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OF SOUTH FLORIDA

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INDUSTRIAL EVENT AND TRADE SHOW



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ANNUAL MEETING



Industrial Market Trends & Outlook
Anthony M. Graziano, CEO



irr®



About IRR

Integra Realty Resources (IRR) is one of the largest independent commercial real estate market research, valuation and counseling firms in North America.

IRR's services include:

- ▶ Property Valuation
- ▶ Real Estate Counseling
- ▶ Specialty Expertise
- ▶ Portfolio Valuation
- ▶ Feasibility Studies
- ▶ Litigation Support and Expert Witness Services



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ECONOMIC TRENDS

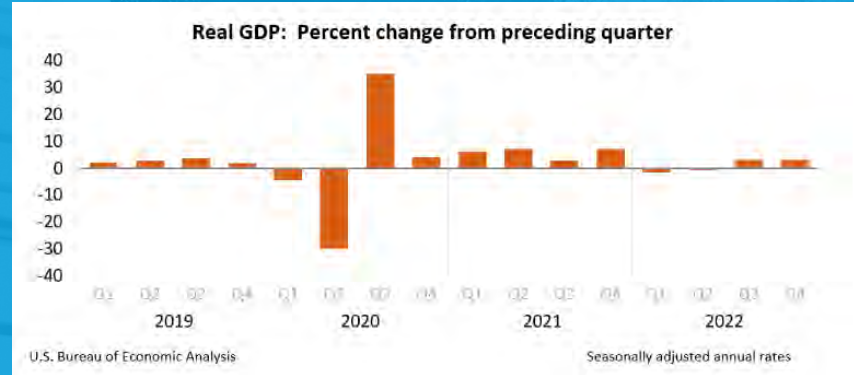
Roiled by ongoing military and public health crisis, American tribalism continues unabated and is institutionalized in a divided Congress. Mixed signals seem tilted toward a U.S. recession, as they are in other major economies in Europe and Asia.



Macro Economic Trends & Forecast

ECONOMIC RECOVERY

- Real GDP Q4 2022 +2.9%
- Real GDP 2000 to 2019 +2.2%/yr average
- Real GDP 2023 Forecast
 - Jp Morgan: +1.0%
 - Morgan Stanley: +0.5%
 - Goldman Sachs: +1.0%



INTEREST RATES

- Seven rate hikes in 2022 (+425 bps)
- One rate hike on Feb 2, 2023 (+25 bps)
- Next meeting March 22, 2023
- 2023 Target: 5.00% - 5.25%

Federal Fund Rate Changes (2020-2023)		
FOMC Meeting	Rate Change (bps)	Federal Funds Target Range
February 2, 2023	+25	4.50% - 4.75%
December 15, 2022	+50	4.25% - 4.50%
November 3, 2022	+75	3.75% - 4.00%
September 22, 2022	+75	3.00% - 3.25%
July 28, 2022	+75	2.25% - 2.50%
June 16, 2022	+75	1.50% - 1.75%
May 5, 2022	+50	0.75% - 1.00%
March 17, 2022	+25	0.25% - 0.50%
March 16, 2020	-100	0.00% - 0.25%
March 3, 2020	-50	1.00% - 1.25%

Source: Federal Reserve website.

INFLATION

- December 2022: USA 6.4% vs. South Florida 9.9%
- Target: 2.5%

MOVING MIGRATION

- Top Inbound States: FL, TX, NC, SC, TN
- Quality of life concerns, high state income tax, remote-work policies, weather

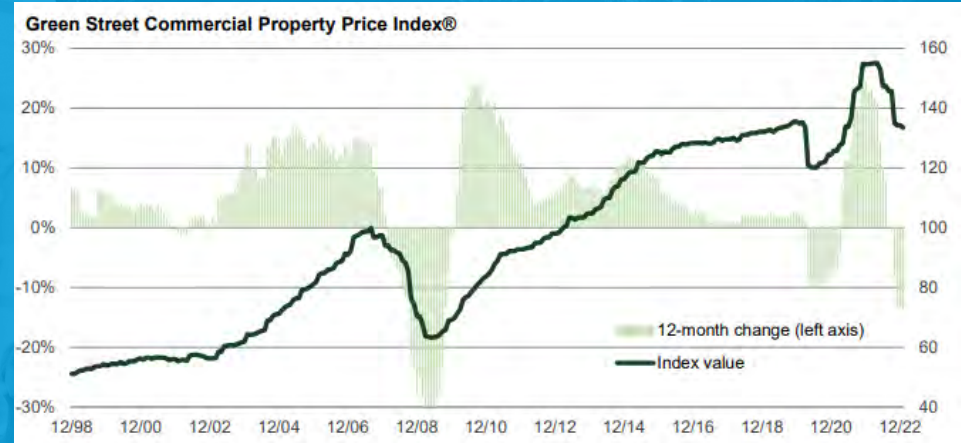
	Domestic Net Migration 2022	Population Change 2022-2021
Florida	318,855	1.9%
Texas	230,961	1.6%
North Carolina	99,796	1.3%
South Carolina	84,030	1.7%
Tennessee	81,646	1.2%



