



**INDEPENDENT
MARKET STUDY
REPORT 2023**

CAPITALAND ASCENDAS REIT

THE CONVERGENCE AND INTERCONNECTION OF DISTINCT SHAPES ON THE COVER PAGE SHOWCASES OUR DYNAMIC ONE CAPITALAND ECOSYSTEM, AS WE FORGE AHEAD TOGETHER WITH A SHARED PURPOSE OF MAKING A POSITIVE IMPACT.

ABOUT CAPITALAND ASCENDAS REIT

CLAR is Singapore's first and largest listed business space and industrial real estate investment trust (REIT). As one of Singapore's REIT pioneers, CLAR has played a crucial role in the development of the Singapore REIT sector. It provides an attractive platform for investment in business and industrial properties across developed markets.

CLAR owns and manages a well-diversified portfolio, valued at S\$16.9 billion. The portfolio comprises 227 investment properties¹ in Singapore, Australia, the United States and the United Kingdom/Europe.

CapitaLand Ascendas REIT Management Limited, the manager of CLAR, is a wholly owned subsidiary of Singapore-listed CapitaLand Investment Limited, a leading global real estate investment manager with a strong Asia foothold.



OUR VISION

To be a leading global real estate investment trust



OUR MISSION

To deliver predictable distributions and achieve long-term capital stability for Unitholders

Contents

Singapore

1 Independent Market Study Report

Australia

10 Independent Market Study Report

United States

35 Independent Market Study Report

United Kingdom/Europe

56 Independent Market Study Report

¹ Excludes 27 IBP (formerly iQuest@IBP) and 5 Toh Guan Road East in Singapore which are undergoing redevelopment; 77 Logistics Place, 62 Sandstone Place and 92 Sandstone Place in Australia which are held for sale as at 31 December 2023.

INDEPENDENT MARKET STUDY REPORT

SINGAPORE

BY KNIGHT FRANK PTE LTD, FEBRUARY 2024

1 OVERVIEW OF THE SINGAPORE ECONOMY

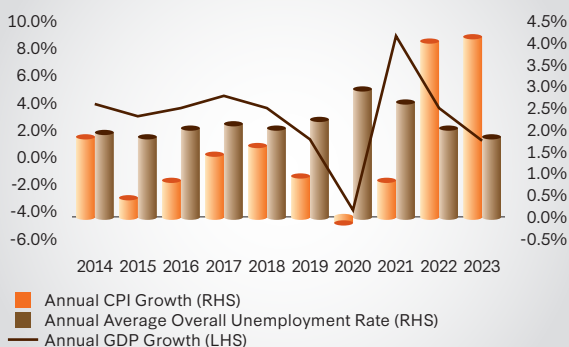
1.1 Singapore's Economic Performance

Singapore's Gross Domestic Product (GDP) grew 1.1% in 2023, poorer in contrast to the 3.8% growth in 2022. The subdued growth was attributed to the slower growth of advanced economies, coupled with the increase in interest rates and weak external demand.

Despite this, unemployment in Singapore continued to fall, from 2.1% in 2022 to 2.0% in 2023, lower than the 3.0% and 2.7% recorded in 2020 and 2021 respectively, during the pandemic.

Singapore's core inflation increased slightly to 4.2% in 2023 from the 4.1% recorded in 2022. The sticky inflation was due to accumulated cost pressures in international supply chains being passed on to consumers.

EXHIBIT 1-1: ANNUAL GDP GROWTH, UNEMPLOYMENT AND CORE INFLATION⁽ⁱ⁾



(i) Core inflation excludes the components of "Accommodation" and "Private Transport".

Source: MTI, MAS, Singstat, Knight Frank Research

1.2 Performance of Key Business Sectors

In 2023, growth of the economy was supported mainly by the Services Producing Industries which expanded 2.3% y-o-y, only to be weighed down by the Goods Producing Industries which declined 2.9% y-o-y. In the Goods Producing Industries, the construction sector expanded 5.2% y-o-y in 2023, bolstered by public and private contracts. However, the manufacturing sector declined 4.3% y-o-y, due to the declining performance recorded in the first nine months of the year, only for manufacturing activities to recover 1.4% y-o-y in the last quarter of the year as demand for electronics gradually returned.

1.3 Economic Outlook for 2024

Singapore's economic growth is expected to range between 1.0% and 3.0% in 2024, improving from the second half of the year as inventory levels normalise and

the demand for goods rebalance. As supply conditions improve, MAS expects core inflation to ease and grow by a more benign increment of between 2.5% and 3.5% in 2024.

While the global economic outlook remains uncertain, there are signs that the worst might have passed with 2024 promising to be better for manufacturing. Barring unforeseen external shocks, such as an escalation of the Israel-Hamas conflict, the rebalancing of global demand for goods coupled with the normalisation of inventory levels is expected to generate growth in manufacturing and trade.

2 SINGAPORE INDUSTRIAL LANDSCAPE

2.1 Overview of Industry 4.0 and Global Technology Trends

Industry 4.0 (I4.0) is the optimisation of manufacturing processes through automation and the interaction of data in manufacturing technologies for enhanced flexibility and coordination across supply chains. As part of I4.0, manufacturing firms are also incorporating artificial intelligence to improve operating efficiency. According to Technology Trends Outlook 2023 by McKinsey, Applied Artificial Intelligence (AI), scored high in innovation and interest for applications in aerospace and defence, aviation and logistics as well as consumer packaged goods.

However, the rate of adoption of AI technologies has caused job displacement. Yet, there is growing agreement that AI is unlikely to create mass unemployment in the long run as advanced economies are experiencing declines in their working-age populations.

2.2 Overview of Government Policies and Plans

The Emerging Stronger Taskforce (EST) was established in May 2020 to reconfigure supply chains, promote technological and digital transformation, and focus on sustainability. The taskforce proposed several recommendations to refresh the Industry Transformation Maps (ITMs), and these have begun to show results with the addition of 4,400 new manufacturing jobs in the first six months of 2023, despite the contraction in manufacturing activity during the year. With the refreshed ITMs, the Singapore Government aims to increase the manufacturing sector's contribution to S\$160 billion by 2030 from the current S\$130 billion.

2.3 Sector Trends

E-Commerce and Last-Mile Facilities

According to Singstat, the total e-commerce revenue rose 35.1% to S\$337.1 billion in 2021, accounting for 7.6% of the operating revenue of the overall services sector. The surge in e-commerce during the pandemic

INDEPENDENT MARKET STUDY REPORT

SINGAPORE

BY KNIGHT FRANK PTE LTD, FEBRUARY 2024

caused a rise in demand for warehouse and last mile facilities. This trend continued through the next two years as occupancies in quality warehouse space were tight, which was partly fuelled by excess unused inventory due to the fall in global demand for electronics in 2023.

To ensure that Singapore continues to be a leading global logistics hub, the government is utilising delivery pattern analysis that identifies a wide range of goods and its delivery locations to improve the current positioning of storage facilities and to maximise trip efficiency.

Fintech

Fintech was once considered peripheral to the financial services industry. However, the pandemic acted as a catalyst, leading to a widespread acceptance of digital financial and payment services by consumers. According to the EY Global Fintech Adoption Index, even before the pandemic, the adoption rate of fintech in Singapore rose significantly from 23% in 2017 to 67% in 2019. Post-pandemic, KPMG highlighted that there were 1,007 fintech firms operating in the city-state as of June 2022.

Co-working

Co-working spaces provide new start-ups with conducive and flexible working environments. Although WeWork declared bankruptcy in the United States, the operator announced that its operations in Singapore will remain unaffected. This also did not discourage The Executive Centre from unveiling a brand new shared workspace centre in Singapore Land Tower that started operations in January 2024, as co-working demand remains stable.

2.4 Impact of Work-From-Home (WFH) Trend on Demand for Business Park Space

During the pandemic, information and communications technology companies elected to take up space in Singapore's Central Business District (CBD) instead of business parks. Centrally located quality business parks continue to enjoy healthy occupancies, but for those located at the east or west of the island, demand has been muted. Due to more companies adopting hybrid working arrangements, business park occupiers have also been observed to reduce their space needs to lower operating costs. In response, business park landlords have been selectively upgrading assets, adapting to the change in workplace practices, such as providing shared facilities and better amenities.

2.5 Changes to Industry Trends and Anchor Tenant Requirements

The pandemic created flexible ways of working in several types of vocations without having the need for a dedicated workplace, and this also applied to the industrial sector. Clean industrial occupiers are likely to take up smaller spaces because of hybrid

work conditions. Co-working facilities that flourished in the office market are also gaining a foothold in industrial spaces and should become more prevalent in hi-specifications and business park complexes of the future.

2.6 New Industrial Districts

The government continues to champion decentralisation strategies by locating employment centres close to residential areas to reduce long commutes and mitigate congestion in the CBD. Punggol Digital District (PDD), located in Punggol Town in the north-east, was established to create an ecosystem that supports collaboration between companies and students in the innovation economy. The development spanning 50 hectares (ha) of space will incorporate the Singapore Institute of Technology's (SIT) new campus as well as workspaces for companies operating in the digital, technology and innovation fields. These include cybersecurity, machine learning and smart city solutions. A 300,000 square feet (sq ft) technology and innovation centre slated for completion in 2026 in PDD is expected to create 28,000 new jobs. The Singapore-headquartered UOB, will be the main anchor occupier.

The Jurong Innovation District (JID) in the west, was set up as a one-stop advanced manufacturing hub, as part of I4.0. This advanced manufacturing ecosystem will house firms, training associations and academic groups with partnerships that include the Bosch Rexroth, Hyundai Motor Group and Shimano.

Woodlands North Coast is another next generation economic hub planned by JTC, situated at the Woodlands Regional Centre and linked to Johor Bahru, Malaysia, through the upcoming Johor Bahru-Singapore Rapid Transit System (RTS) Link.

2.7 Overview of Tuas Mega Port and Changi East Projects

Tuas Mega Port Project

The Tuas Mega Port Project commenced operations with five berths in 2022. The port is fully automated, aligned with the Logistics ITM of advancing the logistics industry by incorporating technology to accelerate efficiency and free up labour for value-added jobs.

Changi East Project

The Changi East Project spans 1,080 ha in land area that includes the development of Changi Airport Terminal 5 and Changi East Industrial Zone to create an aviation hub.

2.8 New Growth Sectors

While not a new growth sector, after a year of contraction in 2023, there were nascent signs of recovery in the electronics sector towards the end of 2023. This comes

INDEPENDENT MARKET STUDY REPORT

SINGAPORE

BY KNIGHT FRANK PTE LTD, FEBRUARY 2024

at a time when fixed asset investments in selected new semi-conductor facilities will be completed. As these global electronics component and chip manufacturers are large enough to create eco-systems that would benefit local small and medium enterprises (SMEs) with growth multipliers, the key elements are in place for the electronics sector to be an engine of growth from 2024 onwards.

Clean energy is also expected to be an upcoming trending sector. Micron Technology was reported in August 2023 to be installing 36,000 solar panels around its fabrication facility and carport shelter tops. In addition, the Housing Development Board (HDB) was reported to be installing solar panels around 1,075 HDB blocks by 3Q 2026. These green initiatives highlight the growing demand for the research, design, manufacture and distribution of a wide spectrum of clean energy equipment, components and sustainability products.

Singapore lifted the moratorium on the development of data centres in 2023, with the Economic Development Board announcing a pilot scheme to award approximately 80 megawatts (MW) of new capacity to four data centre operators. The award to Equinix, GDS, Microsoft and a consortium of AirTrunk and ByteDance will put in place more capacity that will support the growth of AI research and applications.

During the pandemic, American life sciences company Labcorp launched a new bioanalytical lab facility as an expansion of its central laboratory services in Jurong East, joining Thermo Fisher Scientific, BioNTech, Sanofi and GSK who also announced investments in Singapore. Reputed for stability, Singapore will be a regional base for research and development of bio-medical technology and pharmaceuticals.

2.9 Impact of Macro Conditions on Space Take-Up at CLAR Properties

In Singapore, CLAR has a portfolio that comprises assets in the business space, life sciences, logistics, industrial and data centre sectors. Many of these properties are situated near public transportation networks and major expressways. The development of consolidated port activities in the west and aviation facilities in the east will undergird manufacturing and logistics properties in CLAR's portfolio at both ends of Singapore.

Post pandemic, the recovery of the electronics sector, as well as the development of the vaccine related bio-technology sector will drive growth in the manufacturing sector and in the industrial real estate market. Taking into account the investment and infrastructural development during the uncertain years of the pandemic, the manufacturing sector looks to recover and strengthen from 2024. These will combine with the mix of government-led policy and infrastructure initiatives to provide demand support for CLAR's stable of industrial properties. The broad diversity of CLAR's portfolio will benefit from both new (such as sustainability equipment) and revitalised engines of manufacturing growth.

3 INVESTMENT SALES

Total investment sales of industrial properties (excluding GLS sites) amounted to S\$2.5 billion in 2023, with 40.5% of sales activity taking place in the second quarter of the year. Notable sales in 2023 included The Shugart to CapitaLand Ascendas REIT for S\$218.2 million in May 2023, the purchase of the Jardine C&C Regional HQ and Mercedes-Benz Centre by M&G Real Estate in February for S\$142.0 million and S\$131.0 million respectively.

EXHIBIT 3-1: SELECTED MAJOR INVESTMENT SALES IN 2023

Name of Development	Location	Sale Price (\$ mil)	Area (sq ft)	Unit Price (\$ psf)	Tenure	Date of Sale
Business Park Developments						
The Shugart	26 Ayer Rajah Crescent	218.2	440,028*	496*	30 years	2Q
Single-User Factory Developments						
Mercedes-Benz Centre	301 Alexandra Road	131.0	N.A.	N.A.	99 years from 01/07/1948	1Q
J'Forte Building	26 Tai Seng Street	98.8	193,009*	512**	30+30 years from 09/06/2007	1Q
Tuas Vista	2 Tuas South Avenue 2	53.0	N.A.	N.A.	60 years from 04/01/1999	3Q
Multiple-User Factory Developments						
Jardine C&C Regional HQ	239, 241 Alexandra Road	142.0	201,057*	706*	99 years from 19/03/1956	1Q
Sime Darby Business Centre	315 Alexandra Road	68.0	179,190*	380*	99 years from 02/03/1956	3Q
GS Building	16, 18, 20 Lorong Ampas	67.0	92,193*	727*	Freehold	1Q

INDEPENDENT MARKET STUDY REPORT

SINGAPORE

BY KNIGHT FRANK PTE LTD, FEBRUARY 2024

Name of Development	Location	Sale Price (\$ mil)	Area (sq ft)	Unit Price (\$ psf)	Tenure	Date of Sale
Warehouse Developments						
Jurong Districentre	3 Pioneer Sector 3	95.0	716,542*	133*	30+30 years from 16/12/1990	2Q
N.A.	6 Chin Bee Avenue	93.0	324,166*	287*	27.73+30 years from 22/01/1986	2Q
N.A.	30 Toh Guan Road	57.8	332,001*	174*	30+30 years from 16/08/1995	2Q

Source: Various sources, Knight Frank Research

Notes: Private investment sales is defined as:-

Investment transactions that comprise an entire building or property with a total worth of S\$10 million and above; OR

Bulk sales within a development amounting to S\$10 million or more

* Refers to GFA, or the estimated maximum permissible GFA and corresponding reported price per square foot (psf) per plot ratio (ppr)

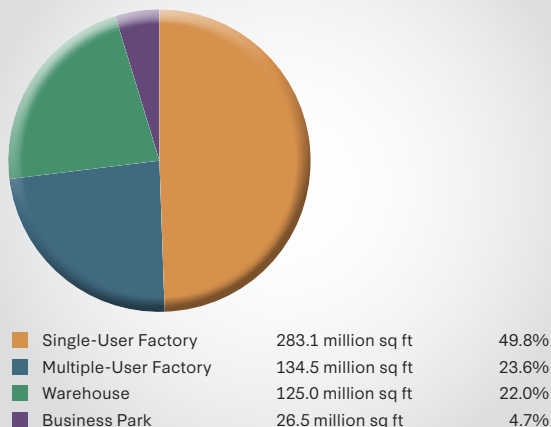
3.1 Investment Outlook

In 2024, investors of older developments may opt for value-adding improvements to mitigate risks and maintain revenue inflow during the upgrading period. In addition, with the potential interest rate cut, the acquisition of core properties such as industrial assets may also pick up. While redevelopment is susceptible to unpredictable variables such as construction costs and schedules, investors could opt for this route if they are prepared to move up the risk curve.

4 INDUSTRIAL PROPERTY MARKET OVERVIEW

As at end-2023, Singapore had a total industrial stock of 569.1 million sq ft, with private stock making up the majority at 85.4% (485.9 million sq ft). Single-user factories comprised close to half of the total at 49.8% (283.1 million sq ft), followed by multiple-user factories (23.6%, 134.5 million sq ft) and warehouses (22.0%, 125.0 million sq ft), with business park accounting for the smallest proportion (4.7%, 26.5 million sq ft) (Exhibit 4-1).

EXHIBIT 4-1: TOTAL INDUSTRIAL STOCK ISLAND-WIDE AS AT 4Q 2023



Source: JTC J-Space, Knight Frank Research

4.1 Industrial Government Land Sales (IGLS) Programme

For the first six months of 2024, a total of nine sites were introduced in the IGLS programme. The sites spanned 13.75 ha with the potential to contribute around 3.3 million sq ft in gross floor area (GFA). This was a 51.3% increase from the combined 9.81 ha (GFA of 2.1 million sf) from the eight sites listed in the 2H 2023 IGLS. The five Confirmed List sites (8.29 ha) are located at Plot 8 Jalan Papan, Plot 10 Tampines North Drive 5, Penjuru Lane, Penjuru Road and Kallang Way, while the four Reserve List sites (5.46 ha) are situated at Tuas Road, Plot 3 Jalan Papan, Lok Yang Way and Tukang Innovation Drive.

All the sites launched in the 1H 2024 IGLS programme fall under the 'Business 2' zoning, designated for heavy industrial use. Most of the sites are situated in the West region with land tenures ranging from 20 to 30 years, the exception being a site at Kallang Way on the Confirmed List, which has a land tenure of 32 years.

5 BUSINESS PARK

5.1 Stock and Supply

Total business park stock in Singapore was 26.5 million sq ft as at 4Q 2023, where 84.8% (22.5 million sq ft) comprised private business park space. Net new supply of business park space increased 883,532 sq ft in 2023. The Surbana Jurong Campus (741,848 sq ft GFA) developed by Surbana Jurong Capital (JID) Pte Ltd was the largest project completed in 2023.

INDEPENDENT MARKET STUDY REPORT

SINGAPORE

BY KNIGHT FRANK PTE LTD, FEBRUARY 2024

5.2 Demand and Occupancy

Net new demand for business parks slowed in 2023, as overall occupancy in 4Q 2023 declined to 78.4%, a 4.1 percentage point (pp) decrease from the 82.5% recorded in the same period in 2022. Demand for business parks plateaued, as completed supply met with muted take up. Qualifying occupiers opted to renew their leases in office buildings instead of decentralising and relocating to business parks, unwilling to commit to the capital expenditure of fitting out and moving out of the CBD in spite of lower rents.

5.3 Potential Supply

As at 4Q 2023, an estimated 3.7 million sq ft of business park supply is due to be completed by 2025. The Punggol Digital District, developed by JTC, is expected to be completed in two phases spanning 1.6 million sq ft GFA in 2024 and 930,862 sq ft GFA in 2025.

EXHIBIT 5-1: NET NEW SUPPLY, NET NEW DEMAND AND AVERAGE OCCUPANCY OF BUSINESS PARK SPACE

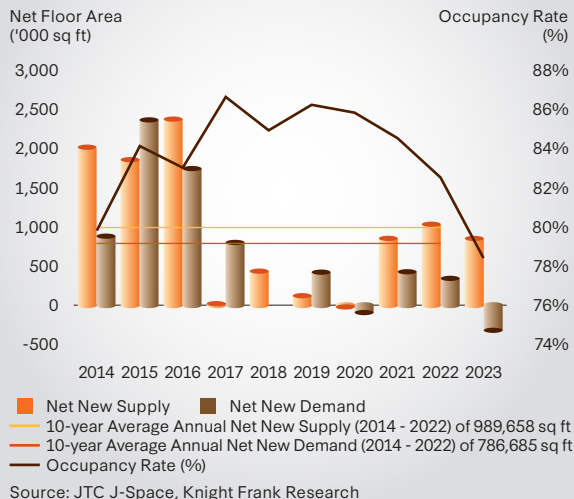
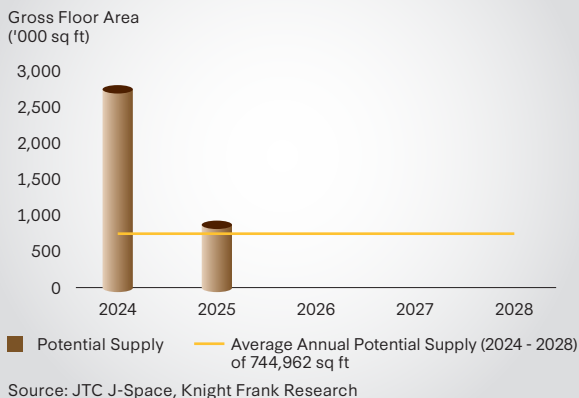


EXHIBIT 5-2: UPCOMING MAJOR BUSINESS PARK DEVELOPMENTS IN 2024 AND 2025

Name of Development	Location	Planning Region	Name of Developer	Approximate GFA (sq ft)
Punggol Digital District Phase I	Punggol Way	North-East	JTC	1,584,984
Punggol Digital District Phase II	Punggol Way	North-East	JTC	930,862

Source: JTC J-Space, Knight Frank Research

EXHIBIT 5-3: POTENTIAL SUPPLY OF BUSINESS PARK SPACE

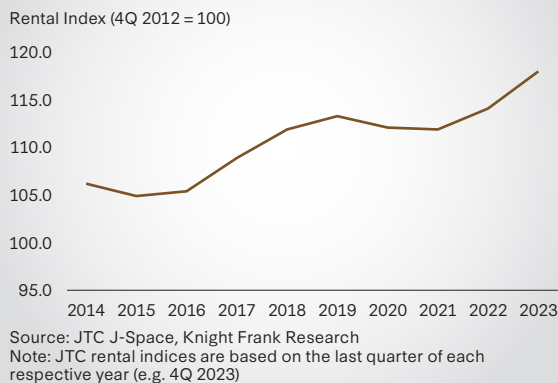


5.4 Rents

JTC's rental index for business parks increased 3.4% in 4Q 2023, with 25th percentile, median and 75th percentile rents at S\$3.92, S\$4.33 and S\$4.69 per square foot (psf) per month respectively. Even though general occupancy levels eased due to the increase in business

park stock and as occupiers reduced their footprints to save cost, rents largely continued to be supported by renewals, especially for newer centrally located business parks and good quality buildings. Business parks that are centrally located and well connected to MRT stations commanded higher rents, ranging from S\$4.50 psf to S\$7.00 psf per month.

EXHIBIT 5-4: JTC RENTAL INDICES OF BUSINESS PARK SPACE



INDEPENDENT MARKET STUDY REPORT

SINGAPORE

BY KNIGHT FRANK PTE LTD, FEBRUARY 2024

5.5 Outlook

Interest in business park space is anticipated to remain stable in 2024, supported by high-value-add industries such as research and development, life sciences, and media. However, existing occupiers are likely to continue reducing space requirements when possible. With rising operating cost, space profiles in business parks will continue to be streamlined where possible through the application of hybrid work arrangements. Rents for centrally located business parks are expected to increase at the higher end of a 1% to 3% growth range in 2024, while rents for older stock in less central areas may plateau at the lower end of the forecast range.

6 HIGH-SPECIFICATIONS (HI-SPECS) AND LIGHT INDUSTRIAL SPACE

6.1 Stock and Supply

The total factory stock in Singapore was 417.6 million sq ft as at 4Q 2023, growing 1.6% y-o-y from 411.0 million sq ft in 4Q 2022. Private factory stock made up 82.0% of the total island-wide with 342.6 million sq ft. Single-user factory spaces, mostly purpose built, constituted 67.8%, and multiple-user factory spaces made up 32.2% of total factory stock. Hi-specs industrial stock (including data centres) accounted for an estimated 66.2 million sq ft of GFA.

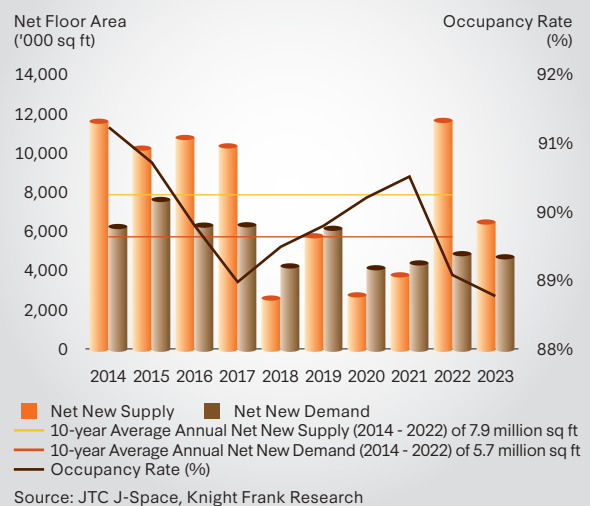
Net new supply of factory space totalled 6.6 million sq ft in 2023, with the addition of 3.4 million sq ft of multiple-user factory spaces and 3.2 million sq ft of single-user factories, with projects that were delayed by the pandemic being completed.

6.2 Demand and Occupancy

Demand for factories was generally stable throughout 2023, despite the poor external demand and subpar manufacturing output during the year. Only the transport engineering cluster expanded in any significant manner due to the normalisation of international travel and supply chains. Additionally, new data centres by Google and Amazon also started operating. The end of the four-

year moratorium on data centre development with the selection of Equinix, Microsoft, AirTrunk and GDS for 80MW data centres will provide needed new supply. Pent up demand was expected to have built up during the pandemic as a result of the increased need for remote working, and also due to the pioneering era of AI application development. Net new demand for factory space decreased 3.2% to 4.8 million sq ft in 2023 from a year ago. With more supply than demand, overall occupancy contracted to 88.8% as at 4Q 2023, a marginal 0.3 pp decrease from 89.1% as of 4Q 2022.

EXHIBIT 6-1: NET NEW SUPPLY, NET NEW DEMAND AND AVERAGE OCCUPANCY OF FACTORY SPACE



6.3 Potential Supply

As at 4Q 2023, 24.9 million sq ft GFA of new factory space is expected to be completed progressively between 2024 and 2028, with 15.0 million sq ft completing in 2024. Single-user factory space is expected to comprise 64.0% (16.0 million sq ft) of the new supply, while multiple-user factory space makes up the remaining 36.0% (9.0 million sq ft). An example of a hi-specs building that is expected to be completed in 2024 is Bulim Square.

EXHIBIT 6-2: UPCOMING MAJOR FACTORY DEVELOPMENTS IN 2024

Name of Development	Location	Planning Region	Name of Developer	Approximate GFA (sq ft)
Single-User Factory Developments				
Greenphyto Innovation Centre	Tulang Innovation Drive	West	Greenphyto Pte Ltd	195,257
Single-User Factory	Jalan Papan	West	Kok Tong Transport and Engineering Works	147,788
Single-User Factory	Woodlands Industrial Park E2	North	Whye Wah Development & Construction Pte Ltd	132,934

INDEPENDENT MARKET STUDY REPORT

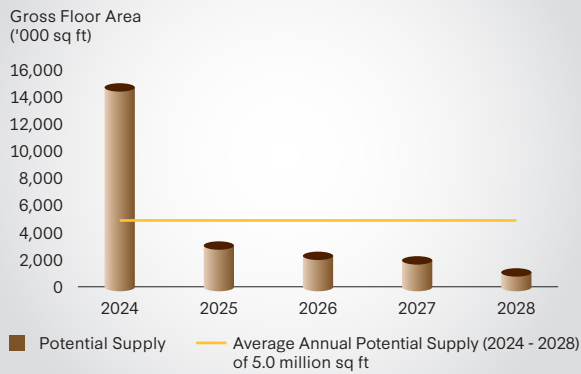
SINGAPORE

BY KNIGHT FRANK PTE LTD, FEBRUARY 2024

Name of Development	Location	Planning Region	Name of Developer	Approximate GFA (sq ft)
Multiple-User Factory Developments				
Bulim Square	Bulim Lane 1/2	West	JTC	1,695,852
One KA @ Macpherson	Kampong Ampat	Central	Woodlands Smartisan Pte Ltd	197,733

Source: JTC J-Space, Knight Frank Research

EXHIBIT 6-3: POTENTIAL SUPPLY OF FACTORY SPACE

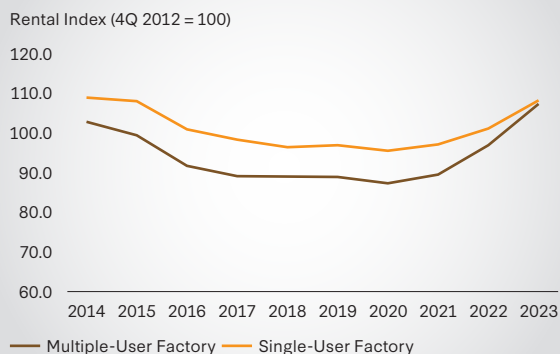


Source: JTC J-Space, Knight Frank Research

6.4 Rents

The JTC rental indices for multiple and single-user factories both rose 10.7% y-o-y and 7.0% y-o-y respectively in 4Q 2023, as many factory space users renewed or took up better quality space with restraint expansion, focusing on maintaining operational continuity until the business cycle turns. During the quarter, data from JTC showed that the median rent for multiple-user factory space was S\$2.32 psf per month while the 75th percentile rent taken as a gauge for hi-specs factory space was S\$2.83 psf per month. Correspondingly, the median rent for single-user factory space was S\$1.75 psf per month and the 75th percentile rent was S\$2.20 psf per month.

EXHIBIT 6-4: JTC RENTAL INDICES OF FACTORY SPACE BY TYPES



Source: JTC J-Space, Knight Frank Research
Note: JTC rental indices are based on the last quarter of each respective year (e.g. 4Q 2023).

6.5 Outlook

Factory indicators in Singapore remained steady throughout 2023, when global and domestic manufacturing was negatively affected. Stable occupancy levels, coupled with steady overall growth in the rental indices, underscored the sector's resilience. The manufacturing outlook, particularly for electronics, showed nascent signs of improvement towards the end of 2023, as global demand consolidated following the cessation of interest rate hikes and with expectations of rate cuts in 2024.

The outlook for 2024 is cautiously optimistic, anticipating a return of export demand and a resumption of growth in the business cycle. In addition, in the face of limited new supply and existing availability, the outlook for data centres remains positive with pent-up demand after the four-year moratorium on new data centre builds as well as growing demand from AI and modern technologies.

However, this optimism is tempered by lingering economic uncertainty, ongoing geopolitical tensions, potential military conflict escalation in the Middle East, and the disruption of commercial shipping in the Gulf of Aden. Although an estimated 15.0 million sq ft of factory space will be completed in 2024, 12.6 million sq ft comprise single-user factories that are largely spoken for, leaving a remaining 2.4 million sq ft of multiple-user factory space. As such, Knight Frank anticipates moderate growth in factory rents, ranging between 3% and 5% throughout 2024, barring unforeseen external factors that might unhinge the delicate recovery.

7 LOGISTICS AND DISTRIBUTION CENTRES (WAREHOUSES)

7.1 Stock and Supply

The total warehouse stock in Singapore was 125.0 million sq ft in 4Q 2023, with private warehouse stock making up 120.9 million sq ft, or 96.7% of the total. Net new supply of warehouse space grew by 76.8% from the same period a year ago to record 2.2 million sq ft in 2023. This provided much needed supply in light of the strong demand for storage space in the market.

INDEPENDENT MARKET STUDY REPORT

SINGAPORE

BY KNIGHT FRANK PTE LTD, FEBRUARY 2024

7.2 Demand and Occupancy

Despite net new demand for warehouse space easing to 1.9 million sq ft in 2023, occupancy was stable at 91.6% in 4Q 2023 having decreased just 0.1 pp y-o-y. Throughout 2023, demand for logistics and warehouse space remained firm, propelled by third-party logistics (3PLs) and end-users that included e-commerce companies and those requiring temperature-controlled facilities. Electronics firms, responding to a global decrease in demand and exports from Singapore, also stored unused inventory. Additionally, retail companies that were new to Singapore utilised these storage spaces in the process of establishing and operating new online and physical stores amid the retail market's recovery.

7.3 Potential Supply

As at 4Q 2023, an estimated 9.7 million sq ft of warehouse space is anticipated to be completed from 2024 to 2028, with around 4.2 million sq ft expected in 2024.

EXHIBIT 7-1: NET NEW SUPPLY, NET NEW DEMAND AND AVERAGE OCCUPANCY OF WAREHOUSE SPACE

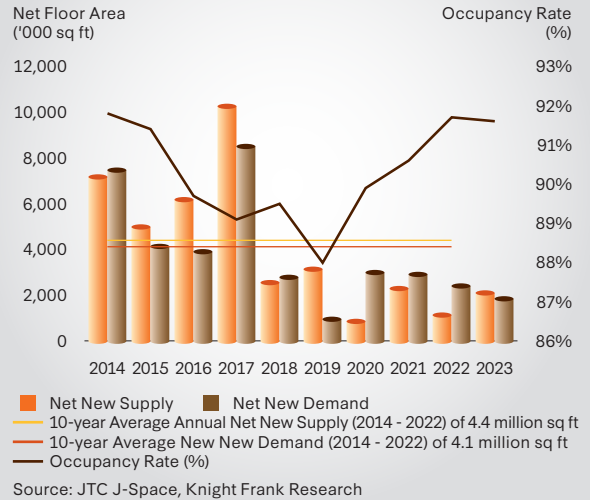
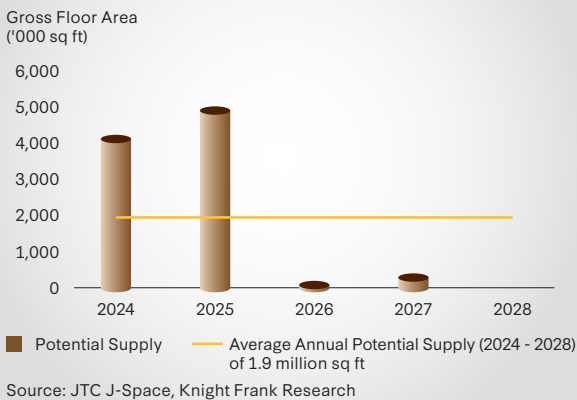


EXHIBIT 7-2: UPCOMING MAJOR WAREHOUSE DEVELOPMENTS IN 2024

Name of Development	Location	Planning Region	Name of Developer	Approximate GFA (sq ft)
Warehouse Development	Senoko Loop	North	Tiong Nam Logistics (S) Pte Ltd	268,452
Single-User Industrial Development	Tuas Avenue 13	West	Peck Tiong Choon Pte Ltd	110,653

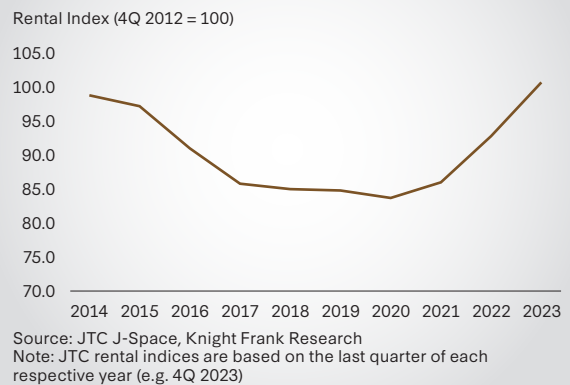
Source: JTC J-Space, Knight Frank Research

EXHIBIT 7-3: POTENTIAL SUPPLY OF WAREHOUSE SPACE



supply chain disruptions, e-commerce shipments and goods from retailers setting up shop in Singapore. The 25th percentile, median and 75th percentile rents of warehouse space as at 4Q 2023 were S\$1.66, S\$2.10 and S\$2.70 psf per month respectively.

EXHIBIT 7-4: JTC RENTAL INDEX OF WAREHOUSE SPACE



7.4 Rents

The JTC warehouse rental index increased 8.5% y-o-y in 4Q 2023. Demand for warehouse space was supported by the storage of unused inventory of components and products, necessities to mitigate

INDEPENDENT MARKET STUDY REPORT

SINGAPORE

BY KNIGHT FRANK PTE LTD, FEBRUARY 2024

7.5 Outlook

There was some relief to tight occupancy levels in quality logistics facilities with the estimated addition of 2.2 million sq ft of new warehouse space in 2023. The pressure was also eased slightly by manufacturers gradually reducing inventory held up in existing facilities.

The normalisation of global supply chains, originally expected in 2024, is now subject to challenges as shipping companies avoid routes through the Suez Canal and the Gulf of Aden amid attacks. Looking ahead, 4.2 million sq ft of new warehouse space is expected in 2024, substantially higher than the average of 1.9 million sq ft in the upcoming five years, and also double the 2.2 million sq ft of net new supply in 2023. Nonetheless, the infusion of new quality warehousing is necessary to provide storage space for Singapore to ramp up post-pandemic drivers. These include the storage of material and processed components from global semiconductor and bio-technology manufacturers who have set up new or expanded facilities in Singapore, and for the stockpiling of necessities in an increasingly uncertain geo-political climate. A recovering retail sector and new market entrants importing a diverse range of products, will also contribute to the demand for quality logistics space, which is expected to remain intact in 2024. Together, this will underpin warehouse price and rental growth of over 5% in the coming year, notwithstanding the influx of new supply.

