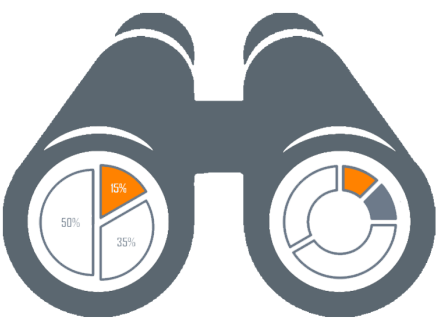


COMMERCIAL REAL ESTATE

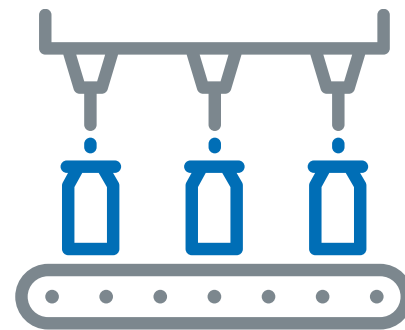
U.S. MARKET | Industrial

Q3 2023

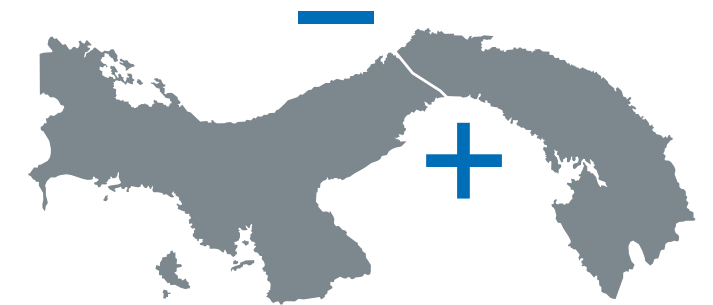
THE VIEW FROM HERE



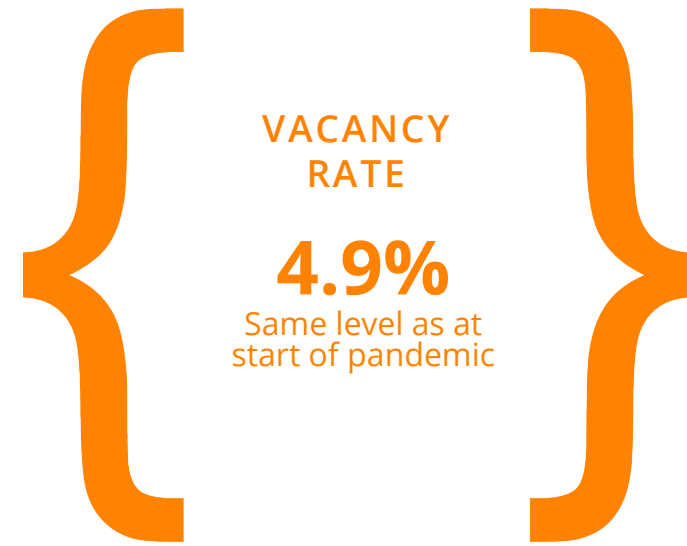

Growing emphasis on convenience to consumers will continue to drive industrial demand.



Evolving supply chain strategies are benefitting manufacturing regions across the U.S.



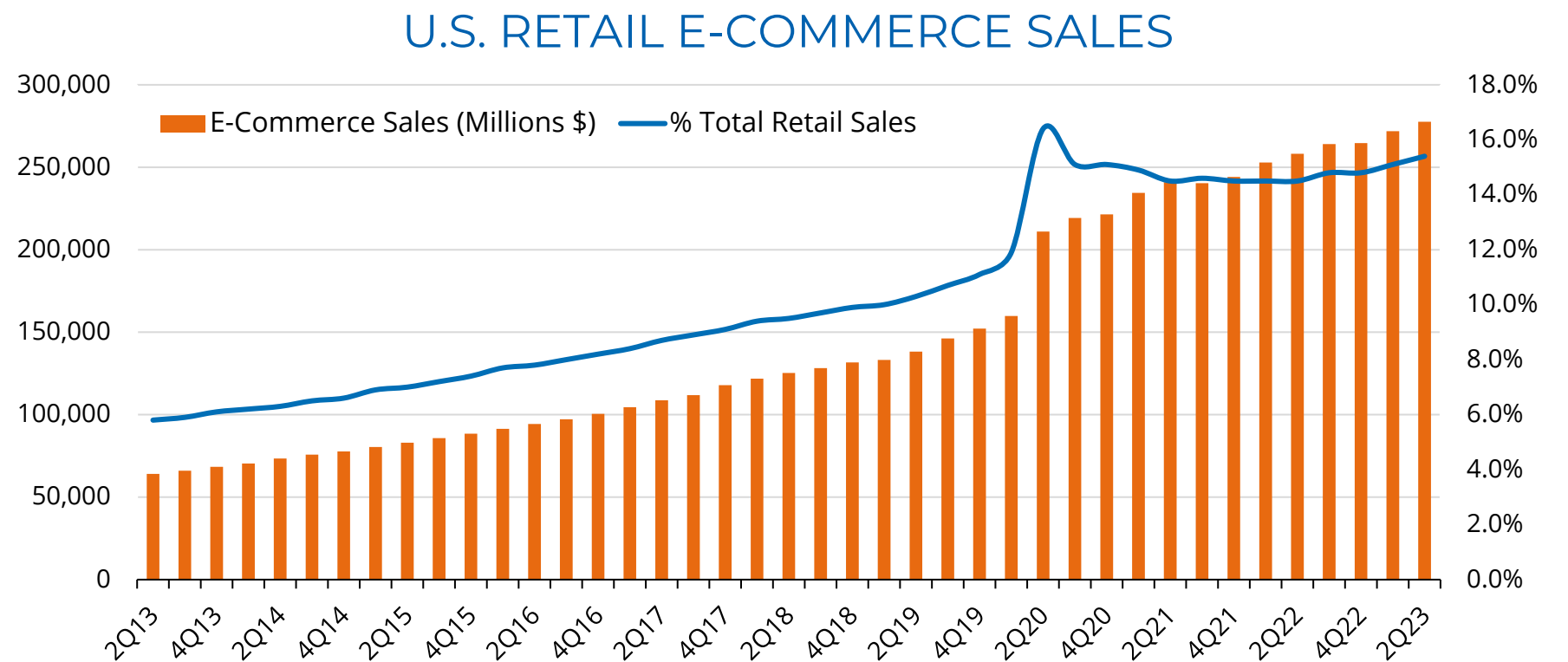
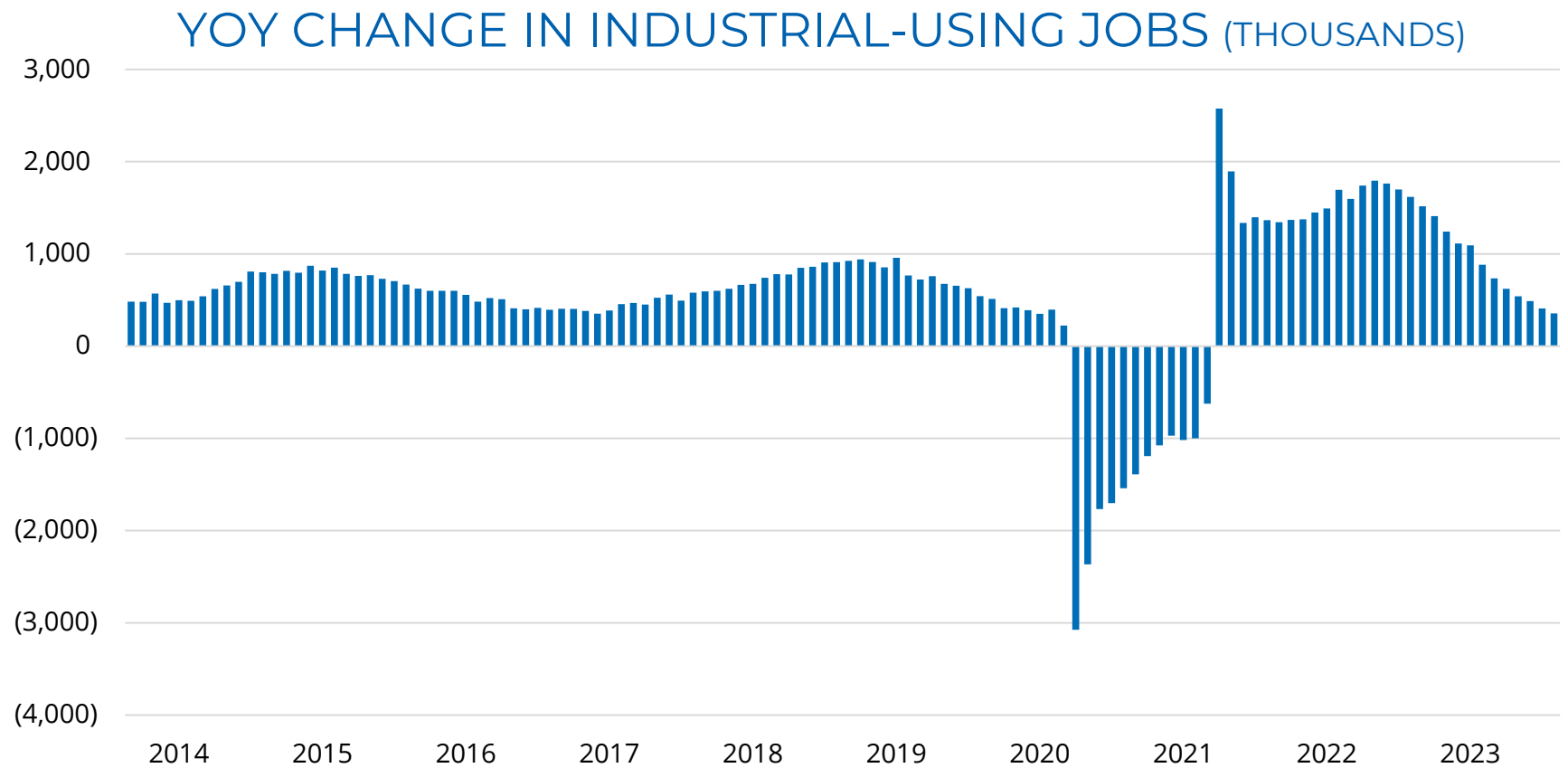
Droughts in the Panama Canal may lessen East Coast trade volumes, furthering the rebound of West Coast ports.



