U.S. Research Report

INDUSTRIAL MARKET OUTLOOK

Q4 2018

Accelerating success.

Despite Mounting Headwinds, Will E-Commerce Keep Industrial Real Estate Demand Churning in 2019?

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Featured Highlights

- At year-end 2018, only 5% of the nation's industrial space was vacant—one of the lowest rates on record despite a record 263 million square feet of new construction completed in 2018. This record may not last long as an all-time high 273 million square feet was under construction at year-end.
- Growing consumer preference to purchase goods online continues to be the primary driver of industrial real estate demand. Occupiers are expanding warehouse locations at near record levels to service online consumers and cut transportation costs, which should keep industrial real estate demand robust in 2019, baring a major economic downturn.
- Tightening markets and new, higher-quality Class-A space drove up average asking rents to a record $5.75 per square foot per year at year-end. While record high asking rents were a sign of a potential slowdown in previous cycles, growing transportation costs remain a greater concern for occupiers. Companies will continue to lease more warehouse space to lower average haul lengths and cut transportation costs, despite rising asking rents in 2019.
- Warehouse space, especially in urban locations with young populations, will attract top interest for both investors and occupiers in 2019 as everyone tries to solve the "final-mile." The push to service the final-mile will lead to a pickup in small warehouse construction and increase the rate of industrial redevelopment, especially in newly designated urban "opportunity zones."
- The U.S. industrial investment market was robust in 2018 with total transactions at $92.4 billion, up a whopping 25% compared to 2017. Investors remain enamored with the industrial market because of the product type's perceived safety in a more volatile global economic climate. Mounting economic and trade headwinds could lower overall investment volumes this year, but the sector will remain a favorite commercial product type for investment.
- Despite an overall positive outlook for the industrial real estate market, headwinds are picking up significantly. The greatest threats to industrial demand in 2019 will be weakening economic fundamentals and the continued threat of escalating global trade wars, each of which have the potential to lower demand for industrial product in the coming year.

Market Indicators
Relative to Prior Quarter

	Q4 2018	Q4 2019*
VACANCY	−	=
NET ABSORPTION	+	−
CONSTRUCTION	+	+
RENTAL RATE**	+	+

* Projected
** Warehouse rents

Summary Statistics | Q4 2018
U.S. Industrial Market

Vacancy Rate	5.0%
Change From Q4 2017	-0.1%
Markets With Lower Vacancies Compared With Q4 2017	71.8%
YTD 2018 Net Absorption (MSF)	276.6
Markets With Positive Absorption	97.0%
YTD 2018 New Supply from Construction (MSF)	262.9
New Supply to Inventory	1.7%
Under Construction (MSF)	278.2

ASKING RENTS
PER SQUARE FOOT PER YEAR

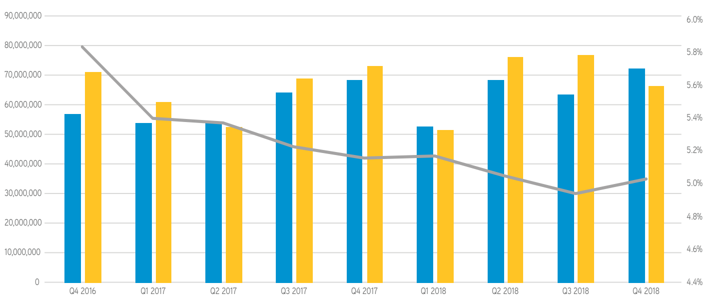
Average Warehouse/Distribution Center	$5.75
Average Manufacturing Space	$5.44
Average Flex Space	$12.19

The U.S. industrial market completed its second-best year on record in 2018, with every key indicator at or near all-time highs. E-commerce has the industrial real estate market firing on all cylinders, creating robust demand for big-box buildings, final-mile distribution centers, flex space, and in certain parts of the country, manufacturing facilities.

As we turn to 2019, many factors continue to support positive absorption, robust development and escalating rents. With online sales projected to continue its rate of ascent, occupiers will increase warehouse locations to lower haul lengths, and thus transportation costs and time to consumers. Occupiers will focus expansion to markets near major distribution hubs and growing population centers throughout the country.

While the overall outlook for industrial is positive, there are mounting economic, trade and logistical headwinds that may slow activity in 2019. These headwinds include a slowing global economy, continued trade issues with our top global trade partner in China, and growing labor shortages in an economy near full employment.

U.S. Industrial Market
Q4 2016 to Q4 2018



Source: Colliers International

U.S. Economic Outlook

Despite a cascade of unfavorable news to finish 2018, the underlying story remains quite positive for the U.S. economy. From the perspective of the Fed's twin mandates, namely promoting maximum employment and stable prices, conditions are very strong. The jobs market remains a key indicator of industrial real estate demand and the latest jobs report was especially positive, as the U.S. economy registered its 100th month of consecutive positive job growth in January—the longest such streak since government recordkeeping began. Though it ticked up one-tenth of a percentage point to 4%, the unemployment rate remains at the low end of the Fed's target range.

Interest rates are likely to remain at their relatively moderate levels in 2019, enabling business investment and consumer spending to continue at higher rates than if interest rates had kept rising. Thus, with the Fed no longer actively braking the economy, at least temporarily, the odds are increasing that the Fed will successfully engineer a "soft landing" that allows the economy to decelerate enough to let off excesses that are building in the system, but not slow to a stall that would herald an actual downturn. In other words, recession averted, at least for now.

While there is positive news about the economy, there is also cause for caution. The International Monetary Fund (IMF) has downgraded its 2019 forecast for the second time in just the last three months, as the U.S., China and Europe are all expected to grow at a slower rate this year than last. Already, Italy entered into a recession in the second half of last year, Germany is teetering near a technical recession, and the Eurozone overall grew by just 0.2% in both the third and fourth quarters—its slowest pace since 2014. Meanwhile, China is expected to grow at its slowest rate since 1990 (albeit at 6.6%, almost twice the global growth rate and around three times as fast as the U.S.). What accounts for the downgrade in the U.S. growth outlook? Mainly slowing global trade which could spread into the U.S. in 2019, lowering real estate demand.

