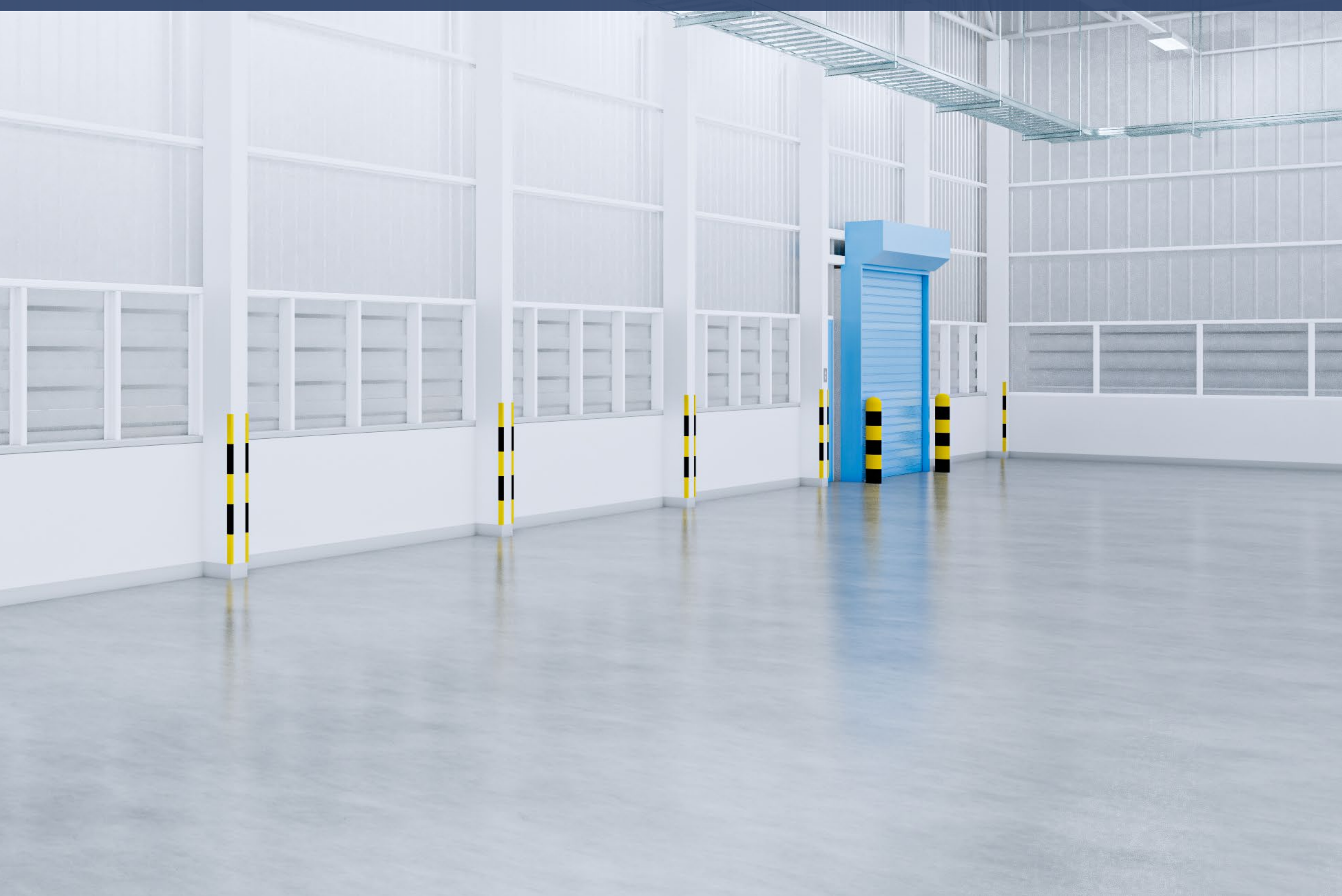
CommercialEdge

National Industrial Report

March 2025



Tariffs Create Uncertainty for Industrial

- There is plenty of uncertainty around trade and tariffs, but the impacts of a brewing trade war on the industrial sector will be far-reaching.