Commercial Real Estate Trends

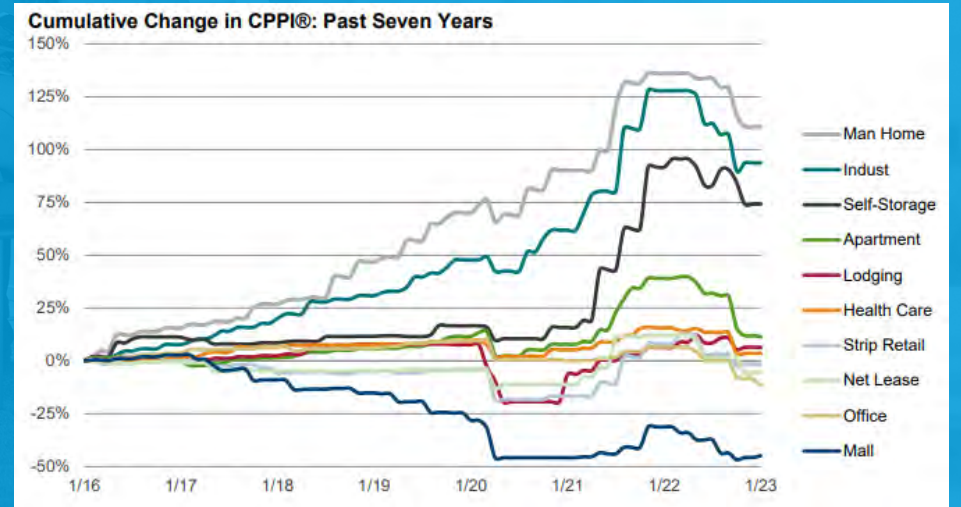
CPPI Key Takeaways

- Pricing appreciation for industrial real estate properties outpaced all the other real estate commercial property types since 2016
- Property prices have corrected by 14% in the past 12 months; apartments and mall had the largest correction (-20% and -17% respectively) while lodging had the smallest correction with -5%



Green Street CPPI®: Sector-Level Indexes

	Index Value	Change in Commercial Property Values		
		Past Month	Past 12 Mos	Recent Peak
All Property	133.5	-1%	-14%	-14%
Core Sector	133.2	-1%	-17%	-17%
Apartment	152.0	-1%	-20%	-20%
Industrial	215.8	0%	-15%	-15%
Mall	78.3	2%	-20%	-20%
Office	94.2	-4%	-17%	-17%
Strip Retail	115.2	0%	-9%	-13%
Health Care	134.9	0%	-10%	-10%
Lodging	107.6	0%	0%	-5%
Manufactured Home Park	289.2	0%	-11%	-11%
Net Lease	97.6	0%	-16%	-16%
Self-Storage	278.8	0%	-9%	-11%

