

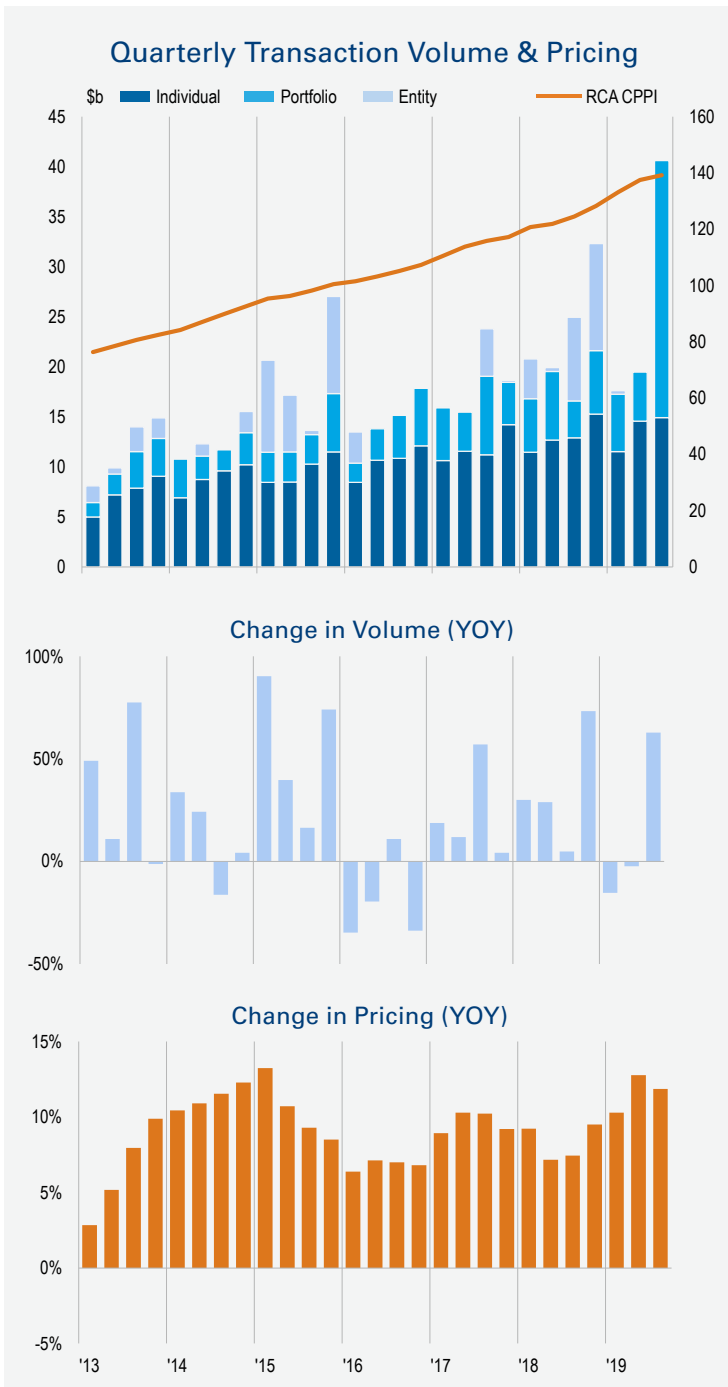
US CAPITAL TRENDS | INDUSTRIAL

This last quarter was the strongest for industrial deal activity in any quarter over history. The elevated activity was more than a story about Blackstone, however. Even without the GLP acquisitions it would have been a fantastic quarter.

\$40.6b Transaction volume

63% YOY volume change

11.9% YOY price change



Normally the fourth quarter of any year is the most active period for the industrial market. The closing of the sale of GLP US assets to two different Blackstone entities in deals priced at \$18.7b has pushed deal volume to a record level.

From 2014 to 2018, the pace of quarterly deal activity averaged \$18.0b. In a sense, these two deals were like adding an additional quarter's worth of deal volume into a single quarter. As big as these deals were, they were not the whole story for the months of July, August and September.

The bedrock of the industrial property market is the sale of individual assets where investors will underwrite the health of tenancies, local economies and building characteristics. Growth for individual asset sales shows that investors are still optimistic about this sector. Volume for individual asset sales was up 16% YOY in Q3'19 marking the quarter as the most active third quarter over history for single assets.

There were other portfolios that sold besides the GLP portfolios. Portfolio activity outside of the GLP transactions totaled \$6.9b for the quarter. Portfolio deal volume would have climbed 89% YOY. Still, without the GLP portfolio sales total volume would have fallen in Q3'19 given the size of the Prologis acquisition of DCT a year earlier.

Industrial property prices reflect the intense investor interest in the sector. The RCA CPPI for the industrial sector climbed 11.9% YOY in September. A year earlier, prices were up 7.4% YOY. No other property sector posted price growth in the double-digit range. By comparison, the RCA All-Property CPPI rose 6.7% YOY in September.

In This Issue: We review trends in volume and pricing for the third quarter and examine the momentum of markets across the U.S. The top players, transactions and markets are ranked.