ECONOMIC HIGHLIGHTS

- Jobs supporting industrial real estate increased by 1.1% during the past 12 months, the lowest level since Q1 2021, while trucking employment fell considerably, impacted by Yellow’s bankruptcy.
- Construction labor total improved over the quarter, as spending on construction continued to grow, boosted by manufacturing projects.
- Onshoring continued to drive manufacturing development in the U.S., which is increasingly incentivized by public funding packages, including tax credits through the Inflation Reduction Act.
- While manufacturing employment increased, the sector continued to contract during the quarter as inventories remained healthy, though the September reading was the highest level in 10 months.
- Consumer spending decelerated as excess savings dwindled amid persistent economic uncertainty, while consumer confidence declined for consecutive months to close the quarter.
- Heading into the holiday season, warehouses maintain strong inventory levels and are less likely to reload in an inflationary environment, resulting in lower import volumes at the ports.
- Sales growth for e-commerce continues to outpace brick-and-mortar, boding well for sustained warehouse market expansion.
- Fuel costs are anticipated to rise, which may benefit intermodal shipping, which is more energy efficient, especially on longer-distance deliveries.

HISTORICAL

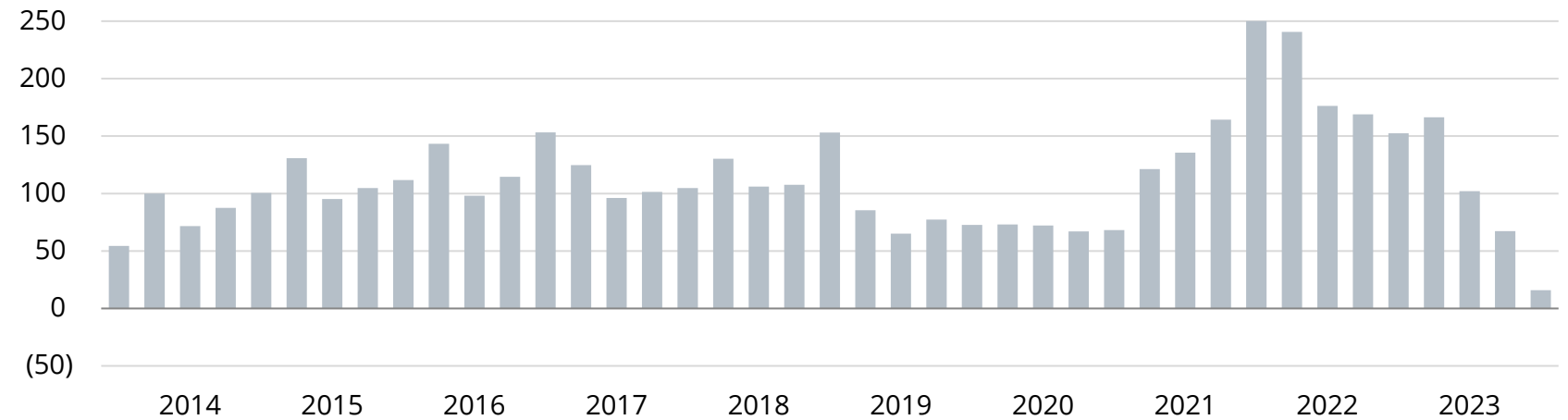


MARKET HIGHLIGHTS

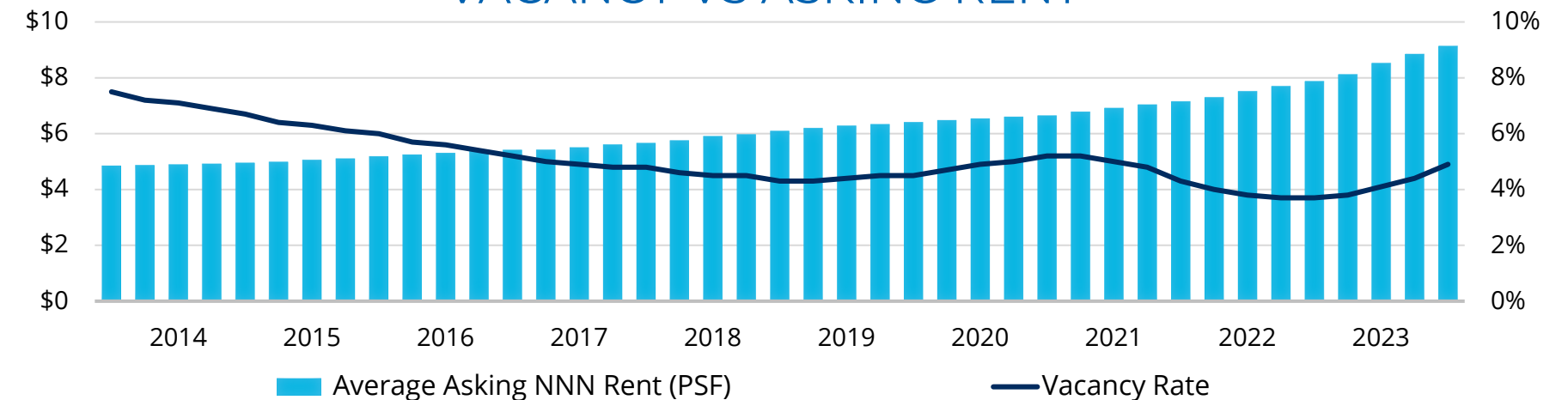
- Total occupied space grew for the 55th straight quarter, though it was the third-lowest increase during the streak.
