



GLOBAL LOGISTICS TRENDS

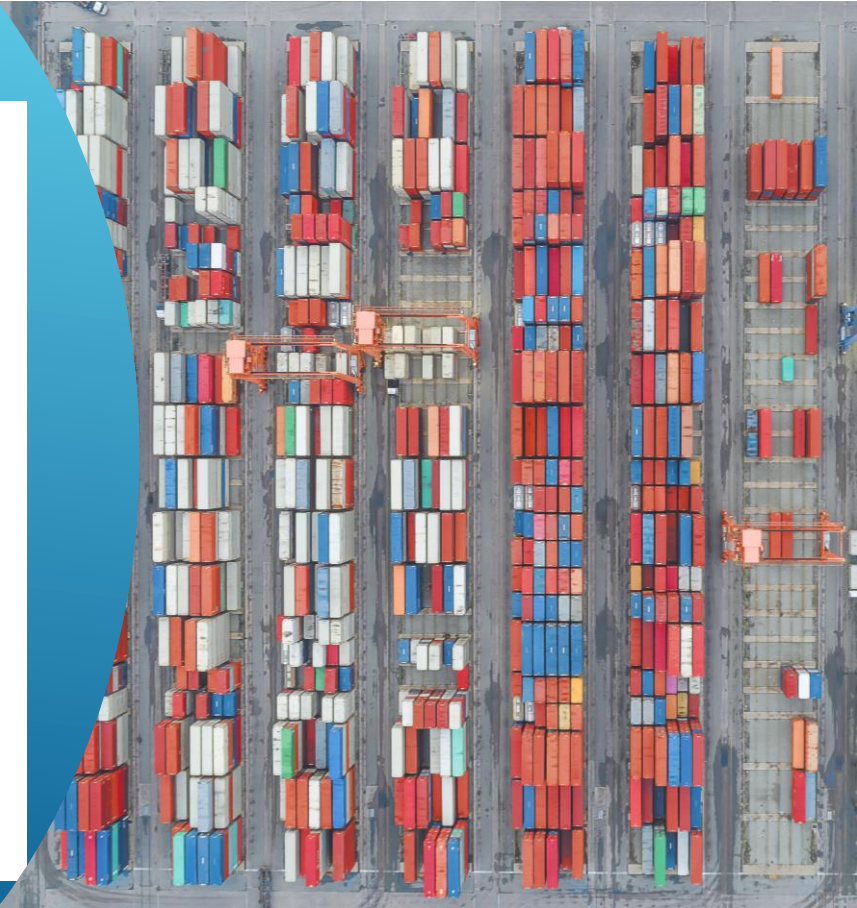
Curtis D. Spencer, CEO
IMS Worldwide, Inc.

Introduction



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.



GLOBAL LOGISTICS TRENDS

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Location of Top 25 US Ports by TEU