Recent Trends

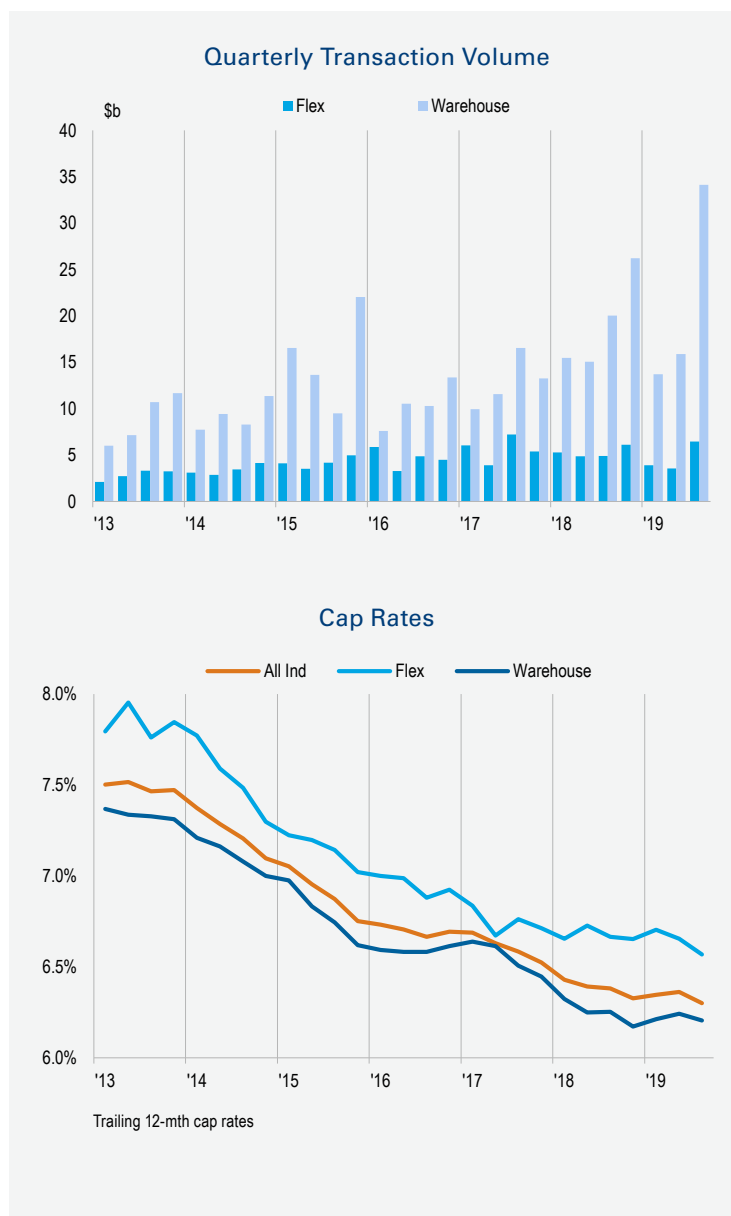
At every industry conference this fall, investors have noted concern about a potential recession and are trying to move to defensive investments to weather a downturn. The industrial sector – with low capital expenditure costs relative to NOI according to the NCREIF data – is targeted by numerous investors as a defensive asset in the face of any economic challenges ahead.

Portfolio and entity-level acquisitions can be an efficient way for investors who are hungry for the relative safety of the industrial sector to build portfolios at scale. This competition has led to a change in the scale of ownership in the U.S. industrial market. Prologis had been the largest owner of industrial assets in the U.S. but we calculate that Blackstone now holds 21% more space than Prologis; 61% if one includes BREIT.

All the portfolio activity for the quarter was not tied up in the warehouse sector either. Portfolio sales in the flex market totaled \$2.4b, with sales up 190% YOY. Only a portion of this activity was from the GLP transaction. Four other investors each placed more than \$100m into the flex sector, in acquisitions of portfolios including flex assets.

Aside from portfolio activity, deal volume was still growing for both the flex and warehouse sectors. Individual asset sales were up 13% YOY for flex space and up 17% YOY for warehouse assets.

The interest rate environment has been on a roller coaster over the last year with the 10yr UST hitting the 3.2% range in November '18 and testing levels below 1.5% in Q3'19. Through all the ups and downs, industrial cap rates have hardly moved. Cap rates averaged 6.3% in Q3'19, down only 10 bps from a year earlier. Warehouse cap rates averaged 6.2% while flex came in at 6.6%.



	Q3'19 Volume				RCA CPPI		Price Averages		
	Q3'19 Volume	YOY Chg	#Props	YOY Chg	1-qtr Chg	1-yr Chg	\$/unit	Cap Rate*	YOY Chg (bps)
Industrial	40.6	63%	2,618	31%	1.3%	11.9%	121	6.3%	-10
Flex	6.5	32%	399	-16%	-0.1%	12.9%	195	6.6%	-20
Warehouse	34.1	70%	2,219	46%	2.1%	10.8%	106	6.2%	0
Single Tenant	8.6	25%	574	20%	0.4%	11.8%	124	6.4%	30

