



***GLOBAL LOGISTICS
TRENDS IMPACTING
INDUSTRIAL REAL
ESTATE***

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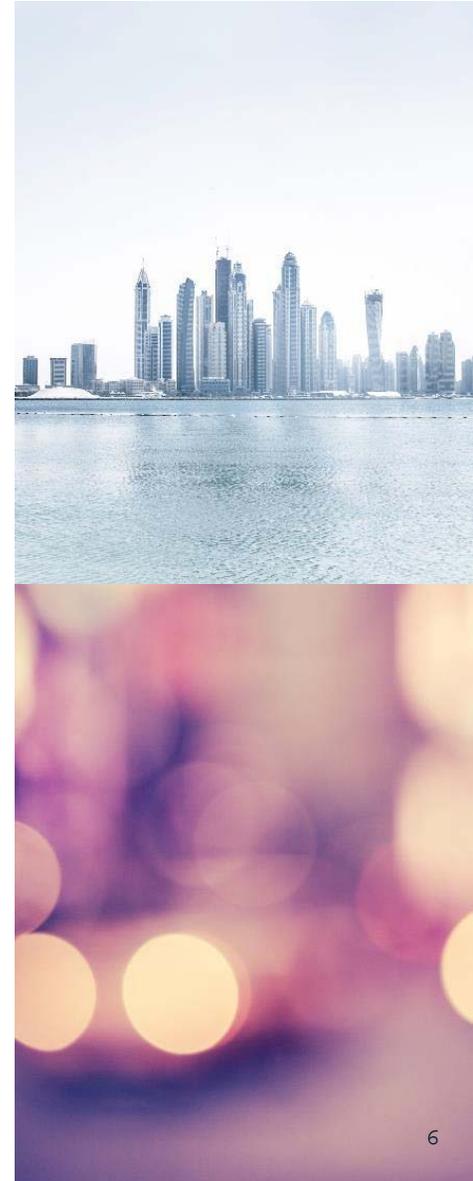


IMS WORLDWIDE, INC.

For over 50 years, IMSW has been working in the global logistics and industrial real estate market providing guidance and expertise to investors, companies, brokers, and tenant representatives related to the impact of global logistics on the site selection process. IMSW also specializes in the designation, activation, and management of Foreign-Trade Zones having completed over 500 projects throughout the US.

