Labor Scarcity is Reshaping the Industrial Landscape

ElmTree Funds
PRIVATE EQUITY REAL ESTATE

Over the last 36 months, ElmTree's acquisition activity totals over $5 billion, and, within these transactions, ElmTree has seen three main trends driving demand growth within the industrial sector.(1) First, growth in e-commerce sales is driving an increased need for modern industrial facilities that can deliver shorter delivery times. Second, tenants are shifting towards higher inventory levels to prevent future supply chain shocks. Third, tenants are reshoring more supply chain operations to maintain greater control over their operations moving forward.

This significant growth in tenant demand for industrial real estate has created a shortage of the workers needed to effectively operate industrial facilities. As a result, ElmTree believes the following key trends are reshaping the industrial sector:

- The scarcity of warehouse labor is preventing industrial tenants from effectively launching new operations and capitalizing on growing e-commerce sales.
- Labor availability and labor costs are becoming larger considerations for tenants when making location decisions for their industrial facilities.
- Tenants are choosing to locate more facilities in both secondary and tertiary markets as well as outlying submarkets of gateway and primary markets because smaller markets often offer higher labor availability and lower labor costs relative to larger markets.
- Tenants are investing more in labor analytics to adapt their supply chains to better manage the labor scarcity in the sector.
- Tenant demand, and eventually investor demand, for industrial assets will increase significantly in new markets within the U.S.

Looking forward, ElmTree believes these trends offer a compelling investment opportunity for investors with a mid-to-long-term investment horizon, which we discuss in more detail throughout the rest of this research paper.

1) The figure represents total transaction cost, including leverage, for acquisitions closed or placed under contract or letter of intent by ElmTree between August 2019 and August 2022.

MaCauley Studdard
Managing Director
314-828-4207
mstuddard@elmtreefunds.com

Austin Davis
Associate
314-828-4216
adavis@elmtreefunds.com

Mark Clinton
Associate
314-828-4210
mclinton@elmtreefunds.com

Qi Sang
Quantitative Research
314-828-4200
qsang@elmtreefunds.com

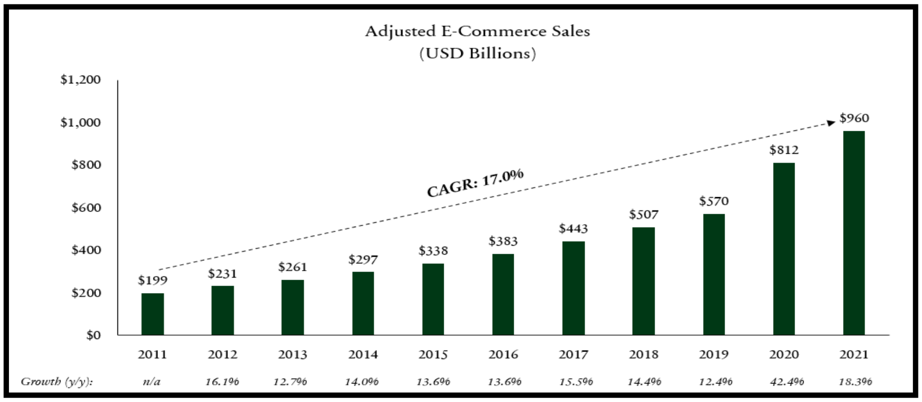
ElmTree Funds, LLC
314.828.4200
www.elmtreefunds.com

Review of Industrial Demand Fundamentals

ElmTree believes the strong growth trajectory for the industrial sector will further compound the challenges caused by labor shortages. The key trends driving this growth are summarized in detail below.

Demand Driver I: Growth in E-Commerce Sales

As shown in the chart below, e-commerce sales grew significantly from 2010 to 2019, and growth accelerated in 2020 and 2021 due to the increased adoption of online ordering by consumers during the pandemic. Within the next 12 months, e-commerce sales growth should return to pre-pandemic levels (i.e., 10%-15% annual growth) as ElmTree believes some pandemic driven changes will likely ease. However, while the trajectory of growth is not as steep as experienced during the pandemic, the projected level of e-commerce sales growth is expected to continue to stimulate industrial demand for the foreseeable future.



Source: U.S. Census Bureau

Demand Driver II: Inventory Levels

Over the last several decades, companies have decreased inventory levels as a result of employing "just-in-time" inventory strategies. Due to the supply shock experienced during the pandemic, some companies are altering their strategies to increase inventory levels and prevent future supply shocks (as evidenced by year-to-date 2022 data showing a return to growth). Looking forward, to bring inventory levels potentially above historical levels and to maintain more inventory domestically, ElmTree's research team believes tenant demand for U.S. industrial space will likely increase substantially.

