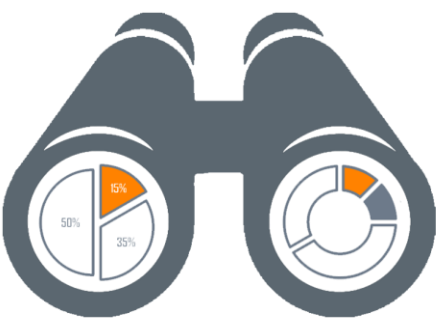


COMMERCIAL REAL ESTATE

U.S. MARKET | Industrial

Q4 2022

THE VIEW FROM HERE



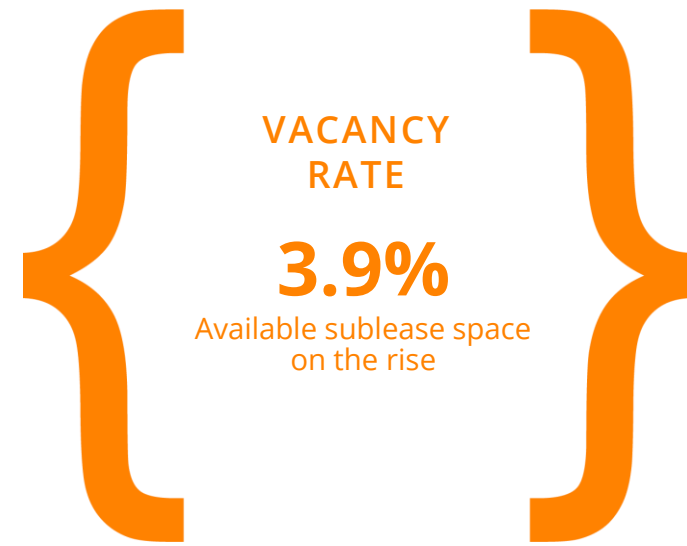

Strong but cooling demand appears to be in balance with slowing development pipeline, due in part to tighter underwriting standards



Combination of East Coast and Gulf Coast port volumes exceeding West Coast totals could be early indication of longer-term demand shift



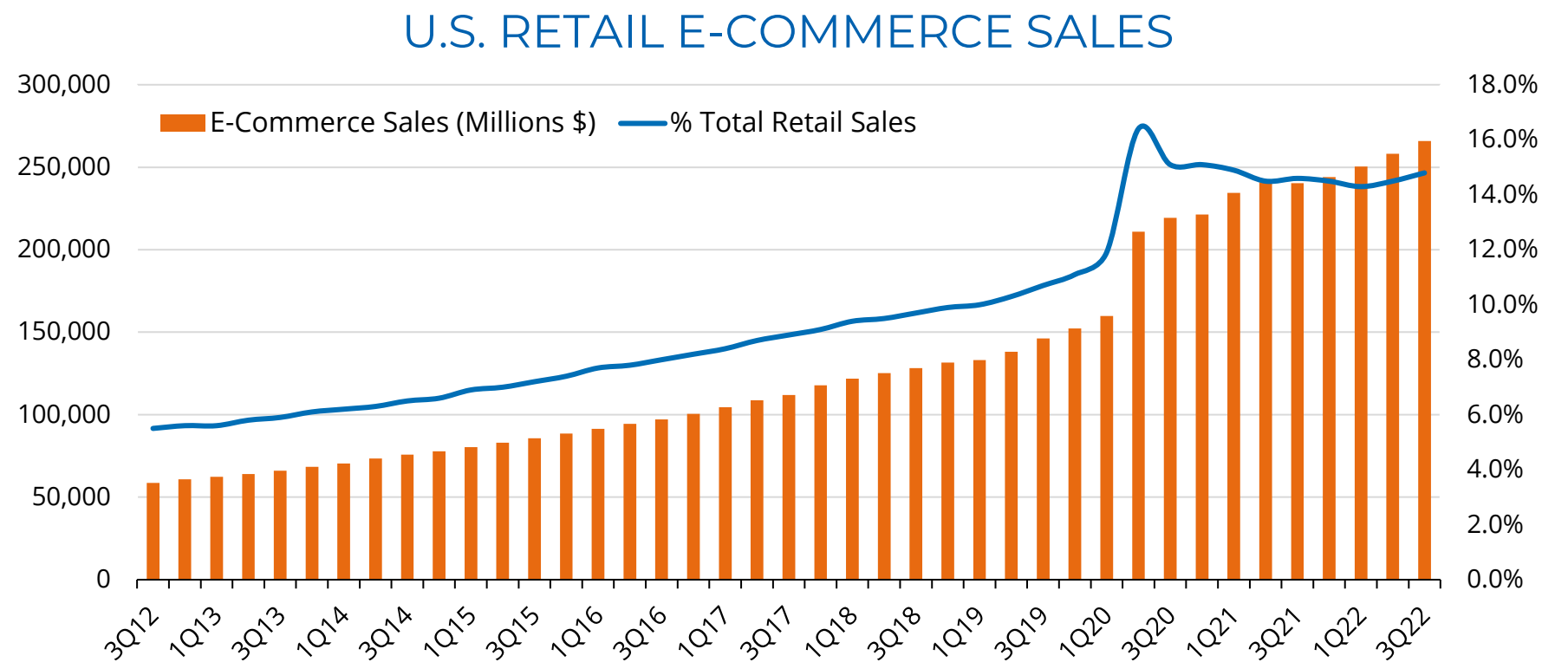
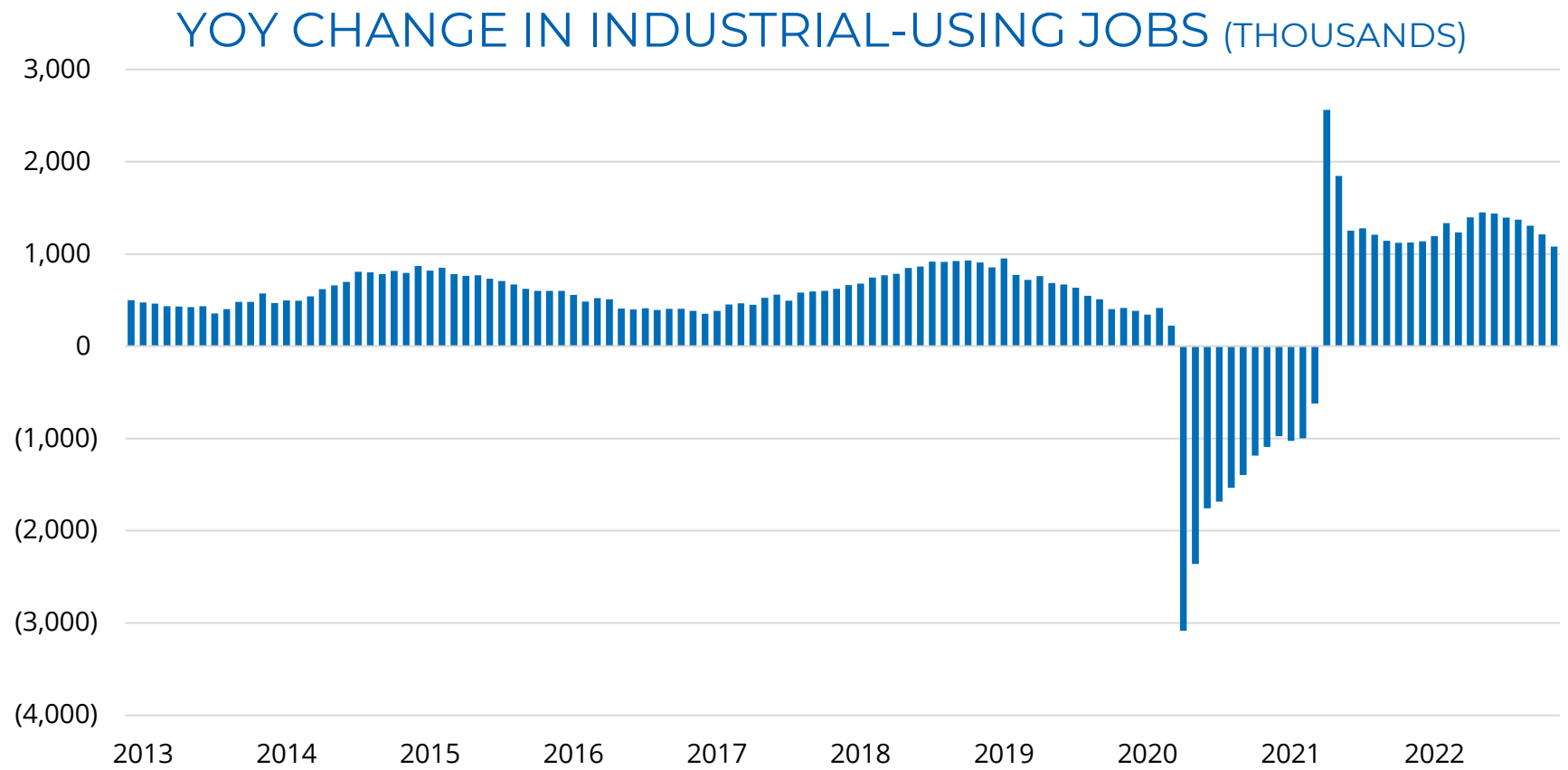
Evolution of how occupiers use space will make room for new generation of industrial product for foreseeable future



