

NKF RESEARCH

MARKET PULSE SURVEY
INDUSTRIAL

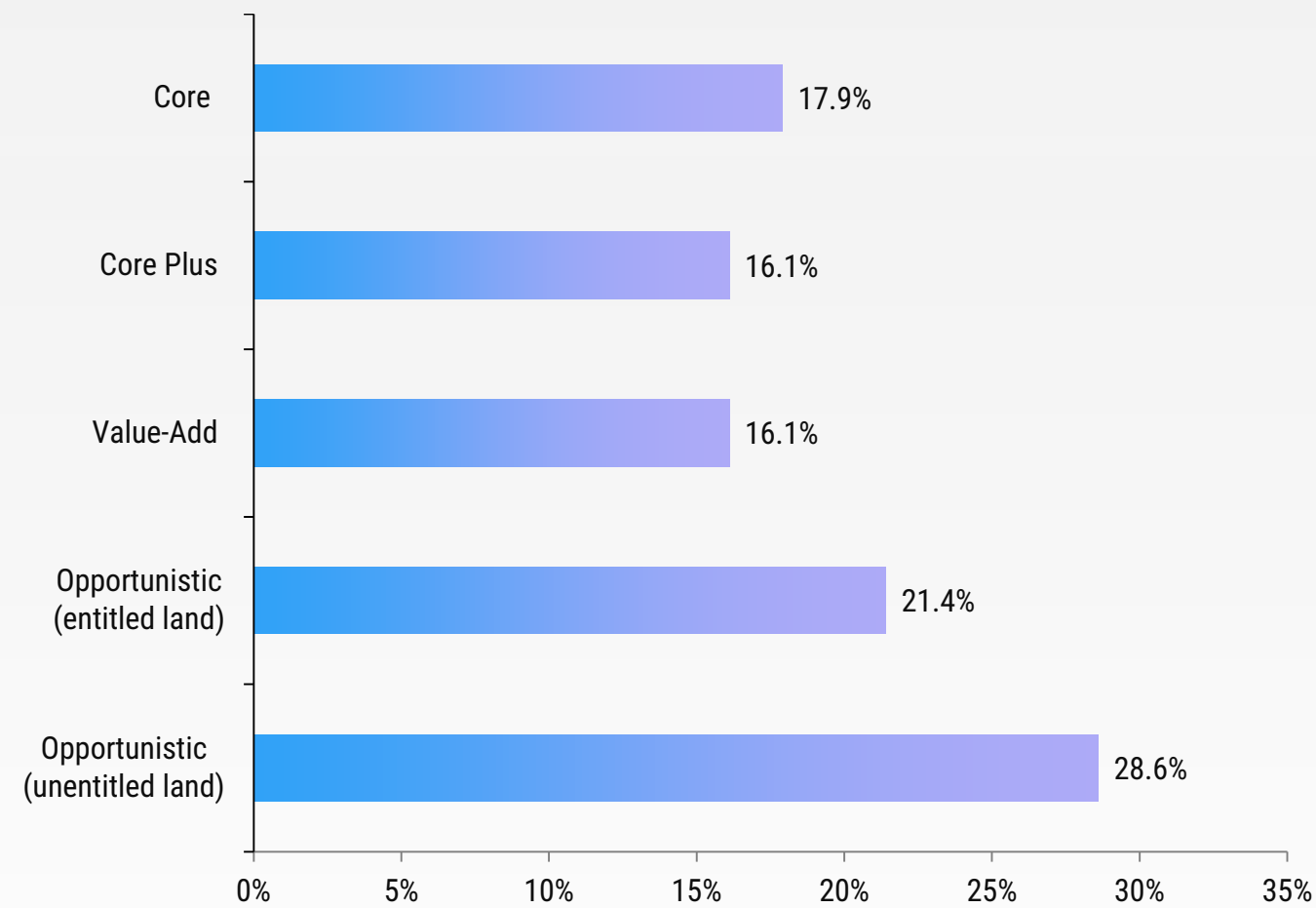
APRIL 2020

NKF MARKET PULSE SURVEY

INDUSTRIAL'S RESPONSE AND STRATEGIES FOR THE CURRENT CRISES

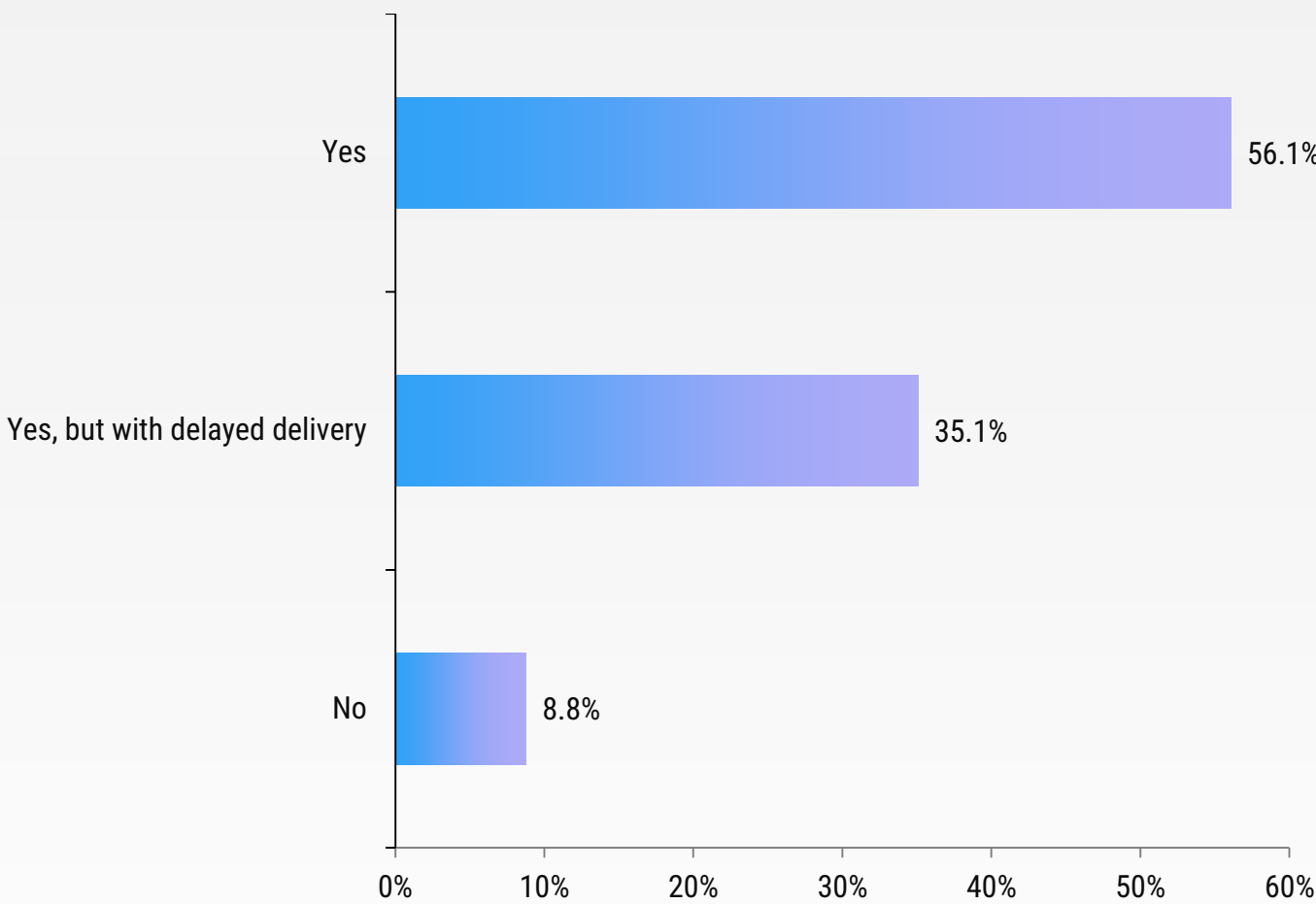
NKF is focused on delivering substantive guidance and real-time solutions to the challenges our clients are facing as a result of the global coronavirus pandemic. As such, we continue to develop industry-specific data to assist with understanding how the commercial real estate markets are evolving and adapting to the health and economic crises. We thank our clients who participated in this survey, and are pleased to share the following survey results.

