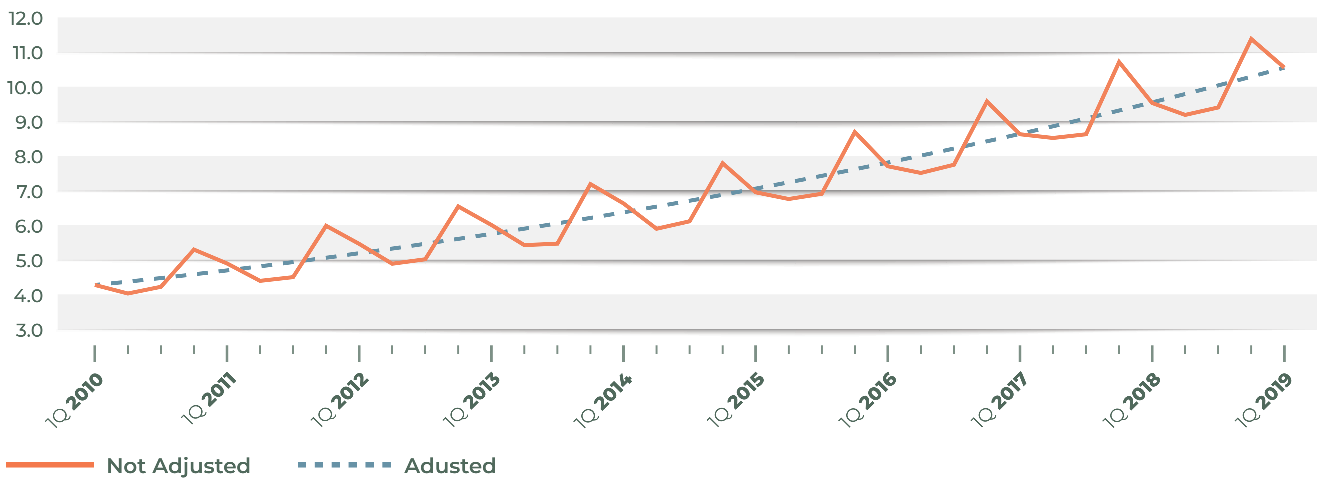
WHY INVEST IN **INDUSTRIAL REAL ESTATE?**

There are several factors that will allow for continued growth and success in this sector:

E-COMMERCE IS GROWING

E-commerce is continuing to be a larger piece of the puzzle. Currently at 10.7% of total sales and up from 4.2% just a decade ago. At a continued 10.7% growth rate, it is estimated that it will grow to 29.57% of total sales in 10 years, nearly tripling the current percentage of Ecommerce. This will stress the current industrial footprint nationwide. Currently there is only 9.1 billion square feet of warehouse inventory in the US. Of that, 1 billion is more than 50 years old and has clear heights of less than 20 feet, well below logistical tenant requirements.

Estimated Quarterly U.S. Retail E-commerce Sales as a Percent of Total Quarterly Retail Sales:
1st Quarter 2010 – 2nd Quarter 2019



CONSUMERS WANT THEIR GOODS **NOW**

Consumers want E-Commerce goods as fast as possible. This requires a dynamic change in how goods are delivered to consumers and the amount of warehouse space near consumers. This is referred to as Last Mile Delivery. Last Mile Delivery (LMD) is a term that is mainly used in Supply Chain Management and is the final step of the delivery process. LMD cuts the delivery chain in half: “long distance” delivery brings the goods to a depot and then redistributes the goods more efficiently over a shorter distance.

LMD is paramount in driving growth and profits in the future:

From snail mail to Amazon, faster delivery is here to stay.

- Last mile volumes are expected to double in the next ten years, reaching roughly 25 billion parcels in the US.*
- Drones & autonomous ground vehicles will reach market readiness over the next 10 years.
    - LMD is projected to delivery 80% of parcels in the future.
    - 60% of consumers indicate they are in favor of or at least indifferent to drone delivery.
- The faster the better, even at a price:
    - 25% of consumers are willing to pay significant premiums for same day or instant delivery.
    - Same day/Instant delivery is expected to account for 15% of the market by the end of 2020.

