

Cold Storage REITs

Cold storage employment tracker

Industry Overview

BLS data provides a proxy for COLD's labor expenses

We track Bureau of Labor Statistics cold storage employment data. In particular, employment growth, hourly earnings & weekly payrolls across the US cold storage chain. We view these data points as an important proxy for Americold's (ticker: COLD) labor expenses. An improving labor environment is as a key positive catalyst for COLD.

Labor churn is a key drag on margins

Employment trends suggest wage growth for COLD's warehouse workers is roughly in line with historical norms. The latest data suggest that costs should moderate. The key issue for COLD which is not captured here is that labor churn across their portfolio remains elevated, but COLD flagged that during 3Q they achieved a 75:25 perm to temp ratio. Higher churn results in a less efficient labor force and depressed service margins.

BLS data is highly correlated with SS labor

On an annual basis, we find that COLD's SS labor expense has a 0.77 correlation with the BLS's aggregate weekly payroll data for cold storage workers. On a quarterly basis, the correlation is 0.59. Agency labor is not captured in this data. BLS data is a proxy for COLD's labor expense. The mix between full time and agency labor within COLD's warehouses is a key variable not captured here.

Wage rate growth now in line with historical norms

Quarter to date, average hourly earnings increased 1.1% vs last quarter (prior quarter: 4.3%). In December, average hourly earnings for cold storage workers decreased 0.6% M/M (prior month: increased 0.3%). Hourly earnings are up 3.2% Y/Y. Quarter to date, average weekly payroll is up 4.6% vs last quarter (prior quarter: 11.5%). In December, average weekly payrolls for cold storage workers increased 0.1% M/M (prior month: increased 1.4%). Weekly payrolls are up 6.3% Y/Y.

Employment levels are not the issue; industry fully staffed

In December, total US cold storage workers decreased by 0.2k employees M/M (prior month: increased by 0.1k). Quarter to date, cold storage employment decreased by 0.5k (prior quarter: increased by 0.5k employees).

What you will find inside the report

We visualize key BLS employment data for the cold storage sector including the total number of employees, hourly earnings and weekly payroll. We provide a quarterly and annual correlation analysis between the BLS cold storage employment data and COLD's SS labor expense.

Link to the data: [BofA's cold storage employment file](#)

05 February 2024

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Key terms:

BLS: Bureau of labor statistics

SS: Same Store

C.S.: Cold Storage

Note: The detailed data that we utilize in this report is lagged one month relative to the monthly employment report data.

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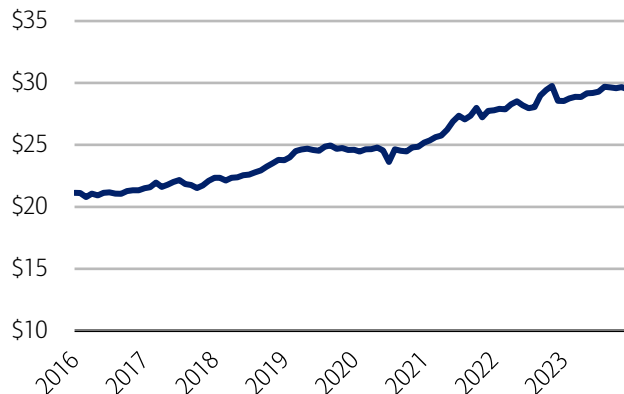
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BLS employment data for cold storage

Exhibit 1: Average hourly earnings for cold storage workers (\$/hr)

Wage growth accelerated for cold storage workers starting in late 2020

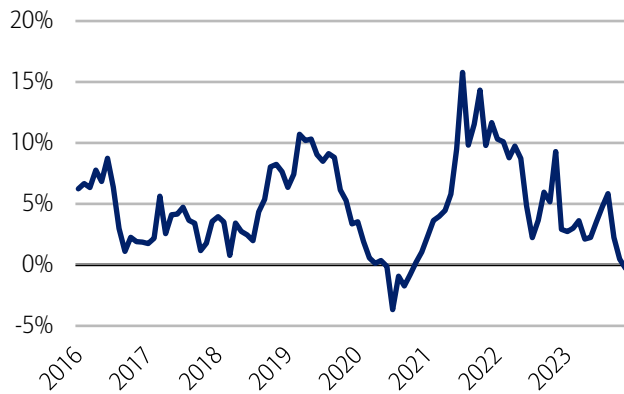


Source: Bureau of Labor Statistics, U.S. Department of Labor, Occupational Employment Statistics

