

Breakout Session: Investing Outside the Big Box

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Michael Brennan, Brennan Investment Group

Curtis Spencer, IMS Worldwide



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Session Speakers



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Marcus & Millichap**



Michael Brennan

**Chairman, Managing
Principal
Brennan Investment Group**

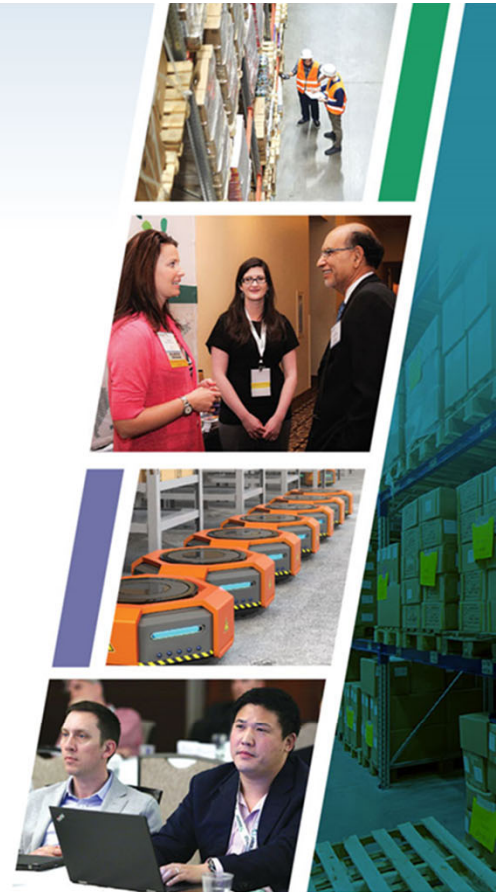


Curtis Spencer

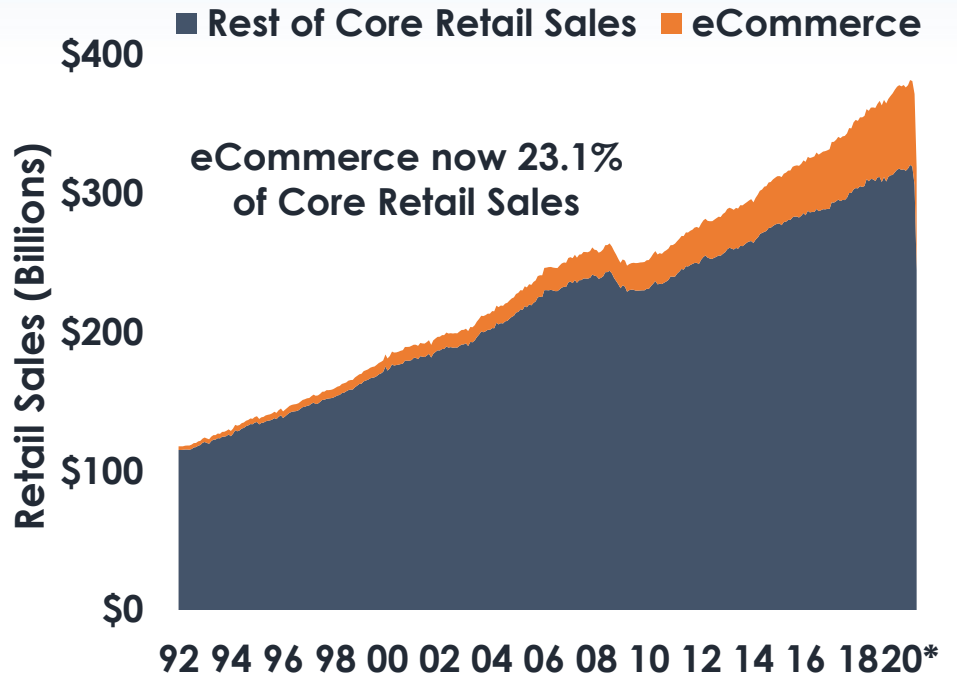
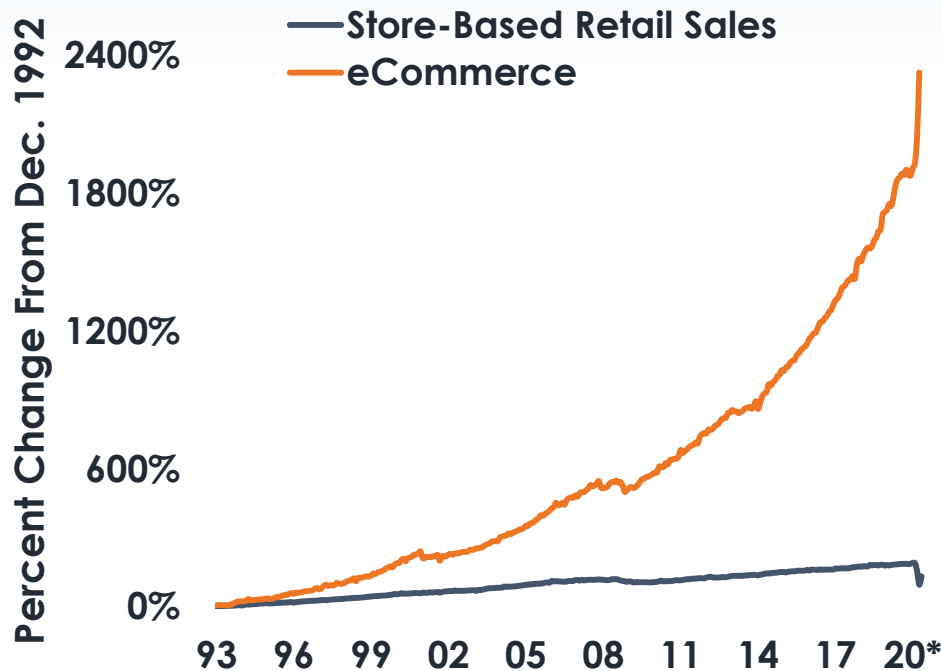
**President
IMS Worldwide**



