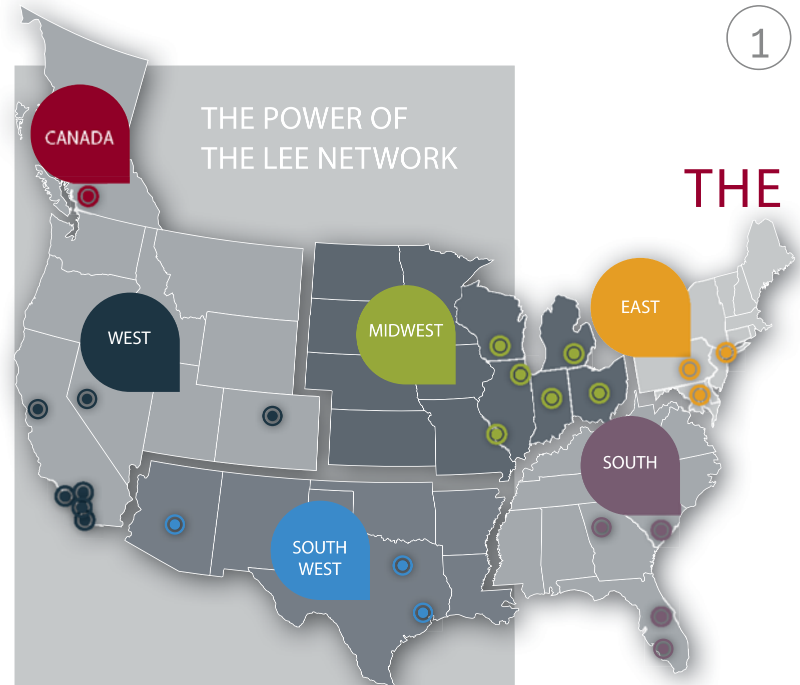
The Lee Industrial Brief

Q4 2017

LEE & ASSOCIATES

COMMERCIAL REAL ESTATE SERVICES

THE POWER OF
THE LEE NETWORK



THE LEE ADVANTAGE

LEE & ASSOCIATES IS A COMMERCIAL REAL ESTATE BROKERAGE, MANAGEMENT AND APPRAISAL SERVICES FIRM. ESTABLISHED IN 1979, LEE & ASSOCIATES HAS GROWN ITS SERVICE PLATFORM TO INCLUDE OFFICES IN THE UNITED STATES AND CANADA. Every Lee & Associates office delivers world class service to an array of regional, national and international clients--from small businesses and local investors to major corporate users and institutional investors. Our professionals combine the latest technology, resources and market intelligence with their experience, expertise and commitment to superior service to optimize your results.

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NEW JERSEY
NEW YORK
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SOUTH CAROLINA
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WASHINGTON
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GERALDEVE

AFFILIATE INTERNATIONAL RELATIONSHIP

- AUSTRIA
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1 **MARKET LEADER**
SPECIALIZING IN MARKET INTELLIGENCE

2 **RELEVANT WORK**
SEASONED PROFESSIONALS WITH RELEVANT TRANSACTION EXPERIENCE

3 **WE SAVE YOU TIME**
CREATIVE PROBLEM SOLVING SKILL SETS

4 **ABILITY TO UNDERSTAND**
EFFECTIVE CLIENT COMMUNICATION

5 **INTEGRITY**
SHAPES OUR CULTURE & DEFINES THE CHARACTER

62%
increase
in transaction volume over 5 years

$11.6 billion
transaction volume
2016

900
professionals
and growing nationwide

US INDUSTRIAL MARKET

Demand Falls But Healthy, Signs of Caution

TRENDING IN Q4:

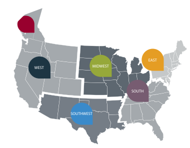
Demand for industrial space fell 15.6% in 2017 from a year ago as net absorption totaled 231 million SF, its lowest level since 2014. Despite stronger fourth-quarter demand, net absorption of industrial space nationwide skidded 13% for the year and flex space plunged 36.5%.

Deliveries of new buildings in 2017 were up 6.4% in 2017, boosting the nation's total industrial inventory to 15.6 billion SF. The year ending volume of space under construction was down 5.3%.

Average asking rents increased 8.3% year over year and average sale prices were up 12% the last 12 months through Q3.

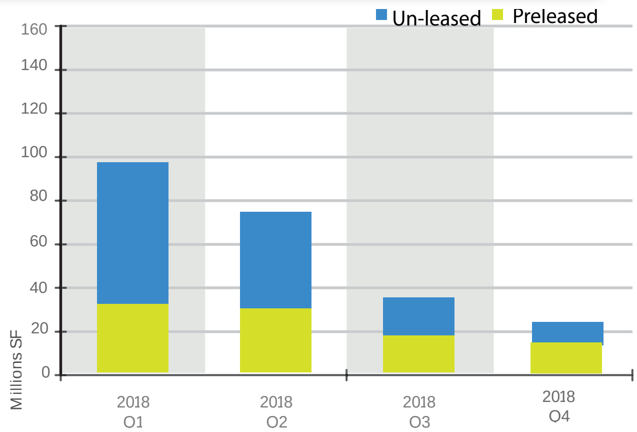
ECONOMIC DRIVERS

- GDP GROWTH
- EMPLOYMENT
- MONETARY POLICY
- GLOBAL ECONOMY



- A LOOK AHEAD

FUTURE DELIVERIES
PRELEASED & UN-LEASED SF IN PROPERTIES SCHEDULED TO DELIVER



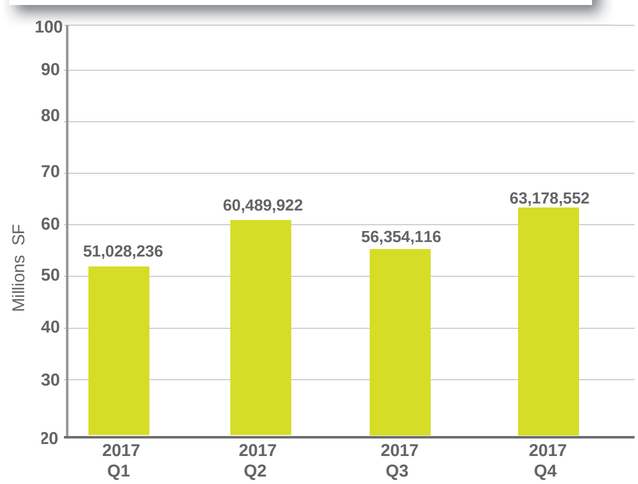
Fourth-quarter absorption netted 63.2 million SF, which was up 12% from the previous quarter and down 7.4% year over year. The overall vacancy rate closed the year at 5%.

New buildings under construction totaled 212.7 million SF, down 5.3% from 2016. About 60% of the space underway is being built on spec. The Dallas/Ft. Worth market leads the nation with 20.9 million SF under construction at the end of 2017. The 76 buildings underway in the Texas hub average more than 275,000 SF. The 135 buildings underway in Southern California's Inland Empire region – second on the list – average 155,000 SF. Thirty-eight buildings totaling 19.5 million SF are underway in Philadelphia.

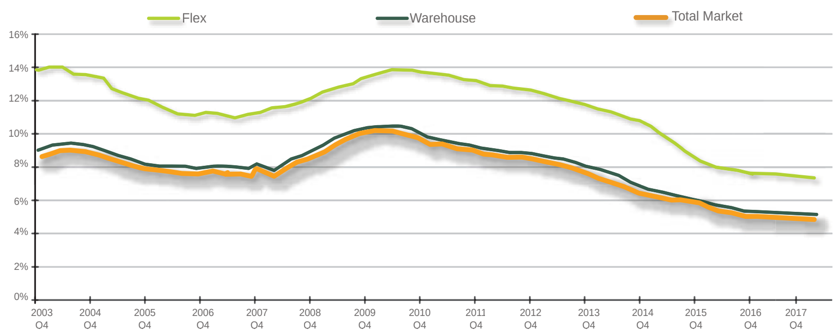
The largest projects under construction and slated for 2019 delivery are led by Tesla Motors' 3.8-million-SF Gigafactory Phase II in the Reno/Sparks market and a 3-million-SF building for Michelin in Greenville/Spartanburg. Volvo's 2.3-million-SF facility in Charleston is set for 2018 delivery.

Among the many big boxes underway for Amazon is a 2.4-million-SF, 3-story robotics fulfillment center on the I-25 near Denver. In New York City, developers are close to breaking ground on two,

RECENT DELIVERIES
LEASED & UN-LEASED SF IN DELIVERIES LAST 5 YEARS



VACANCY RATES BY BUILDING TYPE 2002 - 2017



multi-story spec projects in Brooklyn and The Bronx.

Prologis was first to test the market with a multi-story distribution building with 2017's completion of a 3-story, 580,000-SF building that's tiered like a wedding cake and completed this year in Seattle.

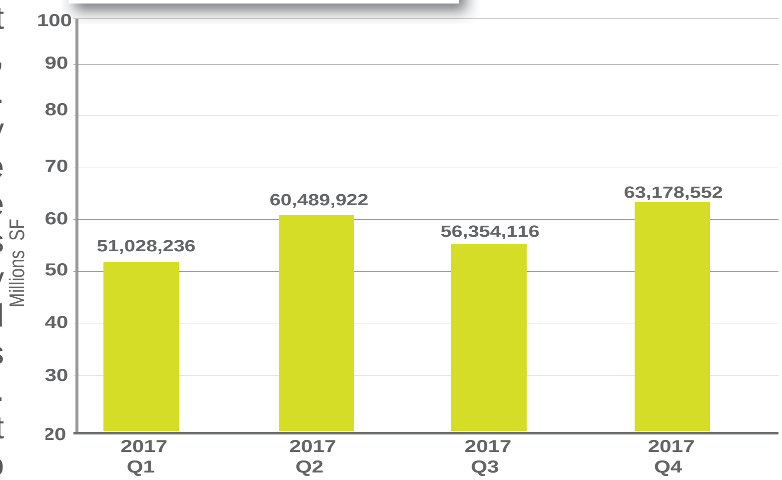
Notable 2017 deliveries include a 1.6-million-SF build-to-suit on Highway 35 in Corpus Christi, Texas, a 1.5-million-SF build-to-suit for Nissan on the carmaker's campus in Smyrna, Tennessee, and a 1.5-million-SF building by Master Development Corporation in Beaumont, California.

Sales activity in 2017 is up compared to prior year. In the first nine months of 2017, there were 4,022 transactions totaling $28.4 billion compared to 4,459 deals valued at $25 billion during the same period in 2016. The number of trades fell nearly 10% but the average price increased 12% to $79.95 per SF compared to the first three quarters of 2017.

Cap rates were higher in 2017, averaging 7.5%. One of the largest trades was the sale of Cranbury Station Park in Northern New Jersey. The two-building 1.2-million-SF portfolio sold for $168.5 million at a 4.27% cap rate.

NET ABSORPTION

* For Top 42 Markets



Quality buildings for sale continue to attract multiple offers from users and investors, although complexities of deals are increasing. Bidders are more price-sensitive and many see a late-stage economy where values are peaking. More risk from expected interest rate hikes is being factored into investor models as well as exit pricing. The increased scrutiny is combining to slow price acceleration and lengthen transactions with an exception to buyers highly motivated to complete 1031 exchanges. While tenants have been facing steep rent hikes at renewal time, a lack of inventory also is throttling growth ambitions.

Two of the largest leases were in Northern New Jersey: Best Buy's 725,400-SF deal and Allied Beverage Group's lease of 540,000 SF. Other top leases included Amazon's 615,000 SF in Memphis, Virco's 559,000 SF in Los Angeles and NFI's 534,390 SF in the Inland Empire.

Asking lease rates in 2017 jumped 9.2% on average and are up 31% overall since the bottom in 2011.

Flex space, which totals 1.7 billion SF for 11% of the nation's industrial inventory, posted a 2017 vacancy rate of 7.1%. Total absorption for the year was 13.4 million SF, which is down 47% from the peak in 2015. Average asking rents are up 31% since 2011.

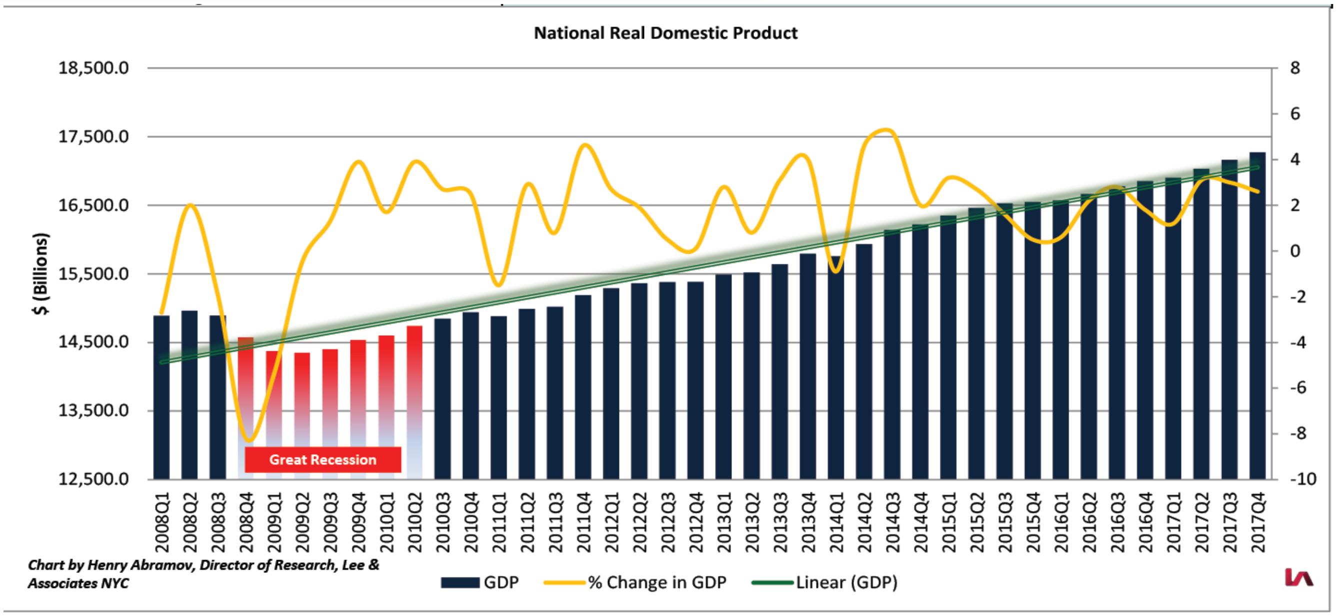
GDP GROWTH

TRENDING IN Q4

The U.S. economy grew at a 2.6% annual rate in Q4 2017, unexpectedly lower than the strong expansion rates of 3.2% in Q3 and 3.1% in Q2. It was the best GDP reading in three years.

Consumer confidence has been high in recent months. Spending on goods was the strongest in more than a decade. Personal consumption rose at an annual rate of 3.8% in the last three months of 2017, up from 2.2% at the end of Q3.

QUARTER-TO-QUARTER GROWTH IN REAL GDP



Bureau of Economic Analysis

Business investment gathered steam at the year's end, punctuating a solid 2017 for capital expenditures. Non-residental fixed investment was up 6.8% for the year. Equipment purchases were growing at 11.4% at the end of 2017.

The tax cut shakes up the landscape. Research popular with the overhaul's supporters suggests the tax cut will slice the trade deficit in half and deliver a 1% shot or more to the GDP. Research also shows it may result in more of an accounting effect with little influence on worker income which softened last year after gaining traction the previous two years.

Market-oriented economies are cyclical by nature, and a growing chorus of cycle- and yield-curve watchers has been warning of a 2018 slowdown that the momentum from the tax cuts may be unable to overcome.

EMPLOYMENT

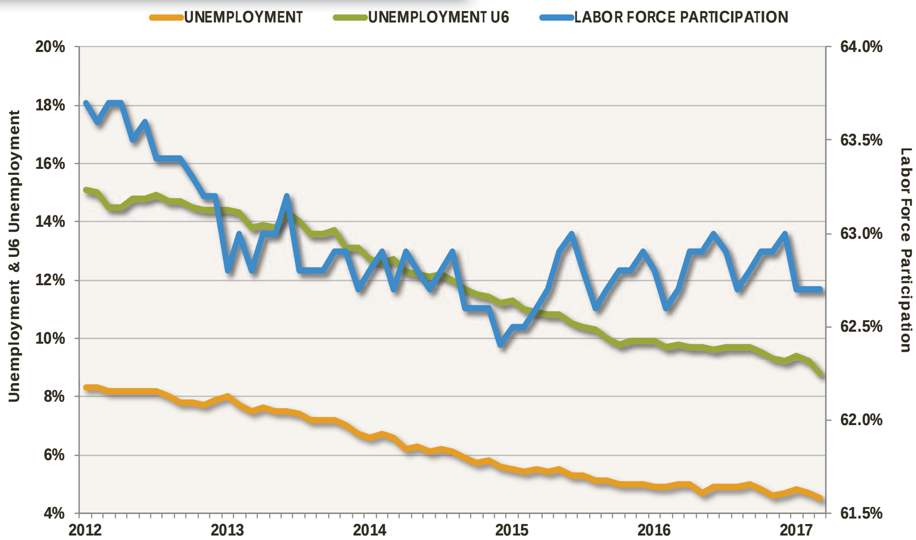
TRENDING IN Q4

The unemployment rate closed the year at 4.1%, unchanged in December for the third straight month and down 0.6% year over year. The number of jobless was 6.6 million, the U.S. Labor Department reported.

Unemployment rates were lower year over year in 304 of the 388 metropolitan areas surveyed midway through the fourth quarter.

Businesses have been reporting for months that the pool of available workers was dramatically tighening in several industries. Year-over-year employment was essentially unchanged. Over the year, the unemployment rate and number of unemployed persons were down by 0.6 percentage point and 926,000, respectively.

NATIONAL UNEMPLOYMENT



The employment cost index, a measure of civilian employees' wages and benefits, rose 2.6% in 2017, the last two years. U.S. companies' costs of employee health care coverage were up 1.1% in 2017, the smallest increase since 1995.

The fastest job growth has occurred in healthcare and construction.

Two industries where jobs are under greatest threat are retail and mining.

Competitive pressures from natural gas, wind and solar are forcing coal plants to close in 16 states. Fourteen plants closed in 2017 and 11 are slated to be shut down this year. Eight coal-fired plants, each with 200 to 450 workers, are being closed in north and west Texas. Operators of one shuttered coal plant acquired a 600-acre solar farm in the region that can produce 180 megawatts of power with two employees.

Among retail 's 4.3 million workers already threatened with redundancy from e-commece many also are menaced by the artificial intelligence-powered shopping concept in experimental Amazon Go grocery stores.

MONETARY POLICY

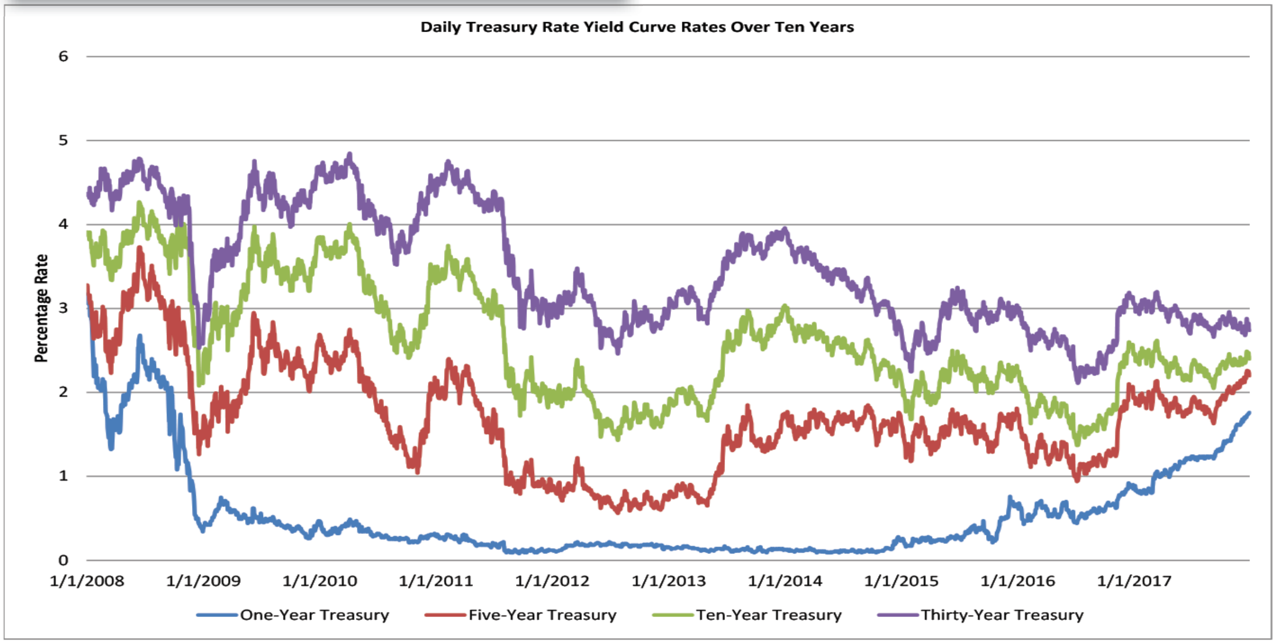
TRENDING IN Q4

Weakness in 2017's inflation readings turned out to be transitory, as expected by Federal Reserve officials. Consumer prices excluding food and energy rose 0.3% from the previous month and core prices were up 1.8% year over year, the Labor Department reported in December. This was more affirmation for Fed policymakers to stick to their plan for three interest-rate increases in 2018.

But a new chairman takes over with some colleagues agitating for policy reivew of the 2% inflation target, fearing running out of monetary ammo in the next recession.