Looking ahead, business and consumer confidence, industrial output and business investment all remain at healthy levels but will fade across the board in the long term. Expect growth this year to be in the mid 2% range, down from almost 3% in 2018. Only job growth continues to post outsized gains, exceeding expectations, though not nearly to levels experienced earlier in the cycle. Rising wage growth thus far has not seemed to restrain demand for labor. Job openings are outpacing new hires however, providing concrete data that confirms evidence of growing labor shortages. Despite recent marginal gains in the labor force participation rate, the ranks of unemployed workers is small and shrinking, which will drive up wages further and eventually temper new hiring. Thus, expect fewer leasing and sales transactions this year, along with slower price appreciation.

U.S. Economic Indicators

GDP	
Q3 2018 *	+ 3.4%
Q2 2018	+ 4.2%
PMI	
January 2019 PMI®	January 2019 PMI 56.6%, down 2.5 = percentage points from January 18
RAIL TIME INDICATORS: AAR.ORG	
Total Railcar Traffic	+ 4.8% since December 2017
Intermodal Traffic	+ 5.0% since December 2017

Sources: BEA, ISM, AAR
* Most recent data available due to government shutdown.

U.S. Industrial Market Posts Second-Best Year on Record

The U.S. industrial market posted another impressive quarter to finish 2018 with 65.3 million square feet of net absorption in the fourth quarter, the 35th consecutive quarter of positive absorption. Net absorption totaled 276 million square feet last year, an impressive 8.5% higher than in 2017, and the second highest annual total on record. Robust demand dropped the overall vacancy rate to 5% at year-end, a ten-basis-point decline over the previous year. Continued robust activity and low vacancies are driving up asking rents, which finished 2018 at an all-time record of $5.75 per square foot per year for warehouse/distribution space. Developers are also breaking ground for new industrial product at a record pace, with 278 million square feet in development.

The Inland Empire was the dominant market in 2018 with 25.4 million square feet of net absorption. Occupiers continue to lease large e-commerce facilities in droves because of the region's significant logistics advantages, ample labor and a plethora of land on which to develop state-of-the-art distribution centers. Indianapolis was the top performing non-core market in the country, with net absorption of 9.2 million square feet, the sixth highest in the U.S. Occupiers are picking Indianapolis for their Midwest hub because of the market's central location, affordable rents and pro-business environment.

Stockton/San Joaquin County, one of the fastest growing big-box markets in the country, was the top growth market (net absorption as a percent of inventory) in the country, growing by 6.3%, followed by other major seaport or final-mile markets including Savannah, Lehigh Valley, Charleston and New Hampshire.

Essential indicators for industrial demand were solid in 2018, including distribution industry job growth. In December 2018, the three industries directly related to industrial real estate hit all-time highs for total employed in the U.S., including truck transportation (1.5 million), couriers and messengers (790,000) and warehousing and storage (1.1 million). These industries reached new peaks because of the continued growth in e-commerce sales in the U.S., which will remain a top demand driver for industrial real estate in 2019.

Transportation of goods across the U.S. was strong in 2018. Rail traffic across the U.S. is growing in preference, with total traffic up 4.8% in 2018. Seaports also continue to boom with loaded inbound container volumes up 6% compared with a year ago. The North American Cass Freight Index, which measures overall freight volume based on billings, saw shipments increase a whopping 7.9% in 2018. While impressive, this increase was bolstered by presumably one-time events as companies looked to stock up prior to tariffs taking effect.

U.S. Manufacturing Indicators | Jan 2019

INDEX	SERIES INDEX (JAN 2019)	SERIES INDEX (DEC 2018)	PERCENTAGE-POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)
PMI ®	56.6	54.3	2.3	Growing	Faster	29
New Orders	58.2	51.3	6.9	Growing	Faster	37
Production	60.5	54.1	6.4	Growing	Faster	29
Employment	55.5	56	-0.5	Growing	Slower	28
Supplier Deliveries	56.2	59.0	-2.8	Slowing	Slower	35
Inventories	52.8	51.2	1.6	Growing	Faster	13
Customers' Inventories	42.8	41.7	1.1	Too Low	Slower	28
Prices	49.6	54.9	-5.3	Decreasing	From Increasing	1
Backlog of Orders	50.3	50.0	0.3	Growing	From Unchanged	1
Exports	51.8	52.8	-1.0	Growing	Slower	35
Imports	53.8	52.7	1.1	Growing	Faster	24
Overall Economy				Growing	Faster	117
Manufacturing Sector				Growing	Faster	29

*Number of months moving in current direction
Source: ISM

While e-commerce occupiers including Amazon and Wayfair continue to get the press, they only made up 11% of the bulk (100,000 square feet and above) transactions signed in the past 12 months, which is in line with e-commerce's share of total non-auto retail sales. The top industrial occupier remains third-party logistics and packaging companies (3PLs), which signed 115 million square feet of bulk industrial deals over the past 12 months, almost a third of the total transactions signed.

While 3PLs and retail-related distribution volumes will drive transaction volume in 2019, look for strong growth in the Food and Beverage industry, as many of these occupiers are looking to expand and modernize their distribution and manufacturing networks. This will increase the need for distribution space with cooler and/or freezer capabilities, currently an amenity in short supply in the U.S. Population growth will keep occupiers in all industries looking at space in the Southern and Western portions of the country, while improvements and expansions of inland and coastal logistics hubs in the Northeast and Midwest will keep demand strong in these regions for the foreseeable future.

U.S. Industrial Overview | Year-End 2018

	UNITED STATES	WEST	MIDWEST	SOUTH	NORTHEAST
Inventory	15,451,732,550	4,069,659,363	4,377,976,463	4,775,590,628	2,228,506,096
% of U.S. Inventory	100%	26.3%	28.3%	30.9%	14.4%
YTD 2018 New Supply	262,912,009	76,287,596	59,402,822	98,605,891	28,615,700
% of YTD 2018 New Supply	100%	29.0%	22.6%	37.5%	10.9%
YTD 2018 Net Absorption	276,566,294	74,158,877	61,676,904	106,559,599	34,170,914
% of YTD 2018 Net Absorption	100%	26.8%	22.3%	38.5%	12.4%
Year-End 2018 Overall Vacancy Rate	5.0%	3.7%	5.5%	5.4%	5.3%

