View of the World

Townsend Global Macroeconomic and Real Estate Market Outlook

July 2025

Townsend Group
Cleveland • San Francisco • London • Hong Kong

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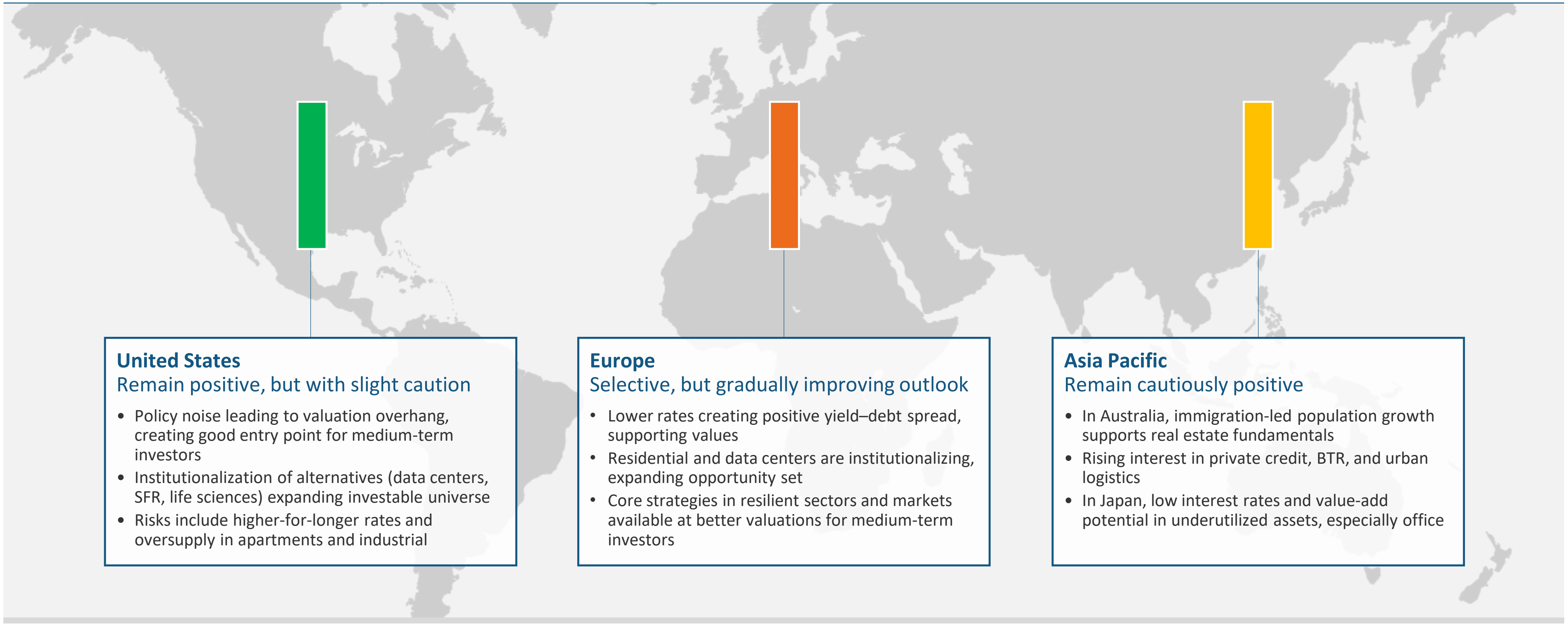
Executive Summary

Global Outlook

Remain positive in the U.S. and selective in Europe and APAC

- Global CRE values have corrected as central banks raised rates to combat inflation
- Value declines have largely stabilized, improving entry points across most markets
- Views are framed for a globally flexible investor, focused on local currency, risk-adjusted returns



United States
Remain positive, but with slight caution

- Policy noise leading to valuation overhang, creating good entry point for medium-term investors
- Institutionalization of alternatives (data centers, SFR, life sciences) expanding investable universe
- Risks include higher-for-longer rates and oversupply in apartments and industrial

Europe
Selective, but gradually improving outlook

- Lower rates creating positive yield–debt spread, supporting values
- Residential and data centers are institutionalizing, expanding opportunity set
- Core strategies in resilient sectors and markets available at better valuations for medium-term investors

Asia Pacific
Remain cautiously positive

- In Australia, immigration-led population growth supports real estate fundamentals
- Rising interest in private credit, BTR, and urban logistics
- In Japan, low interest rates and value-add potential in underutilized assets, especially office

Source: Townsend Group

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United States Outlook

Maintain overweight to the region targeting alternatives, logistics, and housing

- Most favored CRE market with 10–30% NAV corrections creating attractive entry
- Real estate exhibiting better relative value vs. stocks: NFI-ODCE entry yield of 4.7% compared to the S&P 500 earnings yield of 3.6%

Industrial
Stay positive with lower overweight

- Shift to inland markets with better yields
- Coastal markets softening; NOI growth moderating to ~4%

Alternatives
Maintain overweight

- Continued institutionalization expanding investment opportunity set
- Niche property types offer better risk/return trade off for investors

Data Centers
Conviction theme

- Top theme with 5.2% projected NOI growth and <2% vacancy
- $150B+ hyperscaler spend; entry yields ~6%

Retail
Turning selectively positive

- Modestly constructive on necessity-anchored suburban retail
- Q1 absorption strong; Sunbelt rents up 4–6%

Housing
Maintain overweight with tighter focus

- Apartments – focus on markets with low-supply or on Sunbelt markets at large discounts
- Built-to-rent – high conviction theme with strong demand tailwinds

Office and Life Sciences
Remain cautious and very selective

- Stay underweight; vacancy >17% and demand concentrated at high end
- Life sciences face capital, leasing, and supply headwinds

Source: Townsend Group
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Europe Outlook

Selectively re-enter through high conviction strategies

- Underweight but selectively re-entering as values reset 20–25%
- Lower rates support yield spreads and stabilize pricing

Data Centers
Long runway for growth

- Institutionalization accelerating; demand outpacing supply
- Power and land constraints tightening in key hubs

Alternatives
Increase exposure, but cautiously

- Opportunity set expanding and attracting institutional capital, the number of competent institutional-grade operators is limited

Logistics
Attractive post-correction entry valuations

- Values down ~25%, creating attractive re-entry points
- Supply falling; rental reversion in prime Western/Central Europe

Retail
Remain selective

- Focus on necessity-led and retail park formats
- Consumer confidence weak; prime high-street still fragile

Residential
Fundamentals strong but policy restrictions

- Rebased pricing, and undersupply-driven 3–5% rent growth
- Student and senior housing gaining institutional traction

Office
Stay cautious

- Values down 39% but anticipate weak demand and valuation recovery
- Leasing concentrated in ESG-certified CBD assets

Source: Townsend Group

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Asia Pacific Outlook

Maintain slight overweight targeting strategic exposure to Australia and Japan

- Slight overweight; focus on Australia and Japan
- Fundamentals stabilizing as rates peak and volumes recover

Data Centers

Conviction theme

- Demand growing at 21% CAGR, outpacing U.S. and Europe
- <5% vacancy; power and land constraints support long-term value

Retail

Stabilizing in Australia & Japan

- Focus on non-discretionary formats
- Tokyo high-street emerging as a tourism recovery play

Logistics

Positive but regional differences exist

- Strong in Australia/Japan; weak in China/Korea due to oversupply
- Focus on urban infill and modern, low-vacancy assets

Office

Cautious stance

- Strength in Tokyo, Singapore, Seoul
- Weak demand and high vacancy in Melbourne and Hong Kong

Living (Multifamily, BTR, Student Housing)

Positive

- Multifamily: <2% vacancy in Australia/Japan; 4–6% rent growth
- Execution hinges on platform quality and operational scale

Private Credit

Becoming more positive

- Bank retreat opening space for non-bank lenders
- Senior yields at 8–10%, mezzanine up to 18%

Source: Townsend Group

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Execution Preferences

Secondaries are the most attractive and efficient way to access repriced assets

Open-End Funds at Appraisal-Based Pricing

- Cap rates rose from 3.70% (Q3 2022) to 5.66% (Q1 2025); appraisals still lag
- Disconnect widening bid-ask spreads; fueling secondaries and recap interest

Asset Purchases at Rebased Values

- Values have corrected significantly
- Rebased pricing enables compelling yields, especially with value-add strategies

REITs as Take-Private Targets

- REITs still trading below NAV; public equity issuance remains constrained
- Privatization opportunities rising where asset quality exceeds public market pricing

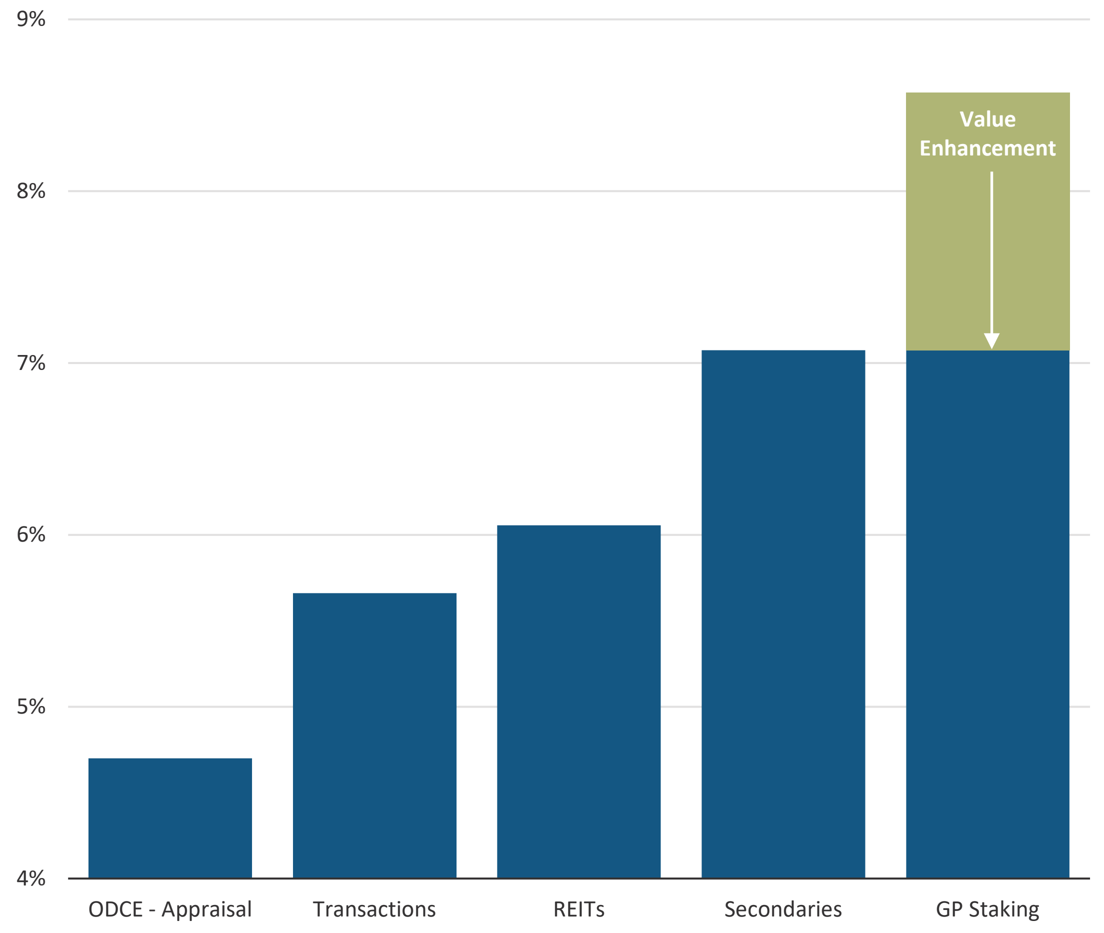
Secondaries: Most Attractive Entry Point Today

- 60%+ of global capital raised by just 20 managers; liquidity pressure rising
- Secondaries pricing at ~80-85% of NAV; offer fee/j-curve mitigation and near-term cash flows

GP Staking: Structural Alpha Opportunity

- Capital scarcity driving interest in GP-staking and entity recapitalizations
- Combines secondary entry with growth capital for platform upside
- Delivers revenue/promote sharing, governance rights, and 16-23%+ return targets

Representative Cap Rates



Source: Townsend Group

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02
Global Outlook

Major Economies Face Near-Term Growth Uncertainty

Experts disagree on growth outlook and revise their views frequently in response to fluid U.S. policies

United States

- The U.S. administration's shifting tariff policies have created uncertainty, leading businesses to adopt a wait-and-see approach before making major investments
- Further, policy shifts on taxes, regulation, DOGE, and immigration in the U.S. and other newly elected administrations in Canada, the UK, Germany, and Australia are adding to caution on the part of businesses
- Unemployment is anticipated to rise from 4.0% to 4.7% affecting consumer spending. Recent layoffs or hiring cautions have been announced at Microsoft, Meta, Dell, PwC, Panasonic, Burberry, etc.

EU & UK

- Increasing economic and geopolitical uncertainty – largely precipitated by U.S. policies – have increased headwinds. However, rising household incomes, higher infrastructure and defense spending, and easing financing conditions are anticipated to support growth
- U.S. trade policy may be disinflationary for region if goods originally destined for the U.S. are 'dumped' elsewhere
- The UK's moderate recovery is anticipated to continue due to resilient consumer spending, services sector strength and a potential recovery in trade ties with the EU

Asia

- On a relative basis, the Australian growth outlook continues to be better than other Western economies due to immigration led population growth, and a healthy labor market supporting consumer spending
- Japanese growth outlook remains low as its exports face pressure from U.S. tariffs and slowing demand from China
- The Chinese economy growth rate is gradually declining weighed down by U.S. tariff pressures and a still struggling property market; however, a positive trade agreement with the U.S. could improve the overall economic outlook

Global Economic Growth Forecasts Suppressed by Tariffs
Real GDP Forecasts (YoY%)

Major Regions	2024	2025	2026	2027
North America	2.6	1.3	1.4	2.0
European Union	1.0	1.1	1.5	1.7
Asia Pacific	4.5	3.8	3.7	3.8
Selected Markets	**2024**	**2025**	**2026**	**2027**
United States	2.8	1.4	1.5	2.0
United Kingdom	1.1	0.9	1.2	1.5
Germany	-0.2	0.0	1.1	1.6
China	5.0	4.2	4.0	4.0
Japan	0.1	1.0	0.8	0.8
Australia	1.1	1.9	2.3	2.5

Considerable Dispersion in U.S. Growth Forecasts
U.S. Real GDP Forecasts Among Major Economic Organizations

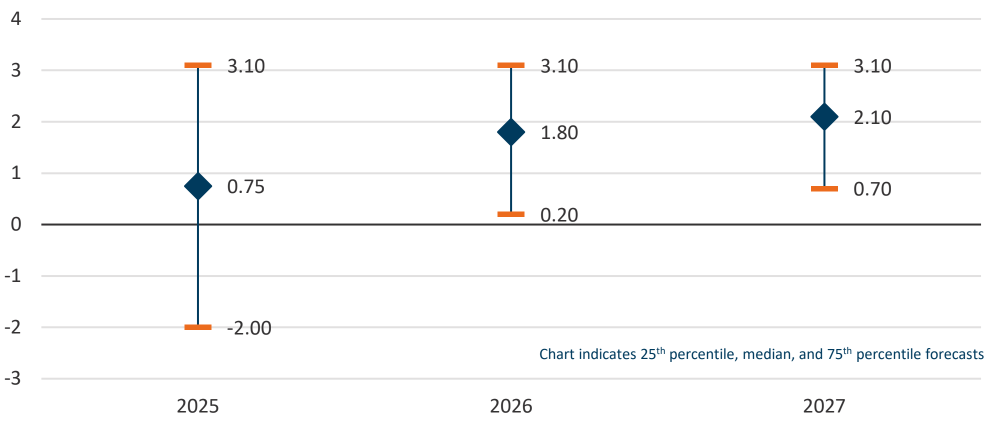

Chart indicates 25th percentile, median, and 75th percentile forecasts

Source: Bloomberg (May 2025), Wall Street Journal (April 2025).
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For Now, Interest Rates and Inflation Anticipated to Hold at Current Levels

Central bankers, particularly in the U.S. and Asia, have ability to lower rates to address growth issues

United States

- Inflation is anticipated to inch slightly higher due to the tariff impact and anticipated to linger due to various onshoring initiatives; however, these projections have turned out to be unreliable in the past
- As such, while the dot plot points towards two rate cuts, the Chair emphasized the Fed is in a "good place to wait and see"
- The forecasted higher rates in the near-term will continue to weigh on asset valuations, but many sectors in real estate are poised well to capture inflation. Additionally, recent inflationary-linked cost increases have increased replacement values, potentially benefitting existing assets

EU & UK

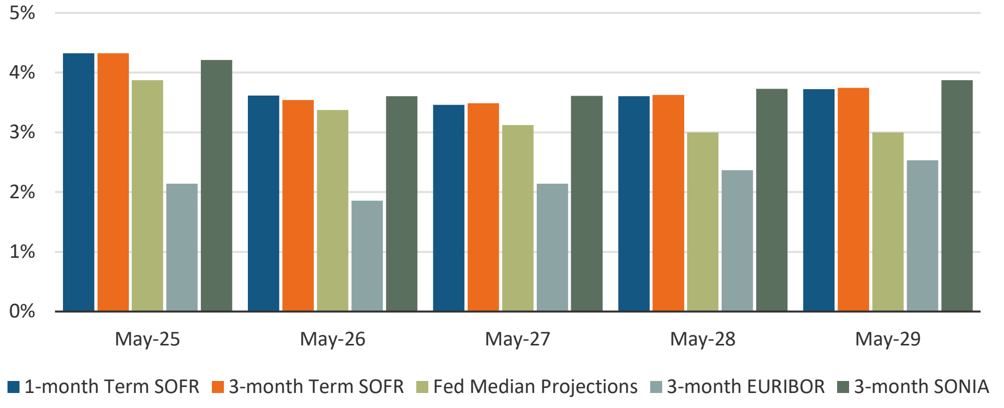
- The ECB has been reducing rates and is likely to continue the gradual lowering path as inflation trends down. Interest rates are lower than in the U.S. and UK, leading to a positive spread between yields and rates, supporting asset values
- The BoE also lowered rates in May but is now cautious as the services sector inflation rate continues to be elevated

Asia

- In Australia, the RBA continues to be cautious in lowering rates, but inflation has been coming under control. The forecast is for rates to come down by 50 bps, which will be supportive of property values
- In Japan where the interest rates are already low, the outlook is for BoJ to increase rates; inflation is higher than its historical levels, shifting consumer investment behavior to seek more risky stocks
- In China, PBoC may reduce rates to support growth but might be limited in doing so to protect the value of its currency

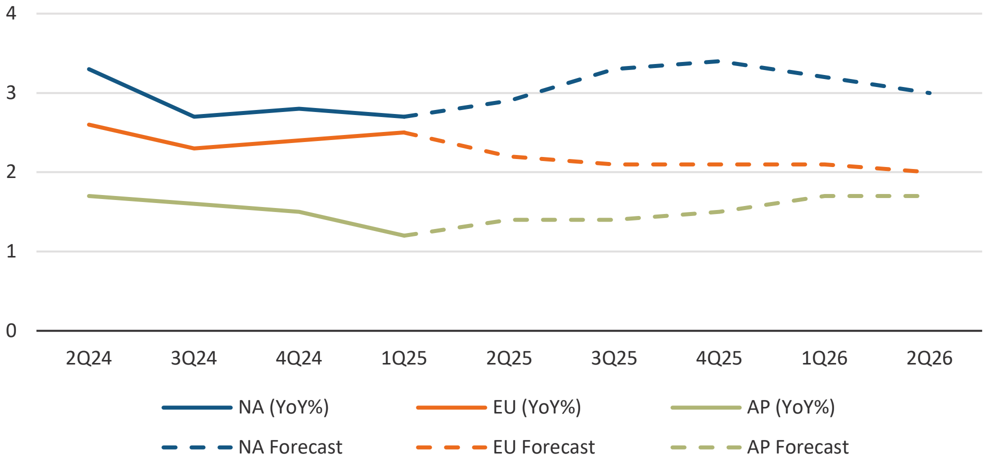
Interest rates forecast to hold steady

Forward Curves



Inflation trends vary by region

CPI Quarterly



Source: Townsend Group, Barclays Private Bank (April 2025), Chatham Financial (May 2025), Bloomberg (May 2025).