TRENDS SUPPORTING INDUSTRIAL DEMAND



Industrial Market Favored by eCommerce: Online Sales Growth Outpacing Traditional Segment



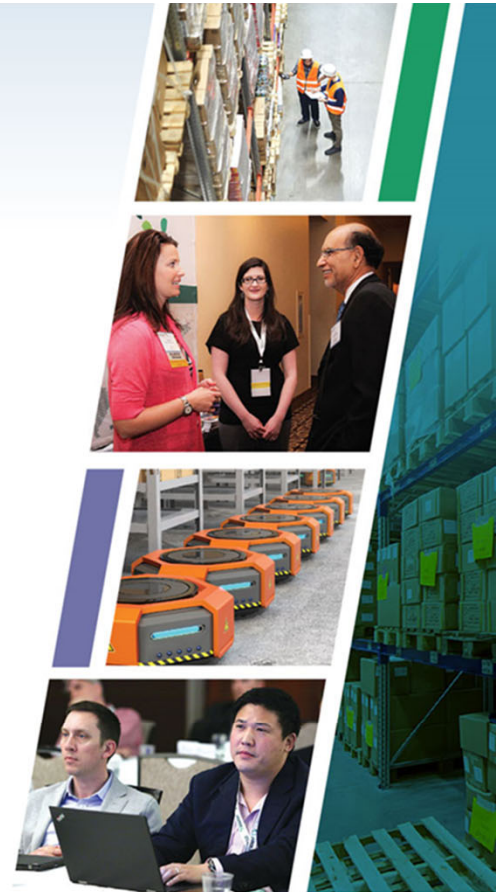
* eCommerce and rest of core retail sales through April; Store-based retail sales through May
 Store-based core retail sales excludes gas stations, auto dealers, grocery stores, and non-store retailers; core retail sales excludes auto and gasoline sales
 Sources: Marcus & Millichap Research Services, U.S. Census Bureau



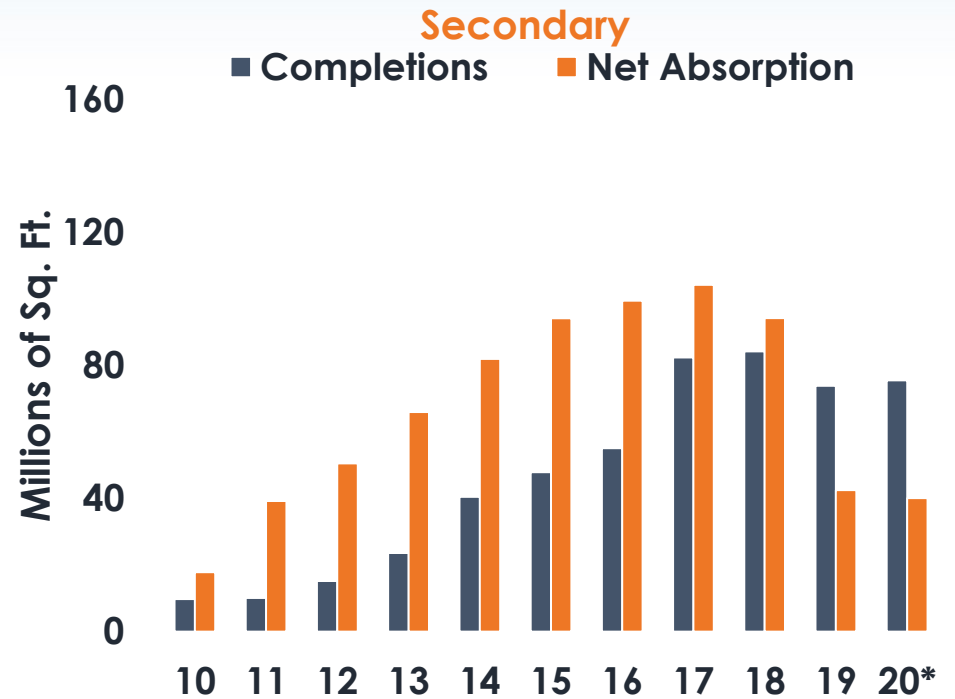
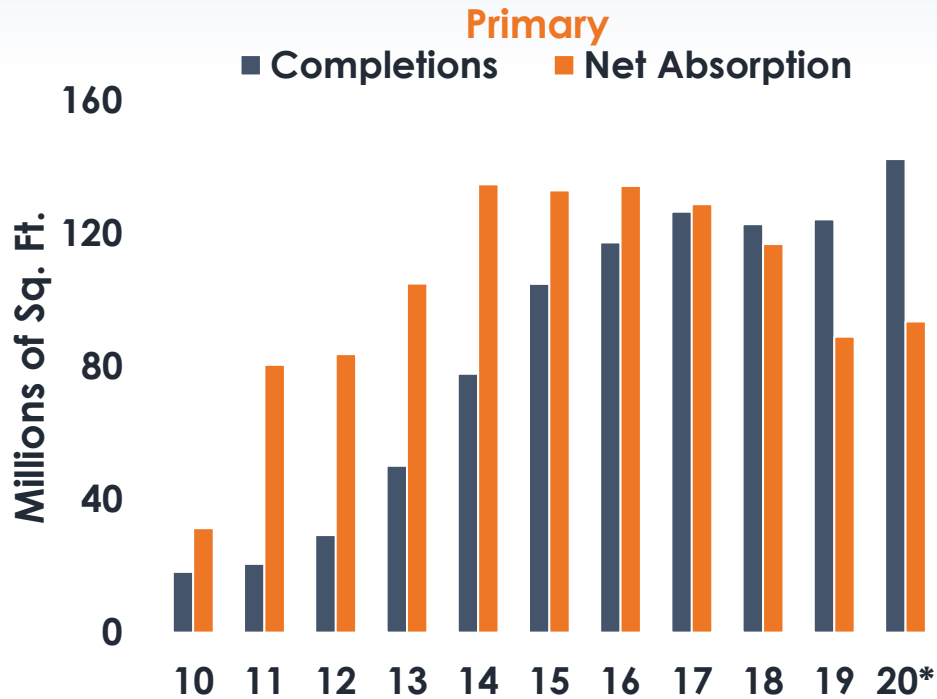
Risk to Supply Chain May Bring About Onshoring and Heightened Need for Safety Stock