This increases the demand for investors. LMD will change where distribution warehouses are located and what they look like, while increasing the demand for industrial space. Warehouses will have to be located closer to the consumer to deliver as fast as possible. In addition they will require them to be:

- Situated near major population centers and near major thoroughfares.
- Substantial ceiling heights (24' - 36') accommodating modern vertical racking systems, truck courts with proper speed bays and heights to allow modern efficient racking system installation.
- Cross-dock capable. To address one of the biggest challenges facing the food and beverage industry, last-mile facilities will optimize their cross-dock capacities. Cross-docking, the practice of receiving goods at one door of a facility and shipping out through another almost immediately, allows for successful transportation of perishable goods and eliminates need for storage of food and beverages. With an impressive loading dock ratio and close to 100 loading docks in total, tenants can efficiently load directly onto each floor without the need for an elevator. Floor loads of up to 800-pounds capacity can accommodate most uses.

- Future-proof planning. Sustainable features such as electric charging stations will be an important part of last-mile facilities in future. Since over 30 percent of the cost of delivery happens in the last mile — most of which includes labor and gas — cutting gas costs and providing an eco-friendly solution will give users a winning advantage.

RESURGENCE OF ONSHORING MANUFACTURING WILL **INCREASE THE NEED** FOR INDUSTRIAL SPACE AND INDUSTRIAL MANUFACTURING FACILITIES.

Companies are starting to onshore manufacturing back onto U.S. soil and partner with domestic manufacturers for outsourced tasks. This is due to a vast range of political changes, rising labor costs in developing markets, new lower labor manufacturing techniques, and the increased demand for higher-quality products and intellectual property (IP) protections.

Domestic manufacturing has several financial and logistical advantages. Onshoring has seen a resurgence in popularity in the manufacturing world for the following reasons:

- Negligible cost differences. Shipping costs involved in offshoring and nearshoring processes continue to rise. Labor costs in developing Asian and Central American markets are also rising. This means that the significant savings that incentivized offshoring in the late 20th century have been largely reduced.
- International politics. Unstable trade relations have made the cost of doing business in Asia less appealing than it once was. Instead, many companies are creating a blend of local onshoring and nearshoring production techniques to appeal to domestic markets. This localized control also allows companies to better comply with regulatory demands and quality control requirements.
- Non-costed factors. Companies must consider less immediate costs, such as not conforming to material standards, variations in product quality, and potential losses of intellectual property rights. Reshoring manufacturing or using domestic third parties allows companies to operate within one primary set of regulations.
- Supply chain management. Onshoring operations and using domestic partners often allows companies to operate in the same time zone as the companies they hire. It also reduces language barriers, cultural barriers, and transportation complexities.
- New lower labor manufacturing techniques. Technology is allowing workers to become more efficient and for products to be created in new ways. For example, 3D printers now allow for a parts to be created in ways never imaginable before.

VALUE IN INDUSTRIAL TODAY AND TOMORROW

Industrial properties offer value today and upzoning provides significant opportunity in the future. Upzoning provides a potential return by switching land use from industrial to a higher density, higher value use tomorrow.

Industrial space offers the lowest cost per foot of commercial space compared to ther zoning and product types. As cities continue to grow, they routinely use up-zoning to advance their vision to urban regeneration. An example of this is Denver's neighborhood transformation of RiNo and Five Points. In the past decade, these neighborhoods have been converted from heavy industrial uses and zoning to higher density and cleaner uses.

CURRENT INDUSTRIAL PLAY

We recently purchased a building located at 4435 N Inca St Denver, CO. The land is already pre-approved by Denver for up to 8-story mixed use higher density, in the future. Someday in the next decade, we will either sell or develop the property when prices justify doing so.

INDUSTRIAL VS COMMERCIAL AND RETAIL

INDUSTRIAL	OFFICE AND RETAIL
LOW TENANT TURNOVER COST $2 - $3/FT	MORE CUSTOM
LOW TURNOVER	MUST MAINTAIN LANDSCAPING AND COMMON AREAS
HIGH COST TO MOVE	HIGHER MAINTENANCE COSTS AND RENT TO OFFSET DEAD SPACE
LONGER LEASES — ROUTINE 5 – 7 YEAR LEASES FOR 2ND TO 3RD GENERATION SPACES	HIGHER TENANT TURNOVER COSTS — OFFICE $10 - $30/FT — RETAIL $20-30/FT
AMAZON-PROOF	
LOW MAINTENANCE	
LOWEST COST PER SQ FT	
GENERALLY NO INTERNAL COMMON AREAS	

For more information on Bespoke Holdings Company, please contact: ***admin@bespokeholdingsco.com***