Source: Colliers International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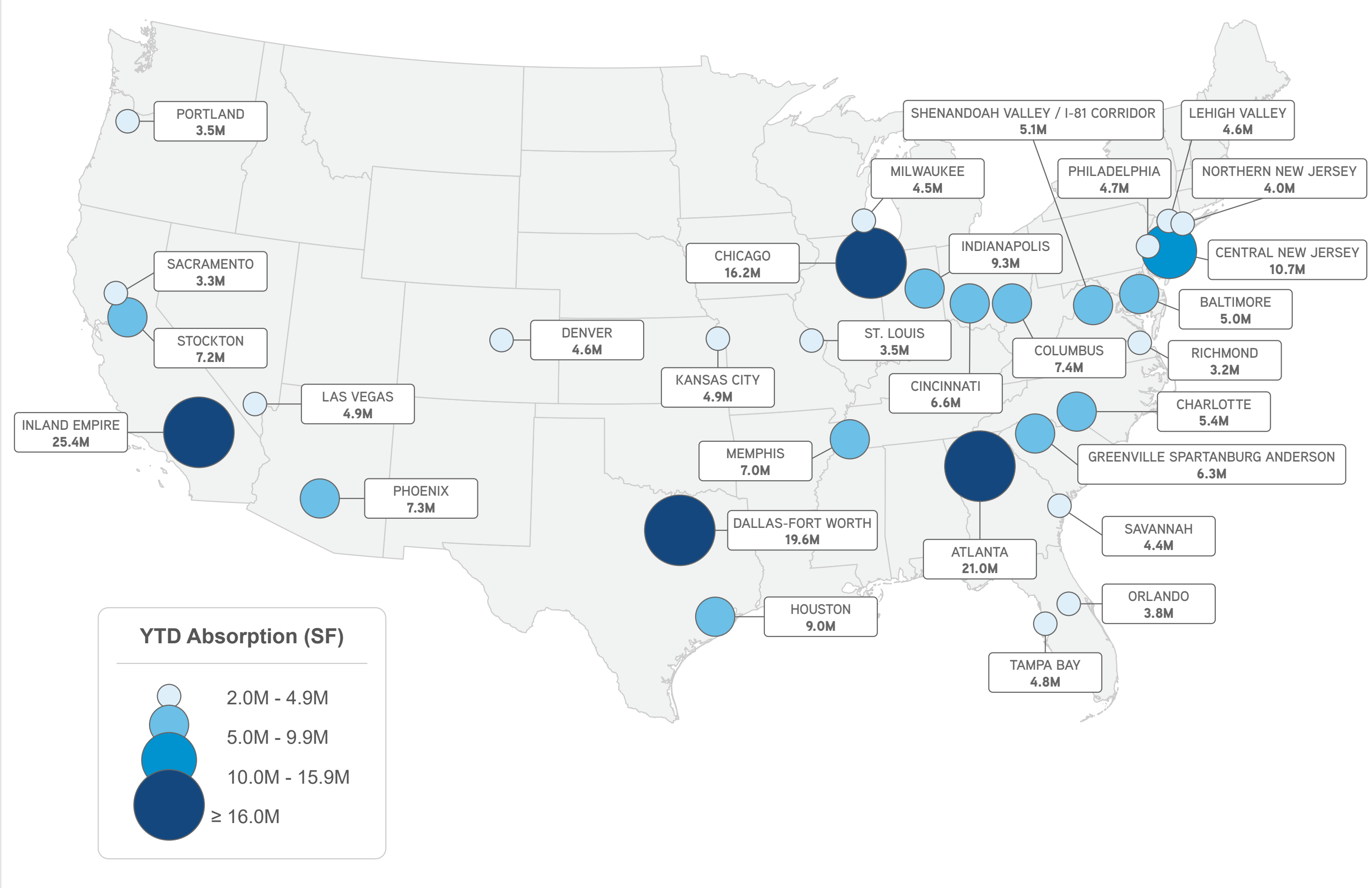
Top 30 Markets: Overal Net Absorption



Industrial Real Estate Investment Activity Firing on All Cylinders

Investment activity was firing on all cylinders in 2018. Sales volumes hit an all-time record high of $92.4 billion, surpassing the previous high by nearly $14 billion. Investors are drawn to industrial real estate because outstanding property performance and a compelling growth story. Industrial deal volume grew at the strongest pace for the year in Q4 2018, which surpassed Q4 2017 by 44%, mainly from the Blackstone acquisition of Gramercy Property. This was the second largest mergers and acquisition deal of the year behind Prologis' acquisition of DCT Industrial for $8.3 billion in August.

Despite uncertainty in financial markets, cap rates were largely unchanged from a year earlier. Cap rates for flex assets averaged 6.7% at year end, while warehouse cap rates fell 20 basis points (BPS) to 6.3%. Cap rates in newer product and in core markets remain much lower than the national average, however. Markets including the NY Boroughs, Los Angeles, Inland Empire and Northern California all finished the year with cap rates less than 5%. Cap rates also vary by size range with big-box buildings (200,000 square feet and above) finishing 2018 with a cap rate of 5.7%. Having Amazon as a tenant lowered cap rates in 2018, with these facilities trading at a 4% to 5% range.

Looking ahead, investors will continue to focus on secondary and tertiary markets. Markets with large quantities of urban warehousing with high rents and low vacancies, including the Washington, D.C. area, Long Island and South Florida, will see increased institutional owner interest. Emerging regional distribution hubs including Las Vegas, Greenville, the I-4 Corridor and inland markets of Northern California including Sacramento and Stockton will see the largest increase in demand, as investors will view these markets as strong alternatives to nearby core industrial markets with limited inventory available to purchase. Overall, while economic and trade headwinds could lower investment volumes below its current record pace, the sector will remain a favorite commercial product type for investment in the coming quarters.

Top Trends That Will Impact Industrial Real Estate in 2019

GLOBAL TRADE

The movement of goods from sea, air and inland ports to their final destination is a key driver of the U.S. industrial market, but growing trade tensions with some of our leading trading partners could undermine industrial demand, especially in port markets. China is of particular concern, as China is not only our top trading partner—including both imports and exports—but has the greatest trade imbalance with the U.S., inviting heightened scrutiny from the Trump Administration.

