



BKM Capital Partners

Annual Letter

2024

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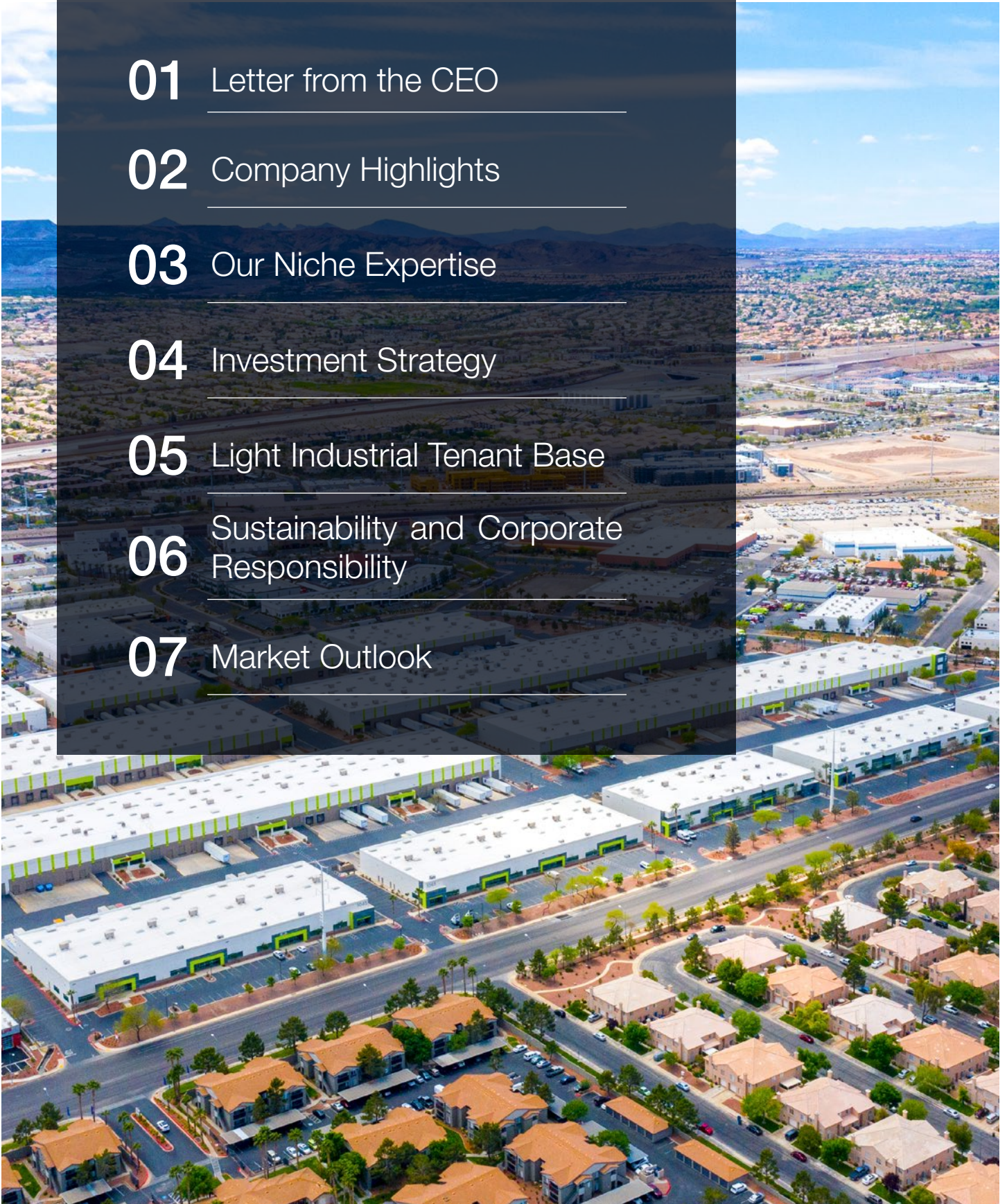
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LETTER FROM THE CEO



Reflecting on 2024, the past 12 months brought both unique challenges and exceptional opportunities for BKM and the commercial real estate industry. Despite high interest rates sweeping the nation and political battles dominating headlines, the industrial sector—particularly light industrial—continued to outperform. Key drivers like e-commerce growth and a resurgence in manufacturing fueled demand for industrial and logistics space, while rising construction costs and supply-side pressures limited new small-bay developments. These favorable market conditions have played a crucial role in BKM's growth journey this year, establishing opportunity for expansion in the year ahead.