1 What investment profile are you planning to focus on for the remainder of 2020?

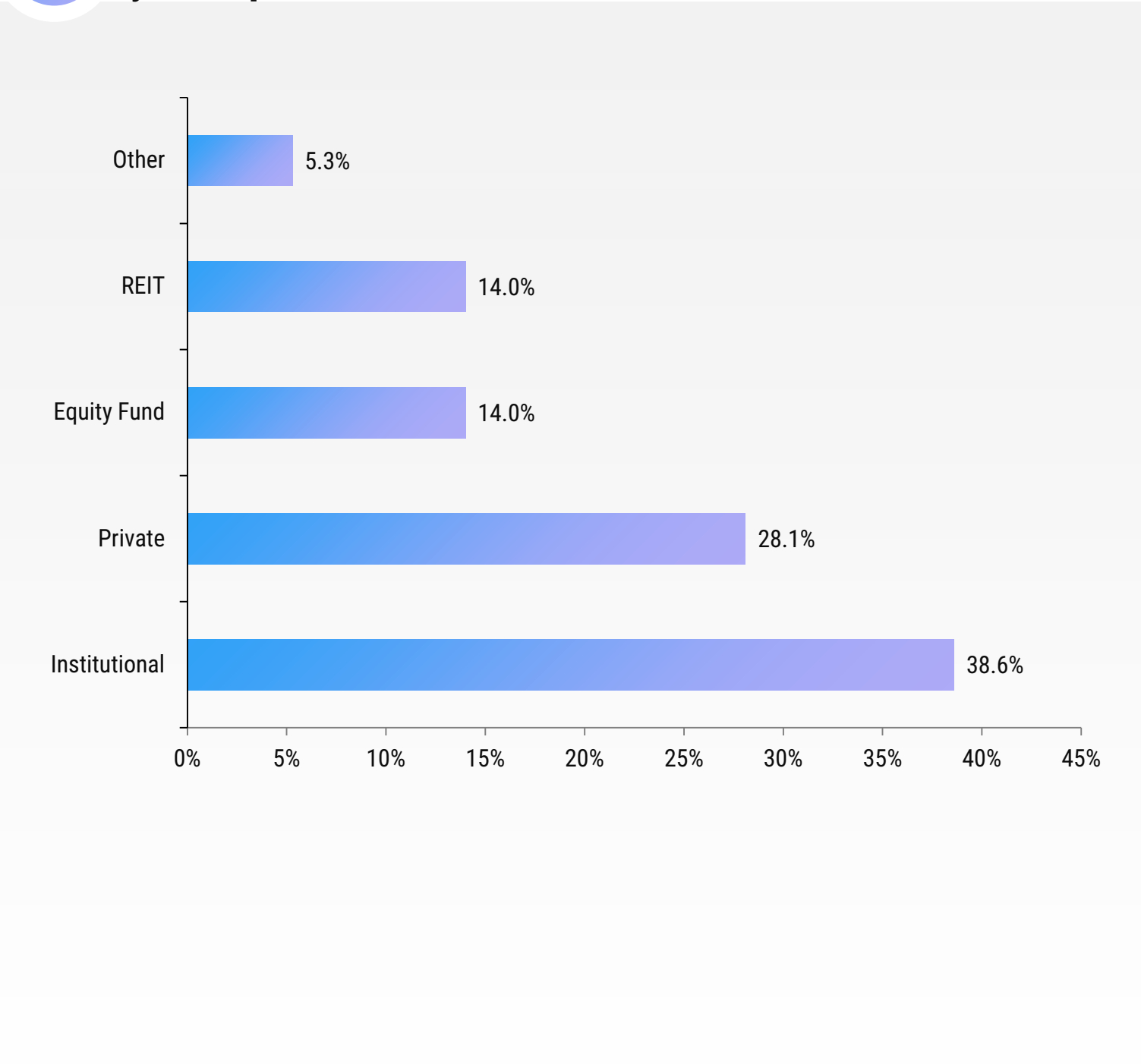


Core Plus defined as medium-term (3-5 year) leases.
Value-Add defined as vacancy/short-term leases.

