The State of the U.S. Industrial & Logistics Market

Mid-Year 2023

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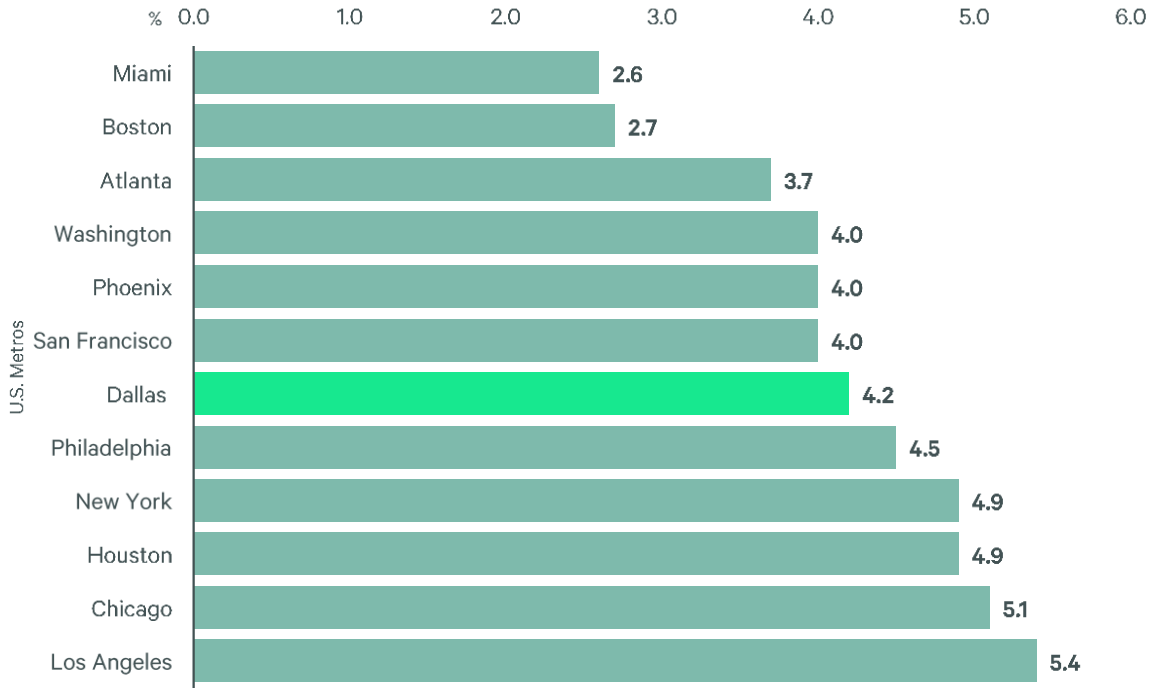
Economy

U.S. Unemployment

Largest U.S. Metros
August 2023 Unemployment Rate



Sources: U.S. Bureau of Labor Statistics, CBRE Research, August 2023.

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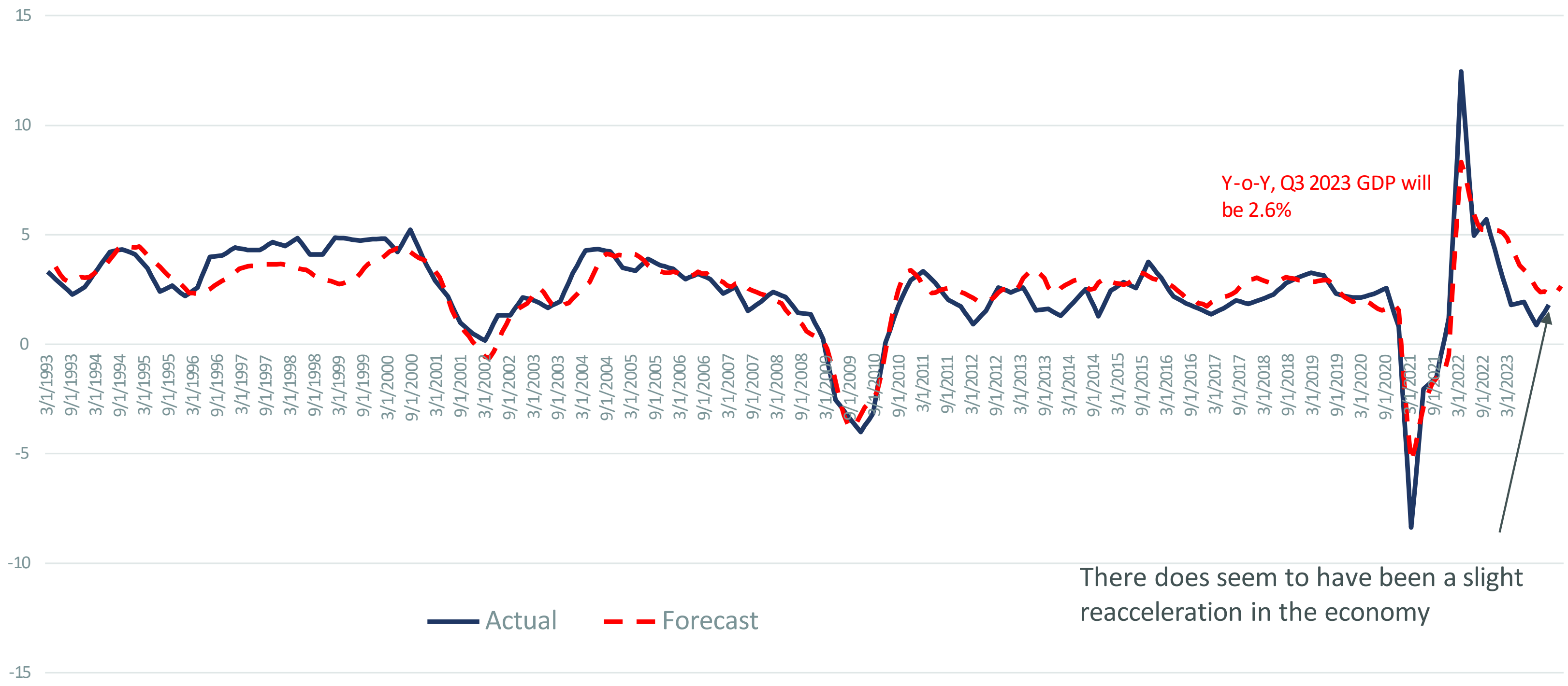
Economy

CBRE U.S. Economic Activity Indicator

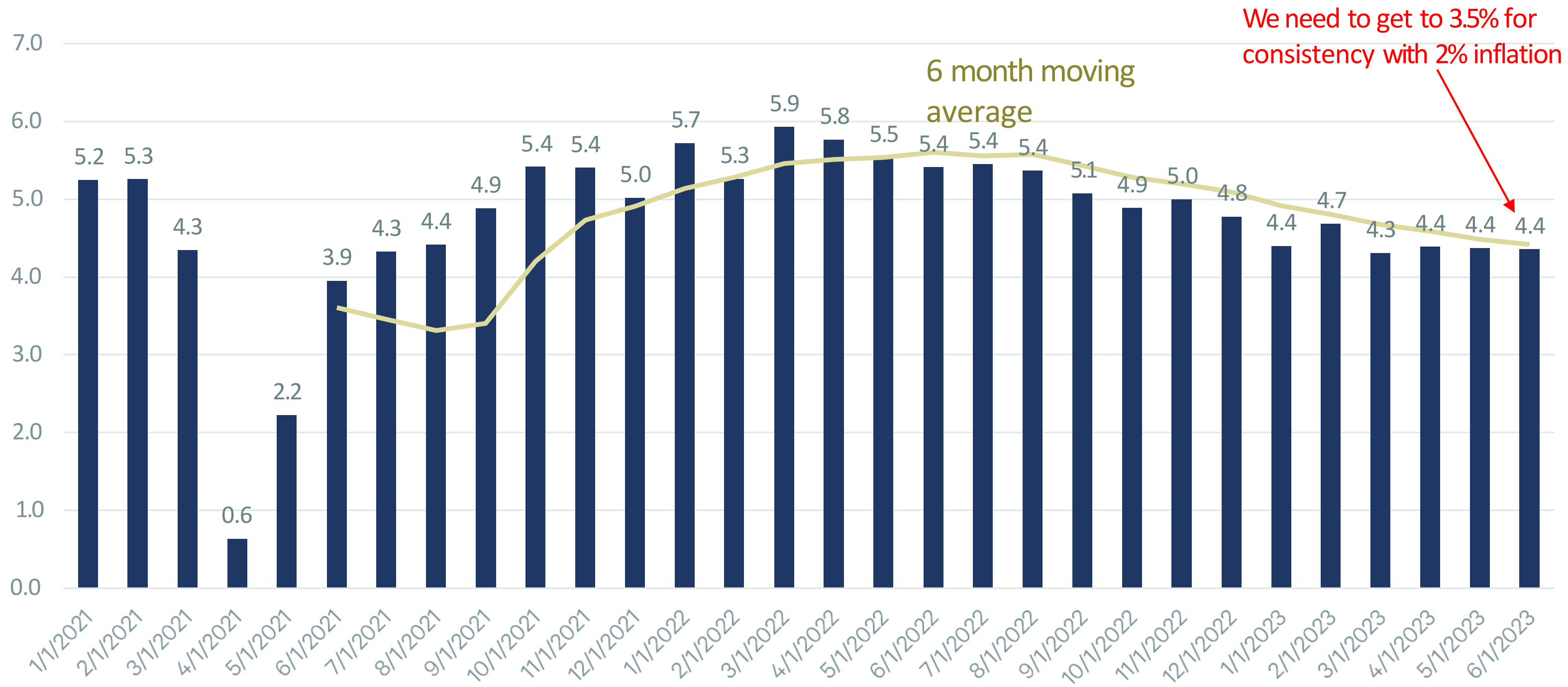
- ✓ Inflation at 3%, improving but higher than Fed target rate of 2%
- ✓ Slower job growth and lower inflation = only one more rate hike in July
- ✓ Student Loan Payment Possible Headwind
  - Loan Repayments will restart in October 2023.
  - 40 million borrowers averaging a payment of $200 to $300 a month.
  - Government will increase revenues $100 Billion
  - Consumer spending will weaken
  - House view is it will affect service sector more than consumer goods.



Source: CBRE Research Q2 2023

Economy

Wage Growth Unchanged at 4.4% Y-o-Y

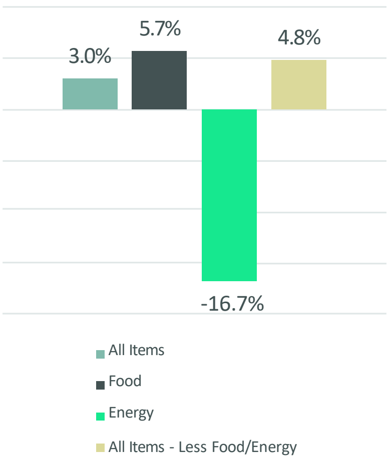


Source: BLS, CBRE Research Q2 2023

U.S. Inflationary Growth Lowest Since 2021

- The rate of annual CPI growth was 3.0% in May, the lowest annual rate of growth since March 2021.
- While the year-over-year rate growth declined, overall costs increased 0.2% compared with May 2023.
- Further reductions in inflationary growth bode well for a pause in interest rate hikes after the expected bump in July.

Y-o-Y Price Growth ($USD)



Consumer Goods/Services Highest Rate of Inflation		
Item	Y-o-Y	M-o-M
Motor Vehicle Insurance	16.9%	1.4%
Motor Vehicle Repair	12.7%	1.3%
Pet Food/Products	9.0%	-0.5%
Rent – Primary Residence	8.3%	0.5%
Housekeeping Supplies	7.3%	0.1%
Personal Care Supplies	7.0%	0.2%
Jewelry and Watches	6.4%	1.2%
Tools, Hardware, and Supplies	6.3%	-0.7%
Electricity	5.4%	3.5%
Food at Home	4.7%	-0.1%

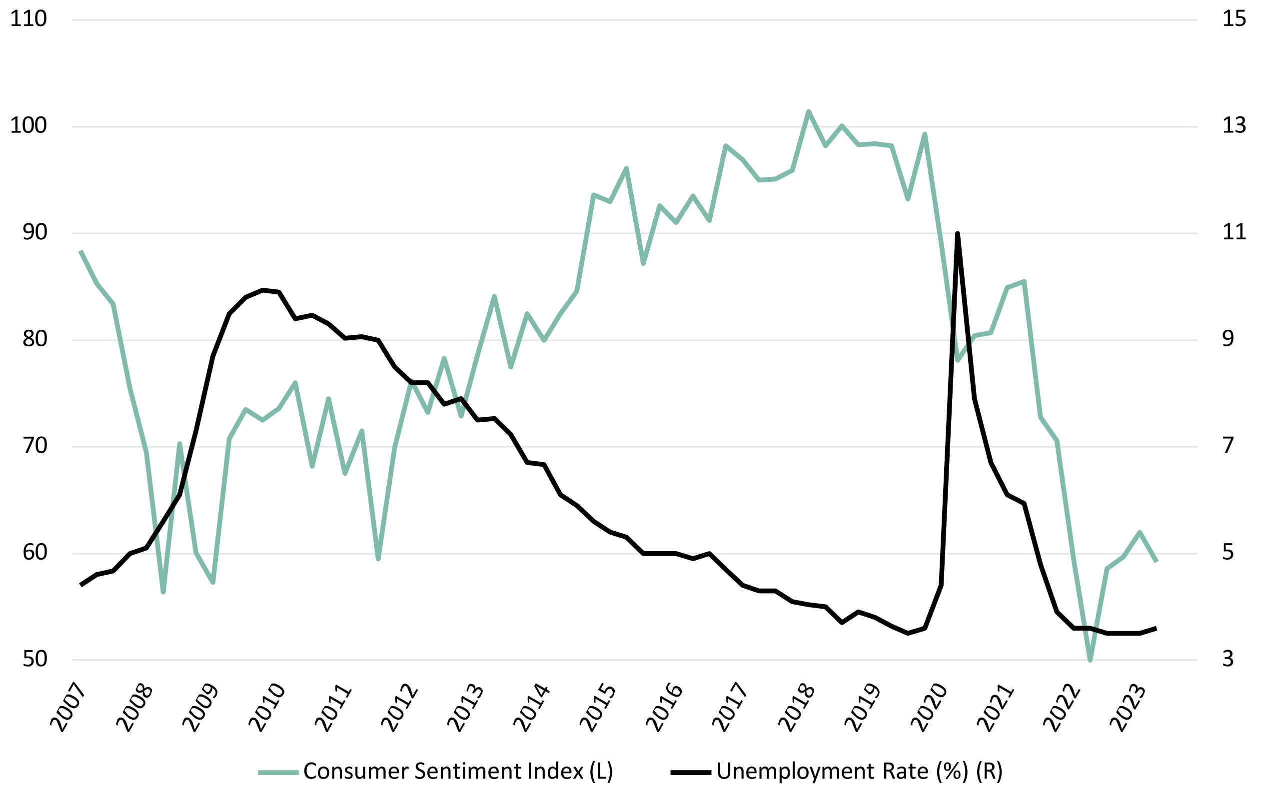
Consumer Goods/Services Lowest Rate of Inflation		
Item	Y-o-Y	M-o-M
Fuel Oil	-36.6%	-0.4%
Gasoline	-26.5%	0.7%
Airline Fares	-18.9%	-6.5%
Information Tech Merchandise	-7.7%	0.1%
Education Merchandise	-7.1%	-0.1%
Televisions and Audio	-4.3%	-0.4%
Furniture	-1.5%	0.1%
Appliances	-1.4%	-0.7%
Sporting Goods	-0.9%	-0.3%
Footwear	-0.9%	0.2%

Source: U.S. Bureau of Labor Statistics – July 2023.

Economy

Consumer Sentiment Rises; Unemployment Rate Unchanged

- The U.S. unemployment rate ticked up slightly to 3.6% in Q2 but remained unchanged from a year ago
- Although consumer sentiment fell by 4.5% from the previous quarter it was up by 18.4% year-over-year.

