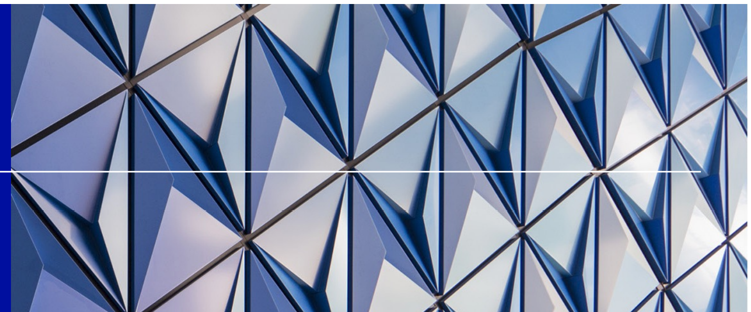


RESEARCH Q1 2021

National Industrial Market

Construction Pipeline Accelerates Behind Need for Modern Supply

The U.S. industrial market continued its steady pace of growth in the first quarter of 2021. Quarterly absorption decreased from fourth-quarter 2020 but was still the second highest quarterly total reached in over two years. Asking rents have increased by 7.3% over the past year and the national vacancy rate decreased behind strong absorption. The pandemic heightened demand for industrial warehousing and distribution space, particularly among firms involved in e-commerce. Developers are optimistic that the need for space driven by e-commerce will persist, as the national industrial construction pipeline reached a high-water mark in the first quarter. Steady improvement to public health in 2021 likely will soften the pandemic's economic impact and foster a labor market recovery during the balance of 2021. E-commerce activity may decelerate as the pandemic wanes and consumers re-engage in in-person shopping; however, the convenience of online shopping is expected to garner a large share of consumer spending in the long term.

Occupancy Gains Nationwide Drive Absorption

Net absorption fell from the level reached in the fourth quarter, but still registered above-average occupancy growth. Absorption measured 74.4 million square feet in first-quarter 2021. Industrial demand has been strong throughout the pandemic and, as public health conditions are poised to improve in 2021, is likely to continue to expand in the coming quarters.

Vacancy declined in first-quarter 2021 for the first time since third-quarter 2018, measuring 5.5% in first-quarter 2021. Vacancy has risen by 20 basis points over the past year, however. Deliveries of new space have played a large role in rising vacancy over the past three years. Asking rents continue to increase steadily, with the first-quarter average measuring $8.10/SF (NNN), up 7.3% over the past year. Average asking rents have risen by 35.7% nationally over the past five years.

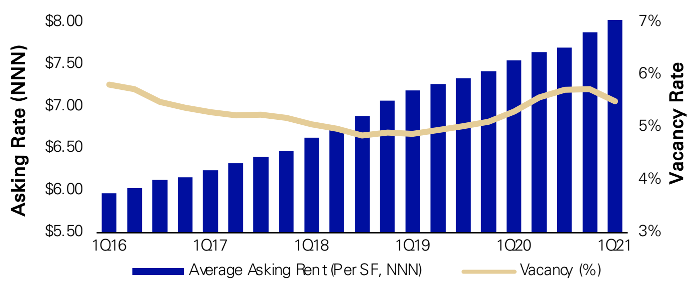
During the first quarter of 2021, 40 of the 49 industrial markets tracked by Newmark had positive net absorption, led by Dallas with 9.1 million square feet, followed by the Inland Empire (CA) with 7.6 million square feet, Atlanta with 6.8 million square feet and Chicago with 5.7 million square feet. Markets that saw negative absorption include Minneapolis, which measured -2.4 million square feet, followed by Houston with -1.7 million square feet and Silicon Valley with -0.6 million square feet. Net absorption can also be measured relative to the overall size of the industrial market, providing a comparable metric for markets of differing sizes. Nationally, net absorption was 0.5% of inventory in the first quarter, led by Sacramento (at 1.8%), Phoenix (at 1.7%) and Memphis (at 1.5%).

