



First Industrial Realty Trust, Inc. (NYSE: FR)

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AGENDA

1 Company Overview

2 Industry Outlook

3 Investment Thesis

4 Valuation

5 Recommendation

6 Catalysts and Risks

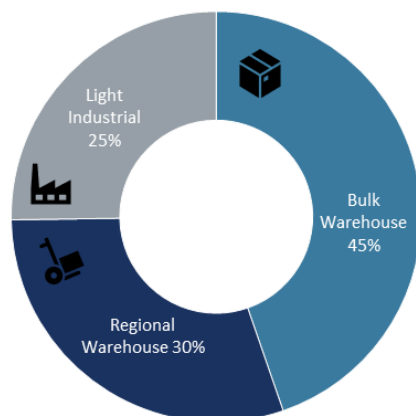
Company Overview

COMPANY OVERVIEW

Business Description





- First Industrial Realty Trust (NYSE: FR) is a self-administered and fully integrated real estate investment trust which owns, operates, and develops bulk warehouses and light industrial properties.
- 90% of its revenue stems from lease revenue while the remaining sales are driven through property acquisitions, sales and developments.
- Headquartered in Chicago, Illinois, FR's portfolio of 410 industrial properties is spread across 20 US states in top logistics markets.
- Properties are strategically located in high-traffic areas near major transportation hubs (airports, highways, etc.).

Revenue By Segment

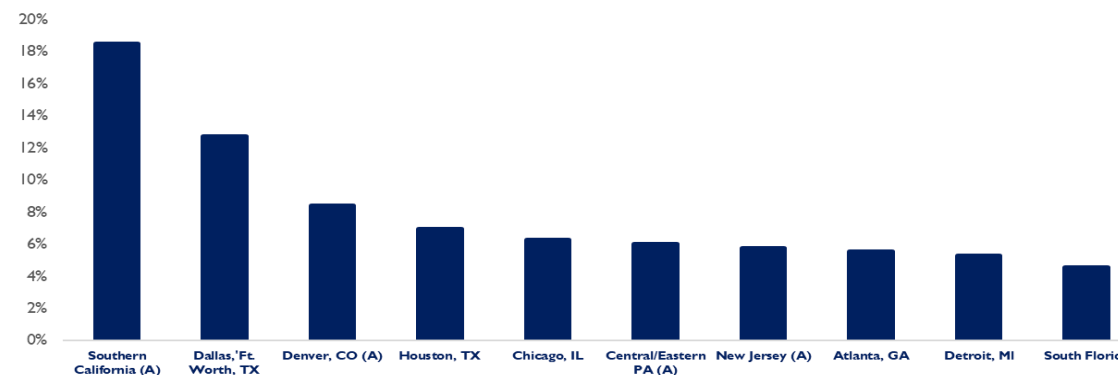


- First Trust is strongly positioned in the industrial sector, owing nearly half of its portfolio to bulk warehousing.
- 98.57% of FR's revenues come from its lease revenues, with 87.9% of these revenues stemming from same store properties and 5.78% from re-developments. The remaining 6.32% of revenues comes from acquired and sold properties, and other.

Management Team

				
Name	Peter E. Baccile	Johannson Yap	Peter Schultz	Scott Musil
Position	President & CEO	CIO	EVP	CFO
Years Exp.	7	28	25	28
Background	Vice Chairman & Global Head of J.P. Morgan Securities	Co-founder of First Industrial	President, PBS Properties	Attest Manager, Arthur Andersen & Co

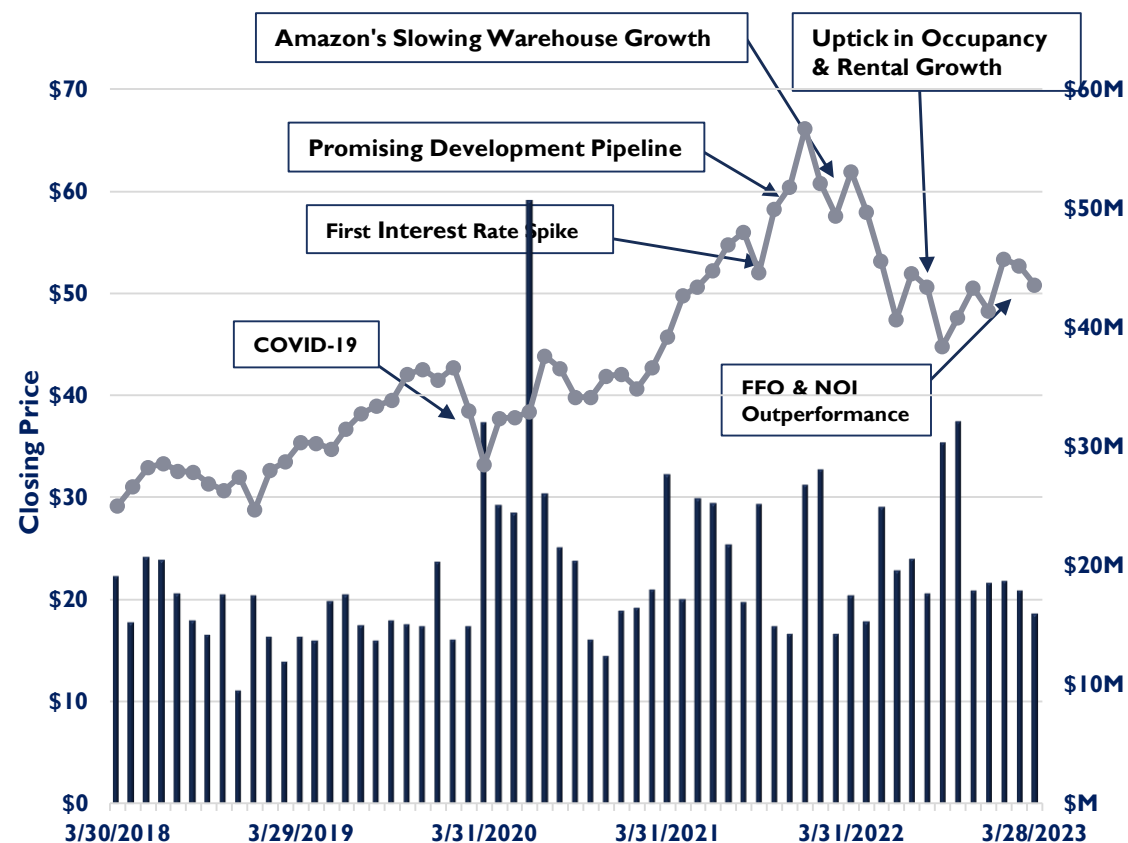
Geographic Distribution of Portfolio by NAV (%)



