

U.S. Supply Chain Real Estate

Q2 2021 Review

October 6, 2021

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Executive Vice President



Q2 2021 U.S. Industrial

Industrial Sector Continues to Set Records



YTD Overall
Net Absorption

230.9

MSF

More than
double over
2020



Warehouse/Distribution
Direct Asking Rents

\$6.54

PSF/YR NNN

4.6% Higher
than 2020



Overall
Vacancy Rate

4.9%

50 bps Lower
than 2020



Product
Under Construction

419.9

MSF

29.7% Higher
than 2020

Top Markets

YTD Overall Net Absorption

22.7 MSF

Dallas-Fort Worth

YTD New Supply

13.6 MSF

Dallas-Fort Worth

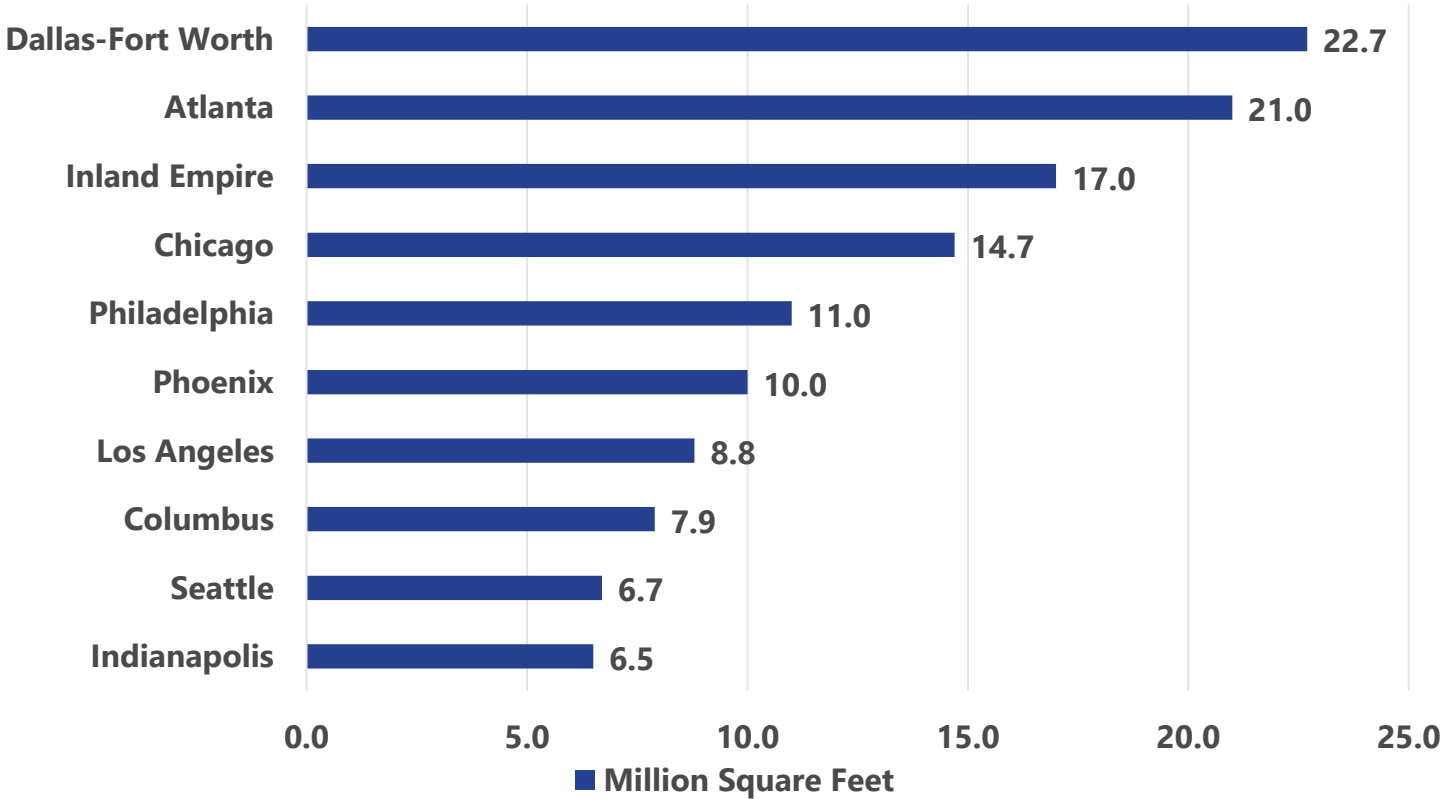
Product Under Construction

35.1 MSF

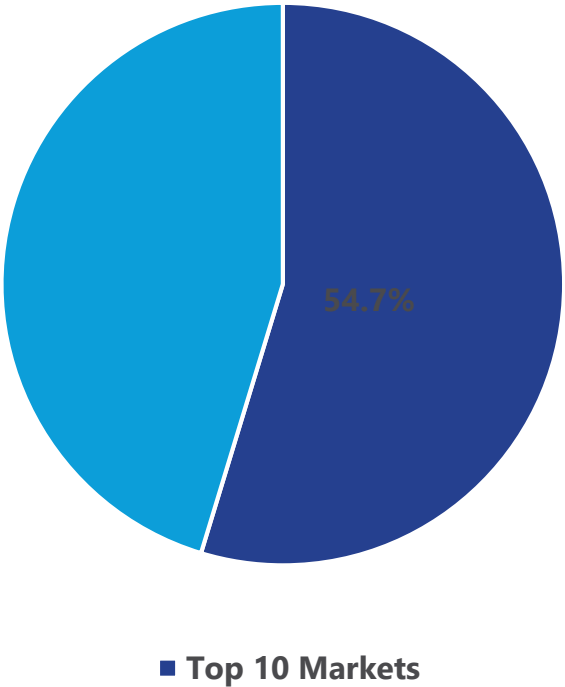
