancy:
Port and Southeastern Markets Lead the Way

- Industrial rents averaged $6.64 per square foot in June, a 4.2% increase over the last 12 months. New leases signed in the past year came at a 60 cent premium, averaging $7.24 per square foot.

- Maintaining the trend we have seen all year, rent growth was highest largely in port markets, particularly those along the West Coast. Import and export volumes quickly rebounded from the pandemic-induced downturn, and now some ports with shipping routes to Asia are seeing record numbers of containers. Los Angeles rents grew 6.7% in the past 12 months, while those in the Inland Empire increased 6.2%. Farther north along the coast, rents grew by 6.1% in both the Bay Area and Seattle. New leases signed in these markets over the last year have come at significant premiums compared to the average: $1.55 more per foot in Los Angeles, $1.21 in the Inland Empire and $1.54 in Seattle.

- Vacancies were tight in the second quarter, with the national average vacancy rate at 5.8% in June. Port markets are seeing exceptionally low rates. Southern California remains tight, with the Inland Empire at a minuscule 1.6%, Los Angeles at 3.5% and Orange County at 3.9%. New Jersey's vacancy rate was 3.4% and Philadelphia's was 4.6%.

- Outside of port markets, the highest rent growth and lowest vacancies can be found in two major Southeastern markets, Nashville and Atlanta. Robust population growth in both markets provides a strong pool of workers and high consumer demand for services like cold storage and last-mile delivery. Rents increased 6.1% in Nashville over the last 12 months and 4.4% in Atlanta. The vacancy rate was 3.3% in Nashville and 4.6% in Atlanta. Tenants in both markets have paid substantial premiums for new leases, which cost $1.48 per foot more than the average rental rate in Nashville and $0.89 in Atlanta.

Average Rent by Metro

Market	Jun-21 Average Rent	12-Month Change	Avg Rate Signed in Last 12 Months	Vacancy Rate
National	$6.64	4.2%	$7.24	5.8%
Los Angeles	$10.30	6.7%	$11.85	3.5%
Inland Empire	$6.36	6.2%	$7.57	1.6%
Nashville	$5.02	6.1%	$6.50	3.3%
Bay Area	$10.69	6.1%	$11.62	8.1%
Seattle	$8.64	6.1%	$10.18	7.5%
Philadelphia	$6.07	5.6%	$6.52	4.6%
New Jersey	$7.58	5.5%	$9.08	3.4%
Atlanta	$4.42	4.4%	$5.31	4.6%
Miami	$8.43	4.4%	$9.48	5.8%
Denver	$7.27	4.2%	$8.51	8.4%
Orange County	$11.22	4.1%	$12.48	3.9%
Boston	$7.63	3.6%	$6.38	10.5%
Dallas	$4.67	3.5%	$5.07	4.8%
Phoenix	$6.95	2.9%	$6.79	6.6%
South Carolina	$5.71	2.8%	$5.32	9.5%
Houston	$5.78	2.6%	$6.53	12.8%
Twin Cities	$5.87	2.2%	$5.55	7.5%
Chicago	$5.32	1.9%	$5.78	5.8%
Kansas City	$4.15	0.7%	$3.45	5.7%
Detroit	$5.56	-0.2%	$4.28	6.6%
St. Louis	$4.06	-1.7%	$3.41	5.7%

Source: CommercialEdge. Data as of June 2021. Rent data provided by Yardi Matrix Insight. National rent and occupancy data is an average of the top 20 markets.

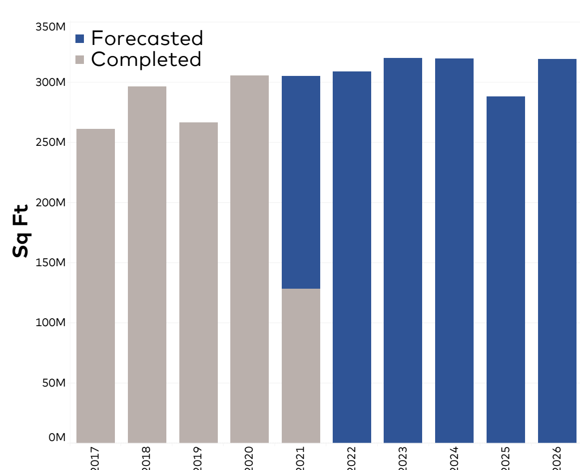
Supply:
Lack of Geographic Constraints Leads to Large Pipelines

- Nationally, there are 447.5 million square feet under construction, representing 3.0% of all stock, with an additional 451.1 million square feet in the planning stages.