Forced to act in the recession, the Fed slashed interest rates and pledged to keep the short-term federal-funds rate close to zero through the recovery. It reached 0.15% in early 2009 where it stayed until 2015. The Fed's balance sheet also swelled from about $900 billion in 2008 to today's $4.4 trillion with its acquisitions of long-term bonds and mortgage-backed securities.

US TREASURY RATES



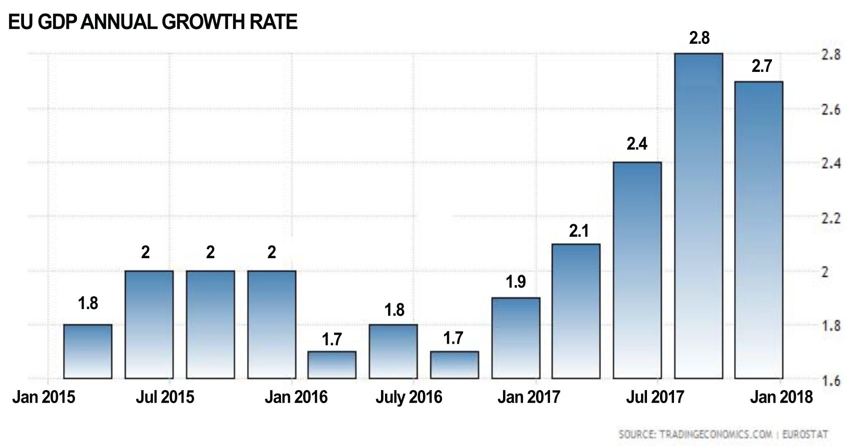
Department of the Treasury

The Fed's unconventional monetary policy was crafted to encourage investors to shift from bonds to equities and real estate. This asset-substitution strategy produced the hoped-for rise in household wealth and consumer spending. Equities owned by households jumped 47% from 2011 to 2013, a year that household net worth jumped $10 trillion. From 2009 to late 2016 the S&P gained more than 200%.

GLOBAL ECONOMY

At the 10th anniversary of the financial crisis and during a year in which the world enjoyed its strongest broad-based growth in a decade, the International Monetary Fund used its World Outlook Forum to warn that governments should guard against complacency brought on by booming markets and asset prices.

EURO AREA REAL GDP[2]
(QUARTER-ON-QUARTER PERCENTAGE CHANGES)

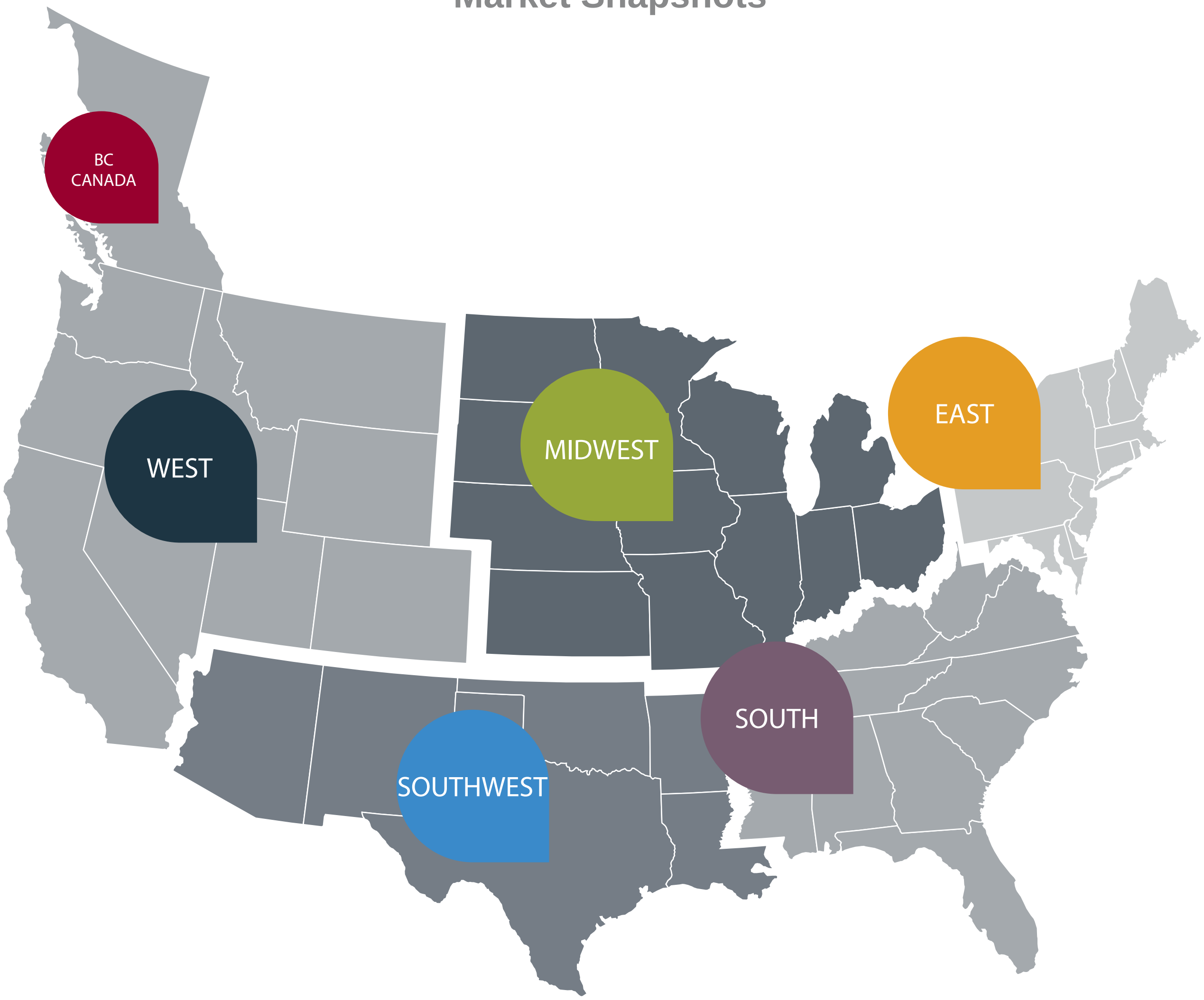


The caution comes as the world's nations are in rare economic harmony. Growth is accelerating in Europe, Japan, China and the United States – growth that will be untroubled by higher interest rates in the United States and phasing out of stimulus by the European Central Bank, the IMF says.

After assessing data showing a stronger first-half, the IMF estimates global growth at 3.6% in 2017 and 3.7% for 2018.

Oil prices moved higher on more disciplined production by OPEC and Russia, a relief to commodity-dependent emerging markets and a boon to the U.S. shale oil sector.

Speculation has been unchecked on all assets from real estate to bitcoin. But the yield curve is flattening, usually a signal preceding slowing growth and recessions.



FEATURED MARKETS THIS QUARTER

WEST
Los Angeles North
Inland Empire East
Inland Empire West
Orange County
Seattle
Denver

SOUTHWEST
Phoenix
Dallas/Fort Worth
Houston

BC CANADA
Vancouver

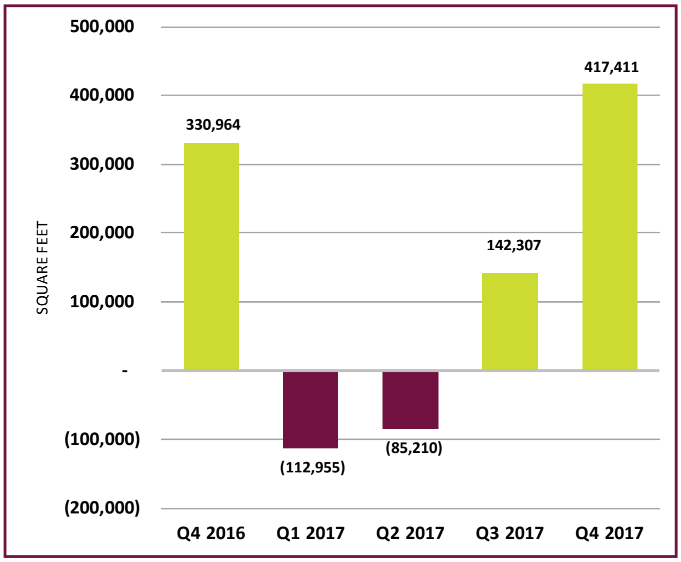
MIDWEST
Chicago
Detroit

SOUTH
Atlanta
Greenville/Spartanburg
Charleston
Central Florida

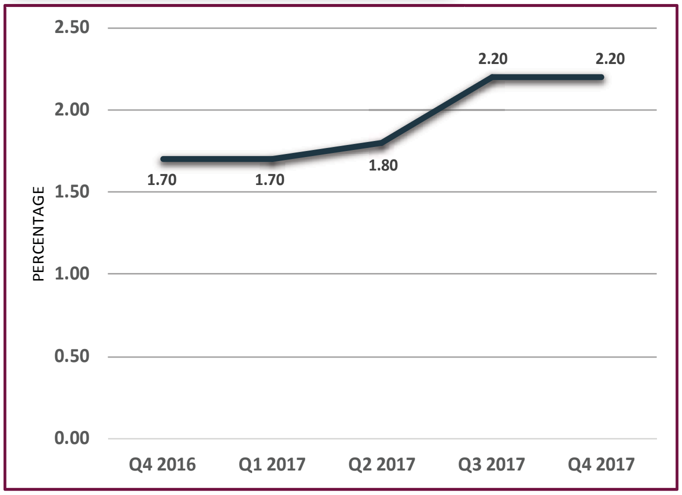
EAST
Philadelphia
New Jersey
Long Island
NYC - Outer Boroughs

LOS ANGELES NORTH

NET SF ABSORPTION



VACANCY RATE



TRENDING IN Q4

Strong second-half demand for industrial space enabled the 135-million SF market in the San Fernando Valley to post a positive gain for 2017 as the Los Angeles North industrial market's vacancy rate settled at 2.2%.

About 1.1 million SF was added to the market in 2017, including the 361,032-SF Sun Valley Business Center in Burbank, but the record low vacancy, less than 3 million SF, is frustrating tenants' ability to expand.

A total of 1.3 million SF of space was leased in the fourth quarter, exceeding the 1 million SF of space leased in Q3 and the 1.2 million SF leased in Q4 2016. Leasing activity for the year was just shy of 5 million SF and represented about 4% of the region's total inventory.

Since inching up from 1.9% at the end of 2016, vacancy levels remained unchanged at 2.2% for the last two quarters. With so little space available, landlords are pushing rents. Average asking lease rates were up 11.25% year over year, up from the 8.1% gain over the prior four quarters. There was a total of 869,760 SF under construction at the end of 2017.

Adding to challenges for traditional tenants, the legalization of marijuana has produced a heavy influx of cannabis-related users into the market. These tenants and buyers are driving rents and sale prices further into record territory. The nascent industry will make use of aging buildings

2.2%	$10.68	417,411	135,074,842	869,760
VACANCY	AVG. SF RENTAL RATES	NET SF ABSORPTION	INDUSTRIAL SF INVENTORY	SF UNDER CONSTRUCTION

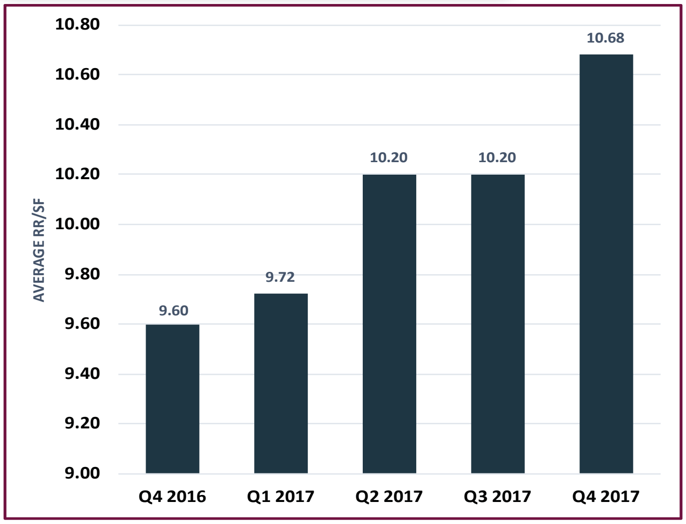
WEST REGION - Los Angeles North (continued)

with low clear heights that are functionally limited and historically hard to lease. But the surge in demand squeezes out many traditional users such as tradesmen that need cheap space for shop work, spare parts and materials.

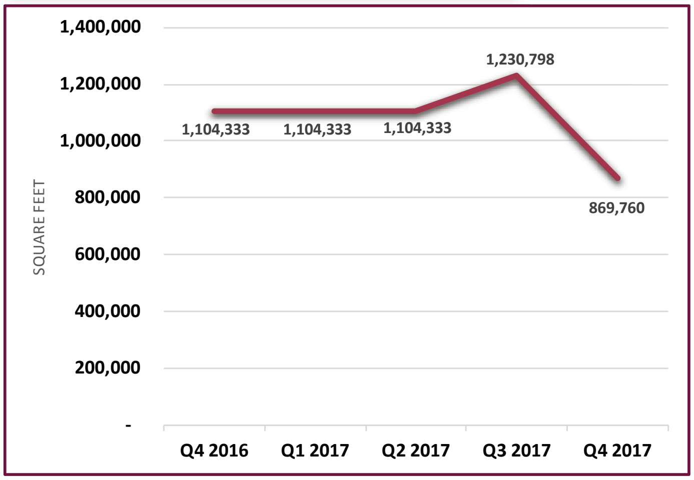
One hundred and forty buildings changed hands in 2017. The median price rose to $157 per SF, a 9% year-over-year increase. There is strong demand from owner/users and investors to acquire buildings of all sizes. Two Chatsworth properties totaling more than 250,000 SF sold in Q4.

The strength of the L.A. North industrial market is consistent with recent data that shows real GDP growth in the San Fernando Valley has averaged 4.1% annually since 2014, outpacing Los Angeles County. Research by the California Lutheran University's Center for Economic Research & Forecasting also noted that the information technology and motion picture industry are transforming industrial buildings for use as creative office space.

AVERAGE SF RENTAL RATES

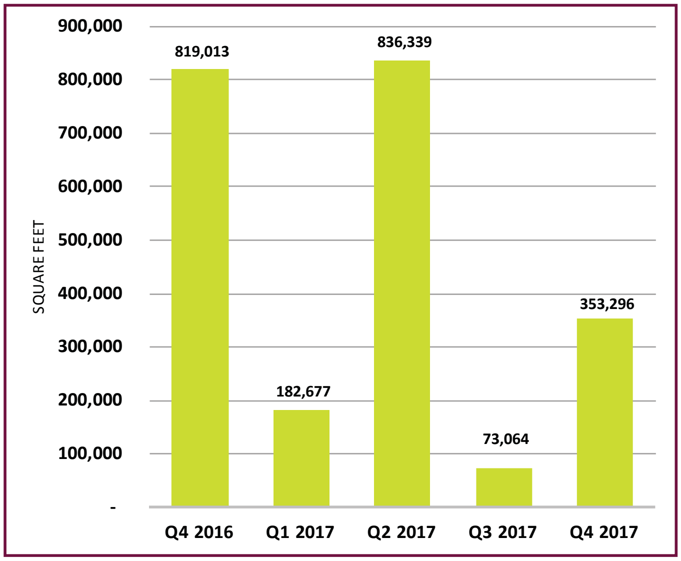


SF UNDER CONSTRUCTION

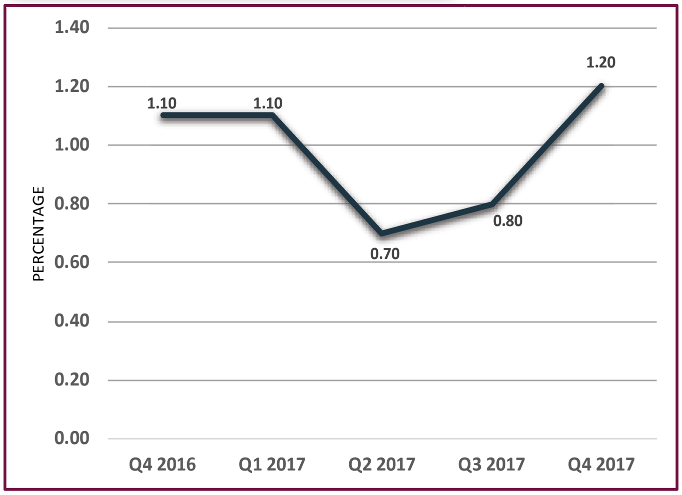


LOS ANGELES / SOUTH BAY

NET SF ABSORPTION



VACANCY RATE



TRENDING IN Q4

Intense demand for warehouse space at the biggest seaport complex in the Western Hemisphere keeps the Los Angeles/South Bay industrial market in a class by itself. The vacancy rate closed 2017 at 1.2%, its highest level in a year.

In spite of the tight vacancy, demand was positive in all four quarters and brought the year's total to 1.4 million SF. The market's main economic drivers are the Ports of Long Beach and Los Angeles. A record 16.8 million containers passed through the twin ports 2017.

Fifty-eight buildings totaling 6.6 million SF and averaging 114,245 SF were delivered in 2017. Eleven buildings totaling 1.6 million SF were delivered in Q4, and 5.3 million SF was under construction at the end of the year.

Building prices and rents continue to soar as competition for warehouse and distribution space remains fierce. With little available land, new development is limited. Additionally, some cities are adopting more restrictive land-use measures including moratoriums on new development.

The market's largest leases in 2017 included a renewal for 559,000 SF of space by Virco at 2027 Harpers Way in the Torrance/Beach Cities submarket; the 479,310 SF lease by Best Buy at The Brickyard in the Central LA submarket and the 400,169- SF lease by OnTrac at 5959 Randolph St. in the Commerce submarket.

Several notable third-party logistics providers signed leases from 200,000 SF to 300,000 SF,

1.2%	$10.20	353,296	206,513,802	737,718
VACANCY	AVG. SF RENTAL RATES	NET SF ABSORPTION	INDUSTRIAL SF INVENTORY	SF UNDER CONSTRUCTION

WEST REGION - Los Angeles /South Bay (continued)

including Yusen Logistics' 272,000 SF, Damco Distribution Services' 290,000 SF and Quik Pick's 168,000 SF.

The largest spec projects underway at the end of the year were a 512,000-SF building at 20333 Normandie Ave. and 506,465-SF building at Goodman Logistics Center.

Sale prices increased 7.7% to $141.23 per SF in 2017.

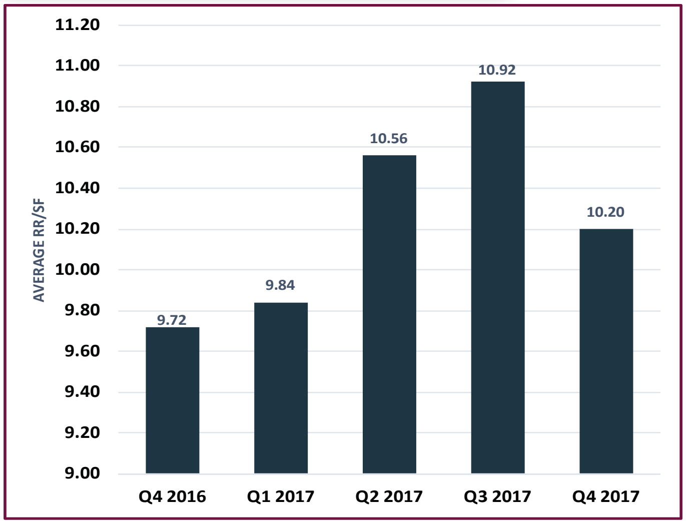
Cap rates have been lower in 2017, averaging 5.14% compared to the first nine months of 2016 when they averaged 5.34%.

TEU traffic through the ports of Los Angeles and Long Beach in 2017 respectively totaled 9.3 million and 7.5 million containers. Up to 40% of the nation's imports pass through the ports. The cost of land to park containers – critical for logistics and port drayage companies – has doubled since 2012.

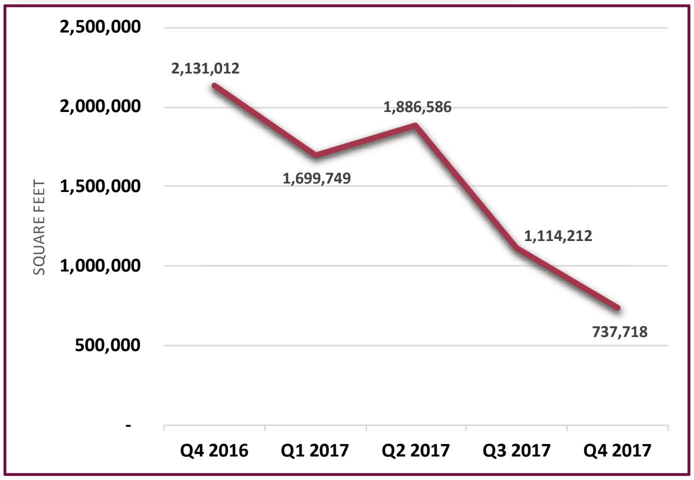
The ports implemented a number of supply-chain efficiencies in 2017. They included technology upgrades – including the new "Port Optimizer" digital information portal that aggregates data to facilitate tracking, projections and productivity.

Infrastructure upgrades in 2017 at TraPac Container Terminal and Yusen Terminals continue to boost the port's ability to service increasingly larger ships and move more cargo through its terminals.