Source: U.S. Census Bureau

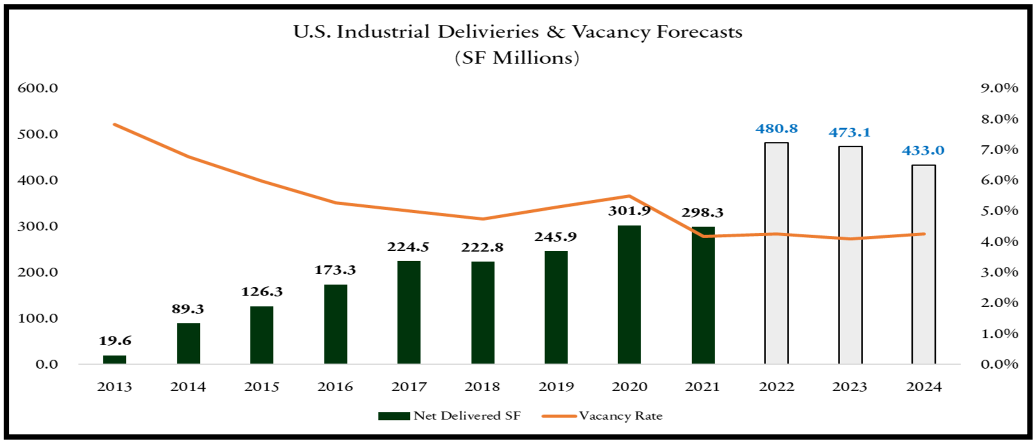
Review of Industrial Demand Fundamentals (Continued)

Demand Driver III: Reshoring Supply Chain Operations

The COVID-19 pandemic caused supply chain disruptions on a global scale, and with many manufacturing facilities shut down due to the pandemic, some manufacturers have considered reshoring operations as a solution to prevent future bottlenecks. According to the National Institute of Standards and Technology, 70% of manufacturers are considering reshoring operations in the coming years, and 49% of manufacturers believe the benefits of onshoring outweigh the higher labor costs associated with producing goods in the U.S. As companies aim to produce more domestically, the manufacturing industrial market has seen strong improvement in fundamentals. According to CoStar, the vacancy rate for Class A specialized industrial space reached an all-time low as of August 2022, and the second quarter of 2022 saw all-time high net absorption of nearly 27 million square feet. Additionally, as recently reported by the Wall Street Journal, U.S. companies are expected to re-shore nearly 350,000 jobs in 2022 according to the Reshoring Initiative, which represents an approximately 32% year-over-year increase. The figure is also the highest re-shoring figure since they starting tracking the data in 2010. Thus, ElmTree's research team believes fundamentals for manufacturing facilities should continue to strengthen as companies onshore more production operations.

Industrial Demand Drives New Construction

To capitalize on the aforementioned growth in demand in the industrial sector, developers have constructed a significant number of new facilities throughout the current cycle. For example, as shown in the chart below, net deliveries for industrial facilities have been near record levels over the last several years. Additionally, leasing activity has indicated demand continues to exceed supply as evidenced by vacancy rates falling throughout the cycle.



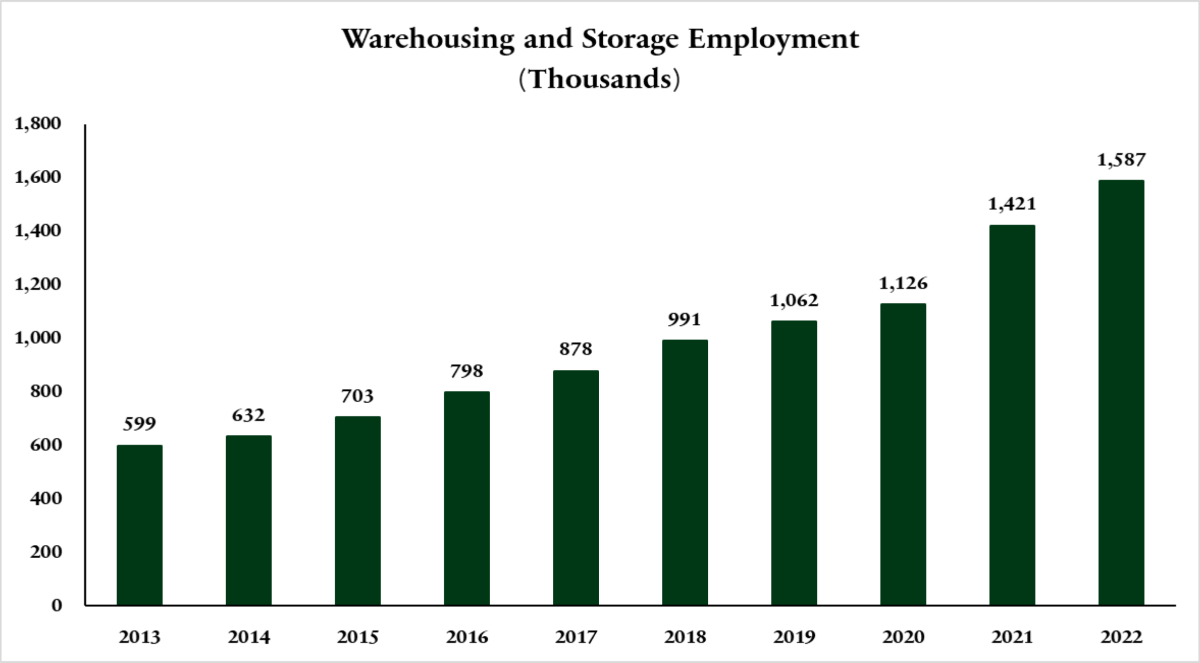
Source: CoStar: National Industrial Data Export