Tariffs have hurt the Chinese economy and reciprocal tariffs have lowered Chinese demand for American-made goods. If this trend continues, demand from manufacturing occupiers, one of the top growing industries for industrial real estate in 2018, could decline and hurt regions in the Midwest and Southeast. The rise in prices for goods here in the U.S. could also hurt consumer spending, which will have an overall negative effect on distribution in 2019.

While recent communications from Washington point to a willingness to negotiate a trade deal with China, industrial real estate demand could take a hit in the coming year if no deal is reached and tariffs are increased.

Meanwhile, much is riding on the outcome of trade talks with Europe concerning autos, agriculture, energy and other goods, but the prospects are uncertain and could lead to further rounds of retaliation. Finally, the election of a Democratic majority in the House of Representatives has made prospects for passage of the new North American Free Trade Agreement (NAFTA) deal much less certain, potentially disrupting trade with Mexico and Canada and potentially negatively affecting industrial real estate markets along major trade routes between the three countries.

While downgrades in U.S. economic forecasts and fears of shipping slowdown center on current issues with China, other world events could have a negative effect on U.S. goods movements and thus industrial real estate. One such issue is the potential failure of Britain to negotiate a deal to exit the European Union. Indeed, the IMF report cites these trade tensions as a major factor underlying its forecast for slower growth.

LABOR AVAILABILITY

Growing labor shortages represents another key challenge ahead for the distribution industry. The U.S. unemployment rate hovers near a 50-year low. With industrial-related hiring already at all-time highs, the insatiable need for labor to service growing e-commerce demands combined with an economy at nearly full employment, is exacerbating the labor shortage for distribution workers in many markets. Thus, occupiers and developers alike will deploy a number of strategies to attract the workers required supply chain optimization.

One obvious way to do this will be to raise hourly wages. While hourly wages have not increased significantly overall—rising only 3.1% year over year in the U.S. according to the Bureau of Labor Statistics—hourly rates for warehouse labor have increased 6.7% to $13.97 per hour since 2017. While increasing wages can hurt the bottom line, it will be necessary to entice labor from the retail or food services industries, a target labor pool for distribution occupiers, to consider warehouse work.

Another tactic to attract labor is to offer more amenities and benefits. Distribution centers throughout the country are starting to look more like a creative office space with break rooms including couches, ping pong tables and basketball courts. Other perks include daycare for children. Companies are recognizing that in order to attract and retain talent, both in the warehouse and in corporate America, they must entice the millennial and Gen Z crowd. These groups as a whole are more likely to work for a brand that they admire, even in distribution capacities. Developers will take notice of this trend, offering these build-outs as part of tenant improvement packages.

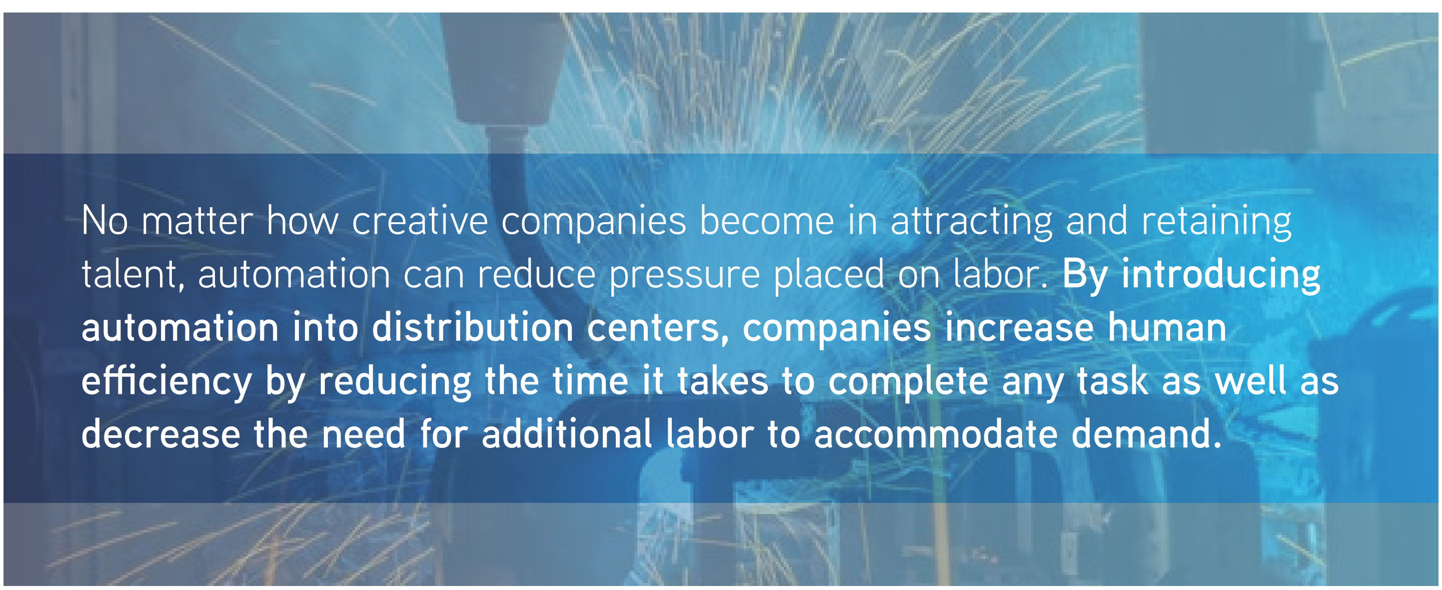
No matter how creative companies become in attracting and retaining talent, automation can reduce pressure placed on labor. By introducing automation into distribution centers, companies increase human efficiency by reducing the time it takes to complete any task as well as decrease the need for additional labor to accommodate demand, particularly seasonal demand. Reliance on automation will continue to increase as labor remains scarce and technology continues to advance. Developers will need to be ready as automation requires different building designs and build outs including space for maintenance, higher clear heights for conveyor systems, and more flexible and reliable power sources.

