ACEC MARKET Brief

Intermodal & Logistics

Spring 2024

Market Scope

The intermodal and logistics market includes multiple modes of transportation crucial for the efficient movement of goods from origin to destination. Different modes connect across public and private sectors to optimize supply chains and streamline operations. Rail and air-cargo facilities and trucking are mostly privately owned, but travel or operate over publicly maintained highways and airports. Terminals can be owned and managed by private operators while air and water are federally managed. Port facilities can be a mix that travel on public waters and truck routes are maintained by state or local entities. The intermodal and logistics market also includes various surrounding facility types including depots and container yards, inland ports, and industrial real estate.

Top Clients

The CHIPS and Science Act (CHIPS) spurred an additional $450 billion in private investments for the R&D and manufacturing of semiconductors in the U.S., directly impacting the industrial real estate sector. The CHIPS Program Office (CPO) announced $29 billion in grant awards and $25 billion in loans since December 2023. More information can be found here. Below is a list of the first CHIPS grant recipients by project size. (*Sources: The White House and U.S. Semiconductor Industry Association*)

Client	City, State	Project Size
Micron	Clay, NY	$100 billion
TSMC	Phoenix, AZ	$65 billion
Samsung	Austin & Taylor, TX	$45 billion
Intel	Hillsboro, OR	$36 billion
Intel	Chandler, AZ	$32 billion
Intel	New Albany, OH	$28 billion
Micron	Boise, ID	$25 billion

5 Current Market Trends

- **1. Global Trade Disruptions in Critical Shipping Lanes:** Attacks on cargo ships and drought are disrupting two major shipping routes, resulting in longer delivery times, higher shipping costs, and delayed supply chains. Vessel attacks in the Red Sea between Asia and Europe caused trade in the Suez Canal to drop 50% year-over-year (YOY) in the first two months of 2024 (see chart below). Trade volume was diverted around the Cape of Good Hope, which indicated a 74% increase in trade volume compared to last year while adding approximately 10 days to delivery times. Similarly, in the Panama Canal, where 5% of global maritime trade is accounted for saw volume fall 32% from the prior year due to drought and reduced water levels resulting in reduced crossings. An increase in demand for goods has led to larger and heavier ships that cannot pass in reduced water levels and are thus diverted around South America, increasing shipping times there as well. (*Sources: UN Global Platform, Woodwell Climate, and IMF Port-Watch*)

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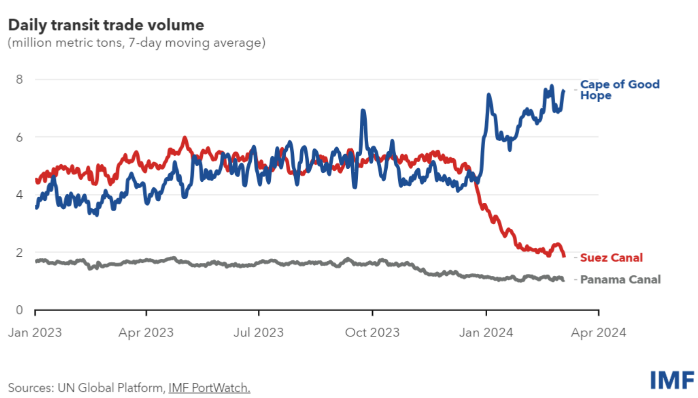
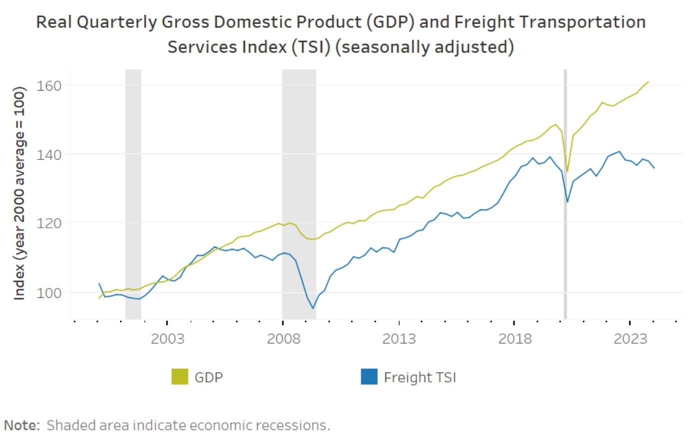
Trade Disruptions