2024 Notable Activity

- » Executed \$2.5B in transactions spanning over 10.9 million square feet of light industrial space
- » Formed five new institutional partnerships with major industry-recognized players
- » Implemented capital improvements of \$25M across over 550 executed capital contracts
- » Acquired our 100th asset since inception and exceeded 100 employees for the first time in company history

Record Transaction Velocity

2024 was a whirlwind year for BKM in terms of transaction velocity, having completed 19 transactions across over 30 properties at an aggregated \$2.5 billion. Of that, over \$1.2 billion consisted of property acquisitions, comprising 5.2 million square feet and spanning 26 light industrial assets.

Industry Leading Team

Our team of real estate professionals continues to shine as one of the best and brightest in the industry, cosigning our recent successes in these undoubtedly trying times. Their hard work and dedication form the backbone of everything the firm has accomplished thus far—something I am deeply grateful for. Moving forward, I am eager to continue growing our team as new opportunities arise in 2025.

Looking Ahead

2025 is slated to be a year of unprecedented growth for BKM, as we remain diligent in sourcing opportunities that align with our core investment expertise. Our outlook remains optimistic for what the future holds for the light industrial sector. Whether through expanding our market reach, growing our team of talent, or refining our operational approach, the future is bright for BKM and its stakeholders.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brian Malliet', with a stylized flourish at the end.

Brian Malliet, Founder, CEO, and CIO

Company Highlights

02



2024 HIGHLIGHTS

26

Property
Acquisitions

5.2M

Square Feet
Acquired

\$1.2B

Acquisition
Value

130%

YoY Increase in
Acquisition Value

01.	PDX Distribution Center	140,003 SF	Portland, OR
02.	Canyon Industrial Center	108,728 SF	San Diego, CA
03.	Baseline Business Park	100,375 SF	Phoenix, AZ
04.	Columbia Commerce Center	375,429 SF	Portland, OR
05.	North Cabot Industrial Park	51,038 SF	Hayward, CA
06.	Ash Business Center	90,728 SF	Tempe, AZ
07.	Faraday Industrial Park	90,240 SF	San Diego, CA
08.	Havana 37 Business Center	160,255 SF	Denver, CO
09.	Cherry Commerce Center	97,700 SF	Newark, CA
10.	Patrick/Mojave Airport Center	102,517 SF	Las Vegas, NV
11.	Skyport Industrial Park	153,968 SF	Las Vegas, NV
12.	Tigard Business Park	250,124 SF	Tigard, OR
13.	Wier Thirty6 Business Park	104,148 SF	Phoenix, AZ
14.	Borderpoint Business Park	173,330 SF	San Diego, CA
15.	Otay Distribution Center	103,910 SF	San Diego, CA
16.	Otay Crossing Business Park	96,622 SF	San Diego, CA
17.	Concord Business Park	141,702 SF	Concord, CA
18.	Hohokam Business Park	250,000 SF	Tempe, AZ
19.	Lionshead Landing	228,816 SF	Vista, CA
20.	Gateway Business Center	95,128 SF	Fremont, CA
21.	Shoreline Business Center	84,423 SF	Fremont, CA
22.	West Valley Business Park	205,710 SF	Kent, WA
23.	Hughes Airport Center	672,424 SF	Las Vegas, NV
24.	Inverness Exchange	215,212 SF	Englewood, CO
25.	Backlot Burbank - Multi-Tenant Buildings	208,888 SF	Burbank, CA
26.	Pacific Business Center	740,750 SF	Las Vegas, NV

In 2024, BKM achieved unprecedented growth within its workforce, surpassing historical benchmarks in support of its ambitious expansion plans. The company successfully created and filled **17 new positions**, pushing its total headcount to **over 100 employees**—a remarkable milestone in BKM's history. This growth was complemented by an impressive **29 employees who received promotions**, highlighting the company's commitment to fostering career development and recognizing the contributions of its team.