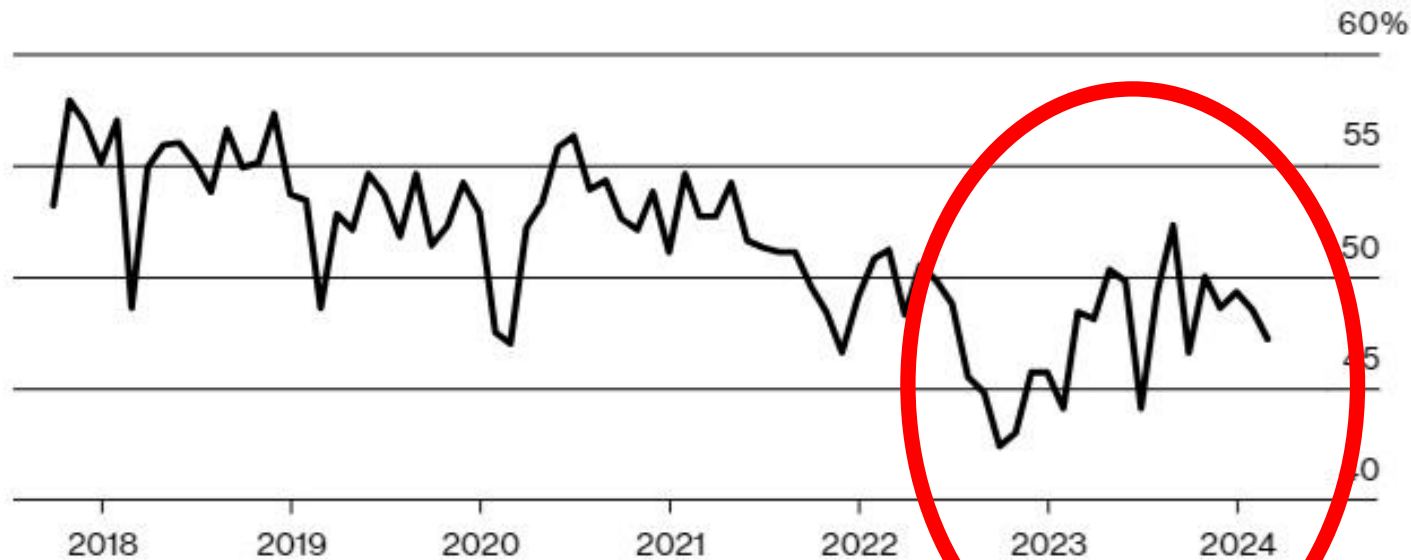


SOURCE: U.S. Department of Transportation, Bureau of Transportation Statistics, based upon 2021 data (latest available) provided by U.S. Army Corps of Engineers, Waterborne Commerce Statistics Center. Special tabulation as of November 2023.

West Coast Ports Percentage vs East and Gulf Coast Ports

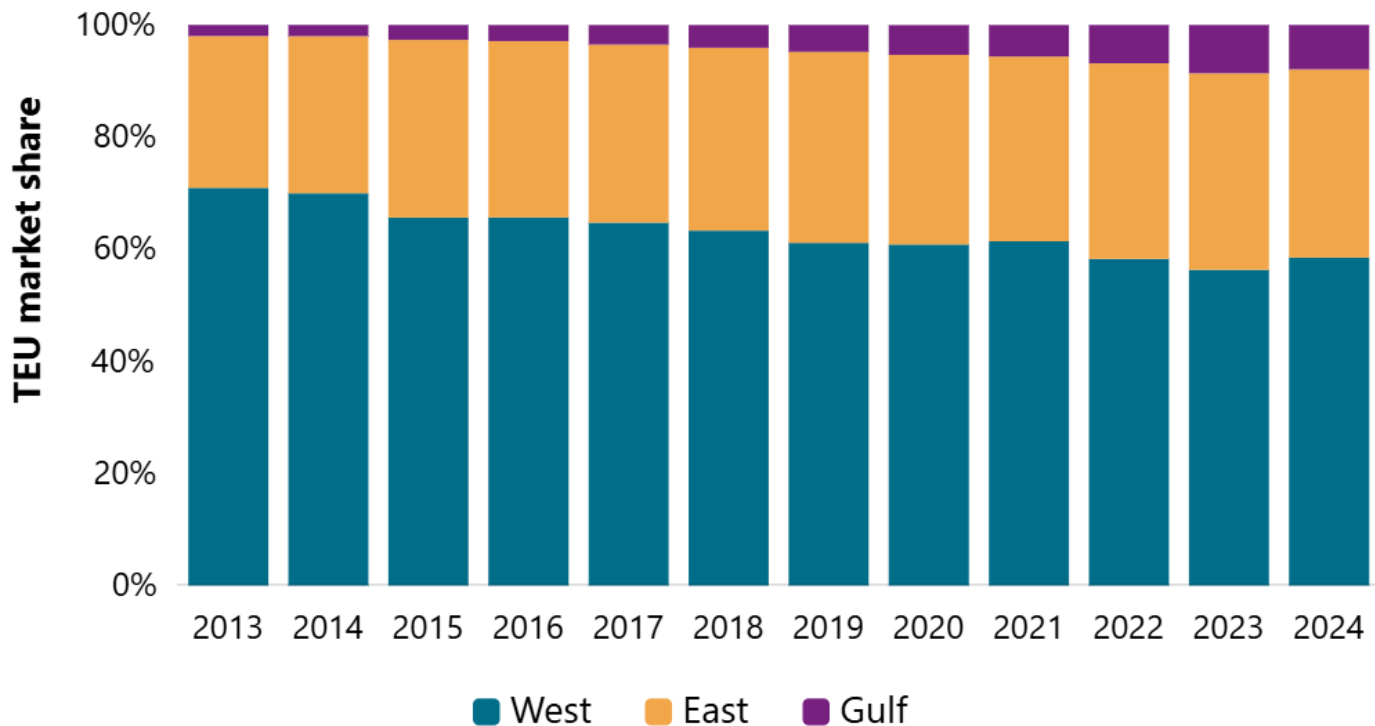
West Coast Ports

Share of US inbound container volume



Ten Percentage Points Reversal in 12 months

Coastal share of US containerized imports from Asia (PIERS)



