IPA INSTITUTIONAL PROPERTY ADVISORS

2023 INDUSTRIAL

NATIONAL INVESTMENT FORECAST

TO OUR VALUED CLIENTS

Industrial real estate proved to be one of the most resilient major commercial property types during the COVID-19 health crisis, and the sector is positioned for another strong year in 2023. The national average asking rent closed out last year 34 percent above the 2019 mark, and with vacancy at a near-record low, further upward rent momentum is expected. While much of the pandemic's influence on the sector has dissipated, including supply chain disruptions that had pushed up retailer safety stocks, demand for space is still fervent, often constrained by limited availability.

Last year noted the least amount of vacant industrial inventory on the market since before 2000, illustrating the motivation behind the record construction pipeline now taking place. Although vacancy will shift up this year as a result, the uptick will alleviate the space shortage the sector has faced in recent years. Modern manufacturing space is in particular demand, as federal support has helped foster reshoring and nearshoring endeavors. This trend is leading to greater cross-border cargo transit, which, together with oceanic shipping to smaller ports, is changing the face of the nation's industrial sector.

A dynamic landscape is engaging prospective investors as established operators are making note of substantial price appreciation in recent years. While the Federal Reserve's swift lift to interest rates has complicated transactions over the last year, it appears the Fed will take a more measured approach in 2023. To help institutional commercial real estate investors capitalize on the unique nuances of the industrial investment climate, Institutional Property Advisors presents the 2023 Industrial National Investment Forecast. As you calibrate your investment plans, our investment brokerage and finance professionals across the U.S. and Canada are at your disposal, with street-level investment guidance to empower your decisions.

Sincerely,

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National Perspective

Market Overviews

Client Services

Developed by IPA Research Services. Additional contributions were made by IPA investment brokerage professionals nationwide.

National Index

- Major markets in the southeast lead this year's National Industrial Property Index, a reflection of both population migration trends and changes to shipping routes. Riverside-San Bernardino makes the top five as the West Coast's premier distribution hub. Ample new supply is a constraining factor for several markets that are otherwise reporting strong property performance, such as Houston (#24) and Charlotte (#25).
- Many of the nation's well-established hub and port markets fall into the middle of this year's Index. Dallas-Forth Worth (#14), Atlanta (#15) and Chicago (#21) are continuing to welcome more space at a rapid clip, sending vacancies higher. Land constraints are keeping development more tame in port metros like Oakland (#23), but already-high rents cap upward revenue momentum compared to some smaller, growing cities.

National Economy

- While consumers have been resilient in the face of elevated inflation so far, climbing prices are likely to take more of a toll this year. Although many households were able to accumulate significant savings during the rebound from the pandemic, others are relying more on debt.
- As the adoption of direct-to-consumer delivery moves higher over time, the structural need for personnel at distribution centers, logistics hubs, warehouses, and in transportation is expected to expand further. This bolsters the labor market segment against some employment headwinds.

National Industrial Overview

- For the first time on record, collective vacancy across port, hub and local service markets is below 4 percent, positioning the industrial sector to withstand a slight drawback in space demand this year. The pandemic boosted direct-to-consumer shipping, safety stock growth and other dynamics that required industrial users to increase their warehouse and distribution footprints, which have all now largely dissipated. Retailers are instead focused on clearing overstock amid an expected softening in imports and consumer spending.
- An estimated 400 million square feet is delivered this year — the largest annual volume in at least two decades. While half of this pipeline is concentrated in just 10 major markets, the combination of headwinds is enough to steer property fundamentals in a more familiar direction, with vacancy trending moderately up and rent growth mirroring the pre-pandemic pace. Still, the property type is anticipated to be a top performer in 2023.

Capital Markets

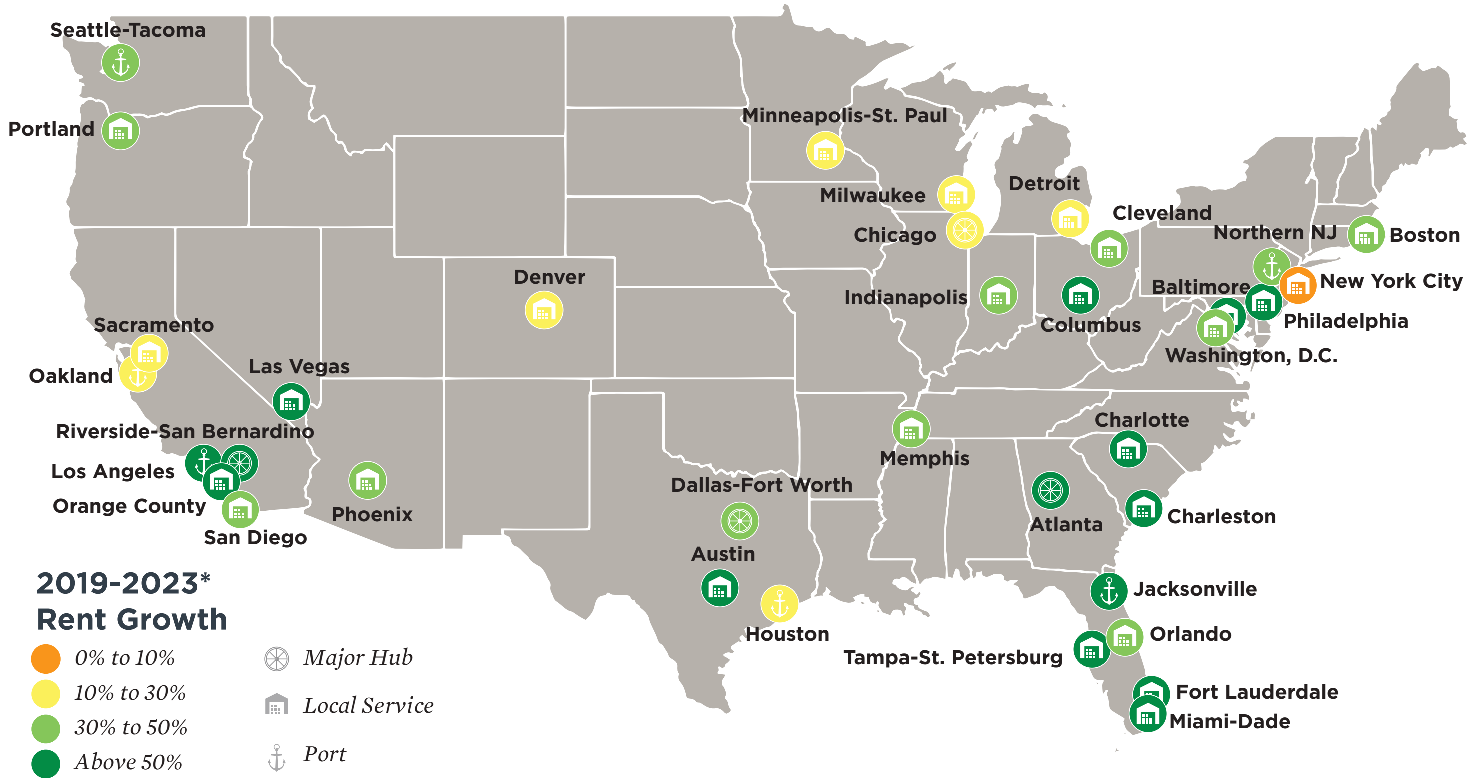
- After being exceedingly accommodative during the health crisis, the Federal Reserve rapidly tightened monetary policy last year in order to address multi-decade high inflation. Between March and December of 2022, the Fed raised the federal funds rate by 425 basis points. The Fed's actions, while helping to taper inflation, also notably disrupted financial markets and investment sales of commercial real estate.
- Resilient property performance throughout the pandemic and long-term demand drivers continue to draw many lenders to the industrial sector. The Fed's tighter policy stance has nevertheless complicated the financing process. There is little margin between transaction cap rates and where financing costs have been pushed to. Given this dynamic, lenders are placing a heavy emphasis on debt service coverage.

Industrial Investment Outlook

- Historically strong user demand has fueled a competitive bidding environment among investors, equating to a 35 percent rise in the sector's average pricing over the past two years. This rapid appreciation is likely to motivate a share of owners to capture profits by listing assets; however, a more stringent lending environment is poised to impact closings. Higher debt costs will limit what buyers are willing to consider.
- Particularly strong outlooks at national distribution epicenters and emerging hub markets may warrant institutional due diligence. East Coast port markets that are accounting for a greater share of U.S. imports and container volumes should also attract a diverse mix of buyers. Investor demand near southern U.S. entry points may rise as more domestic and international firms establish manufacturing operations in Mexico.

Rent Growth Widespread Across Port, Major Hub and Local Service Markets

Change in Average Asking Rent: 2019-2023*



Top Ten Markets by 2019-2023* Rent Growth

Market	Market Type	2023* Rent	2019-2023* Rent Change	2023* Vacancy	2019-2023* Vacancy Change	2019-2023* Inventory Growth
Columbus	Local Service	$7.00	71.1%	3.1%	-210	12.9%
Los Angeles	Port	$21.00	69.2%	2.9%	60	2.2%
Tampa-St. Petersburg	Local Service	$10.80	68.0%	4.4%	-20	7.7%
Miami-Dade	Local Service	$17.20	65.5%	2.4%	-160	8.3%
Riverside-San Bernardino	Major Hub	$15.90	62.6%	2.9%	-170	14.4%
Fort Lauderdale	Local Service	$16.80	62.2%	4.1%	-130	7.1%
Baltimore	Local Service	$10.38	61.2%	5.6%	-120	8.3%
Atlanta	Major Hub	$7.89	58.4%	4.8%	-160	14.2%
Jacksonville	Port	$9.20	55.9%	2.3%	-250	9.3%
Las Vegas	Local Service	$13.40	55.8%	2.5%	-300	17.2%
United States		**$10.42**	**41.0%**	**4.0%**	**-90**	**8.8%**

** Forecast*

Sources: IPA Research Services; CoStar Group, Inc.

Shifting Industrial Landscape Influencing Market Outlooks as Ample Construction a Common Hurdle

Sun Belt metros well-represented in the front echelon of the 2023 NIPI. Major markets in the southeast lead this year's National Industrial Property Index, a reflection of both population migration trends and changes to shipping routes. Jacksonville and Charleston — which claim the first and third spots, respectively — are beneficiaries of recent port expansions that are increasing demand for surrounding industrial space. Miami-Dade and Fort Lauderdale earn the second and fourth positions, due to both local port activity, as well as growing residential and commercial bases. Riverside-San Bernardino rounds out the top five as the West Coast's premier distribution hub, supporting nationally robust rent growth despite rapid local construction activity. Ample new supply is a constraining factor for several markets that are otherwise reporting strong property performance. Houston (#24), Charlotte (#25) and Denver (#32) land lower on the 2023 Index primarily for this reason. A large slate of arrivals also drives Phoenix's 16th-place positioning, despite positive prospects surrounding the upcoming TSMC's manufacturing facilities. Intel's new chip fabrication center underway near Columbus, along with a Honda-LG Energy battery plant, also help propel that market to a spot in the top 10.

Larger metros finding middle rankings. Many of the nation's well-established hub and port markets fall into the middle third of this year's Index. Dallas-Forth Worth (#14), Atlanta (#15) and Chicago (#21) — three of the country's largest industrial markets and critical distribution nodes — are continuing to welcome more space at a rapid clip, sending vacancies higher. Land constraints are keeping development more tame in port metros like Oakland (#23), but already-high rents cap the upward momentum in revenue growth compared to some smaller, growing cities. Softer short-term economic outlooks are at play in some markets' lower positions in the 2023 NIPI, including Sacramento (#26), Minneapolis-St. Paul (#33) and Boston (#35). Other metros, such as Detroit (#30), have struggled more during the pandemic but are now improving, aided by increased cross-border freight transit in Detroit's case.

Index Methodology

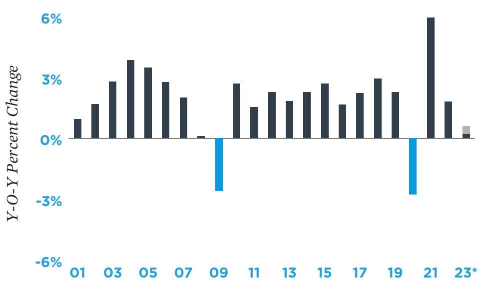
The NIPI ranks 36 major industrial markets based upon a series of 12-month, forward-looking economic and supply and demand variables. Markets are ranked based on their cumulative weighted-average scores for various indicators, including projected employment growth, vacancy level and change, construction and rents. Weighing both the forecasts and incremental change over the next year, the Index is designed to indicate relative supply and demand conditions at the market level.

Users of the Index are cautioned to be aware of several important considerations. First, the NIPI is not designed to predict the performance of individual investments. A carefully-chosen property in a bottom-ranked market could easily outperform a poor choice in a top-ranked market. Second, the NIPI is a snapshot of a one-year time horizon. A market facing difficulties in the near term may provide excellent long-term prospects and vice versa. Third, the NIPI is an ordinal index, and differences in rankings should be carefully interpreted. A top-ranked market is not necessarily twice as good as the second-ranked market, nor is it 10 times better than the 10th-ranked market.

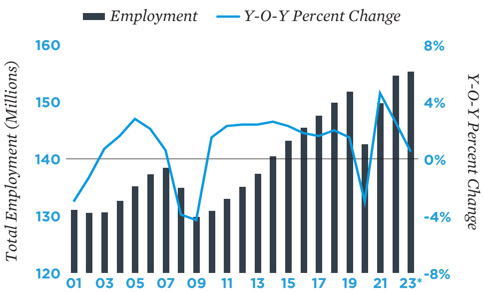
Market	Rank
Jacksonville	1
Miami-Dade	2
Charleston	3
Fort Lauderdale	4
Riverside-San Bernardino	5
Columbus	6
Orlando	7
Tampa-St. Petersburg	8
Austin	9
Northern New Jersey	10
Orange County	11
Las Vegas	12
Los Angeles	13
Dallas-Fort Worth	14
Atlanta	15
Phoenix	16
San Diego	17
Seattle-Tacoma	18
Portland	19
Baltimore	20
Chicago	21
Indianapolis	22
Oakland	23
Houston	24
Charlotte	25
Sacramento	26
Memphis	27
Cleveland	28
Philadelphia	29
Detroit	30
Milwaukee	31
Denver	32
Minneapolis-St. Paul	33
Washington, D.C.	34
Boston	35
New York City	36

[1] *See National Industrial Properties Index Note on page 48.*

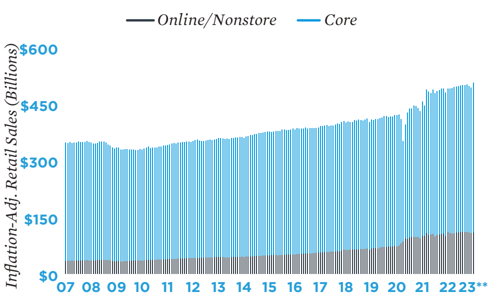
GDP Growth Trends



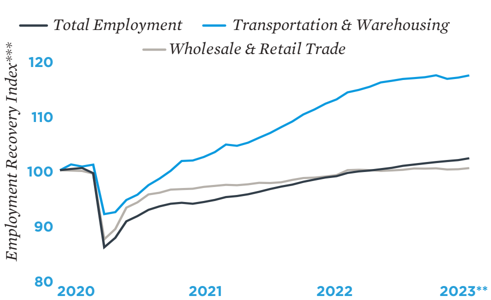
Employment Trends



Inflation-Adjusted Retail Sales



Employment Recovery Index



* Forecast
** Through January
*** Employment Recovery Index: Feb. 2020 = 100

Post-Pandemic Swell Gives Way to an Economic Deceleration; Labor Market Outlook More Mixed

Spending habits could tighten as consumers shield finances. Exceedingly accommodative fiscal and monetary policy support during the COVID-19 pandemic successfully brought the economy back from a sudden and severe downturn, although not without consequences. Aided by direct stimulus and low debt costs early in the health crisis, consumer and commercial demand recovered faster than beleaguered supply chains, fostering elevated inflation that persists into this year. While several components of inflation are settling, such as volatile energy prices, other core costs like housing and medical care are still climbing. Many households were able to accumulate savings during the rebound to help weather any impending headwinds, but others are relying more on debt. These factors could weigh consumer sentiment as the year progresses. Nevertheless, as of early 2023, consumers displayed notable resilience.

Labor market carries momentum forward, but impediments are present. Job growth continued at an above-average pace into the opening months of this year, but a lengthening list of companies are curtailing their hiring plans or enacting staff reductions. These decisions set the stage for a softer labor market in 2023, following a stretch where open positions were historically abundant exiting health crisis lockdowns. Under these shifting dynamics, the economy is likely to experience periods of net job loss, along with spans of renewed hiring, translating into an overall subdued level of net employment creation for the year. Conditions will vary widely by sector, with some industries better positioned to overcome challenges. Labor demand in the transportation and warehousing segment has increased since the health crisis began, with staff counts in these fields up 17 percent since February 2020, compared to the 14 percent rate of growth across the three-year period leading up to the pandemic. As the overall adoption of direct-to-consumer delivery progresses over time, the structural need for personnel at distribution centers, logistics hubs, warehouses, and in transportation is expected to trend higher.

2023 National Economic Outlook

- **Takeaways from the health crisis support diversifying shipping.** Over the past two decades, cargo ships crossing the Pacific have been docking at a wider selection of ports, extending beyond the West Coast to the Gulf and the East Coast. Backlogs at the Ports of Los Angeles and Long Beach during the pandemic further accelerated this trend, which is likely to continue as the maritime terminal contends with costly zero-carbon emission goals. Expanded trade to Europe, particularly in relation to energy exports, also supports additional freight activity along the Gulf and Atlantic coastlines.
- **After pandemic stockpiling, retail inventories are likely to stabilize.** A slowing pace of consumer spending growth has affected retailers' replenishment needs, after the pandemic pushed up inventories to record levels in 2021 and 2022 in several sectors. This normalization will likely curtail some demand for warehouse space, as well as potentially some upstream manufacturing production activity.
- **Training and retention initiatives adjoin infrastructure aspirations.** Utilities and construction firms could be more insulated from near-term economic headwinds as aggressive goals necessitate workforce expansion. Recent legislation has allocated more than $1 trillion in funding and tax credits to infrastructure investment, requiring a larger labor force in these specialized fields by way of training and retention programs.

High Supply Tide Helps Lift Sector's Historic Tightness as Gathering Headwinds Moderate Space Demand

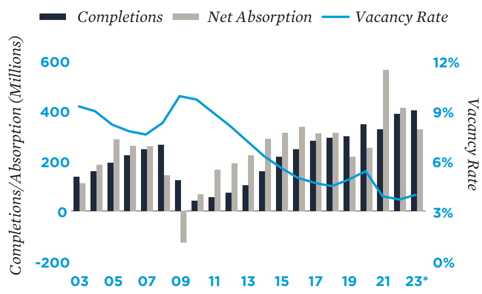
Longer-run outlook outshines a cloudier near-term landscape. Robust demand for industrial space throughout the U.S is reflected in a vacancy rate across port, hub and local service markets collectively below 4 percent for the first time on record, positioning the sector to withstand slight headwinds. The pandemic boosted direct-to-consumer shipping and safety stock growth that required industrial users to increase their warehouse and distribution footprints. This momentum has largely dissipated now, as retailers focus on clearing overstock amid an expected softening in imports and consumer spending. A potential pullback coincides with an estimated 400 million square feet to be delivered this year, a record-setting annual volume across at least two decades. While half of this pipeline is concentrated in just 10 major markets, the combination of some demand and supply headwinds is enough to steer property fundamentals toward normalization, with vacancy trending moderately up and rent growth mirroring a pre-pandemic pace. Still, the property type is anticipated to be a top performer in 2023. Tenants should absorb more than 300 million square feet on net for a third straight year, placing vacancy 300 basis points below the long-term average. Looking beyond 2023, more common direct-to-consumer delivery, returning North American manufacturing, and expanding life science research are major factors driving long-term demand for industrial properties.

Demand ease allows for an industrial supply catch-up. The accelerated growth of the sector during the pandemic and the accompanying substantial vacancy compression prompted a wave of large-scale, speculative project starts — a throng of which are slated for near-term completion. As of mid-February, properties that exceeded 500,000 square feet in scope comprised two-thirds of the sector's active pipeline. While more than half of this space is accounted for, construction-heavy areas will still feel some pressure, impacting vacancies. Even if the new floor plans are highly coveted, companies may shed some older stock as they reposition. Hub markets may be acutely affected, as a combined 125 million square feet, or 30 percent of the national pipeline, is slated for delivery in 2023 across Atlanta, Chicago, the Inland Empire and the Dallas-Fort Worth Metroplex.

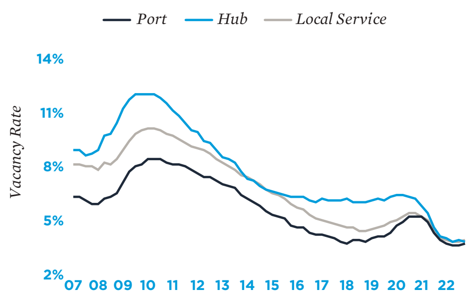
2023 National Industrial Outlook

- **Domestic initiatives assist demand across various supply chain links.** The Inflation Reduction Act, and the CHIPS and Science Act, are incentivizing the construction of U.S. semiconductor and EV battery production facilities. Besides a considerable number of jobs to be created by the projects, reshoring these operations should stimulate space demand from auxiliary warehousing and logistics providers seeking proximity.
- **Nearshoring inclinations brighten some markets' industrial prospects.** Automakers striving to shorten North American supply chains are increasingly looking to Mexico to base manufacturing operations. This nearshoring process will shift more freight activity from overseas to along the southwestern U.S. border and within the Gulf, with positive implications for metros like Houston, San Antonio and Atlanta.
- **Smaller inland locales garner developers' attention.** Record construction activity extends beyond the markets covered in this year's Index, as at least 90 million square feet is slated for completion across other metros. A collection of large-scale projects in Stockton, Reno, Scranton, Spartanburg and Hagerstown highlight this activity, with these developments comprising a total of 22 million square feet.

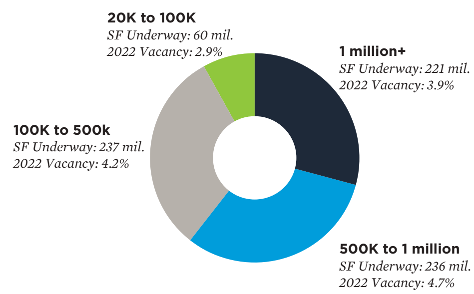
Supply and Demand



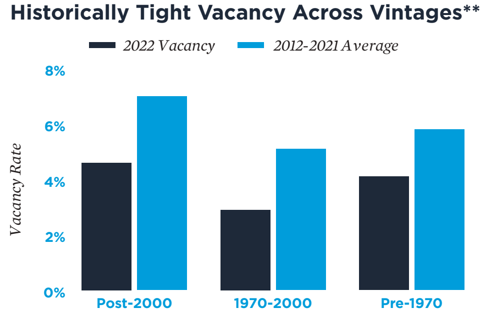
Vacancy Rate by Market Type



Distribution of Active Pipeline by Size



Historically Tight Vacancy Across Vintages**



* Forecast

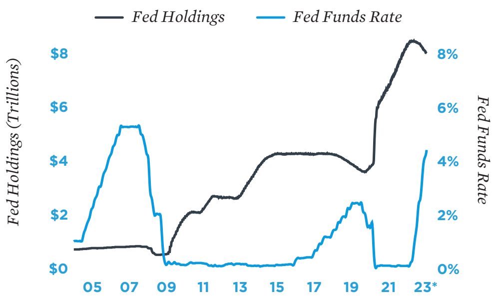
** Vacancy for warehouse, distribution, and manufacturing properties

Lending Challenged by the Return to a Higher Interest Rate Climate, but Post-Terminal Rate Outlook Positive

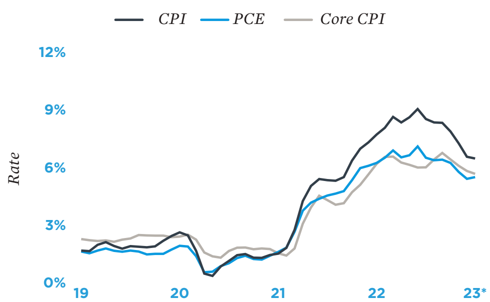
Fed remains intent on tightening monetary policy to cool inflation. After being exceedingly accommodative during the health crisis, the Federal Reserve rapidly tightened monetary policy last year in order to address multi-decade high inflation. Between March and December of 2022, the Fed raised the federal funds rate by 425 basis points. These rate increases cascaded across financial markets, pushing up debt costs. While this had the intended effect of subduing inflation by the tail-end of last year, the Fed's actions coincidingly created a major disruption for the commercial property transaction landscape. The sheer speed and magnitude of the rate hikes left buyers, sellers and lenders misaligned on pricing, making closing trades more difficult. This expectations gap has been persistent as the Federal Open Market Committee (FOMC) continues to hike rates this year, but is narrowing the adjustments relative to 2022. While dependent on the performance of the economy, the FOMC is likely to arrive at a terminal level for the overnight lending rate sometime this year, at which point financiers will have more clarity. While interest rates will be higher than they have been in recent memory, stability from a debt-cost side will help lenders and institutions better determine valuations.

Capital remains available, but higher debt costs complicate borrowing. Outstanding property performance throughout the pandemic, alongside robust long-term demand drivers, continue to draw many lenders to the industrial sector. The Fed's tighter policy stance has nevertheless complicated the financing process. Across industrial trades completed last year, the average cap rate was 6 percent, with best-in-class assets changing hands in the low-4 percent zone. While yields are anticipated to trend higher as the FOMC continues to shift up interest rates, the little margin between initial returns and higher financing costs presents hurdles. Given this dynamic, lenders are placing a heavy emphasis on debt service coverage, weighing down on loan-to-value ratios. While conditions vary by property, borrower and capital source, LTVs have fallen into the high-50 percent to low-60 percent zone on average. Local and regional banks are still the most active lenders for industrial trades, although CMBS has also become more prevalent following a substantial pullback in 2020. Banks and credit unions are likely the best sources for lower lending rates; however, CMBS may have avenues for interest-only terms.

