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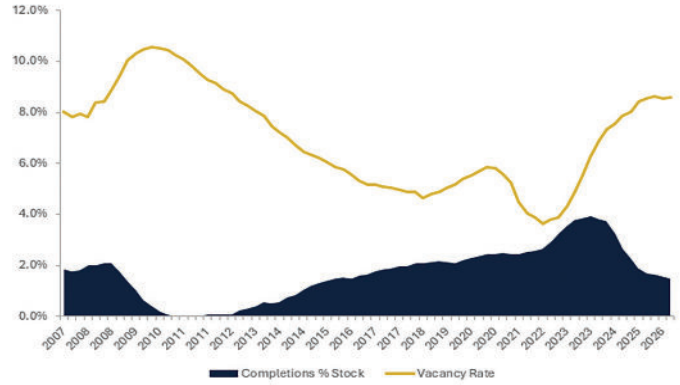
Signals of a new logistics cycle

Chase McWhorter, Institutional Real Estate, Inc.'s managing director, Americas, spoke in September with Mike McCarthy, co-chief investment officer, Value Funds at Cabot Properties, about the state of the logistics sector and why he is optimistic for its future growth. The following is an excerpt of that conversation.

The logistics sector has experienced a market reset in recent years. What got us here, and why is the outlook improving?

COVID-19 disrupted global supply chains and shifted occupiers from just-in-time to just-in-case inventory strategies, creating a surge in warehouse demand and speculative construction. In the years that followed, leasing normalized while the elevated development pipeline continued to deliver, pushing vacancy higher and rent growth below pre-pandemic levels. That supply/demand imbalance now appears to be correcting: Leasing velocity is picking up, vacancy is beginning to decline, and new supply is moderating. At the same time, the pandemic accelerated two durable trends – inventory resiliency and distribution networks closer to end users – while ecommerce continues to gain share of consumer spending.

U.S. index trailing 12-month net completions as a share of stock and vacancy rate



Source: CoStar as of 6/30/26

Two more recent demand drivers are also adding to the upswing. Nearshoring and onshoring are generating ancillary logistics demand around manufacturing hubs, while data center development is claiming potential warehouse sites, thereby limiting the land available for competing development in certain submarkets and creating adjacent leasing demand. We see these dynamics in markets like Dallas; Atlanta; Chicago; Columbus, Ohio; northern Virginia and Phoenix.

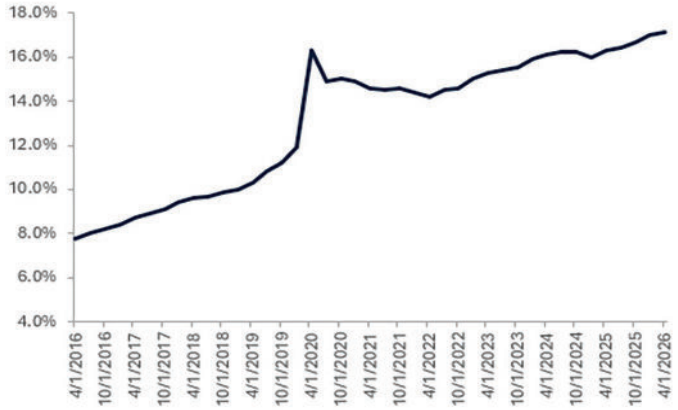
Taken together, the market appears to be moving toward a healthier balance: The pandemic-era supply pipeline is receding just as traditional and emerging sources of demand are converging. We believe those conditions are laying the groundwork for a new growth cycle driven by disciplined supply, a broader demand base, and many of the same durable fundamentals that supported the sector before COVID.

PARTICIPANT



Mike McCarthy
Co-Chief Investment Officer, Value Funds
Cabot Properties
Mike serves as co-CIO of Cabot's Value Fund series, overseeing the firm's value-add investment activity across North America, as well as East Coast investing across all products.

Ecommerce retail sales as a percent of total sales



Source: U.S. Census Bureau via FRED as of August 2026

You mentioned onshoring and nearshoring driving demand for logistics real estate. How do they do that exactly, and how much of that is a function of public policy versus long-term private-sector strategy?

