Ports, Tariffs, and Strategies

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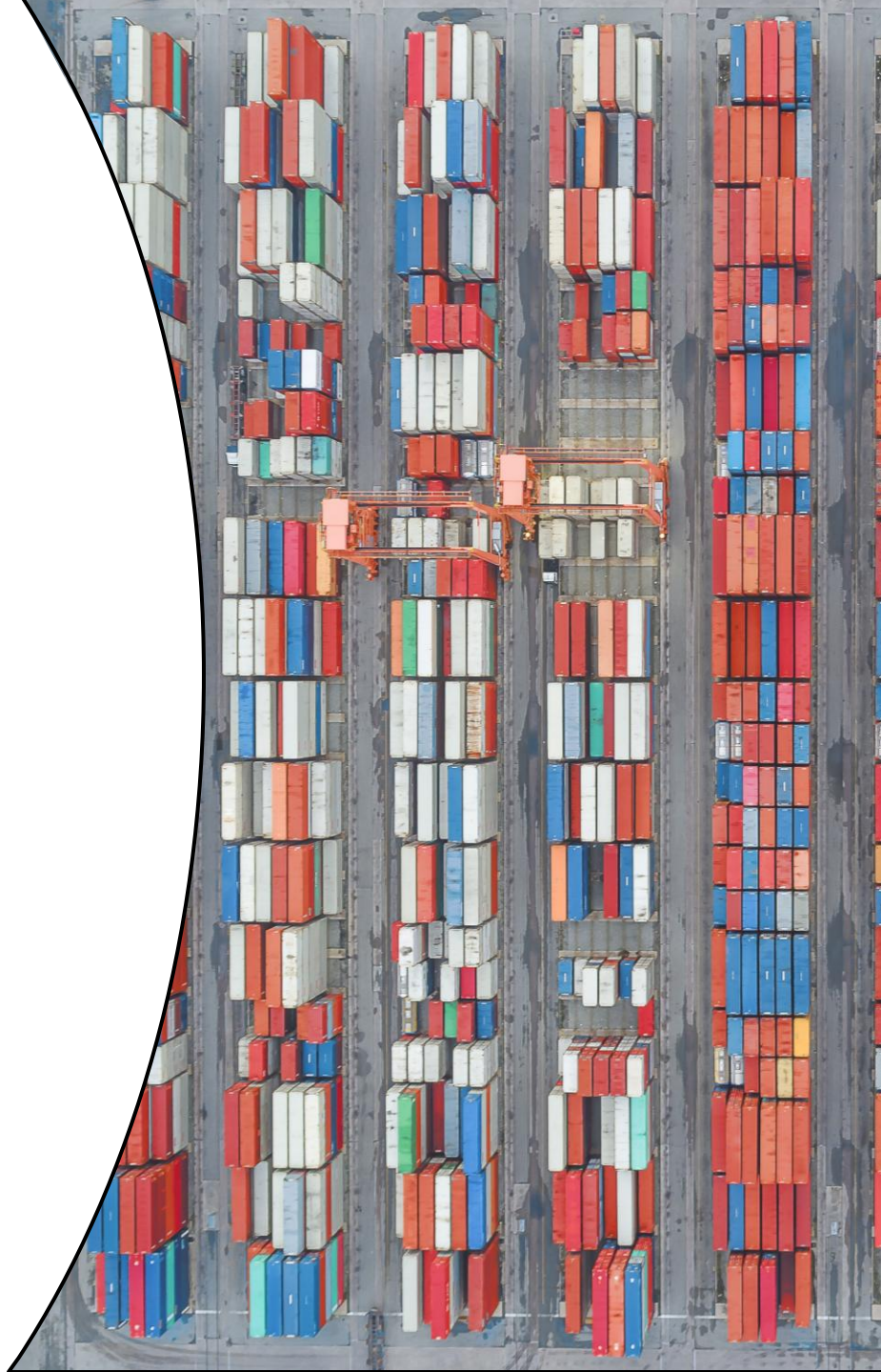
IMS Worldwide, Inc.

Introduction

IMS Worldwide, Inc.

- Consulting for Over 50 Years
  - Foreign Trade Zones (FTZs)
    - Designation, Activation and Management
  - Logistics Solutions
  - Industrial Real Estate Solutions
- Providing Service to a Variety of Clients
  - Investors
  - Companies/Tenants
  - Brokers
  - Tenant Representatives



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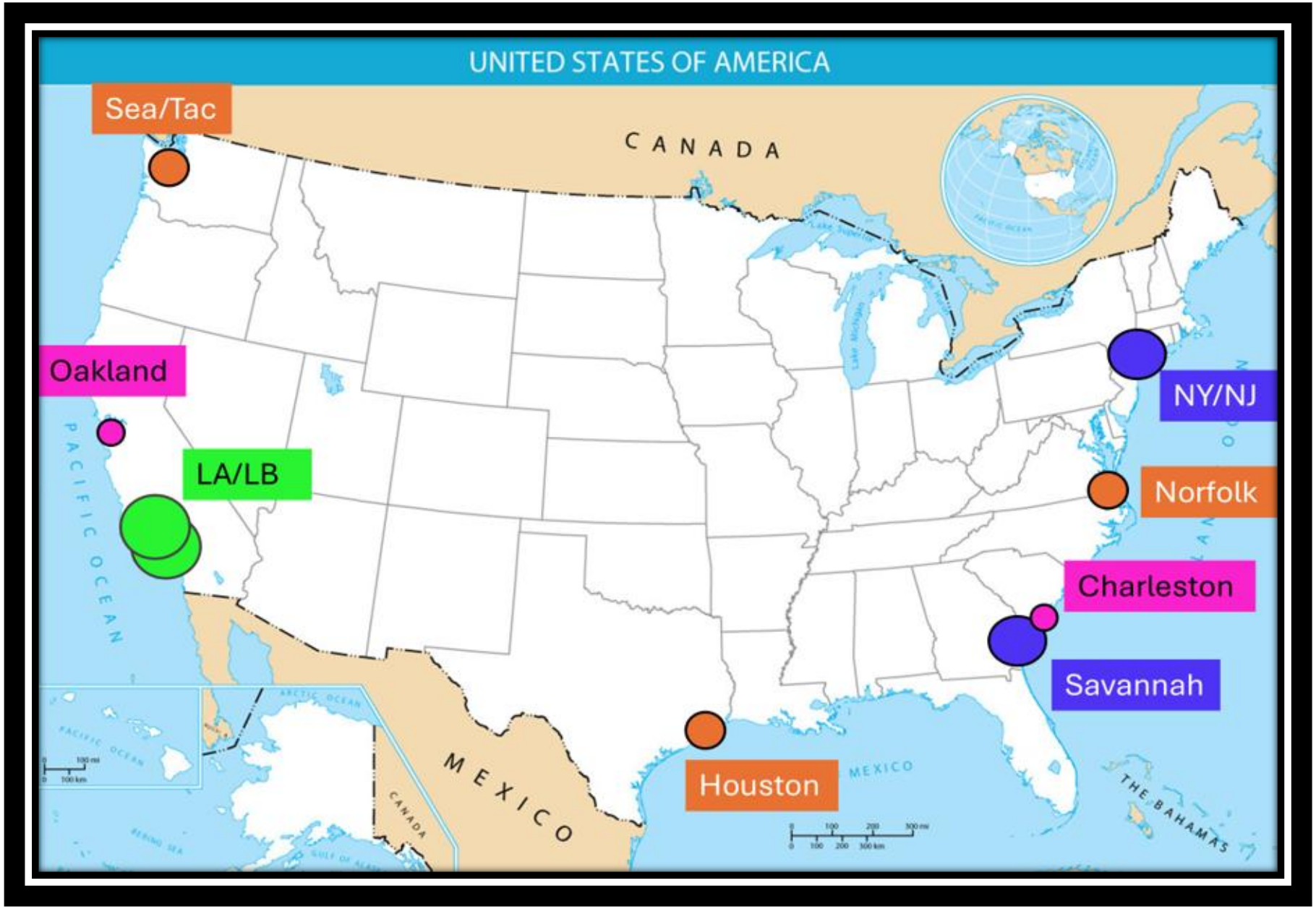
Top 9 U.S. Container Ports



