Future Cities

2023 North America Industrial Big Box

REPORT

Review & Outlook

CBRE RESEARCH
APRIL 2023

North America Overview

An industrial big-box facility is a traditional warehouse or distribution center of at least 200,000 sq. ft.

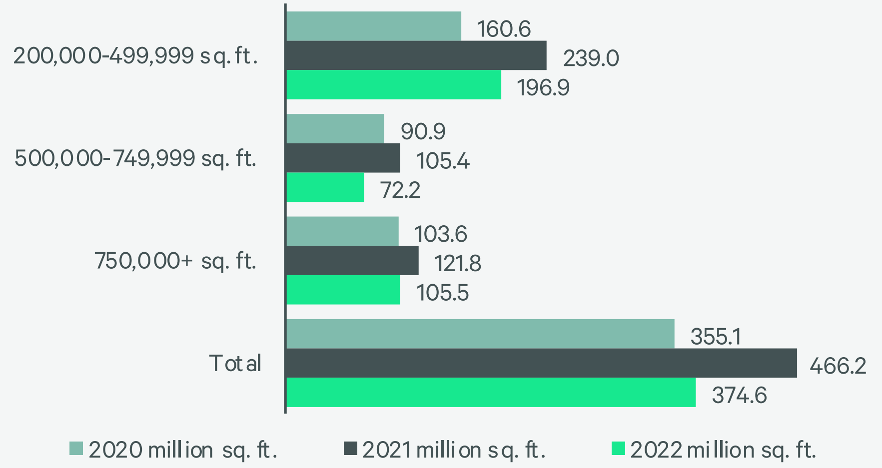
In 2022—despite widespread macroeconomic concerns—North American big-box industrial facilities saw record-low vacancy, unprecedented rent growth and significant new construction. Serving growing populations, modernizing space for automation, and increasing supply chain resilience largely drove occupier demand. The direct vacancy rate was 3.3% at year end, matching 2021's record low, driving up first-year base rents by 23% year-over-year. 272.7 million sq. ft. of construction was completed. A record 455 million sq. ft. is under construction, with 25.3% pre-leased.

Third-party logistics (3PL) providers were the most active occupiers for the first time, accounting for 41% of all lease transactions. While vacancy and rental rates hit record levels, transaction volumes declined from 2021. A total of 374.6 million sq. ft. was leased in 2022, 20% lower than the previous year but 5.5% above 2020.

CBRE expects lease transaction volume to further decline this year, as the post-peak pandemic leasing rush wanes and some tenants wait for more macroeconomic certainty. Lower leasing activity at a time of high development completions will result in some vacancy increases, but double-digit rent growth will remain. While a record level of product is under construction, highly constrained construction financing will reduce ground breakings by over 50% in 2023. As a result, H2 2024 and H1 2025 will see significant reduction in new construction deliveries, keeping vacancies low and sustaining double-digit rent growth.

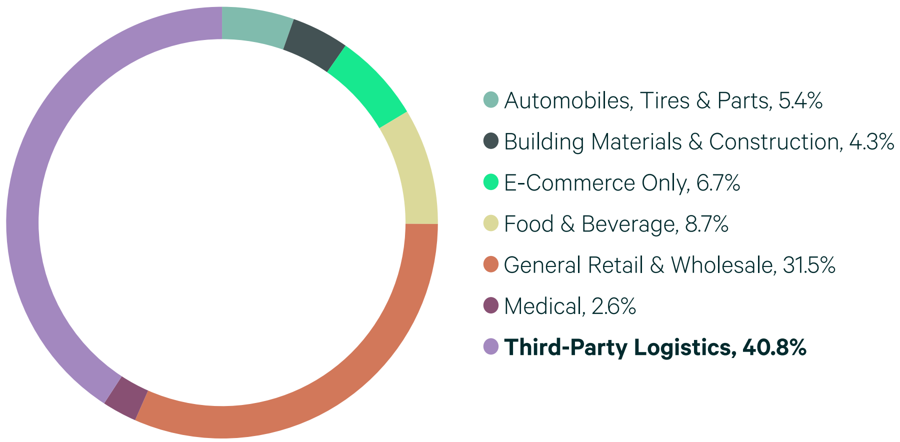
This report provides an in-depth overview of supply-and-demand fundamentals, demographics, logistics drivers, labor and location incentives for North America's top 25 core, gateway, and emerging markets. The interactive format allows readers to engage with the data and analysis in a way that best suits their needs and preferences.

Figure 1: North America Leasing Activity



Note: Includes new leases and renewals 200,000 sq. ft. and above in the markets tracked in this report.
Source: CBRE Research, 2022.

Figure 2: Share of North America 2022 Leasing Activity by Occupier Type



Note: Includes new leases and renewals 200,000 sq. ft. and above in the markets tracked in this report.
Source: CBRE Research, 2022.

Figure 3: North America Market Statistics

2022

	# of Existing Buildings	Existing Inventory SF	Direct Vacancy Rate	Overall Net Absorption	Construction Completions	First Year NNN Taking Rent psf/yr
200,000-499,999 sq. ft.	9,564	2,686,241,444	3.0%	102,467,033	101,210,377	$7.60
500,000-749,999 sq. ft.	1,772	1,059,912,127	3.5%	61,179,572	61,707,273	$7.06
750,000+ sq. ft.	1,430	1,618,731,958	3.6%	97,647,516	109,825,736	$6.08
Total	12,766	5,364,885,529	3.3%	261,294,121	272,743,386	$6.98

2021

	# of Existing Buildings	Existing Inventory SF	Direct Vacancy Rate	Overall Net Absorption	Construction Completions	First Year NNN Taking Rent psf/yr
200,000-499,999 sq. ft.	8,365	2,481,530,538	3.1%	115,855,646	71,086,825	$5.82
500,000-749,999 sq. ft.	1,534	917,191,100	3.7%	63,180,757	51,984,042	$5.47
750,000+ sq. ft.	1,180	1,358,563,341	3.4%	101,193,064	89,217,646	$4.59
Total	11,079	4,757,284,979	3.3%	280,229,467	212,288,513	$5.67

Note: Statistics only include markets tracked in this report.
Source: CBRE Research, 2022.

Figure 4: North America Under Construction vs. Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	160,026,749	18.9%
500,000-749,999 sq. ft.	99,885,217	21.7%
750,000+ sq. ft.	195,228,757	32.5%
Total	455,140,723	25.3%

Note: Statistics only include markets tracked in this report.
Source: CBRE Research, 2022.

Figure 5: North America Top 10 Rankings

2022 Direct Vacancy Rate

	Market	Direct Vacancy Rate
1	Inland Empire	0.1%
2	Los Angeles County	0.6%
3	Toronto	0.8%
4	Savannah	0.9%
5	Mexico City	1.0%
6	Montreal	1.3%
7	Cincinnati	2.1%
8	Northern/Central NJ	2.4%
9	Nashville	2.5%
10	Chicago	2.5%

Source: CBRE Research, 2022.

2022 Top Growth Markets

	Market	Growth Rate %*
1	Phoenix	14.3%
2	Savannah	12.3%
3	Houston	9.4%
4	Central Valley, CA	9.4%
5	Mexico City	9.2%
6	Kansas City	7.2%
7	Central Florida	6.8%
8	Dallas/Ft. Worth	6.7%
9	Indianapolis	6.2%
10	Atlanta	5.5%

*Growth rate equals overall net absorption divided by existing inventory.

2022 Existing Inventory

	Market	Million Sq. Ft.
1	Chicago	523.2
2	Southern NJ/Eastern PA	521.0
3	Dallas/Ft. Worth	462.8
4	Inland Empire	395.2
5	Northern/Central NJ	367.8
6	Atlanta	366.1
7	Toronto	267.9
8	Los Angeles County	220.0
9	Houston	209.0
10	Memphis	208.7

2022 Lease Transaction Volume

	Market	Million Sq. Ft.
1	Inland Empire	46.7
2	Dallas/Ft. Worth	34.4
3	Chicago	33.5
4	Southern NJ/Eastern PA	32.6
5	Atlanta	27.6
6	Houston	19.1
7	Northern/Central NJ	18.8
8	Phoenix	16.4
9	Indianapolis	15.2
10	Columbus	14.9

2022 Under Construction

	Market	Million Sq. Ft. (Preleased%)
1	Dallas/Ft. Worth	68.4 (17.9%)
2	Southern NJ/Eastern PA	45.0 (18.3%)
3	Atlanta	38.1 (14.7%)
4	Inland Empire	34.2 (55.0%)
5	Chicago	32.2 (21.9%)
6	Indianapolis	30.1 (23.2%)
7	Phoenix	30.0 (21.1%)
8	Houston	28.0 (21.7%)
9	Savannah	25.6 (36.8%)
10	Columbus	15.6 (11.6%)

2022 First Year Taking Rents

	Market	First Year Rent psf/yr
1	Los Angeles County	$16.22
2	Northern/Central NJ	$14.99
3	Inland Empire	$14.49
4	Toronto	$11.15
5	Montreal	$10.61
6	Seattle	$8.98
7	Phoenix	$7.25
8	Southern NJ/Eastern PA	$7.09
9	Baltimore	$7.04
10	Central Valley, CA	$7.03

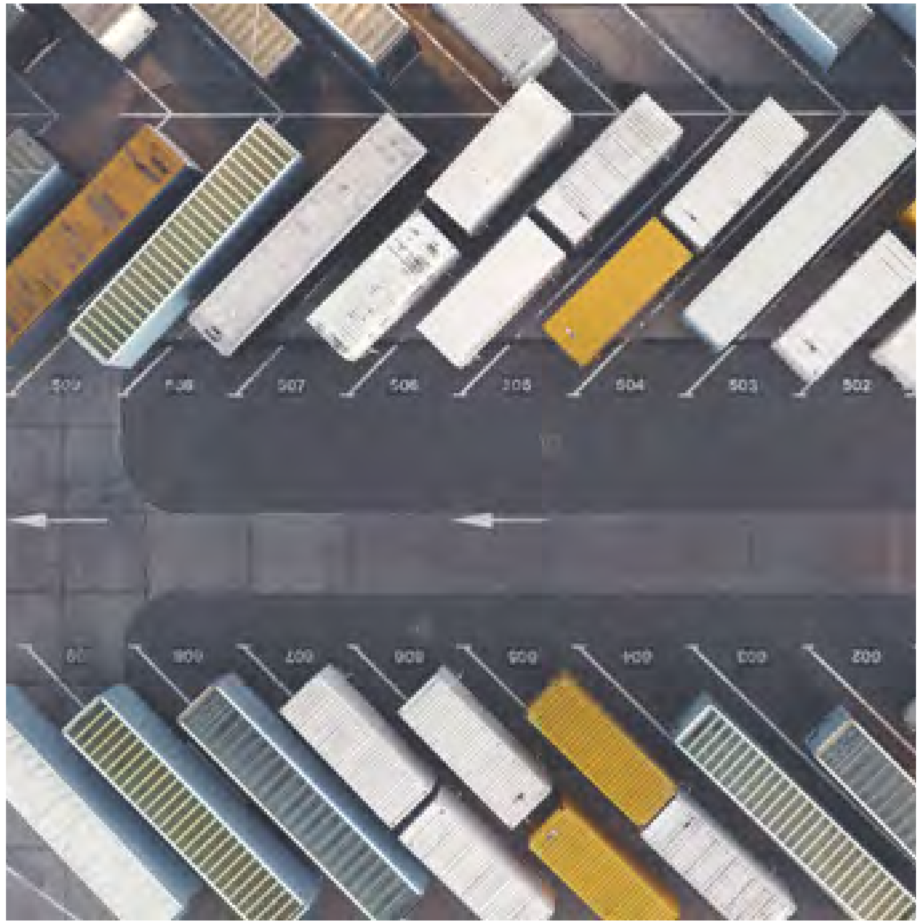
*Toronto and Montreal taking rents converted to $USD.

2022 Year-Over-Year Taking Rent Growth

	Market	Y-o-Y Rent Growth*
1	Inland Empire	60.3%
2	Montreal	52.8%
3	Toronto	40.9%
4	Northern/Central NJ	36.2%
5	Baltimore	34.1%
6	Phoenix	33.0%
7	Memphis	32.4%
8	Los Angeles County	28.9%
9	Atlanta	27.0%
10	Columbus	20.4%

*Compares average first year base rents of leases 200,000 sq. ft. and above in 2022 with 2021.

Market Page Menu



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Atlanta

Menu

“Atlanta is the Southeast’s primary big-box market, with the region’s strongest distribution network. The market experienced record rent growth in 2022, even with record new product. But with still-available inventory, stronger cost-efficiency, a business-friendly climate and deep labor pool, Atlanta remains a top market for distributors.”

Tony Kepano
CBRE Vice Chair

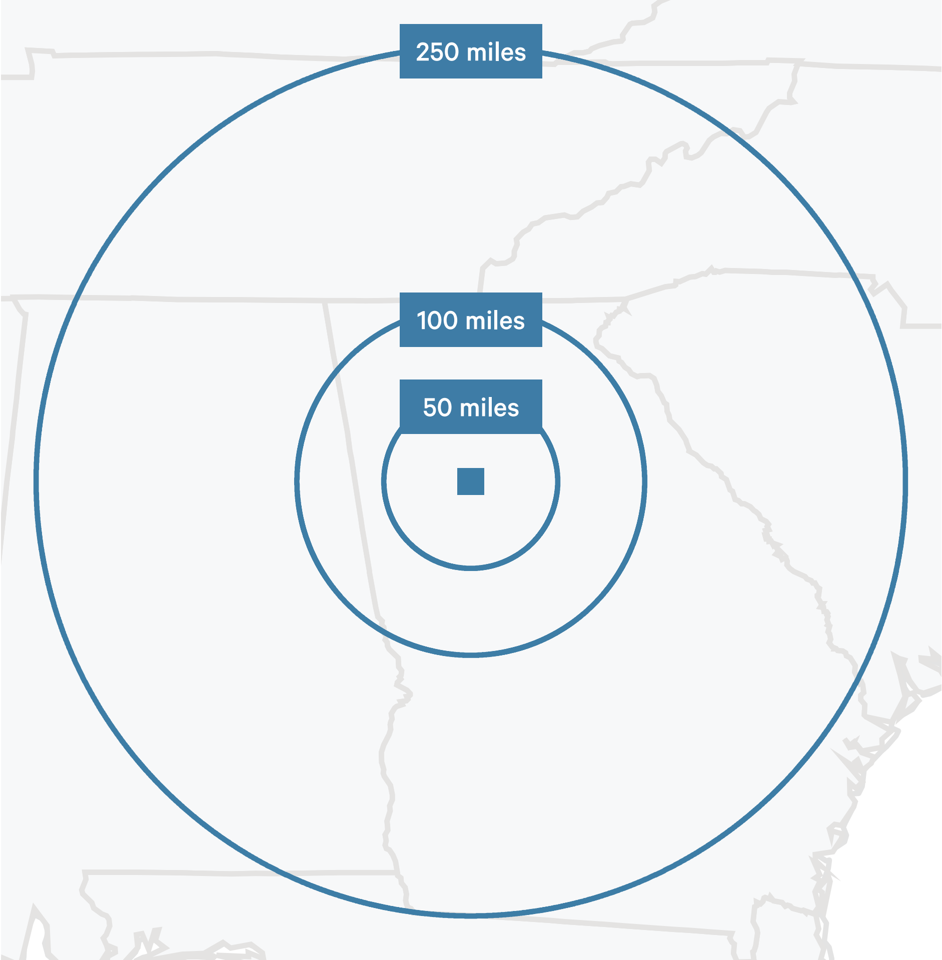
Demographics

Atlanta is the major population center of the Southeast and one of the country's fastest-growing metropolitan statistical areas (MSAs). Over 6.3 million people live within 50 miles of the market core, with a projected five-year growth rate of 3.6%. Nearly 30 million people live with 250 miles of the market core, with 23% aged 18-34.

Figure 1: Atlanta Population Analysis

Distance from Downtown Atlanta	2022 Total Population	5 Year Growth Outlook
50 miles	6,377,585	3.6%
100 miles	9,265,993	2.8%
250 miles	29,571,420	2.5%

Source: CBRE Location Intelligence, Q4 2022.



The Atlanta MSA has 136,163 warehouse workers—a workforce that is expected to grow by 9.4% by 2032, according to CBRE Labor Analytics. The average wage for non-supervisory warehouse workers is $16.88 per hour, on par with the national average.

Figure 2: Atlanta Warehouse & Storage Labor Fundamentals

Total Warehouse & Storage Employment	2032 Total Warehouse & Storage Projected Employment	Hourly Wage*
136,163	148,971	$16.88

Source: CBRE Labor Analytics, Q4 2022.
*Median wage (1 year experience); non-supervisory warehouse material handlers.

Location Incentives

Over the past five years, there have been 93 publicly known economic incentives deals totaling over $317 million for an average of $9,497 per new job in metro Atlanta, according to Wavteq.

CBRE's Location Incentives Group reports that top incentive programs in metro Atlanta include the Regional Economic Business Assistance (REBA) program. REBA is considered a "deal-closing" discretionary cash grant in that it incentivizes companies to consider Georgia over other states or countries for their location or expansion. REBA funds may be used for any fixed-asset costs, including infrastructure, construction, real estate and personal property.

Another metro Atlanta program is the Job Tax Credit, which awards businesses for creating net new full-time jobs. To qualify, companies must have local headquarters or R&D operations in one of the following industries: manufacturing, warehousing/distribution/logistics, software development, contact centers, data centers, telecommunications or financial technology.

Figure 3: Atlanta Top Incentive Programs

Program (Georgia)	Descripton
Job Tax Credit	Up to $3,500 in annual tax savings per job up to 5 years; $500 bonus for Joint Development Authority; $1,250 bonus for increase in imports or exports through a Georgia port by 10%
Investment Tax Credit	Tax credit equal to 1-9% of qualified capital investment
Quality Jobs Tax Credit	Tax credit (refundable) of $2,500 up to $5,000 per new job, depending on payroll threshold of the county, per year, up to 5 years
Georgia Quick Start Program	Customized job training services
REBA Grant	Discretionary cash grant program
Property Tax Abatements	Discretionary abatement of real estate taxes and personal property taxes
Mega Project Tax Credit	Tax credit of $5,250 per job, per year for the first five years of each qualifying job that is created during a specified number of years

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

Atlanta offers port, rail, air and road logistics options. With service from CSX Transportation, Norfolk Southern and nearly two dozen short-line railroad companies, Atlanta has the most extensive rail system in the Southeast and serves as the region's largest intermodal hub. Interstate highways connect to 80% of the U.S. population within a two-day truck drive.

Atlanta Hartsfield-Jackson International Airport continues year-over-year gains in cargo volume. Georgia's seaports are magnets for international trade and investment. As the westernmost container port on the U.S. East Coast, the Port of Savannah enjoys a significant geographical advantage in reaching inland markets. Opened in 2018, the Appalachian Regional Port is also a gateway to North American markets. A network of major interstates, including north-south corridors I-95 and I-75 and east-west routes I-16, I-20 and I-85, means key cities and manufacturing points throughout the Southeast and Midwest can be reached within a one- to two-day drive.

Georgia's seaports are magnets for international trade and investment.

Capital Markets

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Despite economic concerns, Atlanta had its second-largest year for big-box investor sales volume. Investors continue targeting large facilities because of strong fundamentals, including a top-five ranking for lease transaction volume. Atlanta's future is bright due to the market's many logistical and demographic advantages. This will keep investor demand strong, leading to price and cap rate stabilization in H2 2023.

Frank Fallon

CBRE Vice Chair

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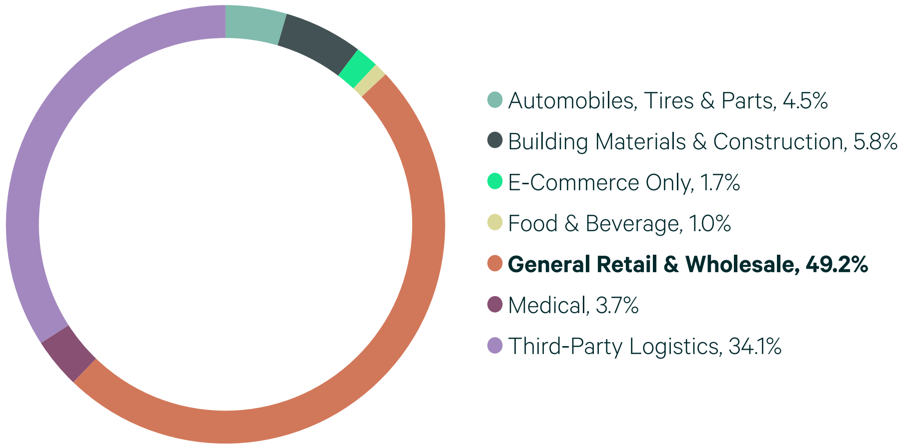
Supply & Demand

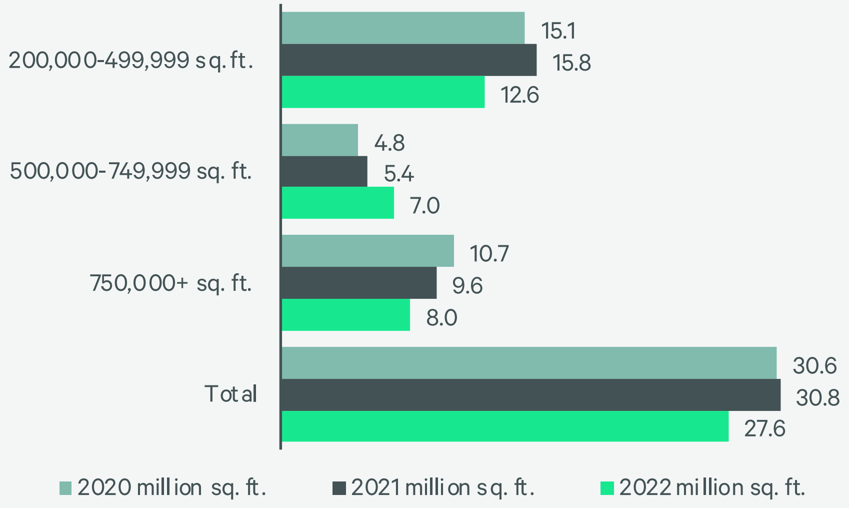
Atlanta is North America's sixth-largest big-box industrial market, with 366 million sq. ft. of total inventory. Annual net absorption totaled 20.2 million sq. ft., down 20% from 2021. Lease transaction volume declined 10% but ranked fifth in the nation. General retailers and wholesalers were the most active occupier type. Completed construction volume more than doubled year-over-year, to 27.7 million sq. ft. Vacancy rates increased 150 basis points (bps) to 5.7%. CBRE projects vacancy rates will continue increasing, with only 15% pre-leased of the 38.1 million sq. ft. under construction. Reductions in construction starts will give the market time to absorb new space, potentially dropping vacancies back to 2022 levels by mid-2024.

Figure 4: Share of 2022 Leasing Activity by Occupier Type



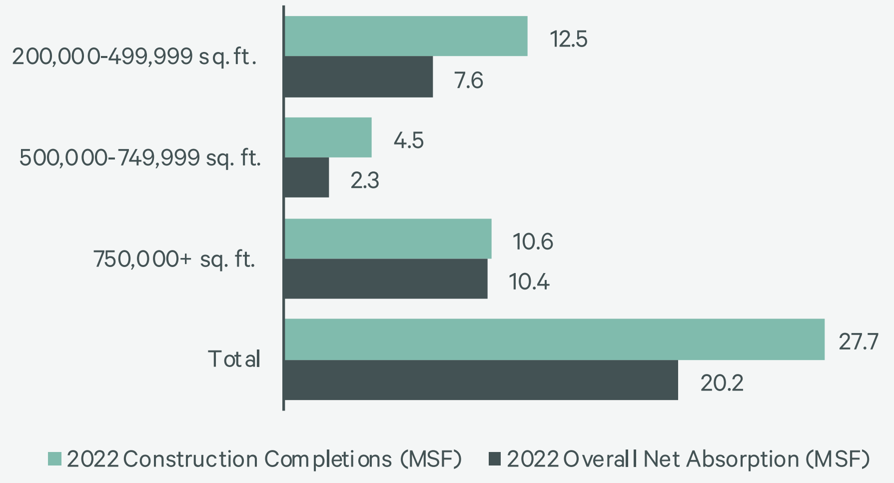
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 5: Lease Transaction Volume by Size Range



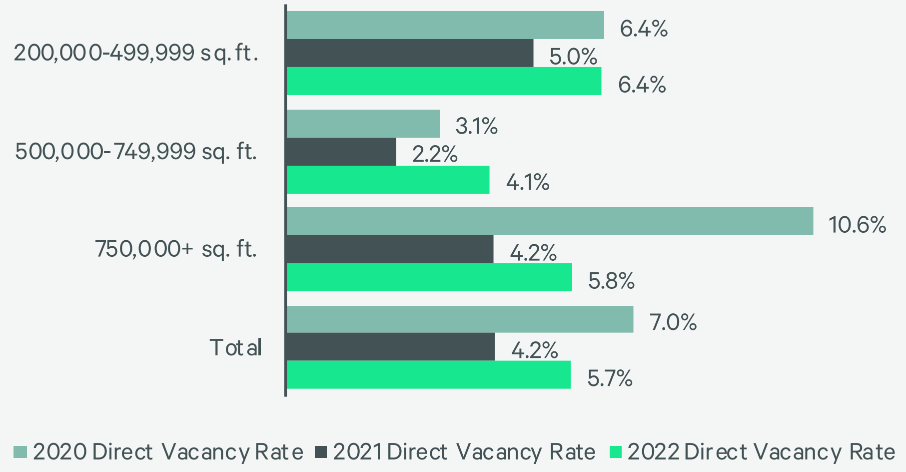
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 6: 2022 Construction Completions vs. Overall Net Absorption by Size Range



Source: CBRE Research, 2022.

Figure 7: Direct Vacancy Rate by Size Range



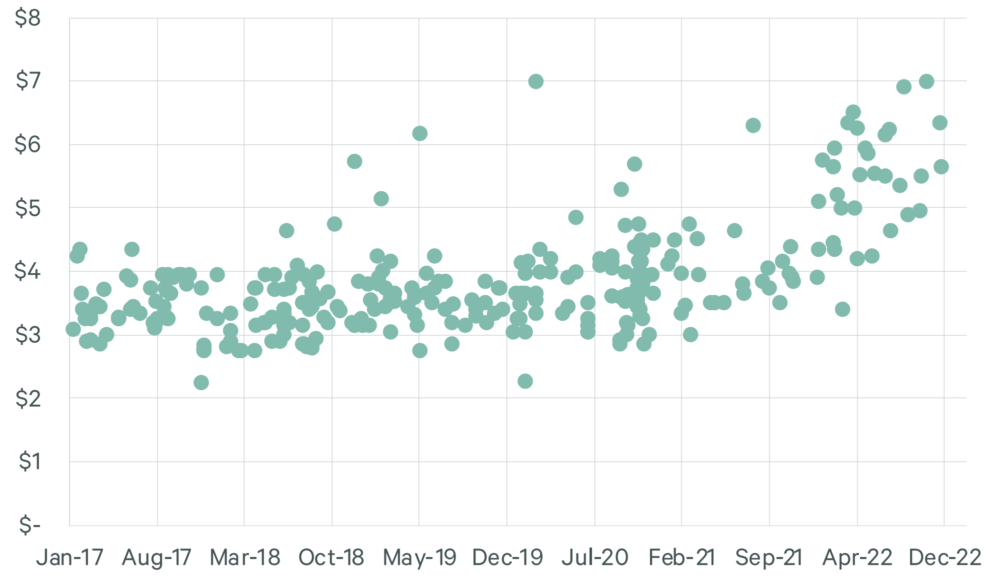
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	15,598,569	5.2%
500,000-749,999 sq. ft.	5,860,192	34.0%
750,000+ sq. ft.	16,622,311	16.7%
Total	38,081,072	14.7%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

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Baltimore

Menu

"The explosive growth of Baltimore's big-box sector is attributable to its deep-water port and access to strategic markets along I-95. This allows occupiers to reach 34% of the U.S. population in a one-day truck trip and provides same-day service to Baltimore-Washington MSA's approximately 10 million people. This population density—the fourth-largest in the U.S.—and solid workforce fundamentals will continue to attract both e-commerce and traditional retailers."

Thomas Mink

CBRE Executive Vice President

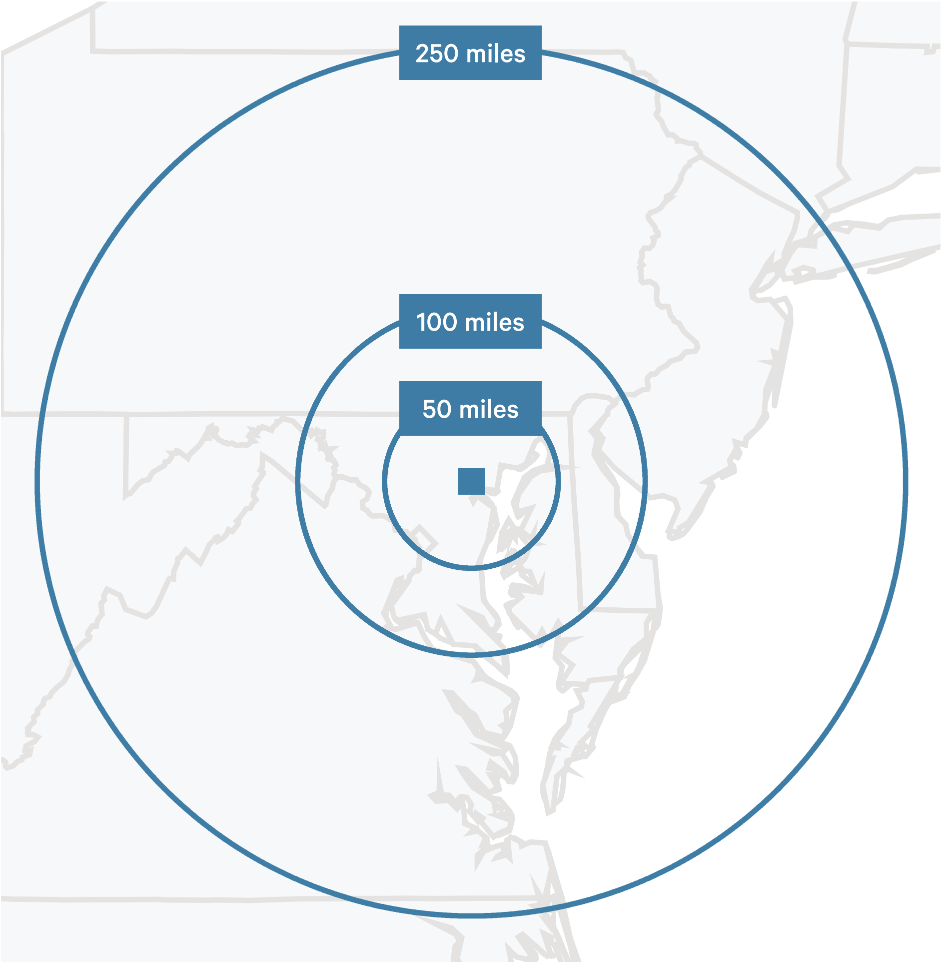
Demographics

More than 18 million people—23% aged 18-34—live within 100 miles of downtown Baltimore, with a 1.0% projected five-year growth rate. Baltimore has a high population concentration within a 100-mile radius, like Inland Empire, Dallas and Chicago. It is also ideal for distributors serving Washington D.C.'s large population.

Figure 1: Baltimore Population Analysis

Distance from Downtown Baltimore	2022 Total Population	5 Year Growth Outlook
50 miles	8,144,497	0.7%
100 miles	18,624,325	1.0%
250 miles	57,291,265	-0.2%

Source: CBRE Location Intelligence, Q4 2022.



The local warehouse labor force of 39,954 is expected to grow by 11% by 2032, according to CBRE Labor Analytics. The average salary for non-supervisory warehouse workers is $18.55 per hour, 9.8% above the national average.

Figure 2: Baltimore Warehouse & Storage Labor Fundamentals

Total Warehouse & Storage Employment	2032 Total Warehouse & Storage Projected Employment	Hourly Wage*
39,954	44,423	$18.55

Source: CBRE Labor Analytics, Q4 2022.
*Median wage (1 year experience); non-supervisory warehouse material handlers.

Location Incentives

Over the past five years, there have been 159 publicly known economic incentives deals totaling over $140 million at an average of $7,099 per new job in metro Baltimore, according to Wavteq.

CBRE's Location Incentives Group, reports that top incentive programs offered in metro Baltimore include Advantage Maryland, a program providing grants and loans to support job creation and capital investment. To qualify, businesses must be in a priority funding area and an eligible industry sector.

Another program available in Baltimore is the Job Creation Tax Credit (JCTC). It provides eligible companies with income tax credits for creating at least 60 new jobs for Maryland residents or 25 new jobs if in a designated revitalization area.

Figure 3: Baltimore Top Incentive Programs

Program (Maryland)	Descripton
Job Creation Tax Credit (JCTC)	Tax credit up to $3,000 per new job
Advantage Maryland	Discretionary state and local forgivable loans
Enterprise Zone Tax Credit	Tax credit equal to $1,000 per new worker and real property tax credit equal to 80% for the first 5 years and decreases 10% annually to 30% in the 10th and final year
More Jobs for Marylanders (MJM) Tax Credit	Refundable income tax credit of 5.75% of new payroll for 10 years (manufacturing only)
Sales Tax Exemption	Sales tax exemption available for new projects in the Port of Baltimore

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

Baltimore's strategic location on the East Coast has attracted dozens of major e-commerce and bulk goods distributors. The region has access to CSX and Norfolk Southern rail lines, and every terminal at the Port of Baltimore is within one stoplight of an interstate highway. Baltimore has one of a few East Coast ports capable of handling ships carrying 14,000 twenty-equivalent units (TEUs) or larger. Construction is underway for a second, 50-foot-deep berth at the Seagirt Chesapeake Marine Terminal, which will allow the port to simultaneously handle two supersized ships. Four additional neo-Panamax cranes are scheduled for operation in 2023.

The I-95 Corridor gives Baltimore direct highway access to the entire eastern U.S. BWI Airport's freight transportation business provides an additional mode of transport easily accessible to the region's manufacturers and distributors.

The I-95 Corridor gives Baltimore direct highway access to the entire eastern U.S.

Capital Markets

"Despite a drop in industrial investment sales volume in the Mid-Atlantic region in 2022, industrial leasing fundamentals outperformed expectations again. The Port of Baltimore continues to be the nation's top port for roll-on/roll-off cargo. Land scarcity has resulted in historically low vacancy rates and no active construction in the Baltimore-Washington corridor. CBRE projects sales volume to recover and competition among investors to intensify as pricing resets based on changes in the capital markets.

Jonathan Beard

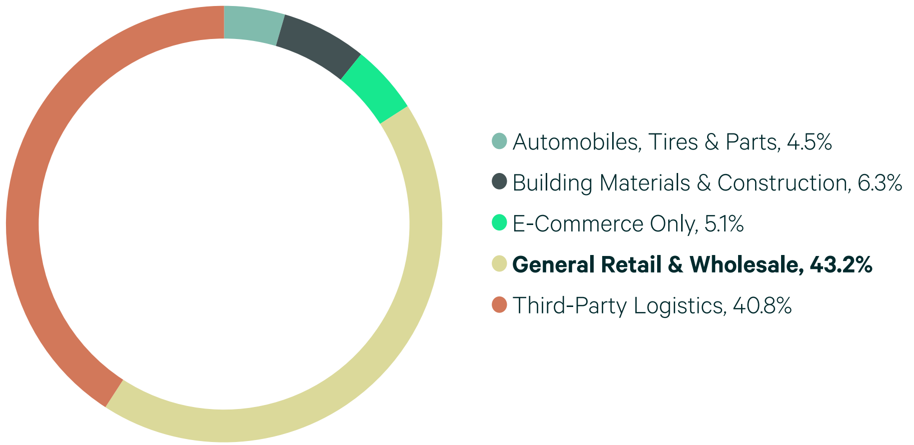
CBRE Executive Vice President"

Supply & Demand

Despite only 84 million sq. ft of existing inventory, Baltimore is garnering significant interest from big-box occupiers because of its central location and nearby port. Like most markets, transaction volume declined in 2022 to 4.5 million sq. ft., most affecting the 500,000-749,999 sq. ft. size range. Net absorption decreased to 2.1 million sq. ft. due to a decline in transaction volume. 4.1 million sq. ft. of construction completions led to a 1% higher vacancy rate, to 4.5%. Despite lower leasing activity, rent growth was robust at 34.1%, the fifth-highest in North America.

While 2023 transaction volume will decline in most markets, occupiers prioritizing supply chain resiliency will keep demand strong near major seaports, potentially leading to higher lease volume this year. Strong demand, only 3.3 million sq. ft. under construction, and a projected decline in construction starts will reverse vacancy rate growth, for another year of double-digit rent growth.

Figure 4: Share of 2022 Leasing Activity by Occupier Type



Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

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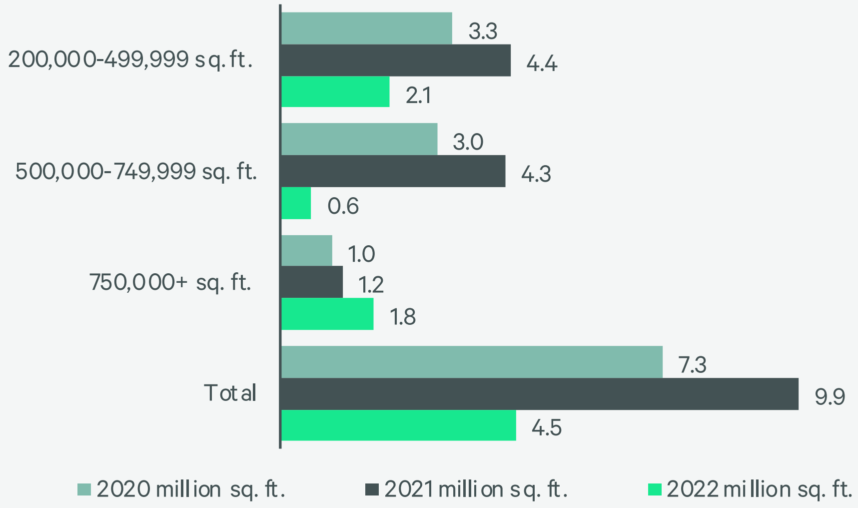

Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

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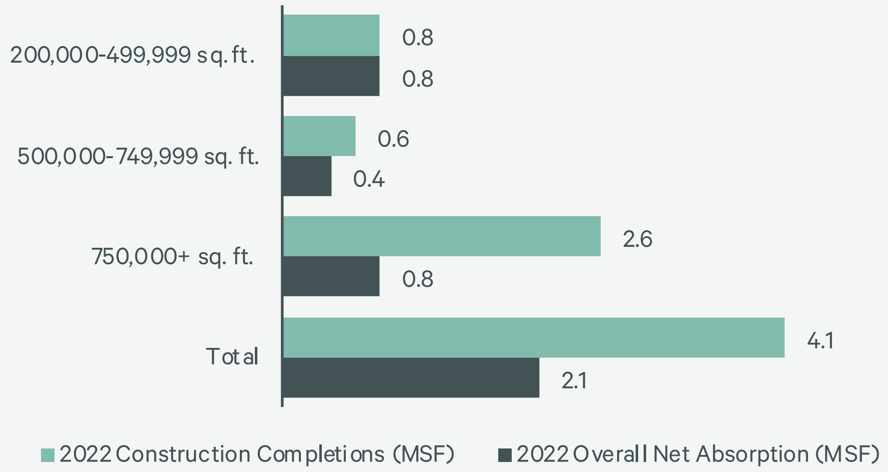
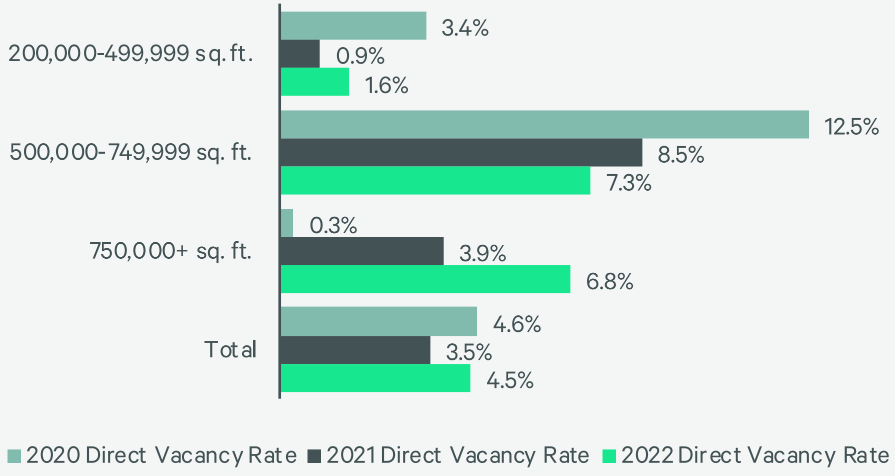


Source: CBRE Research, 2022.

Figure 7: Direct Vacancy Rate by Size Range



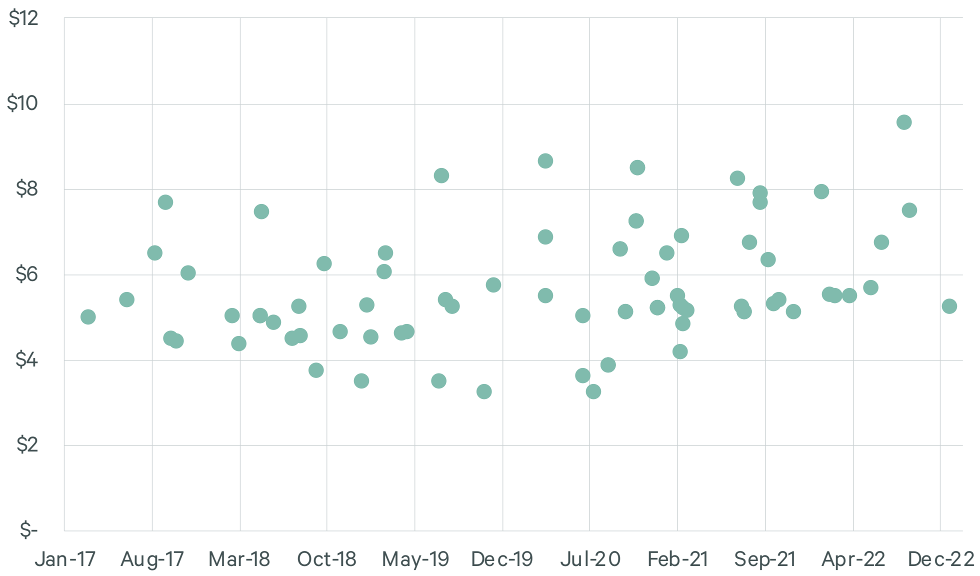
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	1,176,900	58.7%
500,000-749,999 sq. ft.	1,107,480	0.0%
750,000+ sq. ft.	1,026,000	0.0%
Total	3,310,380	20.9%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

03

Central Florida

Menu

> The Central Florida market continues seeing significant demand from industrial warehouse and logistics occupiers seeking to utilize the region's central geography for statewide distribution. Improved road linkages throughout Central Florida, including a widening of I-4 and the completion of Orlando's Western Beltway (SR 429), are driving new development opportunities.

David Murphy
CBRE Executive Vice President

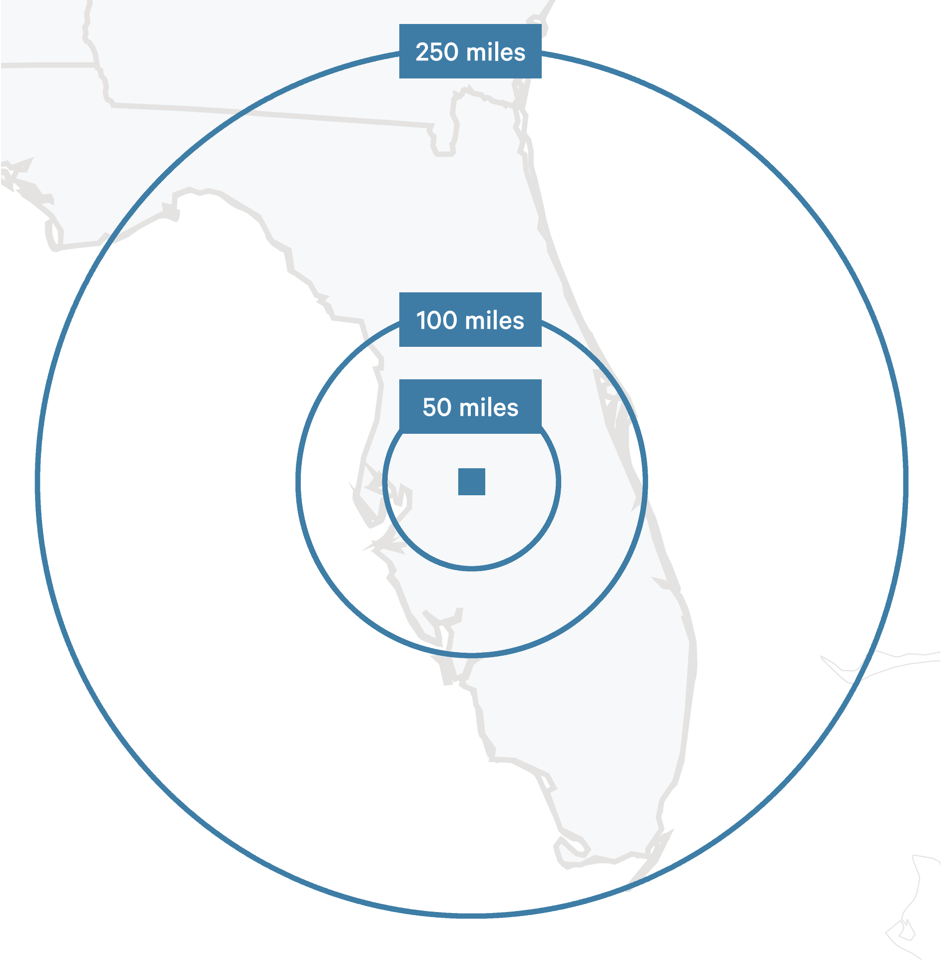
Demographics

Over 5 million people live within 50 miles of the region's core, with a 5.1% expected five-year growth rate—the second-highest of any region in the Southeast. Within 250 miles, occupiers can reach 22 million people or 8.6 million households.

Figure 1: Central Florida Population Analysis

Distance from Central Florida Core	2022 Total Population	5 Year Growth Outlook
50 miles	5,359,795	5.1%
100 miles	10,259,637	4.1%
250 miles	21,727,635	3.0%

Source: CBRE Location Intelligence, Q4 2022.



The local warehouse labor force of 83,997 is expected to grow by 11.3% by 2032, according to CBRE Labor Analytics. The average wage for a non-supervisory employee in Central Florida is $16.45 per hour, 2.7% lower than the U.S. average and the lowest for any U.S. market in this report.

Figure 2: Central Florida Warehouse & Storage Labor Fundamentals

Total Warehouse & Storage Employment
83,997

2032 Total Warehouse & Storage Projected Employment
93,502

Hourly Wage*
$16.45

Source: CBRE Labor Analytics, Q4 2022.
*Median wage (1 year experience); non-supervisory warehouse material handlers.

Location Incentives

Over the past five years, there have been 173 publicly known economic incentives deals totaling over $126 million for an average of $4,693 per new job in metro Tampa and Orlando combined, according to Wavteq.

CBRE's Location Incentives Group reports that top incentive programs offered in metro Tampa and Orlando is the Quick Response Training grant, offering funding for new full-time employee training. This grant typically goes to businesses in high-skill industries, produce exportable goods and services and have wages 125% above the state or local average.

Florida also offers the Capital Investment Tax Credit (CITC) and High Impact Performance Incentive (HIPI). CITC is a corporate income tax credit for businesses that make a minimum investment of $25 million and create at least 100 new high-paying jobs. HIPI is a cash grant for businesses that make a minimum investment of $50 million and create at least 50 new high-paying jobs.

Figure 3: Central Florida Top Incentive Programs

Program (Florida)	Descripton
Capital Investment Tax Credit (CITC)	Income tax credit between 50% and 100% of capital investment; credits are paid equally over 20 years and require a minimum of $25M of capital investment and 100 new jobs
Quick Response Training (QRT)	$500 to $1,500 grant to offset costs of training new employees
High Impact Performance Incentive (HIPI)	Performance based cash grant for companies in high impact sectors making a minimum $50M investment and creating at least 50 new high paying jobs
Ad Valorem Tax Abatement	Communities have discretion of offer abatement or refund of real and personal property taxes for large investments or new construction

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

Central Florida provides many logistics advantages to reach the entire state of Florida and beyond. The region hosts two international airports (Tampa and Orlando) with growing air cargo capabilities. Work is underway on the I-4 Ultimate Project, which will improve truck flow throughout the region. The region's biggest logistics advantage is its rail capabilities. CSX Central Florida ILC is an innovative facility that can process 300,000 containers annually and can increase capacity.

Central Florida's biggest logistics advantage is its rail capabilities.

Capital Markets

"Historically, Florida has been a distribution hub to other bulk markets in the Southeast region. But the flow of goods is now moving into Florida due to its nation-leading population growth. Larger big-box facilities have performed well. Key sites are scarcer now because of competition from residential developers over strategic access to major interchanges. Investor interest in ground-up development, vacant shells and stabilized product has significantly increased in Florida."

