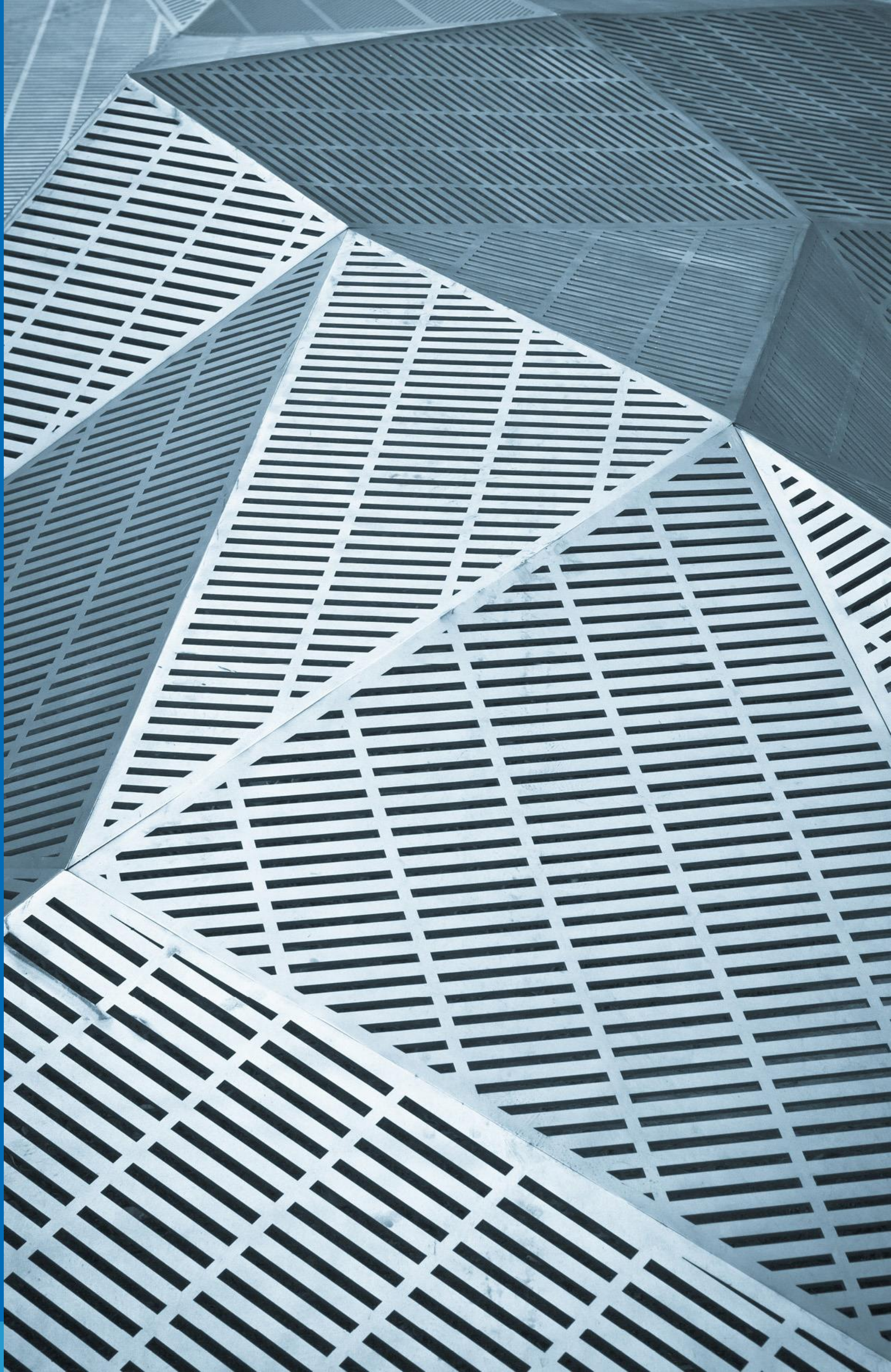
2Q22 – UNITED STATES INDUSTRIAL

The National Industrial Market: Conditions & Trends



NEWMARK

Industrial Market Observations

1. Another Quarter of 100+ MSF Absorption Pushes Vacancy Down to a New Low

– Net absorption significantly outpaced lagging construction deliveries leading to a vacancy rate of 3.7%, with numerous markets effectively out of space.

– The construction pipeline continues to break records set only the quarter before, rising to 613.1 MSF. The bulk of this space will deliver in 2023; lease-up performance for speculative space will vary market-to-market.

2. Rents Continue to Grow at a Double-Digit Pace, Amid High Demand and Construction Costs

– Nationally, average rents grew 12.7% year-over-year, well outpacing inflation. Quarter-over-quarter, growth is demonstrating signs of deceleration.

– Rent growth, while nearly universal, varies widely across markets, with the most heavily supply-constrained regions experiencing outsized growth.

3. 3PL Demand Increasing to Assist Retailers Facing Unexpected Inventory Glut

– Some retailers are coping with large volumes of unwanted inventory as consumer behavior shifts faster than the supply chain can keep up. Yet, overall inventories remain historically lean in relation to sales.

– Distribution/third party logistics firms drove the largest share of significant leasing activity this quarter (27.2%).

4. Economic Conditions Signal a Gradual Return to Pre-Pandemic Levels of Industrial Demand

– Data indicates inflation is cooling, but remains at levels not experienced in decades. Inflation-adjusted consumer spending is correcting down to a pre-pandemic growth trend.

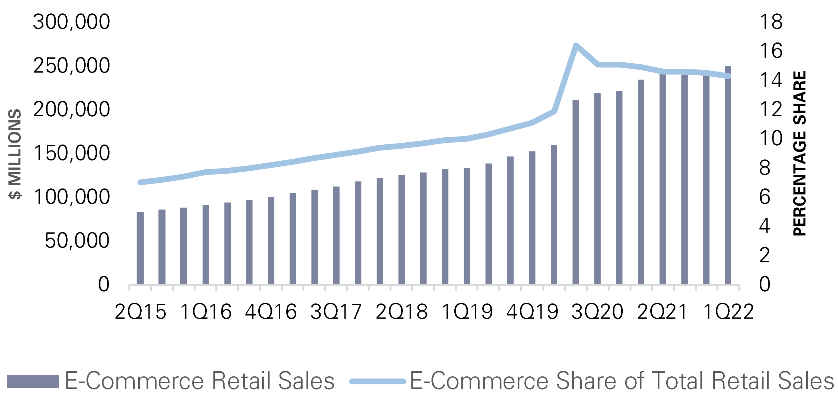
– New manufacturing-firm orders had its weakest reading in two years, but as inflationary pressures ease and investment flows into new facilities, this measure may improve.

© 2022 Newmark. All rights reserved.

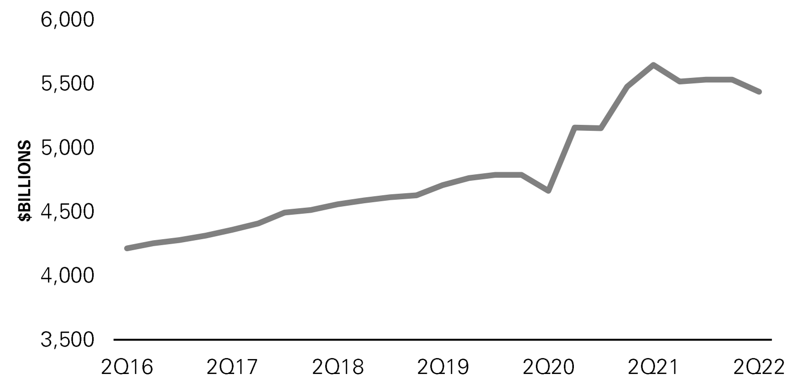
Economic Drivers of Industrial Demand Trending Back to Pre-Pandemic Levels of Growth

Industrial absorption is strongly correlated with consumer spending on goods, which surged during the pandemic. Amid persistently high inflation, consumer demand is cooling, signaling a return to pre-pandemic levels of growth for production, consumption, and national industrial expansion.

