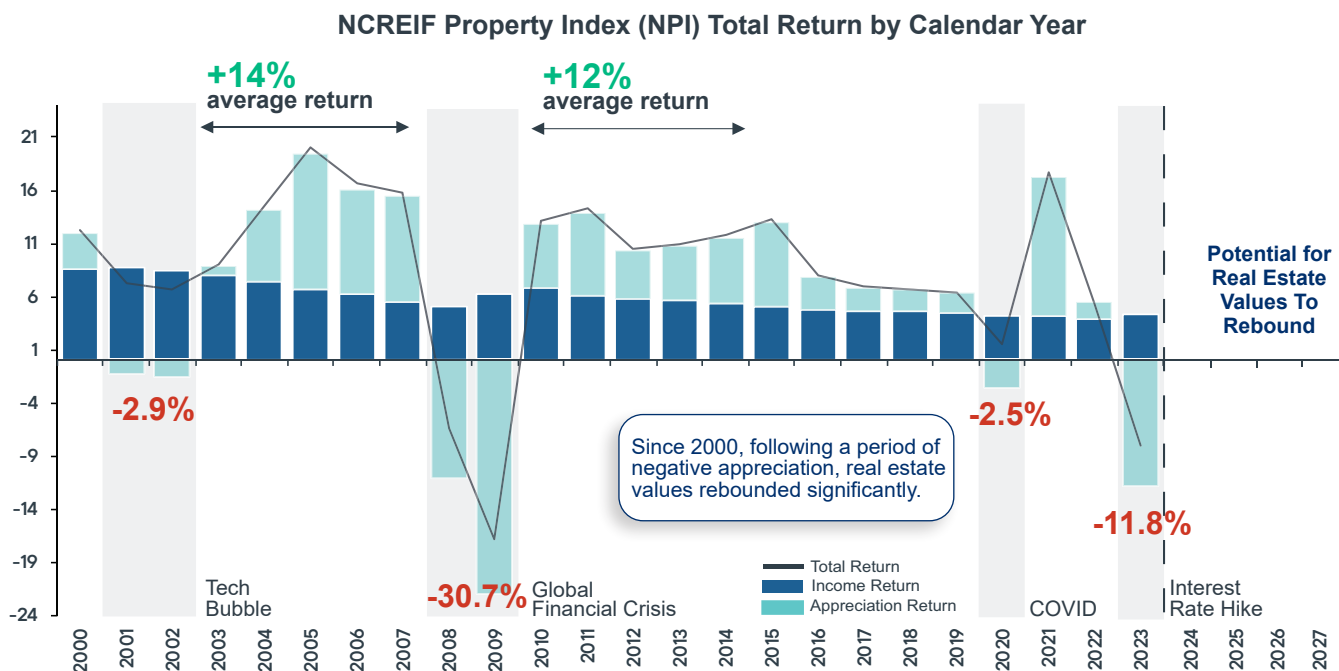


# Clarion Calls: Investing in U.S. Private Real Estate Today

July 2024

## Is a New Positive Real Estate Cycle Poised to Begin?



### Near-term drivers provide for a compelling entry point

#### Inflation has moderated:

- Over the past year, inflation has decreased to 3.3%.
- By the end of 2025, it's projected to stabilize in the 2.3% range.<sup>1</sup>

#### Interest rates are below peak levels:

- The 10-year treasury yield is significantly below its recent peak of 5%.
- At the same time, borrowing spreads for real estate have declined.

#### Real estate values have adjusted:

- Private real estate values are down 17.9% from the recent peak in mid-2022.<sup>2</sup>
- Assets are generally trading below replacement cost.
- Historically, values have rebounded towards replacement cost in locations and property types for which demand is strong and new supply is constrained.

Source: NCREIF, Clarion Partners Investment Research, Q4 2023. Past Performance is not indicative of future results.