The growth in the number of industrial facilities over the last several years has contributed to a significant shortage of labor for warehouses across the country. As new construction continues to deliver within the sector (CoStar is forecasting approximately 460 million square feet of deliveries, on average, from 2022 to 2024), ElmTree believes the scarcity of labor within the industrial sector should become even more prevalent.

Growth in Warehouse Employment

New Construction Drives Warehouse Employment Higher

Similar to the expansion in industrial inventory throughout the current cycle, warehouse employment has also seen a sharp increase over the past several years. As shown in the chart below, the non-supervisory warehouse labor force in the U.S. grew by over 500,000 positions from 2019 to 2021, which represents an increase of nearly 50%.



Source: Bureau of Labor Statistics

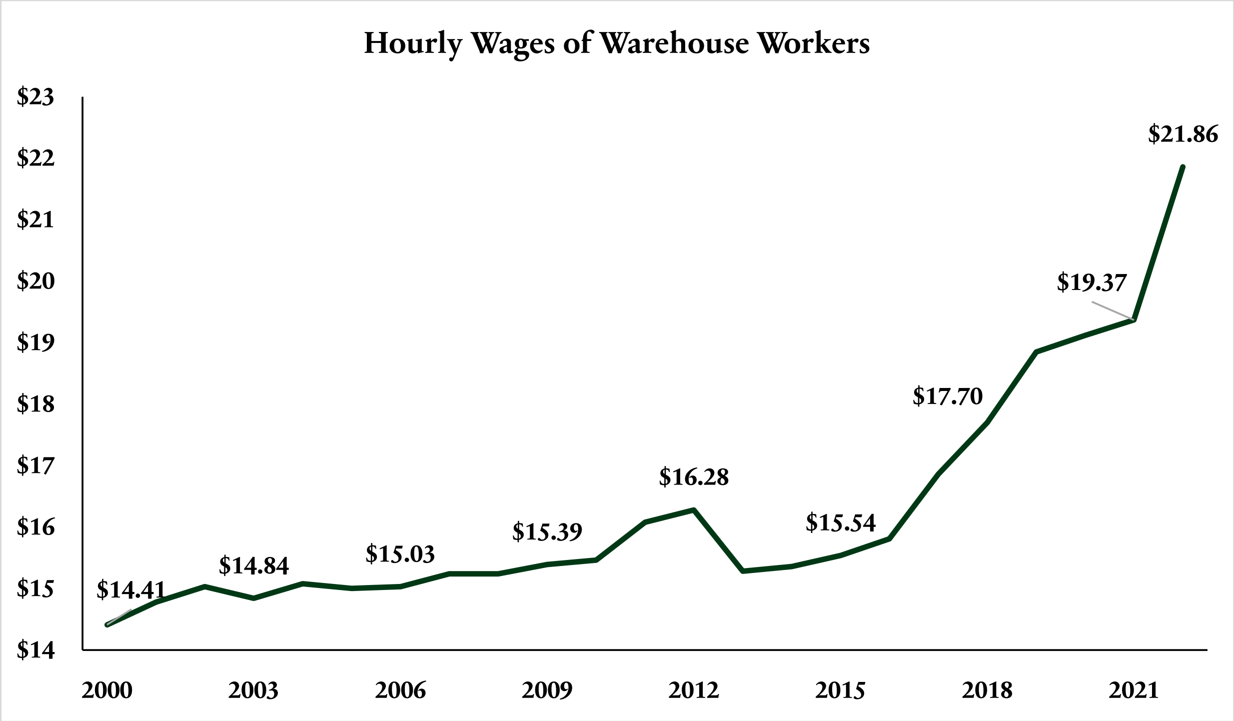
Employment in the industrial sector should continue to grow, and tenants will need to hire more employees as new facilities come online. Currently, the ratio of warehouse and storage employees to industrial square footage in the U.S is approximately one employee to every 10,000 square feet of space. Industrial inventory is projected to expand by approximately 1.4 billion square feet from 2022 to 2024 according to CoStar. Assuming the ratio of employees to space remains consistent, tenants will need to hire an additional 140,000 warehouse employees to commence operations on newly delivered facilities. This forecast does not account for facilities that are currently understaffed within the sector, which may further stress labor availability.

