LAFAYETTE STREET
CAPITAL

LSC Industrial Approach

Targeted Single-Tenant Strategy

July 2025

EXECUTIVE SUMMARY

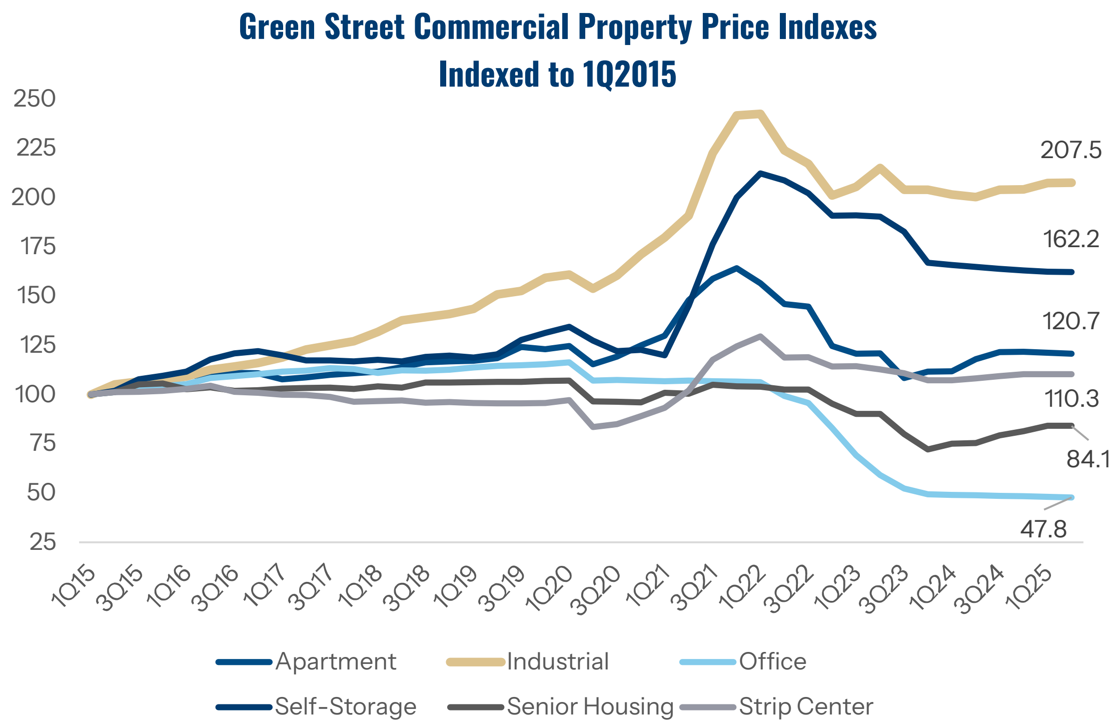
At LSC, our objective is to deliver strong **risk-adjusted returns from real estate investments across a variety of market conditions**. Achieving this requires shaping tailored investment theses, based on understanding the prevailing market paradigm. In this piece, we will share our case for a targeted investment approach that we believe stands to outperform in our current environment. We believe compelling risk-adjusted returns are available within a subset of industrial assets meeting **certain lease, occupancy, and location criteria** to mitigate key risks.

Investment Approaches Vary in Market Environments

In some macroenvironments, merely being exposed to an asset class like real estate can deliver compelling outcomes versus investments in other assets (like bonds or equities). We saw this in the real estate recovery that followed the financial crisis. During other periods, certain subsectors of an asset class may outperform -- think multifamily vs. office during the pandemic. In these historical environments, the rising tide lifted most, or at least some, boats. Simply having exposure to real estate, or to a particular real estate sector, generated healthy returns. These were “market beta” driven environments.

In other macro environments, like today’s, a more targeted approach, focused on an idiosyncratic thesis, or generating “market alpha”, is needed to drive performance. In the prevailing environment, we expect that macro trends (including geopolitical uncertainty), tight lending conditions, and pockets of oversupply will likely continue to challenge real estate allocations. Nevertheless, compelling opportunities are available for investors who can effectively identify current supply / demand dynamics, capital flows, and certain untapped geographic micro markets. Lafayette Street Capital sees compelling opportunities within specific pockets of industrial real estate. This property type has been one of real estate’s darling sectors over the past decade, and while there has been some recent indigestion partly driven by oversupply in big-box industrial, targeted opportunities poised to deliver attractive risk-adjusted returns remain available.