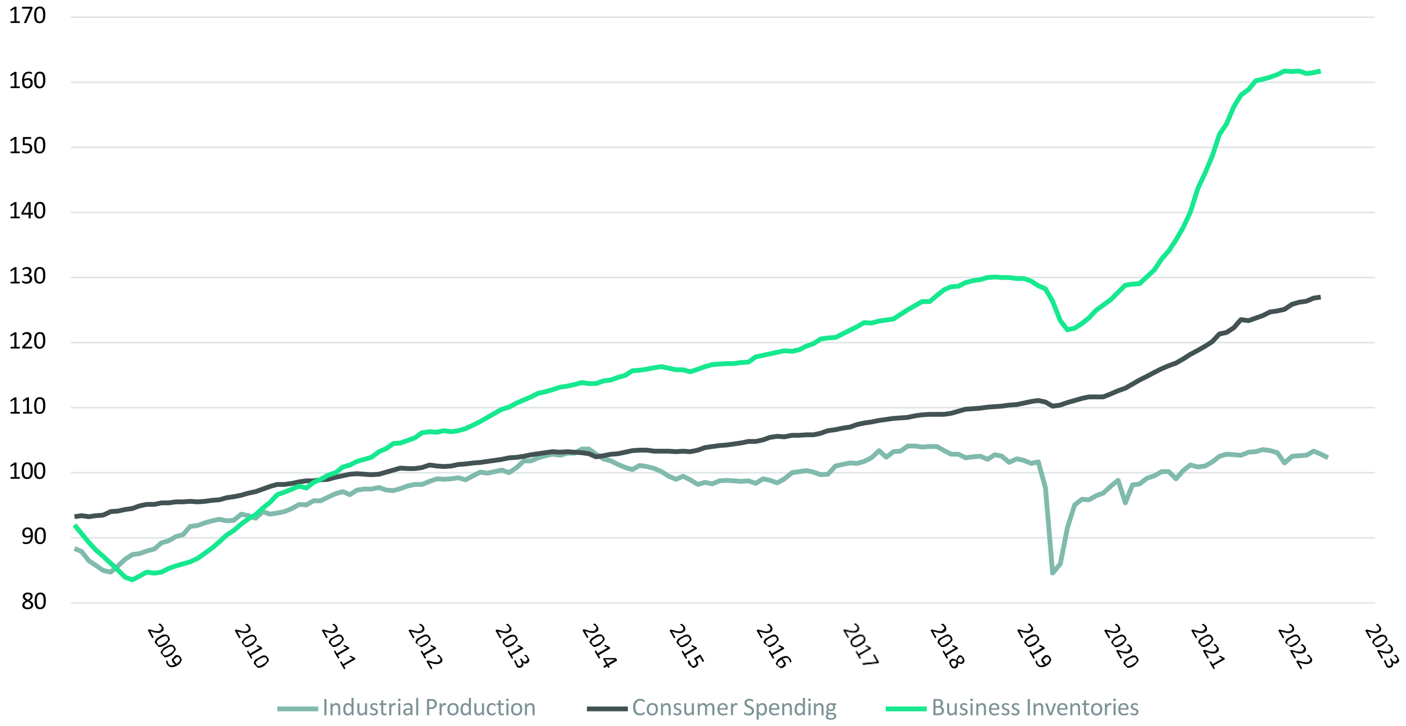


Source: University of Michigan, U.S. Bureau of Labor Statistics, Q2 2023
Note: Consumer Sentiment, Index 1966: Q1=100

Economy

Indexed Supply Chain Indicators

- U.S. industrial production decreased to 102.2 in June, slightly below the 102.7 year-over-year figure.
- Business inventories rose nominally in May to 161.7, reflecting a 0.2% increase quarter-over-quarter and a 3.5% increase year-over-year.
- At 127.0, the Consumer Spending Index reached its highest point in more than a decade.



Source: Federal Reserve Bank of St. Louis.
Notes: Jan 2012 = 100 (Consumer Spending & Business Inventories); through May 2023.
Jan 2017 = 100 (Industrial Production); through June 2023.

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U.S. Demand Drivers

Demand Drivers

Supply Chain Resiliency

E-commerce

Population Growth

Inventory Control

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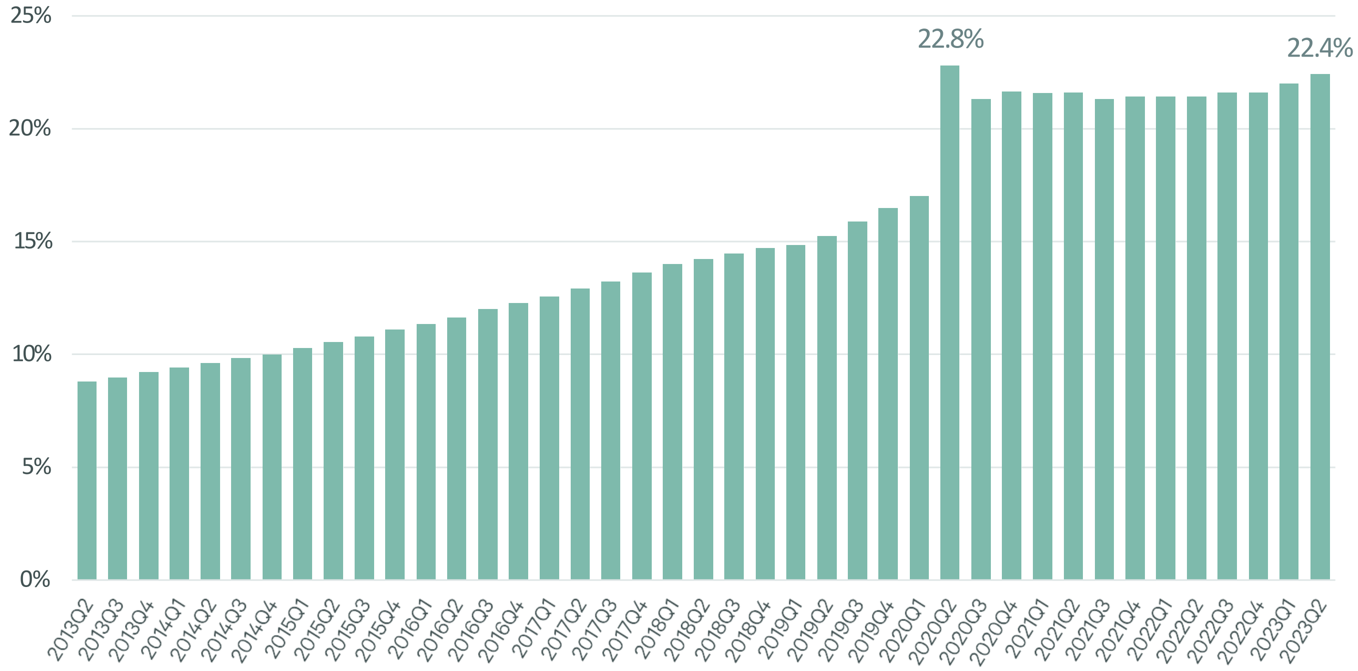
E-commerce Activity Holding Around 22%

- E-commerce as a percent of non-auto or gas retail sales continues to fluctuate around the 22% mark since Q2 of 2020.
- At the onset of the pandemic, purchasing goods and products online became the primary buying solution.
- E-commerce sales have remained elevated ever since, with consumers recognizing the ease of online ordering as being the most optimal avenue in which to find the goods desired quickly.



E-commerce as a percent of non-auto or gas related retail sales.
Source: CBRE Research Q2 2023.

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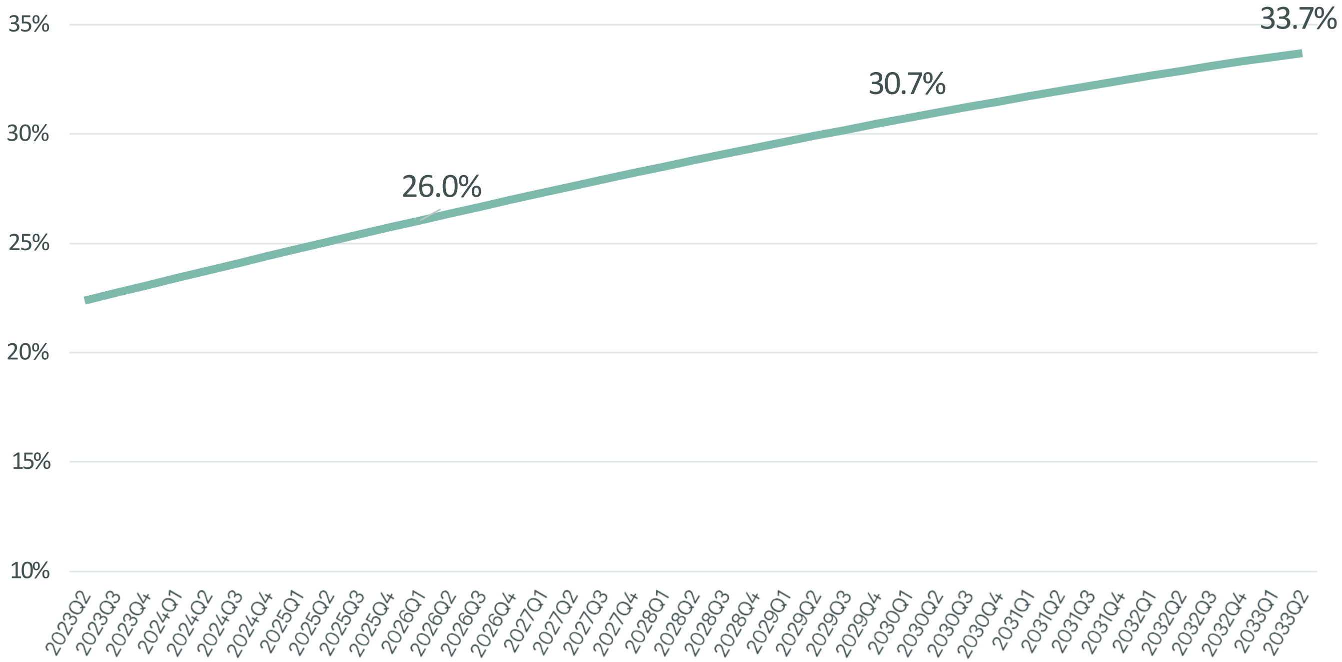
E-commerce Sales Projected to Reach 33.7% by 2033

- E-commerce sales are predicted to rise in the coming years as online ordering provides a quick and efficient avenue in which consumers can purchase products with ease and efficiency.
- The process for making online order returns is becoming more and more simplified as well with many online suppliers offering easy and maintenance-free methods for exchanging or returning products.



E-commerce as a percent of non-auto or gas related retail sales.
Source: CBRE Research Q2 2023.

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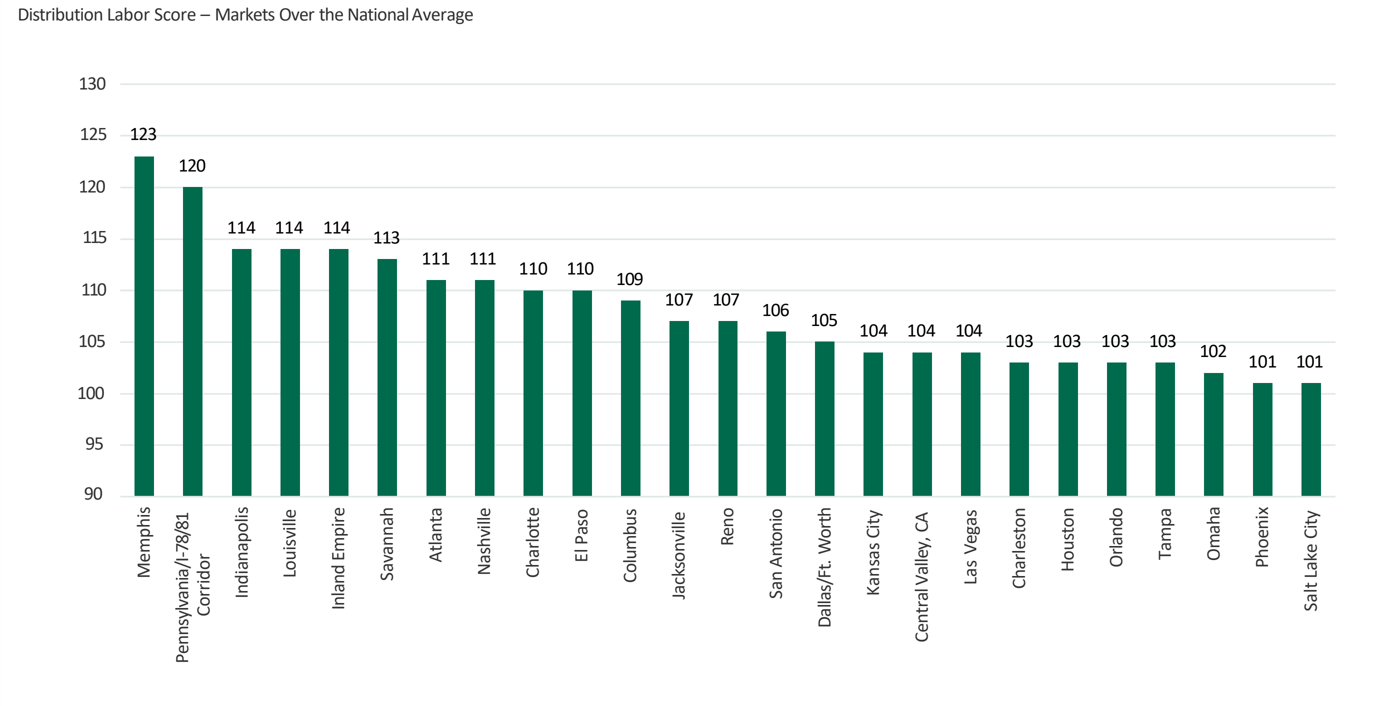
Availability of Labor Key to Resilient Supply Chain



Market Score Methodology

- Score considers labor supply, skill sets, cost of skill sets, and over labor costs compared with the national average.
- National average = 100. Score of 105 equals a skill set 5% over the national average.
- Memphis provides the best labor score in the nation followed by the PA I78/81 Corridor, Indianapolis, Louisville, and the Inland Empire.
- Labor will be a key component in site selection for the foreseeable future.

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Source: CBRE Labor Analytics Group (CBRE LAG), 2023.

Anatomy of a Company's Logistics Spend

Metric	P&L Line Items	%	Sub-Items		Cost Drivers	
LOGISTICS COSTS	Transportation Costs	45 – 70%	• Inbound Transportation (sometimes part of COGS)	• Outbound Transportation • Transfers	• Distance • Cube • Weight • Volume • Mode	• Number of trips / shipments • Physical attributes (frozen, refrigerated, ambient, hazmat, etc.) • Rates, fuel, surcharges
	Fixed Facility Costs	3 – 6%	• **Rent / lease** • Utilities • Telecom • Insurance	• Depreciation • Interest • Property tax • Mgmt salaries	• Location • Size • NNN Rate	• Clear height • Floor thickness / flatness • Construction type
	Variable Facility Costs	15 – 25%	• Payroll • Payroll taxes • 401k plan • Employee medical • Contract / temporary labor	• Recruiting • Employee morale • Supplies • Rental equipment • Maintenance & repair	• Volumes • Processes & automation • Productivity • Number of FTEs	• Skills & scarcity • Wage rates • Operating days / hours
	Inventory Carrying Costs	12 – 16%	• Cost of goods sold • Capital costs • Financing charges • Inventory services cost	• Inventory risk cost such as shrinkage, pilferage, damages and obsolescence	• Interest rates • Order cycle times • Sales	
	Other Related Costs	7 – 12%	• Customer Service • Order management	• Returns & reverse logistics • Administration	• Customer call frequency • Order channels • Order mgmt software	• Return rates • Customer share of return cost

Source: CBRE Supply Chain Consulting, July 2023.