ECONOMIC HIGHLIGHTS

- Jobs supporting the industrial real estate sector increased 3.4% during the past 12 months, though the pace of growth slowed.
- Transportation and warehousing experienced significant declines in job growth in 2022 as trucking employment slowed in the final six months.
- The manufacturing sector continued to add jobs, perhaps indicating that the movement toward reshoring is beginning to crystalize.
- After expanding for 29 consecutive months, the U.S. manufacturing sector contracted for two consecutive months, and conditions are anticipated to remain sluggish through at least the early part of 2023.
- Overall import volumes cooled during the second half of 2022; however, East and Gulf Coast ports continued to benefit from the global supply chain shift, many setting container volume records in the process.
- E-commerce continues to drive the industrial real estate market as total digital sales in the U.S. grew nearly 11% YoY.
- Holiday retail sales did not meet expectations as consumers pulled back on spending; however, online sales posted the largest YoY gains.
- Credit card debt continued to rise, largely attributed to inflation, and will weaken the economic health of the American consumer, reduce consumption, and have an adverse effect on industrial real estate.

HISTORICAL

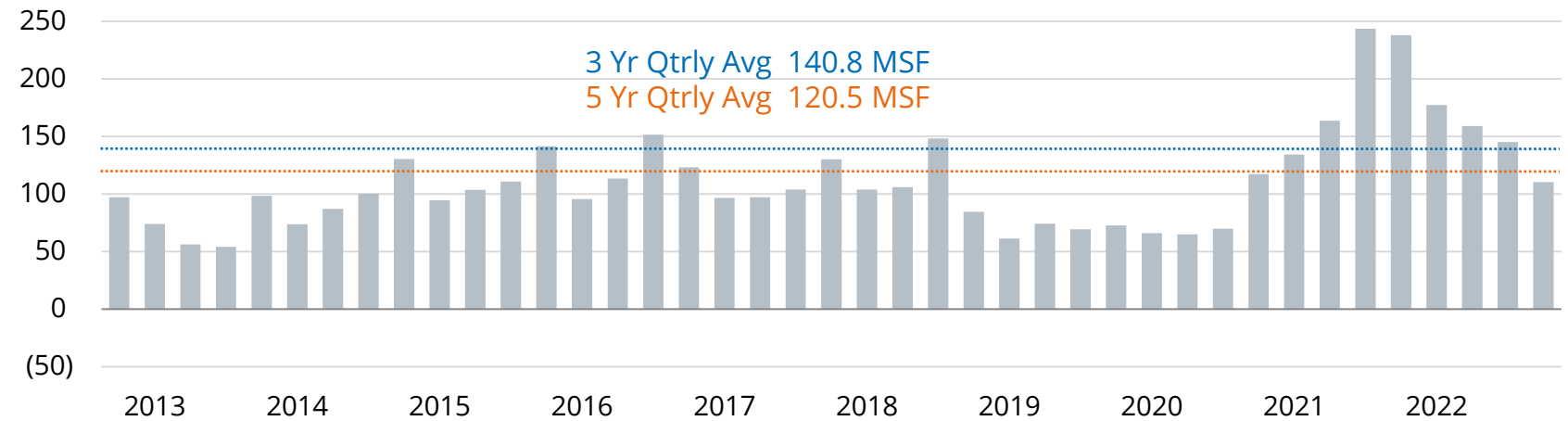


MARKET HIGHLIGHTS

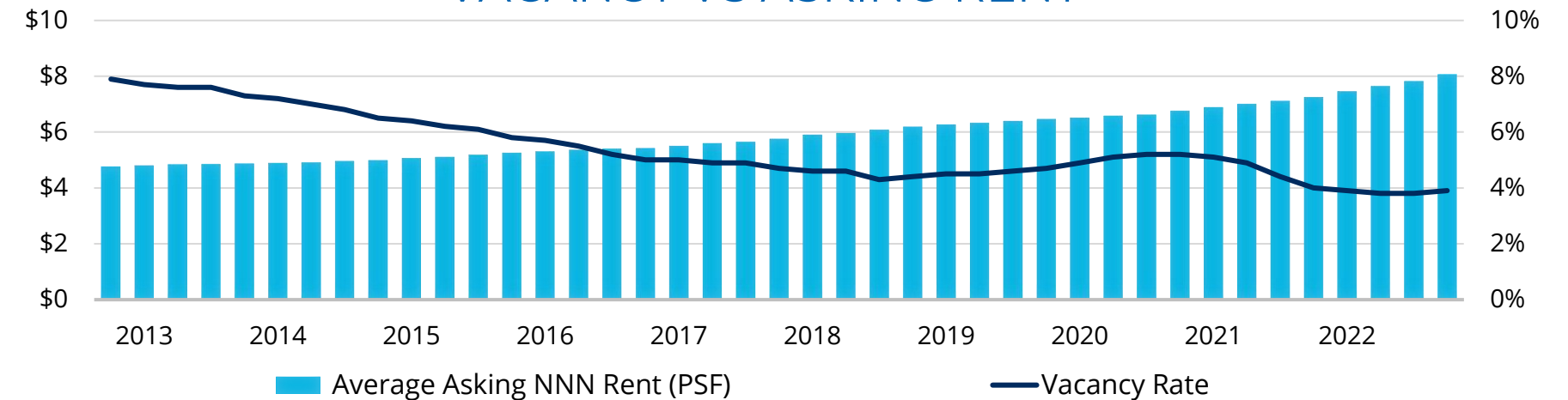
- Total occupancy increased by more than 100 MSF for the ninth consecutive quarter.
- While growth continued, net absorption totals decelerated throughout 2022. However, the 3-year average increased as lower totals in 2019, largely due to supply deficiencies, were removed.
- All markets but Los Angeles recorded occupancy growth over the past 12 months, with nearly one-third absorbing more than 10 MSF of space.
- During the quarter, positive net absorption was recorded in 42 of 44 markets, including 60% of regions which posted more than 1 MSF of growth.
- The average asking rent surpassed \$8 for the first time.
- Rents increased by 11.2% on average during 2022, achieving double-digit YoY growth for the first time.
- More than 30% of markets registered a 12-month asking rent increase greater than 20%.
- The vacancy rate ticked up for the first time since Q3 2020, the early stages of the pandemic.
- Available sublet spaces, led by Amazon, increased by more than 30% during the second half of 2022.
- Q4 marked the first time since 2020 that deliveries outpaced net absorption in consecutive quarters.
- Though only-minimal, the U.S. market experienced a quarterly decline in construction for the first time since the start of the pandemic.
- Rising interest rates have slowed the availability of capital and are factoring into risk analysis and decision-making by both developers and users.

