LOGISTICS & E-COMMERCE | Updated August 2025

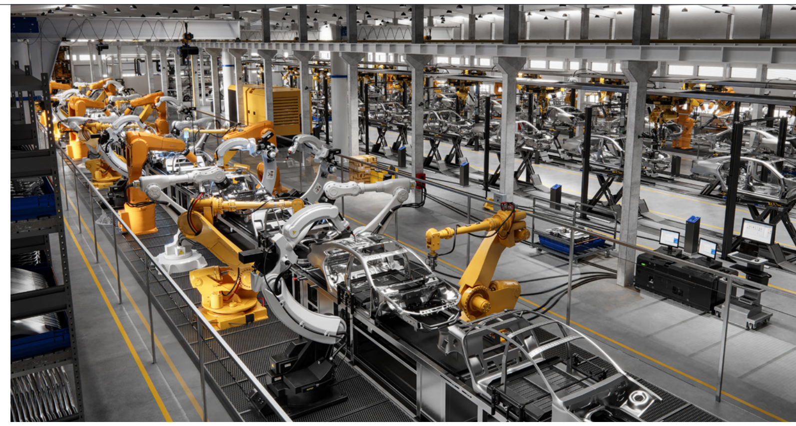
The U.S. logistics sector was the top performing sector in the NCREIF Property Index every calendar year from 2016 to 2022, an unprecedented run. While leasing activity slowed recently amid policy and macroeconomic uncertainty, strong tailwinds from e-commerce demand and the reconfiguration of North American supply chains through on/nearshoring are creating pent-up demand, which, when coupled with a decline in new construction deliveries over the next several years, should support renewed performance, particularly for modern logistics properties, according to our **RESEARCH**.

E-COMMERCE has become a cornerstone of the U.S. economy, driving significant changes in consumer behavior, business operations, and supply chain dynamics. The convenience of online shopping, accelerated by the pandemic and advancements in technology, has led to explosive growth in digital sales. In Q1 2025, e-commerce accounted for 16.2% of all retail sales, a record high reflecting the enduring shift in how Americans shop. The amount of e-commerce spend has doubled from ~$150 billion quarterly in 2019 to over $300 billion in Q1 2025.

The rise of e-commerce has heightened demand for robust logistics networks and strategically located warehouses to facilitate the rapid delivery that consumers now expect. Companies have invested heavily in expanding their distribution capabilities, prioritizing proximity to urban centers and transportation hubs to optimize “last-mile” delivery, across the U.S., Mexico, Europe, and UK.

The narrative that Amazon is scaling back or offloading space is misplaced. In the U.S., Amazon continues to dominate, quietly absorbing 110 million square feet of industrial space from 2022 to 2024, with another 45 MSF slated for 2025.[1] Since 2022, they have only shed less than 3 million square feet, a substantial net expansion. We are actively engaged in discussions with Amazon about potential build-to-suit developments, underscoring the continued strength of their logistics footprint and the critical role e-commerce plays in driving industrial real estate demand.

Additionally, industrial demand is being enhanced by **accelerating onshoring and nearshoring activities**, and we expect this to grow over the next several years as new manufacturing facilities come online. Structural shifts in global trade and consumption patterns are supporting demand for logistics space, according to our **RESEARCH**, and key industries such as semiconductors, electric vehicles, and pharmaceuticals are at the forefront of this shift. Government initiatives like the CHIPS Act and Inflation Reduction Act have incentivized companies to build advanced manufacturing facilities in the U.S., driving demand for large-scale industrial sites, and Trump administration trade policies are further pressuring domestic companies to



bring home manufacturing capabilities. Demand is coming from abroad as well; for example, we are seeing increased activity from Asian e-commerce and 3PL companies, driven in part by the “China Plus One” manufacturing model, which seeks to diversify supply chains beyond China into both the U.S. and Mexico. Mexico continues to offer a compelling opportunity driven by several factors:

- **Manufacturing Powerhouse:** Mexico recently surpassed China as the largest U.S. trading partner. Exports surged to a record $612 billion,[2] driven by competitive labor costs, strategic proximity to the U.S. and Canada, and a skilled workforce.
- **Supply Chain Resilience and Market Proximity:** North America’s combination of the world’s largest consumer market (the U.S.) and competitive labor costs (Mexico) creates an ideal environment for industrial investment. Onshoring and nearshoring reduce supply chain risks and improve responsiveness by relocating production closer to consumers. This shift parallels the efficiencies of last-mile logistics but applies to manufacturing, cutting transportation costs and enabling faster market adaptation.

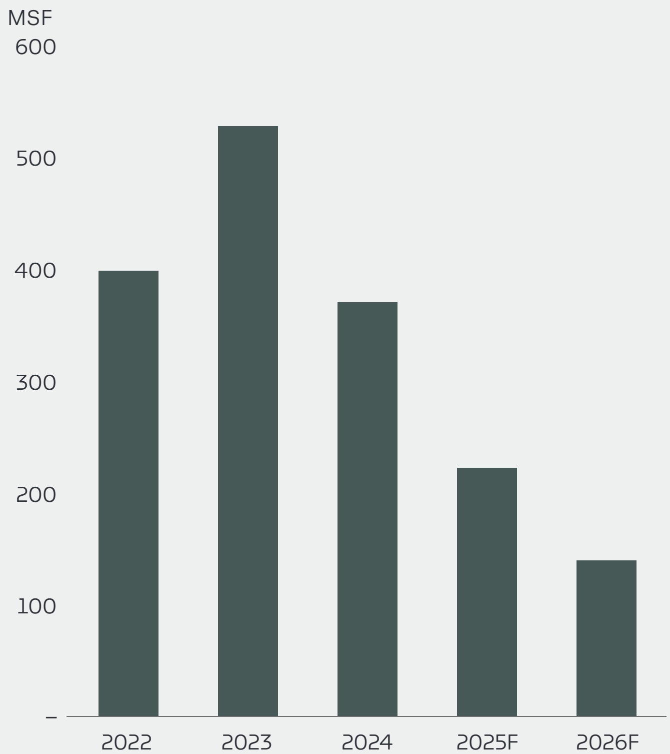
We are well-positioned to capitalize on the opportunities in Mexico given our experience in developing modern facilities, our fostering of local, exclusive partnerships enabling us to control large land positions in key markets, and established relationships with leading global e-commerce and logistics tenants.

1. This increases to 185 MSF from 2022-24, and 74.8 MSF in 2025, if we include mezzanine space.
2. Trailing 12 months, as of December 2024.

There are concerns that a potential impact of widespread tariffs on U.S. trading partners could be rising input costs to U.S. domestic manufacturers, along with a potentially reduced labor supply should immigration policies be substantially altered. That said, for the logistics sector, this may be largely offset as these same factors (ex. rising construction materials costs and fewer construction workers) might further limit supply, which is already projected to decline precipitously. From 2017 to 2024, the U.S. saw an average of 327 MSF delivered annually, with a peak of 528 MSF in 2023; this is set to decline over 70% to 222 MSF in 2025 and 138 MSF in 2026.

Despite elevated supply, the vacancy rate in Q1 2025 stood at 6.9%, up from the historic low of 3.8% in the middle of 2022 but still below the 25-year average of 7.1%. There are strong indications that industrial values have hit their bottom, setting the stage for renewed growth in 2025. While rents have remained relatively stable over the past year, the broader market dynamics are shifting. Assets with long-term leases and lower annual escalations, which have lagged recently, are poised for a comeback. With inflation now perceived as under control and tenants pushing back on aggressive annual escalations, these assets are likely to regain favor as the market recalibrates.

U.S. INDUSTRIAL NET COMPLETIONS



Source: CoStar, as of Q2 2025

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Important Disclosures

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