- Despite continued occupancy growth, the overall vacancy rate increased by 50 basis points as new deliveries widely outpaced net absorption totals.
- 31 of 44 markets recorded positive net absorption during Q3, up from 29 the prior quarter.
- Over the past 12 months, 89% of markets recorded growth, with 15% absorbing more than 10 MSF of space.
- Sublease offerings continued to rise, surpassing 100 MSF representing 8.5% of vacant space, the highest share since 2002.
- The average asking rent registered a record high for the 25th consecutive quarter, climbing above \$9.00 PSF.
- Rents increased 16.0% YoY, setting a record for the seventh consecutive quarter.
- All but four markets reported YoY rent increases, with 10 markets registering rent growth greater than 20%, down from 16 in the previous quarter.
- Big-box construction starts fell to the lowest level since Q1 2015, while new deliveries were lower for the second consecutive quarter.
- The slowdown in construction starts, coupled with the growing field of tenant types seeking industrial space - such as life science companies, cold storage users and data centers - will help allay fears of overbuilding.
- While the market has cooled from a torrid pace of expansion, leasing velocity remains on par with historically strong periods, but minimal rollover and record development have tempered absorption totals.

HISTORICAL

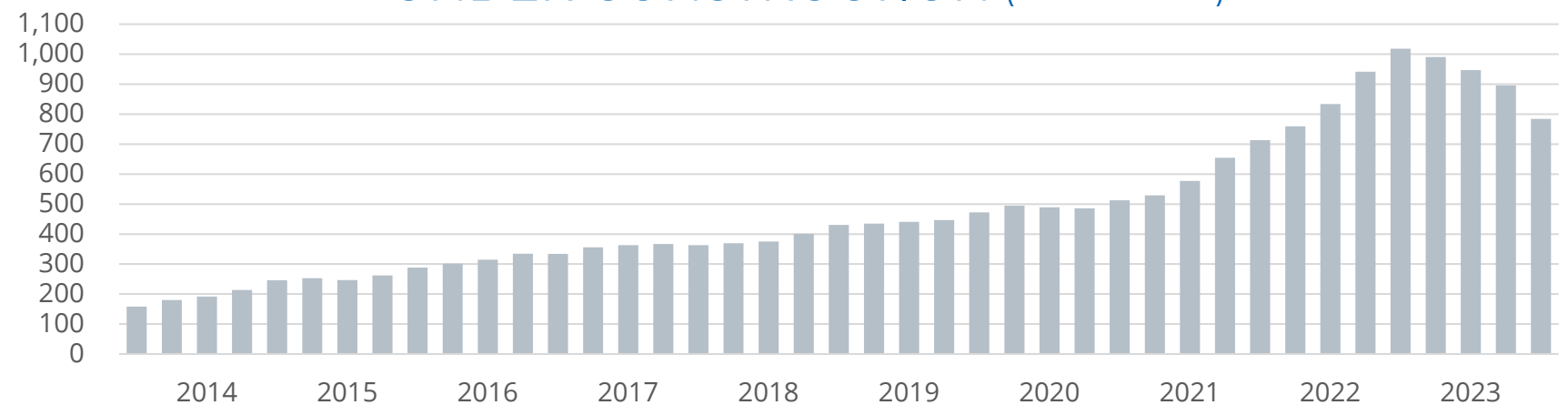
NET ABSORPTION (MILLION SF)



VACANCY VS ASKING RENT

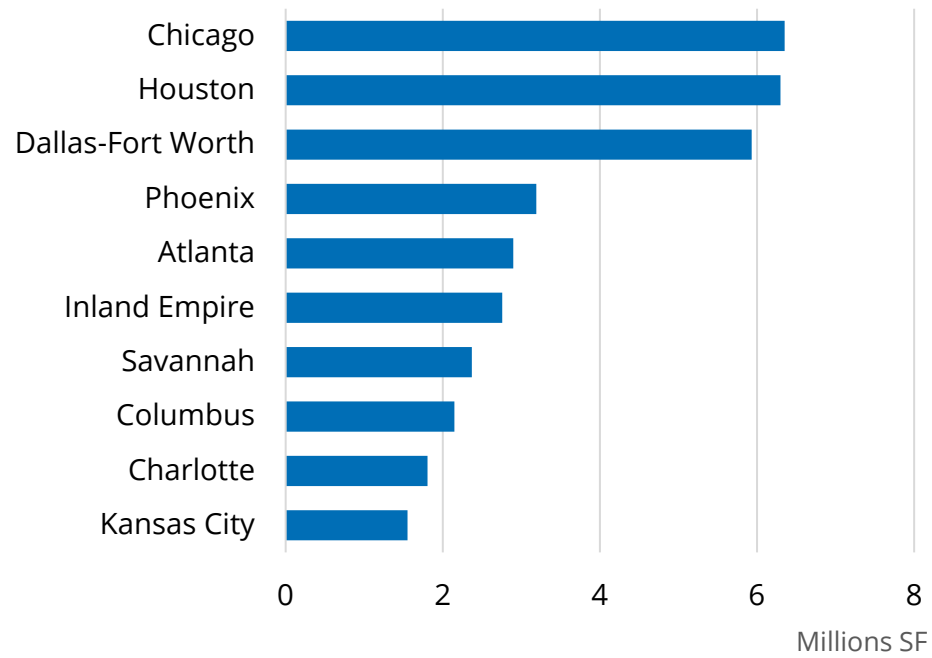


UNDER CONSTRUCTION (MILLION SF)