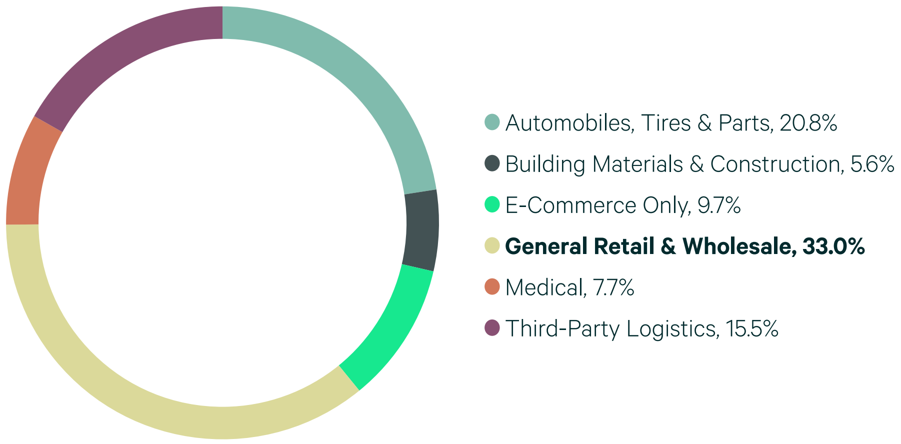
Jose Lobon
CBRE Vice Chair

Supply & Demand

Most of Central Florida's 100 million sq. ft. of inventory is made up of facilities under 500,000 sq. ft. Transaction volume was robust in this size range, driving overall big-box leasing to 7.1 million sq. ft., triple 2021's rate of leasing and nearly double 2020's. Robust transaction volume drove up net absorption, lowering the direct vacancy rate to 5.1%. General retailers & wholesalers (33%) and automobiles, tires, & parts (20.8%) drove demand in the market in 2022.

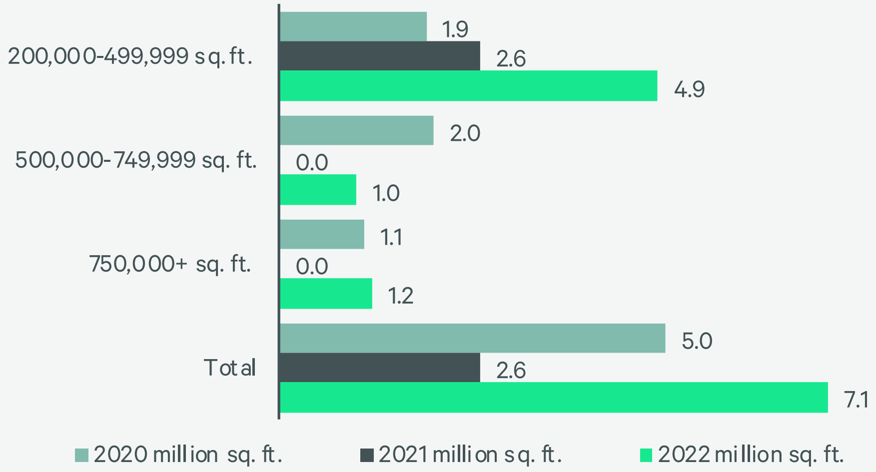
Construction completions totaled only 2.8 million sq. ft. in 2022. But a record-breaking 11.5 million sq. ft. is under construction in 2023, including 4.6 million sq. ft. of product over 750,000 sq. ft. The available space under construction is 51% larger than existing vacant space. This product will test a market that has been yearning for large facilities in a time of economic slowdown. Florida's strong economy and population growth could keep demand strong, protecting the market from vacancy increases.

Figure 4: Share of 2022 Leasing by Occupier Type



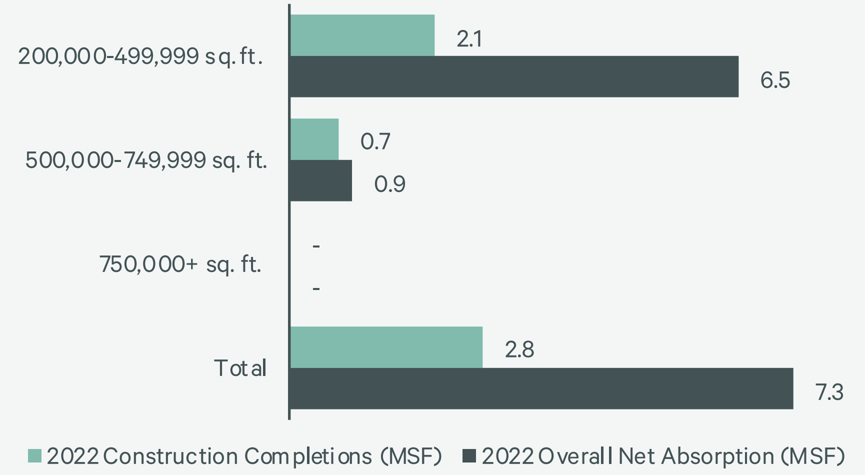
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 5: Lease Transaction Volume by Size Range



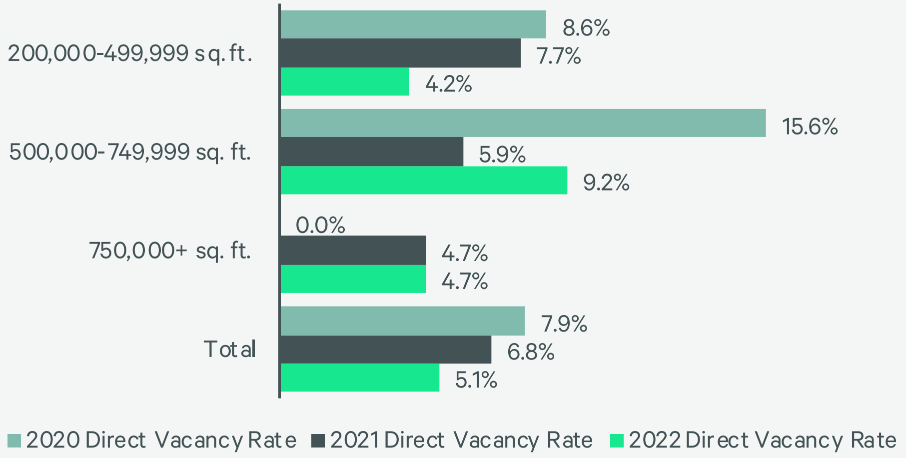
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 6: 2022 Construction Completions vs. Overall Net Absorption by Size Range



Source: CBRE Research, 2022.

Figure 7: Direct Vacancy Rate by Size Range



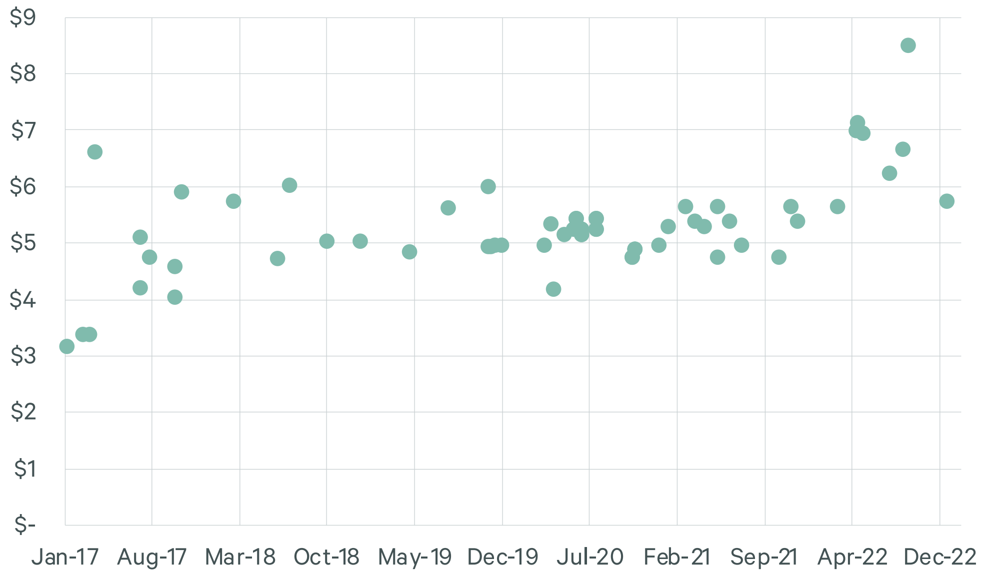
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	3,761,662	22.3%
500,000-749,999 sq. ft.	3,093,878	35.1%
750,000+ sq. ft.	4,598,873	26.2%
Total	11,454,413	27.3%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

04

Central Valley, CA

Menu

"The Central Valley industrial market hit a high-water mark in 2022 for big-box net absorption, led by 3PLs, e-commerce and electronic vehicle sectors. Institutional-quality supply remains balanced across all size niches and is in line with steady occupier demand. The confluence of location, transportation modalities and labor accessibility make California's Central Valley the premier corridor to serve Northern California and the western United States."

Thomas Davis
CBRE Vice Chair

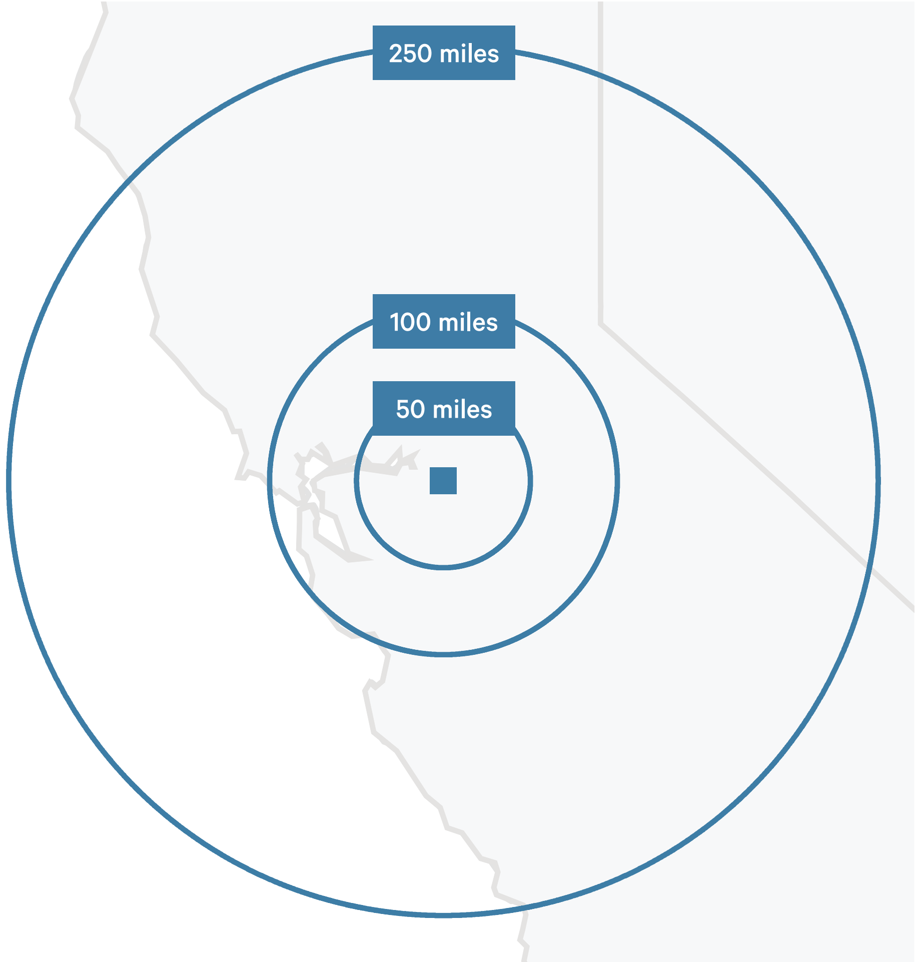
Demographics

Central Valley's proximity to the affluent Bay Area gives it convenient access to more than 6.9 million people within a 50-mile radius. Within 250 miles, the market reaches 18 million people, with 25% aged 18-34.

Figure 1: Central Valley Population Analysis

Distance from Central Valley Core	2022 Total Population	5 Year Growth Outlook
50 miles	6,910,649	-0.2%
100 miles	13,112,880	-0.2%
250 miles	18,029,967	0.1%

Source: CBRE Location Intelligence, Q4 2022.



The local warehouse labor force of 30,005 is expected to grow by a 15.5% by 2032, according to CBRE Labor Analytics. The average wage for a non-supervisory warehouse worker is $19.88 per hour, 17.6% above the national average.

Figure 2: Central Valley Warehouse & Storage Labor Fundamentals

Total Warehouse & Storage Employment
30,005

2032 Total Warehouse & Storage Projected Employment
34,662

Hourly Wage*
$19.88

Source: CBRE Labor Analytics, Q4 2022.
*Median wage (1 year experience); non-supervisory warehouse material handlers.

Location Incentives

Over the past five years, there have been 72 publicly known economic incentives deals totaling more than $105 million for an average of $13,296 per new job in metro Central Valley, according to Wavteq.

CBRE's Location Incentives Group reports that top incentive programs in Central Valley include the California Competes Tax Credit, a discretionary income tax credit for businesses that locate or expand in California. The program has $180 million in tax credits available through 2023 for allocation to businesses that make capital investments, create new jobs and offer strategic importance to the region. The credits are non-refundable and companies can only apply during designated application periods three times per year.

Figure 3: Central Valley Top Incentive Programs

Program (California)	Descripton
Employment Training Panel	Job training grant
California Competes Tax Credit	Discretionary tax credit program
New Employment Credit	Tax credit for new employees on qualified payroll between 150% and 350% of state minimum wage
Manufacturing and R&D Sales and Use Tax Exemption	Partial exemption of state sales and use tax on qualified manufacturing and R&D equipment

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

The Central Valley is one of the most rail-friendly logistics regions in California, served by two major lines: BNSF and Union Pacific. Fresno Yosemite International Airport provides daily cargo services by FedEx and UPS. The region's top logistics advantage may be the Port of Stockton, which is served by four major freeways, two transcontinental railroads, an international waterway and a regional airport. The port boasts first-class warehouse storage and handling facilities for both dry and liquid bulk materials, facilities and equipment to handle break-bulk and containerized cargo by land or sea.

The region's top logistics advantage may be the Port of Stockton, which is served by four major freeways, two transcontinental railroads, an international waterway and a regional airport.

Capital Markets

"The Central Valley is one of the nation's top industrial markets, attracting high-quality tenants and institutional investors. Market dynamics, historically low vacancy and strategic proximity to major distribution and logistics channels brought in top notable buyers in 2022, such as Prologis, Blackstone, Dalfen, Intercontinental and Kennedy Wilson. As one of California's fastest growth industrial corridors, Class A cap rates are expected to stabilize in the 4.75- 5.25% range (at market rents) in 2023."

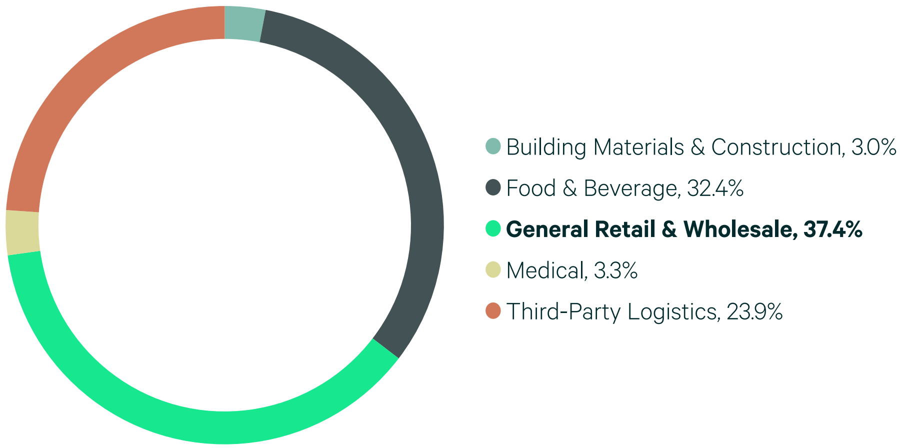
Rebecca Perlmutter Finkel
CBRE Vice Chair

Supply & Demand

Central Valley remained one of North America's top big-box growth markets due to its available land and central location in California. Transaction volume totaled 10.6 million sq. ft. in 2022, with demand evenly distributed throughout different size ranges. Net absorption increased to 10 million sq. ft., North America's third-highest growth rate (net absorption/existing inventory) of 9.4%. Demand was led by the food and beverage sector and 3PLs, each with over 30% market share. First-year taking rents increased 13.6% to $7.03 per sq. ft., which remains the lowest taking rent of any California market.

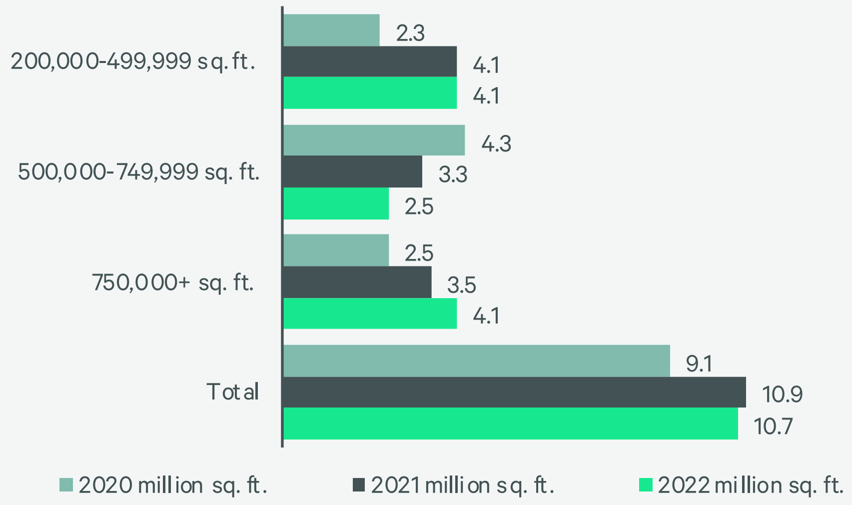
Despite nearly 9 million sq. ft. of construction completions, the overall vacancy rate declined 10 bps to 3.3%. Space under construction has declined in 2022 to 7.6 million sq. ft., with 25.8% pre-leased. The projected completions decline and increased demand from occupiers unable to find space in the Inland Empire will keep vacancy rates low and could accelerate rent growth to over 20% this year.

Figure 4: Share of 2022 Leasing by Occupier Type



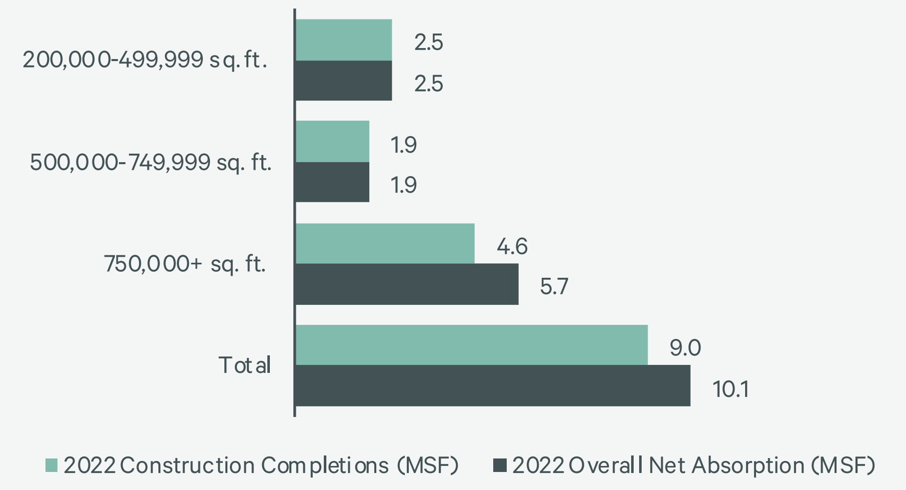
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 5: Lease Transaction Volume by Size Range



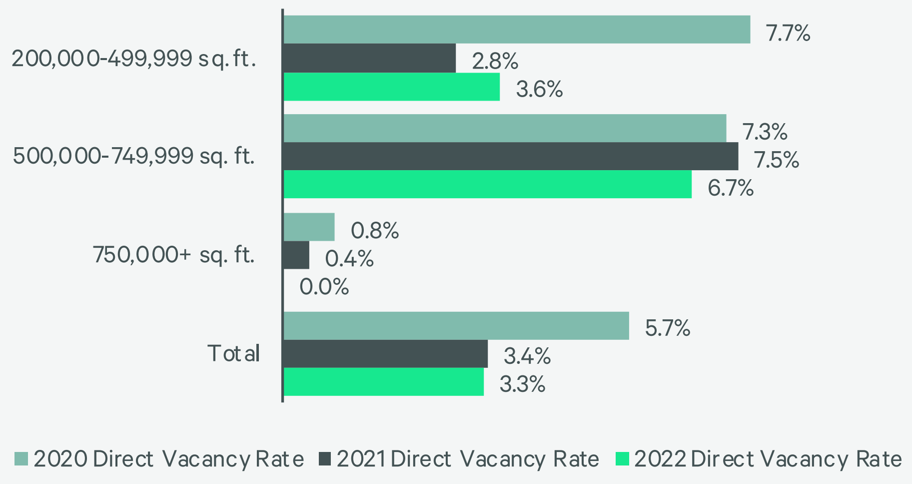
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 6: 2022 Construction Completions vs. Overall Net Absorption by Size Range



Source: CBRE Research, 2022.

Figure 7: Direct Vacancy Rate by Size Range



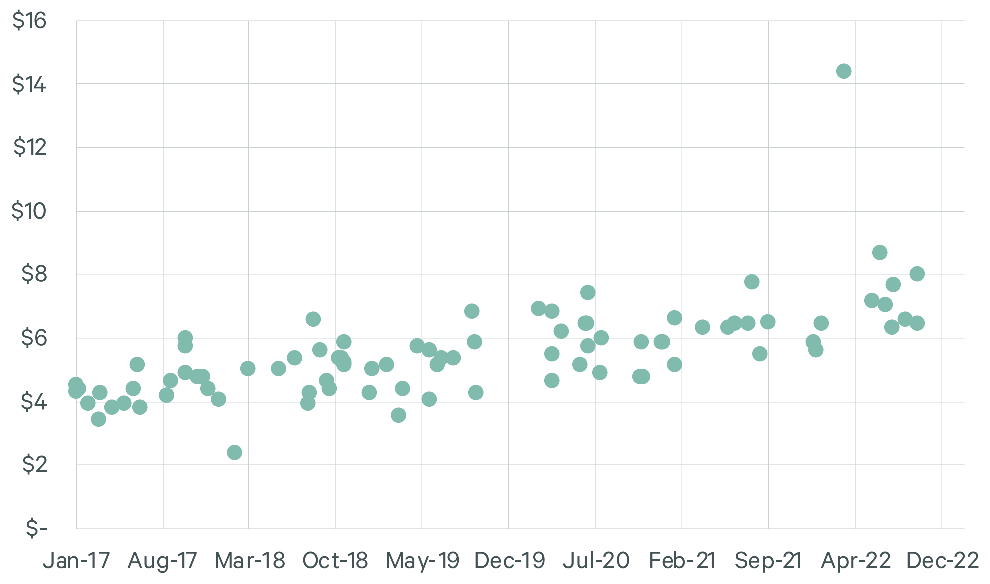
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	1,042,797	0.0%
500,000-749,999 sq. ft.	2,184,424	25.2%
750,000+ sq. ft.	4,337,053	32.3%
Total	7,564,274	25.8%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

05

Chicago

Menu

> Chicago's fundamentals remained resilient in 2022, with record-low vacancy and double-digit rent growth. Companies continue to expand into this big-box market, the largest in North America, because of its central location and significant logistics advantages. Occupier needs depend on completions in the coming quarters, as more seek modern amenities. Demand for larger big-box space remains strong despite macroeconomic concerns. Chicago is well-positioned for 2023.

Jeff Kapcheck
CBRE Executive Vice President

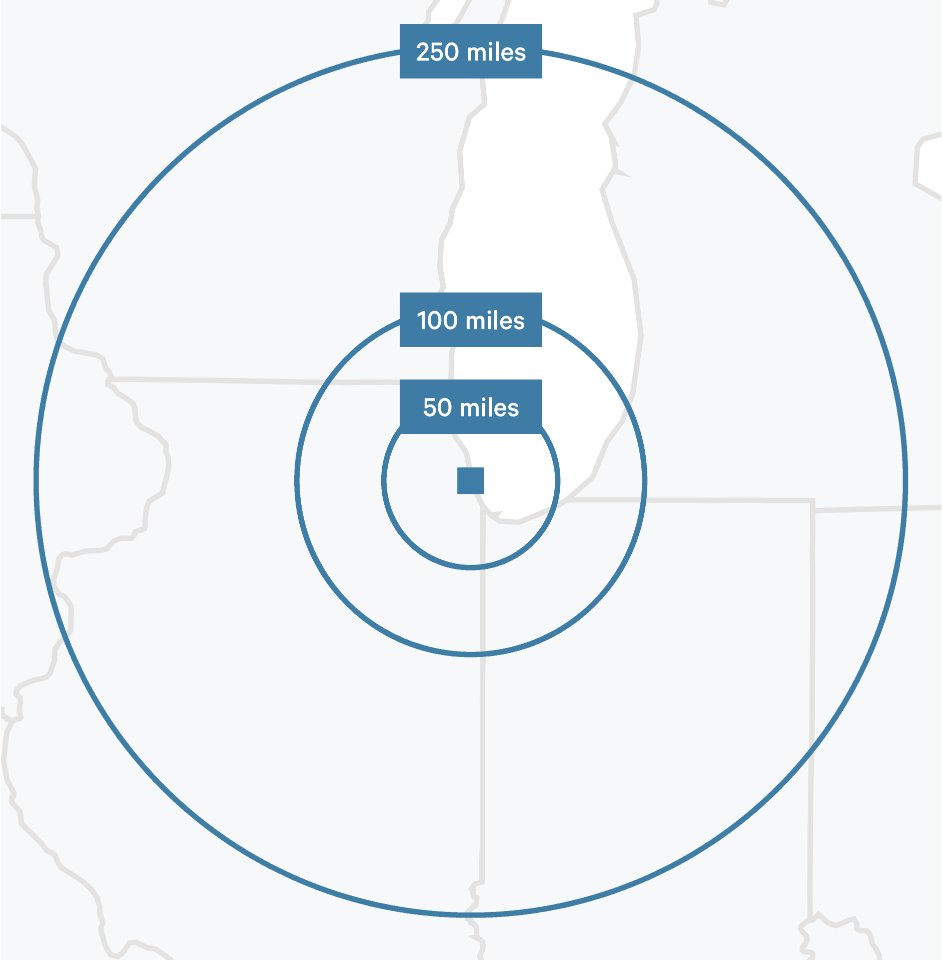
Demographics

Over 9 million people live within 50 miles of the market core. Chicago's population within a 50-mile radius is expected to decline by 1.2% by 2027. Even with this decline, Chicago would still have North America's fourth-largest 50-mile radius population and fifth-largest 250-mile radius population by 2027.

Figure 1: Chicago Population Analysis

Distance from Downtown Chicago	2022 Total Population	5 Year Growth Outlook
50 miles	9,337,238	-1.2%
100 miles	13,373,697	-1.0%
250 miles	37,494,131	-0.3%

Source: CBRE Location Intelligence, Q4 2022.



Chicago's warehouse labor force of 230,940 workers is the second-largest in the U.S, according to CBRE Labor Analytics. A non-supervisory warehouse employee's average wage is $19.40 per hour, 15% above the national average.

Figure 2: Chicago Warehouse & Storage Labor Fundamentals

Total Warehouse & Storage Employment
230,940

2032 Total Warehouse & Storage Projected Employment
240,359

Hourly Wage*
$19.40

Source: CBRE Labor Analytics, Q4 2022.
*Median wage (1 year experience); non-supervisory warehouse material handlers.

Location Incentives

Over the past five years, there have been 325 publicly known economic incentives deals totaling over $946 million for an average of $34,756 per new job in metro Chicago, according to Wavteq.

CBRE's Location Incentives Group reports that top incentive programs offered in metro Chicago include the Economic Development for a Growing Economy Program (EDGE). It provides non-refundable, discretionary credits for corporate income taxes for up to 10 years. These credits equal up to 50% of new income tax withholdings generated by a project's new job creation. To qualify, companies with over 100 employees worldwide must invest a minimum of $2.5 million and create new jobs equal to 10% of the company's total employment. Companies with under 100 employees worldwide must create new jobs equal to 5% of the company's total employment.

Figure 3: Chicago Top Incentive Programs

Program (Illinois)	Descripton
Economic Development for a Growing Economy (EDGE) Tax Credit	Non-refundable income tax credit equal to 50% of the income tax withholdings of new jobs created in the State
IDOT Economic Development / Business Development Public Infrastructure	Discretionary infrastructure grant / in-kind assistance
Enterprise Zone	Tax credit equal to 0.5% of eligible capital investment, annually for 5 years; Tax credit equal to $500 per new job (one time); Sales tax exemption equal to 100% of state & local sales taxes on construction, equipment, and energy usage
Property Tax Abatements	Discretionary abatement of real estate taxes; personal property is exempt
Illinois Prime Sites Grant	Discretionary cash grant to businesses undertaking a major expansion or relocation project
Invest in Illinois Act Deal Closing Fund	Discretionary cash assistance to attract major job creators and transformative investment in Illinois communities for projects that will receive or have received competitive incentive packages in other states

Program (Indiana)	Descripton
Economic Development for a Growing Economy (EDGE) Tax Credit	Tax credit up to 100% of withholding taxes per year up to 10 years
Hoosier Business Investment Tax Credit (HBI)	Tax credit up to 10% of the qualified capital investment
Skills Enhancement Fund (SEF)	Reimbursable grant up to 50% of eligible training costs over 2 years
Industrial Development Grant Funds (IDGB)	Infrastructure grant that typically does not exceed 50% of the total project costs

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

As a top U.S. rail hub, Chicago is home to seven Class 1 rail carriers. More than 1,300 freight, passenger and commuter trains pass through the region daily, according to the Journal of Commerce. Illinois has the third-most interstate routes and mileage. The two longest, I-90 and I-80, provide east and west access. Two key connections to the Gulf States, I-55 and I-65, end in the Chicago area. Add in I-57, I-64, I-70 and I-94 and an Illinois driver can reach almost every population center in the nation by using one interchange.

Chicago O'Hare International Airport is one of the world's largest air cargo gateways. O'Hare processes just under 2 million metric tons of cargo per year, worth over $200 billion. Chicago Rockford International is one of the world's fastest-growing cargo airports and offers another viable goods transportation option to the market.

Chicago O'Hare International Airport processes just under 2 million metric tons of cargo per year, worth over $200 billion.

Capital Markets

"Chicago investment demand slowed due to macroeconomic volatility throughout Q2-Q4 2022, but strong investor demand and liquidity remained for well-positioned offerings. Rapidly rising interest rates resulted in a 100-150 bps increase in core cap rates from approximately 4% to the low-5% cap range. However, strong leasing, a record low vacancy rate, and 15% year-over-year rent growth kept many investors active given the ability to buy assets at lower prices. CBRE projects further robust rent growth, a more competitive capital marketplace, and possible cap rate compression as the debt markets stabilize throughout 2023.

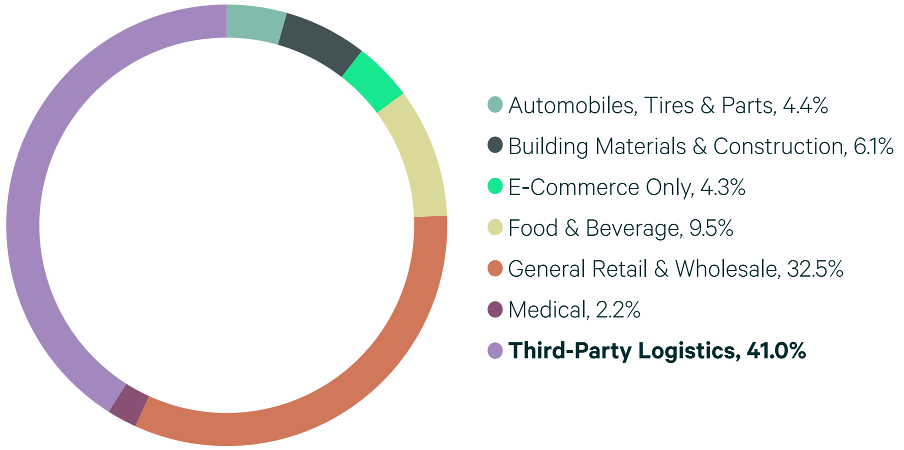
Ryan Bain
CBRE Vice Chair"

Supply & Demand

With 523 million sq. ft. of total inventory, Chicago is North America's largest big-box market. Demand for big-box product continues outpacing supply with 21.3 million sq. ft. of positive net absorption and only 15.1 million sq. ft. of construction completions. Robust absorption lowered the vacancy rate to 2.5%, 50 bps lower than the previous year. Nearly 34 million sq. ft. was leased in 2022, North America's third-highest. This was led by the 3PL industry, which took 41% of that space. Low vacancies and strong leasing increased first-year base rents to $5.71 PSF per year, 15.2% above the previous year.

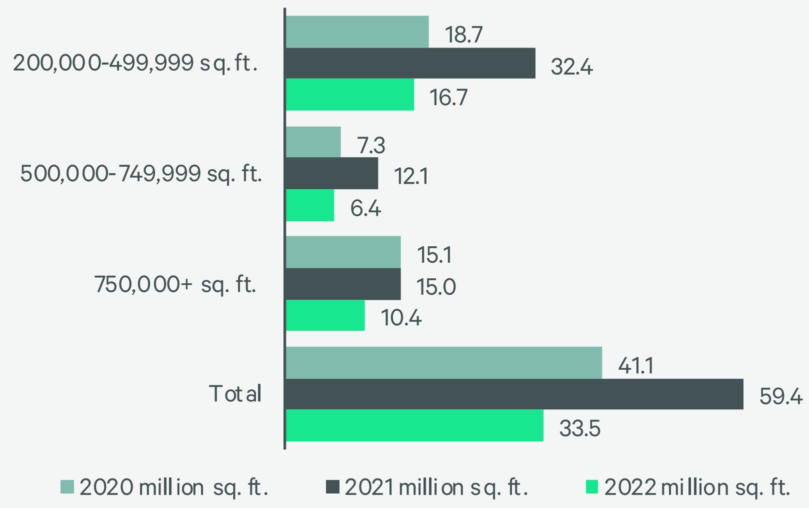
Construction began on many big-box projects in Chicago, like most North American markets in 2022. 32 million sq. ft. is under construction, with 22% pre-leased. While 2022 construction completions could break records, the 25 million sq. ft. of available under-construction space is much lower than the past three years' average leasing activity. Chicago is well-positioned to handle a temporary economic slowdown. It will maintain low vacancy rates and solid rent growth for the foreseeable future.

Figure 4: Share of 2022 Leasing by Occupier Type



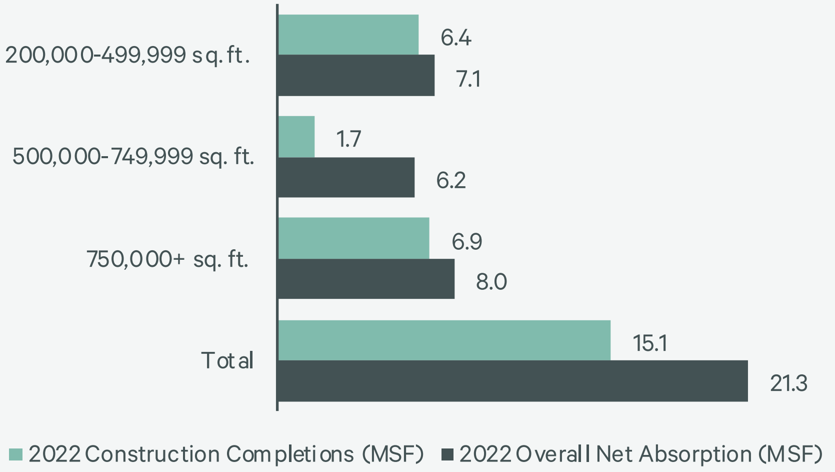
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 5: Lease Transaction Volume by Size Range



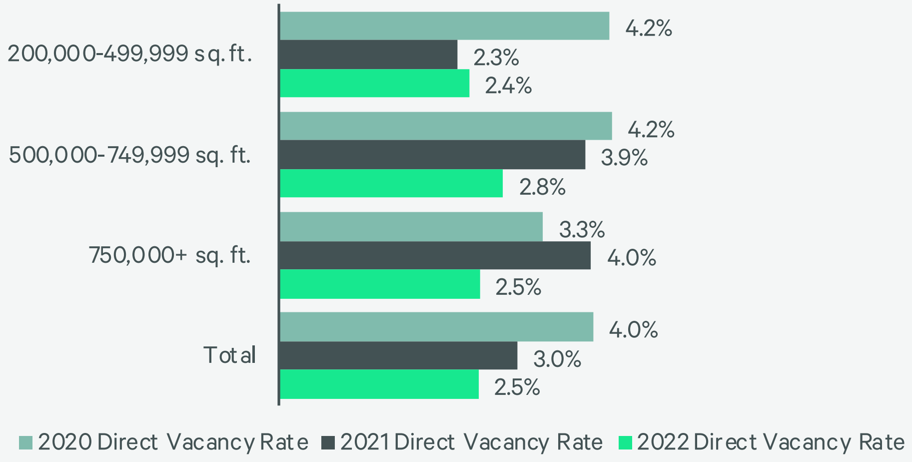
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 6: 2022 Construction Completions vs. Overall Net Absorption by Size Range



Source: CBRE Research, 2022.

Figure 7: Direct Vacancy Rate by Size Range



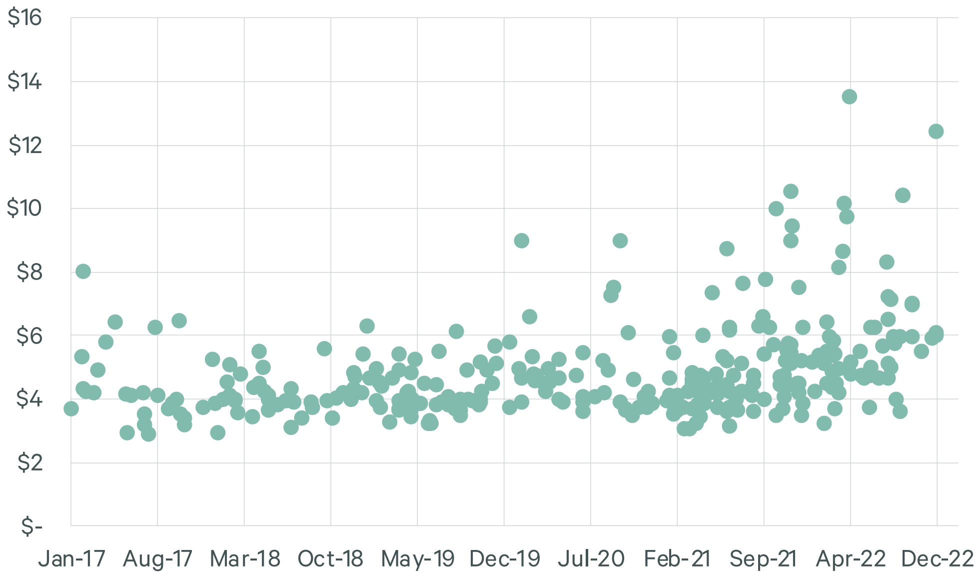
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	10,879,668	20.7%
500,000-749,999 sq. ft.	7,035,405	19.6%
750,000+ sq. ft.	14,341,080	24.0%
Total	32,256,153	21.9%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

06

Cincinnati

Menu

"The Cincinnati big-box market finished 2022 with record low vacancy and record high taking rents, but a significant amount of new supply is expected in H2 2023. A diversified local economy with multiple demand-drivers should help absorb this space, while setting new benchmarks for market deals."

Mike Lowe
CBRE Executive Vice President

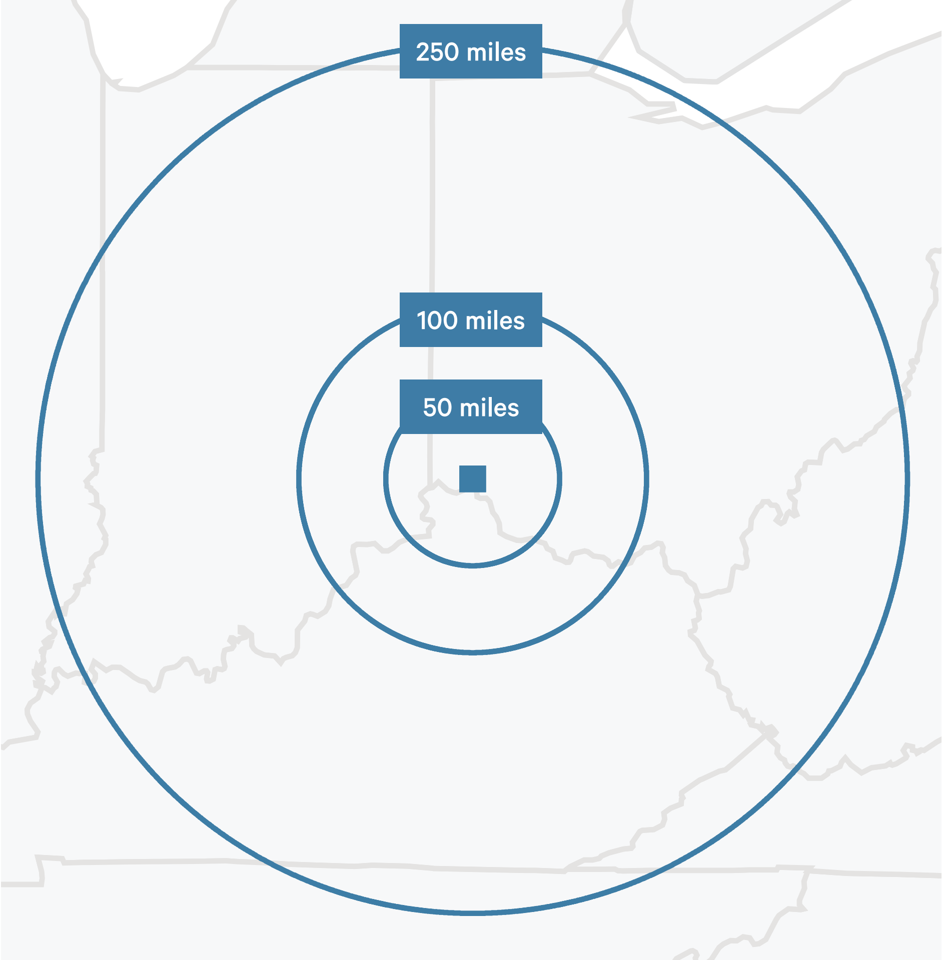
Demographics

Cincinnati's central location makes it ideal for big-box occupiers. More than 2.8 million people live within 50 miles of the market core, while 36.6 million or 14.5 million households are within 250 miles—more than Atlanta, Los Angeles County or DFW.

Figure 1: Cincinnati Population Analysis

Distance from Downtown Cincinnati	2022 Total Population	5 Year Growth Outlook
50 miles	2,868,692	0.5%
100 miles	8,206,999	0.9%
250 miles	36,661,676	0.4%

Source: CBRE Location Intelligence, Q4 2022.



The local warehouse labor force of 47,749 is expected to grow by 8.8% by 2032, according to CBRE Labor Analytics. The average wage for a non-supervisory employee is $19.73 per hour, 16.8% above the national average.

Figure 2: Cincinnati Warehouse & Storage Labor Fundamentals

Total Warehouse & Storage Employment	2032 Total Warehouse & Storage Projected Employment	Hourly Wage*
47,749	51,929	$19.73

Source: CBRE Labor Analytics, Q4 2022.
*Median wage (1 year experience); non-supervisory warehouse material handlers.

Location Incentives

Over the past five years, there have been 450 publicly known economic incentives deals totaling more than $451 million for an average of $12,460 per new job in the Cincinnati metropolitan area, according to Wavteq.

CBRE's Location Incentives Group reports that top incentive programs in Ohio include the Job Creation Tax Credit (JCTC) program, offering a refundable and performance-based tax credit calculated as a percent of created payroll and applied toward a company's commercial activity tax liability. JCTC was designed to create a more competitive business climate.

A top incentive program in nearby Kentucky is the Kentucky Business Investment (KBI) Program, offering income tax credits or payroll refunds to businesses engaged in manufacturing, agribusiness, headquarter operations, alternative fuel, renewable energy or carbon dioxide transmission pipelines. To qualify, companies must create and maintain an annual average of at least 10 new full-time local jobs during the span of the incentive agreement.

Figure 3: Cincinnati Top Incentive Programs

Program (Ohio)	Descripton
Job Creation Tax Credit	Tax credit (refundable) equal to 1% to 2.5% of gross payroll for up to eight years
Economic Development Grant	Discretionary cash grant program
JobsOhio Workforce Grant	Workforce training grant that is reimbursement-based for up to 50% of training costs
Sales Tax Exemptions	Discretionary sales tax exemption for construction; statutory exemption for warehouse/distribution
Local Payroll Tax Refund	Discretionary refund of local payroll taxes
Property Tax Abatement	Discretionary abatement of real estate taxes; personal property is exempt

Program (Kentucky)	Descripton
Kentucky Business Investment (KBI) Program	Income tax credits or wage assessments up to 4% of gross payroll for up to 10 years
Kentucky Enterprise Initiative Act (KEIA) Program	Refund of sales and use tax paid for construction and building materials
Bluegrass State Skills Corporation (BSSC) Program	Job training grant up to 50% reimbursement for eligible training activities
Kentucky Industrial Development Act (KIDA)	Tax credit equal to 100% of state corporate income tax liability or retention of 3% of gross wages of new employment; limited to manufacturers and state-only assistance
Property Tax Abatement	Discretionary abatement of real estate taxes and personal property taxes

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

Cincinnati's air freight capabilities separate the region from other major big-box markets. It is home to two large freight airports: Cincinnati-Northern Kentucky International Airport (CVG) and Louisville Muhammad Ali International Airport. CVG hosts DHL, FedEx and the new Amazon Air Hub. Air Cargo World recently ranked it the world's top air-cargo airport, based on a composite score of customer service, performance and value. Ali International was named the world's fourth-busiest cargo hub by Airport Councils International. It is home to UPS World Port, one of the world's largest package-handling facilities.

Air Cargo World recently ranked CVG the world's top air-cargo airport, based on a composite score of customer service, performance and value.

Capital Markets

"The scarcity of developable industrial sites and historic low vacancy rates continues to attract developers and investors. A lack of industrial investment opportunities and rapidly rising interest rates in H2 2022 hampered the year's sale activity. Similar to the broader market, core cap rates increased approximately 150 bps from the low-4% range to the low-to-mid-5% range. CBRE projects interest rates will stabilize and we'll see possible cap rate compression by the end of 2023."

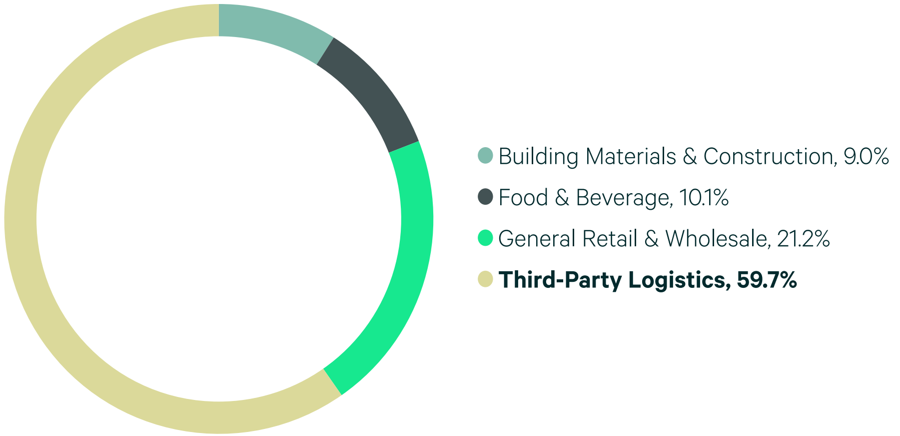
Zachary Graham
CBRE Vice Chair

Supply & Demand

After a record and unsustainable year for leasing in 2021, transaction volumes normalized, finishing at 7.2 million sq. ft., 10.6% above 2020. Over 5.2 million sq. ft. of positive net absorption drove vacancy rates to a record low of 2.1%. This was the seventh-lowest in North America despite over 4.2 million sq. ft. of construction completions. 3PLs account for 60% of total leasing because of this market's central location and economic rental rates.