Also, while many warehouse tenants have looked to automation as a solution to the shortage of warehouse workers, automation can take time to implement. That implementation period could potentially cause a user to lose market share until the automation is operational. Thus, while the adoption of automation within the industrial sector should continue to grow substantially over a mid-term horizon, ElmTree believes tenants will still need to increase their workforces in order to capitalize on immediate growth. Automation also requires oversight from warehouse employees. As a result, tenants are expected to continue to focus heavily on labor analytics when making location decisions even as they implement automation capabilities throughout their supply chain operations.

Growth in Warehouse Wages

Historical Warehouse Wage Rates

Warehouse labor has historically contributed approximately 25% of the overall costs associated with operating supply chains (transportation is the largest contributor to overall costs). However, the contribution of labor expenses to overall operating costs has recently seen upward pressure due to increased competition among industrial tenants for labor, wage inflation, and employers providing more employee benefits.(2) Data published by the Bureau of Labor Statistics indicates hourly wages for non-supervisory warehouse and storage employees have risen from $19 per hour in May 2019 to $22 per hour in May 2022, representing an increase of 16%. This increase of $3 per hour is the second largest three-year increase since the BLS began tracking this metric. Since 2000, the average three year-increase of hourly wages for non-supervisory warehouse workers has been $0.81. The chart below summarizes the recent surge in hourly rates for warehouse workers in the U.S. from 2019 to 2022.



Source: Bureau of Labor Statistics

Due to persistent labor shortages, ElmTree's research team believes warehouse wage rates will continue to increase over the next several years as warehouse employers will need to increase starting wages to attract employees to staff newly delivered facilities. As wage growth continues, ElmTree believes industrial tenants will increase their focus on labor availability and labor cost disparities between markets and submarkets, which will reshape industrial fundamentals in certain regions of the U.S. as discussed in more detail in the following sections.

2) Source: Prologis

Companies Impacted by Labor Constraints

To further highlight the labor shortages within the industrial sector, ElmTree's research team has summarized recent commentary from some of the largest tenants in the industrial sector below.

Walmart

As Walmart has expanded its supply chain operations, the company has increased its employee compensation to attract new workers. For example, in 2021, Walmart announced bonuses for employees in its approximately 200 U.S. warehouses. The bonuses included $1,000 for employees that didn't skip any scheduled shifts as well as an increase in hourly wage rates between $1 and $5, depending on the location. According to Walmart, supply chain workers make an average of $20.37 per hour after this increase.

FedEx

In FedEx's first quarter of 2022 earnings release, the company cited rising labor costs as a major headwind to the company's operating results. According to the company, "First quarter operating results were negatively affected by an estimated $450 million year over year increase in costs due to a constrained labor market which impacted labor availability, resulting in network inefficiencies, higher wage rates, and increased purchased transportation expenses".

Target

In March of this year, Target announced that it would raise its minimum wage to as high as $24 per hour depending on the market. The company also announced that it would be expanding employee healthcare programs, and those that work at least 25 hours weekly would be eligible to receive healthcare benefits. In 2017, Target had announced it would be raising minimum wages to $15 per hour, but rising competition for labor drove the company to increase the minimum wage rate even higher. Last September, Target also announced an education program, which offered its associates debt-free education at 40 schools with tuition assistance between $5,200 to $10,000 for master's programs.

Raytheon

In Raytheon's second quarter of 2022 earnings call, the company's CEO indicated that labor availability continues to be a constraint for their supply chain. Furthermore, the company indicated that the availability of skilled labor and labor cost inflation are creating challenges across multiple industries, and they are seeing it impact both their suppliers and their own operations.

L3 Harris

In L3 Harris' second quarter of 2022 earnings call, the company's CEO stated that labor availability has been more of a constraint for their supply chain operations than actually building facilities. Additionally, the company said tightening labor markets are continuing to impact the company's performance.