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Foreign Trade Zone, Logistics and Supply Chain Consulting

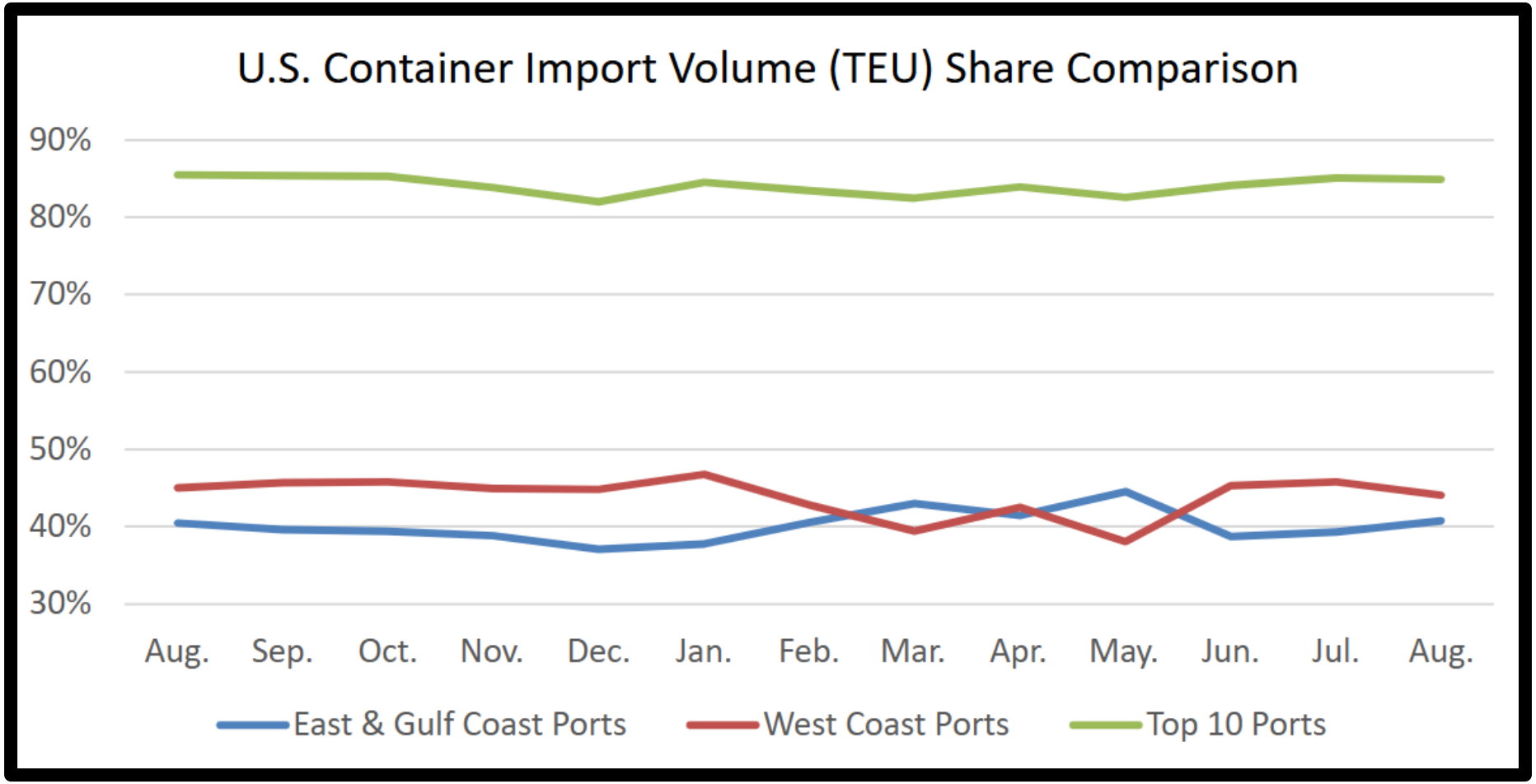
US Ports TEU Trends 2025

(Jan – Nov 2024/2025 Actual TEUs)

