Onshoring: A Growing Demand Driver for the Industrial Sector

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During 2021 and 2022, the U.S. industrial market saw record demand fundamentals with rent growth and net absorption reaching new highs (Source: CoStar). We believe this demand growth has been driven by three primary trends: 1) continuing growth in e-commerce sales, 2) a shift towards higher inventory levels and 3) onshoring supply chain operations. While the first two trends are more established, we believe companies are still in the early stages of onshoring their supply chain operations, and, as a result, the full impact on the industrial sector from onshoring will become much more apparent over the next 10 years.

Over the last several decades, imports have generally increased as a percentage of U.S. gross domestic product ("GDP") (Source: St. Louis Fed). Large corporations drove the increase of imports through their embrace of globalization (the adoption of global interconnected trade supplying consumers throughout the world). Companies chose to adopt global supply chains to drive down costs given foreign countries often provided access to lower cost labor, more suppliers and efficient shipping channels.

However, the COVID-19 pandemic and subsequent geopolitical events drove many companies to re-evaluate the globalization of their supply chains. The pandemic shocked supply chains and exposed various inefficiencies associated with a global supply chain, including bottlenecks within shipping channels, trade restrictions, and variances across regulatory regimes. These inefficiencies have lead many companies to analyze whether the cost savings provided by a global supply chain outweigh the risks associated with supply chain shutdowns, which can cause severe production and inventory shortfalls. These inefficiencies may be further exacerbated by increased geopolitical tensions emerging across the globe. This uncertainty may further drive U.S. companies to favor domestic supply chains over overseas operations.

Looking forward, we believe onshoring will help fuel industrial demand in the years to come. In this report, we will analyze onshoring trends in more detail to identify which industries and markets within the U.S. may be best positioned to benefit from this trend over a long-term investment horizon.

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Overview of the Global Supply Chain

Over the last several decades, global trade has seen rapid growth and become a pillar of nearly all modern economies due to the benefits of offshore labor at lower costs, efficient and sizeable cargo ships, the implementation of extensive air freight, and rapid technological advancement. To illustrate, international trade made up approximately 30% of the world's economy in 1973 and rose to 59% in 2008. Recently, the growth international trade has become muted as imports made up 55% of U.S. trade as of November 2022.[1,2]

We believe globalization has lost some efficiency due to the increasingly complex manufacturing processes that require more skilled labor, unstable geopolitics, supply chain disruptions, and volatile fuel pricing. Moving forward, we believe these shifting trends will cause more companies to question the benefits of globalized supply chains as discussed in more detail below.

Labor Trends

In the early 2000s, production in Asia became an attractive option for many manufacturers that were seeking to minimize labor costs. An economist recently argued that only 18% of the global goods trade is now driven by lower labor costs.[2] Furthermore, former efficiencies for labor costs may be dissipating with rapid wage growth, and according to Trading Economics, Chinese manufacturing wages have increased 183% since 2014. As wages overseas increase, outsourcing becomes a less attractive option for many manufacturers. This trend has coincided with increased automation across supply chains which in turn has altered the composition of labor pools and reduced dependency on labor. We believe companies will become less focused on saving costs through utilizing overseas labor moving forward.

Cargo Shipping Trends

During the last 20 years, air freight and cargo shipping capabilities worldwide have seen significant improvements, and with the increased capabilities of American ports, cargo shipping has become an integral piece of overseas trade. However, the price of diesel fuel has been volatile over the last several years (making shipping costs more challenging to forecast), and during the COVID-19 pandemic, there were unprecedented backups at U.S. ports that disrupted many manufacturing supply chains. Looking forward, we believe more companies will look to onshore more manufacturing operations in order to mitigate the risks associated with volatile and unpredictable energy prices and potential bottlenecks at U.S. ports.

1) U.S. Census Bureau—*Monthly U.S. International Trade in Goods and Services, November 2022*
2) Smil, Vaclav. *How the World Really Works*. Viking, 2022. pg 124 and 126

Factors Benefiting U.S. Supply Chains

While the trends discussed on the previous page are limiting the benefits provided by overseas manufacturing, we believe U.S. supply chain operations are well positioned to capitalize on shifts in the current environment, as discussed in detail below.