Company Overview

COMPANY OVERVIEW

Price-Volume Analysis



Market Valuation

Share Price (28-March-2023)	\$	53.20
Basic Shares Outstanding		132.10
FFO	\$	306.80
EBITDA	\$	340.70
Market Capitalization	\$	6,721.60
(-) Cash & Equivalents	\$	147.30
(+) Preferred & Other	\$	70.50
(+) Total Debt	\$	2,002.00
Enterprise Value	\$	8,646.90

Key Metrics

PE Ratio		29.28
Occupancy Rate		0.98%
2022 Cap Rate		4.68
Dividend Per Share	\$	1.18
EPS		2.58
Beta (5y Monthly)		0.99
EBITDA Margin		66.75%
FFO/Share	\$	2.29
52-Week High	\$	65.92
% of 52-Week High		77%

Company Overview

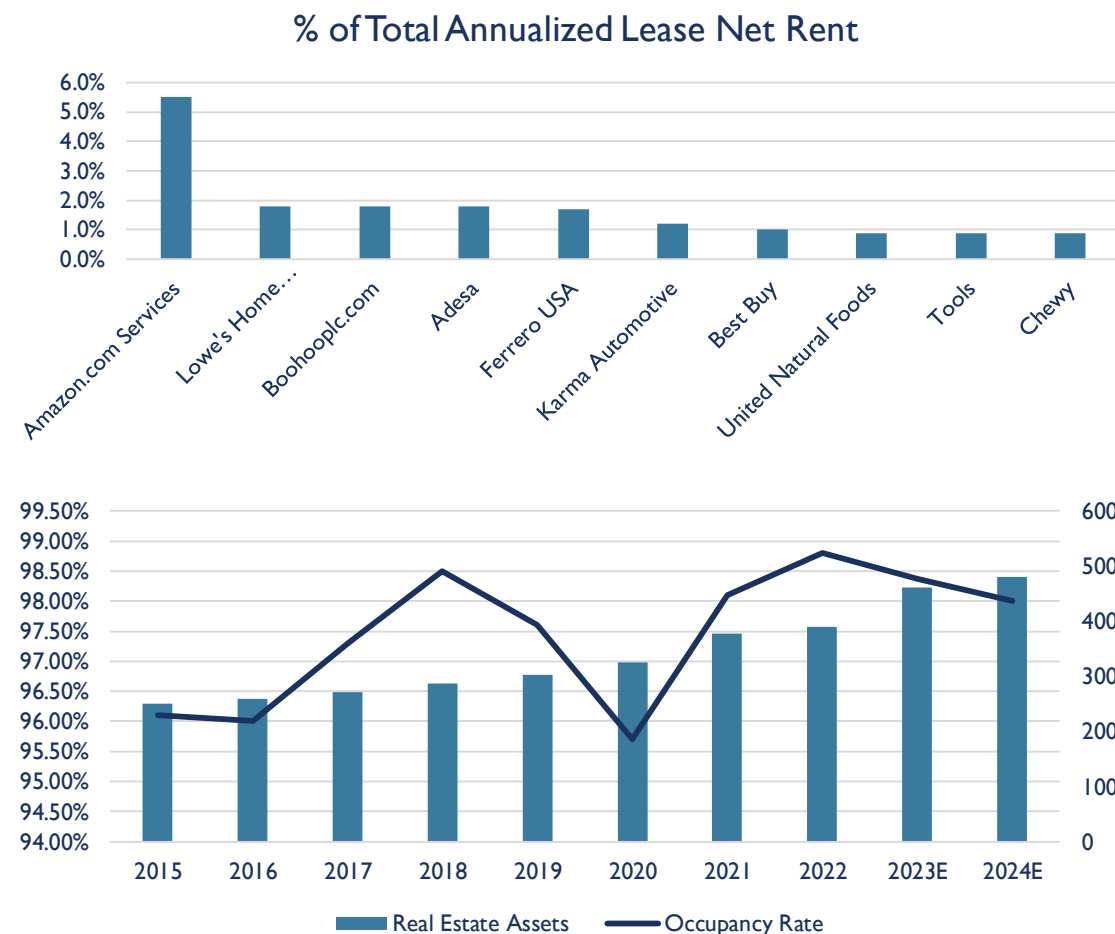
COMPANY OVERVIEW

Shareholder Summary

Institutions	# of Shares Held (in millions)	% Of Shares Outstanding
Vanguard Group Inc	19.52	14.77
BlackRock Inc	15.99	12.1
Principal Financial Group Inc	8.2	6.21
State Street Corp	7.23	5.47
Blackstone Inc	5	3.78
Centersquare Investment Management LLC	3.86	2.92
Ameriprise Financial Inc	2.78	2.11
HSBC Holdings PLC	2.32	1.76
Geode Capital Management LLC	2.05	1.56
Victory Capital Management Inc	1.96	1.49
Total Top 10 Institutions	68.91	52.17

- Institutional investors comprise 93.87% of FR's holding signaling that "smart money" views First Trust as an important holding.
- First Trust's top tenants span a range of industries providing diversity and minimizes idiosyncratic risks