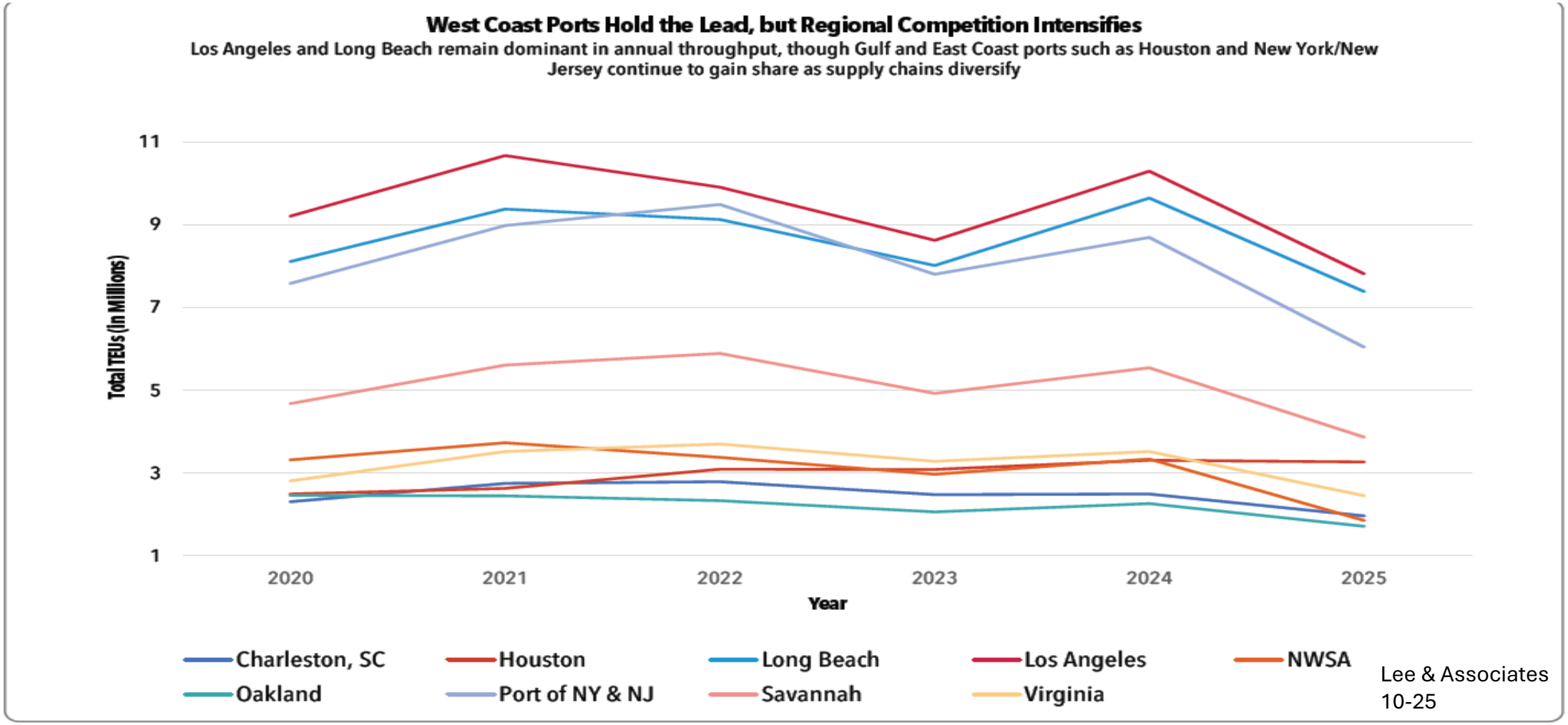
Port of Entry	2025 TEU Volume	2024 TEU Volume	YoY Volume Increase
LA/LB	18,495,207	18,164,454	1.82%
NY/NJ	8,245,060	8,010,140	2.93%
Savannah	5,251,850	5,103,416	2.91%
Houston*	3,971,643	3,799,573	4.53%
Norfolk	2,974,065	3,239,051	-8.18%
Seattle/Tacoma	2,918,676	2,731,238	6.86%
Charleston	2,370,687	2,299,125	3.11%
Oakland	2,074,396	2,080,275	-0.003%

US Import Port Comparison

(August 2025)

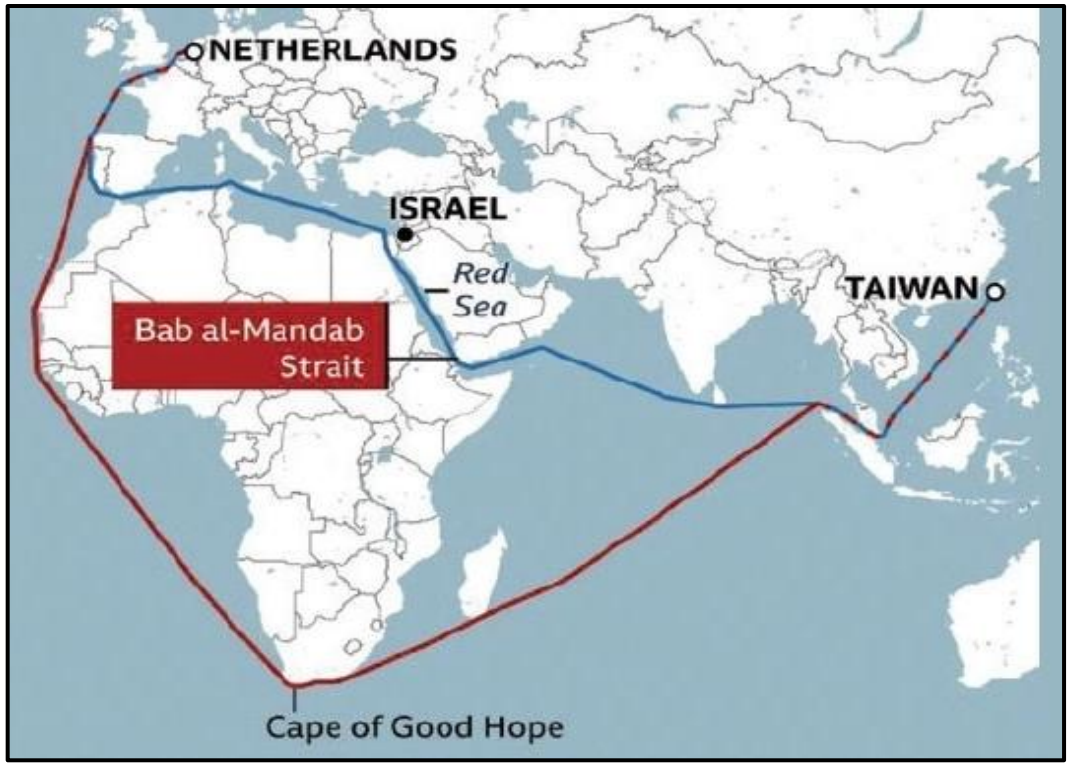


Port Dominance by LA/LB still exists in 2025



Lee & Associates
10-25

Red Sea / Suez Transits



Suez Canal

- Facilitates a Large Portion of International Trade
  - ~30% of Global Container Traffic
  - ~15% of All Worldwide Trade
  - 50 - 60 Ships per Day
  - $3 - $9 Billion in Cargo Value
- Houthi Rebel Attacks
  - Originating from the Israel-Gaza War
  - “Claimed to have attacked more than 130 ships”
- Major Disruption to the Supply Chain
  - Dry Bulk Cargo Down 80% (2023-2024)
  - Estimated Global Shipping Capacity Down 20%
  - Around 74% of Shippers still go around Africa today

Impacts of Tariffs on Global Trade and Industrial Real Estate

What is a Tariff?

