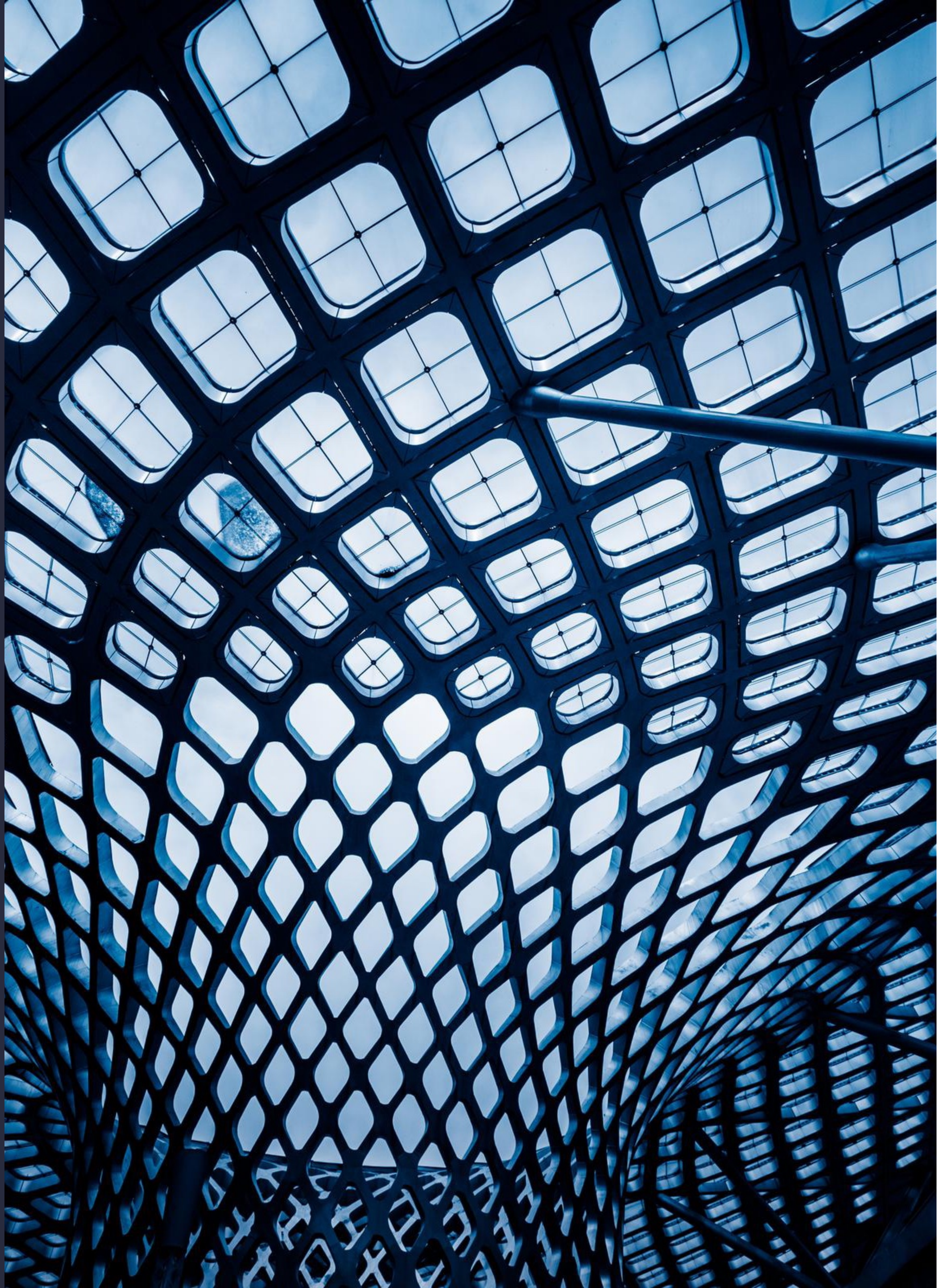


Manulife
Investment Management

Real Estate House View

2025 Outlook

March 2025

What you'll *find*

Manulife IM RE Research & Strategy Team

Victor Calanog
Managing Director & Co-Head

Erin Patterson
Managing Director & Co-Head

Caroline Suarez
Senior Associate

Cassidy Toth
Director

Hsaio-shan Yang
Director

Executive Summary

Key themes/takeaways

Guideposts for Investment Strategy in 2025

- **Return to Urban** is gaining steam. Young talent and households are no longer fleeing to lower-cost environments, rather recognizing the benefit of urban environments – particularly in Coastal Gateways - and now even some comparative affordability. Concurrently, not having experienced a supply run-up, these metros may experience more performance upside from increased economic activity and business investment.
- **Office Day of Reckoning…or Wrecking Ball** is the critical next step in unlocking a path to recovery. The office sector is severely under-demolished, and the demand profile changed so drastically, there is opportunity to disrupt on the supply side and make a contrarian bet on the sector.
- **Something's Gotta Give** to invigorate the capital markets. Growing foreign investment may face headwinds if increased U.S. economic activity strengthens the dollar. Likewise, a growing economy could also generate more inflation, potentially elevate rates for longer, and pushing downward pressure on investment activity.
- **Alternatives are the New Core** with an investment profile that may create the stability and returns investors previously sought in traditional CRE sectors, such as office. The inclusion of Alternatives into Core and Core+ funds and portfolio strategy beg the questions – what subsectors of Alternatives are the best "Core" candidates and how are they accounted for in allocation?
- **Industrial and Retail Work Together to Outperform** in a departure from the Industrial sector benefitting from e-commerce to the detriment of Retail. With both sectors refining and innovating purpose of space, there is opportunity in capitalizing on complementary use types in portfolio strategy and market selection, where both asset types can outperform, underpinned by similar drivers.

North America: 2025 Highest Conviction CRE Investment Themes

1. North American Retail investment in grocer-anchored and open-air centers is supported by a constrained pipeline, retailer reinvention to omni-channel and non-discretionary spending.

3. North American Affordable / Attainable multifamily in high-cost areas with job concentration in middle- to low-income sectors through development or value-add due to inflation and debt pressure on households.

5. North American Warehouse and Logistics in key logistic hubs with multi-modal accessibility most well positioned to capitalize on shifting demographic and purchasing trends, along with innovation demanding modernized product.

Residential

Industrial

Retail

Alternatives

2. North American Market-rate multifamily investment in target locations due to forecasted, strong long-term household formation and a measured pipeline compared with development focused on high-end.

4. Canada Student Housing proximate to strong higher education presence, with direct proximity to campus and student amenities due to chronic housing undersupply and upward cost pressure not meeting demand.

6. U.S. Industrial Outdoor Storage as traditional warehouse are higher-cost just as businesses are pulling back on spending and reconciling footprint; also provide access to key high-cost industrial locations.

7. U.S. Data Center development or new vintage acquisition as AI, cloud computing and storage use skyrocket and innovate, demanding the most modernized product.

Executive Summary by Property Type U.S.

	Industrial	Residential	Retail	Office
Key Takeaway	Continued e-commerce growth and increased on/near-shoring supporting rebalancing conditions amid tail end of record supply wave	Growing incomes, household formation, chronic supply shortage, declining affordability creating supply/demand misalignment	Positive trajectory rooted in strategic repositioning and restrained development; Sub-type focus on grocer anchored, experiential and med-tail	Hybrid/remote work consolidations and office-using job growth may not translate to "in-office" demand, undermining recovery amid signs of stabilization
Rent	Stable rent growth hovering slightly below the long-term average	Asking rents move higher but concession impede effective growth	Moderate rent growth, slightly above long-term average	Continued tepid asking rent growth doesn't fully reflect challenges
Vacancy	Vacancy below long-term average; select markets facing near-term supply shock	Vacancy elevated amid active supply pipeline misaligned with demand	Tight vacancies due to limited new development	Historically high vacancy though some stability in prime locations/ trophy assets
Supply	Record supply wave waning, coming into greater alignment with demand	Construction slowdown may help short-term supply/demand gap	Constrained pipeline; lack of availability hampering rental growth	Minimal new office supply as conversions take priority
Demand	E-commerce, 3PLs, and semiconductor industry expansion	Resilient job growth and would-be buyers locked out of ownership buoy demand	Strong demand for service-oriented retail and essential goods	Downsizing easing; demand for flexible, amenity-rich office spaces persists

Executive Summary by Property Type Canada

	Industrial	Residential	Retail	Office
Key Takeaway	Activity strong in small- and mid-bay product with some oversupply in large-bay that may be exacerbated by a plateau or decline in population	Immigration-driven population growth potentially reverses, providing some relief to chronic undersupply though affordability still an issue	Retail maintaining strong performance in open-air/grocer-anchored centers, with some looming risk should economy/ labor market weaken	Two-fold bifurcation between flight to quality and Suburban outperformance relative to Downtown; but overall weakness persists
Rent	Some rent contraction in large-bay product, while stable for small/mid	Rent increases driven by affordability issues in homeownership markets	Modest rent increases despite consumer spending constraints	Rent stable in prime markets but under pressure in secondary markets
Vacancy	Slightly rising due to new supply, reflecting temporary market softening	Vacancy remains near historic lows in part due to limited turnover	Vacancy tight in open-air/grocer-anchored centers; malls still weak	Bifurcation between stabilizing suburbs and deterioration in downtown markets
Supply	Large-bay oversupply and potential U.S. tariffs impact could deter development	New housing starts declining due to financing costs and slowing pre-sales	Constrained development pipeline expected to continue, limiting turnover	Minimal new office development as conversions take precedence
Demand	Users rightsizing/consolidating larger footprints; focused on infill product	Strong demand especially in high-growth cities like Calgary and Vancouver	Strong demand for necessity/ value-oriented; discretionary more limited	Demand for high-quality, flexible spaces along with rightsizing persists

Key Themes/Trends (top for U.S./Canada)

Global Outlook

Global economic growth is stabilizing at a lackluster pace amid geopolitical tensions, trade fragmentation, and climate-related disruptions.

Several central banks from G-7 countries initiated rate cuts.

Tariff policy may become restrictive in 2025, which has the potential to slow down trade and reignite inflation.

	United States	Canada
Economic Growth	GDP growth maintains solid momentum while the labor market, although showing signs of cooling, remains resilient.	Lingering effects of previous interest rate hikes have strained household finances and dampened business investment, while employment growth and job openings are not keeping pace with the growing labor pool, pushing unemployment higher.
Inflation	The Consumer Price Index (CPI) is gradually aligning with the Federa l Reserve's 2% target, despite occasional fluctuations.	Inflationary pressures have eased significantly, now comfortably within the Bank of Canada's target range of 1.0% to 3.0% and is predicted to hover around the 2.0% target through mid-2025.
Interest Rates	Interest rates will likely remain volatile, despite the start of a long-awaited easing cycle, as the Fed signals that the pace of cuts may slow pending the impact of the incoming U.S. administration's trade and labor laws on inflation.	The Bank of Canada has reduced the policy interest rates by a total of 275 basis points since June, lowering it to 3.25% in December 2024.
2025 Outlook	A solid labor market and converging inflation towards the Fed's 2% target support a cautiously optimistic economic outlook for 2025.	With inflation stabilizing around the 2.0% target and interest rates moving lower, a revived labor market and gradually rebounding consumer spending supports a modest recovery by 2025, with steadier economic growth on track to become the norm by 2026 and continue on that path going forward.

House View Objectives & Approach

The objective of the Manulife IM RE House View is to articulate a transparent viewpoint of current CRE Market conditions, deliver a target portfolio allocation, and to take a position on the outlook of the overall sector to inform our investment strategy. The House View:

- Begins with an objective, unconstrained, and unbiased view, representing the way Manulife IM RE perceives risk and opportunity based on macro- and micro-economic and CRE market indicators and fundamentals.
- Serves as the basis for an iterative investment strategy, and guides the investment thesis; portfolio management and client strategy; and asset management business plans.
- Provides an iterative framework to address risk and identify strategic and tactical pathways to achieve the best risk adjusted returns and outperformance through market- and asset-selection.
- Establishes accountability and continually refines the criteria for market/submarket and asset selection, and defines the risk spectrum in response to prevailing market conditions.

Inputs

- Internal & External Data / Modeling
- Industry Thought Leaders / Leadership

- GP/LP Insights
- General Market/Capital Markets Intel
- Market Tours

- Firmwide Investment Screenings
- Firmwide Weekly Pipeline
- Transactions (AQ, Disposition, Leasing)

House View

Outputs

Investment Strategy & Strategic Client Plans

- Equity Investments, including Structured Equity and Dispositions
- Credit Investing (Public and Private)
- Portfolio Management
  - Performance Measurement
  - Fund Reporting
- Asset Management
  - Hold/Sell Analysis
  - Value Creation: Leasing and CapEx Decisions
- Thought Leadership

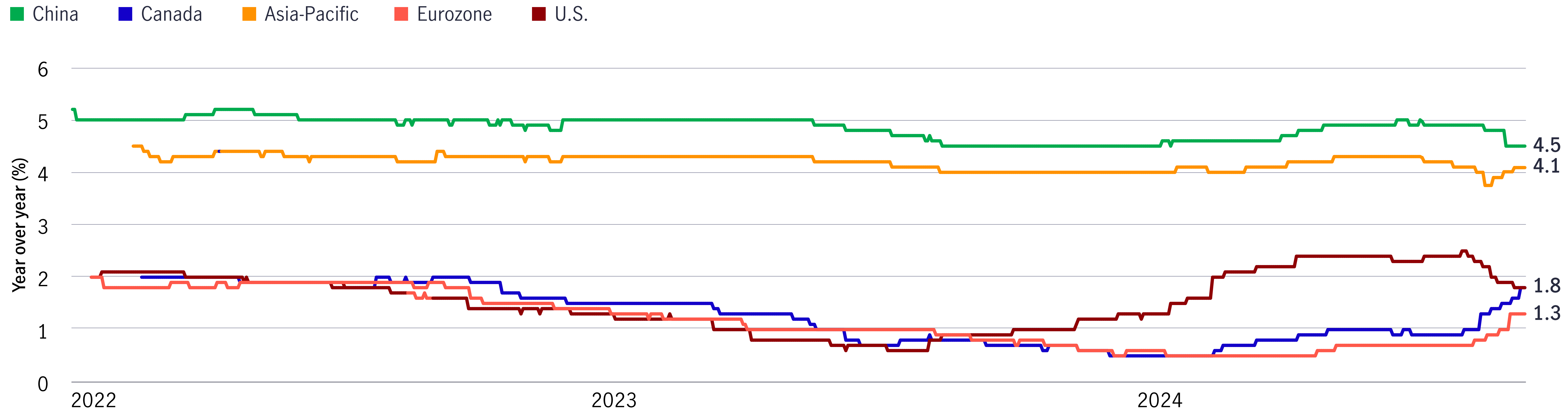
Strategic Macro Anchors Shaping The Global Growth Outlook

- Global economic growth is stabilizing, but at a lackluster pace. Geopolitical tensions, trade fragmentation, uncertainty around the pace and magnitude of rate cuts, and the impact of climate-related disasters all represent headwinds.
- Several central banks from G-7 countries began to cut rates, including three cuts from the U.S. Federal Reserve in late-2024.
- Global supply chain pressures have eased somewhat, and global trade growth is expected to rise by 2.5% in 2024. There is some risk that tariff policy will become restrictive in 2025, which has the potential to slow down trade and reignite inflation.

GDP Growth

- Global GDP growth for 2024 will likely be in the low- to mid-2s, the third straight year when figures slowed relative to the prior year.
- According to the World Bank, growth in 2024 and 2025 will be below its average from 2010 to 2019 in nearly 60% of economies, adding up to over 80% of the global population.
- If policies that limit trade and labor mobility are put in place by various countries in 2025, this will likely represent not just a net drag on GDP growth projections. It also poses the risk of higher inflation, which will affect the pace and magnitude of monetary policy easing.

2024 Consensus GDP Forecasts

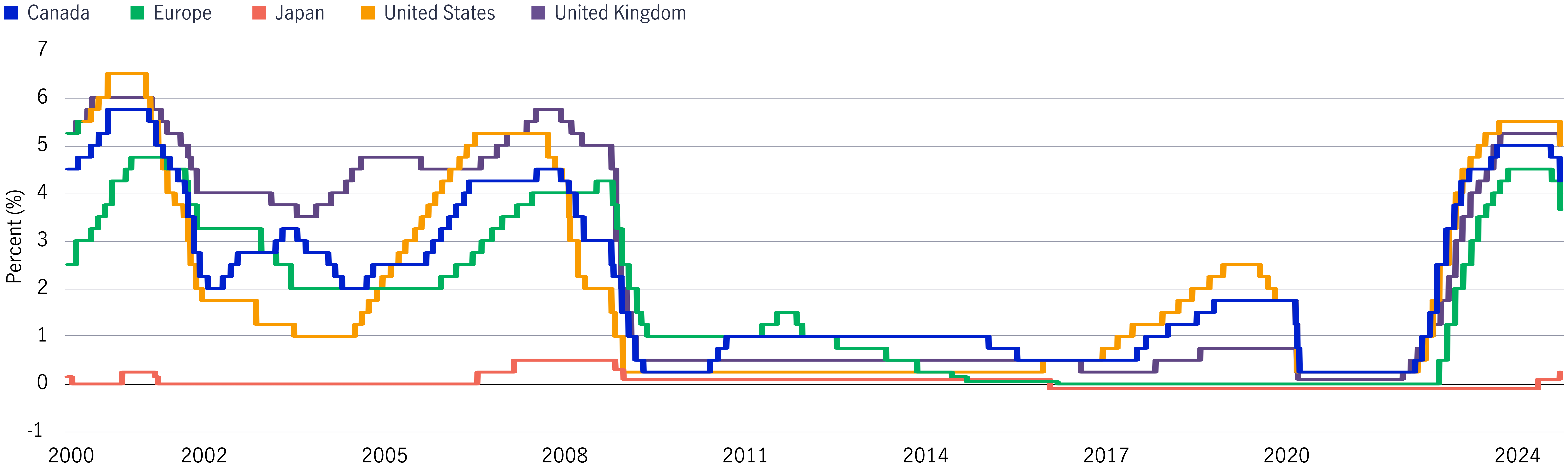


Source: Macrobond, Manulife Investment Management as of 3Q24.

Monetary Policy

- Many central banks have shifted from rate hikes to rate cuts, starting in mid-2024. The U.S. Federal Reserve cut rates by 50 bps in September, and by another 25 bps in both November and December.
- The balance between full employment and price stability appears to have tipped, with concerns about slowing economic growth swamping concerns about inflation.

Central Bank Main Policy Rates



Source: Macrobond as of 3Q24.

Geopolitical Winds

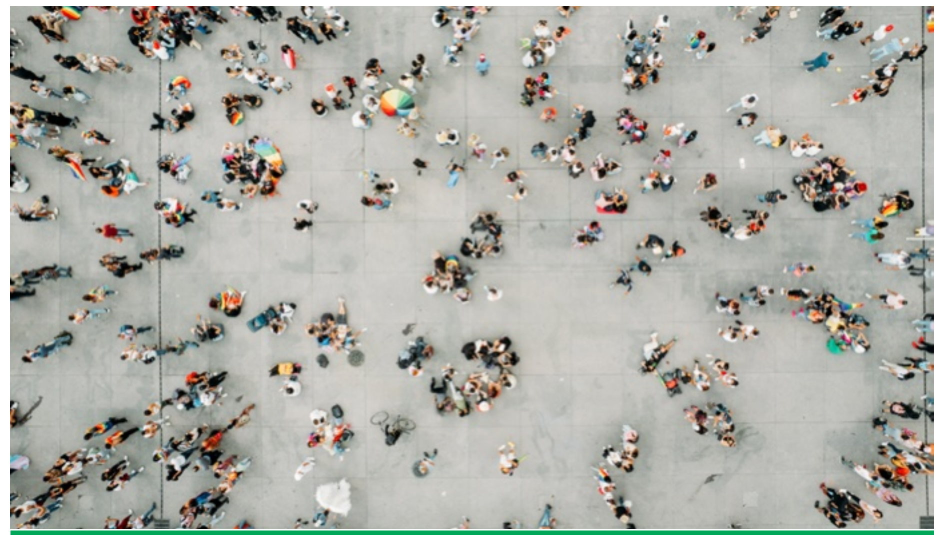
- Uncertainty continues to surround the Ukraine and Gaza Strip conflicts, with continued sanctions and opaque view for the path to a resolution.
- Approximately 70 out of 195 countries recognized by the United Nations held national elections in 2024. Most regimes represent continuity, but the Republican sweep of U.S. government may lead to trade tensions in the near term.
- Ongoing geopolitical turmoil could quickly depress sentiment, disrupt trade and commodity markets, push up inflation, and hurt economic activity.

Trade

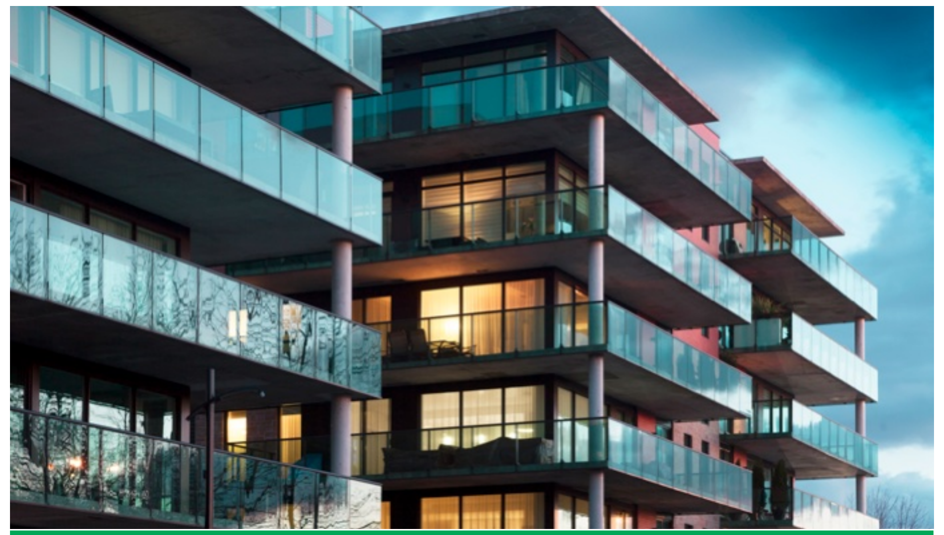
- Global supply chain pressures have eased somewhat throughout 2024, and there is little sign that climate-related events have held back the expectation that global trade growth will rise by 2.5% this year.
- There is concern that tariff policies in the near term may be net restrictive to global trade. Much of this will depend on how the incoming U.S. administration executes on proposals to raise tariff on many goods coming from different countries.

Concepts Driving Market & Asset Selection Today

Economic Base: Labor market rebalancing, look for key industry growth, supportive markets & asset types.



Demographic Shifts: Reversal of Pandemic trends, immigration policy changes, affordability could result in new population centers.



Purpose of Space: Human–centric strategy drives outperformance, prioritizing assets that meet demand.

Sustainability: Climate risk and social impact, with variations in Sustainability prioritization and adoption, may differentiate selection.

Definition of Core: A shift in what the Core profile looks like, while generating stable returns and performance.

Innovation and Technology: Markets and assets need to be agile and able to integrate and adopt new technology.

Market Timing and Asset Management: Quickly changing market conditions and demand preferences warrants proactivity in operations.

Income Growth Potential: As cap rate compression is less of a component to returns, identifying strategies to grow income is paramount.

The Property Type Investment Spectrum Is Expanding Asset Selection

Transformation in the way we use space is recategorizing commercial real estate

Live
- Multi-hSFR / BTR
- ousing
- Student Hsg
- Senior Hsg/Active Adult*
- Affordable/Attainable
- Manufactured Hsg
- Exp. Retail Centers

Manage & Optimize
- Self-Storage*
- IOS*
- Truck Terminals*
- Cold Storage*

Procure & Secure
- Warehouse & Distribution
- Retail / Power Centers

Produce & Create
- Office
- Medical Office
- Studio

Innovate
- Manufacturing
- Life-science
- Bio-Industrial
- Data Centers*
- Ambulatory*

- Globalization, technological advances, and demographic shifts are changing the way we use the built environment, leading to an evolution in CRE asset types and investment strategies.
- Investment performance today hinges on capitalizing on the way real estate is used by making strategic acquisition and asset management decisions to optimize experience in these spaces.
- Within this paradigm of space use and asset types floating across the spectrum, as real estate continues to diversify, the way investors account for risk in their portfolios needs to advance and consider a broader range of drivers and mitigation tactics.
- Structure the deal and positioning the asset with the most efficiency and agility is critical in advancing the longevity of the investment as space use continually evolves, and at greater speed.

- The property types listed above are those Manulife IM RE determines are investable property types and sub-types, and include "Traditional" (e.g., Multi-housing, Office, Warehouse & Distribution, Retail) as well as Alternatives (e.g., IOS, Ambulatory).
- Some sub-property types may allow for multiple purposes (e.g., Data Centers may satisfy Manage & Optimize, and Innovate).
- Alternatives may be classified as a niche property type or sub-type that requires sophisticated operational expertise in order to execute on the business plan; data may not be readily available, especially historical; limited proven-out use cases; benefits from aggregation strategies; institutional activity may be limited.

* Alternatives

2025 Sector Trends Informing Market & Asset Selection

Industrial

- Fundamentals rebalancing, both investors and tenants in a wait-and-see mentality as demand-side velocity is subdued.
- Rents to likely experience some volatility, with growth stabilizing lower than record-levels but above long-term average while TIs accelerate.
- Completion volume remains on higher side through 2025, however pipeline reconciliation aided by fewer starts.
- Some hangover of big-box space, including sublease, persists but may see enhanced absorption in markets benefitting from reverse migration.
- Smaller bay, infill and hub product to likely outperform due to supply constraints and accessibility; complementary IOS likely to attract increased investor interest.

Residential

- Rent correction in highest growth U.S. and Canada markets during Pandemic likely to persist over coming months.
- Widening gap in quality and price point of new product delivered versus demand and affordability.
- Immigration changes may help to rebalance some portion of supply/demand but long-term housing shortages will not be alleviated.
- Urban centers in U.S. and Canada show divergence, with the bulk of supply – particularly condo – putting downward pressure on rents in Canada.
- Urban nodes and first ring suburbs in U.S. Gateways showing recovery while Canada suburbs are exhibiting stable performance.

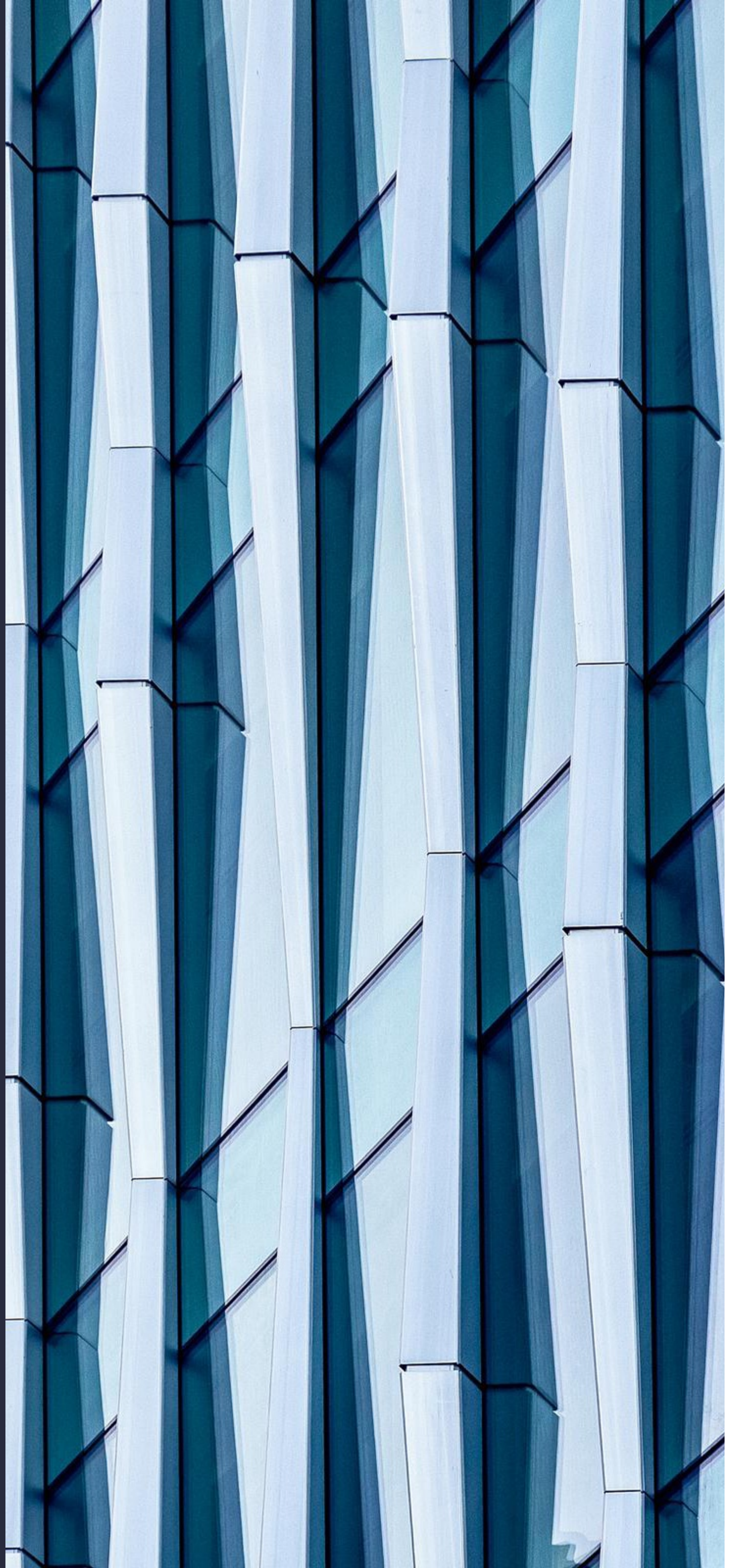
Retail

- Stable performance and tight vacancies across the U.S. and Canadian retail sectors, underpinned by limited construction.
- Demand may moderate, but the gap between absorption and supply will help maintain rents.
- Rent growth anticipated to continue, on average slightly higher than the last decade, but at a lower rate than other sectors.
- Previously high-growth population centers in the U.S. Sun Belt and Canada's urban markets may show slower growth.
- Bifurcation in performance emerging. Grocer-anchored centers with aspirational tenants, and complementary value- and service-oriented in-line tenants likely to anchor the sector.

Office

- In spite of efforts of some large organizations to mandate RTO, hybrid working will persist and continue driving consolidation.
- Bifurcation in performance not going away, favoring best-in-class trophy in the most optimal, accessible locations for both investors and occupiers.
- In a regional divergence, urban nodes in U.S. Sun Belt, Gateways, and Canadian suburbs will continue to record the bulk of activity.
- In absence of demand, focus is on supply-side stabilization; anticipate demolition and conversion to higher and better use.
- Limited pool of investment activity likely to be concentrated in best-in-class assets and assets suitable for conversion to other property types in exit.

U.S. House View



U.S. Macro-Economic Overview

Through the second half of 2024, economic signals for the U.S. economy remained mixed. It remains critical to track key indicators, particularly coming out of the recent U.S. elections. Overall trends and sentiment appear to be pointing toward a high likelihood of a "soft landing," with recession odds moderating and labor markets remaining relatively healthy. While certainty remains elusive, the principal areas of attention—inflation, GDP and labor market—all seem to be edging forward, if cautiously, with much short-term fluctuation. However, potentially inflationary tariff and labor policies from the new U.S. administration are combining with an overall favorable environment of broad-based growth to complicate the rate-cutting scenario.

- The CPI trajectory is moving closer to the Fed's 2% objective, despite some bumps.[1]
- Solid momentum in GDP growth reflects a healthy consumer even as investment slows in some sectors.[2]
- The labor market, although cooling, remains resilient.[1]
- Consumer spending is holding up well, despite some inconsistencies.[2]
- Interest rates have remained volatile, with short-term rates following the Fed's cuts in September - but long-term rates like mortgages tied to the U.S. 10-year Treasury rising to reflect changing market expectations.[3]

1 Bureau of Labor Statistics, November 2024. **2** U.S. Bureau of Economic Analysis, 3Q 2024. **3** The Wall Steet Journal. "If the Fed Is Cutting Rates, Why Aren't Mortgage Rates Falling?" 11.7.2024

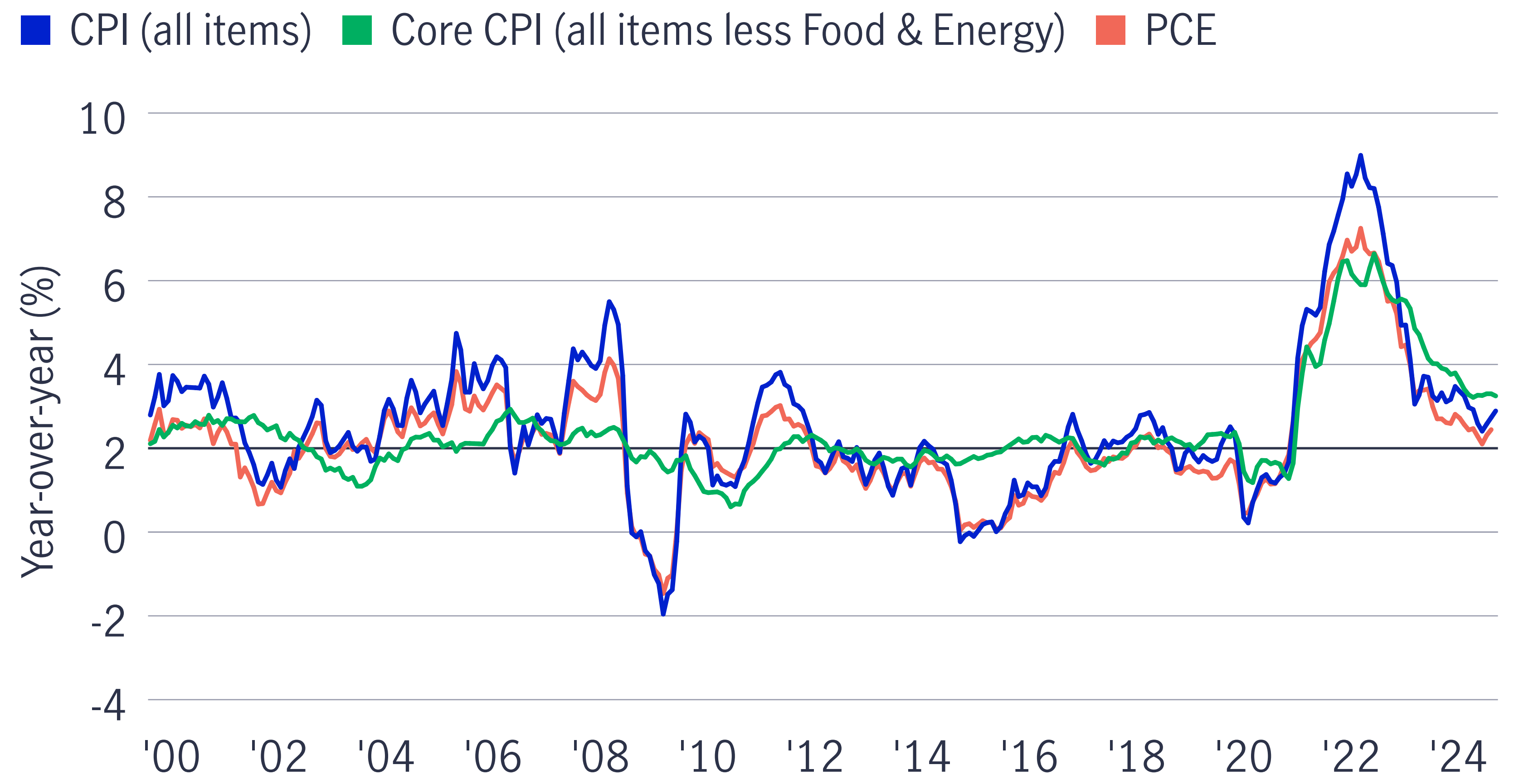
- **The CPI trajectory is moving closer to the Fed's 2% objective,** despite some bumps, as risks of inflation trending higher become less threatening and the narrowing between inflation and wage growth set the stage for further moderation.[4]

  - As of November 2024, the Consumer Price Index (CPI) increased 0.3%—up slightly from 0.2% in the previous four months, while the annual rate settled at 2.7%, up 10 basis points from October, but nonetheless narrowing toward the 2.0% target throughout the year.[4]
  - Less food and energy, inflation was up 0.3% for the month and 3.3% for the year, a steady pace in the second half of 2024. Shelter inflation increased 4.8% on an annual basis, down from 6.5% a year ago.[4]
  - The super-core measure (core services ex. shelter) is stubborn, increasing 4.1% on an annual basis versus 3.5% a year ago.[4]
  - Expectations are largely that inflation will show further volatility, dealing a somewhat wild card to policy decision-makers.

