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KEYNOTE INTERVIEW

Powering industrial's next demand cycle



Trade, defense and energy spending are reshaping industrial demand as supply remains tight, explain Dream Industrial's Alexander Sannikov, Bruce Traversy and Sjoerd Barmmentloo

After a volatile year for global trade, the industrial and logistics sector has proved more resilient than many expected. Alexander Sannikov, president and chief executive of Dream Industrial; Bruce Traversy, the firm's chief investment officer; and Sjoerd Barmmentloo, vice-president of portfolio management, Europe, say that occupier demand continues to be underpinned by supply-chain reconfiguration, nearshoring and a renewed focus on domestic manufacturing capacity, while defense-related activity is emerging as a meaningful new source of take-up in several markets.

At the same time, long-standing

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supply constraints across core industrial hubs are being compounded by a newer challenge: access to power and energy infrastructure. Against this backdrop, investors and occupiers are reassessing where value lies in the next phase of the industrial cycle.

Q At this time last year, we talked about resilience in industrial. Looking back to 2025, how did the asset class fare relative to expectations?

Alexander Sannikov: 2025 was an eventful year. At the start of last year, escalating tariff and trade tensions created a highly volatile environment that set the tone for a turbulent year across global markets. We discussed tariffs last year in January; the overall magnitude of trade tensions in 2025 exceeded our expectations, but we have since seen renewed strength in the leasing activity across our footprint in North America and in Europe.

Overall, the industrial sector demonstrated notable resilience. We see that in occupancy rates, which are higher today than a year ago, and in NOI across our entire industrial

business, which is over 5 percent higher now than a year ago on a same-property basis.

Our business also continued to grow. Today we manage C\$29 billion (\$21 billion; €18 billion) of assets in North America and Europe, and our industrial platform, totaling C\$17 billion of assets, remains a core strategic focus. Our industrial business is anchored by the public markets alongside large scale thematic private joint ventures. Late last year we formed a new JV with CPP Investments focusing on value-add infill industrial in key markets in Canada, which we believe highlights the renewed enthusiasm for the asset class by leading global investors.

Bruce Traversy: The need to invest in supply-chain resiliency remains pronounced, with nearshoring as important as ever. Across our operating markets, rising defense spending is emerging as a meaningful new driver of industrial demand. We believe this is an attractive entry point, as the market has re-priced, particularly for core-plus assets requiring active asset management.

We are seeing renewed interest from private capital as the asset class has stable and improving fundamentals, and we can underwrite strong returns using tangible assumptions, underpinned by long-term growth drivers, a shrinking speculative supply pipeline and defensive characteristics in an uncertain macro backdrop.

Q What are you seeing with defense-related demand and the nearshoring/onshoring trend?

Sjoerd Barmantloo: Demand from defense is growing in both Europe and North America. We are seeing strong occupancy demand not only from the public sector occupants, but also from defense contractors and the broader ecosystem of occupiers supporting the supply chain. In Europe, in particular, we have seen some retooling of existing



Q Is the industrial market seeing strong rent growth and other property fundamentals in Europe today?

SB: We are observing that prime rents across our markets continued to increase, with the small- to mid-bay urban industrial segment outperforming big-box logistics. We see some information asymmetry in the market, particularly within the urban logistics and light industrial market. Leveraging our long-standing local relationships and track record, we have been able to navigate this effectively and achieve rental rates above broker-quoted levels.

BT: While rent growth is an important driver, the ultimate objective is to maximize NOI growth and long-term returns. We favor assets that benefit from active asset management, including driving rental growth on renewals, generating ancillary income through initiatives such as rooftop solar, unlocking operating efficiencies and selectively pursuing expansion opportunities.

“Overall, the industrial sector demonstrated notable resilience”

ALEXANDER SANNIKOV

manufacturing capacity to support defense-related production.