Trailing 12-mth cap rates

Momentum of Industrial Markets

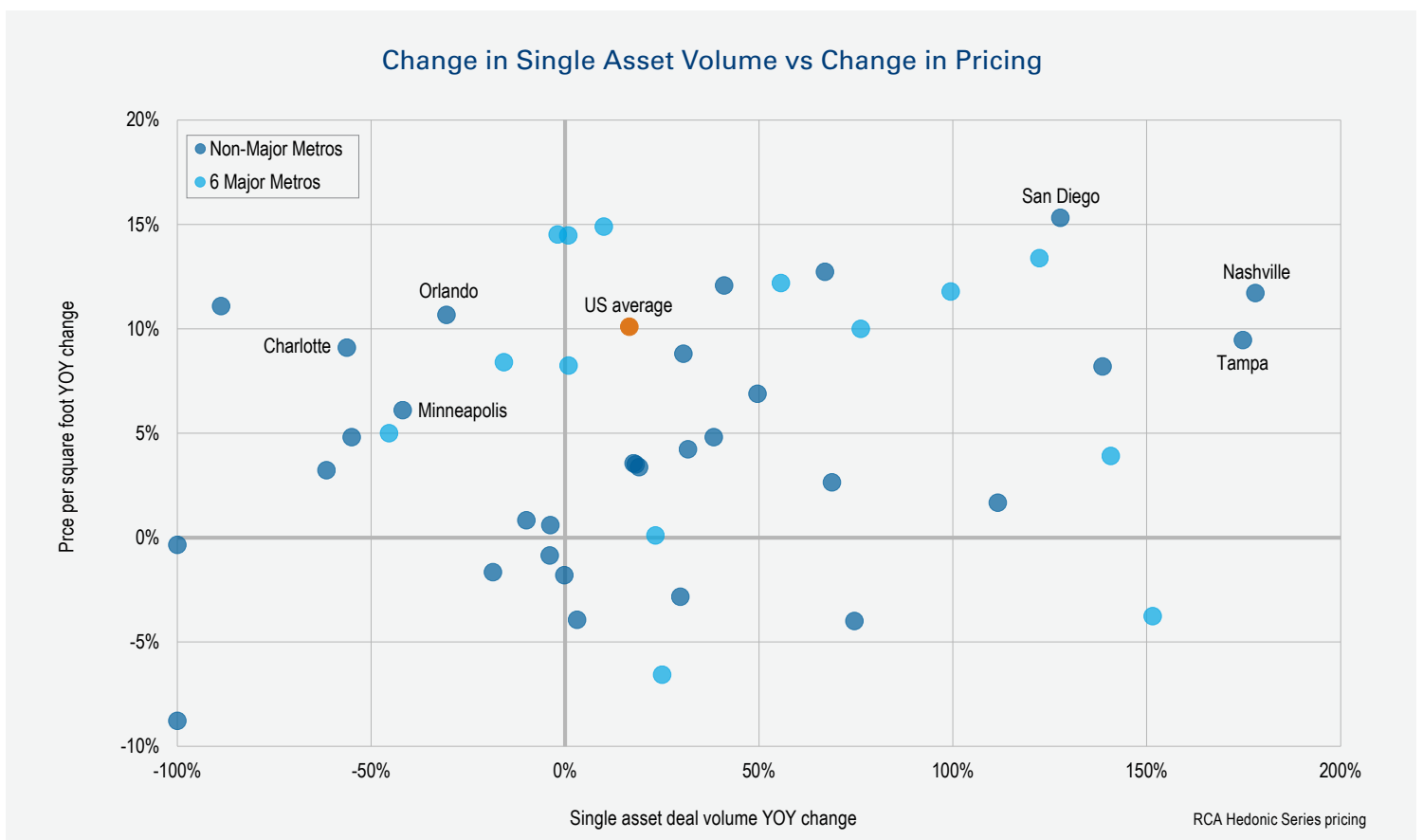
Deal volume and industrial price growth often grow in tandem, but there are times when disconnects can indicate changes in market liquidity and growing differences between buyer and seller expectations on asset pricing. The chart below highlights changes relative to a year ago by looking at year-over-year growth in the RCA HS price measure for each market as a function of the growth in single asset deal activity. Trends in single asset sales are examined to get away from the one-time effects of the GLP transactions.

The orange dot represents the U.S. average and both prices and deal volume are growing on average. However, some markets such as San Diego, Nashville, and Tampa are in the enviable position of posting both growing prices and deal

volume. Such coordination is indicative of markets where buyer and seller expectations are more closely aligned.

Markets in the upper left quadrant are those where deal volume is falling but prices are rising. These are cities where fewer owners are willing to test the market for their assets and have opted to refinance. With fewer assets on offer, investors have little choice but to pay up if they want to be in markets such as Orlando, Minneapolis and Charlotte.

The chart highlights the markets of the 6 Major Metros in a light blue and all other market tiers in a dark blue. Only some of the smaller markets outside the major metros sit in the unenviable lower left quadrant where both prices and volume are falling.



Top Markets

To rank the markets for industrial activity, we show in the chart only individual asset activity. The GLP transaction completed so close to the end of the quarter that details are still emerging on the markets where the GLP assets were located. Looking at only individual asset transactions has the benefit of highlighting fundamental investor demand for these markets absent portfolio effects.

Southern California is the place to be. Three of the top five markets are within the Los Angeles metropolitan area and two of these have hit record high levels of single asset deal activity for the year to date.

The Virginia suburbs of Washington DC and Columbus each posted record high levels of deal activity for the year to date

and move up substantially in the rankings. In both cases, part of the story is the sale of assets ranging from 200,000 to 1 million square feet. Some of these individual assets have traded for more than \$100m.