Dallas-Fort Worth

Q2 2021 U.S. Top 10 Rankings

YTD Overall Net Absorption

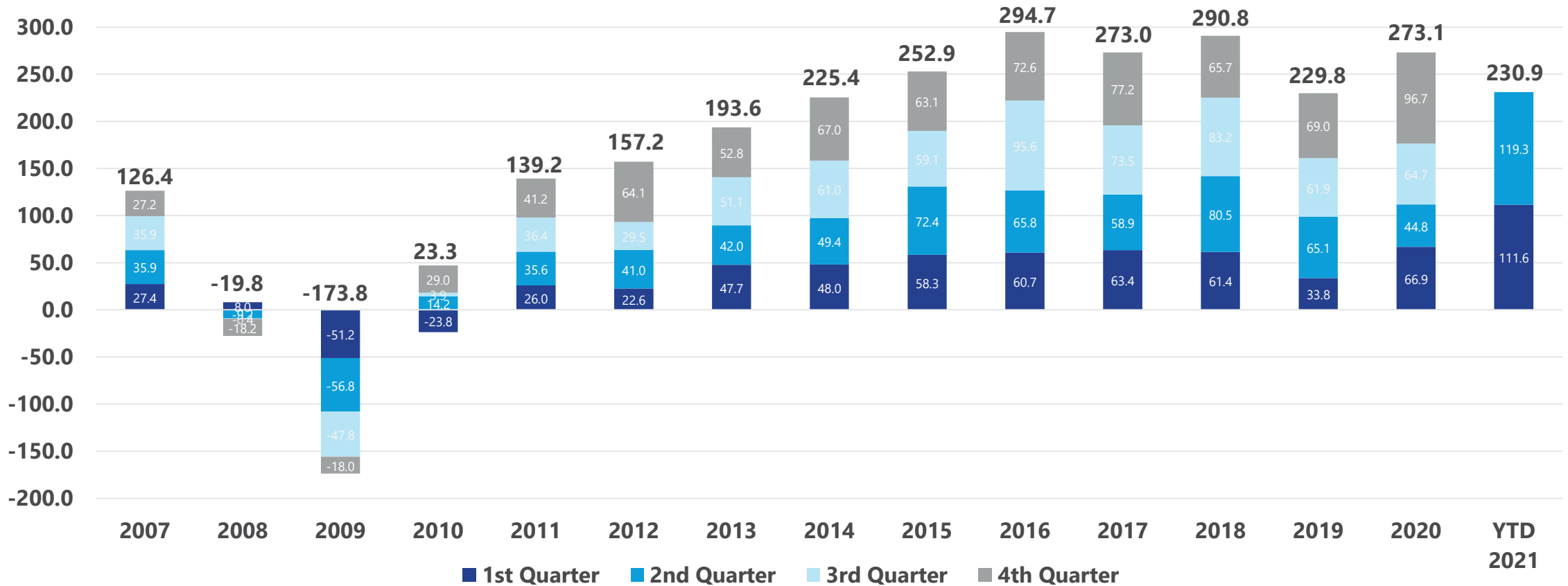


% of Total Absorption



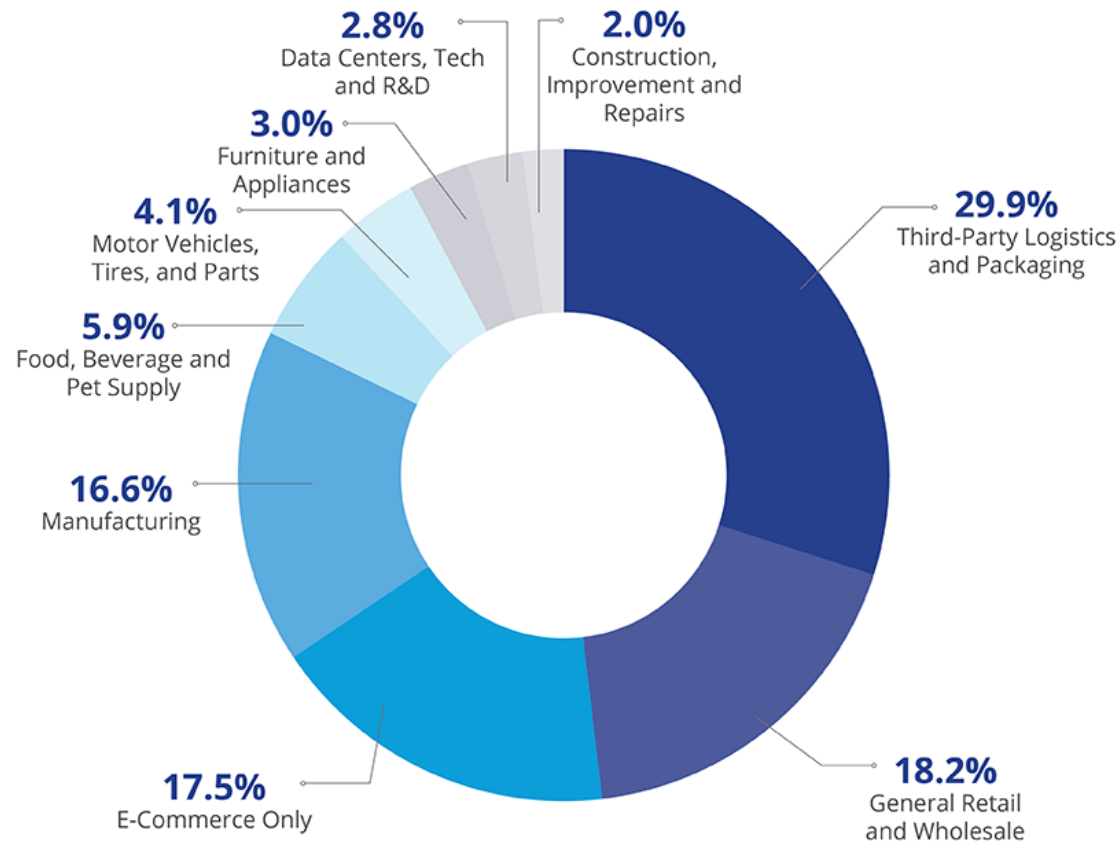
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Record Occupancy for the Second Quarter



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3PL Providers Top List of Bulk Occupiers

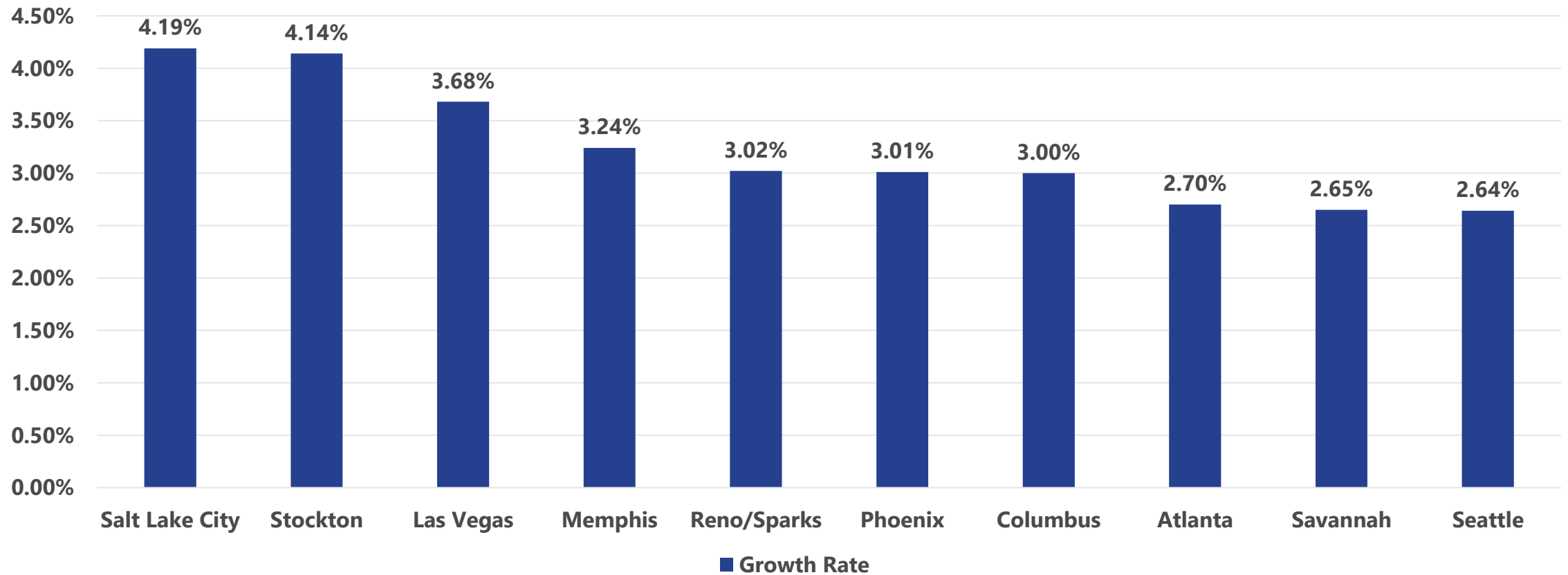


Top 10 Occupiers YTD 2021

	Occupier	SF Occupied
1	Amazon.com	33,114,719
2	XPO Logistics	6,705,942
3	Walmart	4,388,632
4	FedEx	3,939,494
5	Ball Corporation	2,510,883
6	Lowe's Home Improvement	2,165,273
7	DHL Supply Chain	2,051,691
8	CJ Logistics	1,756,466
9	Harbor Freight Tools	1,646,392
10	Medline Industries	1,600,004

