



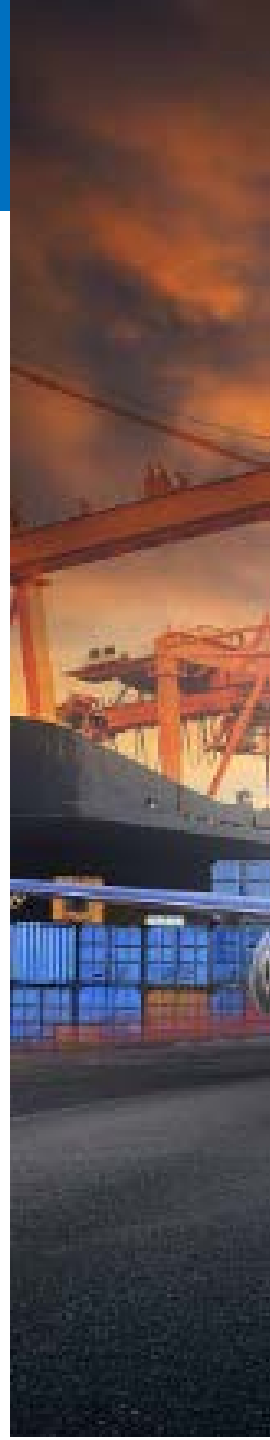
What Is Driving Industrial Real Estate?

Presented by:
Curtis D. Spencer
CEO of IMS Worldwide, Inc.



About IMS Worldwide Inc.

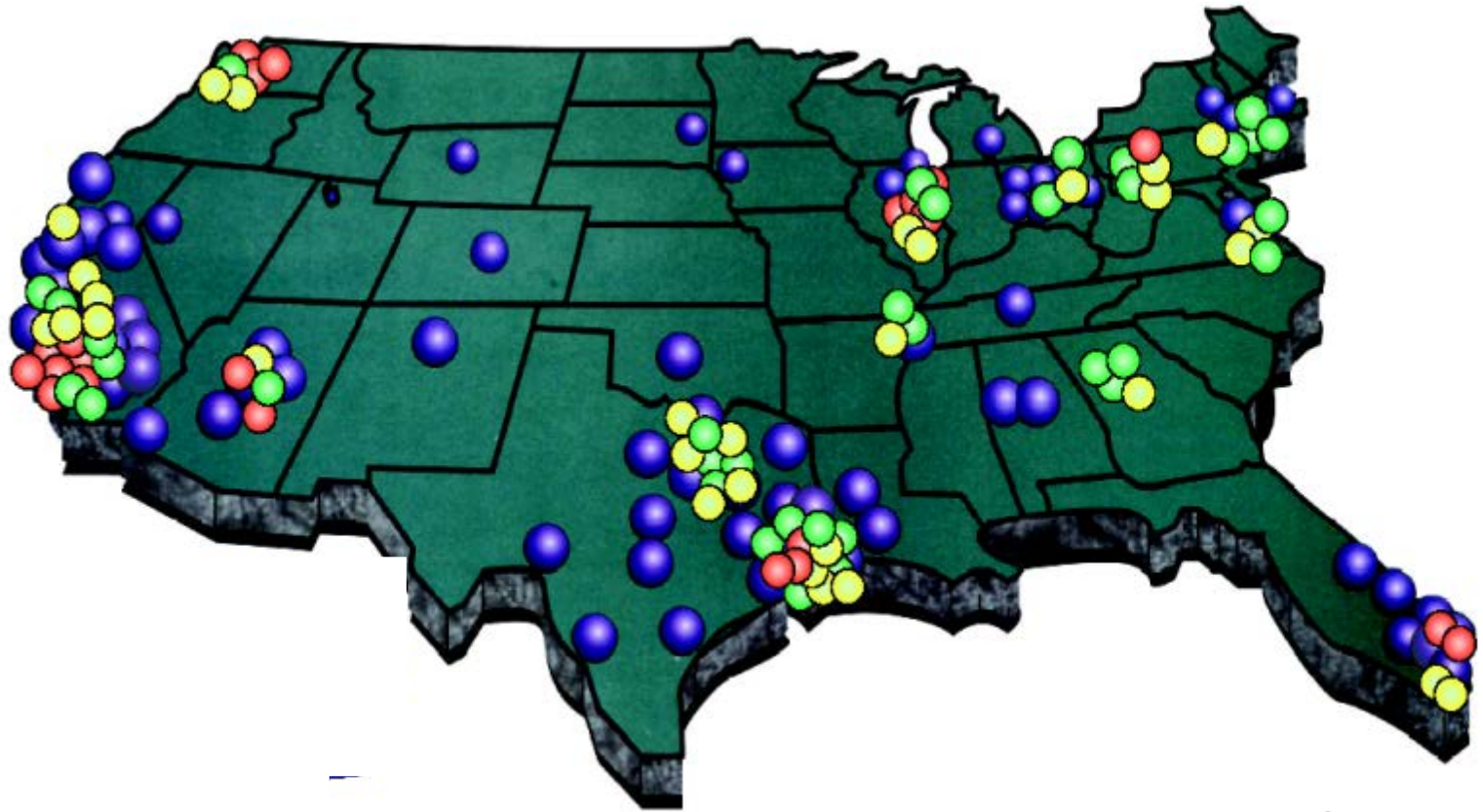
- IMSW has completed over 330 FTZ Projects during 35+ years. We have conducted 40 Logistics/Drayage studies for Industrial RE firms, RRs and land-owners.
- We work with Large Gateway Zones (Houston, LA, Miami, Dallas, Chicago, PHX, El Paso and NJ)
- We work with Fortune 1000 companies: Target, The Limited, Dell, Home Depot, Abbott Labs, TJX, Dicks Sporting Goods, CEVA, FedEx, UPS, Yusen, NFI, Nippon Express, etc.
- **We work with the largest REITs in the USA: Prologis, Duke, Majestic, Clarion, USAA, Div-Capital/IIT, etc.**



IMSW's FTZ Users – Total = 330

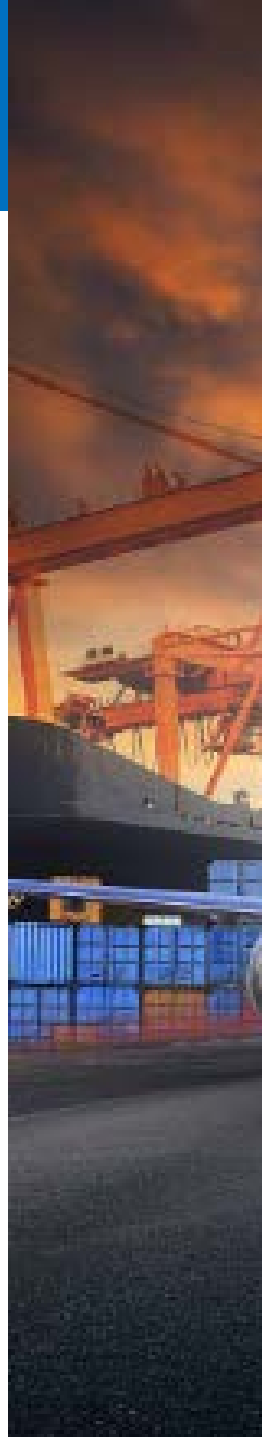


IMSW Overview of National FTZ and Strategic Development Projects 1977-2017



Today's Agenda

- Port and Shipping Overview
- Inland Ports
- The Trump Effect
- E-Commerce Growth
- Population Trends





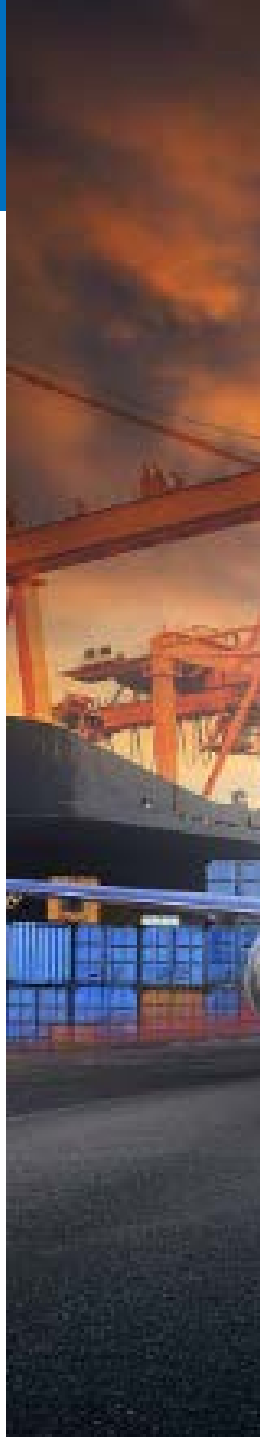
Ports Overview

Panama Canal Expansion Complete



Panama Canal Update

- Traffic at the waterway continues to increase
- The expanded canal has welcomed containerships, liquid petroleum gas (LPG) vessels, liquefied natural gas (LNG) vessels, dry bulk carriers, vehicle carriers, and crude product tankers.
- In February 2017, the [Panama Canal set a new daily tonnage record](#) of 1.18 million Panama Canal tons (PC/UMS) after welcoming a total of 1,180 vessels through both the expanded and original locks.