Current Conditions

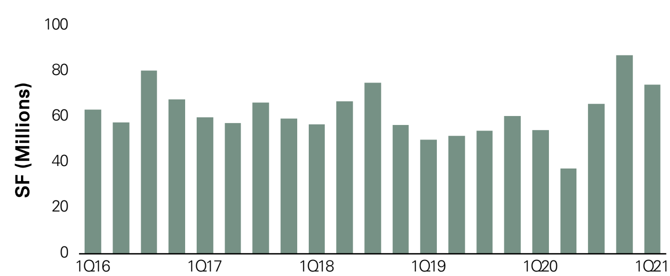
- Absorption totaled 74.4 million square feet during the first quarter of 2021, up 20.0 million square feet from the same period one year ago.
- Pricing continues to increase at a steady pace, as asking rents rose 7.3% over the past 12 months to $8.10/SF (NNN).
- The national industrial construction pipeline is increasing, with 371.2 million square feet currently under construction.
- U.S. industrial market sales activity declined in first-quarter 2021 compared with the same period a year ago; volume was approximately $15.6 billion.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	15.6 B	15.6 B	15.3 B	↑
Vacancy Rate	5.5%	5.7%	5.3%	↑
Quarterly Net Absorption (SF)	74.4 M	87.4 M	54.4 M	→
Average Asking Rent/SF (NNN)	$8.10	$7.88	$7.55	↑
Under Construction (SF)	371.2 M	325.2 M	325.0 M	↑
Deliveries (SF)	53.1 M	88.2 M	86.5 M	↑

Construction Pipeline Expansion Continues

The national industrial market saw 53.1 million square feet of new space deliver in the first quarter of 2021. While this lags fourth-quarter 2020 deliveries, the robust construction pipeline will support ample deliveries in the coming quarters. Groundbreakings in first-quarter 2021 have expanded the construction pipeline to 371.2 million square feet nationally. The need for modern industrial space will be critical among logistics tenants in order to optimize efficiencies and maintain competitiveness. Modern space that can support technologically-advanced infrastructure will command much of the demand among tenants requiring efficient goods transportation or e-commerce fulfillment. Other factors including the geographic diversification of supply chains are also fueling some increased demand.

Fourteen markets have more than 10 million square feet of industrial space under construction as of first-quarter 2021. This is up from thirteen markets in the fourth quarter of 2020. Markets with the largest construction pipelines include Dallas with 31.8 million square feet, Atlanta with 21.9 million square feet, and the Inland Empire (CA) with 21.3 million square feet.

Industrial space under construction equaled 2.4% of the standing U.S. inventory in first-quarter 2021. Supply continues to grow most rapidly in the Austin market, where space under construction equaled 12.3% of inventory. Further behind, the Sun Belt markets of Nashville (6.8%) and Charleston, SC (6.5%) have also shown a healthy pipeline. The western markets of Salt Lake City (5.7%) and San Antonio (5.2%) round out the top five metro areas holding the highest share of construction activity relative to existing inventory.

Industrial demand has been particularly strong near large population centers and underserved transportation hubs. This trend is largely the result of firms looking to make "last mile" delivery logistics more efficient. One industrial product type that will face supply constraints in 2021 is cold storage. This product type has become extremely valued due to the rise in grocery and mail-based food delivery services. Although sturdy demand exists, cold storage is expensive to build, which tends to limit speculative construction of these facilities. The pandemic accelerated several convenience-driven trends, including grocery and meal delivery services, which are likely to remain common in the long term. Tenants in the market for cold storage space should prepare for tight conditions – even given the abundance of space in the broader industrial construction pipeline.

Vacancy Rate Remains Low

The U.S. industrial vacancy rate measured 5.5% in the first quarter of 2021, down 20 basis points from the prior quarter, but up 20 basis points from a year ago. The overall vacancy rate for industrial space is relatively low, however it has been slowly increasing for two-and-a-half years due to steady construction deliveries. The three lowest vacancy rates recorded the first quarter were all in Southern California markets as Los Angeles (1.6%), the Inland Empire (CA) (2.4%) and Orange County, CA (2.5%) exhibited very tight conditions among industrial assets.

