

WEBCAST

2020 NORTH AMERICAN INDUSTRIAL OUTLOOK



Tray Anderson

Logistics & Industrial
Services Lead, Americas



Carolyn Salzer

Americas Head of
Logistics & Industrial
Research



Rebecca Rockey

Global Head of
Forecasting



David Bitner

Americas Head of
Capital Markets
Research

North American Industrial

2019 Recap

262.1

ABSORPTION
(MSF)

336.4

DELIVERIES
(MSF)

4.6%

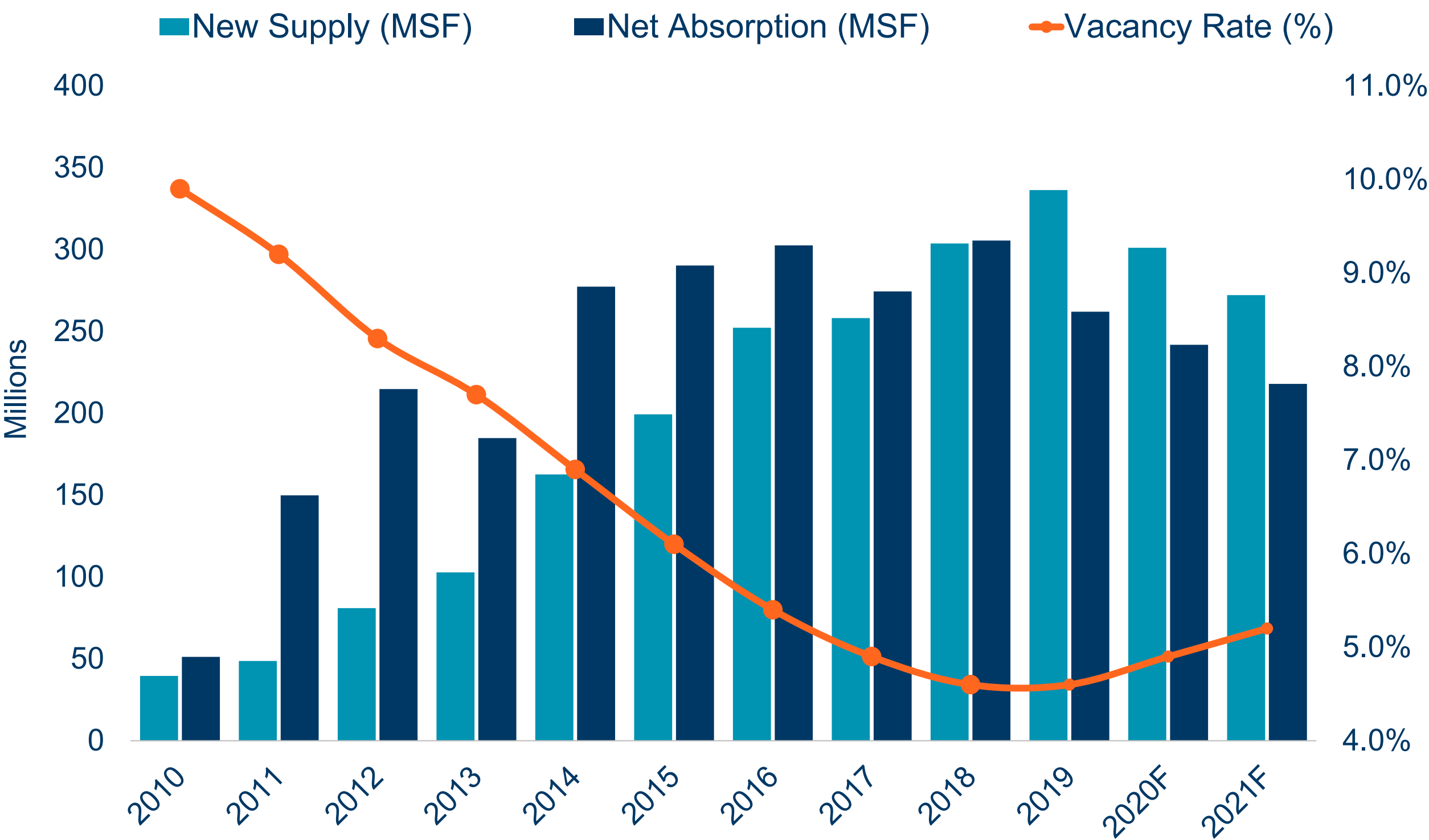
VACANCY
(%)

\$6.51

RENTS
(PSF)

RECORD RUN FOR INDUSTRIAL, WILL IT CONTINUE?

NEW SUPPLY SURPASSED DEMAND IN 2019, WILL CONTINUE INTO 2021



Source: Cushman & Wakefield Research

Key Takeaways

2019 Actual

262.1
ABSORPTION
(MSF)

336.4
DELIVERIES
(MSF)

2021 Forecast

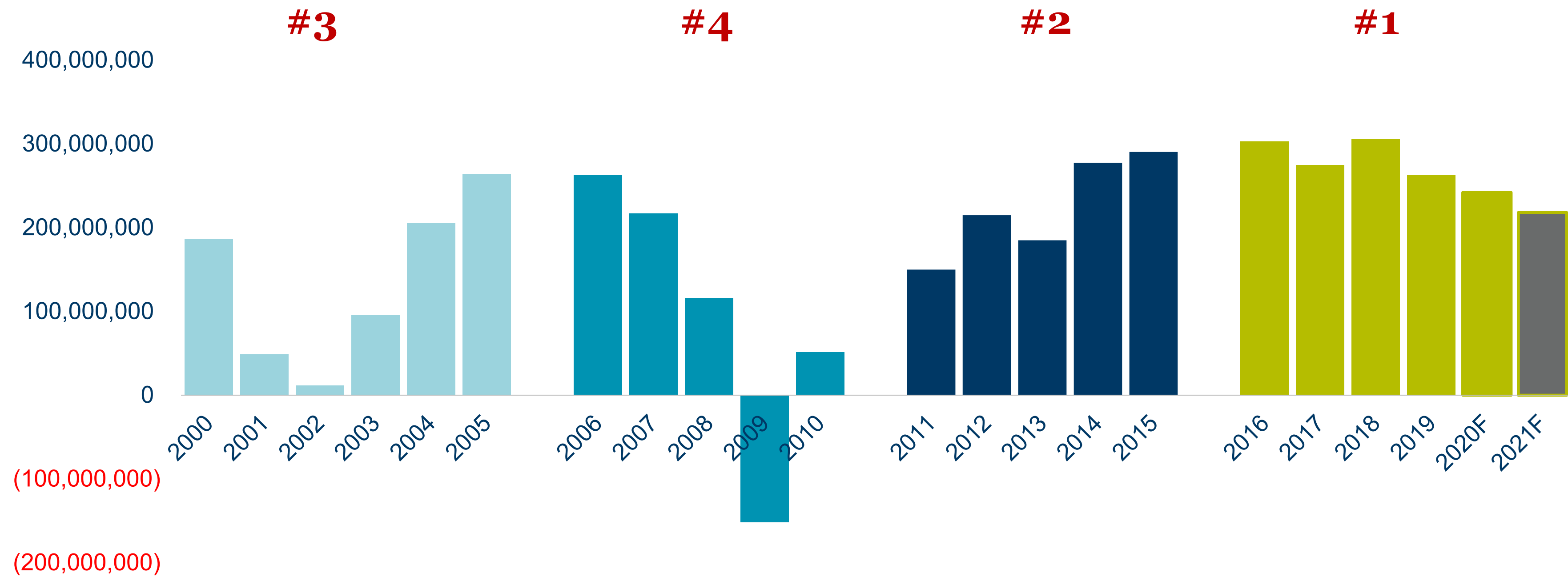
218.0
ABSORPTION
(MSF)

272.2
DELIVERIES
(MSF)

INDUSTRIAL DEMAND'S RECORD RUN

DEMAND PROFILE OVER 20-YEAR PERIOD

Strongest Five-Year Periods of Net Absorption from 2000
Net Absorption (MSF)