Supply Chain Instability

The COVID-19 pandemic spurred a widespread global supply chain disruption that created unprecedented bottlenecks at ports, disruptions in rail freight, and triggered losses for many manufacturers. These supply chain issues still linger in the global economy, and the Russia-Ukraine conflict combined with subsequent COVID-19 related lockdowns in China continue to concern suppliers and manufacturers. According to a recent survey, 70% of U.S. based manufacturing respondents expect that they will re-shore or near-shore manufacturing operations, and a significant number of those respondents cited supply chain instability as a primary cause.[3] By locating more operations within or near the U.S., companies can insulate themselves from supply chain instabilities caused by geopolitical issues and global disruptions.

U.S. Supply Chain Incentives

Last year, Congress enacted the CHIPS and Science Act of 2022 which was geared toward incentivizing companies to produce more semiconductors domestically, while also strengthening the U.S. supply chain. Among other things, the CHIPS Act provides $39 billion in U.S. manufacturing incentives and $13.2 billion in R&D and workforce development, both of which have already begun to influence a grater number of manufacturers to invest in their U.S. operations.

These government incentives were crucial to bring chip manufacturing back to the U.S. According to a report by Goldman Sachs, 75% of the global supply of microchips are produced in Asia. In addition, U.S. microchip manufacturing paid 44% more than their Asian counterparts to produce microchips.[4] However, as companies utilize government incentives and establish supply chains in the U.S., we believe that the cost to produce chips domestically will decline. We believe that another sector that will benefit from the CHIPS Act is the automotive sector. As chip manufacturing returns to the U.S., the automotive industry in the U.S. will likely benefit as a result. Since the rise of the pandemic, the automotive industry has experienced a significant supply shortage of semiconductors. A greater supply of semiconductor chips produced in the U.S. will likely serve as a tailwind for the U.S. auto manufacturing industry in light of the increased supply chain efficiencies of domestic manufacturing.

Another tailwind to the U.S. electric vehicle industry was the Inflation Reduction Act, signed into law last year. The legislation provides a $7,500 tax credit for electric vehicles that use batteries made in the U.S., while also mandating that EV manufacturers source at least 40% of critical battery minerals domestically. Many expect that this law will create significant incentives for car manufacturers to expand their U.S. production capabilities, thereby providing a tailwind for reshoring their supply chains over a mid-term horizon.

3) Industry Week—Survey: 70% of Companies Planning Reshoring or Nearshoring Projects
4) Government Technology—"Will Newly Passed CHIPS Act Help Maintain EV Momentum?"

Skilled Labor

According to the Reshoring Initiative, difficulty attracting skilled labor overseas is the second-largest driver incentivizing manufacturers to move operations back to the U.S.[5] Manufacturing processes, in many cases, are becoming more technologically intensive and require a greater skill set than many of the manufacturing jobs that had been previously relocated to foreign countries with comparatively lower education rates. As sophisticated automation equipment and processes are more widely adopted within the manufacturing and logistics industries, we believe the focus on highly skilled workers in the supply chain sector will increase substantially. The U.S. educational infrastructure and concentration of highly skilled workers position the country well to attract more manufacturing and supply chain operations moving forward.

Notable Ongoing Industrial Developments

The map below summarizes large-scale manufacturing projects currently underway in the US. There are over 20 large scale manufacturing projects underway in the U.S., representing approximately $100 billion in investment. Many of these developments are within the electric vehicle ("EV") and battery plant sectors, where the risk of supply chain disruption presented by manufacturing overseas no longer outweighs the benefit of cheaper labor cost. As more companies choose to expand manufacturing capabilities in the U.S., industrial fundamentals will benefit given these large manufacturing projects create additional demand for suppliers that choose to locate nearby.

In terms of locations, there is a notable concentration of new developments in the southern U.S. states. We believe these markets are well positioned to capitalize on manufacturing activity returning to the U.S. given they often offer lower cost yet still highly educated labor pools, attractive government incentives, limited regulations and access to efficient transportation infrastructure. Furthermore, large-scale manufacturing projects create a ripple effect within markets, whereby suppliers to these projects are incentivized to expand their operations near the manufacturing facility to meet demand.

