

Evolution of Supply Chains

*The State of the Industrial Market:
Current Condition and Macro Themes*

THE STATE OF THE INDUSTRIAL MARKETS: CURRENT CONDITION AND MACRO THEMES

Evolution of Supply Chains – Mountain West

**KYLE
ROBERTS**

Vice Chairman

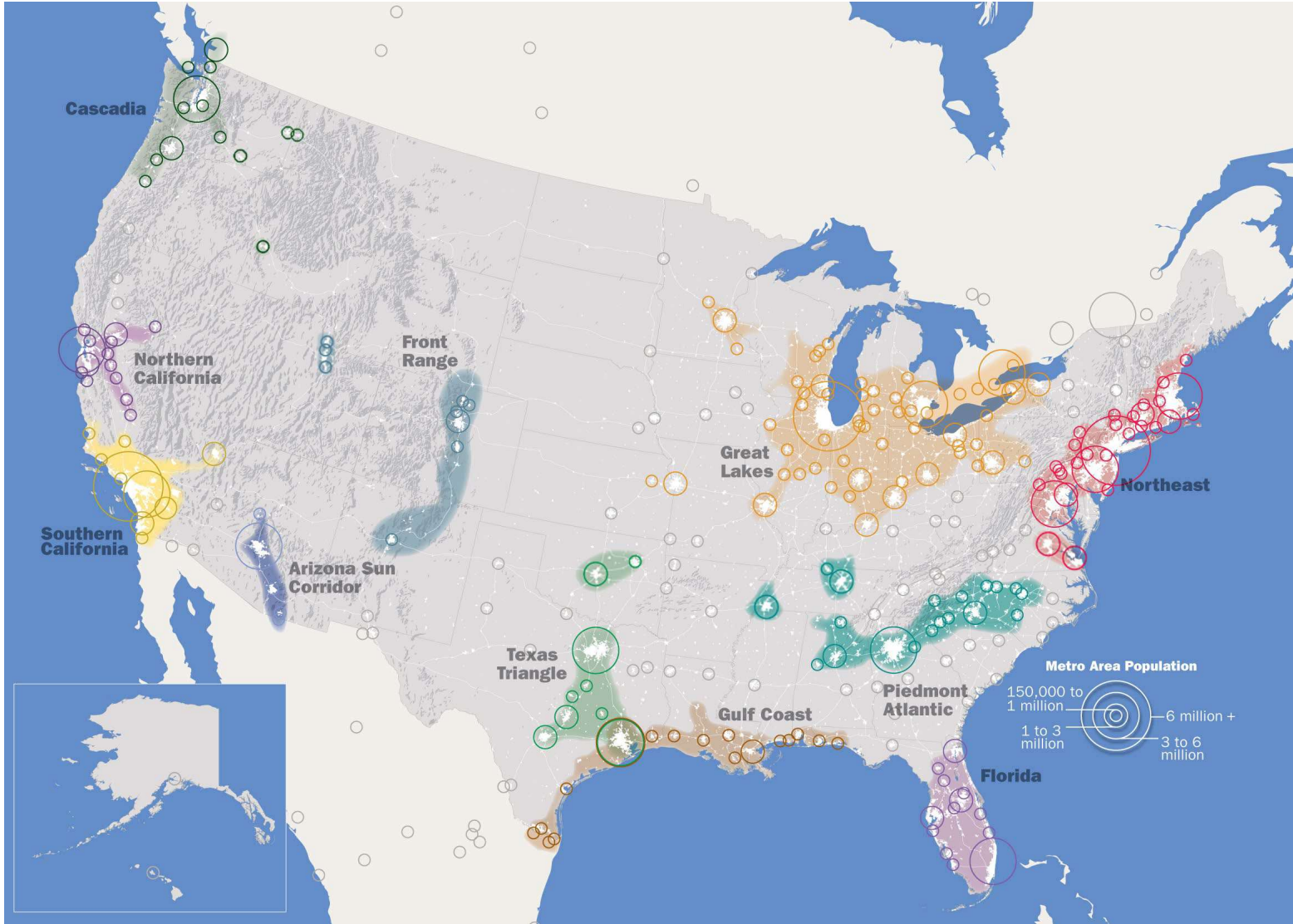
NEWMARK



Where We Are

EVOLUTION OF SUPPLY CHAINS – MOUNTAIN WEST

Mega-Regions: Population, Logistics Infrastructure

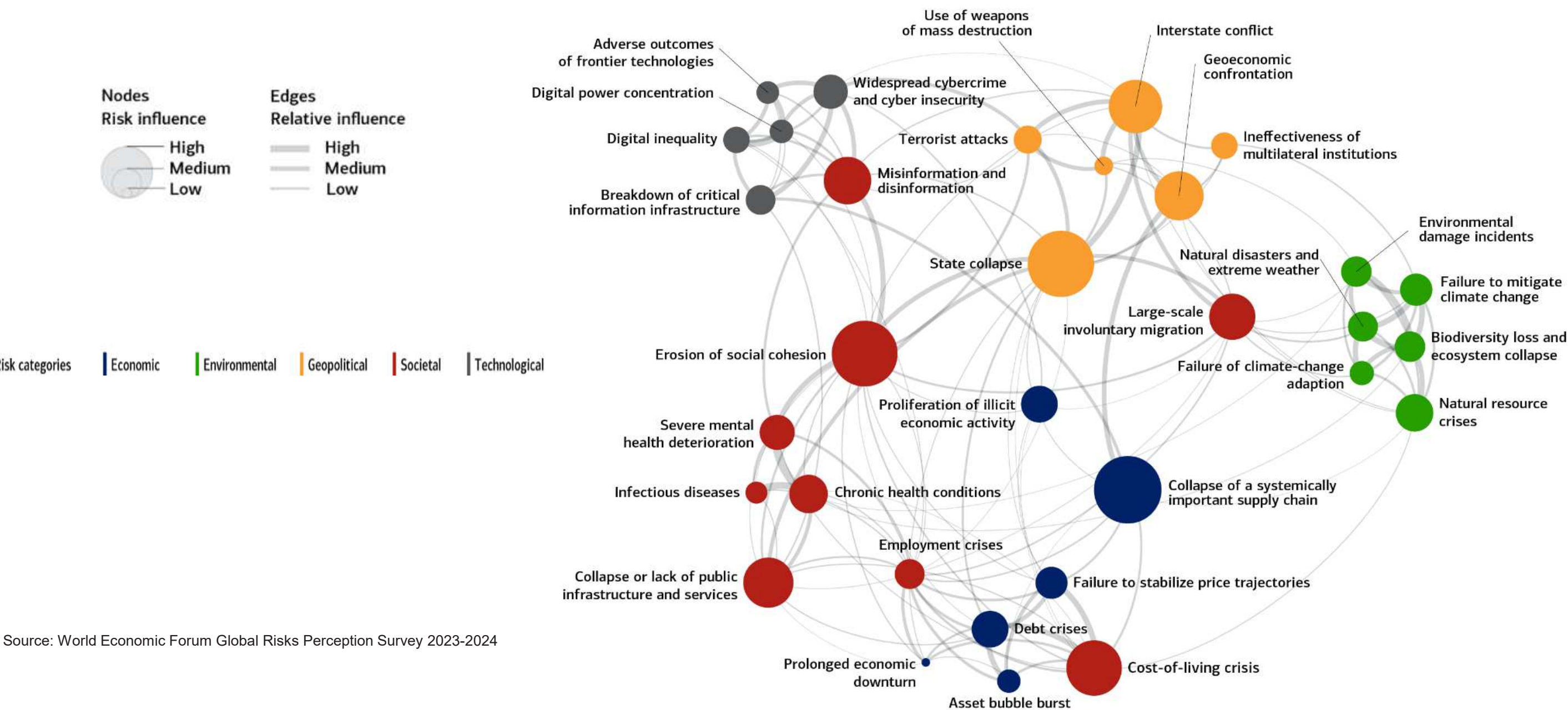


Megaregion	2010 Population	2025 Pop. Est.	% Change