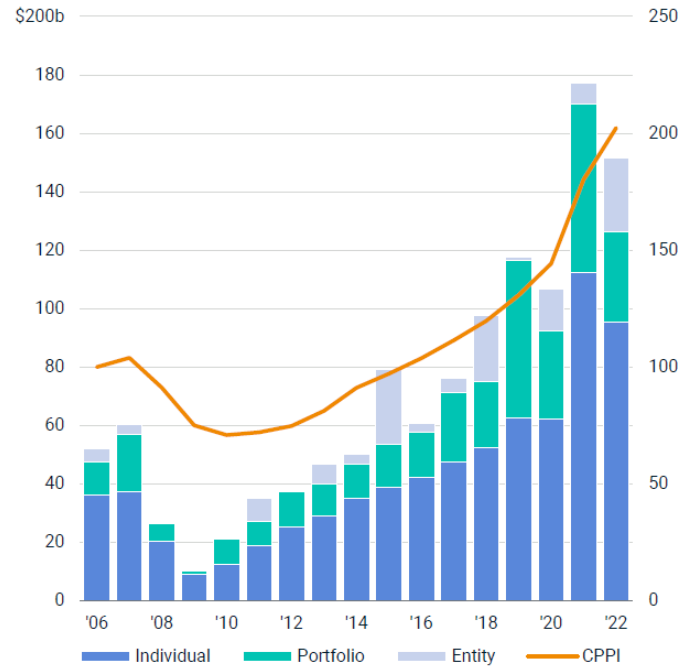


INDUSTRIAL – United States

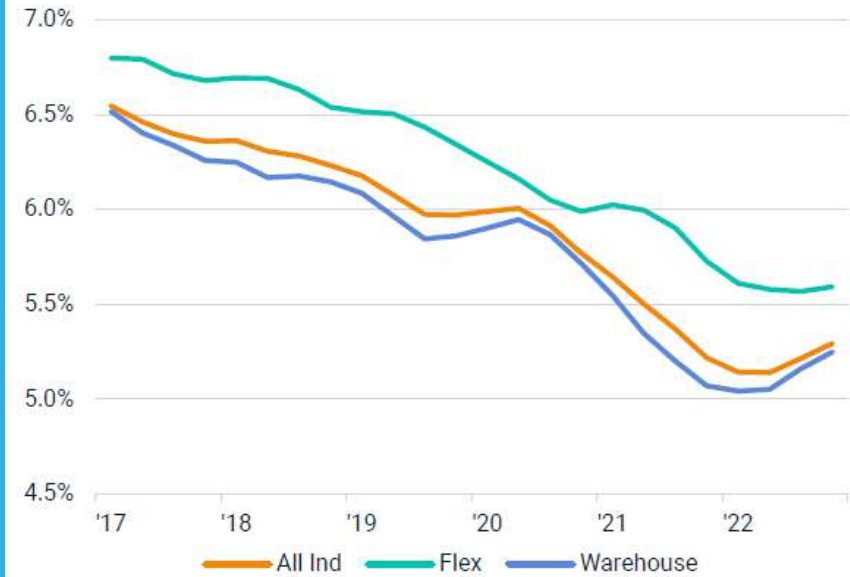
The Expansion
Continues

Industrial Market Trends 2022

Annual Transaction Volume and Pricing



Cap Rates



RCA Hedonic Series

Quarterly Deal Volume and Pricing Summary

	Q4 2022 Volume				RCA CPPI		Price Averages		
	\$b	YOY Chg	#Props	YOY Chg	1-qtr Chg	1-yr Chg	\$/sf	Cap Rate	YOY Chg (bps)
Industrial	33.2	-58%	1,849	-58%	1.5%	12.2%	84	5.3%	10
Flex	4.6	-65%	268	-67%	2.5%	11.6%	196	5.6%	-10
Warehouse	28.6	-56%	1,581	-56%	0.7%	11.8%	74	5.2%	20
6-Major Metro	10.8	-57%	535	-56%	-1.1%	7.8%	216		
Non-Major Metro	22.4	-58%	1,314	-59%	2.8%	14.0%	65		
Single Tenant	8.0	-67%	370	-62%	1.5%	9.7%	38	5.5%	30

RCA Hedonic Series cap rates, changes are rounded

Industrial Market Rankings / Transaction Sales - 2022

Most Active Markets 2022

Individual Portfolio/Entity

2020	2021	2022	Market	Sales Volume (\$m)	YOY Change
1	5	1	Dallas	9,415	16%
2	1	2	Los Angeles	9,092	-8%
5	3	3	Inland Empire	7,312	-11%
3	2	4	Chicago	6,980	-23%
7	7	5	No NJ	5,000	-7%
4	4	6	Atlanta	4,814	-41%
8	8	7	Houston	4,389	-16%
13	11	8	Seattle	3,930	17%
10	6	9	Phoenix	3,750	-41%
33	38	10	DC VA burbs	3,634	172%
12	17	11	East Bay	3,189	19%
21	29	12	Miami/Dade Co	3,124	72%
22	15	13	San Diego	3,033	2%
6	9	14	Boston	2,843	-28%
28	13	15	Philadelphia	2,767	-12%
19	16	16	Indianapolis	2,649	-10%
17	14	17	Orange Co	2,581	-14%
11	10	18	NYC Boroughs	2,395	-31%
16	12	19	San Jose	2,388	-26%
14	20	20	Minneapolis	2,143	-9%
31	19	21	Las Vegas	1,742	-27%
15	25	22	Charlotte	1,671	-14%
23	18	23	Memphis	1,634	-35%
18	23	24	Denver	1,627	-25%
36	37	25	Nashville	1,579	12%

Markets in orange denote record high annual volume; YOY change truncated at 150%.

- ▶ Miami-Dade #12 Industrial Market; record high annual volume
- ▶ Miami-Dade YoY +72%; second in the nation behind DC/VA suburbs