Markets with Labor Availability & Favorable Leasing Trends

The increased competition for warehouse labor has caused some industrial tenants to re-evaluate their strategies for future warehouse expansion. ElmTree is seeing more tenants seek space outside of gateway markets that often feature tighter industrial labor markets due to having a greater supply of industrial space. Moreover, ElmTree's research indicates many companies are expanding their operations in secondary and tertiary markets as well as outlying submarkets of gateway and primary markets in order to access available warehouse labor pools.

In order to identify markets with available labor that will likely see an increase in tenant demand moving forward, an analysis of industry employment and job posting data for all industrial markets with industrial inventory of 25 million square feet or higher was performed. First, the ratio of each market's warehouse job postings to its total warehouse employment was reviewed. A high ratio is likely indicative of a labor shortage in the market while a low ratio is indicative of having available labor to support new construction. Second, the ratio of warehouse job postings to industrial inventory (per 1,000 square feet) was analyzed. Similarly, a low ratio is indicative of having the available warehouse labor needed to support new industrial facilities.

Third, leasing fundamentals in each market (absorption and rental growth) were analyzed to eliminate markets that may have available labor but have historically and will likely continue to fail to attract industrial tenants due to other weak characteristics (i.e., limited transportation infrastructure, unfavorable demographic trends, etc.). Finally, to identify markets with both high relative labor availability and strong leasing fundamentals, ElmTree's research team created a ranking system based on these four inputs[3]. The 50 markets that scored highest within the ranking system are summarized within the table on the following page.

In terms of market classifications, a subset of both larger gateway and primary markets and smaller secondary and tertiary markets made the list of markets with attractive labor and leasing fundamentals. Given gateway and primary markets are already heavily covered by industrial developers and investors, ElmTree believes these markets likely offer less of an opportunity to generate alpha (above average capital appreciation) for long-term leased build-to-suit assets in those markets, particularly given assets in those markets often trade at much lower cap rates relative to assets in secondary and tertiary markets.

However, ElmTree believes secondary and tertiary markets with favorable labor and leasing fundamentals may offer an attractive investment opportunity for industrial investors with a mid-to-long-term investment horizon. These markets often feature less competition than gateway and primary markets, and as more tenants are drawn to the markets to utilize their available labor, these smaller markets and outlying submarkets should attract more institutional capital. Thus, ElmTree's research indicates investors may benefit from analyzing labor markets in more detail when making mid-to-long-term investment decisions in the industrial sector.

3) Source: CoStar & Indeed. Rental growth and absorption statistics are annual figures for 2021. Indeed data is as of August 3, 2022.

Markets with Labor Availability & Favorable Leasing Trends (Continued)

As discussed on the previous page, the table below summarizes markets with attractive labor availability ratios and strong net absorption and rental growth figures. In particular, ElmTree's research team believes investors in the industrial sector should focus on the secondary and tertiary markets shown below. These markets may offer opportunities to own assets at elevated cap rates that will compress over a mid-to-long-term hold period as more tenants and investors are drawn to these markets over time.