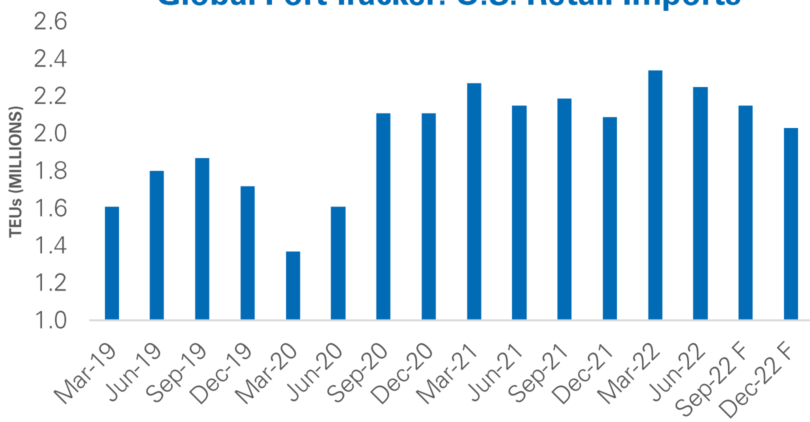
E-Commerce Sales and Share of Total Retail Sales



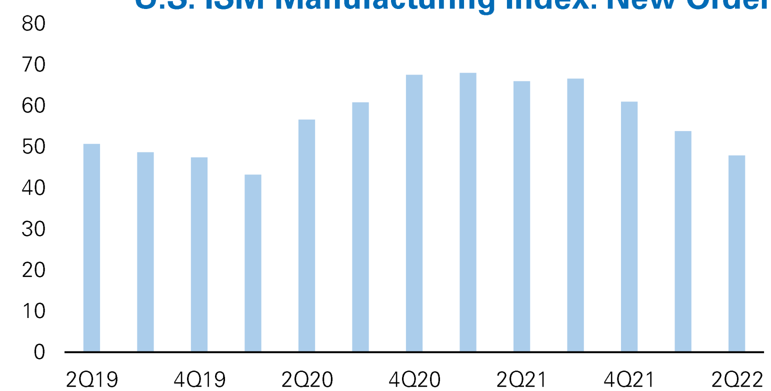
Real Personal Consumption Expenditures: Goods



Global Port Tracker: U.S. Retail Imports



U.S. ISM Manufacturing Index: New Orders

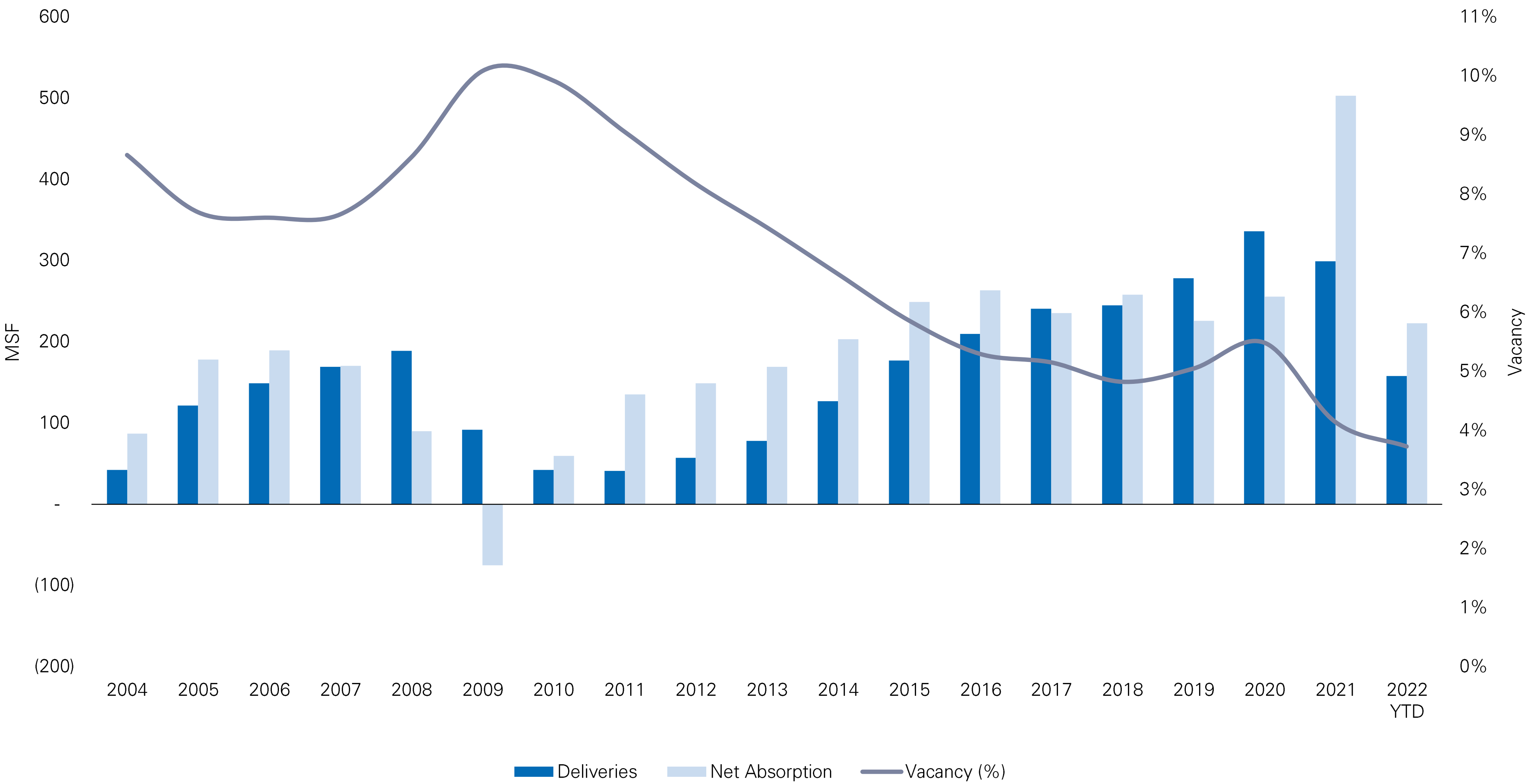


Source: Newmark Research, St Louis FRED, U.S. BLS, ISM, NRF.

© 2022 Newmark. All rights reserved.

United States Industrial Deliveries, Net Absorption, and Vacancy

The acute supply/demand imbalance that characterized 2021 continues at the half-year 2022 mark, squeezing vacancy to what is likely to be its record low. Deliveries are expected to accelerate in the latter half of the year, allowing for a gradual balancing of the market over the coming quarters.



Source: Newmark Research, August 2022.

© 2022 Newmark. All rights reserved.

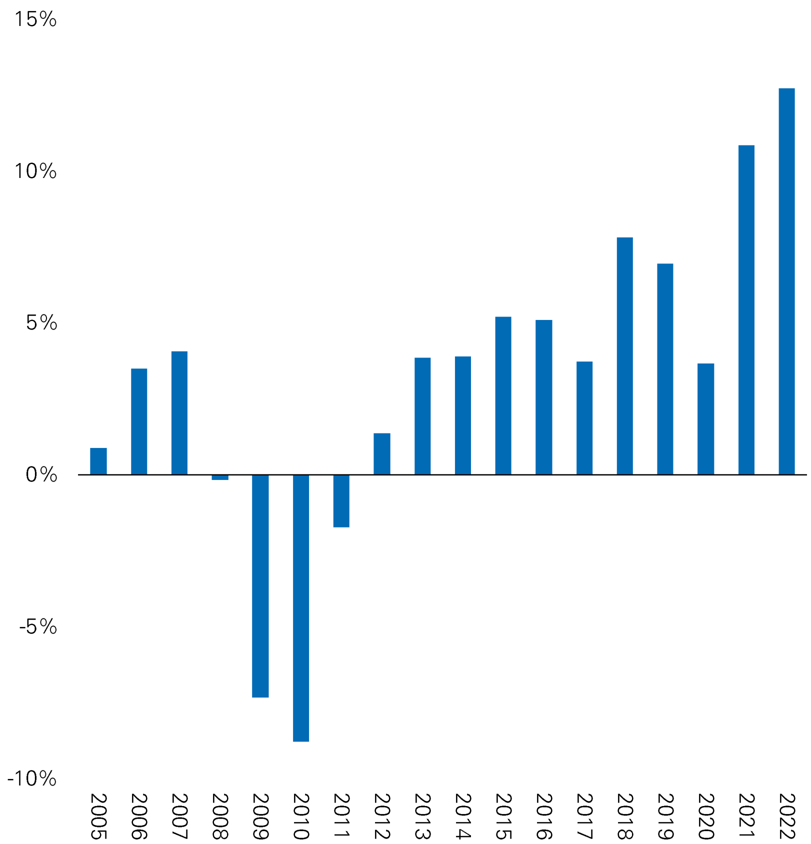
United States Industrial Asking Rents

Robust year-over-year rent growth continues to be the norm, 12.7% in 2Q22, amid historically low vacancy. However, quarter-over-quarter rent growth slowed, measuring 1.2% for 2Q22, which is below the 2.8% quarterly average observed since 3Q21. Seaport markets and growing distribution hubs within a one-day-drive radius from those ports are experiencing the strongest rent growth.