- **Solid momentum in GDP growth** reflects a healthy consumer while investment pulls back.[5]

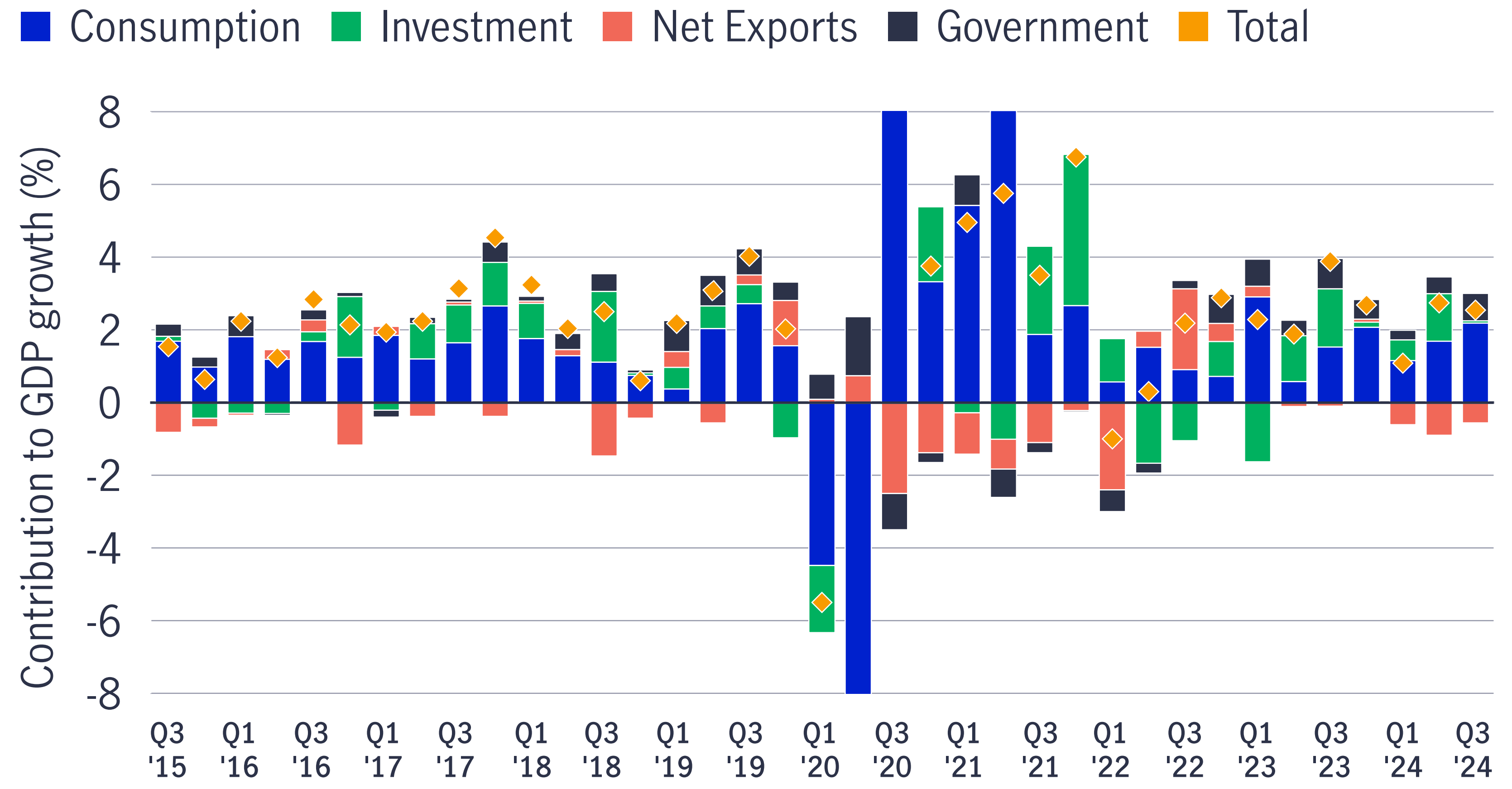
  - Annualized GDP growth registered +2.8% in Q3, showing solid momentum but down slightly from +3.0% in Q2.[5]
  - Projections reflect a more optimistic outlook for 2025 annual GDP growth to reach 2.5%, according to Oxford Economics.[6]
  - Expectations largely point to stronger short-run potential GDP growth in 2025 as inflation has moderated, and upside risks to inflation are less threatening (barring any unforeseen geopolitical or black swan events).[6]
  - Despite short-run potential growth being revised up, longer-term growth is constrained by an aging population and its limiting impact on labor force and employment growth.[6]

Annual Inflation



Source: FRED as of November 2024.

Quarterly GDP Growth



Source: FRED as of Q3 2024. Note: Chart truncated to exclude highs and lows during the pandemic and recovery.

4 Bureau of Labor Statistics, November 2024. **5** U.S. Bureau of Economic Analysis, 3Q 2024. **6** Oxford Economics. "US: Revisions strengthen conviction in our 2025 GDP forecast." 10.10.2024.

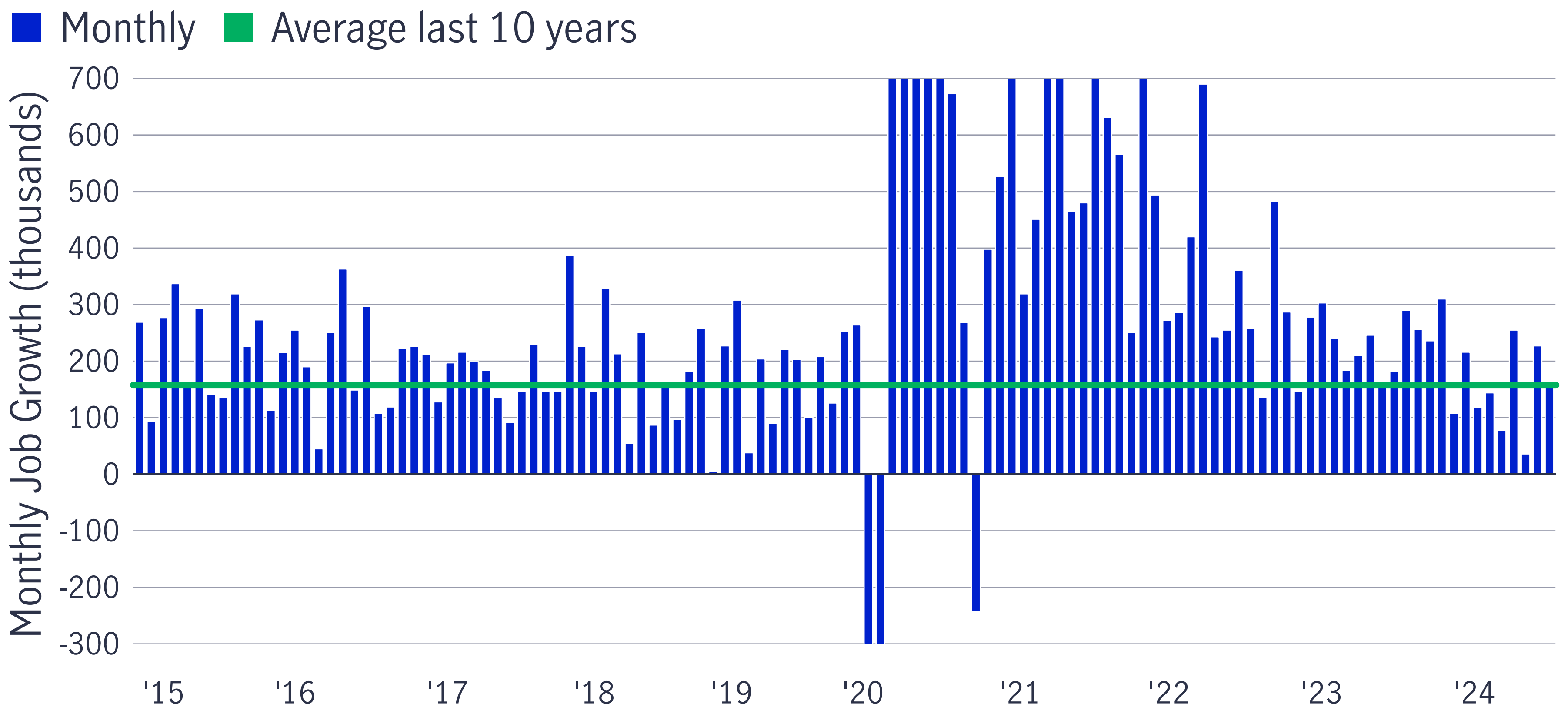
- **The labor market, although cooling, remains resilient** as solid November job gains came in in-line with expectations. Momentum is slowing, evidenced by hiring letting up and private sector pay gains easing.[7]

  - The rate of growth is moderating overall while 277,000 jobs were added in November 2024, as workers sidelined by storms in October got back to work and thousands of striking Boeing employees returned to work.[7]
  - The unemployment rate held relatively flat at 4.2% while labor participation was fairly level at 62.5%.[7]
  - Also positive, job growth remained broad-based, with noncyclical industries benefiting the most (e.g., education and healthcare, government).[7]
  - Annual wage growth likewise was strong, up marginally to 4.0% in the 12-months through November, and still outpacing inflation.[7]
  - While services and business activity are also trending positive with higher orders and greater activity, indicating underlying labor market strength, there are other signs that hiring may be slowing with inventory sentiment falling.[8]

- **Consumer spending is holding up well, despite some inconsistencies,** supported by increased after-tax income, higher savings among U.S. households and a healthy labor market.[9]

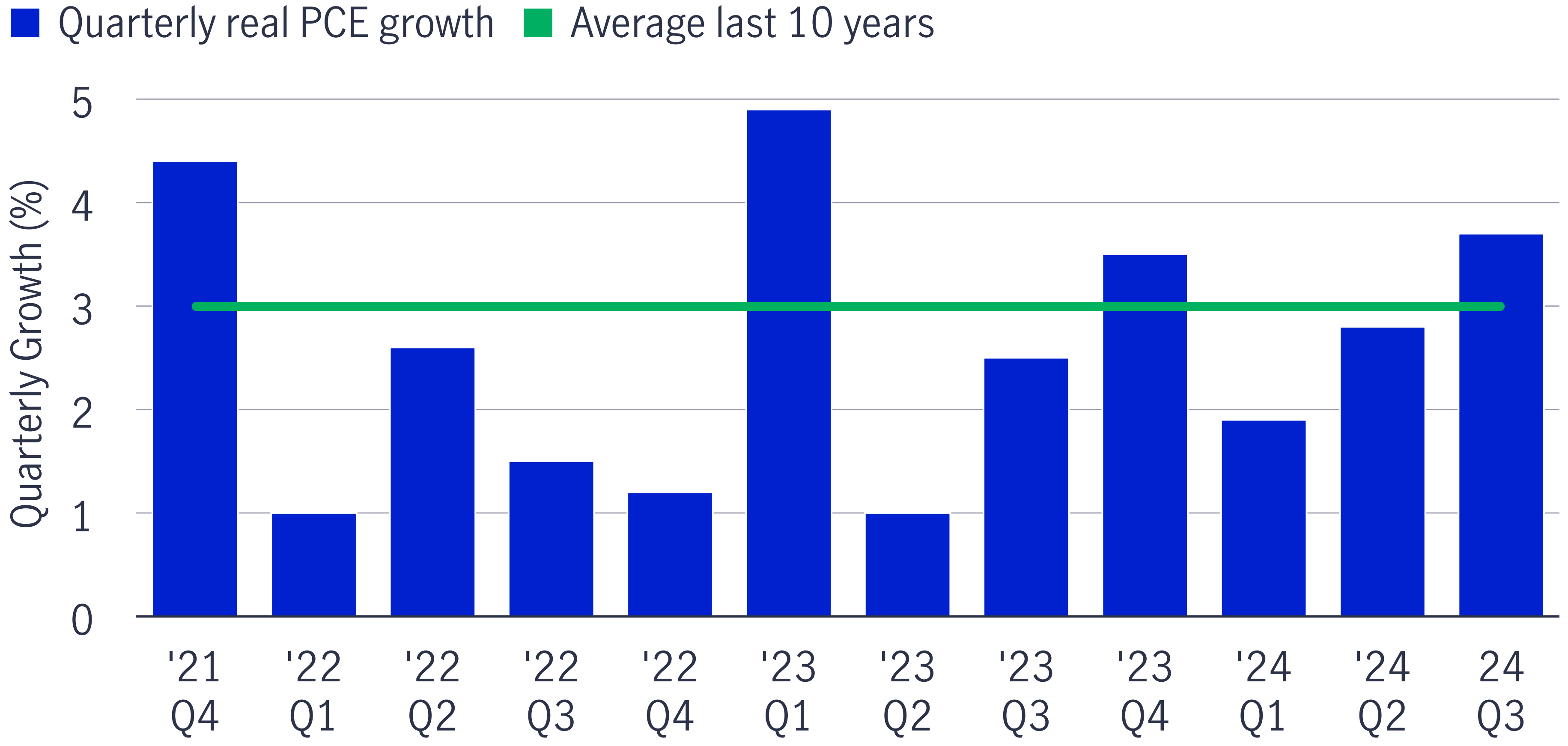
  - Consumer spending increased 3.7% in the third quarter, advancing relative to the first half of 2024.[10]
  - Notably, consumer purchases of big-ticket items as prices fall, which could continue as interest rates fall and financing is more affordable, while purchases also rotate towards cheaper goods and necessities.[10]
  - Recent wage growth may translate into more favorable spending patterns through the holiday season and year-end, while sentiment continues improving even after the election but remains low overall—November 2024 sentiment rose to 71.8, up more than 40% from June 2022 lows but below the trailing 12-month high of nearly 80 and well below pre-pandemic readings.[11]

Job Growth



Source: FRED as of November 2024. Note: Chart truncated to exclude highs and lows during the pandemic and recovery.

Consumer Spending Growth



Source: FRED as of Q3 2024.

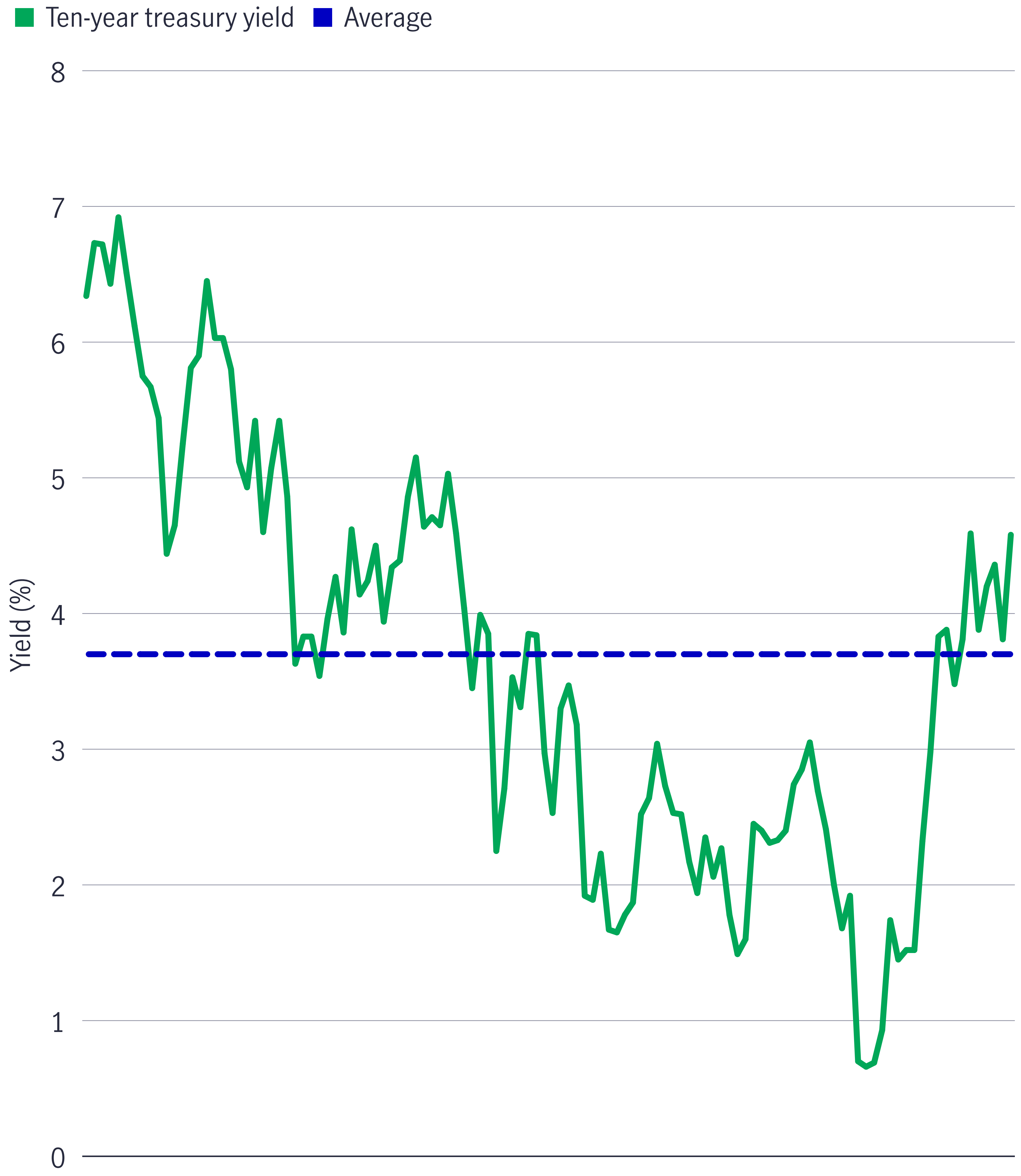
7 Bureau of Labor Statistics, November 2024. **8** "CoStar Economy: Fretting over the labor market appears overdone." CoStar. 10.9.2024. **9** U.S. The Conference Board. "The Conference Board Economic Forecast for the US Economy, US Economy Displays Continued Resilience." 10.23.2024. **10** Bureau of Economic Analysis, 3Q 2024. **11** "Surveys of Consumers." University of Michigan. 10.11.2024.

Interest rates will likely remain volatile, despite the start of a long-awaited easing cycle.

- The Fed cut interest rates by 50 bps in September, marking the start of a long-awaited easing cycle. Another two rates cuts of 25 bps each followed in November and December.
- A more balanced labor market and cooling inflation suggest further rate cutting ahead. The results of the election and possibly more restrictive trade and labor regulations create uncertainty around the pace and magnitude of future rate cuts.
- Overall, lower rates may generate positive economic momentum, restoring liquidity in the financial markets and improving household balance sheets. However, as discussed below, the pace of rate cuts may slow given changing expectations.

Expectations for 2025 indicate that the US economy will continue to display resilience, with slowing inflation and a solid labor market: these overall factors are anticipated to support measured interest rate cuts by the Federal Reserve. Consumer spending is holding up well, despite some inconsistencies, driven by higher after-tax income, increased savings, and steady wage growth despite high prices and interest rates affecting the housing market. Having the U.S. elections conclude in early November removes one source of uncertainty, while contributing to others, like how much new trade and labor laws might reignite inflation. The Fed has, accordingly, sent signals that suggest that the pace of rate cuts may slow.[12] Overall, a solid labor market and converging inflation towards the Fed's 2% target support a cautiously optimistic economic outlook for 2025.

Ten-Year Treasury Yield



Source: FRED as of 4Q24.

12 Bloomberg. "Fed Minutes Show Officials Were Eager to Slow Interest-Rate Cuts." 01.08.2025.

Economic Conditions are Playing out in Commercial Real Estate Uncertainty

Economic Resiliency

- Mixed indicators challenge conviction in real estate fundamentals despite the U.S. likely evading recession, with uncertainty around the health of the labor market (unemployment remains low, but job creation has been slowing significantly).

Transaction volume has increased relative to 2023. The increase is modest, however (+7%-10% versus 2023).

Rate Volatility

- Challenging liquidity and financing in U.S. capital markets impact households with rising debt and reduced savings rates, affecting spending.
- Even with total Fed rate cuts of 75 bps, the expectation is the combination of interest rate volatility and limited single-family inventory will continue to redirect demand to multifamily.

Interest rate volatility may redirect buyer demand to rent in the near-term, and further challenge savings potential.

Labor Market Momentum

- Job creation remains positive, although monthly numbers have been slowing. Total nonfarm payrolls were essentially unchanged in November, although there were many idiosyncratic factors affecting 4Q's job numbers.

A correction could prompt shifts in hybrid working and supply chains, leading office and industrial users to reconcile their footprints.

Consumer Spending

- Inconsistent consumer spending patterns benefit from record-level savings, though U.S. sentiment mirrors recession-like conditions.
- Inflation and interest rate adjustments deplete household savings, reducing discretionary spending and potentially impacting retail and industrial demand-side fundamentals.

Changes in consumer behavior may impact retail, but redefined retailer strategies and bespoke brick-and-mortar approaches likely mitigate effects.

Source: Based on Bureau of Labor Statistics, U.S. Federal Reserve, MSCI/RCA and Oxford Economics data synthesized by the Manulife IM Research.

U.S. Capital Markets

Through much of the third quarter, the rate environment remained unchanged. Not until the Fed's 50 bp cut in September did markets start to express stronger commercial real estate (CRE) investment sentiment. Just as soon as this was evident, however, strong payroll results hit the press, putting into question the extent of future rate cuts. We ended 2024 with a total of 100 basis points of rate cuts from the Fed, but there is uncertainty about the pace and magnitude of rate cuts throughout 2025. The 10-yr Treasury, for instance, has risen by over 100 basis points since the first rate cut, given changing expectations of economic resiliency and inflation potentially reigniting.[1] The market is hopeful that further rate cuts are coming, with investors are already factoring this in, with more aggressive bidding activity. At the same time, investors are monitoring economic growth to understand rate impacts, and some sellers may hold off until both credit costs and cap rates definitively trend in an advantageous manner.

From a market and sector selection standpoint, across most strategies, investors are increasingly focused on more supply constrained markets such as select Coastal Gateways showing resilience in high-conviction sectors like industrial and multifamily. Reverse migration, increased return-to-work, and a narrowing gap in affordability compared with Sunbelt markets are fueling this shift. Growing bifurcation in all sectors – not just office – is playing into the capital markets. High-growth markets by and large are experiencing supply-side pressure, as well as softening demand fundamentals. It's critical to note, however, that this "softening" can more accurately be described as a normalization coming off record levels of activity, and on a long-term basis, these markets may remain strategic plays. The push-pull between significant dry powder focused on value-add and opportunistic plays are still challenged by lending sentiment. Financing is still somewhat restrictive in markets with elevated supply.

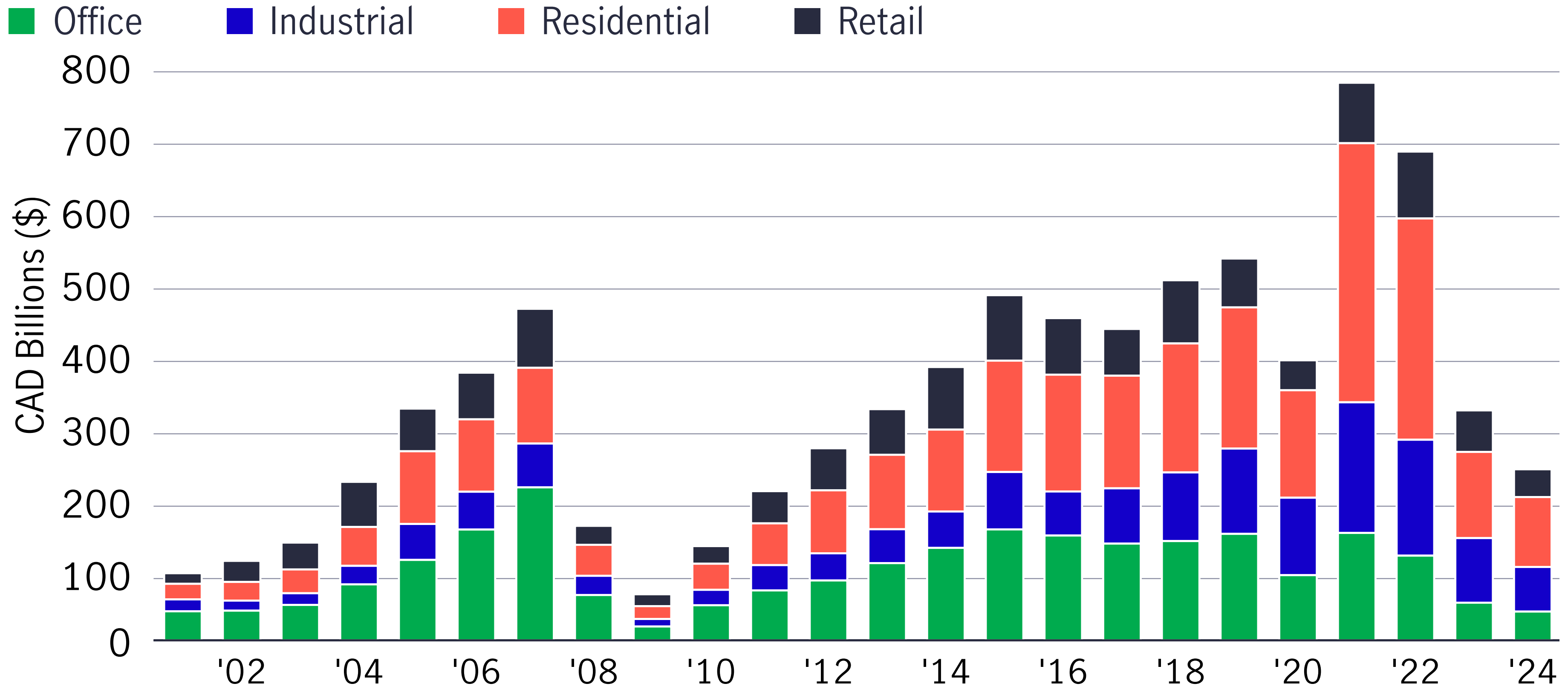
- As of 4Q24, dry powder—uncalled capital—for North American investment totaled $185 B, with $161.6 B focused on value-add and opportunistic strategies.[2]
- Another looming factor in capital markets activity is commercial real estate (CRE) loan maturities – which sets up a headwind but also opportunity—with figures showing approximately $2 T in CRE loans slated to mature by 2026, nearly half of that amount coming due in 2024.[3]
- In the interim, foreclosures are starting to rise, putting downward pressure on cash flow and valuations. Rising expenses that exceed rent growth potential, particularly in high-supply markets, are likewise eroding net operating income, in turn complicating refinancing efforts.

1 U.S. 10 Year Treasury. CNBC. Data as of 10.18.2024. **2** Preqin Dry Powder. Data as of January 2025**. 3** "Commercial Real Estate's Wall of Maturities: Should You Be Concerned or Not?" ULI. 9.30.2024.

Investors caught in a circling pattern with competing forces at play

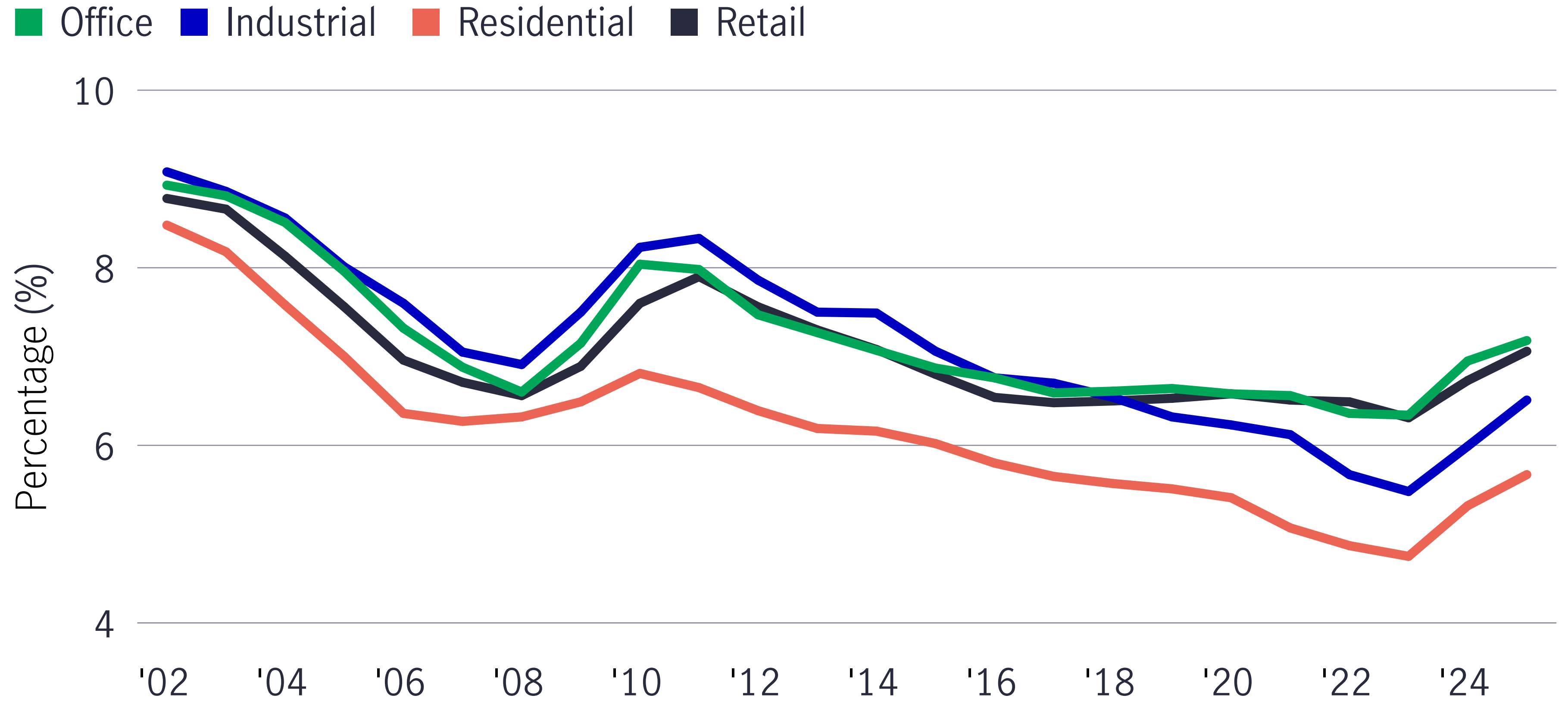
- Moving through the second half of 2024, many investors remained on the sidelines due to the very measured approach of rate cuts until September's 50-bps reduction, injecting positive sentiment , exhibited in increased investor interest. With news of a job surge and a slight uptick in inflation that followed, positive sentiment quickly gave way to skepticism, which appeared to be the theme through year-end.
    - Capital raising difficulty and redemption queues showed slight momentum moving through the second half, but concerns remain, and year-end results show well below peak.
    - Redemption queues for core real estate funds ramped up in mid-2022, and have remained steady through 2024. As of 3Q24 queues are approximately 18.9% of NAV, with a median queue of 15.0%.[4]
    - Fundraising for non-traded REITS YTD through November 2024 was just less than $5.5B—half 2023 totals , and 16% of 2022-levels.[5]
    - CRE loan originations and lending sentiment are broadly unchanged from the mid-year mark, though CMBS showed a strong turnaround in 2H24.
    - Investors remain hyper-aware of liquidity and cautious in managing capital flows, resulting in a pullback in transaction volume during the first three quarters of 2024 compared with 2023.
    - The third quarter recorded the completion of $97.5B in sales, essentially flat compared with 3Q23 volume.[6]
    - Year-to-date through 3Q24, volume totaled nearly $212B, down 5% compared with the same time frame last year, and volume for 2024 is likely to close out the year on par or slightly better than 2023.[6]
    - Cap rates generally widening, reflecting repricing efforts, but limited trades lend to more uncertainty in the direction of cap rates. Select sectors in high-growth markets showed some compression and narrowing in the bid-ask spread , but this is returning to some degree. We anticipate volatility in this area moving through the first half of 2025.[7]

Transaction Volume by Property Type



Source: Real Capital Analytics as of 3Q24.

Cap Rate by Property Type



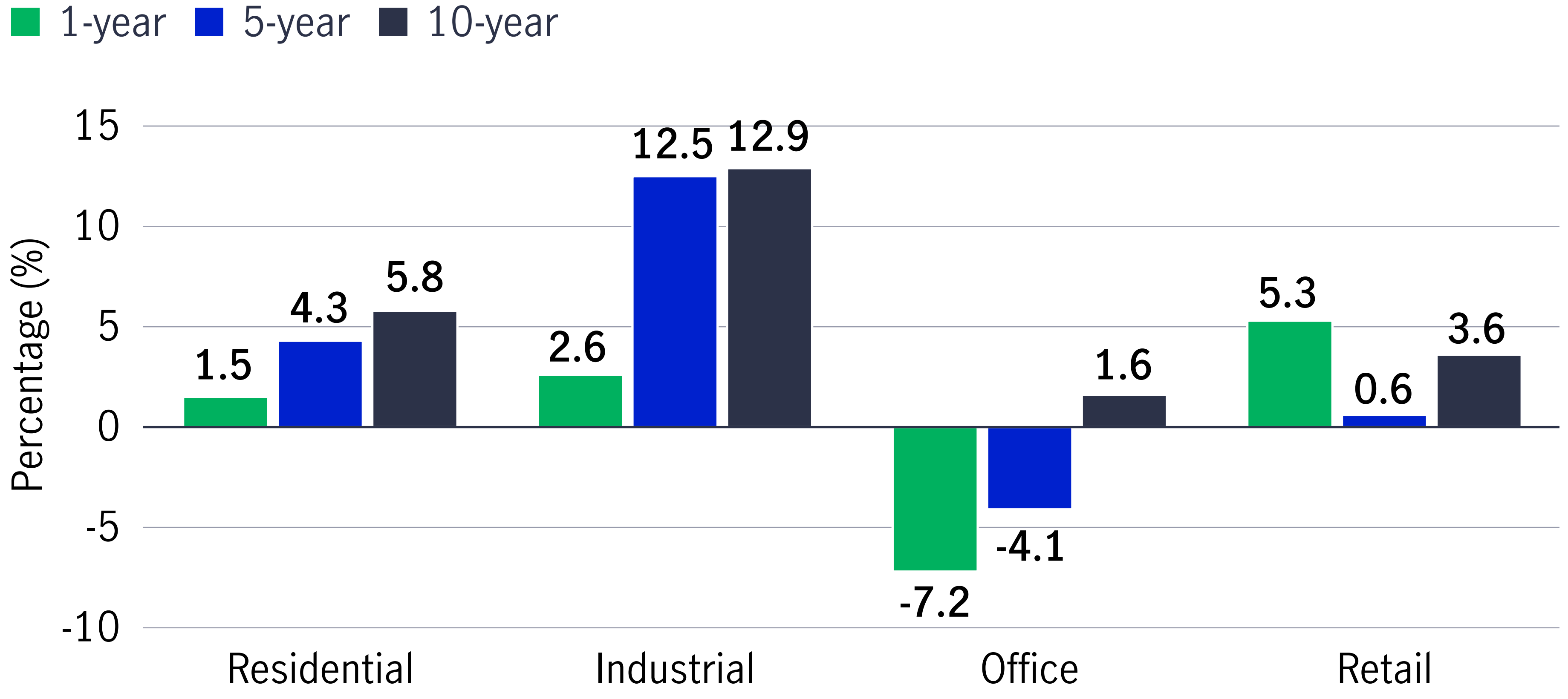
Source: Real Capital Analytics as of 3Q24.

4 Income Returns Positive for Private Real Estate; REITs Top Equities. Callan. 11.15.2024. **5** "Alts 2024 Fundraising Totals $109.4 B, led by non-traded BDCs. The DIWire.12.25.2024. **6** RCA/MSCI. Data as of September 2024. **7** Real Estate in Focus: 2025 Trends to Watch. RCA/MSCI. 1.08.2025.

