



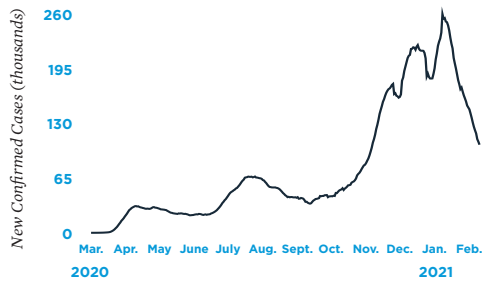
IPA

INSTITUTIONAL
PROPERTY
ADVISORS

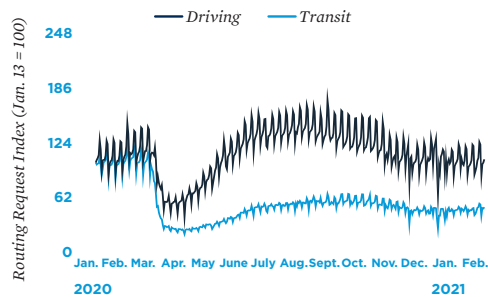
2021

**INVESTMENT
OUTLOOK
INDUSTRIAL**

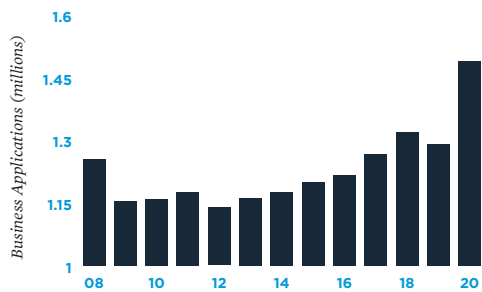
Daily U.S. COVID-19 Cases Ease From Spike



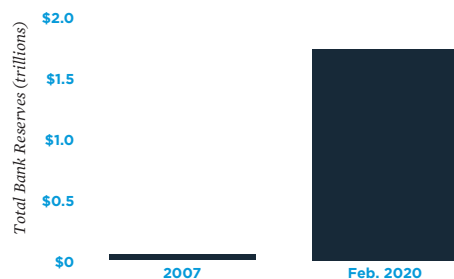
Aversion to Public Transit



New Business Applications Surge



Banks in Stronger Position Than in 2007

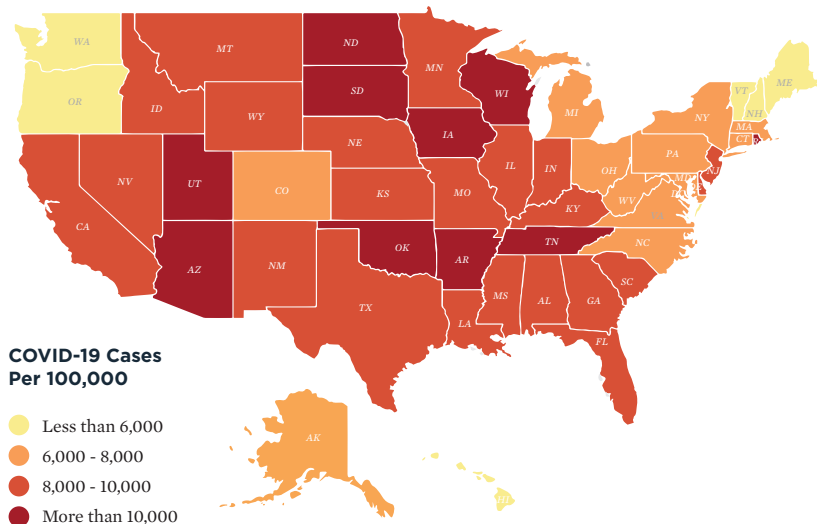


Health Crisis Upends Commercial Real Estate; Uncertainty Will Carry Well Into 2021

Pandemic transforms commercial real estate. COVID-19 changed the world in early 2020 as efforts to curb the spread of the pandemic had a dramatic impact. Stay-at-home orders, the need to physically distance, and having to abide by health and safety protocols had harsh effects on many real estate sectors. Hospitality, seniors housing and brick-and-mortar retail were hit hard while others including necessity-based retailers, medical offices, e-commerce retailers, life science and pharmaceutical firms, and many industrial segments thrived. As of February 2021, more than 486,000 Americans have died from the coronavirus and after reaching a peak in mid-January that strained healthcare systems across a wide swath of the U.S., cases, hospitalizations and deaths have begun to taper.

Health crisis exacerbated demographic shifts. Employers laying off workers and sending staff home to work remotely contributed to an acceleration of demographic changes that were already underway. Economic uncertainty led many households to search for lower-cost housing, while the need to work from home and attend school online generated demand for larger spaces. Commute times became less of a factor in housing decisions, pushing residential and apartment demand away from dense urban cores that are more reliant on mass transit to the benefit of suburbs as well as secondary and tertiary markets. Although driving returned during the summer months, public transit usage remains well below the pre-coronavirus level as fewer people are commuting to offices and physical distancing protocols limit ridership. Higher unemployment is also leading to more people spending time at home, which consequently may have boosted new business applications to the highest rate since the Great Recession. This surge in entrepreneurship could have positive results in the years ahead.

Coronavirus Cases Continue to Spread*



* As of Feb. 11, 2021

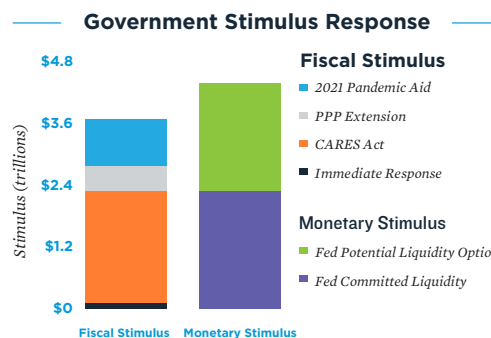
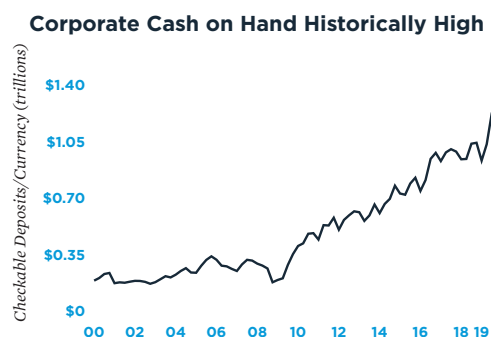
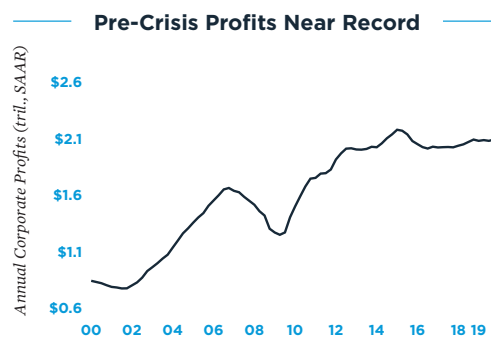
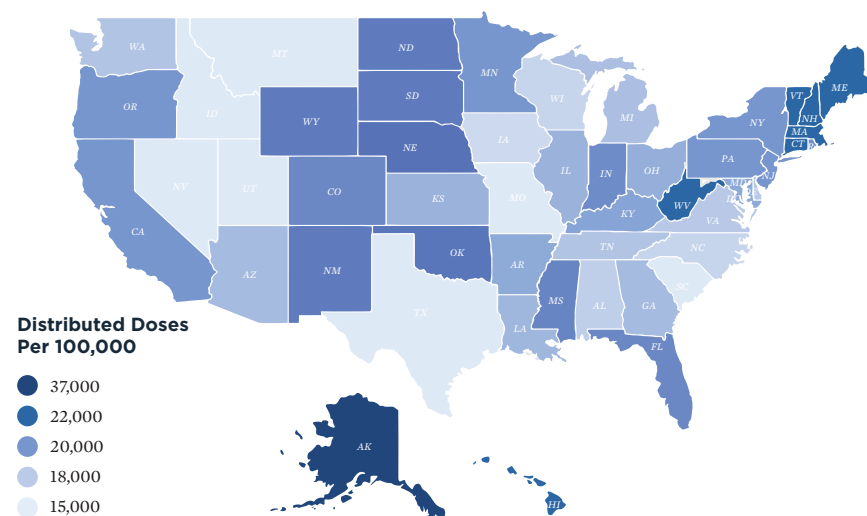
Sources: Apple; Federal Reserve; New York Times; U.S. Census Bureau

Government Response, Market Liquidity, Fast-Track Vaccine Development Provide Optimistic Outlook

Economy jolted as coronavirus spread. The economy was on relatively solid footing heading into the pandemic. Company profits were hovering near the 20-year peak and corporate cash on hand had set a new high, supplying many firms with cushions to weather a downturn. Bank reserves were also significantly above those registered in 2007, providing a much healthier comparison to the start of the Great Recession. Through the health crisis, the money supply has remained liquid as the federal government quickly infused cash into the market and funded stimulus measures via the CARES Act and other legislation. The Paycheck Protection Program (PPP) was one of several systems that assisted in keeping people employed and allowed businesses and households to make rent payments. Additional infusions in 2021 will provide further economic stimulus.

Immunizations provide a path forward. In response to the pandemic, the government initiative Operation Warp Speed was established to fast track the development and approval of vaccines to combat COVID-19. By the end of 2020, two vaccines had been approved and others were in trial phases. Inoculations were underway by mid-December, providing some hope, especially to real estate segments hit hard by the pandemic. Immunization efforts, however, were slow to ramp up, extending the time needed before enough people are vaccinated to a level that would provide herd immunity and allow a freer movement of people. Although clarity is in sight, these delays will prolong uncertainty for investors well into 2021.