Arizona Sun Corridor	5.7M	7.8M	39.3%
Cascadia	8.4M	8.8M	8.2%
Florida	17.3M	21.5M	24.3%
Front Range	5.5M	7.0M	26%
Great Lakes	55.6M	60.7M	9.4%
Gulf Coast	13.4M	16.3M	21.6%
Northeast	52.3M	58.4M	11.7%
Northern California	14.0M	16.4M	17.1%
Piedmont Atlantic	17.6M	21.7M	23.3%
Greater Southern California	24.4M	29.0M	18.9%
Texas Triangle	19.8M	24.8M	25.9%

Source: U.S. Census Bureau

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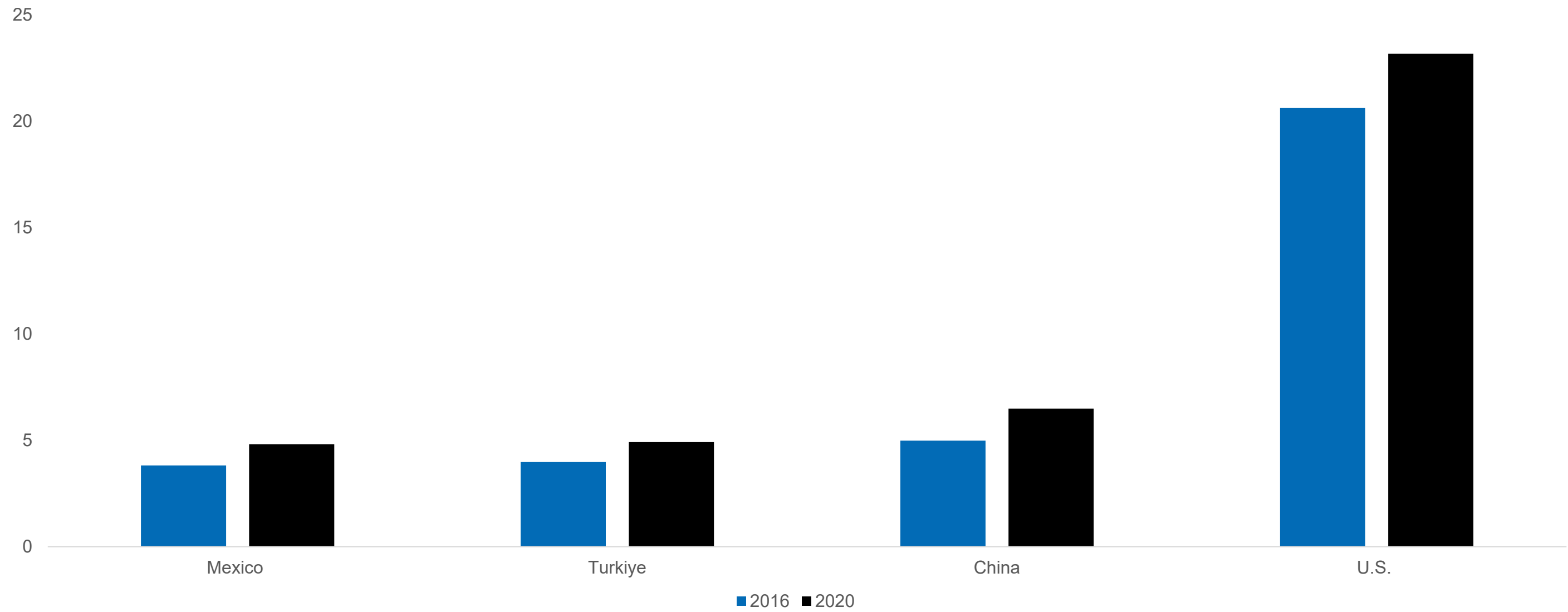
A Web of Interconnected Risk