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While Shifting U.S. Fiscal Policy is Causing Uncertainty Over the Next Two Years

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Fluid policies impacting macro environment and real estate market

EVOLVING POLICIES

- Tariff Increases
- Immigration Restrictions
- Foreign Relations Shifting
- Government Efficiency Initiatives
- Onshoring of Manufacturing
- Tax Changes

NEAR-TERM IMPACTS

MACRO ENVIRONMENT

- Slower Economic Growth
- Higher Inflation & Policy Rates
- Reduced Labor Force
- Lower Consumer Spending
- Reduced Capital Availability

REAL ESTATE MARKET

- Downward Pressure on Asset Values
- Constrained Capital Availability
- Concentration of Capital Raises
- Lower Rent Growth
- Uncertainty in Asset Values and Exits
- Higher Cost of Development

Source: Townsend Group.

… Many Long-Term Secular Trends Remain Intact

Secular trends can guide long-term real estate investors

Acute Housing Shortage	• Millennials, the largest age cohort comprising 22% of the population, are demanding bigger dwellings leading to acute single family housing shortage • Excess apartment supply in sunbelt market getting absorbed and new supply shrinking. Annual completions are projected to decline from +2.3% (2024) to +1.4% (2025-2029E)
Evolving Consumer Habits Requiring Logistics Infrastructure	• E-commerce remains a strong driver of industrial demand: as of 4Q24, e-commerce represented 16.4% of total retail sales. Speculative development starts fell 6% year-over-year in 2024, resulting in the total industrial development pipeline reaching its lowest level since 2017
Continued Digitization and AI Adoption	• Explosive growth of AI and growing need for cloud computing are driving demand for Data Centers as digital economy expands globally. In 2024, hyperscale tenants invested over $150 billion in capital expenditures into data centers and data infrastructure
Demographic Trends	• The "Silver Tsunami" is anticipated to create need for over 500k new units over the next 10 years, and the percentage of 80+ years age population is projected to increase by +93% by 2040, driving demand for Senior Housing. Annualized same store NOI growth for Senior Housing is forecast to be +9.8% across 2026-2029.
Institutionalization of Alternative Sectors	• Outside of the main four property types, niche/alternative sectors have seen outsized capital inflows from institutional investors. Alternative property type exposure within the NCREIF Property Index ("NPI") has increased from 1.7% in 1Q15 to 11.9% in 1Q25.

Source: Townsend Group, U.S. Census Bureau (4Q24), Prologis (1Q25), Green Street (March 2025), Harrison Street (January 2025), NCREIF (1Q25).

Due to Uncertainty, Supply is Shrinking and Pent-up Demand is Building

Long-term real estate operating fundamentals are strengthening

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Tapering Supply Driving Fundamentals For Existing Asset Owners

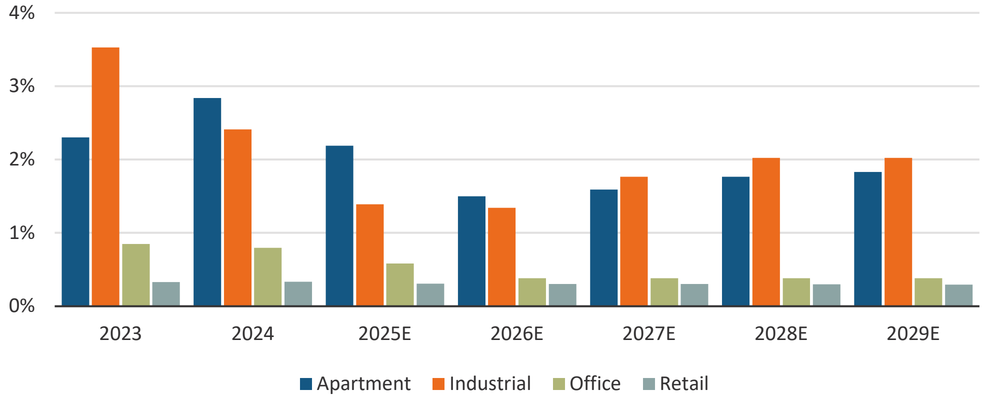
- In the Apartment and Industrial sectors, elevated supply is forecasted to moderate as development costs have risen, construction labor shortages are anticipated, and capital has become more scarce
- Apartment supply remains elevated in the Sunbelt markets, including Austin, Phoenix, and Denver, but is anticipated to be absorbed due to rising demand over the medium-term
- Industrial supply is concentrated in Southwest markets, including Las Vegas, Riverside/Inland Empire, Phoenix, and Dallas/Fort Worth, but other markets witnessing a healthier demand/supply balance
- Supply levels for Office and Retail continue to remain low

Short-Term Demand Erosion Offset By Medium-Term Pent-Up Demand

- Oversupply and tariff implications have hindered short-term fundamentals in Apartments, but medium-term outlook remains healthy
- The Industrial sector has seen declining rent growth concentrated in the Inland Empire/Western markets. Existing portfolios still hold in-place rents below market, and growth is anticipated to pick-up in 2026 and beyond as supply declines
- Retail demand remains healthy. Class A regional malls are generating sales per square foot at pre-pandemic levels. Neighborhood and Community Centers have been among the best performing subsectors, driven by consumer preference for retail adjacent to suburban locations
- Office fundamentals are beginning to improve in select submarkets including markets in the Southeast (Charlotte, Palm Beach, and Miami) and Northeast (New York, Boston)

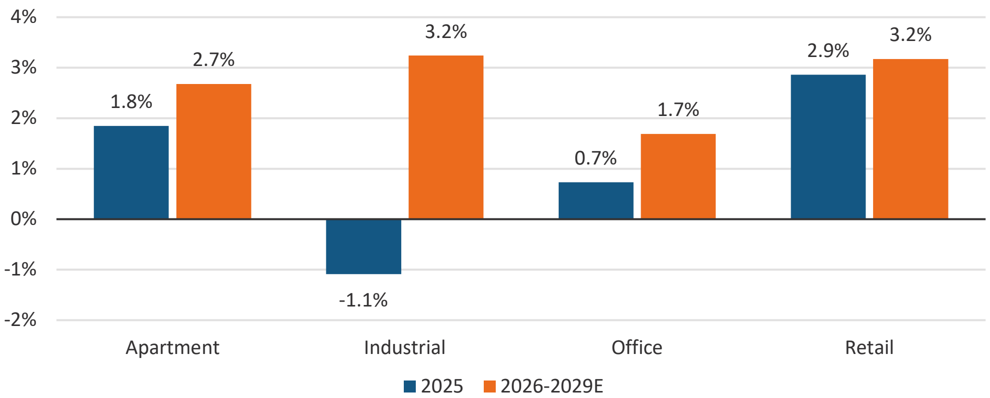
Supply growth to taper off across main property types

Supply Growth



Growth slowing in near-term, but steady over medium-term

M-RevPAF Growth



Source: Green Street (April 2025). Market Revenue per Available Foot (M-RevPAF) is a Green Street metric combining changes in rents with changes in occupancies.
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Investment Markets Are Stressed Offering Compelling Entry Valuations

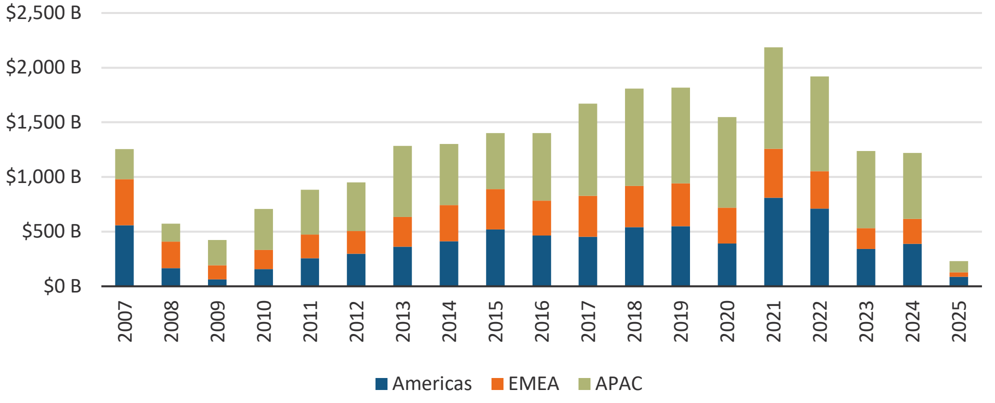
Transaction volume plummets and market repricing

Global Commercial Real Estate Transaction Volume Signals Stress

- Commercial real estate transaction volume has declined since 2022 as interest rates started to rise in the post-pandemic world
- Many transactions were initiated over the record investment period from 2013 to 2020. Investors in those assets are now seeking exits at a time when other investors are wary of putting additional capital to work. This is leading to significantly better entry valuations for those with a medium-term mindset
- Additionally, many investors are still looking to reduce real estate exposure, and the exit queues of open-end funds continue to be elevated
- LPs seeking to rebalance portfolios are eager for exit opportunities
- GPs are under pressure to offer an exit and are motivated to offer better terms to a new set of investors

Transaction volume held steady in 2024 but remains low

Global Commercial Real Estate Transaction Volume

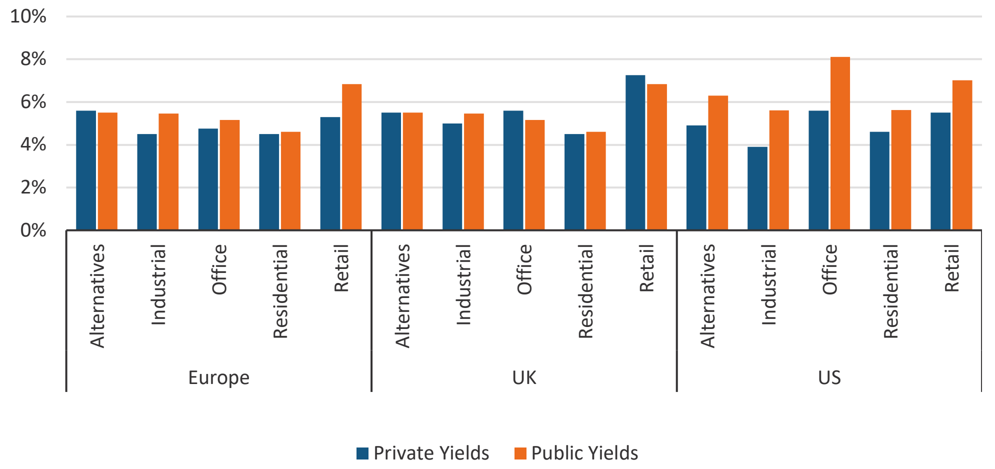


Lag Between Appraisal Values And Anticipated Transaction Values

- Rising interest rates since 2022 have driven material cap rate expansion. NCREIF cap rates increased from 3.70% in 3Q22 to 4.65% in 1Q25
- U.S. Transaction Cap Rates suggest assets are still trading at a premium to current valuations. The weighted average transaction cap rate was 5.66% in 1Q25. Transaction cap rates are useful guidepost, but not necessarily a precise representation of broader asset values
- Public REIT valuations remain discounted to private real estate valuations in U.S. and Europe
- Closed-end funds with legacy portfolios might also be subject to a disconnect in appraised valuations versus market valuations
- Detachment of appraisal market from transaction market is driving demand for secondaries and GP staking

U.S. Exhibits largest disconnect between private and public values

CRE Yields Spring 2025



Source: MSCI Real Assets (May 2025), NCREIF (First Quarter 2025), Green Street (May 2025).

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Many Investors Taking Notice of Attractive Pricing in the Secondary Market

Limited and concentrated capital raising environment makes secondaries compelling

Consistent outperformance and capital raising are difficult to achieve

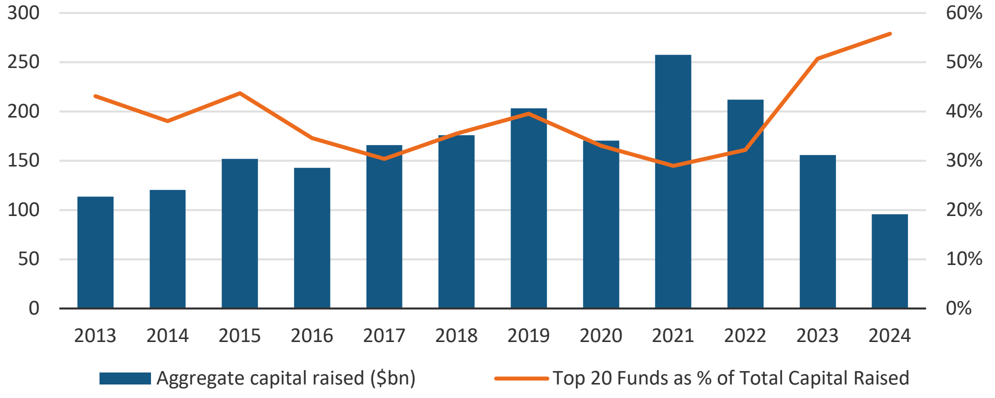
- Top 20 funds raise approximately 60% of global capital, leaving +95% of GPs lacking consistent access to institutional capital
- Diversified funds face asset management issues with legacy holdings, allocating resources away from new opportunities
- Relatively few institutional sponsors are experienced investors in niche and emerging sectors
- Inefficient debt and equity capital markets provide opportunity for private capital to fund growth

Private markets are illiquid and opaque

- Traditional secondary investments offer many advantages including discounted entry price, J-curve mitigation, fee mitigation, exposure and diversification, near-term income, and reduced blind pool risk
- These advantages combine to provide an asymmetric risk/return profile, allowing investors to generate value-add or opportunistic returns by taking core-plus risk
- In addition to the benefits achieved through traditional secondaries, non-traditional secondaries such as GP-led secondaries and GP capital solutions provide investors with informational advantages, alignment with sponsor(s), negotiated risk controls, and revenue or profit sharing

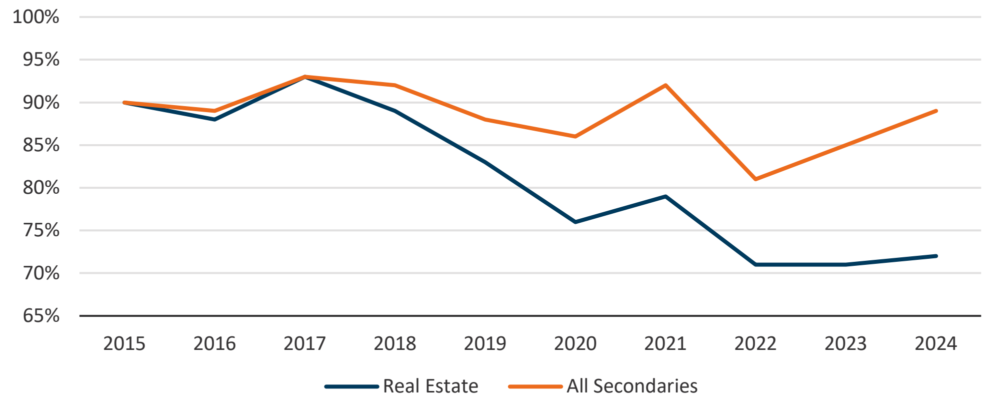
Fundraising remains challenged, concentrated to large GPs

Global PERE Fundraising ($B) 2012-2024



Real estate secondaries offer compelling discounts to NAV

Secondary Market Pricing, % of NAV



Source: Jefferies (Jan 2025), Preqin (Jan 2025).