Asking Rent: Top 10 Markets

Market	2Q22 NNN Avg. Asking Rent $/SF
Silicon Valley*	$27.27
Oakland/East Bay	$19.70
Los Angeles	$18.07
Orange County, CA	$17.67
Inland Empire, CA	$16.81
Long Island	$15.89
San Diego	$15.33
Boston	$13.21
New Jersey Northern	$12.70
Austin	$12.27
United States	**$9.56**

U.S. Industrial Annual Rent Growth



Asking Rent Growth: Top 10 Markets

Market	2Q22 Rent Growth (YOY)
Inland Empire, CA	79.6%
Miami	49.3%
Los Angeles	47.0%
Phoenix	42.1%
Oakland/East Bay	35.7%
Las Vegas	32.5%
Orlando	22.9%
New Jersey Northern	22.5%
Orange County, CA	22.5%
Atlanta	21.0%
United States	**12.7%**

*Note: An outsized share of the Silicon Valley industrial market is R&D space which contributes to the relatively high overall asking rent.

Source: Newmark Research, August 2022.

© 2022 Newmark. All rights reserved.

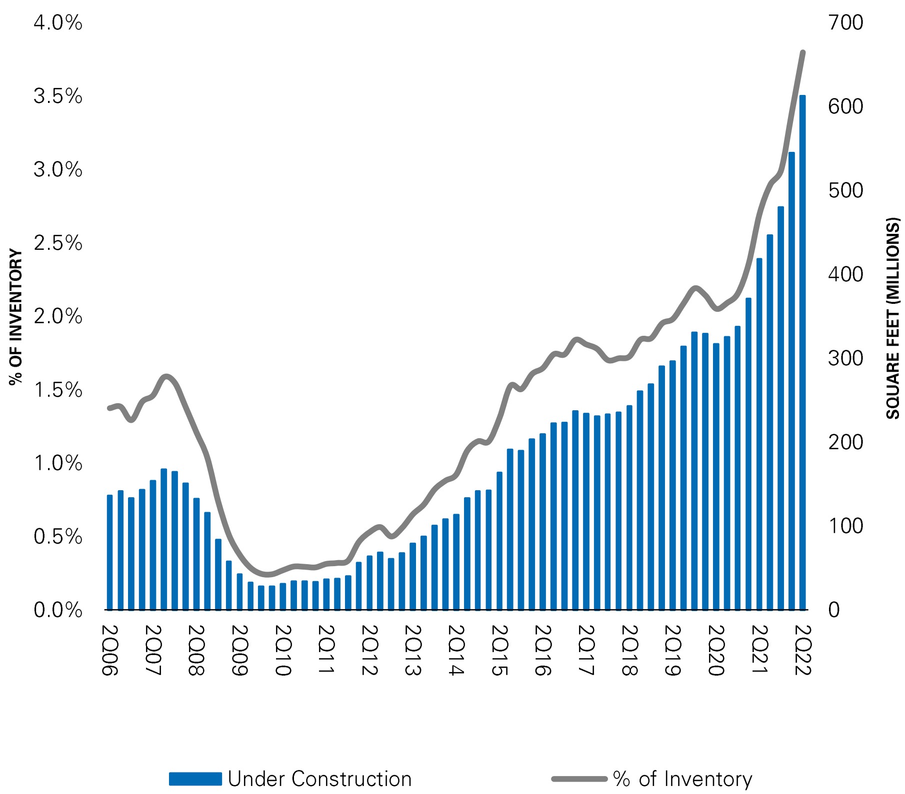
United States Industrial Supply

Second-quarter construction completions were at their lowest volume in a year, on the heels of persistent delays and pricing pressure. The combination of elevated new groundbreakings and projects lingering longer in the pipeline - active construction schedules last 2.5 months more on average today than in 2019 – has driven the national development pipeline to over 600 MSF.

Construction Volume: Top 10 Markets

Market	2Q22 Under Construction (MSF)
Dallas	66.0
Inland Empire, CA	40.0
Phoenix	35.1
Chicago	33.7
Penn. I-81/78 Corridor	30.6
Indianapolis	29.8
Philadelphia	22.6
Houston	22.2
Columbus	20.2
Washington, DC	20.1
United States	**613.1**

U.S. Industrial Under Construction and % of Inventory



Construction Growth: Top 10 Markets

Market	2Q22 Under Construction (% of Inventory)
Phoenix	10.3%
Austin	9.7%
Charleston, SC	8.1%
Indianapolis	7.9%
Columbus	7.6%
Penn. I-81/78 Corridor	7.1%
Salt Lake City	7.1%
Jacksonville	6.8%
Dallas	6.6%
Las Vegas	6.5%
United States	**3.8%**

Source: Newmark Research, August 2022.

© 2022 Newmark. All rights reserved.

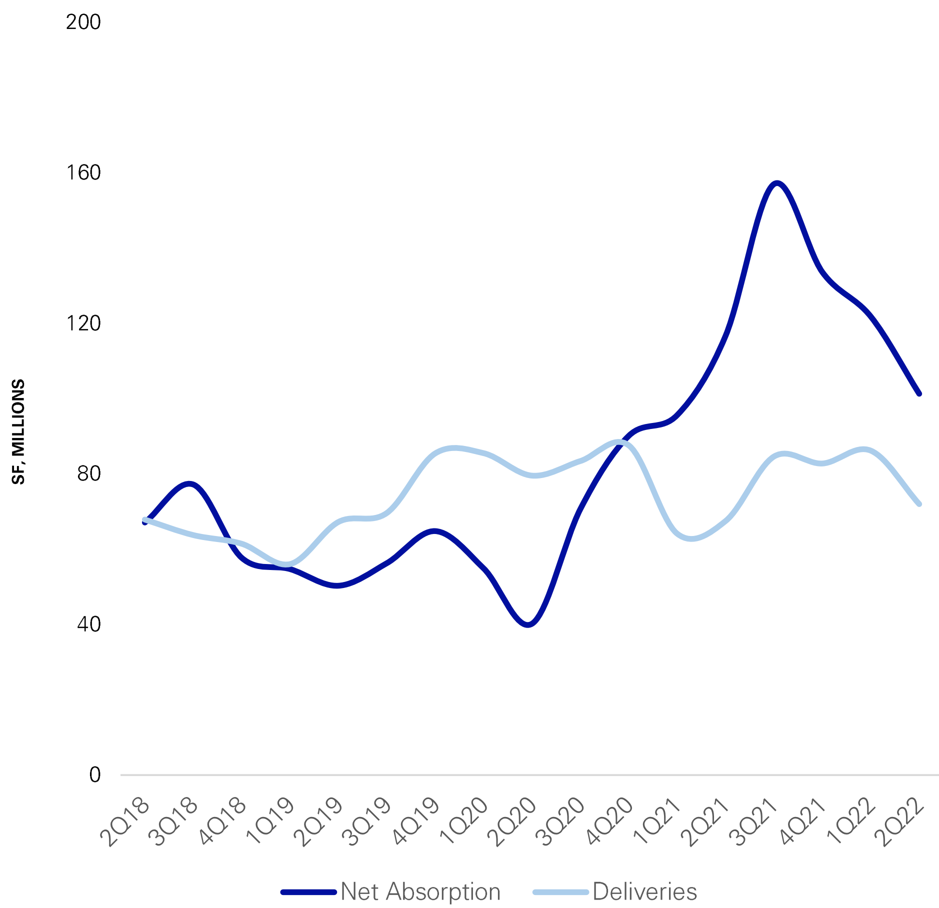
United States Industrial Demand

For the fifth consecutive quarter, net absorption exceeded 100.0 MSF. The 72.0 MSF delivered in 2Q22 was one of the lowest quarterly totals in the last three years. With a record construction pipeline of 613.1 MSF, vacancy is likely to increase over the coming quarters as more available buildings deliver amid decelerating demand.