Source: World Economic Forum Global Risks Perception Survey 2023-2024

Labor Costs Have Changed the Equation

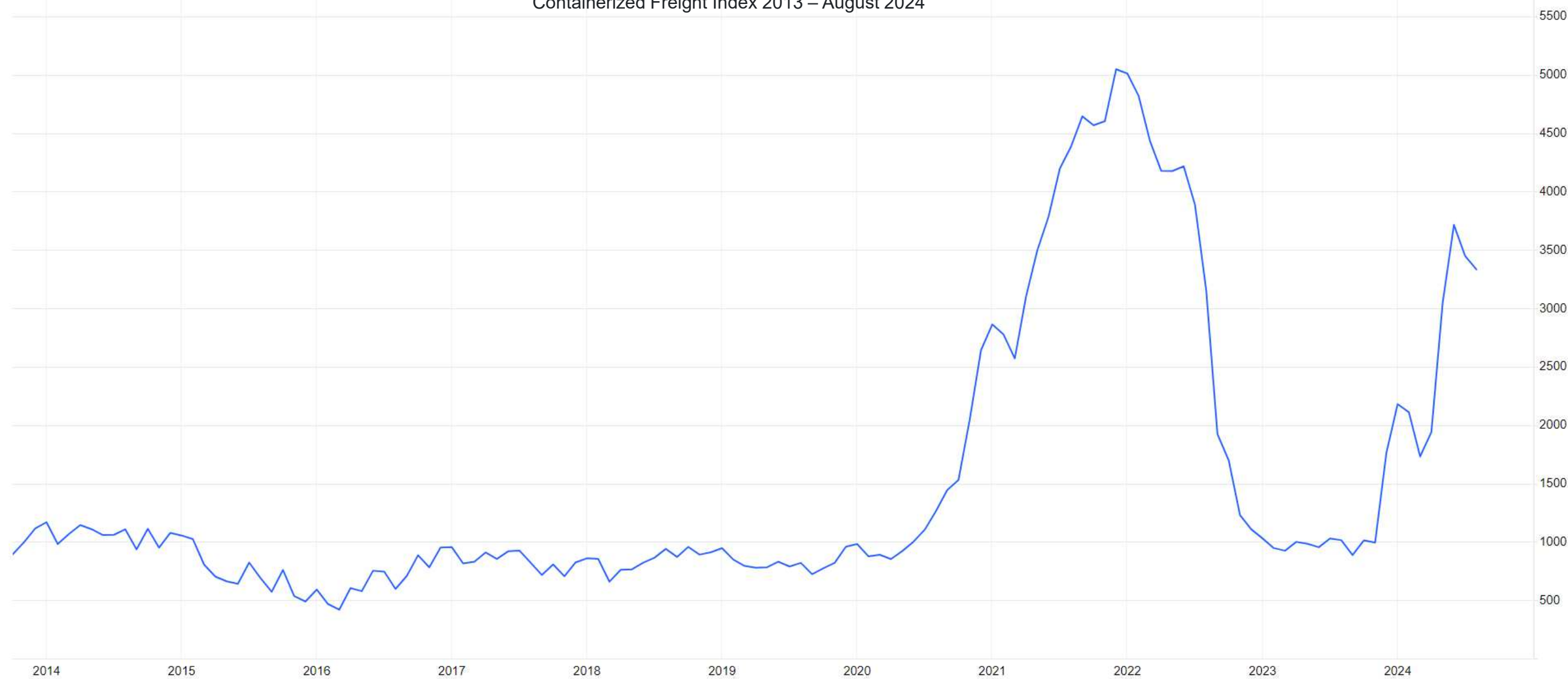
Manufacturing Labor Costs, USD/Hour



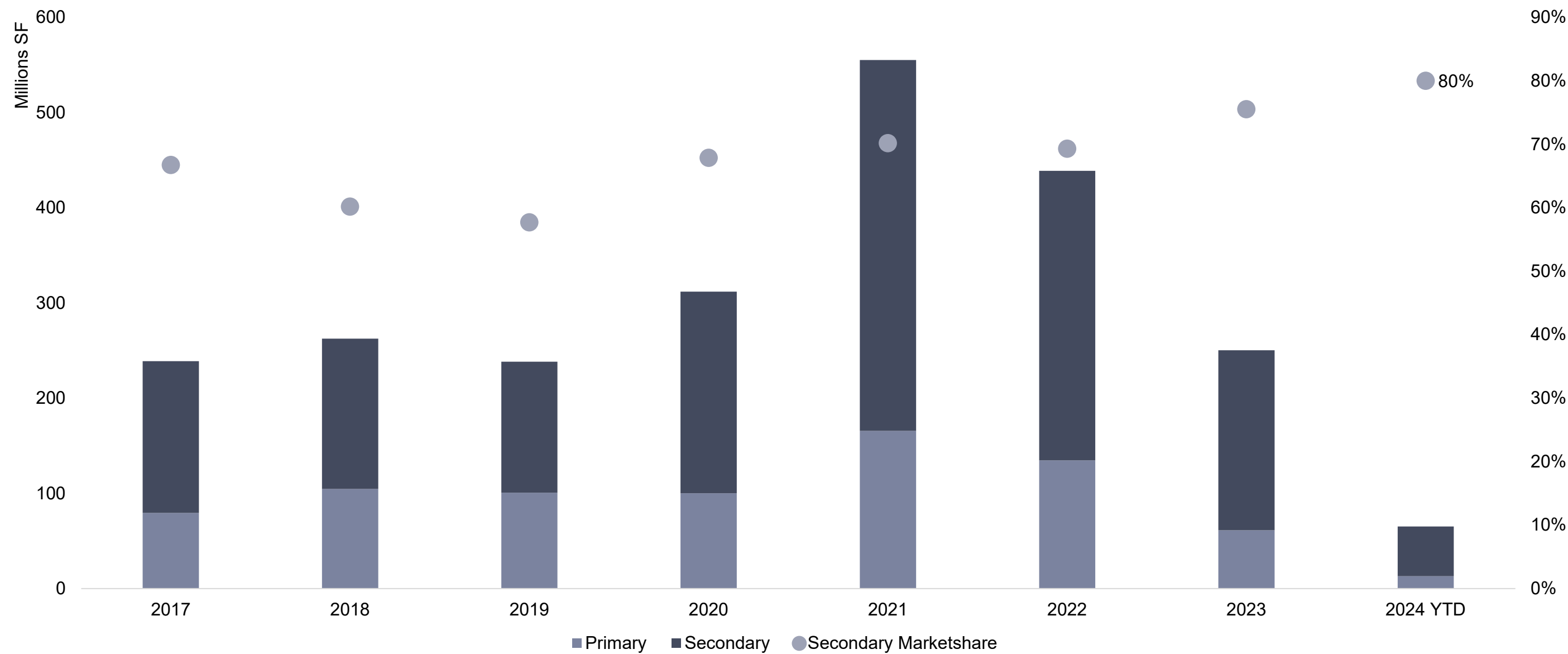
Sources: Statista, US Bureau of Labor Statistics, Statistisches Bundesamt

Maritime Freight Cost Volatility ‘New Normal’?