Market	Market Category	Industrial Employment	Inventory SF	Indeed Warehouse Job Postings	Postings as % of Jobs	Postings / Per 1,000 SF of Inventory	TTM Net Absorption Over Inventory	TTM Rent Growth	Market Score
Jackson - MS	Tertiary	31,216	47,234,419	516	1.7%	1.1%	4.8%	10.2%	18
Las Vegas - NV	Secondary	95,114	155,850,537	2,437	2.6%	1.6%	6.6%	12.3%	23
Augusta - GA	Tertiary	42,296	53,036,251	841	2.0%	1.6%	6.0%	10.1%	29
Atlanta - GA	Gateway	309,198	775,816,692	10,162	3.3%	1.3%	5.1%	12.6%	30
Dallas-Fort Worth - TX	Gateway	511,863	1,032,804,707	13,957	2.7%	1.4%	4.6%	10.3%	32
Jacksonville - FL	Secondary	83,001	148,607,112	2,225	2.7%	1.5%	3.7%	11.3%	32
El Paso - TX	Tertiary	35,234	69,376,701	704	2.0%	1.0%	6.3%	8.3%	33
Fort Smith - AR	Tertiary	22,977	26,250,975	401	1.7%	1.5%	2.6%	10.2%	34
Inland Empire - CA	Gateway	207,136	700,158,527	8,510	4.1%	1.2%	4.8%	15.5%	37
Montgomery - AL	Tertiary	24,718	34,541,317	528	2.1%	1.5%	2.3%	10.3%	37
San Diego - CA	Primary	200,511	202,883,484	3,943	2.0%	1.9%	4.1%	9.9%	40
Philadelphia - PA	Primary	297,903	580,308,845	8,951	3.0%	1.5%	2.5%	12.4%	42
Birmingham - AL	Secondary	69,835	128,434,010	1,965	2.8%	1.5%	3.3%	10.2%	43
Orlando - FL	Secondary	135,253	186,355,479	3,603	2.7%	1.9%	3.4%	10.6%	44
Sacramento - CA	Secondary	112,517	183,387,942	2,911	2.6%	1.6%	4.3%	9.0%	47
Phoenix - AZ	Primary	283,269	387,433,862	9,429	3.3%	2.4%	5.8%	12.5%	50
Bakersfield - CA	Tertiary	34,433	58,104,366	406	1.2%	0.7%	2.0%	7.6%	50
Columbus - OH	Secondary	117,841	326,669,617	5,919	5.0%	1.8%	5.2%	13.5%	50
Colorado Springs - CO	Tertiary	30,478	41,649,253	729	2.4%	1.8%	10.9%	6.9%	50
New Orleans - LA	Tertiary	61,541	81,253,276	1,170	1.9%	1.4%	1.2%	10.1%	51
Visalia - CA	Tertiary	20,169	38,404,659	483	2.4%	1.3%	2.9%	7.7%	51
Los Angeles - CA	Gateway	468,687	942,878,586	14,489	3.1%	1.5%	1.6%	12.1%	52
Miami - FL	Primary	94,895	256,297,466	4,242	4.5%	1.7%	3.3%	15.8%	52
Louisville - KY	Secondary	110,504	239,578,630	3,639	3.3%	1.5%	3.1%	10.0%	52
Little Rock - AR	Tertiary	37,930	76,811,549	840	2.2%	1.1%	1.3%	9.7%	52
Palm Beach - FL	Secondary	60,265	66,077,024	1,437	2.4%	2.2%	3.4%	9.9%	52
Fort Myers - FL	Tertiary	41,972	35,679,590	918	2.2%	2.6%	5.0%	9.6%	52
Houston - TX	Primary	494,348	737,344,722	8,561	1.7%	1.2%	4.6%	4.8%	53
Utica - NY	Tertiary	14,336	31,791,897	507	3.5%	1.6%	5.8%	9.3%	54
Nashville - TN	Secondary	137,203	251,725,106	5,349	3.9%	2.1%	3.8%	12.1%	56
Norfolk - VA	Secondary	94,842	122,293,733	2,187	2.3%	1.8%	2.3%	8.9%	57
Shreveport - LA	Tertiary	22,717	38,444,298	385	1.7%	1.0%	0.4%	9.3%	58
Tampa - FL	Secondary	157,912	204,723,102	4,772	3.0%	2.3%	2.7%	11.4%	58
Chicago - IL	Gateway	581,249	1,331,719,628	16,135	2.8%	1.2%	2.6%	7.6%	59
Fresno - CA	Secondary	47,091	84,475,747	851	1.8%	1.0%	1.4%	7.5%	59
Memphis - TN	Secondary	70,037	307,209,088	3,517	5.0%	1.1%	4.6%	9.5%	59
San Antonio - TX	Secondary	116,631	155,157,746	2,878	2.5%	1.9%	3.2%	8.0%	60
Daytona Beach - FL	Tertiary	26,129	26,005,402	678	2.6%	2.6%	3.8%	9.9%	60
Springfield - MA	Tertiary	31,846	58,018,789	261	0.8%	0.4%	-0.4%	9.3%	60
Detroit - MI	Primary	329,141	611,349,901	8,158	2.5%	1.3%	1.4%	9.0%	61
McAllen - TX	Tertiary	15,338	32,803,865	410	2.7%	1.2%	2.1%	8.0%	61
Spartanburg - SC	Tertiary	44,769	100,675,539	2,269	5.1%	2.3%	6.4%	10.7%	62
Charlotte - NC	Primary	178,415	345,938,359	6,030	3.4%	1.7%	1.4%	11.5%	62
Long Island - NY	Primary	147,037	178,141,475	2,760	1.9%	1.5%	1.0%	9.1%	62
Richmond - VA	Secondary	72,237	133,607,409	2,576	3.6%	1.9%	2.2%	10.7%	62
Tucson - AZ	Tertiary	48,091	45,249,364	929	1.9%	2.1%	3.8%	6.7%	62
New York - NY	Gateway	438,364	844,757,284	11,399	2.6%	1.3%	1.8%	8.5%	63
Charleston - SC	Secondary	49,840	90,240,515	2,011	4.0%	2.2%	5.1%	10.0%	63
Laredo - TX	Tertiary	4,442	39,683,391	298	6.7%	0.8%	5.1%	8.7%	63
Syracuse - NY	Tertiary	38,188	73,447,402	1,534	4.0%	2.1%	7.9%	9.3%	64