HISTORICAL

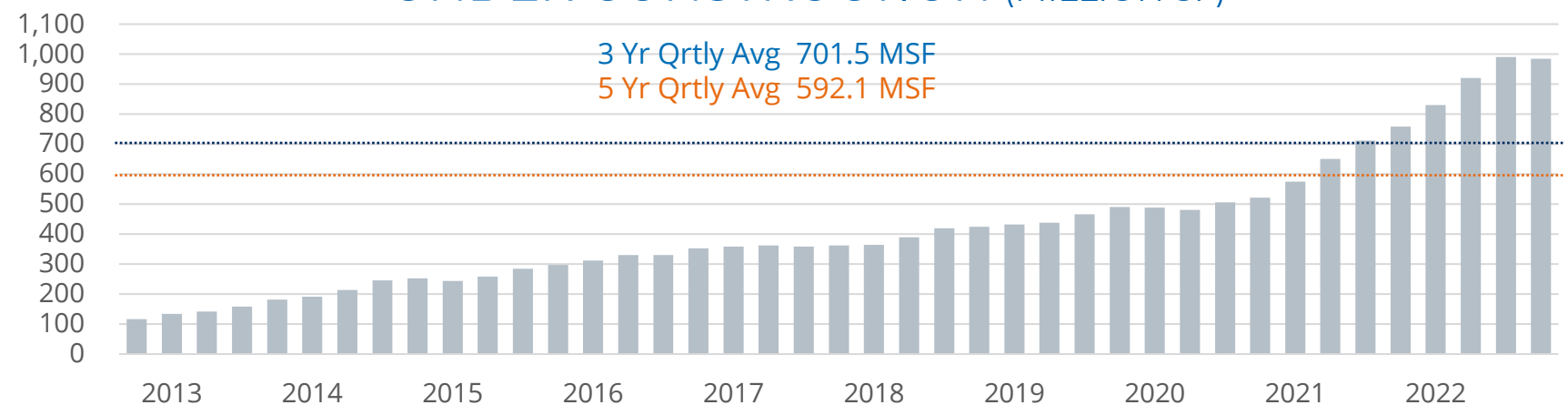
NET ABSORPTION (MILLION SF)



VACANCY VS ASKING RENT

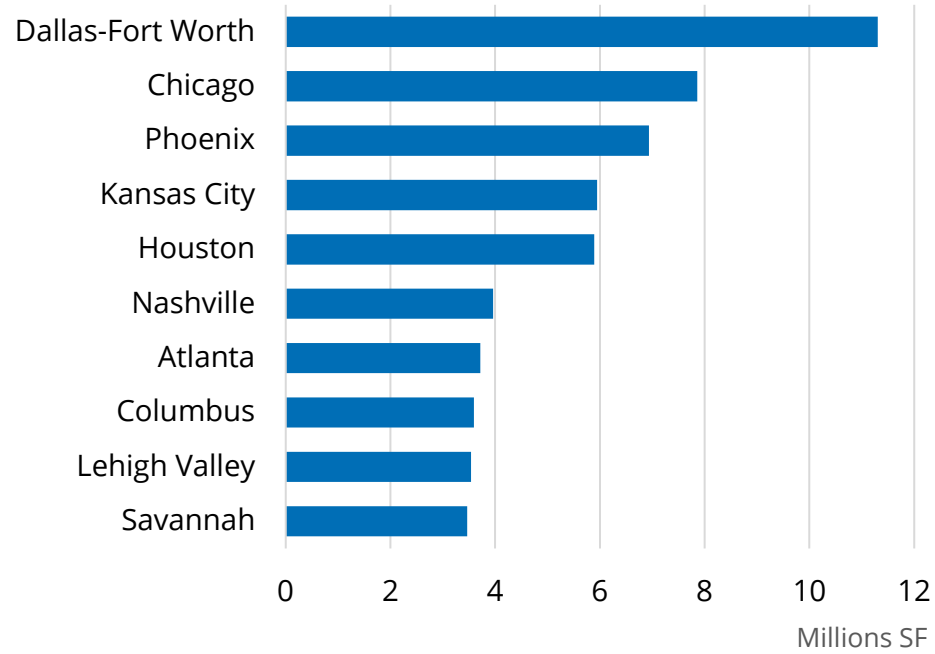


UNDER CONSTRUCTION (MILLION SF)