U.S. DEMAND DRIVERS

Global Container-shipping Costs Lowest Since 2019

Global Container Freight Pricing Index – Weekly Prices

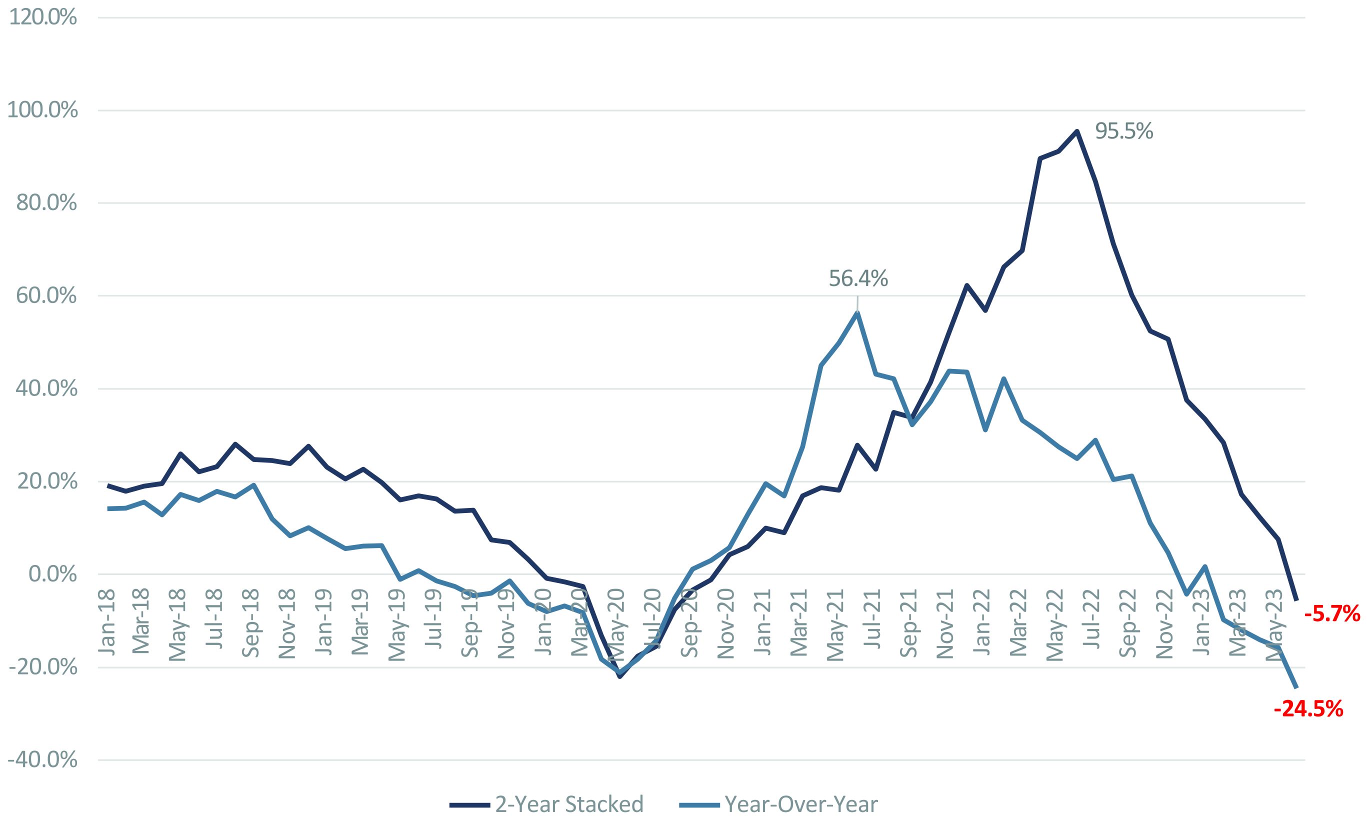
Global Container Freight Index represents the market rate for 40' containers shipping fee (FEUs)
Source: fbx.Freightos.com, July 2023

U.S. DEMAND DRIVERS

Domestic Freight Costs Down Year-Over-Year

– The Cass Freight Index, a measure of the amount of intra-continental freight activity across North America, witnessed a 24.5% year-over-year decline in shipment expenses in June.

Cass Freight Index on Domestic Transportation Expenditure Growth

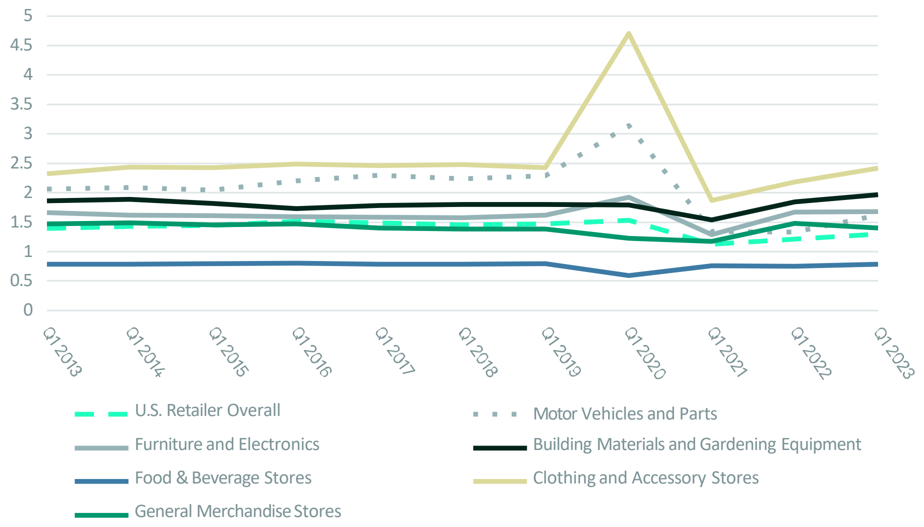


Source: Cass Freight Index on Expenditures, June 2023.

Retail Inventories Recovering

- The inventory sales ratio calculates the average inventory divided by net sales (gross sales – returns). Year-over-year ratios have increased amongst most sectors except for general merchandise stores.
- Motor vehicle and parts dealers witnessed the largest increase in inventories by 26% year-over-year followed by food & beverage which had an increase by 5.5% in inventories through April 2023.
- Inventories have fallen from the April 2020 peak when the clothing and accessory store sector climbed to a record ratio high of 18.3 (not graphically represented).
- Inventories have normalized to pre-pandemic highs.

Inventory Sales Ratio April 2023 vs April 2022		
Item	**4/'23 (p)**	**4/'22**
Furniture and Electronics	1.65	1.63
Clothing and Accessory Stores	2.39	2.23
General Merchandise Stores	1.41	1.49
Building Materials / Gardening	1.94	1.87
Food and Beverage	0.78	0.77
Motor Vehicles and Parts	1.62	1.28
Overall Retail	1.29	1.20



Source: U.S. Census Bureau, seasonally adjusted, through April 2023
Note: (p) Preliminary data

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U.S. Industrial Market Fundamentals Q2 2023

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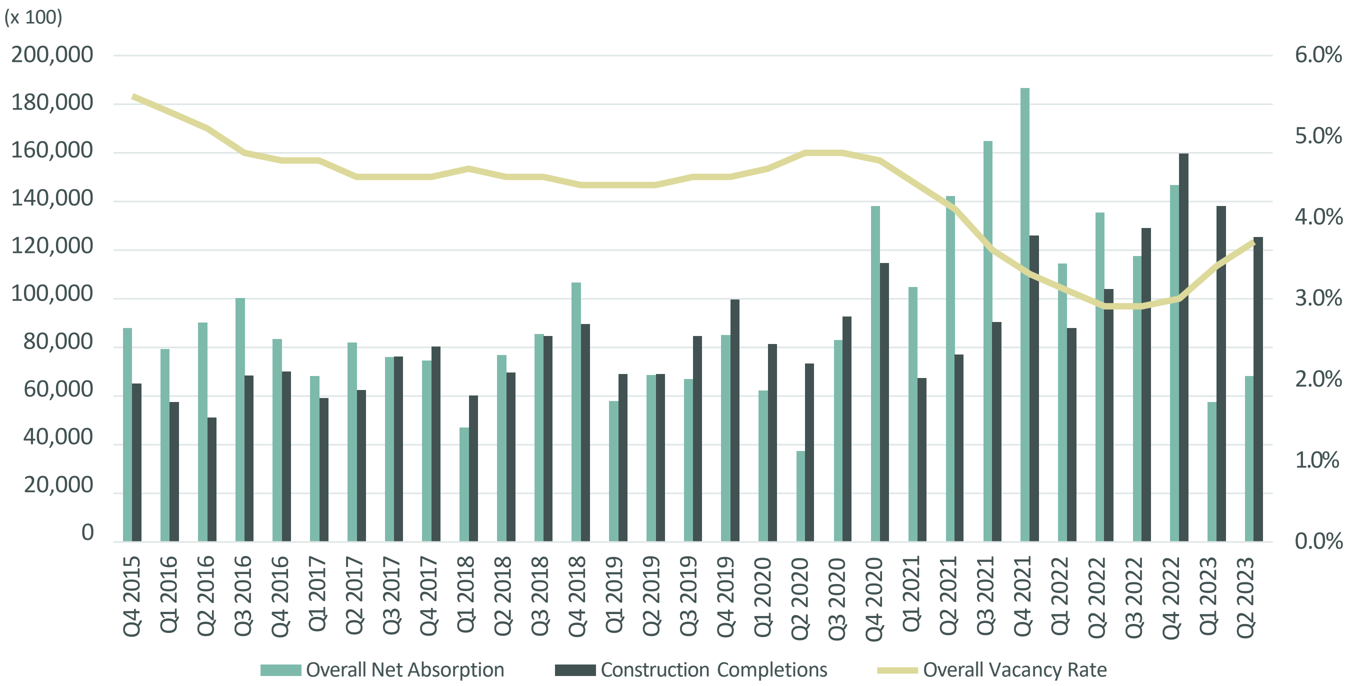
Tiers of Industrial Expansion

2010-2012 (Tier 1)	2013-2016 (Tier 2)	2017-2020 (Tier 3)	2021-2023 (Tier 4)
167 MSF Total deliveries	713 MSF Total deliveries	1.2 BSF Total deliveries	1.1 BSF Total deliveries
609 MSF Total net absorption	1.5 BSF Total net absorption	1.2 BSF Total net absorption	1.2 BSF Total net absorption
-2.4% Average Y-o-Y asking rent growth	4.1% Average Y-o-Y asking rent growth	6.0% Average Y-o-Y asking rent growth	11.2% Average Y-o-Y asking rent growth
7.6-9.7% Vacancy rate	4.0-6.6% Vacancy rate	3.7-4.2% Vacancy rate	2.9-4.5% Vacancy rate

Source: CBRE Econometric Advisors, Q2 2023.

Industrial Supply & Demand

- Q2 2023 construction completions declined 9.3% compared with the previous quarter but are up 38% for the year.
- Q2 2023 net absorption improved 18.9% compared with the previous quarter but YTD net absorption of 126 million sq. ft. remains well below last years total of 247 million sq. ft.
- The vacancy rate was 3.7%, 30 bps higher than the previous quarter and the highest since Q2 2021.



Source: CBRE Econometric Advisors, Q2 2023.

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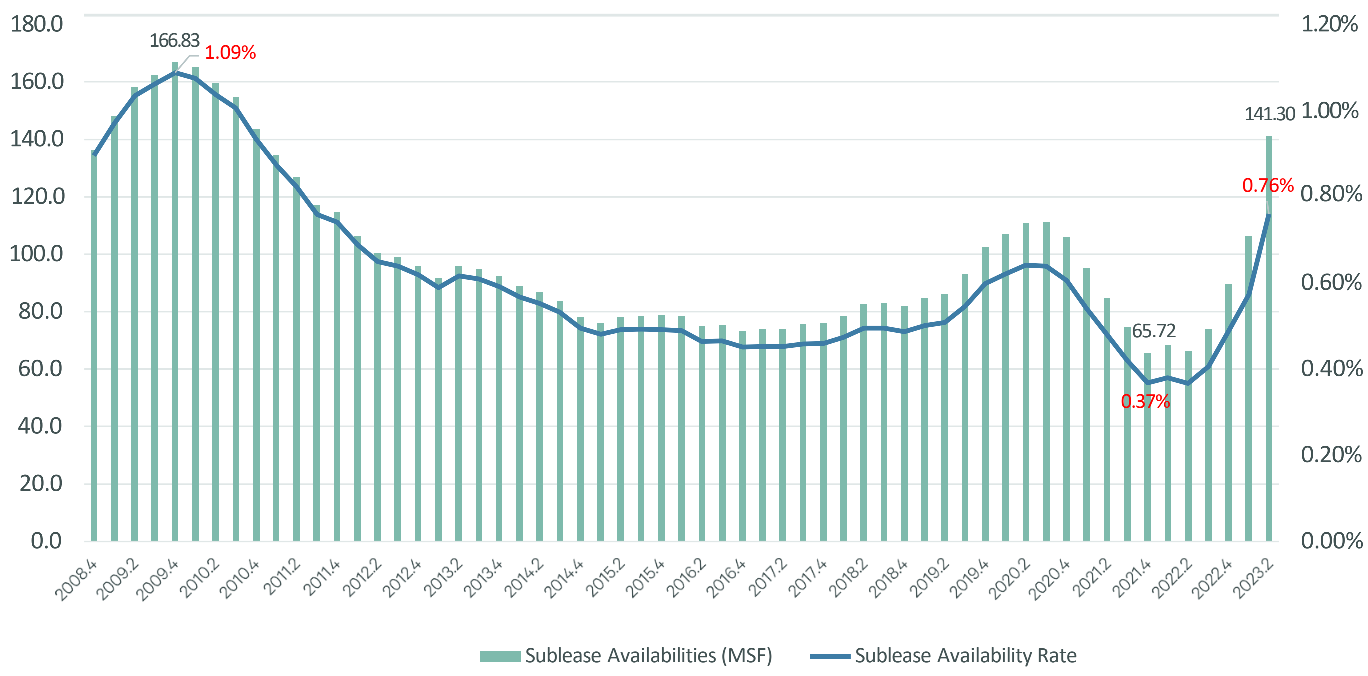
Available Sublease Space Increasing

- There was 141.3 million sq. ft. of available subleases as of mid-year, 107% higher than the same time last year.
- Sublease availabilities have further increased in Q2 2023, particularly in facilities 300,000 sq. ft. and above.
- 78 subleases at 300,000 sq. ft. and above were available as of mid-year. 29% of sublessors are wholesale companies.
- 22.3 million sq. ft. of sublease space leased through June 30th, 14.3% higher than the 19.5 million sq. ft. leased at this time last year.



Source: CBRE Econometric Advisors / CBRE Research, Q2 2023.

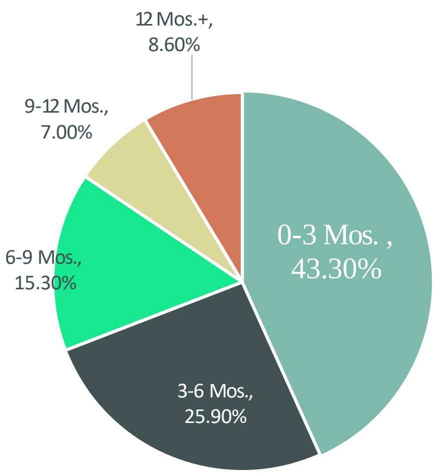
Sublease Space Breakdown – 300,000 SF and Above

- 39.1 Million Sq. Ft. of available sublease space over 300,000 Sq. ft. (27.7% of total)
- Inland Empire has the most sublease space on the market, followed by Atlanta and Northern/Central NJ.
- 69% of the available sublease space has been on market for less than 6 months.
- 72% of available sublease space are in class A facilities.

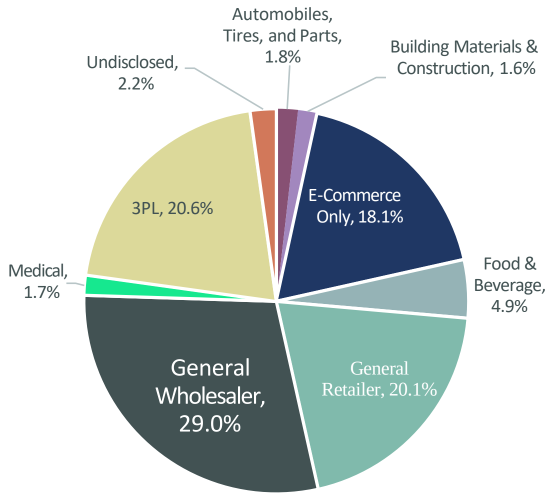
Available Sublease Space – 300K+ by Class	
Class	Available Space – (MSF)
Class A	28.3
Class B	7.5
Class C	3.3
Total	39.1

Top Markets – Available Sublease Space 300K+	
Market	Available Space – (MSF)
Inland Empire	5.2
Atlanta	3.5
Houston	3.3
Dallas-Ft. Worth	2.8
Memphis	2.7
Northern-Central NJ	2.1
PA I78/81 Corridor	1.5
Louisville	1.3
Kansas City	1.1
Philadelphia	1.1

Time on Market



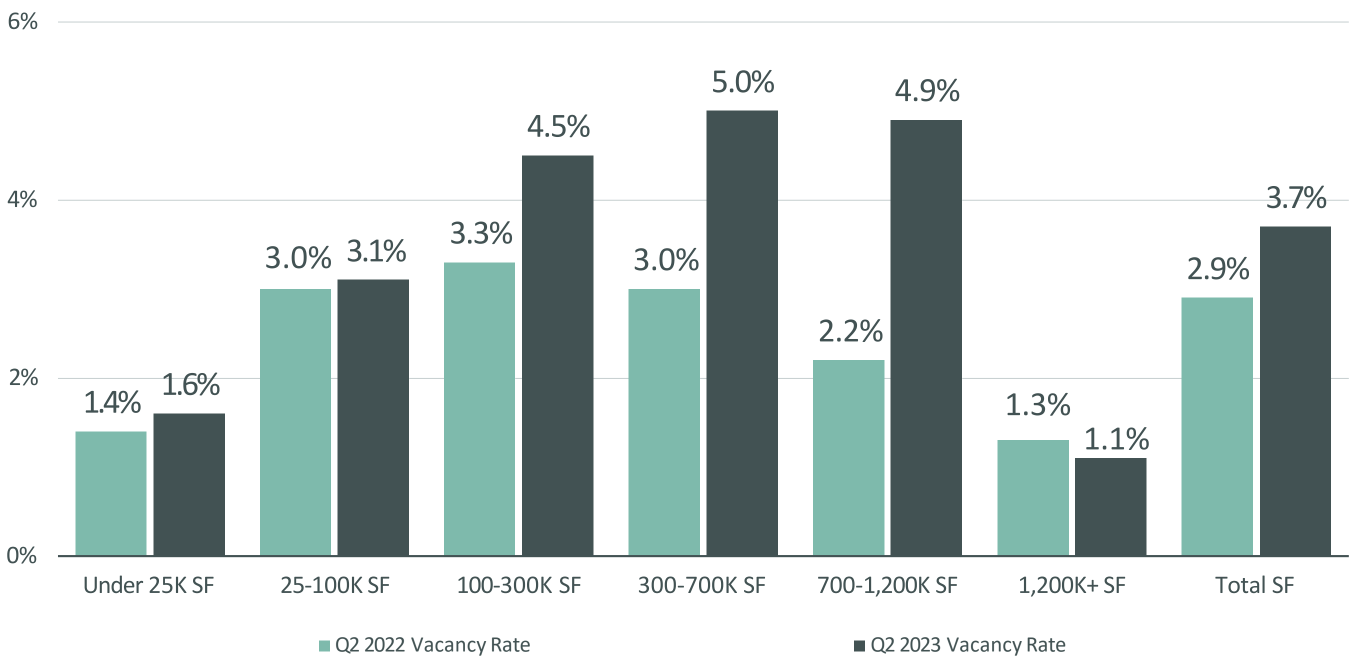
Sublessor Type



Note: Data as of 6/30/23
Source: CBRE Research Q2 2023.