8 SCIENCE PARK

8.1 Occupancy Trends and Key Tenants

In 2023, Singapore's stock of science park space is estimated at 7.0 million sq ft of GFA with an occupancy of 86.3% at 4Q 2023. The 5.2 pp y-o-y fall in the occupancy rate was partly due to the completion of the 417,855 sq ft (GFA) Geneo at 7 Science Park Drive in late 2023.

Occupants in Science Park are predominantly firms trading in life science activities. Two of the key long-term science park tenants are DSO National Laboratories and DNV Technology Centre, occupying space in 12, 14 and 16 Science Park Drive.

EXHIBIT 8-1: AVAILABLE STOCK AND OCCUPANCY (SCIENCE PARK SPACE) AS AT 4Q 2023



8.2 Key Changes on Demand for Science Park and Outlook

In 2019, Shopee fully leased the newly developed 5 Science Park Drive. This marked a key milestone in the history of Singapore Science Park (SSP), as other new entrants from the technology sectors began occupying spaces in the Science Park area.

Taking into account the stabilised specialised demand for this niche location within the high-value chain of technology and life sciences, together with a combined total of 1.5 million sq ft of new stock becoming available in the market within the next five years, rents are likely to remain unchanged in the coming year, but may adjust moderately upon the completion of 3 Science Park Drive in 2024 and 1 Science Park Drive after 2025.

INDEPENDENT MARKET STUDY REPORT

AUSTRALIA

BY CBRE RESEARCH, FEBRUARY 2024

1. ECONOMY

In 2023, the Australian economy exhibited resilience and recovery on multiple fronts, although above trend inflation and higher interest rates did impact on sentiment. One noteworthy aspect was the low unemployment rate, sitting at 3.9% as of December 2023, reflecting strong demand for labour across many sectors. The major contributor to this resilient job market was strong investment from both the private and public sectors.

In addition, the continued rebound in tourism contributed to retail and hospitality job growth, while underlying population growth and an aging population underpinned growth in the health and social assistance sectors.

The resurgence of international migration significantly influenced the Australian economy in 2023. As such, population growth surged to 2.4% y-o-y in FY 2023, well above the pre-COVID level of 1.5%. Australia, traditionally reliant on immigration for population growth and economic activity, saw a return of skilled workers, students, and other migrants. This influx underpinned consumer spending, despite the headwinds from rising interest rates. Housing demand also benefitted with residential vacancy rates remaining low and dwelling prices rising by about 10% in 2023 across Australia.

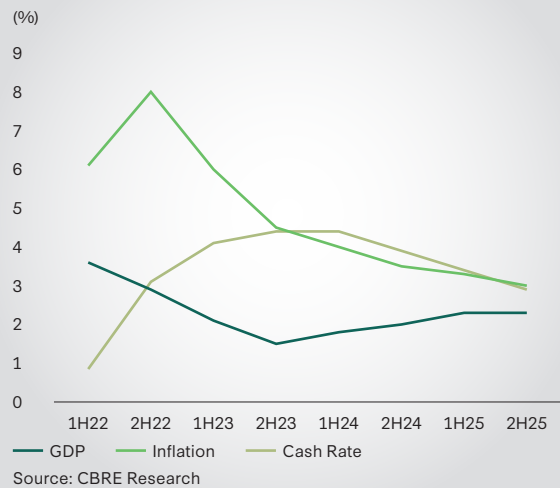
Despite local and international headwinds, GDP growth remained positive in 2023. GDP grew by 2.1% over the 12 months to September 2023, although growth was just 0.2% q-o-q in 3Q. Despite these relatively positive results, growth in GDP per capita has been negative, largely due to real consumption of households dropping off the back of inflationary pressures and interest rate hikes.

Inflation in Australia remains above the Reserve Bank of Australia's (RBA) range of 2-3%, with the November reading at 4.3%. The inflation rate in Australia peaked at 8.4% in December 2022 and has been trending down since then. The outlook has improved in recent months with bond markets now expecting the RBA to hold interest rates at 4.35%, with two rate cuts expected over the course of 2024.

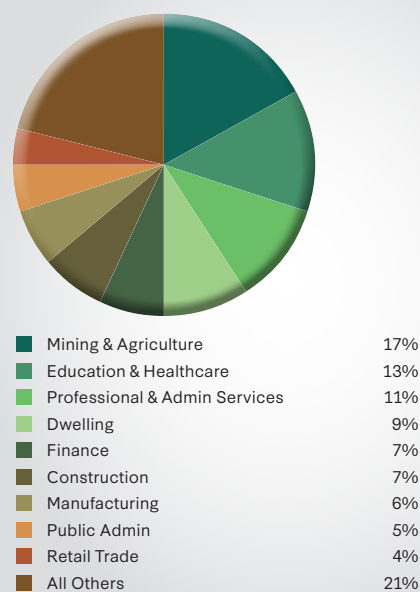
Looking ahead to 2024, the Australian economy appears poised for steady growth given the stabilisation in interest rates and continued decline in inflation. The unemployment rate is likely to soften slightly given challenges in some industries and some concerns surrounding the global economy by businesses.

Population growth is expected to moderate to more normalised levels over the course of 2024. This is partly because the "catch-up effect" after the pandemic is dissipating whilst the Australian Government is also looking to curb some migration, particularly international students. One key headwind is likely to be the slowdown in the Chinese economy which will continue to impact the tourism sector as well as mining exports.

AUSTRALIAN ECONOMIC INDICATORS



CONTRIBUTION TO AUSTRALIAN GDP



INDEPENDENT MARKET STUDY REPORT

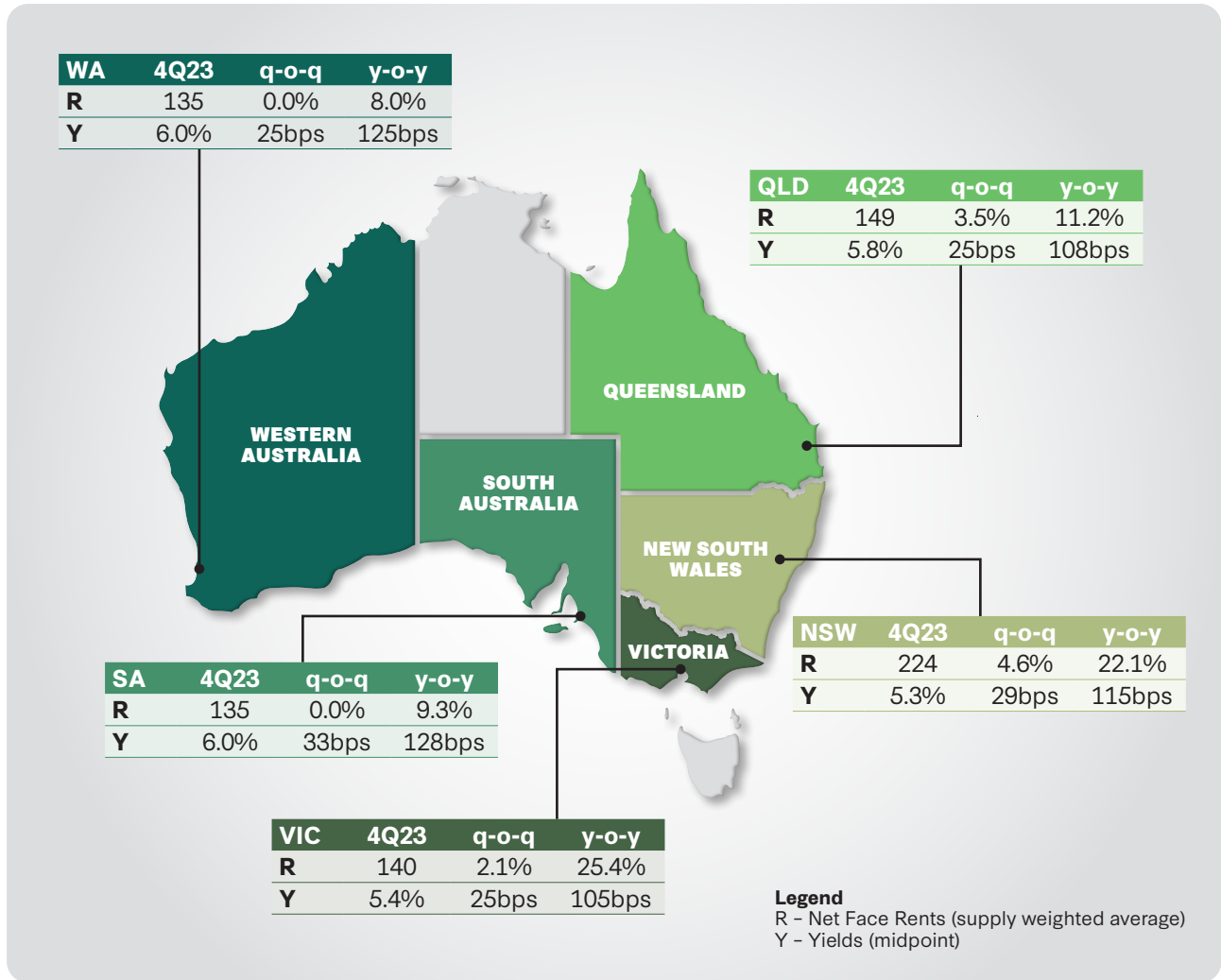
AUSTRALIA

BY CBRE RESEARCH, FEBRUARY 2024

2. AUSTRALIA INDUSTRIAL & LOGISTICS MARKET

In 2023, take-up in Australia's industrial and logistics sector returned to historical levels despite new supply of 2.9 million sqm. The national super prime weighted average net face rent grew 18.1% y-o-y, averaging A\$168 per sqm as of end 2023. The rate of rent growth began to slow as the year progressed. The national vacancy

rate has increased to 1.1% for 2H 2023 but is still the lowest level globally. Industrial and logistics investment sale volumes reached c.A\$5 billion, slightly below the long-term average of A\$5.5 billion. The national average midpoint yield for super prime grade assets now stand at 5.77%.



INDEPENDENT MARKET STUDY REPORT

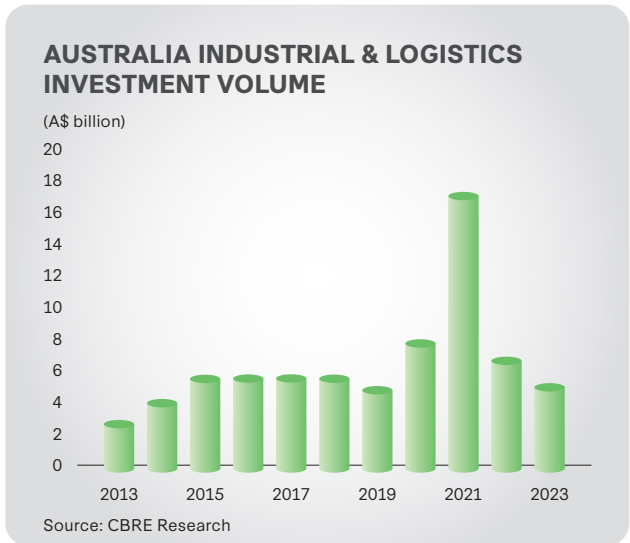
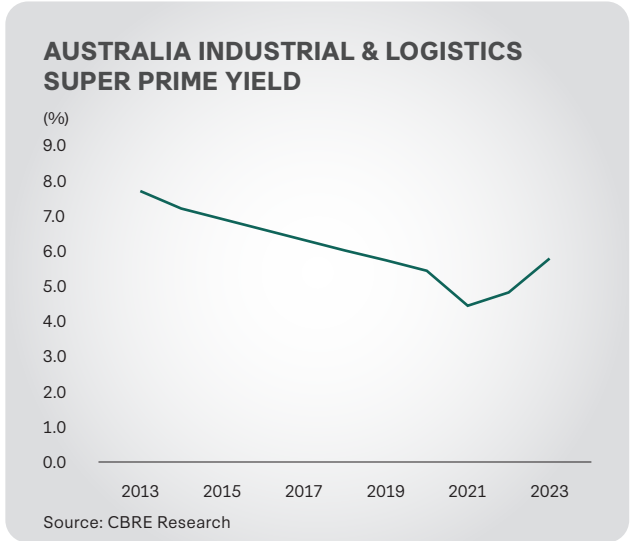
AUSTRALIA

BY CBRE RESEARCH, FEBRUARY 2024

2.1 Investment Markets

Australia’s industrial and logistics investment sale volumes have slowed significantly during 2023 amid a lack of stock on market, coupled with higher bond yields and continued rising cost of debt. For 2023, transaction volumes reached c.A\$5 billion, below the long-term average of A\$5.5 billion.

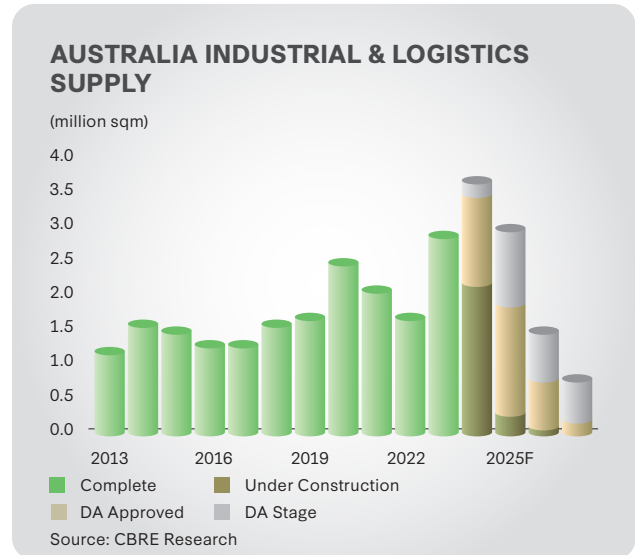
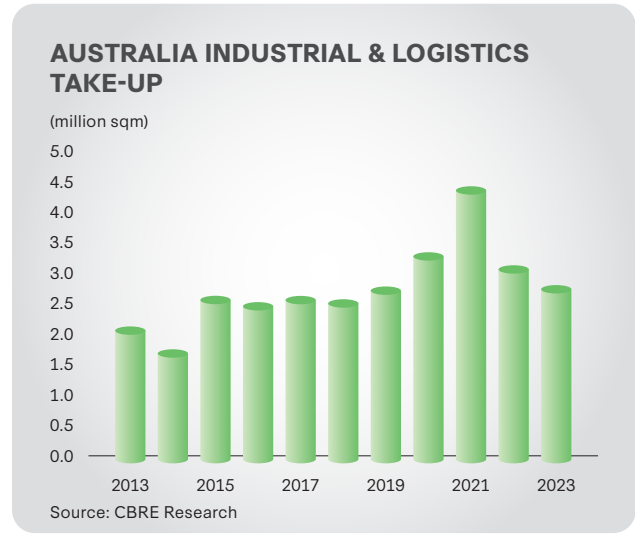
Yields have expanded with the national midpoint yield for super grade assets at 5.77% in 4Q 2023 compared to 4.80% a year ago. CBRE expects there may be some further cap rate expansion, between 25 and 50 basis points (bps) over the next six months. However, sub-4% vacancy across Australia is expected to maintain some rental growth, which is anticipated to offset potential capital depreciation.



2.2 Take-up and Supply

Around 2.9 million sqm of supply was added to the market in 2023, with most of this absorbed. Approximately 30% of the 2023 development supply was completed over 4Q 2023, with the new floorspace concentrated in Sydney (36%) and Melbourne (31%).

The 2024 supply pipeline is forecast to total a record high of 3.7 million sqm - more than double the 10-year average of 1.6 million sqm. Most of this supply will be delivered in Sydney (40%) and just over 40% of space is pre-committed as at 4Q 2023.



2.3 Rents & Vacancy

Compared to 2022, national average face rents for super prime, prime and secondary grade assets have grown by 18.1%, 17.6% and 16.1%, respectively. Incentives for super prime and prime grade assets now average 12% and 11%, respectively. National vacancy had slightly increased to 1.1% at the end of 2023 compared to 0.6% in 2022.

INDEPENDENT MARKET STUDY REPORT

AUSTRALIA

BY CBRE RESEARCH, FEBRUARY 2024

3. SYDNEY INDUSTRIAL & LOGISTICS MARKET



3.1 Investment Markets

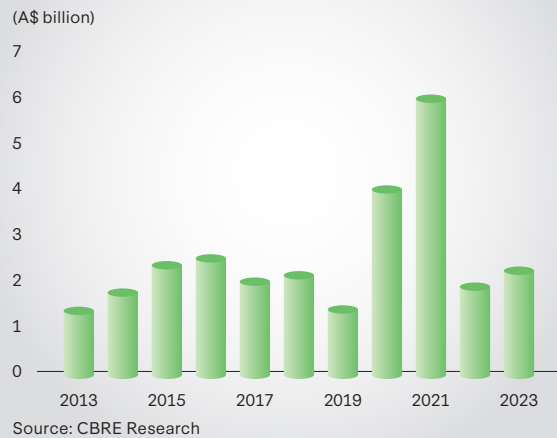
Investment volume for 2023 was c.A\$2.3 billion, with each quarter comprising c.A\$600 million of transaction activity. While activity was significantly lower than peak levels of 2020 and 2021, it was broadly in-line with longer-term historical levels.

Yields expanded by approximately 125 bps over 2023 with the midpoint yield for super prime grade assets at 5.33%. Prime yields also increased to 5.50% into 4Q 2023.

SYDNEY INDUSTRIAL & LOGISTICS SUPER PRIME YIELD



SYDNEY INDUSTRIAL & LOGISTICS INVESTMENT VOLUME



INDEPENDENT MARKET STUDY REPORT

AUSTRALIA

BY CBRE RESEARCH, FEBRUARY 2024

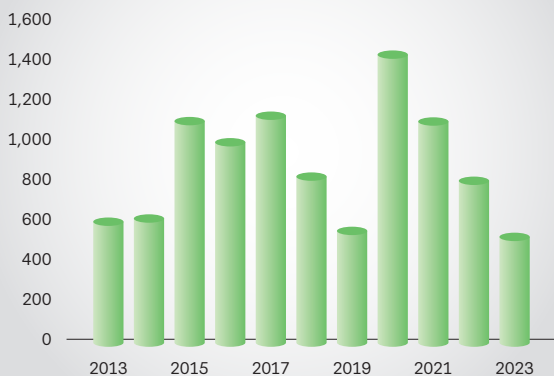
3.2 Take-up & Supply

Gross take-up for Sydney industrial and logistics space was 520,000 sqm in 2023, down 36% on 2022 levels. The slowdown in take-up reflected the impact of slowing consumer demand and extremely low vacancy. Through the course of 2023, pre-lease accounted for over half of take-up. Leasing activity was dominated by Transport/Postal/Warehousing and Retail firms, collectively accounting for 73% of take-up during 2023. The market also experienced a shift in tenant appetite from smaller size buildings (i.e. < 10,000 sqm) to larger lots, as occupiers relocated to floorspace in newer developments.

The supply in 2023 totalled close to 1 million sqm, which was almost double the long-run average of 565,000 sqm but just 3% of total Sydney industrial stock. Notably, new supply was delivered in Auburn Switchyards, Moorebank Intermodal, Eastern Creek Horsley Park and Greystanes.

SYDNEY INDUSTRIAL & LOGISTICS TAKE-UP

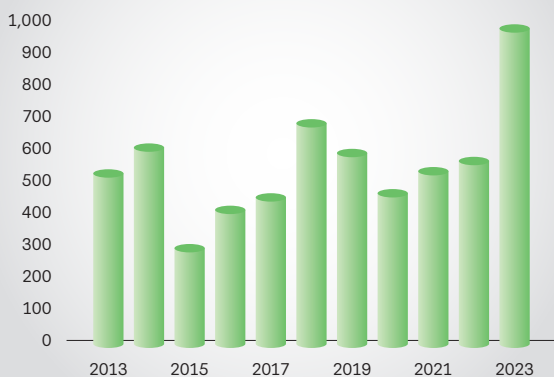
('000 sqm)



Source: CBRE Research

SYDNEY INDUSTRIAL & LOGISTICS SUPPLY

('000 sqm)



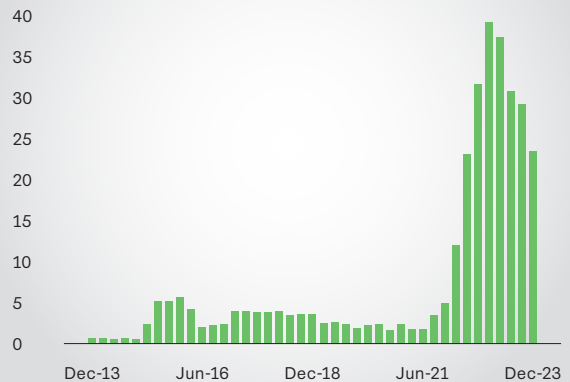
Source: CBRE Research

3.3 Rents & Vacancy

On a y-o-y basis, Sydney super prime average net face rents increased by 23%, while prime and secondary rents both grew by 15%. Sydney maintains an all-time low vacancy rate of 0.5% (2H 2023), which continues to drive rents as occupiers have minimal options to attain the floorspace and fit out that suits their needs. New developments continue to be rapidly occupied and pre-leased by occupiers looking to improve for size and functionality needs.

SYDNEY INDUSTRIAL & LOGISTICS SUPER PRIME RENT GROWTH (Y-O-Y)

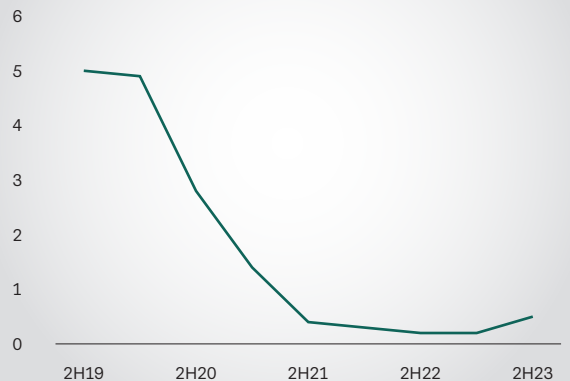
(%)



Source: CBRE Research

SYDNEY INDUSTRIAL & LOGISTICS VACANCY RATE

(%)



Source: CBRE Research

INDEPENDENT MARKET STUDY REPORT

AUSTRALIA

BY CBRE RESEARCH, FEBRUARY 2024

SYDNEY INDUSTRIAL & LOGISTICS SUPER PRIME RENTS BY SUB-MARKET (AS AT DEC 2023)

	Central West	Inner South West	Metro West	Outer North West	Outer South West	South Sydney
Rent A\$ per sqm p.a.	285	260	220	210	230	360
Change (y-o-y)	36%	37%	0%	22%	35%	17%
Incentives	12%	12%	10%	11%	10%	7%

Source: CBRE Research

SYDNEY INDUSTRIAL & LOGISTICS VACANCY RATES BY SUB-MARKET

	Central West	Inner South West	Metro West	Outer North West	Outer South West	South Sydney
Dec 2023	0.6%	1.1%	0.4%	0.6%	0.0%	0.7%
Dec 2022	0.3%	0.0%	0.0%	0.2%	0.2%	0.7%

Source: CBRE Research

3.4 Precincts

The Central West precinct super prime rents recorded the strongest growth in 4Q 2023 (11.8% q-o-q). Higher rent growth in the Central West is attributed to occupiers' continued appetite for in-fill locations, with recent demand raising the average rent significantly.

3.5 Outlook

Despite the slowdown in take-up levels through 2023, we forecast that take-up levels for 2024 will surpass the 10-year annual average of c.920,000 sqm. Additionally, the persistence of ultra-low vacancy (0.5% in Sydney) should support pre-leasing activity.

A major portion of the supply pipeline for 2024 (c.1.5 million sqm) is expected to flow from The Yards, Moorebank Intermodal Precinct and Oakdale West Industrial Estate in Sydney's West and South West regions. The precincts benefit from connectivity to major toll roads (M5 and M7), rail links and proximity to the upcoming Western Sydney Airport which is expected to open in 2026.

We expect rents to remain positive over 2024, albeit at more normalised rates. Despite the heightened supply expected over 2024 and 2025, new developments have been pre-committed at a steady rate, which softens the downward pressure on rental growth. Incentives will likely be the main instrument that landlords use to compete once existing leases expire.

A further expansion in cap rates of up to 25 bps is anticipated between the end of 2023 and 1H 2024.

INDEPENDENT MARKET STUDY REPORT

AUSTRALIA

BY CBRE RESEARCH, FEBRUARY 2024

4. MELBOURNE INDUSTRIAL & LOGISTICS MARKET

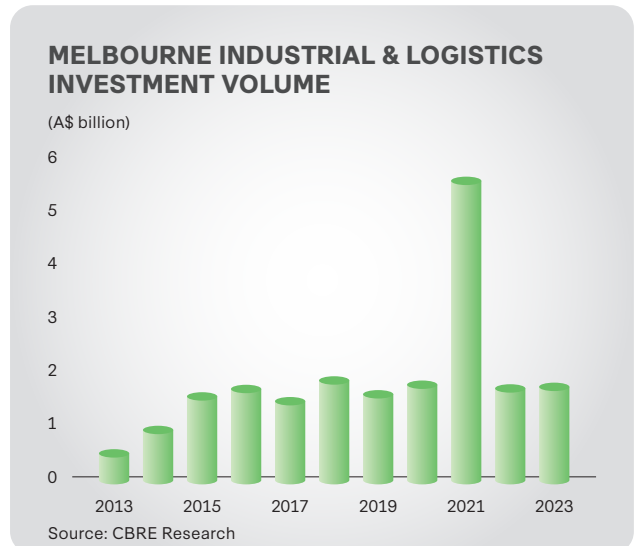
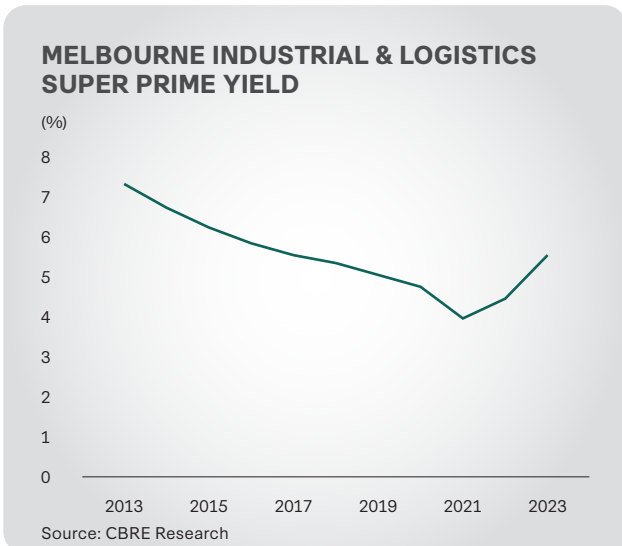


4.1 Investment Markets

Super prime yields expanded by 125 bps during 2023 to 5.60%. In contrast, prime and secondary yields have expanded by 105 bps and 90 bps to 5.69% and 6.15%, respectively. Yields in Melbourne have normalised following historic high valuations in 2021. Further expansion is expected over 2024 as valuations continue to normalise amidst signs of weakening demand.

Investment volumes in 2023 across Melbourne were consistent with historical levels. Changing investor

preferences continue to shape the local landscape. From 2021-2022, investors focused on short-WALE assets to capture rental upside during a period of rapid growth. For instance, 95-105 South Gippsland Highway sold for A\$88 million (two-year WALE, 4.9% initial yield) in April 2021. However, investor preference has shifted towards assets with a longer WALE due to certainty of rental income amidst expectations of subdued leasing demand and rental growth.



INDEPENDENT MARKET STUDY REPORT

AUSTRALIA

BY CBRE RESEARCH, FEBRUARY 2024

4.2 Take-up & Supply

Take-up volumes reached 1.5 million sqm over 2023, with Melbourne's West precinct contributing close to 50% of total take-up. A combination of high vacancy in the West (2.9%) relative to the rest of Melbourne, and significantly higher existing and future supply are key reasons for this concentration. The Transport, Postal & Warehousing industry continue to dominate leasing activity across the state.

Both enquiry volumes and leasing activity saw moderate declines over the end of 2023. Key reasons were occupiers choosing to increase efficiencies in existing tenancies rather than seeking new space, as well as easing supply chain constraints. Tenants who previously sought out excess space in a tight vacancy environment, have paused their proactive approach and are choosing to lease space only when required.

Supply in 2023 was 777,000 sqm across Melbourne. The expected supply decreased over 2023 as rising funding

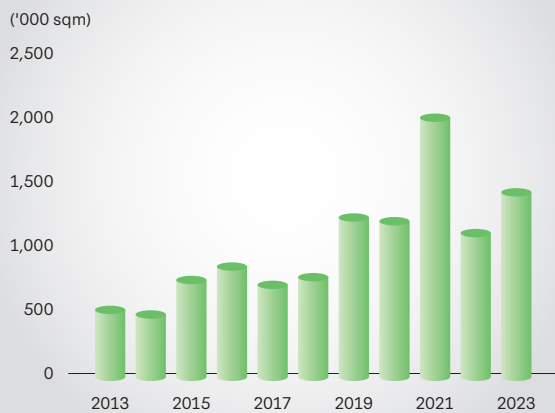
costs and elevated construction costs caused delays in the supply pipeline. Over 2024, close to 1.2 million sqm is expected to come to market. However, the pre-commitment level for existing 2024 projects is relatively low at 30% of total supply (as of 4Q 2023). Hence, projects may be mooted or delayed over the course of the year.

4.3 Rents & Vacancy

2023 saw a period of very elevated rent growth across all grades of industrial stock in Melbourne - super prime (24%), prime (26%) and secondary (19%). However, the combination of rising vacancy and slowing demand contributed to a slower pace of growth as 2023 progressed. Some landlords and asset owners sought out longer lease terms to increase certainty around income.

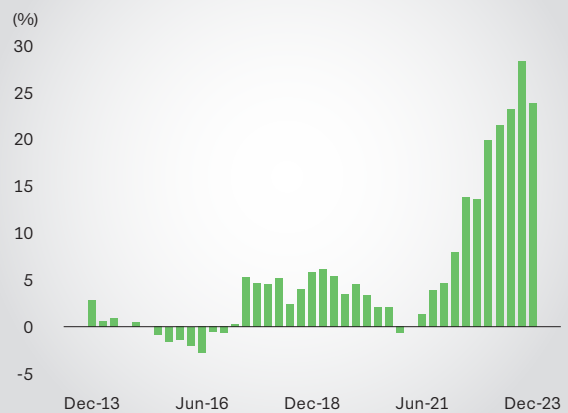
Incentives saw a moderate increase in Melbourne over the quarter. Super prime assets saw the largest average quarterly increase of 360 bps to 18.1%, followed by prime assets with 300 bps to 13.5%. Secondary grade stock saw the smallest increase of 180 bps to 9.9%.

MELBOURNE INDUSTRIAL & LOGISTICS TAKE-UP



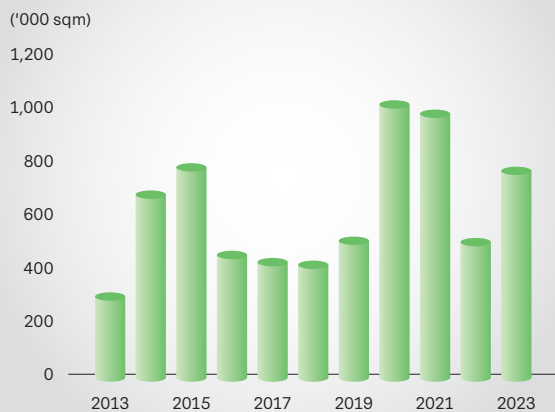
Source: CBRE Research

MELBOURNE INDUSTRIAL & LOGISTICS SUPER PRIME RENT GROWTH (Y-O-Y)



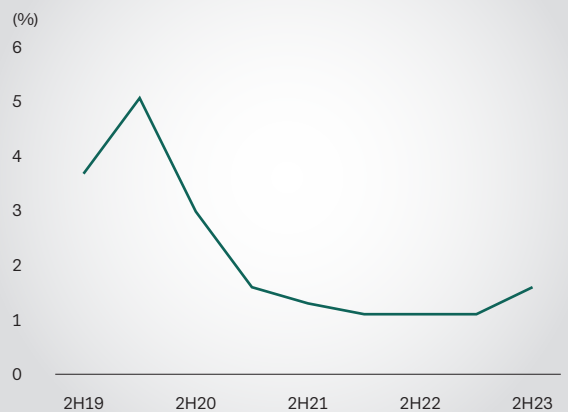
Source: CBRE Research

MELBOURNE INDUSTRIAL & LOGISTICS SUPPLY



Source: CBRE Research

MELBOURNE INDUSTRIAL & LOGISTICS VACANCY RATE



Source: CBRE Research

INDEPENDENT MARKET STUDY REPORT

AUSTRALIA

BY CBRE RESEARCH, FEBRUARY 2024

MELBOURNE INDUSTRIAL & LOGISTICS SUPER PRIME RENTS BY SUB-MARKET (AS AT DEC 2023)

	North	City Fringe	West	East	South East
Rent A\$ per sqm p.a.	135	185	130	170	145
Change (y-o-y)	17%	32%	33%	26%	21%
Incentives	20%	8%	20%	15%	18%

Source: CBRE Research

MELBOURNE INDUSTRIAL & LOGISTICS VACANCY RATE BY SUB-MARKET

	North	City Fringe	West	South East / East
Dec 2023	0.7%	0.0%	2.9%	1.0%
Dec 2022	0.5%	0.0%	0.5%	2.1%

Source: CBRE Research

4.4 Precincts

Melbourne's industrial precincts are experiencing divergence, however not on the same scale as Melbourne's office market.

In Melbourne's Inner (City Fringe) market, industrial rents are the highest across the state. Current pricing levels are too high for most occupiers. Despite this, large institutions are proving to hold rents firm throughout negotiations, with private owners proving more flexible. A moderate amount of vacancy is expected to emerge in Port Melbourne, which will increase competition in the precinct.

Melbourne's East and South East precincts have seen leasing volumes and enquiry taper off towards the end of 2023. Limited availabilities across the precinct are key factors driving rental growth in 2023. Normalisation in rents is expected over 2024. Developers in the precinct have become more cautious, with limited speculative developments over the next few years.

The North precinct noted a 50% reduction in the pool of occupiers at the end of 2023, compared to 2022 levels. Despite this, tenants in the precinct have begun seeking out larger amounts of space. There are limited large developers investing large stock in the North.

Sublease space concerns are the highest in Melbourne's West. Over 4Q 2023, majority of this space was absorbed, however the amount of sublease space is expected to rise over 2024. The expectation is that rents will remain relatively stable in 2024, with landlords continuing to offer higher incentives to remain competitive.

4.5 Outlook

CBRE expects Melbourne to see continued normalisation in 2024 due to rising vacancy levels, lowering demand and a higher supply of 1.2 million sqm expected in 2024. Following y-o-y rental growth of 20% in most precincts, CBRE expects rental growth to decline to high single-digits over 2024 due to increases in incentive levels as landlords seek to remain competitive.

Melbourne's industrial supply pipeline may see significant delays over the year, in turn having a dampening effect on the aforementioned impacts. However, landlords are expected to act in favour of income certainty by seeking out longer term leases with higher incentives.

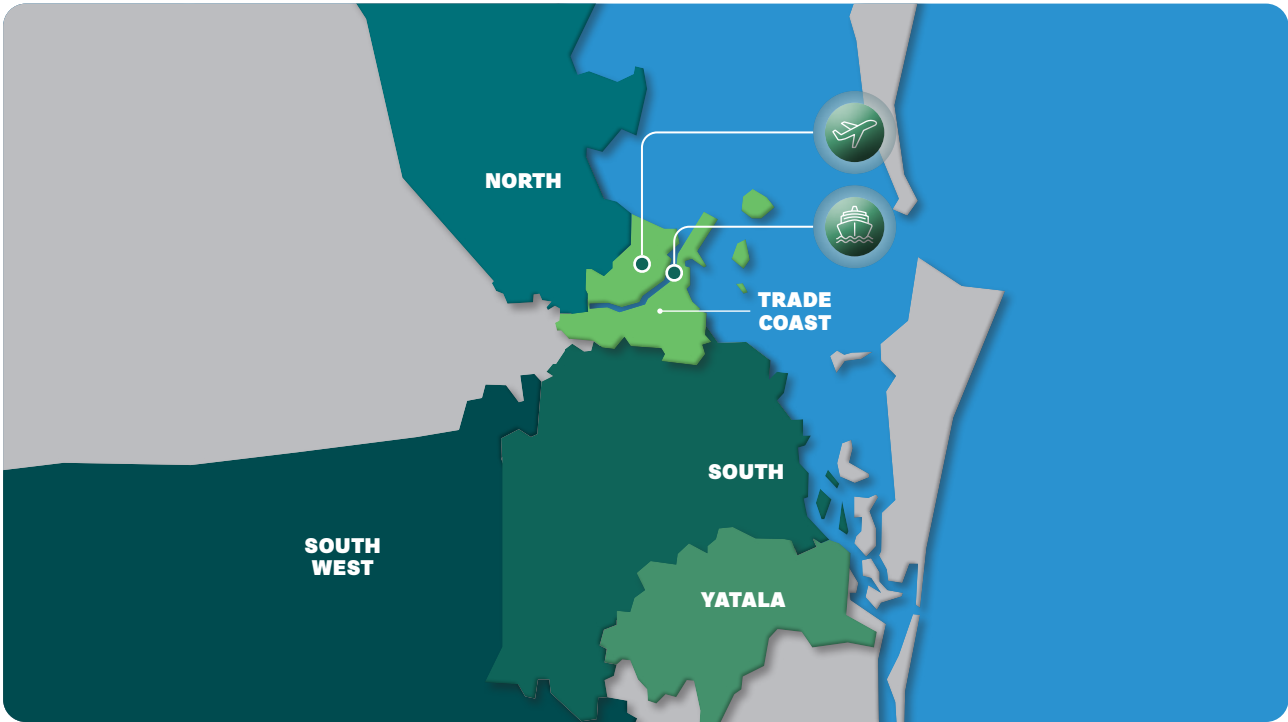
Land values are likely to remain stable or decline across the state. While owner-occupiers remain moderately active, other groups have begun to be more hesitant as economic feasibility concerns rise in the current elevated interest rate and high construction cost environment. Demand for sites at existing levels are proving unfeasible, and this may drive land values lower over 2024. CBRE expects yields to expand an additional 25-50 bps between the end of 2023 and 1H 2024.