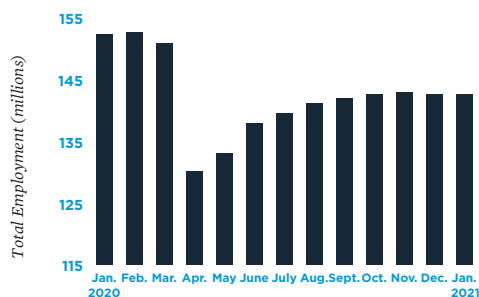
Immunizations Ramping Up Across the Nation*



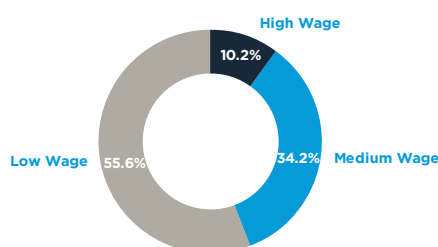
* As of Feb. 11, 2021

Sources: BEA; Federal Reserve; U.S. Census Bureau

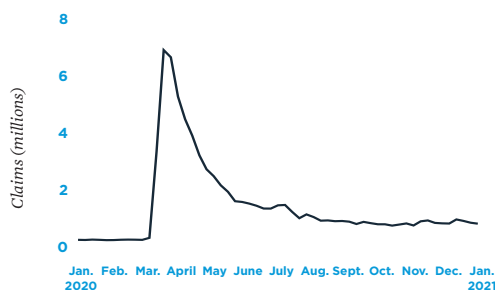
Employment Trends



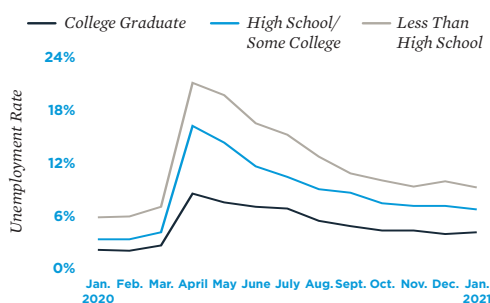
Share of Job Losses*



Unemployment Claims



Unemployment Rate by Education Level



Possibilities for Second Growth Surge or Double Dip in 2021 Hinge on Vaccine Rollout and Labor Recovery

Vaccine distribution to play a critical role in economic outlook. The nation's economic situation has regained much of the momentum lost last spring as it continues along an upward path in 2021. Ongoing health challenges and other potential hurdles may suspend or abate that progress, however. If the current set of COVID-19 vaccines are distributed as efficiently as predicted, then enough people may be inoculated by midyear to safely allow most businesses to fully reopen. Employed consumers with idle cash on hand from months in sequestration will be able to more freely travel and patronize bars, restaurants, entertainment venues, and brick-and-mortar retailers, potentially boosting the economy. If, however, the pace of the vaccine rollout is slowed or the nature of the virus changes, these exogenous encumbrances to the economy will remain in place longer. Employers who are challenged by physical distancing requirements and areas of the country where infection risk is higher will fall further behind other segments of the economy. This disparity, if severe enough, could lead to another quarterly economic contraction. The fortitude displayed during the second half of 2020 makes this scenario improbable, however, especially with continued government support.

Economy has been resilient so far, aided by robust federal aid. The forced closure of many businesses last year led to the sharpest decline in Gross Domestic Product in the post-World War II era. After sliding 5 percent in the first quarter, U.S. GDP fell an annualized 31.4 percent in the April-to-June period as 22 million jobs were shed and the unemployment rate soared to 14.8 percent. This unprecedented shock was met with an equally unprecedented government response. Applying lessons learned during the last downturn, the Federal Reserve and Congress collectively delivered roughly \$5 trillion in aid within a matter of weeks, divided between direct fiscal stimulus and added financial market liquidity. These actions, followed by the implementation of other lending programs and federal legislation in subsequent months, helped GDP leap 33.4 percent in the third quarter and a more modest 4 percent in the fourth quarter. The strong gains made in the second half of the year mostly offset the earlier losses, translating to an overall economic contraction of 3.5 percent in 2020.

Labor market recovering but some sectors are falling behind. Over half of the jobs lost in March and April last year were restored or replaced by December, but as 2021 progresses certain industries face a longer road to total recovery than others. Physical distancing requirements and travel restrictions had a disproportionate impact on the leisure and hospitality sector, which encompasses hotels, bars, restaurants and other entertainment venues. While the overall employment base remained 6.5 percent below its pre-pandemic level at the start of 2021, the leisure and hospitality sector was still down 23.2 percent. Conversely, staff working in essential services or in positions more easily shifted to a remote setting were better protected. The number of jobs in financial activities, construction and in the trade, transportation and warehousing sector were all at or within 3 percent of their February 2020 mark by the start of the new year. How the labor market improves going forward will depend on how well vaccines are administered. If infection rates drop enough to permit widespread reopening and social patterns normalize, many of the jobs most impaired by the health crisis could quickly return, although not all roles are likely to be restored this year as some employers have permanently closed.

* February to December 2020

Sources: BLS; ETA

Administration Weighs Policy Goals Against Stimulus Needs While the Federal Reserve Guides Inflation

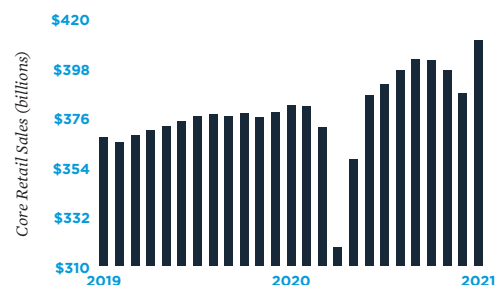
Biden administration must balance policy objectives and health crisis management.

President Biden campaigned on a platform of widespread legislative reform, including taxation, healthcare and public spending on infrastructure. Achieving these goals must be managed in relation to the immediate needs of the health crisis. Some intended policy reforms, such as increasing taxes on businesses and investors, could weigh on economic growth in the short term. Even if political division in Congress does not preclude the passage of wide-sweeping changes, the focus of the legislative and executive branches will likely to be dominated by the health crisis through at least the middle of the year. Making more substantial alterations to laws and regulations could create uncertainty among consumers and investors, dampening the intended effects of stimulus measures that the Biden administration is currently pursuing.

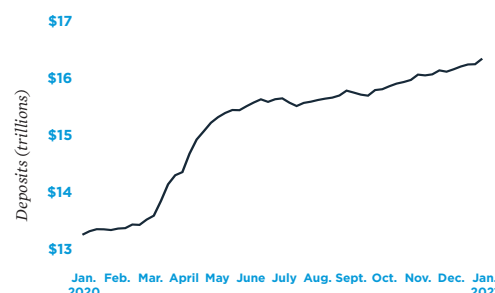
Additional federal aid likely incoming; holds significant implications on growth. The \$900 billion stimulus package passed at the end of last year is serving as a vital economic stopgap as the country deals with the difficult health challenges. Many of the legislation's key benefits, such as renewed federal unemployment insurance, will nevertheless fade by the spring. The Biden administration is therefore pursuing a \$1.9 trillion stimulus package to further buttress the economy. The legislation would include a third round of larger direct payments to taxpayers as well as expanded unemployment benefits, rental assistance, and funding for state and local governments. While the final stipulations of the bill are almost certain to change, the incoming aid will uplift the economy in the near term, but at the cost of introducing some potential longer-term risks. The extensive deficit spending necessitated by the health crisis will likely result in an overall higher tax burden down the line, whether at the local or federal level or both. The ample amount of liquidity injected into the market also raises inflation risk.

The Federal Reserve continues to carefully monitor inflation. As this year progresses, the Fed will have to walk a tightrope balancing economic growth and the potential for accelerated inflation. The Federal Open Market Committee has already signaled that it is willing to allow inflation to rise above a 2 percent annual growth rate following multiple years of below-target increases. To what extent above that threshold the FOMC will permit is as of yet unclear. Even so, the Fed may still be forced to raise interest rates and tighten monetary policy later this year if the risk of spiraling inflation becomes likely. This shift in policy could elicit an unintended reaction from the market, derailing economic growth in unexpected ways. If the central bank acts too early it could also prematurely temper economic growth. Even if the FOMC executes its strategy flawlessly, high inflation could still occur. Recent government actions have injected ample liquidity into the market. At the same time, many consumers have added to their savings while staying at home, expanding their potential spending power. The financial standings of many households have also improved via rising home equity values, a byproduct of a competitive single-family housing market fueled by low interest rates and recent lifestyle changes. All of these factors together create a scenario in which, once the health crisis is mitigated, consumer spending substantially jumps ahead of the available supply of goods and services, raising prices. Depending on the timing, however, this wave of spending could also act as its own form of stimulus.

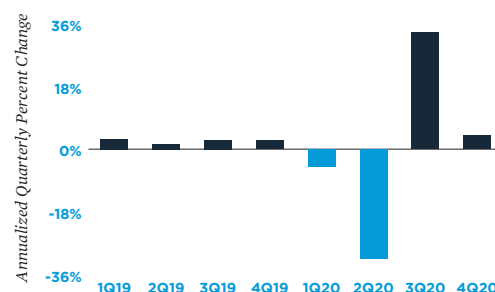
Core Retail Sales Bounce Back



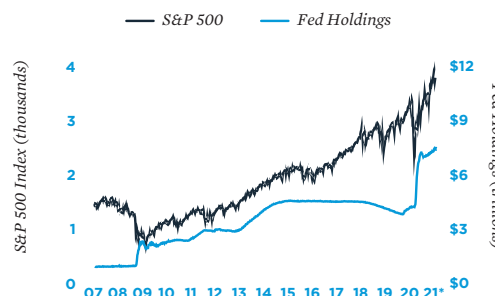
Savings Deposits Steadily Climbing



GDP Growth Trends



Fed-Injected Liquidity Lifting Equity Prices



* Through January

Sources: BEA; Federal Reserve; Standard & Poor's; U.S. Census Bureau

INDUSTRIAL

Tailwinds for Industrial Growth in 2021

- Households continue their current usage of online platforms for essential and nonessential purchases, fueling e-commerce growth.
- Lease agreements are in place for roughly half of the 340 million square feet of space slated for completion this year, minimizing the impact of supply additions on overall vacancy.
- Household migration to suburban communities and secondary and tertiary markets prompts industrial users to expand their distribution networks in growing population centers.
- An influx of imports at major U.S. ports generates demand for nearby storage space and increases rail traffic and air cargo volumes.
- Consumers' same- and next-day delivery expectations motivate retailers and wholesalers to improve their last-mile capabilities via the leasing of additional storage space near population clusters.
- Industrial production returns to a pre-pandemic level following improvement in consumer spending and factory orders during the second half of last year.
- President Biden's plan to pursue tax reform may encourage organizations to reshore operations and return supply chains to the states.
- Grocers maintain larger inventories of refrigerated goods for online order processing and in-store restocking, boosting demand for cold-storage space.
- Personal and corporate reliance on tech platforms prompts data center proposals during a period of sparse vacancy.