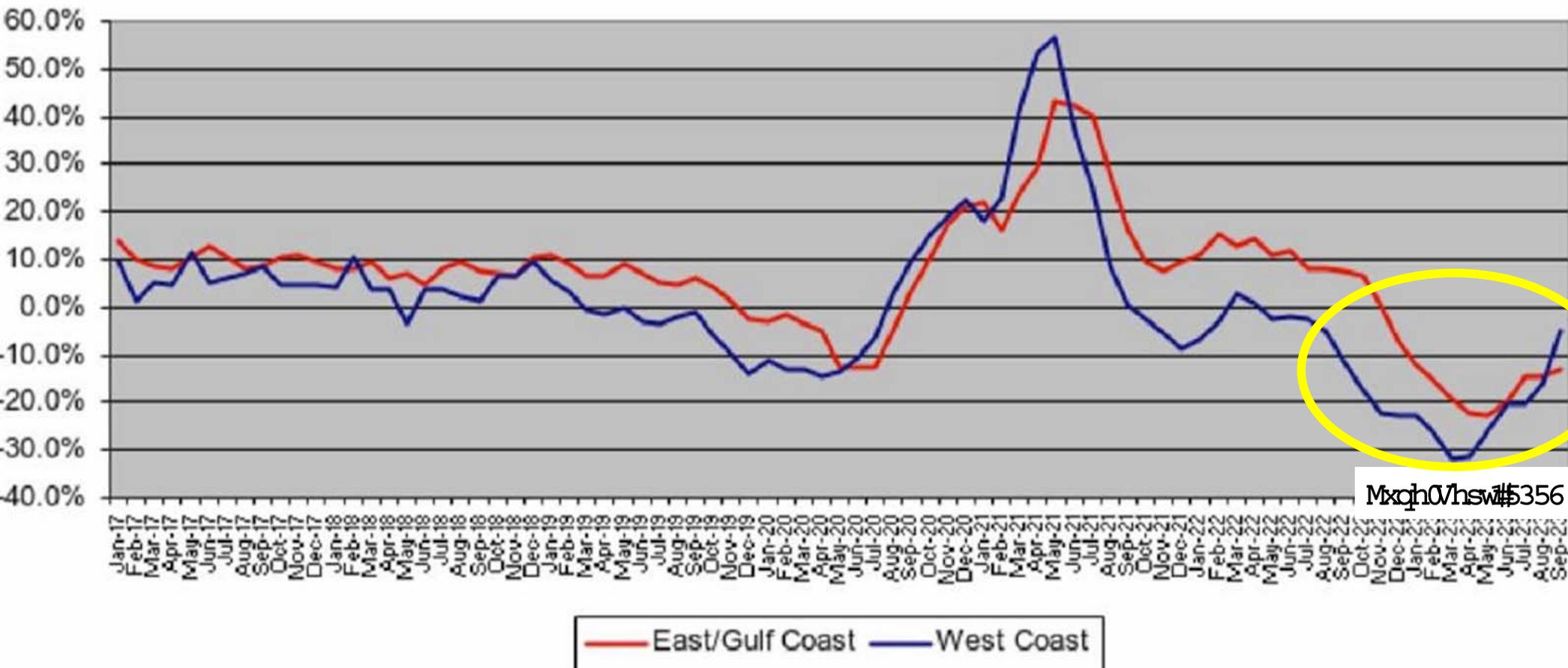
AGENDA

- Port Statistics
- Panama Canal Drought
- Suez Disruptions
- West Coast Labor
- East Coast Labor