Net Absorption: Top 10 Markets

Market	2022 YTD Net Absorption (MSF)
Chicago	19.4
Atlanta	14.1
Houston	13.6
Dallas	12.4
Penn. I-81/78 Corridor	11.6
Phoenix	10.0
Inland Empire, CA	7.9
San Antonio	7.6
Austin	7.4
Philadelphia	7.1
United States	**223.1**

Quarterly Net Absorption and Deliveries



Demand Growth: Top 10 Markets

Market	2022 YTD Net Absorption (% of Occupied SF)
Austin	6.9%
Charleston, SC	5.7%
San Antonio	5.4%
Phoenix	3.1%
Penn. I-81/78 Corridor	2.9%
Las Vegas	2.9%
Columbus	2.5%
Salt Lake City	2.4%
Baltimore	2.2%
Cincinnati	2.2%
United States	**1.4%**

Source: Newmark Research, CoStar, August 2022.

© 2022 Newmark. All rights reserved.

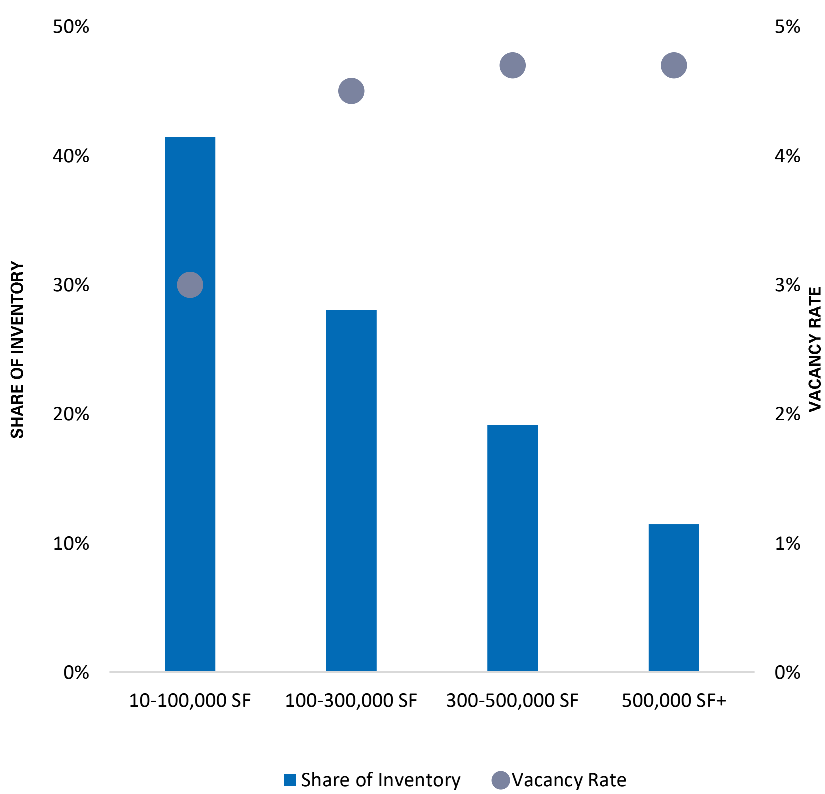
United States Industrial Vacancy

Each of the nation's 49 tracked industrial markets displayed single-digit vacancy in 2Q22; a mere four markets posted incrementally higher vacancy today than one year ago. Vacancy remains lowest in facilities under 100,000 SF, which represent the largest share of the national inventory.

Lowest Vacancy: Top 10 Markets

Market	2Q22 Vacancy
Inland Empire, CA	0.8%
Los Angeles	0.9%
Salt Lake City	1.7%
Orange County, CA	2.2%
Las Vegas	2.2%
Columbus	2.3%
Sacramento	2.3%
New Jersey Northern	2.6%
Cincinnati	2.8%
Charleston, SC	2.8%
United States	**3.7%**

2Q22 Industrial Vacancy Rate by Building Size



Largest Vacancy Decline: Top 10 Markets

Market	2Q21-2Q22 Vacancy Change (Bps)
Baltimore	-387
Greenville, SC	-380
Houston	-290
Charleston, SC	-270
Cincinnati	-269
Penn. I-81/78 Corridor	-254
Oakland/East Bay	-240
Austin	-220
Chicago	-204
Las Vegas	-201
United States	**-123**

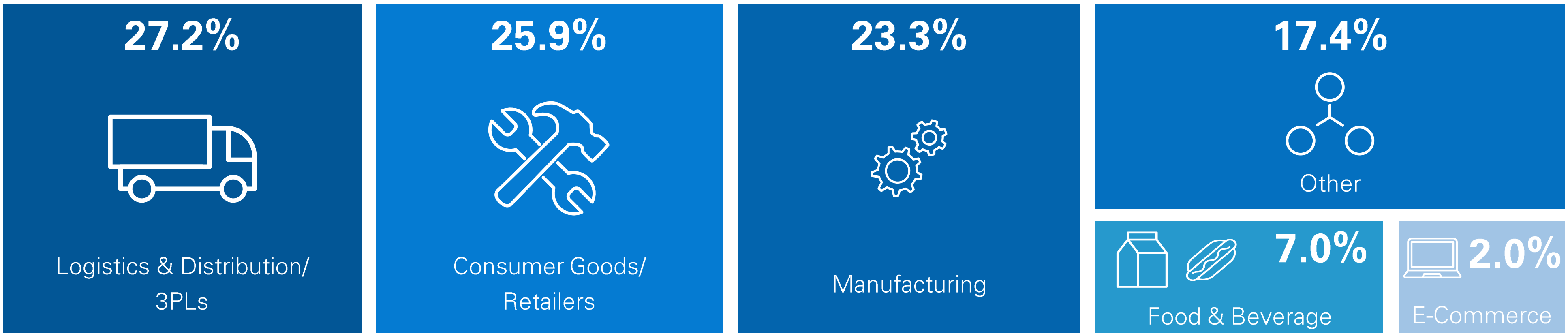
Source: Newmark Research, CoStar, August 2022.

© 2022 Newmark. All rights reserved.

United States Industrial Leasing Trends

Leasing from Logistics & Distribution/3PLs outpaced Consumer Goods/Retailers in 2Q22; these two categories continue to constitute more than 50.0% of the total top leases. Manufacturing experienced a significant upward shift of several percentage points from 1Q22 as both Food & Beverage and E-Commerce declined for the second consecutive quarter.

Top Industrial Leasing Activity By Sector, 2Q22



Notable 2Q22 Lease Transactions

Tenant	Building	Market	Type	Square Feet	Industry
Bed, Bath & Beyond	800 Gateway Dr.	Memphis	Direct New	1,508,220	Retailer
Unilever	5620 Inner Park Dr.	St. Louis	Renewal	1,262,648	Consumer Goods
Target	13750 N. Freeway	Dallas-Fort Worth	Direct New	1,240,584	Retailer
Pratt Industries	S. Hwy. 67	Dallas-Fort Worth	Direct New	1,108,080	Paper & Packaging
Commonwealth	61 Logistics Blvd.	Cincinnati	Direct New	1,097,458	Logistics & Distribution/3PL

