It’s morning for listed real estate

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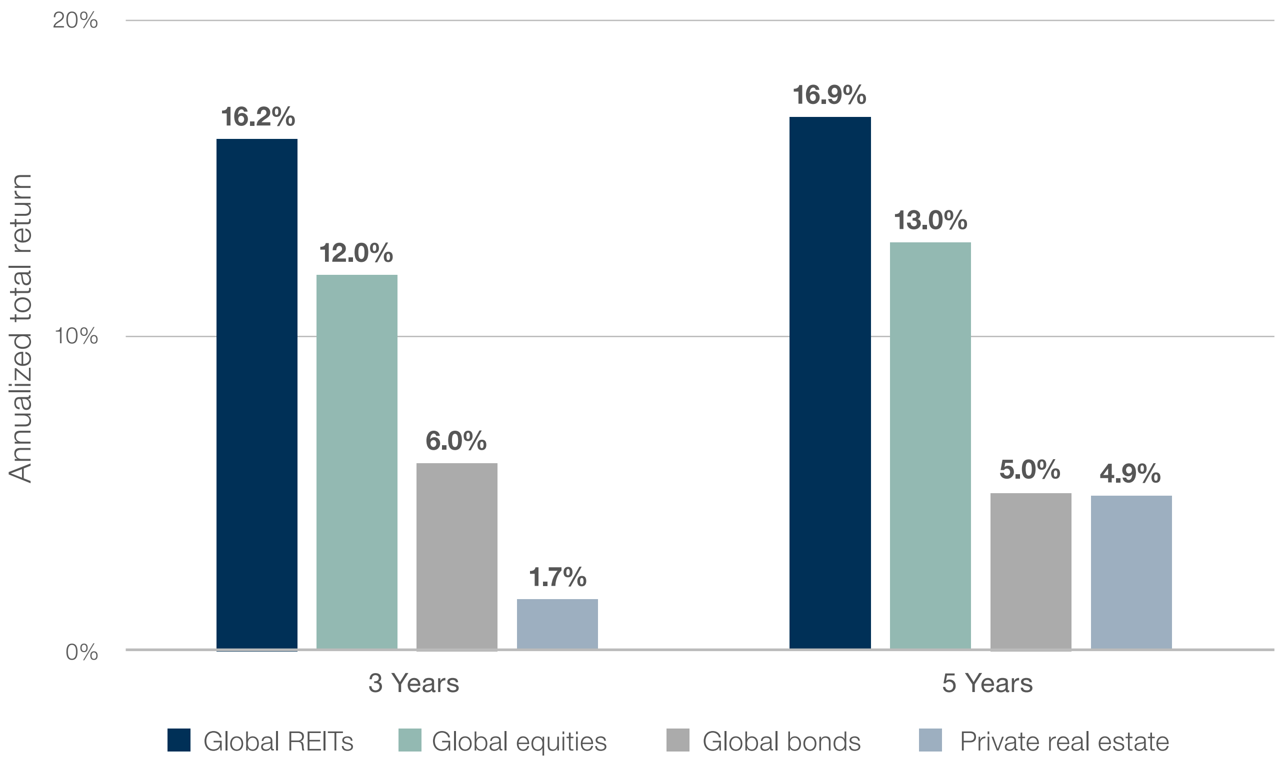
We believe listed real estate represents amongst the highest total return potential in broad equities and in real assets for 2024. Listed Real Estate Investment Trusts (REITs) meet investors at a special moment in history, following generational hikes in central bank rates, turmoil in capital markets, and nearly two years of negative REIT returns. With current inflation rates less than half of what they were a year ago, we see a potential pause in the Fed cycle as an important catalyst for REIT investors, who can look forward with more confidence to the future.

Listed REIT valuations are attractive

After the depths of winter, rises the force of spring. After ~500bps of increases in U.S. interest rates, REITs have posted nearly two years of negative returns. Two years of declines in REITs is a relatively rare occurrence; it has only happened twice before, in 1998/1999 and 2007/2008, and both periods proved favorable entry points for investors. Today, REIT underperformance has left valuations compelling. At the end of October 2023, we estimated that REITs were trading at a 25% discount to net asset value (NAV) Based on our estimate of the private market value of the commercial real estate owned, even after moderating our assumptions for values by ~25% over the last two years to reflect higher-for-longer rates. Such discounts to NAV have historically resulted in strong forward returns for REITs.