Containerized Freight Index 2013 – August 2024

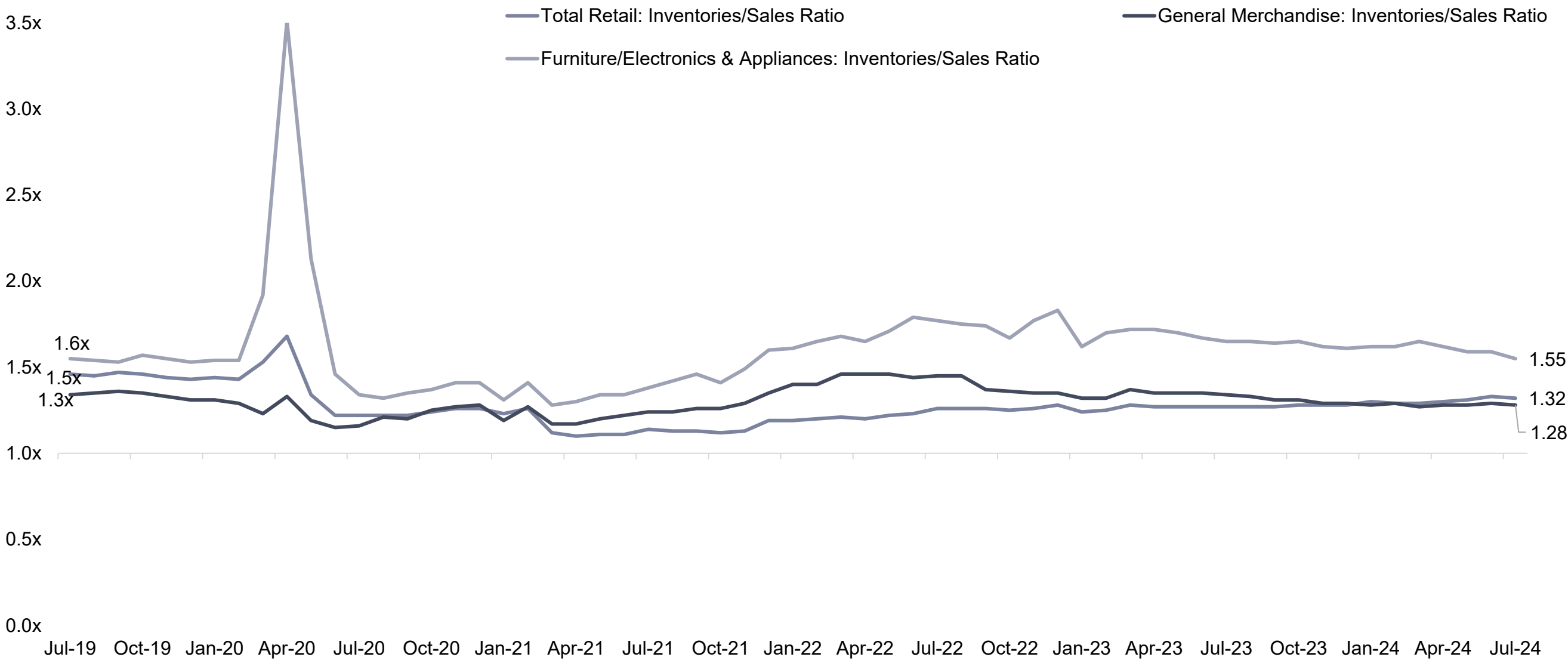


Secondary Markets Absorbing More Demand