Source: PIERS, S&P Global

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US Ports TEU Trends 2023

Port of Entry	2023 TEU Volume	2022 TEU Volume	2023 TEU Volume Against 2022
LA/LB	16,653,165	19,044,815	-12.56%
NY/NJ	7,810,005	9,493,664	-17.7%
Savannah	4,927,654	5,892,131	-16.37%
Houston	3,824,600	3,974,901	-0.38%
Norfolk	3,287,546	3,703,230	-11.22%
Seattle/Tacoma	2,974,416	3,384,018	-12.1%
Charleston	2,482,080	2,792,313	-11.11%
Oakland	2,065,709	2,337,125	-11.61%

US Ports TEU Trends Through October 2024

Selected Ports

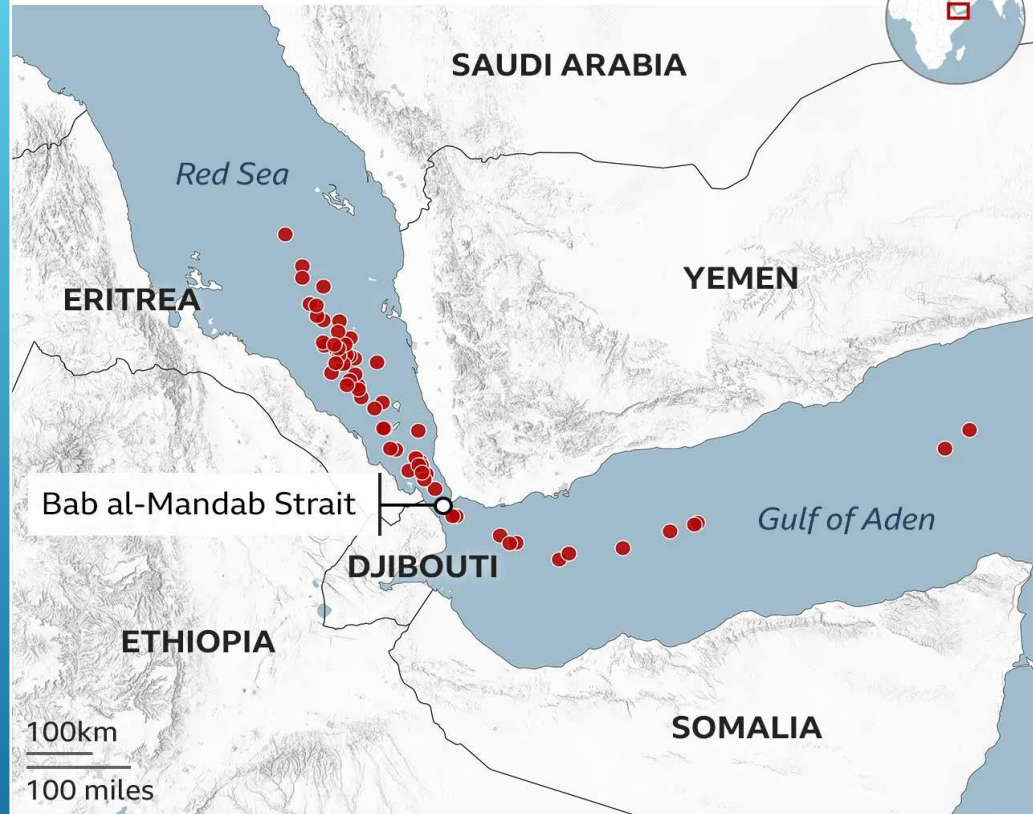
Port of Entry	2024 TEU Volume	2024 TEU Volume vs 2023
LA/LB	16,395,984	+19.6%
NY/NJ	4,855,518	+10.1%
Savannah	4,625,269	+11.6%
Houston	3,430,212	+6.6%
Norfolk	2,960,111	+7.3%
Charleston	2,087,682	+0.78%

Red Sea/Suez Transits

- Some 15% of global shipping traffic, and 30% of container traffic, pass through the Red Sea and Suez Canal – Freight Waves
- Suez disruptions and insurance cost increases going around Africa.
- On Jan 2nd, Maersk suspended all Red Sea transits indefinitely and re-routed ships around Africa's Cape of Good Hope (an added 10-14 days). **In May, Maersk, CMA, MSC and others say they will continue to route via the Cape of Good Hope for the foreseeable future.**
- Insurance industry sources said that war risk premiums had risen to around 1% of the value of a ship, translating into hundreds of thousands of dollars of additional costs for a seven-day voyage. – Reuters



Incidents off the coast of Yemen



Source: Ambrey Analytics



Red Sea Houthi Attacks from November 19, 2023, and January 10, 2024, on Commercial Shipping. This trend has continued through the first half of 2024.

EAST AND GULF COAST PORT LABOR



East & Gulf Coast Labor

- The last major longshore workers strike on the East Coast was in 1977. – wsj
- 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.
- **“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 on Saturday, July 27, 2024.