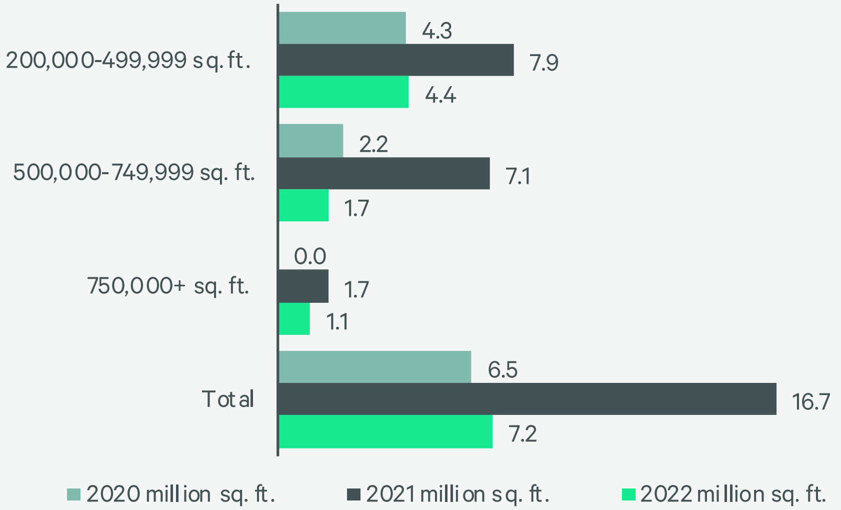
While over 8.4 million sq. ft. is under construction, 40% is pre-leased, one of the highest pre-leasing rates for big-box space in North America. Vacancy rates will remain at or near record lows and taking rents will rise in 2023, due to minimal speculative development and a projected decline in construction starts.

Figure 4: Share of 2022 Leasing by Occupier Type



Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 5: Lease Transaction Volume by Size Range



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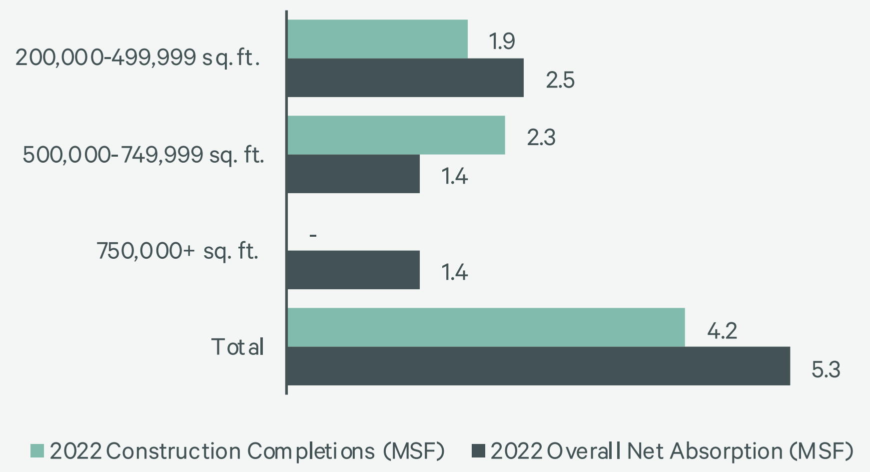
Source: CBRE Research, 2022.

Figure 6: 2022 Construction Completions vs. Overall Net Absorption by Size Range



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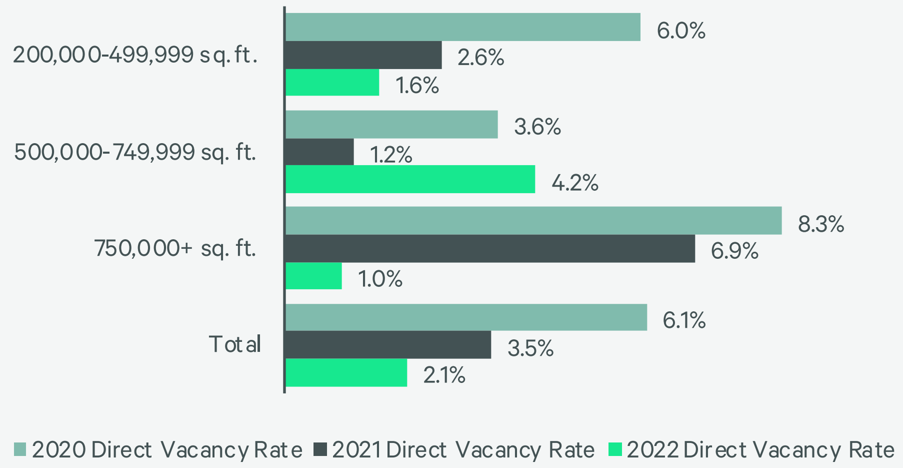


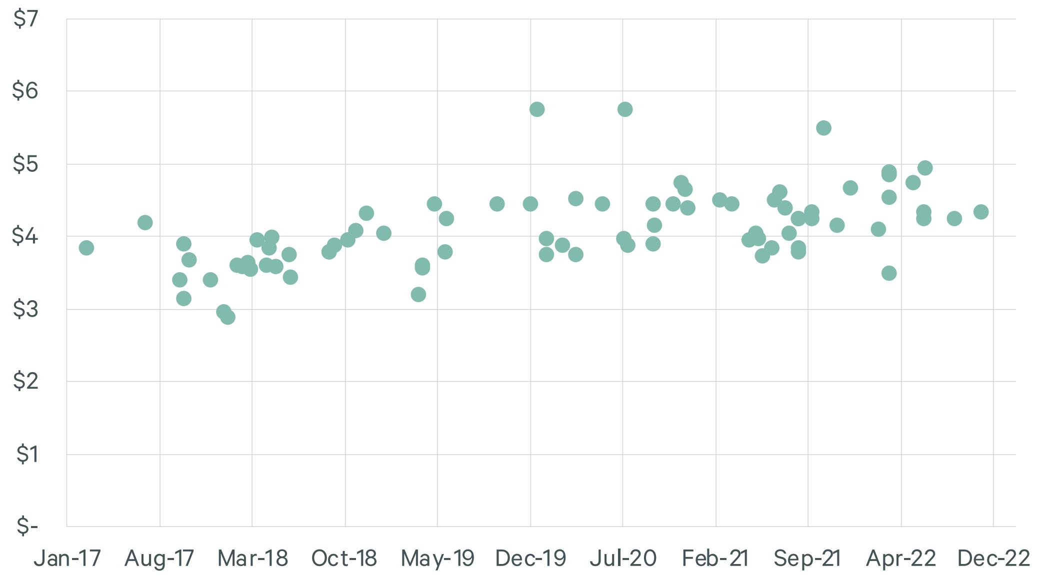
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	2,941,844	33.1%
500,000-749,999 sq. ft.	2,195,465	0.0%
750,000+ sq. ft.	3,269,955	72.9%
Total	8,407,264	39.9%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

07

Columbus

Menu

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The Columbus market continues strong investor and tenant activity. Existing and new tenants have more options in the area due to rising vacancy rates. Occupiable, existing product is still the main driver of leasing activity. New speculative product has also been constructed. This available inventory should spur further activity.

Jeff Lyons

CBRE Executive Vice President

"

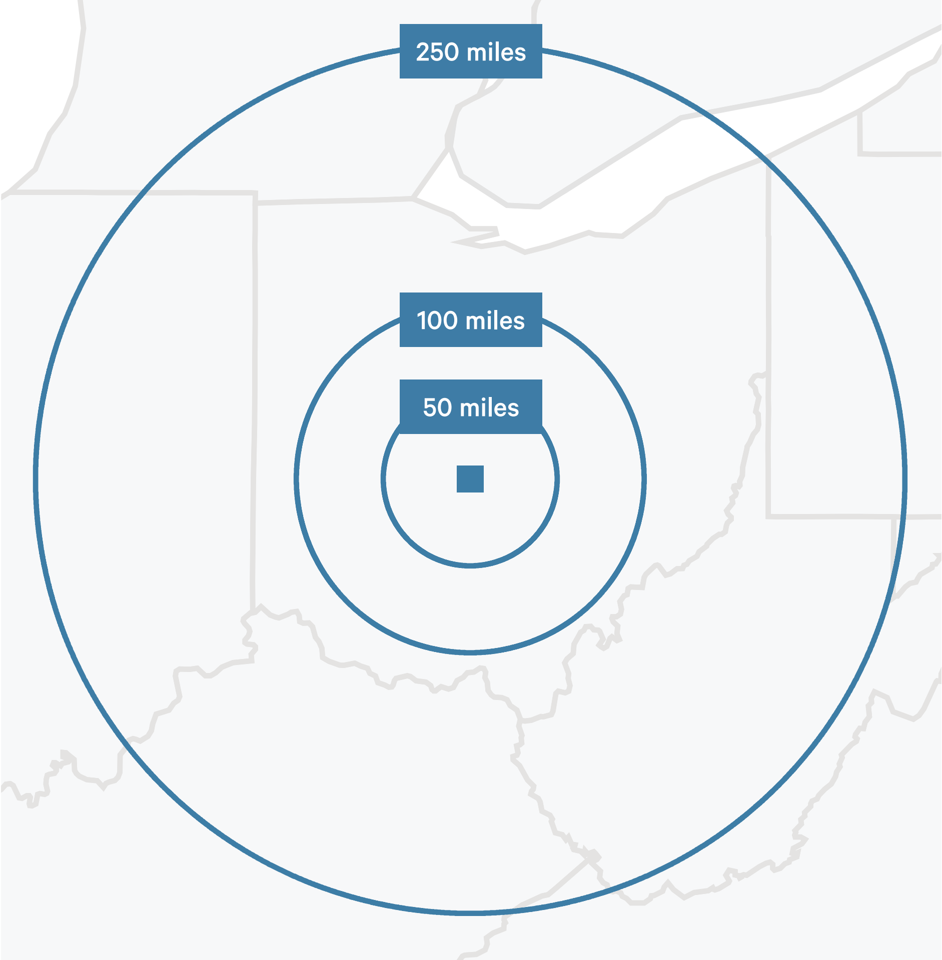
Demographics

More than 2.6 million people live within 50 miles of the market core, with a projected five-year growth rate of 2.1%. Home to one of the U.S.'s largest public universities, nearly 25% of the city's 50-mile-radius population is within the 18-34 age demographic. The market can reach just over 36 million people within a 250-mile radius, more than DFW, Atlanta or the Inland Empire.

Figure 1: Columbus Population Analysis

Distance from Downtown Columbus	2022 Total Population	5 Year Growth Outlook
50 miles	2,613,970	2.1%
100 miles	7,103,350	0.7%
250 miles	36,189,796	0.0%

Source: CBRE Location Intelligence, Q4 2022.



The region's warehouse labor force of 50,744 is expected to grow 8% by 2032, according to CBRE Labor Analytics. The average hourly wage for a non-supervisory employee is $17.43 per hour, 3.1% above the national average.

Figure 2: Columbus Warehouse & Storage Labor Fundamentals

Total Warehouse & Storage Employment	2032 Total Warehouse & Storage Projected Employment	Hourly Wage*
50,744	54,774	$17.43

Source: CBRE Labor Analytics, Q4 2022.
*Median wage (1 year experience); non-supervisory warehouse material handlers.

Location Incentives

Over the past five years, there have been 247 publicly known economic incentives deals totaling over $626 million for an average of $23,578 per new job in metro Columbus, according to Wavteq.

CBRE's Location Incentives Group reports that top incentive programs offered in metro Columbus include the Job Creation Tax Credit (JCTC) program. It provides a refundable and performance-based tax credit calculated as a percent of created payroll and applied toward a company's commercial activity tax liability. JCTC was designed to incentivize companies considering doing business elsewhere.

Another incentive program is the Economic Development Grant. This discretionary cash grant is typically awarded based on companies' fixed asset and infrastructure investments, as well as substantial job creation.

Figure 3: Columbus Top Incentive Programs

Program (Ohio)	Descripton
Job Creation Tax Credit	Tax credit (refundable) equal to up to 75% of withheld state income taxes for up to 15 years
Economic Development Grant	Discretionary cash grant program
JobsOhio Workforce Grant	Workforce training grant that is reimbursement-based for up to $5,000 per new job
Sales Tax Exemptions	Discretionary sales tax exemption for construction; Statutory exemption for warehouse/distribution
Local Payroll Tax Refund	Discretionary refund of local payroll taxes
Property Tax Abatement	Discretionary abatement of real estate taxes; Personal property is exempt

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

The Rickenbacker Inland Port is one of the country's fastest growing inland ports and the epicenter of Columbus air, rail and ground transportation. Rickenbacker International is one of the world's only cargo-dedicated airports, with direct flights to Europe, Asia and the Middle East. Norfolk Southern and CSX have rail hubs within the port, providing direct rail access to major East Coast seaports. I-70 passes through Columbus, providing direct highway access to a large part of the U.S. population.

The Rickenbacker Inland Port is one of the country's fastest growing inland ports and the epicenter of Columbus air, rail and ground transportation.

Capital Markets

"Like the broader market, Columbus sales activity decreased in H2 2022. Rapidly rising interest rates led to approximately 150 bps increase in core cap rates from the low-4% to mid-5% range. However, Columbus has cemented itself as one of the top distribution markets in the U.S., which will continue attracting investment."

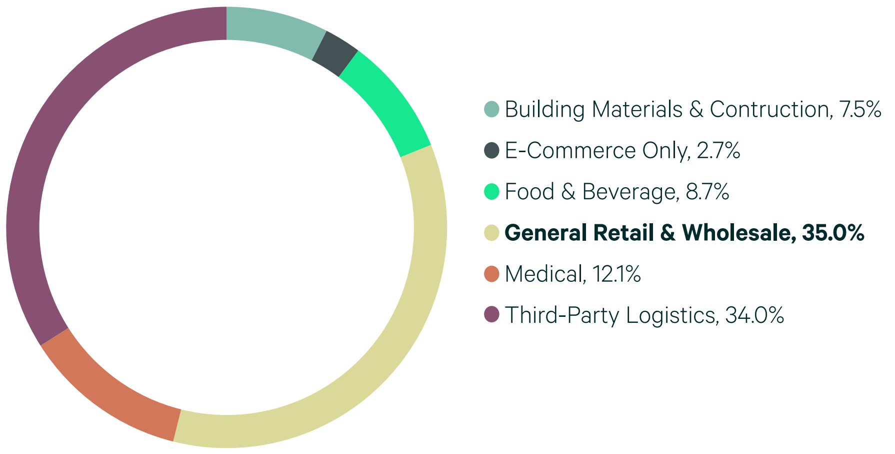
Michael Caprile
CBRE Vice Chair

Supply & Demand

In 2022, 14.9 million sq. ft. was leased—25% below 2021 but 27% above 2020. Vacancy rates rose to 3.7% due to lower transaction volume and nearly 12 million sq. ft. of construction completions. While this is 200 bps above 2021, it is 110 bps below 2020. A diverse set of occupiers expanded into or renewed in Columbus, led by general retailers & wholesalers at 35% and 3PLs at 34%. The medical industry is also very active in Columbus, accounting for 12% of big-box transaction volume, North America's highest percentage of total leasing.

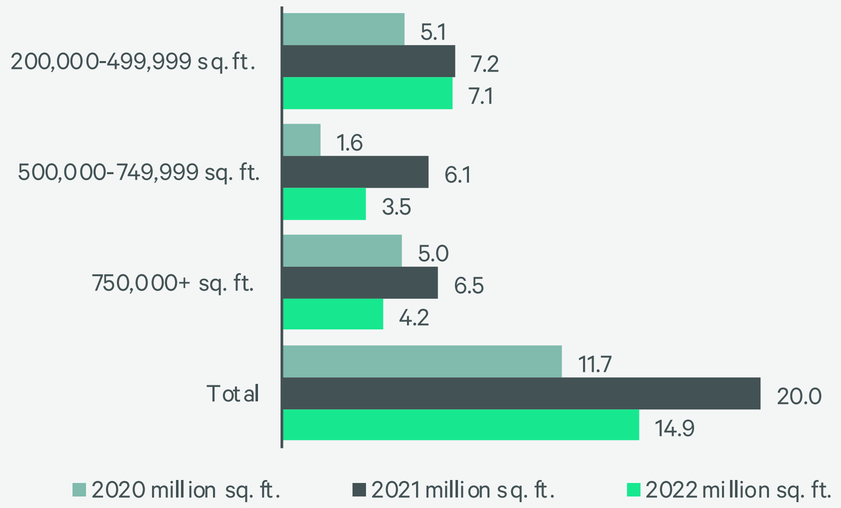
Development continues to rise in Columbus with 15.6 million sq. ft. under construction at year-end, and only 12% pre-leased. This new development will provide more options for occupiers in the coming quarters, especially in the over-750,000 sq. ft. size range. While this will cause vacancy rates to temporarily rise, the anticipated pause in construction starts and continued demand for first-generation will enable the market to absorb the product coming online and significantly decrease any chance of oversupply.

Figure 4: Share of 2022 Leasing by Occupier Type



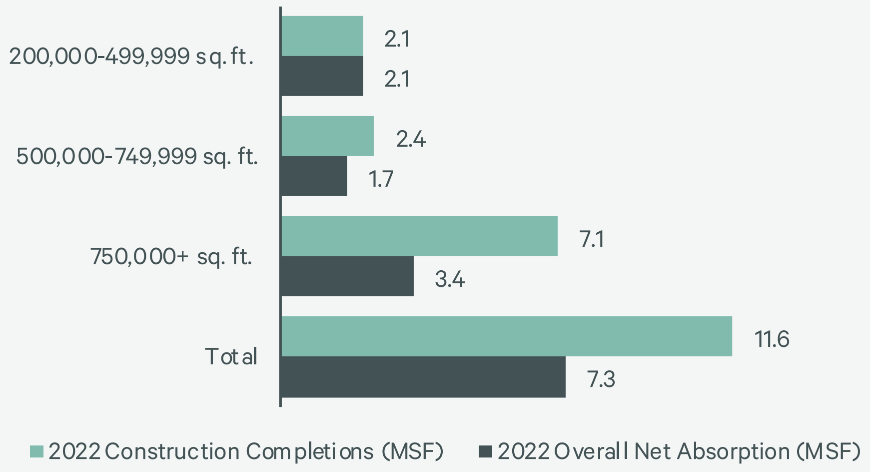
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 5: Lease Transaction Volume by Size Range



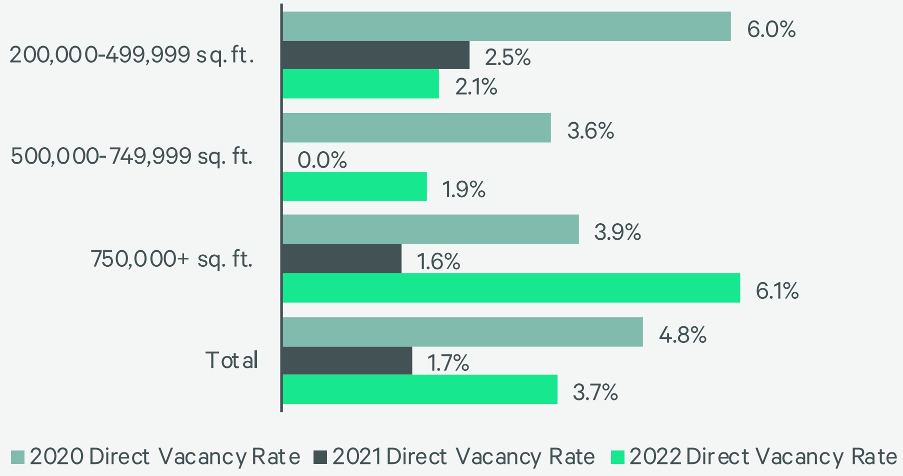
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 6: 2022 Construction Completions vs. Overall Net Absorption by Size Range



Source: CBRE Research, 2022.

Figure 7: Direct Vacancy Rate by Size Range



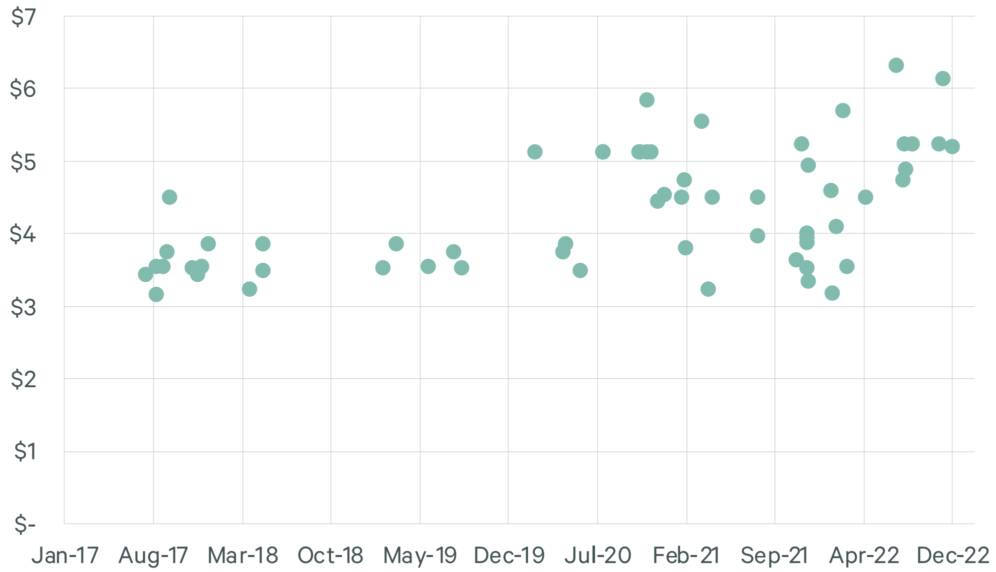
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	3,948,614	30.4%
500,000-749,999 sq. ft.	5,405,597	11.1%
750,000+ sq. ft.	6,200,911	0.0%
Total	15,555,122	11.6%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

08

Dallas/Ft. Worth

Menu

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Unprecedented demand continues across most Dallas/Ft. Worth (DFW) submarkets. But most activity is in under 500,000 sq. ft. requirements. Currently, there are twenty 900,000 sq. ft. or larger speculative buildings either under construction or recently delivered. Demand for this building size is expected to continue increasing over the next 6-12 months. CBRE projects continued strong rent appreciation. Despite record demand, development starts will slow due to debt constraints and cap rate expansion.

Steve Trese

CBRE Executive Vice President

”

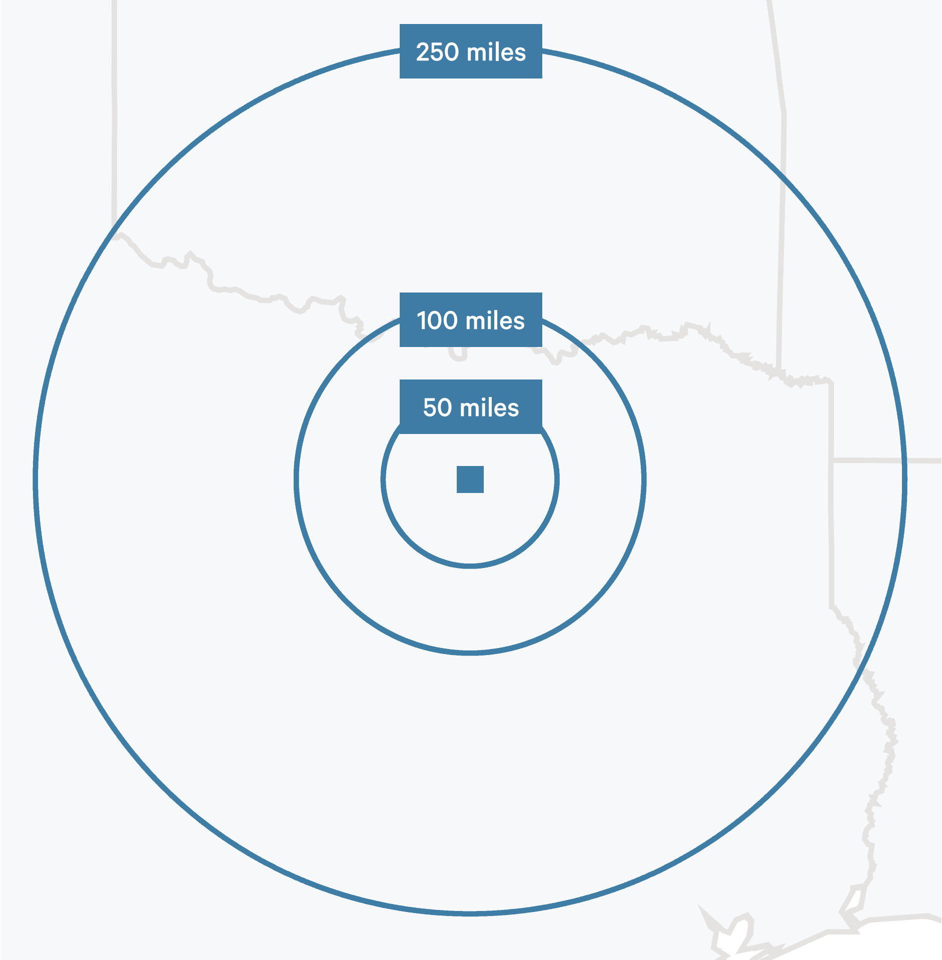
Demographics

Nearly 8 million people live within 50 miles of the DFW urban core, with 5.4% projected growth over the next five years. This is the second-highest growth rate covered in this report. Over 28 million people live within 250 miles of the urban core, with 4.4% projected growth over the next five years. Nearly a quarter of the population within 50 miles of DFW is age 18-34.

Figure 1: Dallas/Ft. Worth Population Analysis

Distance from Downtown Dallas	2022 Total Population	5 Year Growth Outlook
50 miles	7,873,061	5.4%
100 miles	9,185,384	5.0%
250 miles	28,277,161	4.4%

Source: CBRE Location Intelligence, Q4 2022.



The region's warehouse labor force of 157,283 workers is expected to grow by 4.5% by 2032, according to CBRE Labor Analytics. The average salary of a non-supervisory employee is $17.34 per hour, 2.6% above the U.S. average.

Figure 2: Dallas/Ft. Worth Warehouse & Storage Labor Fundamentals

Total Warehouse & Storage Employment
157,283

2032 Total Warehouse & Storage Projected Employment
181,415

Hourly Wage*
$17.34

Source: CBRE Labor Analytics, Q4 2022.
*Median wage (1 year experience); non-supervisory warehouse material handlers.

Location Incentives

Over the past five years, there have been 137 publicly known economic incentives deals totaling more than $733 million for an average of $14,827 per new job in metro DFW, according to Wavteq.

CBRE's Location Incentives Group reports that top incentive programs offered in DFW include the Texas Enterprise Fund (TEF), commonly referred to as a "deal-closing" grant. TEF awards discretionary cash grants to companies considering a new project for which a Texas site is competing against other viable out-of-state options. Award amounts are determined based on an analytical model that factors in the average new employee wage, hiring timeline and total capital investment.

Another incentive program is the Skills Development Fund, which provides grants to community and technical colleges for customized training programs that support Texas businesses. This is designed to upskill new or existing employees and increase wages.

Figure 3: Dallas/Ft. Worth Top Incentive Programs

Program (Texas)	Descripton
Texas Enterprise Fund	Discretionary cash grant
Skills Development Fund	Job training fund, which averages $1,800 per employee with a max of $500,000 per business
Enterprise Zone Program	Sales and use tax refund of $2,500, $5,000 or $7,500 per job depending on capital investment and jobs created
Chapter 380 Economic Development Grant	Local grants, abatement or refund on taxes based on capital investment, new job creation and economic impact
Property Tax Abatements	Discretionary abatement of real estate taxes and personal property taxes

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

DFW's central location is a significant advantage in reaching a large consumer base. The region is home to two major inland ports: Alliance Global Logistics Hub and the International Inland Port of Dallas.

The confluence of three major railroad networks (Union Pacific, Burlington Northern-Santa Fe and Kansas City Southern) puts 98% of the U.S. market within 48 hours by train. DFW International Airport is the nation's ninth-largest cargo airport and the only one with capacity to double operations in its existing footprint. All major U.S. markets can be reached by air in less than four hours.

The confluence of three major railroad networks puts 98% of the U.S. market within 48 hours by train.

Capital Markets

"DFW is one of the U.S.'s top big-box markets, outpacing the country average in net absorption and new construction. DFW continues its long-standing position as a top target market for industrial & logistics investors. Sales activity in 2022 was muted by the global capital markets disruption (and associated cap rate expansion). Prospective sellers delayed divestiture plans in H2 2022. However, with inflationary pressures easing and market forces stabilizing, H2 2022 saw a more balanced trading market.

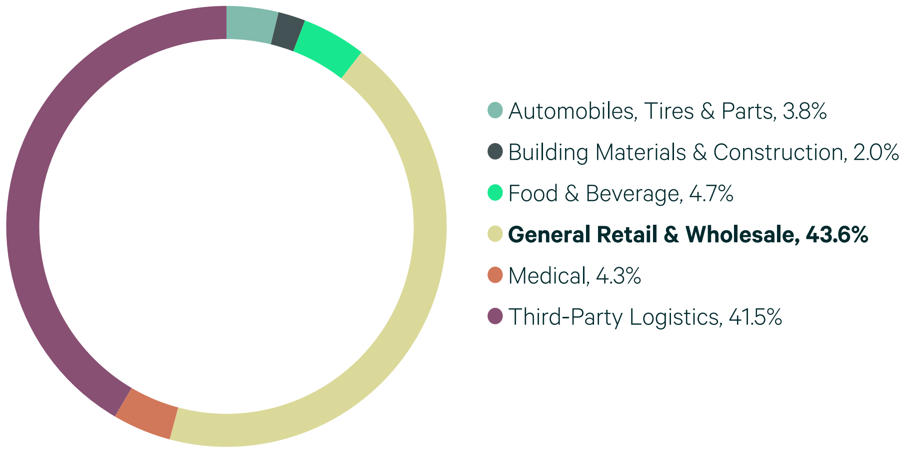
Randy Baird
CBRE Vice Chair"

Supply & Demand

With 463 million sq. ft. of total inventory, DFW is the third-largest big-box market in North America. Occupiers continue to move in and expand: net absorption increased by 7.1% to 31 million sq. ft. DFW's direct vacancy dropped to a decade-low 5.3%, after last year's 34.4 million sq. ft. of lease transaction volume. General retailers, wholesalers and 3PLs were the most active tenants in the market, with 85% of all leases.

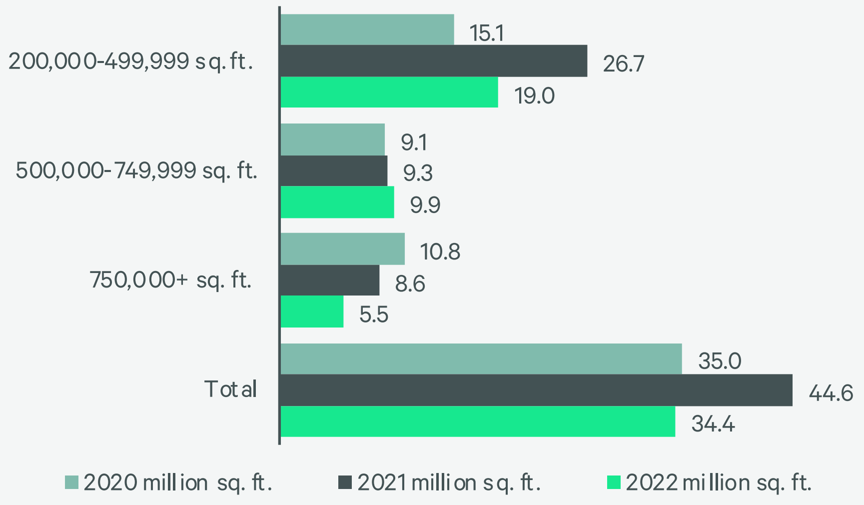
Robust demand led to increased development in 2022. A record 29.5 million sq. ft. of construction was completed, and 68.4 million sq. ft. is under construction, with 18% pre-leased. Available under-construction inventory is twice that of existing vacant space, so the market will experience higher vacancy in 2023. Rent growth will slow in this scenario, especially in the over 750,000 sq. ft. size range. Delays in starts will give the market a reprieve from more vacant construction in upcoming quarters. Despite higher vacancies, DFW will remain a top in-demand big-box market for leasing activity and net absorption in 2023.

Figure 4: Share of 2022 Leasing by Occupier Type



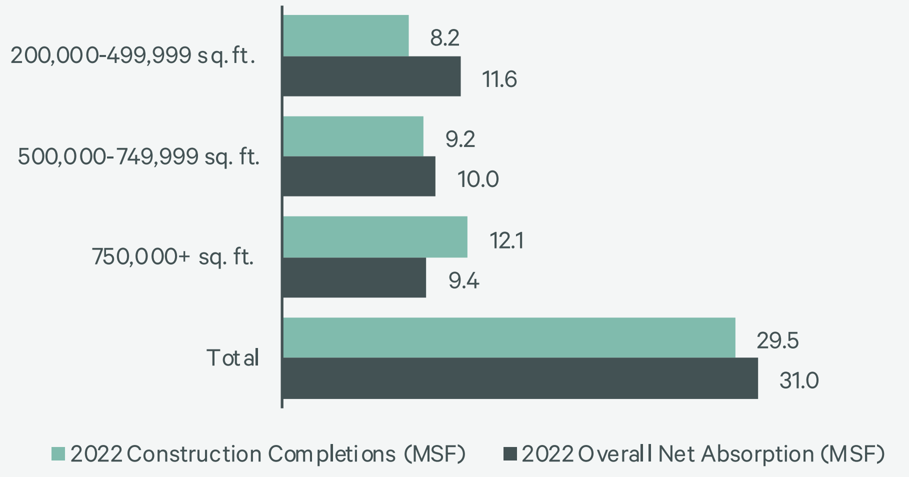
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 5: Lease Transaction Volume by Size Range



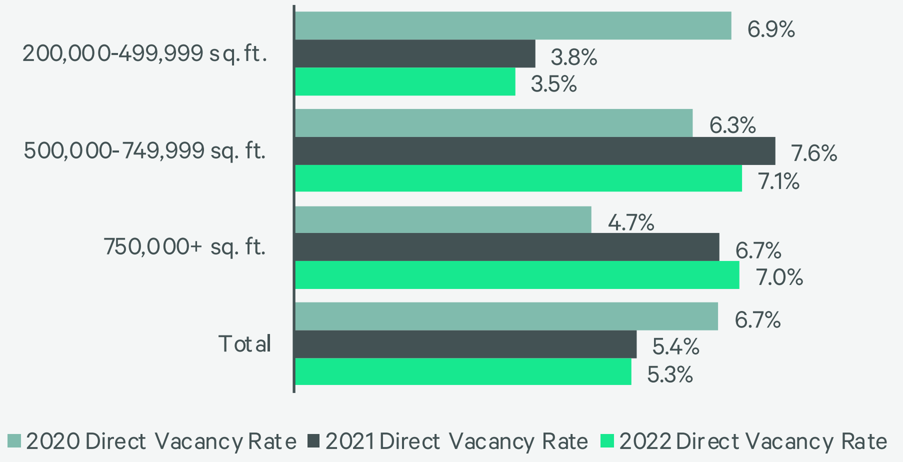
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 6: 2022 Construction Completions vs. Overall Net Absorption by Size Range



Source: CBRE Research, 2022.

Figure 7: Direct Vacancy Rate by Size Range



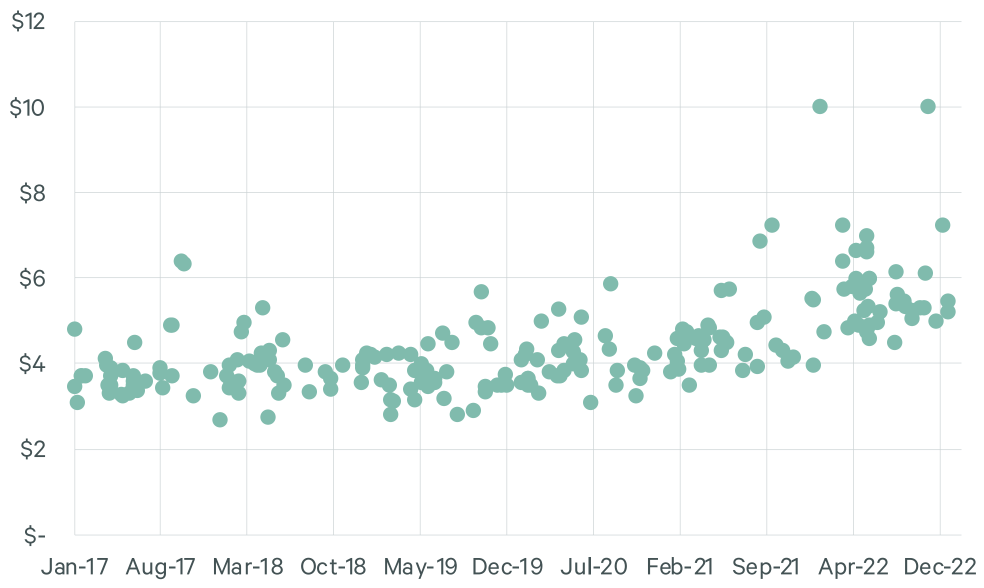
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	26,998,903	5.0%
500,000-749,999 sq. ft.	15,929,435	15.6%
750,000+ sq. ft.	25,497,639	33.1%
Total	68,425,977	17.9%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

09

Houston

Menu

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Houston's big-box industrial market continues flourishing due to favorable real estate conditions: accelerating lease volume, strong net absorption, solid rent growth, a pro-business environment and robust population growth. 2022 was a record year for Port Houston with TEUs up 14%, reaching 4.0M. CBRE projects 2023 will be another great year for Houston big-box industrial, as occupiers focus on seaports of entry to protect inventories.

Peter Mainguy

CBRE Senior Managing Director

"

Demographics

More than 7 million people live within 50 miles of the market core, with five-year growth of 5.1% expected, second to only DFW. Near 26 million people live within 250 miles, with expected growth of 4.2%. The 18-34 year-old age group comprises 25% of the population.

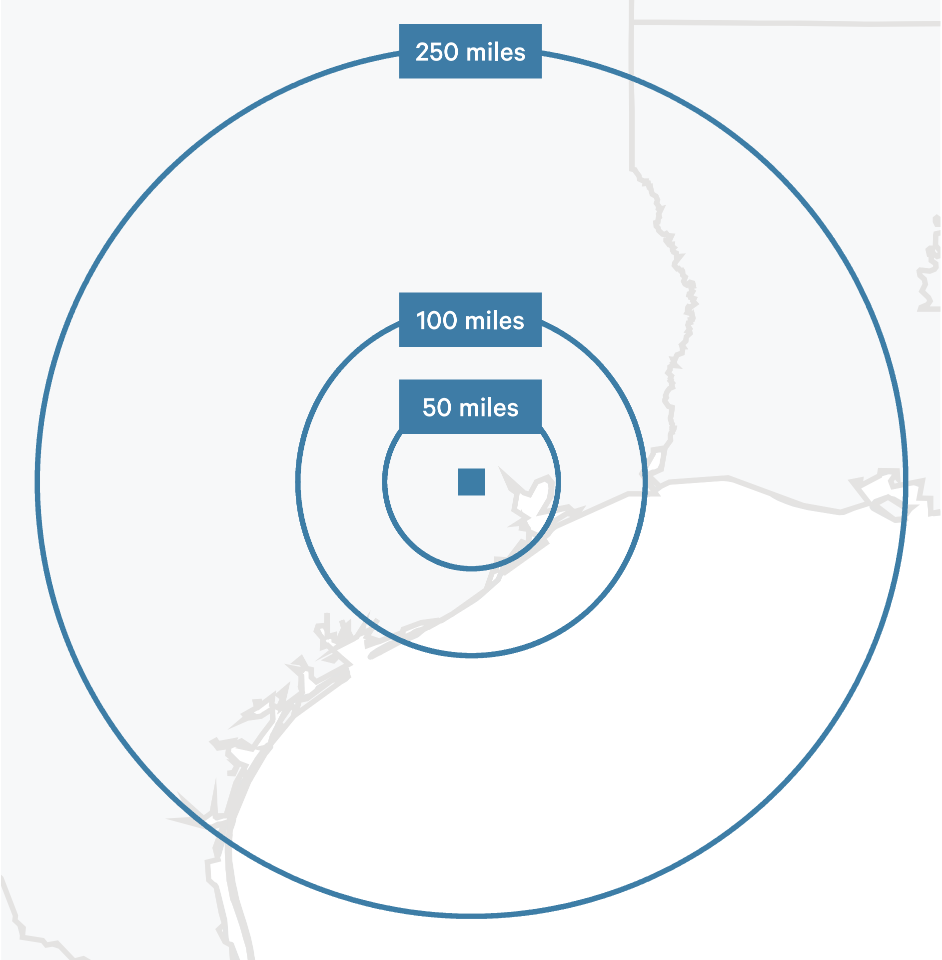


Figure 1: Houston Population Analysis

Distance from Downtown Houston	2022 Total Population	5 Year Growth Outlook
50 miles	7,344,924	5.1%
100 miles	8,501,762	4.7%
250 miles	25,834,011	4.2%

Source: CBRE Location Intelligence, Q4 2022.

According to CBRE Labor Analytics, Houston's warehouse labor force of 100,392 is expected to grow 11% by 2032, providing ample available labor for the burgeoning big-box market. The average wage for a non-supervisory employee is $17.33 per hour, 2.5% above the national average.

Figure 2: Houston Warehouse & Storage Labor Fundamentals

Total Warehouse & Storage Employment	2032 Total Warehouse & Storage Projected Employment	Hourly Wage*
100,392	111,393	$17.33

Source: CBRE Labor Analytics, Q4 2022.
*Median wage (1 year experience); non-supervisory warehouse material handlers.

Location Incentives

Over the past five years, there have been 50 publicly known economic incentives deals totaling over $350 million for an average of $78,244 per new job in metro Houston, according to Wavteq.

CBRE's Location Incentives Group reports that top incentive programs offered in Houston include the Texas Enterprise Fund (TEF), commonly referred to as a "deal-closing" grant. TEF awards discretionary cash grants to incentivize construction in Texas. Awards are determined based on an analytical model that factors in the average new employee wage, hiring timeline and a company's total capital investment.

Another Houston incentive program is the Skills Development Fund, offering job training grants to community and technical colleges for customized training programs supporting Texas businesses. This program is designed to upskill new or existing employees and increase wages.

Figure 3: Houston Top Incentive Programs

Program (Texas)	Descripton
Texas Enterprise Fund	Discretionary cash grant
Skills Development Fund	Job training fund, which averages $1,800 per employee with a max of $500,000 per business
Enterprise Zone Program	Sales and use tax refund of $2,500, $5,000 or $7,500 per job depending on capital investment and jobs created
Chapter 380 Economic Development Grant	Local grants, abatement or refund on taxes based on capital investment, new job creation and economic impact
Property Tax Abatements	Discretionary abatement of real estate taxes and personal property taxes

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

Houston offers an impressive array of distribution channels. Its central location makes it easy to reach both coasts within hours. The Port of Houston is the Gulf Coast's largest container port and is instrumental in the city's development of international trade. This market is home to the nation's largest and world's second-largest petrochemical complex. Carrier services on all major trade lanes link Houston to all international markets. The shipping channel also intersects a very busy barge traffic lane, the Gulf Intracoastal Waterway.

The region's extensive highway system is well-integrated with the Houston Airport System, four deep-water seaports and the mainline railroads serving the city. Houston is at the crossroads of Interstate Highways 10, 45 and 69. I-69 is known as the "NAFTA superhighway," which links Canada, the U.S. industrial Midwest, Texas and Mexico.

The region's extensive highway system is well-integrated with the Houston Airport System, four deep-water seaports and the mainline railroads serving the city.

Capital Markets

"Population growth, the Port of Houston expansion, and a business-friendly environment have all contributed to significant demand. Investors are taking note, especially for value-add offerings in infill locations at or below replacement cost. With less land to quickly develop and waning investor demand, the future development pipeline is fading. Therefore, CBRE projects continued accelerated rent growth and remerging investor focus.

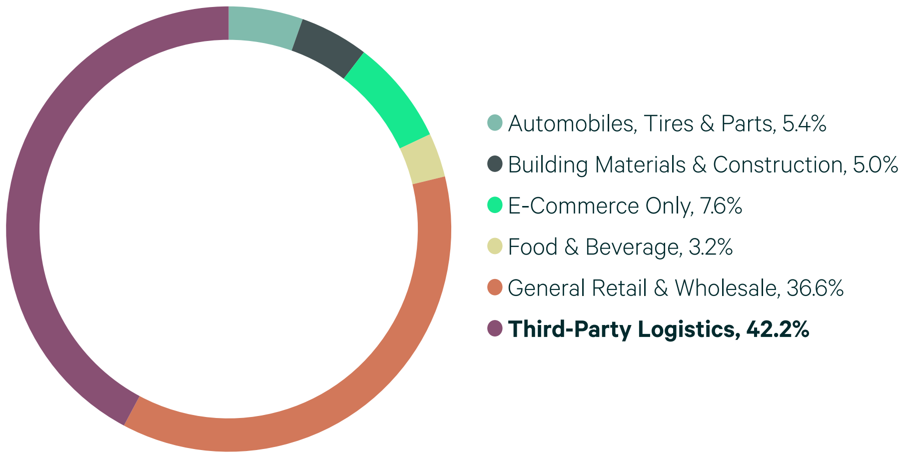
Nathan Wynne
CBRE Senior Vice President"

Supply & Demand

Houston was one of North America's fastest-growing and active big-box markets for the second consecutive year. Lease transaction volume increased 37% year-over-year, to 19.1 million sq. ft, the sixth-highest in North America. Houston was North America's third growth market (net absorption/existing inventory) with 19.6 million sq. ft. occupied. Demand outpaced supply as only 14.6 million sq. ft. completed construction, dropping the vacancy rate to 3.7%. Many 3PLs moved into the market, accounting for 42.2% of transaction volume. General retailers & wholesalers accounted for 36.6% of transaction volume.

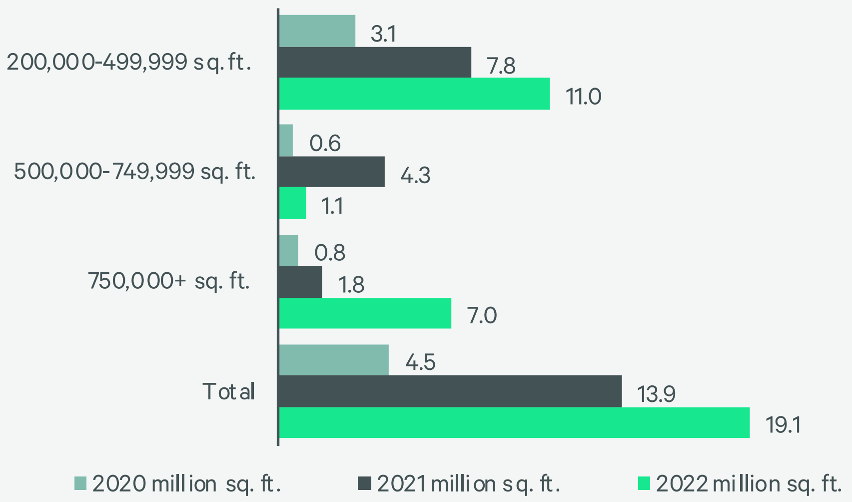
27.9 million sq. ft. of space was under construction in 2022, over double 2021. CBRE projects 2023 transaction volume to remain strong and vacancy rates to remain low, despite record development and rent growth in upcoming quarters. Factors stimulating occupier demand include major port proximity, top population growth, a strong labor base, available first-generation space and economical rental rates.

Figure 4: Share of 2022 Leasing by Occupier Type



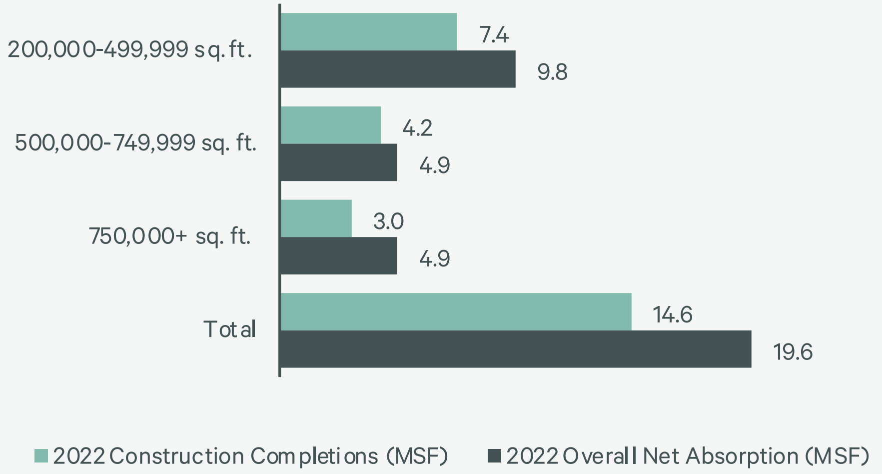
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 5: Lease Transaction Volume by Size Range



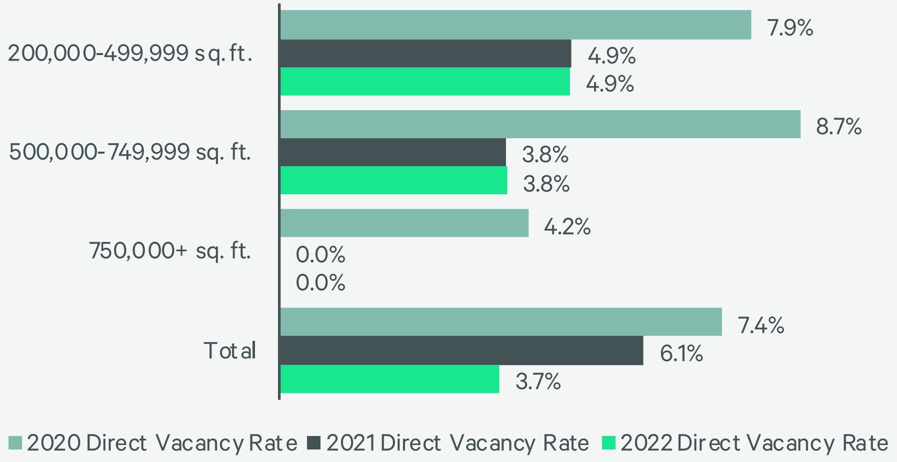
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 6: 2022 Construction Completions vs. Overall Net Absorption by Size Range



Source: CBRE Research, 2022.

