CLARION PARTNERS
by Franklin Templeton

Clarion Calls: Income is evolving

Triple net lease & core real estate can play complementary roles in a diversified portfolio

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The potential to create a differentiated & diversified real estate portfolio

What you need to know

- ✓ Predictable income and income growth aren't mutually exclusive.
- ✓ Triple net leases (NNN) can provide predictable, bond-like income.
- ✓ Diversified core real estate combines income with rent growth appreciation.
- ✓ Together, they can deliver differentiated and diversified real estate income.

Income Spectrum

More Predictable → **More Dynamic**

NNN investing focuses on stability through:

- Long-term leases with established tenants
- High-quality, credit-focused tenant profiles
- Contractual, predictable income streams
- Tenant responsibility for taxes, insurance and maintenance (triple-net structure)

Portfolio Impact:
Income characteristics that act like a more traditional bond allocation

Diversified core real estate seeks growth through:

- Broad exposure across sectors & markets
- A blend of short & long-term lease structures
- The ability to capture market rent growth over time
- Potential for value appreciation driven by improving fundamentals

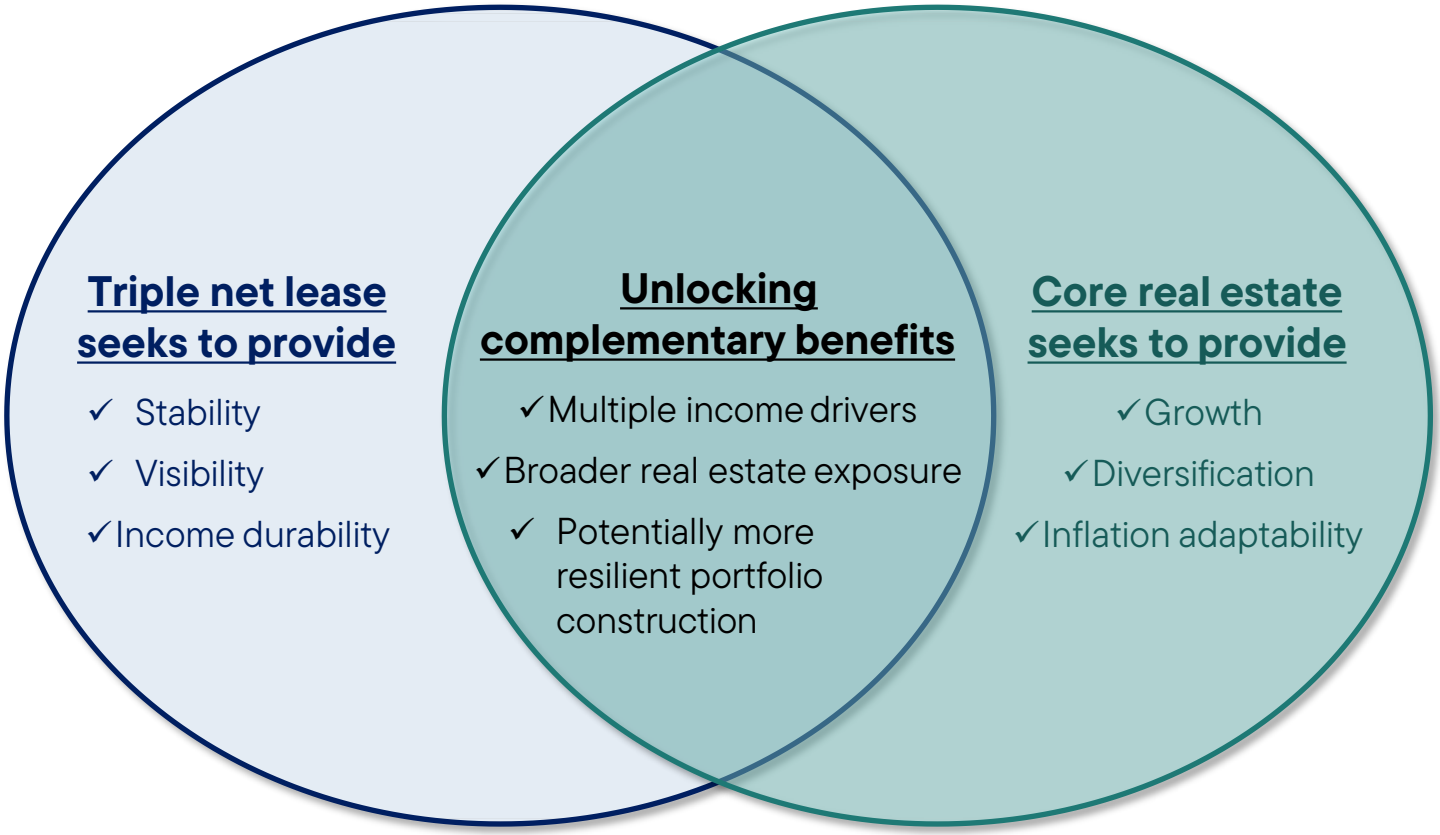
Portfolio Impact:
Income that can evolve with changing market conditions

Securities Industry and Financial Markets Association, CBRE, NAREIT, Clarion Partners Global Research, annual data and estimates as of Q2 2026.

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The income landscape has changed and so has the role of real estate

- Bonds remain an important source of income
- However, fixed payments can limit growth potential
- Rising rates and inflation have challenged traditional income allocations
- Real estate can provide current income and the potential for income growth through rent increases



What This Means for Investors

- NNN and diversified core real estate are designed to solve different investment objectives.
- NNN strategies may help anchor portfolio income through long-duration leases and tenant credit quality.
- Diversified core portfolios may enhance growth potential through sector diversification and market rent exposure.
- Combining both approaches can help investors gain both differentiated and diversified real estate income.

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