INDEPENDENT MARKET STUDY REPORT

AUSTRALIA

BY CBRE RESEARCH, FEBRUARY 2024

5. BRISBANE INDUSTRIAL & LOGISTICS MARKET

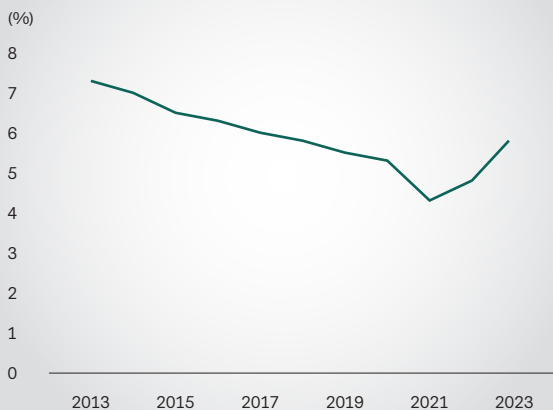


5.1 Investment Markets

Investment volumes of A\$889 million in 2023 fell 42% from 2022 levels but remain marginally above the 10-year average. Yields for super prime assets across

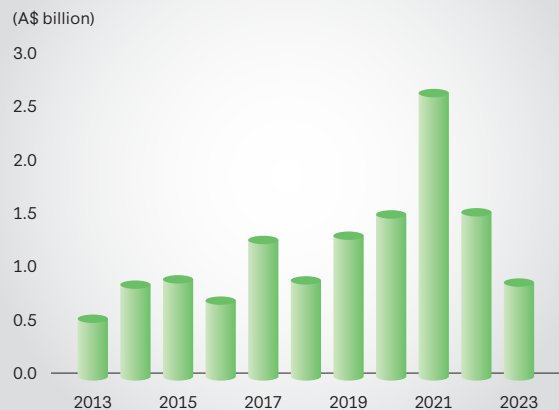
Brisbane are currently 5.83%, an increase of 108 bps y-o-y, driven by higher bond yields and reduced activity from institutional buyers.

BRISBANE INDUSTRIAL & LOGISTICS SUPER PRIME YIELD



Source: CBRE Research

BRISBANE INDUSTRIAL & LOGISTICS INVESTMENT VOLUME



Source: CBRE Research

INDEPENDENT MARKET STUDY REPORT

AUSTRALIA

BY CBRE RESEARCH, FEBRUARY 2024

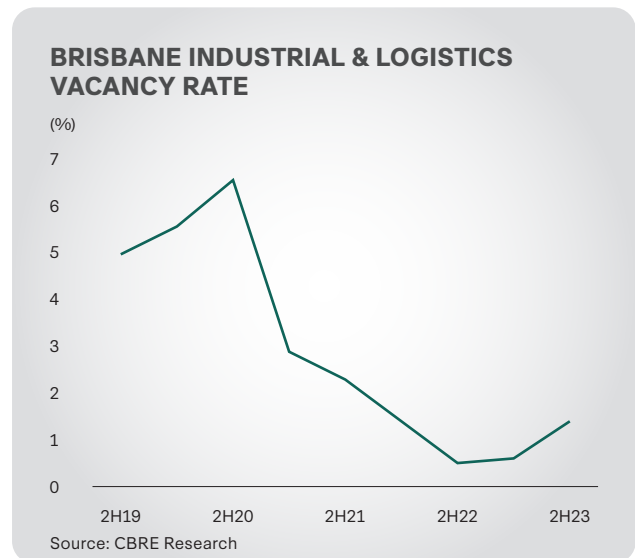
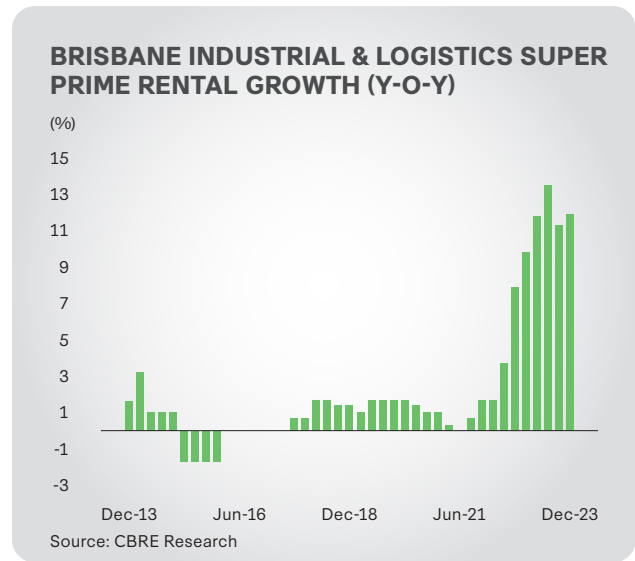
5.2 Take-up & Supply

Demand for space in 2023 came from occupiers within Transport, Postal & Warehousing (50%), Retail Trade (15%) and Manufacturing (12%) industry sectors. Leasing deals were also skewed to the Outer South (31%), due to the availability of space and supply being delivered. Take-up in the Brisbane industrial market declined over 2023, due to the softening Australian economy and higher interest rates that are impacting consumers. Notably, these economic conditions have led the Third-party Logistics (3PL) sector to be less active in the leasing market in 2023. A further hinderance on leasing activity was the extremely low vacancy rate in Brisbane, which averaged 1.4% as at 2H 2023.

New space added to the Brisbane market in 2023 totalled c.810,000 sqm, 54% higher than 2022 levels. The new developments have been concentrated in the Western Corridor Precinct (31%) and the Outer South (24%). This supply surge contributed to the marginal increase in vacancy in 2023.

5.3 Rents & Vacancy

Brisbane’s super prime, prime and secondary net face rents average A\$156 per sqm per annum (p.a.), A\$139 per sqm p.a. and A\$120 per sqm p.a., respectively, as at end 2023. The upward trend in rent equated to a yearly growth rate of 12%, 10% and 18% for super prime, prime and secondary assets, respectively. Incentives for prime grade assets average 12%, down from 17% a year ago. While vacancy drifted higher in the second half of 2023, it remains historically low and supportive of rents.



INDEPENDENT MARKET STUDY REPORT

AUSTRALIA

BY CBRE RESEARCH, FEBRUARY 2024

BRISBANE INDUSTRIAL & LOGISTICS SUPER PRIME RENTS BY SUB-MARKET (AS AT DEC 2023)

	ATC	South	North	West	M1 Corridor
Rent A\$ per sqm p.a.	175	145	163	145	140
Change (y-o-y)	9%	9%	16%	5%	19%
Incentives	12%	13%	14%	13%	12%

Source: CBRE Research

BRISBANE INDUSTRIAL & LOGISTICS VACANCY RATE BY SUB-MARKET

	ATC	South	North	West	M1 Corridor
Dec 2023	1.3%	2.7%	0.2%	0.4%	2.0%
Dec 2022	0.6%	0.5%	0.2%	0.6%	0.8%

Source: CBRE Research

5.4 Precincts

Recent activity in the occupier market and tight vacancy has led to strong y-o-y growth in net face rents across the Australia Trade Coast (ATC), North, Outer South and Western Corridor precincts. The largest q-o-q growth in 4Q 2023 for prime grade assets was recorded within the M1 Corridor (+8.3%), due to the lack of available space.

5.5 Outlook

Take-up is forecasted to draw back slightly as occupiers reconsider expansion requirements in the face of softer consumer sentiment. A further hinderance on take-up activity is the extremely low vacancy rate in Brisbane, which averaged 1.4% in 2H 2023.

CBRE expect Brisbane rents to continue to grow at above historic rates over 2024 to 2027 due to solid population growth, limited land availability, as well as continued demand for space by large occupiers that already have a presence in Sydney and Melbourne. However, rents may stabilise in the short term as large volumes of stock comes online over the next 12 months. CBRE estimates supply in 2024 could reach 845,000 sqm, 4.3% higher than supply in 2023, with around one third of space currently pre-committed.

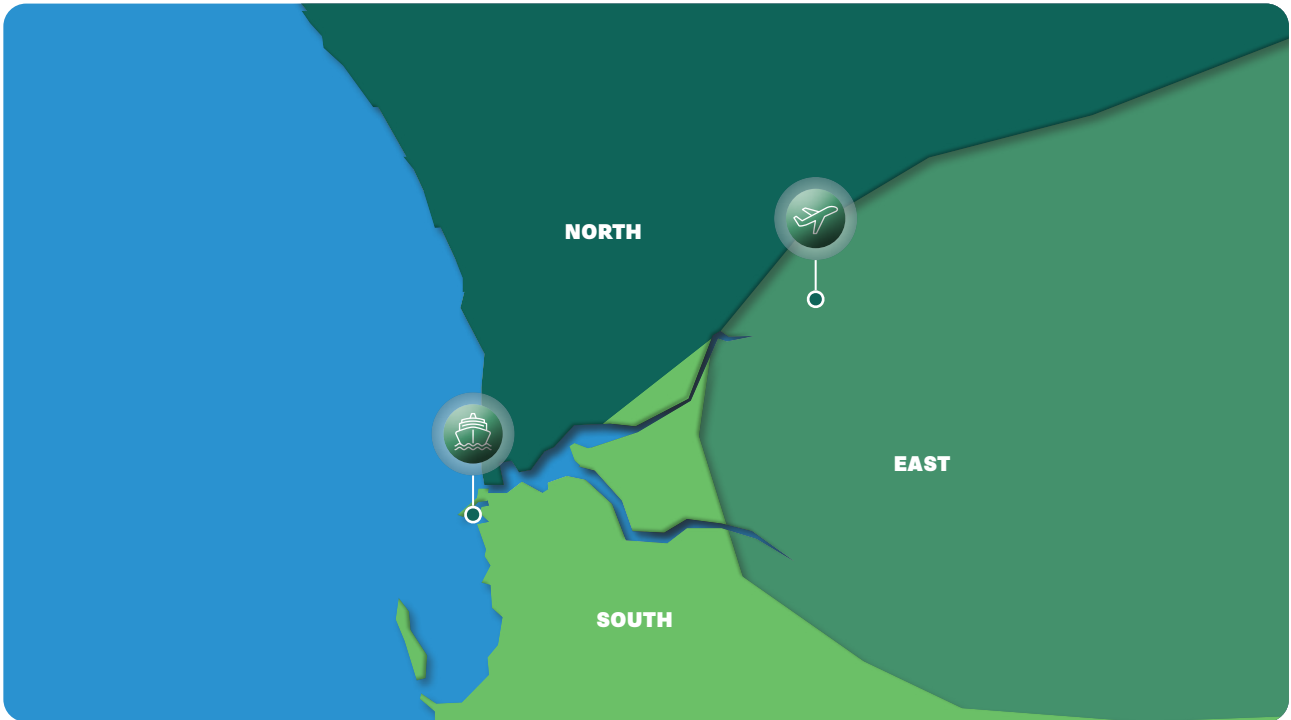
CBRE expects yields to expand an additional 25-50 bps between the end of 2023 and 1H 2024.

INDEPENDENT MARKET STUDY REPORT

AUSTRALIA

BY CBRE RESEARCH, FEBRUARY 2024

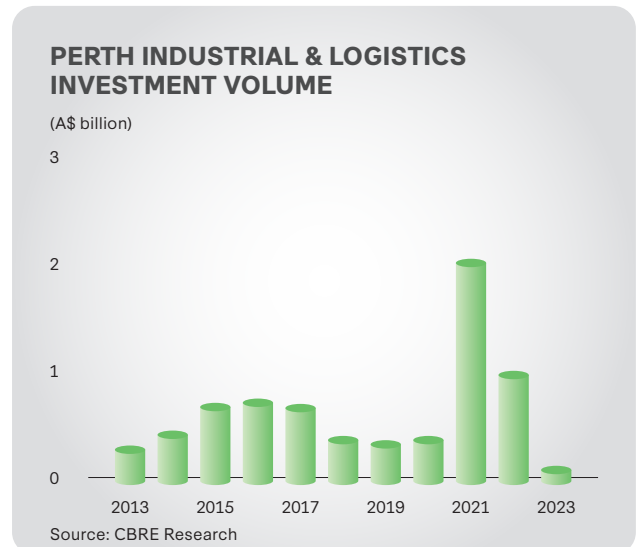
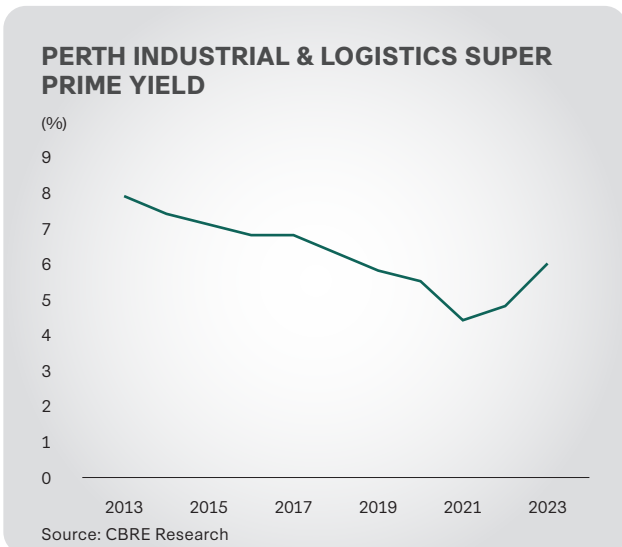
6. PERTH INDUSTRIAL & LOGISTICS MARKET



6.1 Investment Markets

Industrial sales transactions in 2023 totalled just A\$133 million, well below the 10-year annual average of A\$700 million as a significant gap remains between buyer and

vendor pricing expectations. Super prime grade yields expanded to 6.00% (+125 bps y-o-y) and prime grade yields expanded to 6.50% (+75 bps y-o-y).



INDEPENDENT MARKET STUDY REPORT

AUSTRALIA

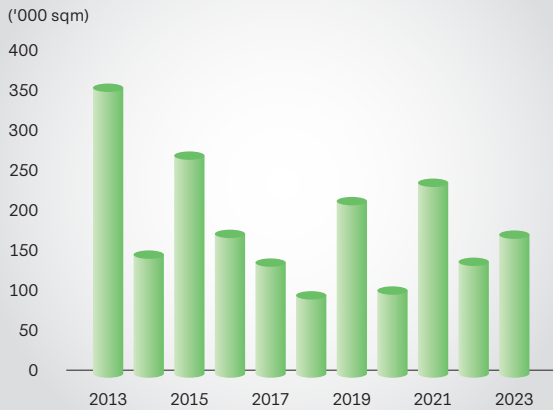
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6.2 Take-up & Supply

Total gross take-up for 2023 was c.174,500 sqm, slightly below the 10-year historical average, despite strong owner-occupier demand due to limited stock availability. Transport (29%), Manufacturing (20%) and Retail (14%) accounted for the majority of leasing activity. Total new stock for 2023 was c.245,700 sqm, over double the 10-year annual average of c.111,200 sqm, with 77% already pre-committed or owner-occupied.

Of the c.557,000 sqm supply expected to be delivered between 2024 and 2027, the majority will be added in the East (50%) and South (41%) precincts, with the North accounting for just 9%.

PERTH INDUSTRIAL & LOGISTICS TAKE-UP



Source: CBRE Research

PERTH INDUSTRIAL & LOGISTICS SUPPLY



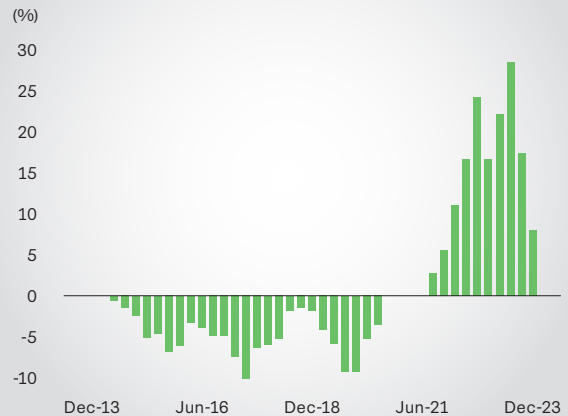
Source: CBRE Research

6.3 Rents & Vacancy

Super prime industrial net face rents held steady q-o-q in 4Q 2023 (+8.0% y-o-y) at an average of A\$135 per sqm p.a.. Prime rents were also unchanged q-o-q but increased 13.0% y-o-y to A\$130 per sqm p.a., as rent growth continues to decelerate from the highs seen in 2022. Rents for secondary grade industrial stock were also unchanged q-o-q at A\$110 per sqm p.a. (+15.8% y-o-y). Incentives throughout 4Q 2023 continued to remain stable with super prime and prime incentives both averaging 5.0% while secondary incentives averaged 8.0%.

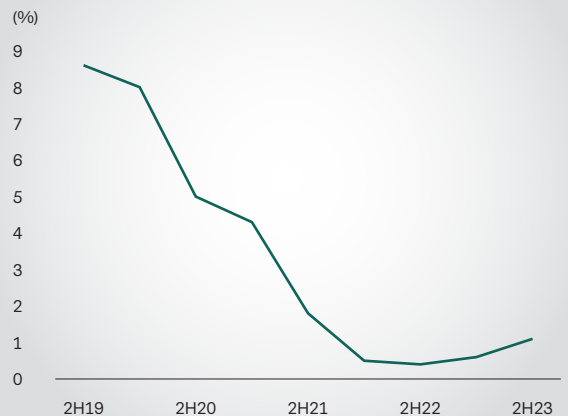
Despite the slight uptick in vacancy to 1.1% in 2H 2023, industrial vacancy in Perth remains the second lowest in the nation.

PERTH INDUSTRIAL & LOGISTICS SUPER PRIME RENT GROWTH (Y-O-Y)



Source: CBRE Research

PERTH INDUSTRIAL & LOGISTICS VACANCY RATE



Source: CBRE Research

INDEPENDENT MARKET STUDY REPORT

AUSTRALIA

BY CBRE RESEARCH, FEBRUARY 2024

PERTH INDUSTRIAL & LOGISTICS SUPER PRIME RENTS BY SUB-MARKET (AS AT DEC 2023)

	North	South	East
Rent A\$ per sqm p.a.	135	135	135
Change (y-o-y)	8%	8%	8%
Incentives	5%	5%	5%

Source: CBRE Research

PERTH INDUSTRIAL & LOGISTICS VACANCY RATE BY SUB-MARKET

	North	South	East
Dec 2023	0.5%	1.6%	1.2%
Dec 2022	0.1%	0.5%	0.7%

Source: CBRE Research

6.4 Precincts

Most industrial activity is concentrated in the South and East precincts, primarily due to greater availability of industrial land and better access to major arterial road networks and ports. Between 2021 to 2023, Perth's East industrial precinct accounted for 60% of total take-up, with the South precinct accounting for 37%. The North precinct accounted for just 3% of industrial take-up in the same period. Unsurprisingly, 50% of upcoming supply over 2024 to 2027 will be developed in the East Precinct and 41% is in the South precinct.

The South precinct saw the largest increase in vacancy in 2H 2023, increasing 100 bps from 1H 2023 to 1.6%, as several larger speculative projects were completed in the period. However, due to the good quality and location of these projects, they are likely to be taken up within 1H 2024.

6.5 Outlook

Rent growth is forecasted to continue to decelerate in 2024, as landlords and occupiers remain more cautious. Land values hit a 10-year high in 2H 2022 and have since stagnated, stretching the financial feasibility at these values, especially considering higher construction and financing costs. Industrial land values are not expected to see any significant appreciation in the near-term and some areas may decline.

Despite the minor uptick in vacancy in 2H 2023 and softer take-up, industrial vacancy rates are expected to remain below historical averages in the near term. Approximately 67% of the c.135,000 sqm of projects expected to complete in 2024 is currently pre-committed.

Super prime yields saw significant expansion in 2023 (+125 bps y-o-y) and this expansion is forecast to continue into 2024, as rent growth continues to slow. CBRE expects yields to expand an additional 50-75 bps between the end of 2023 and 1H 2024. Investment activity in industrial developments is likely to remain subdued in 2024, due to a significant gap in pricing expectations. Potential vendors have little incentive to sell, while buyers remain constrained by higher capital costs. However, there may be a recovery in sales of development sites, as vendor pricing expectations become more reasonable.

INDEPENDENT MARKET STUDY REPORT

AUSTRALIA

BY CBRE RESEARCH, FEBRUARY 2024

7. SUBURBAN OFFICE MARKET OVERVIEW

There are a number of themes which impact the outlook and trajectory for Australian office markets, including improving return to office attendance, re-locations into premium buildings and sub-markets, as well as a significant scale back in future supply due to funding and construction challenges.

7.1 Return to Office

Over the past 12 months, office attendance in Australia has shown a steady improvement. In 3Q 2023, the national average CBD visitation reached 71% of pre-COVID levels, well above the 54% recorded in 3Q 2022. We anticipate suburban office markets will follow trends of the CBD market, albeit there might be some lags.

Digging into this data, we observe that the Sydney CBD's peak day visitation is 83%, while visitation on Melbourne's peak day is 63%. National office attendance is highest mid-work week between Tuesday and Thursday.

Many large corporations continue to set clearer return to office policies with some major corporates in Australia who have set targets for employees to return to office, mostly requiring a minimum of 50% attendance during the week or month. CBRE expects that in early 2024, peak day visitation in the CBD and suburban offices will move closer to pre-pandemic levels even as corporates continue to provide some flexibility for employees to work from home. However, it will vary by occupier type and by location (in the CBD versus outside of the CBD).

7.2 Premiumisation

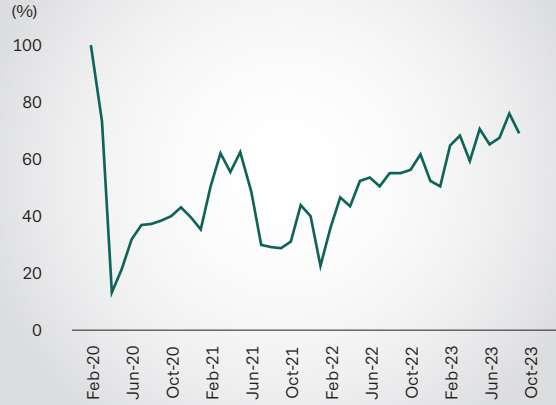
A clear trend has emerged of tenants looking to upgrade their premises. Nearly three quarters of office relocation decisions in major city CBDs have involved premises which commanded the same or higher market rents. This flight-to-quality has seen some tenants move within the CBD and from suburban to fringe and CBD locations.

For these relocations, the median net face rent is 10% higher than what may have been paid if the occupier had remained in the same premises. Relocations allow occupiers to move physically closer to their end customers. It allows them to re-configure workplace design to attract and retain talent and also match ESG ambitions with energy and wellness offerings in new premises.

7.3 Supply Cut

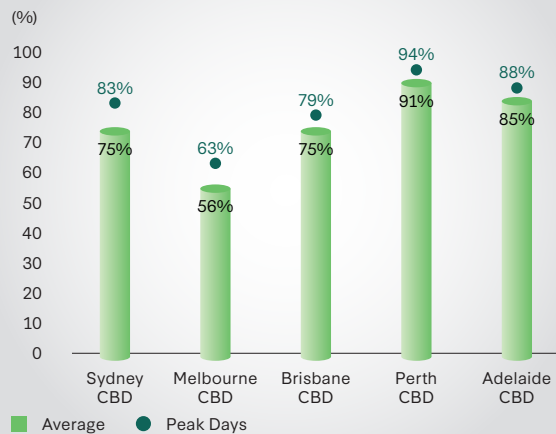
The outlook for supply has deteriorated as developers push back new projects. This is due to tenants taking longer to make long term leasing decisions, higher construction costs and financing issues. Therefore, CBRE has revised our medium term supply assumptions, largely to include committed projects that have begun construction or will begin in the near term. The other consideration is an increase in withdrawals of secondary stock which is typically being converted or demolished for residential

CBRE AUSTRALIAN CBD RETURN TO OFFICE INDICATOR



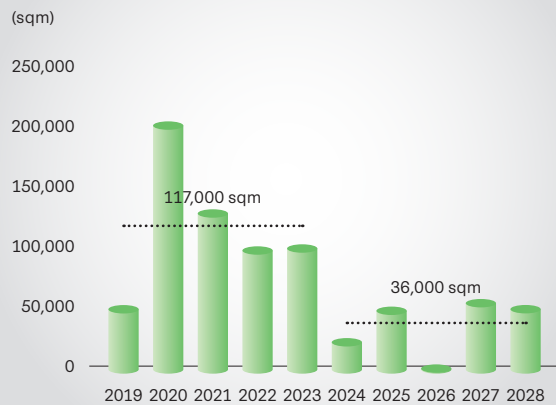
Source: CBRE Research

AUSTRALIAN CBD AVERAGE & PEAK DAY VISITATION



Source: CBRE Research

AUSTRALIAN NON-CBD NET SUPPLY



Source: CBRE Research

development. CBRE expects that non-CBD net supply will average just 36,000 sqm per year in Australia over the next five years. This is a significant drop from the 117,000 sqm p.a. recorded in the previous five years.

INDEPENDENT MARKET STUDY REPORT

AUSTRALIA

BY CBRE RESEARCH, FEBRUARY 2024

8. SYDNEY METRO OFFICE MARKET

8.1 Investment Yields & Volumes

Investment activity slowed in 2023 as interest rate hikes increased debt costs substantially and buyer-seller pricing expectations began to widen. Investment activity in the office sector specifically was also dampened further by the continued recovery of asset class fundamentals following pandemic lockdowns and a widespread shift towards hybrid working. Sydney office sales picked up slightly as 2023 progressed, but annual figures finished the year well below historical levels. The annual investment volume total of A\$3.2 billion was the lowest of the past 10 years, even falling short of activity levels in the worst year of COVID in 2020. A selection of transactions includes A\$296 million for Dexus Place (1 Margaret Place, Sydney CBD), A\$72 million for 54 Miller Street (North Sydney), A\$67 million for Innovation Quarter (158 Hawkesbury Road, Parramatta) and A\$55 million for 203-209 Northumberland Street (Sydney suburban).

Cap rates have expanded gradually since 3Q 2022 when the cash rate hike cycle began. Indicative yields across Sydney have now increased by between 135 and 250 bps from peak pricing to trough. Prime office yields in Sydney ended 2023 between 5.9% for CBD assets and 7.5% for assets situated in Macquarie Park.

8.2 Leasing Demand, Vacancy & Supply

Office vacancy rates have increased across Sydney since the onset of COVID. Overall vacancy rates increased by an average of 15.3% across the Sydney sub-markets from 4Q 2019 to 4Q 2023. The greatest increases have been seen in Metro sub-markets which have seen tenants migrate to more central locations.

SYDNEY METRO PRIME OFFICE YIELD



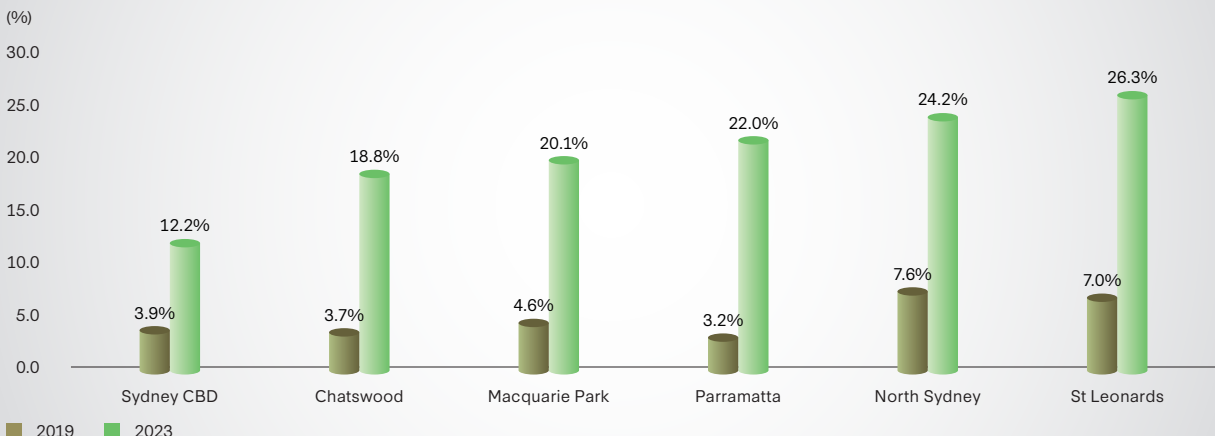
Source: CBRE Research

SYDNEY METRO OFFICE INVESTMENT VOLUME



Source: CBRE Research

SYDNEY METRO OFFICE VACANCY RATES BY SUB-MARKET



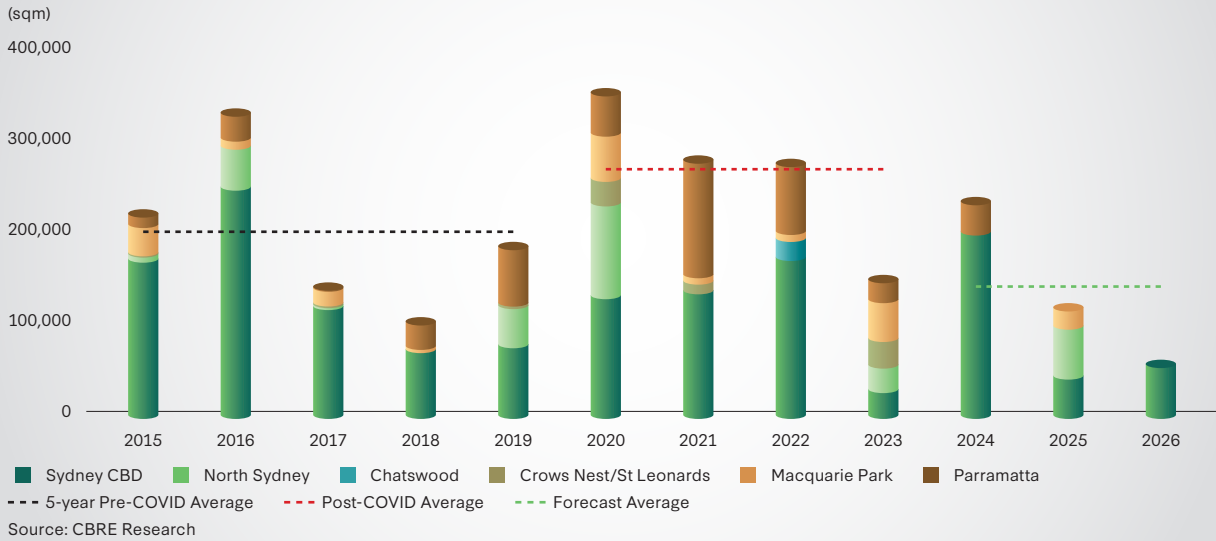
Source: CBRE Research

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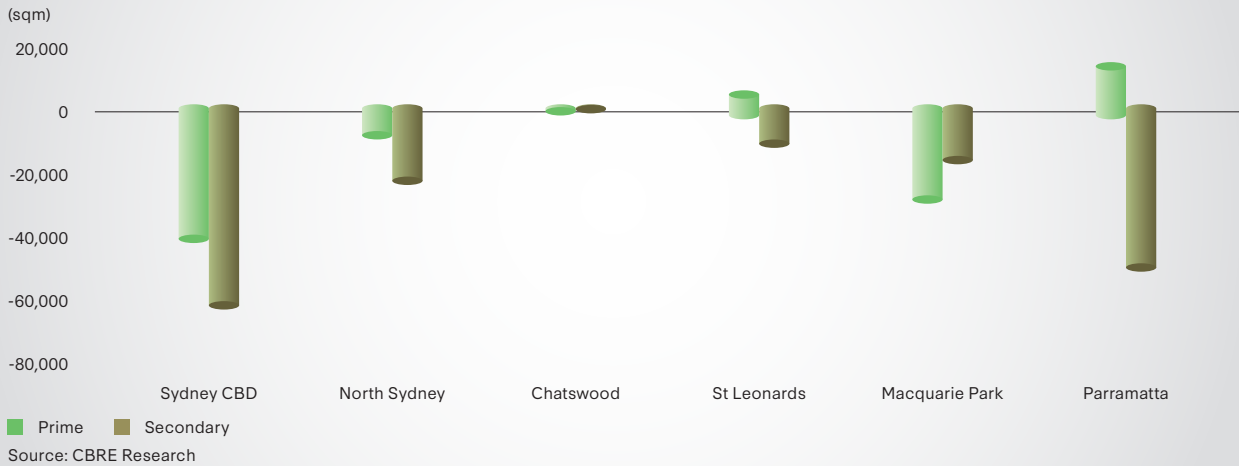
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SYDNEY METRO OFFICE NEW SUPPLY



SYDNEY METRO OFFICE NET ABSORPTION BY BUILDING GRADE IN 2023



Vacancy increases were driven by the dual impact of a slowdown in leasing activity and elevated levels of new supply. In the five years prior to the pandemic, new supply across Sydney averaged 198,000 sqm p.a., and increased to 267,000 sqm p.a. from 2020 to 2023. Looking ahead, supply is expected to slow given elevated construction costs. New supply across Sydney is expected to average 138,000 sqm p.a. over the next three years.

Despite the softening due to COVID, leasing activity has started showing signs of improvement. While net absorption has remained negative across most markets, leasing volumes have accelerated and there have been periods of positive leasing growth over the past three years. Driven by flight-to-quality, prime assets have continued to outperform, recording stronger net absorption than secondary assets in most of the Sydney sub-markets in 2023.

8.3 Rents & Incentives

Rental rates have started to climb across Metro Sydney and the CBD as leasing demand gradually recovers following the pandemic. Sydney is seeing a significant flight-to-quality by occupiers across sub-markets and property grades. Tenants are looking to upgrade their space, whether that means relocating to more central locations or into higher-grade properties close to their existing premises. This trend has driven a recovery of demand for prime grade assets and centrally located sub-markets, which in turn, has allowed face rental rates to climb in these segments of the market. Prime net face rental rates in the CBD, North Sydney, Parramatta, and Macquarie Park ended 2023 at A\$1,436 per sqm p.a., A\$993 per sqm p.a., A\$582 per sqm p.a. and A\$441 per sqm p.a., respectively. These figures represented y-o-y growth of 7.3%, 4.6%, 0.8% and 0.9%, respectively.

