

Clarion Calls

Private Real Estate Dashboard 4Q 2024

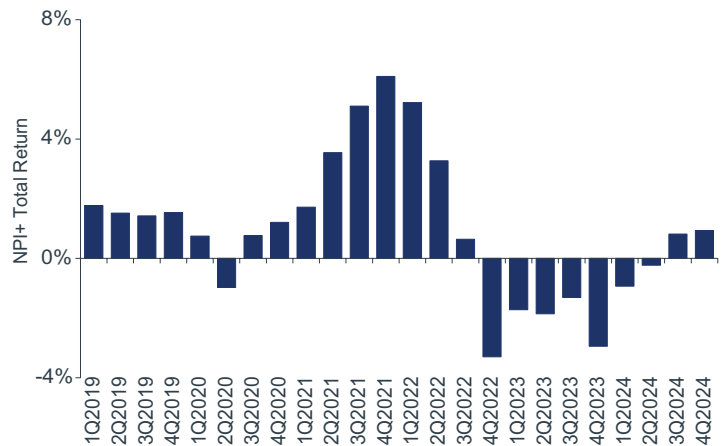
Five Indicators to Measure the Health of Real Estate Capital Markets

Quarterly Private Real Estate Returns



- Private real estate performance continues to improve, with the second half of 2024 generating modestly positive returns, for the first time since mid-2022.
- Historically, values have rebounded in locations and property types for which vacancies are low, demand is strong, and new supply is constrained.

Private Real Estate Quarterly Total Returns



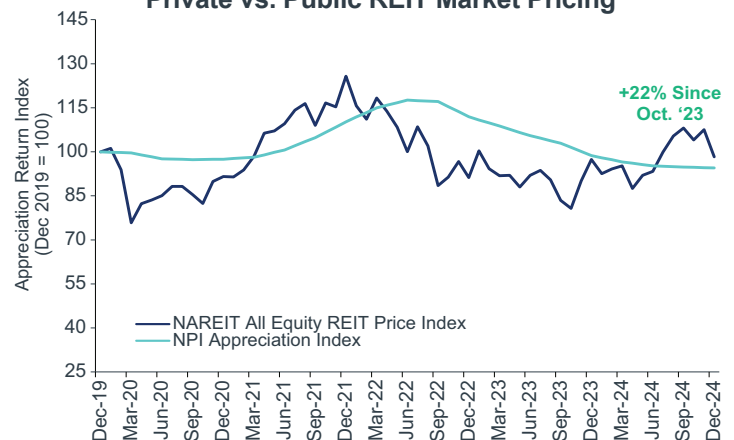
Source: NCREIF, Clarion Partners Global Research as of February 2025. Expanded NPI (NPI+) includes all NPI properties and all qualified alternative assets. Alternative assets include storage, senior housing, data centers parking and others).

Private vs. Public Real Estate Valuations



- Public real estate markets tend to be more volatile than the private markets, but can also be a leading indicator of values due to increased liquidity.
- Public market valuations have been increasing, potentially providing insight into future private market valuations.

Private vs. Public REIT Market Pricing



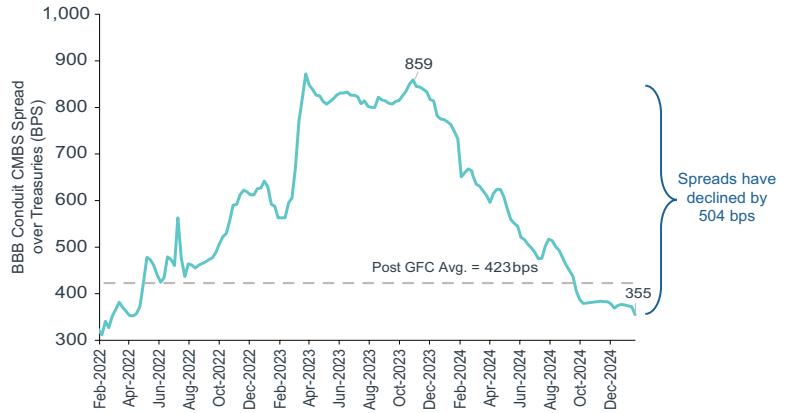
Sources: NAREIT (as of December 2024), NCREIF (as of 4Q 2024) Clarion Partners Global Research as of December 31, 2024. The information contained above represents the views and opinions of Clarion Partners and is based upon the knowledge and experience of the Clarion Partners Global Research team.