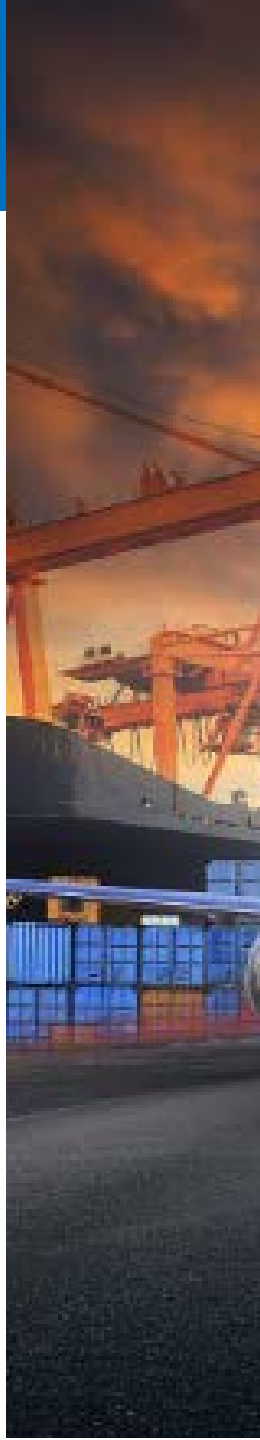
10,500 TEU Vessel

**The 10,500 TEU Valparaíso Express (largest container ship) transits the expanded Panama Canal, December 20, 2016.
Photo: Panama Canal Authority**

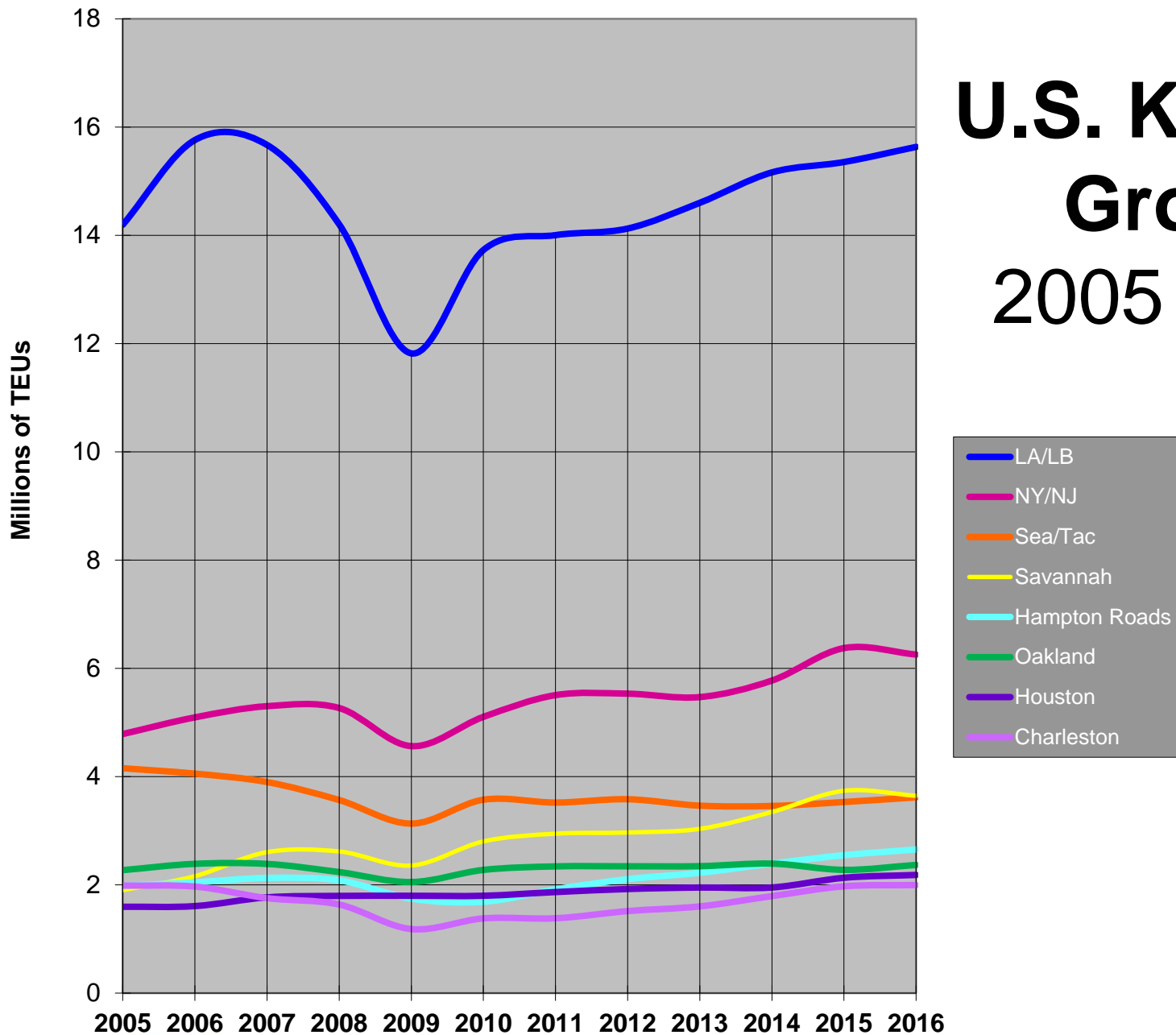


Panama Canal Bottom Line

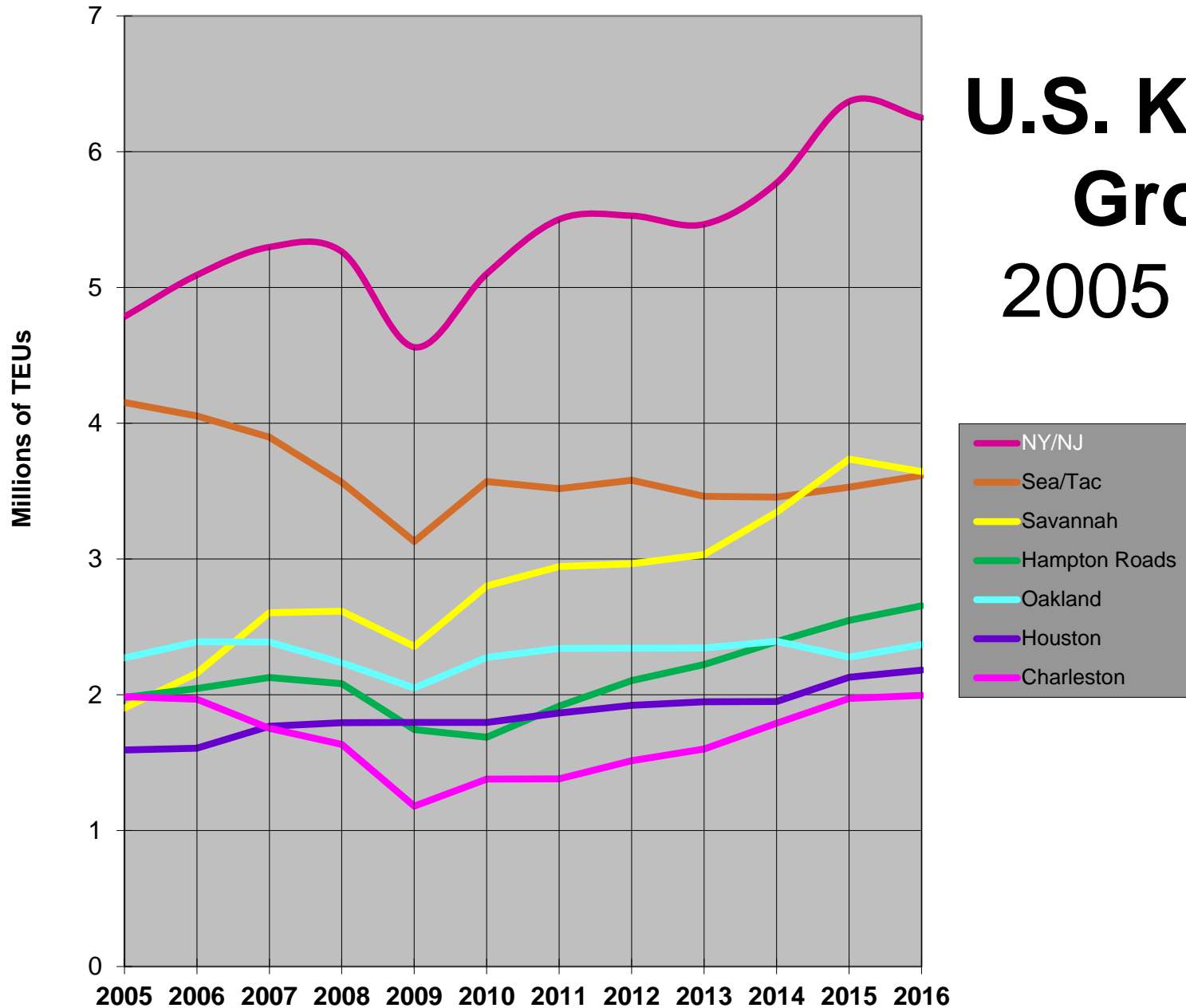
- BALANCE –The Asia Import Market Share will shift. Currently 51.9% of imports from Asia come via West Coast Ports. How much will this change? **Most Carriers have already re-positioned routes through the Suez**, to utilize larger ships for East Coast and Europe.
- COSTS ARE WHAT MOVES SHIPPERS!
- However, the most recent news is that costs, ALL WATER to East Coast, have been coming down.....How long will it last?



