

**AVISON
YOUNG**

Industrial Real Estate, the Mountains & Economic Development

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Managing Director | Principal

April 20th, 2023

Agenda

- My background
- Site selection criteria
- Current real estate trends
- Industrial real estate
- Ideas to preserve industrial land
- Pactiv/Evergreen - Case studies
- Q&A

Background

- 33 years experience with industrial real estate
- Degree in Real Estate from University of Georgia
- Over 1,500 transactions
- Lead and Manage Avison Young's Charlotte office
- City of Asheville Property Owner
- Avid hiker, fisherman and golfer

Notable Project Experience

- New Belgium Brewery
- Linamar
- Pfizer – Ann Arbor
- Pfizer - Southport

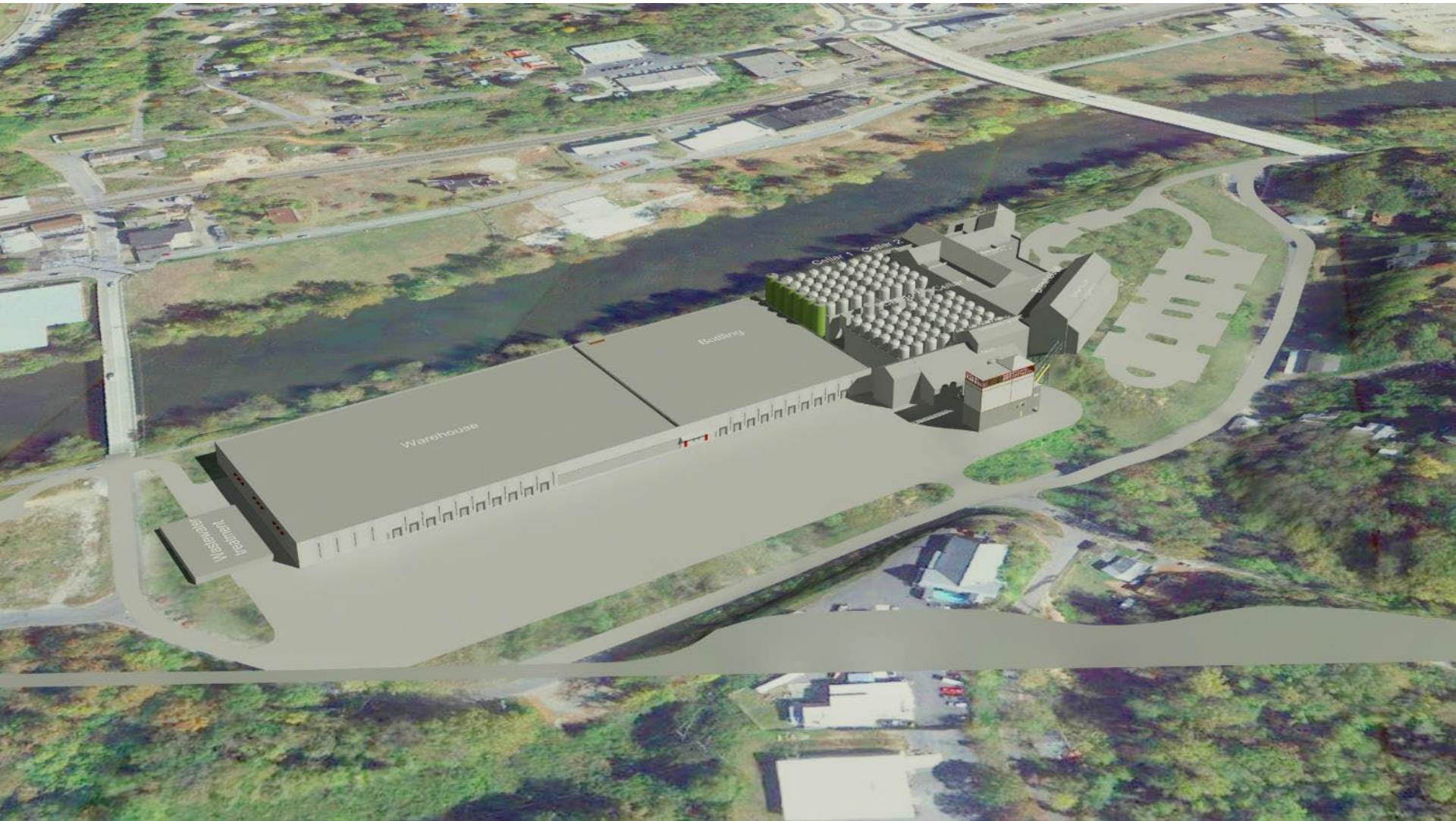
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New Belgium Brewery

- East Coast Site Search
- \$145M cap ex
- 150+ employees
- Desired 40% of workforce could bike or walk to work
- Challenging land assemblage
 - Brownfield
 - Title issues
 - Wetlands
- City was instrumental in landing the project with a \$13M incentives package.