East & Gulf Coast Labor

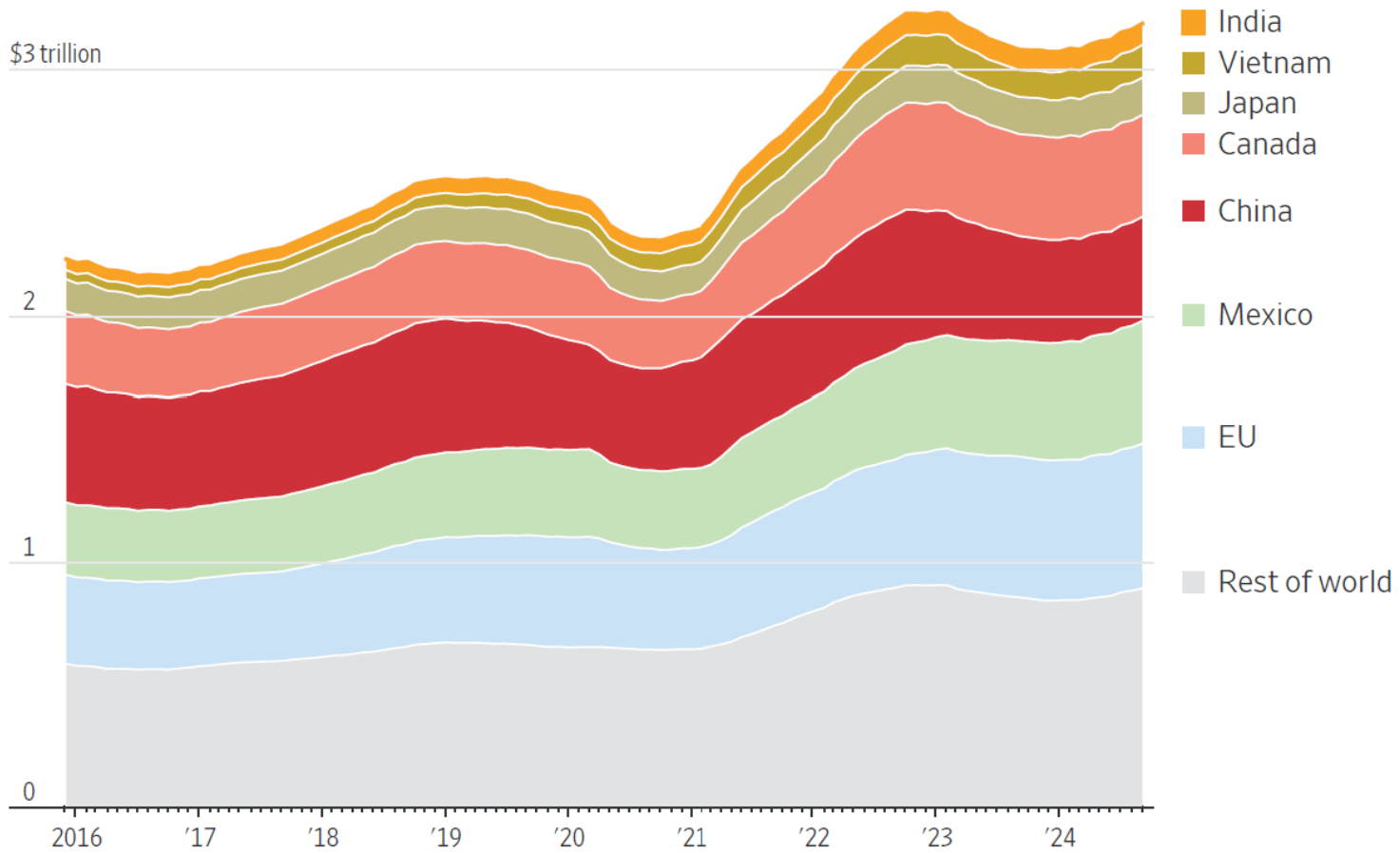


- In the case of an ILA strike, cargo from China that would have gone to Charleston or Savannah, could be rerouted to Los Angeles or Long Beach and shipped overland by rail, a well-established logistics option. Rerouting options would be much more extreme for cargo from Europe that was blocked from unloading on the U.S. side of the Atlantic. – Freightwaves.
- **We've seen large Retailers already making the move to the West Coast.**



IMPACTS OF POTENTIAL TARIFF INCREASES

U.S. goods imports by source country, 12-month rolling total



Source: Trade Partnership Worldwide, Census Bureau

Impact of Tariffs on Global Trade

- The average effective tariff rate on imports from all countries has moved from 1% to more than 2%. (IPW)
- Since 2018, the average effective tariff rate on Chinese imports has jumped from around 3% to 11% according to the Trade Partnership Worldwide (IPW).
- President Elect Trump is proposing an additional 10% tariff on all products from China and a 25% tariff on all Mexican and Canadian imports.
 - **The current U.S.-Mexico Canada Agreement he signed in 2020 maintained largely duty free trade between the three North American countries.**
- Increasing tariffs, will likely result in consumer price increases until other sourcing can be determined and implemented resulting in inflation.

