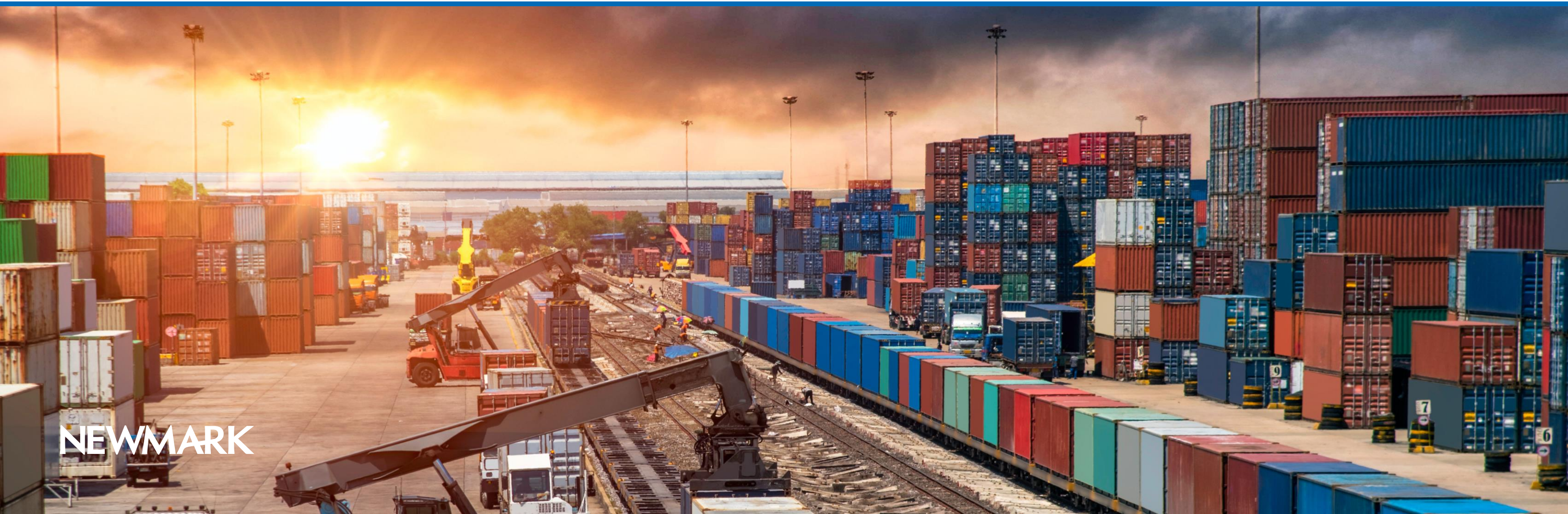


3Q24









The U.S. Industrial Market: Conditions & Trends







NEWMARK

U.S. Market Fundamentals

3Q24 Key **Leasing Market** Fundamentals

U.S. VACANCY RATE	Availability Rate	Average Asking Rent (NNN PSF)	Net Absorption 2024 YTD	Leasing Volume 2024 YTD	Deliveries 2024 YTD	Construction Pipeline	Quarterly Construction Starts
 UP 6.6% 166 bps YOY	 UP 9.0% 170 bps YOY	 UP \$10.26 / SF 3.1% YOY	 DOWN 115.2 MSF 38% from same period last year	 DOWN 628.4 MSF 8.7% from same period last year	 DOWN 308.7 MSF 27.3% from same period last year	 DOWN 349.9 MSF 42.2% YOY	 DOWN 48 MSF 37% YOY

3Q24 Key **Capital Market** Fundamentals

Average Top Quartile Industrial Cap Rate	Average Total Industrial Cap Rate	Sales Volume 2024 YTD	Average Sale Price PSF
 UP 5.5% 40 bps YOY	 UP 6.5% 60 bps YOY	 DOWN \$64.1 B 7.3% from same period last year	 DOWN \$124 2.2% YOY

U.S. Market Observations

Economic Conditions and Demand Drivers

- Economic indicators remain mixed, reflected in measured consumer sentiment readings. More clarity following the decisive outcome of the U.S. presidential election could boost consumer confidence, as could a likely continuation of FOMC rate cuts.
- Container traffic at U.S. ports has surged to its highest level in two years as shippers hedged against supply chain disruption and tariffs. Annualized growth in imports is forecast throughout the latter half of the year, ahead of a potential East and Gulf Coast dockworker strike in January 2025, and continuing tariff uncertainties.
- Manufacturing construction spending continues to hit new heights, measuring \$124.4 billion in August 2024, nearly double the pre-pandemic 5-year average. The South is collecting the lion's share of this investment.

Capital Markets

- The third quarter of 2024 ushered in \$23.4 billion in sales volume, essentially on par with quarterly volumes one year ago – effectively ending the two-year-plus trend of annualized quarterly declines.
- Cap rates have fluctuated within a 10-bps range so far this year, bumping up and down quarter-over-quarter. Currently in the third quarter, cap rates sit at an average of 5.5%. Spreads to BBB corporate bonds remain below long-term averages – if much more attractive compared to recent history.
- Private capital continues to account for nearly half of total acquisitions. Users are seeing more opportunity than they have in years, buying more volume year-to-date than in all of 2023.

Leasing Market Fundamentals

- U.S. net absorption held steady from the last quarter, measuring approximately 43 MSF. Flight to quality is apparent: preleased deliveries are driving outsized contribution to total net absorption, accounting over 140 MSF of new occupancy year-to-date. This quarter, nearly half of all new leasing was for Class A space.
- Vacancy continues to rise but at a notably slower pace. Overall vacancy increased by 10 bps from the previous quarter to an average of 6.6%. Availability expanded by 30 bps to 9.0%, maintaining a typical historical spread to vacancy.
- Annualized asking rent growth slowed to 3.1%, marking the softest pace since 2015 as new supply impacts fundamentals. Quarter-over-quarter, asking rents declined slightly for the first time in years. Contract rates have remained largely stable over the past year, though concessions are on the rise.

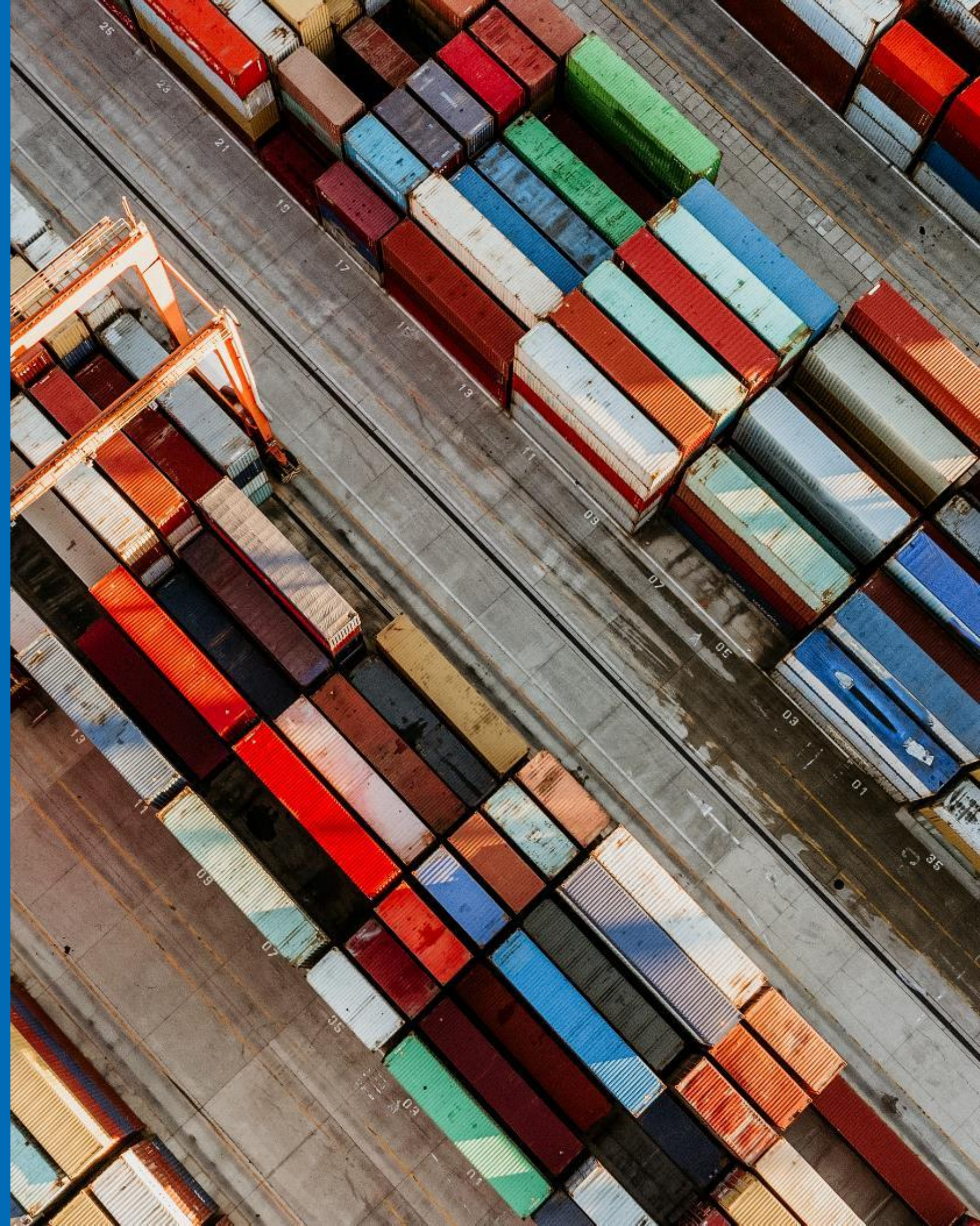
Outlook

- Vacancy will rise another 10 to 20 basis points in 2025 but is near the cyclical peak – although expected to remain in the 6% range through 2025 and into 2026.
- Supply – both in deliveries, and in development – will be under 2019 levels next year. Demand is projected to stay resolutely positive but softer than the pre-2020 baseline.
- Record commercial real estate loan maturities are coming due between now and 2026. However, among all property types, the industrial sector has the lowest share of potentially troubled loans maturing.

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2. Industrial Demand Drivers	12
3. Leasing Market	25
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3Q24

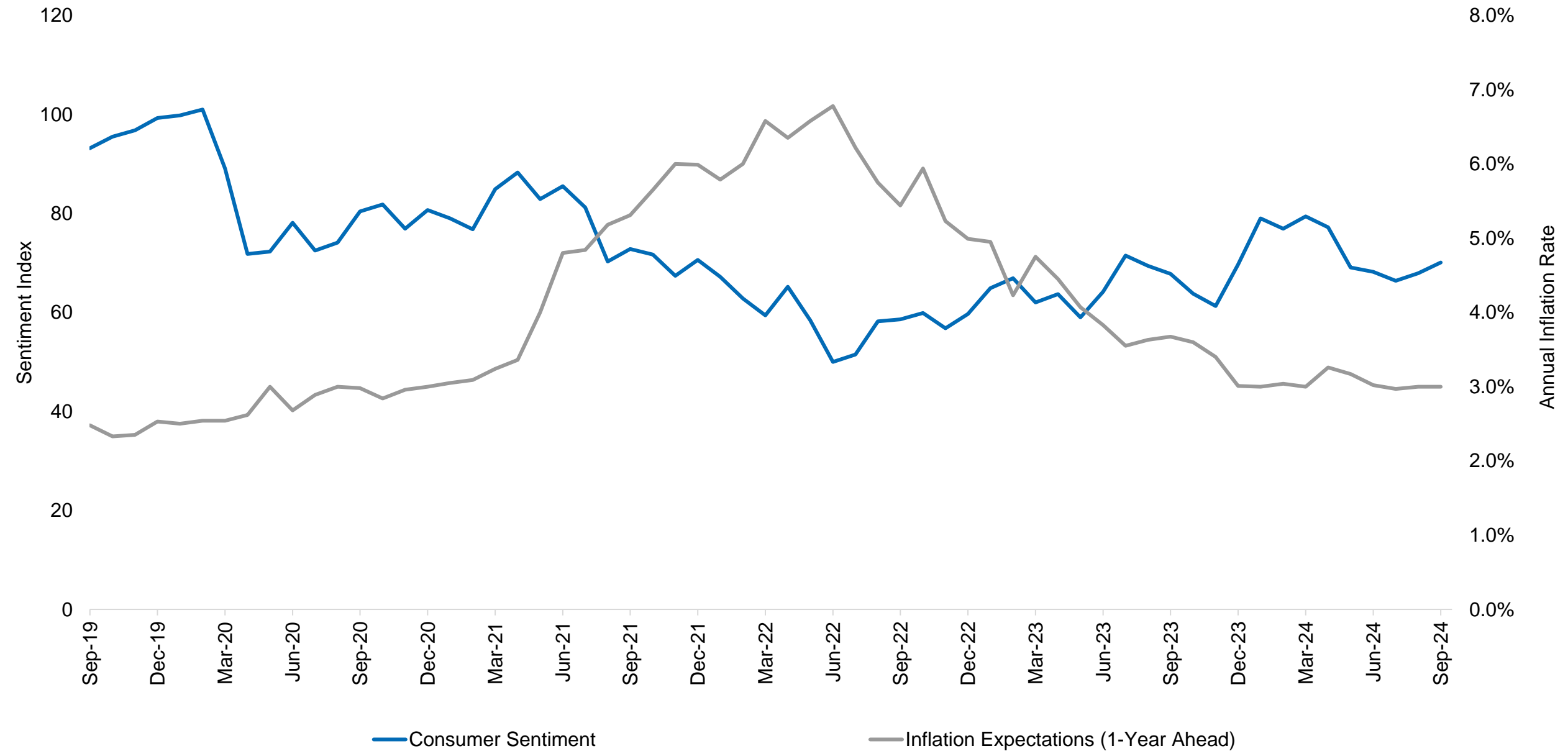
Economic Conditions



Consumer Sentiment Remained Measured Going Into Election Season

Consumer sentiment in 2024 has fluctuated, generally trending downward amid ongoing economic and political uncertainties. Inflation expectations have held within a stable range of 3% over this period.

Consumer Sentiment and Inflation Expectations

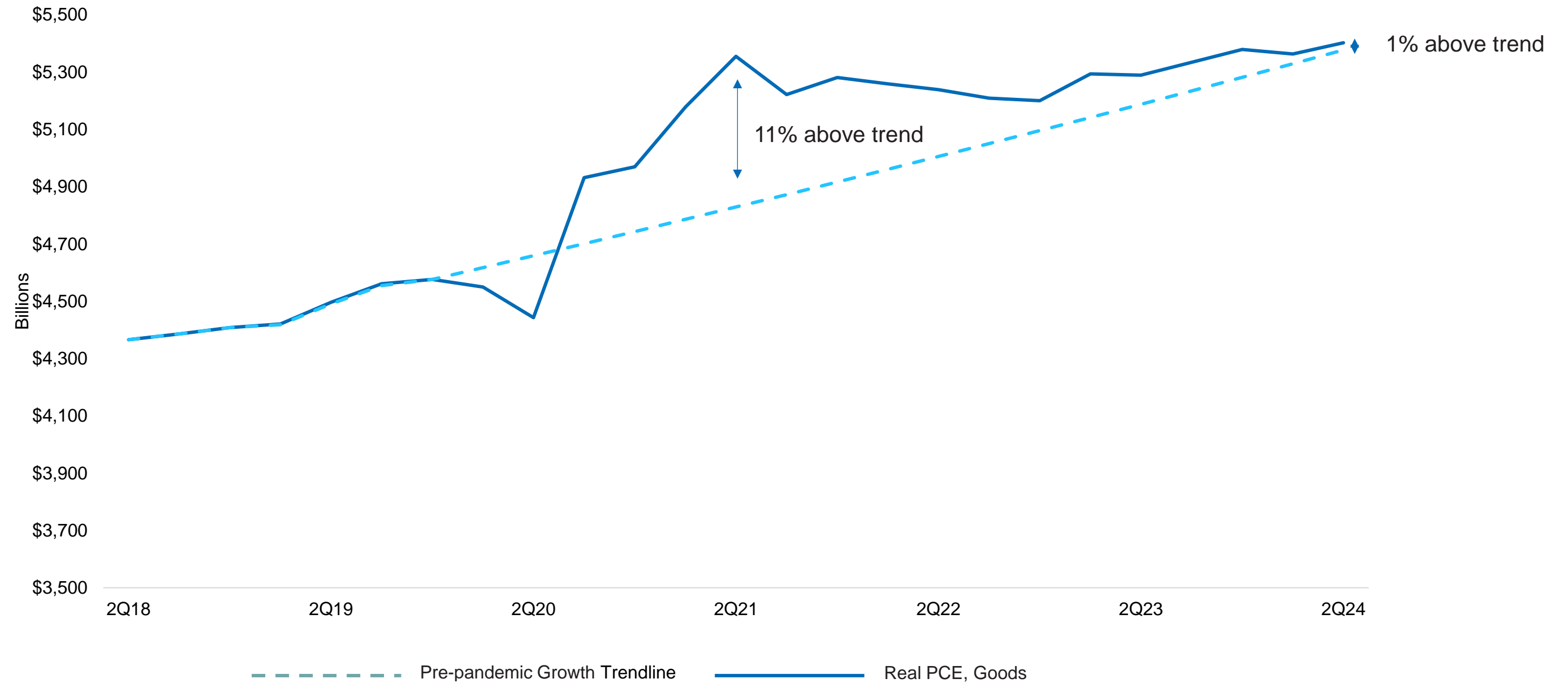


Source: Newmark Research, Federal Reserve of NY, University of Michigan, October 2024.

Despite Cautious Sentiment, Consumer Spending On Goods Remains Resilient

Inflation-adjusted spending on goods has effectively returned to the pre-pandemic trendline. Overall retail spending for September 2024 exceeded expectations, signaling that despite economic uncertainties, consumers continue to spend.

Real Personal Consumption Expenditures, Goods

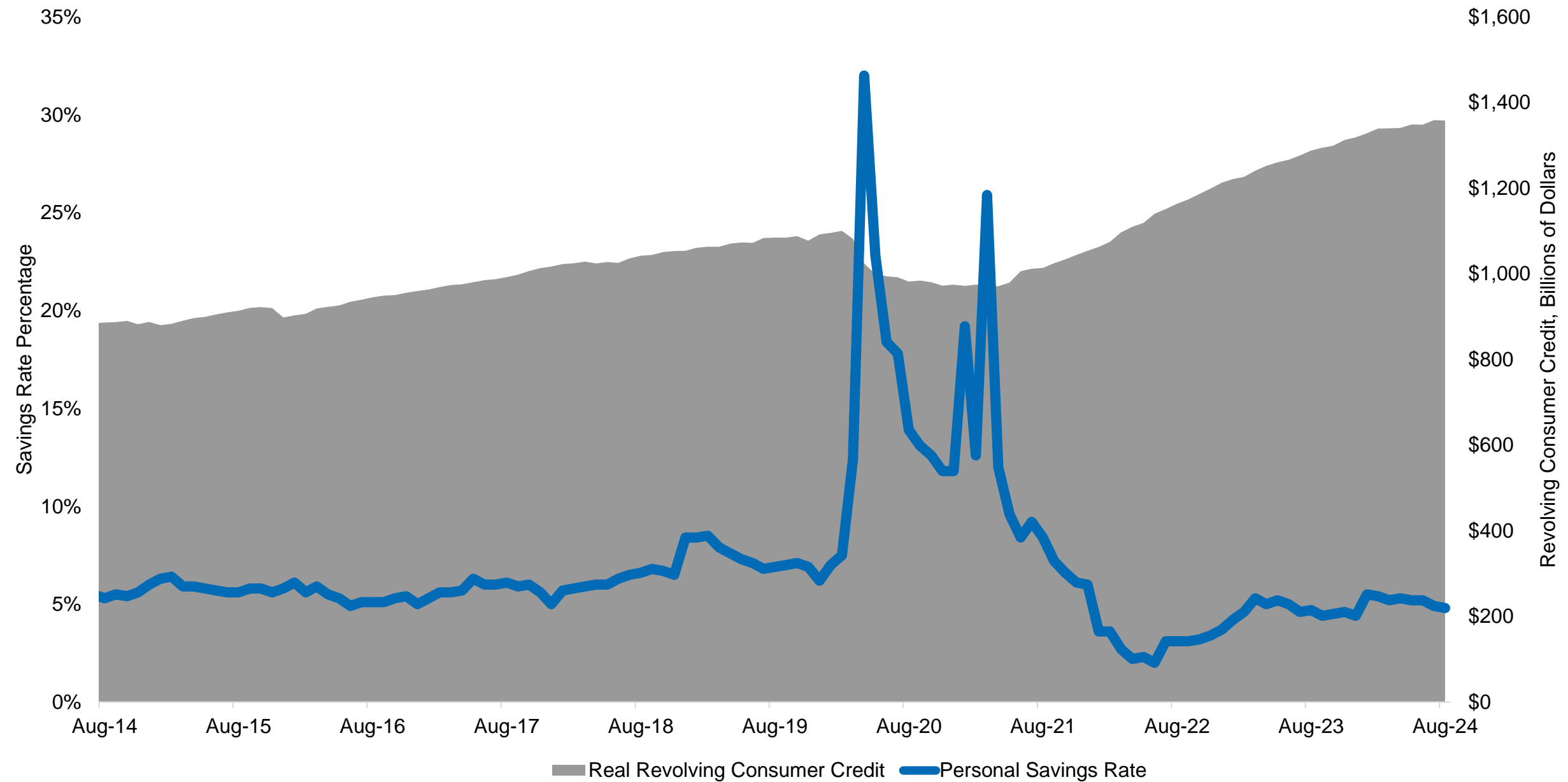


Source: St. Louis Federal Bank, Newmark Research, October 2024.

Spending is Increasingly Subsidized by Credit

Consumers have been increasingly relying on credit to sustain spending as savings dwindle. An August 2024 report from the Federal Reserve Bank of New York indicates that approximately 9.1% of credit card balances transitioned into delinquency over the past 12 months.