RECOGNIZED IN THE INDUSTRY

Building on its record-breaking momentum, BKM was honored with 18 awards across 10 prestigious publications in 2024, marking a 157% increase from the prior year. These accolades underscore the significant impact BKM continues to have on both the industry and its stakeholders. Within the company, this recognition also highlights the collaborative efforts and excellence of its teams, reflecting a shared commitment to innovation, leadership, and a culture of achievement.

AWARDS/NOMINATIONS

01	GlobeSt.com Best Bosses: Mason Waite	10	OCBJ Embracing DEI: BKM Capital Partners
02	GlobeSt.com Best Places to Work: BKM Capital Partners	11	Best Companies Group - Inclusive Workplace: BKM Capital Partners
03	OC Inspirational Women Nomination: Susan Rounds	12	GlobeSt.com Influencers in Industrial: BKM Construction Team
04	Valley CRE Awards Industrial Project of the Year: Backlot Noho	13	CPE Top Property Management Firms (no. 25): BKM Management Company
05	CoStar Impact Award: Capitol Industrial Center South	14	CEO Visionary OC/SD Magazine: Brian Malliet
06	GlobeSt.com Woman of Influence: Emily Pollard	15	Connect CRE Women in Real Estate: Susan Rounds
07	GlobeSt.com Aspiring Leaders: Emily Pollard	16	CPE Top CRE Owners (no. 29): BKM Capital Partners
08	CEO Visionary in C-Suite Magazine: Brian Malliet	17	GDUSA Award - Publication: Recession Resiliency White Paper
09	PERE 200 List: BKM Capital Partners	18	GDUSA Award - Data Visualization/Infographics: BKM Intel





YEAR-END COMPANY SNAPSHOT



57
Active Properties



10.2M
Active Square Feet



\$2.2B
AUM



2200+
Current Leases



BKM continued to exceed operational targets in 2024, harnessing nearly an 8% YoY increase in property NOI.

As of December 31, 2024

BKM SINCE INCEPTION

Founded

2013

Newport Beach,
California



\$4.5B+
In Transactions



\$1.5B+
Commitments



124
Properties



24M
Square Feet



4500+
Tenants



7
States

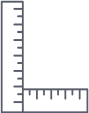
As of January 31, 2025

BKM THIS YEAR

PLATFORM EXECUTION

 \$25M In Capital Improvements	 2.4M SF Leases Executed	 33% Average Leasing Spreads
	 567 Leases Signed	 287 Units Delivered

ACQUISITIONS

 26 New Properties
 \$1.2B In Transactions
 5.2M Square Feet



110 Employees
29 Promotions
17 New Hires

DISPOSITIONS

 7 Properties
 \$833M Gross Proceeds
 1.5M Square Feet



Our Niche Expertise

03



OUR PROVEN EXPERTISE

The multi-tenant light industrial asset class remains one of the most operationally complex sectors in commercial real estate, with many finding it difficult to achieve scalability. At BKM, our vertically integrated platform provides the specialized resources and expertise required to effectively manage this niche product type, enabling us to execute a proven investment strategy in key markets throughout the western U.S.

Our senior management team brings an average of 23 years of experience in real estate investment and operations. Their diverse expertise spans numerous disciplines, including underwriting, valuations, risk management, and capital markets—ensuring a depth of knowledge and precision across all aspects of our business.

Beyond exceptional talent, BKM has developed a comprehensive operator platform, seamlessly integrating property and asset management, marketing, leasing, and construction. This consolidated approach provides full control over the investment lifecycle—from acquisition to operations and disposition—allowing us to deliver consistently high-quality product and customer service.

Our strategy prioritizes operational efficiency, leveraging automation and technology to align front- and back-office systems. For nearly a decade, BKM has also invested in building proprietary business intelligence software that enhances investment research and drives data-informed decisions. This innovative approach enables us to efficiently manage the substantial volume of opportunities we evaluate each year, maintaining the agility to act decisively in an evolving market.