Top Tenants



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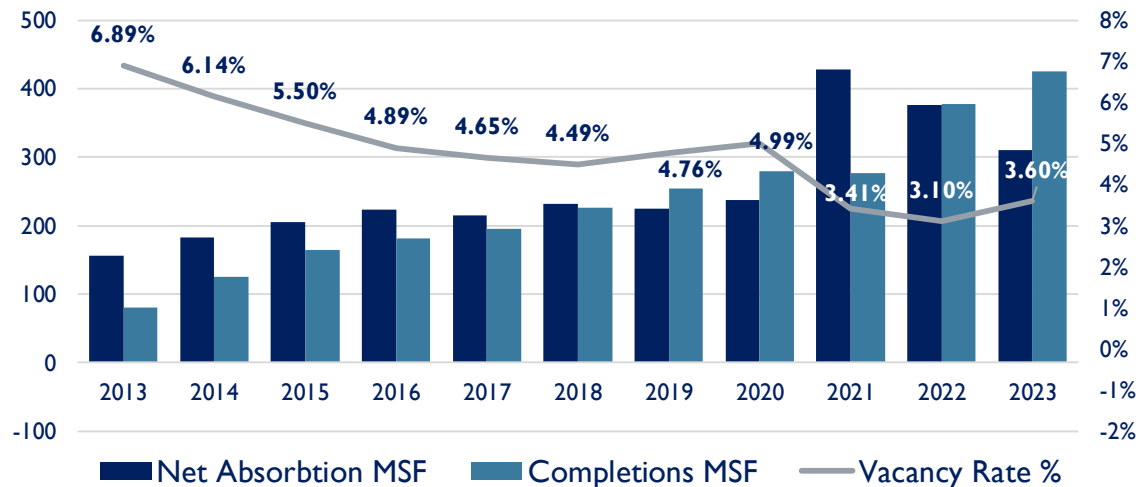
Industry Overview

INDUSTRY OVERVIEW

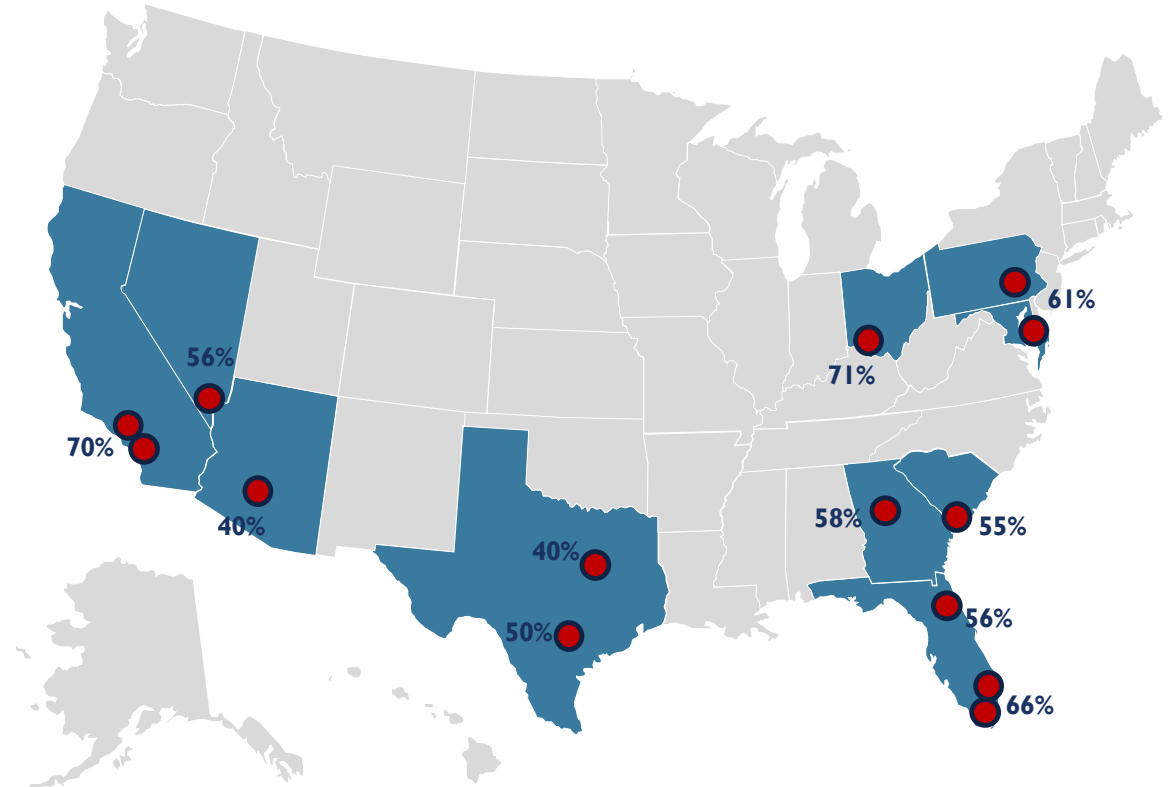
Sector Overview

- The US Industrial Sector sustains strong fundamentals and remains one of the top performing commercial real estate property types.
- Industrial/Logistics Real Estate Sector went through a massive transformation with rise in e-commerce and increased need for fast-delivery logistical networks.
- With global supply chain complications, the construction of new US manufacturing facilities has more than double over the year.
- Sector has over 640 MSF under construction, with an average of 3.7% vacancy rate on existing properties.
- Industrial REITs have been averaging 16.7% annual return, triple the average of Equity REITs over the same period.

Market Fundamentals



US States With Highest Rent Growth For Industrial Real Estate



- From 2019-2023, Nationwide Rent Change averaged at 41%, with majority of the growth coming from the Sunbelt region.
- Low vacancy rates, reshoring, and scarce land drive demand and rent hikes.