WEST COAST PORTS VS EAST COAST PORTS CHANGE IN IMPORTS

West Coast Vs East/Gulf Coast % Change In Volume 3 Month Trailing Ave

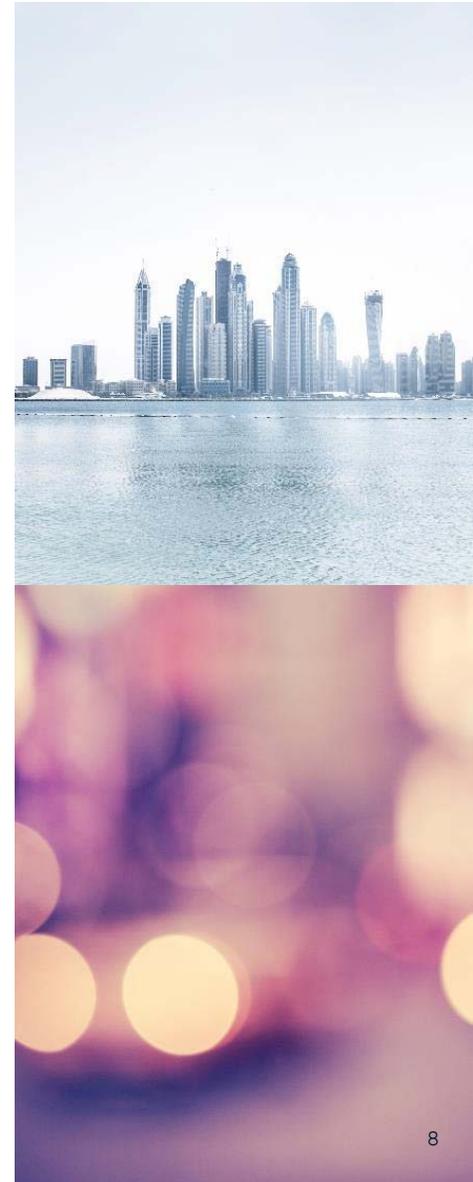


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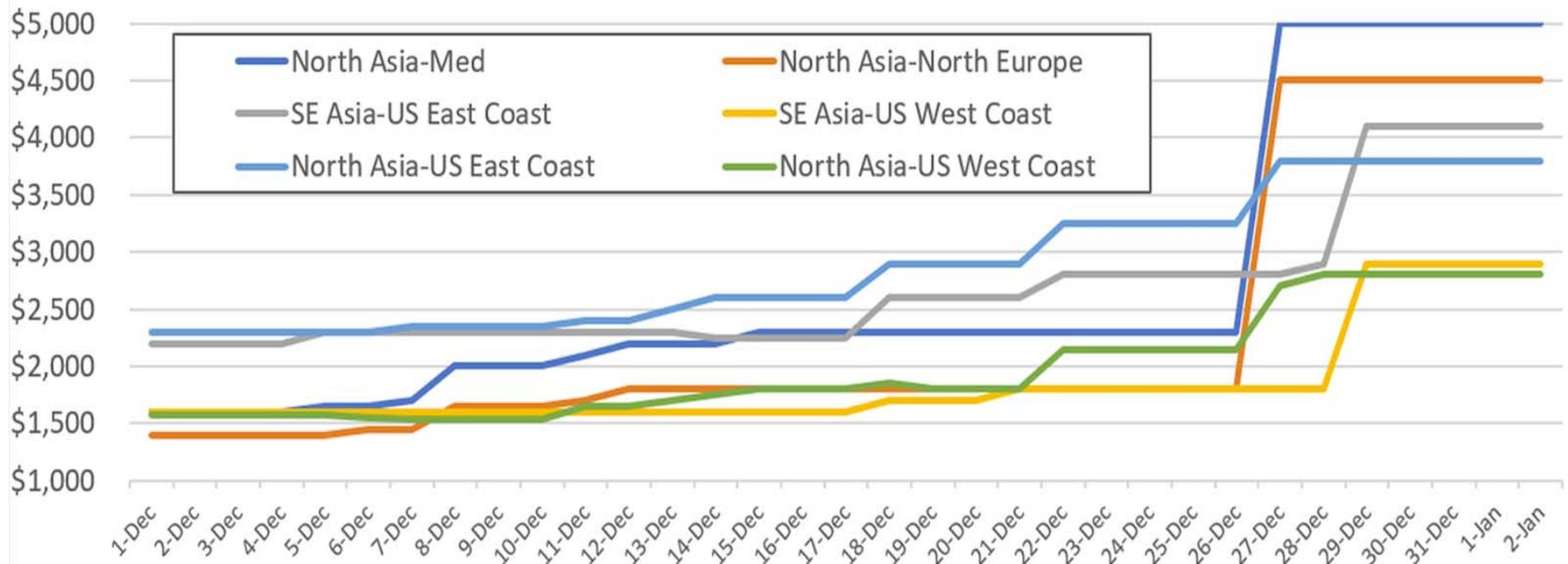
MOST CURRENT NEWS ON WC/EC

US West Coast ports saw a relative increase in import volumes compared to their East and Gulf Coast counterparts with a 12.7% month-on-month increase compared to a **-5.1%** decrease for the Eastern ports. (November 20-2023 Container News)

- Long Beach posted its best September ever in terms of overall throughput, with imports up 19.3% y/y. Long Angeles' imports rose 14.3% y/y.
- Los Angeles expects imports to remain healthy through the fourth quarter, with full-year throughput now predicted to be down 13% y/y.
- "That's an unbelievably good comeback given that we were down 32% in Q1," said Port of Los Angeles Executive Director Gene Seroka in a press conference on Oct. 23.
- Freight Waves Oct 2023



Platts rate assessments (USD per FEU): Dec. 1-Jan. 2



PANAMA CANAL



Panama Canal Overview

- The Panama Canal is responsible for moving **80% of global trade**.
- **40% of all U.S. container traffic travels through the Panama Canal** every year and moves roughly \$270 billion in cargo annually.
- The shipping time for cargo from Shenzhen, China to Miami, FL, utilizing the Panama Canal takes 35 days versus the Suez Canal which takes 41 days.
- In 2023, the Panama Canal began restrictions as reduced rainfall has led to a drought in the region which feeds the Canal.
- **In September 2023**, the Panama Canal Authority (ACP) reduced the draft of the Canal to 44 feet from 50 feet and began limiting transits, as each transit uses tens of millions of gallons of fresh water.