AVERAGE SF RENTAL RATES

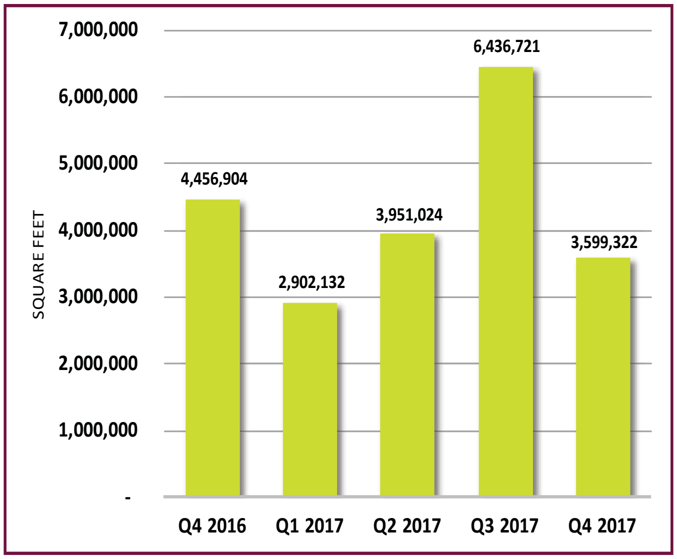


SF UNDER CONSTRUCTION

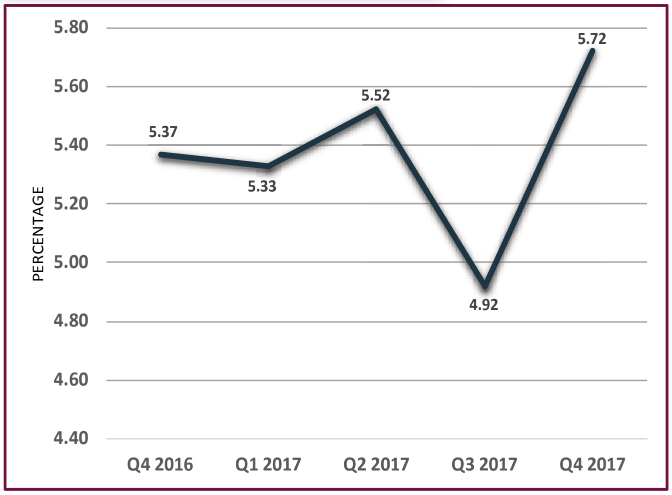


INLAND EMPIRE EAST

GROSS SF ABSORPTION



VACANCY RATE



TRENDING IN Q4

Demand for industrial space intensified in the second half of 2017 and was running ahead of new supply. Prices and lease rates are spiraling upward as tenants with big-box distribution needs as well as investors find the Inland Empire-East irresistible.

E-commerce growth by Amazon, Walmart, Target and others was the main driver behind the 16,899,199 SF of gross absorption in 2017 and is largely responsible for the 15.5 million SF of new space under construction at the end of the year.

With demand running at heightened levels, landlords are taking advantage by pushing rents and reducing tenant improvement allowances. Prices and lease rates have risen rapidly over the last 18 months causing sticker shock for companies renewing leases and looking to expand.

Average lease rates jumped 15% year over year as each newly executed trade or comparable lease seemingly is a tick or two costlier than the previous transaction.

Companies are expanding and workers are more productive than they were in the boom years preceding the last recession. Key industries for jobs in the Inland Empire are logistics, health care, construction and manufacturing. Logistics accounted for about 25% of the region's employment growth in the last five years. The construction sector has struggled with too few workers to deliver orders with about half of the 68,000 workers cut after the housing bust returning.

5.72%	$8.33	3,599,322	210,908,636	15,457,239
VACANCY	AVG. SF RENTAL RATES	GROSS SF ABSORPTION	INDUSTRIAL SF INVENTORY	SF UNDER CONSTRUCTION
▲	▲	▼	▲	▼

WEST REGION - Inland Empire East (continued)

The lack of supply and low interest rates is causing buyers to quicken their decision-making. This often results in companies reducing expectations and accepting buildings with features that don't completely fill the bill.

Since companies generally are leaner than they were in the years leading up to the recession, executives are attempting to negotiate favorable renewal terms and make do with their existing space rather than pay the heavy costs of relocation.

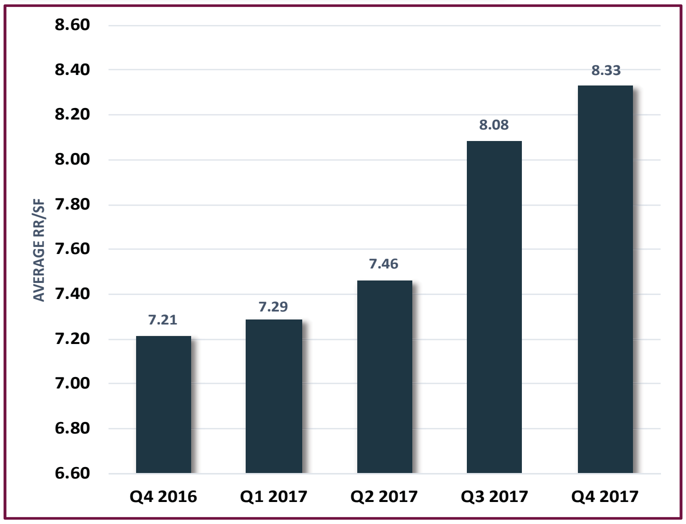
Time on market for quality buildings for lease is short, and buildings for sale are drawing multiple offers.

Gross activity should remain stable. Vacancy rates in the big-box segment and for small buildings less than 50,000 SF will rise in the short term as new developments are delivered in 2018. Prices and rates will continue to rise although at a slower pace.

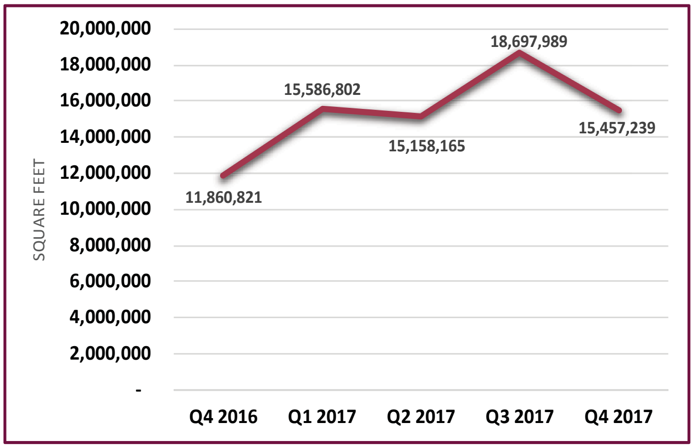
Big box development projects larger than 400,000 SF constitute the bulk of the approximately 15.5 million SF of space that was under construction at the end of 2017. Much of this new construction is build-to-suit or pre-leased.

There continues to be a lack of supply of quality buildings from 50,000 SF to 400,000 SF. There are new projects in Hunter Park and Sycamore Canyon with buildings smaller than 50,000 SF that have been popular with tenants and buyers.

AVERAGE SF RENTAL RATES

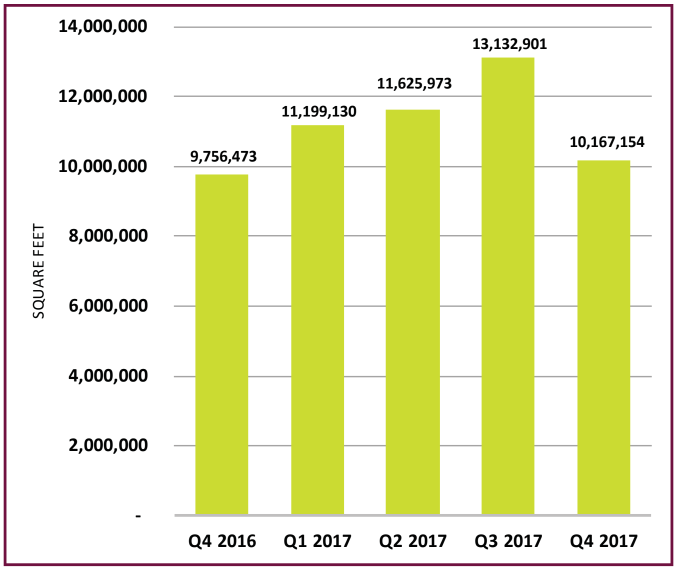


SF UNDER CONSTRUCTION

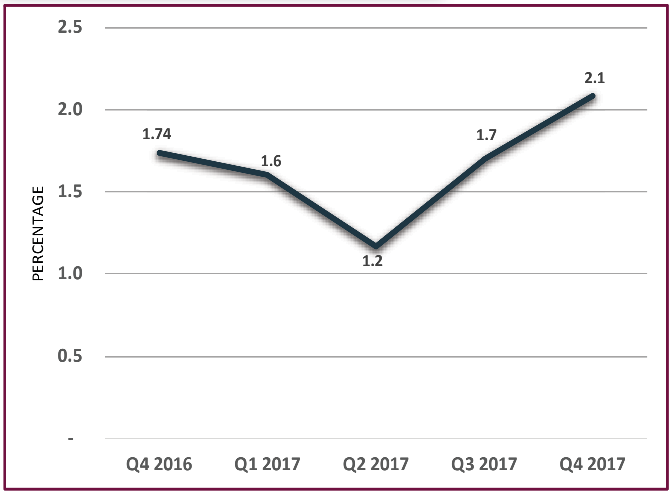


INLAND EMPIRE WEST

GROSS SF ABSORPTION



VACANCY RATE



TRENDING IN Q4

The Inland Empire-West closed out 2017 with about 10 million SF in fourth-quarter lease deals by Walmart, NFI, Mazda, Electrolux, Pacific Coast Warehouse, KW International and others as the construction industry struggles to keep up with demand for new buildings.

The market's overall vacancy rate was 2.08% at the end of the year and was 2.36% for the 223 million SF of buildings larger than 100,000 SF. Demand for first-generation space is so great that most new distribution buildings are being marketed without quoted lease rates. Four distribution buildings totaling more than 2.5 million SF were acquired by investors in the fourth quarter.

The Inland Empire-West industrial market is one hour's drive from the giant seaport complex, the ports of Los Angeles and Long Beach, which handle up to 40% of goods that enter the U.S. The ports posted record cargo traffic in 2017, adding to demand for large industrial buildings. Dwindling industrial space and buildable land in Los Angeles and Orange counties pushes users inland.

The IE-West's inventory is 56% of the Inland Empire's 545 million SF and is made up of the markets in Ontario, Chino, Rancho Cucamonga, Mira Loma, Fontana.

Bulk distribution product, 26% of it in buildings larger than 500,000 SF, is the lion's share of the IE-West's industrial space.

Buildings larger than 100,000 SF in the IE-West total about 224 million SF and account for 74% of

2.1%	$7.25	10,167,154	304,489,275	8,067,276
VACANCY	AVG. SF RENTAL RATES	GROSS SF ABSORPTION	INDUSTRIAL SF INVENTORY	SF UNDER CONSTRUCTION

WEST REGION - Inland Empire West (continued)

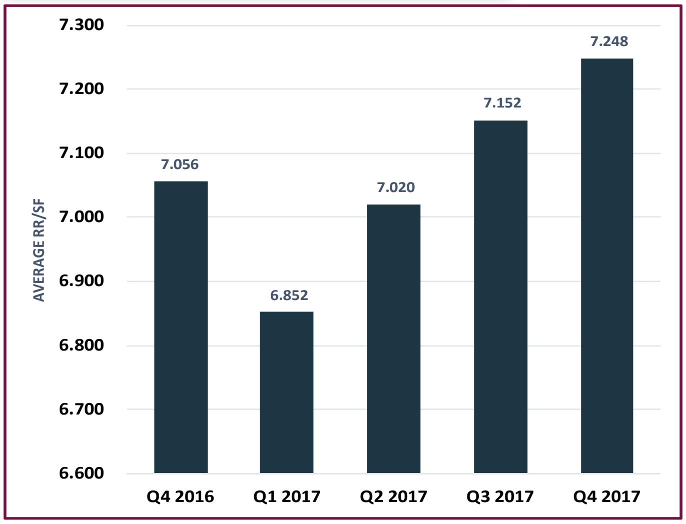
the total inventory. Vacancy rates range from 1.35% in Ontario, the largest market, to 4.62% in Fontana's 48.7-million SF inventory. In Q4 there was 671,557 SF delivered to the market and more than 3 million SF under construction.

The vacancy rate was 3.24% for big box buildings larger than 500,000 SF, which total about 79 million SF.

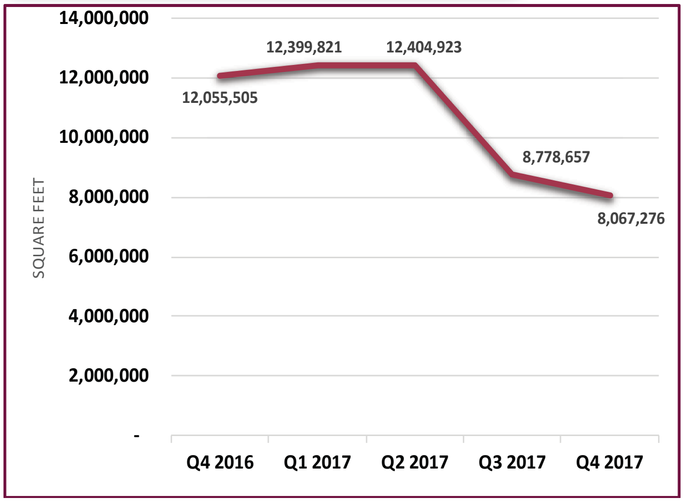
IE-West is served by several major highways including Interstates 10, 15 and 215 along with the 57, 60, 91, 210 and 605 freeways, making it one of the nation's largest distribution hubs.

E-commerce, 3PL's, retailers and consumer goods companies continued to drive demand. The logistics sector also is the greatest source of job growth in the region, accounting for about one fourth of the job growth in the last five years. The construction sector has struggled with too few workers to deliver orders, as an estimated half of the 68,000 tradesmen cut in the recession have returned.

AVERAGE SF RENTAL RATES

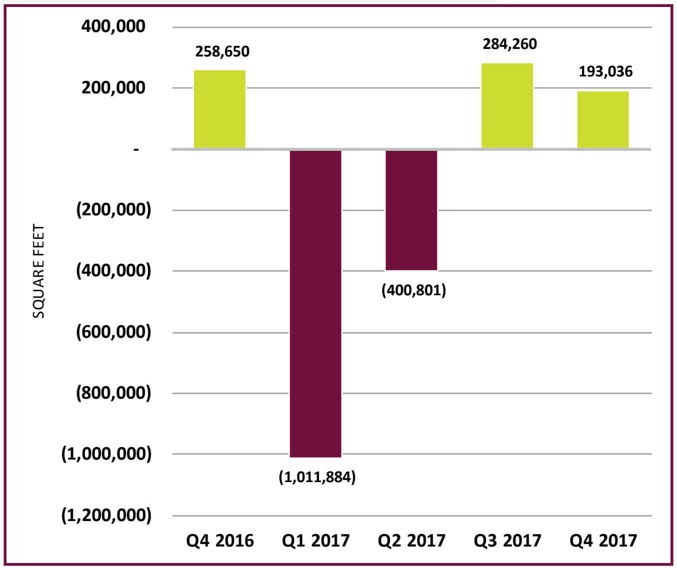


SF UNDER CONSTRUCTION

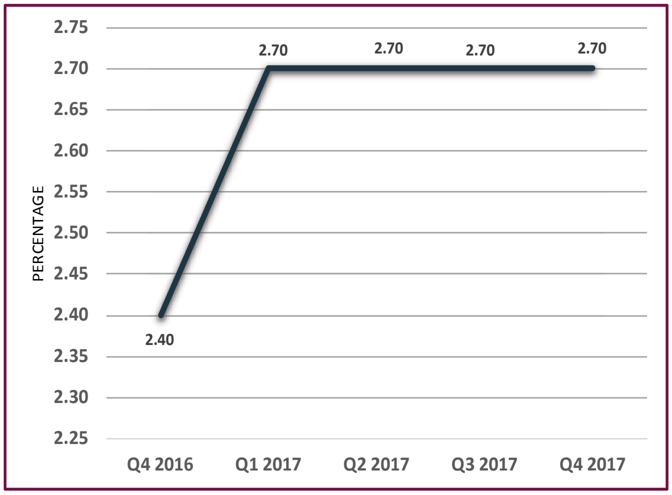


ORANGE COUNTY

NET SF ABSORPTION



VACANCY RATE



TRENDING IN Q4

Countywide average lease rates – already in record territory – soared 10.5% in 2017, punctuating a strong seven-year recovery that has driven up rents 48% while pushing vacancy rates to historic lows and sale prices to new highs.

The overall vacancy rate held steady in the second half of 2017 at 2.7%, according to Lee & Associates' year-ending quarterly survey of the county's 8,315 buildings totaling 278.4 million SF.

Buildings for sale continue to attract multiple offers from users and investors, although complexities of deals are increasing. Bidders are more price-sensitive and many see a late-stage economy where values are peaking. More risk from expected interest rate hikes is being factored into investor models as well as exit pricing. The increased scrutiny is combining to slow price acceleration and lengthen transactions with an exception to buyers highly motivated to complete 1031 exchanges.

While tenants have been facing steep rent hikes at renewal time, a lack of inventory also is throttling growth ambitions. Total space leased in 2017 was down 24% from 2016 and off 31% from the annual average since 2010. Additionally, since 2010 the county's inventory has been cut by 3 million SF as 36 buildings have been razed to make way typically for multifamily development.

In North County – the largest of the county's four submarkets at 118 million SF and 2% vacancy – average net asking rents jumped 21.4% in 2017 and are up 77% since 2010.

2.7%	$11.40	193,036	278,357,766	963,138
VACANCY	AVG. SF RENTAL RATES	NET SF ABSORPTION	INDUSTRIAL SF INVENTORY	SF UNDER CONSTRUCTION

WEST REGION - Orange County (continued)

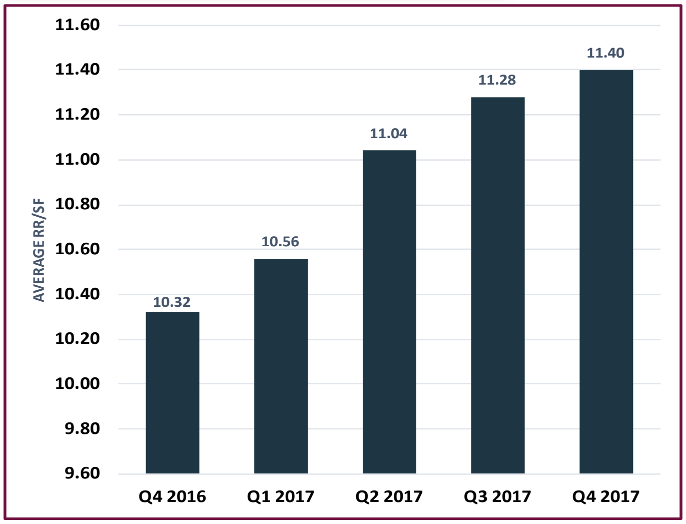
Even though the West County submarket posted 451,814 SF of negative net absorption in 2017, asking net lease rates rose 18.3% year over year and are up 44.8% since the recovery began. The vacancy rate for West County's 44.7-million-SF inventory closed the year at 2.7%.

With the highest lease rates in Orange County – averaging $1.14 per SF – asking rents in South County have increased 44% since the recession but gained only 2.7% in 2017. Net absorption was up a modest 47,235 SF for the year in the 41.9-million-SF submarket.

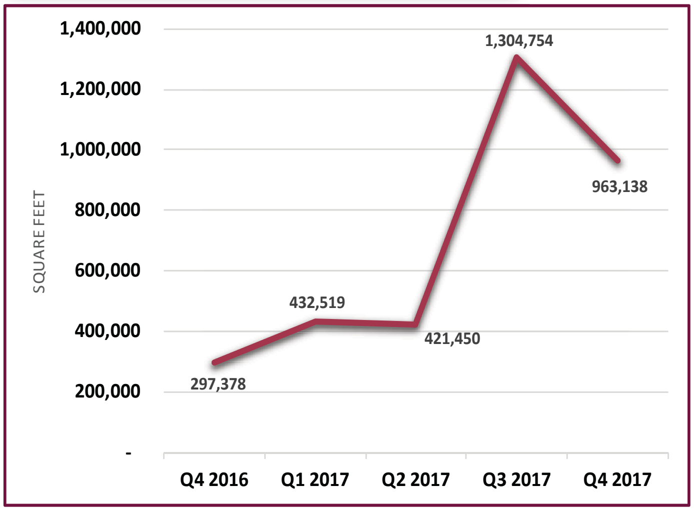
After rents in the 73.6-million-SF Airport submarket posted a 12.5% gain in 2016 and a 41% increase during the recovery, net lease rates last year fell 2%. The vacancy rate closed the year at 3.7%. Negative net absorption for the year totaled 1.3 million SF, the most since 2009.

Chapman University economists say local manufacturing jobs are growing in better-paying niches and minimum-wage apparel and food processing work is on the decline. Regarding the California economy, forecasters said in December that dramatically altered international trade pacts could cost the state 280,000 trade-related jobs over five years.