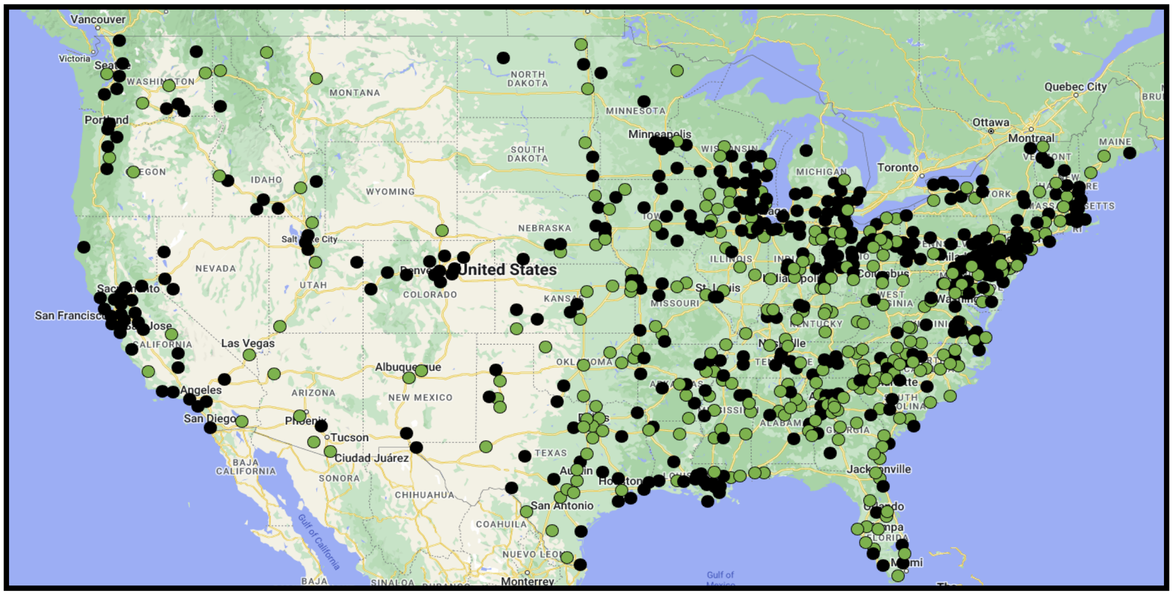
Sources: CoStar, Indeed

Labor Cost Analysis

In addition to evaluating labor availability, ElmTree's research indicates industrial tenants will revise their supply chain expansion strategies to specifically target markets with low relative labor costs. As previously stated, warehouse labor has historically contributed approximately 25% of the overall costs associated with supply chain operations, and this percentage may increase due to competition among industrial tenants for labor, wage inflation, and companies providing more employee benefits. As a result, industrial markets that feature a lower cost of labor relative to other markets will likely be highly sought after by tenants moving forward.

The map shown below summarizes an analysis of hourly wages in the warehousing and storage industry (inclusive of supervisory employees) that was performed for the counties covered by the U.S. Bureau of Labor Statistics. As of the fourth quarter of 2021, the weekly average national wage within the warehousing and storage industry was approximately $983. Assuming a 40-hour work week, the weekly wage implies a national average hourly wage of approximately $24.6. The green circles in the map indicate markets with below average labor costs (i.e., below $24.6 per hour), while the black circles indicate markets with above average labor costs (i.e., above $24.6 per hour). There is a noticeable concentration of markets with below-average labor costs in the Midwest and Southeast regions of the U.S. Thus, ElmTree believes industrial tenants will likely locate more of their new industrial developments in the Midwest and Southwest regions moving forward to save on labor costs.

Additionally, when coupling the labor availability analysis summarized on the previous page with this analysis, ElmTree's research team has identified the following markets as attractive locations for industrial tenants given they have higher labor availability and lower labor costs than other markets (on average): Dallas, TX; Jacksonville, FL; Jackson, MS; Las Vegas, NV; Birmingham AL; Phoenix, AZ; Tampa, FL; Fresno, CA; San Antonio, TX; McAllen, TX; Spartanburg, SC; Charlotte, NC; and Laredo, TX.



Source: Bureau of Labor Statistics

Laredo, Texas: Case Study

Due to relatively high labor availability and low labor costs, the Laredo market has seen significant growth in tenant demand, and, in 2021, Laredo saw record annual rental growth of 8.7% along with significant net absorption of 2.2 million square feet (source: CoStar). Additionally, large industrial users have been drawn to the market. For example, C.H. Robinson, one of the world's largest logistics companies, has a significant presence in the market, including leasing a currently under construction 400,000 square foot build-to-suit distribution facility.