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Volvo Construction Property Sale

- County purchased and leased to Linamar
- \$8M cap ex
- 360+ employees
- \$9M incentive package
- Linamar has since further expanded in the area



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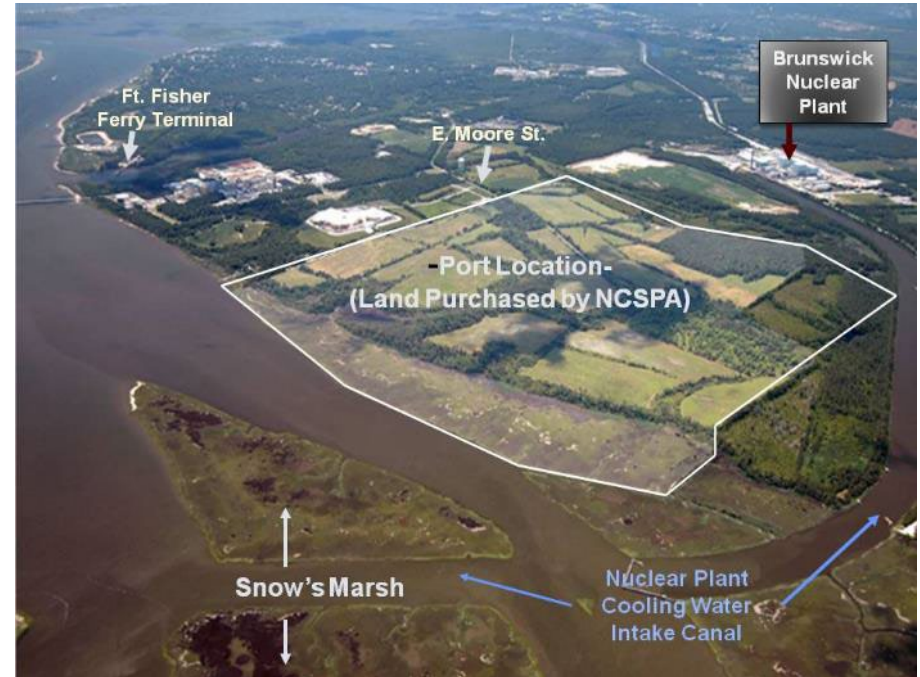
Pfizer Ann Arbor Complex Sale

- 2.2MSF Campus
- R&D and pharma production
- Disruptive to the community
- 2,100 jobs lost
- Sold to University of Michigan
 - Medical School



Pfizer Southport Sale

- Sold to the NC Port Authority
- 600 acres
- Controversial project
- Still undeveloped



Site Selection Criteria Ranking

Rank		2022	2021	2021 Rank	Rank Change
1	Labor costs	89.1	96.4	1	0
2	Quality of Life	87.1	82.1	11	9
3	Availability of skilled labor	85.8	94.9	2	-1
4	Energy availability	82.3	94.7	3	-1
5	Construction costs	81.2	82.1	11	6
6	ICT/broadband	80.7	36.8	26	20
7	Corporate tax rate	79.7	87.7	7	0
8	Energy costs	79.4	NIA	NA	NA
9	Environmental regulations	79	82.5	9	0
10	Available land	78.1	62.5	19	9
11	Highway accessibility	77.8	93.1	5	-6
12	Proximity to major markets	74.6	77.2	14	2
13	State and local Incentives	73	84.5	8	-5
14	Tax exemptions	73	82.4	10	-4
15	Available buildings	71.9	70.2	15	0
16	Expedited permitting	70.3	57.9	22	6