U.S. Key Port Growth 2005 - 2016

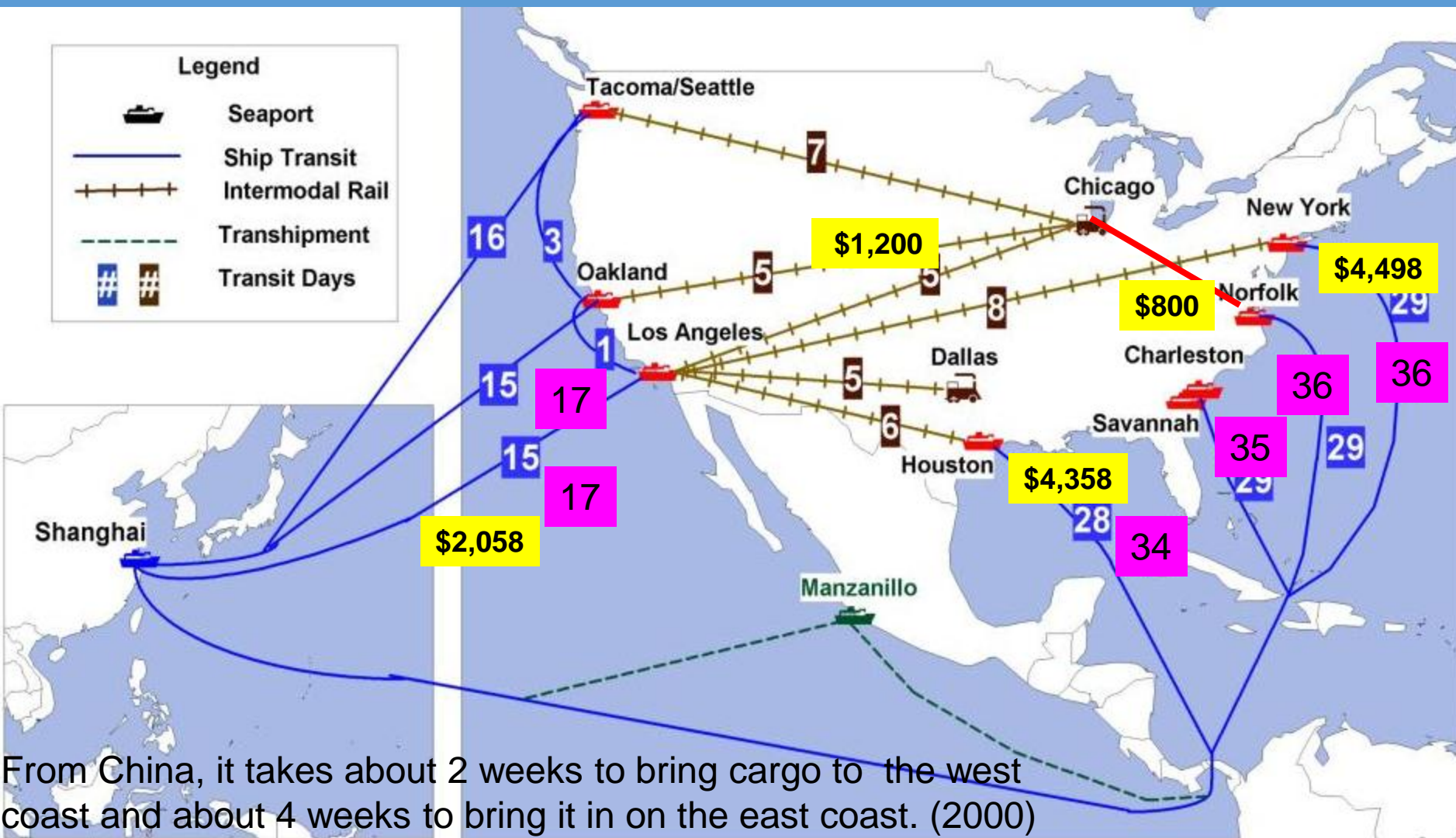


U.S. Key Port Growth 2005 - 2016



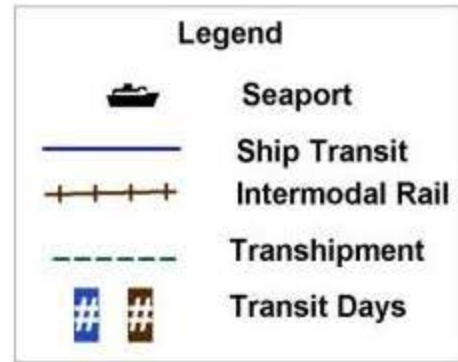
Shanghai to North American Ports: Slow Steaming Effects –2000 & 2015

Pricing as of Feb 1, 2015



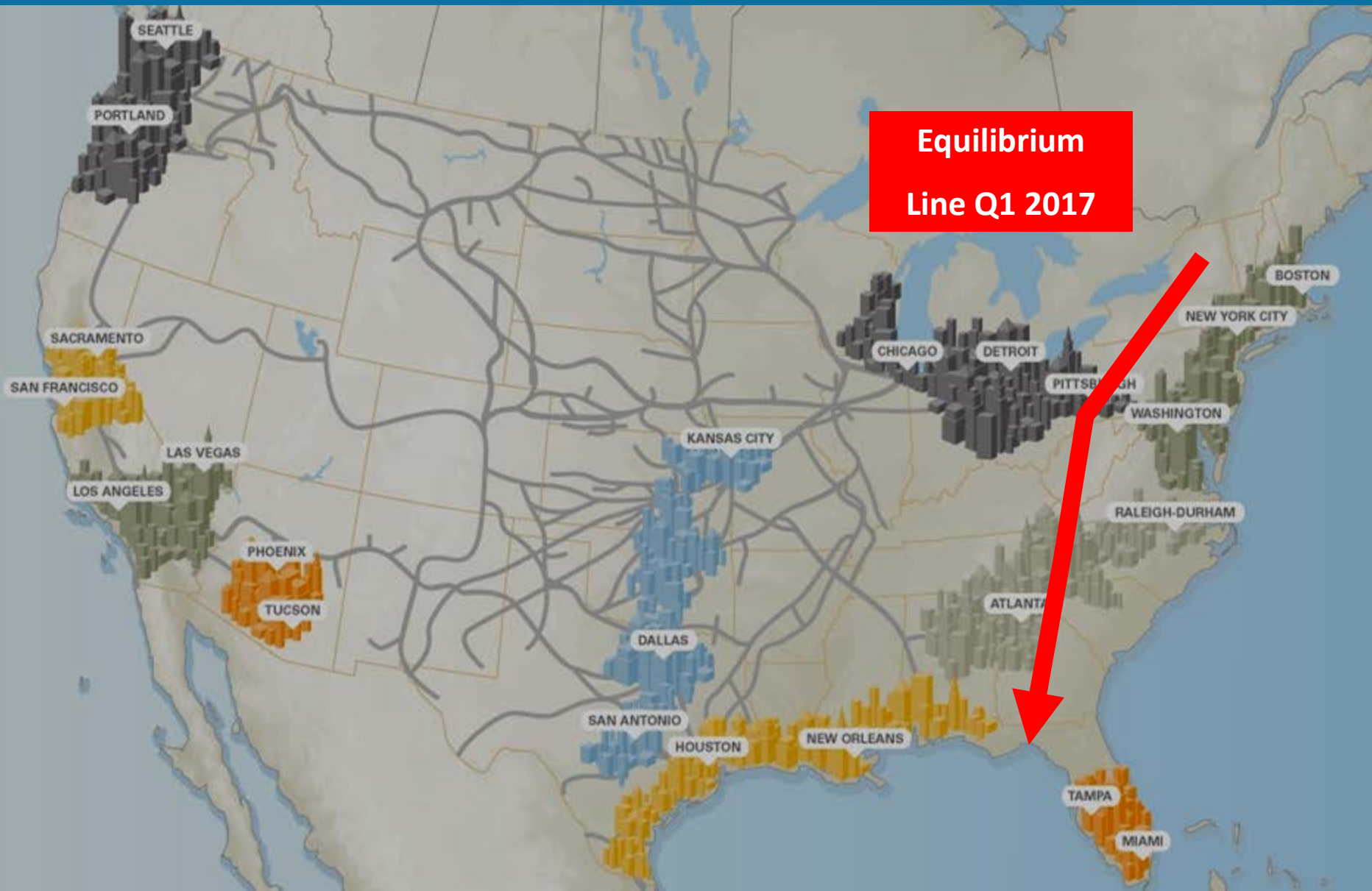
Shanghai to North American Ports: Slow Steaming Effects –2000 & 2017

Pricing as of April 2017



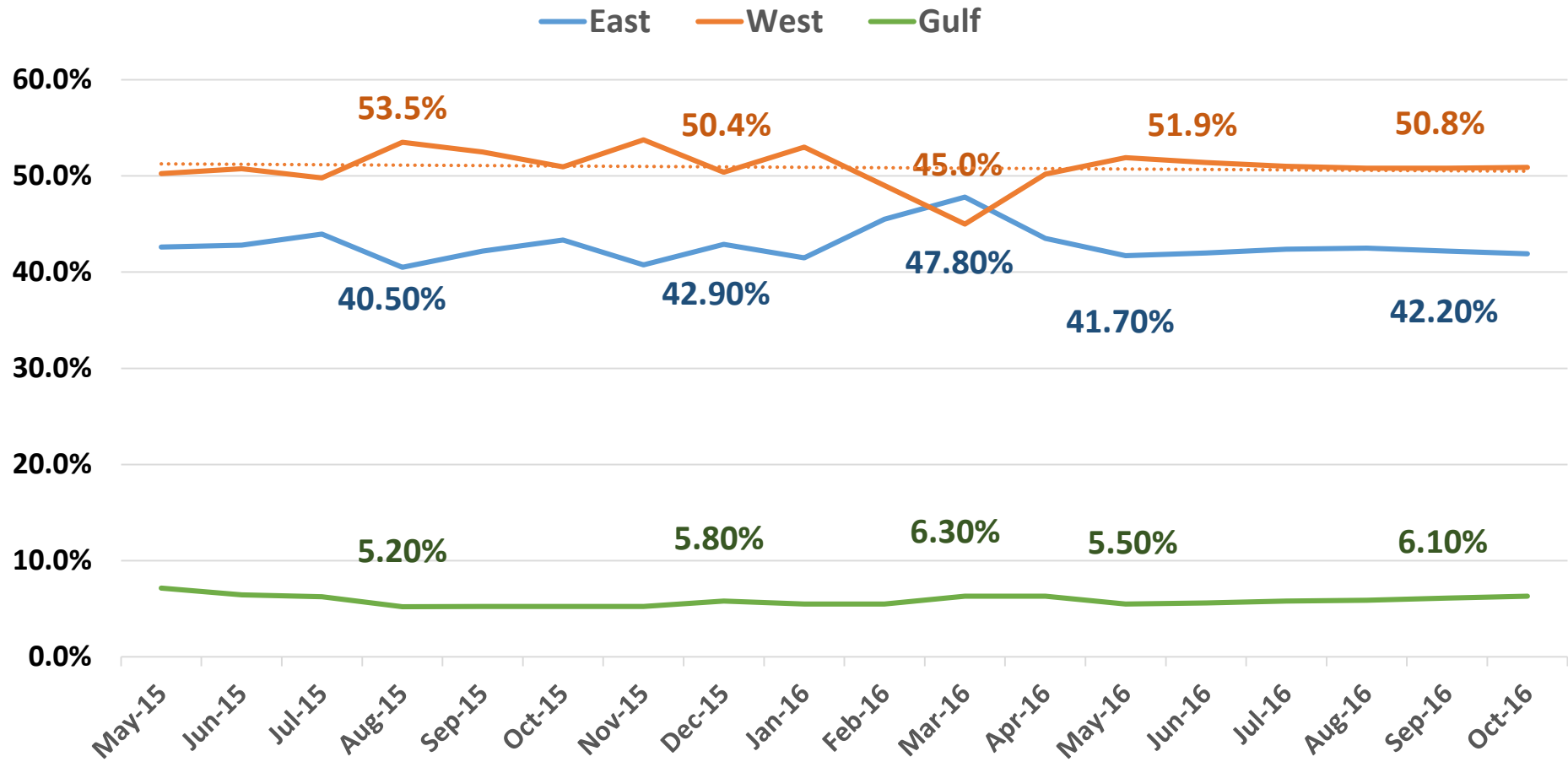
From China, it takes about 2 weeks to bring cargo to the west coast and about 4 weeks to bring it in on the east coast. (2000)