*Note: Based on top leasing activity in markets tracked by Newmark

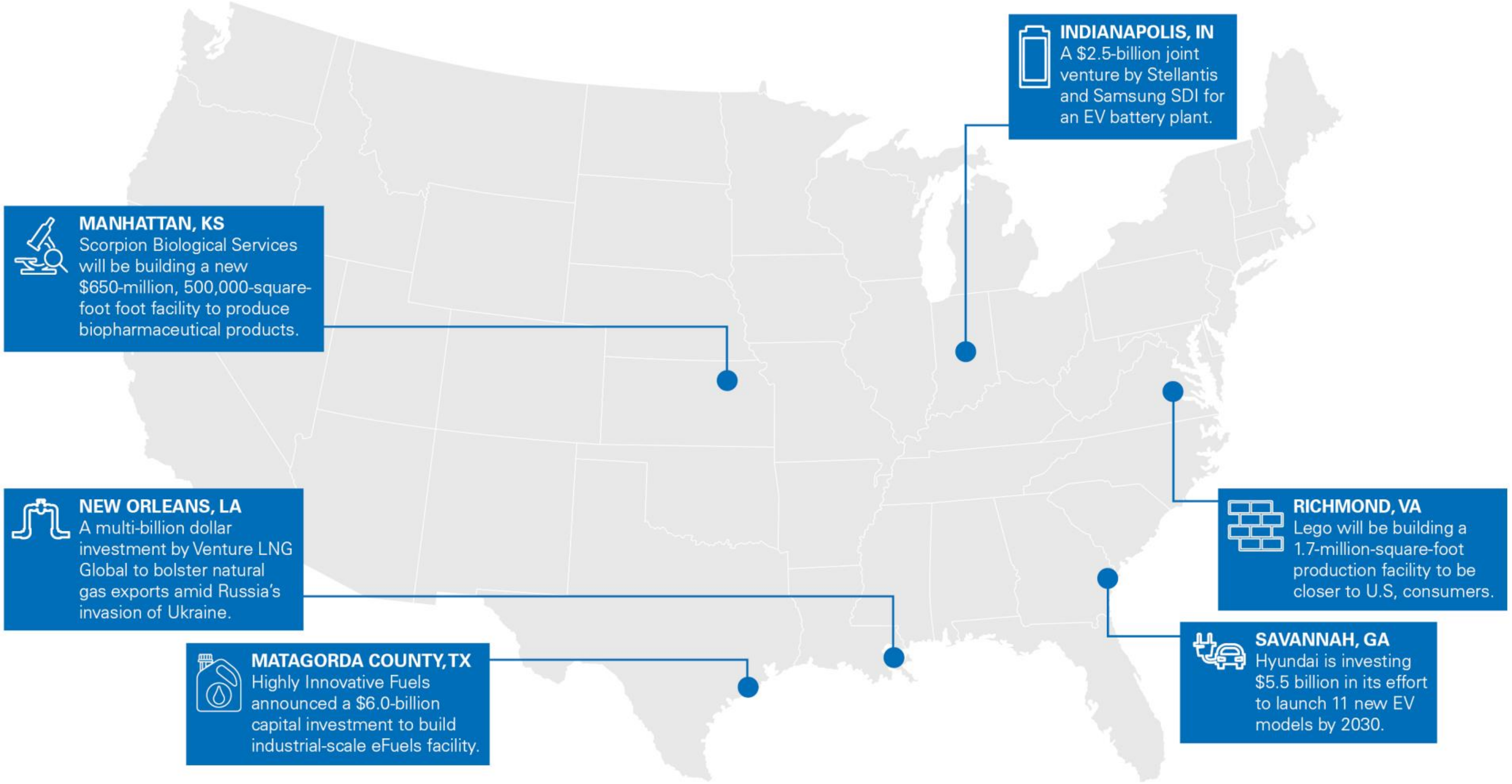
Source: Newmark Research, August 2022.

© 2022 Newmark. All rights reserved.

Geopolitical Risk and Supply Chain Issues Driving Manufacturing Resurgence

With supply chains roiled during the pandemic, more manufacturers are looking to strengthen production closer to U.S. consumers via foreign direct investment, nearshoring, or reshoring. A record 261,000 manufacturing job announcements were made in 2021 amid ongoing global manufacturing reshuffling. Significant sectors of burgeoning manufacturing include electric vehicles/batteries and semiconductor chips. The passage of the $280-billion CHIPS and Science Act includes $52 billion designed to spur growth and innovation in the semiconductor manufacturing industry while decreasing reliance on other countries for chips.

Select New Manufacturing Announcements

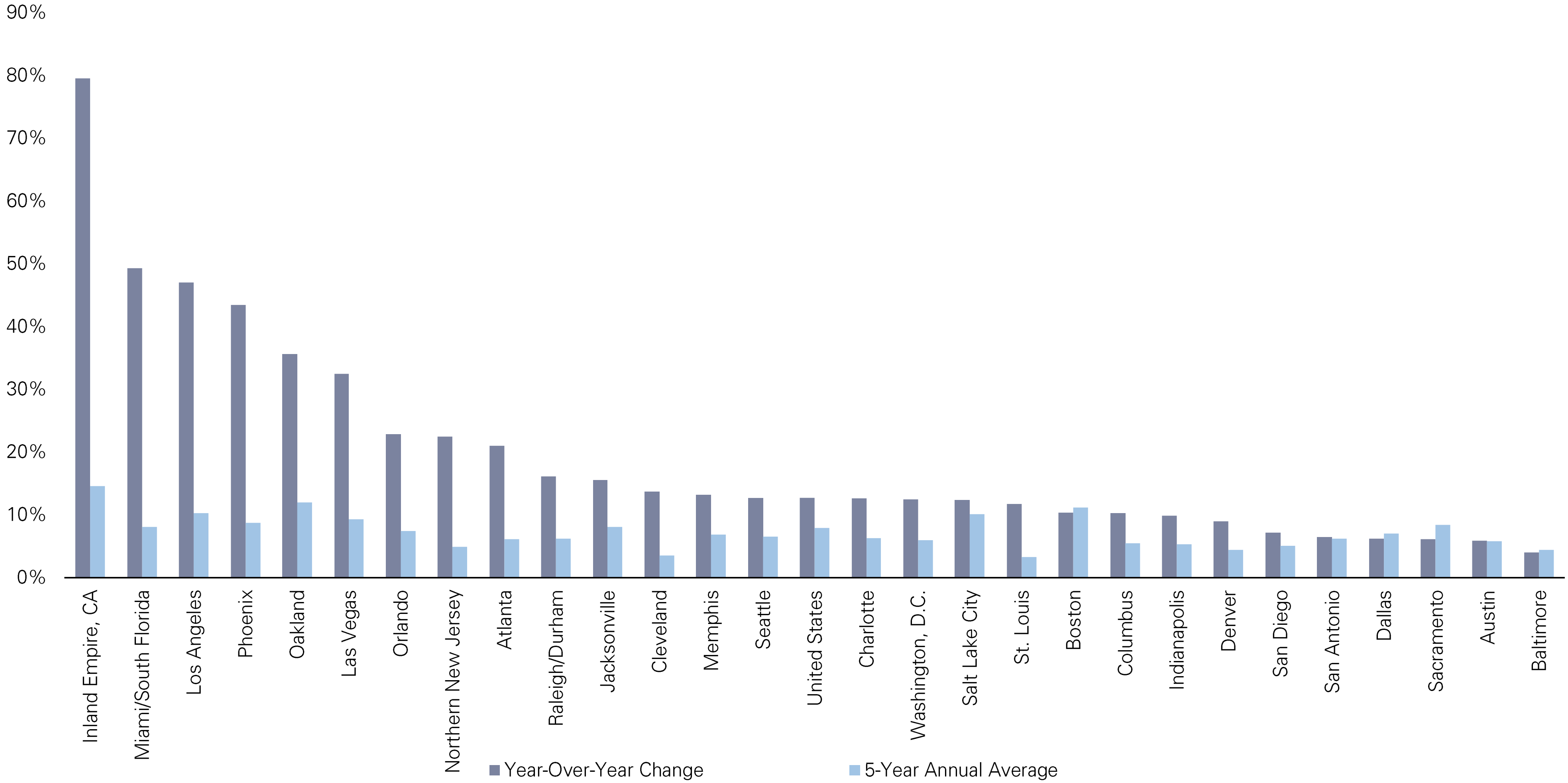


Source: Reshoring Initiative, August 2022.

© 2022 Newmark. All rights reserved.

Industrial Rent Growth Varies Significantly Across Markets

Nationally, rents are rising but at a decelerating pace. Overall growth remains significantly above the historical average. Against a backdrop of persistently high inflation, current and future rent growth will be increasingly driven by local market-specific factors. In core, land-constrained markets with extreme space scarcity, elevated rent growth will continue. In markets with large volumes of vacant speculative construction delivering over the coming quarters, rent growth will likely begin to stabilize.