Top 5 Markets 2018: Transaction Volume	
Chicago	$6,269 Million
Dallas	$4,549 Million
Los Angeles County	$4,442 Million
Inland Empire	$3,913 Million
Atlanta	$3,513 Million

Source: Colliers International

Top 5 Markets 2018: Overall Net Absorption	
Inland Empire	25.4 MSF
Atlanta	21.0 MSF
Dallas-Fort Worth	19.6 MSF
Chicago	16.2 MSF
Central New Jersey	10.7 MSF

Source: Colliers International



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SOLVING THE FINAL-MILE

Consumers increasingly expect e-commerce orders to be fulfilled and delivered in two days or less. However, the costs of executing this quick delivery are the most expensive portion of the total transportation costs. To mitigate final-mile transportation costs, shippers increasingly find it more effective to locate their facilities closer to the end consumer base, despite facing higher lease rates. Two industrial markets experiencing the most demand for final-mile facilities are the Los Angeles Basin and New Jersey Turnpike Corridor.

In many other populous areas, industrial markets are mature with low vacancies and few options for development. This is forcing occupiers to get more creative and utilize functionally-obsolete industrial or converted retail space to service the end users. Although oftentimes not ideal for large scale distribution, repurposing urban assets can meet the immediate needs for final-mile facilities. However, the cost to redevelop these properties can be excessive and not feasible in many locations. One way redevelopments could increase in urban areas is the use of tax and other incentives in newly enacted opportunity zones.

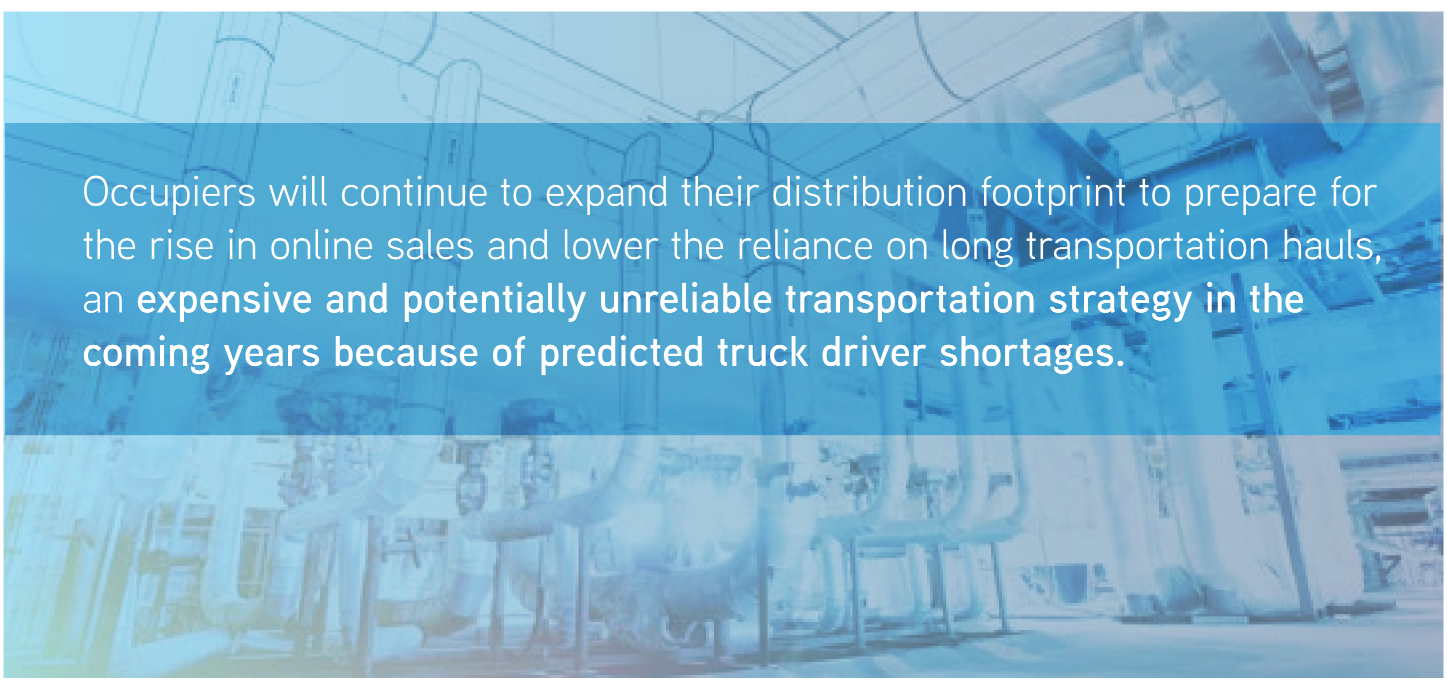
The new Opportunity Zone legislation may change the viability of adaptive reuse projects. The Opportunity Zones provide a mechanism by which investors in industrial real estate can place capital in the most in demand commercial asset class while still maintaining core-plus/value-add return upside in higher-cost redevelopments.

Among the more than 8,700 designated census tracts in the Opportunity Zone program, the top markets for industrial investment will be located near large growing populations, major transportation hubs and have access to a robust labor pool. Look for Opportunity Zone investment and industrial redevelopment to service final-mile distributions to be a major trend in 2019.

SUPPLY CHAIN OPTIMIZATION

While headwinds have presented themselves throughout this cycle, the projected economic and trade issues present the strongest danger to industrial real estate demand since the end of the recession. While these headwinds could lower the current pace of activity, the need to increase warehouse locations to optimize supply chains and cut down on transportation costs could yet again keep industrial fundamentals strong in 2019. E-commerce already accounts for more than 11% of non-auto retail sales in the U.S. and, according to eMarketer, will surpass 16% by 2021.

Occupiers will continue to expand their distribution footprint to prepare for the rise in online sales and lower the reliance on long transportation hauls, an expensive and potentially unreliable transportation strategy in the coming years because of predicted truck driver shortages. While the need to expand industrial real estate to cut costs and service online consumers should keep demand strong across the country, the largest growth will occur in markets with available labor, land to develop modern distribution centers, growing populations and usable industrial product near urban centers, including these ten emerging industrial markets whom we expect will provide the most growth opportunities for both occupiers and investors in the coming year.