- Tariff - A Tax on Goods Crossing National Borders
- Why are Tariffs Utilized? - Typically Imposed for Economic Protection or Revenue Generation
- What Types of Tariffs are There?
  - Import Tariff
    - Taxes on goods brought into a country
  - Protective Tariff
    - Taxes on foreign goods to promote purchases of those goods from domestic suppliers
  - Revenue Tariff
    - Taxes on goods to help generate revenue for a country
  - Reciprocal Tariff (New – 2025)
    - Taxes on goods from trade partners that utilize tariffs against the U.S.

U.S. Average Effective Tariff Rate

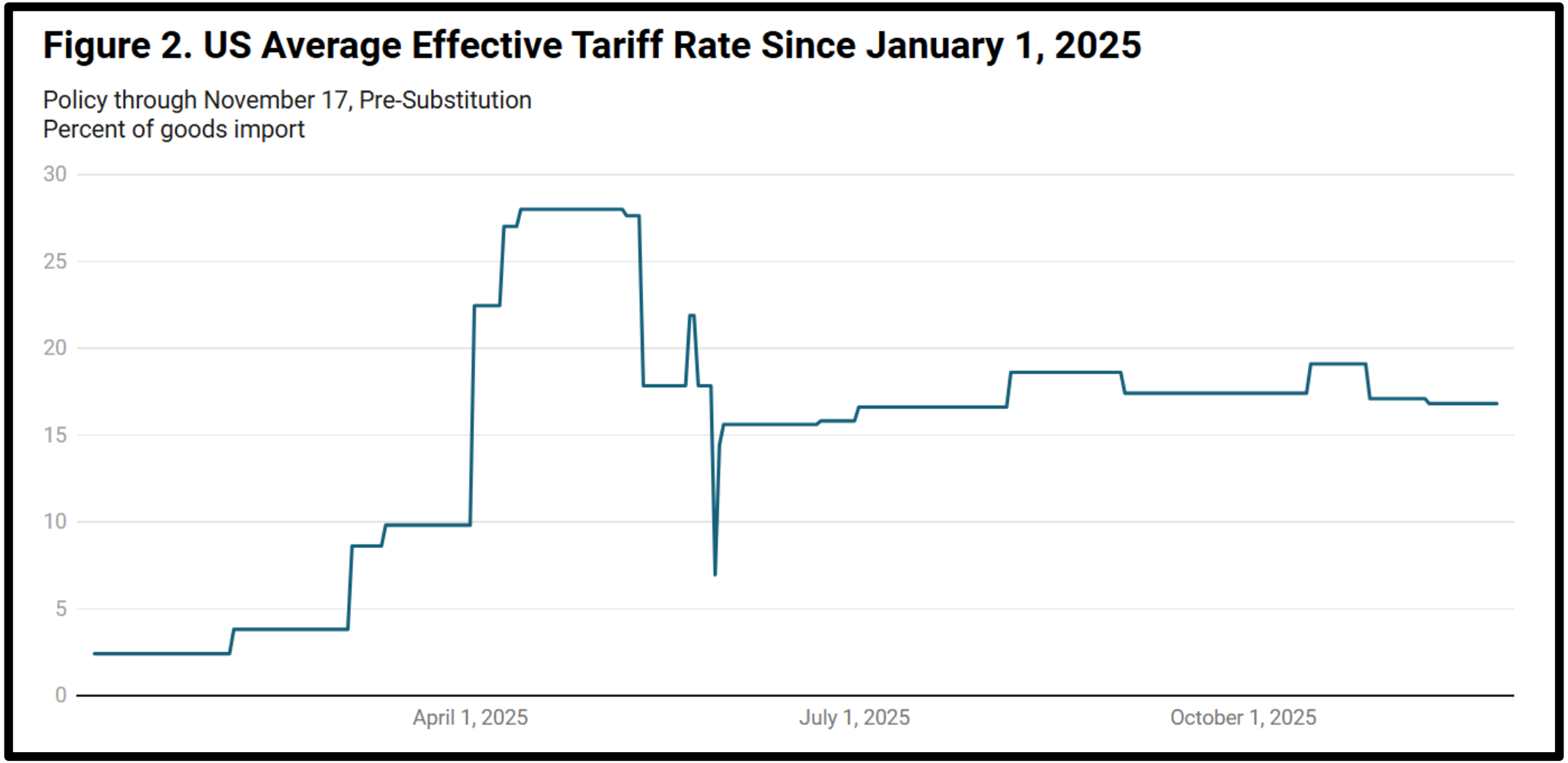
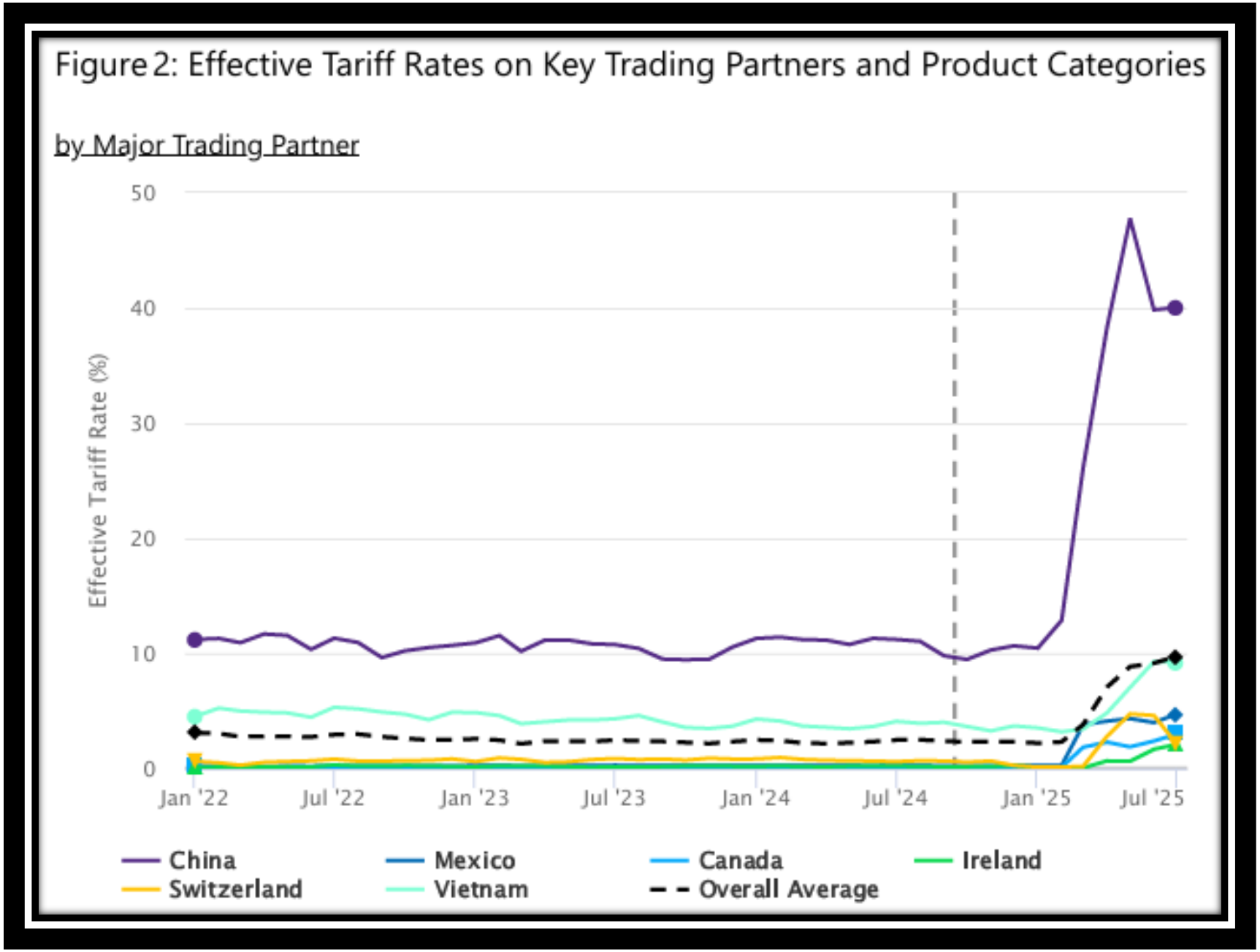