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Investors Appreciating the Opportunity to Enhance Returns Through GP Economics

GP staking offers opportunities to access excess return premium

GP Capital Solutions: Overview & Structures

- Opportunity to combine secondaries execution with growth capital to meet the needs of constrained sponsors
- Highly-negotiated structures provide improved alignment, additional governance, and enhanced economics
- Entity recaps and GP co-investments offer value creation through differentiated structuring, while offering no/limited additional risk and similar property type exposures
- Investors have the potential for enhanced returns through better fee economics and platform/entity valuation uplift

Additional Incentives for Investors

- In addition to the potential for enhanced returns, GP staking structures present investors additional benefits such as:
  - Bespoke structure and investment strategy
  - Greater governance and control rights
  - Potential for platform upside
  - Improved sponsor alignment
  - Forced liquidity provisions
  - Real estate investments with private equity return profile

Illustrative Value-Add Fund Targeted Gross Returns[1]

Traditional Rental Income and Capital Gains	**14-18%**
+	
Share of AM Fees and/or GP Promote	**2-5%**
+	
Platform/Entity Value Creation	**?**
=	
Enhanced Total Return	**16-23% + ?**

Source: Townsend Group. 1. Illustrative example only.
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Investment Opportunities: Townsend's Real Estate Investment Themes

Aligning favorable structures with global macroeconomic and property trends

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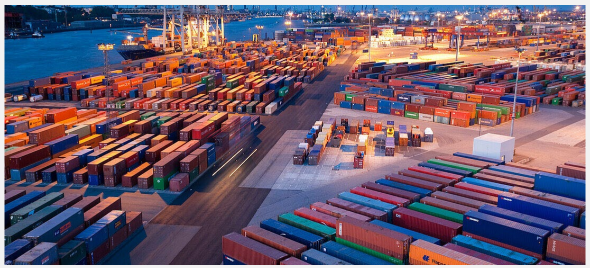
Property Type Themes

Alternative Sectors — 1

Underlying drivers of traditional thematic strategies like IOS, cold storage, movie studios, etc. are gaining institutional acceptance, leading to early mover advantage



Digital Infrastructure — 2

Data Centers are benefiting from the surging demand of the digital economy, growth of content streaming, and acceleration of AI model input parameter scaling

Residential — 3

Housing is undersupplied across developed economies and BTR strategies are compelling. Multifamily lenders/operators are challenged, leading to an attractive entry point

Global Supply Chain — 4

Expansion and modernization of logistics and warehouse properties are integral to the global supply chain and are critical for e-commerce growth

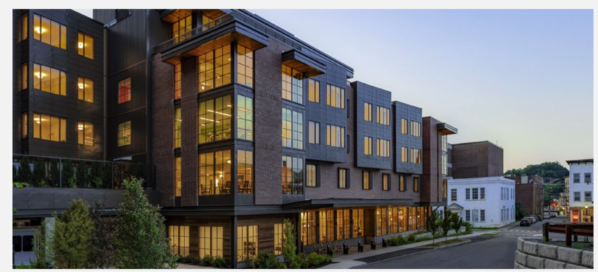
Capital Market Themes

LP/GP Secondaries — 1

Limited transaction activity and evolving investor allocations are creating favorable opportunities for liquidity providers to LPs and GPs alike

GP Capital Solutions — 2

Stress in the real estate debt and equity markets are creating funding gaps, shifting negotiating power toward those with strategic and/or growth capital



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Regional Investment Preferences

Tilting portfolio construction towards regions and property types with compelling fundamentals

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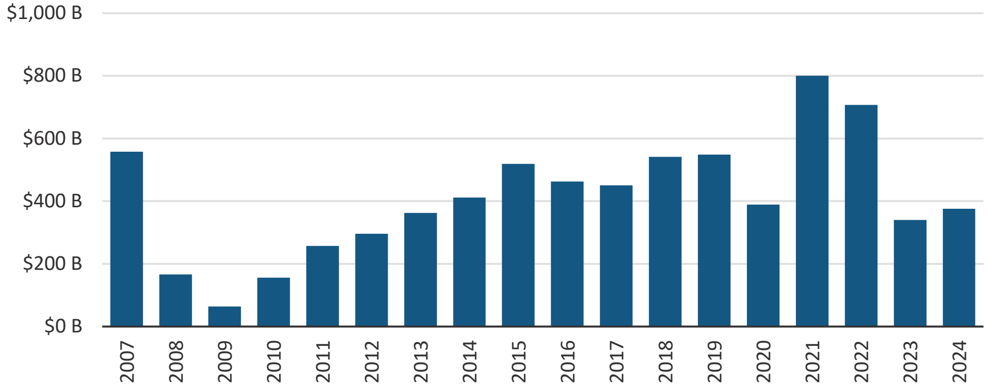
03
United States Outlook

Real Estate Market Conditions

Capital markets remain soft, but most property sectors poised for growth

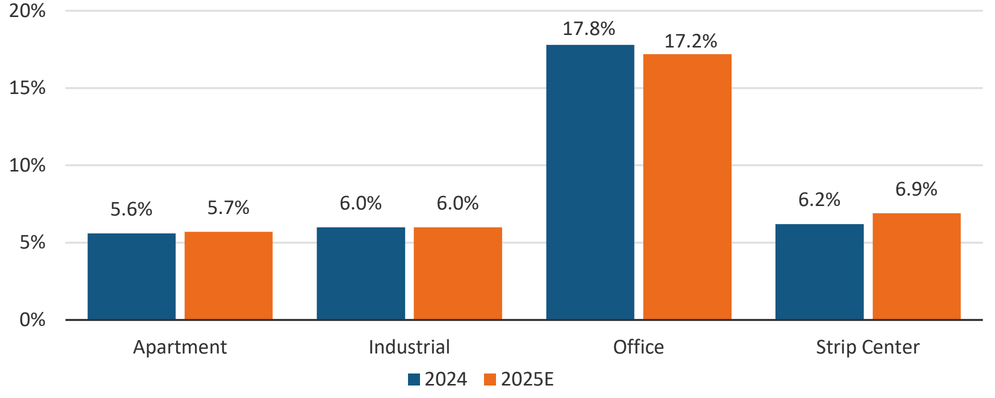
Transaction volumes have declined over 50% from peak

U.S. Commercial Real Estate Transaction Volume



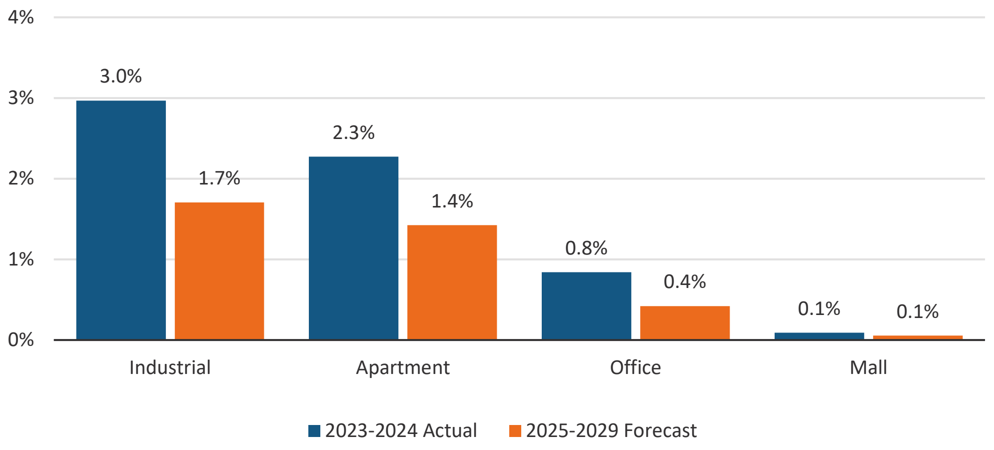
Vacancy rates remain low (except office)

U.S. Vacancy Rates by Sector



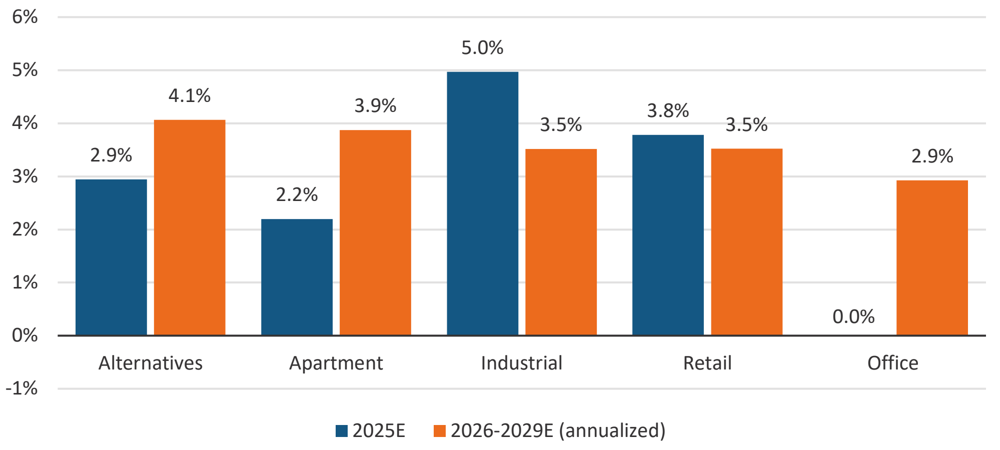
Supply growth is contracting meaningfully across sectors

Annual Completions as % of Existing Stock



Growth forecasts remain above long-term inflation

NOI Growth



Source: Townsend Group, NCREIF, MSCI Real Assets (May 2025), Green Street (March 2025). Alternatives NOI Growth is the average of Cold Storage, Health Care, Single Family Rental, Data Center, Manufactured Housing, and Self Storage. Townsend's views are as of the date of this publication and may be changed or modified at any time and without notice. Past performance is not indicative of future results. Actual results and developments may differ materially from those expressed or implied herein.

U.S. Real Estate Sector Metrics (Spring 2025)

Alternative sectors forecasted to outperform traditional asset classes

U.S. Sectors	Entry Yield[1] Private	Public	SS NOI Growth[2]	Cap Ex % NOI[3]	Investment Preference
Overweight:					
Data Center	5.9%	6.1%	5.2%	19%	Development
Senior Housing	5.7%	6.6%	13.6%	23%	Stabilized/Value-Add Acquisition
Logistics/Warehouse	4.2%	5.0%	6.3%	14%	High Credit/Long-Term WALT
Outdoor Storage (IOS)	4.5%	5.0%	6.2%	14%	Lease MTM/Light Repositioning
Cold Storage	6.5%	6.4%	4.0%	16%	Development
Single Family Rental	4.5%	4.8%	3.5%	14%	Build-To-Rent
Manufactured Housing	3.3%	4.8%	4.0%	14%	Stabilized/Development
Student Housing	5.0%	-	3.0%	14% (Private)	Stabilized/Development
Affordable Housing	5.1%	-	3.2%	13% (Private)	Stabilized/Development
Triple Net Lease ("NNN")	6.2%	6.8%	2.0%	0%	Data Center/Industrial/Retail
Neutral/Selective:					
Apartment	4.7%	5.1%	1.1%	15%	Class B/Underweight Sunbelt Near-Term
Retail	5.8%	7.0%	3.8%	17%	Grocery-Anchored
Medical Office	5.8%	6.8%	3.2%	18%	High Credit/Long-Term WALT
Self-Storage	4.5%	5.6%	1.5%	8%	Stabilized/Development
Underweight:					
Life Sciences	3.9%	5.9%	2.2%	16%	Primary Healthcare CBDs
Office	5.7%	7.8%	-1.2%	30%	Class A

Source: Townsend Group, NCREIF (April 2025), Green Street (April 2025). 1. Private: forward cap rate (Townsend/NCREIF). Public: nominal cap rate before capex (Green Street). 2. Same-Store NOI Growth ('25-27 annualized). 3. Capital expenditures as % of NOI sourced from Green Street's review of public REITs (April 2025).

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U.S. Real Estate Sector Opportunity Set

Most Compelling Sectors Today

Data Centers

Digital data creation, usage, and storage has been growing exponentially. On-going in-place technology-led digital transformational trends are everywhere, increasing data demand and consumption, requiring more physical data center space and power within data centers

Single Family Rental/Build-to-Rent

Rising interest rates creating barrier for first-time homebuyers, resulting in growing population of long-term single-family renters. Higher entry yields and greater income characteristics offer compelling opportunity for institutional capital targeting single family housing

Sectors Offering More Selective Opportunities

Industrial

E-commerce demand driving strong rent growth. Many existing leases exhibit rents well below market, representing strong mark-to-market growth opportunity. Higher entry yields and greater income characteristics offer compelling opportunity for institutional capital targeting industrial

Apartments

High mortgage rates driving short-term housing preference for millennials. Supply growth forecasted to contract meaningfully through year-end 2024. Higher entry yields and greater income characteristics offer compelling opportunity for institutional capital targeting residential

Sectors Requiring Caution

Life Sciences

Reduced private market funding and rapid supply growth have resulted in weakened demand across the life sciences sector. Vacancy has continued to climb, particularly outside of the prime life sciences submarkets of Boston, San Diego, and San Francisco

Office

Continued distress post-pandemic as employers and tenants adjust to work-from-home demands. Near-term debt maturities and lack of available financing pose significant risk. Tenant requirements subject to high capital costs and rental concessions

Apartments - Pockets of Oversupply but Medium-Term Outlook Intact

Tapering supply and secular demand growth to drive recovery

Supply Forecasts Moderating Despite Record Deliveries in 2024

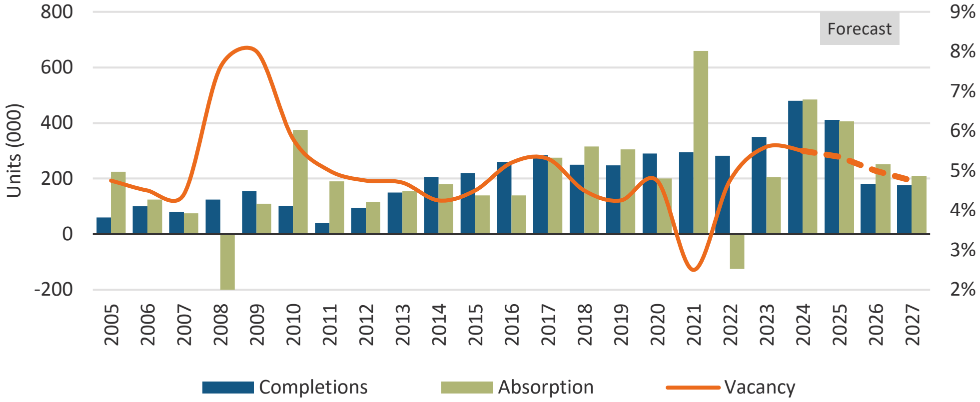
- New completions reached record levels in 2024, with significant supply growth concentrated primarily in the Sunbelt markets
  - Markets such as Austin, Raleigh, Charlotte, Nashville, and Denver experienced between +6-8% supply growth in 2024
  - Other markets in the Northeast, Midwest, and Northwest saw much less supply delivery. Average supply growth across the U.S. was +2.8%
- Despite record completions, new construction starts declined significantly in 2024, driven by rising interest rates, supply costs, and labor costs. Multifamily construction starts have declined over 60% since mid-2022, implying lower levels of supply over the next 2-3 years

Rising Demand Driving Emerging Recovery in Apartment Sector

- Apartment absorption in 2024 reached its second highest level of demand since 2000
- Rental demand increased broadly across the U.S., driven by rising household creation, wage growth, and dislocation of housing market
- Home affordability remains out of reach for many residents
  - The 30-year fixed rate mortgage increased to 6.8% as of May 2025 following Moody's U.S. debt downgrade
- Apartment vacancy is forecasted to decline below 5% by 2027

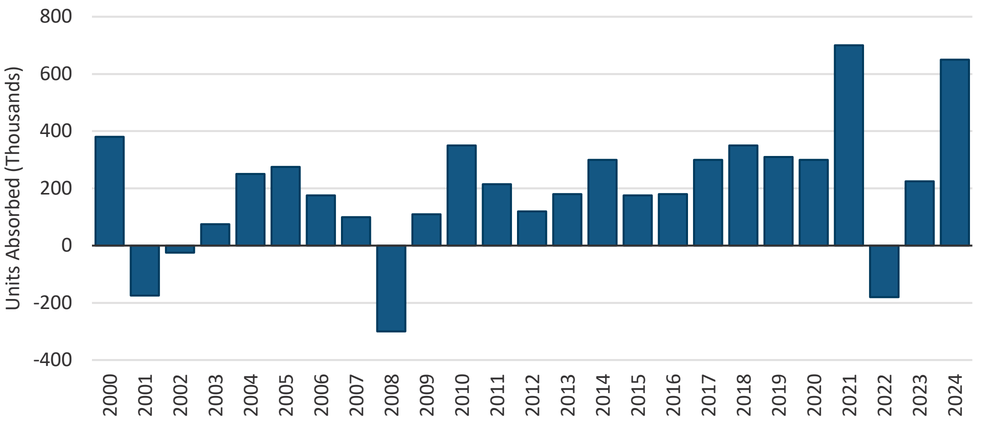
Apartment Completions slowing while absorption remains robust

Annual Supply, Demand, and Vacancy



Demand continues to rebound from cyclical lows

U.S. Apartment Demand



Source: DWS (December 2024), CoStar (April 2025), LaSalle Investment Management (January 2025), Green Street (April 2025).
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Industrial Fundamentals Strong Overall but Regional Differences Exist

Coastal valuations are elevated with supply in the pipeline, but inland markets are better positioned