Though indicators are showing trends to the upside

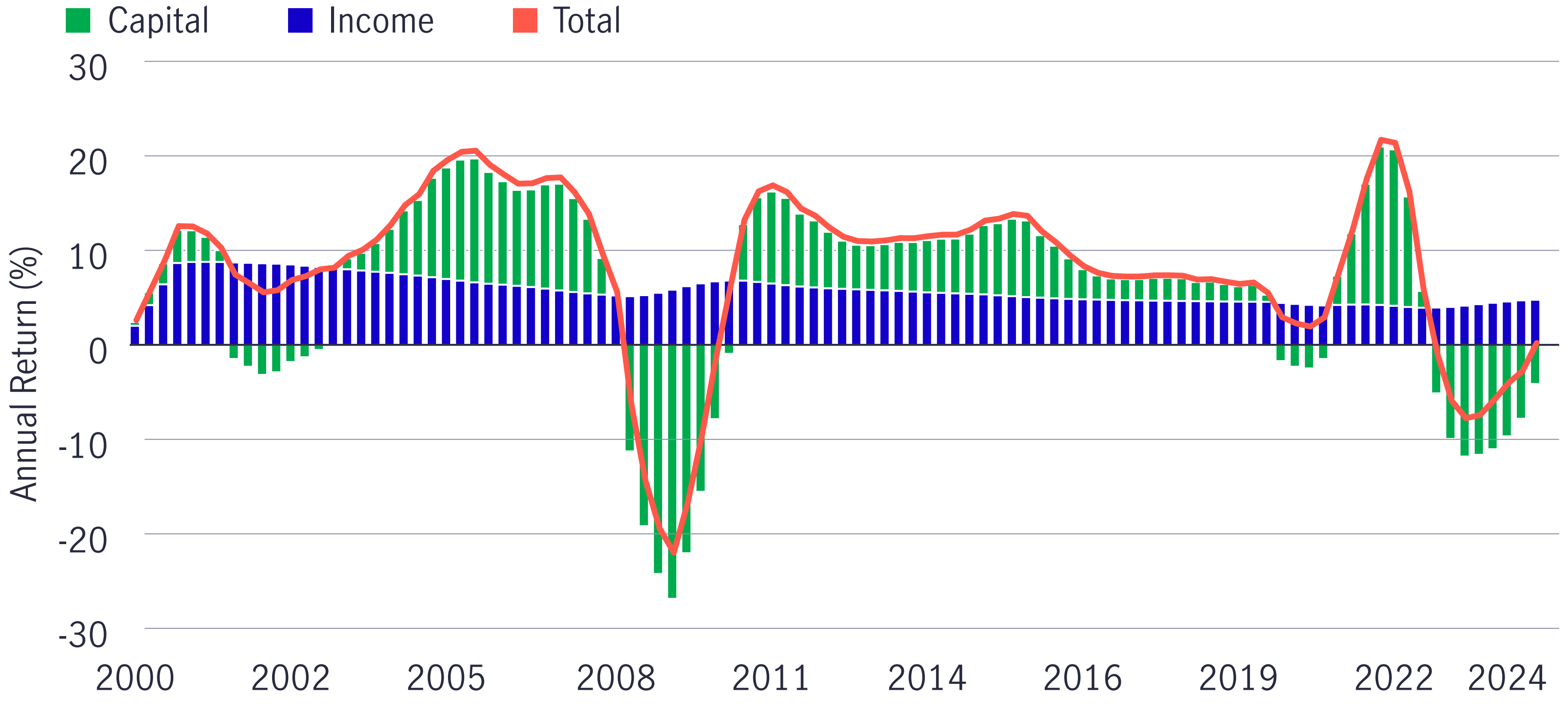
- The muted transaction environment continues to complicate valuations, with few transactions to sustain market pricing.
- While the NCREIF Expanded NPI returns data underscores persistent depression in valuations to date, write-downs are settling and limited to select, lower-quality, assets, particularly office.
- Overall 12-month trailing returns at the close of 4Q24 were up 0.6%, supported by the 4.8% income return, offsetting the -4.0% capital return.[8]
- Fourth quarter overall capital returns were down 0.2% year-over-year, showing continued momentum toward positive territory, while income returns remain consistent, up 1.2% in 4Q24.[8]
- While spot cap rates are poised to some improvement with better assets trading, more widening is possible if rate cuts plateau. As of 3Q24, the NPI appraisal cap rate showed slight uptick.
- With recent CPI releases showing stubborn inflation, the Fed may hold off on another rate cut.[9] Depending on the duration, this could play into 1H25 debt maturities.[10]
- With rents correcting across sectors, albeit in select – mostly oversupplied— markets, there is some risk to future income growth, warranting highly strategic asset management.
- Uncertainty around rate cuts through year-end 2024 and into the start of 2025 may cap the momentum in capital returns, but labor market steadiness should help bolster the income side, helping overall returns edge to the positive.

NCREIF NPI Annualized Total Return



Source: NCREIF as of 4Q24.

NCREIF NPI Income v. Capital Returns



Source: NCREIF as of 4Q24.

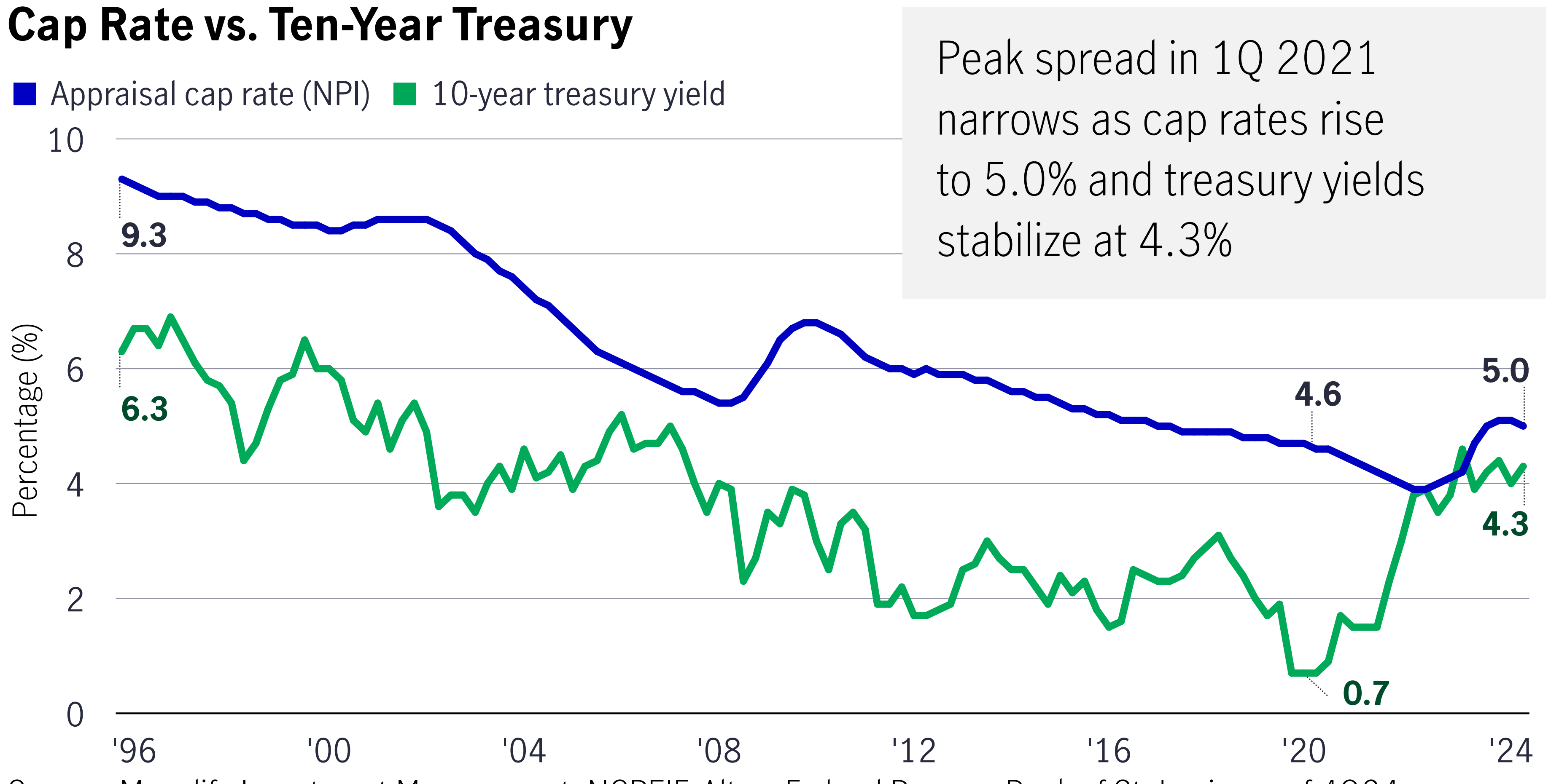
8 NCREIF NPI Expanded. Data as of 4Q24. **9** "Limited U.S. Inflation easing not enough to support another Fed rate cut." RBC Economics. 1.10.2025. **10** Capital Trends – US Big Picture. RCA. November 2024.

2024 closes out a lackluster year, priming 2025 for a measured return to activity

Through year-end 2024, there were few expectations any significant shift in the capital markets environment that would loosen conditions sufficiently to generate a new wave of transaction activity. We expect the same transaction trends will prevail – off-market opportunities, some distress and recapitalization. Further rate cuts may set the stage for renewed investor confidence in 2025, but this would assume the Fed holds their position, supported by an economy stabilizing towards slower growth, and inflation maintaining a downward trajectory. That being said, inflation data as of late shows some stubbornness while payrolls remain healthy, and reports suggest the Fed is pushing up on its neutral rate target .[11] Other disruptors include the change in U.S. political winds, which will ultimately produce new economic, tax and regulatory policies. At the same time, we maintain that the election will trigger a near-term boost to the upside.

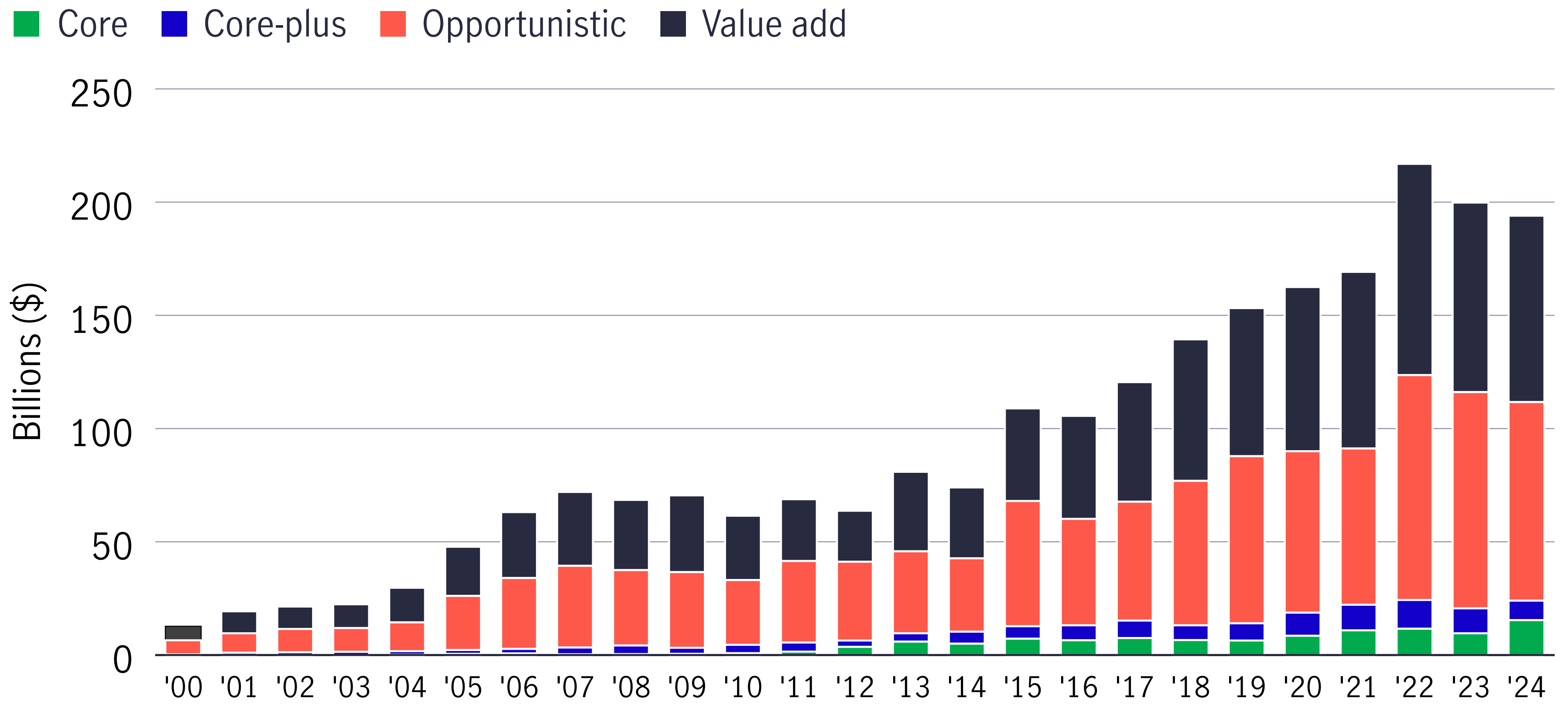
Going into 2025, capital markets will likely focus on diversification efforts, as well as value-add and opportunistic plays, enhancing overall returns and net operating income (NOI) by employing operational tactics, since valuation recovery will likely take time. Shifts and repositioning in fund strategies, and an emphasis on specialist funds targeting specific sectors, will likely lead to renewed investor interest. This is especially the case if the lending environment is more favorable, assisted by potential rate cuts, as well as boosting alternative and niche exposure in private core/core-plus real estate funds. More activity in this segment will lead to greater transparency and improve data quality, further driving investment, augmenting allocations, and activating dry powder. Core-investment indicators are also beginning to show green shoots, with redemption queues falling and fundraising trending higher. As the investment market returns, hopefully boosting sentiment, we anticipate valuations in high-conviction, long-term growth sectors and markets will start to improve.

Cap Rate vs. Ten-Year Treasury



Source: Manulife Investment Management, NCREIF, Altus, Federal Reserve Bank of St. Louis, as of 4Q24.

U.S. Domestic Investment - Dry Powder



Source: Preqin as of 3Q24.

11 NCREIF Capital Markets Update. Cushman & Wakefield. December 2024.

U.S. Capital Market Outlook by Sector

Sector Outlook	
Industrial	Though not as inundated with oversupply risk as some residential markets, industrial markets are still climbing out of nearly two years of valuation declines. As of 3Q24, valuations appeared to be bottoming with capital returns moving slightly into positive territory. We expect continued economic growth to stabilize demand-side fundamentals, along with a slowdown in ground-breakings – off 67% from peak in 2021– to underpin the sector's recovery. Normalization will likely open a window of opportunity for investors seeking a strong basis play across the sector, especially in markets with some oversupply but a strong demand-side outlook.
Residential	Residential activity showed a modest surge late in 2024, as general sentiment around demand remains optimistic and capital appreciation reversed course to the upside, and income growth steadily ticked up through the year. Though rent correction persists and is a risk for incomes going forward, normalization is critical in a rebalance, and the long-term housing shortage shores up investor confidence in the sector. While premium product misaligned with affordability continues to enter the market, with labor market growth persisting, entry points may present for investors looking for key market exposure, either in markets with some oversupply risk but long-term, sustainable demand drivers; or those where growth is returning.
Office	Office valuations continue to retract, and though at a slowing pace, we expect investor appetite and opportunities for office will remain extremely limited in the near term. While the labor market remains relatively strong, talent leverage will remain intact, along with hybrid working. Investment opportunity will likely revolve around distress or slices of the capital stack for best-in-class office, in highly preferred, main-and-main locations. Urban nodes experiencing renewed population inflow, with multinational corporations and financial institutions that are more aggressive in return-to-work may also present opportunistic plays.
Retail	Retail continues to show resilience against the higher rate environment and remains the best performing sector from a depreciation and total returns standpoint. One year trailing total returns did not deviate to the negative. Likewise, income returns are steady, supported by highly curated retail center strategy and the transformation of supply to cater closely to demand trends. Investors are most focused on grocer-anchored centers, particularly in highly accessible retail hubs in high-net migration/population growth markets, with opportunities emerging in Gateway markets with stronger demographic and labor market profiles.

Anchors aweigh: What's ahead in 2025 for the Capital Markets?

Institutional investment, bigger deals and core on the horizon

- The push-pull between significant dry powder focused on value-add and opportunistic plays still challenges credit markets.
- Rate cuts started to set the stage for a more favorable transaction environment, gradually renewing buyer interest and encouraging sellers to go to market.
- Moving into 2025, the Fed position may be more challenged by labor market resilience and stubborn inflation, but a strong economy will also likely help overall investment sentiment improve.
- Large institutional buyers with capital to deploy and relationships are able to act nimbly to take advantage of pricing, and we expect this to pick up in the coming months.[1]

Strategic Vintage

- Tempering write-downs are signaling a near-bottoming cycle across most asset types, triggering renewed market activity.
- Institutional investors, in particular, who have largely sat on the sidelines as private buyers speculated, are looking to time the market.
- Real estate, specifically value-add, could potentially outperform other investment classes reflecting strategic timing in the market cycle.
- The waning development pipeline makes for a particularly interesting time to enter the market at an attractive basis.

Diversifying into the "new core"

- NCREIF's NPI+ underscores increased emphasis on Alternatives and Niche types and transparency in performance, revealing returns that reflect core/core+ strategy.
- Repositioning in fund strategies by boosting alternative and niche exposure in private core/core-plus real estate funds will likely lead to renewed investor interest.
- As valuations bottom, investors will likely return to the market seeking more diversified exposure compared with existing allocations that reflect a more traditional portfolio.[2]
- Closed end non-core fund launches in the Americas is on the rise – 2024 recorded the highest level since 2014; however, capital commitments are slower to follow.[3]

1 "It's Big Institutional Deal Time Again." GlobeSt. 12.5.2024. **2** Institutions' exposure to real estate is expected to drop in 2025." PERE. November 2024. **3** "Fundraising Report: Global Trends in Private Real Estate Funds." PREA. Fall 2024.

Potential Attractive Entry Points Emerging

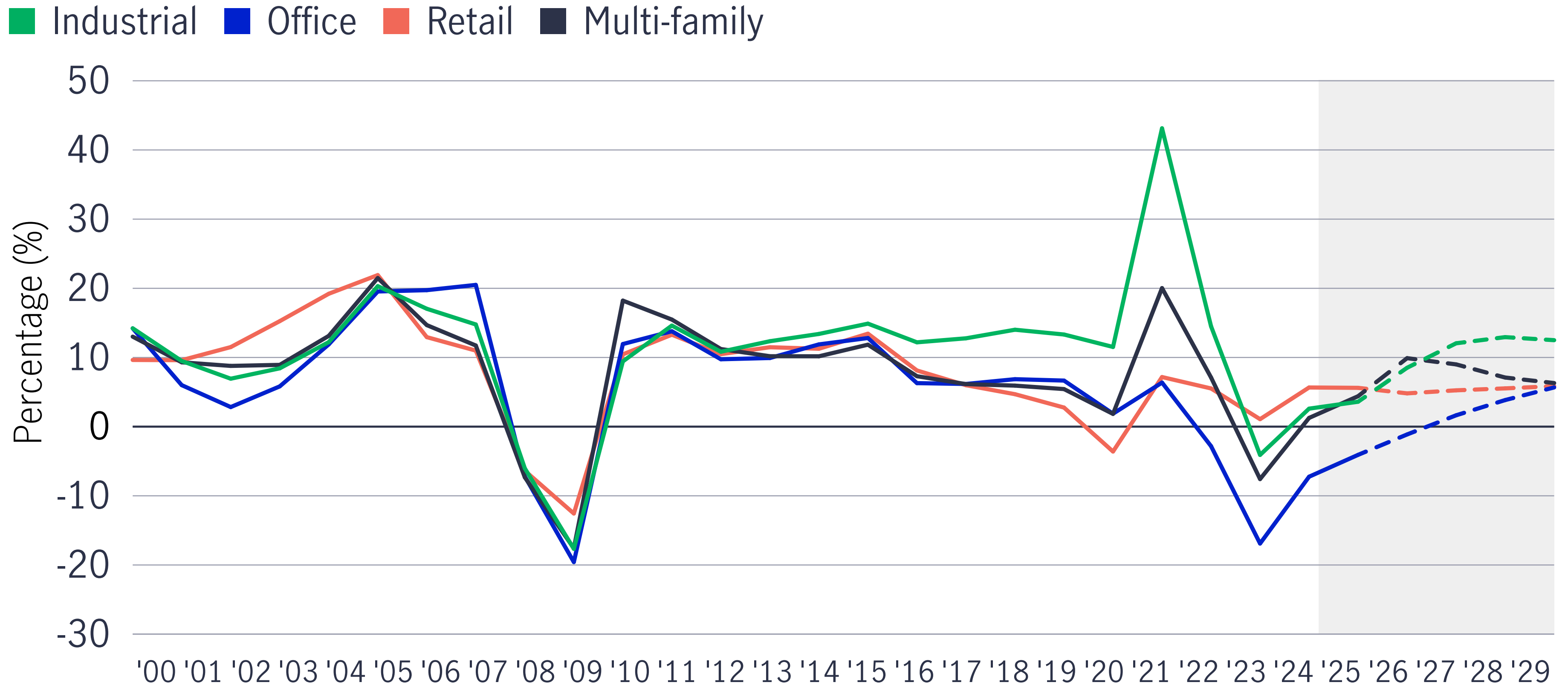
Manulife Investment Management Research expects total returns over the next 5-years to settled out below the prior 5-year pace.

- Industrial will continue to outperform other sectors over the next 5-years , with momentum building over the forecast period.; however industrial performance will lag recent history.
- All other traditional sectors will exhibit stronger performance in the period ahead relative to recent history, including office despite not seeing positive returns until 2027.

After periods of dislocation, new investments have historically outperformed existing investments, suggesting that an early mover advantage can be gained.

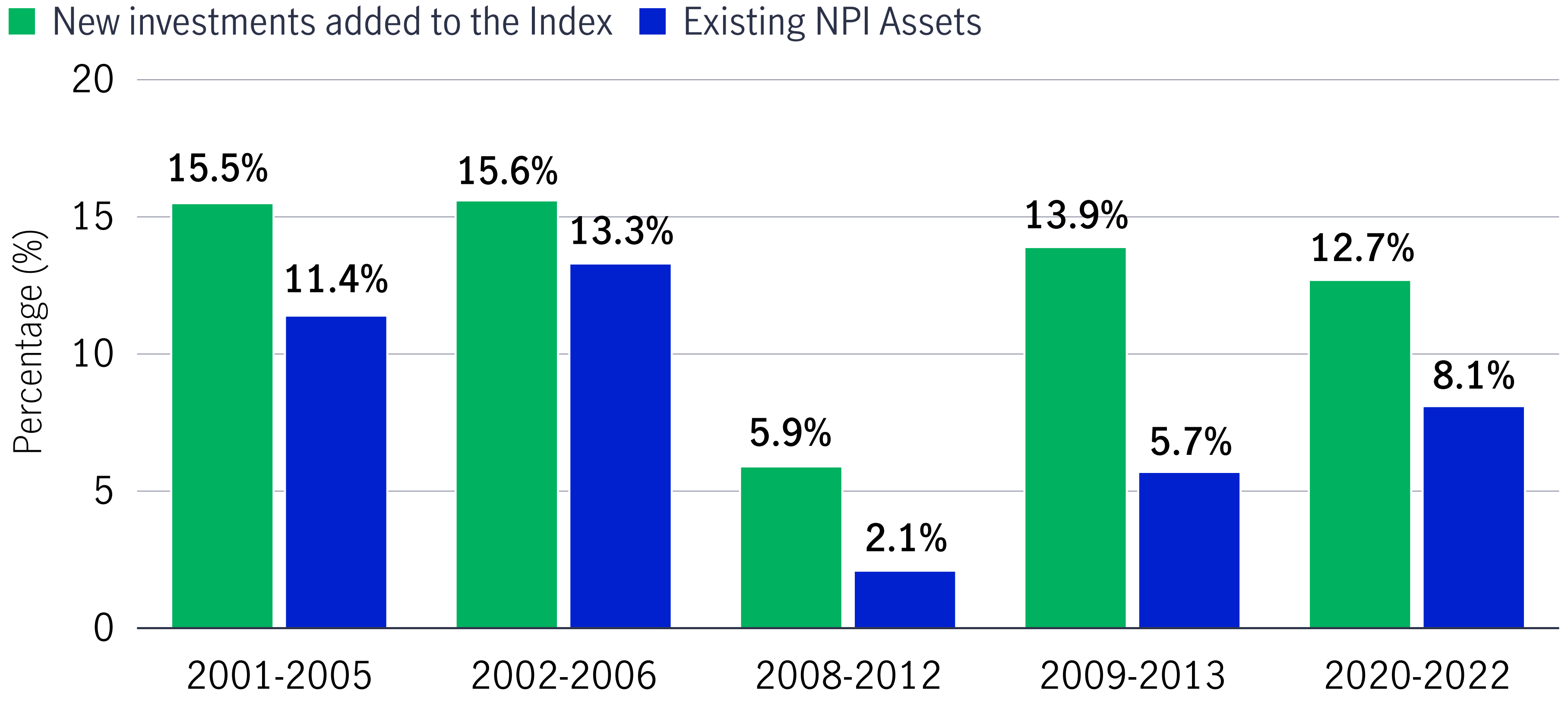
- Entry points have become more attractive given continued write downs, which appear to be stabilizing, suggesting that a new liquidity cycle is burgeoning.
- Deploying capital into a slowing development cycle is also attractive.

Forecasted Annual Returns by Property Type



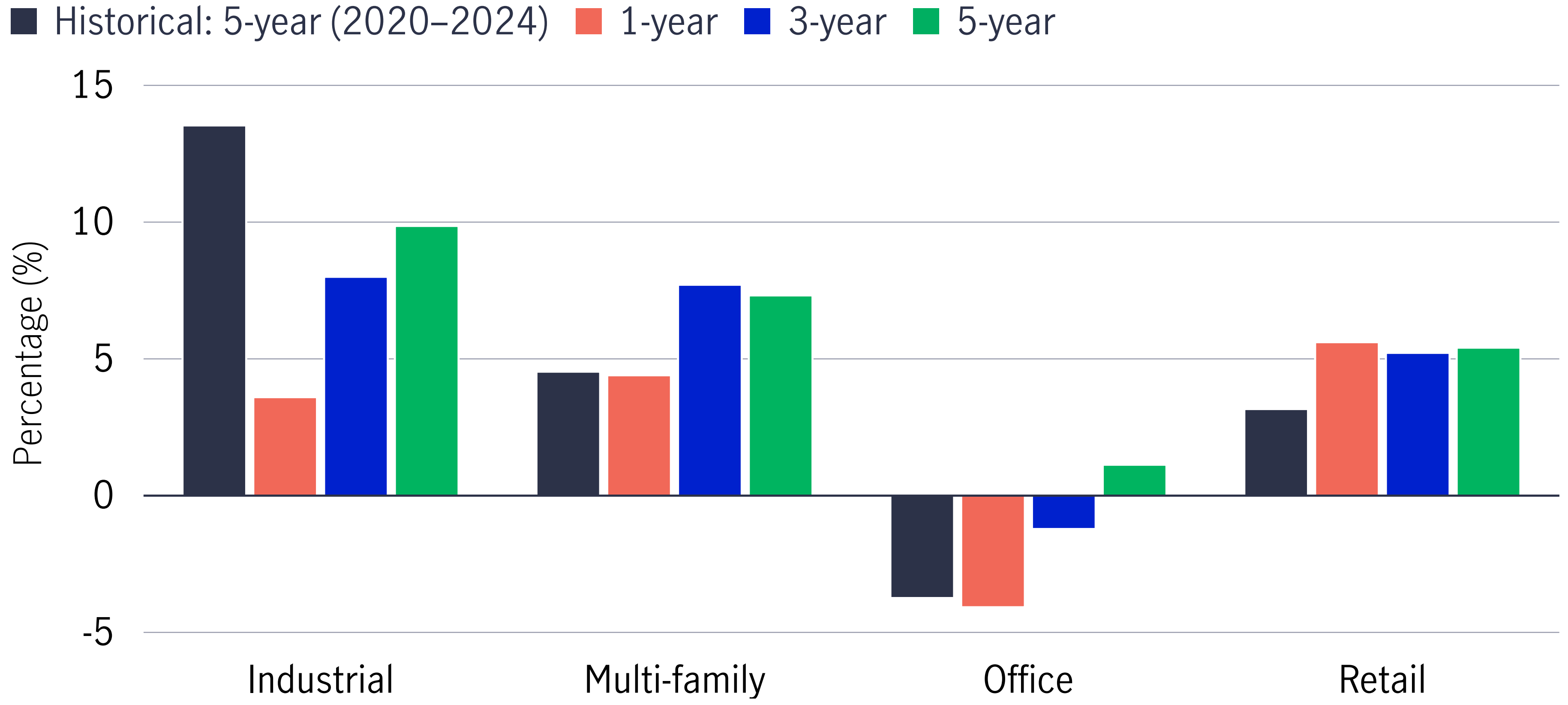
Source: Manulife Investment Management Research, as of 4Q24. NCREIF, as of 4Q24.

5-Year Average Vintage Year Total Returns: New vs. Existing Investments



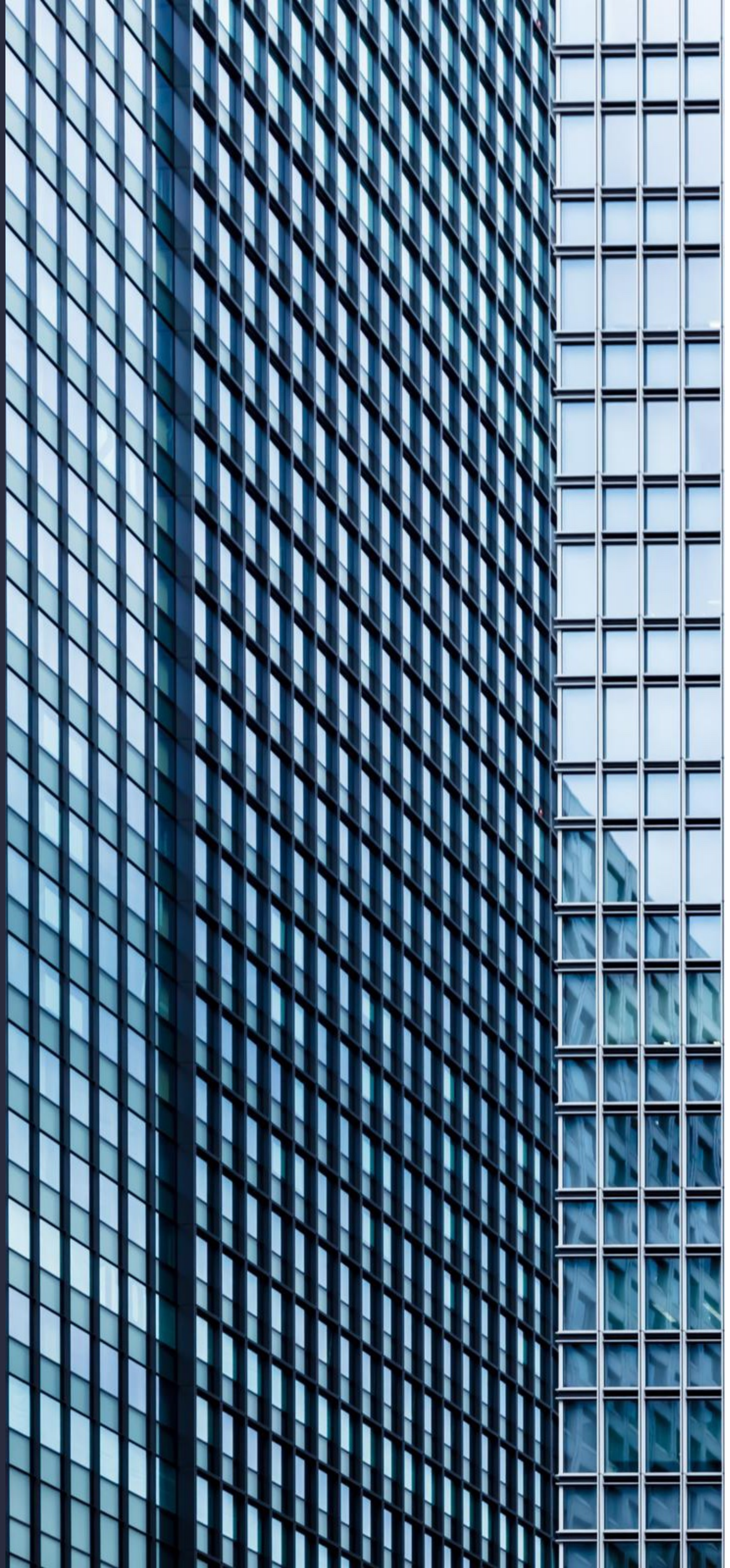
Source: Mark Roberts, SMU Folsom Institute, Fall 2024.*

Forecasted Annualized Returns by Property Type



Source: Manulife Investment Management Research, as of 4Q24. NCREIF, as of 4Q24.

*Based on NCREIF data for the NPI Index. Returns represent five-year annual average total returns for new investments following the year of acquisition. For example, investments made in 2000, produced a total return of 15.5% for the five years from 1Q2001 – 4Q2005, inclusive while the NCREIF Index produced a total return of 11.4%. Total returns for 2020-2022 reflects a shorter time periods. Returns for investments made in 2019 reflect the three-year period from 1Q2020-4Q2022.



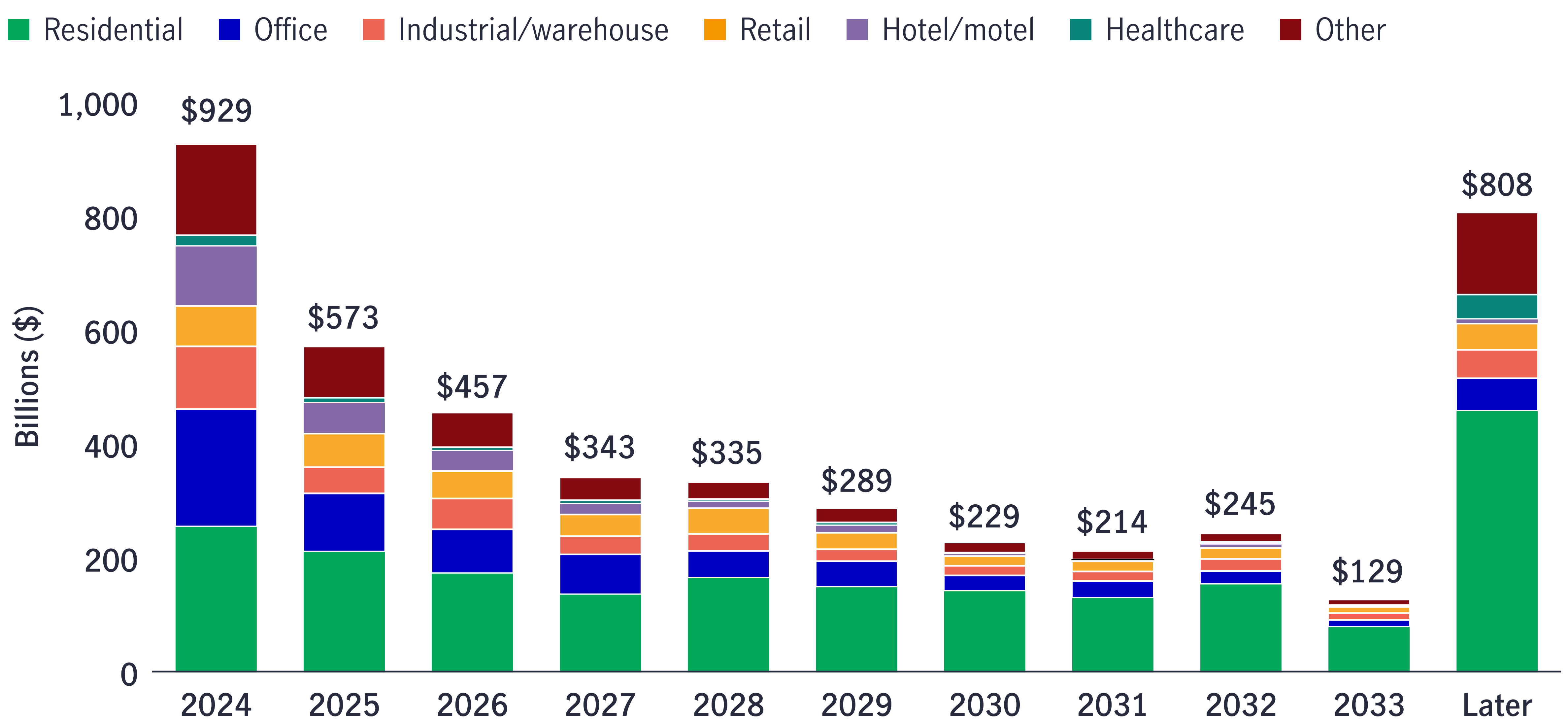
U.S. Credit Market Conditions

The U.S. credit market encompasses a wide range of credit instruments and plays a critical role in providing a platform for borrowing and lending capital, influencing interest rates, credit conditions, and financial stability. Given recent trends with higher interest rates, U.S. commercial real estate (CRE) credit has become an attractive investment asset class when compared to many types of investment benchmarks.

U.S. CRE credit is a $4.7 trillion market with a diverse set of lenders: banks, agencies, life insurance companies, commercial mortgage-backed securities (CMBS), and private credit funds.[1]

With the pace and magnitude of rate cuts still uncertain throughout the next 12-18 months, ongoing CRE price volatility has the potential to create entry points for lending at more favorable valuations.

Total Maturities by Property Type



Source: Mortgage Bankers Association as of November 2024.