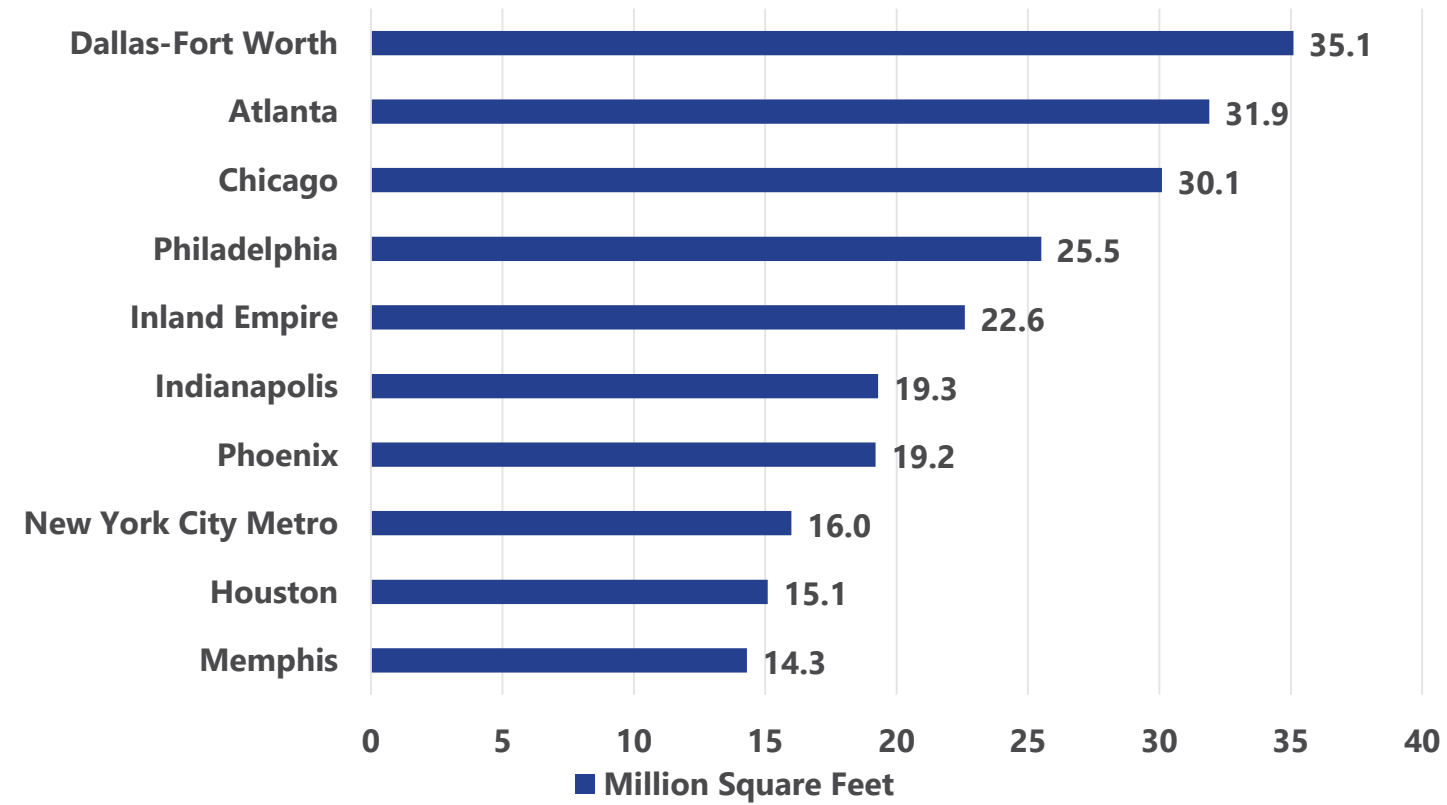
Q2 2021 U.S. Top 10 Rankings Growth Markets