East Coast-West Coast TEU Cost Line Equilibrium- 2017



Asia Import Market Share

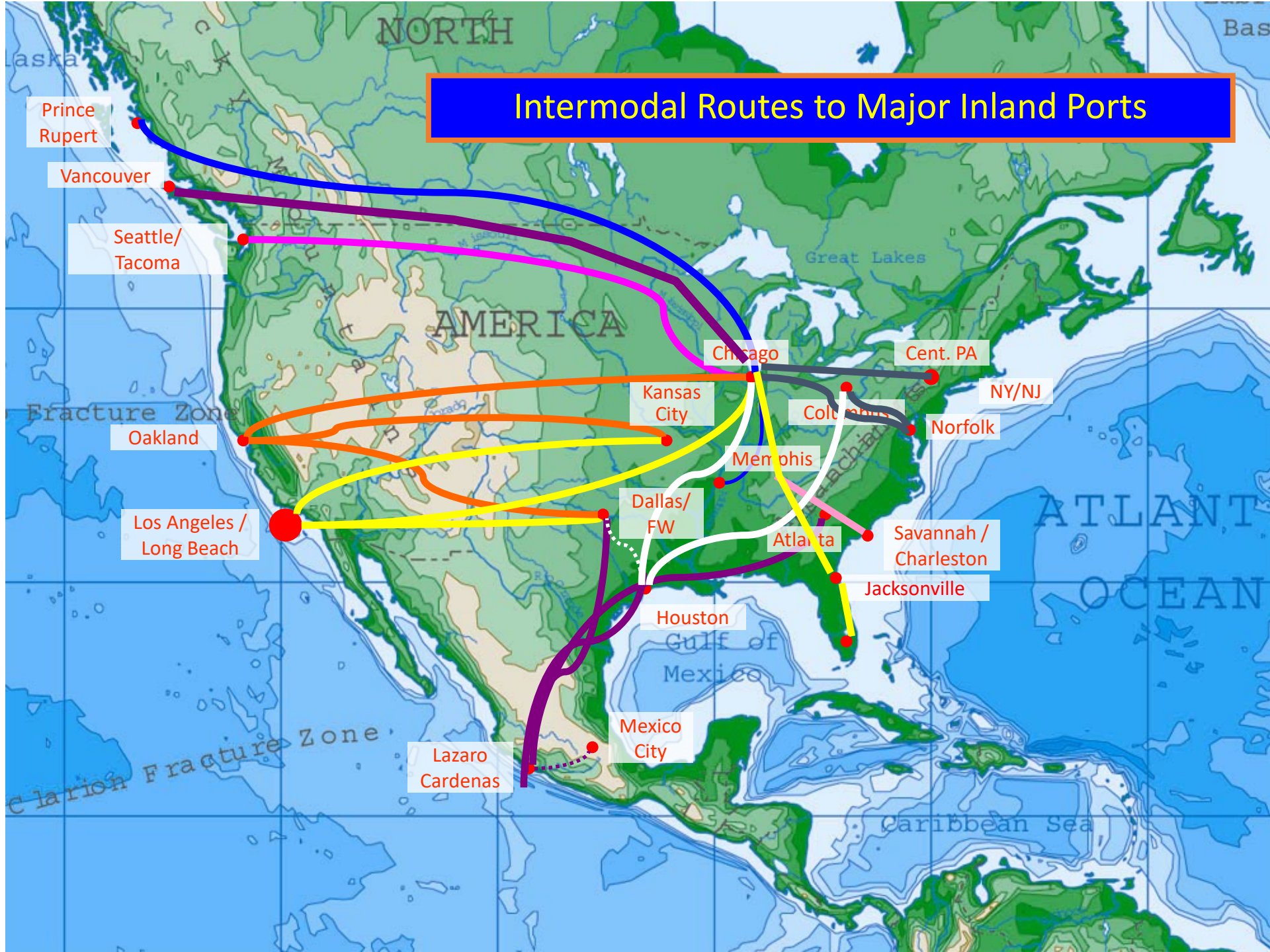
WEST VS. EAST COAST





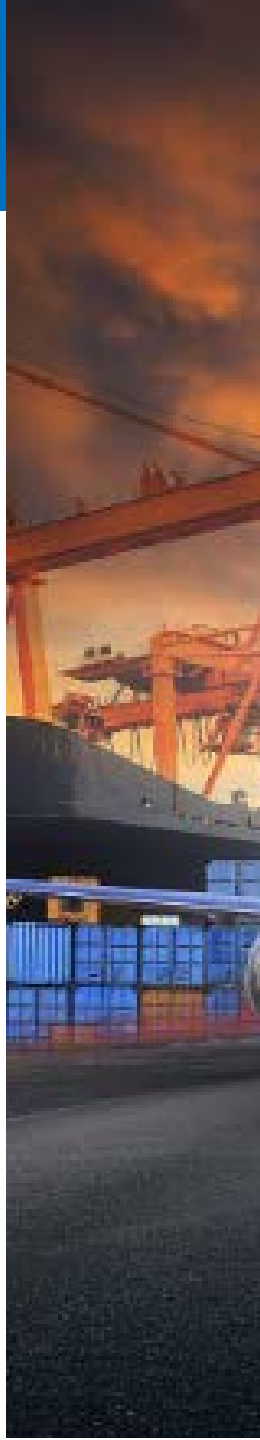
Inland Ports Overview

Intermodal Routes to Major Inland Ports

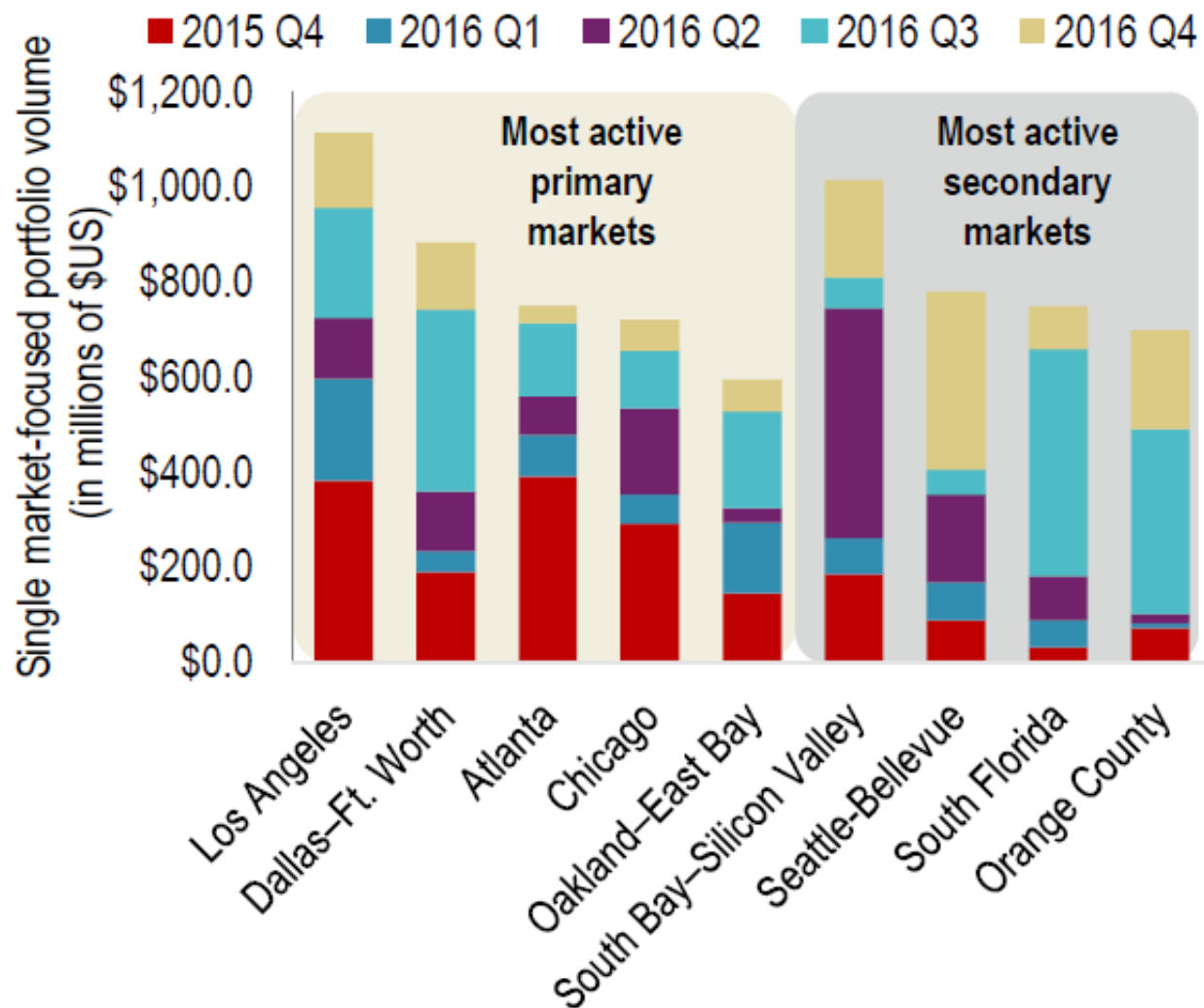


Inland Port Definition

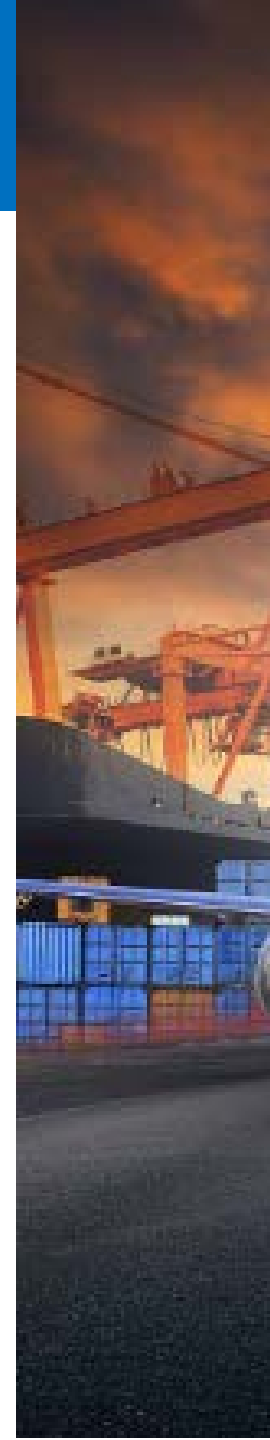
- The simple definition of an Inland Port is a strategic location “inland” away from a port that off-loads containers for a large population base.
- Usually connected to excellent interstate highway crossroads.
- We define it exclusively as an “intermodal” facility, “the end of the rail-ramp, from a port complex.”
- It is where the “box” gets unloaded, put on a truck and delivered to the DC or Customer.



