

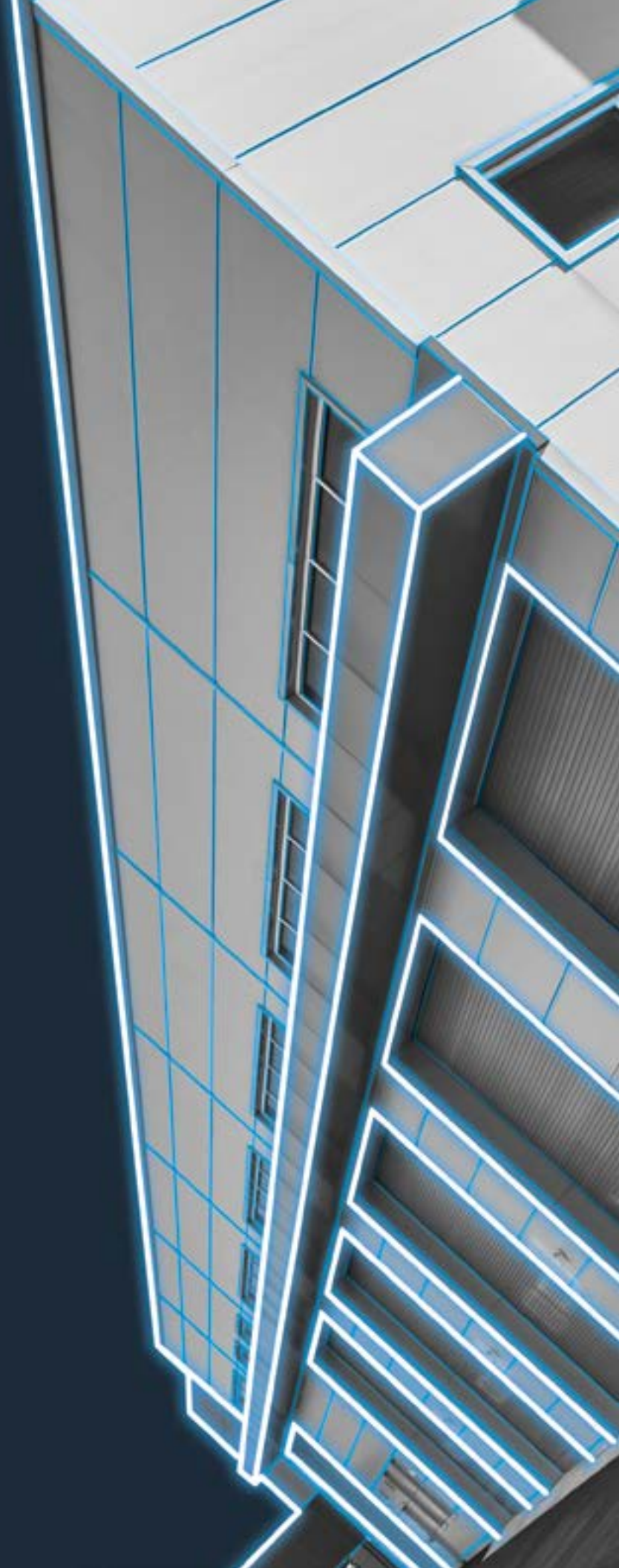
IPA

INSTITUTIONAL
PROPERTY
ADVISORS

2024

INDUSTRIAL

*National Investment
Forecast*



TO OUR VALUED CLIENTS

The industrial sector has been bolstered by the remarkably resilient U.S. economy over the last year. Stronger than expected consumption, paired with public policies helping to expand the country's manufacturing, transportation and energy bases, has strengthened the outlook for industrial space demand. Smaller infill warehouses and flex structures that accommodate light manufacturing or distribution are well-positioned to capture a generally rising level of tenant activity; however, these tailwinds are masked by challenges affecting larger complexes.

The wave of industrial construction, which crested last year but is still substantial in 2024, is disproportionately impacting large-scale properties. Roughly 60 percent of the space under development is comprised of buildings larger than 400,000 square feet. Nearly a third of projects span more than one million square feet apiece. While consumers' online spending remains strong, the volume of new arrivals has generally outpaced tenants' needs to expand e-commerce infrastructure, leading to an upswing in vacancy following 2022's record low. These headwinds appear temporary, however, as today's distribution and advanced manufacturing techniques favor newer spaces. Properties under 100,000 square feet are also insulated from these pressures, as smaller-scope projects make up a modest share of the active pipeline.

While greater availability among larger and older properties has softened overall sector fundamentals, investor and lender confidence has not wavered. Investment sales activity in 2023 was on par with pre-pandemic years, with a boost in trading anticipated if and when the Federal Reserve reduces interest rates later this year. To help provide insight into this complex climate, Institutional Property Advisors presents the 2024 Industrial Investment Forecast. Our investment brokerage and financing professionals look forward to assisting you in achieving your goals.

Thank you and here is to your continued success,



ALAN L. PONTIUS
Senior Vice President
Director
IPA Industrial



JOHN CHANG
Senior Vice President
Director
IPA Research Services

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EXECUTIVE SUMMARY

NATIONAL INDEX

- Sun Belt markets, where population growth is spurring elevated economic activity, comprise much of the top half of the 2024 National Industrial Property Index. While demographic trends are generally less impressive along the Midwest and Northeast regions of the U.S., markets within these areas are still anticipated to perform well amid slower supply expansions this year.
- Markets near the middle of the 2024 Index include those with strong structural drivers of tenant demand for back-end logistics space, but also comparatively higher vacancies. Metros with older stocks may feel more pressure to re-purpose that space.

NATIONAL ECONOMY

- Real GDP grew 2.5 percent in 2023, defying downturn predictions despite the Fed raising interest rates by over 400 basis points in the prior year. Consumer spending has been aided by greater household net wealth, propping up businesses' needs for production resources, such as materials and warehouses.
- The dual objectives of the federal government to support both domestic electric vehicle and semiconductor production have led to over \$300 billion in dispatched funds. While both goals have a way to go, they support the long-run outlook for U.S. manufacturing space and support facilities.

NATIONAL INDUSTRIAL OVERVIEW

- As most government-supported programs have yet to come online, near-term property metrics are shifting away from recent records as the expansion of back-end e-commerce space wanes. While internet sales remain strong, the creation of new e-commerce infrastructure moderated in 2023, reining in a previously white-hot pace of warehouse absorption. Tenants have also re-tooled their footprints to meet today's logistics needs, often leaving older space vacant in the process.
- While omni-channel giants like Amazon, Lowe's, Home Depot and Walmart have fewer warehouse move-ins slated for this year, several multinational producers of consumer packaged goods are ramping up domestic operations. In many cases, firms are taking advantage of public incentives.

CAPITAL MARKETS

- After an aggressive 18-month hiking spree, the Federal Reserve held the overnight lending rate flat through the second half of 2023 and into early 2024. While Wall Street participants anticipate more than one rate cut before the end of this year, the Fed is also continuing to reduce its long-term bond holdings. This maneuver has sustained upward pressure on the 10-year treasury yield, and kept debt spreads more narrow than historical norms.
- Industrial properties' ability to generate returns through economic duress has led most of the lender spectrum to view the asset class favorably. A diverse tenant mix with low turnover, as well as the high availability of federal grants and tax breaks, have given ample room for industrial property loans to perform. However, given that some larger-scale, speculative projects have faced difficulties in stabilizing, these types of lending opportunities may still be put under scrutiny.

INDUSTRIAL INVESTMENT OUTLOOK

- While a rigid financing environment tempered deal flow across the commercial real estate spectrum, the industrial sector has seen the least drawback among the four main property types. Solid rent growth and limited vacancy on a national scale, along with the demand prospects arising from the federal government's focus on manufacturing, maintained investor enthusiasm for industrial product.
- A record 85 percent share of trades in the first two months of 2024 were for facilities sized under 100,000 square feet. Such properties face limited pressure from new supply and generally enable buyers to allot more capital toward upgrades. These benefits also give owners the ability to reconfigure their spaces for multiple smaller tenants to limit vacancy risk.

Investors Turning to Industrial Outdoor Storage to Aid Commercial Parking Shortage

Truck parking shortfall deepens. There were 900 light duty trucks registered per commercial parking spot in 2019. Since then, online retail sales have surged 85 percent, multiplying the number of delivery vehicles in need of these spaces. Retailers’ build-up of fleets to meet demand for e-commerce orders has placed substantial pressure on the nation’s commercial parking shortage. The financial loss created by trucking congestion reached a record \$95 billion in 2021, driving managers within the wider supply chain to seek out more cost-effective parking solutions. Many industrial outdoor storage (IOS) facilities, which were typically viewed as rudimentary scrap yards and infill lots prior to the pandemic, are being transitioned into multi-faceted service properties to satiate demand from a wide variety of commercial fleet operators for consistent parking.

IOS reduces tenants’ downtime. Typically featuring paved lots and floor-to-area ratios under 30 percent, IOS facilities have been sought after by fleet managers to consolidate supply chain operations. Low coverages enable end-users — including non e-commerce tenants like public utilities providers and equipment rental companies — to manage operations, conduct client-facing activities, and store vehicles and materials all in one compound. Maintenance costs are also lower than traditional warehouses, offering tenants the flexibility to adjust storage capacity to free up additional space for parking.

New IOS properties remain scarce. IOS supply remains constrained, despite these facilities’ multifaceted value proposition for tenants. The most strategic location for an IOS site tends to be along residential, commercial and heavy industrial corridors, where the development of more traditional property types is often deemed more applicable from zoning authorities. Complex underwriting inputs also complicate the construction financing process. Rents and other lease terms can vary between the enclosed and open portions of the same facility, while methods for revenue generation often differ entirely from property to property. These supply constraints have led a number of opportunistic investors and industrial property managers to favor the asset class, frequently re-purposing dirt lots into sophisticated commercial parking and storage solutions.

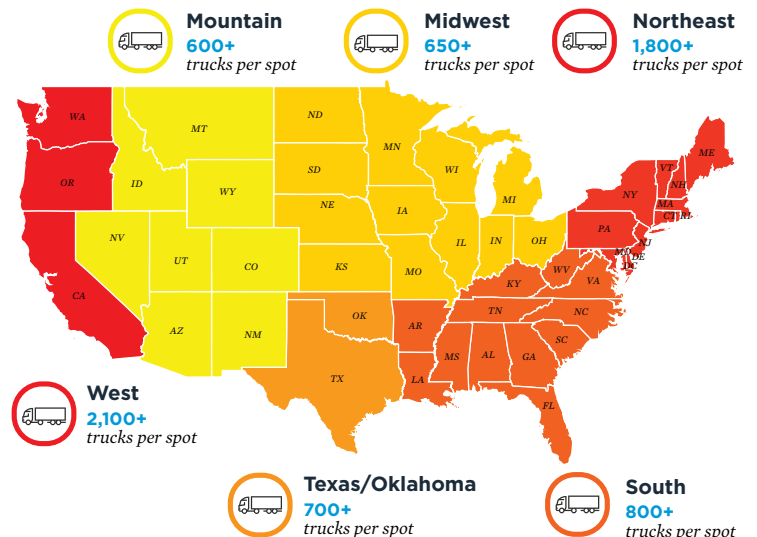
Value-add potential enhances IOS investment prospects. Amid high interest rates, assets in which renovations can capture outsized returns are rising to the top of investors’ priorities. IOS investment typifies this trend within the broader industrial sector. Re-zoning and upgrades helped generate outsized returns for many IOS buyers in recent years. High levels of owner fragmentation are also allowing investors to scale digitally-enabled parking and storage platforms. Consolidation is already taking shape, with institutions raising over \$2 billion for acquiring IOS properties as of March 2024.

REGIONAL IOS HIGHLIGHTS

- **West:** Extremely limited truck parking availability supports the most expensive pricing for IOS sales out of any region in the nation. Entry costs across California, for example, average around \$2.4 million per acre, higher than any other state.
- **Northeast:** The region contains eight of the ten states with the most lopsided truck-to-parking spot ratios in the country. Still, strict zoning requirements and high population density have limited opportunities for IOS investment here.
- **South and TX/OK:** While dynamics are less tight in these regions, pockets of high residential construction aid demand for IOS investment. Sale prices range from \$170,000 per acre in rural Texas, up to \$2 million per acre in South Florida.
- **Mountain and Midwest:** Amid greater levels of parking availability, IOS tenant demand is primarily focused in metros of high household growth, like Phoenix and Las Vegas.

Lack of Commercial Parking Spaces Highlights Coastal IOS Demand

Severity of Parking Shortage By Region



Note: Total parking spot counts include both public and private commercial parking spaces.

Source: Bureau of Transportation Statistics

Confluence of Strong Demographics With Key Shipping Nodes Play Large Role in 2024 Index

Southern and western metros crowd the upper ranks. Sun Belt markets, where population growth is spurring elevated economic activity, comprise much of the top half of the 2024 National Industrial Property Index. Charleston (#7) is expected to note the fastest job growth in the nation, while employers in Dallas-Fort Worth (#10) are anticipated to add the highest number of roles, supporting retail spending, household formations and tenant demand for industrial facilities. Household gains over 2.0 percent in Phoenix (#8), Austin (#14) and Las Vegas (#18) are also aiding industrial space needs, but new supply in these areas is pushing local vacancies to over 10-year highs. Miami (#1), Charlotte (#2) and Fort Lauderdale (#3) top the list, however, as these same demand drivers here coincide with more manageable supply pressures and tighter vacancies overall. While demographic trends are generally less dynamic along the midwestern and northeastern regions of the U.S., markets within these areas are still anticipated to perform well amid slower supply expansions this year. Columbus (#4) and Detroit (#16), for example, anticipate local stock to grow less than 1.0 percent, facilitating the only vacancy declines among major U.S. markets in 2024.

Property metrics in freight-heavy markets are more impacted by new supply. Metros near the middle of the 2024 Index include those with strong structural drivers of tenant demand for back-end logistics space, but also comparatively higher vacancies. Rates above 7 percent in Riverside-San Bernardino (#19), Indianapolis (#20) and Seattle-Tacoma (#22) are expected to come down long-term, however, as ample newer supply is absorbed, and the presence of local shipment hubs provides e-commerce companies with expansion opportunities. Chicago (#21), Los Angeles (#30) and the boroughs of New York City (#36) hold comparable advantages, although older stock here will likely need to be re-purposed to maximize revenue growth potential. Similar dynamics are present in Cleveland (#23), Boston (#29) and Oakland (#33), where an estimated 85 percent of all inventory was built before the year 2000.

Index Methodology

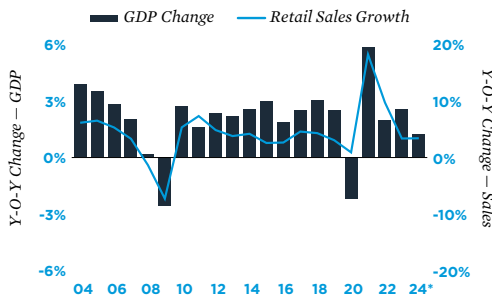
The NIPI ranks 36 major markets on a collection of 12-month, forward-looking economic indicators and supply and demand variables. Markets are ranked based on their cumulative weighted average scores for various indicators, including projected employment growth, vacancy level and change, construction,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

Users of the Index are cautioned to keep several important points in mind. 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 higher-ranked market. Second, the NIPI is a snapshot of a one-year horizon. A market encountering difficulties in the near term may provide excellent long-term prospects, and vice versa. Third, a market's ranking may fall from one year to the next, even if its fundamentals are improving. The NIPI is an ordinal index, and differences in rankings should be interpreted carefully. 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.

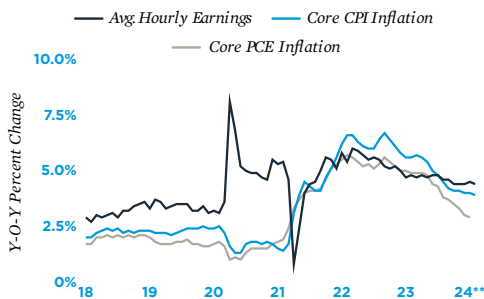
RANK	MARKET
1	Miami-Dade
2	Charlotte
3	Fort Lauderdale
4	Columbus
5	Tampa-St. Petersburg
6	Houston
7	Charleston
8	Phoenix
9	Orlando
10	Dallas-Fort Worth
11	Orange County
12	Northern New Jersey
13	Jacksonville
14	Austin
15	Atlanta
16	Detroit
17	Minneapolis-St. Paul
18	Las Vegas
19	Riverside-San Bernardino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

¹ See National Industrial Properties Index Note on page 48

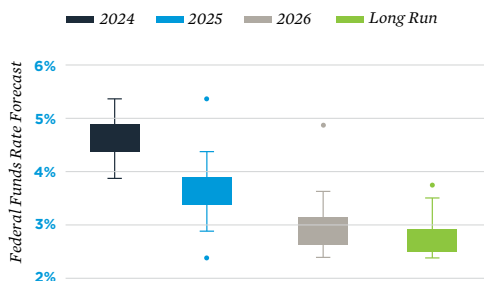
GDP Growth Trends



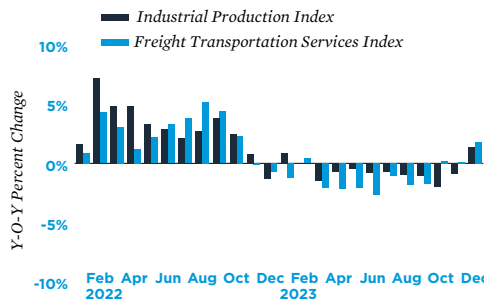
Wage Growth Ahead of Inflation



Fed Dot Plot Summary



Manufacturing & Logistics Activity



Soft Landing in 2024 Becoming More Probable As Consumers Show Unexpected Resilience

U.S. economy retains momentum, despite significant rate increases. Real GDP rose an estimated 2.5 percent in 2023, defying predictions that growth would stall or reverse after the Federal Reserve hiked interest rates by over 400 basis points in the prior year. The total net worth of U.S. households lifted 6 percent in the 12 months trailing October, as average hourly earnings growth outpaced inflation while stock values climbed to near-records and home prices stayed elevated. This accumulated wealth has aided consumer demand for goods and services, propping up businesses' needs for production resources like raw materials, freight and warehouse space. The economy's strength, however, is a challenge for the Federal Reserve, which has been staging a bid to tamp down inflation by reining in economic growth with higher interest rates. Still-elevated prices have contributed to the Fed taking a cautious stance toward easing monetary policy in 2024. While Wall Street anticipates at least one rate cut this year, Chairman Powell has been circumspect in his commitment to action. This posturing has motivated banks and fiduciaries to maintain stringent lending standards, guard railing the economy from re-accelerating by restraining the overall volume of private investment.

Personal saving on the rise. While economic growth remained strong last year, recent changes in consumers' spending habits indicate headwinds may emerge. Last November, the average credit card interest rate reached an all-time high of 21.5 percent. Elevated borrowing costs, and the growing prevalence of high-yield savings options, have begun to reverse a savings burn-off that helped fuel spending over the pandemic. The annual rate of personal saving fell 12 percent from 2020 to 2022, but has since risen 1.2 percent from the prior year's trough. As households limit expense creep from higher interest rate payments and maintain a financial safety net, discretionary spending may moderate. This should also relieve labor pressures in lower-wage service sectors. Shortages in the leisure and hospitality fields, for example, pushed their average hourly earnings up by nearly double the pace of the overall private sector from 2020 to 2023. The trend is likely to taper in 2024, however, as households redirect a portion of their incomes previously spent on dining out, shopping, and entertainment toward savings.

2024 NATIONAL ECONOMIC OUTLOOK

- **Industrial sector signals expansion.** Annual growth in the Industrial Production and Freight Transportation Services indices swung back to positive territory for the first time in 13 months during December. Continued growth in 2024 would bode well for manufacturing and logistics-related hiring, as well as industrial space demand.
- **Vehicle electrification ramping up.** Roughly 1.2 million electric vehicles were sold in the U.S. last year, comprising 8 percent of auto sales. While there is much progress left to go, over \$120 billion dispatched by the U.S. government to produce electric vehicles within the country will support more domestic manufacturing over time.
- **Semiconductor production poised to fuel economy.** Since 2022, the U.S. government has invested over \$200 billion to manufacture advanced semiconductors domestically. These efforts have had a limited impact on the economy, however, as most projects underway that have received funds are slated to open in 2025 and beyond.

* Forecast

** Avg. Hourly Earnings and Core CPI through Feb., Core PCE through Jan.

Notes: IPI - Industrial Production Index Total; TSI - Freight Transportation Services Index; Fed Dot Plot From December 2023

Federal Programs Aid Long-Term Industrial Trajectory, But Sector Will Continue Transitioning in 2024

Reshoring and nearshoring have yet to impact property metrics. The federal government’s efforts to onshore key manufacturing supply chains have positioned the U.S. industrial sector for robust long-term growth. Still, most government-supported projects have yet to come online, and in the meantime, property metrics will shift away from recent record-setting levels as the expansion of back-end e-commerce logistics space wanes. While internet sales remain strong, the creation of new e-commerce infrastructure moderated in 2023, reining in a previously fervent pace of warehouse absorption. Tenants across sectors have also re-tooled their footprints to meet the requirements of automation and new modes of freight, often leaving older-built facilities vacant in the process. These forces propelled vacancy to 5.3 percent in 2023, up 170 basis points from 2022’s record low. While this year’s historically elevated deliveries indicate the climb will continue near-term, most new supply has been warranted by demand. About 40 percent of completions are concentrated in six metros, five of which led the U.S. in the total amount of industrial space occupied over the past half-decade.

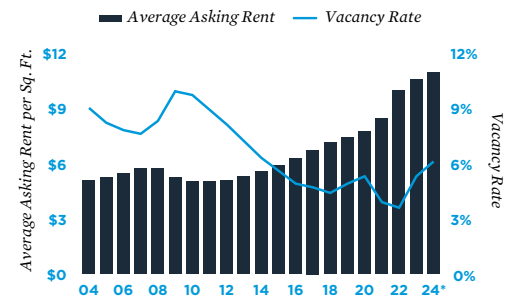
End to pandemic-fueled logistics crunch moderates retailers’ warehousing needs.

Following a 48-month span that saw Amazon, Lowe’s, Home Depot and Walmart together lease over 260 million square feet of industrial space, the omni-channel giants are each poised to have their least active move-in years since before 2020. While this pull-back should continue to transition warehouses away from the white-hot levels of tenant demand spurred by companies setting up e-commerce platforms during the pandemic, distribution spaces typically used to pack, sort and move products – as well as manufacturing facilities – are still well-positioned. Several multinational producers of consumer packaged goods are ramping up domestic operations, with many of them taking advantage of the growing prevalence of federal, state and local economic incentives disbursed toward manufacturing. Metros with a high share of newer distribution and manufacturing facilities, like Las Vegas, Dallas-Fort Worth and Charleston, should experience above-average industrial net absorption this year as a part of this trend.

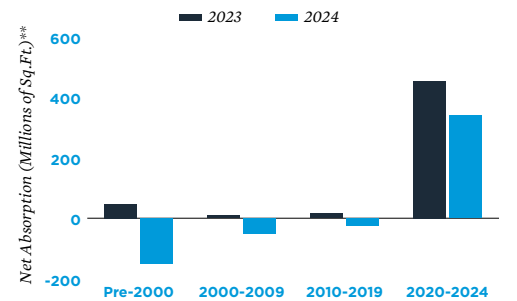
2024 NATIONAL INDUSTRIAL OUTLOOK

- Major shift in supply dynamics taking shape.** As of March 2024, the active industrial pipeline spanned 380 million square feet, with deliveries extending to 2028. As over 400 million square feet was completed in each of the prior two years alone, the lower active total suggests that nationwide supply pressures will moderate longer-term. Facilities sized under 100,000 square feet notably comprise only 6 percent of the active pipeline, likely keeping vacancy for these types of properties exceptionally tight.
- Federal projects draw in supporting companies.** Since 2021, the federal government has earmarked over \$440 billion for domestic goods production. One of the most notable projects to receive funds, Taiwan Semiconductor Manufacturing Company’s plant has already attracted 40 suppliers to Phoenix before its 2025 opening.
- Shipping trends may begin to revert.** Container volumes exceeded historical norms in several East Coast ports in 2023, as shippers redirected routes amid fears of a West Coast labor strike. As these disputes were resolved, and with strikes potentially brewing along the East Coast, some container volumes may return to the West in 2024.

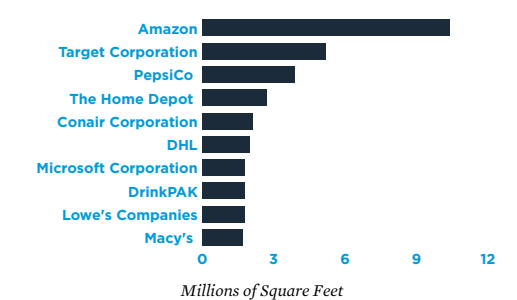
Industrial Vacancy Continues Ascent



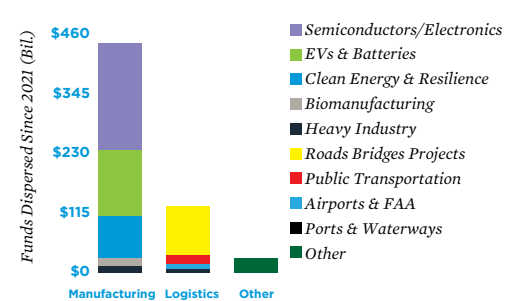
Net Absorption by Vintage



Planned Industrial Move-Ins for 2024*



Industrial Related Gov’t Spending

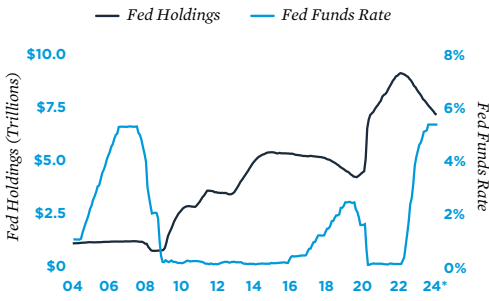


* Forecast

** Trailing 12 months through February 2023 and February 2024

† Plans made as of March 2024

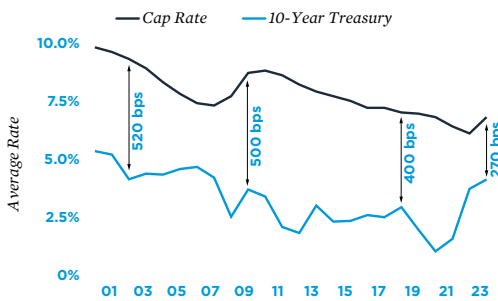
Fed Holding Policy Tight for Now



Tight Financing Environment Leads to Broader Lender Pool for Favorably-Viewed Industrial Assets

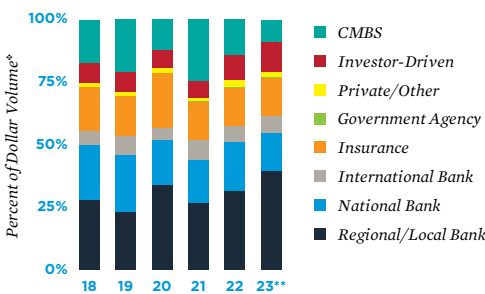
Fed maintaining tight policy to start 2024, weighs options for later in the year. After an aggressive 18-month hiking spree, the Federal Reserve maintained the overnight lending rate at a lower bound of 5.25 percent through the second half of 2023 and into early 2024. While Wall Street participants anticipate more than one rate cut before the end of this year, the Fed has not dispelled the possibility of additional interest rate firming if necessary. At the same time, the central bank has strengthened its monetary tightening by continuing to reduce its long-term bond holdings. This maneuver has sustained upward pressure on the 10-year treasury yield, and kept debt spreads more narrow than historical norms. With commercial real estate underwriting being pressured by higher vacancy and easing rent growth across property types, many traditional financiers have faced operational challenges in generating yield on both acquisitions and ground-up development. Combined with the increased scrutiny that fiduciaries have faced since the collapse of Silicon Valley Bank (SVB) last year in March, these factors have contributed to constrained commercial real estate lending volumes compared to the pandemic period. The wealth accumulation experienced by many Americans in recent years, however, has sustained demand for investment, resulting in more risk-tolerant, investor-driven funds capturing an increasing share of overall liquidity.