AVERAGE SF RENTAL RATES

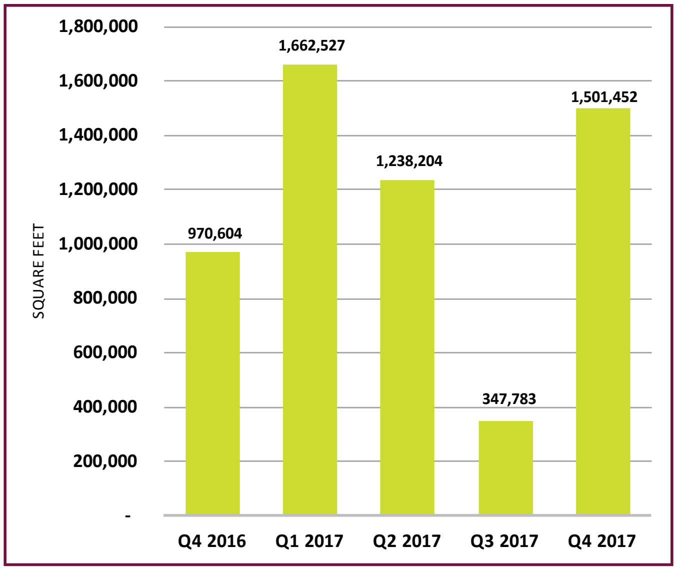


SF UNDER CONSTRUCTION

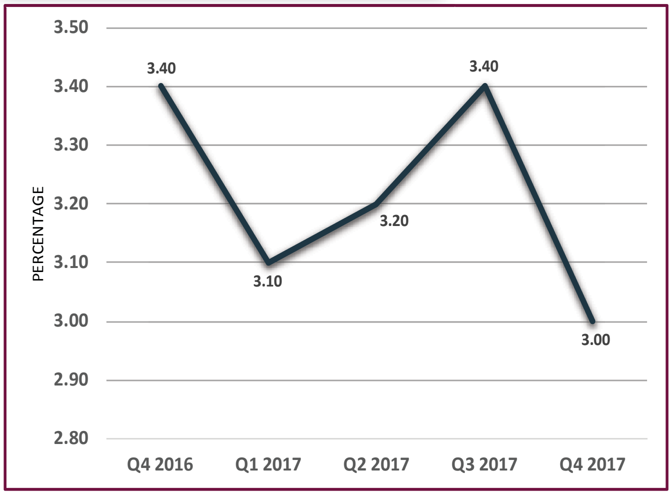


SEATTLE / PUGET SOUND

NET SF ABSORPTION



VACANCY RATE



TRENDING IN Q4

Building prices jumped nearly 38% in 2017 and average warehouse rents were up 29% as intensified demand for space produced the second highest annual absorption since the recession. Nearly 4.5 million SF was absorbed, and new deliveries continued to fall short of demand.

The Seattle/Puget Sound industrial market arguably is in the most dynamic of any metropolitan economy relative to market size and population.

With about 700,000 Seattleites, the city is ranked 18th largest among U.S. cities yet it has the 11th largest economy. It also has North America's seventh largest container seaport. Amazon, Costco, Microsoft, Starbucks, Weyerhaeuser, Nordstrom and Alaska Air Group are among the market's major employers.

Seattle is viewed from the perspective of real estate traders as one of the best bets for industrial investment. In its 2017 annual survey of 78 U.S. markets, the Urban Land Institute with consultant PwC ranked Seattle as the No. 1 market to watch for investment and development.

With Seattle's 3% vacancy rate, a dwindling supply of available sites for new product and demand running high, developers are getting creative.

ProLogis, for example, is underway on a three-story, 580,000-SF distribution building that's tiered like a wedding cake. But even as the project on the edge of downtown captured big headlines and is likely to lease-up quickly, ProLogis officials privately

3.0%	$9.97	1,501,452	319,038,015	5,412,187
VACANCY	AVG. SF RENTAL RATES	NET SF ABSORPTION	INDUSTRIAL SF INVENTORY	SF UNDER CONSTRUCTION

WEST REGION - Seattle / Puget Sound (continued)

confided that high construction costs likely will prevent repetition.

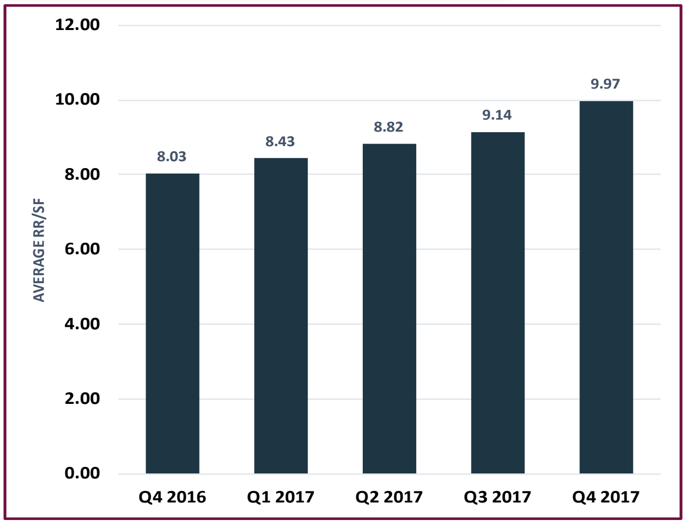
Seattle's 287.8-million SF warehouse market constitutes about 90% of the market's total inventory. The category closed 2017 with a 2.6% vacancy rate. There was 3.6 million SF of new product delivered and rents increased 29% year over year and 40% in the last three years.

The Seattle/Puget Sound industrial market is comprised of Southend, the largest submarket with 111.3 million SF; Tacoma with about 75 million SF; Downtown with 58.2 million SF; Northend with 52.8 million SF and Eastside with 21.8 million SF.

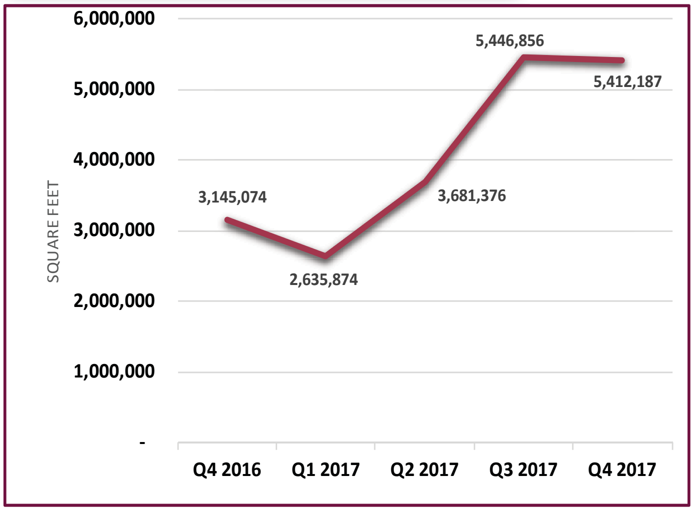
The top eight leases of the year were in the first half and totaled 26.7 million SF. Tenants included UPS, Amazon, Bartell Drug, Pacific Cascade and Ply Gem Windows.

Sales data through the first three quarters shows there were 76 industrial trades valued at $639.2 million. The average price per SF through Q3 was $163.63 compared to $118.89 for the first nine months in 2016 with 75 building sales valued at $553 million. Improved fundamentals drove down the cap rate from 2016's first three quarters compared to the same period in 2017 from 6.68% to 6.05%.

AVERAGE SF RENTAL RATES

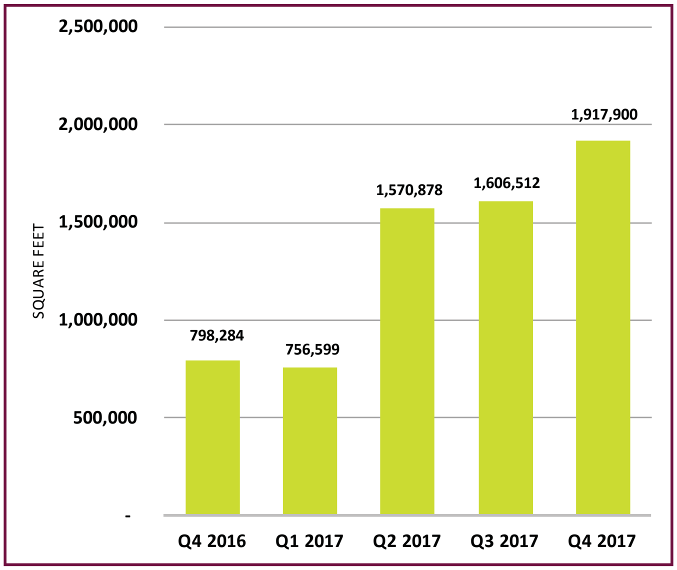


SF UNDER CONSTRUCTION



DENVER

NET SF ABSORPTION



VACANCY RATE

TRENDING IN Q4

A colossal Amazon lease, record demand for flex space and need for buildings up to 300,000 SF fueled the market's second largest yearly absorption gain since the recession. The overall vacancy rate closed below 5% for the fourth straight year, and asking lease rates jumped 9.2% on average over last year.

Demand for flex buildings spiked early in the year and warehouse demand surged from Q2 through the end of 2017 as the region's economy gained with improvement in the energy sector.

Building prices increased an average 11% year over year and transaction volume was up 8% over 2016. Cap rates fell in 2017, averaging 7.16% compared to 7.3% 12 months before.

Groundbreaking for Colorado's largest building created local headlines in 2017 with the announcement by Amazon. The company's 2.4-millon-SF, 3-story robotics fulfillment center on the I-25 in Thornton will employ 1,500 workers when completed in late 2018.

Aside from Amazon's 80-acre facility and 357,555-SF building leased by UPS, the next 10 largest buildings leased in 2017 averaged 192,658 SF. The dynamic has not been overlooked by prominent developers like Majestic Realty, DCT and others that have been supplying the market with mid-size and large buildings up to 250,000 SF in an organized fashion throughout the recovery.

Twenty-seven of 73 total buildings completed in 2017 were between 50,000 SF and 250,000 SF and 41 were less than 50,000 SF.

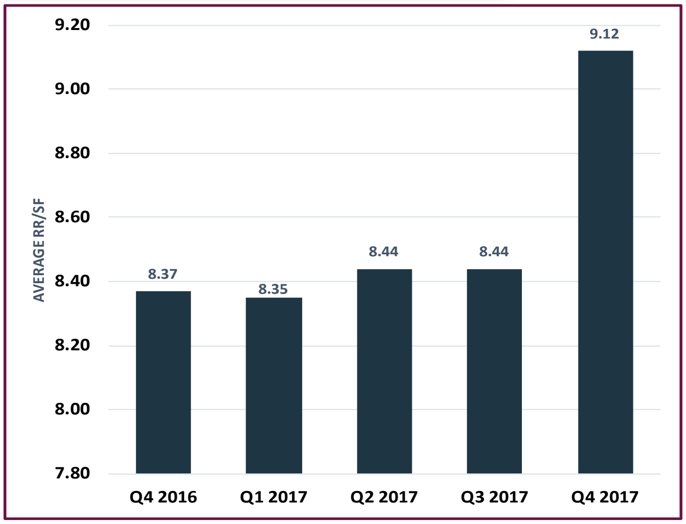
4.4%	$9.12	1,917,900	304,585,104	6,011,084
VACANCY	AVG. SF RENTAL RATES	NET SF ABSORPTION	INDUSTRIAL SF INVENTORY	SF UNDER CONSTRUCTION

WEST REGION - Denver (continued)

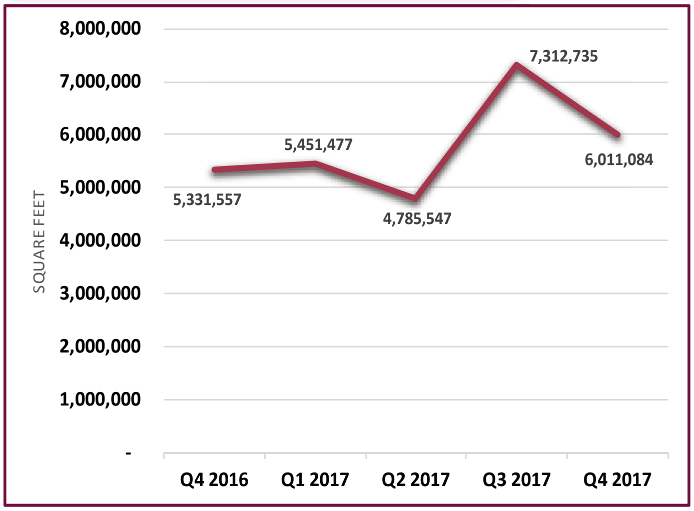
Forty-seven buildings - including Amazon's 2.4-million SF building – totaling 6 million SF are under construction. The other 46 buildings underway are about 28% pre-leased and average 78,500 SF. Approximately 2.5 million SF of speculative space is slated to land on the market in the first half of 2018.

Flex space account for 21% of the total inventory but was an outsized performer in 2017. About 1.49 million SF of flex space came off the market in 2017, driving down the vacancy rate to a record low 7.2%. Flex accounted for 41% of total annual absorption when the Amazon lease is removed from the equation. Heaviest demand was in submarkets in Boulder, Longmont Southeast Denver and Weld County. Average asking lease rates increased 12% year over year.

AVERAGE SF RENTAL RATES

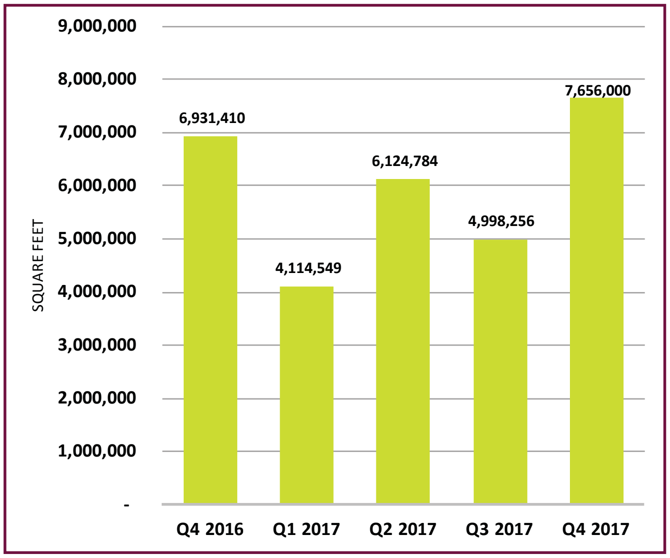


SF UNDER CONSTRUCTION

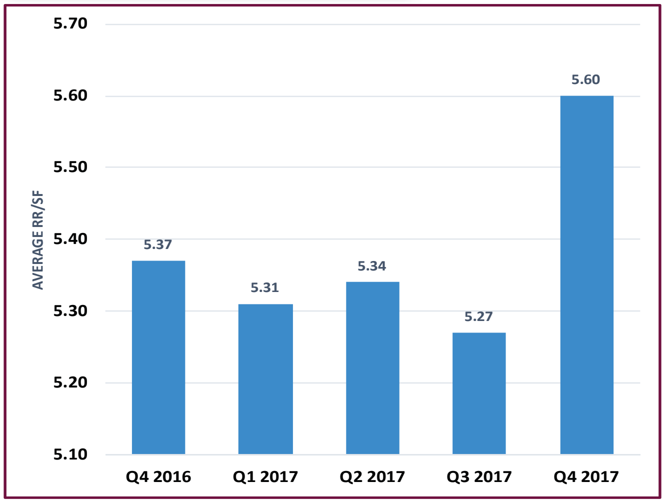


DALLAS / FORT WORTH

NET SF ABSORPTION



VACANCY RATE



TRENDING IN Q4

Dallas/Ft. Worth received a double shot of good news at the end of 2017.

Strong fourth-quarter demand for industrial space pushed the North Texas metro area's 2017 absorption rate to 22.8 million SF, topping 20 million SF for the third straight year. Also, Dallas made Amazon's short list with 19 other cities vying for selection as the e-commerce behemoth's second U.S. headquarters. Amazon says the additional campus would host as many as 50,000 workers.

New construction surged for the third straight year. Racing to meet demand, developers completed 28.7 million SF of space in 2017. Nearly 7 million SF of the new deliveries were in the South Dallas submarket. Heightened levels of industrial development are putting stress on subcontractors. Labor and materials costs are rising.

The tight industrial market is enabling landlords to push rents, reduce allowances and demand longer lease terms. Average lease rates rose approximately 4.3% for the year and are up 30% since rents bottomed in 2011.

The fourth quarter's 7.7-million SF of absorption comes in sharp contrast to the slowing quarterly activity since Q3 2016 when 9.9 million SF came off the market. The reduced absorption increased local speculation that the current economic recovery was running out of steam inasmuch as similar slowing in demand was broad based.

Among the reasons Dallas/Fort Worth has been one of the nation's hottest performing industrial centers

6.4%	$5.60	7,656,000	878,665,205	20,911,406
VACANCY	AVG. SF RENTAL RATES	NET SF ABSORPTION	INDUSTRIAL SF INVENTORY	SF UNDER CONSTRUCTION

SOUTHWEST REGION -Dallas / Fort Worth (continued)

since the recession is its low taxes, ample affordable housing and skilled workers. The spectacular growth of e-commerce is taking full advantage of DFW's allure as a prime distribution hub.

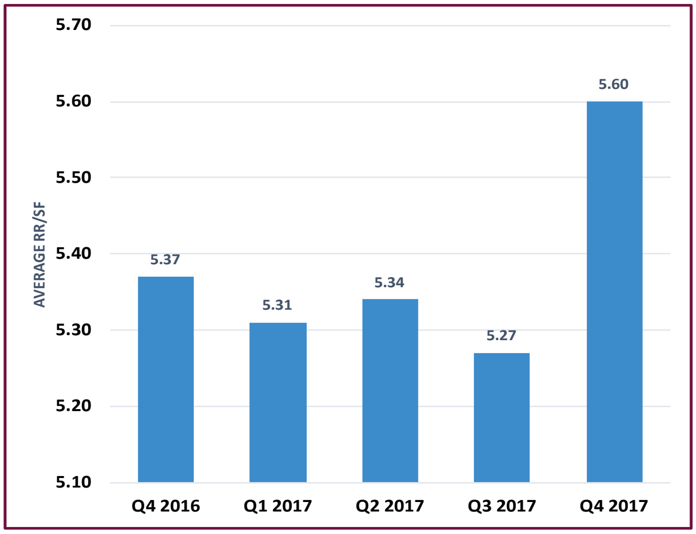
From the investment perspective, the desirability of DFW industrial property is demonstrated by the relatively few properties being traded. Buildings offered for sale are drawing multiple offers, high prices, and cap rates are at all-time lows. In 2017, a building at 2305 W. Marshall Drive in Grand Prairie was sold at $77.89 per square foot for a total of $52 million.

Although frustrated by the dwindling availability of infill land and other sites served by backbone infrastructure, developers are slated to deliver 76 buildings totaling ap 21 million SF in 2018, most of which are due in the first half.

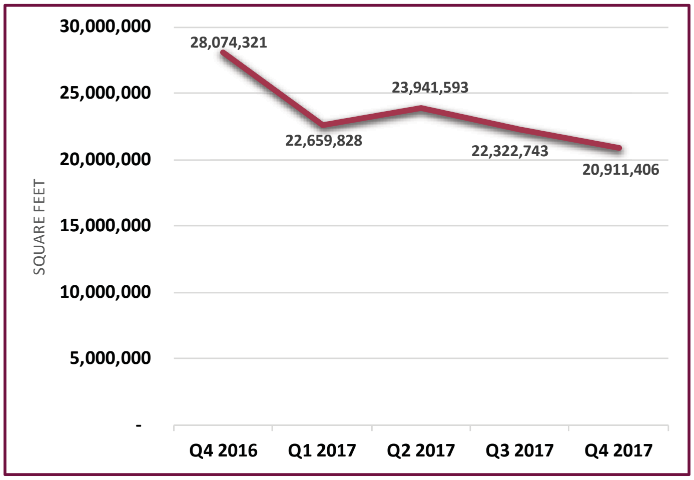
The largest leases of the year include deals in the South Dallas submarket by Kohler Co. for a 1.3-million-SF building and Amazon's lease of a 920,275-SF building. A 1-million-SF building was leased by UPS in the Arlington Commerce Center.

In the last three years, nearly 70 million SF of new space has been delivered to the market compared to 58,846 million SF delivered from 2009 through 2014.

AVERAGE SF RENTAL RATES

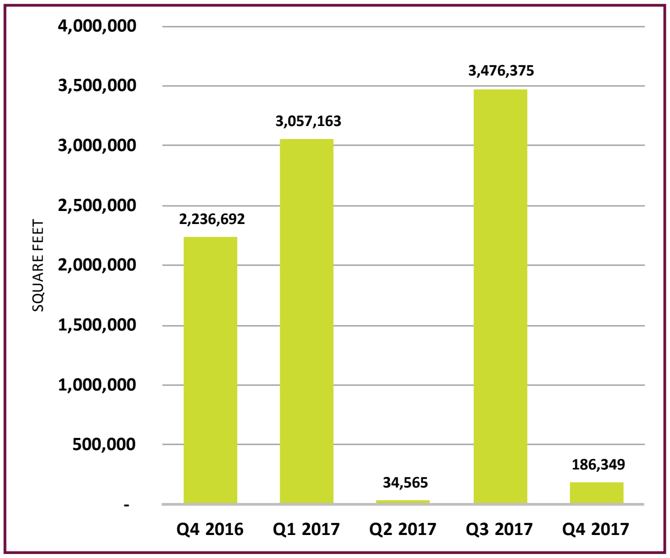


SF UNDER CONSTRUCTION

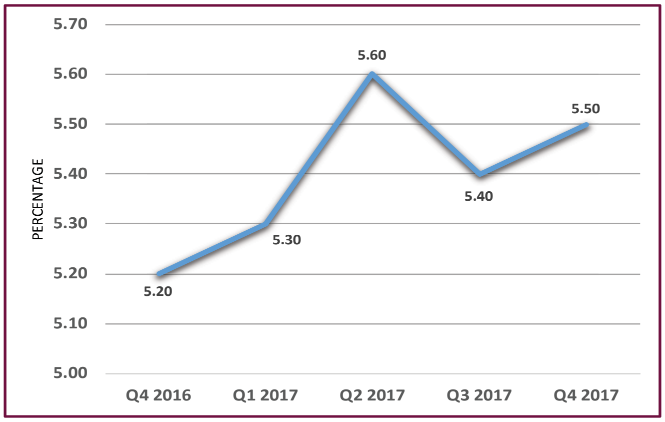


HOUSTON

NET SF ABSORPTION



VACANCY RATE



TRENDING IN Q4

Except for strong demand in the first quarter and during the late-summer scramble for space following Hurricane Harvey, net absorption in 2017 slowed dramatically in Houston's industrial market, falling 35% from the previous year and 42% since the post-recession peak three years ago.

Deliveries of new buildings also were down 41% from the peak of 13.2 million SF in 2016.