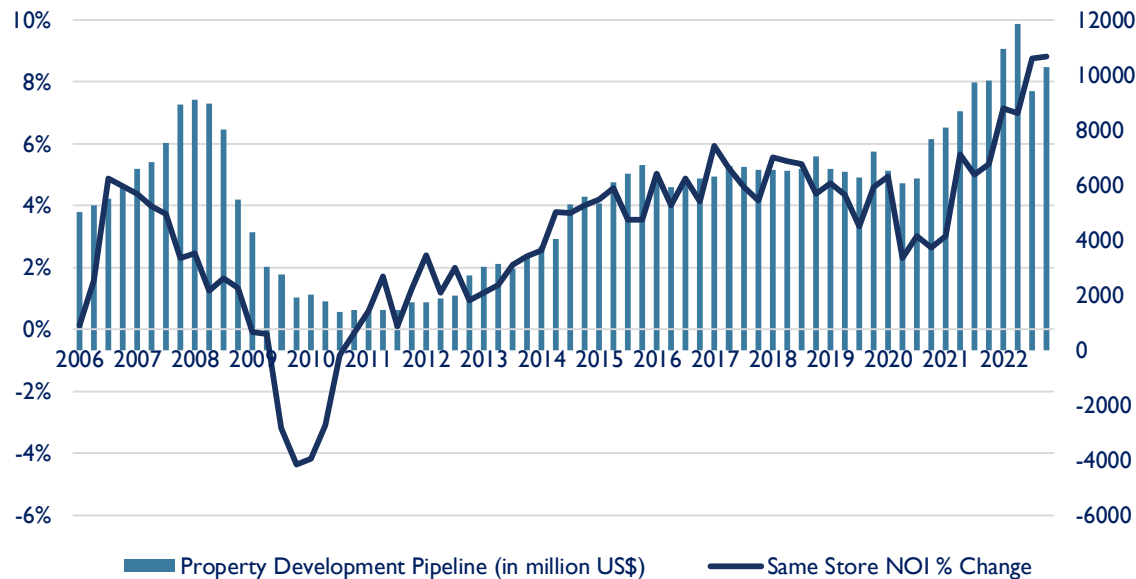
Industry Overview

KEY COMPETITORS

Supply Side of Industrial Real Estate

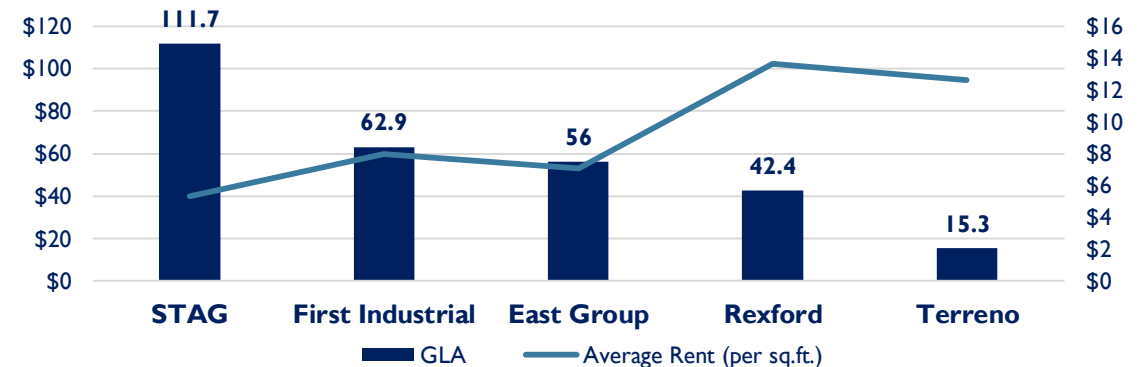
- Industrial Real Estate is experiencing an increased level of occupancy, with collective vacancy across port, hub, and local service markets being below 4% for the first time.
- Accelerated growth during the pandemic prompted a wave of speculative project starts, which may impact vacancy rates due to oversaturation.
- Sector-wide average rent sits at \$7.12 per square foot, 6.9% increase YoY.

Historical Trends



Key Competitors

Comparable Businesses	Cap Rate	Market Cap (Bn US\$)
EASTGROUP PROPERTIES	4.23%	\$7.04
STAG INDUSTRIAL	6.12%	\$6.11
Rexford Industrial	3.76%	\$11.28
TERRENO	4.07%	\$5.22



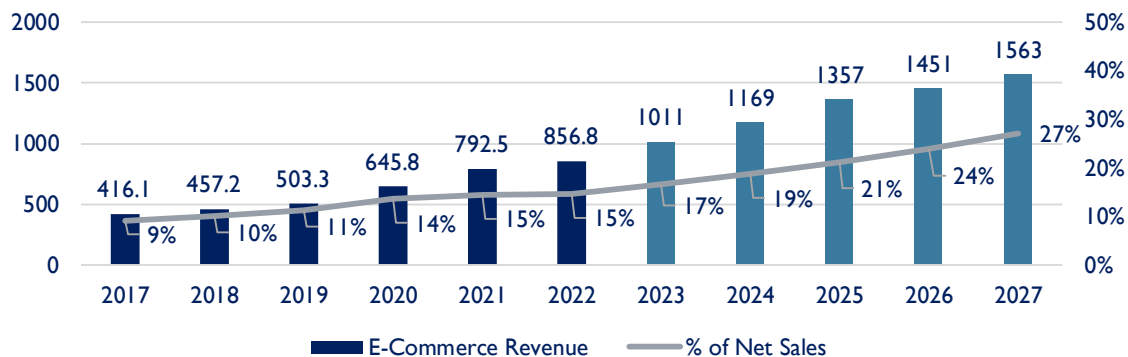
First Industrial is position in the middle of the competitive landscape with healthy financials and strategic position to capture industry trends.

INDUSTRY TRENDS

E-Commerce Growth

- E-Commerce sales are expected to continue to grow, with Food and Beverages being the fastest product category with 24% and 19.1% CAGR till 2027.
- Since the beginning of e-commerce model, Industrial Sector experienced a consistent growth in NOI and Cap Rate compression, even during the recessions.
- With work from home and online shopping trends, digital economy is poised for a consistent increase in demand for logistics and warehouse facilities.
- With an increase in popularity for “next-day delivery”, industrial real estate is experiencing a boosted demand for “last-mile” industrial facilities.

E-Commerce Revenue in the United States From 2017 to 2027 (in billion U.S. dollars)



Government Policies - Reshoring

- The Inflation Reduction Act, CHIPS, and Science Act have incentivized manufacturers to reshore their production back to the US.
- Additionally, current geopolitical situation alongside supply chain issues have pushed companies to restructure their manufacturing process – with moving production to the US or neighboring countries.
- In 2022, manufacturing had the highest value of construction starts by all property types, with 106.59 billion US\$ worth of assets being developed.
- Higher inventories will require an estimated 800 million square feet of logistics real estate to accommodate an increase in in-land manufacturing.

YoY BP Change in the US Manufacturing Import Ratio



Industrial Real Estate is poised for a strong, consistent growth as demand for e-commerce continues to grow alongside an increase in manufacturing production in the USA.

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PUBLIC MARKET SECTOR-WIDE EQUITY MISPRICING

Public Market Disconnect

- Current recessionary fears, in addition to high interest rate environment, have trickled down to every industry in the US economy, reflecting in a drop in public valuations.
- Industrial REITs dropped by 30% in 2023 – recording sector’s worst year after dominating the REIT segment for the past 7 years.
- On a fundamental level, Industrial Real Estate shows strong growth in leasable area, development pipeline, and rental rate hikes, as companies continue to expand their logistics and warehouse footprints.