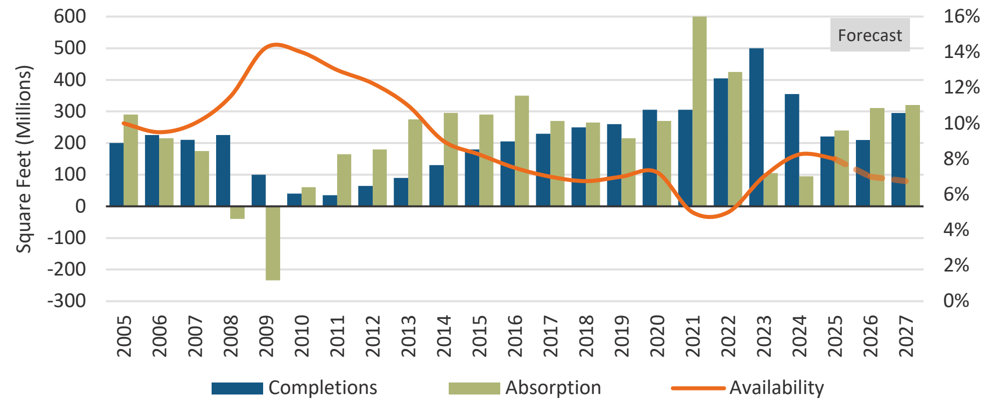
Vacancy ticked up in 2024 but remains historically low

- Vacancy rates reached record lows post pandemic as portfolio managers targeted aggressive lease-up of vacant space
- Over the past 12-24 months, GPs sought rent mark-to-market opportunities with vacancy, and retailers and third-party logistics (3PL) firms began to scale back leasing needs
- Negative demand growth (-1% to -2%) was mostly concentrated in coastal markets in the Pacific and Northeast regions, which serve as primary import markets for international goods
- Construction starts are down meaningfully since peak in 2022/2023 and supply is anticipated to further moderate due to rising construction costs and labor costs. This is anticipated to be a tailwind to existing supply and demand growth

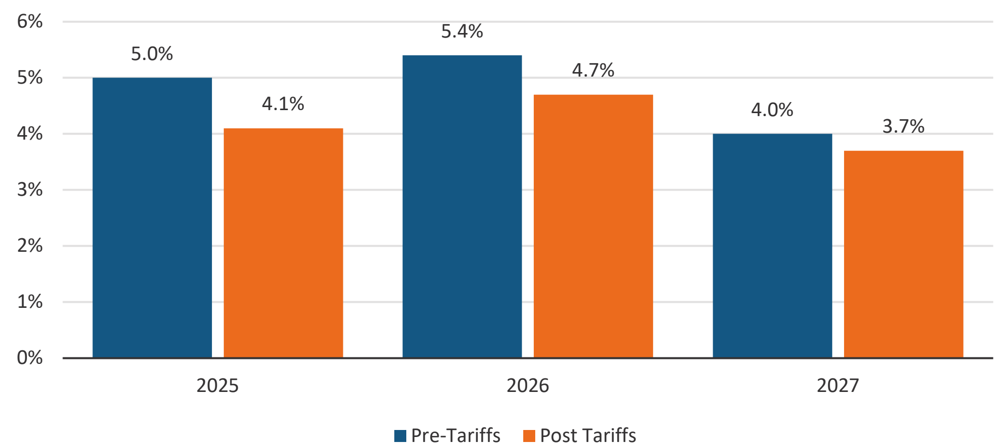
NOI growth remains strong but may face risk from proposed tariffs

- E-commerce remains a strong driver of industrial demand and continues to outpace retail sales
  - E-commerce as a percentage of total retail sales was 16.4% as of 4Q24 (Census Bureau)
- Proposed tariffs in 2025 pose a potential threat that could impact near-term demand in port-centric markets, although other markets may benefit from onshoring

Industrial Vacancy Elevated Following Record Supply Growth
Annual Supply, Demand, and Availability



Growth Forecasts Have Moderated Due to Tariff Impacts
Industrial NOI Growth



Source: LaSalle Investment Management (January 2025), U.S. Census Bureau (4Q24), Green Street (April 2025).
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Office Fundamentals Stabilizing but Only for High Quality Assets

Return to office (RTO) mandates driving occupancy and demand for high quality office space

RTO Flexibility Persists While Overall Vacancy Remain Elevated

- Despite RTO mandates from tech and financial companies, hybrid work schedules continue to be the market choice for employers
  - More than two-thirds of companies surveyed in 2024 offer work flexibility, while only 32% have full-time in-office policies (Flex Index, 4Q24)
  - Office visits in March 2025 were 32% below pre-pandemic (March 2019) levels (Placer.ai, March 2025)
  - Employers that have imposed RTO mandates report annual turnover rates approximately 13% higher than those that have become more supportive of remote work (ZipRecruiter, 2024 Annual Survey)
- Vacancy remains elevated (>20%) in lower-quality office assets, well below pre-pandemic levels, as employers/employees show preference for higher quality

Class A Office And Southeast Anticipated To Outperform

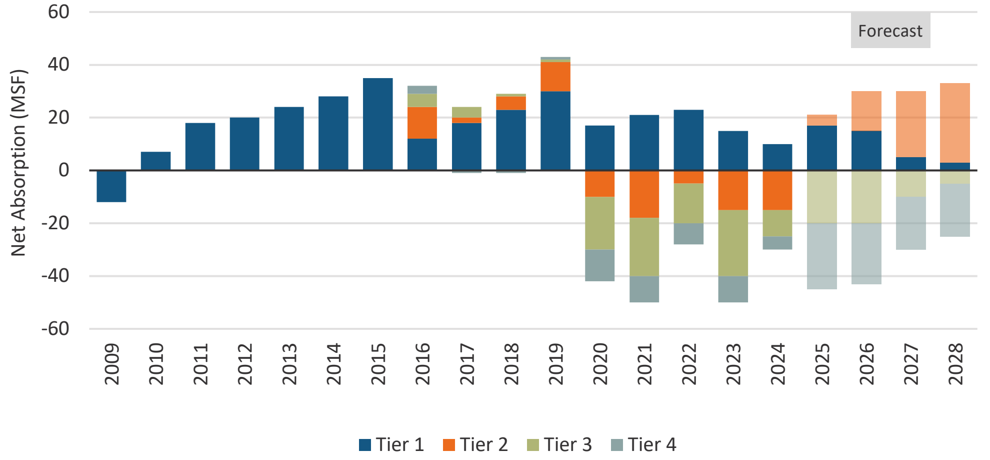
- Office absorption concentrated in high quality assets
  - Per JLL, vacancy in Tier 1 office assets declined to 13.7% in 2024, on par with pre-pandemic levels
  - New supply growth in the U.S. was only +0.8% in 2024
  - Markets that exhibited higher supply in 2024 include Palm Beach (+2.3%) and Miami (+1.5%), as employers show preference for Florida due to lower taxes, warmer climate, and the region's growing financial and tech hub presence. Other markets that saw supply increases include Seattle, Nashville, and Denver
- Positive NOI Growth was concentrated in Southeast markets
  - While NOI growth for CBD Office is forecasted to be -1.2% through 2027, markets in Florida (Palm Beach, Miami, and Fort Lauderdale) are amongst the highest forecasts, ranging between +3-4% annually

Office Growth Remains Low, While CapEx is Significant

Metric Comparison	Office	REIT Avg
M-RevPAF Growth (2026-2029E)	1.7%	3.9%
NOI Growth (2026-2029E)	2.9%	3.7%
CapEx % NOI (2025)	28.9%	15.2%
Vacancy (2025E)	17.2%	6.2%

Meaningful Bifurcation in Demand Driven by Asset Quality

Net Absorption by Property Tier



Source: Trepp (April 2025), Green Street (April 2025) , Kastle (April 2025), LaSalle Investment Management, Jones Lang LaSalle (January 2025).
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Retail Fundamentals Becoming Healthy for Necessity-Based Retail

Divergence in performance anticipated by region and sub-sectors

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Middle- & Upper-Income Households Driving Consumption

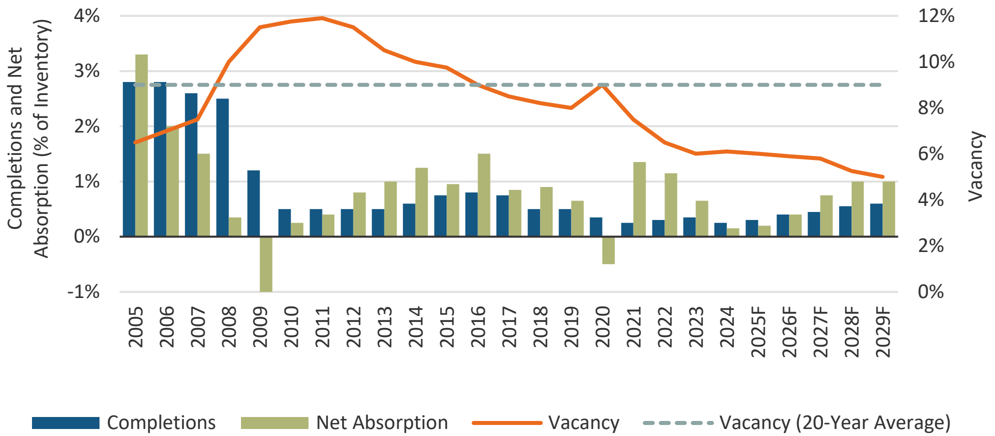
- Despite growth of e-commerce, demand for physical retail remains as a necessity for U.S. consumers, especially amongst the growing suburban population
  - Physical retail stores complement e-commerce by allowing delivery and returns from stores. This trend is best demonstrated in strip retail storefronts that have benefited from suburban population growth and hybrid/remote work, where customers are closer to home and local storefronts
- U.S retail and food services sales were up +1.4% from the previous month and +4.6% over the trailing twelve-month period as of 1Q25
- Personal income increased +0.8% and disposable personal income increased +0.9% month-over-month in February 2025
- Credit and debit card spending per household increased +1.1% year-over-year in March 2025. Higher-income households continued to show relatively stronger spending growth than lower-income households

Absorption Outpacing Supply

- Annual net absorption outpaced net deliveries in 2024
  - Retail net absorption rose +69.3% quarter-over-quarter to 6.8 million sf as of fourth quarter 2024, driven by demand for neighborhood and strip centers (JLL)
  - New leasing activity remains constrained by lack of available space due to limited new supply deliveries
- Rent growth was up +1.9% year-over-year (JLL). Cities in the Sunbelt region experienced the highest rent growth, while major urban nodes experienced flat to negative rent growth

Vacancy Well-Below Historical Average due to Limited Supply Growth

Retail Net Absorption and Completions as % of Stock and Availability Rate



Retail rent growth stronger in sunbelt markets

1	Phoenix	6.7%	11	Detroit	2.3%
2	Las Vegas	4.8%	12	Miami	2.3%
3	Charlotte	4.4%	13	Chicago	1.2%
4	Orlando	4.3%	14	Houston	0.9%
5	Dallas	4.2%	15	Philadelphia	0.9%
6	Washington, D.C.	4.0%	16	Seattle	0.7%
7	Atlanta	3.8%	17	New York	-0.1%
8	Tampa	3.7%	18	Boston	-0.2%
9	Nashville	3.1%	19	Los Angeles	-1.2%
10	Denver	2.7%	20	San Francisco	-3.3%

Source: DWS (December 2024), Census Bureau (April 2025), Bureau of Economic Analysis (February 2025), Bank of America (April 2025), JLL (4Q24).

Data Center Fundamentals To Remain Strong Driven By AI Growth

Increased demand and significant capital investment from hyperscale tenants

Demand Guidance Remains Strong

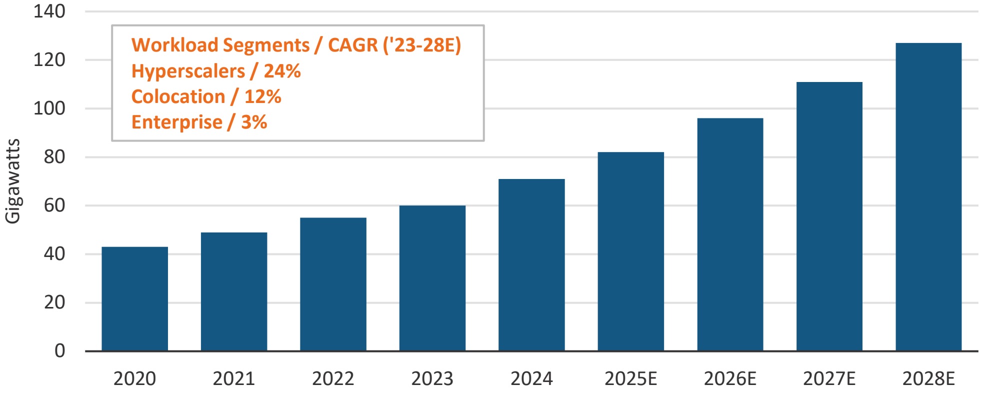
- The growth of Artificial Intelligence (AI) applications and continued need for cloud computing are driving demand for data centers
  - Vacancy rates in top US markets were below 2% as of 4Q24
- Power availability, measured in Megawatts (MW), remains concentrated in Northern Virginia
  - Power availability in Northern Virginia reached 2,500 MW in 2024
  - Power availability is growing in other markets, with supply growth projected to accelerate through 2029 in Dallas (+15.8%), Atlanta (+14.9%), Phoenix (+13.0%), Chicago (+12.3%), Portland (+12.3%), and Salt Lake City (+11.1%), per Green Street
- Limited supply driving strong demand and higher NOI Growth Forecasts
  - Green Street forecasts +5.2% SS NOI Growth annualized through 2026-2029

Tenant Capital Spend and Recent Headlines

- Tenant capital expenditures are forecasted to increase through 2026
  - In 2024, hyperscale tenants (Amazon, Alphabet, Meta, Microsoft) invested over $150 billion in capital expenditures into data centers and data infrastructure
- Recent headlines suggest further spend from hyperscale tenants, while Microsoft remains the exception:
  - Google recommits to $75 billion spend on data centers (Google Cloud Next 2025 conference, April 2025)
  - Meta in talks for $200 billion AI Data Center project for LA, WY, or TX (Reuters, February 2025)
  - Microsoft cancels 200MW of AI Data Center leases (February 2025)

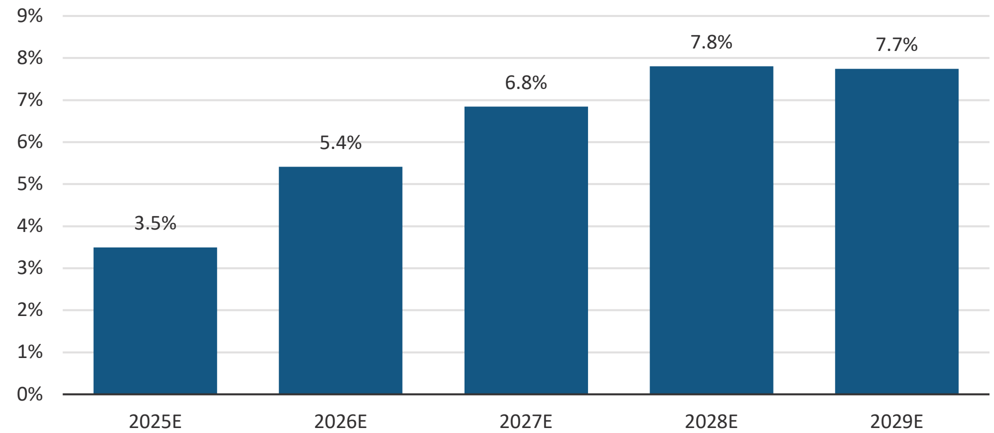
Significant power Still Required to meet Rapidly Growing Demand

Global Data Center Power Required To Serve Projected Computing Demand (Gigawatts)



Data Center NOI Growth Remains Compelling

U.S. Same Store NOI Growth Forecasts



Source: Principal Asset Management (January 2025), Harrison Street (January 2025), Green Street (March 2025).

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Senior Housing – Demographic Tailwinds Anticipated to Drive Demand

Supply remains constrained, while secular demand growth continues

Aging U.S. Population Creating Need For Senior Housing

- Senior Housing occupancy reached 88% in 2024, in-line with pre-covid occupancy
- As the Baby Boomer population continues to age, demand for Senior Housing should continue to increase
  - This "Silver Tsunami" is anticipated to create need for over 500k new units over the next 10 years
  - The percentage of 80+ years age population is projected to increase by +93% by 2040

New Supply Remains Constrained

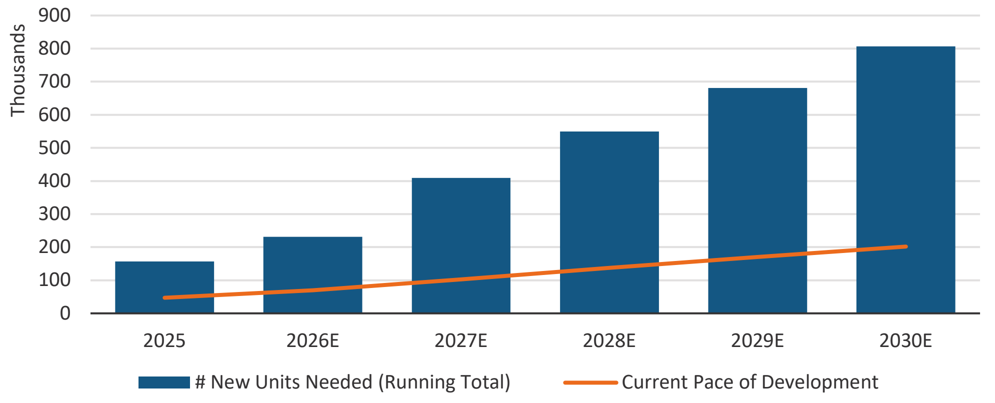
- New supply remains constrained by higher costs of capital, including costs associated with construction, labor, and financing. Current supply forecasts are falling short of estimated demand for Senior Housing
  - Green Street is forecasting 1.2% overall supply growth through 2026, which compares to mid-3% growth seen in the oversupplied timeframe of 2016-2018
  - Supply growth is projected to exceed 3.0% in select markets, including Washington D.C., Raleigh, Boston, San Antonio, Sacramento, Austin, Columbus, and Nashville through 2029, per Green Street
- Pre-pandemic, stabilized assets traded at 25-50% above replacement cost. Deals today are valued at 20-40% below replacement cost on average, making acquisitions attractive

Higher NOI Margins Exhibited In Lower Cost Subsectors

- GPs have shown preference towards lower acuity facilities such as Active Adult and Independent Living. These facilities tend to have a longer length of stay and lower overall costs to manage the facilities versus Assisted Living and Memory Care
- Green Street forecasts +12.5% SS NOI Growth annualized 2025-2028

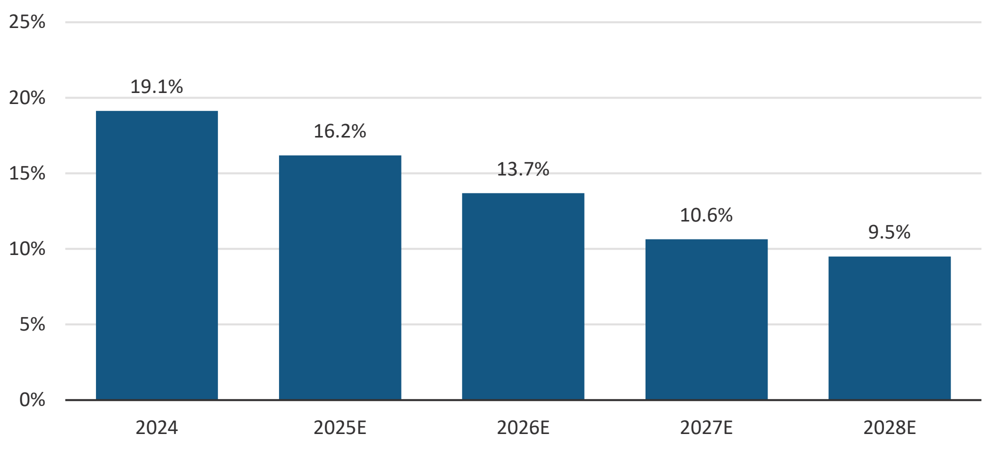
Demand Significantly Exceeds Current Pace of Construction

SH Housing Demand Developement



Robust Growth Forecasts Driven by Demographic Trends

Senior Housing NOI Growth Forecasts



Source: Kayne Anderson (March 2025), Green Street (January 2025), Townsend Group.