Chart: The Budget LabSource: The Budget Lab analysis.Created with Datawrapper

Tariff Impact on Global Trade

- Historical Average Tariff Rates
  - 2018: 1.8%
- Current Average Tariff Rates
  - 2025: 14.5%
- Historical Tariff Rates (China)
  - 2018: 3%
- Current Tariff Rates (China)
  - 2025: 31-55%
- USMCA (Formerly NAFTA)
  - Free Trade Agreement maintaining largely duty-free trade between U.S., Mexico and Canada
  - Mexico Current Tariff Rate: 25%
  - Canada Current Tariff Rate: 35%
  - Many Exemptions!

U.S. Effective Tariff Rate by Source Country



How Tariffs Impact Consumers

Example:

- Shoes Made in China
  - 10% Reciprocal Tariff (All Countries) + 25% Section 301 (China) = 35%
  - Shoe Price = $150 / Shoe Cost = $15
  - Tariffs are Calculated on the Cost
    - Rather than $150 x 0.35, it is $15 x .035
    - Total Tariff = $5.25
- Tariffs are not as Inflationary as Expected
  - Cost to Importer is Significant
    - $15 vs. $20.25 = 26% Increase in Cost
  - Cost to End Consumer is much less Significant
    - $150 vs. $155.25 = 3% Increase in Cost

Tariff Impact on Global Trade

- Shifts to Non-Chinese Suppliers
  - China = Highest Tariff Rate (~40%)
  - China = Third Largest U.S. Trade Partner (~10%)
- Trump Tariffs have increased US-FDI significantly!
  - Apple, TSMC, Pharma, Nippon Steel
  - Large list of companies building inside the USA to escape/mitigate Tariff Pain!
  - Estimates top $2 Trillion planned over next 4 years.
- No *De Minimis*
  - Previous Provision
    - Duty Free Import on Packages < $800
- Utilizing Foreign Trade Zones
  - Defer Duty Payments
  - Export Goods Duty-Free

FTZ and Tariffs

- Foreign Trade Zones (FTZs)
  - The Only Way to Mitigate Tariff Pain!
- Benefits of FTZs:
  - Reduce Cost of Goods Sold (COGS) for Manufacturers
  - Increase Cash Flow Through Duty Deferral
    - Don’t Pay Tariffs until Goods are Sold
  - Exports, Scraps, Waste and RTV Incur **No Tariffs**
- Efficient FTZ Utilization
  - High Tariff Rates
  - High Volume of Exports

FTZ and Tariffs: Cont.

- Building Qualifications for FTZs
  - Any Site can Qualify
  - New Buildings, BTS, and Existing Buildings
- Types of Sites
  - Usage-Driven: User-Specific Site
  - Magnet: Industrial Park / Multiple Users
    - Not Available Anymore
- Approval Timeline
  - Individual Site Approval Currently Around 3-5 Months
    - Historically Closer to 12 Months