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Exhibit 2: Y/Y change in average hourly earnings

Hourly earnings growth is trending roughly at the historical average

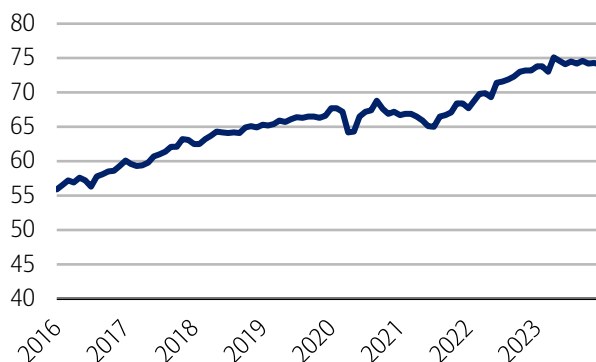


Source: Bureau of Labor Statistics, U.S. Department of Labor, Occupational Employment Statistics

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Exhibit 3: Number of employees working in cold storage (thous.)

Significant recovery in cold storage workers since summer of 2021

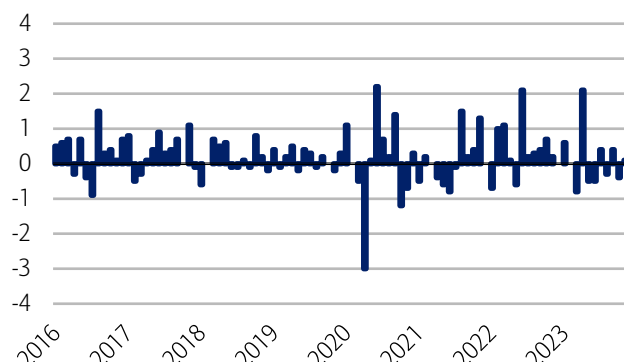


Source: Bureau of Labor Statistics, U.S. Department of Labor, Occupational Employment Statistics

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Exhibit 4: M/M change in number of cold storage workers (thous.)

Cold storage payrolls change is volatile M/M

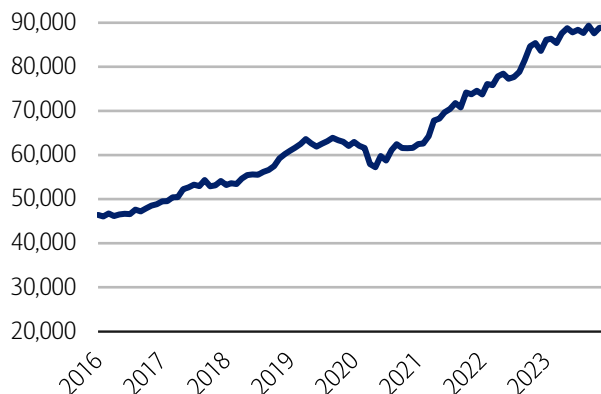


Source: Bureau of Labor Statistics, U.S. Department of Labor, Occupational Employment Statistics

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Exhibit 5: Aggregate weekly payroll for cold storage workers (\$)

Payroll growth accelerated for cold storage starting in early 2021

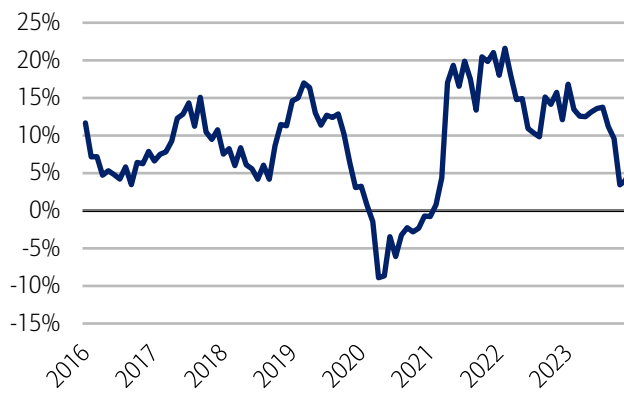


Source: Bureau of Labor Statistics, U.S. Department of Labor, Occupational Employment Statistics