Industrial Top Players and Deals - 2022

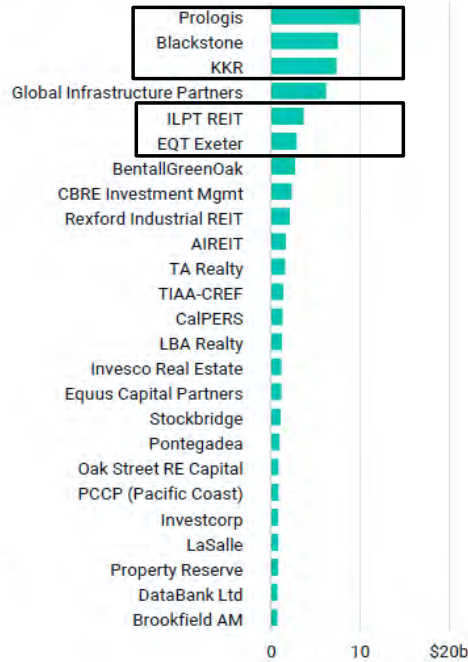
Top Industrial Buyers and Sellers

Buyers by Region

Mid-Atlantic	Southeast
KKR	Prologis
Global Infra Pttrs	ILPT REIT
CBRE Invmt Mgmt	Blackstone
Blackstone	KKR
CalPERS	EQT Exeter
Midwest	Southwest
Prologis	KKR
EQT Exeter	Global Infra Pttrs
KKR	Prologis
Global Infra Pttrs	Blackstone
ILPT REIT	DataBank Ltd
Northeast	West
Prologis	Blackstone
KKR	Prologis
Global Infra Pttrs	Rexford Industrial REIT
CBRE Invmt Mgmt	BentallGreenOak
Brookfield AM	TA Realty

Ranked by investment volume.

Buyers



Sellers



► SoFlo Buyers are the top players in the nation

Industrial Capitalization Rate Trends

Top 10 Markets, Cap Rate Ranking, Industrial			
Cap Rate Rank	Market	Region	Going-In Cap Rate
1	Los Angeles, CA	West	4.00%
2	New York, NY	East	4.25%
2	Orange County, CA	West	4.25%
2	Phoenix, AZ	West	4.25%
5	Atlanta, GA	South	4.50%
5	Charlotte, NC	South	4.50%
5	Jacksonville, FL	South	4.50%
5	New Jersey, No.	East	4.50%
5	Orlando, FL	South	4.50%
5	Seattle, WA	West	4.50%

Top 10 Markets, Cap Rate Ranking, Flex Industrial			
Cap Rate Rank	Market	Region	Going-In Cap Rate
1	Los Angeles, CA	West	4.25%
2	Orange County, CA	West	4.75%
2	Washington, DC	East	4.75%
4	Charlotte, NC	South	5.00%
4	Salt Lake City, UT	West	5.00%
6	Baltimore, MD	East	5.25%
6	Las Vegas, NV	West	5.25%
6	Miami, FL	South	5.25%
6	New York, NY	East	5.25%
6	Phoenix, AZ	West	5.25%

▶ Industrial Warehouse Q4 2022 cap rates stood at 5.89% nationally; after rising slightly in Q4 2018, cap rates have continued to compress, dropping 14 basis points since Q4 2021.

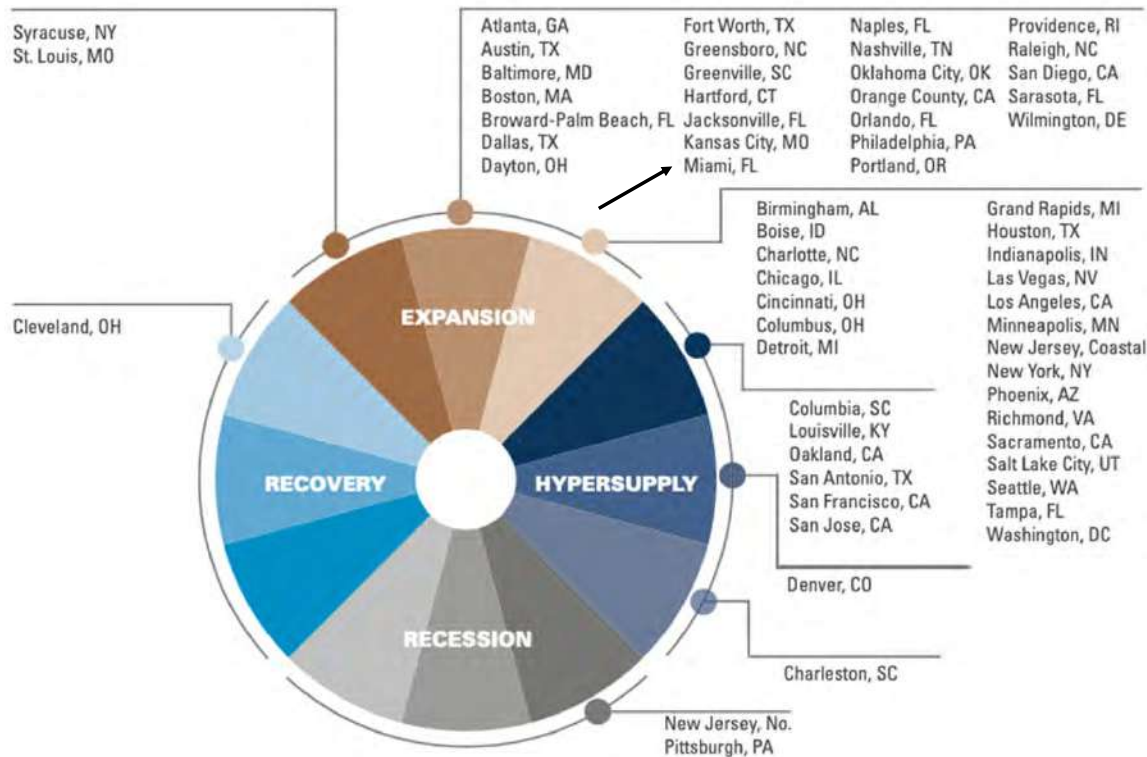
▶ Flex Industrial cap rates stood at 6.48% nationally. After rising slightly in Q4 2018, cap rates have continued to compress, dropping 17 basis points since Q4 2021.