Margin Narrower but Present



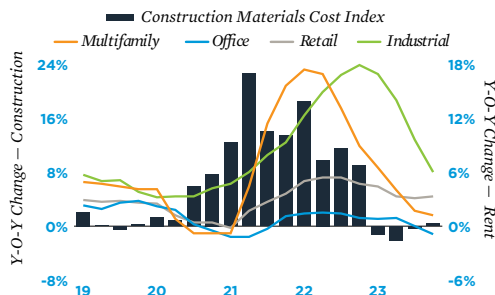
Lenders sustain appetite for industrial product. Industrial properties' ability to generate returns through economic duress has led most of the lender spectrum to view the asset class favorably. A diverse tenant mix with low turnover, as well as the high availability of federal grants and tax breaks, have given ample room for industrial property loans to perform. However, given that some larger-scale, speculative warehouse and distribution projects have faced difficulties in stabilizing, these types of lending opportunities may still be put under scrutiny. Loans for land acquisitions and ground-up development are especially difficult to pencil amid narrow debt spreads and elevated construction costs, making lending to existing properties with repositioning opportunities typically more attractive. However, banks appear to operate less in this space, with reduced commercial real estate portfolio allocations following SVB's collapse causing them to be much more selective. Investor-driven lending has been on the rise for this reason, with capital often being deployed to add value to existing assets

Industrial Lender Composition



2024 CAPITAL MARKETS OUTLOOK

Changes in Construction Costs & Rent



- **Funds finance most industrial construction.** Investor-driven funds were responsible for nearly 65 percent of industrial construction lending for projects priced \$2.5 million or greater in the first half of 2023, tripling their portion from the prior year. Cooling industrial asking rent growth, narrow debt spreads, and increased risk aversion will continue to keep many bank lenders out of the space, leading to an elevated share of construction capital coming from alternative sources in 2024.
- **Government steps in to fill some of the gap left by banks.** Amid the dwindling feasibility of ground-up construction, several policy-enabled financing alternatives have grown in popularity among developers. CPACE, for example, gives builders access to long-term, fixed-rate capital in exchange for energy efficiency. The program, however, is only available in 31 states, with requirements and processes varying greatly.

* Through Feb. 29

** Estimate

♦ Sales \$2.5 million and greater

Strong Property Metrics and Promising Long-Term Prospects Keep Industrial Trading Active

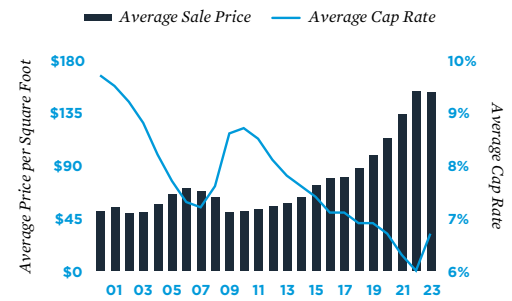
Industrial investment persists through Fed tightening. While a rigid financing environment tempered deal flow across the commercial real estate spectrum, the industrial sector has seen the least drawback among the four main property types. During 2023, over 15,000 industrial assets changed hands for the seventh year in a row. Solid rent growth and limited vacancy on a national scale, along with the demand prospects arising from the federal government’s focus on manufacturing, maintained investor enthusiasm for industrial product. Areas that have continued to experience more manageable supply pressures, like Tampa-St. Petersburg and Minneapolis-St. Paul, are poised to sustain elevated levels of investor interest, after observing asking rent growth well-above their historical norms last year. Even areas with robust construction and greater vacancy pressures, like Las Vegas and Austin, should present buyers with investment opportunities. In these and other similar Sun Belt metros, strong household gains and marquee industrial move-ins flow into demand from tenants of smaller facilities — such as wholesale retailers and material suppliers — aiding investment performance.

Investors shift away from large-scale facilities. Much of the recent impetus of industrial investment has been tied to the asset class’s relative strength and rising values. Areas that saw the most extreme jumps in sale prices over the last five years were markets where a high percentage of newer, large-scale warehouses were traded, contributing to a national 75 percent rise in average per-square-foot pricing during the span. However, as space demand from multi-national tenants has slowed down, and with the cost of debt remaining high, more investors are likely to target smaller assets. Already, a record 85 percent share of trades in the first two months of 2024 were for facilities sized under 100,000 square feet. Such properties face limited new supply pressure, typically enable more capital to go toward upgrades, and can allow for multiple smaller tenants, limiting vacancy risk. This shifting buyer dynamic will aid interest in metros like Charleston and Fort Lauderdale. As of March 2024, projects under 100,000 square feet comprised less than 2 percent of the total pipelines underway and proposed across both markets.

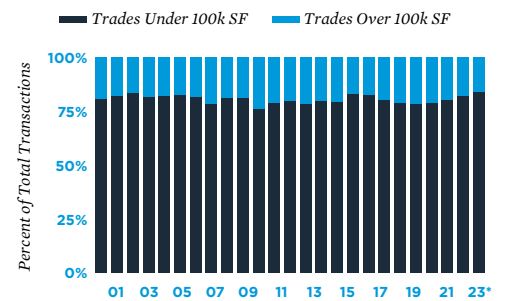
2024 INVESTMENT OUTLOOK

- **Sales with high price tags slow.** Industrial trades priced \$1 to \$10 million grew to their highest share of total transactions since at least 2000 last year. While the composition may suggest more institutions are being sidelined, recent fundraising activity indicates institutional trading will pick up over time. As of March 2024, at least \$15 billion was being raised by funds, specifically for acquiring industrial assets.
- **Smaller metros draw most investment.** Tertiary markets’ share of industrial trading reached an all-time high of 50 percent in 2023. This dynamic is likely to remain in 2024, as more buyers shift toward upside-producing strategies, and outsized occupied stock growth in areas like Columbus and Jacksonville sustains investor interest.
- **End users becoming more involved in trades.** Owner-users acquired more industrial assets priced over \$2.5 million in 2023 than in 2022, unlike all other categories of buyers. Many of these types of trades are for large-scale warehouses, with end-users capitalizing on slower price increases and less investor competition than recent years.

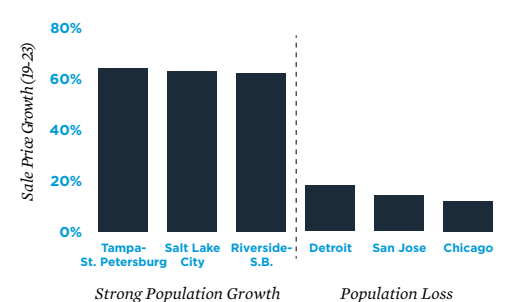
Prices Level Off as Cap Rates Climb



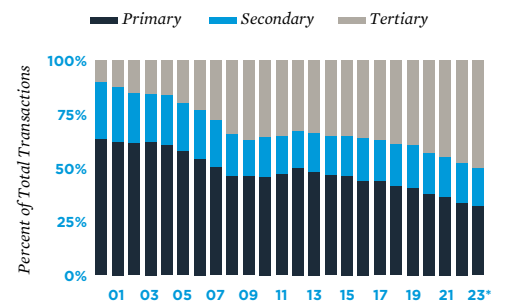
Trades Favor Smaller Floorplans



Population Growth Affects Price



Tertiary Market Deal Share Hits Record



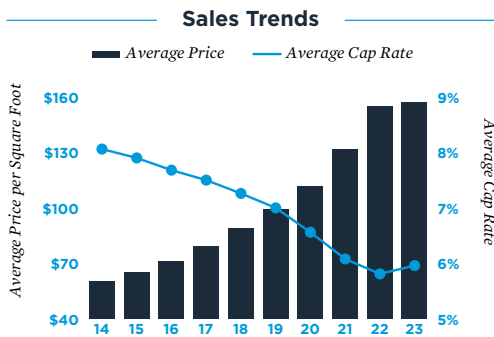
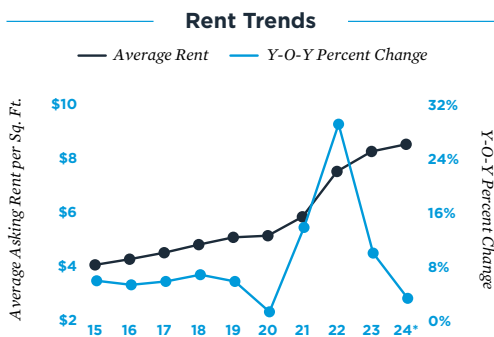
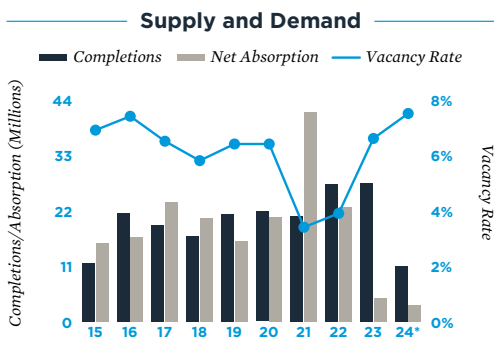
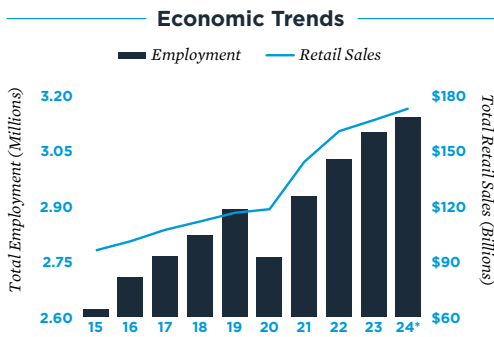
* Estimate

ATLANTA

Port Expansions Across Southeast Bode Well for Atlanta, While 2024 Presents Some Hurdles

Long-run demand drivers counterbalance near-term headwinds. Atlanta’s industrial sector is cooling after an impressive stretch, with the exit of several logistics operators, including GXO Logistics, pushing vacancy to a near 10-year high entering 2024. Despite near-term frustrations, business commitments and infrastructure investments – both within the metro and in nearby transit nodes – are setting a solid foundation for future demand. Manufacturers continue to target Greater Atlanta for production sites; Zoetis, Inc and Boston Scientific represent some of the life sciences concerns commencing operations here in 2024. The metro has also benefited from its position near several major southeastern maritime gateways in recent years. Improvements to those ports are continuing, including a \$127 million grant from the State of South Carolina to the Port of Charleston last year aimed at enhancing throughput. These drivers should continue to draw logistics providers seeking to establish operations in the metro.

Transactions diversifying in response to broader economic trends. Although warehouse properties continue to comprise the lion’s share of industrial assets changing hands, manufacturing facilities have been steadily growing in proportion of total trades. This reflects broader trends toward reshoring production, and sales of such properties could become increasingly prominent moving forward. Warehousing and distribution assets should also continue to draw capital, with buyers paying particular attention to assets along Interstates 20 and 75. These arteries represent major thoroughfares linking the Atlanta metro to the growing ports of the Southeast. Both the ports of Savannah and Charleston have marked record years for throughput in the wake of pandemic-related disruptions to international supply chains.



2024 MARKET FORECAST

NIPI RANK 15 *Modest inventory expansion relative to historical norms translates to a top-half placement in this year's Index.*

+1.3% **EMPLOYMENT:** Although hiring this year is modest relative to recent years, the 40,000 jobs expected to be added in 2024 place the employment base 8.6 percent ahead of the 2019 count.

11 million sq. ft. **CONSTRUCTION:** Supply additions hit their lowest levels in a decade as developers expand inventory by just 1.4 percent. Still, Atlanta ranks eighth nationwide by square feet added this year.

+90 bps **VACANCY:** Vacancy continues the upward march that began in mid-2022, reaching 7.5 percent by the end of the year. This is the highest measure seen in the market since 2014.

+3.2% **RENT:** After multiple years of consistent, robust rent increases, the mean marketed rent nudges up to \$8.49 per square foot, though Atlanta remains among the most affordable gateway markets.

INVESTMENT: *Hartsfield-Jackson International Airport has seen record cargo volumes in recent years, which should heighten investor interest in warehouse properties surrounding this hub.*

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

One-Third of Austin’s Inventory Opened in Less than a Decade, Creating Turbulence for Larger Properties

New construction amplifies existing overhang, smaller spaces more insulated. Including this year’s scheduled completions, roughly 39 million of Austin’s 115 million square feet of industrial inventory will have been built since 2017. In the two years following the onset of the pandemic, this rapid pace of construction was well-received, with vacancy falling to a two-decade low in 2021. Conditions changed quickly, however, as Austin’s rate is set to reach double digits in 2024 for the first time in 13 years. The volume of metrowide vacant stock rose by more than 7.3 million square feet across 2022-2023, and this year’s substantial delivery slate is expected to elevate that figure by an additional 3.3 million square feet. Upward vacancy pressure is more evident among 100,000-square-foot-plus spaces, however, as larger facilities have accounted for a significant share of new construction in recent periods. Smaller industrial properties meanwhile are performing better in Austin, as they are not facing the same level of supply-side competition. That dynamic should continue in 2024 with sub-100,000-square-foot projects comprising less than 15 percent of the space set to finalize this year.

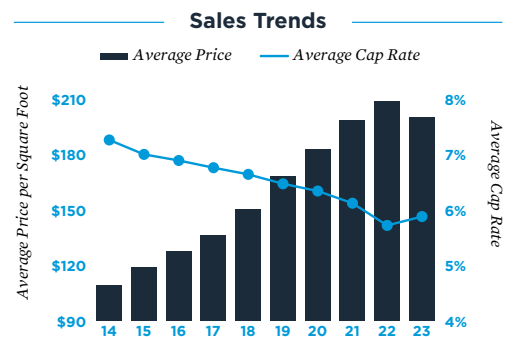
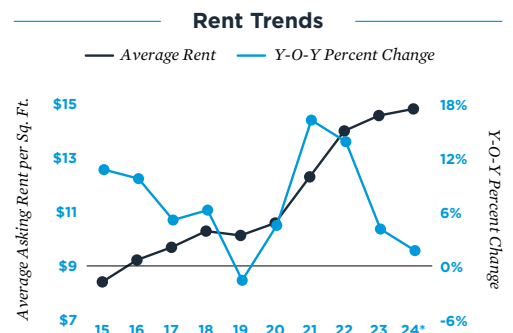
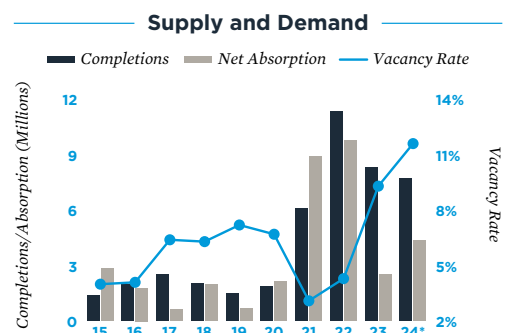
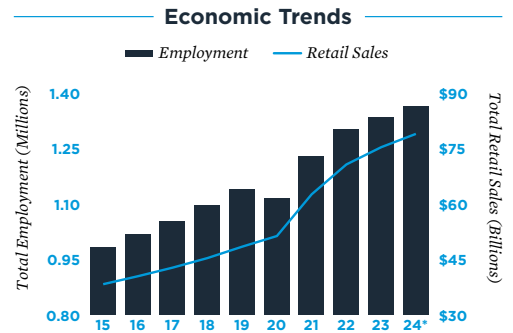
Trio of north suburbs stand out amid trading slowdown. Higher debt costs and supply-side pressures contributed to deal flow falling by more than 25 percent year-over-year in 2023, yet activity remained on par with the trailing two-decade average. In the second half of last year, three suburbs — Cedar Park, Georgetown and Round Rock — recorded noticeable upticks in trading. Some distribution and manufacturing assets change hands here, but the majority of acquisitions are warehouses smaller than 30,000 square feet. These assets generate tenant demand due to their proximity to affluent, fast-growing suburbs, and access to major roadways that traverse Texas.

2024 MARKET FORECAST

NIPI RANK 14 *Despite vacancy rising to a decade-plus high, robust employment and retail sales growth boost Austin into the top 15.*

- +2.2%** **EMPLOYMENT:** Softer hiring results in the net gain of 29,000 jobs, the smallest increase since 2011, excluding 2020. Such a dynamic exemplifies how robust employment growth has been this decade.
- 7.7 million sq. ft.** **CONSTRUCTION:** More than 6 million square feet finalizes for a fourth straight year, bringing the combined 2021-2024 volume to 33.4 million square feet. That exceeds the prior 20-year total.
- +230 bps** **VACANCY:** The historic supply influx is creating substantial vacancy pressure. Coming off a 500-basis-point surge in 2023, the rate soars to 11.6 percent this year, its highest figure since 2010.
- +1.7%** **RENT:** Double-digit vacancy for the first time in more than a decade creates some rent growth headwinds. Austin’s average asking rate rises, but at a five-year low pace to \$14.80 per square foot.

INVESTMENT: *Investors may concentrate on 10,000- to 50,000-square-foot properties as vacancy rates and supply-side competition are much lower. Leasing in that segment was strong in Southeast Austin to start 2024.*



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

BALTIMORE

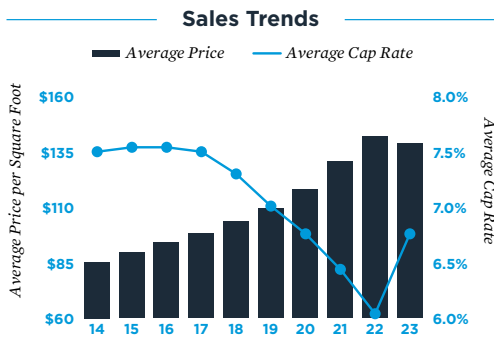
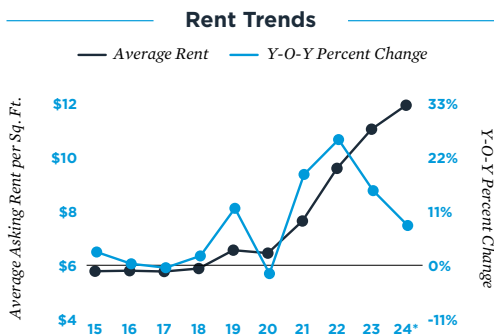
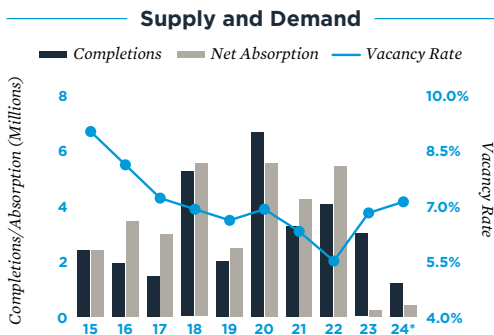
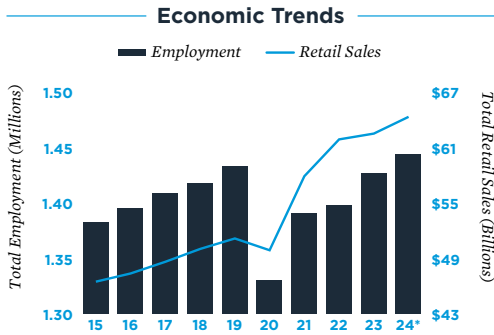
Tempered Demand for Certain Types of Industrial Space Not Holding Back Investment Sales

Distribution and manufacturing tailwinds weighed down by warehouse hurdles.

Baltimore entered 2024 boasting the greatest cumulative rent growth since 2019 of any major Northeast market, reflecting the metro's expanding industrial tenant base. Leasing trends in 2023 favored distribution facilities and manufacturing spaces, including by aerospace firm Rocket Lab, with a move to Middle River slated for this year. Overall net absorption in 2023 nevertheless slowed to the lowest level since the financial crisis, as more warehouses were relinquished than occupied. That behavior will likely extend in some degree through this year as e-commerce and omni-channel retailers trim their footprints amid less rapid consumer spending growth and higher operating costs. Following this settling, the long-term outlook for the market is aided by a tapering development pipeline, increasing Port of Baltimore throughput and household formation. Properties near the population centers of Baltimore and Columbia, as well as along Interstate 95 to Philadelphia, continue to register strong tenant demand.

Trends entering 2024 point to optimism for this year's investment sales climate.

While overall trading in 2023 was down by about a third from the record set in 2022, activity in the final three months of last year surpassed the quarterly average from that same landmark period. The pickup in transactions, together with an 80-basis-point jump in 2023's mean cap rate, suggest buyer and seller expectations are aligning. This behavior may carry further into 2024, if benchmark interest rates like the 10-year Treasury stay relatively stable. For active investors, I-95 continues to exude a strong influence, with properties frequently changing hands near the major thoroughfare as it passes through the city of Baltimore and up into Harford County.



2024 MARKET FORECAST

NIPI RANK 25 *A favorable record of rent growth and moderating construction place Baltimore ahead of most Northeast metros in the Index.*

+1.2% **EMPLOYMENT:** While the pace of employment growth slows in 2024, the 17,000 jobs created will still outpace six of the ten years preceding the pandemic.

1.2 million sq. ft. **CONSTRUCTION:** Completions slated for this year will comprise the smallest opening total since 2012. About half of the space arriving this year will be on the east side of Baltimore County.

+30 bps **VACANCY:** Baltimore's vacancy rate will advance by under half the margin of the U.S. measure to a local level of 7.1 percent. The metro's average vacancy rate from 2014-2019 was 7.8 percent.

+8.1% **RENT:** The average asking rent in the metro will rise to \$11.91 per square foot this year, allowing Baltimore to join just four other major U.S. markets that will post rent growth of over 8 percent.

INVESTMENT: *Despite softer absorption for warehouses in 2023, the asset type held investors' attention. For properties in strong locations, re-tenanting may allow for the capture of the past few years' robust rent growth.*

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

Amazon Warehouses Dominate Construction Pipeline; High-Tech Manufacturers Backstop Vacancy

Large-scale distribution and biotech firms shine amid incoming supply injection. Although this year's record-breaking construction pipeline appears daunting at first glance, a high proportion of built-to-suit space will mitigate the impact of this new supply. Roughly 6.6 million square feet slated for completion in 2024 is split between just two Amazon facilities. The remaining space represents just half of the average delivery schedule noted in the trailing five-year period entering this year. Although the life sciences segment is undergoing a cooldown, some firms in this sector are still seeking out leasing arrangements for manufacturing and R&D space. Multiple biopharmaceutical initiatives headline the list of large-scale move-ins, with both Intellia Therapeutics and Repligen each taking roughly 140,000 square feet off the market. The latter firm highlights the importance of this sector in Worcester County. While these move-ins will keep net absorption solidly positive this year, contraction in the biotech and logistics industries will help drive vacancy to a multi-year high in 2024.

Population shifts translate to competition for last-mile delivery space. Investors targeting warehouse and distribution opportunities should continue to be active along Interstates 495 and 95, which connect much of the region's suburban environs. Facilitated by a growing consumer base of Boston transplants, Worcester has emerged as an additional epicenter of logistics deals. Buyers are taking advantage of lower entry costs in this area of late, with early- to mid-20th century listings seen changing hands in the sub-\$5 million range. Southern New Hampshire locales offer similar advantages, which has driven a number of investors to seek out such assets in the Manchester region and in both Rockingham and Strafford counties.

2024 MARKET FORECAST

NIPI RANK 29 *An anticipated decline in revenues for 2024 places Boston below other markets in this year's rankings.*

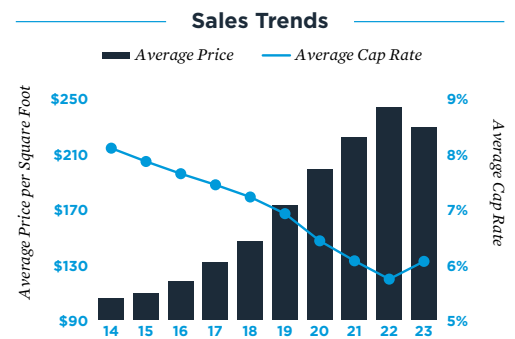
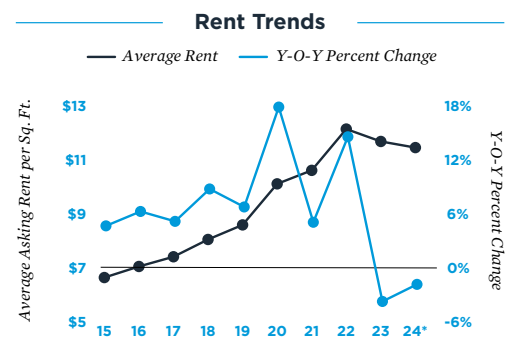
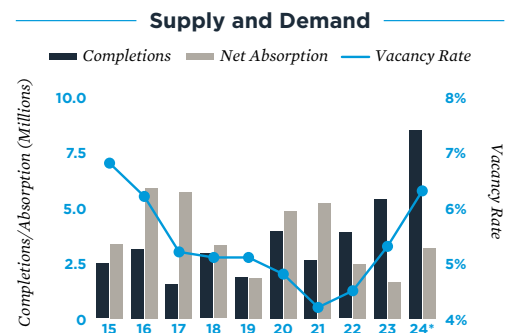
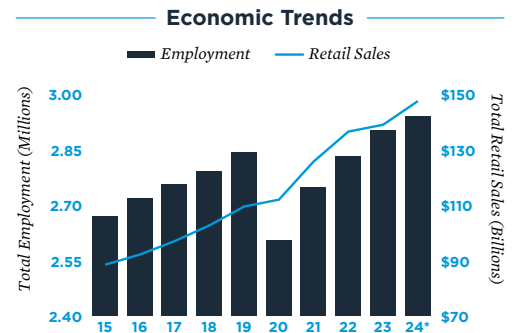
+1.3% **EMPLOYMENT:** While comparatively modest compared to the gains noted from 2021 through 2023, the 38,000 jobs expected to be added this year fall in line with historical norms.

8.5 million sq. ft. **CONSTRUCTION:** Although 2024's inventory expansion is the fastest recorded in multiple decades, the broadly built-to-suit nature of the pipeline limits its impact on existing properties.

+100 bps **VACANCY:** Ebbing demand for logistical space will be the main factor driving vacancy upward this year. The metric rises to 6.3 percent, the highest level recorded in the metro since 2016.

-1.9% **RENT:** In the wake of last year's 3.8 percent decrease, rent declines somewhat moderate as the mean marketed rate falls to \$11.41 per square foot. This is still roughly 32 percent ahead of the 2019 level.

INVESTMENT: *Recent zoning changes across a dozen first-ring Boston suburbs, allowing the construction of multifamily housing, should substantially increase demand for last-mile delivery opportunities in these locales.*



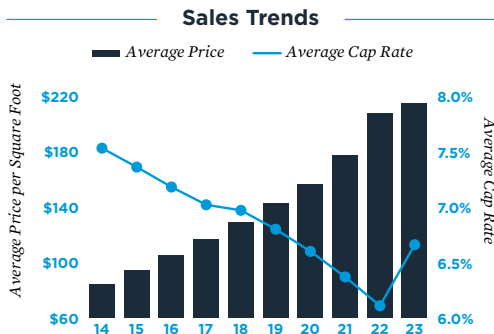
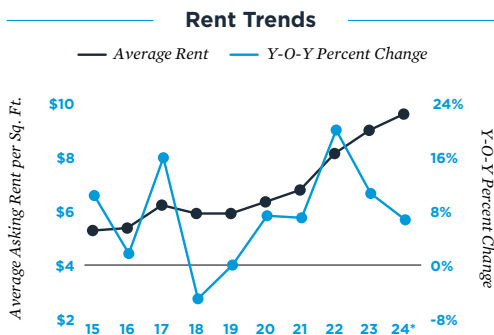
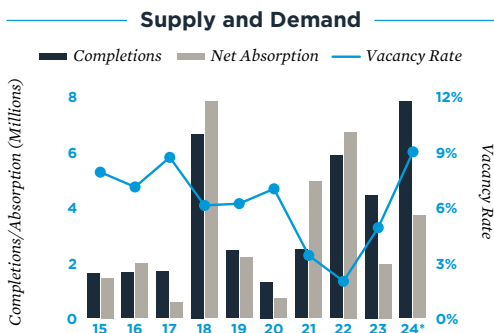
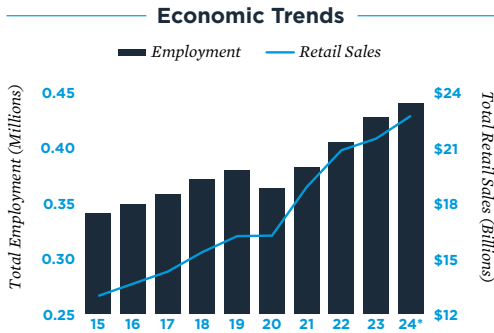
* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

CHARLESTON

Charleston's Growing Role in the Southeastern Supply Chain Elicits Record Delivery Slate

Near-term vacancy spike overshadows long-term prospects. Preceded by a span of sub-3 percent vacancy, Charleston noted a wave of speculative project starts last year that will impact fundamentals during 2024. In Summerville and Ridgeville, a significant number of 200,000-square-foot properties are scheduled for completion, most of which were without a tenant as of February. The metro's vacant stock is forecast to more than double this year as result. These spaces, however, are poised to secure commitments beyond this year as port and manufacturing tailwinds favor a positive long-term demand outlook. Currently, an intermodal yard is being built near the Port of Charleston that will be utilized by CSX and Norfolk Southern come summer 2025. Port activity should also be aided by the U.S. Supreme Court's recent decision to not hear a dispute between South Carolina and dockworkers at Charleston's Leatherman Terminal, ending a disagreement that previously limited operations at the facility. Inland, demand among ancillary firms in Berkeley County may grow as Redwood Materials is expected to break ground on a \$3.5 billion battery recycling plant.

Various strategies abound. Reflecting investors' confidence in Charleston's long-term outlook, the number of closings in 2023 was the third-highest mark on record. Moving forward, the metro's buyer pool should be diverse. Notable inventory growth over the past two years, and an additional supply injection during 2024, will attract institutional investors seeking modern distribution and manufacturing facilities. Private buyers, meanwhile, will compete for smaller warehouses amid a lack of construction in this subsector. Across buyer cohorts, North Charleston and Outlying Berkeley County will be most targeted, as the two areas account for three-fourths of the metro's stock.



