

Sector spotlight: Truck terminals & industrial outdoor storage

Low coverage industrial stands out as an extended sector opportunity

It's no secret that the industrial property sector has benefitted greatly from the rise of online shopping in recent decades. Although fundamentals have moderated in recent quarters, over the past few years the sector saw record high rent growth and historically low vacancy as tenants raced to lease warehouse space to bolster their direct-to-consumer fulfillment networks. What may be less appreciated is that this trend has also benefitted low coverage industrial uses like Truck Terminals and Industrial Outdoor Storage ("IOS") sites.

To briefly define each of these, Truck Terminals are high flow-through logistics facilities, where the main objective of the property is to facilitate the transfer of goods from one truck to another. This often involves a long narrow building with dock doors on either side. An IOS property is land zoned for industrial use where the tenant can store things outside, most frequently vehicles. In our view, these two industrial subtypes have been among the most attractive alternative property sector investments.

This view is driven by a few key factors. The first is that the rise of e-commerce has coincided with a notable increase in goods moved via trucks and vans, and both Truck Terminals and IOS sites are critical property types in servicing these vehicles. The second is that these properties are difficult to recreate, particularly in infill locations. Municipalities are often hesitant to greenlight new development of low coverage industrial given the relative intensity of truck or van visits to these sites. Additionally, depending on the location of an existing low coverage industrial property, developers often look to replace them with higher coverage warehouses or convert them to other uses where it makes sense. This all adds up to a very limited development pipeline despite strong tenant demand. The last factor is that these property types have shown relative stability. Historically, Truck Terminal vacancy rates have closely correlated with industrial vacancy rates but have been roughly 220 basis points lower on average. This stability is also important to note given the relative volatility of the trucking business, which tends to go through more frequent contractions than other parts of the economy.

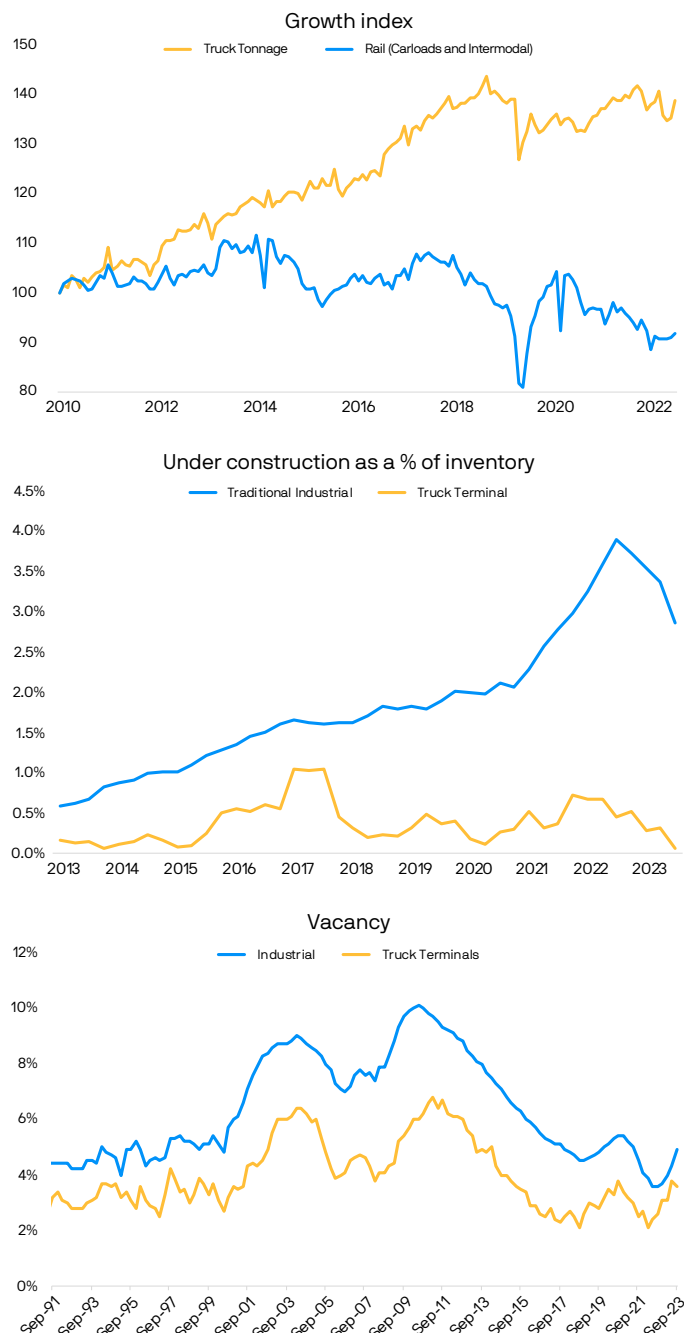


Chart source: Top – Bureau of Transportation Statistics, (as of 6/30/2023) Middle and Bottom – CoStar (as of 9/30/2023).

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Summary of Risk Factors

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- We have a limited operating history and there is no assurance that we will be able to successfully achieve our investment objectives.
- This is a "blind pool" offering. 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 provides 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 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. Our board of directors cannot terminate our share repurchase plan absent a liquidity event which results in 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.
- Distributions are not guaranteed and may be funded from sources other than cash flow from operations, including, without limitation, the sale of or repayments under our assets, borrowings, offering proceeds and advances or the deferral of fees and expense reimbursements, 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 are generally based on our prior month's NAV (subject to material changes as described in the prospectus) and are not based on any public trading market. While there may be independent valuations of our properties from time to time, the valuation of properties is inherently subjective, and our NAV may not accurately reflect the actual price at which our investments could be liquidated on any given day.
- We are dependent on the Adviser, as well as persons and firms the Adviser retains to provide services on our behalf, 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 J.P. Morgan 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. In addition, we are not required to call all of the commitments for our private offering and cannot guarantee that any capital commitments requested thereunder will be funded.
- Principal and interest payments on any borrowings will reduce the amount of funds available for distribution or investment in additional real estate assets.
- There are limits on the ownership and transferability of our shares.
- If we fail to qualify as a REIT and no relief provisions apply, our NAV and cash available for distribution to our stockholders could materially decrease.

Forward Looking Statements

This material contains forward-looking statements about the real estate market and the truck terminals and industrial outdoor storage sub-sector within the real estate market. These forward-looking statements can be identified by the use of forward-looking terminology such as "expect," "continue," "may," "will," "should," "anticipate," "intend" or other similar words or the negatives thereof. These may include statements about plans, objectives, intentions, and expectations with respect to positioning within the real estate market, including the impact of macroeconomic trends and market forces. Such forward-looking statements are inherently uncertain and there are or may be important factors that could cause actual outcomes or results to differ materially from those indicated in such statements. We believe these factors include but are not limited to those described under the section entitled "Risk Factors" in JPMREIT's annual report for the most recent fiscal year, and any such updated factors included in JPMREIT's periodic filings with the SEC, which are accessible on the SEC's website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in JPMREIT's public filings. Except as otherwise required by federal securities laws, JPMREIT undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

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