

Clarion Calls: Industrial Warehouse: Positioning For The Future

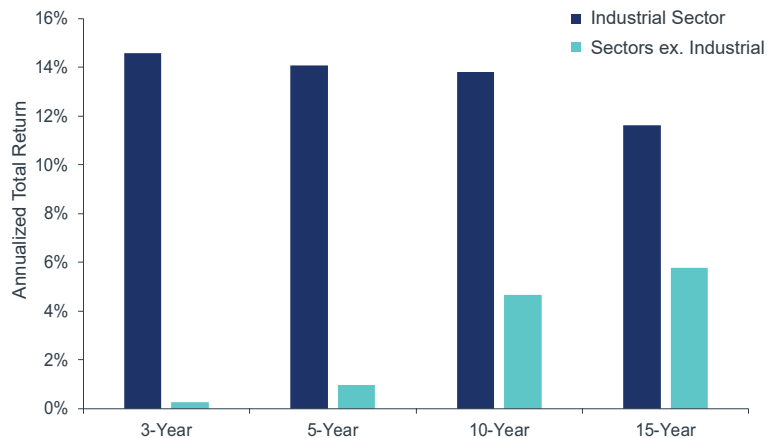
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U.S. Warehouses Remain One Of The Most Attractive Real Estate Investments

What You Need to Know

- ✓ Industrial is the best performing real estate sector over the past 15-years.
- ✓ Modernization of global economy continues to bolster the need for new U.S. Industrial Warehouse space.
- ✓ Clarion believes the current environment provides a compelling entry point for new investment.

Industrial vs. Other Sectors (since 2009)



NCREIF, Clarion Partners Investment Research, Q2 2024.

Demand Drivers

› Direct-to-Consumer Expansion Continues

- E-commerce market projected to grow by \$337B by 2028.
- \$1B new e-commerce sales = 1million sq.ft. additional warehouse space needed.

› Shifting Globalization Generates Opportunities

- Mexico is now the largest importer to the U.S., creating new opportunity along the southern border.
- Onshoring/Nearshoring leads to supply chain diversification across markets.

› Preference for Modern Class A Buildings

- Class A is only 18% of the total U.S. warehouse supply. However, it accounts for 65% of leasing since 2018.

Supply Constraints

› Decline in New Construction Starts

- Industrial warehouse construction starts have dropped by 60% since 3Q22.
- As a result, new supply deliveries in 2025 are projected to drop 54% from peak.

› Accelerating Obsolescence

- Nearly 70% of the current U.S. industrial warehouse stock was built before 2000.
- Tenants prefer well-located sites and modern facilities to maximize efficiency.

› More Limited Capital Availability

- While certain investors are constrained by access to debt & equity, those with available capital are well positioned to execute on attractive deals.

Current Opportunity

Continued ability to increase rents likely enabled by **Historically Low Vacancy**.
Land prices have substantially corrected for higher interest rate environment.
Timely Cyclical Entry Point: Projected 10-year low in new supply deliveries in 2025.

Based on Expanded NPI data, which includes all NPI properties and all qualified alternative assets. As of Q2 2024.
Source: Clarion Partners Investment Research, CBRE, CBRE-EA, BCI Construction E-commerce growth forecast was from CBRE as of Q4 2023. Forecasts have certain inherent limitations and are based on complex calculations and formulas that contain substantial subjectivity and should not be relied upon as being indicative of future performance. Past performance is not indicative of future results. NCREIF Property Index ("NPI") is a primary benchmark for the commercial real estate industry calculated and maintained by the National Council of Real Estate Investment Fiduciaries.
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