Industrial Regional Rates Comparisons

	Cap Rate	Discount Rate	Market Rent (\$/SF)	Vacancy Rate	4Q '21 - 4Q '22 Cap Rate Δ
South Region					
Flex Industrial	6.50%	7.87%	\$10.12	5.80%	▼ 26 bps
Industrial	5.87%	7.26%	\$6.10	4.50%	▼ 18 bps
East Region					
Flex Industrial	6.29%	7.40%	\$11.66	6.46%	▼ 31 bps
Industrial	6.04%	7.21%	\$8.02	3.42%	▼ 25 bps
Central Region					
Flex Industrial	7.48%	8.56%	\$8.23	6.40%	▼ 10 bps
Industrial	6.67%	7.90%	\$4.97	4.37%	▼ 12 bps
West Region					
Flex Industrial	5.73%	7.14%	\$14.87	5.31%	▲ 2 bps
Industrial	5.13%	6.63%	\$8.95	3.43%	▼ 4 bps
National Averages/Spreads					
Flex Industrial	6.48%	7.75%	\$11.16	5.88%	▼ 17 bps
Industrial	5.89%	7.23%	\$6.86	4.05%	▼ 14 bps

- ▶ 24.6% of markets expect Industrial cap rates to remain steady, with 70.5% of markets calling for cap rate growth in the next 12 months, while 4.9% markets call for further cap rate compression of up to 25 bps.
- ▶ 21.3% of Flex Industrial markets expect steady cap rates in 2023, 72.1% of markets are calling for cap rate growth in 2023; Another 6.6% of markets are expecting cap rate compression of up to 25 bps in the next 12 months.

Industrial Market Cycle

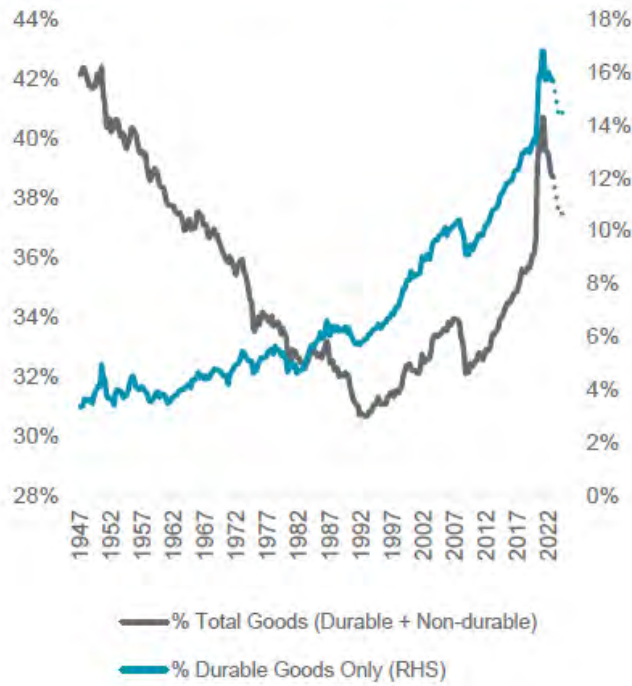


- ▶ 82% of markets are in Expansion heading into 2023, down from 90% in 2022
- ▶ Only 1.6% of markets are in Recovery (vs. 6.8% of markets in 2022)
- ▶ The South & East Regions have the largest percentage (83.3% each) of markets in Expansion, while the West has the lowest of Expansionary markets (71.4%)
- ▶ Notably, 2 markets have entered the Recession phase (whereas none were in Recession in 2022)