Vacancy Rate by Size Segment

- All major size ranges experienced year-over-year increases in overall vacancy rates.
- The under 25,000 sq. ft. size range was the only to post a q-o-q reduction, from 1.9% to 1.6%.
- A sharp increase in vacant new construction drove up vacancy rates in product over 100,000 sq. ft. with the largest increase in the 700,000 sq. ft. to 1.2 million sq. ft. size range
- The lack of speculative development in product under 100,000 sq. ft. kept vacancy rates below the national average.

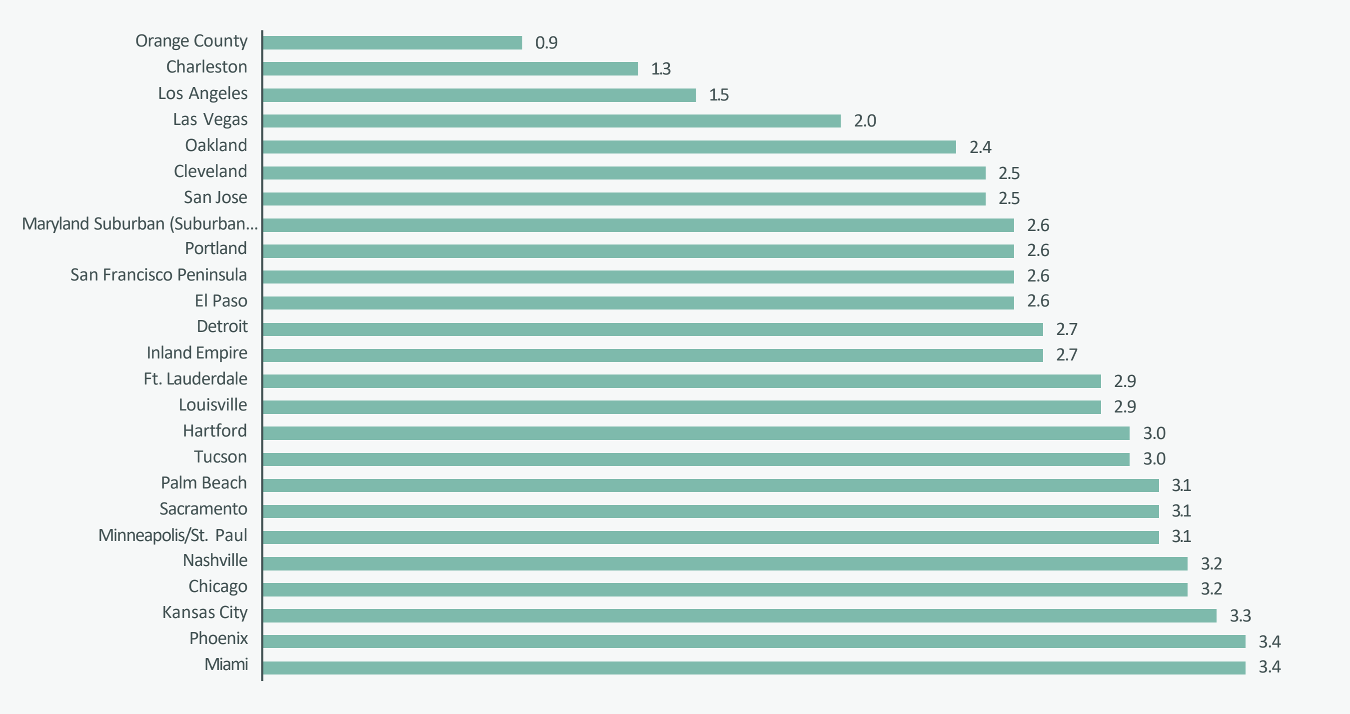


Source: CBRE Econometric Advisors, Q2 2023.

Tightest U.S. Industrial Markets

- There were 17 markets with a vacancy rate of 3% or lower, 8 fewer markets than the previous quarter.
- Orange County rose to the top of the list with a vacancy rate of 0.9%, surpassing Charleston.
- Markets with the lowest vacancy rates are along the coasts, near transportation hubs, are experiencing population growth or are near the Mexico/U.S. border.
- Savannah (0.6% to 3.6%) and Charleston (0.7% to 1.3%) posted the highest quarter over quarter increase in vacancy rates while Nashville (4.1% to 3.2%), Cleveland (2.9% to 2.5%) and Tampa (4.1% to 3.7%) posted the largest decreases.

Overall Vacancy Rate



Source: CBRE Research, Q2 2023.

Top 10 Industrial Markets – Q2 2023

- 44 of 57 markets included in CBRE national statistics posted positive net absorption at mid-year
- Dallas–Fort Worth (DFW) was the top market for overall net absorption.
- DFW under construction product dropped by 1.1 msf to 51.6 msf. Phoenix took over as the top market for development.
- The Savannah market remained the top growth rate market for the fourth consecutive quarter, followed by Nashville and Charleston.
- Phoenix (6.6 msf) and Miami (3.3 msf) posted the largest quarterly increases in under construction.

Net Absorption (Existing inventory MSF)		
Ranking	Market	MSF
1	Dallas/Fort Worth (951.8)	18.0
2	Houston (608.2)	12.1
3	Chicago (1,229.2)	10.8
4	Indianapolis (347.2)	10.2
5	PA I-78/81 Corridor (516.5)	9.9
6	Atlanta (707.0)	6.7
7	Nashville (214.5)	6.5
8	Columbus (302.7)	6.1
9	Phoenix (385.1)	5.5
10	Savannah (108.8)	5.2

Growth Rate*		
Ranking	Market	%
1	Savannah	4.8%
2	Nashville	3.0%
3	Charleston	3.0%
4	Indianapolis	2.9%
5	Las Vegas	2.9%
6	El Paso	2.8%
7	Louisville	2.4%
8	San Antonio	2.1%
9	Tampa	2.1%
10	Columbus	2.0%

Under Construction (Preleased %)		
Ranking	Market	MSF
1	Phoenix (16.2%)	52.4
2	Dallas-Ft. Worth (17.4%)	51.6
3	Atlanta (18.1%)	39.0
4	Chicago (27.2%)	34.4
5	Inland Empire (41.1%)	33.7
6	Houston (17.1%)	22.0
7	Savannah (20.6%)	21.8
8	Las Vegas (23.5%)	19.0
9	Philadelphia (18.7%)	18.5
10	Charlotte (32.0%)	17.2

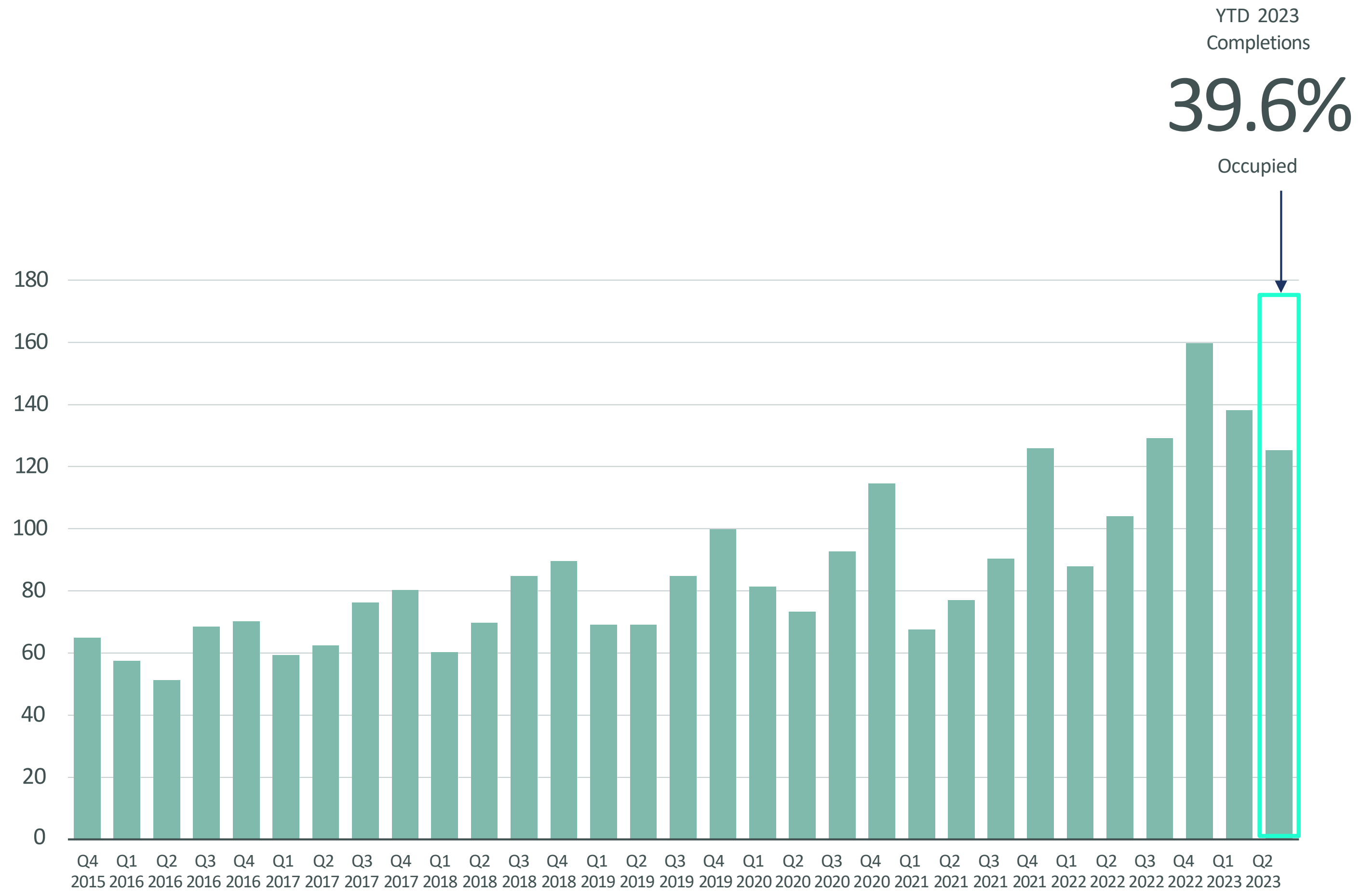
*Growth rate equals year-to-date overall net absorption divided by existing inventory.

Source: CBRE Research Q2 2023.

U.S. INDUSTRIAL MARKET
FUNDAMENTALS

Completions Remain High as Material Supply Chain Improves

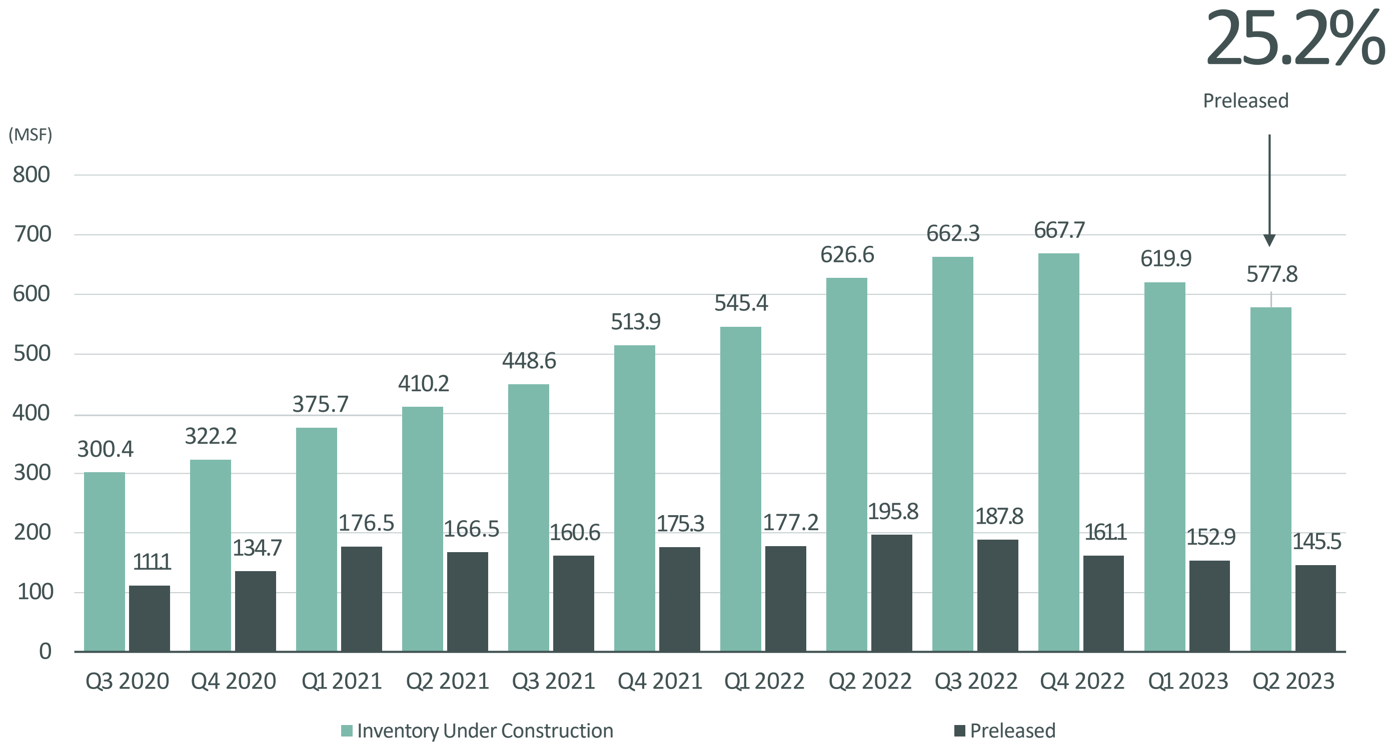
- 125.2 million sq. ft. completed in Q2 – the 5th consecutive quarter of completions exceeding 100 million sq. ft.
- 73.3% of 2022 completions were occupied at year-end but the rate of activity declined during first half of 2023 to 40%.
- The decline in activity for newly constructed space is a major factor in higher vacancy rates.



Source: CBRE Econometric Advisors, CBRE Research, Q2 2023.

Under Construction Declines for 2nd Consecutive Quarter

- Lower under construction in most U.S. markets, dropped total UC for second consecutive quarter.
- DFW, Indianapolis, Houston, Savannah, and the I-78/81 Corridor all experienced a 5 msf or larger quarterly drop in UC.
- Preleasing increased 50 bps compared with the previous quarter to 25.2%, still much lower than 2021 preleasing rates.



Source: CBRE Research, Q2 2023.