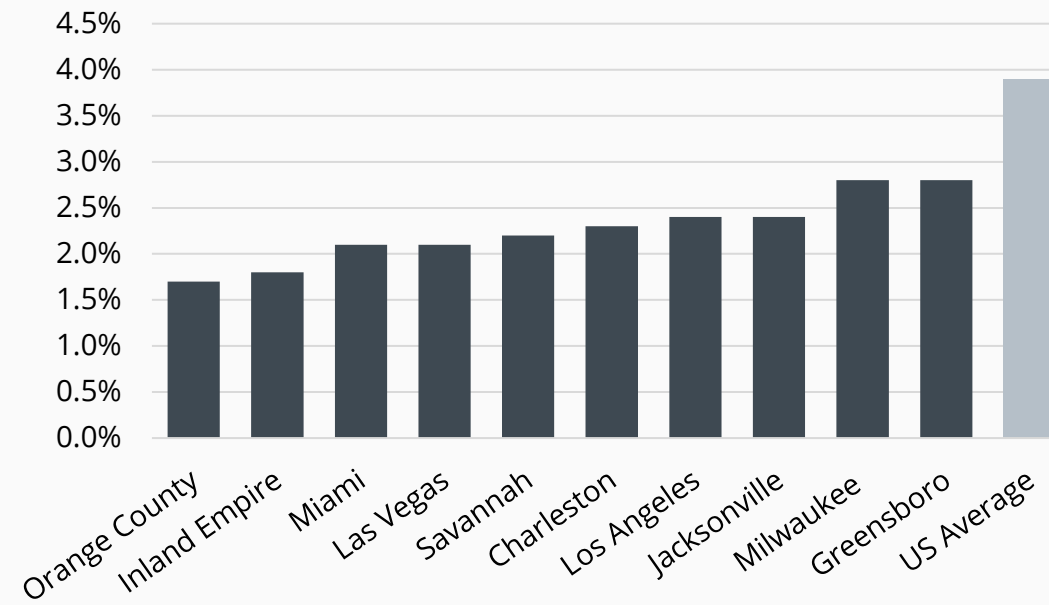
NET ABSORPTION

Q4 2022 Net Absorption



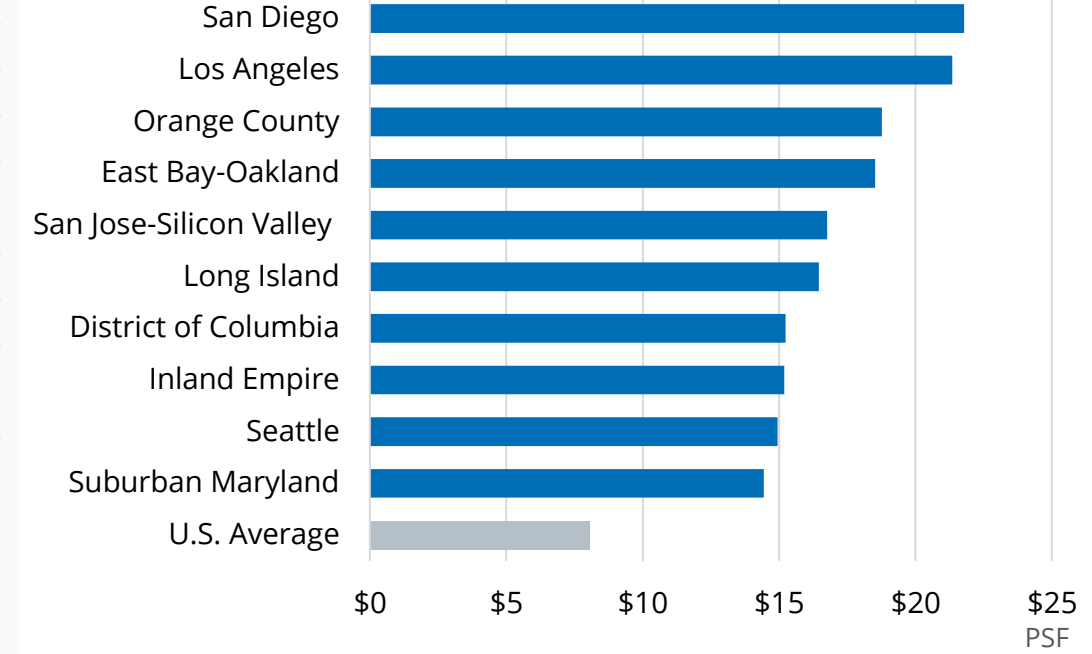
VACANCY/CONSTRUCTION

Q4 2022 Vacancy Rate

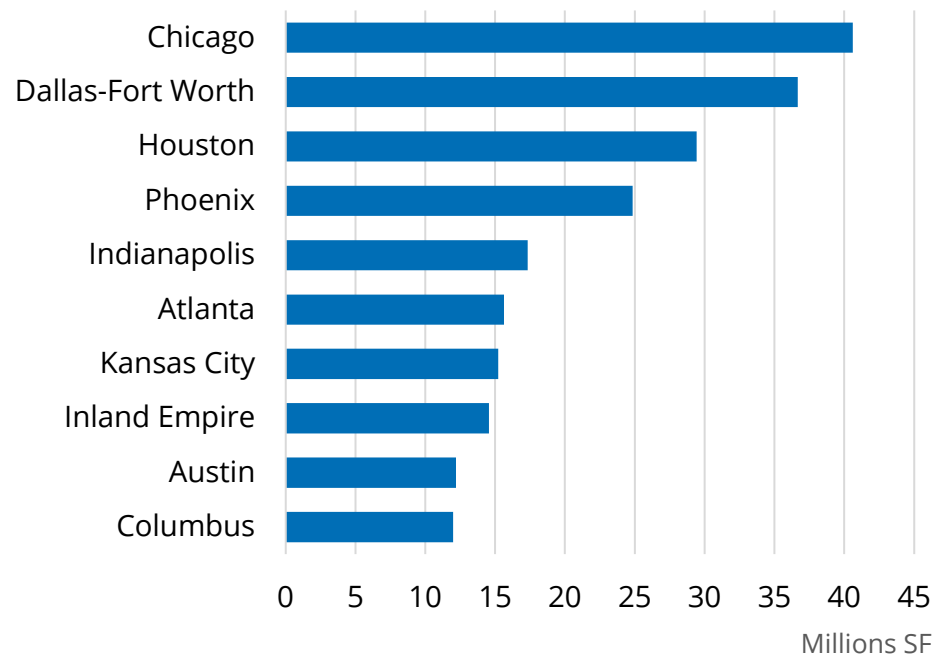


ASKING RENTS

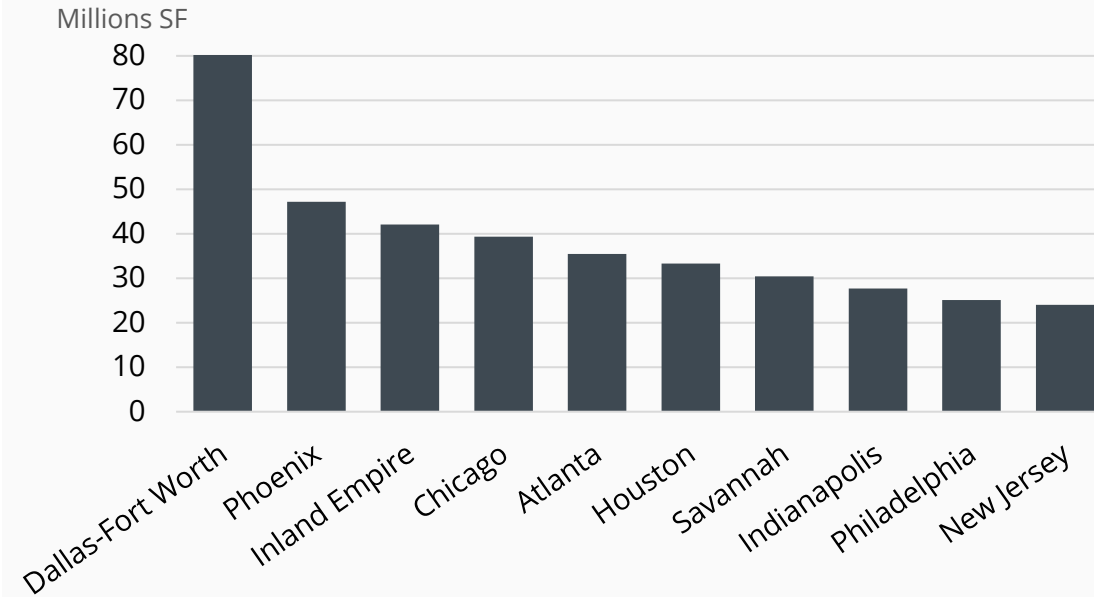
Q4 2022 Asking Rate NNN



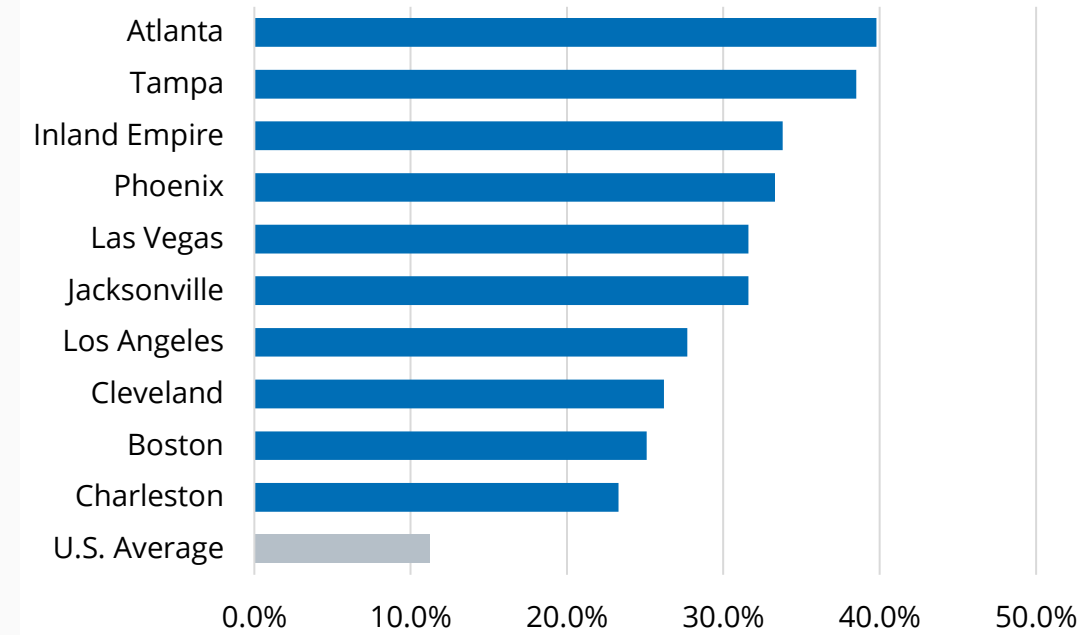
Trailing 4-Qtr Net Absorption



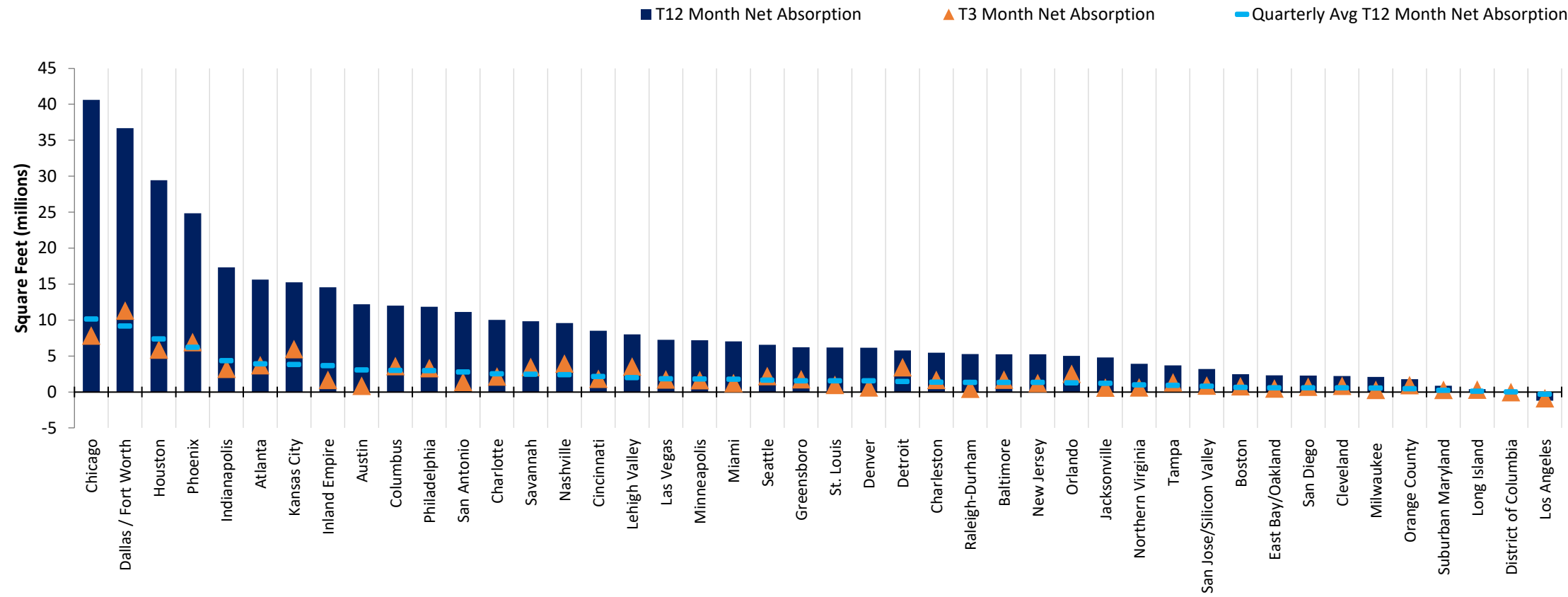
Q4 2022 Under Construction