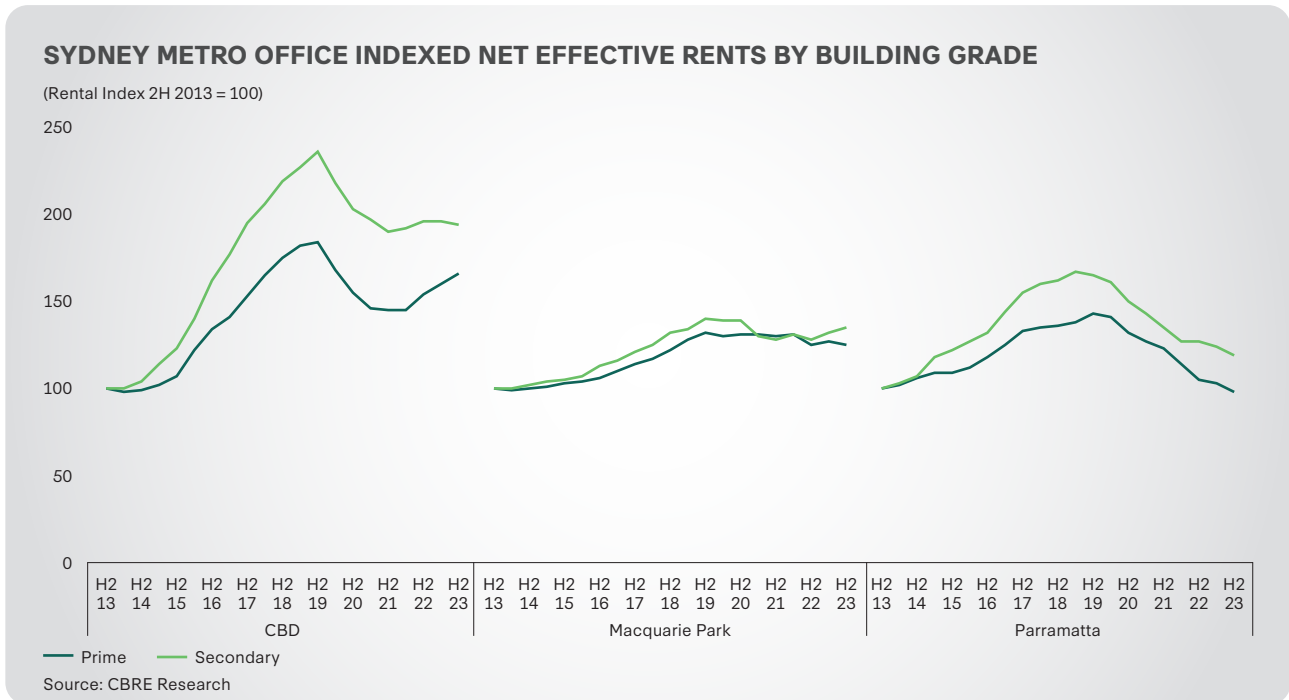
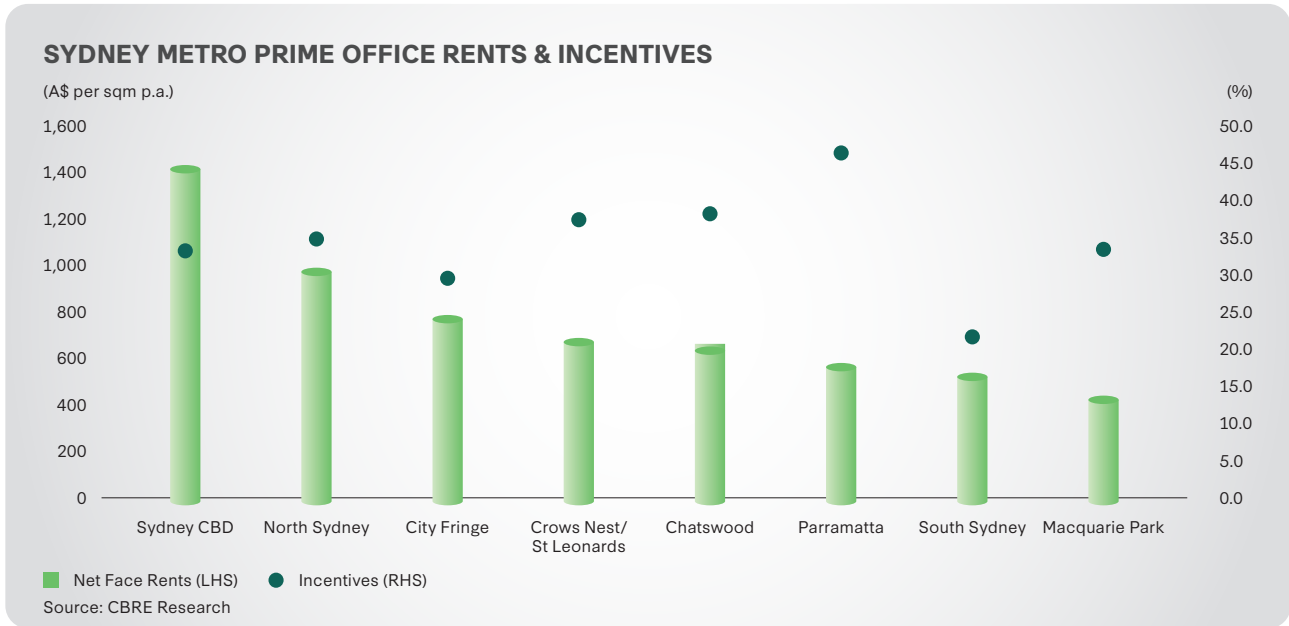
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While face rents have continued to rise, leasing has remained very competitive and landlords have increased incentives to secure leases. Over 2023, the largest increases to incentives have been seen in suburban office sub-markets with elevated vacancy rates (such as Parramatta), or in secondary grade assets which have struggled to attract tenants. Incentives in the CBD, North Sydney, Macquarie Park, and Parramatta sub-markets ended 2023 at 33.3%, 34.9%, 33.5%, and 46.5%, respectively, after rising by 20 bps, 37 bps, 92 bps and 400 bps over the course of the year.

The divergent path of net face rental rates and incentives has meant that effective rental rate growth has been mixed across Metro Sydney. In sub-markets where incentive growth has been more subdued, effective rents started to climb in 2023. In sub-markets where incentive increases have been more pronounced, effective rental rates declined over the last year. This trend is forecast to continue into 2024 and it is expected that the strongest growth in effective rents will be in prime assets in the CBD and North Sydney.

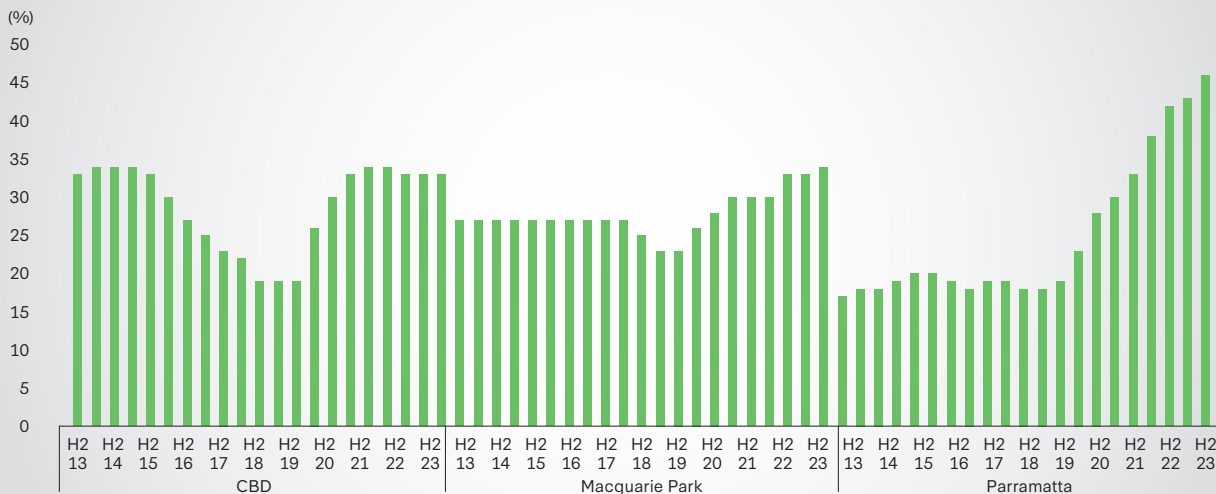


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SYDNEY METRO OFFICE PRIME INCENTIVES



Source: CBRE Research

8.4 Macquarie Park

Office fundamentals in Macquarie Park were mixed over 2023. The sub-market saw muted leasing activity. Overall net absorption totalled -9,015 sqm over 2H 2023, bringing the 12-month trailing net absorption to -46,002 sqm. Leasing was hindered by shifts in office usage patterns and global economic challenges. The flight-to-quality from occupiers has continued as many tenants relocate or consolidate into more central locations.

Macquarie Park saw the delivery of 60,500 sqm of new office supply in 2023. The 2023 delivery total caps a four-year supply wave, over which 125,460 sqm of new supply have been delivered to the sub-market.

The lack of robust leasing activity combined with the elevated new supply resulted in prime and secondary vacancy rates rising to 21.0% and 18.0%, respectively, as of end 2023. Despite the increase, the overall vacancy rate in Macquarie Park remains one of the lowest amongst metro Sydney sub-markets at 20.1%.

Leasing fundamentals are expected to improve over the coming year as there is no new supply slated for delivery in 2024.

Prime net face rental rates remained stable over 4Q 2023, ending the period at A\$441 per sqm p.a.. The rent discounts being offered in Macquarie Park have allowed vacancy rates to remain low while other metro sub-markets have struggled to fill space in recent years. While face rents have held stable, prime incentives increased over 2023, ending the period at 34.2%.

Given the lack of movement in prime face rental rates and mild increases to incentives, net effective rents declined slightly over 2023. Prime net effective rents ended 4Q 2023 at A\$290 per sqm p.a..

8.5 Outlook

Office leasing across Sydney will continue to be driven by a flight-to-quality in 2024. This will further drive the bifurcation between prime and secondary leasing markets as well as between core and non-core geographies. While demand for space in the CBD will remain elevated, CBRE also expects strong demand to develop for the highest grade assets in metro sub-markets. We are seeing migration into Parramatta, Macquarie Park and North Shore sub-markets from smaller fringe areas of Sydney. We have also seen larger suburban occupiers consolidate or relocate into newer assets within their metro sub-markets. Both of these trends are poised to continue into the new year.

The elevated volume of new office supply delivered across Sydney from 2020 to 2023 has resulted in historically elevated vacancy rates in most sub-markets. Vacancy rates across Sydney are forecast to continue increasing in 2024 due to additional new supply being delivered to the CBD and the ongoing backfill of space due to occupier relocations over the last three years. While the supply pipeline in the CBD is well-leased, new metro developments have been less successful at attracting tenants.

Net face rental rates are expected to increase across most Sydney sub-markets in 2024, however, incentives will also continue ticking upwards in areas of the city dealing with elevated vacancy rates. Areas of the city with the strongest occupancy (such as the CBD Core) will see net effective rental rate growth in 2024, while areas of the city with weaker occupancy will likely see net effective rents decline (most metro sub-markets).

Office investment activity is forecast to remain relatively muted over the first half of 2024, before accelerating over the second half. Investor sentiment towards office assets has remained mixed as investors continue to build conviction around the recovery of the sector. CBRE expects yields to expand an additional 25-50 bps over the coming year.

INDEPENDENT MARKET STUDY REPORT

AUSTRALIA

BY CBRE RESEARCH, FEBRUARY 2024

9. MELBOURNE METRO OFFICE MARKET

9.1 Investment Yields & Volumes

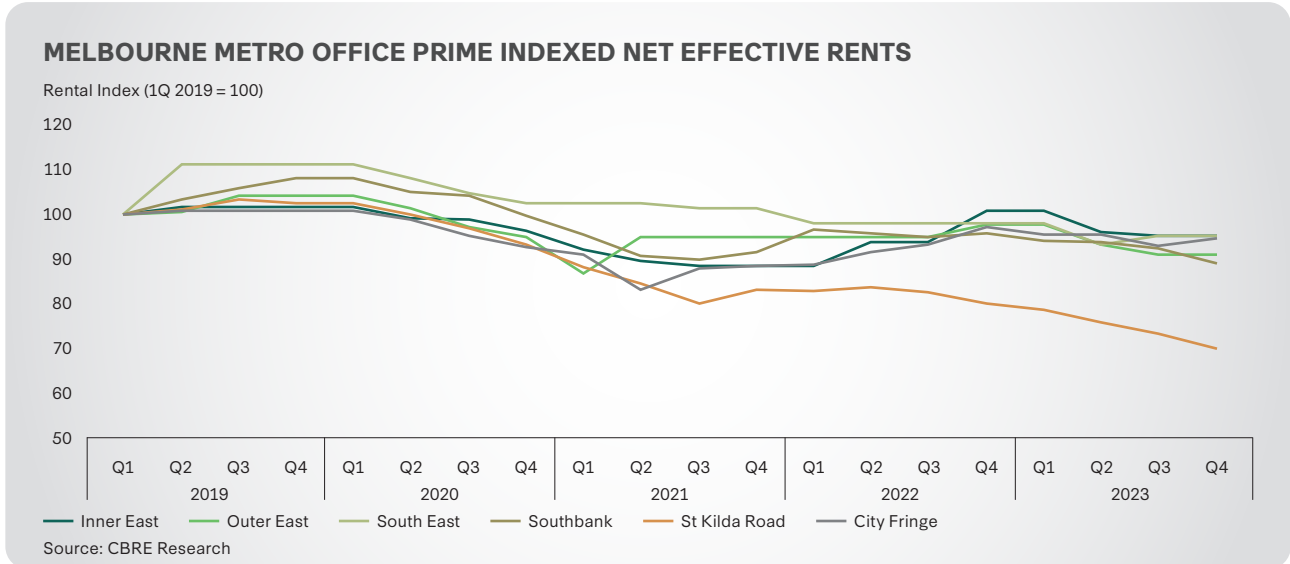
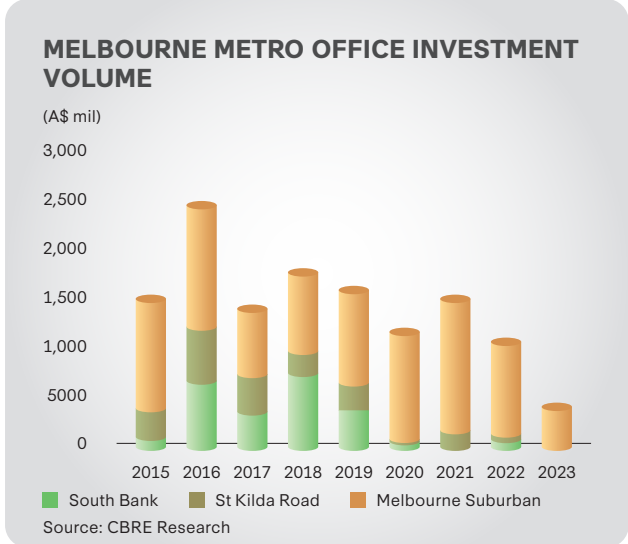
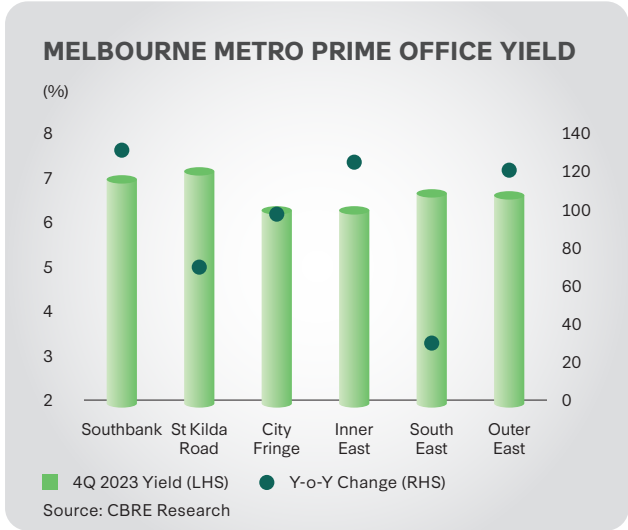
Yields across Melbourne have seen large expansion over the last 18 months. This expansion has been more pronounced in Melbourne’s fringe and suburban precincts. Valuations for fringe and suburban assets have seen steep declines from pre-COVID levels. However, significant bifurcation exists across Melbourne as valuations of high quality assets in core suburban locations have proven more resilient.

Sales volumes across the metro markets stagnated in 2023, in line with Australia’s office market. Transactions in Melbourne’s suburban market reached just over A\$420 million in 2023. Large institutions were mostly absent from the metro market this year, with small developers and owner-occupiers being the most active groups. Close to 50% of 2023’s sale volumes came through the sale of 8 Nicholson Street in 4Q 2023, which sold for A\$214 million.

9.2 Rents & Incentives

Melbourne’s suburban leasing market remains significantly bifurcated, a trend that persisted throughout 2023. Within precincts, tenant preference is extremely pronounced driving leasing activity across the market.

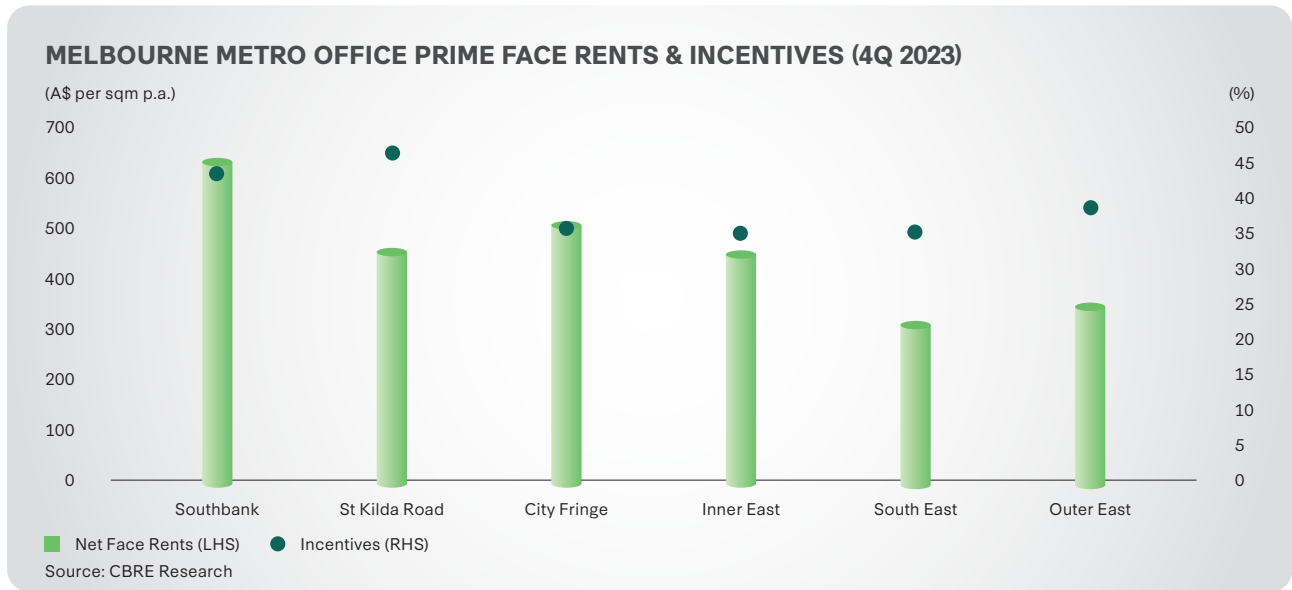
Whilst average prime effective rents have fallen in all metro precincts across the last five years, some precincts have seen modest rebounds from lows seen over 2020 to 2021. The outlier market at present is St Kilda Road which has experienced a 30% reduction in average effective rents over the past three years. All other markets have seen their effective rents holding at levels which are 5-10% lower than pre-pandemic rates. The strong concentration of private owners across the suburban market is a key reason for the stickiness of incentives and face rents.



INDEPENDENT MARKET STUDY REPORT

AUSTRALIA

BY CBRE RESEARCH, FEBRUARY 2024



9.3 Outlook

Further bifurcation between and within precincts is expected over 2024. Concerns have begun to emerge for weakening demand for metro assets. These concerns primarily exist for existing assets competing with select CBD stock in notable precincts. Docklands, a Melbourne CBD precinct exhibiting an average prime incentive rate of 55% as of 4Q 2023 (830 bps higher than the CBD average) is a notable precinct driving this weakened metro demand. With elevated incentives in some CBD precincts, net effective rents in the CBD have become comparable to some suburban precincts. CBRE expects this cannibalisation between precincts to occur throughout the year, impacting primarily Southbank, St Kilda Road and the City Fringe.

Non-fringe precincts are likely to be less impacted by this, as tenant profiles in these precincts are significantly more concentrated in and around key

suburbs. Occupiers with existing space in outer-suburban assets are driven there due to factors such as location requirements (close to operations facilities or staff housing) and high car park requirements.

Overall, CBRE expects the flight-to-quality trend to drive tenants in these precincts to key hubs and assets. Whilst overall vacancy levels are believed to be high in the outer precincts, this is driven by outliers both with high (>50%) and low (<5%) vacancy.

Office investment activity is forecast to remain relatively muted over the first half of 2024, before accelerating over the second half. Investor sentiment towards office assets has remained mixed as investors continue to build conviction around the recovery of the sector. CBRE expects yields to expand an additional 50-75 bps over the coming year.

INDEPENDENT MARKET STUDY REPORT

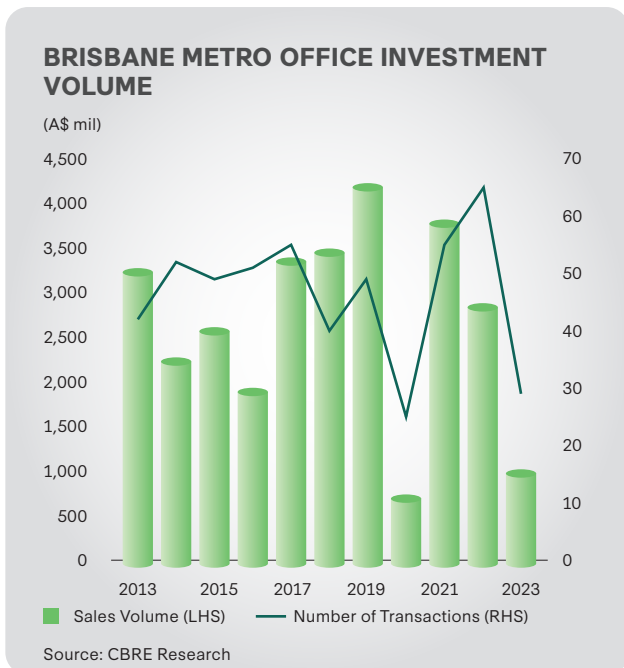
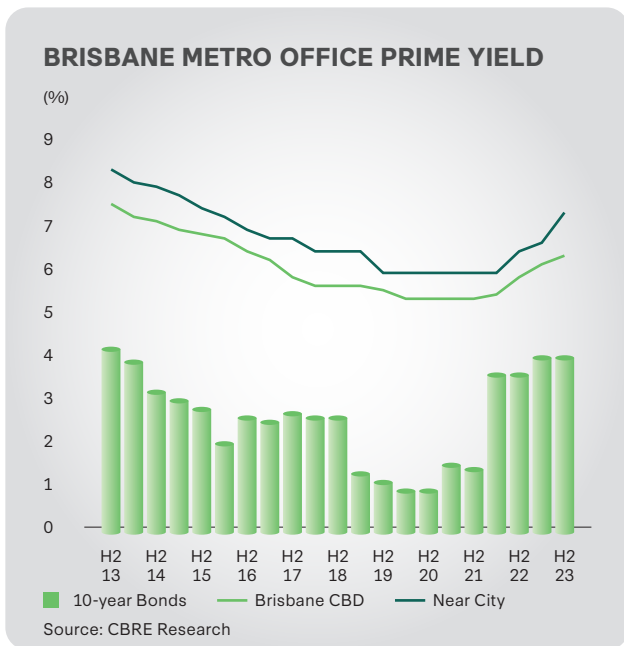
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BY CBRE RESEARCH, FEBRUARY 2024

10. BRISBANE METRO OFFICE MARKET

10.1 Investment Yields & Volumes

After a slow year, a few deals were completed in 4Q 2023 which provides further evidence of yield softening. 175 Eagle Street traded in 4Q 2023 for a reported A\$227 million, sold by Charter Hall to a private investor. The deal reflected a cap rate of approximately 6.4%. In addition, Elanor bought 55 Elizabeth Street for A\$171.9 million from Credit Suisse. The initial yield was reportedly slightly above 10%, although the asset has only one tenant with risk of the building being vacant in 4.5 years.

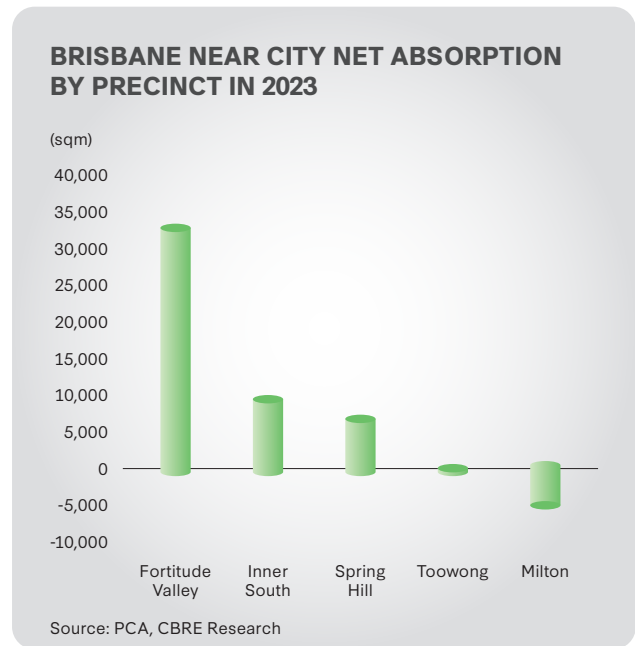


10.2 Demand

Despite economic volatility causing many markets to slow, the Brisbane Near City office market continued to rebound in 2023 with leasing volumes totalling around 99,000 sqm for the year. Brisbane’s high office occupancy has allowed tenants to make decisions about their occupancy needs and contributed to high demand for space in the Near City. Overall, there were 125 deals recorded across the market in 2023.

According to the Property Council Australia (PCA), net absorption in 2023 was 45,800 sqm across the Brisbane Near City. This is the highest rate of net absorption in the non-CBD market, highlighting the strength of Brisbane’s Near City Office market. The Fortitude Valley market contributed the most to the overall net absorption for the year, reaching 33,400 sqm over the past year. The most significant deal for the year was the Federal Government leasing the recently completed 895 Ann Street for around 23,000 sqm.

Leasing demand at the smaller end of the market appears to have softened in recent times given the economic headwinds including higher interest rates that are impacting on small and medium sized enterprises. However, larger corporates and the local government are continuing to look for opportunities to upgrade their office space, which is proving to be increasingly difficult given the tightening vacancy rate.



INDEPENDENT MARKET STUDY REPORT

AUSTRALIA

BY CBRE RESEARCH, FEBRUARY 2024

10.3 Supply

The only major project to be delivered in the Brisbane Near City was 895 Ann Street in Fortitude Valley which the Federal Government has committed to entirely.

There are no major projects in the Brisbane Near City market under construction as of end 2023. The current environment of high construction costs, high financing costs and softening cap rates have put pressure on the feasibility of these projects. Some developers are continuing to work to deliver new projects, however tenants will need to pay significantly higher rents if they would like to move into a new development.

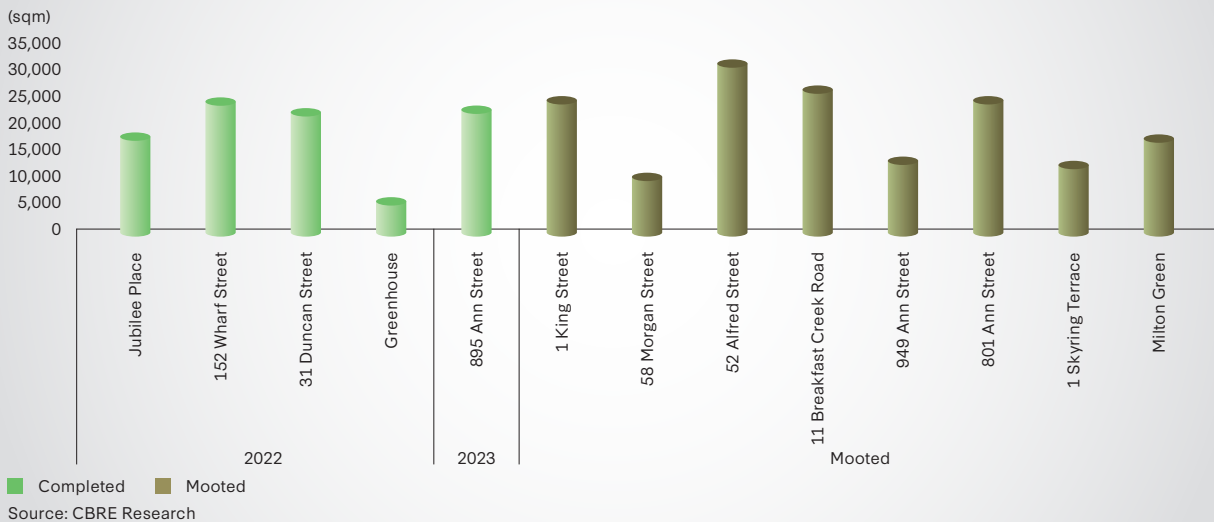
10.4 Vacancy

Brisbane Near City office vacancy tightened further in 2H 2023, from 14.9% to 13.9%. The strong net absorption during the year outpaced net supply which caused the availability of space to drop. Prime vacancy tightened significantly, from 16.0% to 14.1%, as tenants moved to better grade assets.

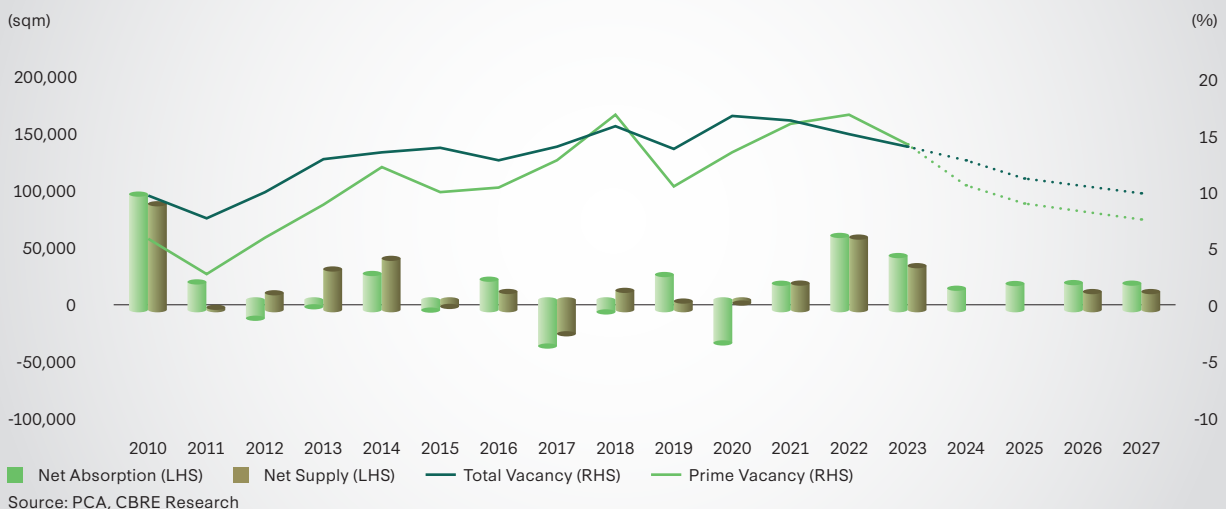
The Fortitude Valley market has observed a solid improvement in vacancy, dropping from 13.9% to 11.8% over the past 12 months. This was due to elevated net absorption and reasonably constrained supply.

The outlook for vacancy remains positive for landlords, with no committed supply prior to 2026. If net absorption remains within 16,000-21,000 sqm over the next two years, vacancy could tighten to the 8-9% range by end of 2025.

BRISBANE NEAR CITY SUPPLY PIPELINE



BRISBANE NEAR CITY DEMAND, SUPPLY & VACANCY



INDEPENDENT MARKET STUDY REPORT

AUSTRALIA

BY CBRE RESEARCH, FEBRUARY 2024

10.5 Rents & Incentives

In 4Q 2023, prime gross face rents rose 2.0% q-o-q to A\$711 per sqm p.a., bringing annual growth to 5.1%. This follows similar trends in the CBD where tight vacancies has led economic rents for new buildings to rise significantly. There is also evidence that incentives have started to pull back, dropping from 44.6% a year ago to 42.0% in 4Q 2023. As a result, effective rents have risen significantly, with growth of 5.2% q-o-q and 14.8% y-o-y. However, it should be noted that effective rents are coming off a very low base due to rising incentives during the pandemic. Effective rents have only just increased above pre-COVID levels.

The secondary market has also observed solid growth, albeit less than the prime market. Gross face rents were up 3.6% over the past year. Incentives have declined from 46.7% to 43.0% over the past 12 months, which has resulted in effective rental growth of 17.0% y-o-y.

The outlook for rental growth remains positive given the significant increase in economic rents for new developments as well as strong rental growth in the Brisbane CBD. Vacancy is also expected to continue to tighten which will drive rents higher.

10.6 Outlook

The economic outlook remains positive for the state of Queensland given strong commodity prices, solid population growth and a healthy government balance sheet. Leasing activity is expected to moderate given the significant amount of deals done over the past two years. However, interest in the Brisbane market remains robust with good volumes of tenant enquiries. Tenants in Brisbane are typically growing or holding footprint, which is in contrast to the southern capitals. Net absorption is likely to remain positive in 2024.

With vacancy expected to decline, rental growth is likely to remain strong in 2024, with Brisbane likely to be one of the strongest markets in Australia. Incentives are also likely to continue their trend downwards, as landlords have more leverage in the tighter environment.

Given recent deal evidence, capital markets activity should improve in 2024. Yields are likely to stabilise given the improved interest rate outlook, and likely cuts by the Reserve Bank of Australia in late 2024. We expect the yield tightening cycle to begin in 2025.

BRISBANE METRO OFFICE INDEXED NET EFFECTIVE RENTS BY GRADE

Rental Index (2H 2013=100)



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BY CBRE STRATEGIC INVESTMENT CONSULTING, FEBRUARY 2024

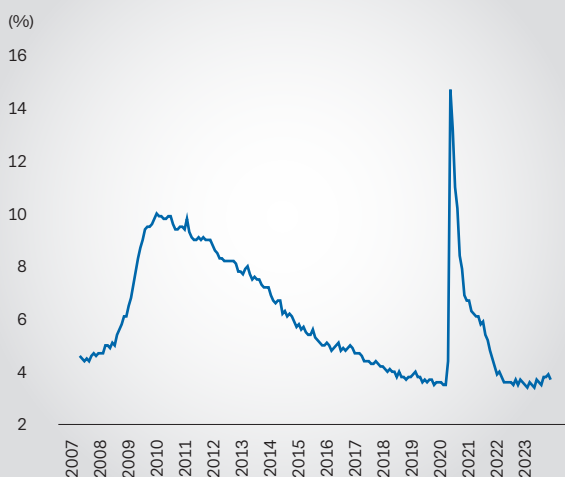
SECTION 1: ECONOMIC OVERVIEW

Summary

The United States (US) economy continued its strong recovery following the COVID-induced downturn, supported by a significant government policy response and consumer spending. Total employment returned to pre-pandemic levels in mid-2022, just over two years following a spike in pandemic-induced employment reduction. Since the onset of the pandemic, according to the OECD, the US economy has grown by 8.2% through 2023, compared to 2.3%, on average, across the other six G7 members. The pace of US economic activity exceeded expectations in 2023, even despite historic interest rate hikes, with the U.S. Commerce Department's Bureau of Economic Analysis reporting real annual GDP growth of 2.5% in 2023. Real GDP growth in the US is projected to slow in 2024 due to anticipated tightening of monetary policy in response to inflation, as well as an expected slowdown in consumer spending. In 2024, the general consensus is that business expansion will curtail as it is more expensive for companies to finance growth, which may put pressure on employment. In turn, the unemployment rate is projected to rise gradually but remain between 4% and 5%.

The Labour Market

UNEMPLOYMENT RATE REMAINS NEAR HISTORIC LOWS



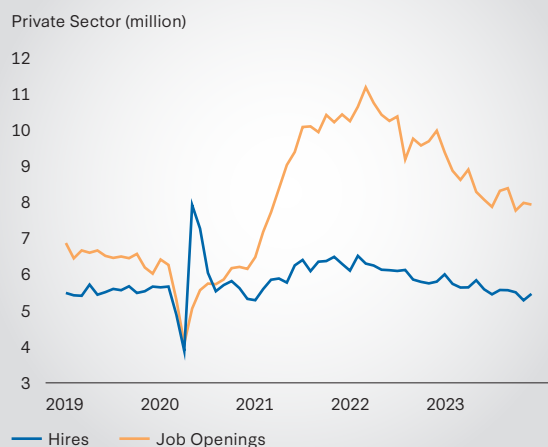
Source: U.S. Bureau of Labor Statistics

In 2023, the US labour market remained robust despite rising interest rates. Average annual nominal wage growth for private sector employees peaked at 5.4% in 2022, which was more than double the pace of growth from 2010-2019 (2.4% per year). While still elevated compared to the historic average of 3% per year, wage growth slowed to 4.5% in 2023 without a major spike in unemployment. Meanwhile, many workers who left the labour market during the pandemic were drawn back, helping to ease wage pressures. The job opening

rate (measured by job openings as a share of total employment) was rising even before the pandemic and nearing 5% in 2018-2019, but the figure rose to 7.6% at the beginning of 2022. Like other key labour indicators, this also began normalising in 2023 and fell to 5.6% by 4Q 2023. Labour force participation also rose in 2023 as increased immigration disproportionately added to the labour supply. Overall, demand for additional hiring is easing across most sectors, which should continue to put downward pressure on wages and support the c.2% inflation goal of the US Federal Reserve (Fed). Considering the challenges to add and retain talent coming out of the pandemic, businesses may be more reluctant to lay off staff in a slowing economic environment. Although forecasts call for elevated unemployment during 2024, there is no indication that the US economy is heading towards a recession. The continued strength of the US labour market should help shield the economy from significant economic troubles in 2024.