1 Mortgage Bankers Association as of November 2024.

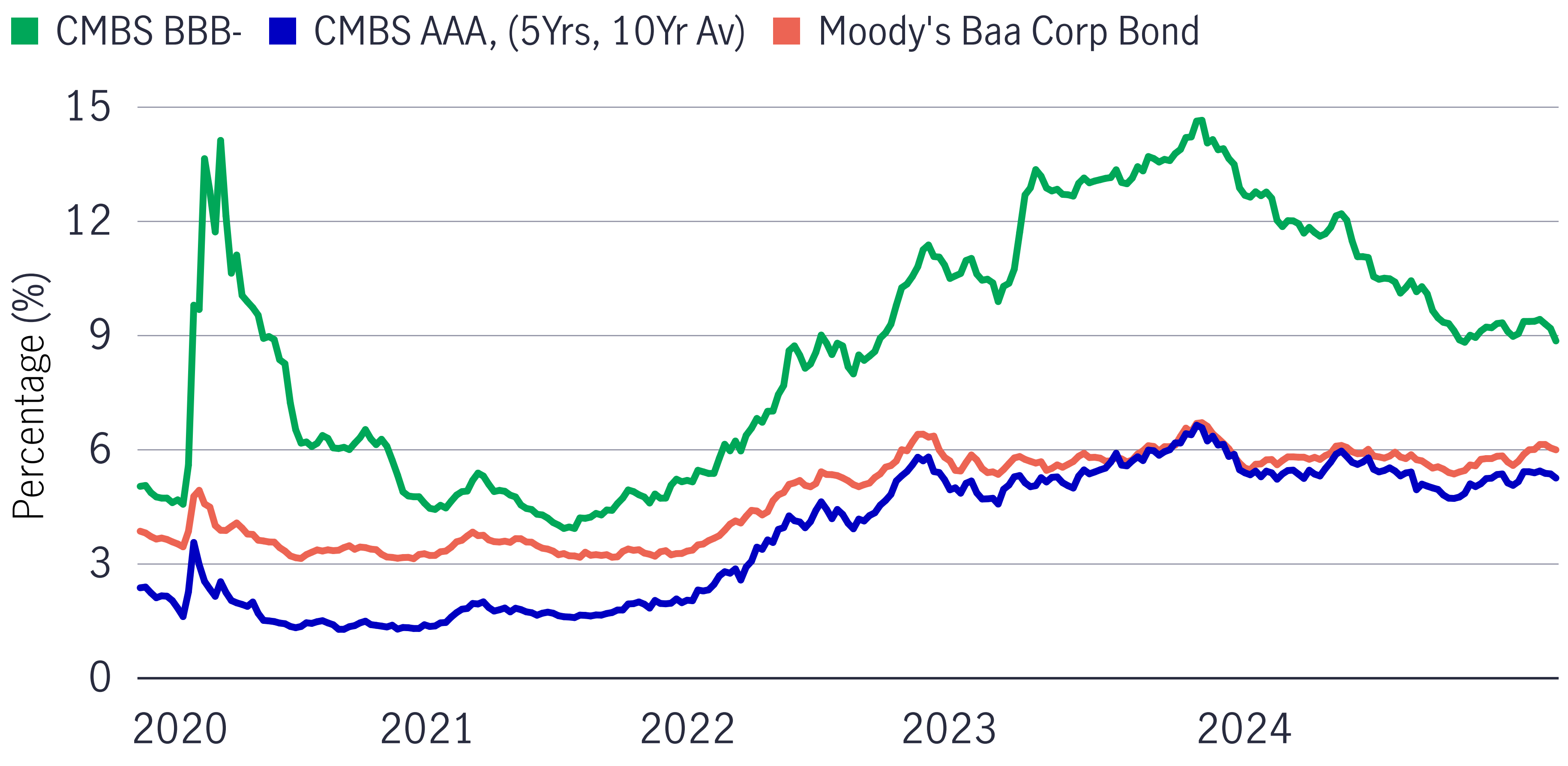
The composition of lenders has changed significantly since the Great Financial Crisis, with the share of private credit funds, mortgage REITs and "non-traditional" sources rising four-fold, from about 2.5% in 2009 to 10% today. This is largely due to the change in regulatory pressure for traditional lenders.

This trend towards private lending in CRE has continued, particularly through the pandemic years. From 2020 to 2023, private real estate credit lending increased by 40.6%, compared to the prior four years (2016 to 2019). By contrast, public real estate credit (CMBS) and bank lending to real estate fell by 28.2% and 17.9%, respectively.[2]

Several G-7 central banks, including the U.S. Federal Reserve began cutting rates in June 2024. It is expected that the Fed will lowers its benchmark overnight borrowing rate by a full 100 bps by the end of 2024.[3] However, the $2.6 trillion of CRE loans maturing over the next five years will likely continue to be beset by refinancing challenges. As of early January 2025, the benchmark U.S. 10-year Treasury rate had actually risen by over 100 basis points from its levels at 3.6% in early September—right before the Fed began easing monetary policy. This suggests that even as lenders and liquidity begins to return to the market, and even as transaction activity begins to rise from what may be its nadir from 2023, credit market conditions will likely continue to be volatile. Short-term rates tend to follow Fed rate cuts, but long-term rates—on which key rates like mortgages are based – are driven by changing market expectations.

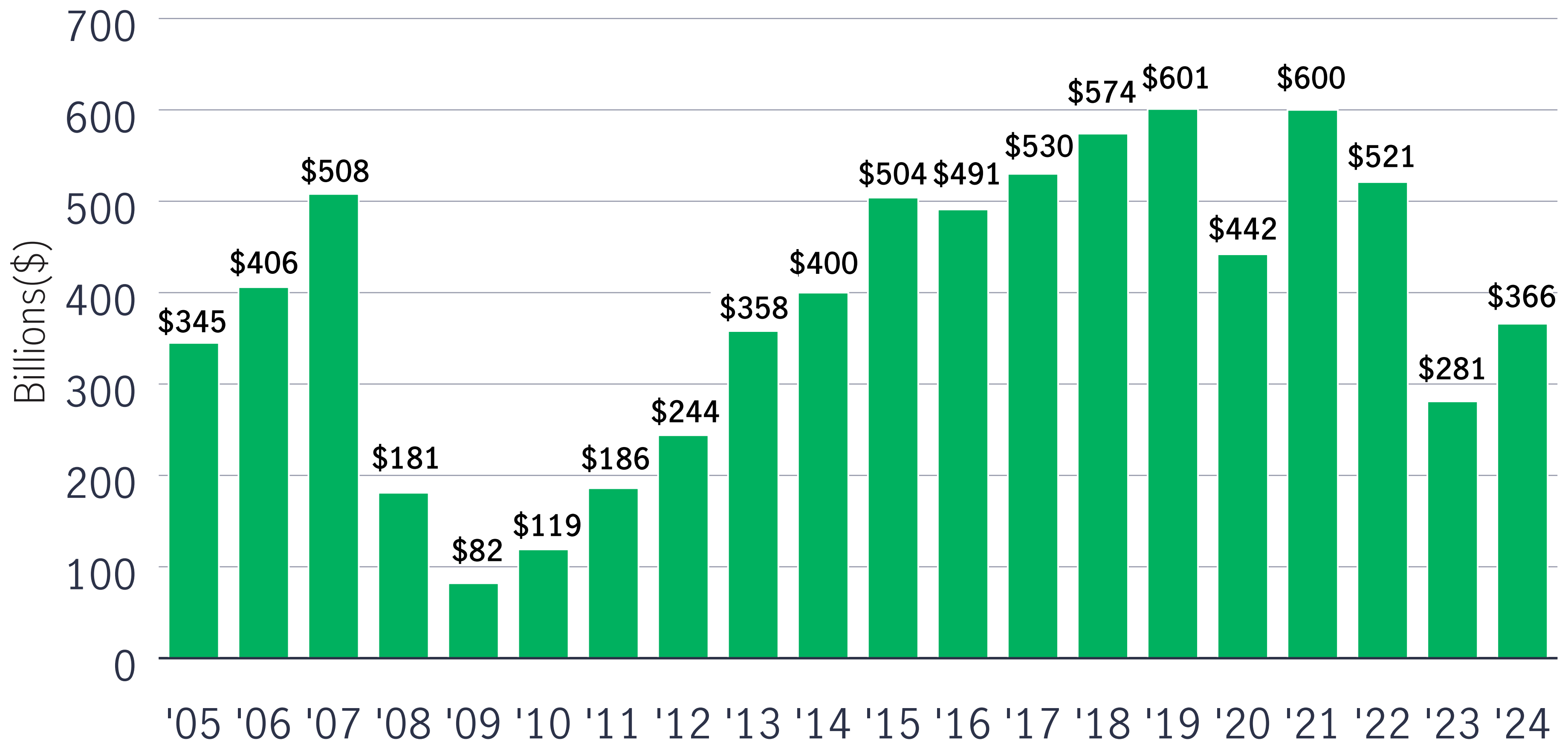
In our view, what is required to take advantage of these market dynamics is a flexible strategy for CRE credit investing: one that can take advantage of relative value, pivoting between public and private CRE options. At times of higher volatility, the ability to mitigate downside risk with a strong collateral package and bespoke structuring is key.

CMBS and Baa Yield Comparison



Source: JP Morgan and FRED as of 3Q24.

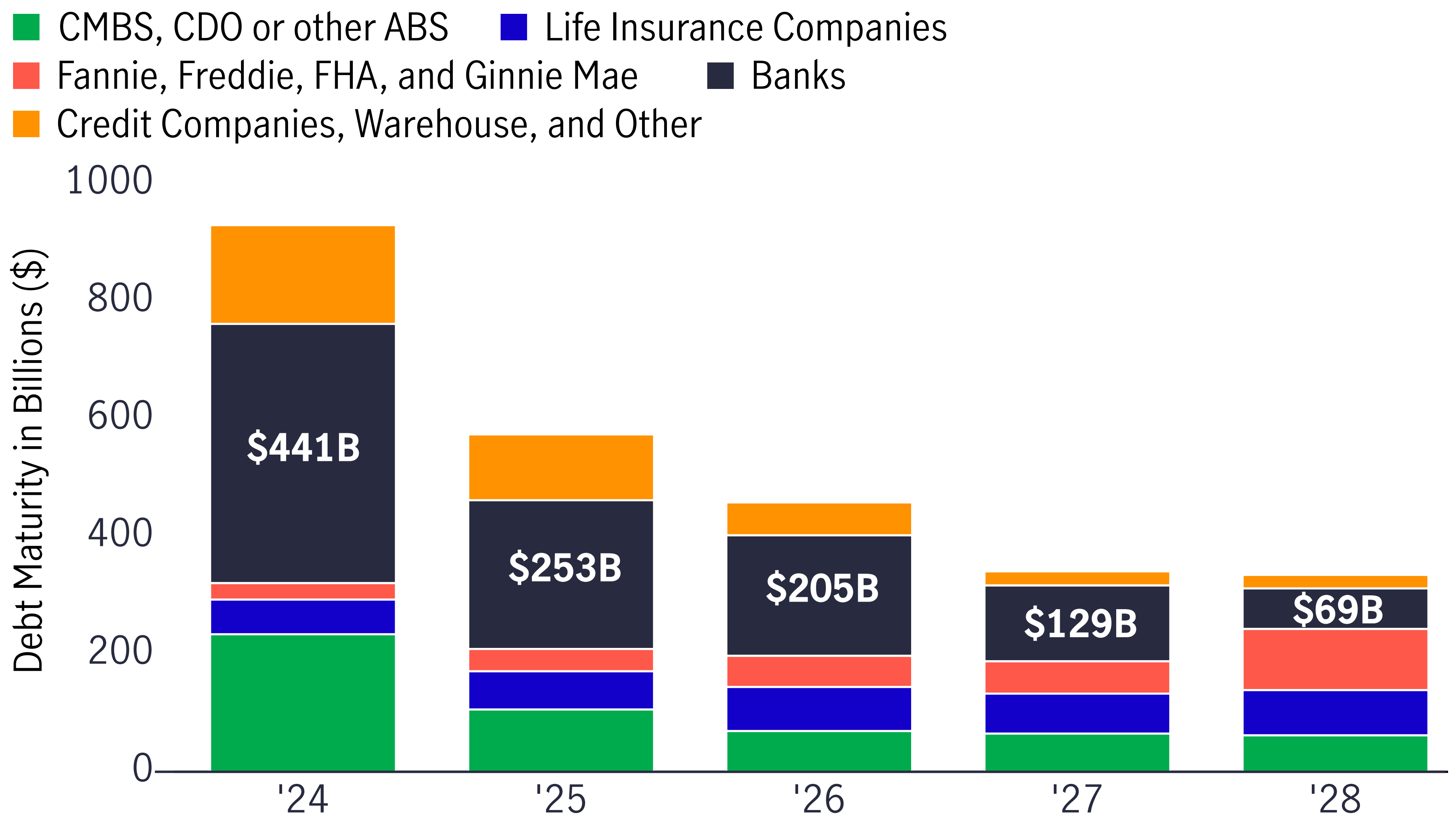
Loan Origination Volume



Source: Mortgage Bankers Association as of 3Q24.

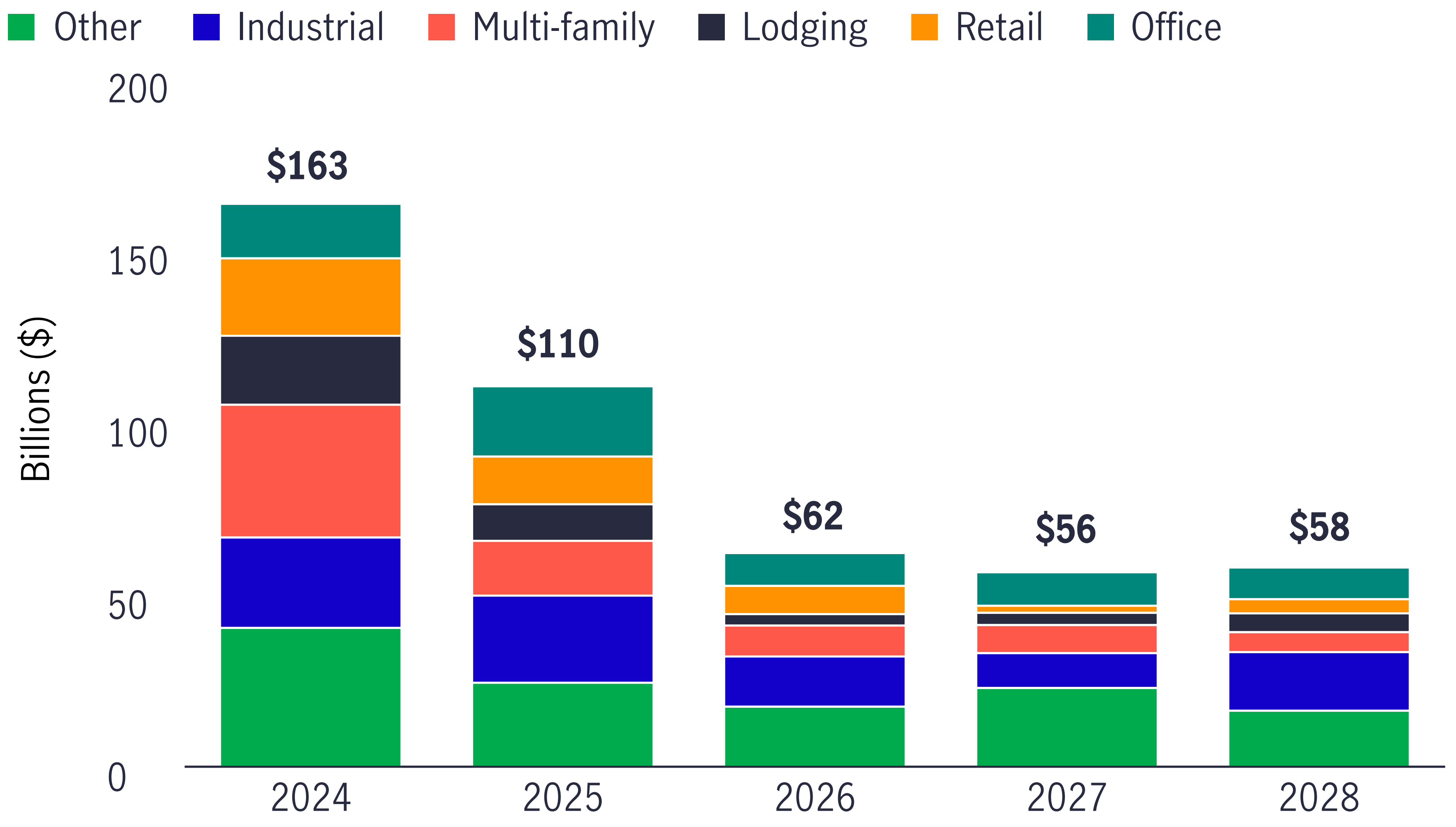
2 Mortgage Bankers Association as of November 2024. **3** U.S. Federal Reserve as of November 2024.

2.6 Trillion CRE Loan Maturity Wall



Source: MBA as of 4Q24.

SASB CMBS Maturity Schedule



Source: Moody's Analytics as of 4Q24.

Of the $2.6 trillion of CRE upcoming loan maturities in the next two years, Banks & CMBS comprise 69% of the maturity wall. We anticipate a commercial real estate credit opportunity set where high refinance demand will be met with limited lending capacity, even as liquidity begins to return to the market (as of 3Q24).[4]

Given the typical lag in CRE credit market cycles, expect that continued stress and regulatory pressure on regional banks will keep that lending source relatively constrained. This will continue to create funding gaps, given that banks comprise 38% of the CRE loan market.[5] While a less restrictive monetary policy appears to be key in encouraging the recovery of CRE transaction and credit markets, expect 2025 to remain relatively choppy – presenting both opportunities and risks for investors.

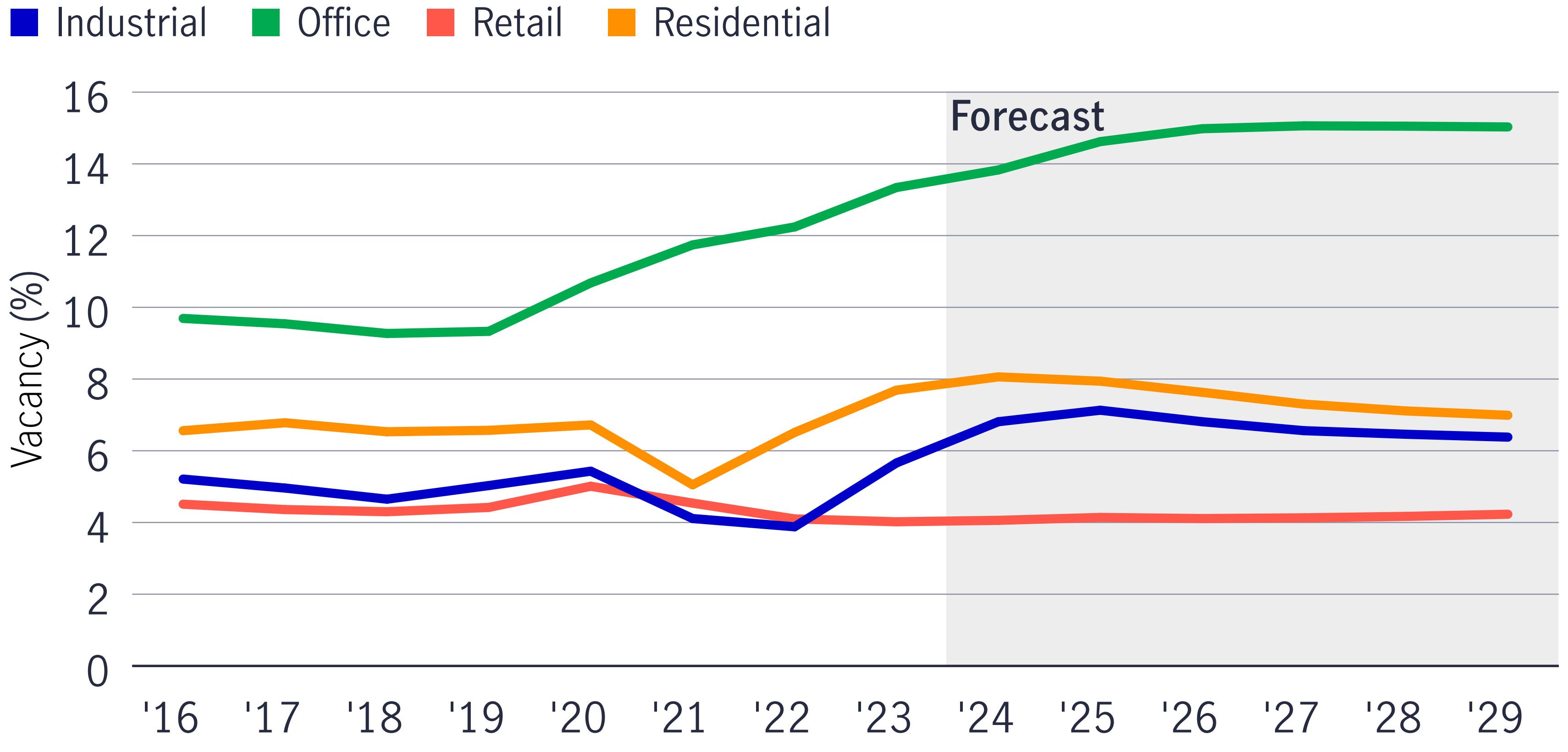
4 Mortgage Bankers Association, 3Q results (released in November 2024). **5** Mortgage Bankers Association as of November 2024.

U.S. Operating Fundamentals

Operating fundamentals are normalizing across most major sectors

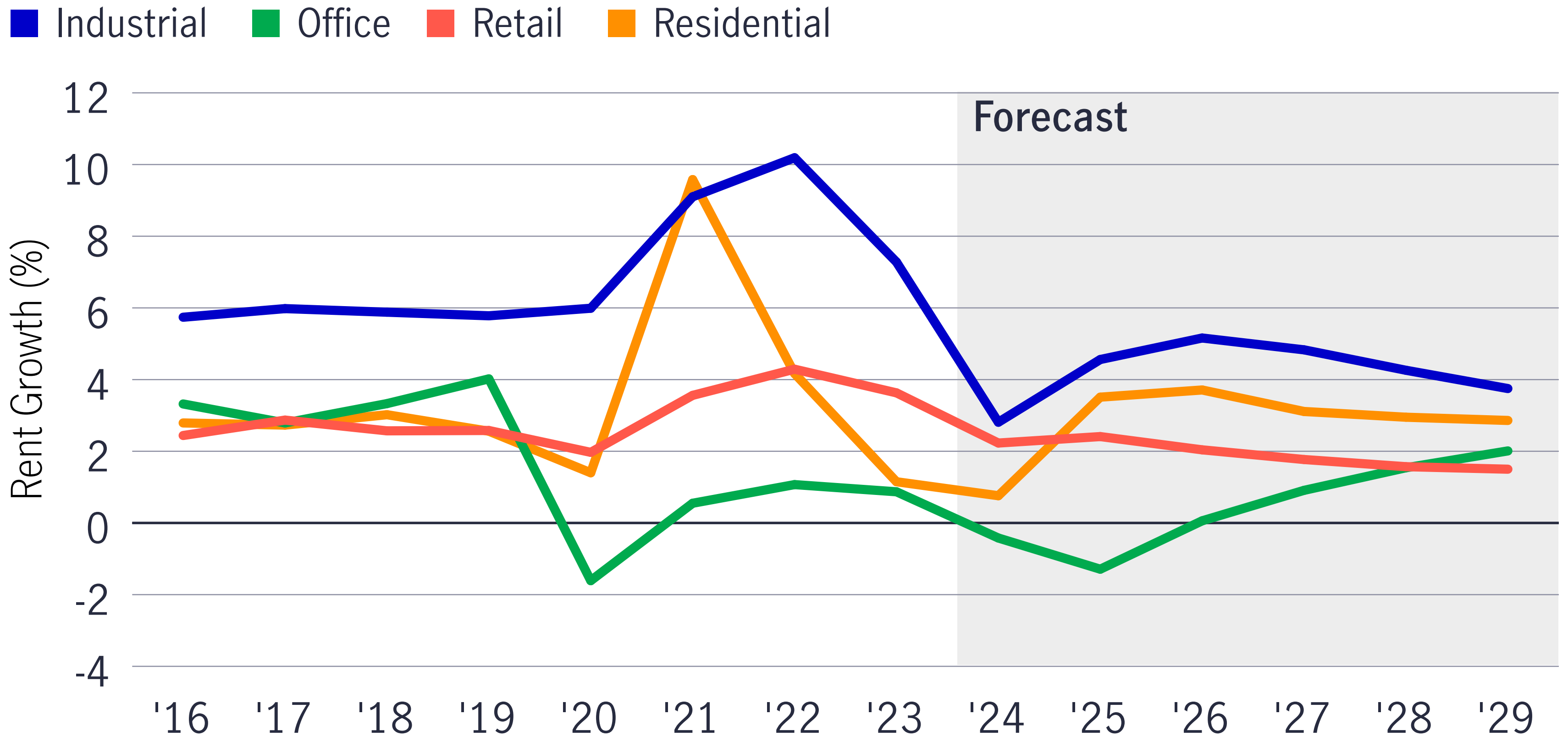
- Generally, operating fundamentals across commercial real estate apart from office are showing trends towards normalization and leveling out to equilibrium.
- While retail continues to trend with measured momentum, redefined in purpose and showing positive leasing indicators, residential and industrial are moderating in a correction from record-level performance. The office sector continues to significantly underperform.
- By 3Q24, vacancy across most sectors edged up, though retail vacancy remains extremely tight across the U.S. and was stable. Vacancy for industrial, residential and office sits at multi-year highs.[1]
- Only office occupancy is trending well below the long-term average and expected to remain in this range while multifamily and industrial are experiencing a reversion to long-term averages in a rebalancing of those sectors.
- Softer demand-side fundamentals are translating to slower asking rent growth, and in come cases, moderate correction quarter-to-quarter, and on a market-basis.
- Notably, since 2019, cumulative rent growth across all sectors except industrial has underpaced CPI, with office trailing the most.[2]
- Slower rent growth for industrial and multifamily comes at a relief to occupiers, and potentially could help reinvigorate absorption, particularly in high-supply markets where large vacant blocks are mounting, but is challenging the capital markets.[1]
- Retail asking rent growth continues, though slowing, reflecting minimal new supply hitting the pipeline and more limited turnover in high-quality spaces.[1]
- Though office asking rents are up, concessions are accelerating more, influenced by rising construction costs and tenant leverage.

Vacancy – All Sectors



Source: CoStar as of 3Q24.

Asking Rent Growth – All Sectors



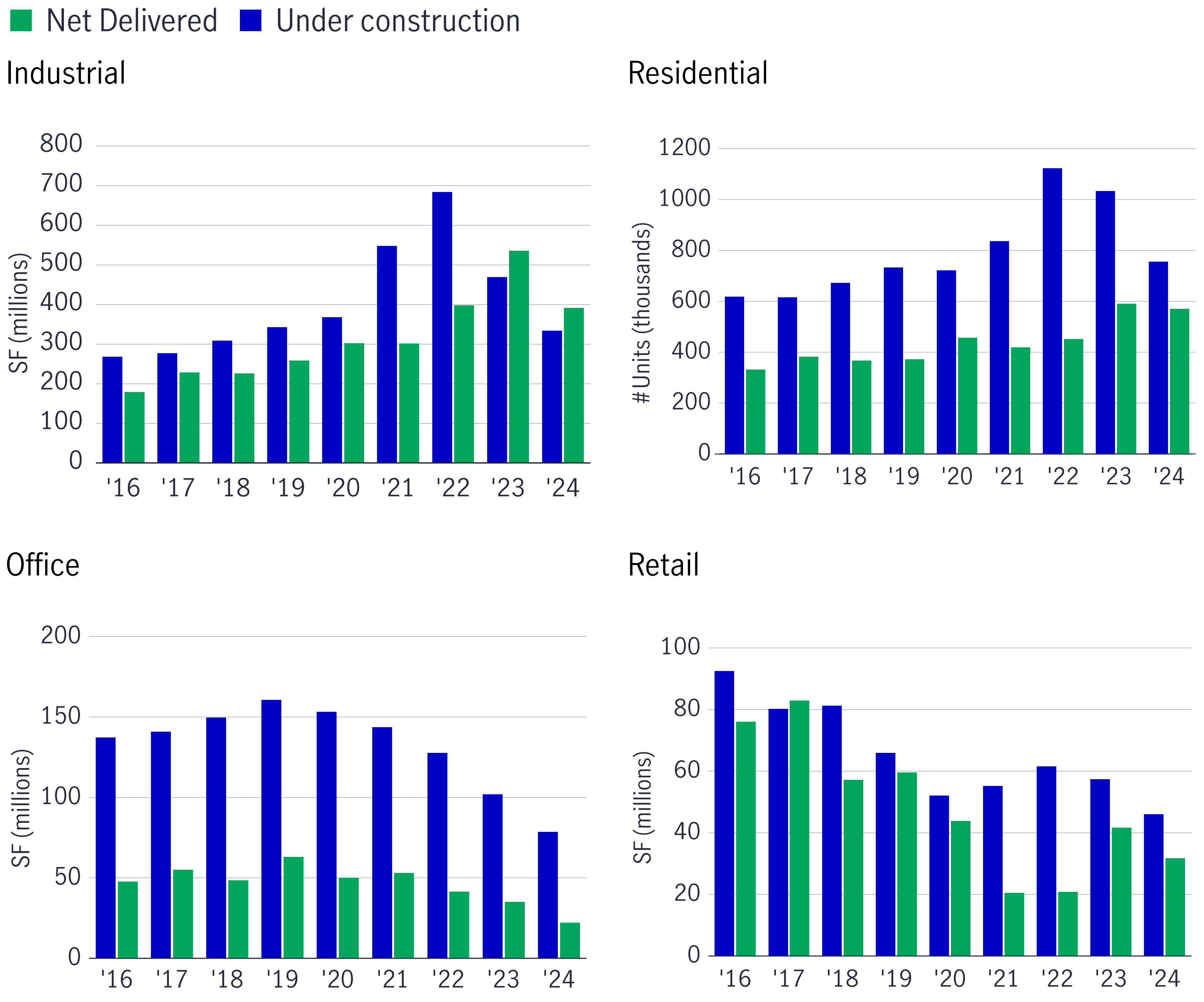
Source: CoStar as of 3Q24.

1 CoStar as of 3Q24. **2** "Despite increase in asking rents, 'real' office rents have declined." CoStar as of October 2024.

Supply-side fundamentals point towards rebalance over next 12 months

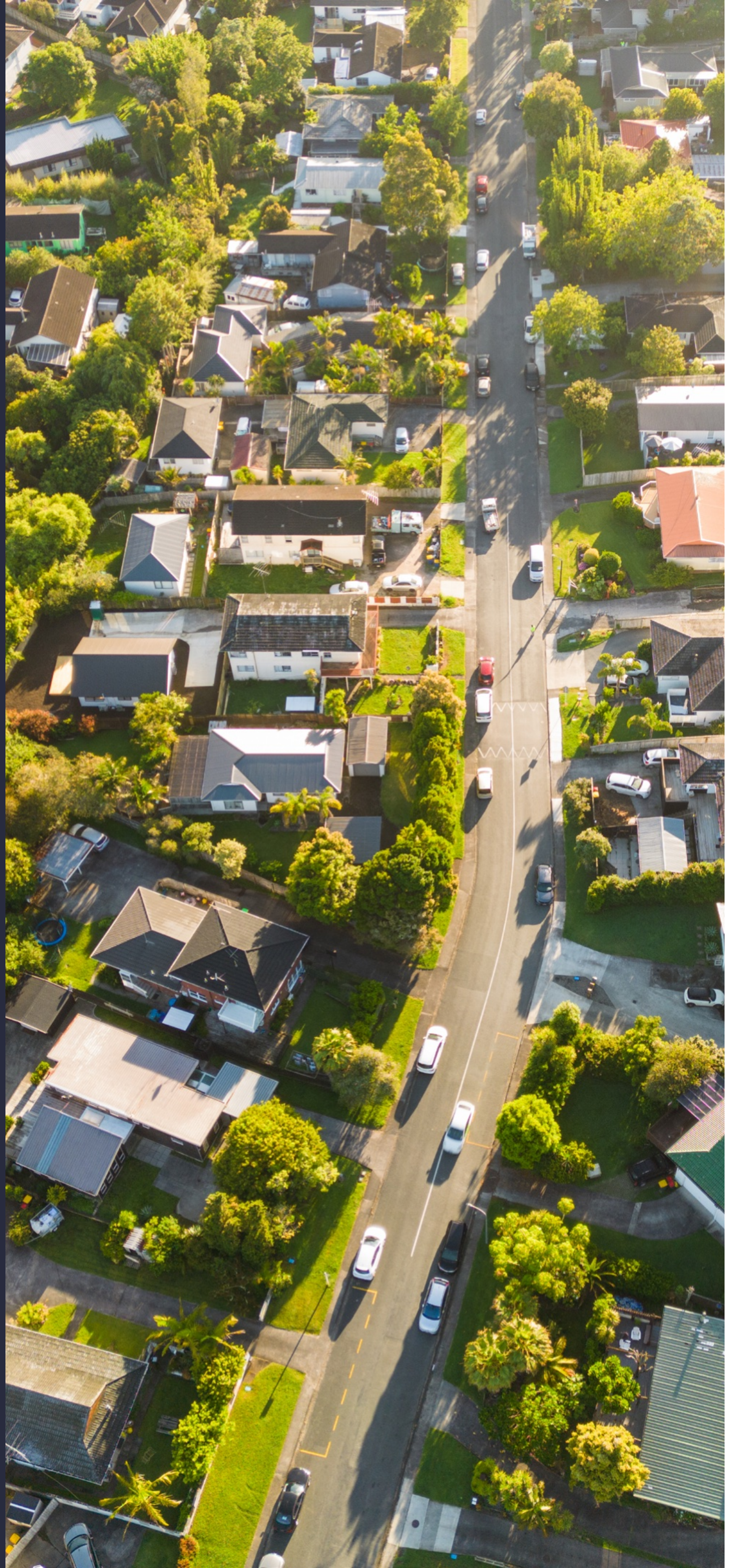
- Supply-side dynamics is one of the key driving forces delineating sector performance. The development pipeline is not only heavily concentrated towards industrial and residential, but even within those two sectors, distinct variation is present at the market- and asset-levels.
- Both sectors are showing a retreat in product underway, with developers hampered by lack of financing, which will help bring supply more into balance in previously high-growth markets concentrated in the Sun Belt.
- For urban nodes and coastal gateways, where barrier-to-entry is also higher, the pipeline is likewise limited but in these nodes, demand has been more challenged, particularly for multifamily.
- Increased return-to-work is starting to bring more multifamily and retail demand back into these areas, and as the credit markets open, development opportunities may arise.
- The office sector is benefitting from record low construction but remains in limbo. Demand fundamentals are somewhat stabilized with hybrid working the norm; and further improvement with increased return-to-work mandates in 2025 may boost demand.
- The office sector's recovery limbo centers around supply. Without a reconciliation in excess supply that plagues the sector through demolition and repurposing, office cannot enter a path to recovery.
- Retail construction is constrained, due to financing constraints but also reflects the transformation of the sector driving highly curated, experiential-specific design; and caution in regards to consumer spending patterns as the economy moderates.[3]

Pipeline by Property Type



Source: Costar as of 3Q24.

3 CoStar as of 3Q24.



U.S. Residential Overview

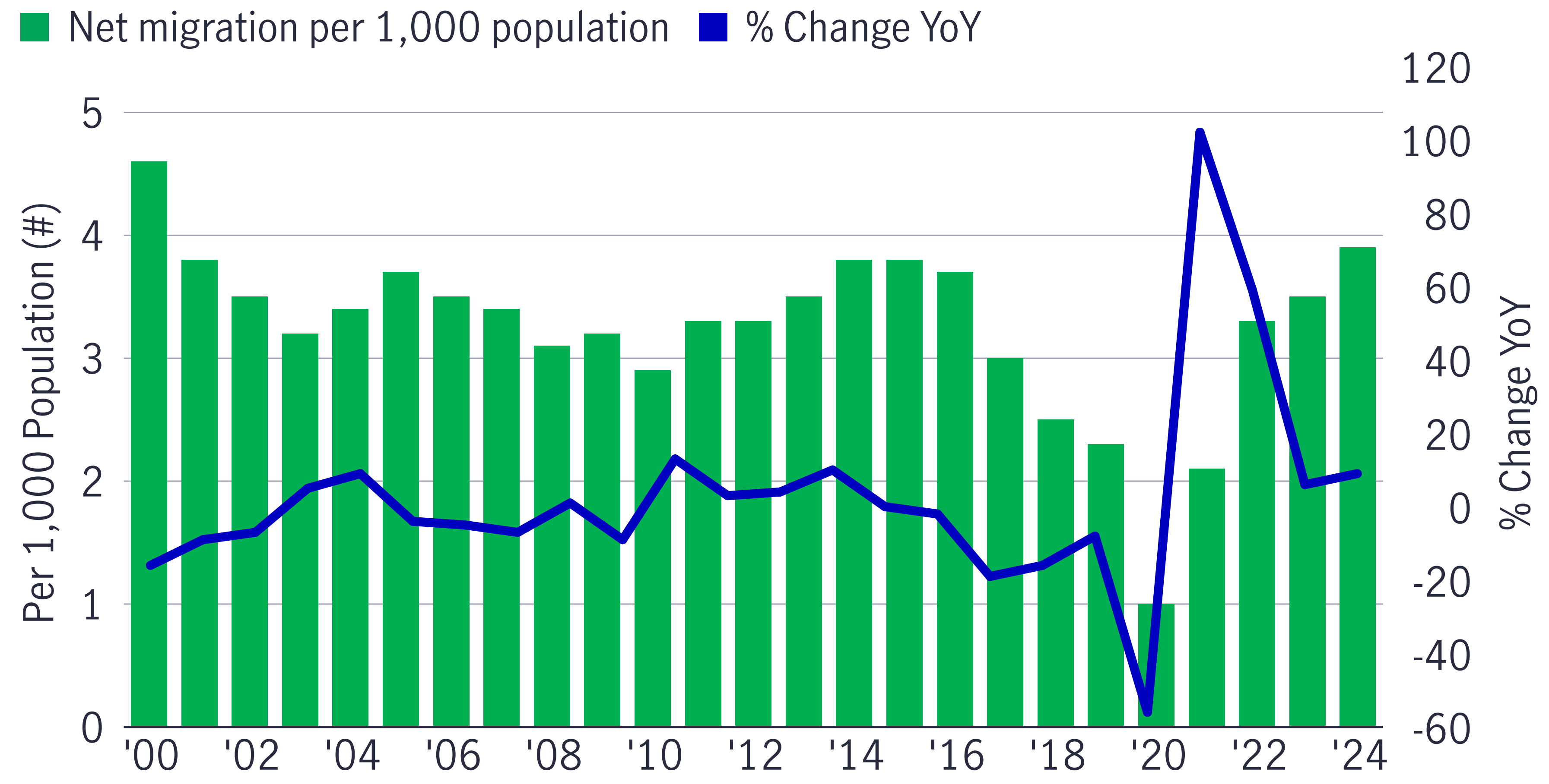
House View, Allocations & Considerations

- Residential is allocated to the upside in our House View, intended to assume the second largest share of overall recommended portfolio AUM, including alternative and niche residential subsectors, and reflecting our conviction in long-term trends that should bolster the sector's potential for outperformance.
- A structural misalignment in housing stock versus demand, both in terms of affordability and population density, opens opportunity for different residential investment strategies. Given robust development pipelines in select markets, our multifamily approach is geared towards outperforming, growth sub- and micro-markets, as well as affordable and attainable housing opportunities.