2016 Industrial Markets (Inland Port and Port)



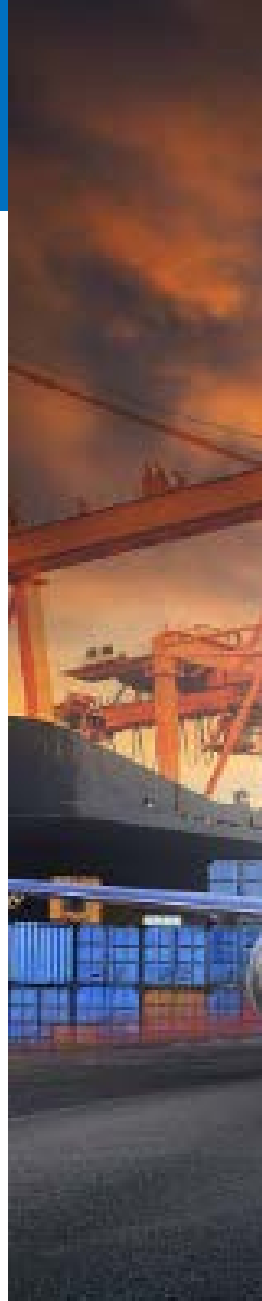
Source: JLL Research (All portfolio transactions larger than 200,000 s.f.; excluding data centers; markets with \$500.0M+ in activity in past five quarters)



U.S. Intermodal Volume Growth

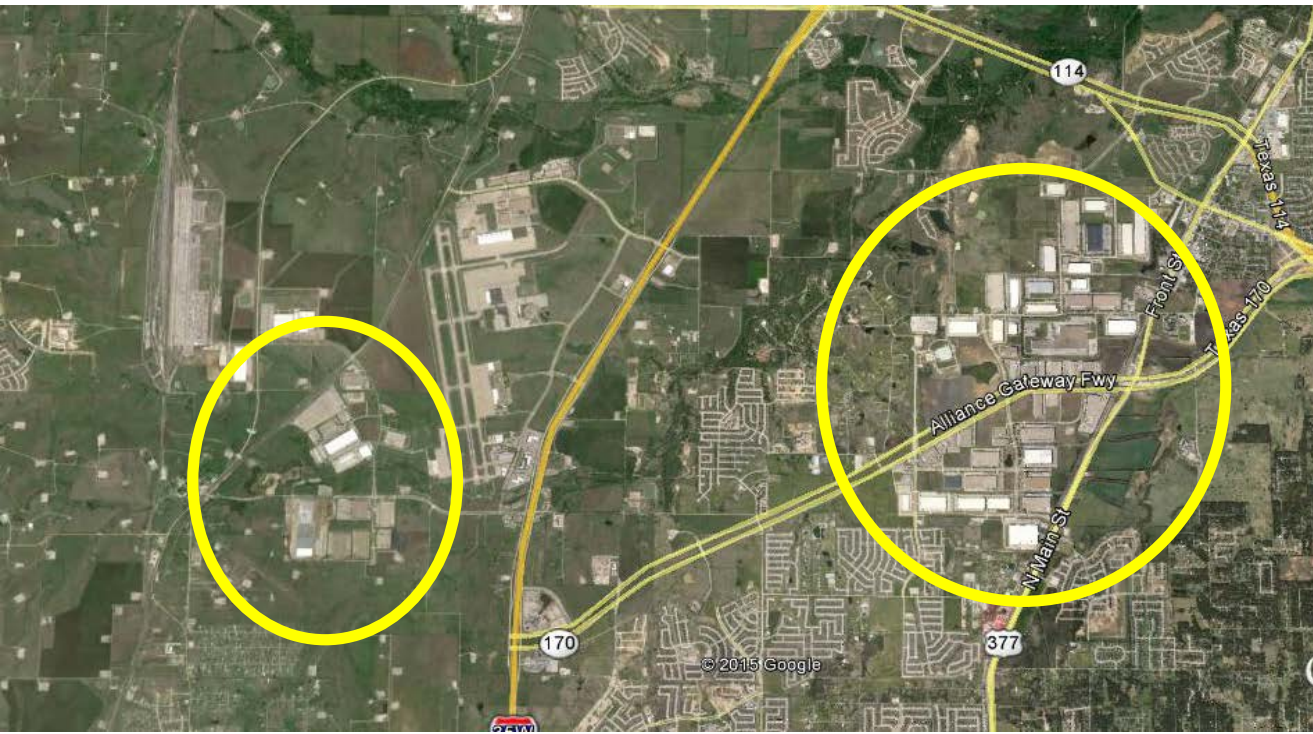


Source: IANA



DFW Inland Port, AllianceTexas (BNSF)





AllianceTexas (BNSF)

640,000 "Lifts" in
2015



In 2013, UP introduced a dedicated rail service between Port of Houston's Barbour's Cut Container Terminal and the South Dallas Intermodal Terminal running once a week.



South Dallas Intermodal Hub (UP)

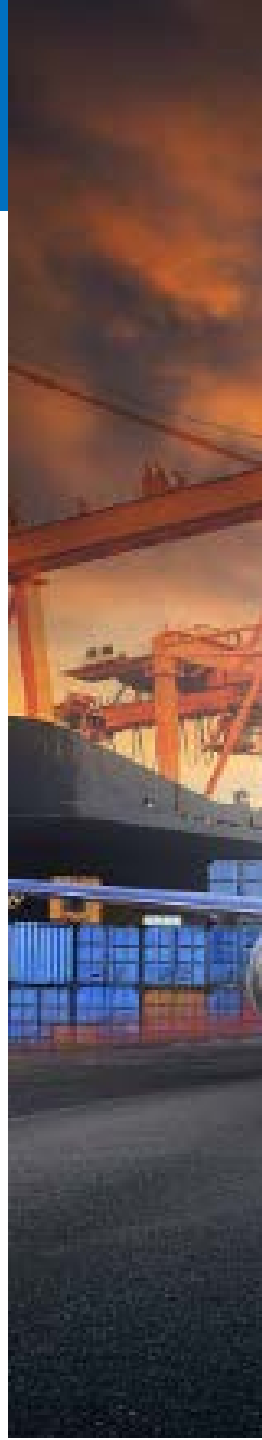
387,000 Lift
Capacity



DFW Industrial Market

- 2016 sets new record for industrial sector absorption and delivered construction.
- Annual absorption totaled 25.2 million sq. ft.
 - South Dallas had highest with absorption 5.5 million sq. ft.
 - North Fort Worth was second with 5.4 million sq. ft.
 - DFW Airport third with 3.3 million sq. ft.
- 2016 construction completions totaled 22.7 million sq. ft.
 - South Dallas delivered the most new product with 8 million sq. ft. of space added to the submarket.

Source: CBRE DFW Industrial, Q4 2016 Marketview

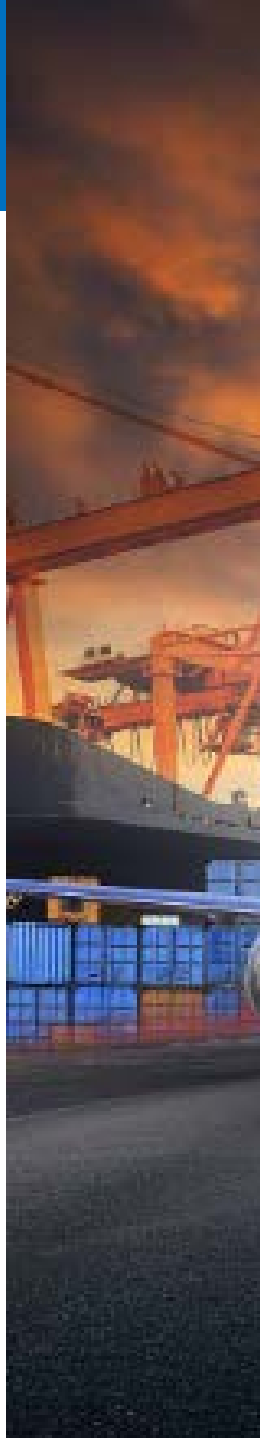


DFW Industrial Market Stats

2016 Year End Statistics

- Net Rentable Area = 744 million sq. ft.
- Vacancy Rate = 6.0%
- Average Asking Rent = \$4.48
- Net Absorption = down 3.9 million sq. ft.
- Completions = 6.4 million sq. ft.

Source: CBRE DFW Industrial, Q4 2016 Marketview





THE TRUMP EFFECT!