- At the start of February, the new administration announced tariffs of 10% on China and 25% on Mexico and Canada, before agreeing to a subsequent 30-day pause regarding certain goods from Mexico and Canada, while leaving the Chinese assessments in place. The suspended tariffs are set to be fully enacted in April. The three countries are the U.S.'s top trading partners, and combined account for more than two-fifths of its imports. Additional tariffs imposed or threatened on Europe mean that the majority of imported goods could soon be subject to the surcharges. Yet the tariffs enacted by the new administration represent only half of the picture for the industrial market, as retaliatory fees by other countries on American goods threaten manufacturers and exporters. Further complicating the picture, reciprocal tariffs from the U.S. look to be heading down the pipeline soon.

- The Economic Policy Uncertainty Index hit its highest mark ever outside of the first few months of the pandemic. The joint project between academics at Stanford, Northwestern and the University of Chicago illustrate the uncharted waters the country has entered. Tariff uncertainty led to a rush of imports through the nation's busiest ports early this year, as firms stockpiled inventory before the charges went into effect. According to data from the Bureau of Transportation, the total number of containers imported at the top 10 busiest U.S. ports was up 18% year-over-year in January. While the ports may see activity fall in coming quarters due to tariffs on China and the European Union, markets along the southern border face just as many questions about trade with Mexico. Recently these markets boomed as firms nearshored production to Mexico and moved goods freely across the border. With the U.S.-Mexico-Canada Agreement set to expire next summer, many firms will be hoping for a new deal to eliminate or reduce these charges.

- Tariffs may be a long-term positive for the industrial sector, if they achieve the administration's goal of increasing reshoring of manufacturing. In the short term, we anticipate that tariff uncertainty will lead to delayed leasing decisions from industrial occupiers. Those on steel and aluminum will increase construction costs and may lead to delaying or cancellation of planned projects. While it will take time to know the full impact, the new-development pipeline was already entering a lull, as the historic wave of new supply gets absorbed and interest rates remain elevated.

Rents and Occupancy:
New Lease Premium Shrinks

- National in-place rents for industrial space averaged $8.43 per square foot in February, up eight cents in the month and 7.1% over the past 12 months.

- Southern California continues to cool, with in-place rents growing 8.9% in the last 12 months in the Inland Empire and 7.7% in Los Angeles.

- The national vacancy rate was 8.2% in February, an increase of 20 basis points from the previous month. The national vacancy rate has doubled in the past two years, as a historic level of new supply has been delivered and demand for space has normalized.

- The spread between a new lease and the average rate of all leases was $2.13 in February. The premium for a new lease has slowly come down in recent quarters as tenants have gained more leverage in negotiations due to rising vacancies. We do not anticipate the gap between new leases and all leases to shrink much further. Much of the new space coming online is high-quality, high-tech facilities that can command top dollar. Only in select markets with large quantities of spec builds do we anticipate a significant tightening of this premium.

- The spread between the new lease rate and the overall market average was highest in Bridgeport, where new leases cost $5.18 more per foot than the market average. Miami ($4.92 more per foot), Boston ($4.09), Seattle ($3.92) and New Jersey ($3.84) also have had significant premiums for new leases. New-lease premiums were lowest in Kansas City, where a lease signed in the last 12 months cost only eight cents more than the market average in-place rent. Four other markets had a new-lease premium of less than a dollar per foot: the Bay Area ($0.42), Memphis ($0.52), St. Louis ($0.56) and Portland ($0.90).