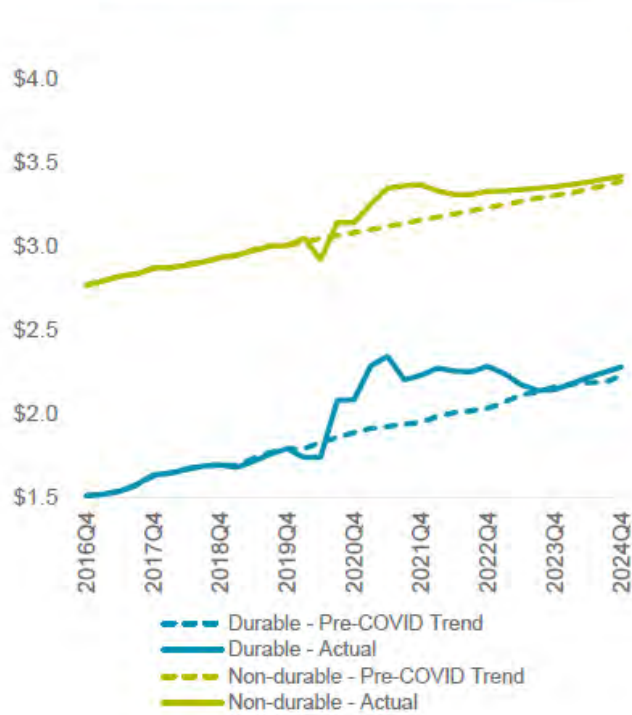
Goods Sales Decelerating in late 2023...

Consumers shifting back towards services spending

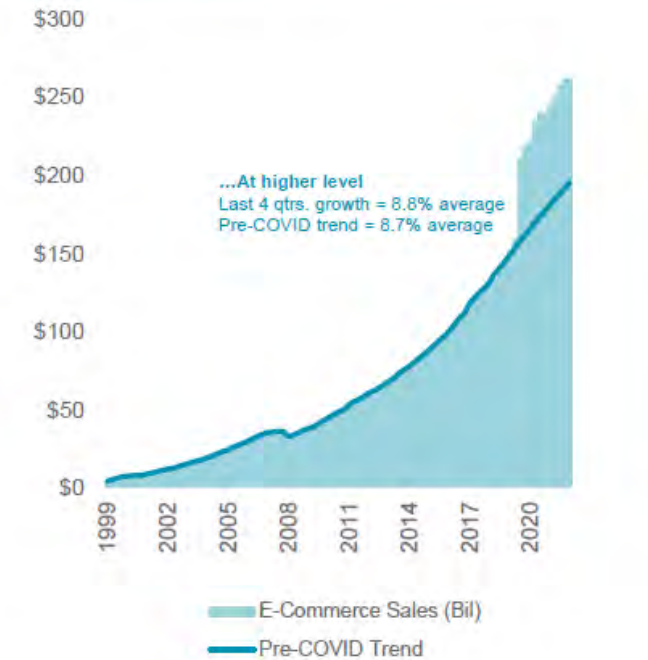
Goods Share of Total Spending



Goods Spending Throttling Back



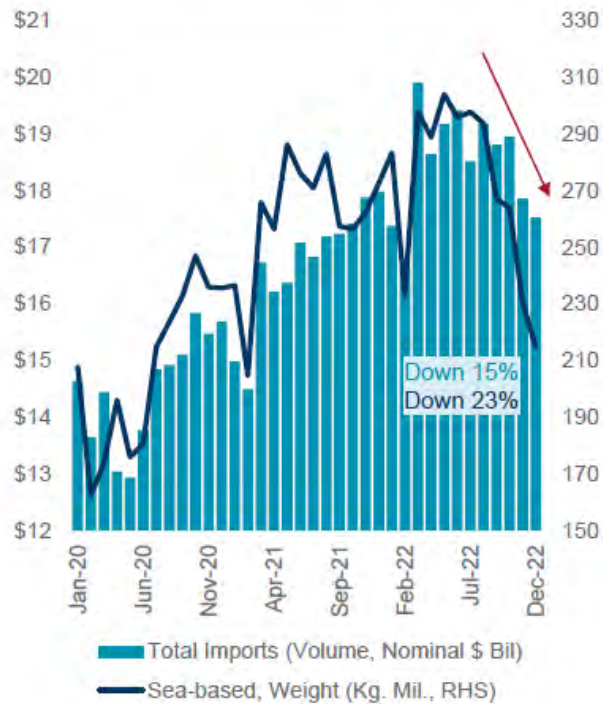
E-commerce Reverts to "Trend"



Change in Momentum upon us...

Annual 2022 figures mask recent deceleration in goods spending

U.S. Goods Imports



Real Consumer Spending on Goods



Real Spending, By Category



Effective Age is a key driver in occupier demand

Current vacancy dominated by product that doesn't meet demands of modern tenants





INDUSTRIAL MARKET

SOUTH FLORIDA



SoFlo Industrial Market Snapshot

South Florida Industrial Snapshot - 1Q 2023

	Miami-Dade	Broward	Palm Beach
Inventory (SF)	263,000,000	142,000,000	66,800,000
Under Construction (SF)	8,600,000	1,300,000	2,400,000
% of Inventory U/C	3.3%	0.9%	3.6%
5-year Inventory Growth	20,500,000	9,200,000	3,600,000
% of Inventory Growth	7.8%	6.5%	5.4%
12-month Net Absorption (SF)	6,571,000	1,978,000	214,000
Effective Rental Rate	\$18.60	\$18.60	\$15.83
Vacancy (SF)			
Vacancy (%)	2.0%	3.3%	3.3%
Exit Capitalization Rate	4.90%	5.50%	5.50%
Sale Price per Sq.Ft.	\$264.00	\$252.00	\$198.00
Cumulative Price Growth (5-year)	102.90%	96.10%	79.20%

Source: CoStar, compiled by IRR as of February 16, 2023.