The "Beta Years" - Industrial Sector Broad Outperformance (2015-2025)[1]



Industrial Real Estate – A Quick History Lesson

Growing Demand

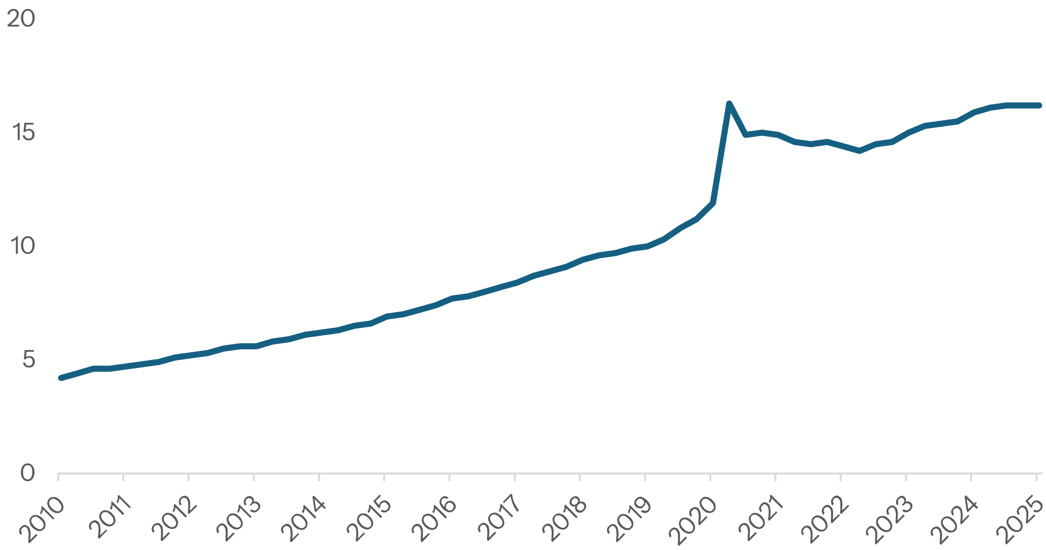
Following the 2008 Financial Crisis, the industrial sector represented just 15% of U.S. real estate inventory value. With steady growth over the last five years, industrial inventory values have grown by 42%, now representing ~26% of total commercial asset value.[2] In the past decade, largely driven by the growth of e-commerce, industrial real estate institutionalized and attracted significant capital inflows. Creating a supply chain that can support the United States's online spend has meant making significant investment in developing modern logistics real estate.

E-commerce facilities require 3x the square footage of traditional industrial real estate because more space is needed to accommodate higher throughput of goods, including modern racking and sorting technology[3]. Post-pandemic, this dynamic

[1] Green Street. As of July 2025
[2] Green Street. As of January 2025
[3] Green Street

drove a strong appetite for the development of large, modern logistics facilities throughout the country.

E-Commerce Penetration - % of US Sales[4]