5) Reshoring Initiative - 1H 2022 Data Report

Examples of Onshoring, Reshoring, and U.S. Investment

The trends described in the prior section are already leading to major investments in U.S. supply chains. In this section, we've summarized some of the more notable developments, and we expect to see similar substantial investments in U.S. supply chain infrastructure moving forward, which should benefit demand trends for the U.S. industrial real estate sector for the foreseeable future.

Automotive Development Projects

Ford / SK Innovation

Ford, through a partnership with SK Innovation, is building a new electric vehicle and battery manufacturing campus in Stanton, Tennessee, known as BlueOval City. At full production, the plant will be capable of producing 500,000 electric trucks annually. SK Innovation is a prominent supplier of EV batteries and has recently began to shift its strategy to produce EV batteries in the US. SK has also become Ford's preferred battery supplier. This development represents an investment of approximately $5.6 billion and will include a 3,600 acre campus that will create approximately 6,000 jobs. This development represents a continuation of EV demand within the US, likely spurred by government incentives. Ford and SK Innovation are also constructing a new plant in Glendale, Kentucky with an estimated investment of $5.8 billion along with a new EV manufacturing plant in Marshall, MI (outside of Detroit) with an investment of $3.5 billion.[6,7]

Hyundai

Hyundai, which is based in South Korea, announced last year that it would build a $5.4 billion electric vehicle battery plant in Savannah, Georgia. The plant is expected to create 13,000 jobs and reach a peak capacity of 300,000 EV batteries per year when it begins production in 2025. As a result of this project, suppliers are expected to invest an additional $1 billion in the area in order to provide the parts needed to EVs and batteries. Hyundai, despite being located overseas, has shown strong interest in U.S. production, and already operates a $1.8 billion plant in Alabama, where they assemble SUVs. Additionally, in November, 2022, Hyundai announced plans to build an additional plant in Montgomery, Alabama focused on electric vehicle battery production.[8]

GM

GM is planning to build a $3 billion EV battery plant in Indiana through a joint venture with Samsung SDI. The facility will be GM's fourth battery plant in the U.S. The company currently operates a plant in Warren, OH and is expected to build another plant in Spring Hill, TN as well as another plant in Lansing, MI. These plants are also expected to drive substantial investments from suppliers that will need to locate nearby the new operations.[9]

6) https://media.ford.com/content/fordmedia/fna/us/en/news/2021/09/27/ford-to-lead-americas-shift-to-electric-vehicles.html
7) https://www.crainsdetroit.com/economic-development/ford-development-marshall-brings-uncertainty-opportunity
8) https://www.savannahnow.com/story/business/automotive/2022/05/20/hyundai-motors-savannah-ga-bryan-county-jobs-electric-cars-assembly-plant/9820711002/
9) https://www.cbsnews.com/chicago/news/gm-samsung-electric-vehicle-battery-plant-indiana/

Automotive Development Projects (Continued)

Honda/LG

Honda and LG have announced a joint venture for an EV battery plant located in Jeffersonville, OH, a city southwest of Columbus. At completion, the facility will constitute over 2 million square feet and represent an investment of over $4.4 billion between the two companies. The plant will produce lithium-ion batteries that will be used in cars produced within Honda's Marysville, OH manufacturing plant, in which the company recently invested approximately $700 million to re-engineer for the production of electric vehicles. (10)

Volkswagen

Volkswagen has announced it will begin production of its Scout SUV, an electric SUV aimed to compete with the Ford Bronco and Jeep, at a newly built Columbia, SC facility. The facility represents an investment of approximately $2 billion and is expected to create 4,000 jobs in the area. According to Volkswagen's CFO, the CHIPs Act presented "the possibility to enlarge our global footprint even faster in the US". With its new Columbia plant, Volkswagen estimates that it will be able to produce the first Scout vehicles by 2026.(11) With an estimated 4,000 jobs created, the project is expected to create 1.6 million SF of demand through suppliers.