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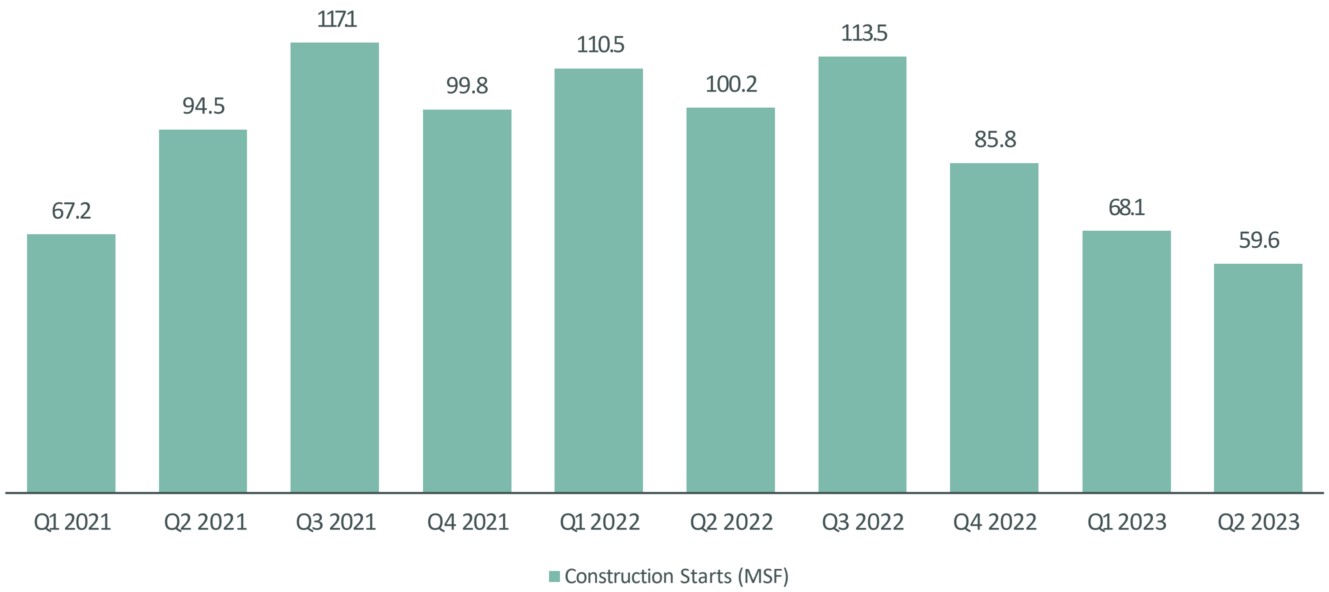
U.S. INDUSTRIAL MARKET FUNDAMENTALS

Construction Starts Show Signs of Deceleration

- Construction starts have decelerated for the 3rd consecutive quarter.
- Construction starts are less than half of Q3 2022.
- A decline in starts will lead to significantly less first-generation space in the market in the latter part of 2024 into early 2025.



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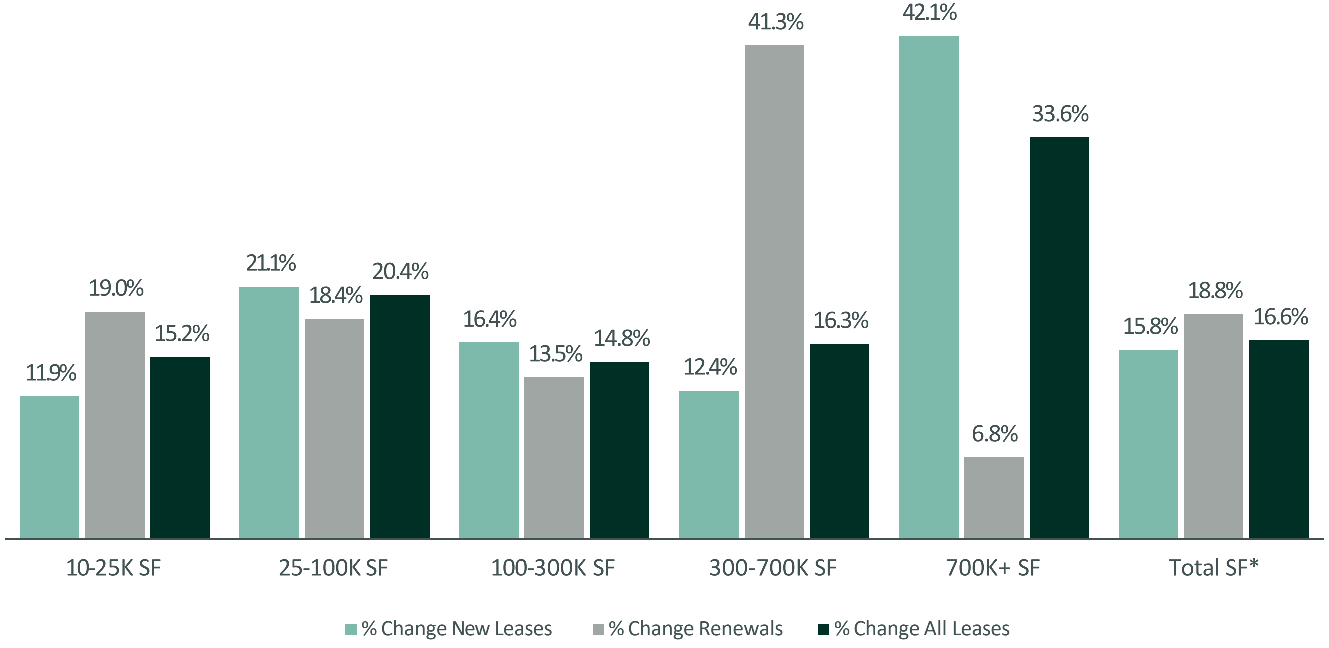
Source: CBRE Research Q2 2023.

Taking Rent Growth Robust Despite Higher Vacancies

- Year-over-year rent growth for lease comps is 16.6% at mid-year, slightly lower than the 18.0% growth at year end.
- Rent growth for renewals are much higher (18.8%) compared with new leases (15.8%). Renewals dominate leasing in low vacancy markets with higher rental rates.
- Rent growth is solid across all size ranges but highest in the 25-100K sq. ft. size range.
- Rent growth in leases 300,000 sq. ft. and above are driven by high-rate deals in Southern California.



*Total average does not include leases 700,000 sq. ft. and above.

Compares Jan-June 22 vs Jan-June 23 first year base rents with a lease term of 12 months and longer.
Source: CBRE Research Q2 2023.

Rent Growth Shifts to Population Growth Markets

- The top markets for rent growth shifted from Southern California and Northern-Central New Jersey to population growth or logistics hub markets.
- Philadelphia posted the highest rent growth in the nation at 38.9% due to a robust amount of first-generation bulk transactions.
- While rent growth in So Cal declined; Orange County ($19.72), Los Angeles County ($19.36), and the Inland Empire ($17.93) still possess the highest taking rents in the nation.

Taking Rent Growth – Top 20 Markets Over the National Average

	Market	Y-o-Y Growth		Market	Y-o-Y Growth
1	Philadelphia	38.9%	11	Suburban Maryland	21.7%
2	South Florida	36.3%	12	Phoenix	21.7%
3	Reno	33.1%	13	San Antonio	21.0%
4	Central Valley, CA	24.4%	14	Orlando	20.8%
5	Atlanta	23.8%	15	Inland Empire	20.7%
6	El Paso	23.4%	16	San Diego	18.9%
7	Las Vegas	23.3%	17	Houston	18.7%
8	Boston	23.2%	18	Central New Jersey	18.6%
9	Salt Lake City	23.1%	19	Cincinnati	18.3%
10	Dallas-Ft. Worth	22.5%	20	PA I78/81 Corridor	18.2%

Compares Jan-June 2022 vs. Jan-June 2023 first year base rents 10,000 sq. ft. to 699,999 sq. ft. with a lease term of 12 months and longer.
Source: CBRE Research Q2 2023.

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Lease Expiration vs. Current Market Rents

- On average, a tenant with a lease expiring will see a 38% higher rents compared with its rate at expiration.
- Some markets will see much higher market rents.
- Tenants in the Inland Empire and Northern/Central New Jersey and the Inland Empire will see rents more than double its rate at expiration.

Lease Expiration vs. Current Market Rents

	Market	% Growth		Market	% Growth
1	Central New Jersey	163.9%	11	PA I78/81 Corridor	65.0%
2	Inland Empire	153.1%	12	Central Valley, CA	58.7%
3	Northern New Jersey	117.4%	13	Tucson	56.9%
4	El Paso	94.3%	14	Dallas/Ft. Worth	56.1%
5	Los Angeles	84.4%	15	Portland	55.6%
6	Philadelphia	80.4%	16	Phoenix	54.6%
7	South Florida	79.1%	17	Salt Lake City	53.3%
8	Reno	74.8%	18	Orlando	53.2%
9	Las Vegas	70.6%	19	Boston	52.3%
10	Orange County	69.9%	20	Nashville	46.1%

Considers the final year rent of a hypothetical 5-year lease with a 3% annual bump expiring 6/30/23 compared with current market rents.
Source: CBRE Research Q2 2023.

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Lease Terms Slightly Decreased in Q2

- Lease terms declined in Q2 23 to 62 months, one month lower than the prior quarter and the same as Q4 22.
- Lease terms decreased partially due to a higher % of light industrial leases compared with previous quarters.
- 700,000 sq. ft. and above leases increased significantly in Q2 due to 15-year transactions signed in Baltimore, the Inland Empire, and Indianapolis.

Average Lease Term – Months

Sq. Ft. Leased	2020	2021					2022					2023				
	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
10,000 to 24,999	53	54	56	57	55	56	56	58	54	51	56	54	54			54
25,000 to 99,999	64	63	65	64	66	65	67	67	64	68	67	64	63			64
100,000 to 299,999	70	73	72	72	74	73	78	75	71	68	75	73	71			73
300,000 to 699,999	78	80	83	74	82	80	83	85	73	64	81	84	84			84
700,000+	114	110	90	80	82	90	115	96	105	103	103	93	142			108
Total	63	63	64	64	66	65	68	67	65	62	66	63	62			62

Source: CBRE Research Q2 2023.

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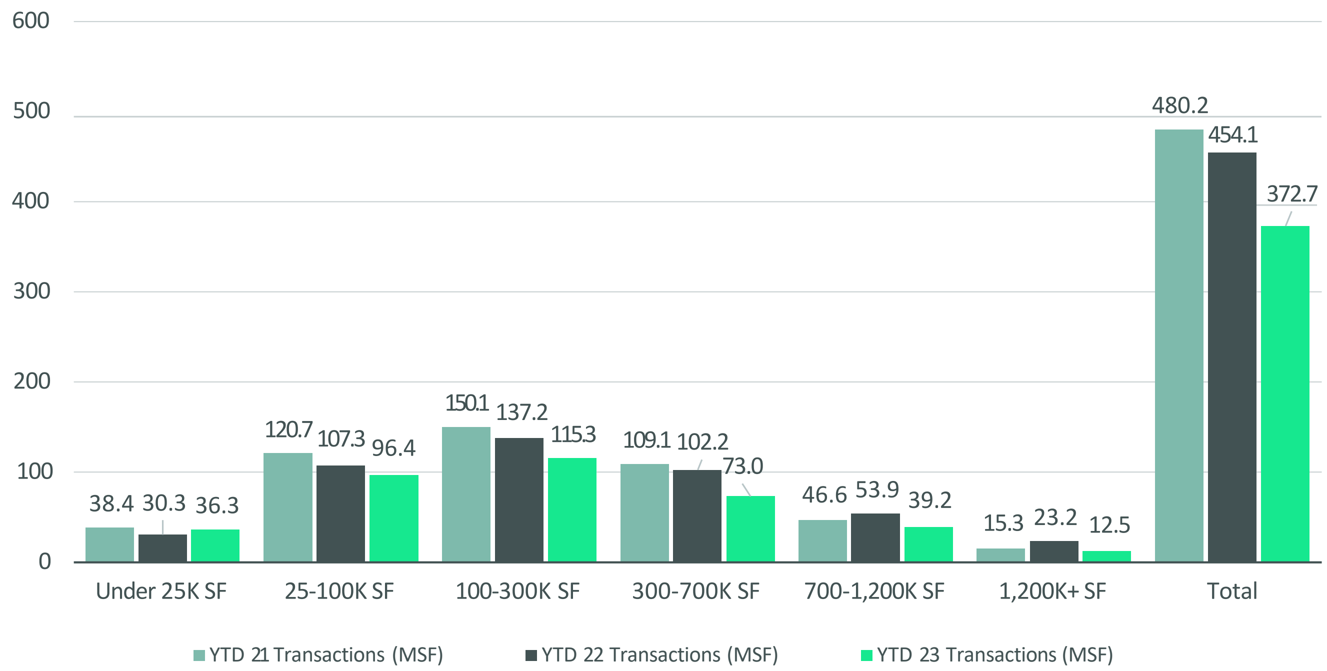
Leasing Activity Down Nearly 18% Compared with Last Year

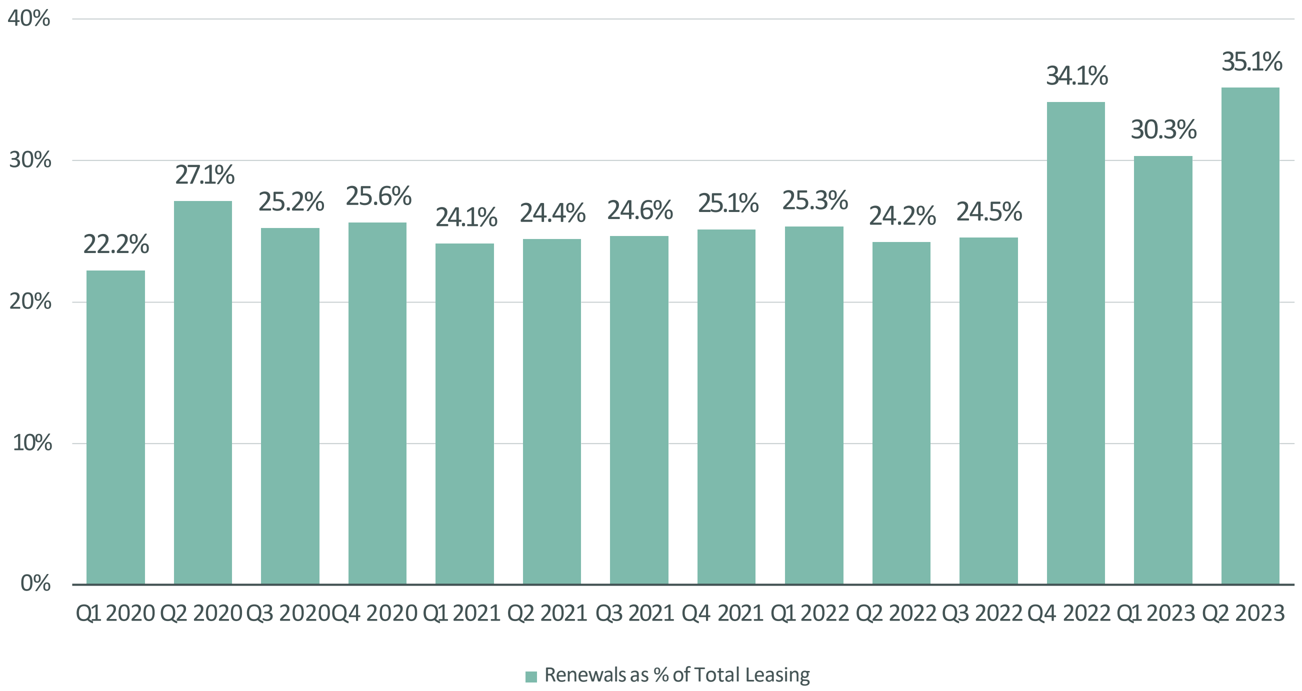
- Leasing activity down 18% compared with 2022, and 22% compared with 2021.
- Leases under 25,000 sq. ft. only size range up compared with this time last year.
- 23 leases signed 1 MSF and larger, much lower than the 36 signed at this time last year.
- 65% all of lease transactions were new deals, 5 bps lower than the previous quarter.
- The decline in MSF transactions lowered the average lease size from 88,377 sq. ft. in 2022 to 68,312 sq. ft. in 2023.



Transaction volume includes new leases and renewals 1/1 to 6/30.
Source: CBRE Research Q2 2023.

Renewals Share of Total Leasing Highest Since the Onset of the Pandemic

- For the third consecutive quarter renewals as a percent of total leasing ascended past 30%
- Occupiers are renewing at a higher rate due to low vacancy rates in traditional core markets, protecting labor, economic uncertainty, and as a means of protecting existing labor.



Source: CBRE Research Q2 2023.

Tenants in the Market Dips in Q2

Tenants in the Market		
Quarter	Sq. Ft.	Number of Active TIM's
Q3 2022	496,037,723	2,173
Q4 2022	540,378,545	2,161
Q1 2023	548,226,779	2,302
Q2 2023	521,006,779	2,245

Includes active tenants in the market for requirements 50,000 sq. ft. and above
Source: CBRE Research Q2 2023

Auto and Food Related Users Posting Higher YOY Lease Volume

- Bulk (100K SF +) leasing finished June down 24.2% compared with the same period in 2022.
- 3PLs remained the most active occupier but its market share declined from 36% to 31%.
- Automobiles, Tires, & Parts posted the highest year-over-year improvement, up 37.3%. Strong demand from EV manufacturers drove the increase.
- E-commerce Only, 3PL's and General Retail & Wholesale experienced the largest decline in lease volume.