The steady flow of deliveries over the past five years has applied upward pressure on vacancy rates. The robust construction pipeline will apply some additional pressure on vacancy in the future, as some new inventory delivers unoccupied. Still, demand for industrial space – particularly modern space – is expected to outstrip supply in the short-to-intermediate term. Pandemic-induced space needs are likely to become long-term fixtures of the post-pandemic economy and therefore translate into long-term industrial occupancy.

Asking Rents Rise with Demand

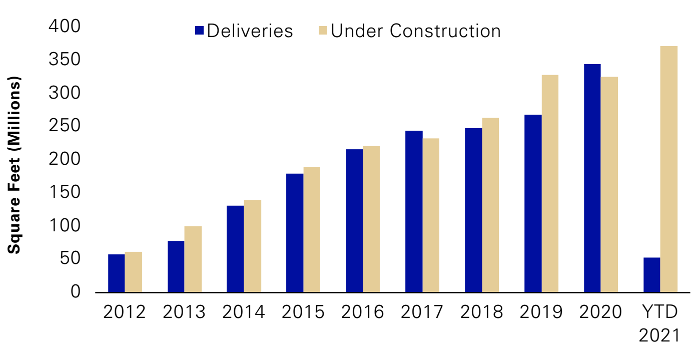
The average industrial asking rent across the U.S. continued to rise, reaching $8.10/SF (NNN) in the first quarter of 2021. This is a 7.3% increase from one year ago and marks a new quarterly high for the cycle. Growth rates slowed to as low as 5.0% in late 2019, but have since rebounded, increasing by $0.22 on the quarter.

Of the 49 industrial markets tracked by Newmark, 42 recorded positive rent change over the past year, with several exhibiting well above-average growth. Of the top markets for rent growth, several are major hubs for ocean and air transportation. Sacramento led all markets recording a rent increase of 23.8% in the past 12 months to $8.06/SF, partly supported by a large increase in the construction pipeline. Both Memphis and Philadelphia have seen asking rents rise by 16.4% in the past 12 months to $3.69/SF and $8.02, respectively. San Antonio recorded an increase of 15.4% to $6.88/SF.

West Coast markets remain the most expensive in the U.S. Leading by a wide margin is Silicon Valley, where asking rents were $27.24/SF. Orange County (CA), Oakland/East Bay, and San Diego follow with asking rates ranging between $13.37/SF and $14.44/SF. Asking rents will vary among different industrial product types. High concentrations of specialized industrial product, such as life science R&D facilities or cold storage, can drive higher overall rents.

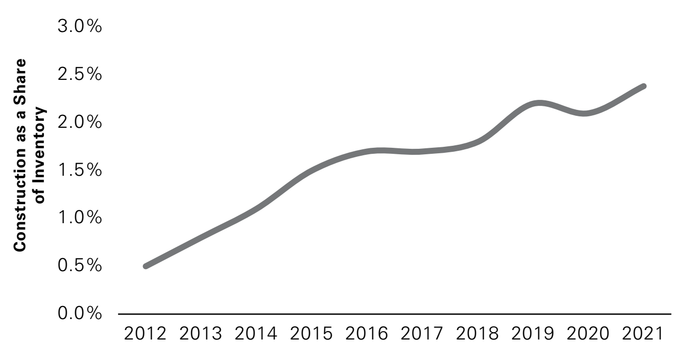
Construction and Deliveries

United States Industrial Market



Construction as a Share of Inventory

United States Industrial Market



Investment Sales: Diversity of Industrial Assets Likely to Drive Future Demand

The U.S. industrial market experienced a decline in sales activity in the first quarter of 2021, following a strong close of 2020. Approximately $15.6 billion was transacted in the first quarter, which compares to $31.1 billion in sales over the same time period in 2020. Major property transactions included a 21-building portfolio sale totaling 6.2 million square feet of legacy warehouse space. Colony Capital sold the portfolio to Exeter Property Group (now named EQT Capital following EQT AB's acquisition of Exeter), for $287.4 million, or $46.22/SF. The bulk of the portfolio was concentrated in the Ohio River Valley and the Carolinas. Single property sales were led by the 632,591-square-foot Canyon Park Business Center in the Seattle market. This flex/R&D/telecom facility transacted at $200 million, or $314/SF. These transactions highlight the diversity in industrial assets and their market value. Investor confidence in industrial product has outpaced other asset types in many markets. In particular, the value of industrial assets close to population centers likely will continue to rise, as the demand for rapid delivery of goods persists.