1400 L Street NW, 4th Floor, Washington DC 20005-2605 P: 202.347.7474 | F: 202.898.0068 | E-mail: acec@acec.org

Current Market Trends, *continued*

► **2. TSI Predicts GDP Slowdown:** The U.S. Freight Transportation Services Index (TSI) and GDP tend to rise and fall together, reflecting changes in demand for goods and services. The TSI includes the measurement of month-to-month volume of goods moved by the for-hire transportation industry while GDP is the monetary value of all goods and services produced within the U.S. From 2020 to 2022, the TSI increased by 40% and GDP increased 52% depicting increased demand. The relationship can indicate periods of economic expansion or contraction and the overall health of the economy. As indicated in the chart below the TSI began to decline in 2023 forecasting a cooling in consumer spending and slower GDP growth for Q2 and Q3 2024. (*Sources: US DOT Bureau of Transportation Statistics and The Conference Board*)

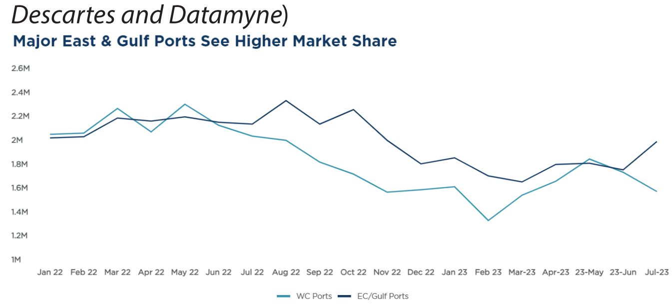


(Sources: U.S. Department of Commerce, Bureaue of Econoomic Analysis, National Income and Product Accounts, U.S. Department of Transportation, Bureau of Transportation Statistics)

► **3. Rebalancing Expected for Manufacturing Sector:** Industrial real estate surrounding ports includes manufacturing facilities, fulfillment centers, warehouses, logistics centers and self-storage. For the last two years the manufacturing sector has broken records. In 2023 spending hit $204 billion with $241 billion expected in 2024, an 18% increase. Federal funding from CHIPS, Inflation Reduction Act (IRA) and Bipartisan Infrastructure Law (BIL) also provided record breaking investments. The market is now poised for a correction. New industrial starts fell by approximately 47% from 2022 to 2023. The decline includes -300 million square feet in manufacturing space that can be attributed to the increased cost of capital and falling demand. Vacancy rates also rose across the U.S. by 194 basis points or 5.55% — the highest since 2016. See chart for highest and lowest vacancy rates by market. (*Sources: FMI, Commercial Edge, and Colliers*)

Rank	Market	Vacancy Rate	Under Construction
1	Boston, MA	8.7%	4.71 MMSF
2	Denver, CO	6.3%	7.33 MMSF
3	Tampa, FL	6.0%	5.04 MMSF
4	Seattle, WA	6.0%	4.71 MMSF
5	Baltimore, MD	6.0%	0.92 MMSF
1	Kansas City, MO	2.6%	10.70 MMSF
2	Columbus, OH	2.6%	5.33 MMSF
3	Indianapolis, IN	2.6%	3.4 MMSF
4	Charlotte, NC	3.3%	12.47 MMSF
5	Nashville, TN	3.4%	3.53 MMSF

► **4. West to East & Gulf Coast Port Shift:** East and Gulf Coast ports experienced a significant increase in container import volume, up 45%, while West Coast ports declined by almost 40%, see chart below. Global trade and petroleum production shifts are also favoring East Coast infrastructure over West due to elevated congestion and more favorable infrastructure on the East which offers shorter inland hauls. In November 2023 the Port of Houston saw a 30% increase in container volume brought on by re-routed traffic due to droughts in New Orleans. See map on the back for a list of the top 10 ports. All West Coast ports reported YOY declines in volume except for Portland, OR. (*Sources: FMI and Descartes and Datamyne*)



**EC/Gulf Ports include Houston, NY/NJ, Charleston, Norfolk and Savannah (Sources: Cushman & Wakefield Research, U.S. Census Bureau)*

► **5. Demand for Airport Infrastructure Expected to Increase:** Air cargo is responsible for transporting over $6 trillion worth of goods, accounting for 35% of world trade. The air freight industry has experienced gains, up 10% year-on-year due to the crisis in the Red Sea as well as the Chinese New Year, during which factories shut down for a week or more causing rippling affects in the economy including slowdowns. Passenger and cargo volumes are expected to double before 2040 and more than $150 billion is expected to be needed in airport investment through 2027. Design and construction spending for surrounding airport infrastructure is also expected to increase 34%, totaling $65 billion in 2023 and $87 billion in 2027. (*Sources: Airports Council International, U.S. Census Bureau, and FMI*)