“

BKM's 2024 acquisitions are a clear demonstration of our ability to navigate a challenging market by focusing on assets with untapped value. Our established presence and proven track record in key markets have positioned us as a trusted and reliable buyer, allowing us to secure deals at favorable terms, capitalizing on the inefficient market dislocations where others may struggle.

Brett Turner, Senior Managing Director, Acquisitions & Dispositions



BKM'S LEADERSHIP TEAM

	Brian Malliet Founder, CEO & CIO	37 Years Experience
	Bill Galipeau CFO & COO	30 Years Experience
	Susan Rounds Senior Managing Director, Operations	27 Years Experience
	Brett Turner Senior Managing Director, Acquisitions & Dispositions	21 Years Experience
	Mike Valdes Managing Director, Finance and Accounting	14 Years Experience
	Mason Waite Managing Director, Asset & Portfolio Management	14 Years Experience



PLATFORM CAPABILITIES

Asset Management

Leasing Management

Property Management

Construction Management

Industry-Leading Technology



I am extremely proud of the growth BKM has achieved over the past 10 years, completely transforming from a two-person operation to a leader in the light industrial space. The platform we have built over the years is tried and true, signaling a new era of expansion. It is the dedicated efforts of our team that continuously strengthen our foundation and position the firm for future success—something I am excited to witness and incredibly grateful for.

Brian Malliet, Founder, CEO, and CIO



FOCUS.

Value-add strategy focused exclusively on light industrial and multi-use logistics investments in the Western United States.



TECHNOLOGY.

Industry-leading/proprietary technology to execute intensive management and optimize decision making.



TRACK RECORD.

Proven ability to reposition properties and drive NOI growth with consistent top quartile fund performance.



CLIENT SERVICE.

Our clients come first, including investors and tenants.



Investment Strategy

04

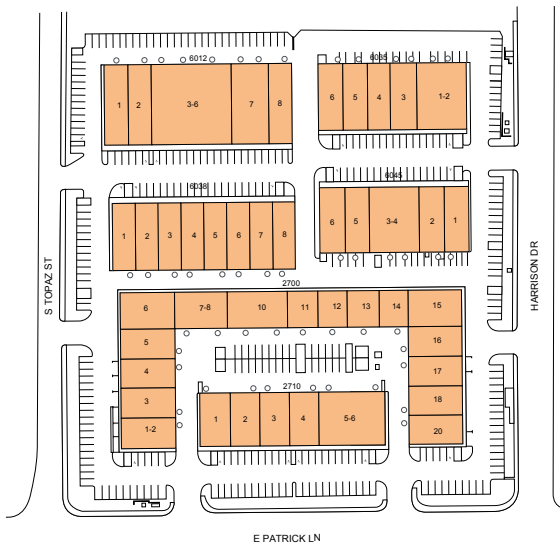


DEFINING THE SECTOR

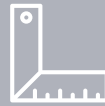
What is Multi-Tenant Light Industrial?

Multi-tenant light industrial is an important yet typically overlooked sub-sector of industrial real estate, with leases under 50,000 square feet representing the majority of all leasing activity in the industrial asset class. Given the number of tenants in a typical multi-tenant light industrial business park, these assets tend to be operationally intensive and require a strong local market presence, asset management expertise, and scalable technology.

Site Plan Example



LIGHT INDUSTRIAL FUNDAMENTALS



Properties less than 200,000 SF, spaces under 50,000 SF



~80% industrial, ~20% office buildout



Typically found in infill locations with close proximity to city centers



20-200 units, typically housing manufacturing, distribution, and e-commerce tenants



Typical WALT of 1-3 years

BKM'S VALUE-ADD STRATEGY

Exterior Improvements | Canyon Industrial Center, San Diego CA



BKM’S VALUE-ADD STRATEGY CONT.