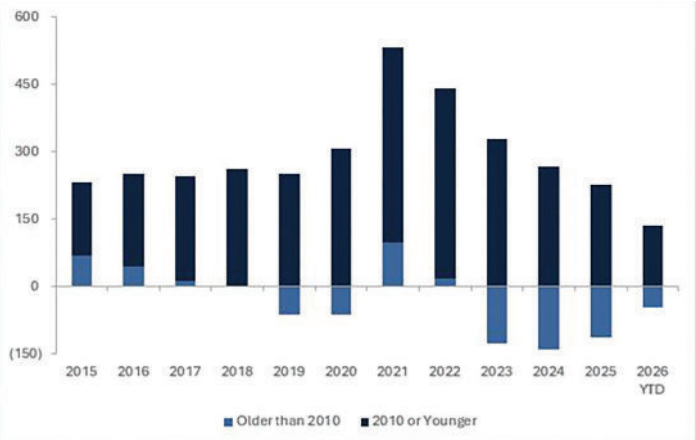
Inventories, specialized equipment, finished goods and third-party logistics (3PL) suppliers all need space tangential to their core operations. U.S. public policy can accelerate site decisions, particularly in semiconductors, energy and defense, but the underlying corporate rationale for onshoring is broader: It shortens lead times, protects inventory, diversifies sourcing and gives businesses more control over their supply chains. We see onshoring and nearshoring as durable but selective by location, largely concentrated in the Midwest, Southwest and Southeast, as well as specific micro-markets that support aerospace and defense.

As automation and technologies, such as AI-driven robotics, become more prevalent in warehouse operations, what do owners need in these properties to meet occupier demands?

Robotics readiness is increasingly "table stakes" for well-capitalized tenants. Ten years ago, it was mainly Amazon operating robotics-capable warehouses. Now even 3PLs are building their own proprietary robotics hardware and software. The trend feels irreversible, and we expect it to keep spreading as the technology becomes more affordable.

To accommodate this technology, tenants generally seek out modern buildings with flat floors, wide lanes between columns, high ceilings, fiber infrastructure and reliable power – a demand trend we've seen reflected in modern stock absorption figures since the start of 2023.

U.S. net absorption by vintage (square feet in millions)



Source: CoStar as of 6/30/26

How are you capitalizing on this demand, and which markets represent the strongest opportunities?

We're not necessarily picking new markets because of data center growth. We continue to target consumer-proximate submarkets where we have an existing presence and strong, established logistics fundamentals. In our business, we know that tenants and their space needs change over time, so we view data center-adjacent demand as an incremental tailwind rather than a basis for market selection, allowing us the opportunity to capture the updraft without changing our core strategy.

Dallas is a good example of what we look for: a central location and super-regional reach, strong demographics, major corporate capital investment, an affluent consumer base, demand supported by manufacturing growth in Mexico, and data centers, all within a large and liquid market.

Where are you seeing growth, and where are the challenges?

Over time, we've found much of our success by focusing on two things: choosing locations with durable fundamentals that support growth, and choosing buildings that we believe will consistently attract high-quality tenants.

The largest U.S. distribution markets continue to see healthy leasing activity. Dallas and Houston remain top markets for net absorption, with Atlanta, Chicago, eastern Pennsylvania, and central and southeast Florida also showing renewed demand. Leasing is rising and vacancy is generally declining, particularly in modern buildings, suggesting the early stages of a new rent-growth cycle.

Some supply-heavy U.S. markets, including Inland Empire East and Seattle, remain under rent pressure. By contrast, Western Europe benefits from constrained development and sub-5 percent vacancy in several of our target markets, while England and our target Asia Pacific markets have more supply to absorb.

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How are tenants thinking right now, and which tenant types are most active?

Tenants are more deliberate than they were during the pandemic. It took time for them to grow into the just-in-case inventory they built then, which is largely why leasing slowed until about 12 months ago.

They're still investing in supply-chain resilience: diversifying sourcing, placing inventory closer to consumers and using 3PLs for flexibility rather than building every capability in-house. At the building level, location and functionality still carry the day: access to consumers, labor and transportation infrastructure, along with modern features such as clear height, wider column spacing, dock-door ratios, thicker and stronger floors, power availability, and flexible layouts and lease structures.

Our target markets attract a broad range of tenants, with 3PLs being the most active group. We've also seen growing leasing activity from manufacturing and data-center support users in the U.S., automotive users in Europe, and ecommerce users in Europe and Asia Pacific.

Final thoughts?

Supply is now at levels that look, feel and measure better than pre-COVID totals. We believe the market is positioning itself for a new growth cycle, and that's an exciting place to be.

CORPORATE OVERVIEW

Cabot Properties is an international private equity real estate firm focused on the logistics sector. Founded in 1986, Cabot was one of the first real estate firms to provide institutional investors with access to the industrial property sector. Since then, the firm has invested more than $19 billion in logistics real estate, served more than 4,400 tenants, and operated more than 1,775 buildings totaling more than 245 million square feet. Cabot is headquartered in Boston, with 14 offices across the United States, Europe and Asia Pacific. For more information, visit www.cabotprop.com.

Note: Unless otherwise specified in this material, "U.S." or "U.S. Market" refers to U.S. data comprised of CoStar Advisory Services Index of 54 markets and 21 supplemental markets. This article presents the participant's opinions reflecting current market conditions. It has been written for informational and educational purposes only and should not be considered as investment advice or as a recommendation of any particular security, strategy or investment product.

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