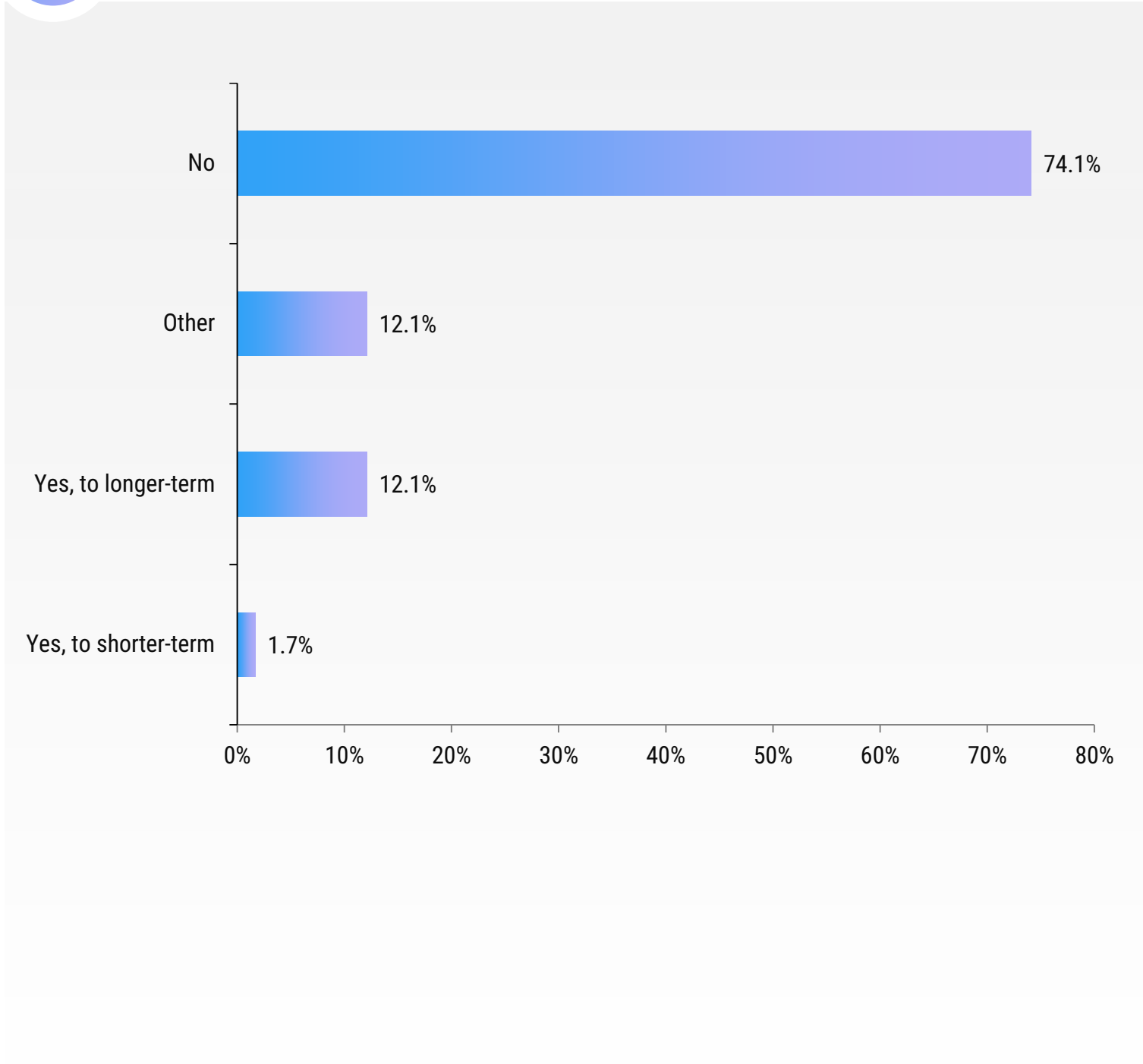
2 Are you continuing to move forward with development projects under construction?