IMSW Provides a Cost-Benefit Analysis at No Charge

Cost-Benefit Analysis Example

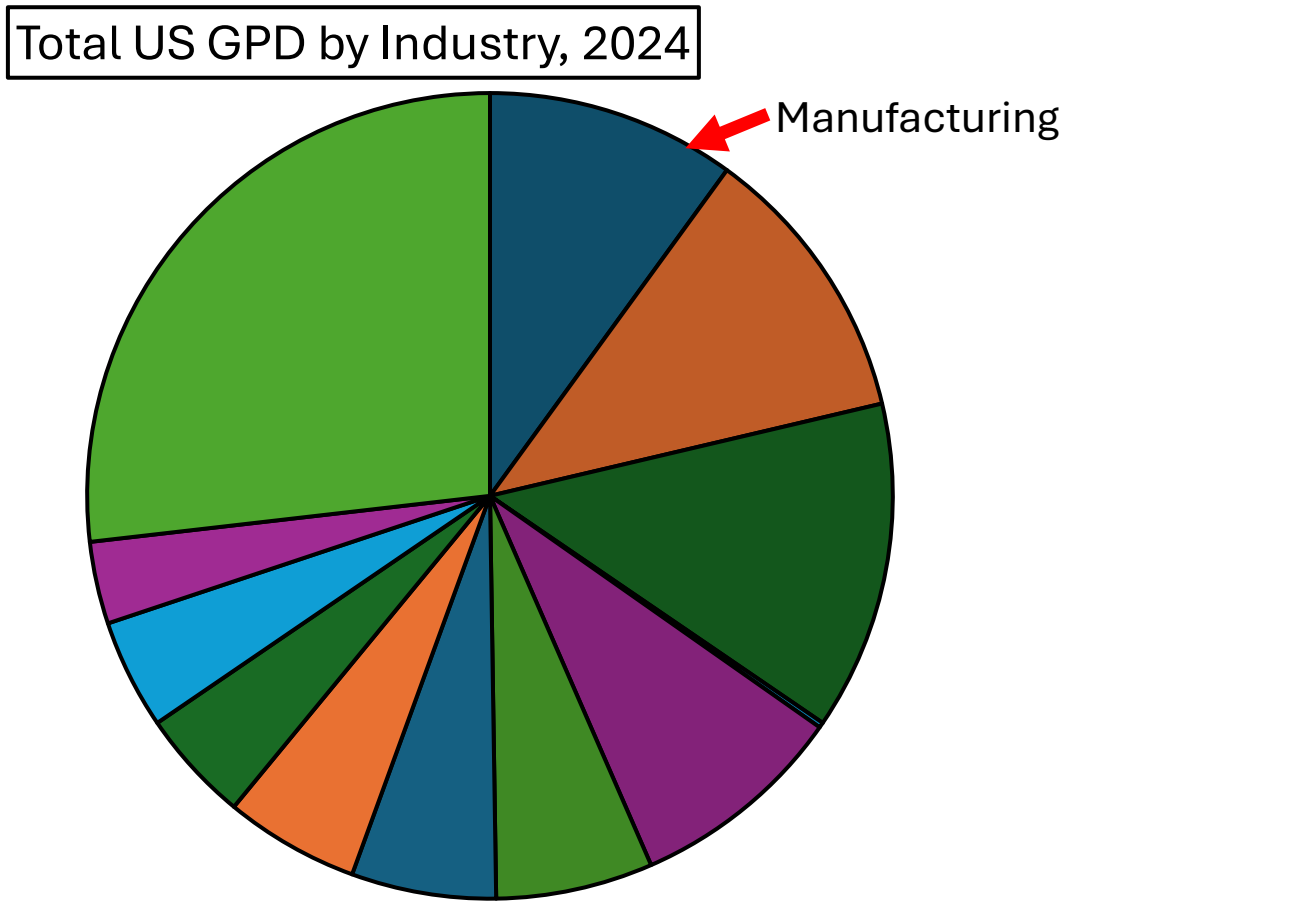
Assumptions Used in FTZ Distribution-Only Cost-Benefits Analysis	
Mid-Size Distribution Center / Square Foot Cost Differential	
Annual cost, dutiable imports	$250,000,000
Weighted average duty rate (regular + Trump Tariffs)	41.00%
Percent reject or scrap imported merchandise	0.50%
Percent of imported merchandise re-exported	2.00%
Percent of imported merchandise sold to the military	0.00%
Inventory turns per year	6
Opportunity cost of capital	7.0%
Drawback system in place?	NO
FTZ cost advantage (FTZ differential) over drawback	100.0%
Average "Merchandise Processing Fee" per entry	$289
Average number of entries per year	3000
Annual growth rate, FTZ operating expenses, etc.	3.0%
Annual growth projections from current year	
Year 2	10.0%
Year 3	10.0%
Year 4	10.0%
Year 5	10.0%
Application and Activation expense (estimated)*	$95,000
Increased operating expenses (accounting/tracking/reporting/systems mod.)	$325,000
Grantee fees (estimated)	$8,000
Warehouse footage - used for net rent differential savings calculation	500,000

Foreign-Trade Zone Cost-Benefits Projections:
Mid-Size Distribution Center / Square Foot Cost Differential

FTZ Benefits & Expenses By Type	Year 1	Year 2	Year 3	Year 4	Year 5	5-YEAR TOTAL
FTZ Benefits						
Re-Exports[1]	$2,050,000	$2,255,000	$2,480,500	$2,728,550	$3,001,405	$12,515,455
Reject, scrap, & military sales	512,500	563,750	620,125	682,138	750,351	3,128,864
One-time benefit[2]	---					
Ongoing duty deferral	1,165,938	1,282,531	1,410,784	1,551,863	1,707,049	7,118,165
Merchandise Processing Fee savings	833,000	916,300	1,007,930	1,108,723	1,219,595	5,085,547
Total FTZ Benefits	$4,561,437	$5,017,581	$5,519,339	$6,071,273	$6,678,400	$27,848,031
FTZ-RELATED EXPENSES						
Internal FTZ Operation Expenses	$325,000	$334,750	$344,793	$355,136	$365,790	$1,725,469
Grantee fees	8,000	8,240	8,487	8,742	9,004	42,473
TOTAL FTZ-RELATED EXPENSES	$333,000	$342,990	$353,280	$363,878	$374,794	$1,767,942
NET FOREIGN-TRADE ZONE BENEFITS	**$4,228,437**	**$4,674,591**	**$5,166,059**	**$5,707,395**	**$6,303,606**	**$26,080,088**
NET RENT DIFFERENTIAL/FOOT VIA FTZ (SAVINGS)	**$8.46**	**$9.35**	**$10.33**	**$11.41**	**$12.61**	

Manufacturing Changes Amidst Tariff Increases

GDP by Industry



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Manufacturing Strategies

- Nearshoring
  - Move Manufacturing Operations to Country near U.S.
  - Decreases Shipping Costs to Counterbalance Tariff Costs
- Friendshoring
  - Move Manufacturing Operations to Country with Positive Trade Relations
  - Decreases Tariff Costs Relative to Trading with “Non-Friendly” Countries
- Reshoring
  - Move Manufacturing Operations to U.S.
  - Decreases Shipping and Tariff Costs Significantly
    - Potential to Increase Operations and Labor Costs
    - Creates more automation, Ai enabled manufacturing and productivity