U.S. Industrial Market Outlook

The national industrial market has been the strongest performing commercial sector throughout the pandemic and it expanded further during the first quarter of 2021. Occupancy expansion was strong to begin the year, continuing a trend that started in third-quarter 2020. Construction activity delivered 53.1 million square feet during the quarter, which is below the five-year average of 66.3 million square feet. A lull in inventory expansion allowed the strong occupancy gains to apply downward pressure on vacancy rates. Average asking rents increased by 7.3% over the past year, highlighting the growing imbalance between tenant demand and industrial supply. While the pandemic caused many industrial users to demand more space, these pandemic-induced expansions are likely to become long-term space needs. This supports the continuation of tight market conditions through at least the next year. The development pipeline, which measures 371.2 million square feet, is expanding, which will help to supply markets with new, high-quality space; however, this steady injection of new inventory will apply upward pressure on vacancy.

Growth in demand for labor as well as the passage of the federal stimulus package in the first quarter boosted consumer confidence and the pace of the economic recovery. Although industrial markets have experienced the most robust growth among all asset types throughout the pandemic, the economic recovery is not likely to curb the industrial market's expansion. Structural changes to consumer behavior have accelerated e-commerce demand, which will drive warehouse and logistics space needs in 2021. Efforts to broaden distribution networks and reduce "last mile" delivery times have boosted industrial demand in both large and mid-sized metro areas. Access to consumers is paramount for achieving peak shipping efficiencies, and industrial activity is particularly strong in some of the fastest-growing U.S. markets, such as Austin, Salt Lake City and Nashville.

Although public health conditions are improving in the U.S., the spread of the coronavirus is less controlled elsewhere in the world. Globally-connected supply chains will remain threatened by the pandemic, illustrating that recovery may be more fragile than it appears domestically. Global supply chains are adapting to mitigate the risks of pandemics, which often equates to more real estate needs. Some firms have prioritized increasing inventory and capacity at key distribution facilities. This action will alleviate stock-out risks, which have been common for suppliers during the pandemic. Given tight market conditions and international trade challenges, it will likely take time for firms to restructure real estate portfolios to insulate supply chains from the global risks of the ongoing pandemic.

Industrial assets are well positioned for further expansion during the balance of 2021. While industrial demand is likely to remain robust for the remainder of this year, the national construction pipeline is substantial, which eventually will apply upward pressure to vacancy rates. Increasing demand among e-commerce tenants will tighten the market for modern industrial space, particularly in large and underserved markets. Despite overall tight market conditions, legacy industrial product may face challenges due to structural space limitations relative to modern tenant demand. Specialized industrial facilities, including cold storage, R&D, and technology, are likely to remain in short supply during the remainder of 2021.

Notable 1Q 2021 Lease/User Transactions

Tenant	Building	Market	Type	Square Feet
Lippert Components	18801 Oak Park Avenue	Chicago	Direct New	915,643
Walmart	13550 Valley Boulevard	Inland Empire, CA	Direct Renewal	757,765
HD Supply	21535 Baker Parkway	Los Angeles	Direct Renewal	650,000
FedEx	21971 Industry Way	Los Angeles	Direct New	627,480
Saddle Creek Corporation	300 Richard Knock Way	Cincinnati	Direct New	544,320

Notable 1Q 2021 Sales Transactions

Building	Market	Sale Price	Price/SF	Square Feet
220th Street Southeast	Seattle	$199,999,175	$314	637,346
Mission Oaks Boulevard	Los Angeles	$153,999,989	$210	733,819
Aero Parkway	Cincinnati	$79,459,157	$74	1,070,157
Prairie Street	Los Angeles	$74,000,000	$334	221,842
Marriott Business Park	Silicon Valley	$68,000,000	$526	129,199

Market Statistics (Continued on Next Page)