Year-Over-Year Rent Growth

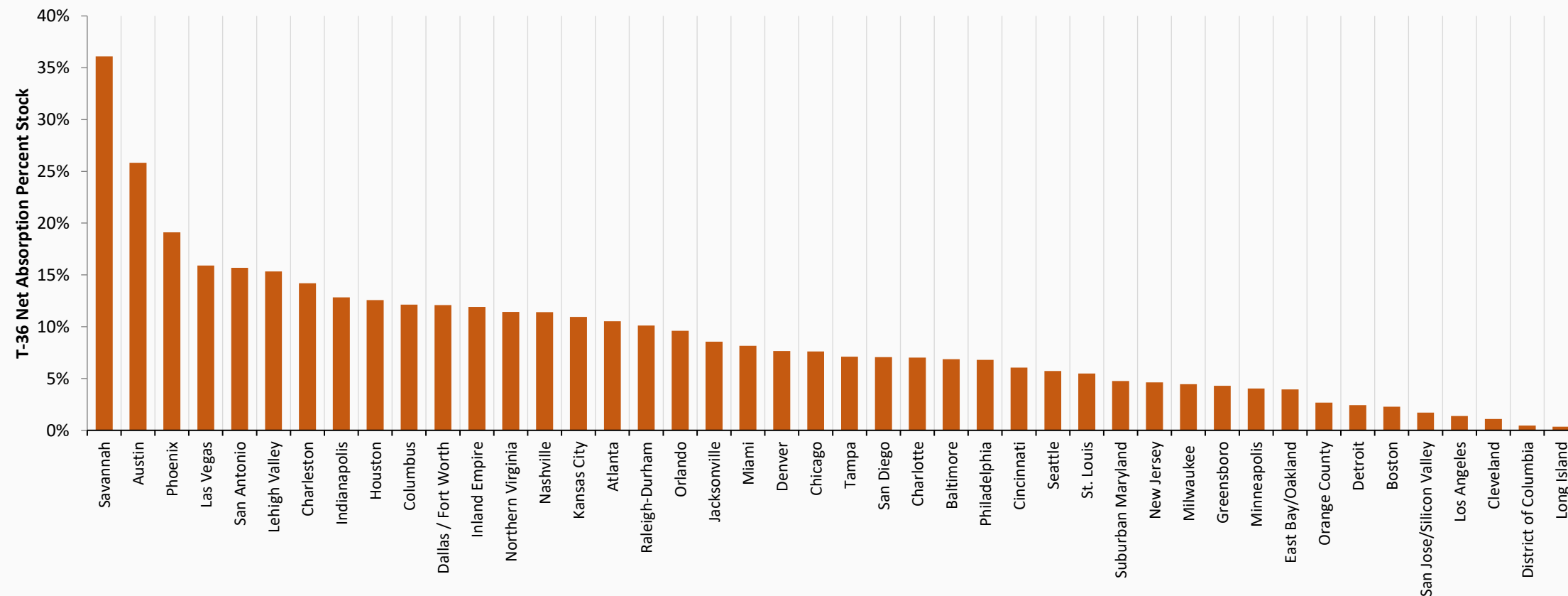


NET ABSORPTION



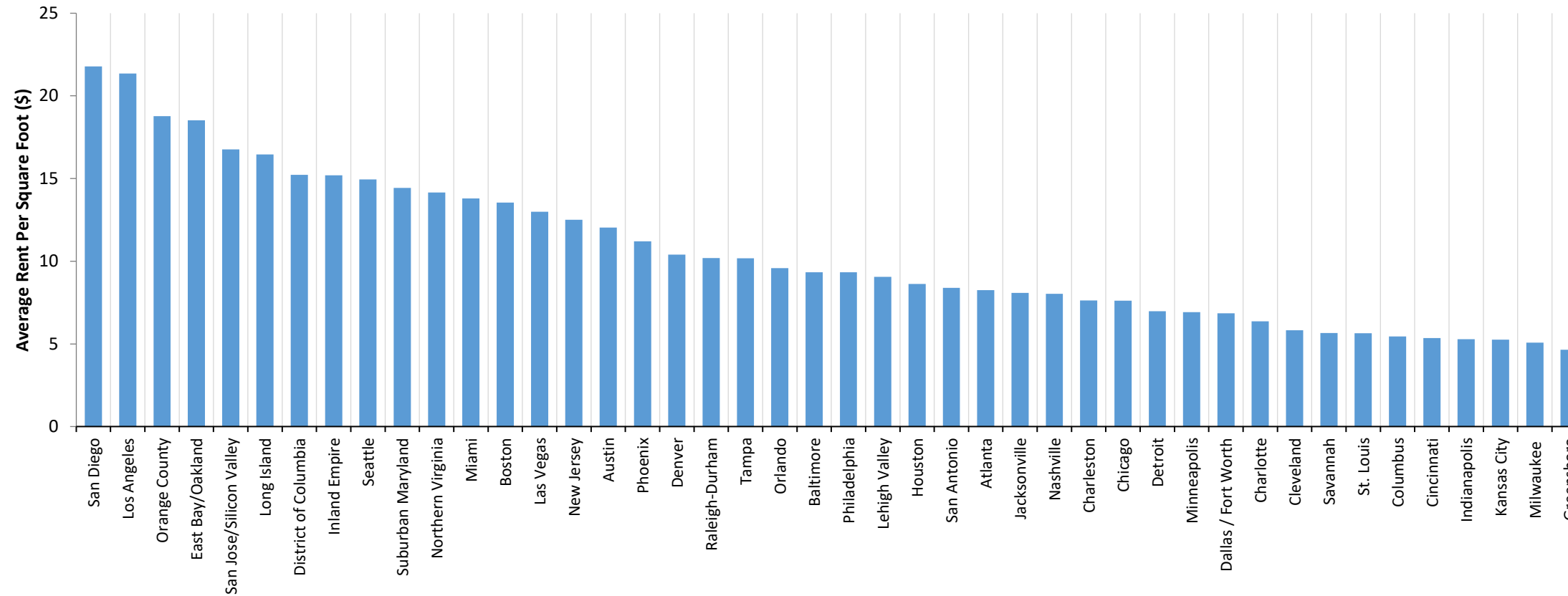
- Positive net absorption was reported in almost all markets over the past 12 months.
- Despite an overall national decline in net absorption, half of markets had quarterly net absorption higher than their 4-quarter average showing that the slowdown is hitting some markets more than others.