Figure 7: Direct Vacancy Rate by Size Range



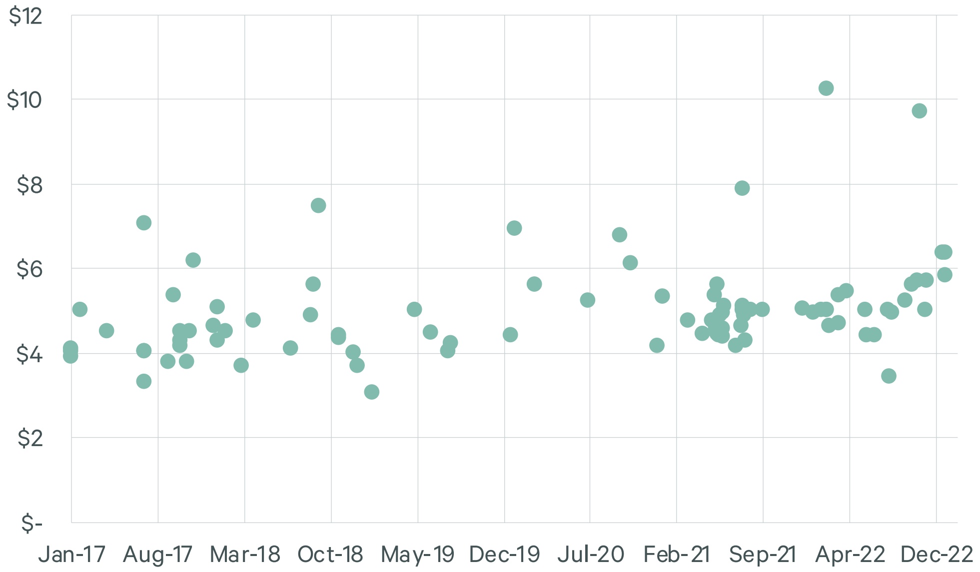
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	10,943,831	10.3%
500,000-749,999 sq. ft.	5,609,033	9.0%
750,000+ sq. ft.	11,410,835	38.9%
Total	27,963,699	21.7%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

10

Indianapolis

Menu

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After back-to-back record years for net absorption and lower vacancy rates, developers began many big-box new construction projects in H2 2022. Activity on this product has been solid as major companies expand into Indianapolis because of high labor scores, strong logistics offerings and its pro-business environment.

Jeremy Woods
CBRE Executive Vice President

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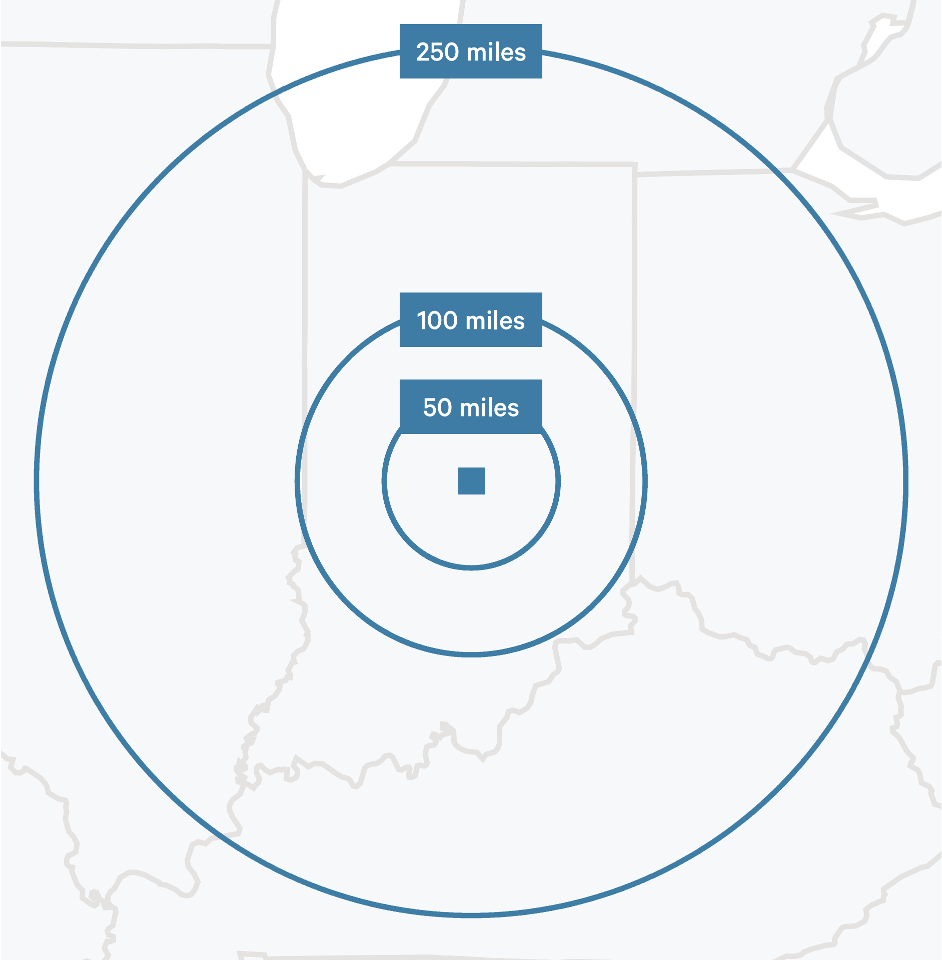
Demographics

Over 2.6 million people live within a 50-mile radius of the urban core, with a 2.3% expected five-year growth rate. Indianapolis's central location offers access to over 43 million people in a 250-mile radius, 6 million more than nearby Chicago.

Figure 1: Indianapolis Population Analysis

Distance from Downtown Indianapolis	2022 Total Population	5 Year Growth Outlook
50 miles	2,667,599	2.3%
100 miles	5,809,738	1.0%
250 miles	43,112,937	0.0%

Source: CBRE Labor Analytics, Q4 2022.



The local warehouse labor force of 69,590 is expected to grow by 7.1% by 2032, according to CBRE Labor Analytics. The average wage for a non-supervisory employee is $17.02 per hour, 1.0% above the national average.

Figure 2: Indianapolis Warehouse & Storage Labor Fundamentals

Total Warehouse & Storage Employment
69,590

2032 Total Warehouse & Storage Projected Employment
74,537

Hourly Wage*
$17.02

Source: CBRE Labor Analytics, Q4 2022.
*Median wage (1 year experience); non-supervisory warehouse material handlers.

Location Incentives

Over the past five years, there have been 615 publicly known economic incentives deals totaling over $1 billion for an average of $17,807 per new job in metro Indianapolis, according to Wavteq.

CBRE's Location Incentives Group reports that top incentive programs offered in metro Indianapolis include the Economic Development for a Growing Economy (EDGE) Program, offering refundable discretionary tax credits for corporate income taxes for up to 10 years. These credits equal up to 100% of new income tax withholdings generated by a project's job creation.

Another incentive program in Indianapolis is the Hoosier Business Investment Tax Credit Program, which offers a non-refundable tax credit to companies that create new jobs and make capital improvements to a business facility. The tax credits are calculated as a percentage of the project's capital investment.

Figure 3: Indianapolis Top Incentive Programs

Program (Indiana)	Descripton
Economic Development for a Growing Economy (EDGE) Tax Credit	Tax credit up to 100% of withholding taxes per year up to 10 years
Hoosier Business Investment Tax Credit (HBI)	Tax credit up to 10% of the qualified capital investment
Skills Enhancement Fund (SEF)	Reimbursable grant up to 50% of eligible training costs over 2 years
Industrial Development Grant Funds (IDGB)	Infrastructure grant that typically does not exceed 50% of the total project costs
Urban Enterprise Zone Program	Tax credit up to 30% of equity investment and 10% of additional incremental wages
Property Tax Abatements	Discretionary abatement of real estate and personal property taxes

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

Greater Indianapolis offers many logistics advantages for industrial occupiers. It is a top region for trucking, with more national highway intersections than any other state. Under its "Major Moves" program, Indiana is investing $10 billion over 10 years to add 400 miles of new highways. Indianapolis is home to the second-largest FedEx air hub in the world, helping Indianapolis International Airport consistently rank among the U.S.'s top five cargo airports. Indiana also ranks third for total railroad miles in the country.

Greater Indianapolis is a top region for trucking, with more national highway intersections than any other state.

Capital Markets

"Indianapolis big-box sales activity decreased in H2 2022. Rapidly rising interest rates have led to approximately 150 bps increase in core cap rates from the low-to-mid-4% range to the mid-5% range. It was a top-ten most active U.S. leasing market in 2022, but investors will continue monitoring the speculative construction pipeline as Indianapolis leads the Midwest in under construction totals.

Michael Caprile

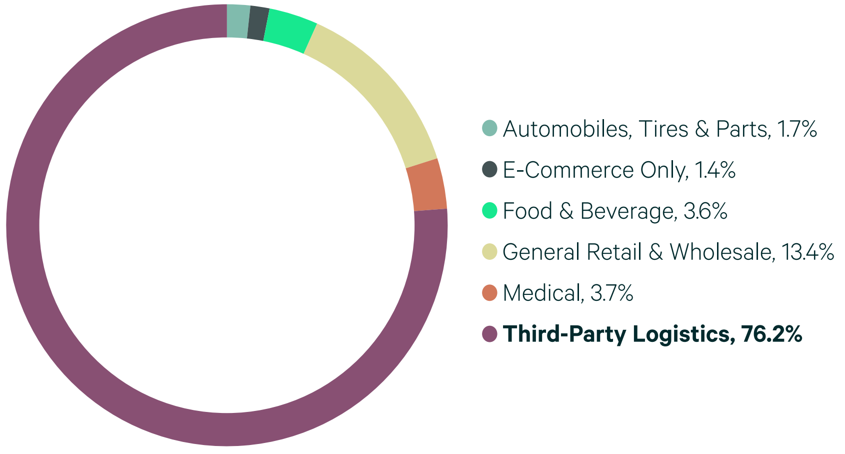
CBRE Vice Chair"

Supply & Demand

Another robust year of transaction volume has made Indianapolis a top-tier big-box market. Transaction volume totaled 15.2 million sq. ft. in 2021, the ninth-highest in North America. 3PL providers accounted for a whopping 76.2% of total transaction volume, with general retailers and & wholesalers occupiers accounting for 13.4%. The third consecutive year of over 10 million sq. ft. of transaction volume lowered the direct vacancy rate 240 bps to 5.8%, despite over 15 million sq. ft. completed. Lower vacancy rates started influencing taking rents, which increased 16.5% in 2022.

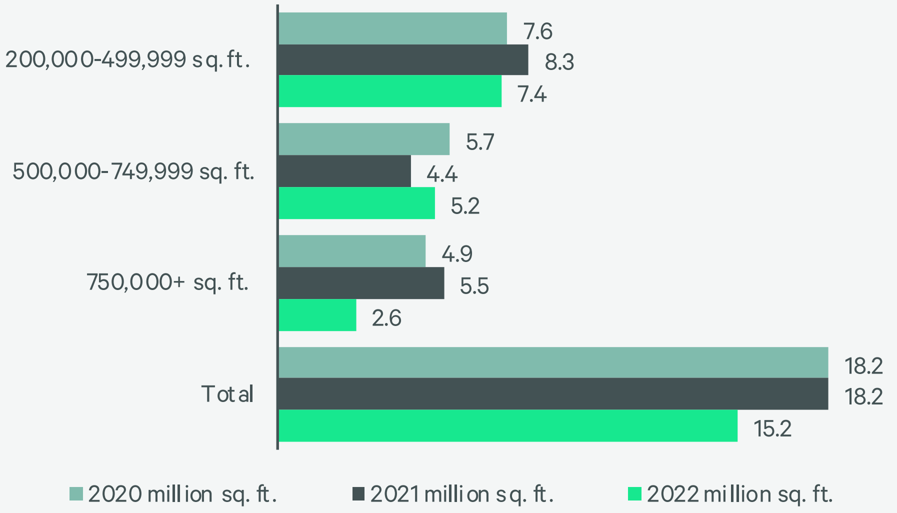
Developers are building quickly, with over 30 million sq. ft. under construction, the sixth most in North America. 23.2% of the product under construction is pre-leased. The remaining 23 million sq. ft. of available under construction product is over double the size of current existing vacant space. Despite strong leasing activity, especially from 3PLs, CBRE projects new development will increase vacancy rates in 2023. But the expected reduction in construction starts this year should reverse vacancy rate gains by early 2025.

Figure 4: Share of 2022 Leasing by Occupier Type



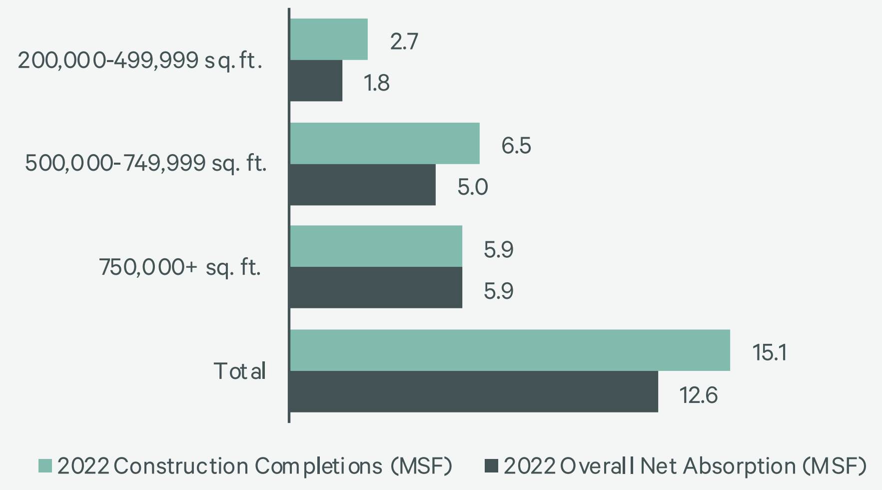
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 5: Lease Transaction Volume by Size Range



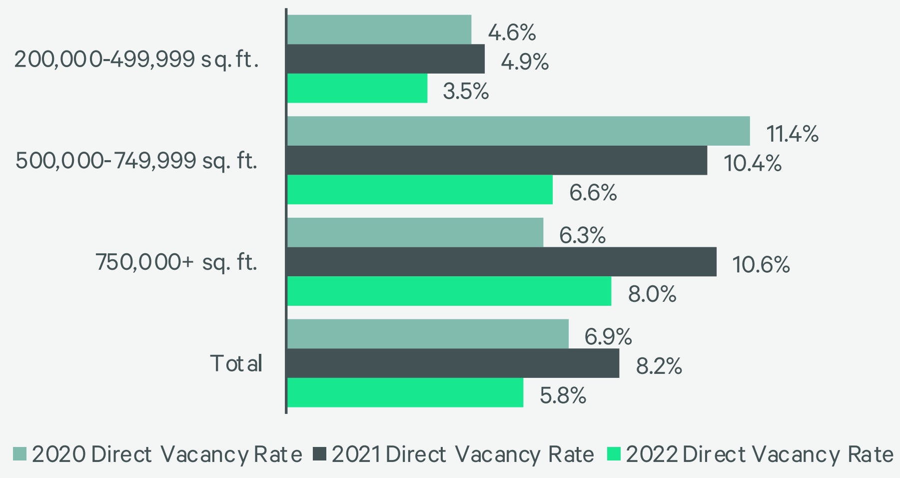
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 6: 2022 Construction Completions vs. Overall Net Absorption by Size Range



Source: CBRE Research, 2022.

Figure 7: Direct Vacancy Rate by Size Range



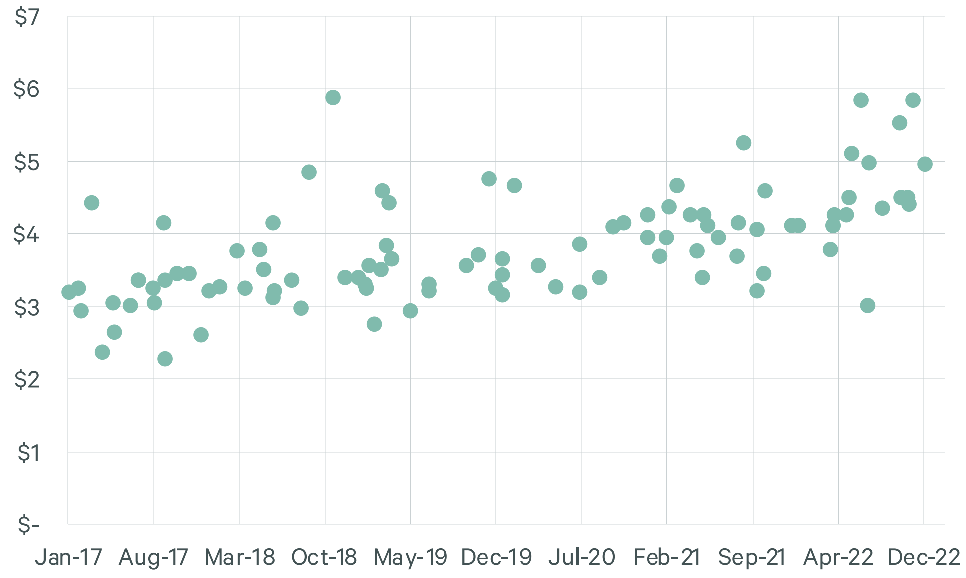
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	5,862,999	15.4%
500,000-749,999 sq. ft.	8,491,638	16.3%
750,000+ sq. ft.	15,786,720	29.7%
Total	30,141,357	23.2%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

11

Inland Empire

Menu

"The Inland Empire (IE) remains the most in-demand big-box market because of multiple logistics drivers, its large population and robust labor force. Previously known as the low-cost alternative in Southern California, taking rents are now up over 60%, with minimal available land site inventory. These trends have expanded the IE's borders into the High and Low Deserts, where occupiers can find more cost-efficient modern bulk space leases. Despite economic uncertainty, demand will remain strong in 2023 as Fortune 500 companies execute long-term plans to secure supply chain and inventory levels."

Dan De La Paz

CBRE Vice Chair

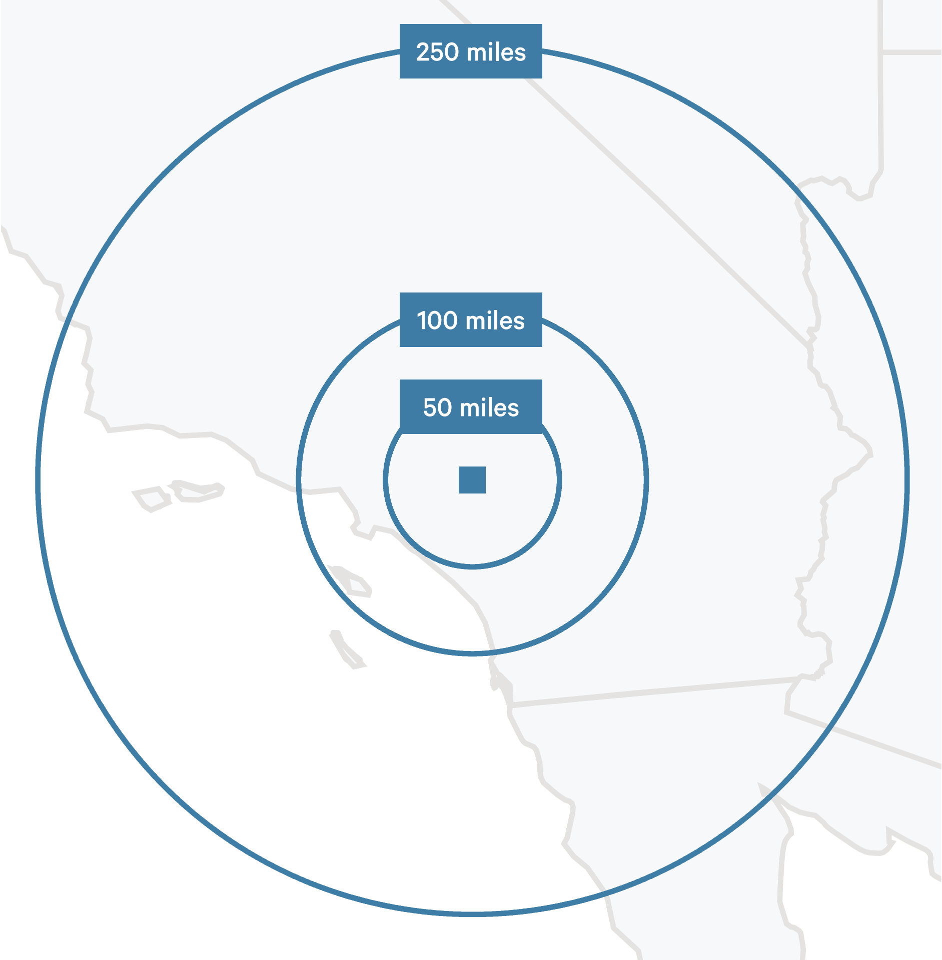
Demographics

Around 16.1 million people live within 50 miles of the IE's core, the country's second-largest industrial market population (behind Northern/Central New Jersey). The 18-34 age group accounts for 26% of the total population. The population is expected to decline by 0.7% over the next five years due to migration out of California. Within 250 miles, occupiers can reach almost 30 million consumers.

Figure 1: Inland Empire Population Analysis

Distance from Inland Empire Core	2022 Total Population	5 Year Growth Outlook
50 miles	16,114,469	-0.7%
100 miles	21,273,834	-0.6%
250 miles	28,437,844	0.0%

Source: CBRE Location Intelligence, Q4 2022.



The IE has a warehouse/distribution labor force over 140,000, which is forecast to grow by 17% over the next decade, according to CBRE Labor Analytics. The average hourly wage for a non-supervisory warehouse worker is $19.28 per hour. This is 14% above the national average, the lowest for a major California industrial market, and only 8.1% above Phoenix.

Figure 2: Inland Empire Warehouse & Storage Labor Fundamentals

Total Warehouse & Storage Employment
143,122

2032 Total Warehouse & Storage Projected Employment
167,211

Hourly Wage*
$19.28

Source: CBRE Labor Analytics, Q4 2022.
*Median wage (1 year experience); non-supervisory warehouse material handlers.

Location Incentives

Over the past five years, there have been 47 publicly known economic incentives deals totaling over $82 million for an average of $16,011 per new job in the IE, according to Wavteq.

CBRE's Location Incentives Group reports that the top incentive programs in the IE include the California Competes Tax Credit, a discretionary income tax credit for businesses that make capital investments, create new jobs, and offer strategic importance to the region. The credits are non-refundable, and companies can only apply during designated application periods held three times per year. This program was extended through 2023 with $180 million in tax credits.

Figure 3: Inland Empire Top Incentive Programs

Program (California)	Descripton
Employment Training Panel	Job training grant
California Competes Tax Credit	Discretionary tax credit program
New Employment Credit	Tax credit for new employees on qualified payroll between 150-350% of state minimum wage
Manufacturing and R&D Sales and Use Tax Exemption	Partial exemption of state sales and use tax on qualified manufacturing and R&D equipment

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

The market is close to North America's largest ports, in Los Angeles and Long Beach. Despite a significant import volume decline in 2022, the flow of imports into these ports directly feeds the region's big-box distribution warehouses.

The market has logistics advantages from the air, ground and rail. Ontario International now ranks as a top-10 North American cargo airport by growth and volume. Ground transportation is a key to the market's success. Interstates 10 and 15 offer direct access to the rest of the country. Also, BNSF and Union Pacific service the market with rail.

Ontario International now ranks as a top-10 North American cargo airport by growth and volume.

Capital Markets

"Despite H2 headwinds, 2022 was another record year for the IE. Market fundamentals remain very strong, with the country's highest year-over-year rent growth. Assets with significant below-market rents and under three years of Weighted Average Lease Term have traded at sub-4% cap rates. Today's debt market influences pricing for at-market longer-term leased assets. Given its outsized performance, the industrial sector remains debt and equity capital's target sector."

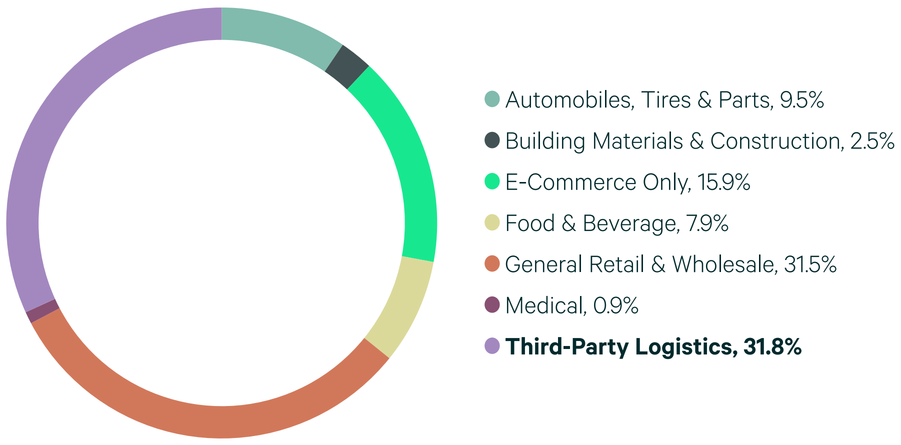
Darla Longo
CBRE Vice Chair, Managing Director

Supply & Demand

The IE is experiencing the largest rent growth of any big-box market on record. First-year base rents finished 2022 at $14.49 PSF per year, 60.3% above year-end 2021. Rent growth can be attributed to a lack of existing vacant space. Only 0.1% of existing space was vacant by year-end 2022, the lowest in Northern America. Leasing finished at a robust 46.7 million sq. ft., despite almost no vacant space, driven by product under construction and renewals. Although lower than 2021, it was by far the most in North America.

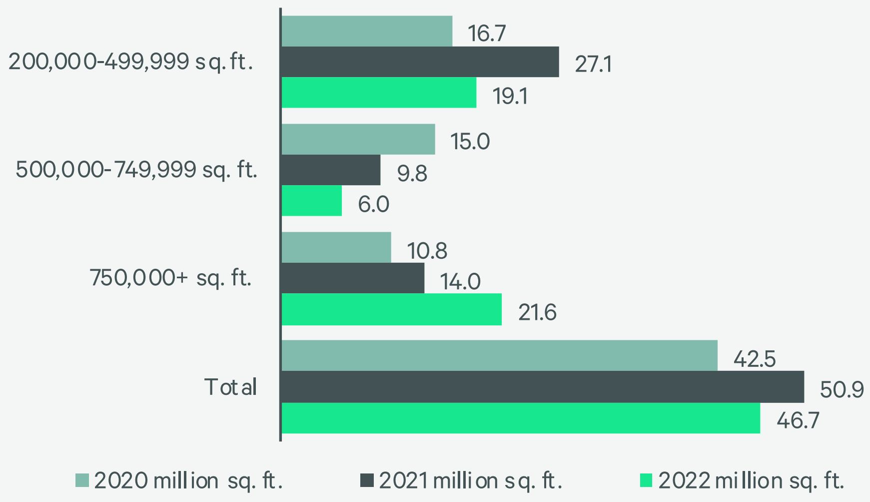
While the amount of space under construction doubled in 2022, a 55% pre-lease rate indicates there is still minimal first-generation space coming onto the market. Vacancy rates will remain below 1% for the foreseeable future because of this and a projected decline in construction starts. This projection is due to a hold on construction financing and pushback against new industrial development from many municipalities.

Figure 4: Share of 2022 Leasing by Occupier Type



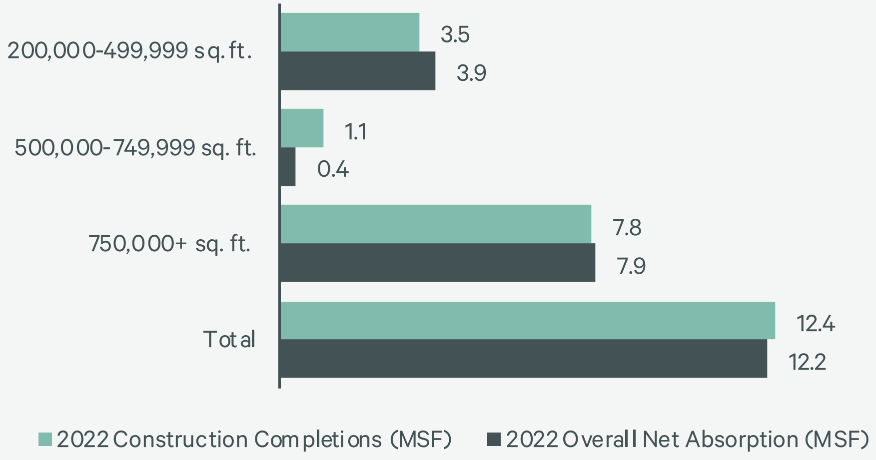
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 5: Lease Transaction Volume by Size Range



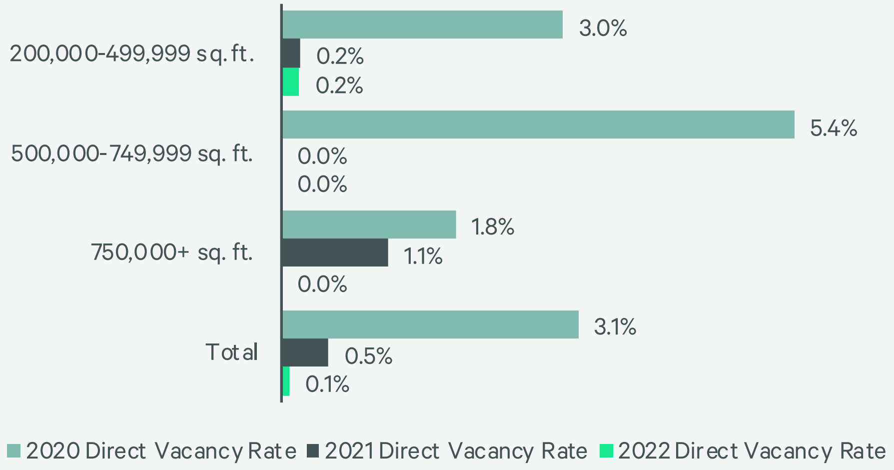
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 6: 2022 Construction Completions vs. Overall Net Absorption by Size Range



Source: CBRE Research, 2022.

Figure 7: Direct Vacancy Rate by Size Range



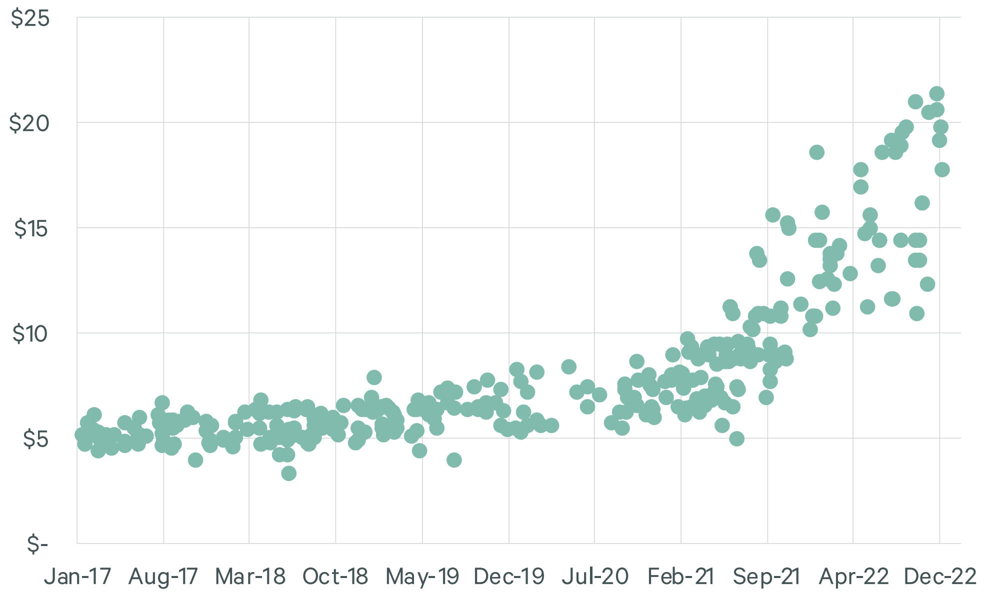
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	8,790,614	25.5%
500,000-749,999 sq. ft.	3,674,759	71.1%
750,000+ sq. ft.	21,723,876	64.3%
Total	34,189,249	55.0%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

12

Kansas City

Menu

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Kansas City has continued strengthening as a key logistics hub for automotive supplies, distributors and 3PLs due to strong infrastructure of four major interstates bisecting the city, strong labor pool and multiple intermodal facilities. In the past three years, the city has delivered record big-box space while seeing absorption exceed space delivered, decreasing available inventory.

Austin Baier

CBRE Senior Vice President

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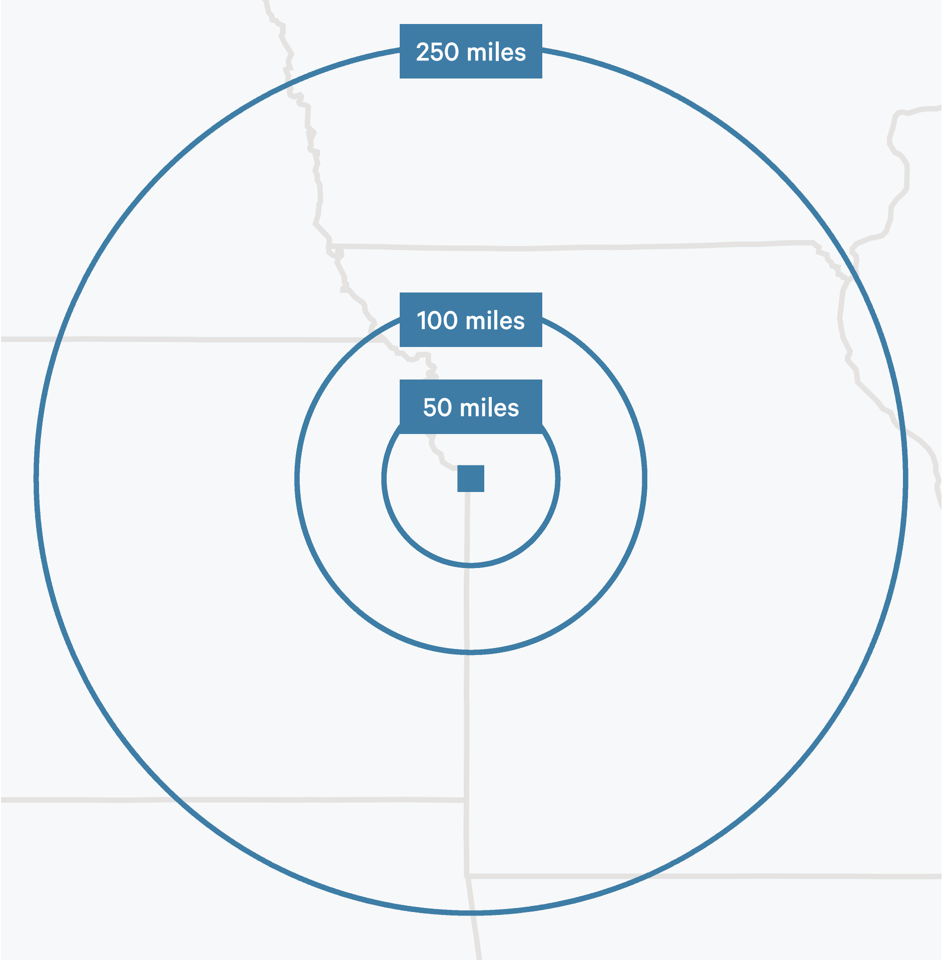
Demographics

Kansas City's biggest draw is its easy reach to a large portion of the country. More than 2.4 million people live within 50 miles of the market core. Close to 15 million people or 6 million households are within 250 miles.

Figure 1: Kansas City Population Analysis

Distance from Downtown Kansas City	2022 Total Population	5 Year Growth Outlook
50 miles	2,452,350	1.7%
100 miles	3,172,982	1.2%
250 miles	14,880,827	1.1%

Source: CBRE Location Intelligence, Q4 2022.



The local warehouse labor force of just over 35,000 is expected to grow by 9.7% by 2032, according to CBRE Labor Analytics. The average wage for a non-supervisory warehouse employee is $17.31 per hour, 2.4% above the national average.

Figure 2: Kansas City Warehouse & Storage Labor Fundamentals

Total Warehouse & Storage Employment	2032 Total Warehouse & Storage Projected Employment	Hourly Wage*
35,317	38,758	$17.31

Source: CBRE Labor Analytics, Q4 2022.
*Median wage (1 year experience); non-supervisory warehouse material handlers.

Location Incentives

Over the past five years, there have been 219 publicly known economic incentives deals totaling over $445 million for an average of $16,016 per new job in metro Kansas City, according to Wavteq.

CBRE's Location Incentives Group reports that top incentive programs in Kansas include the High Performance Incentive Program (HPIP), offering a 10% tax credit for capital investment totaling over $1 million. To qualify, for-profit manufacturing companies must pay above-average wages and significantly invest in employee training.

Among the top incentive programs in Missouri is the Missouri Works Program, offering payroll rebates and discretionary income tax credits for new jobs. To qualify, at least two full-time jobs must be created with wages exceeding 80% of the average county wage.

Figure 3: Kansas City Top Incentive Programs

Program (Kansas)	Descripton
Peak Program	Payroll rebate equals 95% of withholding taxes for new jobs, annual for 5 to 10 years
HPIP Program	Tax credit equal to 10% of total capital expenditures above $1 million
Job Creation Program Fund	Discretionary cash grant
Sales Tax Exemptions	Sales tax exemption available for HPIP qualified projects
Property Tax Abatements	Discretionary abatement of real estate taxes; Personal property is exempt
Kansas Industrial Training Program	Job Training program

Program (Missouri)	Descripton
Missouri Works Program	3% to 6% of new payroll for 5 to 6 years
New Jobs Training Program (NJTP)	Job training grant
Chapter 100 Program Property Tax Abatements	Discretionary abatement of real estate, personal property taxes, or sales taxes
Business Use Incentives for Large Scale Development (BUILD)	Discretionary refundable income tax credit program

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

Kansas City's central location gives it access to 85% of the U.S. population in two days. Numerous ground, air, water, and rail transportation options make it one of North America's most logistics-friendly industrial markets. Kansas City has five Class I rail lines intersecting the region (Kansas City Southern, Burlington Northern Santa Fe, Canadian Pacific, Norfolk Southern and Union Pacific), four of which have intermodal facilities.

Four major U.S. interstate highways (I-35, I-70, I-29 and I-49) intersect the region, which has 30% more interstate miles per capita than any other U.S. city. Kansas City also has low traffic congestion.

Kansas City International Airport is one of the U.S.'s best locations for air cargo and distribution development. It moves more air cargo than any other airport in the six-state region and will add a new terminal in 2023.

Kansas City is on the Missouri River, the largest navigable inland waterway in the U.S. Port KC has over 900 feet of shoreline, which includes three load cells and docking structures for 14 barges. The port terminal has an annual capacity of 800,000 tons and provide rail and truck transfer, covered storage and product distribution.

Kansas City's central location gives it access to 85% of the U.S. population in two days.

Capital Markets

"Kansas City sale activity decreased in H2 2022. Rapidly rising interest rates have led to approximately 100 bps increase in core cap rates from the mid-4% range to the mid-5% range. Kansas City offers investors an opportunity to acquire assets at an attractive basis below replacement cost, and a going-in yield that offers positive leverage during year one."

Judd Welliver

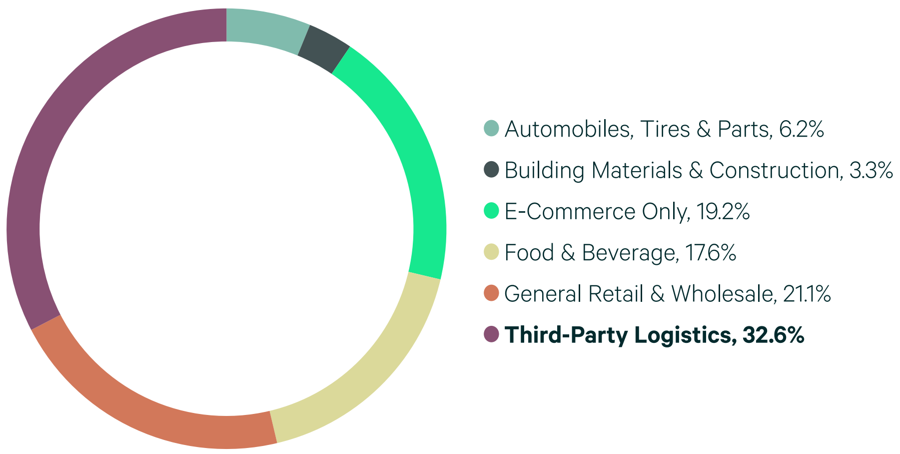
CBRE Executive Vice President

Supply & Demand

Robust demand for space improved all fundamentals in 2022. Transaction volume equaled 2021's record pace, leading to a 44% increase in net absorption to 11.8 million sq. ft. This made Kansas City the sixth-highest growth market (net absorption/existing inventory) in North America. The direct vacancy rate decreased 170 bps to 3.9% despite 10.5 million sq. ft. of construction completions. 7.0 million sq. ft. is currently under construction, with 17% pre-leased. A diverse tenant mix expanded activity in Kansas City. Four separate occupier types had over 10% market share, led by 3PL providers at 33%.

The market is well-positioned against an occupier slowdown in 2023. 10.5 million sq. ft. is under construction, with 22% pre-leased. The region's central location and economic rental rates will incentivize further 3PL expansion into the market, leading to increased taking rents.

Figure 4: Share of 2022 Leasing by Occupier Type



Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 5: Lease Transaction Volume by Size Range

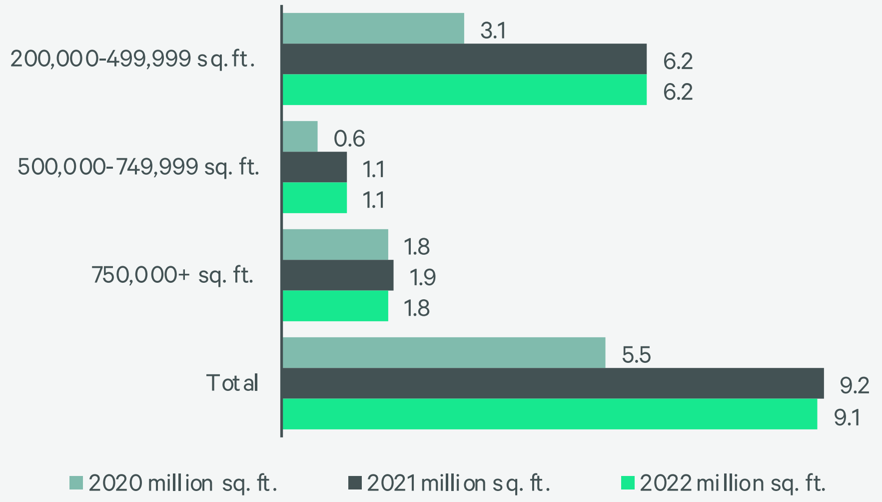


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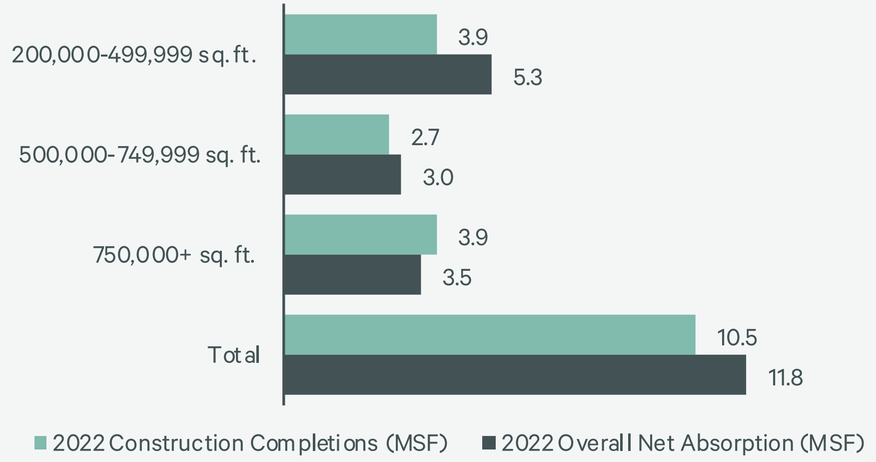
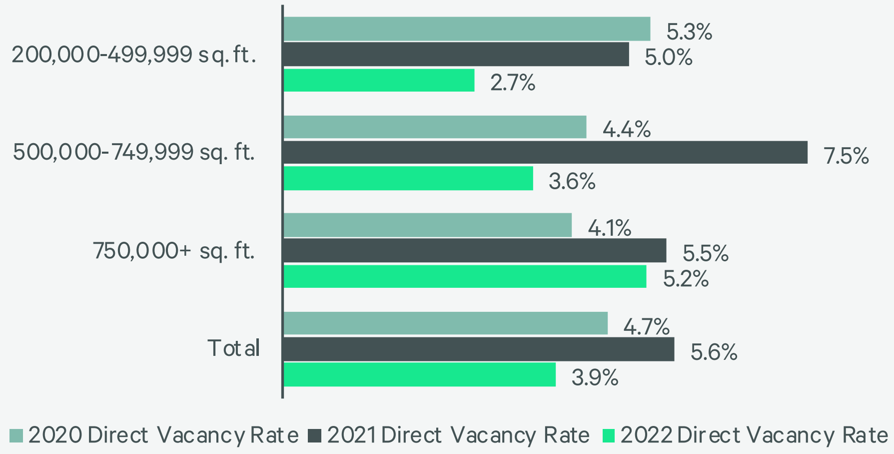
Figure 6: 2022 Construction Completions vs. Overall Net Absorption by Size Range



Source: CBRE Research, 2022.

Figure 7: Direct Vacancy Rate by Size Range



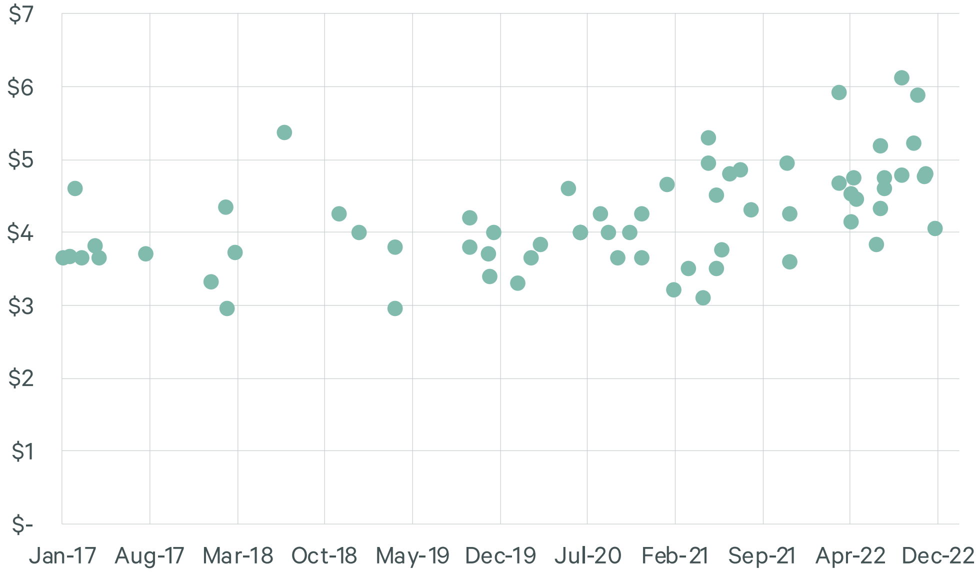
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	3,742,902	24.7%
500,000-749,999 sq. ft.	2,229,758	23.0%
750,000+ sq. ft.	4,573,414	18.5%
Total	10,546,074	21.7%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

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Los Angeles County

Menu

> Los Angeles County contains North America's two largest ports and one of the largest population concentrations. Demand for big-box product is robust but a vacancy rate under 1% has subdued leasing activity. This trend will continue since there is little land to development. Rental rates will continue rising due to constrained supply, despite a softening economy.