Health Crisis Transforms Logistics and Consumer Behavior; Industrial Space Demand on the Rise

Consumer behavior drives sector's upward movement. The rapid growth of e-commerce ranked the industrial market as the nation's top performing commercial real estate segment before the pandemic. The health crisis has since augmented the evolution of the sector, cramming multiple years of expansion into a three-quarter stretch. Entering 2021, the industrial sector will continue its upward trajectory even as the advancement of e-commerce returns to a more sustainable level of long-term growth. A more permanent shift in consumer behavior will enhance online platforms' role in the retail landscape, prompting multichannel merchants, wholesalers, and logistics firms to broaden operations. Steady demand for warehouse and distribution space should emerge as a byproduct, spurring a refilling of what is already a robust development pipeline.

Industrial users respond to household migration patterns. The rise in suburban, secondary, and tertiary market relocations prompted by the health crisis is anticipated to evolve into a longer-term trend as more families and individuals seek lower housing costs and locales of reduced density. As smaller metros and suburban communities record population growth, the number of local consumers that utilize web-based platforms for essential and nonessential purchases should elevate. Online and multichannel retailers are likely to act, bolstering their safety stocks, storage presence and last-mile capabilities in these locations to better meet potential order surges and heightened consumer expectations for next- and same-day delivery. Tenant expansions and population growth are likely to deepen buyer pools in emerging markets where above-average yields are readily obtainable.

Investor sentiment leans toward acquisitions. Heightened space demand recorded during the pandemic and strong near-term fundamentals have the potential to expand the industrial buyer pool and amplify enthusiasm among some investors in 2021. Those projecting the sector to continue its rapid expansion for years to come may fuel a competitive bidding environment where asset values are pushed to historically high marks. The potential for properties to achieve new heights may increase listing activity as more owners are enticed to sell assets they previously anticipated holding.

Select subsectors outperform broader category. Data centers and cold-storage facilities enter the year in a position of strength with vacancy rates historically tight and future demand drivers in place. An increasing reliance on tech and cloud-based platforms for personal and corporate use will only serve to boost data storage requirements for the foreseeable future. Long-term demand for these facilities should bolster the absorption of available space, likely fueling a wave of near-term groundbreakings. Meanwhile, consumer utilization of online platforms for grocery delivery and pickup in a post-pandemic world will require supermarkets to increase their cold-storage capacities. A surge of imports following the pandemic and vaccine storage requirements should also intensify cold-storage demand near port facilities and in local service markets.

Elevated Supply

Atlanta
Austin
Dallas/Fort Worth
Indianapolis
Memphis
Phoenix
Riverside-San Bernardino

- Inventory expansion spearheaded by Sunbelt metros. Strong absorption in a collection of regional hubs and major local service markets has supported a refilling of these locales' development pipelines that will translate to notable inventory expansion in 2021. Atlanta and Dallas/Fort Worth top the list of high growth markets with active pipelines that each exceed 20 million square feet. Austin and Phoenix represent additional markets that face industrial expansion this year as both metros benefit from household migration trends. Phoenix is also emerging as a second transshipping hub for Southern California ports. Home to the nation's busiest cargo airport, Memphis' pipeline was historically large at the onset of this year. Similarly, Indianapolis will record inventory growth of 7 million square feet this year. Riverside-San Bernardino's pipeline will continue to remain robust, driven by tight vacancy and expectations of revived trade with Asia following the pandemic.

Stable Operations

Boston
Chicago
Detroit
Los Angeles
Milwaukee
Northern New Jersey
Orange County
Orlando
San Diego
Washington, D.C.

- Key Northeast and Midwest markets record stable demand. Strong pre-leasing and moderate shifts in vacancy during the health crisis will benefit landlords in locales that represent major components of regional supply chains. Neighboring Chicago and Milwaukee both have relatively minimal speculative space underway at a time when vacancies are near cyclical-low levels. Ranking as the Midwest's tightest market, Detroit should benefit from an improvement in manufacturing production. Availability in Boston compressed 10 basis points last year, signaling demand for newly built space. Likewise, Washington, D.C., recorded a 20-basis-point decrease in vacancy from January to September of last year, with half of its active pipeline pre-leased. Port activity and proximity to New York City should preserve Northern New Jersey's limited vacant stock.

Protracted Recovery

Baltimore
Charlotte
Denver
Fort Lauderdale
Miami-Dade
Minneapolis-St. Paul
Philadelphia
Sacramento
Seattle-Tacoma
Tampa-St. Petersburg
West Palm Beach

- Tenant interest swells in popular relocation destinations. South Florida markets registering in-migration gains as a byproduct of the pandemic will attract more expanding retailers and e-commerce firms this year. Development pipelines in Miami-Dade and West Palm Beach are subdued, with vacancy in both locales well below the national average. In Fort Lauderdale, the multifamily delivery boom recorded last year and the additional units slated for 2021 completion should fuel an increase in consumer spending. Denver, Charlotte, and Sacramento represent additional markets where population growth should prompt an uptick in industrial absorption. While unlikely to record positive net migration this year, Baltimore's increasing port volumes may position the metro to record vacancy compression.

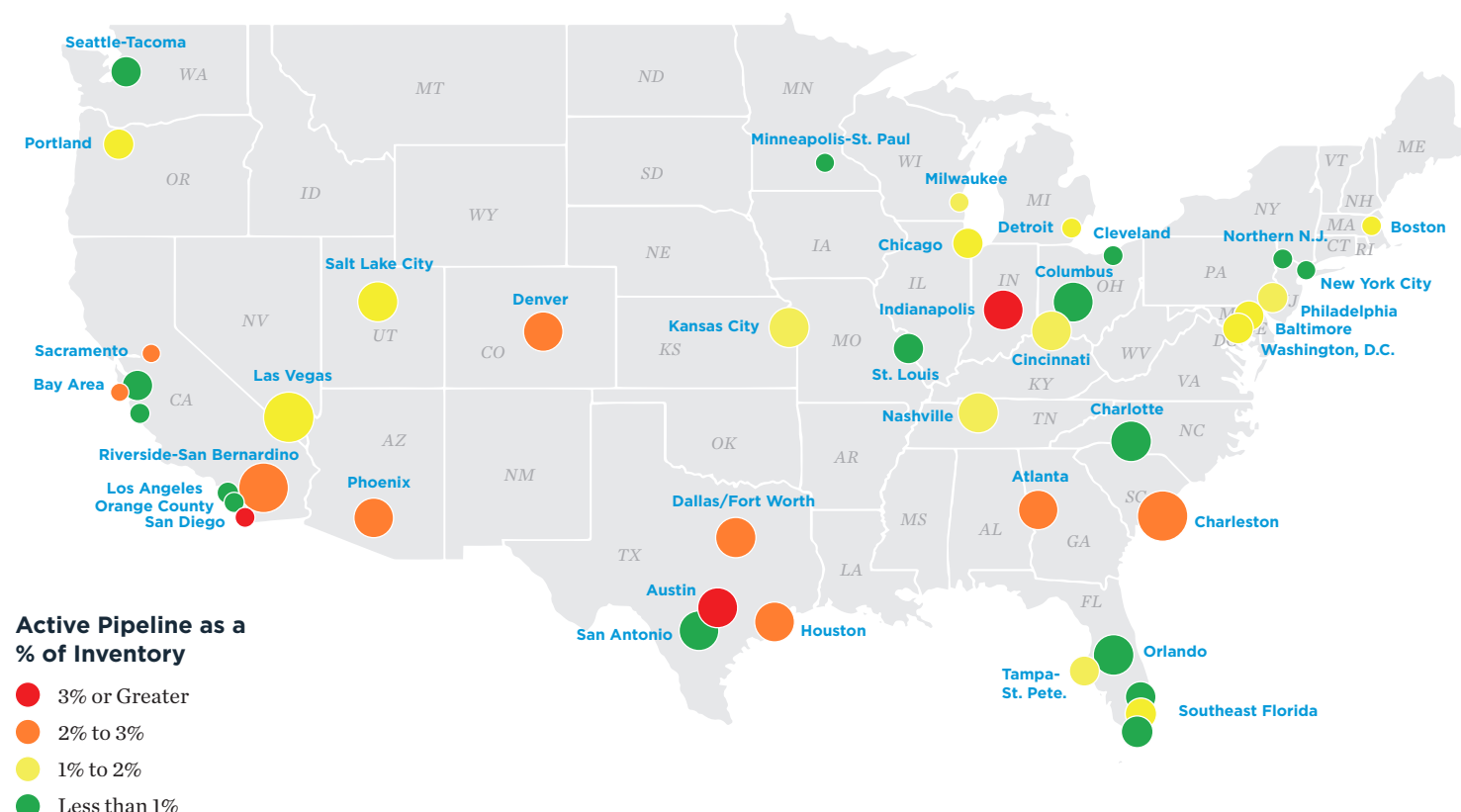
Selected Headwinds

Cleveland
Houston
New York City
Oakland

- Select metros brace for potential vacancy increases. Significant inventory growth in Houston and flat port volumes last year played a role in pushing availability to its highest rate since 2004. The downturn in the oil and gas industry is likely to slow economic growth and job recovery this year, with another wave of industrial completions on deck. Cleveland's inability to recover a significant volume of jobs lost during the onset of the pandemic could heighten the pace of out-migration this year, potentially prolonging a recent span of negative quarterly absorption. Outbound household movement occurring in New York City places the metro in a state of transition at a time when industrial availability is at more than 20-year high. Comparably, relocations from the Bay Area will impact demand in Oakland; however, the high volume of imports projected at the market's port may buoy industrial demand.

Industrial Construction Exaggerated in Texas Metros and Hub Markets

Inventory Growth and Projects Underway



Top 10 Markets by Active Pipeline

Market	Active Pipeline (sq. ft. millions)	Pipeline as % of Total Inventory	4Q 2020 Vacancy Rate
Dallas/Fort Worth	23.1	2.8%	7.5%
Atlanta	20.1	2.9%	6.3%
Chicago	13.2	1.1%	6.4%
Riverside-San Bernardino	12.3	2.0%	3.7%
Houston	11.3	2.0%	8.9%
Indianapolis	9.3	3.2%	6.2%
Austin	9.3	11.0%	6.8%
Philadelphia	8.4	1.7%	5.2%
Phoenix	6.2	2.0%	7.7%
Detroit	5.3	1.0%	4.6%

Sources: CoStar Group, Inc.; RealPage, Inc.