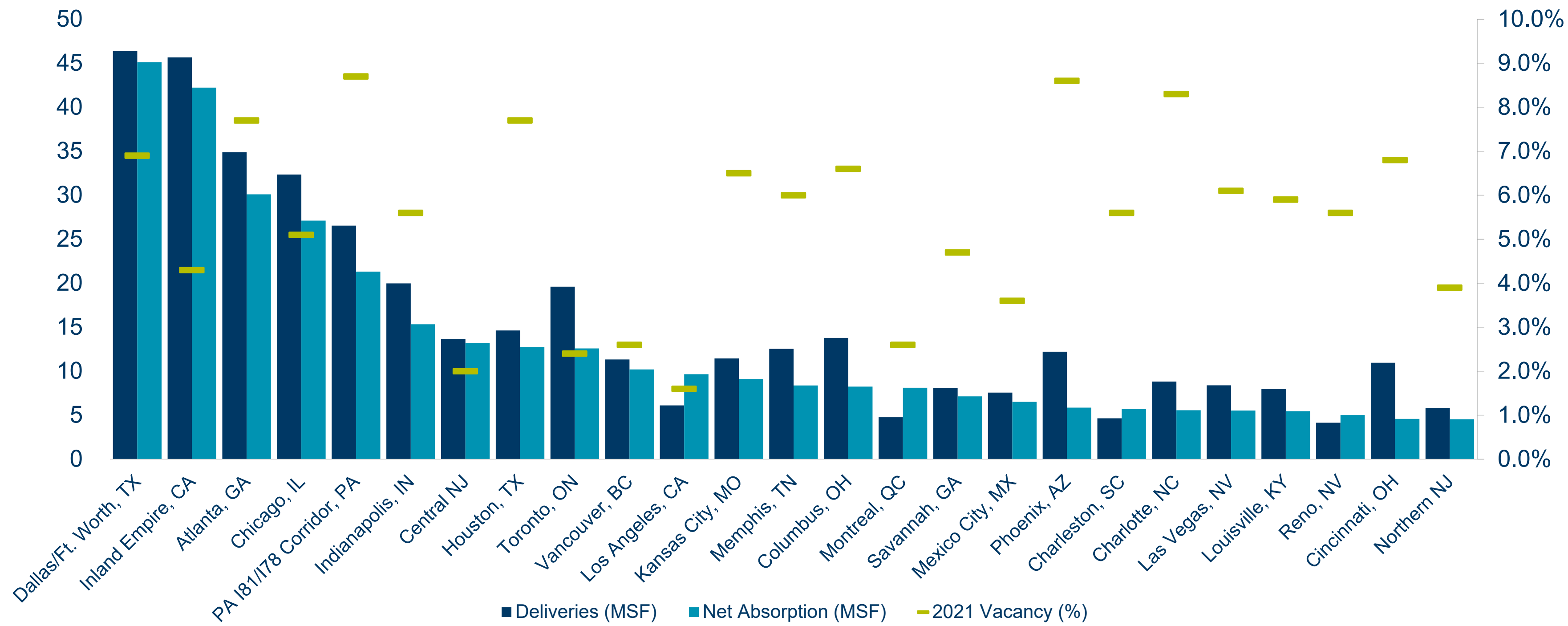


Source: Cushman & Wakefield Research

MARKET COMPARISON

SUPPLY VS DEMAND

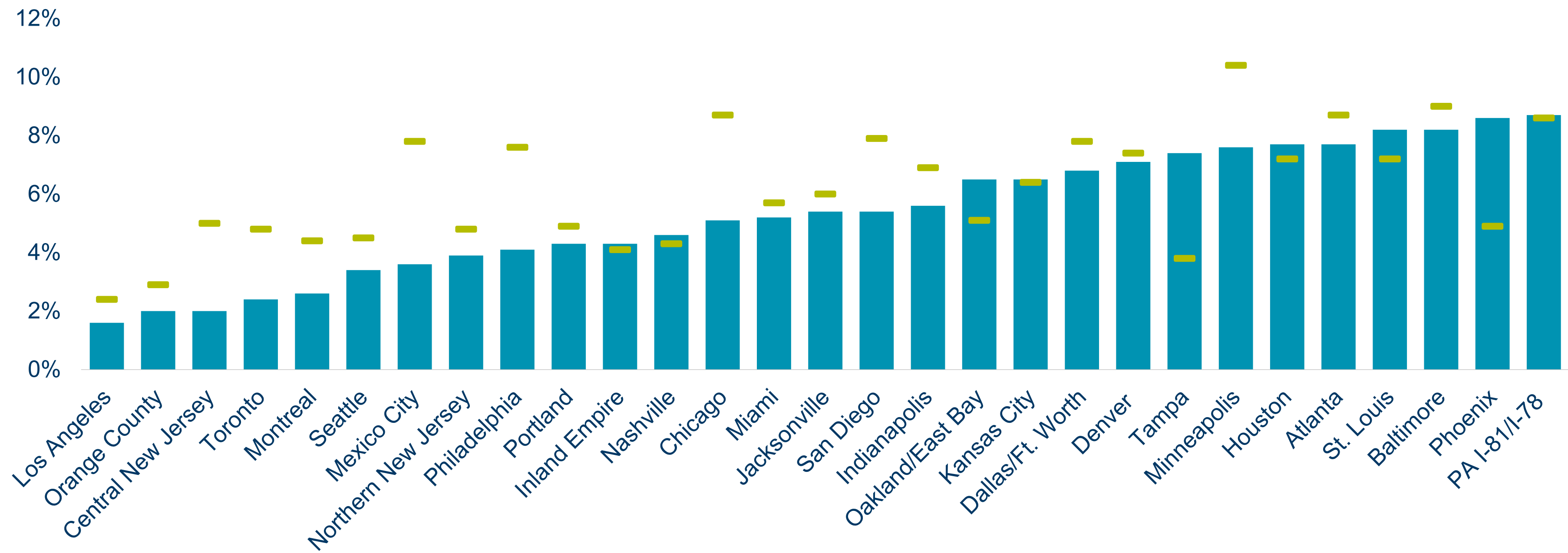
Supply vs. Demand: 2020-2021



LOCAL MARKETS FEELING THE PRESSURE

CONDITIONS WILL REMAIN HISTORICALLY TIGHT

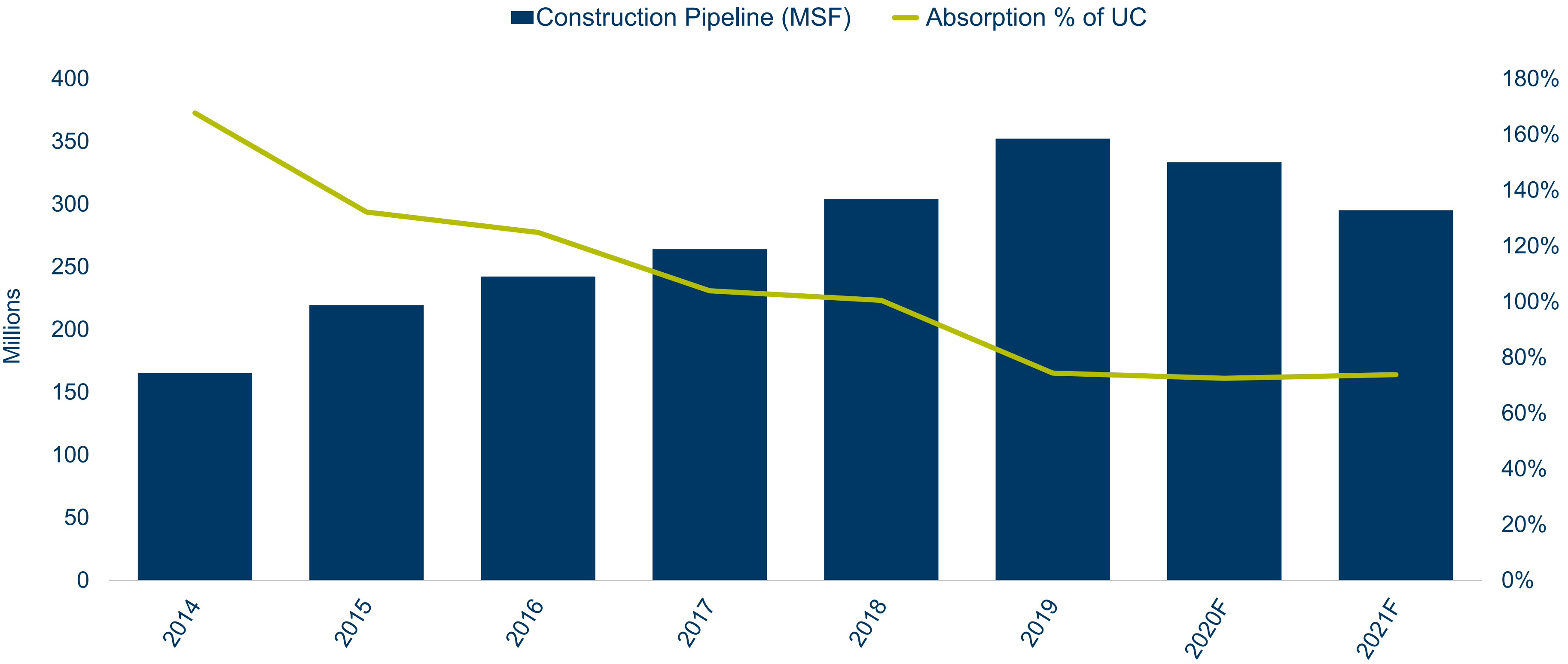
■ Q4 2021 Vacancy ■ Prior Cycle Lows (2002-2007)



Source: Cushman & Wakefield Research

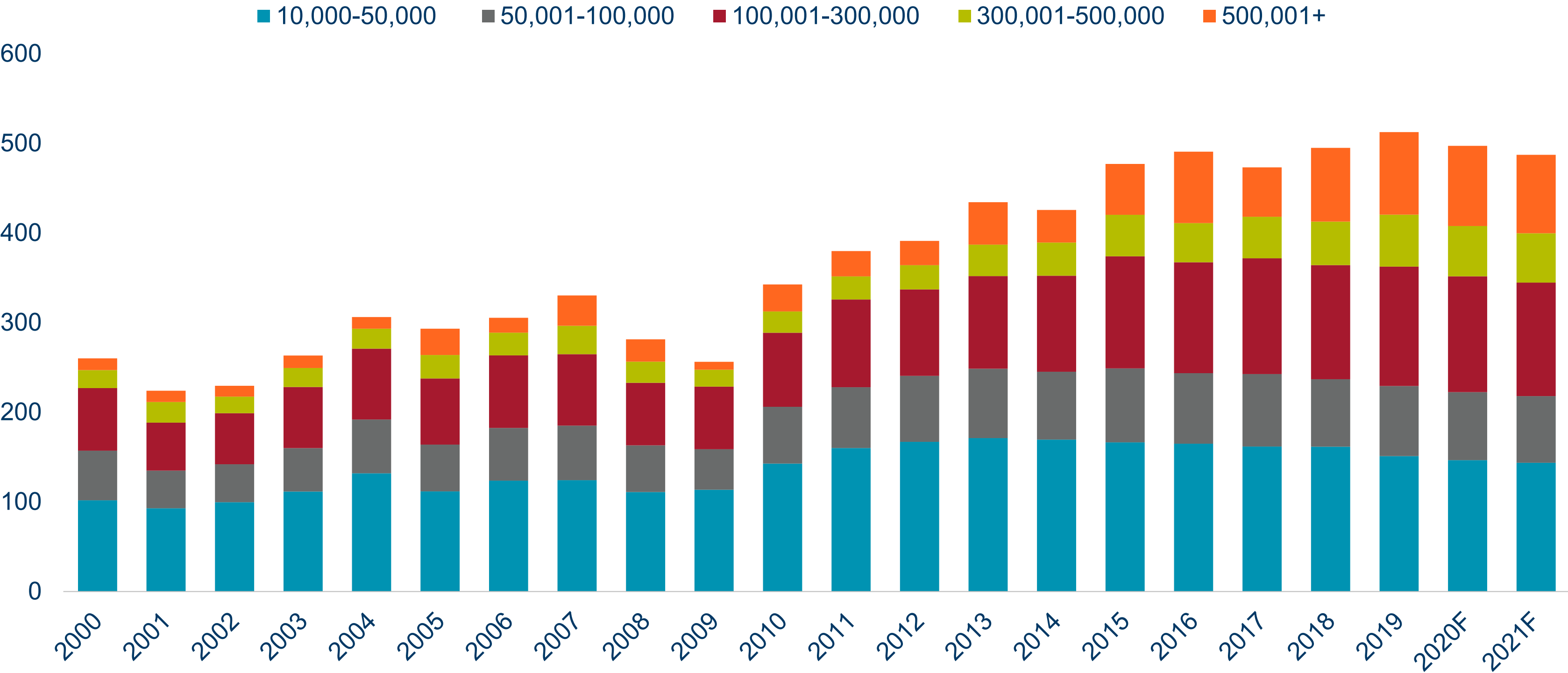
NEW SUPPLY WILL OUTPACE DEMAND IN 2021

PIPELINE VS ABSORPTION



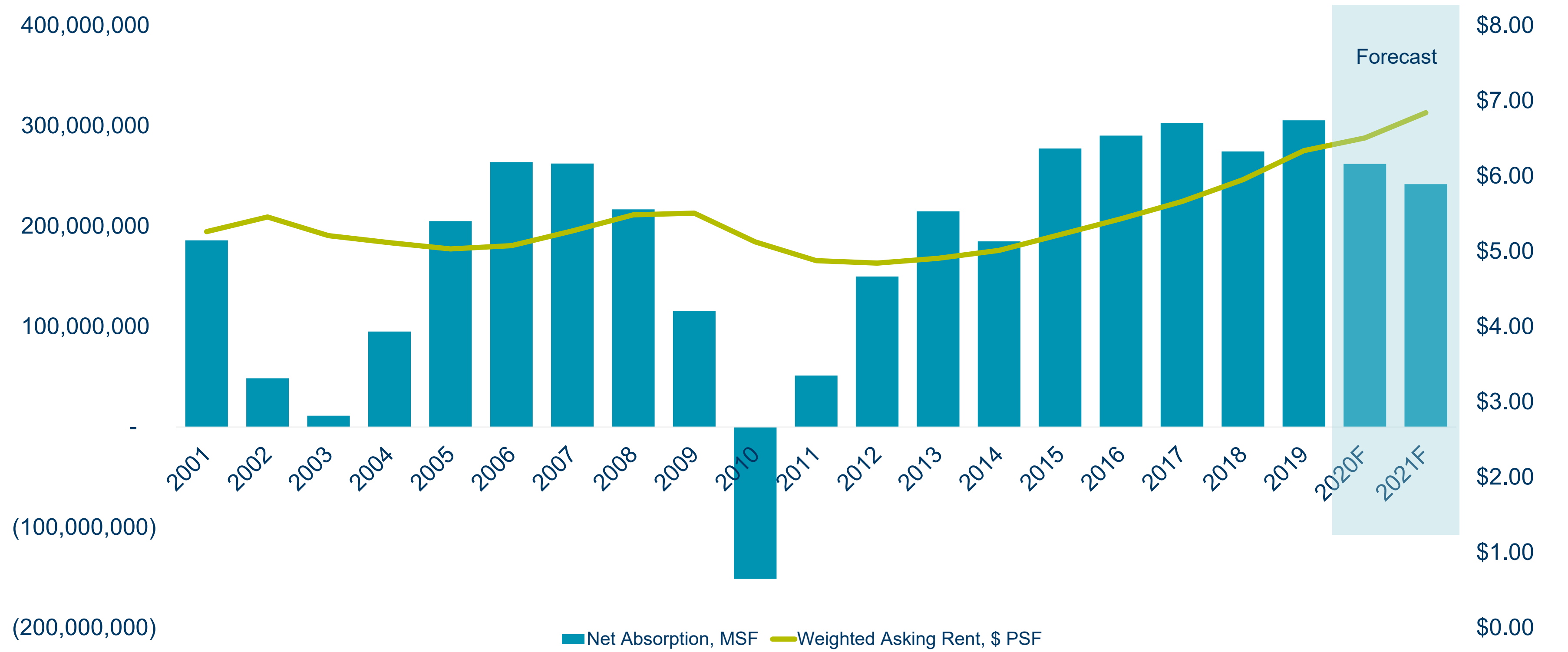
Source: Cushman & Wakefield Research

BROAD BASED LEASING DEMAND TO CONTINUE



4Q TRAILING AVERAGE

NET ABSORPTION/ASKING RENT



North American Industrial *2020-2021 Outlook*

459.9

ABSORPTION (MSF)

573.4

DELIVERIES (MSF)

5.2%

VACANCY (%)