- ▶ Prologis (14M Sq.Ft.) and Blackstone (9M Sq.Ft.) own ~ 10% of Miami metro's industrial inventory
- ▶ Miami-Dade has 8.6M Sq.Ft. under construction (+7.8% based on current inventory)

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	214,557,128	2.0%	\$18.22	6.5%	1,072,936	937,525	11,115,717
Specialized Industrial	31,475,581	2.2%	\$18.11	3.0%	(12,716)	0	357,070
Flex	16,627,034	2.4%	\$27.30	3.1%	(86,078)	0	0
Market	262,659,743	2.0%	\$18.76	5.9%	974,142	937,525	11,472,787
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-0.7%	5.4%	2.6%	9.6%	2009 Q4	2.0%	2023 Q1
Net Absorption SF	6.8M	2,746,671	5,499,600	8,277,858	2021 Q3	(5,265,828)	2009 Q1
Deliveries SF	5.2M	2,828,662	6,359,821	6,111,407	2022 Q2	166,457	2011 Q2
Rent Growth	17.1%	5.0%	7.8%	20.5%	2022 Q2	-4.5%	2009 Q4
Sales Volume	\$3.9B	\$933.7M	N/A	\$4B	2022 Q4	\$206.5M	2009 Q3

- ▶ Demand has consistently outpaced net deliveries over the past few quarters and the metro's vacancy rate has fallen to a decade low of 2.0% (lowest vacancy rate in Top 25 Industrial Markets in the U.S.)
- ▶ About half of the under construction space in Miami is already preleased; therefore, we forecast no impact on metro fundamentals over the next 12 to 18 months

Miami Comparison to Other Markets

Industrial Markets Snapshots - United States (February 2023)

Market	Inventory	Under Construction SF	%	12-month Net Absorption	Market Rent	Annual Rent Growth	Vacancy	Sale Price/SF	Sales Volume	12-month Sales Vol Growth	Unemployment Rate	Job growth
Chicago - IL	1,359,815,559	39,161,230	2.9%	32,134,469	\$8.86	8.0%	4.0%	\$97	\$6,364,405,832	-27.4%	4.4%	2.5%
Dallas-Fort Worth - TX	1,084,139,179	76,213,278	7.0%	35,122,101	\$8.82	11.7%	6.4%	\$117	\$3,993,633,674	10.5%	3.7%	4.6%
Los Angeles - CA	948,884,431	6,939,760	0.7%	-8,377,778	\$18.82	12.1%	2.9%	\$357	\$9,181,459,649	1.1%	4.7%	3.5%
New York - NY	853,421,047	21,363,743	2.5%	-955,335	\$18.25	9.7%	4.2%	\$285	\$6,635,882,665	-20.8%	4.7%	4.2%
Atlanta - GA	805,533,767	33,483,697	4.2%	15,975,144	\$8.42	12.3%	4.0%	\$109	\$5,502,499,533	-21.6%	2.8%	3.6%
Houston - TX	768,303,818	34,293,407	4.5%	29,987,828	\$8.54	4.6%	5.4%	\$106	\$1,795,145,756	-38.3%	4.6%	4.6%
Inland Empire - CA	724,837,125	41,077,915	5.7%	12,867,548	\$13.64	15.5%	2.5%	\$286	\$10,501,002,635	51.6%	4.1%	4.2%
Detroit - MI	617,749,643	7,891,596	1.3%	4,963,998	\$8.21	5.4%	4.0%	\$76	\$970,256,741	-16.6%	3.9%	2.7%
Philadelphia - PA	595,461,183	27,269,919	4.6%	11,482,591	\$10.05	10.3%	4.4%	\$120	\$2,915,710,297	-47.5%	4.3%	3.1%
Phoenix - AZ	420,080,148	51,005,139	12.1%	25,878,906	\$12.03	16.5%	4.5%	\$185	\$4,164,656,146	-26.4%	3.3%	3.5%
Boston - MA	356,535,721	8,255,841	2.3%	1,008,580	\$14.58	7.3%	4.6%	\$193	\$3,903,079,572	-15.7%	2.8%	3.3%
Charlotte - NC	354,970,267	22,284,512	6.3%	7,175,767	\$8.24	11.9%	5.2%	\$101	\$1,747,571,226	-14.6%	3.5%	4.9%
Seattle - WA	347,910,113	11,135,466	3.2%	6,491,047	\$13.73	8.1%	4.4%	\$256	\$3,380,390,169	11.8%	3.2%	3.6%
Washington - DC	287,003,964	8,483,349	3.0%	6,755,553	\$15.42	11.0%	4.2%	\$222	\$3,550,795,580	23.8%	3.4%	2.3%
Denver - CO	273,058,869	8,071,371	3.0%	5,778,459	\$11.65	6.0%	6.2%	\$195	\$1,819,533,539	-25.5%	3.3%	2.4%
East Bay - CA	272,995,060	5,393,836	2.0%	3,116,256	\$17.11	7.3%	4.3%	\$312	\$3,682,003,067	19.9%	3.0%	3.5%
Nashville - TN	266,590,445	12,692,916	4.8%	9,213,758	\$10.31	11.2%	3.2%	\$111	\$1,741,966,048	38.2%	2.9%	3.8%
Miami - FL	262,522,537	8,626,669	3.3%	6,965,170	\$18.60	17.2%	2.0%	\$264	\$3,896,413,586	84.3%	2.3%	4.9%
Northern New Jersey - NJ	249,572,936	4,518,990	1.8%	2,455,109	\$14.50	14.3%	2.6%	\$203	\$1,933,235,222	-6.8%	3.8%	3.1%
Pittsburgh - PA	216,651,403	3,706,145	1.7%	2,541,106	\$8.64	4.3%	5.1%	\$80	\$391,770,693	-12.6%	4.5%	2.8%
San Diego - CA	205,447,306	3,375,074	1.6%	390,005	\$21.48	11.0%	3.8%	\$352	\$3,645,461,255	-16.6%	3.1%	3.1%
Orlando - FL	191,680,533	10,979,435	5.7%	4,043,793	\$11.99	15.0%	3.7%	\$150	\$1,895,236,836	47.4%	3.0%	4.0%
Fort Lauderdale - FL	141,980,305	1,325,096	0.9%	1,836,031	\$18.60	16.7%	3.6%	\$252	\$1,938,744,052	11.2%	2.9%	2.9%
Average			3.7%		\$13.07			\$193			3.6%	3.5%
Min	141,980,305	1,325,096	1%	-8,377,778	\$8.21	4.3%	2.0%	\$76	391,770,693	-47.5%	2.3%	2.3%
Max	1,359,815,559	76,213,278	12%	35,122,101	\$21.48	17.2%	6.4%	\$357	10,501,002,635	84.3%	4.7%	4.9%