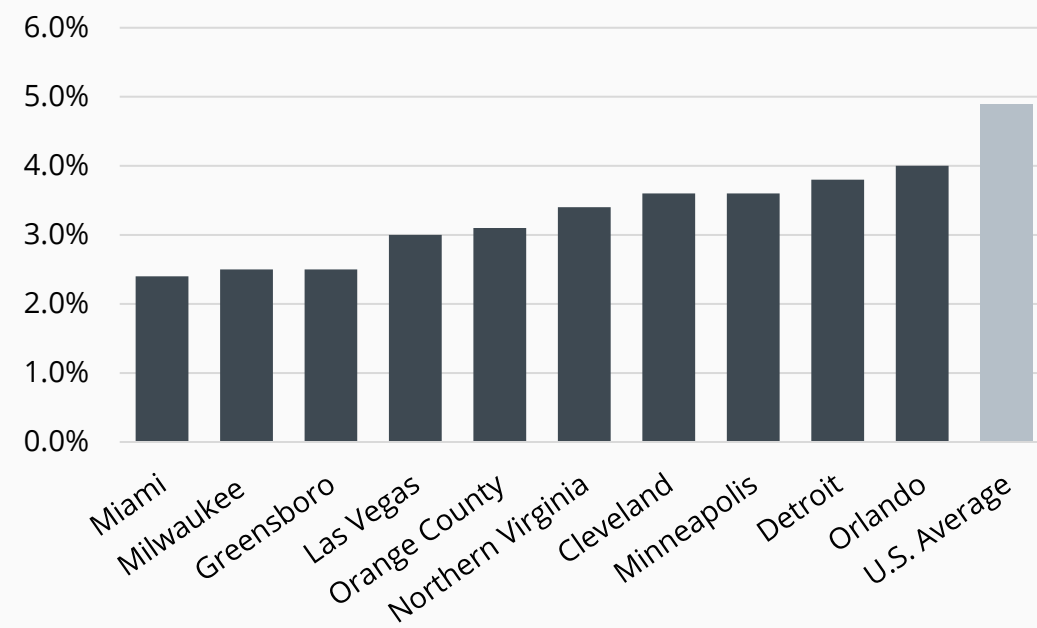
NET ABSORPTION

Q3 2023 Net Absorption



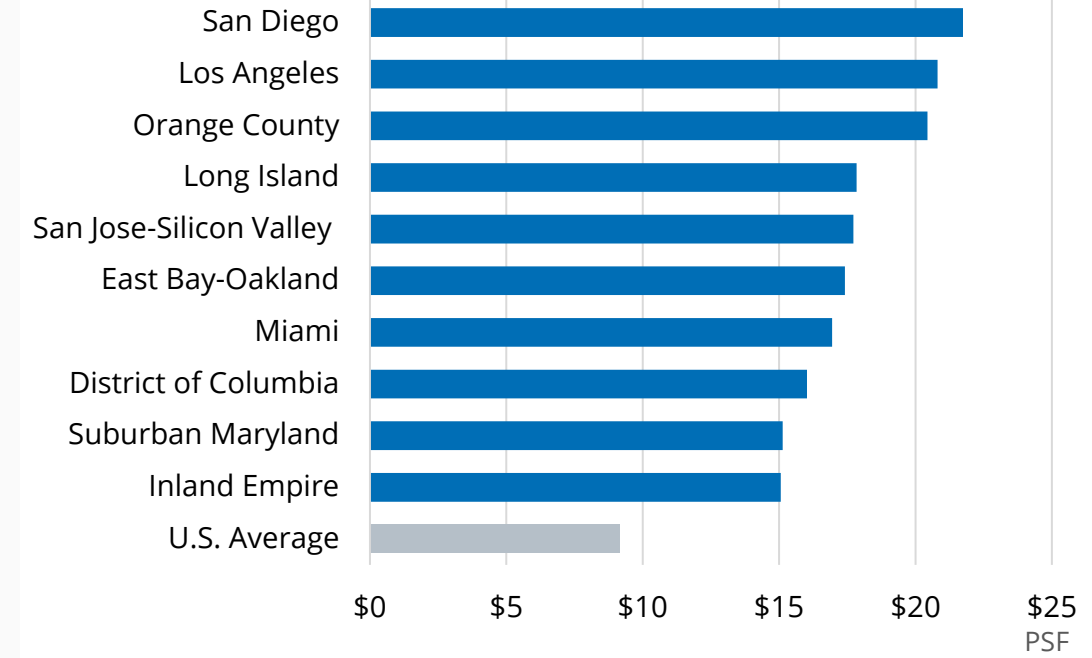
VACANCY/CONSTRUCTION

Q3 2023 Vacancy Rate

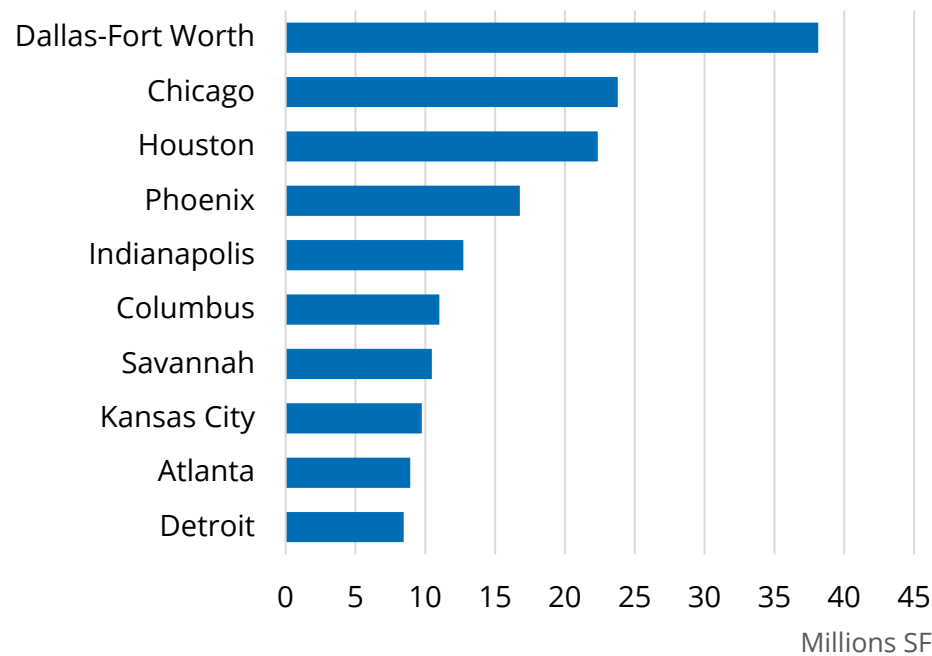


ASKING RENTS

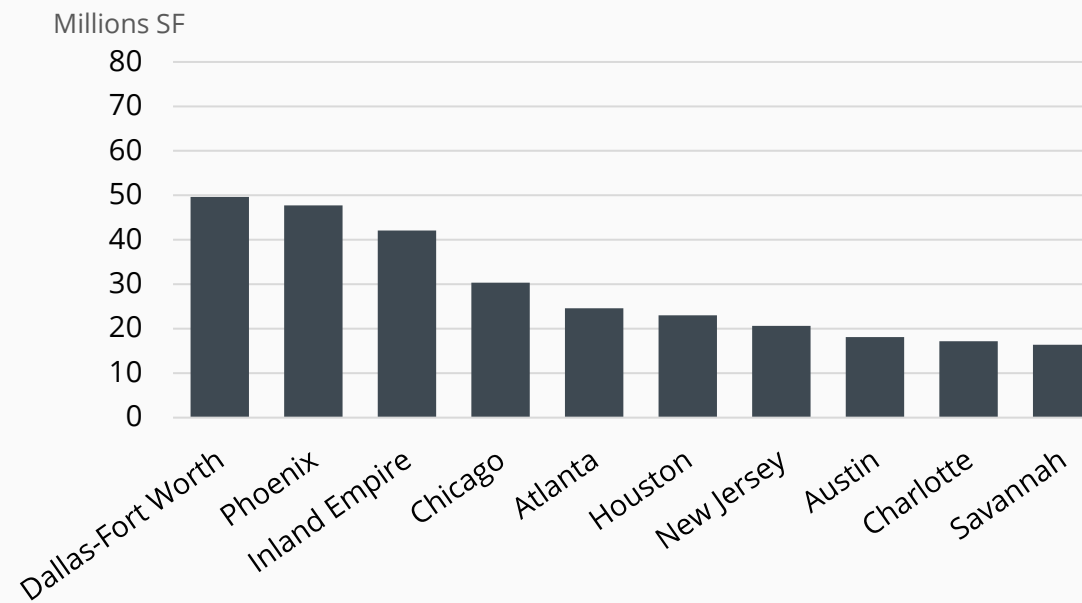
Q3 2023 Asking Rate NNN



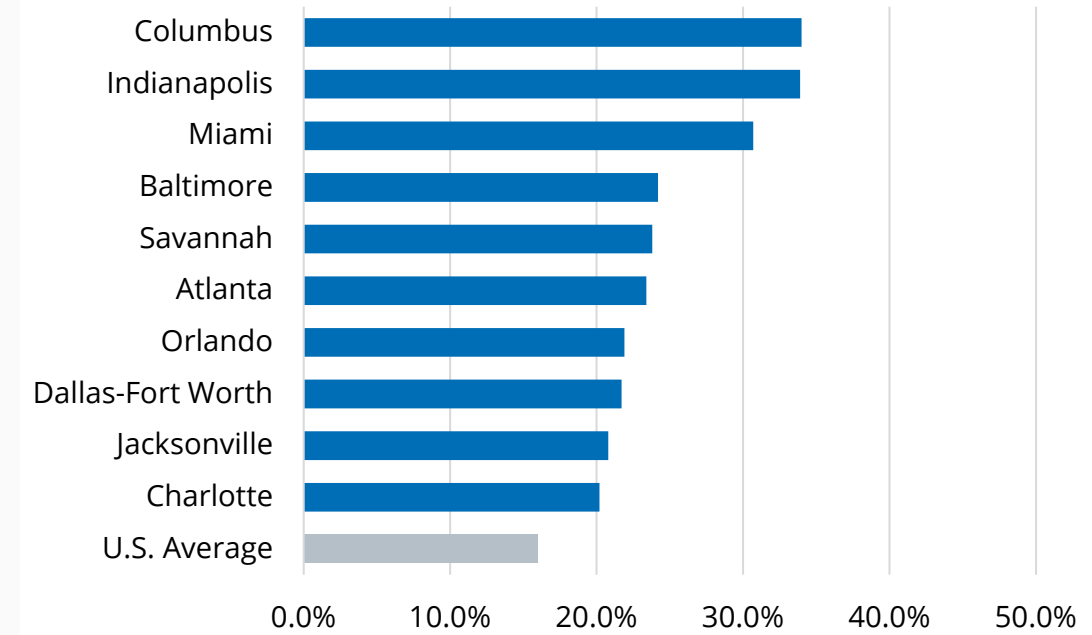
Trailing 4-Qtr Net Absorption



Q3 2023 Under Construction

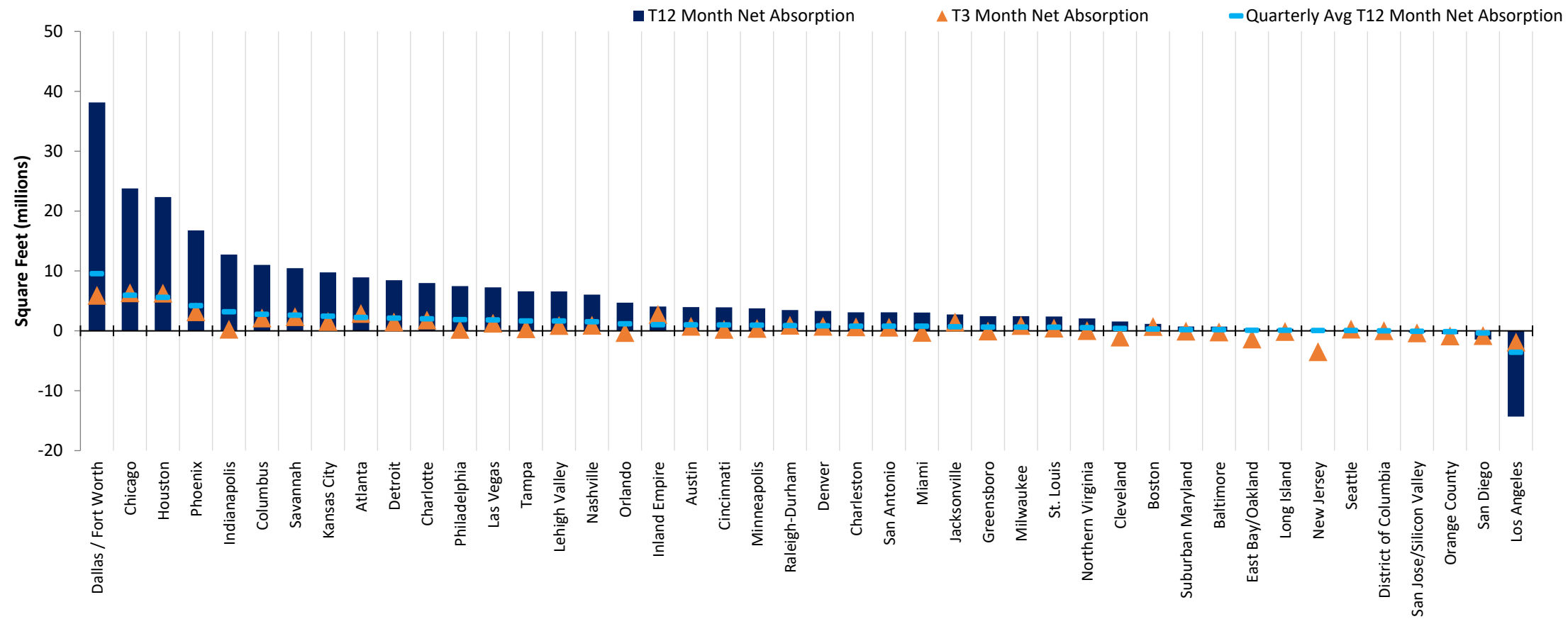


Year-Over-Year Rent Growth



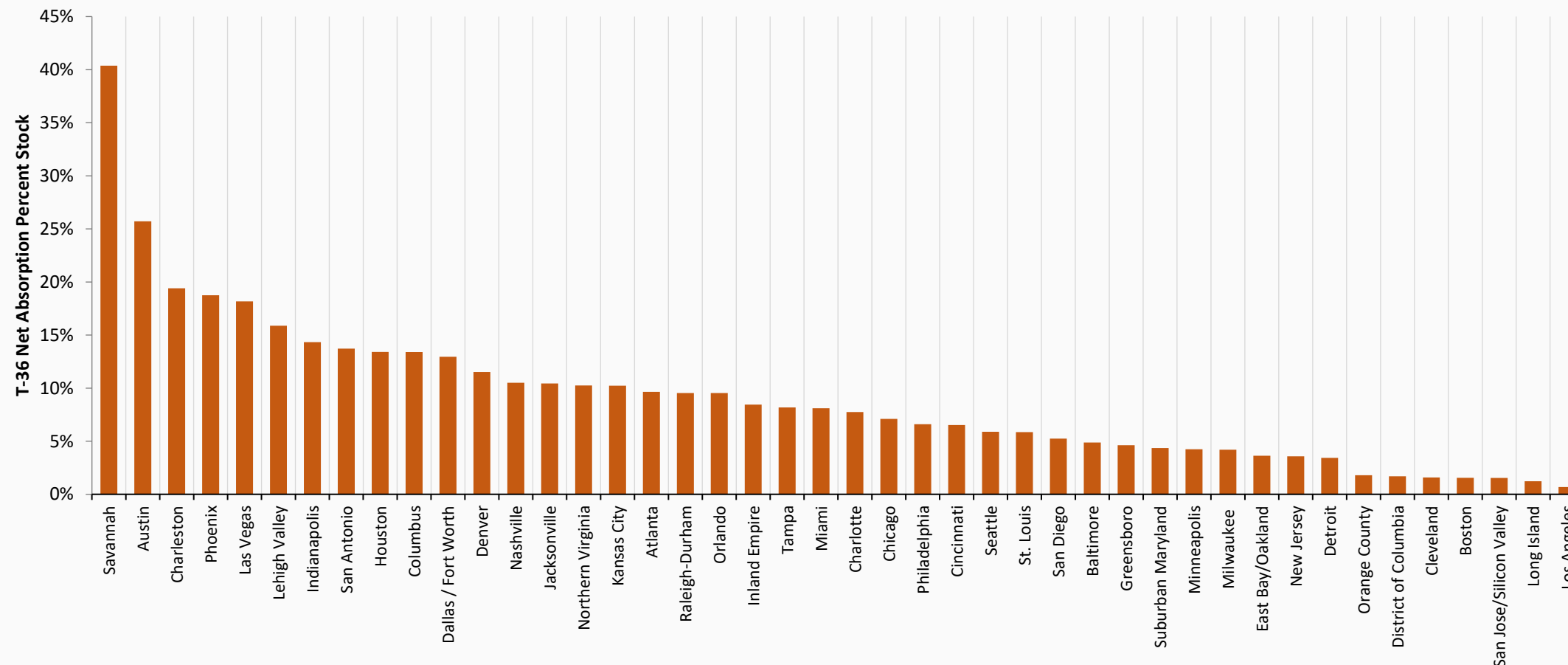