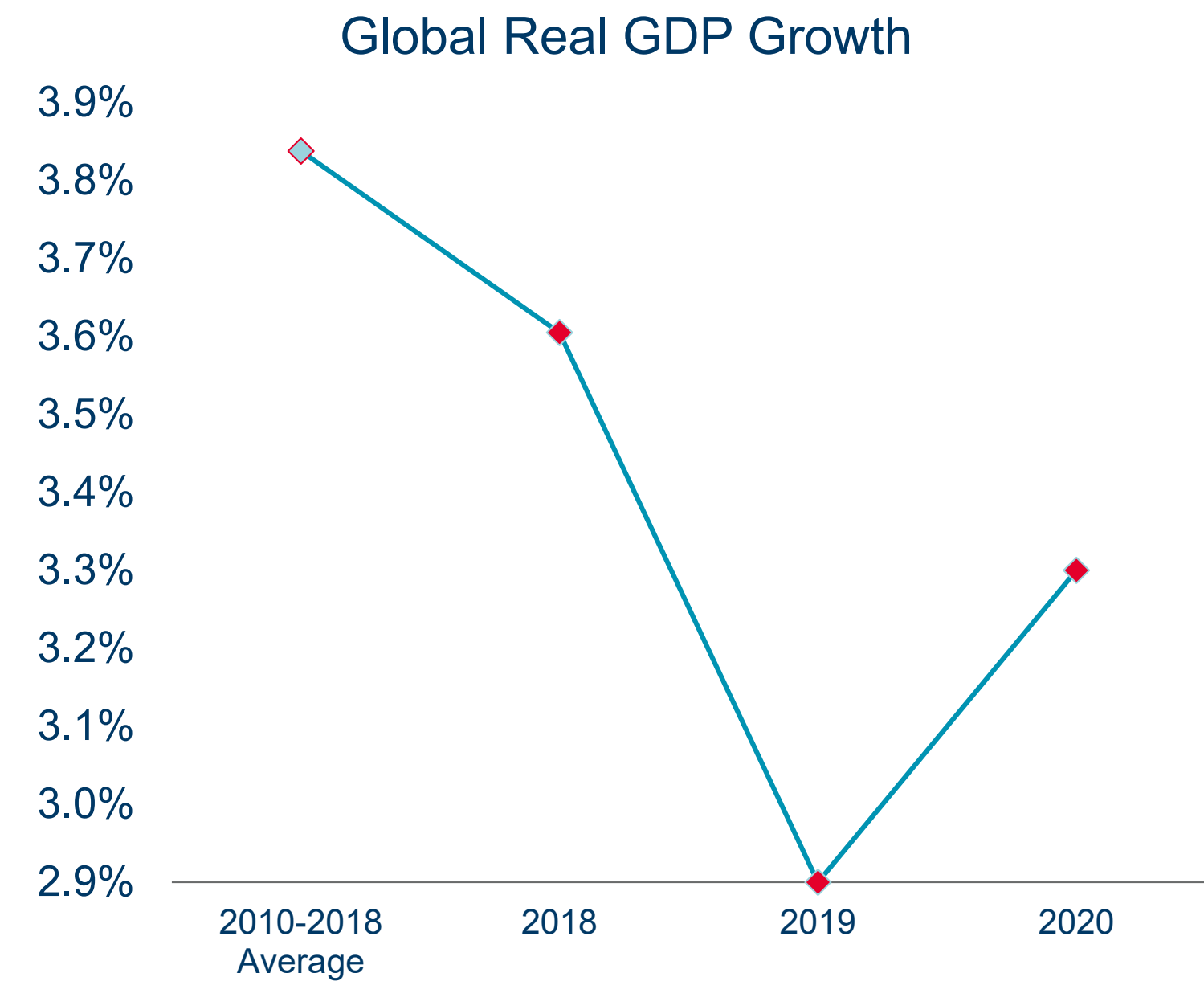
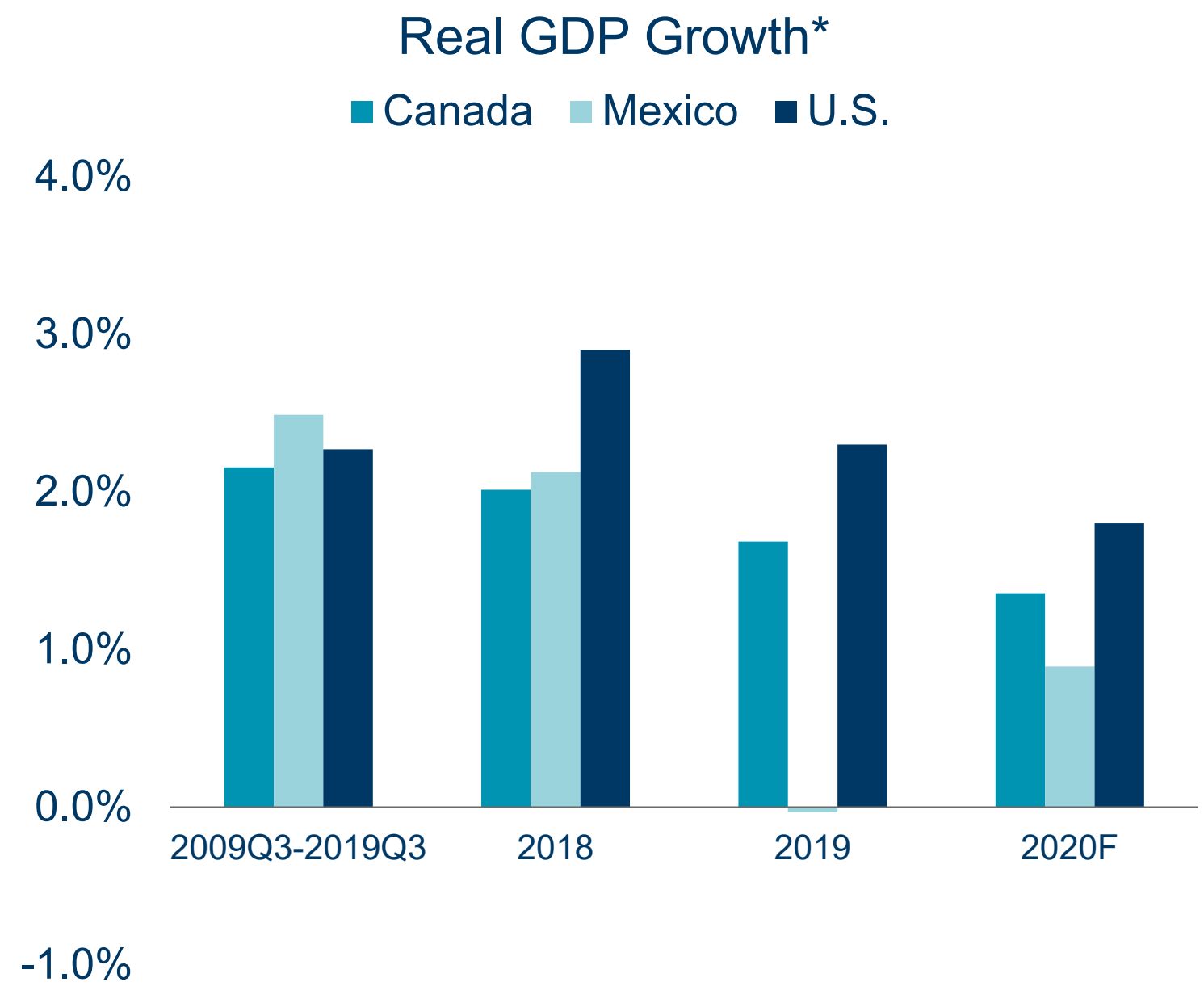
\$6.95

RENTS (PSF)



Economic Outlook

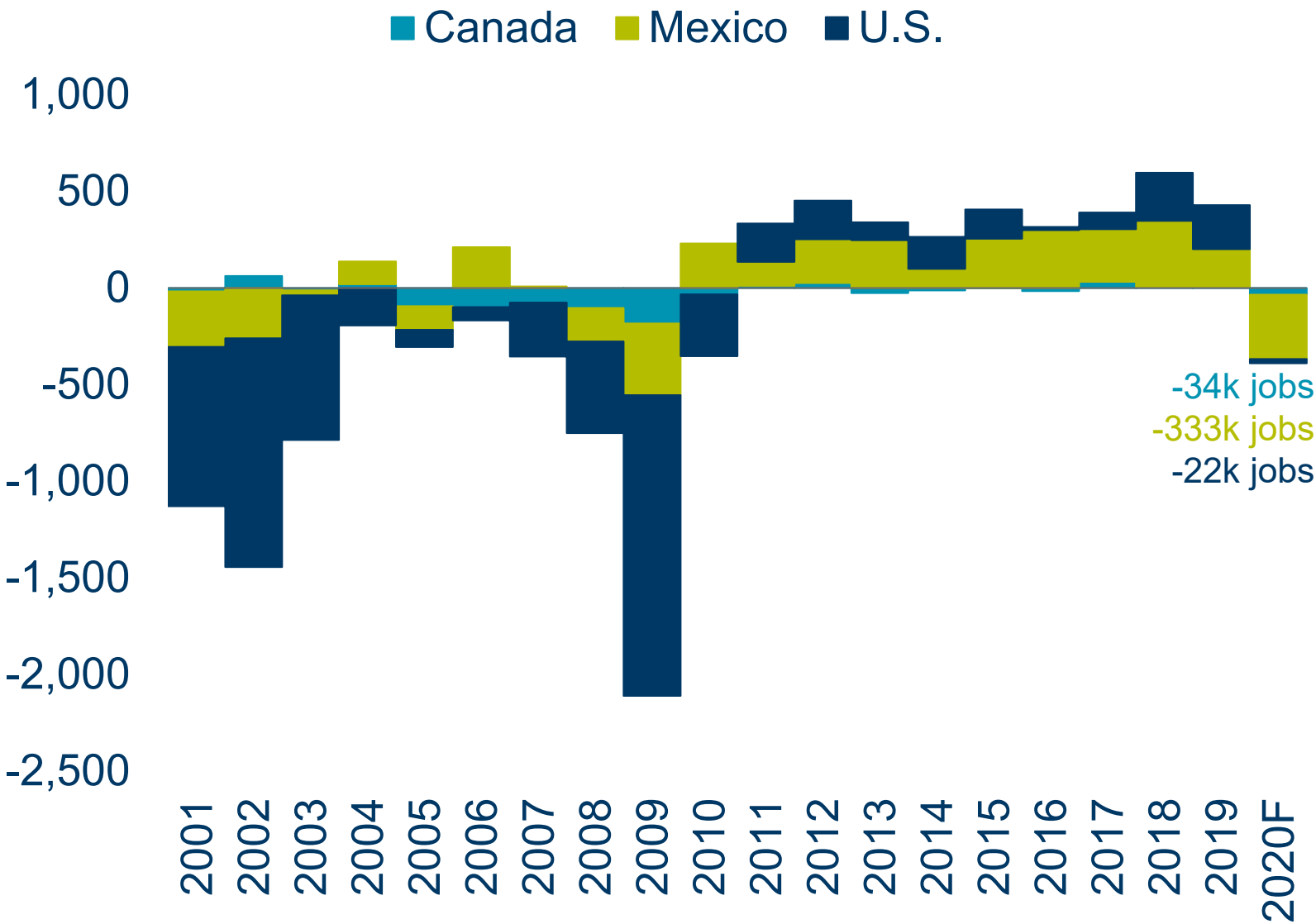
THEME #1: GROWTH DECELERATING



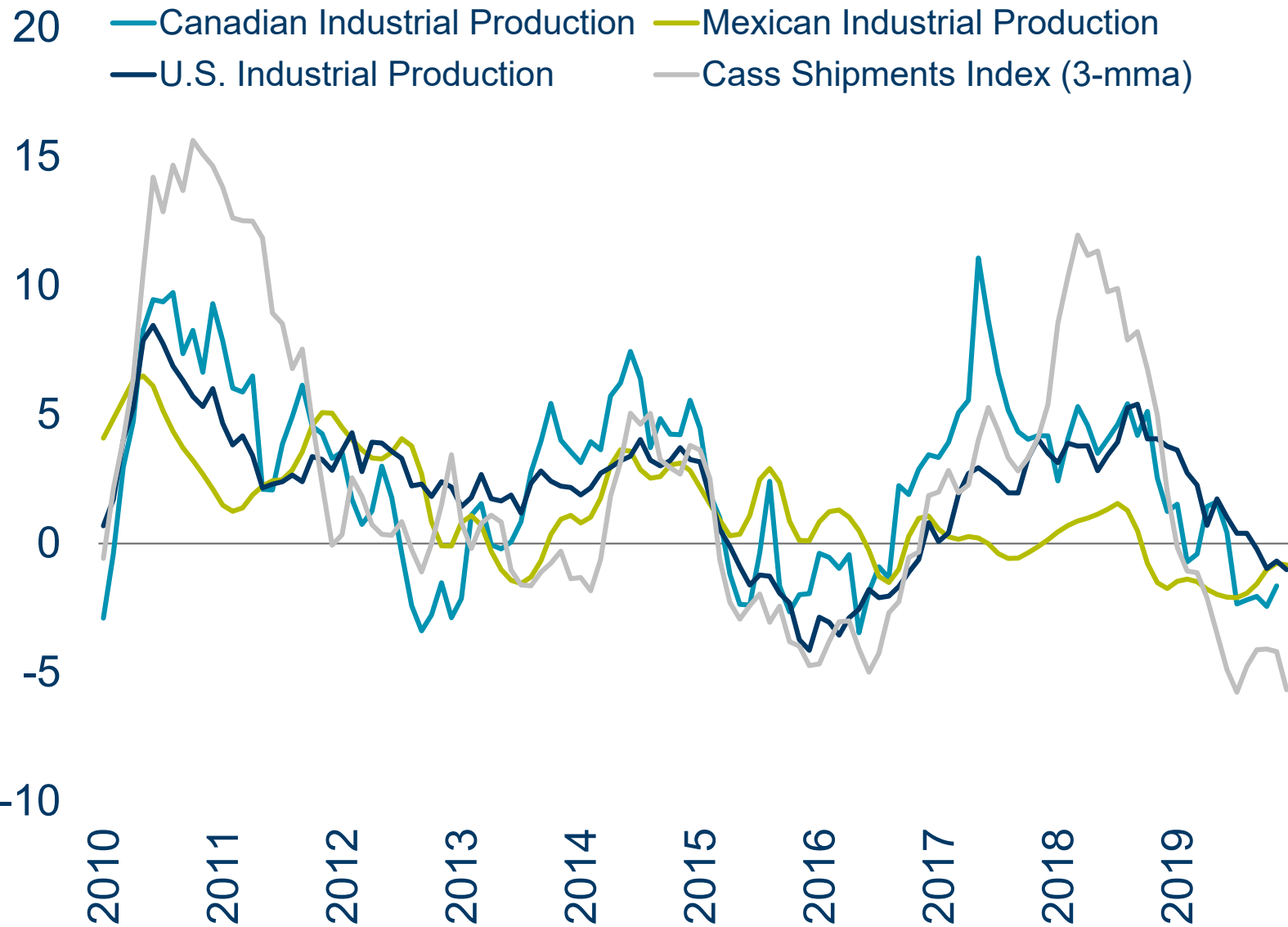
*Note: *In local currency units.*
Source: U.S. Bureau of Economic Analysis, Statistics Canada, Instituto Nacional de Estadística Geografía e Informática, Moody's Analytics, Oxford Economics, International Monetary Fund, Cushman & Wakefield Research