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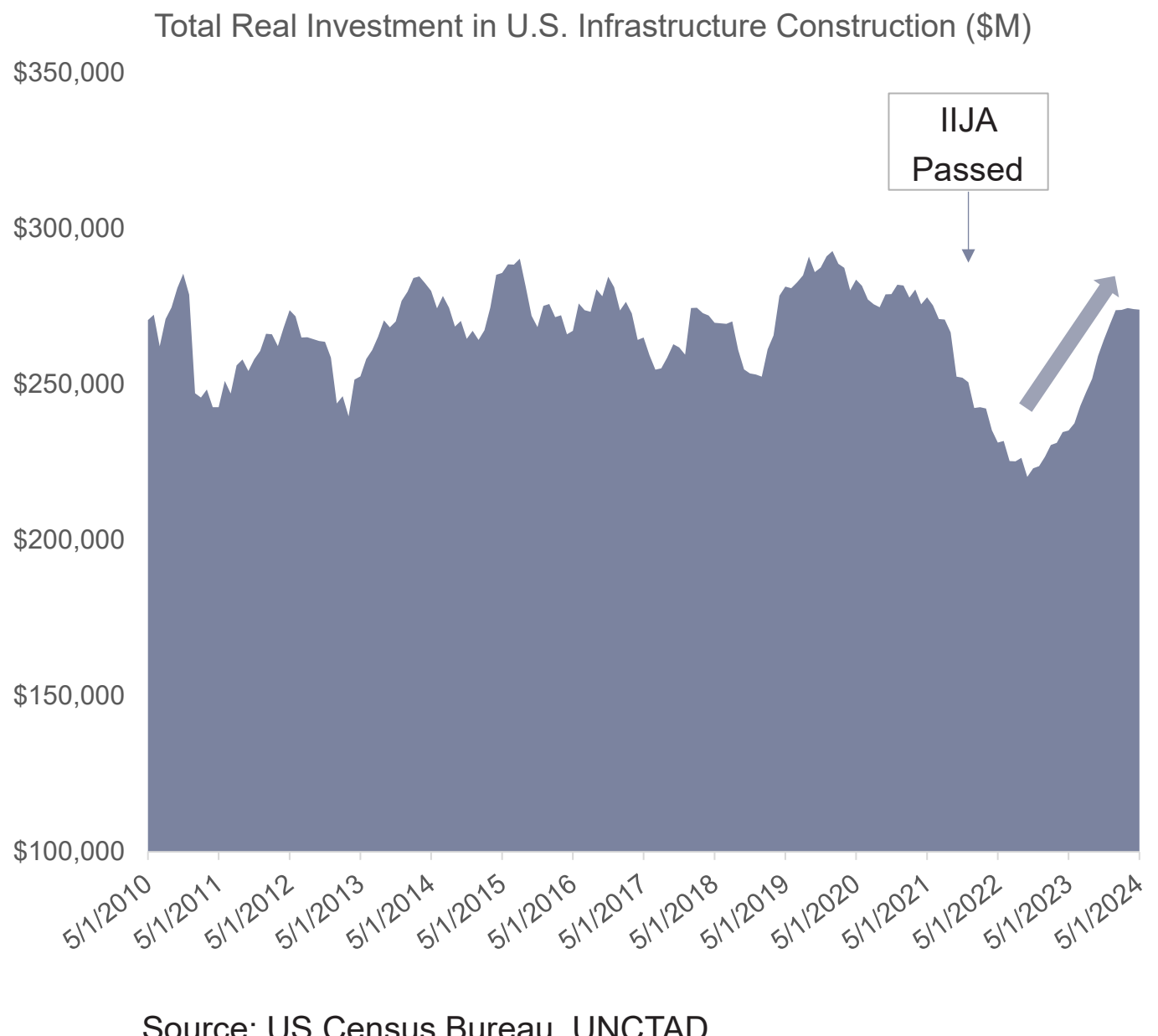
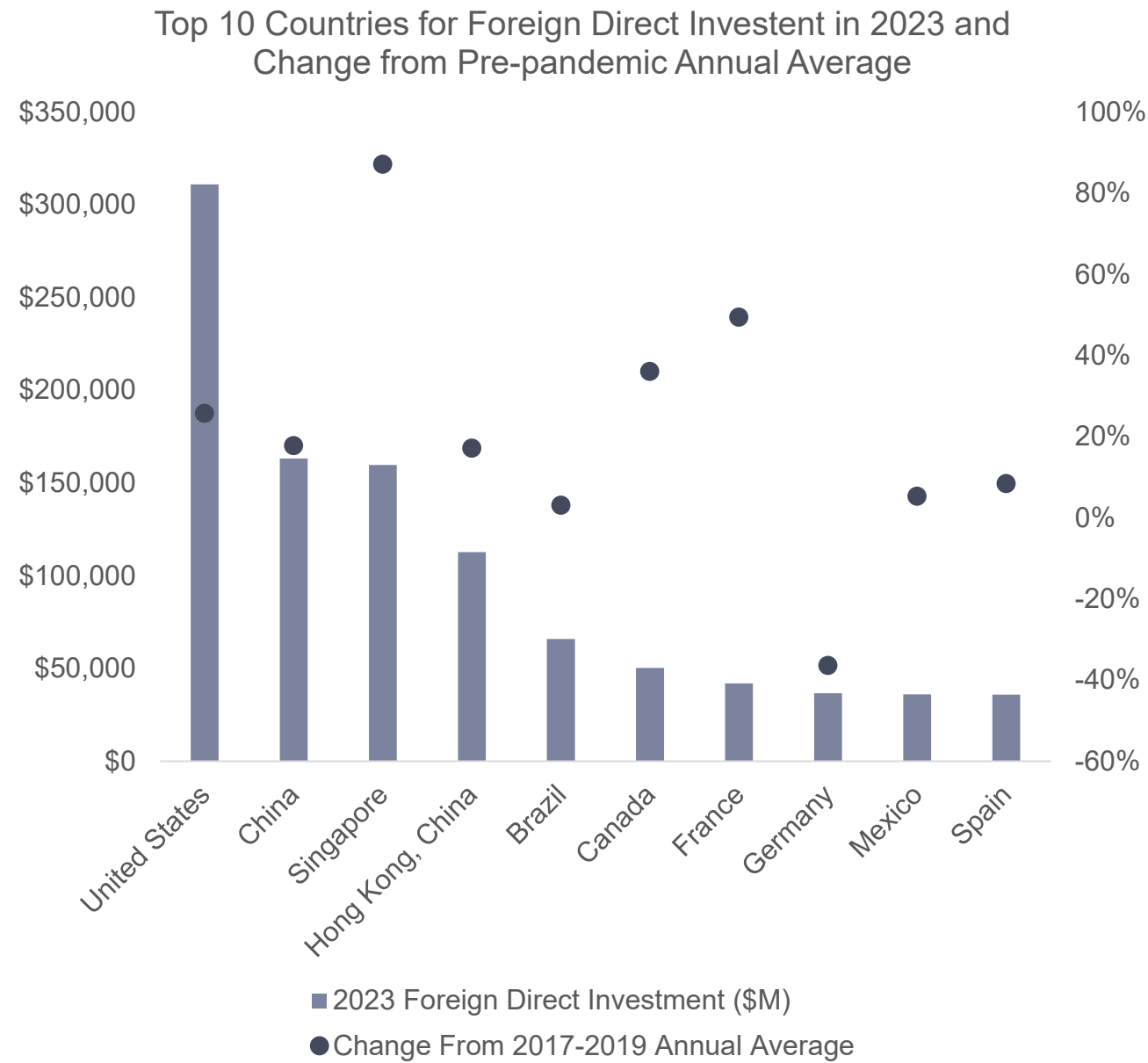
Lean Retailer Inventories