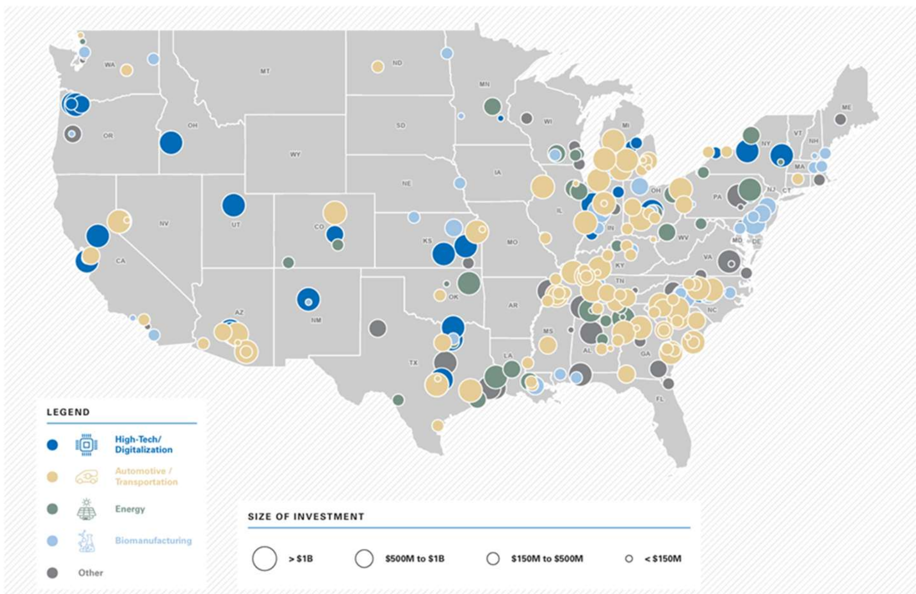
The fundamentals supporting industrial real estate demand remain strong. Although e-commerce growth has moderated, online sales continue to drive economic activity. We expect that ecommerce, among other drivers, will continue to underpin healthy industrial demand.

The pandemic highlighted the need to modernize and build resiliency in supply chains and the physical infrastructure that supports them. Today's political environment continues to support a domestic-driven approach. A U.S. manufacturing boom is underway, marked by a significant increase in onshoring of production and assembly activities. Nearly $9.0 trillion has been invested in U.S. manufacturing across key industries since 2020, a trend that is expected to drive continued leasing activity and increased space requirements in industrial markets across the country.[5] The Federal government accelerated this shift by launching several bipartisan incentive programs, including the CHIPS Act to provide capital to semiconductor firms and the Inflation Reduction Act, which offers tax breaks to the clean energy sector.[6] Trump's "One Big Beautiful Bill," recently signed into law on July 4, 2025, also targets provisions aimed at boosting American manufacturing. The bill extends the 2017 Tax Cuts and Jobs Act

[4] FRED. As of May 29, 2025
[5] Census.gov. As of February 2025
[6] Green Street: U.S. Onshoring: Manufacturing New Warehouse Demand (June 2024)

that sets the corporate income tax rate at 21% and includes higher tax deductions and depreciation rates for businesses, along with the elimination of the de minimis exemption, which allows imports under $800 to enter the U.S. duty-free.[7] A national shift towards onshoring and reshoring our production capabilities further underpins the need for institutional grade industrial real estate.

U.S. Major Advanced Manufacturing Announcements 2020 – 2024 Q2[8]

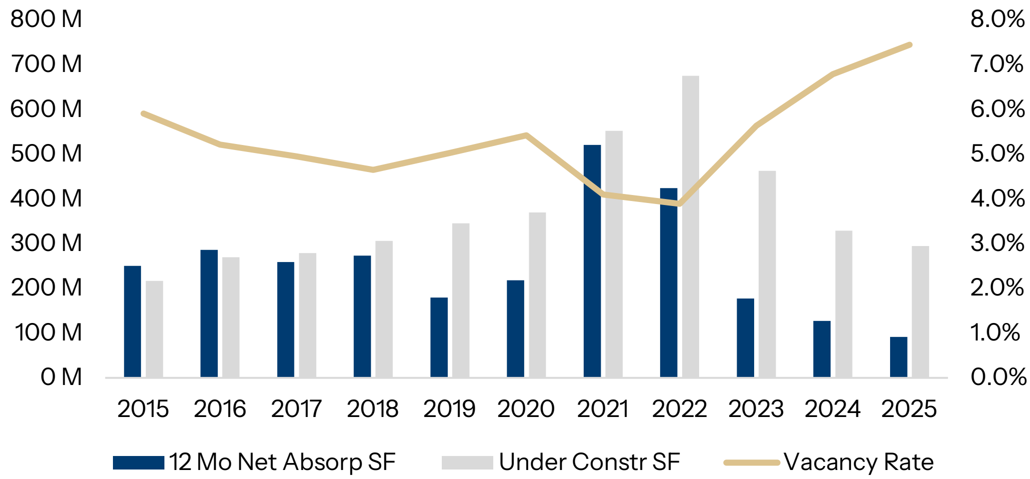


Elevated Supply Among Bulk Industrial

Growing industrial demand was met by growing supply, but as is often the case, demand and supply growth did not perfectly align. The surge in demand for high-quality space to meet modern occupancy needs drove outsized development from 2021 through 2023, contributing to elevated vacancy rates since then.