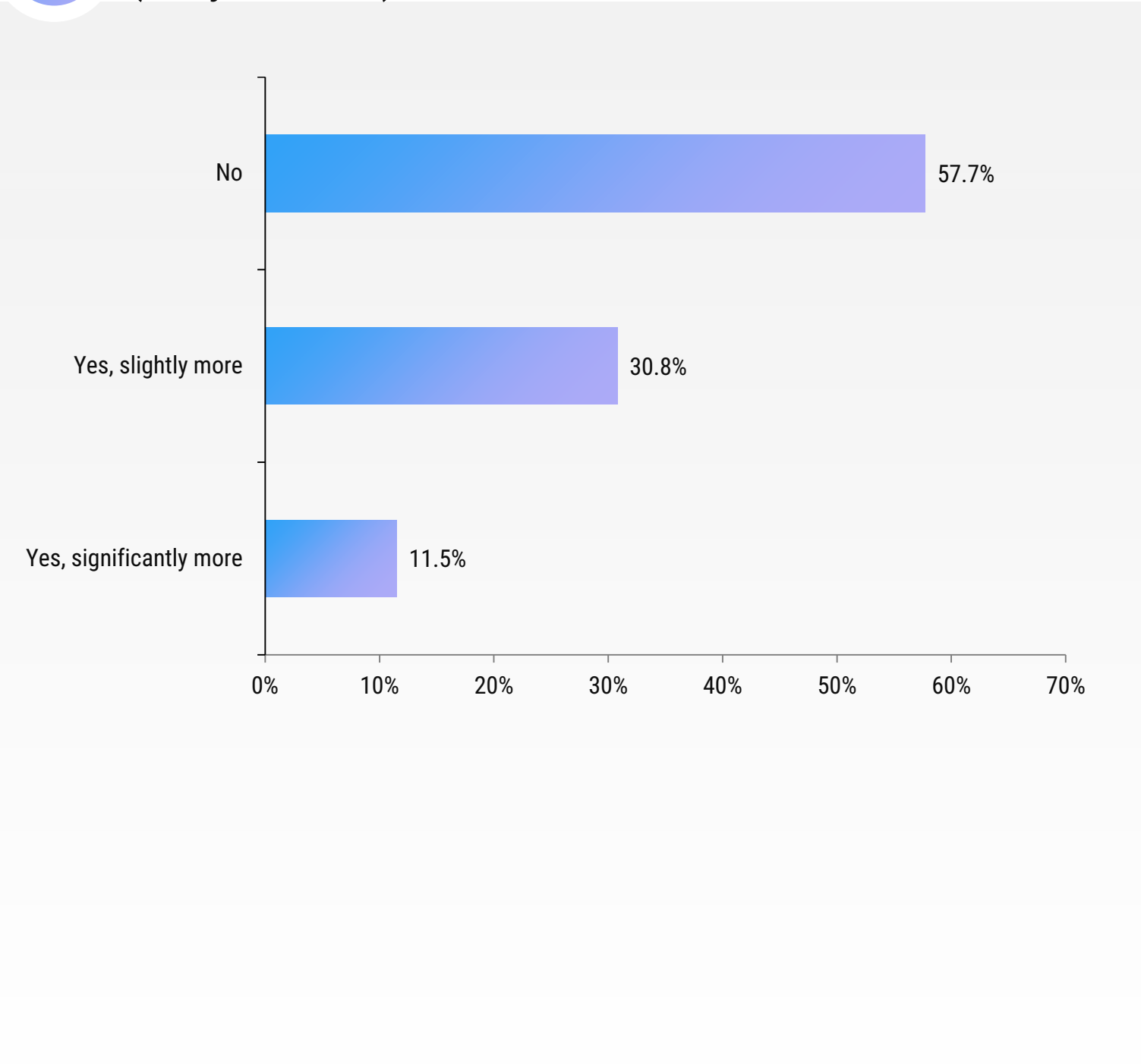
3 If you are in the market to acquire, what is the nature of your capital?