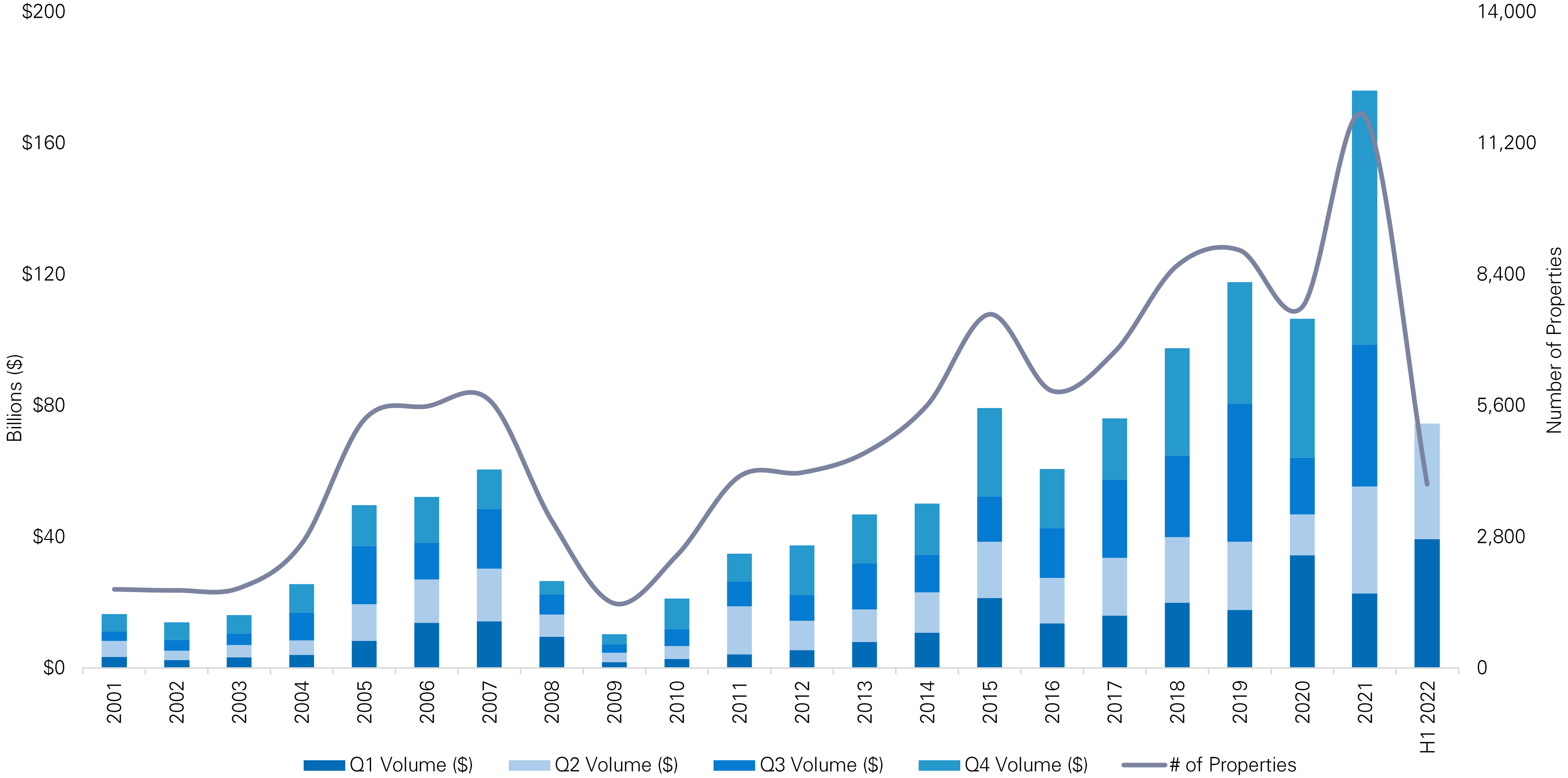


Source: Newmark Research, August 2022.

© 2022 Newmark. All rights reserved.

Strong Yet Slowing Sales Volume Continues, with More Rate Hikes Ahead

While sales volume remained strong through the first half of 2022, albeit down from the record high experienced in 2021, interest rate hikes will alter the industrial investor landscape moving forward. Over the next few quarters, the new market reality will force price exploration as buyers are faced with more expensive debt and sellers adjust to the idea of slowing asset valuation. Investors able to source less expensive debt and non-heavily leveraged investors will see opportunities.



Source: Real Capital Analytics, August 2022.

© 2022 Newmark. All rights reserved.

Challenges to Continued Industrial Expansion

Ongoing supply chain disruption

Barriers to development: land scarcity, regulatory and community pushback obstacles

Rising interest rates and high inflation

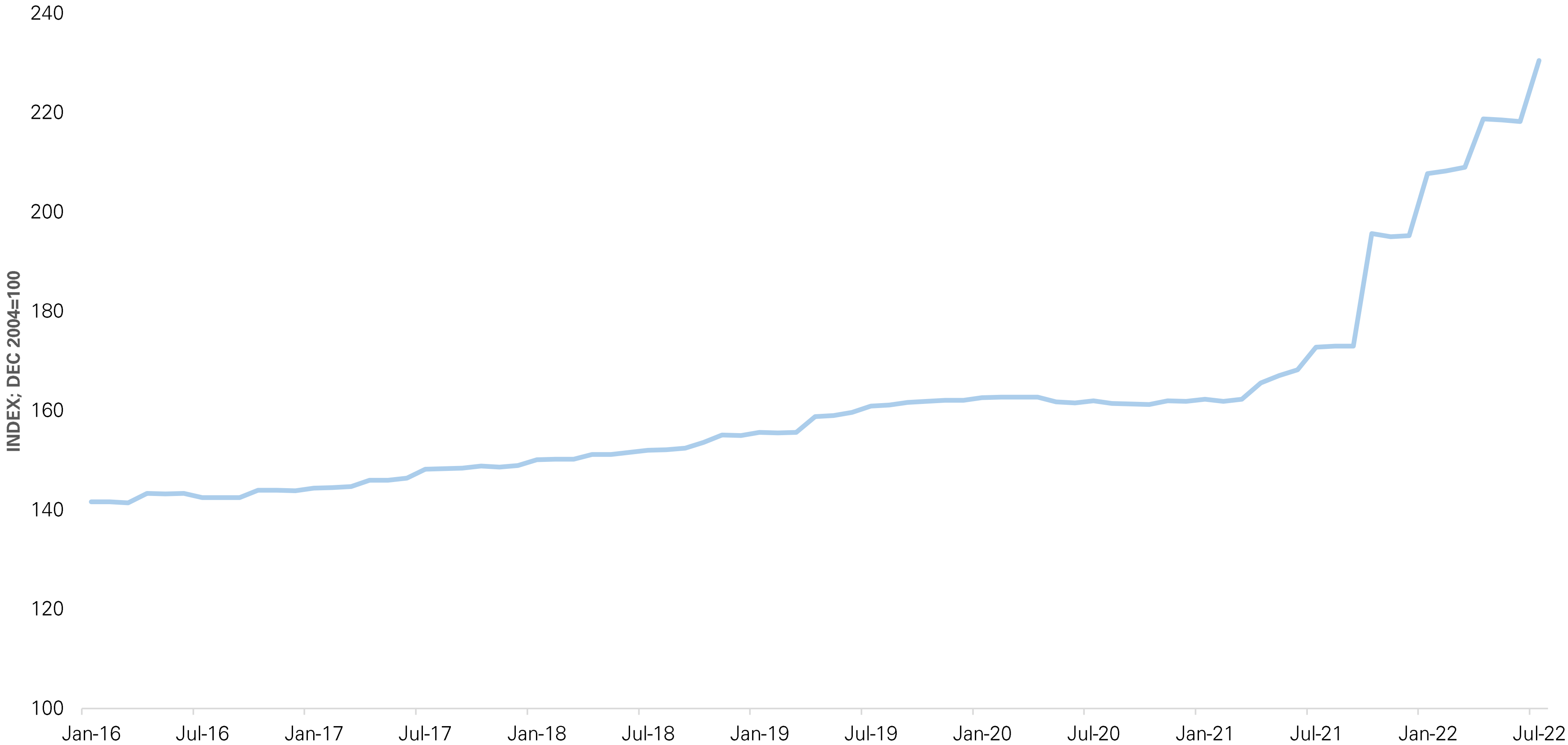
Labor availability

© 2022 Newmark. All rights reserved.

Costs For New Warehouse Construction Continue to Rise

Prices have soared over the past year, with everything from land, labor and materials harder and more costlier to source. Higher costs will continue to put pressure on rental rates for new warehouse space. Anecdotally, there may be some relief on the horizon as a confluence of factors converge, including some stabilization in land pricing and lead times for certain materials decreasing.