*Several factors can result in the variability of asking rent and rent growth figures including, but not limited to, the level of new construction and the number of available space with no listed asking rents,

NET ABSORPTION



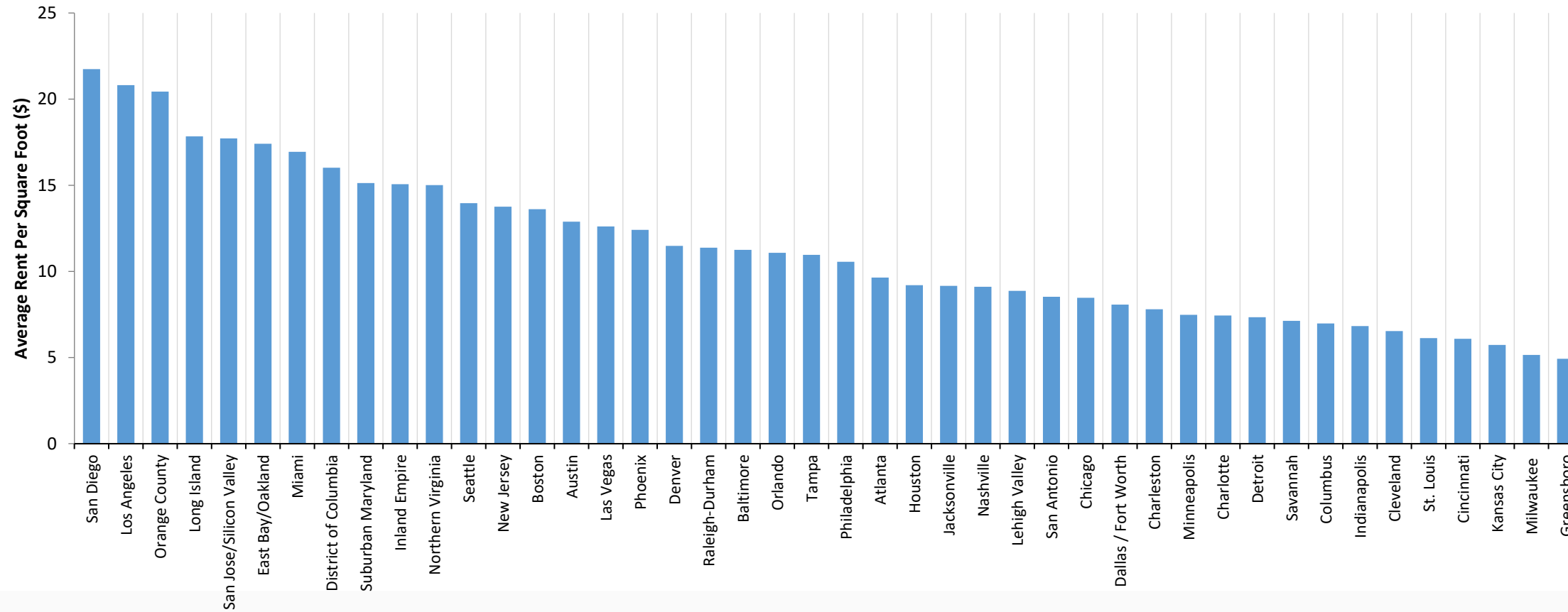
- Positive net absorption was reported in almost all markets over the past 12 months.
- However, market growth is slowing. Only 25% of markets posted-quarterly net absorption higher than the quarterly average for the past year. Particularly strong markets by this measure include Inland Empire, Jacksonville, Atlanta, and Houston.