Few markets have posted declining deal activity for the year to date. The two largest declines were seen in Boston and San Jose, with significant double-digit declines in deal activity. Industrial property prices are not falling in either of these tech-driven markets so the falling volume may indicate a growing gap between buyer and seller expectations on asset pricing – a gap that may not be closing as investors opt to refinance assets instead.

Most Active Industrial Markets for Single Asset Sales Year to Date '19

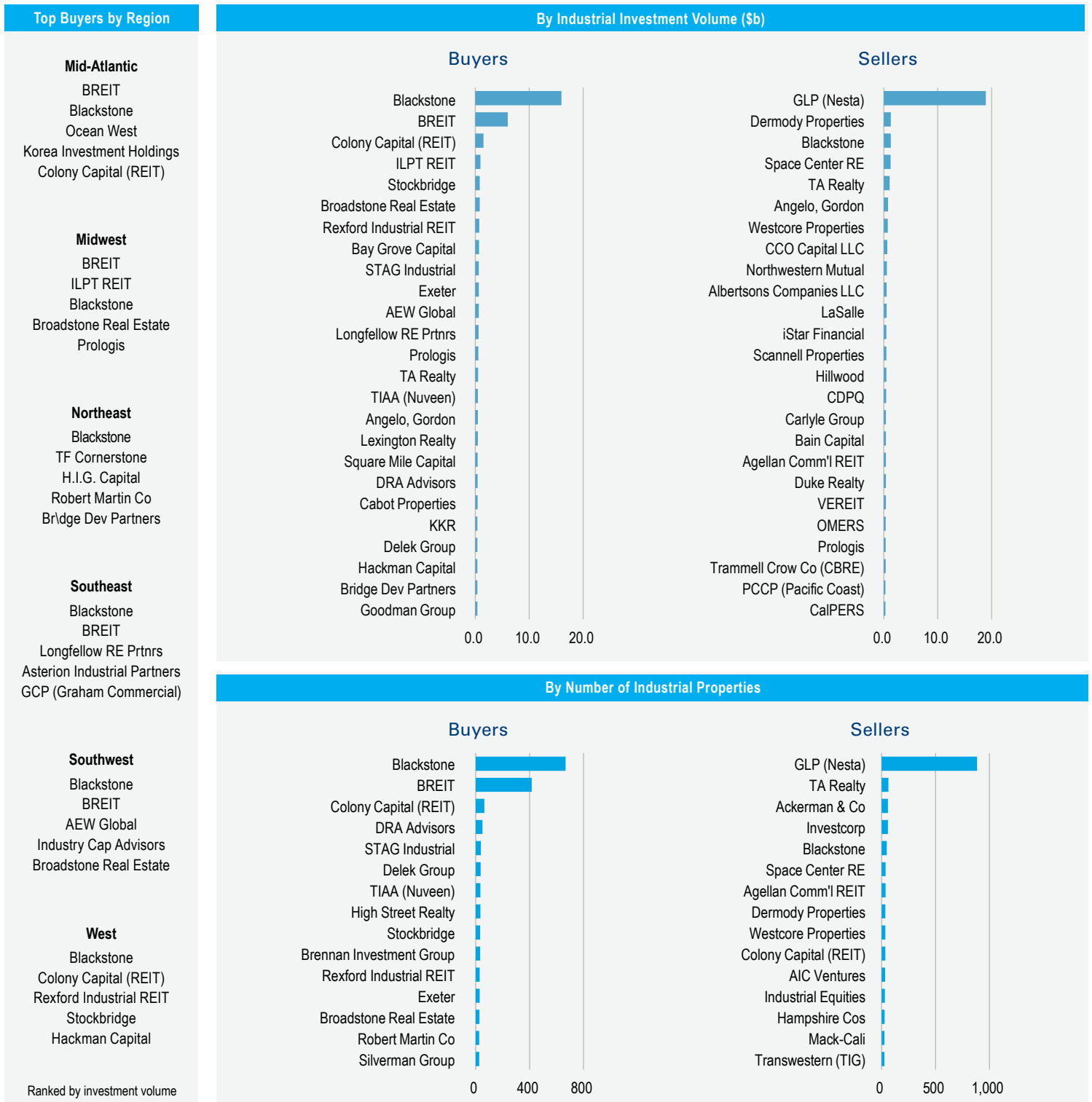
2014	2018	YTD '19	Market	Single Asset Sales Volume (\$m)	YOY Change
1	1	1	Los Angeles	3,568	27%
4	3	2	Inland Empire	1,728	5%
3	6	3	NYC Boroughs	1,694	29%
5	4	4	Dallas	1,584	-3%
7	11	5	Orange Co	1,555	39%
8	5	6	No NJ	1,536	12%
2	2	7	Chicago	1,529	-5%
10	10	8	Atlanta	1,195	20%
14	8	9	Seattle	1,049	8%
18	13	10	Phoenix	1,015	18%
12	14	11	East Bay	970	10%
11	12	12	Houston	926	0%
17	9	13	Boston	871	-25%
24	16	14	San Francisco	827	2%
6	7	15	San Jose	819	-45%
9	17	16	San Diego	788	40%
33	34	17	DC VA burbs	648	96%
41	40	18	Columbus	631	229%
20	15	19	Miami/Dade Co	601	10%
35	23	20	Portland	551	70%
16	18	21	Denver	528	-11%
22	27	22	Baltimore	514	36%
26	35	23	Nashville	485	85%
21	21	24	Minneapolis	458	-8%
47	69	25	Westchester	425	251%