The undercurrents of the residential multifamily market are flowing multi-directionally. With chronic undersupply and a misalignment in affordability and supply relative to demand competing against each other, the market is ripe for a reconciliation in supply and demand dynamics. A reconciliation will not materialize without some correction, however, and for the last four quarters, multifamily exhibited considerable shifts in operating and investment performance. Broadly speaking, occupancy levels and rents are on a gradual, downward trajectory, and the complexity of the supply-demand imbalance will challenge investors' acquisition and asset management strategies through the remainder of this year.

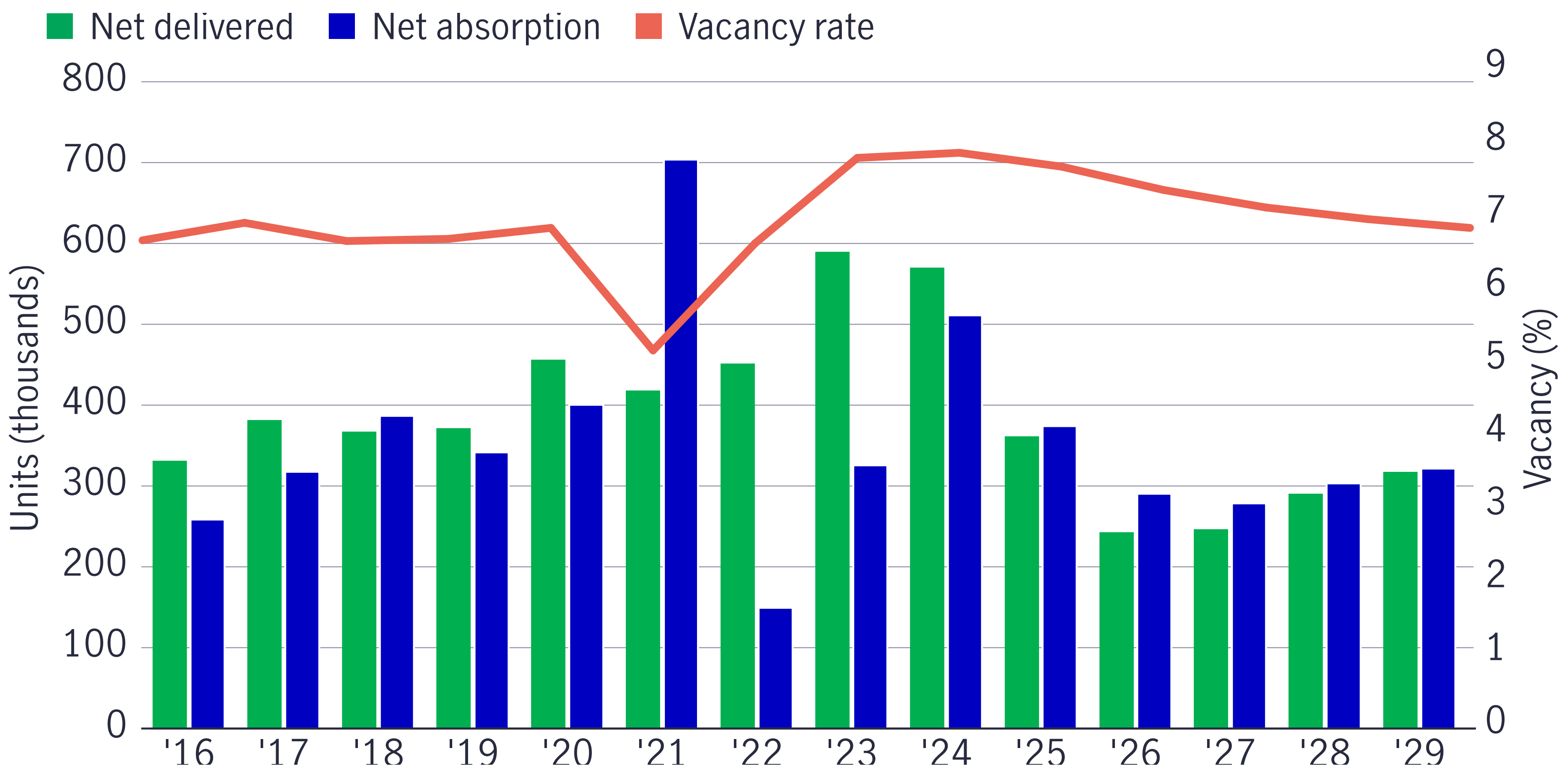
2024 Year In Review: Residential

Net Migration



Source: Oxford Economics as of 3Q24.

Supply & Demand



Source: Costar as of 3Q24.

U.S. multifamily market conditions are registering a modest correction following recent years of robust rent growth, absorption and construction. Despite estimates of around a 4.5 million shortfall in U.S. housing supply, the multifamily market finds itself challenged in the short term with development skewed geographically and in price-point relative to where demand is concentrated.[3]

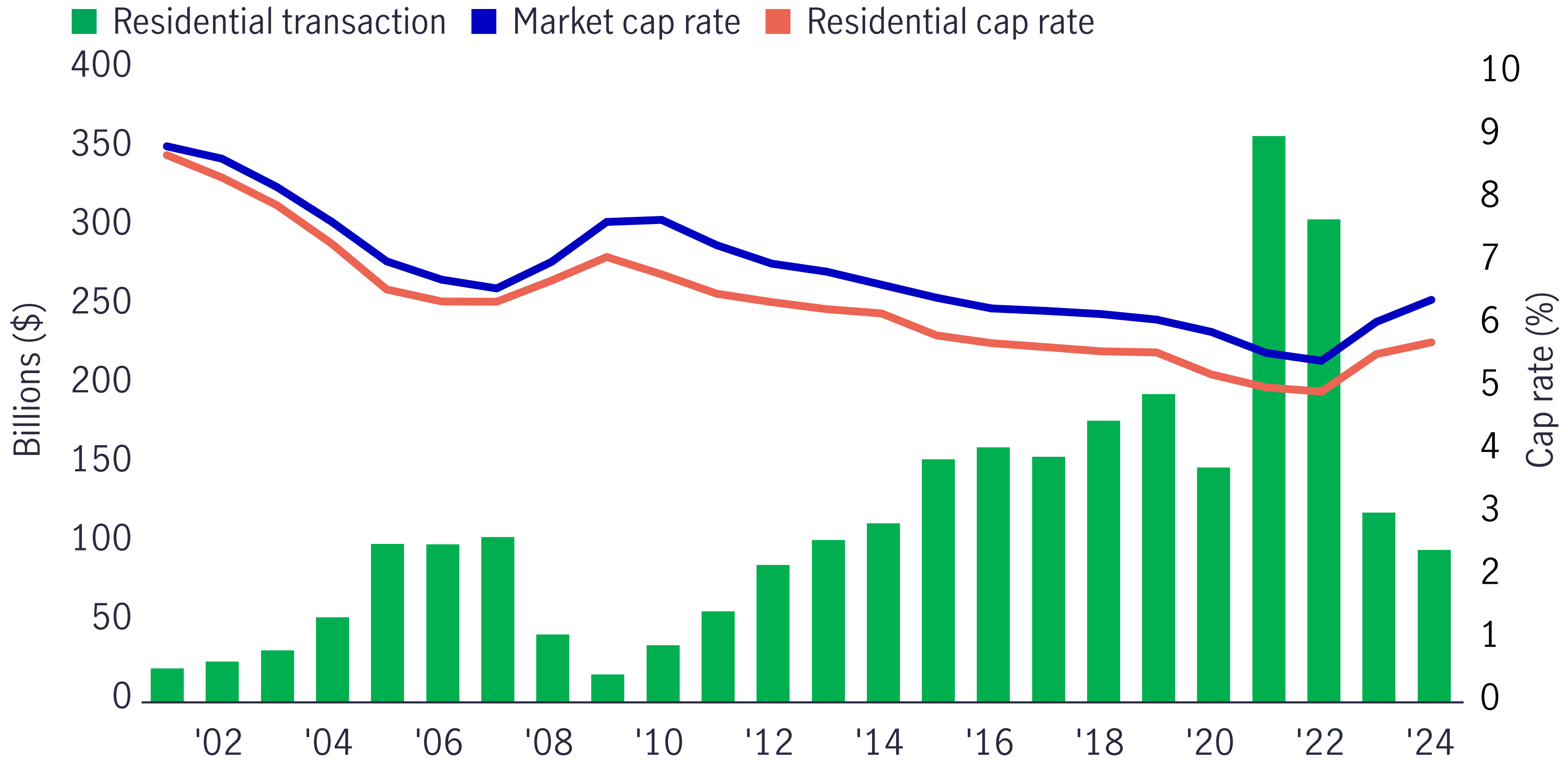
The mixed signals driving multifamily demand fundamentals are evident in third-quarter performance data.

- At the close of 3Q24, vacancy remained elevated at 7.8%, up from a low of 4.8% three years earlier. [4]
- After showing some stability the last two quarters, asking rents reverted with a decline of 0.5% in the third quarter.
- While absorption was positive, the supply pipeline is still active, which will likely lead to lower absorption levels over the coming months.
- More than 500,000 units were absorbed in the 12 months through the third quarter, an improvement over the previous quarter.
- Year-over-year, asking rents are up 1.1%, level with 2023 growth, but concessions continue to rise, impeding effective rent growth. 4,5
- Year-to-date through 3Q24, $98.6B transacted, up 7% compared with this time last year, while as of mid-year, volume had lagged 2023-levels.
- Notably, third quarter activity was up 9% compared with 3Q23 but retracted 8.5% from 2Q24 with $35.8B closed.[6]
- Returns data moved into positive territory on a 12-month trailing basis, reaching 1.5%, up from 2.6% in the third quarter.[7]

3 "The U.S. is now short 4.5 million homes as the housing deficit grows." Zillow. 6.18.2024. **4** CoStar. Data as of October 2024. **5** "What's Next for Multifamily Concessions?" Multi-Housing News. 10.7.2024. **6** RCA/MSCI. Data as of September 2024. **7** NCREIF NPI Expanded. Data as of 4Q24.

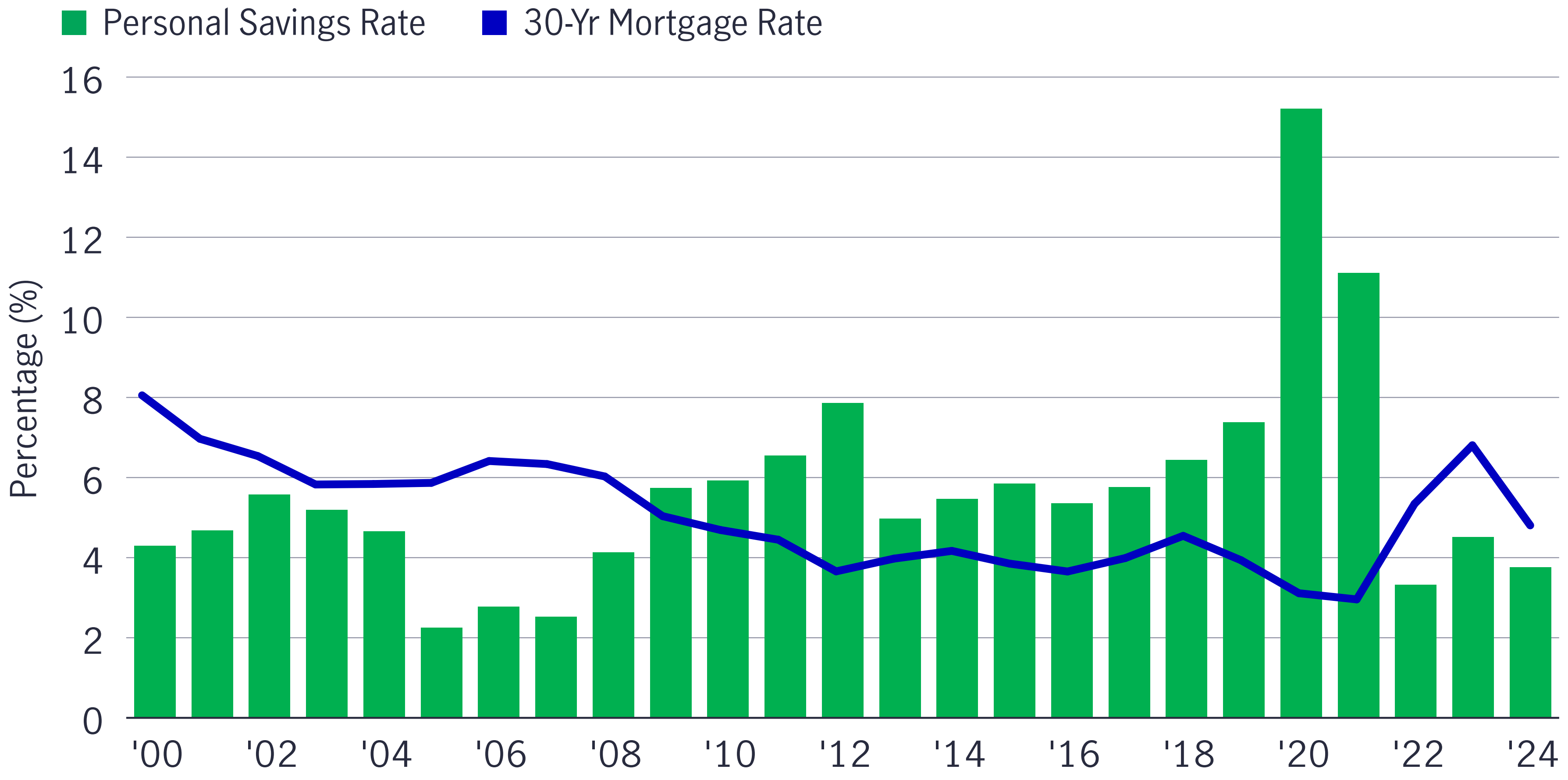
2025 Outlook: Residential

Transaction Volume vs. Cap Rate



Source: RCA as of 3Q24.

Personal Savings Rate vs. Mortgage Rate



Source: Federal Reserve as of 3Q24.

Related to variation in geographic performance, the affordability picture is growing worse, with more than half of renters considered "cost-burdened" or spending more than 30.0% of their income on rent.[8] While high-growth Sun Belt markets were previously considered more cost-effective for renters, pandemic net-migration patterns brought higher-income households into these areas, inflating home prices and triggering higher-end housing development. Yet as net-migration volume wanes, rent levels are still elevated, with developers and owners pressured to meet their underwriting, in some cases because of looming refinancing. Relief may be on the horizon over the medium term with recent and expected rate cuts through year-end, but it will take some time for these cuts to be realized in the credit markets.[9]

- Deliveries in 2024 totaled more than 630,000 units, much of which is concentrated in Sunbelt markets; this, combined with a contraction in demand, is likely to push vacancy up further over the near-term.[10]
- However, the pipeline is poised for a correction with starts on a steep decline, as of November, down 57% from the April 2022 peak.
- Multifamily starts fell 9.4% year-over-year as of September 2024, extending the downtrend from August, when starts were down 6.2% and amplified by a 9.0% decline in multifamily permitting activity.[11]

The outlook for multifamily is positive given development retrenchment and long-term demand fundamentals warranting more housing supply. Near-term opportunities present in the core-plus and value-add space where investors can potentially capitalize on some distress or better price-point alignment with demand and may generate more competitive returns than core product today. With affordable tax credits on the cusp of expiring, but with a focus on preservation of affordable/attainable housing, the affordability gap may widen but not at the same pace and differ state-by-state.[12]

A moderating supply pipeline coupled with anticipated single-family home price appreciation due to pent-up demand and further anticipated rate cuts, albeit moderated, should lead to a resurgence in the multifamily investment market in the coming year.

8 "The U.S. is now short 4.5 million homes as the housing deficit grows." Zillow. 6.18.2024. **9** "'Trying To Hang On': Multifamily Roller Coaster Rides On After Rate Cut." Bisnow. 9.24.2024. **10** CoStar. Data as of October 2024. **11** Monthly New Residential Construction. U.S. Census Bureau. 10.18.2024. **12** "Affordable housing tax credits set to expire, threatening eviction for thousands of U.S. families." MoneyWatch. 10.7.2024.

Big Ideas, Themes & Trends: Residential

Themes

Deliveries will likely peak this year, which may lend to increased - opportunities to recapitalize assets or portfolios, and turnover of newer builds. At the same time, many development enterprises are starting to increase their focus on attainable or affordable housing, which can be executed at a lower basis, but still offer competitive returns and exposure in markets with long-term viability.

- While deliveries will begin falling with more fervor in the back half of next year, significant relief to operating fundamentals is unlikely in the near-term. Operators will need to compete against the cumulative impact of ongoing lease-ups of prior deliveries which typically last for one year following the completion of construction.
- Regionally, we expect coastal markets to begin experiencing more pronounced relief next year, and Sun Belt markets likely to see a longer-than-average tail of new supply.

Risks

- **Supply Shock:** Although the supply pipeline and starts are leveling, recent forecasts suggest that 2025-26 completions across the U.S. may be edging up. While the majority of this construction is outside the Sun Belt, the region continues to feel the ramifications of record-high deliveries. There is growing distress and rent corrections are curbing NOI growth and returns, expected to persist through the near-term, and could also create some obsolescence risk in older vintage assets.[13,17,18]
- **Regulations & Rising Costs:** The combination of varying degrees of rent control and rising OpEx in the U.S. could stifle ownership ability to raise rents and impact NOI over the medium term. This is largely impactful at the metro-level, though recent votes are trending in favor of reducing regulatory constraints, with little risk of Federal-level regulatory intervention.[19]

Opportunities

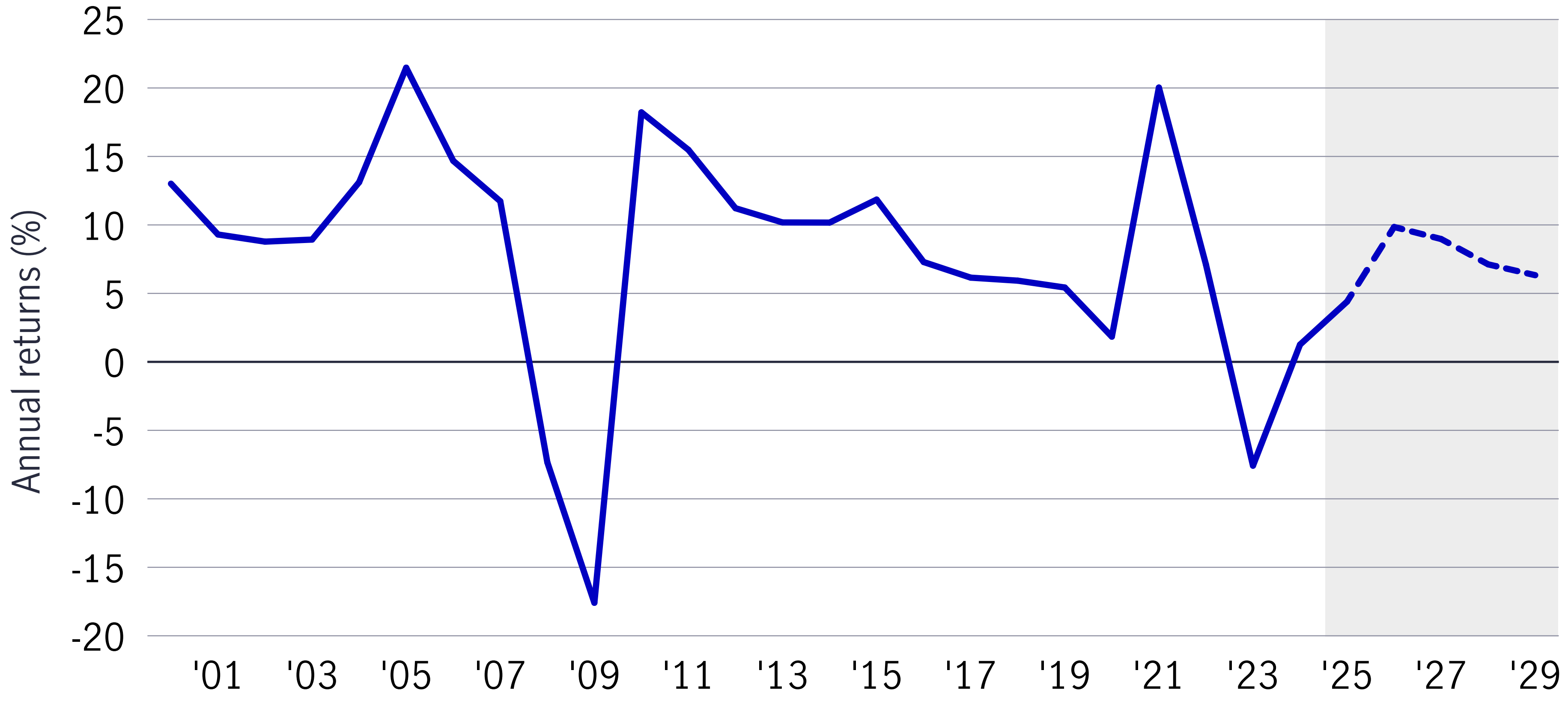
- **Urban and Coastal Gateways:** Select urban and gateway markets are beginning to benefit from stabilizing migration, and even in-migration in some cases. These markets benefit from more constrained pipelines, are recording increases in return-to-work, and did not record the same degree of rent growth as Sun Belt markets, leveling out rent-to-income ratios, creating potential for outsized returns through the medium term.[13]
- **Expanding Rentership:** As mortgage rates remain elevated, household savings are depleted, and some markets experience rent correction, more households are likely to opt for renting over buying, particularly in areas experiencing a rapid shift in affordability. These dynamics mean that demographic shifts resulting in lower levels of household formation may erode homeownership while keeping renter household growth stable, providing opportunity even in markets with elevated supply.[14]
- **Product Emphasis:** Attainable, affordable housing remains under-supplied and offers relatively higher yields, particularly in close proximity to employment hubs. Investor interest is growing in this segment, and as the sector recovers, widespread affordability challenges will likely give way to more demand, supporting institutional activity.[15,16,17]

13 "U.S. Apartment deals have turned a corner." Oxford Economics. 9.23. 2024. **14** "U.S.: Demographic shifts will support renter growth." Oxford Economics. 12.2.2024. **15** "Renters Opting Not to Buy as Home Ownership Challenges Persist." GlobeSt. 7.29.2024 **16** "Renter Households Growing Three Times Faster Than Homeowner Households." GlobeSt. 8.6.2024 **17** "Overbuilding and Overpaying Plague Multifamily Sector." GlobeSt. 12.2.2024. **18** "Yardi Matrix forecasts hardy multifamily supply growth for 2025. Building Design & Construction. 11.7.2024. **19** " Fewer Regulations, More Need Await Multifamily Developers In New Trump Era." Bisnow. 11.11.2024.

Rents & Returns Outlook: Residential

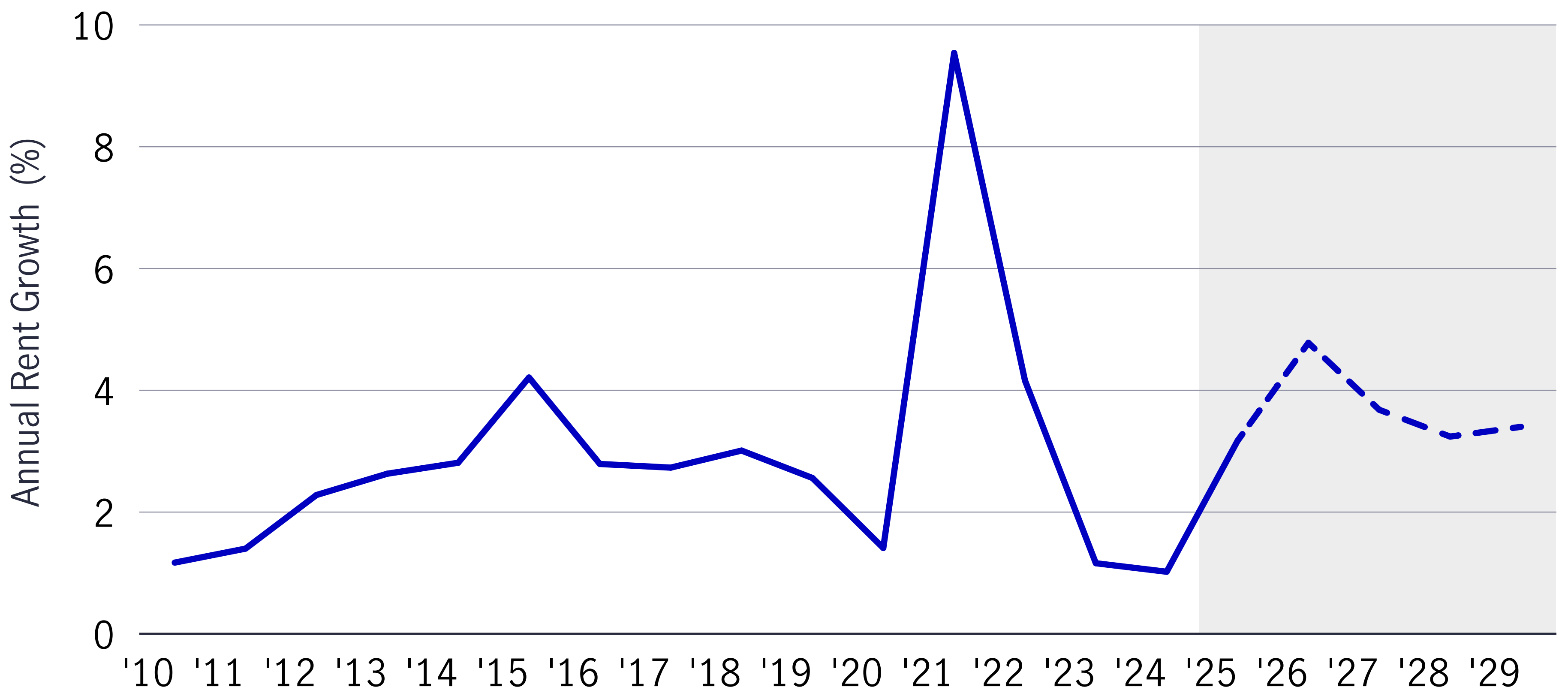
- Closing out 2024, total returns continued to improve, picking up to 1.2% in 4Q24 and brining the year-over-year total return into positive territory at 1.5%, setting up for a forecasted positive total return for 2025 closer to pre-Pandemic levels.
- Though multifamily sector total returns are still underperforming all other sectors apart from office, on an income return basis, the sector is performing slightly better than industrial, at 4.5% during the 12 months through 4Q24.
- Devaluation in the first half of 2024 turned slightly positive in the fourth quarter, supporting continued positive momentum in total returns. Though still negative for the year at -2.9%, the figure was much improved from -6.8% the previous quarter.
- Our 5-year outlook is for returns to ramp up through 2026 and then likely level to a more normalized rate on par with the long-term average in the outer years, underpinned by rent growth recovery to the 3-4%-range, also on par with the long-term average.

Forecasted Annual Return: Multifamily



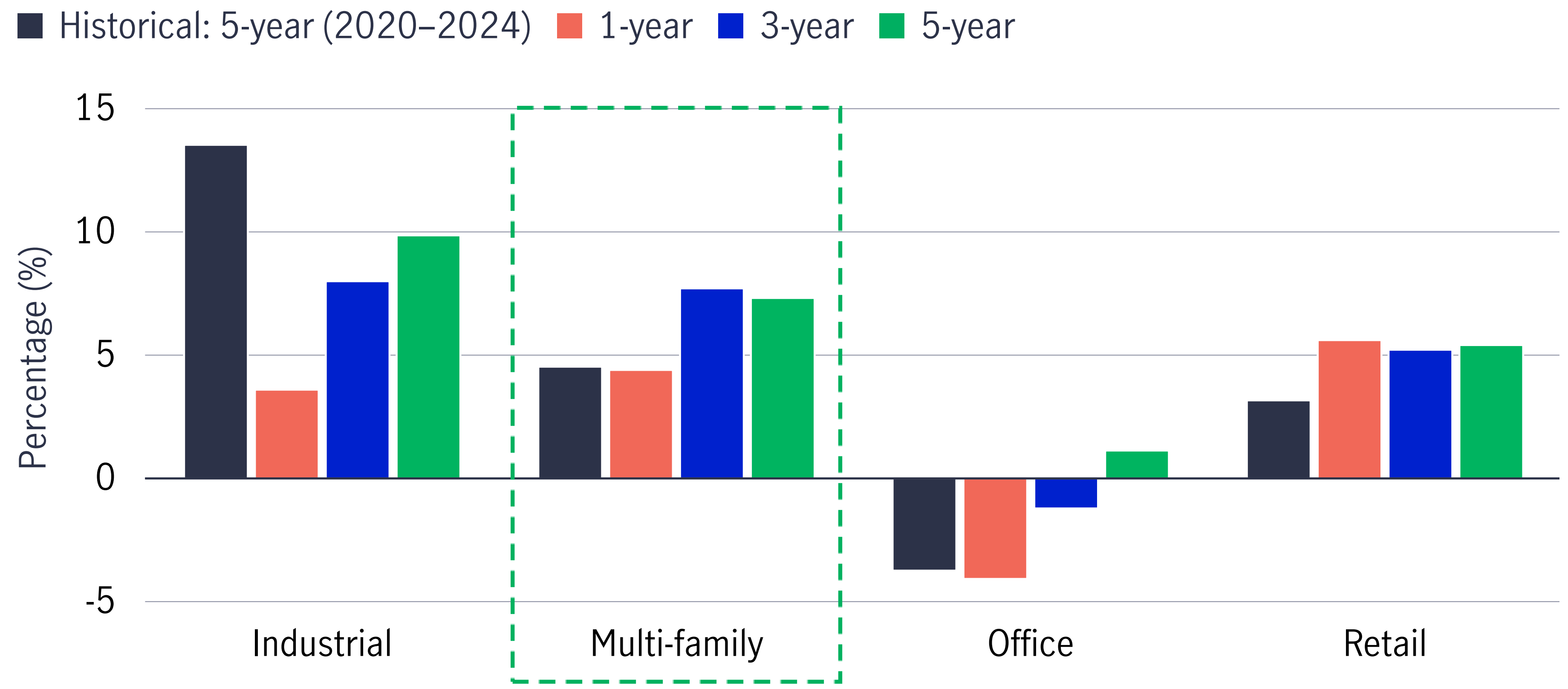
Source: Manulife Investment Management Research, as of 4Q24. Historical data is NCREIF as of 4Q24.

Forecasted Rent Growth: Multifamily

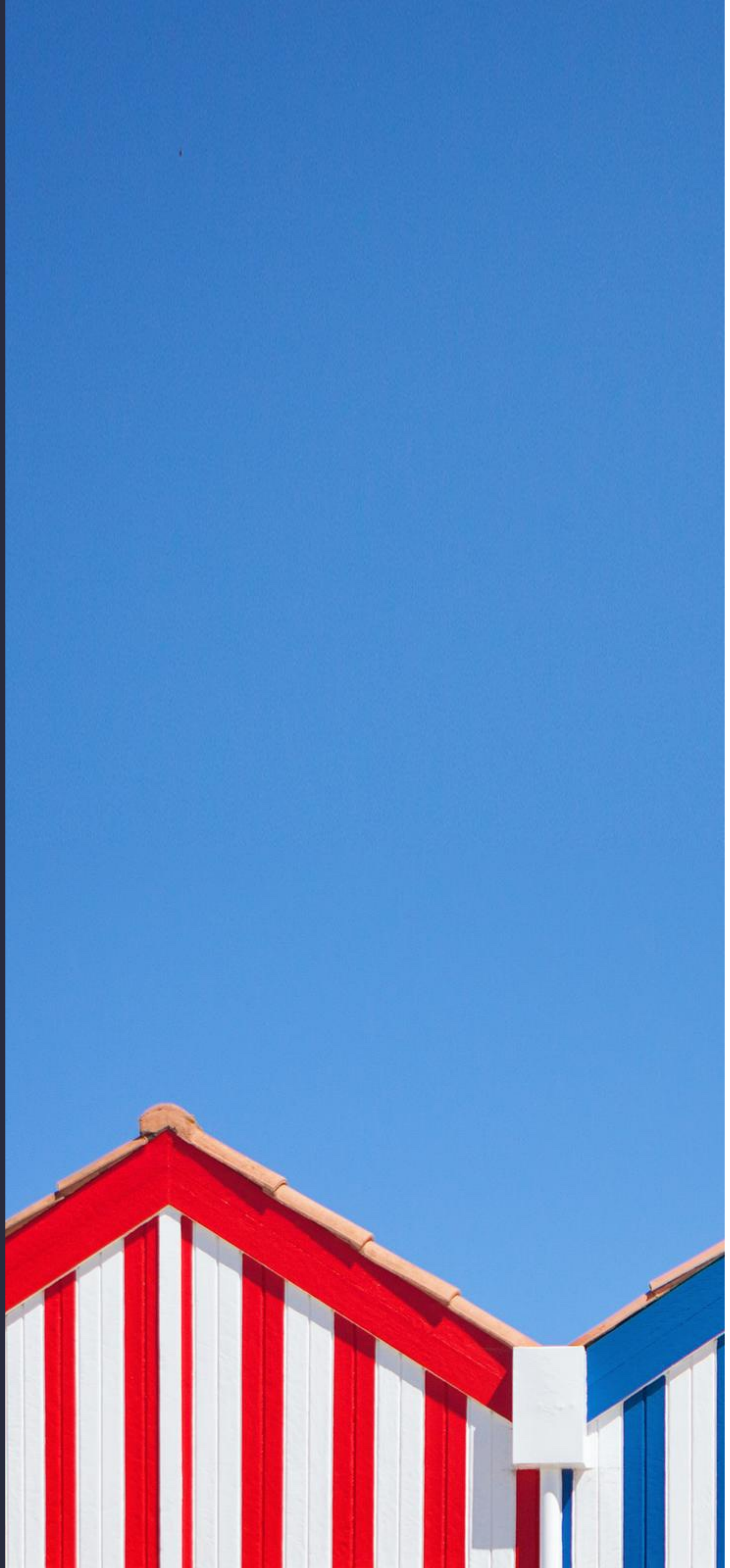


Source: Manulife Investment Management Research, CoStar as of 4Q24.

Forecasted Annualized Returns by Property Type



Source: Manulife Investment Management Research, as of 4Q24. Historical data is NCREIF as of 4Q24.