Following some challenges to the technology sector in 2023, characterised by macroeconomic weaknesses and layoffs, there is cautious optimism heading into 2024. There is an expectation for continued layoffs in the early part of 2024, as companies continue to correct for over-hiring during the pandemic, though it is unlikely to be on the same scale as early 2023. Tech job postings have rebounded in the latter part of 2023 and into 2024, largely driven by optimism around interest rates. The tech sector is more reliant on financing and capital markets than other US sectors, so the expectation is that the sector will rebound as interest rates normalise and lending conditions improve.

JOB OPENINGS BEGINNING TO SLOW BUT REMAIN ELEVATED BY HISTORIC STANDARDS



Source: U.S. Bureau of Labor Statistics

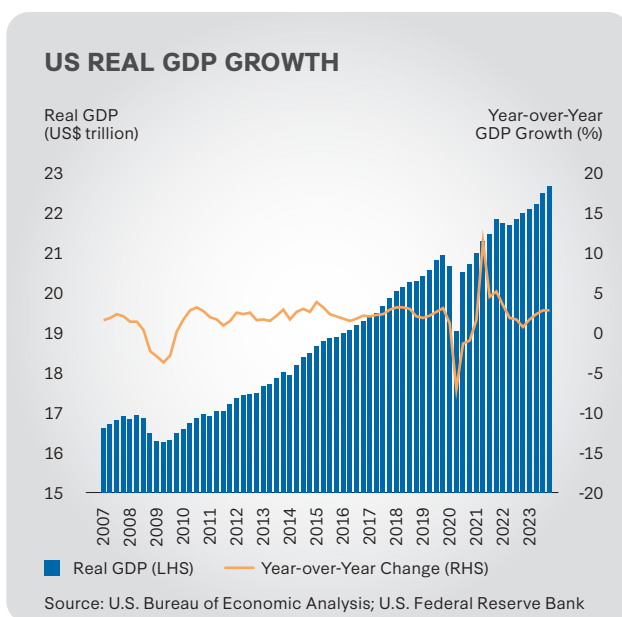
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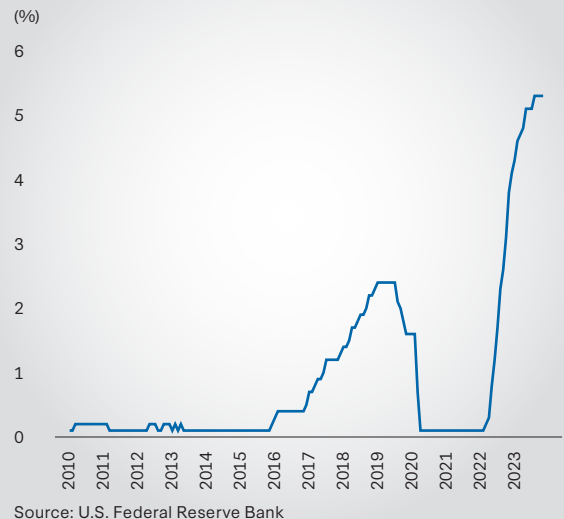
Macroeconomic and Capital Markets Trends

Real GDP increased by 2.5% in 2023, up from 0.7% in 2022. The resilience of the US economy in 2023 was largely driven by continued growth in consumer spending (PCE), but this trend is expected to subside as savings erode, income growth slows, and household debt grows. PCE is the largest component of real GDP, hence total growth will be impacted by slowing PCE growth. Furthermore, the US fiscal deficit nearly doubled in 2023, but the larger-than-expected fiscal boost to the economy in recent years is expected to reverse in 2024 due to concerns over rising federal debt.



While a recession in 2024 no longer appears to be the base case expectation, there are still recessionary risks. First, there is doubt over whether the Fed's current monetary policy, as expressed by the Federal Funds Rate target range, will reduce inflation to c.2% on a quick enough timeline. Any further increase or longer than expected continuation of the current policy rate could result in a downside scenario for real GDP in 2024. Second, there remains acute geopolitical risks. The primary risk being wars in large oil-producing regions (i.e. the Middle East and Eastern Europe), though there are also increasing trade tensions with China. Crude oil prices have declined significantly over the last few months, which has helped to ease inflation. Any upward shock to oil prices will exacerbate inflation. Third, rising interest rates in 2023 have sparked concerns about default and delinquency rates in several loan categories. Elevated defaults and delinquencies may raise the risk of financial instability, and the risk of rising defaults in the commercial real estate sector remains a concern.

FEDERAL FUNDS RATE HAS BEGUN TO LEVEL OFF WITH EXPECTED DECREASES IN 2024



Population and Migration Trends

Population trends are returning to pre-pandemic norms as the number of annual deaths decreased in 2023 and international migration returned closer to pre-pandemic levels. In 2023, the US population grew by 1.6 million or 0.5% overall. After immigration declined significantly amid pandemic-era restrictions, the number of immigrants in 2022 rebounded to almost a million. The trend continued in 2023 as the US added an estimated 1.1 million immigrants. The last time immigration surpassed 1.1 million people was in 2001.

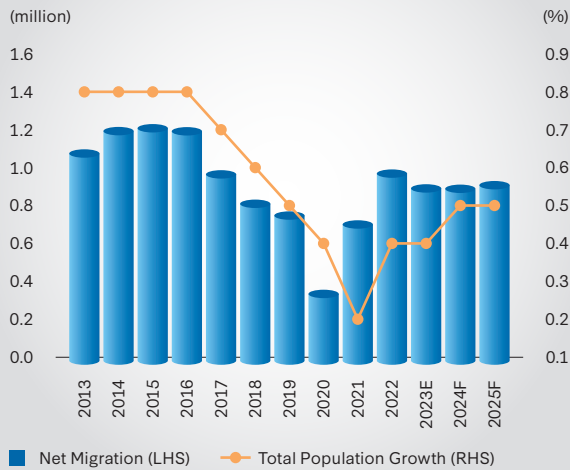
The US Census Bureau's most recent population projections expect ongoing slow growth compared to long-term historic levels, due to a declining fertility rate, increasing mortality and subdued immigration levels. Immigration will be the key component in boosting near-term population growth and offsetting future population decline due to an aging population. The US has recently had significant growth in its 65-and-older population, driven by the aging Baby Boomer generation. At the same time, the under-18 population has dropped as birth rates continue to fall. As immigrants and their children are relatively younger than the rest of the population, the average age of the US population is expected to continue trending downward in the near term. Although the US faces population growth and aging challenges in the years ahead, it is still in a better position than many other developed countries such as Japan, Germany and other European nations, due in large part to stronger immigration levels over the past 30 to 40 years.

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REBOUNDED INTERNATIONAL MIGRATION HELPING TO LIFT US POPULATION GROWTH



Source: U.S. Federal Reserve Bank

Government Policy

Aside from comprehensive immigration reform, potential federal fiscal policies to monitor in 2024 include additional student loan forbearance, childcare support, Congress's budget for fiscal year 2024, and the need to raise the debt ceiling by 1st January 2025. The federal pause on student loan repayments ended in 2023, which significantly decreased disposable income for many US student loan debt holders. Through executive action, the Biden Administration was able to clear billions of debt for low-income borrowers in 2023, and further debt forgiveness is expected via executive action in 2024. While providing some stimulus to lower-income borrowers, comprehensive student loan forgiveness or reform will require an act of Congress. A divided US Congress makes student loan forgiveness and other key policy initiatives more challenging, but a bipartisan tax bill is gaining traction in 2024. The bill proposes several business tax changes to incentivise R&D spending and to allow more foreign investment for domestic semiconductor production. The bill would also make permanent a temporary pandemic boost to the Child Tax Credit, reinstating a policy that lapsed in 2023 that would increase an estimated US\$33 billion in tax benefits for US families. As of January 2024, several obstacles still stand in the way before the bill can become law, but both parties appear optimistic and interested in reaching a deal.

The November 2024 US elections are likely to impact the real estate sector, though it will depend on the outcomes of both the Congressional and Presidential races. Both Republican and Democratic candidates are likely to focus on issues that could impact the economy and real estate sector, including border security and immigration, tax policy, trade and climate change. Specific policy positions are diverse, nuanced,

and likely to evolve, depending on the next President's ability to work with Congress. The current split congress (Republican-led House, Democrat-led Senate) has made it challenging for the Biden Administration to enact several key policies. If Congress remains split after the 2024 election, this will likely continue regardless of the outcome of the Presidential election. If a single party ends up controlling both chambers of Congress, it will still depend on who wins the Presidential election and if policy priorities align. No matter the outcome, the uncertainty leading up to a major election typically slows down activity in election years as investors tend to hold off on major transactions until there is more clarity over the direction of policy.

Summary and Outlook for 2024

If the US GDP growth cools to c.2% or lower, and the unemployment rate rises near or above c.4%, inflation should move towards the Fed's target of c.2%. However, there remains more downside risks to the economy than upside risks. Demand is slowing after surprisingly strong growth in 2023 that was driven by robust consumer and government spending, recovering inventories and improved international trade. All these components of GDP are forecasted to see slower growth in 2024. Consumer spending should slow as employment growth slows, consumer debt accumulates, and banks tighten lending standards. Younger and poorer households may show signs of increased financial stress, but overall consumer financial conditions should remain strong enough such that growth remains positive in 2024. Capital spending will likely be more challenged in 2024 as businesses respond to higher interest costs and slowing revenue. Despite this, increased spending on artificial intelligence and government incentives for semiconductors may offset weaker spending in the real estate sector. Pressures on the commercial real estate sector are likely to intensify after a prolonged period of higher interest rates.

Growing the US labour force will be difficult given demographic trends in the US, specifically the aging of the Baby Boomer generation. If the labour market remains tight, this should encourage immigration (in the absence of increased restrictive policies), which will help grow the labour force. Productivity grew in 2023 and there is optimism that it will continue to grow in 2024. The worker shortage should create a floor for real GDP in 2024 as job openings are likely to exceed unemployment, which will also continue to support wage growth. Nonetheless, the increase in the real cost of borrowing, combined with eroded consumer savings, expanding debt and lingering inflation, will be a drag on the economy in 2024.

Inflation is expected to continue to subside assuming the US economy continues to cool and the Fed follows with expected interest rate cuts later in 2024. Food prices, which skyrocketed due to fiscal stimulus and

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supply-chain disruption in the pandemic-era, continue to decrease. Oil prices have normalised, and conflict in the Middle East has yet to cause a shock to supply. In 2024, a slowing global economy and increased output from the US and non-OPEC countries should offset continued declines in OPEC and Russian production. Shelter costs, which consists of rent and 'owners' equivalent rent, is also expected to decline in 2024 as real income slow and borrowing rates drop. These trends indicate that the US is continuing its path towards 2% inflation. If this holds true, interest rates are likely to normalise in the second half of 2024.

The base case expectation for the US economy in 2024 is a "soft landing," with real GDP growth just below 2%, inflation trending toward 2%, and a 4%-4.5% unemployment rate. In addition to continued concerns surrounding inflation and interest rates, other significant risks to this outlook include the US election in November 2024, declining consumer sentiment, international trade disputes and broader geopolitical conflicts around the globe.

SECTION 2: US OFFICE OVERVIEW

Market Fundamentals

The US office market faced several challenges in 2023. Despite most employers shifting away from full-time remote work, a significant portion of US businesses is currently adopting a hybrid work policy, and office demand does not appear to be returning to pre-pandemic levels. Vacancy rates are high across most of the US and could elevate further in the next few years.

Office owners are also having to deal with the high interest rate environment as many will need to refinance debt that was borrowed at significantly lower rates. Trepp reports that the delinquency rate of commercial mortgage-backed securities is over 6%. The rate was below 1% pre-pandemic and is projected to rise to above 8% in the second half of 2024. Owners who financed before the pandemic, when office values were much higher, are also facing increased competition from new owners who purchased after the onset of the pandemic when asset prices fell. Because of the lower acquisition price, these new owners can match their underwriting assumptions with much lower rental rates, which is adding to the downward pressure on rents facing pre-pandemic owners with debt. According to data from MSCI and NCREIF, office property values have dropped by approximately 20% from their peak in 2022 to the end of 2023, worsened by the high-interest rate environment, which has led to an increase in distressed properties as owners face refinancing at much higher rates.

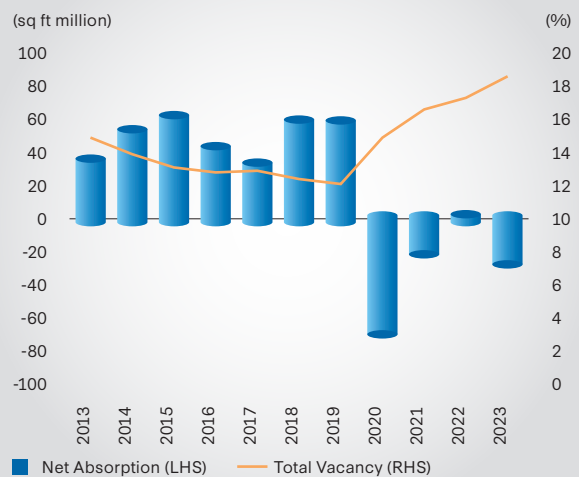
Despite these challenges, there are some reasons for optimism within the sector. The pipeline of new supply is shrinking rapidly with very few new construction starts nationally. Demand for Class A+ and trophy office

buildings remains strong as these assets are typically well equipped with amenities and located in established urban centres, which allows occupiers to successfully implement hybrid work policies and encourage their employees to return to the office. Additionally, many cities are starting to evaluate the process and bureaucracy involved in converting obsolete office buildings into residential buildings. Although this will only marginally impact vacancy, it may help revitalise business districts to become dynamic places where people can work, live and play, while improving office demand in these areas.

After a brief period of positive net absorption in 2022, net absorption turned negative in 2023. About 57% of the negative absorption occurred in the suburban market, which posted 17 million sq ft of negative net absorption. However, the suburban market continues to outperform the downtown market on a national basis, as the suburban market accounts for 65% of stock, which is a higher proportion than its share of net absorption. Demand for downtown office space, which had strengthened in 2022, weakened with an absorption rate of -0.9% in 2023. The flight-to-quality trend is evident in the outperformance of Class A+ and trophy properties. This is especially apparent in downtown sub-markets where negative net absorption was much less than its share of total stock.

New office deliveries eased in 2023, reaching a 10-year low for completions at 30 million sq ft nationwide, but office supply is still greatly outstripping office demand. As a result, the total vacancy rate increased to 18.6% in 2023, up 130 bps from the previous year. The average total vacancy rate was higher downtown than in the suburbs (18.9% vs. 18.4%). From 2013 to 2019, the average downtown vacancy rate was at 10.8% or 370 bps lower than the average suburban vacancy rate of 14.5%, but this trend has been reversing since the onset of the pandemic.

NET ABSORPTION AND VACANCY RATE



Source: CBRE Research, CBRE Strategic Investment Consulting

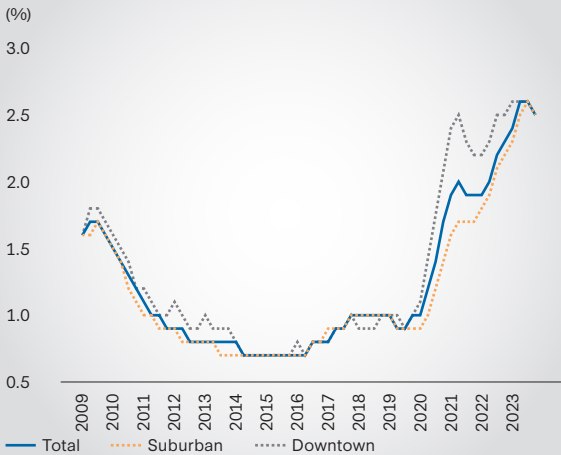
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Sublease vacancy rates continued to increase in 2023, especially in the first half of the year as companies continued to downsize office space and headcounts in response to slowing revenue growth and shifting workplace policies. Downtown markets were initially hit harder by rising sublease vacancy, but as of 4Q 2023, suburban sublease vacancy growth has caught up to the level downtown. In 2023, sublease vacancy rates remained constant y-o-y at 2.5% in the downtown markets, while suburban markets increased by 30 bps to 2.5%.

SUBLEASE VACANCY RATE



Source: CBRE Research, CBRE Strategic Investment Consulting

The average gross rental rate for US office grew 0.9% in 2023 to US\$38.72 per sq ft per year. Rental growth in suburban markets outpaced downtown markets in 2023. Gross rents downtown declined by 0.1% in 2023 compared to a 2.0% increase in the suburbs. Despite weak demand, supply additions likely helped to boost average asking rents in 2023, as new, high-quality spaces were delivered. As a percentage of existing inventory, suburban office completions slowed slightly to 0.7% in 2023 while the downtown completion rate dropped to 0.8%. In 2024, the completion rate is expected to be just 1.0% in downtown and 0.8% in suburban markets as developers and construction lenders remain hesitant to build amid challenging market fundamentals and rising construction costs.

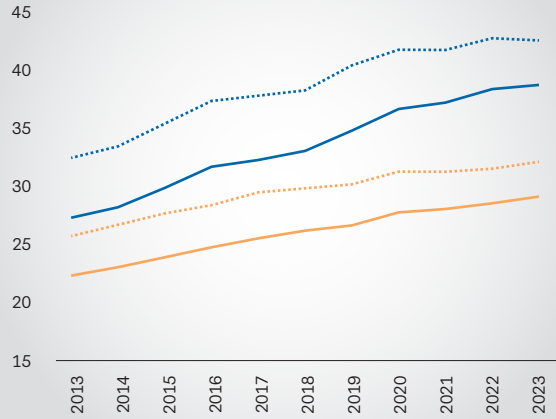
Emerging Trends

After three years of remote and hybrid working, it is uncertain when a full office market recovery (i.e. back to pre-pandemic levels with physical occupancy exceeding 70%) will occur. Work-from-home now represents about 25-30% of total days worked in the US. As of summer 2023, workers on hybrid work arrangements averaged about 2.5 days per week and represented 34% of all workers, while another 12% were fully remote, according to data from WFH Research.

The office market is increasingly segmented by quality and location. The newest office buildings with the

AVERAGE GROSS ASKING RENT

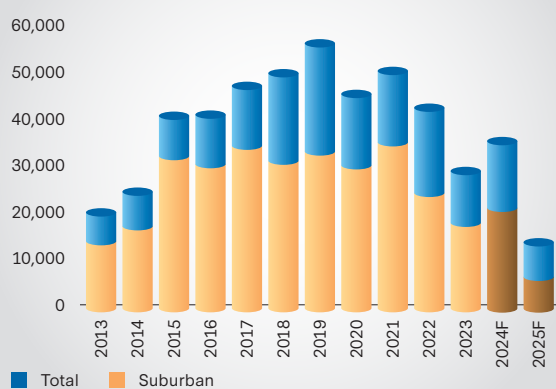
(US\$ per sq ft per year)



Source: CBRE Research, CBRE Strategic Investment Consulting

CONSTRUCTION DELIVERIES

('000 sq ft)



Source: CBRE Research, CBRE Strategic Investment Consulting, CBRE Econometric Advisors

best amenities in certain sub-markets are attracting a disproportionate share of leasing activity while some smaller office markets are returning close to pre-pandemic activity or resembling historic levels. For assets with older office specifications such as large private offices and lack of common areas, some owners are “whiteboxing” available spaces, meaning they are removing existing fittings to restore the space to an adaptable warm shell and creating amenities. This provides potential tenants more flexibility in their future creative improvements of the space which helps to boost the property’s attractiveness.

There is also potential for AI to create a new source of demand, specifically in traditional tech markets like San Francisco where significant venture capital and tech employment is based. The innovation is giving rise to a whole new ecosystem, from hardware providers to complementary services and applications, which in turn is expected to drive employment and office leasing demand.

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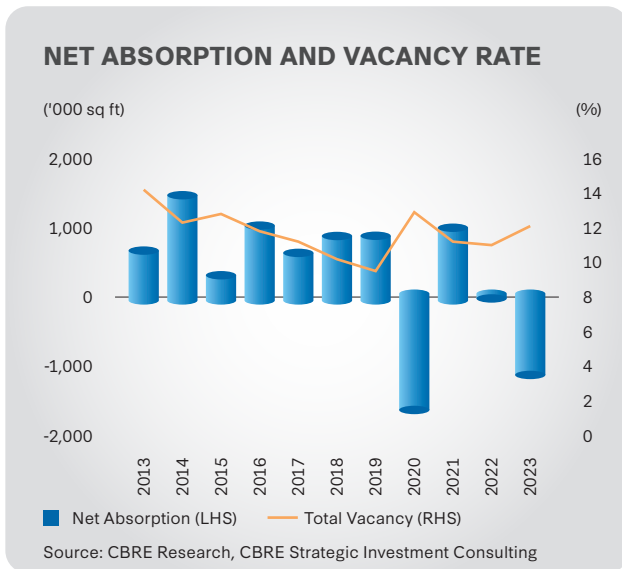
BY CBRE STRATEGIC INVESTMENT CONSULTING, FEBRUARY 2024

SECTION 3.1: SAN DIEGO OFFICE MARKET¹

Market Overview

In 2023, San Diego suburban office market conditions weakened for the first time since 2020. New leasing activity slowed from the previous two years while tenant downsizings, sublease listings and move-outs accelerated. Though this represents a step back, San Diego has been one of the strongest performing suburban office markets in the US. The vacancy rate sits at 12.1%, much lower than the US average of 18.4%, and rent growth has been sustained for the past 10 years.

The worst of the challenges came in the first and last quarters of 2023 during which 90% of the negative net absorption of the year occurred. Quarterly new leasing activity fell to the lowest level since the Global Financial Crisis (GFC) in the first quarter and tenant move-outs soared at the start of the year. Sorrento Mesa, University Town Center (UTC) and Carlsbad were the hardest-hit suburban sub-markets with tenant vacancies coming from a mix of lease expirations and sublease listings. Leasing activity picked up in the second and third quarters as move-outs slowed throughout the suburban market, but another weak fourth quarter drove the vacancy rate back above 12%.



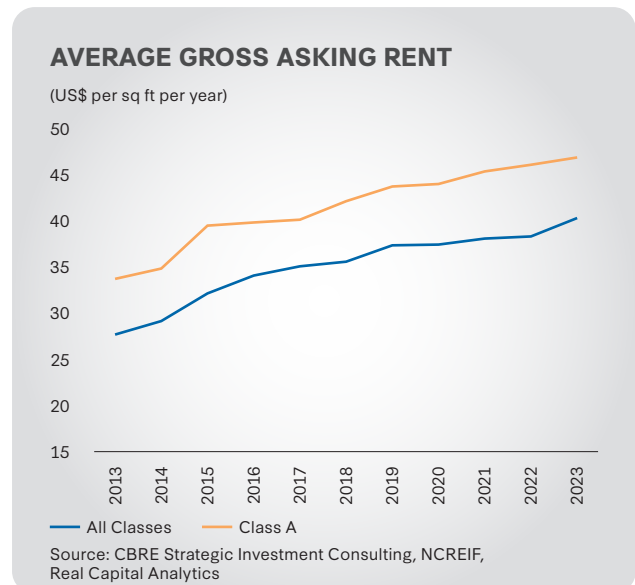
New leasing activity in suburban San Diego was driven by a diverse mix of tenant industries. Financial activities (including insurance and real estate), tech and healthcare companies accounted for the largest shares, while life sciences, government/non-profit and defence also accounted for a sizeable share. The majority of new leases were in Class A assets in UTC, Del Mar Heights, Mission Valley and Rancho Bernardo. Large newly-vacated blocks in 2023 were mostly from major high-tech, healthcare and defence companies that consolidated into other existing leased or owned properties in the region. One

¹ Unless otherwise noted, statistics refer to suburban office only

major example of this was the biotech-giant Illumina, which sub-listed and vacated their 316,000-sq ft lease at i3 in UTC in 4Q 2023. As part of a US\$100 million cost-cutting effort, the company consolidated employees to its nearby Nobel campus as well as adjusted the size of its staff and explored workplace policies to reduce their overall space needs. Smaller new vacancies in suburban San Diego were a mix of finance, professional services and legal tenants downsizing or opting for full-time work-from-home arrangements.

Sublease vacancy jumped in 4Q 2023 to 2.5%, due mostly to the new vacancy at i3. The sublease vacancy rate had generally stayed low at 1.4% on average since the onset of the pandemic in part due to the quality of space hitting the market. Although Class A represents only 38% of the total rentable inventory in the market, 72% of the vacant sublease space was in Class A properties at the end of 2023. The absorption of large-block campuses may take some time, but these higher-quality properties are sought-after by tenants looking to upgrade or expand at a relative discount compared to direct listings and are especially attractive to large tech, biotech and defence tenants in the region.

Despite the recent rise, the vacancy rate remains relatively low by historic and national standards, which has helped drive rent growth across asset classes. The average asking rent across all classes in suburban San Diego increased 5.2% y-o-y to US\$40.37 per sq ft per year in 2023, while the average Class A rent increased 1.7% to US\$46.92 per sq ft per year over the same period. Rising direct availability of Class A properties — due to both new construction deliveries and lease expirations, is a major reason for the market-wide increase as more expensive listings are taking up a larger share of the available space for rent. Fewer deals included free rent, but for deals that did include periods of free rent, the average number of free months increased slightly by 0.5 months from 4.4 in 2022 to 4.9 in 2023.



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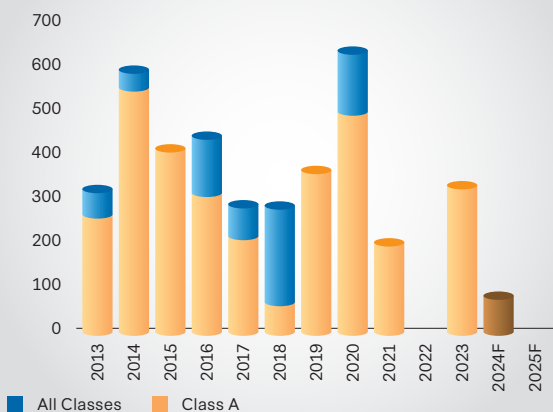
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Slowing construction activity should support the upward pressure on rents unless vacancy increases substantially. Only one project remains under construction in suburban San Diego, which is Drawbridge Realty's 83,000-sq ft building at 16705 Via del Campo Ct in Rancho Bernardo. Two of the three floors are already pre-leased to ASML and the project is set to complete in early 2024. Three projects were delivered in 2023 totalling 334,000 sq ft. The largest of which was American Assets Trust's 213,000-sq ft high-rise addition to La Jolla Commons in UTC. The building is the third on the site, and as of 4Q 2023, it remained vacant. Also in UTC, 9514 Towne Centre Drive was delivered fully pre-leased to a major global tech company. The two-story campus-style building was developed by Kilroy Realty and totalled 70,000 sq ft. The only other asset to deliver was Zephyr's Sandbox project in Solana Beach, which totalled 50,000 sq ft and is nearly fully leased to a mix of tenants.

CONSTRUCTION DELIVERIES

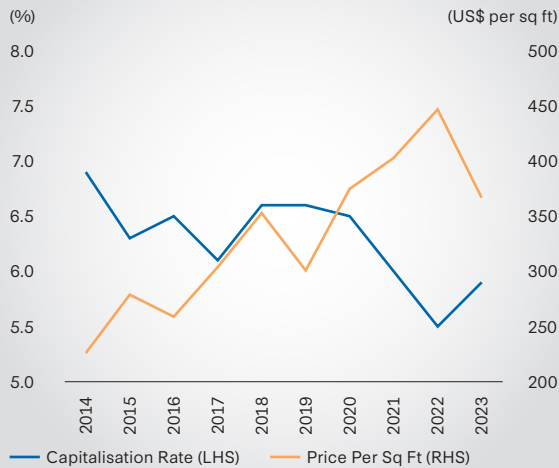
('000 sq ft)



Source: CBRE Research, CBRE Strategic Investment Consulting, CBRE Econometric Advisors

Like most US office markets, sales activity plummeted in suburban San Diego in 2023. Total sales volume fell by 76% y-o-y to US\$644 million, the lowest volume since 2009. Nearly all the major sales were in the first half of 2023 before financing conditions hindered deal flow. The largest sale of the year was a sale-leaseback of the Cubic HQ in Kearny Mesa in March. Rexford Industrial REIT purchased the recently built 250,000-sq ft campus as part of a deal that included two older buildings on the campus totalling 150,000 sq ft. The new property sold for an estimated US\$596 per sq ft at a 5.3% cap rate. On average, the price per sq ft across suburban San Diego fell 18% y-o-y to US\$367 — the lowest since 2019. Falling values placed upward pressures on cap rates, with the average cap rate increasing 40 bps y-o-y to 5.9%, which is still lower than the average cap rate before the pandemic. CBRE expects cap rates to continue to decompress until value depreciation bottoms out in mid-to-late 2024, when capital markets conditions should improve amid flat or falling interest rates and loosening lending standards for buyers.

SAN DIEGO SUBURBAN CAPITALISATION RATE AND VALUE



Source: CBRE Strategic Investment Consulting, NCREIF, Real Capital Analytics

Sub-market Commentary

Sorrento Mesa

Sorrento Mesa has been in flux in recent years as life science conversions and redevelopments have transformed it into the largest life sciences sub-market in San Diego. Since the beginning of 2021, nearly 1.3 million sq ft of space has been taken out of the office inventory. Most were converted by significant renovations or a complete redevelopment into life sciences inventory. Sorrento Mesa remains a premier office market, especially for high-tech tenants, but the paring down of obsolete inventory over the last several years has improved fundamentals after a long period of structural vacancy. In 4Q 2020, Sorrento Mesa had the highest vacancy rate in central San Diego. As of 4Q 2023, that figure is 540 bps lower at 12.8% due to a combination of net new occupancy and a reduction of ageing inventory.

While Sorrento Mesa office fundamentals have improved significantly from the 2010s, vacancy and net absorption took a slight step back in 2023. Negative net absorption was in large part due to Brain Corp vacating and listing two floors at Seaview Corporate Center for sublease, which added 40,300 sq ft of Class A space to the vacancy rate. There were also a few smaller move-outs and no major new tenants in the sub-market, which drove up vacancy due to the negative net absorption. The Class A vacancy rate increased 740 bps to 15.4% as Class A space make up a relatively smaller share of the overall inventory in the sub-market. Overall, the average rent for all classes was largely unhindered, growing 5.2% y-o-y to US\$47.36 per sq ft per year. For Class A space, however, the average lease rate fell 1.6% to US\$53.37 per sq ft per year.

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BY CBRE STRATEGIC INVESTMENT CONSULTING, FEBRUARY 2024

Rancho Bernardo

Rancho Bernardo has been a stable office sub-market over the past several years, characterised by large blocks and campuses with major corporate tech and defence tenants. Net absorption was nearly flat in 2023 and the vacancy rate decreased 20 bps y-o-y to 12.5%. For Class A properties, this drop in vacancy was more pronounced at 140 bps to 10.7%. The all-class and Class A average lease rates both fell slightly to US\$38.57 per sq ft per year and US\$44.50 per sq ft per year, respectively, as some of the more premium direct availabilities were leased and taken off the market. Kilroy Sabre Springs was the most notable example, with a mix of tenants taking more than 70,000 sq ft of prime Class A space off the market. The listings at the property had asking rents that were higher than the sub-market average.

Though no new deliveries hit the market in 2023, Northrop Grumman leased a former owner-occupied space from Teradata, which added 167,721 sq ft of occupied Class B space to the market and helped bring down the overall vacancy rate. There is one project under construction and due to deliver in early 2024. Drawbridge Realty is adding 83,000 sq ft of Class A office with two of the three floors already pre-leased to ASML. There are still a few large blocks of Class A space available in the sub-market, but options are limited, which will likely mean relatively low vacancy but also low net absorption in the sub-market in 2024.

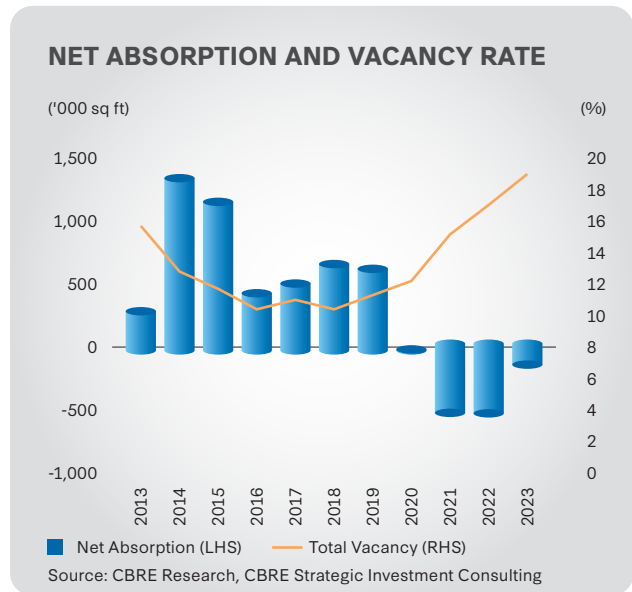
Market Outlook

The San Diego suburban office market is relatively well-positioned heading into the next several years, despite the headwinds facing the office sector generally. The diverse tenant mix includes several large occupiers in tech, defence and life sciences that are unlikely to be impacted by work-from-home trends as these sectors are more likely to rely on in-person collaboration and R&D. Increased vacancy, rising sublease listings and slower occupier growth will likely hinder rent growth going forward. Investment activity is likely to improve from the major drop off in 2023, but it will likely take several years until activity matches the consistent levels from 2015-2022.

SECTION 3.2: RALEIGH-DURHAM OFFICE MARKET²

Market Overview

Market fundamentals in suburban Raleigh-Durham were challenged in 2023 but showed some signs of improvement from 2021-2022. Net absorption was negative 173,000 sq ft in 2023 but positive signs emerged in 4Q 2023. Leasing activity rose in 4Q 2023, with several larger transactions helping to offset the amount of vacancy that came online. Various departments and agencies within the North Carolina state government accounted for the largest share of activity. The North Carolina Department of Health and Human Services subleased 201,056 sq ft at 65 Moore Drive in the RTP/I-40 Corridor, the Department of Insurance leased 124,847 sq ft at 3200 Beechleaf Court in North Raleigh, and the Department of Administration leased 25,000 sq ft at 333 Fayetteville Street in Downtown Raleigh.



Despite the positive leasing momentum in 4Q 2023, the vacancy rate rose overall, primarily due to tenant downsizing and hybrid work arrangements that led to the negative net absorption. Total leasing activity fell in 2023, but renewal activity remained strong and was particularly concentrated in the RTP/I-40 sub-market. In addition to an overall slowing in leasing activity, 928,000 sq ft of new construction deliveries contributed to the vacancy rate rising to 19.0% from 17.2% a year ago. As new deliveries were concentrated among Class A product, the Class A vacancy rate increased to 21.4% from 18.2% in 4Q 2022.

Five buildings totalling just over 1 million sq ft remain under construction, with all of the space scheduled for delivery by mid-2024. The greatest share of that space is located in Midtown Raleigh. As of 4Q 2023, only 33% of the space is leased, which means these new supply additions will likely further add to the vacancy rate.

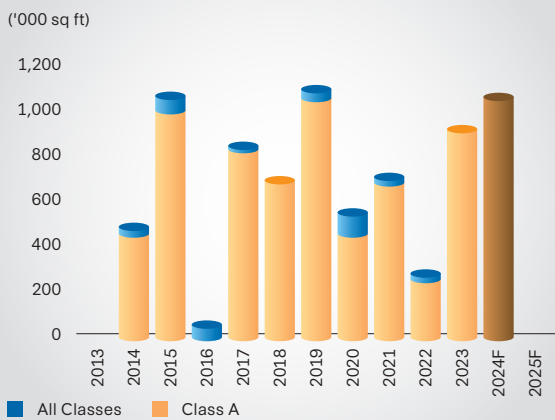
² Unless otherwise noted, statistics refer to suburban office only

INDEPENDENT MARKET STUDY REPORT

UNITED STATES

BY CBRE STRATEGIC INVESTMENT CONSULTING, FEBRUARY 2024

CONSTRUCTION DELIVERIES

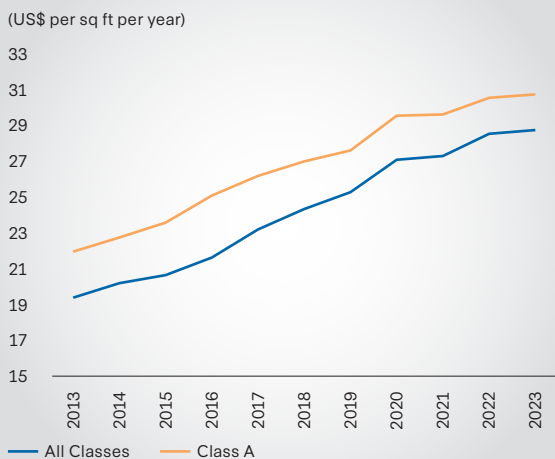


Source: CBRE Research, CBRE Strategic Investment Consulting, CBRE Econometric Advisors

Fortunately, the pace at which sublease offerings are coming to market has slowed significantly and the sublease vacancy rate has likely peaked in 2023 at 3.9% across all classes and 5.3% for Class A properties. The rate should fall partly due to expiring subleases in 2024 as well as mounting interest in active listings. An uptick in active tenant enquiries and tours provides reason for optimism that leasing activity will increase by the second half of 2024.