Looking forward, Laredo is well positioned to see further growth in demand for industrial space. In terms of relative labor costs, at the end of 2021, average hourly wages for warehouse workers were $21.2 in Laredo, which is significantly below the national average of $24.6. For labor availability, job posting data indicates Laredo is not experiencing labor constraints given their ratio of job postings for warehouse workers to 1,000 square feet of inventory is only 0.8%, which is one of the lowest ratios in the country. Thus, Laredo offers an attractive combination of available labor at a below average cost, which, in ElmTree's view, should attract more industrial users and investors to the market over a long-term horizon.

Labor Scarcity & Growth in Outlying Submarkets

In addition to impacting locational decisions for industrial tenants at the market level, ElmTree believes the increased adoption of labor analytics will likely drive performance disparities within submarkets. In particular, outlying submarkets of gateway and primary markets and rural markets with close proximity to gateway and primary markets may offer an attractive investment opportunity for industrial investors seeking to invest outside of competitive core markets and submarkets.

To test this thesis, ElmTree's research team performed an analysis of smaller markets (less than 15 million square feet of industrial inventory) with favorable labor and leasing fundamentals and close proximity to larger industrial markets. For example, Liberty County, GA is located approximately 40 miles south of Savannah, GA, one of the strongest U.S. industrial markets. As Savannah continues to grow its industrial footprint and begins to saturate its labor force, Liberty County will likely benefit from spill-over demand from Savannah given Liberty County has available labor at lower wage rates than Savannah. This spill-over demand is already showing up in statistics for Liberty County, as its main industrial market (Hinesville) features 0.3% vacancy and 14.8% annual rental growth as of July 2022 according to CoStar.

Looking forward, ElmTree's research indicates investors should target these types of smaller outlying markets that may eventually become considered "quasi-submarkets" of larger industrial markets. These smaller markets are expected to experience positive leasing trends due to the spill-over demand, and as more tenants are attracted to them, more institutional investors will likely invest capital in the area, potentially allowing for capital appreciation over a mid-to-long-term investment horizon.

Conclusion: Labor Analytics to Reshape Industrial Demand

While labor is only one factor among the many factors that drive tenants' supply chain decisions (other key factors include access to transportation infrastructure, government incentives, demographic trends and occupancy costs), labor is increasingly becoming a driving force for tenants' location decisions. The focus on labor is a result of the significant demand growth within the industrial sector, which is creating a severe shortage of the workers needed to effectively operate industrial facilities. Developers are also working with tenants across the country to develop new facilities to capitalize on demand growth, and new deliveries are expected to reach record levels for the next several years. These new deliveries will likely further exacerbate labor scarcity within the industrial sector, and labor availability is expected to become an ever more important consideration within tenants' locational decisions.

As a result, industrial tenants are re-evaluating their supply chain strategies to identify the optimal markets and submarkets for their industrial facilities based on labor analytics. This re-evaluation by tenants creates a compelling investment opportunity for investors in the industrial sector, which is to target specific markets that feature lower relative labor costs and higher relative labor availability. These markets should see increased demand from tenants moving forward as tenants increase their adoption of sophisticated labor analytics. Additionally, there will likely be a bifurcation within the industrial sector by market size given the markets that meet this criteria will often be smaller secondary and tertiary markets and outlying submarkets of larger markets, both of which are less covered by large industrial developers and institutional investors in comparison to larger gateway markets. Thus, ElmTree's research team believes investors in the industrial sector should target these smaller markets and submarkets with a mid-to-long-term investment horizon, which should allow their long-term growth trajectory and potential for capital appreciation to be realized.

Furthermore, the coverage of these smaller markets and submarkets is still low, and ElmTree believes the current price points to enter these markets is attractive in many instances. Analyzing labor trends is often overlooked by industrial investors given the typical underwriting process often focuses heavily on leasing fundamentals (i.e., vacancy, rental growth, etc.) while failing to focus on labor trends that will likely impact tenants' long-term occupancy decisions. By focusing more heavily on labor analytics within underwriting processes, investors may garner a competitive edge that allows them to price assets more efficiently and identify locations that will see the highest relative growth in industrial tenant demand over a long-term investment horizon. Moreover, as tenants are drawn to these markets, and institutional investors eventually follow, ElmTree's research team believes the investors that place capital in these smaller markets and submarkets that are ripe for growth will likely generate alpha (above average capital appreciation) over a mid-to-long term hold period.

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PRIVATE EQUITY REAL ESTATE

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