[7] SupplyChainDive: Trump's 'One Big Beautiful Bill' wins industry praise (July 2025)
[8] Newmark: 1Q25 U.S. Industrial Market Trends & Conditions Report (May 2025)

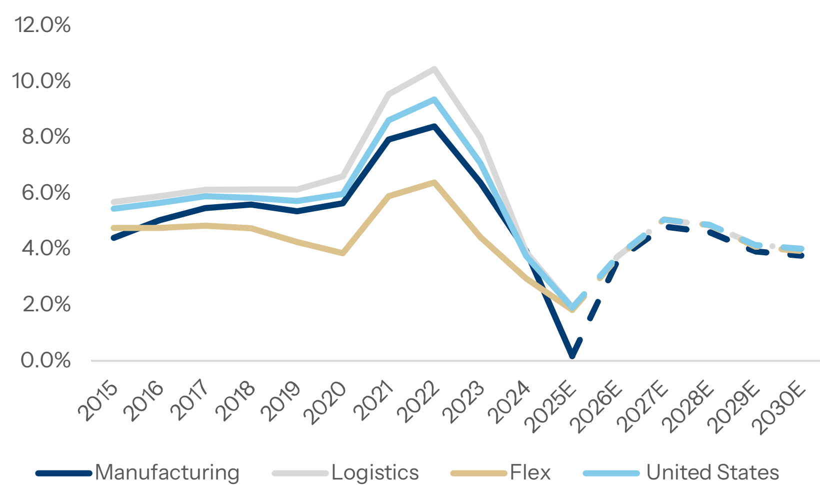
US Industrial: Net Absorption, Net Deliveries & Vacancy



Note: 2025 is an estimate through 2025 Q2[9]

If we break down supply growth further, we see it is concentrated in larger industrial properties. Between 2019 and 2022, building larger industrial facilities (>200k SF)—particularly in low-barrier-to-entry markets—became increasingly attractive to developers anticipating sustained demand and aiming to capitalize on rising rents. At the same time, growing institutional interest in the sector and large capital inflows further supported the pursuit of larger projects vs. smaller ones.

Rent Growth by Industrial Type



Note: 2025 is an estimate through 2025 Q2[9]

[9] CoStar. As of July 2025

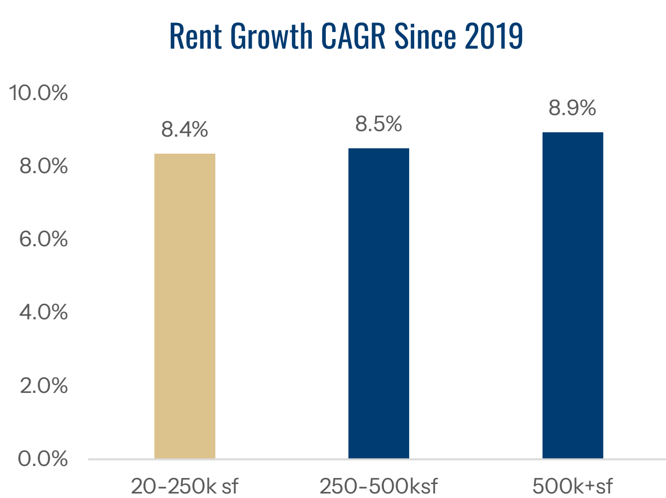
However, demand normalized more quickly than expected, and rents peaked in 2023. Slower absorption, combined with an oversupplied pipeline, created a challenging environment for larger buildings, leading to underperformance in rent growth within bulk markets over the past two years.