- The largest industrial supply pipelines on a percentage of stock basis are in inland markets where land is cheap. Phoenix is the leader, sporting a remarkably large pipeline. Not only are there 23.2 million square feet under construction, representing 8.8% of stock, but another 32.9 million square feet are in the planning stages, expanding the pipeline to 20.9% of stock. While no market can match Phoenix, pipelines in Kansas City (11.3% of stock under construction or planned), Dallas (9.2%), Denver and Charlotte (both 8.4%) signal that many popular inland markets will see elevated delivery levels for the foreseeable future.

- The smallest pipelines on a percent of stock basis are found in two types of markets: those that are geographically constrained and on the coasts, resulting in high land costs (Los Angeles, Orange County and Bridgeport) or those in the Midwest, lacking both access to major transit channels and population growth to support high levels of new supply (Cleveland and the Twin Cities).

National New Supply Forecast



Source: Yardi Matrix. Data as of June 2021

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	UC Plus Planned % Stock
National	447,498,892	3.0%	6.0%
Phoenix	23,167,452	8.8%	20.9%
Kansas City	8,994,936	4.1%	11.3%
Dallas	30,936,174	3.8%	9.2%
Denver	10,885,593	4.7%	8.4%
Charlotte	8,095,728	3.6%	8.4%
Philadelphia	10,267,821	3.2%	8.2%
Indianapolis	11,657,862	4.3%	8.1%
Memphis	13,405,266	5.6%	7.8%
Seattle	7,507,440	2.8%	7.2%
Inland Empire	16,576,804	2.8%	6.8%
Nashville	8,314,020	4.9%	6.3%
Boston	2,455,733	1.3%	6.0%
Houston	14,683,051	2.8%	5.4%
Chicago	23,029,144	2.7%	5.2%
Columbus	5,838,690	2.3%	5.2%
Central Valley	7,410,354	2.3%	5.1%
New Jersey	8,580,749	1.6%	4.8%
Atlanta	13,380,653	2.6%	4.7%
Baltimore	4,736,727	2.7%	4.5%
Tampa	5,482,652	2.7%	4.2%
Bay Area	5,065,863	1.9%	4.1%
Portland	3,806,305	2.1%	4.1%
Detroit	10,072,294	2.3%	3.9%
Cincinnati	7,644,376	3.3%	3.9%
Los Angeles	7,524,416	1.1%	2.8%
Bridgeport	2,140,124	1.4%	2.5%
Twin Cities	2,116,377	0.8%	2.1%
Orange County	2,276,970	1.2%	1.5%
Cleveland	2,518,110	0.7%	1.3%

Source: CommercialEdge. Data as of June 2021

Economic Indicators:
ISM Index Remains Elevated

- For the most part, economic indicators have remained positive for the industrial sector. Despite emerging concerns that inflation and the Delta variant of COVID-19 could derail the recovery, industrial is on a solid footing.