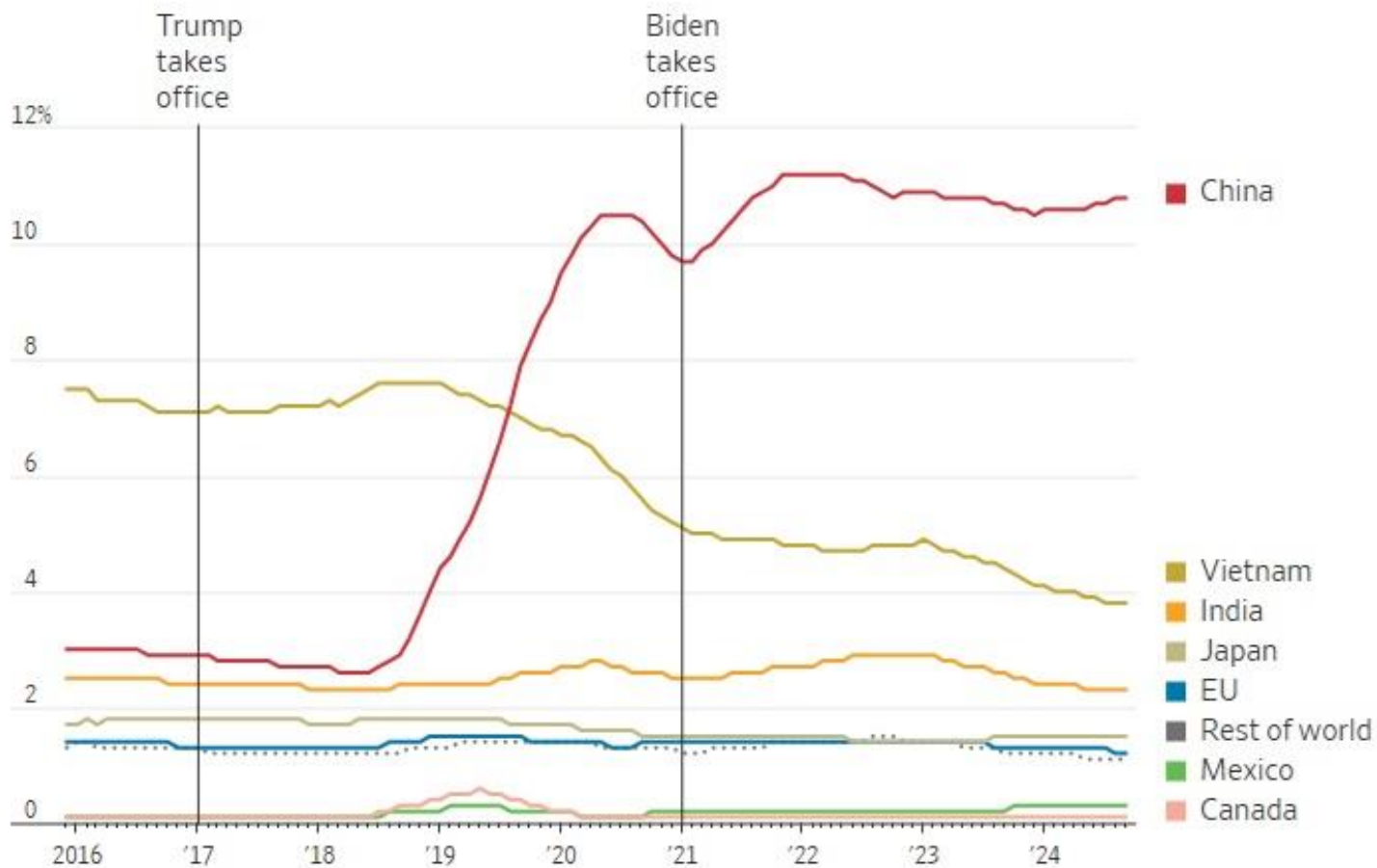
U.S. average effective tariff rate



Note: Trump proposal assumes additional 25pp tariff on Canada and Mexico goods imports and 10pp tariff on Chinese goods imports

Source: The Budget Lab at Yale, Historical Statistics of the United States Ea424-434, Monthly Treasury Statement, Bureau of Economic Analysis

U.S. effective tariff rate by import source country, 12-month rolling average



Source: Trade Partnership Worldwide, Census Bureau

Impact of Tariffs on Global Trade

- As tariffs are raised on Chinese goods, shifts to other producers do occur, but incrementally this shift has been minimal in the past.
- Trump recently threatened 100% tariffs on the group of countries known as BRICS (Brazil, Russia, India, China and South Africa) if these countries moved to circumvent the U.S. Dollars.
- Any changes to the de minimus provision which allows duty-free entry on all packages with contents under \$800 could directly impact many current global discount shippers such as TEMU and Shein.
- A solution for manufacturers and retailers in the U.S. is to consider utilizing a Foreign-Trade Zone to defer duties and re-export goods duty-free.