Government Affairs Action

ACEC's advocacy department tracks the funding available under the BIL for rail infrastructure, particularly the consolidated rail safety and infrastructure improvement grants. More information can be found here. Highlights on the funding and grants can be found below:

- **Rail Infrastructure Grants:** Through the BIL and annual appropriations, Congress is making available billions in federal funds for rail infrastructure and safety improvements. In the last two years the Federal Railroad Administration (FRA) awarded **$1.4 billion** in the Consolidated Rail Infrastructure and the Safety Improvements (CRISI) Program. Projects include highway-rail grade crossing improvements; rail line relocation; regional rail and corridor service development plans and environmental analyses; and projects to enhance multimodal connections or facilitate service integration between rail service and other modes. CRISI grants are a significant source of funding for short line railroads. The FRA also recently announced the availability of **$2.4 billion** in competitive grants for 2024.
- **Port Infrastructure Development Program:** The BIL released **$653 million** in 2023 to upgrade 41 ports around the U.S. through the Port Infrastructure Development Program including seaports, Great Lakes ports and inland river ports. More information can be found here.
- **Water Resources Development Act:** This biennial legislation authorizes U.S. Army Corps of Engineers projects to improve the nation's ports and harbors, the inland waterway navigation network, flood and storm protection, and other water resources infrastructure and environmental protection projects. The House and Senate infrastructure committees have begun hearings and are expected to release their proposals for WRDA 2024 later this spring. More on that here.
- **FAA Reauthorization:** ACEC is supporting a four-year bill to reauthorize federal aviation programs and airport funding. The legislation would provide $19.4 billion for airport infrastructure grants, an increase of $650 million annually, including 4% apportioned specifically to cargo service airports.
- **CHIPS and Science Act:** The U.S. Department of Commerce is responsible for overseeing $50 billion of investment from the CHIPS Act aimed at investing in the R&D of America's semiconductor industry. The investments would help the U.S. produce around 20% of the worlds advanced logic chips by 2030. More information can be found here.

All Eyes on Port of Baltimore

The Rippling Supply Chain Effects of the Francis Scott Key Bridge Collapse

The collapse of the Francis Scott Key Bridge blocked maritime access to and from the five main terminals located within the Port of Baltimore causing the economy to lose up to $15 million per day. Here are facts about the port:

- Supports 15,330 jobs and 139,180 additional jobs in related services.
- Generates approximately $3.3 billion in personal income.
- Imported $59 billion in goods, 2023.
- First in the nation for automobiles, farm and construction machinery, and sugar and gypsum, 2023.
- Second in the country for exporting coal and sixth for importing coffee, 2022.