Personal Savings Rate and Real Consumer Revolving Credit

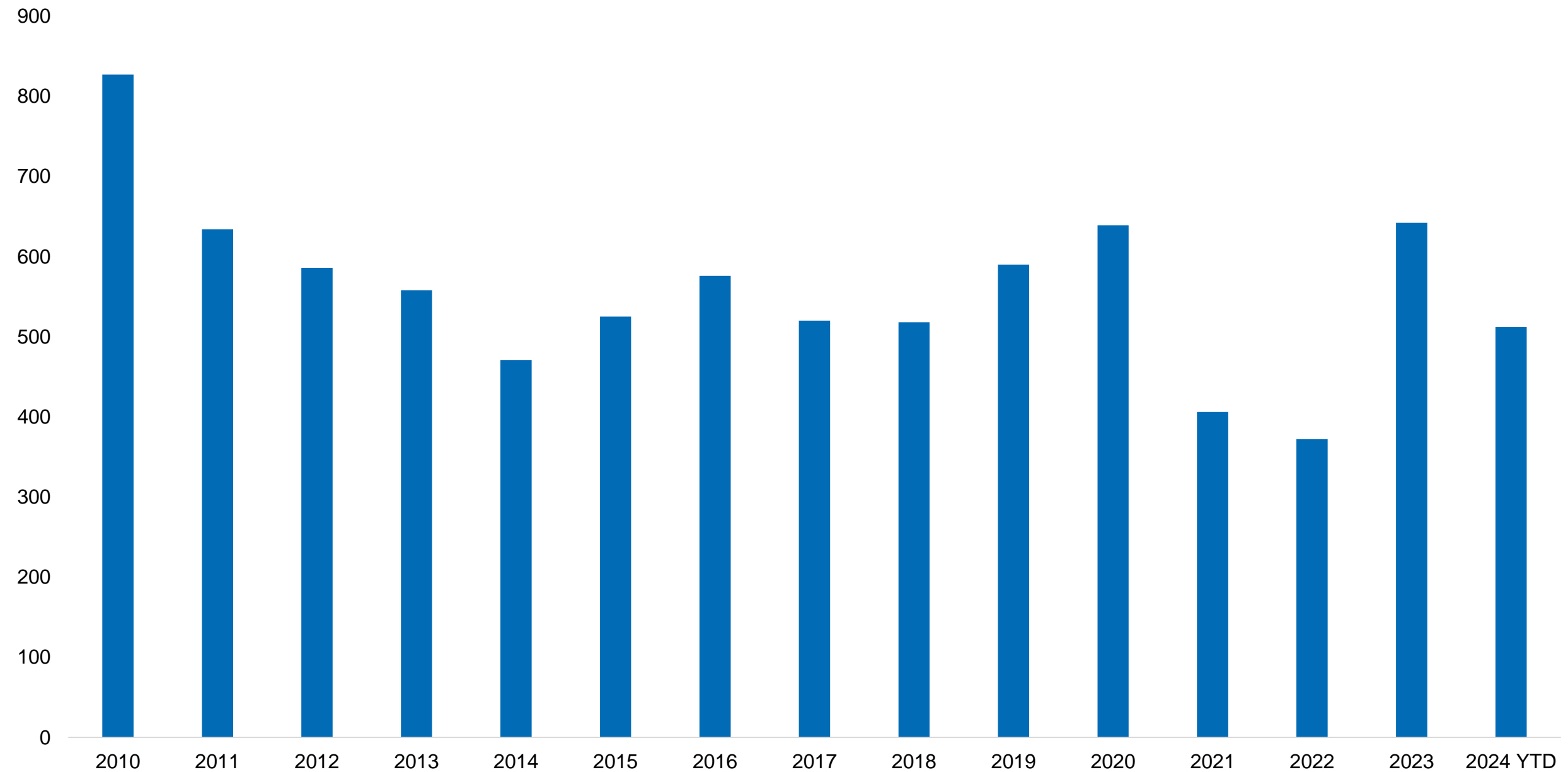


Source: St. Louis Federal Bank, Newmark Research, October 2024. Revolving consumer credit deflated by CPI=2012.

U.S. Bankruptcies On Track to Eclipse Last Year's Volume

Bankruptcy filings through 3Q24 have surpassed the volume recorded over the same period last year. High interest rates, operational challenges, and slowing consumer spending in some segments have contributed to this trend, leading to some occupancy loss in the industrial sector. However, economic conditions are expected to ease in the coming months as cuts are made to interest rates and inflation continues to moderate.

U.S. Bankruptcy Filings by Year

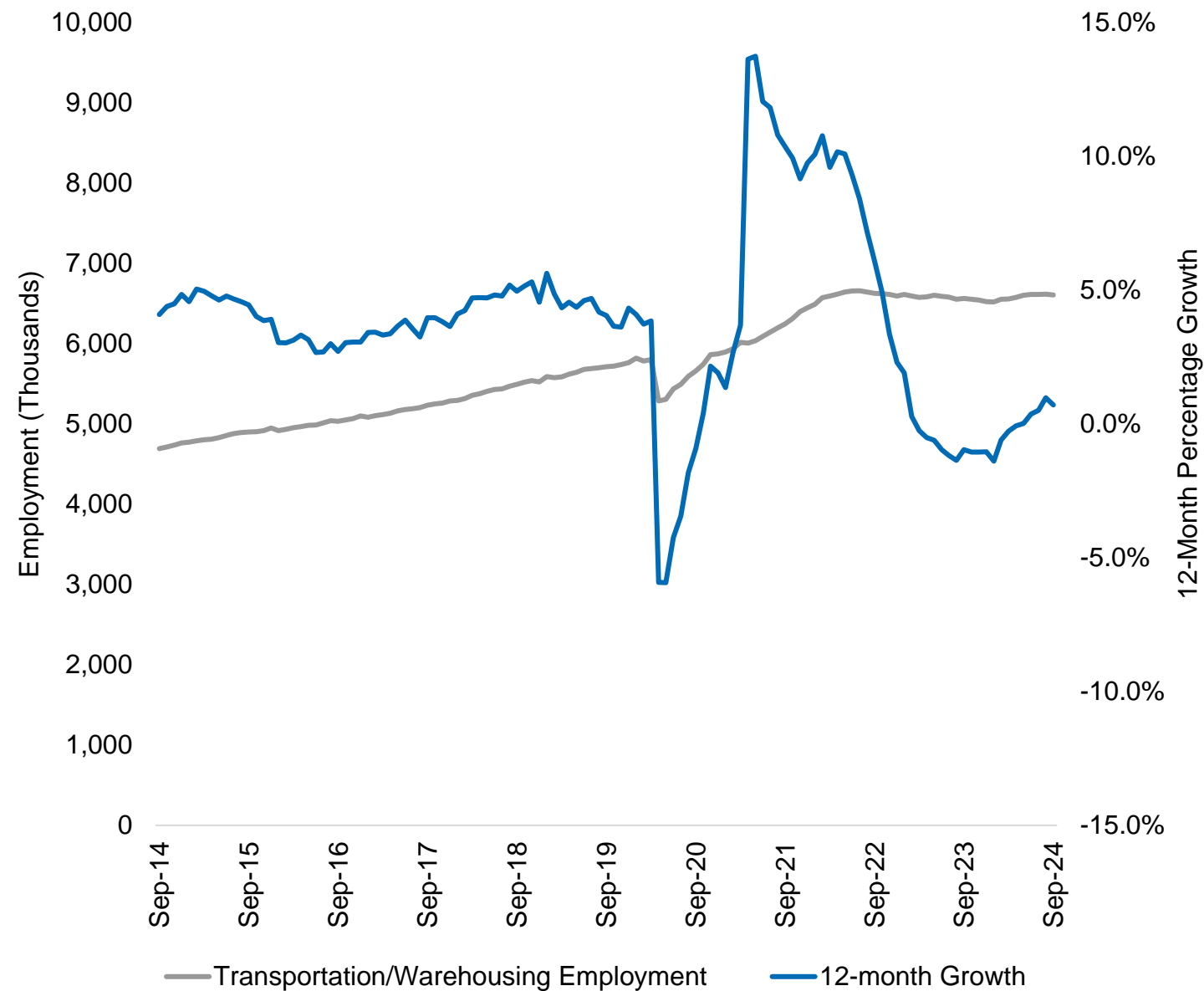


Source: Newmark Research, S&P Global. October 2024.

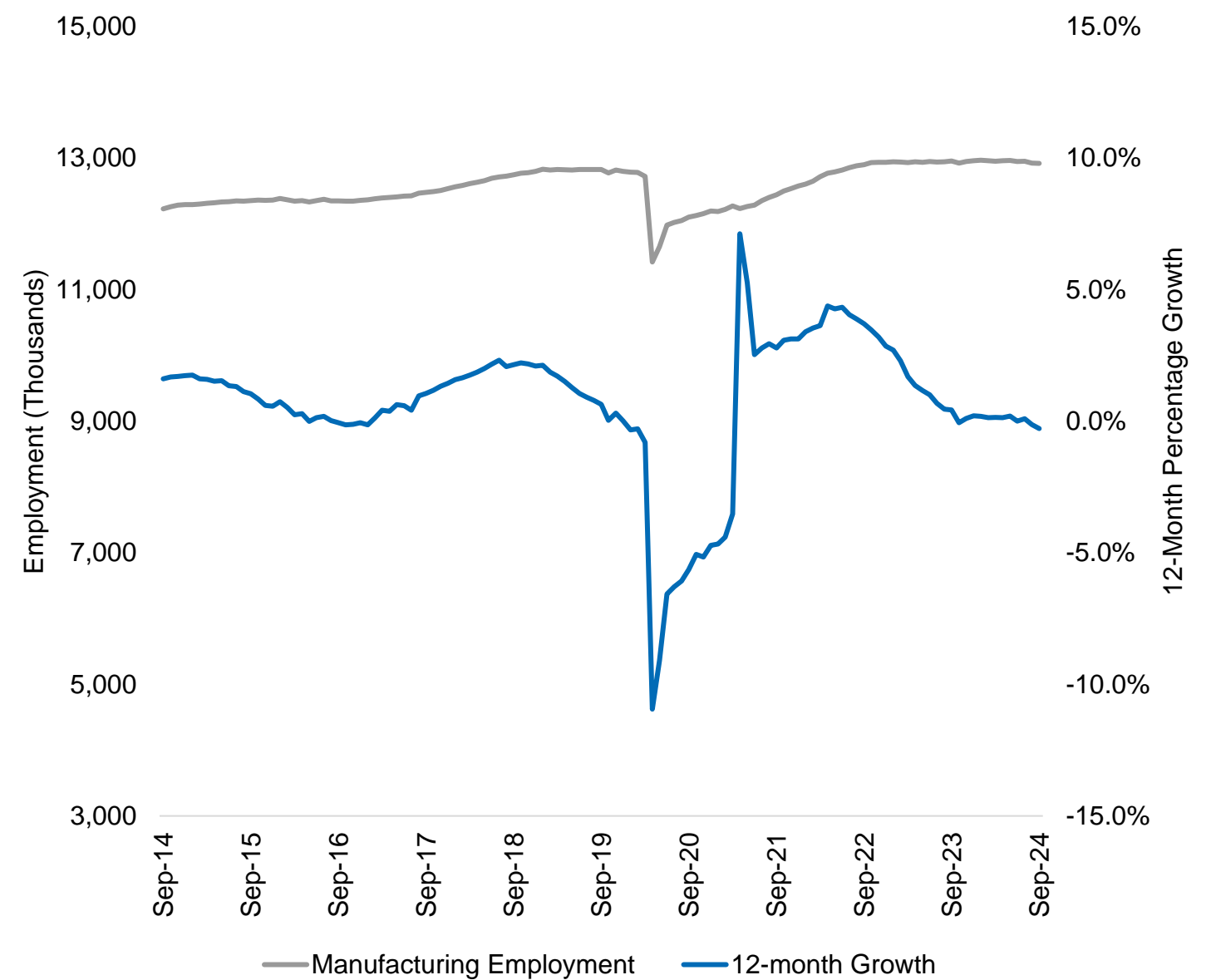
Industrial Workforces Continue Recalibration

Industrial employment experienced modest year-over-year growth, primarily driven by the logistics sector. Retailer surveys indicate that seasonal hiring will be similar to last year, with more increases in retail over logistics. Anecdotally, logistics firms still have excess (if diminishing) capacity. Multiple warehousing utilization metrics showed improvement in 3Q24.

Total Employment and 12-Month Growth Rate, Transportation/Warehousing



Total Employment and 12-Month Growth Rate, Manufacturing

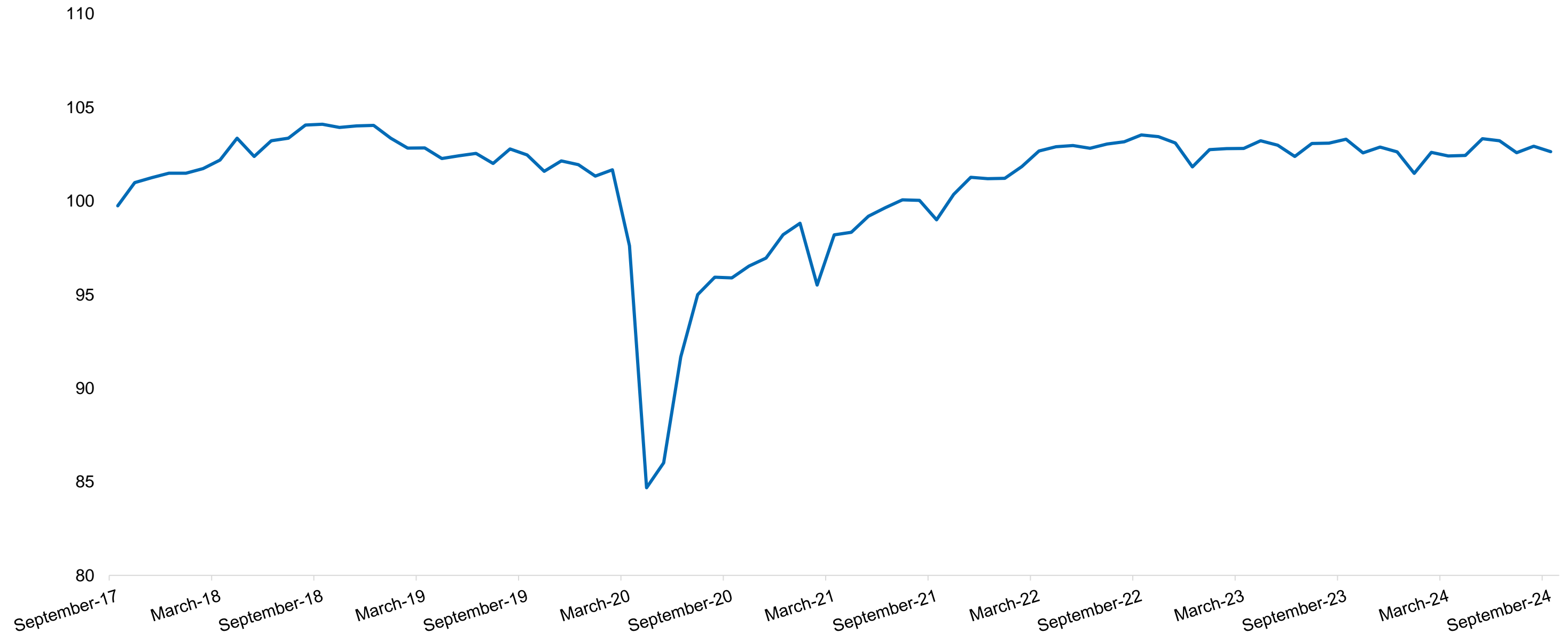


Source: Newmark Research, U.S. BLS, October 2024.

Labor and Weather Dampen Industrial Production

Industrial production moderated during the third quarter of 2024. Federal Reserve estimates indicate that a Boeing strike reduced industrial production growth by 0.3%, while Hurricanes Debby and Helene subtracted another 0.3%.

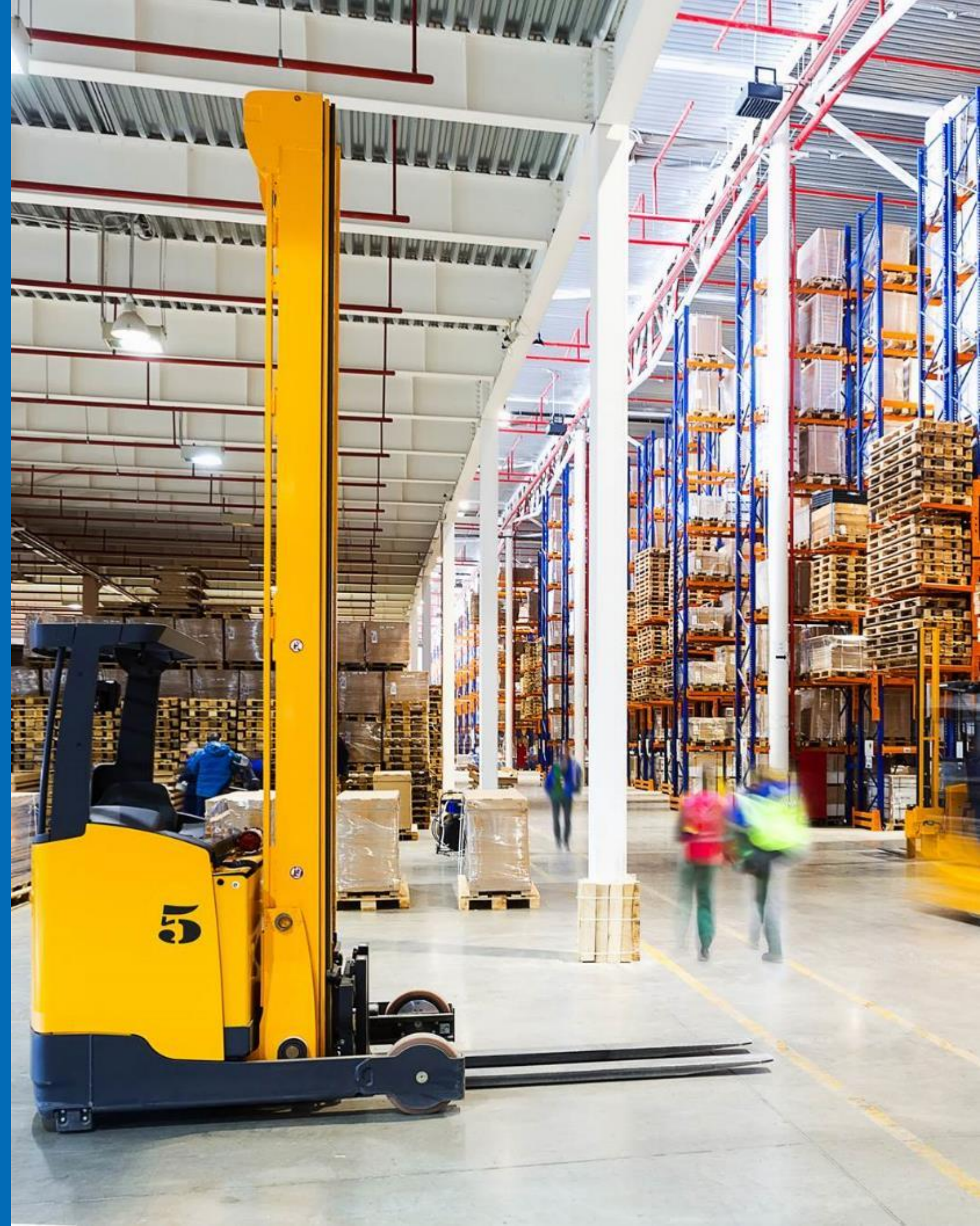
U.S. Industrial Production Index



Source: Newmark Research, FRED, October 2024.
Note: Index 2017=100, Seasonally Adjusted

3Q24

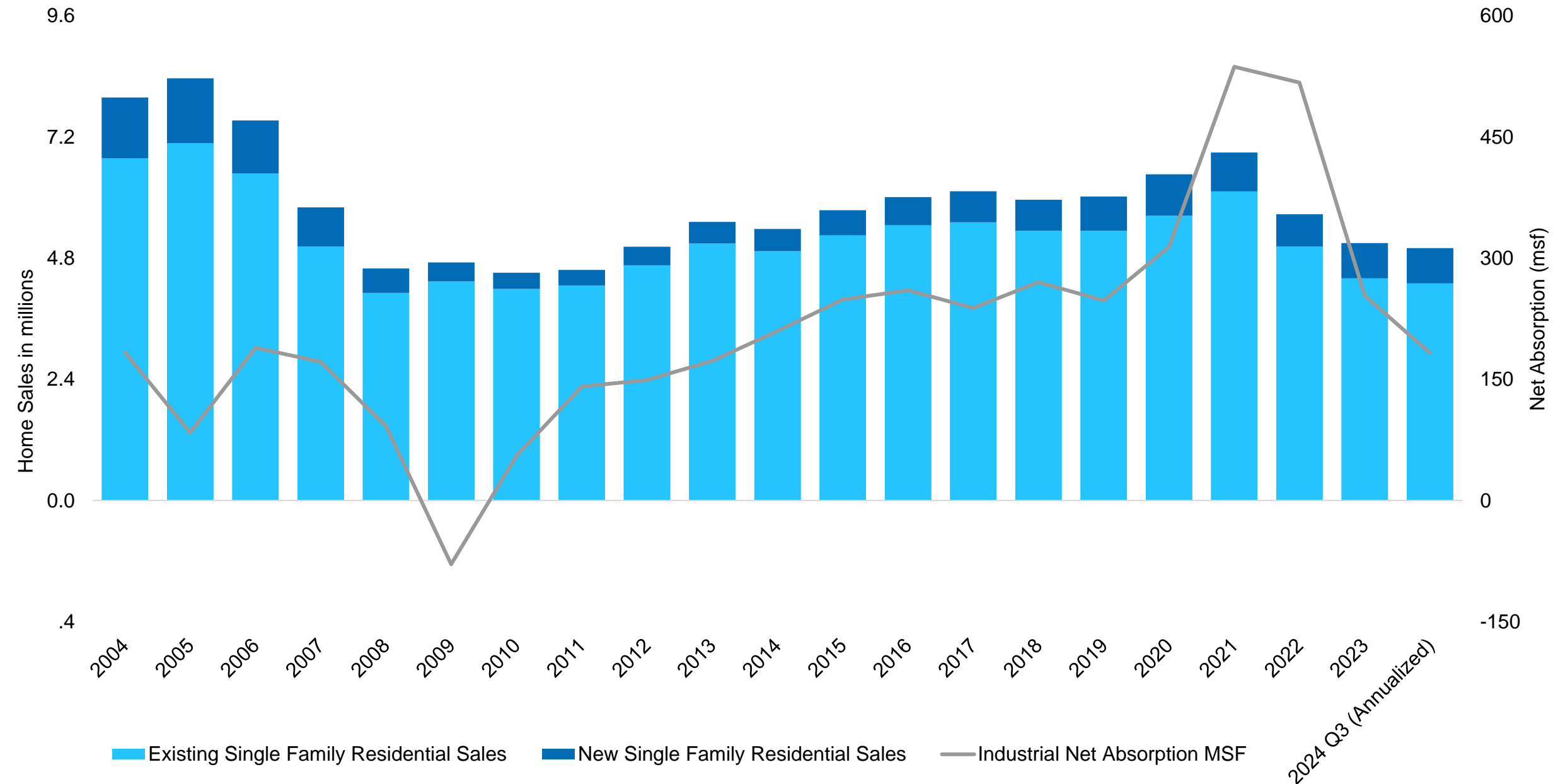
Industrial Demand Drivers



A Persistently Softer Housing Market Affects Industrial Demand

Swings in mortgage rates, elevated home prices and a limited inventory of homes for sale have led to a persistently softer home-buying market. This shift from pandemic-era peaks is having an impact on industrial demand and occupancy in the home and building supply sector. In 2022, The Home Depot was second only to Amazon in total annual leasing activity. However, by 2024, the world's largest home improvement retailer has given back nearly 5 MSF of space nationwide.

Single Family Residential Sales and Industrial Net Absorption¹



¹Single Family Residential Sales not seasonally adjusted.
Source: Newmark Research, CoStar, St. Louis Federal Bank, National Association of Realtors, U.S. Census Bureau, October 2024.