The average gross asking rent grew 0.7% y-o-y to US\$28.74 per sq ft per year, significantly slower than the 4.5% rate posted in 2022. The substantial increase in brand new, available Class A space increased competition and muted average asking rent growth. The Class A average asking rent grew by 0.6% y-o-y to US\$30.73 per sq ft per year in 2023, which is also a much lower pace than the prior year. Though data is limited due to fewer transactions, CBRE lease transactions indicate that landlords have been less aggressive with free rent offerings, falling from 9.0 months on average in 2022 to 5.3 months in 2023.

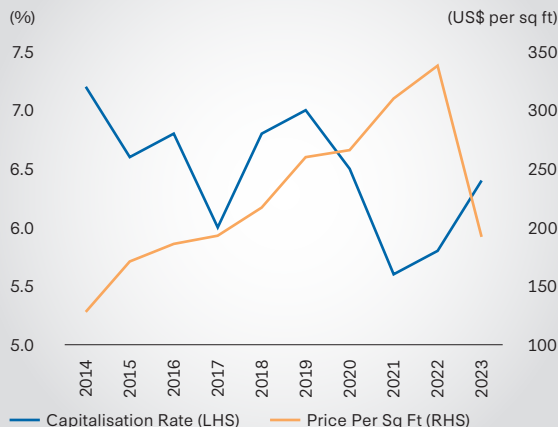
AVERAGE GROSS ASKING RENT



Source: CBRE Strategic Investment Consulting, NCREIF, Real Capital Analytics

Total sales volume for Raleigh-Durham suburban office declined 74% y-o-y to US\$397.4 million in 2023 as interest rate hikes and economic uncertainty dampened investment activity. The slower demand had a significant impact on pricing, with the average sale price per sq ft falling 43% to US\$192, but the average was dragged down significantly by a few sizeable transactions that traded under US\$100 per sq ft. The largest sale in 2023 was Crescent's acquisition of Midtown Plaza, a 330,000-sq ft, 100%-occupied, Class A office building in North Hills that sold for US\$132.7 million or US\$402 per sq ft in December. It should be noted that the Midtown Plaza sale included seller financing of 65% LTV at 4.5% fixed interest for five years, which helped drive the transaction price by providing the buyer with an attractive yield. No other sales exceeded US\$100 million in 2023. Declining values and sales prices for Raleigh-Durham suburban office drove the average cap rate up 60 bps y-o-y to 6.4%. CBRE expects cap rates to expand further in 2024 before a rebound in value appreciation would lead to cap rate compression thereafter.

RALEIGH-DURHAM SUBURBAN CAPITALISATION RATE AND VALUE



Source: CBRE Strategic Investment Consulting, NCREIF, Real Capital Analytics

Sub-market Commentary

Research Triangle Park (RTP)/I-40

The RTP/I-40 sub-market benefits from proximity to amenities — such as research institutions, universities and the Raleigh-Durham international airport, and a significant portion of the region's growing concentration of highly skilled workers. It is also home to Research Triangle Park, the largest research park in the country at 7,000 acres. The sub-market is characterised by a wide variety of industries, including science and technology firms, educational institutions and startups.

The RTP/I-40 sub-market recorded negative net absorption of 626,000 sq ft in 2023 and the total vacancy rate climbed 380 bps to 21.9%. This was almost

INDEPENDENT MARKET STUDY REPORT

UNITED STATES

BY CBRE STRATEGIC INVESTMENT CONSULTING, FEBRUARY 2024

exclusively due to slower leasing activity and tenant rightsizing/downsizing, as only 20,000 sq ft was delivered 100%-leased in 2023. Sublease vacancy accounted for a large share of the jump. The sublease vacancy rate increased 150 bps y-o-y to 8.1%. Sublease availability, which includes occupied sublease listings, sat at 13.2% at the end of 2023. While it was an improvement from 2022, it also signals that the sublease vacancy rate could rise further if these spaces are not leased or are not set to expire in 2024. Approximately two-thirds of the space available for sublease in Raleigh-Durham was in the RTP/I-40 sub-market. Despite these negative trends, rent growth was stronger in RTP/I-40 compared to the overall suburban market, reaching 2.1% y-o-y due to more Class A listings hitting the market.

Class A sublease vacancy ended 2023 at 10.9% in the sub-market, with sublease availability at 18.1%. Similar to the overall sub-market, Class A rent growth was not significantly hampered by these trends, with the average asking rent increasing 3.1% y-o-y in 2023 with more high-quality direct listings coming to the market.

Two new Class A projects are expected to deliver in the sub-market in 2024, totalling 262,000 sq ft. The larger 150,000 sq ft project is already 34% pre-leased, and given the size, the overall impact to sub-market fundamentals is expected to be minimal. The smaller project will add 112,000 sq ft of Class A product to an existing office park on Meridian Parkway.

Market Outlook

Market fundamentals has been impacted by the steady significant construction activity combined with the flurry of sublease listings, making occupancy risk the primary concern in the short-term. If the tenants continue to consolidate or downsize their requirements, the slowing of demand could hinder the speed of the recovery. CBRE expects that the suburban office vacancy rate will rise and peak in 2024 before steadily falling over the next five years. The average suburban rent is expected to soften in 2024 as existing spaces compete with recent sublease listings and newly delivered assets, but rents will likely hold steady or rise modestly for high-quality, stabilised properties starting in 2025.

The market's favourable demographics, proximity to institutions, and a lower cost of doing business have made it an attractive destination for both established and growing knowledge-based firms in the region. These factors will continue to support the office market in the long-term, though near-term performance will depend on the market's response to the forecasted economic downturn.

SECTION 3.3: PORTLAND OFFICE MARKET³

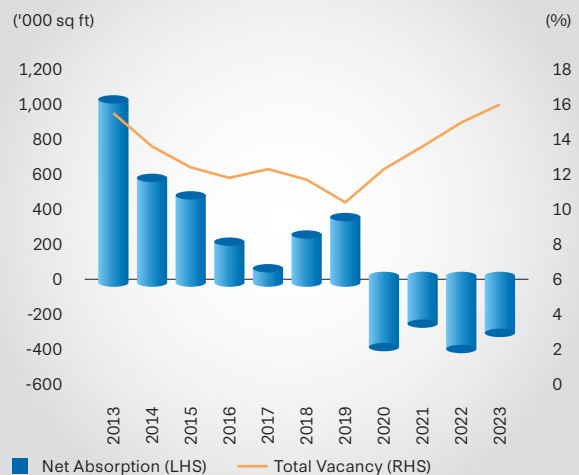
Market Trends

Portland's suburban office market remained soft in 2023. Even though the metro area office-using employment is currently nearly 6% above its pre-pandemic level in 2019, tenants continue to evolve space requirements and utilisation with hybrid-work concepts. In 2023, the suburban market recorded 331,000 sq ft of negative net absorption, accounting for 1.3% of existing inventory. This was an improvement from the negative 423,000 sq ft of net absorption recorded in 2022, a sign that the market may be heading towards stabilisation. However, due to lower office demand, the overall vacancy rate reached 16.0% in 2023, 80 bps higher than a year ago, and about 410 bps above its average since 2013.

The suburban Class A market, which represents about 43% of the suburban Portland office market, continue to underperform the Class B/C market in 2023 as a result of consolidation and downsizing trends. The Class A vacancy rate reached 20.2%, up 210 bps from 2022. Class A net absorption was negative 351,000 sq ft or 3.9% of total inventory. The increase was largely attributable to dwindled demand, as no new projects were delivered in 2023.

Leasing activity in the Portland market reflects the overall downsizing trend, as smaller spaces of 2,500 sq ft or less have seen a disproportionate share of leasing activity, with larger blocks continuing to face weak demand. In 2023, the average suburban lease was over 3,200 sq ft, with only 11 leases over 20,000 sq ft. Leasing activity has been fairly diverse across industries, with technology, software, health care and business services driving a large share of activity.

NET ABSORPTION AND VACANCY RATE



Source: CBRE Research, CBRE Strategic Investment Consulting

³ Unless otherwise noted, statistics refer to suburban office only

INDEPENDENT MARKET STUDY REPORT

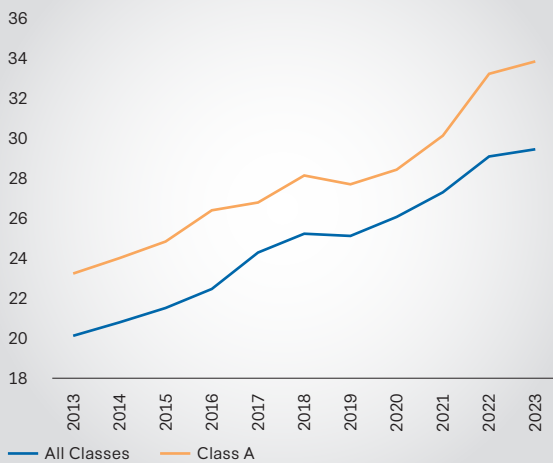
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Downsizing and higher availabilities in the suburban market has limited impact on rent growth, with suburban gross asking rents rising 1.2% y-o-y to US\$29.44 per sq ft per year. The overall office market has managed positive gains in 2023, but they appear to have decelerated from 2022. The Class A suburban average asking rent was less impacted, growing 1.9% y-o-y to US\$33.83 per sq ft per year in 2023, despite the continued increase in availability. Landlords have been especially hesitant to lower asking rents for Class A properties, preferring to negotiate on concessions (e.g. more free rent, lower escalations) to keep base rents in line with recent years. Given the shift towards hybrid work and a preference to reduce commuting time, suburban Class A offices offer an alternative to downtown Class A space. The average asking rent for suburban Class A space was 11% lower than downtown Class A in 2023. However, this difference was 26% prior to the pandemic in 2019, indicating the challenges facing downtown and the rising interest in suburban Portland. More deals included some form of free rent, but the average number of months fell by 0.7 months from 7.6 in 2022 to 6.9 in 2023.

AVERAGE GROSS ASKING RENT

(US\$ per sq ft per year)



Source: CBRE Strategic Investment Consulting, NCREIF, Real Capital Analytics

Suburban sublease availability reached a new high of 4.2% in 2023, representing over 1 million sq ft of space. The sublease percentage has increased substantially from its most recent low of 1.2% in 2021. Sublease availability also increased for Class A space, but not as dramatically as it did for Class B/C spaces. The overall Class A sublease availability rate inched up slightly from 3.1% in 2022 to 3.2% in 2023.

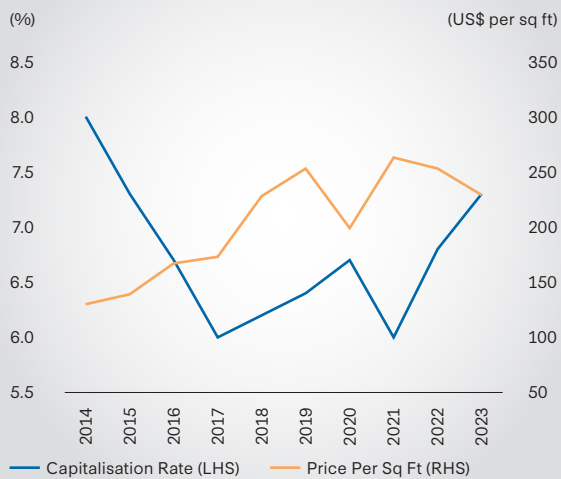
Financial firms offered the largest suburban spaces for sublease in 2023. Following layoffs, Wells Fargo put 103,279 sq ft of space on the market at Sunset Corporate Park in Hillsboro. Meanwhile, Liberty Mutual

gave back 65,836 sq ft at its Lloyd Center facility. Several other smaller subleases hit the market in 2023, including an additional 22,711 sq ft at Sunset Corporate Park in Hillsboro that was occupied by Volkswagen.

There were no new office construction deliveries in 2023 which was a welcomed relief to the market. The only project that is currently under construction is the Terminal 1 project in Vancouver, Washington. The 366,000 sq ft building is pre-leased to Zoominfo and is expected to deliver in 2025. However, it is reported that Zoominfo will list 180,000 sq ft for sublease.

With shifting fundamentals, higher mortgage rates and financing costs, suburban office sales dwindled further in 2023. At US\$319 million in sales in 2023, the volume was down 37% from 2022. There were a limited number of sales, including owner-user transactions and medical office sales. One notable sale was Conway Leland James Center Building in the Northwest submarket for a consideration of US\$41.0 million or US\$349 per sq ft at a 9.3% in-place cap rate. Property values continued to face downward pressures as the average sale price per sq ft fell 9% y-o-y to US\$229 per sq ft in 2023. Declining values drove cap rates up 50 bps to 7.3% in 2023. CBRE expects further cap rate expansion in Portland institutional-grade office properties in 2024, before a tightening in 2025.

PORTLAND SUBURBAN CAP RATE AND US\$/SF



Source: CBRE Strategic Investment Consulting, NCREIF, Real Capital Analytics

INDEPENDENT MARKET STUDY REPORT

UNITED STATES

BY CBRE STRATEGIC INVESTMENT CONSULTING, FEBRUARY 2024

Sub-market Commentary

Beaverton/Sylvan

After a weak 2022, the overall demand for office space improved in the Beaverton/Sylvan sub-market in 2023, with 30,000 sq ft of positive net absorption, representing 1.0% of inventory. The Class A market was stable, although the vacancy rate remained elevated at 16.7%, above the 14.4% average for the overall market. There were no new construction deliveries during the year.

Despite volatility in the tech sector and space reductions, Beaverton has seen some positive trends and new leases. In the third quarter, Phoenix Technologies signed a new lease for 19,266 sq ft in the Cornell Oaks Corporate Center. Earlier in the year, OHSU signed a 10,026 sq ft lease at the Murray Scholls Town Center office. The steady positive demand from several small leases have helped to stabilise the market, as the overall vacancy rate remains 150 bps above its average over the past ten years. There are no new competitive projects identified for construction in the foreseeable future, which should support market recovery.

Overall gross asking rents were largely stable in Beaverton, at an average of US\$25.37 per sq ft per year. The Class A gross asking rent was US\$26.24 per sq ft per year, reflecting a modest decline of 2.7% from 2022 levels. Beaverton retains a significant competitive advantage with Class A asking rents at 22.5% below suburban Portland averages, which may attract smaller price-sensitive companies that are looking to lease quality space.

Sunset Corridor/Hillsboro

The Sunset Corridor/Hillsboro office sub-market suffered a setback in 2023, as net absorption was a negative 241,000 sq ft, or 10.8% of competitive inventory. This pushed the overall vacancy rate to 28.7%, more than double of 2022's vacancy rate, and above its most recent high of 22.9% recorded in 2017.

The Class A market was affected by Wells Fargo putting 103,279 sq ft of space on the market at its Sunset Corporate Park location in Hillsboro. In addition, 22,711 sq ft were offered for sublease by Volkswagen at Sunset Corporate Park Building B. These pushed the Class A sublet vacancy up to 12.9%.

Despite the sharp increase in availability, overall average asking rents have been relatively stable due to rising costs resulting in higher tenant improvement allowances funded by Landlords in order to attract tenants. The average overall gross asking rent was US\$24.21 per sq ft per year in 2023, down 21 cents from 2022. Class A average gross asking rents were quoted at US\$26.32 per sq ft per year, up 34 cents from 2022.

Market Outlook

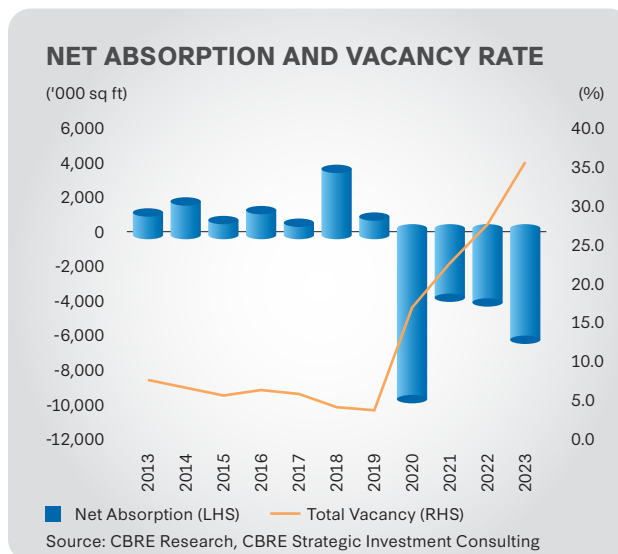
Like the rest of the nation, the Portland office market continues to navigate choppy waters. The region's high-tech orientation has caused many employers to downsize space requirements as they adopted hybrid-work models. These changes will likely continue to exert downward pressure on leasing over the next year. Despite these trends, Portland's suburban office market has withstood challenges well, with a vacancy rate of 16.0% which is below the national suburban average of 18.4%. In addition, Portland has worked through its development pipeline in an orderly fashion, in contrast to other fast-growing markets. As a result, Portland is well-positioned to stabilise supply and demand compared to most other office markets.

In addition, Portland's job growth has exceeded national averages, which should support leasing demand. Portland's western suburbs will continue to benefit from the presence of behemoths such as Nike and Intel, which have greatly expanded the local talent pool and supported expansion of other firms in the apparel and high-tech sectors.

SECTION 3.4: SAN FRANCISCO OFFICE MARKET⁴

Market Trends

The San Francisco market continued to face challenges. In 2023, negative net absorption hit 6.5 million sq ft, which represents 7.3% of the market and the vacancy rate increased to 35.6% by the end of 2023. Sublease vacancy accounted for more than one-fifth of total vacant space in 2023 and 10.3% of total net rentable area. The market has been more heavily impacted by a higher adoption of work-from-home and hybrid work arrangements given the large presence of the tech sector. These trends have significantly impacted rent growth as well, with the average gross asking rent falling 8.7% to US\$69.28 per sq ft per year.



⁴ Unless otherwise noted, statistics refer to San Francisco County (synonymous with City boundaries)

INDEPENDENT MARKET STUDY REPORT

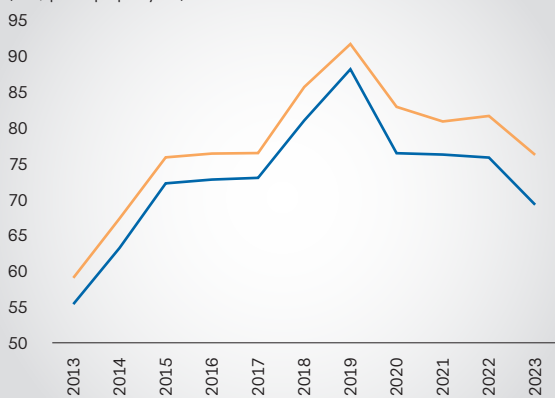
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BY CBRE STRATEGIC INVESTMENT CONSULTING, FEBRUARY 2024

Given that Class A represents about 70% of the inventory, the trends were similar to the overall market. The vacancy rate reached 34.2% at the end of the year, which is slightly below the overall figure. The net absorption rate was -8.9% or negative 5.5 million sq ft for Class A, 160 bps lower than the overall market. Average gross asking rents for Class A fell by 8.9% to US\$76.24 per sq ft per year. Free rent concessions appear to be settling in San Francisco, with fewer deals containing free rent in 2023 and the average months of free rent down 0.3 months from 6.0 months in 2022 to 5.7 months in 2023.

AVERAGE GROSS ASKING RENT

(US\$ per sq ft per year)

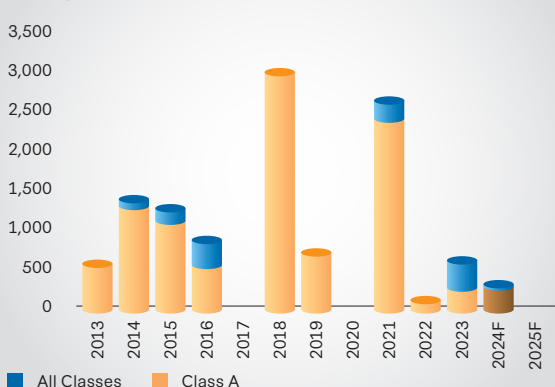


Source: CBRE Strategic Investment Consulting, NCREIF, Real Capital Analytics

Despite the gloomy picture, supply growth has slowed dramatically, which should mean that the vacancy rate is peaking if leasing activity stabilises or accelerates going forward. In 2021, the completion rate reached 3.1% or 2,664,000 sq ft of the office inventory. In 2023, this figure was down to 0.7% or 624,000 sq ft. Only 351,000 sq ft of space remains under construction which is set to deliver in 2024. Approximately half of the space delivered in 2023 was pre-leased, while 92% of the sq ft under construction is accounted for.

CONSTRUCTION DELIVERIES

('000 sq ft)



Source: CBRE Research, CBRE Strategic Investment Consulting, CBRE Econometric Advisors

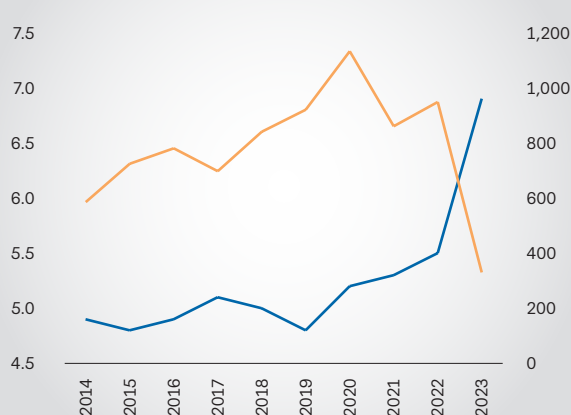
Office investment sales activity continued to fall dramatically in 2023. Total sales volume reached US\$659 million, a 27% decline from 2022 and roughly one-tenth the level in 2019. Pricing has been impacted significantly, with the average price per sq ft down 65% y-o-y to US\$330, the lowest since 2011. Rapidly declining values have meant major cap rate decompression. The average market cap rate increased 140 bps to 6.9%, the highest level since 2009.

There were a few deals of note, the largest of which was Sobrato Development's acquisition of 405 Spear Street from retailer Gap Inc. The property sold for US\$82.5 million or US\$510 per sq ft and the seller intends to lease back the property for one year. Another major sale was Rubicon Point Partners' acquisition of the Townsend Building from CBRE Investment Management for US\$72 million or US\$525 per sq ft at a quoted cap rate of 7.9%.

Values are expected to bottom out in 2024 and will drive further cap rate decompression. Values should rebound slightly in 2025 but steeper net operating income declines will mean some compression of cap rates.

SAN FRANCISCO CITY CAPITALISATION RATE AND VALUE

(%) (US\$ per sq ft)



Source: CBRE Strategic Investment Consulting, NCREIF, Real Capital Analytics

INDEPENDENT MARKET STUDY REPORT

UNITED STATES

BY CBRE STRATEGIC INVESTMENT CONSULTING, FEBRUARY 2024

Sub-market Commentary

South of Market (SoMa)

Net absorption in SoMa ended the year at a negative 663,000 sq ft or 7.5%, which was worse than 2022 but better than the worst years of 2020-2021. Consequently, vacancy increased 720 bps y-o-y to 42.5% at the end of 2023. Sublease vacancy has improved to 17.4% since peaking in 2021 at 21.8%, but most of that was due to expiring sublease vacancies, meaning the sub-lessor is no longer responsible for the lease and the landlord is listing these spaces direct. Rent growth had started rebounding in 2021-2022 after a massive 21.7% y-o-y drop in 2020, but negative rent growth returned in 2023. The average asking lease rate fell by 8.7% y-o-y to US\$64.15 per sq ft per year, the lowest level since 2014.

After 342,000 sq ft of negative net absorption in the year, Class A vacancy rate ended 2023 at 40.2%. Sublease vacancy accounts for about half of the total Class A vacancy in 2023, but that figure has improved since peaking at 31.9% in 2021. Similar to the overall market, rents have been severely impacted by the jump in vacancy. The average asking lease rate for Class A in SoMa fell 8.0% y-o-y to US\$74.95 per sq ft per year. While significantly lower than the US\$91.31 peak in 2019, the average rent is higher than 2020 and 2021.

Market Outlook

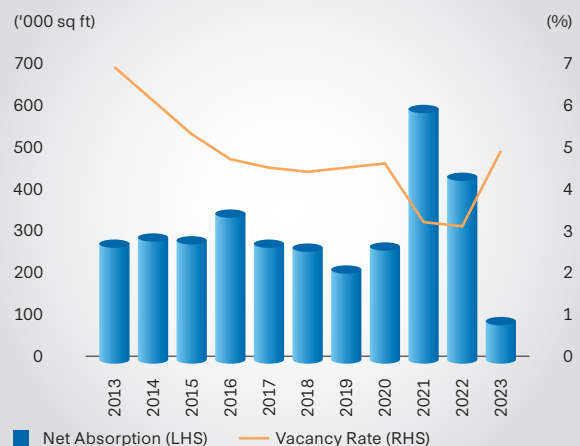
For both the overall San Francisco and SoMa market, fundamentals have likely bottomed out in 2023 or at least are unlikely to worsen significantly. The lack of new construction projects in the pipeline will push any new activity to existing assets. Though Class A assets struggled in 2023, well-located buildings with appropriate modern configurations should begin to attract tenants, especially as prices continue to fall. Many major tech companies have started enforcing hybrid return-to-office policies, which could lead to more leasing activity. AI companies have also been among the most active in San Francisco, and the anticipated growth of the sector could spur demand for space. Though it is possible that other tech verticals realize the benefits of in-person collaboration, AI companies in particular have noted the need for physical proximity of their workforce, due to the nascency of the sector and technologies.

SECTION 4: US INDUSTRIAL OVERVIEW

Market Fundamentals

The industrial real estate market is transitioning to a new normal after years of unprecedented and likely unsustainable growth. Rent growth started to decelerate and net absorption fell significantly in 2023. Net absorption totalled just 94 million sq ft in 2023, a drop from 438 million sq ft in 2022. New construction completions continued to rise, reaching a record 487 million sq ft on the year. This disparity between supply and demand caused availability and vacancy rates to rise. The availability rate rose 240 bps to 7.1%, and the vacancy rate increased 180 bps to 4.9%. The construction pipeline is gradually slowing as new space is hitting the market and new construction starts are declining, which should rebalance supply-demand dynamics moving forward.

NET ABSORPTION AND VACANCY RATE



Source: CBRE Research, CBRE Strategic Investment Consulting

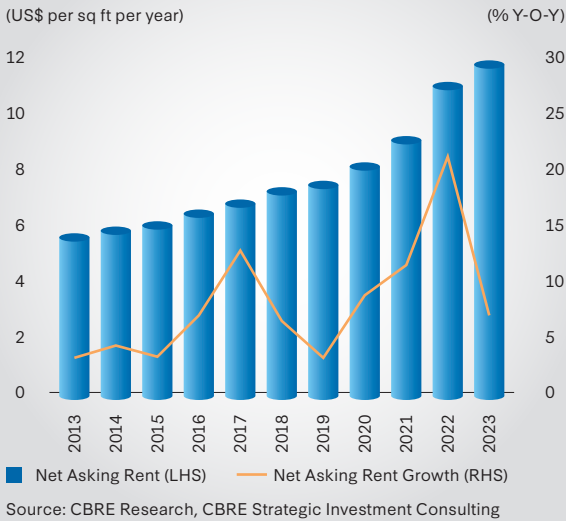
Given the rise in available space, rent growth slowed but remained positive, increasing 6.9% y-o-y to US\$11.89 per sq ft per year. On average, rent growth is expected to be in line with historic averages of 3%-4% per year over the next few years, as forecasted demand comes back into balance with supply. Construction financing challenges and economic conditions have resulted in a decline in new projects breaking ground, which will lead to completion slowdowns in 2024. New supply is still expected to slightly outpace demand. Vacancy is forecasted to slightly rise each year over the next five years.

INDEPENDENT MARKET STUDY REPORT

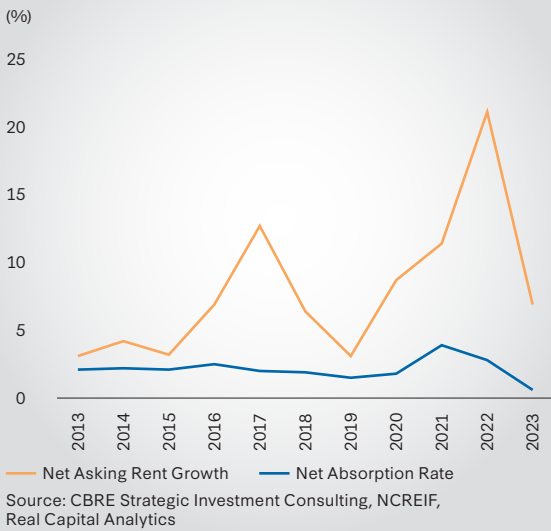
UNITED STATES

BY CBRE STRATEGIC INVESTMENT CONSULTING, FEBRUARY 2024

NET ASKING RENT AND GROWTH



NET ASKING RENT GROWTH AND NET ABSORPTION RATE

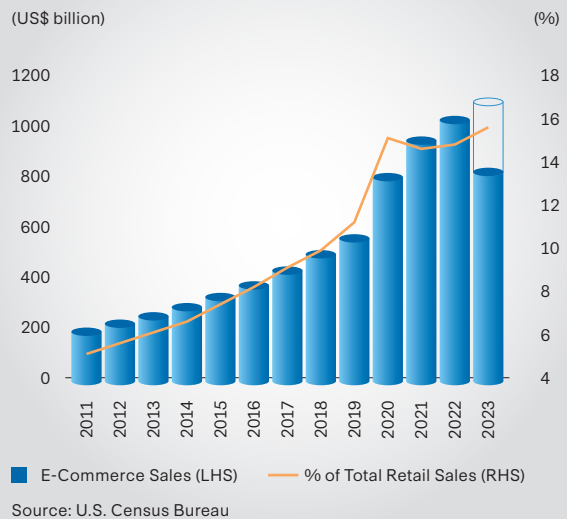


Emerging Trends

After a decade of unprecedented growth, fuelled by e-commerce, general retail, logistics and food service occupiers, economic uncertainty is having an impact on tenant demand. The industrial sector is also facing increased cost burdens for occupiers, with transportation and labour costs being the most impactful expenses. A major priority in the

industrial sector is the optimisation of supply chain networks, especially after the major disruption caused by the pandemic. With costs continuing to rise rapidly, companies are adjusting to move their supply networks and operations closer to the end consumer and production or import facilities. Occupiers are focused on strengthening their supply chains by adding more import locations, onshoring or nearshoring more manufacturing operations, and adequately staffing their distribution centres. Strong demand for manufacturing and distribution facilities will be sustained by a projected 7.5% increase in US industrial production over the next five years, according to Oxford Economics.

US E-COMMERCE SALES GROWTH



The ongoing expansion of e-commerce logistics is by far the largest secular tailwind for industrial demand. E-commerce users typically utilise about three times as much warehouse space as traditional retailers. Every US\$1 billion of new e-commerce sales growth requires approximately 1 million sq ft of additional warehouse space. The pandemic drove a significant increase in both e-commerce sales and e-commerce penetration in the US. E-commerce sales have continued to grow every year since 2020, but e-commerce penetration took a brief step back in 2021 as brick-and-mortar stores reopened and in-store sales began recovering. The setback was short-lived, and as of 2023, e-commerce penetration was at an all-time high of 15.6% of total retail sales in the US.

INDEPENDENT MARKET STUDY REPORT

UNITED STATES

BY CBRE STRATEGIC INVESTMENT CONSULTING, FEBRUARY 2024

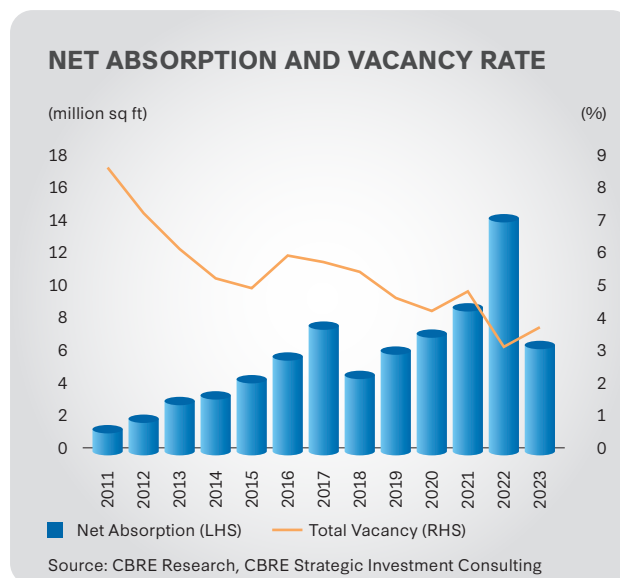
Cold storage and data centres continue to be an emerging subset of the industrial sector. Increased demand, consistent rent escalation, and the addition of advanced technology-enabled assets all contributed to strong recent revenue growth for companies operating in the cold storage space. Inflows of institutional capital and steady rent gains made the economics of new cold storage construction much more feasible. It also attracted a wave of speculative development, which has historically been rare in this sector given the unique challenges of building and operating these facilities. The data centre industry is also undergoing a significant transformation that is making it an attractive investment opportunity. Historically, data centres were predominately utilised for storage on hard drives, computing and networking connectivity. While these traditional uses remain, data centres now incorporate new applications like AI and machine learning, high-performance computing for genome sequencing or high-frequency trading, as well as other more efficient cloud-based solutions.

With pandemic-driven demand waning, occupiers will focus more on energy savings for their facilities. Requirements for sustainable energy sources like solar and wind will grow in 2024. Use of sustainable construction materials and installation of electric truck charging stations will also gain footing. Investment in automation and AI for both order picking and inventory control will grow. First-generation space that has these amenities will be in highest demand. Markets that have reliable power sources and offer incentives for environmentally friendly power options will also be particularly favoured by occupiers going forward.

SECTION 5.1: KANSAS CITY INDUSTRIAL MARKET

Market Trends

After a record year of positive absorption in 2022, leasing activity and net new occupancy slowed in 2023 to a level more in line with the historical average. Construction deliveries did not slow down from the previous year, with 11.7 million sq ft delivered in 2023. Demand was strong, with net absorption reaching 6.6 million sq ft, but not strong enough to keep up with the new supply delivered, leading to a 60-bps y-o-y increase in the vacancy rate to 3.7% at the end of 2023. This would still be the second lowest vacancy rate behind 2022 in the last 13 years.



Despite the new deliveries, the average asking triple-net (NNN) rent rose to US\$5.48 per sq ft per year, up 9.1% from 2022. This was the fastest annual growth rate in at least 12 years. An analysis of more than 200 lease comparables revealed that growth in the average effective rent was even more dramatic in 2023, climbing 12.9% y-o-y, indicating that some tenants were motivated to pay well above asking rent to secure space. The spike in effective rents was also a reflection of landlords offering fewer concessions. Fewer deals included free rent. For deals that did include periods of free rent, the average number of free months fell by 0.8 months from 3.5 in 2022 to 2.7 in 2023.

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UNITED STATES

BY CBRE STRATEGIC INVESTMENT CONSULTING, FEBRUARY 2024

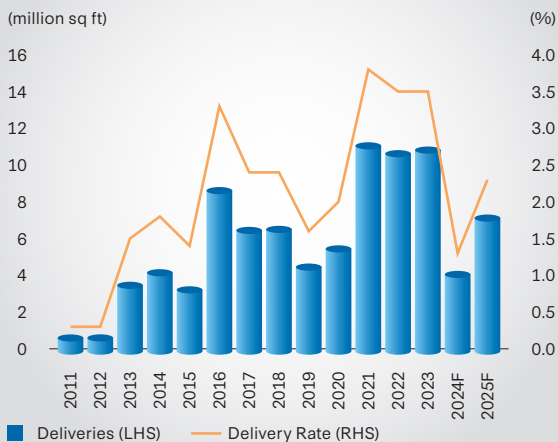
NET ASKING RENT AND Y-O-Y RENT GROWTH



Source: CBRE Research, CBRE Strategic Investment Consulting

With 11.7 million sq ft delivered in 2023, under-construction activity has fallen to 4.5 million sq ft, less than half of the activity level in 2022. Construction starts did not keep up as developers struggled with increased financing and construction costs. Activity is expected to pick up and deliveries should rebound again in 2025 with construction cost inflation weakening and expectations of better capital markets conditions for developers. The current tightness and rent growth in the market should incentivise a rebound in development, but it is unlikely to match the unprecedented levels in the past few years.

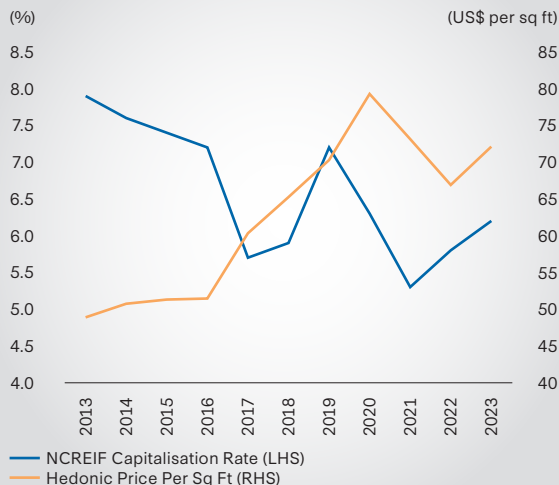
CONSTRUCTION DELIVERIES AND DELIVERY RATE



Source: CBRE Research, CBRE Strategic Investment Consulting

Investment sales activity slowed substantially in 2023, as rising interest rates increased the cost of capital, but it remained robust relative to historical market norms. Total investment volume reached just US\$234 million in 2023, which was down 72% from the prior year and half of the average over the past 10 years. Despite the dearth of activity, pricing remained strong and increased 7.8% y-o-y to US\$72.13 per sq ft in 2023. Though values remained strong, rent and NOI growth outpaced values and led to a slight softening of the average cap rate to 6.2%. Cap rates are expected to remain higher than recent years but begin compressing again in 2024 as values begin to appreciate more aggressively than NOI and rent growth expectations.