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Exhibit 6: Y/Y change in cold storage weekly payrolls

Weekly payrolls growth is trending roughly at the historical average



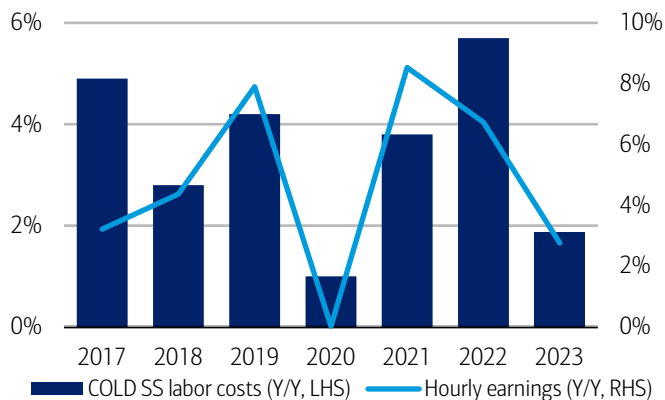
Source: Bureau of Labor Statistics, U.S. Department of Labor, Occupational Employment Statistics

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Annual correlations: BLS vs COLD

Exhibit 7: COLD SS labor costs vs BLS hourly earnings

COLD's labor expenses track the BLS hourly earnings data

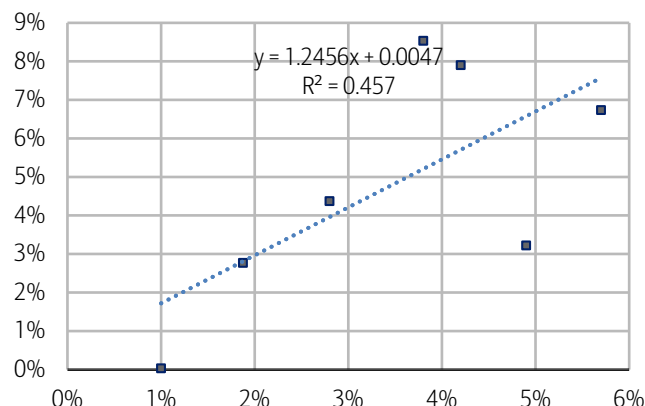


Source: Bureau of Labor Statistics, U.S. Department of Labor, Occupational Employment Statistics, Company filings

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Exhibit 8: Correlation: COLD SS labor costs vs BLS hourly earnings

On an annual basis, the correlation is 0.68 & r-squared is 0.46

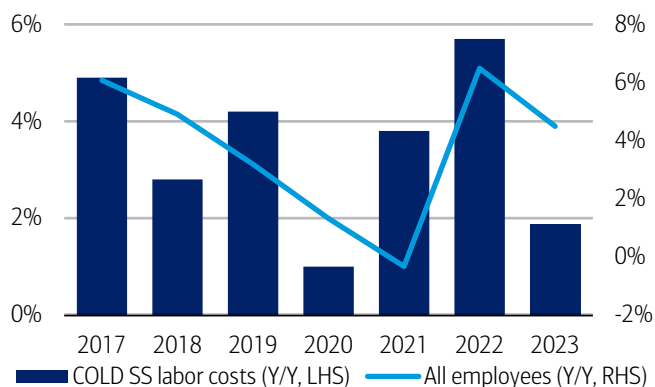


Source: Bureau of Labor Statistics, U.S. Department of Labor, Occupational Employment Statistics, Company filings

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Exhibit 9: COLD SS labor costs vs total # of cold storage workers

Lower correlation between COLD's labor costs and total cold storage workers

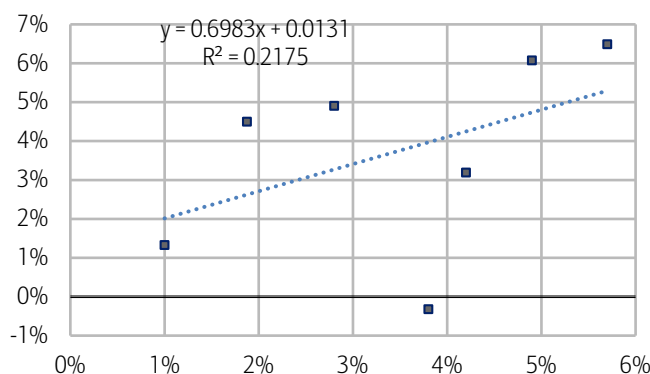


Source: Bureau of Labor Statistics, U.S. Department of Labor, Occupational Employment Statistics, Company filings