Growth Rate = YTD Net Absorption as a % of existing inventory

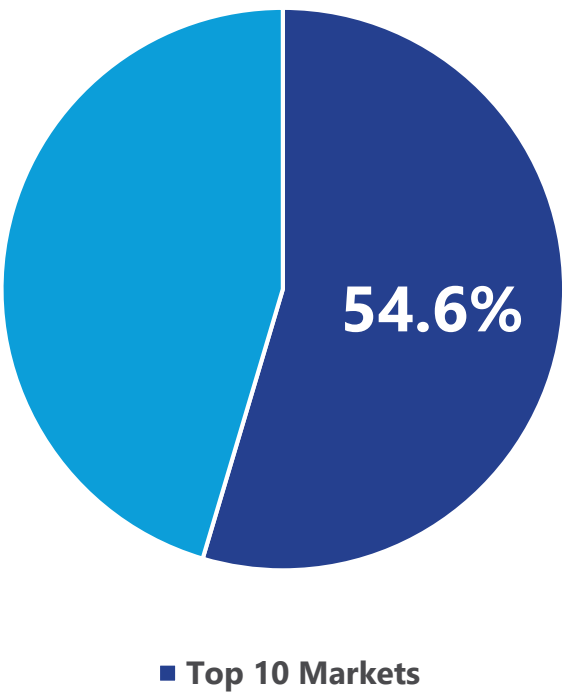


Q2 2021 U.S. Top 10 Rankings

Product Under Construction

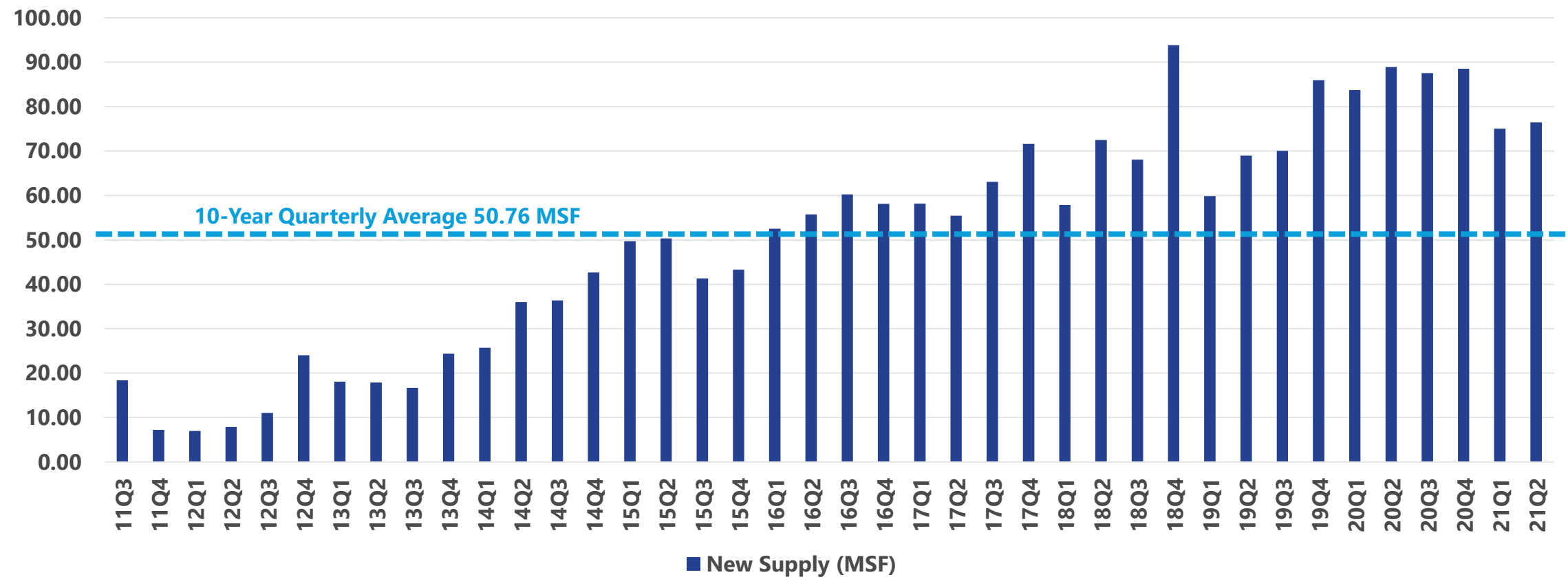


% of Total Construction



Q2 2021 U.S. Industrial

New Supply Expected to Increase



Q2 2021 U.S. Industrial Supply Chain Shifts

- Re-tooling supply chains for increased e-fulfillment should create incremental net demand of 140-185 MSF.
- Inventories could increase by 5-10% in a bid for resilience producing 285-570 MSF of aggregated incremental demand.

Accelerated E-commerce Adoption Requires Investment in Distribution Capabilities

- Each 100 bps of share shift from brick and mortar to online translates to 46 MSF of net demand in the U.S.
- Faster e-commerce adoption
Should require greater supply chain investments from low-penetration industries such as grocery

E-Commerce Share of Retail Sales

E-Commerce Share of Revenue	
Food & Beverage	2%
Auto Parts	3%
Construction/Home Improvement	9%
Healthcare	12%
Consumer Products	15%
Home Goods	16%
Apparel	24%
Diversified Retail	27%
Sporting Goods	28%
Electronics/Appliances	33%

Q2 2021 U.S. Industrial Supply Chain Shifts cont.

Higher Inventories Could Produce Substantial Demand Tailwinds

- Each 100 bps of growth in inventories is estimated to require an additional 57 MSF of U.S. logistics demand.

Stay-at-Home Economy Outperformers Should Drive Post-COVID Reconfiguration

- Grocery, Healthcare, Consumer Products and Diversified Retail are among top segments poised for lasting e-commerce impact and/or inventory re-assessment.

New Sourcing Practices Could Create New Consumption Centers

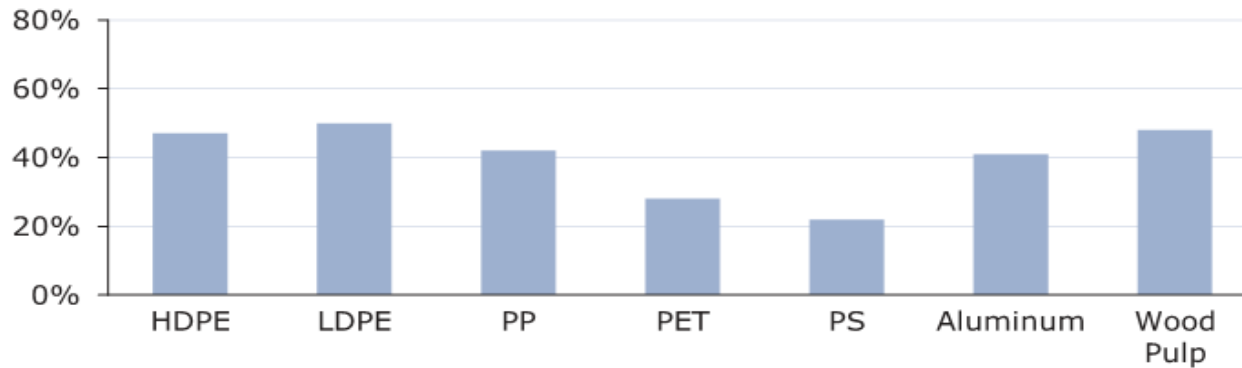
- Planning for future disruptions could gradually push many industries toward a greater diversity of manufacturing locations, including on- and near-shoring.



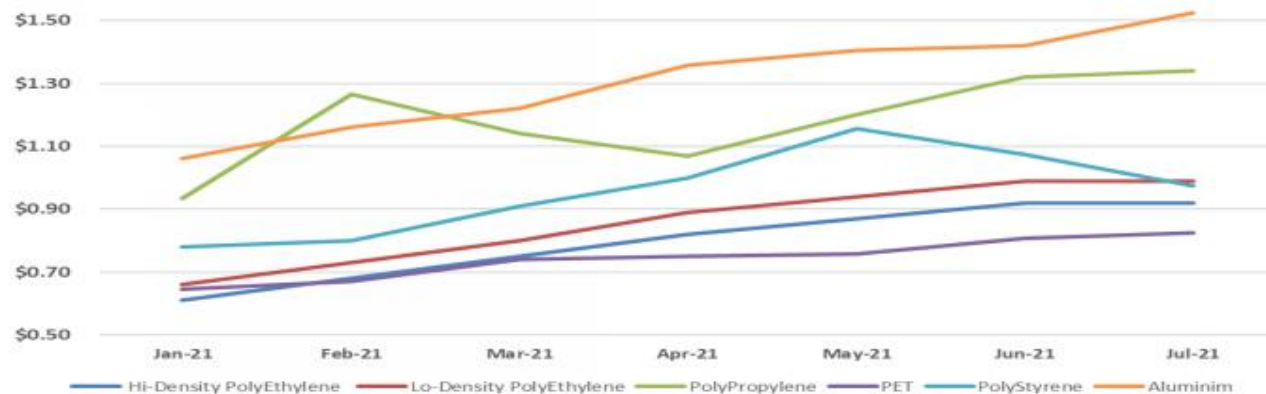
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Raw Materials & Commodity Price Hikes

Raw Material Cost Increase % (Jan to July 2021)