Site Selection Criteria Ranking

Rank		2022	2021	2021 Rank	Rank Change
17	Technical schools	67.2	NA	NA	NA
18	Right-to-work state	66.7	81	13	-5
19	Low union profile	66.2	66	18	-1
20	Proximity to suppliers	64.5	69.6	16	-4
21	Training programs	63.4	66.1	17	-4
22	Raw materials availability	61.3	87.8	6	-16
23	Shovel ready sites	55.7	NA	NA	NA
24	Weather hazards	54.8	NA	NA	NA
25	Accessible to major airport	54	47.3	24	-1
26	Availability of unskilled labor	53.1	61.8	21	-5
27	Water availability	49.2	52.7	23	-4
28	DEI Initiatives	45.9	NA	NA	NA
29	ESG Initiatives	42	NA	NA	NA
30	Waterway or ocean accessibility	27	25.8	28	-2
31	Railroad service	23.8	31.6	27	-4

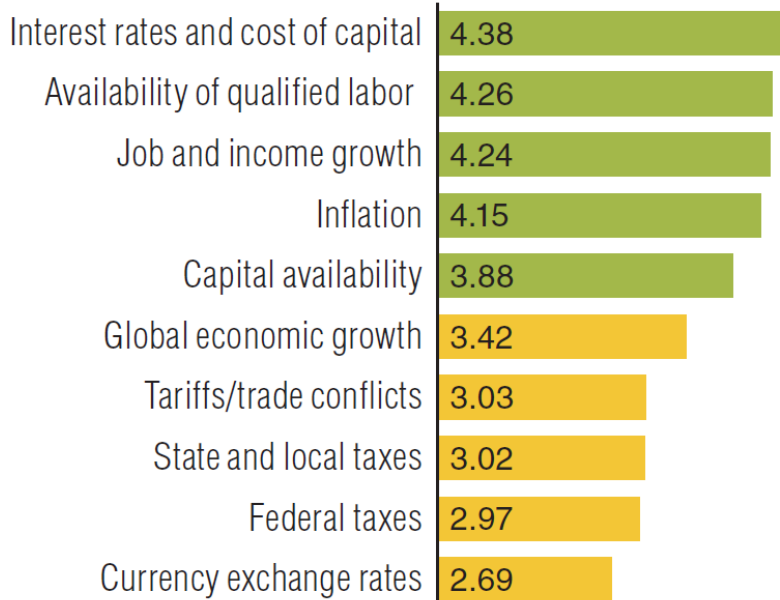
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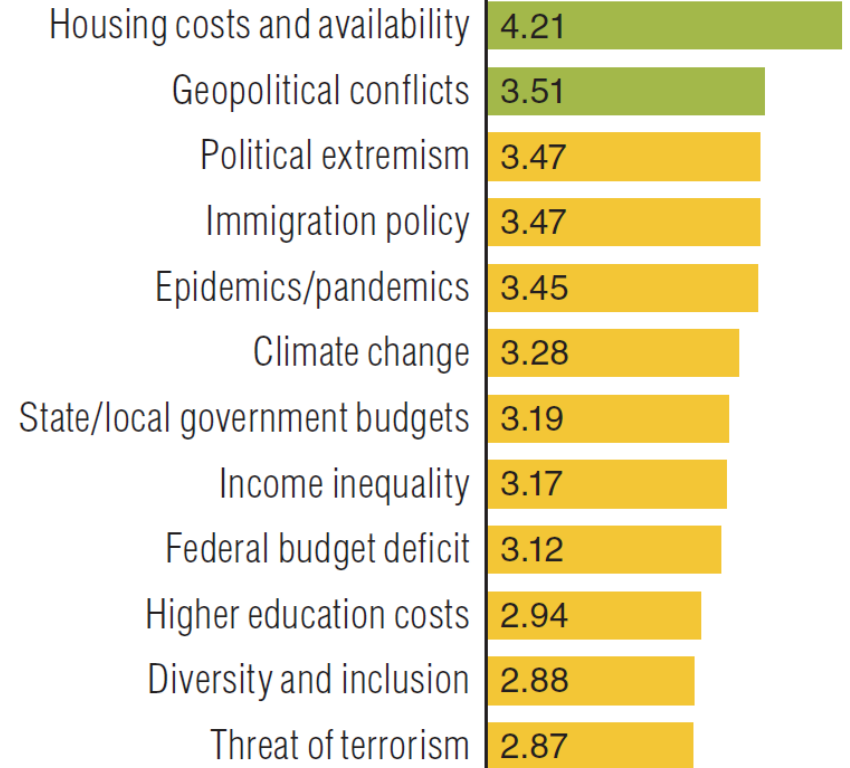
Importance of Issues for Real Estate in 2023