2021 Construction Outlook

- The health crisis did not alter the progress of most projects. Instead, 315 million square feet of space was finalized last year in major U.S. markets, increasing the nation's industrial inventory by 1.9 percent. In 2021, delivery volume is slated to exceed that total, further testing demand for newly built space.
- Industrial demand in Atlanta has matched the influx of completions recorded over the past five years. Strong absorption warrants the nation's second largest active pipeline, which totaled more than 20 million square feet at the start of 2021. The top market for recent delivery volume, Dallas/Fort Worth has been more impacted by recent supply additions, as the Metroplex began this year with its highest vacancy rate since 2013. Still, more than 23 million square feet was underway at the onset of 2021.
- Widely recognized as a continual growth market, Austin's expansion will carry over into industrial this year. Driven by the completion of a Tesla Gigafactory and an Amazon distribution center, the metro will record the largest annual inventory growth among major U.S. metros. These projects will deliver a significant economic injection for the metro, potentially encouraging additional development.

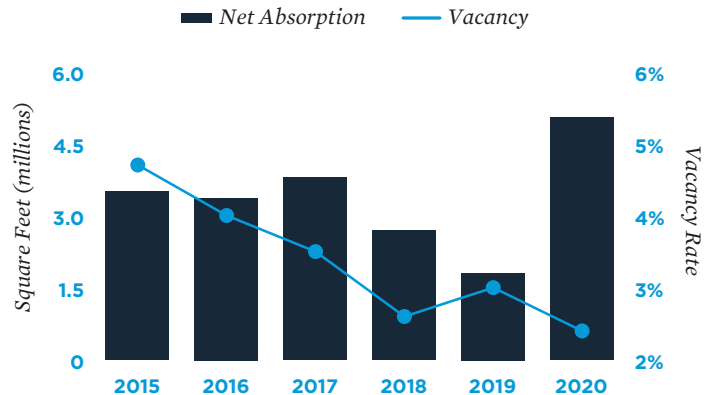
Industrial Subsectors Enter 2021 in a Position of Strength

DATA CENTERS



- Demand in the subsector is robust, having outpaced the record volume of space delivered last year. Strong absorption placed vacancy below 3 percent entering 2021, a rate more than 100 basis points below the prior five-year average.
- The acceleration of cloud adoption and the extensive use of apps, online videos and social media platforms during 2021 will further drive demand for data centers, including the nearly 8 million square feet of space that was underway at the onset of this year.

Data Center Vacancy Reaches Historical Low

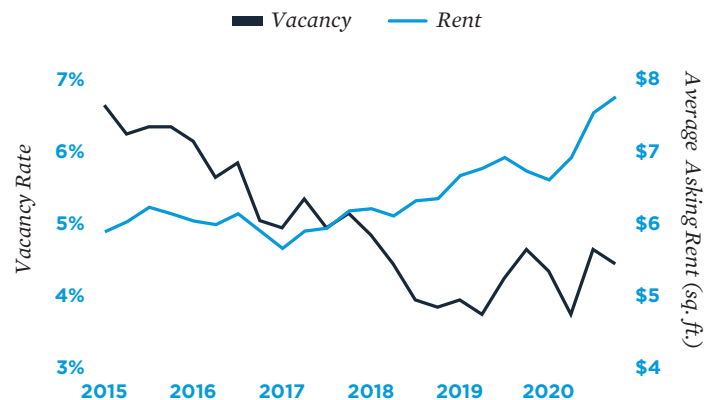


COLD-STORAGE FACILITIES



- The health crisis has motivated grocers and food suppliers to maintain larger inventories of refrigerated goods to expedite the replenishing of in-store stock and processing of home-delivery and curbside pickup orders. This stockpiling supported the absorption of more than 2 million square feet of cold-storage space last year.
- Demand for existing cold storage is positioned to remain elevated in 2021 as less than 1 million square feet was under construction at the start of this year. Vaccine storage requirements should support additional demand during the first half.

Tight Conditions Boost Cold-Storage Rents

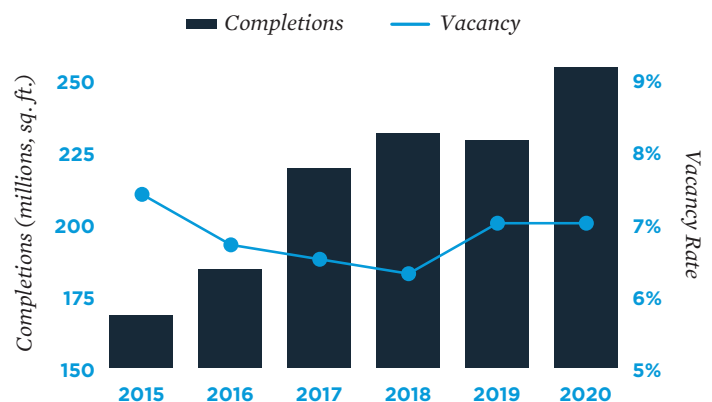


200K+ SQ. FT. WAREHOUSES-DISTRIBUTION CENTERS



- Total completions for big-box facilities in each of the past four years exceeded 200 million square feet. Amid this stretch of elevated construction, vacancy in the subsector consistently hovered in the mid-6 to low-7 percent range, signaling steady demand for larger facilities that will carry over into 2021.
- The development pipeline for these large facilities will remain elevated moving forward as construction was underway on roughly 270 million square feet at the beginning of 2021. E-commerce companies', wholesalers', and multichannel retailers' desire to operate warehouses and distribution centers closer to population centers could spur another round of project starts.

Demand Matches Rise in Large-Scale Projects



Source: CoStar Group, Inc.

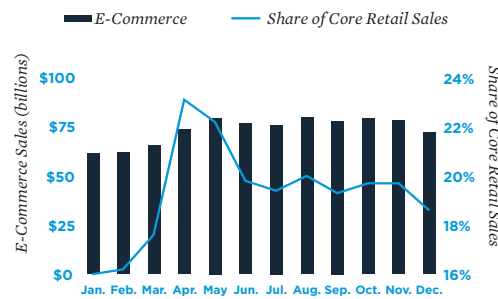
Market Name	Employment Growth				Completions (000s of Sq. Ft.)				Vacancy	
	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018
Atlanta	2.2%	1.9%	2.5%	-2.6%	17,400	17,000	21,440	20,410	6.5%	5.8%
Austin	3.3%	4.2%	3.6%	-1.0%	2,160	2,140	1,590	2,250	6.3%	6.2%
Baltimore	1.1%	0.8%	1.2%	-5.1%	1,460	5,410	1,670	6,560	8.4%	8.3%
Boston	1.3%	1.3%	0.9%	-9.2%	1,150	3,100	1,320	3,400	5.3%	5.2%
Charlotte	2.2%	2.5%	2.3%	-4.9%	6,950	7,190	5,960	7,650	5.9%	5.8%
Chicago	0.7%	0.7%	0.4%	-7.4%	22,000	13,900	20,030	21,250	6.3%	6.0%
Cleveland	0.4%	1.4%	0.5%	-8.6%	870	3,390	3,110	1,000	4.2%	4.1%
Dallas/Fort Worth	2.2%	2.5%	3.2%	-2.1%	28,060	22,250	26,510	29,290	6.0%	6.5%
Denver	2.6%	2.0%	2.8%	-4.4%	4,730	3,410	4,730	3,580	4.3%	4.8%
Detroit	1.2%	1.3%	0.5%	-11.0%	3,500	7,900	4,520	1,080	3.9%	3.8%
Fort Lauderdale	1.7%	1.8%	1.2%	-7.3%	420	1,510	2,650	2,050	3.4%	3.6%
Houston	1.6%	2.7%	2.0%	-4.3%	8,810	13,440	15,230	28,990	5.2%	5.6%
Indianapolis	1.8%	0.9%	0.9%	-0.8%	7,720	7,900	6,430	9,160	5.4%	4.6%
Los Angeles	1.6%	1.4%	1.1%	-9.1%	7,370	5,830	2,560	5,190	1.9%	2.1%
Memphis	0.2%	1.1%	0.7%	-2.6%	5,020	6,770	2,360	10,260	6.7%	6.0%
Miami-Dade	1.5%	1.8%	1.1%	-5.5%	3,180	3,780	3,240	3,390	4.0%	4.0%
Milwaukee	0.9%	0.4%	0.2%	-7.4%	1,050	1,840	2,230	4,730	4.1%	4.6%
Minneapolis-St. Paul	1.5%	1.2%	0.3%	-8.0%	2,630	2,180	1,810	3,210	3.3%	3.0%
New York City	2.0%	2.1%	1.8%	-12.2%	570	2,310	430	2,030	3.9%	4.7%
Northern New Jersey	1.3%	0.5%	0.7%	-9.1%	1,120	3,200	1,370	950	5.1%	4.5%
Oakland	1.9%	1.2%	0.1%	-9.6%	1,310	1,500	1,690	4,940	3.6%	4.1%
Orange County	2.0%	1.2%	1.2%	-8.5%	470	1,280	420	610	2.4%	3.0%
Orlando	3.4%	2.7%	2.5%	-9.7%	2,520	3,900	3,340	2,050	3.9%	4.0%
Philadelphia	1.3%	1.0%	0.9%	-7.2%	7,210	2,460	7,440	7,310	5.0%	4.6%
Phoenix	3.4%	3.4%	3.6%	-2.3%	6,550	7,890	6,680	16,730	7.0%	6.9%
Riverside-San Bernardino	4.0%	3.0%	1.5%	-7.2%	25,120	25,450	24,380	16,940	5.4%	4.9%
Sacramento	2.7%	2.6%	1.5%	-6.9%	1,460	830	510	2,840	6.0%	4.3%
San Diego	2.1%	1.7%	1.5%	-6.9%	1,060	2,320	1,580	1,140	4.6%	5.3%
Seattle-Tacoma	2.4%	2.1%	2.5%	-7.2%	3,590	5,800	5,360	4,020	2.7%	3.3%
Tampa-St. Petersburg	1.9%	2.2%	2.7%	-3.6%	2,400	2,500	2,890	3,730	4.4%	4.1%
Washington, D.C.	1.0%	1.3%	1.7%	-5.2%	3,840	2,210	2,040	3,430	5.8%	5.6%
West Palm Beach	1.6%	1.8%	0.7%	-6.0%	540	520	260	570	3.0%	2.9%
United States	1.5%	1.6%	1.4%	-6.1%	272,980	281,060	275,800	315,450	4.8%	4.6%