- Approximately 40% of all net absorption in 2022 was in the top five markets: Chicago, Dallas, Houston, Phoenix, and Indianapolis.

MARKET EXPANSION: 3 YEAR NET ABSORPTION % STOCK



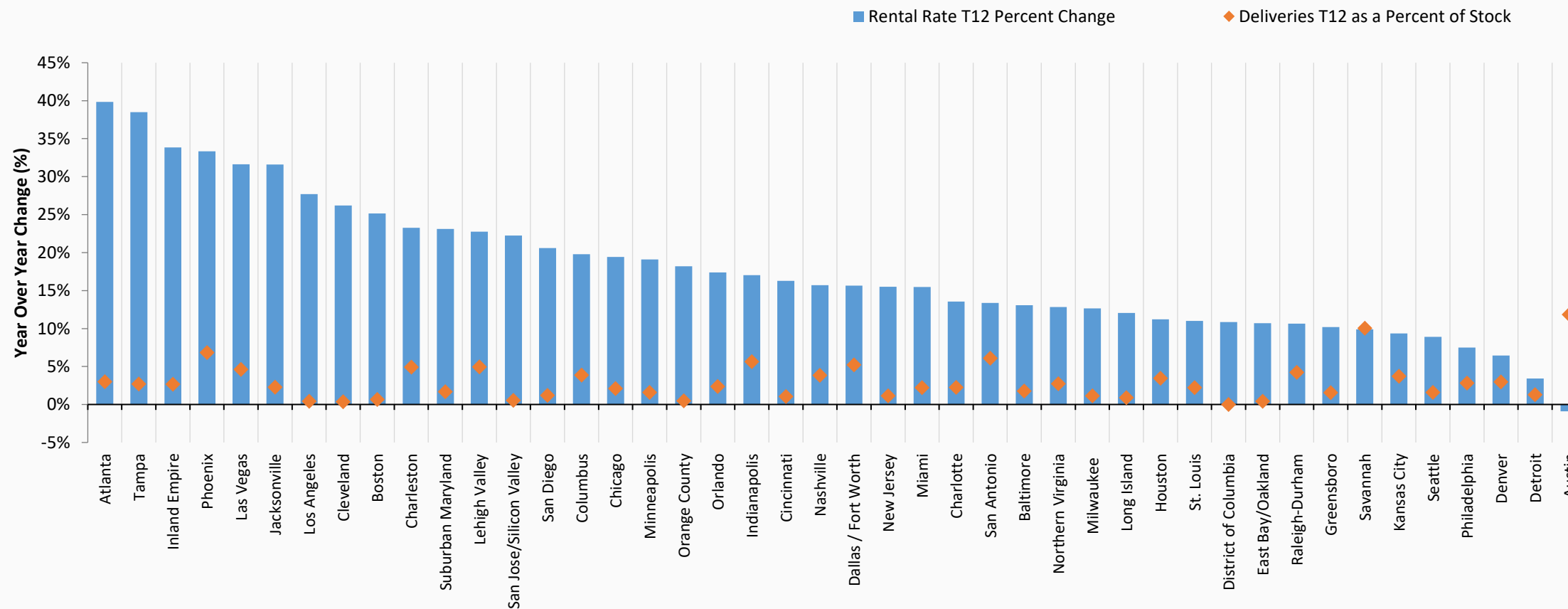
- Here we consider 3-year net absorption as a percent of stock. A higher percentage indicates that a market is more expansionary.
- The Sun Belt continues to expand most quickly as tenants seek industrial space near this population growth center.