Reduced and Limited Transits

- Latin American sources said the increasing limitations are expected to exacerbate already long wait times for transit to deliver volumes to WCSA markets. Delays could stretch up to three weeks, particularly with further slot limits imposed in early 2024.
- Panama Canal has limited transits:

Panama Canal Trends	Daily Transits Allocated
Normal Capacity	38 – 40 Transits
October 2023	32 Transits
November 2023	24 Transits
December 2023	22 Transits
January 2024	24 Transits

Reduced Transits affecting Gulf Coast and East Coast Ports

- November 2023 was the first month where the Panama drought impacted Gulf Coast container import volumes.
 - Overall port volumes were down 9.0%
 - Port of Houston volume was down 26.7% from last year's record highs.
 - Top East Coast port volume is also down significantly (Baltimore: -21.1%, Charleston: -18.7%, New York/New Jersey:16.1%, and Norfolk: -14.1%). - Descartes Datamyne

Panama Canal Drought Outlook

- Most experts are saying the Drought problem will last well into 2025, and there are no easy “Fixes”.
- In the long-term, the primary solution to chronic water shortages will be to dam up the Indio River and then drill a tunnel through a mountain to pipe fresh water 5 miles into Lake Gatún, the canal’s main reservoir.
- The project, along with additional conservation measures, will cost about \$2 billion, Córdoba estimates. He says it will take at least six years to dam up and fill the site. The U.S. Army Corps of Engineers is conducting a feasibility study. – Seattle Times.
- PCA is not in any hurry to fix the problem, as they expect more rains.....



SUEZ CANAL DISRUPTIONS

RED SEA/SUEZ TRANSITS

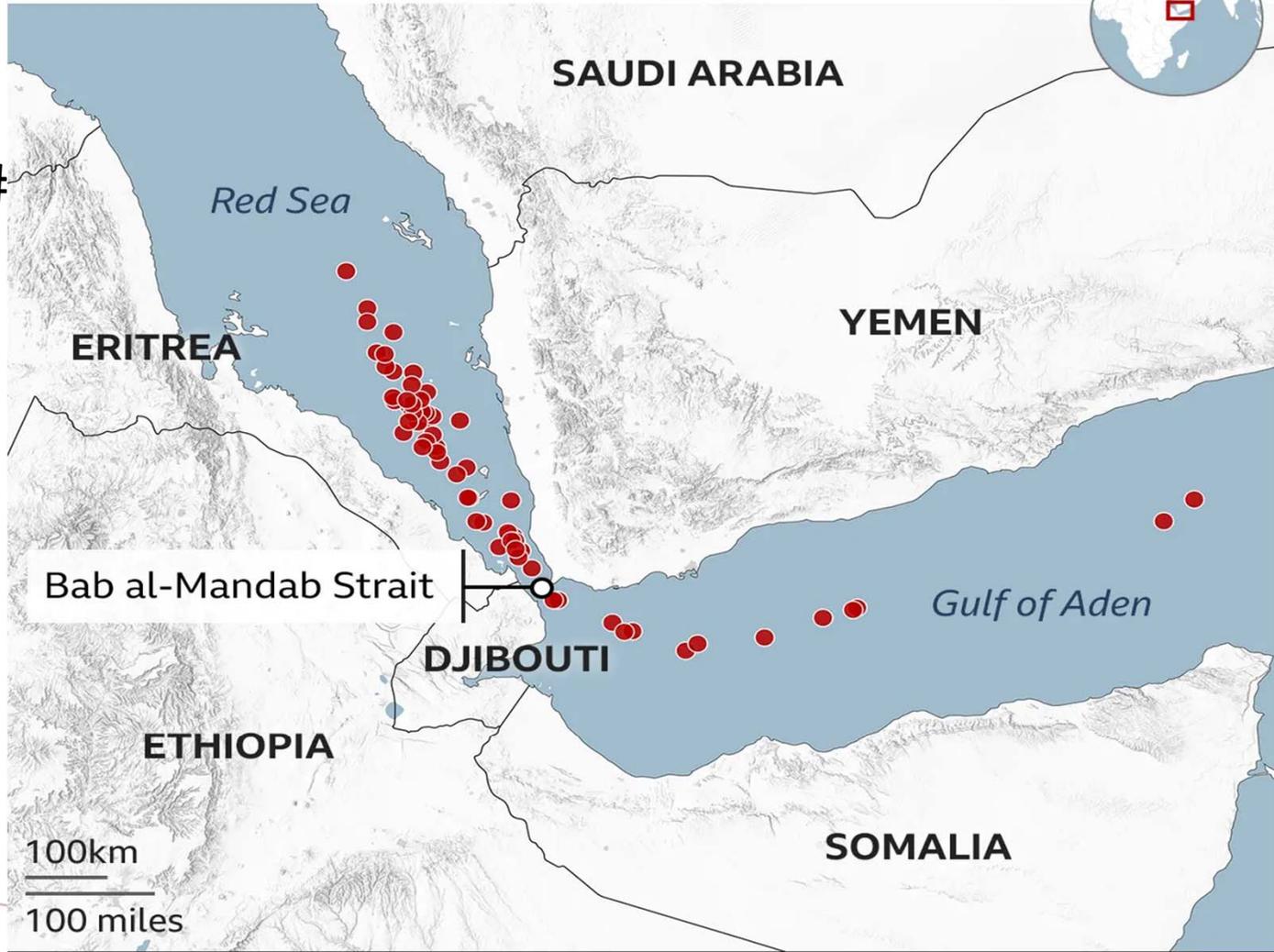
- Some 15% of global shipping traffic, and 30% of container traffic, passes through the Red Sea and Suez Canal – Freight Waves
- Suez disruptions and insurance cost increases going around Africa. Some sources indicate spot rates China to Europe are up to \$5,000+ today!!
- Insurance industry sources said that war risk premiums had risen to around 1% of the value of a ship. Translating into \$Millions of additional costs for a seven-day voyage. – Reuters
- On Jan 2nd, Maersk and CMA suspended all Red Sea transits indefinitely and re-routed ships around Africa's Cape of Good Hope (an added 10-14 days).