INSTITUTIONAL GRADE CAPITALISATION RATE AND VALUE



Source: CBRE Strategic Investment Consulting, NCREIF, Real Capital Analytics

Sub-market Commentary

East Jackson County

Jackson County is the largest of the Kansas City sub-markets and growth continued in 2023 due to sustained demand. Net absorption reached 991,000 sq ft in 2023, which is 0.9% of total inventory. This was slower than the net absorption rates in all other Kansas City counties except Wyandotte and a step back from the more aggressive growth in recent years. New supply exceeded net absorption and the vacancy rate in Jackson County increased 170 bps y-o-y to 3.8% at the end of 2023, which was also 10 bps above the market average. Most of the supply growth came from modern bulk distribution facilities (at least 100,000 sq ft, 28' clear height, and built after 1989), which had a 0% vacancy rate at the end of 2022. After more than 2.4 million sq ft delivered in 2023, the vacancy rate jumped to 11.8%. Despite this immense rise in vacant supply, it is likely this space will be absorbed relatively quickly in 2024, as it has been the most sought-after type of space in the market.

INDEPENDENT MARKET STUDY REPORT

UNITED STATES

BY CBRE STRATEGIC INVESTMENT CONSULTING, FEBRUARY 2024

Due to the influx of brand-new available property, the average NNN asking rent climbed 7.7% y-o-y to US\$5.15 per sq ft per year. Bulk distribution facilities recorded even more significant growth of 17.7% to US\$4.65 NNN per sq ft per year. There is more new supply on the way, which could counteract the impact on vacancy rate and dampen rent growth, but the amount is limited at just over 1 million sq ft or 1.0% of the sub-market inventory.

North and South Johnson County

Industrial real estate fundamentals were mixed in Johnson County in 2023. Net absorption reached 1.3 million sq ft or 1.5% of sub-market inventory. Absorption of new supply additions played a role in net new occupancy, but the 4.9 million sq ft of supply additions also added significantly to the vacancy rate. The vacancy rate increased 470 bps y-o-y to 5.6%. Rent growth was flat y-o-y in 2023 at US\$5.95 NNN per sq ft per year, but demand for bulk distribution facilities drove more substantial growth in that segment. The average asking lease rate for bulk facilities of all ages grew by 15.0% y-o-y, while modern bulk facilities (built 1990 or later) increased 18.1%. This means that older, smaller and likely less functional facilities were the reason for weaker overall rent growth.

At 2.4 million sq ft, Johnson County has more modern bulk distribution product underway than any other Kansas City sub-market. As of end-2023, 71% of the under-construction product remains available, which could mean even more increases in 2024 if leasing activity does not pick up. Over the next several years however, it is likely that these spaces will be absorbed as demand remains high for functional and modern bulk warehouse in Kansas City. The pipeline is also likely to cool after the existing activity delivers, which should mean tighter overall conditions and stronger rent growth by 2025.

Northland

The Northland region is comprised of Platte and Clay Counties, which had 71 million sq ft of industrial space in total at the end of 2023. Platte County is much smaller (24% of the Northland region) but has grown substantially in recent years, especially the modern bulk distribution segment, which now makes up more than half of total inventory in the county. Demand was strong in the region in 2023, with net absorption reaching 2.9 million sq ft or 4.1% of the inventory. Nearly all of this activity came from Clay County, which accounted for 2.7 million sq ft of the total. This significant uptick in activity drove the Northland vacancy rate down 240 bps y-o-y to 2.2%. The vacancy rate in Clay County fell 360 bps to 1.9%, which is the lowest of any county in the metro except Wyandotte, where the overall vacancy rate fell 40 bps to 1.4%. Stronger inventory growth and weaker leasing in Platte County led to a 150-bps increase in the vacancy rate to 3.1%.

Despite the jump in activity, the average asking rent growth increased just 0.8% in Clay County. This was in large part owing to a significant share of the available space coming from Class B and Class C assets at US\$5.07 NNN per sq ft per year. Overall, the average asking rent in the Northland region grew by 4.0% y-o-y to US\$5.26 NNN per sq ft per year. Though 2.5 million sq ft remains under construction in the region at the end of 2023, 70% of the space is already pre-leased, which should bode well for occupancy and stronger rent growth assuming sustained demand. The largest project underway is a 1.5 million sq ft build-to-suit project for Ace Hardware in Platte County.

Market Outlook

Limited construction activity going forward should help keep the vacancy rate low and sustain rent growth in the near term. Supply additions will be substantial enough to allow expansion opportunities for growing tenants while not being in such excess of demand to significantly increase the vacancy rate. Rent growth is expected to continue in the 2.5%-3.5% per year range in the coming two years, which will be marginally below most other major markets in the US. Due to both the recent growth in new supply and the central location of Kansas City, the market should remain especially attractive for large warehouse, distribution, logistics and food & beverage companies seeking modern bulk distribution facilities.

INDEPENDENT MARKET STUDY REPORT

UNITED STATES

BY CBRE STRATEGIC INVESTMENT CONSULTING, FEBRUARY 2024

SECTION 5.2: CHICAGO INDUSTRIAL MARKET

Market Trends

The Chicago industrial market softened in 2023 with the average vacancy rate increasing 150 bps to 4.1%, the highest vacancy rate since 2017. A record-breaking 38 million sq ft of new construction hit the market, contributing to the rise in vacancy as nearly half of the delivered space remains vacant. Though volume of delivered space was large, it represented just 3.0% of the vast Chicago industrial market. Occupancy of this new supply, combined with continued new leasing activity and limited move-outs at existing properties, brought the overall net absorption to 24.0 million sq ft in Chicago in 2023. This is below the record absorption of 2021 and 2022 but remains significantly higher than the years leading up to the pandemic. Manufacturing, third-party logistics (3PL), and food & beverage companies were the biggest demand drivers in 2023. Strong leasing and absorption raised the average NNN asking lease rate up 7.2% y-o-y to US\$6.53 per sq ft per year — another record for the market. Fewer deals included free rent, an indication of continued bargaining power for landlords. For deals that did include periods of free rent, the average number of free months fell by 0.2 months from 2.8 in 2022 to 2.6 in 2023.

NET ABSORPTION AND VACANCY RATE



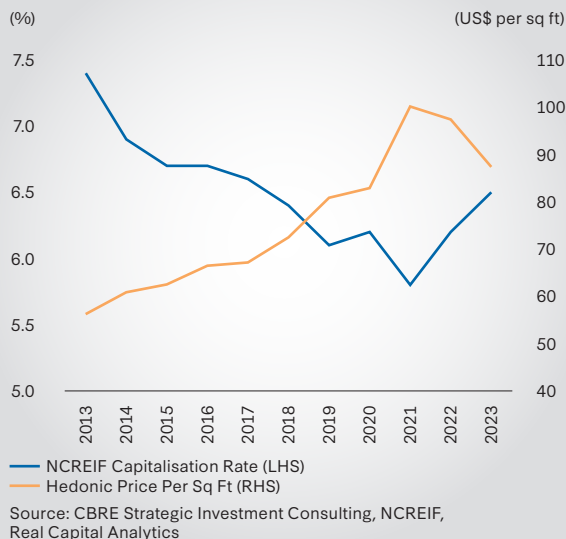
The supply pipeline has dropped with only 17 million sq ft under construction as of end 2023 — the lowest since 2019. Of these projects, 59% are built on a speculative basis and 41% will be built-to-suit. This slowdown in new supply should help ease pressures on vacancy after the large amount of supply delivered in 2023. As a percentage of the existing Chicago industrial market (over 1 billion sq ft of inventory), new supply remains extremely limited. Construction activity is likely to continue to slow in 2025 as rising construction costs and economic uncertainty may cause some developers to wait on starting new projects.

CONSTRUCTION DELIVERIES AND DELIVERY RATE



Mirroring trends across nearly all US markets, Chicago's industrial investment sales activity declined in 2023, totalling just under US\$3 billion, which was 58% lower than 2022 and lower than any year since 2013. The average price per sq ft decreased 10% to an average of US\$87.40 per sq ft but remained 17% above the 10-year average. The average cap rate ticked up 30 bps in 2023 to 6.5%, exactly in line with the 10-year average rate.

CAPITALISATION RATE AND VALUE



INDEPENDENT MARKET STUDY REPORT

UNITED STATES

BY CBRE STRATEGIC INVESTMENT CONSULTING, FEBRUARY 2024

Sub-market Commentary

O'Hare

O'Hare has been one of the tightest major industrial sub-markets in the US in recent years, which continued into 2023 with vacancy falling 10 bps y-o-y to 2.0%. Strong leasing combined with 1.6 million sq ft of delivered space helped drive net absorption to just over 2 million sq ft for the year. This relative tightness in the market has helped drive strong rent growth which continued in 2023. The average Class A asking rent increased 10.7% y-o-y to US\$9.35 NNN per sq ft per year, while the average Class B/C asking rent increased 5.3% to US\$7.90 NNN per sq ft per year.

The sub-market is likely to remain tight in the coming years as the amount of space under construction has fallen to just under 100,000 sq ft or 0.1% of the existing inventory. Its proximity to one of the largest airports in the world, O'Hare International Airport, will continue to drive demand, but growth will be limited with such a small amount of space that is available or under construction. This will likely drive demand in nearby sub-markets, or could also spur more development, especially for larger tenants willing to pay a premium for location in O'Hare.

Central DuPage/Kane

Central DuPage is among the smaller of the Chicago industrial sub-markets, but recent and upcoming construction activity has made it an emerging growth location. Leasing activity slowed slightly from 2022, but nearly 1.5 million sq ft of new construction delivered in 2023 which helped drive net absorption to 1.5 million sq ft or 3.7% of the inventory. This net absorption rate was one of the highest of all submarkets in the Chicago market and more than double the market average. Some of the new space was delivered vacant, which combined with weakened leasing activity pushed the vacancy rate up 40 bps to 3.7%. Strong interest in the sub-market has pushed rent growth, with the average Class A rent increasing 13.2% to US\$6.85 NNN per sq ft per year and the average Class B/C rent increasing 1.8% to US\$5.80 NNN per sq ft per year.

Two large projects remain under construction totalling 878,403 sq ft, both of which were built speculatively (i.e., no pre-leasing) and set to deliver in 2024. If they remain available, this will likely push the vacancy rate up to nearly 6.0%. Given the recent premium for Class A warehouses in the sub-market, it is unlikely the properties will remain available for long, and their delivery could fuel greater net absorption in 2024.

South Suburbs/South Cook County

Though net absorption was very strong in 2023, new construction deliveries outpaced occupancy growth and the vacancy rate increased 330 bps in the sub-market to 6.6%. New construction deliveries reached

nearly 3.0 million sq ft, while net absorption was just over 1.6 million sq ft. Though net absorption was unable to keep up with supply growth, it was still a very active year for tenant demand, with the net absorption rate hitting 2.6%, outpacing the metro average by 80 bps. Higher vacancy in the sub-market should be transitory as there are no projects under construction in this sub-market.

The sharp uptick in availability dampened rent growth in 2023, with the average Class A rent increasing only 1.7% y-o-y to US\$6.10 NNN per sq ft per year. This was among the weakest of any sub-market in the metropolitan area. The average Class B/C rent fared slightly better at a 3.7% y-o-y increase to US\$5.60 NNN per sq ft per year.

I-88 Corridor/Far West Suburbs

The I-88 Corridor has been one of the tightest major sub-markets in Greater Chicago in recent years, but a surge in new construction deliveries in 2023 pushed the vacancy rate up 50 bps to 3.3%. Demand was still strong with nearly 1.4 million sq ft of net absorption, but the 1.5 million sq ft of new supply outpaced net absorption in 2023. Three properties totalling just over 900,000 sq ft remain under construction in the sub-market, with nearly two-thirds of the space pre-leased as of end 2023. Unless a large number of new speculative projects break ground in 2024, there is unlikely to be significant supply risk for the near future.

Rent growth was strong in 2023 for modern Class A facilities, but Class B and C facilities struggled. The average asking lease rate for Class A properties increased 10.3% to US\$6.40 NNN per sq ft per year, while the average rent for B/C properties fell 9.6% to US\$5.15 NNN per sq ft per year. Direct available space is limited in the sub-market and concentrated in a small number of buildings, so asking rent growth can appear more volatile during these periods.

Southwest Cook County/Far Southwest Suburbs

The Far Southwest Suburbs was the tightest sub-market in the metro area in 2022, with just 0.9% of inventory vacant at the end of the year, but with 4.4% of the inventory (4.2 million sq ft) delivered in 2023, the vacancy rate increased 280 bps y-o-y to 3.7%. New leasing activity was very strong at 3.3 million sq ft but net absorption reached only 1.6 million sq ft due to leasing activity being concentrated in properties that were previously occupied.

Rent growth was strong once again, in part driven by new properties hitting the market, though Class B/C assets also performed well. The Class A average asking lease rate increased 9.3% y-o-y to US\$7.05 NNN per sq ft in 2023, while the Class B/C rate increased 7.4% to US\$6.55 NNN per sq ft per year in the same period. Though the number of transactions is limited, an analysis of lease comparables shows that base rents

INDEPENDENT MARKET STUDY REPORT

UNITED STATES

BY CBRE STRATEGIC INVESTMENT CONSULTING, FEBRUARY 2024

increased by 36.1% from 2022 to 2023, and strong growth was consistent across all classes. The supply risk going forward should be subdued with 745,000 sq ft or 0.8% of the inventory currently under construction, which should help continue to boost rents.

I-39 Corridor/Rockford

Along the I-39 Corridor, the Rockford Area is the most distant suburban sub-market from Chicago's city centre. The sub-market is relatively small and has not had significant new construction in several decades, but that has changed with a large construction start in 2023. As of year-end, more than 1.3 million sq ft is under construction in the sub-market, which accounts for 3.7% of the inventory. The only project underway is a build-to-suit for General Mills, which should boost net absorption and help decrease the vacancy rate when delivered in 2024.

The vacancy rate increased 20 bps to 4.4% at the end of the year after some move-outs drove net absorption to negative 131,000 sq ft. Rockford was one of the few sub-markets with negative net absorption, though it did not have much new space to absorb, especially higher-quality space. Class A assets make up just 6% of the inventory and there is no vacant space in any of them. There is some occupied Class A space that is listed in the market (meaning the existing tenant likely plans to vacate once the lease expires), and the average asking rent in those assets is up 8.9% y-o-y to US\$4.90 NNN per sq ft per year. The average Class B/C rent was up 8.2% over the same period to US\$3.95 NNN per sq ft per year.

Market Outlook

Chicago is the third largest industrial market in the US and will remain the core Midwest location for large distributors and manufacturers. In recent years, Chicago has had a dearth of functional warehouse space to meet the surge in e-commerce activity, which led to significant rent increases, but also curtailed further growth for larger tenants with limited available options. Unprecedented levels of development have occurred in the past several years, and while a significant amount is still under construction, it represents a small share of the overall inventory and is unlikely to place significant stress on vacancy rates in the near term. This should weaken supply risk and help push rents in the market over the next several years. CBRE expects rents to continue to grow by about 4% per year in 2024 and 2025, which is down from recent years. Net absorption will likely slow unless construction starts pick up again in 2024, given the lack of supply that exists in the market. Barring unforeseen economic changes in the coming years, it is unlikely the Chicago market will experience significant vacancy rate increases, especially among newer and higher quality assets.

INDEPENDENT MARKET STUDY REPORT

UNITED KINGDOM/EUROPE

BY KNIGHT FRANK LLP, FEBRUARY 2024

OVERVIEW OF THE UNITED KINGDOM (UK) ECONOMY 2023

Against a backdrop of challenging global economic and geopolitical tensions, the UK economy has demonstrated its resilience and fared better than expected in 2023.

In November 2022, the Office for Budget Responsibility (OBR) forecasted the UK economy would enter into a five-quarter recession, starting in 3Q 2022, which would see the UK GDP contract by 1.4% in 2023. Instead, the OBR in March 2024 outlined that the UK economy grew by an estimated 0.1% in 2023. UK GDP grew by 0.2% in 1Q 2023, followed by 0.0% growth in 2Q 2023. However, the economy then slipped into a technical recession in the latter half of the year, recording a slight decline of 0.1% in 3Q 2023 and a further contraction of 0.3% in 4Q 2023. While the growth outlook for the UK economy remains soft, it is anticipated to strengthen in the upcoming years. Oxford Economics forecasts 0.4% GDP growth in 2024 before rising by 1.8% in 2025, 2.0% in 2026, 1.7% in 2027 and 1.7% in 2028.

A key component of the global macroeconomic environment in the last two years has been the elevated inflationary environment, to which the UK has not been immune. Inflation in the UK peaked at 11.1% in October 2022, a 41-year high, and has since moderated to 4.0% in December 2023, below the forecast of 4.6% by the Bank of England (BoE). Looking ahead, Oxford Economics expects inflation to fall below the 2.0% BoE target by 2Q 2024, and to moderate to 1.5% by the end of the year.

Central banks worldwide implemented rapid monetary tightening policies throughout 2023 to combat heightened inflation. The BoE increased its base rate to a peak of 5.25% in August 2023, a 15-year high. It has since voted to keep the interest rate unchanged four times, ending its run of 14 consecutive rate hikes. Similarly, the US Federal Reserve and the European Central Bank raised interest rates to a peak of 5.50% and 4.00%, respectively. As the tightening cycle has ended, the focus shifts to how far the BoE will cut rates, with some divergence in expectations between economists and money markets. Oxford Economics forecasts a cumulative 75bps of rate cuts from the BoE this year, while Capital Economics forecasts five 25bps rate cuts. Money markets are currently pricing in three 25bps rate cuts in 2024. However, there is largely consensus between money markets and economists that the BoE will start cutting its base rate in June.

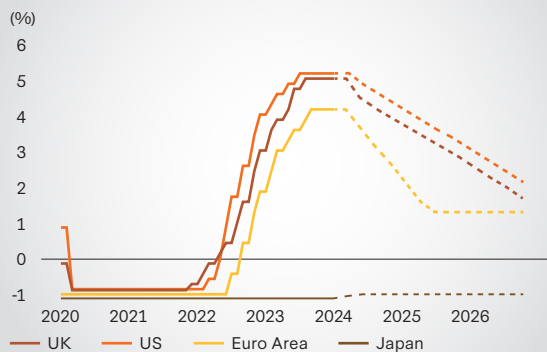
Despite elevated interest rates and higher inflation levels, the UK's unemployment rate has remained tight. UK unemployment contracted to 3.8% in 4Q 2023, down from 4.0% in the quarter prior and below the 6.7% long-term average. Wage growth is also starting to show signs of easing. The UK's annual growth in average pay

(excl. bonuses) slowed to 5.8% in 4Q 2023, from 6.5% in the three months prior, further fuelling hopes that the BoE will begin cutting rates in 2024. While the OBR forecasts slight growth in unemployment, it is expected to remain below the long-term average, rising to a peak of 4.6% in 2Q 2024.

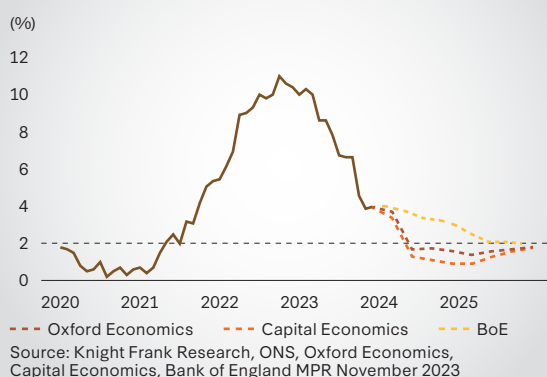
The retail sales volume declined slightly in December 2023, down by 2.1% (excl. fuel) on the previous year. 'Real' consumer spending is expected to rise gradually in 2024 as inflation continues to fall and downward pressure on pay growth takes effect. Oxford Economics forecasts retail sales volume to grow by 0.7% in 2024 before rising by 2.0% in 2025 and 2.1% in 2026. However, total retail sales growth is likely to decelerate as inflation unwinds – retail sales values are forecast to grow by 3.5% in 2024 vs 5.5% in 2023.

Meanwhile, online retail sales remain a key component of the UK retail market. The UK is more advanced in online/multichannel retailing than other European markets. For example, the proportion of online retail sales in the UK was 27.1% in December 2023, significantly above the 19.7% pre-pandemic level. Meanwhile, Germany has Europe's second-highest online penetration rate at 19.6%. Despite structural changes within the UK online market, overall penetration is likely to continue trending upwards, and forecasts from Mintel suggest it will account for more than 29% of all retail sales by 2028.

CENTRAL BANK BASE RATE FORECASTS



UK INFLATION FORECASTS



INDEPENDENT MARKET STUDY REPORT

UNITED KINGDOM/EUROPE

BY KNIGHT FRANK LLP, FEBRUARY 2024

UK LOGISTICS MARKET

The UK logistics market in 2023 experienced a partial return to pre-pandemic dynamics, recording lower than average take-up with tenant-released supply becoming a more prominent market factor. The rapid expansion of online retailers and distribution firms that underpinned the record take-up levels between 2020 and 2022 has slowed in 2023. Online sales have fundamentally moderated in the UK, and the infrastructure acquisitions made in the preceding years have proved sufficient to meet demand, at least for the short term.

However, the longer-term outlook for the sector remains one of continued growth.

Fundamentally, the pause in activity from online origins will not last, with the expansion of multichannel retailing set to accelerate. There is also a defined shift away from lean, "just-in-time" supply chains, with more firms adopting a "just-in-case" approach and holding additional stock to protect against failures in the supply chain.

Similarly, manufacturing demand is growing, with examples of the reshoring of production bases rising and generating new space requirements to create supply chain sustainability. Making this shift possible is falling wage differentials between locations and greater process automation.

Interest in warehouse space is also developing from non-traditional sources. The growth of the digital economy continues to generate the need for greater amounts of space. Data centres and film studios, in particular, are beginning to feature in demand schedules, but warehouse site suitability is heavily scrutinised due to high associated power requirements.

Whilst uncertainty over future trading conditions and pressure on margins is reflected in a more cautious approach to capital expenditure, occupiers remain active as 2023 closed. Occupier transactions are being agreed upon, albeit slower than evident in previous years and structural change is shifting the demands placed on warehouse capabilities. Enabling automation, supply chain resilience, and a desire to move to more modern facilities with strong ESG credentials remain at the forefront of occupier focus.

Occupier Market

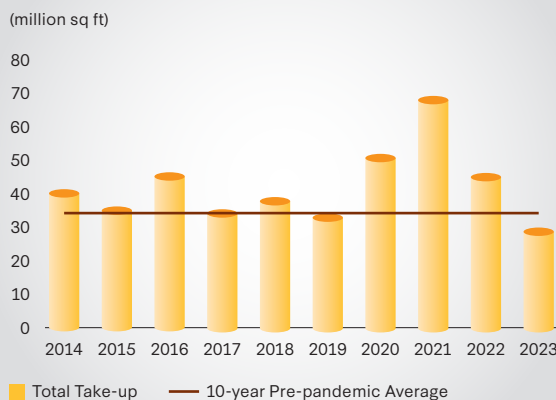
Amidst a challenging economic environment and more cautious occupier decision-making, the UK's industrial take-up in 2023 reflected more normalised, pre-pandemic levels. A total of 29.9 million sq ft was secured by occupiers during the year, which is 35% less than the 46.1 million sq ft recorded in 2022 (units over 50,000 sq ft).

Occupier activity in 2023 demonstrated sustained resilience from both distribution firms and manufacturers. Distribution firms accounted for 45% of all floorspace taken in 2023, up from 37% in 2022. Manufacturing firms represented a further 25% of the annual total, similar to 2022 levels.

New and modern space remains the focus for most occupiers. Speculative facilities and build-to-suit units comprised 53% of the UK's industrial take-up in 2023. In London, South-East and East, 74% of take-up was newly developed space. In the Midlands, 64% was new space, while in both the Yorkshire & Humber and North-West regions, newly developed space represented 43% of take-up.

However, as the speculative development pipeline slowed, occupier demand shifted away from build-to-suit units to existing buildings, including buildings that have undergone high-quality refurbishments. The share of take-up represented by second-hand space rose to 47% in 2023 (from 32% in 2022), 82% of which was grade A or B (units over 50,000 sq ft).

UK TAKE-UP (UNITS OVER 50,000 SQ FT)



Source: Knight Frank Research

REGIONAL AVAILABILITY 4Q 2023 (UNITS OVER 50,000 SQ FT)



Source: Knight Frank Research

INDEPENDENT MARKET STUDY REPORT

UNITED KINGDOM/EUROPE

BY KNIGHT FRANK LLP, FEBRUARY 2024

The availability of industrial stock in the UK for units over 50,000 sq ft (including new completions and second-hand space) rose by approximately 75% over the 12 months to 4Q 2023. This translated into the vacancy rate rising from 3.2% in 4Q 2022 to 5.5% in 4Q 2023. However, the vacancy rate at year-end remains below the 10-year, pre-pandemic average of 8.3%.

A combination of development completions and the return of second-hand space to the market underpinned the rise in vacancy during 2023. Availability of new space more than doubled y-o-y in 4Q 2023, as construction works completed on several new developments. With the occupier focus on high-quality space with strong ESG credentials, the increase restored inventory levels in sub-markets where the vacancy rate had dipped to an acute sub-2% during 2022, including South Yorkshire, West Yorkshire and the Midlands regions.

At year-end, 34% of the available stock over 50,000 sq ft comprised new builds, up from 26% in 4Q 2022 and 15% in 4Q 2021. Unsurprisingly, given the challenging economic backdrop and evidence of some tenant distress during the year, the availability of second-hand space rose by 56% in 2023.

The increased cost of debt, softer market rates, and high building costs resulted in viability issues for new developments. This meant a notable decline in construction starts throughout 2023, compared with 2021 and 2022. At the end of 4Q 2023, approximately 15.3 million sq ft of speculative space was under construction (units over 50,000 sq ft), 28% lower than 4Q 2022. Much of this development is scheduled to be completed in 2024. A slowing of the development pipeline will mean vacancy rates will gradually fall in 2024.

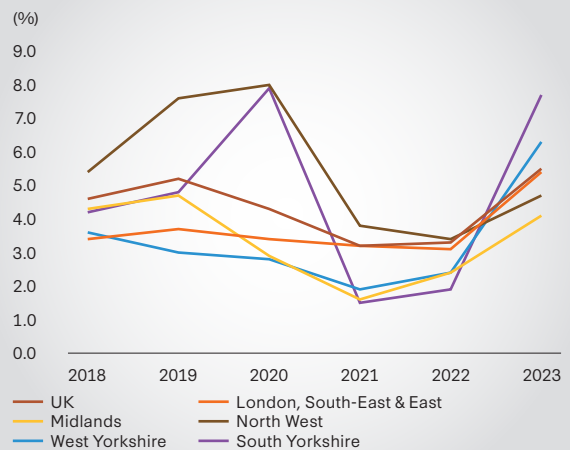
A region-by-region analysis shows that the West Midlands had the largest pipeline of speculative development by the end of 2023, followed by the East Midlands and London, South-East and East. However, most regions saw a dip in the volume of space under construction during 2023. Space under construction was down by 37% in London, South-East and East, 32% in the East Midlands and 69% in Yorkshire & Humber. In the North-West, space under construction was 1.1% higher y-o-y, while the West Midlands recorded a one-third y-o-y increase, due to a number of units at Apollo, Ansty Park and Urban 8 Logistics Park commencing in 4Q 2023. Further planned speculative development is limited beyond that already underway.

In the North-West and the Midlands markets, supply levels in 2023 were boosted by development completions and an influx of tenant released supply. Nonetheless, there remains a lack of new supply in some key markets, particularly for units over 250,000 sq ft. New speculative scheme announcements have paused, with only a couple of well-funded developers considering their positions and aiming to complete buildings when they anticipate a squeeze on supply in 2025.

In Yorkshire & Humber (West Yorkshire, South Yorkshire and North-East Derbyshire), the end of 2022 and beginning of 2023 saw developers respond to the severe lack of stock and absence of new development in West Yorkshire, and subsequently record-low take-up levels. This uplift in the development pipeline provided new opportunities to occupiers and a gradual rebound in take-up during 2023. As a result, West Yorkshire was only one of two UK regional industrial markets (alongside Wales) to see occupier take-up in 2023 ahead of the previous year. In contrast, neighbouring South Yorkshire benefited from significantly more speculative development in 2022, much of which transacted almost immediately or during the construction period. Therefore, take-up moderated in South Yorkshire in 2023, similar to the UK-wide picture.

As with all markets, construction activity notably dropped in both Yorkshire & Humber markets during 2023, with just one unit underway in West Yorkshire in 4Q 2023, and six in South Yorkshire. This compares with 15 and 18 units, respectively, a year ago (units over 50,000 sq ft).

VACANCY RATES (UNITS OVER 50,000 SQ FT)



Source: Knight Frank Research

SPECULATIVE UNDER CONSTRUCTION (UNITS OVER 50,000 SQ FT)



Source: Knight Frank Research

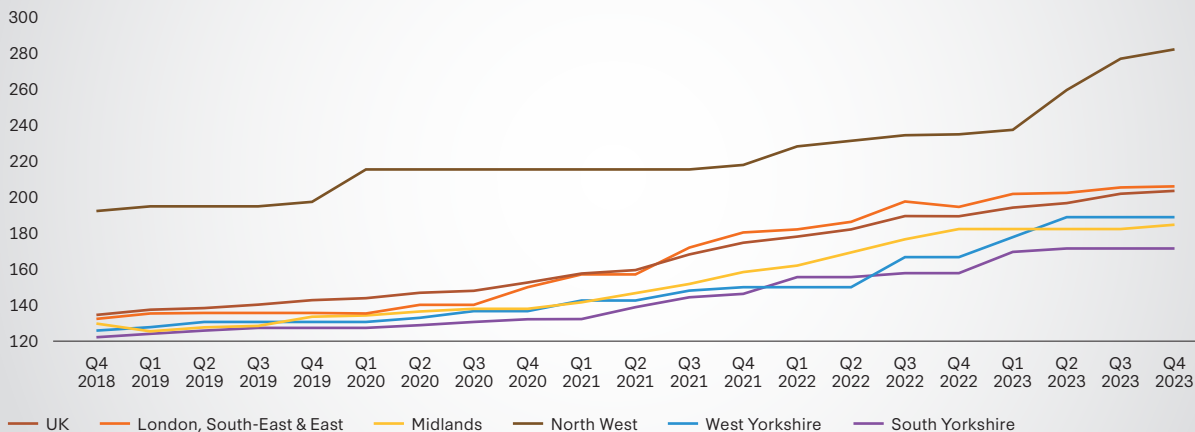
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PRIME RENT INDEX (UNITS OVER 50,000 SQ FT)

1Q 2009 = 100



Source: Knight Frank Research

Rents & Incentives

Prime rents remain resilient, with rental growth recorded in core markets despite rising supply levels and moderating take-up. Incentives have increased during 2023 to protect value, secure the best occupiers and minimise void periods. Based on take-up of units over 50,000 sq ft across the UK, the average rent-free period in 2023 was 9.9 months (based on an average lease length of 12 years). Looking specifically at newly developed buildings, the average rent-free period in 2023 was 12.1 months, up from 11.6 months in 2022.

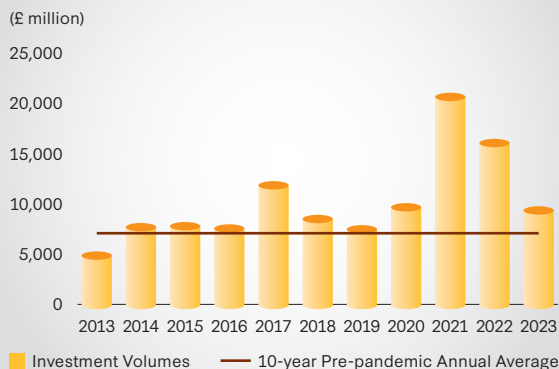
Prime rents in the UK for units over 50,000 sq ft increased by 7.0% y-o-y, to £11.11 per sq ft. Rents in London and the South-East remained stable and the highest in the UK in 2023. Prime rents for units over 50,000 sq ft in London and the South-East were £27.50 per sq ft. The North-West market registered annual rental growth of 24.2% in Manchester in 2023, standing at £10.00 per sq ft at year-end for units over 50,000 sq ft. In Yorkshire & Humber, prime rents for units over 50,000 sq ft in Leeds and Sheffield grew by 16.7% and 14.7% to £8.75 per sq ft and £8.20 per sq ft, respectively. Rental levels remained stable across the West and East Midlands, with prime rents finishing the year at £11.00 per sq ft in Birmingham and £10.00 per sq ft in Northampton.

Investment Market

During 2023, investment activity was challenged by high financing costs, a gap between purchaser and vendor expectations, and rapidly softening yields. Even so, investment volumes for 2023 reached £9.8 billion. While 41% lower compared with the £16.5 billion transacted in 2022, the 2023 total is 38% ahead of the 10-year pre-pandemic annual average (2010-2019) of £7.8 billion.

Prime yields in London and the South-East market softened by 175bps between June 2022 and January 2023, from 3.50% to 5.25%, and remained at this level throughout 2023. Prime yields in the Midlands, North-West, West Yorkshire, and South Yorkshire markets are trending 25-50bps higher after prime industrial yields softened by 150-200bps over the past 18 months. In terms of active capital, cross-border capital continues to be the driving force of the market, accounting for 62.1% of the total invested in 2023, up from 57.7% in 2022. Private capital has grown in share, accounting for 13.7% of the market in 2023, up from 11.2% in 2022. Institutional investors and REITs were less acquisitive in 2023, accounting for 18.1% and 4.0% of the market, respectively. This compares with 23.0% and 5.7% in 2022. As 2023 ended, the buyer pool showed signs of strengthening, with UK institutions returning to the market and new international interest seeking to capitalise on favourable pricing.

INDUSTRIAL & LOGISTICS INVESTMENT VOLUME



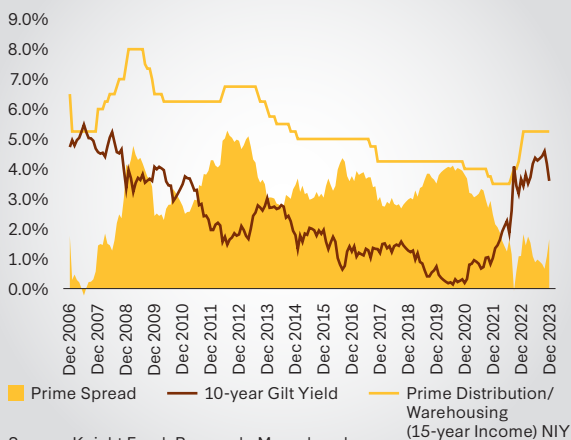
Source: Knight Frank Research

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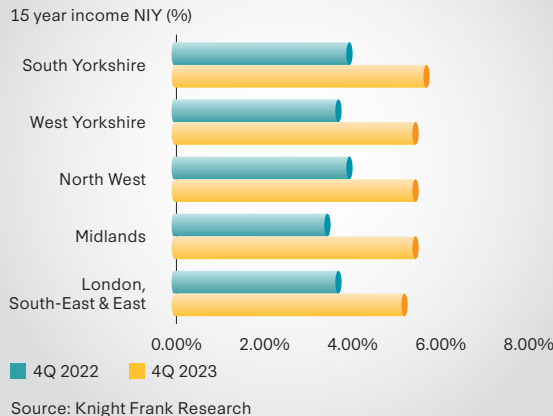
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INDUSTRIAL PRIME YIELDS & GILTS



REGIONAL PRIME YIELDS - 18 MONTH REPRICE



A region-by-region analysis showed that several large portfolio transactions in 2023 boosted the North-West investment total to exceed 2022 volumes despite weakening investor sentiment. In contrast, activity in the London, South-East and East regions declined by 63%, the Midlands recorded a 21% decline, while South and West Yorkshire registered 35% and 90% falls, respectively.

REGIONAL INVESTMENT TOTALS



TOP INVESTMENT DEALS, 2023

Property	Region	Price	Yield	Purchaser	Vendor
Harbert UK Portfolio, Manchester/Heywood	North West	£480m	4.40%	Blackstone	Harbert Management Corporation
Tera 40, Auriol Drive, Greenford	London, South East & East	£146m	2.88%	Valor Real Estate Partners	Lothbury IM
Fradley Park, Lichfield	West Midlands	£140.5m	5.68%	Ares Management	Legal & General Property
Coventry Logistics Park, Richardson Way, Coventry	West Midlands	£140.4m	4.50%	DTZ Investors	Bericote / JP Morgan
Part Javelin Portfolio (2 units) Crick/Kettering	East Midlands	£101.3m	(blended) 4.73%	P3 Property / Roebuck Asset Management	SEGRO
DHL/Wilko DC, Roebuck Way	South Yorkshire	£88m	5.84%	Brookfield Asset Management	DHL International
Amazon, Hannah Close, Wembley	London, South East & East	£74m	3.49%	Confidential	abrdn
Polar Park, Bath Road, Heathrow	London, South East & East	£54m	5.05%	Copley Point / Brookfield	Federated Hermes
Wakefield 41, Brindley Way	West Yorkshire	£13.2m	5.50%	Crossbay	F&C REIT Asset Management
Fulcrum 6, Solent Way, Fareham	London, South East & East	£10.5m	5.38%	Tritax	Kier Trade City LLP

Source: Knight Frank Research

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Outlook / Forecast

With activity in both the investment and occupational markets during the two preceding years reaching unprecedented levels, the market pause in 2023 was unsurprising. However, active requirements remained high across all size bands and regional geographies at year-end. These could translate into transactions in the first half of 2024.