- ❖ Global Health Crisis has exposed flaws in the increasingly interlinked global supply chain
- ❖ U.S. could see onshoring of manufacturing to curtail some of these risks
- ❖ Industrial demand may increase as diversification in sourcing, routing and distribution becomes more important
- ❖ Thorough review of “just in time” supply chain systems as businesses weigh redundancy vs. efficiency (lean)
- ❖ May see increased industrial and warehousing demand as companies expand inventories to accommodate greater “safety stock”

INDUSTRIAL OPERATING ENVIRONMENT



Industrial Construction Disproportionately Built in Primary Markets



* Trailing 12 months through 1Q

Sources: Marcus & Millichap Research Services, CoStar Group, Inc.



Industrial Construction Remains Highly Concentrated; Top 10 Markets by T-12 1Q 2020 Completions

Top 10 Metros	1Q 2020 Vacancy	T-12 1Q 2020 Completions*	T-12 1Q 2020 Net Absorption*	Completions as % of Inv.
Inland Empire	4.6%	26,379,000	24,535,000	4.6%
Dallas-Fort Worth	6.6%	25,377,000	24,320,000	3.3%
Houston	7.9%	22,202,000	9,453,000	4.1%
Chicago	6.3%	21,696,000	15,000,000	1.9%
Atlanta	7.1%	21,683,000	15,045,000	3.3%
Phoenix	7.8%	8,126,000	5,255,000	2.8%
Philadelphia	5.0%	7,695,000	4,325,000	1.6%
Cincinnati	5.3%	7,367,000	735,000	2.5%
Charlotte	7.0%	6,554,000	3,411,000	2.2%
Jacksonville	5.5%	5,688,000	2,107,000	4.9%
U. S. Total	5.3%	283,264,000	177,037,000	1.8%

* Trailing 12 months through 1Q 2020 (completions/absorption in square feet)

Sources: Marcus & Millichap Research Services, CoStar Group, Inc.



Industrial Supply Pressure Mitigated in Smaller Metros; Select Markets by T-12 1Q 2020 Completions