BMW

In June 2023, BMW broke ground on a new high-voltage battery assembly plant in Woodruff, South Carolina (located near Greenville-Spartanburg). The facility will produce batteries to supply electric vehicles at the nearby BMU manufacturing plant in Spartanburg, South Carolina. The new facility is expected to create 300 jobs. Dr. Robert Engelhorn, president and CEO of BMW Manufacturing, said the following regarding the facility, "Today's groundbreaking is the start of a new era at Plant Spartanburg as we prepare to produce fully electric BMW X models for the world. The road to the future begins here in Woodruff as we build on our legacy of producing high-quality vehicles right here in the U.S. Plant Woodruff will be state-of-the-art in terms of sustainability, flexibility, and digitalization."(12)

Toyota

In August of 2022, Toyota announced an additional investment of $2.5 billion investment for its electric vehicle battery manufacturing plant near Greensboro, North Carolina. The investment will add 350 jobs, bringing the total employment at the facility to approximately 2,100 employees. The plant is expected to begin battery production in 2025. (13)

10) https://www.prnewswire.com/news-releases/lg-energy-solution-and-honda-break-ground-for-new-joint-venture-ev-battery-plant-in-ohio-301758629.html
11) https://www.reuters.com/business/autos-transportation/volkswagens-scout-says-build-2-bln-manufacturing-plant-south-carolina-2023-03-03/
12) https://www.ncconstructionnews.com/bmw-breaks-ground-on-the-woodruff-ev-production-facility-in-south-carolina/#:~:text=%E2%80%9CToday's%20groundbreaking%20is%20the%20start,Robert%20Engelhorn.
13) https://pressroom.toyota.com/toyota-announces-2-5-billion-expansion-of-north-carolina-plant-with-350-additional-jobs-and-bev-battery-capacity/

Automotive Developments (Continued)

Tesla

In January 2023, Tesla announced they will be investing over $3.6 billion grow its Gigafactory located near Reno, Nevada. The additional investment will add 3,000 employees and two new factories: a 100 GWh 4680 cell factory (with capacity to produce enough batteries for 1.5 million light duty vehicles annually), as well as their first high-volume Semi factory. Semi is Tesla's fully electric combination truck, with a 500 mile range and energy consumption of less than 2 KWh per mile. (14)

Hankook Tire

South Korea-based Hankook Tire announced plans in August 2022 for an expansion of its tire manufacturing plant near Nashville, TN with an estimated investment of $1.6 billion. The expansion is estimated to increase production from 5.5 million tires to 11 million tires. (15)

FREYR

In November 2022, Europe-based Freyr announced the development a clean battery manufacturing facility on 368 acres in Coweta County, Georgia (near Atlanta) with an initial investment of $1.7 billion. FREYR expects to create more than 720 jobs for highly skilled workers in Coweta County as part of the development. FREYR stated they are accelerating their U.S. supply chain expansion based on strong tailwinds in U.S. renewable energy development, an intensifying focus on grid stability initiatives, and the tax incentives associated with the Inflation Reduction Act. (16)

Redwood Materials

In December 2022, Redwoods announced plans for a new battery manufacturing campus near Charleston, South Carolina. Redwood said the plant will recycle, refine and manufacture anode and cathode components for electric vehicles on more than 600 acres, creating more than 1,500 jobs and investing $3.5 billion in the area. (17)

Semiconductor Developments

Micron

Micron is planning on constructing a massive semiconductor manufacturing plant in Syracuse, New York with a total investment of $100 billion. Construction is expected to start in 2024 with production beginning several years thereafter. The development was brought forward as part of President Biden's efforts to bring semiconductor manufacturing back to the US in order to reduce reliance on foreign supply chains and to prevent chip shortages similar to the shortages experienced during the pandemic. (18)

14) https://www.tesla.com/giga-nevada
15) https://www.prnewswire.com/news-releases/hankook-tire-to-invest-1-6b-in-tennessee-plant-expansion-301613450.html
16) https://ir.freyrbattery.com/ir-news/press-releases/news-details/2022/FREYR-Battery-Announces-Plans-for-U.S.-Gigafactory-in-Georgia/default.aspx
17) https://www.redwoodmaterials.com/news/announcing-redwood-south-carolina/
18) https://www.micron.com/ny

Semiconductor Developments (Continued)