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Exhibit 10: Correlation: COLD SS labor costs vs total C.S. workers

On an annual basis, the correlation is 0.47 & r-squared is 0.22

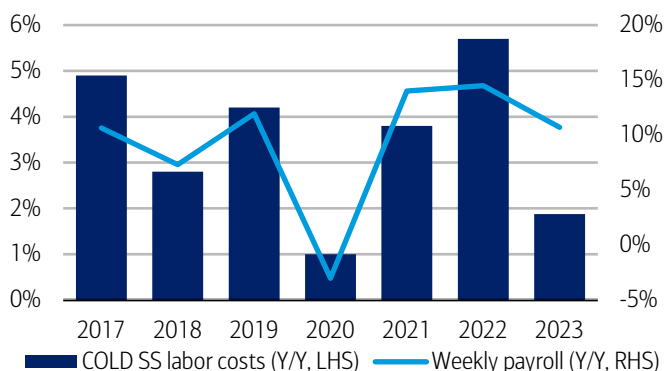


Source: Bureau of Labor Statistics, U.S. Department of Labor, Occupational Employment Statistics, Company filings

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Exhibit 11: COLD SS labor costs vs total cold storage weekly payroll

COLD's labor expenses track the BLS weekly payroll data

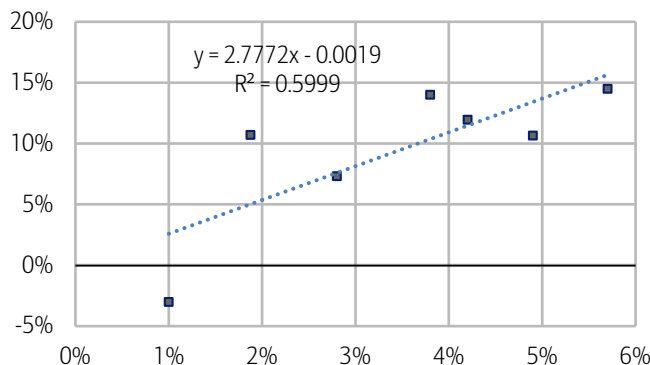


Source: Bureau of Labor Statistics, U.S. Department of Labor, Occupational Employment Statistics, Company filings

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Exhibit 12: Correlation: COLD SS labor costs vs C.S. weekly payroll

On an annual basis, the correlation is 0.86 & r-squared is 0.74



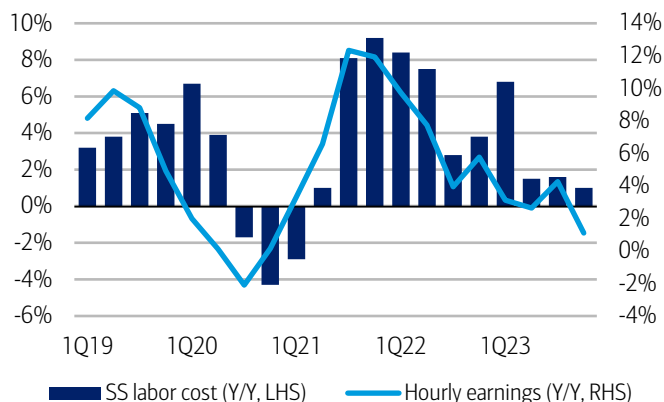
Source: Bureau of Labor Statistics, U.S. Department of Labor, Occupational Employment Statistics, Company filings

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Quarterly correlations: BLS vs COLD