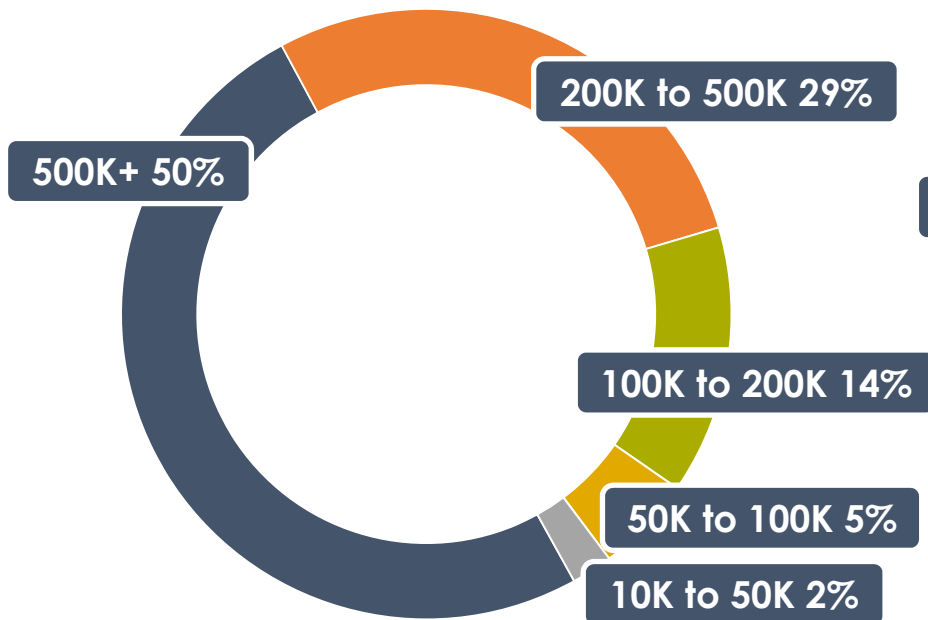
Select 10 Metros	1Q 2020 Vacancy	T-12 1Q 2020 Completions*	T-12 1Q 2020 Net Absorption*	Completions as % of Inv.
Milwaukee	4.7%	5,444,000	4,452,000	2.2%
Salt Lake City	3.8%	4,838,000	4,339,000	2.4%
Columbus	5.9%	4,831,000	2,132,000	1.9%
Las Vegas	5.2%	4,627,000	3,586,000	4.1%
Detroit	3.8%	4,322,000	1,859,000	0.8%
Memphis	6.3%	4,283,000	1,494,000	1.7%
Louisville	4.8%	3,084,000	3,073,000	1.5%
Denver	5.7%	2,572,000	1,386,000	1.3%
Kansas City	4.7%	2,265,000	2,971,000	0.7%
Charleston	7.6%	1,992,000	1,178,000	2.9%
U. S. Total	5.3%	283,264,000	177,037,000	1.8%

* Trailing 12 months through 1Q 2020 (completions/absorption in square feet)
Sources: Marcus & Millichap Research Services, CoStar Group, Inc.

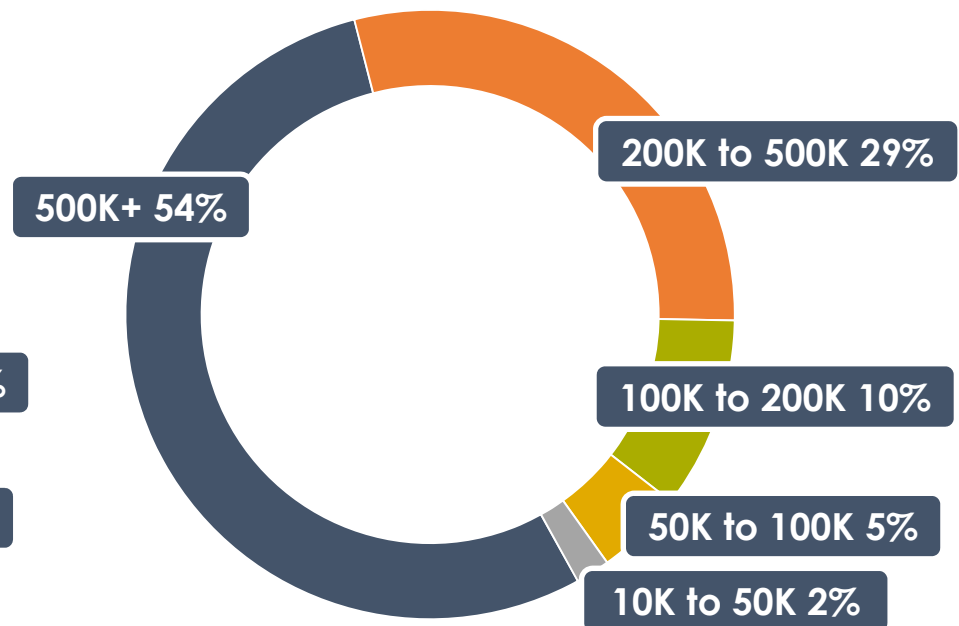


U.S. Industrial Development Primarily in Big-Box Space; Industrial Under Construction by Size (Sq. Ft.)