Producer Price Index: New Warehouse Building Construction



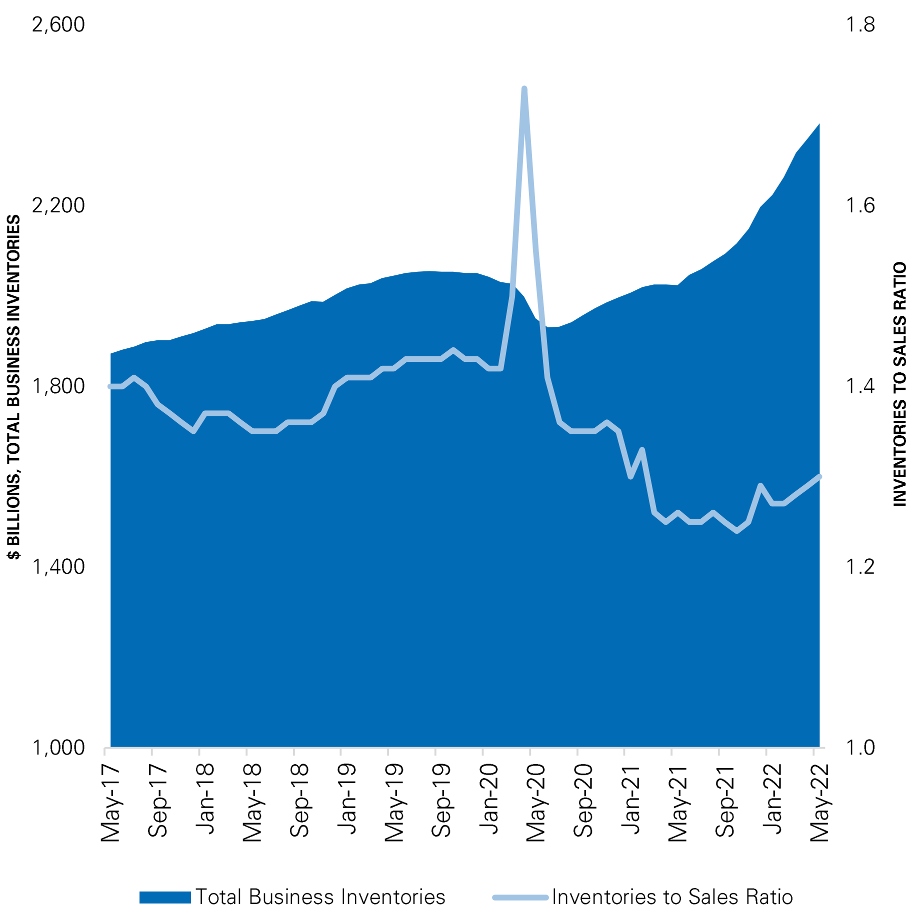
Source: Newmark Research, St Louis FRED, August 2022.

© 2022 Newmark. All rights reserved.

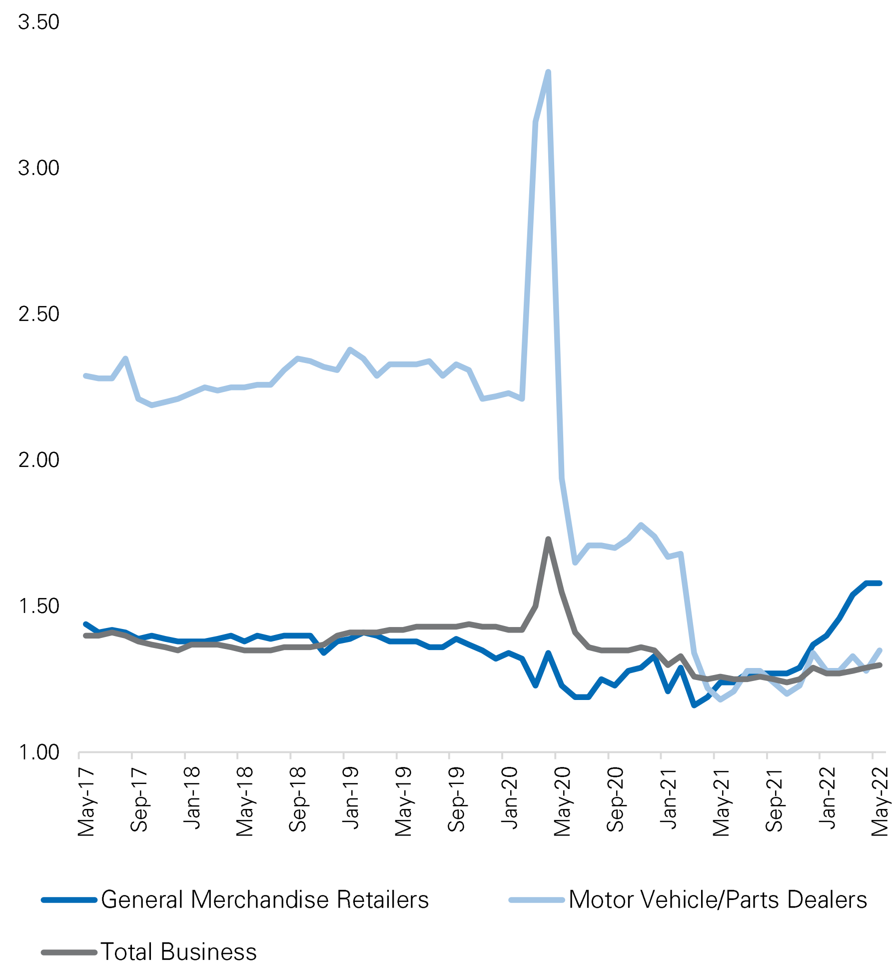
Inventories Expand, but Ratio to Sales Remains Low - Depending on the Sector

The combination of firms seeking to replenish depleted inventories and hold safety stock, supply chain delays, and shifting consumer behavior has accelerated growth in total business inventories. While the total inventory to sales ratio is below historical norms, performance varies among different retail segments: some are grappling with a glut of goods that are no longer in high demand, taking up space in warehouses.

Total Business Inventories and Ratio to Sales



Inventories to Sales Ratio, Select Segments



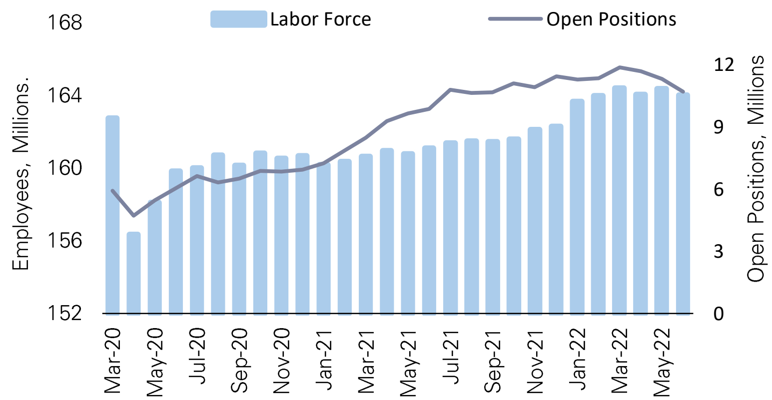
Source: Newmark Research, St. Louis FRED, August 2022.

© 2022 Newmark. All rights reserved.

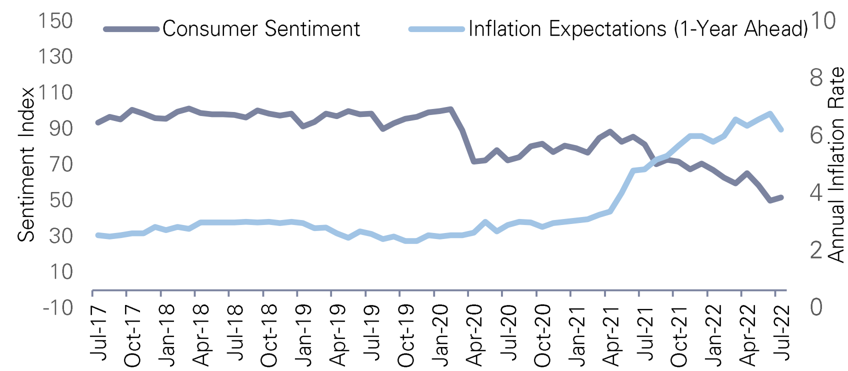
The Economic Landscape: Point and Counterpoint

Inflation is likely past its peak, but still at levels not seen in decades. The job market is strong, but not without cracks. Consumer sentiment is down – but future-looking inflation expectations are stabilizing and even on the decline. GDP was negative in 2Q, but will likely flip positive next quarter. Conflicting data is a reaction to the past two years of volatility as the economy seeks a path to equilibrium.