YTD 2023 Lease Transactions 100,000 SF and Above		
Occupier Type	SF Transacted	Market Share
Third Party Logistics	75,444,212	31.4%
General Retail & Wholesale	56,121,110	23.3%
Food & Beverage	24,600,924	10.2%
Automobiles, Tires, & Parts	20,848,887	8.7%
Manufacturing	19,284,814	8.0%
Building Materials & Construction	17,246,733	7.2%
E-Commerce Only	9,754,069	4.1%
Undisclosed	9,467,572	3.9%
Medical	7,991,932	2.6%
Total	**239,992,045**	**100%**

YTD 2022 Lease Transactions 100,000 SF and Above		
Occupier Type	SF Transacted	Market Share
Third Party Logistics	113,624,089	35.9%
General Retail & Wholesale	86,628,918	27.4%
Food & Beverage	22,645,619	7.2%
Manufacturing	21,106,834	6.7%
E-Commerce Only	20,297,034	6.4%
Building Materials & Construction	19,241,452	6.1%
Automobiles, Tires, & Parts	15,185,008	4.8%
Medical	9,703,129	3.1%
Undisclosed	8,163,530	2.6%
Total	**316,595,613**	**100%**

Compares new lease and renewal transactions 100,000 sq. ft. and above in 1/1 to 6/30.
Source: CBRE Research Q2 2023.

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Q2 2023 Most Active Bulk Markets – 100,000 Sq. Ft. and Above

- Despite a decline in MSF deals, Dallas-Fort Worth and Chicago led the way in bulk leasing activity.
- The Inland Empire, Chicago, and the PA I78/81 Corridor tied for the lead in MSF transactions, each signing four.
- Los Angeles County was the only market in the top 10 with higher bulk lease transaction volume compared with this time last year.

YTD 2023 Transactions 100,000 Sq. Ft. and Above		
Market	Sq. Ft. Transacted	Market Share
Dallas - Fort Worth	20,744,262	8.6%
Chicago	20,715,288	8.6%
Inland Empire	18,287,443	7.6%
PA I-78/I-81 Corridor	13,412,948	5.6%
Indianapolis	9,708,587	4.0%
Los Angeles County	9,570,285	4.0%
Atlanta	9,485,875	4.0%
Houston	9,398,299	3.9%
Central New Jersey	8,085,071	3.4%
Columbus	7,552,983	3.1%

Compares new lease and renewal transactions 100,000 sq. ft. and above in 1/1 to 6/30.
Source: CBRE Research Q2 2023.

4

Outlook

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OUTLOOK

Demand Drivers

Consumer Expectations

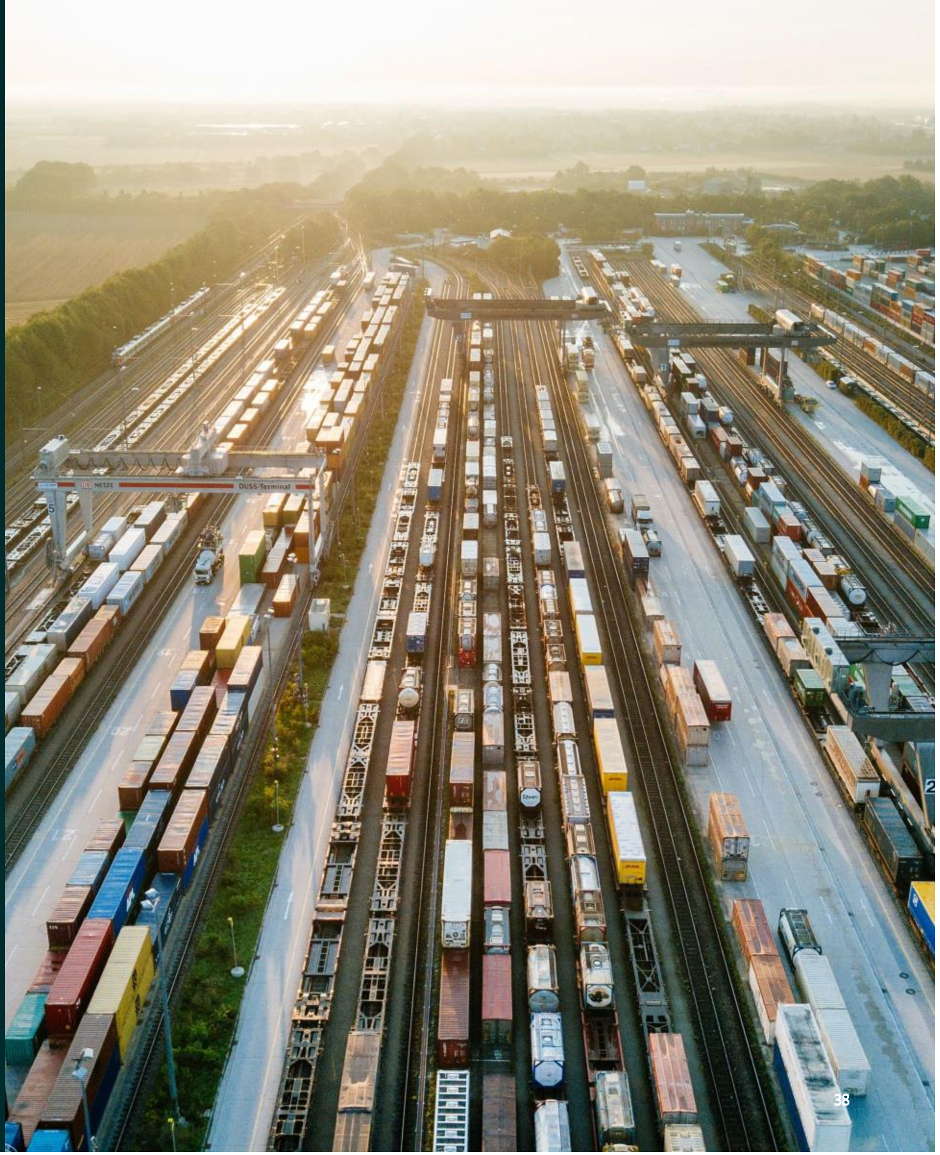
- E-commerce will continue its slow steady growth as a percent of overall retail as consumer expectations solidify next-day and same-day delivery.
- Having the right inventory in the right locations whether it be the retailers, suppliers, or outsourced 3PLs, will be key to meeting consumer demand
- Ensuring these strategic locations will keep demand solid, despite a possible recession and decline in overall retail sales in late 2023.

Supply Chain Resiliency

- Onshoring of manufacturing will increase, improving manufacturing and nearby warehouse fundamentals.
- Occupiers will utilize multiple ports of entry keeping import levels strong in east coast and gulf coast ports.
- Outsourcing of distribution will increase due to scarcity of industrial product, lack of labor, and increased costs.

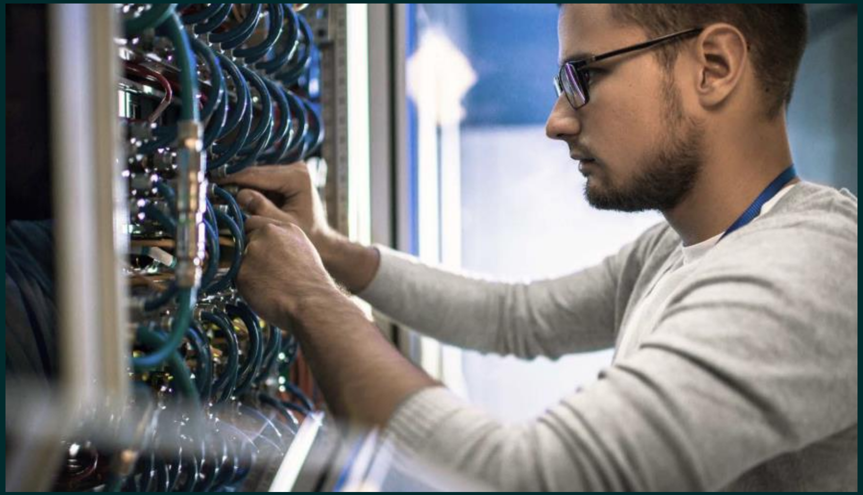
Location Optimization

- Greater visibility and emphasis into labor dynamics and transportation.
- Hub-and-spoke model optimized based on better technology and agility. In some cases, it will lead to further expansion.
- Increased focus on the reliability, redundancy and renewability of power.



OUTLOOK

Specialty Industrial Product Will Make Up Growing Share of Demand



Manufacturing

Continued supply chain disruptions will lead to more onshoring of manufacturing in both the U.S. and Mexico. Manufacturing will locate in pro-business states with a qualified workforce. Look for Phoenix, Central Texas, Louisville, Greenville-Spartanburg, Columbus, and Jacksonville to lead the way. El Paso, San Antonio, Kansas City, and Chicago will benefit from increased manufacturing in Mexico.

Data Centers

The accelerated evolution of the Digital Age is leading to more opportunities for data center investors. Demand will come from cloud providers, social media, 5G infrastructure, crypto mining, virtual reality and blockchain. Northern Virginia, Silicon Valley, Austin, New York Tri-State, Denver, and Seattle will benefit from the sectors growth.

Cold Storage

Population growth and changing demographics are underlying demand drivers for cold storage. The subset has little vacancy, but developers are beginning to build speculatively. Dallas-Fort Worth will dominate cold storage, but other growth regions will follow population migration in Arizona, Texas, and Florida.

Trends to Watch

- Consumer spending and jobs
- Signs of over supply
- Electric vehicle manufacturing
- NIMBY
- Labor availability
- Import volume and location
- Sublease space
- Nearshoring and regionalization
- ESG affects on building design
- Automation and AI

2023 Crystal Ball Prediction - End of Q2 Adjustments

Year-End 2022 Predictions

- Leasing Activity: Down 15% Compared with 2022. 3rd Best Year on Record.
- Record Breaking Year for Completions: 500-550 MSF
- Net Absorption Positive for 13th Consecutive Year: 400-450 MSF
- Ground Breakings Reduce Significantly. Under Construction finishes 2023 at half the rate of year-end 2022. Significant under supply of first-generation space possible in 2nd half of 2024
- Vacancy Rates Rise 30 to 60 bps. Increased vacancy absorbed in 2024.
- Rents Up 12-15%. Emerging Population and logistic hub markets escalate while core coastal market growth declines.

Q2 2023 Adjustments

- Leasing Activity: NO CHANGE. 3rd quarter tends to be better performing. Market remains on pace for 725 MSF, but activity will be driven by transactions under the 300K SF range.
- Record Breaking Year for Completions: NO CHANGE. Market remains on pace for record breaking completions.
- Net Absorption Positive for 13th Consecutive Year: CHANGE. Preleasing of newly constructed product down from 75% to 40%. Adjusted net absorption prediction: Positive 250-300 MSF.
- Ground Breakings Reduce Significantly. NO CHANGE. Ground breakings down 50% from 6 months ago and will continue to decline.
- Vacancy Rates Rise 30 to 60 bps. CHANGE. Reduced leasing in over 300K SF buildings will lead to a 100-120 bp vacancy rate increase in 2023.
- Rents Up 12-15%. NO CHANGE. Market is still on pace for double digit rent growth in 2023 driven by emerging markets and product under 100K SF.

Industrial Market Overview

Dallas/Fort Worth

Q3 2023

10.09.2023

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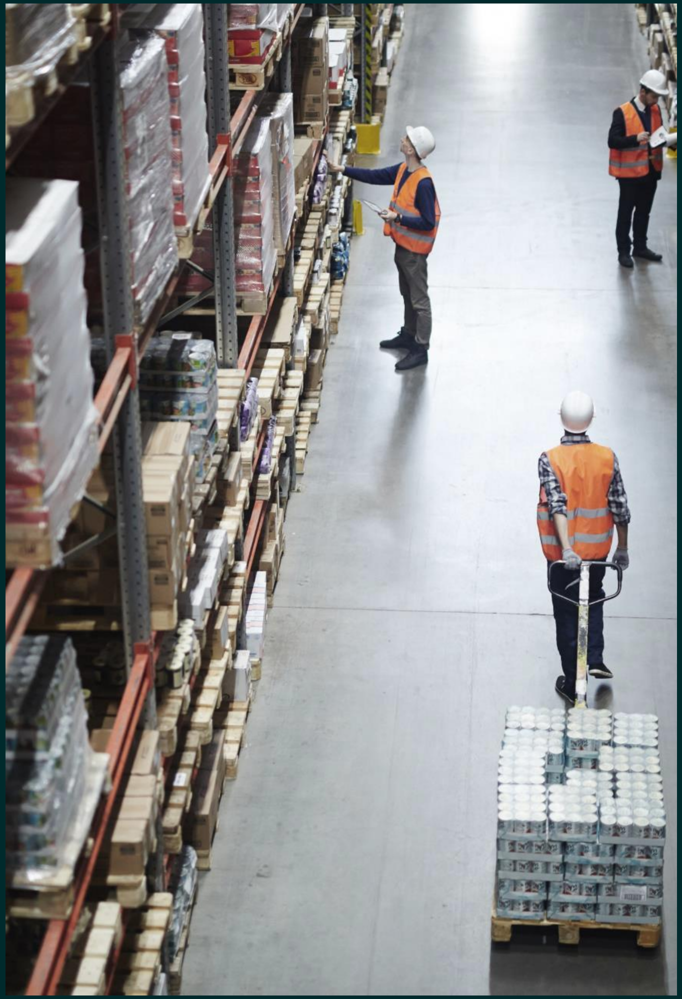
1

Economy: Employment



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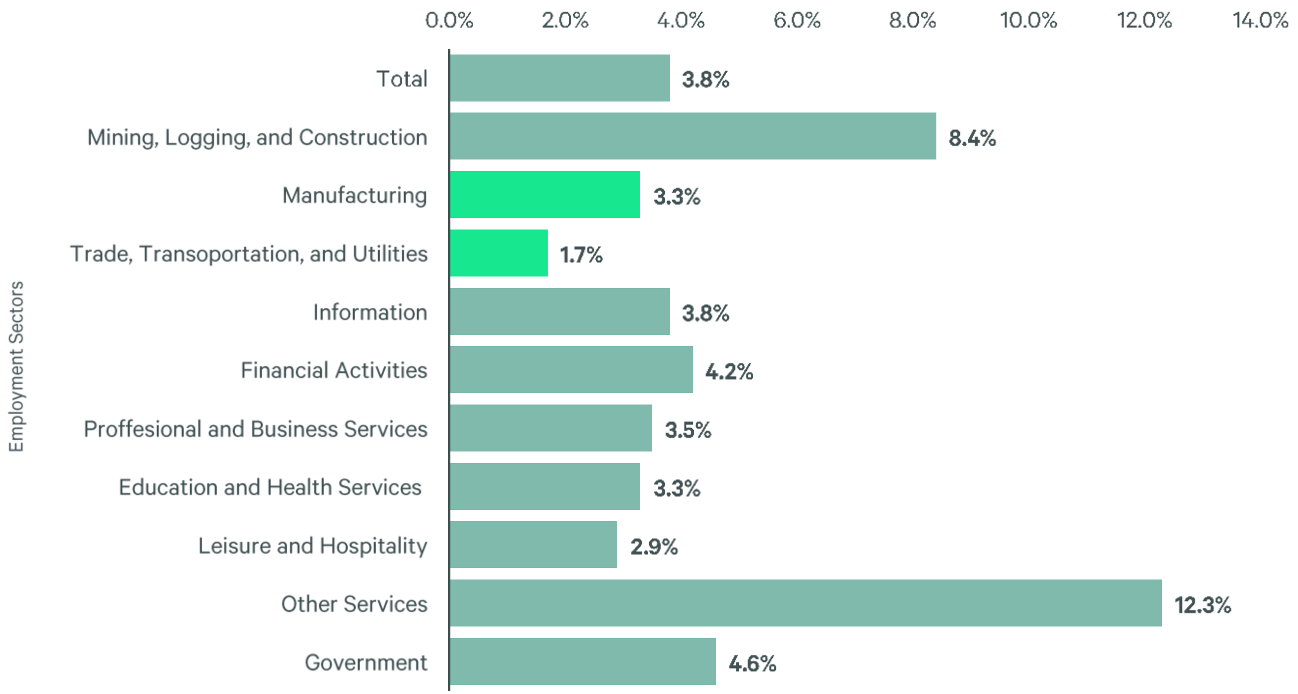
ECONOMY