Markets in orange denote record high single asset volume for the first nine months of a year in 2019

Market Table | All Industrial

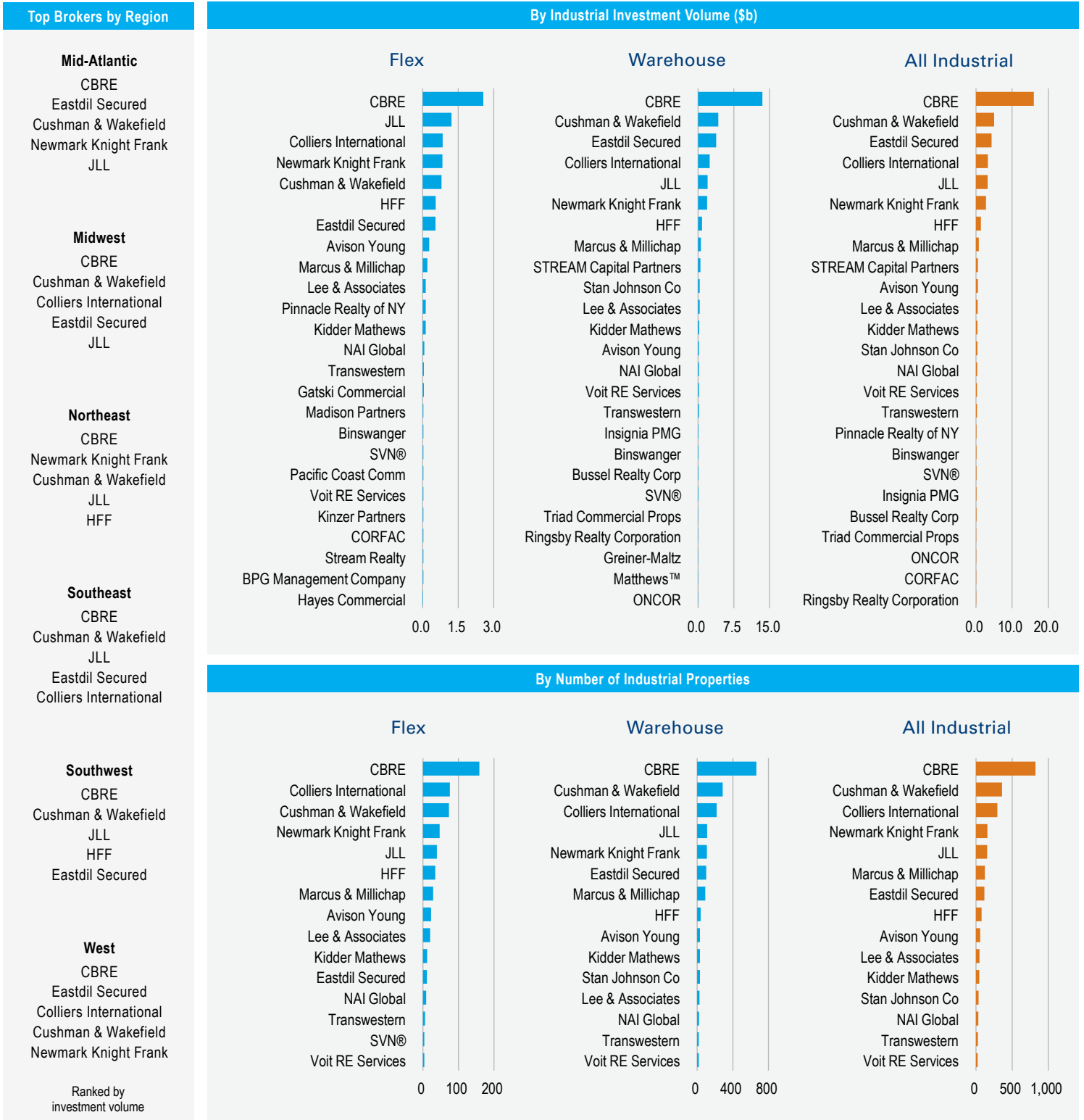
All Industrial Transactions Reported Closed		Volume				Pricing					
YTD Through Q3'19		Vol (\$m)	YOY Change	# Props	YOY Change	Price Per Sq Ft			Cap Rate		
						Low	Avg	High	Low	Avg	High
Mid-Atlantic	Baltimore	616.4	-46%	50	-54%	10	72	287	5.0%	6.2%	8.6%
	DC	72.9	-30%	7	-13%	123	288	546			
	DC MD burbs	240.7	-63%	30	-46%	71	123	1,240	5.5%	7.2%	9.0%
	DC VA burbs	1,017.2	63%	35	-22%	35	127	487	5.6%	6.4%	6.8%
	Philadelphia	602.1	-18%	69	-31%	3	53	222	7.5%	8.0%	9.0%
	Pittsburgh	201.7	147%	15	15%	25	71	403	5.3%	5.3%	5.3%
	Richmond/Norfolk	430.1	36%	21	-43%	17	69	362			
	Tertiary Mid-Atlantic	1,787.6	-19%	114	-26%	11	65	339	4.6%	5.9%	7.8%
	Total	5,353.1	-9%	370	-29%	3	74	1,240	4.6%	6.4%	9.0%
Midwest	Chicago	3,950.4	-11%	303	-23%	9	78	673	5.1%	7.2%	8.9%
	Cincinnati	680.9	17%	61	15%	19	61	105			
	Cleveland	101.8	-23%	19	12%	10	41	65			
	Columbus	1,079.3	-10%	56	-13%	18	80	740	5.3%	6.4%	7.9%
	Detroit	476.3	-6%	56	-32%	20	48	193	5.3%	7.9%	10.0%
	Indianapolis	776.1	7%	42	-40%	10	56	145	6.7%	7.2%	7.7%
	Kansas City	555.3	62%	36	3%	14	57	231			
	Minneapolis	1,085.7	44%	134	24%	17	78	295	5.7%	6.3%	6.9%
	St Louis	436.6	2%	57	4%	21	54	148	6.4%	7.6%	8.6%
	Tertiary Midwest	2,162.6	7%	266	-3%	7	43	316	5.8%	8.0%	10.0%
Total	11,304.9	-1%	1,030	-12%	7	62	740	5.1%	7.5%	10.0%	
Northeast	Boston	1,438.0	1%	101	12%	17	154	5,098	6.2%	6.3%	6.5%
	Hartford	117.8	-53%	17	31%	13	35	155			
	Long Island	275.5	-17%	47	-35%	48	121	475	6.9%	7.5%	8.1%
	Manhattan	44.6	3%	2	-33%	975	1,379	2,512			
	No NJ	2,689.0	28%	194	18%	18	118	2,277	4.4%	6.1%	8.1%
	NYC Boroughs	2,146.6	50%	119	6%	16	381	3,044	4.0%	4.7%	5.3%
	Stamford	39.2	-44%	7	0%	24	37	89			
	Westchester	777.6	371%	53	342%	40	121	614			
	Tertiary Northeast	952.8	30%	101	16%	10	70	450	6.0%	7.1%	8.0%
Total	8,481.0	28%	641	13%	10	137	5,098	4.0%	6.5%	9.6%	
Southeast	Atlanta	2,244.2	-13%	234	17%	20	66	854	4.6%	5.8%	8.5%
	Broward	921.0	99%	60	2%	48	146	1,063	5.7%	5.9%	6.0%
	Charlotte	658.0	-16%	67	-17%	19	77	515			