REIT and broad asset class performance following greater than 20% discounts to NAV

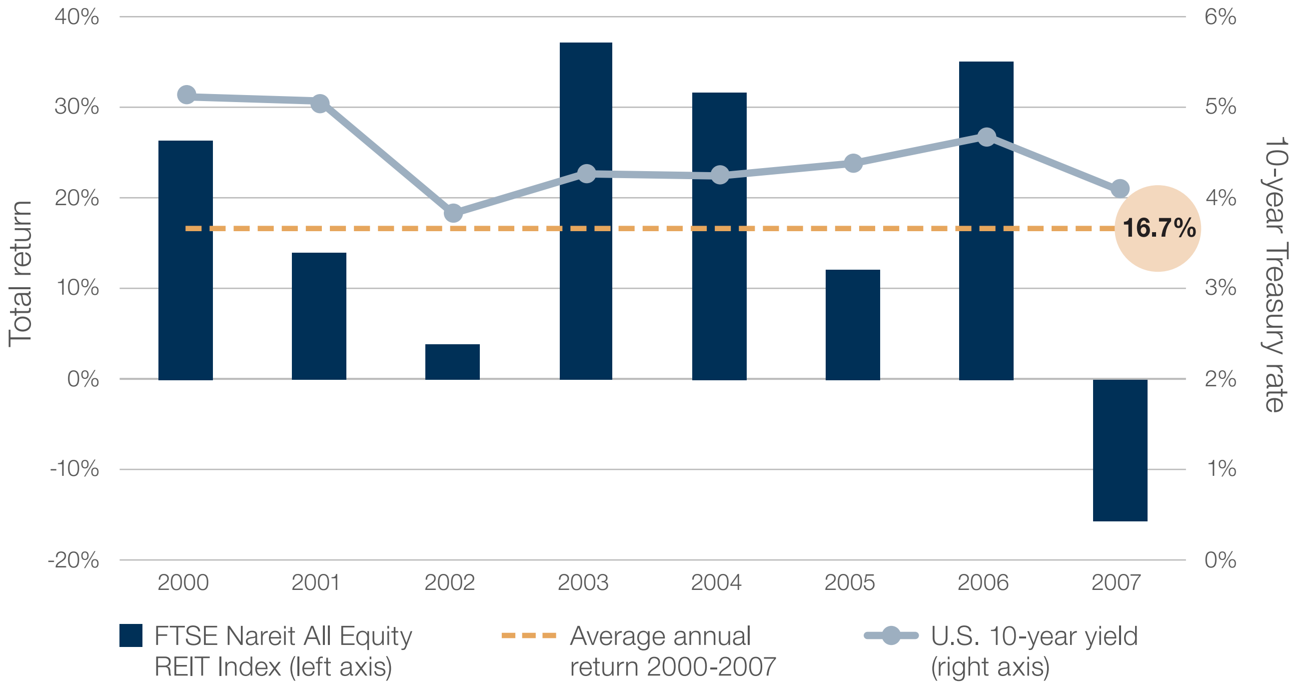


Sources: FTSE EPRA Nareit Developed Index, MSCI World Equity Index, Bloomberg Global Aggregate Bond Index, NFI-ODCE Value Weighted Index and CBRE Investment Management as of 11/30/2023. Returns are annualized and consider data between 1/31/1997-12/31/2020. Information is the opinion of CBRE Investment Management, and is subject to change and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Past performance is no guarantee of future results, which will vary. An index is unmanaged and not available for direct investment. Forecasts and any factors discussed are not a guarantee of future results.

Listed REITs can perform in a higher for longer regime

We see a catalyst for REIT performance in a potential Federal Reserve pause, which has spurred REITs in the past. Importantly, we do not believe we need interest rate cuts for REITs to perform; rather, we believe REITs can perform in a higher-for-longer regime, just as they have previously. Below, we show U.S. REIT performance during the 2000-2007 period, when the 10-year Treasury ranged between 3.8%-5.1%. **REITs outperformed equities and delivered a 16.7% average annualized return during this period.**

REIT performance across higher rate environments



Sources: CBRE Investment Management, FTSE Nareit All Equity REITs Index, and 10-year bond yield. Information is the opinion of CBRE Investment Management and is subject to change and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Forecasts and any factors discussed are not indicative of future investment performance. You cannot invest in an index.