Intel

Last year, Intel broke ground on its $20 billion semiconductor chip plant in Columbus, Ohio. This significant investment was likely heavily incentivized by the CHIPS act, which in totality, provides nearly $53 billion in U.S. subsidies to expand semiconductor fabrication plants domestically. Regarding the project, Intel's CEO said "Today's investment marks another significant way Intel is leading the effort to restore U.S. semiconductor manufacturing leadership. Intel's actions will help build a more resilient supply chain and ensure reliable access to semiconductors for years to come." (19)

Taiwan Semiconductor Manufacturing Company

Last December, Taiwan Semiconductor Manufacturing Company joined the list of semiconductor companies investing in U.S. production as a result of the recently signed CHIPS act. The company announced a $40 billion investment in a plant located in Phoenix, Arizona that is expected to create approximately 10,000 U.S. manufacturing jobs as well as strengthen the U.S. semiconductor supply chain. Phoenix has been a primary market for reshoring in the recent years, and Intel is also investing $20 billion in expansions in its Chandler, Arizona plant. (20) With the additional 10,000 manufacturing jobs created, it is expected that this project create additional demand for 4 million SF of industrial space.

Wolfspeed

In September 2022, North Carolina-based semiconductor company Wolfspeed announced it will build a new multi-billion dollar manufacturing facility near Raleigh-Durham, North Carolina. The plant will produce wafers for renewable energy products. The facility is expected to create 1,800 jobs by the end of 2030. Phase one construction is anticipated to be completed in 2024 and cost approximately $1.3 billion. Between 2024 and the end of the decade, the company will add additional capacity as needed, eventually occupying more than one million square feet on the 445-acre site. (21)

Texas Instruments

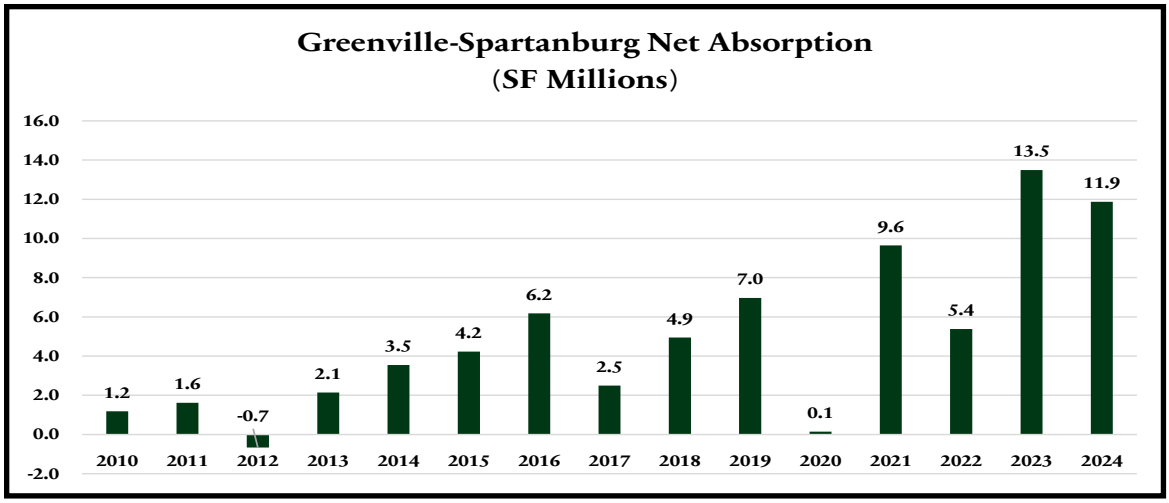
In February 2023, Texas Instruments announced plans to build a semiconductor wafer fabrication plant in Lehi, Utah with an estimated investment of $11 billion. Regarding the development, Haviv Ilan, CEO, said the following, "Our decision to build a second fab in Lehi underscores our commitment to Utah and is a testament to the talented team there who will lay the groundwork for another important chapter in TI's future. With the anticipated growth of semiconductors in electronics, particularly in industrial and automotive, and the passage of the CHIPS and Science Act, there is no better time to further invest in our internal manufacturing capacity." (22)