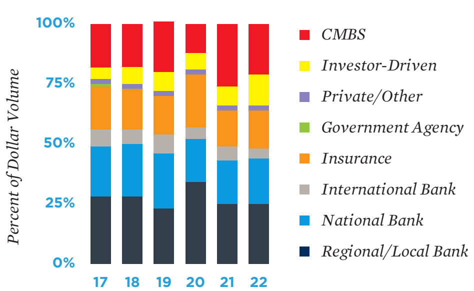
Monetary Policy Tightening



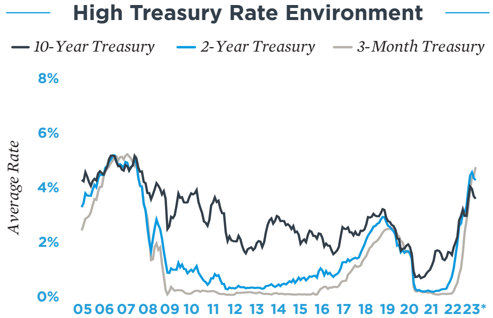
Elevated Inflation Beginning to Moderate



Industrial Lender Composition



High Treasury Rate Environment



* Through January

2023 Capital Markets Outlook

- **Financiers anticipate a slowdown in leasing velocity.** A pullback in consumer spending and space demand from prominent lessors like Amazon may prompt caution among lenders with larger warehouse and distribution space amid higher lending rates. This concern is less likely to extend to the more limited supply of viable last-mile facilities.
- **Construction financing challenges have post-2023 implications.** As with financing for investment sales, capital costs for industrial construction have also increased. Paired with elevated material and labor expenses, the combined hit to budgets has put many developers on pause. While the active pipeline is substantial and pushing forward, fewer projects will likely arrive in 2024 and 2025 as a result of the current landscape.
- **Industrial sector's risk of default comparatively very low.** Industrial assets have the smallest rate of CMBS loan delinquency across all major property types at 0.87 percent in January, followed by multifamily at 1.35 percent. While elevated supply and some leasing pullback are concerns, chances of default are nevertheless low.

Staunch Property Fundamentals, Bright Outlook Keep Investors Tuned in, but Less Active than in Recent Years

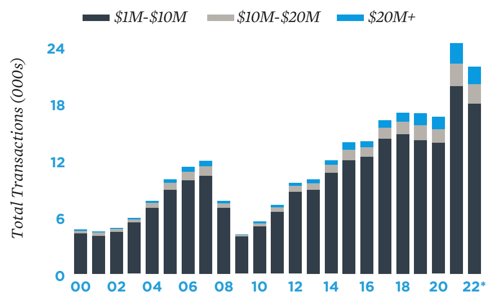
Port markets and emerging regional hubs merit attention. Historically strong user demand has fueled a competitive bidding environment among investors, equating to a 35 percent surge in average sale pricing over the past two years. This rapid appreciation is likely to motivate a share of owners to capture profits by listing assets; however, a more stringent lending environment is poised to impact closings. While private buyers are likely to be more active than institutions this year, national distribution epicenters along with emerging hub markets across the Sun Belt — including Phoenix, Las Vegas, Austin and Charlotte — offer particularly favorable outlooks that may warrant institutional due diligence. Strong net in-migration is anticipated to continue across these locales, despite a tempering in overall household creation this year. Meanwhile, East Coast port markets are accounting for a greater share of container volumes recently, which may also attract a mix of buyers. This collection includes Savannah, Charleston and Jacksonville, where upcoming modern facilities could attract institutions typically focused on larger metros.

Ongoing supply wave expands institutional-level stock. Record annual supply volume in 2023 adds to the 10 percent inventory growth registered during the past five years. Aggressive construction is translating to acquisition opportunities for institutional buyers seeking sizable warehouses and distribution centers with high levels of tech and automation. Investors will likely be more cautious regarding potential supply pressure this year, while balancing those considerations with longer-term upside of acquiring a newly-built facility in a fast-growing metro. Secondary markets like Austin and Las Vegas are expected to have local inventory gains exceeding 6 percent this year, creating both near-term supply pressure and future prospects for institutions. Tertiary markets should continue to garner heightened attention as well, after these metros accounted for more than 40 percent of all $20-million-plus trades nationwide last year, the second-largest proportion on record. Meanwhile, Dallas-Fort Worth, Riverside-San Bernardino and Chicago will add the largest amount of total square footage this year, sustaining institutional attention after each ranked in the top five for $20-million-plus trades during 2022.

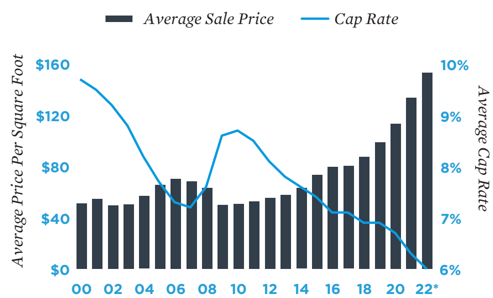
2023 Investment Outlook

- **Nearshoring elicits border town investment.** Demand for assets near southern U.S. entry points may rise as more domestic and international firms establish manufacturing operations in Mexico. Investors anticipating an increase in cross-border trading may look to warehousing and final assembly space proximate to major crossings.
- **Smaller markets proximate to gateways appeal to institutions.** Amid steeper borrowing costs, some investors could pursue comparatively higher first-year returns in tertiary markets exhibiting robust sector growth. Last year, trades in the $20-million-plus tranche were most frequent in tertiary markets spanning the Southeast and California, headlined by Raleigh-Durham, the Central Valley (CA) and Vallejo-Fairfield.
- **Southern California region appeals to risk-averse investors.** Land-constrained markets, where conditions are tight and near-term supply pressure is minimal, may attract buyers willing to accept lower returns in exchange for limited risk. Southern California metros — apart from the Inland Empire — fit the bill. Specifically, Los Angeles and Orange County will record stock increases of 0.5 percent and 0.8 percent, respectively, this year, with San Diego-area construction concentrated along the U.S.-Mexico border.

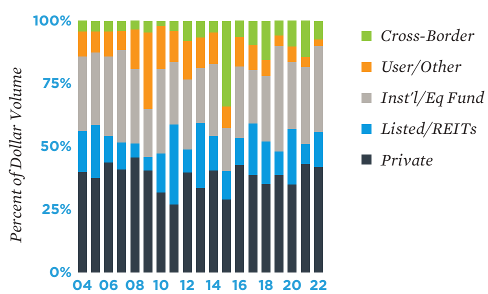
Industrial Transaction Activity



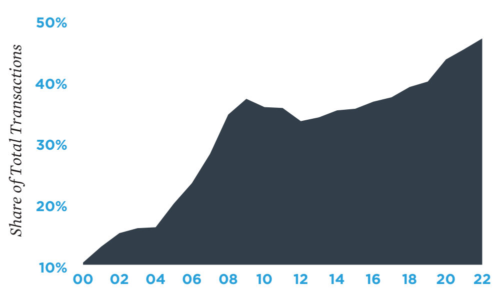
Sale Price vs. Cap Rate Trends



Industrial Buyer Composition



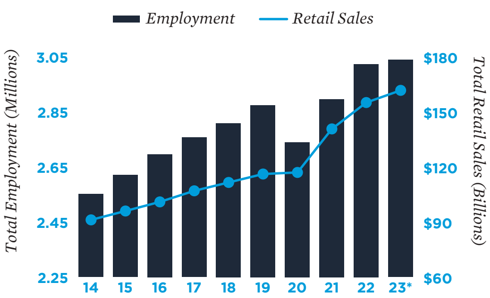
Tertiary Metros Increasingly Targeted



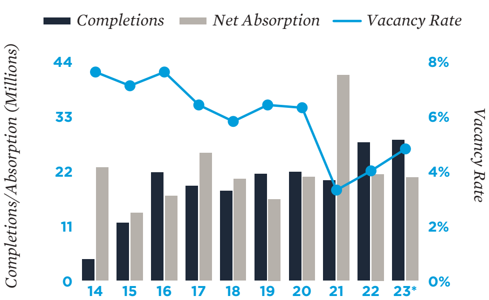
* Estimate

Strong Demand Tested by Continued Supply Gains; Favorable Entry Costs Bolster Investor Activity

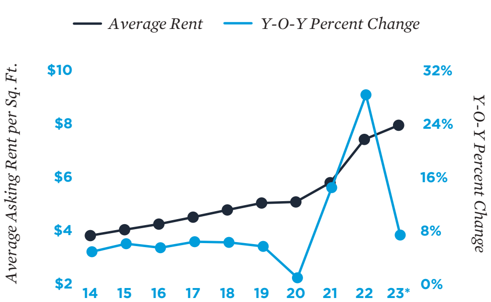
Economic Trends



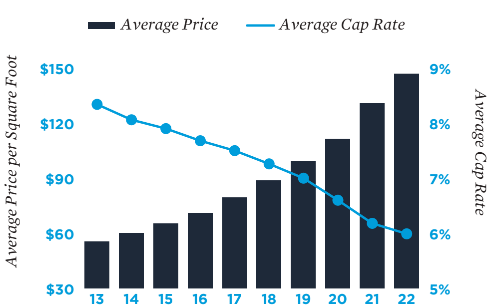
Supply and Demand



Rent Trends



Sales Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Supply wave generates short-term headwinds, despite solid long-term outlook. Atlanta's robust industrial growth in recent years stems from its fortunate geography, connecting the burgeoning consumer markets of the Upper South with the ports of Savannah and Charleston. These maritime hubs have observed significant infrastructure investment over the past half-decade, translating to record cargo throughput in these terminals in 2022. An upcoming supply injection, however, will create hurdles for the sector. Developers will increase completions in 2023, placing the two-year development total in excess of 55 million square feet. While this — in tandem with wavering consumer spending — will impact competition for existing logistics space and drive up overall availability, that metric will remain well under the norm seen prior to 2020. Demand for distribution space, in particular, is showcased by Sam's West and Lidl taking a combined 2 million square feet off the market in 2023. The metro also boasts a growing manufacturing sector, with million-square-foot operations from SK and Procter & Gamble opening this year.

Atlanta's affordability edge continues to draw out-of-market capital. Though financing headwinds have slowed transaction velocity from the surge seen in 2021, acquisition activity moving into this year is comparable to some of the most active pre-pandemic periods. Institutional groups and REITs are still pursuing trades, indicating the outlook for logistics deal flow in the near term remains solid here. High levels of out-of-state and foreign capital entering the market likely stem from Atlanta's low entry costs, particularly in comparison with other gateway metros. At $145, the average price per square foot for metro assets traded in 2022 was roughly 4 percent under the national equivalent, a gap that has grown over the past four years.

2023 Market Forecast

NIPI Rank **15** — Favorable employment and revenue growth post-pandemic place Atlanta in the top half of the rankings for 2023.

Employment up 0.5% — After gaining a net 128,100 positions in 2022, Atlanta's employment base will expand by roughly 15,000 jobs this year.

Construction 28.2 million sq. ft. — Developers exceed the 27.6 million square feet delivered last year to set a new annual record, expanding metro supply by 3.7 percent in 2023.

Vacancy up 80 bps — A continued period of rapid stock expansion drives vacancy upward for a second consecutive year. Availability will end 2023 at 4.8 percent, the most drastic annual elevation in 14 years.

Rent up 7.2% — Despite short-term softening, availability remains historically tight, keeping rent momentum in the positive. The mean marketed rate advances to $7.89 per square foot.

Investment — Operations at Hartsfield-Jackson International Airport could draw investors to the surrounding area, where a number of sub-$10 million assets are present.

Corporate Move-Ins and In-Migration Position Austin for Long-Term Industrial Growth Amid Vacancy Correction

Elevated arrivals lift availability in the near term. Net in-migration to Austin will remain strong throughout 2023, as the metro's skilled labor pool expands alongside corporate move-ins. The resulting population growth is expected to fuel home and necessity goods purchasing, despite worries of anticipated discretionary spending pullbacks. This dynamic is poised to foster industrial leasing commitments by consumer goods suppliers, such as Four Hands, translating to strong demand for warehouse and manufacturing space this year. Limited space options relative to other Texas markets, however, may support demand for high-quality floorplans at a time when Austin's industrial pipeline remains historically elevated. While upcoming completions will place some pressure on near-term vacancy — adjusting the rate upward from record lows achieved in 2021 and early 2022 — overall availability will hold well-below the long-term average. This performance and the metro's concentration of modern facilities will sustain an average asking rent that is nearly twice that of Dallas-Fort Worth and Houston.

Investors target centers of population growth and areas near Tesla. Despite a potential slowdown in deal flow, several submarkets stand out due to their strong fundamentals. East Austin, home to Tesla's Gigafactory, received a large volume of last year's completions, yet entered 2023 with one of the lowest vacancy rates in the metro. In response, investors may continue pursuit of area assets, a decision further fueled by Tesla's plans to invest more than $700 million into expanding their existing facility. Investors looking for proximate assets at lower entry costs may also target Southeast Austin. Elsewhere, Georgetown and other neighborhoods welcoming waves of newcomers may attract buyers seeking space well-suited for last-mile operations.

2023 Market Forecast

NIPI Rank 9 — Economic resilience and long-term workforce growth prospects allow Austin to rank in the top 10 of this year's Index.

Employment up 0.8% — Austin adds 10,000 roles this year, which is well-below the 51,900 jobs that were added in 2022.

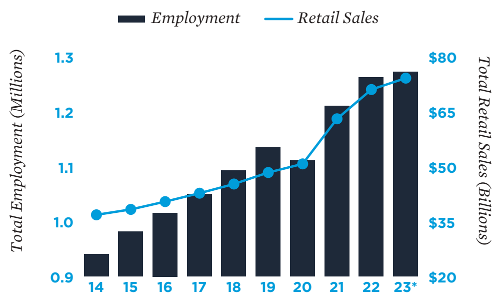
Construction 6.6 million sq. ft. — Inventory will expand by 6.5 percent in 2023, the second-largest year-over-year change among major U.S. industrial markets, following last year's 13.3 percent surge in stock.

Vacancy up 50 bps — Three years of supply additions surpassing 5 million square feet place upward pressure on vacancy. Still, the year-end rate of 5.5 percent is 250 basis points below the long-term average.

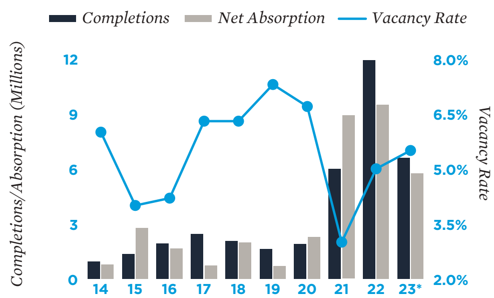
Rent up 5.7% — Asking rent will continue to climb, albeit at a slower pace than the last two years — when the rate rose a collective 35 percent. The mean asking rent will reach $15.50 per square foot in 2023.

Investment — The ongoing construction of Samsung's chip manufacturing plant in Taylor may prompt suppliers and other supporting firms to seek nearby space, attracting investors to the area.

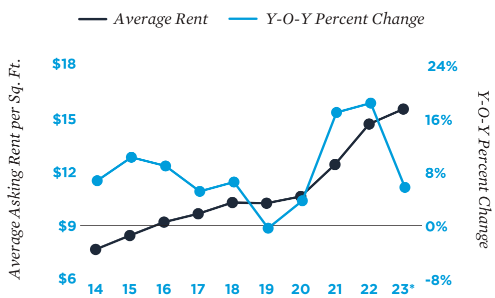
Economic Trends



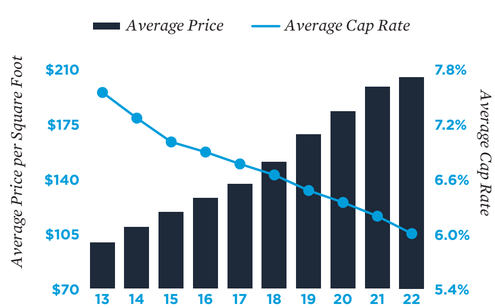
Supply and Demand



Rent Trends



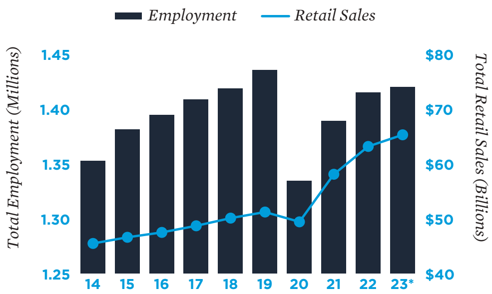
Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Economic Trends



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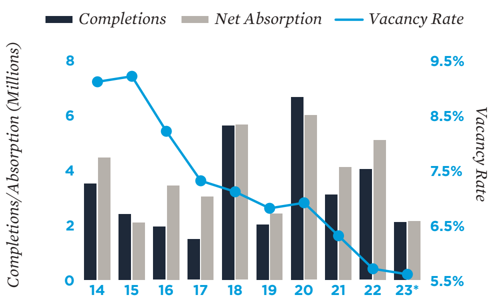

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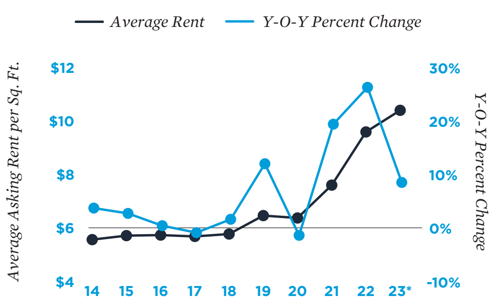

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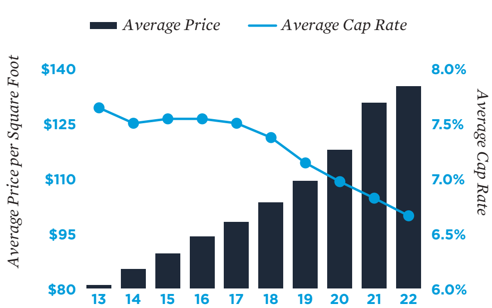


* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Slowing Development and Growing Life Sciences Sector Help Keep Industrial Fundamentals Tight in Baltimore

Tenants target the Eastside. While accessibility to major mid-Atlantic metros has historically been a driver for local industrial demand, grant-making programs — such as Advantage Maryland — are helping to sustain this momentum. Since the end of 2019, net absorption eclipsed 15 million square feet, slicing vacancy to 5.7 percent, a rate nearly 400 basis points below the long-term average entering this year. Proximity to the Port of Baltimore and the I-95 Corridor is spurring leasing in East Baltimore County, specifically at Tradepoint Atlantic. The 3,100-acre intermodal megasite is now home to notable firms like Amazon, McCormick & Company, Floor & Decor, Home Depot and Under Armour. Heading into this year, market conditions are expected to remain tight. Development in 2023 will amount to roughly half of last year's total, limiting upward supply pressure. Meanwhile, the conversion of City Garage and the development of 4MLK are addressing the ongoing shortage of wet lab space in Baltimore. Additional biotech-related inventory should help the metro's life science, benefiting industrial fundamentals overall.

Heightened interest rates provide short-term headwinds to deal flow. Strong performance in Baltimore's industrial sector over the past half decade has captured the attention of investors. Sale activity rose to consecutive all-time highs in both 2021 and 2022. The pace of transactions moderated considerably during the fourth quarter of last year however, and this slowdown may remain throughout the first half of 2023. Higher debt costs could potentially underscore the search for yield and elevate buyer interest to properties inside the city of Baltimore, where first-year returns often rise above 7 percent. Meanwhile, strong tenant demand may elevate investor interest in the Baltimore County East submarket. Here, local vacancy fell by more than 200 basis points in 2022, despite the addition of over 2.6 million square feet of new supply in the area over that span.

2023 Market Forecast

NIPI Rank **20** Contracting vacancy and rent growth nearing double digits situates Baltimore in the top 20 of rankings.

Employment up 0.4% — Roughly 5,000 new jobs will be added this year, bringing total employment within 15,000 positions of the pre-pandemic peak.

Construction 2.1 million sq. ft. — The annual pace of construction falls to a six-year low, as developers increase inventory by 1 percent. Over half the space in this year's pipeline will deliver in East Baltimore County.

Vacancy down 10 bps — Slowing development allows net absorption to outpace new supply, resulting in the third consecutive year of declining vacancy. The rate will inch down to 5.6 percent.

Rent up 8.5% — Consistent tenant demand continues to fuel rent growth, lifting the average rate to $10.38 per square foot. However, the pace of gains will slow from the 26 percent jump recorded in 2022.

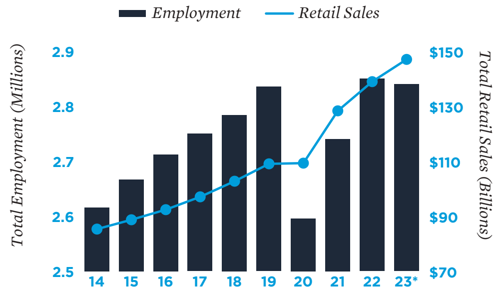
Investment — Industrial assets south of the city of Baltimore may be coveted in anticipation of the Howard Street Tunnel reconstruction, which is estimated to be completed in 2024.

Port of Boston Expands Shipping Capacity, Drawing Leasing and Investment to Seaside Warehouses

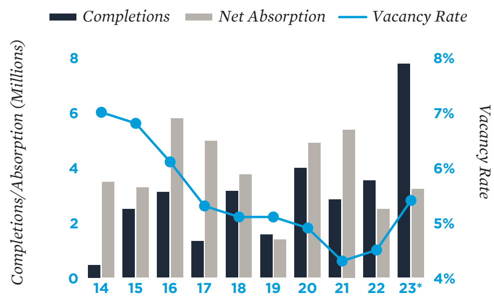
Construction surges in response to long-term demand, infrastructure upgrades. Following three years of historically-tight operations across Greater Boston, industrial development appears to be catching up to demand. Developers this year mark the most rapid supply gain in more than 20 years, and the first time inventory growth has exceeded 1 percent per annum since 2001. While an acute rise in availability is expected, vacancy should close out 2023 comparable to immediate pre-pandemic levels. This increase will also be mitigated by a bevy of move-ins slated for this year; Amazon alone will take nearly four million square feet of distribution space off the market, equating to roughly half of this year's scheduled deliveries. Recent infrastructure upgrades should also contribute to sustained warehouse demand. Last year, the Port of Boston inaugurated an $850 million upgrade to the Paul W. Conley Container Terminal. Among other improvements, these renovations increase the direct connections offered by this shipping node from just seven major global ports to 25, including hubs in China, Northern Europe and Southeast Asia.

Industrial investment shows signs of normalization, after half-decade-long surge. Mounting capital costs noticeably slowed deal flow in Boston over the course of 2022. Though pricing gains remain robust, an 8.5 percent annual increase in the per-square-foot price last year represents the first period since 2016 in which this metric has advanced by less than double digits. Tenant demand bolstered by expanding local port siphoning traffic from other congested access points will nevertheless draw many investors to warehouse assets near the seaport. Moving away from the core, investors seeking last-mile distribution space will likely continue to do so in the metro's northern zones along the border between Massachusetts and New Hampshire. The latter state has attracted migration from comparatively more expensive core Boston areas in recent years.

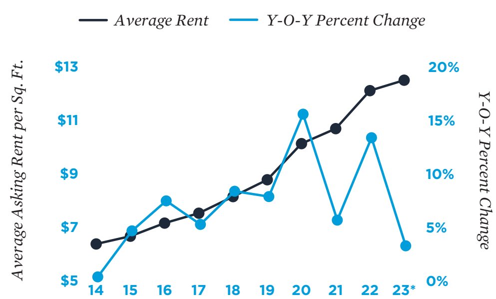
Economic Trends



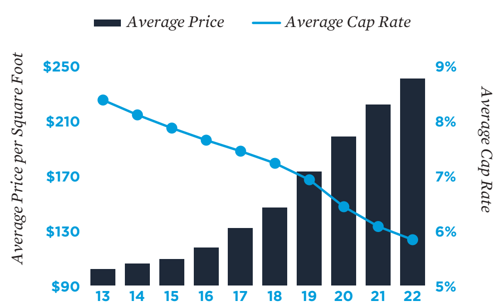
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

NIPI Rank 35 — A short-term vacancy jump, combined with employment attrition, weigh on Boston's position for this year.

Employment down 0.4% — Boston will observe a 10,000-position contraction in the job base this year, losing less than a tenth of 2022's gains.

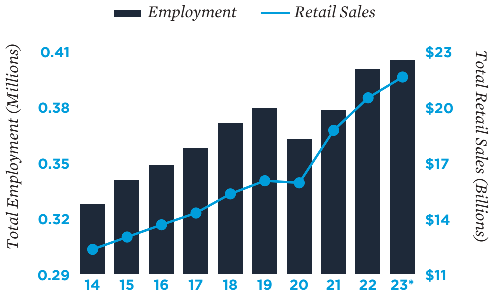
Construction 7.8 million sq. ft. — Builders will achieve more than a two-decade high in 2023, expanding supply at a 1.7 percent clip. Square footage additions more than double last year's deliveries.

Vacancy up 90 bps — An acute supply injection pushes metrowide vacancy up to 5.4 percent, marking the largest jump in nearly two decades. However, this is just 30 basis points above the year-end 2019 rate.