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United States | Industrial Survey | Inventory, New Supply, Under Construction				
MARKET	INVENTORY Q4 2018 (SF)	TOTAL NEW SUPPLY Q4 2018 (SF)	TOTAL UNDER CONSTRUCTION (SF)	SUM OF NEW SUPPLY YTD
NORTHEAST				
Baltimore, MD	254,397,339	254,560	6,124,690	5,495,033
Boston, MA	148,976,495	801,275	1,402,600	961,275
Hartford, CT	111,122,563	-	-	-
New Hampshire	64,950,435	-	-	-
New York City Metro	839,126,173	737,000	11,526,975	12,098,775
> Central New Jersey	326,429,014	-	4,865,958	8,580,484
> Long Island	152,391,490	-	524,929	32,000
> Northern New Jersey	360,305,669	737,000	6,136,088	3,486,291
Philadelphia-Lehigh Valley, PA	455,751,483	2,065,312	7,828,025	8,462,725
Pittsburgh, PA	141,046,756	125,000	139,713	249,250
Washington, D.C.	213,134,852	136,662	2,290,072	1,348,642
Northeast Total	**2,228,506,096**	**4,119,809**	**29,312,075**	**28,615,700**
SOUTH				
Atlanta, GA	708,338,022	5,702,561	19,408,087	18,828,579
Augusta-Aiken, GA	10,456,414	-	40,000	-
Austin, TX	51,355,511	465,463	1,213,150	1,208,418
Birmingham, AL	128,799,867	-	-	-
Charleston, SC	53,362,891	157,000	2,970,758	3,122,140
Charlotte, NC	216,363,828	834,286	6,254,182	5,421,433
Columbia, SC	69,550,981	-	818,056	328,601
Dallas-Fort Worth, TX	839,522,842	6,754,809	21,926,846	25,130,134
Florence-Myrtle Beach, SC	37,688,104	135,302	109,200	180,302
Greenville-Spartanburg-Anderson, SC	199,147,792	116,828	7,688,065	3,533,731
Houston, TX	573,141,472	1,896,704	11,946,377	11,099,121
Huntsville, AL	39,480,483	-	322,600	-
Jacksonville, FL	128,786,175	90,769	5,294,547	269,606
Memphis, TN	252,852,015	965,640	2,397,877	6,647,475
Nashville, TN	200,665,561	2,547,777	3,185,521	3,769,898
Norfolk, VA	98,298,766	-	30,000	-
Orlando, FL	145,899,073	261,778	3,241,755	4,764,295
Raleigh-Durham, NC	64,574,233	19,200	2,736,800	315,300
Richmond, VA	96,989,713	-	1,557,657	856,707
Savannah, GA	70,623,915	1,769,540	9,239,574	4,555,500
Shenandoah Valley-I-81 Corridor	193,049,475	360,000	5,612,100	1,545,000
South Florida	379,876,136	1,693,791	6,375,465	4,394,150
> Fort Lauderdale	111,331,129	221,542	2,448,785	1,632,119
> Miami	215,334,532	1,325,996	3,587,660	2,605,450
> Palm Beach	53,210,475	146,253	339,020	156,581
Tampa Bay, FL	216,767,359	652,800	5,485,524	2,635,501
South Total	**4,775,590,628**	**24,424,248**	**117,854,141**	**98,605,891**

United States | Industrial Survey | Inventory, New Supply, Under Construction				
MARKET	INVENTORY Q4 2018 (SF)	TOTAL NEW SUPPLY Q4 2018 (SF)	TOTAL UNDER CONSTRUCTION (SF)	SUM OF NEW SUPPLY YTD
MIDWEST				
Chicago, IL	1,387,914,184	4,295,471	19,016,054	13,974,336
Cincinnati, OH	259,627,945	1,790,287	7,320,922	5,846,674
Cleveland, OH	365,370,308	519,200	3,832,549	2,845,286
Columbus, OH	243,194,742	3,147,798	3,746,691	6,895,881
Dayton, OH	93,616,268	679,715	1,126,000	1,501,891
Detroit, MI	559,675,738	3,461,832	4,054,378	5,746,905
Grand Rapids, MI	113,391,747	59,013	2,244,657	256,413
Indianapolis, IN	254,500,302	2,619,874	8,850,600	8,020,305
Kansas City, MO	261,844,410	892,455	6,221,504	4,710,209
Milwaukee, WI	270,912,413	99,681	1,466,271	2,841,101
Minneapolis-St. Paul, MN	255,538,758	1,089,032	1,262,120	2,137,050
Omaha, NE	73,136,396	39,522	1,105,271	549,142
St. Louis, MO	239,253,252	1,248,500	5,496,992	4,077,629
Midwest Total	**4,377,976,463**	**19,942,380**	**65,744,009**	**59,402,822**
WEST				
Albuquerque, NM	39,510,270	-	340,000	-
Bakersfield, CA	36,456,134	-	10,870	1,553,257
Boise, ID	46,493,721	-	456,000	97,980
Denver, CO	268,929,267	1,215,736	4,959,361	4,430,924
Fresno, CA	53,201,832	555,824	-	2,311,136
Greater Los Angeles, CA	1,617,630,978	11,828,200	26,890,000	32,801,400
> Inland Empire	527,267,400	10,794,200	20,542,900	26,516,700
> Los Angeles	897,669,925	99,300	5,978,300	5,180,000
> Orange County	192,693,653	934,700	368,800	1,104,700
Honolulu, HI	40,439,272	-	95,881	-
Las Vegas, NV	133,972,122	899,464	4,540,655	4,553,544
Phoenix, AZ	304,434,912	3,516,911	5,406,439	7,896,797
Portland, OR	189,325,095	384,617	1,666,900	3,254,061
Reno/Sparks, NV	87,806,471	-	-	174,493
Sacramento, CA	156,880,256	-	946,404	830,820
San Diego, CA	192,147,043	834,381	1,832,420	2,289,882
San Francisco Bay Area, CA	524,207,942	113,425	6,084,102	2,426,562
> East Bay	184,031,522	113,425	3,732,897	1,443,142
> Fairfield, CA	51,822,256	-	-	376,901
> San Francisco Peninsula	39,418,757	-	-	-
> Silicon Valley	248,935,407	-	2,351,205	606,519
Seattle-Puget Sound, WA	264,277,548	1,673,279	5,005,817	5,603,961
> Bellevue	17,310,838	-	-	-
> Everett	43,480,775	-	816,524	345,702
> Kent Valley	97,504,429	104,898	870,443	1,560,079
> Seattle	40,599,034	589,615	71,460	589,615
> Tacoma	65,382,472	978,766	3,247,390	3,108,565
Stockton	113,946,500	2,121,729	7,034,278	8,062,779
West Total	**4,069,659,363**	**23,143,566**	**65,269,127**	**76,287,596**
U.S. TOTAL	15,451,732,550	71,630,003	278,179,352	262,912,009