Bret Quinlan
CBRE Executive Vice President

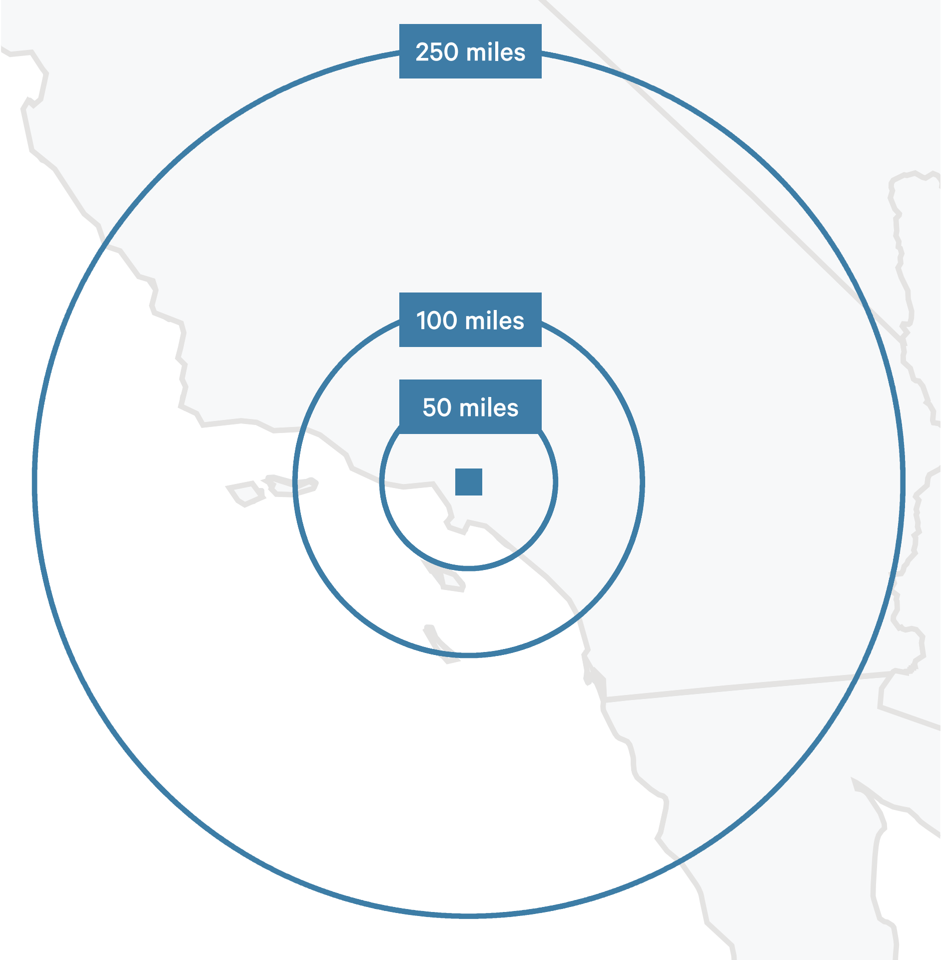
Demographics

Over 15 million people live within 50 miles of the market core—the third most in the U.S. Nearly 26% of this population are aged 18-34. This total is expected to decline by 1.2% over the next five year. Nearly 29 million people live within a 250-mile radius, with no five-year change expected.

Figure 1: Los Angeles County Population Analysis

Distance from Los Angeles County Market Core	2021 Total Population	5 Year Growth Outlook
50 miles	15,105,910	-1.2%
100 miles	19,911,393	-0.6%
250 miles	28,467,008	0.0%

Source: CBRE Location Intelligence, Q4 2022.



Los Angeles County's warehouse labor force of 218,854 is the U.S.'s third-largest and expected to grow by 4.1% by 2032, according to CBRE Labor Analytics. The region has a high cost of living and its average hourly wage is also one of the country's highest at $20.16—20% above the national average.

Figure 2: Los Angeles County Warehouse & Storage Labor Fundamentals

Total Warehouse & Storage Employment
218,854

2032 Total Warehouse & Storage Projected Employment
228,801

Hourly Wage*
$20.16

Source: CBRE Labor Analytics, Q4 2022.
*Median wage (1 year experience); non-supervisory warehouse material handlers.

Location Incentives

Over the past five years, there have been 157 publicly known economic incentives deals totaling over $300 million for an average of $17,205 per new job in metro Los Angeles, according to Wavteq.

CBRE's Location Incentives Group reports that top incentive programs offered in Los Angeles County include the California Competes Tax Credit, a discretionary income tax credit for businesses that locate to or expand in California. This program was extended through 2023 with $180 million in credits for businesses that make capital investments, create new jobs and offer strategic importance to the state. The credits are non-refundable, and applications are only open three times per year.

Figure 3: Los Angeles County Top Incentive Programs

Program (California)	Descripton
Employment Training Panel	Job training grant
California Competes Tax Credit	Discretionary tax credit program
New Employment Credit	Tax credit for new employees on qualified payroll between 150% and 350% of state minimum wage
Manufacturing and R&D Sales and Use Tax Exemption	Partial exemption of state sales and use tax on qualified manufacturing and R&D equipment

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

Los Angeles County contains North America's two largest seaports and one of the country's top five air cargo hubs. Imports and exports flowing through the ports of Los Angeles and Long Beach directly feed the region's big-box distribution centers. Imports significantly declined year-over-year in 2022 due to less demand for new inventory, continued labor issues, and companies diversifying their import strategy to the east coast. These ports will remain the country's most active for years to come.

Los Angeles International (LAX) is the U.S.'s fifth-busiest air cargo airport. LAX is a convenient and efficient major air cargo distribution center because of the available vital allied services, especially for Pacific Rim traders. The LA-area cargo trade also engages more than 800 freight forwarders and 360 customs house brokers, who expedite the region's air cargo delivery. U.S. banks with international operations have offices in LA, as do foreign banking institutions.

LAX is a convenient and efficient major air cargo distribution center because of the available vital allied services, especially for Pacific Rim traders.

Capital Markets

"2022 saw increases in cap rates. On average, cap rates increased 1% but vary greatly depending on lease term and percentage below market. Volumes decreased because, often, buyers and sellers had different valuation perspectives. However, improved activity at the end of 2022 could bode well for stronger volumes in 2023."

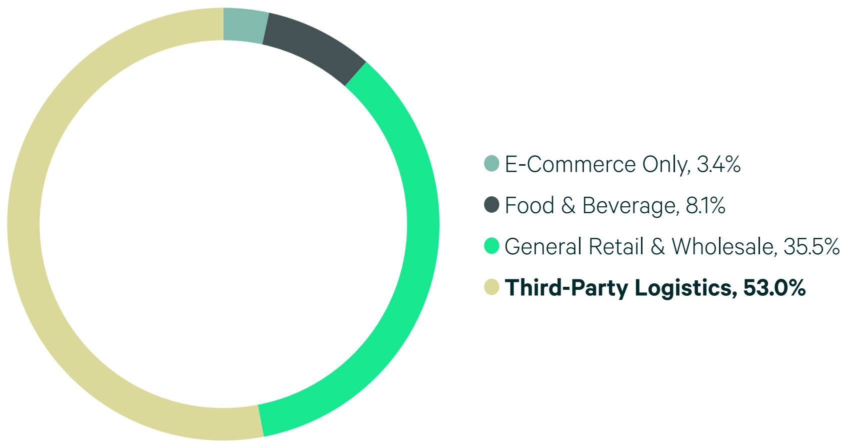
Barbara Perrier
CBRE Vice Chair

Supply & Demand

Los Angeles County is one of North America's most mature big-box markets. It is dominated by buildings built before 2000, with 85% under 500,000 sq. ft. The region has North America's second-lowest direct vacancy rate at 0.6%. The low vacancy rate directly affected transaction volume, which was half of 2021's total at 6.4 million sq. ft. 3PLs dominated transaction volume, with a market share of 53%. Occupiers outsourced to 3PLs in the region at a high rate because of difficulties finding available space and increases in facility costs.

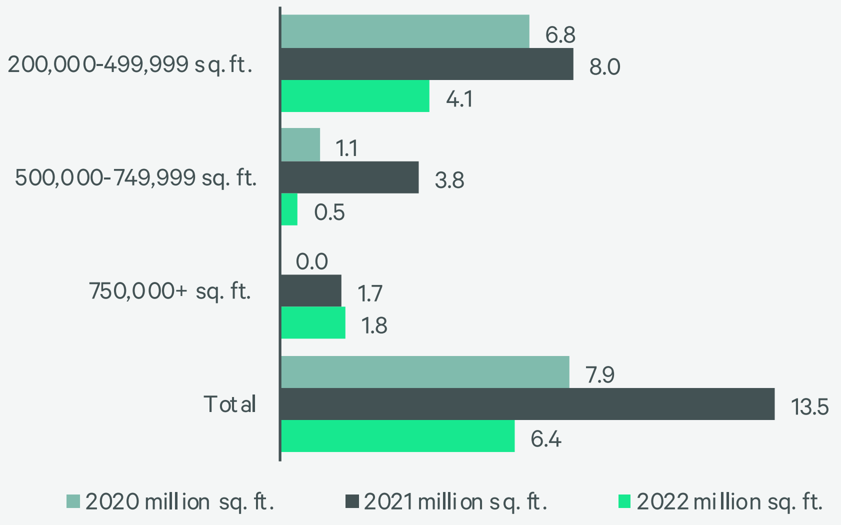
Taking rents are part of those costs, which finished first in the nation at $16.22 per sq. ft., 29% higher year-over-year. Just 1.2 million sq. ft. of new construction was completed last year. But 4.4 million sq. ft. is under construction, with 11% pre-leased. While 4 million sq. ft of available space under construction is a miniscule part of the market, it provides an opportunity to increase 2023 net absorption. It is unclear how lower import volumes and inventory will affect the market, but over-supply is unlikely and rent growth will remain robust.

Figure 4: Share of 2022 Leasing by Occupier Type



Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 5: Lease Transaction Volume by Size Range



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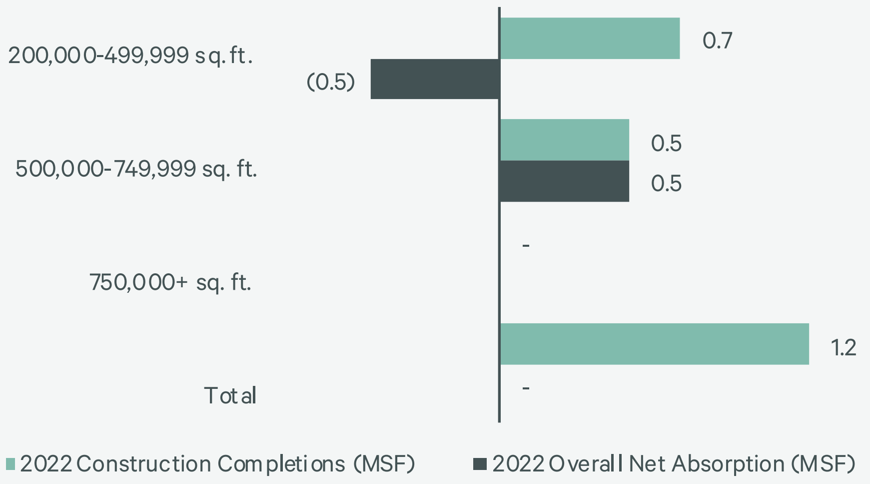
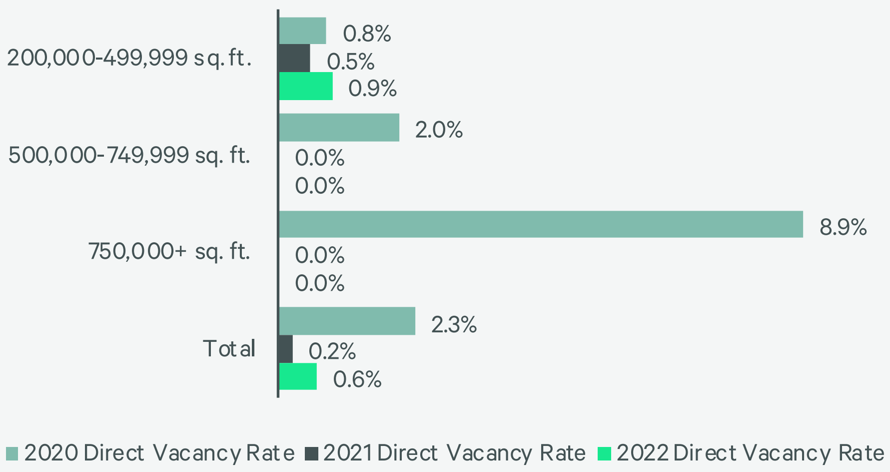
Source: CBRE Research, 2022.

Figure 6: 2022 Construction Completions vs. Overall Net Absorption by Size Range



Source: CBRE Research, 2022.

Figure 7: Direct Vacancy Rate by Size Range



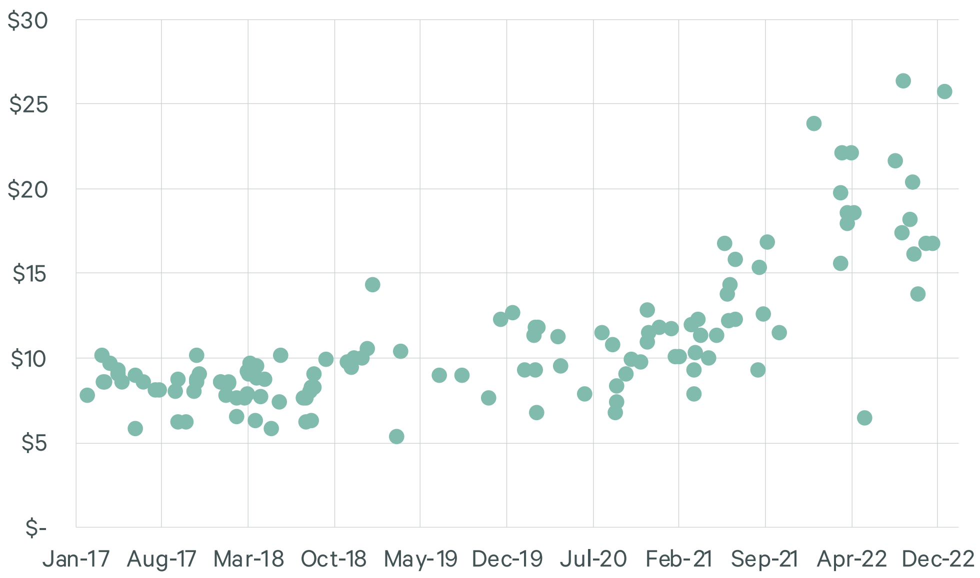
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	2,498,977	19.2%
500,000-749,999 sq. ft.	1,840,880	0.0%
750,000+ sq. ft.	N/A	N/A
Total	4,339,857	11.1%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

14

Louisville

Menu

"Louisville is an ideal location for multiple corporate sectors due to its attractive labor supply, location and presence of UPS Worldport. Kentucky's status as a global auto manufacturing powerhouse is important. There is over $8.4 billion committed to electric vehicle investments and multi-billion-dollar investments in existing plants. Louisville's strong fundamentals continue to make it a marquis location for big-box development."

Kevin Grove

CBRE Senior Vice President

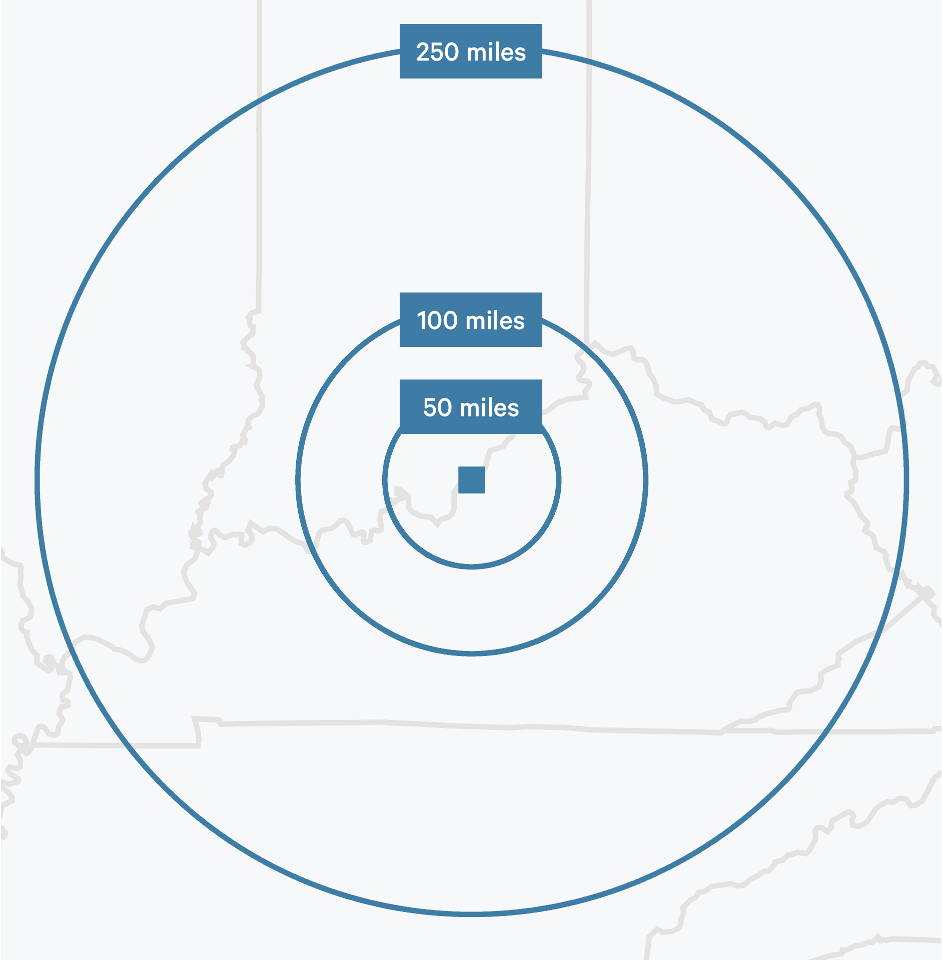
Demographics

Nearly 30 million people—24% aged 18-34—live within 250 miles of downtown Louisville, with a 1% projected five-year growth rate. Louisville has a larger population concentration within a 250-mile radius than other major industrial markets, including the Inland Empire, DFW, Phoenix, Memphis and Atlanta.

Figure 1: Louisville Population Analysis

Distance from Downtown Louisville	2022 Total Population	5 Year Growth Outlook
50 miles	1,732,253	1.4%
100 miles	5,717,693	1.0%
250 miles	29,571,681	1.0%

Source: CBRE Location Intelligence, Q4 2022.



The local warehouse labor force is 41,111 with an expected growth rate of 4.6% by 2032, according to CBRE Labor Analytics. The average salary for non-supervisory warehouse workers is $17.11 per hour, 1.2% over the national average.

Figure 2: Louisville Warehouse & Storage Labor Fundamentals

Total Warehouse & Storage Employment	2032 Total Warehouse & Storage Projected Employment	Hourly Wage*
41,111	47,983	$17.11

Source: CBRE Labor Analytics, Q4 2022.
*Median wage (1 year experience); non-supervisory warehouse material handlers.

Location Incentives

Over the past five years, there have been 252 publicly known economic incentives deals totaling over $336 million for an average of $14,399 per new job in metro Louisville, according to Wavteq.

CBRE's Location Incentives Group reports that top incentive programs offered in Louisville include the Kentucky Business Investment Program (KBI), offering income tax credits and wage assessments to businesses engaged in manufacturing, agribusiness, headquarter operations, alternative fuel, renewable energy or carbon dioxide transmission pipelines. To qualify, companies must create and maintain an annual average of at least 10 new full-time jobs for Kentucky residents during the length of the incentive agreement.

Another popular incentive program is the Kentucky Enterprise Initiative Act (KEIA), offering companies a sales and use tax refund for building and construction materials used to improve real property value. This refund is also available for research and development, data processing and flight simulation equipment.

Figure 3: Louisville Top Incentive Programs

Program (Kentucky)	Descripton
Kentucky Business Investment (KBI) Program	Income tax credits or wage assessments up to 4% of gross payroll for up to 10 years
Kentucky Enterprise Initiative Act (KEIA) Program	Refund of sales and use tax paid for construction and building materials
Bluegrass State Skills Corporation (BSSC) Program	Job training grant up to 50% reimbursement for eligible training activities
Kentucky Industrial Development Act (KIDA)	Tax credit equal to 100% of state corporate income tax liability or retention of 3% of gross wages of new employment; limited to manufacturers and state-only assistance
Property Tax Abatement	Discretionary abatement of real estate taxes and personal property taxes

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

Louisville Muhammad Ali International Airport was named the world's fourth-busiest air cargo hub by Airport Councils International. The airport is home to UPS Worldport, one of the world's largest package-handling facilities. The region also hosts a growing manufacturing base, particularly medical, packaging materials and automotive. This is driving demand for surrounding distribution centers. As e-commerce's share of total retail sales keeps growing, more distributors are expected to take advantage of the region's air cargo capabilities.

Louisville Muhammad Ali International Airport is home to UPS Worldport, one of the world's largest package-handling facilities.

Capital Markets

"Louisville is one of the most targeted secondary markets for institutional capital, and the area benefits from UPS as a global demand driver and transportation hub. Cap rates for Class A stabilized properties expanded to the low 5% range. But CBRE projects Louisville's strong investment and operating performance will keep attracting capital for existing projects and speculative development opportunities.

Frank Fallon

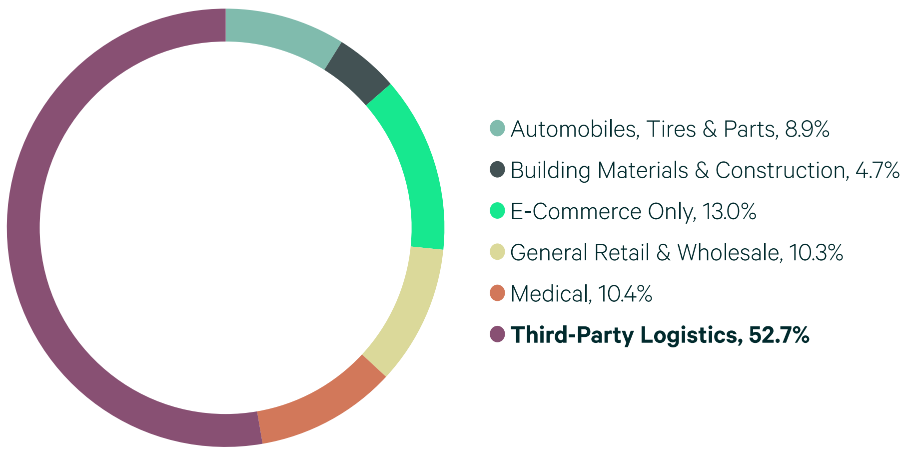
CBRE Vice Chair"

Supply & Demand

Louisville's central location is attracting new occupiers, leading to robust demand and new development. Louisville's transaction volume could not keep up with 2021's record-breaking year, finishing at 5.2 million sq. ft. It had 3.6 million sq. ft. of positive net absorption. 3PLs dominated leasing, followed by e-commerce, and automobiles, tires and parts. Louisville's record-low vacancy rate in 2021 led to a significant increase in development, with completions reaching a record 7.5 million sq. ft. The much-needed new development increased vacancy rates to a healthy 3.9%.

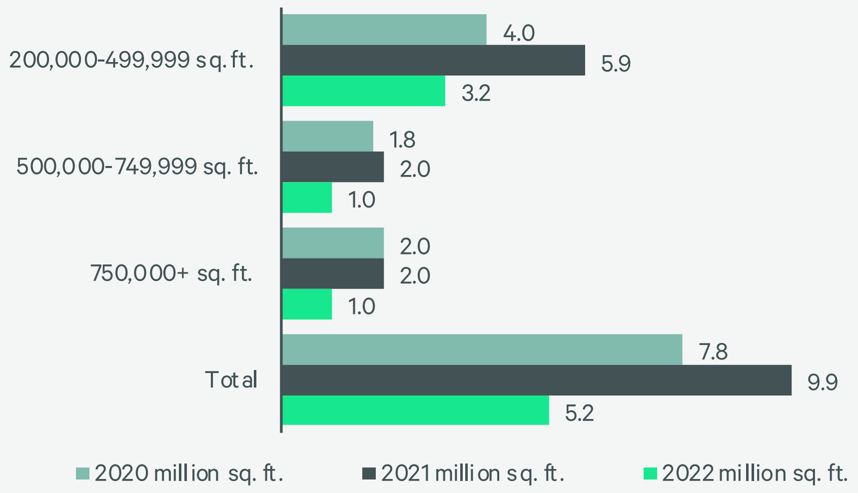
At year-end, 6.4 million sq. ft. was under construction, one of the few markets with less under-construction volume than completions. 30.2% of under-construction space is pre-leased. Louisville will become of the few under-supplied North American emerging markets, despite temporary space gains, due to low inventory under construction and a projected drop in construction starts. This will lead to significant rent growth in the coming quarters.

Figure 4: Share of 2022 Leasing by Occupier Type



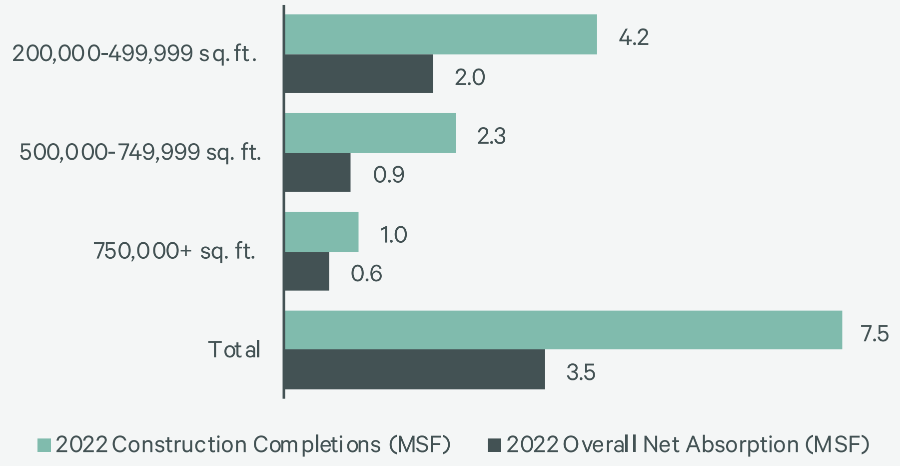
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 5: Lease Transaction Volume by Size Range



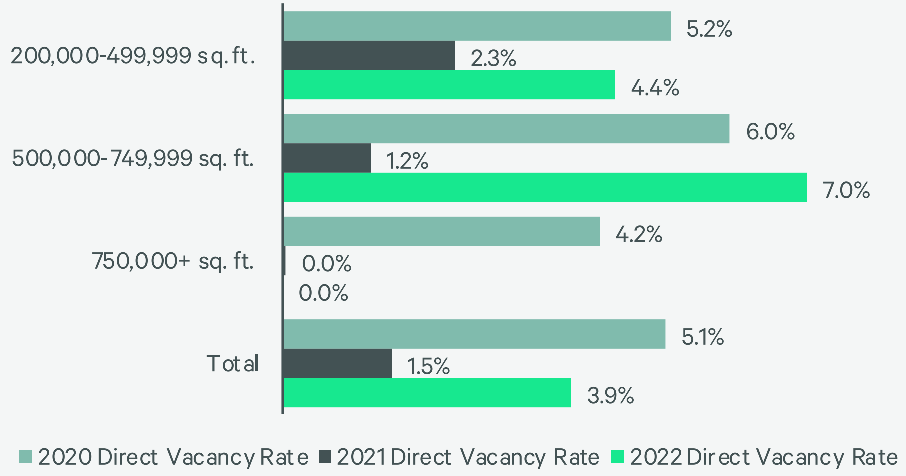
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 6: 2022 Construction Completions vs. Overall Net Absorption by Size Range



Source: CBRE Research, 2022.

Figure 7: Direct Vacancy Rate by Size Range



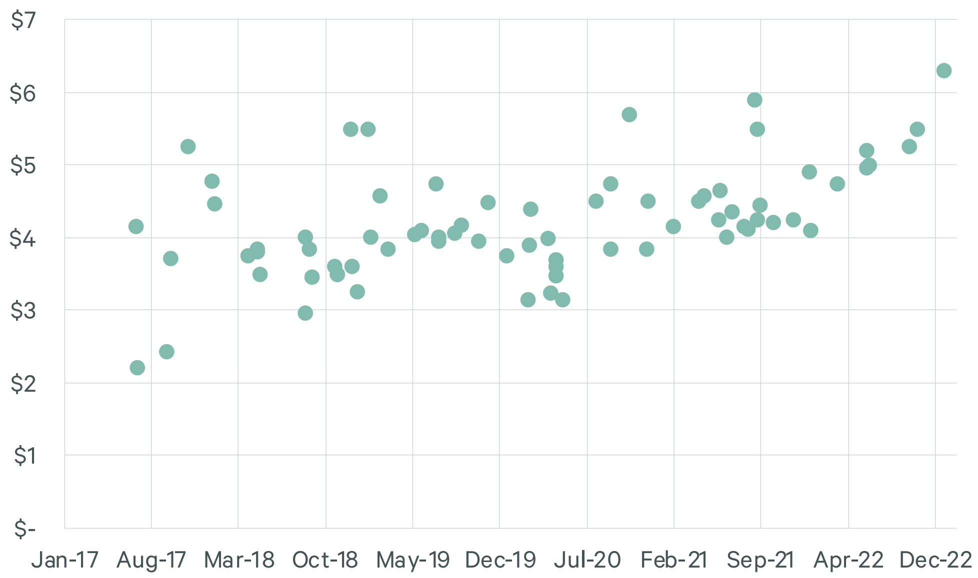
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	3,696,583	53.0%
500,000-749,999 sq. ft.	711,975	0.0%
750,000+ sq. ft.	2,074,886	0.0%
Total	6,483,444	30.2%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

15

Memphis

Menu

"Memphis remains a popular choice for major corporations seeking to launch mega-distribution centers. The region has seen the U.S.'s top 10 largest transactions for three of the last four years. We expect 2023 will be another banner year for Memphis regarding big-box real estate. There is ample, cost-efficient supply available compared to other top-tier markets."

Patrick Walton
CBRE Senior Vice President

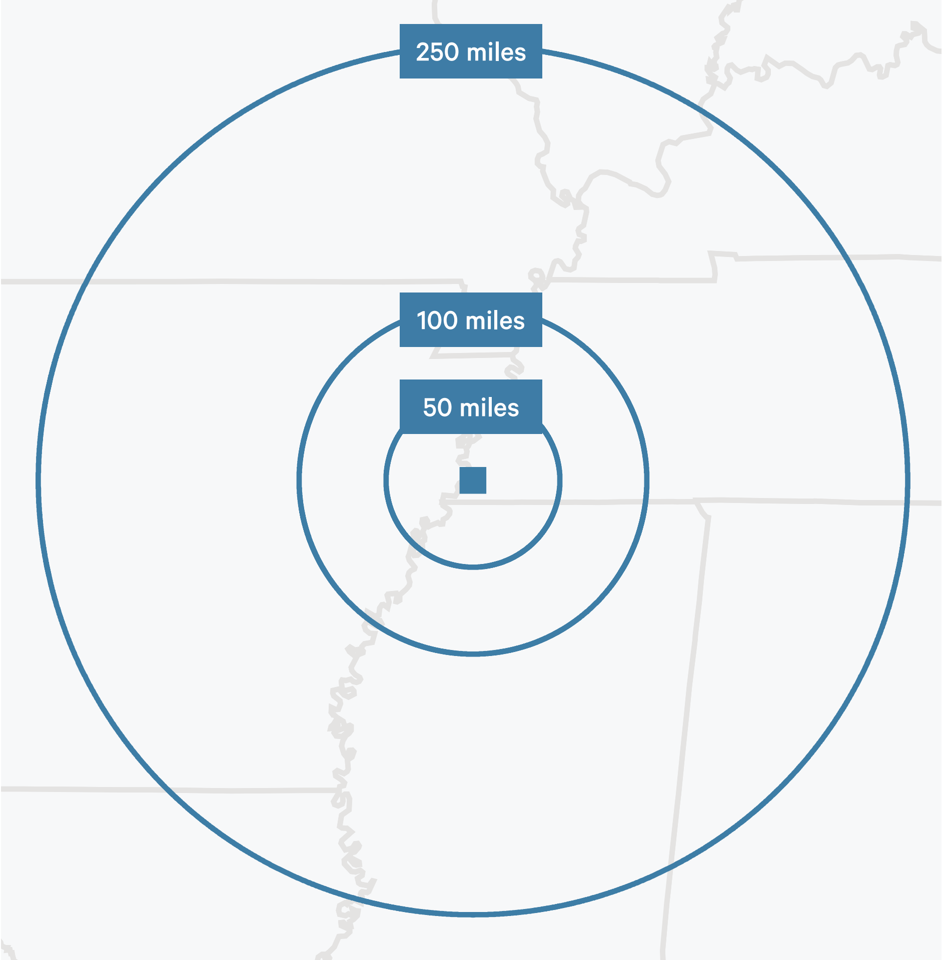
Demographics

Memphis has over 1.4 million people within 50 miles of its core, and 23.4% are aged 18-34. There are 17 million sq. ft. and 7 million households within a 250-mile radius, with a projected 1% five-year population growth rate.

Figure 1: Memphis Population Analysis

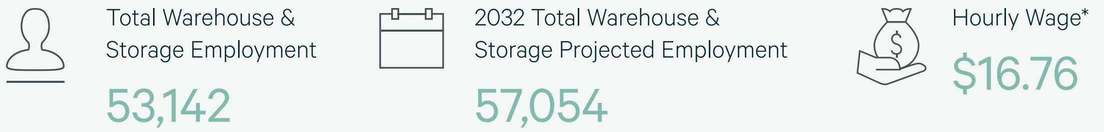
Distance from Downtown Memphis	2022 Total Population	5 Year Growth Outlook
50 miles	1,442,971	0.0%
100 miles	2,607,130	-0.2%
250 miles	17,364,241	1.0%

Source: CBRE Location Intelligence, Q4 2022.



The local warehouse labor force of just over 53,000 is expected to grow by 7.4% by 2032, according to CBRE Labor Analytics. The average wage for non-supervisory employees is $16.76 per hour, 1% below the U.S. average.

Figure 2: Memphis Warehouse & Storage Labor Fundamentals



Source: CBRE Labor Analytics, Q4 2022.
*Median wage (1 year experience); non-supervisory warehouse material handlers.

Location Incentives

Over the past five years, there have been 139 publicly economic incentives deals totaling over $505 million for an average of $28,192 per new job in metro Memphis, according to Wavteq.

CBRE's Location Incentives Group reports that top incentive programs in Tennessee include the Job Tax Credit, offering a one-time corporate income tax credit to business that create at least 25 new jobs within three years and make a minimum capital investment of $500,000. The tax credit may offset up to 50% of franchise and excise taxes. Any unused credits may be carried forward for up to 15 years.

Among the top incentive programs in neighboring Mississippi is the Advantage Jobs Incentive Program, offering a rebate for 90% of Mississippi payroll taxes withheld to businesses that create at least 25 new high-quality jobs in the state. To qualify, the new jobs must pay at least 110% of the state or county average wage.

Figure 3: Memphis Top Incentive Programs

Program (Tennessee)	Descripton
Job Tax Credit	Tax credit equal to $4,500 to $9,000 per new job
Sales Tax Exemptions	Discretionary sales tax exemption for HQ facilities, manufacturing, and data centers
Deal Closing Fund / Job Training Grant	Discretionary cash grant / discretionary job training grant
Property tax abatements	Discretionary abatement of real estate and personal property taxes

Program (Mississippi)	Descripton
Advantage Jobs Incentive Program	Rebate up to 4% of applicable wages; Cannot receive more than 90% of actual income tax withheld
Sales Tax Exemptions	Discretionary sales tax exemption for manufacturing and data centers
National or Regional Headquarters Credit	Tax credit between $500 and $2,000 per worker, per year, for a 5-year period
Mississippi Workforce Education Program	Job training grant
Property Tax Abatements	Discretionary abatement of real estate and personal property taxes

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

Memphis is one of North America's most logistics-friendly markets. The region has an integrated transportation system of highways, rail mainlines, river ports and the world's second-busiest cargo airport. More than 27,000 companies have operations in Memphis, including over 400 trucking companies.

Memphis is one of only four U.S. cities served by five Class I railroads. Single-system shipment is available to all 48 contiguous states, Alaska, Canada and Mexico. Trucks leaving Memphis can reach 35% of the U.S. population overnight and 68% in two days. I-40 runs coast-to-coast, I-55 intersects Memphis and allows direct access from Chicago to Louisiana, and I-69 connects Canada to Mexico.

The Port of Memphis is 400 river miles from St. Louis and 600 from New Orleans, where cargo can be transferred to ocean liners. The region's top logistics advantage is Memphis International Airport. Home to the world's largest FedEx hub, Memphis International is the world's second most-active air hub and by far the top in North America.

Memphis Internationl is the world's second most-active air hub and by far the top in North America.

Capital Markets

"Most investors view Memphis as a super-regional logistics hub, and the flow of new investment capital into the market remains strong. Air, ground, and rail hubs position Memphis to attract the world's leading supply chain companies. Cap rates for Class A stabilized properties expanded to the low 6% range but CBRE projects Memphis' strong investment and operating performance will continue attracting capital for existing projects and speculative development opportunities."

Frank Fallon

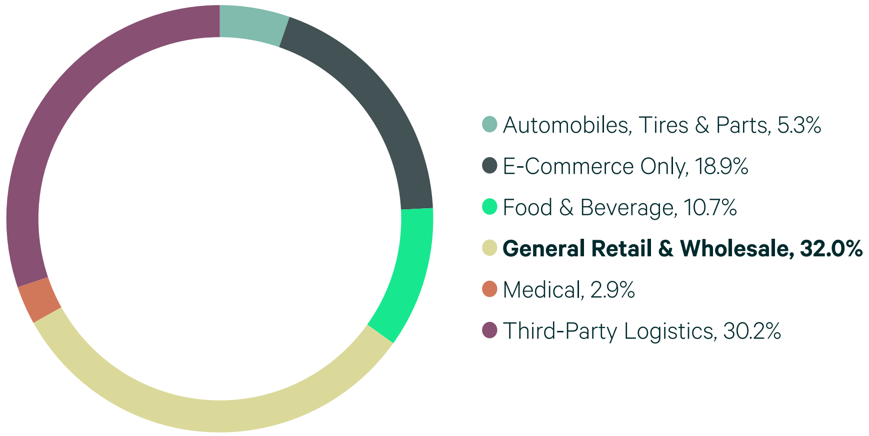
CBRE Vice Chair

Supply & Demand

Despite seeing four of 2022's largest 100 leases, a slow H2 dropped 2022 leasing activity to 9.3 million sq. ft, significantly lower than 2021's total. But net absorption was robust, at 8.9 million sq. ft., lowering the vacancy rate 50 bps to 6.2%. Lower vacancy rates created a new Memphis trend: double-digit rent growth. First-year base rents grew 32.4% to $4.59 PSF per year. Still, Memphis remains one of North America's most cost-efficient big-box markets.

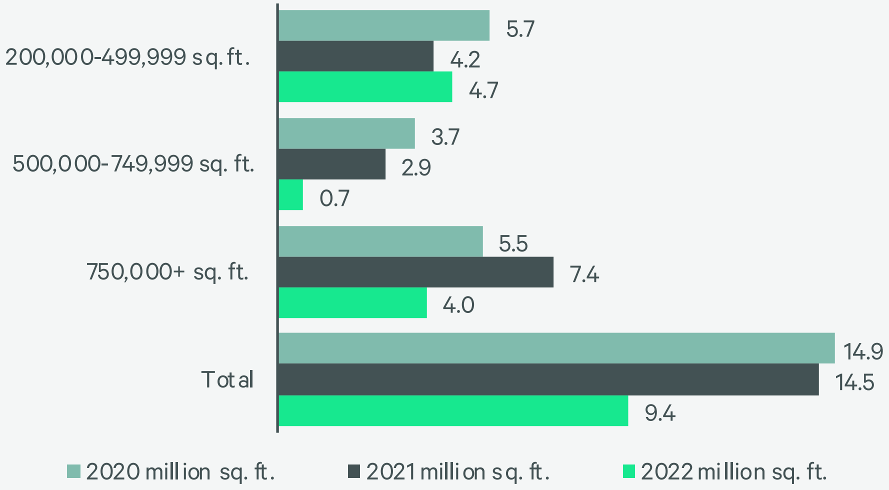
Unlike most markets, development has not accelerated in Memphis. Only 11.1 million sq. ft. was under construction by year-end, with 34% already pre-leased. This may result in lower vacancy rates, maintaining double-digit rent growth despite a possible economic downturn.

Figure 4: Share of 2022 Leasing by Occupier Type



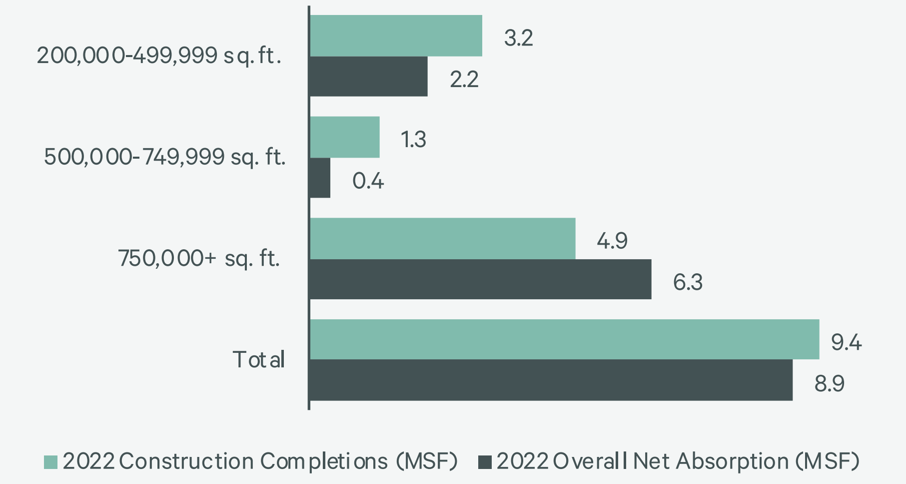
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 5: Lease Transaction Volume by Size Range



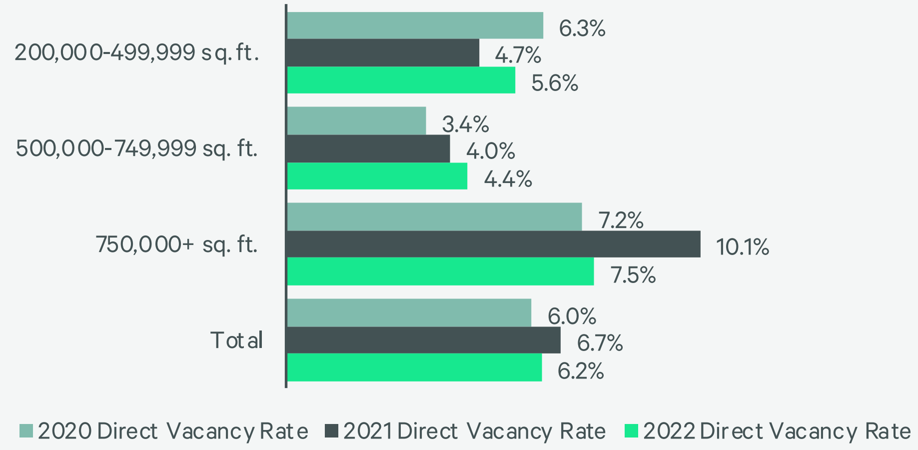
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 6: 2022 Construction Completions vs. Overall Net Absorption by Size Range



Source: CBRE Research, 2022.

Figure 7: Direct Vacancy Rate by Size Range



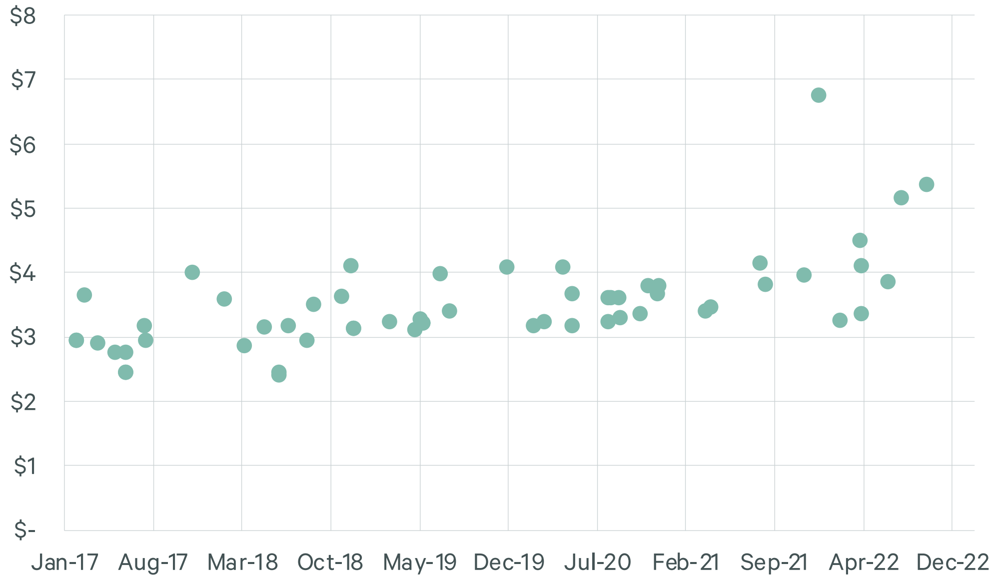
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	2,472,128	9.5%
500,000-749,999 sq. ft.	1,290,340	0.0%
750,000+ sq. ft.	7,326,938	47.9%
Total	11,089,406	33.8%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

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Mexico City

Menu

> Mexico City is opening new corridors for cargo along with the new Felipe Angeles Airport, in the heart of the metropolitan area. In 2022, 5.7 million sq. ft. were added to the inventory. The year-end vacancy rate was a historical low of 1%, led by the strong activity in the market. Leasing activity continues to accelerate. 3PLs and EV production is arriving to the city because of the metro area's high-talent labor pool. Developers continue to acquire more land in the eastern and northern part of the city.

Paco Munoz

CBRE Senior Vice President

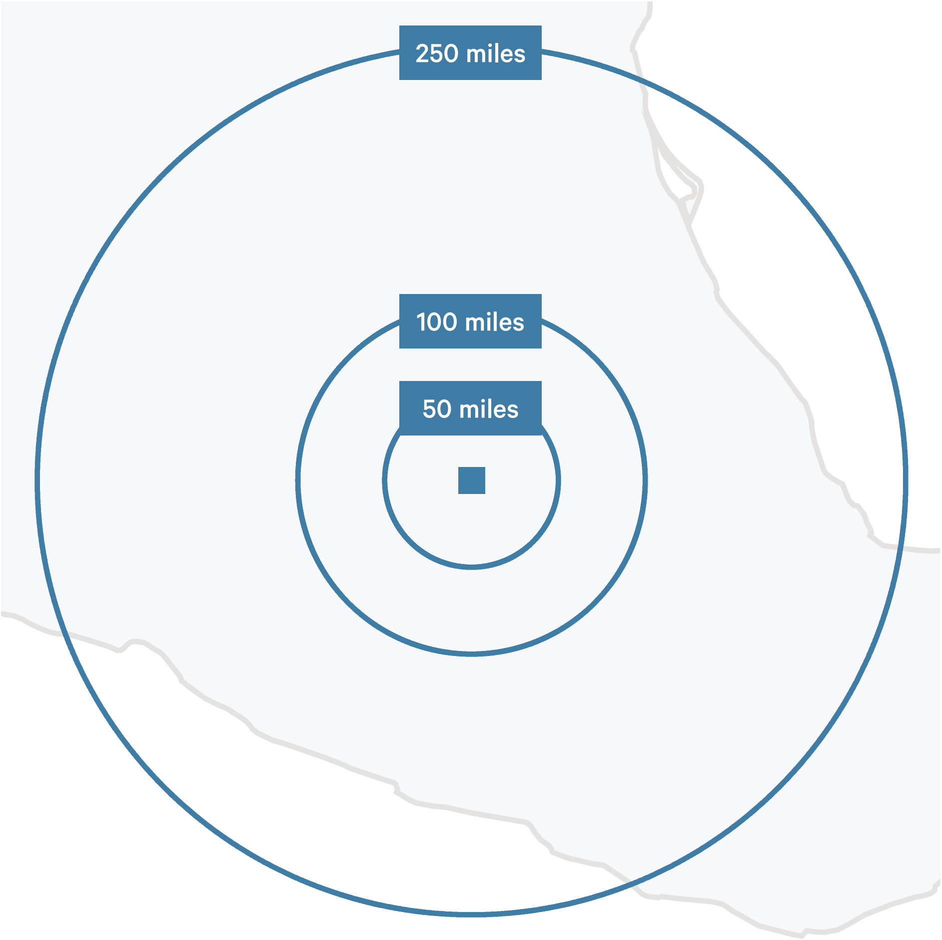
Demographics

Mexico City is the world's fourth-largest city, with a total population of 30 million within a 50-mile radius of the city's core. This is nearly 10 million people more than Northern/Central New Jersey and by far the most of any market tracked in this report. Expanded to 250 miles, a warehouse occupier can reach nearly 83 million people, including the major cities of Guadalajara, Veracruz and Puebla.

Figure 1: Mexico City Population Analysis

Distance from Mexico City Core	2022 Total Population	5-Year Historical Population Growth
50 miles	29,914,815	2.8%
100 miles	45,296,871	3.2%
250 miles	83,310,829	3.1%

Source: CBRE Mexico, INEGI, CONAPO, Q4 2022.



Mexico City's warehouse workforce totals 374,958 people and this is expected to increase by 14% by 2032. The hourly wage for a warehouse worker is only $2.79 USD.

Figure 2: Mexico City Warehouse & Storage Labor Fundamentals

Total Warehouse & Storage Employment	2032 Total Warehouse & Storage Projected Employment	Hourly Wage*
374,958	426,510	$2.79

Source: Labor Analytics Mexico, Q4 2022.
*USD.