Dallas/Fort Worth Employment Sectors

Employment Sectors

Year-over-Year Change

August 2022 - August 2023

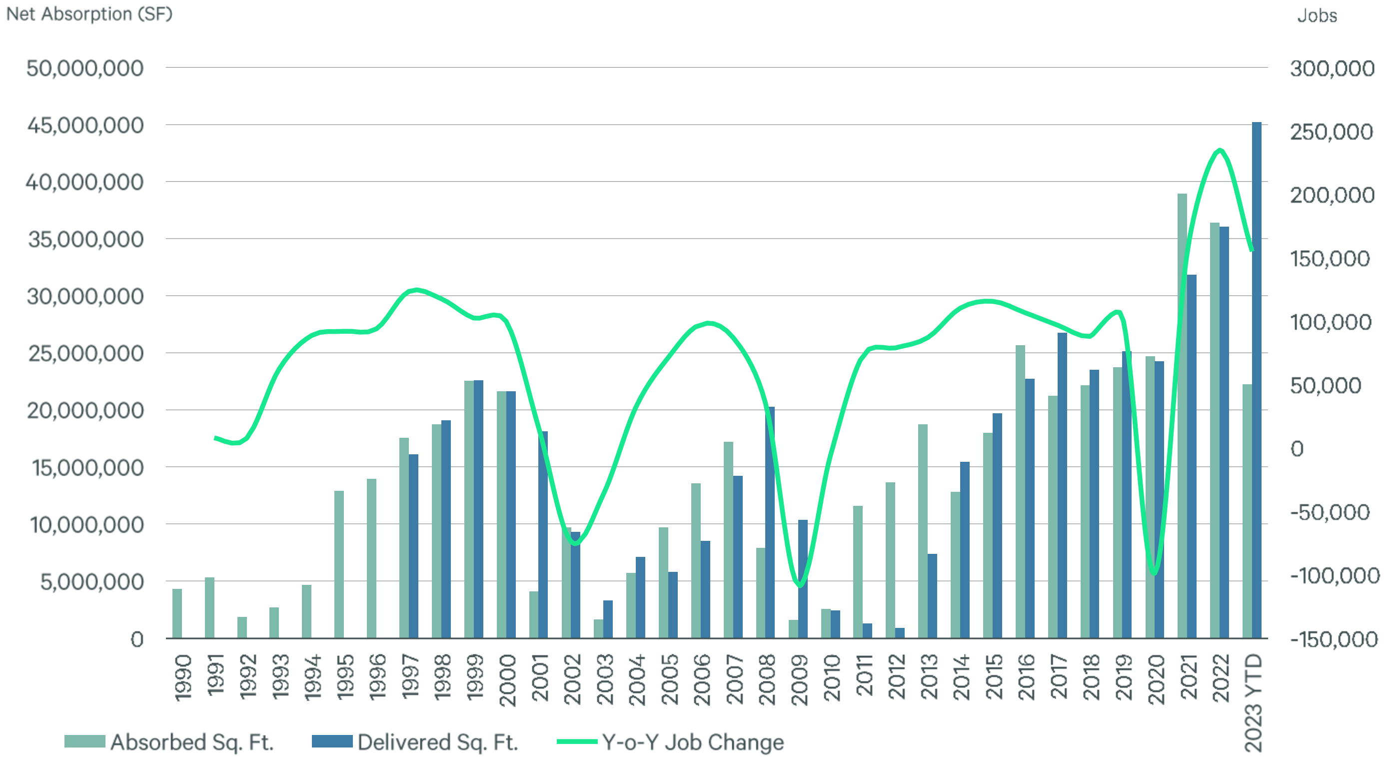


Sources: U.S. Bureau of Labor Statistics, CBRE Research, August 2023.

Employment growth is tied to net absorption

Total nonfarm employment

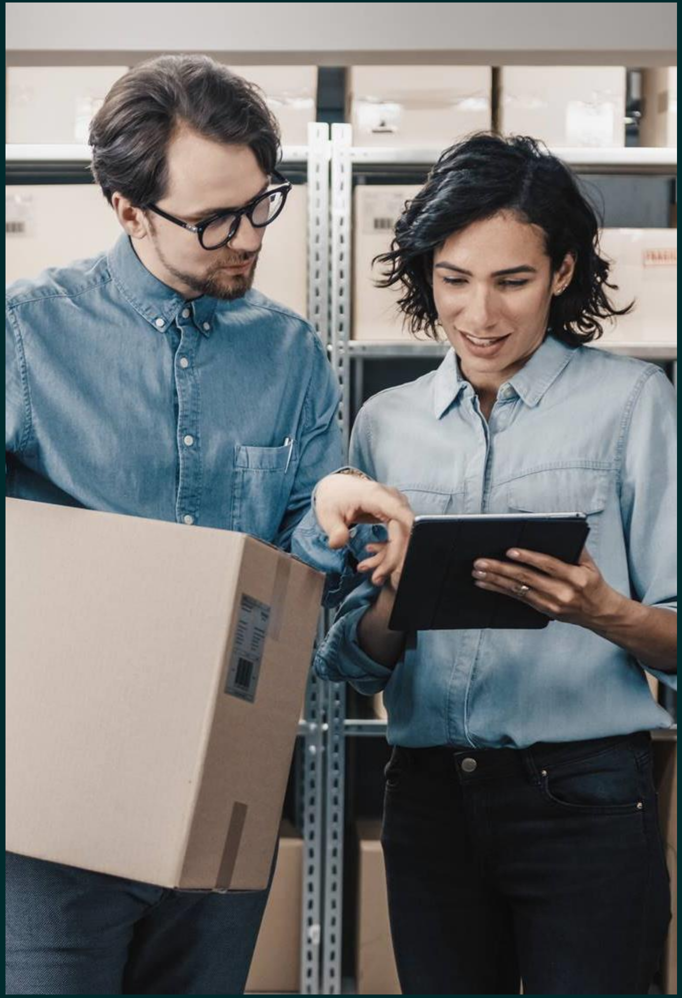
- Total nonfarm employment in the Dallas-Fort Worth-Arlington metropolitan area increased by 154,800 jobs year-over-year through August of 2023, according to U.S. Bureau of Labor Statistics.



Sources: U.S. Bureau of Labor Statistics, CBRE Research, Q3 2023.

2

Economy: Select Demand Indicators



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Inflation is a headwind to the economy

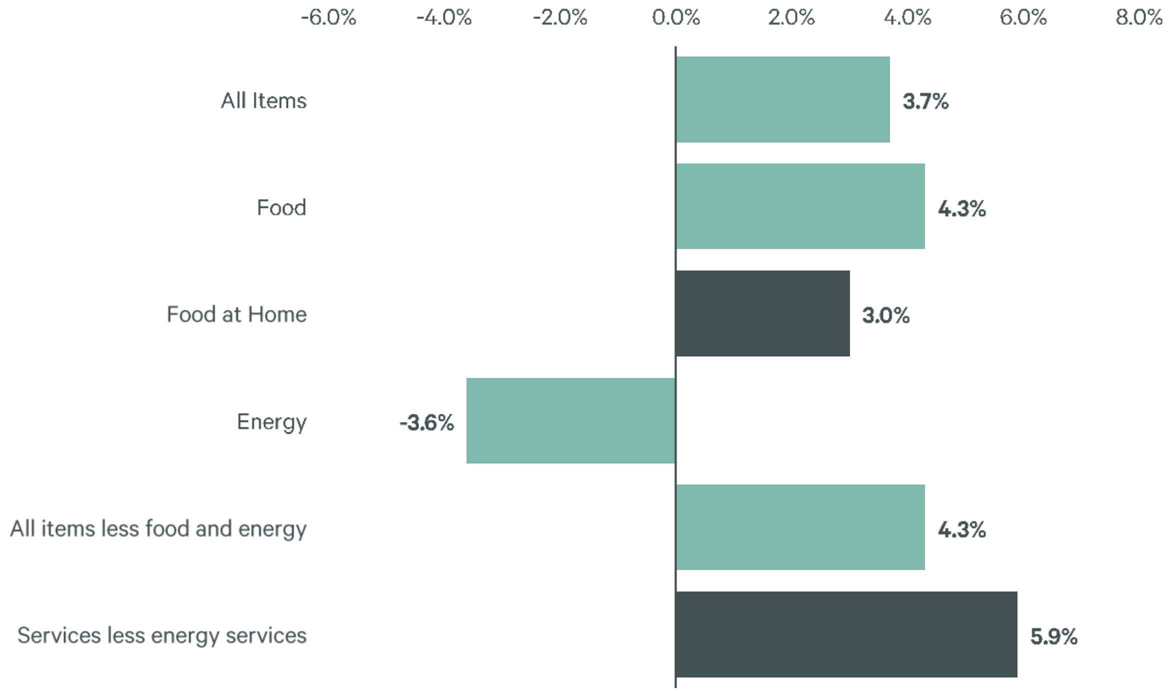
Consumer prices up 3.7 percent over the year. This time last year, the inflation rate was 8.2%.

12-month percent change, August 2022–August 2023.

Inflation appears to be continuing a downward trajectory.

University of Michigan - Consumer Sentiment index was at 68.1 (Index 1966:Q1=100) which is 16.2% higher than it was at September 2022.

- **While consumers have welcomed the slowdown of inflation in 2023, concerns over interest rates have emerged. Over the past year, current and expected labor market strength have supported consumer spending in spite of higher costs.**
- **For durable goods, vehicles and homes, concerns over high prices began rising in 2021, peaking last summer at levels at historic highs, and have eased somewhat since then concurrently with the slowdown in headline inflation.**

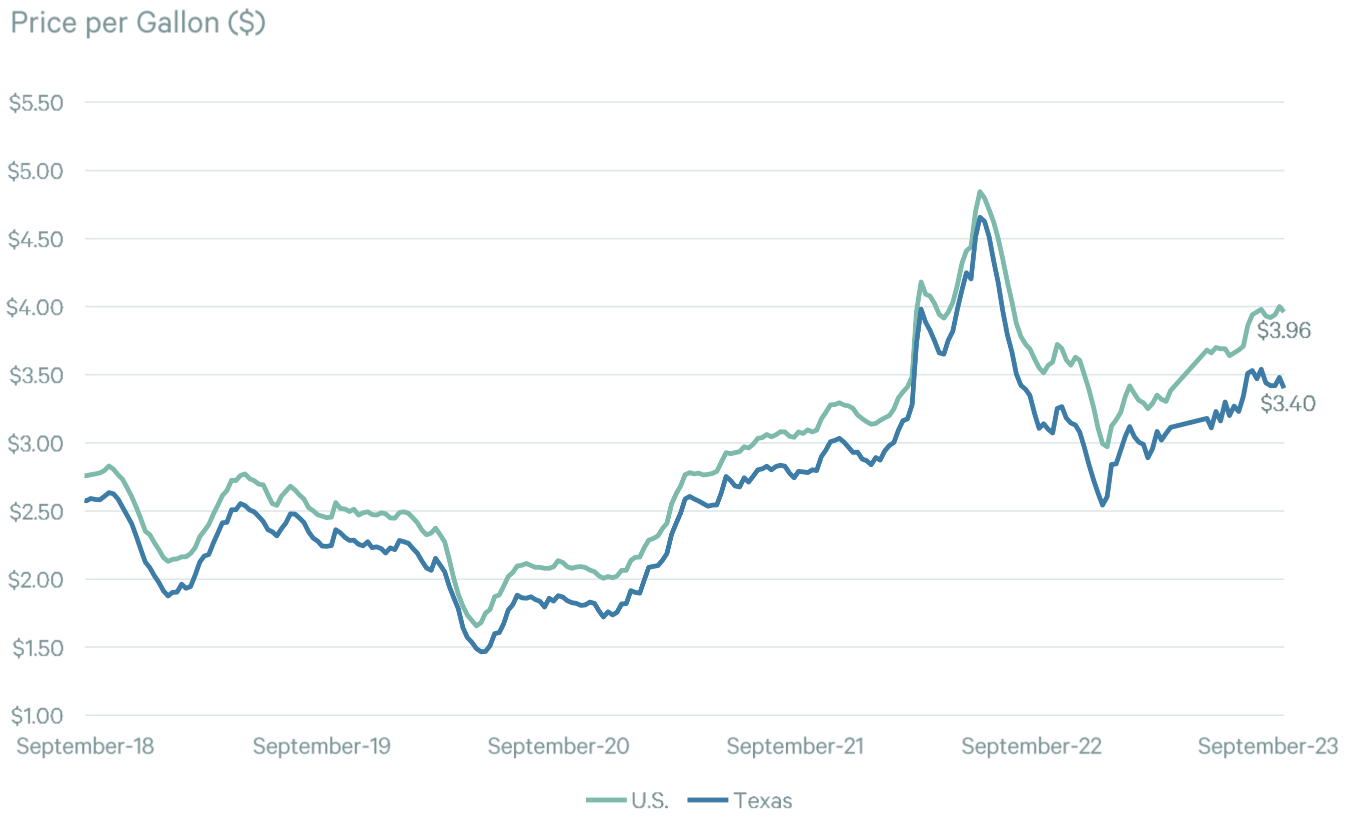


Sources: U.S. Bureau of Labor Statistics, August 2023.

ECONOMY

Gas prices appear to have peaked last summer

Weekly U.S. & Texas Regular Conventional Retail Gasoline Prices (Dollars per Gallon)



Source: Energy Information Administration, September 25, 2023.

ECONOMY

Residential (and commercial) mortgages have increased in cost

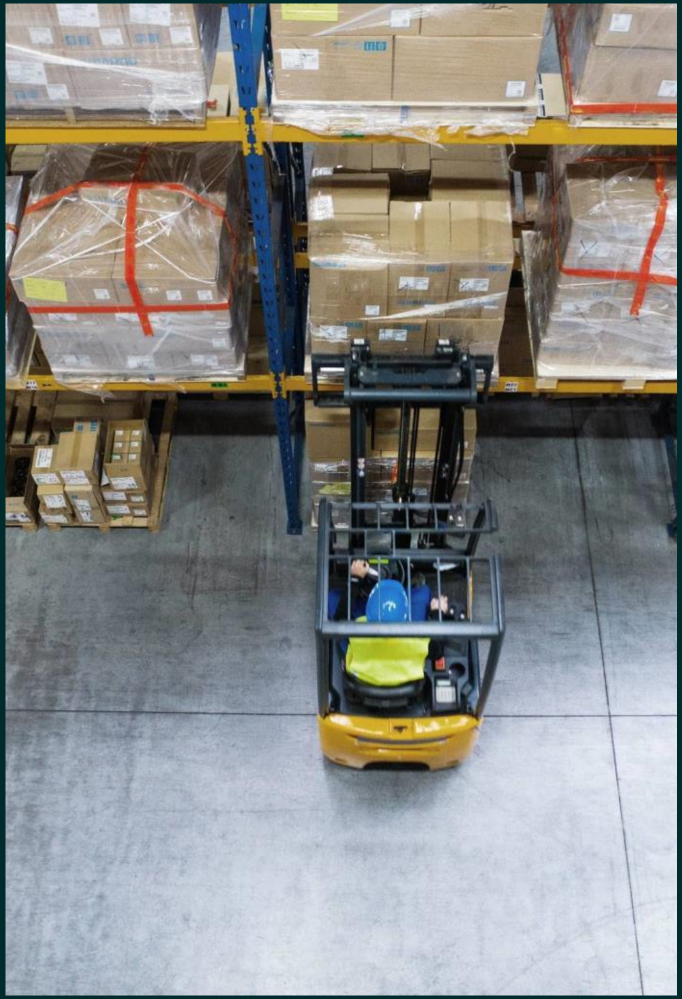
30-Year Fixed Rate Mortgage Average in the United States, Percent, Weekly, Not Seasonally Adjusted

U.S. 30 Year Fixed Rate Mortgage

Source: Federal Reserve Bank of St. Louis, September 28, 2023.

3

Market Performance



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CBRE

Although vacancy from new product is on the rise, the development pipeline is slowing

▲ 6.8% Vacancy Rate

▼ 4.2M SF Net Absorption

▼ 47M SF Under Construction

▼ 8.1M SF Delivered Construction

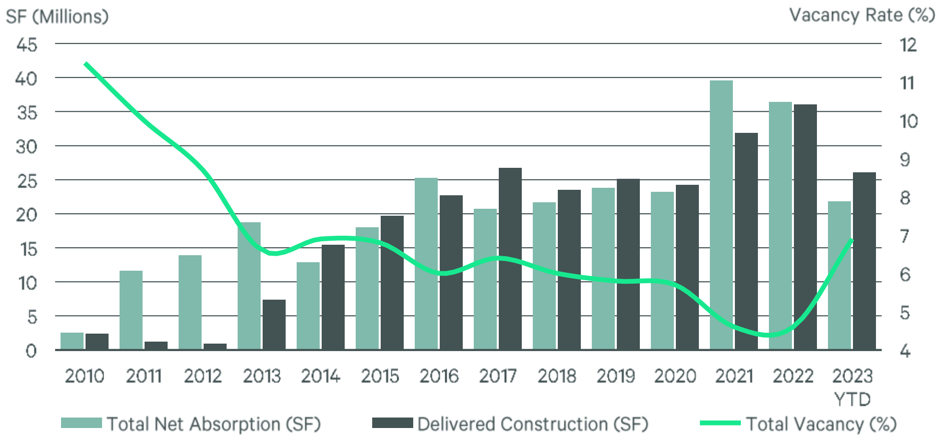
Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- Nearly 4.2 million sq. ft. of industrial space was absorbed by occupiers during Q3 2023.
- Q3 2023 deliveries totaled nearly 8.1 million sq. ft. and were 19.4% pre-leased.
- The construction pipeline receded during Q3 2023 and totaled 47 million sq. ft.
- The vacancy rate was up 40 basis points over the quarter, standing at 6.8%.