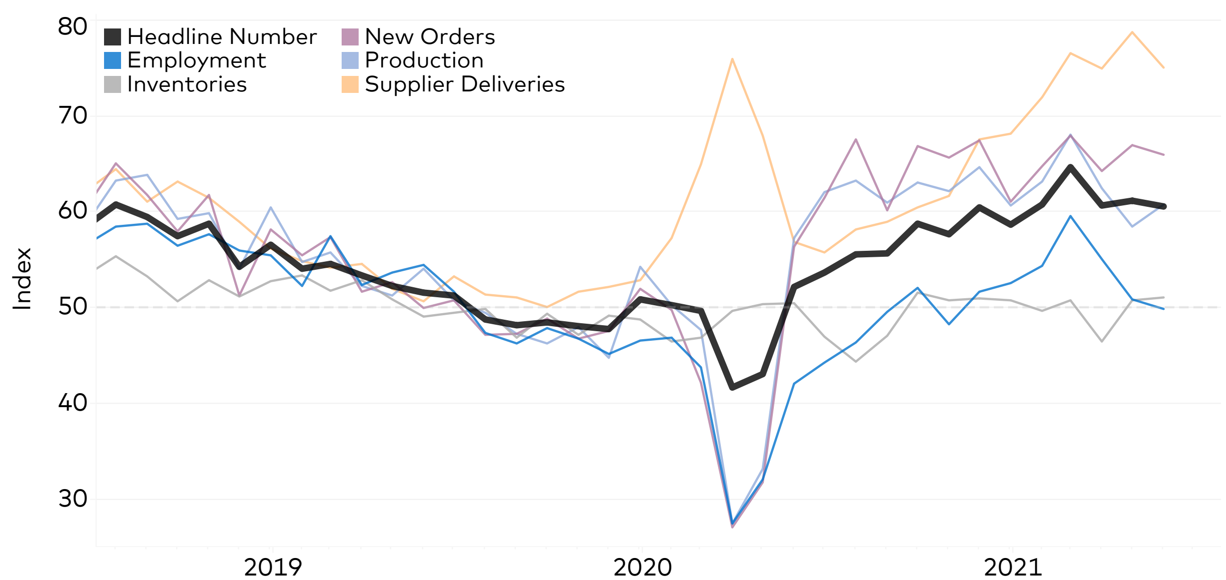
- The Institute for Supply Management Index hit a 37-year high in March and has yet to lose much momentum. The diffusion index, where a reading above 50 indicates expansion in the manufacturing sector, came in at 60.6 in June. Three component indices signify challenges ahead, however. Supply chains have been disrupted over the last year, and the Supplier Deliveries Index, where a reading above 50 indicates slower deliveries, sat at 75.1 in June. This is down from 78.8 in May but still indicates that many manufacturers are experiencing longer wait times for deliveries. The Inventory Index was 51.1, indicating that on aggregate, inventories grew slightly over the month, but the accompanying report noted that inventories "remain unstable due to supplier constraints." The Employment Index came in at 49.9, its first contraction since November.

Economic Indicators

National Employment	ISM Purchasing Manager's Index
(June)	(June)
145.8M	60.6
0.6% MoM ▲	-0.6 MoM ▼
5.7% YoY ▲	8.4 YoY ▲
Inventories	**Imports**
(May)	(May)
$2,039.3B	$234.7B
0.5% MoM ▲	1.2% MoM ▲
4.5% YoY ▲	40.0% YoY ▲
Core Retail Sales	**Exports**
(May)	(May)
$437.1B	$145.5B
-1.0% MoM ▼	0.3% MoM ▲
23.6% YoY ▲	59.8% YoY ▲

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

ISM Manufacturing Purchasing Managers Index



Sources: U.S. Census Bureau, CommercialEdge

Transactions:
Average Sales Price Soars in Most Markets

- Nationally, $23.3 billion of transactions have been logged in the first two quarters of the year. That has put 2021 on pace to top 2020's $45.0 billion in transactions, which was an all-time high, according to CommercialEdge data. Given the lag in recording every transaction and the fourth quarter's typical volume outperformance, 2021 may blow past that number and set a new record.

- Nearly every major market covered by CommercialEdge has seen significant price appreciation as a growing number of investors chase industrial assets. Of the top 30 markets, 18 have seen average sales prices grow more than 10% since 2020, and eight of those are above 20%.