Rate		Asking Rent per Sq. Ft.				Average Price per Sq. Ft.				Market Name
2019	2020	2017	2018	2019	2020	2017	2018	2019	2020	
6.5%	6.3%	\$4.49	\$4.77	\$5.03	\$5.10	\$76	\$87	\$90	\$93	Atlanta
7.1%	6.8%	\$9.58	\$10.16	\$10.25	\$10.60	\$119	\$124	\$130	\$129	Austin
7.8%	8.0%	\$5.30	\$5.30	\$6.29	\$6.28	\$95	\$99	\$103	\$104	Baltimore
5.3%	5.2%	\$7.54	\$8.06	\$8.58	\$9.17	\$119	\$133	\$154	\$180	Boston
6.3%	7.1%	\$4.41	\$4.66	\$4.91	\$4.99	\$88	\$95	\$106	\$116	Charlotte
6.1%	6.4%	\$5.66	\$5.72	\$5.94	\$6.17	\$79	\$83	\$91	\$99	Chicago
4.3%	4.9%	\$3.97	\$3.97	\$3.80	\$4.10	\$46	\$50	\$50	\$50	Cleveland
6.6%	7.5%	\$5.04	\$5.73	\$5.76	\$6.33	\$73	\$80	\$86	\$86	Dallas/Fort Worth
5.5%	6.3%	\$7.74	\$7.89	\$8.11	\$8.30	\$144	\$155	\$180	\$183	Denver
4.0%	4.6%	\$5.47	\$5.67	\$5.98	\$6.24	\$60	\$65	\$67	\$69	Detroit
5.9%	7.7%	\$9.74	\$9.56	\$10.28	\$10.33	\$122	\$139	\$161	\$157	Fort Lauderdale
6.6%	8.9%	\$6.55	\$6.84	\$6.76	\$7.14	\$82	\$88	\$91	\$95	Houston
4.3%	6.2%	\$4.31	\$4.19	\$4.62	\$5.27	\$57	\$59	\$64	\$74	Indianapolis
2.3%	3.4%	\$10.73	\$11.59	\$12.39	\$12.75	\$215	\$244	\$288	\$267	Los Angeles
6.4%	6.6%	\$3.39	\$3.43	\$3.24	\$3.36	\$50	\$51	\$51	\$51	Memphis
4.3%	5.1%	\$9.74	\$10.17	\$10.46	\$10.68	\$154	\$162	\$175	\$172	Miami-Dade
4.3%	4.2%	\$4.62	\$4.69	\$4.61	\$4.66	\$59	\$61	\$62	\$64	Milwaukee
3.1%	4.0%	\$6.31	\$6.33	\$5.94	\$5.65	\$70	\$79	\$84	\$88	Minneapolis-St. Paul
4.6%	6.2%	\$20.08	\$21.46	\$22.98	\$21.96	\$383	\$423	\$449	\$445	New York City
4.3%	3.6%	\$7.77	\$8.80	\$9.38	\$9.94	\$124	\$139	\$146	\$160	Northern New Jersey
5.2%	6.6%	\$13.23	\$14.49	\$14.08	\$14.23	\$190	\$216	\$252	\$238	Oakland
3.5%	3.4%	\$11.54	\$12.24	\$12.94	\$13.43	\$227	\$234	\$258	\$272	Orange County
6.3%	5.6%	\$6.19	\$6.49	\$6.96	\$7.23	\$89	\$103	\$115	\$110	Orlando
5.1%	5.2%	\$5.43	\$5.78	\$6.26	\$7.15	\$75	\$85	\$89	\$95	Philadelphia
7.7%	7.7%	\$6.86	\$7.11	\$7.42	\$7.81	\$105	\$119	\$128	\$130	Phoenix
4.7%	3.7%	\$7.83	\$8.84	\$9.74	\$10.24	\$145	\$156	\$178	\$180	Riverside-San Bernardino
3.8%	5.4%	\$5.82	\$7.75	\$8.02	\$7.39	\$102	\$112	\$121	\$123	Sacramento
5.8%	5.4%	\$12.96	\$15.20	\$15.89	\$16.03	\$189	\$192	\$213	\$226	San Diego
5.0%	5.3%	\$8.92	\$9.50	\$9.84	\$10.77	\$190	\$210	\$230	\$261	Seattle-Tacoma
4.8%	5.1%	\$6.21	\$6.11	\$6.38	\$6.68	\$78	\$83	\$91	\$100	Tampa-St. Petersburg
5.9%	5.8%	\$8.44	\$8.68	\$8.71	\$8.98	\$142	\$162	\$185	\$179	Washington, D.C.
3.5%	4.1%	\$10.47	\$10.97	\$11.24	\$11.64	\$126	\$142	\$159	\$165	West Palm Beach
5.0%	5.5%	\$6.70	\$7.11	\$7.39	\$7.66	\$80	\$87	\$95	\$102	United States

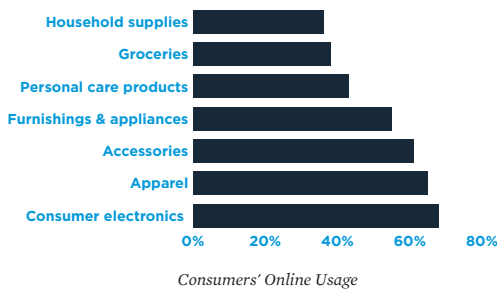
Sources: BLS; CoStar Group, Inc.; Real Capital Analytics

Growth of E-Commerce Extends Beyond Health Crisis; Retailers Upgrade Distribution, Warehousing Networks

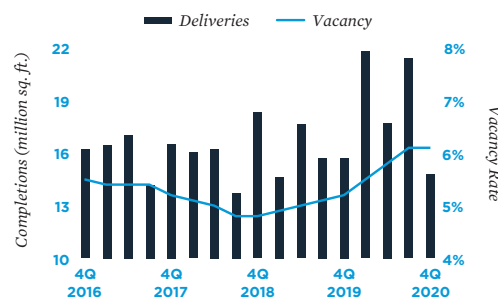
Online Spending Hit Record in 2020



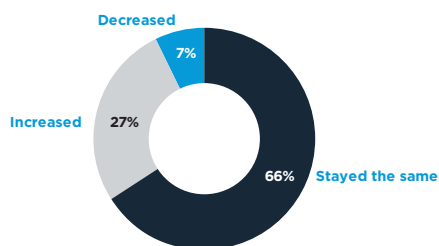
Usage of Online Platforms Remains High



Last-Mile Completions vs. Vacancy*



Firms Expand Fulfillment Center Networks



Online retailers' facility counts since March

Consumer shopping habits adopted during the health crisis are here to stay. Since the onset of the pandemic, online spending has accounted for 16 percent to 23 percent of monthly U.S. retail sales, with e-commerce purchase volume from July to December of last year increasing by roughly 30 percent on an annual basis. While widespread vaccination has the potential to usher in a return to in-store shopping across the nation, lowering the percentage of total retail sales represented by online orders, consumers' reliance on e-commerce is not anticipated to fade. Households plan to continue their current usage of online platforms in the post-COVID-19 era, relying on websites for grocery, household and personal item, and electronic-device purchases. The sustained role of e-commerce in essential and nonessential retail is positioned to inflate multichannel and online-focused companies' demand for storage this year, with logistics firms that support both parties also expanding their industrial footprints. Larger organizations focused on aligning their operations for the future will likely occupy warehouses and distribution facilities that feature a high level of automation, benefiting newer properties.

Retailers' increasing reliance on e-commerce prompts last-mile improvements. Anticipating a more permanent shift in consumers' behavior and order-processing expectations, online and multichannel retailers will place a heavy focus on expediting delivery timelines and restocking in-store inventory in 2021. For these companies, processing a high volume of same- and next-day orders will hinge on improvements to their last-mile distribution capabilities as well as regional and local warehouse presence. A portion of these groups had already begun this process entering the year, with recent surveys showing roughly one-third of firms with an online presence had expanded the number of fulfillment centers in their logistics networks during the pandemic. The continued growth of e-commerce and the need for retailers to be closer to population centers moving forward will sustain company growth and this leasing trend. Landlords with available space are poised to benefit as vacancy rates in the 50,000- to 200,000-square-foot and 200,000-square-foot-plus subsectors are limited, and half the space slated for 2021 completion was pre-leased at the onset of this year.

Brick-and-mortar shops respond to more permanent shifts in consumer behavior.

Grocers, big-box retailers and drugstores that anticipate processing a high volume of same- and next-day pickup and delivery orders after the health crisis ends may lease additional or larger cold-storage and warehouse space this year. In population centers that house numerous chains, this space could come at a premium as owners may be reluctant to discount on lease terms and asking rents. A percentage of these brick-and-mortar shops will also establish permanent micro fulfillment centers to allow for the rapid processing of online purchases and the replenishment of in-store stock. Some of these retailers will convert existing store space into areas dedicated for micro fulfillment. Others may lease space at nearby multitenant warehouses that are capable of handling both wet and dry products. Leasing adjacent, vacant storefronts in shopping centers they already anchor is an additional option for supermarkets, drugstores and big-box retailers, potentially aiding landlords that have recorded recent vacancies.

* Properties comprising 50,000 to 200,000 square feet

Sources: Blue Yonder; CoStar Group, Inc.; McKinsey & Company;

U.S. Census Bureau

Demand for Warehouse Space to Benefit From Imports Surge and Port Limitations

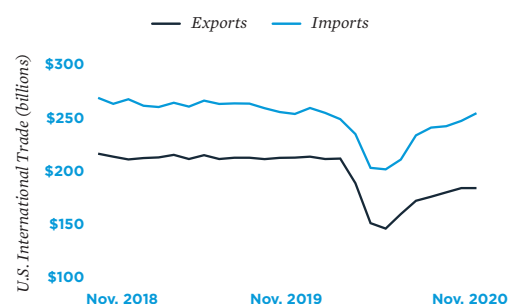
Improving trade volumes and potential changes to U.S. tariffs brighten outlook.

Propelled by inventory replenishments and retailers preparing for the holidays, imports to the U.S. returned to a pre-pandemic level during the fourth quarter of last year, fueling demand for warehouse and distribution space in the nation's major industrial hubs. Exports, on the other hand, were slower to recover during the latter portion of last year with the exception of China. Shipments to the country in October were the highest on record. The combination of surging imports and an uptick in trade with China has elevated freight-handling operations at seaports. The influx of containers is expected to continue at terminals throughout this year, generating demand from carriers and logistics firms for storage space adjacent to ports and intermodal facilities. International trade has the potential to further improve as 2021 progresses, depending on President Biden's stance on the Trump administration's tariffs on China. While Biden may not entirely repeal the taxes and instead opt to take on multilateral action to resolve trade conflicts, a reduction of the tax would provide relief to U.S. businesses and consumers.