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Build-To-Rent Housing Fundamentals Strong Due to Acute Housing Shortage

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Investors and regulators appreciate the need to add supply to alleviate housing affordability problem

Demographics And High Interest Rates Driving Rental Demand

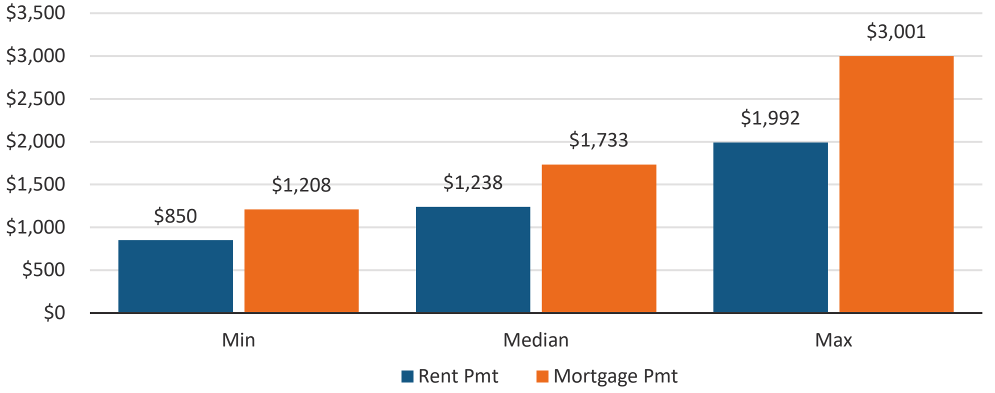
- Need for additional housing space has been rising as millennials age, live with partners, and have kids. Hybrid work schedules and adoption of work-from-home are adding to rising housing space demand
- Due to higher mortgage rates, the cost of home ownership across the US exceeds monthly rent
- Occupancy levels in SFR have remained steady between 95-97%, leading to healthy environment for continued rent growth
- Private going-in yields range between 4.5-5.5%, providing an attractive income component
- Preference is shifting to contiguous communities that can be managed like apartments vs. scattered homes that present challenges in building scale

BTR vs Scattered Site

- BTR single family rentals are newly developed housing communities, often with amenities and a focus on community living
  - High quality, brand-new homes are desirable to renters and in demand
  - Projects/communities with dedicated amenities tend to perform best and receive a rental premium
  - Favorable operating margins are similar or slightly better than traditional multifamily (30-35% operating expense margin) and materially better than the margins for scatter-site single-family rental at 40-45%
- Scattered-site single family rental strategies acquire individual homes across multiple markets
  - Home quality can vary widely, and scattered-site homes may require higher maintenance and operational expertise

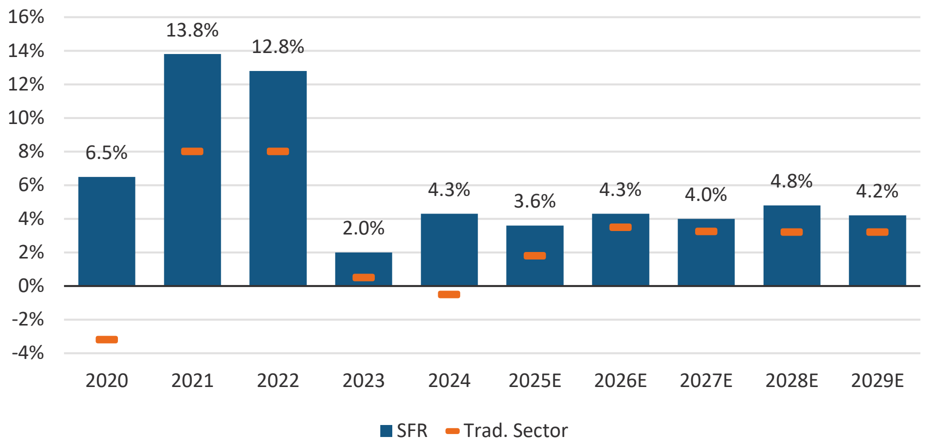
Mortgages Remain Unaffordable for Much of the Population

US 50 State Median Rents vs Mortgage Payment (2024)



BTR/SFR Growth Forecast to Exceed Apartment Growth

US SFR M-RevPAF Growth - Top 25 Markets



Source: Townsend Group, U.S. Census Survey (October 2024), Green Street (January 2025).

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Triple Net Lease Strategies Offer Defensive Positioning Through Durable Income

High-credit tenants and low expenses drive compelling yields

Higher Yields Provide Complement to Traditional Real Estate Sectors

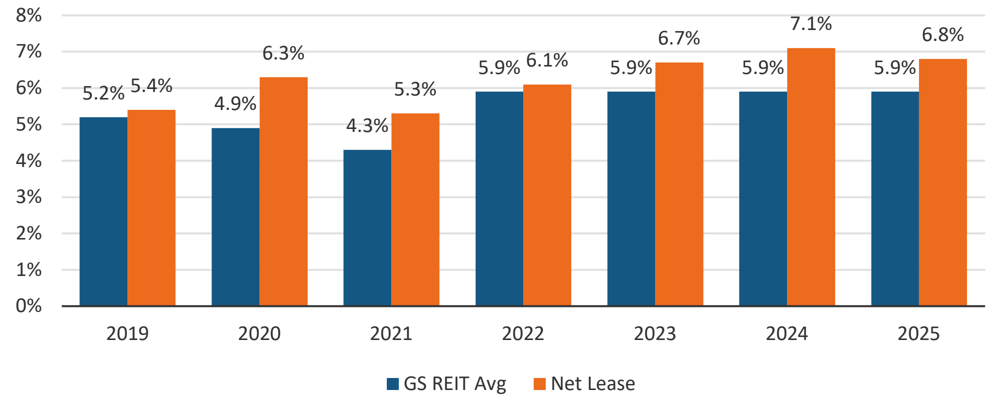
- Higher interest rates and cap rate expansion have created compelling entry yield for triple net lease ("NNN") strategies
- In both the private and public real estate sectors, NNN strategies provide a yield premium of 50 to 150 bps on average to traditional real estate sectors. As of 2025:
  - Public net lease implied nominal cap rates ranged between 5.7% and 7.9%
  - Private net lease going-in nominal cap rates ranged between 6.0% and 6.3%
- Of the private real estate investment strategies that Townsend tracks, sector exposure is primarily concentrated in industrial, retail, and data center, mitigating risk from higher-risk sectors, such as office, present in traditional core strategies

Stable Source of Income Through Long-Term Leases to High-Credit Tenants

- Net leases offer lower risk, consistent cash flows, and lower expenses through long-term lease structures
- In net leases, the tenant covers all property expenses, mitigating capital expenditure risk present in other real estate sectors
- Lease terms are longer, typically ranging from 10-20 years in length, providing durability of income
- Leases are typically negotiated with annual rent increases, ranging from 2.0 to 3.0%, providing consistent growth with less volatility
- High investment grade tenancy results in lower default rates and downside protection

NNN Yields At Premium To Total Sector Average

Implied Cap Rates



Long-Term Leases and High-Credit Tenants Provide Durable Income

	Triple Net Lease	Traditional Diversified Core
Tenant Credit Quality	Single-tenant investment grade, BBB- or higher	Multi-tenant, mixed credit quality
Lease-Term	Long-Term (10-20 years)	Varies by sector, but typically shorter-term (5-10 years)
Lease-Structure	Net lease, tenant covers all expenses	Varies by sector, but subject to capital expenditures
Pricing	6.0-7.0% Entry Yield	4.0-5.5% Entry Yield
Rent Growth	2.0-3.0% annual rent increases	Varies by sector, long-term ODCE appreciation 2.0-3.0%

Source: Townsend Group, Blue Owl Real Estate (March 2025), Realty Income (May 2025), Green Street (May 2025).

04

Europe Outlook

Europe's Growth Outlook is Low but Low EU Rates are Attractive

Positive spread of property yields over the EU interest rates bode well for property values

Economic growth

- European GDP growth to be low in comparison to other regions. However, concerns about potential slowdown and rising inflation in the U.S. could lead to reallocation of capital to Europe
- UK: Workers' rights reforms have dampened business confidence and driven an uptick in unemployment, although closer ties with Europe may prove positive
- Germany: Higher defense and infrastructure spending and announced fiscal loosening are anticipated to enhance GDP growth
- France: Weak economy, high debt, and no room for fiscal stimulus as no party has a clear majority in the National Assembly
- Nordics: While the Nordics remain in a position of relative political, fiscal and demographic health, recent economic growth has slowed down
- Spain: The Spanish economy is anticipated to perform on account of an ongoing wave of immigration – much from Latin America
- Italy: Low growth anticipated due to restrictive fiscal policy and demographic issues
- Ireland: Growth could be negatively impacted due to U.S. tariffs

Inflation and Interest Rate Outlook

- The ECB and BoE have continued with their policy of moderate rate cutting as inflation abates. Further declines in interest rates anticipated
- Many countries in the EU exhibit a positive spread between the property yields and the interest rates, making real estate attractive despite low growth outlook
- Interest rate outlook in UK is similar to U.S., where further rate reductions will depend on inflation that may be impacted by tariffs

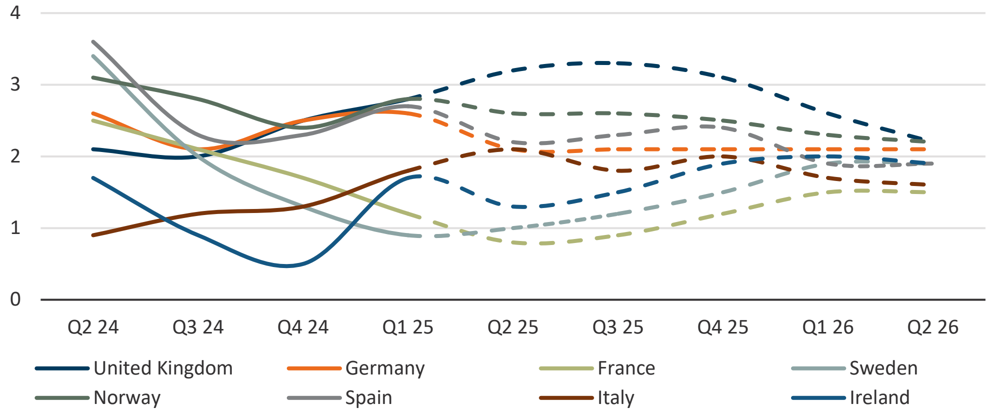
Growth Forecasts muted but Led by Nordics and Spain

Real GDP Forecasts (YoY%)

European Markets	2024	2025	2026	2027
United Kingdom	1.1	0.9	1.2	1.5
Germany	-0.2	0.0	1.1	1.6
France	1.2	0.5	0.9	1.4
Sweden	2.9	1.2	1.8	2.0
Norway	3.2	2.6	2.2	2.1
Spain	3.2	2.4	1.8	1.8
Italy	0.7	0.5	0.9	0.9
Ireland	1.2	3.6	2.5	2.8

Regional Inflation Forecast to Converge over Next 12 months

Quarterly CPI (YoY%)



Source: Bloomberg (May 2025)

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Europe Real Estate Sector Opportunity Set

Most Compelling Sectors Today

Data Centers

Data center development activity in Europe has lagged that in the U.S. Third-party ownership of data centers also lags the U.S. Both imply an extended period of growth in the sector. The development yields are attractive but capital formation is still slow.

Niche Property Types

This is an emerging area in Europe with select investment opportunities in sectors like student housing, senior housing, self-storage, and life-sciences. While the returns are attractive, the number of competent institutional-grade operators are limited.

Sectors Offering More Selective Opportunities

Residential

Chronic shortage of housing in key European cities, combined with recent significant reduction in development activity has caused a multi-year demand/supply mismatch. Values have reduced materially making entry point attractive, however, regulatory issues limit opportunity set.

Logistics

Supply has increased recently which has led to an increase in vacancy and slowing of rent growth to more normal levels. However, demand continues to be robust. The recent decline in asset values have created a better entry point for investors.

Sectors Requiring Caution

Office

Work-from-home continues to impact the sector with office utilization in key cities still below pre-pandemic levels. While the values have corrected significantly, the rent growth outlook is still bleak, and capex burden is high. High-quality green buildings are better positioned. Focus on prime only.

Retail

Sector has recently outperformed in the recent real estate downturn. Values seem to be stabilizing but consumer confidence is low, retail sales growth uncertain, and e-commerce is continuing to impact the sector. Investors should revisit the sector in 6 months.

Europe Real Estate Sector Metrics (Spring 2025)

Data center, logistics, and residential forecast to outperform

Europe Sectors	Entry Yield[1] Private	Entry Yield[1] Public	5-Year RevPAM[2]	CapEx % NOI	Target Markets	Investment Preference
Overweight:						
Data Center	5.0%	4.9 - 6.9%	7.8%	33%	C. Europe – Frankfurt United Kingdom – London W. Europe – Paris, Madrid, Stockholm	Development
Logistics	5.8%	5.0 - 7.0%	2.7%	11%	C. Europe – Prague, Munich W. Europe – Paris, Lyon, Barcelona United Kingdom – London, Manchester, Birmingham	Value-Add Reversionary Core
Residential	4.6%	4.0 - 5.0%	3.6%	12%	C. Europe – Prague, Warsaw, Berlin, Munich, Frankfurt W. Europe – Madrid N. Europe – Stockholm, Copenhagen, Oslo UK & Ireland – Dublin, London, Edinburgh	Core / Value-Add / Development Student Housing
Neutral/Selective:						
Retail	5.7% - 7.5%	7.6 - 8.7%	2.2%	20%	UK & Ireland – Dublin, London, Manchester W. Europe – Lyon, Paris S. Europe – Milan, Rome	Neighborhood parks Non-discretionary
Underweight:						
Office	4.9%	6.1 - 8.1%	3.6%	18%	S. Europe – Milan, Rome C. Europe – Prague, Amsterdam, Hamburg, Munich United Kingdom – London, Edinburgh W. Europe – Lisbon, Madrid	Class A green buildings in CBD

[1] Private: forward cap rate (Townsend/NCREIF). Public: nominal cap rate before capex (Green Street).
[2]Market Revenue per Available Metre (M-RevPAM) is a Green Street metric combining changes in rents with changes in occupancies.
Source: Townsend Group. Townsend's views are as of the date of this publication and may be changed or modified at any time and without notice. Past performance is not indicative of future results. Actual results and developments may differ materially from those expressed or implied herein.

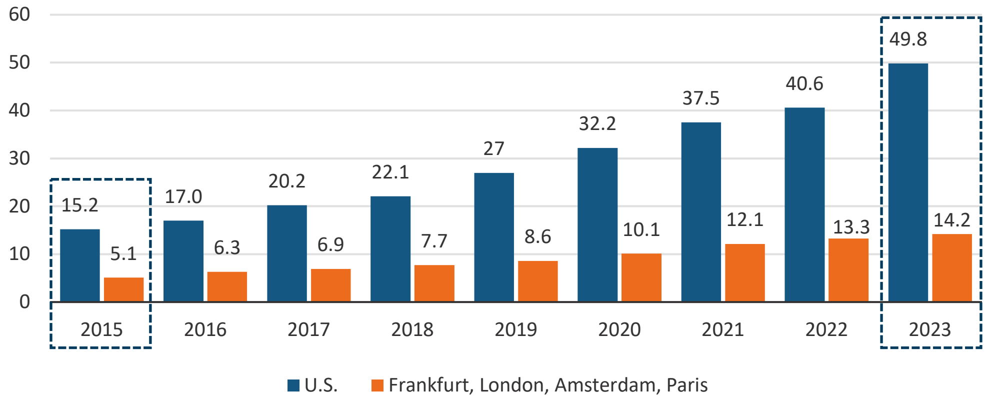
Europe Data Centers Build-Out Trailing That in the U.S.