19) https://www.intel.com/content/www/us/en/corporate-responsibility/intel-in-ohio.html
20) https://www.cnbc.com/2022/12/06/tsmc-to-up-arizona-investment-to-40-billion-with-second-semiconductor-chip-plant.html
21) https://www.wolfspeed.com/company/news-events/news/wolfspeed-selects-north-carolina-for-worlds-largest-silicon-carbide-materials-facility/
22) https://news.ti.com/texas-instruments-selects-lehi-utah-for-its-next-300-millimeter-semiconductor-wafer-fab

We believe markets with educated but affordable labor pools, access to transportation infrastructure, available land for development and friendly regulatory environments are best positioned to capitalize on the onshoring of supply chain operations. On this page and the next two pages, we have summarized three markets that we believe represent a subset of the markets that are best positioned to benefit from the onshoring of supply chain operations.

Greenville-Spartanburg, SC

A review of Greenville-Spartanburg's industrial fundamental performance over the last decade provides an example of the subsequent benefits provided by growth in manufacturing activity in a market. The Greenville-Spartanburg market is home to a seven million square foot BMW assembly facility that employs 11,000 and produces BMW SUVs. This plant underwent a significant expansion in 2010 that has acted as a tailwind for industrial demand since. In total, the plant contributes $26.7 billion to the South Carolina economy and supports nearly 43,000 jobs across the state.[23] As seen in the chart below, since the expansion was announced, net absorption in the Greenville-Spartanburg market has seen a significant increase as a result of elevated levels of tenant demand.



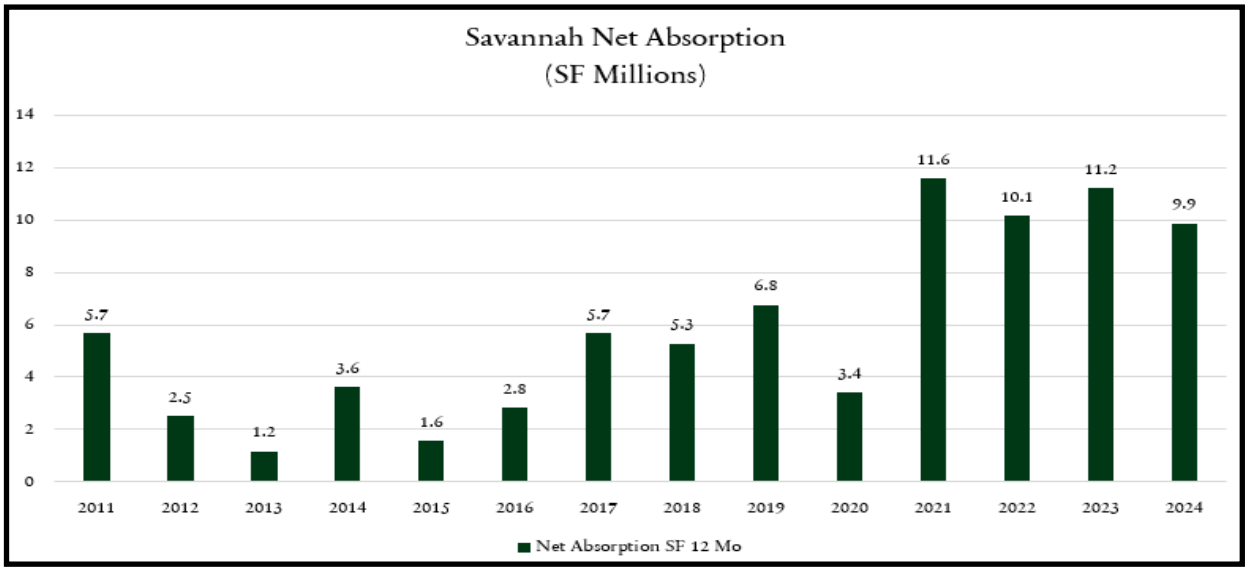
Source: CoStar

This strong rise in industrial demand is due in part to the ripple effect that domestic manufacturing can have in industrial markets. With the expansion of the BMW manufacturing plant, more suppliers were incentivized to operate facilities in the area, and the market's overall supply chain was built out. As demand for industrial space in Greenville-Spartanburg rose, rent growth followed and has averaged 6.5% since 2015. [24] We believe markets with similar characteristics as Greenville-Spartanburg (e.g., business-friendly government, available land, access to transportation infrastructure and labor) can generate similar positive leasing trends from onshoring supply chains. Additionally, due to the investment in U.S. semiconductor production and incentives provided by the Inflation Reduction Act, along with growth in electric vehicle demand, we believe Greenville, and similar markets that have heavy exposure to automotive sector, will see noticeable growth in tenant demand for industrial space in the coming years.

