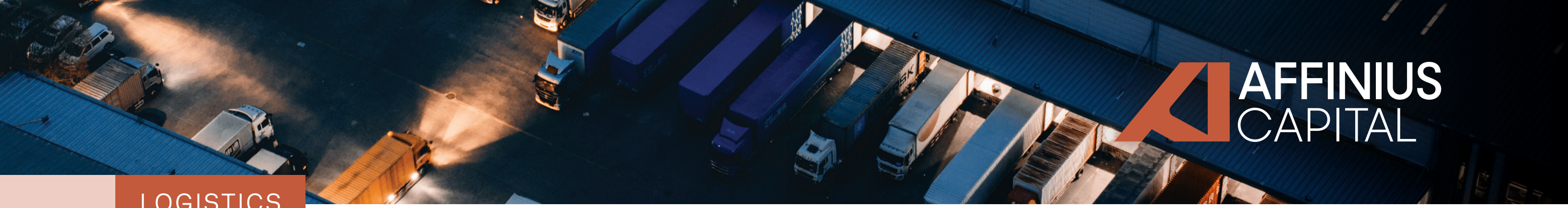


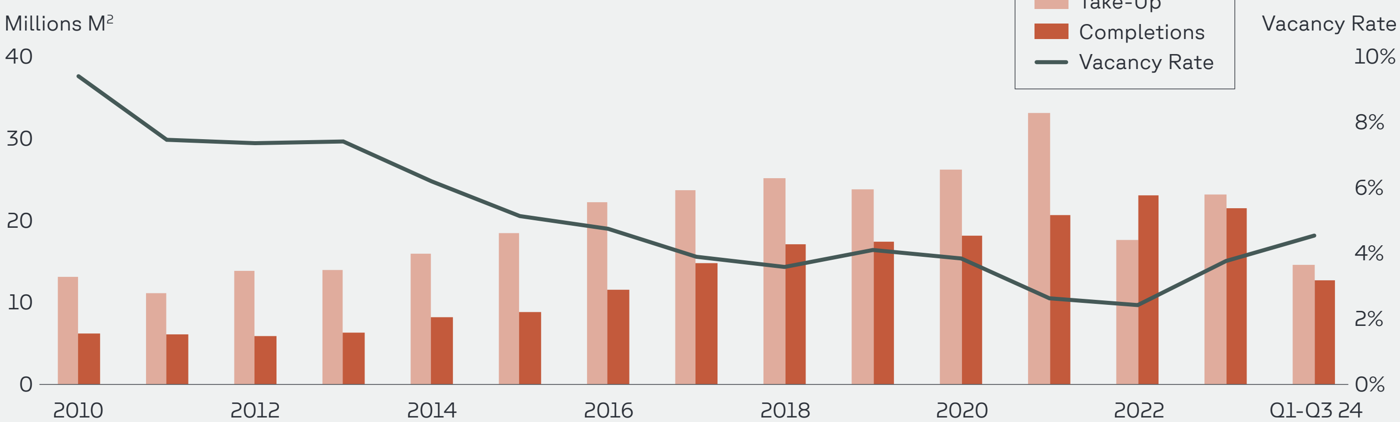
LOGISTICS

Our primary investment focus in Europe continues to be logistics. Despite economic headwinds, persisting supply-demand imbalances have contributed to strong rental growth. **We expect three key secular themes to underpin demand for modern logistics space:**

- Continuation of e-commerce tailwinds and further adoption
- Reconfiguration of supply chains and on/near/reshoring
- Need for operational efficiency and sustainability

As referenced in our recent **RESEARCH PAPER**, these themes hold potential for driving demand for modern quality logistics stock which we believe strongly favors a development-led strategy.

EUROPEAN LOGISTICS FUNDAMENTALS



Source: CBRE, September 2024

Leasing activity has moderated since the pandemic peak but remains above the previous decade's average.[1] **According to a recent survey of occupiers, almost 60% are planning to expand their European logistics footprint.**[2] The moderation in leasing activity has only had a minor impact on the vacancy rate which increased to 4.5% in Q3 2024, although the rental growth rate is slowing. Delivery of new supply continued to fall, and completions during the third quarter of 2024 marked the lowest quarterly figure seen in over 14 quarters.[3] Logistics rents increased by 3.7% annualized in Q3 2024. While this represents strong performance, the pace slowed from 7.9% in 2023.[4] We expect rental growth to remain above the long-term average and above inflation in 2025, as supply in good locations remains tight.

We anticipate vacancy rates will remain low given the combination of strong demand and constraints on development. Persisting supply-demand imbalances have contributed to strong rental growth, and we believe market rents will continue to increase, albeit at a moderated pace, due to strong demand and the scarcity of available modern space.

We believe the current capital reallocation to the logistics sector is set to last and will be supportive of the market in the medium and longer term.

Since 2014, Affinius Capital has invested in European logistics, mainly through development. Alongside our wholly owned affiliate Mountpark, we are well positioned to deliver complex logistics development projects throughout the UK and Europe. Owning affiliates such as Mountpark, allows us to unlock unique opportunities and execute on higher returning development. Our strategically located network of logistics projects currently spans six countries, providing access across Europe's major supply-chain corridors. Healthy occupancy levels, and a compelling spread between the cost of new development and the market value of stabilized assets, provide a compelling investment opportunity.

The market has matured over the last decade, but there is further to go with Europe providing one-third as much warehouse space per capita as North America. **Development provides an opportunity to mitigate the risks of physical obsolescence.** Over 60% of Europe's warehouses are over 10 years old, which means that many do not comply with the latest energy performance and ESG standards.[5]

1. CBRE. Q3 2024. Europe defined as Belgium, Czech Republic, France, Germany, Italy, Netherlands, Poland, Spain, U.K.
2. CBRE. Power of Three European Summit May 2024.
3. CBRE. Q3 2024.
4. CBRE. European Industrial Rent Index. Q3 2024
5. JLL, Warehousing Retrofitting. May 2024.

New, state-of-the-art logistics facilities that meet occupier requirements including higher clear heights, deeper truck courts, better site maneuverability, and a greater focus on sustainability and employee welfare, will have characteristics that improve second-generation renewal and re-letting probability.

Logistics assets have repriced significantly but remain supported by solid structurally driven fundamentals, further solidifying the case for potential outperformance on income and appreciation. There continues to be a general shortage of modern, energy-efficient stock and we maintain our preference for high barrier to entry regional locations and/or assets facilitating last-touch distribution in proximity to urban environments. We believe pricing still adequately reflects a premium for development risk, and, with rent growth and stabilized prime yields and construction costs, will become increasingly accretive. As ever, site selection is critical, but we believe now is a good time for development and controlling a significant land bank in the next wave will be a good vintage for investment.

The combination of having a significant consented land bank available for development, well-capitalized development partnerships, and long-term relationships with occupiers allows us to deliver best-in-class buildings that will remain resilient as we progress through the real estate cycle.

JUSTIN HILDEBRANDT

Senior Managing Director,
Head of Europe

justin.hildebrandt
@affiniuscapital.com

MAX VON BELOW

Managing Director,
Global Investors Group

max.vonbelow
@affiniuscapital.com

KAREN MARTINUS

Senior Vice President,
Research and Investments

karen.martinus
@affiniuscapital.com

SHAUN CONNERY

Managing Director,
Head of European Debt

shaun.connery
@affiniuscapital.com

AFFINIUS CAPITAL

WTC Amsterdam, H-Tower,
Zuidplein 94, 1077 XV
Amsterdam, The Netherlands

+31(0)20 235 17 00
affiniuscapital.com