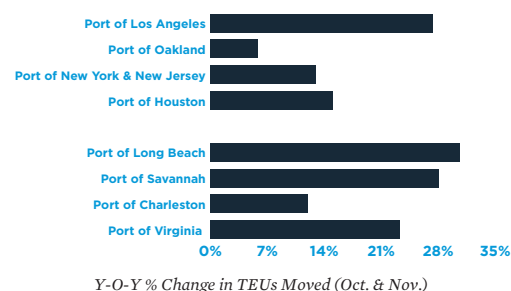
Capacity limitations at ports generate need for additional storage space. The surge in imports that translated to record activity across U.S. ports late last year is anticipated to continue through 2021, testing terminals' abilities to store containers on-site and move 20-foot equivalent units (TEUs) to rail lines and distribution centers. Until vaccines are widely administered, staff capacity shortages at ports are likely to persist, extending the time required to unload carriers. Lengthened dwell times during a period of heightened vessel calls have previously forced cargo ships traveling to West Coast ports to sit anchored offshore. If delays continue this year, forwarders may shift trips originating from Asia away from California terminals to destinations along the East Coast or Gulf of Mexico, which would bolster warehousing requirements near these regions' major ports. Carriers that continue to ship to West Coast terminals may be required to utilize temporary storage yards via short-term leases if ports reach their storage capacities, benefiting landlords of nearby properties.

Shipment activity lifts demand for airport-adjacent industrial. Consumers' increasing use of online retail and a surge of imports raised domestic air cargo volume during the second half of last year. Activity at major airports will remain elevated in 2021, fueled by international trade and e-commerce firms' reliance on air transport to expedite delivery timelines. The high volume of goods handled at hub airports will support demand from logistics firms and online retailers for nearby storage space. Anticipating this, developers are expanding logistics centers near terminals by constructing sizable distribution facilities and mid-sized warehouses. Submarkets in Riverside-San Bernardino and Atlanta that encompass international airports had active pipelines of roughly 8 million and 5 million square feet of space, respectively, at the onset of this year. Additionally, airports are setting aside more space for freight shipment in response to the rapid growth of online shopping. Amazon Air is building a sorting center at Cincinnati/Northern Kentucky International Airport as part of a 3 million-square-foot cargo hub. The e-commerce giant is finalizing another facility at Ontario International Airport, where FedEx recently completed a 51-acre project. These sorting centers and similar proposals at other airports are poised to be catalysts for nearby construction activity and long-term industrial demand.

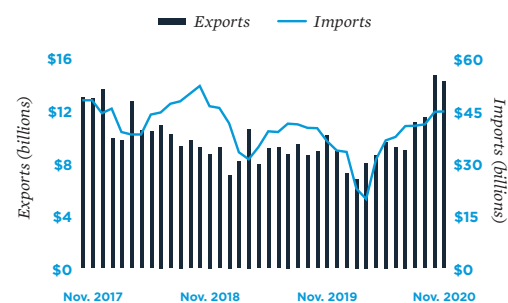
U.S. Trade Improves as Pandemic Extends



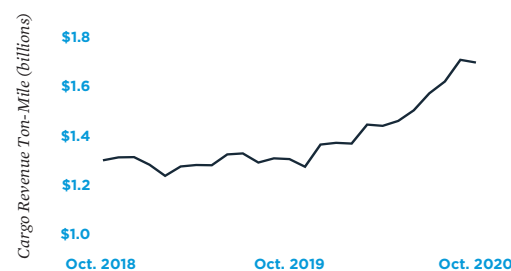
Surge in Imports Boosts Port Activity



Exports to China Reach Record Level

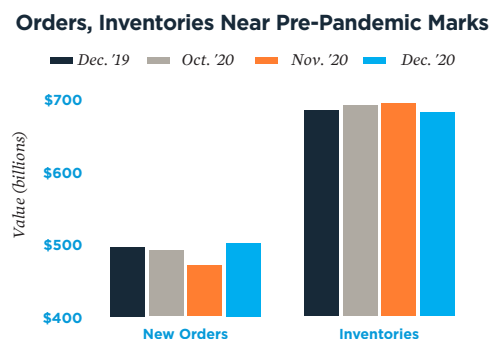
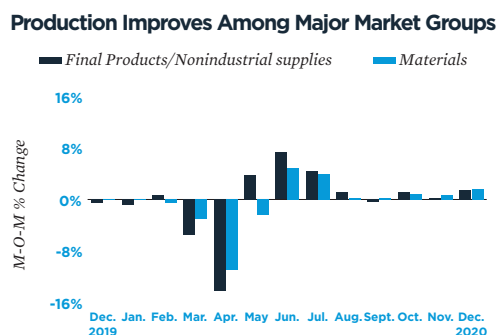
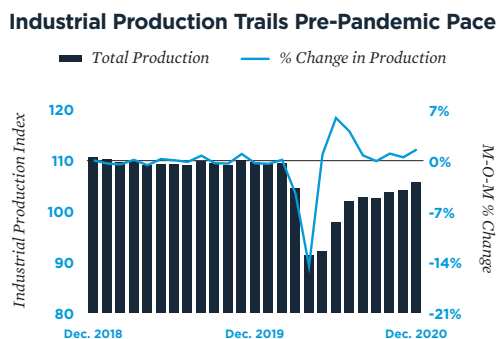
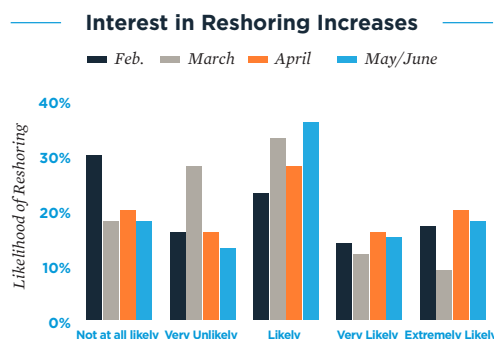


Domestic Air Cargo Volume Elevates



Sources: Bureau of Transportation Statistics; major U.S. port authorities; U.S. Census Bureau

Focus on Domestic Manufacturing Escalates as New Orders and Factory Production Levels Recover



Manufacturing demand to benefit from rise in reshoring and government initiatives.

The global supply-chain disruptions that emerged as a byproduct of the health crisis and the U.S.-China trade war have accelerated organizations' reshoring plans heading into 2021. The realignment of supply chains in communications infrastructure, packaged food production, defense-contract applications and pharmaceuticals — sectors critical to the population's well-being — represent the initial, logical set of reshoring opportunities. However, because the process is a complicated and often cost-laden endeavor for manufacturers, government incentives will be required to encourage a large-scale movement toward relocations and offset the higher cost of manufacturing associated with domestic production. President Biden has indicated an interest in making reshoring a major policy initiative, with plans to pursue aggressive tax reform to return supply chains to the states. A 10 percent advanceable tax credit for investments that create U.S. manufacturing jobs or modernize manufacturing facilities has been initially proposed, as has a 10 percent offshoring penalty surtax on profits from certain goods and services that are produced overseas by domestically based companies and sold back to the U.S.

Demand for materials and finished-goods storage potentially lifts. Based on manufacturing outputs and order volumes recorded during the latter portion of last year, industrial production is on pace to return to a pre-pandemic level in 2021. Improving retail sales activity and a steady rise in new factory orders for computers, electronics and fabricated metal products have consistently boosted industrial production on a month-over-month basis since the midpoint of last year. The uptick in consumer spending and purchase requests has prompted manufacturers to maintain steady inventories of raw materials and parts to fulfill large orders, with merchant wholesalers and retailers holding a consistent stock of finished goods heading into 2021. This combination will preserve demand for warehouse space used to store these products in the near term. A further uptick in industrial production has the potential to heighten demand for manufacturing space at a time when availability in the subsector remains extremely tight on a national level.

Modern facilities attract a larger pool of prospective tenants. As more companies mull repositioning their supply chains to mitigate future risk and improve output this year, demand for automated production and distribution space will rise. For manufacturers focused on reshoring operations, the shift to automation and away from routine labor will be a critical component of their long-term plans. Integration of automated production lines will enable the fabrication process to be streamlined, offsetting the labor costs associated with domestic assembly. Online retailers will utilize advanced robotics and remote monitoring equipment to expedite sorting and processing timelines, eliminating the need for laborers to perform basic tasks. Newer speculative developments with a high level of technology and automation stand to benefit as many companies may be unwilling to make the financial commitment required to upgrade existing properties.

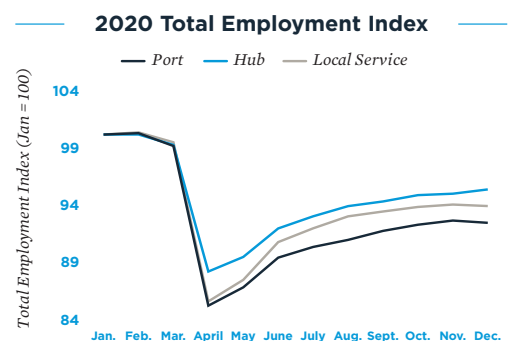
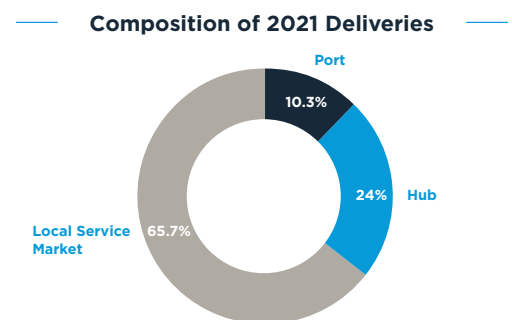
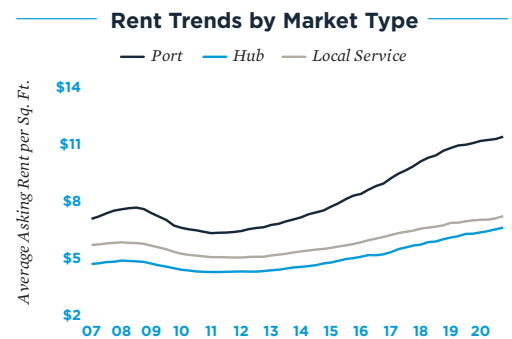
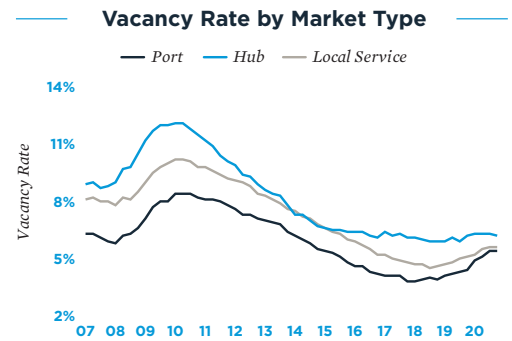
Sources: Federal Reserve; Thomasnet; U.S. Census Bureau

Deliveries Temper in Hub and Harbor Metros; Local Service Markets See Construction Uptick

Demand in port metros positioned to match development pipeline. Vacancy across major harbor markets is below the national rate entering 2021 after these metros absorbed an elevated volume of supply additions last year. Economic improvement, surging imports and the growth of the e-commerce sector should all uphold demand for warehouse and distribution space in these entry points of the national supply chain this year. Limited space availability in these markets will support the absorption of properties slated for upcoming finalization, which will total less than 40 million square feet this year. Demand for newly built space among retailers, importers and logistics firms is positioned to be robust in Central and Northern New Jersey as well as Los Angeles, locales where vacancy rested in the mid-3 to low-4 percent range at the onset of 2021. After recently recording triple-digit basis point increases in availability, Oakland, Jacksonville, and Houston are also slated to benefit from smaller construction pipelines, as a reduction in supply additions eases the competition for recently delivered speculative space to secure tenants.

