

Industrial Real Estate: A Primer For Modern Investors

By Michael Glimcher, President and CEO, BGO Industrial REIT

We believe industrial real estate is a cornerstone of the global economy and a nuanced asset class that may offer certain investors a variety of benefits.

Throughout our lives, we have driven past large industrial buildings with little thought as to what takes place within these prominent facilities. The growth and evolution of this asset class follows in lock-step with the emergence of globalization and the increasing interdependency between the world’s most important economies. Industrial real estate encompasses the entirety of land and buildings tailored to support various industrial activities such as production, manufacturing, assembly, warehousing, research, storage and distribution. That makes these assets critically important nodes in a sophisticated supply chain that connect people and businesses to the global marketplace.

Industrial properties may be segmented into three categories, each with their own sub-categories:



Storage and Distribution

This is the largest category of industrial properties and, as the name implies, is where goods are stored and shipped. Common properties include general purpose warehouses, cold storage, last-mile distribution and truck terminals, to name a few.



Manufacturing

The second largest category of industrial space, this is typically where goods are produced and assembled. Two popular sub-categories include heavy manufacturing and light industrial.



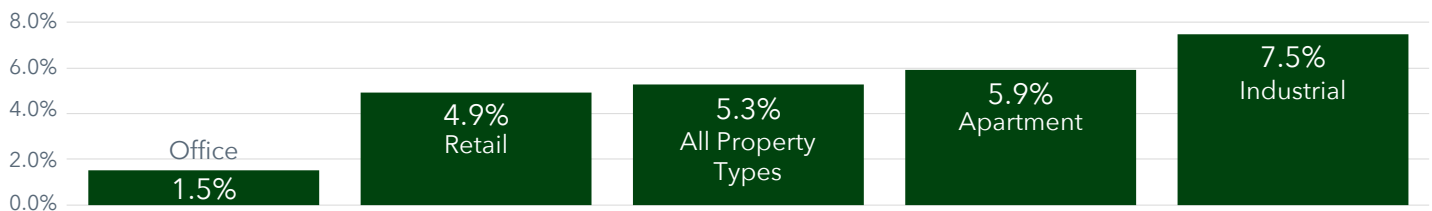
Flex

A hybrid between office space and a warehouse, flex space allows for numerous activities and is often popular with tech start-ups. Data centers, research and development (R&D) properties and showrooms would fall into this category.

Industrial in Demand

In the second quarter of 2023, industrial volume totaled \$22.3 billion, an 11% increase compared to the first quarter of 2023 and ahead of the 2015-2019 quarterly average.¹ National rents increased 7.5% year-over-year, as of July 2023, with a national vacancy rate of only 4.4%.² Overall, we believe industrial performance will remain strong in the coming years, and returns will outperform other asset classes for the foreseeable future.

Total Return Expectations³
(Including income, 2022-2026 per year)



Past performance does not guarantee future results.

This sales and advertising literature is neither an offer to sell nor a solicitation of an offer to buy securities. An offering is made only by the prospectus. **This literature must be read in conjunction with the prospectus in order to fully understand all of the implications and risks of the offering of securities to which the prospectus relates. A copy of the prospectus must be made available to you in connection with any offering.** No offering is made except by a prospectus filed with the Department of Law of the State of New York. Neither the Securities and Exchange Commission, the Attorney General of the State of New York nor any other state securities regulator has approved or disapproved of our common stock, determined if the prospectus is truthful or complete or passed on or endorsed the merits of the offering. Any representation to the contrary is a criminal offense.

1. Volume represents the sum total of the sale prices of industrial properties sold during the quarter. "U.S. Capital Markets Market Snapshot Q2 2023." Colliers. August 21, 2023. <https://www.colliers.com/en/research/capital-markets-us-snapshot-q2-2023>
 2. Jozsa, Evelyn. "Commercial Edge National Industrial Report August 2023." August 24, 2023. <https://www.commercialedge.com/blog/national-industrial-report/>
 3. Source: Pension Real Estate Association Consensus Forecast Survey of the NCREIF Property Index (November 2022). Survey respondents included 26 member firms, including investment managers, advisors and researchers in the U.S. property markets. The above represents the collective opinion of those who responded to the survey and is not a guarantee or even a prediction of future results. Actual results will almost certainly vary from this survey average, and market conditions will affect the returns above. NCREIF data reflects the returns of a blended, large portfolio of institutional quality real estate and does not reflect the use of leverage or the impact of management and advisory fees. The NCREIF data has material differences from an investment in IREIT, including those related to investment objectives, risks, fees and expenses, liquidity and tax treatment. Although IREIT's share price is subject to less volatility, IREIT shares are significantly less liquid than these asset classes and are not immune to fluctuations. Private real estate is not traded on an exchange and will have less liquidity and price transparency. The value of private real estate may fluctuate and may be worth less than was initially paid for it.

We believe this demand for industrial real estate is being driven by several factors, some of which may include:



E-Commerce

Consumers continue to turn to online retailers, and these retailers must now compete for speed of delivery. In response, retailers require more warehouses and fulfillment centers.



Nearshoring

The COVID-19 pandemic and recent political events have shown that firms who are able to supply manufacturing operations within the U.S. may have significant advantages.



Technology

With the growth of artificial intelligence and other automation technologies, companies now need modern and sophisticated properties to house their systems.

The Advantages of Industrial Real Estate

We believe industrial properties may offer a host of potential advantages for investors.