	Total Inventory (SF)	SF Under Construction	SF Absorbed This Quarter	SF Absorbed Year-to-Date	Vacancy Rate	Average Asking Rent (Price/SF)
National	**15,573,149,353**	**371,180,607**	**74,385,380**	**74,385,380**	**5.5%**	**$8.10**
Atlanta	645,354,898	21,907,504	6,830,516	6,830,516	6.6%	$5.25
Austin	97,106,216	11,980,895	254,167	254,167	6.8%	$11.27
Baltimore	189,029,742	2,546,422	716,244	716,244	10.0%	$5.93
Boston	217,051,953	986,750	331,299	331,299	5.5%	$10.86
Broward County, FL	110,353,024	1,925,254	512,164	512,164	5.2%	$9.50
Charleston, SC	80,738,704	5,234,309	203,570	203,570	7.1%	$5.71
Charlotte	403,616,491	8,753,714	-314,113	-314,113	6.3%	$5.11
Chicago	1,150,831,656	18,640,858	5,719,306	5,719,306	6.2%	$5.86
Cincinnati	291,222,258	8,426,449	1,991,514	1,991,514	5.7%	$4.42
Cleveland	287,544,038	2,907,037	8,797	8,797	4.5%	$4.43
Columbia, SC	61,765,313	1,092,780	-151,540	-151,540	3.9%	$4.37
Columbus	305,290,048	6,167,952	3,918,234	3,918,234	5.6%	$4.27
Dallas	948,856,678	31,758,293	9,076,631	9,076,631	7.0%	$6.89
Denver	210,594,086	5,488,472	602,823	602,823	6.6%	$9.00
Detroit	405,078,732	6,860,978	-1,739	-1,739	4.9%	$5.99
Greenville, SC	224,829,181	3,225,998	-277,787	-277,787	7.6%	$4.06
Houston	593,134,752	14,507,900	-1,697,651	-1,697,651	9.2%	$7.08
Indianapolis	354,259,264	11,432,687	1,773,241	1,773,241	6.2%	$4.32
Inland Empire, CA	643,286,191	21,297,937	7,601,415	7,601,415	2.4%	$8.74
Jacksonville	134,651,359	2,895,444	42,998	42,998	5.6%	$5.61
Kansas City	296,178,956	9,399,200	1,794,989	1,794,989	5.1%	$4.61
Las Vegas	133,909,667	5,033,008	1,268,050	1,268,050	5.8%	$8.53
Long Island	160,785,577	1,208,412	282,492	282,492	4.8%	$13.26
Los Angeles	1,048,967,728	8,212,465	3,363,043	3,363,043	1.6%	$11.09
Memphis	286,904,860	10,660,555	4,040,538	4,040,538	5.7%	$3.69

Note: Absorption is the net change in occupied space over a period of time. Data may not match totals in some Newmark metro reports due to different local methodologies. Asking rents are quoted on a triple-net basis. Inventory in Sacramento and Silicon Valley markets was revised due to a change in data source.

Market Statistics (Continued from Previous Page)

