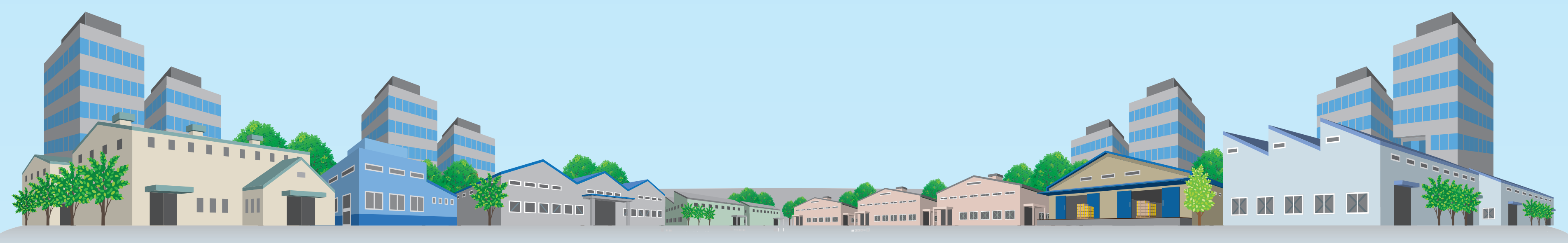


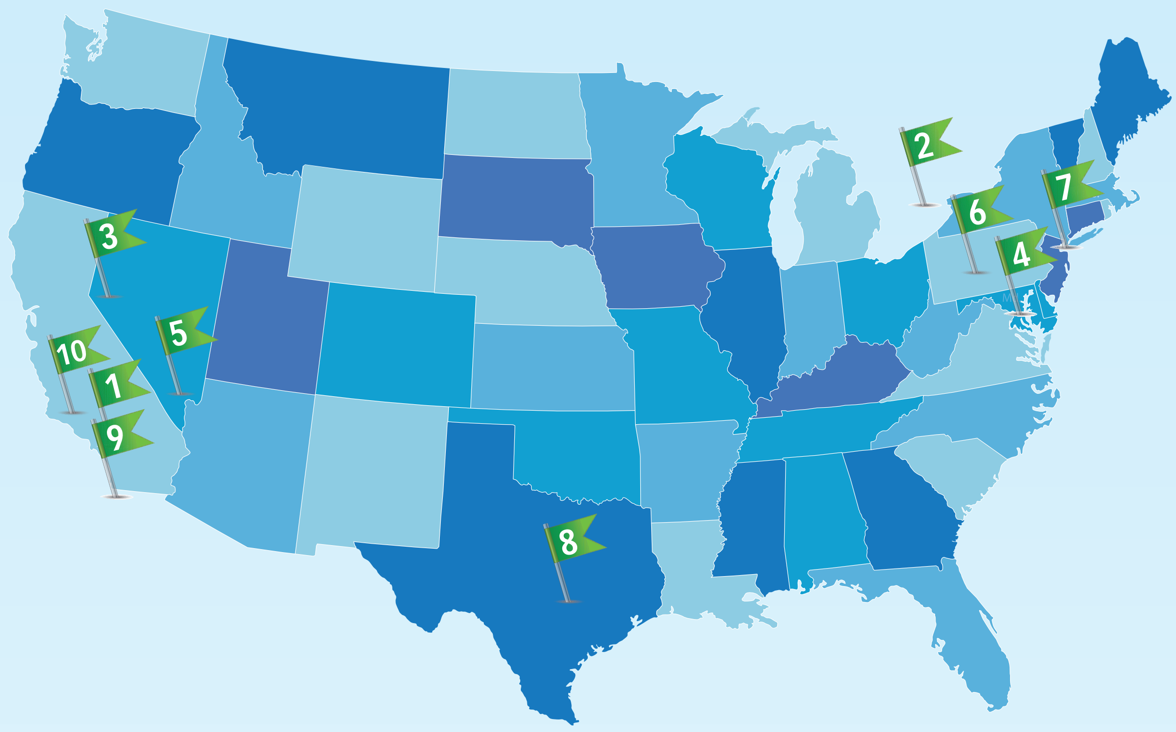
DCV INFOGRAPHIC

Logistics real estate is hot, hot, hot

It's a mad scramble to find warehouse space anywhere in the world right now. Demand is outstripping supply, vacancies are at a record low, and, owing to the ongoing e-commerce boom, there's no end to the crunch in sight. Add in spiking construction costs and land prices, and it's a perfect storm for the highest demand and fastest rent growth in logistics real estate history, according to the recent "Logistics Rent Index" from real estate investment trust company Prologis. Here are a few highlights from the February 2022 report:

Top 10 global rent growth markets in 2021

1. Inland Empire (Southern California, U.S.)
2. Toronto (Canada)
3. Reno, Nevada (U.S.)
4. Baltimore–Washington, D.C. (U.S.)
5. Las Vegas, Nevada (U.S.)
6. Pennsylvania (U.S.)
7. New Jersey–New York City (U.S.)
8. Austin, Texas (U.S.)
9. Tijuana (Mexico)
10. Los Angeles, California (U.S.)