Overall



Select Markets



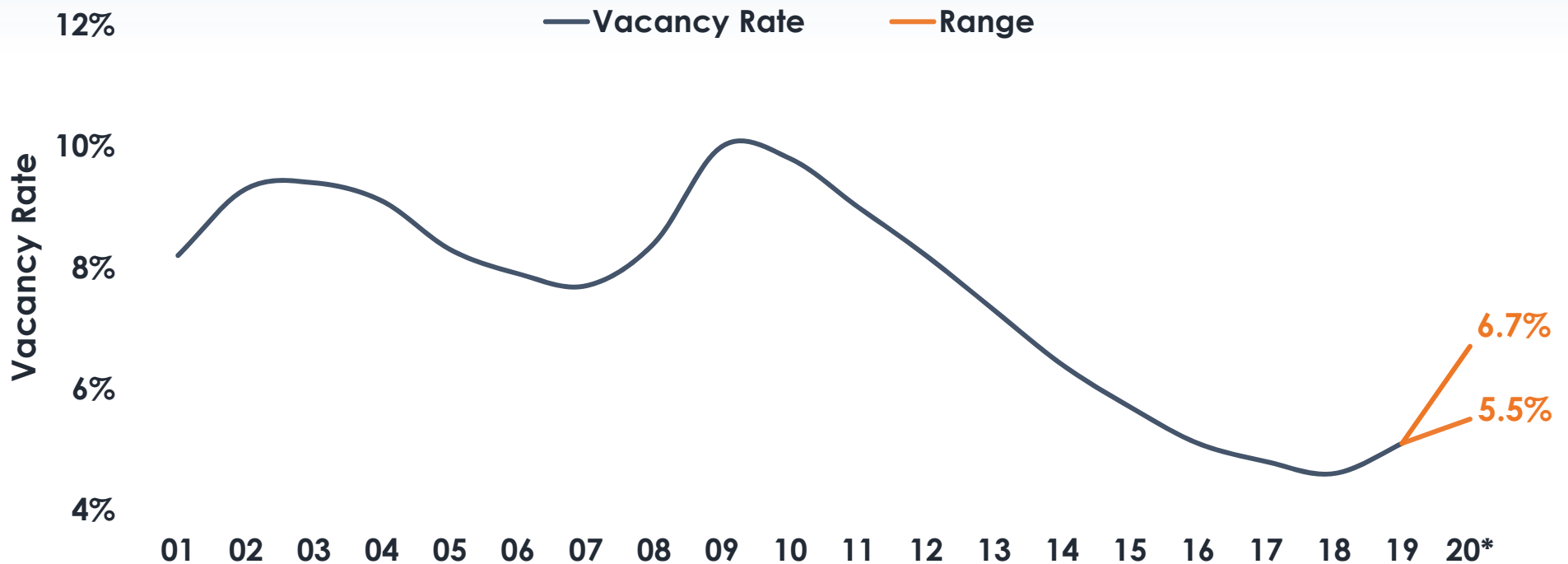
As of 1Q 2020

Select Markets includes Charleston, Columbus, Denver, Detroit, Kansas City, Las Vegas, Louisville, Memphis, Milwaukee, and Salt Lake City

Sources: Marcus & Millichap Research Services, CoStar Group, Inc.



U.S. Industrial Vacancy Already Trending Up, Rise Could Escalate if Recovery is Slow to Materialize

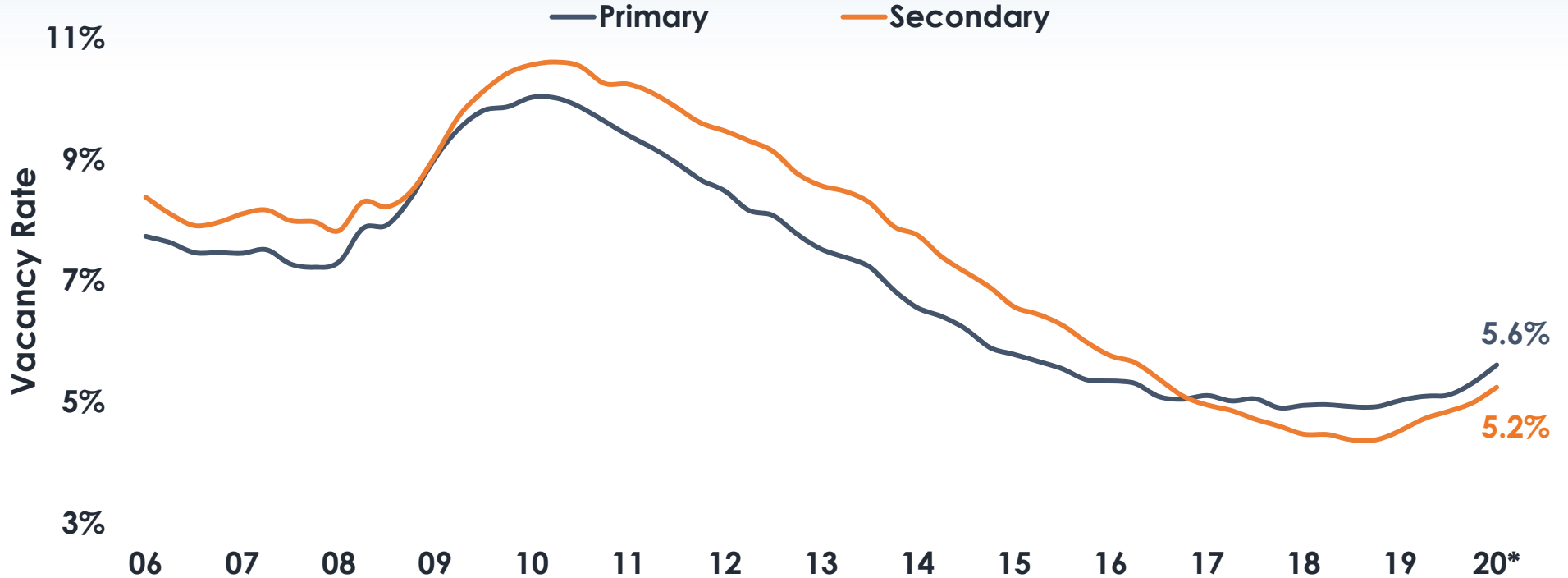


* Forecast

Sources: Marcus & Millichap Research Services, CoStar Group, Inc.