	Total Inventory (SF)	SF Under Construction	SF Absorbed This Quarter	SF Absorbed Year-to-Date	Vacancy Rate	Average Asking Rent (Price/SF)
National	**15,573,149,353**	**371,180,607**	**74,385,380**	**74,385,380**	**5.5%**	**$8.10**
Miami	222,634,448	1,610,703	869,775	869,775	4.9%	$8.51
Milwaukee	245,987,086	1,031,673	236,488	236,488	4.9%	$4.56
Minneapolis	398,684,877	2,797,887	-2,395,556	-2,395,556	4.5%	$5.53
Nashville	250,870,832	17,125,451	1,417,936	1,417,936	3.3%	$6.88
New Jersey Northern	669,373,655	8,363,069	3,038,156	3,038,156	4.1%	$9.79
Oakland/East Bay	254,600,139	2,210,851	309,967	309,967	6.4%	$13.96
Orange County, CA	261,542,935	351,101	818,377	818,377	2.5%	$14.44
Orlando	191,033,919	1,540,475	1,279,921	1,279,921	5.0%	$7.21
Palm Beach	49,707,457	1,001,226	154,796	154,796	5.5%	$9.79
Penn. I-81/78 Corridor	410,652,021	20,351,731	2,146,284	2,146,284	9.6%	$4.87
Philadelphia	487,378,484	16,312,861	1,540,238	1,540,238	4.7%	$8.02
Phoenix	321,780,004	13,214,665	5,113,237	5,113,237	7.8%	$8.04
Pittsburgh	144,432,726	1,836,607	34,218	34,218	6.5%	$5.04
Portland	225,466,898	2,673,796	40,819	40,819	5.4%	$9.23
Raleigh/Durham	127,619,527	3,023,685	-438,221	-438,221	4.3%	$8.43
Sacramento	162,694,710	2,290,194	2,848,158	2,848,158	3.1%	$8.06
Salt Lake City	251,496,530	14,368,027	2,983,991	2,983,991	3.2%	$7.61
San Antonio	134,829,243	6,967,373	1,485,901	1,485,901	6.5%	$6.88
San Diego	165,679,742	5,135,933	-29,610	-29,610	5.3%	$13.37
Seattle	300,948,214	13,330,501	1,436,180	1,436,180	4.8%	$10.40
Silicon Valley	150,957,447	823,220	-561,037	-561,037	10.4%	$27.24
St. Louis	276,210,154	2,682,590	2,514,732	2,514,732	5.4%	$4.66
Tampa/St. Petersburg	270,107,378	2,418,022	661,063	661,063	5.2%	$6.12
Washington, DC	317,119,555	7,167,693	990,366	990,366	5.8%	$10.03

Note: Absorption is the net change in occupied space over a period of time. Data may not match totals in some Newmark metro reports due to different local methodologies. Asking rents are quoted on a triple-net basis. Inventory in Sacramento and Silicon Valley markets was revised due to a change in data source.

Economic Conditions

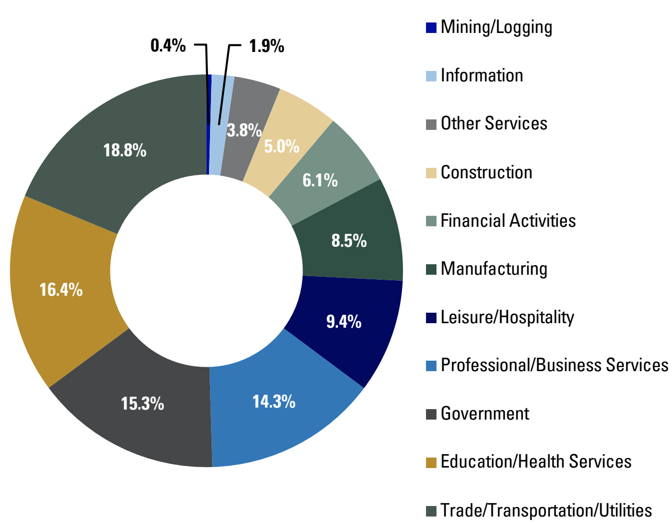
The U.S. unemployment rate has increased 160 basis points from one year ago, closing March 2021 at 6.0%. The unemployment rate reached a peak of 14.8% in April 2020, in the immediate aftermath of the pandemic's arrival in the U.S., and has declined 880 basis points since then. The U-6 unemployment rate, which includes total unemployed, marginally attached workers, and those working part time for economic reasons measured 10.7% in the first quarter.

The economy lost more than 20.0 million jobs between March and April of 2020 but has added 10.0 million jobs between May 2020 and March 2021. The industrial-intensive Manufacturing and Trade/Transportation/Utilities sectors have been relatively resilient during the downturn. Total non-farm employment is down 4.4% over the past year while industrial employment is down just 2.4%.

The distribution and administration of the coronavirus vaccine has accelerated optimism about the pace of economic and labor market recovery in 2021. Industrial markets were spurred by the growth of e-commerce during the pandemic. Demand for warehousing and distribution space among e-commerce tenants will persist as these new shopping habits are expected to continue commanding a large share of consumer activity.