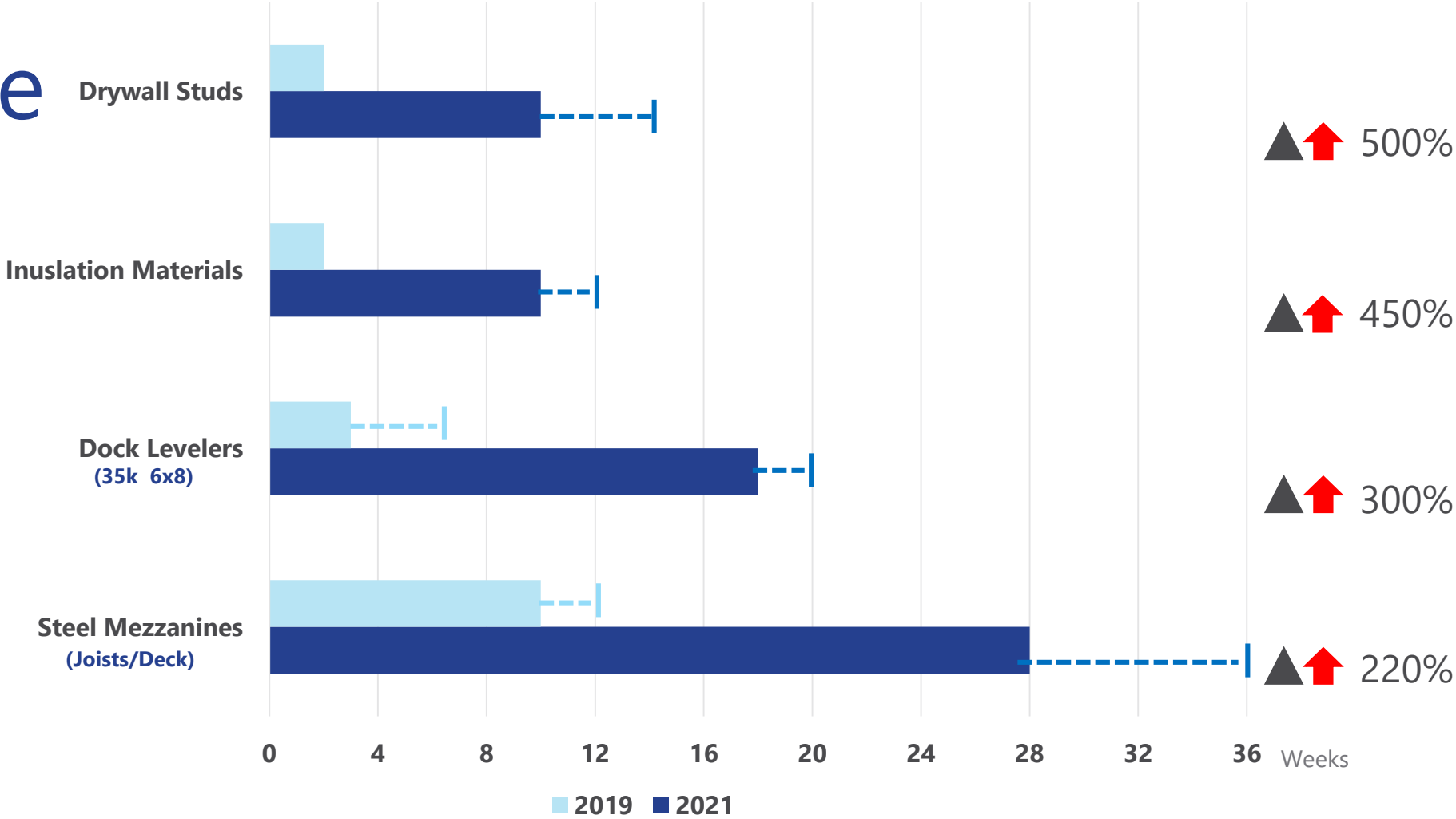
Raw Material Index Price (Jan to July 2021)

Commodities Index (Jan 2020 – July 2021)
Source Propurchaser

Commodity	Jan 2020 Index	Jul 2021 Index	%Δ
Aluminum	\$82	\$114	140%
Copper	\$279	\$430	154%
Nickel	\$14,000	\$18,450	132%
Stainless Steel	\$1.33	\$1.68	126%
Crude Oil (Brent)	\$66	\$75	113%
Linerboard 42#	\$161	\$183	114%
Hardwood for Pallets	\$455	\$640	141%
Softwood Lumber	\$395	\$795	201%
Nylon PA7 Glass Filled	\$2.08	\$2.51	121%
Trucking Cost (FL)	\$121	\$117	96%
Hot Rolled Steel	\$580	\$1,750	302%
American Labor Cost	\$120	\$120	100%
Container Rate CN to US	\$0.81	\$1.7	219%
USD vs EURO	\$112	\$119	106%
USD vs Yuan	\$14	\$15	108%

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Material Lead Time Changes



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Schedule
Impacts

Task Name	Duration	Start	Finish
2021 Milestone Schedule	108.5 days	Mon 9/20/21	Thu 2/17/22
Preconstruction	30 days	Mon 9/20/21	Fri 10/29/21
Notice to Proceed	0 days	Mon 9/20/21	Mon 9/20/21
Architectural/MEP Design	2 wks	Mon 9/20/21	Fri 10/1/21
Submit Permit	0 days	Fri 10/1/21	Fri 10/1/21
City Permit Review	4 wks	Mon 10/4/21	Fri 10/29/21
Submittal Review	2 wks	Mon 10/4/21	Fri 10/15/21
Receive Permit	0 days	Fri 10/29/21	Fri 10/29/21
Construction	88.5 days	Mon 10/18/21	Thu 2/17/22
Long Lead Items	30 days	Mon 10/18/21	Fri 11/26/21
Long Studs	2 wks	Mon 10/18/21	Fri 10/29/21
HVAC Units	6 wks	Mon 10/18/21	Fri 11/26/21
Pinweld Insulation	2 wks	Mon 10/18/21	Fri 10/29/21
Electrical Gear	6 wks	Mon 10/18/21	Fri 11/26/21
Dock Packages	6 wks	Mon 10/18/21	Fri 11/26/21
Construction Milestones	58.5 days	Mon 11/1/21	Thu 1/20/22
Underground Rough-In	1.5 wks	Mon 11/1/21	Wed 11/10/21
Pinweld Insulation	4 days	Wed 11/10/21	Tue 11/16/21
MEP Rough-in	2 wks	Tue 11/16/21	Tue 11/30/21
Electrical Service	3 wks	Mon 11/29/21	Fri 12/17/21
Dock Equipment Install	1 wk	Mon 11/29/21	Fri 12/3/21
Drywall	8 days	Tue 11/30/21	Fri 12/10/21
Tape/Bed/Prime	5 days	Fri 12/10/21	Fri 12/17/21
MEP Above Ceiling	5 days	Thu 12/16/21	Thu 12/23/21
Millwork & Finish Carpentry	5 days	Thu 12/23/21	Thu 12/30/21
Doors/Frames/Hardware	2 days	Mon 12/27/21	Wed 12/29/21
Flooring	4 days	Thu 12/30/21	Wed 1/5/22
Final Paint	4 days	Mon 1/10/22	Fri 1/14/22
MEP Trim Out/Commissioning	3 days	Fri 1/14/22	Wed 1/19/22
Final Clean	2 days	Mon 1/17/22	Wed 1/19/22
Final Inspections	1 day	Tue 1/18/22	Wed 1/19/22
CO Inspection	0 days	Thu 1/20/22	Thu 1/20/22
Closeout	20 days	Thu 1/20/22	Thu 2/17/22
Punch List	2 wks	Thu 1/20/22	Thu 2/3/22
Closeout Package	4 wks	Thu 1/20/22	Thu 2/17/22

Task Name	Duration	Start	Finish
2021 Milestone Schedule	168 days	Mon 9/20/21	Wed 5/11/22
Preconstruction	45 days	Mon 9/20/21	Fri 11/19/21
Notice to Proceed	0 days	Mon 9/20/21	Mon 9/20/21
Architectural/MEP Design	3 wks	Mon 9/20/21	Fri 10/8/21
Permit Submittal	0 days	Fri 10/8/21	Fri 10/8/21
City Permit Review	6 wks	Mon 10/11/21	Fri 11/19/21
Submittal Review	2 wks	Mon 10/11/21	Fri 10/22/21
Receive Permit	0 days	Fri 11/19/21	Fri 11/19/21
Construction	145 days	Mon 10/25/21	Wed 5/11/22
Long Lead Items	100 days	Mon 10/25/21	Fri 3/11/22
Long Studs	16 wks	Mon 10/25/21	Fri 2/11/22
HVAC Units	12 wks	Mon 10/25/21	Fri 1/14/22
Pinweld Insulation	14 wks	Mon 10/25/21	Fri 1/28/22
Electrical Gear	14 wks	Mon 10/25/21	Fri 1/28/22
Dock Packages	20 wks	Mon 10/25/21	Fri 3/11/22
Construction Milestones	103 days	Mon 11/22/21	Wed 4/13/22
Underground Rough-In	1.5 wks	Mon 11/22/21	Wed 12/1/21
Electrical Service	3 wks	Mon 1/17/22	Fri 2/4/22
Pinweld Insulation	4 days	Mon 1/31/22	Thu 2/3/22
MEP Rough-in	2 wks	Fri 2/4/22	Thu 2/17/22
Drywall	8 days	Fri 2/18/22	Tue 3/1/22
Tape/Bed/Prime	5 days	Wed 3/2/22	Tue 3/8/22
MEP Above Ceiling	7 days	Tue 3/8/22	Wed 3/16/22
Dock Equipment Install	1 wk	Mon 3/14/22	Fri 3/18/22
Millwork & Finish Carpentry	5 days	Thu 3/17/22	Wed 3/23/22
Doors/Frames/Hardware	2 days	Mon 3/21/22	Tue 3/22/22
Flooring	4 days	Thu 3/24/22	Tue 3/29/22
Final Paint	4 days	Mon 4/4/22	Thu 4/7/22
MEP Trim Out/Commissioning	3 days	Fri 4/8/22	Tue 4/12/22
Final Clean	2 days	Mon 4/11/22	Tue 4/12/22
Final Inspections	1 day	Tue 4/12/22	Tue 4/12/22
CO Inspection	0 days	Wed 4/13/22	Wed 4/13/22
Closeout	20 days	Thu 4/14/22	Wed 5/11/22
Punch List	2 wks	Thu 4/14/22	Wed 4/27/22
Closeout Package	4 wks	Thu 4/14/22	Wed 5/11/22