Elevated Industrial Construction Putting Upward Pressure on Vacancy Rates

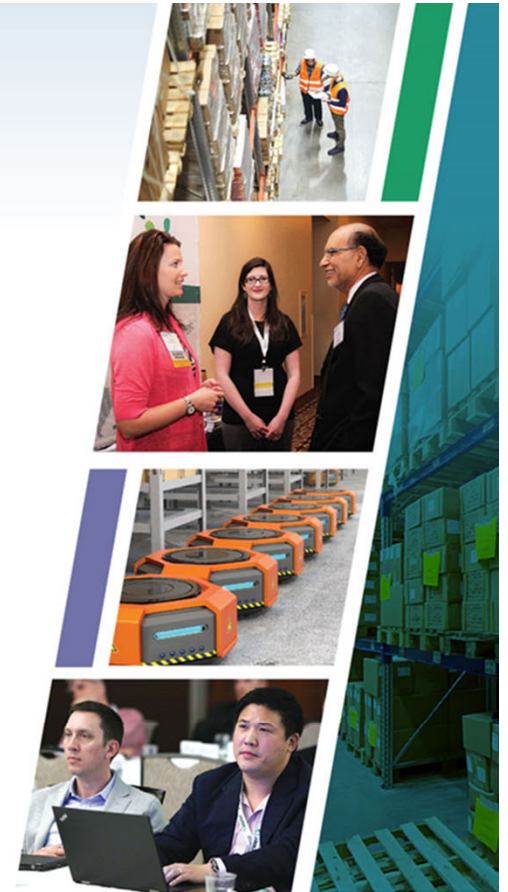


* Through 1Q

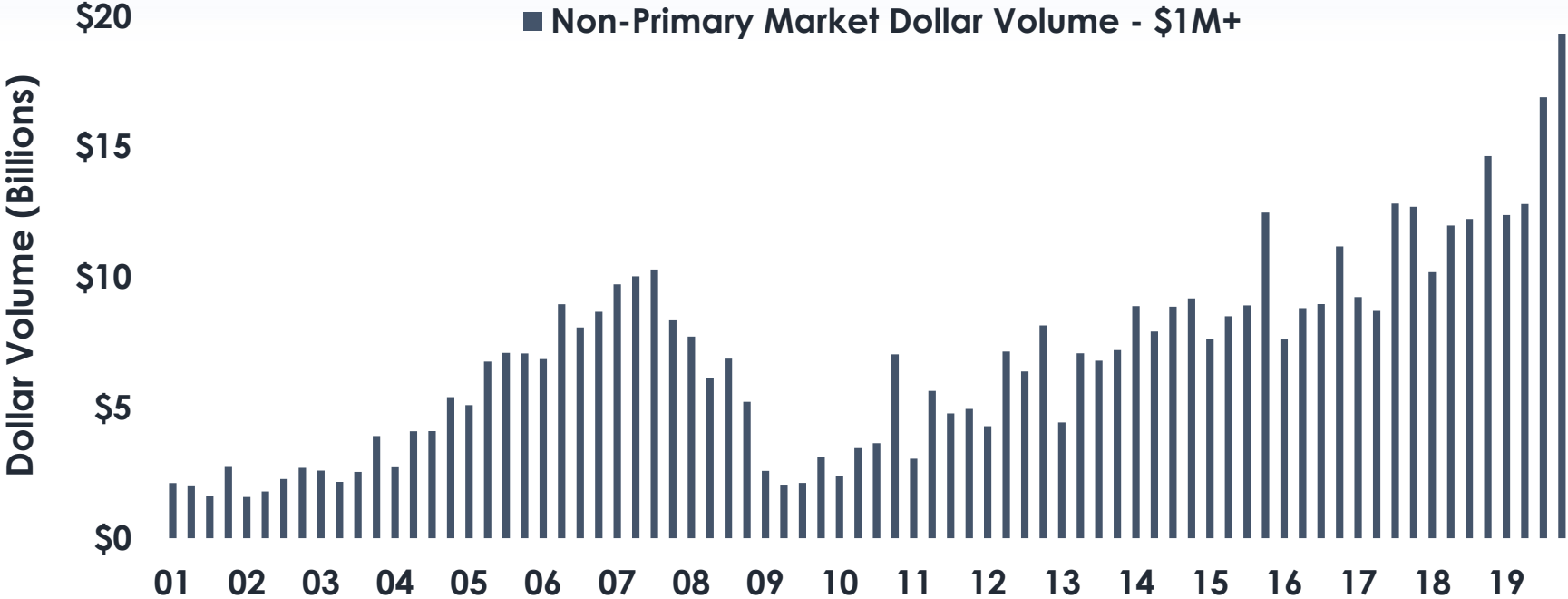
Sources: Marcus & Millichap Research Services, CoStar Group, Inc.