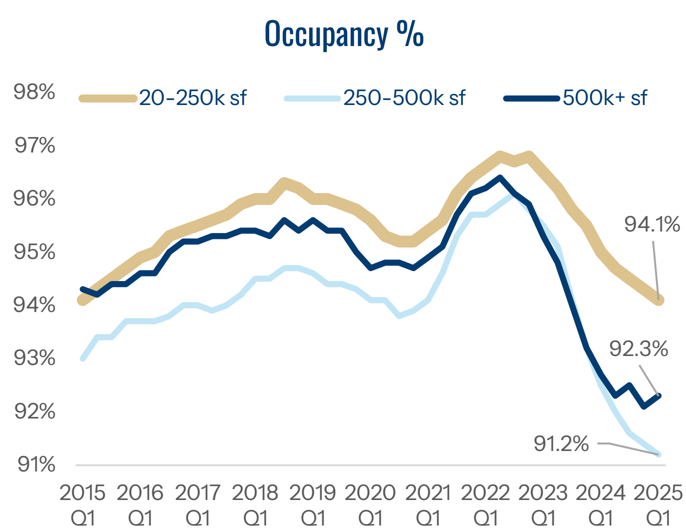
Opportunistic Positioning in a Bifurcated Market

Bifurcating the market by asset size is revealing. Overall rent growth for the industrial sector has been strong, delivering an 8%+ CAGR since 2019. What we see specifically is that smaller buildings (sub 250K SF) have had rent growth in-line with the broader industrial marketplace but have *not* seen the same softening of occupancy that larger industrial buildings have.

We expect that this dynamic is driven by the relatively limited supply growth of smaller assets. These smaller industrial assets nevertheless are critical components of national and local supply chains, and in some cases localized manufacturing. We anticipate that such dynamics will drive high levels of tenant demand, and stickiness among these tenants, therefore supporting long-term asset values.

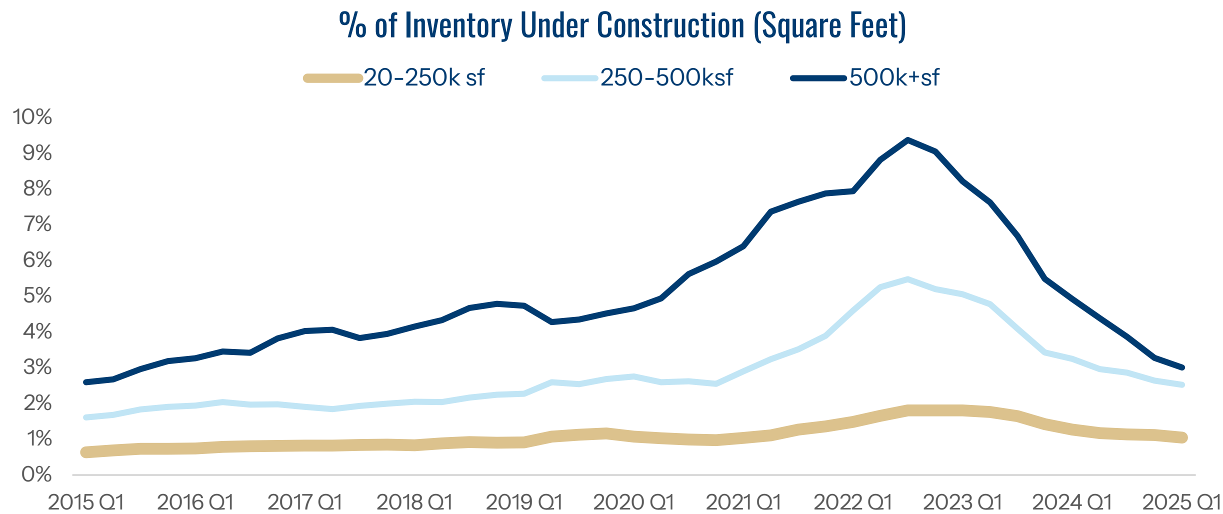
ROBUST 20-250K SF ASSET DEMAND[10]