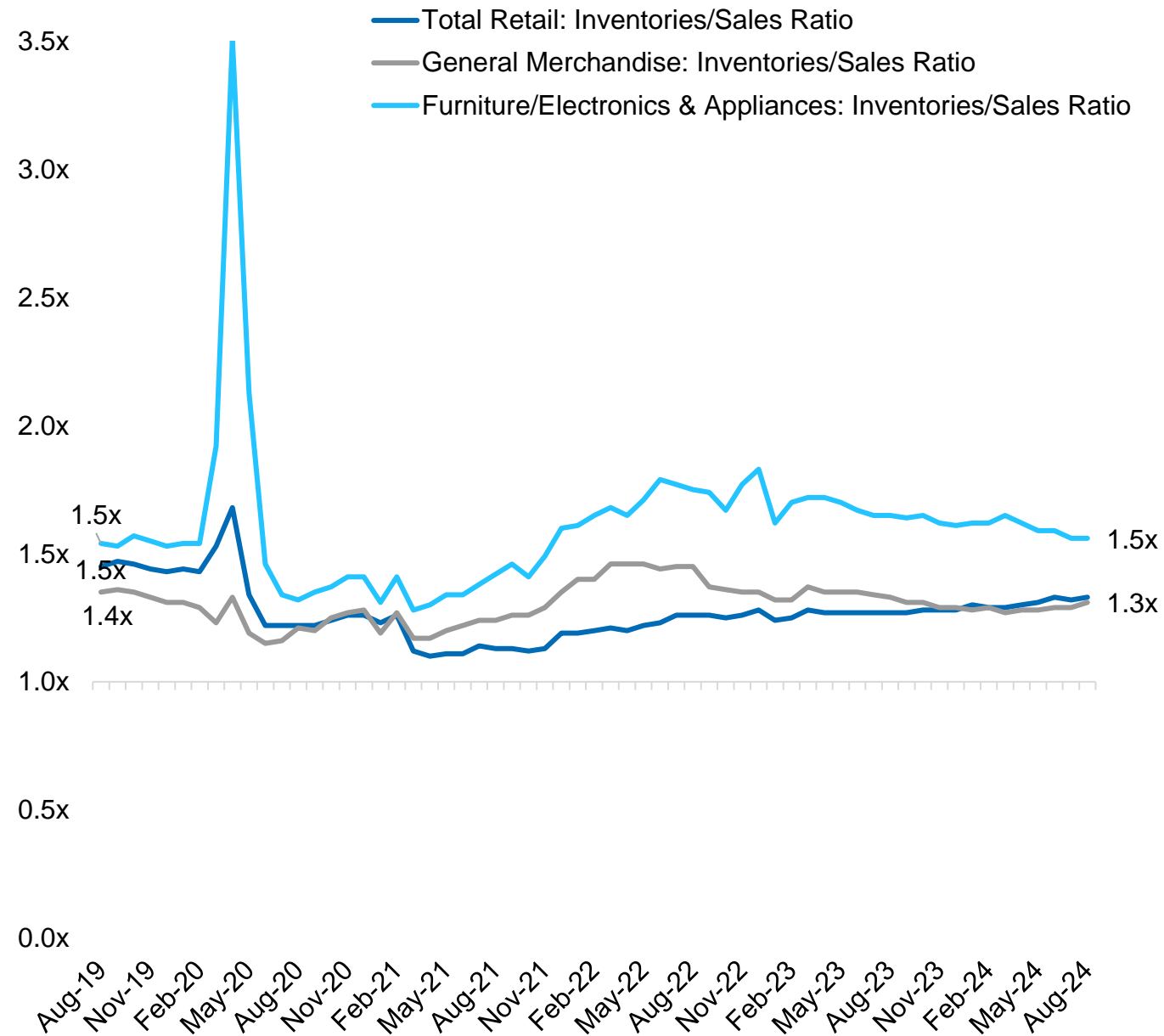
Retail Imports Forecasted To Continue Growing YOY

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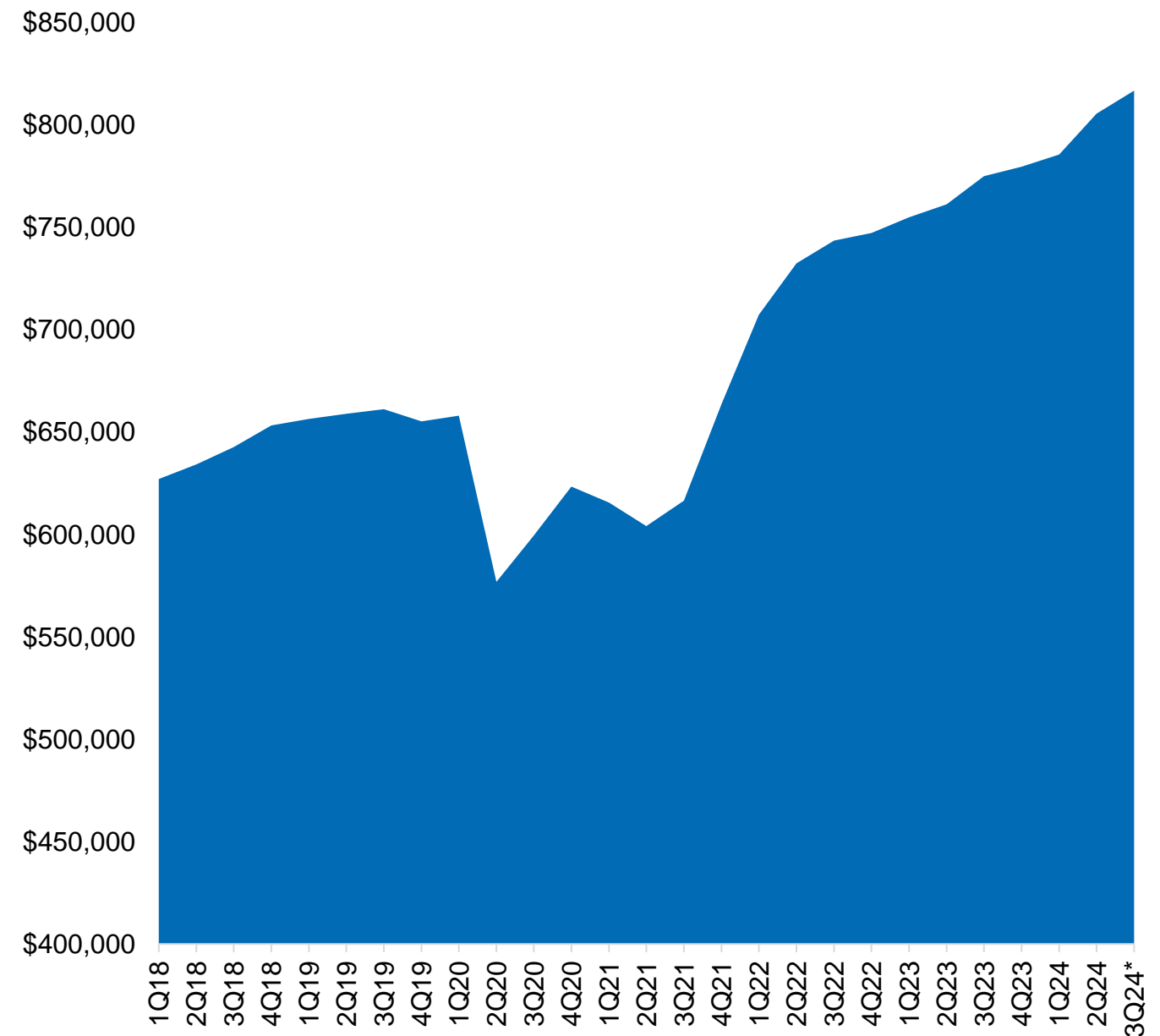
Inventories Grow As Product Brought In Ahead Of Potential Disruption and Tariffs

Inventory-to-sales ratios in certain retail segments are at or below pre-pandemic levels. Potential import disruptions in January 2025 along with tariff uncertainties are accelerating growth in retailer inventories. Year-to-date, inventories have expanded at a rate more than double the average from January to August during 2015 to-2019.

Inventories to Sales Ratio, Total Retail and Sector-Specific



Retailers Inventories (\$M)



Source: Newmark Research, Board of Governors of the Federal Reserve, St Louis Federal Reserve, October 2024. 3Q24 value* of retailer inventories through August 2024.

Import Market Share Has Been Shifting Eastward

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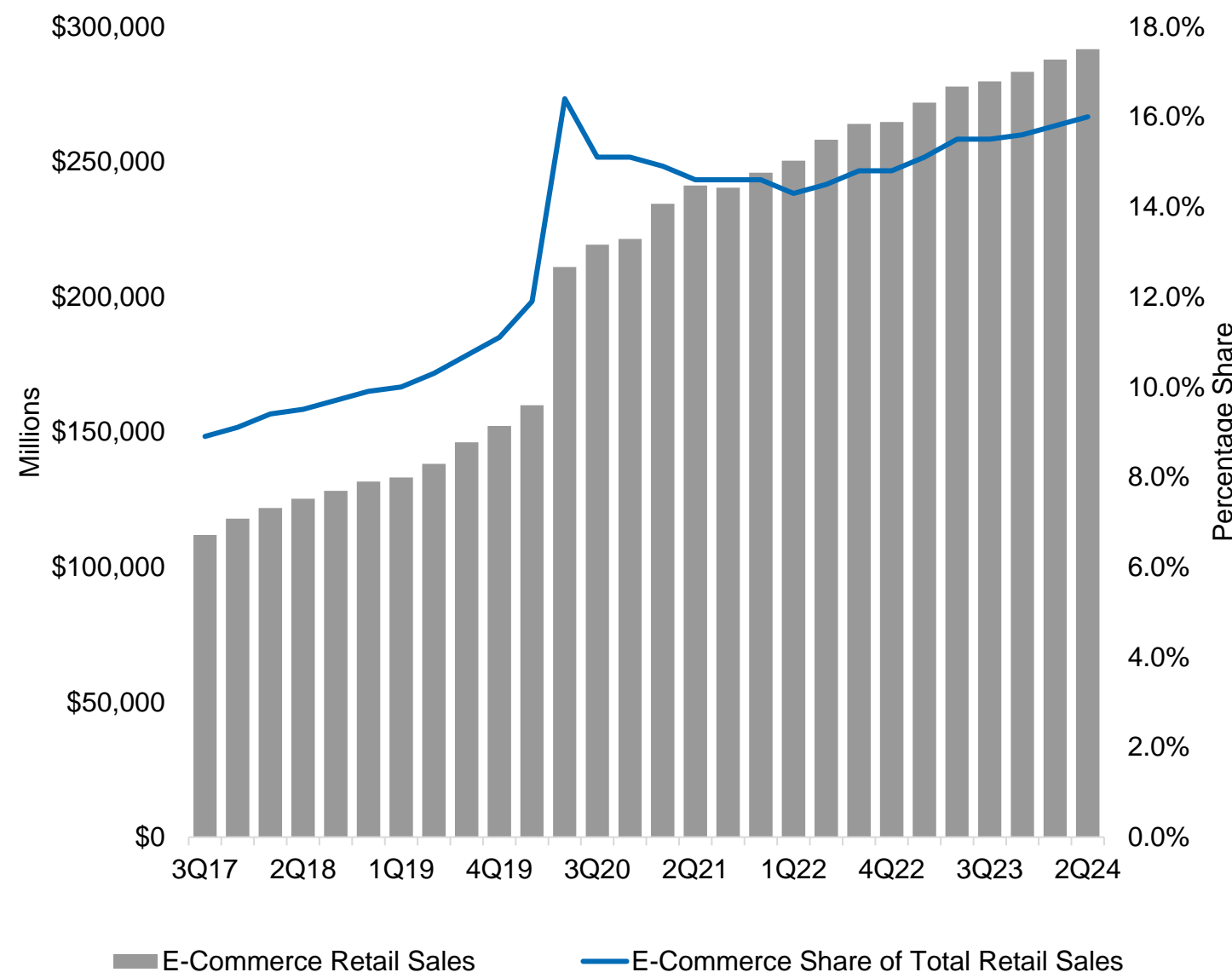
Goods Coming Across the Mexican Border At Record Highs and Growing

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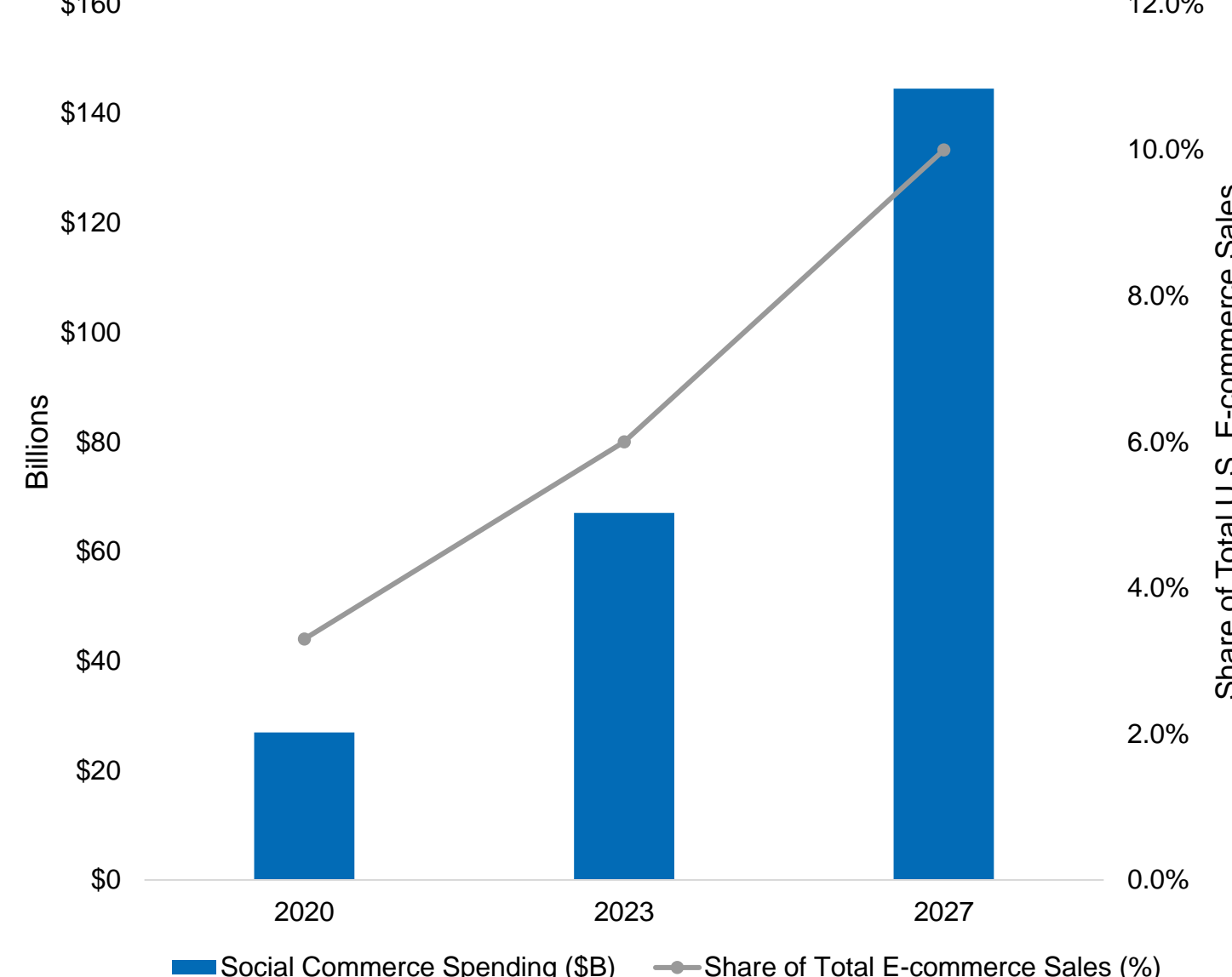
Evolving Trends, New Players In E-Commerce Continue Driving Demand

Consumer spending increasingly mixes in-store, online, and omnichannel behaviors as major retailers invest across these channels. Cross-border e-commerce companies like Shein and Temu, along with social media platforms such as TikTok monetizing their global audiences, are expanding the playing field. At a forecasted 6.7% CAGR over the next few years, e-commerce growth will continue to drive industrial demand. An estimated 1.2 msf of logistics space is needed to support every additional \$1.0 billion in e-commerce sales gains.

E-commerce Sales and Share of Total Retail Sales



Social Commerce Sales and Forecasted Growth (\$B)



Source: U.S. Census Bureau, St. Louis Federal Bank, Green Street, GlobalDaTA, Emarketer, October 2024.

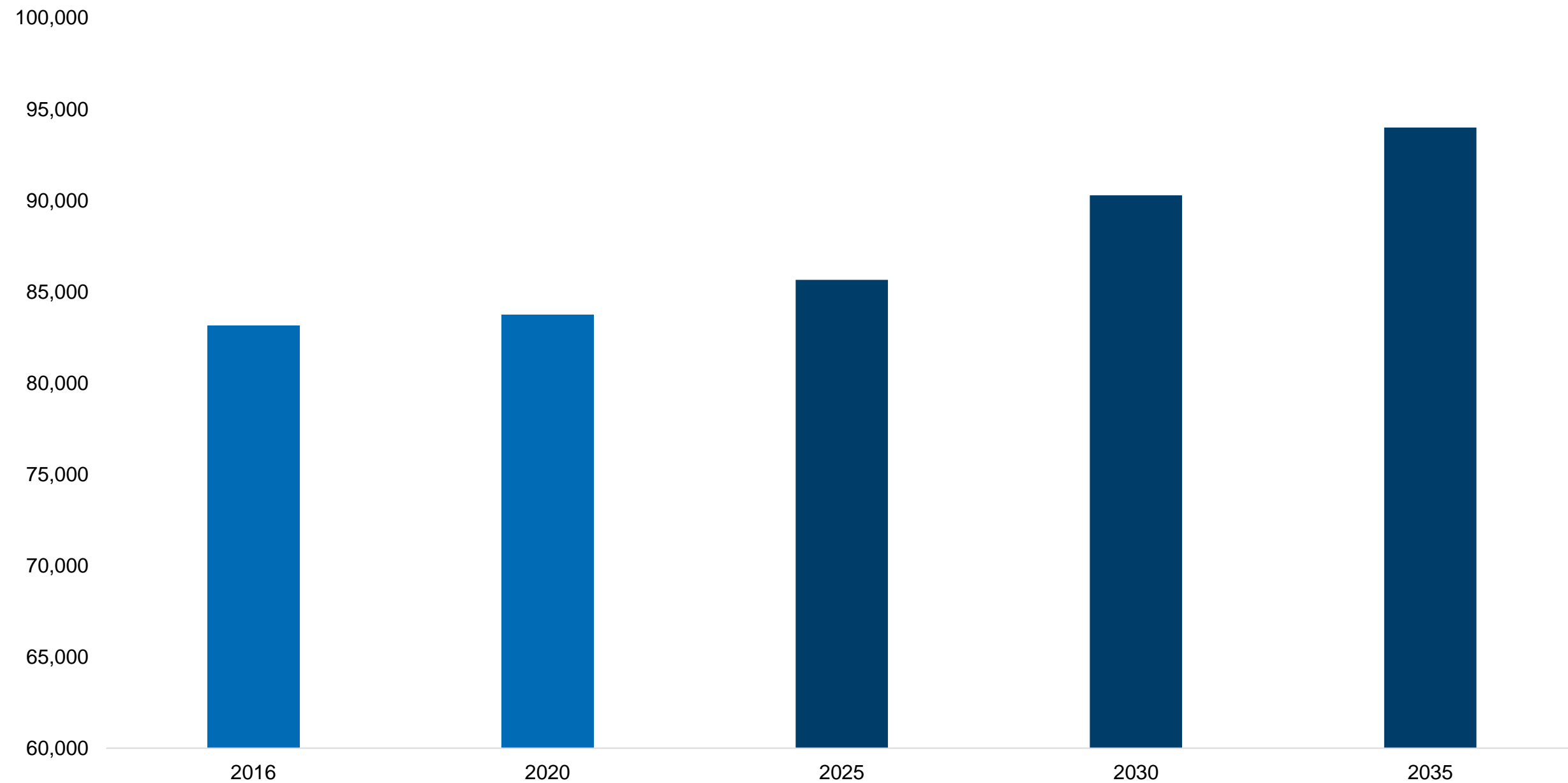
Online Grocery Sales Growth Underpins Demand for Cold Storage

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Millennials, the Leading E-commerce-Using Cohort, Enter Top Spending Years

For consumers, spending power peaks between ages 35 and 54. Millennials, the largest generation in the U.S. workforce, will be fully aging into this cohort between now and 2035. Millennials are the leading generation of online shoppers, thus e-commerce spending (and the industrial real estate needed to support) will continue to be fueled by this group's prime spending years.

U.S. Population and Projections, Age Cohort 35-54 (Thousands)

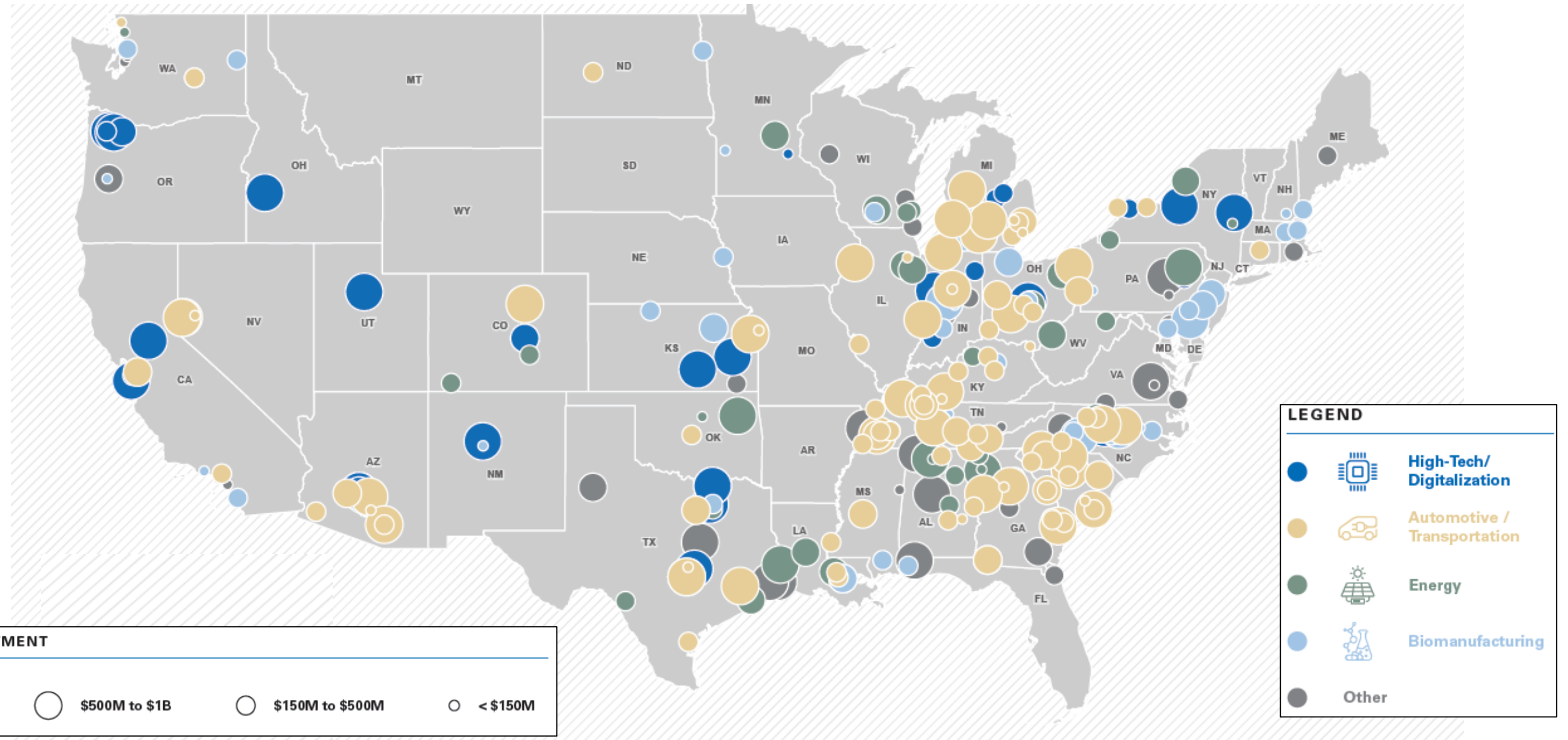


Source: Newmark Research, U.S. Census, Moody's Analytics, Statista

Monumental Growth in Domestic Manufacturing is Underway

A snapshot of initial manufacturing investments totaling a minimum of \$100 million since 2020 reveals approximately \$530 billion in investments pledged, 270,000+ new jobs and a minimum of 270 MSF of new industrial projects coming online between now and 2030. Four key advanced manufacturing sectors are driving the greatest volumes of investment and development, capturing over 90% of the major investments pledged: High-tech/digitalization, Automotive/transportation; Energy; and Biomanufacturing.

