

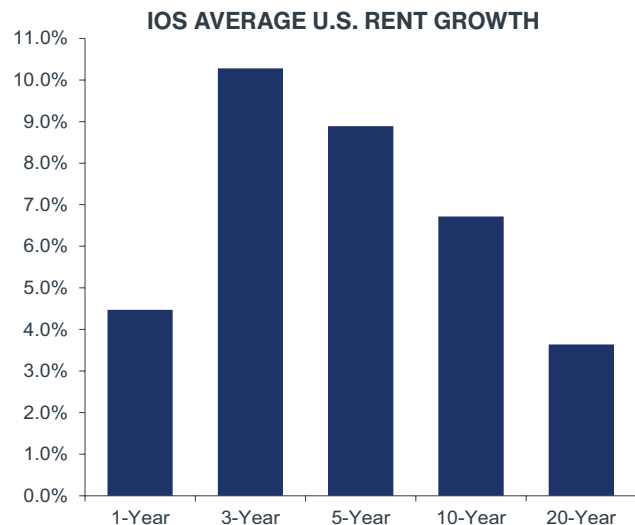
Clarion Calls

Industrial Outdoor Storage Provides Opportunity for Investors

Growing Demand and Low Availability Driving Strong Rent Growth

What You Need to Know

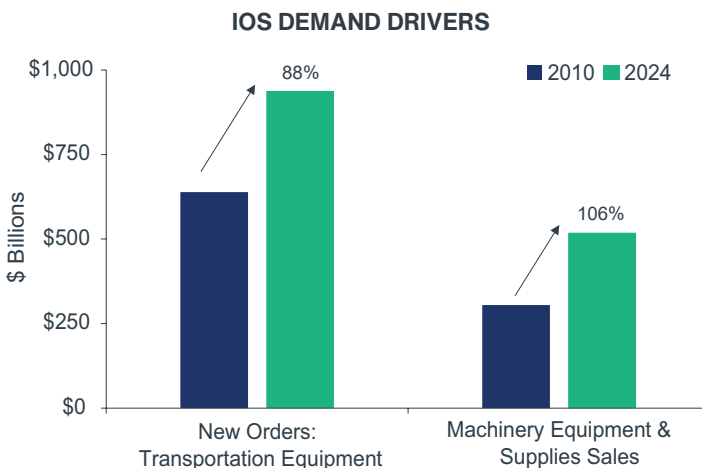
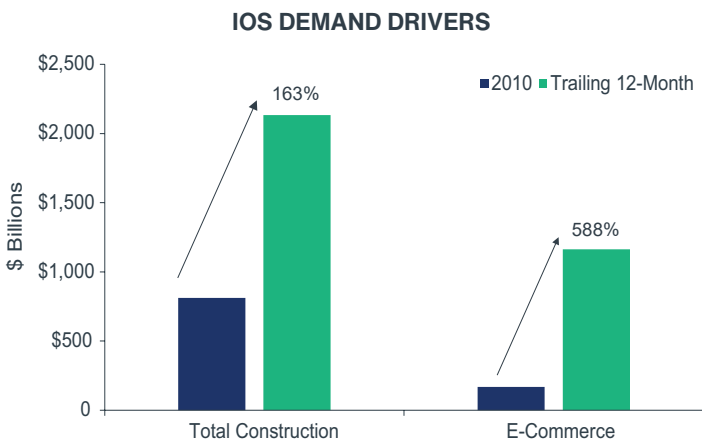
- ✓ Industrial Outdoor Storage is an extension of industrial real estate, the best performing real estate sector over the past 15-years
- ✓ The sector includes low-coverage last-mile distribution facilities, truck terminals, and storage yards
- ✓ These sites are critical locations within the supply chain 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.
- IOS typically 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.
- 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.

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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