Exhibit 13: COLD SS labor costs vs BLS hourly earnings

COLD's labor expenses track the BLS hourly earnings data

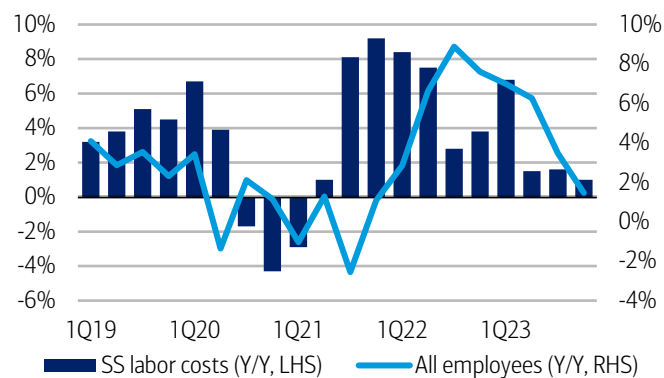


Source: Bureau of Labor Statistics, U.S. Department of Labor, Occupational Employment Statistics, Company filings

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Exhibit 15: COLD SS labor costs vs total # of cold storage workers

Lower correlation between COLD's labor costs and total cold storage workers

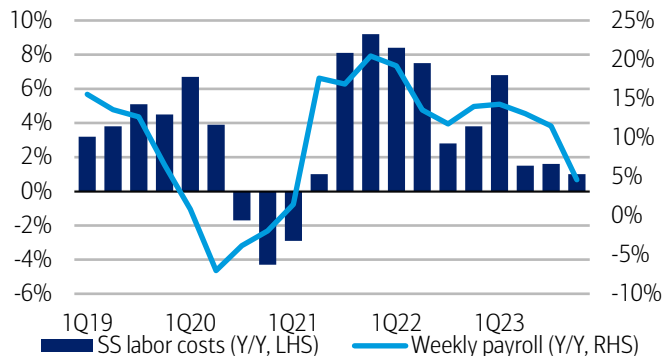


Source: Bureau of Labor Statistics, U.S. Department of Labor, Occupational Employment Statistics, Company filings

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Exhibit 17: COLD SS labor costs vs total cold storage weekly payroll

COLD's labor expenses track the BLS weekly payroll data

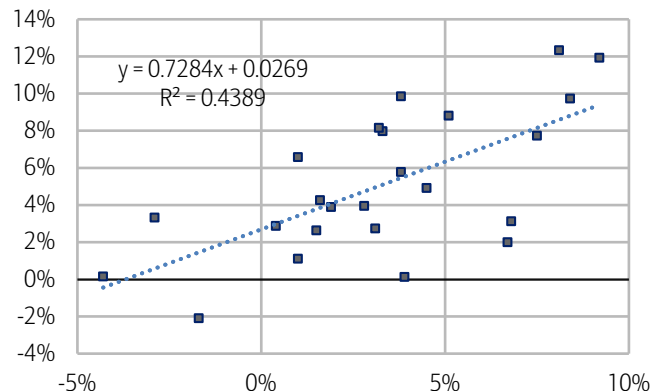


Source: Bureau of Labor Statistics, U.S. Department of Labor, Occupational Employment Statistics, Company filings

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Exhibit 14: Correlation: COLD SS labor costs vs BLS hourly earnings

On a quarterly basis, the correlation is 0.66 & r-squared is 0.44

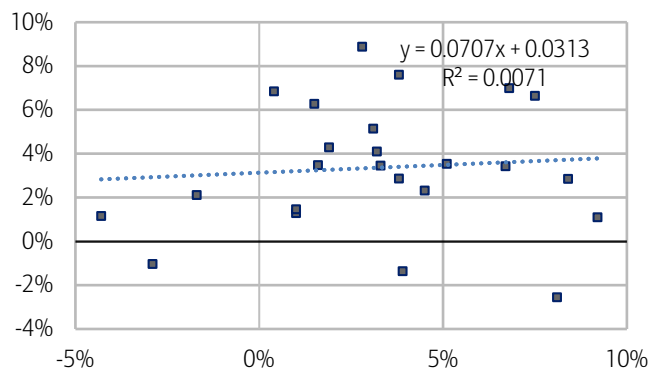


Source: Bureau of Labor Statistics, U.S. Department of Labor, Occupational Employment Statistics, Company filings

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Exhibit 16: Correlation: COLD SS labor costs vs total C.S. workers

