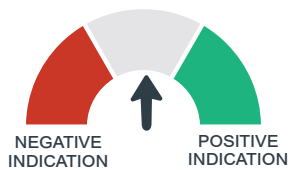


Clarion Calls: Private Real Estate Dashboard 2Q 2024

August 2024

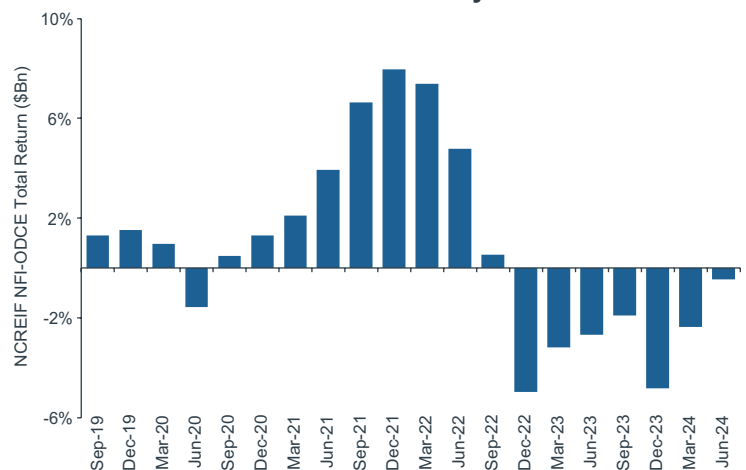
Five Indicators to Measure the Health of Real Estate Capital Markets

Quarterly Private Real Estate Returns



- Private real estate returns appear to have stabilized after downward adjustments of 17.9% 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 Return



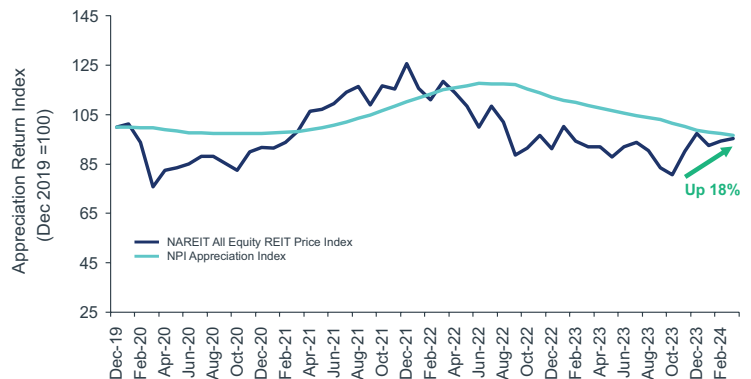
Source: NCREIF-ODCE, Clarion Partners Investment Research as of March 31, 2024.

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.
- Public market valuations have been increasing, potentially providing insight into future private market valuations.

Public REIT vs. Private Market Pricing

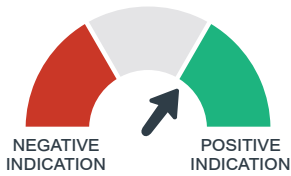


Sources: NAREIT, Clarion Partners Investment Research as of March 31, 2024

Note: Alternatives include healthcare, storage, data centers, single-family, specialty, telecommunications, and manufactured homes.

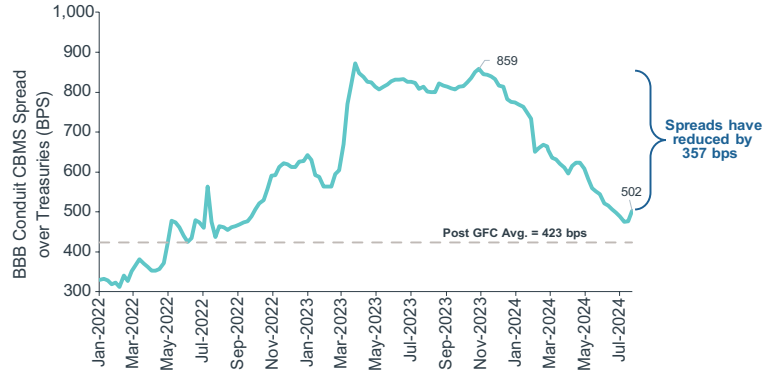
The information contained above represent the views and opinions of Clarion Partners and are based upon the knowledge and experience of the Clarion Partners Research team. Past performance is not indicative of future results

Public Real Estate Debt Spreads



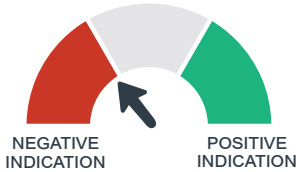
- Publicly traded real estate debt securities have traded at an average spread of 423 bps over U.S. treasuries post-GFC.
- Since the rise of interest rates in early 2Q22, spreads widened to over 800 bps.
- Currently, spreads have reduced such that they are only 100 bps over the historical levels, which Clarion believes is indicative of increasing liquidity in the real estate debt markets.