Incidents off the coast of Yemen



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Source: Ambrey Analytics



IMPACTING RATES AND TRANSIT TIMES

ON JAN 2, 2024, PLATTS REPORTED THE FOLLOWING SPOT RATES BY CARGO ROUTES

North Asia-Mediterranean rates are \$5,000 per FEU

- Double the rates of \$2,300 per FEU on Dec. 26, 2023.
- More than triple the rates of \$1,600 at the beginning of Dec 2023.

North Asia-North Europe rates are \$4,500 per FEU

- Up 150% from December 26, 2023.
- Up 221% since beginning of Dec.

Southeast Asia-U.S. East Coast rates at \$4,100 per FEU

- Up 86% since beginning of Dec.

Southeast Asia-U.S. West Coast rates at \$2,900 per FEU,

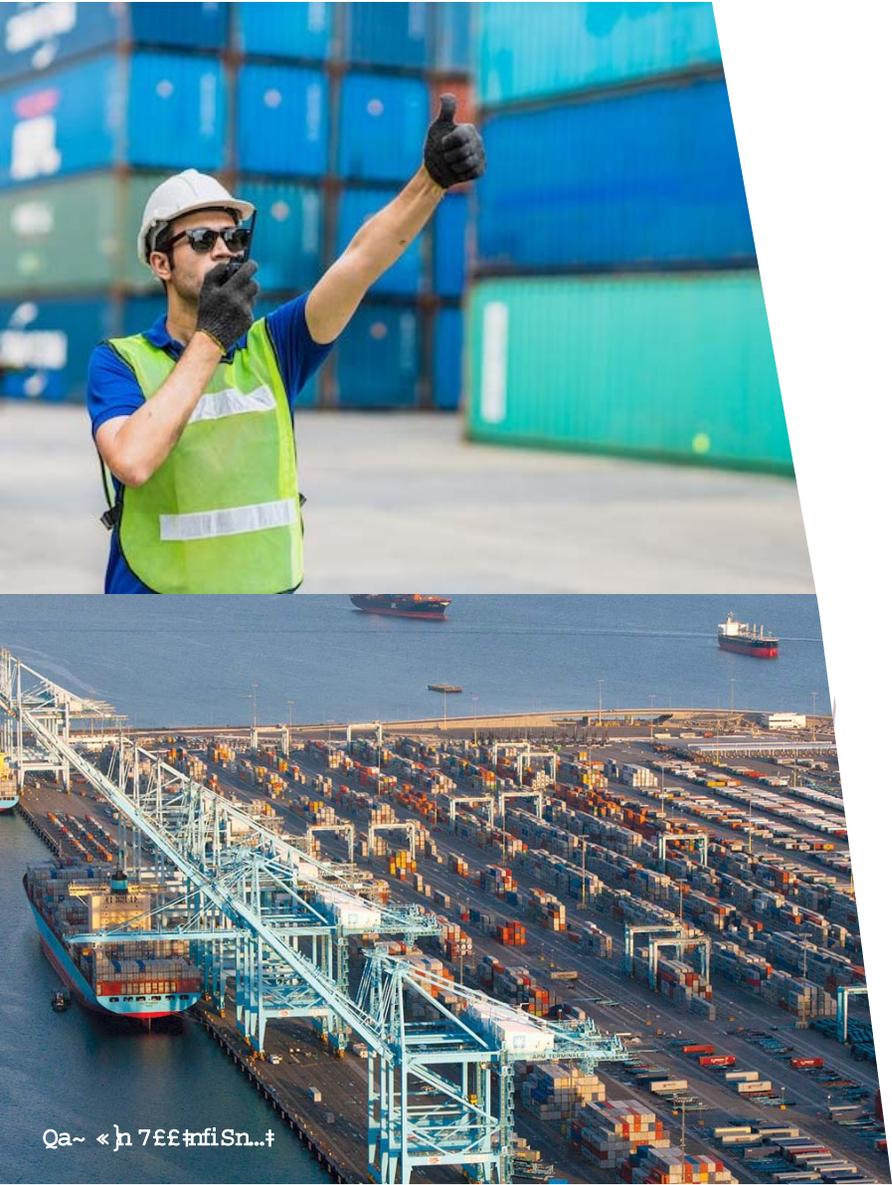
- Up 81% since beginning of Dec.

North Asia-U.S. East Coast rates at \$3,800 per FEU

- Up 65% since beginning of Dec.

North Asia-U.S. West Coast rates at \$2,800 per FEU

- Up 78% since beginning of December.



WEST COAST LABOR

WEST COAST LABOR

- In June 2023, the International Longshore and Warehouse Union (ILWU), which represents over 40,000 West Coast dockworkers, secured a new contract with a 32% pay raise over six years and a one-time bonus for work during the pandemic. – FreightWaves
- Importers shipping goods from Asia could bring more cargo back to West Coast ports, particularly given the growing and concurrent concerns about Panama Canal water levels, and Intermodal Services from BN and UP have increased and are set to handle 15-20% more freight making West Coast more appealing.
- Importers could also bring peak-season volume forward to avert the risk of cargoes caught in a strike next October. – Freightwaves
- Top East and Gulf Coast ports handled 51% of U.S. containerized imports in July-September, the top West Coast ports 49%. That trend is reversing quickly.