THEME #2: PRODUCTION ECONOMY SOFT

Manufacturing Jobs



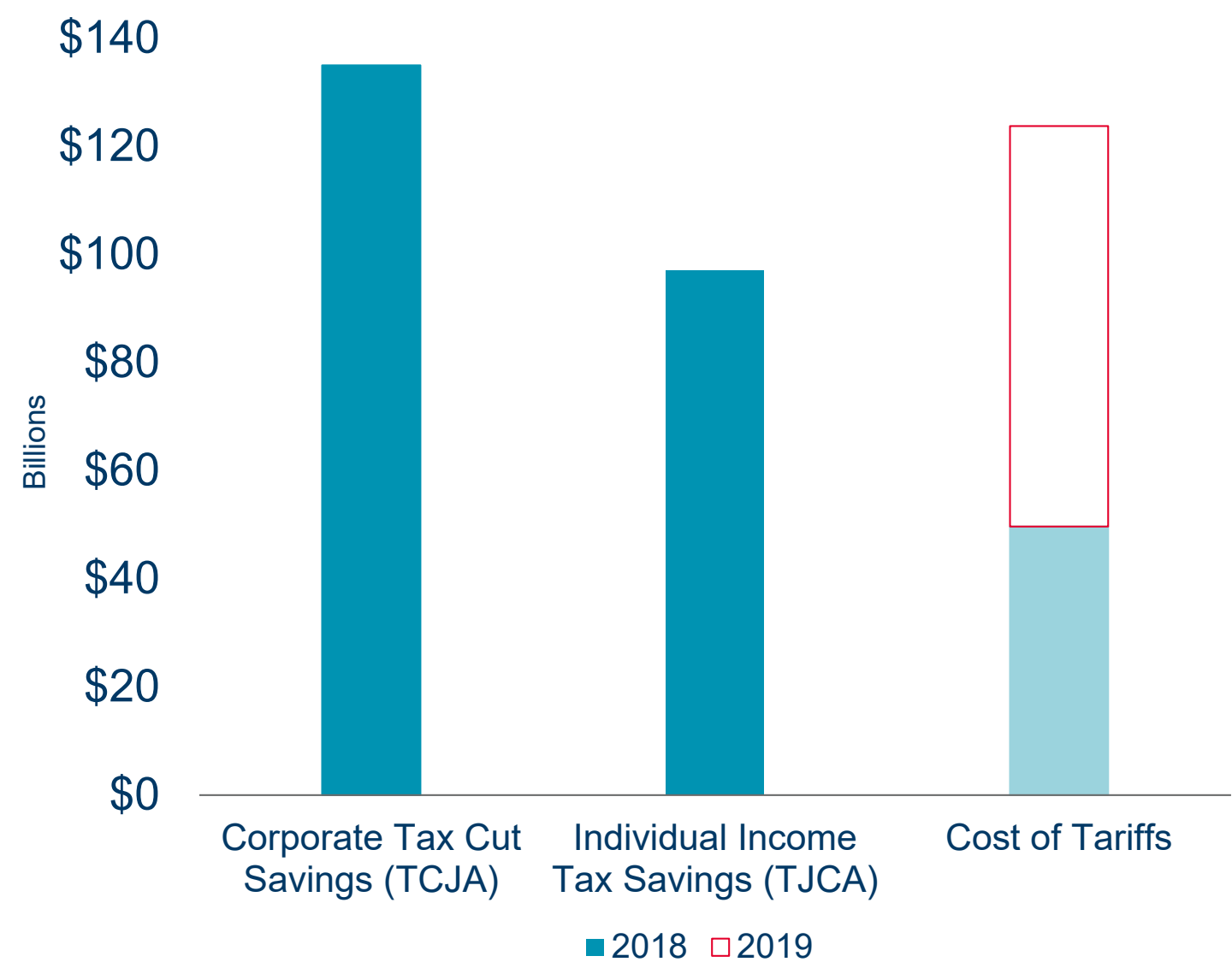
Output is Falling



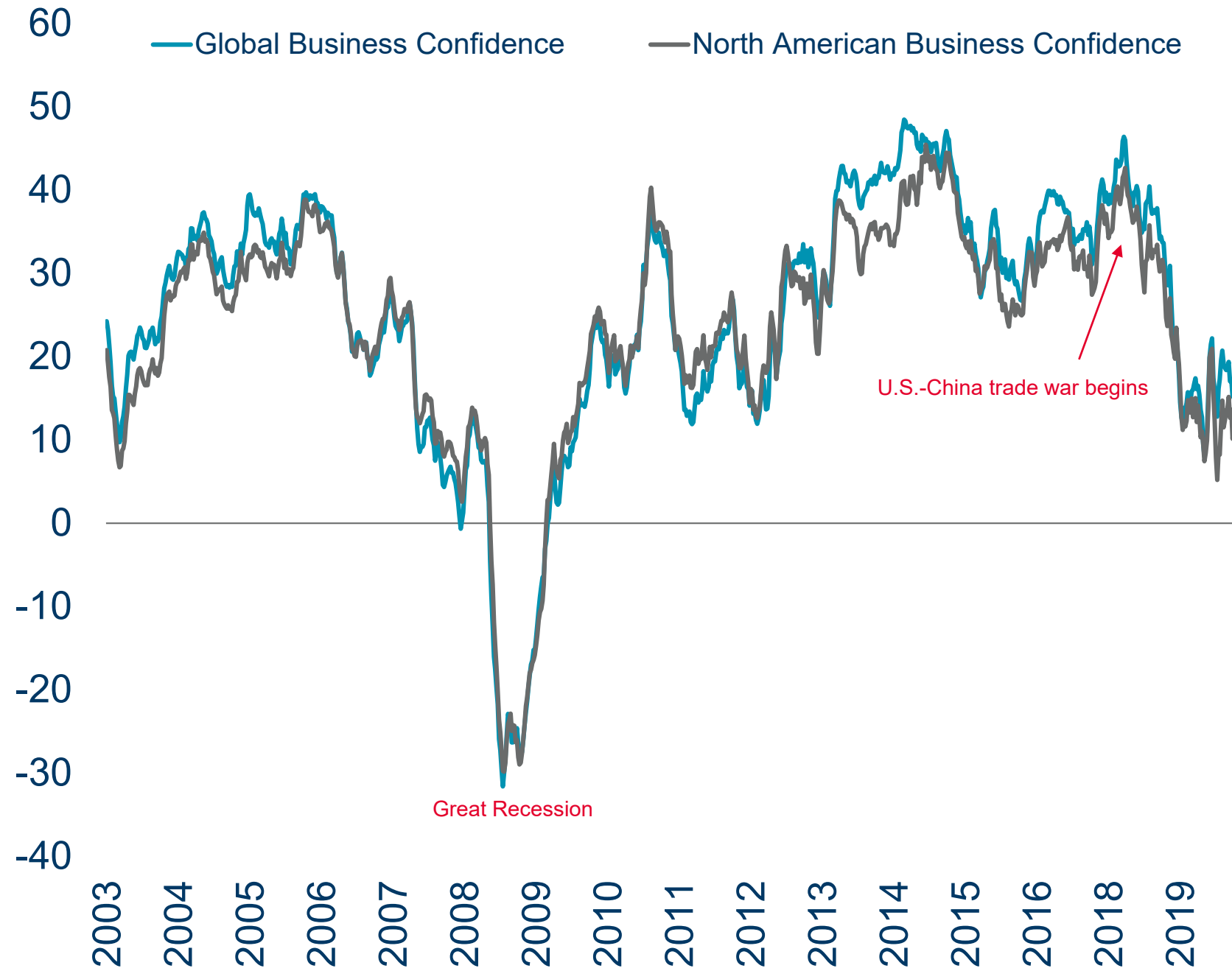
Note: *Canada does not have an ISM-equivalent although alternative PMI indices are available for the country (using different methodologies).
Source: Oxford Economics, Statistics Canada, Board of Governors of the Federal Reserve, Instituto Nacional de Estadística Geografía e Informática, Cushman & Wakefield Research

THEME #3: TRADE UNCERTAINTY TO PERSIST

Tariffs Offsetting Other Tailwinds

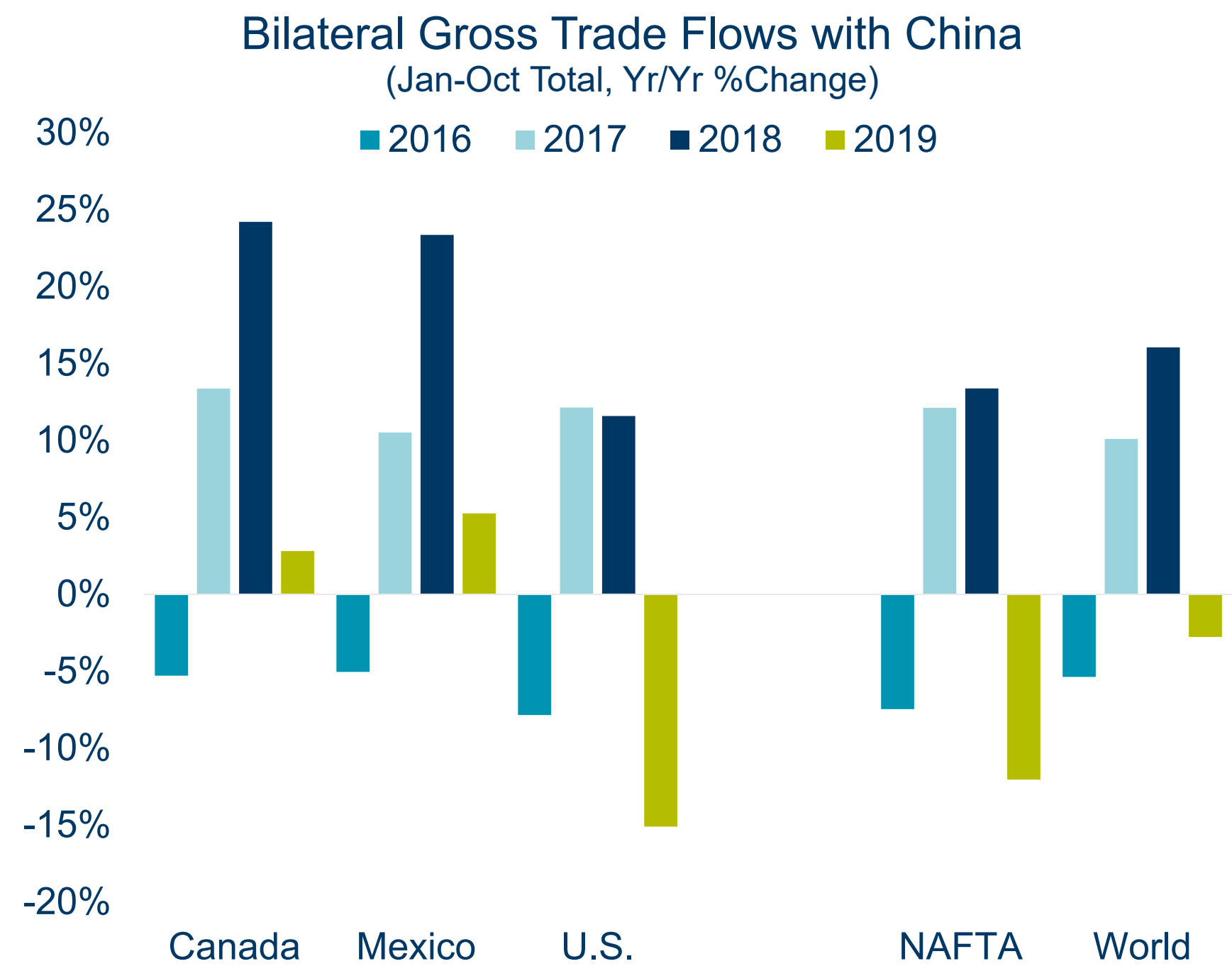
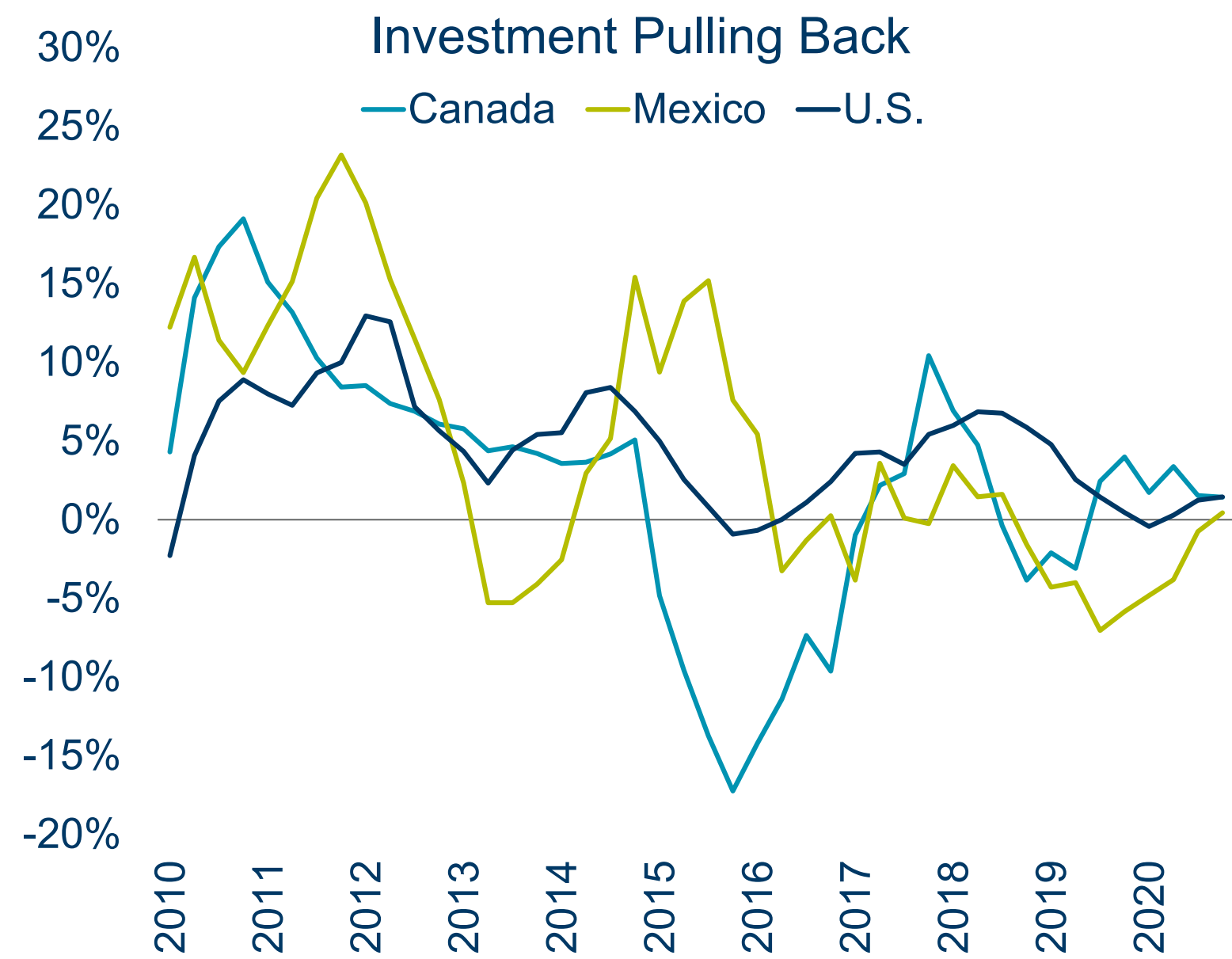


Business Confidence is Down



Source: U.S. Department of Treasury, U.S. Congressional Budget Office, Moody's Analytics, U.S. Bureau of Economic Analysis, Statistics Canada, Instituto Nacional de Estadística Geografía e Informática, PolicyUncertainty.com, Cushman & Wakefield Research