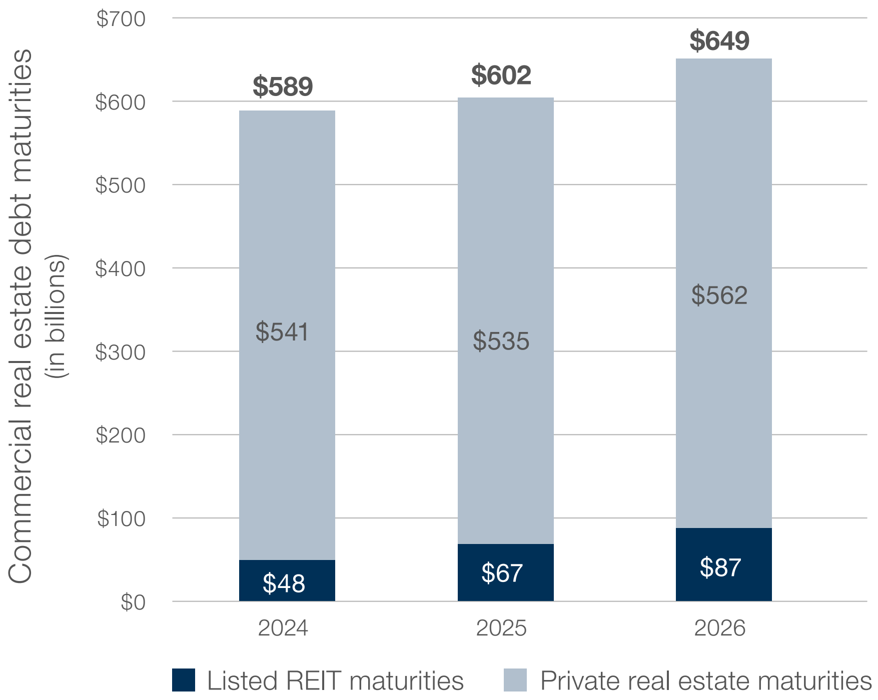
Resilient earnings supported by contracted cash flows and strong balance sheets

Aiding performance in a higher interest rate regime is the fundamental goal for REITs. In general, we see earnings as resilient, dividend coverage ample (1.5x), balance sheets strong, and JV/alternative capital available to fund acquisitions. We project ~4% earnings growth in REITs in 2024, which fully incorporates higher-for-longer rates, but excludes material transaction activity. Conservative earnings dovetails with strong balance sheets (which boast low loan-to-value ratios of ~27% on average), total debt stacks largely fixed, and significant terms to maturity.

The wall of debt maturities for private real estate investors may be an opportunity for REITs

Generally, pending debt maturities for commercial real estate (CRE) are a much larger issue for the private markets than they are for REITs; listed REITs represent only 12% of the $1.8 trillion of CRE debt maturing through 2026. The greater financial flexibility of REITs compared to the private market is an advantage, one that supports the potential for REIT management teams to take advantage of acquisition opportunities over the cycle.

REITs are relatively insulated from rising rates compared to private markets



Listed REIT balance sheets

27% Average loan-to-value ratio

91% Percentage of total debt at fixed rate

6.5 years Average term to debt maturity

Sources: CBRE Investment Management, TREPP, Morgan Stanley Research, Nareit as of September 2023. Information is the opinion of CBRE Investment Management and is subject to change and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Forecasts and any factors discussed are not indicative of future investment performance.

REITs access to capital advantage may support opportunities for accretive acquisitions

Indeed, while a new interest rate reality may bite private real estate participants, REITs may benefit. While private owners of real estate may face liquidation queues, contemplate refinancing challenges, and present more uncertain values, listed REITs are in a position of relative strength—their values are reset, refinancings are manageable, and the unsecured debt market is open. As 2023 closes, we've already seen REITs find opportunities, both by purchasing directly from private investors, and from buying amongst their peer set. Over the last 12 months ending November 30, REITs have initiated ten deals acquiring over $37 billion of commercial property assets. We believe this marks a return of animal spirits for listed REITs.

While challenging, we see 2023 as laying the groundwork for a potentially virtuous cycle of potential REIT acquisition. This cycle can only be strengthened by the valuation handoff—the potential for today's NAV discounts to turn into tomorrow's NAV premiums. As valuations potentially rise, REITs can have the ability to raise and deploy capital, with the potential to extend a cycle of performance for the asset class. As active managers, we continue to seek opportunities to compound additional value for investors. When we look ahead, we are optimistic for the asset class and for the opportunities that we see today to outperform. We look forward to a new morning for REITs in 2024.

INDEX DEFINITIONS

The **Bloomberg Global Aggregate Bond Index** is a flagship measure of global investment-grade debt from 28 local currency markets. This multi-currency benchmark includes treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers.

The **FTSE EPRA Nareit Developed Index** is designed to track the performance of listed real estate companies and REITS worldwide.

The **FTSE Nareit All Equity REITs Index** is a free-float adjusted, market capitalization-weighted index of U.S. equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

The **MSCI World Index** captures large and mid-cap representation across 23 Developed Markets (DM) countries.

The **NFI-ODCE Value Weighted Index (NFI-ODCE)** is a capitalization-weighted, gross of fee, time-weighted return index based on each fund's net invested capital, which is defined as beginning market value net assets (BMV), adjusted for weighted cash flows (WCF) during the period.

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