Location Incentives

CBRE's Location Incentives Group reports that top publicly known incentives offered in Mexico City are discretionary cash incentives and tax abatements. The state government can also provide:

- Linkage with institutions such as the Institute of Ecology and Federal Electricity Commission
- Assistance from the State Employment Office in recruitment and selection of labor force
- Assistance with a provisional office for up to three months, subject to each city's availability
- Consulting to companies on federal, state and municipal procedures

Figure 3: Mexico City Top Incentive Programs

Program (Mexico)	Descripton
Cash Incentives	The State Government could offer discretionary cash incentives upfront or after the creation of a certain number of jobs. Cash Incentives can be applied to cover part of the following costs: facility adjustment expenses, land purchase, facility leasing/construction costs, electricity supply arrangements, connection fee of natural gas or LP, start-up expenses, water supply, industrial equipment & technology acquisition, support to reduce payroll tax and scholarships for training abroad.
Tax Abatement	The State Government could offer discretionary reduction of payroll tax, real estate transfer tax, and public property & commerce registration.
Training	There are several organizations that have various training resources that can be made available to a project depending on the requirement. Most training is supported by federal programs that leverage local resources.

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

Mexico City is the start of the "NAFTA Highway," running from Central Mexico towards Ciudad Juarez, along the Mexico-U.S. border. In Q2 2023, the metro area expects the first phase of its second airport to be fully operating: the Felipe Angeles, where mostly national passenger operations will occur. Mexico City is also well-connected to major Mexican ports: Veracruz, Manzanillo and Tampico, with estimated driving times from 4-7 hours.

Mexico City is the start of the "NAFTA Highway," running from Central Mexico towards Ciudad Juarez, along the Mexico-U.S. border

Capital Markets

"New local developers are entering Mexico City, particularly from the northern markets. Mexico City's increasing activity is because it is one of the three leading Mexican markets (with Monterrey and Tijuana) for high rents. More sales are expected as international institutional investors continue seeking further allocation to the logistics asset class in Mexico City."

Ernesto Rodriguez

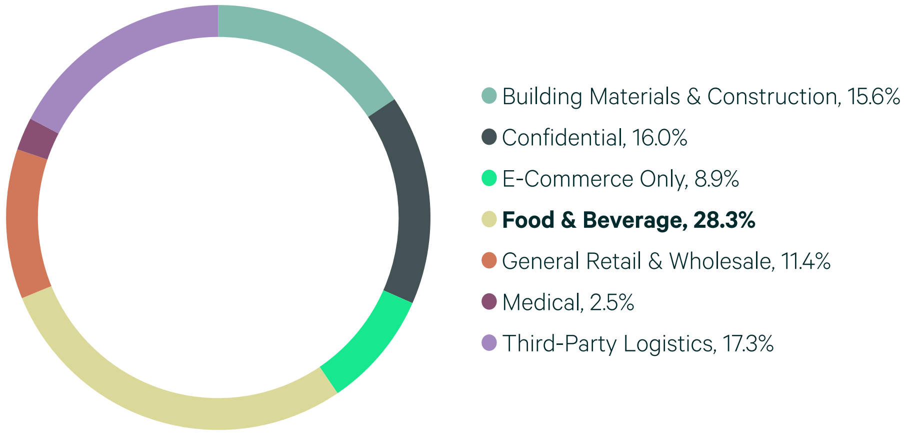
CBRE Executive Vice President

Supply & Demand

With 63 million sq. ft. of total inventory, Mexico City is Mexico's largest big-box market. Robust demand lowered the direct vacancy rate to 1% in 2022, from 1.3% in 2021, the fifth-lowest in North America. Transaction volume totaled 9 million sq. ft., 23% above the previous year. Robust leasing led to 5.9 million sq. ft. of positive net absorption. Food & beverage companies leased 28% of the space, followed by 3PLs at 17.3%.

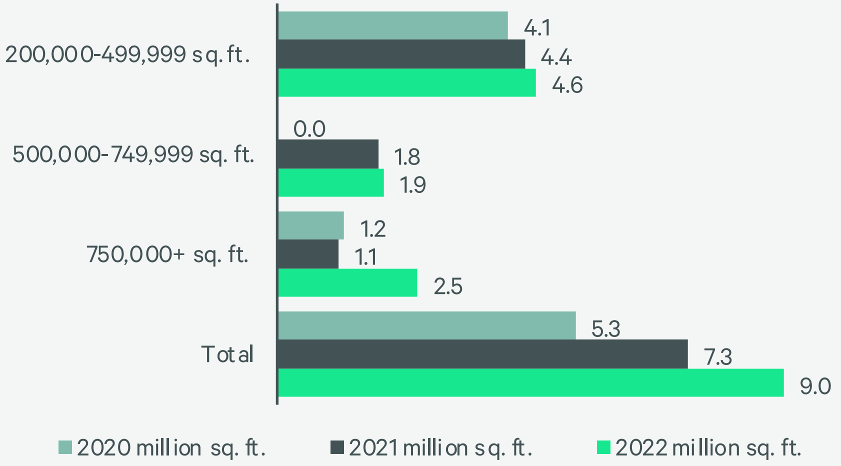
Despite a low vacancy rate, only 4.1 million sq. ft. is under construction, with 54% pre-leased. Going forward, it is key for occupiers to ensure inventory levels to support Mexico City's massive population and growing online consumption. This demand will keep vacancy rates near 1% and reliable rent growth for the foreseeable future.

Figure 4: Share of 2022 Leasing Activity by Occupier Type



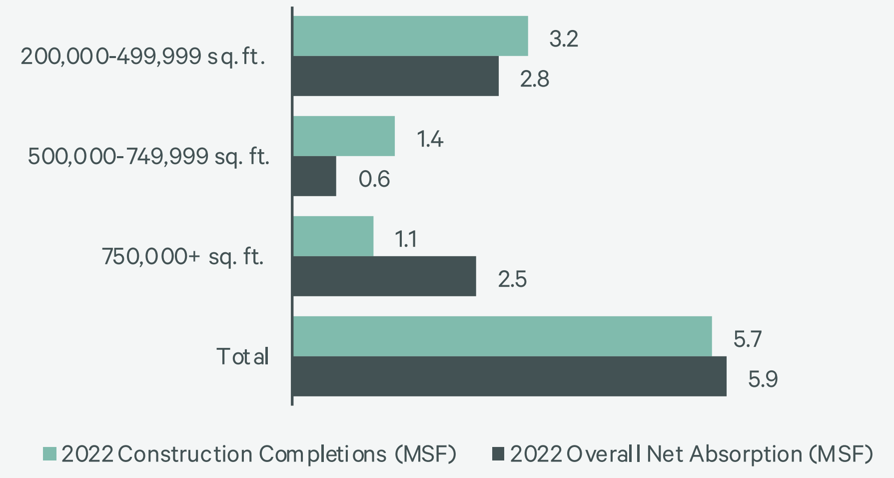
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 5: Lease Transaction Volume by Size Range



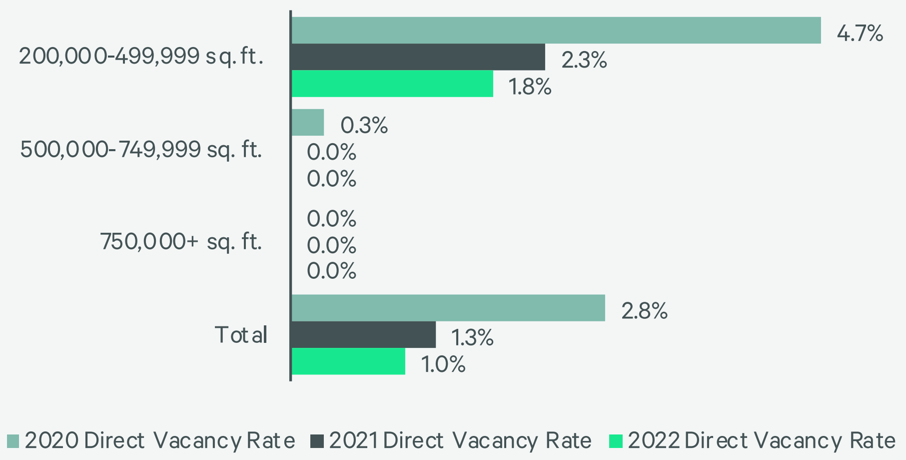
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 6: 2022 Construction Completions vs. Overall Net Absorption by Size Range



Source: CBRE Research, 2022.

Figure 7: Direct Vacancy Rate by Size Range



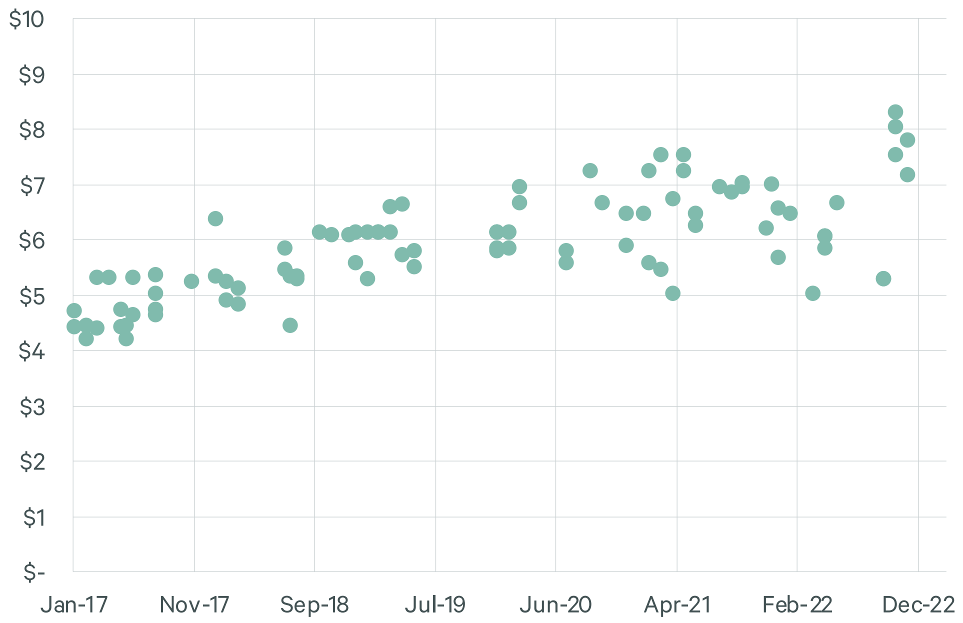
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	2,165,114	67.2%
500,000-749,999 sq. ft.	1,890,105	38.8%
750,000+ sq. ft.	0	0.0%
Total	4,055,219	54.0%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Taking rents are in $USD.
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

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Montreal

Menu

“Montreal has experienced tremendous five-year rent growth, challenging tenants seeking lease renewals. Strong demand has led to low vacancy rates “on-island” and development is welcome. 2.7 million sq. ft. of space is currently under construction, with approximately 75% located off-island. These off-island developments are within reasonable driving distance, and technology advancements (automation, racking, transportation management systems, etc.) will facilitate optimization of these options.”

Ruth Fischer

CBRE Senior Vice President and Managing Director

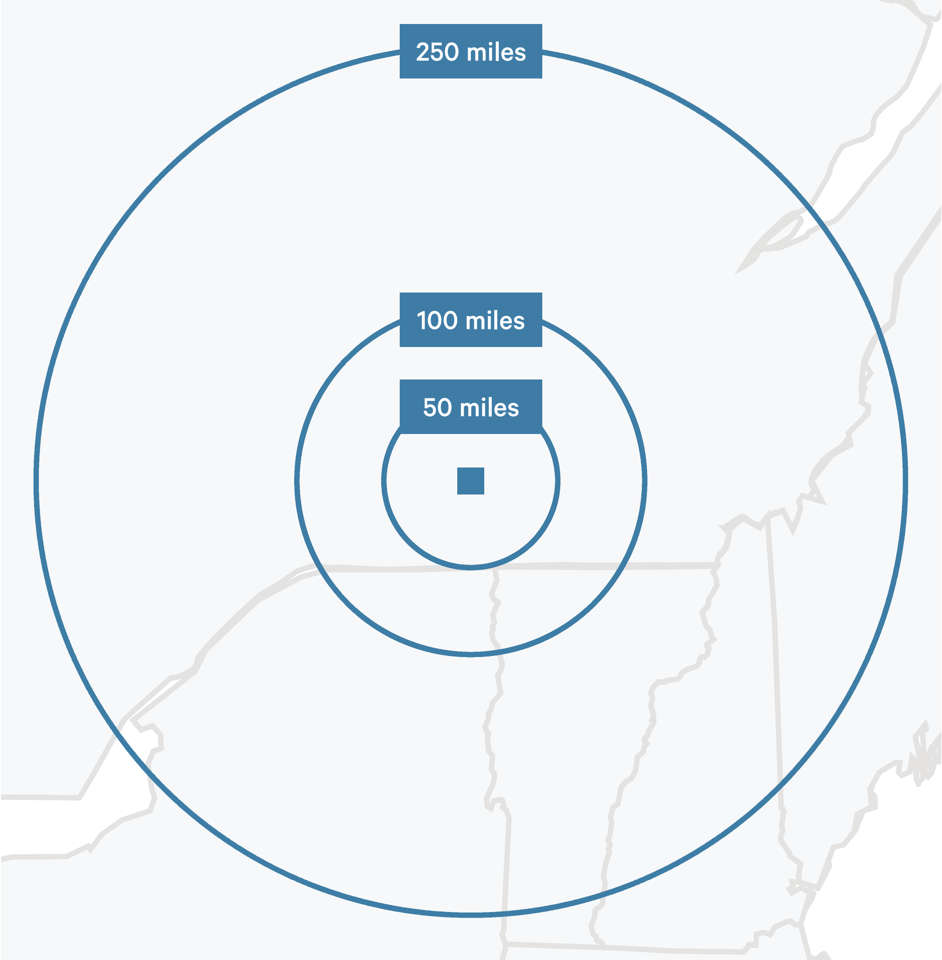
Demographics

More than 5 million people live within a 50-mile radius of the market core, with an expected five-year growth rate of 4.7%. The region can reach more than 10 million people within 250 miles, with a projected growth rate of 4.2% by 2027.

Figure 1: Montreal Population Analysis

Distance from Downtown Montreal	2022 Total Population	5 Year Growth Outlook
50 miles	5,197,594	4.7%
100 miles	6,646,384	4.4%
250 miles	10,283,916	4.2%

Source: CBRE Research, Sitewise, January 2023.



The local warehouse labor force of over 133,920 is expected to grow by 7.4% by 2032. The average hourly wage of a non-supervisory employee is C$17 (USD $12.65), the second-lowest hourly wage of any other market in this report.

Figure 2: Montreal Warehouse & Storage Labor Fundamentals

Total Warehouse & Storage Employment	2032 Total Warehouse & Storage Projected Employment	Hourly Wage (CAD)*
133,920	143,840	C$17.00

*Median Wage in Canadian Dollars; Warehouseperson occupation (NOC 7452).
Source: Statistics Canada LFS (NOCs), Conference Board of Canada, CBRE Research, January 2023.

Location Incentives

Over the past five years, there have been 82 publicly known economic incentives deals totaling over $600 million for an average of $95,376 per new job in the Montreal metropolitan area, according to Wavteq.

CBRE's Location Incentives Group reports that the extent, if any, of province and local incentives offerings for industrial projects in metro Montreal depends on location and scope of the operation.

Figure 3: Montreal Top Incentive Programs

Program (Quebec)	Descripton
Scientific Research and Experimental Development Tax Credit (SR&ED)	Refundable tax credit up to 14% of R&D activities
Tax Credit for the Acquisition of Manufacturing and Processing Equipment	Tax credit for manufacturing and processing equipment ranging from 4% to 24% depending on project location
Tax Credit for Quebec Maritime Regions	Refundable tax credits for 15% to 30% of payroll
Tax Credit for International Financial Centers	Refundable tax credits up to $16,000 per new job for international financial centers in Montreal
Industrial Research Assistance Program (IRAP)	Grants for small to medium-sized businesses ranging from 50% to 80% of labor costs for research-related projects
Financing of Refundable Tax Credits	Loans up to 100% of future anticipated refundable tax credits
Major Investment Projects	15-year tax holiday for companies that invest at least $100 million

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

The Port of Montreal provides the market with a direct route to the Atlantic Ocean via the St. Lawrence River. This international year-round port handles cargo from over 100 markets in Europe, central Canada, and the U.S.'s Midwest and Northeast. The port processes over 18 million metric tons of cargo annually, and provides the shortest route between North America and Europe. With its own rail line connecting to Canada's two largest railroads, Canadian National and Canadian Pacific, the port provides direct logistical access throughout North America.

Originating in Montreal, the St. Lawrence Seaway provides sea-bearing container ships from the Atlantic Ocean access to Lake Ontario and the upper Great Lakes. This series of locks, canals and channels extends from Montreal to Lake Erie. A series of approximately 40 on/off ramps along the way provide ample connectivity to the highways and railways of North America.

The Port of Montreal processes over 18 million metric tons of cargo annually, and provides the shortest route between North America and Europe.

Capital Markets

“Despite the rapid rise of interest rates, investor demand remains strong for the industrial asset class. It is our expectation that investor appetite will grow as the year progresses, due to the sector's strong performance and limited alternatives across other asset classes. The higher cost of capital will further constrain new supply and be an additional catalyst for rental growth. The industrial sector is forecasted to be Montreal's best-performing asset class in 2023.”

Scott Speirs

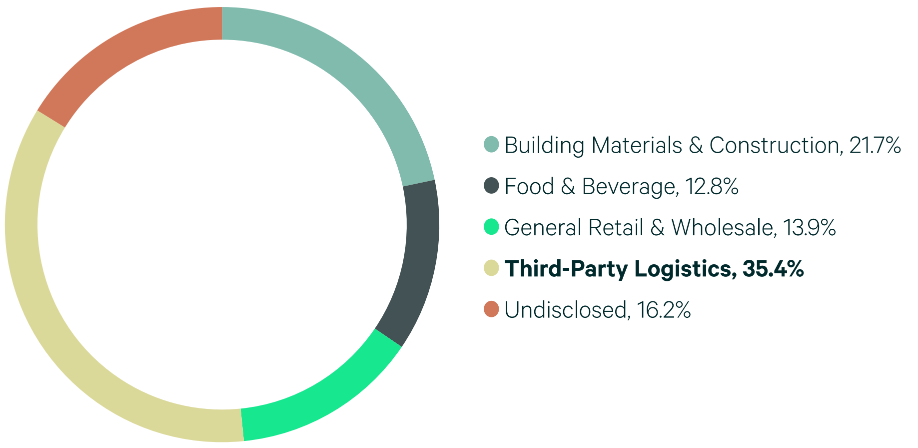
CBRE Vice Chair, National Investment Team

Supply & Demand

With 77.6 million sq. ft. of total inventory, Montreal is Canada's second-largest big-box market. Like Toronto, the market is land-constrained and has a vacancy rate of just 1.3%, the sixth-lowest of any market in this report. Despite low vacancy rates, transaction volume doubled to 5.7 million sq. ft., increasing net absorption to 2.1 million sq. ft., double 2021's total. Robust leasing and low vacancies created record-breaking rent growth of 52.7%, the second-highest in North America.

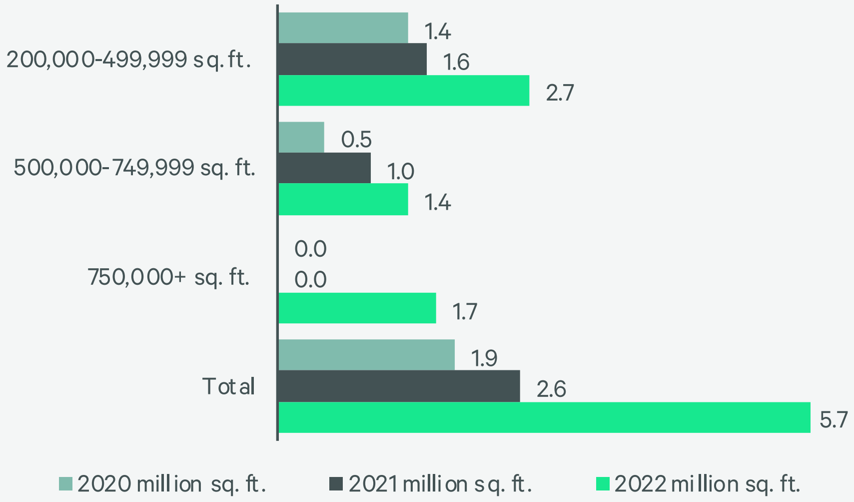
Occupiers focused on supply chain resiliency will keep demand strong near seaport markets like Montreal. With only 2.7 million sq. ft. under construction, vacancy rates will stay under 2% this year, further pressuring on taking rents in upcoming quarters.

Figure 4: Share of 2022 Leasing by Occupier Type



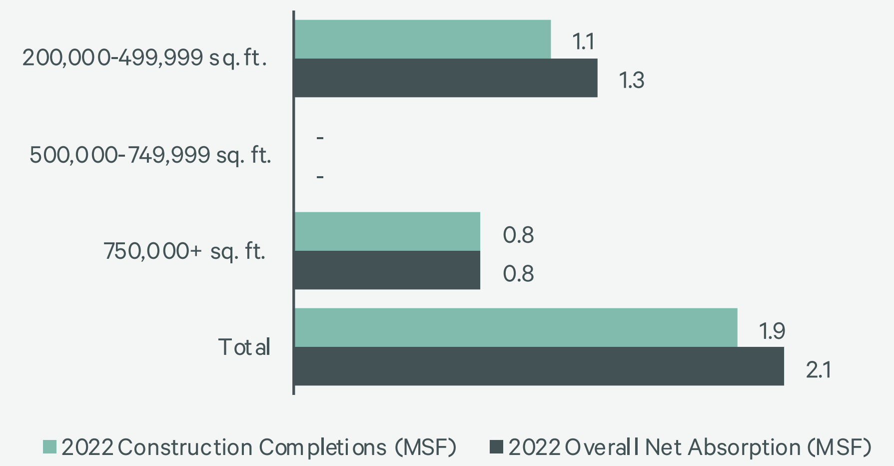
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 5: Lease Transaction Volume by Size Range



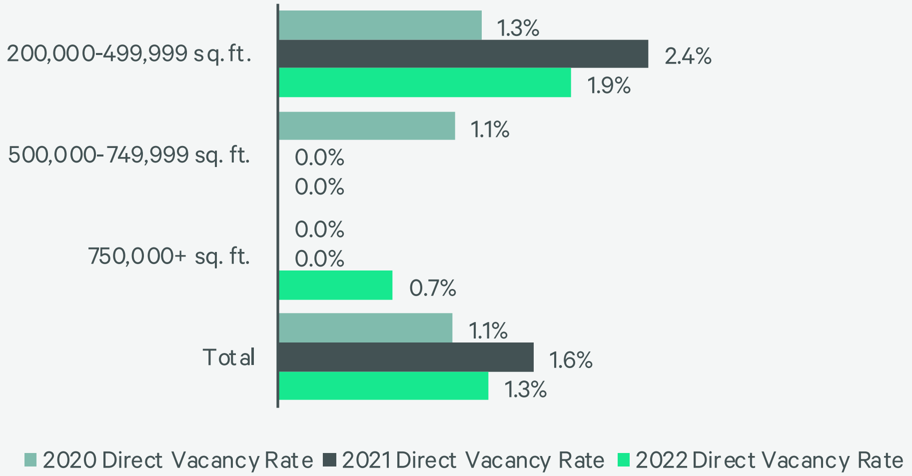
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 6: 2022 Construction Completions vs. Overall Net Absorption by Size Range



Source: CBRE Research, 2022.

Figure 7: Direct Vacancy Rate by Size Range



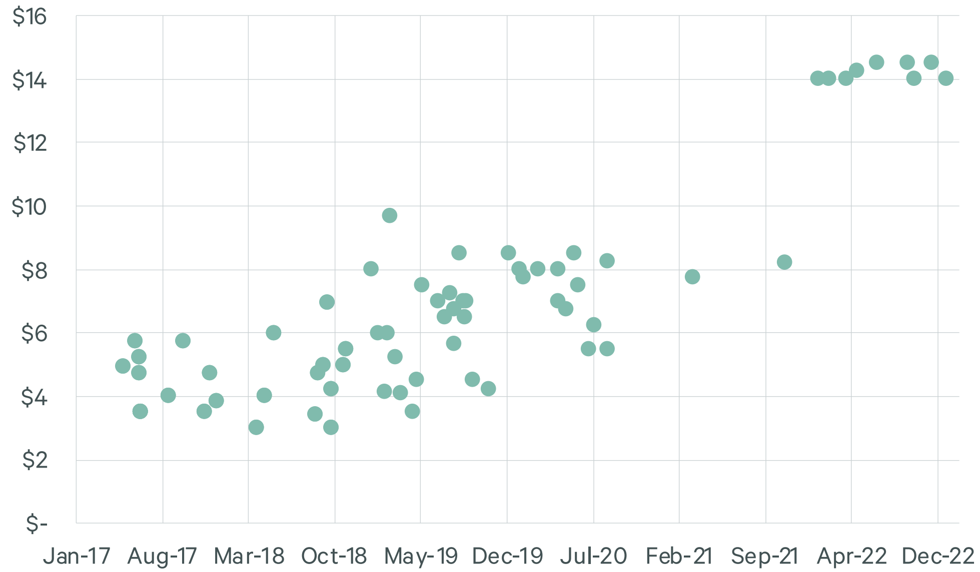
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	1,083,869	12.3%
500,000-749,999 sq. ft.	500,000	0.0%
750,000+ sq. ft.	1,082,313	100.0%
Total	2,666,182	61.3%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Note: Taking Rents are in $CAD
Source: CBRE Research, 2022.

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Nashville

Menu

> Nashville continues to be a top big-box market due to its logistically prime location within a two-day truck drive of 72% of the U.S. population. It also has a pro-business climate, no state income tax and a diverse talent pool. Big-box demand has compressed Nashville's vacancy rate, driving rent growth and continued development demand. Despite the macroeconomic climate, more tenants are seeking larger spaces, which favors big-box product. We anticipate a continued robust development pipeline and healthy absorption numbers, as investors and occupiers continue seeking prime industrial opportunities.

Jack Armstrong
CBRE Senior Associate

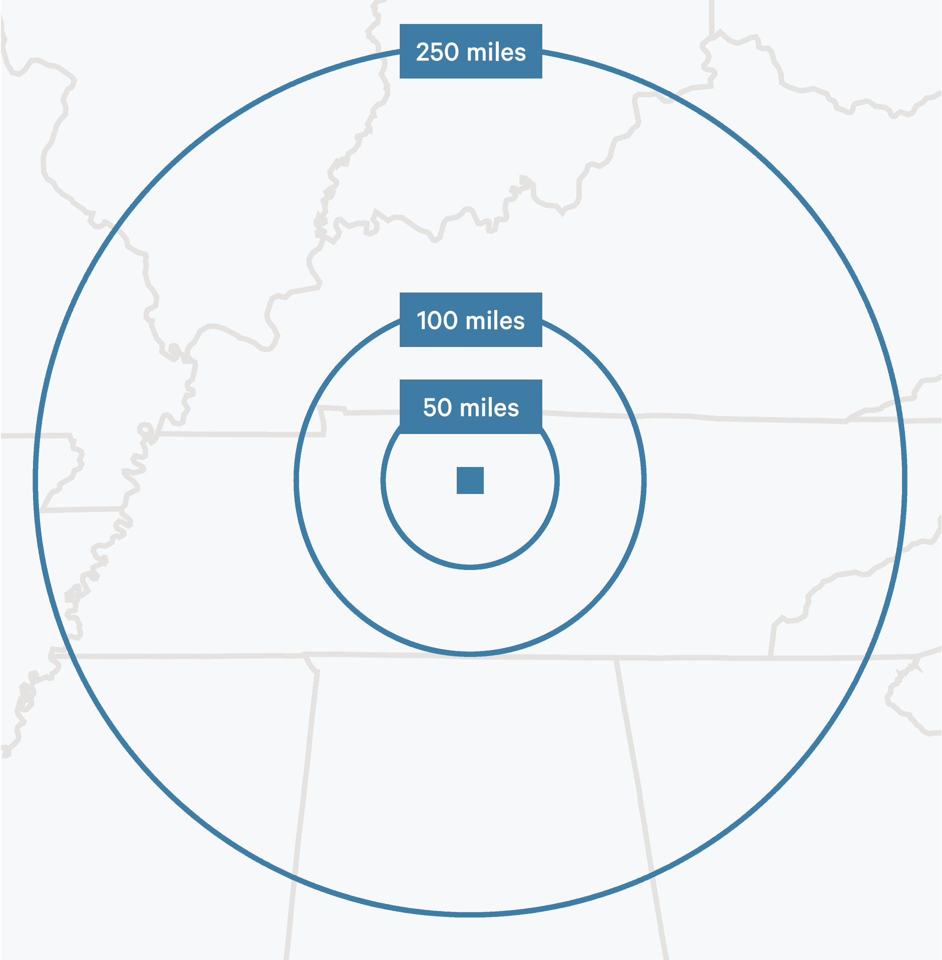
Demographics

Just over 2.4 million people live within 50 miles of Nashville's core, with a projected five-year growth rate of 5.8%, the most for any market in this report. 29 million people are in a 250-mile radius, more than Houston, St. Louis and Memphis.

Figure 1: Nashville Population Analysis

Distance from Downtown Nashville	2022 Total Population	5 Year Growth Outlook
50 miles	2,443,439	5.8%
100 miles	4,150,675	4.2%
250 miles	28,990,464	1.7%

Source: CBRE Location Intelligence, Q4 2022.



According to CBRE Labor Analytics, the local warehouse labor force of 46,966 is expected to grow by 15.9% by 2032, the fourth largest for any market on this report. The average wage for a non-supervisory warehouse worker is $17.03 per hour, 1% above the national average.

Figure 2: Nashville Warehouse & Storage Labor Fundamentals

Total Warehouse & Storage Employment	2032 Total Warehouse & Storage Projected Employment	Hourly Wage*
46,966	54,418	$17.03

Source: CBRE Labor Analytics, Q4 2022.
*Median wage (1 year experience); non-supervisory warehouse material handlers.

Location Incentives

Over the past five years, there have been 117 publicly known economic incentives deals totaling over $374 million for an average of $10,880 per new job in metro Nashville, according to Wavteq.

CBRE's Location Incentives Group reports that top incentive programs in Tennessee include the Job Tax Credit, offering a one-time corporate income tax credit to businesses that create at least 25 new jobs within three years and make a $500,000 minimum capital investment. The tax credit may offset up to 50% of franchise and excise taxes. Any unused credits may be carried forward for up to 15 years.

Figure 3: Nashville Top Incentive Programs

Program (Tennessee)	Descripton
Job Tax Credit	Tax credit equal to $4,500 to $9,000 per new job
Sales Tax Exemptions	Discretionary sales tax exemption for HQ facilities, manufacturing, and data centers
Deal Closing Fund / Job Training Grant	Discretionary cash grant / discretionary job training grant
Property tax abatements	Discretionary abatement of real estate and personal property taxes

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

Nashville's central location places it within two-day ground delivery of 72% of the U.S. population. It is one of six U.S. cities with three major intersecting interstate highways, creating competitive and affordable transportation costs that attract top global logistics and distribution firms. With a $1.4 billion expansion project underway, Nashville International Airport continues growing its cargo-handling capabilities and has six air carriers, including FedEx, servicing the market.

Nashville's central location places it within two-day ground delivery of 72% of the U.S. population.

Capital Markets

"Nashville remains a top Southeastern growth market, aided by population growth and low vacancy. The city's stabilized cap rates are very close to U.S. Tier I markets."

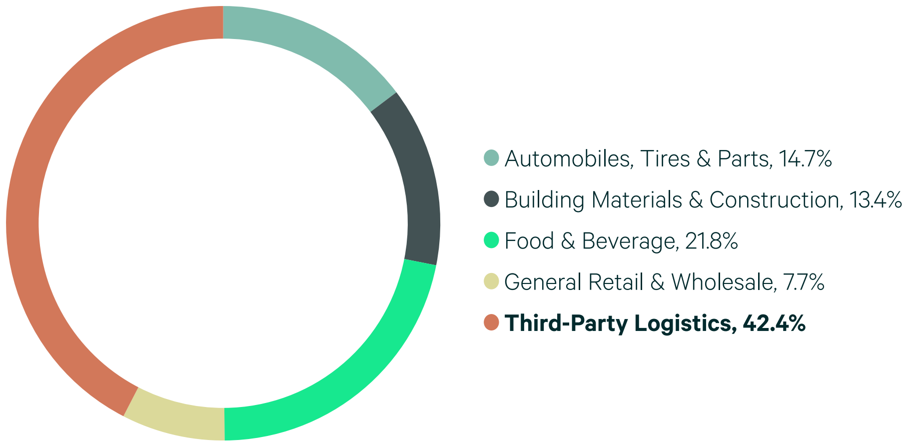
Frank Fallon
CBRE Vice Chair

Supply & Demand

Nashville continues to experience strong big-box fundamentals due to its central location and population growth. Leasing activity finished the year at 6.9 million sq. ft. While below 2021's record level, this was nearly double 2020's total. Net absorption hit a record in 2022 at 6 million sq. ft., helping vacancy rates stay below 3% for the third consecutive year, at 2.5%. 3PLs accounted for 42.4% of total leases.

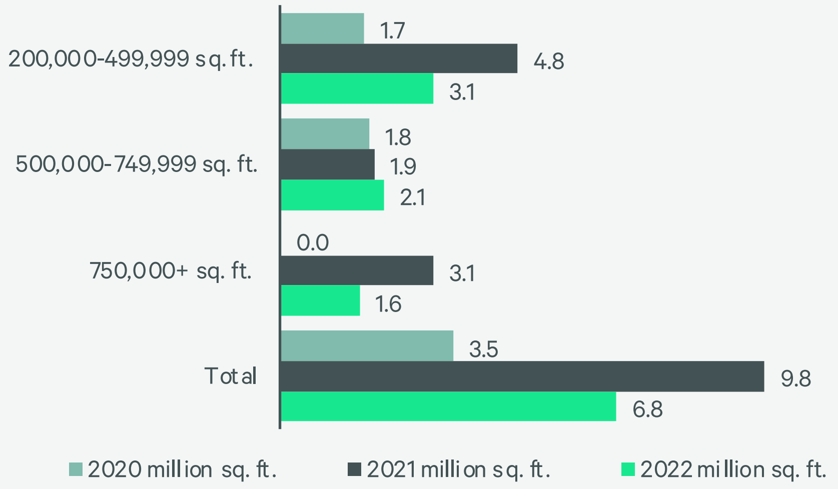
7.7 million sq. ft. was under construction by year's end, with 23.3% pre-leased. Construction volume is twice that of existing space. This could increase vacancies if lease transactions decline in 2023. Given the region's benefits, CBRE projects continued occupier demand despite an economic slowdown.

Figure 4: Share of 2022 Leasing by Occupier Type



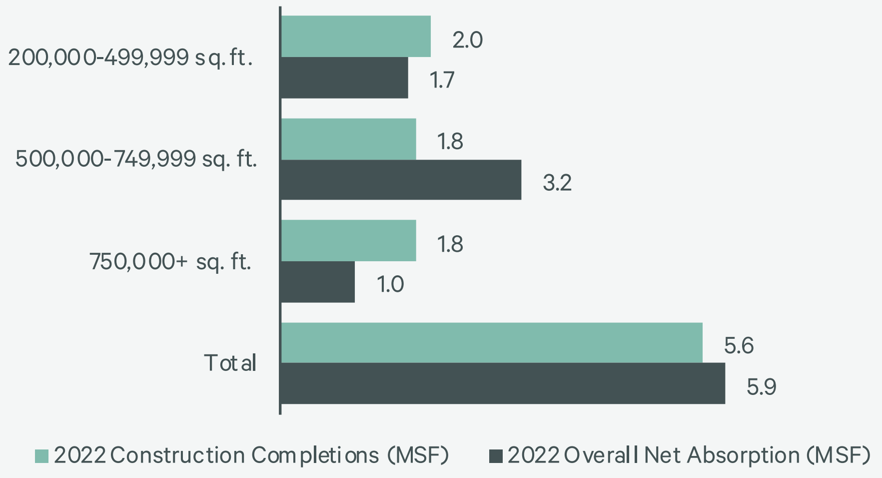
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 5: Lease Transaction Volume by Size Range



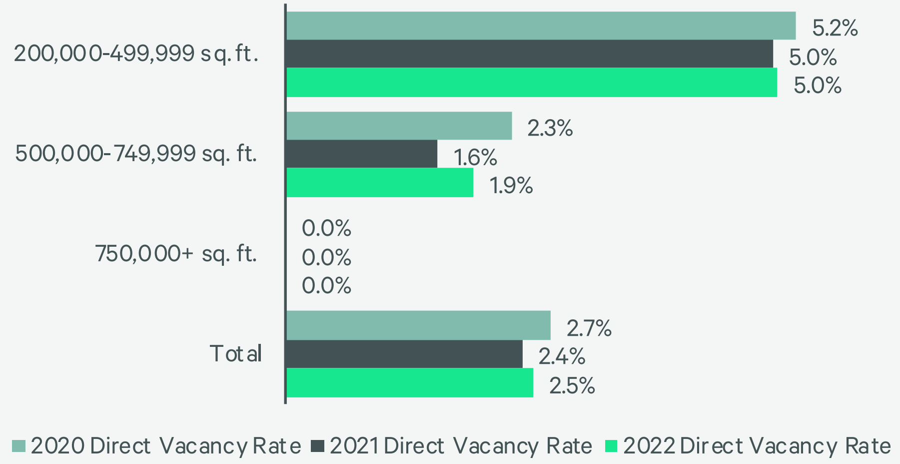
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 6: 2022 Construction Completions vs. Overall Net Absorption by Size Range



Source: CBRE Research, 2022.

Figure 7: Direct Vacancy Rate by Size Range



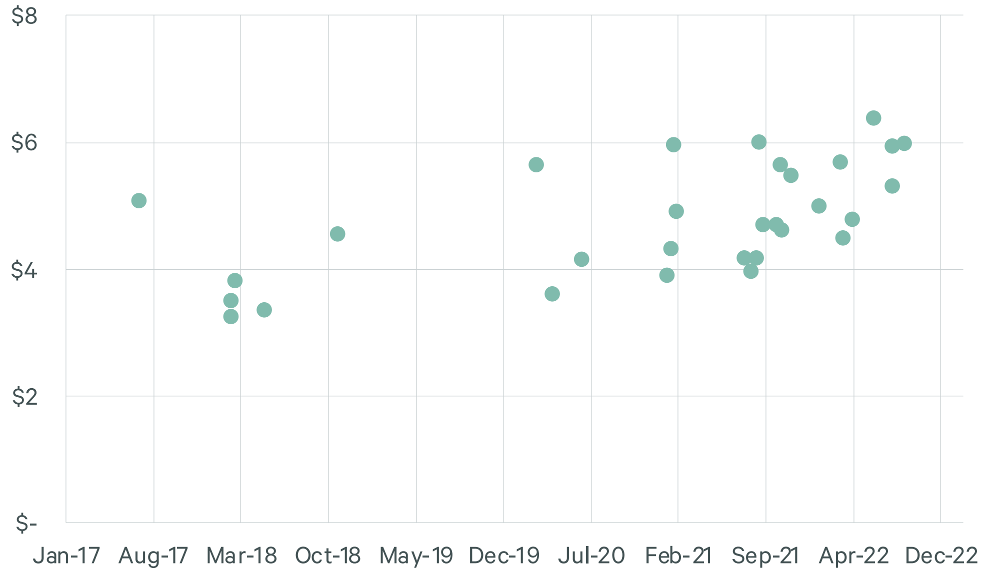
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	4,780,908	16.7%
500,000-749,999 sq. ft.	1,890,722	0.0%
750,000+ sq. ft.	981,568	100.0%
Total	7,653,198	23.3%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

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Northern/Central New Jersey

Menu

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Northern/Central New Jersey continues to lead the nation with the most active seaport on the East Coast. As economic conditions are stressed throughout the region, the New Jersey industrial market remains resilient. A lack of new supply, restricted land availability, and rising interest rates continue to drive low vacancy and rising rents. Big-box demand is still growing but becoming more balanced with supply. As market rents start easing from rapid growth, owners are prioritizing occupiers with strong balance sheets and long-term needs.

Jeffrey Hipschman

CBRE Senior Managing Director / NE Industrial & Logistics Leader

"

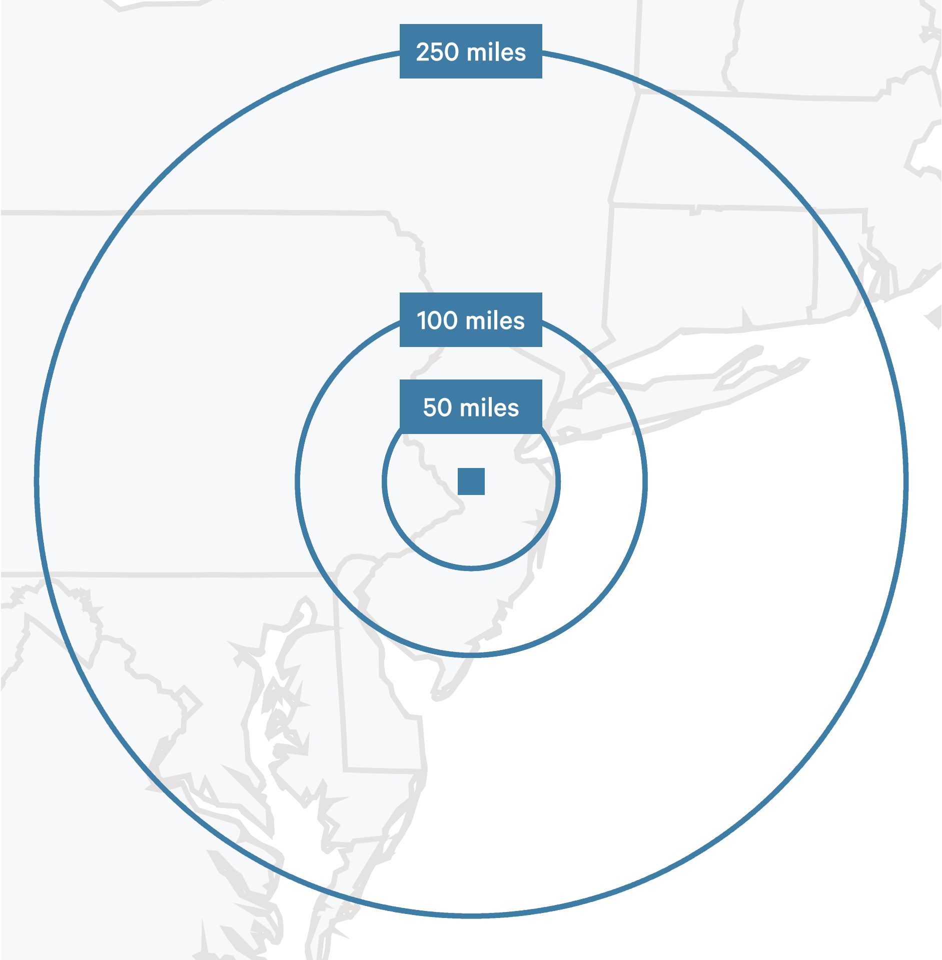
Demographics

The Northern/Central New Jersey market serves the largest population in the U.S. within 50-, 100- and 250-mile radius areas. While the population within 50 miles of the core is projected to decline by 0.9% over five years, it will remain the largest. Warehouse occupancy demand will continue.

Figure 1: Northern/Central New Jersey Population Analysis

Distance from Northern/ Central NJ Market Core	2022 Total Population	5 Year Growth Outlook
50 miles	17,941,332	-0.9%
100 miles	31,711,526	-0.7%
250 miles	63,039,314	-0.2%

Source: CBRE Location Intelligence, Q4 2022.



The region has 215,914 warehouse workers—the most in North America, according to [CBRE Labor Analytics](). This workforce is expected to grow by 4.7% by 2032. Because of robust labor demand, the average non-supervisory warehouse worker wage is $19.80 per hour—17% above the national average.

Figure 2: Northern/Central New Jersey Warehouse & Storage Labor Fundamentals

Total Warehouse & Storage Employment	2032 Total Warehouse & Storage Projected Employment	Hourly Wage*
251,914	263,793	$19.80

Source: CBRE Labor Analytics, Q4 2022.
*Median wage (1 year experience); non-supervisory warehouse material handlers.

Location Incentives

CBRE's Location Incentives Group reports New Jersey state enacted legislation under the Economic Recovery Act of 2020 that replaces the Grow NJ program. Grow NJ sunsets March 1, 2027. This program provides state corporate income tax credits for new and retained jobs for up to seven years under the following conditions:

- Tax credits can be used, sold or transferred for at least 85% of value. A business may sell the credits for 90% of value to the New Jersey Treasury, rather than to a third party.
- Legislation now requires a letter of support from the subject municipality and a public hearing for approval.
- Among additional program requirements, target industries must create at least 25 net new full-time jobs, and non-targeted industries must create at least 35 net new full-time jobs. Projects in qualified areas must retain 500+ full-time jobs, and projects in non-qualified areas must retain 1,000+ full-time jobs.
- At least $60 per square foot must be spent on new construction, while at least $20 per square foot must be spent on existing warehousing, logistics, industrial or R&D facilities.

Local municipalities may offer further tax abatement and tax increment financing for selected specialized projects.

Figure 3: Northern/Central New Jersey Top Incentive Programs

Program (New Jersey)	Descripton
Emerge Program	State corporate income tax credits for new and retained jobs for up to 7 years

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

The Port Authority of New York and New Jersey is the East Coast's busiest and second most-active seaport in the U.S., with infrastructure to move cargo by air, land, rail and sea. The port had a strong 2022 with total TEU volume increasing 5.6%, as many importers shifted cargo to diversify sourcing and avoid delays at the Southern California ports. The port has direct access to over 28 million consumers.

Five airports have direct cargo lines to the port, including John F. Kennedy, Newark Liberty, LaGuardia, New York Stewart and Teterboro. Numerous bridges and tunnels near the port provide access to the tri-state area and beyond.

The Port Authority of New York and New Jersey is the East Coast's busiest and second most-active seaport in the U.S., with infrastructure to move cargo by air, land, rail and sea.

Capital Markets

"Regardless of recent macroeconomic concerns, investor demand and market fundamentals in Northern/ Central New Jersey remains very strong. Low vacancy rates and 30% year-over-year rental rate growth have counterbalanced the increasing cost of capital. Extremely low supply of functional Class A and B space and severe barriers to entry for new development will keep consistent upward pressure on rental rates and annual escalations. Although pricing has waned from its H1 2022 peak, CBRE projects it will rise through 2023.

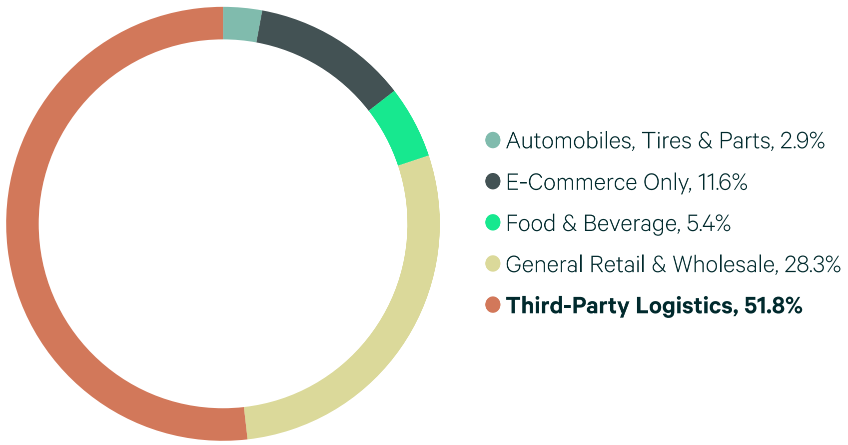
Brian Fiumara
CBRE Vice Chair"

Supply & Demand

Northern/Central New Jersey is the fourth-largest North American industrial market, with 368 million sq. ft. of total inventory. There was nearly 19 million sq. ft. of transactions in 2022, below 2021's record pace but 36% above 2020. Developers completed over 9 million sq. ft. of new facilities in 2022, increasing the direct vacancy rate to 2.4%. There is currently nearly 10 million sq. ft. under construction, with 22% pre-leased.

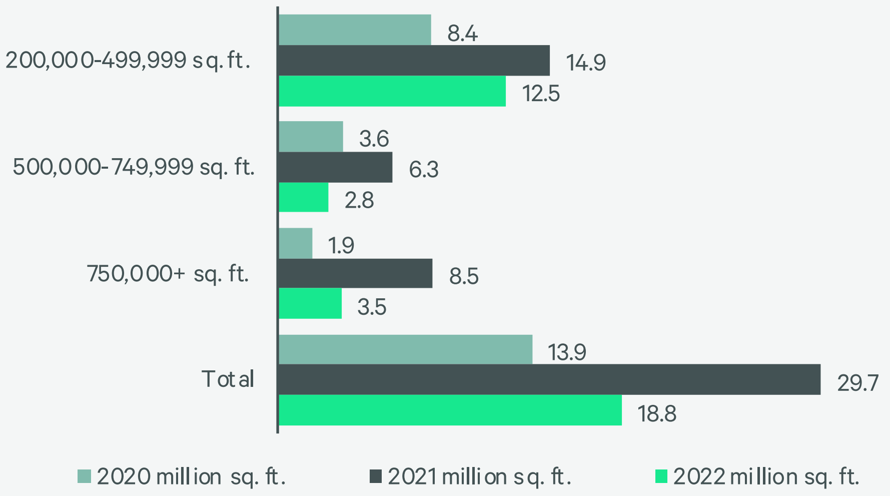
Robust transaction volume and low vacancy rates drove up first-year base rents by 36.2% through 2022, to a record $14.99 PSF per year. 3PLs were the year's most active sector, accounting for over half 2022 leasing. CBRE projects demand will remain strong through 2023, given the shift of imports to the East Coast and the market's large population.