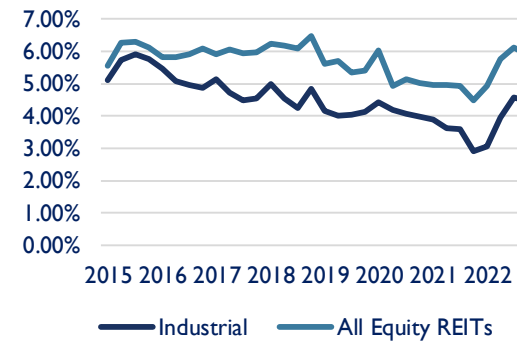
Strong Fundamentals

- With consistent growth in NOI and decreasing vacancy rates, Industrial Real Estate is poised for a strong rebound and increased growth as land becomes more scarce and demand for “last-mile” facilities increases.
- Industrial REITs still remain the best-performing property sector since 2015, producing average annual total returns of 16.7%, triple the 5.6% average produced by Equity REIT Index during the same period.
- With future growth in e-commerce and logistics driven by growth in Food and Beverage deliveries, we expect strong demand for Industrial Real Estate regardless of the economic conditions.

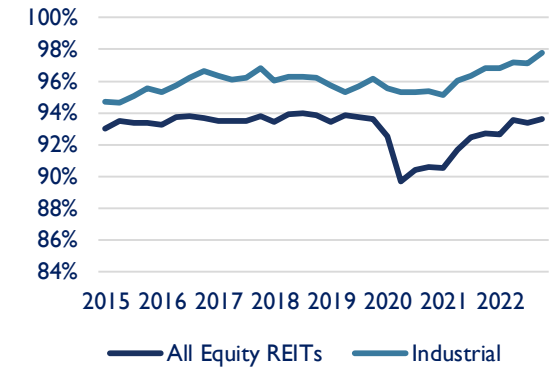
We believe that Public Markets do not value Industrial Real Estate on a fair level, and First Industrial is set for a strong upside when markets complete the price discovery phase.

Historical Performance

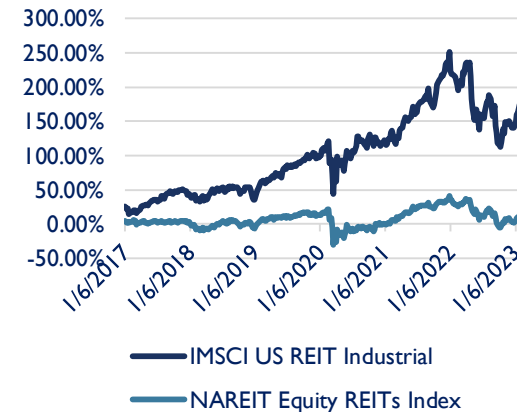
Implied Cap Rate



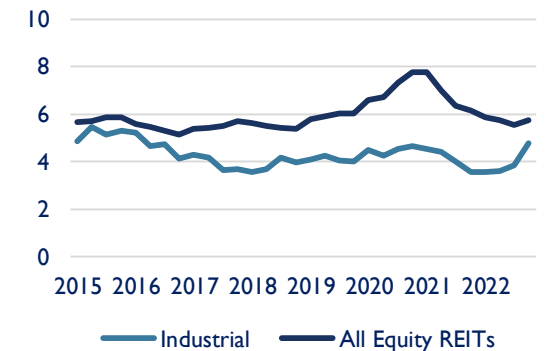
Occupancy Rate



Total % Change



Debt-to-EBITDA



UNDERESTIMATION OF BUSINESS FUNDAMENTALS

We believe that current share price does not reflect intrinsic value of First Industrial's business. With strong tenant base, stable rental rate hikes, and business expansion through redevelopments and acquisitions, First Industrial is not priced at a fair level.

Competitive Advantage

Strong Hold on High Value Coastal Regions

First Industrial has dominant positions in Northern California, Southern California, Orlando, and Southern Florida, all regions with an elevated market value for industrial and warehousing properties due to a limited supply of readily developable land.

Strong Geographical Positioning

First Industrial's team of investors have chosen high rental growth markets in high growth cities across America. Their portfolio cap rate has not reflected the full strength of their properties when considering the advantageous positioning of their bulk and last mile warehousing.

Industry Leaders in Development

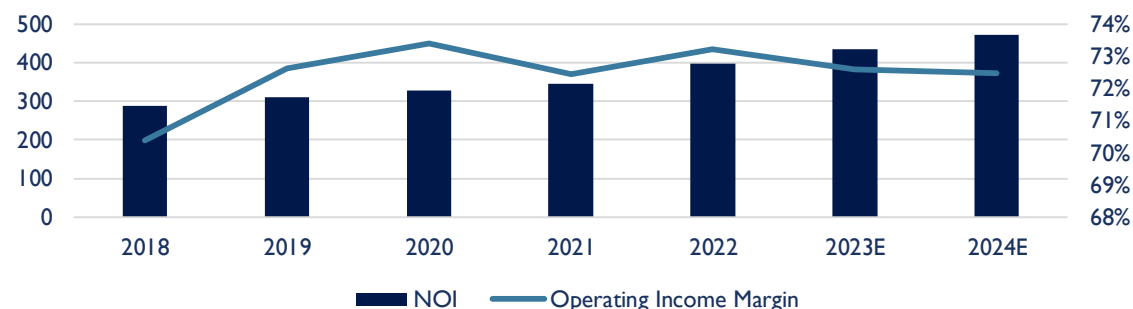
First Industrial is committed to increasing shareholder value through the development of new properties to add to their portfolio. FR has over 13.8 million square feet of potential development on their balance sheet, signaling continued portfolio expansion for years to come.

Strong Portfolio Metrics

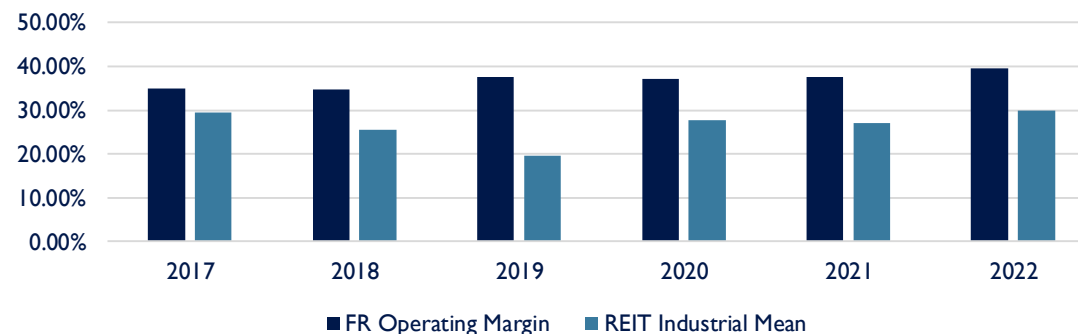
First Industrial boasts very impressive portfolio metrics, such as a 98.8% year-end occupancy rate, 10.1% cash same store NOI growth, and a 26.7% cash rental rate increase (FY22).