European data center investment volume likely to continue to rise

- **Market Growth** – Data center market is expanding rapidly, with a CAGR of ~12% (2023-2028)[1], driven by AI, and digital transformation
- **Key Markets** – Major hubs include London, Frankfurt, Amsterdam, Paris, and Dublin, accounting for ~70% of Europe's data center capacity[2]
- **Hyperscale Demand** – Cloud providers dominate leasing but many other tenants taking up space now
- **Power Constraints** – Rising energy costs and sustainability regulations push operators toward green energy solutions
- **Vacancy Rates** – Vacancy in prime markets remains below 5%, indicating severe supply shortages, especially in Frankfurt and Amsterdam
- **Investment Surge** – Data center investment in Europe is likely to continue to rise led by strong fundamentals attracting investors
- **Edge Computing Growth** – Secondary markets (Madrid, Milan, Warsaw) are seeing growth due to edge demand, with 15% YoY increase in deployments[3]
- **Sustainability Mandates** – The EU's Energy Efficiency Directive (EED) requires data centers to report PUE (Power Usage Effectiveness), pushing for PUE <1.3
- **Land and Power Costs** – Prices for land with power access have risen 20-30% in key markets due to competition[4]
- **Future Outlook** – Europe needs an additional 2.5 GW of data center capacity by 2026 to meet demand, with Nordic regions (Sweden, Norway) gaining traction due to renewable energy[5]

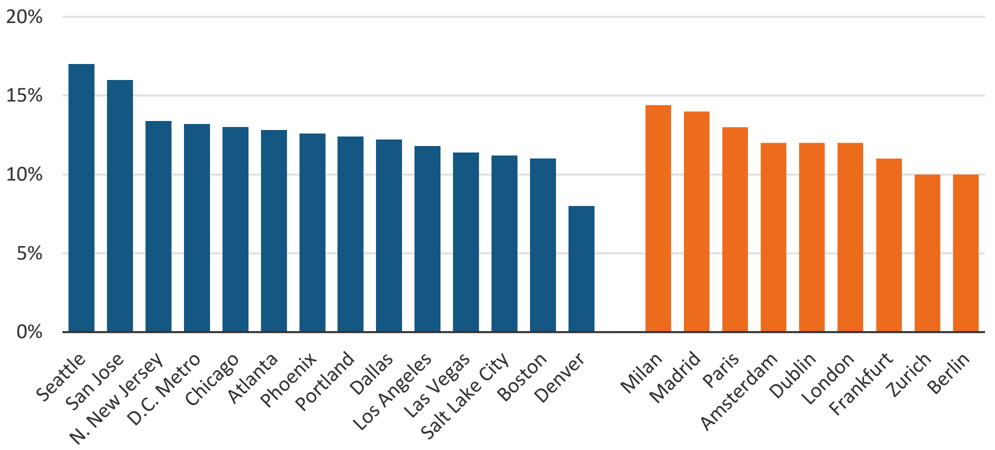
Major European Markets Lagging U.S. Power Output…

Data Center Watts per Capita



…But Sector Growth remains Robust

U.S. vs European Markets: 2024 RevPAF/PAM Growth



Source: Townsend Group, 1. CBRE (1Q25), 2. JLL (1Q25), 3. Structure Research (1Q25), 4. Savills (1Q25), 5. McKinsey (1Q25), PIMCO (1Q25), Green Street (1Q25).

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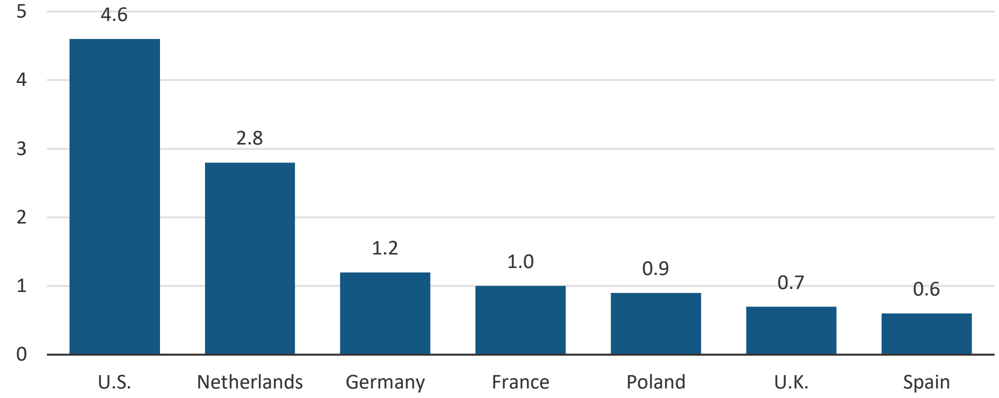
Europe Logistics and Warehouses Fundamentals are Improving

Recent value correction has created a compelling entry point for investors

- Private market values down by around 20-25% from peak driven by factors like higher cost of debt, lower leasing velocity, and elevated supply; however, the capital values are up 25-30% on a five-year basis
- Vacancy rates have increased from record lows in 2022. Tenant incentive packages of 8-10% of lease length rent-free required in some markets
- Driven by higher cost of debt and lack of capital availability, supply is shrinking from 8% to 5% of stock. Obsolescence is accelerating as sustainability demands reduce the supply of suitable stock
- Demand is anticipated to remain robust over the medium-term driven by continued growth in e-commerce and redrawing of supply routes, as supply chain realigns to protectionist U.S. trade policy
- The rental growth outlook is more akin to other sectors. Many leases remain highly reversionary despite indexation to recent high inflation.
- Supply Shortages Despite Construction Boom: UK: New builds have risen, but demand outpaces supply—42% of space pre-leased[1]; Germany faces 5% vacancy, with 80% of new EU logistics space already leased
- Golden Triangle (M1 corridor) remains Europe's #1 logistics hotspot, with rents 2x EU average[2]; EU: Netherlands and Belgium benefit from UK rerouted trade, with +25% leasing activity[3]
- Sustainability Push Reshaping Assets: UK: 80% of new warehouses target BREEAM "Excellent" due to investor ESG mandates[4]. EU: Germany leads with solar-powered warehouses, 30% of stock now green-certified[5]
- Manufacturing Reshoring Boosts Demand: EU: Automotive & pharma sectors drive 18% rise in build-to-suit projects[6]. UK: £4.5B invested in Midlands "gigafactories,"[7] lifting industrial land values (+22% YoY)[8]

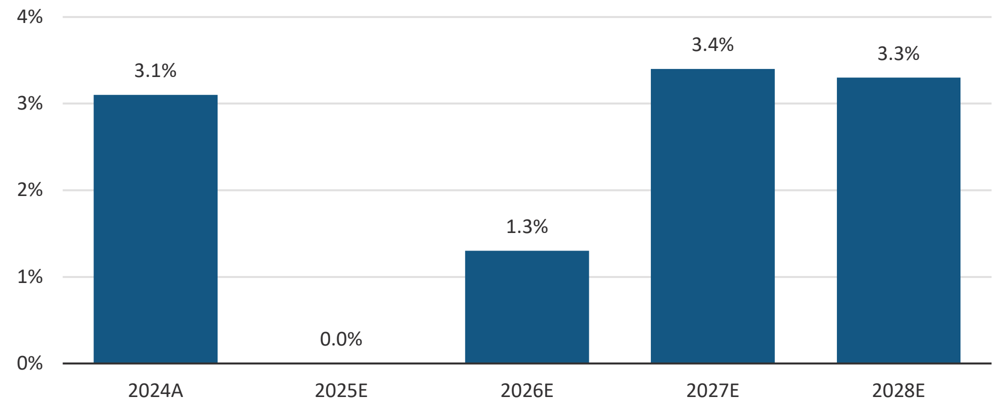
Logistics space per capita still far below U.S. levels

Total Logistics Space (SQM) Per Capita



Weaker near term leasing environment

Industrial Market RevPAM Growth



Source: Townsend Group, 1. JLL (1Q25), 2. Knight Frank (1Q25), 3. Prologis (1Q25), 4. BNP Paribas (1Q25), 5. Deloitte (1Q25), 6. Colliers (1Q25), 7. EV Batteries (1Q25), 8. Savills (1Q25) EQT (March 2025), Green Street (1Q25).

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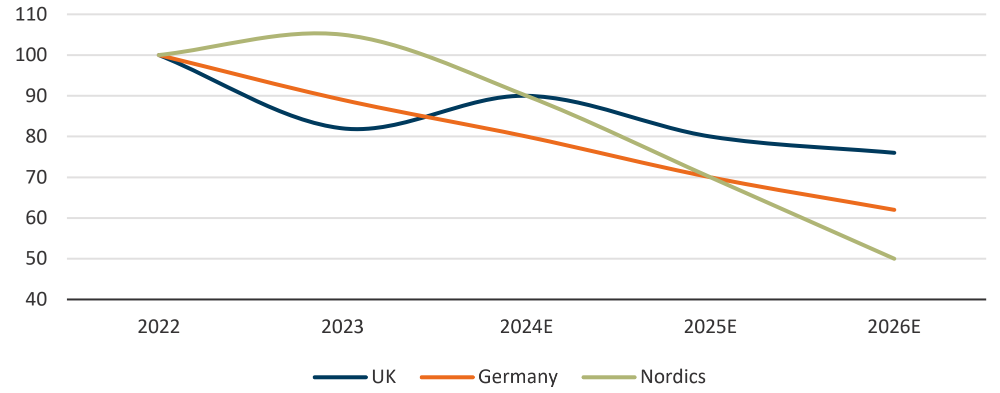
Europe Housing Shortage Makes it an Attractive Sector for Investors

Recent yield expansion and interest rate declines makes an attractive entry point

- Residential values have corrected sharply by 20-25% on average since its last peak in 2022; current initial yield stands at around 4.4-5.0% on average which, given the low-risk inherent in this asset class, is an attractive entry point
- Investor caution and a restrictive regulatory environment across many countries is leading a sharp decline in much needed supply as the region in general was short on housing units to begin with
- New supply is needed but elevated construction costs and rental regulations discourage new starts
- Value-Add conversion opportunities exist within some regulated systems and in the unregulated UK market
- Core strategies have performed poorly as the market values corrected and the potential to increase rents is limited; however, rebased entry pricing will improve core return outlooks. These may benefit further if interest rates fall
- Rental growth forecasts remain strong and consistently positive across various markets. Compelling opportunities also exist in alternative residential strategies such as student housing and single-family rental / build-to-rent

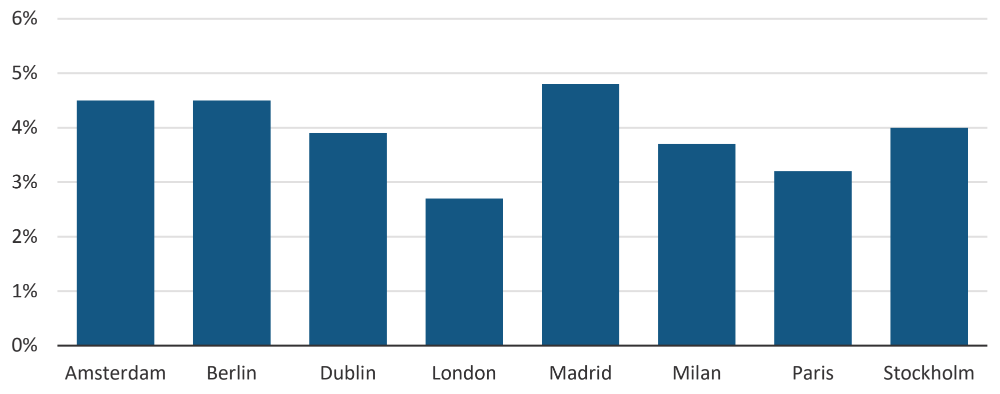
Residential supply declining across major regions

Residential Completions (2022 = 100)



Strong rental growth projected to continue

Residential M-RevPAM Growth '25-29E



Source: Townsend Group, Green Street (April 2025).

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Retail and Office Outlooks Remain Uncertain

However, both sectors offer select investment opportunities

Retail

- Retail property now offers entry yields combined with more solid operating fundamentals, particularly in the retail warehouse sub-sector with many retailers effectively adopting 'omni-channel' models.
- Europe benefits from a lower share or retail space per capita than the U.S. market. There has been little new retail space added since 2020
- Consumer confidence still low but improving across Europe and the outlook for retail rent growth, while positive, remains shaky
- Occupancy has continued to increase, and customer footfall and sales have generally improved since the end of the COVID-19 pandemic. However, customer confidence is starting to wane
- Banks like high debt yields on retail assets, while leverage is generally accretive to income returns
- Increasing transaction volumes and liquidity anticipated to encourage investor confidence in retail

Office

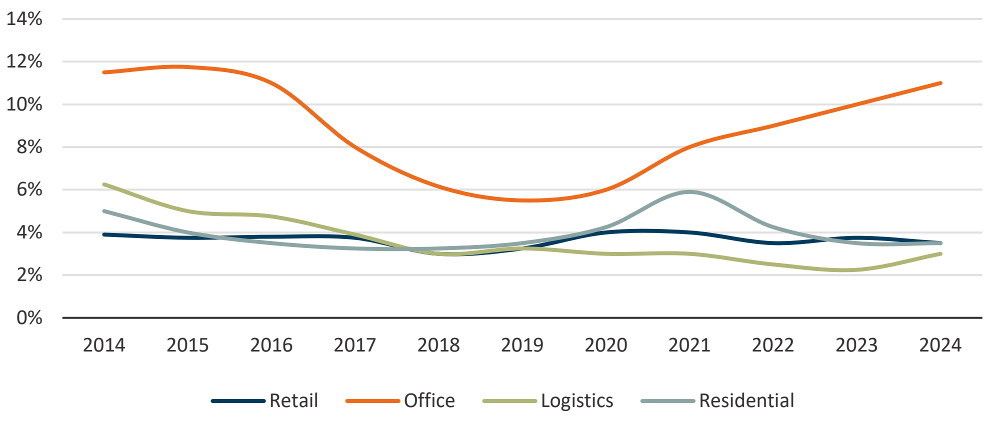
- European office values have corrected 39% from their recent peak but the investor interest in the asset class is still limited
- The WFH trends are not that dissimilar to the U.S.; office attendance is anticipated to cap out at 3-4 days per week.
- While many research outlets are forecasting positive NOI growth, these forecasts are subject to downward revisions as tenants continue to rationalize office space
- The capex burden to renovate space is high and, given the leasing uncertainty and high cost of capital, landlords are cautious in taking on such projects
- The only bright spot are high quality buildings in the heart of CBD that are green and well leased; there is a window to acquire trophy assets as ultra low cost-of-capital acquirers are not present

Retail Yields remain Attractive in Key Markets

Retail Economic Cap Rates

Office Vacancy Continues to Rise

Vacancy Rates by Property Type



Source: Townsend Group, INREV (1Q25), AEW (1Q25), Green Steet (May 2025).
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05
Asia Pacific Outlook

Asia Pacific Growth Outlook is Modest, but Interest Outlook has Stabilized

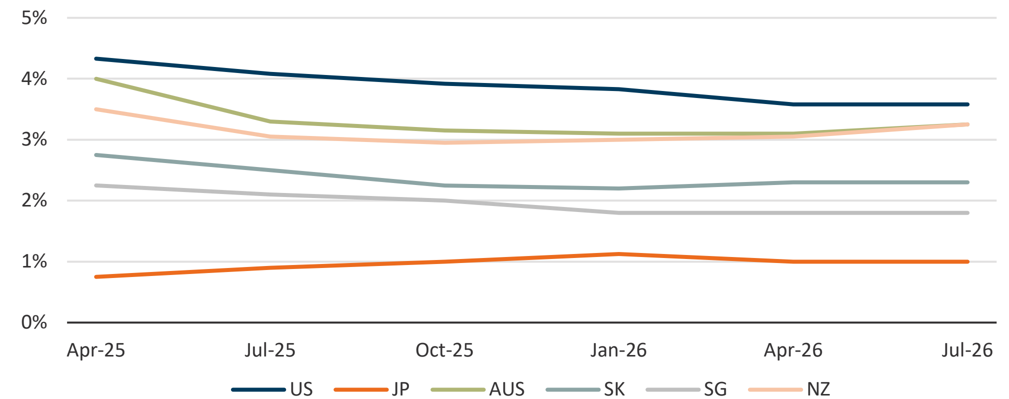
Macro outlook dampened by trade policy uncertainties, although impact varies by country

- APAC outlook has been dampened by prevailing U.S. trade policy uncertainties with forecast lower industrial production, reduced trade and weaker business sentiment
- **Australia:** Immigration and domestic consumption will drive gradual recovery; However, high interest rates could keep growth moderate. Trade deficit with U.S. will limit direct tariff related risk but China dependency poses risks
- **Japan:** Japan's grapples with labor shortages and tepid consumer spending. The BoJ's shift away from ultra-loose monetary policy is anticipated to keep inflation in the range of 2.0-2.5%
- **South Korea:** The economy is anticipated to face headwinds from soft global demand for semiconductors—one of its key export drivers. Domestic consumption and government stimulus may help counteract some of the external pressures. Inflation is forecasted to stabilize at 1.9%, as price pressures in energy and food ease
- **Singapore:** Economic growth is projected to slow as external demand weakens, and global trade uncertainties persist. However, the country's strong financial sector and government investments in innovation may provide some resilience. Inflation is likely to remain muted at 1.1%, with stable consumer prices but some upward pressures in food and services
- **China:** Growth is projected to slow as structural challenges—such as an aging population and weak consumer confidence—continue to weigh on the economy. The Chinese government's policy support, including stimulus measures, may help, but a property sector slump remains a major risk. Inflation is anticipated to stay weak at 0.1%, reflecting subdued demand and overcapacity in some industries

APAC Growth Led by China While Japan Remains Stagnant
Real GDP Forecasts (YoY%)

APAC Markets	2024	2025	2026	2027
Australia	1.1	1.9	2.3	2.5
Japan	0.1	1.0	0.8	0.8
Singapore	4.3	2.4	2.1	2.5
South Korea	2.1	1.2	1.9	1.9
China	5.0	4.2	4.0	4.0
Total APAC	**4.5**	**3.8**	**3.7**	**3.8**

