



Data-Informed Market Selection

How Rectangle Uses Data to Evaluate Markets and Create Better Outcomes

Introduction

Investing in industrial real estate isn't just about buying buildings – it's about finding the right buildings in the right places. At Rectangle, our goal is to acquire quality assets in areas with enduring demand to create lasting value and strong investment outcomes. But choosing where to invest is just as crucial as selecting the assets themselves, if not more. After all, where you invest dictates the growth in tenant demand, rental rates and return on investment.

To help us identify target markets and steer clear of relying on a “rising tide” to support our investments, we've crafted a unique process merging detailed quantitative analysis with insightful qualitative research. Enter our predictive Market Tracker tool and evaluation process, designed to pinpoint the industrial markets and submarkets with the most promising growth potential. We believe investment success hinges on having the right strategy, capital, the ability to execute, and conviction; the Market Tracker tool helps us address the latter two items, setting the stage to create value for our investors.

Key Takeaways

MARKET TRACKER

- Proprietary evaluation tool developed based on 25 years of demographic & real estate data
- Benchmarks and forecasts industrial growth potential for each of top 75 industrial markets
- Allows for apples-to-apples market comparisons and quick decision making
- Updated quarterly to evaluate and understand latest trends

BEYOND THE NUMBERS

- Extensive qualitative analysis helps us understand, and get conviction behind, everything the numbers can't tell us

INVESTOR / OPERATOR

- A seasoned investor mindset helps us find submarkets with the most favorable supply & demand dynamics
- Unique boots-on-the-ground approach helps execute to deliver outperformance

What is Market Tracker?

Market Tracker is our **proprietary evaluation tool used to identify and target markets poised for industrial growth**. To develop Market Tracker, we first dived into the past 25 years of demographic and real estate data across the top 75 industrial markets, considering data points like population, GDP, employment, industrial inventory, vacancy, new construction levels and more.

After consolidating this data, searching for the strongest growth correlations, and building a predictive analytics framework, we create a **“Market Score” for each market, which acts to forecast industrial growth potential**. By scoring these metro areas relative to a U.S. market baseline, we’re able to compare vastly different cities across the country on an apples-to-apples basis.

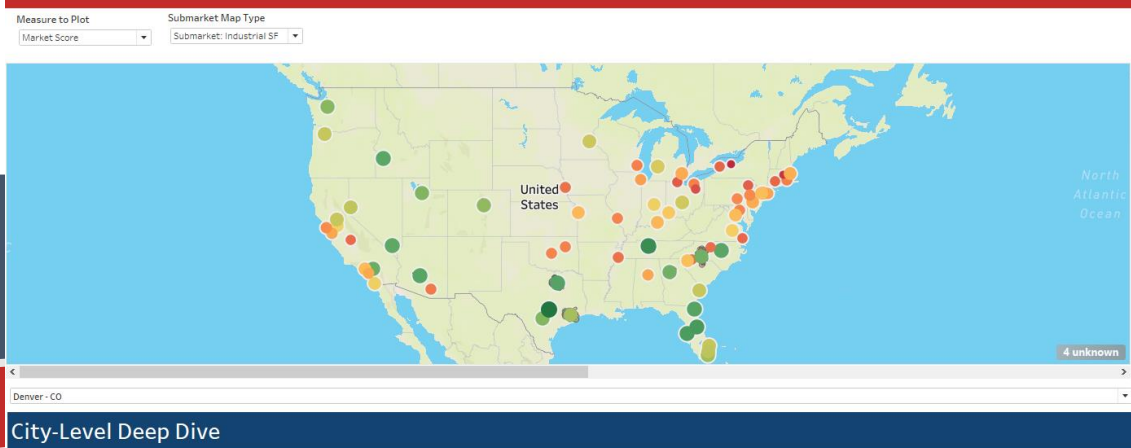
To make sure our methodology is sound and can be reasonably relied upon, we have back-

tested this structure from 2012 onward. Now armed with this data arsenal, we utilize a data visualization tool and compare markets based on their overall growth potential, population growth, GDP growth, job growth, and more, helping us narrow our focus on which markets to further dig into to better understand what makes those markets tick and whether we believe in their long-term value story.

We update and review this data every quarter to quickly identify the rising stars and potential fallers based on our Market Score, helping us stay ahead of the curve.

Real estate is fast-moving and ever-changing, and we want to ensure we’re able to act when the time is right and with duration in mind.