Nearly 6.3 million SF was under construction in Houston's North, Northwest and Southeast corridor submarkets at the close of 2017. That represents a 23% year-over-year decline. But 68% of the new construction is speculative, indicating healthy investor confidence as the outlook for Houston's energy-sector is expected to improve. Asking lease rates were up 4.6% year over year overall, and cap rates for distribution buildings are at about 6%.

E-commerce is driving absorption and manufacturing operations are regaining their footing since oil exploration and rig counts recently began to rise. Many of the more than 100 machine shops that shuttered after the 2015 oil price collapse are returning to rebuild inventories of replacement parts.

The growing 97.6-million SF Southeast Corridor is closest to the Port of Houston, which was recently expanded to accommodate massive post-Panamax container ships passing through the Panama Canal. More than 1.7 million SF of spec product are slated for delivery in 2918 in the Southeastern Corridor's three

5.5%	$7.01	186,349	598,789,071	6,276,897
VACANCY	AVG. SF RENTAL RATES	NET SF ABSORPTION	INDUSTRIAL SF INVENTORY	SF UNDER CONSTRUCTION

SOUTHWEST REGION -Houston (continued)

submarkets – East 1-10 Outer Loop, East-Southeast and Southeast Outer Loop. The largest is 600,360 SF in the Port Crossing Commerce Center. Due to the demand for new product, speculative buildings often are 50% leased by their completion.

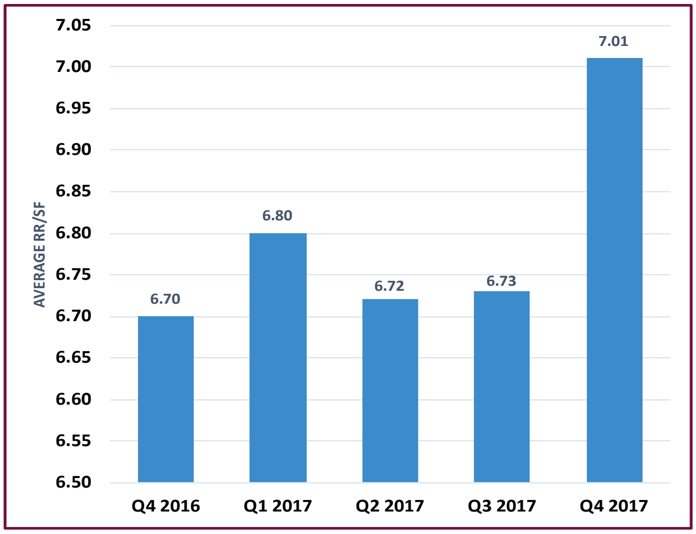
After Q1's absorption of 3 million SF, demand dropped off. Absorption totaled 34,565 SF in Q2 and 186,349 SF in Q4. Third-quarter demand for industrial space surged after Hurricane Harvey slammed into Houston in late August.

Insurance claims agents snapped up buildings and 1,000-acre parcels of land to store damaged rolling stock and other insured property. Requirements also poured into commercial brokerage firms from federal and state agencies, contractors and scores of others needing space for relief supplies, building materials and consumer goods.

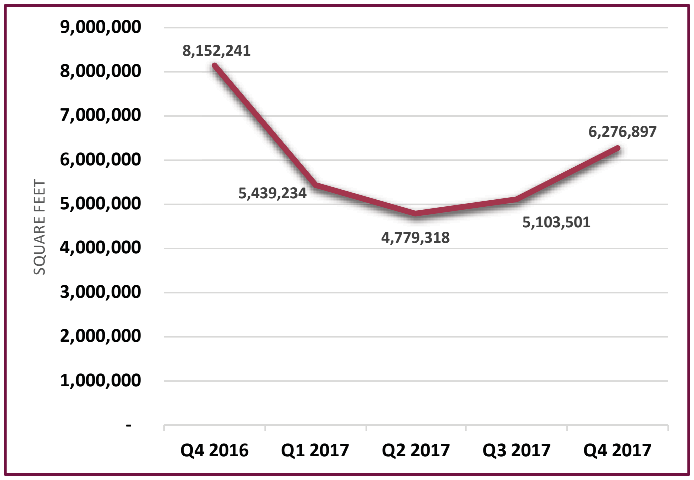
The scramble was a boon to landlords who struggle to lease space and helped push up Q3 absorption to 3.5 million SF. The entire impact Hurricane Harvey had on the market won't be known until the scores of short-term leases made under the duress of the hurricane are up for renewal.

Flex buildings, which account for about 10% of Houston's industrial market, has shown general weakness since late 2016, posting 1.3 million SF of negative net absorption through four of the last five quarters. The vacancy rate for flex space increased 260 basis points year over year and settled at 9.7% at the end of 2017. Average asking lease rates

AVERAGE SF RENTAL RATES

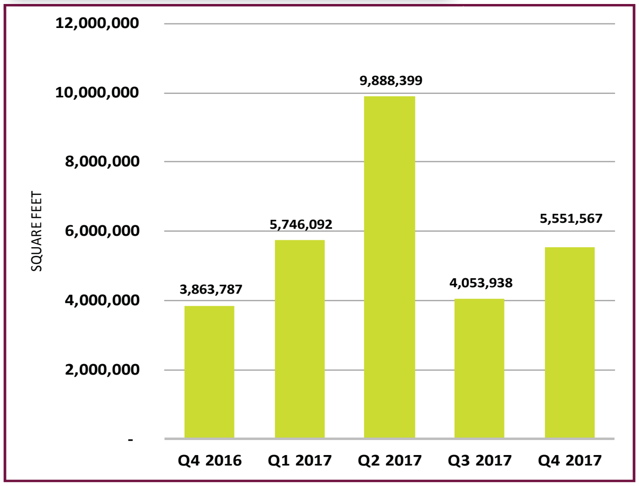


SF UNDER CONSTRUCTION



CHICAGO

NET SF ABSORPTION



VACANCY RATE

TRENDING IN Q4

Demand for manufacturing, warehouse and distrubution space in Chicago posted another robust year but activity eased in 2017, as total absorption was off 16% from its post-recession peak in 2015.

Ninteen of 22 submarkets posted positive absorption for the year. Despite attractive incentives offered by Indiana and Wisconson, which have lured companies away from the 1.2-millon-SF hub, more than 80 million SF of buildings have been delivered to Chicago's market in the last five years. Last year demand outpaceed the new supply.

Competiton for quality buildings continues, especially in submarkets near O'Hare and along I-55, where big-box sites are in short supply. Overall tenant demand was most active in spaces between 20,000 SF and 60,000 SF.

Several Chicago market clusters posted strong 2017 absorption, chiefly along the I-55 Corridor, South and West suburban and Lake, McHenry and Kenosha counties, which combined for 57% of total absorption in Chicago for the year. Vacancy rates in West Cook and McHenry County fell 200 basis points in 2017.

Seventy-nine buildings totaling 22 million SF were completed in 2017. Forty-nine were larger than 100,000 SF, and the largest 12 buildings averaged more than 896,000 SF. The largest was a 1.43 million SF distribution building leased by Amazon in Monee. Forty buildings totaling 12.2 million SF are under constrction and 40% pre leased.

6.38%	$5.64	5,551,567	1,285,301,574	12,077,842
VACANCY	AVG. SF RENTAL RATES	NET SF ABSORPTION	INDUSTRIAL SF INVENTORY	SF UNDER CONSTRUCTION

MIDWEST REGION - Chicago (continued)

Overall asking lease rates ticked up 2.9% overall and at the end of the year averaged $5.64 per SF for warehouse space.

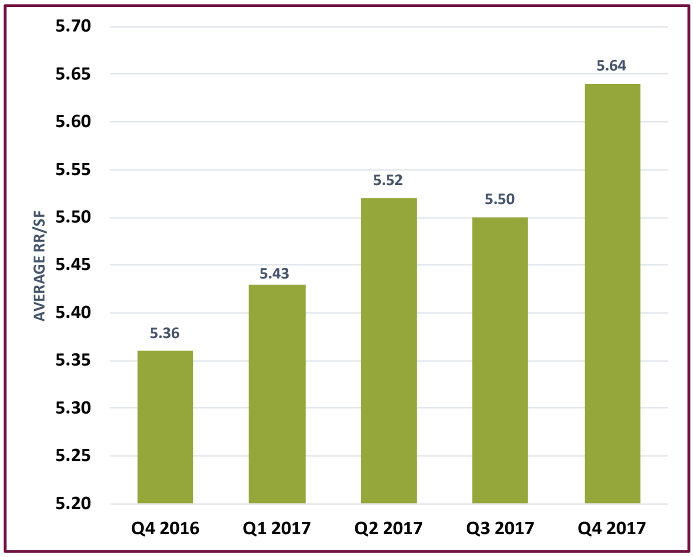
Warehouse and distribution space was priciest in the 68.8-million-SF North Chicago market at $7.58 per SF and at $4.61 per SF was least costly in Kenosha County, Wisconsin.

The number of buildings sold, 351, was up 23% in 2017 compared to the year before, and the price per square foot averaged 8% more than in 2016. Cap rates edged up in 2017, averaging 8.38%.

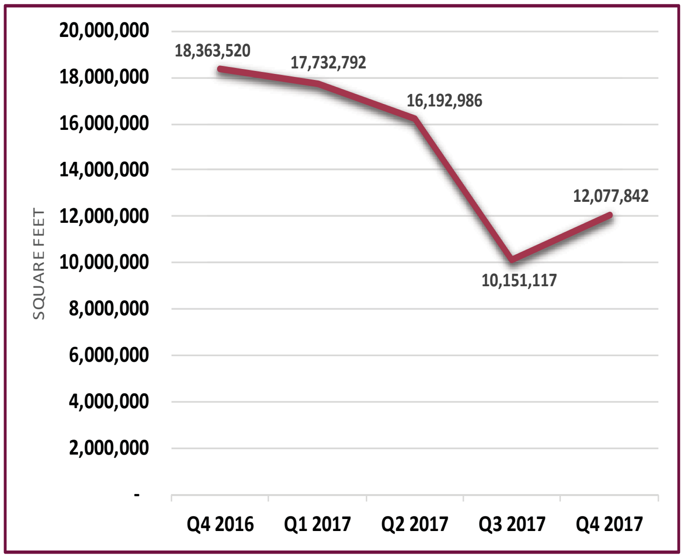
The year's largest trade was Griffin Capital's purchase of a 978,120-SF building used by 3M in Dekalb at $70.91 per square foot. The largest lease was by Kimberly Clark for a 714,410-SF building in Naperville.

Users and developers were particularly bullish on the Joliet/I-80 Corridor submarket, the region's fourth largest with 84.2 million SF of space. Users took 4.1 million SF of space off the market in 2017. Developers delivered 6.1 million SF in 2017, which represents 27% of the Chicago metro's new product total. Speculative development surpassed build-to-suit completions two to one. More than 6.3 million SF was under construction at the end of Q4.

AVERAGE SF RENTAL RATES

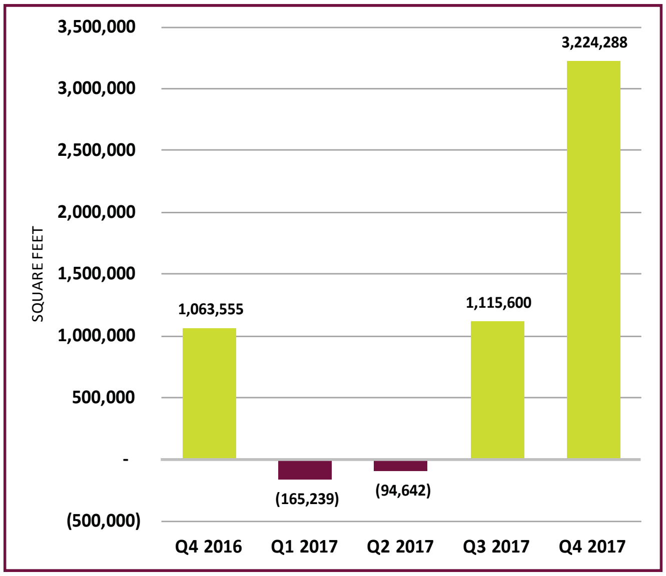


SF UNDER CONSTRUCTION

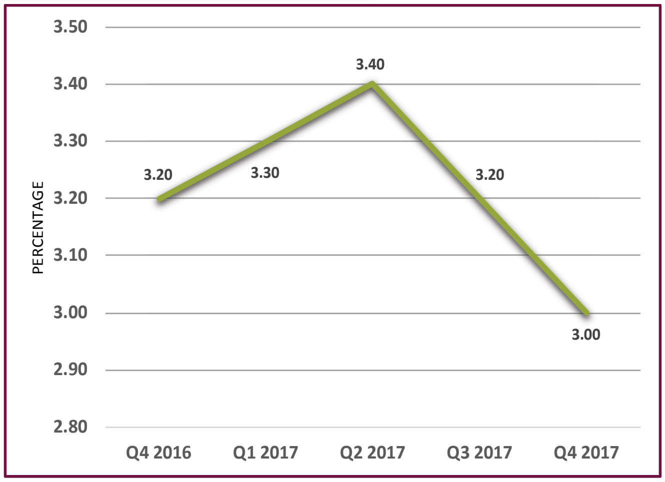


DETROIT

NET SF ABSORPTION



VACANCY RATE



TRENDING IN Q4

Despite another drop in car sales in 2017, demand for Detroit industrial buildings jumped 55% year over year, driving the vacancy rate to its lowest level in a decade.

Detroit is one of the nation's tightest industrial property markets and the fundamentals suggest a strong outlook for the sector.

Taxpayers and others investing in the city's revival celebrated two major downtown improvements in 2017: the $863-million Little Caesars Arena – the new home of the Red Wings and Pistons – was completed along with the QLine. Colorful electric streetcars with bells clanging now are making stops on 3.3 miles of Woodward Avenue in the heart of downtown.

City leaders, who include several hometown billionaires, are promoting these successes and other civic and economic gains to attract other industries and investors.

Detroit and more than 200 other cities were scratched from consideration for a second Amazon U.S. headquarters. The local campaign for Amazon proposed a scheme for a 28-acre riverfront development east of the Renaissance Center. The proposed 20 buildings would include mid- and high-rise office, 1,200 residential units and 166,000 SF of retail. At the center of the plan were General Motors, which owns the land, and mortgage tycoon Dan Gilbert, founder of Quicken Loans, which is based in a 1-million SF building downtown. Jeff Bezos' people at Amazon took a pass but the demonstration reveals what's possible.

3.0%	$5.82	3,224,288	582,709,662	4,850,572
VACANCY	AVG. SF RENTAL RATES	NET SF ABSORPTION	INDUSTRIAL SF INVENTORY	SF UNDER CONSTRUCTION
▼	▲	▲	▲	▲

MIDWEST REGION - Detroit (continued)

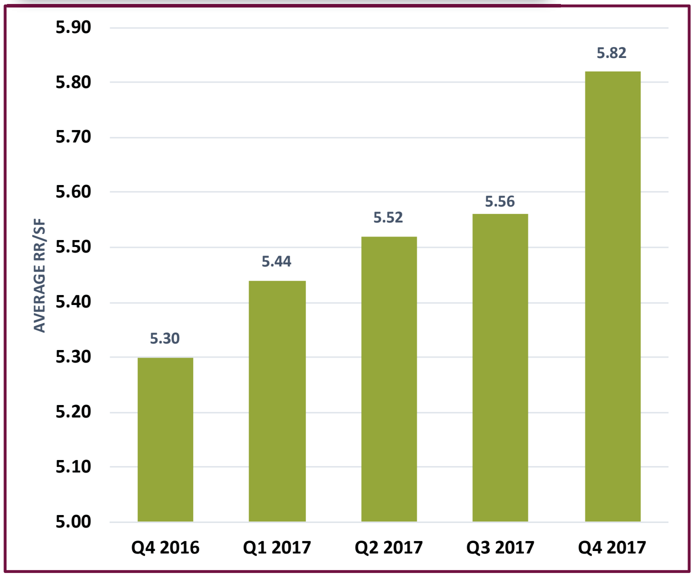
The market-wide tightening in availability is driving some speculative development in several submarkets. Lease up typically takes one year. In more distressed submarkets where rents remain below replacement costs, landlords of aging industrial buildings are benefiting as companies needing to expand are forced to settle for space that often falls far short of ideal.

There may be relief ahead for some users but at a cost to the economy. Seven of the 10 largest companies in and around Detroit are directly related to the automotive business. But car sales have fallen each of the last three years since hitting 7.9 million units in 2014, potentially forcing industry vendors and consultants to make facility cuts. On the other hand, southeast Michigan is gaining as a design, engineering and test center for carmakers battling to stay abreast of technology that's hurtling toward a future of driverless vehicles. Google has an R&D facility in Novi, 25 miles northwest of the city and Toyota announced development plans for a $154-million R&D center in Ann Arbor, about 60 miles west.

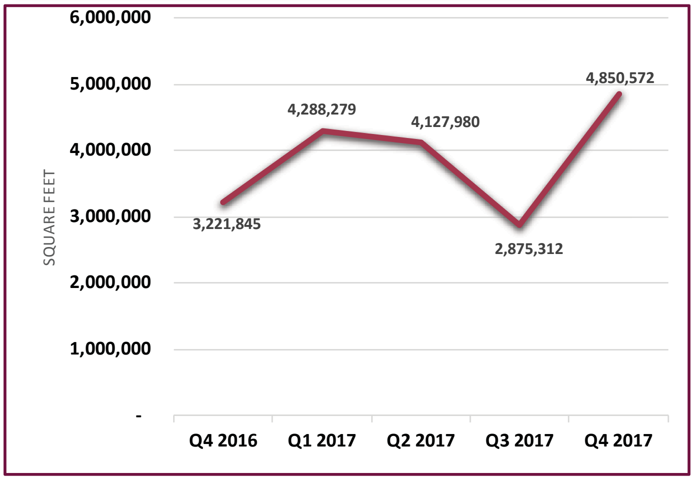
There was a setback for a hoped-for boost in trade as a planned 2018 construction start of the $2.1-billion Gordie Howe International Bridge was delayed for a year. The postponement is blamed on the complex bidding process and questions on the Windsor side about the project's scale. None suggest the bridge's prospects are in jeopardy because $200 million already has spent in preparation for the Canadian port of entry.

Notable industrial deals in 2017 include a lease by Pensky Logistics of a 590,000-SF building on Livonia Corporate Way. Amazon acquired land in Shelby Township for a 1-million SF distribution building. Lee & Associates represented the seller.

AVERAGE SF RENTAL RATES

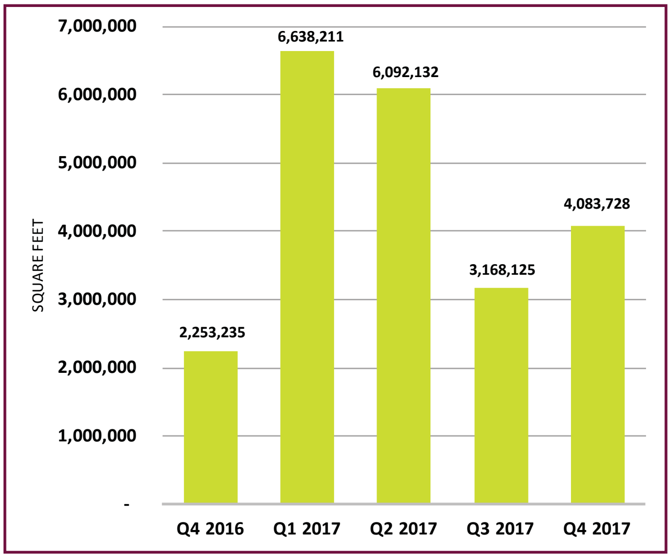


SF UNDER CONSTRUCTION

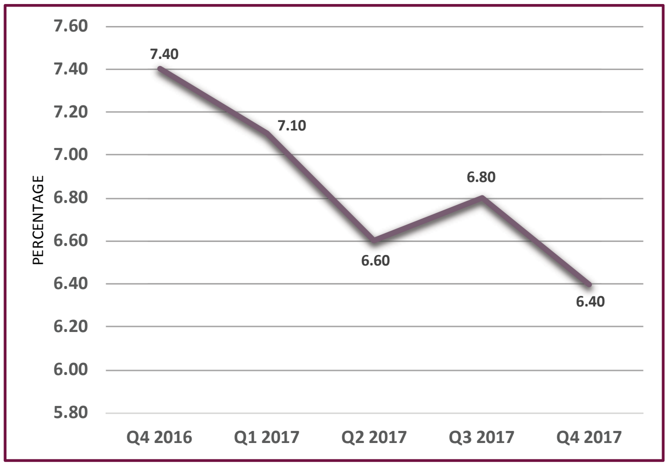


ATLANTA

NET SF ABSORPTION



VACANCY RATE



TRENDING IN Q4

Demand for industrial space in Atlanta surged in 2017 and vacancy is the lowest in a decade as the nation's sixth largest distribution hub has taken full advantage of the rapid growth of e-commerce.

Amazon, which has put Atlanta on its short list for a second U.S. headquarters, already has multiple locations throughout the sprawling metropolitan area. Substantial expansions by carriers Federal Express, DHL and UPS are entirely due to e-commerce, whose sales grew about 10% in 2017.

Developers still are more-or-less bullish about the long recovery's ability to continue to drive absorption and rent growth. Competition for entitled sites is intense in submarkets near major corridors.

Seventy-nine percent of Atlanta's industrial stock is comprised of large warehouse and distribution buildings, whose vacancy rate settled at 6.5% at the end of 2017, matching the market's overall vacancy rate.

In the past four years the base of big-box buildings has grown by 34.2 million SF, or about 7.6%. There was 21,032,913 SF of industrial space under construction in Q4 2017; 33 speculative buildings totaling 16.7M SF and 8 build-to-suit projects totaling 4.3M SF. Most of the new development has been build-to-suit product. Speculative development has been strategic with developers positioning themselves to break ground only when the velocity of activity warrants with a goal of a good tenant within 12 months of completion.