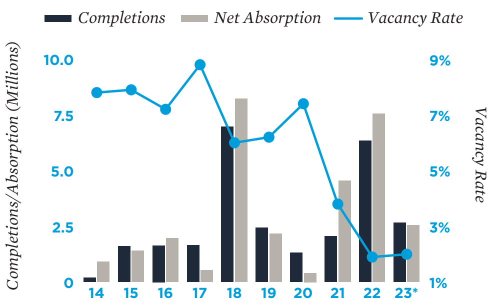
Rent up 3.2% — Marketed rates observe a period of comparatively modest growth, after last year's 13.3 percent jump. The average asking rent will close out December at $12.45 per square foot.

Investment — Worcester County industrial assets are a popular option for life science initiatives seeking R&D space. This locale offers lower entry costs and higher yields than those found in Boston proper.

Economic Trends



Supply and Demand



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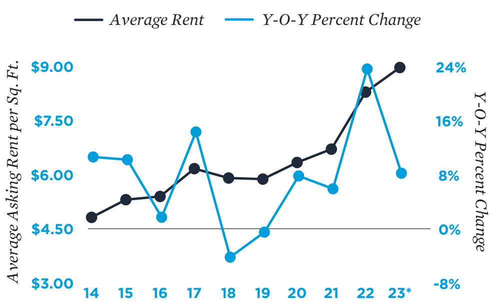
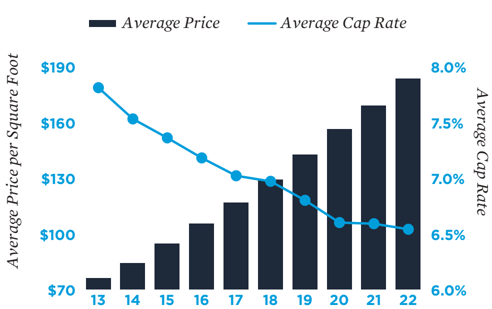


Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Transport Volumes Surge, Ferrying in Tenant Demand and Steering Investment Toward Northern Suburbs

Port of Charleston's record activity sustains standout metrics. Market conditions are easing in Charleston, albeit from a stellar sub-2 percent vacancy rate and 20-plus percent rent advance registered during 2022. Now at a record mean above $8 per square foot, higher rent may temper the volume of new commitments. Nonetheless, the metric should continue to climb at an above-average pace, as e-commerce firms and third-party logistics providers look to set up operations in the metro to capitalize on the Port of Charleston's soaring shipping volumes. Charleston's maritime terminals transported a historic 2.8 million 20-foot equivalent units during 2022, marking 12 out of 13 consecutive years where the transport hub reached a record volume. Significant infrastructure investments from the Port Authority — including the recent deepening of Charleston Harbor and groundbreaking of the Navy Base Intermodal Facility in North Charleston — suggest that this momentum will carry on near term, generating demand for nearby industrial facilities. Additional tailwinds could arise from the local presence of automotive giants Volvo and Mercedes-Benz, which both Redwood Materials and Bosch cited as motivators for their industrial move-ins set for this year.

Terminal proximity directs investment. Expansion at Charleston's ports continues to stir interest from investors nationwide. As North Charleston hosts the construction of a new intermodal facility and has limited parcels available for development, the submarket is well-positioned to retain investor interest. Last year, the area drew an unprecedented amount of out-of-state capital, a trend that should carry on and keep local competition for listings tight amid the port's record-breaking activity. Prospective buyers seeking lower entry costs may instead look in Outlying Berkeley County, where a greater distance from the Port is reflected in pricing that mostly falls under $130 per square foot.

2023 Market Forecast

NIPI Rank 3 — Charleston earns a top-three spot in its NIPI debut, fueled by a nation-leading rate of job growth and minimal vacancy.

Employment up 1.2% — Employers add 5,000 roles this year, bringing Charleston's job gains 26,000 positions over the February 2020 high.

Construction 2.6 million sq. ft. — With 1.9 million square feet slated for completion during 2023, the Outlying Berkeley County area hosts the majority of this year's development, helping expand metro stock by 3.3 percent.

Vacancy up 10 bps — Approximately 100,000 square feet of vacant space will be put onto the market, bumping vacancy up to 2.0 percent. Yet, the rate will still be the tightest among major southeastern markets.

Rent up 8.2% — Rising vacancy eases competition among prospective industrial users, tempering the pace of rent growth relative to last year. The average rent rises to $8.95 per square foot during 2023.

Investment — Dorchester County registered record net absorption amid historic development in 2022, facilitating a vacancy rate of 1 percent. This may attract more interest to local listings in 2023.

Developers Deliver Ahead of New Law; Buyers Target Southeastern State Line

Historic additions occur amid upcoming constraint. Charlotte's restrictive Unified Development Ordinance takes effect this June, which — along with the city's penchant to incentivize new projects — recently coaxed builders to rapidly submit proposals and break ground on new facilities. Development has risen from under 3 million square feet in 2021 to 13.5 million this year. The 4.1 percent expansion in local stock ranks as the highest among major metros east of the Mississippi River. Record deliveries lift annual vacancy for the first time since 2020, while competition from new facilities pulls rent growth down in-line with historical norms. This should provide some relief to cost-sensitive users looking to set up operations in the area. Nevertheless, space may be generally hard to come by, as vacancy during 2023 will remain below the 10-year mean. A strong pace of household formation and one of the lowest average asking rents among major U.S. metros continue to warrant tenant expansions. Headlining these are Macy's,taking up a 1.4 million-square-foot warehouse in China Grove in August, and Sherwin-Williams moving into a 1 million-square-foot distribution center in Statesville in July.

Union County at forefront of trading activity. More investors may pause acquisitions to assess how the market is absorbing this year's historic supply infusion. For those who remain active, attention stands to be captured by Union County. The area boasted a local vacancy rate of 0.3 percent during 2022, the lowest among major submarkets with more than 10 million square feet of inventory, and conditions are likely to stay tight this year. Prices, which mostly fall well-below the metro average of $187 per square foot, in tandem with the county's status as Charlotte's most populous outside of the core, are attracting an inflow of budget-conscious owner-users. These tenants, such as MycoWorks, often intend to own and upgrade assets in the Carolinas at a relative discount.

2023 Market Forecast

NIPI Rank **25** An unprecedented shift in supply contributes to a sizable rise in vacancy, weighing down on Charlotte's ranking for 2023.

Employment up 0.8% — While overshadowed by last year's pace, the addition of 10,000 roles during 2023 brings the post-pandemic job gain to 75,000.

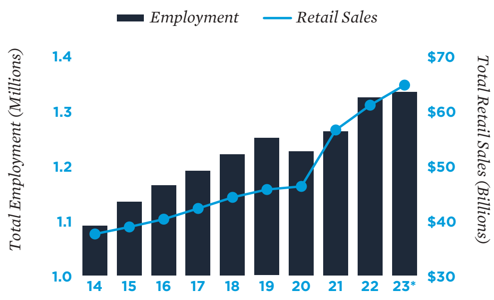
Construction 13.5 million sq. ft. — Builders double the prior record for yearlong supply additions, expanding inventory by 4.1 percent. Gaston and Rowan counties each host the deliveries of roughly 3 million square feet.

Vacancy up 150 bps — Higher costs deter some tenants, with the mean rent now exceeding $7 per square foot. Meanwhile, a considerable amount of speculative space comes online, lifting vacancy to 6.3 percent.

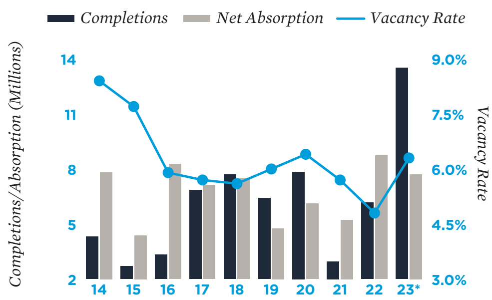
Rent up 2.8% — Rent growth normalizes, following a 34.1 percent gain observed last year. Still, with the average asking rate rising to $7.35 per square foot, rents are 50 percent higher than they were in 2019.

Investment — Semiconductor manufacturer Pallidus, Inc.'s recent commitment to Rock Hill could spur investor interest in York County as more third-party suppliers look to set up local operations.

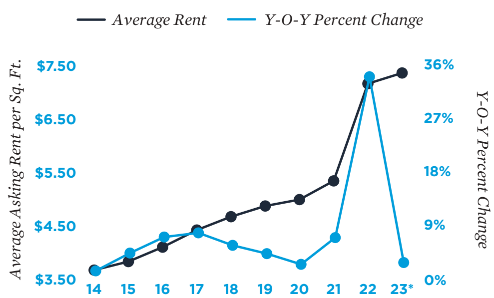
Economic Trends



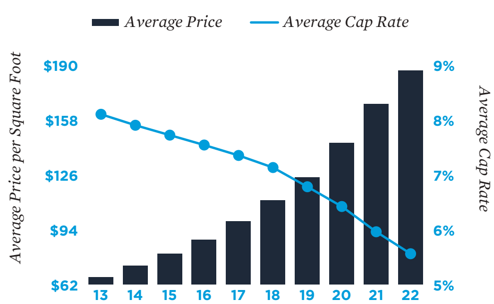
Supply and Demand



Rent Trends



Sales Trends

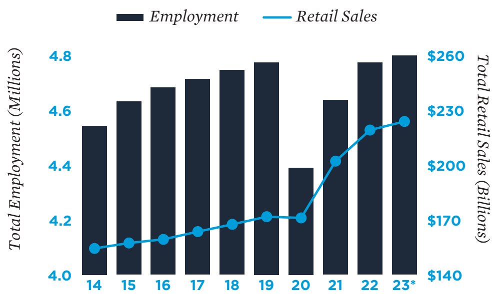


* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Notably Compressed Availability Entering 2023 Aligns Chicago Well to Handle Greater Construction Efforts

Economic Trends



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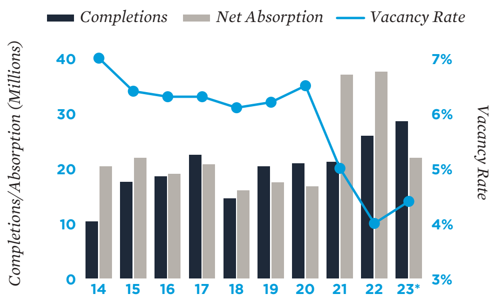
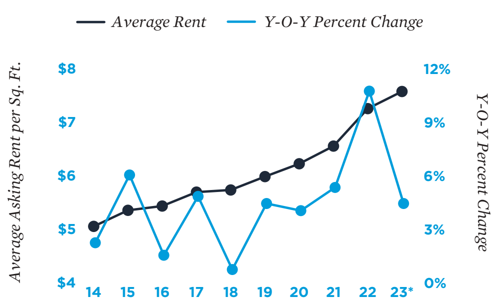
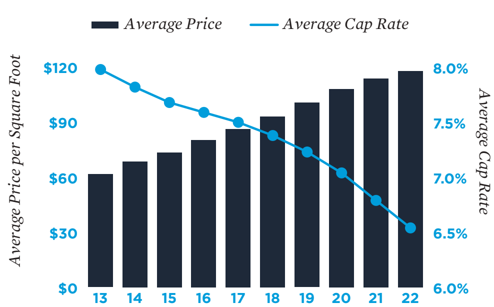


Rent Trends



Sales Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

A substantial delivery slate tests historically tight vacancy. Chicago's industrial inventory, already the largest of any market in the country, is slated to expand by a considerable margin this year. As a key link in national distribution efforts, large-scale build-to-suit warehouse facilities account for a notable portion of this construction and leasing activity, led by Walmart and Amazon's commitments to a combined 2.8 million square feet. Retail sales growth, however, slows this year as consumers reduce discretionary spending amid recession concerns, which may extend to lower shipping and distribution volumes. This trend has already started to manifest at O'Hare International Airport, where the metric tonnes of cargo transported dropped by 13 percent last year. The combination of a large delivery slate and near-term downward pressure on the retail commerce sector results in rising metrowide vacancy in 2023, ticking up from a two and a half decade low. The Southwest-I-55 Corridor highlights this trend with more than 3 million square feet underway, accounting for roughly one-third of the active pipeline.

Long-term outlook bolsters deal flow. Following a gain of 1.7 percent this year, the pace of retail sales growth across the Midwest over the next decade is anticipated to average 3.2 percent. As a major regional distribution hub, this forecast reinforces investor sentiment, particularly near the O'Hare submarket, where demand for warehousing and logistics facilities lowered local vacancy below 2.5 percent last year. Amid these tight conditions, the neighboring Northwest submarket — spanning west of Schaumburg along Interstate 90 — welcomes leasing overflow amid 3 million square feet of absorption and over 20 percent rent growth here last year. While fundamentals here and metrowide are well established, Chicago's average cap rate entered 2023 as the second highest among gateway markets, which could appeal to coastal investors seeking yield advantages.

2023 Market Forecast

NIPI Rank **21** Solid absorption and ample completions contribute to Chicago placing near the middle of this year's Index.

Employment up 0.5% — The addition of 26,000 positions helps Chicago exceed its 2019 employment count by 0.5 percent this year.

Construction 28.5 million sq. ft. — Developers increase metro supply by the fastest pace in nearly two decades in 2023. Roughly one-third of the historic delivery slate comes online along the Interstate 55 Corridor.

Vacancy up 40 bps — Despite metro availability expanding to 4.4 percent this year, the figure remains more than 320 basis points below Chicago's long-term average.

Rent up 4.4% — Rising vacancy, amid a notable construction pipeline, slows the pace of rent growth in 2023. Following a more than 10 percent bump in 2022, the rate reaches $7.55 per square foot this year.

Investment — The I-88 West submarket near Aurora remains a prominent area for manufacturing, warehouse and transportation leasing, likely supporting investment across the western suburbs.

Manufacturing Companies Recommit to Cleveland; Investor Interest Piqued by Consistent Fundamentals

Metro well-positioned to receive heightened supply additions. At the end of 2022, Ford announced expansion plans for its Ohio Assembly Plant in Avon Lake to construct electric vehicles. The $1.5 billion investment could double the site's workforce long term, coinciding with Ford's goal to bring a new product to the plant by the end of 2023. On top of Cleveland's evolving traditional car manufacturing industry, Involta plans to spend $135 million expanding data center campuses nearby in Akron and Independence, according to the state. Continued company commitments in the market justify deliveries surpassing 2 million square feet for the second year in a row. Despite the ample additions, about 70 percent of this year's pipeline comes from just two deliveries, allowing overall vacancy to trend further down in 2023. Unlike other major U.S. markets, Cleveland did not see major vacancy reductions for industrial properties during the pandemic. The absence of erratic changes in availability over the last three years has highlighted the market's stability. With vacancy never compressing to unsustainable lows, the metro is unlikely to experience a radical corrective climb in the near future.

Yield-driven investors eye the market. Strong performance nationally in the sector helped heighten competition for industrial assets. This supported elevated trading in Cleveland through the end of 2022, driving up the metro's average sale price per square foot, despite rising interest rates and persisting macroeconomic headwinds. Yet, even with that appreciation, the market maintains the highest mean cap rate among major U.S. markets going into 2023, drawing yield-driven investors to Cleveland. Low vacancy, specifically in Medina County, is also likely to persist, due to limited supply additions in the area, high leasing activity and proximity to both Cleveland and Akron. The locale may draw investors seeking highly occupied assets with a pattern of steady asking rent growth.

2023 Market Forecast

NIPI Rank **28** Balanced supply and demand limit the impact of a falling job count, placing Cleveland above some other metros on the Index.

Employment down 0.3% — In 2023, total employment in Cleveland will contract by 3,500 roles, still 27,000 positions shy of the year-end 2019 count.

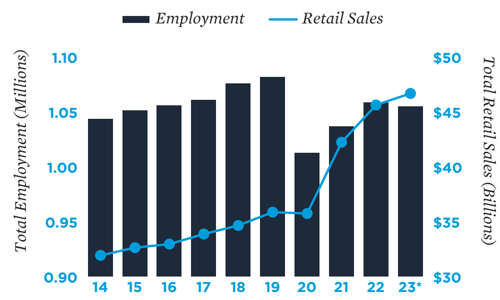
Construction 2.7 million sq. ft. — Construction will surpass the trailing 10-year average, expanding inventory by 0.6 percent. The Avon International Commerce Park accounts for nearly half of expected deliveries.

Vacancy down 20 bps — Availability will compress for a second consecutive annual period, lowering the 2023 year-end rate to 4.0 percent, 140 basis points below the long-term average.

Rent up 4.9% — Persistently tight vacancy will facilitate rent growth, lifting the average asking rate to $5.40 per square foot. This year's rise will be milder than the 13.4 percent surge recorded in 2022.

Investment — Downtown vacancy fell to a decade-low in 2022, potentially drawing investors looking for highly-stabilized urban assets or properties situated for redevelopment in a high-demand area.

Economic Trends



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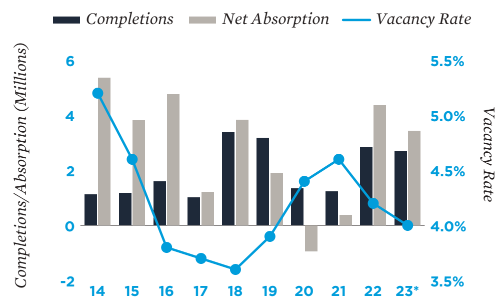
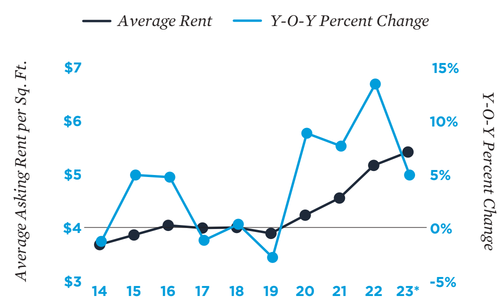
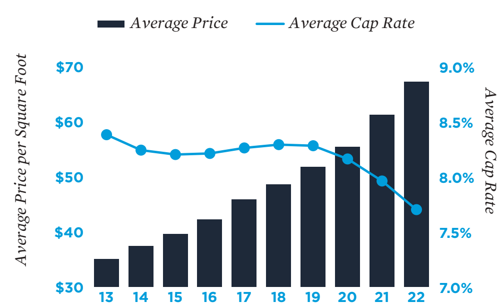


Rent Trends



Sales Trends

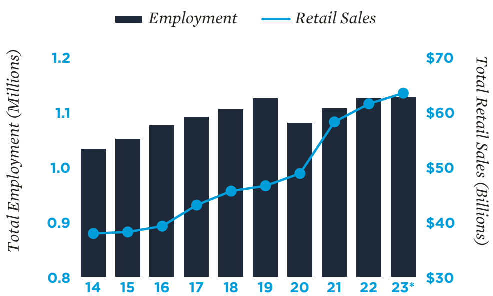


* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Moves by Intel and Honda Spotlight Central Ohio, Spurring Investor Activity Amid Economic Uncertainty

Economic Trends



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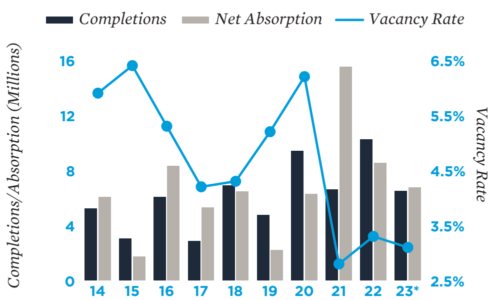

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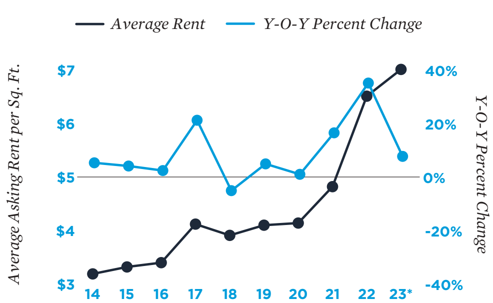

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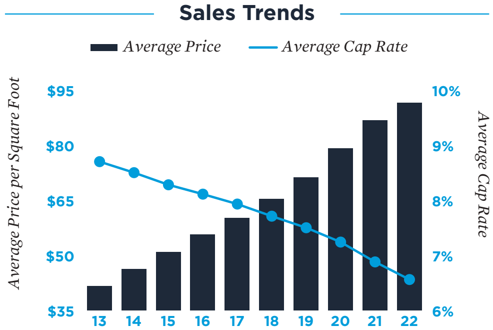


** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Significant manufacturing commitments signal robust space demand. In January 2022, Intel Corp announced its intention to build two chip factories in Licking County. By September, the company had broken ground on the first phase of the project, and other firms began responding with similar investments around the site. In mid-January of this year, Amazon Data Services purchased $116 million worth of land on the Franklin County border, and DBT-Data New Albany acquired $23 million worth of land in the area. Other Intel suppliers are also likely to move closer to the factories as they near completion. Further expanding industrial operations in the market, Honda and LG Energy Solution announced a joint venture in Fayette County, building a factory to be completed in 2024 and producing battery modules by the end of 2025. Together, all of these commitments will allow Columbus' vacancy rate to compress this year, while the average asking rent grows by the fastest pace among major Ohio markets.

Access to primary transportation routes highlights distribution centers. The potential for long-term population and manufacturing growth underscores metro industrial assets despite near-term recessionary fears. In particular, properties in Licking County near the underway Intel factories — as well as in Madison County near Hyperion's intended facility for testing and refining fuel cells — may see heightened competition. Inside city limits, low vacancy in Northwest Columbus and access to major transit routes may draw investors to the area. The market is within a 10-hour drive of 46 percent of the U.S. population, making the metro a notable thoroughfare and increasingly relevant for distribution needs. This geographical transportation advantage is likely to stimulate investor demand beyond what is already present, as the metro sees its long-term exports elevate from rising local manufacturing production.

2023 Market Forecast

NIPI Rank **6** Columbus scores above all other nationally-ranked Midwest metros, due to strong revenue growth and bright prospects.

Employment up 0.2% — Hiring slows in 2023 amid economic uncertainty, but Columbus employers will still bring on a net 2,000 additional roles.

Construction 6.5 million sq. ft. — Completions will remain above the trailing 10-year average as inventory expands by 2.3 percent. Heightened development in 2022 and 2023 was driven by major manufacturing move-ins.

Vacancy down 20 bps — Deliveries topping 10 million square feet last year drove vacancy up 50 basis points, but fewer projects underway in 2023 and sustained demand for space compress the rate to 3.1 percent.

Rent up 7.7% — Following last year's 35.1 percent surge in the average asking rent — nearly a $2.00 increase — 2023 will note a more moderate rise to $7.00 per square foot.

Investment — Out-of-state coastal buyers may look to establish an early footprint in Columbus, as the mean sale price remains below their home market, while the local manufacturing sector grows.

Ongoing Population Gains and Reshoring Spur Distribution Growth, Underpinning Nationally High Absorption

Supply chain advantages stoke leasing commitments. More than 60 percent of all air cargo in the state of Texas is handled at the DFW International Airport, cementing Dallas-Fort Worth as one of the nation's foremost distribution hubs. Companies looking to streamline their domestic distribution, following global supply chain bottlenecks, may view having a footprint in the Metroplex as a major advantage. Despite recessionary fears, firms continue leasing industrial space in the market, such as ITS Logistics and DHL, which both recently committed to warehouse and distribution facilities topping 1 million square feet. Strong leasing activity at the close of 2022 validates the current expansive pipeline underway. The coming supply wave poses some near-term vacancy headwinds; however, smaller spaces may benefit as most new builds span over 100,000 square feet. This year is slated to be the fifth consecutive annual period where net absorption eclipses 20 million square feet, a greater volume than in any other U.S. metro.

Areas recording strong residential growth stand out. Deal flow moderated in the fourth quarter of 2022 as investors assessed rising interest rates and pricing adjustments. However, as the nation's second-largest industrial market by inventory, Dallas-Fort Worth offers a wide array of assets for active buyers with different objectives. In addition to the Metroplex's significance in the domestic supply chain, with enhanced rail and air cargo volumes, Dallas-Fort Worth will top all metros nationwide by volume of total new residents in 2023. Sustained net in-migration has brought strong demand for necessity and home goods. Areas of high population growth may interest developers and investors looking to capitalize on tenants seeking proximity to consumers, such as in North Fort Worth or in Wilmer, where sizable Target and JLA Home leases were signed. These commitments signal confidence in local consumer spending growth.

2023 Market Forecast

NIPI Rank 14 — A misalignment of supply and demand is mitigated by revenue growth, keeping the Metroplex in the upper half of the Index.

Employment up 0.7% — Hiring slows as firms add just 28,000 roles. Still, total employment expands by the second-highest amount in the country.

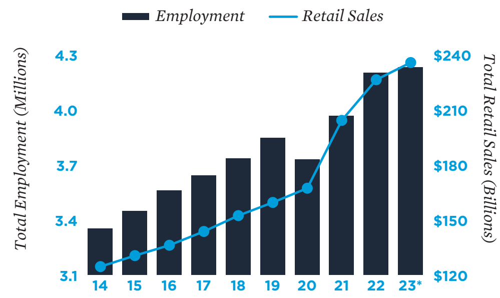
Construction 39 million sq. ft. — Deliveries surpass last year's count by over 10 million square feet, expanding stock by 4.4 percent. Furthermore, the volume of space completed in 2023 represents a multi-decade high.

Vacancy up 100 bps — A historic supply wave places upward pressure on vacancy, raising the rate to 5.9 percent by year-end. Still, availability holds 200 basis points below the long-term average.

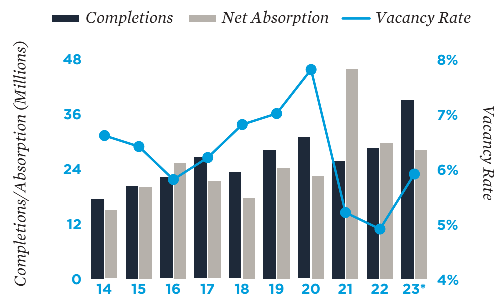
Rent up 8.6% — Following double-digit rent growth in 2022, this year will see ongoing gains — albeit at a slower pace — elevating the average asking rent to $8.55 per square foot.