INDUSTRIAL TRANSACTION ENVIRONMENT



Industrial Investors Pursue Yield – Capital Allocations Moving Beyond the Core



Includes sales \$1 million and greater
Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics

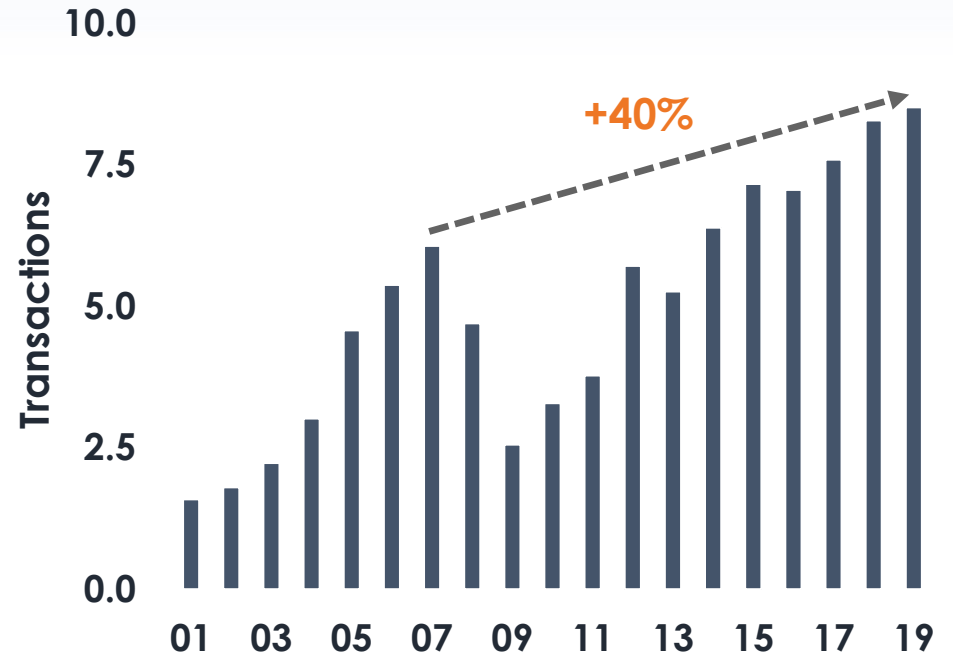


U.S. Industrial Transaction Activity by Market Type

Primary



Non-Primary



Includes sales \$1 million and greater

Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics



U.S. Industrial Price Trends by Market Type

Primary



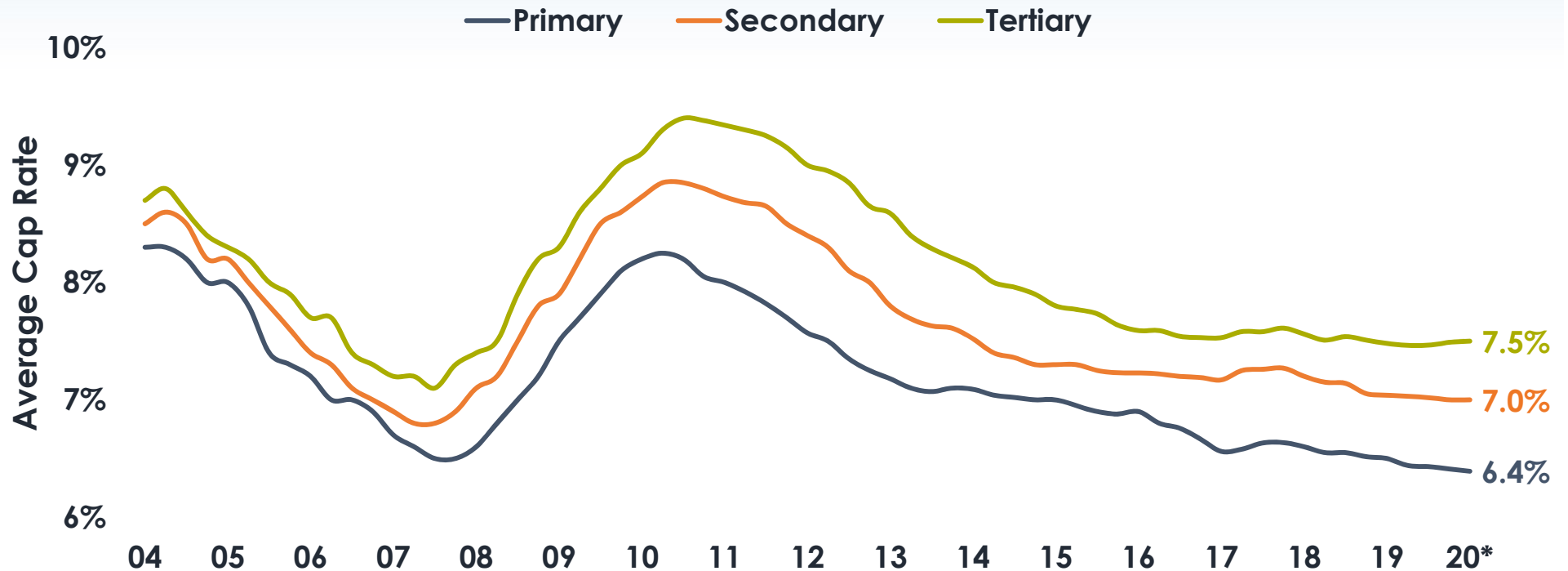
Non-Primary



* Through 1Q
 Includes sales \$1 million and greater
 Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics