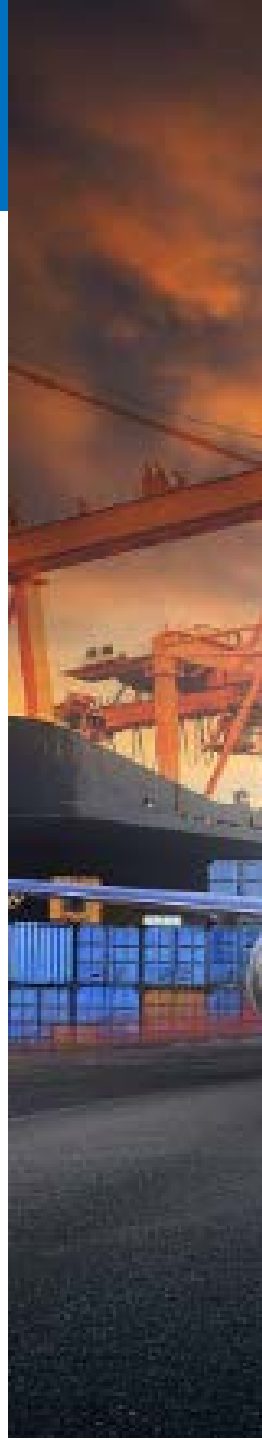
What Will Trump do to US Trade?

- We are going to make our Trading Partners “Play Fair”.
- Going to re-write NAFTA.

What is happening now??

- President Trump will order a 90-day study of abusive trade practices that contribute to the US trade deficit.
 - Includes a country-by-country, product-by-product accounting of the reasons for the imbalance.
- A second directive is aimed at increasing the collection of duties from countries whose companies American officials believe are selling products in the US below their cost of production.

Neither measure will have an immediate impact on trade policy or enforcement, but each could eventually lead to aggressive new measures.



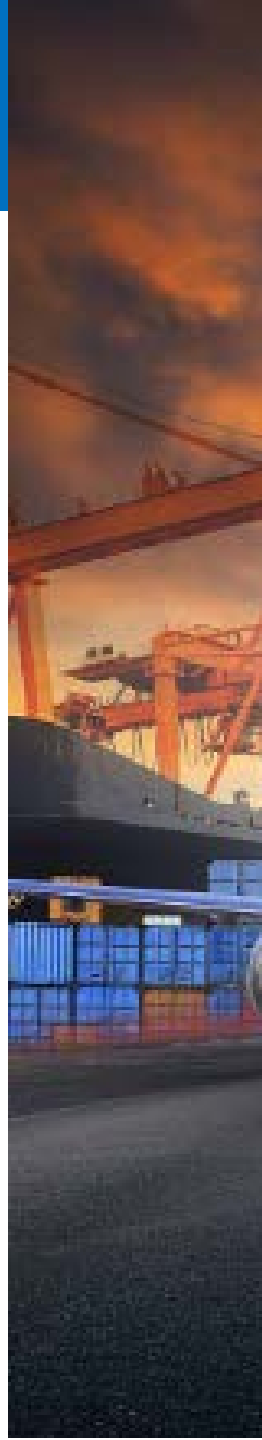
We Are Going to Make Our Trading Partners “Play Fair”

- Mr. Trump vowed to slap a 45% tariff on Chinese imports.
- He threatened to leave NAFTA... if Mexico doesn't agree to renegotiate the pact.
- Mr. Trump's win also seals the fate of ...the Trans-Pacific Partnership. DOA!

Wall Street Journal, November 9, 2016

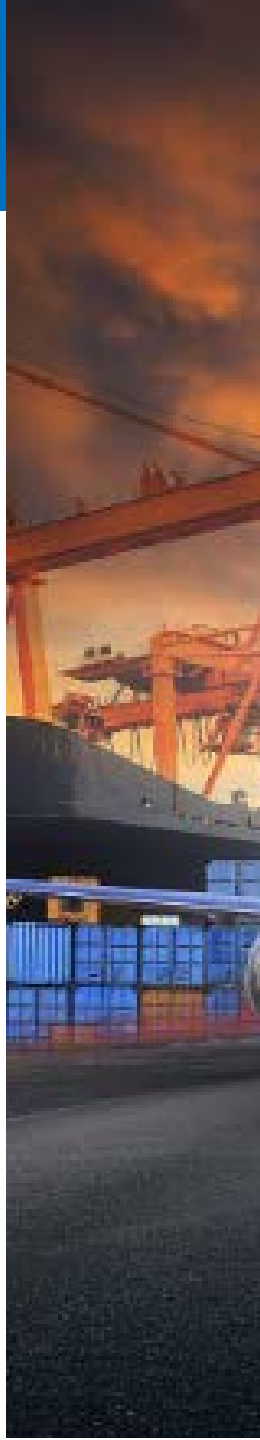
- According to Daiwa Securities, just a 15% tariff on Chinese goods would ...likely shave a quarter-point off global growth.

Wall Street Journal, November 13, 2016



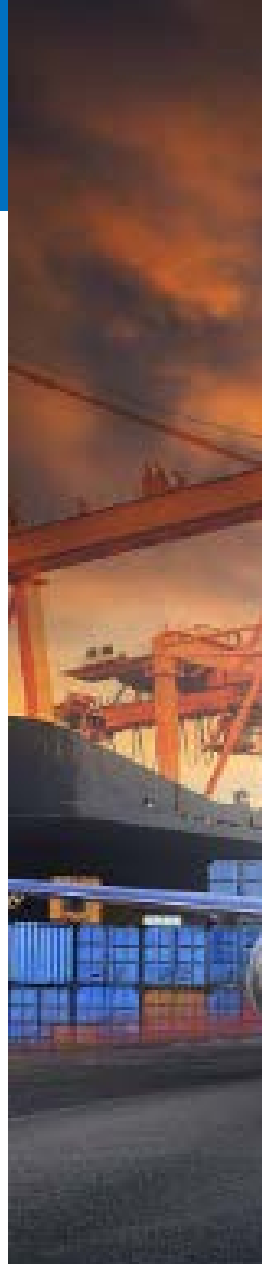
We are Going to Re-write NAFTA

- Mr. Trump's threat to renegotiate or tear up NAFTA (*Wall Street Journal*, November 21, 2016)
- NOT LIKELY TO HAPPEN---OPENING GAMBIT TO STEM ILLEGAL IMMIGRATION.
- More likely used as leverage for THE WALL, and trade will continue.
- Mr. Trump may slap on tariff hikes in violation of NAFTA, which would have Mexico responding with its own duty increases. (*Wall Street Journal*, November 20, 2016)



How Does This Impact Industrial RE?

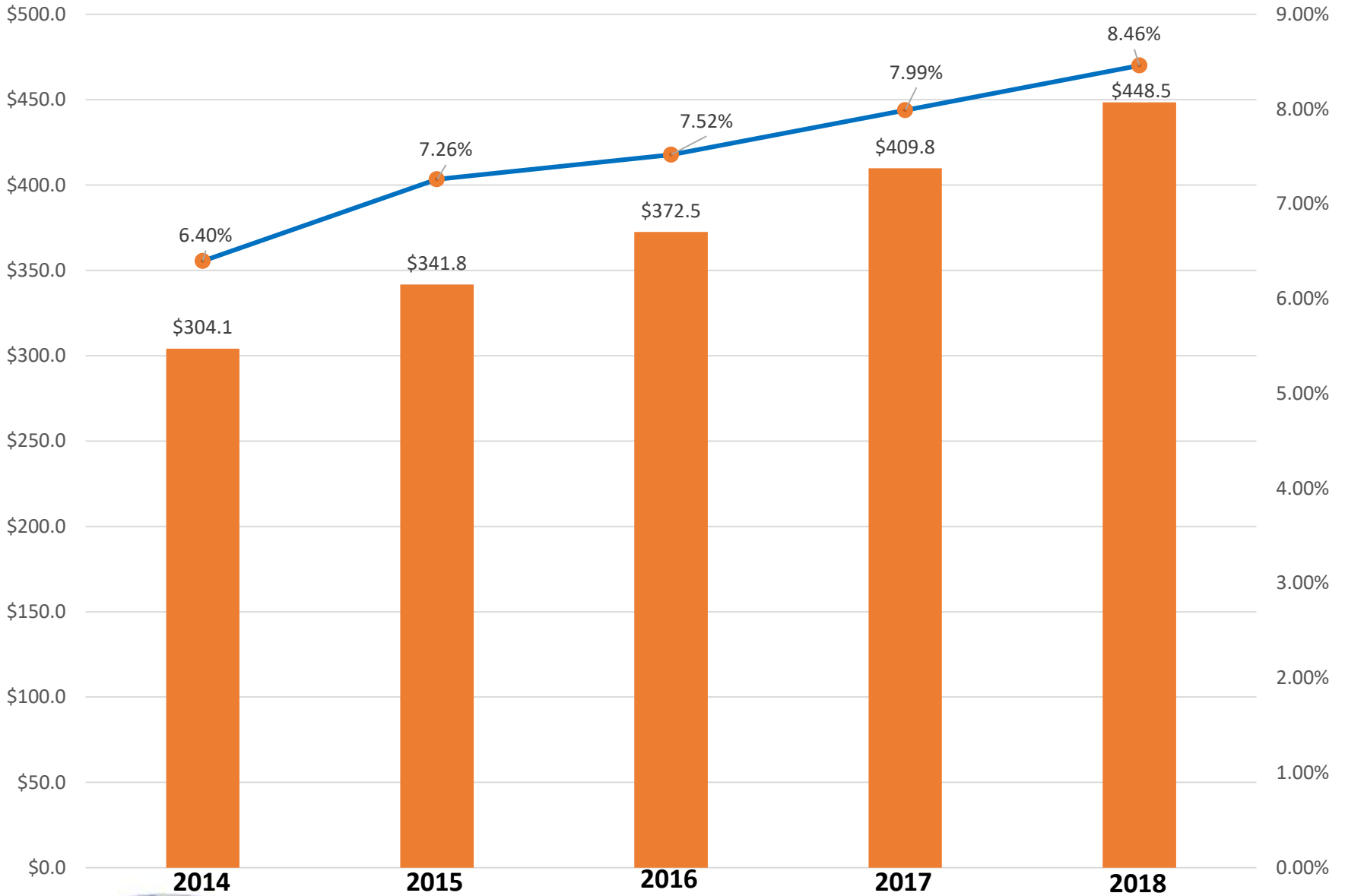
- Not sure yet....Stand by for more fire works, but also more “inventory” in the USA as the importing process could get more “onerous”!
- WINNERS? FOREIGN-TRADE ZONES FOR SURE
- LOSERS? THE AMERICAN CONSUMERS!