2024 MARKET FORECAST

NIPI RANK 7 *Strong rates of employment, retail sales and household growth offset a notable vacancy increase, equating to a top 10 ranking.*

+3.0% **EMPLOYMENT:** Despite historically low unemployment, Charleston adds 13,000 positions during 2024. This allows the metro to retain the top employment growth rate among major markets.

7.8 million sq. ft. **CONSTRUCTION:** A record volume of deliveries will expand local stock by 9.4 percent. Completions, however, are scant in Charleston and North Charleston proper — the metro's most populous cities.

+410 bps **VACANCY:** An influx of large speculative properties places notable pressure on vacancy, lifting the metro's rate to 9.0 percent. Still, Charleston registers its 11th straight year of positive net absorption.

+6.7% **RENT:** After surging by 33 percent over the past two years, the mean asking rent rises at a slower pace in 2024 to \$9.57 per square foot — a rate below average for a market focused on local service.

INVESTMENT: *Local consumer demand for last-mile services rises amid a third straight year of historically strong in-migration. As such, more investors may target warehouses proximate to areas of population growth.*

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

Leasing from Notable Firms Keeps Vacancy Below Historical Norms, Despite a Recent Supply Influx

Companies focus on space in outer suburbs. Vacancy in Charlotte will stay slightly above the national level. More than 59 million square feet of space was added here between 2014 and 2023, contributing to this upward pressure. This year, more than 1.3 million square feet opening in Huntersville could continue to elevate near-term vacancy in North Charlotte, the metro’s largest submarket by inventory. Still, total occupied stock in Charlotte will reach a record high this year, and vacancy will be 30 basis points below the trailing 10-year average. Move-ins by companies like Home Depot, Liquid Death, Grainger and DHL Supply Chain will help offset some of the impact from elevated supply additions over the last decade. Space in outer areas like York, Rowan and Union counties will likely continue to be sought after this year as companies seek distribution and warehouse properties along Interstates 77 and 85. These roadways link Charlotte to other major metros, like Cleveland and Richmond.

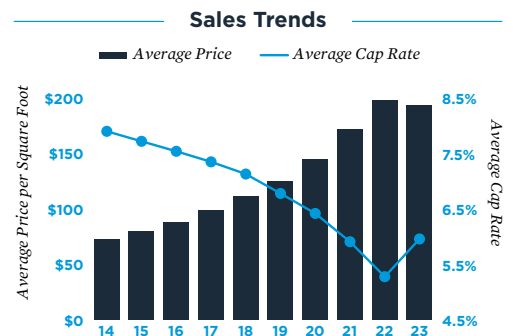
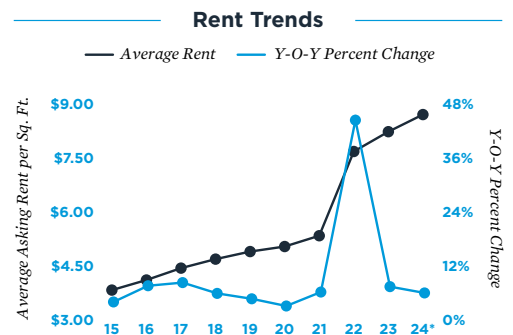
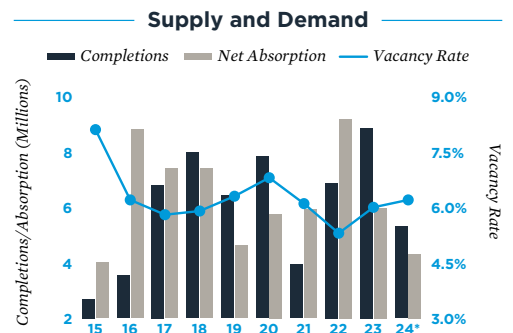
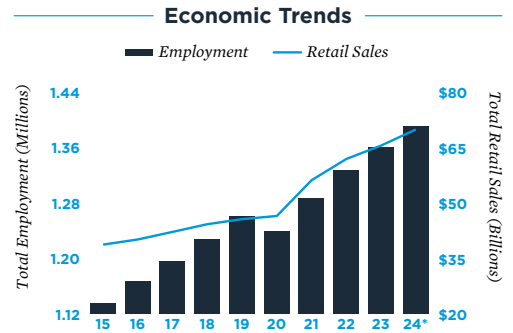
Institutions cautiously re-enter the market. Preliminary data indicates that investment activity was strong entering 2024, despite financing headwinds. Institutions have shown signs of stepping off the sidelines this year, particularly those that are out-of-state, but regionally proximate. Charlotte offers the fourth-lowest average price per square foot among major Southeastern markets, generating a draw for these regional buyers that are cost-conscious. Manufacturing assets could gain additional popularity among these buyers as companies like Bosch Rexroth take up 100,000-square-foot-plus spaces in South Charlotte. Meanwhile, private investors are likely to continue seeking warehouse assets in areas like North Charlotte, where there is an abundance of inventory, including high-vacancy assets that could present upside opportunities.

2024 MARKET FORECAST

NIPI RANK 2 *Increasing revenue, paired with household formation and a limited change to vacancy, contribute to Charlotte’s high rank.*

- +2.2%** **EMPLOYMENT:** Charlotte will welcome 30,000 new jobs on net this year, a slight slowdown from 2023’s addition. The metro will claim the fourth-fastest pace of job growth among major markets.
- 5.3 million sq. ft.** **CONSTRUCTION:** Development will temper this year as inventory expands by just 1.6 percent, the metro’s second-slowest pace since 2016. Rowan County expects the largest volume of this new space.
- +20 bps** **VACANCY:** Easing construction will place less upward pressure on vacancy in 2024. The rate will still increase to 6.2 percent, but stays below the prior decade-average of 6.7 percent.
- +5.8%** **RENT:** By the end of 2024, the average asking rent in Charlotte will have nearly doubled since 2019. The measure will close out December at \$8.67 per square foot.

INVESTMENT: *Investment activity could pick up in Charlotte this year as the Port of Savannah continues to add container terminals. The metro also offers access to other ports, like the Port of Virginia and of Charleston.*



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

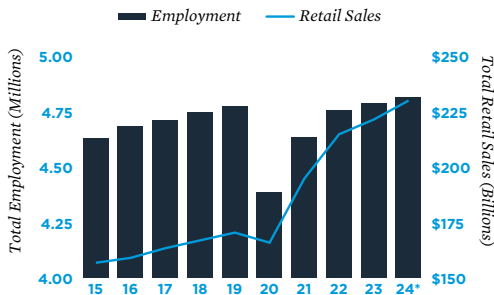
CHICAGO

Western Suburbs Headline Metrowide Performance, Prompting Additional Investment Activity

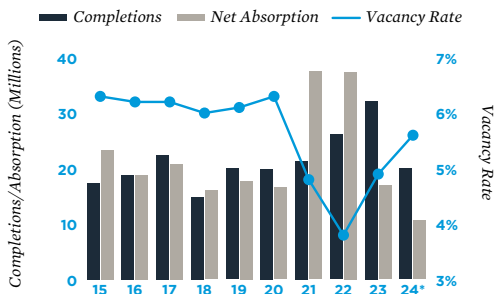
Historically tight conditions preserved in western suburbs. Following record-low vacancy across the Chicago metro in 2022, the marketwide measure rose last year. This trend is anticipated to carry forward through 2024 amid easing demand for warehousing space, as a result of a softer economic outlook. The western suburbs, however, have continued to exhibit strengthening demand. Last year, space absorbed in Western DuPage County and Aurora was largely accounted for by logistics firms. Farther west, Amazon's new fulfillment facility and Meta's data center collectively accounted for 1.6 million square feet of space leased in DeKalb. Meta's move-in marked the first of the company's three new facilities in the area, the remaining two of which will be occupied by early 2025. Considerable corporate commitment here extends beyond the e-commerce and tech sectors, as Kraft Heinz will take up a 775,000-square-foot distribution center this fall, helping maintain strong fundamentals across the submarket. Entering 2024, vacancy here was below 3 percent, while double-digit rent growth was recorded for the second time in the last three years.

Airport areas garner the lion's share of investment activity. Concurrent with strong property performance and a long-term demand outlook in Chicago's western suburbs, the area garnered a substantial portion of overall trading activity again last year. Preliminary data suggests that this trend has continued, as a number of warehousing facilities near the DuPage Airport changed ownership in early 2024. As a regional hub for Midwestern distribution, similar dynamics in the O'Hare area drive velocity here. Distribution and warehousing facilities near the Midway Airport, along the Interstate 55 Corridor, also foster investor attention amid connectivity across the Midwest.

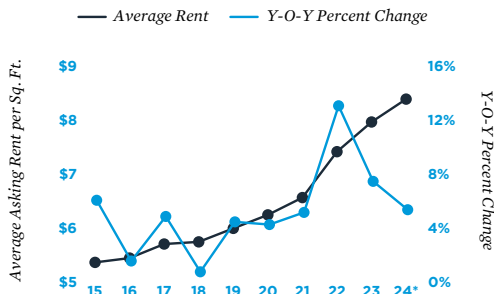
Economic Trends



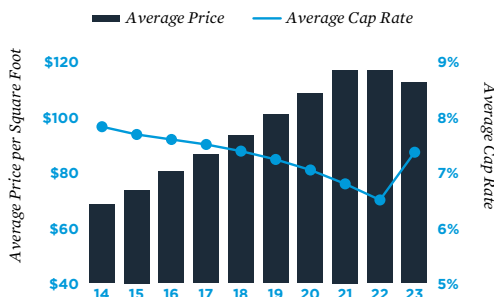
Supply and Demand



Rent Trends



Sales Trends



2024 MARKET FORECAST

NIPI RANK 21 *Limited employment and household growth amid elevated vacancy weigh on Chicago's industrial ranking for 2024.*

+0.6% **EMPLOYMENT:** Chicago's workforce expands by 28,000 in 2024. This may assist manufacturing employment in returning to its 2019 level, entering the year 0.7 percent under that standing.

20 million sq. ft. **CONSTRUCTION:** Following 2023's record-high completion total, this year's delivery slate will be 12 million square feet smaller. Overall inventory is expected to expand by 1.6 percent in 2024.

+70 bps **VACANCY:** Chicago's vacancy rate lifts to 5.6 percent this year. Despite a second straight period of upward momentum, the measure remains 20 basis points below its trailing decade-long average.

+5.3% **RENT:** Tight conditions will continue to propel rents faster than historic norms. This year's lift brings Chicago's average asking rent to \$8.36 per square foot, about 40 percent above its 2019 rate.

INVESTMENT: *Pricing adjustments and prospects for lower borrowing costs should garner additional velocity this year. In 2023, Chicago's asking price per square foot fell 3.6 percent to \$112 on average.*

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

Expanding Corporations Opt for Newer Space, Placing Some Pressure on Vacancy as Construction Rises

Older buildings weigh on vacancy. As companies upgrade operations, modern spaces with automation capabilities are being favored, reflected in the 90 percent pre-leasing of 2024’s construction pipeline as of this February. As such, older buildings will continue to pressure the metro’s vacancy rate, despite some obsolete properties being acquired for reuse. Nautica Entertainment, for instance, has proposed an indoor concert venue at the former Globe Iron Works site on the west bank of The Flats, which would redevelop the historic building and demolish nearby unoccupied structures. More manufacturer expansions into new or upgrade spaces, similar to Ford’s ongoing \$1.5 million investment in its Ohio Assembly Plant to include EV production, may follow as the resolution of the autoworkers’ strike has renewed sector confidence.

Investors focus on well-connected counties and low-vacancy inner areas. Deal flow in Cleveland fell last year, but was still slightly above the trailing 10-year average. Investors were cautiously active in the opening months of 2024, which may carry forward, especially as financial conditions loosen. Warehouses in Stark and Medina counties, with proximity to Akron, Cleveland and Columbus via Interstate 71, are likely to garner investor interest. The submarkets had vacancy rates of 1.2 and 3.1 percent, respectively, entering 2024, and expect nominal supply additions this year. Buyers could also be drawn to South Cleveland, where sub-3 percent vacancy and projects like Sherwin Williams’ new 600,000-square-foot Global R&D Center — opening in 2024 — exhibit long-term corporate confidence in the area. Inventory has grown by 8 percent in Southeast Cleveland over the last decade, potentially absorbing tenant demand for new space and drawing buyers looking for modern assets.

2024 MARKET FORECAST

NIPI RANK 24 *Tepid household formation mitigates the positive impact stable vacancy has on Cleveland’s rank for the 2024 Index.*

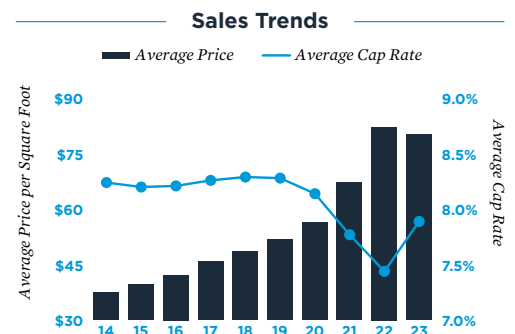
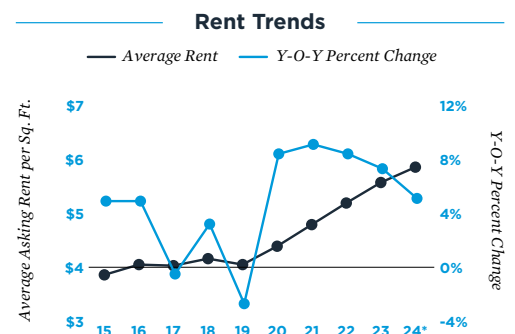
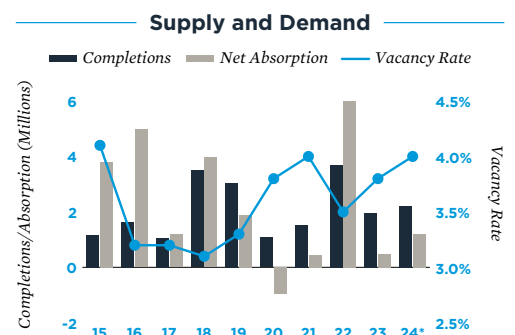
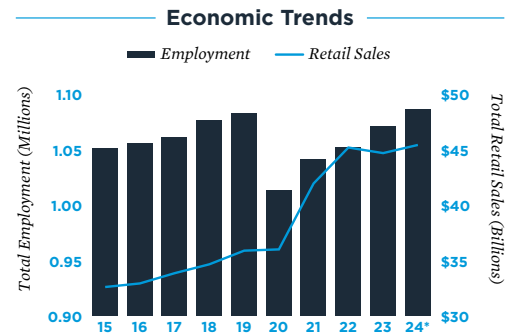
+1.4% **EMPLOYMENT:** Cleveland will add 15,000 jobs in 2024, boosted by recovery in the manufacturing sector after auto worker labor disputes, allowing total employment to surpass its pre-pandemic high.

2.2 million sq. ft. **CONSTRUCTION:** Inventory will expand by 0.5 percent in 2024. The Avon International Commerce Park and Sherwin Williams’ R&D center will account for three-fourths of all new square footage.

+20 bps **VACANCY:** For a second straight year, completions will outpace net absorption, pushing vacancy up to 4.0 percent. Still, this rate is 140 basis points below the metro’s average from 2000-2023.

+5.1% **RENT:** Upward rent momentum will moderate this year, but the average marketed rate will still rise to an all-time high of \$5.84 per square foot, driven by strong growth in South Cleveland.

INVESTMENT: *Yield-driven out-of-state buyers could be increasingly active in Cleveland. The metro’s mean cap rate was the highest among major U.S. markets in 2023, paired with the lowest average price per square foot.*



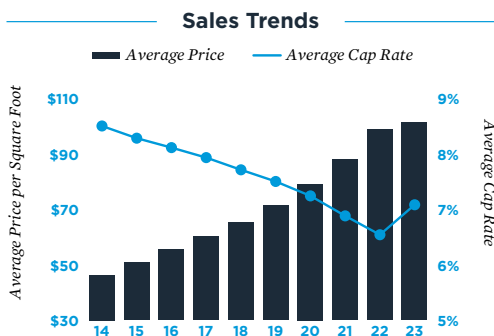
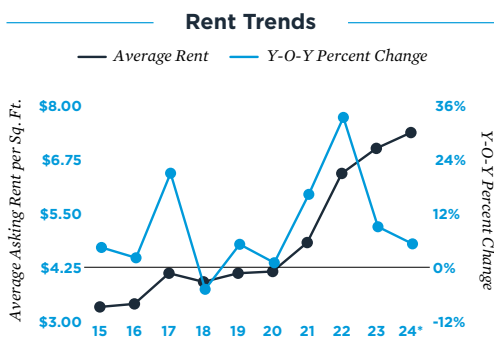
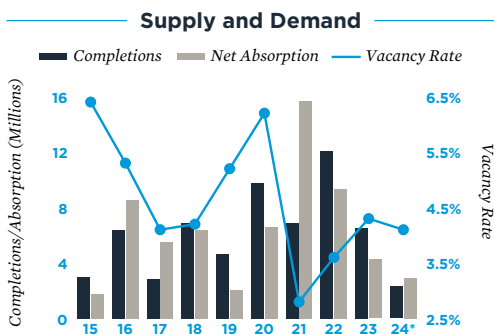
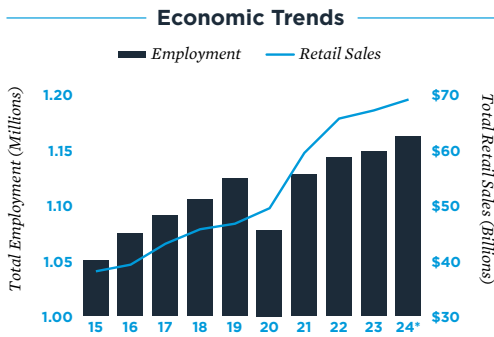
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Decreasing Vacancy Distinguishes Columbus On a National Scale, Enticing Investors

Slowing construction allows supply and demand to realign. More than 35 million square feet of space came online from 2020-2023 in Columbus. While vacancy reached a record low in 2021, deliveries have elevated the metric over the last two years. This trend will reverse in 2024, however, as the metro expects its slowest pace of stock growth since 2012, making Columbus one of two major U.S. markets that will log decreasing vacancy. Over the next half-decade, the metro expects several major industrial projects to deliver, including Intel's semiconductor factories in New Albany and data centers for Google, Microsoft and Amazon. Corporate investments like these have highlighted Columbus' central location and led suppliers to take up nearby space. Distribution-oriented firms will also expand into Central Ohio buildings this year, illustrated by ODW Logistics moving into a 540,000-square-foot facility in Lockbourne.

Investors find opportunities in growing rural areas. As Central Ohio gears up to welcome numerous corporate investments, buyers could be motivated to establish a footprint in the metro. By the end of 2024, Honda and LG Energy Solution's electric vehicle battery plant will be fully operational in Jeffersonville. Situated along Interstate 71, investors could target warehouse and distribution space in southwest areas like Grove City that are ideal for suppliers. Shell-condition assets in Licking County could also draw investment as the submarket sees dropping vacancy, and buyers find upside opportunities near the underway Intel development in New Albany. Close-in warehouses near roadways like Interstates 70, 670 and 71 are likely to stay sought after in 2024 as corporate investments and a growing population necessitate well-connected storage space for both construction and retail-related firms.



2024 MARKET FORECAST

NIPI RANK 4 *Decreasing vacancy and strong revenue growth place Columbus in the top five highest ranked markets for 2024.*

+1.2% **EMPLOYMENT:** Columbus welcomes 14,000 jobs in 2024, a positive sign after hiring slowed in 2023. The trade, transportation and utilities sector could note a rebound after a 6,000 role loss last year.

2.3 million sq. ft. **CONSTRUCTION:** Completions reach an 11-year low, expanding inventory by just 0.8 percent in 2024. The warehouse and distribution space coming online is well dispersed among outer counties.

-20 bps **VACANCY:** Moderating construction allows demand to catch up, pushing vacancy down to 4.1 percent. Licking County will lead this compression, building off the area's 500-basis-point drop last year.

+5.2% **RENT:** The pace of rent growth will slow in 2024 after three years of rapid gains. Columbus' average asking rent will be \$7.36 per square foot by year-end, more than \$3 higher than the 2019 level.

INVESTMENT: *Investors looking for new space may target assets in Southeast Columbus or Licking County. The submarkets have each seen their total inventories increase by over 15 million square feet in the last 10 years.*

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

Less Construction Will Help the Market Rebalance Medium-Term but Supply Overhangs in 2024

Decade-low pace of new supply may aid recent arrivals. The 48.3 million square feet of industrial space that finalized in Dallas-Fort Worth last year was the largest annual addition for any major U.S. market since the turn of the century. For context, more than 10 percent of industrial space delivered nationally in 2023 was located in the Metroplex. That historic supply wave expanded available stock to an all-time high entering 2024, although pressure is more visible among larger spaces. Developers are tapping the brakes in response, as incoming supply has to contend with recent arrivals trying to secure tenants. This year's completion total eases to less than half of 2023's addition, and as of this March, less than 1 million square feet was underway with opening dates set for 2025 and beyond. Smaller properties should continue to be more insulated as well, with sub-100,000-square-foot properties comprising less than 8 percent of the space set to finalize this year. Overall vacancy will rise again in 2024; however, the ingredients are in place for supply and demand to realign in the medium-term. Locations like East Dallas and South Fort Worth are also absorbing new supply relatively well.

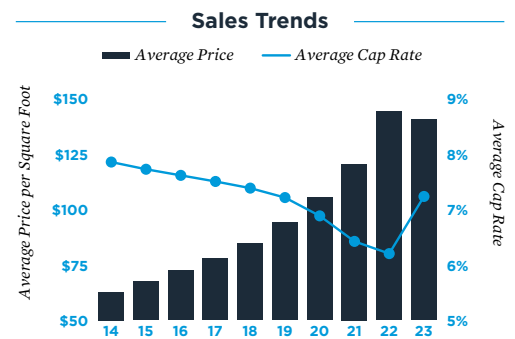
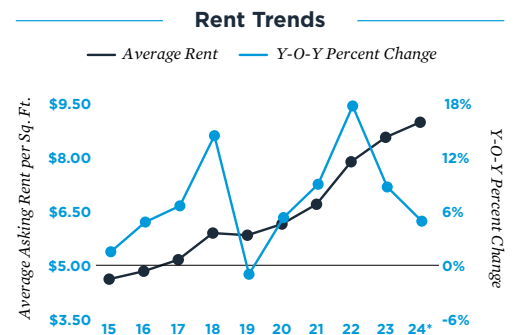
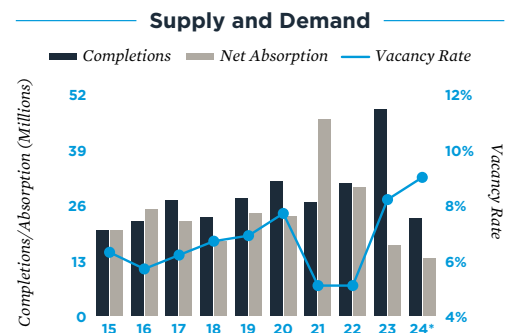
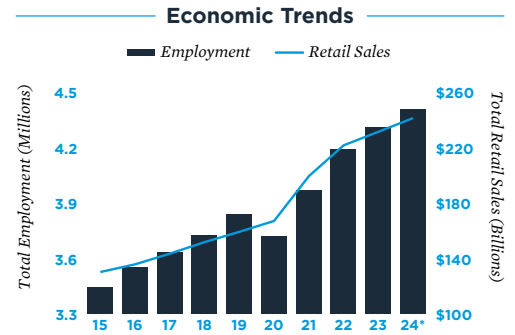
Price discovery ongoing after historic five-year surge. Dallas-Fort Worth's favorable economic growth trends, and its cache of modern industrial facilities, generate robust private and institutional buyer attention. From 2017-2022, the mean sale price per square foot nearly doubled, rising by an average of 12.3 percent per annum. As supply-side pressures became more pronounced while debt costs rose in 2023, however, that measure fell for the first time since 2009. Price discovery will continue, but greater capital markets stability should provide aid this year. Acquisition opportunities may emerge as owners assess near-term hurdles and opt to capture recent appreciation.

2024 MARKET FORECAST

NIPI RANK 10 *The pullback in construction amid nation-leading job growth helps Dallas-Fort Worth secure a top-10 rank in the Index.*

- +2.3%** **EMPLOYMENT:** Metroplex job gains dip below 100,000 new positions for the first time since 2020. Dallas-Fort Worth still leads the country in net employment growth for a second straight year.
- 22.8 million sq. ft.** **CONSTRUCTION:** Dallas-Fort Worth's supply volume this year ranks as the second-largest nationally, after leading the country in 2023. Inventory growth of 2.4 percent, however, is an 11-year low.
- +80 bps** **VACANCY:** Despite a notable deceleration in supply-side pressure relative to recent spans, net absorption will be at its lowest level in 12 years. This keeps vacancy moving up to 9.0 percent.
- +4.9%** **RENT:** The pace of rent growth will soften to a five-year low, but will remain above the historic mean of 3.5 percent. Dallas-Fort Worth's average asking rate increases to \$8.96 per square foot.

INVESTMENT: *Buyers focused on areas with the slowest inventory growth in recent years may target South Stemmons and the Mid-Cities. Conversely, North Fort Worth and South Dallas are headlining the supply surge.*

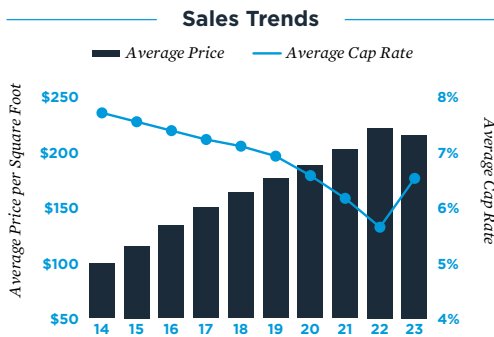
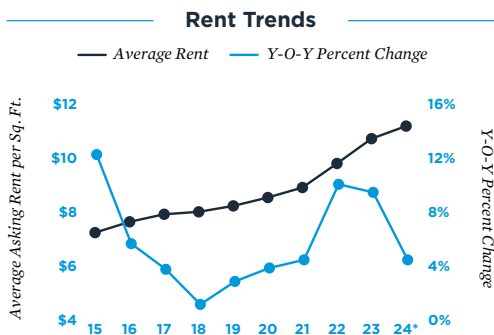
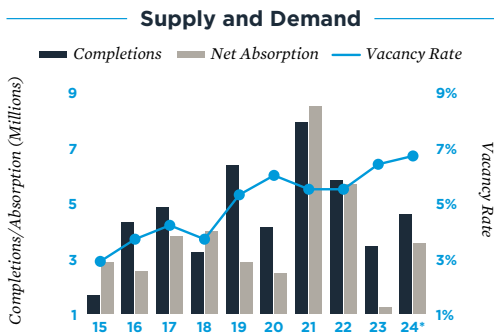
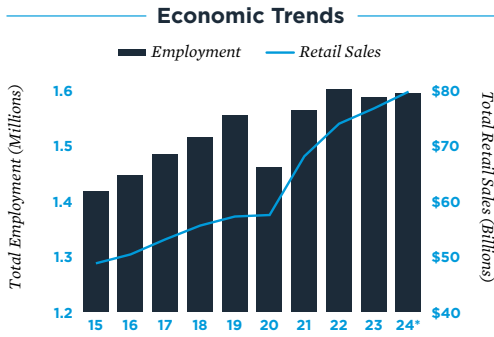


* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Major Firms Continue Building a Presence in Denver, Prompting Resumed Institutional Intrigue

Denver International Airport draws in corporate commitments. Over the last two years, organizations like Shamrock Foods Company, Lowe’s, Subaru Corporation and FedEx have taken up space near Denver International Airport (DIA). This comes as total cargo volumes at DIA remain 1.4 percent ahead of pre-pandemic levels. Long-term initiatives, including Vision 100 and Operation 2045, will continue to drive corporate commitments here moving forward. In 2024, Whole Foods Market, Dollar General and PepsiCo are set to occupy a collective 2.25 million square feet near DIA. This dynamic should maintain demand from supporting industries in Northeast Denver and Northern Aurora, which each recorded rent growth of over 15 percent in 2023. Marketwide, however, fundamentals are softening. Above market average rents in the South, Southwest and Western corridors contributed to net space relinquishments last year. An uptick in deliveries during 2024 also weighs on vacancy, causing total vacant stock to exceed 15 million square feet for the first time in more than two decades.

Institutional sentiment improves while private investors target South Denver. Amid financing headwinds, institutional capital remained largely on the sidelines across greater Denver last year. A clearer outlook entering 2024, however, is prompting these firms to resume investment initiatives. Preliminary data indicates a number of sizable portfolio deals closed near DIA early this year. Private investors trading properties below the \$5 million threshold, however, are more active in South Denver. Manufacturing and warehousing facilities here benefit from the strategic positioning along Interstate 25, connecting to Colorado Springs and Fort Collins, while local vacancy stood 320 basis points below the metro rate entering 2024.