Source: U.S. Census Bureau

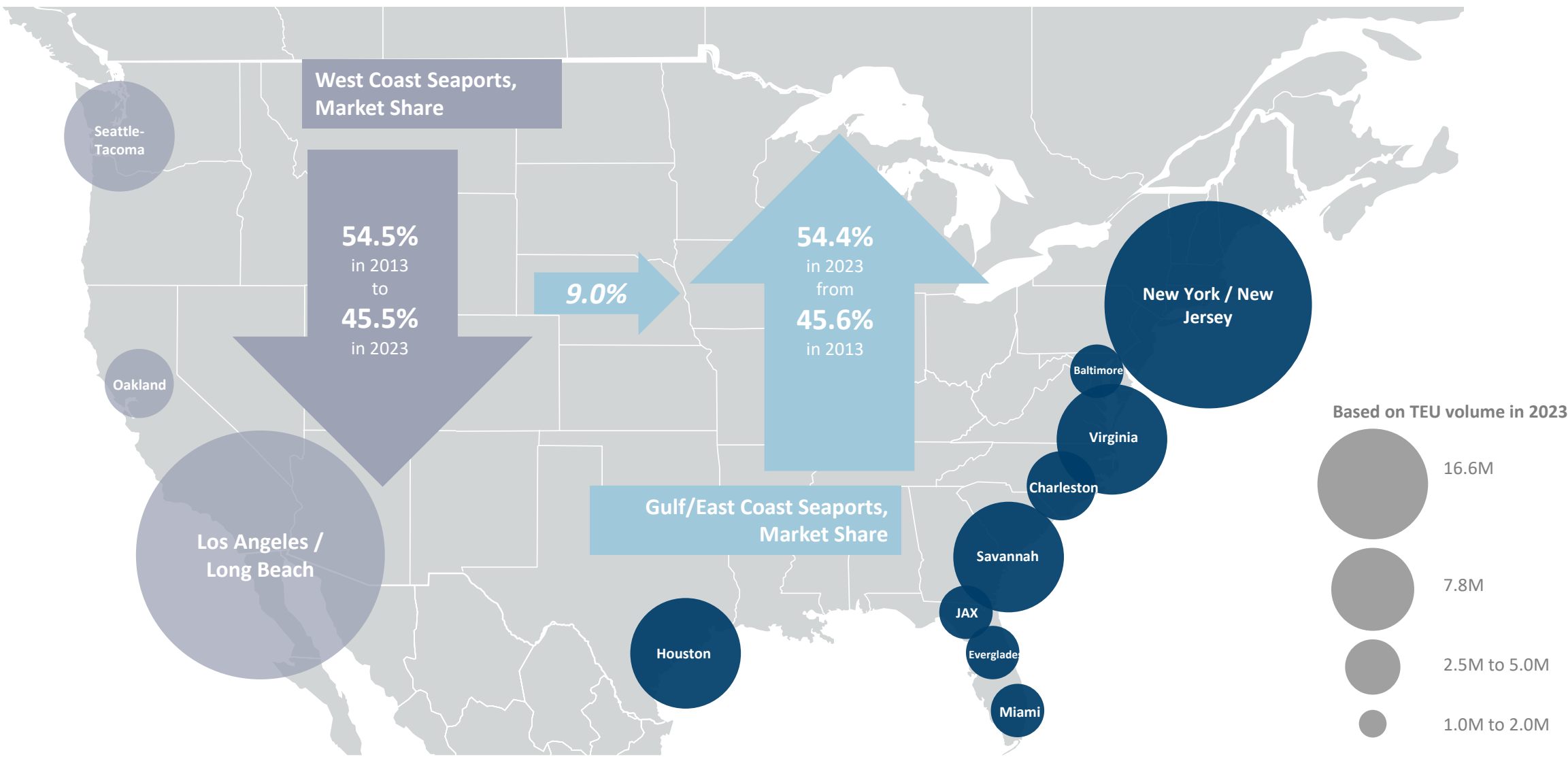
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Foreign and Domestic Investment Flowing



Where We Are Going

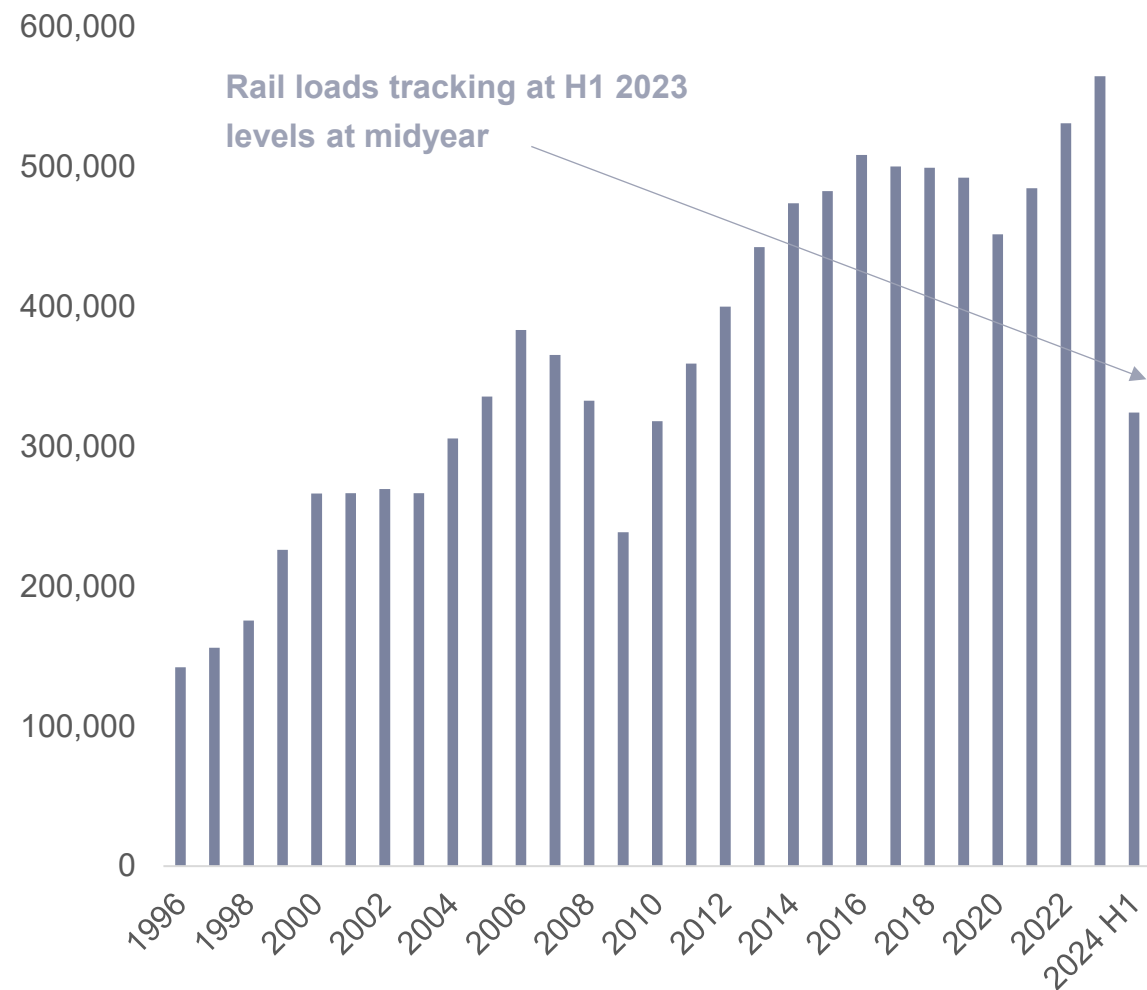
Import Market Share Will Continue Shifting