E-Commerce: Driving New Industrial!

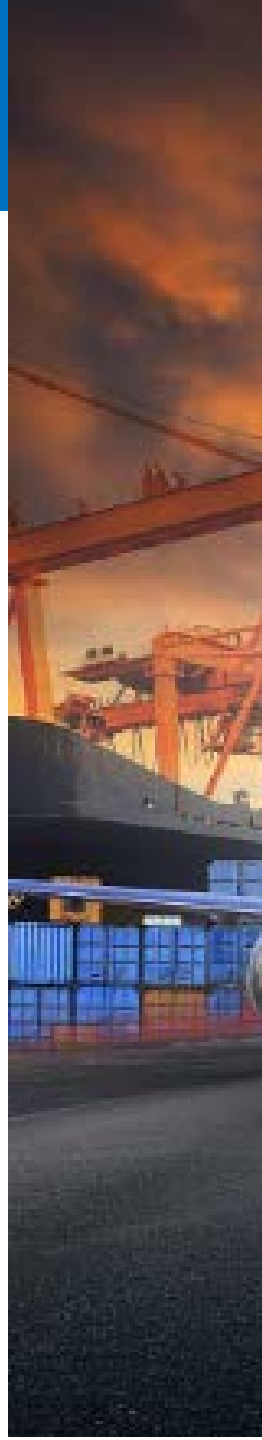
U.S. E-Commerce Retail Sales Forecast 2014-2018



Rising Labor Force Competition and Wages

- E-commerce fulfillment centers require 2 to 3 times as many workers as traditional warehouses using a \$1-an-hour wage increase raises labor costs by more than \$2 million a year at “big box” warehouses employing as many as 1,000 workers
- The unemployment rate is close to a 10-year low resulting in competition for warehouse workers and fueling wage gains
 - Starting pay for warehouse workers rose 6% over the past year to \$12.15 an hour in February
 - The warehouse sector expanded dramatically, accounting for 945,200 jobs in March. (Up 5.3% over the year-earlier period)

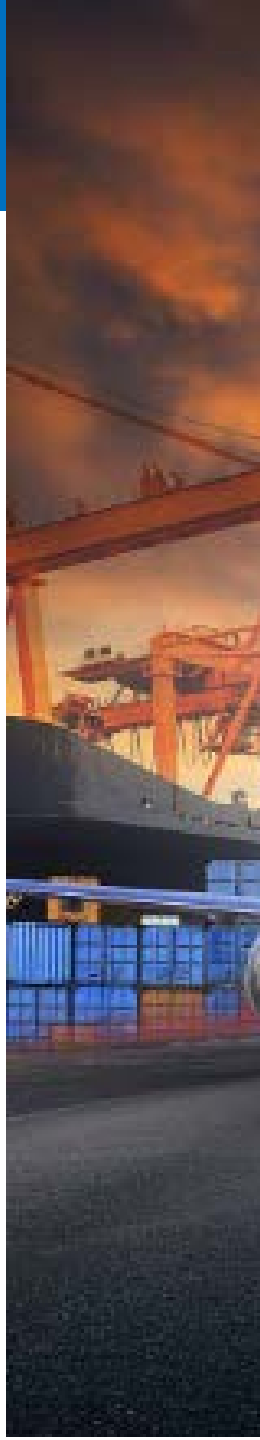
Source: Labor Department's Bureau of Labor Statistics; CBRE Group, Inc.; Amazon



Rising Labor Force Competition and Wages

- Many new facilities Amazon.com Inc. is opening around the country have 2,000 or more full-time employees
 - The e-commerce giant, which has more than 90,000 full-time workers across its fulfillment network, said Thursday it plans to create 25,000 additional part-time warehouse jobs over the next year

Source: Labor Department's Bureau of Labor Statistics; CBRE Group, Inc.; Amazon



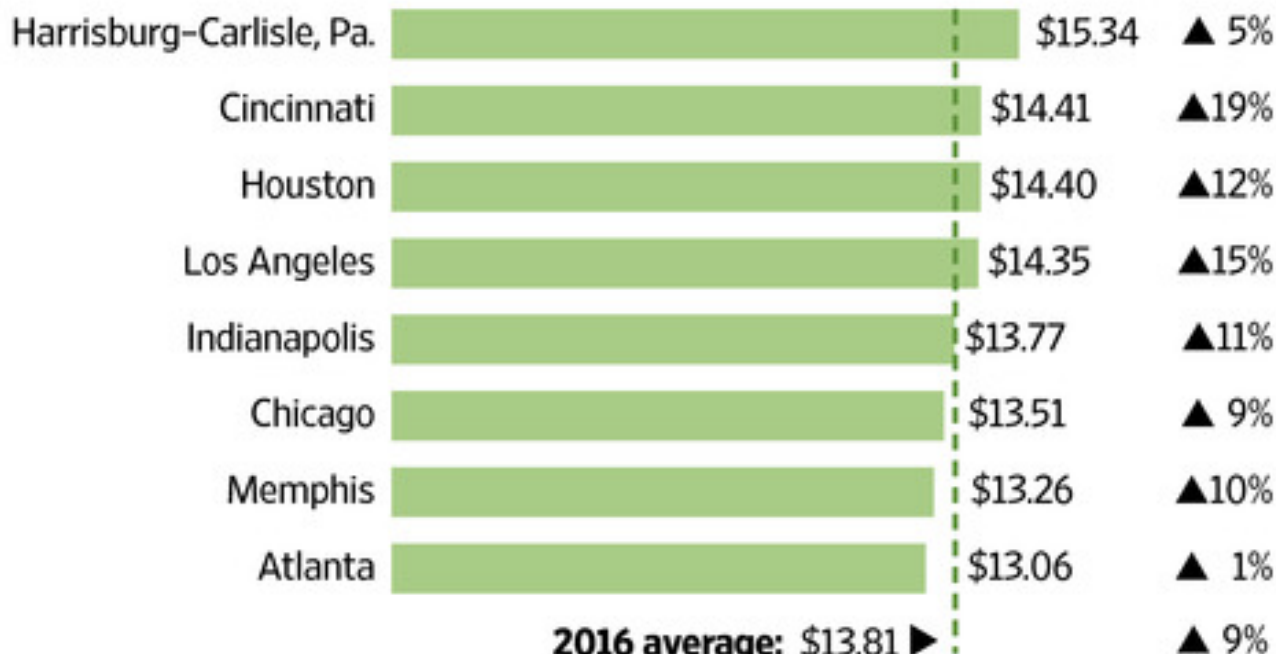
Warehouse Lift

Average wages for warehouse workers were flat for years before rising recently.

Average hourly wages*



Average wages for warehouse associates by area, 2016†



*According to an employee pay analysis by ProLogistix, a logistics staffing firm. †Average hourly wage earned by workers who move freight, stock or other materials by hand

Sources: ProLogistix (entry level); Labor Dept.; CBRE Group (areas)

THE WALL STREET JOURNAL.

THE EXTRAORDINARY SIZE OF AMAZON IN ONE CHART

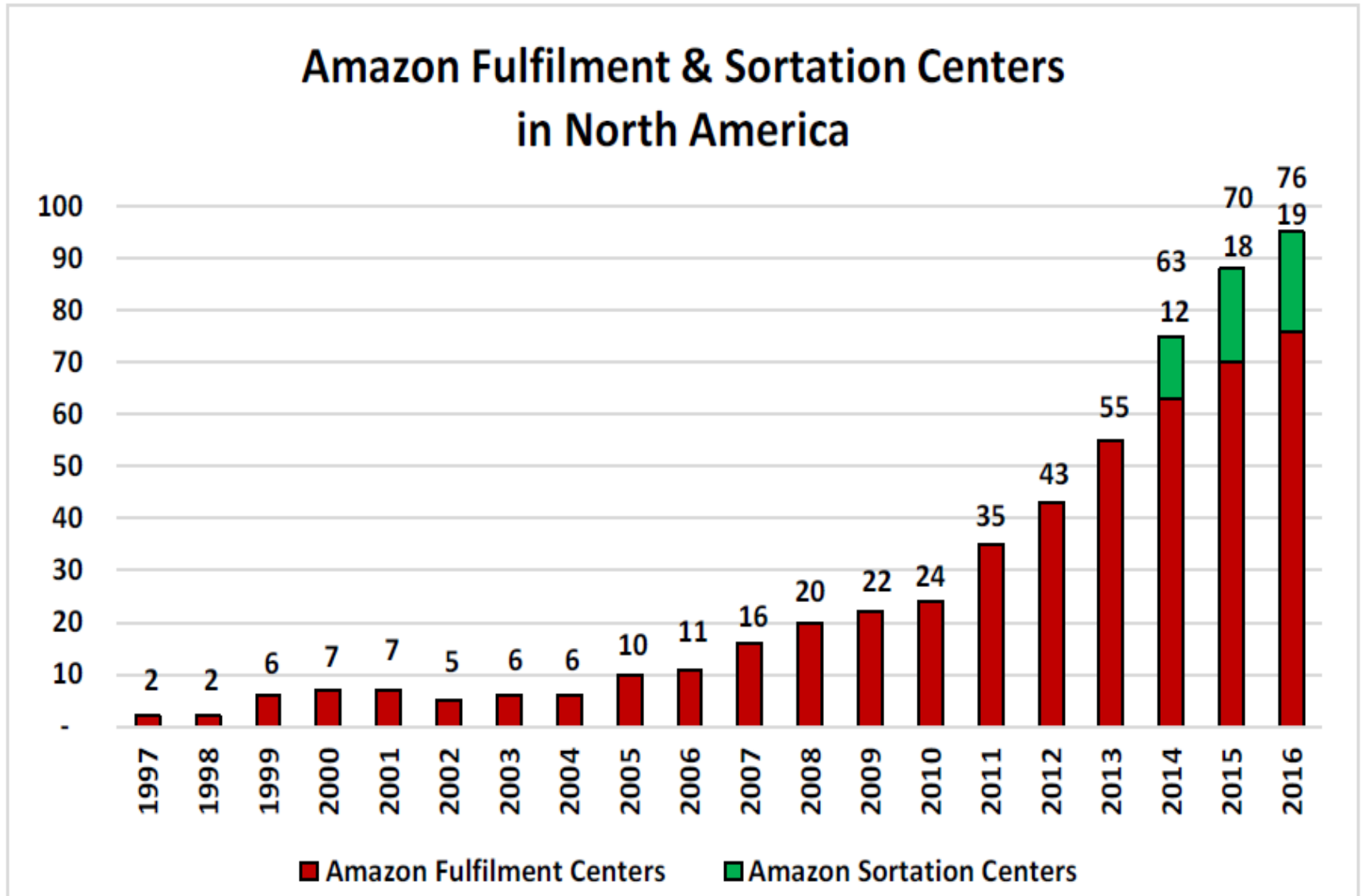
Amazon is bigger than most brick and mortar retailers put together

Market value as of December 30, 2016



Sources: Visual Capitalist, Yahoo Finance, Google Finance.