Average Rent by Metro

Market	Feb-25 Average Rent	12-Month Change	Avg Rate Signed in Last 12 Months	Vacancy Rate
National	$8.43	7.1%	$10.56	8.2%
Columbus	$5.42	14.1%	$6.86	7.9%
New Jersey	$11.71	11.3%	$15.55	9.5%
Nashville	$6.48	10.0%	$9.43	7.3%
Atlanta	$6.19	9.6%	$8.86	6.7%
Dallas	$6.36	9.5%	$9.17	9.7%
Orange County	$16.83	9.4%	$18.08	5.6%
Miami	$12.40	8.9%	$17.32	10.3%
Inland Empire	$11.06	8.9%	$13.04	7.7%
Philadelphia	$8.28	8.7%	$10.56	8.4%
Boston	$11.20	7.9%	$15.29	10.4%
Phoenix	$9.43	7.9%	$12.53	8.2%
Los Angeles	$15.09	7.7%	$16.39	9.1%
Bridgeport	$9.68	6.7%	$14.86	5.0%
Seattle	$11.77	6.3%	$15.69	8.3%
Portland	$10.26	6.3%	$11.16	5.6%
Baltimore	$8.38	6.2%	$11.19	8.9%
Charlotte	$7.02	6.2%	$10.37	7.2%
Tampa	$7.95	5.7%	$9.74	7.7%
Cincinnati	$5.09	5.6%	$6.38	6.9%
Bay Area	$13.66	5.2%	$14.08	8.1%
Central Valley	$6.48	5.0%	$8.81	7.0%
Houston	$6.89	4.9%	$8.25	6.7%
Chicago	$6.36	4.8%	$7.58	9.4%
St. Louis	$4.93	4.7%	$5.49	7.6%
Twin Cities	$7.26	4.6%	$8.53	8.6%
Memphis	$4.12	4.3%	$4.64	9.2%
Indianapolis	$5.00	4.2%	$6.61	9.7%
Denver	$8.91	4.1%	$10.82	12.2%
Detroit	$7.20	3.2%	$9.65	5.6%
Kansas City	$4.96	2.9%	$5.04	5.8%

Source: CommercialEdge. Data as of February 2025. Rent data provided by Yardi Market Insight. National rent and occupancy data is a weighted average of the top 30 markets.

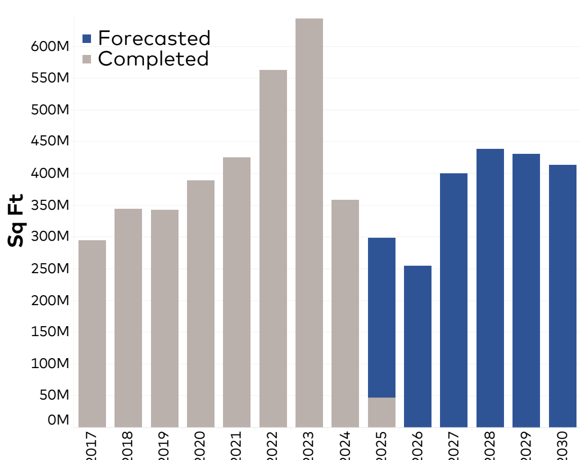
Supply:
Port of Houston Keeps Pipeline Afloat

- Currently, 344.9 million square feet of industrial space, or 1.7% of stock, are under construction nationally, according to CommercialEdge.

- Starts decelerated rapidly last year, a trend we expect to continue due to normalized demand and increased material costs from tariffs.

- The Port of Houston is the largest in the country by total tonnage, primarily due to shipping of petroleum, and is the nation's fifth busiest for containers. It is the busiest container port along the Gulf, and has seen a bump in the number of containers handled since the expansion of the Panama Canal was completed last decade. The growth in container volume has generated demand for warehouse and distribution space in the market. Houston has 13.8 million square feet currently under construction, representing 2.1% of stock, virtually all of it warehouse and distribution space. Much of the space being built is expansions to existing logistics parks and some is spec builds at new sites. Additionally, owner-occupied distribution facilities are a driving force in the area pipeline. The market's largest project is the Grainger-owned 1.2 million-square-foot distribution center in Hockley, which broke ground last October.