6.4%	$4.79	4,083,728	634,654,085	21,032,913
VACANCY	AVG. SF RENTAL RATES	NET SF ABSORPTION	INDUSTRIAL SF INVENTORY	SF UNDER CONSTRUCTION

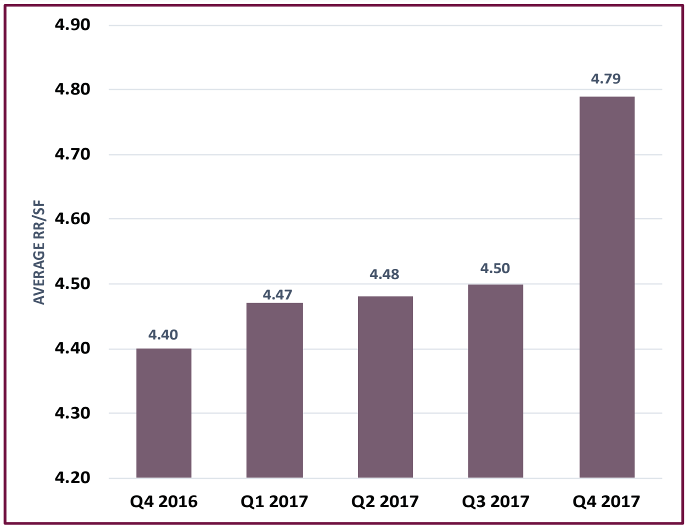
SOUTH REGION - Atlanta (continued)

South Atlanta is the largest big-box market with 147 million SF and 31% of the total inventory. It also has the highest vacancy rate at 9.7%, in part because of its greater share of aging and functionally obsolete buildings. Twenty-four percent of the base inventory is in Northeast Atlanta, where the vacancy rate settled at 5.1%. The I-20W/Fulton market has 16% of the warehouse stock.

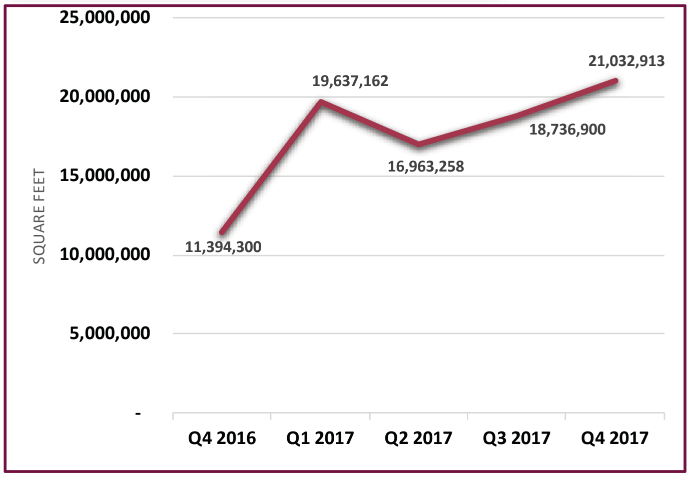
Tenants signing new leases in Q4 2017 include S & S Activewear: 505,000 SF at 225 Midland Court, CEVA Logistics: 404,700 SF at 3201 Centre Parkway, and KL Outdoor: 308,703 SF at 200 Eagles Landing. Tenants moving into big box space in 2017 included Variety Wholesalers: 1.4-million SF in Q2-2017, Dollar General: 1.2-million SF in Q3-2017, and Home Depot: 1,000,000 SF in Q3-2017.

The nearby Port of Savannah plays a major role in the growth of the Atlanta logistics sector. The planned $4.5-billion Jasper Ocean Terminal 10 miles up the Savannah River in Charleston, South Carolina, now has an approved dredging blueprint and is slated for 2025 completion. The terminal is designed for 10 berths to accommodate the largest of the new Panamax- sized ships with up to 20,000 containers.

AVERAGE SF RENTAL RATES

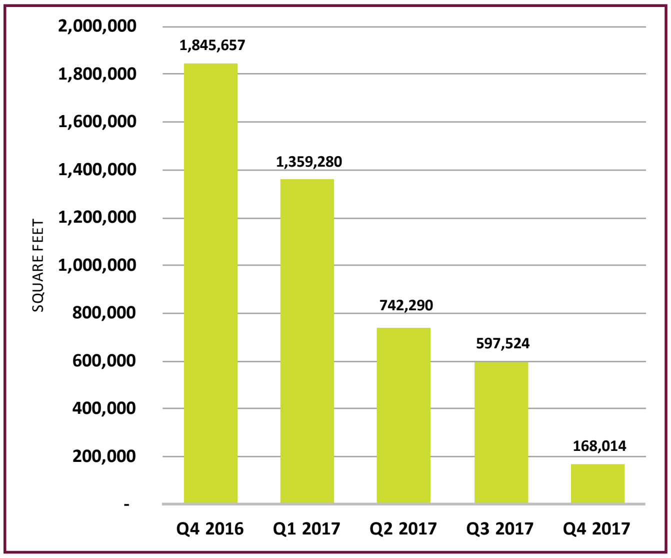


SF UNDER CONSTRUCTION

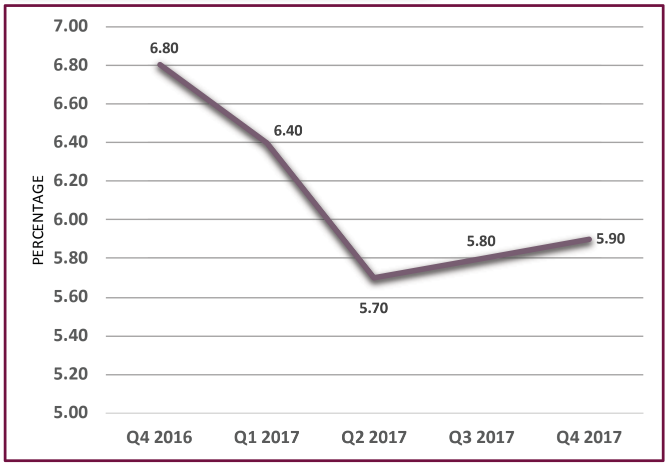


GREENVILLE / SPARTANBURG

NET SF ABSORPTION



VACANCY RATE



TRENDING IN Q4

Healthy first-half demand in 2017 slowed in the last two quarters as the market closed the year with an overall 5.9% vacancy rate, down 90 basis points year over year. Net absorption outpaced new supply.

Net absorption for the year totaled 2,867,108 SF following Racon Group's fourth-quarter 422,000-SF lease in Cherokee County, the year's top deal.

New deliveries in 2017 totaled 2,045,133 SF. Ten of the 12 largest buildings completed were pre-leased. Among 16 buildings totaling 4.5-million SF under construction, 729,200 SF is speculative space that is slated to land on the market in 2018.

Rents were flat, but sales activity and prices through the first three quarters of 2017 were up year over year. There were 40 transactions totaling $169 million. The price per SF averaged $33.82 in 2017, up 16% for the year. However, cap rates rose in 2017, averaging 8.20% compared to 7.72% at the close of 2016, perhaps in anticipation of increased vacancies in 2018.

The early second-quarter sale of the 901,350-SF Rite Aid Distribution Center in Spartanburg at $72.07 per SF and 6.25% cap rate was the largest trade of the year.

Known chiefly for its attributes as an industrial market, major employers BMW, Michelin and others are attracted by the region's skilled workforce and low-cost high quality of life. There are about 9.6 million SF of flex space in 714 buildings throughout the

5.9%	$3.67	168,014	209,674,047	5,429,327
VACANCY	AVG. SF RENTAL RATES	NET SF ABSORPTION	INDUSTRIAL SF INVENTORY	SF UNDER CONSTRUCTION

SOUTH REGION - Greenville / Spartanburg (continued)

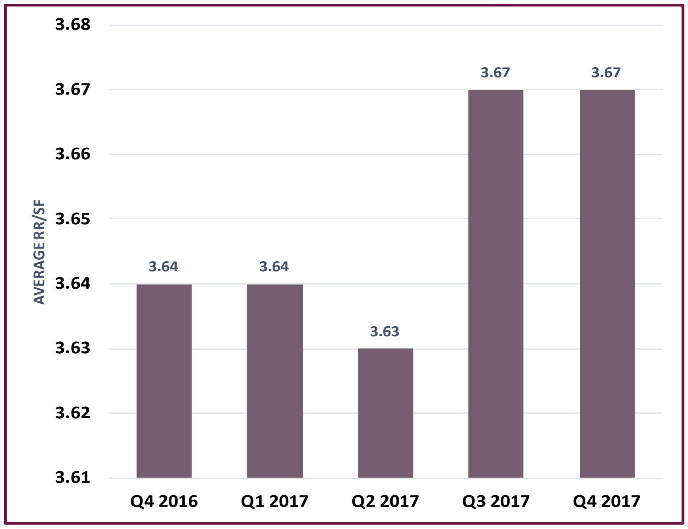
Anderson, Cherokee, Greenville, Laurens County, Pickens and Spartanburg markets.

Industrial space in Spartanburg's eight submarkets represents 38% of the total market inventory but accounted for 73% of new buildings delivered in the entire market in 2017. All but a small fraction of that space was pre-leased.

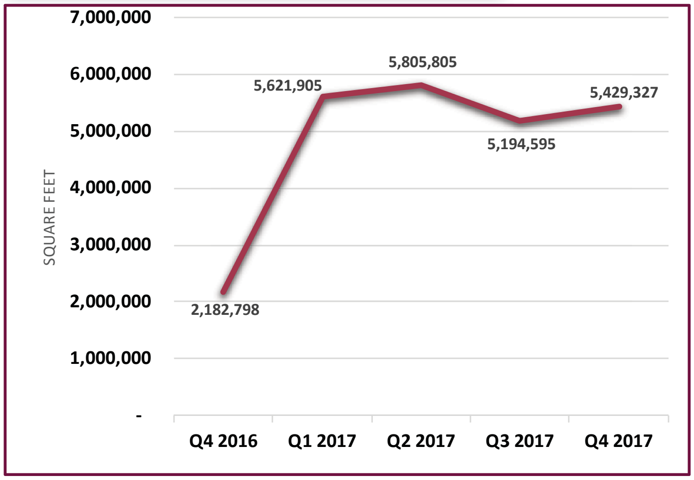
In addition to Racon Group's lease on Gibbons Road in the Atlas Industrial Park, major 2017 leases involved BMW, Amsted Rail, First Quality Tissue, Pratt Corrugated Holdings, ATCO Industries, Walmart, Master Gardner Company, International Auto Logistics, LeMans Karting and Magna Mirrors.

The Greenville/Spartanburg area between Atlanta and Charlotte is crisscrossed by Interstate highways 26 and 85. The region is served by three railroads and has easy access to the deep-water Port of Charleston that can accommodate vessels drafting up to 48 feet.

AVERAGE SF RENTAL RATES

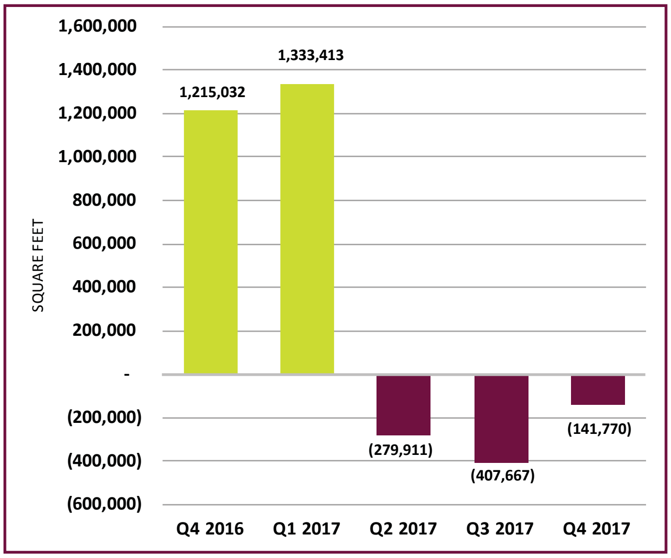


SF UNDER CONSTRUCTION

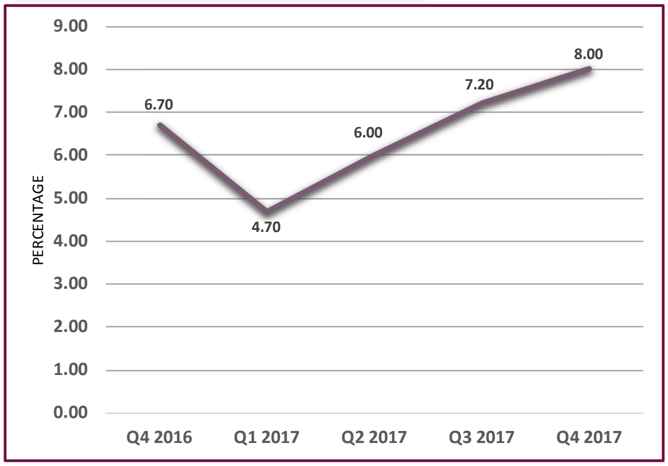


CHARLESTON

NET SF ABSORPTION



VACANCY RATE



TRENDING IN Q4

Demand for industrial space in Charleston started the year strong but three straight quarters of red numbers for warehouse and flex space held down overall net absorption in 2017 to about 510,000 SF. New deliveries added 1,523,259 SF to the market's supply.

The Port of Charleston is the region's top economic driver and it is being deepened to accommodate the largest container ships, a $520-million project that could be complete as soon as 2020. Recently increased container traffic and projected gains from improvements to the deep-water port have moved up the timetable for several bulk distribution buildings.

Twenty-five buildings totaling 5.6 million SF are under construction. The buildings are 78% pre-leased and average 224,811 SF. Most new construction of distribution product is underway in outlying Berkeley County submarkets where nine buildings totaling 3.9 million SF are slated for delivery. The buildings will average 438,593 SF. Ten buildings totaling about 1.6 million SF are underway in the North Charleston submarket.

All three counties in the Charleston metro have new speculative buildings underway. The Keith Corporation is in the first phase of a 9.2 million SF project in Summerville in Berkeley County. Xebeck is building 255,800 SF of spec in North Charleston and Dorchester County is underway on 100,500 SF in St. George.

Asking rents for flex space averaged $14.62 and ranged up to $18.97 per SF in the Central Charleston submarkets. Asking lease rates for manufacturing and warehouse space averaged $5.48 per SF overall and $5.82 in the established North Charleston submarkets.

8.0%	$6.02	(141,770)	73,717,802	5,620,273
VACANCY	AVG. SF RENTAL RATES	NET SF ABSORPTION	INDUSTRIAL SF INVENTORY	SF UNDER CONSTRUCTION

SOUTH REGION - Charleston (continued)

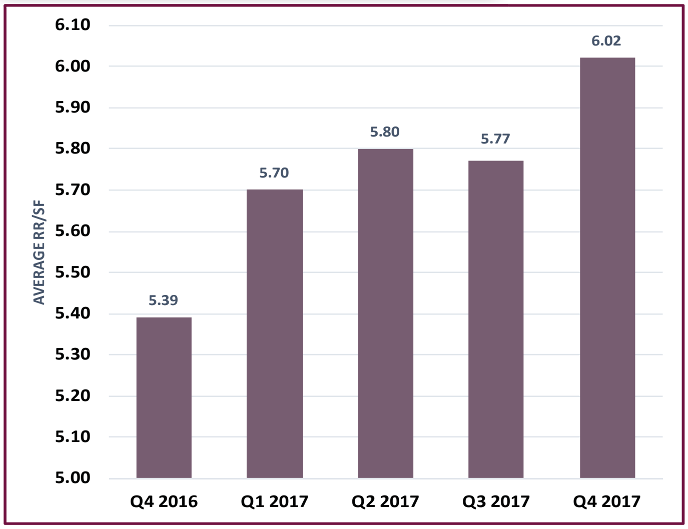
The largest projects underway at the end of the year were Volvo North American Manufacturing's 2.3-million SF building on Old Gilliard Road and the 1-million SF Mercedes Benz Sprinter Plant on Palmetto Commerce Parkway. In addition, 117,000 SF is going up at 4136 Carolina Commerce Pkwy in Ladson, SC, and a 64,000 SF spec building is being built on Hwy 78 in Summerville. Add to these, Port City Centre, a 180-acre, Class A, industrial park is underway on Jedburg Rd, in Summerville.

The largest lease signings included deals in the Greater Charleston market by Kontane Logistics for 93,600 SF and Patrico Enterprises' agreement for 89,998 SF. Georgia Marine Logistics Company leased 88,288 SF in the North Charleston market. Recent corporate investment in the region has put Charleston on the map for more than just a seaport, beaches, and historic homes, as expanded operations by Volvo, Boeing and Mercedes Benz have brought jobs, infrastructure investment and new suppliers to the area.

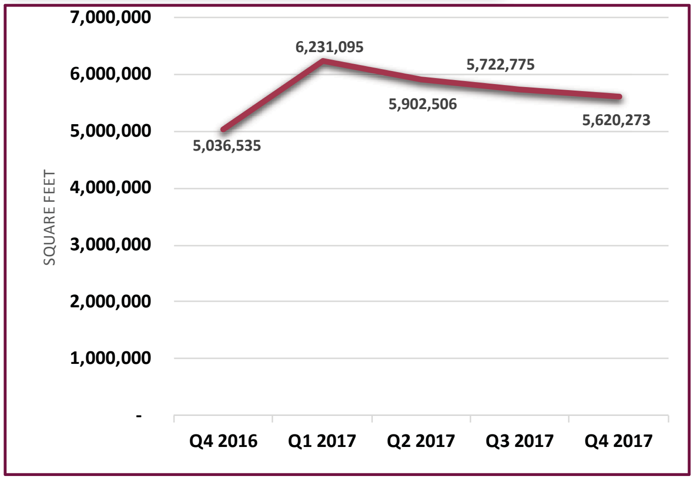
At the end of 2017, Thermo King, maker of refrigerated containers, trailers and railcars announced it was investing $2.6 million in Berkeley County. Volvo, which is underway on its North American headquarters in Ridgeville, announced in September it would invest an additional $520 million in its Berkeley County operations and create 1,910 jobs.

Also in 2017, the huge North Charleston industrial complex sold for $42 million, and the buyers announced plans to spend $15 million on upgrades. Improvements to the port will increase its competitiveness with other East Coast ports. In the shipping business – where small percentages add up to big numbers – Charleston stands to gain share by virtue of its relative proximity to Midwest markets and attractive rail routes to major eastern and southern cities.

AVERAGE SF RENTAL RATES

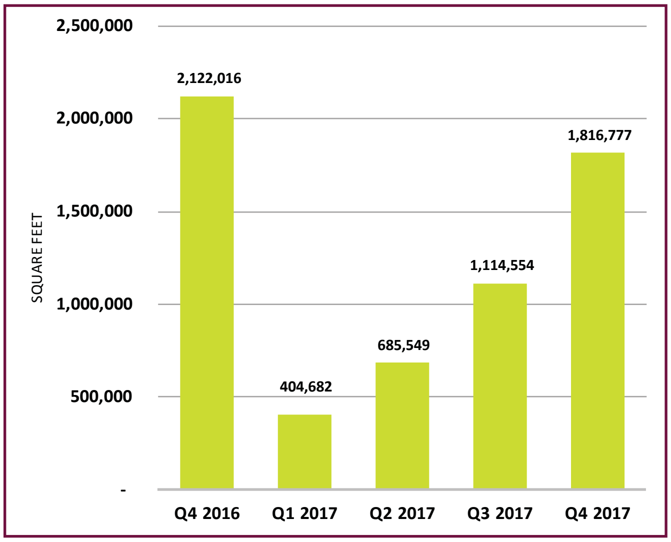


SF UNDER CONSTRUCTION

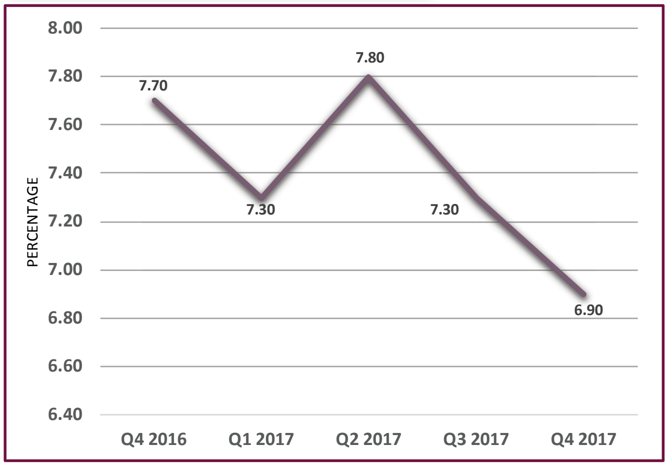


CENTRAL FLORIDA

NET SF ABSORPTION



VACANCY RATE



TRENDING IN Q4

The Central Florida industrial market ended 2017 with a strong fourth quarter that boosted total absorption for the year to 1,816,777 SF. The overall vacancy rate settled at 6.9%. About 802,000 SF was delivered in Q4 as the year closed with 2.8 million SF under construction, about 62% of which is speculative.

There was 702,223 SF in positive absorption in Q4. Top performing submarkets were Airport/Southeast with 282,316 SF of absorption, SilverStar with 141,812 SF and Orlando Central Park with 133,433 SF.

Post-recession absorption has been positive year over year, but has slowed since reaching a peak of 3.1 million SF in 2015.

The SilverStar submarket with 16.1 million SF posted a 4.1% vacancy rate. The vacancy rate in the Airport/Southeast submarket, the market's largest with more than 36.5 million SF of space, ended the year at 6.2%. With an 11.9% vacancy rate, the Northwest submarket was alone among 10 submarkets making up Central Florida's to close 2017 in double digits.

Sale prices increased 16.4% overall compared to 2016. There were 14 sale transactions in Q4. All were in Orange County. The 549,982 SF of space traded for an average of $65.07 per SF. Five of the building sales were in the SilverStar submarket, including the top sale in Q4: A 254,915-SF building at 3620-3648 SilverStar Rd. sold for slightly more than $12 million.