EAST COAST LABOR

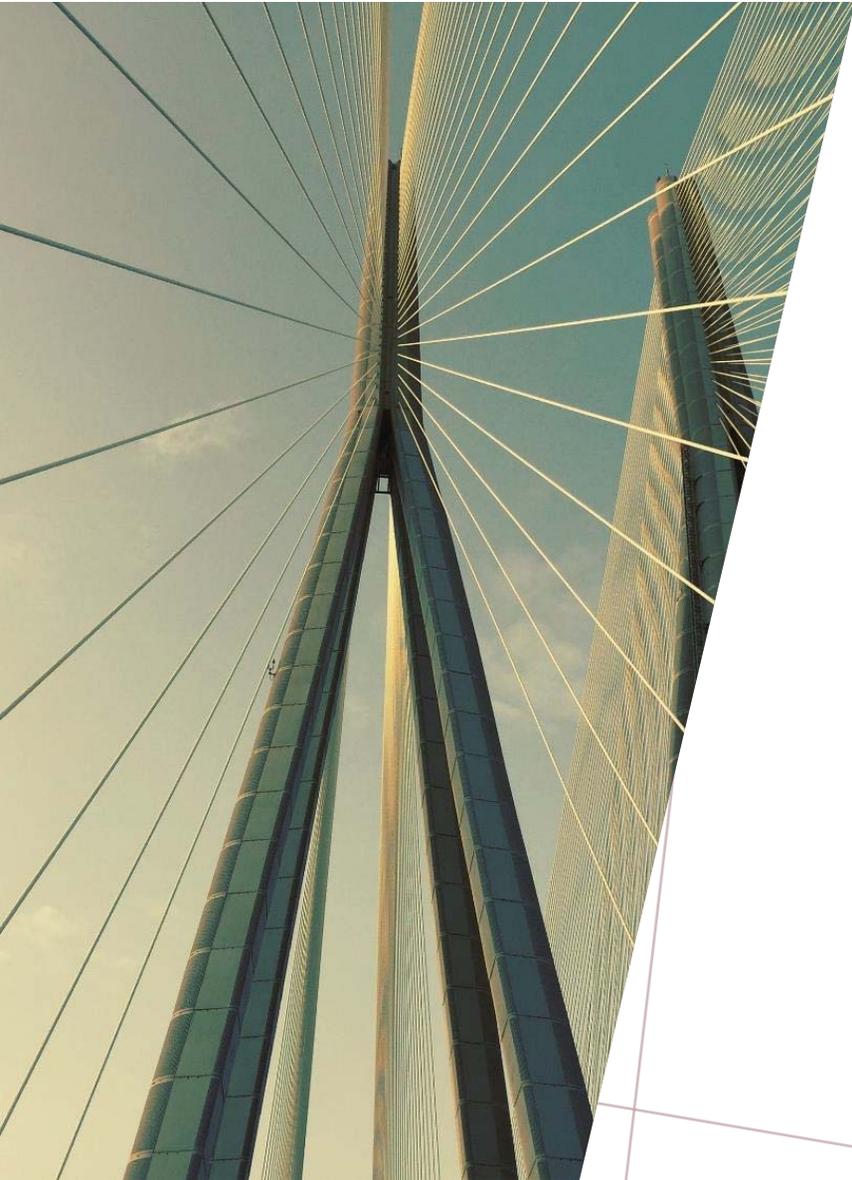


EAST COAST LABOR

- Labor problems looming for East Coast this year.
- The last major longshore workers strike on the East Coast was in 1977. – wsj
- “Members should prepare for the possibility of a (east) coastwide strike in October 2024,” the International Longshoremen’s Association (ILA) — the union representing 45,000 East and Gulf Coast dockworkers — warned in a press release (September 2023)
- The current six-year agreement expires on Sept. 30, 2024. “The union will hold firm on its pledge not to extend the contract beyond its expiration date,” said the ILA.
- **In the case of an ILA strike, cargo from China/Asia that would have gone to Charleston or Savannah, Georgia, could be rerouted to Los Angeles or Long Beach and shipped overland by rail, a well-established logistics option.**– Freightwaves
- One very large Retailer is already reporting 50% re-routing through West Coast ports in just the last 30 days, citing Suez/Panama issues and the looming labor disputes.

BOTTOM LINE FOR WC INDUSTRIAL?

- Yes, vacancy is up a bit, but development has slowed to keep pace.
- CA politics is negative for new builds, trucks and warehouse emissions. (Please throw the bums out!)
- We are seeing a return to WC dominance in Asian import trade, and that should continue for all of 2024 and into 2025.
- By end of 2025, consumer demand, interest rates and other negative impacts should have worked themselves out for Industrial Demand.
- E-commerce and retail sales are not going anywhere after that time, except back to a more normal, anticipated growth rate as seen pre-pandemic.
- Industrial “discipline” is definitely in force, and shipping will come back to West Coast as the dominant player.
- New intermodal terminals in Barstow (BN) and Phoenix (BN and UP) are fully financed and in development which puts more rationale on retailers to ship via West Coast ports.



THANK YOU

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