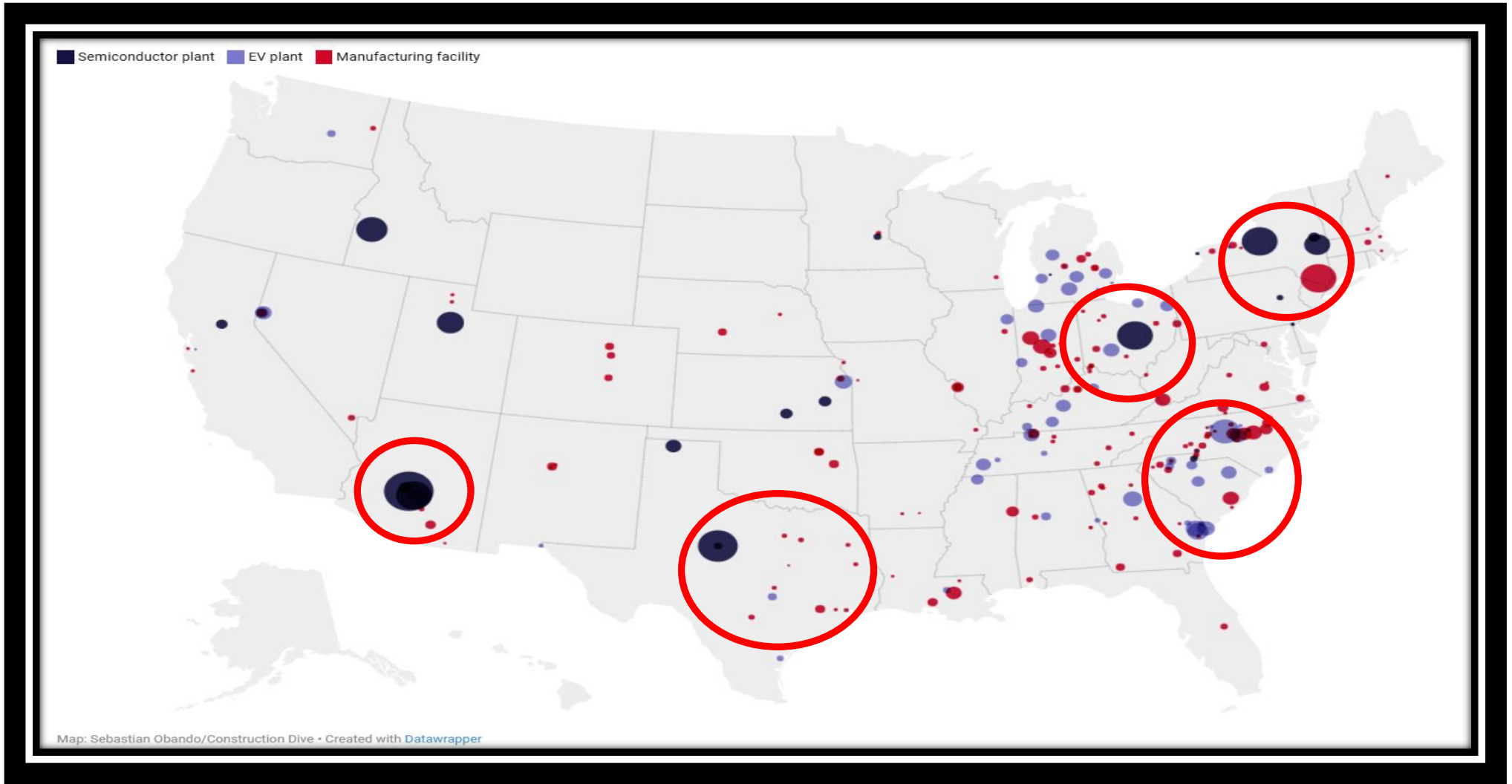
Manufacturing in the U.S.

- Growing Industry in the U.S.
  - Fourth Largest Industry in the U.S.
  - Accounts for 10.2% of Total GDP
- Tariffs Causing Positive Impact
  - Reduce Trade Imbalances
  - Increase U.S. Manufacturing
    - Domestic Production increases
    - Foreign-Owned Production investments

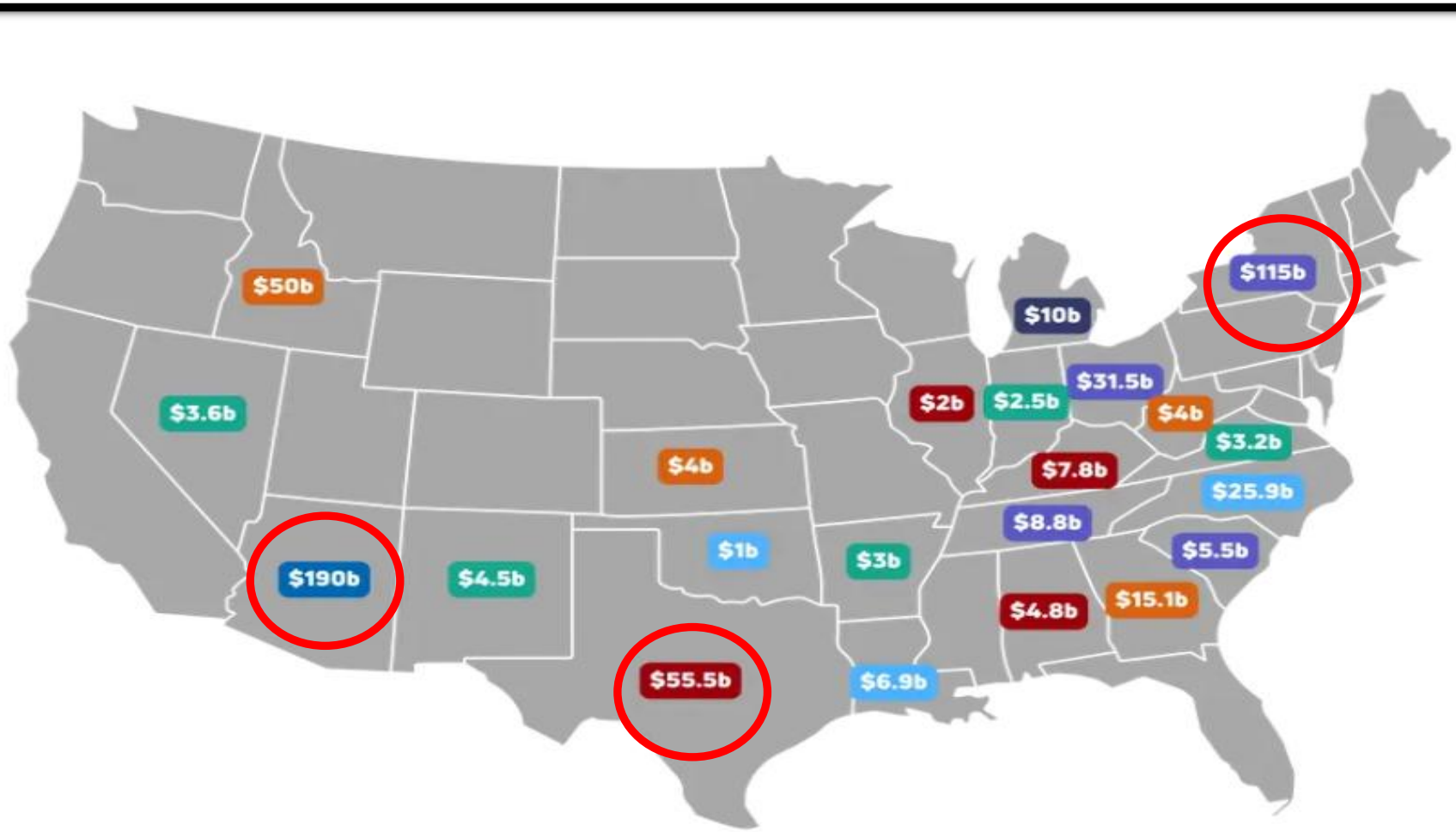
Manufacturing in Relation to Industrial Real Estate