Interior Improvements | PDX Activity Center, Portland OR

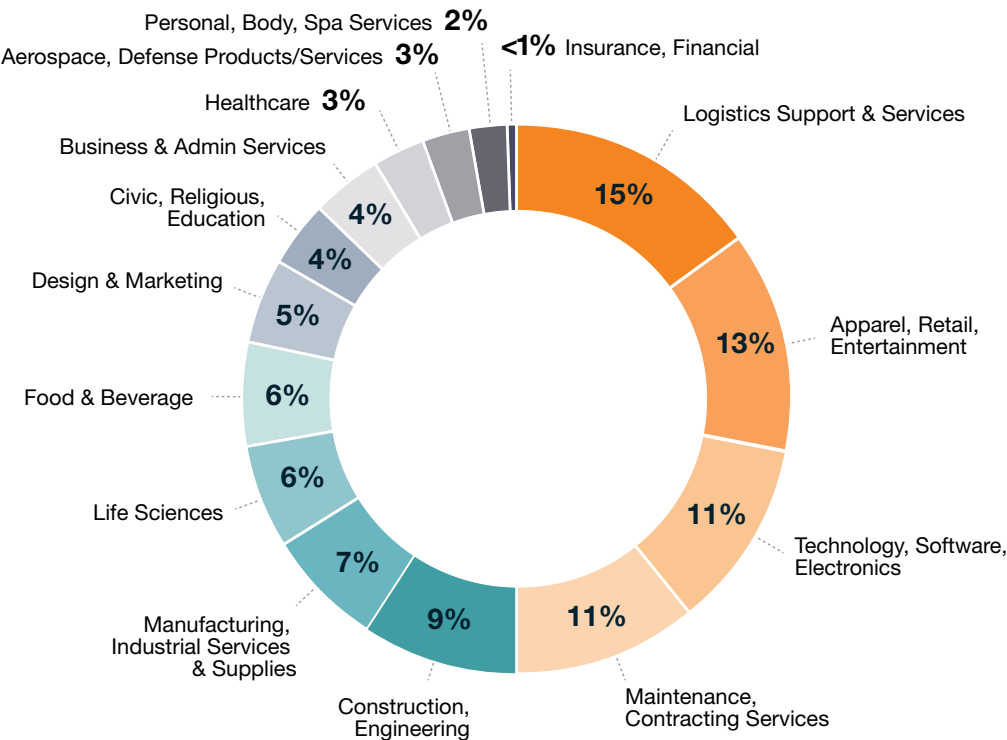


Tenant Base

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TENANT BREAKDOWN BY INDUSTRIAL SECTOR



BKM Portfolio data as of December 31, 2024.

BKM benefits from having a diversified tenant base for a multitude of reasons:

- 1 | Multi-tenant properties provide a diversified rent roll
- 2 | Ability to roll spec suites quickly and cost effectively
- 3 | Sustainable vacancy rates and consistent cash flows
- 4 | Ability to adjust rents to market more quickly

*Sustainability &
Corporate Responsibility*

06



BKM'S SUSTAINABILITY & CORPORATE RESPONSIBILITY INITIATIVES

BKM Capital Partners is dedicated to embedding sustainability and corporate responsibility initiatives throughout the investment lifecycle and management processes. Our goal is to harness competitive advantages that drive strong tenant demand while promoting long-term performance and mitigating risks.

This commitment includes advancing initiatives focused on environmental sustainability, social engagement, and transparent governance. As part of this effort, we have undertaken our first GRESB assessment this year to benchmark our performance and measure progress toward our targets. By integrating these principles into our daily operations, we aim to maximize positive impact and deliver lasting value to all stakeholders across our community and light industrial properties.



SUPPORT
OUR
PEOPLE.



MEASURE
OUR
PROGRESS.



REDUCE
OUR
FOOTPRINT.



INVEST IN
OUR
COMMUNITIES.



CREATE
SUSTAINABLE
VALUE.

BKM established its Sustainability and Corporate Responsibility Committee in 2018, tasked with formulating and implementing the firm’s approved strategic plan. This committee provides guidance and leadership across the BKM operational platform regarding sustainability matters and acts as a vehicle for communicating Sustainability and Corporate Responsibility initiatives to all stakeholders, thereby ingraining corporate responsibility into our firm’s culture.