E-commerce fulfillment and brisk consumer spending are generating record demand for logistics real estate. At the same time, harder-to-secure materials, labor shortages, and a land scarcity have slowed the pace of construction completions. As this wave of intense demand bumps up against constrained supply, the amount of vacant logistics space fell to record lows in 2021. As a result, most markets are experiencing faster rent growth. Gateway logistics markets—properties within a one-day truck drive of several markets while also being near a major sea or intermodal port—recorded the highest rent growth, especially in the U.S. (25.8% year over year), where disruptions in the supply chain increased the importance of having control over inventories as soon as possible.

Five reasons why logistics construction costs and rental rates have increased

High construction costs have pushed up rents. A new logistics building is more expensive than ever due to the following:

Materials
In 2021, the price of construction materials rose 40% in the U.S. and 18% in Europe.

Land
Land values rose 50% in the U.S. and Canada, and 40% in Europe over the last year.

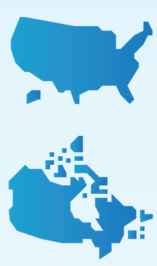
Labor
The pandemic exacerbated a shortage of construction workers and added more expense to the bottom line as general contractors increased wages to attract labor.

Longer construction timelines
Construction carrying costs increased because projects are taking longer to complete. This is partly a function of the size and complexity of today's logistics buildings, but labor shortages, increased regulatory hurdles, and materials delays are also to blame.

Building features
Today's logistics facilities are more sophisticated than ever. Popular requests include renewable energy options, indoor/outdoor amenities, and infrastructure options for automation and other technologies.

According to Prologis's report, global rent growth in 2022 should reach the high single-digits as demand meets or outpaces supply. Pent-up demand, the side effect of robust consumption and the need for supply chains to accommodate higher e-commerce volumes and build resilient inventories, should keep vacancy rates at or near record lows even as deliveries pick up. Inflation could continue to put upward pressure on rents by increasing the cost to build a new facility. In addition, more customers are willing to pay for the right space, given logistics real estate's shifting role.

Rent growth rates by region



U.S. and Canada
Net effective rents increased by a record 17.6% in 2021. Gateway locations recorded the fastest rent growth, led by California's Inland Empire at 58%. Markets near major consumption centers—where units are larger, more available, and relatively less expensive—posted some of the fastest growth rates in 2021. Prologis expects that strong demand will buoy rents in these markets, although an influx of new supply in outlying submarkets could slow the pace of growth in the second half of 2022 and beyond.

Europe
Market rent growth accelerated to a record 7.2% in 2021. Despite a broad acceleration of pan-European demand, markets like Poland with lower regulatory and geographic barriers to new supply recorded negative rent growth. Replacement cost growth could shift this dynamic in 2022, as development margins are increasingly under pressure.

China and Japan
In China, rent growth recovered to 2.3% in 2021. Around half of the country's 21 main markets posted rent growth above their long-term average. China's most affluent consumption centers, namely the Yangtze and Pearl River Delta regions, dominated this list. Meanwhile in Japan, rents grew just under 1% in 2021. Vacancy rates remained low at 1.5% at year-end 2021, albeit slightly higher than the prior year. Japan's low inflationary environment generally keeps the pace of rent growth subdued; however, customers in some infill areas are willing to pay premiums to secure rare, well-located space.

Mexico and Brazil
Net effective rents grew 10.5% in the main Mexican markets during 2021. E-commerce expansion supported demand in and near large metro areas, while nearshoring activity boosted the border markets. In 2022, expect rents to continue growing at a robust pace as new supply lags demand in most Mexican markets. In Brazil, market rents increased by 11% in 2021 for the main Southeast markets (São Paolo and Rio de Janeiro). Demand for logistics real estate is expected to remain strong, meaning vacancies could decrease further, driving up real rent growth.

SOURCE FOR ALL DATA: PROLOGIS LOGISTICS RENT INDEX, 2022 (www.prologis.com/news-research/global-insights/logistics-real-estate-highest-demand-fastest-rent-growth-history)