U.S. Attainable/Affordable Housing Overview

House View, Allocations & Considerations

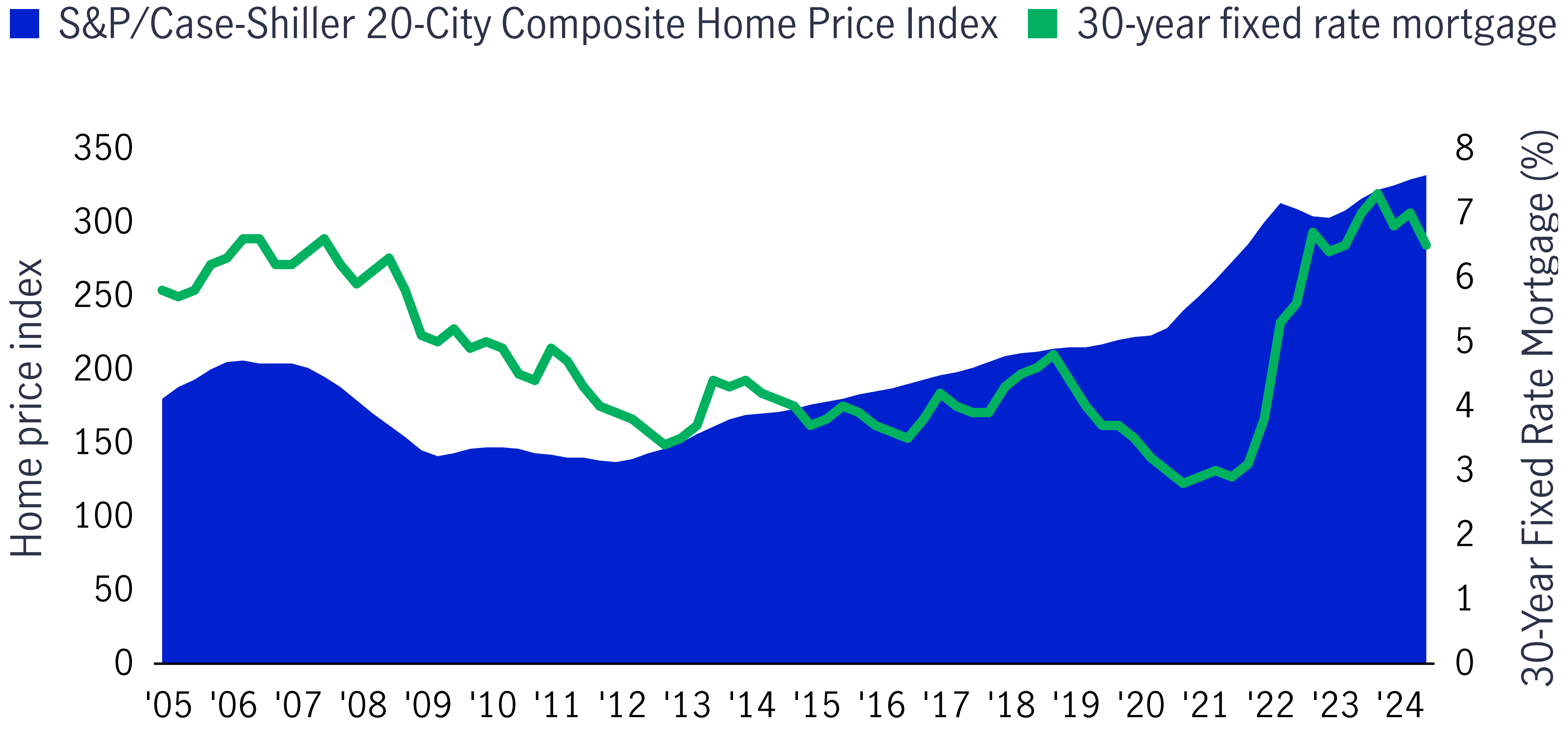
- Our House View currently delineates Attainable/Affordable Housing within the Residential property type or asset class.[1]
- Attainable/Affordable Housing is housing that is affordable to people earning between 50-120% (Attainable) or 50% or less (Affordable) of the Area Median Income (AMI), meaning they need to spend no more than 30% of their income on housing. Housing is often a household's largest expense, and the growing supply and demand imbalance of this sector leads us to believe that highly selective opportunities have the potential to generate both strong financial and social returns. Attainable can be considered market rate depending on the asset classification. Subsets of investment include naturally occurring affordable housing (NOAH), which does not have income restrictions or receive public assistance, and workforce housing which is affordable to households earning between 60-120% of AMI but is not always distinct from NOAH.

"...providing the opportunity for high occupancy, lower concessions, persistent rent growth, low turnover, and the use of government vouchers as a backstop reducing credit loss, translating to stable risk-adjusted returns."

1 Property Type Investment Spectrum

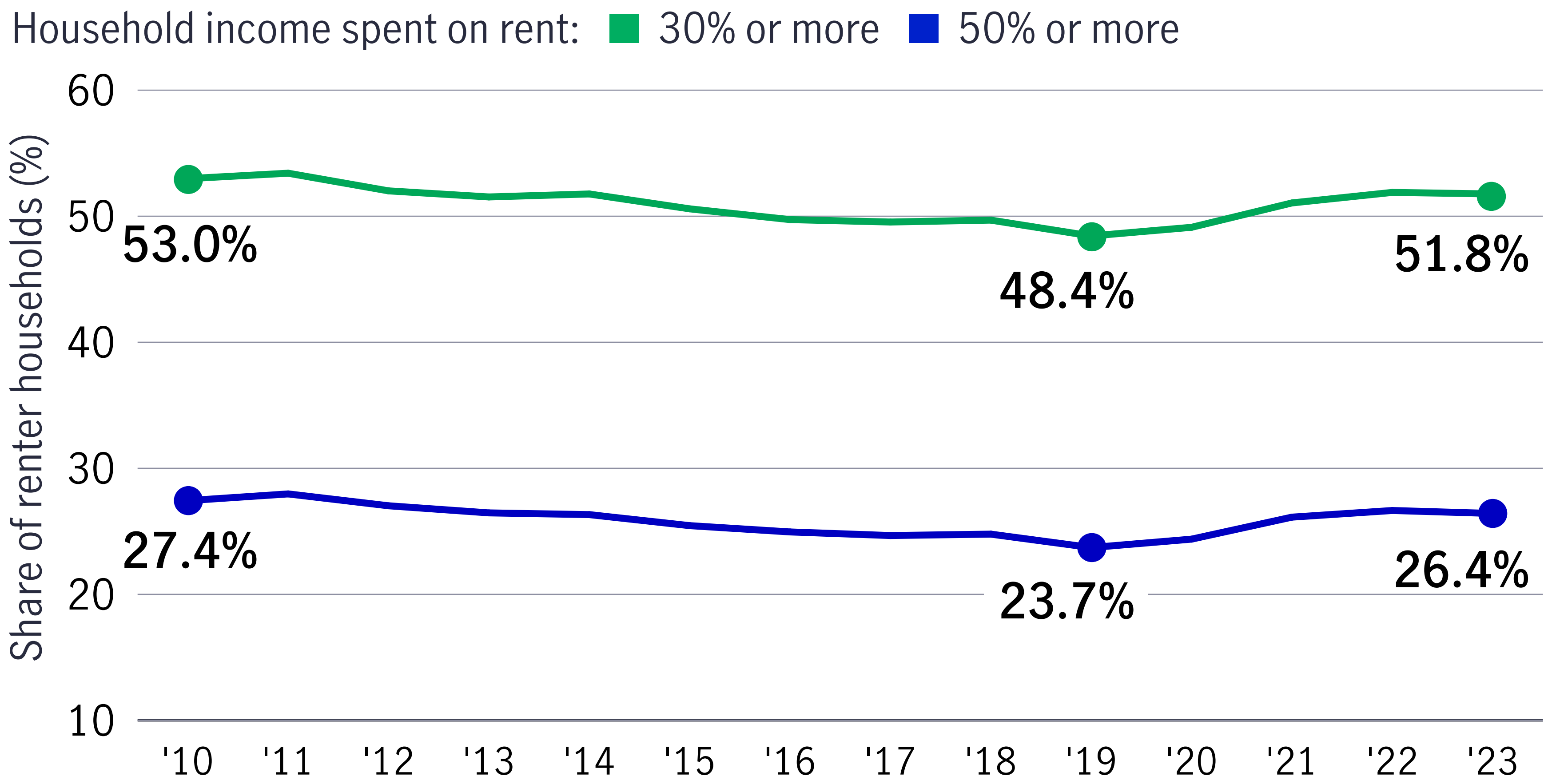
2024 Year In Review: Attainable/Affordable

Home Price Index & Mortgage Rates



Source: Freddie Mac; S&P Dow Jones Indices LLC, as of 3Q24.

Share of Cost Burdened Renter Households



Source: US Census Bureau, American Community Survey 1-Year Estimates, as of 3Q24. (5-year estimates for 2020).

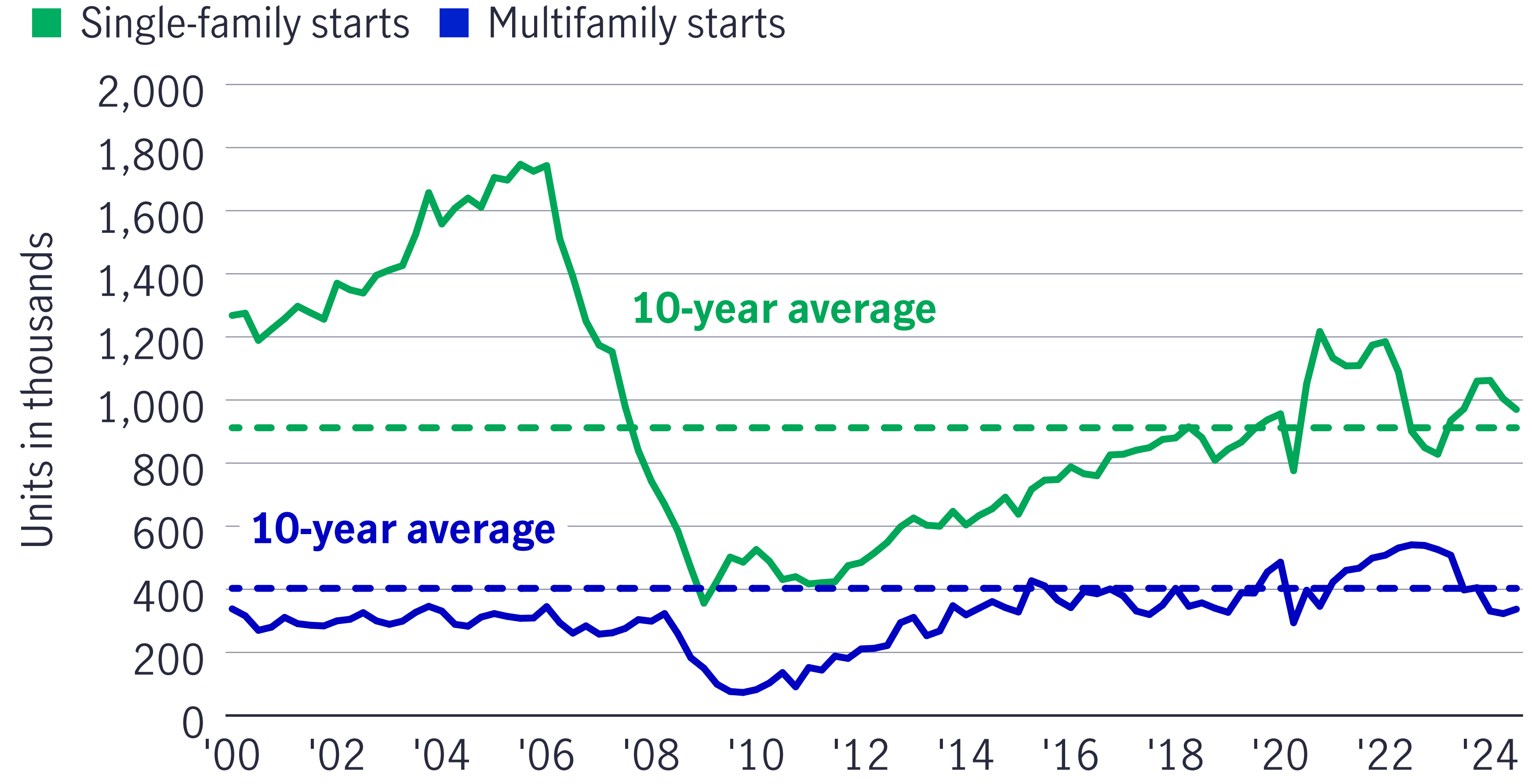
Data is limited for both fundamentals and capital markets in the affordable/attainable sector. However, many data points paint a picture of strong demand-supply dynamics and growing capital markets interest.

- Barriers to homeownership: Homeownership is further out of reach amid elevated housing costs driven by higher interest rates, despite some relief recently, and sustained increases in home values in the for-sale market, pushing the average mortgage payment up 100% since 2019.[2]
- Diminished affordability: Home prices would have to decline about 50% to achieve the same affordability as 2019.[2]
- Growing renter pool: As the affordability gap continues to grow, locking would-be buyers out of homeownership, the pool of renters grows larger, reaching a record 45.6 million and growing 2.7% year-over-year in 3Q24 representing a three-fold pace of growth over owners, further exacerbating rental affordability challenges.[3]
- Renter cost burdens rising: Not only is the renter pool growing, but the share of cost burdened renters paying 30% or more of their income on gross rent increased to 51.8% in 2023, up from a low of 48.4% in 2019, while severely cost burdened renters paying 50% or more of income to rent increased to 26.4% in 2023 from a low of 23.7% in 2019.[4]

2 Freddie Mac; S&P Dow Jones Indices LLC, as of September 2024. **3** "The Number of Renter Households is Growing Three Times Faster Than Homeowner Households." Redfin. 11.5.2024. **4** "A look at the state of affordable housing in the U.S." Pew Research Center. 10.25.2024.

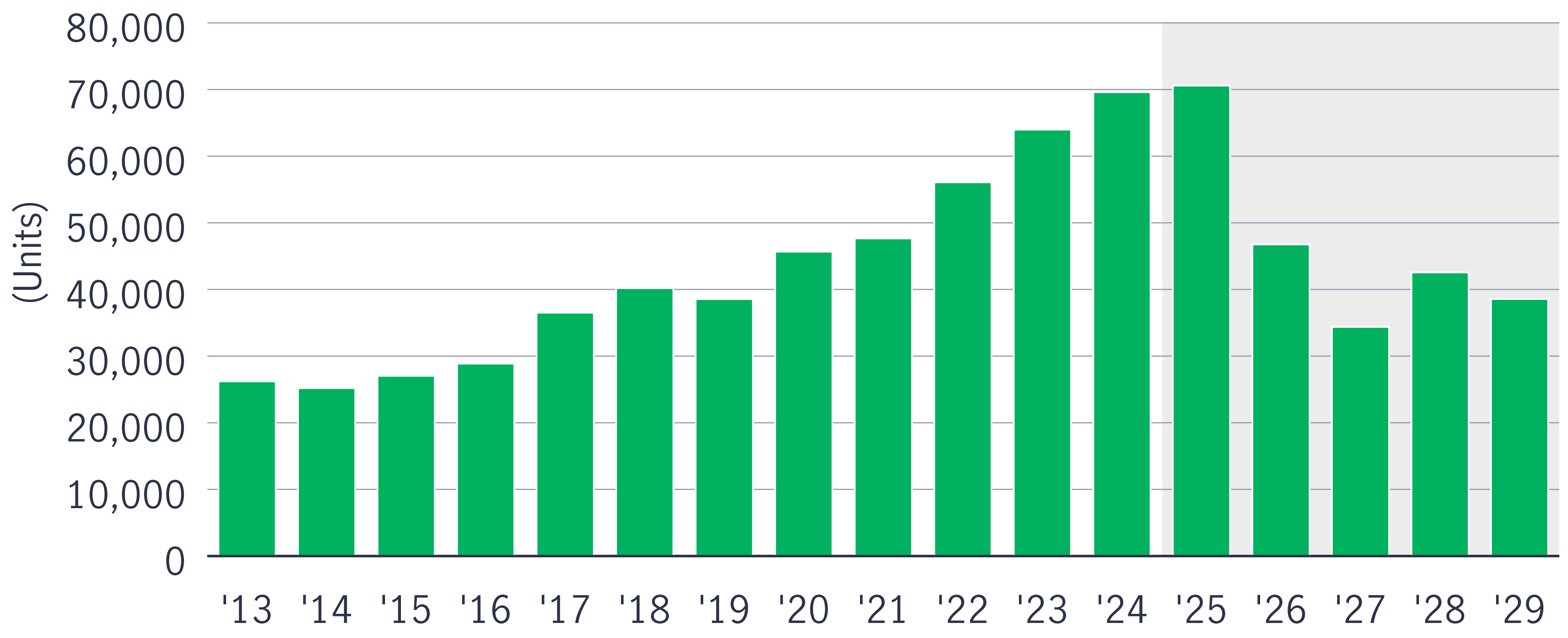
2025 Outlook: Attainable/Affordable

Monthly Housing Starts



Source: Freddie Mac; S&P Dow Jones Indices LLC, as of 3Q24.

Fully Affordable Deliveries



Source: Yardi Matrix as of October 2024. Note: 'Fully Affordable' is defined as properties in which at least 90% of units have income restrictions.

Looking ahead, we expect growing investor interest in the sector to materialize as the supply landscape continues to fall short of demand, supporting the opportunity to generate strong financial returns while addressing the challenges facing renters in the U.S.

- Structural undersupply: Underbuilding between 2010-2020, set the stage for the overall housing shortage, while the recent slowdown in multifamily starts will tighten rental housing market conditions, all while the number of renters is rising.[5]
- Supply slowdown: 'Fully affordable' supply additions, those properties with at least 90% of units that have income restrictions, will slowdown meaningfully in 2026, setting the stage for a growing supply-demand imbalance in this segment.[6]
- TX, FL, CA in short supply: The U.S. faces a pressing need to build 4.3 million new apartments by 2035, of which Texas, Florida, and California account for 40% of future demand requiring 1.5 million apartments.[7]
- Focus on preservation: Preserving affordability will become a focus as Low-Income Housing Tax Credits (LIHTC) set to expire over the next 5 years, hitting their 30-year minimums to keep units affordable, amount to as many as 223,000 units across the U.S., potentially removing affordable units at a time when additional inventory is needed.[8]
- Exit Strategies Vary: Investors will continue to consider different exit strategies which include 1) maintain/extend affordability, 2) shift to another targeted income bracket served by the units, 3) market rate conversion.

5 U.S. Census Bureau, U.S. Department of Housing and Urban Development, as of 3Q24. **6** Yardi Matrix as of October 2024. **7** "U.S. Needs 4.3M More Apartments by 2035 to Address Demand, Deficit and Affordability." NMHC. 7.27.2022. **8** "Affordable housing tax credits set to expire, threatening eviction for thousands of U.S. families." CBS News. 10/7/2024.

Big Ideas, Themes & Trends: Attainable/Affordable

Themes

- Attainable/affordable is a necessity-based sector that offers a complement to the attractive features of traditional multifamily, like resilience against economic downturns, while also providing the opportunity for high occupancy, lower concessions, persistent rent growth, low turnover, and the use of government vouchers as a backstop reducing credit loss, translating to stable risk-adjusted returns.
- Renters increasingly face affordability challenges with over half of renters spending 30% or more of their income on rent, and a rising percentage severely burdened by spending 50% or more.
- Structural undersupply and barriers to homeownership underpin the housing affordability crisis, generating durable demand for attainable/affordable housing.

Opportunities

- **Growing Demand:** Housing affordability challenges are rapidly climbing the income scale, increasing the demand for attainable and affordable housing.
- **Social Impact:** Accessible to a wider demographic, attainable/affordable supports the health, well-being, and quality of life of a broader group or constituents within the community beyond the residents themselves.
- **Quality of Life:** Targeting opportunities that provide a platform for comprehensive community impact by providing services and amenities that enhance quality of life, including access to plentiful and proximate job opportunities and transit.
- **Higher Returns Potential:** A strong window for GP-interest transactions provides a potentially higher revenue stream vs. tax-credit oriented investment strategies.

Investment Performance Summary by Affordability Tier

Affordability Tier	Most	Mid-Market	Least
Average Return/Quarter	1.64%	1.42%	1.06%
Volatility of Quarterly Returns	2.78%	2.87%	2.89%
Compound Average Annual Return, 1Q08 to 1Q24	6.54%	5.62%	4.15%

Source: PREA. "Can Investors Afford to Ignore Affordability? The Investment Characteristics of Affordable Housing". Research based on NCREIF data as of 1Q24. Past performance is not an indication of future results.

Risks

- **Regulatory Changes:** Understanding the nuanced government policies and incentives, which vary greatly in terms of funding mechanisms, activities, and requirements and are subject to change, is essential for successfully executing the business plan and mitigating potential future risks.
- **Headline Risk:** Institutional investors may become a target for headline risk if associated with evictions and rent increases.
- **Limited Production:** Restrictive zoning, cumbersome entitlement processes, and prevailing wage law requirements for developing affordable housing is driving costs significantly higher than market rate, hampering attainable housing production.
- **Aging Inventory:** The aging of affordable housing stock can significantly increase the risk of higher capital expenditures.
- **Rising Expense Growth:** Rising expenses can impact affordable properties more than market-rate properties given that expenses take up a larger share of revenue.

U.S. SFR/BTR Overview

House View, Allocations & Considerations

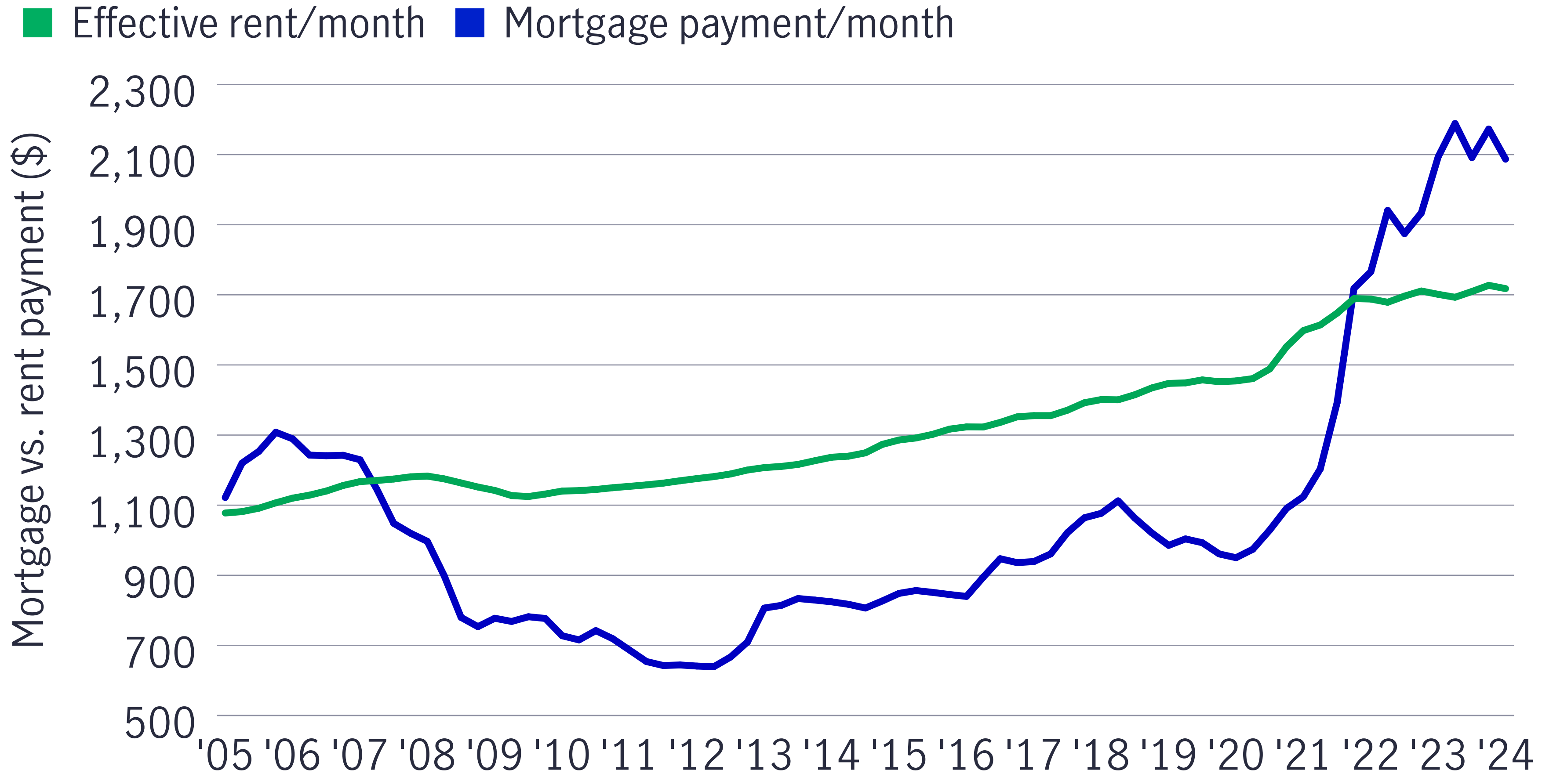
- Single-family rental (SFR) is allocated within the Residential segment for our portfolio and is considered an Alternative sector, with growing interest from an institutional investment standpoint.[1,2]
- Challenging homeownership affordability, adoption of WFH, positive demographic trends as millennials age into prime-SFR age of around 35-44 years old, and preferences for new/updated homes provide tailwinds to long-term, sustainable demand for SFR/BTR in markets with diversified demographics and active labor markets. SFR and BTR benefit from similar demand drivers to traditional multifamily (i.e. job growth and income growth) but offer a strategic play on challenges surrounding homeownership and changing household preferences impacted by WFH and demographics.[3]

"There are significant differences in tenant preferences and lifestyle needs between SFR and traditional multifamily renters... suggesting that SFR is an attractive diversification play within the residential sector."

1 See "Property Type Investment Spectrum." **2** SFR includes horizontal apartments, town-homes, rowhomes, SF detached, Luxury attached/detached
3 Green Street. U.S. Single-Family Rental Outlook. 1.30.2024. Note: Average new resident age for Invitation Homes is 39 years old as of June 2024 (Invitation Homes. Investor Presentation. June 2024). Average millennial age is around 35 years old given age range of 28-43 years old.

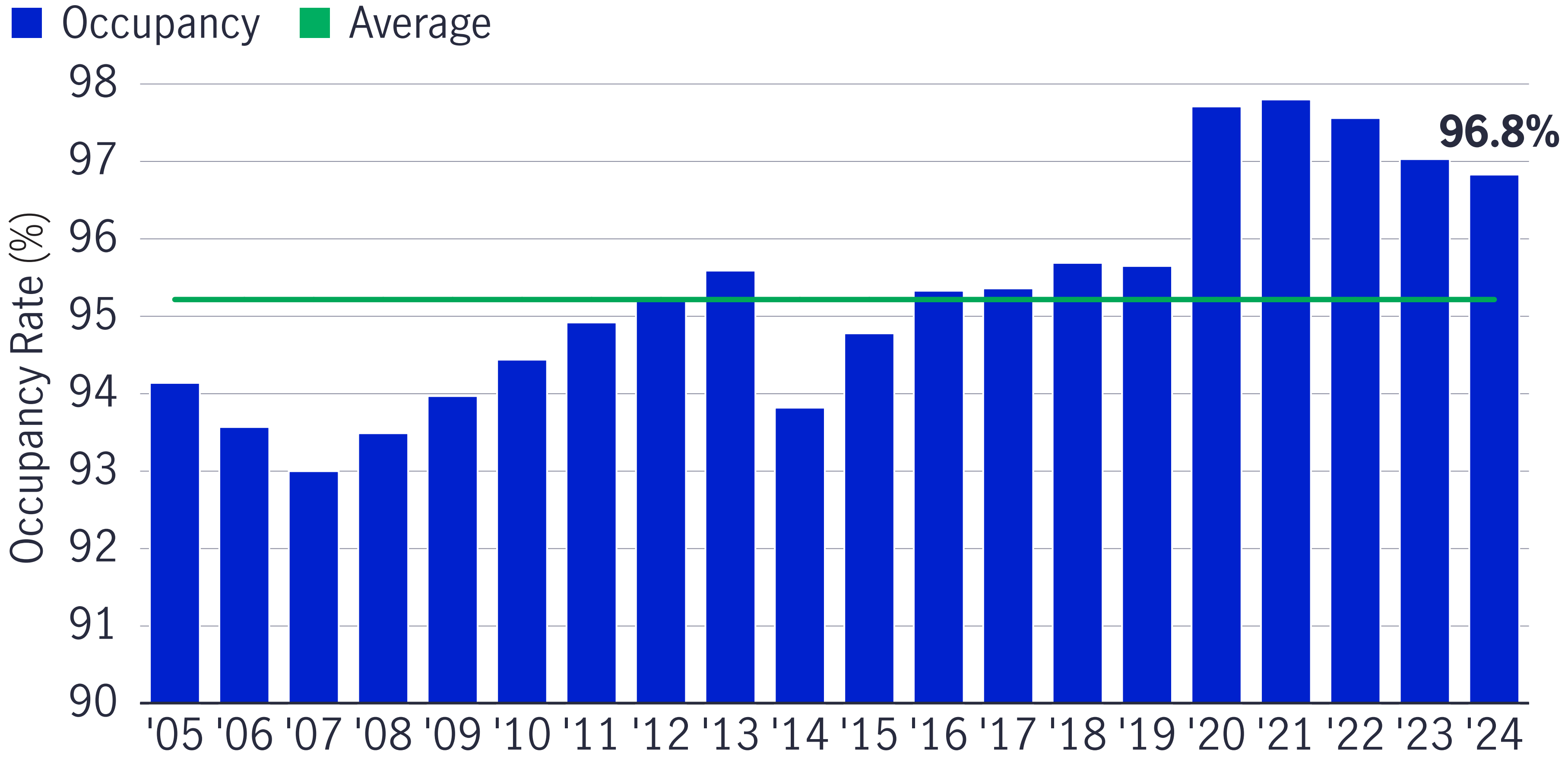
2024 Year In Review: SFR/BTR

Cost to Rent vs. Own



Source: CoStar; Census; S&P Case-Schiller Home Price Index; Freddie Mac as of 3Q24.*

U.S. Single-Family Rental Occupancy



Source: Green Street as of 3Q24.

Fundamentals have moderated likely due to pressured disposable income and supply competition from apartments but overall remain reasonably healthy versus other areas of residential and compared to historical averages.

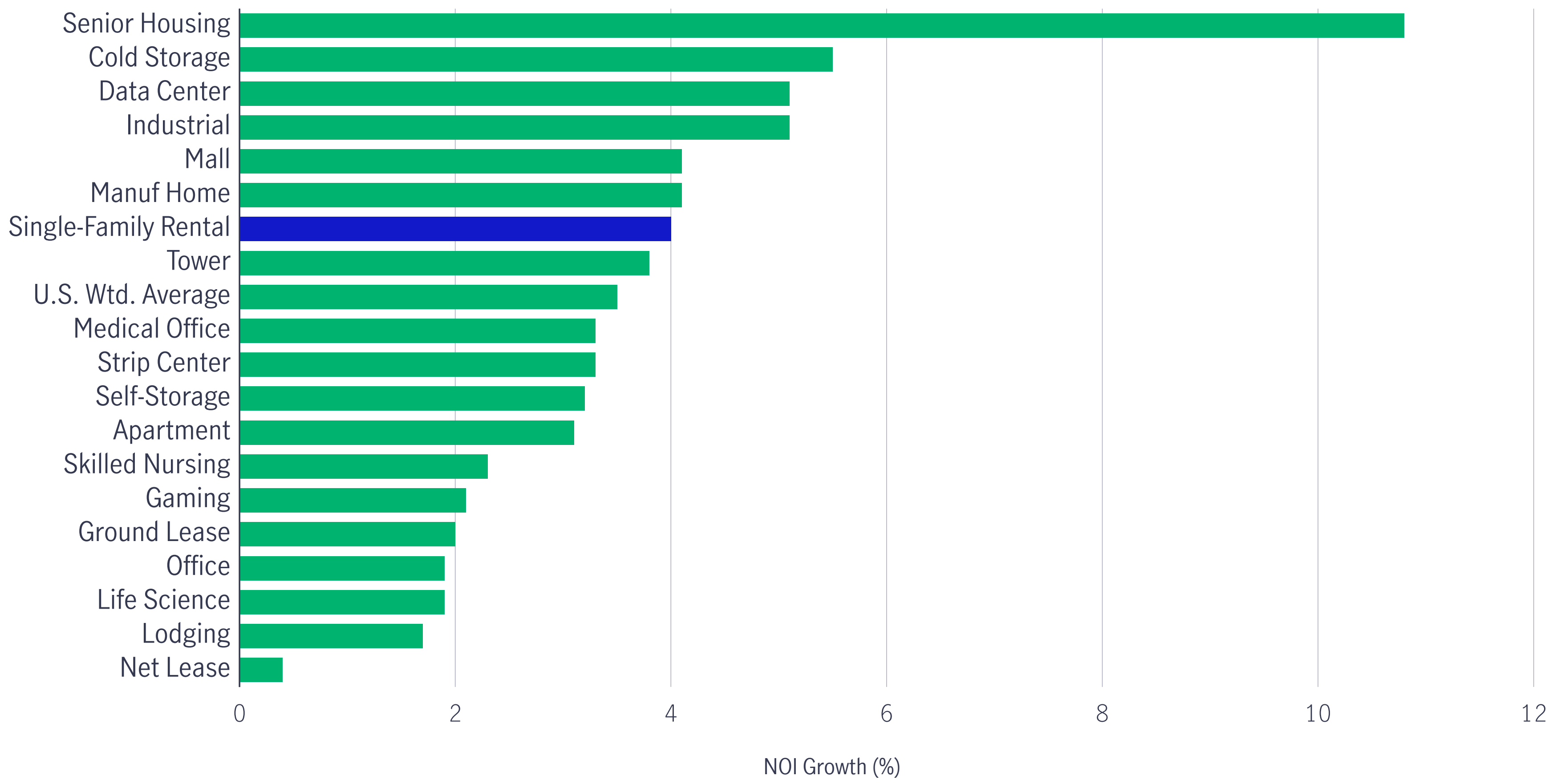
- Above average occupancy: Occupancy remains above the long-term average of 95.2% despite moving 20 basis points lower during 2024 as solid but tapering demand growth fell short of supply growth.[4]
- Solid, but muted rent growth: SFR effective rent growth registered 4.6% in 2024 Q3, about 50 basis point higher than the long-term average, however rent growth remains somewhat muted relative to the widening gap between ownership and rental costs amid a potential slowdown in Sun Belt in-migration and pressure on consumer disposable incomes.[5]
- SFR rent growth outpacing traditional multifamily: Rent growth has outpaced multifamily for the last two years and appears to be poised to continue outperformance for the foreseeable future.[6]
- Sales slowed: SFR sales have slowed to approximately $750 M across 20 transactions but make up about 2.3% of total multifamily transaction volume, up from just 0.6% in 2017.[7]

4 Green Street. Data as of 12.11.2024. **5** Green Street. Data as of 12.11.2024. **6** Green Street. Singe-Family Rental Sector, Pre-Earnings House Call. 10.25.2024. Note: Among the 25 SFR markets tracked by Green Steet. **7** Yardi. Single-Family Rentals in Build-to-Rent Communities. September 2024.

Note: The mortgage payment is calculated based on the median sales price of U.S. home sales as of 3Q24, adjusted historically by the S&P Case Schiller Home Price Index and assumes a 20% down payment at prevailing 30-year fixed mortgage rates.

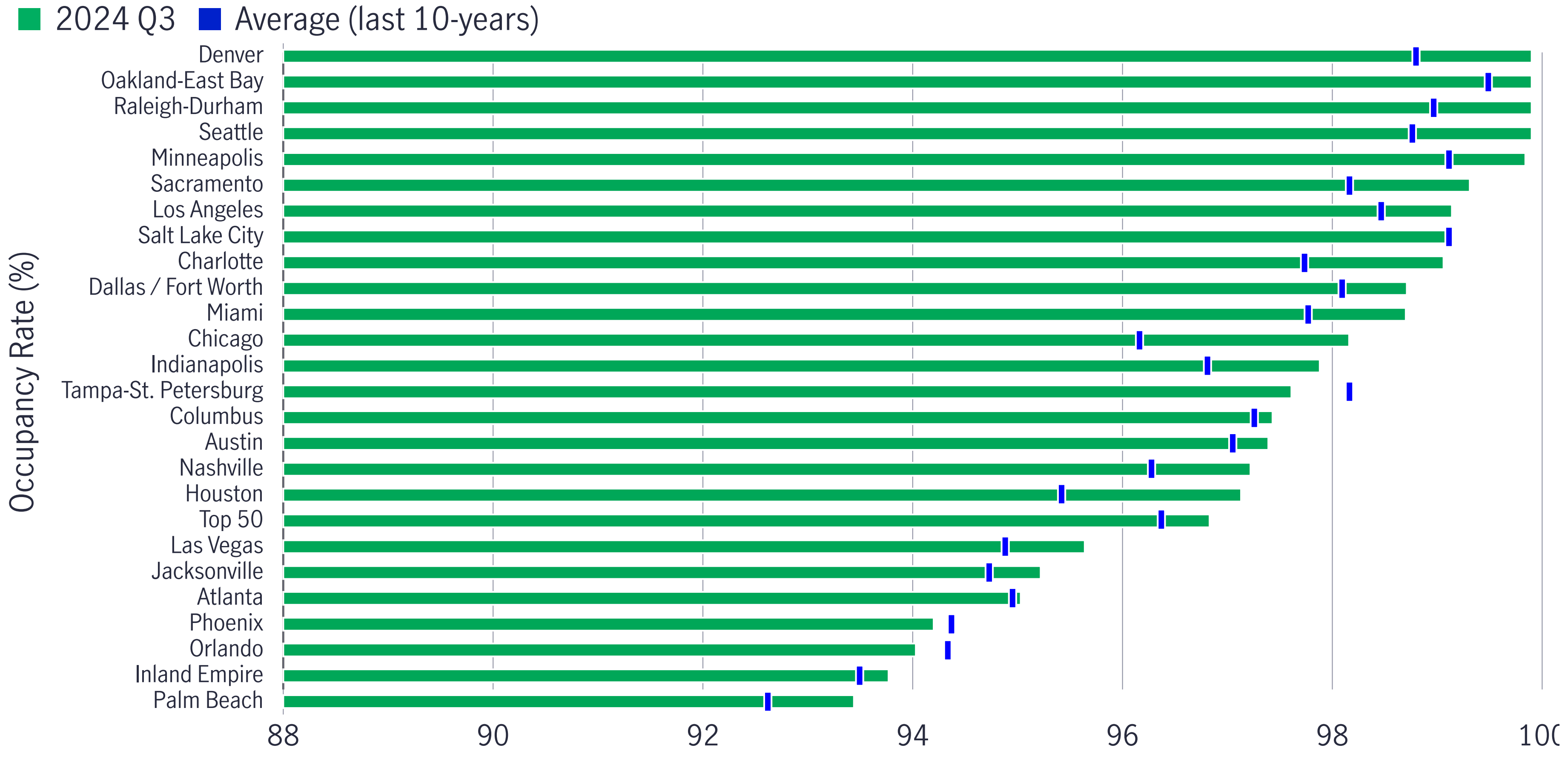
2025 Outlook: SFR/BTR

Near-Term NOI Growth ('25-'28) By Sector



Source: Green Street. "U.S. Commercial Property Outlook". December 2024.