Lease rates across all product types have been flat since 2015 as the year ended with average asking rents at $5.51 per SF.

6.9%	$5.51	1,816,777	111,498,537	2,751,058
VACANCY	AVG. SF RENTAL RATES	NET SF ABSORPTION	INDUSTRIAL SF INVENTORY	SF UNDER CONSTRUCTION
▼	▼	▲	▲	▼

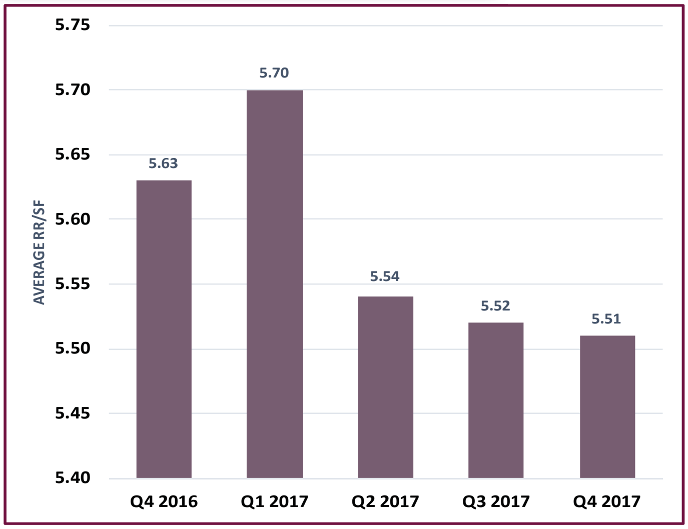
SOUTH REGION - Central Florida (continued)

Among the spec construction underway are 13 buildings averaging nearly 1,245,000 SF. The largest is a 399,000-SF cross-dock facility in Becknell's Air Commerce Park. The smallest are three buildings totaling 110,955 at Winter Garden Commerce Center.

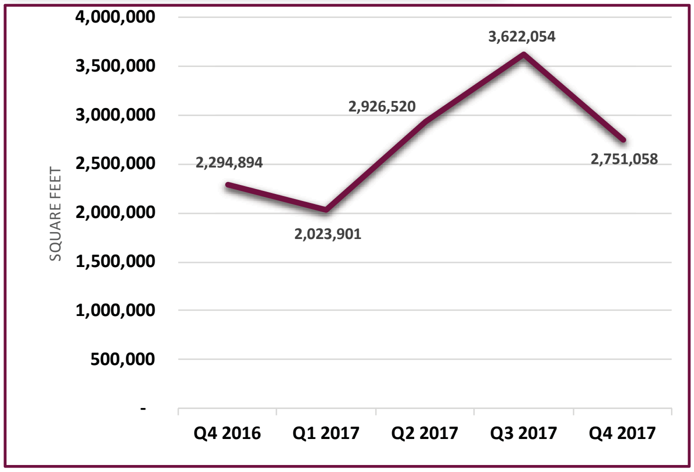
There are two build-to-suits underway: Amazon's 857,470-SF distribution center plus mezzanine space by Seefried Industrial Properties and Duke Realty's 170,428-SF building for PODS.

Walgreens' renewal of 201,600 SF of space in the Orlando Central Park submarket was the largest lease in the fourth quarter. Top new leases in Q4 were for XPO Logistics' 156,000-SF building in Orlando Central Park, Goodwill's 108,188-SF building and Hole Products' 16,552-SF building both in the Airport/Southeast submarket and Alda Holdings' 17,940-SF building in the 33rd Street submarket. Vital Records expanded into 50,619 SF in the Airport/Southeast submarket where there were two renewals by Bound Tree Medical and Tri-Anum Health Services for 50,643 SF at 7320 Kingspointe Parkway, which was represented by Lee & Associates.

AVERAGE SF RENTAL RATES

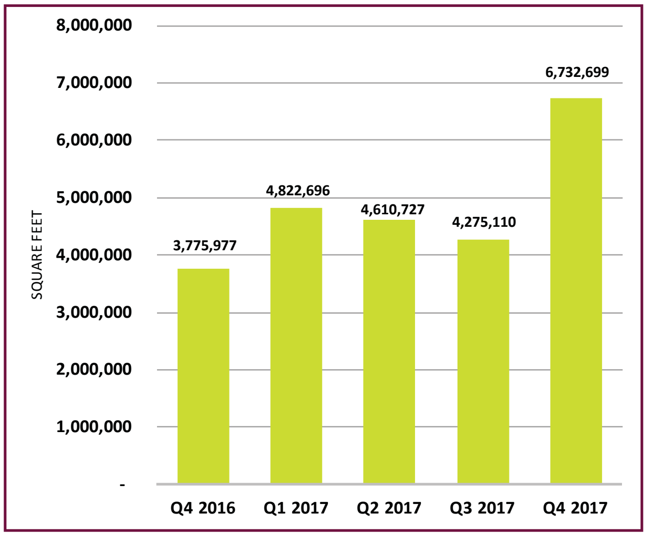


SF UNDER CONSTRUCTION

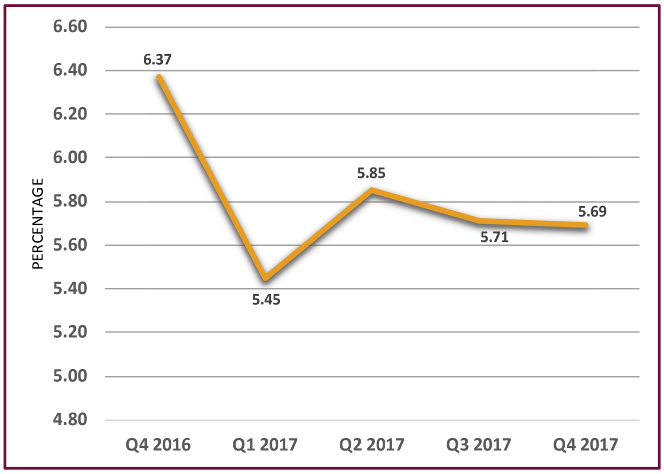


PHILADELPHIA

NET SF ABSORPTION



VACANCY RATE



TRENDING IN Q4

More than 20.4 million SF in positive net absorption was posted in 2017 across the Philadelphia Industrial Market, a 17% increase from the record set last year. Vacancy also reached new lows as the market ended Q4 at 5.69%, more than 60 basis points lower year over year.

Through the last five years, vacancy has trended downward 10% per year. The new low in vacancy for the market is not as unexpected as 2017's jump in total net absorption – some 63% higher than the average net absorption over the previous four years. The first three quarters of 2017, positive net absorption was already on a record setting pace, averaging 4.5 million SF in positive absorption per quarter. But Q4 exceeded that average by 47% with more than 6.7 million SF of positive absorption.

Forty-six percent of this Q4 absorption was in Central Pennsylvania. Half of this absorption was attributed to two built-to-suit deliveries for Whirlpool and El Dorado Stone.

Also in 2017, Class A build-to-suit deliveries accounted for 6.3 million SF of positive absorption across the market. An additional 3 million SF of absorption came from preleased speculative deliveries. New build-to-suit and spec deliveries combined to account for half of the total positive absorption in 2017. Demand has remained strong for Class A space along the I-78 and I-81 Transportation Corridor. That corridor spans from the eastern edge of the Lehigh Valley to the southern border of the Central Pennsylvania submarket and has driven the rapid pace of development since 2016.

5.69%	$5.05	6,732,699	1,104,866,708	20,365,857
VACANCY	AVG. SF RENTAL RATES	NET SF ABSORPTION	INDUSTRIAL SF INVENTORY	SF UNDER CONSTRUCTION

EAST REGION - Philadelphia (continued)

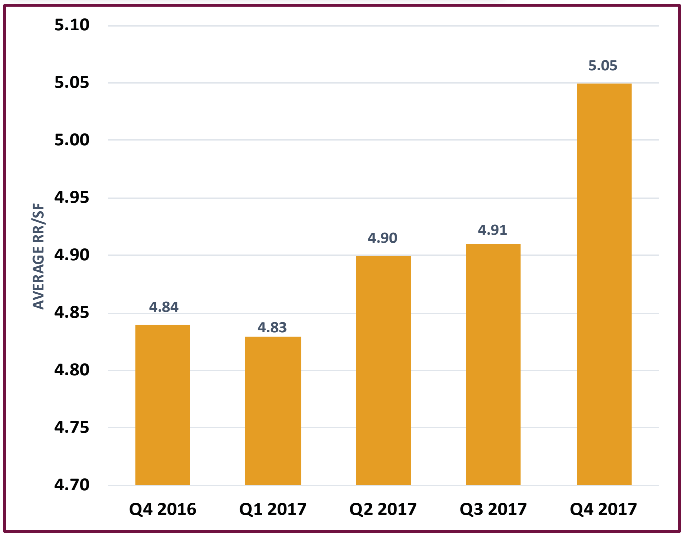
Comparing the last five years, Class A inventory, on average, grew by 14 buildings per year and added roughly 8.7 million SF per year from 2013 to 2015.

From 2016 to 2017, Class A inventory averaged 35 new buildings and roughly 18.1 million SF per year. Even with the volume of spec construction over the last two years, Class A vacancy ended Q4 2017 at only 7.06%. Year over year, this vacancy rate is higher than Q4 2016. However, Class A vacancy has trended downward since Q1 2016, when it stood at 8.57%.

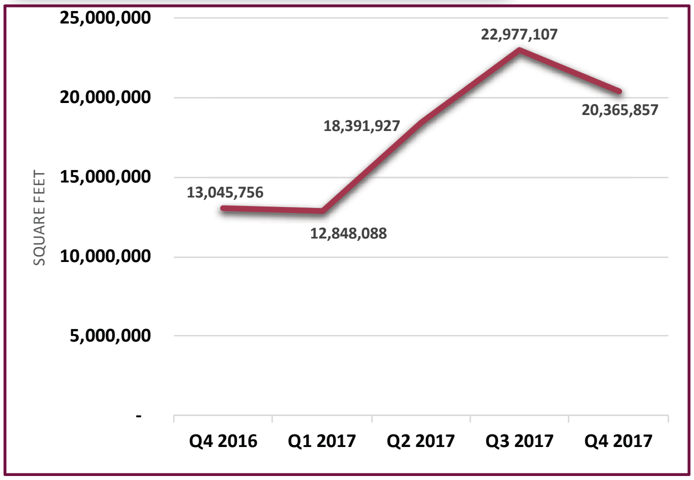
Strong demand also had positive ancillary effects for other submarkets outside the I-78 and I-81 Transportation Corridor. Dating back to Q1 2016, we can attribute at least 2 million SF in positive net absorption that occurred in other submarkets.

Consistent demand for Class A space has put upward pressure on rental rates and floor-area-ratio pricing. Established hubs in both the Lehigh Valley and Central Pennsylvania submarkets experienced new highs in pricing for entitled sites in 2016, which held firm through 2017. As a result the year ended with a flurry of large speculative projects underway in tertiary markets along the I-78 and I-81 Transportation Corridor where pricing is typically lower. Examples can be seen in Franklin and Lebanon Counties in Central Pennsylvania and Berks County in the Lehigh Valley submarket. When delivered, these speculative projects will redefine their respective submarket's Class A inventory.

AVERAGE SF RENTAL RATES

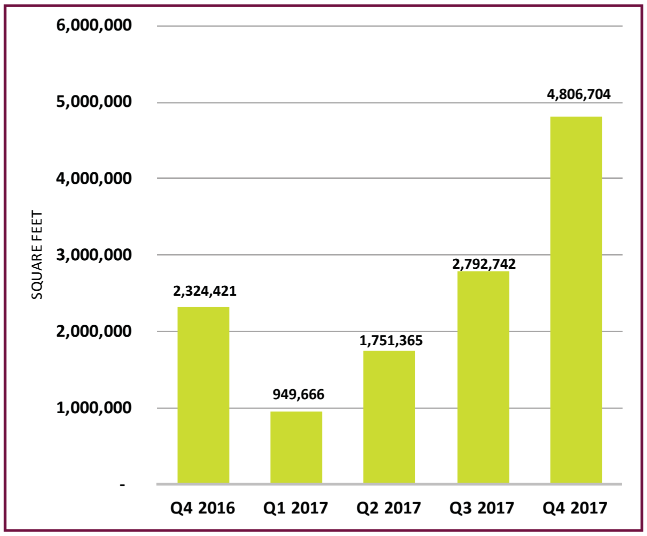


SF UNDER CONSTRUCTION

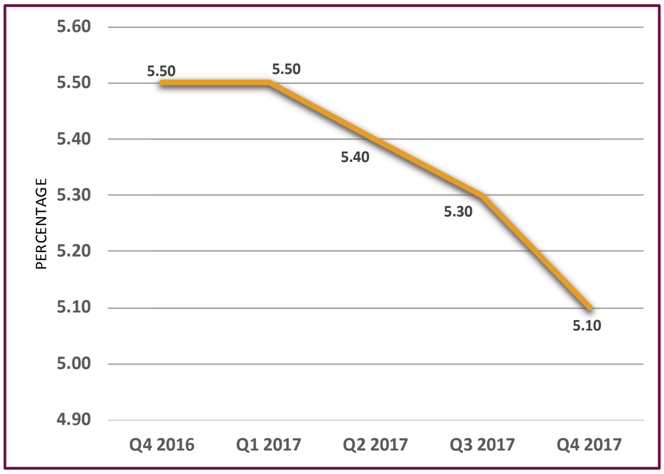


NORTHERN NEW JERSEY

NET SF ABSORPTION



VACANCY RATE



TRENDING IN Q4

Vacancies are low in Northern New Jersey and continued to move lower in 2017 due to the market's ideal location for transportation and logistics flow. Industrial property is trading solidly at prices higher than for most office space. Tenants are paying some of the highest rents in the country while conceding amenities and conveniences in exchange for efficiency.

Third-party logistics companies continue to drive the market up based on the skyrocketing growth of e-commerce and demand for their services. Small distribution companies have a dilemma: A need to be close to the New Jersey Turnpike, other key routes and the ports but far from Amazon, which pays higher wages.

Users are undaunted by the aging inventory in dense submarkets from the Meadowlands south to Union County and are seeking any available space. Tenants want more docks and tailboards, trailer courts and parking, features in extremely short supply in older submarkets. This has created second-tier markets to form in places that are less desirable but where rents and operating expenses also are less. Hillside is an example. It's intersected by I-78 and U.S. Route 22, two miles east of Newark Liberty International Airport and near the ports, where rents are substantially higher.

The vast majority of buyers are investors who fall broadly in two camps and with different strategies. Institutional investors, such as insurance companies, large pension funds and publicly traded real estate trusts, are aiming to buy Class A buildings with long-term tenants in premium locations.

5.1%	$7.84	4,806,704	823,228,788	13,470,626
VACANCY	AVG. SF RENTAL RATES	NET SF ABSORPTION	INDUSTRIAL SF INVENTORY	SF UNDER CONSTRUCTION
▼	▲	▲	▲	▼

EAST REGION - Northern New Jersey (continued)

Individual buyers and small privately held groups typically seek value-add opportunities found in smaller Class B and Class C buildings. This encompasses raising ceilings, adding docks, parking, re-purposing empty office/retail properties into industrial/flex.

Properties tainted with environmental issues also are being targeted for opportunistic high-yielding redevelopment.

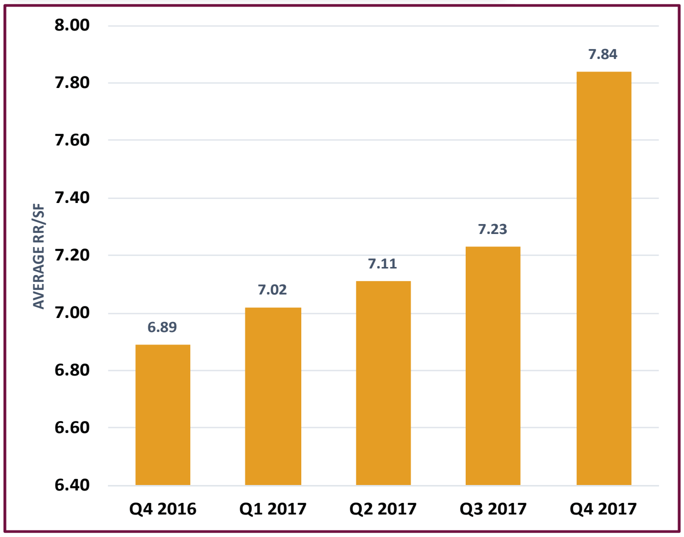
City officials in Bayonne are amending zoning rules that will enable landlords to substantially increase clear heights, creating a plethora of rehab opportunities for investors as value-add plays by transforming old buildings into modern industrial space.

Inbound tenants from New York City and Long Island not only include big-box logistics users but significant immigration of companies in the food industries. As much as they are seeking rent relief, they looking to be closer to key transportation corridors such as the New Jersey Turnpike to ensure speedy delivery of their time-sensitive products.

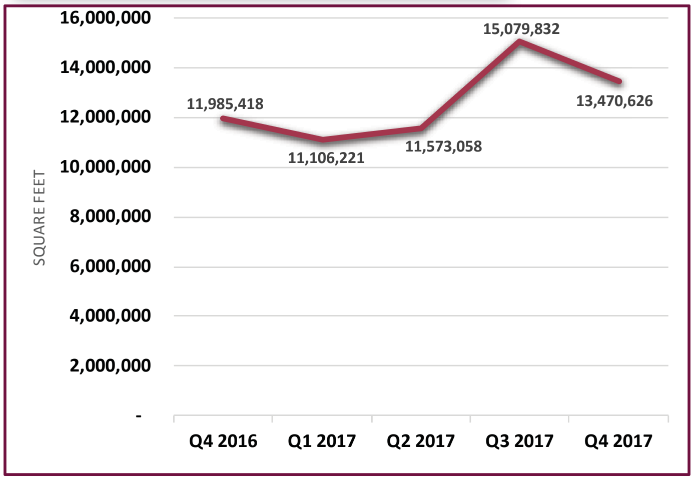
The largest transaction of 2017 was Clarion Partners' $168.5-million purchase of a new 1.24-million SF building leased by furniture retailer Wayfair in the Cranbury Park project in the Brunswick/Piscataway industrial market.

About 14.3 million SF of space is under construction statewide, more than half of which is pre-leased at net rates averaging more than $9.50 per SF. Most of the new construction is along the New Jersey Turnpike between exits 7 and 10 in the central part of the state.

AVERAGE SF RENTAL RATES

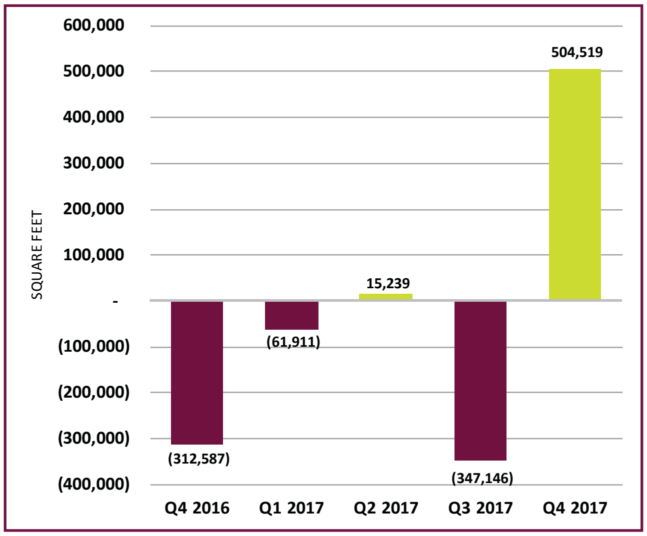


SF UNDER CONSTRUCTION

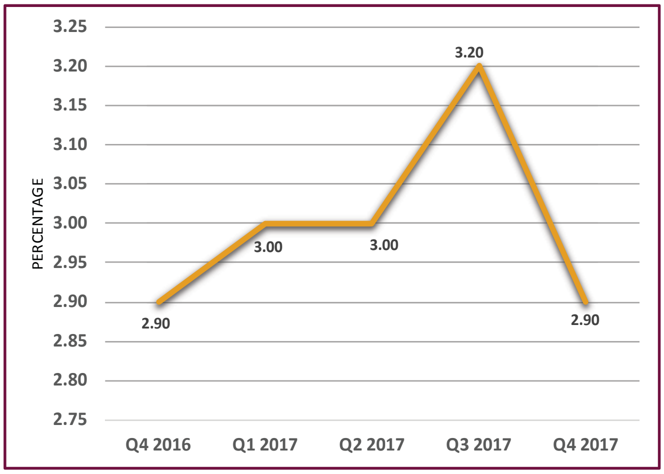


LONG ISLAND

NET SF ABSORPTION



VACANCY RATE



TRENDING IN Q4

Demand for industrial space in the tight markets of Nassau and Suffolk counties eased somewhat in 2017, as rent growth slowed and sales were off 16% from the previous year, but the market's year-end vacancy rate remained unchanged.

Quality available buildings are in extremely short supply throughout the industrial markets of Western Suffolk, Central Suffolk and Nassau, which posted 597,321 SF of absorption in 2017. But year-end net absorption across the two counties was 110,701 SF, less than half the 2016 total, as 486.620 SF went back on the markets in Central and Western Suffolk.

Year-over-year rents increased 6.7% for the year compared to a 9.2% jump the previous year for warehouse and manufacturing space, which accounts for 90 percent of the total 165.5-million-SF inventory. Lease rates are up 32% since 2012.

Net absorption for flex space has been negative for three of the last eight quarters and 13,420 SF of flex space went back on the market in 2017. Asking rents are down slightly from a year ago.

Vacant warehouse and distribution space across the three markets and 14 submarkets averaged 2.7% and totaled less than 4 million SF. Northern Nassau, the smallest submarket, posted the most 2017 growth with 331,686 SF of absorption.