2024 MARKET FORECAST

NIPI RANK 27 Recent employment trends and rising vacancy lower Denver’s ranking in the Index for this year.

+0.5% **EMPLOYMENT:** Following a loss of 14,300 jobs last year, employers are set to add 8,500 positions on net in 2024. This will bring the metrowide workforce total nearly 40,000 roles ahead of 2019.

4.6 million sq. ft. **CONSTRUCTION:** Denver’s delivery slate will be 1.2 million square feet larger than in 2023. The resulting 2.0 percent lift to inventory is below the metro’s 2.7 percent trailing five-year average.

+30 bps **VACANCY:** Metrowide vacancy rises again in 2024, following last year’s 90-basis-point hike. Reaching 6.7 percent by December, this will be the rate’s highest year-end point since 2011.

+4.4% **RENT:** Concurrent with upward vacancy momentum, the pace of rent growth decelerates this year as the overall average rate rises to \$11.14 per square foot in 2024.

INVESTMENT: Western Denver’s tight conditions and accessibility to major thoroughfares connecting to mountain region metros may garner investor interest this year. Local vacancy stood below 3 percent entering 2024.

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

Motor City Weathered 2023 Labor Disputes and Enters the Year With Balanced Industrial Outlook

Detroit continues streak of stability. While many markets have seen recent dramatic swings in vacancy, Detroit’s rate has stayed in the low-3 to low-4 percent range since 2015. Nearly 48 million square feet of space came online during this nine-year span, exhibiting the metro’s ability to absorb new supply with a minimal impact to vacancy. Consistently low available space in the Detroit Airport-Interstate 275 area and northeast Detroit — the metro’s two largest submarkets by inventory — has been a contributing factor to this stability. These areas also host roughly half of 2024’s delivery slate, most of which is pre-leased. While autoworker labor disputes significantly slowed net absorption in the fourth quarter of 2023, the strike was resolved entering this year with a four-year contract. Together, these dynamics are poised to facilitate one of the only overall vacancy compressions among major markets in 2024. This may encourage industry-related firms to follow through on planned moves or expansions. Automotive parts suppliers like Autokiniton and MSC Industrial Supply have already signed leases for 2024 move-ins.

Efficiency boost to Canadian trade could draw investors. Buyers are likely to stay active in northeast Detroit this year. The submarket holds the lowest vacancy rate among all U.S. submarkets with more than 100 million square feet of inventory, and offers proximity to auto manufacturing sites like Stellantis Mack Assembly Plant. Manufacturing and warehouse space was sought here by institutions and private buyers alike last year. Investors could also focus on assets along Interstates 94, 96 and 75 linking to Canada. The Gordie Howe International Bridge, which will open in late 2025, will add six lanes of capacity to help prevent truck bottlenecks from Canada. Anticipating an increase in logistics providers’ storage needs, buyers may target border-adjacent assets.

2024 MARKET FORECAST

NIPI RANK 16 *Limited new supply and decreasing vacancy offset Detroit’s shrinking population, leading to a middle Index slot.*

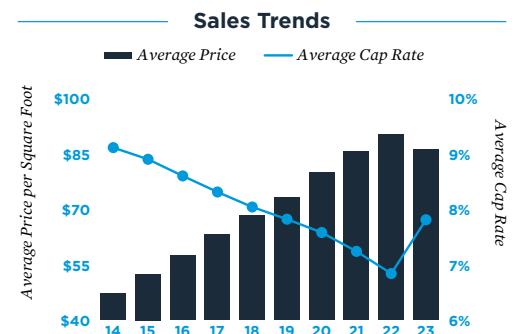
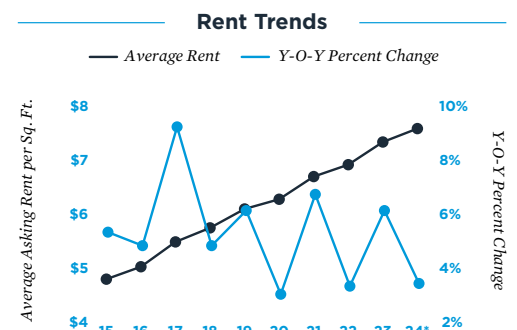
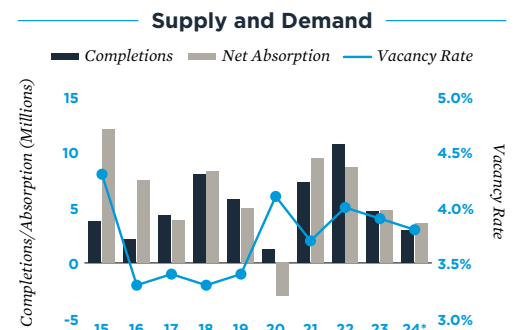
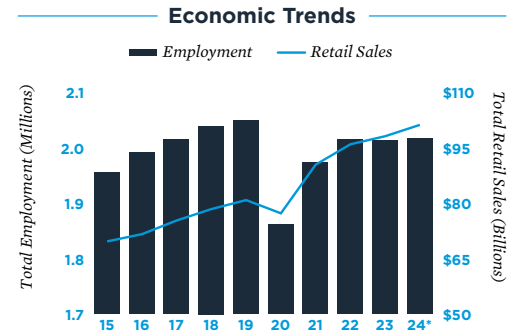
+0.2% **EMPLOYMENT:** Detroit’s workforce contracted last year, but in 2024, roughly 4,000 jobs will be added. The resolution of autoworker labor disputes in late 2023 should aid hiring in the sector.

2.9 million sq. ft. **CONSTRUCTION:** Total inventory will expand by just 0.5 percent in 2024. Harper Woods expects the largest volume of space as the Eastland Commerce Center comes online here.

-10 bps **VACANCY:** Detroit will be one of two major U.S. markets that will log falling vacancy this year as development moderates. Contracting to 3.8 percent, the rate will be the fourth lowest in the country.

+3.4% **RENT:** The mean asking rent will increase to \$7.56 per square foot in 2024, sitting 25 percent higher than its 2019 mark. Gains in Downriver and Royal Oak-Southfield continue to drive rent growth.

INVESTMENT: *Detroit held the fourth-lowest price per square foot among major U.S. markets last year and one of the highest mean cap rates. Paired with stable fundamentals, this could draw increased investment in 2024.*



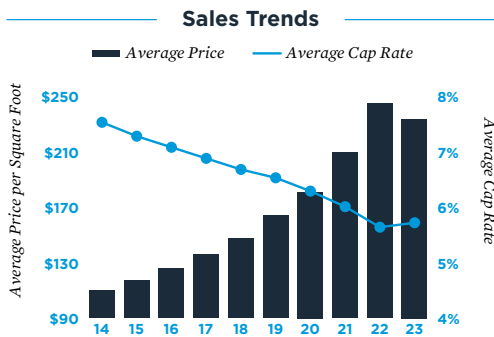
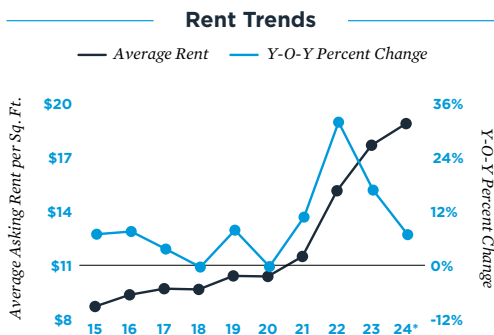
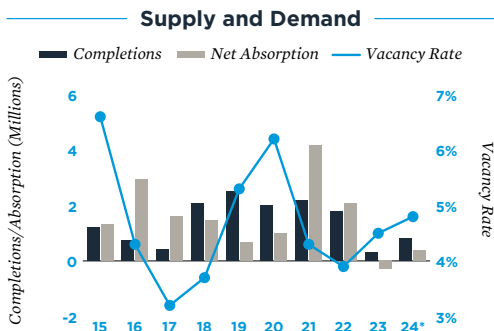
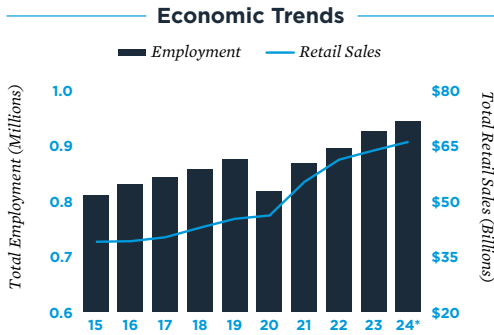
* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

FORT LAUDERDALE

Tenant Demand Expected to Pick Up Following a Slight Slowdown, Motivating Investment

Broward County stands out nationally for impressive rent gains. By the end of 2024, the average asking rent in Fort Lauderdale is expected to be 80 percent — or more than \$8 per square foot — higher than its 2019 year-end equivalent. This is one of the top five fastest paces of growth among major U.S. markets. Proximity to Port Everglades, the Port of Miami and Miami International Airport has driven strong industrial demand since 2020. However, company resilience to rising costs began to show signs of wavering at the end of 2023, with the second half of the year posting negative net absorption. Some of this softness may continue into 2024 as companies evaluate space needs, pushing up vacancy near-term, but little available undeveloped land in Fort Lauderdale will stave off long-term supply pressure. The new space that does come online is generally sought after, illustrated by Informa moving into a recently completed 200,000-square-foot facility near Port Everglades this year.

Long-term tailwinds bolster Fort Lauderdale investment. While vacancy will rise this year following an increase in 2023, Broward County still holds one of the top 10 lowest rates among major U.S. markets. Comparatively tight conditions and standout rent growth will motivate investor interest this year, particularly as the Federal Reserve is expected to implement some interest rate cuts. Multi-asset trades dominated investment activity at the onset of 2024. Specifically, out-of-market buyers from Northeast and West Coast areas were eager to establish a footprint in Central Broward with warehouse properties. Meanwhile, local private investors are likely to retain focus around Hollywood and Pompano Beach, where entry costs can be found below \$200 per square foot for older, high vacancy assets with value-add potential.



2024 MARKET FORECAST

NIPI RANK 3 *Job growth and elevated revenues propel Fort Lauderdale into the top three highest-ranked markets in 2024.*

+2.0% **EMPLOYMENT:** Roughly 18,500 positions will be added in Fort Lauderdale this year, a deceleration from 2023's gain as the manufacturing and construction sectors continue to contract.

800,000 sq. ft. **CONSTRUCTION:** Last year's completion total marked an 11-year low. While the volume of square feet delivered in 2024 will come in higher, four large-scale projects account for most of this total.

+30 bps **VACANCY:** After falling in 2021 and 2022, vacancy will rise for the second straight year in Fort Lauderdale. The rate will reach 4.8 percent by December, still 40 basis points below the 2014-2019 mean.

+6.8% **RENT:** The pace of rent growth will decelerate this year as the metric fails to reach double digits for the first time since 2020. The average asking rent will be \$18.84 per square foot by year-end.

INVESTMENT: *Improvements at Port Everglades, including the addition of new cranes to service more large container cargo ships, may motivate additional investment activity around the port this year.*

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

Port Houston Fuels Southeast Rent Surge as Rising Exports Reflect Strong Manufacturing Base

Local container volume starts the year at record high. After normalizing in the latter months of 2023, following all-time high volumes at the Port of Houston earlier in the year, throughput was back on the rise to start 2024. Driven by a 9 percent year-over-year increase in exports, the total container volume at the port surpassed 330,000 TEUs during the opening month of 2024, the strongest January tally on record. Resins and petrochemical commodities were the primary contributor to rising exports, showcasing Houston’s energy-related supply chain prowess. The port also welcomed its largest vessel in history last year, an achievement made possible by ongoing efforts to expand the channel, including opening a new wharf last August. These long-term enhancements to port capacity are driving storage and logistics needs in the area, supporting robust rent growth in the Southeast Corridor. Here, the average asking rate surged by 34 percent in 2023, leading all Houston locations and ranking second among major U.S. submarkets with 100-plus million square feet of inventory. Amid growing costs near the Bay, spillover demand may flow to adjacent areas north and inland.

Retail fulfillment trends command attention. Late last year, Macy’s opened a major distribution center in Tomball, while H-E-B unveiled its largest ever e-commerce fulfillment facility in Katy. Additional move-ins like these are scheduled for this year as Amazon and Target plan to occupy large-scale distribution centers near or beyond the Sam Houston Tollway. Retail fulfillment is following household trends to outer suburbs, a dynamic that should capture investor attention in 2024. Areas with fast-growing populations and corresponding retail development like Cypress-Waller, Katy, Conroe and Rosenberg-Richmond should be focal points for industrial investors as well.

2024 MARKET FORECAST

NIPI RANK 6 *Houston ranks as the strongest industrial market in Texas this year amid improving demand drivers and robust rent growth.*

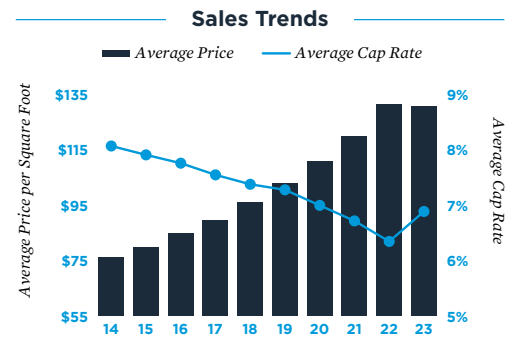
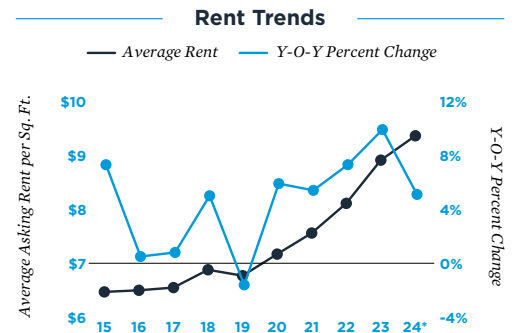
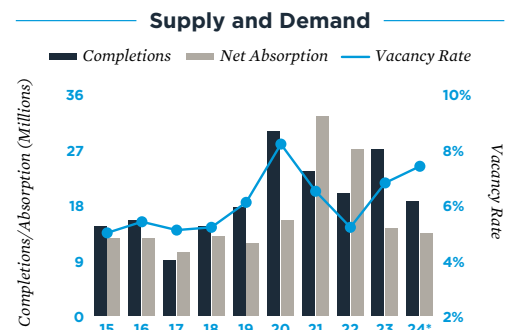
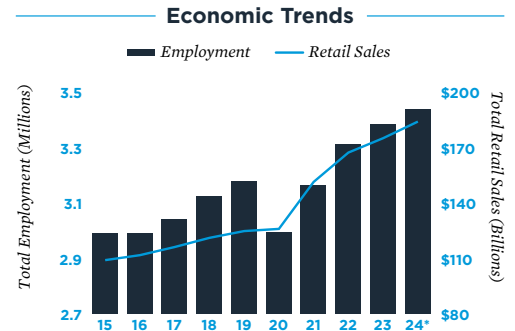
+1.6% **EMPLOYMENT:** Despite easing to a four-year low, the 55,000 jobs added in 2024 still exceeds the historic mean by over 15 percent. That momentum brings the five-year gain to 260,000 new roles.

18.5 million sq. ft. **CONSTRUCTION:** Houston ranks fourth in the U.S. for the total amount of industrial supply delivering in 2024, the same national standing as last year. Market inventory expands by 2.8 percent.

+60 bps **VACANCY:** Following a 160-basis-point hike in 2023, Houston’s vacancy rate rises more modestly to 7.4 percent. Excluding 2020, that marks the metro’s highest year-end rate since 2003.

+5.1% **RENT:** The average asking rent is set to expand by more than 5 percent for a fifth straight year to \$9.35 per square foot. That boost brings the measure more than 38 percent ahead of 2019’s recording.

INVESTMENT: *Houston’s collection of vintage downtown assets may support alternative strategies. In one example, a redevelopment project will convert eight mid-20th century warehouses into mixed-use retail and office.*



* Forecast

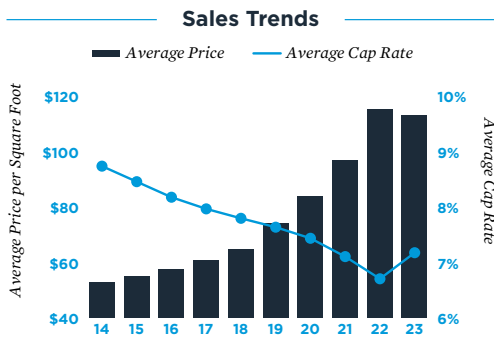
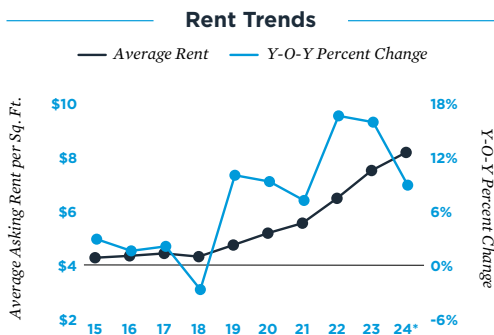
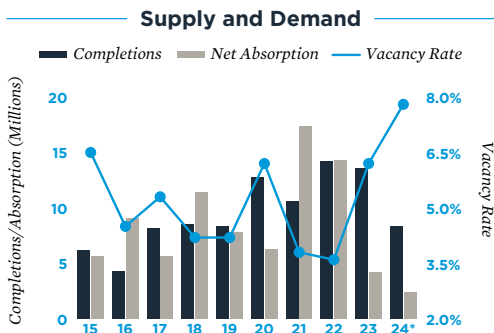
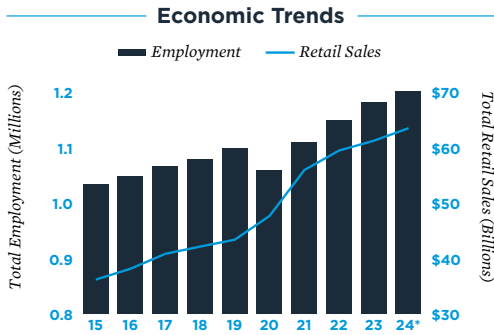
Sources: CoStar Group, Inc.; Real Capital Analytics

INDIANAPOLIS

Logistics and Retailer Demand for Newer Space Tested in the Metro's Two Largest Zones

Conditions differ in epicenters of speculative construction. Indianapolis was one of just seven major industrial markets to add more than 50 million square feet of space over the past four years — a feat that expanded inventory by 18 percent and pushed the number of transportation and warehousing jobs to a record mark. In 2024, the metro once again ranks among the top 10 markets for deliveries, despite a recent pullback in project starts fueled by a slowdown in large-scale leasing activity and construction financing hurdles. Completions, however, are not as widespread as in prior years. Instead, deliveries are concentrated in two areas. In the Plainfield-Avon area, speculative space underway may be well received over the near-term, as local vacancy is more than 300 basis points below its long-term average. Meanwhile, in Johnson County, upcoming completions in Franklin and Whiteland may register a harder time securing tenants as vacancy in the submarket they comprise entered the year 470 basis points above its trailing 10-year average.

Trading concentrated outside the beltway. Historically one of the top tertiary markets for closings, Indianapolis will garner attention from a diverse buyer pool, thanks to its prominent role in the Midwest supply chain. Amid a period of rising vacancy, buyers bullish on the metro's long-term outlook may be in an advantageous position during negotiations, especially if lease-up risk is associated with a listing. Buyers focused on distribution centers and midsize warehouses are likely to target assets in suburbs near Interstate 65, which connects the metro to Chicago. These same investors may also target properties near FedEx Express' cargo hub. Private buyers with a focus on last-mile warehouses, meanwhile, will be active near the Interstate 465 Beltway.



2024 MARKET FORECAST

NIPI RANK 20 *The metro notches one of the nation's strongest rates of revenue growth, despite recording one of the largest vacancy increases.*

+1.7% **EMPLOYMENT:** Indianapolis' workforce grows by 20,000 roles in 2024, allowing the pace of local job creation to exceed the national rate of increase for a third straight year.

8.3 million sq. ft. **CONSTRUCTION:** Delivery volume moderates in 2024; however, the metro's inventory still expands by 2.5 percent. Additions are larger in scope, averaging roughly 250,000 square feet per project.

+160 bps **VACANCY:** A group of sizable speculative projects places upward pressure on vacancy. This lifts the metro's rate to 7.8 percent, which represents the highest mark among major Midwest markets.

+8.9% **RENT:** Despite rising vacancy, positive net absorption is recorded, allowing the average asking rent to reach \$8.16 per square foot. This year's increase exceeds any gain noted between 2001 and 2018.

INVESTMENT: *Downtown and its surrounding neighborhoods are home to the second-lowest vacancy among U.S. submarkets with at least 30 million square feet of stock, a standing that should elicit investment activity.*

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

Infrastructure Enhancements Bolster Both Fundamentals and Investment in Jacksonville

Development holds steady as port upgrades continue. A slate of speculative deliveries will put upward pressure on vacancy, with less than a quarter of square footage scheduled for delivery in 2024 accounted for by late February. Given that this market notes the lowest vacancy rate among major U.S. metros for modern logistics space, Jacksonville is well-positioned to take on these arrivals. Further large-scale supply additions may also be warranted as enhancements to the area’s maritime hub come online. Investment in the Port of Jacksonville is proving to be a major driver of long-term demand growth as the Eastern Seaboard takes on a larger proportion of the nation’s maritime imports. In addition to three new cranes coming online this year, a \$72 million expansion to the port’s Blount Island Terminal will enhance its throughput capacity by roughly 150 percent annually upon completion in 2025. This could drive logistics operators to seek out arrangements in Northeast Jacksonville this year to prepare for the opening of this facility.

Robust deal flow emphasizes Jacksonville’s supply chain importance. Contrasting national trends, and highlighting Jacksonville’s growing prominence as a logistics hub, transaction velocity in 2023 proceeded at a rate comparable to the previous year, exceeding the most active pre-pandemic span by more than 20 percent. Infrastructure upgrades to the Port of Jacksonville may be supporting deal flow; buyers targeting port-adjacent assets are active in North New Berlin, where multiple warehouses have changed hands for less than \$5 million. The Interstate 95 Corridor south of Jacksonville proper should also remain a transaction epicenter, with a number of pre-2000 warehouses trading for less than \$3 million. Furthermore, the metro marks the western terminus of Interstate 10, which should draw investors to the confluence of these two throughways.

2024 MARKET FORECAST

NIPI RANK 13 *Tight vacancy relative to the national average secures Jacksonville an upper-half placement in the 2024 Index.*

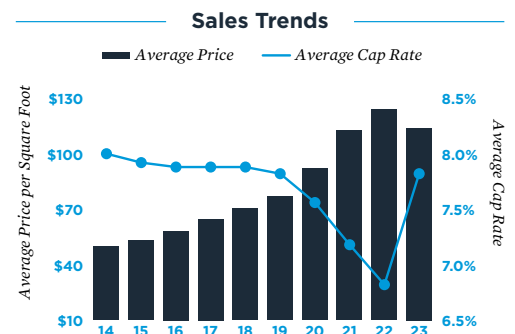
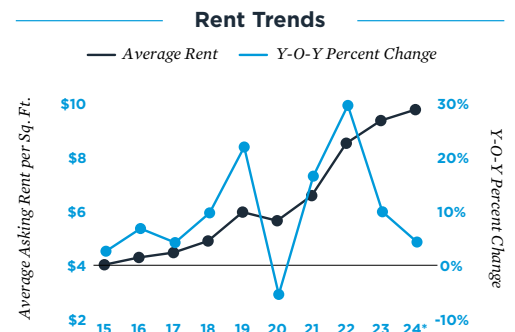
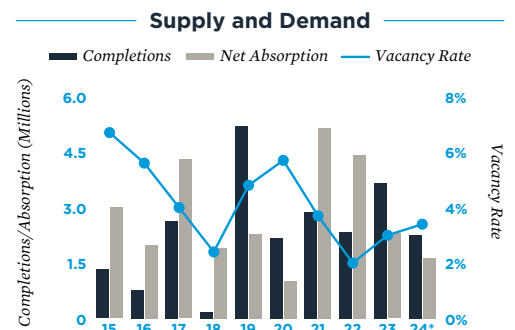
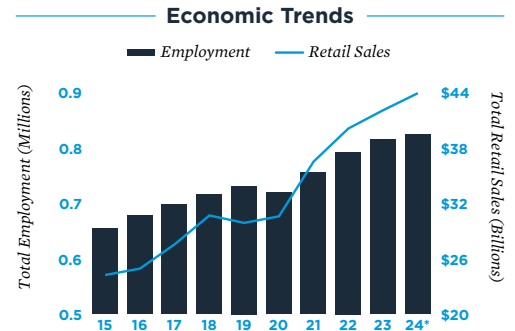
+1.1% **EMPLOYMENT:** Jacksonville’s employment base will expand by a modest 9,000 positions in 2024, the smallest upward movement noted in the market since 2012.

2.3 million sq. ft. **CONSTRUCTION:** Development this year holds roughly in line with the post-2014 annual average. Over 780,000 square feet of this year’s delivery schedule stem from a single project on Zoo Parkway.

+40 bps **VACANCY:** A swath of speculative deliveries results in a near-term bump in the overall vacancy rate to 3.4 percent. Still, this is the second-lowest metric among major metros nationwide.

+4.3% **RENT:** Low vacancy compared to historical norms allows rents to maintain an upward trajectory. The mean marketed rent will close out 2024 at \$9.74 per square foot.

INVESTMENT: *Investors seeking out new builds may look to the Ocean Way or West Side submarkets, which boast a combined 1.7 million square feet under development as of February 2024.*



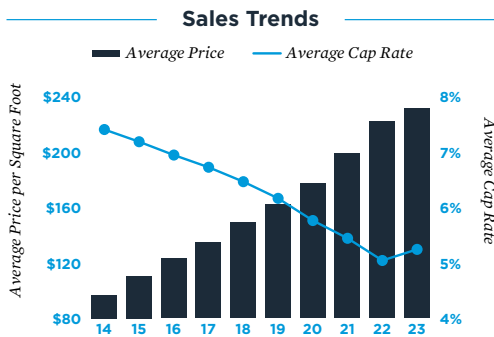
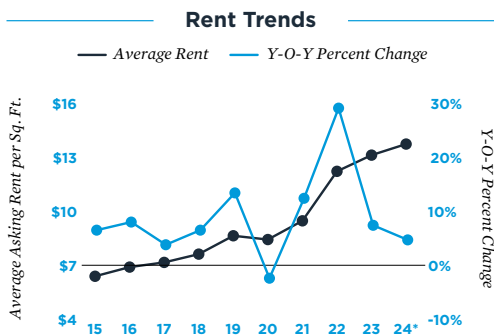
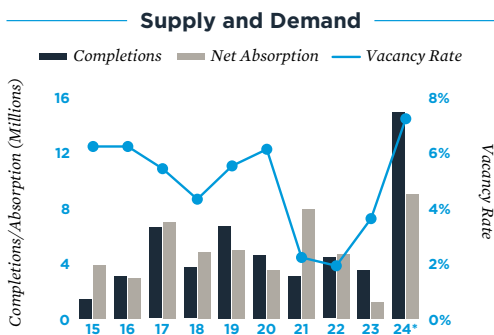
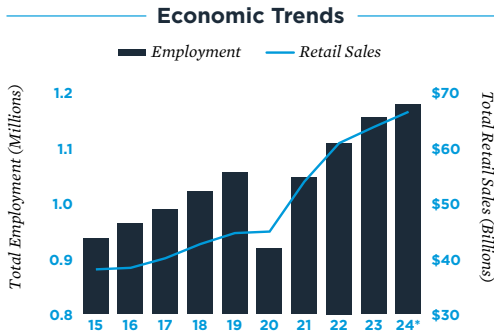
* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

LAS VEGAS

Las Vegas Braces for Unrivaled Supply Infusion; Price Disparity, Growth Lure Outside Buyers

Completions deluge contrasts broader national trend. While Las Vegas is one of the nation’s smallest major industrial markets by inventory, the metro will add the fifth-largest volume of space among this collective during 2024. Deliveries will more than double Las Vegas’ prior annual high of 6.7 million square feet. Four submarkets will add at least 2.5 million square feet this year, highlighted by 20 percent stock boosts in Southeast Las Vegas-Henderson and Speedway, and more than 6 million square feet coming online in North Las Vegas. Nearby, up to 3.8 million square feet is on tap for Outlying Northeast Clark County, an area that contained just 400,000 square feet in 2022. This widespread influx of space, 70 percent of which was available as of February, will place significant near-term pressure on vacancy, doubling the metro’s rate on an annual basis. Beyond 2024, however, many of these properties will secure tenants, as expectations for 10 percent population growth over the next five years will heighten demand for available last-mile warehouse and distribution space.

Regionally discounted pricing an attractant. Average pricing for Las Vegas industrial assets rose by more than 40 percent over the past four years. Still, the metro’s mean price point represents a \$70 to \$140 per square foot discount to Southern California markets, a dynamic that will continue to facilitate a buyer pool notably populated by regional investors. Various industrial property types in the northern portion of the metro that are adjacent to Interstate 15 or Union Pacific’s intermodal facility will be coveted by these investors this year. Warehouses suitable for last-mile operations in the southwest section of the market will also garner competition amid localized residential growth. Entering this year, vacancy in both areas was below the mid-3 percent band.