SFR Occupancy Rate by Market



Source: Green Street as of 3Q24.

Although mortgage rates have started to come down, the overall cost of homeownership remains elevated and low housing inventory continues driving would-be home buyers toward renting, supporting SFR/BTR demand while also attracting increasing development in the sector. We expect occupancy levels to remain elevated across most markets relative to historical averages and landlords to maintain solid pricing power.

- Retention likely to remain high: The continued rise in single-family home prices and the associated larger down payment requirements will likely keep tenant retention historically high.
- Rent growth coming on a lag: SFR rent growth has not spiked to the degree the massive gap between ownership and rental costs suggests is possible resulting from inflation-depressed household incomes, therefore some rent growth may come on a lag over the next few years. [8]
- Supply growth poised to move lower: New supply is expected to decline after 2024's peak of ~36,700 SFR/BTR units, on the heels of a sharp drop in starts that will limit new supply in the second half of 2025 and beyond. [9]
- Solid NOI growth ahead: Durable above-inflation rent growth and moderating property tax and insurance expense growth should support low-4% NOI growth over the next 3-5 years, which compares favorably among sectors and is above the low-3% NOI growth for apartments during the same period. [10]

8 Green Street. Data as of 8/26/2024. **9** Yardi. Single-Family Rentals in Build-to-Rent Communities. November 2024. **10** Green Street. Residential Sector Update. 8/26/2024.

Big Ideas, Themes & Trends: SFR/BTR

Themes

- Renting remains cheaper than owning, even without accounting for the ability to afford more expensive down payments and layering in additional costs that come along with homeownership like insurance, repairs and maintenance, supporting favorable demand for SFR/BTR.
- Barriers to homeownerships continue to mount as a 20% down payment on the median sales price of houses sold in the U.S. has increased about 50%.[11]
- As millennials continue aging into their family formation years, this large cohort will look to housing that can accommodate their budgets and the desire for more spacious living arrangements.

Opportunities

- **Behavioral Trends:** Renting preference, hybrid working and affordability in Gateways could drive portfolio or scaled scatter-site plays.
- **Differentiated Strategy:** Longer lease terms, lower turnover/higher occupancy, may offer counter-cyclical protection in well-leased assets.
- **Housing Preference Alignment:** SFR offers a quieter setting and more space for multiple workspaces for WFH, reflected by the rising share of 3+ bedrooms that now make up more than half of total completions.[12]
- **Deep Demand Pool:** A deep demand pool is critical to success – growing markets as well as mature and large markets pull from a larger pool of well-to-do consumers, that can support premium rents relative to smaller markets.
- **Differentiated Demand:** There are significant differences in tenant preferences and lifestyle needs insulating more affordable per square foot rents for SFR versus traditional multifamily, positioning SFR as an attractive diversification play.

Risks

- **Operating Scale:** Limited economies of scale will undermine revenue and cost management; however, yield through savvy operations will evolve as the sector matures.
- **Negative Institutionalization Sentiment:** Bills like CA's AB 2584 which attempt to restrict business entities that own SFR from purchasing additional homes, reflects the growing negative sentiment surrounding institutionalized homeownership and would be a negative for growth prospects in the sector.
- **Long-Term Barriers to Supply:** A decade's long void in single-family home construction will benefit landlords near-term; however, long-term less NIMBY-ism, fewer regulatory barriers, and shadow supply from boomers downsizing later in the decade will result in lower barriers to new supply.

11 Freddie Mac; S&P Dow Jones Indices LLC, as of September 2024. **12** Yardi. Single-Family Rentals in Build-to-Rent Communities. September 2024.

U.S. Student Housing Overview

House View, Allocations & Considerations

- Our House View currently delineates Student Housing within the Residential property type or asset class.[1]
- Though Student Housing investment is bespoke and requires specific and deep operating expertise that may be accessed through operating partnerships, it is a potential, highly selective, diversification play within the residential allocation for our portfolio. Continued aspirations for higher education support student housings' demand profile among brand name, flagship institutions. At the same time, tight housing supply in close proximity to campus that meets the needs and preferences of today's college students results in a compelling investment opportunity.

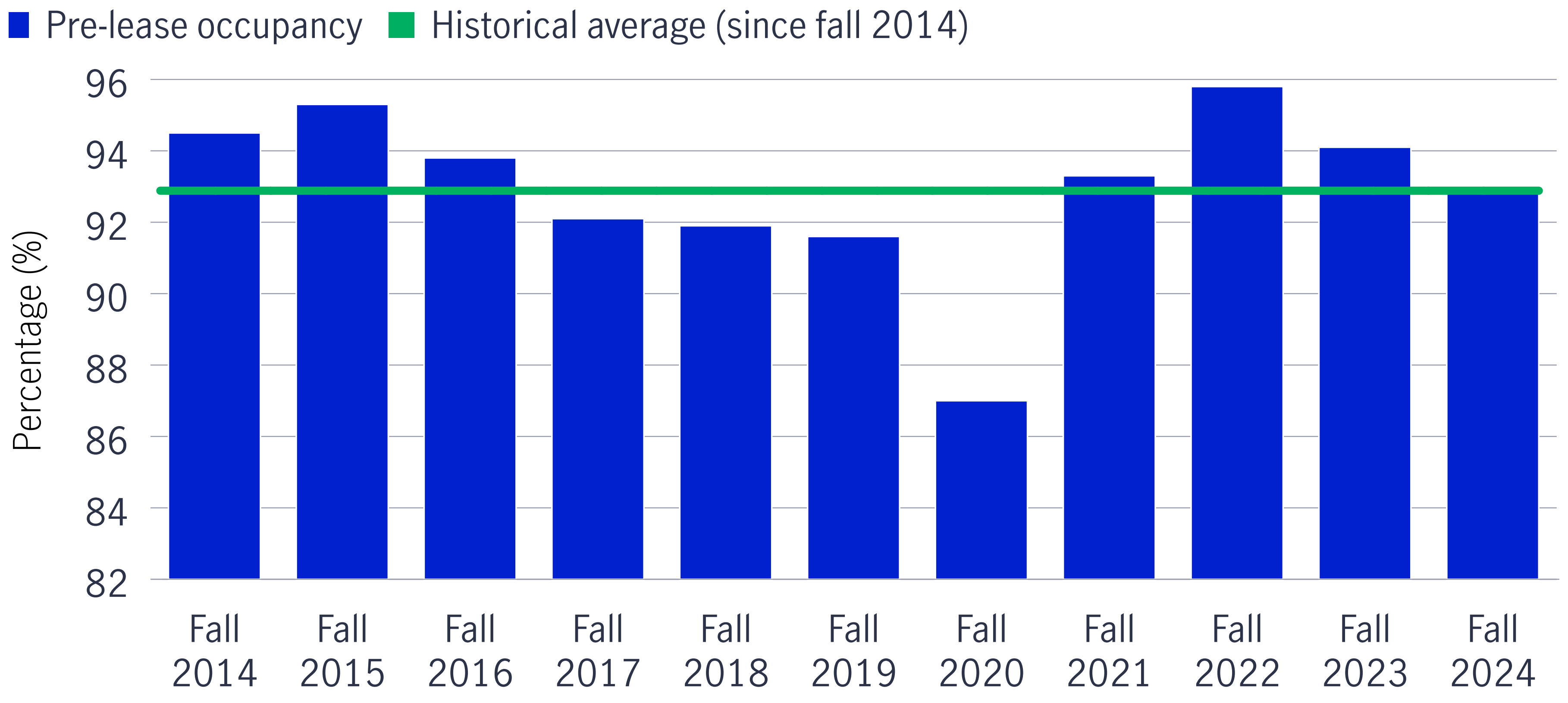
Market Considerations
- Strong educational institution presence
- Supply constraints/barrier-to-entry
- Affordability measure
- Regulatory environment

Asset Considerations
- Direct access to educational institution
- High Walkability/Retail access
- High-tech features
- Best in class amenity package
- Graduate, Post-Graduate demand

1 See "Property Type Investment Spectrum."

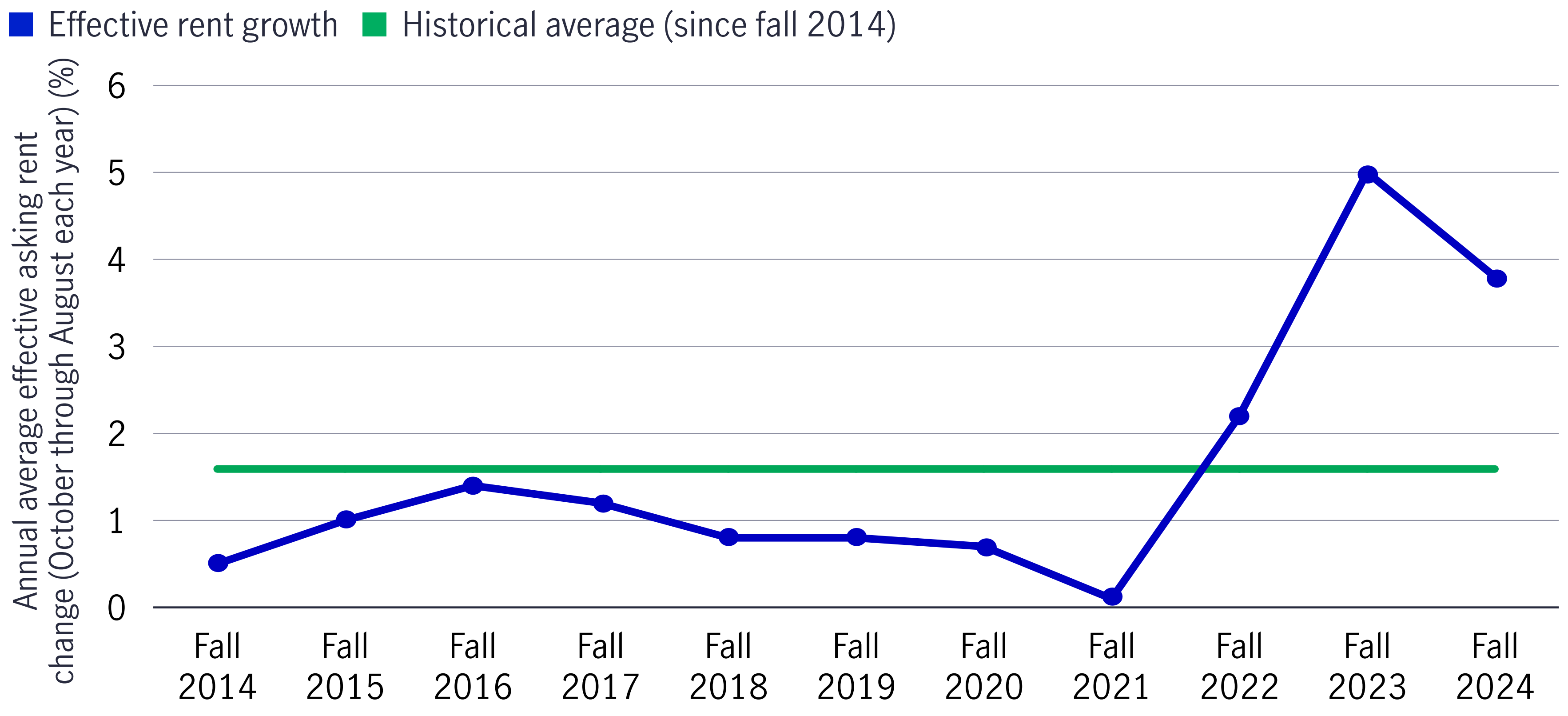
2024 Year In Review: Student Housing

Pre-Lease Occupancy



Source: Realpage. "U.S. Student Housing Market Update, 2024 Year in Review & 2025 Outlook". Data published December 2024.*

Annual Effective Rent Growth



Source: Realpage. "U.S. Student Housing Market Update, 2024 Year in Review & 2025 Outlook". Data published December 2024. Estimated.

Preleasing was extremely strong until April when slow FAFSA processing delayed college enrollment decisions for many students and as demand normalizes in a post-Covid environment. Despite this, preleasing is healthy, demand is sustainable and rent growth outpaces traditional multifamily.

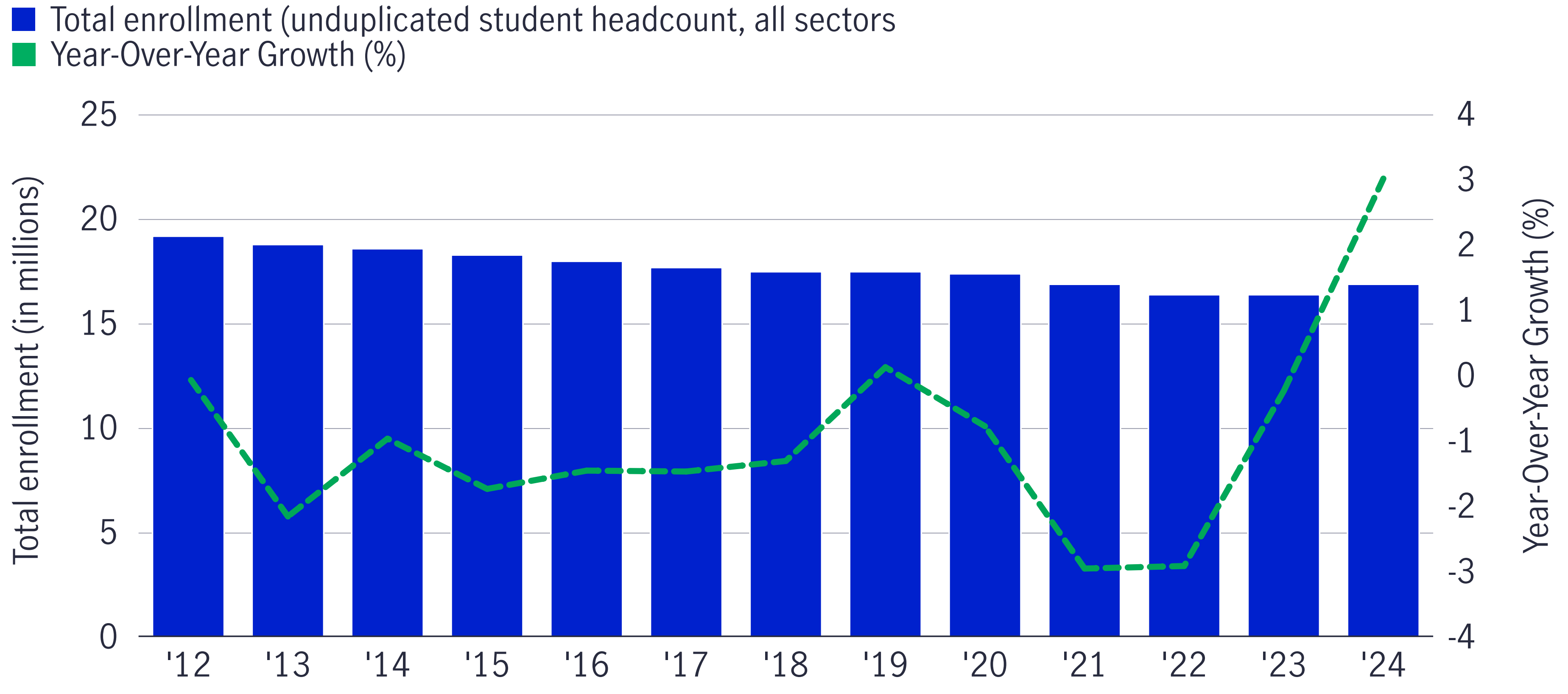
- Solid preleasing: Preleasing for Fall 2024 reached 92.8% through September, just below the 92.9% long-term average.[2]
- Above average rent growth, but moderating: Rent growth has decelerated throughout the leasing season alongside the subsiding post-Covid demand wave and competition with shadow supply, averaging about 3.8% growth, the second highest reading on record.[2]
- Increased shadow market availability impacting rent growth: Affordability challenges in student housing given rising construction costs and the supply-demand imbalance in the sector, particularly in major MSAs with high-rent supply, has created more competition from shadow market conventional multifamily, impacting rent growth in these markets.
- New deliveries moderating: 41,400 beds will deliver in 2024, providing stock of institutional-quality assets to investors, but falls 5% below 2023 deliveries.[3]
- Investment volumes rising: Total sales volume for student housing reached $3.1 billion in 3Q24, up 4% on the pre-pandemic average and 83% greater than 3Q23.[4]

2 Realpage. "U.S. Student Housing Market Update, 2024 Year in Review & 2025 Outlook". December 2024.
3 Yardi. National Student Housing Report. September 2024. 4 MSCI. "Capital Trends, US Big Picture." 3Q24.

*Note: Data is through September of each year and is same-store. Represents U.S. off- campus purpose-built student housing.

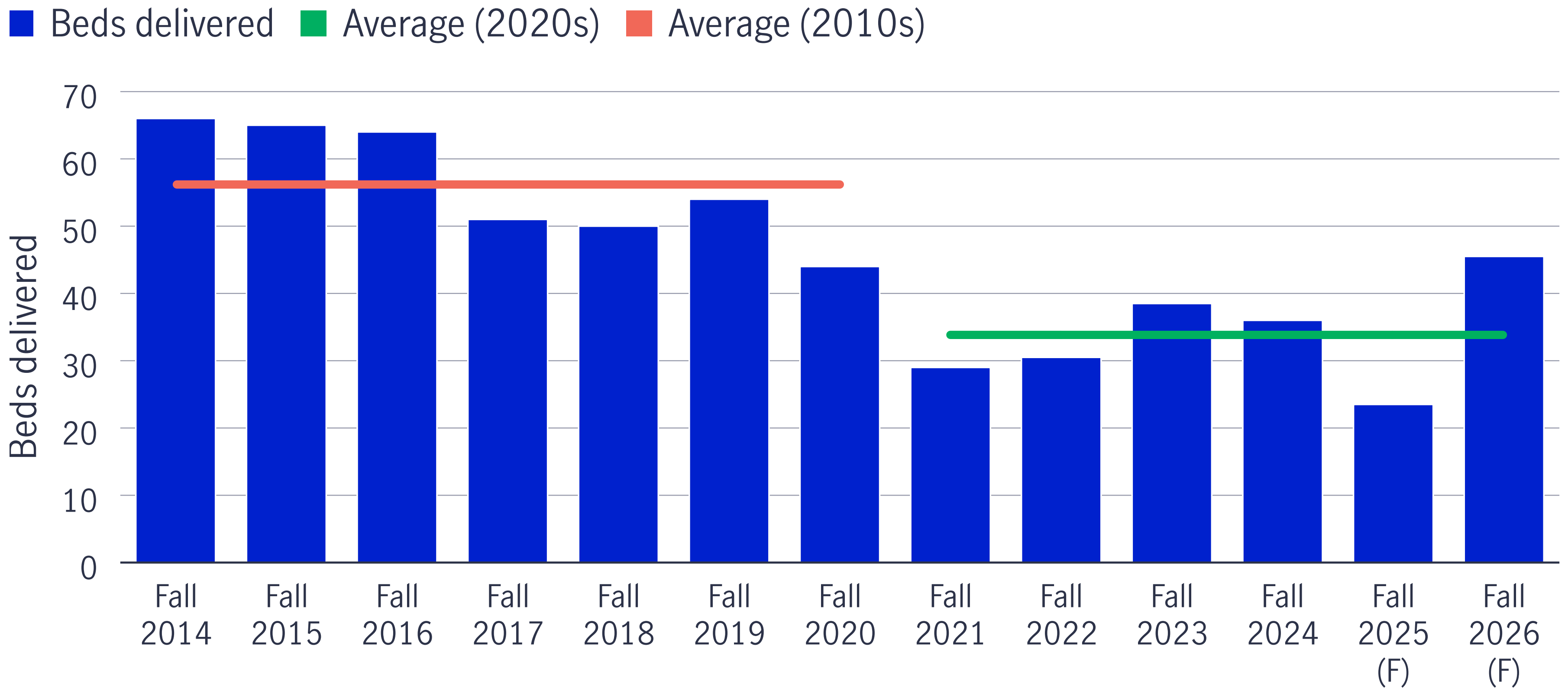
2025 Outlook: Student Housing

Total U.S. Enrollment (Spring)



Source: National Student Clearinghouse Research Center as of 3Q24. Note: Data reflects unduplicated student headcount across all sectors.

New Beds Delivered & Expected Supply



Source: Realpage. "U.S. Student Housing Market Update, 2024 Year in Review & 2025 Outlook". Data represents U.S. off campus purpose-built student housing, published December 2024. (F) = Forecast.

Expect fundamentals to settle out at more sustainable, normalized levels compared to recent record highs post-Covid. Supply will dip below historical levels nationally while many flagship state institutions with rising enrollment benefit from higher levels of demand and stronger rent growth as a result.

- Enrollment increased in 2024: Total U.S. enrollment ticked up in 2024, increasing about 3% or nearly 500,000 students, after declining for the decade before that. Spring or fall enrollment in 2025 may be boosted on the heels of FAFSA delays impacting fall 2024 enrollment.
- Lower new supply paradigm: Supply has shifted lower in the 2020s versus the 2010s and is expected to dip below the long-term average of 40,000 beds delivered annually starting in 2024, setting the stage for a period of solid fundamentals.[5]
- Enrollment growth will continue to drive rent growth: Enrollment growth will be a key differentiator for rent growth given the bifurcated performance among the top 10 markets with the strongest rent growth in 2024 which averaged 3.3% enrollment growth while the bottom 10 markets for rent growth averaged -0.9% enrollment declines.
- Institutional lending, a vital resource: Student housing developers and investors will continue to rely on institutional lending, with a focus on major markets dominated by powerful, state-supported colleges and universities with strong enrollments.

5 Yardi. National Student Housing Report. July 2024.

Big Ideas, Themes & Trends: Student Housing

Themes

Segments of the student housing industry will continue to thrive, particularly fast growing, flagship state institutions with high-quality programs and the ability to attract students from wider geographic bases, while other segments face higher levels of risk.

- Favorable supply-demand imbalance: Notwithstanding a slower pace of demographic growth, rising enrollment over the next decade and a reasonable supply pipeline should create a favorable supply-demand imbalance for investors.
- Consolidation of students: Bifurcation between schools with growing enrollment and declining enrollment reflects ongoing consolidation of students choosing bigger, brand name, flagship institutions, highlighting the importance of location strategy.

Opportunities

- **Public Institutions:** Operating fundamentals strongest in markets with large, public universities; target new assets/development in supply-constrained nodes.
- **Affordability:** Sun Belt outperformance in conjunction with Pandemic demographic trends; consider supply pipeline and affordability levels.
- **Lower University Revenues:** Reduced revenues from the 2020 recession may provide more opportunities for public-private housing programs.
- **Demand Backstop:** Institutions boasting lower acceptance rates enjoy greater market stability as they can admit more students if enrollment declines.
- **Southern Migration:** A rising share of Northerners attending Southern public schools, attracted by the vibrant social scene, lower tuition costs, warmer weather, providing tailwinds to many universities in the Sun Belt which tracks overall migration patterns of the general population.[6]

6 "Sorry, Harvard. Everyone Wants to Go to College in the South Now." WSJ. 9.30.2024.

Enrollment Change by Campus Category

Campus Category	Change in Enrolled Students Since 2019		% of Campuses
	Growth Categories		
Positive Growth	+253,598	+7.1%	60%
Negative Growth	-205,209	-8.3%	40%
	Athletic/Academic Categories		
Power 5 Campuses	+123,751	+5.8%	23%
Group of 5 Campuses	-21,820	-1.7%	33%
All Other Campuses	-53,542	-2.1%	43%

Source: Realpage. "U.S. Student Housing Market Update, 2024 Year in Review & 2025 Outlook". Data published December 2024. Note: Data reflects Fall enrollment estimates and only includes schools tracked by RealPage. 'Power 5' refers to the five biggest and most competitive college athletic conferences competitive in NCAA Division I athletics, particularly football, and includes Tier 1/state flagship universitates; 'Group of 5' refers to the five athletic conferences whose members are part of NCAA Division I Football Bowl Subdivision (FBS); 'All Other Campuses' refers to universities outside of the prior two, including many Ivy League schools.

Risks

- **Enrollment:** Private universities with low enrollment in high-cost areas are challenged from an occupancy and pricing perspective, and quality of stock.
- **Timing:** High supply/late delivery markets face occupancy challenges when not timed with the academic year.
- **Slowing 18-To-24-Year-Old Growth:** A smaller Gen Z cohort will contribute to a slower pace of overall enrollment growth in the period ahead, however there is a strong divide between the campuses that are growing versus shrinking.

U.S. Active Adult Overview

House View, Allocations & Considerations

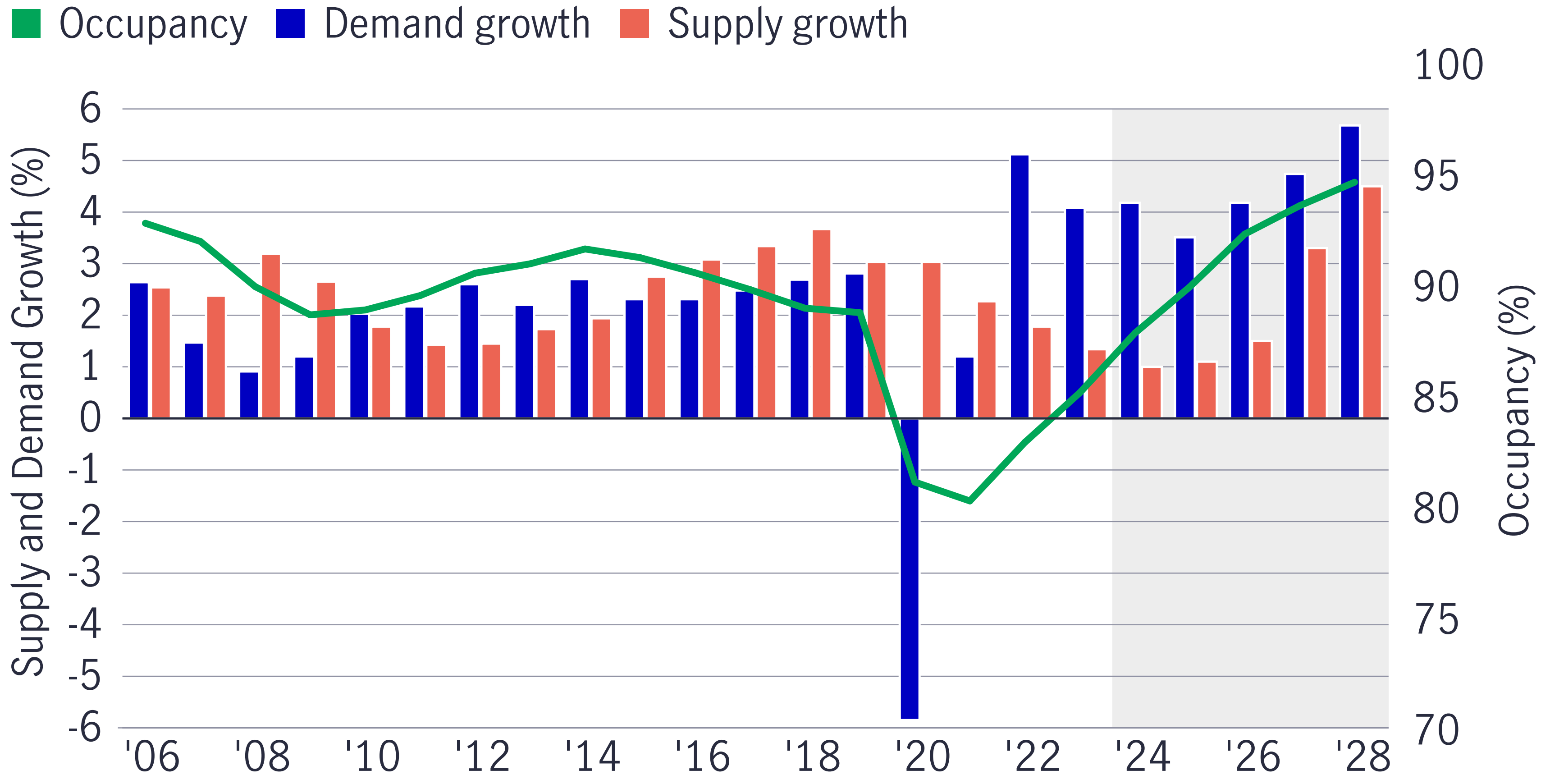
- Our House View currently delineates Active Adult within the Residential property type or asset class.[1]
- Active Adult is a lower-acuity, age-qualified, lifestyle-focused subset of Senior Housing that appeals to younger (average age typically 72-74 years old), healthier (i.e., no/low acuity needs) cohorts looking to live in a secure, maintenance-free rental with lifestyle-focused amenities that support socialization and activities, within close proximity to local communities and recreation. The sector servers as a potential diversification play, given resilient and differentiated demand factors for senior housing relative to traditional multifamily, with bespoke characteristics that will be evaluated on a highly selective basis, requiring programmatic operating partnerships.

"Lower resident turnover and higher margins relative to higher acuity senior housing support tailwinds for performance."

1 See "Property Type Investment Spectrum."

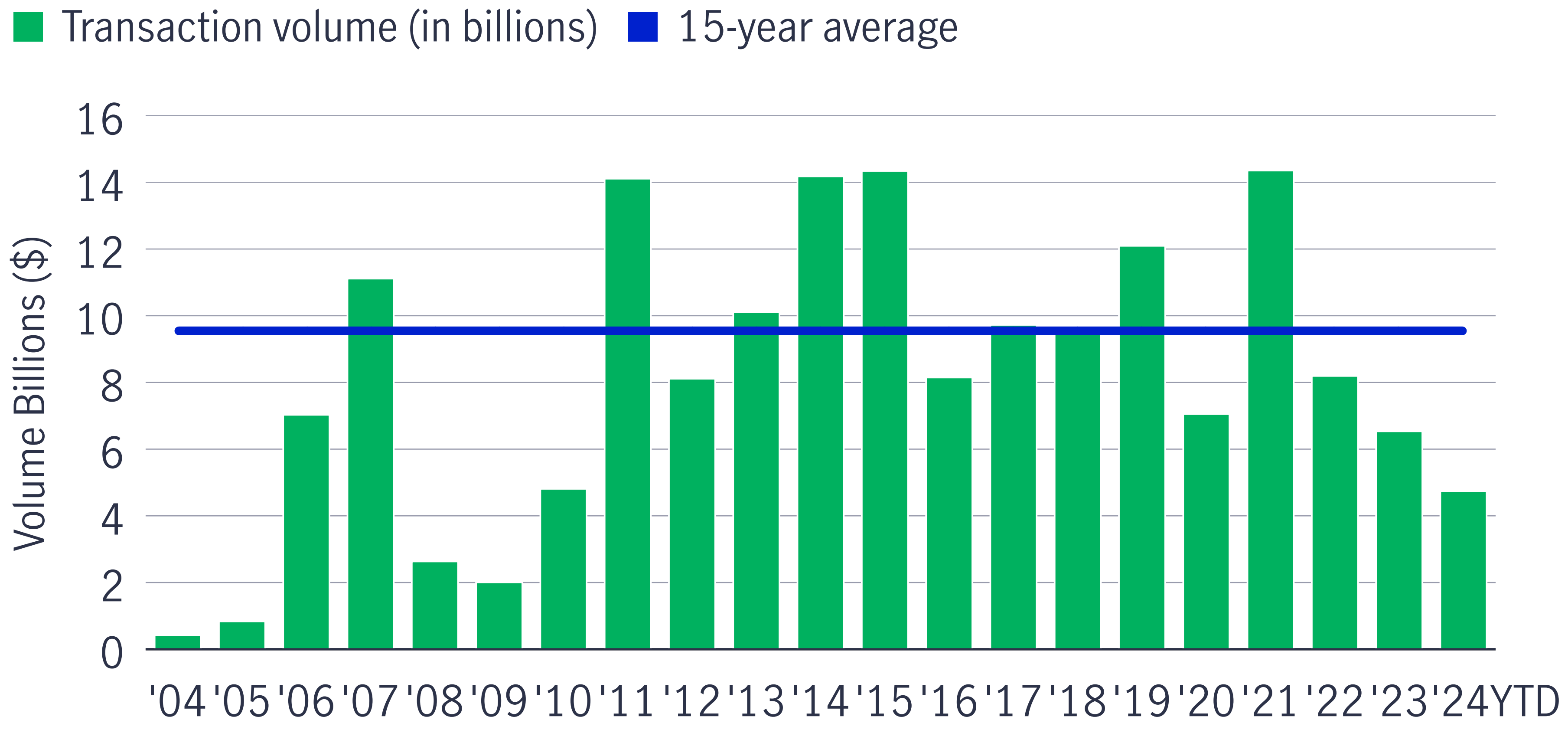
2024 Year In Review: Active Adult

Senior Housing Supply and Demand Growth vs. Occupancy



Source: Green Street as of 3Q24.

Senior Housing Investment Volume



Source: RCA as of 3Q24.

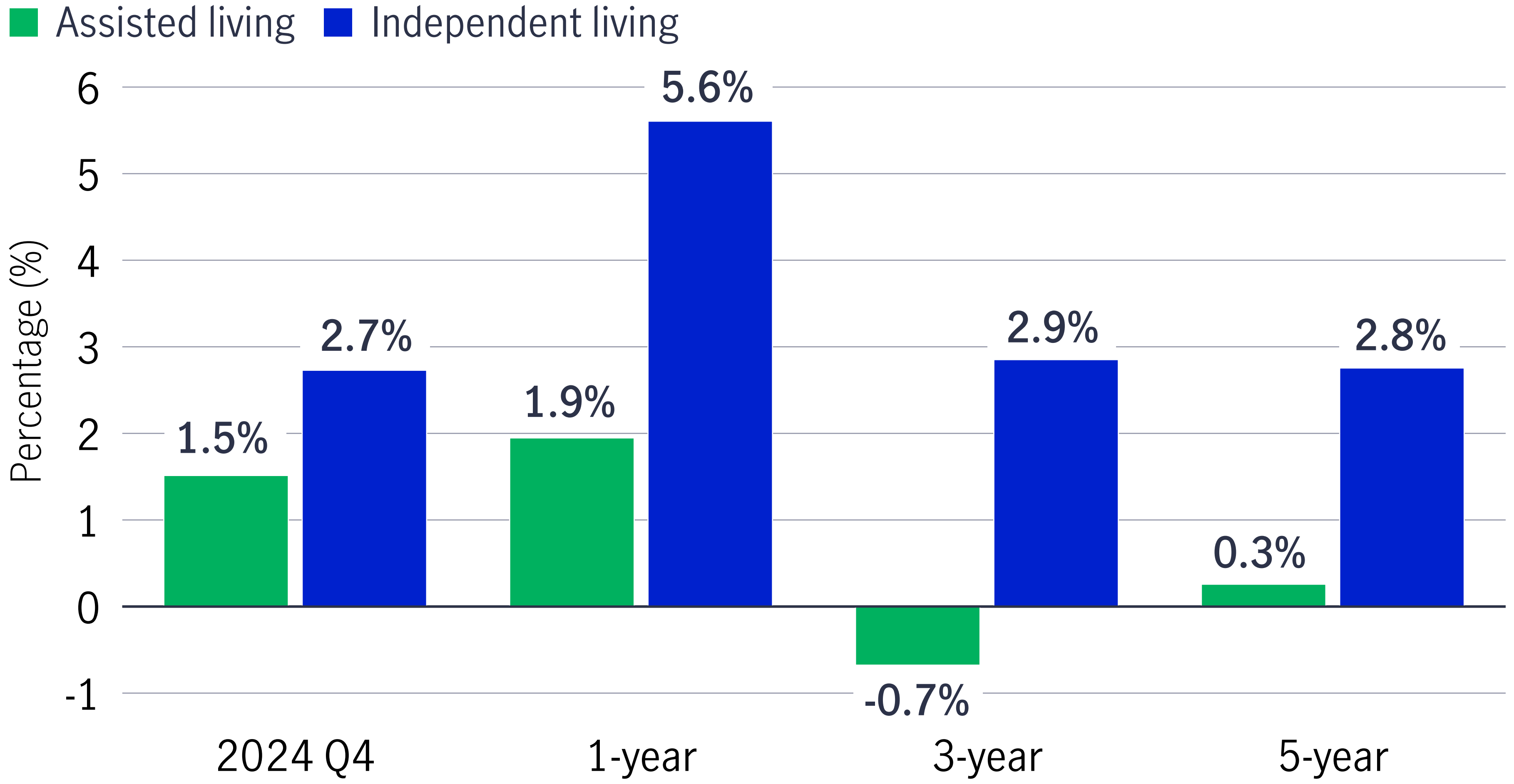
After facing several challenges over the past four years, primarily an occupancy and labor crisis due to the COVID-19 pandemic, the senior housing sector continues to exhibit improving fundamentals as rapid occupancy recovery comes on the heels of strong demand growth supported by the 80+ population.