HOW THE FTZ IMPACTS POTENTIAL TARIFF INCREASES

Assumptions Used in FTZ Cost-Benefits Analysis				
IMSW Manufacturing Case 1 Higher Trump Tariffs				
Annual cost, dutiable imports				\$25,000,000
Weighted average duty rate (10% current + 25% added)				35.00%
Percent reject or scrap imported merchandise				1.00%
Percent of imported merchandise re-exported to Mexico				2.00%
Percent of imported merchandise sold to the military				0.00%
Annual cost, imports subject to duty inversion Non Chinese				\$5,000,000
Inverted tariff (finished product duty rate)				3.40%
Affected raw material/component duty rate				10.00%
Inventory turns per year				4
Opportunity cost of capital				6.0%
Drawback system in place?				No
FTZ cost advantage (FTZ differential) over drawback				100.0%
Average "Merchandise Processing Fee" per entry				\$58
Average number of entries per year				1500
Annual growth rate, FTZ operating expenses, etc.				3.0%
Annual growth projections from current year				
Year 1				20.0%
Year 2				20.0%
Year 3				20.0%
Year 4				20.0%
Application, Tax Work and Activation expense (estimated)*				\$105,000
Internal operating and monitoring expenses (acctg/tracking/reporting/systems mod.)				\$195,000
Grantee fees (estimated)				\$8,000

**Foreign-Trade Zone Cost-Benefits Projections:
IMSW Manufacturing Case 1 Higher Trump Tariffs**

FTZ Benefits & Expenses By Type	Year 1	Year 2	Year 3	Year 4	Year 5	5-YEAR TOTAL
FTZ Benefits						
Re-Exports ¹	\$175,000	\$210,000	\$252,000	\$302,400	\$362,880	\$1,302,280
Reject, scrap, & military sales	87,500	105,000	126,000	151,200	181,440	651,140
One-time benefit ²	---					
Ongoing duty deferral	127,313	152,775	183,330	219,996	263,995	947,409
Inverted Tariffs	320,100	384,120	460,944	553,133	663,759	2,382,056
Merchandise Processing Fee savings	54,672	65,606	78,728	94,473	113,368	406,847
Total FTZ Benefits	\$764,585	\$917,501	\$1,101,002	\$1,321,202	\$1,585,442	\$5,689,732
FTZ-RELATED EXPENSES						
Internal FTZ Operation Expenses	\$195,000	\$200,850	\$206,876	\$213,082	\$219,474	\$1,035,281
Grantee fees	8,000	8,240	8,487	8,742	9,004	42,473
TOTAL FTZ-RELATED EXPENSES	\$203,000	\$209,090	\$215,363	\$221,824	\$228,478	\$1,077,755
NET FOREIGN-TRADE ZONE BENEFITS	\$561,585	\$708,411	\$885,639	\$1,099,378	\$1,356,964	\$4,611,977

FTZs and Tariffs



- FTZs are the only Customs method of impacting (mitigating) against tariff creep.
- Manufacturers can use it to reduce “Cost of Goods Sold” expense.
- Distributors/E-Commerce fulfillment centers can use it to mitigate the cost of the Tariffs until the goods are sold!
- Exports = NO TARIFFS
- Scrap/waste/obsolete, RTV = NO TARIFFS
- When Tariffs were 2%, FTZs didn’t make much sense, BUT NOW....

FTZs and Tariffs



- Any site can qualify for an FTZ. New, BTS, Spec, Existing buildings, all are eligible for an FTZ approval.
- The Texas Inventory Tax is not allowable anymore in Harris County, but with Tariffs this high, that expense is no longer “front & center” for the occupier.
- Site/User specific approvals are really the only avenue...we used to include entire business parks, but that practice is no longer viable.
- However, individual site approvals are now much faster. (3-5 months, instead of 12 months)



E-COMMERCE DRIVING GOODS AND INDUSTRIAL DEVELOPMENT

Pitney Bowes Parcel Shipping Index:

- Global Parcel volume exceeded 100 billion pieces in 2020
- Will reach 200 billion pieces by 2025