- Over 50% of all net absorption over the past 12 months occurred in the top six markets: Dallas-Fort Worth, Chicago, Houston, Phoenix, Indianapolis, and Columbus.

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.
- As population shifts to the Sun Belt, tenants continue to seek industrial space in the region. The Sun Belt included the top five - and seven of the top 10 - markets for expansion.

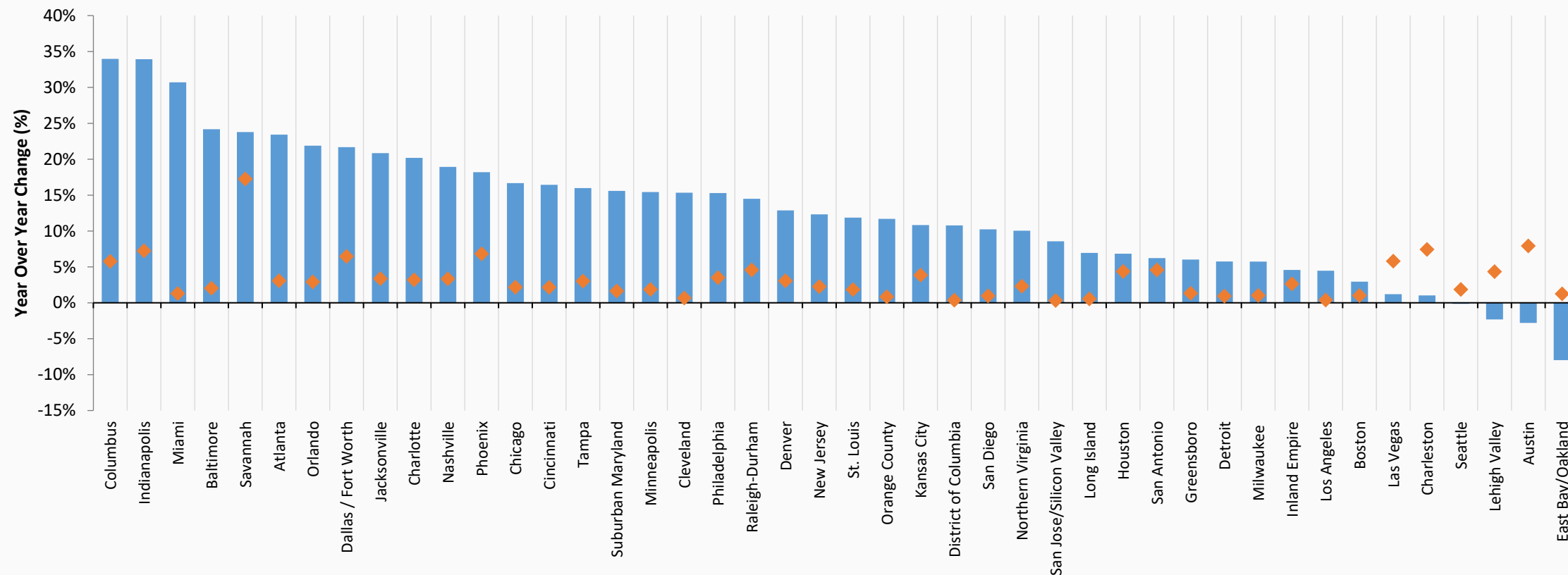
RENTAL RATES (NNN)



