

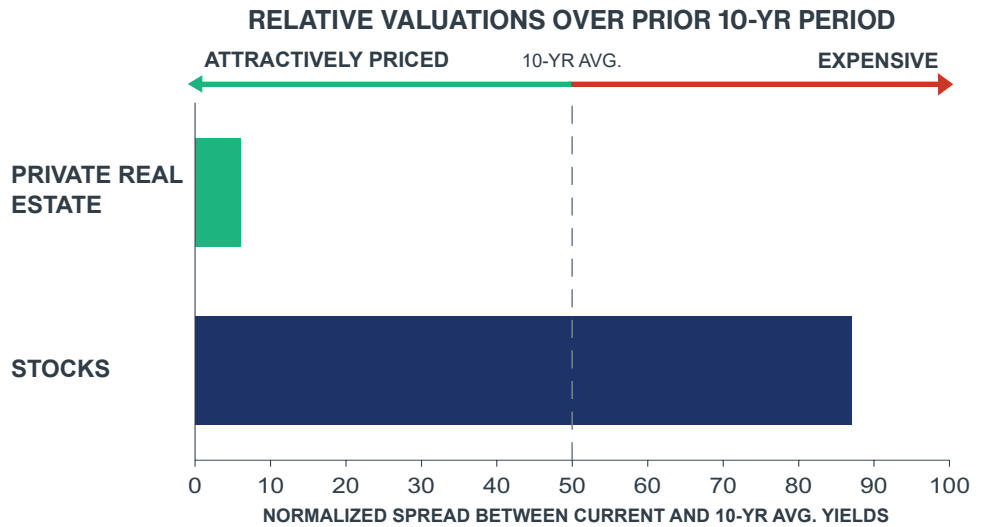
# Clarion Calls

## Private Real Estate Appears Undervalued

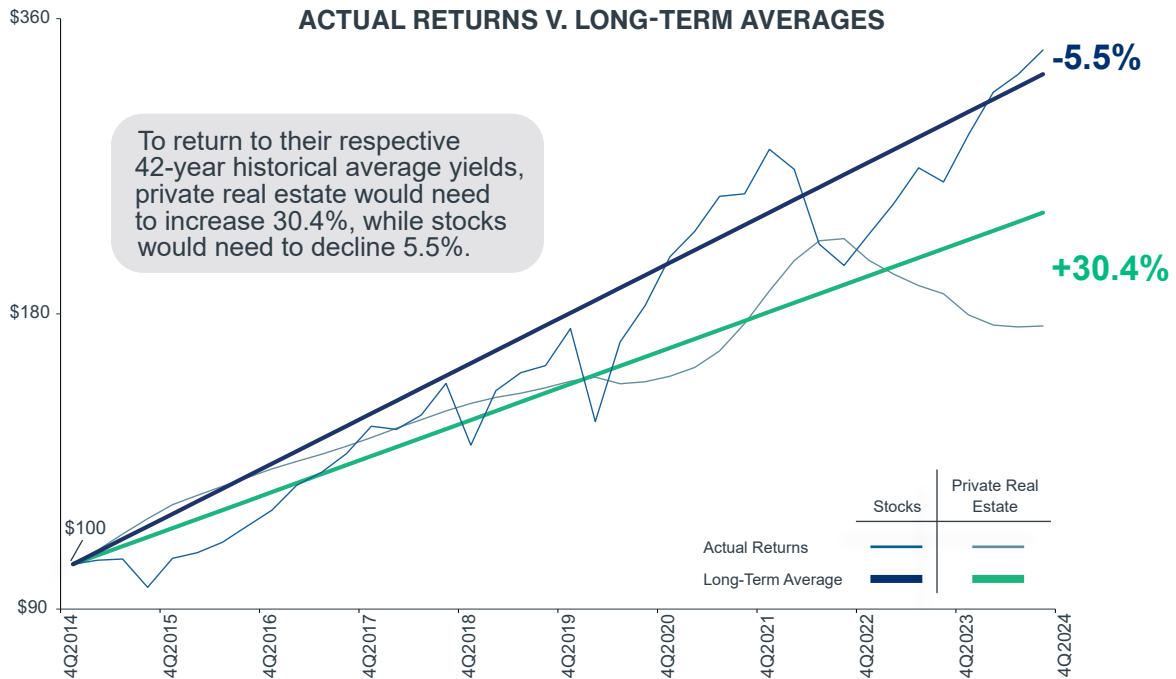
### Private Real Estate Seems Attractively Priced Relative to Stocks

#### What You Need to Know

- ✓ Private real estate values appear to be stabilizing with signs of a new cycle forming.
- ✓ Based on yield equivalents, stocks are expensive relative to their 10-year average, while private real estate pricing is compelling.
- ✓ A peak to trough decline of ~19% offers a potentially interesting entry point into the private real estate sector.<sup>1</sup>



Source: St. Louis Fed, Moody's Analytics, GSA, NAREIT, Clarion Partners Investment Research, as of Q3 2024  
Valuation metrics: Direct PRE: cap rates, S&P 500: P/E Ratio. The asset classes are associated with different levels of volatility, liquidity and other risks.



To return to their respective 42-year historical average yields, private real estate would need to increase 30.4%, while stocks would need to decline 5.5%.

The above is a growth comparison of a \$100 investment in stocks and private real estate using actual performance over the past decade versus an equivalent \$100 investment using the 42-year historical long-term average performance for each.

Source: NCREIF, NAREIT, Bloomberg, Q3 2024. Note: Private Real Estate = NFI-ODCE, Stocks = S&P 500. Performance is shown on a gross basis. Inclusion of fees would reduce returns. Future yields and pricing may be different from historical averages.  
<sup>1</sup> Moody's Analytics, NCREIF (as of Q3 2024); Clarion Partners Investment Research, as of January 2025.  
 A peak-to-trough analysis is a strategy used to identify market tops and bottom.  
**Private Real Estate Investments Risks:** Investment in real estate involves significant risk, including the risk of loss. Investors should consider their investment objectives, and it is strongly suggested that the reader seek his or her own independent advice in relation to any investment, financial, legal, tax, accounting or regulatory risks and evaluate their own risk tolerance before investing. Private real estate bears the same risks as real estate in general, but additionally is suitable only for investors who can bear the risks associated with private market investments with potential limited liquidity.  
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