Investment — Upcoming manufacturing spaces, such as at Alliance Texas in Fort Worth, and nearshoring efforts in Mexico, represent dynamic elements for investor consideration in the Metroplex.

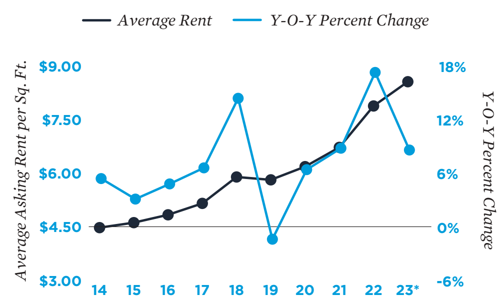
Economic Trends



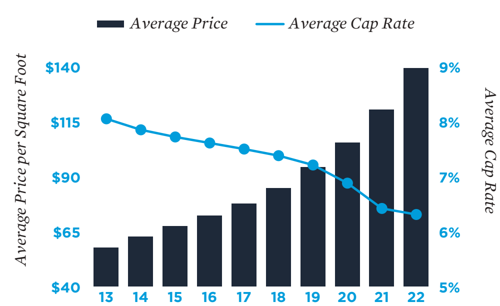
Supply and Demand



Rent Trends



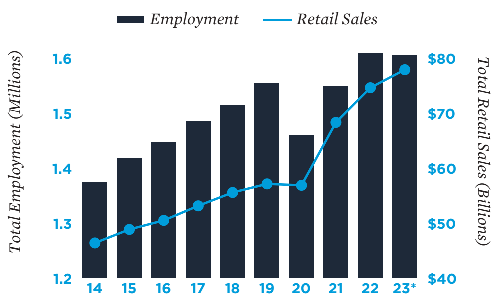
Sales Trends



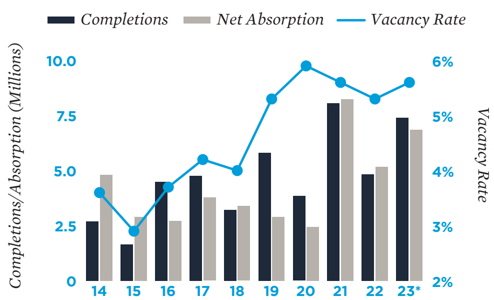
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Economic Trends



Supply and Demand



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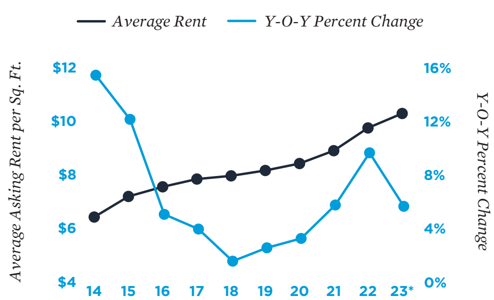

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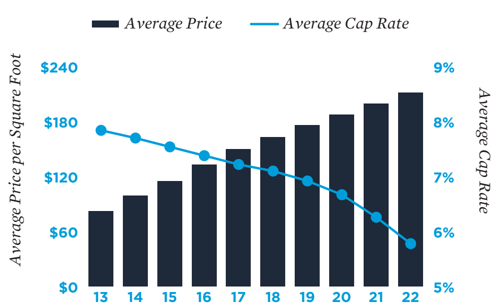


** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Large-Scale Projects Continue Along Interstate 70, While Local Buyers Look Farther South

Builders resume notable construction efforts. After a slowdown in deliveries last year, development output accelerates in 2023, with supply arrivals nearly reaching the record 8.2 million-square-foot total achieved in 2021. Of this substantial construction slate, a large portion is going toward the Northeast area near Interstate 70 and the Denver International Airport. Although, a small share is being built on a speculative basis, which should help mitigate supply pressure. Meanwhile, warehouse and manufacturing facilities here have accessibility to ground transportation west of the Rocky Mountains and east to Kansas City, St. Louis and Indianapolis. Marketwide, manufacturing operations have also been increasing, with the metro registering its highest headcount in this sector since 2002 last year. Nevertheless, concerns over a potential recession could weigh on discretionary spending and industrial fundamentals in the near term. Metro vacancy is expected to increase for the first time in three years, moderating the speed of rent growth in 2023 as the annual pace falls below the trailing 10-year average.

Supply constraints and performance drive activity to South Central. While institutions stay focused on the metro's Northeast, local buyers are shifting their attention elsewhere. Throughout the South Central submarket, which runs down the 6th Avenue Freeway along the South Platte River, local investors frequently target sub-$5 million manufacturing and warehouse facilities in the 10,000- to 20,000-square-foot range. Amid land and construction constraints, minimal development over the previous decade here helped push vacancy below 2 percent entering 2023. Elsewhere, a notable portion of transaction velocity is registered in the Northwest and Broomfield submarkets. Here, the continuously growing aerospace industry near the Rocky Mountain Airport will support the need for larger warehousing facilities over the coming years.

2023 Market Forecast

NIPI Rank **32** Elevated marketwide vacancy and a notable delivery slate result in Denver ranking toward the bottom of this year's NIPI.

Employment down 0.2% — Despite shedding an anticipated 4,000 positions in 2023, the employment count remains 50,800 jobs ahead of its 2019 figure.

Construction 7.4 million sq. ft. — Metro supply expands by the second-fastest pace on record as absorption of more than 13 million square feet across 2021 and 2022 warrants the new facilities long term.

Vacancy up 30 bps — A significant construction pipeline amid national economic headwinds contributes to a rise in vacancy in 2023. This brings the rate to 5.6 percent by year-end.

Rent up 5.6% — Increased availability results in slower rent growth in 2023. After a 9.6 percent gain last year, the average marketed rate elevates to $10.25 per square foot.

Investment — Expansion in the manufacturing and R&D sectors in the Southeast submarket near the Denver Tech Center could lead to greater representation in this year's investment sales activity.

Nearby EV Developments and Increased Traffic from Canada Bolster Detroit's Industrial Sector

Heightened North American trade highlights Detroit's functionality. Freight between the U.S. and Canada was up 22.3 percent year-over-year in September of last year, as international supply chain complications emphasized the importance of trade within North America. Detroit was the top truck port for U.S.-Canada trade and Port Huron on the north end of the market was the top rail port, with Detroit proper following in a close second. Increased trade activity necessitates industrial inventory expansion, particularly warehouses and distribution centers. These property types account for nearly 85 percent of this year's expected completions. By the end of 2023, Detroit will have added nearly 20 million square feet of industrial space in a three-year span. While the market will note a slight uptick in vacancy by December, following this wave of supply additions, the year-end rate remains 300 basis points below the long-term average of 7.0 percent. Leasing activity by companies like Renaissance Global Logistics, Wayfair and Advanced Nutrients show persisting demand, specifically for bulk warehouse products.

New tenant highlights properties along key transit zones. Transaction velocity slowed in the fourth quarter of last year as rising interest rates began to take a toll on investor confidence. Notably, warehouse sales clustered around Port Huron increased as trade between the U.S. and Canada picked up. General Motors also announced plans to expand electric vehicle construction in the state by 2024. The company leased nearly 714,000 square feet of distribution space in Pontiac last year, growing its presence. This investment is likely to aid properties along Interstate 75, which travels from Pontiac, through Detroit proper, before continuing into Ohio. The interstate will also benefit from rising truck traffic from Canada as I-75 intersects Interstate 94 coming from Port Huron.

2023 Market Forecast

NIPI Rank **30** — A tepid labor market and limited revenue growth limit Detroit's 2023 rank despite an improving long-term outlook.

Employment down 0.2% — Total employment in Detroit will contract by 5,000 positions this year, following 2022's gain of 40,200 roles.

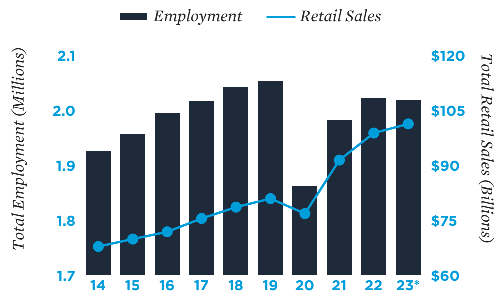
Construction 4.1 million sq. ft. — Deliveries will expand inventory by just 0.7 percent, just over half of the 2022 annual pace. The Interstate 275 area near the airport is slated to receive the bulk of completions.

Vacancy up 10 bps — Availability will note a slight increase as net absorption falls short of construction, with only 3.5 million square feet taken off the market. The year will end with vacancy at 4.0 percent.

Rent up 2.9% — Despite a slight upward adjustment in vacancy, the average asking rate will inch up to $7.00 per square foot, the 12th straight year of rent growth.

Investment — Detroit maintains lower entry costs than other border markets. Out-of-state buyers may look to the metro as U.S.-Canada trade offers a consistent user base, mitigating vacancy swings.

Economic Trends



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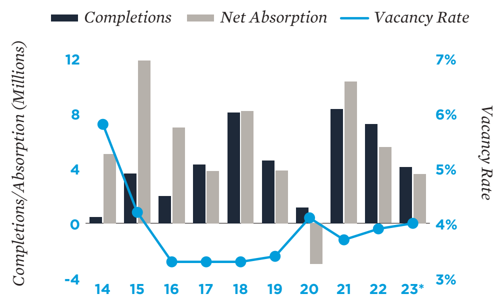
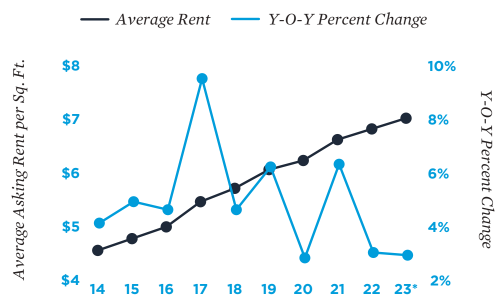
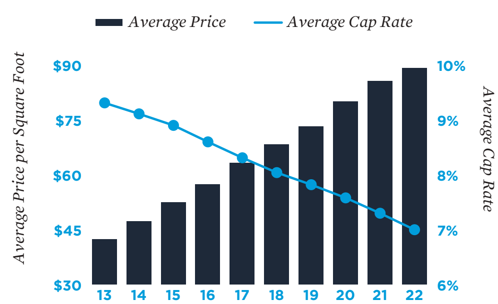


Rent Trends



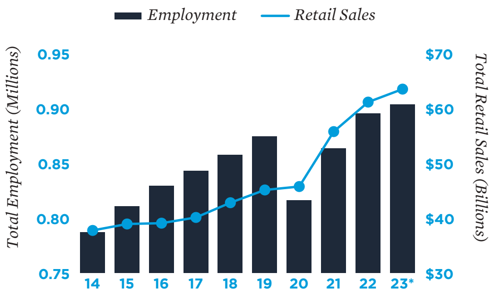
Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Economic Trends



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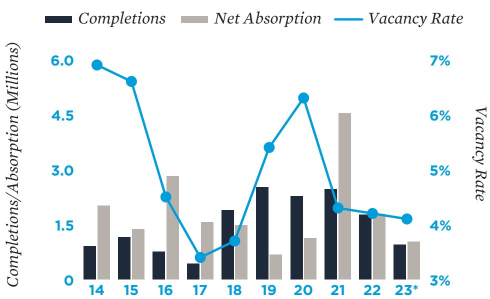

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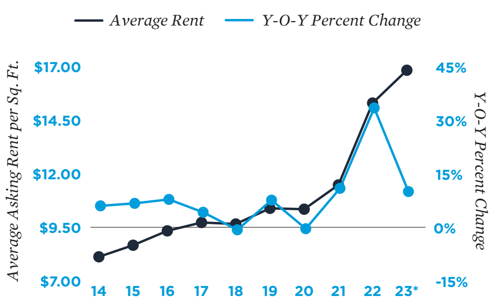

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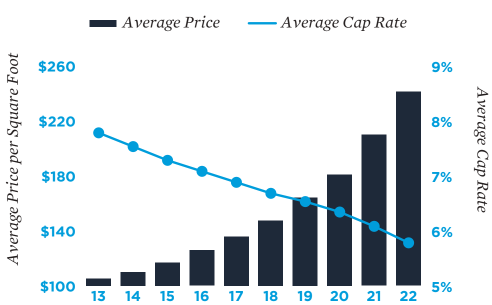


* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Slowing Development and Consistent Tenant Demand Promote Further Vacancy Declines in Broward County

Large commitments signify strong space demand. Elevated import activity and a rapidly-growing economy are fueling industrial demand in Broward County. Last year, container volumes at Port Everglades reached the second-highest total on record. Additionally, robust population growth and lower business costs relative to other major East Coast markets have incentivized capital migration to the metro. These dynamics translated to tenants absorbing a net of more than 6 million square feet over the past two years, lowering vacancy to 4.2 percent, a rate more than 200 basis points below the long-term average. Industrial fundamentals are expected to remain tight during 2023, as users like Williams-Sonoma, Sonny's Enterprises, Floor & Decor, and Armstrong Relocation & Companies recently committed to floor plans exceeding 100,000 square feet, paving the way for strong absorption. Development will simultaneously fall to a six-year low, limiting competition from new supply and promoting further vacancy compression.

Rent growth bolsters investment landscape. The local average asking rate has increased by nearly 50 percent since the start of 2021. This standout pace of rent growth helped drive transaction velocity during a period of elevated interest rates. Despite emerging headwinds, deal flow reached the highest level on record in 2022. Entry costs in the metro are $30 per square foot below Miami-Dade on average, providing a less-costly alternative to buyers seeking industrial assets in Southeast Florida. First-year returns that often rise above the market average could place an emphasis on properties in Central Broward, as many buyers look to maximize their potential yields while borrowing costs remain high. Meanwhile, investors seeking stable cash flows may target Southwest Broward, where vacancy was 140 basis points below the metro mean entering 2023.

2023 Market Forecast

NIPI Rank	4	A growing employment base, coupled with vacancy falling near a record low, lifts Fort Lauderdale into the top five of the NIPI.
Employment up 0.9%		The addition of 8,000 new roles in 2023 will extend the margin over the pre-pandemic peak to 29,000 positions.
Construction 950,000 sq. ft.		Development activity slows considerably from last year's pace, when nearly 1.8 million square feet delivered. The bulk of the pipeline is slated for completion in Southeast Broward.
Vacancy down 10 bps		Consistent tenant demand allows metro vacancy to contract on an annual basis for the third straight year. At 4.1 percent, the year-end rate will be the lowest since 2018.
Rent up 10.0%		Fort Lauderdale remains among the U.S. leaders in rent growth as the average rate rises to $16.80 per square foot; however, the pace will slow considerably from the 33 percent gain recorded in 2022.
Investment		The scarcity of available space in Miami may create spillover tenant demand in Southeast Broward, which could elevate buyer interest for assets near the border of the two metros.

Scattered Builds Along the Perimeter Enable Future Tenant Expansions and Support Institutional Deal Flow

Depleted availability underscores the need for new space. This year's construction pipeline is characterized by larger-scale projects that are well-dispersed throughout the metro. More than 70 different facilities exceeding 100,000 square feet are scheduled to finalize during 2023. Proximate to Interstate 10, developers are most active on the west side near Katy, as well as on the eastern flank surrounding Baytown. Builders are also adding considerable space adjacent to the Sam Houston Tollway on the northern and southern bands. This outspread nature of construction should diffuse localized supply competition, even as market inventory expands by more than 3 percent for a fifth consecutive year. Net absorption, however, will realign with historic norms after an outstanding stretch spanning 2021 and 2022, due to both softer economic conditions and a lack of suitable facilities available for lease. During the past two years, tenants absorbed a net of over 56 million square feet, a total that exceeds the amount of vacant stock left on the market entering 2023. Despite these dynamics, speculative projects could take longer to secure tenants than in recent years as the national economy slows, nudging up vacancy.

Supply wave primes Houston for sustained institutional activity. Across 2021 and 2022, more assets with price tags north of $20 million traded than in the previous five years combined. This investor cohort is tapping the brakes after a series of interest rate hikes created financing hurdles and buyer/seller disconnect, but their attention is not likely to shift away from Houston long term. The aggressive construction pace is cultivating a crop of new, modern facilities that many institutions seek out. Private buyers, on the other hand, could opt to steer clear of supply and investor competition by targeting last-mile facilities in the Inner Loop, which is largely absent from the construction pipeline. Here, ongoing residential growth spurs the need for proximate fulfillment operations.

2023 Market Forecast

NIPI Rank **24** An aggressive construction pace amid a softer economy lifts vacancy and places Houston outside the Index's top 20.

Employment up 0.6% — After two consecutive annual gains of at least 150,000 jobs, hiring in Houston cools off, adding a net 20,000 roles this year.

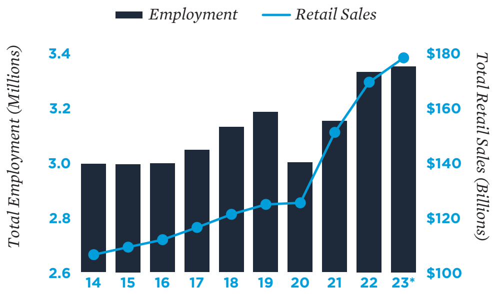
Construction 22.2 million sq. ft. — By the end of 2023, inventory will have grown more than 20 percent in a five-year span. Houston is the sixth-largest metro by stock in the U.S., reflecting the strong industrial foundation.

Vacancy up 60 bps — Net absorption is expected to fall about 5.5 million square feet shy of this year's delivery volume, pushing vacancy up to 6.1 percent. This rate realigns with 2019's figure.

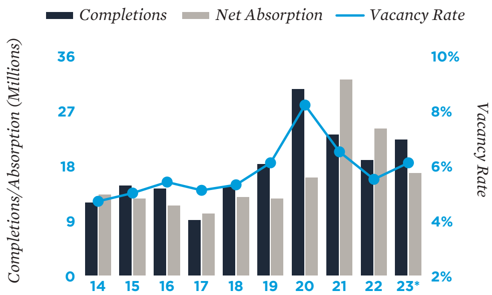
Rent up 4.0% — Houston's average asking rent rises for a fourth straight year to $8.40 per square foot. CBD rates could increase further, after a 30 percent local gain last year and minimal new supply coming.

Investment — The $1 billion expansion of Port Houston is scheduled for 2025 completion. Increased capacity here amid building constraints near the Bay could make existing facilities in the area appealing.

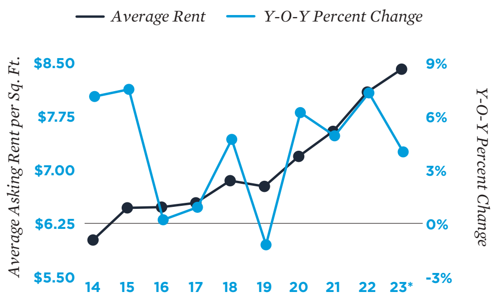
Economic Trends



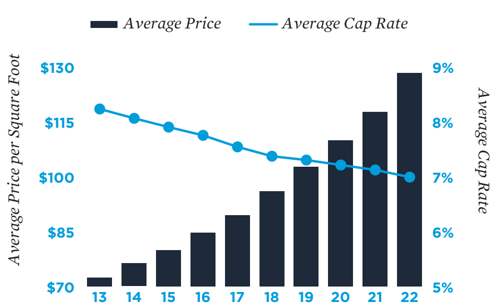
Supply and Demand



Rent Trends

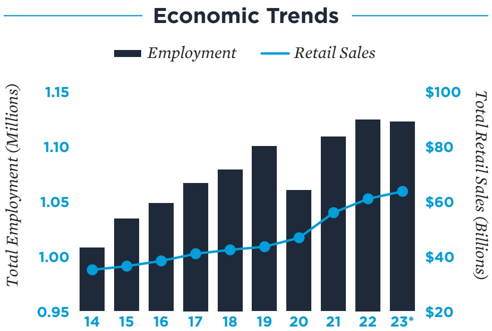


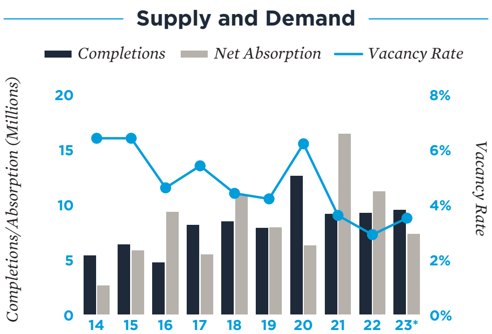
Sales Trends

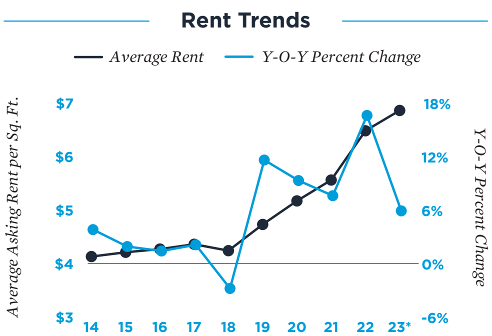


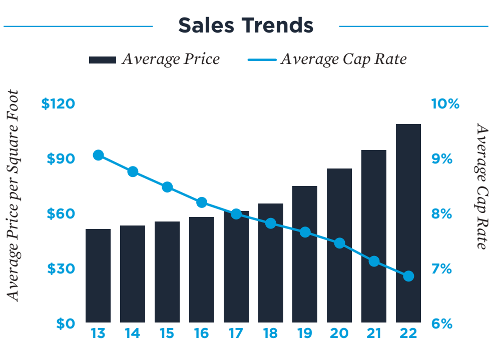
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics









** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

User Demand Normalizes to Pre-Pandemic Levels; Record Appreciation Provokes Deal Flow

Historically tight conditions warrant speculative builds. Over each of the past three years, metro supply increased by at least 9 million square feet, a trend that is anticipated to persist through 2023. Of this year's delivery slate, a significant portion will come online in the Far Boone County submarket, after leasing from large-scale manufacturing and logistics firms pushed local vacancy to 1 percent in 2022. More than three-quarters of this construction has yet to be accounted for, likely prompting a near term uptick in availability here. Vacant stock at the metrowide level nevertheless entered the year at a record low, paving the way for sustained development. Waning outlooks for retail overstock and consumer demand, however, may translate to longer lease-up timelines, edging up vacancy. Marketwide, net absorption should realign with pre-pandemic norms, while Hancock County continues to outperform. Walmart's opening of an 860,000-square-foot warehouse here is driving additional space demand from third-party logistics providers. This interest should result in continued rent growth and vacancy compression in the locale.

Potential reduction in competition provides opportunity for local investors. Property performance and appreciation helped encourage listings last year, as owners capitalized on a robust 45 percent gain in the average price per square foot since 2019. Moving into 2023, transaction velocity may fall closer in line with pre-pandemic norms as rising debt costs and cap rate decompression late last year alter the landscape. Ownership turnover may open up options for buyers, particularly southwest near Plainfield. Availability here entered the year below 3 percent, which, together with a minimal construction pipeline, bodes well for future rent growth. As elevated interest rates continue to hold many institutional and out-of-state buyers on the sidelines, local investors may be able to make inroads in cost-prohibitive locales, such as Northeast County and Far South Counties.

2023 Market Forecast

NIPI Rank **22** Moderate employment growth and an uptick in availability contribute to Indianapolis' middle of the pack ranking this year.

Employment down 0.2% — Metro employers reduce the total employment count by 2,000 jobs this year as concerns over economic headwinds loom.

Construction 9.5 million sq. ft. — Deliveries hold pace in 2023, expanding supply by at least 3 percent for the sixth time in the last seven years. Warehouse and distribution projects account for the majority of new facilities.

Vacancy up 60 bps — Completions outpace demand for the first time since the onset of the pandemic. A moderation in leasing activity results in metro availability increasing to 3.5 percent this year.

Rent up 5.9% — After a record hike of 16.6 percent last year, Indianapolis' pace of rent growth slows in 2023 amid curbed demand, bumping the average asking rent up to $6.85 per square foot.

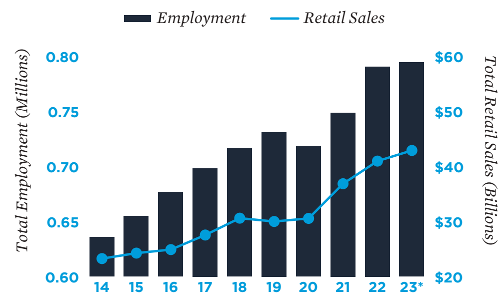
Investment — User demand in West Hendricks County has exceeded a recent, local supply wave. This performance may attract active buyers to assets near Central Valley along Interstate 70.

Third-Lowest Vacancy in the Nation and Ongoing Asking Rent Gains Highlight Industrial Assets for Investors

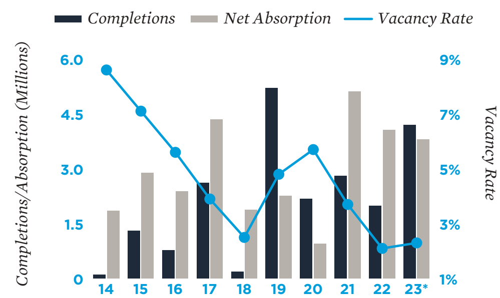
Port renovations continue, paving the way for future industrial growth. Home to Florida's largest container port by volume, Jacksonville's harbor continues to undergo expansions. Last year, a project to deepen the harbor concluded, an investment that will soon reach full potential as JaxPort raises power lines over the St. Johns River to increase air draft clearance and elevate port activity. The power lines project is slated for completion by 2026, ensuring a long-term rise in port capacity and traffic. The metro is well-positioned to receive this long-term growth. An elevated construction pipeline, particularly in port-adjacent submarkets like West Side, will be almost entirely matched by positive net absorption, keeping the vacancy rate 250 basis points below the year-end 2019 mark in 2023. Metro availability will be the third tightest in the U.S. and the lowest among the five major Florida markets, retaining cost advantages over those same metros. Consequently, Jacksonville has seen high leasing activity from expense-conscious firms.