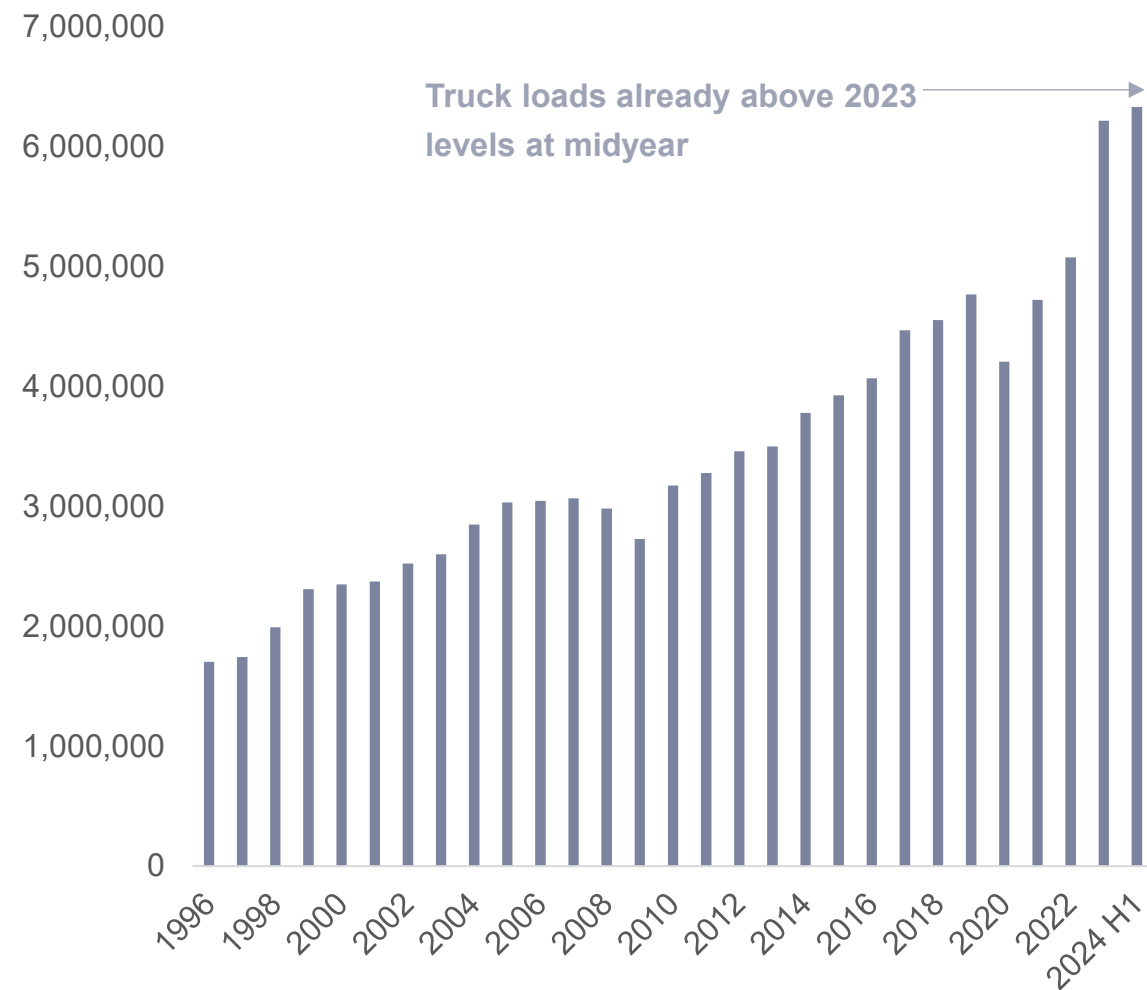
Source: Newmark SoCal Research, port websites.

And Not Just West to East....

Loaded Rail Containers Crossing from Mexico to U.S.



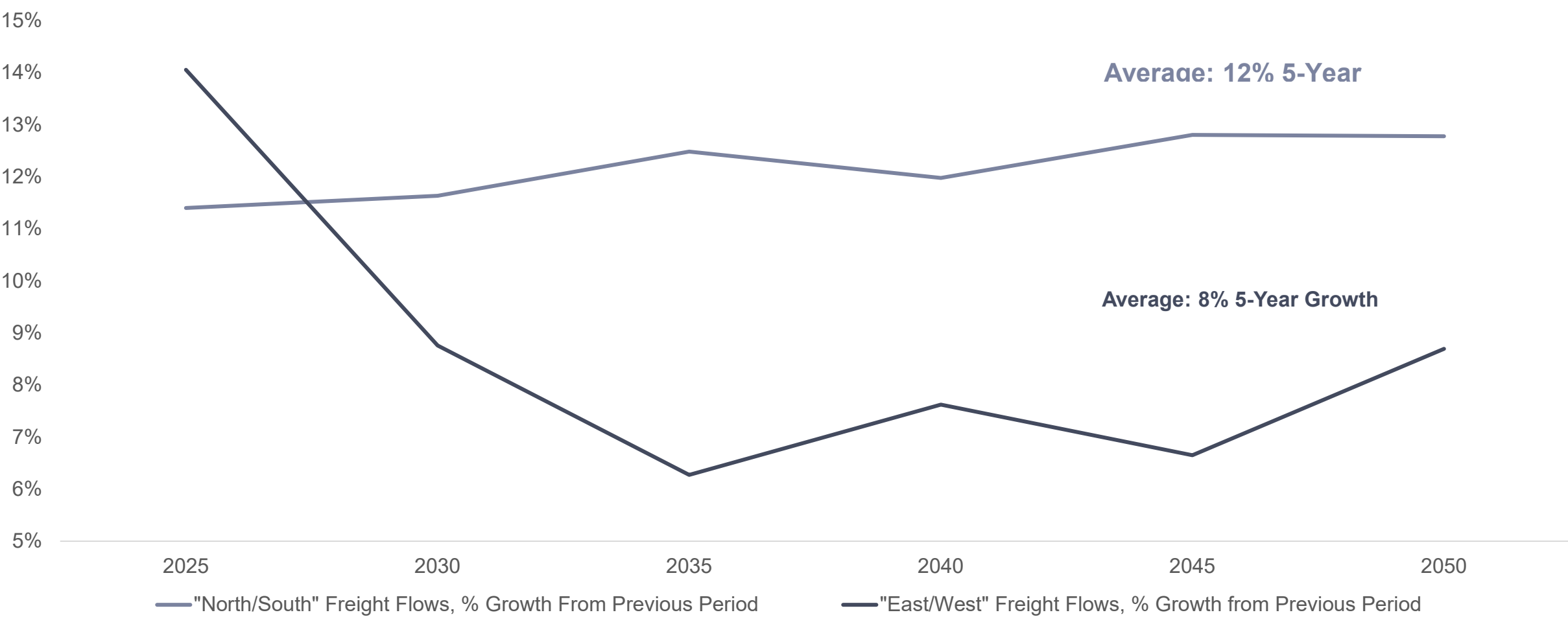
Loaded Truck Containers Crossing from Mexico to U.S.