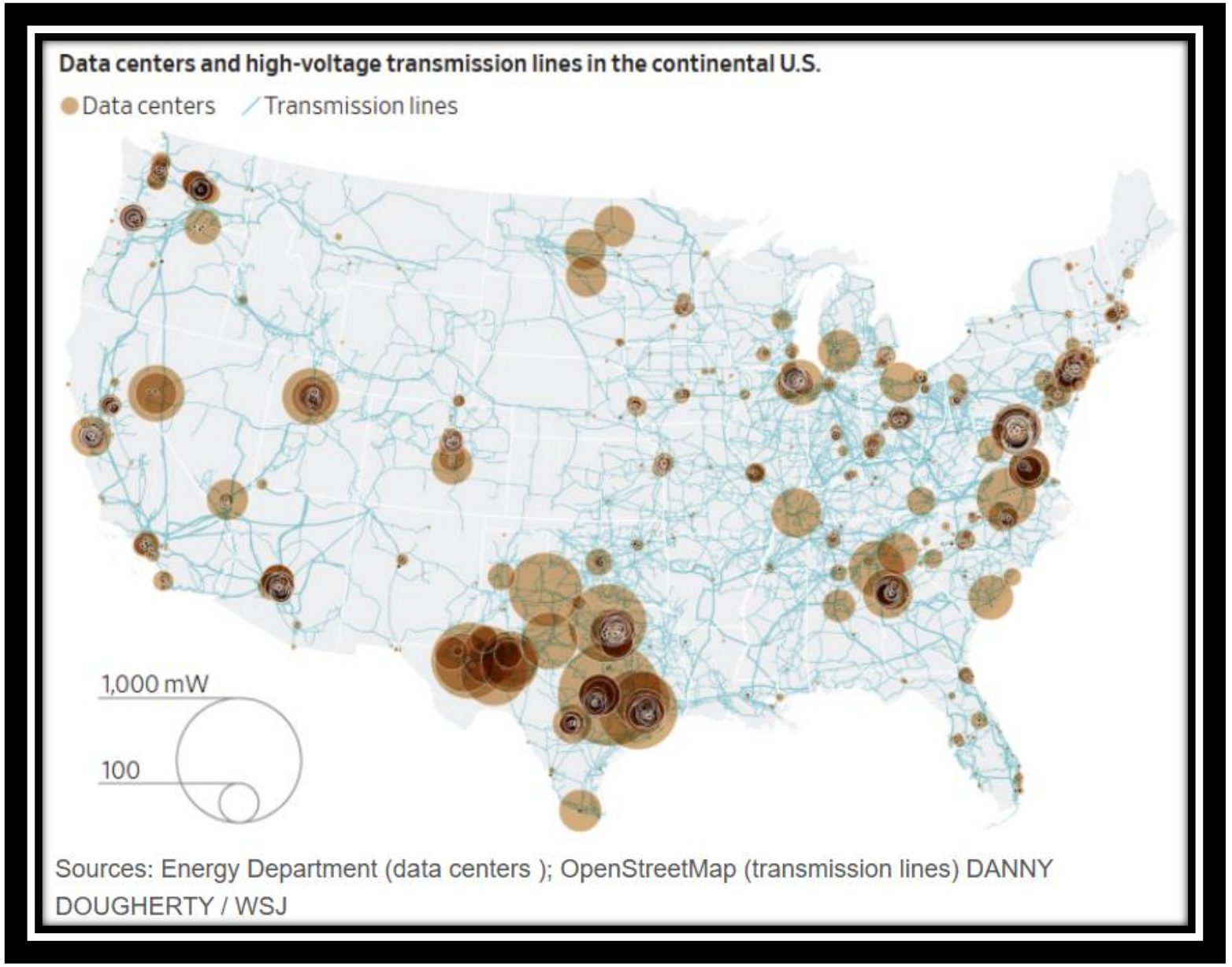
- Increase in Domestic Production
  - Producing in U.S. Avoids Tariff Costs
  - Firms Implementing Domestic Production in Search of Industrial Real Estate
- Vacancy in Manufacturing Sector
  - Expected Increase in Occupancy
  - Expected Decrease in Vacancy
    - Manufacturing Accounts for 10.3% of Total Vacancy
    - **Every New Manufacturing Plant Requires a new DC for parts/finished goods in USA!**

Concentration of Manufacturing Centers Across the U.S. (2024)



Investments in New Manufacturing Projects Across the U.S.





U.S. Energy and Data Centers

More than 90% of Warehouses Are Now Using AI or Advanced Automation

A new report by Mecalux and MIT's Intelligent Logistics Systems Lab reveals that over 90 percent of warehouses worldwide now use AI or automation, with most firms seeing returns on investment within two to three years.

The survey of thousands of logistics leaders across 21 countries shows AI is now central to day-to-day warehouse operations, enhancing speed and accuracy and boosting workforce satisfaction and creating new high-skill roles.

More than 90% of Warehouses Are Now Using AI or Advanced Automation

The survey shows that artificial intelligence and machine learning are no longer experimental tools but core drivers of productivity, accuracy, and workforce evolution.

Warehouses report that AI now supports day-to-day workflows including:

- Order picking and routing
- Predictive maintenance
- Inventory accuracy and slotting optimization
- Labor planning and performance monitoring
- Safety and ergonomic risk detection

An overwhelming 87 percent of survey participants expect to increase their AI budgets, and 92 percent are currently implementing or planning new AI projects.

Artificial Intelligence is Growing, Not Replacing the Workforce

- More than three-quarters of surveyed organizations saw a rise in employee productivity and satisfaction after implementing AI.
- Over half reported increased workforce size, driven by new roles such as AI/ML engineers, automation specialists, process-improvement experts, and data scientists as frontline jobs shift toward oversight and analytics.
- Over half reported growing the size of their workforce.

What are the Next Steps for AI?

AI is no longer a pilot program. It is a competitive requirement.

“The hard part now is the last mile: integrating people, data, and analytics seamlessly into existing systems,” says Dr. Matthias Winkenbach, Director of the MIT ILS Lab.

Technical expertise, system integration, data quality, and implementation cost are the main barriers, reflecting the underlying work required to connect advanced tools with legacy systems.

Even so, companies report strong foundations in data and project management, and they identify better tools, clearer roadmaps, expanded budgets, and stronger internal expertise as key accelerators for continued adoption.

Thank You!


QUESTIONS?