2024 MARKET FORECAST

NIPI RANK 18 *The national leader in inventory growth, Las Vegas’ ranking is aided by strong household formation and rising retail sales.*

+2.1% **EMPLOYMENT:** After rising by 108,000 positions over the past two years, Las Vegas’ job count expands by 24,000 roles in 2024. This total eclipses gains recorded by all but one California market.

14.9 million sq. ft. **CONSTRUCTION:** At 11.1 percent, Las Vegas registers the fastest inventory growth of any major U.S. market, with local delivery volume besting the prior three-year total of 10.9 million square feet.

+360 bps **VACANCY:** An unmatched influx of speculative projects lifts vacancy to 7.2 percent. While a 10-year high, this rate trails recordings from 2008-2014, when vacancy ranged from 8.8 to 14.8 percent.

+4.7% **RENT:** Following a 56 percent spike over the past three years, the pace of asking rent growth slows amid notable vacant stock expansion. This places the year-end average at \$13.70 per square foot.

INVESTMENT: *Contrasting other parts of the metro, East Las Vegas, including the airport, records minimal deliveries in 2024. This and recent vacancy compression should fuel investor demand for local warehouses.*

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

Vital Link in the National Supply Chain Remains One of the West Coast's Least Vacant Markets

Port volumes poised to improve, following volatile period. Los Angeles' industrial sector entered 2024 in a more favorable position than last year, when contract negotiations between dockworkers, terminal operators and shipping companies shifted the movement of some goods to Gulf and East Coast ports. With a six-year labor agreement now in place, a rebound in cargo volumes is likely, especially if an East Coast labor strike occurs. If this dynamic materializes, demand for warehouse and distribution space near inland intermodal terminals and local industrial hubs would be fortified, a boon for speculative projects in the San Gabriel Valley and South Bay. Both areas collectively account for three-fourths of the 5.4 million square feet slated for delivery countywide this year. Apart from these industrial-heavy zones, no other submarket is expected to receive more than 900,000 square feet of new space, limiting local supply-side pressure. A moderate increase in overall vacancy is anticipated as a result, with the metro's year-end rate ranking below average for a market that houses a major port.

Broad transaction tax has less pronounced impact on sector trading. Deal flow in Los Angeles County was down markedly by its historical standards last year; however, the metro still logged the most industrial closings of any major U.S. market. Of note, 20 percent of recent trading occurred in the city of Los Angeles, an area where overall commercial real estate sales activity has been restrained by Measure ULA. Fortunately for buyers, many warehouse and manufacturing assets command less than \$5 million here, exempting these properties from the transaction tax. Moving forward, this should facilitate deal flow here, with buyers also active in South Bay, San Gabriel Valley and areas adjacent to the city where sub-\$300 per square foot pricing remains common.

2024 MARKET FORECAST

NIPI RANK 30

A decline in asking rent is offset by mild supply growth, enabling the metro to outrank two other California markets.

+0.9%



EMPLOYMENT: After surpassing the national employment growth rate last year, Los Angeles' pace trails the U.S. recording during 2024 as employers expand the local workforce by 43,000 jobs.

5.4 million sq. ft.



CONSTRUCTION: Delivery volume reaches a six-year high; however, inventory grows by just 0.7 percent. Most properties scheduled for 2024 completion comprise less than 200,000 square feet.

+90 bps



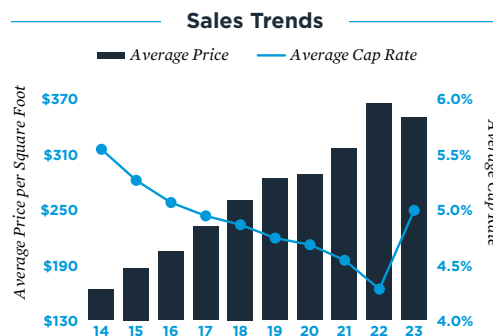
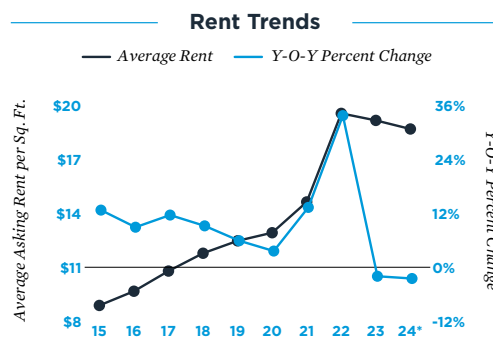
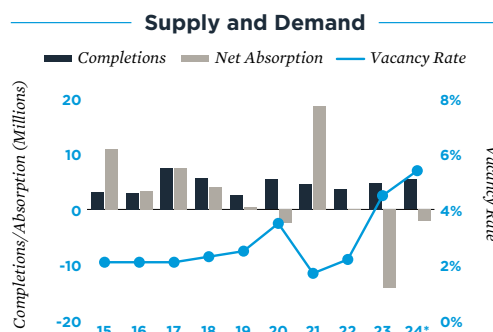
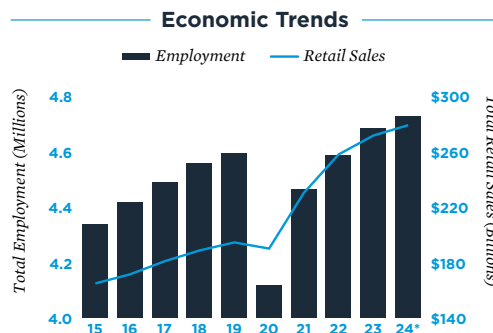
VACANCY: Upward vacancy momentum continues in 2024 as new supply outpaces demand. At 5.4 percent, the metro's year-end rate is more than double the trailing 10-year average.

-2.5%



RENT: Amid 12-year high vacancy, a moderate decline in asking rent is noted. While the metro's average falls to \$18.65 per square foot, this rate represents the sixth-highest nationally.

INVESTMENT: *San Fernando Valley is home to the second-lowest vacancy among U.S. submarkets with more than 100 million square feet of stock. This standing and its nominal pipeline will fuel buyer demand for listings.*



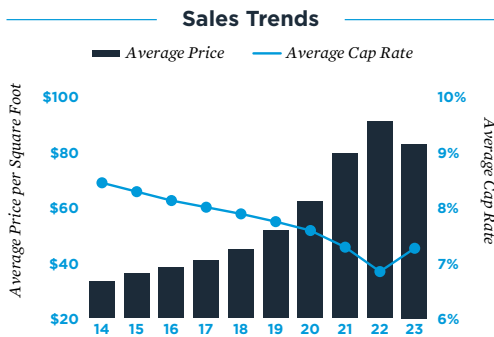
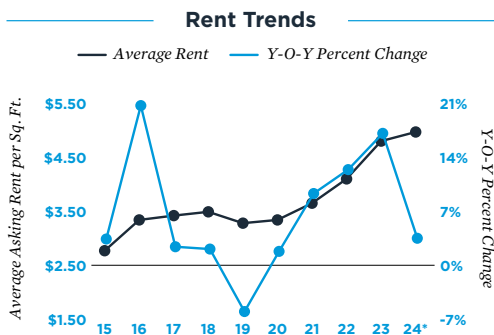
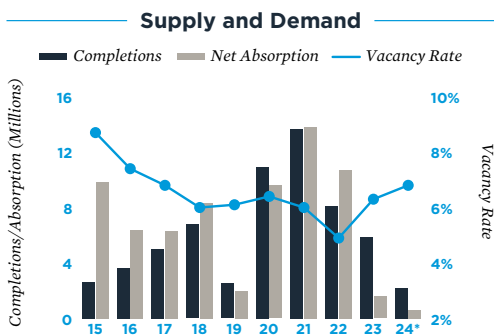
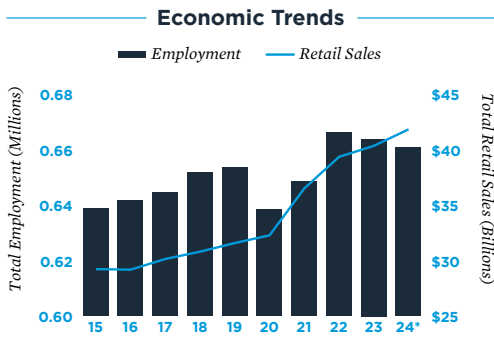
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

After Ranking Top Five for Rent Growth Last Year, Momentum in Memphis Will Taper in 2024

Supply and demand both contract relative to recent norms. The local industrial sector is experiencing a transition period as developers and tenants each respond to a post-pandemic normalization in consumer behavior. Spurred by an online shopping boom and international supply chain snarls during the health crisis, inventory additions from 2020-2023 totaled 38.6 million square feet, met with net absorption of roughly 35.7 million square feet. Now in 2024, supply additions and net absorption each decline to decade-plus lows. The reduction in demand will be slightly more extreme than the slowdown in construction, however, resulting in a second straight annual vacancy increase. Nevertheless, the rate holds nearly 300 basis points below the metro's long-term mean, allowing the average asking rate to remain on an upward trajectory after ranking fourth among major U.S. markets for rent growth last year. Marshall County and Northeast Memphis have been the most resistant to the ongoing slowdown, each registering vacancy drops last year. Marshall County's access to Interstate 22 and Northeast Memphis' proximity to Interstate 40 reinforce tenant demand.

Relatively higher yields backstop lower deal flow, DeSoto County a focal point. Memphis' average cap rate of 7.3 percent last year was the second highest of any major U.S. market not located in the Midwest. Higher yields help alleviate transaction hurdles during a span of elevated debt costs, allowing deal flow in Memphis to hold steady between the first and second halves of 2023. Relative to the prior year, transaction activity nevertheless decreased by more than 50 percent. DeSoto County, however, recorded more trades last year than it did in 2022. Class A and B warehouse and distribution facilities here are generating attention, particularly near the Olive Branch Airport.



2024 MARKET FORECAST

NIPI RANK 28

Softer net absorption and rent growth, coupled with job market headwinds, place Memphis below other metros in the Index.

-0.5%



EMPLOYMENT: Job market headwinds continue this year with the loss of 3,000 positions after 2,500 roles were shed in 2023. Headcount reductions have been most notable in office-using sectors.

2.2 million sq. ft.



CONSTRUCTION: Annual completions fall below 3 million square feet for the first time since 2019. The resulting inventory growth of 0.7 percent also marks the smallest expansion in 12 years.

+50 bps



VACANCY: Net absorption will fall roughly 4 million square feet short of the historic average in 2024, sustaining upward vacancy pressure. Memphis' rate will rise to 6.8 percent by year-end.

+3.5%



RENT: Following a combined 44 percent surge from 2021-2023, Memphis' average asking rate increases by a more sustainable pace this year. That growth brings the measure to \$4.96 per square foot.

INVESTMENT:

Warehouses that changed hands last year were 25,000 square feet smaller on average than in 2022. Buyers may target smaller assets in Southeast Memphis for proximity to retailers and consumers.

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

Logistics Firms Take up Space, Mitigating the Impact of Construction and Driving Up Rents

The metro maintains nationally low vacancy, despite supply pressure. While rising from last year's record low, vacancy in Miami-Dade will be the third-tightest rate among major U.S. markets in 2024. All of the metro's five submarkets with more than 10 million square feet of inventory entered 2024 with sub-4 percent vacancy rates, a reflection of the widespread demand that exists among tenants. Still, some pressure may emerge in North Miami Beach this year as 40 percent of the space slated for delivery metrowide comes online here. Outer Miami-Dade, which hosts 8 million square feet of existing space, will also see climbing vacancy as over 1.1 million square feet delivers here. While the submarket has recorded flat-to-positive net absorption since 2018, new supply will exceed space demand this year. Long-term, however, supply pressure across the metro will ease as demand from manufacturing, distribution and logistics firms stays strong, illustrated by 2024 move-ins from companies like TSS Logistics, Ocean Doors & Windows, Inc., and Fulfillment Hub USA.

Nationally elevated rent growth draws buyers. Transaction activity in Miami-Dade slowed last year from record levels recorded in 2021 and 2022, but was still well above the 10-year average preceding the pandemic. Investors will likely stay active in 2024 as Miami-Dade claims the fourth-highest average asking rent in the country and has one of the fastest paces of rent growth. Investors willing to pay a premium for warehouse space will likely focus on properties in the areas surrounding Miami International Airport, where asking rents rank as the highest among local submarkets. Meanwhile, buyers looking for assets priced below the metro's mean could target inland suburbs like Hialeah, Medley and Miami Lakes, where properties can be acquired in the low- to mid-\$200-per-square-foot range.

2024 MARKET FORECAST

NIPI RANK 1 *Miami-Dade claims the top spot on the 2024 Index, driven by strong hiring, nationally high revenue growth and low vacancy.*

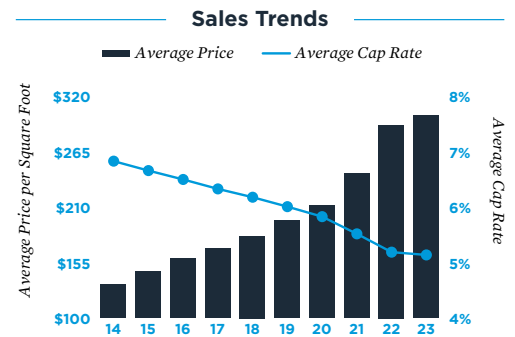
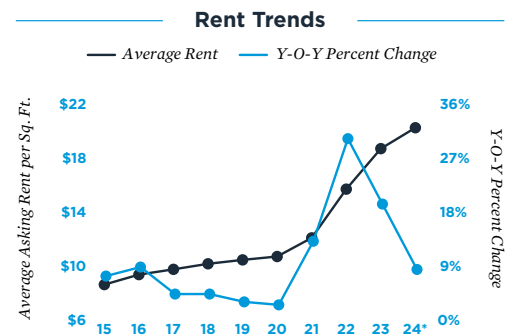
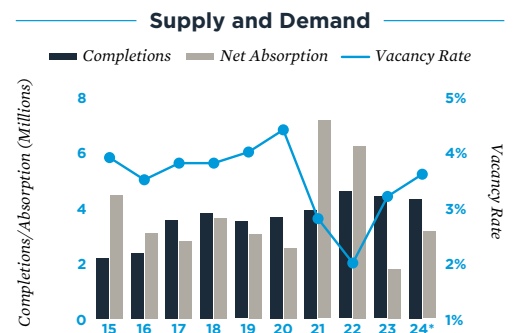
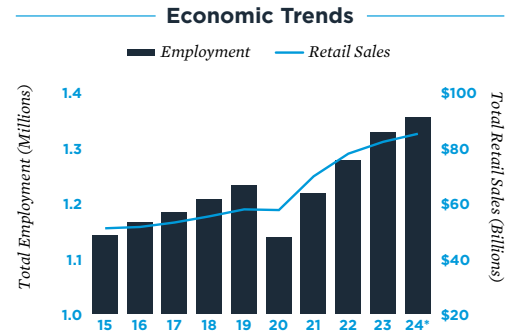
+2.1% **EMPLOYMENT:** Hiring will slow in Miami-Dade this year as just 28,000 roles are added on net. Still, the metro's workforce will sit 124,000 jobs over the 2019 count.

4.3 million sq. ft. **CONSTRUCTION:** For a third straight year, more than 4 million square feet of space will come online in the metro. Warehouses that average over 100,000 square feet make up most of the pipeline.

+40 bps **VACANCY:** In early 2023, vacancy fell to a multi-decade low, but elevated construction will place some upward pressure on the metric this year. By the end of 2024, the measure will be 3.6 percent.

+8.3% **RENT:** By December, the average asking rent will have nearly doubled in Miami-Dade since 2019. The mean marketed rate will close the year at \$20.15 per square foot.

INVESTMENT: *Buyers seeking newer space in growing areas could focus on outer Miami-Dade, where total inventory rose by 6.6 million square feet from 2018-2023. Prior to 2018, the area had less than 1 million square feet.*

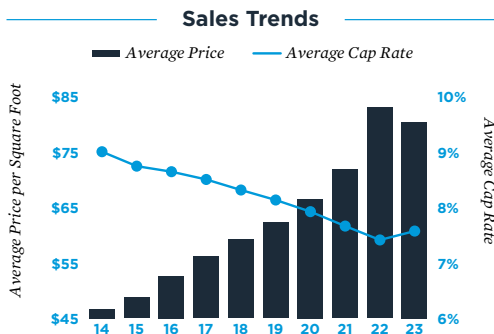
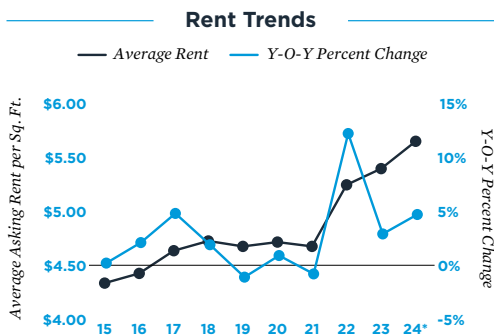
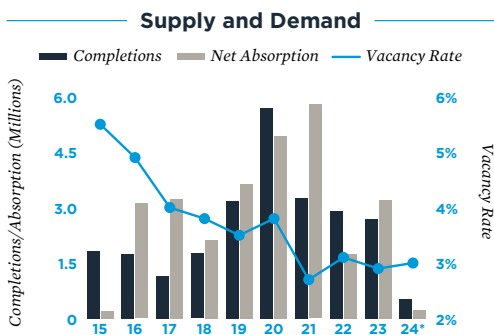
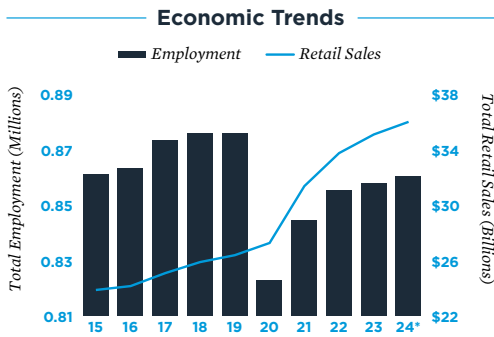


* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Buoyed by Waukesha County, Milwaukee is the Least Vacant Major U.S. Industrial Metro

Construction plunge keeps available space scarce. Milwaukee entered this year as the only major U.S. industrial market with a vacancy rate below 3 percent. That tightness is underscored by Waukesha County, the second-largest local submarket by inventory with an advantageous location that features access to Interstates 94 and 43, as well as proximity to some of the metro’s most affluent suburbs. This helps the area maintain exceptionally tight conditions, despite having the highest average asking rent in the market. In fact, Waukesha County’s 0.6 percent vacancy ending last year ranked as the lowest of any submarket in the country with at least 25 million square feet of local supply. Available space will remain limited here and across the metro as a whole this year as development contracts. While more than 2.5 million square feet opened each year from 2019-2023, the completion total plunges to just 530,000 square feet in 2024. Tight conditions and a lack of supply-side relief should direct expanding tenants to existing space and support rent growth above the national average this year.

Strong fundamentals and higher yields mitigate hurdles. While national deal flow fell during the second half of 2023 relative to the opening six months, trading in Milwaukee strengthened slightly. The metro’s average cap rate of 7.6 percent — the fifth highest among major U.S. markets — contributed to this, allowing deals to pencil despite elevated borrowing costs. Nationally tight vacancy is also driving non-local interest, with more than half of all acquisitions last year coming from an out-of-state or cross-border buyer. These dynamics should continue in 2024 as property performance remains favorable. Waukesha County’s nationally tight vacancy will be an investor magnet, with buyers pursuing a wide range of manufacturing, warehouse and distribution facilities.



2024 MARKET FORECAST

NIPI RANK 23

Milwaukee’s nationally tight vacancy and diminishing pace of new supply benefit its ranking, despite mild economic growth.

+0.3%



EMPLOYMENT: Job growth closely aligns with last year’s gain as 2,600 positions are added in 2024. This modest increase shrinks the deficit relative to 2019’s total to a shortfall of about 16,000 roles.

530,000 sq. ft.



CONSTRUCTION: Less than 1 million square feet will finalize for the first time since 2013. Further reflecting the slowdown, the 2024 delivery total trails the five-year mean by over 3 million square feet.

+10 bps



VACANCY: Lower construction mitigates softer demand, producing a slight vacancy uptick to 3.0 percent. That rate maintains Milwaukee’s standing as the nation’s tightest major industrial market.

+4.7%



RENT: Milwaukee’s average asking rate increases by the third-fastest pace this decade amid nationally tight vacancy and a lack of new supply. The metric reaches \$5.64 per square foot by year-end.

INVESTMENT:

Tight vacancy and a relatively small construction pipeline may highlight creative strategies this year. Investors could pursue vintage assets able to be retrofitted to better meet modern tenant preferences.

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

Major Industrial Corridors Retain Historically Tight Conditions, Despite Vacancy Rising Marketwide

Northern submarkets headline local performance. Minneapolis-St. Paul's industrial vacancy rate trended up 70 basis points last year. Decreasing vacancy, however, was recorded across the Northwest and North Central submarkets, which account for one-third of marketwide stock. Considerable absorption prompted these areas' vacancy rates to decline to record lows. Recent tenant demand here is headlined by Amazon's move-in to a 140,000-square-foot distribution facility in Centerville, while MAS HVAC and Caribou Coffee are set to occupy a collective 430,000 square feet in Maple Grove this year, exhibiting this ongoing trend. Conditions in the Southern corridor, encompassing Eagan, Farmington and Randolph, are also tight, with a local vacancy rate that held stable in 2023 following two straight years of compression. Sweet Harvest Foods occupying a new facility in Lakeville this May emphasizes the area's connectivity to the central U.S. Supply pressure east of St. Paul and space relinquishment between the Twin Cities, however, is weighing on marketwide fundamentals.

Rising rents and an improving financing outlook aid investment sales. Strong property performance should continue to bolster investor sentiment in the North and Northwest areas. Last year, these submarkets combined to account for roughly one-third of overall velocity, while preliminary data for early 2024 indicates this trend is carrying forward. Investors targeting manufacturing and distribution centers should also remain active in the South and Southwest areas. Proximity to metros south of here along Interstate 35 is a boon for logistics demand. Metrowide, velocity has been improving. In the second half of 2023, activity accelerated and prospects for lower borrowing costs this year should help sustain this momentum.

2024 MARKET FORECAST

NIPI RANK 17 *Tight vacancy, yet a still recovering labor market, result in a middle of the pack ranking for Minneapolis-St. Paul this year.*

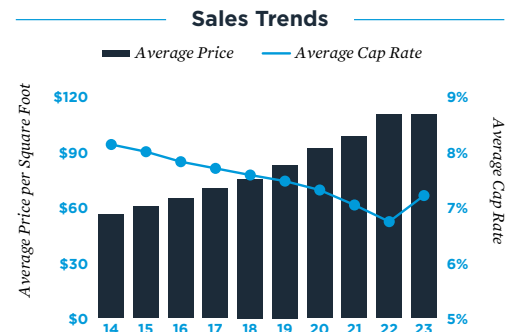
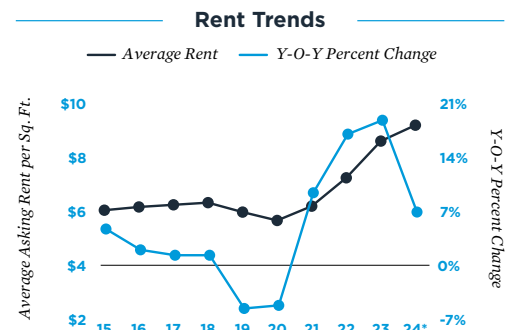
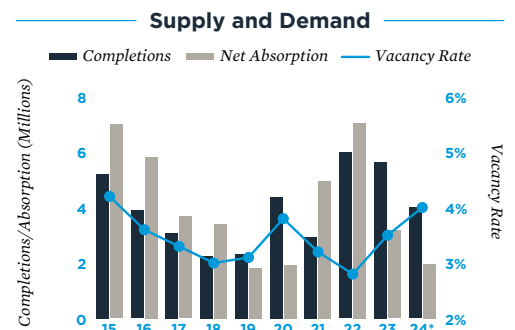
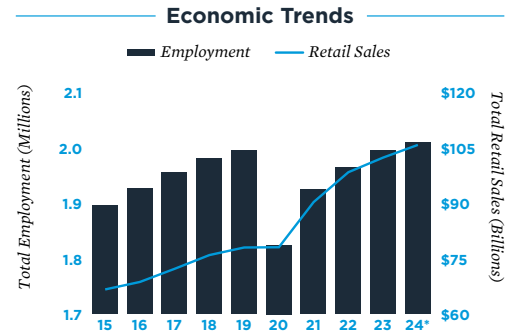
+0.8% **EMPLOYMENT:** Local employers add a net of 15,000 roles in 2024, bringing the metrowide workforce total above its pre-pandemic measure for the first time.

4 million sq. ft. **CONSTRUCTION:** This year's delivery slate measures 1.6 million square feet less than in 2023. Still, a 1.1 percent inventory growth rate stands in-line with the market's trailing 10-year average.

+50 bps **VACANCY:** Metrowide vacancy will trend up again in 2024, albeit at a slower pace than last year's bump. This brings the market's overall rate to 4.0 percent, the fifth lowest among major U.S. metros.

+6.9% **RENT:** Tight conditions assist Minneapolis-St. Paul in registering the sixth-fastest rent growth rate among major U.S. metros in 2024. The market's average asking rate lifts to \$9.17 per square foot.

INVESTMENT: *Higher yields may draw in more national investors. The metro's average cap rate rose to 7.2 percent entering 2024, among the highest across major metros, despite pricing per square foot holding steady.*



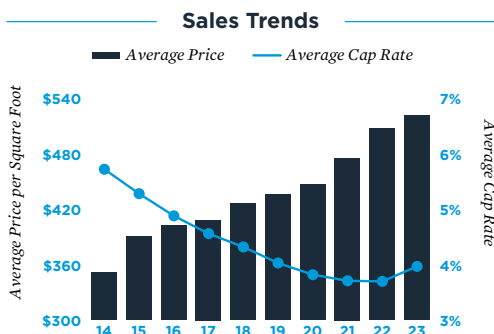
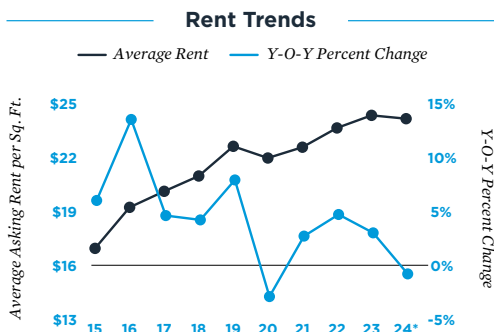
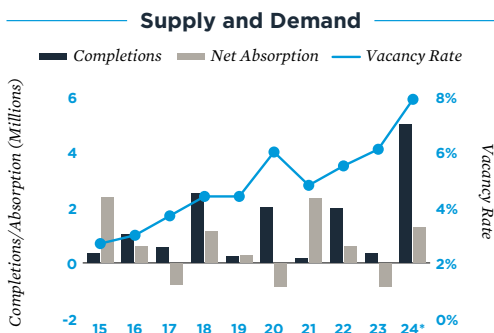
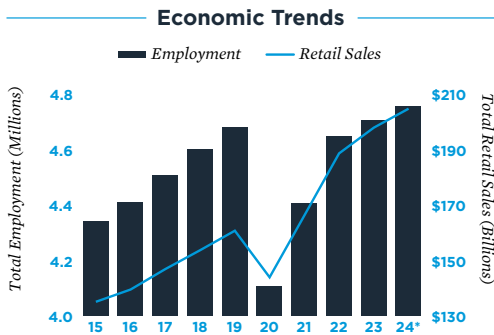
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Incoming Supply Torrent to Impact Warehouse and Distribution Assets in the City's Outer Boroughs

Notable inventory additions stoke vacancy as sector contends with headwinds. Last year was a rocky period for the city's tech and financial firms, which shed some positions, and by relation impacted the demand for last-mile delivery space servicing these highly-compensated personnel. While recruitment across traditional office-using sectors is expected to pick up in 2024, logistics providers could hold off on industrial leasing commitments until the city's employment base – and by extension consumer spending – are on firmer footing. Amid these demand headwinds, the city is expected to see record-breaking speculative supply additions, headlined by the 1.3-million-square-foot Bronx Logistics Center located less than a mile from the RFK-Triborough Bridge. A pipeline including several 100,000-square-foot-plus assets will put particular pressure on existing spaces in the Bronx, Brooklyn and Queens, though a growing residential base across these boroughs will help integrate this year's deliveries moving forward. More than 40,000 multifamily units are underway in these areas as of early 2024, facilitating a solid foundation for long-term logistics demand.

Investors target distribution opportunities in Brooklyn and Queens. Contrasting broader metro-level trends in 2023, deal flow in the \$15 million-plus tranche proceeded at levels comparable to the span from 2014 to 2019, indicating institutional investors are readily identifying opportunities. Buyers are most active along waterfront locales in Brooklyn and Queens, with clusters noted in the Gowanus and Sunset Park areas. These neighborhoods are well-positioned for spillover demand from the Port of New York and New Jersey. Assets have also been observed changing hands in the sub-\$2 million price tranche here, fostering a varied buyer pool. Investors are pursuing trades in the Long Island City and Astoria neighborhoods as well, where residential growth is fostering warehouse demand.