U.S. Major Manufacturing Announcements, 2020-2024 2Q



Note: Investments of at least \$100 million. Investment dollars may include allocations to real estate and equipment, infrastructure, intellectual property, and other outlays.
Sources: Newmark Research, Newmark Global Strategy & Consulting, various press releases and articles

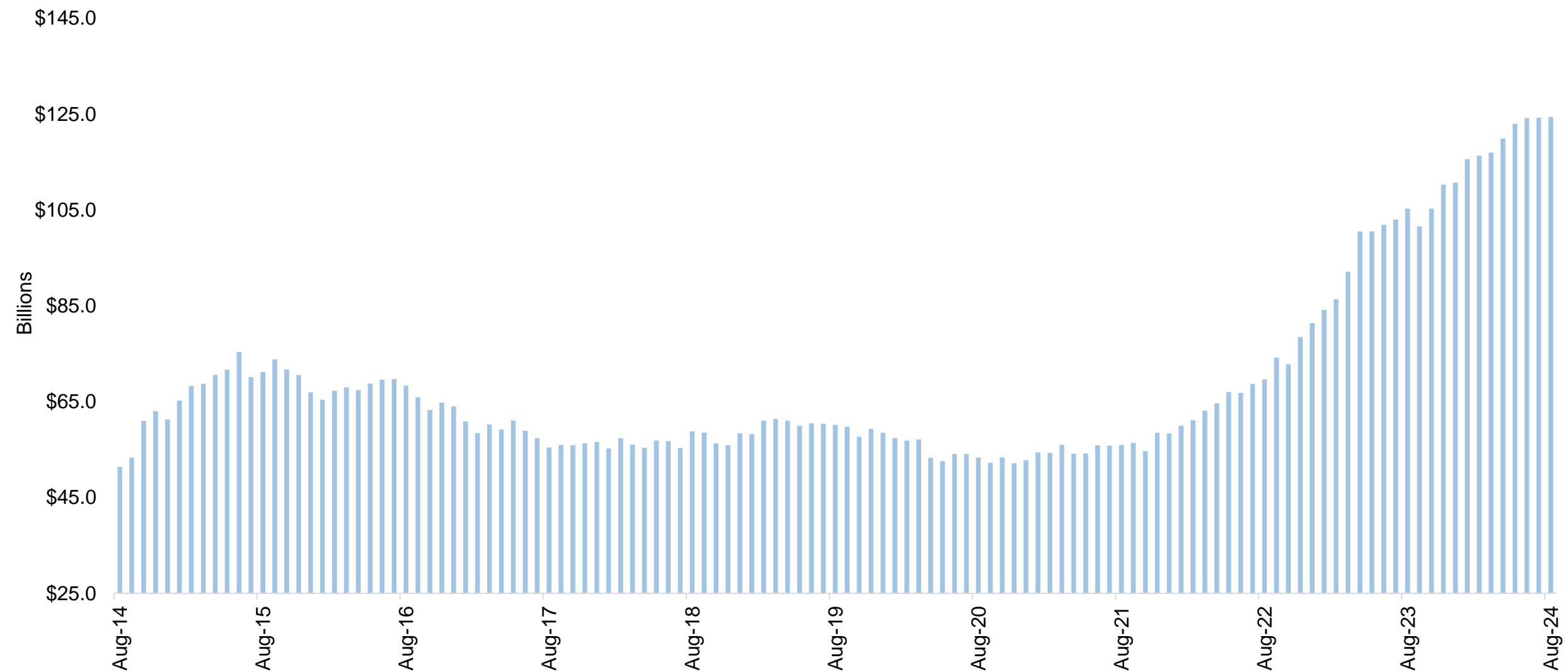
Megaproject Announcements Continue Amid Dynamic Manufacturing Landscape

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U.S. Manufacturing Construction Spending Surges

Advanced manufacturers are investing heavily in new construction. In real terms, manufacturing construction measured \$124.4 billion in August 2024, nearly double the pre-pandemic 5-year average. Growth is driven by both private and public investment, bolstered by supportive legislation and driven by geopolitical and supply chain risks affecting these critical sectors.

Total Real Private Manufacturing Construction Spending

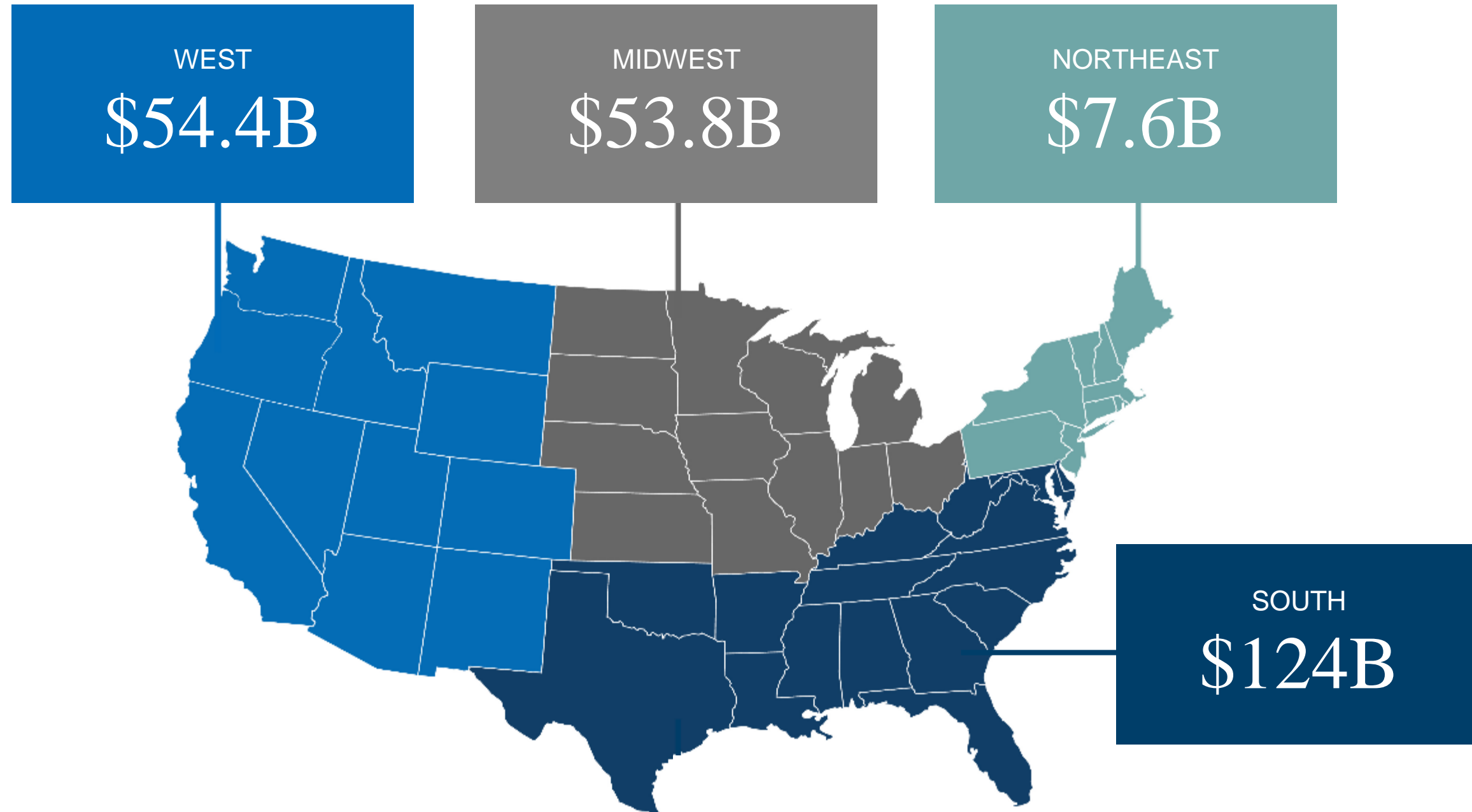


Source: Newmark Research, U.S. Census Bureau, FRED, October 2024.
Note: Seasonally adjusted annual rate deflated by New Industrial Construction PPI, chained to 06/2007.

The South Leads the Nation In Manufacturing Construction Spending

Over the past 12 months, Southern states have seen \$124 billion in nominal manufacturing construction spend, more than the rest of the country combined. Within the South, more than \$61 billion has been spent on manufacturing construction in Greater Texas alone.

Private Manufacturing Construction Spending by Megaregion, August 2023 to August 2024



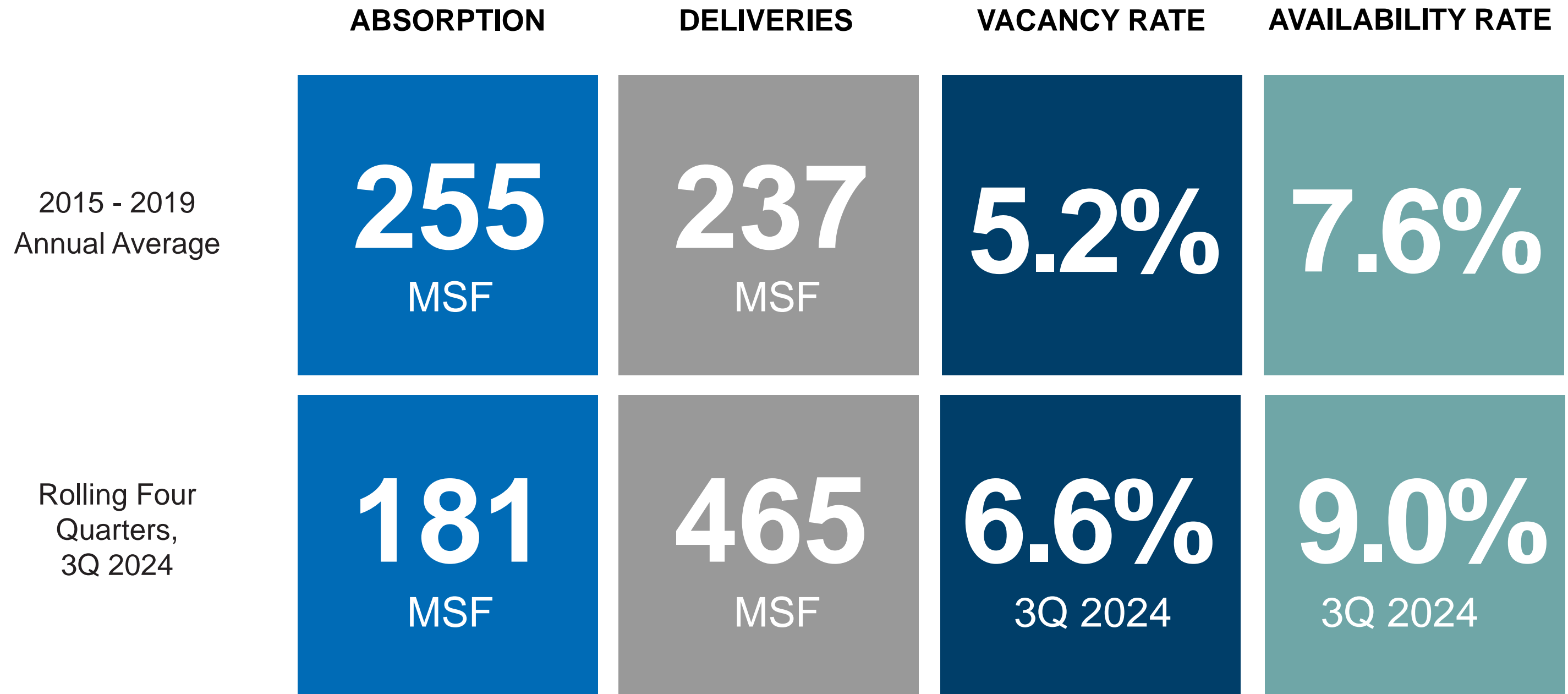
Source: Newmark Research, U.S. Census, October 2024.

3Q24

Leasing Market Fundamentals



U.S. Industrial Fundamentals: Then and Now



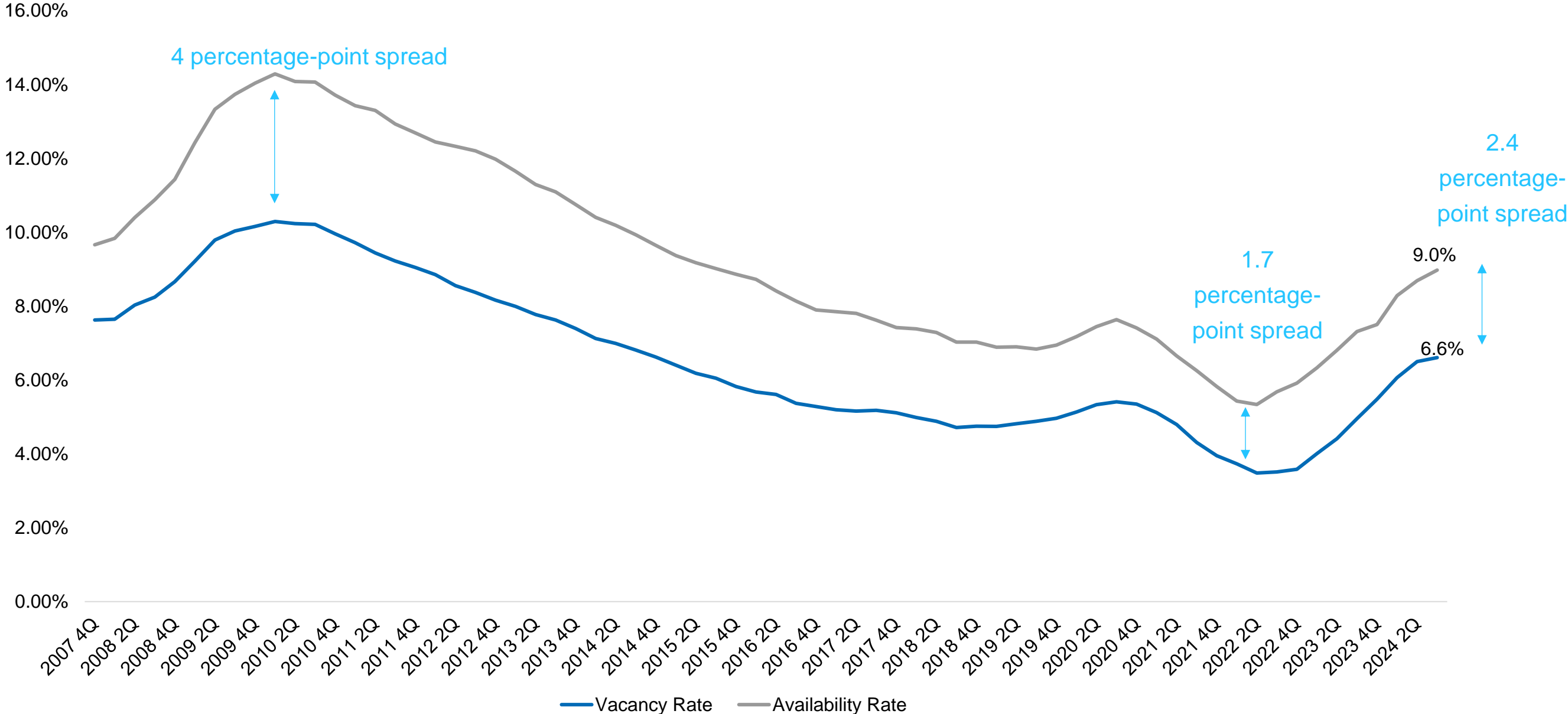
The Market is Nearing Peak Vacancy Amid Steady Demand and Falling Deliveries

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Vacancy and Availability Rates Rise At Substantially Slower Rate

The U.S. vacancy rate rose by only 10 bps from the second quarter, marking the smallest quarterly uptick since 2022. Availability expanded by 30 bps, the slowest pace in a year. The spread between vacancy and availability remains within historic norms, aligning closely with the 2.3 percentage point average spread recorded quarterly between 2017 and 2019.

U.S. Industrial Vacancy and Availability Rates

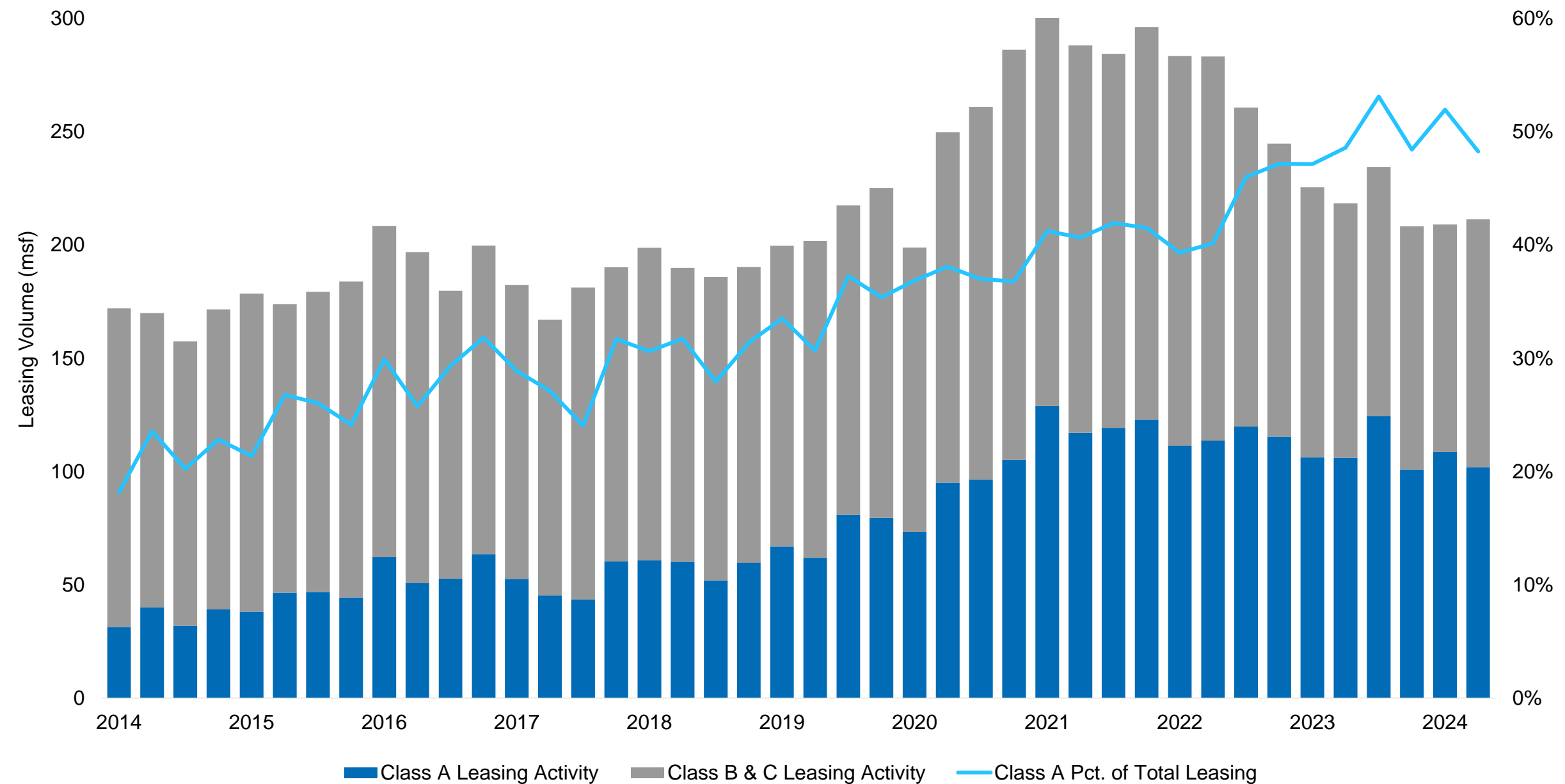


Source: Newmark Research, October 2024

New Leasing Activity Shows Signs of Stabilization and Modest Growth

The volume of new leases signed for industrial space remains lower than one year ago but is up approximately 1.4% from the first quarter of 2024 and is likely to see upward revisions.

U.S. New Industrial Leasing Activity by Class

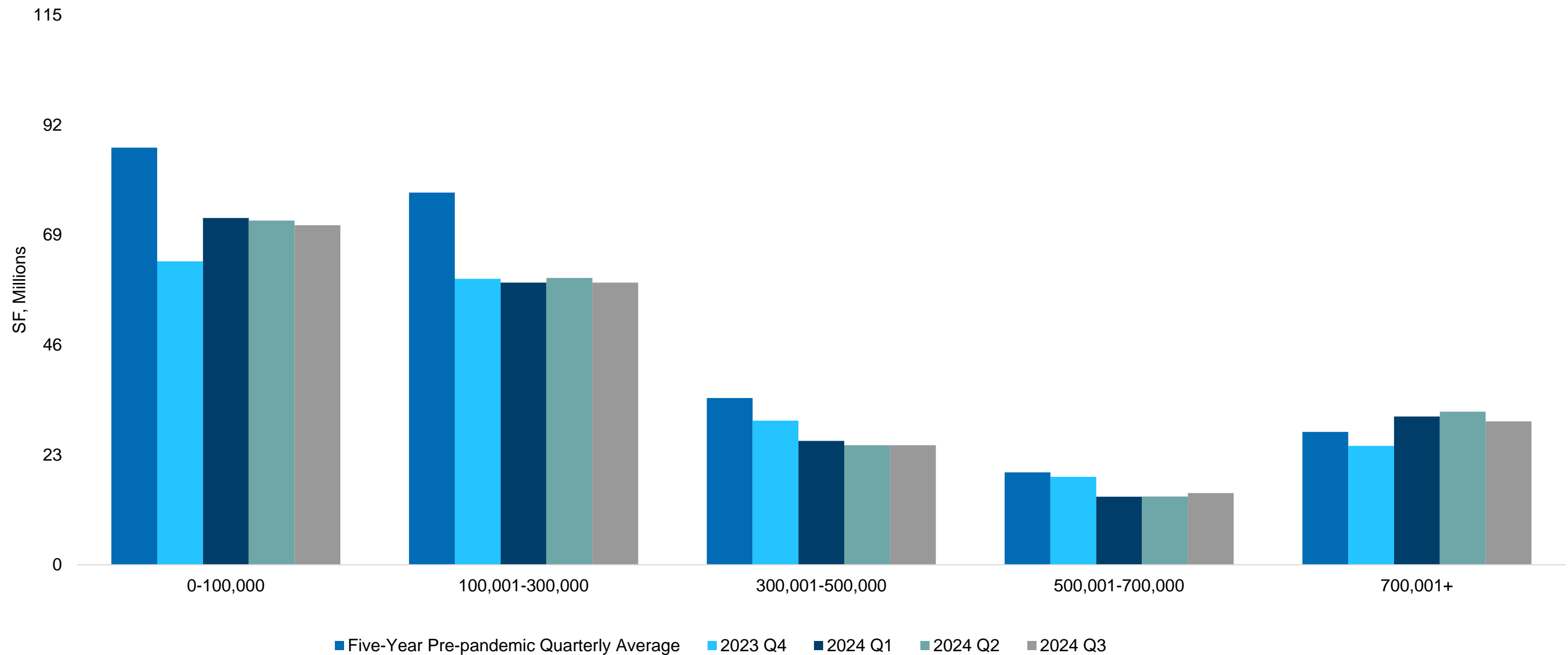


Source: CoStar, Newmark Research. Quarterly leasing volume data compiled October 2024 and is preliminary. Class A is broadly defined as 21st century build with clear heights that accommodate today's modern occupiers.