Q2 2021 U.S. Industrial

Material Cost Changes

Drywall Studs

  116%

Mezzanines

(Joists/Deck)

  43%

Insulation Materials

  22
%

Overall Office Finish Out

  33%

Dock Levelers

(35k 6x8)

  40%

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How to Avoid Delays



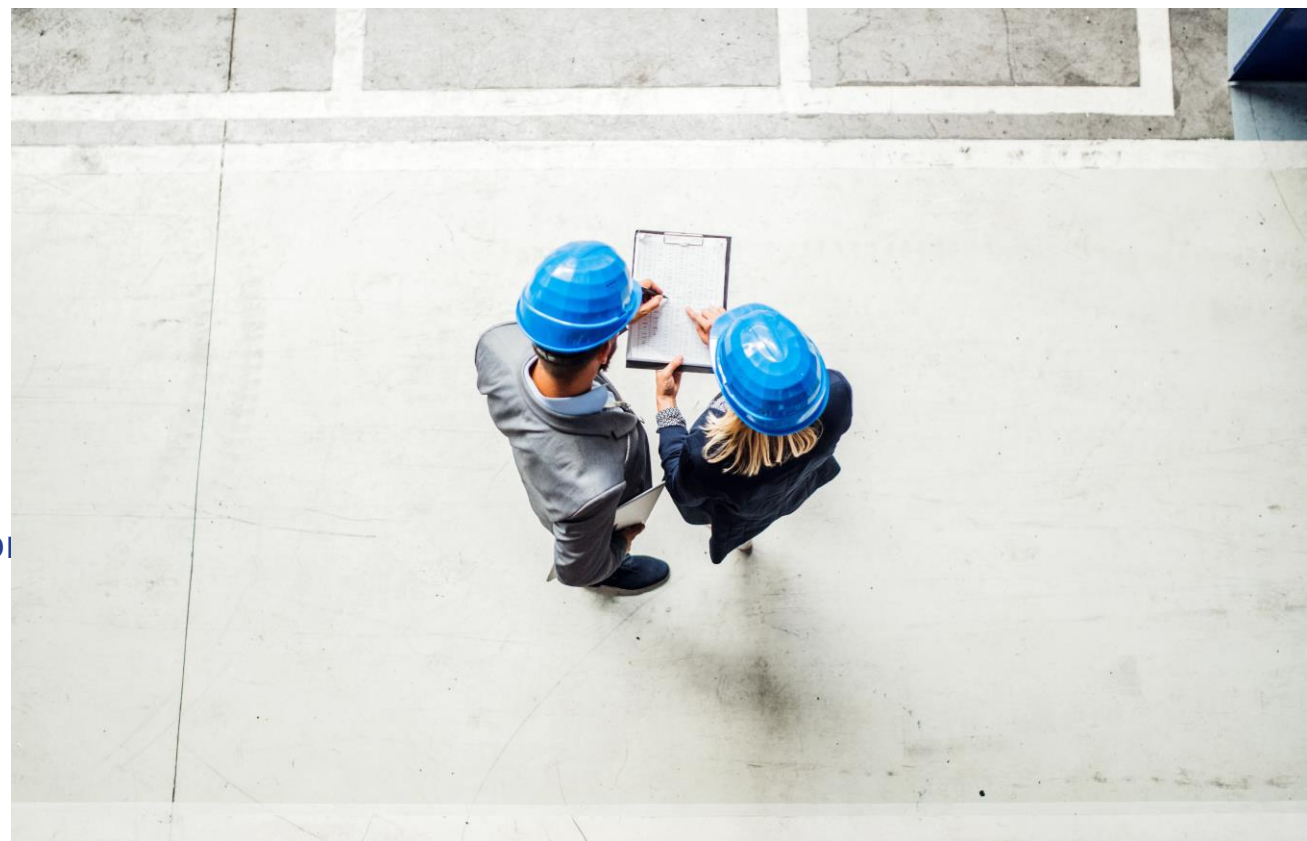
Engage Partners Earlier

- Start design before lease
- Preorder long lead items



Define Tenant Operational Needs

- Identify tenant's needs outside of RFP
- Identify early occupancy, substantial completion and final completion dates



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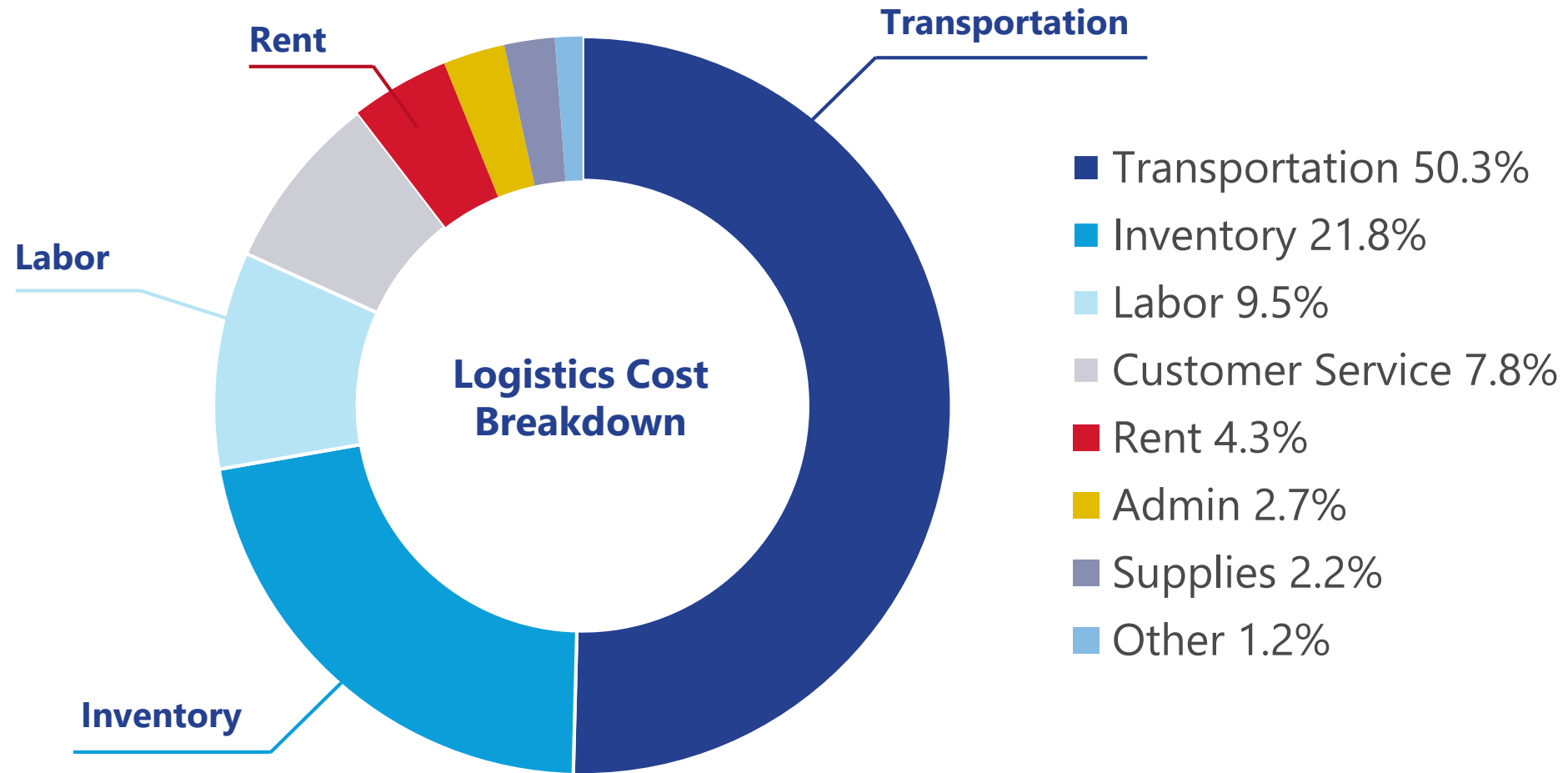
The Tip of the Iceberg