Steady vacancy in hub markets aids speculative projects. Many retailers and logistics firms maintained or expanded their logistical presence last year in metros that serve as regional hubs. These actions outweighed the impacts of economic uncertainty and heightened development, equating to moderate vacancy fluctuation across these markets. In response, additional project proposals and groundbreakings in hub metros moved forward during the pandemic, with 70 million square feet on pace for 2021 delivery — more than half of which is speculative. Having recorded minimal shifts in vacancy amid numerous waves of development, Atlanta and Riverside-San Bernardino should continue to represent top destinations for speculative leasing activity this year, with the rapid growth of Dallas/Fort Worth also supporting strong absorption.

Impending supply additions weighted toward localized markets. In contrast to port and hub markets, local service metros are slated to record an uptick in deliveries this year. The rise in construction activity indicates developers are anticipating more industrial users will upgrade and expand their distribution networks to improve efficiencies and be closer to large population centers. The increase in development appears warranted as average vacancy across local service markets was on par with the national rate entering this year. Additionally, many of these metros are positioned to benefit from changing consumer behaviors and migration trends that emerge from the health crisis. Deliveries in major non-hub Southern metros are expected to total 27 million square feet, with similar Midwest markets registering a combined 25 million square feet of completions. Supply pressure may also be felt in the Mountain region, where the combined inventory of the area's four largest metros' will expand by roughly 15 million square feet.

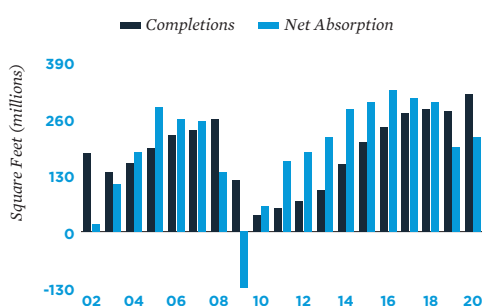


Sources: BLS; CoStar Group, Inc.

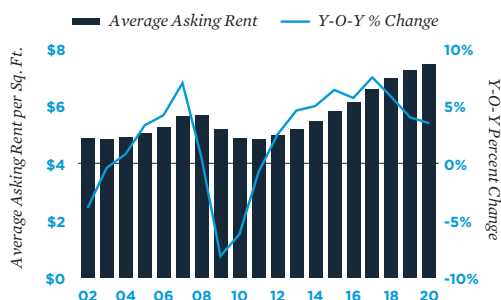
Industrial Vacancy Trends



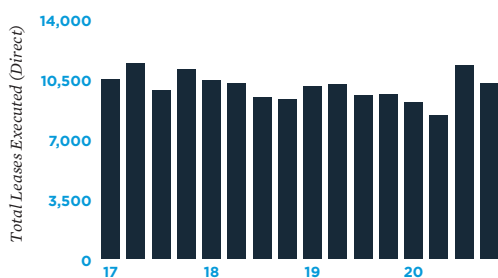
Completions vs. Absorption



Industrial Rent Trends



Quarterly Industrial Leasing Trends



Tenant Demand Refills Pipeline; Rise in Lease Executions Aids Vacancy

Heightened development persists as deliveries shift to Northeast and Midwest metros.

Industrial supply additions remain robust in 2021, exceeding the 315 million square feet delivered last year. At the onset of this year, half the space underway and slated for completion in the next 12 months had lease agreements in place, an indication of the demand that exists for new facilities. Strong pre-leasing suggests elevated construction will not have a dramatic effect on overall vacancy, which increased 50 basis points last year. As more speculative properties secure tenants prior to finalization, additional proposals and groundbreakings are likely to occur during the first quarter. Some of these project starts may have construction windows of nine months to one year, potentially elevating delivery volume this year. Texas, California and Florida markets, which accounted for nearly half of last year's delivery volume, represented roughly 30 percent of the projected 2021 supply additions as of January. In contrast, major Northeast metros that recorded nearly 24 million square feet of completions last year are on pace to exceed that mark this year, driven by heightened activity in Boston, Philadelphia and Northern New Jersey. A group of Midwest metros are also slated to record a year-over-year increase in supply additions, highlighted by Indianapolis and Kansas City.

Leasing activity likely to improve during 2021. Tenant demand in the sector has remained overwhelmingly positive throughout the health crisis as 36 of the nation's 43 major industrial markets recorded positive absorption last year and 12 metros registered vacancy compression. The roughly 21,500 total leases executed during the second half of last year suggest demand for industrial space is rising as a more apparent health solution brings greater economic clarity. The recent uptick in leasing activity, driven by new contracts, indicates industrial users are both upgrading to higher-quality spaces and expanding the number of facilities they occupy, positioning the market to handle a second consecutive year of elevated construction. These factors are likely to minimize fluctuations in availability this year or even increase the number of metros that record vacancy compression.

Tight conditions extend in top performing markets. The collection of markets that hold claim to the nation's lowest vacancy rates are likely to maintain that distinction this year. Tenant demand in these integral components of regional supply chains will remain consistent as online retail, port activity and household migration trends promote the absorption of supply additions and recently vacated space. Across these markets, availability rested below 4 percent entering this year, led by Nashville, Orange County and Los Angeles. The latter two locales are unlikely to feel upward supply pressure as their active pipelines account for less than 1 percent of total inventory. Nashville is positioned to benefit from continued population growth and economic expansion that should boost industrial demand. The potential for Salt Lake City to record similar conditions exists, suggesting the metro may register a second straight year of vacancy compression. Having recorded the largest reductions in vacancy last year, Northern New Jersey and Riverside-San Bernardino are likely to witness the strong pre-leasing of speculative projects this year, preserving tight conditions in both locales.

Source: CoStar Group, Inc.

Large-Scale Projects Dominate Delivery Landscape; Subsectors Poised for Continual Rent Lift

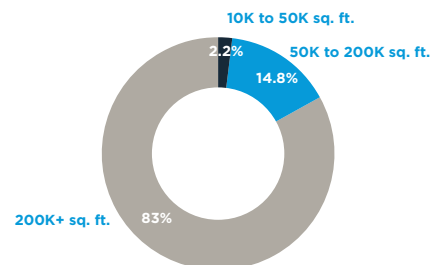
Impact of construction activity varies by segment. The availability of smaller warehouses and distribution facilities will remain extremely sparse this year. Tenant demand for these properties is likely to intensify as retailers upgrade their last-mile capabilities and initiate steps to expedite their regional supply chains. Additionally, upcoming supply additions that feature less than 50,000 square feet will account for a nominal percentage of total delivery volume in 2021. In contrast, projects that exceed 200,000 square feet of space will account for more than 80 percent of this year's completions. This wave of larger-scale deliveries is warranted, however, as vacancy in this market segment was unchanged last year. Accounting for roughly 15 percent of the space slated for 2021 delivery, the 50,000- to 200,000-square-foot sector is likely to feel the most pressure from supply additions as the segment's vacancy rate entered the year at a nearly five-year high.

Backing for rent growth exists across warehouse and distribution properties.

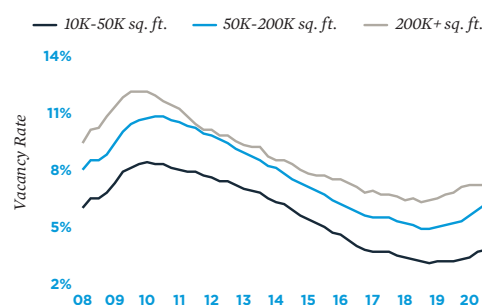
Positive absorption and a return to historical levels of leasing activity will serve as a springboard for continued rent growth across industrial segments this year. Solid demand for last-mile operations, large distribution centers and newly built properties will allow landlords to push asking rents across the triad of warehouse and distribution subsectors, all of which displayed encouraging performance leading up to 2021. Vacancy in the 10,000- to 50,000-square-foot space sits below 4 percent after availability was unchanged during the second half of last year. Nearly 5,000 leases were executed in the 50,000- to 200,000-square-foot segment during the six-month period, translating to absorption of nearly 20 million square feet. Furthermore, availability in the 200,000-square-foot-plus warehouse and distribution sector compressed 10 basis points from July to December as nearly 125 million square feet was absorbed. This strong, across-the-board leasing activity should represent a boon for landlords with available square footage and developers slated to deliver speculative projects this year.

Manufacturing sector improvement preserves sparse vacancy. A bounce back in factory production and companies' plans to reshore operations during 2021 has the potential to further aid job recovery in the manufacturing sector following the gains recorded since May of last year. This hiring activity may support manufacturer expansions that along with the growth of the biotech and life sciences industries have the potential to bolster demand and lift rent for production and research and development space. Entering 2021, vacancy in the manufacturing sector rested just below 4 percent, following an annual increase of 50 basis points. The second half of last year marked a return to historical levels of leasing activity, supporting the absorption of nearly 5 million square feet of space. This performance combined with tight vacancy and a minimal construction pipeline should support solid demand for available space if factory production and order volumes improve this year.