Megaboxes Are the Only Size Segment to See Leasing Volumes Exceed Baseline

Leasing activity in buildings sub-300,000 SF accounted for 65% of total activity for the quarter, a predictable outcome since the average industrial tenant is well below 100,000 SF. On the other end of the spectrum, the megabox segment (15% of total leasing volume) is currently the only size segment to see leasing volumes exceed the pre-pandemic baseline. Approximately 40 leases of 1MSF or more have signed year-to-date, on par with last year's volume for the same period.

Leasing Activity by Building Size



Source: CoStar, Newmark Research, October 2024

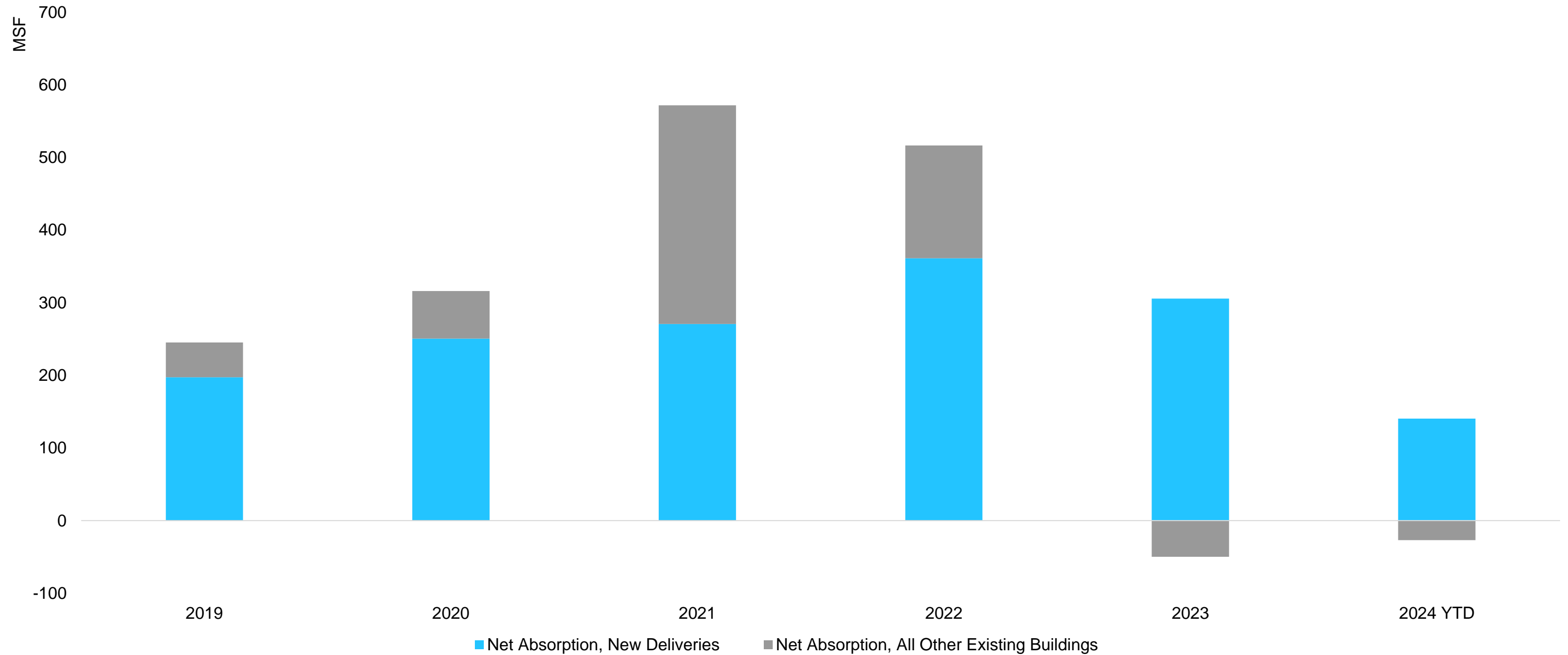
The *Typical* U.S. Industrial Lease is Sub-50,000 SF

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New Deliveries Drive Net Absorption As Older Properties Lose Ground

Preleased deliveries are demonstrating outsized contribution to total net absorption, driving over 140 MSF of new occupancy year-to-date. Conversely, older buildings, particularly those constructed before 2000, registered net move-outs of 27 MSF. This continues a trend established in 2023, a notable shift from 2021 and 2022, when demand reached unprecedented levels, supply chain constraints limited new deliveries, and occupiers sought any space available.

Annual U.S. Net Absorption, New Deliveries vs. All Other Building Vintages



Source: Newmark Research, CoStar, October 2024.

However, Vacancy By Far Highest In Newly Delivered Product

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United States Industrial Demand Rankings

Five markets out of 52 – Dallas, Phoenix, Houston, Atlanta and Chicago – have accounted for over 50% of net absorption year-to-date, emphasizing the prominence of inland intermodal hubs. At the local market level, 36 out of 52 markets demonstrated net positive absorption, up from 30 in the first quarter of 2024.

Net Absorption: Top 10 Markets

Market	2024 YTD Net Absorption (msf)
Dallas	17.3
Phoenix	14.5
Houston	13.5
Atlanta	7.5
Chicago	7.3
Nashville	6.6
Philadelphia	6.0
Savannah, GA	5.9
Salt Lake City	5.8
Austin	4.5
United States	115.2

Demand Growth: Top 10 Markets

Market	2024 YTD Net Absorption (% of Inventory)
Savannah, GA	4.3%
Phoenix	3.4%
Austin	3.2%
Nashville	2.2%
Salt Lake City	1.9%
Palm Beach	1.9%
Jacksonville	1.8%
Las Vegas	1.8%
Houston	1.8%
Dallas	1.5%
United States	0.7%

Source: Newmark Research, October 2024.

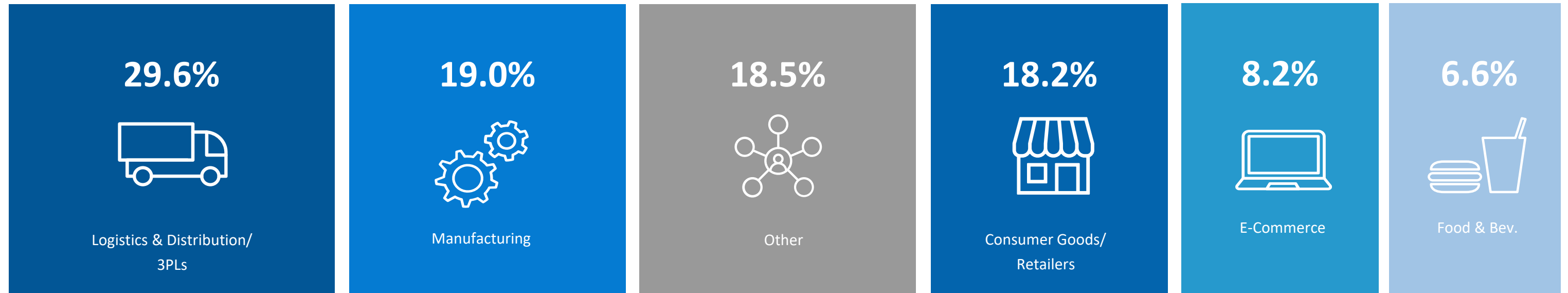
Renewals as a Share of Leasing Activity Remain Elevated

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Industrial Leasing Trends by Sector

Top industrial leasing activity has been increasingly driven by the logistics sector, representing 30% of top leasing activity year to date. The sector has consecutively expanded market share every quarter this year, representing 38% of 3Q24 top leasing activity. The “Other” category has been buoyed this year primarily by the Tech sector, as hyperscalers and related service firms are leasing warehouse space to support data center build-out.

Top Industrial Leasing Activity by Sector, 2024 YTD



Notable 3Q24 Lease Transactions

Tenant	Address	Market	Type	Square Feet	Industry
Broadrange Logistics	1375 Conroe Park W Dr.	Houston	Direct New	1,224,498	Logistics & Distribution/3PLs
World Wide Technology	3951 Lakeview Corporate Dr.	St. Louis	Renewal	1,110,000	Communications / Media / Tech
Google	9449 Silver Creek Rd.	Dallas	Direct New	1,108,938	Communications / Media / Tech
Western Post	3363 Gun Club Rd.	Penn. I-81/78 Corridor	Direct New	1,006,050	Logistics & Distribution/3PLs
American Starlink	18175-18215 Rowland St.	Los Angeles	Direct New	700,000	Aviation & Aerospace

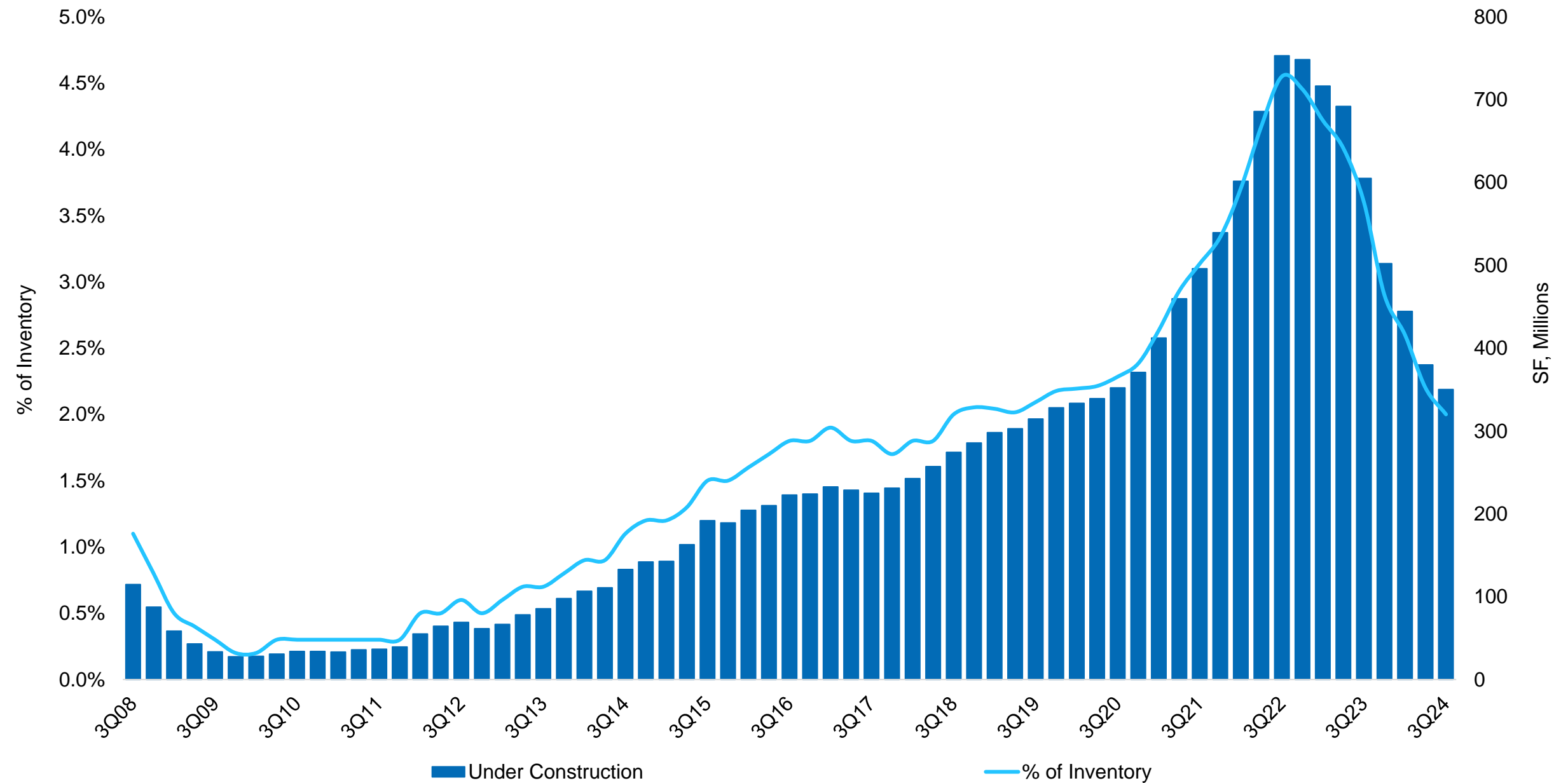
Source: Newmark Research, October 2024

*Note: Based on top leasing activity in markets tracked by Newmark. Manufacturing sector includes automotive, aviation, industrial machinery industries as well.

The Pipeline Will Align with 2019 Volumes by Year-End

Of the current third-quarter pipeline, 350 MSF, approximately 25% will deliver by year-end, leaving volumes near five-year lows. It is worth mentioning, however, that 2019 volumes at the time measured a record high.

U.S. Industrial Under Construction and % of Inventory

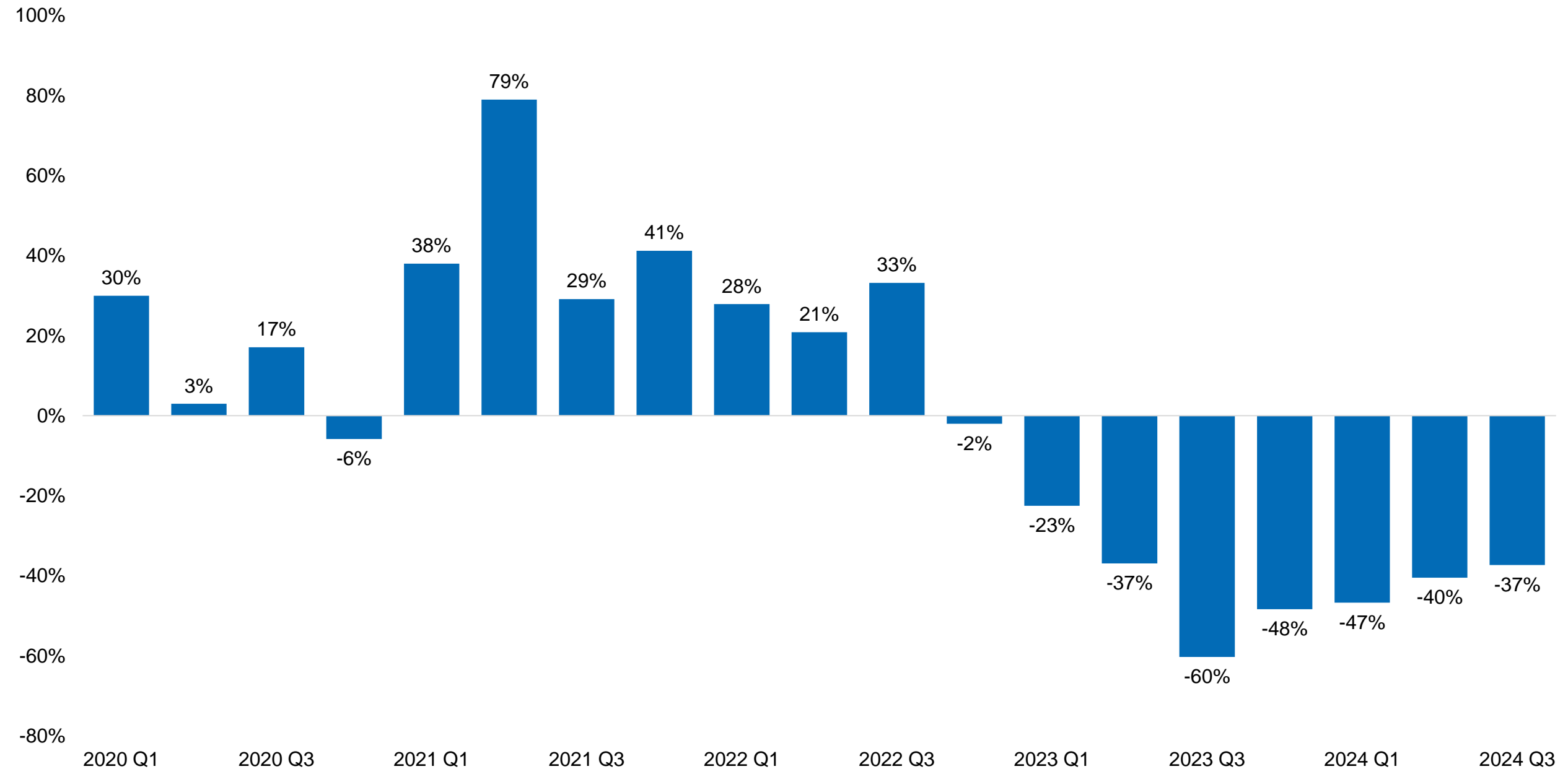


Source: Newmark Research, October 2024.

Starts Continue Annualized Declines but Show Quarterly Stabilization

The second quarter of 2023 was the last period in which quarterly starts measured over 100MSF. Since the start of 2024, quarterly starts have stabilized between +/- 50 and 60 MSF and will likely remain around that level for the balance of the year.

Construction Starts, Year Over Year Percentage Change



Source: Newmark Research, CoStar, October 2024.

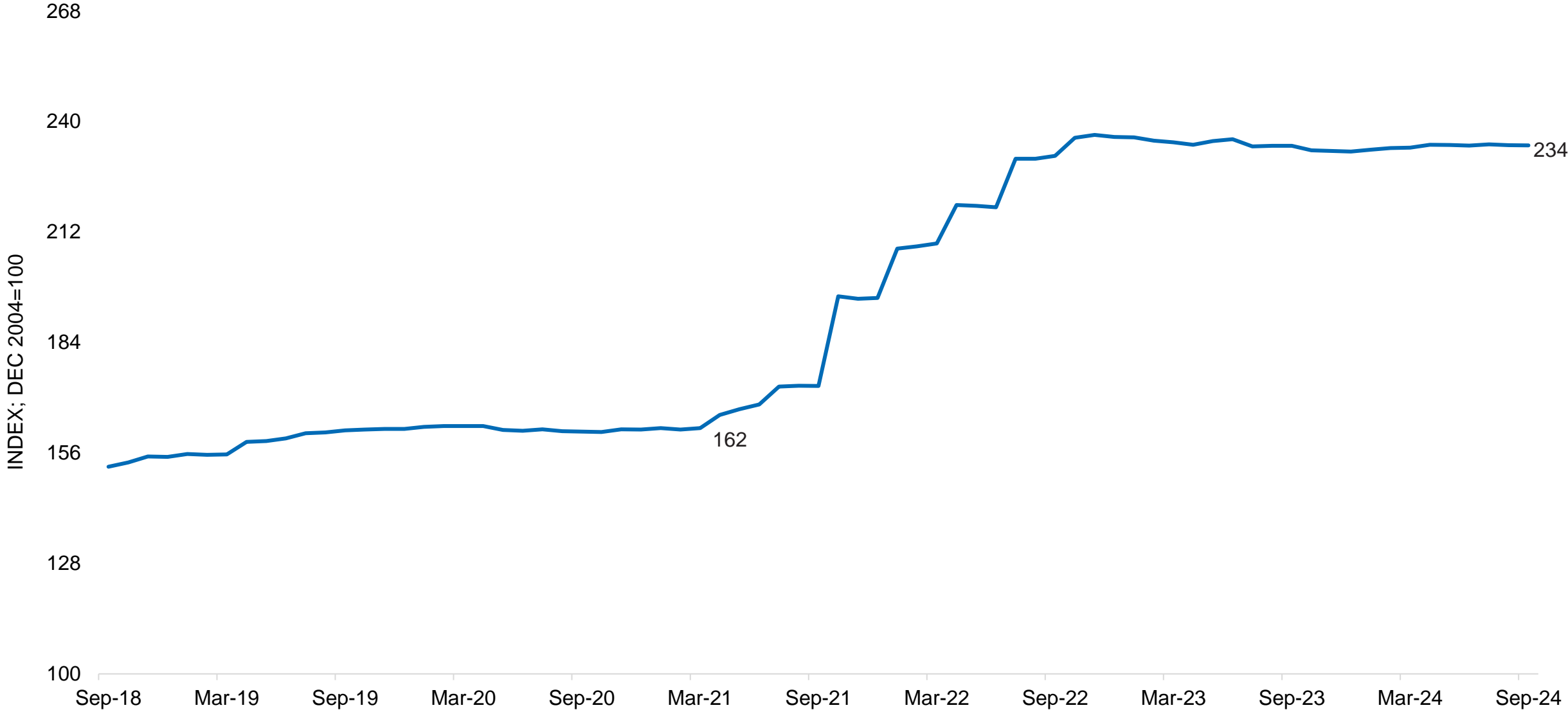
Spec Development Still Comprises Majority of Pipeline, But the Balance Is Shifting

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Warehouse Construction Costs Remain Elevated

Industrial construction projects of all stripes are significantly more expensive to build now than in previous years. Two major hurricanes hit the southern U.S. between September and October, causing widespread damage to homes, industrial and commercial buildings, and infrastructure. Rebuilding efforts could cause costs to stay elevated or even move up in the short term.

Producer Price Index: New Warehouse Building Construction



Source: Newmark Research, St. Louis Federal Bank, October 2024.

Market Expansion Necessary to Align With Growing Populations and Industry Shifts

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Industrial Sublease Availability Still Growing, But at A Slower Clip

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United States Industrial Vacancy Rankings

The national vacancy rate rose to 6.6% in the third quarter of 2024, up from 5.0% one year ago. Some markets have seen vacancy double or even triple over the last 12 months, while others have experienced relatively stable market vacancy. Most of the ten markets in the right chart are under the national vacancy rate, are also below their individual market historical vacancy, and all have experienced the slightest change in vacancy in the country.