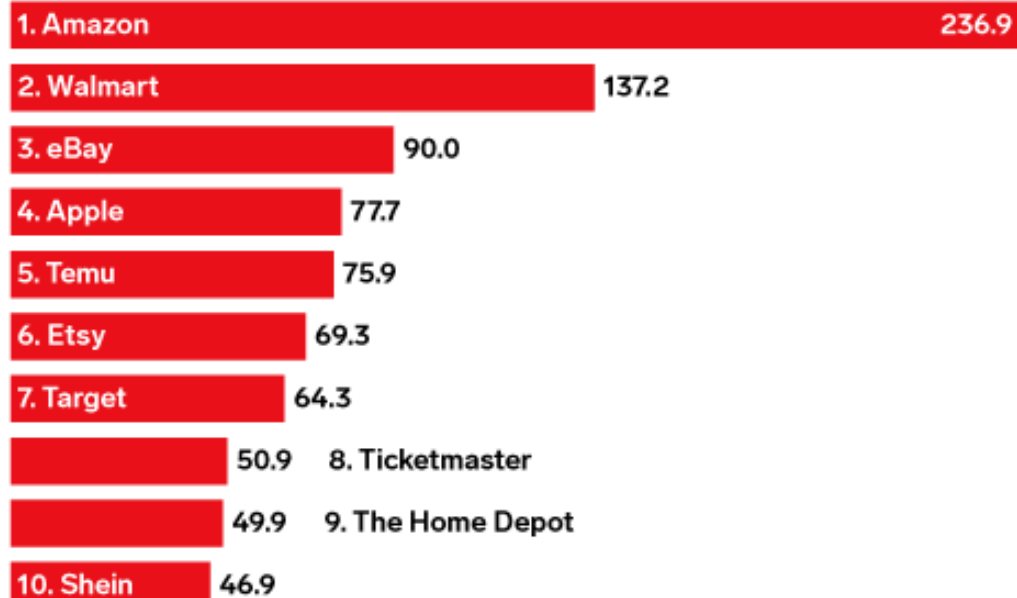
Boeing:

- Global growth in e-commerce trade driven by international online retail activity will drive the demand for 2,800 new freighters.



Top 10 US Digital Retailers, Ranked by Unique Visitors, June 2024

millions



Note: excludes McDonald's and DoorDash; total digital population includes desktop and mobile

Source: Comscore Media Metrix Multi-Platform, "Retail, Total Digital Population, June 2024, U.S.," Aug 9, 2024

Amazon Prime vs Alibaba & Chinese E-Com

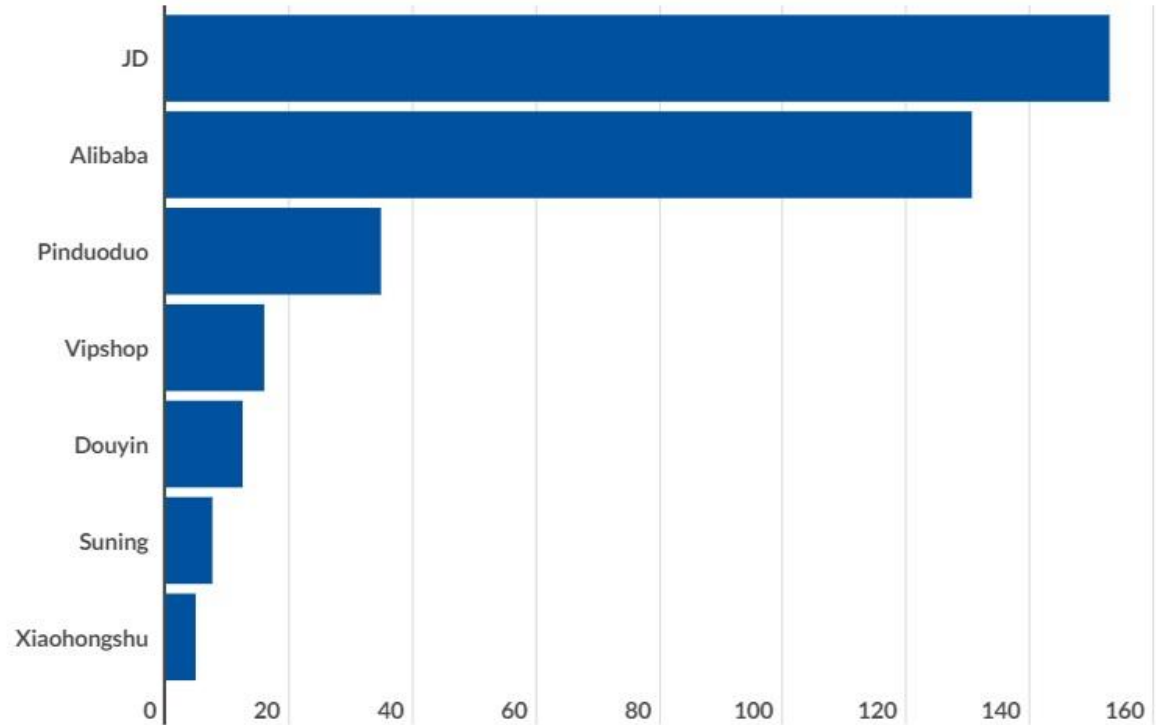
- Amazon Prime Day 2024 (a two-day period) sales were \$14.2 billion.
- *JD.com*, the country's second-largest online retailer reported a more than 20 percent year-over-year increase in the number of shoppers.
- The report cites data provider *Syntun* estimating that “sales across major e-commerce platforms rose 26.6 percent to 1.44 trillion yuan (\$198 Billion) over the Singles Day event, which was ten days longer than last year's.”
- Make no mistake....Global E-Commerce Companies are coming for the US market. (Shein, Temu, JD.com, Alibaba), this is showing up in new 3PLs coming into Industrial Markets!?