- 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 rental rates, they remain in high demand as their prime locations reduce transportation costs.

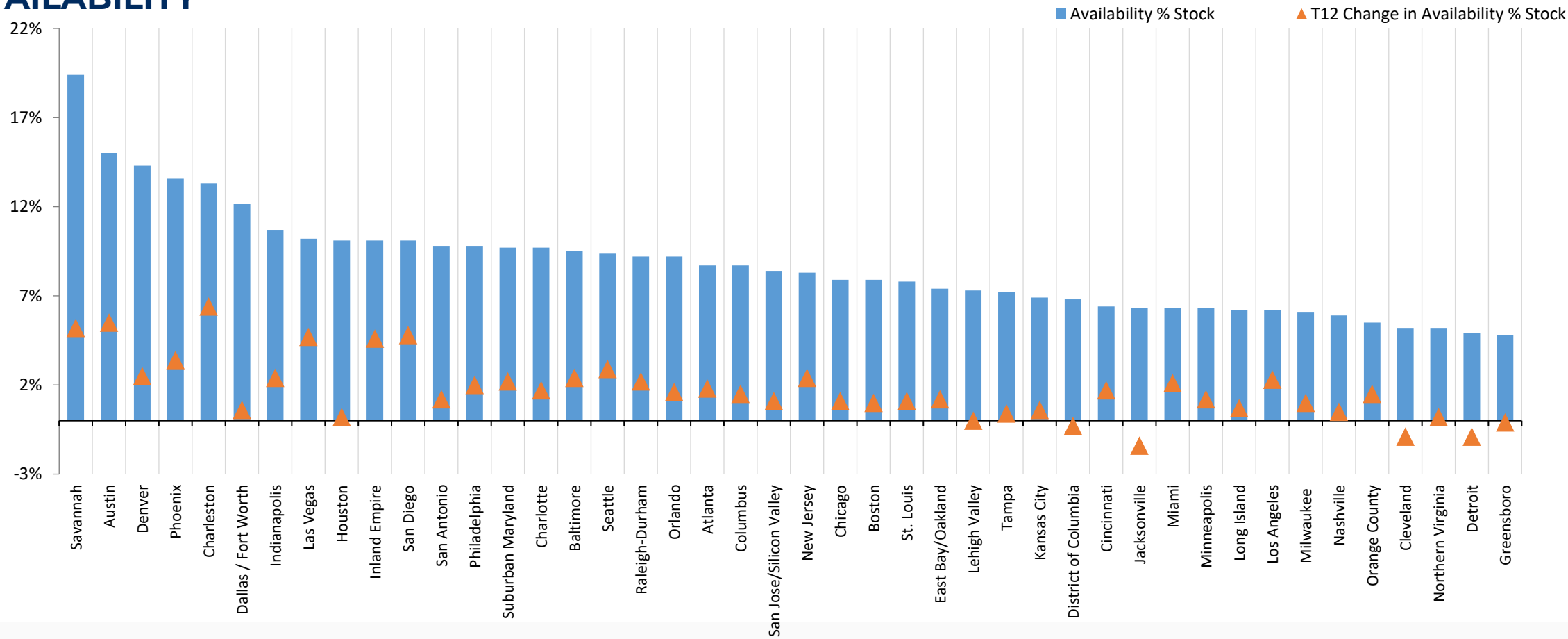
RENTAL RATE CHANGE

■ Rental Rate T12 Percent Change ◆ Deliveries T12 as a Percent of Stock



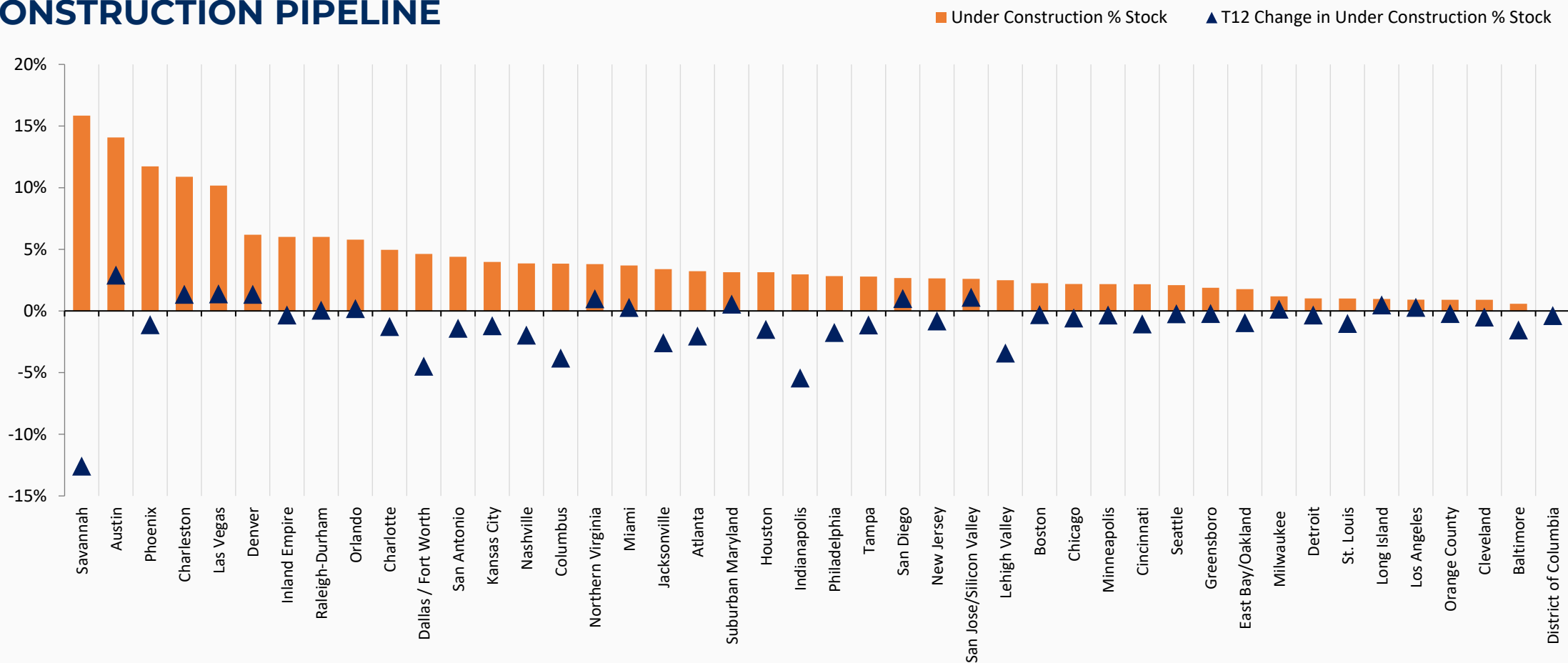
- Over 40% of the tracked markets recorded rent increases of over 15% YoY, and almost all tracked markets saw positive growth over the time period.
- Three markets recorded rent growth of over 30% during the past 12 months: Columbus, Indianapolis, and Miami.
- A few markets, such as Las Vegas, Charleston, Lehigh Valley, and Austin, saw particularly high delivery levels, which in part contributed to their lower or negative rent growth. Delivery levels may become an increasingly important factor in rent growth as demand normalizes.