Amazon Fulfillment & Sortation Center Facilities in North America



Amazon Fulfillment Center Network

69 Active Facilities + 14 Set to Open in Next 24 Months



Retail Storefront Closings in 2017

JC Penney-138

Sears-150

Macy's-68

FootLocker-100

Kohl's-650

CVS-70

Office Depot-270

Abercrombie-54

BBG-118

HHGregg-88

Pier One-100

Staples-118

Tiffany-6

Bebe-170

Payless-400

Gander-32

GameStop-225

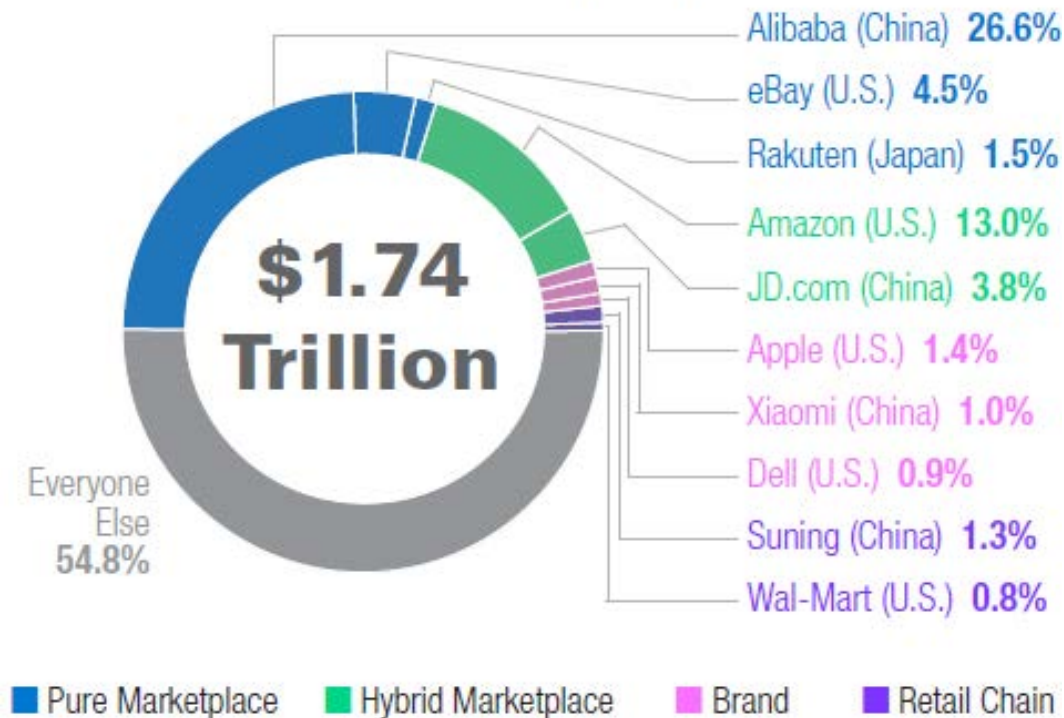
Bob's Stores-48



World's Top Retailers

The World's Top 10 Largest Retailers Hold Nearly Half the Global Market

Global E-Retail Market Share, Company Type



Pure Marketplace: Does not sell anything—it is a pure marketplace. It makes its money only via fees and advertising.

Hybrid Marketplace: Sells its own products as well as allowing others to sell on its online platform.

Brand: Only sells its own products.

Retail Chain: Retailers with online presence.

Source: Internet Retailer, August 5, 2016

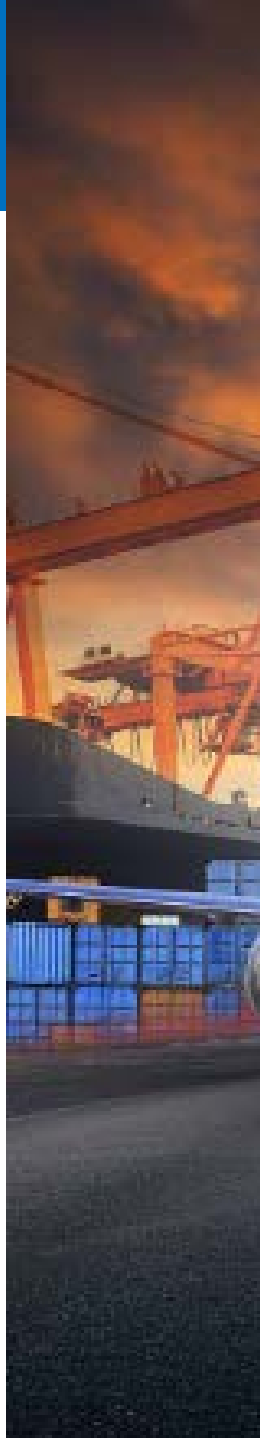


Population Trends

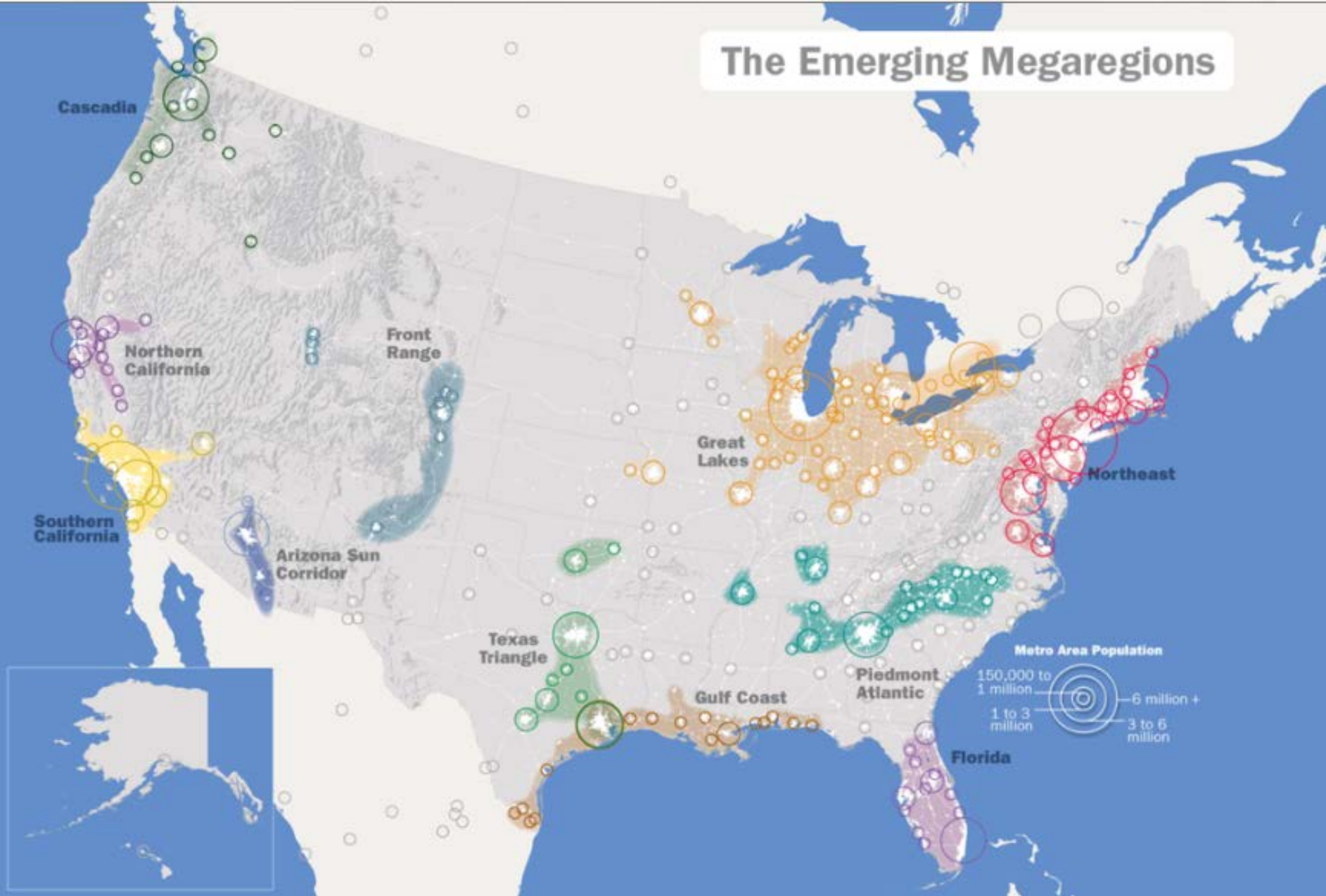
Megaregions of the U.S.

- **Megaregions of the United States** are clustered networks of US-American cities, the population of which currently ranges or is projected to range from about 57 to 63 million by the year 2025.
- *America 2050*,^[4] a project of the Regional Plan Association, lists 11 megaregions in the United States, [Canada](#) and [Mexico](#).^[1]

Arizona Sun Corridor; Cascadia; Florida; Front Range; Great Lakes; Gulf Coast; Northeast; Northern California; Piedmont Atlantic; Southern California and Texas Triangle.



The Emerging Megaregions



Thank You!



QUESTIONS?