Population and harbor expansions turn buyer attention to Jacksonville. Investors looking for space in Florida amid high net in-migration and company relocations may increasingly target Jacksonville for its comparatively lower entry costs and higher first-year returns. The downtown average asking rent increased substantially last year, supporting Jacksonville proper's claim on the metro's steepest firm entry costs. Properties here may appeal to investors interested in assets suitable for redevelopment, as space in the area is highly sought after by companies looking for warehouses proximate to major transportation hubs. Long-term increases to port capacity may also direct buyers to submarkets along Jacksonville's inland canals. These locales, such as Orange Park-Clay County and St. Johns, generally have lower entry costs but less frequent listings.

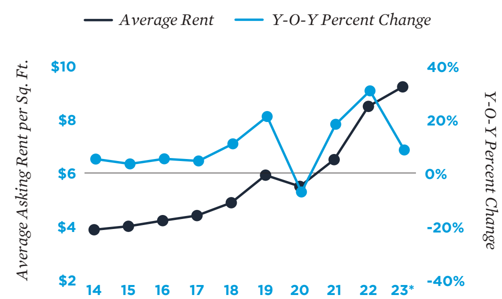
Economic Trends



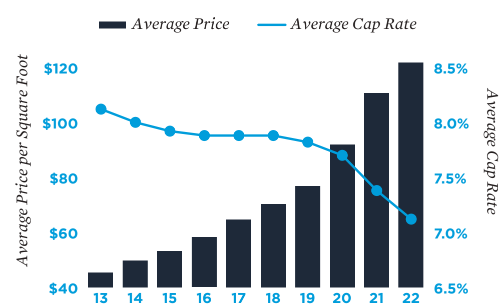
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

NIPI Rank 1 — Jacksonville takes the highest Index ranking in 2023 as vacancy stays nationally low, facilitating strong revenue growth.

Employment up 0.5% — Total employment will land over 63,000 positions above the 2019 level as firms add approximately 4,000 roles this year.

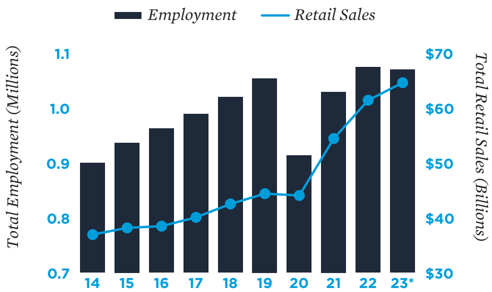
Construction 4.2 million sq. ft. — Inventory will expand by 3.3 percent in 2023. Completions will be concentrated in the West Side submarket, with the area receiving over 3.3 million square feet of space.

Vacancy up 20 bps — Even with the metro seeing the second-highest annual construction in 15 years, vacancy in 2023 will hold at one of the lowest rates recorded since at least 2000 at 2.3 percent.

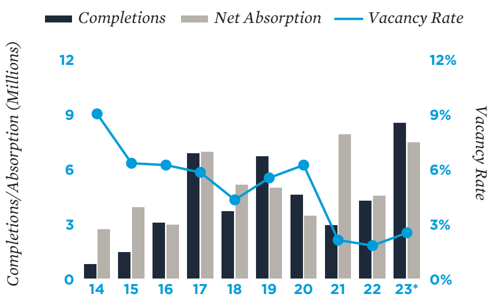
Rent up 8.6% — This year's rent gain is well-below the 30 percent surge in 2022, but the mean asking rate still grows at an above-average pace compared to other U.S. metros, reaching $9.20 per square foot.

Investment — Vacancy in the West Side fell below 3 percent at the end of last year. As one of Jacksonville's fastest-growing areas, the locale is well-situated to receive new space and draw buyers.

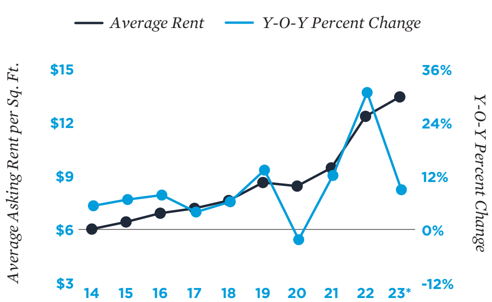
Economic Trends



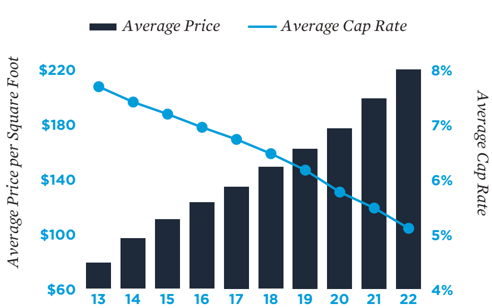
Supply and Demand



Rent Trends



Sales Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Logistics Demand Necessitates Supply Injection; Tight Operations Keep Out-of-State Capital Engaged

Recent momentum prepares metro for record wave of deliveries. Reflecting the market's robust population gains, the local industrial sector is also undergoing rapid expansion this year, leading major U.S. metros with a 6.6 percent supply increase. North Las Vegas and the Speedway area highlight construction hotspots, with the latter submarket receiving nearly 1.5 million square feet of new space this year. Speedway's extremely tight sub-1 percent vacancy rate should hold relatively firm, however, as most of the deliveries here are accounted for. Metrowide, demand for logistics and warehouse options will keep availability below 3 percent throughout this year, reinforced by economic growth. Las Vegas is projected to record its largest in-migration total in over 15 years during 2023, necessitating last-mile delivery space as a larger consumer pool places pressure on local supply chains. On a regional level, spillover demand from the Inland Empire also continues to drive absorption, as Las Vegas maintains an affordability edge.

Institutions continue their pursuit of larger facilities. Though overall transaction velocity declined in response to mounting capital costs, deal flow in the $15 million-plus price tranche increased throughout 2022. Multiple years of double-digit rent gains and solid prospects for future growth have proven to be a consistent draw for out-of-state institutional investors. These groups often operate in the industrialized zones of North Las Vegas or in southwestern areas along Interstate 15, the latter of which houses a number of logistics spaces capturing demand moving northeast from California. Though sales on the private buyer side have slowed, many members of this cohort are still pursuing acquisitions. These investors tend to be more active in the market's suburban southeast, where last-mile delivery options serve Henderson and adjacent communities.

2023 Market Forecast

NIPI Rank **12** The region boasts one of the country's lowest vacancy rates, ranking the metro in the top third of major industrial markets.

Employment down 0.4% — Las Vegas' employment base will contract by 4,000 positions in 2023, after gaining nearly 45,000 jobs last year.

Construction 8.5 million sq. ft. — Delivery volume reaches an all-time high this year. Developers are on track to expand inventory by more than 6 percent across an annual span for the third time in seven years.

Vacancy up 70 bps — Net absorption of 7.4 million square feet backstops vacancy at 2.5 percent, marking the third-lowest year-end rate in at least 19 years, and the second-lowest metric west of the Mississippi.

Rent up 8.9% — Tight operations translate to notable rent gains, as the mean marketed rate reaches $13.40 per square foot. This will mark a 60 percent increase since the beginning of 2021.

Investment — The market's rapid supply transformation could draw investors targeting newly-built assets, supported by a metrowide pre-leasing rate nearing 60 percent as of early 2023.

Expansive Metro Logs Nation's Smallest Inventory Gain; Import Volumes May Temper Port-Driven Demand

Development limitations cap users' options. Four of Los Angeles' five largest submarkets started this year with sub-2 percent vacancy, highlighting the strength of the industrial sector as new challenges hit one of the metro's foundational demand drivers. The ports of Long Beach and Los Angeles are expected to record softer container volumes through at least the first half of this year. Ongoing uncertainty surrounding labor negotiations with West Coast dockworkers, who have been operating without a contract since last summer, is prompting more shippers to shift cargo to East and Gulf Coast ports to avoid disruptions. This dynamic likely alters local demand for storage space used to house imports. Still, the metro ranks among the nation's tightest markets this year, as Los Angeles registers minimal supply-side pressure that should steer users to existing spaces. Of the projects slated for delivery, most are in the South Bay and San Gabriel Valley. Outside of these areas, less than 1 million square feet is completed county-wide during 2023.

Private investors presented with compelling options. A land-constrained metro with tight vacancy and minimal near-term supply pressure, Los Angeles should appeal to active buyers willing to accept lower yields in exchange for limited risk. Those targeting centrally-located assets in industrial-heavy zones proximate to freeways will likely browse listings just south or east of downtown. Here, smaller assets suitable for last-mile storage or local manufacturing are typically available for less than $5 million. This is significant as Measure ULA, which is slated to take effect in April, will place a new tax on all real estate transfers in the city of Los Angeles valued above this threshold. Elsewhere, limited vacancy in South Bay and San Fernando Valley will motivate investors to pursue properties with available space, confident they can obtain tenants and capture upside.

2023 Market Forecast

NIPI Rank **13** Los Angeles lands just outside the top 10 in this year's Index, supported by minimal stock growth and sub-3 percent vacancy.

Employment up 0.3% — Despite positive employment growth, Los Angeles' year-end job count trails the pre-pandemic high by 26,000 roles.

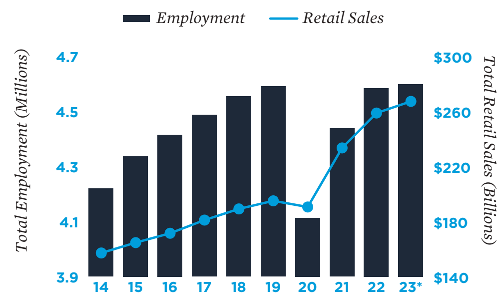
Construction 4.3 million sq. ft. — For the 17th time in the past 18 years, industrial stock expands by less than 1 percent. Approximately 60 percent of the space slated for 2023 delivery was accounted for as of February.

Vacancy up 60 bps — The metro ends 2023 with 2.9 percent vacancy, as the volume of available space rises for a second straight year. Nevertheless, this rate is 80 basis points below the long-term mean.

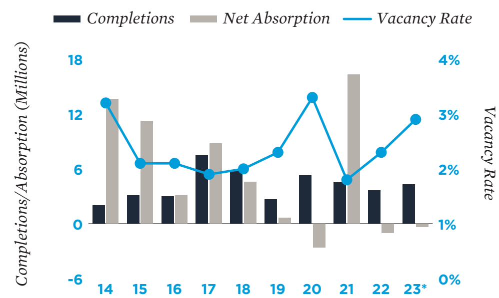
Rent up 7.6% — Following last year's 33 percent surge, the pace of rent growth tempers as vacancy rises. This places the average asking rate at $21.00 per square foot.

Investment — Expecting solid demand for lower-cost space, amid a stretch of economic hurdles, a batch of active investors may target listings in the Santa Clarita, Antelope and San Gabriel Valleys.

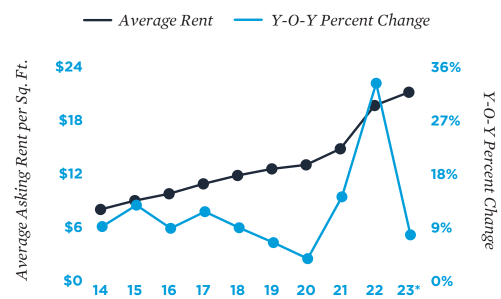
Economic Trends



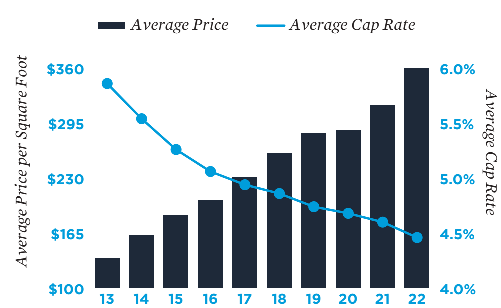
Supply and Demand



Rent Trends



Sales Trends



* Forecast

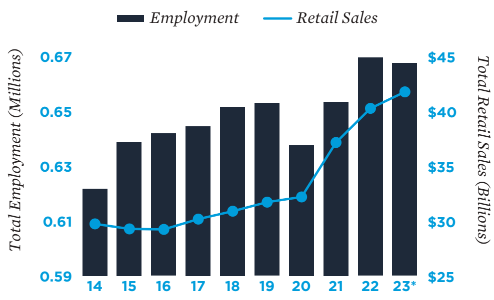
Sources: CoStar Group, Inc.; Real Capital Analytics

Notable Commitments Provide Long-Term Stability; Nationally Low Entry Costs Draw Cost-Sensitive Buyers

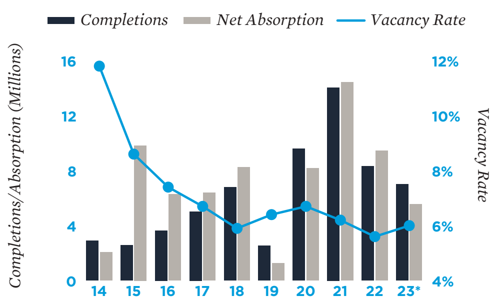
Local distribution advantages fuel demand for industrial. Memphis International Airport maintains its place as the busiest cargo airport in North America, with nearly 8.91 billion pounds of cargo handled in 2022. Memphis' centralized location — with six interstate highways serving the city — also makes it a prime spot for companies looking to streamline their distribution process. A nationally low average asking rent is also appealing to firms seeking lower operating costs. Major move-ins have already been announced this year as MSS Steel Tubes USA plans its first U.S. production facility in Memphis, taking existing space off the market. Additionally, Ford's EV production complex, which is underway in Fayette County, will likely attract suppliers and other supporting firms to the Interstate 40 Corridor prior to the project's completion in 2026. If these potential commitments come to fruition, it would aid an industrial sector that is expected to note near-term rises in vacancy and supply additions.

Buyers look to expand their parameters. Memphis entered 2023 with one of the lowest mean price points in the country; however, buyer competition for industrial assets drove the average sale price up nearly 11 percent last year. Despite a fourth consecutive year of double-digit price growth, annual deal flow during 2022 was the highest on record, only beginning to moderate in the fourth quarter. Moving forward, active investors seeking some of the metro's lowest entry costs may increasingly focus on listings in DeSoto and Southwest Memphis, which both have the advantage of being relatively proximate to the airport. Here, average pricing remains well-below that of Southeast Memphis — which encompasses the airport — with these areas having the added benefit of providing industrial users access to the Mississippi River.

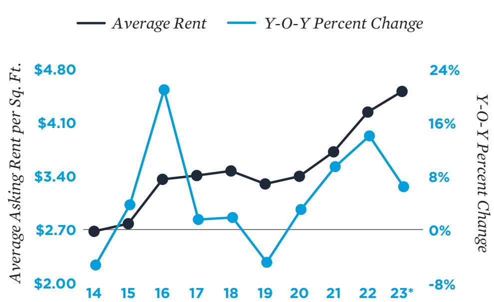
Economic Trends



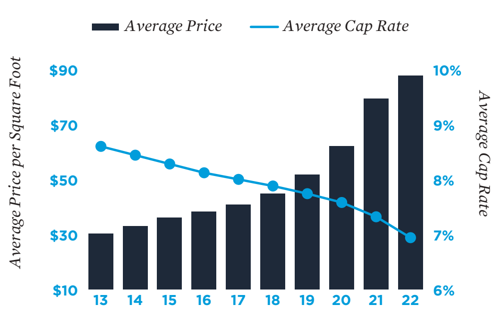
Supply and Demand



Rent Trends



Sales Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

NIPI Rank **27** Comparatively high vacancy and a falling job count push Memphis into the lower third of the Index for this year.

Employment down 0.3% — Memphis' total employment count remains above the year-end 2019 tally, despite a net loss of 2,000 roles during 2023.

Construction 7 million sq. ft. — Inventory grew by nearly 32 million square feet, or 12 percent, over the past three years. While the active pipeline is smaller than the post-2019 norm, stock will grow by 2.4 percent in 2023.

Vacancy up 40 bps — Following a wave of supply additions, availability will rise to 6.0 percent. This is, however, the second-lowest year-end vacancy rate for the market since at least 2000.

Rent up 6.4% — The average asking rent in the metro will rise for a fourth consecutive year. Reaching $4.50 per square foot, the 2023 rate represents an all-time high.

Investment — Upgrades at the airport will allow the facility to handle more cargo going forward. A potential rise in storage demand could emerge, fueling buyer interest in warehouse listings.

Limited Availability Promotes Nation-Leading Rent Growth in Miami's Industrial Sector

Robust tenant demand spearheads construction wave. Space demand in Miami has risen to unprecedented levels, with net absorption figures outpacing deliveries by more than 1.5 million square feet in each of the past two years. Availability plummeted during this span as a result, falling to 1.9 percent entering 2023, the third-lowest rate among major U.S. markets. That feat is unlikely to be repeated this year as the recent boost in tenant demand has stimulated the largest supply wave in over two decades, with more than 7 million square feet underway as of January. Although the inventory increase may lift vacancy in the short run, industrial fundamentals are expected to remain tight for the foreseeable future, as speculative projects generally lease up quickly due to the scarcity of available space in the region. Firms specializing in aviation and food production, third-party logistics, building products and e-commerce are actively seeking space in response to the recent rise in population growth and business formation in Miami.

National firms prove pivotal in the investment market. Standout rent growth in Miami is spurring investor interest in the metro's industrial sector. Deal flow reached the second-highest total on record last year amid a high interest rate environment, signaling that buyers are bullish on the long-term demand drivers present in the metro. Out-of-state investors and national firms play a significant role in the transaction market and have deployed substantial amounts of capital in recent years. In fact, Prologis and Blackstone's portfolios account for roughly 10 percent of all inventory in the metro. The presence of large firms in the market push many private buyers to smaller deals, creating a more competitive bidding environment across multiple property tiers. As a result, the average sale price in Miami-Dade has surged by nearly 50 percent since the start of 2019.

2023 Market Forecast

NIPI Rank 2 — Miami-Dade earns the second spot, due to strong employment and rent growth, coupled with tight vacancy.

Employment up 0.9% — Firms will add 12,000 new jobs in 2023, lifting total employment nearly 50,000 positions above the pre-pandemic peak.

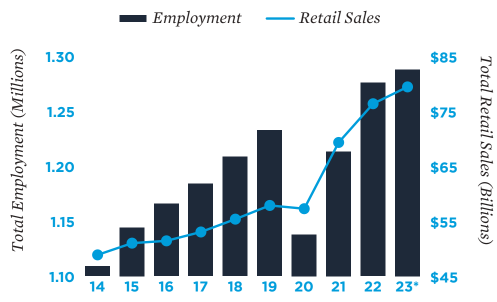
Construction 5.6 million sq. ft. — Development activity rises to a record high, increasing metro inventory by 2.5 percent this year. Near-term deliveries are concentrated in Hialeah, Opa-locka and Miami Gardens.

Vacancy up 50 bps — Despite the slight uptick in availability projected for 2023, Miami will maintain one of the tightest vacancy rates in the nation, ending the year at 2.4 percent.

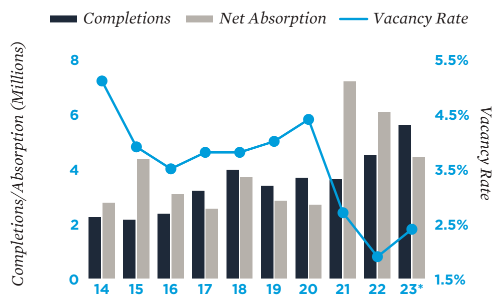
Rent up 11.8% — Miami leads all major U.S. markets in rent growth this year, with the average rate rising to $17.20 per square foot. In 2022, asking rents increased by nearly 30 percent.

Investment — Strong development activity over the past five years should provide ample opportunities for industrial investors in the Miami Airport, North Miami Beach and Medley-Hialeah submarkets.

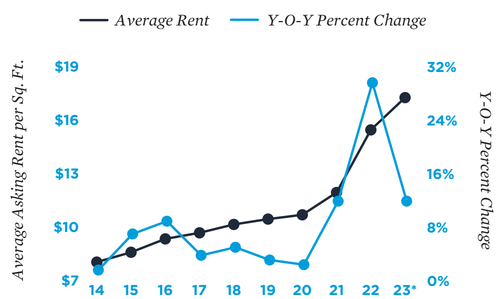
Economic Trends



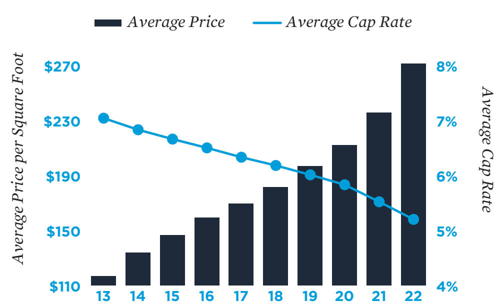
Supply and Demand



Rent Trends



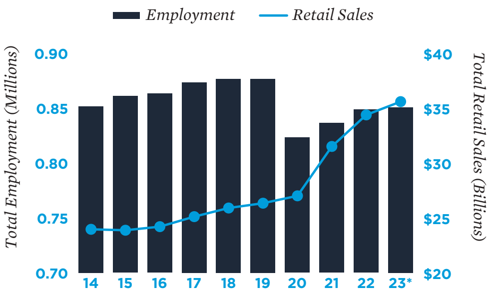
Sales Trends



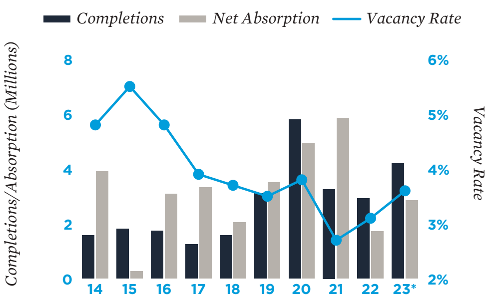
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

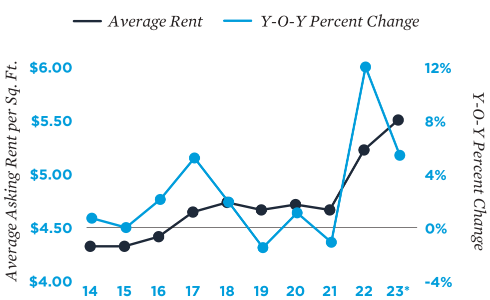
Economic Trends



Supply and Demand



Rent Trends



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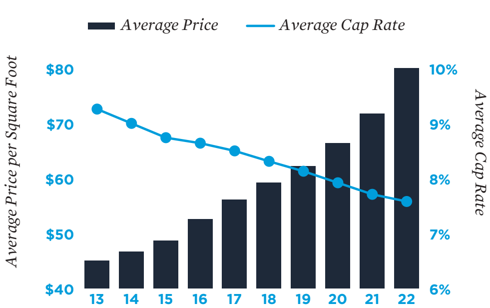


** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Substantial Development Pipeline Weighs on Metro Vacancy as Outside Investors Pursue Higher Yields

Slow pre-leasing pressures availability, while manufacturing anchors sector. Closing out 2022, metro vacancy ticked up from its historic low of 2.7 percent, but remained 140 basis points below the trailing-decade average. This year, more than 4 million square feet of new supply — the second-largest delivery slate on record — will apply additional upward pressure as just one-third is accounted for as of early 2023. This wave of speculative deliveries will push industrial availability back near the 2019 level. Nevertheless, expanding manufacturing efforts should put a lid on the metrowide vacancy increase. An average asking rent that is the third lowest among major U.S. metros has helped encourage companies like Milwaukee Tool and Palermo Villa, Inc. to expand their local industrial presence in the coming year. Also attracting firms, the market has a long-established manufacturing talent pool, with about 14 percent of the employment base working within the sector — the second-highest proportion in the country. This year, meanwhile, 40 percent of local manufacturing companies expect the sector to increase staff counts.

Lower costs and elevated yields draw out-of-state capital. Milwaukee registered the nation's second-highest mean cap rate and second-lowest price per square foot in 2022. As interest rates and a potential slowdown in consumer demand for manufactured goods pressure trading activity nationwide, Milwaukee's favorable yields may appeal to active out-of-state buyers. Historically, these investors have targeted central Waukesha County near Interstate 94 amid connectivity to Madison. Activity should also be registered in southeast Milwaukee County, where enhances to the Port of Milwaukee boost shipping activity. Overall sales velocity, nevertheless, is likely to soften over the near term as rising debt costs present challenges.

2023 Market Forecast

NIPI Rank **31** Sluggish revenue growth since the onset of the pandemic holds Milwaukee below other metros in 2023's rankings.

Employment up 0.2% — Job growth slows this year as Milwaukee adds just 2,000 roles. This brings the metro within 26,000 of the year-end 2019 count.

Construction 4.2 million sq. ft. — An elevated delivery slate expands supply by 1.7 percent this year, the second-largest annual increase on record. Racine County receives more than one-third of the new construction.

Vacancy up 50 bps — Milwaukee availability elevates to 3.6 percent by year-end. Waukesha County should remain well-positioned, after registering a sub-2 percent vacancy rate at the onset of 2023.

Rent up 5.4% — Amid notable supply pressure, the metro's pace of rent growth slows in 2023. Following a 12 percent gain in 2022, the average asking rate rises to $5.50 per square foot this year.

Investment — Providing connectivity north to Green Bay and south toward Chicago, trading in Washington County along Interstate 41 may gain momentum this year amid below-market vacancy.

Government Assistance Supports Expanding Industries, Aiding Fundamentals and Deal Flow in the Northwest

State incentives attempt to accelerate momentum. Metro employment continued to trail 2019 highs entering this year. However, in an effort to drive local economic growth, incentives like the Minnesota Job Creation Fund have been established. The program provides aid to companies in the manufacturing, warehousing, distribution and technology-related industries, which may have played a role in recent expansion plans within these fields. A significant portion of planned industrial move-ins for 2023 are on the west side near Plymouth and Maple Grove, with strong tenant demand in the area reflected in double-digit rent growth here last year. Nevertheless, economic uncertainty amid concerns over a potential recession will result in an uptick of metrowide availability this year. The rate, however, should remain below the metro's 15-year average of 4.4 percent by more than 100 basis points in 2023.