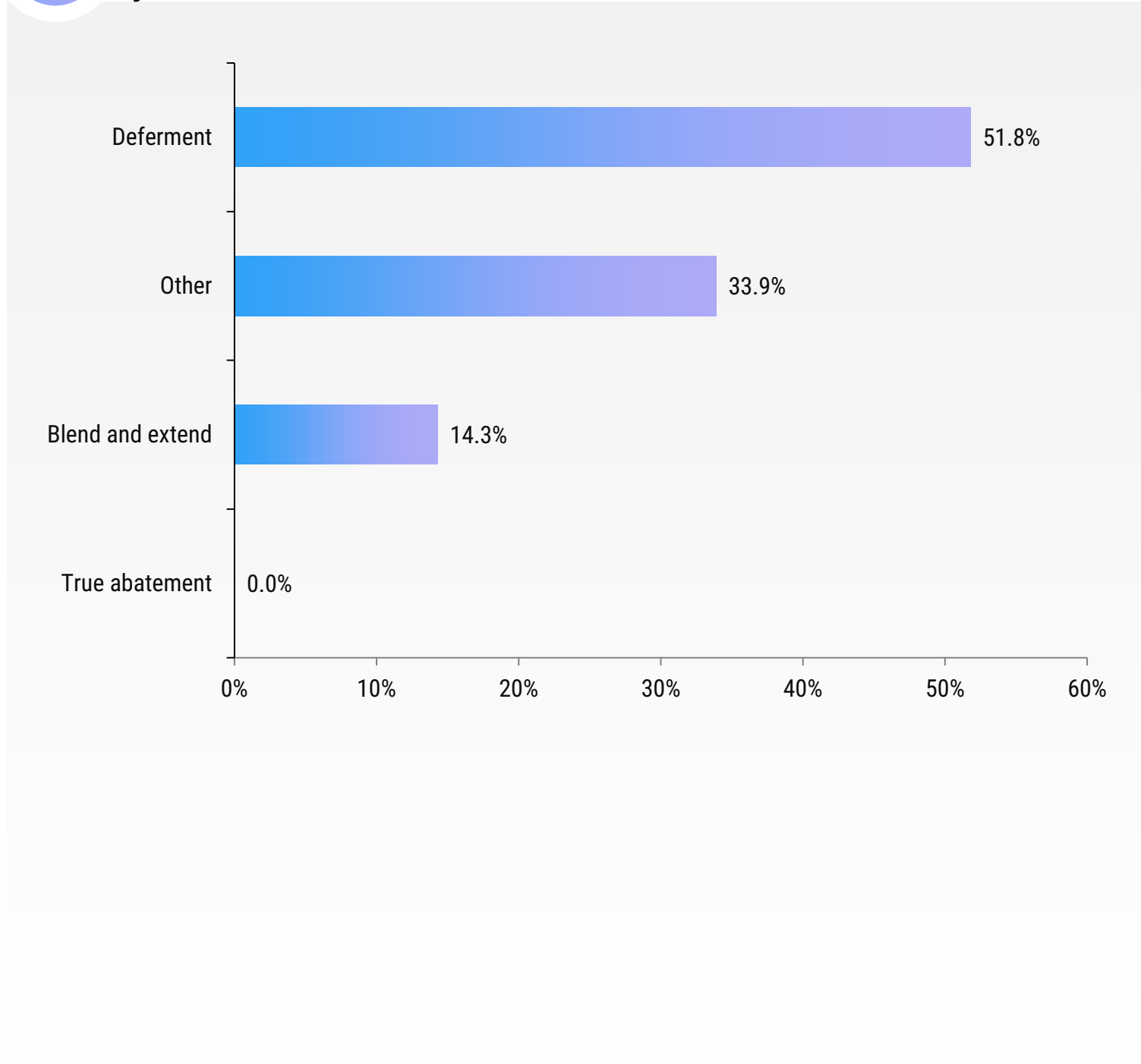
4 Have you shifted your debt strategy?