<sup>1</sup> U.S. Bureau of Labor Statistics, Bloomberg, June 2024

<sup>2</sup> NCREIF, Q1 2024. Note: Based on the change in the Classic NPI appreciation index from Q2 2022 to Q1 2024

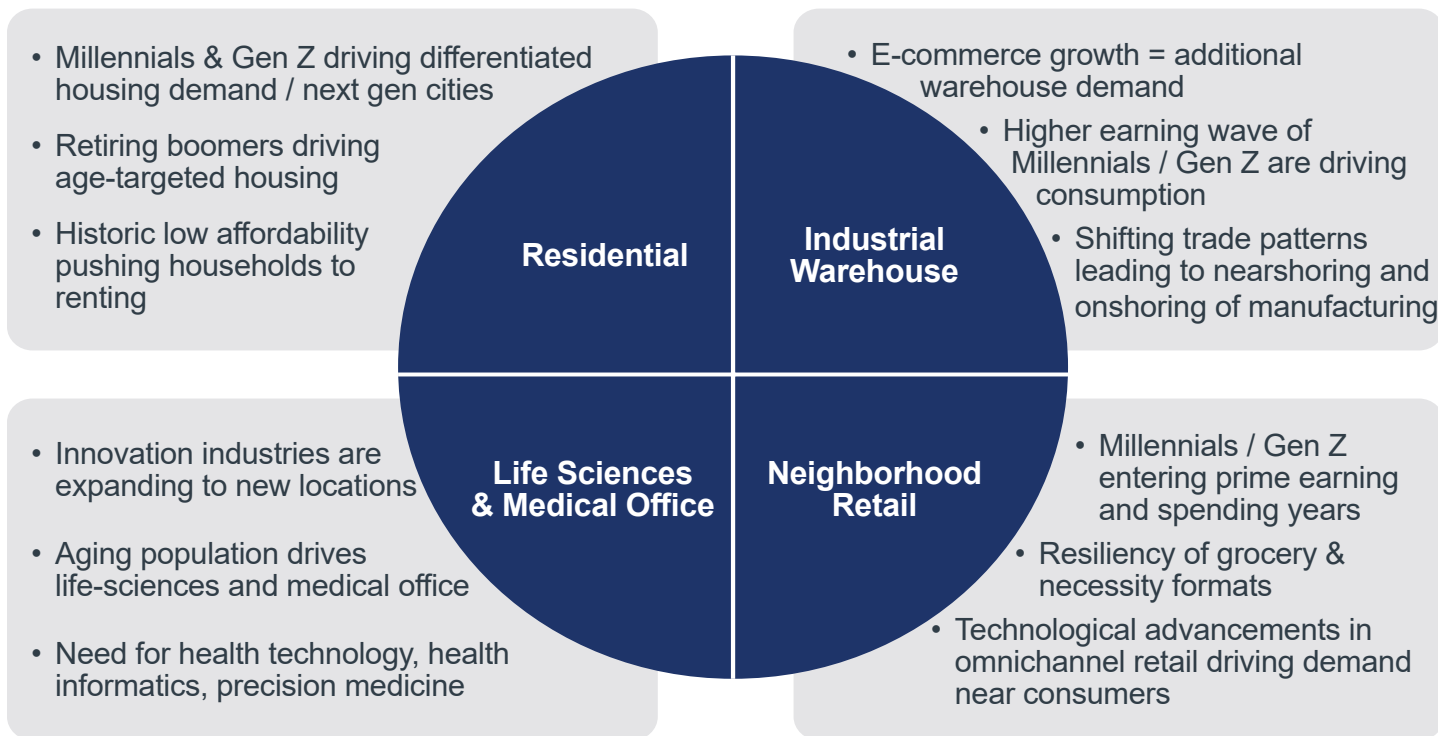
## Long-term drivers support potential for growth

### Macro themes are driving demand:

- Demographics, Innovation, Shifting Globalization patterns, a Housing shortage with affordability challenges, and Resiliency are driving strong demand across the residential, industrial warehouse, life sciences, and neighborhood retail sectors.
- As a result, current vacancy rates are below long-term averages for these sectors.<sup>3</sup>

### New supply is limited:

- With higher interest rates and increased return requirements, new construction has slowed significantly resulting in limited new supply across sectors.
- We do not expect near-term deliveries to keep pace with growing demand.



<sup>3</sup>Clarion Partners Research, CBRE EA, Q1 24

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