

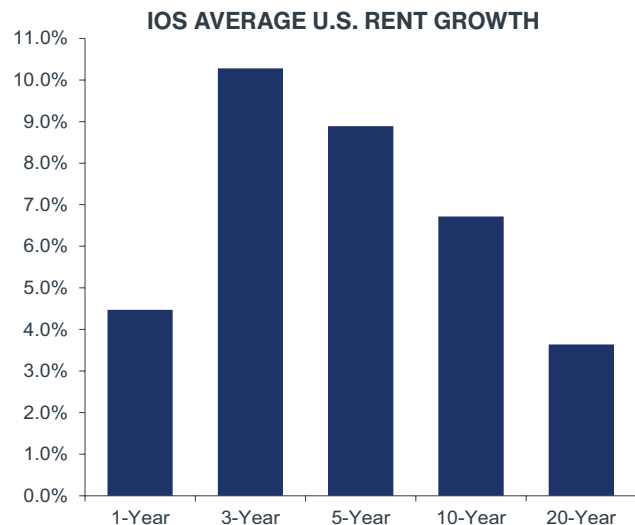
Clarion Calls

Industrial Outdoor Storage Provides Opportunity for Investors

Growing Demand and Low Availability Driving Strong Rent Growth

What You Need to Know

- ✓ Industrial Outdoor Storage is an extension of industrial real estate, the best performing real estate sector over the past 15-years¹
- ✓ The sector includes low-coverage last-mile distribution facilities, truck terminals, and storage yards
- ✓ These sites are critical locations within the supply chain and share the same secular tailwinds as the broader industrial sector



An Introduction to Industrial Outdoor Storage (IOS)

- IOS benefits not only from growing e-commerce demand and the expansion of supply chain infrastructure, but also from non-e-commerce users like utilities, construction companies, and equipment rental businesses because it provides flexibility for fluctuating storage needs.
- Over the last 20 years, the supply of land zoned for IOS properties has generally decreased in infill locations.
- Some sites have no building improvements, while others have small warehousing with office facilities that are typically less than 20% building-to-land coverage, requiring minimal capital expenditures.
- The sector is an estimated \$200bn in aggregate value, facilitating an opportunity to invest at scale.
- Historically, IOS yields a 50 to 100 basis point premium in cap rates over traditional warehouses due to a combination of smaller deal sizes, fragmented ownership, and limited market data.²
- Deals are often sourced off-market or through limited marketing processes.
- IOS tenants are generally “sticky” with NNN lease structures and retention rates comparable to or exceeding those of traditional warehouse tenants.

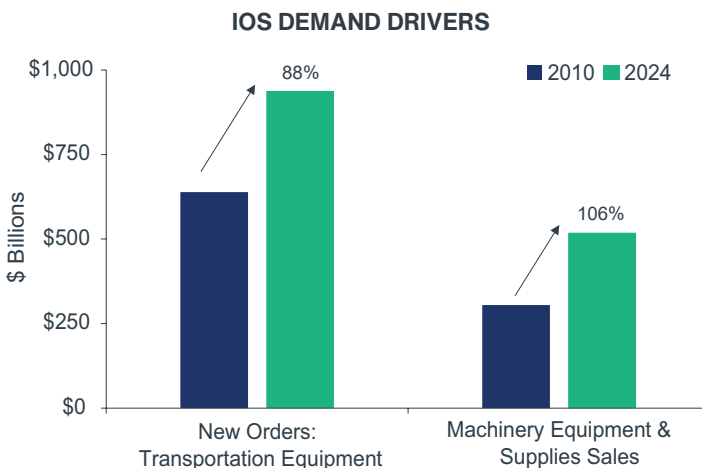
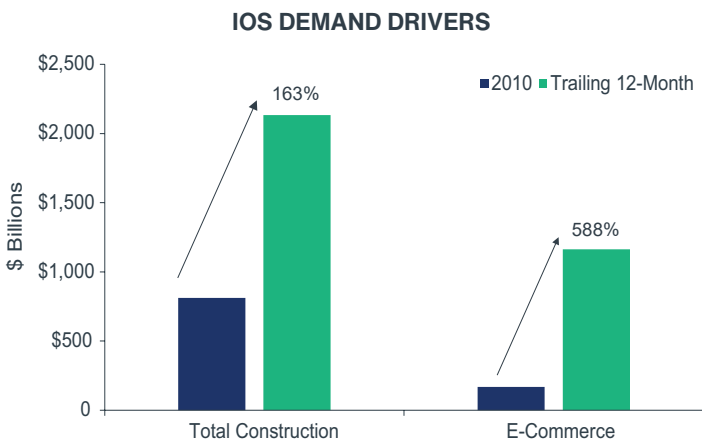
¹ Clarion Partners Global Research, NCREIF.

² Clarion Partners Global Research

Source: CBRE-EA, Clarion Partners Global Research, Q4 2024.

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IOS Properties Share Secular Tailwinds with the Broader Industrial Sector



Demand Drivers

► Trends in demographics and innovation continue to drive e-commerce expansion

- Higher-earning Millennial/Gen-Z demographic in prime earning and spending years.
- E-commerce market expected to continue growing at 5%-10% annually.

► Modernization of the global economy

- IOS is critical to both the first and last mile distribution of goods as users leverage these sites to save on shipping costs and meet faster shipping expectations.
- IOS provides flexibility for redevelopment to higher and better uses when facing possible longer-term shifts in sector demand.

► Diverse tenant base provides durable demand

- The tenant base of IOS includes e-commerce and non-e-commerce users such as utilities, construction companies, and equipment rental businesses.
- Some demand for IOS could be insulated from cyclical macroeconomic trends as tenants, for example school bus terminals, can be recession resistant.

Supply Dynamics

► New supply projected to decline

- Higher construction and financing costs have resulted in an estimated 40%-50% decline in new construction starts for industrial properties.
- Available land is scarce, particularly near major logistics infrastructure such as seaports in Los Angeles and New York.

► Economic pressure for higher and better uses

- Demand for housing and big box industrial, particularly in fast growing metros, often removes competitive stock.
- In addition, residents tend to resist against heavy parking, truck traffic and material storage near residential areas, which are also areas most critical for last mile delivery.

► Municipal restrictions limit growth opportunities

- The supply of land zoned for IOS properties has generally decreased in infill locations due to zoning restrictions.
- Entitlements and zoning restrictions can be more stringent than with traditional warehouses, as IOS generally creates less local tax revenues and new jobs.

Source: U.S. Census Bureau, Clarion Partners Global Research, Q4 2024.

¹Total construction includes, all construction from residential to highways in private and government owned.

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