RENTAL RATES (NNN)



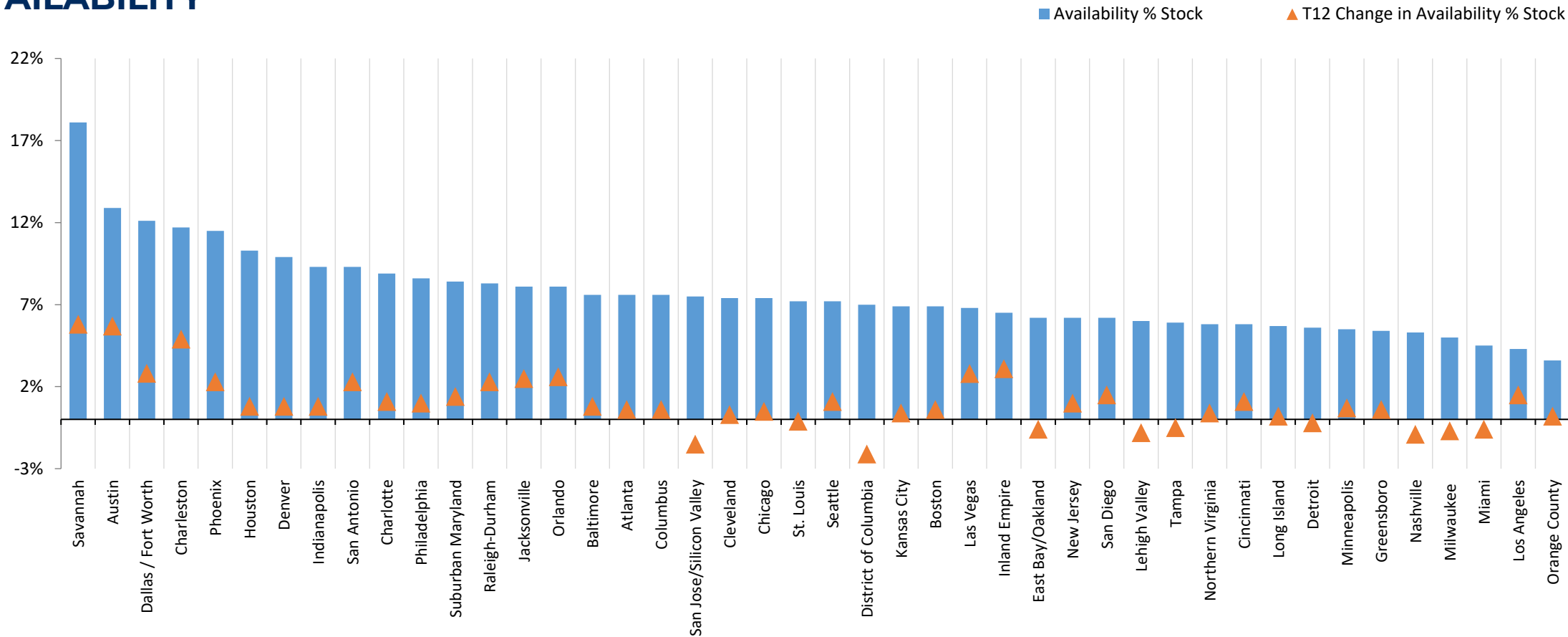
- The top 10 markets with the highest rental rates are predominantly located in the largest shipping port regions on the west and east coasts.
- New construction coupled with constraints on supply account for many of the high rent averages in these core, coastal markets. Despite higher real estate costs, they remain in high demand because a prime location reduces transportation costs.

RENTAL RATE CHANGE



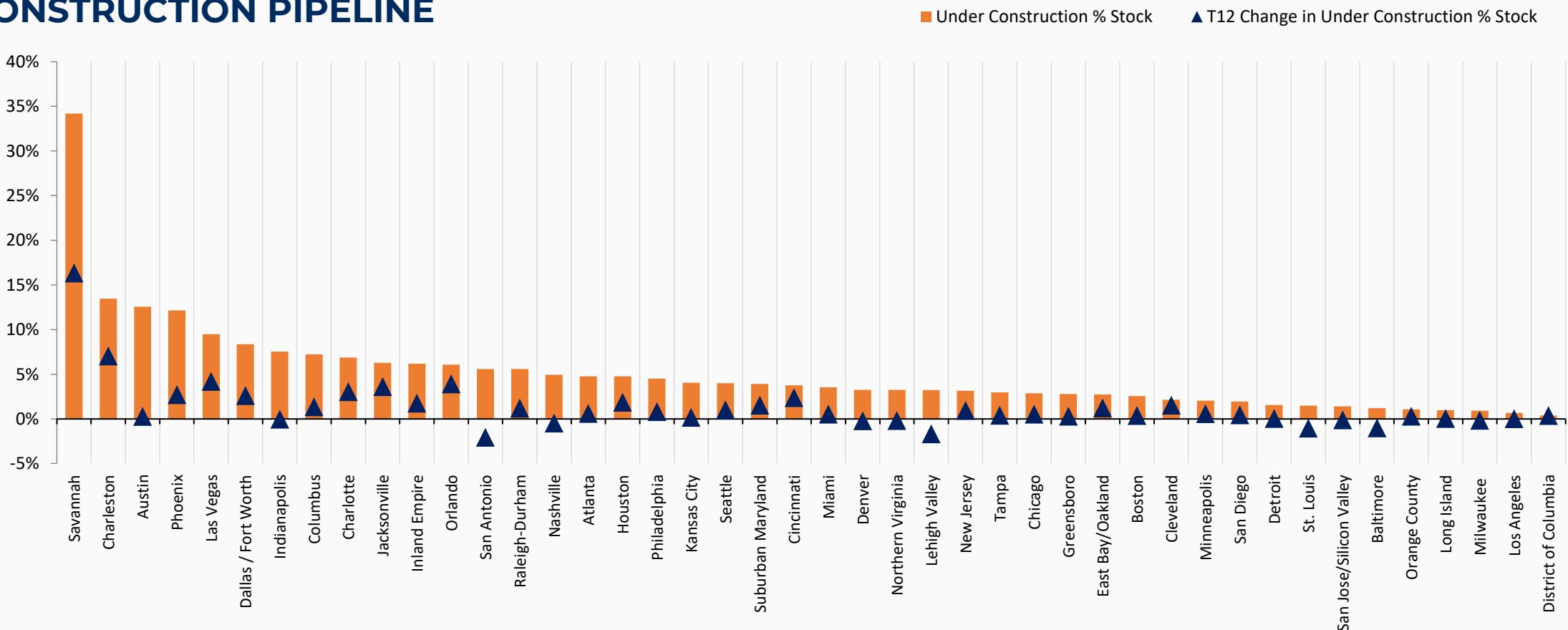
- More than one-quarter of the tracked markets recorded rent increases over 20% YoY, and almost all tracked markets saw positive growth.
- Six markets, all in the Sun Belt, recorded rent growth over 30% during the past 12 months, including Atlanta, Tampa, Inland Empire, Phoenix, Las Vegas, and Jacksonville.
- A few markets, such as Savannah and Austin, saw particularly high delivery levels, in part contributing to their lower or negative rent growth. Deliveries may become an increasingly important factor in rent growth as demand normalizes.