Source: CoStar, compiled by IRR-Miami as of February 16, 2023.

Miami Ranks No.1 in the nation for:

- ▶ Annual Rent Growth (17.2%)
- ▶ Lowest Vacancy (2.0%)
- ▶ 12-month Sales Volume Growth (84.3%)
- ▶ Unemployment Rate (2.3%)
- ▶ Job Growth (4.9%)

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Demand Drivers

PHYSICAL LOCATION

- ✓ Global gateway to multiple International Markets (Europe, Africa, Caribbeans, Canada, LATAM & South America) which favors imports/exports
- ✓ PortMia: Big ship capability, container terminal, Florida East Coast on-dock intermodal rail
- ✓ MIA Airport ranks #1 among U.S. Airport in international cargo volume

BUSINESS-FRIENDLY CLIMATE

- ✓ No individual income state tax
- ✓ No corporate income tax on limited partnerships
- ✓ Limited corporate tax (5.5%)
- ✓ High net migration (population & businesses)

AVAILABILITY OF LAND

- ✓ Land for industrial development is still available in western Miami and Broward submarkets (west of 826/I-75)
- ✓ 12.3M Sq.Ft. of industrial space under construction in SoFlo (8.6M Miami; 1.3M FTL; 2.4M Palm Beach)

DIVERSIFIED USERS

- ✓ Strong demand from E-Commerce tenants over the last 5 years (primarily storage and warehouse space)
- ✓ Increasing demand amongst other industries such as Logistics & Distribution, 3PL, Construction Materials & Building Fixtures, Traditional Retailers, and F&B.

SAFE REAL ESTATE INVESTMENT

- ✓ Miami/FTL are perceived as strong and resilient markets in all asset classes. It was already a “hot market” before COVID-19, but it got even “hotter” following COVID-19
- ✓ Low going-in and reversion cap rates
- ✓ Strong USD vs. other currencies

CHALLENGES

- ✓ Real estate insurance market
- ✓ High housing costs = difficulty to retain employees
- ✓ Increasing rental rates + low vacancy + increasing interest rates = high barrier to entry small industrial tenants/owners
- ✓ Declines in South Florida Construction Trades create headwinds.

2023 Industrial Outlook – United States

Increase

Industrial markets are calling for a 13.4% (prev. 3.7%) increase in market rents and an increase of 3.85% (prev. 2.8%) in expense growth rates through 2023

Increase

Flex industrial markets are calling for a 12.6% (prev. -3%) increase in market rents and an increase of 3.7% (prev. 2.5%) in expense growth rates through 2023

80%

80% of industrial and flex industrial markets expect an increase in valuations in 2023..but this will be income driven now.

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