3-month Forward Rates Forecast to Converge over next Year
Forward Rates



Source: JLL Research (April 2025), Oxford Economics (April 2025), Bloomberg (April 2025).
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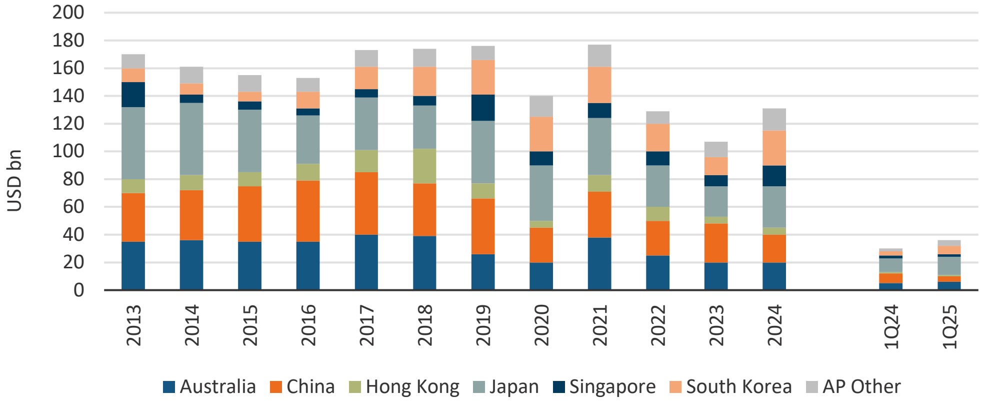
Transaction Volumes and Values are Down, Creating Good Entry Point

Investment transactions have recovered but sentiment has turned cautious

- Real estate investment activity recovered over the past 12 months (+23% y-o-y) supported by peaking inflation/interest rates, reduced debt costs and looser monetary conditions going forward
- Borrowing costs have edged lower (ex. Japan), resulting in reemergence in positive yield spreads in most markets. While investment volumes improved in 2024, it remains ~25% below the peak of 2021
- For 2025, downgraded GDP growth forecasts stemming from the U.S. tariffs should soften demand across all CRE sectors. The logistics sector is projected to see the largest immediate impact amidst cautious business sentiment, reduced manufacturing & less warehouse demand as well as potential shifts in supply chains
- Nevertheless, the impact may be cushioned by increasing intra-regional APAC trade supported by continued structural trends with a growing middle class and rising e-commerce penetration
- Prudent consumer spending should support non-discretionary retail centers vs. shopping malls and office occupancy and rental outlook are likely to be tempered
- Market-sectors with more resilient occupier fundamentals include Australia/Japan residential & logistics (within select submarkets) and Australia non-discretionary retail, underpinned by demographic tailwinds, low vacancy and limited new pipeline
- We remain cautious on market-sectors such as China logistics, Melbourne office and South Korea cold storage which are weighed down by oversupply and high vacancy

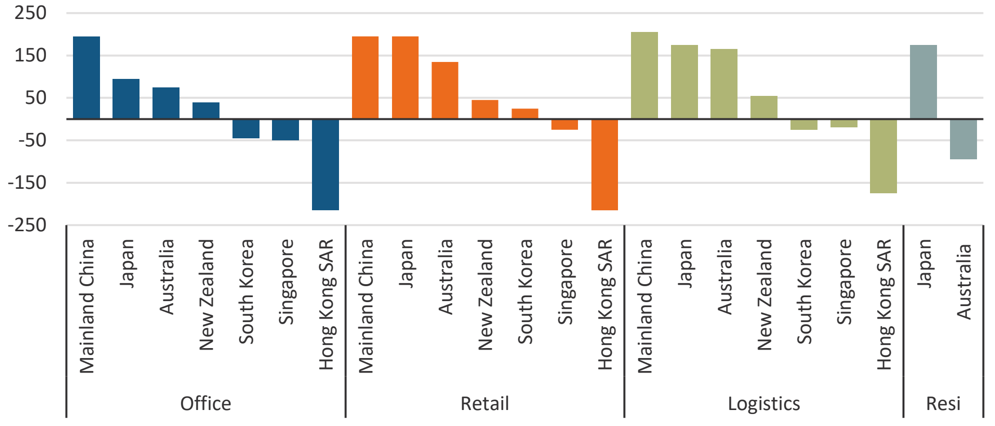
APAC Transaction Volume Recovered Y-O-Y, Remains 25% Below Peak

Investment Volume by Country



Spreads Bifurcated by Region

Prime Yield Spread Against Borrowing Costs (bps)



Source: JLL Research (1Q25), CBRE (1H25).

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Asia Pacific Real Estate Sector Metrics

Industrial, data centers, and living sectors forecast to outperform

Sectors	Market Yield (%)	Rent Growth Forecast (%)	Capex % of NOI	Investment Preference	Target Markets
Overweight:					
Data Center	4.5-8.5%	5.0%	20-30%	Forward Purchase/ Development with Pre-commitments	Primary: Tokyo, Singapore, Seoul, Sydney, Melbourne, Osaka Secondary: Malaysia, Indonesia, Taiwan, India, China
Industrial/Logistics	3.8-6.2%	2.5%	5-15%	Lease MTM/Forward Purchase/Development	Primary: Greater Tokyo, Greater Osaka, Sydney, Melbourne, Brisbane, Singapore, Greater Seoul (Dry)
Living (Multifamily)	3.2-4.8%	3.5%	5-15%	Lease MTM/Forward Purchase/Development	Primary: Sydney, Brisbane, Melbourne, Greater Tokyo, Osaka Secondary: Seoul, Singapore, Tier 2 Japan markets
Living (Student Housing)	5.0-5.5%	3.0%	10-15%	Stabilized/Forward Purchase/Development	Primary: Sydney, Brisbane, Melbourne
Neutral/Selective:					
Retail	4.0-6.3%	2.0%	15-20%	Non-Discretionary, Grocery-Anchored	Primary: Singapore, Sydney, Melbourne, Brisbane Secondary: Tokyo
Underweight:					
Office	3.5-6.0%	1.5%	10-30%	Premium Grade A	Primary: Tokyo, Seoul, Singapore Secondary: Sydney

Source: JLL Research (1Q25), CBRE (1H25).
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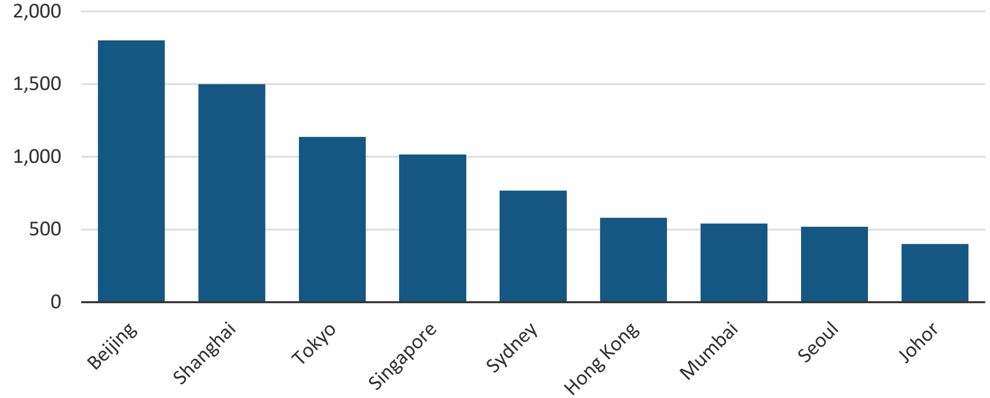
Digitization and AI to Drive Growth in Demand

As investor interest grows, power availability and local expertise may limit supply in near-term

- APAC data center demand is experiencing exponential growth in digital consumption, creation and storage across cloud services, e-commerce & AI applications
- Demand has been focused in Tier 1 markets like Japan, Singapore, South Korea, Australia and Greater China (including Taiwan & Hong Kong) with spillover demand flowing into Tier 2 markets (Malaysia, Thailand, Indonesia, etc.)
- Forecast demand outlook is robust, increasing from 9.3 GW in 2024 to 16.3 GW in 2027 (21% CAGR, compared to 13% and 14% in the US and EMEA, respectively)
- Supply in Tier 1 markets continues to be constrained by limited power, land, and water capacity as well as policy restrictions (focused on sustainability) & supply chain shortages resulting in high construction and MEP (Mechanical, Electrical & Plumbing) costs. In 2024, Tier 1 live occupancy rates averaged ~95%
- 2024 was a record year in APAC investment volume led by Blackstone's acquisition of AirTrunk for AUD 24 billion. As data centers are increasingly capital intensive, lending appetite by major banks and institutional bondholders has also strengthened for the sector
- Investment focus on Tier 1 markets to forward purchase/develop colocation projects with high level of pre-commitments
- Partner with managers that have strong local capabilities across the digital ecosystem (e.g. connectivity and infrastructure divisions to procure green energy and MEP, etc.) and with strong relationships with global hyperscalers and corporates

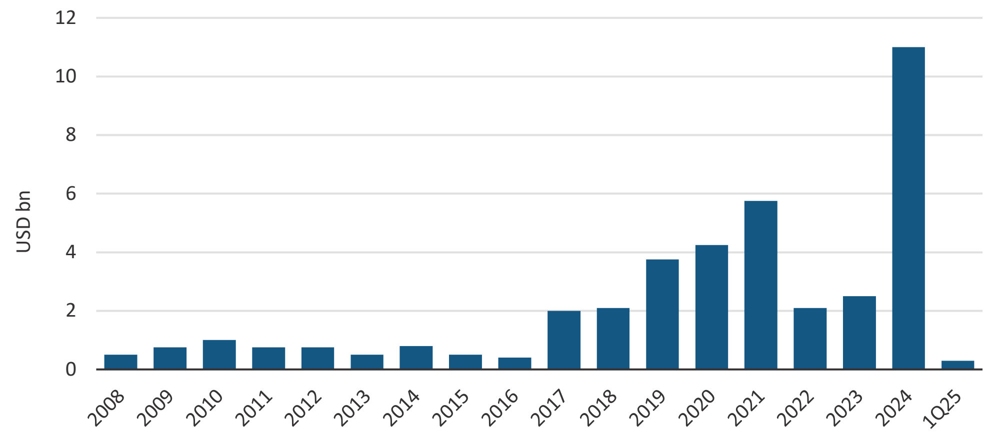
Major Markets Positioned for Data Center Growth

Top Markets by Operational IT Load (MW)



Total APAC Data Center Investment Trending Upwards

APAC Data Center Investment Volume



Source: Cushman & Wakefield (1H & 2H 2024), DC Byte (March 2025), JLL (1Q25).

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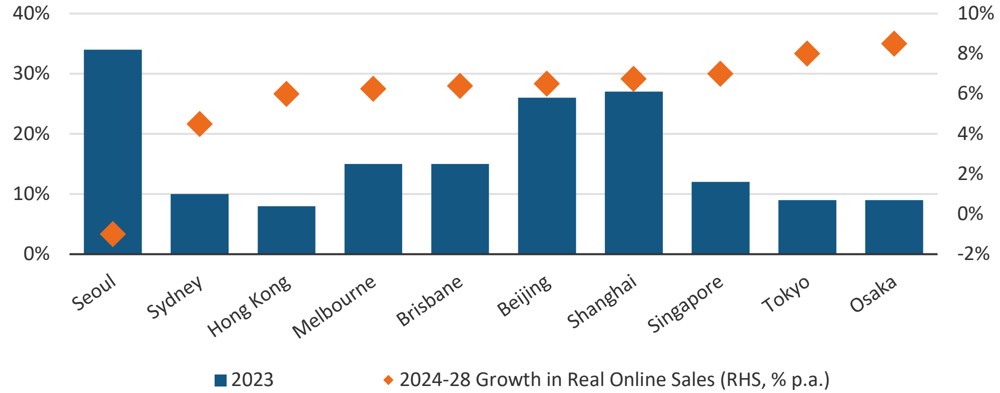
Industrial/Logistics Fundamentals Vary Considerably Across the Region

Trade deficit Australia in better shape vs. trade surplus China

- While short-term demand growth has been dampened by tariffs, longer term secular tailwinds continue to support demand for modern logistics: e-commerce penetration, growing population & urbanization, industrial production (particularly high-tech manufacturing) and reconfiguring of post-pandemic supply chains
- Spreads between industrial yields and borrowing costs are forecast to remain positive/further widen and support investment activity
- In Australia, the impact of U.S. tariffs is anticipated to be relatively limited given an existing trade deficit and only 5% of Australia's total exports going to the U.S. As a result, occupier demand across e-commerce, manufacturing and cold storage warehouse is forecast to remain healthy, particularly in urban infill locations, while demand has softened in Western submarkets of both Sydney and Melbourne.
- In Japan/South Korea, exports to the U.S. comprises 20% and 19% of total exports, respectively. A current 25% automative tariff is forecast to weigh heavily on automative production and trade. Rental outlook is moderating but certain submarkets in Greater Tokyo & Osaka should be more resilient. Shortage of modern stock, e-commerce growth, and regulatory changes create a structural longer-term undersupply. Greater Seoul currently faces high warehouse vacancy, particularly in cold storage, although future supply is anticipated to drop off from 2026 onwards
- In China, cross-border e-commerce and manufacturing firms are extremely cautious amidst global uncertainties and subdued consumption. Effective rents are forecast to continue to decline amidst a nationwide vacancy of 21%

Logistics to Benefit from Continued E-Commerce Growth

Online Penetration Rates (%) & Forecast Growth in Online Sales (% P.A.)



New Supply trending Downwards across Major Regions

New Logistics Supply as % of Stock

Source: PGIM (November 2024), AEW (December 2024), DWS (December 2024), Colliers (December 2024), JLL (December 2024), CBRE (December 2024), R Square (December 2024).

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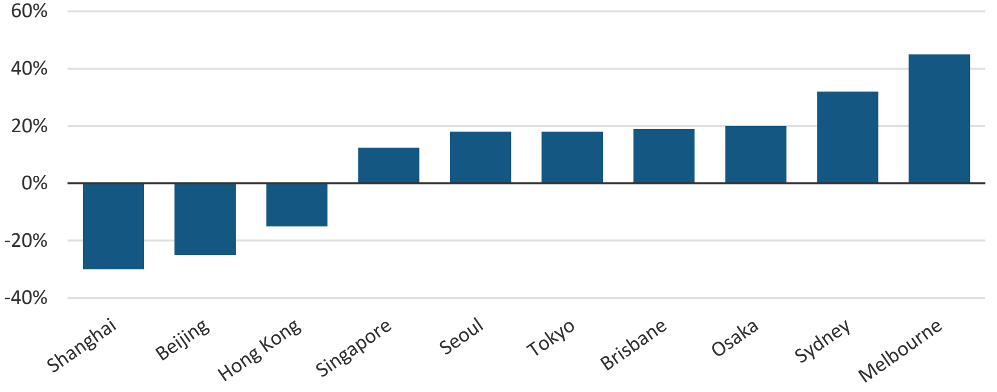
Institutionalization of the Living Sector Across APAC Gaining Momentum

Australia and Japan exhibit attractive fundamentals, while outlook for China remains cautious

- While still an emerging sector (with the exception of Japan), APAC rental housing is gathering momentum, supported by positive structural demographic trends from increased immigration, urbanization, growing wages, high livability/education rankings, unaffordability, and declining new completion pipelines
- In Australia, population growth is driving renter demand across all age cohorts for built-to-rent (BTR), student housing (PBSA), retirement living, etc. BTR and PBSA continue to see low national vacancy rates (2% and ~5%, respectively) and solid rent growth averaging 4-6% in 2024. Nevertheless, there remains lingering policy risk and uncertainty around restricting foreign students in the short-to-medium term
- In Japan, home unaffordability has driven buyers to the rental market. Cities like Tokyo and Osaka, particularly in centrally-located wards, are seeing high occupancy and significant rental demand by individuals aged 15–29, including students and young professionals, driving rents for studio units by over 6% in 2024
- Dual-income households among couples have also grown. The changing demographic with stronger household income is also creating demand towards better accessibility, slightly larger units, amenities and proximity to workplaces
- While the sector fundamentals are strong and institutionalization will continue, investors need to make sure to consider fund managers and platforms with necessary vertical integration or capabilities due to the operational complexities of this sector

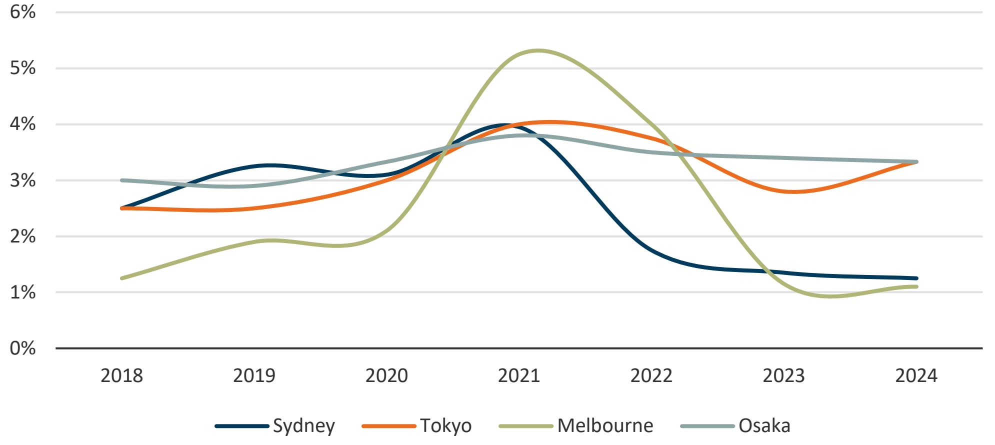
Home Prices Outpacing Income Growth in Ex-China Regions

House Price to Household Income Ratio (2028 Relative to 2015)



Vacancy Remains Low in Australia and Japan

Residential Vacancy Rates



Source: PGIM, JLL, PMA (November 2024), DWS, CBRE, SQM Research, ARES, Australia Bureau of Statistics, LMC (December 2024)