United States | Industrial Survey | Absorption, Vacancy

MARKET	ABSORPTION Q4 2018 (SF)	YTD ABSORPTION	VACANCY RATE PREVIOUS QUARTER	VACANCY RATE Q4 2018
NORTHEAST				
Baltimore, MD	387,268	5,046,650	8.1%	7.9%
Boston, MA	143,762	224,926	9.9%	10.1%
Hartford, CT	110,803	478,265	5.4%	6.1%
New Hampshire	708,401	3,087,969	5.3%	5.4%
New York City Metro	1,836,692	14,323,700	3.3%	3.1%
› Central New Jersey	442,025	10,745,401	2.3%	2.1%
› Long Island	-113,634	-405,938	3.4%	3.5%
› Northern New Jersey	1,508,301	3,984,237	4.1%	3.8%
Philadelphia-Lehigh Valley, PA	2,648,452	9,320,276	5.3%	5.2%
Pittsburgh, PA	646,308	344,441	5.9%	5.6%
Washington, D.C.	-647,499	1,344,687	6.5%	6.9%
Northeast Total	**5,834,187**	**34,170,914**	**5.3%**	**5.3%**
SOUTH				
Atlanta, GA	5,797,746	20,956,401	5.9%	5.8%
Augusta-Aiken, GA	208,404	475,092	12.8%	10.8%
Austin, TX	227,395	1,483,978	6.2%	7.0%
Birmingham, AL	75,971	539,779	3.8%	3.8%
Charleston, SC	17,783	2,647,801	9.1%	9.3%
Charlotte, NC	867,946	5,406,049	5.3%	7.1%
Columbia, SC	255,531	1,376,979	8.4%	8.1%
Dallas-Fort Worth, TX	5,644,869	19,565,545	6.2%	6.3%
Florence-Myrtle Beach, SC	2,157,997	2,400,191	12.6%	7.2%
Greenville-Spartanburg-Anderson, SC	736,594	6,298,624	5.5%	5.2%
Houston, TX	2,567,776	8,994,644	5.6%	5.4%
Huntsville, AL	-283,837	459,923	5.6%	6.0%
Jacksonville, FL	217,188	1,568,675	2.9%	2.8%
Memphis, TN	1,910,632	7,005,831	6.7%	6.3%
Nashville, TN	78,712	1,653,847	3.9%	4.2%
Norfolk, VA	97,061	689,568	4.4%	4.2%
Orlando, FL	516,916	3,818,980	4.4%	4.4%
Raleigh-Durham, NC	221,394	1,021,711	5.3%	5.1%
Richmond, VA	1,466,446	3,159,614	5.4%	5.2%
Savannah, GA	221,566	4,393,823	1.5%	3.6%
Shenandoah Valley-I-81 Corridor	48,900	5,079,000	4.1%	4.1%
South Florida	996,410	2,747,396	3.7%	3.2%
› Fort Lauderdale	-15,067	481,845	3.9%	2.9%
› Miami	875,366	2,098,877	3.8%	3.4%
› Palm Beach	136,111	166,674	3.1%	2.8%
Tampa Bay, FL	1,165,746	4,816,148	5.2%	4.8%
South Total	**25,215,146**	**106,559,599**	**5.4%**	**5.4%**

United States | Industrial Survey | Absorption, Vacancy

MARKET	ABSORPTION Q4 2018 (SF)	YTD ABSORPTION	VACANCY RATE PREVIOUS QUARTER	VACANCY RATE Q4 2018
MIDWEST				
Chicago, IL	3,264,582	16,210,741	6.4%	6.3%
Cincinnati, OH	720,672	6,617,525	3.8%	3.8%
Cleveland, OH	750,107	2,320,569	5.0%	5.0%
Columbus, OH	2,992,791	7,412,254	4.7%	5.1%
Dayton, OH	488,551	791,181	7.3%	7.0%
Detroit, MI	2,428,061	2,788,276	3.2%	5.7%
Grand Rapids, MI	202,597	851,117	5.3%	5.1%
Indianapolis, IN	1,892,975	9,304,022	4.8%	4.9%
Kansas City, MO	1,584,404	4,938,658	6.5%	6.4%
Milwaukee, WI	1,067,219	4,503,973	4.2%	3.9%
Minneapolis-St. Paul, MN	-106,547	2,326,755	4.3%	4.7%
Omaha, NE	117,438	95,505	3.4%	3.4%
St. Louis, MO	529,306	3,516,328	6.2%	6.3%
Midwest Total	**15,932,156**	**61,676,904**	**5.2%**	**5.5%**
WEST				
Albuquerque, NM	63,883	386,413	4.1%	3.7%
Bakersfield, CA	-202,077	1,562,681	4.4%	4.2%
Boise, ID	-108,456	463,353	1.4%	1.7%
Denver, CO	2,154,839	4,566,124	5.0%	4.6%
Fresno, CA	510,264	1,506,067	5.9%	5.9%
Greater Los Angeles, CA	5,598,500	27,374,911	2.1%	2.5%
› Inland Empire	6,403,900	25,387,200	3.1%	3.9%
› Los Angeles	-888,700	1,300,100	1.5%	1.6%
› Orange County	83,300	687,611	2.3%	2.8%
Honolulu, HI	-75,716	-25,997	1.8%	2.0%
Las Vegas, NV	1,817,509	4,889,513	4.7%	3.7%
Phoenix, AZ	2,346,519	7,304,230	7.2%	7.5%
Portland, OR	1,123,775	3,545,837	3.9%	3.4%
Reno/Sparks, NV	675,775	2,159,309	6.4%	6.5%
Sacramento, CA	161,700	3,296,409	4.7%	4.6%
San Diego, CA	233,207	2,126,814	4.4%	4.8%
San Francisco Bay Area, CA	564,224	3,863,549	3.8%	3.6%
› East Bay	23,575	2,856,050	2.3%	2.3%
› Fairfield, CA	162,034	689,354	5.7%	5.2%
› San Francisco Peninsula	243,259	40,599	1.7%	1.6%
› Silicon Valley	135,356	277,546	4.8%	4.5%
Seattle-Puget Sound, WA	475,971	3,977,610	3.8%	4.1%
› Bellevue	4,058	-42,745	3.8%	3.8%
› Everett	121,266	409,978	3.6%	3.5%
› Kent Valley	168,613	971,617	4.6%	4.3%
› Seattle	-21,792	-183,015	2.3%	3.4%
› Tacoma	203,826	2,821,775	3.6%	4.9%
Stockton, CA	2,832,234	7,162,054	6.0%	5.2%
West Total	**18,172,151**	**74,158,877**	**3.7%**	**3.7%**
U.S. TOTAL	**65,153,640**	**276,566,294**	**4.9%**	**5.0%**