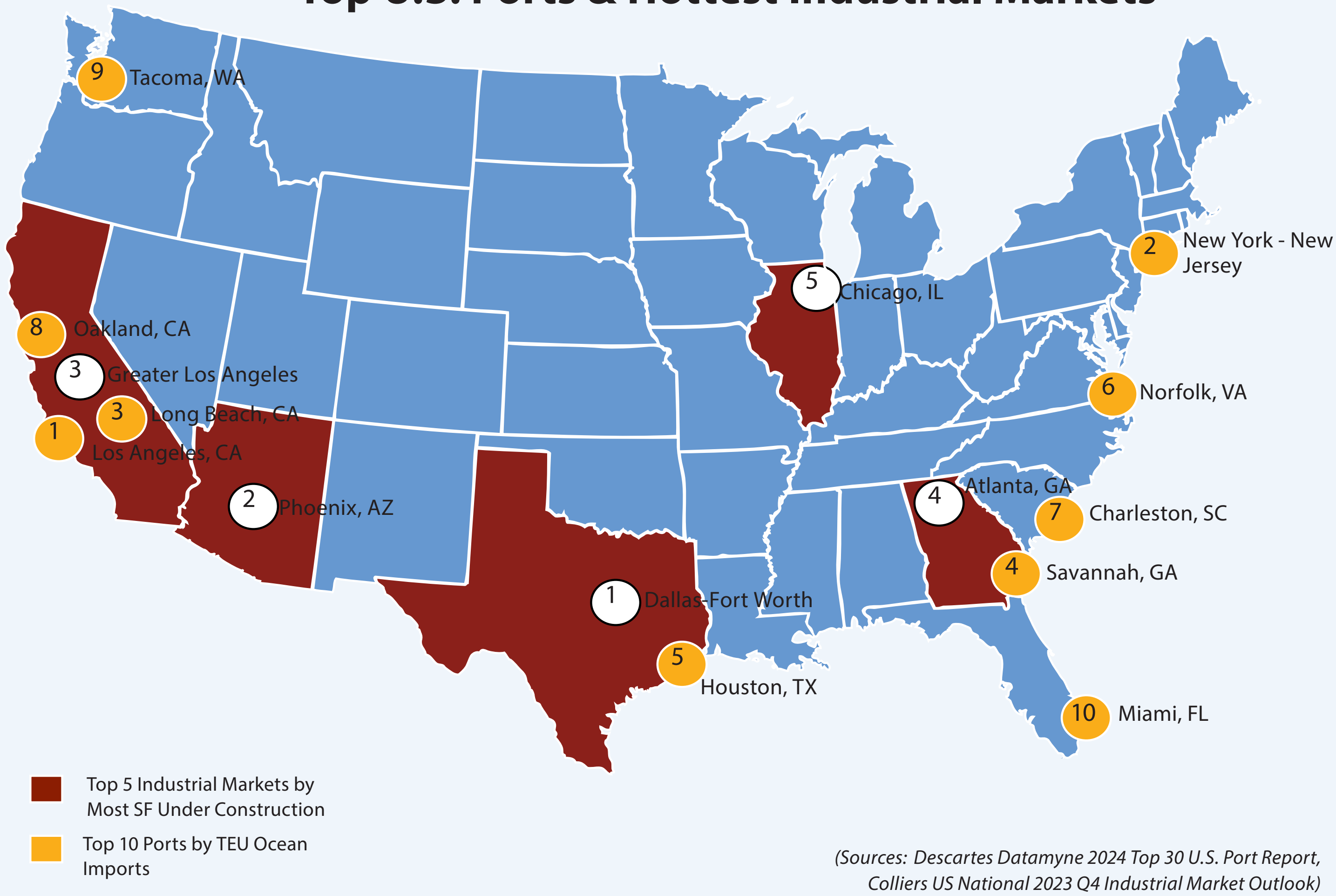
Massive supply chain disruptions are not expected, but it is assumed that ports along the East Coast will absorb the traffic while 4,700 containers, the ship (M/V Dali) and portions of the Key Bridge wreckage are removed. It will take months to remove the wreckage of one of the longest truss bridges in the world. Rebuilding the bridge could take four years, but the port could open by the end of May. It is unclear who will foot the bill for the new bridge but the DOT released $60 million in emergency funding. Conversations are ongoing.

Temporary channels have been opened to allow traffic through Sollers Point, Fort Carroll (commercial vessels), and Hawkins Point in a phased approach to re-opening while others are being diverted to competing ports, including Norfolk, VA. A fourth channel, the Fort McHenry Limited Access Channel will open temporarily to allow ships to leave the port.

Tradepoint Atlantic in Sparrows Point, a neighboring terminal located on the outside of the Francis Scott Key Bridge, may be poised to absorb some shipments. It is the only operating terminal with a 50-foot channel and access to major highways and railways outside of the wreckage.

The Port is also home to cruise line traffic, hosting an estimated 444,000 travelers in 2023. Some commercial traffic will be diverted to other ports. All eyes will be on the Port of Baltimore. (*Sources: MDOT, Maryland.gov*)

Top U.S. Ports & Hottest Industrial Markets



(Sources: Descartes Datamyne 2024 Top 30 U.S. Port Report, Colliers US National 2023 Q4 Industrial Market Outlook)

ACEC's Annual Convention

Join the market intelligence team and land development coalition at ACEC's 2024 Annual Convention & Legislative Summit as they hear from a panel of local DC developers cover the latest trends impacting their vertical markets including housing, office, education, and healthcare. Register here.

Market Briefings - Intel for Engineers

ACEC is offering a four-part live series, held quarterly in 2024. The courses will center on markets that are forecasted to experience change or growth. Each session will include a panel of speakers including industry experts, clients, and association leaders that will share their market specific trends and insights. Register for the full series here.

- **2/21 The Growing Energy Market > On Demand**
- **5/1 Adaptive Re-Use - What's Next for Office?**
- **8/21 Health Care & Life Sciences**
- **11/3 Data Centers & Telecommunications**

Market Intelligence

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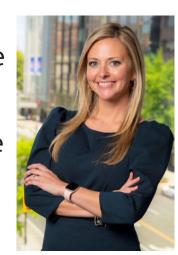

Diana Alexander is ACEC's director of private market resources. She can be reached at: dalexander@acec.org