On a quarterly basis, the correlation is 0.08 & r-squared is 0.01

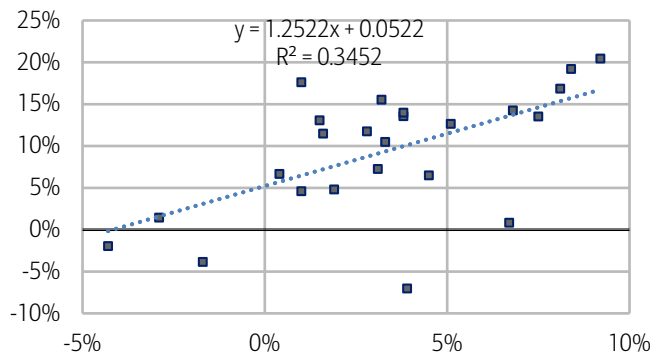


Source: Bureau of Labor Statistics, U.S. Department of Labor, Occupational Employment Statistics, Company filings

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Exhibit 18: Correlation: COLD SS labor costs vs C.S. weekly payroll

On a quarterly basis, the correlation is 0.59 & r-squared is 0.35



Source: Bureau of Labor Statistics, U.S. Department of Labor, Occupational Employment Statistics, Company filings

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Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
COLD	COLD US	Americold Realty Tr	US\$ 28.17	B-1-7

Source: BofA Global Research

Price objective basis & risk**Americold Realty Trust (COLD)**

Our \$35 price objective is derived using forward EV/EBITDA multiple method. We believe this is the simplest method for valuing COLD but recognize there are several methods to determine valuation. Our PO is based on a one year forward EV/EBITDA multiple of 21.5x applied to our forward EBITDA forecast of \$570mn.

Downside risks to our PO are: increasing supply, development spending on large automated facilities, operational risks, and cold storage customers bringing more of their inventory to in-house cold storage networks.

Analyst Certification

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Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Agree Realty Corp	ADC	ADC US	Joshua Dennerlein
	Alexandria Real Estate Equities	ARE	ARE US	Joshua Dennerlein
	American Homes 4 Rent	AMH	AMH US	Jeffrey Spector
	Americold Realty Trust	COLD	COLD US	Joshua Dennerlein
	AvalonBay Communities Inc	AVB	AVB US	Joshua Dennerlein
	Boston Properties	BXP	BXP US	Jeffrey Spector
	Brixmor Property Group	BRX	BRX US	Jeffrey Spector
	COPT Defense Properties	CDP	CDP US	Camille Bonnel
	Cousins Properties Inc.	CUZ	CUZ US	Camille Bonnel
	EastGroup Properties	EGP	EGP US	Jeffrey Spector
	Empire State Realty Trust	ESRT	ESRT US	Camille Bonnel
	Equity Residential	EQR	EQR US	Jeffrey Spector
	Essential Properties	EPRT	EPRT US	Joshua Dennerlein
	Federal Realty	FRT	FRT US	Jeffrey Spector
	Invitation Homes Inc	INVH	INVH US	Joshua Dennerlein
	Kimco Realty	KIM	KIM US	Jeffrey Spector
	Kite Realty Group	KRG	KRG US	Jeffrey Spector
	Phillips Edison & Company	PECO	PECO US	Jeffrey Spector
	Prologis, Inc.	PLD	PLD US	Camille Bonnel
	Public Storage, Inc.	PSA	PSA US	Jeffrey Spector
	Regency	REG	REG US	Jeffrey Spector
	Rexford Industrial Realty	REXR	REXR US	Camille Bonnel
	Sabra Health Care	SBRA	SBRA US	Joshua Dennerlein
	Simon Property	SPG	SPG US	Jeffrey Spector
	Ventas, Inc.	VTR	VTR US	Jeffrey Spector
	Welltower	WELL	WELL US	Joshua Dennerlein
NEUTRAL				
	Acadia Realty Trust	AKR	AKR US	Jeffrey Spector
	CubeSmart	CUBE	CUBE US	Jeffrey Spector
	EPR Properties	EPR	EPR US	Joshua Dennerlein
	Equity LifeStyle Properties	ELS	ELS US	Jeffrey Spector
	Essex Property Trust, Inc.	ESS	ESS US	Joshua Dennerlein
	Extra Space Storage, Inc.	EXR	EXR US	Jeffrey Spector
	Getty Realty Corp.	GTY	GTY US	Joshua Dennerlein
	Highwoods Properties	HIW	HIW US	Camille Bonnel
	InvenTrust Properties	IVT	IVT US	Jeffrey Spector
	Kilroy Realty Corporation	KRC	KRC US	Camille Bonnel
	Macerich	MAC	MAC US	Jeffrey Spector
	OMEGA Healthcare	OHI	OHI US	Joshua Dennerlein
	Realty Income	O	O US	Jeffrey Spector
	Retail Opportunity Investments Corp.	ROIC	ROIC US	Jeffrey Spector
	SL Green Realty	SLG	SLG US	Camille Bonnel
	Sun Communities	SUI	SUI US	Joshua Dennerlein
	UDR, Inc.	UDR	UDR US	Joshua Dennerlein
	Veris Residential Inc	VRE	VRE US	Joshua Dennerlein
	Vornado Realty	VNO	VNO US	Camille Bonnel
UNDERPERFORM				
	American Assets Trust	AAT	AAT US	Camille Bonnel
	Armada Hoffer Properties	AHH	AHH US	Camille Bonnel
	Camden Property Trust	CPT	CPT US	Joshua Dennerlein
	Douglas Emmett	DEI	DEI US	Camille Bonnel
	Healthpeak Properties, Inc.	PEAK	PEAK US	Joshua Dennerlein
	Hudson Pacific Properties, Inc.	HPP	HPP US	Camille Bonnel
	Kennedy Wilson	KW	KW US	Joshua Dennerlein
	LXP Industrial Trust	LXP	LXP US	Camille Bonnel
	Medical Properties Trust, Inc.	MPW	MPW US	Joshua Dennerlein
	Mid-America Apartment Communities, Inc.	MAA	MAA US	Joshua Dennerlein
	National Storage Affiliates Trust	NSA	NSA US	Jeffrey Spector
	NetSTREIT	NTST	NTST US	Joshua Dennerlein
	NNN REIT Inc	NNN	NNN US	Joshua Dennerlein
	Paramount Group	PGRE	PGRE US	Camille Bonnel
	Peakstone Realty Trust	PKST	PKST US	Joshua Dennerlein
	STAG Industrial	STAG	STAG US	Camille Bonnel