Strong Fundamentals

NOI vs Operating Income Margin



FR Operating Margin vs Industry Mean



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Valuation

COMPTABLE AND COMMENTARY

Comparable Companies: Peer Universe

Trading Comps Output

(In USD millions)

Peer Universe: US Industrial REITs

	Equity Value	Enterprise Value	Funds from Operations (FFO)			Adjusted FFO			P/FFO			P/AFFO		
			2022A	2023E	2024E	2022A	2023E	2024E	2022A	2023E	2024E	2022A	2023E	2024E
East Group Properties (NYSE: EGP)	\$ 6,918.20	\$ 9,082.40	\$ 298.93	\$ 328.10	\$ 360.85	\$ 228.59	\$ 244.42	\$ 277.41	23.1x	21.1x	19.2x	30.3x	28.3x	24.9x
STAG Industrial (NYSE: STAG)	\$ 6,148.70	\$ 8,775.80	\$ 400.80	\$ 411.02	\$ 444.51	\$ 403.35	\$ 411.05	\$ 444.54	15.3x	15.0x	13.8x	15.2x	15.0x	13.8x
Rexford Industrial Realty (NYSE: REXR)	\$ 11,656.50	\$ 14,089.00	\$ 365.47	\$ 475.07	\$ 580.22	\$ 337.95	\$ 441.88	\$ 542.56	31.9x	24.5x	20.1x	34.5x	26.4x	21.5x
Prologis (NYSE: PLD)	\$ 114,041.40	\$ 142,967.50	\$ 4,187.52	\$ 5,250.28	\$ 5,369.06	\$ 4,056.38	\$ 4,138.67	\$ 4,347.42	27.2x	21.7x	21.2x	28.1x	27.6x	26.2x
Terreno Realty Corporation (NYSE: TRNO)	\$ 5,148.90	\$ 6,076.20	\$ 150.88	\$ 175.97	\$ 198.52	\$ 147.20	\$ 171.80	\$ 195.10	34.1x	29.3x	25.9x	35.0x	30.0x	26.4x

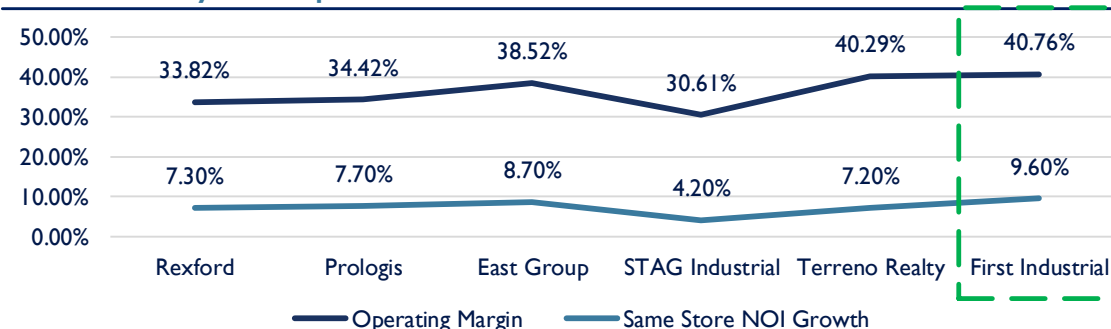
Median	\$ 6,918.20	\$ 9,082.40	\$ 365.47	\$ 411.02	\$ 444.51	\$ 337.95	\$ 411.05	\$ 444.54	27.2x	21.7x	20.1x	30.3x	27.6x	24.9x
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First Industrial Realty Trust (NYSE:FR)	\$ 7,033.60	\$ 8,958.90	\$ 308.43	\$ 324.34	\$ 359.52	\$ 228.59	\$ 244.42	\$ 277.41	22.8x	21.7x	19.6x	30.8x	28.8x	25.4x
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Comparable Companies: Analysis Commentary

- Peer Group was constructed based on US heavy Industrial REITs
- Excluding Prologis, all comparable companies have a median market capitalization similar to First Industrial.
- Excluding Rexford, all peer have a country wide portfolio, with Prologis expanding its with global presence in Europe and emerging economies.
- P/FFO and P/AFFO metrics have been used as the main comparable metrics due to their elevated accuracy for REIT valuation.

Profitability Comparison



Valuation

COMP TABLE AND COMMENTARY

Comparable Output Table:

Comparable Universe Multiple Application

Metric	Multiple			Implied Equity Value			Implied Share Price			Implied Return		
	Lower Limit	Median	Upper Limit	Lower Limit	Median	Upper Limit	Lower Limit	Median	Upper Limit	Lower Limit	Median	Upper Limit
P/AFFO 2022A	15.2x	30.3x	35.0x	\$ 3,484.64	\$ 6,918.20	\$ 7,995.84	\$26.40	\$52.41	\$60.57	(50.4%)	(1.5%)	13.9%
P/AFFO 2023E	15.0x	27.6x	30.0x	\$ 3,656.16	\$ 6,735.01	\$ 7,325.34	\$27.70	\$51.02	\$55.50	(47.9%)	(4.1%)	4.3%
P/AFFO 2024E	13.8x	24.9x	26.4x	\$ 3,837.02	\$ 6,918.20	\$ 7,321.15	\$29.07	\$52.41	\$55.46	(45.4%)	(1.5%)	4.3%
Median				\$3,656	\$6,918	\$7,325	\$27.70	\$52.41	\$55.50	-48%	-1%	4%