23) GSA Business Report—BMW's $26B Impact on South Carolina Economy Still Growing
24) CoStar

Savannah, GA

Savannah, GA is another market we believe is well positioned to benefit from the onshoring of supply chain operations. Savannah's industrial market has experienced strong tailwinds as a result of the market's rail system and the city's investments to deepen the Port of Savannah. While these factors provided a favorable environment for logistics users seeking to fulfil orders imported from overseas, they also create an opportunity for manufacturers aiming to expand operations in the U.S. With access to one of the largest ports in the country, manufacturers in Savannah are able to quickly receive imported supplies and materials as well as shorten the supply chain for exportation. For example, as referenced in a prior section, Hyundai recently commenced construction of a $5.4 billion manufacturing facility adjacent to an EV battery factory in Savannah, which at completion, will be the largest economic development in Georgia's history. Once stabilized, the facility will be able to produce approximately 300,000 electric vehicles annually. While the plant will employ 2,500, due to the influx of supplier development expected around the project, the facility is estimated to create an additional 13,000 jobs in the market.[25] With the average 100,000 SF auto supplier warehouse employing approximately 250 employees, it can be projected that this investment will translate to ~4.2 million SF of supplier industrial development.



Source: CoStar

Looking forward, as a result of the new Hyundai facility in Savannah, we believe the Savannah industrial market will see an influx of tenant demand. We believe this demand growth will be driven by more auto suppliers choosing to locate in the market, which will continue to exacerbate the supply and demand imbalance in Savannah. Currently, industrial rent growth in Savannah is trending near 11.5%, and there is approximately 21 million square feet underway in order to meet surging demand, according to CoStar. In total, we believe the onshoring of more operations to the Savannah market will allow it to sustain its already strong real estate fundamentals.

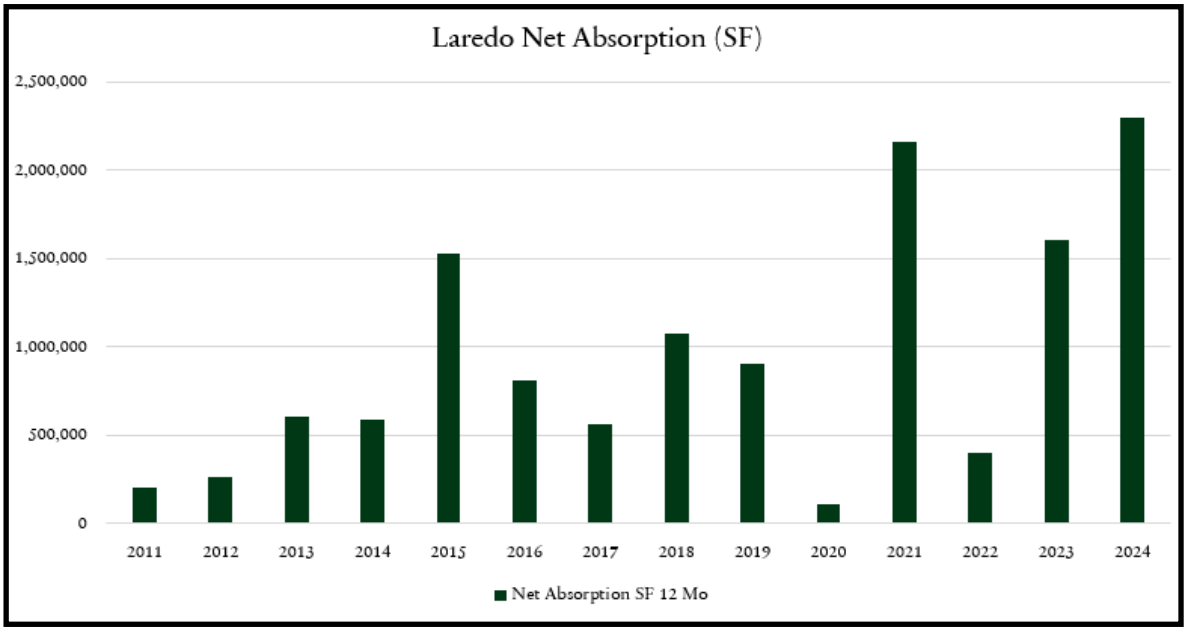
25) The AutoNSider—Hyundai's $5.4 Billion Impact on Georgia's Economy