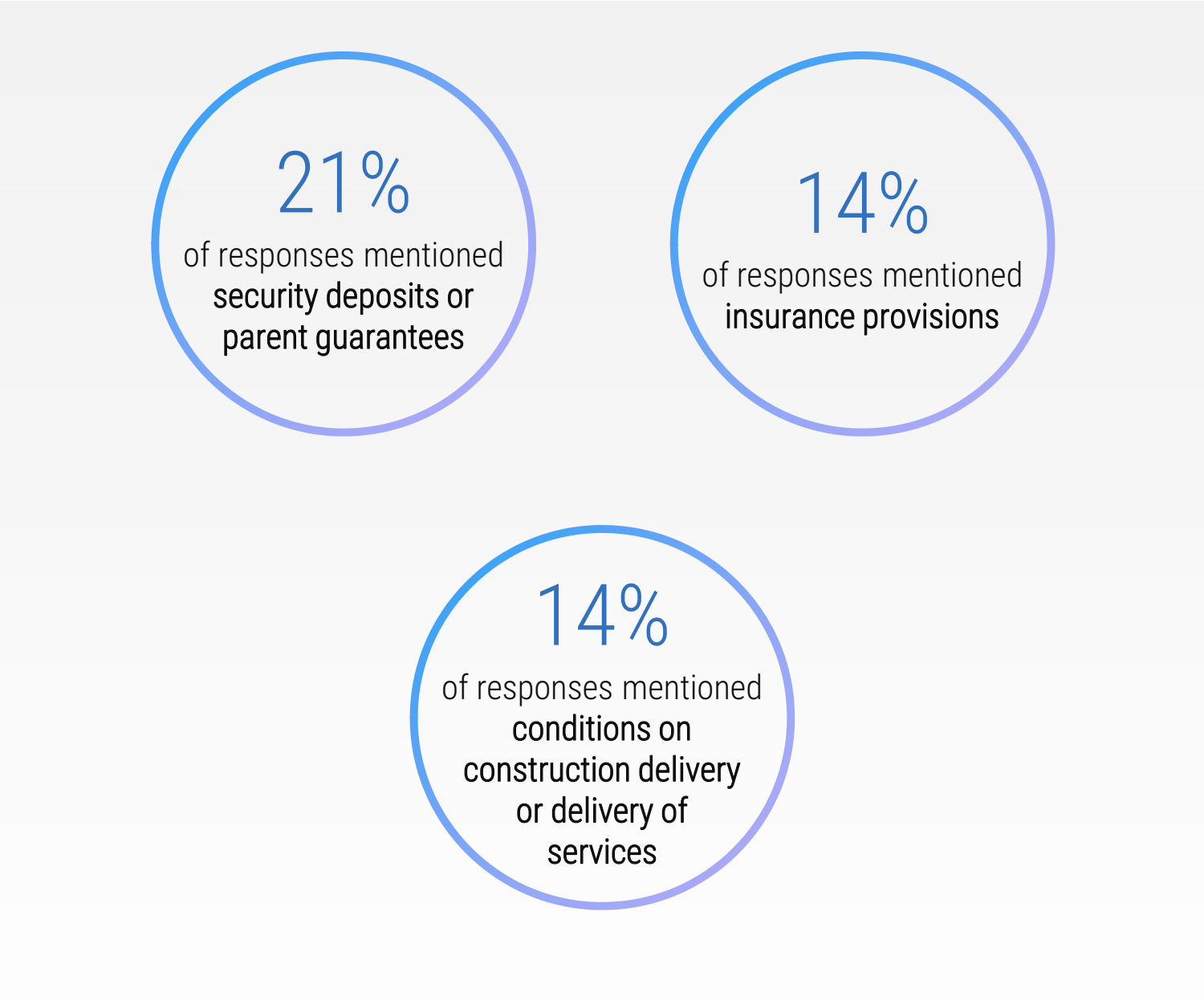
5 Are you seeing an uptick in shorter-term deals (2-3 year terms)?