AVAILABILITY



- Markets with the highest availability are also those with the highest construction levels and include fast-growing Savannah, Austin, and Phoenix.
- Many markets loosened over the last year as demand eased, with over 85% experiencing an increase in availability.
- Markets experiencing the largest increases include Charleston, Austin, Savannah, San Diego, Las Vegas, and Inland Empire, all of which rose over 400 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 and a recent shipping shift, developers continue to build in the Sun Belt. The region dominates the top 10 highest growth markets as it pertains to under-construction stock.

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	762,650,776	5.1%	4.6%	2,897,110	8,918,860	\$9.64	23.4%	24,585,673
Austin	128,844,349	8.5%	7.7%	756,272	3,965,956	\$12.89	-2.8%	18,140,486
Baltimore	234,711,781	6.9%	6.3%	(181,116)	699,827	\$11.25	24.2%	1,371,234
Boston	335,434,664	5.1%	4.8%	714,823	1,152,128	\$13.61	3.0%	7,544,947
Charleston	94,171,813	6.4%	5.6%	658,633	3,100,908	\$7.80	1.0%	10,253,635
Charlotte	346,176,464	5.8%	5.4%	1,806,268	7,976,527	\$7.44	20.2%	17,173,363
Chicago	1,388,916,067	4.5%	4.2%	6,351,283	23,778,235	\$8.47	16.7%	30,342,068
Cincinnati	333,790,649	4.2%	4.0%	258,185	3,923,041	\$6.09	16.4%	7,240,012
Cleveland	330,624,624	3.6%	3.5%	(1,040,446)	1,556,430	\$6.54	15.3%	2,990,992
Columbus	341,954,002	5.9%	4.9%	2,148,130	11,010,399	\$6.98	34.0%	13,116,791
Dallas-Fort Worth	1,072,896,415	8.3%	7.5%	5,932,604	38,136,325	\$8.07	21.7%	49,639,259
Denver	175,162,842	8.1%	7.6%	757,040	3,312,776	\$11.48	12.9%	10,824,892
Detroit	577,609,710	3.8%	3.4%	1,488,806	8,447,349	\$7.34	5.8%	5,893,309
District of Columbia	8,778,701	5.4%	5.0%	26,891	(38,849)	\$16.02	10.8%	0
East Bay-Oakland	253,060,844	5.3%	4.1%	(1,357,754)	374,084	\$17.41	-8.0%	4,478,588
Greensboro	158,902,691	2.5%	2.4%	(31,779)	2,454,049	\$4.93	6.0%	2,991,901
Houston	733,408,989	6.6%	6.1%	6,298,478	22,348,915	\$9.20	6.9%	23,022,878
Indianapolis	394,497,340	7.8%	7.0%	273,907	12,728,712	\$6.83	33.9%	11,686,331
Inland Empire	699,975,274	4.8%	3.8%	2,758,266	4,049,915	\$15.06	4.6%	42,072,985
Jacksonville	144,609,705	4.2%	3.7%	1,462,498	2,722,669	\$9.16	20.8%	4,904,002
Kansas City	324,541,441	4.3%	3.7%	1,550,635	9,752,935	\$5.73	10.8%	12,904,315
Las Vegas	155,428,537	3.0%	2.7%	1,279,647	7,259,849	\$12.61	1.2%	15,808,082

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	158,708,667	4.3%	4.2%	890,245	6,578,684	\$8.87	-2.3%	3,962,651
Long Island	157,014,080	4.5%	4.1%	(110,516)	349,712	\$17.84	7.0%	1,525,714
Los Angeles	926,530,347	4.1%	3.5%	(1,879,563)	(14,320,411)	\$20.81	4.5%	8,477,157
Miami	246,457,505	2.4%	2.2%	(262,745)	3,053,064	\$16.94	30.7%	9,102,502
Milwaukee	247,916,995	2.5%	2.5%	891,691	2,444,695	\$5.15	5.7%	2,942,845
Minneapolis	397,723,569	3.6%	3.2%	402,329	3,757,257	\$7.48	15.4%	8,658,868
Nashville	246,289,751	4.4%	3.2%	922,566	6,047,467	\$9.11	18.9%	9,496,805
New Jersey	781,067,895	5.0%	4.5%	(3,484,975)	226,198	\$13.76	12.3%	20,627,005
Northern Virginia	123,397,636	3.4%	3.3%	32,179	2,070,791	\$15.01	10.0%	4,689,486
Orange County	272,596,964	3.1%	2.3%	(848,878)	(549,639)	\$20.44	11.7%	2,466,345
Orlando	178,902,512	4.0%	3.4%	(285,459)	4,702,532	\$11.08	21.9%	10,354,093
Philadelphia	575,878,645	6.6%	6.3%	245,199	7,477,945	\$10.56	15.3%	16,259,488
Phoenix	406,983,637	6.8%	6.4%	3,191,756	16,764,978	\$12.41	18.2%	47,742,912
Raleigh-Durham	139,906,781	5.0%	4.6%	936,543	3,461,428	\$11.38	14.5%	8,400,605
San Antonio	154,610,342	5.9%	5.7%	613,932	3,094,076	\$8.53	6.2%	6,794,079
San Diego	188,787,905	5.4%	4.2%	(794,552)	(1,459,720)	\$21.74	10.2%	5,049,564
San Jose-Silicon Valley	184,422,758	6.9%	6.1%	(339,383)	(304,685)	\$17.72	8.6%	4,804,079
Savannah	103,476,865	9.0%	7.8%	2,370,906	10,470,497	\$7.13	23.8%	16,393,137
Seattle	323,464,622	6.0%	5.5%	286,282	224,110	\$13.96	-0.1%	6,779,672
St. Louis	313,808,487	4.5%	4.4%	466,576	2,389,738	\$6.13	11.9%	3,182,977
Suburban Maryland	107,941,204	6.3%	5.8%	(56,330)	724,487	\$15.13	15.6%	3,396,370
Tampa	308,385,653	5.1%	4.9%	350,577	6,595,724	\$10.96	16.0%	8,616,881



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ABOUT THE TRANSWESTERN COMPANIES

Five dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award-winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all. Learn more at transwestern.com and [@Transwestern](https://twitter.com/Transwestern).

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 and can be skewed, in some cases, due to factors including, but not limited to, the level of new construction and the amount of available space with no listed asking rents.