2024 ACCOMPLISHMENTS

Sustainability and Corporate Responsibility Program

- Completed solar installation at Lionshead Landing in San Diego, CA
- Established and implemented four new policies for safe and sustainable operations
- Enrolled four Portland assets in the Clean Rivers Reward Program
- Established EMS framework
- Conducted property resilience assessments on all new acquisitions
- Continued partnership with ESG consultant to advise on progress of three-year road map
- Completed two EV charger projects in California and Arizona

Data & Benchmarking

- Completed first GRESB assessment
- Onboarded all Fund III properties onto EPA Energy Star for data tracking
- Benchmarked all properties into Energy Star Portfolio Manager
- Maintained or increased diversity in employee demographics
 - 54% women in 2024 vs 52% in 2022
 - 38% BIPOC in 2024 vs 35% in 2022
 - 70% diverse overall
- Completed GRESB gap assessment
- Conducted independent 3rd party compensation review and analysis

Engagement & Education

- Earth Day events at properties across the portfolio
- BKM Volunteer Committee completed 210 hours of volunteering and service
- 17 employees completed leadership development and coaching programs
- 7 tenant appreciation events completed across the portfolio
- Gifts hand delivered to nearly 75% of our tenants
- Conducted satisfaction surveys at the employee and tenant level
- Company-wide Sustainability and Corporate Responsibility trainings

Market Outlook

07



SMALL BAY INDUSTRIAL MARKET OUTLOOK 2025

RESILIENCE AMID BROADER MARKET SOFTENING

The small-bay industrial sector, characterized by properties under 200K SF with units typically ranging from 15,000 to 50,000 square feet and serving diversified tenant bases like light manufacturers and last-mile logistics, is expected to demonstrate resilience in 2025. This resilience is driven by its inherently fragmented supply and the ongoing shift toward localized, demand-driven operations.

KEY MARKET TRENDS

1. SUPPLY CONSTRAINTS SUPPORTING RENTS

- » Small bay industrial properties face limited new development due to high construction costs, zoning challenges, and the logistical complexity of building smaller multi-tenant spaces.
- » The majority of the supply consists of older, 1980s vintage properties, which require adaptive reuse or upgrades to meet tenant needs.
- » This supply limitation continues to drive up rents, even as larger industrial spaces experience softening demand.

2. GROWING TENANT DEMAND

- » **Onshoring and Reshoring Trends:** Geopolitical and economic factors are leading to an increase in light manufacturing and domestic production, further bolstering demand for small bay industrial spaces.
- » **E-commerce Proliferation:** Last-mile logistics providers increasingly prefer smaller, urban-adjacent facilities to ensure faster delivery and proximity to population centers.
- » **Diversified Tenant Base:** Tenants in this space range from small-scale manufacturers and service providers to niche logistics operators, creating a broad and stable demand pool.

3. RISING RENTS AND PREMIUM PRICING

- » Infill locations in urban and suburban markets are particularly strong, with smaller units commanding premium rents per square foot compared to larger, single-tenant spaces.
- » Landlords are capitalizing on the scarcity of available space by implementing incremental improvements (e.g., cosmetic upgrades, landscaping, signage) to justify higher rents without major redevelopment costs.

ECONOMIC AND FINANCIAL DRIVERS

1. LEASING VELOCITY AND MANAGEMENT COMPLEXITY

- » Leasing velocity remains strong, with small bay spaces frequently trading at higher cap rates compared to bulk distribution due to the more intensive management requirements (e.g., higher tenant turnover, frequent leasing activity).
- » Investors seeking diversification are increasingly attracted to the sector despite its operational demands.

2. CAP RATE TRENDS

- » Historically, small bay industrial spaces traded at a 50–75 basis point premium to larger industrial spaces. As more institutional capital enters the space, cap rate spreads are expected to compress slightly but remain attractive compared to other real estate sectors.

3. COST PRESSURES

- » Rising insurance premiums, particularly in areas prone to natural disasters, and increased utility costs (e.g., due to electrification and EV readiness mandates) may impact operational margins.