United States | Industrial Survey | Direct Asking NNN Rents as of Q4 2018			
MARKET	MANUFACTURING SPACE (USD/SF/YR)	FLEX / SERVICE SPACE (USD/SF/YR)	WAREHOUSE / DISTRIBUTION SPACE (USD/SF/YR)
NORTHEAST			
Baltimore, MD	$3.23	$11.22	$5.38
Boston, MA	$9.34	$12.49	$8.50
Hartford, CT	$4.55	$7.62	$5.27
New Hampshire	$5.98	$9.43	$6.06
New York City Metro	$8.97	$12.48	$9.10
> Central New Jersey	$7.17	$12.80	$7.36
> Long Island	$20.78	$13.95	$12.41
> Northern New Jersey	$8.23	$11.44	$8.71
Philadelphia-Lehigh Valley, PA	$4.30	$9.66	$5.25
> Lehigh Valley	$6.13	$10.81	$5.60
> Philadelphia	$4.23	$9.60	$5.16
Pittsburgh, PA	$4.50	$9.00	$5.69
Washington, D.C.	$7.66	$12.92	$8.16
Northeast Total	**$5.72**	**$11.74**	**$6.89**
SOUTH			
Atlanta, GA	$5.14	$9.17	$4.22
Augusta-Aiken, GA	$2.10	-	$3.30
Austin, TX	-	$13.39	$8.88
Birmingham, AL	$3.55	$6.35	$4.07
Charleston, SC	$4.03	$9.45	$6.02
Charlotte, NC	$2.50	$10.53	$5.02
Columbia, SC	$3.09	$8.20	$3.76
Dallas-Fort Worth, TX	$4.97	$10.41	$4.63
Florence-Myrtle Beach, SC	$1.91	$7.63	$2.85
Greenville-Spartanburg-Anderson, SC	$5.74	$8.09	$3.54
Houston, TX	-	$9.37	$7.45
Huntsville, AL	$3.76	$14.00	$5.70
Jacksonville, FL	-	$10.42	$4.78
Memphis, TN	-	$6.76	$2.94
Nashville, TN	$3.97	$11.63	$5.68
Norfolk, VA	$5.57	$9.95	$5.11
Orlando, FL	-	$11.55	$6.15
Raleigh-Durham, NC	-	$14.71	$5.85
Richmond, VA	$4.68	$9.38	$4.14
Savannah, GA	$2.02	$6.00	$4.57
Shenandoah Valley-I-81 Corridor	$4.05	$4.05	$4.05
South Florida	$8.09	$15.44	$10.09
> Fort Lauderdale	$7.01	$12.37	$8.32
> Miami	$7.69	$18.62	$10.97
> Palm Beach	$9.43	$14.55	$8.77
Tampa Bay, FL		$10.09	$5.35
South Total	**$4.01**	**$9.90**	**$5.20**

United States | Industrial Survey | Direct Asking NNN Rents as of Q4 2018

MARKET	MANUFACTURING SPACE (USD/SF/YR)	FLEX / SERVICE SPACE (USD/SF/YR)	WAREHOUSE / DISTRIBUTION SPACE (USD/SF/YR)
MIDWEST			
Chicago, IL	-	-	$5.18
Cincinnati, OH	$3.16	$6.66	$4.09
Cleveland, OH	$2.99	$7.41	$3.86
Columbus, OH	-	$6.17	$3.54
Dayton, OH	$2.64	$5.15	$3.79
Detroit, MI	-	$10.08	$5.89
Grand Rapids, MI	$3.73	$4.51	$4.26
Indianapolis, IN	$3.17	$7.28	$3.71
Kansas City, MO	$4.17	$9.30	$4.50
Milwaukee, WI	$4.44	$6.82	$4.80
Minneapolis-St. Paul, MN	$4.97	$4.95	$4.73
Omaha, NE	$4.49	$7.20	$5.85
St. Louis, MO	$4.03	$6.53	$4.70
Midwest Total	**$3.89**	**$7.19**	**$4.87**
WEST			
Albuquerque, NM	$7.32	$9.68	$6.61
Bakersfield, CA	$10.06	-	$5.48
Boise, ID	-	-	$6.60
Denver, CO	-	$11.74	$7.91
Fresno, CA	$2.64	$11.19	$5.00
Greater Los Angeles, CA	-	-	$8.45
› Inland Empire	-	-	$7.12
› Los Angeles	-	-	$9.77
› Orange County	-	-	$11.23
Honolulu, HI	-	-	$14.47
Las Vegas, NV	$9.77	$13.19	$6.74
Phoenix, AZ	$6.32	$12.61	$5.94
Portland	$8.75	$13.12	$7.40
Reno/Sparks	-	-	$5.34
Sacramento, CA	$7.34	$9.93	$7.70
San Diego, CA	$11.91	$22.80	$11.22
San Francisco Bay Area, CA	$12.29	$25.30	$9.86
› East Bay	$11.45	$16.98	$9.22
› Fairfield, CA	$9.13	$10.94	$5.67
› San Francisco Peninsula	-	-	$20.80
› Silicon Valley	$16.57	$25.72	$13.13
Seattle-Puget Sound, WA	$9.29	$16.81	$9.24
› Bellevue	$14.41	$18.84	$12.61
› Everett	$9.66	$15.27	$9.61
› Kent Valley	$8.32	$15.93	$7.99
› Seattle	$15.86	$19.31	$14.32
› Tacoma	$4.59	$15.00	$8.59
Stockton, CA	$4.82	$8.23	$5.98
West Total	**$10.07**	**$18.95**	**$7.69**
U.S. TOTAL	**$5.44**	**$12.19**	**$5.75**

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