Employment by Industry

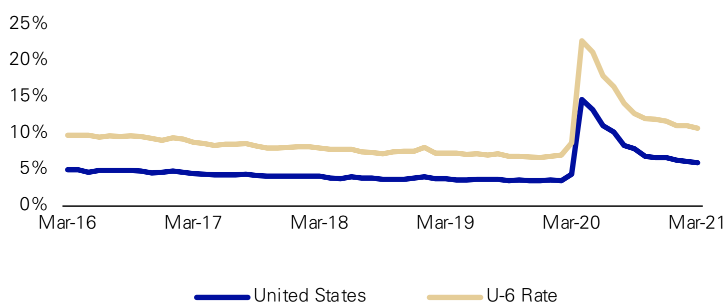
United States, March 2021



Source: U.S. Bureau of Labor Statistics, Newmark Research; April 2021

Unemployment Rate

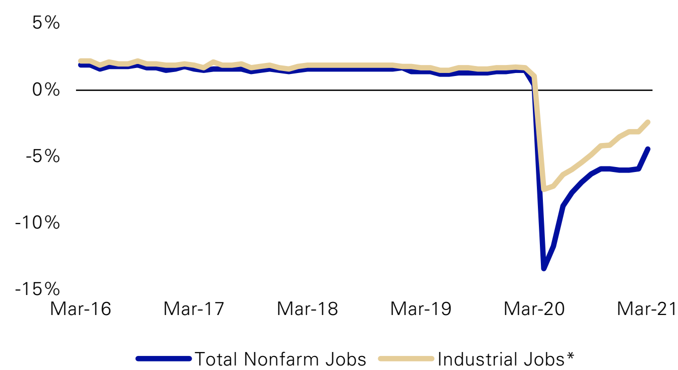
United States, Seasonally Adjusted



Note: U-6 rate includes total unemployed, marginally attached workers, and those working part time for economic reasons
Source: U.S. Bureau of Labor Statistics, Newmark Research; April 2021

Payroll Employment

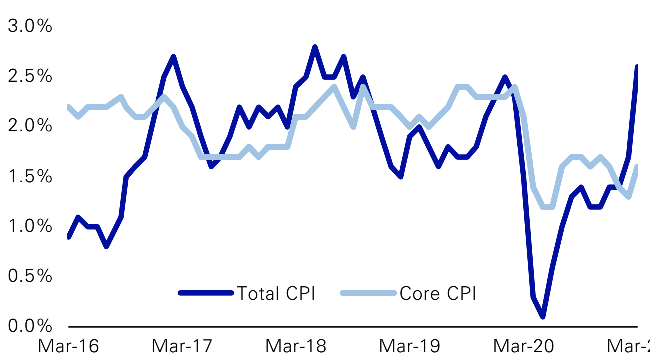
United States, 12-Month % Change, Seasonally Adjusted



* Includes Manufacturing, Trade/Transportation/Utilities and Mining/Logging
Source: U.S. Bureau of Labor Statistics, Newmark Research; April 2021

Consumer Price Index (CPI)

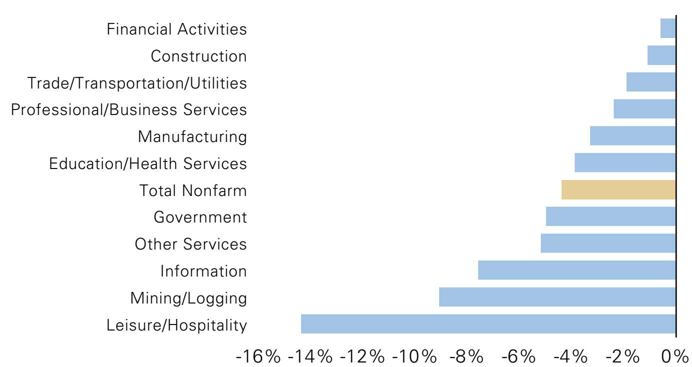
United States, 12-Month % Change, Seasonally Adjusted



Note: Core CPI excludes food and energy, which can be volatile; 1982–84=100
Source: U.S. Bureau of Labor Statistics, Newmark Research; April 2021

Employment Growth By Industry

U.S., March 2021, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, Newmark Research; April 2021

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