Figure 4: Share of 2022 Leasing by Occupier Type



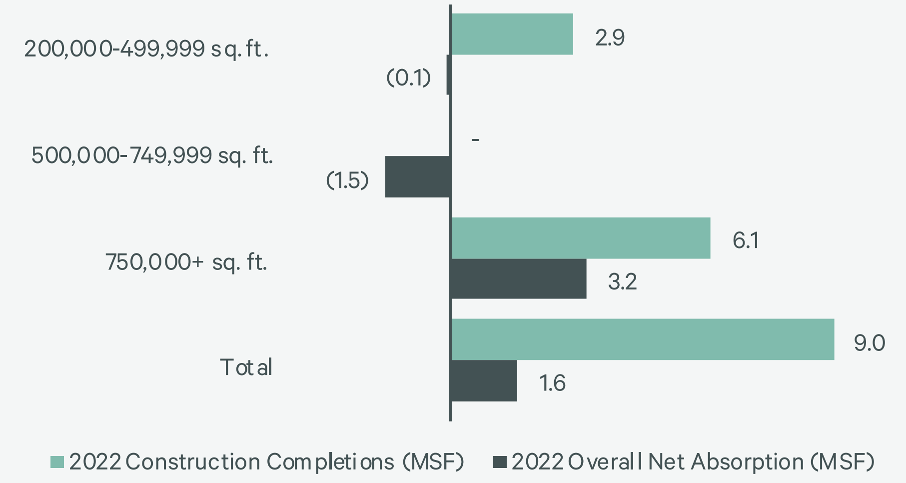
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 5: Lease Transaction Volume by Size Range



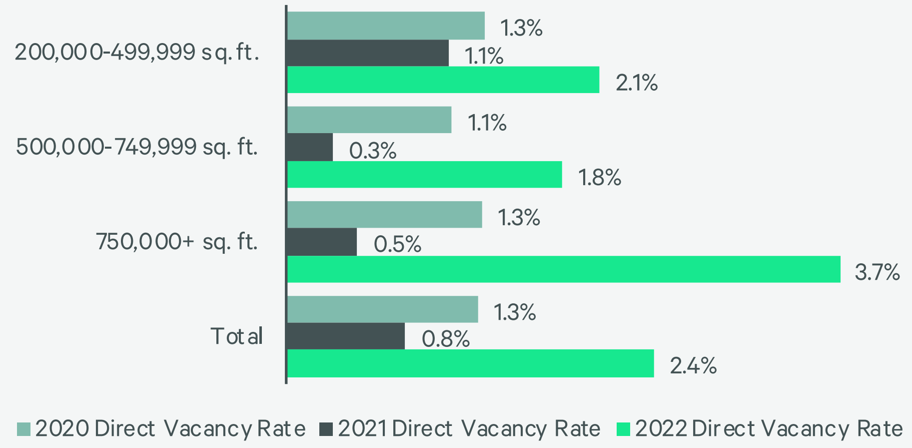
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 6: 2022 Construction Completions vs. Overall Net Absorption by Size Range



Source: CBRE Research, 2022.

Figure 7: Direct Vacancy Rate by Size Range



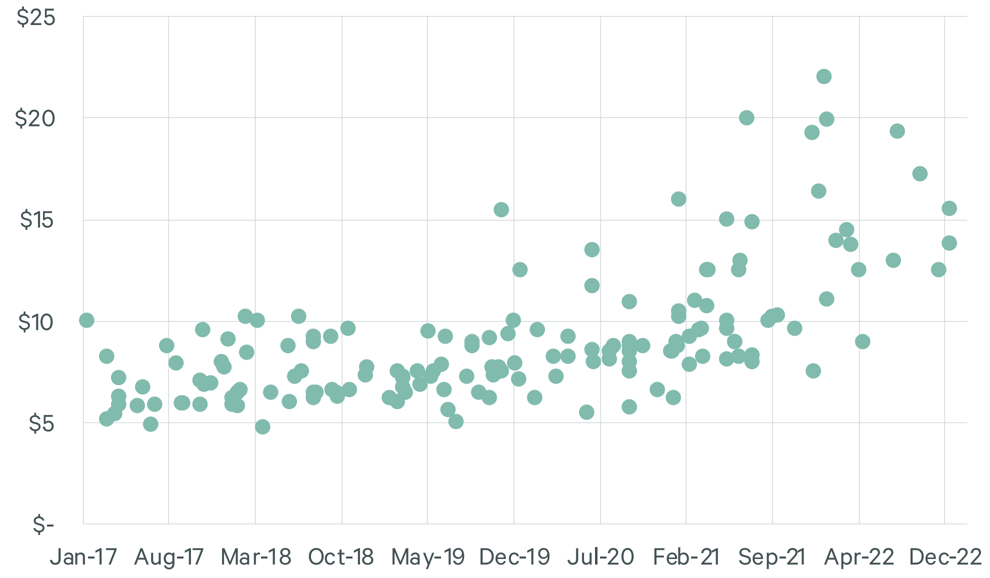
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	6,315,048	15.0%
500,000-749,999 sq. ft.	2,298,897	55.1%
750,000+ sq. ft.	1,215,238	0.0%
Total	9,829,183	22.5%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

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Phoenix

Menu

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The Greater Phoenix industrial market is delivering strong results, with continued record net absorption and rental rate growth. Phoenix's strategic geographic location, combined with its outstanding water, power and transportation infrastructure, make it a highly desirable market for all industry sectors. The labor supply is quite healthy with 50,000 annual college graduates and population growth of approximately 100,000 per year. We are confident that the Phoenix big-box market will remain strong this year.

Paul Komadina

CBRE Senior Managing Director

"

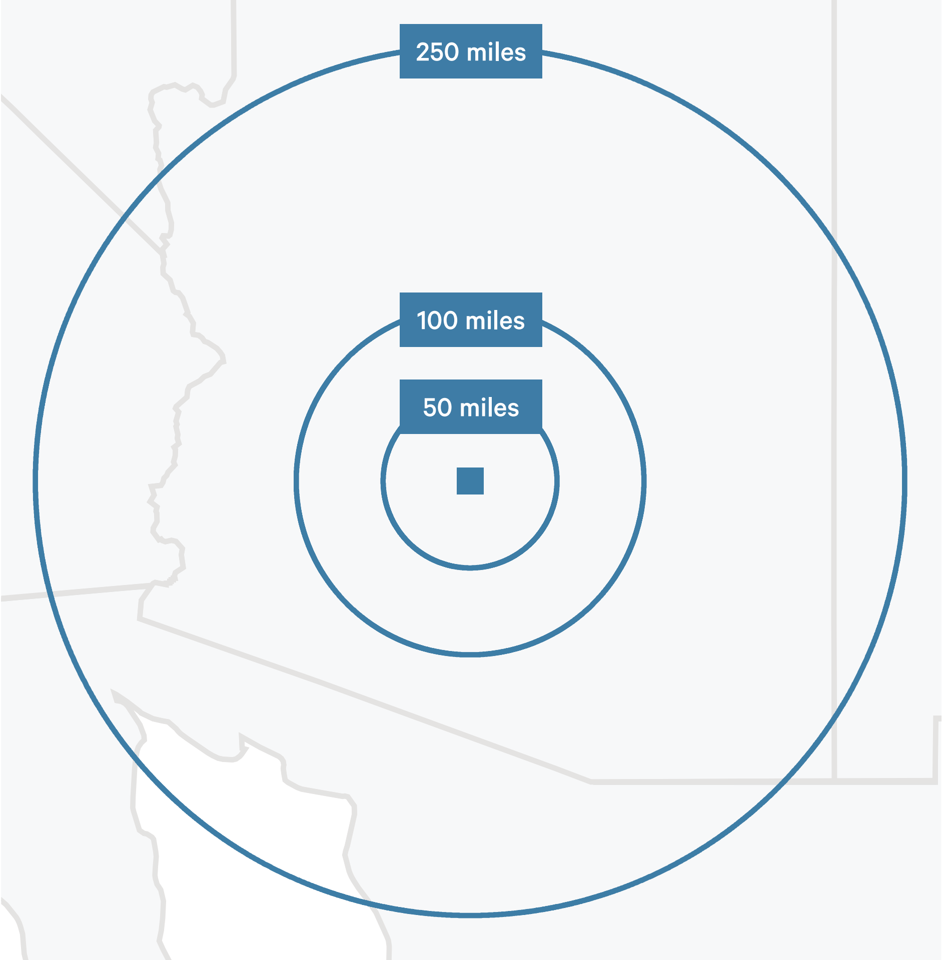
Demographics

The Phoenix MSA is one of the fastest growing in North America, increasing demand for big-box industrial facilities and providing a growing labor pool. Close to 5 million people or 1.9 million households live within 50 miles of the city core, with an expected five-year growth rate of 4%. Nearly 25% of the population is aged 18-34.

Figure 1: Phoenix Population Analysis

Distance from Downtown Phoenix	2022 Total Population	5 Year Growth Outlook
50 miles	4,934,276	3.9%
100 miles	5,517,184	4.0%
250 miles	8,467,592	3.2%

Source: CBRE Location Intelligence, Q4 2022.



The local warehouse labor force of 86,875 is expected to grow by 17.7% by 2032, the highest of any market in this report, according to CBRE Labor Analytics. The average wage for a non-supervisory warehouse employee is $17.83 per hour, 5.5% above the national average but 7.5% below the Inland Empire.

Figure 2: Phoenix Warehouse & Storage Labor Fundamentals

Total Warehouse & Storage Employment	2032 Total Warehouse & Storage Projected Employment	Hourly Wage*
86,875	102,218	$17.83

Source: CBRE Labor Analytics, Q4 2022.
*Median wage (1 year experience); non-supervisory warehouse material handlers.

Location Incentives

Over the past five years, there have been 217 publicly known economic incentives deals totaling over $508 million for an average of $10,154 per new job in metro Phoenix, according to Wavteq.

CBRE's Location Incentives Group reports that the top incentive programs in metro Phoenix include the Arizona Competes Fund, offering discretionary grants to businesses that achieve certain performance measures and create new jobs with wages equal to or above the median county wage.

Another program available in metro Phoenix is the Quality Jobs Tax Credit Program, offering income tax credits up to $9,000 per job to generate high-quality employment opportunities in Arizona. The income tax credits are spread over three years to encourage continuous employment. To qualify, businesses must make a capital investment and create jobs that meet specific wage requirements. These tax credits are non-refundable and non-transferrable, and any unused credits may be carried forward for up to five consecutive years.

Figure 3: Phoenix Top Incentive Programs

Program (Arizona)	Descripton
Quality Jobs Tax Credit Program	Tax credit up to $3,000 per each new job for up to 3 years of continuous employment
Arizona Competes Fund	Discretionary cash grant program
Qualified Facility Tax Credit Program	Tax credit (refundable) up to 10% of total capital expenditures for manufacturing, R&D, and HQs of manufacturing

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

Approximately 130,000 miles of Arizona highways, including I-10, I-8 and I-40, make transportation of goods simple. Recent expansions and improvements were made to Loops 202 and 303.

Phoenix Sky Harbor International Airport (PHX) is a burgeoning air cargo hub utilized by FedEx, DHL and UPS. Cargo is processed in Phoenix's two complexes, South Air Cargo and West Air Cargo. The Comprehensive Asset Management Plan for PHX includes new development to handle more air cargo in the coming years.

Approximately 130,000 miles of Arizona highways, including I-10, I-8 and I-40, make transportation of goods simple.

Capital Markets

"Developers, tenants and institutional investors are attracted to Phoenix because of its limited government regulation, quality of life, affordability and abundant labor force. This has earned it a top-10 ranking for net absorption, rent growth, and construction volume. Land has retreated from record-high prices but continues to become scarcer, making infill sites highly coveted. Investors continue to seek industrial assets with near-term rollover to capture future growth, while longer-term leased assets are impacted by today's interest rates. Despite increasing development this year, investor demand remains given Phoenix's outsized performance and expected rental rate increases. It continues to benefit from the regulatory environment and low vacancies in Southern California.

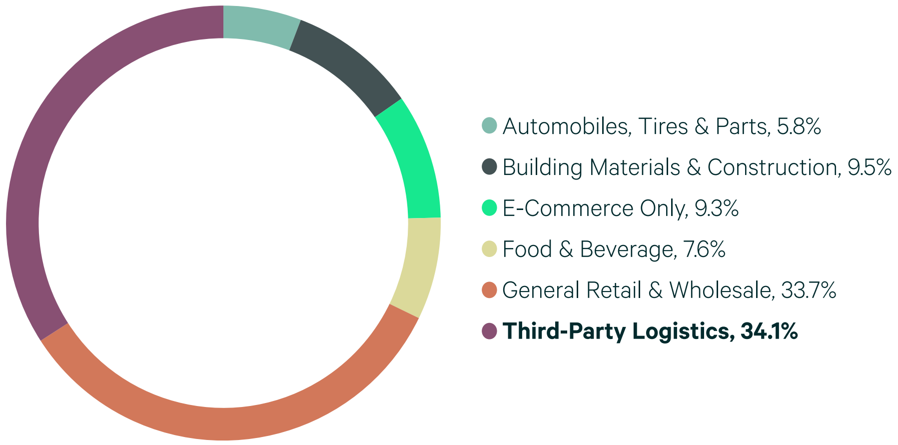
Joe Cesta
CBRE Executive Vice President"

Supply & Demand

Strong population growth and available first-generation space continues to attract big-box occupiers, with three consecutive years of over 10 million sq. ft. of lease transactions. Record-breaking leasing drove net absorption to over 20.7 million sq. ft., representing a growth rate of 14.3% (net absorption/existing inventory), the highest in North America. Demand in Phoenix continues to be driven by a diverse set of occupiers, led by 3PLs for the first time. They accounted for 34.1% of total leasing, far above the 21% rate in 2021.

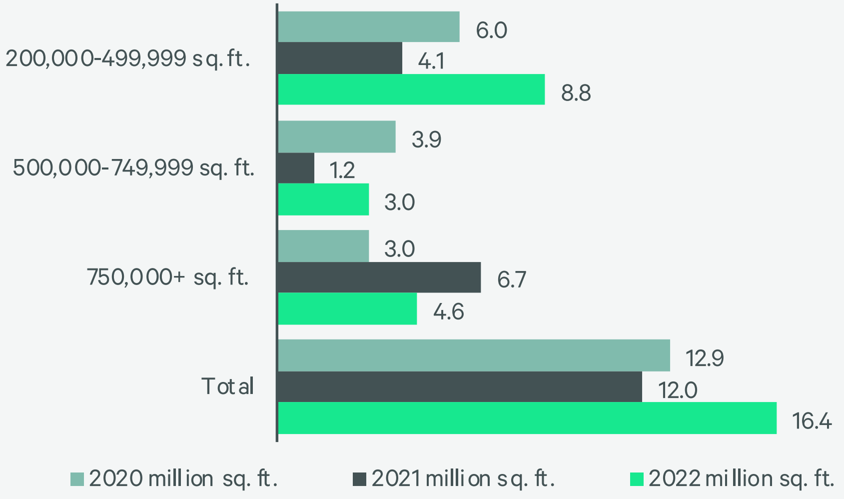
The direct vacancy rate declined to a record-low of 3.4% despite construction completions doubling to 20.5 million sq. ft. Low vacancies significantly pressured taking rents, which increased 33% year-over-year, the sixth-highest in North America. Record-low vacancies will modulate what could otherwise be oversupply, as 2023 sees another record-breaking year of development. Over 30 million sq. ft. of big-box product was under construction at year-end, with 21% pre-leased. Available under-construction product is five times the amount of available existing big-box product. While this will increase vacancy rates, continued demand from 3PLs, food & beverage, construction material, e-commerce retailers and projected reduction in ground-breakings will keep rent growth over 10% this year.

Figure 4: Share of 2022 Leasing by Occupier Type



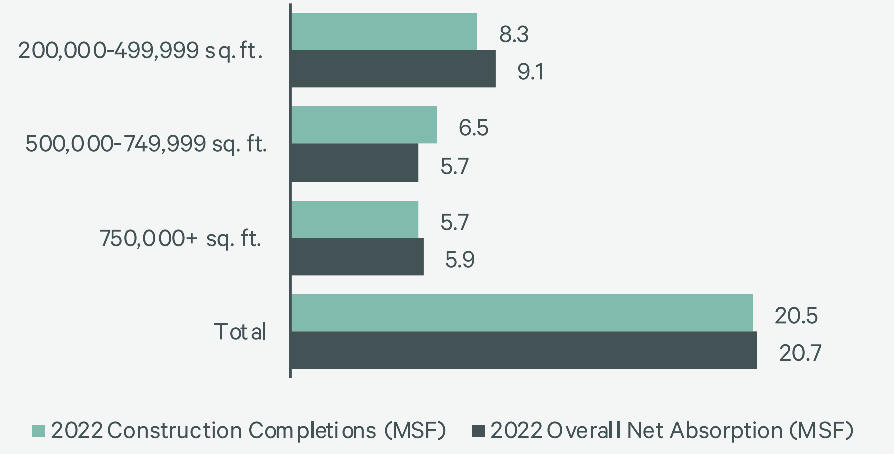
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 5: Lease Transaction Volume by Size Range



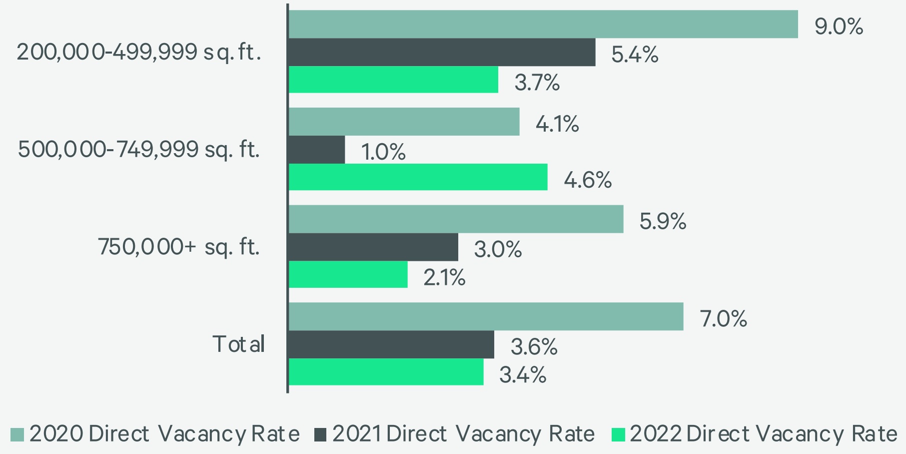
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 6: 2022 Construction Completions vs. Overall Net Absorption by Size Range



Source: CBRE Research, 2022.

Figure 7: Direct Vacancy Rate by Size Range



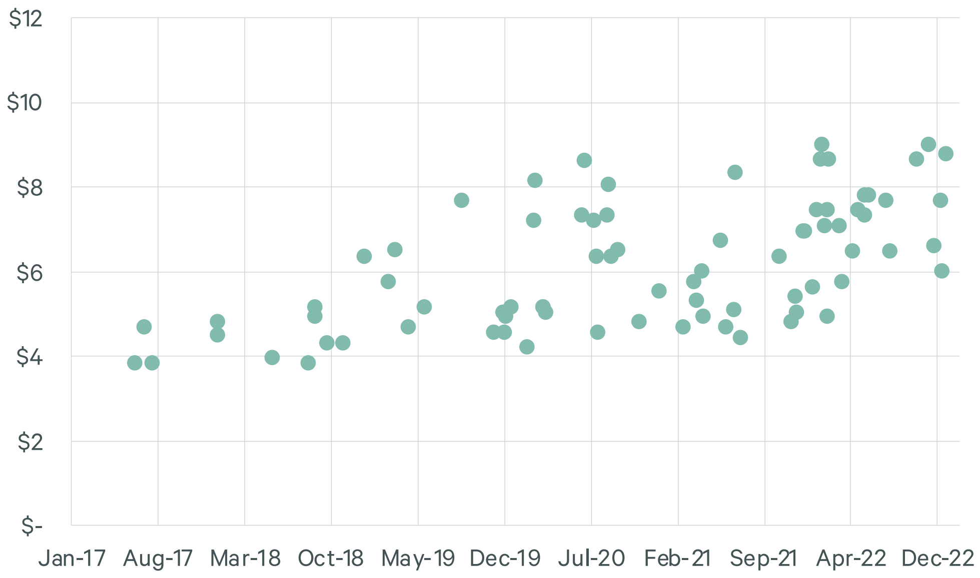
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	13,115,440	19.1%
500,000-749,999 sq. ft.	8,448,291	17.7%
750,000+ sq. ft.	8,442,674	27.7%
Total	30,006,405	21.1%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

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Puget Sound

Menu

"Demand from tenants and investors for industrial space in the Puget Sound market remains robust. Current tenants generally elect to renew their leases, especially in prime locations close to ports and urban centers. Prospecting tenants tend to target properties along the highly desirable I-5 corridor. Despite today's higher interest rates, investors remain attracted to Puget Sound's low vacancy, rising rents, good economic fundamentals and population projections."

John Miller
CBRE Senior Managing Director

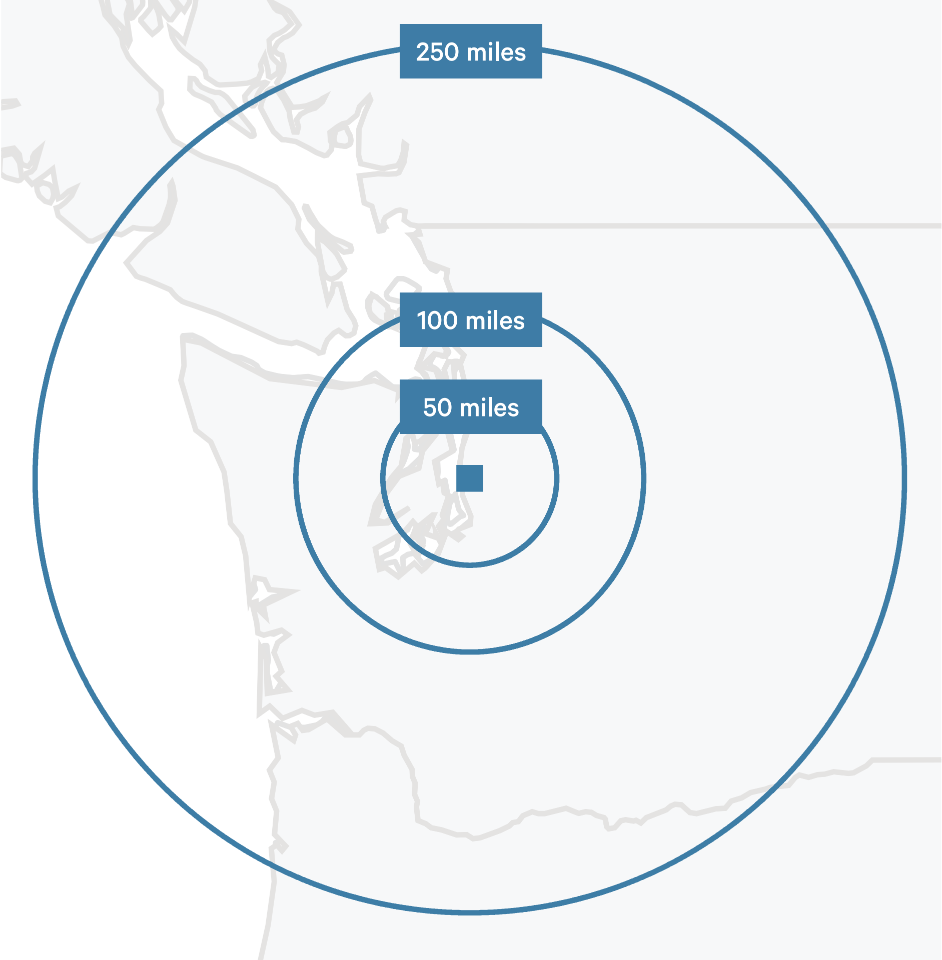
Demographics

More than 4.8 million people live within 50 miles of the urban core, with an expected 2.5% five-year growth rate—the highest of any major West Coast market. More than 11 million people live within 250 miles, with a 2.3% expected growth rate in five years. A total of 4.3 million households can be reached within 250 miles.

Figure 1: Puget Sound Population Analysis

Distance from Downtown Seattle	2022 Total Population	5 Year Growth Outlook
50 miles	4,809,660	2.5%
100 miles	5,691,157	2.5%
250 miles	11,296,783	2.3%

Source: CBRE Location Intelligence, Q4 2022.



The local warehouse labor force of over 62,405 is expected to grow 8.5% by 2032, according to CBRE Labor Analytics. Seattle has the highest non-supervisory wage of any market in this report at $21.71 per hour, 28.4% above the national average.

Figure 2: Puget Sound Warehouse & Storage Labor Fundamentals

Total Warehouse & Storage Employment	2032 Total Warehouse & Storage Projected Employment	Hourly Wage*
62,405	67,707	$21.71

Source: CBRE Labor Analytics, Q4 2022.
*Median wage (1 year experience); non-supervisory warehouse material handlers.

Location Incentives

Over the past five years, there have been 19 publicly known economic incentives deals totaling $19 million for an average of $8,657 per new job in metro Seattle, according to Wavteq.

CBRE's Location Incentives Group reports that top incentive programs offered in metro Seattle include a sales and use tax exemption for machinery and equipment. This is used directly in manufacturing, warehouse or research and development operations. Service charges are also tax-exempt for installing, repairing, improving or cleaning the machinery and equipment.

Figure 3: Puget Sound Top Incentive Programs

Program (Washington)	Descripton
Manufacturers' Sales/Use Tax Exemption	100% sales/use tax exemption for manufacturing equipment; a single use certificate must be used each time an exempt item is purchased
Washington State Job Skills Program (JSP)	Job training grant up to 50% of eligible training costs
Warehouse Incentive Program	Sales tax exemption on construction materials and equipment purchases for buildings 200,000 sq. ft. or larger

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

The Northwest Seaport Alliance, which includes the ports of Seattle and Tacoma, is the U.S.'s fifth-largest container gateway. The ports are less congested than their California counterparts and provide a shorter direct route to Asia. Union Pacific and BNSF rail lines link the ports to the Midwest Seattle-Tacoma International Airport hosts 24 air carriers and I-5 passes through the region, providing direct access to the entire West Coast.

The Northwest Seaport Alliance, which includes the ports of Seattle and Tacoma, is the U.S.'s fifth-largest container gateway.

Capital Markets

"Since the price of debt ultimately effects the price of equity, capital is looking for positive leverage, but is willing to tolerate negative leverage for a couple years to buy the best product in the best locations. This was evidenced by two sales in the Kent Valley market: Renton Logistics and Pacific Gateway. Both sold at a low-4% range cap rate, with rents well below current market rates. CBRE projects more investment activity by Q2 2023, and robust activity to resume in H2 2023."

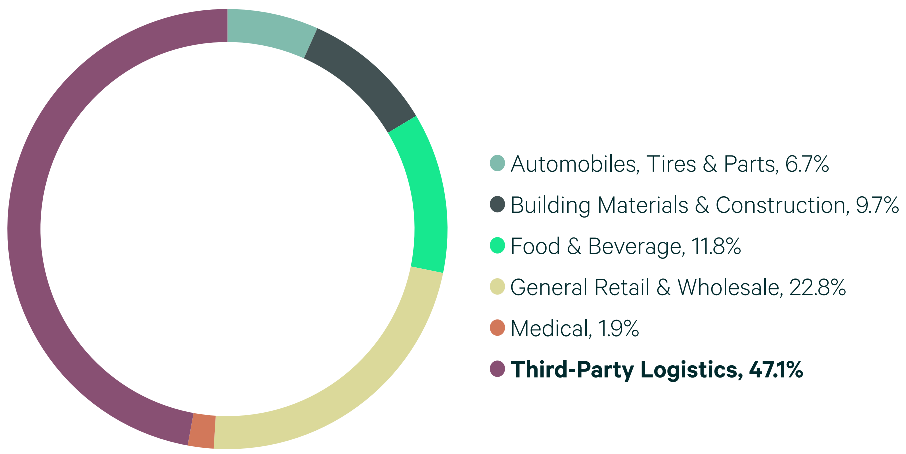
Brett Hartzell
CBRE Vice Chair

Supply & Demand

Puget Sound was one of the few big-box markets to post year-over-year lease transaction growth, reaching 8 million sq. ft. leased, 12% above 2021. 50% of the market's lease activity was from 3PLs. Puget Sound also had one of the highest percentages of total leasing from the food & beverage sector, at 11.8%. Robust leasing created 4.4 million sq. ft. of positive absorption, lowering vacancy rates to 2.9%, an almost 50% year-over-year decline.

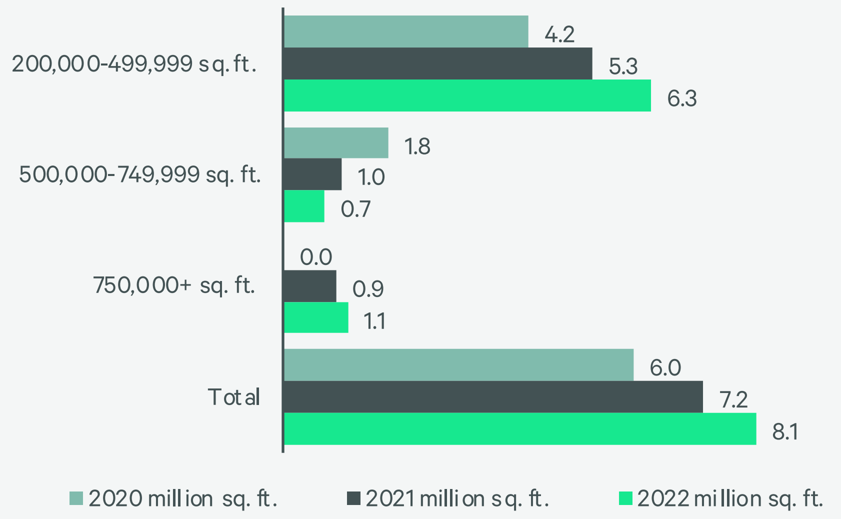
Over one million sq. ft. is under construction (a record) and almost 40% is pre-leased. Also, construction starts are projected to slow, further lowering vacancy rates. CBRE projects 2023 will see double-digit rent growth.

Figure 4: Share of 2022 Leasing by Occupier Type



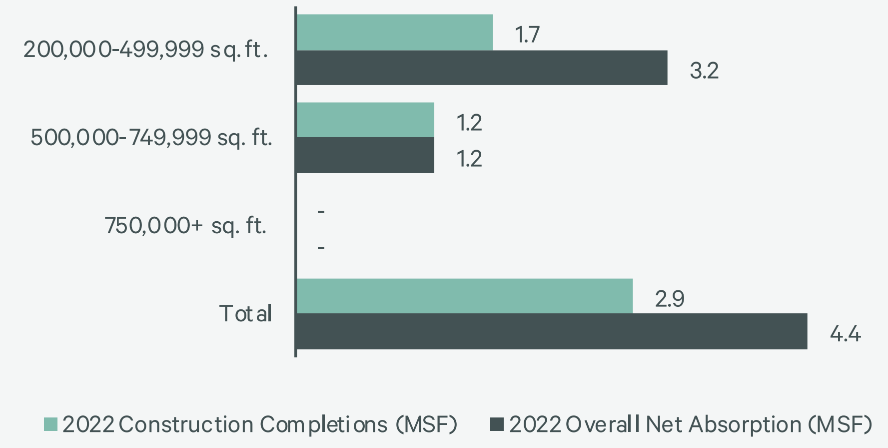
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 5: Lease Transaction Volume by Size Range



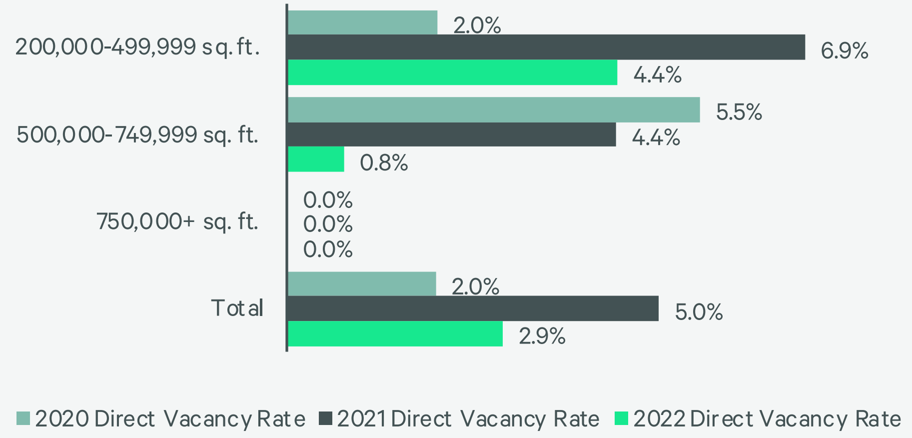
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 6: 2022 Construction Completions vs. Overall Net Absorption by Size Range



Source: CBRE Research, 2022.

Figure 7: Direct Vacancy Rate by Size Range



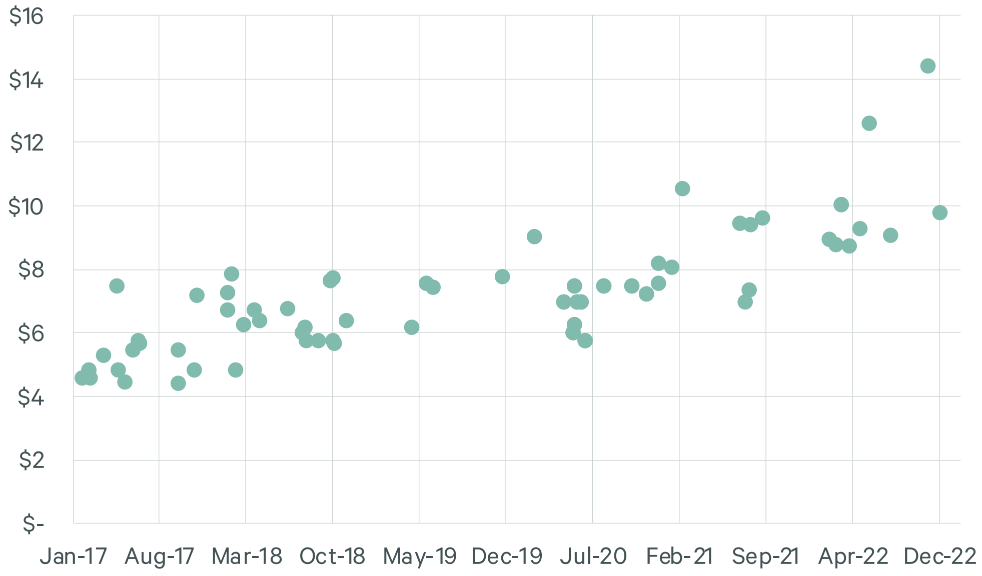
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	4,176,642	17.2%
500,000-749,999 sq. ft.	1,066,817	48.1%
750,000+ sq. ft.	3,002,438	66.0%
Total	8,245,897	39.0%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

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Savannah

Menu

> Savannah is still one of the country's most rapidly-growing industrial markets. The Port of Savannah, the nation's fastest-growing and fourth-busiest port, has fueled a decade of regional growth. Savannah has the country's largest single terminal, on-terminal efficiencies, surrounding infrastructure, easy major interstate access, and more affordable rents than the Northeast and West Coast. Record spec construction is underway while vacancy remains minimal. Savannah's average five-year deal size remains over 400,000 sq. ft.

William Lattimore
CBRE Senior Vice President

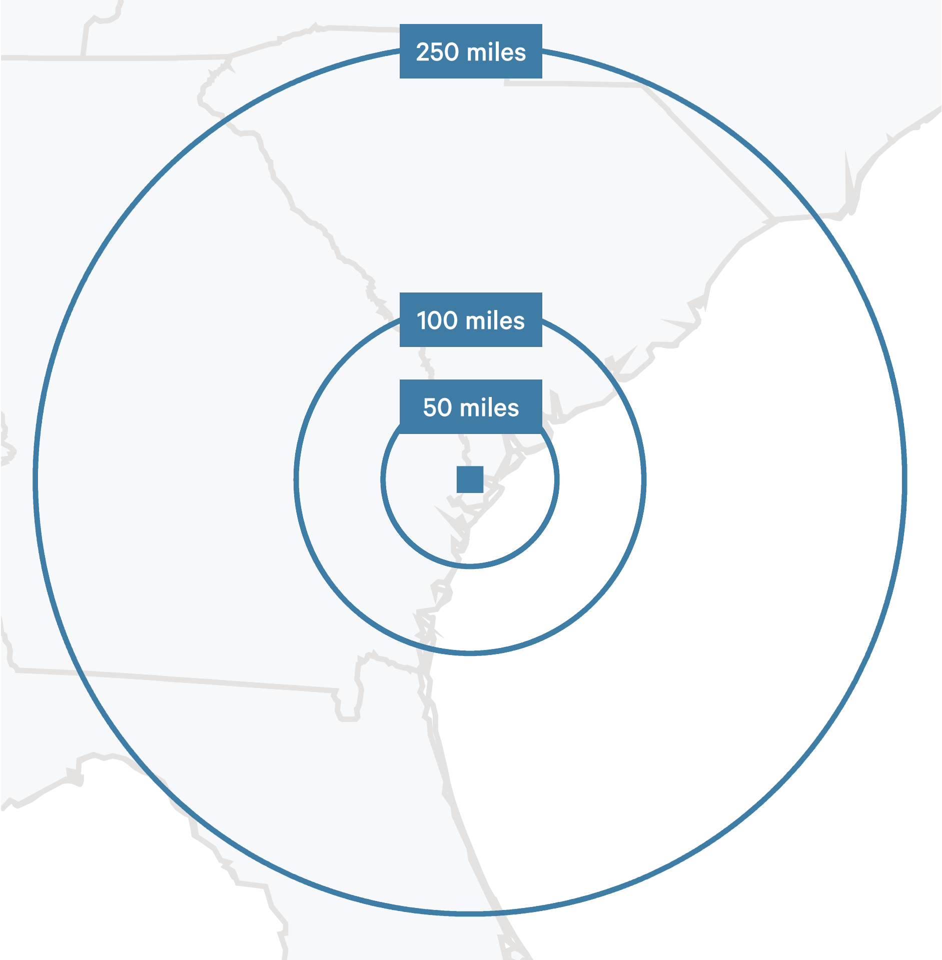
Demographics

While Savannah does not have a large nearby population, an occupier can reach over 25 million people or 10 million households within 250 miles of the market core. This is expected to grow by 3.1% over the next five years.

Figure 1: Savannah Population Analysis

Distance from Downtown Savannah	2022 Total Population	5 Year Growth Outlook
50 miles	824,785	3.6%
100 miles	2,256,470	3.3%
250 miles	25,550,269	3.1%

Source: CBRE Location Intelligence, Q4 2022.



According to CBRE Labor Analytics, the local warehouse labor force of 11,385 is expected to grow 15% by 2032, the seventh largest for any market in this report. The average wage for a non-supervisory warehouse worker is $16.91 per hour, on par with the national average.

Figure 2: Savannah Warehouse & Storage Labor Fundamentals

Total Warehouse & Storage Employment	2032 Total Warehouse & Storage Projected Employment	Hourly Wage*
11,385	13,091	$16.91

Source: CBRE Labor Analytics, Q4 2022.
*Median wage (1 year experience); non-supervisory warehouse material handlers.

Location Incentives

Over the past five years, there have been eight publicly known economic incentives deals at an average of $3,484 per new job in metro Savannah, according to Wavteq.

CBRE's Location Incentives Group reports that the top incentive programs offered in metro Savannah is the Regional Economic Business Assistance (REBA) program, offering a discretionary cash grant to enhance Georgia's competitiveness in attracting economic development projects. REBA funds may be used for any fixed-asset costs, including infrastructure, construction, real estate and personal property.

Another incentive program available in metro Savannah is the Job Tax Credit, which awards businesses for creating net new full-time jobs. These credits can be applied toward a company's corporate income tax liability or reduce the company's payroll withholding requirements. To qualify, companies must have local headquarters or R&D operations in one of the following industries: manufacturing, warehousing/distribution/logistics, software development, contact centers, data centers, telecommunications or financial technology.

Figure 3: Savannah Top Incentive Programs

Program (Georgia)	Descripton
Job Tax Credit	Up to $3,500 in annual tax savings per job up to 5 years; $500 bonus for Joint Development Authority; $1,250 bonus for increase in imports or exports through a Georgia port by 10%
Investment Tax Credit	Tax credit equal to 1-9% of qualified capital investment
Quality Jobs Tax Credit	Tax credit (refundable) of $2,500 up to $5,000 per new job, depending on payroll threshold of the county, per year, up to 5 years
Georgia Quick Start Program	Customized job training services
REBA Grant	Discretionary cash grant program
Property Tax Abatements	Discretionary abatement of real estate taxes and personal property taxes
Mega Project Tax Credit	Tax credit of $5,250 per job, per year for the first five years of each qualifying job that is created during a specified number of years

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

The Port of Savannah is the primary demand-driver in the region. Savannah is the fourth-largest port in the U.S., with the largest single terminal. A multitude of improvements and strong labor dynamics make it the East Coast's fastest-growing port. It also provides direct access to I-26 (East/West) and I-95 (North/South). Key cities and growing manufacturing points along the coast can be reached with a one-to-two-day drive.

Savannah is the fourth-largest port in the U.S., with the largest single terminal.

Capital Markets

"Savannah is one of the country's most unique industrial markets, doubling in size over the last 6 years, driven by The Port of Savannah. The biggest economic deal in the state's history was recently announced: the Meta Plant for Hyundai in Bryan County, at approximately 3,000 acres. The investment is over $5.5 billion. Surging institutional investor demand for this market drove cap rates to the lowest we have seen for any U.S. secondary market."

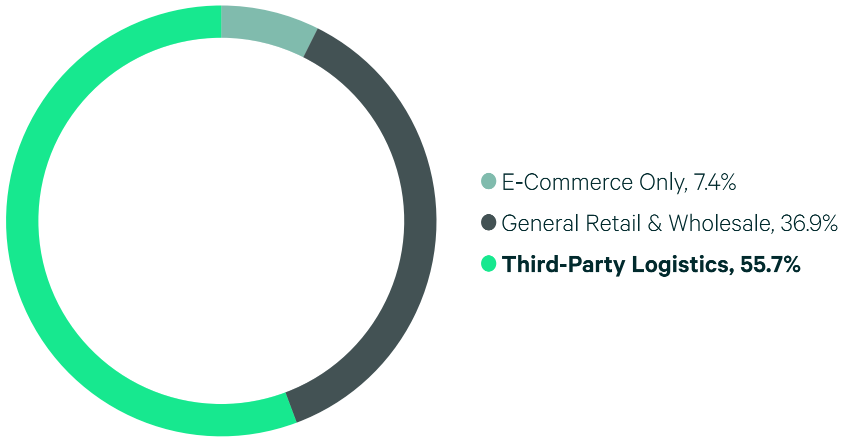
Trey Berry
CBRE Vice Chair

Supply & Demand

At 72 million sq. ft., Savannah is the smallest but one of the fastest growing big-box markets in this report. Lease transactions have doubled to a record 11.6 million sq. ft. in 2022. This volume helped net absorption reach 8.9 million sq. ft., with a growth rate (net absorption/existing inventory) of 12.3%, North America's second-highest. 3PLs are the dominant force in the market, accounting for 55.7% of total transactions. Strong transaction volume kept vacancy rates low at 0.9%, the fourth-lowest in North America.

Savannah's big story is development. 25.6 million sq. ft. is under construction, equal to 35.4% of current inventory. While 37% of this is pre-leased, the 14 million sq. ft. of available space under construction to be delivered over the next six quarters will significantly alter vacancy rates, at least temporarily. Occupiers are looking for new inventory near points of import and population growth. Savannah is one of the few markets providing this. The pause in construction starts will give the market time to absorb new construction. 2023 could see volatile vacancy rates though.

Figure 4: Share of 2022 Leasing by Occupier Type



Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 5: Lease Transaction Volume by Size Range

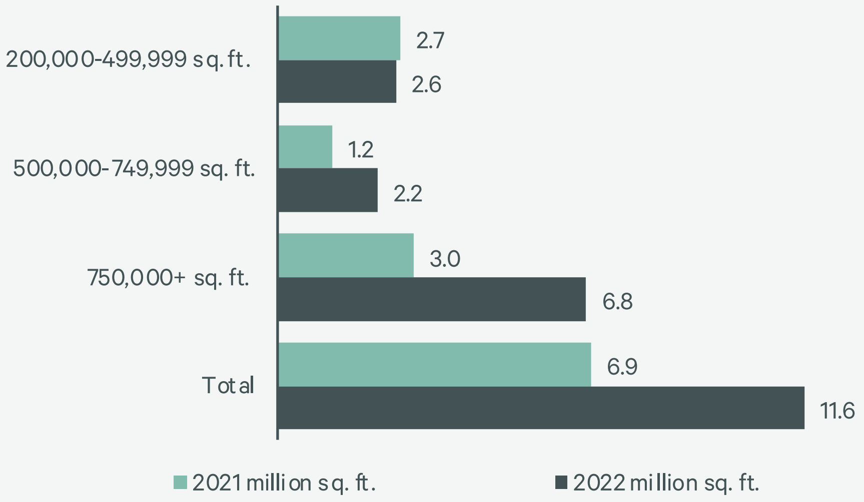


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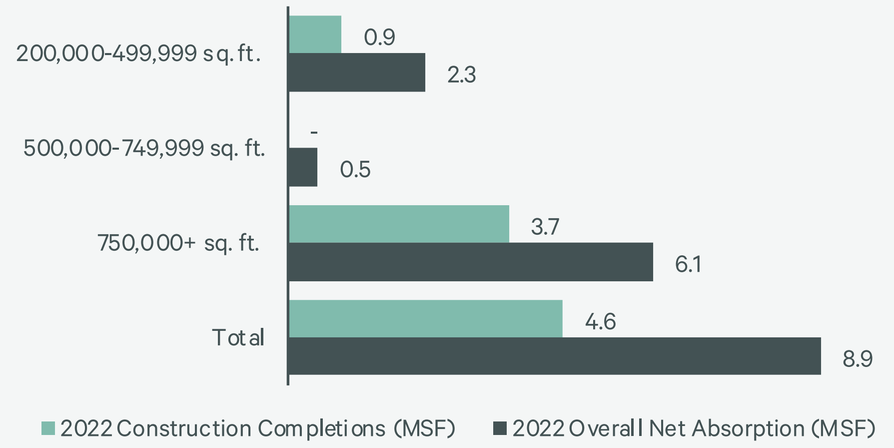
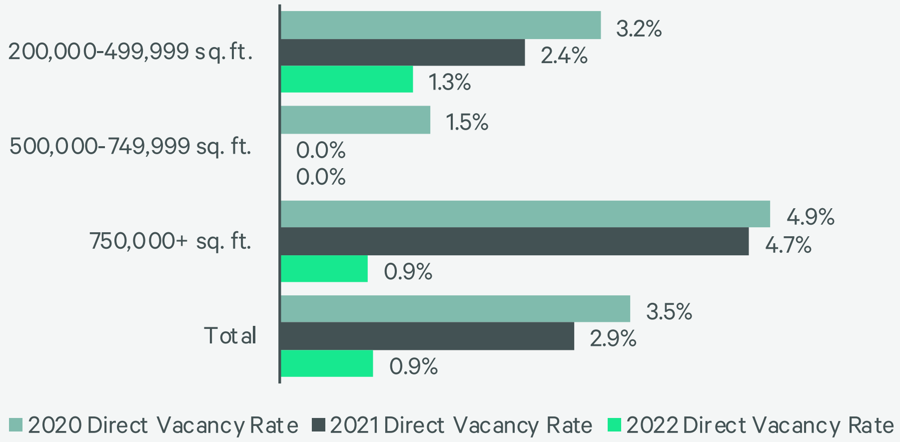
Figure 6: 2022 Construction Completions vs. Overall Net Absorption by Size Range



Source: CBRE Research, 2022.