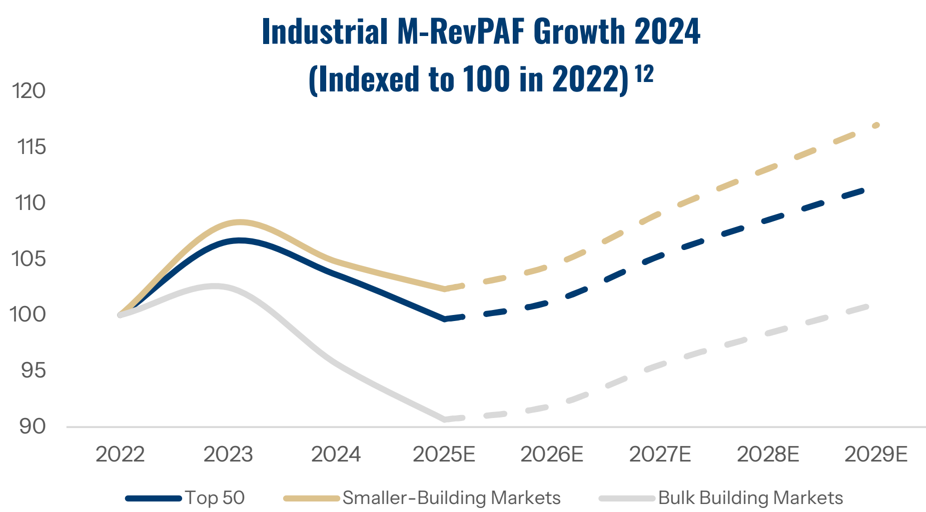


[10] CoStar. As of April 2025

CONSTRAINED SUPPLY[11]



Green Street, an independent research and advisory firm concentrating on the commercial real estate sector, recently reached a similar conclusion in their analysis. Their approach divides the industrial market universe into two categories – geographic markets that are dominated by smaller assets (Washington D.C., Los Angeles, Miami, Minneapolis), and bulk markets characterized by larger properties (Atlanta, Central New Jersey, Dallas-Fort Worth, the Inland Empire).[12]



[11] CoStar. As of April 2025

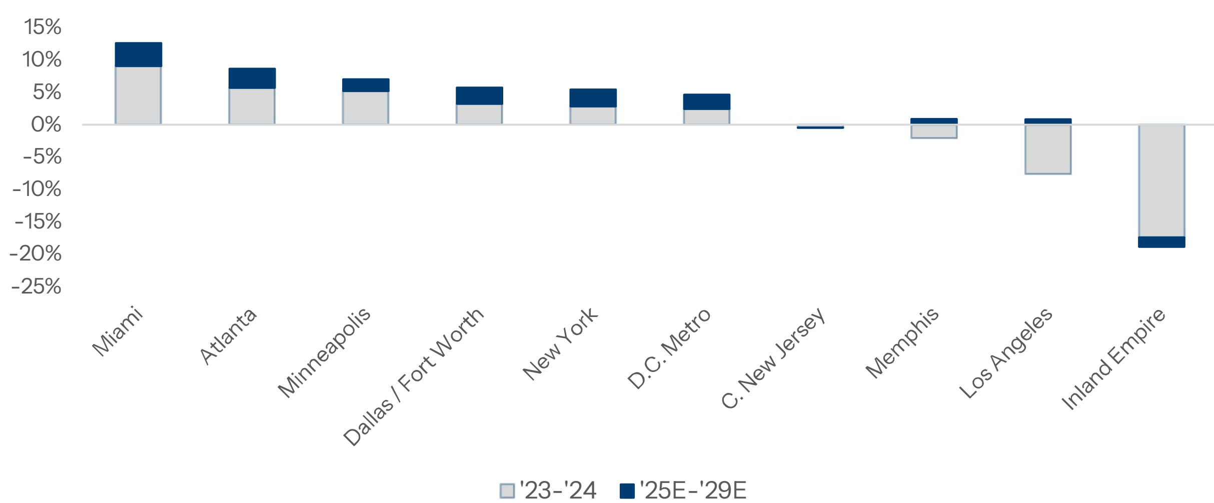
[12] Greet Street: The Little Warehouse That Could (June 2025)

The report found in 2023 and 2024, M-RevPAF—a metric that blends rent and occupancy—grew approximately 500 basis points faster per year in smaller-footprint markets than in bulk markets. This outperformance is largely attributed to restrained supply due to higher supply barriers.