Public Real Estate Debt Spreads



- Publicly traded real estate debt securities have traded at an average spread of 423 bps over U.S. treasuries post-GFC.
- Since the rise of interest rates in early 2Q22, spreads widened to over 800 bps.
- Currently, spreads have declined such that they are below the post-GFC average, which Clarion believes is indicative of increasing liquidity in the real estate debt markets.

Public Real Estate Debt Spreads over Treasuries



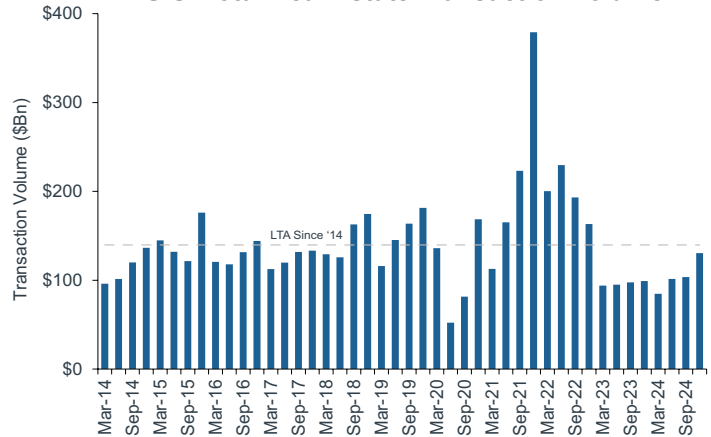
Sources: St. Louis Fed, Trepp, GSA, Clarion Partners Global Research, February 2025. Notes: Conduit CMBS BBB Spreads are over interpolated Treasuries (J+) after 2022 and spreads over Libor-based swaps (N+) prior to 2022; Post GFC Avg. = Starting in Jan 2012; last observation 1/24/2025.

Quarterly Real Estate Transaction Volume



- Over the past decade, quarterly U.S. real estate transaction volumes ranged between \$100B - \$200B, outside of a post-COVID spike when real estate fundamentals were strong and interest rates were historically low.
- Today, transaction volumes remain below the long-term average. However, Clarion has begun to observe an increasing volume for better performing property types, like industrial and apartments.

U.S. Total Real Estate Transaction Volume



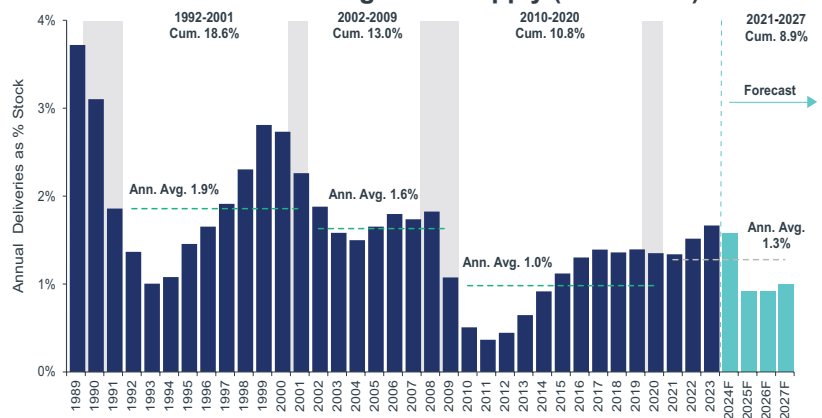
Sources: Real Capital Analytics, Clarion Partners Global Research, February 2025. All transactions are greater than \$2.5 million. Land transactions are not included.

Real Estate Construction- New Supply



- Strong post-COVID demand and rent increases resulted in a moderate supply wave across the stronger property types.
- Higher construction and financing costs, combined with slower rent growth, higher required yields and less investment capital, has resulted in an estimated 40% - 50% decline in new construction starts for residential and industrial properties over the next several years.

Cumulative & Average New Supply (% of stock)



Sources: CBRE-EA, Clarion Partners Global Research, January 2025.

Note: Forecasts were provided by Clarion Partners Global Research from April 2024. Cumulative new supply was calculated from the beginning of the cycle to the end of the recession. Forecasts have certain inherent limitations and are based on complex calculations and formulas that contain substantial subjectivity and should not be relied upon as being indicative of future performance. The information contained above represents the views and opinions of Clarion Partners and is based upon the knowledge and experience of the Clarion Partners Global Research team.

Past performance is not indicative of future results. This material does not constitute investment advice, nor does it constitute an offer in any product or strategy offered by Clarion Partners LLC and should not be viewed as a current or past recommendation to buy or sell any securities. Any specific investment referenced may or may not be held in a Clarion Partners client account. It should not be assumed that any investment, in any property or other asset, was or will be profitable. Investment in real estate involves significant risk, including the risk of loss. Past performance is not indicative of future results.