- **Diversification Potential**
There are many different property types under the industrial umbrella, and industrial properties themselves may often be adapted for a variety of uses.
- **Investment Stability**
While not immune, industrial properties are generally less susceptible to market fluctuations and can appreciate in value over time, providing potential return on investment.
- **Tax Benefits**
As with other forms of real estate, industrial real estate may offer favorable tax advantages, including deductions for depreciation and operating expenses.
- **Secure Lease Agreements**
Compared to other property types, industrial properties generally feature tenants with strong credit, along with longer lease periods, often ranging from three to fifteen years, with annual rent escalation.
- **Minimized Landlord Obligations**
In many cases, tenants may sign a triple net lease, moving maintenance, insurance and property tax payments to the tenant. This, in turn, may contribute to lower operating costs.

Individuals should always do their own research to ensure that the property or portfolio strategy aligns with their investment goals.

Opinions expressed reflect the current opinions of IREIT as of the date appearing in the materials only and are based on IREIT's opinions of the current market environment, which is subject to change. Stockholders, financial professionals and prospective investors should not rely solely upon the information presented when making an investment decision and should review the most recent prospectus, as supplemented, available at www.bgoireit.com. Certain information contained in the materials discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice.

Summary of Risk Factors

An investment in shares of common stock of IREIT involves a high degree of risk. These securities should only be purchased if you can afford to lose your complete investment. Please read the prospectus for a description of the material risks associated with an investment in IREIT. These risks include, but are not limited to, the following:

- We have no operating history and there is no assurance that we will be able to successfully achieve our investment objectives.
- This is a "blind pool" offering. Other than the Seed Joint Venture (as defined in the prospectus), you will not have the opportunity to evaluate our future investments before we make them.
- Since there is no public trading market for shares of our common stock, repurchase of shares by us will likely be the only way to dispose of your shares. Our share repurchase plan will provide stockholders with the opportunity to request that we repurchase their shares on a monthly basis, but we are not obligated to repurchase any shares and may choose to repurchase only some, or even none, of the shares that have been requested to be repurchased in any month. In addition, repurchases will be subject to available liquidity and other significant restrictions. Further, our board of directors may make exceptions to, modify or suspend for any period of time or indefinitely our share repurchase plan if in its reasonable judgment it deems such action to be in our best interest and the best interest of our stockholders, such as when repurchase requests would place an undue burden on our liquidity, adversely affect our operations or risk having an adverse impact on us that would outweigh the benefit of repurchasing our shares. Upon suspension of our share repurchase plan, our share repurchase plan requires our board of directors to consider at least quarterly whether the continued suspension of the plan is in the best interest of the Company and its stockholders; however, we are not required to authorize the recommencement of the share repurchase plan within any specified period of time. Our board of directors cannot terminate our share repurchase plan absent a liquidity event which results in our stockholders receiving cash or securities listed on a national securities exchange or where otherwise required by law. As a result, our shares should be considered as having only limited liquidity and at times may be illiquid.
- We are a perpetual-life REIT. While we may consider a liquidity event at any time in the future, we are not obligated by our charter or otherwise to effect a liquidity event at any time.
- We cannot guarantee that we will make distributions, and if we do we may fund such distributions from sources other than cash flow from operations, including, without limitation, the sale of or repayments under our assets, borrowings, return of capital and offering proceeds, and we have no limits on the amounts we may pay from such sources.
- The purchase price and repurchase price for shares of our common stock will generally be based on our prior month's NAV (subject to material changes as described above) and are not based on any public trading market. While there will be independent annual appraisals of our properties, the appraisal of properties is inherently subjective, and our NAV may not accurately reflect the actual price at which our properties could be liquidated on any given day.
- We have no employees and are dependent on the Adviser to conduct our operations. The Adviser will face conflicts of interest as a result of, among other things, the allocation of investment opportunities among us and Other BGO Accounts (as defined in the prospectus), the allocation of time of its investment professionals and the substantial fees that we will pay to the Adviser.
- This is a "best efforts" offering. If we are not able to raise a substantial amount of capital in the near term, our ability to achieve our investment objectives could be adversely affected.
- On acquiring shares, you will experience immediate dilution in the net tangible book value of your investment.
- There are limits on the ownership and transferability of our shares. See "Description of Capital Stock – Restrictions on Ownership and Transfer" in the prospectus.
- If we fail to qualify to be taxed as a REIT for U.S. federal income tax purposes and no relief provisions apply, our NAV and cash available for distribution to our stockholders could materially decrease.
- We do not own the BGO name, but we are permitted to use it as part of our corporate name pursuant to a trademark license agreement with an affiliate of BGO. Use of the name by other parties or the termination of our trademark license agreement may harm our business.

Forward-Looking Statements

This sales and advertising literature contains forward-looking statements about IREIT's business, including, in particular, statements about its plans, strategies and objectives. You can generally identify forward-looking statements by the use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "estimate," "believe," "continue" or other similar words or the negatives thereof. These statements include IREIT's plans and objectives for future operations, including plans and objectives relating to future growth and availability of funds, and are based on current expectations that involve numerous risks and uncertainties. Assumptions relating to these statements involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to accurately predict and many of which are beyond IREIT's control. Although IREIT believes the assumptions underlying the forward-looking statements, and the forward-looking statements themselves, are reasonable, any of the assumptions could be inaccurate and, therefore, there can be no assurance that these forward-looking statements will prove to be accurate and IREIT's actual results, performance and achievements may be materially different from that expressed or implied by these forward-looking statements. In light of the significant uncertainties inherent in these forward-looking statements, the inclusion of this information should not be regarded as a representation by IREIT or any other person that its objectives and plans, which IREIT considers to be reasonable, will be achieved.

You should carefully review the "Risk Factors" section of the prospectus for a discussion of the risks and uncertainties that IREIT believes are material to its business, operating results, prospects and financial condition. Except as otherwise required by federal securities laws, IREIT does not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

A copy of IREIT's prospectus is available at: www.bgoireit.com