From 2019 to 2022, bulk markets saw cumulative supply growth of 10%, compared to just 2.3% in smaller-footprint markets.[13] It is worth noting that some degree of supply growth over this period in these lower-barrier "bulk" markets is a logical extension of demographic shifts. As people migrated to key sunbelt markets like Dallas and Phoenix, (accelerated by the pandemic), it is to be expected that new logistics facilities would be needed to support this population and economic growth. At the same time, these markets likely had less existing industrial stock, and friendly pro-development local policies, fueling new development. As some of these tailwinds have cooled, we have seen pockets of oversupply.

Green Street forecasts M-RevPAF in smaller-building markets to outperform bulk-heavy MSAs by an average of 110 basis points annually over the next five years.[13]

Average Annual Industrial M-RevPAF Growth[13]



Note: Miami, Minneapolis, New York, D.C. Metro and Los Angeles are Smaller-Building markets

Looking forward, we believe that a slowdown in new development, combined with elevated construction costs, will act as tailwinds—creating a favorable environment to

[13] Greet Street: The Little Warehouse That Could (June 2025)

acquire smaller industrial assets at an attractive basis amid continued market dislocation.

The Investment Opportunity

We believe investment in smaller industrial assets presents one of the most compelling opportunities in the commercial real estate market today. Demand remains robust, while supply is limited, and capital inflows have focused elsewhere.

To best capture this thesis, LSC is pursuing a focused strategy, targeting assets with the below key characteristics:

- **Smaller Footprints:** Typically, under 250,000 square feet, these assets often serve single-tenant users and support a wide range of local and regional manufacturing/logistics needs.
- **Mark-to-Market Rent Potential:** Targeting single-tenant properties with long-term leases executed prior to recent market-driven rent escalations. We expect assets with lease expirations 3–6 years out present strong potential for rent growth upon lease rollover.
- **Single-Tenant Focus:** While we believe multi-tenant small-bay industrial is a strong investment class, the combination of shorter duration leases (3-6 years) and volume of lease churn makes it a more management intensive asset class. At current market yields we prefer the risk-adjusted profile of single-tenant. We believe that lower lease churn and longer leases at a 6%+ going-in yield is a strong risk-adjusted profile that is only enhanced when diversification is created through a portfolio.
- **Basis at Discount to Replacement Cost:** The recent market repricing has created a unique opportunity to acquire high-quality assets at a substantial discount to replacement cost.
- **Target In-Place Yields at a Compelling Basis:** Target markets that have not undergone capitalization rate compression, prioritizing strong sub-markets offering in-place yields of 6% or higher.
- **Infill Opportunities:** Strategically positioned in mature, high-density areas—often near major population centers or with direct access to key transportation corridors—these assets offer enhanced tenant demand and limited replacement risk.

Potential interest rate cuts, rising construction costs, and continued absorption of industrial inventory create a favorable environment to deploy capital into these targeted assets.

Execution - The Time is Now

Realizing compelling risk-adjusted returns in the execution of this strategy will come down in no small part to timing. We believe there is a finite window to source and acquire assets that fit the desired profile – small, well-located, with mark-to-market embedded upside and high-quality tenants.

Investors who are agile, can tap into deep sourcing networks, and acquire these assets at an attractive entry basis will be rewarded over the long term.

Disclosures:

The information contained herein includes information which involves significant elements of subjective judgment and analysis. No representations are made as to the accuracy of such information. Certain information contained herein may be based on or derived from third-party independent sources. Lafayette Street Capital Advisor LLC cannot guarantee the accuracy of such information and has not independently verified the accuracy of such information. The information contained herein does not purport to contain all of the information that may be required to evaluate a potential investments and any recipient should conduct its own independent analysis of the data referred to herein and consult with its own advisors. Except where otherwise indicated herein, the information in this presentation is based on matters as they exist as of the date of preparation and not as of any future date. Lafayette Street Capital Advisor LLC is not required to or expects to update or otherwise revise or correct the information contained herein to reflect information that subsequently becomes available or any changes in circumstances or market conditions.