U.S. Industrial Cap Rate Trends by Market Type



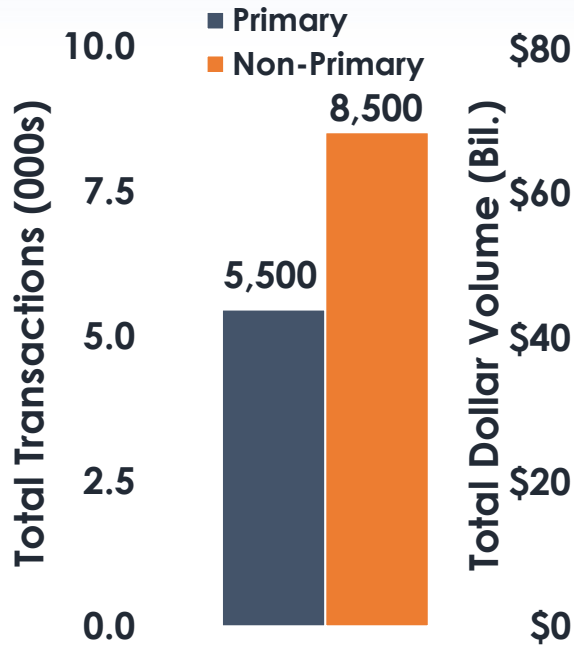
* Through 1Q

Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics

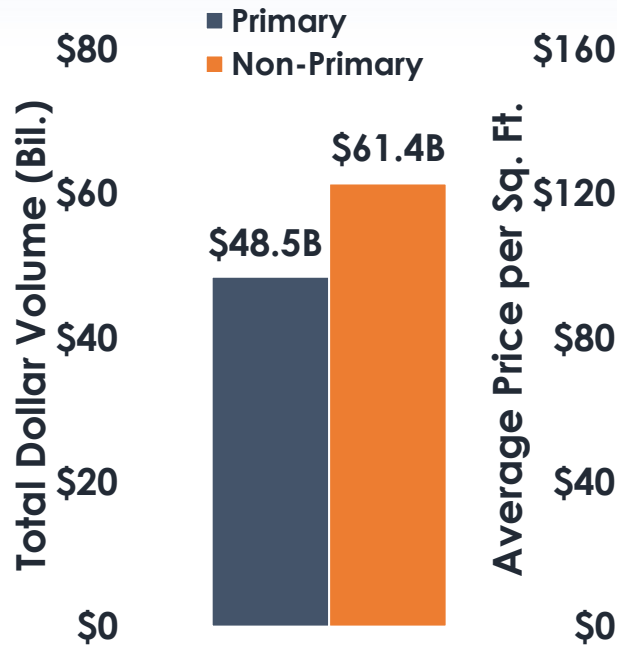


U.S. Industrial Sales Trends by Market Type

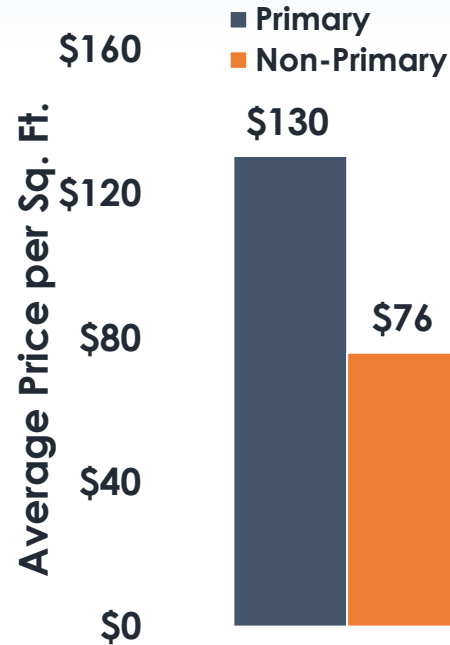
Transaction Activity



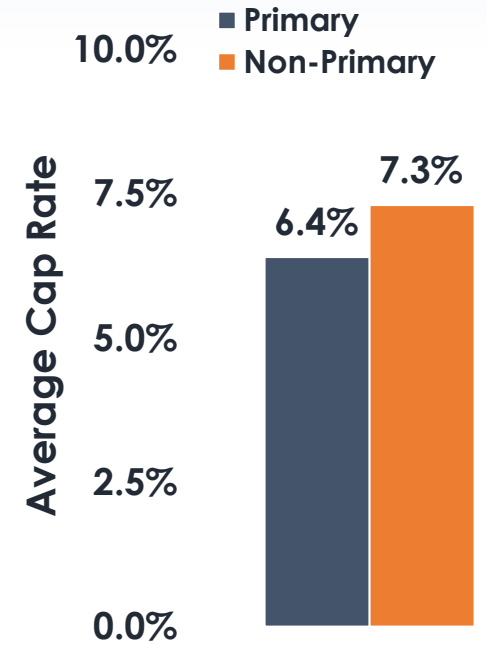
Dollar Volume



Average Price



Average Cap Rate



Transactions and dollar volume for 2019; price and cap rate through 1Q 2020
 Includes sales \$1 million and greater
 Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics



Questions?