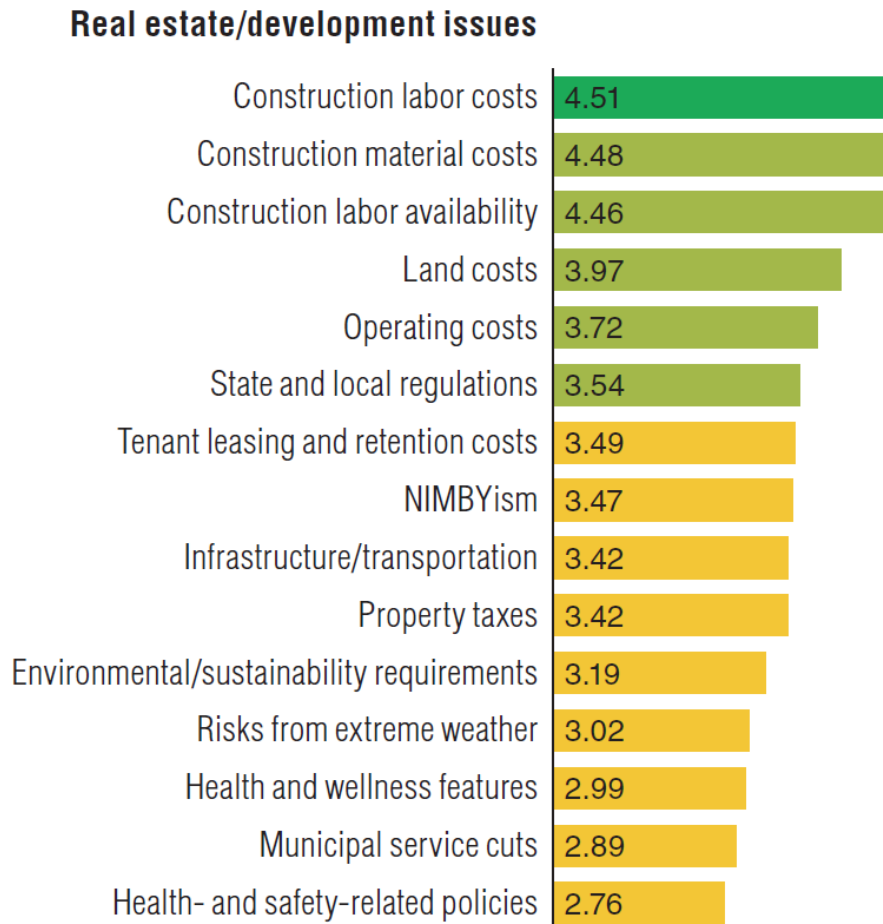
Economic/financial issues



Social/political issues

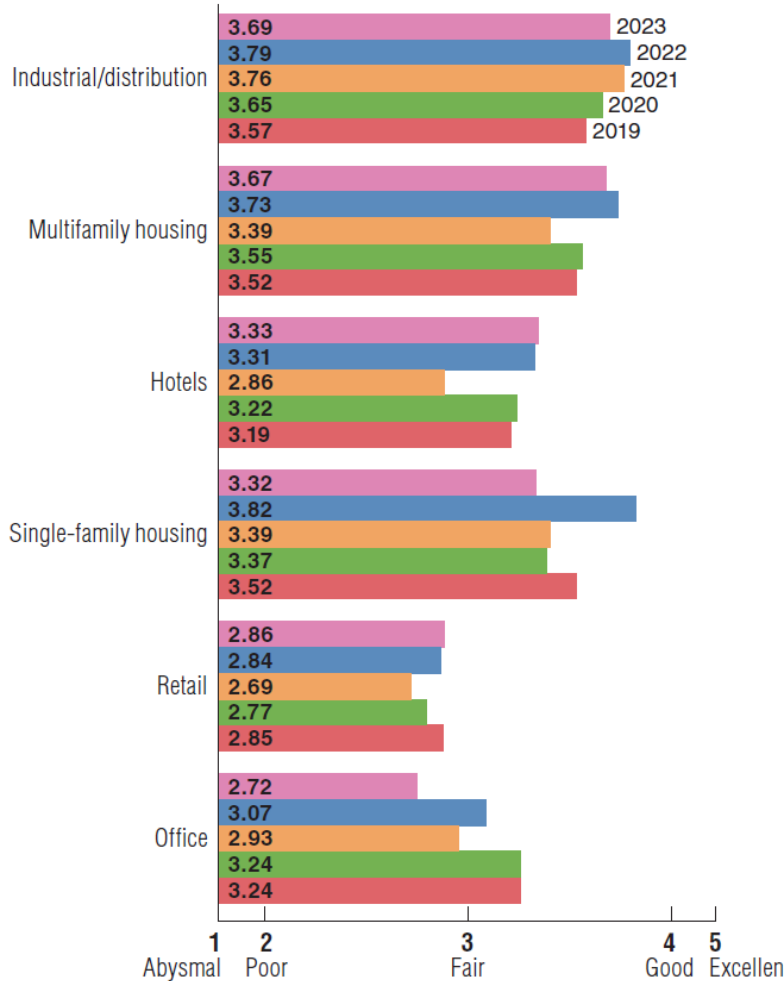