Real Estate Strategy

Business Strategy

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Be Proactive, Not Reactive



Evaluate Needs



Assemble Team



Building Tours



Proposal Process



Lease Negotiation



Construction/Move In
/Punch List

Q2 2021 U.S. Industrial Operate with Urgency



12 City Comprehensive
Market Study to Support
3PL Bidding Process

Q2 2021 U.S. Industrial Labor Analytics



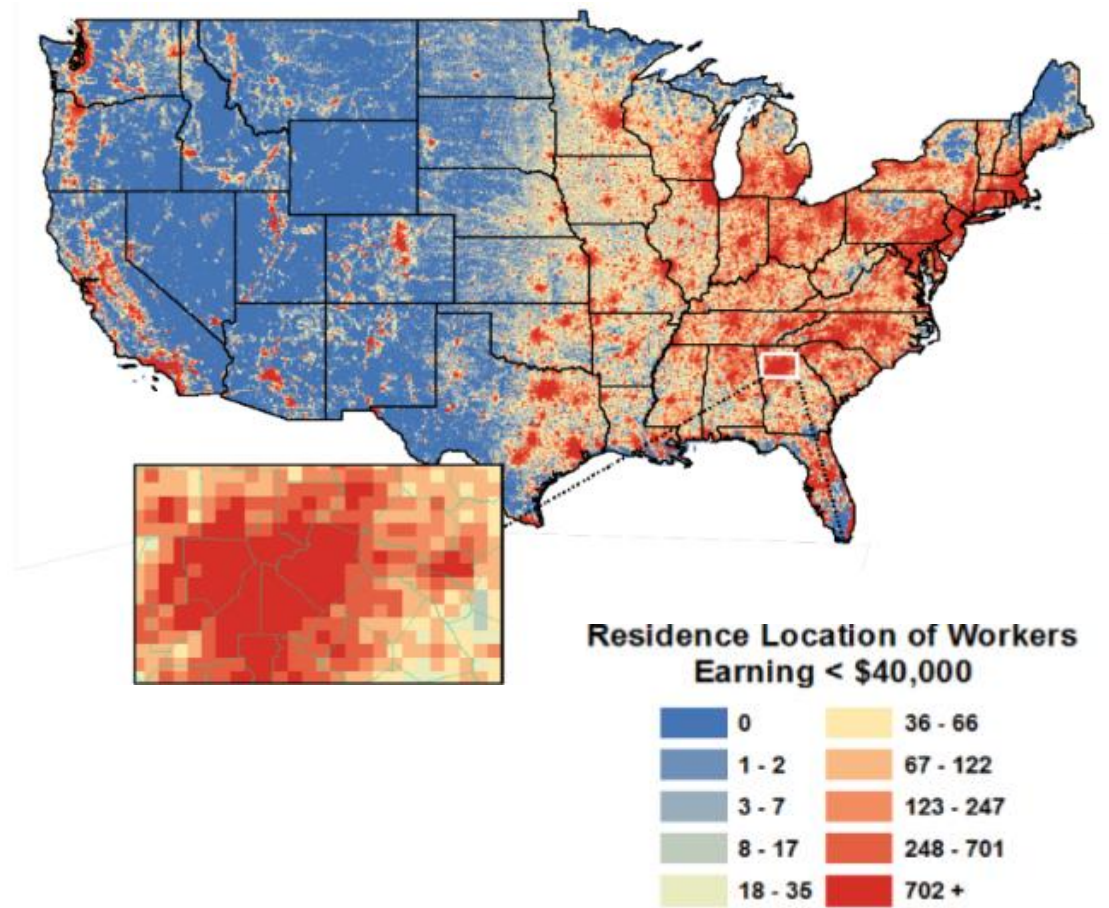
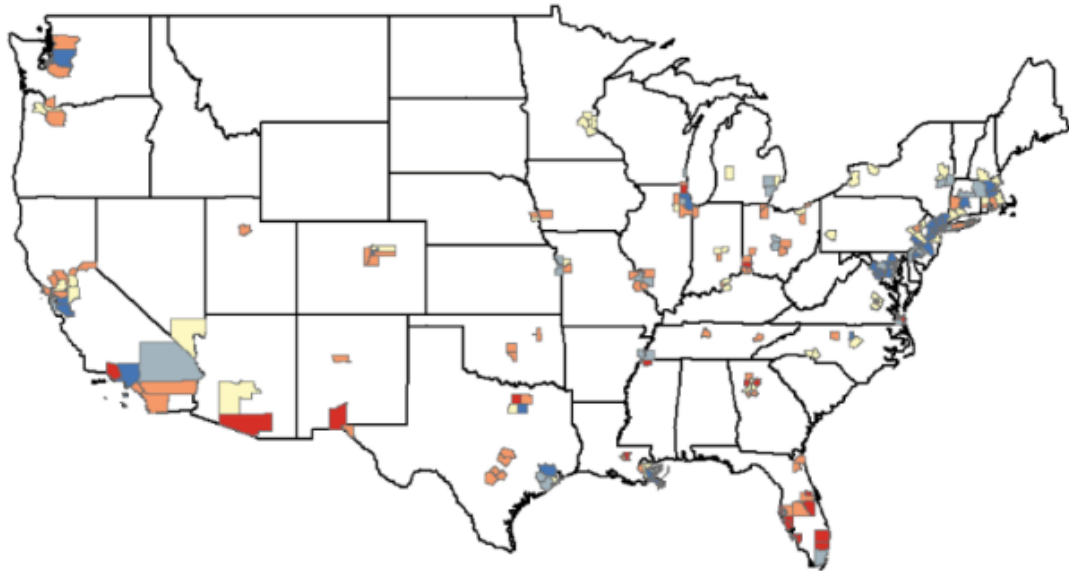
Labor Analysis Comparison	Overall DFW Market	1371 S Town East Blvd 30 Minute Drive Time	3201 N Houston School Rd. 30 Minute Drive Time
Assemblers and Fabricators			
Jobs (2017)	37,702	9,161	5,919
Jobs (2017) - % of Overall DFW Market		24.3%	15.7%
2017 Resident Workers	35,651	7,645	7,111
2017 Resident Workers (2017) - % of Overall DFW Market		21.4%	19.9%
2017 Net Commuters		1,516	(1,192)
Average Hourly Earnings	\$16.34	\$15.59	\$15.74
Shipping, Receiving, and Traffic Clerks			
Jobs (2017)	23,767	7,477	5,908
Jobs (2017) - % of Overall DFW Market		31.5%	24.9%
2017 Resident Workers	21,986	5,383	5,235
2017 Resident Workers (2017) - % of Overall DFW Market		24.5%	23.8%
2017 Net Commuters		2,094	673
Average Hourly Earnings	\$15.01	\$14.75	\$14.86
Laborers and Freight, Stock, and Material Movers, Hand			
Jobs (2017)	73,062	22,113	17,954
Jobs (2017) - % of Overall DFW Market		30.3%	24.6%
2017 Resident Workers	68,011	16,130	16,896
2017 Resident Workers (2017) - % of Overall DFW Market		23.7%	24.8%
2017 Net Commuters		5,983	1,058
Average Hourly Earnings	\$13.71	\$13.96	\$13.86