	Jacksonville	383.1	-2%	16	-11%	31	69	387			
	Memphis	624.9	3%	48	23%	7	39	89	5.7%	7.0%	8.8%
	Miami/Dade Co	1,376.8	36%	96	-13%	48	132	986	4.7%	6.0%	7.7%
	Nashville	565.2	-15%	58	-8%	31	78	481			
	Orlando	308.2	-64%	34	-60%	28	83	204	5.4%	6.1%	6.8%
	Palm Beach Co	291.3	139%	41	128%	36	96	857			
	Raleigh/Durham	810.3	176%	59	51%	34	111	738	4.8%	6.1%	7.5%
	Tampa	599.0	73%	47	-2%	26	81	538	5.9%	6.4%	6.9%
Tertiary Southeast	3,077.8	7%	314	9%	2	51	1,018	5.1%	7.5%	13.1%	
Total	12,162.1	9%	1,117	4%	2	69	1,063	4.6%	6.7%	13.1%	
Southwest	Austin	1,124.9	97%	70	-8%	111	145	552			
	Dallas	3,303.1	-4%	212	-29%	32	83	395	4.8%	5.8%	7.7%
	Denver	1,074.3	-11%	103	-15%	44	128	1,098	5.9%	7.1%	8.1%
	Houston	1,553.6	-19%	151	-17%	28	87	1,488	7.2%	8.0%	8.8%
	Phoenix	1,373.4	-23%	120	-21%	8	106	595	5.0%	6.2%	7.7%
	San Antonio	307.4	34%	25	-32%	64	126	267			
	Tertiary Southwest	1,080.1	-14%	156	-5%	14	77	606	6.1%	7.3%	9.1%
	Total	9,816.9	-8%	837	-22%	8	97	1,488	4.8%	6.6%	9.1%
West	East Bay	2,014.4	39%	97	-24%	54	209	901	4.5%	5.2%	6.2%
	Inland Empire	3,377.8	11%	158	-26%	14	125	3,827	4.0%	5.1%	7.2%
	Las Vegas	1,199.4	59%	68	-13%	19	112	239	4.6%	5.6%	6.5%
	Los Angeles	4,354.1	30%	344	-4%	59	223	1,979	3.0%	4.6%	6.3%
	Orange Co	2,364.3	76%	124	-18%	98	200	483	4.7%	5.1%	6.3%
	Portland	1,096.0	143%	72	1%	28	119	364			
	Sacramento	360.9	-40%	54	-17%	44	92	278			
	Salt Lake City	286.1	-36%	35	-43%	40	105	258			
	San Diego	1,070.9	50%	98	20%	72	209	919	4.5%	5.7%	7.0%
	San Francisco	907.5	2%	62	17%	150	515	1,292	4.7%	5.2%	5.8%
	San Jose	1,068.1	-32%	58	-33%	57	295	1,172	5.5%	6.8%	8.1%
	Seattle	2,021.6	19%	138	-6%	16	172	2,000	3.8%	5.0%	6.7%
Tertiary West	3,230.4	16%	243	-14%	14	103	1,806	4.9%	6.3%	8.2%	
Total	23,351.5	21%	1,551	-13%	14	166	3,827	3.0%	5.4%	8.2%	
Total	US Other										
	Total US	77,665.1	18%	5,953	-5%	2	97	5,098	3.0%	6.3%	13.1%

Top Buyers and Sellers | Year to Date '19



Methodology: Rankings are based on the pro-rated share of the total property or portfolio value. In the case of joint ventures, full credit is assigned to each investor. For more information please visit the RCA website.