National New Supply Forecast



Source: Yardi Matrix. Data as of February 2025

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	UC Plus Planned % Stock
National	344,894,210	1.7%	3.8%
Phoenix	16,103,498	3.7%	10.6%
Kansas City	10,033,242	3.4%	6.0%
Denver	6,241,561	2.2%	5.8%
Charlotte	4,480,657	1.3%	5.6%
Dallas–Ft Worth	23,699,084	2.3%	5.4%
Houston	13,806,044	2.1%	4.7%
Inland Empire	9,822,116	1.5%	4.4%
Atlanta	9,633,986	1.7%	3.8%
Tampa	1,835,136	0.7%	3.8%
Philadelphia	11,008,405	2.4%	3.7%
Memphis	10,518,000	3.5%	3.6%
Columbus	7,440,146	2.3%	3.4%
Nashville	3,514,902	1.6%	3.3%
Indianapolis	4,283,124	1.1%	3.1%
Minneapolis	2,507,697	0.7%	2.6%
New Jersey	6,469,911	1.1%	2.5%
Seattle	3,708,994	1.2%	2.4%
Bay Area	1,985,719	0.7%	2.3%
Boston	951,904	0.4%	2.3%
Central Valley	4,269,098	1.2%	1.9%
Portland	3,570,301	1.8%	1.9%
Los Angeles	4,953,183	0.7%	1.6%
Detroit	7,948,764	1.3%	1.6%
Baltimore	1,547,682	0.7%	1.6%
Chicago	6,439,422	0.6%	1.5%
Orange County	1,241,170	0.6%	1.1%
Cleveland–Akron	3,044,622	0.8%	0.9%
Cincinnati	1,856,000	0.6%	0.9%
Bridgeport	410,240	0.2%	0.6%

Source: CommercialEdge. Data as of February 2025

Economic Indicators: Warehouse Employment Slips

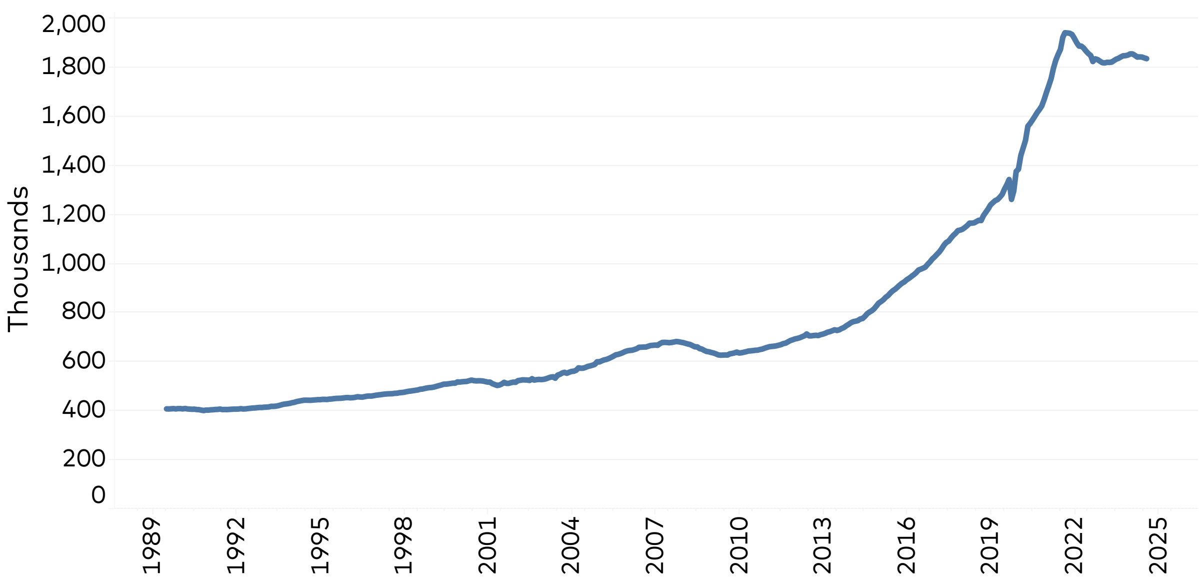
- The warehouse and storage sector of the labor market had 1,837,400 employees in the month of February, according to the Bureau of Labor Statistics. This was a decline of 3,100 jobs from January. The sector has declined in six of the past seven months. While warehouse employment had solid growth during the first half of 2024, those gains have been wiped away, as February was down 0.1% year-over year.
- Warehouse employment grew rapidly during the first two years of the pandemic, peaking in March of 2022 before shedding 117,500 workers over the subsequent 12 months. As e-commerce growth leveled off and consumers returned, at least partially, to in-person shopping, the sector began to lose workers. The trend in warehouse employment has mirrored the trend in logistics space demand: explosive growth during the first two years of the pandemic, followed by a period of pullback. Amazon, by far the largest employer in the sector, expanded rapidly in 2021 and 2022 before pausing and canceling projects in recent years.