Where the Jobs Are

Where the Employees Live

	DRIVE TIME - Mesquite 30 Minutes	DRIVE TIME - Desoto 30 Minutes	DRIVE TIME - Ennis 30 Minutes
Jobs (2017)	36,922	23,997	3,287
Job Change %	7%	7%	9%
Jobs (2018)	38,068	24,726	3,414
Jobs (2022)	40,842	26,477	3,713
2017 Jobs LQ	1.06	1.18	1.57
2017 Resident Workers	27,501	21,601	4,221
2017 Net Commuters	9,421	2,396	(934)
Annual Openings	6,006	3,889	554
Average Hourly Earnings	\$13.99	\$13.84	\$13.58
Median Hourly Earnings	\$13.13	\$12.93	\$12.77
Pct. 10 Hourly Earnings	\$9.48	\$9.45	\$9.16
Pct. 25 Hourly Earnings	\$10.84	\$10.75	\$10.50
Pct. 75 Hourly Earnings	\$16.48	\$16.23	\$16.02
Pct. 90 Hourly Earnings	\$19.63	\$19.43	\$19.07
COL Adjusted Average Hourly Earnings	\$13.85	\$13.84	\$13.86
COL Adjusted Median Hourly Earnings	\$13.00	\$12.93	\$13.03
Average Annual Earnings	\$29,102	\$28,781	\$28,249
Median Annual Earnings	\$27,316	\$26,885	\$26,562
Pct. 10 Annual Earnings	\$19,718	\$19,663	\$19,043
Pct. 25 Annual Earnings	\$22,537	\$22,350	\$21,835
Pct. 75 Annual Earnings	\$34,287	\$33,764	\$33,330
Pct. 90 Annual Earnings	\$40,820	\$40,410	\$39,657
COL Adjusted Average Annual Earnings	\$28,814	\$28,781	\$28,826
COL Adjusted Median Annual Earnings	\$27,046	\$26,885	\$27,104

Q2 2021 U.S. Industrial Labor Analytics



Q2 2021 U.S. Industrial On the Horizon

Greater Focus on Creative Industrial

- Increasing Consumer Expectation for Speed
 - Lack of Qualified Labor
 - Transparency
 - Automation
 - Gig Economy
 - Threat of Amazon
 - Transportation Changes
 - Automated Vehicles/ Trucks
- How to Control the Cost of the Last Mile

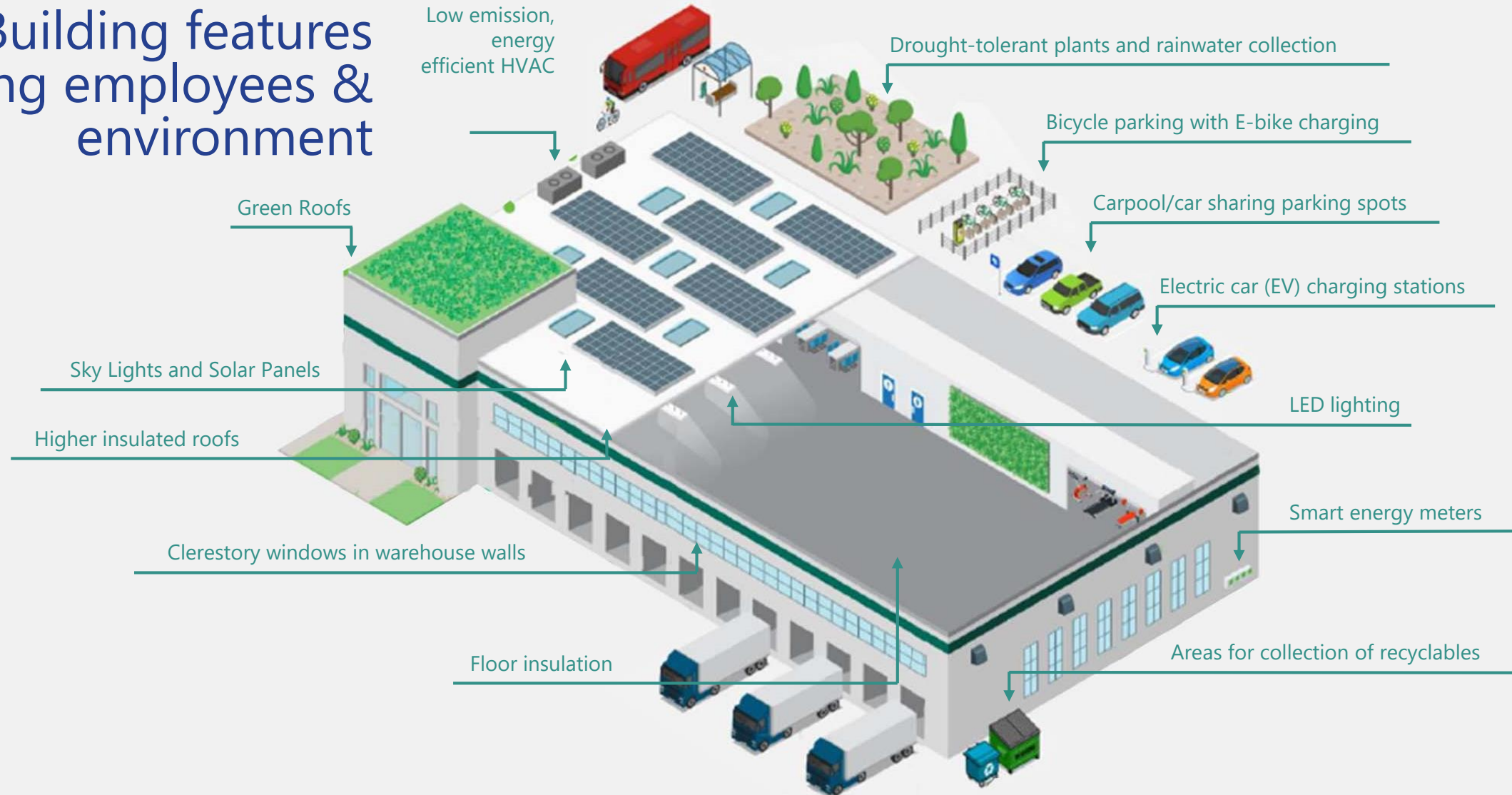


Bigger Hubs & Smaller/Closer Last Mile



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Building features supporting employees & environment





Thank you!