2024 MARKET FORECAST

NIPI RANK 36 *An ill-timed supply injection and a rapid adjustment to vacancy rank New York comparatively low for this year.*

- +1.1%** **EMPLOYMENT:** Overall employment will grow by 50,000 positions in 2024, assisted by a recovery among traditional office-using segments, representing roughly one-fifth of this year's increase.
- 5 million sq. ft.** **CONSTRUCTION:** This year's delivery schedule marks the largest inventory expansion noted since at least 1996, with the majority of square feet underway unaccounted for as of March.
- +180 bps** **VACANCY:** The addition of multiple speculative facilities translates to the most rapid upward adjustment to the metro's vacancy rate in multiple decades, driving the metric to 7.9 percent.
- 0.8%** **RENT:** Record vacancy entering 2024, which is slated to increase as the year progresses, will drive the mean marketed rate down to \$24.11 per square foot in 2024.

INVESTMENT: *The East Williamsburg area has seen multiple owner-user deals in late 2023, as the area is popular for artisan craftsmen seeking space for boutique manufacturing operations.*

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

Market Cools After Hot Streak, Though Port Activity Still Drives Leasing and Investment

Supply chain normalization and easing port throughput drive near-term challenges.

Last year marked the end of a more than decade-long period of declining vacancy and robust net absorption, with more than 4 million square feet returned to the market on net by the end of December. A shrinking delivery slate should ease the impact on fundamentals this year, with early indicators showing development decreasing further out. On the demand side, supply chain normalization is also responsible for ebbing leasing appetites. Although the Port of New York and New Jersey will remain a prime underlying demand driver for warehouse space, the resumption of operations at Southern California ports has taken some near-term onus off eastern hubs. Labor relations also present a risk, as the contract between the International Longshoremen’s Association and U.S. Maritime Alliance is up for renewal in 2024. Union leaders have signaled a willingness to strike, which could lead to similar disruptions along the East Coast as those seen at western ports in 2022.

Access to interstate traffic and affluent consumer base keeps buyers engaged.

Investors remain optimistic on Northern New Jersey’s prospects, evidenced by transaction velocity in 2023 remaining above the average noted from 2014 through 2019. Buyers are pursuing properties along Interstates 80 and 95, with clusters of deals noted in southern Bergen and Passaic counties. These locales offer proximity to both major thoroughways and nearby upper-income suburban municipalities, strongly positioning warehouses oriented for last-mile delivery operations. The bevy of modern distribution spaces recently added to the market is also not dissuading investors from acquiring older assets, with mid-20th century builds seen trading. Additionally, some recent renovations changing hands indicate appetites for value-add deals in the market.

2024 MARKET FORECAST

NIPI RANK 12

Despite some temporary challenges, underlying demand drivers help push the market up to a solid top half ranking this year.

+0.8%



EMPLOYMENT: After a net increase of nearly 30,000 positions was noted last year, Northern New Jersey’s employment base will grow by 18,000 jobs in 2024.

2.2 million sq. ft.



CONSTRUCTION: Supply additions fall roughly in line with the trailing decade-long average, after a multi-decade high of 5.7 million square feet was brought to market in 2023.

+70 bps



VACANCY: Net absorption remains in the negative for a second consecutive year, bringing vacancy to 5.5 percent. This is the highest level recorded since 2016.

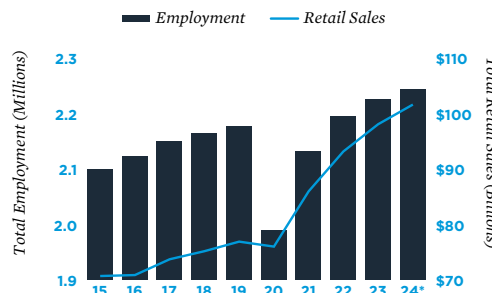
-0.8%



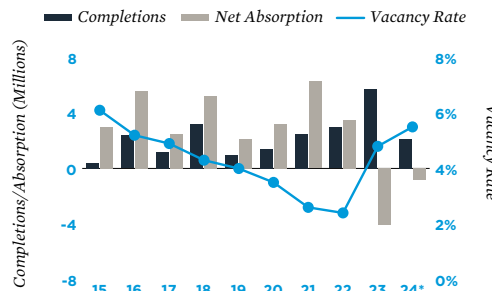
RENT: Following increases of 15.2 percent and 8.5 percent in 2022 and 2023, respectively, the mean marketed rent declines to \$14.54 per square foot this year, holding 52 percent above the 2019 level.

INVESTMENT: *Despite a slowdown in throughput after a landmark 2022, the Port of New York/New Jersey remains the East Coast’s preeminent maritime gateway, which should draw investors to nearby warehouses.*

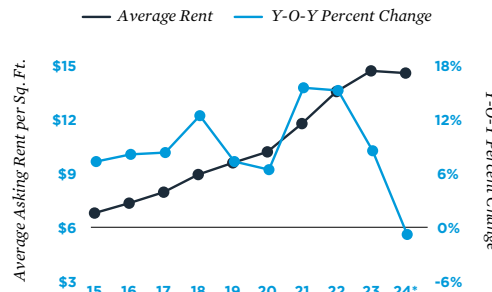
Economic Trends



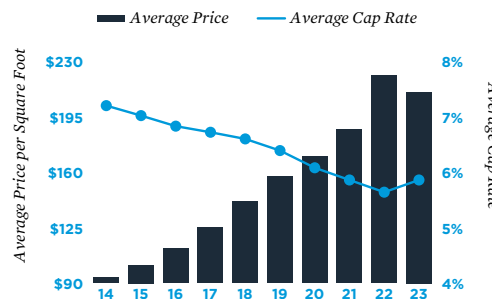
Supply and Demand



Rent Trends



Sales Trends



* Forecast

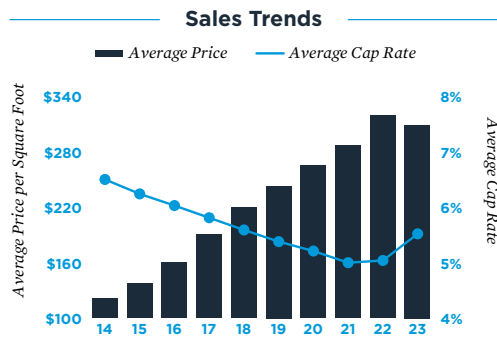
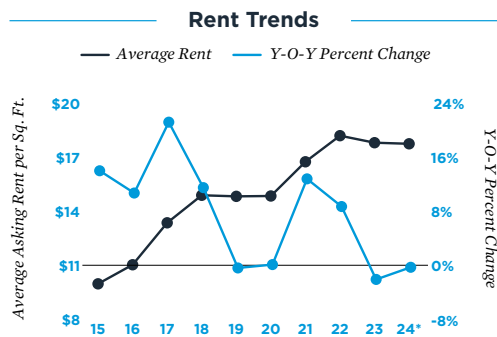
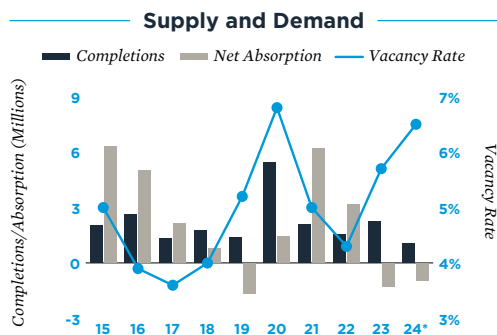
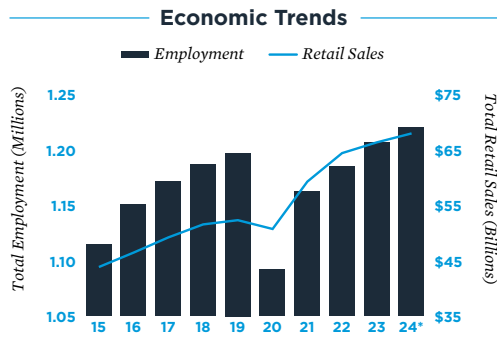
Sources: CoStar Group, Inc.; Real Capital Analytics

OAKLAND

Automotive Firms Headline East Bay Leasing; Investors Remain Focused on Southern Corridors

Manufacturing and distribution initiatives bolster Oakland fundamentals. Last year, Tesla and Rivian Automotive occupied over 300,000 square feet of new space in the Interstate 880 Corridor. This commitment to manufacturing in the East Bay is set to carry forward, as another 122,000-square-foot move-in nearby is anticipated by Rivian in 2024, helping retain the area's below market vacancy rate. The Highway 4 Corridor will also maintain tight conditions this year. Entering 2024, local vacancy was at its lowest point since 2018. This feat was assisted by Amazon's move-in to a 449,000-square-foot facility in February 2023, which has sparked a number of smaller-scale leases nearby. Although the metrowide vacancy rate is still set to rise, as some warehousing tenants let go of space, a more than decade-low delivery slate softens that impact on the market while distribution-related absorption likely remains positive.

Private and institutional buyers targeting adjacent areas. Despite a drop-off in trading activity last year amid rapidly rising debt costs, transaction velocity picked up in the Fremont area. A large portion of trades here were initiated as part of portfolio deals, indicating institutions remained moderately active in the East Bay as they bet on the region's long-term demand trends. Entering 2024, the submarket held a lower vacancy rate than its historical average and was home to an average asking rent below the metro's mean. These dynamics, and the area's proximity to thoroughfares connecting to San Jose and Southern California, are likely to propel warehouse and distribution center investment this year. Nearby, in the Hayward-Castro Valley area, private investors have been more active as of late. A lower average price per square foot here, and anticipation of reduced interest rates in 2024, should return more activity to the area.



2024 MARKET FORECAST

NIPI RANK 33 Marginal population growth and further upward vacancy momentum comparatively limit Oakland in 2024.

- +1.1%** **EMPLOYMENT:** After exceeding the 2019 employment level last year, local firms add a net of 13,000 positions in 2024. The rate of job growth will exceed the trailing two-decade average.
- 1.1 million sq. ft.** **CONSTRUCTION:** Completions this year increase overall stock by just 0.4 percent, well below the market's 10-year mean of 1.0 percent. San Pablo and Fremont welcome the majority of new supply.
- +80 bps** **VACANCY:** Oakland's vacancy rate will continue to rise in 2024, albeit at a slower pace due to fewer speculative developments. Metrowide vacancy reaches 6.5 percent by December.
- 0.3%** **RENT:** A second straight annual period of net space relinquishment maintains downward pressure on rents in 2024. Oakland's average asking rate will lower to \$17.72 per square foot this year.

INVESTMENT: Double-digit rent growth was recorded in the Highway 4 Corridor last year. This could bolster investor sentiment locally as new ownership looks to capture these gains via new leases and renewals.

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

Orange County Holds the Title of West Coast's Least Vacant Market for a Third Straight Year

Developers plan teardown projects amid limited land availability. Tenant demand for industrial space in Orange County remains strong, with both of its largest submarkets by stock entering this year with sub-3 percent vacancy — a claim just one other major market can make. While moderate upward vacancy momentum is anticipated this year, conditions are likely to remain tight in areas near Los Angeles County and John Wayne International Airport. Upcoming completions are moderate here, with the metro's overall inventory slated to expand by just 0.7 percent in 2024, thanks in part to a lack of deliveries with footprints above 200,000 square feet. The pipeline, however, is likely to enlarge as the year progresses. In addition to properties already slated to break ground in 2024, a growing number of plans are emerging that would involve demolishing office buildings and replacing them with industrial parks. Fortunately for the metro, leasing activity related to properties larger than 100,000 square feet has held steady over the past two years, suggesting these industrial proposals should have a minimal impact on overall conditions moving forward.

Transactions likely to remain clustered. When compared to other major industrial markets, Orange County noted a less pronounced, roughly 7 percent, decline in deal flow last year, a dynamic fueled by its tight conditions and lengthy stretch of rent growth. The metro's average price point also adjusted moderately, an indication buyer and seller expectations are relatively in line. During 2024, buyers are likely to concentrate on smaller warehouses and manufacturing facilities in Santa Ana, Anaheim, Garden Grove and Orange proper, bordering cities that comprise the metro's industrial epicenter. The abundance of sub-\$5 million acquisition opportunities here will foster a sizable private buyer pool, with those seeking discounted pricing active in Santa Ana.

2024 MARKET FORECAST

NIPI RANK 11 *Regionally low vacancy and a moderate delivery slate relative to other markets place Orange County just outside the top 10.*

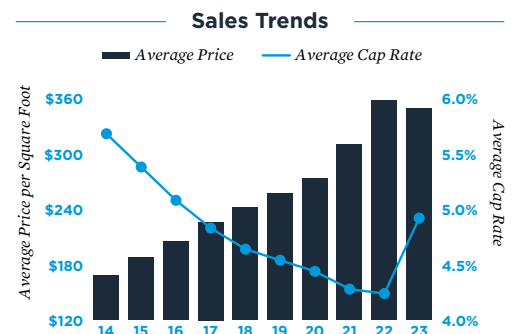
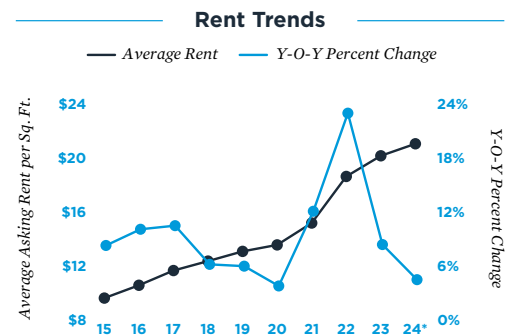
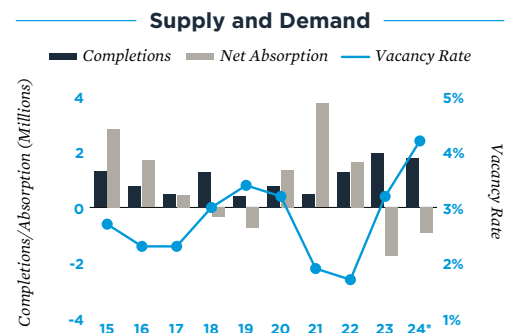
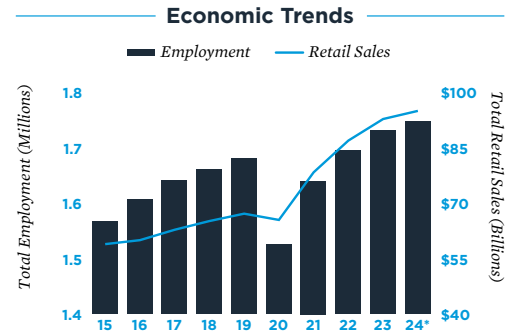
+1.0% **EMPLOYMENT:** An unemployment rate well below the metro's long-term average will limit job creation in 2024. As such, employers are expected to expand the local workforce by 17,000 roles.

1.8 million sq. ft. **CONSTRUCTION:** Developers complete more than 1.2 million square feet for a third straight year; however, Orange County's delivery volume is the lowest among Southern California markets.

+100 bps **VACANCY:** Orange County's vacant stock is anticipated to grow by 2.7 million square feet. Still, the metro's 4.2 percent year-end vacancy rate is 40 basis points below its 2000-2019 average.

+4.4% **RENT:** The metro's average asking rate reaches \$20.96 per square foot. Tenants seeking lower rents will target inland options in the central and northern parts of the county, rather than coastal spaces.

INVESTMENT: *The mean marketed rent nearly doubled over the past seven years. This may attract buyers to assets with upcoming lease expirations, where upside can be captured by re-tenanting or securing a renewal.*



* Forecast

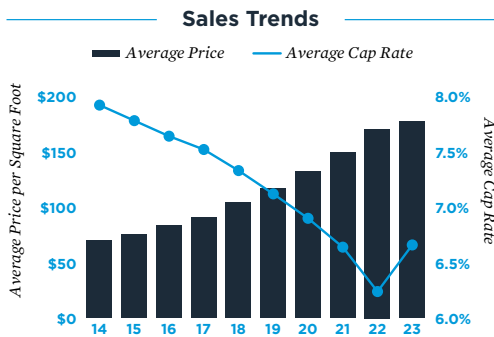
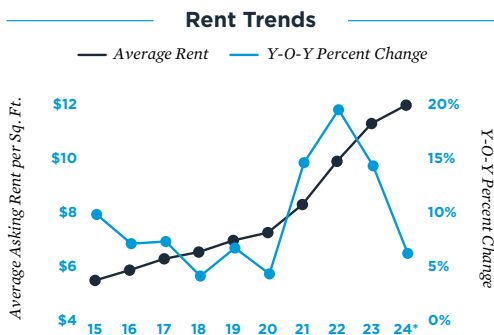
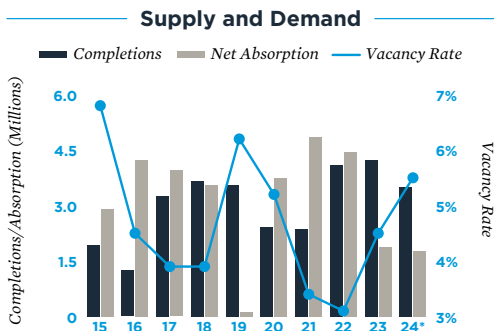
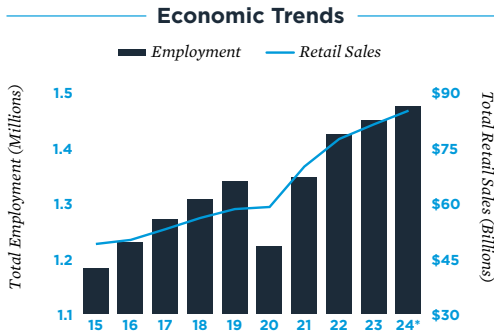
Sources: CoStar Group, Inc.; Real Capital Analytics

ORLANDO

Growing Residential Base Carries Orlando Through Period of Logistics Consolidation

Long-run factors highlight metro, despite temporary headwinds. After noting impressive performance in the immediate aftermath of the pandemic, Orlando saw a pullback in demand for industrial space last year as supply additions began to outpace net absorption. This situation is likely to continue through 2024 as more than 50 percent of space in the 4.4 million- square-foot active pipeline remains unaccounted for as of March. Despite these temporary setbacks, the market notes solid underlying demand factors that will backstop vacancy in the long run. Orlando is one of the fastest-growing metros by population nationwide, thanks to consistently robust in-migration. More than 170,000 residents are expected to arrive in the metro on net before the end of 2028, the highest such total observed along the Eastern Seaboard. A steadily growing consumer base will foster demand for last-mile delivery operations across the metro, particularly in South Orange County, where more than 5,200 multifamily units were underway as of early 2024.

Investors targeting metro for robust long-term opportunities. In 2023, transaction velocity across Orlando outpaced every year prior to the pandemic, indicating that current headwinds are not dissuading investors from targeting the metro for its long-term prospects. While institutional buyers have stepped up activity in recent years, acquisitions in the sub-\$10 million price tranche are largely to credit for this increase. Trades have clustered in Downtown Orlando and the Princeton-Silver Star area, where private buyers are identifying mid-20th century warehouse assets, which typically change hands for less than \$3 million. The Route 441 Corridor is also popular for trades involving these facilities, with residential growth in the northwestern and southern portions of the metro driving demand for logistics space along this thoroughfare.



2024 MARKET FORECAST

NIPI RANK 9 *Robust household formation places Orlando among the top 10 markets in this year's Industrial Properties Index.*

+1.7% **EMPLOYMENT:** Orlando will gain 25,000 jobs on net in 2024, producing a year-over-year growth rate roughly in line with an expansion of 1.8 percent noted last year.

3.5 million sq. ft. **CONSTRUCTION:** Although this year's delivery schedule is a decline from the 4.2 million square feet added in 2023, supply additions are roughly on par with the trailing five-year average.

+100 bps **VACANCY:** After rising 140 basis points in 2023, Orlando's vacancy rate will jump by another triple-digit-basis-point margin this year, bringing the metric to 5.5 percent by the end of December.

+6.1% **RENT:** Rents will increase on a single-digit basis, after three consecutive years of 14 percent-plus jumps. The mean marketed rate will close out 2024 at \$11.91 per square foot.

INVESTMENT: *The Lake Monroe area has emerged as a hotspot for warehouse deals, where a diverse mix of product has drawn in buyers targeting assets ranging from mid-20th century builds to post-2020 projects.*

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

Supply Pressure Impacts Short-Term Fundamentals; Metro Well-Positioned in the Long Run

Market contends with the tail-end of supply wave. Inventory growth remains well over historical norms, propelled by a batch of large-scale speculative warehouses underway, each in excess of 250,000 square feet. These deliveries will drive the amount of vacant space metrowide to almost 40 million square feet by the end of the year, a near two-decade high, and send marketed rates on a downward trajectory. Suburban environs that have witnessed the most rapid supply growth in recent years, such as Bucks and Burlington counties, could see the most whiplash in this metric. As more speculative builds come online this year, market forces may dictate lower asking rates. On a positive note, however, the delivery schedule narrows substantially after the end of this year, helping the market integrate incoming supply in 2025. Increasing political pushback in some suburban locales could also stifle further development, particularly in more affluent municipalities along the New Jersey Turnpike that have increasingly moved to veto new warehouse projects.

Metro's location supports a healthy baseline of investment activity. The Philadelphia region is well-positioned as a key link between several major Northeastern and mid-Atlantic markets. Affordable entry costs relative to nearby metros should also continue to draw cost-conscious investors and logistics operators. This has kept buyers engaged despite rising debt costs, with transaction velocity in 2023 comparable to the years leading up to the pandemic. Contrasting the challenges seen in larger builds as logistics providers gauge space needs, small-bay warehouses have seen more leasing commitments prior to delivery. This uncertainty appears to have sidelined some institutional investors, with deal flow in the \$15 million-plus price tranche in 2023 subdued relative to the five-year period preceding the health crisis.

2024 MARKET FORECAST

NIPI RANK 35 *A multi-year supply wave is one of the key factors leading to Philadelphia's lower-echelon ranking in the Index.*

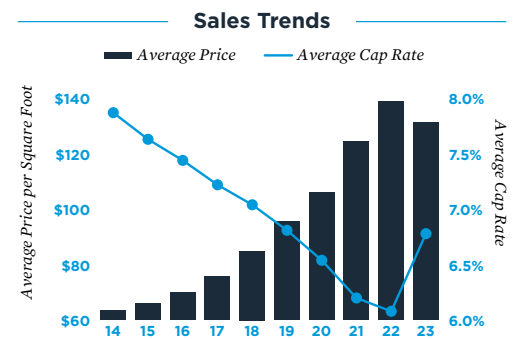
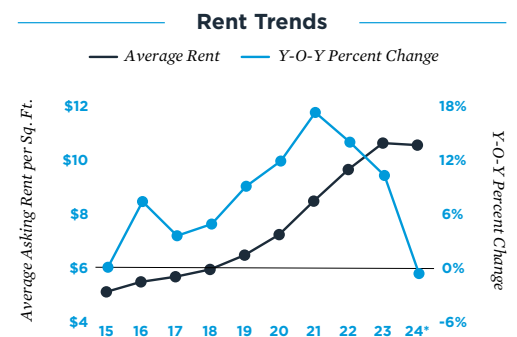
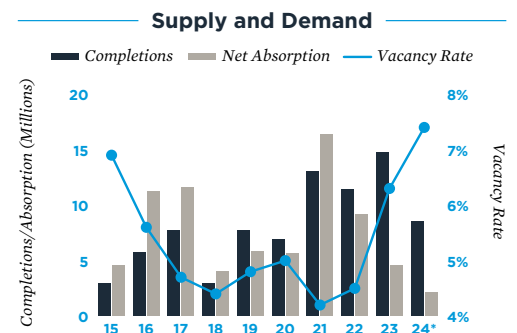
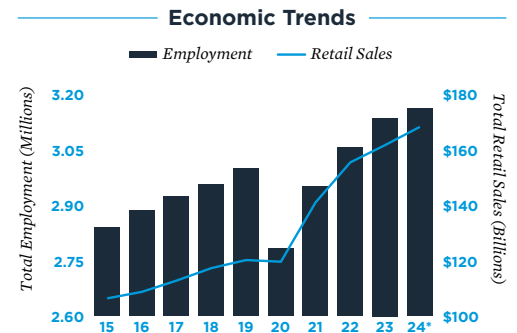
+0.8% **EMPLOYMENT:** Philadelphia's employment base will grow by 25,000 positions in 2024, tempered by a net loss of 4,000 jobs in traditional office-using fields.

8.5 million sq. ft. **CONSTRUCTION:** Although the volume of square feet brought to market represents a four-year low in this metric, this year's construction total outranks all other periods since 1996.

+110 bps **VACANCY:** Net absorption will trail deliveries for the third year in a row, bringing the metrowide vacancy rate to 7.4 percent, the highest measure on record since 2013.

-0.7% **RENT:** After four straight years of double-digit annual rent growth, a multi-decade high amount of space available for lease will lower the average asking rent to \$10.50 per square foot by year-end.

INVESTMENT: *The Port of Philadelphia saw its three busiest years on record from 2021 through 2023, which should drive investors to seek assets within short distances from this node.*



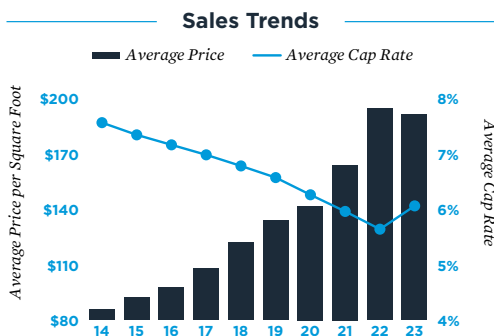
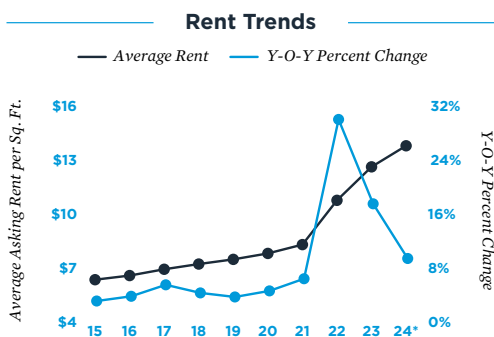
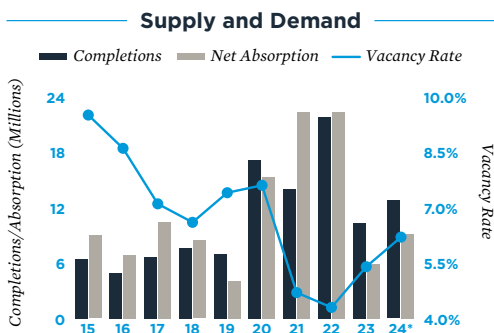
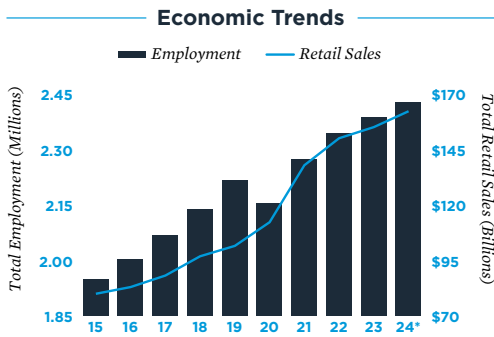
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Major Manufacturing Investments Herald Active Future as Phoenix Leads in Asking Rent Growth

Long-term demand drivers paint over recent, construction-induced headwinds. While a 2022 construction surge led to some market settling last year, Phoenix's connection to Southern California ports and robust population growth continue to support demand for industrial space. Approximately 58,000 individuals will move to the market on net this year, bringing total in-migration since the end of 2019 to nearly 261,000, the third-highest figure in the country. The growing number of residents, including in the metro's western and southeastern cities, is driving the need for local warehouse and logistics space. This year's development pipeline is well-aligned with these dynamics, as Glendale alone will host three separate 1 million-square-foot-plus warehouses. The metro is also poised to welcome a quartet of semiconductor fabrication plants from TSMC and Intel between 2025 and 2028, although construction delays could extend that timeline. The need for specialized labor and support businesses will form major demand drivers for residential and commercial space.

Investors align with developers on key areas of interest. The sixth-most liquid industrial market nationally, Phoenix noted nearly as many industrial property trades last year as in 2018, the pre-pandemic record, despite higher interest rates. Investors continue to look to the Northwest Valley despite a market-high vacancy rate of 9 percent in 2023, a byproduct of substantial construction. The same factors that led to a 50 percent expansion to local inventory between 2019 and 2023 are also drawing buyers here, including the upcoming TSMC plants and household growth west and north of the Loop 101 highway. Buyers also target the Southeast Valley, where warehouses and distribution facilities frequently change hands in Tempe south of Broadway and in North Chandler-Gilbert. Proximity to Interstate 10 via Loop 202 south, bypassing Phoenix proper, adds appeal for regional shipping.



2024 MARKET FORECAST

NIPI RANK 8

Despite tangible short-term supply pressure, robust population growth and key logistics linkages place Phoenix in the top 10.

+1.7%



EMPLOYMENT: The creation of 41,000 jobs in 2024 will nearly match last year's total. In-migration continues to support hiring in education and health services, as well as in construction.