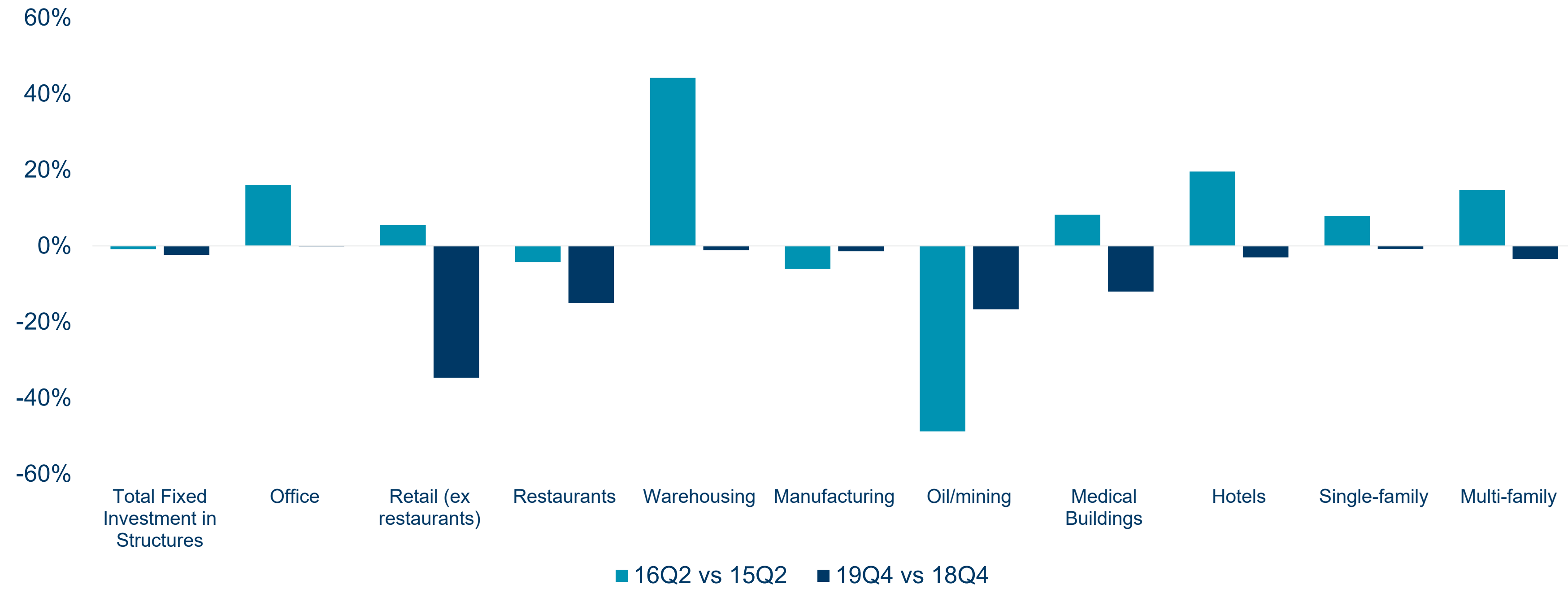
THEME #3: INVESTMENT PULLBACK BROAD-BASED



Source: CPB World Trade Monitor, International Monetary Fund, Cushman & Wakefield Research

THEME #3: INVESTMENT PULLBACK BROAD-BASED

U.S. Real Non-residential Fixed Investment



Source: U.S. Bureau of Economic Analysis, Cushman & Wakefield Research

THEME #3: INVESTMENT PULLBACK BROAD-BASED

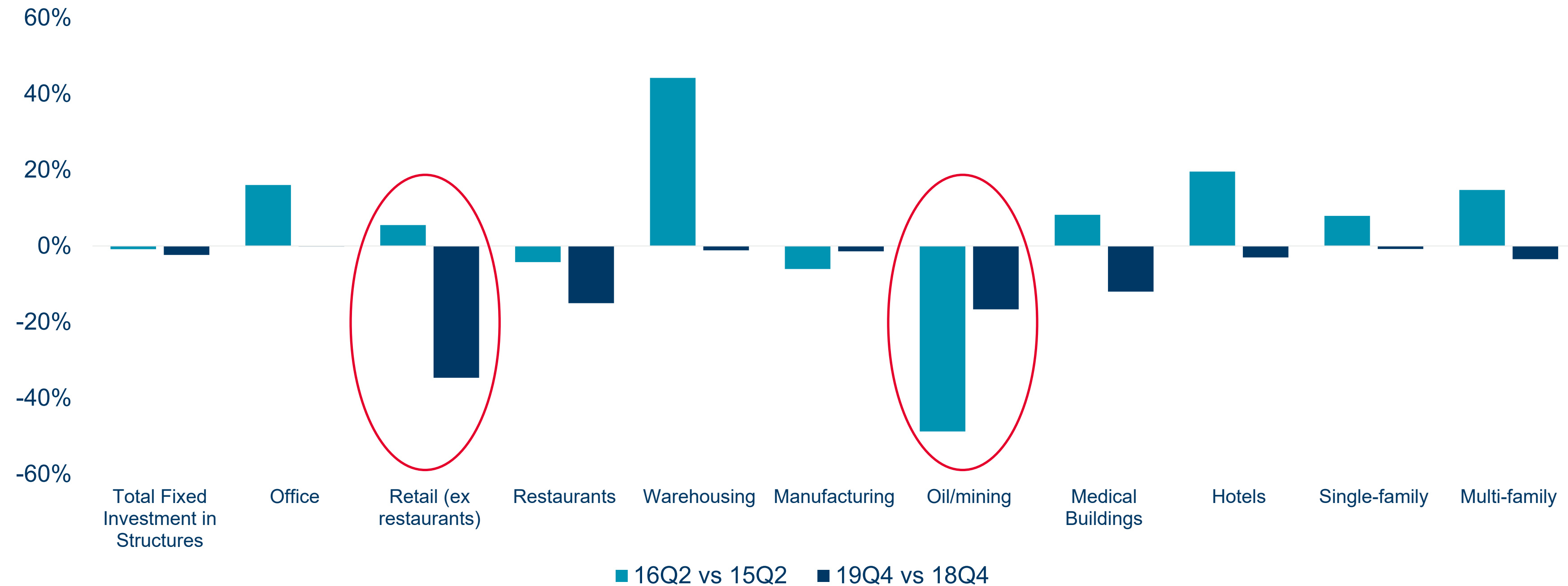
U.S. Real Non-residential Fixed Investment



Source: U.S. Bureau of Economic Analysis, Cushman & Wakefield Research

THEME #3: INVESTMENT PULLBACK BROAD-BASED

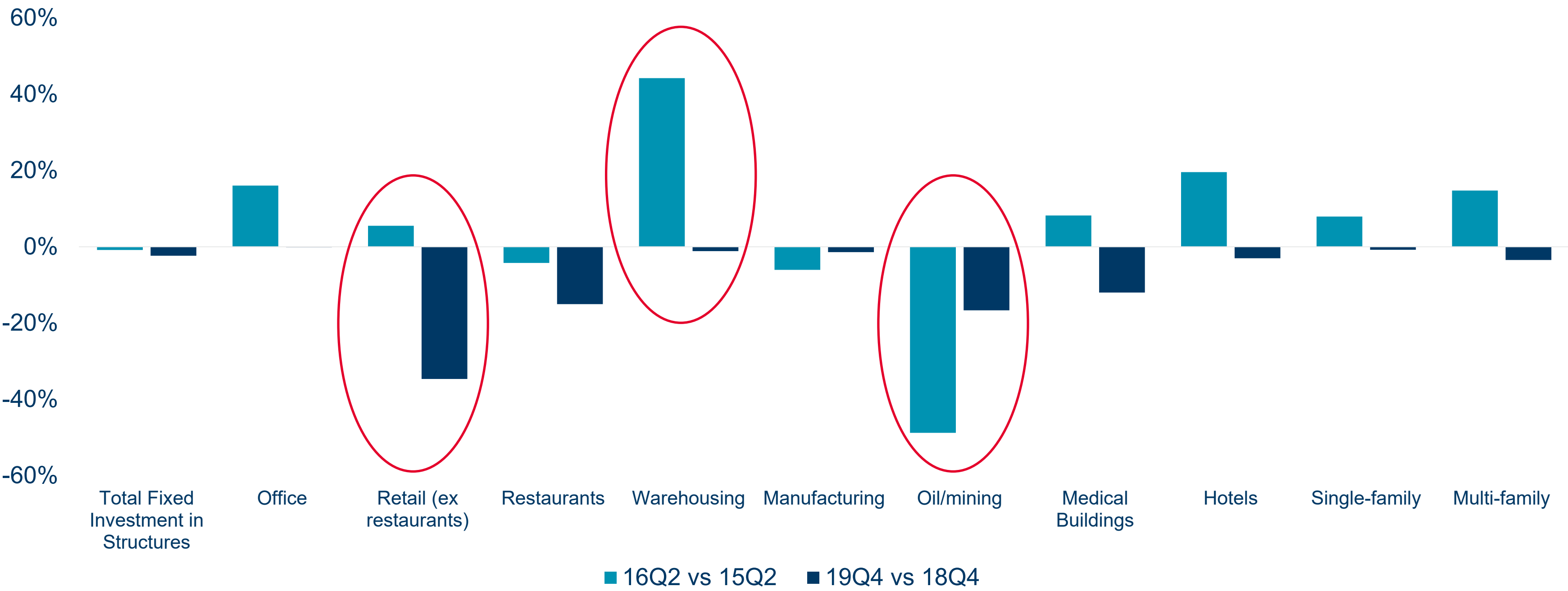
U.S. Real Non-residential Fixed Investment



Source: U.S. Bureau of Economic Analysis, Cushman & Wakefield Research

THEME #3: INVESTMENT PULLBACK BROAD-BASED

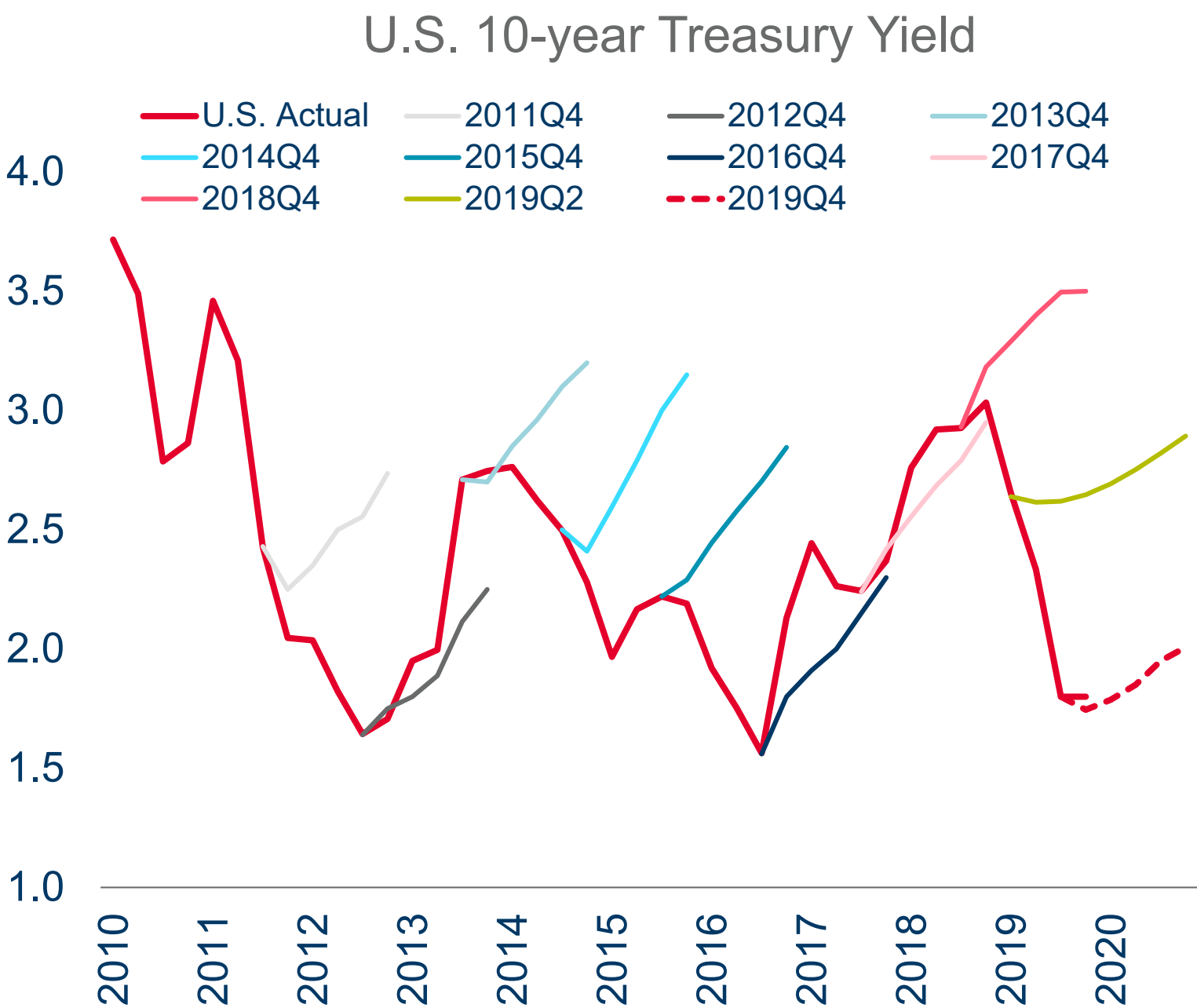
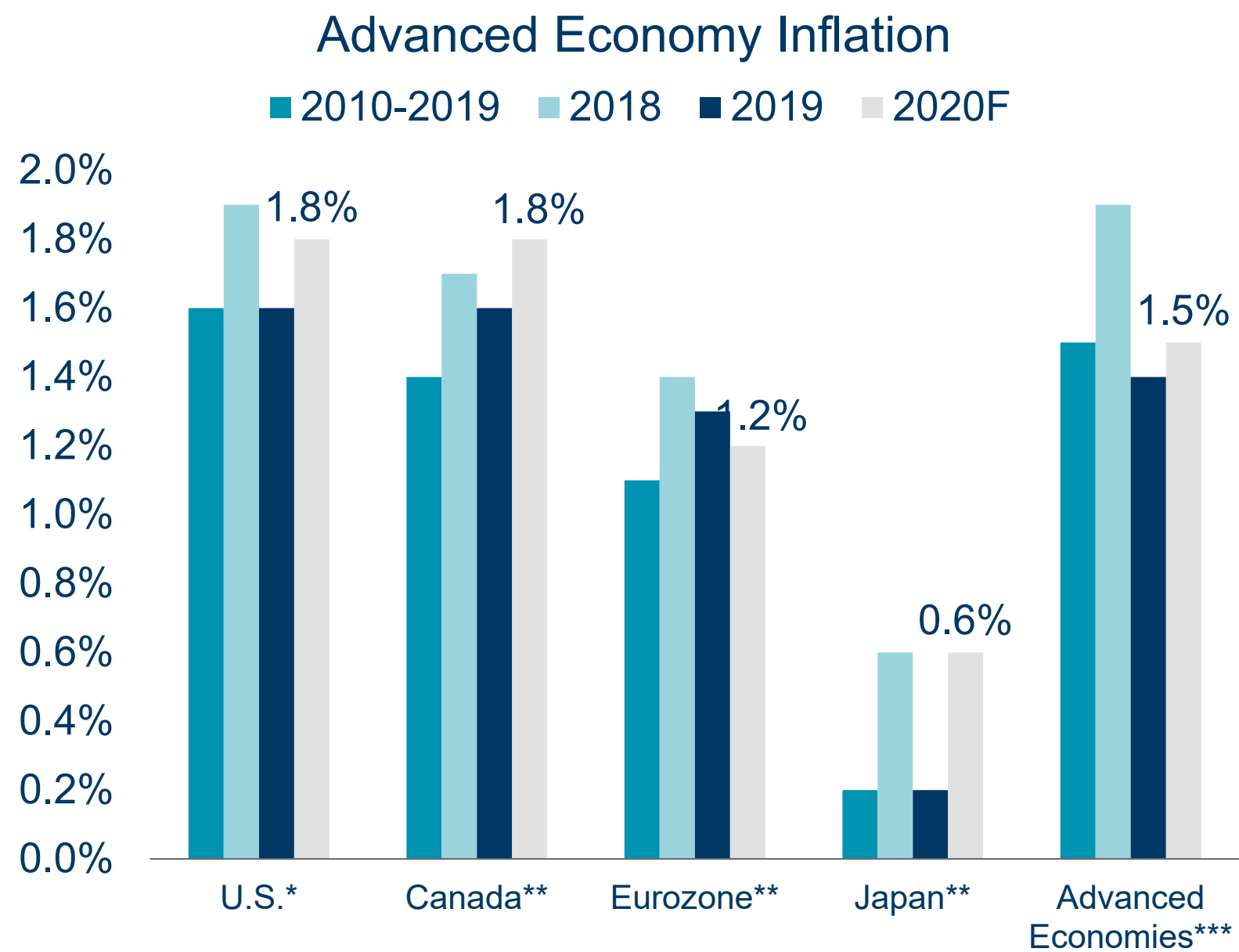
U.S. Real Non-residential Fixed Investment