Economic Indicators

National Employment (February) 159.2M 0.1% MoM ▲ 1.2% YoY ▲	**ISM Purchasing Manager's Index** (February) 50.3 -0.6 MoM ▼ 2.7 YoY ▲
Inventories (January) $2,591.9B 0.3% MoM ▲ 2.3% YoY ▲	**Imports** (January) $329.5B 12.3% MoM ▲ 25.7% YoY ▲
Core Retail Sales (January) $529.4B -0.8% MoM ▼ 3.6% YoY ▲	**Exports** (January) $172.8B 1.6% MoM ▲ 1.3% YoY ▲

Sources: Bureau of Labor Statistics, Institute for Supply Management, U.S. Census Bureau, Bureau of Economic Analysis, Moody's Analytics

Warehousing and Storage Employment



Sources: U.S. Census Bureau, CommercialEdge

Transactions:
Dallas Leads in Volume; Price Growth Stays Flat

- Industrial transactions totaled $6.1 billion during the first two months of the year, according to CommercialEdge, with properties trading at an average of $127 per square foot.

- After increasing rapidly during the first two years of the pandemic, the average sale price of an industrial property has leveled off in recent years. Between 2019 and 2022, the national average sale price of an industrial property grew 54%, but it increased only 5% between 2022 and 2024.

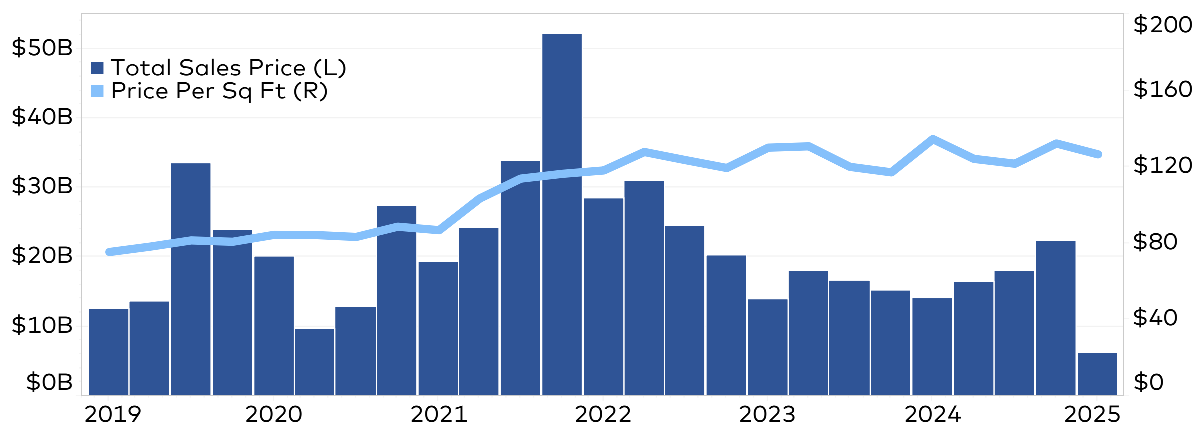
- This trend has held across nearly every market, including high-demand locations like Dallas. Between 2019 and 2022, prices in Dallas increased 50%, but they grew just 2% in the subsequent two years. Dallas has a diverse industrial base, with demand driven by manufacturing, cold storage and logistics. The market has seen somewhat slower price growth than other places, especially relative to other top markets, due to the impact of new supply. More than 206 million square feet of new space (20% of stock) have been delivered in the market since the start of the decade. So far in 2025, Dallas prices have remained relatively unchanged from last year despite its leading the nation in total volume of industrial sales during the first two months.

Sales Activity

Market	YE 2024 Sales Price PSF	YE 2024 Sales (Mil)
National	$127	$6,140
Dallas	$112	$415
New Jersey	$339	$351
Orange County	$340	$303
Chicago	$90	$281
Los Angeles	$252	$233
Phoenix	$162	$183
Seattle	$195	$165
Indianapolis	$111	$137
Philadelphia	$101	$136
Columbus	$68	$129
Nashville	$120	$117
Twin Cities	$89	$116
Detroit	$80	$109
Memphis	$92	$103
Houston	$66	$102
Charlotte	$86	$85
Atlanta	$65	$69
Bridgeport	$86	$66
Boston	$145	$59
Bay Area	$292	$57
Cincinnati	$111	$53
Baltimore	$132	$34
Cleveland	$33	$34
Denver	$143	$33
Portland	$172	$22

Source: CommercialEdge. Data as of February 2025

Quarterly Transactions



Source: CommercialEdge. Data as of February 2025

Definitions

CommercialEdge collects listing rate and occupancy data using proprietary methods.