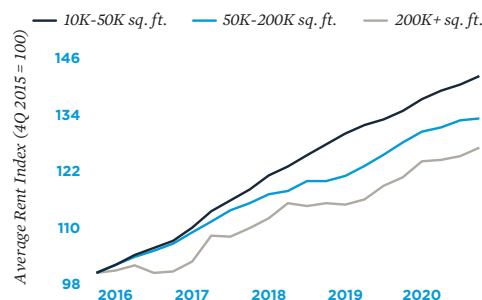
2021 Deliveries by Property Size



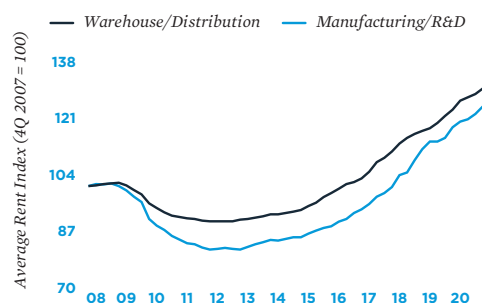
Warehouse/Distribution Vacancy Rate



Warehouse/Distribution Rent Index

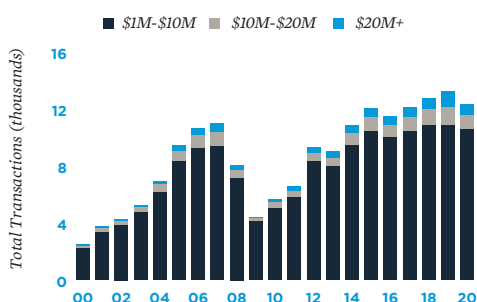


Industrial Rent Index

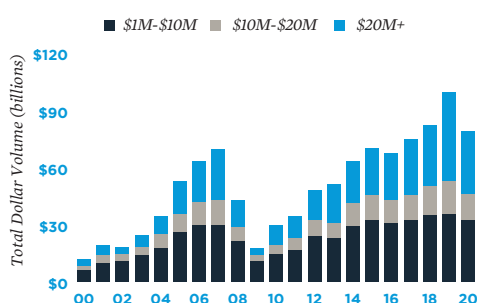


Source: CoStar Group, Inc.

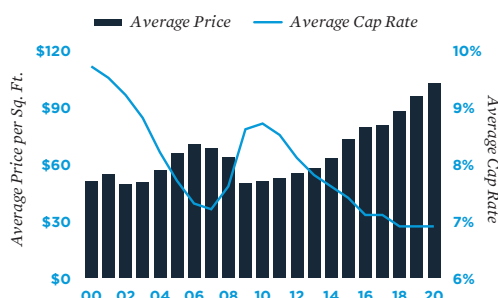
Transaction Activity



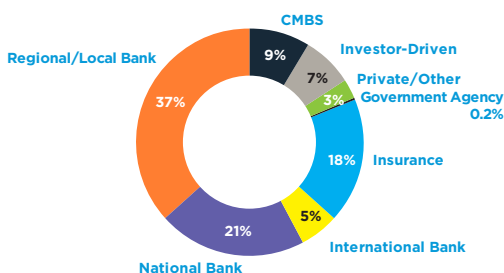
Industrial Dollar Volume



Industrial Price vs. Cap Rate



Industrial Lender Composition*



Anticipated Increase in Seller Activity to Expand Sales Volume in 2021; Inventory Growth Creates Opportunities

Competitive bidding environment on deck. Strong industrial fundamentals and steady returns are poised to generate robust investor demand for warehouses and distribution facilities in 2021, with national deal flow hindered only by a lack of available listings. The sector's ability to record positive rent growth and solid absorption during an extended stretch of economic volatility and shifting consumer behavior has drawn new entrants to the marketplace. These prospective buyers are prepared to deploy capital this year after re-evaluating their strategies during the pandemic and monitoring changes in asset valuations and property fundamentals. The low cost of capital and significant gap between the average cap rate and the 10-year Treasury rate should further motivate these investors to pursue acquisitions while the sector continues to exhibit consistent performance. These same factors should also motivate owners wishing to expand or diversify their existing industrial holdings to take action. This situation should support a competitive bidding environment throughout this year, likely building upon the 7 percent gain in average pricing that was already recorded last year. If buyers exhibit a willingness to pay a substantial price to secure sought after assets, more owners may accelerate their disposition and reinvestment plans, potentially allowing listings volume to fall in line with equity demand.

Investors react to tenant shift toward modern space. Anticipating an increase in industrial user demand for automated, streamlined operations a pool of buyers will pursue tech integrated listings in 2021, likely building on the notable improvement in Class A deal flow that was recorded last year. The volume of recent development — more than 1.3 billion square feet delivered over the past five years — and the roughly 340 million square feet slated for 2021 completion should provide ample opportunities for investors to acquire modern assets designed to meet users' future specifications. Epicenters of recent and ongoing development activity, Dallas/Fort Worth, Houston, and Riverside-San Bernardino are poised to garner significant buyer attention as tenant movement from Class B properties into newer facilities gains additional steam. Secondary metros that are registering industrial growth and corporate relocations also have the potential to rise in appeal among this same class of investors. Phoenix, Austin, and Denver are positioned to top the list of attractive non-primary markets. In these metros, first-year returns for Class A assets have recently fallen in the 5 percent range, and strengthening investor activity in recent months has placed downward pressure on cap rates. If a significant wave of capital enters these secondary markets in 2021 bidding could intensify, putting additional strain on returns. Buyers targeting yields that exceed the 5 percent threshold may acquire recently or soon-to-be finalized speculative properties, taking on the lease-up risk in exchange for higher cap rates. Other investors may target newer properties in expanding tertiary markets, where first-year returns for sub-\$10 million Class A assets can exceed 6 percent.

* Through third quarter 2020

Sources: CoStar Group, Inc.; Real Capital Analytics

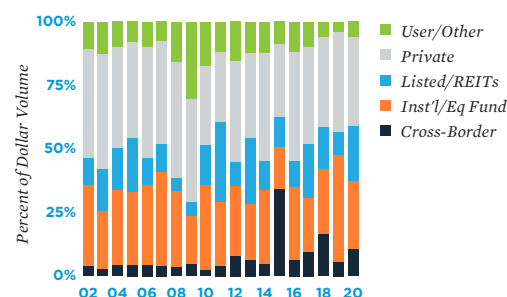
Responding to Supply-Chain Upgrades, Investors Target Tertiary Assets and Properties Near Dense Locales

Buyers prioritize proximity to sizable consumer bases. Investor demand for smaller and mid-sized industrial properties in major metros will remain strong this year as more multichannel retailers and wholesalers decentralize larger distribution centers in favor of establishing additional warehouse and fulfillment operations closer to population centers. Assets in coastal markets and primary inland metros should warrant competitive bidding among buyers seeking properties suited for last-mile distribution. Home to some of the tightest vacancy rates in the nation, Southern California will continue to represent a top location for Class B/C deal flow, as the region benefits from its sizable populace, two prominent ports and one of the nation's largest inland hubs. Recording rapid population expansion and commercial growth, Dallas/Fort Worth will attract a mix of buyers seeking below-average pricing and an availability of 7 percent-plus returns in submarkets with strong long-term fundamentals. Despite economic volatility, New York City/Northern New Jersey and Chicago are also positioned to record steady deal flow this year as these markets' sizable ports and large population bases make them essential locations for online retailers, logistics firms and multichannel retailers.

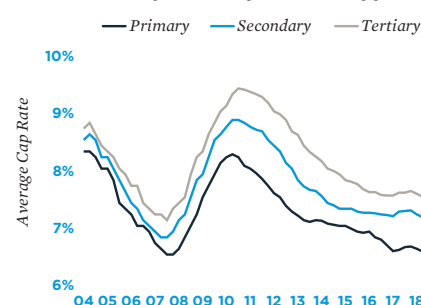
Higher yields and reduced institutional presence drive buyers to Mid-America. With institutions more likely to target Phoenix, Nashville and other Sunbelt metros that will benefit from household migration, a window of opportunity may open for private investors to obtain 7 and 8 percent yields in Midwest metros this year. Minneapolis-St. Paul, Detroit and other markets with sparse vacancy and a significant manufacturing presence that could boost future industrial demand would prove appealing to more investors moving forward. Home to low-8 percent average cap rates, Memphis and Cincinnati have industrial demand that is positioned to benefit from increased activity at both markets' airports, which already rank as some of the most active in terms of annual cargo volume.

Smaller metros buoy overall transaction activity. The tertiary investment market enters 2021 on solid footing, as the risk of a supply overhang appears minimal across most smaller metros. Investors with a desire for higher yields and below-average pricing may find opportunities in tertiary areas that serve as linchpins in regional supply chains, preserving what has been a recent stretch of steady sales activity. Locations where vacancy is at or below the national level and recent development has been well leased will be most considered by upside-seeking investors. Markets that also serve as regional industrial hubs or boast a number of sizable distribution centers occupied by large national retailers have the potential to register the most diverse buyer pool. Indianapolis, Kansas City and Milwaukee represent likely targets for tertiary-focused buyers as each metro meets this criterion. Additionally, these metros provide investors opportunities to acquire Class B/C properties at cap rates that exceed those available for comparable assets in secondary and primary markets by 50 to 100 basis points. The California Central Valley represents an additional place likely to benefit from stable tertiary demand, as the region serves as a connection between Southern and Northern California.

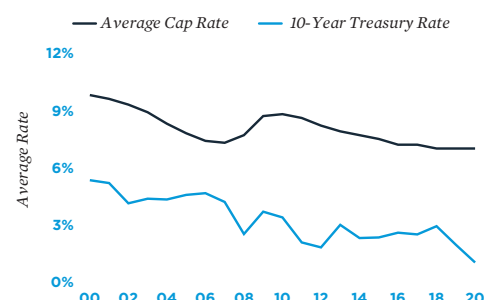
Buyer Composition



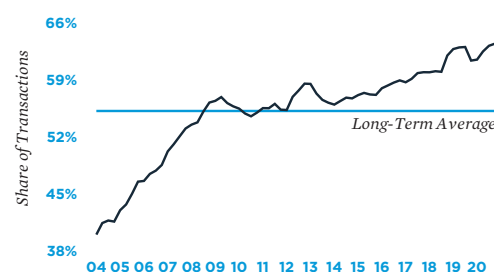
Cap Rate by Market Type



Cap Rate vs. Treasury



Transactions in Secondary/Tertiary Markets



Sources: CoStar Group, Inc.; Federal Reserve; Real Capital Analytics

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