Manufacturing trends drive buying activity. The tail-end of the pandemic-induced e-commerce boom propped up investment sales activity last year, while added competition among institutional buyers and high-value portfolio deals led to accelerated price appreciation. These trades accounted for a substantial portion of deal flow in recent quarters, as out-of-state capital continued to target the Twin Cities for its favorable combination of tight vacancy and higher-than-average first-year yields. In 2023, investment activity may remain concentrated in the North and Northwest submarkets, where manufacturing companies have committed to notably-sized leases, supporting the area's sub-3 percent vacancy rates. Private buyers unfazed by elevated lending costs likely extend their search to South Central and Southwest, where properties often trade below the $10 million mark, while having proximity to city centers and the airport in Bloomington.

2023 Market Forecast

NIPI Rank **33** Lagging revenues and an increase in availability holds Minneapolis-St. Paul toward the bottom of the 2023 Index.

Employment down 0.6% — After notable gains made since 2021, metro employers reduce the total job count by 12,000 positions this year.

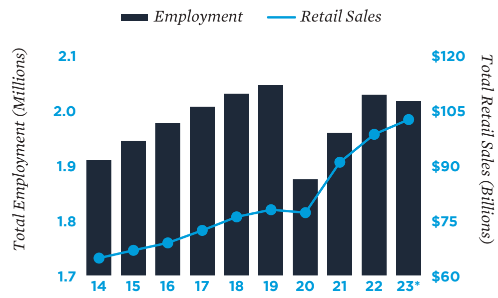
Construction 4.9 million sq. ft. — Deliveries slow from the record 5.6 million square feet added in 2022. Still, inventory in Minneapolis-St. Paul increases by 1.4 percent this year, the third-fastest pace since at least 2006.

Vacancy up 30 bps — Of the notable development pipeline this year, less than 40 percent has been accounted for entering 2023. As such, metro availability will edge up to 3.3 percent this year.

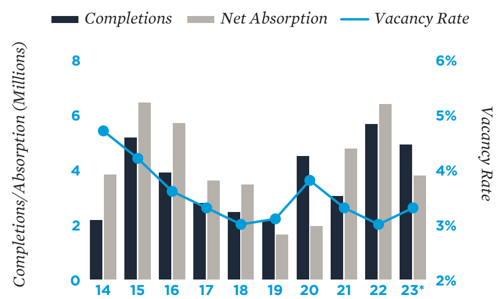
Rent up 3.3% — Following a considerable gain of 18.9 percent last year, metro rents continue to expand in 2023, albeit at a slower pace. The average asking rate advances to $7.55 per square foot.

Investment — Buyers seeking upside potential identify the Midway submarket near Saint Anthony. Minimal development here drove outstanding rent growth, despite above-market-average vacancy.

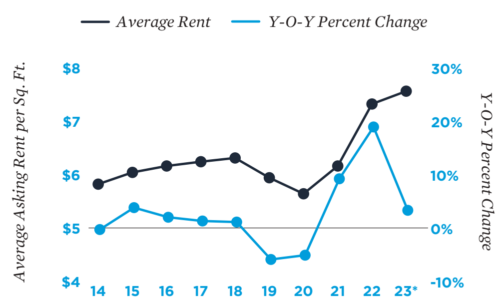
Economic Trends



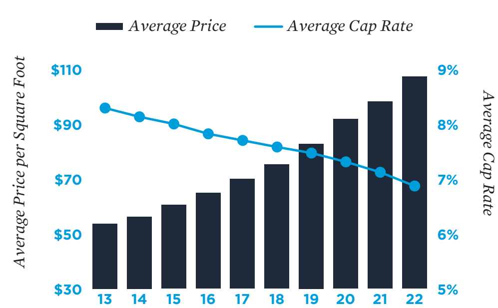
Supply and Demand



Rent Trends



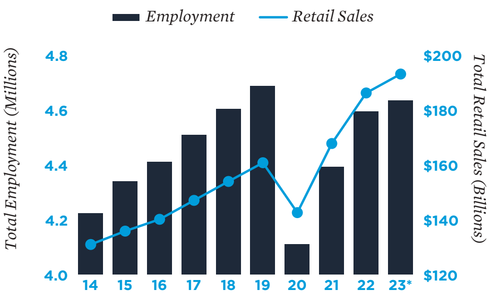
Sales Trends



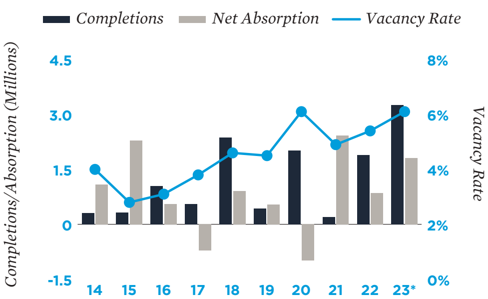
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

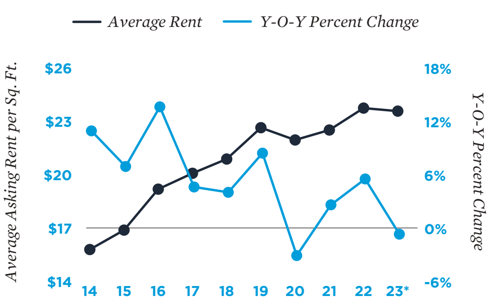
Economic Trends



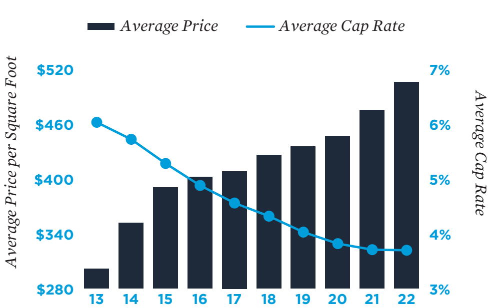
Supply and Demand



Rent Trends



Sales Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Logistics Landscape Sees Rapid Expansion in Outer Boroughs; Manhattan Environment Relatively Static

Historic supply injection contributes to record availability. Builders are expected to complete a multidecade high of square footage across the five boroughs this year, pushing vacancy near the level last seen at the onset of the health crisis. More than one-third of the space coming online in 2023 stems from a single project in the Bronx, contributing to a two-year supply expansion rate of 10 percent in this borough. Marketed rents here have declined since the beginning of 2021, and the locale may face another challenging period this year. Similar headwinds could be observed in neighborhoods of Brooklyn and Queens, which are also receiving ample amounts of square footage. The manufacturing sector, however, retains a more positive outlook. Although New York's life sciences sector is not as large as other Northeastern markets, the city government has announced several initiatives to spur growth in this segment, including a $20 million investment in 50,000 square feet of flex space in the Brooklyn Navy Yard. In the near term, however, a dearth of specialized space should keep leasing in this segment heavily competitive.

Dense cityscape precludes intense competition stemming from new builds. New York City's industrial market is heavily characterized by last-mile delivery options, a segment that began to see some buyer-side hesitation in 2022 as high inflation challenged consumer demand. The average price on assets traded last year nevertheless broke the $500 per square foot threshold, ranking the city's industrial sector as the second-most expensive by entry costs among major U.S. metros. Though a large amount of square footage is slated for delivery in 2023, the majority of space is divided between a limited number of projects. Smaller warehouses servicing residential neighborhoods will be more insulated from new supply, and are therefore positioned to draw investor interest.

2023 Market Forecast

NIPI Rank **36** Short-term revenue challenges and one of the nation's highest availability rates translate to a last-place ranking for 2023.

Employment up 0.9% — The recruitment surge seen over the last two years decelerates, with New York gaining just 40,000 jobs on a net basis in 2023.

Construction 3.2 million sq. ft. — This year's record delivery schedule brings completions over the 3-million-square foot mark for the first time since at least 1996. Most projects are slated for the outer boroughs.

Vacancy up 70 bps — Though the 6.1 percent vacancy rate in 2023 will equal the prior 2020 high, the 11.2 million square feet of unoccupied space at the end of the year notes a new high mark in this metric.

Rent down 0.7% — A notable volume of square footage available for lease translates to a minor retreat in the average marketed rent, which closes out the year at $23.53 per square foot.

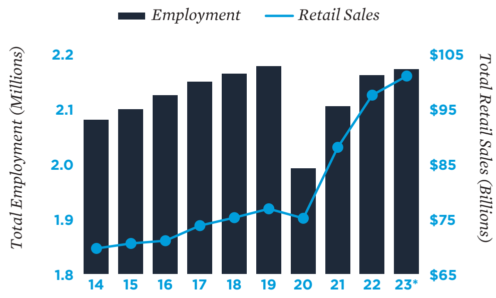
Investment — Record throughput across the Port of New York/New Jersey system in 2022 may draw investors to warehouse assets near Brooklyn's Red Hook Container Terminal.

Boost in Container Traffic Facilitates Warehouse Demand, Drawing Investors to Port-Adjacent Assets

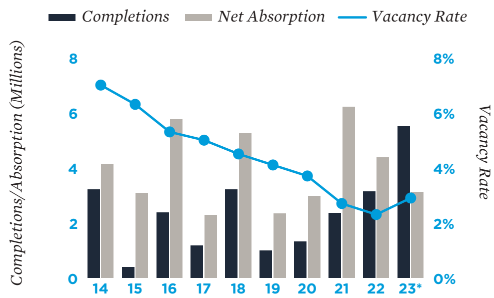
Eastern Seaboard's busiest harbor benefits from logistics hurdles on the West Coast. Traditionally the nation's third-most active maritime hub by throughput, the Port of New York and New Jersey edged out its Southern California counterparts as the busiest node from August to December of last year, as labor negotiations suppressed activity at these western entrypoints. Though the New York and New Jersey port has fallen in the rankings as of early 2023, this event has further highlighted the importance of diversified supply chains. The harbor may receive additional shipping routes in the future as a result, and some logistics firms have already relocated operations to the Northeast. This year, solid demand for distribution space in Northern New Jersey will keep vacancy in the sub-3 percent zone, even as developers achieve an annual construction record. Additionally, moving forward, the dense nature of the market should preclude developers from expanding supply at a pace much more rapid than this year's rate of 1.4 percent. This should keep availability well under the historical average for the foreseeable future.

Strategically-located assets elicit premiums as buyer pool becomes more selective. Overall investment activity in 2022 was comparable to the year prior, though mounting capital costs translated to a noticeable slowdown in deal flow throughout the second half. Nevertheless, per-square-foot pricing increased roughly 14 percent during 2022, the most rapid advance on an annual basis in nearly 20 years. The increasing importance of New York's Harbor to the global supply chain should draw investors to port-adjacent assets along the coast, particularly properties offering access to Interstate 95. Buyers seeking options along major roadways may also target the Interstate 80 and Interstate 78 corridors, which connect the region with Pennsylvania markets.

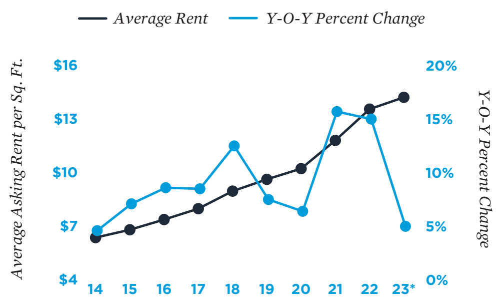
Economic Trends



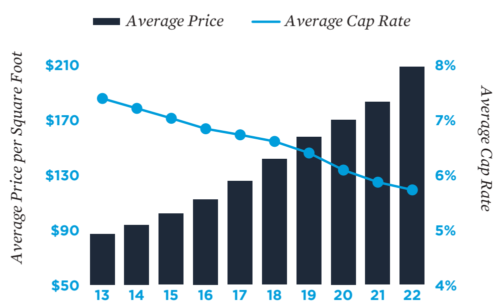
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

NIPI Rank 10 — The combination of tight vacancy and robust port traffic results in a top 10 placement for 2023.

Employment up 0.5% — The region's employment base gains a net 11,000 positions, expanding at roughly one-fifth of last year's rate.

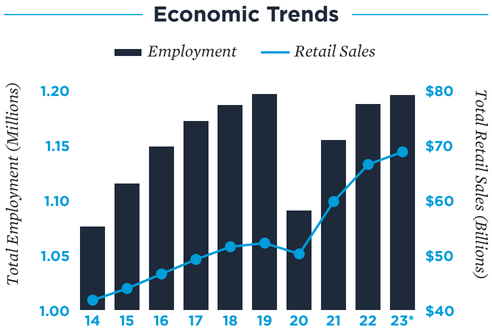
Construction 5.5 million sq. ft. — Developers deliver the highest volume of square footage in at least 27 years. Most completions are set to come online in coastal locales that offer access to the harbor.

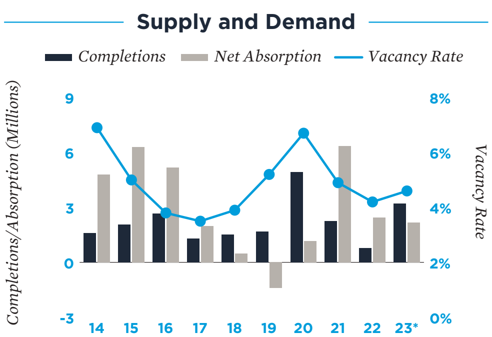
Vacancy up 60 bps — With just over 3.1 million square feet absorbed on a net basis, vacancy rises for the first time since 2011. Nevertheless, a year-end availability rate of 2.9 percent is the third lowest on record.

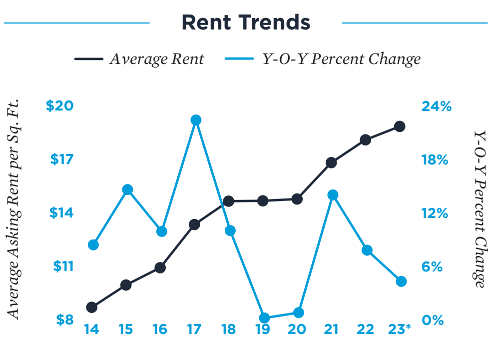
Rent up 4.9% — Historic supply gains slow rent growth, following two years of double-digit percentage advances. The mean marketed rent reaches $14.13 per square foot, the highest level on record.

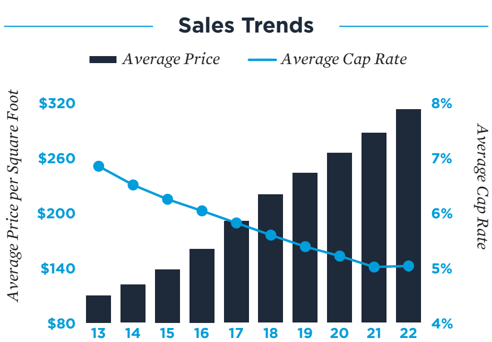
Investment — Investors targeting high-occupancy locales may be drawn to Essex and Union counties, which entered 2023 boasting 1.5 percent and 2.1 percent vacancy rates, respectively.

Tech Innovators and Logistics Firms Compete for Space; Private Buyers Limit Activity to Proven Locales









*Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Confluence of logistics and manufacturing supports tight operations. The East Bay is set for a sharp rise in supply additions after last year's near decade-long low, testing the market against an uncertain economic backdrop. Demand for industrial square footage is, nevertheless, robust across the region. Last year, Amazon put four large logistics spaces up for sublease, all of which have been taken off the market as of early 2023. One of these properties, totaling 500,000 square feet, was subleased by home construction tech firm Veev to be re-purposed for production aims, exemplifying tight conditions in that subsector. The metro's base of high-tech manufacturers will continue to define a substantial portion of leasing activity moving forward, with Rivian Automotive — an electric vehicle firm — slated to occupy roughly 450,000 square feet in Hayward this year. Leasing from both the logistics and manufacturing sides should keep availability well within the sub-5 percent zone for the remainder of 2023.

Sales of larger assets drive activity by dollar volume across East Bay. The Oakland metro saw steady appreciation continue last year, with the average price per square foot of assets transacted during that span breaching the $300 mark. This occurred despite trades in the $1 million to $10 million price tranche hitting the lowest level since 2011. Conversely, assets in the $15 million-plus zone changed hands at rates comparable to more active pre-pandemic years as institutional groups bet on steady long-term demand. Private buyers are nevertheless operating across the region, focusing on smaller warehouses and flex manufacturing space. Assets adjacent to Interstates 580 and 880 consistently attract investment, as these arteries run through the most densely populated environs of western Contra Costa and Alameda counties.

2023 Market Forecast

NIPI Rank	23	Slower revenue growth compared to other metros translates to a bottom-half placement for the East Bay in this year's rankings.
Employment up 0.7%		Oakland's job market will grow by a net 8,000 jobs in 2023, roughly one-fourth the previous year's increase.
Construction 3.2 million sq. ft.		Builders will rapidly increase activity, after delivering 780,000 square feet last year. A 1.3 percent supply gain in 2023 represents the second-fastest rate of stock expansion in 22 years.
Vacancy up 40 bps		Notable supply additions support an increase in vacancy that is modest by the metro's historical standards. This brings the rate to 4.6 percent by the close of the year.
Rent up 4.2%		A third consecutive year of sub-5 percent vacancy allows for continued upward rent momentum. The mean marketed rate will close out 2023 at $18.76 per square foot.
Investment		Moving away from the coast, buyers are actively pursuing assets around Clyde and Dublin. These locales provide proximity to major intersections leading further inland to Interstate 5.

Orange County Maintains the Nation's Lowest Vacancy Rate Amid the Largest Local Supply Wave in 20 Years

Land constraints prompt conversion activity. Entering this year, vacancy reached a historic trough of 1.5 percent, the lowest rate among all major U.S. markets. The metro's proximity to the ports of Long Beach and Los Angeles, coupled with its access to more than 17 million consumers within a 90-minute drive, is spearheading local space demand. However, the scarcity of land primed for development generally restricts the ability to add new supply. Developers have begun to convert outdated industrial and office properties into modern logistics facilities to overcome these obstacles and accommodate the pent-up demand that exists for available space. The Goodman Logistics Center stands as a prime example. The site was recently able to secure the county's second-largest lease in the past two decades, with Samsung committing to over 1 million square feet last September. While similar projects are expected to lift annual supply additions to a 20-year high in 2023, sustained tenant demand will keep availability under 2 percent. This will preserve Orange County's standing as the tightest industrial market in the nation.

Assets in North County draw investor attention. Sub-2 percent vacancy and robust rent growth elevated buyer competition in the past two years, with the average sale price rising nearly 30 percent during this span. Legislation, such as Measure ULA in the city of Los Angeles, could further heighten investor demand for local listings in the mid- to long-term as some buyers may look to place capital in nearby markets with lower tax implications. Assets in North County, particularly in Fullerton and Anaheim, are often targeted due to their large employment bases, coupled with proximity to regional ports. Furthermore, land constraints may steer buyers toward older assets for conversion into modern facilities suitable for warehousing, manufacturing, or research and development.

2023 Market Forecast

NIPI Rank **11** — Orange County lands just outside of the top-10 of this year's rankings, due to its sub-2 percent availability rate.

Employment down 0.6% — Total employment was equal to the pre-pandemic peak entering this year; however, a net loss of 10,000 jobs is expected in 2023.

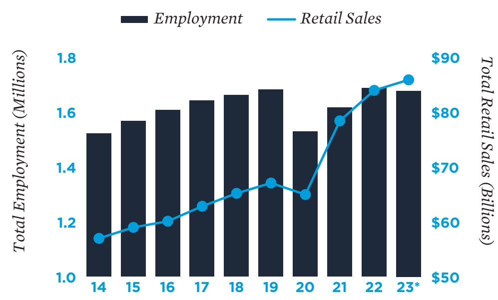
Construction 1.9 million sq. ft. — Annual supply additions eclipse 1 million square feet for the first time since 2018, as local inventory increases by 0.8 percent. Near-term completions are concentrated in North County.

Vacancy up 40 bps — Elevated delivery volume results in the first annual vacancy increase since 2019. However, at 1.9 percent, the rate remains 250 basis points below the metro's long-term average.

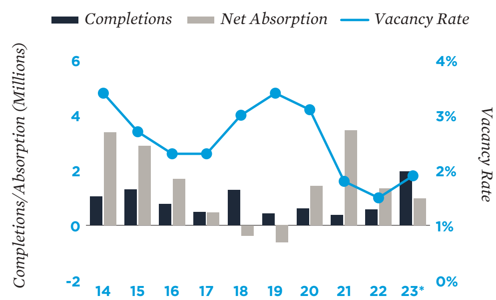
Rent up 6.5% — A scarcity of available space promotes the 13th consecutive year of annual rent growth in Orange County, with the average asking rate reaching $19.80 per square foot in 2023.

Investment — Investors may look to acquire local assets suitable for electric vehicle manufacturing, as lithium mining in nearby Imperial Valley heightens space demand for tenants in the industry.

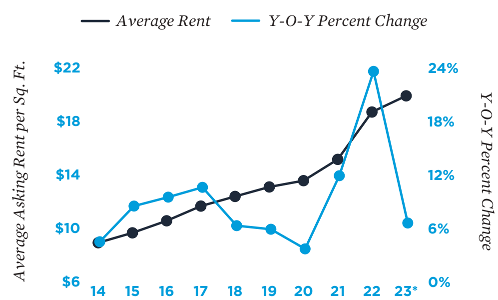
Economic Trends



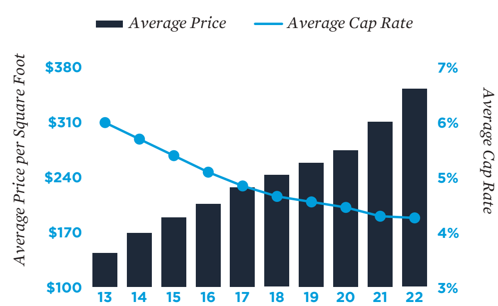
Supply and Demand



Rent Trends



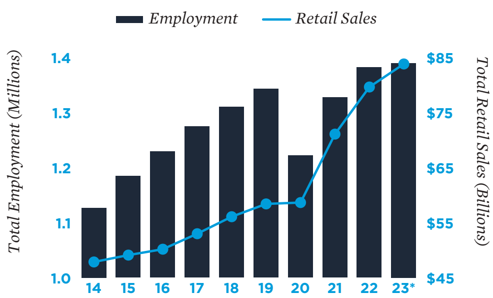
Sales Trends



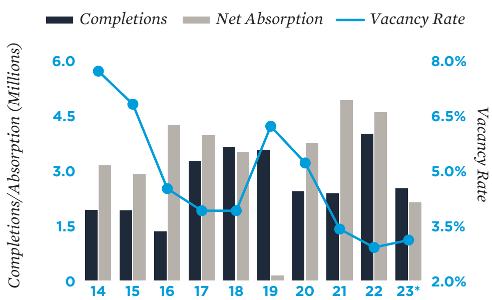
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

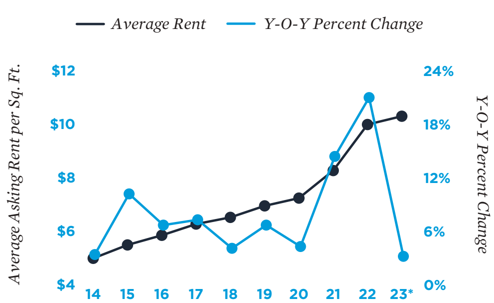
Economic Trends



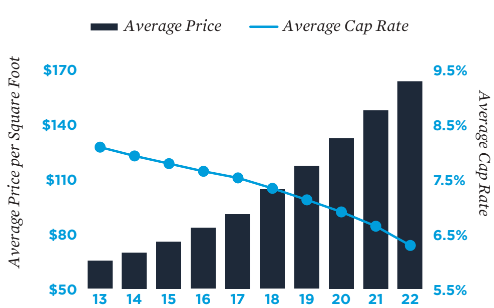
Supply and Demand



Rent Trends



Sales Trends



* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Warehouse Space Demand Supports Supply Additions; Investors Target Interstate-Adjacent Properties

In-migration and tourism stimulate retail spending and industrial needs. An inflow of new residents, companies expanding in the market and its role as a middle-Florida logistics hub all warrant Orlando's substantial industrial pipeline. Despite this construction activity, vacancy will hold near last year's record low as these dynamics support a 14th straight year of positive absorption. Specifically, Orlando is slated to record the nation's fourth-fastest pace of population expansion this year, much of which stems from notable in-migration. Continued movement into the metro will facilitate demand for last-mile warehouse and distribution space used to store household items and necessity goods. The market's sturdy tourism backbone will also drive demand for this space as local retail sales are highly dependent on spending by domestic and international travelers. Furthermore, Orlando's central location and proximity to major interstates will preserve the metro's standing as a convenient thoroughfare for online retailers.

Buyers drawn by finalized roadway expansion. Investors interested in Florida industrial assets may turn to Orlando this year. The metro's positive long-term outlook — which includes expectations for low vacancy and steady asking rent growth — paired with a mean sale price that rests well below that of Fort Lauderdale and Miami should attract buyers seeking stability. The completion of the Central Florida Beltway this year is poised to streamline traffic for trucks carrying goods through the center of the state, potentially requiring more users to occupy space in Orlando. In response, investors may target areas like Apopka, which will connect to Interstate 4 following the roadway expansion. This will likely aid the already-low vacancy rate in Northwest Orange County ahead of several large warehouse developments coming online in 2023.

2023 Market Forecast

NIPI Rank 7 — Historically low vacancy and persisting employment growth keep Orlando in the top ten of nationally-ranked markets.

Employment up 0.6% — Organizations will expand headcounts by 8,000 roles in 2023, a notably lower mark than last year's 54,100-position increase.

Construction 2.5 million sq. ft. — For the seventh year in a row, delivery volume will surpass 2 million square feet — growing inventory by 1.7 percent. Builds are concentrated in Southeast and Northwest Orange County.