The market, however, remains in transition.

Occupier demand remains focused on the best-quality assets. This is anticipated to result in polarisation in performance between good-quality and secondary buildings, with best-in-class assets outperforming the wider market in terms of rental growth.

Buildings with high sustainability credentials will carry favour, with a growing focus on 'green warehousing'. Occupiers are under increasing pressure to adopt eco-friendly practices, reduce carbon footprints, and implement sustainable packaging solutions. Incorporating renewable energy sources, optimising transportation routes for fuel efficiency, and embracing recyclable materials will be primary initiatives to align warehouse operations with sustainability goals.

Another clear trend for 2024 is digitalisation. Advancements in this area have affected all activities inside and outside facilities. In 2024, businesses will further enhance supply chain resilience and implement resources to address the need for ever-faster deliveries, improve service efficiency and tackle the shortage of qualified labour.

In 2023, warehousing supply increased due to new builds reaching practical completion and second-hand, modern space returning to the market. However, the UK vacancy rate remains below the long-term pre-pandemic average, and some geographical areas remain short of good-quality, large stock. In addition, there will be a slowdown in the delivery of new stock to the market in 2024. Competitive pressure is, therefore,

likely to build and serves to fuel further rental growth, particularly for new and 'best stock'.

Forecasts indicate that average rents for UK industrial will continue to rise over the next five years, albeit more modestly than in 2020-2022. Average rents increased by 6.1% in 2023 (based on the latest 3Q RealFor forecasts). A more modest growth rate of 3.1% is forecast for 2024, with 2.1% growth predicted for 2025.

More granular analysis shows that the highest rental growth for 2024 is forecast for the Eastern and North-West regions, with 4.1% and 3.5% annual growth, respectively. The South-East and London markets are forecast to see 3.3% and 3.0% growth, while similarly, the West and East Midlands are predicted to see average growth of 3.0% and 2.8% this year. Average rents in Yorkshire & Humber are forecast to grow by 2.6%.

On the investor side, the market will remain challenging, at least for the first half 2024. Market activity, much of which is reliant on debt, will only kick start once interest rates begin a sustained downward shift. Swap rates did begin a downward movement at the end of 2023, but further reduction is required to draw investors back to the market.

Investors are likely to remain risk-averse and focus on good-quality properties. These assets are considered resilient against weaker economic conditions and benefit from more robust supply/demand dynamics. Polarisation within the sectors is expected to intensify, with secondary rental and capital values under further pressure. While prime pricing softened in 2023, the outward shift has stabilised, albeit the performance gap between prime and secondary assets could widen. Occupational performance will be the predominant driver of real estate returns in 2024.

Capital value forecasts for 2023 show growth of 1.5% for the UK, with higher growth rates of 2.7% and 3.5% predicted for 2024 and 2025, respectively, according to RealFor. Capital value growth forecasts are driven by GDP and employment (both general and manufacturing), consumer spending and CPI inflation.

KEY MARKET FORECASTS*

UK	2023	2024	2025	2026	2027
Average Rental Growth	6.1%	3.1%	2.1%	2.2%	2.4%
Capital Value Growth	1.5%	2.7%	3.5%	2.9%	2.1%

Source: RealFor, MSCI
*3Q 2023 forecasts

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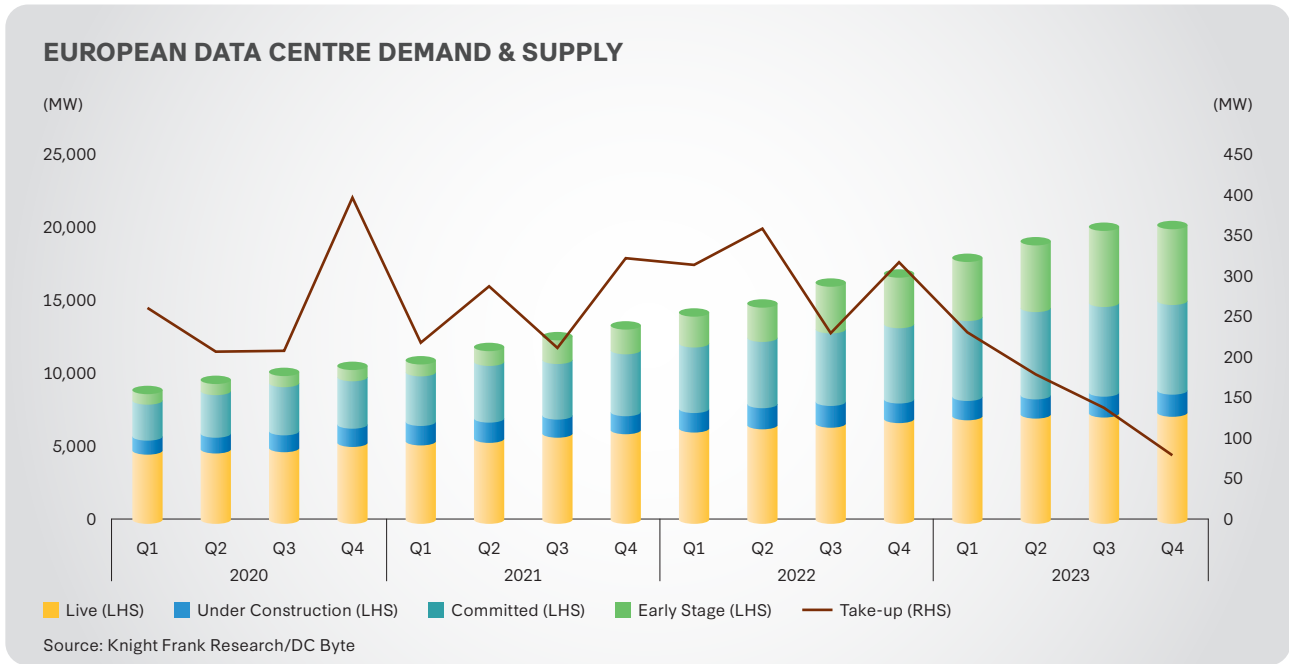
EUROPEAN DATA CENTRE MARKET

Data centre demand across Europe, specifically the FLAP-D market (Frankfurt, London, Amsterdam, Paris & Dublin), is at an all-time high. Supply, however, is low. Take-up across Europe has been irregular, with space being absorbed as it becomes available instead of when needed. This has contributed to over 600 megawatts (MW) worth of transactions in 2023, 60% of which were in the FLAP-D markets. Planned development in Europe is the highest it has ever been, with 54% of aggregate supply designated as part of the development pipeline, though delivery timelines are lengthening.

Demand across Europe is driven primarily by the growth of public cloud and wholesale colocation. Self-build public cloud live capacity has increased 123% over the last five years, rising by just shy of 1,000 MW since 2018. Close to 60% of this growth was in the traditional FLAP-D markets, of which 58% was in Dublin. Larger

wholesale colocation projects are also increasingly leased entirely to hyperscale cloud providers Microsoft, Amazon Web Services (AWS), and Google. For example, new build projects from ARK and VIRTUS follow this trend in West London. The new Union Park development park from ARK has been entirely pre-let on a 50-50 split between AWS and Microsoft. Similarly, VIRTUS' Stockley Park campus has been wholly let to hyperscale cloud providers Microsoft (87%) and Google (13%).

The growth of artificial intelligence (AI) looks set to have a significant effect on the data centre industry. Requirements for AI are substantial and require vast amounts of power, cooling, and increased rack densities. Most major European markets are experiencing power limitations, meaning AI deployment may look towards secondary and emerging markets where power is more readily available. This could include emerging European markets such as Berlin, Oslo and Copenhagen or FLAP-D secondary markets such as Manchester or Groningen.

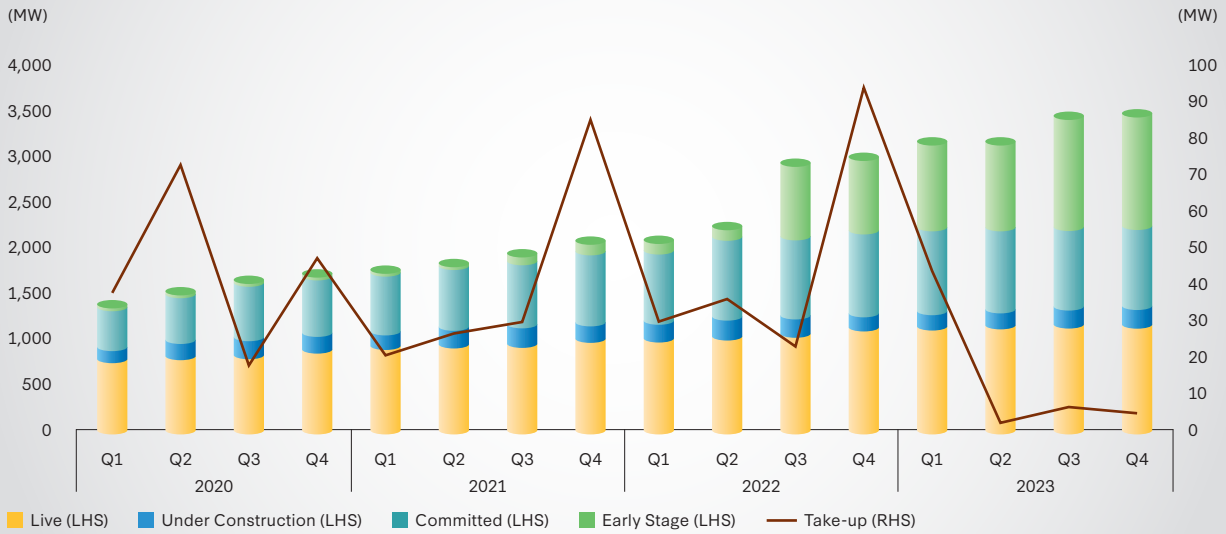


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LONDON DATA CENTRE DEMAND & SUPPLY



Source: Knight Frank Research/DC Byte

UK DATA CENTRE MARKET - LONDON

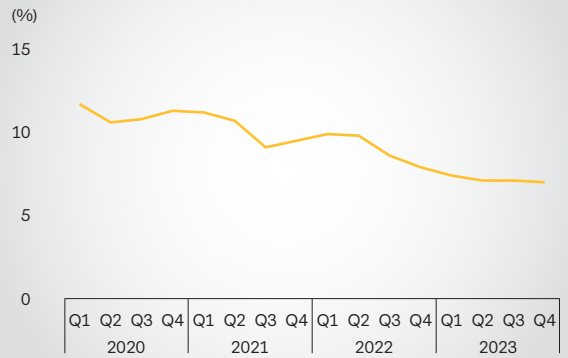
London, Europe's largest colocation market, has seen development tempered in 2023, with live IT capacity growing by 2.6%, compared with a European average of 6.6%. This is not the result of a lack of demand but more of the limited growth in availability, with projects being affected by power and land scarcity, particularly in West London. The development pipeline has hit a record level, topping 2 gigawatts (GW) of development plans. In 2023, 81 MW worth of projects started construction, alongside continued development on a further 124 MW. Aggregate supply observed 477 MW added in 2023. However, planning and/or power have yet to be attained on many projects.

A slowdown in construction timelines, power scarcity, and rising costs led to only 56 MW worth of space transacted in 2023, down almost 70% on volumes recorded in 2022. Live market vacancy fell to 6.97% by year-end. However, this includes smaller enterprise and retail availability. When removing all availability that is not substantial enough to attract the larger hyperscale clients, vacancy falls to 3.76%.

London's construction pipeline represents 13% of Europe's total, making it the most prominent European market, followed closely by Frankfurt. Construction centres on bolstering both wholesale colocation and public cloud capabilities. The largest project is Microsoft's new site development on Bashley Road in Park Royal, one of the main London sub-markets. The development will be 96 MW upon completion, with capacity expected to be dedicated to servicing public cloud AI capabilities.

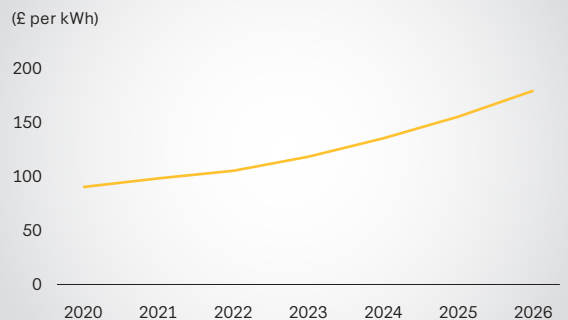
Colocation rents continue to rise at an annual rate of approximately 15%, with growth expected to continue with a potential slowdown in 2028/2029 should Iver-B power be confirmed. This colocation pricing surge indicates heightened tension between

MARKET VACANCY



Source: Knight Frank Research/DC Byte

WHOLESALE PRICING

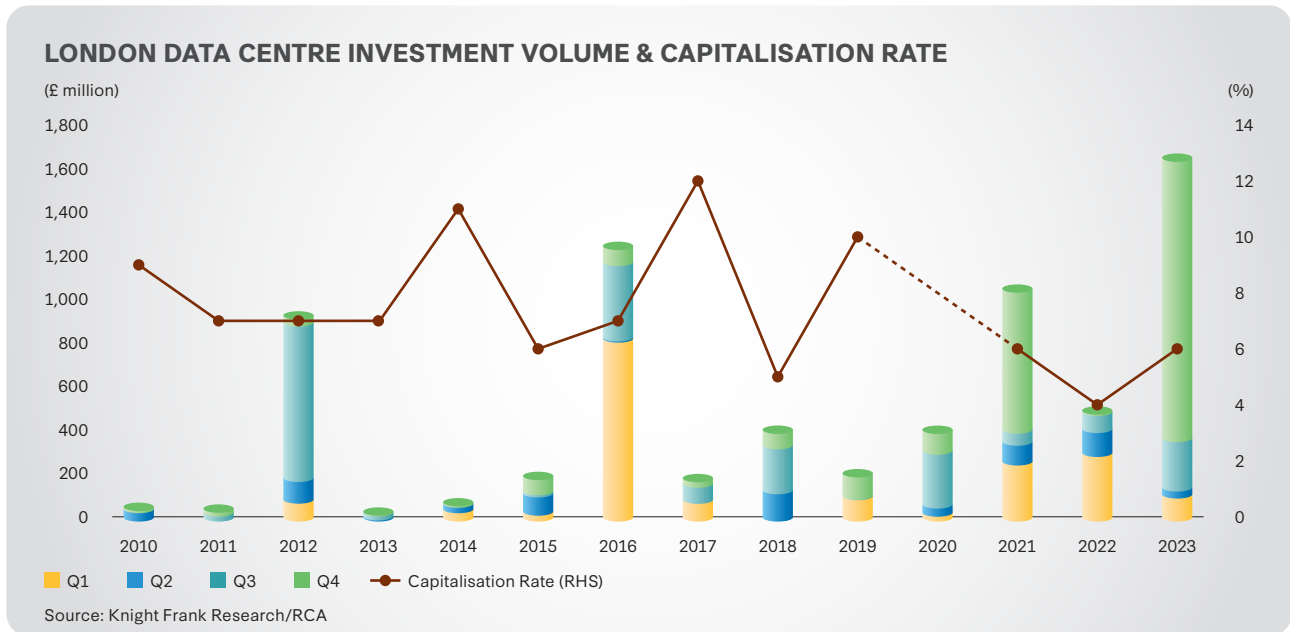


Source: Knight Frank Research

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increased demand from hyperscale tenants seeking larger deployments and constrained supply. Wholesale pricing was between £110 - £125 per kilowatt hour (kWh) at the end of 2023, with two hyperscale deals in negotiation at £120 - £125 per kWh. Retail pricing is far less predictable but has witnessed a similar uptick this year, currently settling at £200 per kWh.

The UK investment market saw a boost in the fourth quarter of 2023, following a £1.3 billion sale of five stabilised assets across the region by Vantage Data Centers. This falls alongside another notable deal in the London submarket from ICG that purchased British Land's London data centre portfolio for a reported £125 million at a yield of 4.6%. Over the last 18 months, investment sales have demonstrated 4.5% - 6.0% capitalisation rates.

UK DATA CENTRE MARKET - MANCHESTER

Manchester is the UK's second data centre market, representing 32% of the UK's non-London-based capacity, playing host to global operator Equinix, which owns 49% of the market's live and committed capacity. As land and power availability issues continue in London, demand will become more footloose and drive growth within Manchester and its surrounding areas. With the prospect of a second cloud region within the UK, Manchester sits in a prime position to benefit.

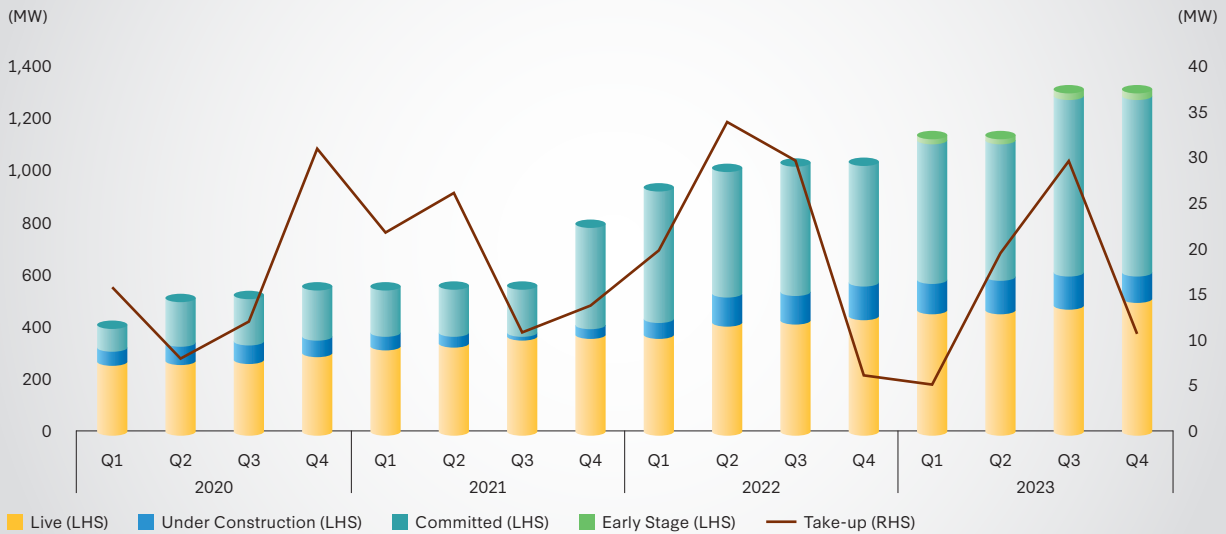
Manchester has seen no new live capacity added since the third quarter of 2022, following the completion of phase one of Equinix's MA5 facility. Kao Data has made the only announcement in the city in 2023, a 40 MW facility to serve wholesale colocation. However, power and/or planning are yet to be secured. Take-up remains minimal, with 3.5 MW of space transacted in 2023.

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BY KNIGHT FRANK LLP, FEBRUARY 2024

PARIS DATA CENTRE DEMAND & SUPPLY



Source: Knight Frank Research/RCA

FRANCE DATA CENTRE MARKET - PARIS

The Paris data centre market is now the fifth largest in Europe, with live IT capacity growing by 14.5% in 2023, more than double the European growth rate. France is known to have a more conservative IT culture that is starting to move to outsourcing and cloud computing. Hyperscale is still at an early stage of development in Paris and will drive the market's growth trajectory over the next few years. Subscale cloud providers are developing relatively unnoticed, intending to expand further into Europe, where France is home to one of the largest subscale providers – OVH. All these dynamics have the potential to push demand for data centre colocation.

Data centre development in North Paris has become difficult due to a lack of appropriate land and available power. Recent power shortages in the north of the city and zoning restrictions implemented for the 2024 Olympics compound issues for providers and others seeking to build in this region. As a result, Paris has seen only 65 MW of space transacted in 2023. But as with many major European markets, this does not result from a lack of demand. Market vacancy in Paris is 3.44%, with 50% of space under construction fully pre-let.

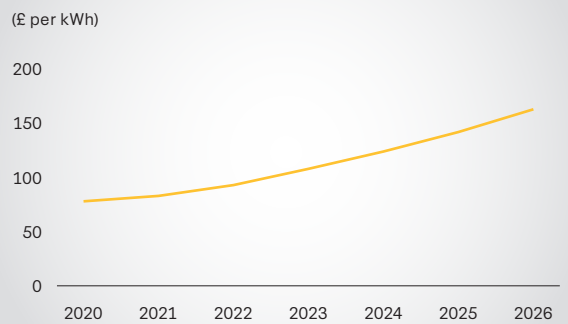
The southern region of Paris is expected to see the majority of development going forward due to power, land and fibre availability and affordability. CloudHQ's CDG Campus was the largest project under construction in South Paris at year-end, with a phase one delivery of 24.8 MW expected in 4Q 2024, with 148 MW capacity on the project's completion.

MARKET VACANCY



Source: Knight Frank Research/DC Byte

WHOLESALE PRICING



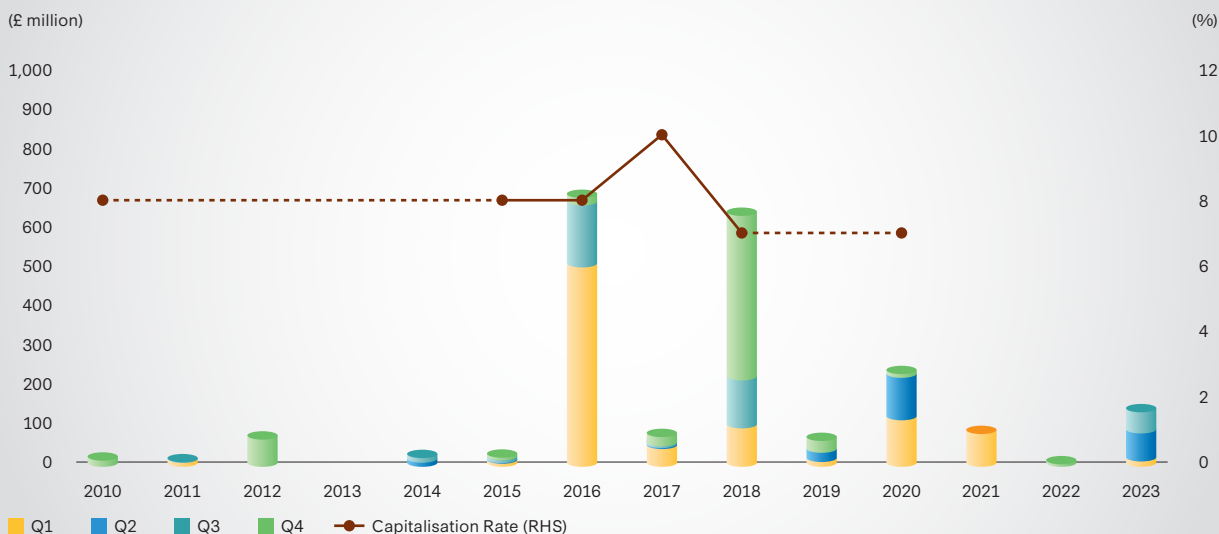
Source: Knight Frank Research

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PARIS DATA CENTRE INVESTMENT VOLUME & CAPITALISATION RATE



Source: Knight Frank Research/RCA

In line with general European trends, combined with falling market availability and a lack of pipeline availability, colocation rents are seeing an annual increase of 15% - 20%. Pressure is not expected to relax until 2026, post the Olympics demand spike and once a suitable portion of the new supply can attain power. Wholesale pricing was between €120 - €130 per kWh at year-end, with expectations for pricing to be over €180 per kWh by 2026.

Investment volumes in the French data centre market fluctuate between €100 - €300 million annually. Following zero activity in 2022, the market has seen a bounce back in 2023, with €170 million transacted. The largest deal recorded this year was Brookfield AM's €81 million purchase from AXA, which formed part of a €3.5 billion takeover of DATA4. The market has seen previous spikes in 2016, following Equinix's purchase of the Telecity portfolio in 1Q 2016. Capitalisation rates within France are unconfirmed at present due to the lack of single asset sales within the market. Still, expectations are currently between 6% and 7%, slightly higher than other FLAP-D markets, such as the UK. This is primarily due to the market's sizeable retail colocation sector, a far more volatile and short-term market. Capitalisation rates are downward, driven by the market's transition to a long-term wholesale-dominated composition.

THE NETHERLANDS DATA CENTRE MARKET - AMSTERDAM

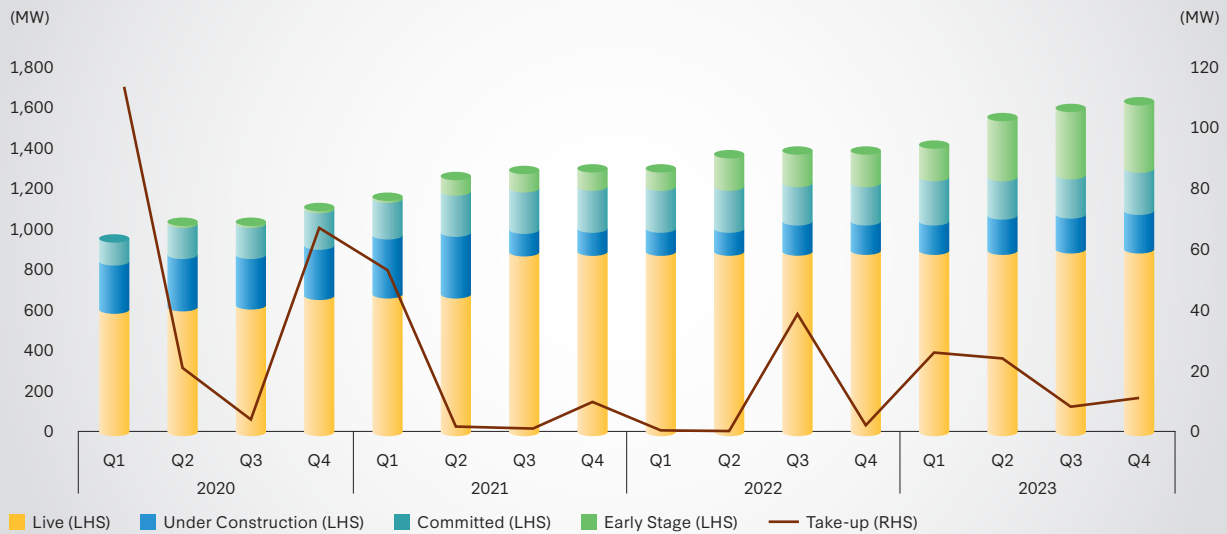
Hindered by a national moratorium on large-scale development and a lack of accessible power for new data centres, development has struggled to keep pace with the other FLAP-D markets. Amsterdam has seen near zero growth in its live IT capabilities since 3Q 2021, with only 15 MW added, alongside 52 MW of new projects starting construction. Despite being lifted in 2020, the national moratorium left approval criteria extremely tight, resulting in an extensive list of pipeline projects awaiting approval. Development pipelines, not including projects already under construction, have increased by 55% in 2023 following the announcement of an additional 191 MW worth of projects. The most significant announcement of 2023 has been Google's 88 MW Hoogkerk, where construction was planned to begin in the autumn. However, the necessary planning and power approvals have yet to be attained.

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AMSTERDAM DATA CENTRE DEMAND & SUPPLY



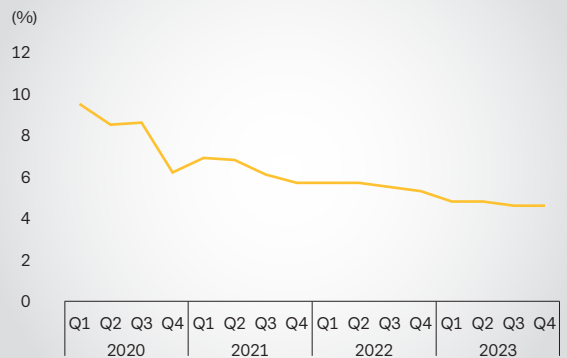
Source: Knight Frank Research/DC Byte

There is no lack of demand for space within the market, with availability at record lows. Vacancy was 4.6%, and availability was 40 MW at year-end. However, this total is spread across 34 facilities for an average single-site availability of only 1.2 MW. Within Amsterdam, only three wholesale facilities have enough live capacity to attract cloud hyperscale clients. However, only one can provide more than 5 MW of space.

Construction uptake in Amsterdam has been slow over the past two and a half years, with new projects struggling to attain the necessary power and planning requirements. Volumes are up 30% since the close of 2022 but have failed to recover following the national moratorium, being 25% down on 2020 volumes. Google have initiated construction on phase one at its Oldambt facility, whilst Digital Realty have started works on an initial 13.5 MW at its AMS11 facility. NTT are working on an 11 MW expansion to its Amsterdam 1 facility, whilst CyrusOne are building a 4.5 MW extension to its facility.

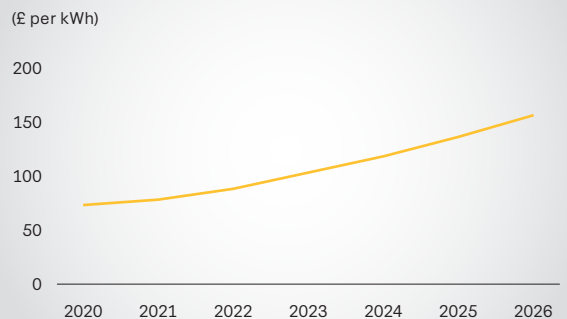
Despite being one of the cheaper FLAP-D locations, the immediate squeeze on availability and limited short-term pipeline growth has resulted in annual rental increases between 15% - 20%. Pressure on space is not expected to relax, with only 25% of construction volumes not currently pre-let. Wholesale pricing was between €115 - €120 per kWh at year-end, with expectations of achieving €155 per kWh by the end of 2025.

MARKET VACANCY



Source: Knight Frank Research/DC Byte

WHOLESALE PRICING



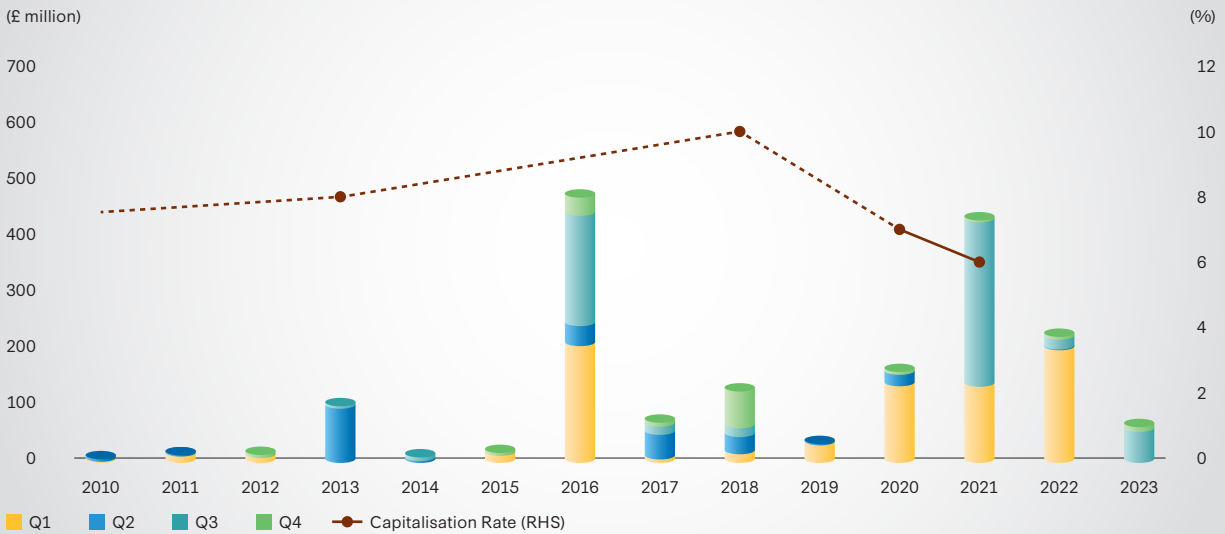
Source: Knight Frank Research

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AMSTERDAM DATA CENTRE INVESTMENT VOLUME & CAPITALISATION RATE



Source: Knight Frank Research/RCA

In line with European trends, the Netherlands has seen a significant reduction in investment activity throughout 2023, with only two major deals tracked. The largest purchase has been Principal Asset Management's €39 million purchase of a 266,463 sq ft logistics facility in Schiphol. The facility was simultaneously leased to Switch Data Centres, who are in the process of converting the property into a 42 MW state-of-the-art data centre. A lack of visibility of comparable data in the market has left capitalisation rates unconfirmed. However, the region's estimated rates are currently 6%, given its focus on long-term hyperscale cloud and wholesale colocation investments.

SWITZERLAND DATA CENTRE MARKET - GENEVA

Despite being a small market within Europe, Switzerland offers many unique features not found in most European locations. Renowned for its strong commitment to data privacy and sovereignty, as well as robust data protection laws, it has become a prime location for data centres. Its central position enables businesses to effectively connect with most major European markets, reducing latency and improving data transfer speeds. Additionally, the country's mountainous terrain offers natural protection against physical threats, making it an attractive option for disaster recovery and backup

GENEVA DATA CENTRE DEMAND & SUPPLY



Source: Knight Frank Research/DC Byte

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UNITED KINGDOM/EUROPE

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facilities. Geneva, however, has seen an overall reduction in its aggregate capacity following the closure of the 2.7 MW facility in the Lausanne region, northeast of Geneva. Take-up has also struggled, with no significant recorded transactions in 2023.

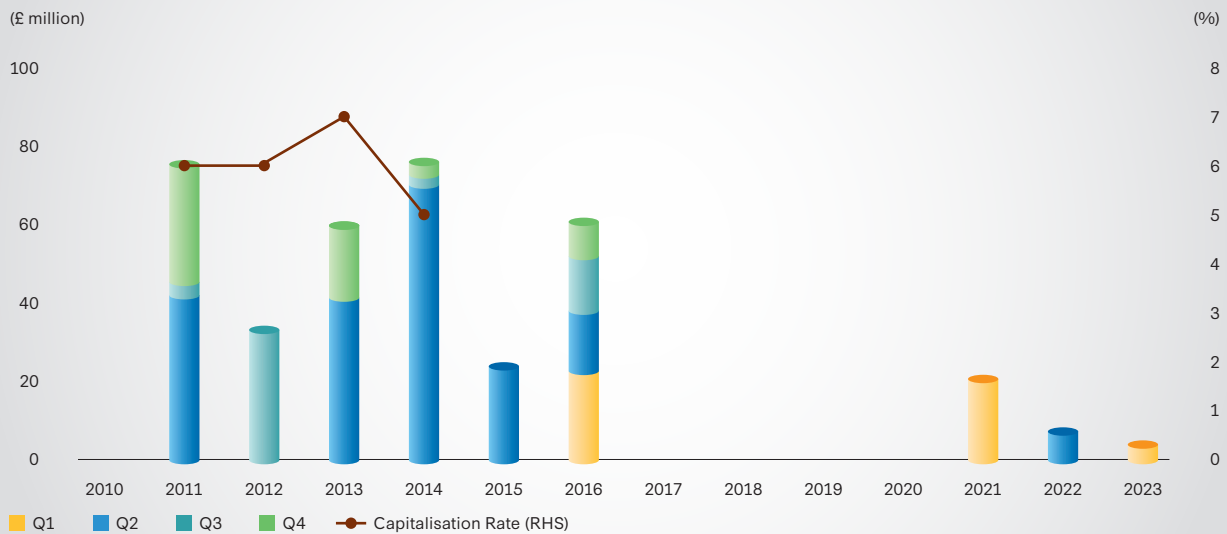
Vacancy rates, at 10.7%, are not as low as in the major FLAP-D markets. Although only 5 MW of availability exists within the market, no location has enough capacity to attract hyperscale business. Wholesale capacity is in its infancy in Geneva, offered in only one facility.

To bolster the market's wholesale colocation offerings, 10 MW of space is under construction, an expansion project to STACK Infrastructure's 20 MW GEN02 facility. STACK currently operates the only wholesale colocation facility in the market, previously dominated by retail until 2020.

As a result, pricing has become unpredictable within this market. However, given the homogeneity of the product offered by data centres, estimates would be in the €115 - €125 range, with 10% - 15% annual increases.

Investment into the Switzerland data centre market remains low, averaging €10 - €30 million annually, post-COVID. CapitaLand Ascendas REIT's purchase has been the largest in this period, followed by Macquarie Group's €9.7 million sale and leaseback of NTT's 20 MW Zurich facility in 2022. With minimal comparable data available, estimates of exact capitalisation rates within the market are difficult. Based on historical trends, however, and a shift towards a wholesale colocation offering, capitalisation rates would be expected to fall within the 6% - 8% range.

GENEVA DATA CENTRE INVESTMENT VOLUME & CAPITALISATION RATE



Source: Knight Frank Research/RCA



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