The onshoring of supply chain operations is not only bringing operations back to the U.S., but also bringing operations to Mexico. In comparison to producing goods overseas, Mexico allows for a more reliable supply chain through its proximity to the U.S. As domestic chip production rises, Mexico is expected to see a benefit as well, as chip manufacturers utilize facilities in Mexico for testing and assembly. A comparable trend occurred in the auto manufacturing sector with certain auto companies utilizing Mexico as a location for assembly. Toyota, KIA, and General Motors already operate assembly facilities in the country. As more production comes to Mexico and companies look to integrate Mexico with the U.S. within their supply chain operations, U.S. border towns are expected to see an increase in industrial demand due to the increased flow of goods from Mexico to the U.S.

Laredo, TX

Laredo, TX is a border market well positioned to capitalize on the growth in manufacturing in Mexico. Laredo's port is integral to trade between U.S. and Mexico, and facilitates $25 billion in trade on a monthly basis.[26] As a result of the high level of throughput at the port, Laredo's industrial market has seen strong tailwinds, with a vacancy rate of 1.3% at year-end 2022.

As more companies invest in their Mexican manufacturing efforts, Laredo, and other border cities, will likely experience significant industrial demand and subsequently strengthening fundamentals. As shown in the chart below, Laredo is already forecasted to see near record levels of absorption over the next several years per CoStar. Moving forward, we believe the onshoring of supply chain operations will lead to a continued strengthening in leasing fundamentals in the Laredo market.



Source: CoStar

26) CBRE

Conclusion

Over the last several decades, companies embraced "globalization", which led to a focus on expanding supply chains overseas to minimize costs. However, due to changing labor, political, economic and manufacturing dynamics (an increased focus on sophisticated and automated operations), we believe the industrial market is in the infancy of a shift towards onshoring manufacturing operations to the U.S. and Mexico.

We believe this growth in domestic manufacturing operations will have a significant impact on the industrial sector with certain industries and markets best positioned to capitalize on this trend. In terms of industries, we believe the semiconductor and automotive industries will be most heavily impacted from onshoring supply chain operations due to government funding. Other industries with less access to government funds will likely also onshore their supply chain operations due to the secular growth trend of automation and its requirement of a more educated labor force that is more available domestically than abroad.

Additionally, we believe the onshoring of supply chain operations will have a significant impact on tenant demand for industrial space in the U.S. According to the Reshoring Initiative, onshoring and foreign direct investment are expected to create approximately 400 thousand manufacturing jobs in this year alone. Analyzing project announcements has indicated every 100,000 square feet of new manufacturing space requires approximately 250 new employees. We believe this forecast indicates the onshoring of manufacturing operations will create additional demand for industrial space of approximately 160 million square feet (400,000 forecasted new jobs x 100,000 square feet / 250 new employees).

In terms of markets, we believe markets with significant exposure to the semiconductor and automotive sectors are well positioned to benefit from the onshoring of supply chain operations given the impact that large, new manufacturing developments in these industries will have on the industrial real estate market. Additionally, we believe markets with affordable yet educated labor pools, access to transportation infrastructure, available land for development and friendly regulatory environments are best positioned to capitalize on the onshoring trend given large corporations will focus heavily on these factors when making manufacturing investments that have implications on their supply chains for several decades.

Lastly, we believe this onshoring trend is another secular trend, similar to e-commerce growth, that should allow the industrial sector to sustain growth in tenant demand over the foreseeable future. We believe this growth in manufacturing operations domestically will contribute to sustaining positive supply and demand fundamentals and healthy leasing performance for the sector over a long-term investment horizon.

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