Source: U.S. Bureau of Economic Analysis, Cushman & Wakefield Research

THEME #4: LOW INFLATION, LOW INTEREST RATES

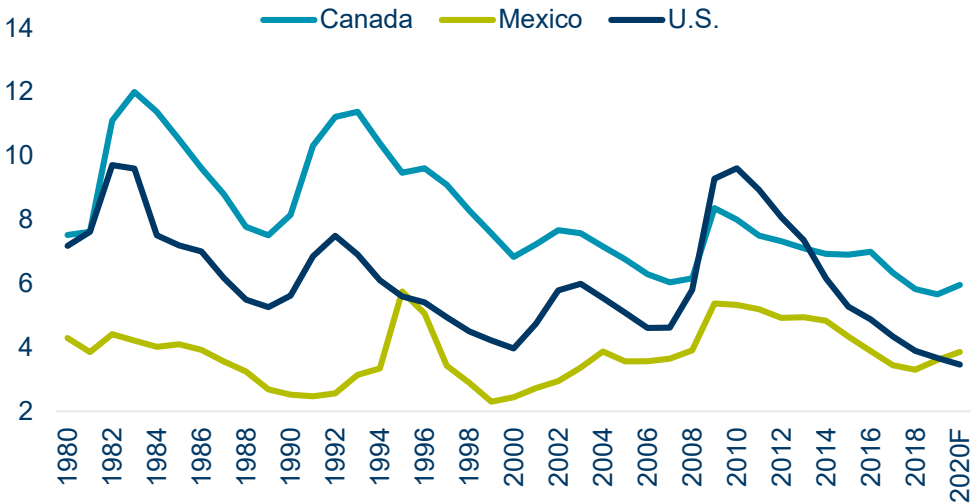
WITH EXCEPTIONS...



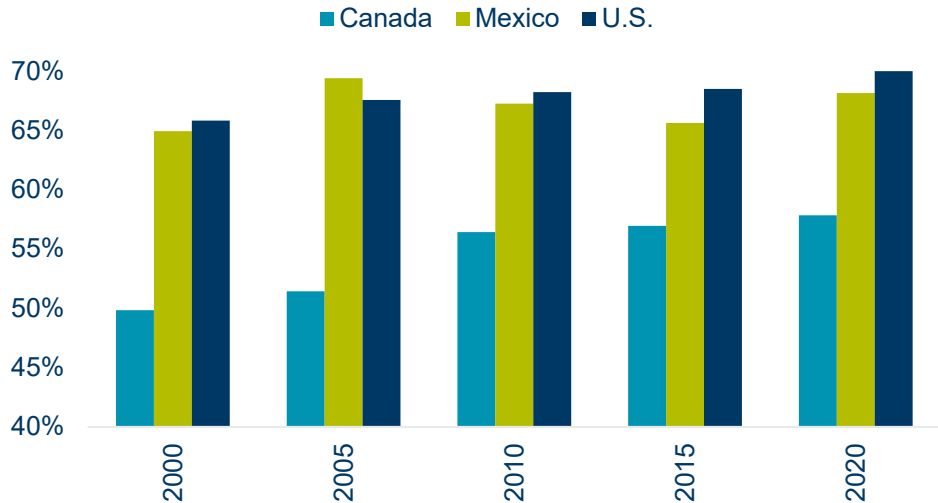
Note: *Core PCE inflation, **Private Consumption Deflator, ***Consumer Price Index
Source: U.S. Bureau of Economic Analysis, Statistics Canada, Cabinet Office of Japan, Statistical Office of the European Communities, Oxford Economics, Federal Reserve Bank of Philadelphia Survey of Professional Forecasters, Cushman & Wakefield Research

THEME #5: ALL ABOUT THE CONSUMER IN 2020

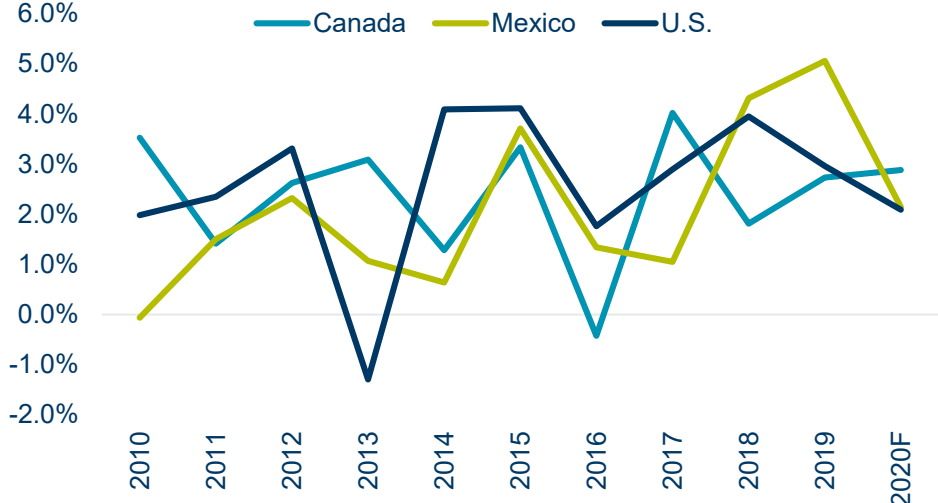
Unemployment Rate (%)



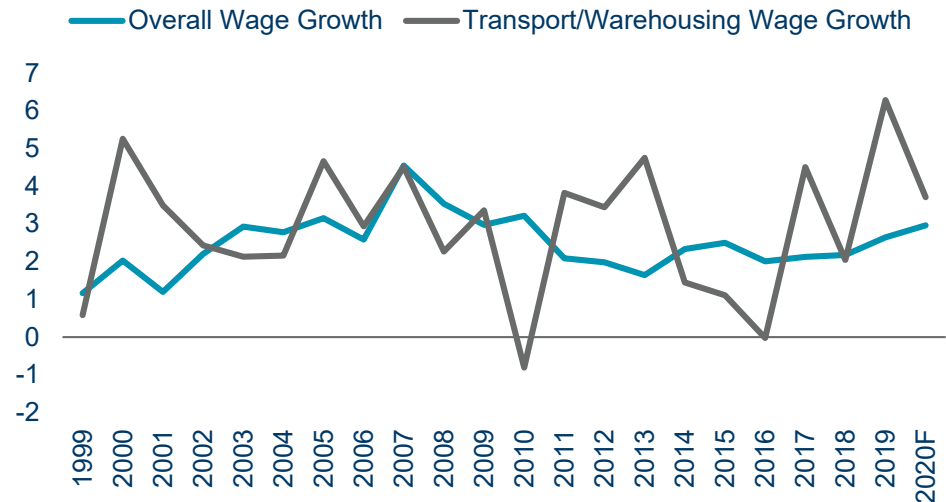
Share of Economy Tied to Consumer



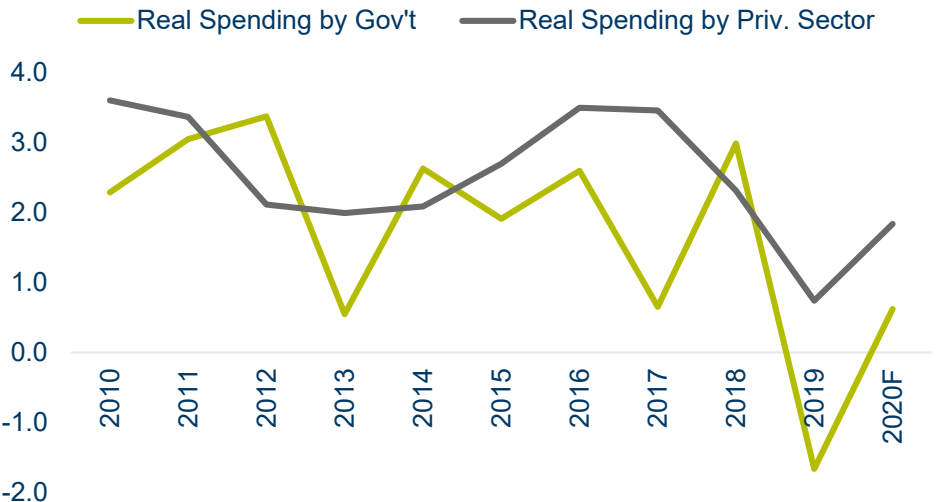
Real Disposable Incomes Rising



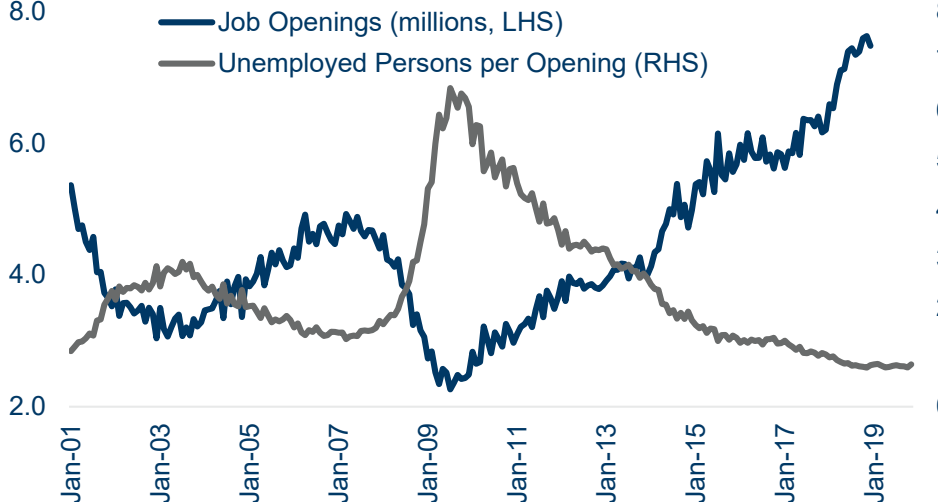
Canada



Mexico



U.S. "Churn" Healthy



Source: U.S. Bureau of Labor Statistics, Statistics Canada, Moody's Analytics, Oxford Economics, Cushman & Wakefield Research

DOWNSIDE RISKS ARE NOT INSIGNIFICANT



PROTESTS

Protests in Hong Kong, Catalonia, Latin America creating political and business uncertainty.



NAIRU

The U.S. Economy has gone beyond the non-accelerating inflation rate of unemployment (NAIRU).



YIELD CURVE

The yield curve inverted at different points in 2019. Historically, an inverted yield curve has been a solid predictor of recessions.



U.S. ELECTIONS

Stark policy differences between candidates is likely to create uncertainty & cause a slowdown.



TRADE

The Phase 1 Deal between the U.S. & China does not address the thornier issues. This could easily flare up again and tariffs could ramp back up.



BUSINESS DEBT

Lending to highly leveraged non-financial businesses and bond issuance by such firms is a risk as is the shadow banking system.



STOCK VALUES

Stock values and housing values are at record highs – can't go up forever & affordability issues.



BREXIT SCENARIOS

Could fracture the Eurozone and ultimately reverberate back to the U.S.