We are also seeing more demand and opportunities in nearshoring. In the wake of trade disruptions throughout 2025, occupiers are recognizing that nearshoring is closely linked to supply-chain resiliency, as supply chains can be disrupted in ways that

were difficult to anticipate a decade ago. Each tenant approaches this differently. There may be two tenants in the same industry but they have different supply chains and would deal with the threat of tariffs differently.

We have seen longer decision-making timelines as occupiers navigate uncertainty, but for most occupiers we are seeing the need for more space, not less, and we continue to see evidence that the underlying demand drivers remain intact and continue to support long-term growth.

Q Which capital deployment strategies and sectors are showing the greatest opportunity for industrial investors?

BT: We favor small- to mid-bay urban industrial opportunities with a core-plus return profile as well as

value-add elements. We have seen benefits of investing in assets within land-constrained urban locations that benefit from tailwinds in last-mile logistics. They attract a wide spectrum of users, from local and regional distribution through to light industrial, and extend to industrial-adjacent users that need a location that is accessible by their customers.

SB: We also see upside in investing in assets with excess land, where value can be created through expanding and developing the site. Given that these assets are typically located within established industrial nodes, entitlement risk is limited. Our focus remains on local geographies with durable fundamentals, including constrained supply, consistent demand, a track record of strong rent growth and attractive entry valuations.

We are looking for assets that offer an attractive entry point and layer in upside from rent reversion opportunities and investment of value-add capital. Examples of this include building out additional density, or adding rooftop solar which helps to provide an ancillary revenue stream, while improving the overall asset profile.

Q Which geographic regions or capital allocation strategies are expected to see the largest returns in industrial?

AS: For context, our platform was originally anchored in public markets, and over the past years we have increased our focus on building our private capital platform with strategic JVs established around urban industrial. We have structured over \$10 billion of assets in joint venture partnerships. Our investors prefer this structure as they can have tailored allocations to the investment strategy, assets and geographies that they want.

Geographically, we remain bullish on the Canadian market given its operating fundamentals and significant barriers on supply across major cities.

“We are actively pursuing renewable energy opportunities throughout our portfolio”

BRUCE TRAVERSY

Looking ahead, we intend to proactively deploy our balance sheet into Europe as well.

BT: We are seeing strong opportunities to deploy capital in Europe. From a pricing standpoint, we continue to see an arbitrage in pricing within the urban industrial segment, especially for deals in the €20 million-€50 million range. The pipeline of attractive investment opportunities has built up considerably over the second half of 2025. We have a vertically integrated platform and we are looking to source majority of our pipeline off-market through our in-house platform.

We view the key Western European markets as significantly undersupplied relative to the expected demand for urban logistics and light industrial assets. The combination of low vacancy, rising rents, expanding going-in cap rates and accretive financing creates one

“Demand from defense is growing in both Europe and North America”

SJOERD BARMENTLOO

of the most compelling opportunity sets for well-capitalized, core-plus investors.

Q Looking to the future, what are the most important drivers for growth within the sector?

AS: E-commerce penetration continues to increase and remains a durable, long-term theme. In addition, emerging demand drivers such as nearshoring, supply chain resiliency and defense spending continue to support industry fundamentals.

In the years ahead, energy availability is expected to become an increasingly important driver within the sector. Availability of power is becoming a key determinant in how industrial occupiers select their space. We are focused on enhancing power infrastructure across our portfolio, which is essential to support industrial operations. Our investments in clean power and our ability to deliver renewable power solutions to our occupiers represent meaningful competitive differentiators in the market.

BT: We are actively pursuing renewable energy opportunities throughout our portfolio, including over \$300 million in solar projects in North America and Europe. Additionally, we are seeking power procurement initiatives to optimize our industrial portfolio for the development of data centers, with meaningful progress achieved to date. These strategies expand the range of value creation opportunities within the platform and demonstrate the repositioning potential of well-located industrial properties.

Power availability is increasingly constraining occupier choice and has become a critical element in site selection and underwriting. As industrial tenants adopt more automation and robotics, power requirements continue to rise, making reliable and efficient power central to long-term competitiveness and performance in industrial assets. ■