Public Real Estate Debt Spreads over Treasuries



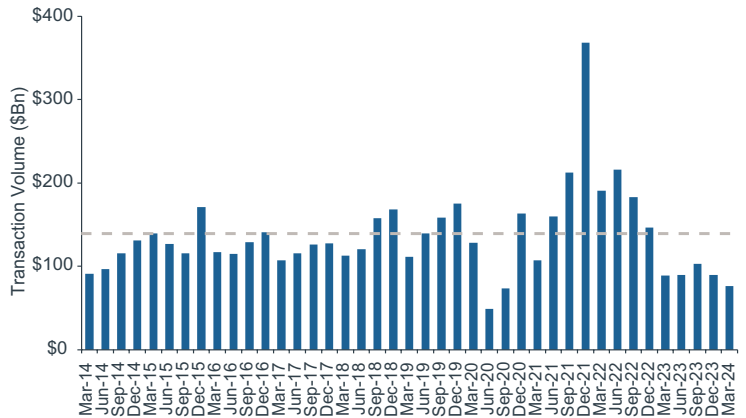
Source: St. Louis Fed, Trepp, GSA, Clarion Partners Investment Research, June 2024. Notes: Conduit CBMS BBB Spreads are over interpolated Treasuries (J+) after 2022 and spreads over Libor-based swaps (N+) prior to 2022; Post GFC Avg. = Starting in Jan 2012; last observation 7/26/2024.

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 are still low. However, Clarion has begun to observe an increasing volume for better performing property types, like industrial and apartments.

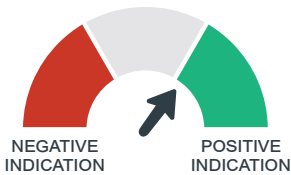
U.S. Total Real Estate Transaction Volume



Sources: Real Capital Analytics, Clarion Partners Investment Research, May 2024.

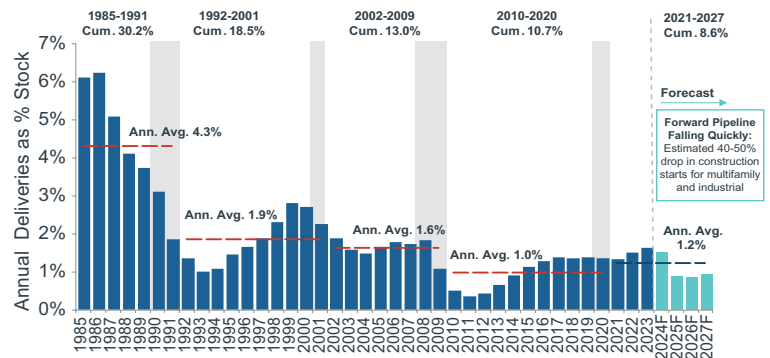
Note: Alternatives include Office; R&D (Life Sciences), Industrial: Tech/Telecom/Data (Data Centers), Age-Restricted, Student Housing, and Senior Housing & Care apartments, and Self-Storage. All 'alternative' sectors were removed from the traditional sector totals. All transactions are greater than \$2.5 million. Land transactions are not included.

Real Estate Construction- New Supply



- After strong COVID demand and lower interest rates resulting in slightly higher supply, Clarion believes new supply going forward will decline over the next few years.
- Higher construction and financing costs combined with higher required yields, and less investment capital has resulted in an estimated 40% - 50% decline in new construction starts for residential and industrial properties.

Cumulative & Average New Supply (% of stock)



Sources: Real Capital Analytics, Clarion Partners Investment Research, May 2024.

Note: Alternatives include Office; R&D (Life Sciences), Industrial: Tech/Telecom/Data (Data Centers), Age-Restricted, Student Housing, and Senior Housing & Care apartments, and Self-Storage. All 'alternative' sectors were removed from the traditional sector totals. All transactions are greater than \$2.5 million. Land transactions are not included. The information contained above represent the views and opinions of Clarion Partners and are based upon the knowledge and experience of the Clarion Partners Research team.

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