Three warehouse buildings totaling 72,552 SF were delivered in Q3 in the Central Suffolk Industrial Market and were 80% leased. There were five buildings totaling 56,000 SF under construction at the end of the year and were 70% pre-leased. Two of the buildings totaling 48,530 SF are in the Western Suffolk market.

2.9%	$11.30	504,519	165,552,897	56,006
VACANCY	AVG. SF RENTAL RATES	NET SF ABSORPTION	INDUSTRIAL SF INVENTORY	SF UNDER CONSTRUCTION

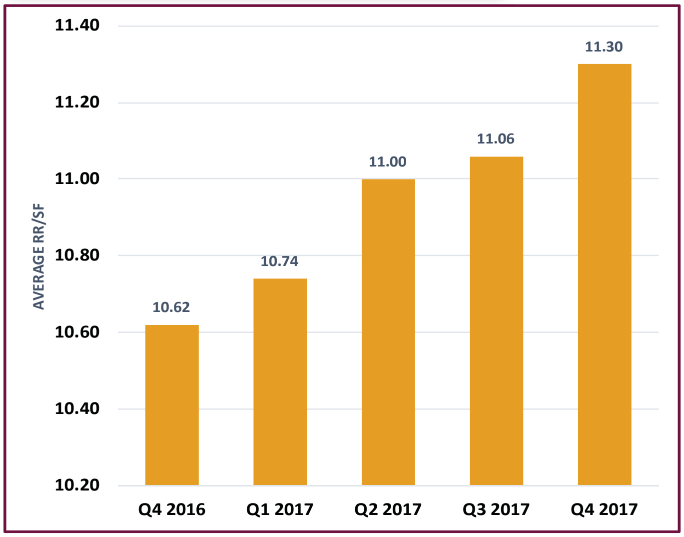
EAST REGION - Long Island (continued)

Prices of buildings sold totaled $412 million in 2017, down from $491 million the year before. Two distribution buildings totaling 723,142 SF sold for an average of $56.35. There were five sales of buildings between 100,000 SF and 250,000 SF averaging $102 per SF at an 11.5% cap, 47 trades of buildings between 25,000 SF and 100,000 SF averaging $132 per SF and 8.64% cap and 79 sales of buildings less than 25,000 SF averaging $129 per SF and 7.5% cap rate.

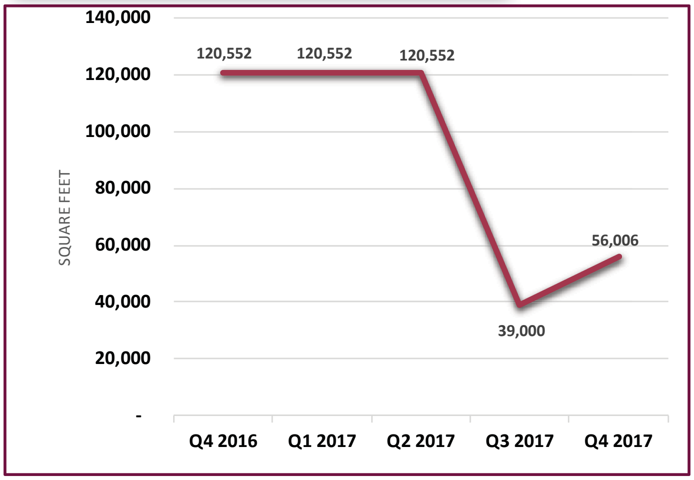
On a cost-per-square-foot basis, the leading warehouse trade in 2017 was Prologis' $27-million sale of a 112,120-SF building in Lawrence to Raymour & Flanigan Furniture.

The top warehouse leases in 2017 were led by a Q3 deal for 140,000 SF in the Eastern Nassau submarket by Amazon Fresh. Stoney Brook leased 104,000 SF in the Northwest Suffolk submarket and in 2Q Pall Corporation leased 90,000 SF.

AVERAGE SF RENTAL RATES

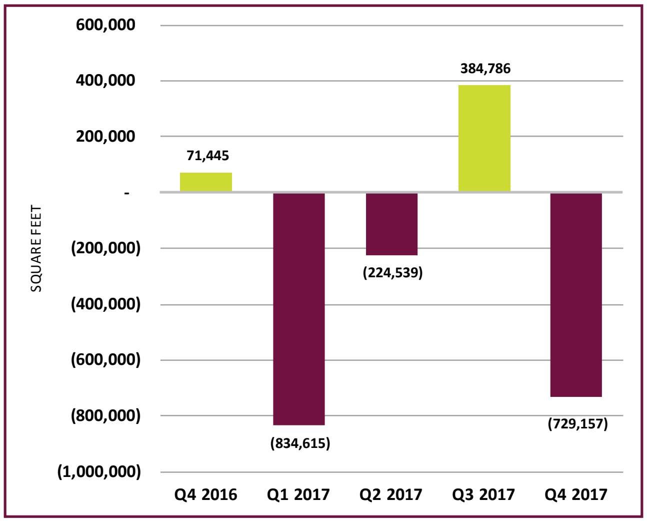


SF UNDER CONSTRUCTION

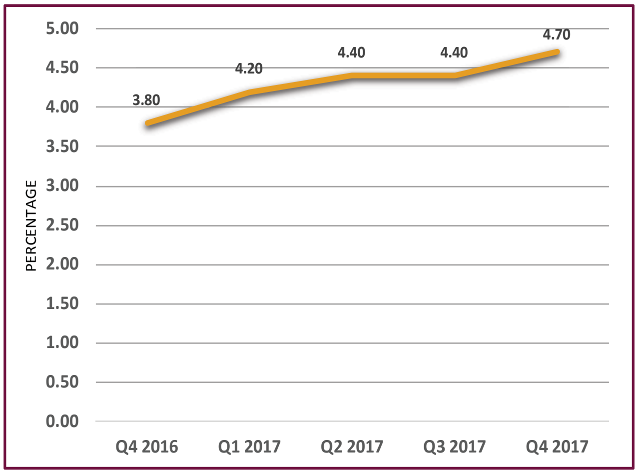


NYC - OUTER BOROUGHS

NET SF ABSORPTION



VACANCY RATE



TRENDING IN Q4

Rent growth slowed dramatically in 2017, and demand for space skidded for the eighth straight quarter in the Outer Boroughs as empty space grew by nearly two million square feet. But even as the vacancy rate increased 90 basis points, quality space remains scarce and building prices continue to soar.

Conversions of functionally obsolete buildings to other uses, such as creative loft-office space, have helped deplete the industrial base by about 3.4 million SF since inventory peaked in 2009. Value-add opportunities along with the thin market for first-generation space has developers getting creative. Two groups have plans for multi-story warehouses in Brooklyn and the Bronx.

Average rents increased 3% year over year, down from the steep 20% hike for the same period the year before. Asking rates for flex space declined 5% in 2017 after a 34% increase the previous year.

The top industrial leases in 2017 were by UPS for 75,000 SF in Q4 in the Central Queens submarket, a 125,000-SF lease by One Stop Northern on Northern Boulevard and Lafayette's lease of 74,000 SF on Flushing Avenue in Brooklyn.

Through Q3 there were 44 sale transactions for property valued at $728.7 million compared to 64 totaling $853 million, but the price per square foot increased year over year 8.9%. Cap rates were higher through the first three quarters of 2017, averaging 4.23% compared to 3.18 for the same period in 2016.

4.7%	$20.20	(729,157)	214,800,005	2,227,821
VACANCY	AVG. SF RENTAL RATES	NET SF ABSORPTION	INDUSTRIAL SF INVENTORY	SF UNDER CONSTRUCTION

EAST REGION - NYC Outer Boroughs (continued)

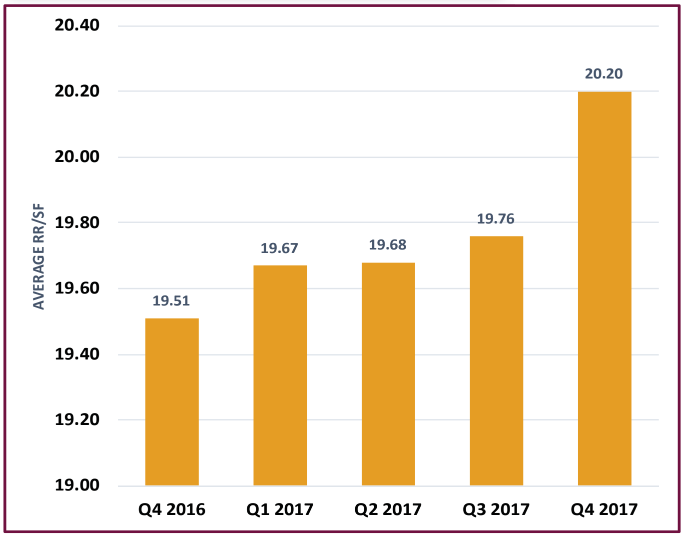
Major sales last year were led by a portfolio sale of three buildings totaling 354,800 SF in Brooklyn that traded for $451 per SF in the second quarter. A 95-year-old multi-story 613,000-SF building on Jamaica Avenue in Queens sold for $127 per SF.

Two warehouses in the Bronx totaling 195,000 were among 11 completed for the year marketwide, and virtually all were leased up by completion. Also, Prologis added docks to each level of a 200,000-SF facility on Bronx River Avenue it acquired in 2017 for $138 per SF.

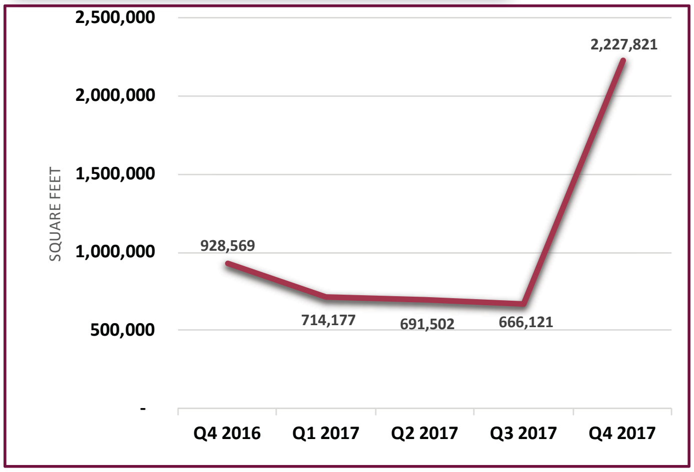
In 2017 Prologis finished the nation's first new multi-story distribution building in Seattle, and a build-to-suit multi-level building for Amazon is underway in the Denver market. But with two multi-story buildings planned for NYC, going vertical is now officially in vogue.

Innova Property Group with Square Mile Capital Management are planning a two-story 840,000-SF warehouse on the site of a former multiplex theater in the Bronx. Also, Goldman Sachs Group and developer Don Hertz are close to breaking ground on a three-story 370,000-SF warehouse in Brooklyn's waterfront neighborhood of Red Hook. Costs – estimated at $100 per SF for the land and $200 per SF for construction – are expensive for warehouse development but will look good if rents hit $30 per SF.

AVERAGE SF RENTAL RATES

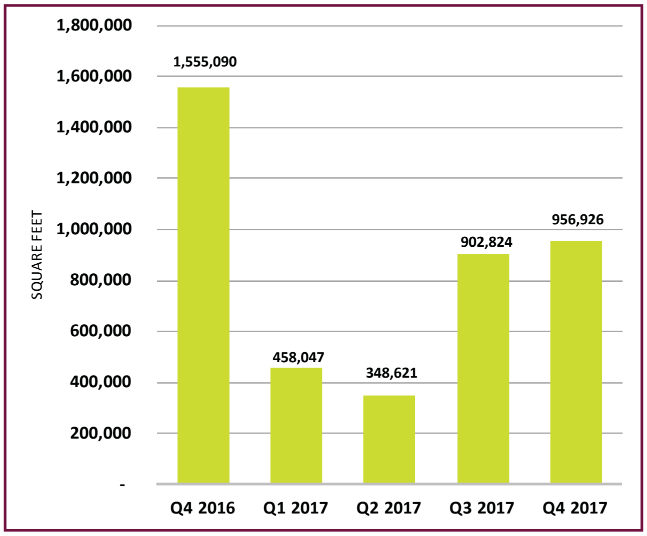


SF UNDER CONSTRUCTION

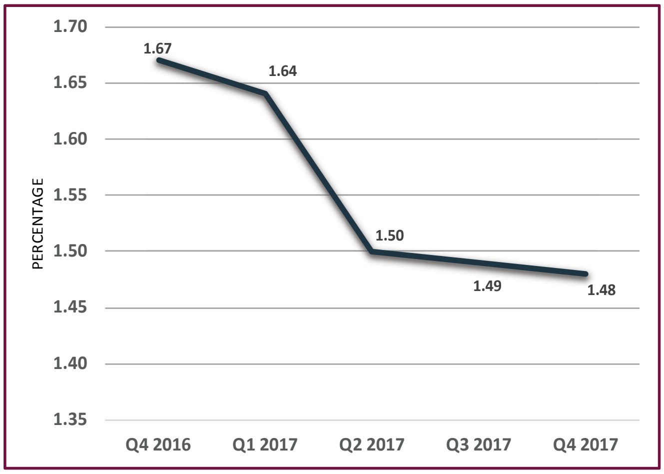


VANCOUVER

NET SF ABSORPTION



VACANCY RATE



TRENDING IN Q4

Strong second-half demand from logistics users, construction companies, and the movie business drove down Vancouver's vacancy rate to 1.48% at the close of 2017, but relief is in sight for some users as 4.1 million SF of new space is set for delivery.

Bulk warehouse and distribution activities dominate the Vancouver market due to its growth in support of Canada's largest seaport. More than $200 million in goods passed through the Port of Vancouver in 2017 and through November port traffic was up 10% for the year.

Among the major new projects unveiled in 2017 was the Richmond Industrial Centre which is planned for 3 million SF of build-to-suit facilities on 170 acres. Richmond is Vancouver's largest submarket with 37.3 million SF of inventory, which is about 2% vacant. More than 3 million SF of competing space, much of it speculative, is underway and planned in Richmond. Additionally, three buildings totaling 1,080,000 SF are planned at Delta Port, which handles 64% of the Port of Vancouver's container traffic.

Ships from 15 cruise lines with 800,000 passengers passing through the port annually add to demand for space for companies that service and supply ship operations.

The television and movie industry has arrived in Vancouver, capitalizing on Canada's promise of subsidies if there's a reversal in the exchange rate that currently favors producers. The addition of a new industry needing production facilities heightens pressure on the short supply of industrial space. About half of the production business in the market

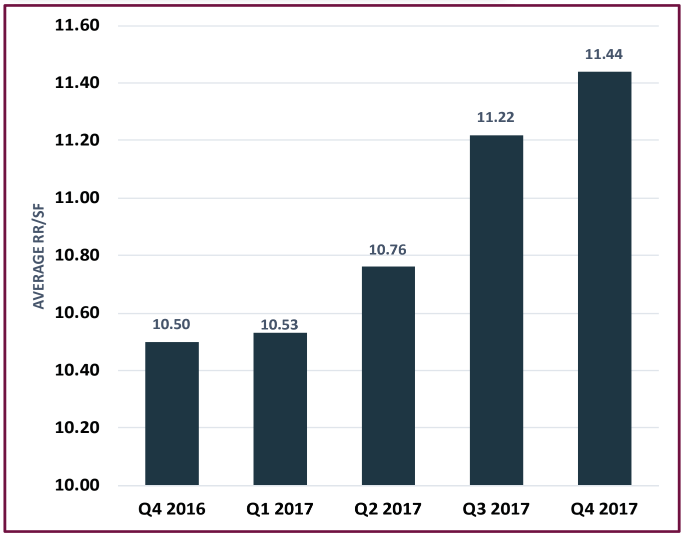
1.48%	$11.44	956,926	207,659,507	4,148,011
VACANCY	AVG. SF RENTAL RATES	NET SF ABSORPTION	INDUSTRIAL SF INVENTORY	SF UNDER CONSTRUCTION

BC, CANADA - Vancouver (continued)

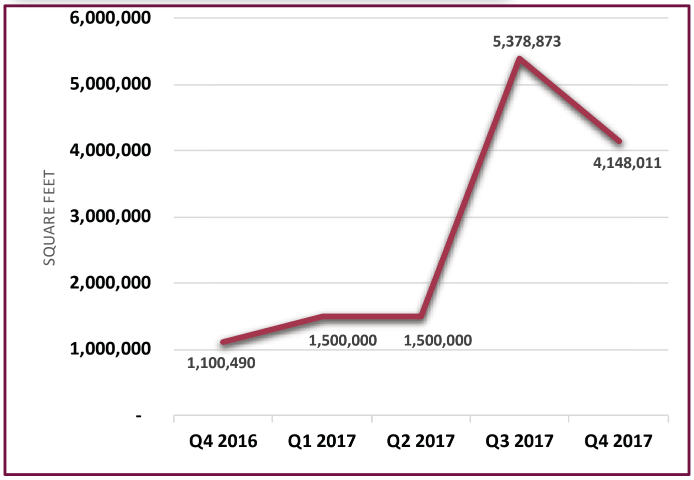
has set up in the City of Burnaby, just east of Vancouver and British Columbia's third largest city.

Additionally, facing the potential inability to easily relocate and expand, a trend is developing in which owner-occupiers are purchasing far more space than their businesses require, leasing out the excess area. This gives owners the needed security that they'll be able to control the space they'll need as their companies hit their growth targets.

AVERAGE SF RENTAL RATES



SF UNDER CONSTRUCTION



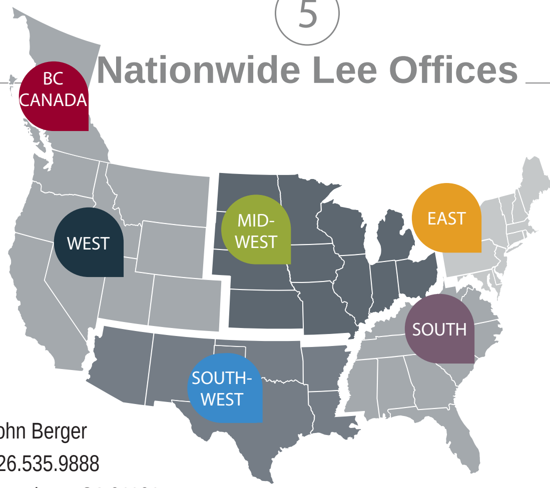
SELECT TOP INDUSTRIAL LEASES Q4 2017

BUILDING	MARKET	SF	TENANT NAME
171 River Road	Northern New Jersey	725,400	Best Buy
2203 Sherrill Dr	Charlotte	639,000	Geodis
2027 Harpers Way	Los Angeles	559,000	Virco
Prologis Ports	Northern New Jersey	540,000	Allied Beverage Group
Chino South Business Park, Bldg B	Inland Empire	534,390	NFI
Midland Logistics Center	Atlanta	505,000	S&S Activewear
Prologis Park Cranbury S Bldg 2	Northern New Jersey	504,428	Home Depot
50-02 55th Ave	Long Island, NY	475,000	UPS
3680 Langley Dr.	Cincinnati	423,608	First Group Logistics
Atlas Industrial Park	Greenville/ Spartanburg	422,000	The Recon Group
Location Optimization Ctr	Northern New Jersey	410,300	LG Electronics, USA

SELECT TOP INDUSTRIAL SALES Q4 2017

BUILDING	MARKET	SF	PRICE PSF	CAP RATE	BUYER	SELLER
Cranbury Station Bldg 2	Northern, NJ	1,240,967	$135.78	4.27%	Clarion Partners	Alfieri, LLC
Hampshire/AEW 7	Northern, NJ	1,218,164	$120.55	5.25%	AEW Capital Mgmt	The Hampshire Companies
Safari Business Ctr	Inland Empire	1,138,119	$124.06	4.11%	Rexford Industrial	American Realty Advisors
600 Principio Pkwy	Baltimore	1,148,890	$72.20	6.16^	Clarion Partners	Trammell Crow Company
Northgate Industrial Portfolio	Inland Empire	1,025,324	$93.24	4.58%	Westcore Properties	Bentall Kennedy

Nationwide Lee Offices



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The Lee Industrial Brief

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Q4

2017

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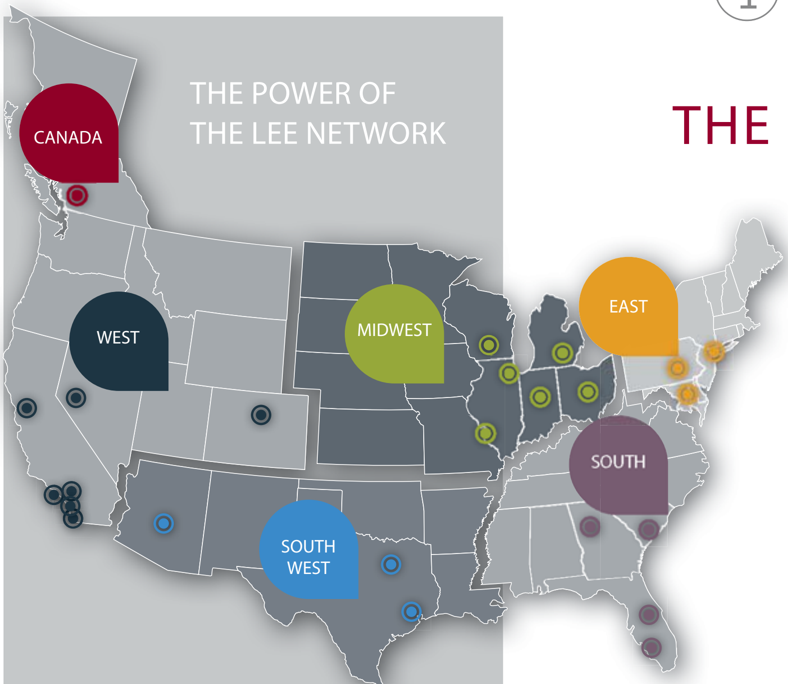

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