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CLARION PARTNERS
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Clarion Calls:
Qualified Opportunity Zones 2.0 - Traditional vs. Rural

Established Market Fundamentals vs. Enhanced Tax Incentives

Qualified Opportunity Zones (QOZ) 2.0 introduces a **permanent and more targeted framework**, with **additional tax benefit to incentivize investments in designated Rural zones.**

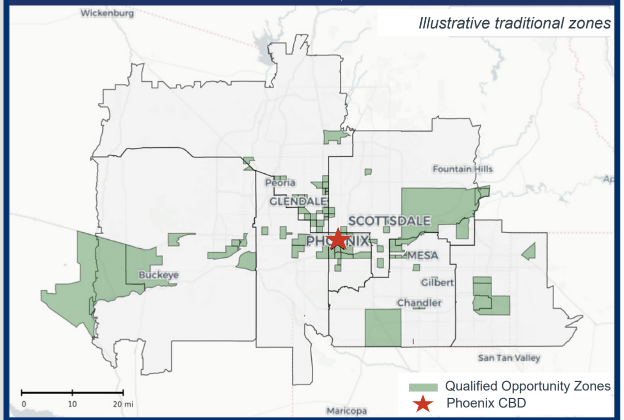
Traditional QOZs

Refreshed QOZ tax benefits;
Stronger traditional real estate fundamentals

- Located in areas with significant economic activity and demographic trends
- Benefit from meaningful, newly-refreshed Opportunity Zone tax incentives
- Industrial warehouse & residential rentals supported by fundamental real estate demand drivers
- Potential for more durable and predictable investment performance

~5,400
Traditional QOZs[1]

Phoenix, AZ



Phoenix's traditional zones are located throughout major submarkets, offering proximity to key population, employment, and growth corridors.

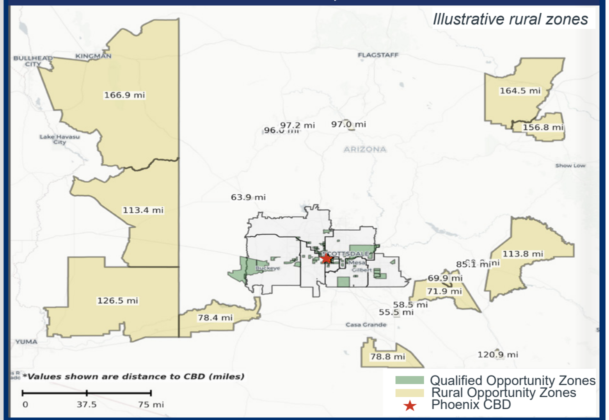
Rural QOZs

Enhanced QOZ incentives;
Limited use cases with higher execution risk

- Located in rural areas with population below 50,000, including adjacent areas
- Additional tax incentive designed to encourage investment in rural communities
- Potential opportunities could include: infrastructure, energy, agriculture, and other specialized sectors
- Strict underwriting discipline & niche expertise critical to offset market / sector risks

~3,300
Rural QOZs[1]

Phoenix, AZ



Rural zones in Phoenix are generally located about 100 miles from the Central Business District (CBD), with distances ranging from roughly 56 to 167 miles.

Source: Economic Innovation Group, One Big Beautiful Bill Act ("OBBBA"), Pub. L. No. 119-21 (2025)
*This information should not be construed as tax advice. Investors should consult their own tax advisors to determine their individual benefits in a QOZ investment.
1. This number represents the number of zones across the United States based off the QOZ 1.0 zone map. Counts will be updated based on finalized QOZ 2.0 zone maps by 4Q26.

Category	Traditional QOZs	Rural QOZs
Tax Deferral on Prior Gain	5 years	5 years
Basis Step-Up	10% basis step-up when recognizing deferred prior gain	30% basis step-up when recognizing deferred prior gain
QOZ Capital Gain Tax Elimination	10+ year hold	10+ year hold
Improvement Requirement (Redevelopments)	Full “substantial improvement” (>100% of existing building basis)	Lower “substantial improvement” (>50% of existing building basis)
Zone Designations	Qualifying QOZ urban and metro-adjacent census tracts	Rural zones and adjacent zones must have <50,000 person population
Target Investment Sectors	Residential rentals and Industrial warehouses	Infrastructure, Energy, Agriculture
Market Liquidity	Deeper capital markets and exit optionality	Limited buyer pool; wider bid-ask spreads
Risk Profile	More established investment markets; real estate sectors with proven long-term cash generation	Potentially more speculative; Rapid technological advances can lead to wider variability of outcome
Use Cases	Investors seeking refreshed QOZ 2.0 tax benefits in sectors with established institutional buyer pools Generate growth and income via more traditional private real estate investment strategies with experienced sponsors	Investors with higher risk and volatility tolerance, seeking enhanced QOZ tax benefits Necessitates partnering with operators possessing niche sector expertise

Source: Economic Innovation Group, One Big Beautiful Bill Act (“OBBBA”), Pub. L. No. 119-21 (2025)
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