MARKET TRACKER





Going Beyond the Numbers to Know our Markets

After identifying our top target markets, we roll up our sleeves and embark on intensive qualitative research, ultimately creating Market Justification Reports. Think of it as our detective work, digging deep to unravel what truly drives these markets. We seek to understand everything the numbers can't tell us – why is the population expanding and what would allow that to continue? What industries, major companies or key logistics considerations are driving industrial growth? What is the skilled and/or wage labor market landscape?

We also want to wrap our heads around the market opportunity (in buildings and in dollars) for our target assets, how often they trade, whether the owners are primarily private or institutional, and other important factors. **This helps us recognize not only where we can regularly find compelling new buying opportunities, but also whether there is a strong buyer base to support a liquid sale process when we look to exit, both of which are very important when determining how to efficiently spend our deal team's time.**

Using our qualitative findings, our Market Justification Reports substantiate why we have selected each target market, why we believe in the market's continued growth and which specific submarkets we'd like to target.

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Investor / Operator Mindset Applied to Submarkets

While the Market Score helps shape a broad opinion for each metro area, we believe **true outperformance is created at the submarket level**, where our investment approach is an inch wide and a mile deep. Within any given market, there will inevitably be areas with compelling tailwinds that should lead to strong rent and demand growth, just as there will be those less likely to thrive. To find these pockets with the most favorable supply and demand dynamics, we try to think as both a tenant and an investor.

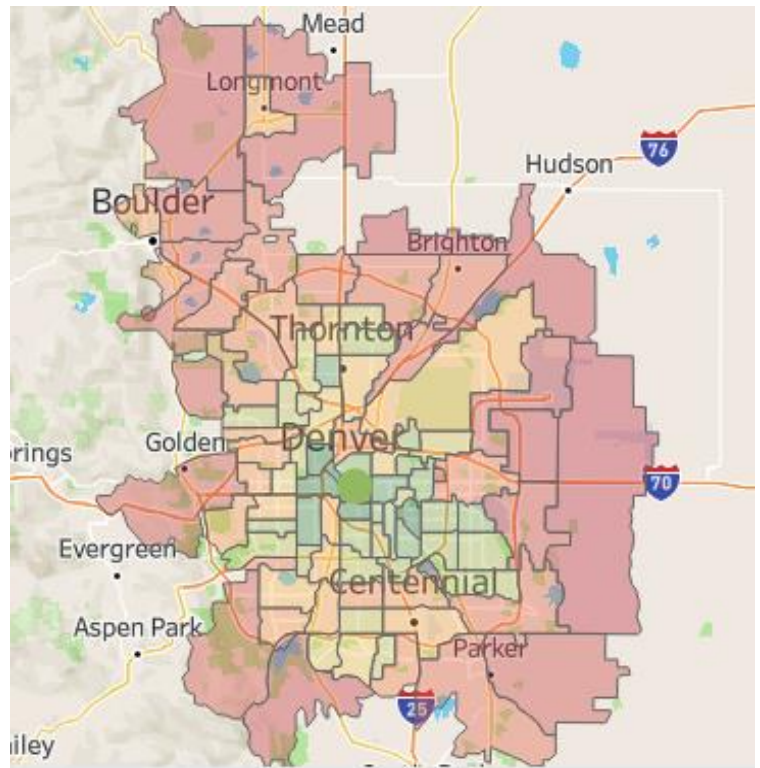
This is where our status as an investor and an operator sets us apart, adds further value, and helps our partners achieve their investment goals.

Tenant Mindset

Thinking as a tenant, we aim to be nearest to employment centers, population density and transportation nodes, as that allows tenants to access labor, cater to potential B2B businesses and best service their local customers and end users.

Investor Mindset

Thinking as an investor, we aim to be where tenant demand is most robust in addition to selecting the highest barrier areas where it is difficult to create new, competitive assets. By selecting areas catering to both of these mindsets, we can quickly build conviction we're targeting locations with strong long-term value dynamics.



In supplementing and supporting these two thought processes, we dissect the ZIP code and submarket-level data for factors like population density, existing industrial square footage, and upcoming construction.

How Process Informs Strategy

This entire process allows us to use the platform as more than simply a thought experiment, instead **spurring targeted market research and translating ideas into action**. For example, after identifying a target market and its preferred submarkets, we underwrite all available deals in those submarkets on an ongoing basis, focusing our efforts on building deep relationships with active brokers in these areas to maximize the size and strength of our deal pipeline.

While we fully embrace the role data can play in sharpening and improving our investment process, we realize one thing – what's relevant today might be old news tomorrow. **Flexibility and constant evolution are the pillars keeping us at the forefront of the industrial investment landscape.**



The next time you see us announce a new transaction, remember - there's a whole world of data and analysis backing every investment decision.

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