Lowest Vacancy: Top 10 Markets

Market	3Q24 Vacancy
Milwaukee	3.6%
Los Angeles	3.9%
Hampton Roads	4.0%
Cleveland	4.1%
Orange County, CA	4.1%
Broward County, FL	4.1%
Detroit	4.2%
Salt Lake City	4.4%
Richmond	4.4%
Jacksonville	4.5%
United States	6.6%

Vacancy Stability: Top 10 Markets

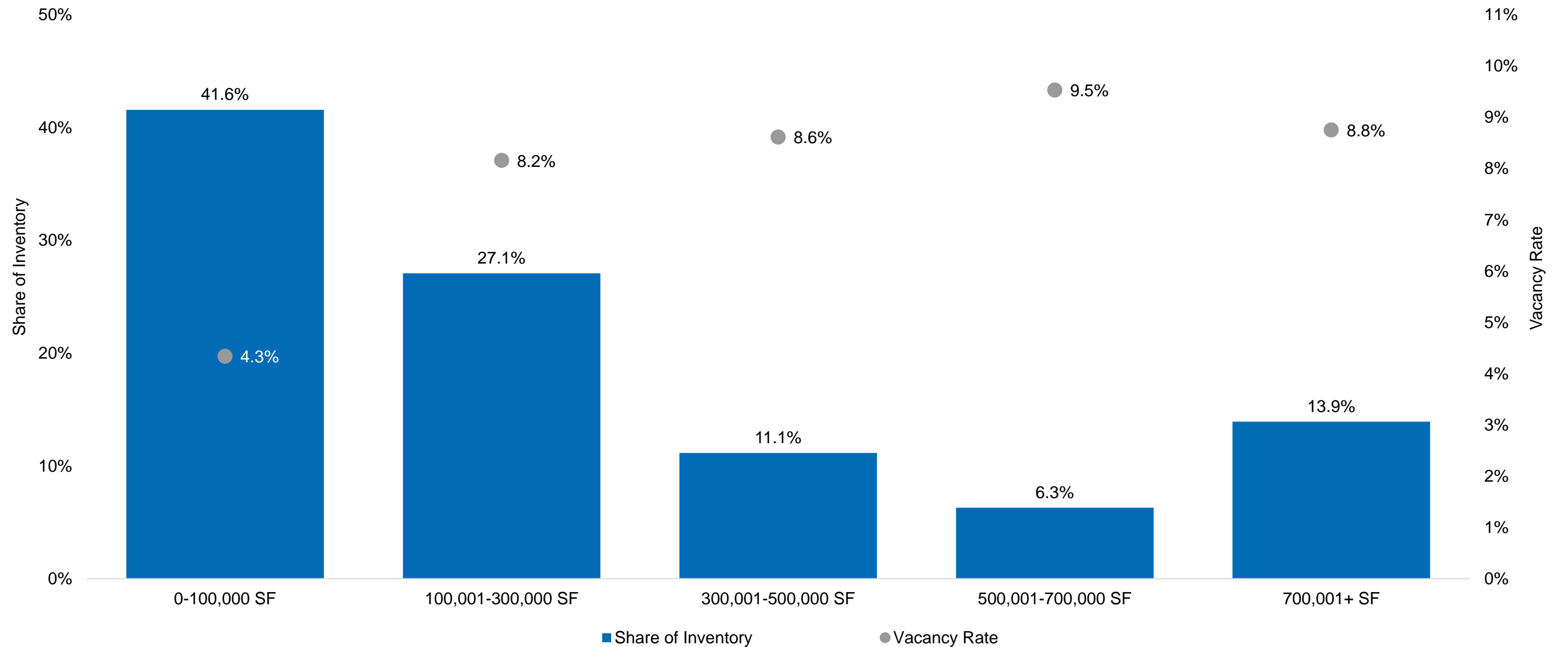
Market	3Q23 – 3Q24 Vacancy Change (BPS)
St. Louis	-10
Cleveland	5
Pittsburgh	6
Broward County, FL	14
Salt Lake City	31
Minneapolis	40
Milwaukee	43
Chicago	45
Houston	50
Indianapolis	50
United States	166

Source: Newmark Research, October 2024.

The 100,000 SF and Under Segment is the Bedrock of the Market

The sub-100,000-square-foot building tranche, inclusive of small-bay and single-tenant, is the largest in terms of share of inventory and lowest in vacancy and contains a significant portion of the industrial buildings built before 2000. This segment is growing the slowest, as economies of scale and recent surging demand drove development in larger size categories

3Q24 Industrial Vacancy Rate by Building Size



Source: CoStar, Newmark Research, October 2024.

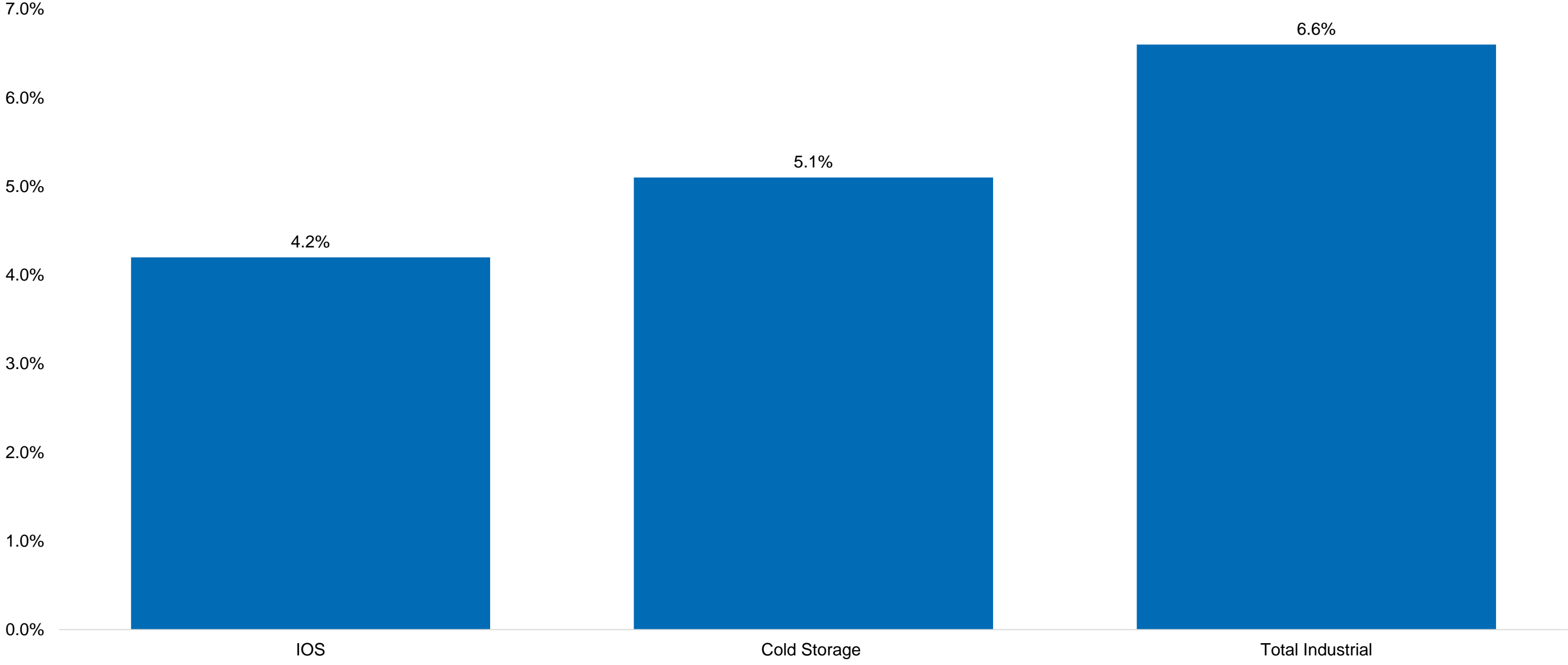
Premium on Newer, Smaller Industrial Facilities

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Vacancy is Lowest in Alternative Industrial Sectors

Fundamentals in niche industrial sectors such as industrial outdoor storage (IOS) and temperature-controlled warehousing/distribution are tighter than the overall industrial average, owing to limited supply with high barriers to new development, coupled with consistent demand.

3Q24 National Vacancy Rate (%), Select Alternatives and Total Industrial

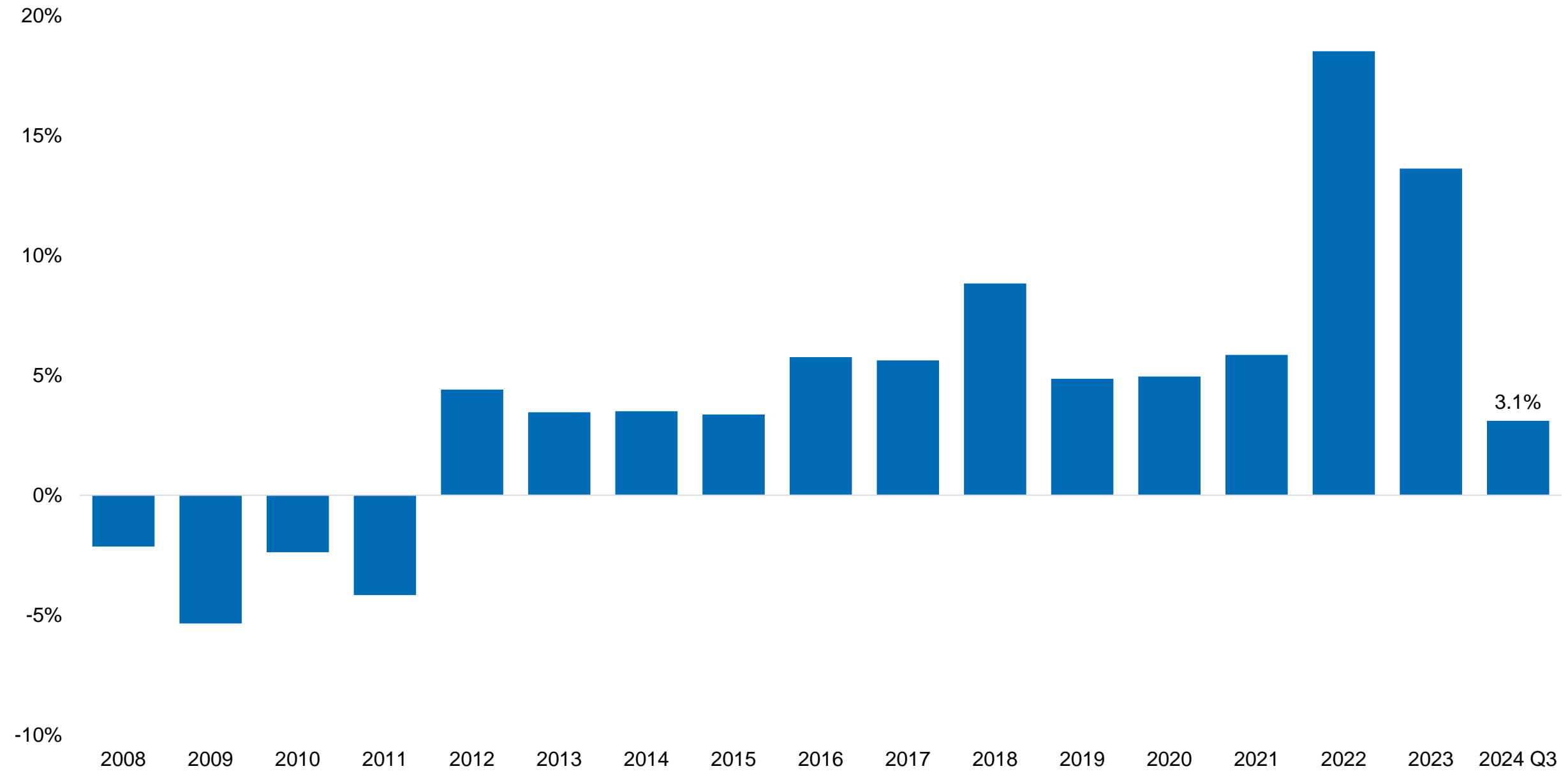


Source: Newmark Research, CoStar, October 2024.

Industrial Asking Rents: Likely the Last Quarter of Annualized Growth this Year

Average asking rents closed the third quarter of 2024 at 3.1% above levels in the third quarter of 2023. While rents remain sticky in some markets, quarterly movement in rents was essentially flat, indicating flat-to-softening measures ahead.

Year-Over-Year Industrial Asking Rent Growth



Source: Newmark Research, October 2024.

United States Industrial Asking Rent Rankings

Industrial markets across the U.S. are still realizing annual asking rent growth with 34 of 52 markets reporting stable or higher average asking rents in 3Q24 compared to 3Q23. Growing volumes of higher-priced space delivering in markets with traditionally lower, stable rates, such as Columbia, Nashville and Charleston, is boosting rent growth numbers. Meanwhile, smaller but growing coastal port markets with persistently-tight vacancy like Richmond and Jacksonville are still seeing rent growth on a market-average basis.

Highest Asking Rent: Top 10 Markets

Market	3Q24
Silicon Valley*	\$30.01
Oakland/East Bay	\$20.52
Orange County, CA	\$19.01
Los Angeles	\$18.82
San Diego	\$17.71
New Jersey Northern	\$17.05
Long Island	\$16.80
Boston	\$16.22
Miami	\$15.41
Austin	\$14.95
United States	\$10.26

Largest Asking Rent Growth: Top 10 Markets

Market	3Q23-3Q24 Pct. Change
Columbia, SC	20.2%
Oakland/East Bay	18.2%
Austin	14.1%
Richmond	13.3%
Nashville	12.7%
Jacksonville	10.8%
New Jersey Northern	9.4%
Charleston, SC	9.1%
Dallas	8.8%
Pittsburgh	7.1%
United States	3.1%

Source: Newmark Research, October 2024.

*Note: An outsized share of the Silicon Valley industrial market is R&D space which contributes to the relatively high overall asking rent.

Following Whopping Growth, Contract Rents Largely Stable Since 1Q23

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Concessions Are Up, Escalations Have Only Slightly Moderated

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Operational Costs Are Still Rising Faster than Pre-2020

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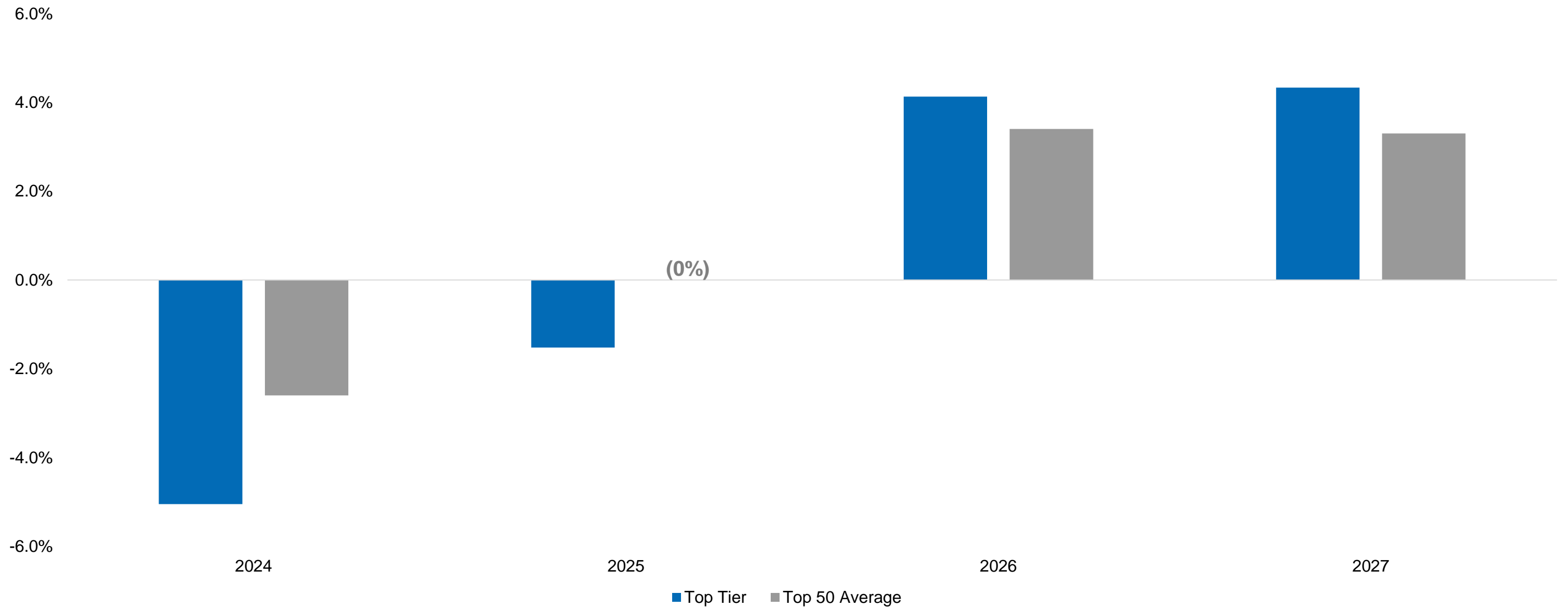
Green Street Industrial Effective Rent Forecast

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“Safe Shore” Infill Port Markets Will See Superior Rent Growth – After a Larger Reset

Los Angeles and North Jersey are undergoing an effective rent reset in the near term; however, over the longer term, these markets are expected to outpace typical market rent growth. This sustained growth will be driven by increasingly stringent development constraints, and strong, persistent demand drivers.

Green Street Annual Effective Rent Growth Forecasts: Top Tier (LA, North Jersey) Compared to The Market Average



Source: Newmark Research, Green Street, October 2024.

3Q24

Capital Markets



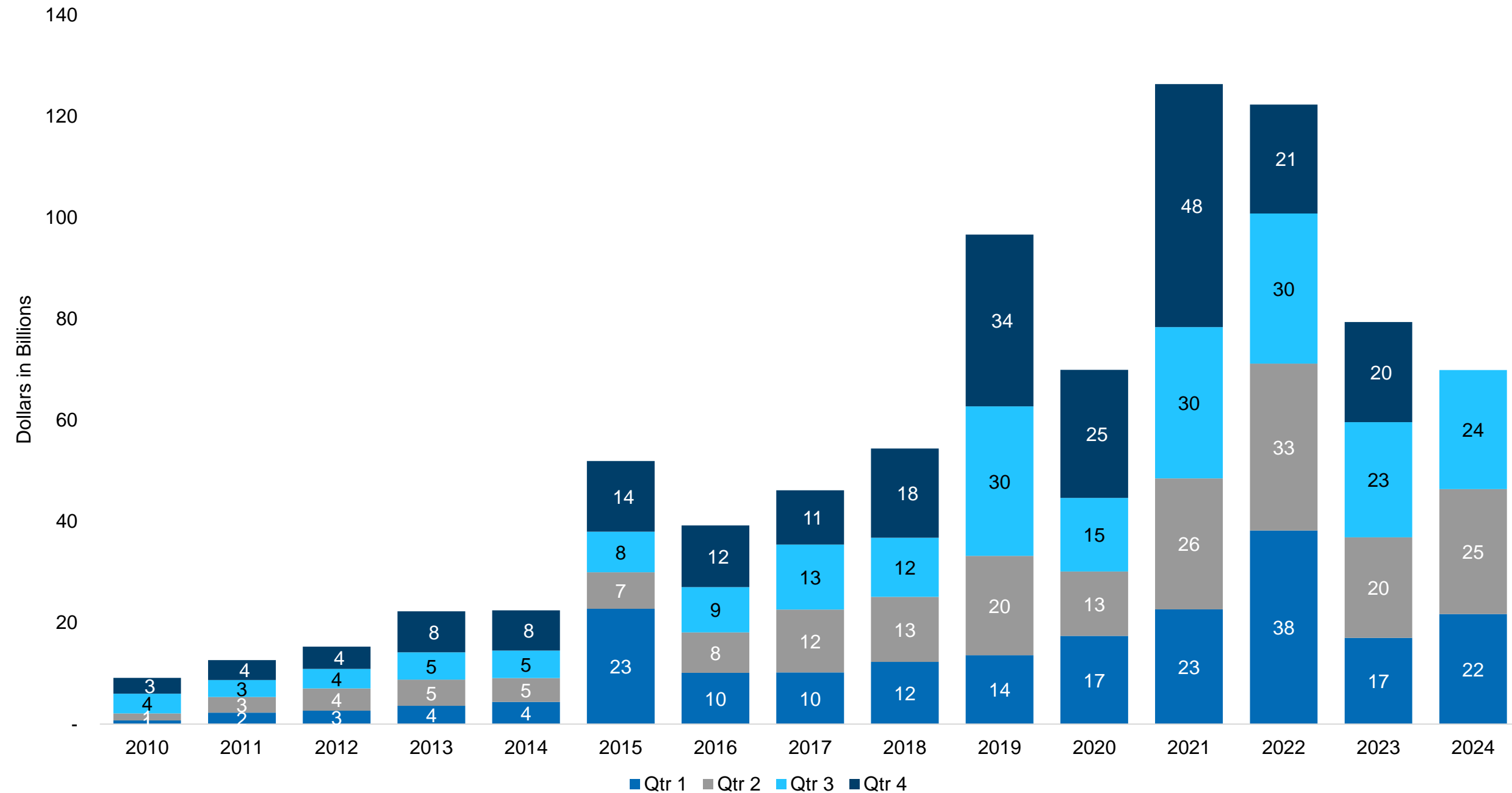
Newmark Scenario Weighted Terminal 10-Year Treasury Yield Up To 4.1%

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Industrial Debt Originations Rose Sharply First 3 Quarters Of 2024

Industrial debt origination volume declined 36% YoY in 2023 but came roaring back in the first half of 2024 at an estimated \$69.9B.

Industrial Debt Origination Volume



Source: RCA, Newmark Research as of 10/23/2024

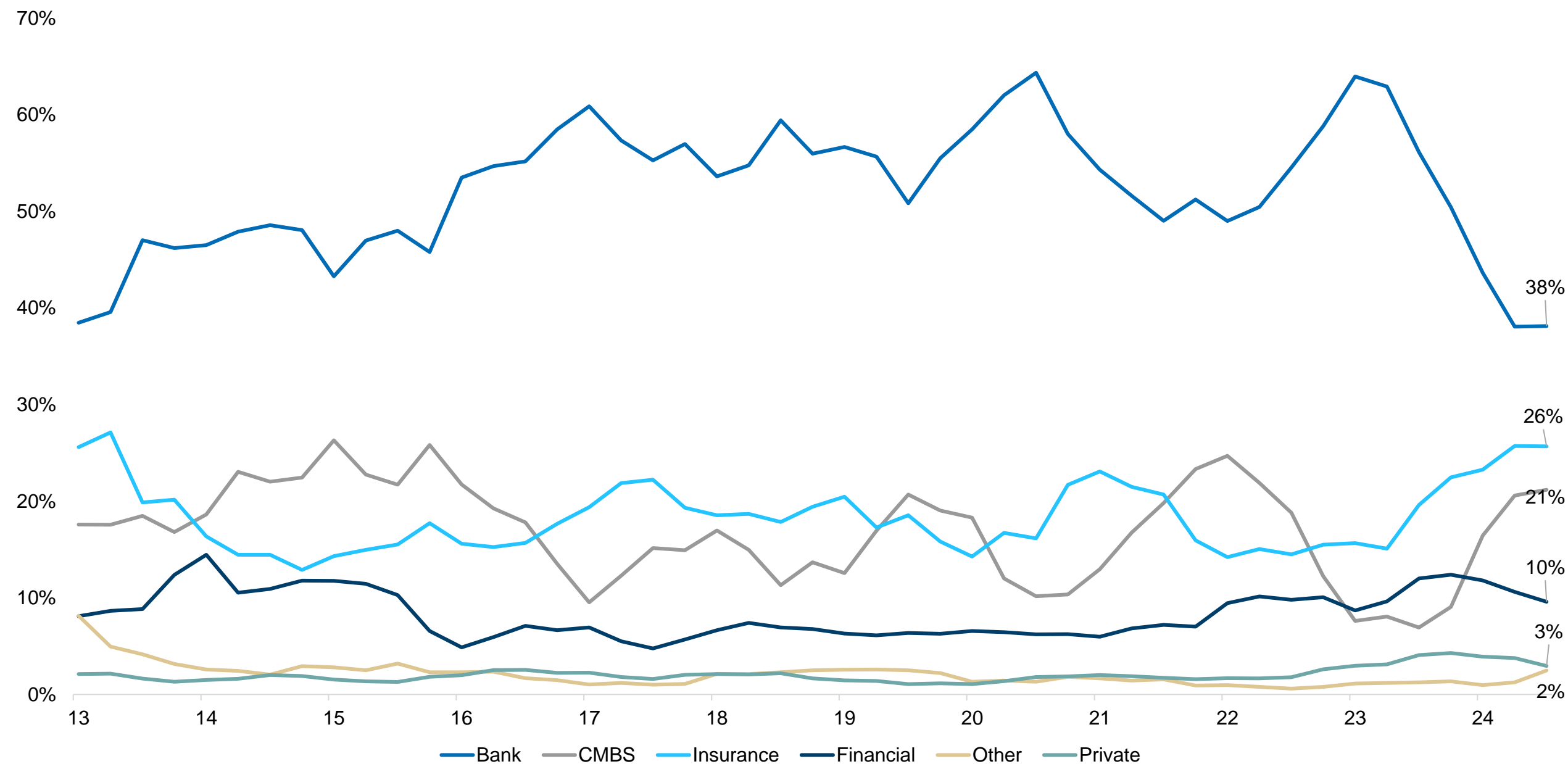
Note: loan origination volumes are adjusted for future expected revisions using Newmark's proprietary models

**Excludes construction loans

Bank Share Of Originations Has Fallen Sharply in Favor of Insurance, CMBS

While banks remain the largest source of debt capital to the industrial sector, the bank share has fallen from 64% in the In 2023Q1 to just 38% in the preceding 12-month period. In 2024, the market saw insurance lenders step into the void left by the banks, albeit not near the same absolute numbers. Now, in 2024, as the bank share has stabilized, there appears to have been a sharp acceleration in origination for securitization.