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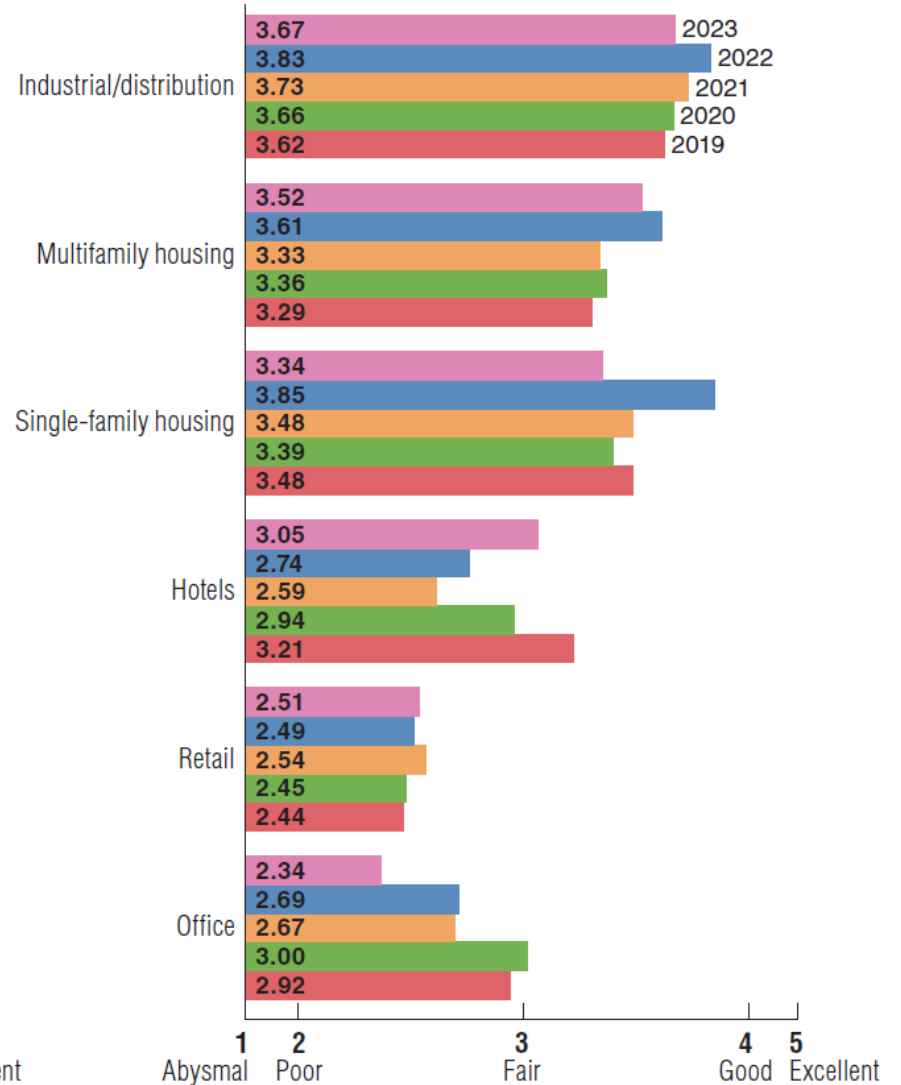