12.7 million
sq. ft.



CONSTRUCTION: Supply growth picks up slightly from last year, although total completions for 2024 will fall well short of the elevated levels observed in 2020 and 2022.

+80 bps



VACANCY: The metrowide vacancy rate will climb by a smaller margin than last year to 6.2 percent as tenant demand improves. From 2014-2019, vacancy averaged 8.3 percent.

+9.3%



RENT: Phoenix's average asking rent will rise to \$13.72 per square foot. While short of the 29.9 percent surge noted in 2022, rent growth for this year will lead major U.S. markets.

INVESTMENT: *Investors interested in older, sub-50,000-square-foot warehouses may consult the Glendale stretch of Route 60, the most direct link between Peoria and Sun City to central Phoenix.*

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

Ongoing Subdued Development Benefits Existing Stock in Portland, Retaining Investor Intrigue

Resumed net in-migration helps drive industrial tenant demand. The metro is set to record annual household formation of 1.2 percent in 2024, Portland’s second-largest increase in the last decade amid positive net in-migration for the first time since 2020. This residential growth is poised to continue driving warehousing and distribution tenant demand following Amazon’s move-ins totaling 590,000 square feet last year, which prompted leasing of last-mile space soon thereafter. Another period of below-average deliveries in 2024 will also benefit fundamentals. As more tenant demand is directed to existing units, net relinquishment lowers from 1.5 million square feet in 2023 to less than a quarter-million expected this year. Overall, asset performance is strongest along the Interstate 5 Corridor and in the Southeast submarket. Entering this year, these areas recorded year-over-year vacancy compression, bringing their rates to post-pandemic lows. Looking past this year, a fully-leased 533,000-square-foot distribution center completing in Gresham in 2025 reaffirms tenant demand here as nearby thoroughfares connect to Boise and Salt Lake City.

Investors remain engaged in eastern corridors. Long-term population growth prospects helped retain trading in the Portland metro last year. Despite higher debt costs, overall velocity fell less than 20 percent, the fifth-smallest drop among major U.S. markets. Local investors are most active in the eastern half of the metro, south of the Columbia River. The northern part of this area caters to both institutional and private investors, offering connectivity to Salem, Eugene and Northern California. Properties trading south of here are predominantly under the 50,000-square-foot threshold and change ownership below the \$10 million price point. Here, tight conditions and a limited active development pipeline bolster existing property performance.

2024 MARKET FORECAST

NIPI RANK 31 *Despite less construction and rising retail sales growth, higher vacancy and compressing rents weigh on Portland’s ranking.*

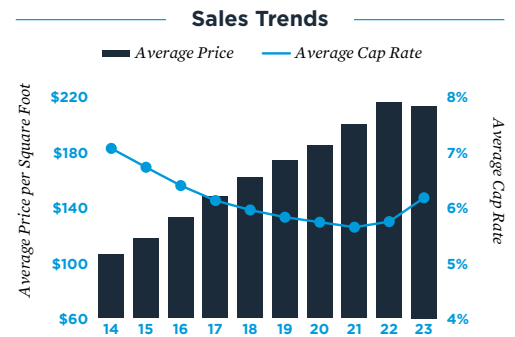
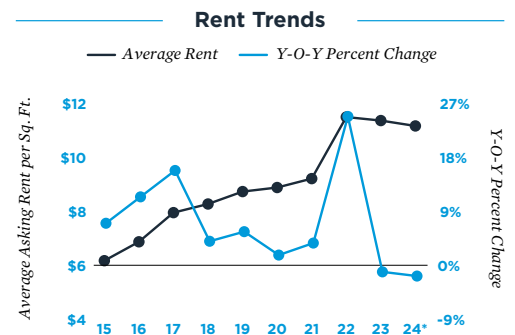
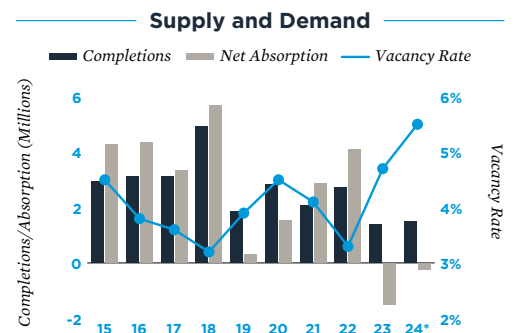
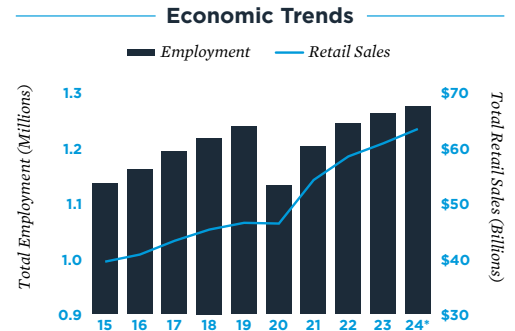
+1.0% **EMPLOYMENT:** Job growth will ebb from last year’s pace, falling slightly below the national average of 1.1 percent in 2024. This comes as metro employers add a net of 12,000 local positions.

1.5 million sq. ft. **CONSTRUCTION:** New supply will total less than 1.6 million square feet for a second straight year. Prior to 2023, this low level of development had not been achieved since 2014.

+80 bps **VACANCY:** A smaller development pipeline directs tenants to existing stock, slowing vacancy expansion from last year’s 140-basis-point hike. Portland’s rate will stand at 5.5 percent by year-end.

-1.8% **RENT:** Despite less net space attrition this year, rising availability weighs on asking rents again in 2024. In turn, Portland’s mean marketed rate will lower to \$11.14 per square foot.

INVESTMENT: *Along with optimism for lower lending rates, sub-2 percent vacancy entering 2024 and a second straight year of double-digit rent growth along the Interstate 5 Corridor should help resume more activity here.*

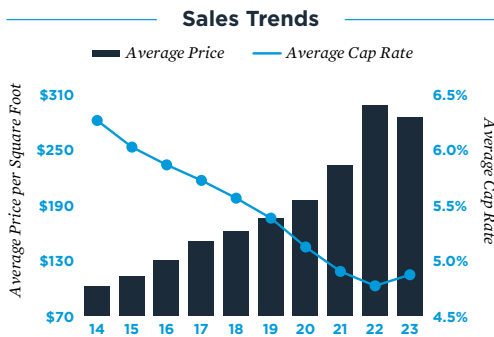
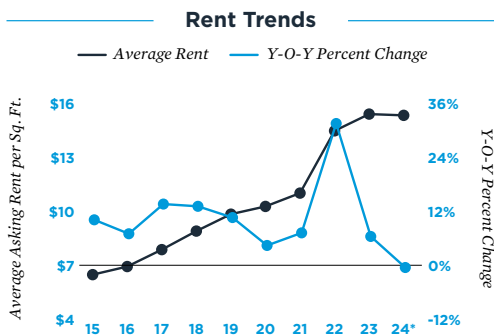
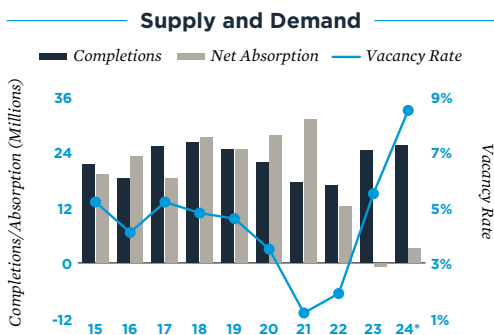
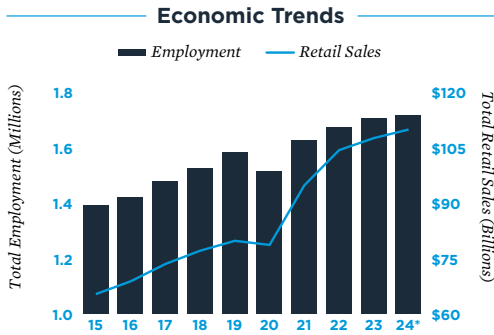


* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

California's Inland Logistics Hub Adds The Most Space of Any Major U.S. Market

Supply-induced vacancy spike expected for a second straight year. From mid-2021 through 2022, industrial vacancy in the Inland Empire held below 2 percent. These historically tight conditions elicited multiple waves of project starts, with 2024 slated to receive the largest deluge of space from these groundbreakings. Of the more than 25 million square feet scheduled to come online this year, roughly half is in Ontario and Fontana, proximate to Ontario International Airport. Remaining additions are concentrated in the Riverside County cities of Jurupa Valley and Perris, where a combined 8 million square feet is on tap for completion. While a consistent number of 200,000-square-foot-plus lease commitments were executed across these four cities over the past two years, the upcoming group of larger speculative additions in these areas may struggle to secure tenants near term as logistics providers, wholesalers and suppliers reassess their local space needs. This dynamic will play a notable role in the metro recording the third-largest vacancy increase among major U.S. markets this year. Longer term, however, the Inland Empire remains well positioned due to its essential role in both the Southern California and national supply chains.

Southern submarket poised to attract upside-seeking buyers. Despite some adjustments to local fundamentals this year, the metro's status as a hub market — with proximity to Los Angeles' dual ports and a collection of sizable population centers — will support a healthy level of buyer competition for listings. Those seeking ownership near Ontario International Airport may have to pay a premium for warehouses, as local average pricing for these assets exceeded the metro's mean by roughly \$60 per square foot last year. Elsewhere, South Riverside County listings may gain in appeal as the area, which includes Temecula and Murrieta, is home to minimal construction activity and the metro's lowest vacancy.



2024 MARKET FORECAST

NIPI RANK 19 *The West Coast's top household growth rate helps offset a notable vacancy rise, ranking the metro in the middle of the Index.*

+0.6% **EMPLOYMENT:** Many of the 11,000 positions added across the Inland Empire this year are retail trade, health care and government related, a reflection of the metro's ongoing population growth.

25.5 million sq. ft. **CONSTRUCTION:** For the seventh time in 10 years, developers complete at least 21 million square feet, with supply additions in 2024 increasing the metro's industrial inventory by 3.8 percent.

+300 bps **VACANCY:** Consecutive waves of speculative deliveries and some contraction by local tenants places upward pressure on vacancy, raising the metro's rate to a 14-year high of 8.5 percent.

-0.5% **RENT:** Despite a notable vacancy spike, the average asking rent adjusts nominally in 2024. At \$15.30 per square foot, the metro's mean is \$3 to \$5 per square foot below other Southern California markets.

INVESTMENT: *This January, BNSF announced it will continue to make property acquisitions for its planned 4,500-acre intermodal rail facility in Barstow, a project that may heighten buyer interest in High Desert assets.*

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

Placer County Residential Development Spurs Leasing as Marketwide Performance Wanes

Lone submarket resisting vacancy pressure. Sacramento’s industrial market shifted during the second half of last year, noting two straight quarters of negative net absorption for the first time since 2010. Easing demand resulted in vacancy rising by at least 50 basis points year-over-year in four of the five submarkets that comprise the metro, with Placer County the sole outlier. Here, local vacancy fell to just 2.6 percent entering 2024. This county’s average asking rent also rose last year by the fastest pace of any major submarket with at least 15 million square feet of inventory west of the Mississippi. Move-ins planned here for 2024 include a variety of construction-related firms, such as roofing and home appliance suppliers. This aligns with the residential building boom taking place in the Roseville-Rocklin corridor and further east along Interstate 80. Roseville-Rocklin’s apartment supply grew by the fastest pace in more than two decades last year, and nearly as many units will open in 2024. This is boosting industrial leasing here, but the two largest areas by inventory – Sacramento and Yolo counties – each had vacancy lifts of 200-plus basis points last year, stunting market performance.

Buyers in tune with stronger performance in Placer County. Overall deal flow tapered last year to the lowest velocity since 2016 amid rising vacancy and higher debt costs. Despite reduced transactions, shifting investment trends were visible. During the second half of 2023, Placer County comprised roughly 18 percent of metrowide industrial trades, compared to a 10 percent share across the prior 18 months. Tight vacancy and strong rent growth here is fueling buyer interest for a range of assets. Mid- and lower-tier warehouse, distribution and research & development facilities change hands in the county with entry costs often in the \$1 to \$5 million band.

2024 MARKET FORECAST

NIPI RANK 26 *Sacramento ranks third highest out of six major California markets in the 2024 Index due to comparatively stable vacancy.*

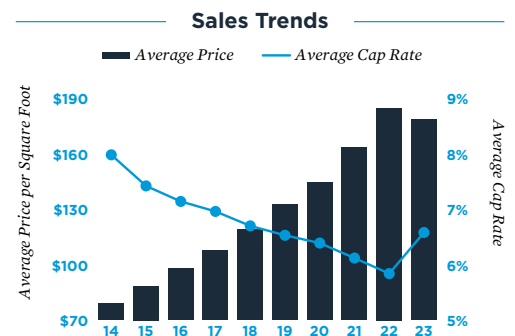
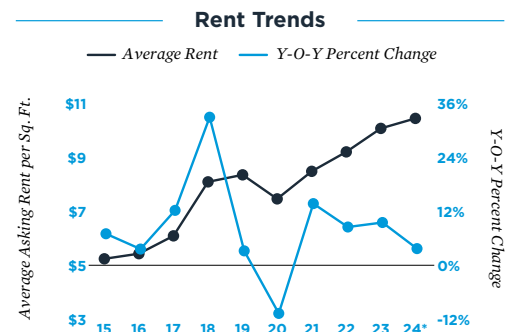
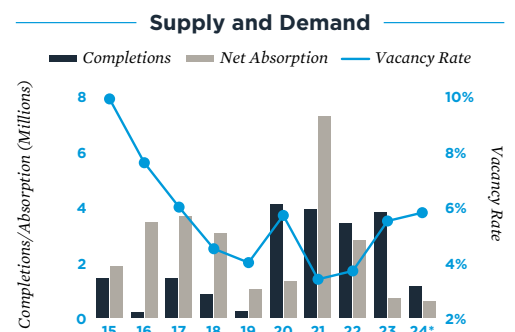
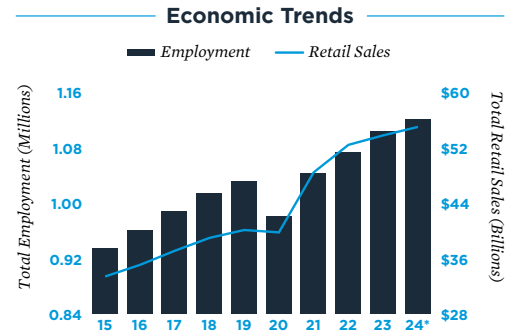
+1.6% **EMPLOYMENT:** The metrowide staff count climbs by 18,000 in 2024, a four-year low, yet above the historical average. To start this year, manufacturing jobs were up more than 9 percent since 2019.

1.2 million sq. ft. **CONSTRUCTION:** Nearly 15.2 million square feet finalized from 2020-2023, a total that surpassed the prior 16 years combined. In 2024, the delivery volume falls substantially to a five-year low.

+30 bps **VACANCY:** While supply-side pressures soften, net absorption also slides. As a result, overall vacancy rises to 5.8 percent. The rate is much tighter in the sub-50,000-square-foot segment, however.

+3.7% **RENT:** Coming off three straight years of growth above 8 percent, the average asking rate rises to \$10.42 per square foot. That figure is still over 30 percent below all other major California markets.

INVESTMENT: *Industrial assets priced below \$10 million accounted for nearly 85 percent of overall transactions last year, reflecting buyer demand for smaller warehouses. That trend is likely to persist through 2024.*



* Forecast

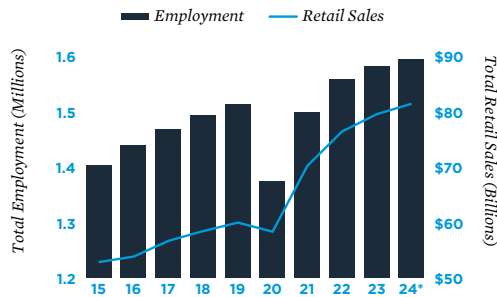
Sources: CoStar Group, Inc.; Real Capital Analytics

Delayed Port of Entry Project Poised to Impact Near-Term Leasing Activity Along the Border

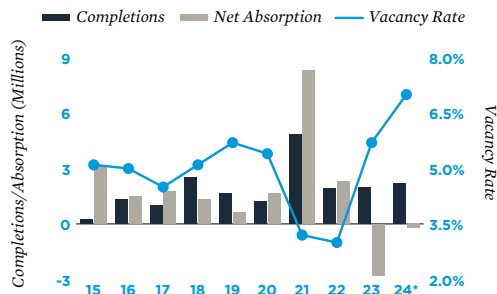
Inventory growth absent from northern reaches of the metro. Home to the busiest commercial land border crossing in the nation, San Diego's industrial sector plays a vital role in U.S.-Mexico trade and the movement of goods throughout Southern California. The metro's importance in the supply chain will elevate once the new Otay Mesa East border crossing is finalized. Unfortunately, the project, which was initially slated for late 2024 completion, will not be finished until late 2025 or 2026. In anticipation of this facility, a group of developers broke ground on nearby projects that will come online this year. Most of the 1.3 million square feet scheduled for delivery here was available as of this February, positioning the area to record a noteworthy vacancy increase over the coming quarters. Elsewhere, the metro's three other largest industrial zones by stock – northern portions of the county bordering either Interstate 15 or Highway 78 – will record minimal completions this year. The lack of new supply here should aid demand for existing spaces, ensuring San Diego's overall rate of vacancy increase will notably trail last year's 270-basis-point rise.

Overall deal flow dictated by transaction activity outside of San Diego proper. Last year, the metro presented buyers with a high volume of smaller, pre-2000s-built assets for acquisition. Should this continue, a sizable pool of private investors are likely to remain active. Listings along Highway 78 and the northern portions of Interstate 15, where below-average vacancy exists and construction is minimal, will prove attractive. Properties in East County cities may also gain in appeal. Across major West Coast metros, the area entered 2024 with the lowest vacancy – 1 percent – among submarkets with more than 10 million square feet of stock. Apart from one large distribution facility, the zone also lacks construction, making it an attractive destination for buyers seeking locally discounted pricing.

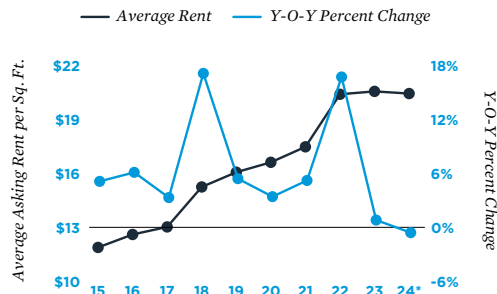
Economic Trends



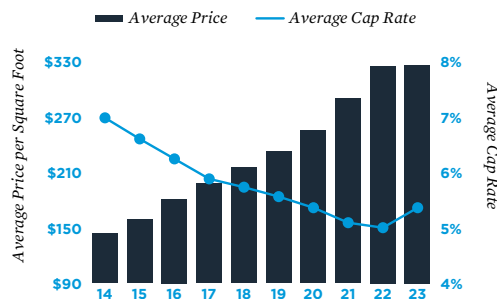
Supply and Demand



Rent Trends



Sales Trends



2024 MARKET FORECAST

NIPI RANK 32

Despite a notable jump this year, San Diego's vacancy rate undercuts 13 other major markets, aiding its rank.

+0.8%



EMPLOYMENT: Driven by blue collar job creation, employers add 12,000 positions this year, with the count of transportation and warehousing roles poised to reach a record mark.

2.2 million sq. ft.



CONSTRUCTION: Delivery volume reaches a three-year high, expanding San Diego's inventory by 1.3 percent. Still, only eight major markets nationally will add less square footage.

+130 bps



VACANCY: A largely speculative pipeline plays a role in vacancy rising to 7.0 percent. While this is the highest rate since 2013, vacancy averaged 9.1 percent during the 2002-2013 span.

-0.6%



RENT: The metro's average asking rent adjusts nominally despite a second straight year of vacancy increase. At \$20.40 per square foot, San Diego's mean rate ranks as the third highest nationally.

INVESTMENT:

Many logistics firms view an Otay Mesa base of operations as a necessity. This long-term demand tailwind will continue to facilitate investor competition for local distribution facilities and warehouses.

* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Last Year's Pressures Abate, but Reset Lingers amid Some Pockets of New Supply Pressure

Multiple factors interrupt strong streak of improving tenant demand. After nearly 19 million square feet of industrial space was absorbed on net from 2020 to 2022, roughly 2 million square feet was relinquished last year. While several of the elements behind 2023's correction — including lower container traffic at local ports and elevated local inflation — will improve this year, ongoing speculative arrivals will keep vacancy elevated in 2024. Development is concentrated in the Northend and Tacoma. The former area was the sole submarket to post positive net absorption last year, suggesting the four unclaimed distribution facilities underway in Maryville Corporate Center are warranted long term. Tacoma, meanwhile, continues to boast the market's lowest average asking rent, a potential boon for tenants amid elevated operating costs. Construction here is defined by four buildings underway in the FRED310 complex in Puyallup. The former tenant at that facility, Boeing, is also committed to moving into more than 1 million square feet across the market later this year, helping lift overall net absorption back into positive territory for 2024.

Warehouses south of Seattle proper continue to hold investor attention. As Seattle-Tacoma's largest submarket by inventory, the Southend routinely draws the largest share of trades. This trend held true last year and into the early part of 2024, with warehouses under 50,000 square feet frequently changing hands in the cities of Kent and Auburn off Highway 167. These corridors, as well as areas near Seattle-Tacoma International Airport, such as Tukwila, are likely to hold investors' attention going forward. Manufacturing assets of comparable size, meanwhile, have tended to trade in Tacoma and near Downtown Seattle, while listings for distribution facilities remain scarce.

2024 MARKET FORECAST

NIPI RANK 22 *Elevated vacancy keeps Seattle-Tacoma just outside the top half of Index rankings for 2024.*

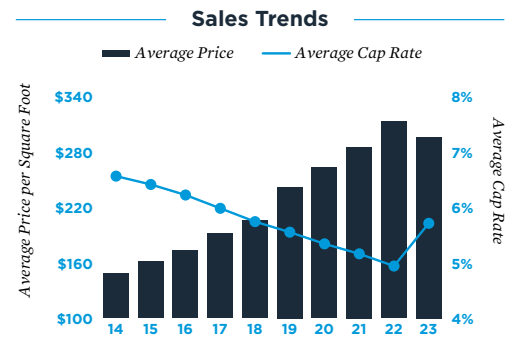
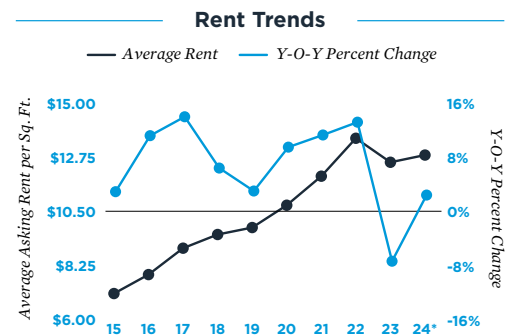
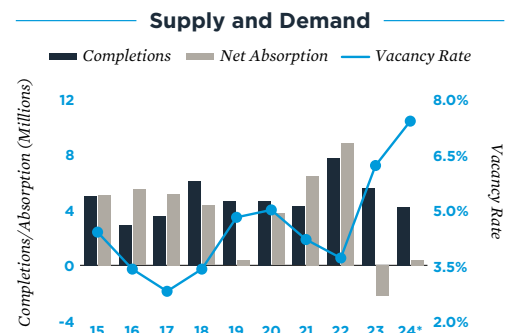
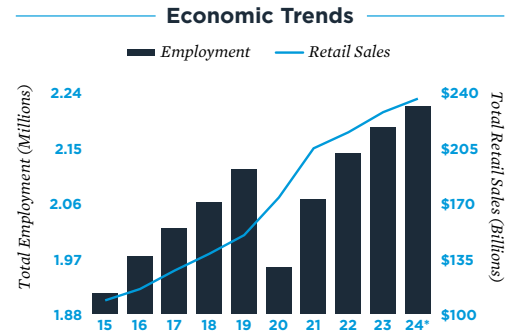
+1.6% **EMPLOYMENT:** Overall hiring takes a 20 percent step back year-over-year as 34,000 jobs are created in 2024. An above-market pace of employment growth is anticipated in the manufacturing sector.

4.2 million sq. ft. **CONSTRUCTION:** Deliveries are set to fall to the lowest level since 2017, with few openings across the Southend and Eastside. Overall supply growth will hit 1.4 percent this year.

+120 bps **VACANCY:** While more industrial space will be leased than relinquished this year, new supply will keep ahead of demand again in 2024. The market's vacancy rate will rise to 7.4 percent as a result.

+2.4% **RENT:** Improved leasing will correlate with renewed rent growth this year, after a 7.4 percent correction in 2023. At a mean of \$12.82 per square foot, the average asking rate is up 31 percent from 2019.

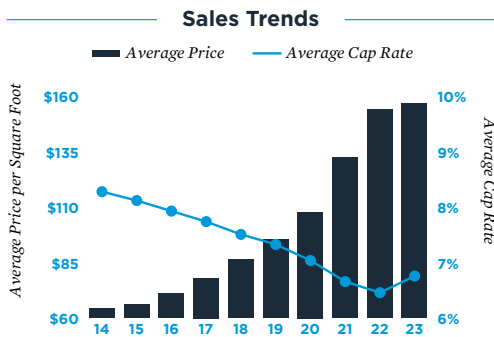
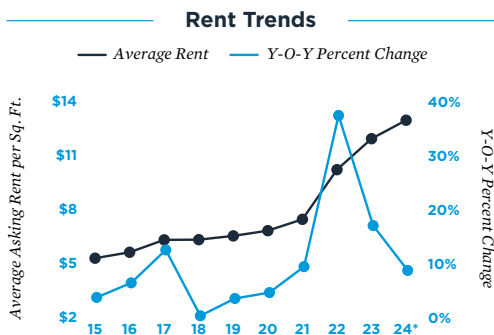
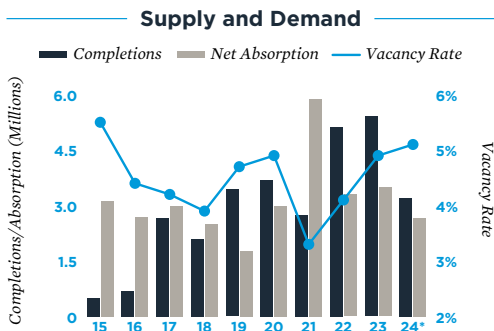
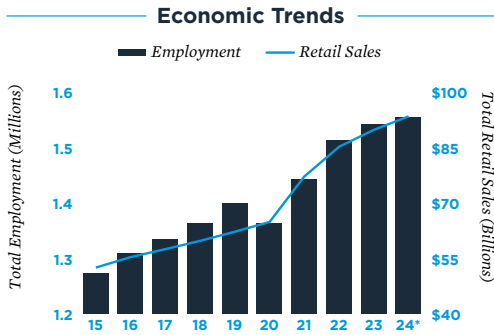
INVESTMENT: *California holds as the second-most common origin for investors here. Compared to the major markets in the state, only Sacramento boasted a mean cap rate above Seattle's 5.7 percent average in 2023.*



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

TAMPA-ST. PETERSBURG

Companies Expand Between Orlando and Tampa; Investors Closely Follow Possible Port Expansion



Rising rents factor into tenant choices. Tampa-St. Petersburg expects the fastest pace of rent growth this year among major Southeast markets, bringing the average asking rate up to the third highest in Florida and doubling the metro’s 2019 mean. Rising rents may lead some firms to opt for lower-cost space in Central Florida, contributing to some of this year’s vacancy lift. Still, companies have exhibited a willingness to accept rising asking rents, and there are several large-scale move-ins expected in 2024. Axis Redistribution and Polyglass USA, Inc. will each move into roughly 200,000-square-foot properties in Plant City, reflecting improved leasing in more inland areas better shielded from natural disaster and with larger available spaces. Elevated in-migration to Tampa-St. Petersburg has also resulted in brands like Target increasing warehouse space. By the end of 2028, the metro is expected to draw more than 171,000 new residents, likely enhancing tenant demand for inventory storage space.

Long-term port prospects boost investor sentiment. In an effort to bring more containers into the Port of Tampa Bay, a proposal has been submitted to widen and deepen the port’s shipping channels. If approved, the project would begin in 2026 and complete in six years. Investors could keep a close eye on proceedings this year and, if the proposal is approved and funded, may seek to establish a footprint around the port in anticipation of increasing cargo volumes. Meanwhile, in-state, private buyers looking for assets below the metro’s mean price point could continue to target facilities in Pinellas, which is the second-largest submarket by inventory, offering a variety of options. Properties near St. Pete-Clearwater International Airport and Interstate 275 connecting to Tampa have been historically sought out.

2024 MARKET FORECAST

NIPI RANK 5 *Tampa-St. Petersburg lands in the top five ranked markets, driven by elevated rent growth and in-migration.*

+0.8% **EMPLOYMENT:** Tampa-St. Petersburg will welcome roughly 13,000 new jobs on net in 2024. Hiring velocity is slowed from last year as the unemployment rate sits well below the long-term mean.