Metric	Multiple			Implied Equity Value			Implied Share Price			Implied Return		
	Lower Limit	Median	Upper Limit	Lower Limit	Median	Upper Limit	Lower Limit	Median	Upper Limit	Lower Limit	Median	Upper Limit
P/FFO 2022A	15.3x	27.2x	34.1x	\$ 4,731.65	\$ 8,399.67	\$ 10,525.42	\$35.85	\$63.63	\$79.74	(32.6%)	19.6%	49.9%
P/FFO 2023E	15.0x	21.7x	29.3x	\$ 4,852.00	\$ 7,044.99	\$ 9,490.22	\$36.76	\$53.37	\$71.90	(30.9%)	0.3%	35.1%
P/FFO 2024E	13.8x	20.1x	25.9x	\$ 4,973.07	\$ 7,222.68	\$ 9,324.67	\$37.67	\$54.72	\$70.64	(29.2%)	2.9%	32.8%
Median				\$4,852	\$7,223	\$9,490	\$36.76	\$54.72	\$71.90	-31%	3%	35%

Conclusion:

- Both P/AFFO and P/FFO show that First Industrial is trading at par with its peers, with median share price varying between -1% to 3% around the current share price.
- The Output table shows that First Industrial is priced at a fair value in relation to its peers, indicating that the share price drop was mostly a sector-specific issue.

First Industrial Realty Trust trades at a fair value compared to its comparable competitors, indicating FR's valuation being at par with sector-wide valuation.

Valuation

NET ASSET VALUE MODEL AND COMMENTARY

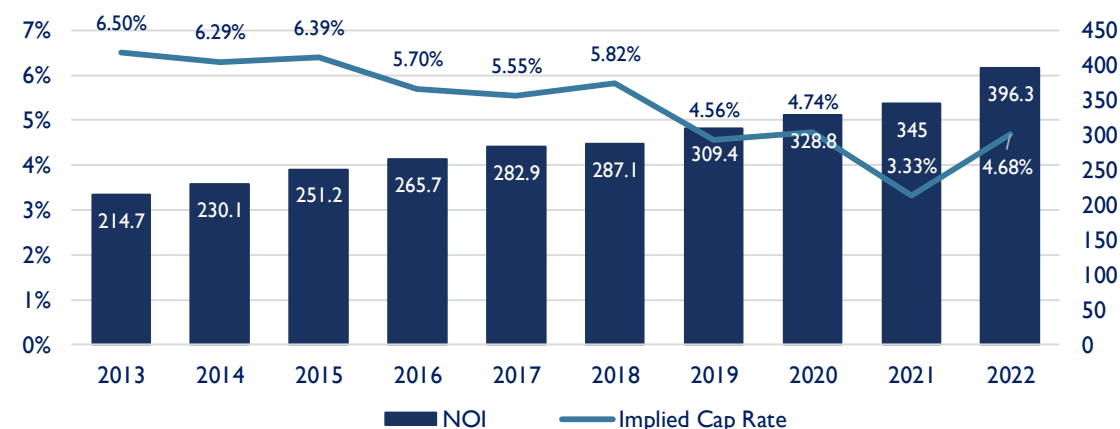
NAV Valuation Model

Balance Sheet:	US\$	Historical		
		FY22	FY23	FY24
ASSETS:				
Forward Property Net Operating Income (NOI):	\$ M			\$ 434
(÷) Assumed Cap Rate:	%			4.5%
Market Value of Gross Real Estate Operating Assets:	\$ M			\$ 9,640
Construction-in-Progress:	\$ M			265.8
Market Value of Construction-in-Progress:	\$ M			265.8
Cash & Cash-Equivalents:	\$ M			147
Accounts Receivable:	\$ M			120
Goodwill & Other Intangibles:	\$ M			58
Market Value of Goodwill & Other Intangibles:	\$ M			58
Other Assets:	\$ M			209
Total Market Value of Assets:	\$ M			\$ 10,439
LIABILITIES & EQUITY:				
Debt & Other Borrowings:	\$ M			(2,066)
Market Value of Debt & Other Borrowings:	\$ M			(2,066)
Accounts Payable:	\$ M			(190)
Other Liabilities:	\$ M			(89)
Noncontrolling Interests (NCI):	\$ M			(15)
Net Asset Value (NAV):	\$ M			\$ 8,079
Total Shares Outstanding	M			132.2
NAV per Share:	\$ as Stated			\$ 61.11
Current Share Price:	\$ as Stated			\$ 53.20
NAV per Share Premium / (Discount) to Current:	%			14.9%
Market Capitalization	\$ M			6721.6
Cap Rate Implied by Current Share Price:	%			5.2%

Model Assumptions

- **Forward Property NOI**
 - Bloomberg's NOI estimate of \$434 million was used to estimate the Market Value of FR's operating assets.
- **Assumed Cap Rate**
 - 4.5% cap rate based on an aggregate of analyst report estimates and current implied cap rate.
 - FR's implied cap rate of 5.2% offers a lot of value in this lower cap rate sector with industrial peers sitting at 4.2%
- **Market Value Adjustments**
 - Total Debt, Assets under Construction, and Goodwill have been accounted at face value due to complexity of reevaluation.

Historical Valuation



NET ASSET VALUE MODEL AND COMMENTARY

Sensitivity Analysis - NAV per Share:

Forward Property Net Operating Income (NOI):		Assumed Cap Rate:											
		4.0%	4.1%	4.2%	4.3%	4.4%	4.5%	4.6%	4.7%	4.8%	4.9%	5.0%	
		\$ 493.80	\$ 81.57	\$ 79.29	\$ 77.13	\$ 75.06	\$ 73.08	\$ 71.20	\$ 69.39	\$ 67.66	\$ 66.01	\$ 64.42	\$ 62.90
		\$ 473.80	\$ 77.79	\$ 75.60	\$ 73.52	\$ 71.54	\$ 69.64	\$ 67.83	\$ 66.10	\$ 64.45	\$ 62.86	\$ 61.33	\$ 59.87
		\$ 453.80	\$ 74.01	\$ 71.91	\$ 69.92	\$ 68.02	\$ 66.21	\$ 64.47	\$ 62.81	\$ 61.23	\$ 59.70	\$ 58.25	\$ 56.84
		\$ 433.80	\$ 70.23	\$ 68.22	\$ 66.32	\$ 64.50	\$ 62.77	\$ 61.11	\$ 59.53	\$ 58.01	\$ 56.55	\$ 55.16	\$ 53.82
		\$ 413.80	\$ 66.44	\$ 64.53	\$ 62.72	\$ 60.98	\$ 59.33	\$ 57.75	\$ 56.24	\$ 54.79	\$ 53.40	\$ 52.07	\$ 50.79
		\$ 393.80	\$ 62.66	\$ 60.84	\$ 59.11	\$ 57.47	\$ 55.89	\$ 54.39	\$ 52.95	\$ 51.57	\$ 50.25	\$ 48.98	\$ 47.77
		\$ 373.80	\$ 58.88	\$ 57.15	\$ 55.51	\$ 53.95	\$ 52.45	\$ 51.02	\$ 49.66	\$ 48.35	\$ 47.10	\$ 45.90	\$ 44.74
		\$ 353.80	\$ 55.10	\$ 53.46	\$ 51.91	\$ 50.43	\$ 49.01	\$ 47.66	\$ 46.37	\$ 45.13	\$ 43.95	\$ 42.81	\$ 41.72
\$ 333.80	\$ 51.31	\$ 49.78	\$ 48.31	\$ 46.91	\$ 45.58	\$ 44.30	\$ 43.08	\$ 41.91	\$ 40.79	\$ 39.72	\$ 38.69		
\$ 313.80	\$ 47.53	\$ 46.09	\$ 44.71	\$ 43.39	\$ 42.14	\$ 40.94	\$ 39.79	\$ 38.69	\$ 37.64	\$ 36.63	\$ 35.66		