Vacancy up 20 bps — Supply additions will place upward pressure on vacancy, raising the rate to 3.1 percent. Still, this year-end mark represents the lowest recording in two decades, behind only 2022.

Rent up 3.1% — Following two years of double-digit increases, the pace of rent growth will moderate amid a rise in available space. The average asking rent will inch up to $10.25 per square foot in 2023.

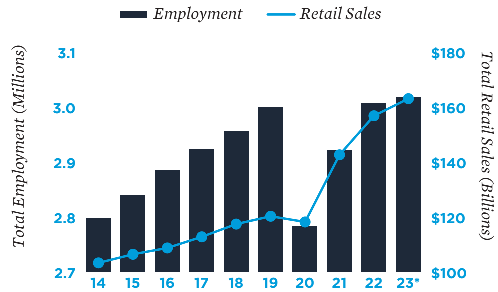
Investment — Southeast Orange County noted the lowest vacancy rate among major submarkets at the onset of 2023. Tight conditions and access to Interstate 95 may draw active buyers here near term.

Philadelphia Benefits from East Coast Shipping Surge; Logistics Hotspots Retain Buyer Interest

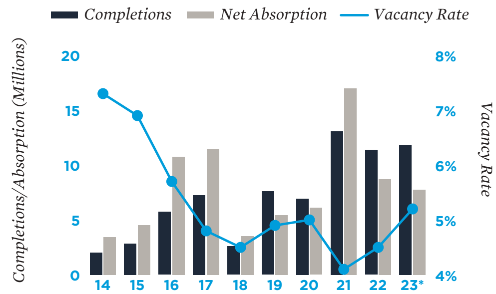
Metro well-poised to withstand continued supply wave. By the end of 2023, more than 36 million square feet of industrial space will have been delivered over the trailing three-year period, though foundational demand factors will keep vacancy well below the long-term average of 7.3 percent. Upgrades to the Port of Philadelphia's berthing capacity came online as supply chain hurdles diverted much of the nation's cargo throughput to the Eastern Seaboard. Last year, the port celebrated its first shipping route to China and Southeast Asia, the result of a $330 million project initiated in 2016. Another $246 million committed last year has already prompted private terminal operators to upgrade and support distribution demand farther out. Philadelphia warehouses could also benefit from the increasing prominence of the Port of New York/New Jersey, which briefly overtook the Southern California ports as the nation's busiest maritime hub in 2022. Within a two-hour drive of the former node, the Philadelphia metro is an important link in the distribution of goods across the entire Boston-Washington, D.C. urban corridor.

Capital costs prompt selective behavior from the buyer side. Financing hurdles led to a palpable slowdown in transaction velocity over 2022's latter half, with deal flow in the fourth quarter at its lowest point since 2015. Nevertheless, competition for assets in high-demand zones remains robust, keeping annual pricing gains near the 10 percent mark last year. Aforementioned Port of Philadelphia upgrades should keep buyer interest relatively stable in South Philadelphia and adjacent urban zones. East of the Delaware River, investors may continue to target logistics assets on Interstate 95-adjacent parcels to capitalize on spillover demand from New Jersey ports. Potential backlog at that shipping node could push distributors to lease space in Southern New Jersey locales.

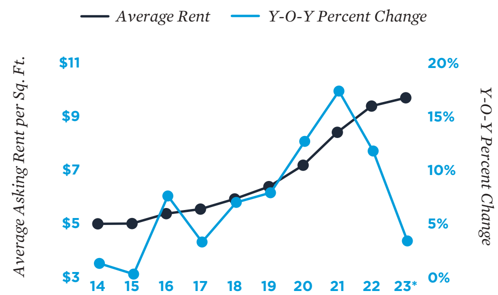
Economic Trends



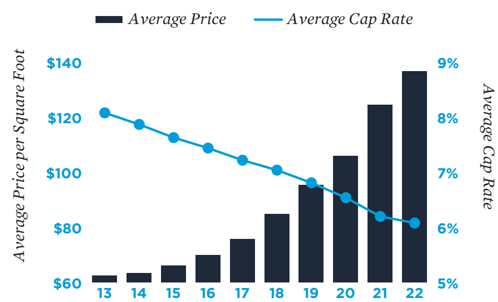
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

NIPI Rank 29 — Sluggish revenue gains and vacancy decompression shift Philadelphia below other markets in the 2023 rankings.

Employment up 0.4% — The local employment base notches a 12,000-job expansion, after gaining nearly 85,000 positions last year.

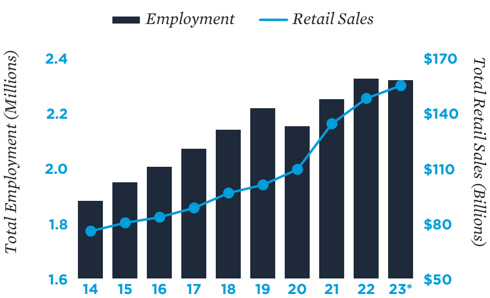
Construction 11.8 million sq. ft. — Deliveries tick up roughly 450,000 square feet from 2022 as rapid growth continues. A total proposal pipeline exceeding 24 million square feet suggests developer interest remains robust.

Vacancy up 70 bps — A third year of deliveries exceeding 11 million square feet will push vacancy up to 5.2 percent. Operations should remain tight in Bucks County, which entered 2023 at 1.2 percent vacancy.

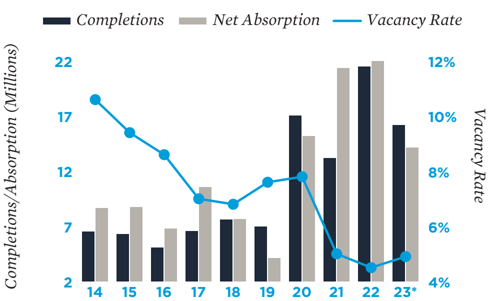
Rent up 3.3% — The average asking rent advances to $9.65 per square foot. This will be the first year since 2019 in which local rents have advanced at a rate slower than 11 percent.

Investment — Investors targeting last-mile delivery options may look to the north of Philadelphia proper, where higher incomes will help bolster consumption despite economic uncertainty.

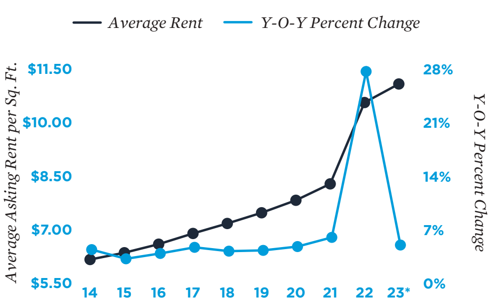
Economic Trends



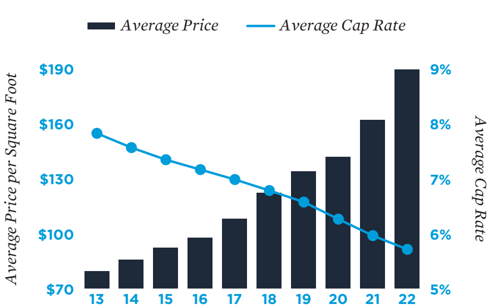
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Regionally-Lower Business Costs and Standout In-Migration Shine a Favorable Light on Phoenix Industrial

Growing semiconductor ecosystem draws suppliers. Taiwan Semiconductor Manufacturing Company's (TSMC) ongoing, $40 billion expansion in Deer Valley represents a major channel that will stimulate demand for Phoenix industrial space this year. Citing the state's inexpensive energy costs and low disaster risk compared to nearby markets, TSMC's presence will grow the metro's semiconductor ecosystem, as suppliers and other supporting companies — such as Rinchem — establish local operations. At the same time, Phoenix's abundance of available land and labor, paired with its regionally low cost of doing business, are enticing expansions from manufacturers. Nestlé, for example, moves into a 500,000-square-foot facility in West Phoenix this year, obtaining access to California's ports at a fraction of that state's cost. Locally, asking rates remain the lowest among major Southwest markets, and programs like the Foreign-Trade Zone designation — which allows up to a 71 percent annual reduction in property taxes — enhance feasibility for operational expansions. Despite these tailwinds, vacancy will rise this year amid a nationally transitioning economy and the completion of more than 16 million square feet.

World-class population growth attracts investment. Phoenix is expected to welcome a net 316,000 new residents over the next five years, the largest gain among major U.S. markets. This will fuel demand for warehousing and distribution space near large consumer bases. Facilities along Interstate 10 in the west and southeast of the metro —as well as Interstate 17 to the north — are likely to receive significant interest from active investors seeking to capitalize on this momentum. On the other hand, value-add buyers could frequent Tempe and Mesa. Both central locales feature an abundance of older warehouses, which could provide owners with strong upside following renovations.

2023 Market Forecast

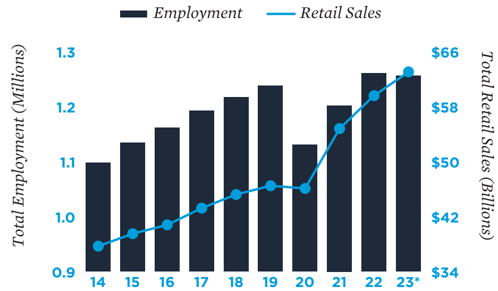
NIPI Rank	16	Staunch supply pressure encumbers Phoenix's ranking, placing the metro just above the midpoint on this year's Index
Employment down 0.2%		Despite losing a net 5,000 roles this year, the local job tally remains 4 percent above the pre-pandemic peak.
Construction 16.2 million sq. ft.		While outshadowed by 2022's record completions total, this year's inventory expansion — at 4.6 percent — far exceeds the long-term average and ties for third among major U.S. markets.
Vacancy up 40 bps		Demand eases relative to last year, as economic headwinds put a pause on some firms' expansion plans. This, paired with a historically elevated delivery volume, lifts vacancy to 4.9 percent.
Rent up 4.9%		Rents advance at a moderate pace, following last year's 27.6 percent rise. Nonetheless, the average asking rent will increase to $11.05 per square foot, exceeding the 2019 mark by 50 percent.
Investment		Scottsdale's recent, two-year span of flat inventory growth has supported some of the metro's strongest price appreciation. This gain may influence some owners to list properties here.

New Household Formations Sow Tenant Demand; Owners Look to Reap Benefits of Record Pricing

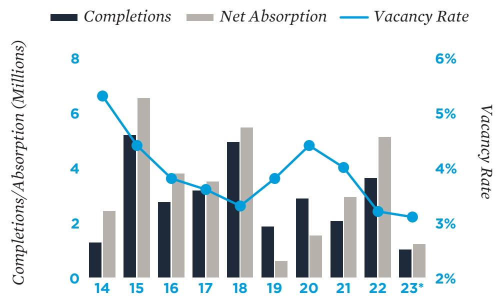
Meager pipeline backstops vacancy. In contrast to the housing crisis dominating discourse in Portland, 2023's local rate of household formation — at 1.6 percent — is projected to be the strongest among any major, non-Sun Belt market. This residential growth will aid demand for warehouse and distribution spaces during a period where economic headwinds are expected to temper the frequency of new leases. As such, Amazon plans to move into a combined 600,000 square feet of warehouse space in Canby and Vancouver this year. Meanwhile, a number of logistics providers are committing to last-mile facilities along major thoroughfares, such as the I-5 Corridor. At the same time, Portland's significant land constraints and high construction labor costs have translated to a decade-low industrial pipeline. A meager 0.5 percent expansion in local stock during 2023 will rank as the lowest among any major U.S. metro, helping facilitate a third consecutive year of vacancy compression, even amid a moderation in overall tenant demand.

Stiff competition farther out pushes buyers inward. Listings in more central locations will remain on buyers' radars, with much of the ongoing pipeline being confined to outer areas. Investors were frequenting the East Columbia Corridor and Wilsonville in 2021, but they have moved closer-in to Rivergate and Tualatin in 2022, paying higher costs in the process. This and Portland's diminishing land availability helped push average pricing to a record at over $204 per square foot entering 2023. As vacancy appears to be bottoming — with available stock nearing a record low — some owners could list their assets to capitalize on this momentum. Warehouses located in dense, infill locations should garner interest, given the metro's strong household growth trajectory.

Economic Trends



Supply and Demand



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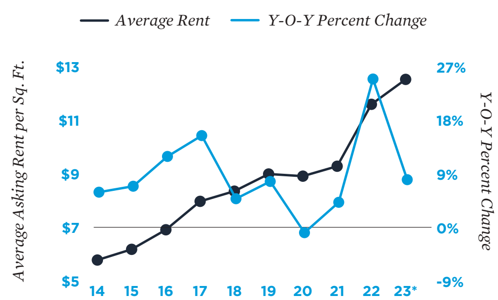

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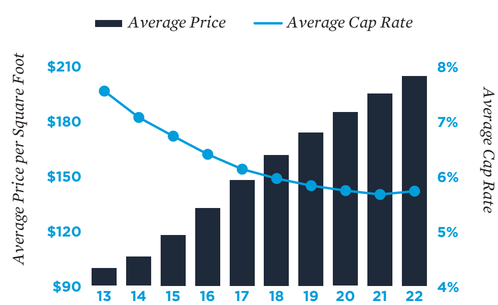


* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

NIPI Rank 19 — Continued vacancy tightening is outstripped by a shrinking job market on the Index, placing Portland shy of the top 15.

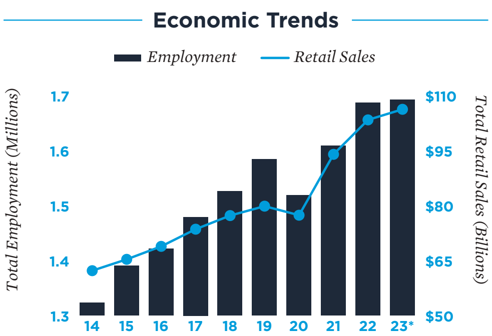
Employment down 0.3% — Mass tech layoffs and firms relocating out of the metro result in the reduction of 4,000 roles from the total job tally.

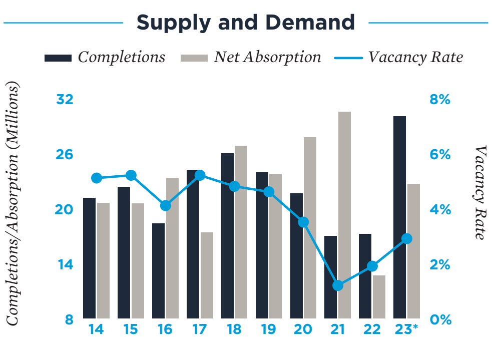
Construction 1 million sq. ft. — This year, builders complete less than one-third of 2022's delivery volume. Of what little supply is coming online, over 70 percent is slated for Airport Way and the East Columbia Corridor.

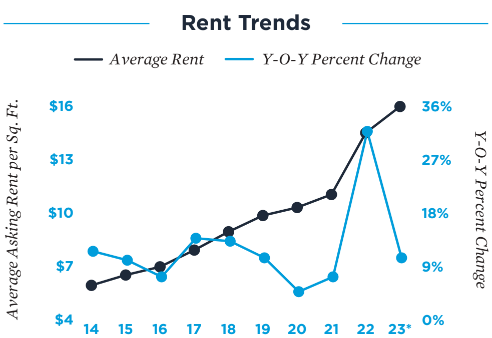
Vacancy down 10 bps — Feeble deliveries steer prospective users toward existing industrial stock, lowering vacancy to 3.1 percent. Portland will be one of only five major U.S. markets to tighten this year.

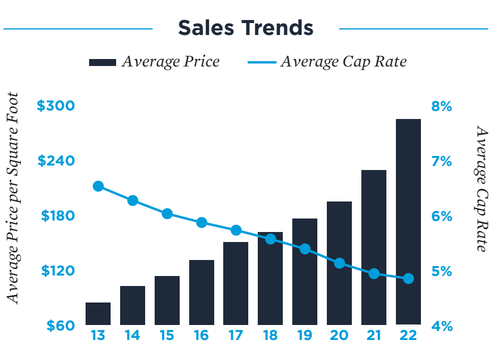
Rent up 8.0% — Despite the mean asking rent rising to a record at $12.50 per square foot, Portland is still regionally affordable, with rates remaining $1.90 per square foot lower than in Seattle-Tacoma.

Investment — Vancouver's recent passing of a warehouse moratorium should serve to mitigate new competition for those assets located here, benefiting local operations and generating investor interest.









* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Supply Wave to Generate Minimal Headwinds as Robust User Demand Persists for Large-Scale Spaces

Region well-positioned to absorb significant stock injection. The Inland Empire ranks third among major U.S. metros by rate of inventory expansion this year, a feat emphasized by the market's size — entering 2023 as the fifth largest by total supply nationally. Though dramatic, this infusion of space appears warranted. At the close of last year, the metro had reported six consecutive quarters of sub-2 percent vacancy, far tighter than the average of 6.1 percent recorded during the prior decade. Developers are catering to users that require significant floor plans, with the average project slated for delivery exceeding 250,000 square feet. A bevy of move-ins exceeding 1 million square feet signals robust demand for larger warehouses. While this will restrain availability on the metro level, older properties in zones undergoing rapid supply transformation may face an elevated level of competition on the leasing side in 2023. The Airport Area is slated to receive 12 million square feet, or 40 percent of this year's scheduled deliveries.

Rapid price appreciation and infrastructure upgrades shift buyer preferences. The Inland Empire's growing supply chain importance has dramatically transformed the local investment landscape. Last year, the average price per square foot advanced nearly 25 percent, the largest increase among major markets nationwide. These gains have largely been driven by institutional investors competing for warehouses in the market's denser southwest, particularly those proximate to interstate corridors and rail terminals. Farther inland, a 4,500-acre intermodal rail facility is underway in Barstow, which should draw buyers to logistics assets in the surrounding area. Properties in Victorville and similar hubs offer lower entry costs than more heavily-developed locales south of the San Gabriel mountain range, and may attract private investors priced out of the latter zones.

2023 Market Forecast

NIPI Rank 5 — Tight operations and robust revenue growth result in a top-five placement for Riverside-San Bernardino in this year's rankings.

Employment up 0.3% — The Inland Empire's employment base notches a 5,000-position expansion, after gaining 78,500 jobs in 2022.

Construction 30 million sq. ft. — Builders expand inventory by 4.6 percent, delivering the most space since 2006, and ranking the metro second nationwide in completed square footage this year.

Vacancy up 100 bps — Despite an appreciable rise in vacancy, demand remains robust. A year-end availability rate of 2.9 percent ranks as the third lowest on record for this metric.

Rent up 10.3% — Tight operations allow the metro to follow up last year's 31.6 percent rent surge with another double-digit gain. The mean asking rate reaches $15.90 per square foot.

Investment — The Inland Empire will see the most notable household growth among California metros in 2023, which could draw investors to assets suited for last-mile delivery purposes.

Sacramento's Capacity as a Local Logistics Hub Grows, Despite Concerns Regarding Market-Level Consumption

Distribution backstops tenant demand. By connecting the Port of Oakland to the Central Valley, Sacramento attracts demand from logistics companies and retailers looking to set up regional networks. Exemplifying this, each of the four largest scheduled move-ins this year are for distribution centers along Interstate 5. These commitments — totaling 888,000 square feet — will help keep metro vacancy under the five-year mean of 4.3 percent, while contributing to sparse local truck parking availability. At the same time, conditions may be even tighter for smaller warehouses, with a nominal amount of vacant last-mile spaces existing in the market. Even with this momentum, headwinds may be emerging. Residential out-migration is currently outpacing relocations to Sacramento, raising concerns for consumption and space absorption from local service providers and businesses. Builders seem to share this view, with 90 percent of 2023 completions occurring as 100,000 square-foot-plus distribution centers, while a limited selection of warehouses come online. Despite this delivery composition, the metro should remain in flux near term. Over 72 percent of this year's pipeline was available for lease as of February.

Metro attracts value-add buyers. Given its relatively stable, recent performance, local investors may be inclined to focus on the industrial sector. Meanwhile, the metro is growing in appeal for regional, yield-driven buyers. Last year's mean cap rate, at 6.0 percent, was the highest of any major market west of Texas. This, combined with its average price growth being one of the fastest among the same cohort, suggest that value-add opportunities exist here. Yolo County, for instance, has a myriad older warehouses that may provide upside after renovations — especially in the form of wet lab additions to accommodate for the area's expanding biotech roster.

2023 Market Forecast

NIPI Rank **26** Sacramento's lower rank is attributed to this year's job losses and limited fundamental growth relative to 2019.

Employment down 0.3% — Despite the loss of 3,000 positions this year, the total job tally remains 19,000 roles higher than the February 2020 peak.

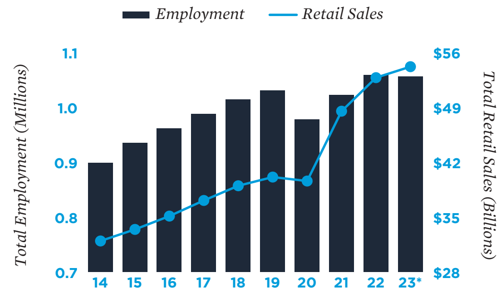
Construction 2.8 million sq. ft. — Inventory rises by 1.8 percent in 2023, as builders complete the smallest annual delivery volume since 2019. The vast majority of new supply will be coming online at the Metro Air Park.

Vacancy up 30 bps — Deliveries outstrip net absorption by more than 500,000 square feet amid 2023's wavering outlook for local consumption. This raises vacancy for a second consecutive year to 4.0 percent.

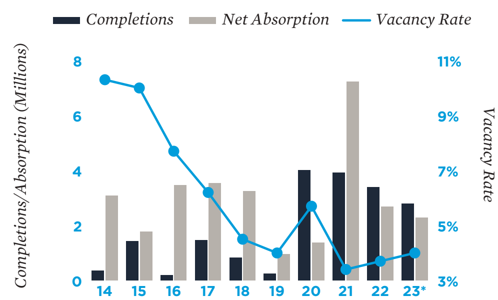
Rent up 5.6% — The annual pace of rent growth exceeds the U.S. rate of increase for the first year since 2021, lifting the mean marketed rent to $9.55 per square foot.

Investment — Limited last-mile supply pressure supports operations and stirs buyer interest for that subset. Properties with niche amenities, such as outdoor storage, may stand out to investors.

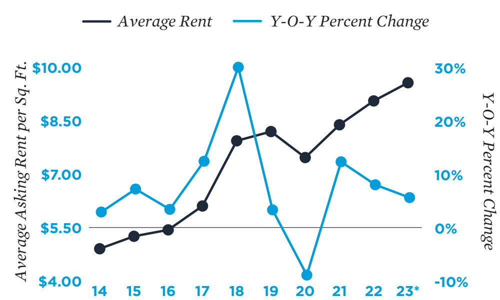
Economic Trends



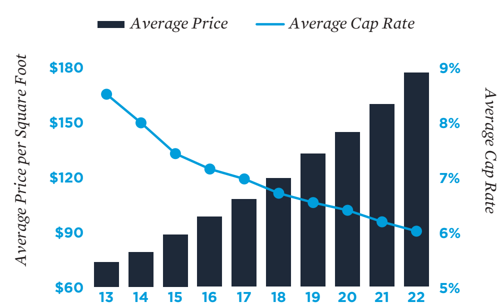
Supply and Demand



Rent Trends



Sales Trends



* Forecast

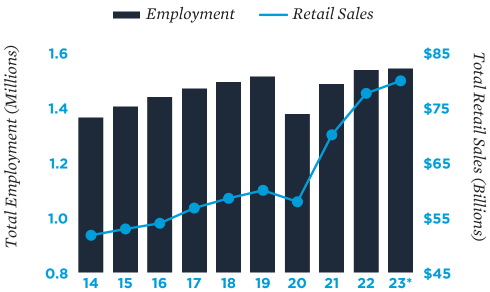
Sources: CoStar Group, Inc.; Real Capital Analytics

Cross-Border Trading Accelerates South Bay's Growth; Investors Prioritize Proximity to Nearby Metros, Mexico

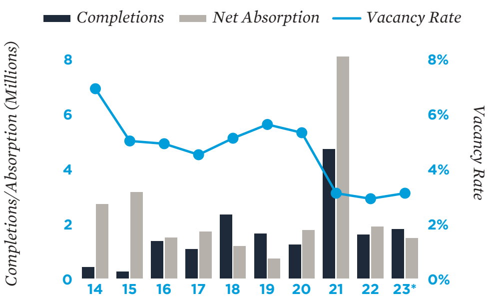
Otay Mesa exemplifies San Diego's strength. Growing demand for warehouse and manufacturing space proximate to the U.S.-Mexico border allowed San Diego's industrial sector to enter this year with historically low vacancy. In South Bay alone, industrial users absorbed more than 1.5 million square feet last year, lowering local availability to 2.1 percent. Tight conditions and encouraging leasing here have prompted a rise in speculative construction — namely in Otay Mesa — with the submarket's inventory slated to expand by more than 5 percent in 2023. Recent data suggests these deliveries should be well received, as local stock grew by 20 percent over the past two years, yet vacancy fell by 270 basis points. Additionally, the Otay Mesa East Port of Entry — a new, 10-lane crossing — is underway and set to increase cross-border truck traffic when completed in 2024, further fueling demand for border-adjacent space. Elsewhere, development is extremely sparse, including along the SR-78 and I-15 Corridors — larger submarkets with all-time low vacancy. This dynamic and strong demand for border-proximate facilities will allow San Diego to record a moderate metrowide vacancy adjustment this year.

Northern and southern-most locales targeted. Listings near geographical borders should continue to garner attention from a diverse pool of active buyers, as strong user demand for space in these areas is increasing the likelihood of above-average rent growth moving forward. Local investors focused on last-mile facilities in growing suburban zones relatively close to Orange County and the Inland Empire will target assets along the SR-78 and I-15 Corridors. Here, below-average pricing is often available, specifically in Vista and Escondido. Meanwhile, regional and out-of-state buyers seeking post-2000-built properties may favor warehouse and manufacturing buildings near the U.S.-Mexico border.

