

Clarion Calls:

Private Real Estate Dashboard 1Q 2025

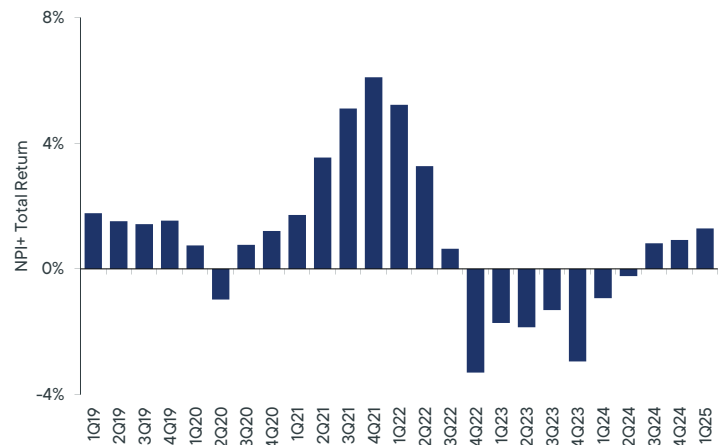
Five Indicators to Measure the Health of Real Estate Capital Markets

Quarterly Private Real Estate Returns



- Private real estate performance has continued to improve, with the first quarter of 2025 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



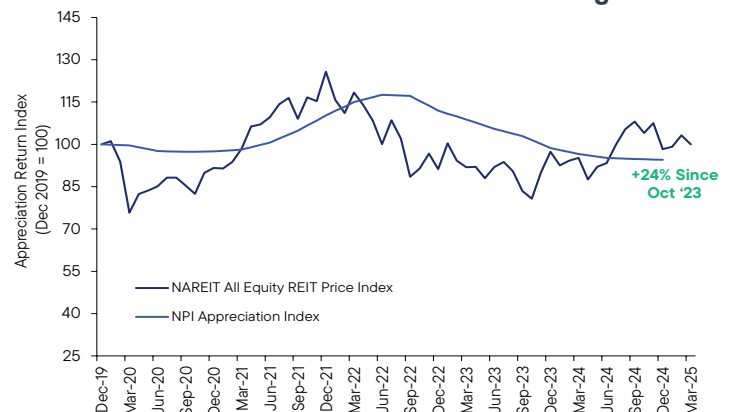
Source: NCREIF, Clarion Partners Global Research as of February 2025. Expanded NPI (NPI+) includes all NPI properties and all qualified alternative assets (alternative assets include storage, senior housing, data centers parking and others).

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.

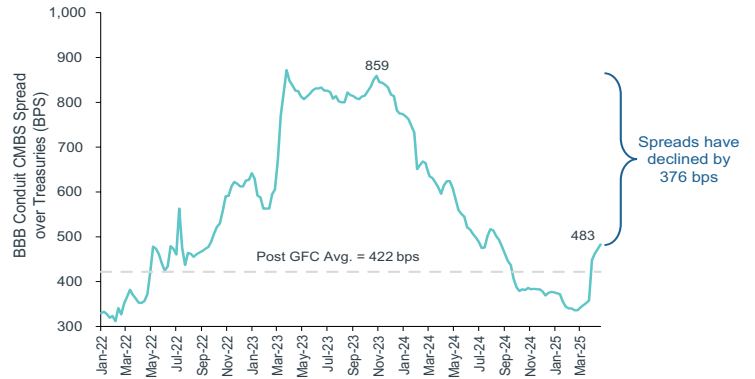
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Public Real Estate Debt Spreads



- Publicly traded real estate debt securities have traded at an average spread of 423 bps over U.S. treasuries post-GFC.
- The current spread has widened recently in response to heightened, tariff-driven uncertainty; an indication that credit availability has tightened. However, with spreads still well below their post-COVID peak, liquidity in the real estate debt markets remains much improved from earlier in the cycle.

Public Real Estate Debt Spreads over Treasuries



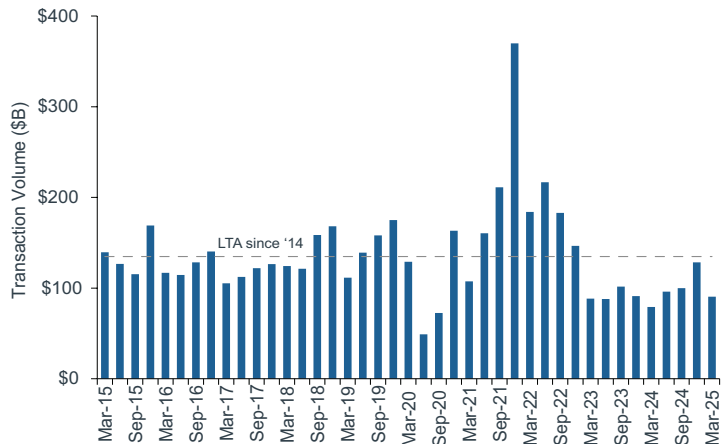
Sources: St. Louis Fed, Trepp, GSA, Clarion Partners Global Research, February 2025. Notes: Conduit CMBS BBB Spreads are over interpolated Treasuries (J+) after 2022 and spreads over Libor-based swaps (N+) prior to 2022; Post GFC Avg. = Starting in Jan 2012; last observation 4/25/2025.

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.
- Overall transaction volume remains below its long-term average. However, volumes have begun to stabilize, supported by industrial and apartment deal flow.

U.S. Total Real Estate Transaction Volume



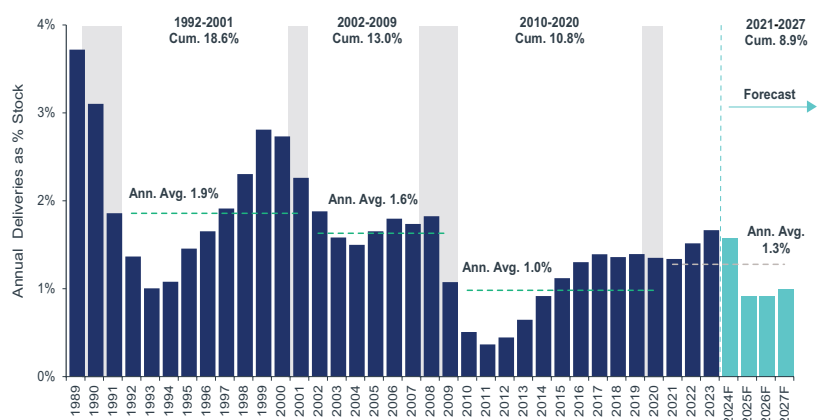
Sources: Real Capital Analytics, Clarion Partners Global Research, February 2025. All transactions are greater than \$2.5 million. Land transactions are not included.

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.

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