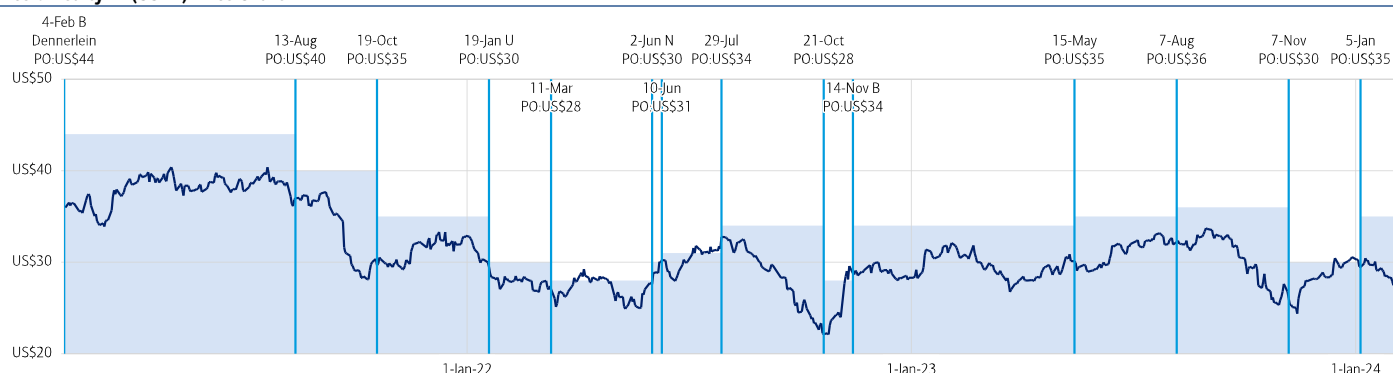
US - REITs Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Tanger Factory	SKT	SKT US	Jeffrey Spector
	WP Carey	WPC	WPC US	Joshua Dennerlein

Disclosures

Important Disclosures

Americold Realty Tr (COLD) Price Chart



COLD — PO

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	40	46.51%	Buy	33	82.50%
Hold	27	31.40%	Hold	21	77.78%
Sell	19	22.09%	Sell	16	84.21%

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Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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