Figure 7: Direct Vacancy Rate by Size Range



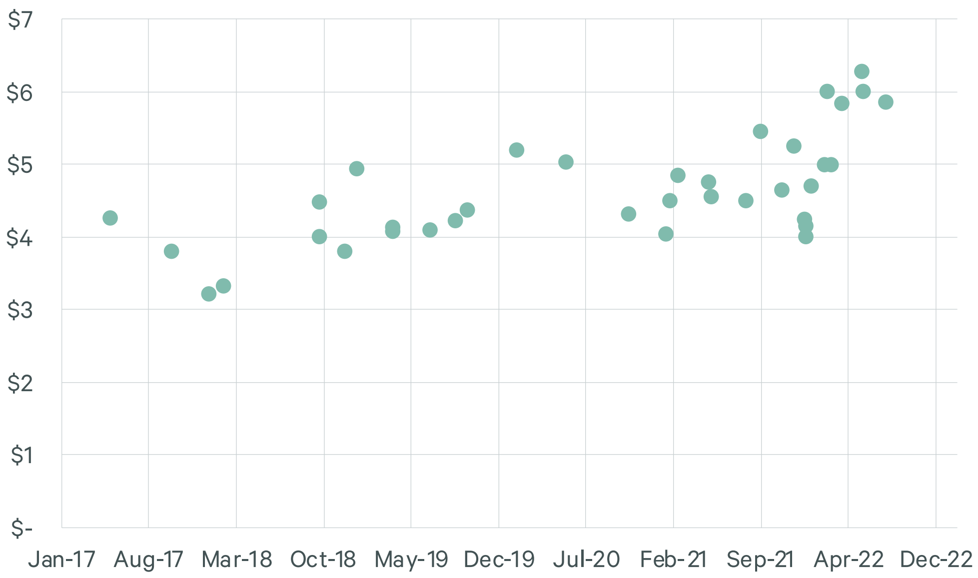
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	6,349,014	23.2%
500,000-749,999 sq. ft.	5,791,346	28.9%
750,000+ sq. ft.	13,491,074	46.6%
Total	25,631,434	36.8%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

23

Southern New Jersey/ Eastern Pennsylvania

Menu

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The I-78/81 corridor, Southern New Jersey and Philadelphia remained active despite tremendous pandemic-driven demand finally slowing. The market’s strength is due to large population concentration, available land for development and significant logistics advantages. Vacancy rates remain low and rents are rising by more than double digits. CBRE projects another strong year for the market, as more imports shift to the East Coast and occupiers seek more warehouse space to protect inventories for the regional population.

Jake Terkanian
CBRE Executive Vice President

”

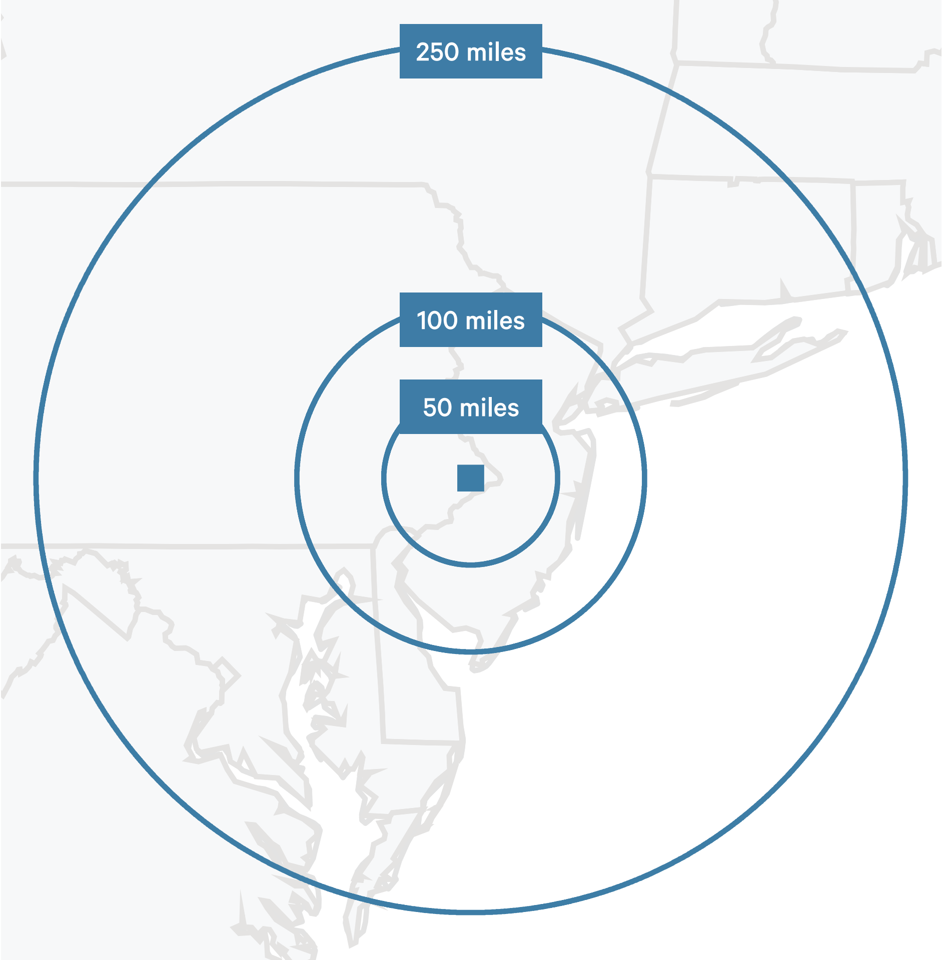
Demographics

Over 8 million people live within 50 miles of the market core, and 60 million are within 250-miles—the second-most in the U.S. The region's population is expected to stay flat over the next five years with population movement to Sun Belt states.

Figure 1: Southern New Jersey/Eastern Pennsylvania Population Analysis

Distance from Downtown Philadelphia	2022 Total Population	5 Year Growth Outlook
50 miles	8,355,548	0.4%
100 miles	30,897,828	-0.7%
250 miles	60,113,630	-0.1%

Source: CBRE Location Intelligence, Q4 2022.



The region's approximately 165,000-person warehouse labor force is expected to grow by 5% by 2032, according to CBRE Labor Analytics. A non-supervisory warehouse worker's average wage is $17.77 per hour, 5% above the national average but 10% below Northern-Central New Jersey.

Figure 2: Southern New Jersey/Eastern Pennsylvania Warehouse & Storage Labor Fundamentals

Total Warehouse & Storage Employment	2032 Total Warehouse & Storage Projected Employment	Hourly Wage*
164,972	173,102	$17.77

Source: CBRE Labor Analytics, Q4 2022.
*Median wage (1 year experience); non-supervisory warehouse material handlers.

Location Incentives

Over the past five years, there have been 361 publicly known economic incentives deals totaling over $438 million for an average of $10,198 per new job in metro Philadelphia, according to Wavteq.

CBRE's Location Incentives Group reports that top incentive programs offered in Pennsylvania include the Job Creation Tax Credit (JCTC), offering tax credits to companies that create at least 25 new jobs or expand existing employment by 25%. The credit ranges from $1,000- $3,000 per employee for each new job created.

Another incentive program in New Jersey is the Emerge Program. Enacted under the Economic Recovery Act of 2020, this replaces the Grow NJ program that sunsets March 1, 2027. This program provides state corporate income tax credits for new and retained jobs for up to seven years. Target industries must create at least 25 net new full-time jobs, and non-targeted industries must create at least 35 net new full-time jobs.

Figure 3: Southern New Jersey/Eastern Pennsylvania Top Incentive Programs

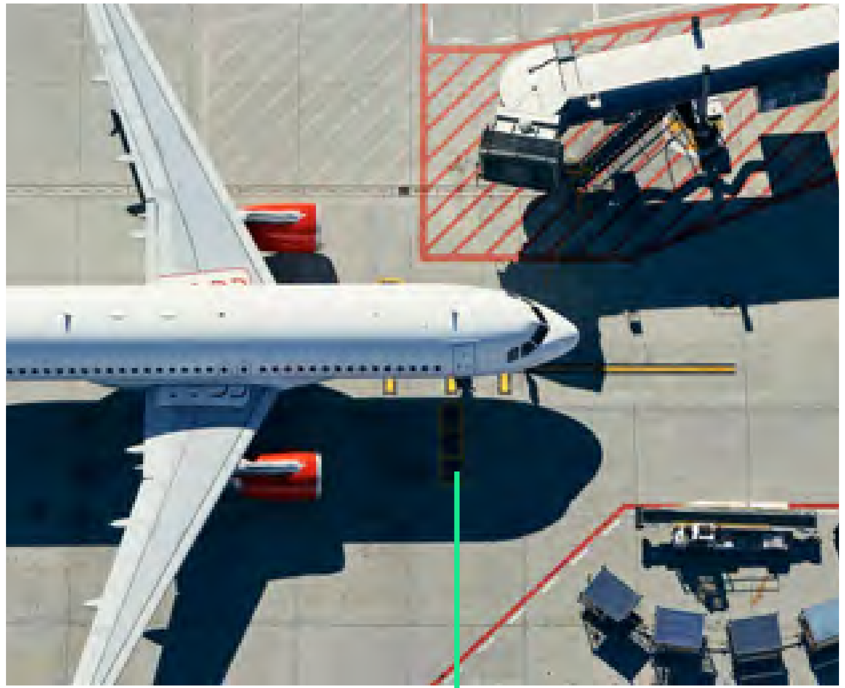
Program (Pennsylvania)	Descripton
Job Creation Tax Credit	Non-refundable State corporate income tax credits ranging from $1,000 to $3,000 per new job
Pennsylvania First	Performance-based cash grant ranging between $1,000 and $3,000 per new job
Keystone Opportunity Zone (KOZ)	Tax credits and refunds when locating to a building or causing new construction in a special designated zone
Low Interest Capital Loans	Loan programs to help fund infrastructure and other capital projects

Program (New Jersey)	Descripton
Emerge Program	State corporate income tax credits for new and retained jobs for up to 7 years

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

The region is centrally located along the East Coast, with access to three major ports: the Port of New York and New Jersey, the Port of Baltimore and the Port of Philadelphia. Two Class 1 railroads serve the region: Norfolk Southern and CSX. Approximately 100 major interstate interchanges are located within the region. The area has direct access to several international airports, making it one of the country's top air cargo markets. Lehigh Valley International was ranked one of the fastest-growing cargo airports in the U.S. by Airports Council International.



Lehigh Valley International was ranked one of the fastest-growing cargo airports in the U.S. by Airports Council International.

Capital Markets

"Municipal, agency and local entities continue inhibiting new development, exacerbating the supply and demand imbalance. Entry yields have expanded with the cost of capital. However, a consistent pre-leasing or lease-upon-completion track record has tempered that spread, continuing to attract low- and no-leverage investors seeking strong investment opportunities. CBRE projects investors will aggressively pursue and price industrial opportunities earlier this year. They will also continue making strategic land and Class A bets as the year progresses, in locations with clearly definable and limited near-term delivery pipelines.

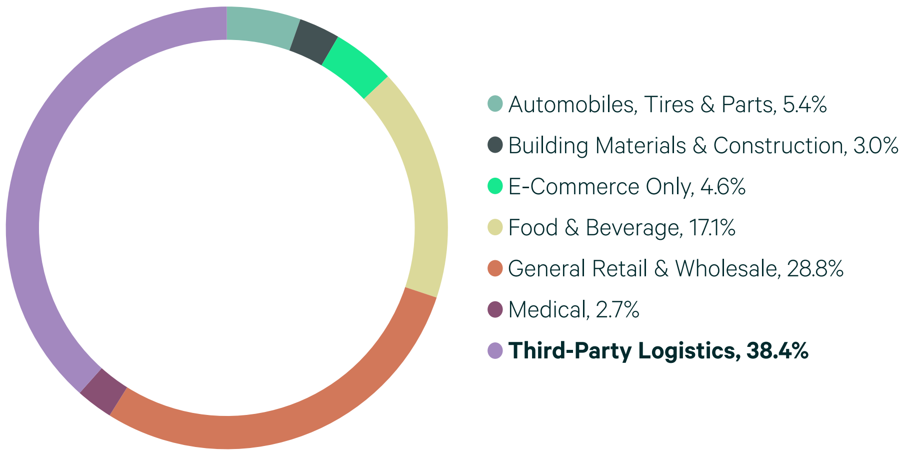
Brad Ruppel
CBRE Vice Chair"

Supply & Demand

With 493 million sq. ft. of total inventory, Southern New Jersey/Eastern Pennsylvania is the second-largest big-box region in North America. Just over 28 million sq. ft. was absorbed in 2022 and nearly 34 million sq. ft. completed construction. With supply and demand remaining near par, the direct vacancy rate stayed at 4% for the second consecutive year, 260 bps lower than in 2020. Low vacancy rates drove up first-year base rents to $7.09 PSF per month for leases 200,000 sq. ft. and larger, 15.9% above 2021's average.

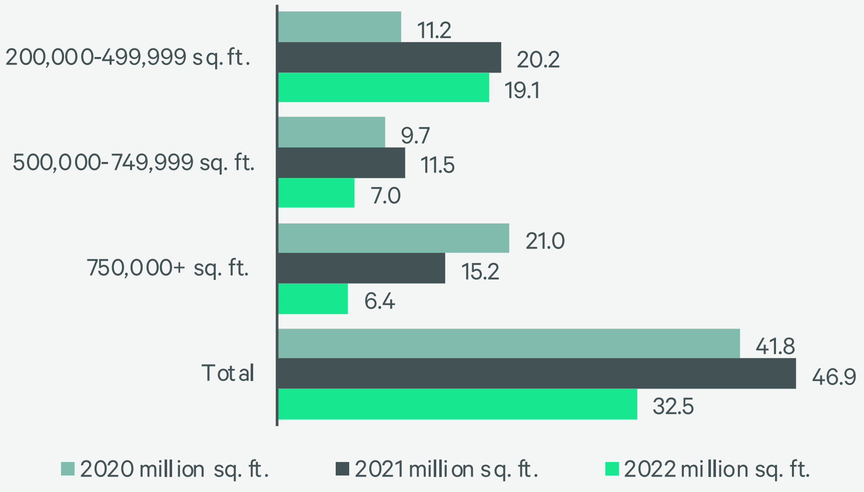
Low vacancy rates and high rent growth kept developers bullish. 45 million sq. ft. was under construction at year-end, the second most in North America, with only 18.3% pre-leased. The significant volume of completions slated for 2023 will increase vacancy rates, although solid demand will keep the rate from reaching 2020's level. While the post-peak pandemic rush to lease space will slow, this market remains top-positioned for occupiers in 2023. This is due to its available modern facilities, proximity to ports of entry and large population base.

Figure 4: Share of 2022 Leasing by Occupier Type



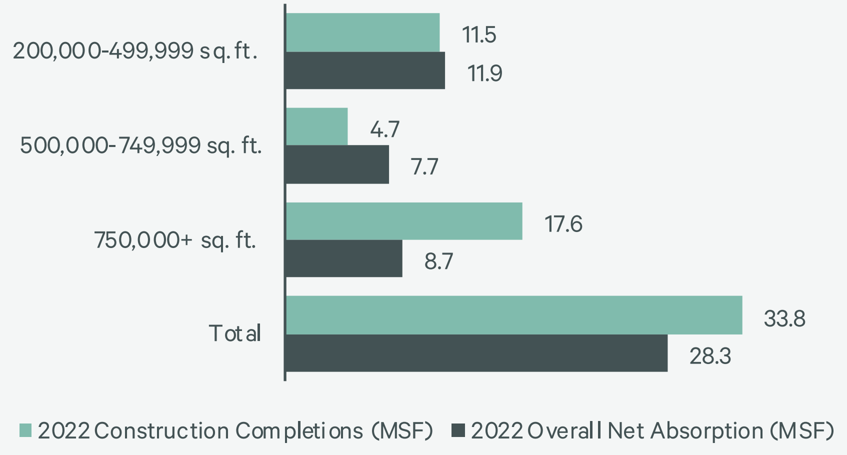
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 5: Lease Transaction Volume by Size Range



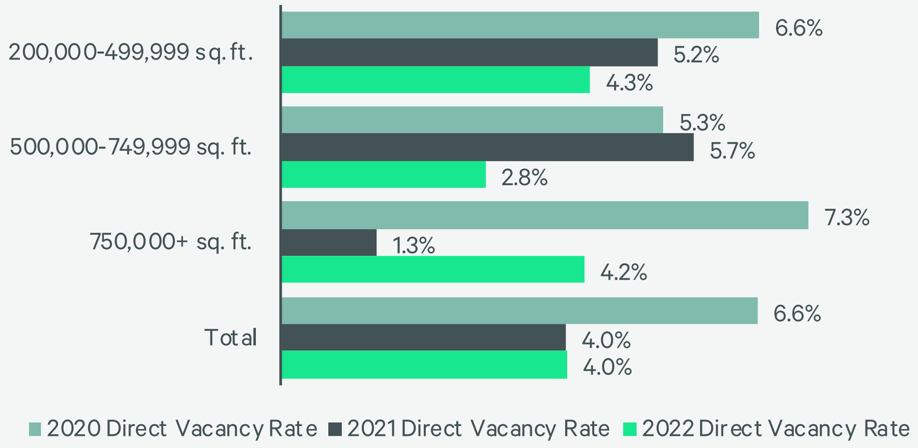
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 6: 2022 Construction Completions vs. Overall Net Absorption by Size Range



Source: CBRE Research, 2022.

Figure 7: Direct Vacancy Rate by Size Range



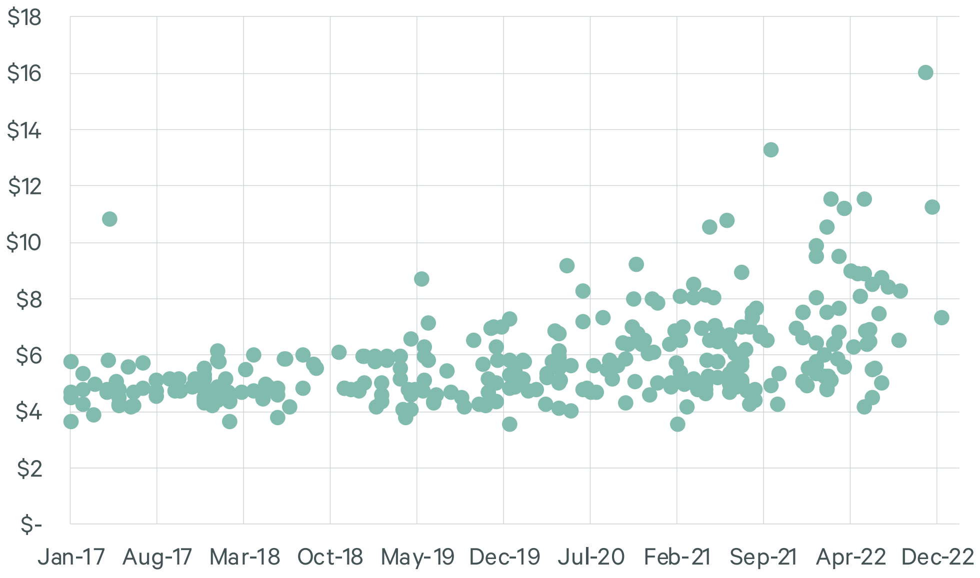
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	10,076,980	32.3%
500,000-749,999 sq. ft.	7,766,082	6.4%
750,000+ sq. ft.	27,130,332	16.5%
Total	44,973,394	18.3%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

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St. Louis

Menu

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St. Louis’ location provides quick access to a large portion of the U.S., making it a desirable distribution hub. While tenant demand has slowed, CBRE projects construction will not keep up with demand in upcoming quarters, leading to higher rents and lower vacancies.

Jeff Kaiser

Senior Managing Director, CBRE St. Louis

”

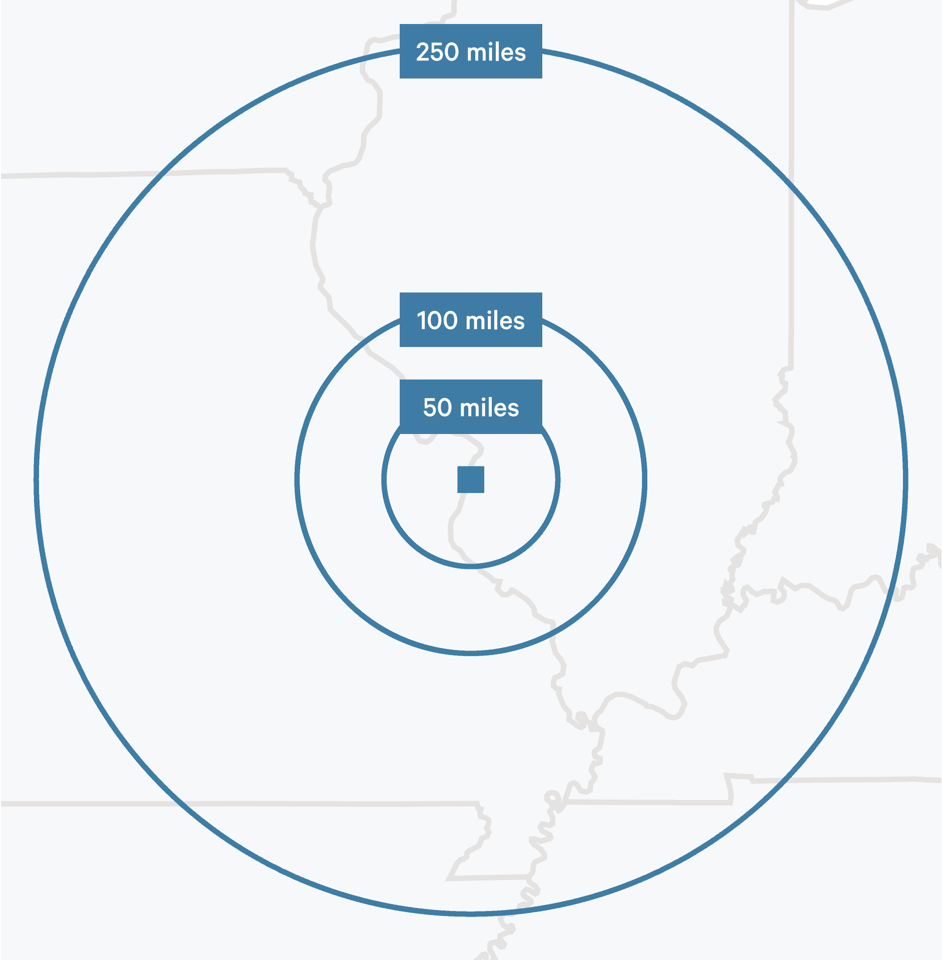
Demographics

Nearly 3 million people live within 50 miles of St. Louis but, like many Midwest markets, this is expected to decline by 0.4% over five years. St. Louis' strength as a big-box market comes from its central location and large population. Occupiers can reach nearly 23 million people and 9 million households within 250 miles of St. Louis.

Figure 1: St. Louis Population Analysis

Distance from Downtown St. Louis	2022 Total Population	5 Year Growth Outlook
50 miles	2,805,587	-0.4%
100 miles	4,024,507	-0.5%
250 miles	22,313,291	0.3%

Source: CBRE Location Intelligence, Q4 2022.



The local warehouse labor force of 38,000 is expected to grow 4% by 2032, according to CBRE Labor Analytics. The average wage for a non-supervisory warehouse worker is $17.76 per hour, 5.1% above the national average.

Figure 2: St. Louis Warehouse & Storage Labor Fundamentals

Total Warehouse & Storage Employment	2032 Total Warehouse & Storage Projected Employment	Hourly Wage*
38,000	39,516	$17.76

Source: CBRE Labor Analytics, Q4 2022.
*Median wage (1 year experience); non-supervisory warehouse material handlers.

Location Incentives

Over the past five years, there have been 111 publicly known economic incentives deals totaling over $222 million for an average of $20,551 per new job in metro St. Louis, according to Wavteq.

CBRE's Location Incentives Group reports that top incentive programs offered in metro St. Louis include the Missouri Works Program, offering payroll rebates and discretionary income tax credits for new jobs. To qualify, at least two full-time jobs must be created with wages exceeding 80% of the average county wage.

Among the top incentive programs offered in neighboring Illinois is the Economic Development for a Growing Economy Program (EDGE), providing nonrefundable, discretionary tax credits for corporate income taxes for up to 10 years. These credits equal up to 50% of new income tax withholdings generated by a project's new job creation. To qualify, companies with over 100 employees worldwide must invest a minimum of $2.5 million and create new jobs equal to 10% of the company's total employment. Companies with under 100 employees worldwide must create new jobs equal to 5% of the company's total employment.

Figure 3: St. Louis Top Incentive Programs

Program (Missouri)	Descripton
Missouri Works Program	3% to 6% of new payroll for 5 to 6 years
New Jobs Training Program (NJTP)	Job training grant
Chapter 100 Program Property Tax Abatements	Discretionary abatement of real estate, personal property taxes, or sales taxes
Business Use Incentives for Large Scale Development (BUILD)	Discretionary refundable income tax credit program

Program (Illinois)	Descripton
Economic Development for a Growing Economy Program (EDGE)	Discretionary tax credit up to 50% of withholding taxes for new jobs up to 10 years
IDOT Economic Development / Business Development Public Infrastructure	Discretionary infrastructure grant / in-kind assistance
Enterprise Zone	Tax credit equal to 0.5% of eligible capital investment, annually for 5 years; Tax credit equal to $500 per new job (one time); Sales tax exemption equal to 100% of state & local sales taxes on construction, equipment, and energy usage
Property Tax Abatements	Discretionary abatement of real estate taxes; personal property is exempt
Illinois Prime Sites Grant	Discretionary cash grant to businesses undertaking a major expansion or relocation project
Invest in Illinois Act Deal Closing Fund	Discretionary cash assistance to attract major job creators and transformative investment in Illinois communities for projects that will receive or have received competitive incentive packages in other states

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

The Port of Metropolitan St. Louis encompasses 70 miles and services both sides of the Mississippi River. It is the northernmost ice- and lock-free port on the Mississippi and is served by six Class 1 railroads, seven interstate highways and two international airports. Nearly one-third of the U.S. population is located within 500 miles of the port. St. Louis Lambert International Airport is a growing cargo hub, with total cargo volumes increasing above 5% over the past two years.

The Port of Metropolitan St. Louis is the northernmost ice- and lock-free port on the Mississippi and is served by six Class 1 railroads, seven interstate highways and two international airports.

Capital Markets

“Like the broader market, St. Louis sale activity decreased towards the end of 2022. Rapidly rising interest rates led to an approximately 100 bps increase in core cap rates from the mid-4% range to the mid-5% range. User demand and rent growth should remain near 2022 levels as new constructions starts slow. St. Louis is ideally positioned of investment, offering investors attractive pricing to acquire real estate, significant rent growth, and a going-in yield allowing for positive leverage.

Bentley Smith
CBRE First Vice President”

Supply & Demand

St. Louis big-box leasing and net absorption returned to 2020 levels, as leasing space to protect inventories slowed. Net absorption declined to 3.8 million sq. ft. Construction completions outpaced net absorption, raising the vacancy 120 bps to 4.2%. This rate remains 130 bps lower than in 2020. St. Louis remains more economical than other markets: first-year base rents finished 2022 at $4.03 PSF per year, a 15.7% year-over-year increase.

After a record year for development, construction starts have slowed. Only 1.2 million sq. ft. is under construction, the lowest of any market on this report. 3PLs represented 40% of 2022 total lease volume. They will remain active lessees due to St. Louis' central location and lower-cost rents, despite economic uncertainty and competitions from other markets. This 3PL demand and low new first-generation inventory will lower vacancy rates and keep rent growth over double digits in 2023.

Figure 4: Share of 2022 Leasing by Occupier Type

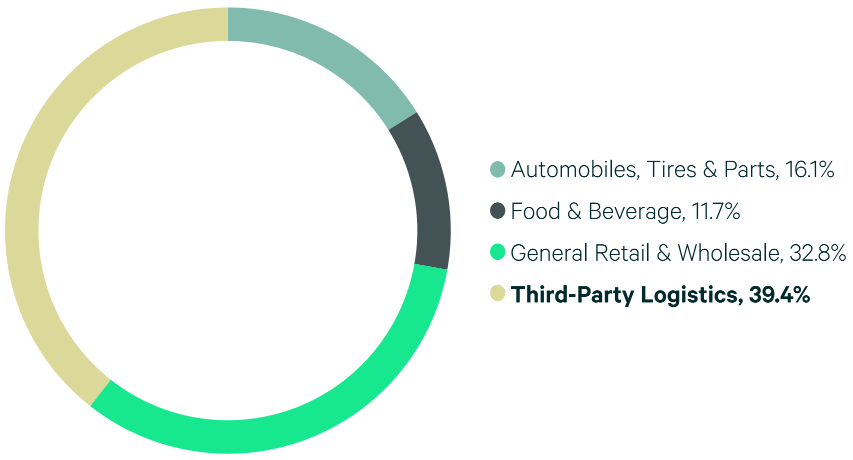


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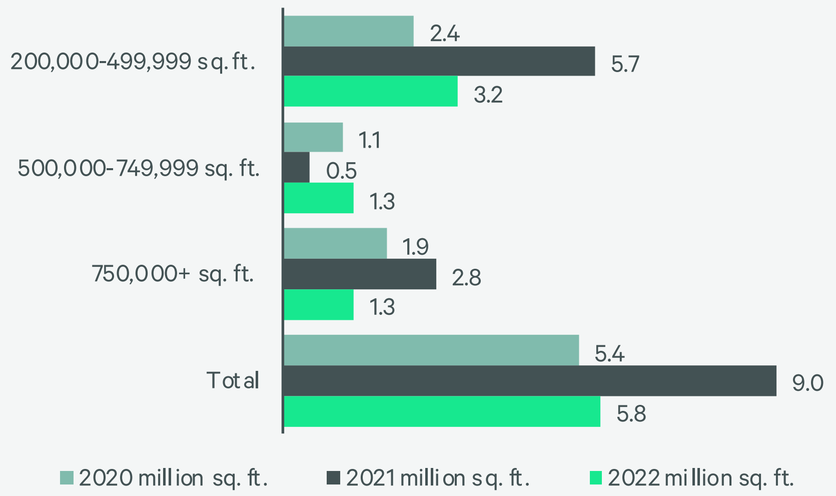
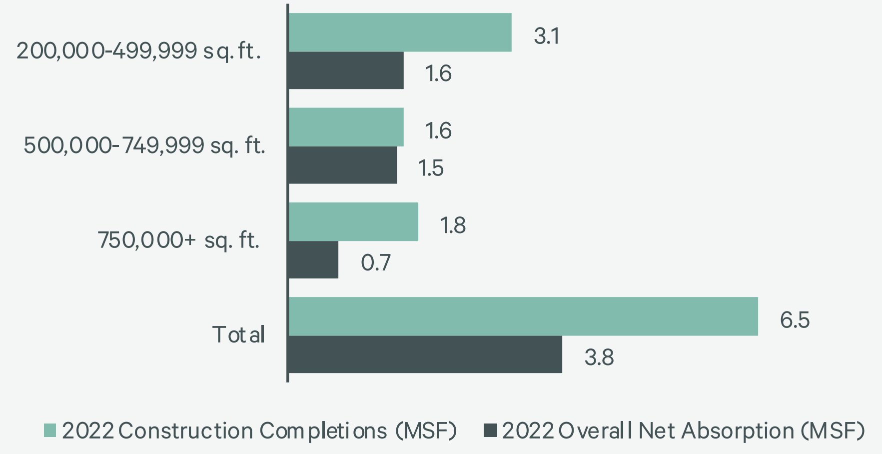
Figure 5: Lease Transaction Volume by Size Range



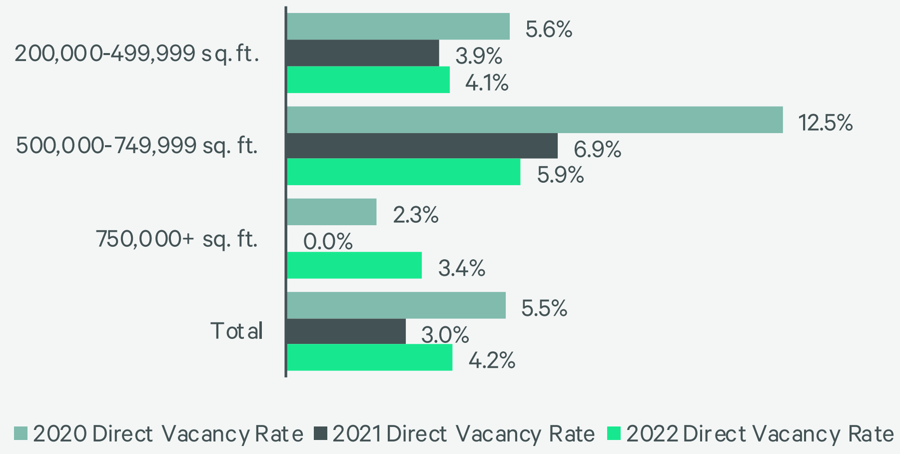
Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

Figure 6: 2022 Construction Completions vs. Overall Net Absorption by Size Range



Source: CBRE Research, 2022.

Figure 7: Direct Vacancy Rate by Size Range



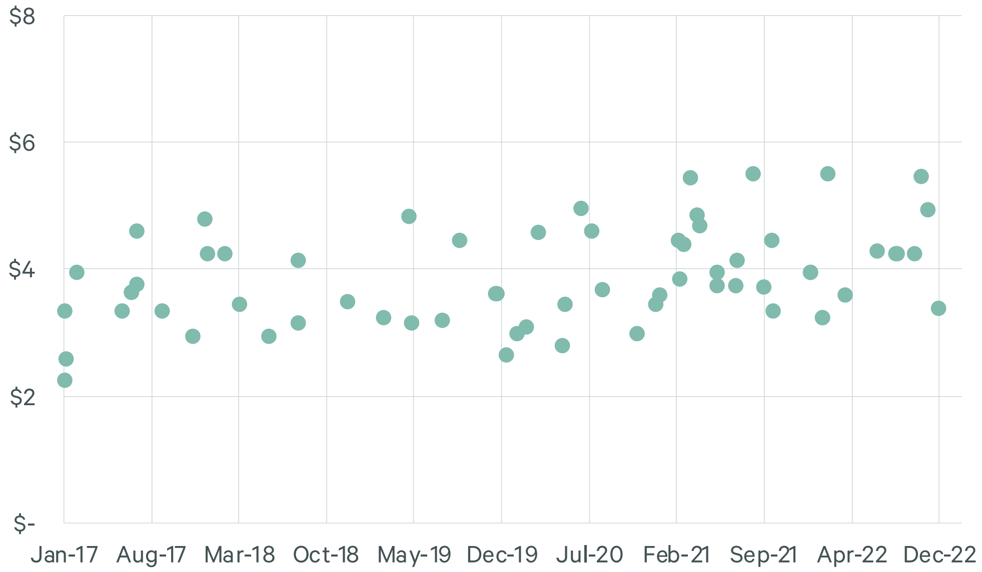
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	1,202,289	39.0%
500,000-749,999 sq. ft.	0	0.0%
750,000+ sq. ft.	0	0.0%
Total	1,202,289	18.6%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

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Toronto

Menu

> Market fundamentals are expected to remain strong in 2023. Vacancy rates are historically low and the new product slated to deliver this year is already strongly pre-leased. Global supply chain normalization and slowed consumer spending may cool tenant demand, but the market is still considered undersupplied. Sufficient interest in new product is expected. Tenant demand is expected to moderate in 2023. We project landlords and developers will shift focus from rental rate growth to occupancy.

Adrian Lee

CBRE Executive Vice President, Managing Director

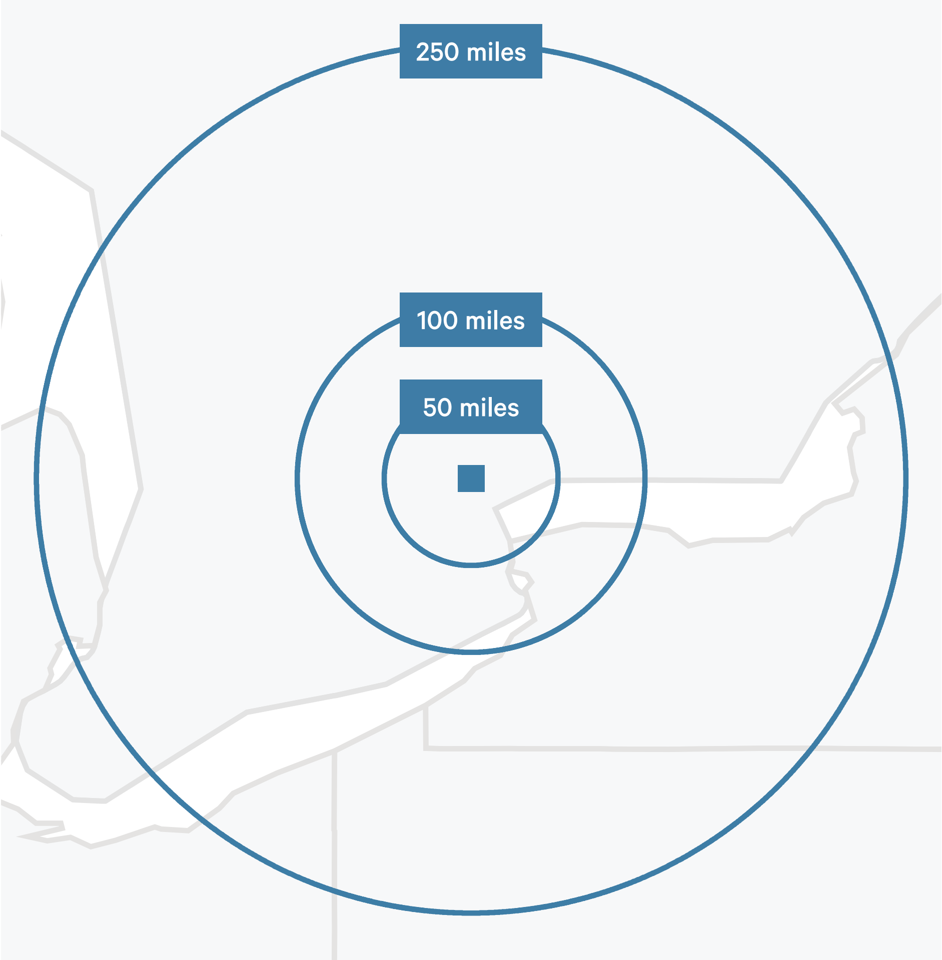
Demographics

More than 8.7 million people live within 50 miles of the market core, the highest population concentration in Canada. Five-year population growth is expected to be 8%. Nearly 15 million people can be reached within 250 miles, with a projected 7.2% growth rate.

Figure 1: Toronto Population Analysis

Distance from Downtown Toronto	2022 Total Population	5 Year Growth Outlook
50 miles	8,722,243	8.0%
100 miles	10,827,488	7.9%
250 miles	14,853,471	7.2%

Source: CBRE Research, Sitewise, January 2023.



The local warehouse labor force of 204,870 is expected to grow by 12% by 2032. The average hourly wage for a non-supervisory employee is C$18.00 (USD $14.43), one of.

Figure 2: Toronto Warehouse & Storage Labor Fundamentals

Total Warehouse & Storage Employment
204,870

2032 Total Warehouse & Storage Projected Employment
230,090

Hourly Wage (CAD)*
C$18.00

*Median Wage in Canadian Dollars; Warehouseperson occupation (NOC 7452).
Source: CBRE Research, Oxford Economics, Canada Job Bank, January 2023.

Location Incentives

Over the past five years, there have been 79 publicly known economic incentives deals totaling over $476 million for an average of $82,039 per new job in metro Toronto, according to Wavteq.

CBRE's Location Incentives Group reports that the extent, if any, of province and local incentives offerings for metro Toronto industrial projects depends on location and scope of the operation.

Figure 3: Toronto Top Incentive Programs

Program (Ontario)	Descripton
Strategic Innovation Fund (SIF)	Funds 10-50% of project costs for large-scale R&D and innovation projects
Scientific Research & Experimental Development (SR&ED) Program	Tax credits ranging from 15-35% of eligible R&D-related expenses
Industrial Research Assistance Program (IRAP)	Financial contributions provided by the National Research Council (NRC) of up to 60-80% of technical labor and subcontractor expenses to support technical R&D projects
Canada-Ontario Job Grant	Up to $10,000 in government support per person for training costs
Student Work Placement Program	Wage subsidies of up to $5,000 for every student hired through placement program
Co-operative Education Tax Credit	Refundable tax credit up to $3,000 for each qualifying work placement

Source: CBRE Location Incentives Group, Q4 2022.
Note: The extent, if any, of state and local incentive offerings depends on location and scope of the operation.

Logistics Driver

Toronto has convenient access to seven major highways that connect to locations across Canada and U.S. border crossings. The market is served by both the Canadian National and Canadian Pacific railways, with intermodal rail yards in Brampton, Caledon, Milton and Vaughan.

Toronto Pearson International Airport processes more than 45% of Canada's air cargo, serving 175 international destinations. The airport is at the center of the region's rail and highway network, making cargo easy to ship to the region's big-box facilities.

Toronto has convenient access to seven major highways that connect to locations across Canada and U.S. border crossings.

Capital Markets

"Industrial markets in Greater Toronto hit new thresholds. New builds are leasing at C$20 (USD $14.73) per sq. ft., with 4% annual escalations. Tenants have paid these premiums given scarce best-in-class space. Investors remain interested in larger buildings with longer in-place lease terms, if rent growth is at least 4% per year. The old model of 2% growth is being penalized in the market because it no longer covers inflation."

Peter Senst

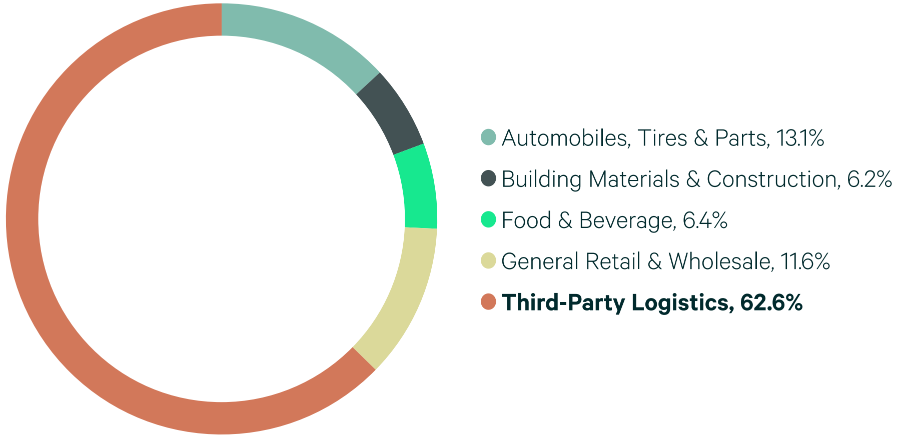
President, CBRE Canadian Capital Markets

Supply & Demand

With 268 million sq. ft. of total inventory, Toronto is the largest big-box market in Canada and North America's seventh-largest. The direct vacancy rate is 0.8%, the third-lowest in North America, despite 7.6 million sq. ft of construction completions last year. Demand is so high that completions are leased before or at the time of completion. Any available existing space is leased prior to being vacated. This is creating record rent growth with first-year base rents up 40.9% year-over-year, North America's third-highest. The lack of available space, primarily in spaces over 500,000 sq. ft., lowered transaction volume 25% to 9 million sq. ft. Net absorption dipped to 6.6 million sq. ft.

Developers are buying land farther out from the market core, with 11.1 million sq. ft. currently under construction. Just over 44% of this is already pre-leased, including 66% of the product between 500,000-749,999 sq. ft. First-year taking rents rose by 4.6% year-over-year. Toronto will remain one of North America's most in-demand big-box markets. But the lack of available inventory will keep its vacancy rates at a record low for the foreseeable future.

Figure 4: Share of 2022 Leasing by Occupier Type



Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

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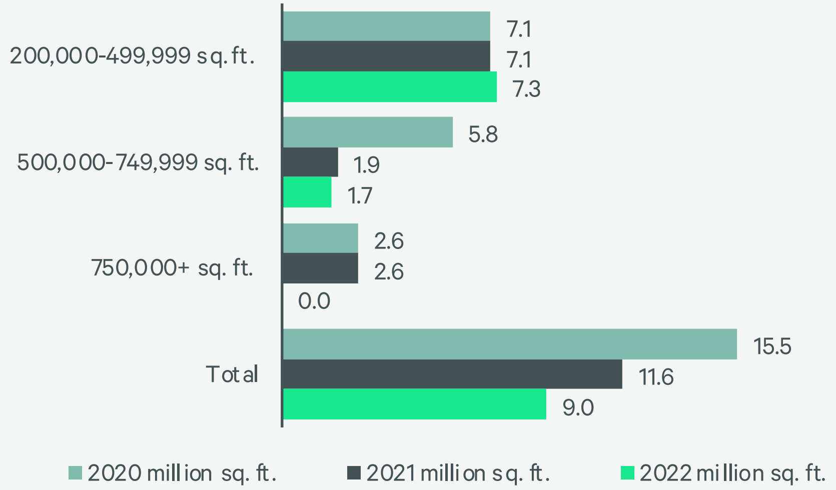

Note: Includes new leases and renewals 200,000 sq. ft. and above.
Source: CBRE Research, 2022.

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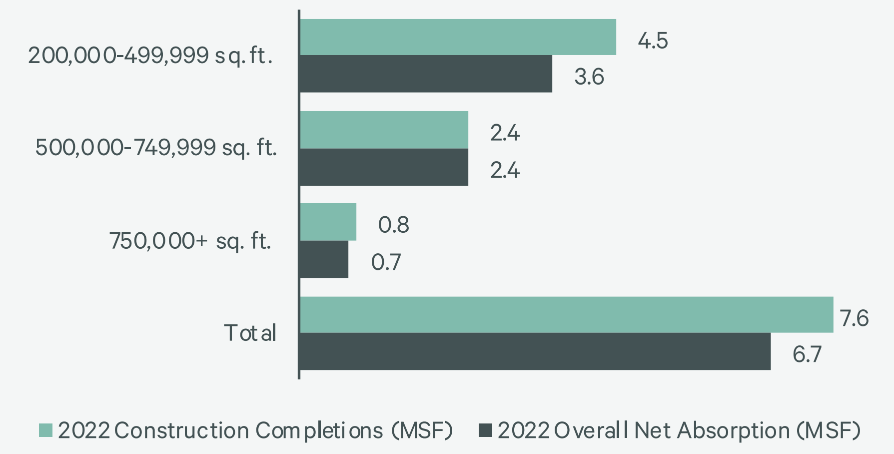
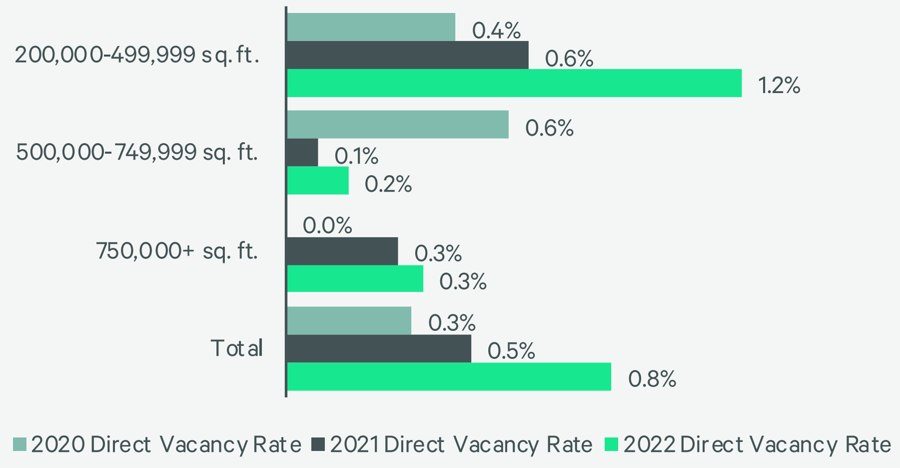


Source: CBRE Research, 2022.

Figure 7: Direct Vacancy Rate by Size Range



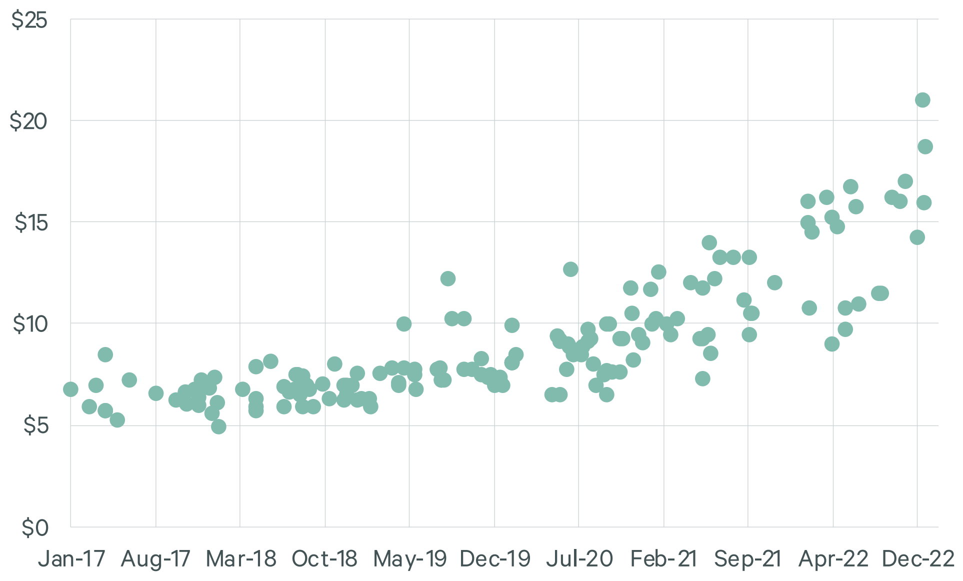
Source: CBRE Research, 2022.

Figure 8: Under Construction & Percentage Preleased

	2022 Under Construction sq. ft.	% Preleased
200,000-499,999 sq. ft.	6,404,454	39.3%
500,000-749,999 sq. ft.	3,572,698	66.0%
750,000+ sq. ft.	1,092,629	0.0%
Total	11,069,781	44.1%

Source: CBRE Research, 2022.

Figure 9: First Year Taking Rents (psf/yr)



Note: Taking Rents are in $CAD.
Source: CBRE Research, 2022.

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