EASTERN PA FUNDAMENTALS
AS THE ECONOMY GOES, SO GOES INDUSTRIAL

Sources: U.S. B.E.A., CBRE-EA

U.S. Nominal GDP Growth (%)

U.S. Industrial Net Absorption (MSF)

Sources: U.S. B.E.A., CBRE-EA
Source: U.S. B.E.A., CBRE Research; Y-o-Y change in 4-qtr avg of GDP for Allentown, Harrisburg, York, Scranton, Reading, Lancaster MSAs
*Rolling 4-Q sum
SQ. FT. UNDER CONSTRUCTION - Q1 2018
(MSF)

Source: CBRE-EA, CBRE Research
SQ. FT. UNDER CONSTRUCTION – AS A PERCENTAGE OF INVENTORY Q1 2018

Source: CBRE-EA
THE LONG-TERM SHIFT TO DISTRIBUTION IN OUR GREATER PHILADELPHIA/PA CORRIDOR REGION

Source: U.S. B.L.S., Employment for Phila, Allentown, Harrisburg, York, Scranton, Reading, Lancaster MSAs
ATTRACTIVE IF SLIGHTLY SLOWING REGIONAL ECONOMIC GROWTH OUTLOOK

Source: U.S. B.E.A., Moody's Analytics; Phila, Allentown, Harrisburg, York, Scranton, Reading, Lancaster MSAs
DEMAND DRIVERS
E-COMMERCE

ANNUAL NAT'L REQUIREMENT OF 60-80 MSF OF ADDITIONAL DC SPACE

$1B E-COMMERCE SALES

1.25M DISTRIBUTION SPACE
$24 BILLION

Only 3% of grocery sales happen online, and only about 20% of that is ‘true’ e-commerce
A rise in online grocery will transfer at approximately 75-100 MSF of demand from retail to industrial cold storage.

- **300 MSF**
  - Retail Cold Storage

- **180 MSF**
  - Industrial Cold Storage
VERY FAVORABLE TRUCK DRIVE TIME COVERAGE FROM LEHIGH VALLEY
TRANSPORT INFRASTRUCTURE TRENDS
More freight is being moved than ever before. US Bureau of Transportation Statistics’ Freight Transportation Services Index reached an all time high in 2017.
PORT VOLUME INCREASING IN NEO PANAMAX ERA

Port Stats

<table>
<thead>
<tr>
<th>Channel Depth</th>
<th>50 feet</th>
<th>51 feet</th>
<th>55 feet</th>
<th>40 feet - being dredged to 45</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capable Container Cranes</td>
<td>47</td>
<td>11</td>
<td>27</td>
<td>6</td>
</tr>
<tr>
<td>TEU Volume 2017 (000s) / YOY</td>
<td>3,342 / 5.5%</td>
<td>467 / 9.4%</td>
<td>1,239 / 6.4%</td>
<td>338 / 22.9%</td>
</tr>
</tbody>
</table>

Growth:

New York/New Jersey
Baltimore
Norfolk
Philadelphia
300% Turnover Rate

Driver Shortage – 100K by 2020
RISING ADOPTION
AUTOMOBILES

US REGULATION
STATE LEGISLATURES INTRODUCING AV LEGISLATION

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Count</td>
<td>6</td>
<td>9</td>
<td>12</td>
<td>16</td>
<td>20</td>
<td>33</td>
</tr>
</tbody>
</table>

Source: Accenture.com & ncsl.org
AUTO INDUSTRY MARKET VALUES

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Value</th>
<th>2017 Deliveries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ford</td>
<td>$42 Billion</td>
<td>6.6MM</td>
</tr>
<tr>
<td>GM</td>
<td>$53 Billion</td>
<td>9.6MM</td>
</tr>
<tr>
<td>Tesla</td>
<td>$56 Billion</td>
<td>91K</td>
</tr>
<tr>
<td>Waymo</td>
<td>$70 Billion</td>
<td>0</td>
</tr>
</tbody>
</table>

* Fortune.com, values as of 5/17, Fortune: Morgan Stanley analyst estimate should Waymo separate from Alphabet (Google)
POPULATION SERVED: ONE WAY DRIVE

1. Pittsburgh
2. Cleveland
3. Leesburg
4. Columbus
5. Cincinnati
6. Baltimore
7. Annapolis
8. Richmond
9. Louisville
10. Philadelphia
11. Allentown
12. Indianapolis
13. Trenton
14. Norfolk
15. Newark
16. Nashville
17. Greenville
18. Charlotte
19. Chicago
20. Hartford
21. Detroit
22. St Louis
23. Atlanta
24. Memphis
25. Milwaukee
26. Boston
27. Jacksonville
28. Kansas City
29. Los Angeles
30. Irvine
31. Dallas
32. San Diego
33. Empire
34. Las Vegas
35. Sacramento
36. San Francisco
37. Oakland
38. Walnut Creek
39. San Jose
40. Houston
41. Orlando
42. Austin
43. Minneapolis
44. Phoenix
45. Tampa
46. Tucson
47. San Antonio
48. Palm Beach
49. Miami
50. Albuquerque
51. Portland
52. Seattle
53. Denver
54. Salt Lake City
55. El Paso
56. Lapeyre
RANK | CITY
---|---
1 | Louisville
2 | Nashville
3 | Indianapolis
4 | St Louis
5 | Atlanta
6 | Cincinnati
7 | Chicago
8 | Columbus
9 | Charlotte
10 | Milwaukee
11 | Memphis
12 | Pittsburgh
13 | Cleveland
14 | Detroit
15 | Richmond
16 | Greenville
17 | Louisville
18 | Norfolk
19 | Baltimore
20 | Annapolis
21 | Kansas City
22 | Philadelphia
23 | Allentown
24 | Jersey City
25 | Newark
26 | Ontario
27 | Hartford
28 | Boston
29 | Dallas
30 | Orlando
31 | Minneapolis
32 | Tampa
33 | Houston
34 | Austin
35 | Albuquerque
36 | El Paso
37 | San Antonio
38 | Denver
39 | Palm Beach
40 | Salt Lake City
41 | Tucson
42 | Phoenix
43 | Ft Lauderdale
44 | Miami
45 | Las Vegas
46 | Irvine
47 | Sacramento
48 | Walnut Creek
49 | San Jose
50 | Oakland
51 | San Francisco
52 | Los Angeles
53 | Jacksonville
54 | San Diego
55 | Portland
56 | Seattle

POPULATION SERVED: “SLEEPLESS TRUCK”
“The automobile and automobile operators are to be classified the same as rabid and ferocious animals...”
In 1912, traffic counts in New York City showed in more cars than horses for the first time.
Economic trends suggest demand for industrial space will remain favorable and expansion should continue through 2019.

In the face of historic construction activity, market fundamentals remain remarkably resilient. Can infrastructure keep up with demand?

New potential demand drivers and paradigm shifts in logistics strategies on the horizon.