AVAILABILITY



- With availability rates below 5%, the tightest markets include supply-constrained Orange County, Los Angeles, and Miami.
- Many markets loosened over the last year with 70% experiencing an increase in availability.
- Markets seeing the largest increases include Savannah, Austin, Charleston, and Inland Empire – all of which rose over 300 basis points.

CONSTRUCTION PIPELINE



- Under construction stock is indicative of future expansion.
- Capitalizing on much-needed industrial real estate inventory due to substantial population growth, developers continue to build in the Sun Belt. The region comprises eight of the top 10 highest growth markets as it pertains to under-construction stock over the past year.

Market	Inventory Square Feet	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent NNN	Annual Rent Change	Under Construction
Atlanta	742,627,178	3.8%	3.6%	3,718,841	15,639,031	\$8.25	39.8%	35,450,310
Austin	120,339,279	5.0%	4.5%	872,929	12,196,695	\$12.03	-0.9%	15,111,378
Baltimore	230,583,206	5.7%	5.3%	1,717,036	5,235,306	\$9.34	13.1%	2,743,365
Boston	334,284,419	4.3%	4.0%	799,054	2,479,209	\$13.54	25.1%	8,560,520
Charleston	84,680,308	2.3%	2.2%	1,697,665	5,468,855	\$7.63	23.3%	11,403,727
Charlotte	333,700,308	4.9%	4.4%	2,154,490	10,037,742	\$6.37	13.5%	22,923,538
Chicago	1,368,969,249	4.1%	3.9%	7,862,526	40,598,127	\$7.62	19.4%	39,322,215
Cincinnati	324,517,836	2.9%	2.7%	1,856,178	8,522,096	\$5.36	16.3%	12,208,527
Cleveland	331,836,981	4.3%	4.0%	881,017	2,220,284	\$5.83	26.2%	7,141,803
Columbus	321,570,674	3.6%	3.4%	3,596,229	11,995,357	\$5.45	19.8%	23,207,069
Dallas-Fort Worth	968,116,045	6.4%	5.9%	11,303,523	36,666,858	\$6.85	15.6%	80,813,236
Denver	255,225,942	6.0%	5.5%	646,463	6,164,868	\$10.40	6.4%	8,320,226
Detroit	575,508,732	4.1%	3.8%	3,437,884	5,787,833	\$6.98	3.4%	8,905,865
District of Columbia	8,719,746	4.9%	4.5%	(21,647)	40,533	\$15.23	10.8%	32,835
East Bay-Oakland	247,784,302	4.3%	3.6%	480,748	2,301,728	\$18.52	10.7%	6,755,796
Greensboro	290,951,149	2.8%	2.8%	1,767,255	6,230,687	\$4.65	10.2%	8,098,938
Houston	700,208,135	5.6%	5.3%	5,891,688	29,429,727	\$8.63	11.2%	33,317,314
Indianapolis	367,391,700	4.6%	4.0%	3,235,200	17,332,890	\$5.29	17.0%	27,719,134
Inland Empire	681,093,838	1.8%	1.6%	1,673,456	14,557,570	\$15.19	33.8%	42,089,564
Jacksonville	139,925,497	2.4%	2.2%	604,423	4,799,750	\$8.08	31.6%	8,789,995
Kansas City	316,996,077	3.5%	3.4%	5,949,366	15,232,007	\$5.26	9.4%	12,806,297
Las Vegas	152,449,895	2.1%	1.9%	1,741,424	7,251,642	\$12.99	31.6%	14,451,818

Market	Inventory Square Feet	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent NNN	Annual Rent Change	Under Construction
Lehigh Valley	155,186,576	4.0%	3.7%	3,541,268	7,993,982	\$9.06	22.8%	5,013,403
Long Island	156,019,505	4.1%	3.7%	333,933	398,335	\$16.45	12.1%	1,515,607
Los Angeles	852,082,794	2.4%	2.2%	(865,096)	(1,200,282)	\$21.35	27.7%	5,531,630
Miami	238,547,196	2.1%	1.8%	1,254,647	7,031,908	\$13.80	15.5%	8,411,440
Milwaukee	246,603,500	2.8%	2.7%	299,368	2,107,228	\$5.08	12.6%	2,234,399
Minneapolis	389,463,208	3.0%	2.7%	1,661,795	7,184,282	\$6.92	19.1%	7,909,470
Nashville	237,939,819	3.1%	2.7%	3,959,756	9,573,720	\$8.03	15.7%	11,750,437
New Jersey	762,091,472	3.0%	2.7%	1,238,648	5,234,959	\$12.51	15.5%	23,989,599
Northern Virginia	120,393,332	3.3%	3.2%	651,733	3,928,691	\$14.16	12.8%	3,915,306
Orange County	270,363,164	1.7%	1.5%	962,228	1,782,207	\$18.77	18.2%	2,858,288
Orlando	173,411,099	3.2%	2.9%	2,535,131	5,016,575	\$9.58	17.4%	10,506,808
Philadelphia	557,034,526	4.9%	4.5%	3,314,655	11,844,526	\$9.33	7.5%	25,129,603
Phoenix	388,123,997	5.1%	4.9%	6,935,171	24,846,469	\$11.20	33.3%	47,187,006
Raleigh-Durham	131,873,099	3.5%	3.2%	461,234	5,264,548	\$10.19	10.6%	7,348,774
San Antonio	147,761,787	3.5%	3.3%	1,413,580	11,113,617	\$8.39	13.4%	8,241,472
San Diego	181,829,996	3.2%	2.4%	732,757	2,285,135	\$21.78	20.6%	3,505,859
San Jose-Silicon Valley	184,620,766	6.0%	5.5%	886,871	3,203,701	\$16.76	22.2%	2,578,599
Savannah	89,088,850	2.2%	2.2%	3,468,805	9,838,480	\$5.66	9.9%	30,457,740
Seattle	329,639,776	3.9%	3.7%	2,213,219	6,572,978	\$14.94	8.9%	13,128,793
St. Louis	307,674,134	4.0%	3.6%	995,192	6,182,870	\$5.65	11.0%	4,546,814
Suburban Maryland	106,338,978	5.8%	5.5%	288,019	860,959	\$14.44	23.1%	4,151,526
Tampa	185,023,704	4.4%	4.2%	1,343,762	3,705,500	\$10.18	38.5%	5,470,729



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RESEARCH METHODOLOGY

The information in this report is a compilation of single and multi-tenant industrial and flex properties located in select U.S. metropolitan areas. Government-owned buildings are excluded from analysis. All rents are reported as triple net.