Source: Cushman & Wakefield Research

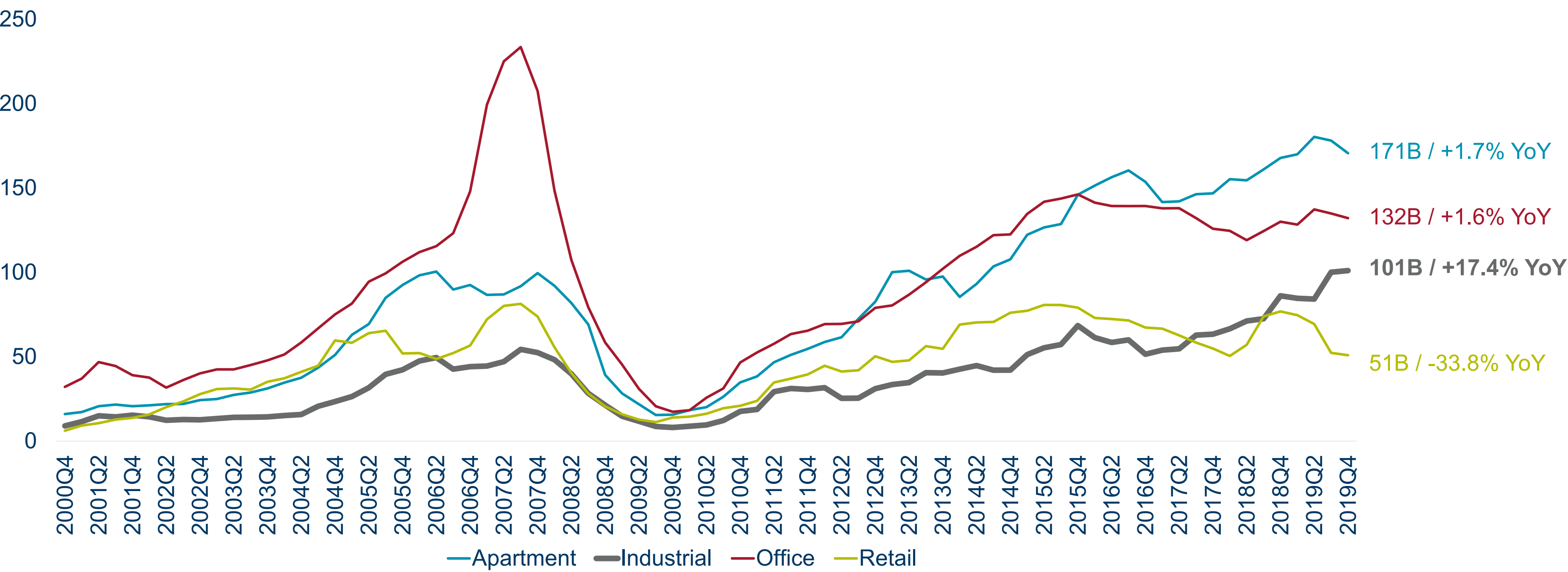
The background image shows a large industrial yard filled with stacks of blue shipping containers. A yellow forklift is visible on the right side. In the foreground, there are stacks of tires. A large red triangle is overlaid on the left side of the image, containing the text 'Capital Markets' in white.

Capital Markets

RISING DEMAND FOR INDUSTRIAL ASSETS...

OUTSTRIPPING GROWTH IN OTHER PRODUCT TYPES

Rolling 4-Quarter Transaction Activity
Dollars in billions

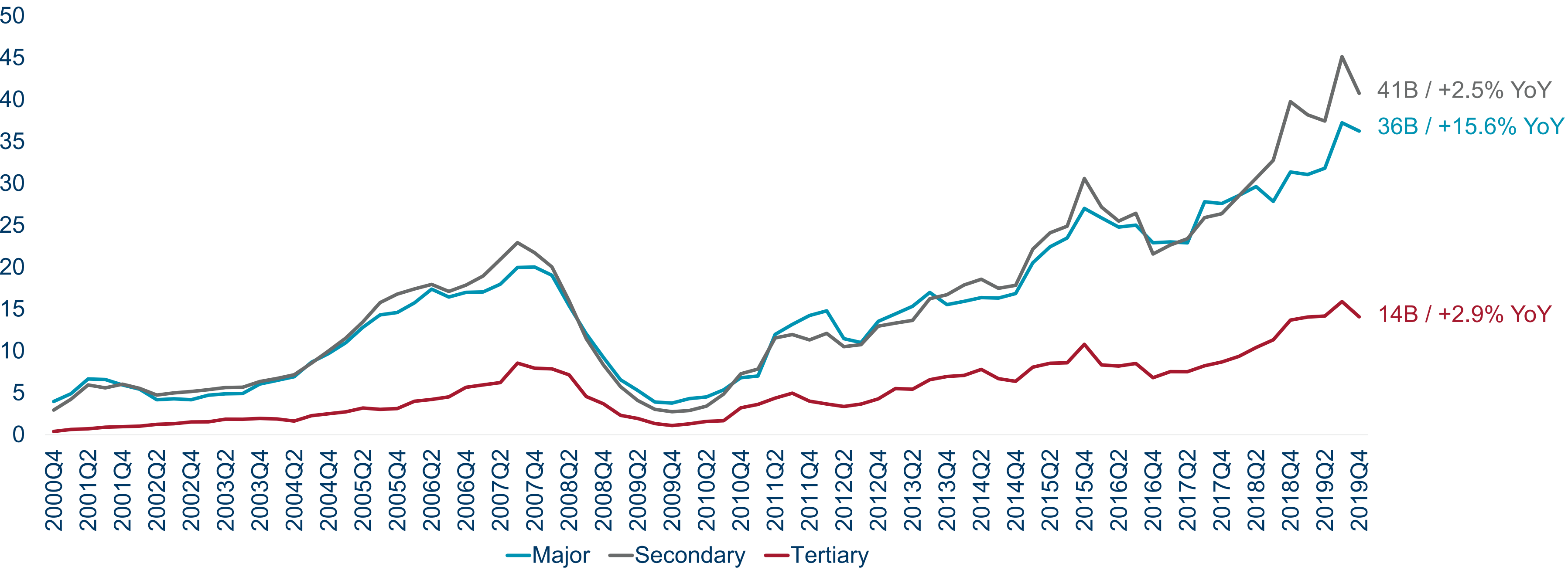


Source: RCA, Cushman & Wakefield Research

...ACROSS MARKET TIERS...

OUTSTRIPPING GROWTH IN OTHER PRODUCT TYPES

Rolling 4-Quarter Industrial Transaction Activity
Dollars in billions



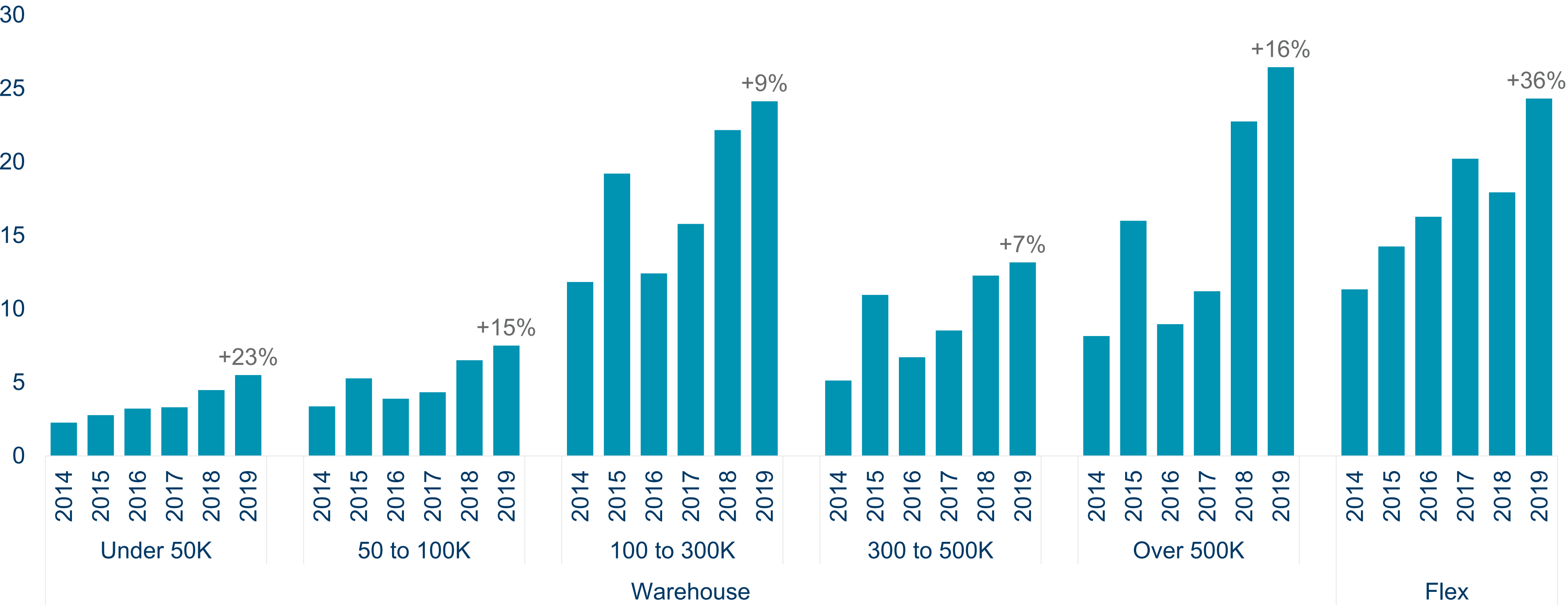
Source: RCA, Cushman & Wakefield Research

...PRODUCT TYPES...

OUTSTRIPPING GROWTH IN OTHER PRODUCT TYPES

Industrial Transaction Activity

Dollars in billions, Year-over-year percent change (labels)

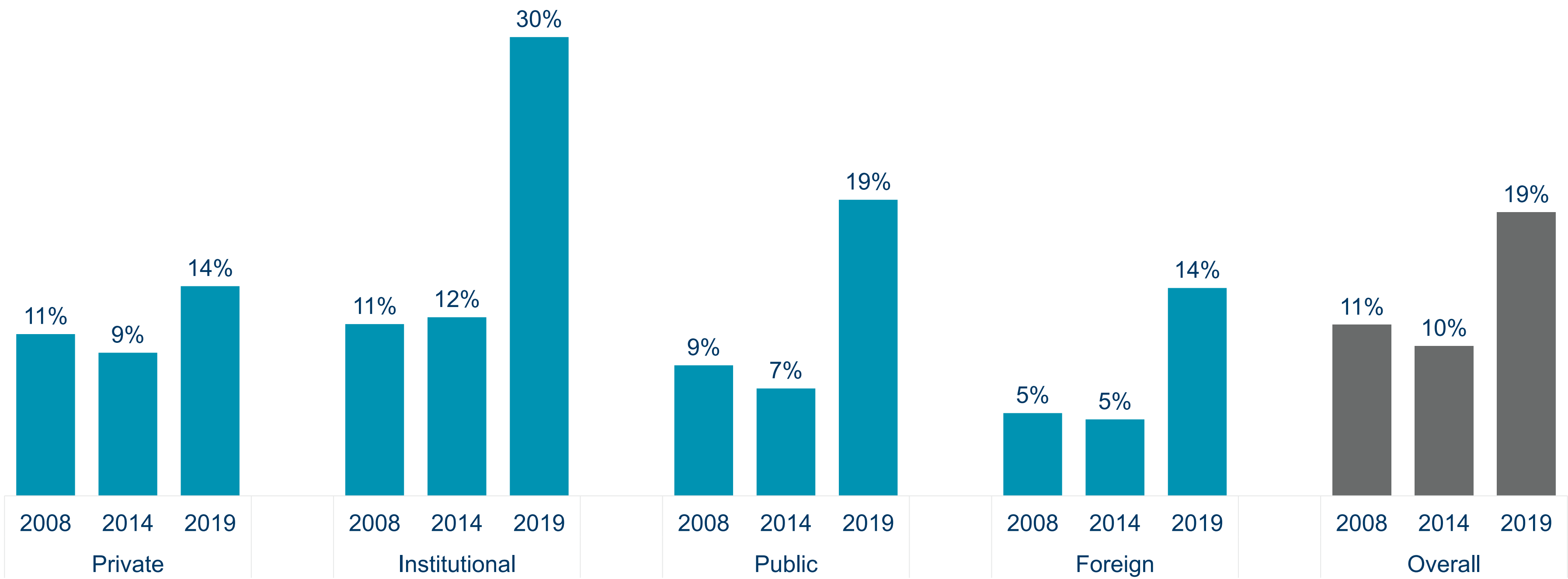


Source: RCA, Cushman & Wakefield Research

...INVESTOR GROUPS...

PARTICULARLY FROM MORE DEFENSIVE CAPITAL GROUPS

Industrial Share of Acquisition Activity
Percent of total (%)



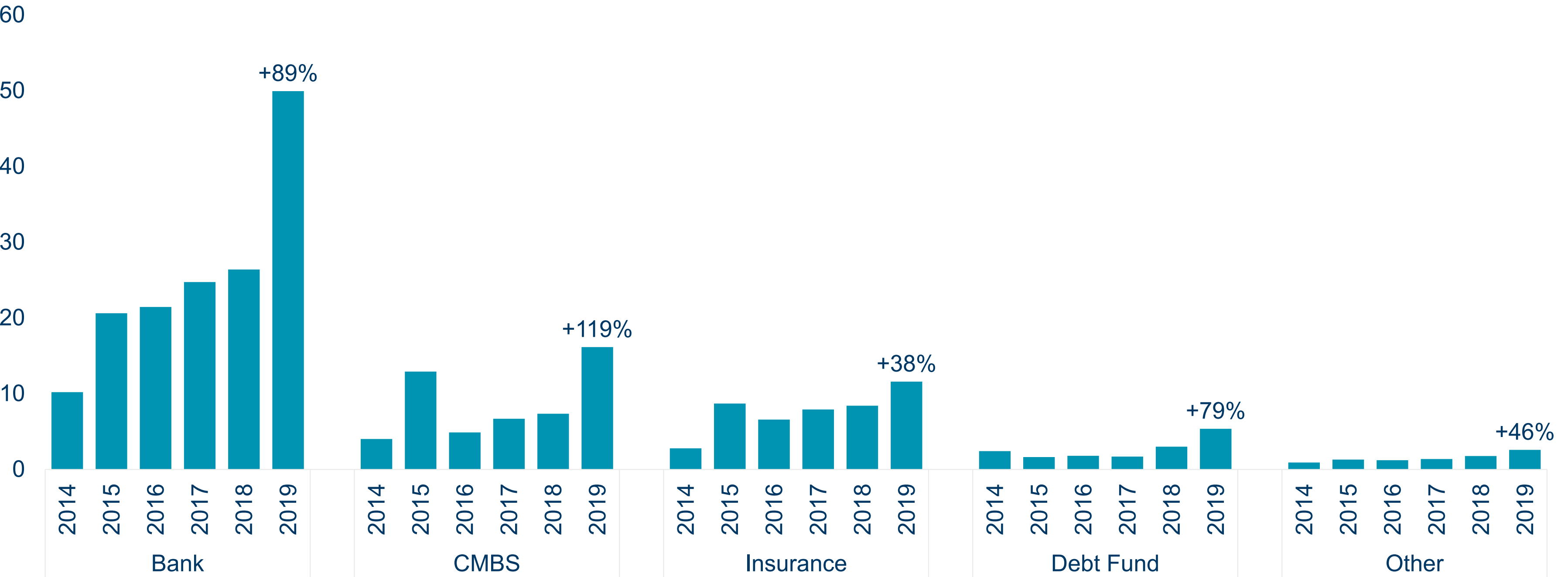
Source: RCA, Cushman & Wakefield Research