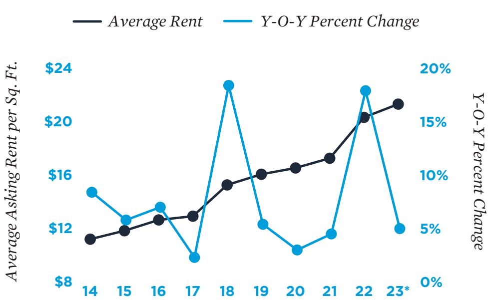
Economic Trends



Supply and Demand



Rent Trends



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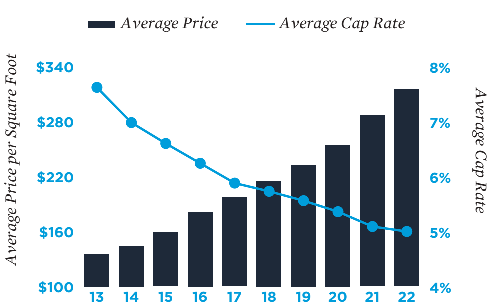


* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

NIPI Rank **17** A second straight year of moderate vacancy adjustment allows San Diego to outrank nearly 20 other markets in the Index.

Employment up 0.4% — San Diego employers are expected to add 6,000 positions during 2023, lifting the year-end headcount to a record mark.

Construction 1.8 million sq. ft. — For the fourth time in six years, inventory grows by more than 1 percent. Large-scale deliveries, however, will be minimal as projects slated for 2023 completion average 110,000 square feet.

Vacancy up 20 bps — Tenants absorb 1.5 million square feet during 2023, preventing a notable shift in vacancy from occurring. At 3.1 percent, the year-end rate is 210 basis points below the prior 10-year mean.

Rent up 4.9% — The metro's average asking rent elevates to $21.20 per square foot, with South Bay and the SR-78 Corridor likely to record the most pronounced rate growth among submarkets.

Investment — Influenced by San Diego's sizable biotech sector, some investors may acquire and renovate industrial assets in North San Diego with the intention of leasing them to life science firms.

Developers Rush to Break Ground Amid Market's Recent Tightening; Infill Assets Continue to Garner Interest

Historic development leapfrogs demand. Seattle-Tacoma's industrial sector rebalances this year, following a six-quarter frame where net absorption outpaced supply additions by a cumulative 4 million square feet. Developers — observing these lopsided conditions and the metro's diminishing industrially-zoned land — are rapidly moving projects through the pipeline to capitalize. Although consistent population growth is sustaining upward momentum for space absorption, the 8 million square feet of new supply slated for 2023 delivery will put a halt to ongoing vacancy compression; instead, pushing the rate up to a level equivalent to the 10-year average. In spite of this setback, higher availability may actually serve to support lease renewals by more cost-sensitive firms, as lengthy stabilization periods for some new builds taper the pace of rent growth. Concurrently, asking rates are expected to advance at a faster pace in other West Coast hubs, potentially influencing some users to mull a relocation to Seattle.

Urban facilities withstand pause. More investors could pull back amid this year's record supply schedule. Interest should remain, however, for pre-2000s-built facilities in densely populated locations, such as Downtown Seattle or Tukwila. Here, warehouse and manufacturing facilities may provide notable upside following renovations, as these central areas generally lack near-term supply growth. At the same time, net in-migration to the metro is projected to be the strongest among non-Sun Belt markets this year, fueling space demand from third-party logistics providers and retailers. Nearly 20 percent of this year's apartment supply is concentrated in Capitol Hill and the Central District. This may generate buyer interest for nearby industrial assets in Queen Anne and SoDo.

2023 Market Forecast

NIPI Rank 18 — A considerable rise in vacancy contributes to Seattle-Tacoma ranking at the midpoint for this year's NIPI.

Employment up 0.6% — Hiring carries on at a slower pace relative to 2022. Still, the creation of 12,000 new roles lifts the job tally to a record mark.

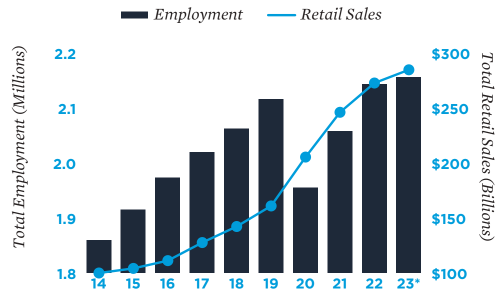
Construction 8 million sq. ft. — Stock expands by a 17-year high at 2.7 percent. Most near-term completions are in North Snohomish County, where Amazon is completing a 2.3 million-square-foot fulfillment center.

Vacancy up 90 bps — With over half of this year's pipeline available for lease as of February, vacancy likely rises during 2023. Still, at 4.5 percent, the year-end rate is kept lower than the 2019 metric.

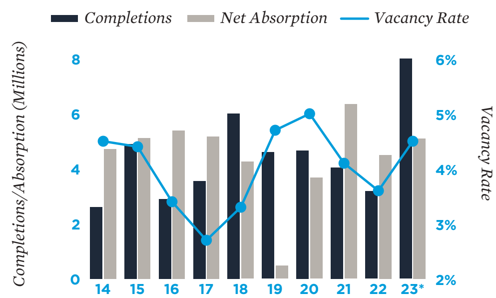
Rent up 4.0% — Marketed rents advance below the metro's long-term pace, as a considerable portion of new builds sit vacant on the market. The mean asking rate will rise to $14.40 per square foot in 2023.

Investment — Buyers seeking upside may target assets with upcoming lease expirations in and around Bellevue, where asking rent grew more than 24 percent last year.

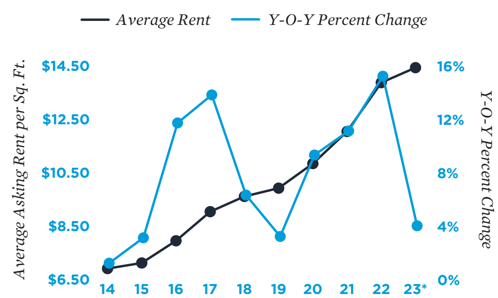
Economic Trends



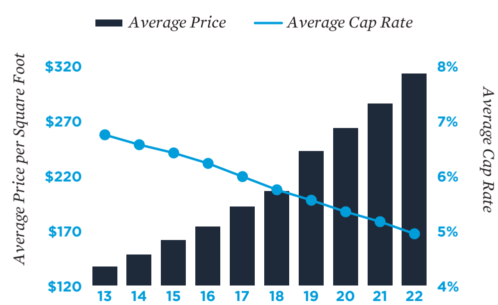
Supply and Demand



Rent Trends



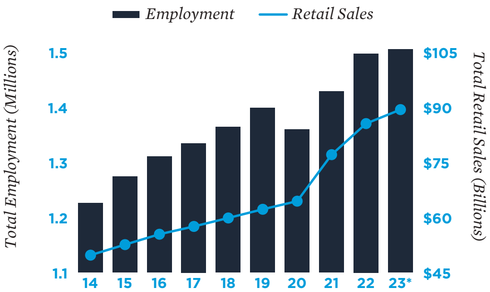
Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Economic Trends



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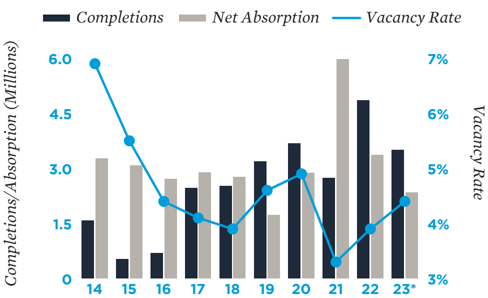
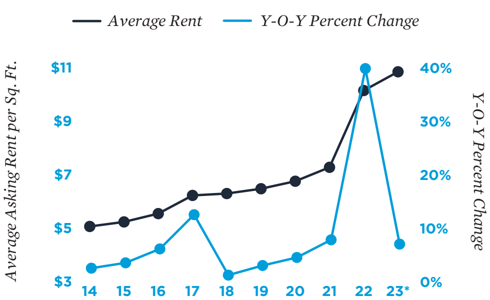


Rent Trends



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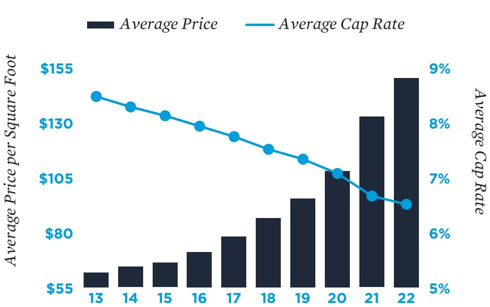


** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Exemplary Rent Growth Sets Stage for Long-Term Prosperity in Florida's Second-Largest Industrial Market

Market rents no longer a discount, but tenant demand is unfazed. In just a three-year span, the average asking rent for industrial facilities in Tampa-St. Petersburg surged from a per-square-foot measure in the mid-$6 range to exceed $10 entering 2023. The 57 percent growth in asking rates since 2019 ranks as the third fastest among major industrial markets nationally during that span. Despite vacancy trending up since hitting an all-time low at the mid-point of 2022, rents will continue to climb this year, supported by sturdy demand and new modern facilities coming online. While Tampa-St. Petersburg may no longer have a certain appeal to cost-sensitive firms, robust job gains and demographic trends in the metro — alongside the greater region — warrant user expansions and new entrances. Best Buy will occupy a 275,000-square-foot warehouse near Lakeland in March, while 7-Eleven plans to move into a 150,000-square-foot distribution center in the same corridor of Interstate 4 this August. Packaging company Ball Corporation will also open several manufacturing hubs during 2023. Diverse demand for a variety of industrial subtypes reinforces longer-term sector tailwinds present in the metro.

The peninsula's vintage assets are on buyers' radars. Fueled by a competitive landscape amid outstanding performance metrics, the metro's average industrial sale price grew over 55 percent across the past three years. This rapid lift in entry costs, paired with an ongoing elevation to interest rates, has some buyers pursuing upside prospects. Properties built prior to 2000 on the Pinellas peninsula may offer the type of opportunities investors are seeking out this year. Of the assets that traded here during the second half of 2022, the average property age was 36 years old, often with sub-$5 million price tags. The average per-square-foot cost on the peninsula also trailed the metro mean by 25 percent.

2023 Market Forecast

NIPI Rank **8** Alongside several Florida peers, the metro grabs a top-10 spot, due to robust economic growth and a strong sector rent gain.

Employment up 0.5% Despite a slowdown relative to recent years, the 8,000 jobs added extends the margin over 2019's peak to about 105,000 roles.

Construction 3.5 million sq. ft. Hillsborough County is responsible for over 3 million square feet of new industrial space during 2023, while Pasco and Pinellas counties combine for less than 400,000 square feet.

Vacancy up 50 bps Amid some tenant reshuffling, as the national economy cools and pandemic-era shopping trends soften, net absorption will fall short of deliveries and lift vacancy to 4.4 percent.

Rent up 6.9% While availability will rise for a second straight year, the volume of vacant stock remains below the pre-pandemic tally. This helps the average asking rent increase to $10.80 per square foot.

Investment After last year's major hurricane and the risk of future natural disasters, assets farther inland and outside of flood zones could be preferred. Properties east of Interstate 75 may be targeted.

Historic Industrial Build Levels are Placing Upward Pressure on Availability in the Nation's Capital

Recent performance instills developer confidence. Historically low vacancy and double-digit rent growth emerging from the pandemic has stimulated robust levels of construction in the Washington, D.C. industrial sector. More than 6 million square feet of space came online last year, the largest annual total since 2005, and projections indicate completions will eclipse this threshold again in 2023. Much of the incoming supply is speculative, which is placing upward pressure on local vacancy rates. However, net absorption levels are outpacing the long-term average, indicating space demand remains strong despite recessionary fears and a slowing economy. Leasing activity is most pronounced in Northern Virginia, particularly along the Dulles Corridor and in Greater Fredericksburg, where local availability is at least 300 basis points below the metro average entering this year. Meanwhile in Suburban Maryland, proximity to multiple major highways is spurring tenant demand in Frederick and Prince George's County.

Price appreciation aids sale-leasebacks. While some investors may show a hesitancy to adjust their portfolios as interest rates are rising, owner-users have been less concerned with timing the market, which has helped maintain deal flow. Many who have owned their properties for several years are realizing sizable gains, as the average sale price has increased by roughly 37 percent since the start of 2019. Moreover, traditional deal making is still occurring in the region. Buyer activity is most prevalent in Northern Virginia, particularly in Manassas, Springfield-Newington and along the Dulles Corridor as these areas provide easy access to many of the metro's prime residential nodes. Proximity to the Beltway and Route 4 is also stimulating investor interest in Prince George's County, where entry costs often fall below the metro average of $230 per square foot.

2023 Market Forecast

NIPI Rank 34 — Rising vacancy, as a result of a record supply wave, places Washington, D.C. toward the bottom of the 2023 NIPI.

Employment up 0.5% — Employers will add a net of 15,000 new jobs in 2023, amounting to roughly one-fourth of last year's annual total.

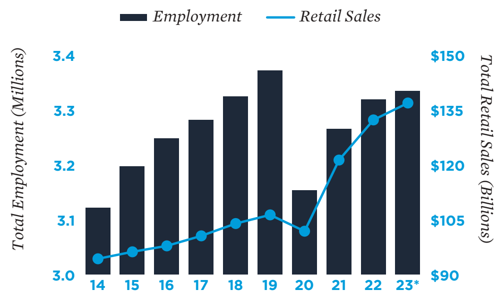
Construction 6.5 million sq. ft. — Development reaches the highest level in nearly three decades, as inventory increases by 2.8 percent in 2023. More than 80 percent of the active pipeline is slated for delivery in Maryland.

Vacancy up 70 bps — Robust speculative development places upward pressure on vacancy, lifting the rate to 5.9 percent. Still, availability remains 150 basis points below the metro's long-term mean.

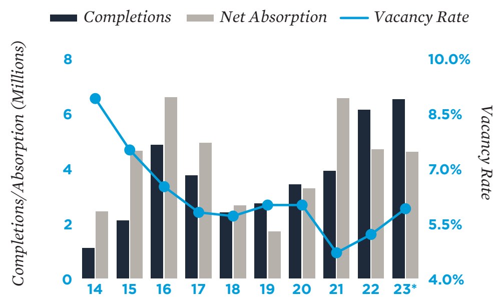
Rent up 5.1% — The average asking rent will reach $11.95 per square foot in 2023. Although gains are slower than last year's pace, the rate of growth is still nearly double the trailing 25-year average.

Investment — High barriers to entry, due to land constraints and limited inventory, greatly benefit fundamentals inside of the District; however, assets here generally trade well above the metro mean.

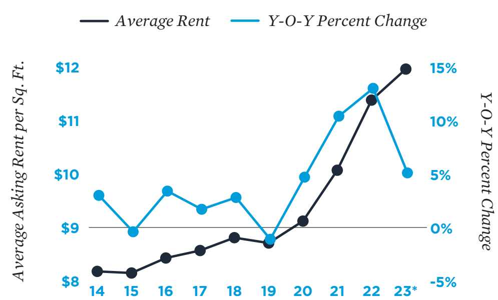
Economic Trends



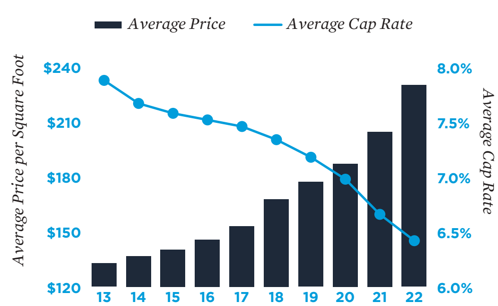
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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[1] National Industrial Properties Index Note: Employment and industrial data forecasts for 2023 are based on the most up-to-date information available as of March 2023 and are subject to change.

[2] Statistical Summary Note: Metro-level employment, vacancy and asking rents are year-end figures and are based on the most up-to-date information available as of March 2023. Asking rent is based on the full-service marketed rental rate. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at $1,000,000 and greater unless otherwise noted. Forecasts for employment and office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guaranty, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Sources: IPA Research Services; CoStar Group, Inc.; Economy.com; Federal Reserve; Massport; Major U.S. port authorities; Metropolitan Milwaukee Association of Commerce; Moody's Analytics; National Association of Realtors; Real Capital Analytics; The Conference Board; The Office of the Mayor of New York; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; U.S. Bureau of Transportation Statistics; U.S. Census Bureau; U.S. Treasury Department.

2023 U.S. INDUSTRIAL INVESTMENT FORECAST

Market Name	Employment Growth[2]				Completions (000's of Sq. Ft.)[2]				Vacancy Rate[2]				Average Asking Rent[2]				Average Price per Sq. Ft.[2]			Market Name
	2020	2021	2022	2023*	2020	2021	2022	2023*	2020	2021	2022	2023*	2020	2021	2022	2023*	2020	2021	2022	
Atlanta	-4.7%	5.7%	4.4%	0.5%	21,700	20,000	27,600	28,200	6.3%	3.3%	4.0%	4.8%	$5.02	$5.74	$7.36	$7.89	$111	$131	$147	Atlanta
Austin	-2.1%	8.9%	4.3%	0.8%	1,900	6,000	11,900	6,600	6.7%	3.0%	5.0%	5.5%	$10.60	$12.39	$14.66	$15.50	$183	$198	$205	Austin
Baltimore	-7.0%	4.1%	1.9%	0.4%	6,600	3,100	4,000	2,100	6.9%	6.3%	5.7%	5.6%	$6.35	$7.58	$9.57	$10.38	$118	$131	$135	Baltimore
Boston	-8.4%	5.6%	4.0%	-0.4%	4,000	2,800	3,500	7,800	4.9%	4.3%	4.5%	5.4%	$10.08	$10.64	$12.06	$12.45	$198	$221	$240	Boston
Charleston	-4.4%	4.2%	5.9%	1.2%	1,300	2,100	6,300	2,700	7.4%	3.8%	1.9%	2.0%	$6.32	$6.69	$8.27	$8.95	$156	$169	$184	Charleston
Charlotte	-1.9%	2.9%	4.9%	0.8%	7,800	3,000	6,200	13,500	6.4%	5.7%	4.8%	6.3%	$4.98	$5.33	$7.15	$7.35	$145	$167	$187	Charlotte
Chicago	-8.0%	5.6%	2.9%	0.5%	20,800	21,100	25,900	28,500	6.5%	5.0%	4.0%	4.4%	$6.20	$6.53	$7.23	$7.55	$108	$114	$118	Chicago
Cleveland	-6.4%	2.4%	2.1%	-0.3%	1,300	1,200	2,800	2,700	4.4%	4.6%	4.2%	4.0%	$4.22	$4.54	$5.15	$5.40	$55	$61	$67	Cleveland
Columbus	-4.0%	2.5%	1.7%	0.2%	9,400	6,600	10,200	6,500	6.2%	2.8%	3.3%	3.1%	$4.13	$4.81	$6.50	$7.00	$79	$87	$92	Columbus
Dallas-Fort Worth	-3.0%	6.4%	5.9%	0.7%	30,900	25,700	28,400	39,000	7.8%	5.2%	4.9%	5.9%	$6.17	$6.71	$7.87	$8.55	$105	$120	$139	Dallas-Fort Worth
Denver	-6.1%	6.1%	3.9%	-0.2%	3,800	8,100	4,800	7,400	5.9%	5.6%	5.3%	5.6%	$8.38	$8.86	$9.71	$10.25	$187	$200	$211	Denver
Detroit	-9.3%	6.4%	2.0%	-0.2%	1,200	8,300	7,200	4,100	4.1%	3.7%	3.9%	4.0%	$6.21	$6.60	$6.80	$7.00	$80	$86	$89	Detroit
Fort Lauderdale	-6.7%	5.8%	3.7%	0.9%	2,300	2,500	1,800	1,000	6.3%	4.3%	4.2%	4.1%	$10.32	$11.45	$15.27	$16.80	$181	$210	$241	Fort Lauderdale
Houston	-5.8%	5.1%	5.7%	0.6%	30,500	23,000	18,900	22,200	8.2%	6.5%	5.5%	6.1%	$7.18	$7.53	$8.08	$8.40	$110	$118	$128	Houston
Indianapolis	-3.6%	4.6%	1.4%	-0.2%	12,600	9,100	9,200	9,500	6.2%	3.6%	2.9%	3.5%	$5.16	$5.55	$6.47	$6.85	$84	$94	$108	Indianapolis
Jacksonville	-1.7%	4.2%	5.6%	0.5%	2,200	2,800	2,000	4,200	5.7%	3.7%	2.1%	2.3%	$5.48	$6.48	$8.47	$9.20	$92	$111	$122	Jacksonville
Las Vegas	-13.3%	12.7%	4.3%	-0.4%	4,600	2,900	4,300	8,500	6.2%	2.1%	1.8%	2.5%	$8.40	$9.42	$12.31	$13.40	$177	$199	$220	Las Vegas
Los Angeles	-10.4%	7.9%	3.3%	0.3%	5,300	4,500	3,600	4,300	3.3%	1.8%	2.3%	2.9%	$12.86	$14.66	$19.51	$21.00	$287	$316	$360	Los Angeles
Memphis	-2.4%	2.5%	2.5%	-0.3%	9,600	14,000	8,300	7,000	6.7%	6.2%	5.6%	6.0%	$3.39	$3.71	$4.23	$4.50	$62	$79	$88	Memphis
Miami-Dade	-7.7%	6.6%	5.2%	0.9%	3,700	3,600	4,500	5,600	4.4%	2.7%	1.9%	2.4%	$10.63	$11.88	$15.39	$17.20	$212	$236	$271	Miami-Dade
Milwaukee	-6.1%	1.6%	1.5%	0.2%	5,800	3,300	2,900	4,200	3.8%	2.7%	3.1%	3.6%	$4.71	$4.66	$5.22	$5.50	$66	$72	$80	Milwaukee
Minneapolis-St. Paul	-8.3%	4.5%	3.5%	-0.6%	4,500	3,000	5,600	4,900	3.8%	3.3%	3.0%	3.3%	$5.63	$6.15	$7.31	$7.55	$92	$98	$107	Minneapolis-St. Paul
New York City	-12.3%	6.8%	4.6%	0.9%	2,000	200	1,900	3,300	6.1%	4.9%	5.4%	6.1%	$21.91	$22.47	$23.70	$23.53	$447	$475	$505	New York City
Northern New Jersey	-8.5%	5.6%	2.7%	0.5%	1,300	2,400	3,100	5,500	3.7%	2.7%	2.3%	2.9%	$10.14	$11.72	$13.47	$14.13	$170	$183	$208	Northern New Jersey
Oakland	-8.9%	5.9%	2.8%	0.7%	4,900	2,300	800	3,200	6.7%	4.9%	4.2%	4.6%	$14.69	$16.73	$18.01	$18.76	$265	$287	$312	Oakland
Orange County	-9.1%	5.8%	4.4%	-0.6%	600	400	600	2,000	3.1%	1.8%	1.5%	1.9%	$13.46	$15.05	$18.59	$19.80	$273	$309	$351	Orange County
Orlando	-9.0%	8.6%	4.1%	0.6%	2,400	2,400	4,000	2,500	5.2%	3.4%	2.9%	3.1%	$7.19	$8.22	$9.94	$10.25	$132	$148	$163	Orlando
Philadelphia	-7.2%	5.0%	2.9%	0.4%	6,900	13,100	11,400	11,800	5.0%	4.1%	4.5%	5.2%	$7.13	$8.36	$9.34	$9.65	$106	$124	$137	Philadelphia
Phoenix	-2.9%	4.5%	3.3%	-0.2%	17,000	13,200	21,500	16,200	7.8%	5.0%	4.5%	4.9%	$7.79	$8.25	$10.53	$11.05	$142	$162	$189	Phoenix
Portland	-8.7%	6.3%	4.9%	-0.3%	2,900	2,100	3,600	1,000	4.4%	4.0%	3.2%	3.1%	$8.89	$9.26	$11.57	$12.50	$185	$195	$204	Portland
Riverside-San Bernardino	-4.1%	5.9%	4.9%	0.3%	21,600	17,000	17,200	30,000	3.5%	1.2%	1.9%	2.9%	$10.23	$10.96	$14.42	$15.90	$194	$229	$284	Riverside-San Bernardino
Sacramento	-5.2%	4.6%	3.5%	-0.3%	4,000	3,900	3,400	2,800	5.7%	3.4%	3.7%	4.0%	$7.45	$8.37	$9.04	$9.55	$144	$159	$177	Sacramento
San Diego	-9.1%	8.0%	3.4%	0.4%	1,200	4,700	1,600	1,800	5.3%	3.1%	2.9%	3.1%	$16.42	$17.15	$20.21	$21.20	$255	$287	$315	San Diego
Seattle-Tacoma	-7.6%	5.2%	4.2%	0.6%	4,700	4,000	3,200	8,000	5.0%	4.1%	3.6%	4.5%	$10.81	$12.01	$13.84	$14.40	$263	$285	$313	Seattle-Tacoma
Tampa-St. Petersburg	-2.8%	5.1%	4.8%	0.5%	3,700	2,700	4,800	3,500	4.9%	3.3%	3.9%	4.4%	$6.71	$7.23	$10.10	$10.80	$108	$132	$150	Tampa-St. Petersburg
Washington, D.C.	-6.5%	3.6%	1.6%	0.5%	3,400	3,900	6,100	6,500	6.0%	4.7%	5.2%	5.9%	$9.11	$10.06	$11.37	$11.95	$187	$205	$230	Washington, D.C.
United States	**-6.1%**	**5.1%**	**3.2%**	**0.5%**	**345,900**	**324,800**	**386,200**	**400,000**	**5.4%**	**3.9%**	**3.7%**	**4.0%**	**$7.68**	**$8.41**	**$9.88**	**$10.42**	**$113**	**$133**	**$153**	**United States**

** Forecast*

[2] See Statistical Note on Page 48

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