Most Desirable Commercial Real Estate Sectors

Investment prospects



Development prospects



2023 - Most Desirable Commercial Real Estate Markets

1	Nashville		47	Greenville, SC	
2	Dallas/Fort Worth		48	Westchester, NY/Fairfield, CT	
3	Atlanta		49	Sacramento	
4	Austin		50	Virginia Beach/Norfolk	
5	Tampa/St. Petersburg		51	Washington, DC–MD suburbs	
★	6	Raleigh/Durham	52	Baltimore	
	7	Miami	★	53	Charleston
	8	Boston		54	Cincinnati
	9	Phoenix		55	Memphis
★	10	Charlotte		56	Portland, OR
	11	San Diego	★	57	Knoxville
	12	San Antonio		58	San Francisco
	13	Orlando		59	Birmingham
	14	Houston		60	Cleveland
	15	Northern New Jersey		61	Tallahassee
	16	Denver		62	Tacoma
	17	Seattle		63	Louisville
	18	Washington, DC–Northern VA		64	New Orleans
	19	Salt Lake City	★	65	Chattanooga
	20	Los Angeles			

Institutional Private Sector Development

- Investment returns drive rents and projects. Unemotional.
- Use agnostic so long as the space isn't "over improved"
- They desire credit tenants with clean uses
- Prefer to lease, then sell. Leased buildings are more valuable.
- Most do not develop and hold. Flip after leasing.
- They are taking a ton of risk.
- Critics don't understand how much risk people are taking
- Not all are "bad" or "good".

Public/Private JVs

- Public sector assist with infrastructure
 - Utilities, roads, fast track permitting
- Examples
 - Legacy Park – Rock Hill
 - The Grounds @ Concord

When the public sector plays developer

- Private sector is not stepping up
- A market sector is not being addressed
 - Small manufacturing (>50,000sf
 - Incubator space
- Land can be subsidized as incentive
- Foreign manufacturers prefer owning

Logistics vs. Manufacturing

“2.1 million unfilled (manufacturing) jobs by 2030” – Deloitte 2021

Manufacturing labor challenges

- False Job Perception
- Lack of Technology Skill Sets
 - IOT, robotics, automation
- Blue collar avoidance
- Aging workforce

Logistics facility challenges

- Concern over increased truck traffic
- Perception of low wages

New Distribution Centers Increase Salaries and Wages in the Warehouse Industry	
MSA by Size	Annual Increase of Salaries and Wages Per Worker (\$)
All MSAs	\$3,122
Over 5 million	\$2,476
2.5 million – 5 million	\$2,639
1 million – 2.5 million	\$2,894
250,000 – 1 million	\$3,220
Under 250,000	\$4,166
*Average per year over 20-year life span of a new Distribution Center	

“The Community Economic Impact of New Distribution Centers”

US Chamber of Commerce November 2022

Land Use Control Examples

City of Concord

- Changed their development ordinance – 2020
- No logistics in I-2 (heavy industrial)
- Developer must acquire a “special use” permit for distribution in I-1 zoning

Rock Hill, South Carolina

- Overlay district - parcels within 2 miles of I-77.
- Architectural guidelines to create more aesthetically pleasing “boxes”
- Adds financial burden to construction budgets

Land Use Control Examples

City of Gastonia

- Create I-3 zoning that places restrictions on outdoor storage lots
- County owned deed restricted park (only manufacturing)
 - Apple Creek
 - Gaston Tech Park

Town of Huntersville

- Requires two (2) ingress/egress roads for projects over 100,000sf

Pillowtex (Cannon) - Kannapolis**Then**

Cannon Mills – Kannapolis

Closed in 2003 – the largest worker displacement in NC history. 4,800 workers.