...AND LENDERS

BANK AND CMBS EXECUTIONS PARTICULARLY ROBUST IN 2019

Industrial Loan Origination Volume

Dollars in billions, Year-over-year percent change (labels)

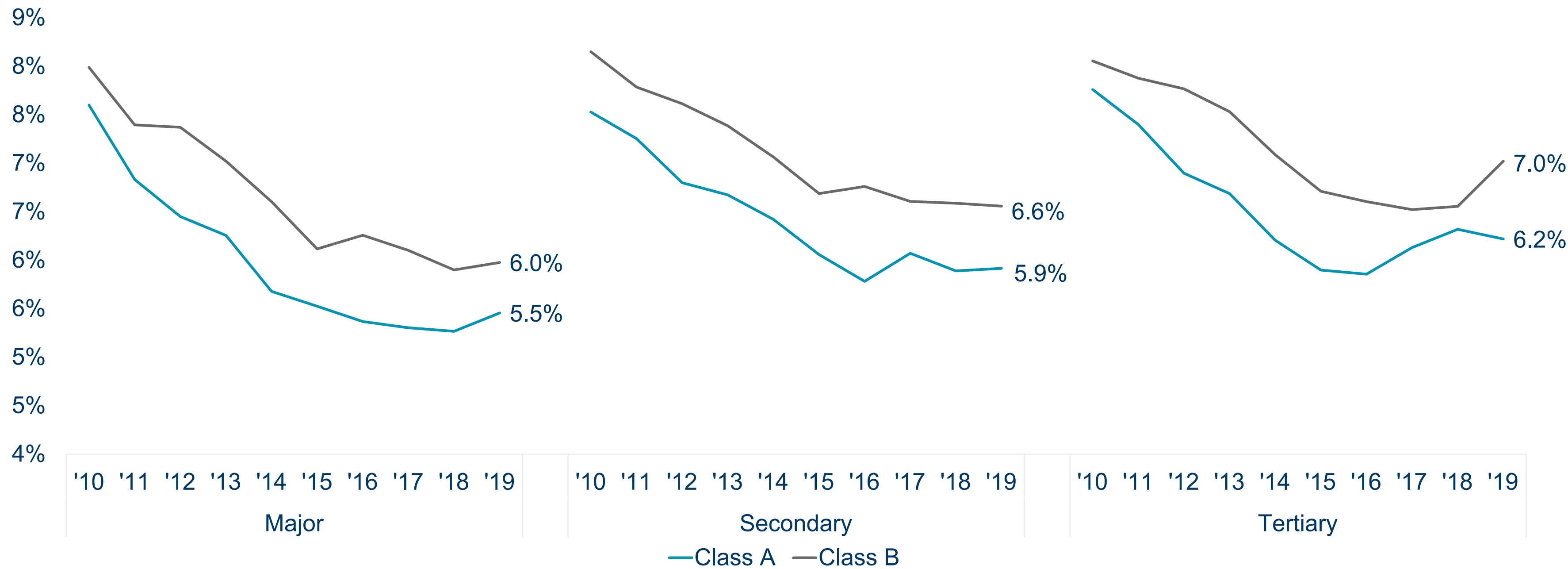


Source: RCA, Cushman & Wakefield Research

CAP RATES NEAR ALL-TIME LOWS

CONTINUED COMPRESSION IN SECONDARY MARKETS AS CAPITAL SEEKS YIELD

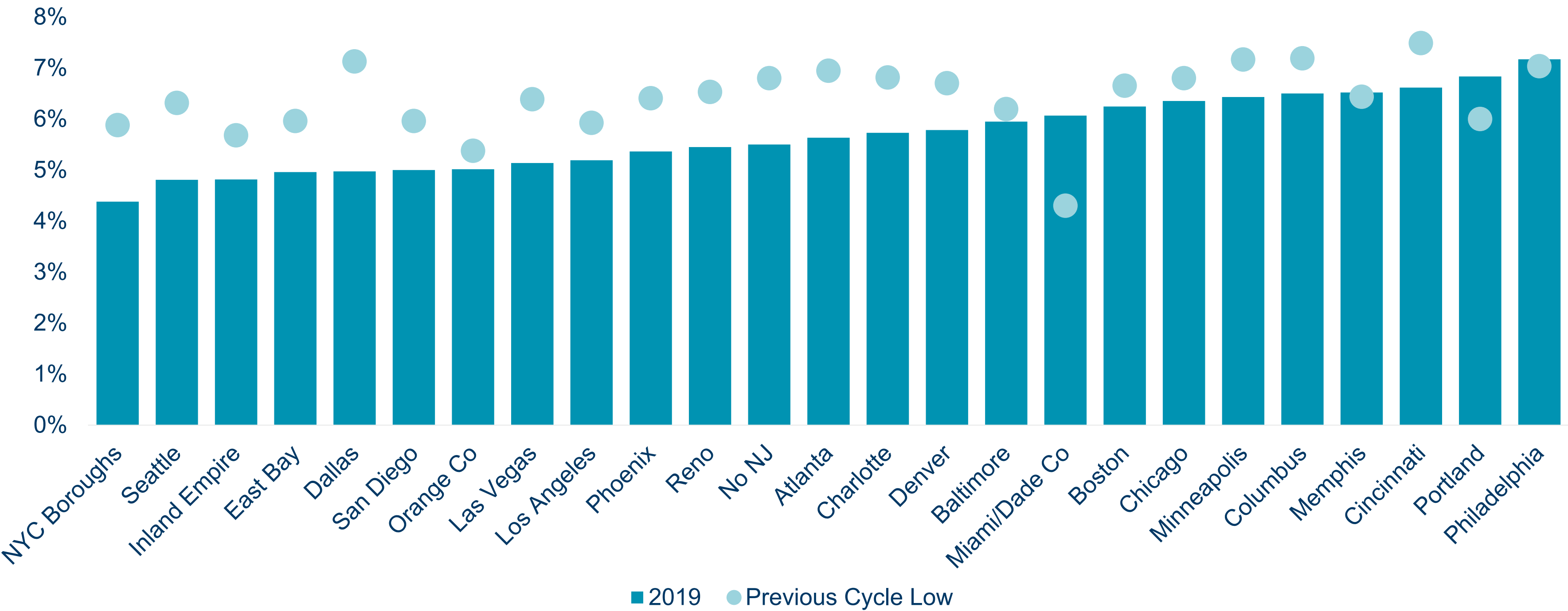
Industrial Average Transaction Cap Rates
Percent (%)



Source: RCA, Cushman & Wakefield Research

RECORD LOW CAP RATES ACROSS TOP MARKETS

Warehouse Average Transaction Cap Rates
Percent (%)



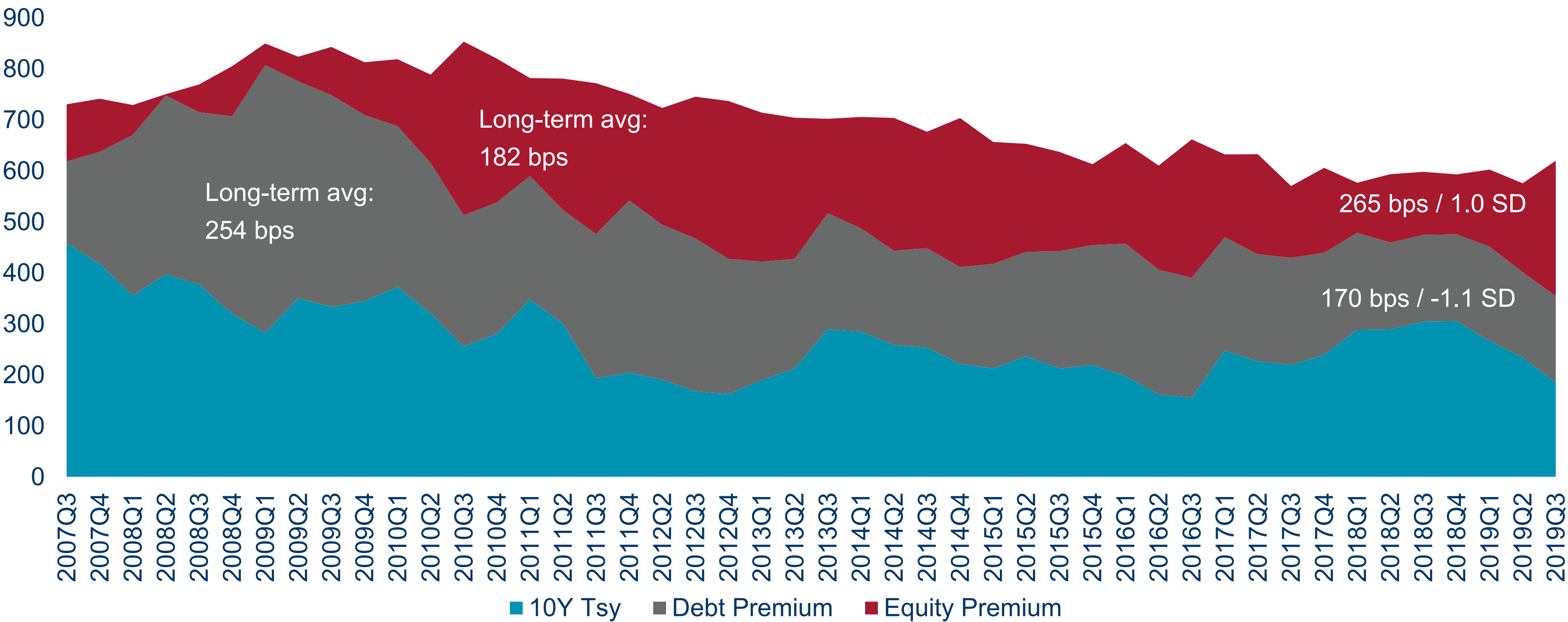
Source: RCA, Cushman & Wakefield Research

BUT VALUATIONS ARE STILL ATTRACTIVE

THE FALL IN RATES HAS REWOUND INDUSTRIAL VALUATION TO 2014 LEVELS

Industrial Risk Premia

Basis points (bps)

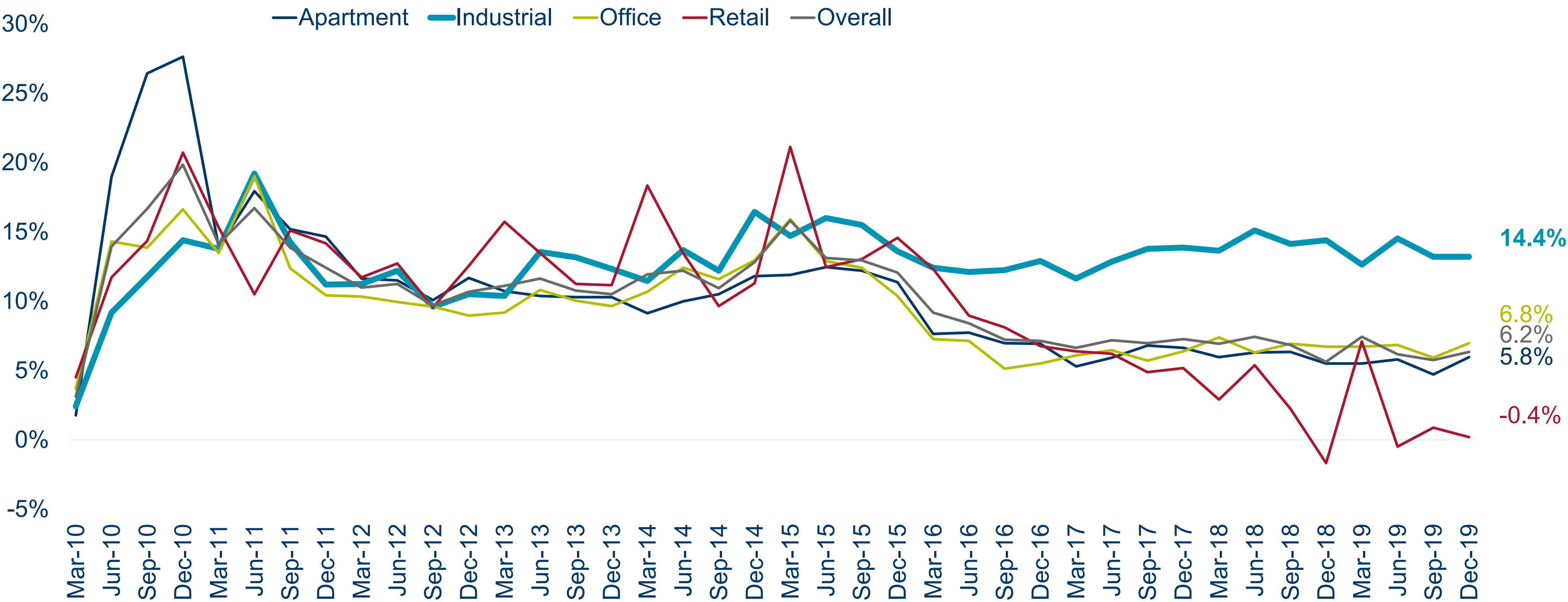


Source: RCA, Federal Reserve, Cushman & Wakefield Research

EXTENDED PERIOD OF INDUSTRIAL OUTPERFORMANCE

INDUSTRIAL OFFERS INVESTORS “HEADS I WIN, TAILS I WIN” OPPORTUNITY

NCREIF National Property Index Quarterly Annualized Total Return
Percent (%)



Source: NCREIF, Cushman & Wakefield Research



Q&A

Thank You

Tray Anderson

Logistics & Industrial Services Lead, Americas
tray.anderson@cushwake.com

Carolyn Salzer

Americas Head of Logistics & Industrial Research
carolyn.salzer@cushwake.com

Rebecca Rockey

Global Head of Forecasting
rebecca.rockey@cushwake.com

David Bitner

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david.bitner@cushwake.com

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