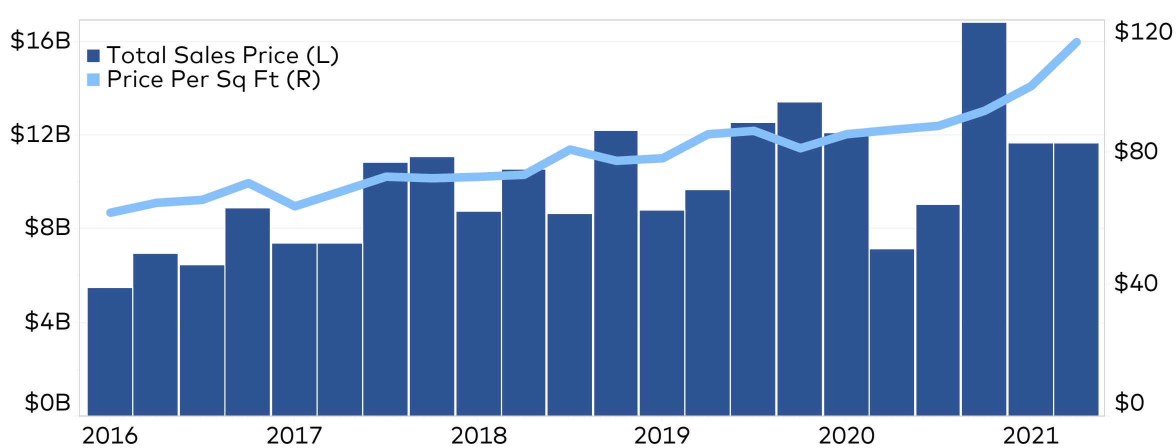
- Surprisingly, the price spike has not occurred in every hot market. The Inland Empire has seen average sales prices increase only $1 (0.9%) this year compared to 2020. Los Angeles prices have only increased 3.2%. Boston has seen prices fall by 8.2% from last year. This may be due to the markets' significant price appreciation during the previous five years, leaving little room for them to grow. Between 2016 and 2020, average sales prices in Los Angeles increased 43%, in the Inland Empire 50%, and in Boston 147%.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 6/30)
National	$113	$23,315
Los Angeles	$205	$1,711
Chicago	$70	$1,209
Inland Empire	$134	$1,203
Atlanta	$75	$1,198
New Jersey	$202	$1,187
Bay Area	$192	$995
Seattle	$189	$876
Denver	$164	$771
Phoenix	$138	$767
Tampa	$103	$713
Boston	$143	$684
Philadelphia	$80	$650
Baltimore	$113	$588
Orange County	$322	$497
Twin Cities	$90	$495
Columbus	$58	$367
Dallas	$83	$337
Houston	$87	$294
Central Valley	$72	$294
Cleveland	$46	$247
Nashville	$84	$212
Charlotte	$81	$187
Cincinnati	$68	$137
Memphis	$46	$128
Indianapolis	$49	$123
Bridgeport	$71	$122
Portland	$118	$96
Kansas City	$60	$82
Detroit	$79	$34

Source: CommercialEdge. Data as of June 2021

Quarterly Transactions



Source: CommercialEdge. Data as of June 2021

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.

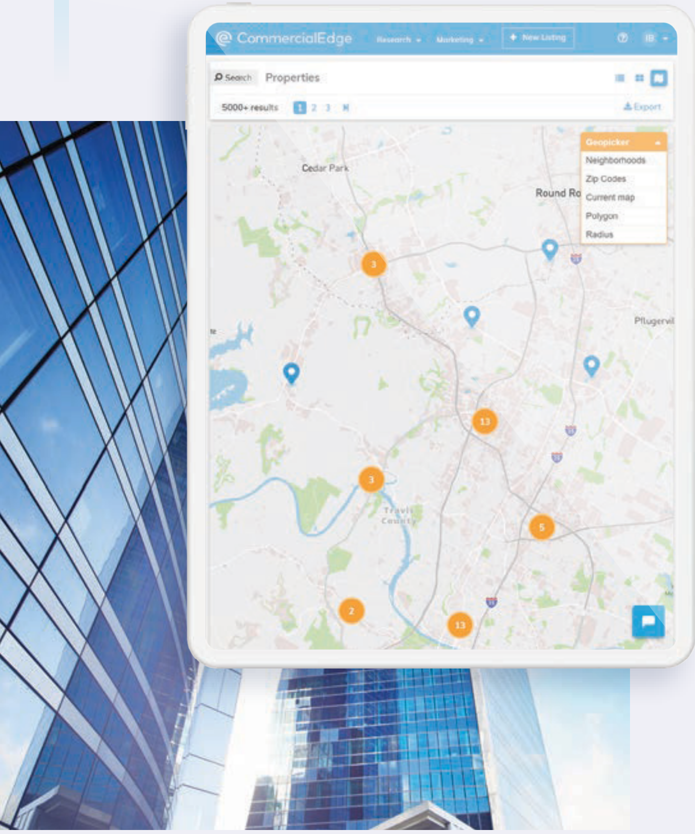
Sales volume and price-per-square-foot calculations do not always include portfolio transactions or those with unpublished dollar values.

Supply statistics exclude owner-occupied properties.

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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