Origination Share by Lender Group: Rolling 12-Month Average



Source: RCA, Newmark Research as of 10/23/2024
 Note: loan origination volumes are adjusted for future expected revisions using Newmark's proprietary models
 **Excludes construction loans

Market Faces Sizeable Industrial Maturities in 2024 Before Tapering Off

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Maturing Loans Face Significantly Higher Costs, Driving Payment Stress

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Some Loans Will Be Able to Absorb Higher Interest Costs – Many Will Not

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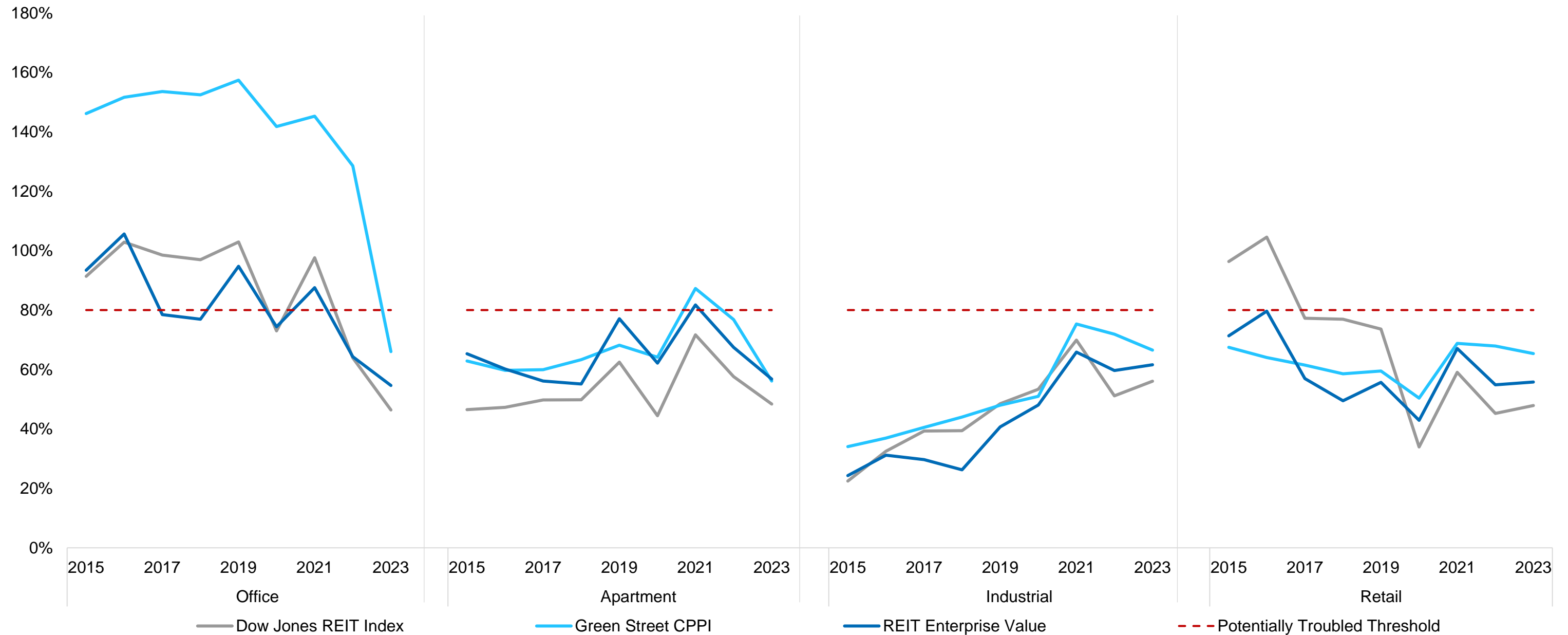
Debt Service Risk Will Rise Dramatically as Fixed-Rate Loans Face Market Rates

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Strong Price Appreciation Helps Protect against Industrial Distress

Industrial values have risen tremendously since 2015. As a result, most recent loan vintages have organically deleveraged even when accounting for the recent reduction in market values. That said, industrial loans originated in 2021-2022 are at greater risk, having been struck at the top of the market though this is counterbalanced by further-off maturity dates. Transitional debt and construction loans will also bear watching.

Average Mark-to-Market* Loan-to-Value Ratio by Year Debt Originated



Source: RCA, Green Street, NCREIF Newmark Research as of 10/23/2024

*We take the average loan-to-value ratio of loans originated in each respective year based on an analysis of RCA data, then we mark the value of the assets to market using the various proposed benchmarks.

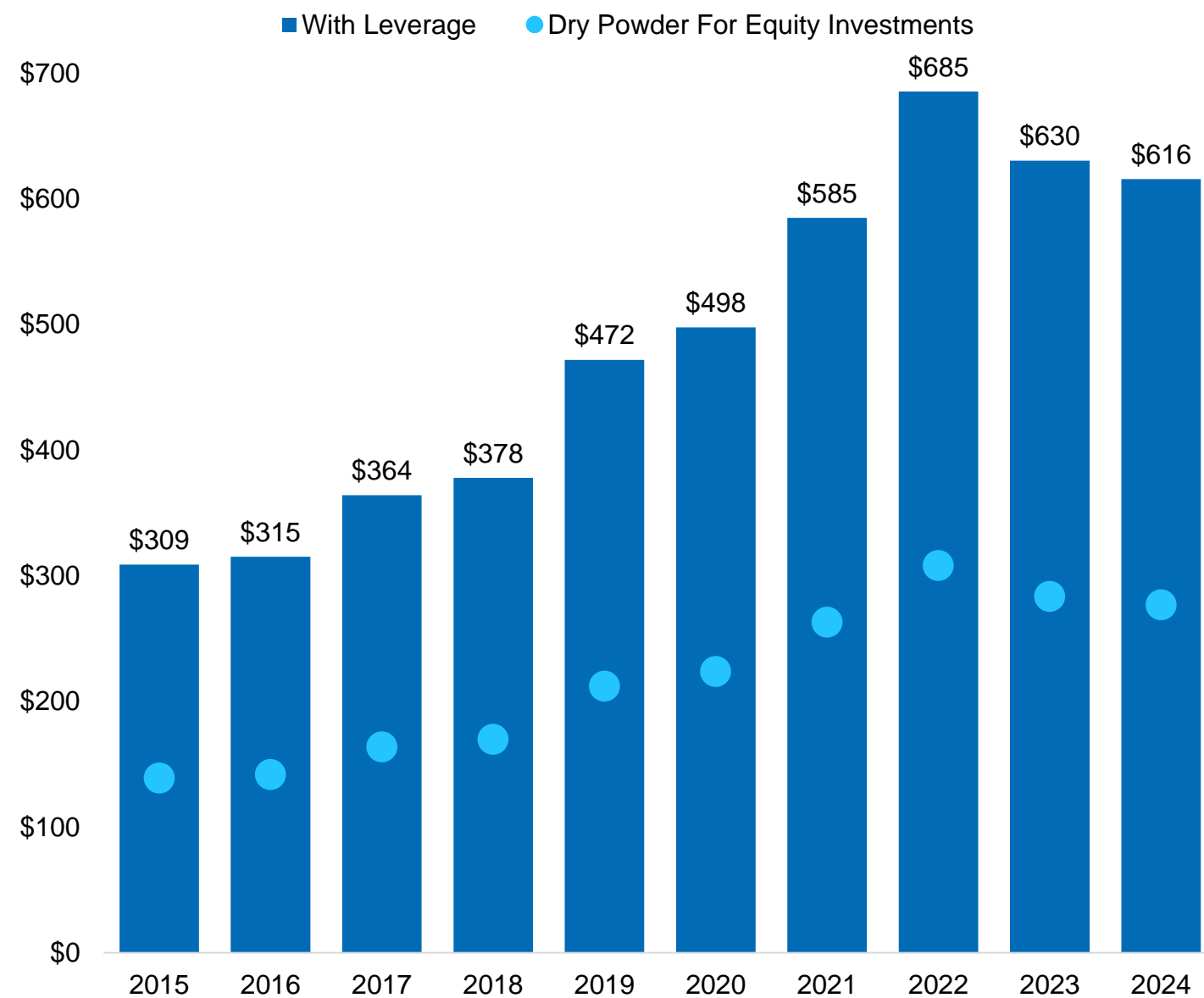
Of the \$1.2T of Potentially Troubled CRE Debt, Industrial Barely Registers

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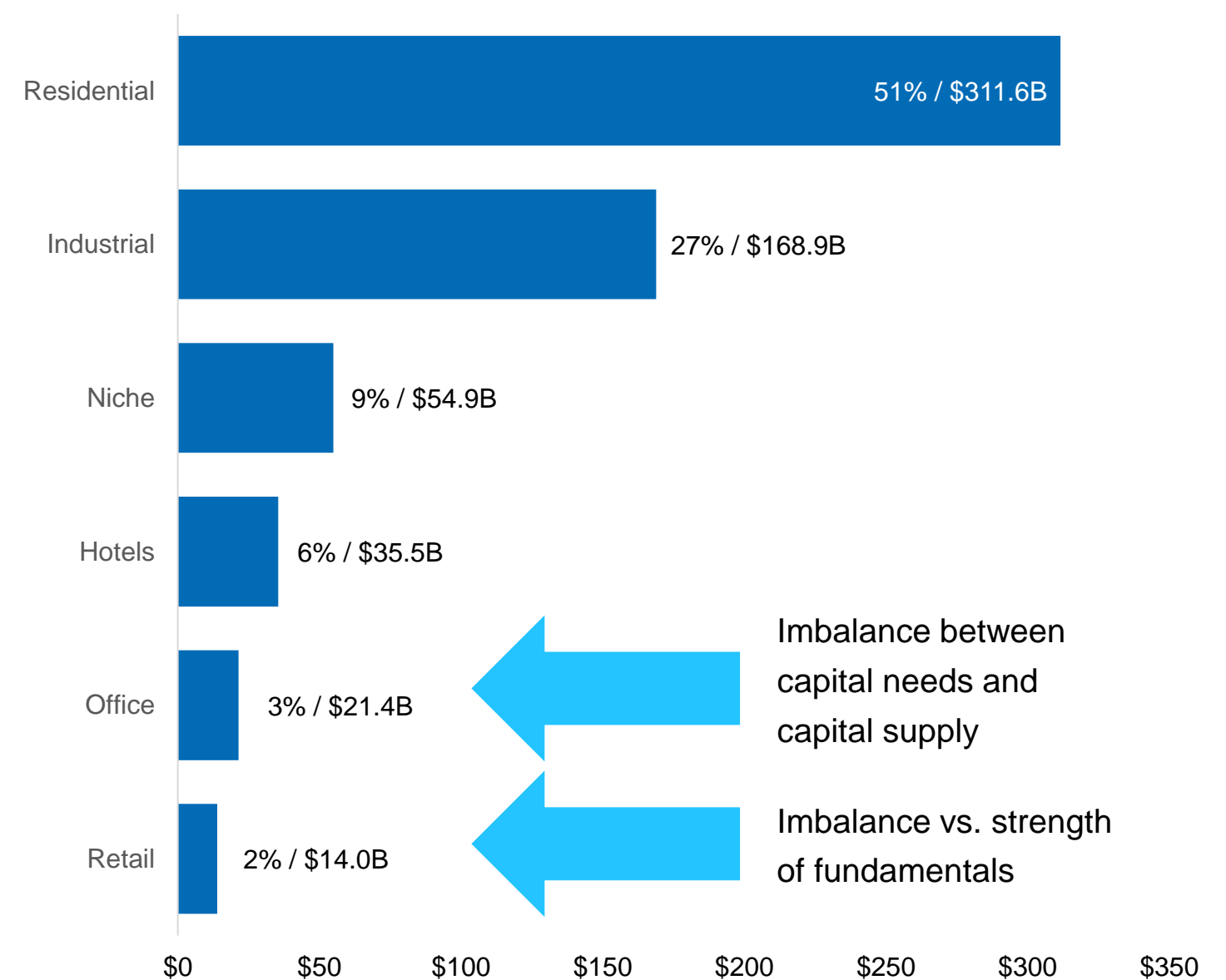
Dry Powder Heavily Focused on Residential, Industrial Investment

The \$277 billion in dry powder raised for equity investments, not including dry powder raised for debt strategies, equates to a leveraged purchasing power of \$616 billion, using a 55% loan-to-value ratio. We estimate that nearly half of this capital is targeted at multifamily assets, with most of the remainder focused on industrial assets. The capital targeting office and retail assets is quite small by comparison, which could ultimately represent a contrarian opportunity.

Dry Powder at 55% Leverage



Leveraged Dry Powder By Property Type*



Source: Newmark Research, Prequin as of 10/29/2024

*We looked at the percent called by vintage year and applied this to the total amount fundraised in each year to calculate the amount of uncalled capital (i.e. dry powder), broken out by main property type. Roughly half the dry powder was at diversified funds. This was allocated to the various property types in proportion to their share of total dry powder, excluding diversified funds. Finally, we grossed up the dry powder assuming 55% leverage would be used.

Investor Interest In Small Bay Continues

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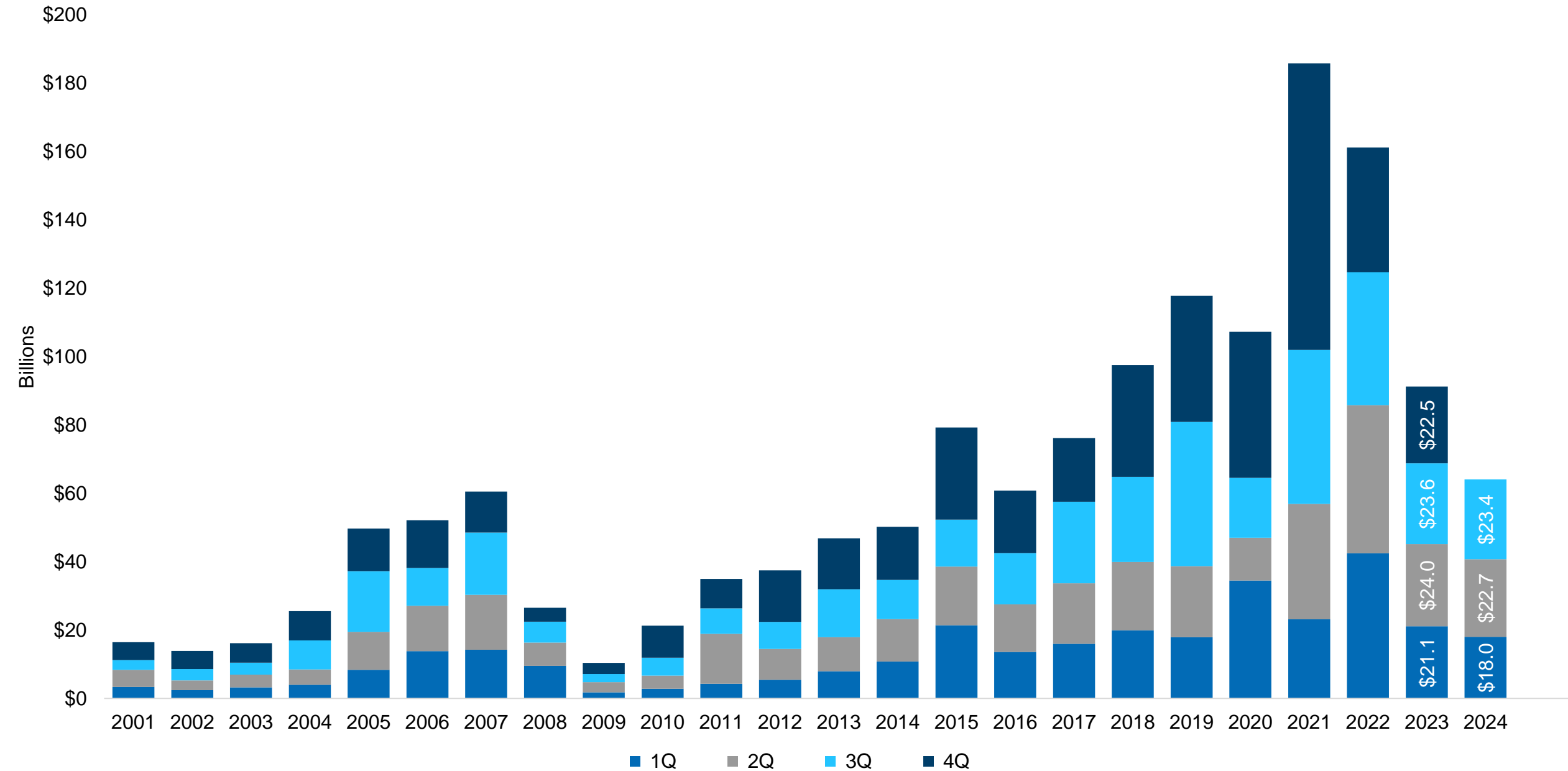
Industrial Capital Contributing To Surging Data Center Development

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Two Consecutive Quarters of Improvement From Cyclical Low

The third quarter ushered in \$23.4 billion in sales volume, essentially on par with volumes one year ago – effectively ending the two-year-plus trend of annualized declines.

Investment Sales Volume



Source: Newmark Research, MSCI Real Capital Analytics. October 2024.

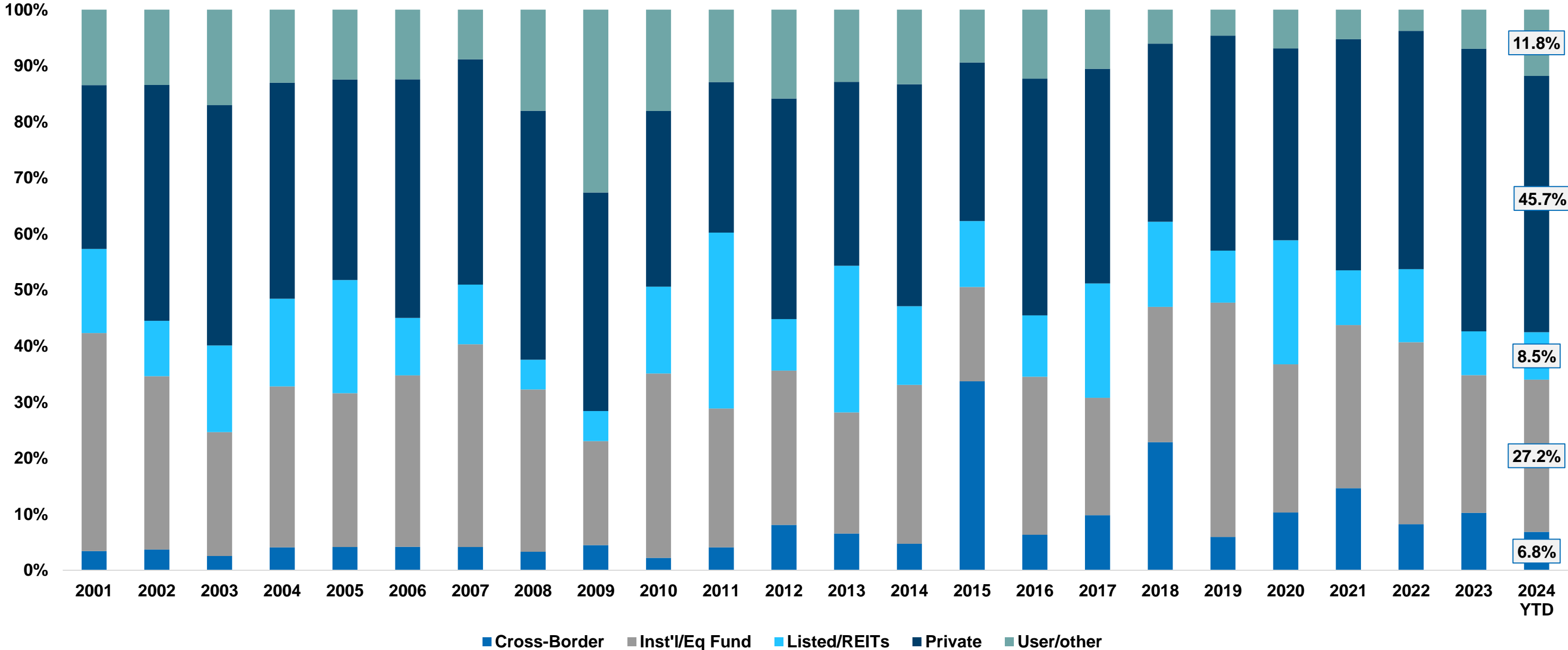
Liquidity Still Flows into Top Tier Markets – Even in a Volatile Market

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Users Boost Acquisition Share to the Highest Since 2016

Across the ecosystem of investor profiles, private capital continues to account for nearly half of total acquisitions. Users are seeing more opportunity than the buyer type has seen in years, buying more volume year-to-date than in all of 2023. Users accounted for 11.8% of purchases this year – the highest share since 2016.