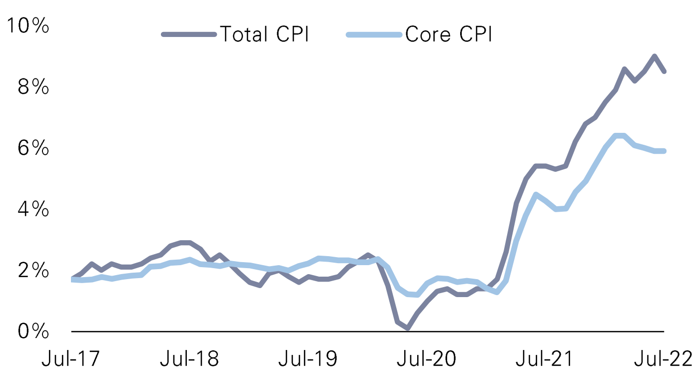
Labor Market Dynamics



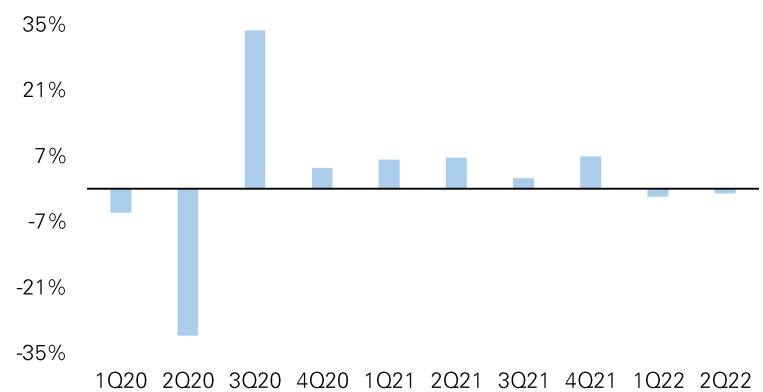
Consumer Sentiment Index and Future Inflation Expectations



Consumer Price Index, Annualized % Change



Real GDP, Annualized % Change



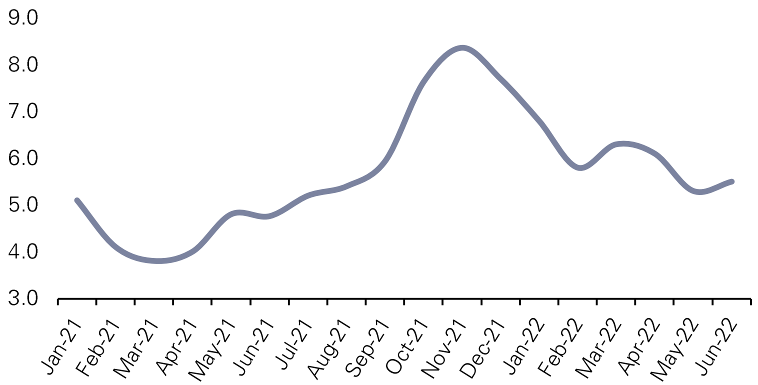
Source: Newmark Research, St Louis FRED, U.S. BLS, August 2022.

© 2022 Newmark. All rights reserved.

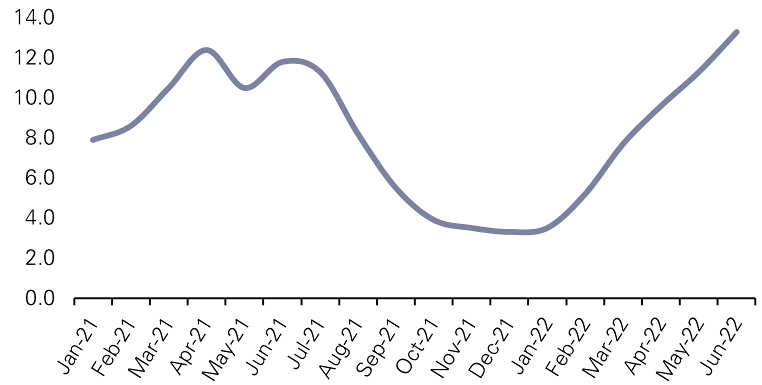
Supply Chains Still Struggling to Return to "Normal"

Lead times in many supply chains are still at or near record highs and an easing in one link of a chain often means a kink in another, evidenced by rail backlogs in key ports just as handling times are dwindling.

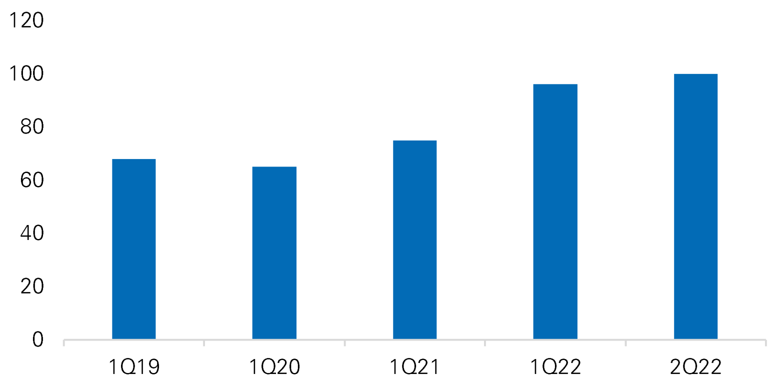
Average Days of "Dwell Time" For Inbound Containers Waiting to Be Handled (Ports of LA/LB)



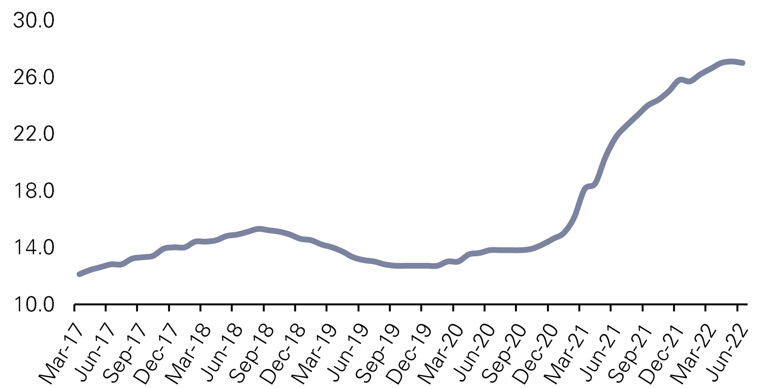
Average Days of "Dwell Time" For Containers Waiting For Inland Rail Transport (Ports of LA/LB)



Average Days of Lead Time for U.S. Manufacturers to Receive Production Materials



Lead Time for Semiconductors (Weeks)



Source: Newmark Research, PMSA,, ISM, U.S. Census Bureau, Susquehanna Financial Group, Bloomberg, August 2022.

© 2022 Newmark. All rights reserved.

Lisa DeNight
Director,
National Industrial Research
t 215-246-2725
Lisa.denight@nmrk.com

Rich Lachowsky
Director,
SLC Research and National Industrial
t 801-578-5532
Rich.lachowsky@nmrk.com

NATIONAL INDUSTRIAL AND LOGISTICS SERVICES LEADERSHIP

Nick Wood
Executive Vice President,
Head of Industrial & Logistics Services
t 801-578-5570
Nick.wood@nmrk.com

NATIONAL RESEARCH CONTACTS

David Bitner
Executive Managing Director,
Global Head of Research
t 415-216-2509
David.bitner@nmrk.com

Jonathan Mazur
Executive Managing Director,
National Research
t 212-372-2154
Jonathan.mazur@nmrk.com

New York Headquarters
125 Park Ave.
New York, NY 10017
t 212-372-2000

nmrk.com

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/research.

All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark has not verified any such information, and the same constitutes the statements and representations only of the source thereof and not of Newmark. Any recipient of this publication should independently verify such information and all other information that may be material to any decision the recipient may make in response to this publication and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial and tax aspects and implications. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download or in any other way reproduce this publication or any of the information it contains. This document is intended for informational purposes only, and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter.

NEWMARK