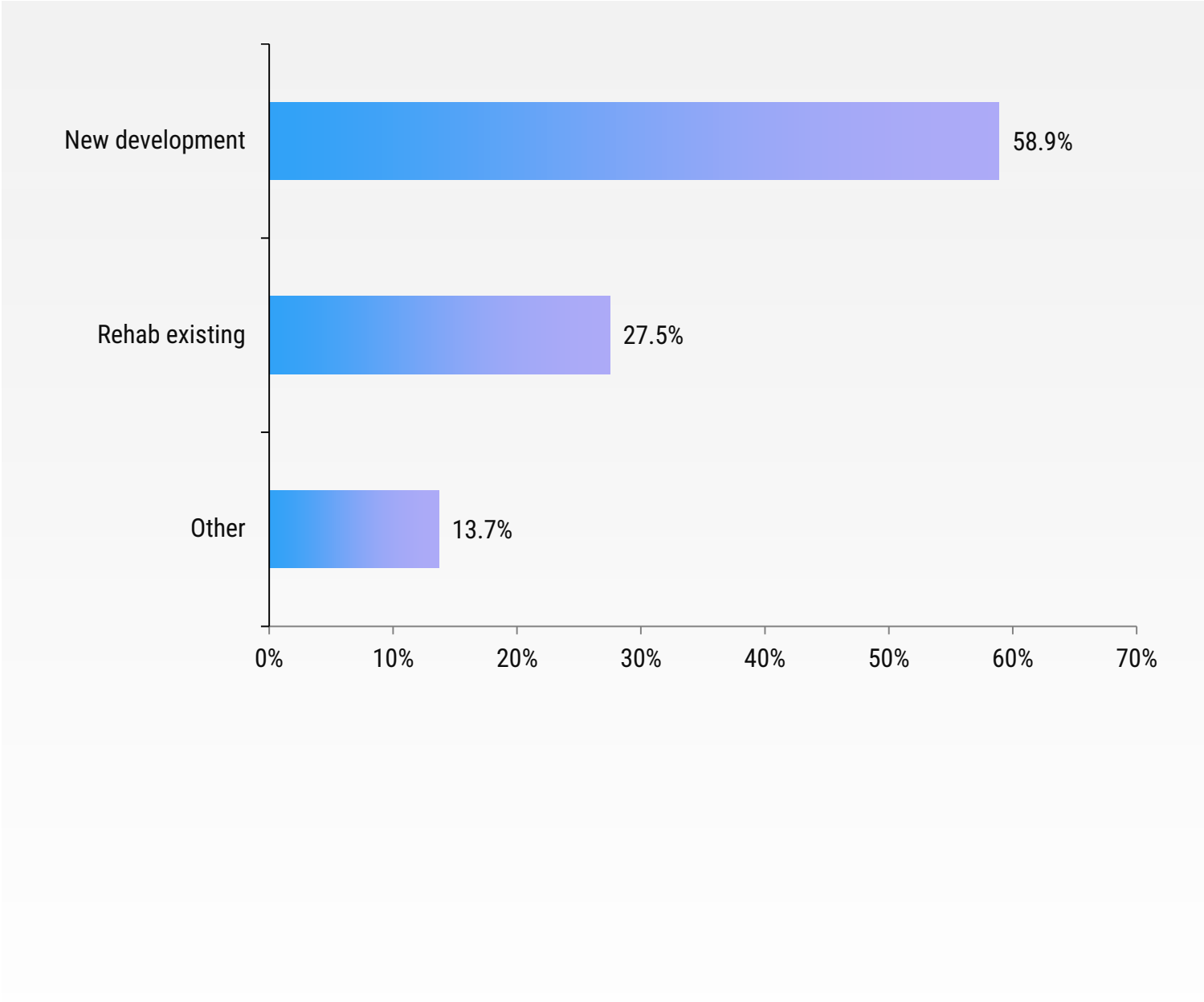
6 How are you managing potential requests for rent relief from your tenants?



7 Other than Force Majeure, what provisions or language in your leases are you reviewing with your attorneys to protect your assets from this pandemic and similar future disruptions?



8 Cold and freezer storage are an undersupplied asset class for industrial; how would you establish the protocol to pursue this type of product?



IMPLICATIONS FOR OUR CLIENTS

INDUSTRIAL

- Half of investors who responded to the survey plan to focus on opportunistic deals this year. Logistics firms are likely to further evaluate the use of robotics in their activities, possibly leading to new leasing requirements for modern facilities as the industrial sector remains an economic driver in the period ahead.
- According to the survey, a significant portion—91%—of development projects under construction are still proceeding (35% with delayed delivery). The share of projects that are stopping could be a result of construction moratoriums in some cities, and those projects that are proceeding could be halted at any time by local governments should conditions worsen.
- 39% of the capital in the market to acquire is institutional, and another 28% is private. While some deals are currently on hold, the industrial sector has felt less of an impact than other sectors, and more robust market activity is likely to resume once the virus is contained.
- 74% of respondents have not shifted debt strategies to longer-term holds, suggesting confidence that the current downturn will not be prolonged. Further, only 12% of respondents are seeing a significant uptick in shorter-term deals, with 58% seeing no uptick.
- While no respondents are offering true rent abatement, 52% are offering tenants deferment, 14% are offering a blend and extend strategy, and 34% are offering a combination of these, or other options including directing tenants to relief via the CARES act.

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