The third quarter of 2023 marked the 52nd consecutive quarter, or over thirteen years, of positive net absorption for the Dallas/Fort Worth industrial market as 4.2 million sq. ft. of net absorption was tracked over the quarter. The trailing 12-month absorption total was 31.8 million sq. ft. Vacant deliveries were 2,300 sq. ft. higher than the amount of sq. ft. absorbed and the vacancy rate increased by 40 basis points to finish the quarter at 6.8%. Although Dallas/Fort Worth is experiencing a large amount of vacant space being delivered, under construction and deliveries continued to recede. This continued tapering of projects will allow the market to balance out. For now, tenants will have ample amount of selection to choose a space that best fits their needs. This was most prominent among 3PL companies this quarter as they continue to drive demand in Dallas/Fort Worth.

Figure 1: Dallas/Fort Worth Industrial Market (Annual)



Source: CBRE Research, Q3 2023.

MARKET

Dallas/Fort Worth market performance highlights

	Quarter				Third Quarter YTD		
	Q4 2022	Q1 2023	Q2 2023	Q3 2023	2022	2023	Change
Net Absorption	9,585,843	8,850,659	9,168,481	4,226,404	26,839,147	22,262,337	▼
Vacancy	4.6%	5.8%	6.4%	6.8%	5.2%	6.8%	▲
Availability	5.6%	7.0%	7.7%	8.4%	5.6%	8.4%	▲
Under Construction	76,924,423	62,872,230	51,615,652	46,920,493	65,005,737	46,920,493	▼
Delivered Construction	5,822,486	7,702,267	17,241,858	8,058,833	30,246,659	45,225,331	▼
Asking NNN Rental Rate	$6.87	$7.35	$7.43	$7.18	$6.78	$7.18	▲

Source: CBRE Research, Q3 2023

MARKET

31.8 million sq. ft. absorbed over the past year

Trailing 12 months net absorption

Market	Q4 2022 Net Absorption	Q1 2023 Net Absorption	Q2 2023 Net Absorption	Q3 2023 Net Absorption	12 Month Net Absorption
DFW Airport	-197,039	831,072	130,543	-124,539	640,037
East Dallas	1,327,983	1,550,441	924,481	1,033,165	4,836,070
Northeast Dallas	616,619	204,896	666,320	-105,947	1,381,888
Northwest Dallas	1,138,881	226,232	1,111,949	-1,119,766	1,357,296
South Dallas	1,088,774	308,400	2,664,915	1,083,564	5,145,653
South Stemmons	347,842	134,192	-334,188	769,221	917,067
287 Corridor	1,650,247	1,053,606	60,936	56,711	2,821,500
Dallas Totals	**5,973,307**	**4,308,839**	**5,224,956**	**1,592,409**	**17,099,511**
Great Southwest/Arlington	206,500	468,469	199,217	535,311	1,409,497
North Fort Worth	2,591,551	3,520,496	2,291,417	1,179,944	9,583,408
South Fort Worth	814,485	552,855	1,452,891	918,740	3,738,971
Fort Worth Totals	**3,612,536**	**4,541,820**	**3,943,525**	**2,633,995**	**14,731,876**
Market Totals	**9,585,843**	**8,850,659**	**9,168,481**	**4,226,404**	**31,831,387**

Source: CBRE Research, Q3 2023.

MARKET

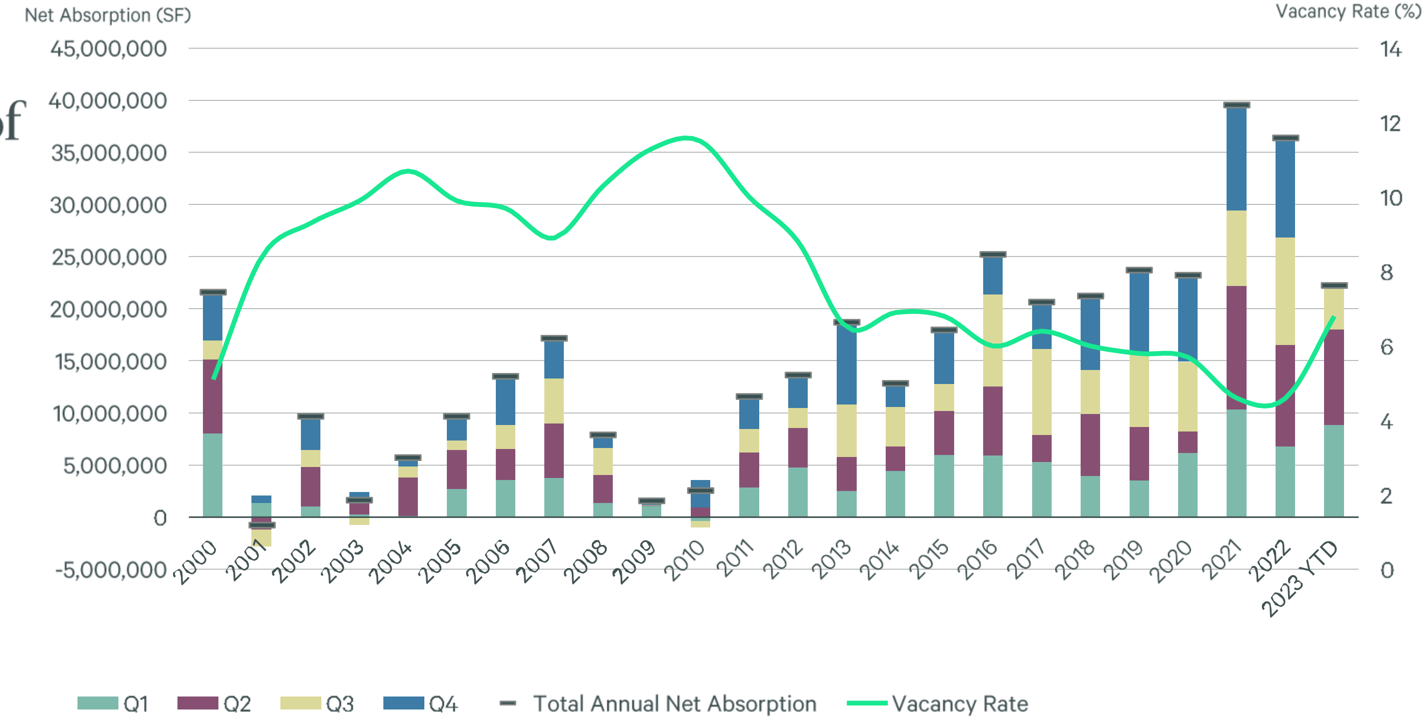
	Inventory			Vacancy			Net Absorption			Construction		
	Bldg. Count	**Total Sq. Ft.**	**% of Market**	**Direct Sq. Ft.**	**Direct %**	**Total %**	**Qtr. Direct**	**Qtr. Total**	**2023 YTD Total**	**Active**	**Qtr. Deliveries**	**2023 YTD Deliveries**
Submarket												
DFW Airport	728	88,974,341	9.3	5,034,807	5.7	6.0	-46,843	-124,539	837,076	3,442,012	601,776	3,544,773
East Dallas	719	51,471,194	5.4	5,917,542	11.5	12.0	1,305,015	1,033,165	3,508,087	8,864,309	1,069,947	3,499,052
Northeast Dallas	1,778	109,185,560	11.4	3,976,615	3.6	4.0	-97,133	-105,947	765,269	2,328,623	242,420	1,438,655
Northwest Dallas	1,539	120,434,228	12.5	6,148,223	5.1	5.3	-1,210,467	-1,119,766	218,415	4,722,033	0	3,206,967
South Dallas	626	114,604,738	11.9	17,736,247	15.5	15.9	975,393	1,083,564	4,056,879	7,438,404	2,548,091	14,939,408
South Stemmons	2,758	128,143,071	13.3	4,457,418	3.5	3.6	771,146	769,221	569,225	659,526	602,355	1,238,875
287 Corridor	179	23,164,179	2.4	3,652,853	15.8	15.9	86,711	56,711	1,171,253	2,412,120	1,085,825	2,596,304
Dallas Totals	**8,327**	**635,977,311**	**66.2**	**47,689,503**	**7.4**	**7.7**	**1,783,822**	**1,592,409**	**11,126,204**	**29,867,027**	**6,150,414**	**30,131,525**
Great Southwest/Arlington	1,358	118,912,470	12.4	2,900,519	2.4	2.7	552,137	535,311	1,202,997	2,120,083	462,434	1,354,680
North Fort Worth	766	122,276,532	12.8	9,073,113	7.4	7.9	1,216,915	1,179,944	6,991,857	11,135,951	1,235,985	11,530,044
South Fort Worth	1,526	82,428,301	8.6	3,485,129	4.2	4.3	845,506	918,740	2,924,486	3,797,432	210,000	2,443,560
Fort Worth Totals	**3,650**	**324,336,008**	**33.8**	**15,458,761**	**4.8**	**5.1**	**2,614,558**	**2,633,995**	**11,136,133**	**17,053,466**	**1,908,419**	**15,093,806**
Market Totals	**11,977**	**960,313,319**	**100**	**63,148,264**	**6.5**	**6.8**	**4,398,380**	**4,226,404**	**22,262,337**	**46,920,493**	**8,058,833**	**45,225,331**

Source: CBRE Research, Q3 2023.

MARKET

Q3 2023 was the 52nd consecutive quarter of positive absorption

Quarterly net absorption and vacancy rate



Source: CBRE Research, Q3 2023.

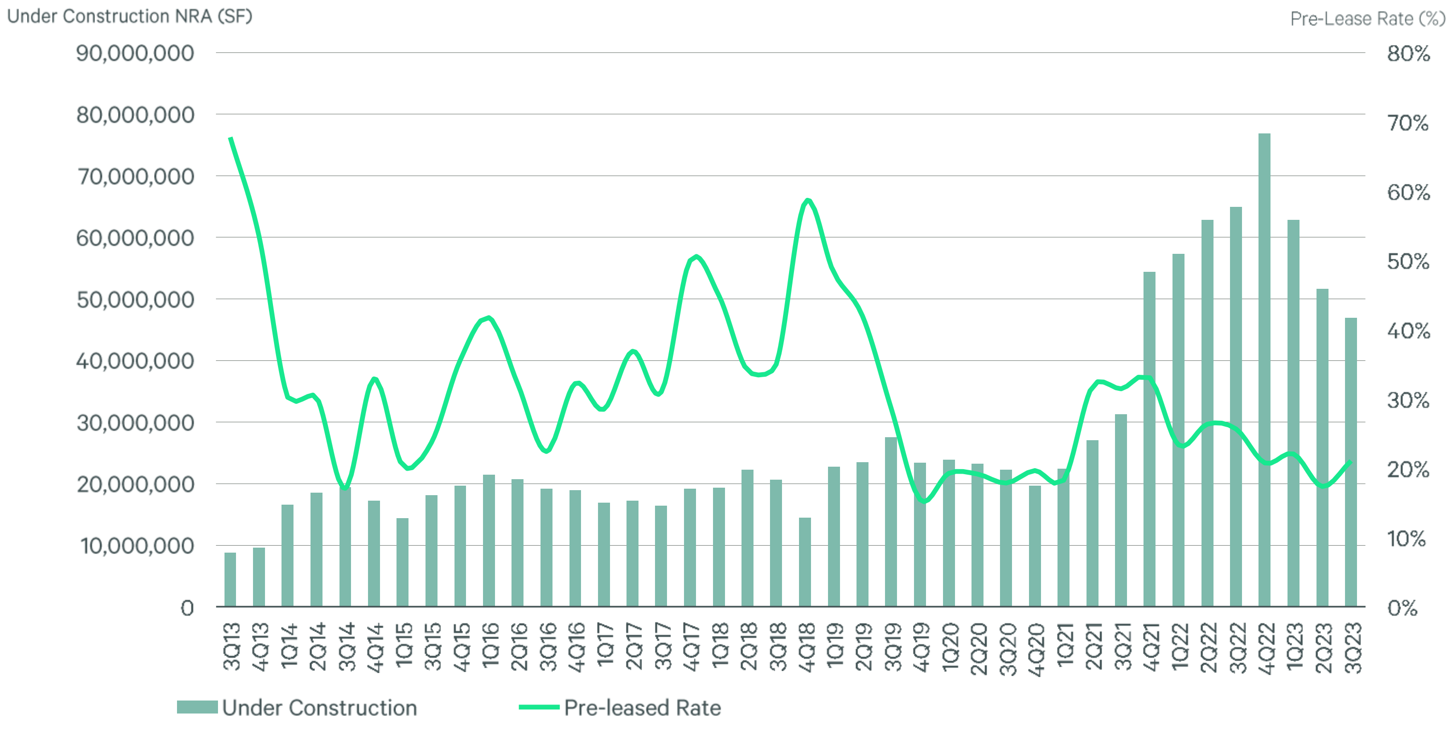
MARKET

Pre-leasing rates of under construction product continues to taper off

Pre-leasing Rate

- The under construction pre-leased rate was 21.1% at the end of Q3 2023.

Construction and pre-leasing



Source: CBRE Research, Q3 2023.

3

Occupier

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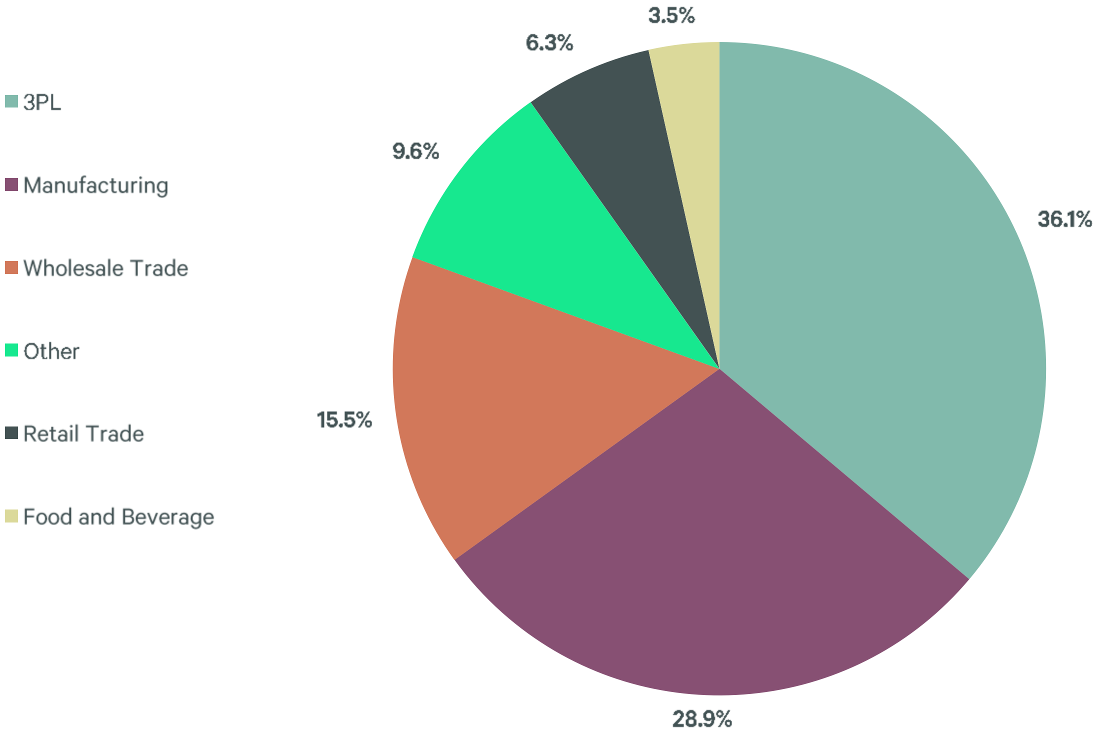
OCCUPIER

3PLs, manufacturing, and wholesale trade led occupier activity

Q2 2023 Top Transactions (Over 100,000 sq. ft.)



Source: CBRE Research, Q3 2023.

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