- Average Rents—Provided by Yardi Market Insight, a cutting-edge service that uses anonymized and aggregated data from other Yardi platforms to provide the most accurate rental and expense information available.
- Vacancy—The total square feet vacant in a market, including subleases, divided by the total square feet of office space in that market. Owner-occupied buildings are not included in vacancy calculations. Also provided by Yardi Market Insight.

Stage of the supply pipeline:

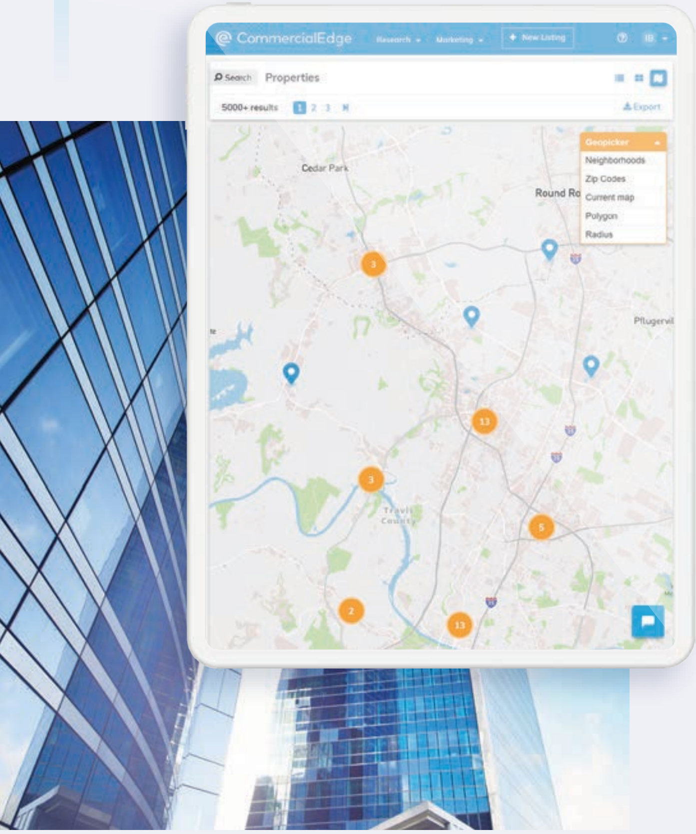
- Planned—Buildings that are currently in the process of acquiring zoning approval and permits but have not yet begun construction.
- Under Construction—Buildings for which construction and excavation has begun.

Sales volume and price-per-square-foot calculations for portfolio transactions or those with unpublished dollar values are estimated using sales comps based on similar sales in the market and submarket, use type, location and asset ratings, sale date and property size.

CommercialEdge

Reliable commercial real estate data, built up over more than a decade of extensive research. Powered by Yardi.

CommercialEdge provides the industrial segment's most comprehensive market intelligence service and listing management platform, sustaining data-driven decisions.



Key features:

- Continually growing nationwide coverage with 162 markets currently included
- Researched and verified data, powered by a team of 400 experienced property research specialists
- Exhaustive property reports featuring data points such as ownership, leases, sales, debt, taxes and more
- Building and portfolio performance overview with current average rents, vacancy rates and maturing leases
- Extensively researched tenant data with an accuracy rate two to three times higher than the industry average
- Real-time market trends based on actual transactional and leasing data with Yardi Market Insight
- Dedicated tools, including automated competitive building sets, broker tour books and dedicated property webpages
- Access to the CommercialEdge Listing Network — including CommercialCafe, PropertyShark, Point2 and CommercialSearch

Capitalize on comprehensive commercial real estate research
Nationwide property and listing data all in one place, specifically engineered for CRE professionals.

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