China's Ecommerce

China Ecommerce App Revenue

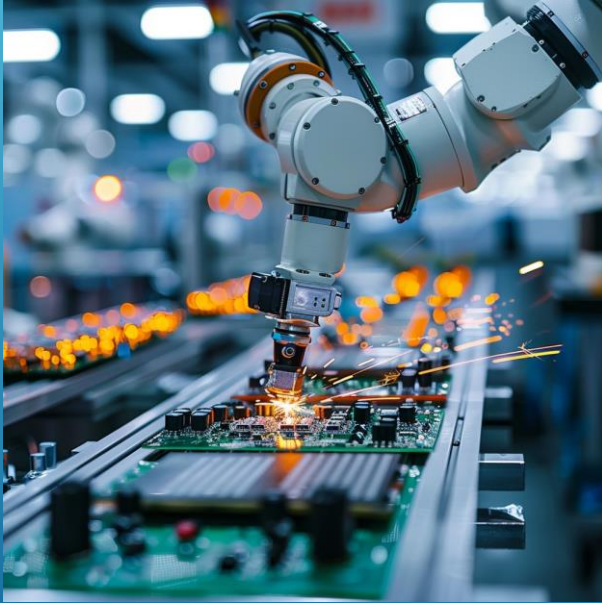
In terms of revenue, China's ecommerce apps are in a two horse race, with Alibaba and JD grabbing the vast majority of it.

China ecommerce revenue by app 2022 (\$bn)



Sources: Company data, krAsia

Reshoring



- We anticipate a further surge in companies sourcing materials and goods closer to home markets to mitigate risks associated with international shipping. This approach allows companies to reduce significant risks like long lead times, tariffs, and exposure to geopolitical tensions, providing greater flexibility, visibility, and control in shipping and distribution. This can help drive operational and procurement productivity for businesses. **Prioritizing localized production capacity is crucial for U.S. manufacturers, reducing dependence on distant partners like China and Vietnam.**

– Forbes, February 1, 2024

Reshoring/Nearshoring



- Because of USMCA, “More than 400 North American companies have the intention to carry out a relocation process from Asia to Mexico,” - Mexico Economy Minister Raquel Buenrostro (November 2022).
- 92 percent of executives express positive sentiments toward reshoring. 79 percent of executives who have manufacturing operations in China have either already moved part of their operations to the United States or plan to do so in the next three years, and another 15 percent are evaluating similar moves. (source: Kearney Reshoring Index). Mexico & Central America are the #1 growth areas for Near Shoring.

	Sq. Ft. Millions
Dallas-Ft. Worth	185.0
Inland Empire	175.6
Chicago	173.6
Atlanta	126.1
Los Angeles County	117.9
Houston	106.1
Northern-Central New Jersey	98.0
PA I-78/81 Corridor	95.9
Phoenix	89.2
Seattle	59.7
South Florida	58.0
Indianapolis	57.6
Columbus	56.5
Kansas City	47.5
Philadelphia	47.0

CBRE'S TOP 15 MARKETS FOR NEW LEASING Q3 2020 TO Q2 2024

Conclusions

- Disruptions involving the Suez Canal, Labor Issues on the US East Coast Ports, Reshoring and Tariffs are going to impact over the next 12-18 months. Suez problems could go through ??
- Black Swan events MUST be planned for, expected, and an Action Plan for Resilient Supply Chains engaged and ready to go!
- Global e-commerce continues to grow, and more global firms are entering the US Market. (Watch out for the end of de minimis)
- FTZs are the MOST EFFECTIVE TOOL against the coming Tariff Push. All of your clients should consider the Cost vs. Benefits of the FTZ Program immediately!

Thank You!

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