5.5MSF

264 acres

Now

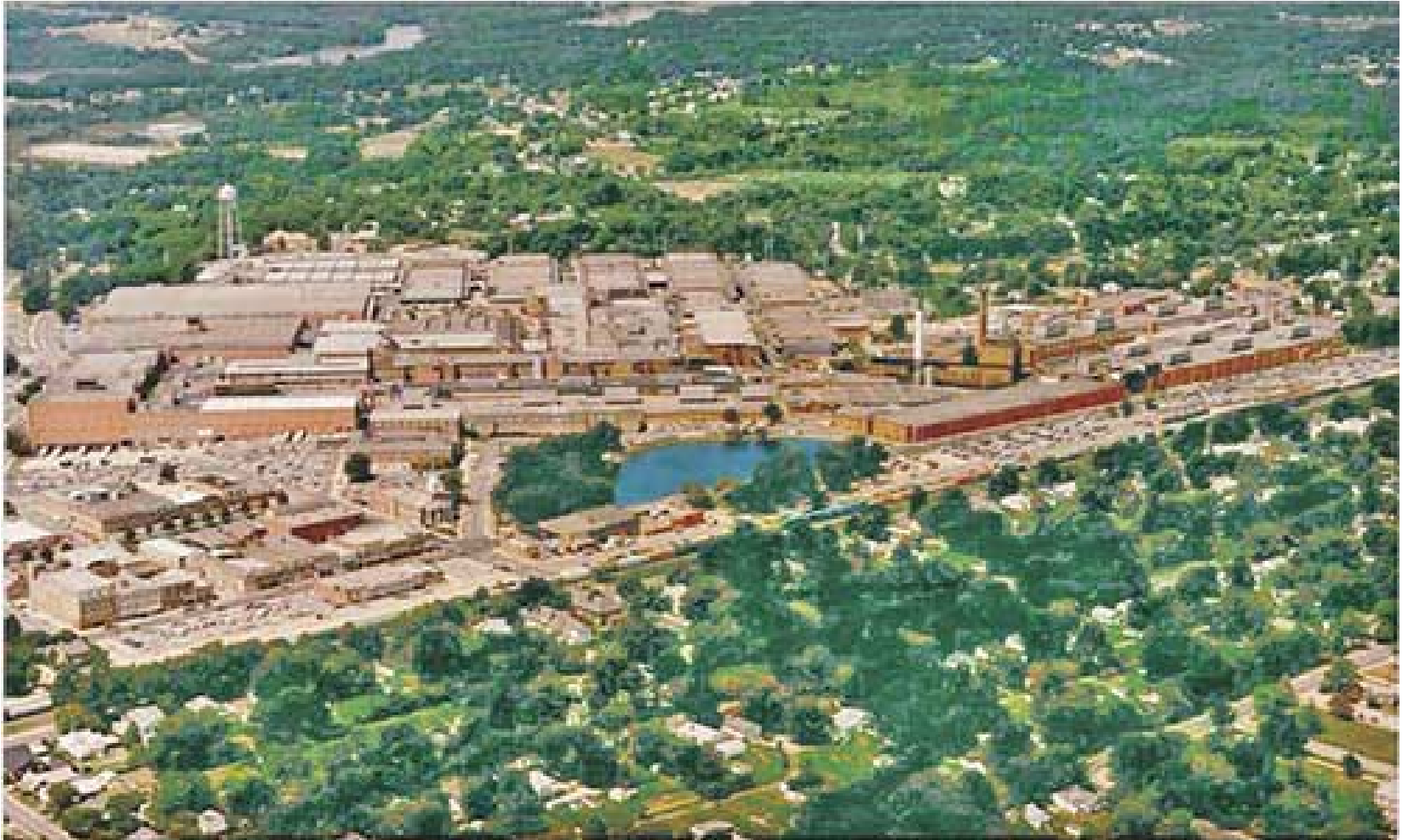
NC Research Campus

\$500 - \$750M in new capital investment (original goal of \$1.5B)

Duke/UNC/App St./NCSU

Plant Closes	Groundbreaking	Building Development
2003	2006	2007 - 2010

Pillowtex (Cannon) - Kannapolis



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Pillowtex (Cannon) - Kannapolis



Phillip Morris – Concord

Closed in 2009. 2,500 workers.

3.5 MSF

2,000 acres

Plant
Closes



2009

Sale to
Alevo
(\$68M)



2014

Alevo
Closes



2017

Carvana



2019

Golden Home



2020

Red Bull



2021

Eli Lilly



2022

Philip Morris - Concord



Philip Morris - Concord

Company	CapEx	Jobs
Red Bull	\$1.48B	633
Eli Lilly	\$1.00B	600
Golden Home	\$86M	250
Carvana	\$35M	300

Totals **\$2.60B** **1,783**



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Pactiv Evergreen - Canton



Pactiv Evergreen - Canton



Company	MSF	Acres	Jobs Lost
Pillowtex (Cannon)	5.5	264	4,800
Philip Morris	3.5	2,000	2,500
Pactiv Evergreen	1.5-2.0	185 – 600	1,050

- Canton and Kannapolis were essentially founded by the plant owners
- Each plant had a union presence
- Redevelopment took around 20 years; not linear
- Each required a deep-pocketed investor
- In both instances, the community has seen more industry diversification