



Industrial Real Estate’s Booming Market Continues to Grow

As the backbone of the global supply chain, industrial real estate demand continues to grow. Industrial warehouses link product manufacturers with consumers by providing essential storage and repackaging space for products of all types. From large bulk warehouses that are used as logistics and distribution centers to store and distribute goods across a wide geographic area, to local facilities that serve customers down to the last mile, products tend to spend time in multiple distribution warehouses before making their way to the final consumer.



The typical consumer product is stored in **FOUR OR MORE DISTRIBUTION WAREHOUSES** from point of manufacture to point of retail consumption.¹

E-COMMERCE CONTINUES ITS RAPID EVOLUTION

The growing number of e-commerce options, increasing consumer access to online purchases, and the swelling demand for rapid delivery impacts the location, size and number of industrial warehouses needed within a geographic area. E-commerce retailers require up to three

times as much warehouse space on average as traditional brick-and-mortar retailers,² and while e-commerce is still early in its adoption phase with only about 12.4% of retail sales coming from online as of June 30, 2018, consumers continue to push e-commerce sales forward.

INDUSTRIAL REAL ESTATE: POSITIONED FOR CONTINUED GROWTH

Thanks to increasing demand for e-commerce, industrial rents and occupancies are surging across a range of building shapes and sizes, from bulk distribution warehouses in centrally located markets like Atlanta, Chicago and Dallas, to locally-oriented warehouses in high growth markets like Las Vegas, Charlotte, Houston and Nashville. Many of the

areas seeing the best rent growth are supply constrained coastal markets like New Jersey, Seattle and Southern California. And markets like the Inland Empire and Central Pennsylvania are seeing a surge in industrial demand as the result of the realignment of containerized imports with population centers on the west and east coasts.

E-COMMERCE REVOLUTION

LOOKING AHEAD TO 2025, E-COMMERCE WILL ACCOUNT FOR 25% OF ALL RETAIL SALES.³

\$482B ONLINE SALES⁴

15.2% ↑ INCREASE YEAR-OVER-YEAR⁴

3X WAREHOUSE SPACE

E-commerce retailers require up to three times as much warehouse space on average as brick-and-mortar retailers²

WAREHOUSE DEMAND FROM ONLINE SALES⁵

\$1B = 1.25M SALES SQUARE FEET

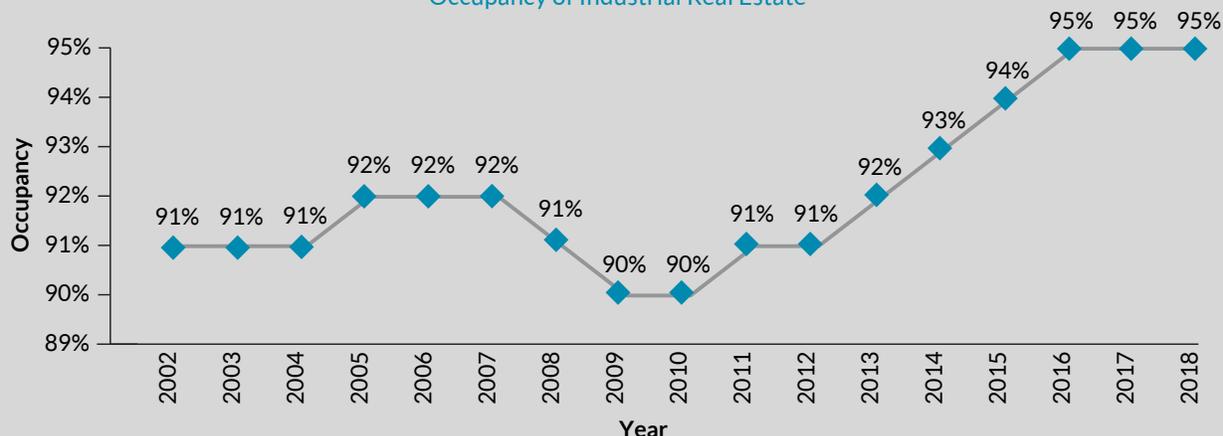
INDUSTRIAL REAL ESTATE'S STRONG FUNDAMENTALS

In terms of future appreciation, industrial real estate is set to perform well, as several years of market rent gains and occupancy gains are translating to income growth. Since 2013, industrial market rents grew by 5.5% annually on average, which has been the highest rent growth of any of the four main property sectors (the other three sectors include office, retail and multifamily); and occupancies were at near capacity at 95% as of December 31, 2017, which is higher than at any time during the last economic cycle of 2001–2008.⁶

6.3%
RENTAL GROWTH RATE

Year-over-year rental growth rate for industrial real estate in the United States of 6.3%, as of June 30, 2018⁷

Occupancy at Historic Highs⁶
Occupancy of Industrial Real Estate



Industrial Real Estate Has Produced Historically Strong Total Returns

Total returns have also been strong and may continue to provide investors with solid performance. Core industrial real estate (high-quality warehouses that are fully leased to creditworthy tenants) has delivered the highest returns of the main property sectors, throughout the current

economic cycle (2009–2018) – producing 13.06%, 13.42%, 13.20% and 7.70% total returns on a one-, three-, five- and ten-year basis, respectively.⁷ Going forward, industrial real estate’s fundamentals remain strong and core industrial real estate is expected to continue to perform well.⁸

Contact us at
866.324.7348
BlackCreekGroup.com

BLACK CREEK GROUP — your source of commercial real estate knowledge.
Contact us to discuss how commercial real estate may potentially fit in your client’s portfolios.

¹ Source: Council of Supply Chain Professionals, 2018.

² Source: Jefferies, Equity Research Americas, REITs – “Too Many Malls, Not Enough Warehouses: A Look at E-commerce Demand,” June 2017 and CNBC, “America is over-malled, but not enough warehouses to support Amazon,” June 2017.

³ Source: IMS Worldwide, Inc, 2016.

⁴ Source: U.S. Census Bureau, Q2 2018. Total retail sales exclude food, gas, and auto sales. E-commerce sales are sales of goods and services where the buyer places an order, or the price and terms of the sale are negotiated over an Internet, mobile device (M-commerce), extranet, Electronic Data Interchange (EDI) network, electronic mail, or other comparable online system. Payment may or may not be made online. Online travel services, financial brokers and dealers, and ticket sales agencies are not classified as retail and are not included in the total retail sales. The percentages presented for future periods are projections, and made by a third party and there is no guarantee that these projections will accurately reflect future performance.

⁵ Source: CBRE Research, Q4 2017.

⁶ Source: CoStar Portfolio Strategy, Q2 2018.

⁷ Source: NCREIF Property Index, Q3 2018. Comparisons shown are for illustrative purposes only and do not represent specific investments or the performance of NAV REITs. Past performance does not guarantee future results.

⁸ Source: PREA Consensus Forecast Survey of the NCREIF Property Index, Q3 2017. Comparisons shown are for illustrative purposes only and do not represent specific investments or the performance of NAV REITs. Past performance does not guarantee future results.



BLACK CREEK GROUP

Black Creek Capital Markets, LLC, Distributor/Member FINRA

518 17th Street, 17th Floor | Denver, CO 80202 | 303.869.4600 | blackcreekgroup.com