Top Brokers | Year to Date '19



Methodology: Full credit assigned to each broker when multiple brokers involved. For partial-interest, volume is based on the pro-rated share of the total property or portfolio value. Based on sell-side representation. The transaction volume of brokerage firms that have merged are left unconsolidated before the merger date and are attributed to the surviving or newly formed company after the merger date. For more information please visit the RCA website.

Top Deals | Year to Date '19

Property Sales

Property	Location	Size	Type	Volume (\$m) ^Δ	\$/unit	Buyer	Seller	
1	Manhattan Beach Studios	Manhattan Beach, CA	587,000 sq ft	IND	340.3	580	Hackman Capital JV Square Mile Capital	Carlyle Group
2	55-1 2nd Street	Queens, NY	183,797 sq ft	IND	285.0	1,551	TF Cornerstone	Holterbosch Family
3	Albertsons Irvine Dist Center	Irvine, CA	1,205,100 sq ft	IND	277.7	230	CalPERS	Albertsons Companies LLC
4	Goodman Commerce Cntr	Long Beach, CA	1,744,000 sq ft	IND	230.0	132	Goodman Group	Boeing Company
5	SouthPointe 4001	Grove City, OH	294,024 sq ft	IND	217.5	740	Link Industrial Properties	Duke Realty
6	Palo Alto Technology Center	Palo Alto, CA	259,586 sq ft	IND	205.0	790	Longfellow RE Prtnrs	KBS Realty Advisors
7	2001 East Orangethorpe Ave	Fullerton, CA	1,300,000 sq ft	IND	202.1	155	Goodman Birtcher	Kimberly Clark Corp
8	Research Park	Austin, TX	1,110,007 sq ft	IND	165.5	149	Karlin RE JV Trammell Crow Co (CBRE)	Equity Commonwealth
9	New Jersey Cntr of Excellence	Green Knoll, NJ	785,598 sq ft	IND	152.0	193	Thor Equities	Advance Realty Grp JV CrossHarbor Cap
10	Gunston Commerce Center	Lorton, VA	602,000 sq ft	IND	142.0	236	NGP Capital	I-95 Business Parks Management
11	Genentech	San Francisco, CA	163,181 sq ft	IND	139.5 *	950	Clarion Partners PT	Alexandria
12	Renaissance Park	Herndon, VA	835,927 sq ft	IND	134.1	160	Starwood Property Trust	STRS Ohio
13	Goodman Commerce Cntr	Los Angeles, CA	552,525 sq ft	IND	130.0	235	Goodman Group	Kroger Inc
14	Los Alamitos Corp Center	Los Alamitos, CA	685,588 sq ft	IND	128.5	187	Alere Property Group	Northwestern Mutual
15	521 Chelsea Road	Aberdeen, MD	1,344,570 sq ft	IND	124.6	93	TA Realty	Northwestern Mutual
16	Columbia Bus Park Phase I	Riverside, CA	1,000,000 sq ft	IND	123.8	124	ASB Real Estate Investments	Trammell Crow JV Washington Cap Mgmt
17	Beckman Bus Ctr 1, 2 & 6	Fullerton, CA	663,257 sq ft	IND	123.7	186	Prologis	Western Realco
18	San Fernando Bus Center	San Fernando, CA	591,660 sq ft	IND	118.1	200	Rexford Industrial REIT	Barings
19	Amazon Fulfillment Cntr	North Haven, CT	855,000 sq ft	IND	118.0	138	Realty Income Corp	Rabina Properties
20	Bradley Industrial Park	Blauvelt, NY	1,200,000 sq ft	IND	116.9	97	Angelo, Gordon JV Onyx Equities LLC	John Magee & Patrick Magee
21	Pioneer 360 Business Center	Arlington, TX	1,163,470 sq ft	IND	116.1	100	Black Creek Group	LaSalle
22	Pacific Business Center	Henderson, NV	898,398 sq ft	IND	111.3	124	Niru Group	Northwestern Mutual
23	Conejo Spectrum Bus Park	Thousand Oaks, CA	531,378 sq ft	IND	106.3	200	Rexford Industrial REIT	SARES-REGIS Group
24	Amazon Fulfillment Center	Salem, OR	1,018,020 sq ft	IND	105.5	104	PNC Realty Investors Inc	PCCP (Pacific Coast) JV Capstone Ptnrs
25	NorCal Logistics Cntr (Phase 1)	Manteca, CA	1,122,341 sq ft	IND	105.3	94	BentallGreenOak	CT Realty Investors JV Mitsubishi