Source: Dept. of Transportation

“North/South” Flows Set For Future Growth

Forecasted U.S. “North/South” Freight Flows (Intercontinental Land) vs “East/West” Freight Flows (Seaborne Imports/Exports) and % Growth from Previous Period



Source: Newmark Research, U.S. Dept. of Transportation. North/South includes truck and rail tonnage flowing between the U.S., and Canada/Mexico. East/West includes seaborne tonnage flowing between the U.S. and foreign destinations excluding Canada and Mexico. 2025 growth rate measured from 2019, not 2020)

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Port and Rail Infrastructure Opportunity



Near Shore Transportation Transit Times

- San Luis Potosi to Chicago via Rail = 4.08 Days (98 hours) +/- 4 hours
- San Luis Potosi to Chicago via Truck = 1.45 Days (35 hours) +/- 6 hours
- Shanghai to Chicago via Ocean Carrier + Rail = 19 Days (456 Hours) +/- (52 hours)

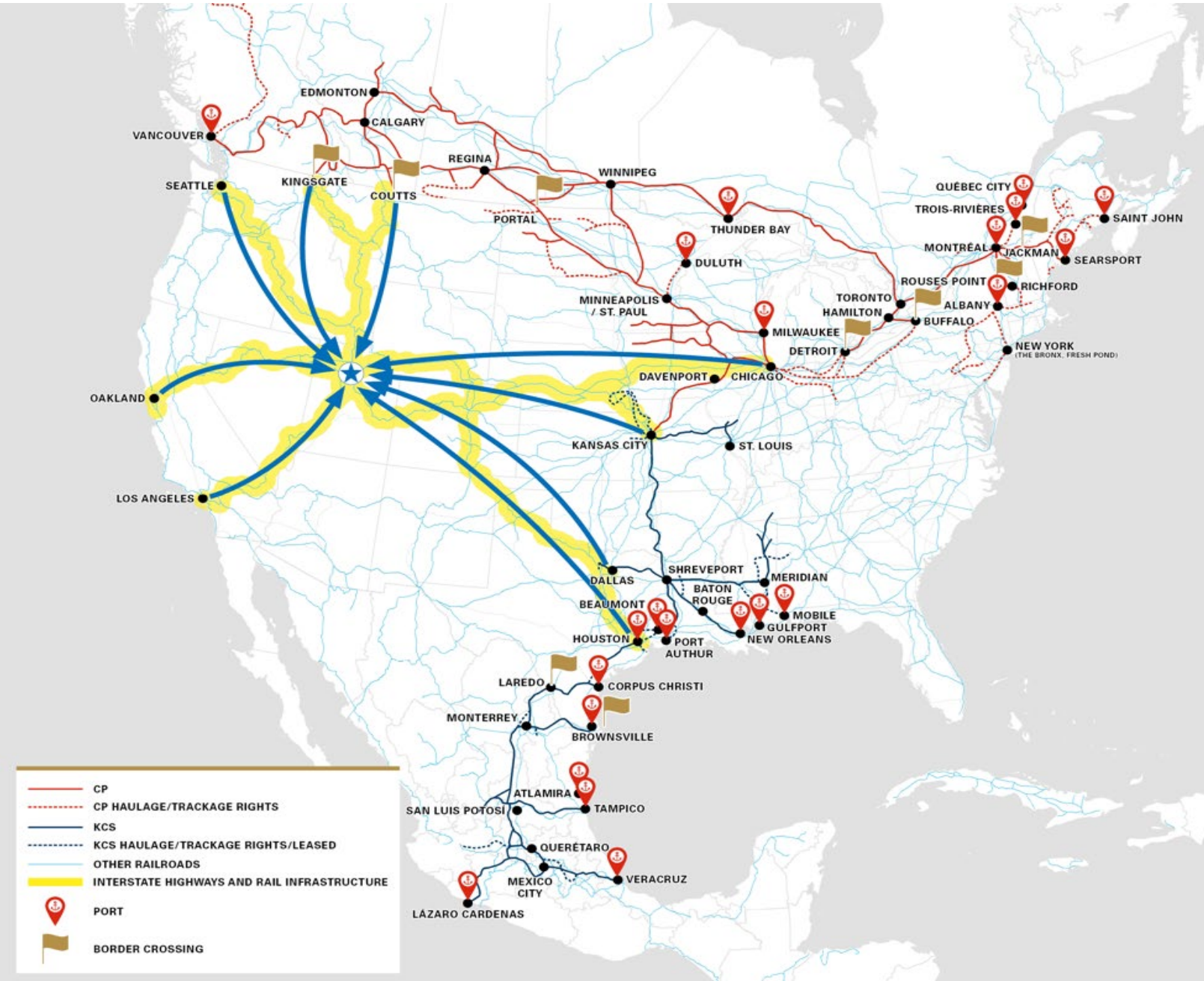
Current Mexico/US Rail Border Crossings

- San Diego – BNSF/ BJRR – (Not connected to Mexican Freight Network)
- Calexico, CA – FXE/UPRR
- Nogales, AZ – FXE/UPRR
- El Paso, TX – FXE/UPRR/BNSF
- Presidio, TX – FXE/UPRR(via TP)/BNSF(via TP)
- Eagle Pass, TX – FXE/UPRR/BNSF
- Laredo, TX – CPKC/UPRR/BNSF
- Brownsville, TX – CPKC/UPRR/BNSF

EVOLUTION OF SUPPLY CHAINS – MOUNTAIN WEST

CPKC Benefitting Cross-border Trade Growth

Case Study: Utah



Source: CPKC

Predictions for the Market

- Absorption in secondary/tertiary markets will continue to outpace primary markets.
- IIJA is ~40% awarded, leaving ~60% of the \$1.2T bipartisan bill to be awarded. As the deployment of the first tranche of awards occurs, rail use cases for bulk construction commodities will increase demand for intermodal freight facilities.
- User self-generation of power and "micro" power plants will increase to meet demand. The nexus between intermodal rail, OTR fleet electrification requirements, and sufficient power for intermodal operations will be additional drivers.
- East Coast Port labor disputes will shift loads back to West Coast Ports further driving demand for intermodal and Tier 1 rail markets.
- USMCA impact will continue to place demands on rail and highway infrastructure for North/South transit. This will compound demand for state of the art rail intermodal facilities to provide throughput.
- Heightened competition for prime land positions from an increasingly diverse mix of use cases.
- Geopolitical unrest will continue as supply chains shift; Superpowers will flex supply chain muscles more earnestly.