FUTURE OPPORTUNITIES

1. ADAPTIVE REUSE AND STRATEGIC UPGRADES

- » Older small bay industrial properties, typically built in the 1980s or earlier, represent a significant opportunity for value-add investment. By addressing functional obsolescence and improving aesthetics, owners can create competitive, modernized spaces without the high costs of ground-up development.
- » As competition for tenants intensifies, landlords can stand out by fostering tenant-friendly environments. Offering amenities like gyms and community spaces—along with flexible lease structures and active tenant engagement—can create a strong competitive edge.

2. TECHNOLOGY AND SUSTAINABLE INTEGRATION

- » The growing emphasis on sustainability is shaping tenant preferences and regulatory requirements. Owners who prioritize environmental, social, and governance (ESG) initiatives stand to gain from reduced operating costs, better tenant retention, and access to sustainability-focused investors.
- » As tenants increasingly demand modern technology, landlords can differentiate their properties by offering high-speed fiber-ready internet, smart building features like IoT-driven energy management and security, and automation-friendly designs that support robotics and advanced storage systems for manufacturers and logistics firms.

3. STRATEGIC MARKET EXPANSION

While supply constraints persist in established markets like Southern California, opportunities abound in emerging markets such as:

- » Texas and the Southeast: Driven by population and business migration.
- » Secondary and Tertiary Markets: Smaller markets with industrial demand outpacing supply, offering attractive returns for those willing to invest in overlooked areas.

4. INSTITUTIONALIZATION OF THE SECTOR

- » Small bay industrial will see a dramatic increase in institutional capital as investors recognize its stability and growth potential.
- » A portfolio premium will emerge, akin to the self-storage and data center sectors, driving consolidation by larger players.

2025 OUTLOOK

To gain a better understanding of the year ahead, we spoke with several BKM team members to hear their insights and expectations.

What is in store for 2025? What is the biggest opportunity you see ahead in the coming year?

2024 was a year of both strategic wins and adaptive challenges for BKM. The team executed on \$1.2 billion in acquisitions across 26 assets and 5.2 million square feet, demonstrating our ability to navigate a dynamic market. Despite challenges such as fluctuating interest rates and inflation, we leveraged collaboration and transparency to maintain strong momentum.

Looking ahead to 2025, our biggest opportunity lies in expanding into high-growth markets through disciplined acquisitions and operational excellence. We will refine existing processes, develop new efficiencies, and leverage technology to enhance productivity and transparency for both internal and external stakeholders. Additionally, stabilizing construction costs and increased contractor availability present further opportunities to drive value. While permitting delays and evolving ESG regulations remain hurdles, our robust platform and strategic focus position us to capitalize on anticipated capital infusion and market expansion. By staying agile and data-driven, we are poised for continued success in the year ahead.

What strategy do you think will best navigate through 2025 and what approach will BKM take?

With continued uncertainty and expected volatility in the 2025 real estate market (driven by macroeconomic pressures, potential policy changes, and evolving market dynamics), BKM is positioned to capitalize on compelling purchase opportunities arising from pricing dislocations, distressed sellers, and favorable market conditions. Building on the momentum from 2024, we anticipate another strong year of capital deployment in 2025.

BKM's 2025 strategy will be defined by adaptability and precision, integrating acquisitions with selective dispositions. Growth opportunities remain strong in supply-constrained markets where tenant demand for light industrial space continues to be resilient. Through disciplined underwriting and localized management, we will mitigate risks while driving sustainable expansion, even in a fluctuating market.

While some markets have tempered from previous peaks, the fundamentals of the small bay industrial sector remain exceptionally strong. Barring any major external disruptions, we expect sustained growth, and we will continue to invest strategically where we find value. Given the robust acquisition and disposition activity of 2024, 2025 is set to be another significant year for acquisitions.

CONTACT US

As we move forward in 2025, we take pride in reflecting on our company's achievements over the past year with deep appreciation. In 2024, despite the ever-evolving real estate landscape, BKM continued its strong momentum, showcasing the resilience of our proven investment strategies and our unwavering commitment to sustainable and equitable business practices—all while delivering exceptional returns for our investors.



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