Portfolio Sales

Buyer	Seller	Location	# Props	Type	Volume (\$m) ^Δ
1	Blackstone	GLP (Nesta)	Multiple, USA	IND	13,400.0
2	BREIT	GLP (Nesta)	Multiple, USA	IND	5,300.0
3	Blackstone	Space Center RE	Multiple, USA	IND	1,241.9
4	Colony Capital (REIT)	Dermody Properties	Multiple, USA	IND	1,160.0
5	Broadstone Real Estate	Angelo, Gordon	North America	IND	713.8
6	ILPT REIT	CCO Capital LLC	Multiple, USA	IND	624.7
7	Blackstone	TA Realty	Multiple, USA	IND	-
8	Stockbridge	Westcore Properties	Multiple, USA	IND	570.0
9	Bay Grove Capital	iStar Financial	Multiple, USA	IND	442.5
10	AEW Global	TA Realty	Multiple, TX	IND	-

^Δ When prices are not known, estimated prices are used in the ranking but are not shown. Volume is adjusted pro-rata for partial interests although \$/unit reflects 100% valuation.

* Partial interest ** Forward sale

The number of buyers or sellers shown on a deal is truncated to two. For full deal and player information go to the RCA website.

Selected Recent Transactions



43rd Avenue Logistics Center, Phoenix, AZ

Property Address Location	SF Year Built Notes	Price \$/sf Qualifier	Owner/Buyer Seller Broker
Mid-Atlantic			
485 Distribution Center 485 St Johns Church Rd Camp Hill, PA	456,810 2018 Warehouse	\$43,750,000 \$96 confirmed	Black Creek Group from Endurance RE Group JV CenterSquare by JLL
Turnpike Distribution Center 1750 Shenango Rd New Galilee, PA	410,389 2007 Warehouse	\$30,750,000 \$75 approximate	STAG Industrial from Omega Industrial Realty by CBRE
Midwest			
Park North Building 8 100 Exploration Dr Monroe, OH	994,013 2016 Warehouse	\$65,660,000 \$66 approximate	Lexington Realty from Ivanhoe Cambridge JV Oxford Properties Group
Fresh Express - Chiquita 1109 E Lake St Streamwood, IL	443,493 1998 Warehouse	\$58,343,500 \$132 confirmed	Broadstone Net Lease Inc from Angelo, Gordon by CBRE
Northeast			
123 Pennsylvania Avenue 123 Pennsylvania Ave Kearny, NJ	667,000 1951 Warehouse	\$110,000,000 \$165 approximate	Black Equities from Arka Properties
29 Ryerson Street 29 Ryerson St Brooklyn, NY	220,000 1951 Warehouse	\$55,000,000 \$250 confirmed	Sela Group from Madison Realty Capital by Cushman & Wakefield
Southeast			
Centergate at Gratigny 6301 E 10th Ave Hialeah, FL	1,021,948 1999 Warehouse	\$89,000,000 \$87 approximate	RREEF America from Prudential RE Investors by CBRE
2408 Tech Center Pkwy 2408 Tech Center Pkwy Lawrenceville, GA	944,444 2007 Warehouse	\$80,430,000 \$85 confirmed	Blackstone from Realty Associates Fund by CBRE
Southwest			
Hensley Beverage Company 4201 N 45th Ave Phoenix, AZ	296,889 1988 Warehouse	\$57,681,280 \$194 approximate	Broadstone Net Lease Inc from Angelo, Gordon by CBRE
43rd Avenue Logistics Center 1635 S 43rd Ave Phoenix, AZ	394,775 2013 Warehouse	\$47,400,000 \$120 confirmed	Vital Pharmaceuticals Inc by JLL from Cohen Asset Management
Centercore Distribution Center 5775 N Broadway Denver, CO	249,228 2017 Warehouse	\$45,250,000 \$182 confirmed	LaSalle from Huntington Industrial Partners by Ringsby Realty Corporation
West			
2001 East Orangethorpe Avenue 2001 E Orangethorpe Ave Fullerton, CA	1,300,000 1955 Warehouse	\$202,056,717 \$155 confirmed	Goodman Birtcher from Kimberly Clark Corp by CBRE
Mattel 2031 E Mariposa Ave El Segundo, CA	192,053 1954 Flex	\$84,000,000 \$437 approximate	GPI Companies from Angelo, Gordon by CBRE

Jim Costello, Senior Vice President [Contact](#)

Robert M. White, Jr., Founder & President

Alexis Maltin, Senior Manager, Analytics

Wyatt Avery, Senior Analyst

Haley Crimmins, Senior Analyst

Aamash Haroon, Analyst

About Real Capital Analytics

Real Capital Analytics (RCA) is the authority on the deals, the players and the trends that drive the commercial real estate investment markets. Covering all markets globally, RCA delivers timely and reliable data with unique insight into market participants, pricing and capital flows. The most active investors, lenders and advisors depend on RCA's market intelligence to formulate strategy and to source, underwrite and execute deals. An industry pioneer since 2000, RCA has offices in New York, San Jose, London and Singapore. For more information, visit: rcanalytics.com

About Capital Trends

Capital Trends reports analyze and interpret trends in the global real estate market using RCA's comprehensive data. US Capital Trends is a monthly edition comprising an overview of the U.S. market and separate reports on the five main property types. Asia Pacific, Europe and Global Capital Trends are published quarterly.

Methodology

Data based on properties and portfolios \$2.5m and greater unless otherwise stated. For RCA Hedonic Series methodology [click here](#).

For the most current data and even more options for analysis, visit: rcanalytics.com