3.2 million sq. ft. **CONSTRUCTION:** Development decelerates from last year’s multi-decade high pace. Inventory will expand by 1.5 percent, falling closer in line with the trailing 10-year average.

+20 bps **VACANCY:** Despite moderating construction, speculative projects will still place upward pressure on vacancy, pushing the rate 40 basis points above the 2019 mark at 5.1 percent.

+8.6% **RENT:** After two straight years of rents increasing more than 16 percent, the average asking rate in Tampa-St. Petersburg will rise at a more moderate pace in 2024, reaching \$12.89 per square foot.

INVESTMENT: *Investors looking for newer assets this year could focus on East Hillsborough. The submarket has added nearly 13.6 million square feet of space since 2019 and is the metro’s largest area by inventory.*

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

Concentrated Construction in Suburban Maryland Belies Otherwise Well-Performing Sector

Market dynamics largely in balance, outside of certain areas. After five years of accelerating construction, openings will fall in 2024 and allow time for tenant demand to catch up to supply. Development has been most pronounced in Hagerstown, where local inventory grew by 46 percent between 2019 and 2023. Volvo, Hitachi Rail, Conair and Walmart have all entered the area within the past two years. Yet, the opening of other speculative projects has led to over 6.6 million vacant square feet here as of this January, 40 percent of the marketwide total. Vacancy entering this year across the rest of the metro, excluding Hagerstown, was 4.7 percent, reflecting a better balance between demand and supply elsewhere in the metro. Frederick County, VA, the Dulles Corridor and the Manassas-Interstate 66 submarket all began 2024 with sub-4 percent vacancy rates. What infill industrial space that exists within the District of Columbia is highly covered as well. Northern Virginia is also continuing to welcome new data centers, underscoring the market's strategic position with both the physical and digital highways of the country.

Established industrial hubs demonstrate sturdy sales activity. Continued rent growth, even amid rising vacancy, has helped many industrial investors withstand higher borrowing costs to pursue opportunities in the metro. As in past years, buyers looked to the Dulles and Interstate 66 corridors most often, although Hagerstown has drawn more attention since 2020. As developers have deposited new space, local private buyers and out-of-state organizations have mostly focused on pre-2000-built manufacturing and warehouse space. The market's industrial assets also have international appeal, highlighted most recently by a portfolio acquisition by a Canada-based buyer.

2024 MARKET FORECAST

NIPI RANK 34 *Tempering completions bode well for the market long-term, but elevated vacancy in 2024 weighs on the metro's ranking.*

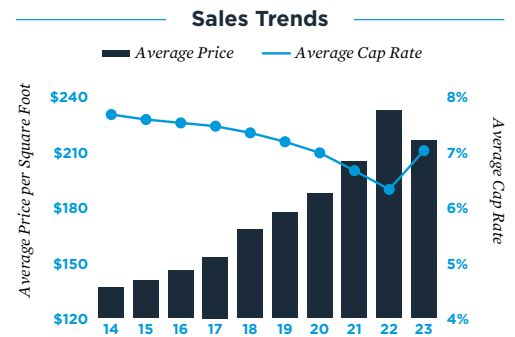
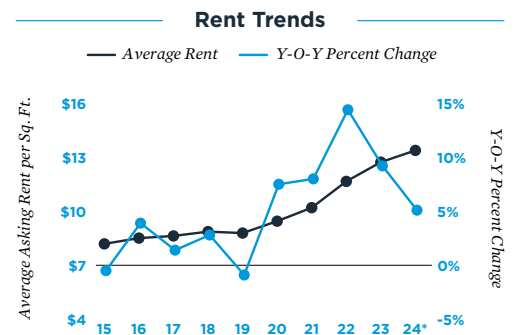
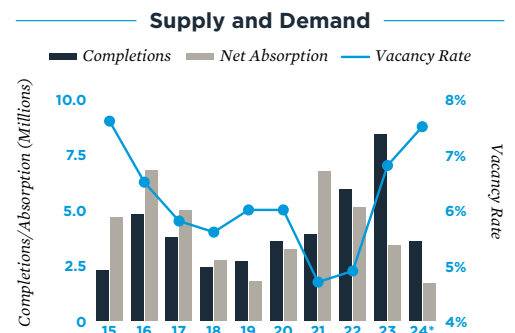
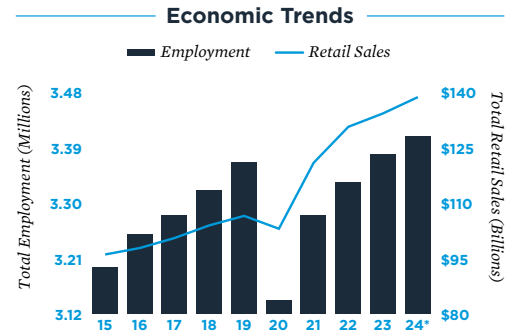
+0.8% **EMPLOYMENT:** The creation of 28,000 jobs in 2024 represents about 60 percent of the yearly average from 2014 to 2019, following the financial crisis recovery, but preceding the pandemic.

3.6 million sq. ft. **CONSTRUCTION:** Completions fall to the lowest level in four years as the greater Fredericksburg area, Hagerstown and the I-270 Corridor welcome the largest share of openings.

+70 bps **VACANCY:** As net absorption slows to its lowest level since 2010, vacancy will climb to a nine-year high of 7.5 percent, leaving some larger recent speculative builds still on the hunt for tenants.

+5.1% **RENT:** Asking rent growth continues to normalize, following a 14.4 percent surge in 2022. This year's mean marketed rate of \$13.35 per square foot represents a 52 percent premium relative to 2019.

INVESTMENT: *Sizable inventory, a major airport, and multiple business hubs distinguish the Dulles Corridor to out-of-state buyers, who are likely to continue favoring the area even amid recent negative net absorption.*



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

United States

Corporate Headquarters

Marcus & Millichap
23975 Park Sorrento
Suite 400
Calabasas, CA 91302
(818) 212-2250
www.MarcusMillichap.com

Atlanta

1100 Abernathy Road, N.E.
Building 500, Suite 600
Atlanta, GA 30328
(678) 808-2700

John M. Leonard

Austin

9600 N. Mopac Expressway
Suite 300
Austin, TX 78759
(512) 338-7800

Bruce Bentley III

Bakersfield

4900 California Avenue
Tower B, Second Floor
Bakersfield, CA 93309
(661) 377-1878

Jim Markel

Baltimore

One West Pennsylvania Avenue
Suite 850
Towson, MD 21204
(443) 703-5000

Brian Hosey

Baton Rouge

10527 Kentshire Court, Suite B
Baton Rouge, LA 70810
(225) 376-6800

Jody McKibben

Birmingham

800 Shades Creek Parkway
Suite 815
Birmingham, AL 35209
(205) 510-9200

Jody McKibben

Boise

800 W. Main Street, Suite 1460
Boise, ID 83702
(208) 401-9321

Adam Lewis

Boston

100 High Street, Suite 1025
Boston, MA 02110
(617) 896-7200

Thomas Shihadeh

Charleston

151 Meeting Street, Suite 450
Charleston, SC 29401
(843) 952-2222

Benjamin Yelm

Charlotte Uptown

201 S. Tryon Street, Suite 1220
Charlotte, NC 28202
(704) 831-4600

Benjamin Yelm

Chicago Downtown

333 W. Wacker Drive, Suite 200
Chicago, IL 60606
(312) 327-5400

Joseph Powers

Chicago Oak Brook

One Mid-America Plaza, Suite 200
Oakbrook Terrace, IL 60181
(630) 570-2200

Steven D. Weinstock

Cincinnati

600 Vine Street, 10th Floor
Cincinnati, OH 45202
(513) 878-7700

Josh Caruana

Cleveland

Crown Center
5005 Rockside Road, Suite 800
Independence, OH 44131
(216) 264-2000

Grant Fitzgerald

Columbia

1320 Main Street, Suite 300
Columbia, SC 29201
(803) 678-4900

Benjamin Yelm

Columbus

500 Neil Avenue, Suite 100
Columbus, OH 43215
(614) 360-9800

Grant Fitzgerald

Dallas

5001 Spring Valley Road, Suite 100W
Dallas, TX 75244
(972) 755-5200

Mark R. McCoy

Dallas Uptown

3131 Turtle Creek Boulevard
Suite 1200
Dallas, TX 75219
(972) 267-0600

Mark R. McCoy

Denver

1144 15th Street, Suite 2150
Denver, CO 80202
(303) 328-2000

Adam A. Lewis

Detroit

2 Towne Square, Suite 450
Southfield, MI 48076
(248) 415-2600

Steven Chaben

Encino

16830 Ventura Boulevard, Suite 100
Encino, CA 91436
(818) 212-2700

Jim Markel

Fort Lauderdale

5900 N. Andrews Avenue, Suite 100
Fort Lauderdale, FL 33309
(954) 245-3400

Harrison E. Rein

Fort Worth

300 Throckmorton Street, Suite 1500
Fort Worth, TX 76102
(817) 932-6100

Mark R. McCoy

Fresno

6795 N. Palm Avenue, Suite 109
Fresno, CA 93704
(559) 476-5600

Jim Markel

Greensboro

200 Centrepoint Drive, Suite 160
Greensboro, NC 27409
(336) 450-4600

Benjamin Yelm

Hampton Roads

208 GoldenOak Ct, Suite 210
Virginia Beach, VA 23452
(757) 777-3737

Benjamin Yelm

Houston

3 Riverway, Suite 800
Houston, TX 77056
(713) 452-4200

Ford Noe

Indianapolis

600 E. 96th Street, Suite 500
Indianapolis, IN 46240
(317) 218-5300

Josh Caruana

Inland Empire

3281 E. Guasti Road, Suite 800
Ontario, CA 91761
(909) 456-3400

Mario J. Alvarez, Jr.

Iowa

425 Second Street S.E., Suite 610
Cedar Rapids, IA 52401
(319) 333-7743

Todd Lindblom

Jacksonville

5200 Belfort Road, Suite 250
Jacksonville, FL 32256
(904) 672-1400

Justin W. West

Kansas City

7400 College Boulevard, Suite 105
Overland Park, KS 66210
(816) 410-1010

David Saverin

Knoxville

1111 Northshore Drive, Suite S-301
Knoxville, TN 37919
(865) 299-6300

Jody McKibben

Las Vegas

9205 W Russell Road, Suite 100
Las Vegas, NV 89148
(702) 215-7100

Cameron Grinton

Los Angeles

1900 Avenue of the Stars, Suite 2000
Los Angeles, CA 90067
(213) 943-1800

Tony Solomon

Louisville

9300 Shelbyville Road, Suite 1012
Louisville, KY 40222
(502) 329-5900

Josh Caruana

Manhattan

260 Madison Avenue, Fifth Floor
New York, NY 10016
(212) 430-5100

John Horowitz

Memphis

5100 Poplar Avenue, Suite 2505
Memphis, TN 38137
(901) 620-3600

Jody McKibben

Miami

2916 North Miami Avenue, Suite 700
Miami, FL 33127
(786) 522-7000

Harrison E. Rein

Milwaukee

13890 Bishops Drive, Suite 300
Brookfield, WI 53005
(262) 364-1900

Todd Lindblom

Minneapolis

1601 Utica Avenue South, Suite 301
Minneapolis, MN 55416
(952) 852-9700

Todd Lindblom

Mobile

208 N. Greeno Road, Suite B-2
Fairhope, AL 36532
(251) 929-7300

Jody McKibben

Nashville

6 Cadillac Drive, Suite 100
Brentwood, TN 37027
(615) 997-2900
Jody McKibben

New Haven

265 Church Street
Suite 210
New Haven, CT 06510
(203) 672-3300
John Horowitz

New Jersey

250 Pehle Avenue, Suite 501
Saddle Brook, NJ 07663
(201) 742-6100
Jim McGuckin

New Mexico

100 Sun Avenue N.E., Suite 650
Albuquerque, NM 87109
(505) 445-6333
Ryan Sarbinoff

Oakland

555 12th Street, Suite 1750
Oakland, CA 94607
(510) 379-1200
Ramon Kochavi

Oklahoma City

629 W Main Street #107
Oklahoma City, OK 73102
(405) 803-7200
Jody McKibben

Orange County

19800 MacArthur Boulevard
Suite 150
Irvine, CA 92612
(949) 419-3200
Jonathan Giannola

Orlando

300 S. Orange Avenue, Suite 700
Orlando, FL 32801
(407) 557-3800
Justin W. West

Palm Springs

74-710 Highway 111, Suite 102
Palm Desert, CA 92260
(909) 456-3400
Mario J. Alvarez, Jr.

Palo Alto

2626 Hanover Street
Palo Alto, CA 94304
(650) 391-1700
Ramon Kochavi

Philadelphia

2005 Market Street, Suite 1510
Philadelphia, PA 19103
(215) 531-7000
Timothy B. Stephenson, Jr.

Phoenix

2398 E. Camelback Road, Suite 300
Phoenix, AZ 85016
(602) 687-6700
James K. Crawley

Portland

111 S.W. Fifth Avenue, Suite 1950
Portland, OR 97204
(503) 200-2000
David Tabata

Raleigh

101 J Morris Commons Lane
Suite 130
Morrisville, NC 27560
(919) 674-1100
Benjamin Yelm

Reno

50 W. Liberty Street, Suite 400
Reno, NV 89501
(775) 348-5200
Daniel A. Kapic

Richmond

4401 Waterfront Drive, Suite 230
Glen Allen, VA 23060
(804) 802-6900
Benjamin Yelm

Sacramento

3741 Douglas Boulevard, Suite 200
Roseville, CA 95661
(916) 724-1400
Daniel A. Kapic

Sacramento Downtown

333 University, Suite 150
Sacramento, CA 95825
(916) 724-1400
Daniel A. Kapic

Salt Lake City

95 South State Street, Suite 1280
Salt Lake City, UT 84111
(801) 736-2600
Adam Christofferson

San Antonio

8200 IH-10 W, Suite 603
San Antonio, TX 78230
(210) 343-7800
Bruce Bentley III

San Diego

12544 High Bluff Drive, Suite 100
San Diego, CA 92130
(858) 373-3100
Damon Wyler

San Francisco

750 Battery Street, Fifth Floor
San Francisco, CA 94111
(415) 963-3000
Ramon Kochavi

Seattle

401 Union Street, 32nd Floor
Seattle, WA 98101
(206) 826-5700
Joel Deis

South Bay

880 Apollo Street, Suite 101
El Segundo, CA 90245
(424) 405-3900
Dawson Rinder

St. Louis

7800 Forsyth Boulevard, Suite 710
St. Louis, MO 63105
(314) 889-2500
David Saverin

Tampa

201 N. Franklin St., Suite 1100
Tampa, FL 33602
(813) 387-4700
David G. Bradley

Tucson

2 E Congress Street, Suite 1050
Tucson, AZ 85701
(520) 202-2900
James K. Crawley

Washington, D.C.

7200 Wisconsin Avenue, Suite 1101
Bethesda, MD 20814
(202) 536-3700
Brian Hosey

Westchester

50 Main Street, Suite 925
White Plains, NY 10606
(914) 220-9730
John Horowitz

Canada**Calgary**

602-16 Avenue Northwest
Suite 211
Calgary, Alberta T2M 0J7
(587) 349-1302
Michael Heck

Edmonton

10175 101 Street, Suite 1820
Edmonton, Alberta T5J 0H3
(587) 756-1600
Michael Heck

Montreal

1250 Rene Leveque Boulevard West
Suite 2200
Montreal, Quebec H3B 4W8
(438) 844-6500
Kevin Marshall

Ottawa

275 Bank Street, Suite 301
Ottawa, Ontario K2P 2L6
(613) 364-2300
Mark Paterson

Toronto

200 King Street W, Suite 1210
Toronto, Ontario M5H 3T4
(416) 585-4646
Mark Paterson

Vancouver

1111 West Georgia Street, Suite 1100
Vancouver, British Columbia
V6E 4M3
(604) 638-2121
Michael Heck

CONTACTS, SOURCES AND DEFINITIONS

IPA Industrial

Alan L. Pontius | Senior Vice President, Director
(415) 963-3000 | apontius@ipausa.com

Research Services Division

John Chang | Senior Vice President, Director
Peter Tindall | Vice President, Director of Research Operations
Greg Willett | First Vice President, IPA Multifamily Research
Luke Simurda | Director of Canada Research
Cody Young | Research Publication Manager
Jacinta Tolinos | Research Operations Manager
Joshua Craft | Research Analyst
Maria Erofeeva | Graphic Designer
Luis Flores | Research Analyst II
Nayomi Garcia | Copy Editor, Digital Media Editor
Jessica Henn | Research Analyst
Benjamin Kunde | Research Analyst II
Luke Murphy | Research Analyst
Chris Ngo | Data Analyst II
Adam Norbury | Data Analyst II
Benjamin Otto | Digital Media Manager
Erik Pisor | Research Analyst
Daniel Spinrad | Research Analyst
Musab Salih | Junior Data Analyst
Neel Sodhi | Research Associate
Frank Zhao | Research Associate

Contact:

John Chang | Senior Vice President
Director, Research and Advisory Services
4545 East Shea Boulevard, Suite 201
Phoenix, Arizona 85028
(602) 707-9700 | jchang@ipausa.com

Senior Management Team

Hessam Nadji
President and Chief Executive Officer
Richard Matricaria
Executive Vice President, Chief Operating Officer,
Western Division
J.D. Parker
Executive Vice President, Chief Operating Officer,
Eastern Division
Evan Denner
Executive Vice President, Head of Business, MMCC
Steve DeGennaro
Executive Vice President, Chief Financial Officer
Gregory A. LaBerge
Senior Vice President, Chief Administrative Officer
Andrew Strockis
Senior Vice President, Chief Marketing Officer
Adam Christofferson
Senior Vice President, Division Manager
Michael L. Glass
Senior Vice President, Division Manager
John Horowitz
Senior Vice President, Division Manager
Brian Hosey
Senior Vice President, Division Manager
Ryan Nee
Senior Vice President, Division Manager
Tim Speck
Senior Vice President, Division Manager
John Vorsheck
Senior Vice President, Division Manager

Media Contact:

Gina Relva | Public Relations Director
555 12th Street, Suite 1750
Oakland, CA 94607
(925) 953-1716 | gina.relva@marcusmillichap.com

¹National Industrial Properties Index Note: Employment and industrial data forecasts for 2024 are based on the most up-to-date information available as of early March 2024 and are subject to change.

²Statistical 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 early March 2024. 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. Forecasts for employment and industrial data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, 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; American Transportation Research Institute; City of San Diego; CoStar Group, Inc.; Cox Automotive; Federal Reserve; FlyDenver.com; IOS List; major U.S. port authorities; Moody's Analytics; Real Capital Analytics; RealPage, Inc.; The Center for American Progress; The Conference Board; The Financial Times; Trepp; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; U.S. Bureau of Transportation Statistics; U.S. Census Bureau; U.S. Department of Education; U.S. Environmental Protection Agency



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ALAN L. PONTIUS

*Senior Vice President, Director
IPA Industrial
apontius@ipausa.com*

EVAN DENNER

*Executive Vice President, Head of Business
IPA Capital Markets
edenner@ipausa.com*

JOHN CHANG

*Senior Vice President, Director
IPA Research Services
jchang@ipausa.com*

OFFICES THROUGHOUT THE UNITED STATES AND CANADA

RESEARCH SERVICES

4545 E. Shea Boulevard • Phoenix, AZ 85028 • 602.707.9700

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The information contained in this report was obtained from sources deemed to be reliable. Diligent efforts were made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Note: Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. 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. Institutional Property Advisors, IPA, and Marcus & Millichap are service marks of Marcus & Millichap Real Estate Investment Services, Inc.

STATISTICAL SUMMARY

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
	2021	2022	2023	2024*	2021	2022	2023	2024*	2021	2022	2023	2024*	2021	2022	2023	2024*	2021	2022	2023	
Atlanta	6.0%	3.4%	2.4%	1.3%	21,000	27,200	27,400	11,000	3.4%	3.9%	6.6%	7.5%	\$5.80	\$7.48	\$8.22	\$8.49	\$132	\$155	\$157	Atlanta
Austin	10.0%	6.0%	2.6%	2.2%	6,100	11,300	8,300	7,700	3.1%	4.3%	9.3%	11.6%	\$12.28	\$13.98	\$14.55	\$14.80	\$198	\$209	\$200	Austin
Baltimore	4.6%	0.5%	2.0%	1.2%	3,200	4,000	3,000	1,200	6.3%	5.5%	6.8%	7.1%	\$7.62	\$9.57	\$11.02	\$11.91	\$131	\$142	\$139	Baltimore
Boston	5.4%	3.1%	2.5%	1.3%	2,600	3,900	5,400	8,500	4.2%	4.5%	5.3%	6.3%	\$10.57	\$12.10	\$11.64	\$11.41	\$221	\$243	\$229	Boston
Charleston	5.2%	5.8%	5.7%	3.0%	2,500	5,900	4,400	7,800	3.4%	2.0%	4.9%	9.0%	\$6.76	\$8.11	\$8.97	\$9.57	\$177	\$208	\$215	Charleston
Charlotte	3.9%	3.1%	2.6%	2.2%	3,900	6,900	8,900	5,300	6.1%	5.3%	6.0%	6.2%	\$5.30	\$7.64	\$8.19	\$8.67	\$172	\$198	\$193	Charlotte
Chicago	5.7%	2.7%	0.6%	0.6%	21,400	26,100	32,200	20,000	4.8%	3.8%	4.9%	5.6%	\$6.54	\$7.39	\$7.94	\$8.36	\$117	\$117	\$112	Chicago
Cleveland	2.7%	1.1%	1.8%	1.4%	1,500	3,700	2,000	2,200	4.0%	3.5%	3.8%	4.0%	\$4.78	\$5.18	\$5.56	\$5.84	\$67	\$82	\$80	Cleveland
Columbus	4.6%	1.3%	0.5%	1.2%	6,900	12,100	6,500	2,300	2.8%	3.6%	4.3%	4.1%	\$4.81	\$6.41	\$6.99	\$7.36	\$88	\$99	\$101	Columbus
Dallas-Fort Worth	6.7%	5.6%	2.8%	2.3%	26,500	31,200	48,300	22,800	5.1%	5.1%	8.2%	9.0%	\$6.68	\$7.86	\$8.54	\$8.96	\$120	\$144	\$140	Dallas-Fort Worth
Denver	7.0%	2.4%	-0.9%	0.5%	7,900	5,800	3,400	4,600	5.5%	5.5%	6.4%	6.7%	\$8.86	\$9.75	\$10.67	\$11.14	\$202	\$221	\$215	Denver
Detroit	6.1%	2.0%	-0.1%	0.2%	7,300	10,700	4,600	2,900	3.7%	4.0%	3.9%	3.8%	\$6.67	\$6.89	\$7.31	\$7.56	\$86	\$90	\$86	Detroit
Fort Lauderdale	6.1%	3.1%	3.4%	2.0%	2,200	1,800	300	800	4.3%	3.9%	4.5%	4.8%	\$11.46	\$15.11	\$17.64	\$18.84	\$210	\$245	\$233	Fort Lauderdale
Houston	5.7%	4.7%	2.1%	1.6%	23,500	19,900	26,900	18,500	6.5%	5.2%	6.8%	7.4%	\$7.55	\$8.10	\$8.90	\$9.35	\$120	\$131	\$130	Houston
Indianapolis	4.8%	3.4%	2.8%	1.7%	10,600	14,200	13,500	8,300	3.8%	3.6%	6.2%	7.8%	\$5.54	\$6.46	\$7.49	\$8.16	\$97	\$115	\$113	Indianapolis
Jacksonville	4.9%	5.0%	2.9%	1.1%	2,900	2,300	3,700	2,300	3.7%	2.0%	3.0%	3.4%	\$6.56	\$8.50	\$9.34	\$9.74	\$113	\$124	\$114	Jacksonville
Las Vegas	13.9%	6.0%	4.1%	2.1%	3,100	4,400	3,500	14,900	2.2%	1.9%	3.6%	7.2%	\$9.44	\$12.19	\$13.09	\$13.70	\$199	\$222	\$231	Las Vegas
Los Angeles	8.4%	2.8%	2.1%	0.9%	4,600	3,700	4,800	5,400	1.7%	2.2%	4.5%	5.4%	\$14.60	\$19.52	\$19.13	\$18.65	\$316	\$364	\$349	Los Angeles
Memphis	1.6%	2.8%	-0.4%	-0.5%	13,600	8,100	5,900	2,200	6.0%	4.9%	6.3%	6.8%	\$3.64	\$4.09	\$4.79	\$4.96	\$79	\$91	\$83	Memphis
Miami-Dade	7.1%	4.9%	3.9%	2.1%	3,900	4,600	4,400	4,300	2.8%	2.0%	3.2%	3.6%	\$11.99	\$15.60	\$18.60	\$20.15	\$244	\$291	\$301	Miami-Dade
Milwaukee	2.6%	1.3%	0.3%	0.3%	3,300	2,900	2,700	500	2.7%	3.1%	2.9%	3.0%	\$4.67	\$5.24	\$5.39	\$5.64	\$72	\$83	\$80	Milwaukee
Minneapolis-St. Paul	5.4%	2.1%	1.6%	0.8%	2,900	6,000	5,700	4,000	3.2%	2.8%	3.5%	4.0%	\$6.17	\$7.22	\$8.58	\$9.17	\$98	\$110	\$110	Minneapolis-St. Paul
New York City	7.4%	5.4%	1.2%	1.1%	200	2,000	300	5,000	4.8%	5.5%	6.1%	7.9%	\$22.53	\$23.60	\$24.30	\$24.11	\$475	\$507	\$521	New York City
Northern New Jersey	7.1%	3.0%	1.4%	0.8%	2,500	3,000	5,700	2,200	2.6%	2.4%	4.8%	5.5%	\$11.73	\$13.51	\$14.66	\$14.54	\$187	\$221	\$211	Northern New Jersey
Oakland	6.5%	1.9%	1.9%	1.1%	2,100	1,600	2,300	1,100	5.0%	4.3%	5.7%	6.5%	\$16.72	\$18.17	\$17.78	\$17.72	\$287	\$319	\$309	Oakland
Orange County	7.5%	3.3%	2.1%	1.0%	500	1,300	2,000	1,800	1.9%	1.7%	3.2%	4.2%	\$15.09	\$18.54	\$20.07	\$20.96	\$309	\$357	\$349	Orange County
Orlando	10.2%	5.7%	1.8%	1.7%	2,400	4,100	4,200	3,500	3.4%	3.1%	4.5%	5.5%	\$8.23	\$9.83	\$11.23	\$11.91	\$150	\$170	\$177	Orlando
Philadelphia	6.0%	3.6%	2.6%	0.8%	13,100	11,400	14,700	8,500	4.2%	4.5%	6.3%	7.4%	\$8.43	\$9.60	\$10.58	\$10.50	\$124	\$139	\$131	Philadelphia
Phoenix	5.5%	3.1%	1.8%	1.7%	14,000	21,800	10,300	12,700	4.7%	4.3%	5.4%	6.2%	\$8.23	\$10.69	\$12.55	\$13.72	\$164	\$194	\$191	Phoenix
Portland	6.2%	3.6%	1.4%	1.0%	2,100	2,700	1,400	1,500	4.1%	3.3%	4.7%	5.5%	\$9.19	\$11.47	\$11.34	\$11.14	\$200	\$215	\$213	Portland
Riverside-San Bernardino	7.4%	2.7%	1.9%	0.6%	17,400	16,800	24,400	25,500	1.2%	1.9%	5.5%	8.5%	\$10.98	\$14.44	\$15.37	\$15.30	\$233	\$297	\$285	Riverside-San Bernardino
Sacramento	6.4%	2.9%	2.8%	1.6%	3,900	3,400	3,800	1,200	3.4%	3.7%	5.5%	5.8%	\$8.46	\$9.18	\$10.05	\$10.42	\$163	\$185	\$179	Sacramento
San Diego	9.0%	3.9%	1.5%	0.8%	4,900	1,900	2,000	2,200	3.2%	3.0%	5.7%	7.0%	\$17.44	\$20.36	\$20.52	\$20.40	\$290	\$325	\$326	San Diego
Seattle-Tacoma	5.7%	3.6%	2.0%	1.6%	4,200	7,700	5,600	4,200	4.2%	3.7%	6.2%	7.4%	\$11.94	\$13.52	\$12.52	\$12.82	\$285	\$313	\$296	Seattle-Tacoma
Tampa-St. Petersburg	5.8%	4.8%	1.9%	0.8%	2,700	5,100	5,400	3,200	3.3%	4.1%	4.9%	5.1%	\$7.39	\$10.15	\$11.87	\$12.89	\$132	\$154	\$157	Tampa-St. Petersburg
Washington, D.C.	4.4%	1.7%	1.4%	0.8%	3,900	5,900	8,400	3,600	4.7%	4.9%	6.8%	7.5%	\$10.17	\$11.63	\$12.70	\$13.35	\$205	\$232	\$216	Washington, D.C.
United States	5.1%	3.0%	2.0%	1.1%	332,100	411,500	423,700	315,000	3.9%	3.6%	5.3%	6.1%	\$8.43	\$9.94	\$10.54	\$10.86	\$133	\$153	\$152	United States

*Forecast

² See Statistical Note on Page 48