Composition of Industrial Buyers

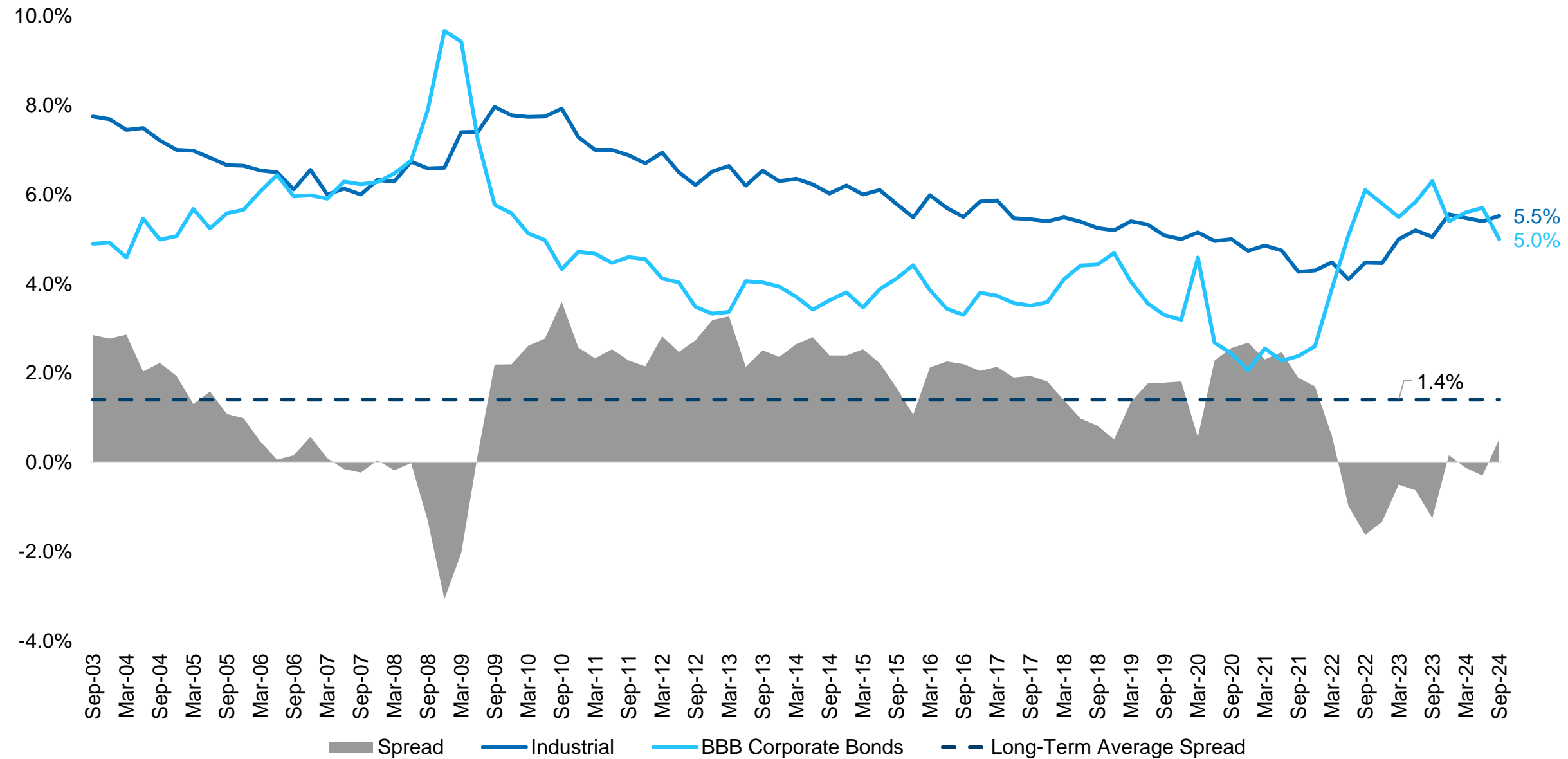


Source: Newmark Research, MSCI Real Capital Analytics, October 2024.

Industrial Cap Rates Stabilize In Mid-5s

Industrial transaction cap rates have come down 10 bps and up again the next so far this year, stabilizing around 5.5%. Spreads to BBB corporate bonds remain below long-term averages – if much more attractive compared to recent history.

Top Quartile Transaction Cap Rate*

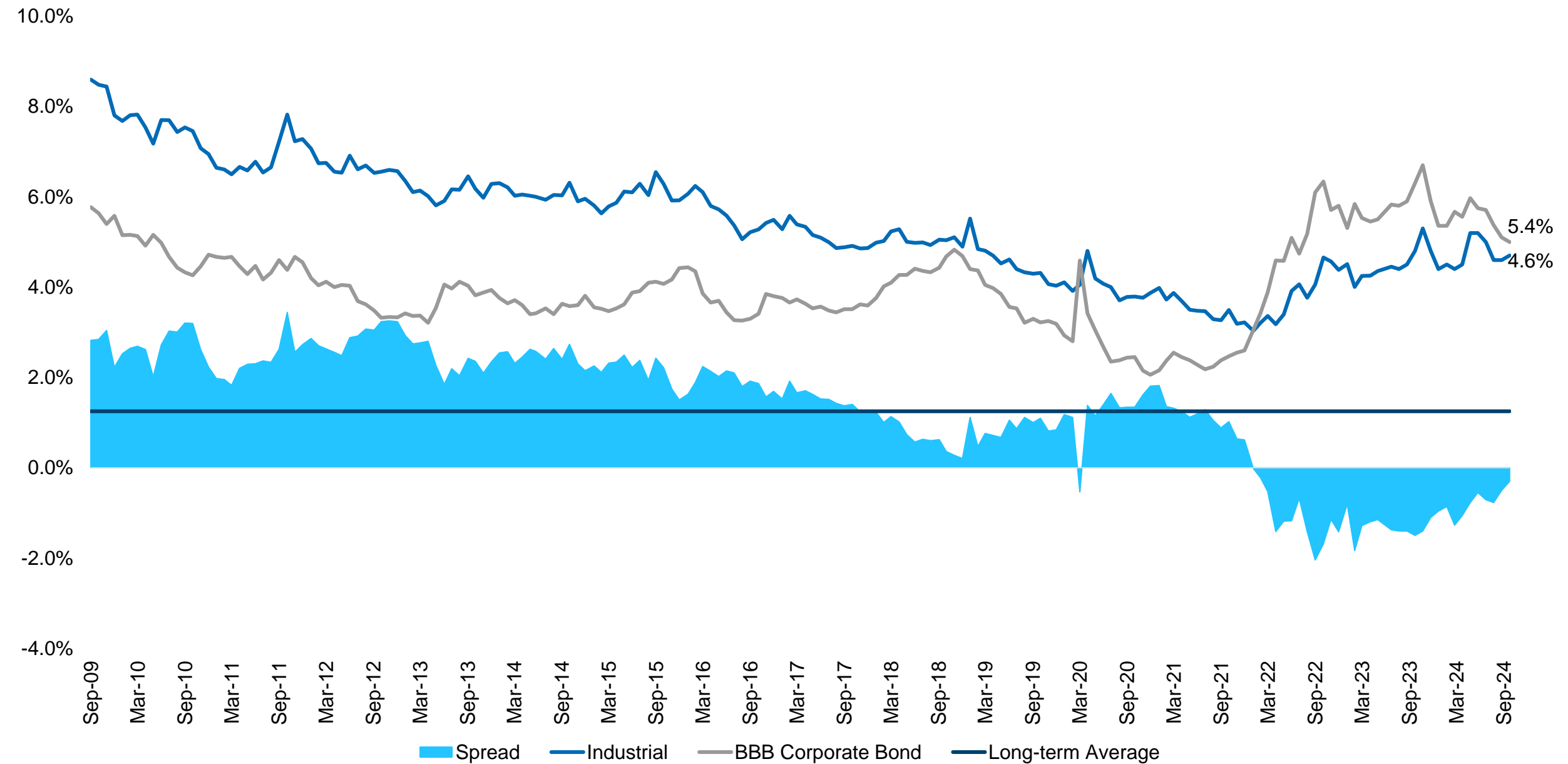


Source: Real Capital Analytics, Federal Reserve Bank of St. Louis, Moody's as of 10/31/24.
*Quarterly

Negative Leverage Persists in the Public Markets

Industrial implied cap rates have been in a state of negative leverage for two and a half years. Historically abnormal NOI growth has been a factor in keeping cap rates compressed, but reduced expectations for NOI growth may cause some recalibration.

REIT-Implied Nominal Cap Rate



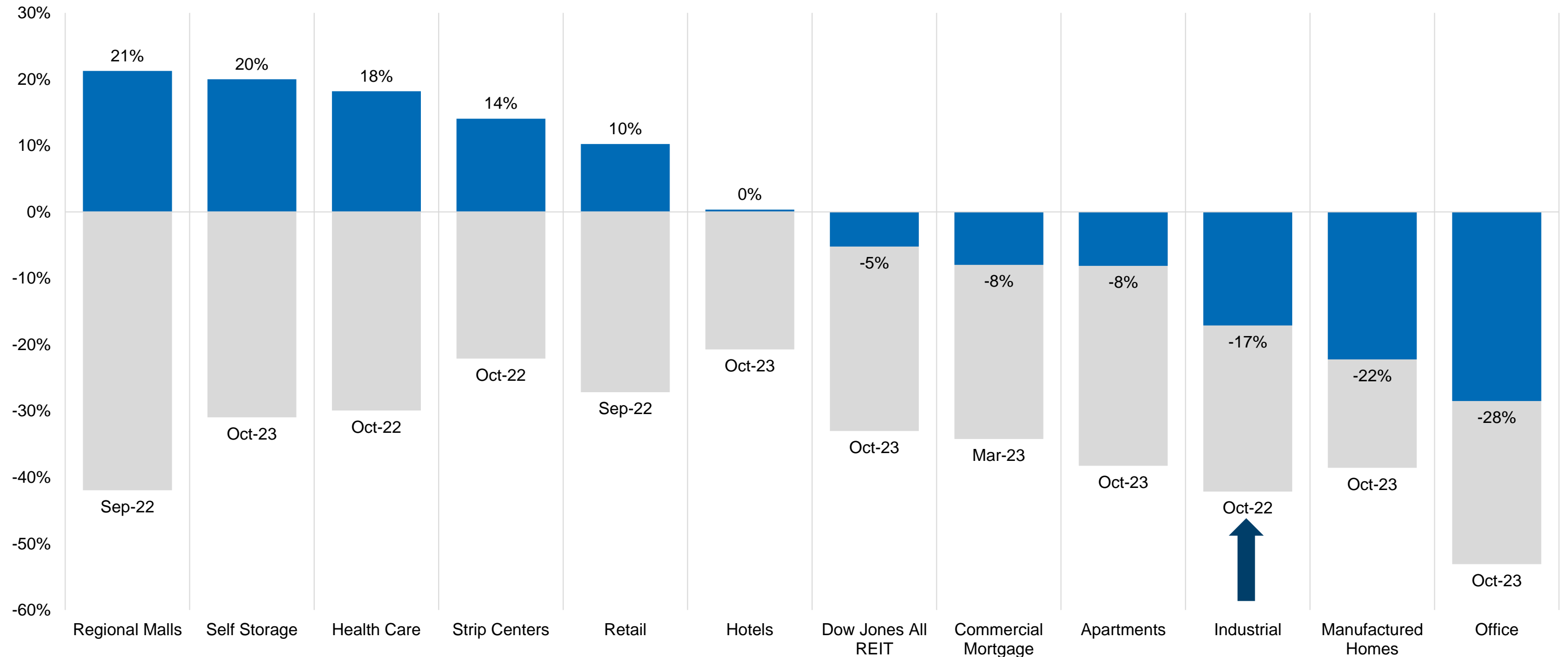
Source: Green Street, FRED, Nareit, Newmark Research as of 10/31/2024.

REIT Returns Have Rallied Significantly from Post-2021 Lows

All REIT sectors experienced significant drawdowns since the beginning of the Fed's hiking cycle; however, all sectors have pared their losses, and the retail, health care and self storage sectors have entirely recovered to post positive cumulative total returns. Office, industrial and apartment REITs continue to be the most negatively impacted sectors overall.

Dow Jones REIT Index Total Returns

■ Max Drawdown ■ Cumulative Return Since December 2021

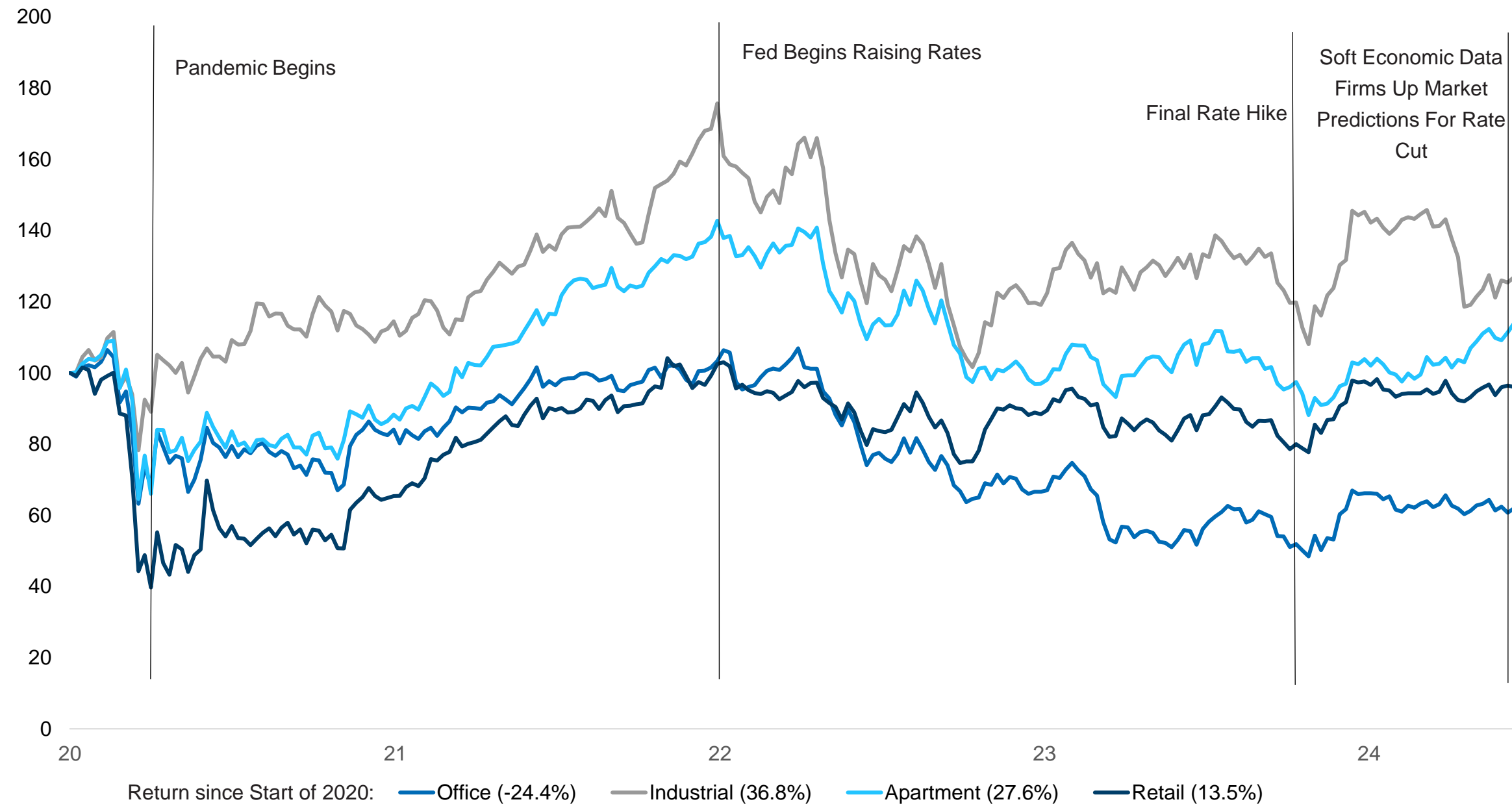


Source: Dow Jones, Moody's, Newmark Research as of 8/5/2024

REIT Returns Have Been Volatile with Periods of Significant Appreciation

REIT Returns have been highly sensitive to changing rate expectations, as the markets predictions on the terminal rate have swung on the heels of Fed meetings and economic data. After the initial rate hike in early 2022, total returns for REITs fell precipitously, particularly in Office and Apartment. Since the final rate hike in July 2023, however, and particularly since rate cut expectations firmed up, Office (+24%), Retail (+31%), and Apartment (+22%) have regained some of what they lost, while Industrial has largely traded sideways (+1.4%).

REIT Return Index : Base January 2020

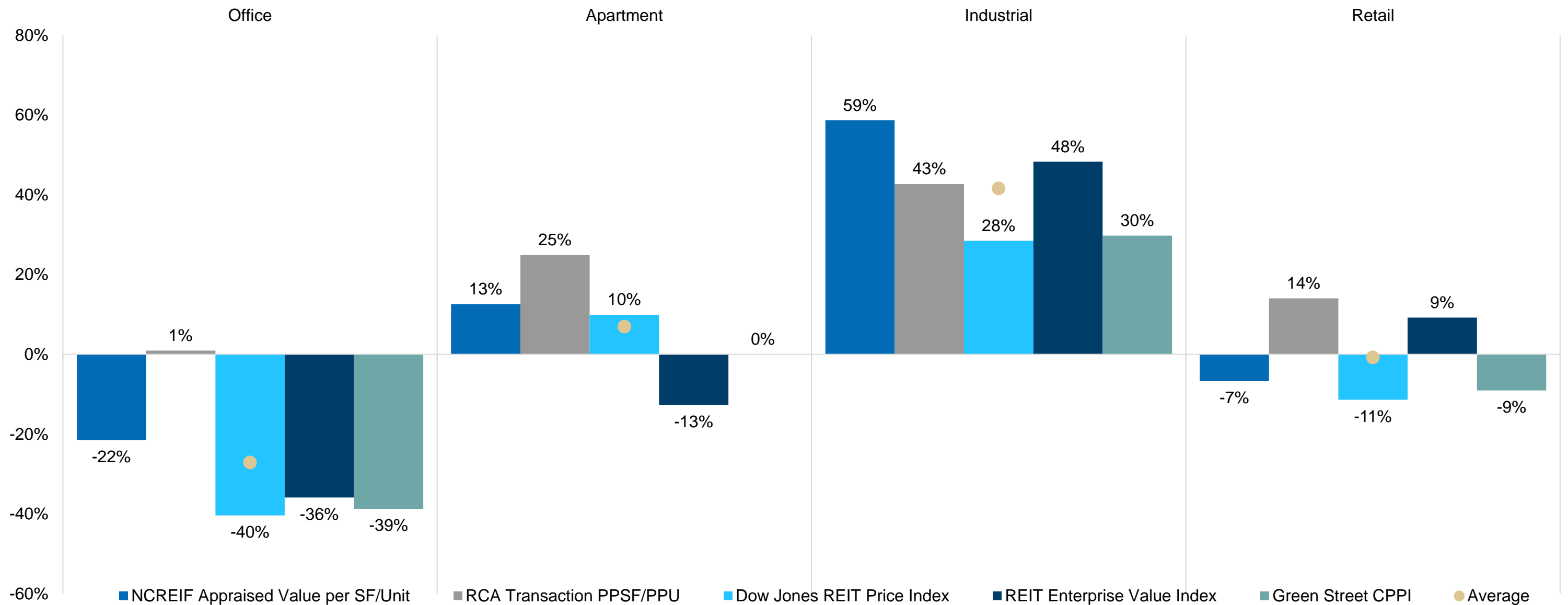


Source: Green Street, FRED, Moody's, Newmark Research as of 10/30/2024

What Has Happened to Values? Depends On the Benchmark

Industrial is the only sector for which a range of benchmarks show large and significant gains since 4Q19. Conversely, most benchmarks show office values down, but there is a large difference between appraisal / transaction-based measures, which show modest depreciation and measures informed by the public markets. The latter seem far more realistic. Multifamily markets show the same cleavage with the enterprise value a clear outlier. Retail measures, on the other hand, have little consistency.

Comparison of Value Benchmarks: Cumulative Index Change since 4Q19



Source: NCREIF, RCA, Dow Jones, Green Street, Moody's Analytics, Newmark Research as of 10/23/2024

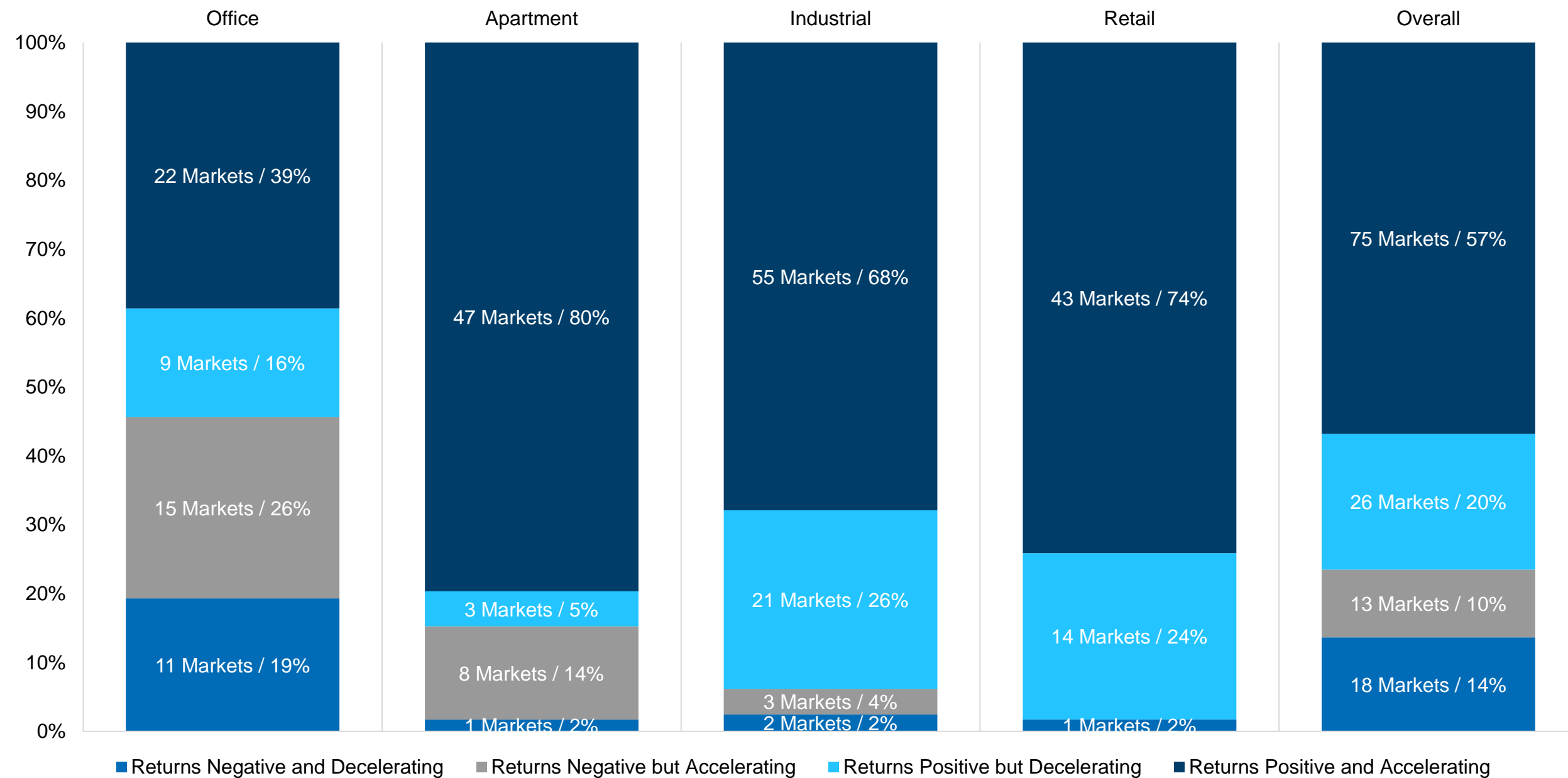
Returns Broadly Improved Sequentially across Property Subtypes in 3Q24

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NCREIF Returns Positive in 77% of Markets in 2Q24 up from 41% in 3Q23

Markets clearly registered the shift in return momentum in 2024. For office and multifamily, this shift manifested as a shift in markets from negative but accelerating to positive and accelerating. On the other hand, industrial and retail saw some markets shift from positive and accelerating to decelerating. That being said, Office(55%), retail (98% of markets), industrial (84%), and multifamily (85%) reported positive returns in the majority of markets according to NCREIF for the first time since mid 2022.

Breakdown of NCREIF CBSA Total Returns: 3Q 2024



Source: NCREIF, Newmark Research as of 10/30/2024

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