Commentary:

- Net Asset Value Model implies a share price of US\$61.11, a 14.9% upside from current share price of US\$53.20. The model is built on Bloomberg estimates for Forward Property Net Operating Income and sector-wide cap rate of 4.5%.
- NAV Sensitivity table shows a supported premium on the implied share price across a range of cap rates and Forward NOI, which provides a reasonable margin of safety with a maximum downside and upside of -42% and 33%, respectively.
- Investment alpha is created through Public Market's underestimation of FR's future performance and overestimation of sector-wide recession impact.

First Industrial Realty Trust currently trades at 14.9% discount based on the Net Asset Value Model, indicating public market underestimation of company's fundamentals and future performance.

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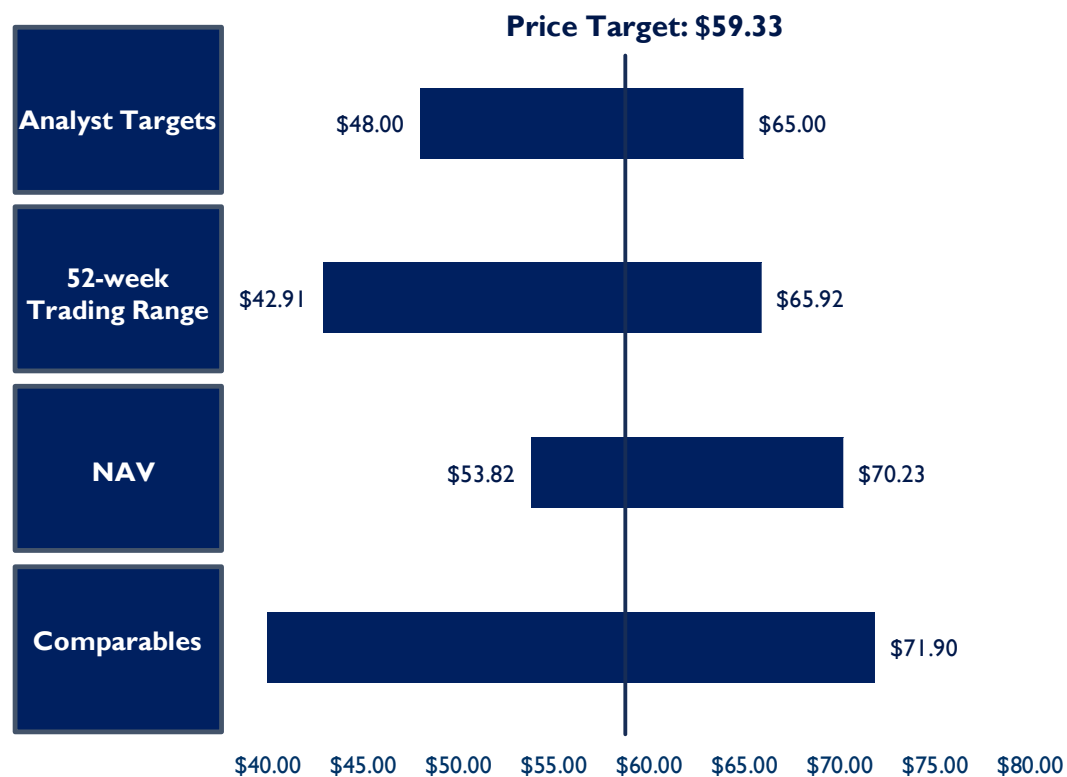
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Recommendation

BUY WITH A PRICE OF ~\$59.33 (+11.52%)

Indicative Valuation Range



With current share price trading in the reasonable range from CFAC's valuation analysis, we recommend taking an active monitoring position and reevaluate First Industrial after Q2 2023 financials.

Price Target

Valuation Summary		
Analysis	Price	Weight
NAV Model	\$61.11	70%
Comparables	\$54.72	25%
Street Consensus	\$57.40	5%
Average	\$59.33	100%



Selected Broker Summary



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Catalysts & Risks

CATALYSTS & RISKS

Catalysts

E-Commerce Growth:

- Increased demand for industrial properties in urban areas and transportation hubs
- E-Commerce sales projected to grow approximately 2 trillion U.S. dollars worldwide between 2023-2026

Increase in Trade Tension:

- First Industrial has 96.7% of net operating revenue generated from properties in the US, with a focus in California
- US manufacturing and distribution centers could be prioritized to smoothen processes over outsourcing overseas

Lease Expirations and Renewals:

- Significant portion of leases expiring over the next few years, providing opportunities for rent increases and lease renewals in a competitive market with sought-after properties
- 75% lease renewal rate over past 5 years, indicating strong tenant relationships and a high level of predictability and stability to the company's revenue stream

Shift Towards "Just-in-Time" Delivery:

- Increasing importance on supply chain efficiency to satisfy customer needs and provide faster and more reliable shipping options (Amazon Prime)
- Well-positioned properties across North America allow for same-day-delivery options to support the market with expected growth from 14 trillion US dollars by 2026

First Industrial has a unique position to capitalize on urban economic trends while ensuring proper mitigation of the outlined risks.

Risks