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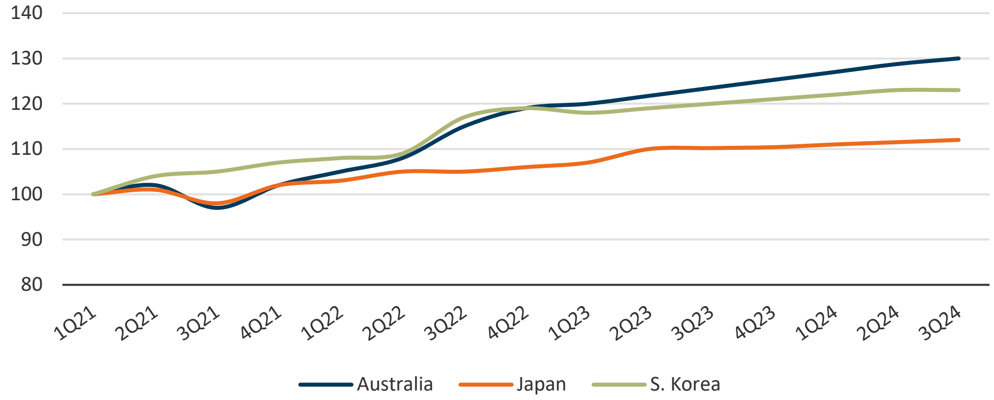
Retail Sector to Benefit from Rising Consumer Spending Across APAC Region

Potential sector bottom – prefer non-discretionary anchored

- The APAC retail sector has been challenged by changing consumer behaviors, increased cost of living, e-commerce growth and high savings rate amidst economic uncertainties
- Landlords continue to adapt by adjusting their tenant mix with increased non-discretionary/F&B offerings, enhancing experiential retail and embracing omnichannel strategies
- Amidst operational challenges, retail opportunities have undergone meaningful rationalization from the rise of e-commerce as well as from the COVID-19 pandemic
- Retail stock per capita across major APAC markets is now lower than 2015 and upcoming new supply is below the 10-year historic average
- In Australia, yields have largely stabilized, and new supply is constrained by scarcity of urban land sites and elevated construction costs. Values have declined by 15-25% since the peak
- There is opportunity to reposition sub-regional centers and re-tenant with non-discretionary anchors and drive income amidst an outlook underpinned by population growth boosting catchment demand and limited new supply
- Tokyo prime high street retail could be worth monitoring for non-core strategies given the strong recovery in inbound tourists, low vacancy rate and positive yield spread over borrowing costs

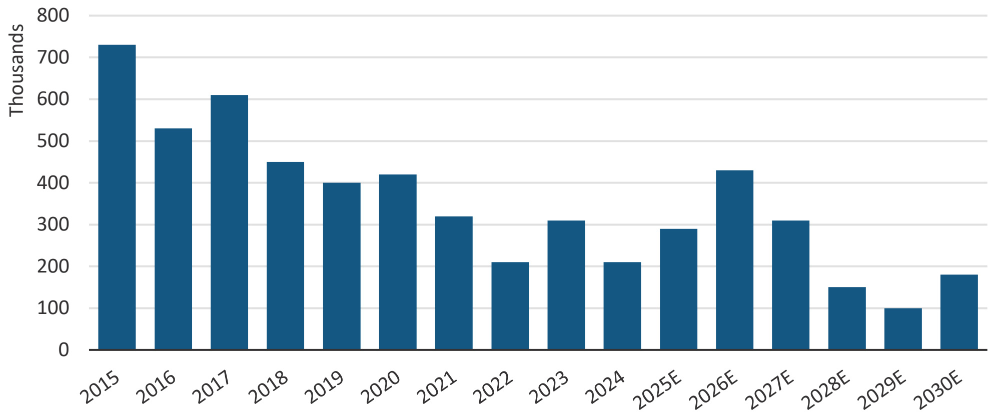
Consumer Spending Positive Across Major Regions

Growth in Nominal Consumer Spending Since 1Q21



Australian Retail Supply well-Below Historical Average

Australia National Retail Supply Sqm ('000)



Source: Oxford Economics, MSREI Strategy (October 2024), Charter Hall (December 2024), AEW (December 2024).

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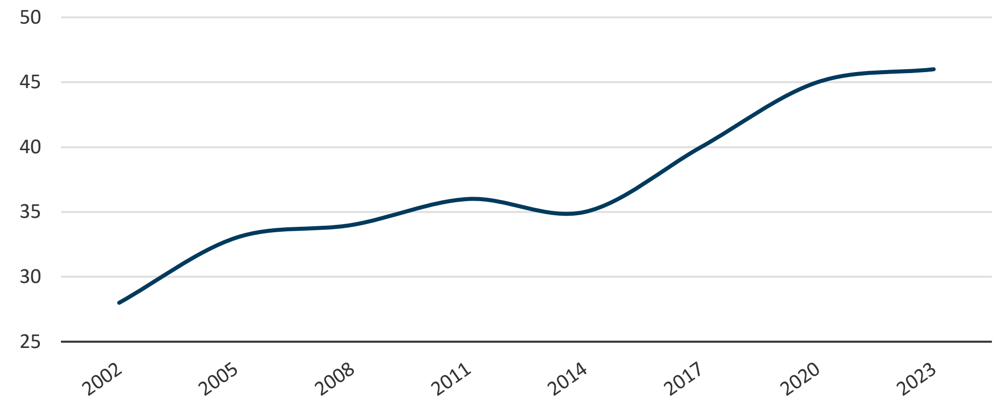
Australia Healthcare May Offer Good Investment Opportunity for Core Returns

Compelling demographic fundamentals with near-term challenges

- The Australian healthcare sector continues to face near-term challenges from cost inflation, staffing issues and funding sources which has become politicized. However, underlying long-term fundamentals for healthcare services remains backed by secular trends including aging population growth, increasing chronic conditions, long waitlists and continued government support
- Governments are investing in public hospitals. However, capacity uplift has been outpaced by population growth. While hospital capacity is forecast to increase by 5%, the population is anticipated to grow by 10% by 2030
- Median waiting time for elective surgery in public hospitals has remained elevated at 46 days, 13 days longer than in 2008. The number of patients undergoing elective surgery reached a record high in 2023-24, with 778,500 admissions, a 5.8% y-o-y increase
- Private hospitals are considered critical infrastructure, delivering over 40% of all hospital activity and showing steady growth of 2.3% per annum pre-Covid
- Healthcare property yields and returns have been stabilizing through 2024. Nevertheless, healthcare operators continue to face short-term challenges as funding from private health insurers (PHI) has failed to keep pace with recent cost inflation mainly driven by wages, personal protective equipment and utility expenses. Government (at both State and Federal levels) are becoming more engaged with the broader situation

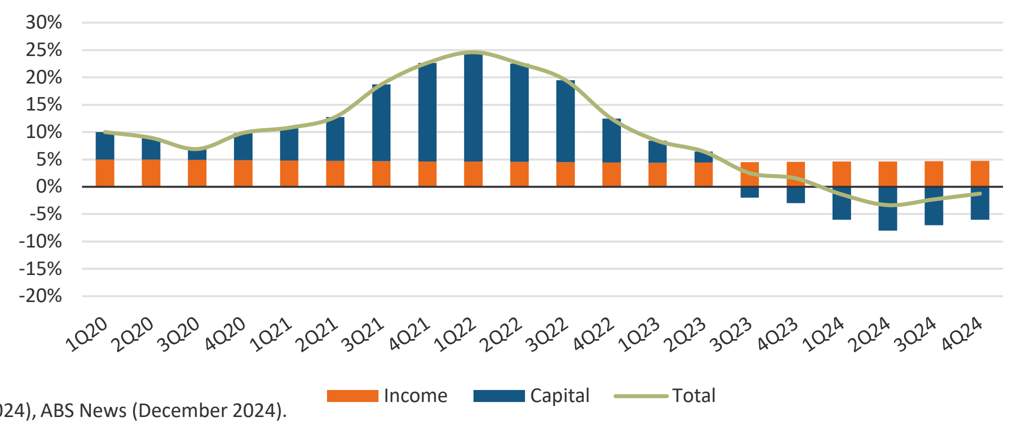
Public Hospitals Proving to be Inefficient

Public Hospital Elective Surgery Wait Times (Days)



Australian healthcare Offers Compelling Income Returns

MSCI Australia Healthcare Property Index Total Returns



Source: Dexus Research (December 2024), MSCI (December 2024), Australian Institute of Health and Welfare (December 2024), ABS News (December 2024).

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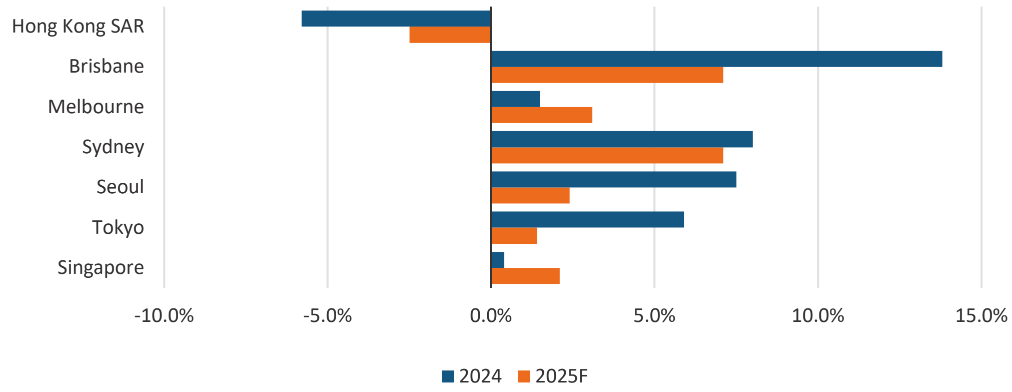
Office Fundamentals Remain Uncertain

Maintain underweight except for select opportunities in Japan

- Performance is bifurcated between grade A vs B offices across key submarkets
- Flight-to-quality trend persists in major office markets. Tenants prefer quality assets located in prime locations with strong transport and high amenity offerings/ESG credentials. Landlords continue to invest in fit-outs to attract/retain tenants and improve office utilization
- Tokyo, Seoul, Singapore and Sydney registered positive rental growth through 2024, driven by demand growth for newly completed buildings and expansion in technology, professional services and financial wealth management sectors. Nevertheless, many corporates have turned cautious amidst global uncertainties
- In Japan, rising corporate earnings continues to boost demand for quality office space in central Tokyo, with the vacancy rate hitting a three-year low of ~4%. Many small to medium-sized offices, primarily owned by non-institutional investors, are neglected and mismanaged, creating value-add opportunities
- The outlook for Australian offices, particularly in Melbourne, remains challenged, given lagging office utilization rates, high incentives and significant vacancy within certain CBD submarkets. The decline in values has recently stabilized in anticipation of interest rate cuts going forward
- New supply forecast to remain constrained over the near term due to high construction costs, labor shortages and challenges related to project financing

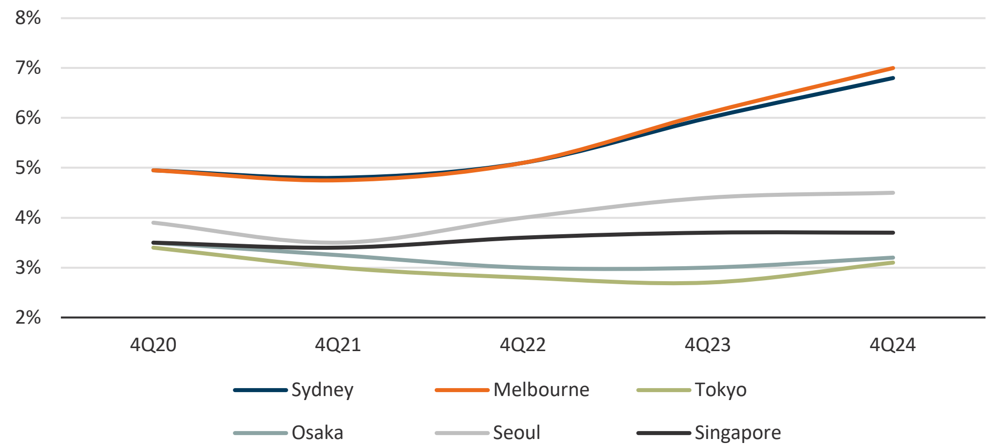
Australia, Seoul, & Japan Exhibiting Stronger Fundamentals

Office Rent Growth by Region



Office Cap Rates Vary by Region across APAC

APAC Office Cap Rate Trend



Source: DWS (December 2024), JLL (December 2024), Avison Young (December 2024), CBRE (December 2024).

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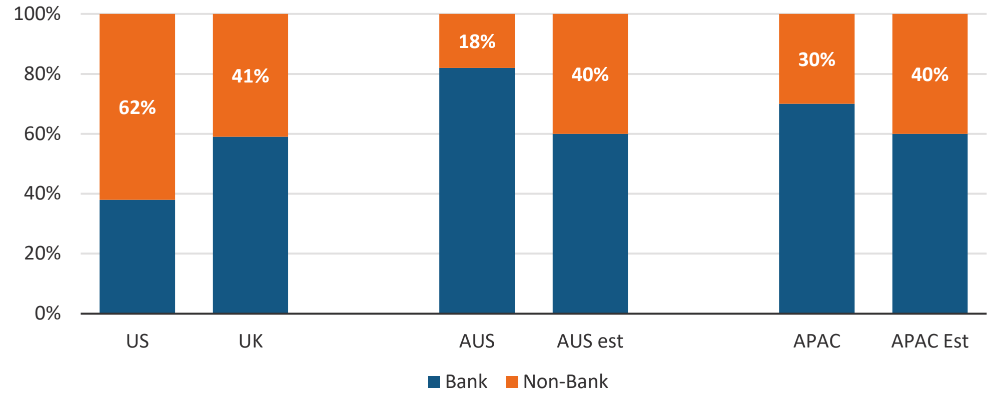
Private Credit Replacing Bank Borrowing Across APAC

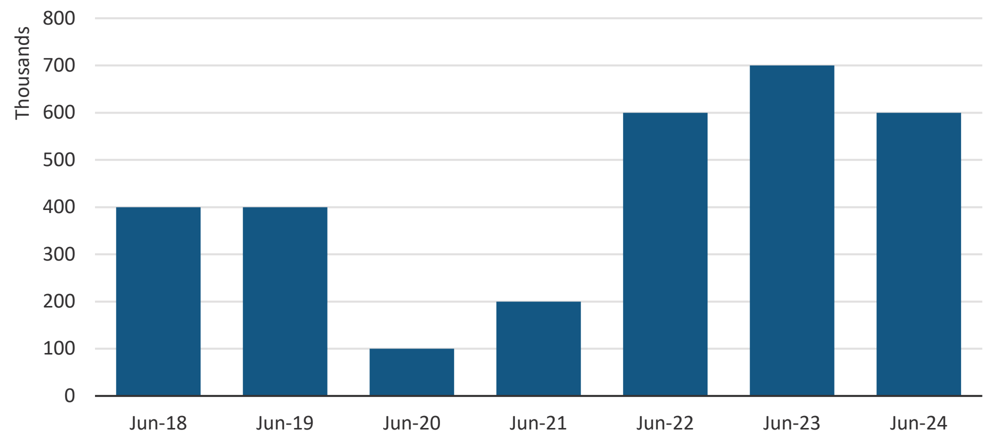
Increasing opportunity for non-bank lenders, particularly in Australia

- APAC financing remains dominated by banks, although regulatory pressures and softened lending appetite are driving a funding gap and increase in non-bank lending, particularly in Australia and New Zealand
- In Australia, bank share of CRE lending continued to retreat, dropping from 90% to 82% from 2020 to 2024. Banks continue to pivot away from CRE construction and investment loans to residential mortgages.
- Non-bank lenders are capturing larger market share focused on residential developers with ability to offer flexible loan structures and projects backed by secular population demand growth. Compared to the U.S. and UK, Australia remains far behind in terms of non-bank lenders' share of the CRE market
- Current financing environment provides an attractive risk-adjusted return proposition with development senior priced circa 8-10%; mezzanine 12-18%; value-add gap financing 14-16%
- In South Korea, Hong Kong & Singapore, situational opportunities are arising to provide financing solutions amidst market dislocation including transitional/value-add loans, rescue financing and residual stock loans
- Finding the right platform to originate, structure and aggregate a diversified portfolio (by borrower, sponsor, sector & geography) as well as monitor such loans (with in-house capability to step in and workout situations if needed) is critical and the opportunity set is anticipated to present attractive risk-adjusted returns

Growing Opportunity set for Non-Bank Lenders
Market Composition: Banks vs Non-Bank Share of CRE Lending



Population Growth in Australia a Tailwind for CRE Lenders
Australia Net Immigration Growth



Source: PGIM (December 2024), Metrics (December 2024), Australia Bureau of Labor Statistics (December 2024).
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Disclosures and Definitions

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ADVISED ASSETS

As of September 30, 2024, Townsend provided advisory services to clients who had real estate/real asset allocations exceeding $233.6 billion. Advised assets includes real estate and real asset allocation as reported by our clients for whom Townsend provides multiple advisory services—including strategic and underwriting advice for the entire portfolio. Advised assets are based on totals reported by each client to Townsend or derived from publicly available information. Advised assets are calculated quarterly. Select clients report less frequently than quarterly in which case we roll forward prior quarter totals. The recent change in Advised Assets is due to a change in the reporting of certain special projects.

Global Non-core Capital Solutions Strategies employ a global non-core multi strategy approach with 90% or more of the investments invested in non primary fund investments such as secondaries, recapitalizations, joint ventures, platform investments, and co-investments. Strategies are diversified by geography, sector, property type, manager and vintage year.

U.S. Core/Core-plus Strategy and U.S. Core/Core-plus Strategy – ERISA employ a global core/core plus multi strategy approach investing in primary funds, joint ventures, co-investments, secondaries, direct investments, debt strategies and REITs. Strategies are diversified by geography, sector, property type, manager and vintage year.

Separate Accounts includes all Townsend active discretionary accounts which invest in a variety of investment styles and structures.