- Demand outpacing supply: Prior to the pandemic, supply outpacing demand eroded occupancy, however, in 2022 demand began to materially outpace supply.[2]
- Rapidly increasing demand in early 2024: Recently demand increased by a staggering 40% in early 2024, highlighting the need for expansion in the space to meet the demand of this growing demographic.[2]
- Improving occupancy: Occupancy improved 70 bps in 3Q to 87.1%, which surpasses the seasonal historical norm of ~20 bps on average in Q3 from 2008-2019 and now sits just 20 bps below 2019 levels.[3]
- Rent growth slowing amid wide variation across portfolios: Rent growth averaged close to high-5% in 2023 and likely mid-4% in 2024, while some of the highest quality operators pushed 8-10% rent growth in 2023 and modestly lower growth in 2024.[4]
- New supply trends lower: New senior housing starts account for 0.2% of existing inventory, the lowest level in recent history and development trending at 26,000 units annually sets the sector on a track to fall 50% short of the required inventory by 2025.[5]
- Recently improving investment volumes remain below average: Senior housing investment volume is up 13% through the third quarter compared to the same period a year ago as financing availability improves alongside NOI, and as a deeper pool of lenders and investors look to allocate capital to the senior housing sector, totaling $4.6 billion, but overall volumes remain depressed relative to history.[6]

2 NIC. "Senior Housing Industry Forecast: What to Expect in 2025 and Beyond." 9.18.2024. **3** Green Street. Health Care Sector, 3Q24 NIC Data – Fundamentals Look Healthy. 10.3.2024. **4** Green Street. Conference Insights, Standing Room Only in NIC. 9.29.24. **5** NIC. "Go long in senior housing: NIC MAP Vision data reveals a $275 billion investment shortage in senior housing developments across the country by 2030." 6.26.2024. **6** RCA as of 3Q24.

2025 Outlook: Active Adult

NPI Senior Housing Total Returns by Subtype



Source: NCREIF as of 4Q24.

Supply growth moving lower as demand growth moves meaningfully higher supports improving occupancy levels, expected to push well above pre-pandemic averages of ~90.4% by 2026.[7] As occupancy rates continue to rise and the labor market eases, fundamentals and NOI is expected to improve significantly as rent growth strengthens and expense growth eases.

- Cooling pricing power: Although operators have not seen a meaningful pushback from tenants on rate increases, the outlook is for pricing power to cool as broader inflation cools.[8]
- Depressed development to benefit fundamentals for years: High interest rates and limited capital availability drove construction starts to decade lows, and with multi-year pre-development and construction timelines, supply growth will likely remain depressed for years to come.[9]
- Development shortfall by 2030: According to NIC MAP Vision data, the current senior housing development pace indicates a 550,000-unit shortfall by 2030, which represents a $275 billion investment shortage.[10]
- Capital markets sentiment upswing: Recent transactions tilt toward unstabilized properties in secondary markets, however, participants expect stabilized “core” properties activity to pick up.[11]
- Attractive return profile: Market participants peg forward-12 month cap rates on higher-quality, reasonably stabilized properties around 7.0% and lower quality properties (e.g., significant deferred cap-ex, or lower barrier markets) between 7.0-8.0%.[11]
- Potential for cap rate compression: As lenders re-enter the space and operating fundamentals continue improving, the potential for cap rate compression from the current 7-8% stabilized range versus other sectors is promising.[11]

7 Green Street as of 3Q24. **8** Green Street. Conference Insights, Standing Room Only in NIC. 9.29.24. **9** NIC. Senior Housing Market Outlook. July 2024. **10** NIC. “Go long in senior housing: NIC MAP Vision data reveals a $275 billion investment shortage in senior housing developments across the country by 2030.” 6.26.2024. **11** Green Street. Conference Insights, Standing Room Only in NIC. 9.29.24.

Big Ideas, Themes & Trends: Active Adult

Themes

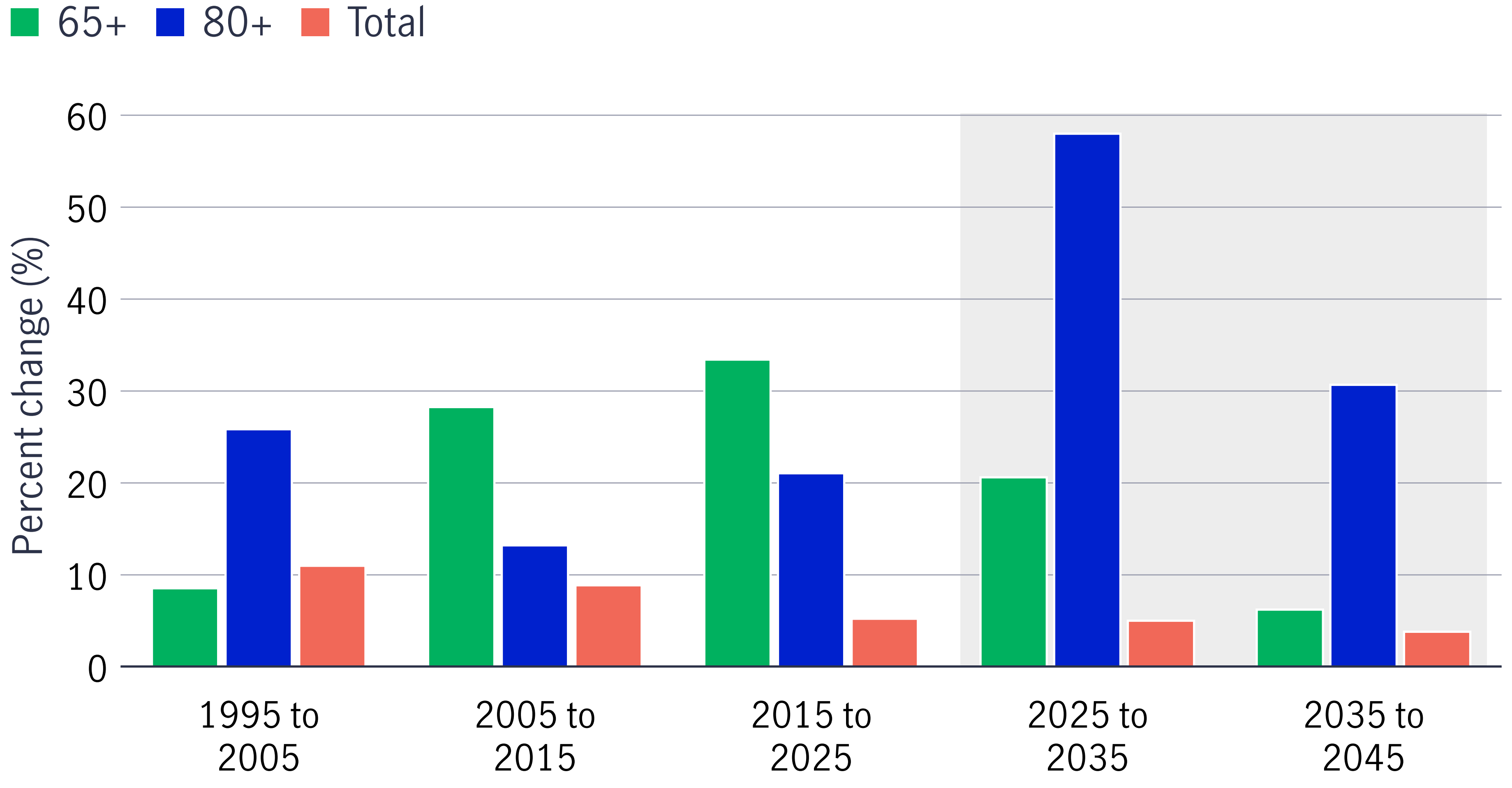
- Continued undersupply and steady population growth trends in the 64+ age cohort support strengthening fundamentals near term, with a boost from rising equity prices and home values which strengthen wealth and affordability metrics.
- Lower resident turnover and higher margins relative to higher acuity senior housing support tailwinds for performance.
- Demographics support senior housing demand and continued adoption of the sector as both the 65+ and 80+ population cohorts will continue to grow at a faster rate than the total population over the next two decades.

Opportunities

- **Longevity & Increased Activity:** An active lifestyle preference favors direct living/maintenance support, recreation, and healthcare accessibility.
- **Engagement and Socialization:** Proximity to community activities, educational institutions, learning hubs and employment are key in attracting demand.
- **Middle-Market:** More affordable options are needed to satisfy non-luxury demand, particularly as mortgage and multifamily rental rates remain elevated.
- **Sticky Renters:** Despite longer lease up periods relative to traditional multifamily, average length of stay is ~5 years versus 2-3 years respectively.[12]
- **Expanding Profit Margins:** Continued relief on wages and the use of agency staffing, combined with improving occupancy and rent growth that outpaces expense growth, should continue to improve overall margins.
- **Post-COVID Operating Environment:** New technology and policies in a post-pandemic environment underpin asset management strategies to maintain staffing and safety/security of facilities.

12 Green Street. Health Care Insights - Active Adult Sector: Another Living Option. 7.12.2024.

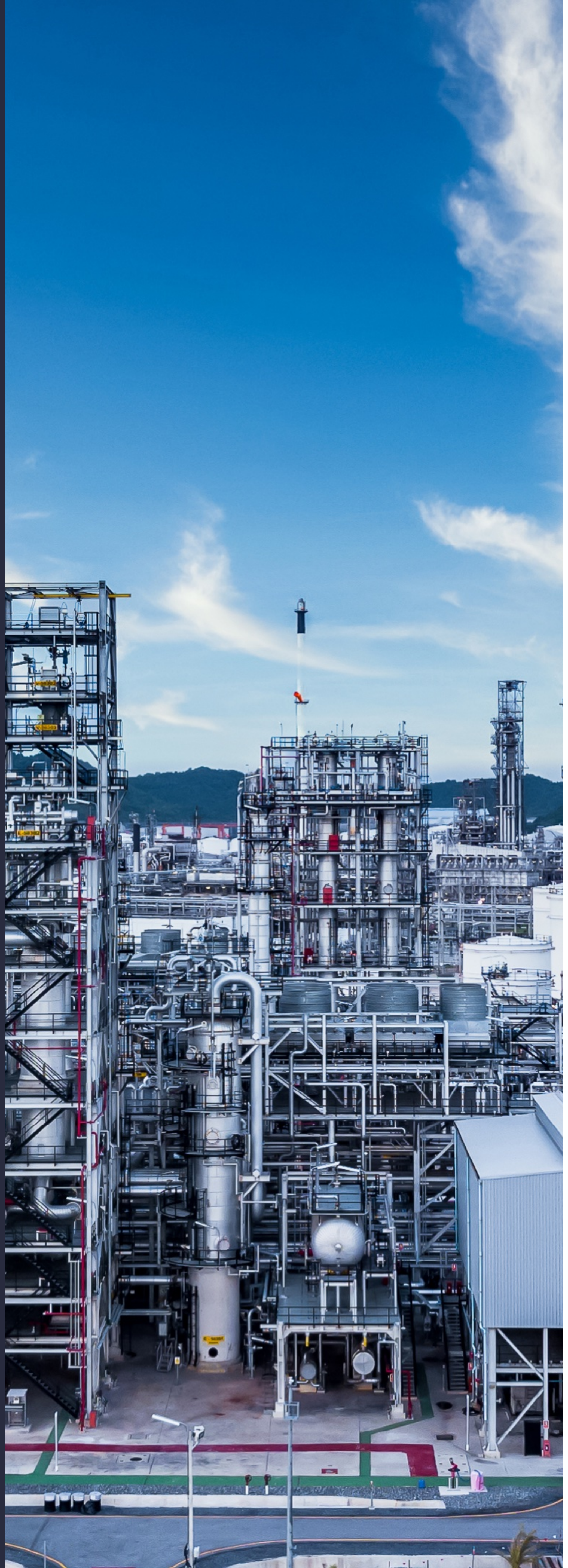
Population Growth by Age Cohort by Decade



Source: Oxford Economics as of 3Q24. Historical data ends in 2023.

Risks

- **Structural Labor Shortages:** Although wage pressures have eased recently and near-term risk is low, the industry faces structural labor shortages over the long-term given an aging society amid an already tight labor market.
- **Regulations:** Although most relevant for higher acuity facilities, senior housing is subject to various healthcare and housing regulations which are subject to change, potentially impacting the operations and profitability of facilities.
- **Elastic Demand:** Higher price points suggest more elastic demand relative to traditional multifamily, suggesting critical importance of micro-market underwriting, floor plan design, and marketing.



U.S. Industrial Overview

House View, Allocations & Considerations

- We maintain an overweight allocation to the industrial sector, due to both medium-term and long-term secular tailwinds, including increased on/near-shoring and continued e-commerce growth.
- The industrial sector is a high-target investment area for many institutional investors today, including niche sub-sectors like IOS and cold storage; our strategy centers around many of the same drivers but with a bespoke approach that prioritizes longevity based on hyper-local fundamentals.
- Markets characterized as growing population centers with stronger infrastructure programming and development are better positioned to retain strength in the industrial space and emerge as outperforming hubs.

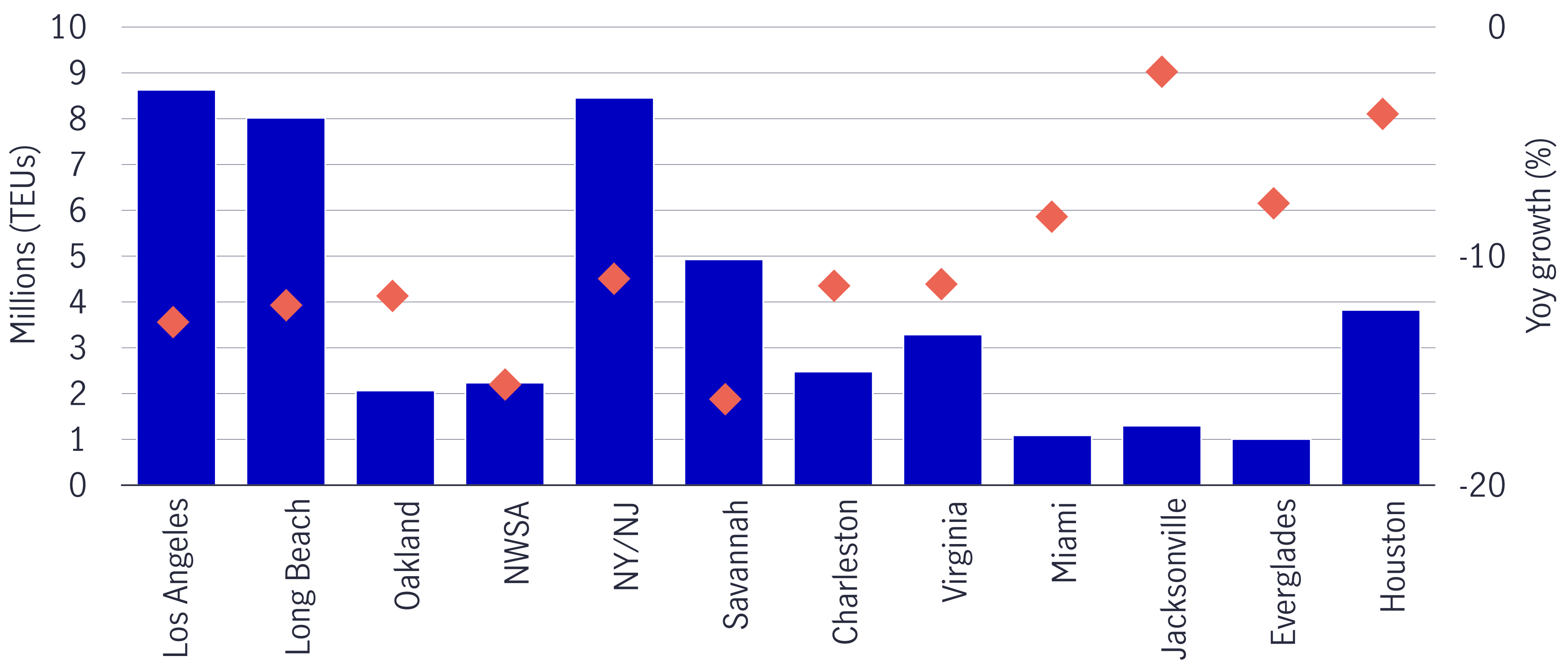
The economic backdrop in support of the U.S. industrial market is quite stable, if not still strong, characterized as it is by a myriad of competing forces. Although headwinds exist, namely a slow-down in hiring, weakened business conditions within the manufacturing sector, and the trickle-down effects of persistent high interest rates eroding consumer and business spending – other drivers are working to return momentum to the sector. Manufacturing surveys mainly reflect ongoing sentiment regarding contraction in the labor force, but also the start of pricing correction mostly related to lower energy costs and lower inflation.[1]

- An e-commerce rebound is underway, with the latest data showing a 6.7% increase in sales as of 2Q24 compared to a year earlier.[2] Notably, after several quarters of a pullback in activity, Amazon is again expanding and is often tracked as a leading market indicator.[3]
- Port volumes are also reflecting increased stability. Although down from pandemic highs, total container TEUs for the top U.S. ports were all stronger at year-end 2023 than a year prior, and on track for another healthy year. August 2024 data showed stronger volume across all ports versus August 2023.[4]
- To the negative, port-related labor contract and union negotiations on the East Coast potentially presents risk to supply chain disruption. The impact on real estate activity, however, may be minimal as distributors have improved their processes, and not only have occupiers already reconciled footprints during the last year, there's also more available supply to support any backlog and warehousing of excess goods.
- The industrial sector also continues to expand in terms of product. Institutional investors are increasingly investing in more niche product such as Industrial Outdoor Storage (IOS), given long-term demand fundamentals that support industrial absorption, as well as supply-side strength, specifically for this high-barrier-to-entry subsector.

1 "CoStar Economy: Fretting over the labor market appears overdone." CoStar. 10.9.2024. **2** "Quarterly Retail E-Commerce Sales." U.S. Census Bureau as of 3Q24. **3** "Amazon Doubles Industrial Acquisitions With More Than $2B In Deals." Bisnow as of January 2025. **4** "Strong December U.S. Container Imports Close 2024 but Potential Challenges Loom for 2025 TEUs for Select Ports." GlobalTrade as of January 2025.

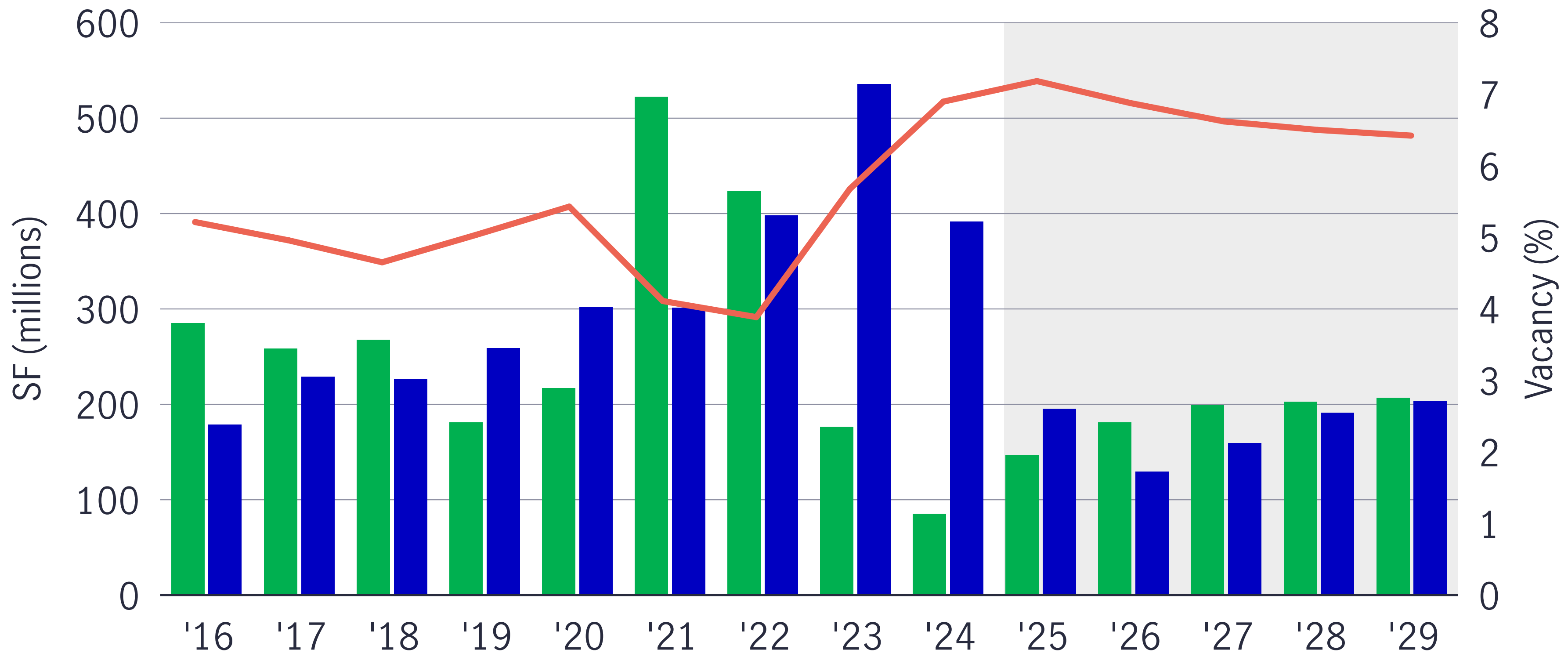
2024 Year In Review: Industrial

Industrial Container Volume Trends



Source: Ports, Supply Chain Dive, as of 3Q24. Note: Data is 6 months behind.

Supply & Demand



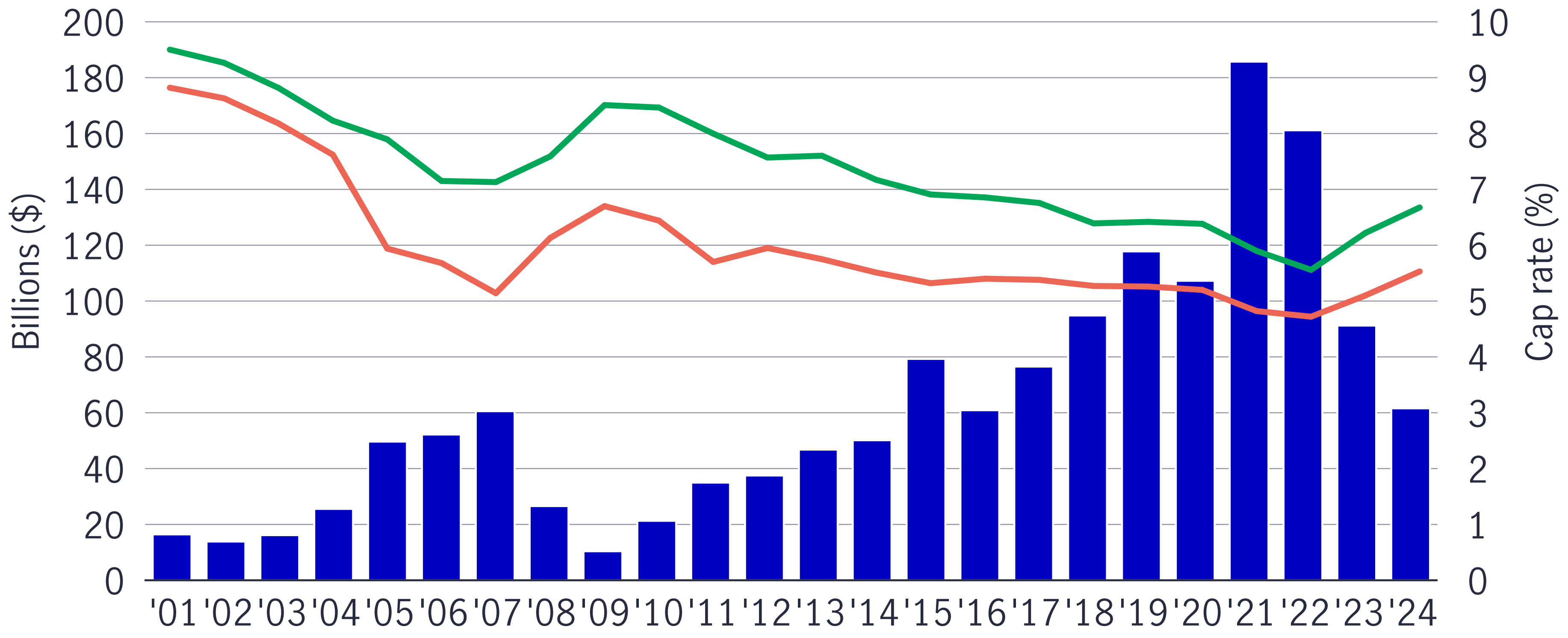
Source: Costar as of 3Q24.

- The U.S. Manufacturing PMI as of September 2024 registered the lowest level since June 2023 at 47.3, down from healthier 2Q24 levels of over 50, and indicating a pullback in output and declining new orders due to weakened demand.[5]
- At the same time, Oxford's recent upward revisions in GDP expectations depict a strong outlook for business equipment spending and a resurgence in consumer spending through year-end, which combined with the effects of waning inflation could more optimally set the stage for spending and offset lingering high rates.[6]
- Twelve-month rolling net absorption remained positive at more than 100.0 MSF in spite of 425.0 MSF added to inventory during this period.[7]
- Vacancy was stable at 6.6% from 6.5% one quarter earlier and is still more than 100 bps lower than the long-term average.[7]
- At the close of the third quarter, 340.5 MSF remains underway across the U.S., though this represents more than a 50% decline from a peak of 717.8 MSF just 24 months earlier.[7]
- While on a quarterly basis, overall asking rents showed a slight 0.1% contraction for the first time since 2011, the level is still up 3.0% from a year ago and only 30 bps below the long-term annual average growth rate.[8]
- Annual net new deliveries are edging down from a high recorded at the close of 2023, and will likely hit 10-year lows by late 2025 on the heels of the 10-year low in groundbreakings hit in recent months, which is helping to realign the market.[9]
- While upcoming quarters will record higher deliveries, it is unlikely the vacancy rate will eclipse the long-term trend overall given demand drivers in play and a gradual correction in development. And this is notwithstanding that select high-growth markets facing near-term supply shock may experience more dislocation and retraction.

5 "US Manufacturing PMI Rises to Nine-month High in December/" Reuters as of January 2025. **6** "US: The economy will remain bifurcated in 2025 ." Oxford Economics. January 2025. **7** CoStar as of January 2025.
8 Delinquency Rate on Credit Card Loans, All Commercial Banks. St. Louis FED (FRED) as of January 2025.
9 CoStar as of January 2025.

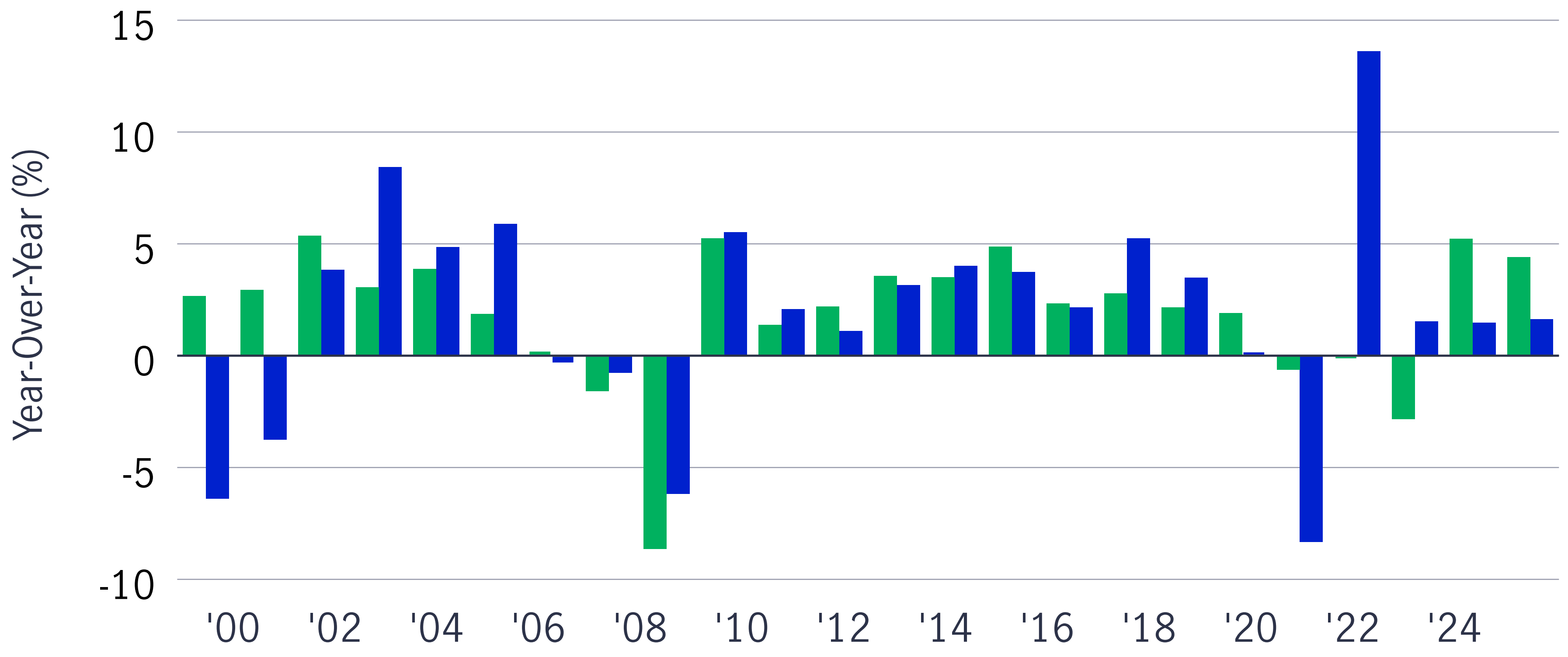
2025 Outlook: Industrial

Transaction Volume vs. Cap Rate



Source: RCA as of 3Q24.

GDP Growth by Industry



Source: Oxford Economics as of 4Q24.

10 Delinquency Rate on Credit Card Loans, All Commercial Banks. St. Louis FED (FRED) as of January 2025. **11** RCA/MSCI as of January 2025. **12** NCREIF NPI Expanded as of 4Q24.

It's unlikely that the industrial real estate market will shift significantly through year-end – from both an operating fundamentals point of view and in the capital markets. Longer-term, key drivers that anchor sustainable demand and growth for the industrial sector overall will support real estate market activity. Capital markets activity currently remains lackluster, with elevated rates prohibiting development, and some uncertainty as far as near-term demand stability and supply-side challenges in select markets. However, liquidity is on the rise specifically for this sector due to conviction in longer term demand fundamentals.

Across most real estate sectors, the higher cost of capital constraining transaction activity appears to be impacting deal size, reducing the number of larger transactions. While other sectors are a higher share of smaller deal sizes, while the industrial sector is facing a decline in large transactions, it is far less significant.[10]

- Third quarter volume totaled $23.4B, bringing year-to-date volume to $64.1B, and down 7% compared with the first three quarters of 2023.
- Activity so far this year accounts for around 70% of total volume in 2023, and it's unlikely that with softer industrial demand drivers we will see a 4Q rebound.[11]
- Returns data trended more positively in the second half of the year. The trailing 12-month return turned positive for the first time at 2.6% from -0.8% one quarter earlier.
- Appreciation was -1.4% year-over-year, but a strong improvement over -4.7% the previous quarter.[12]

Domestic semiconductor manufacturing will continue to reap the benefits of Federal incentives, and e-commerce will evolve and further shape industrial real estate. As more capital is accessed with monetary easing and stabilizing operating fundamentals, more opportunity will likely arise, specifically in markets that are already well-positioned with high-quality, newer vintage inventory and comparatively strong labor markets. This advanced manufacturing segment expansion is likely to set a platform for further innovation across the industrial space, on top of structural underpinnings anticipated to develop over the next 12 months.

Big Ideas, Themes & Trends: Industrial

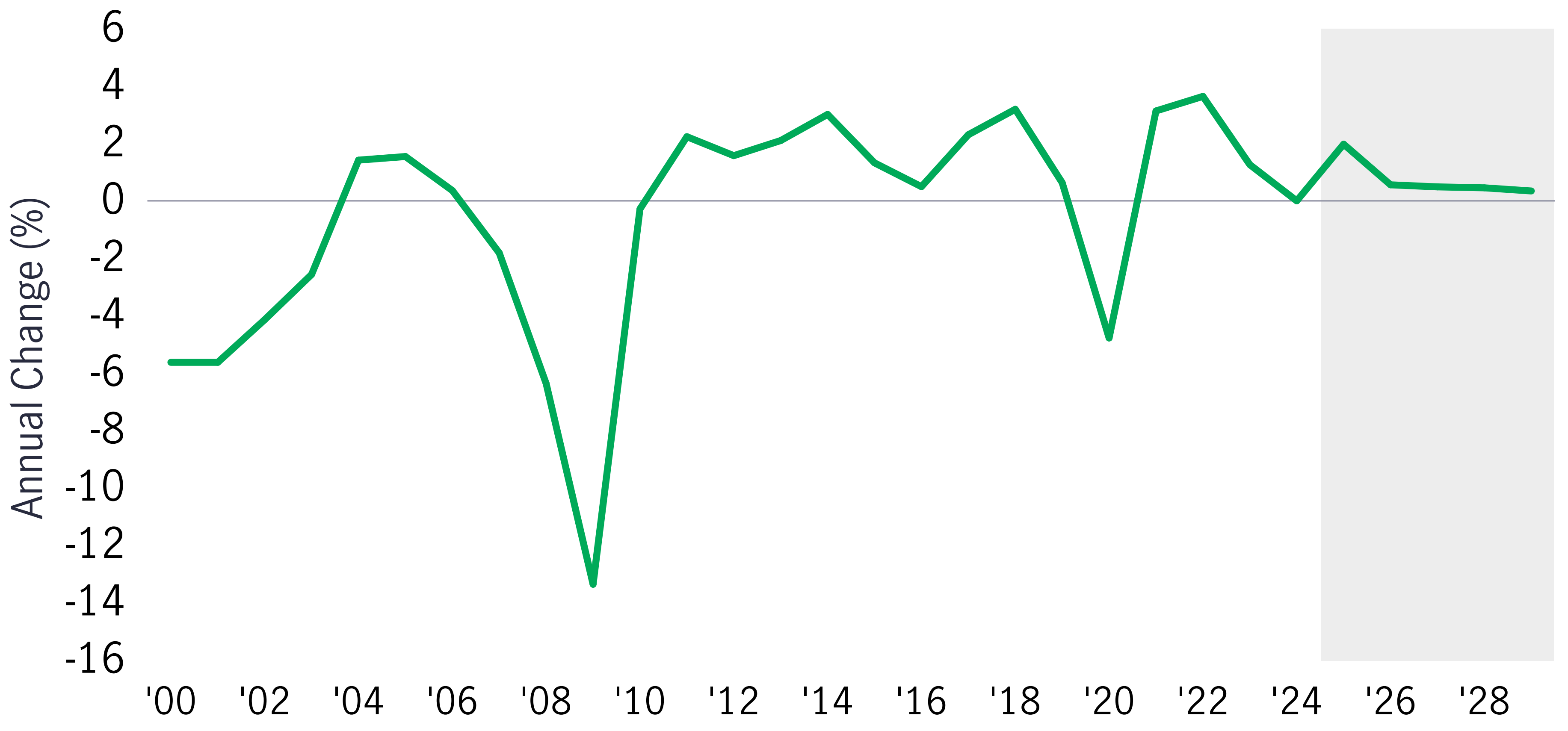
Themes

- While it is unlikely that the industrial market will resume the momentum recorded over the last few years, we anticipate any correction to be shorter in duration and relatively low magnitude.
- Expectations of decreased port activity and supply chain disruption related to labor negotiations along the East Coast appears to be easing, and West Coast markets are experiencing resurgence from 2023 labor-related headwinds.
- Construction is significantly ramping down. As of 3Q24, development activity is down nearly two-thirds from year-end 2024. The vast majority of markets are recording lower start levels from 2Q, setting the stage for rebalancing in 2025.[13]
- The sector benefits from a strong platform of structural drivers such as Federal incentives, automation, and e-commerce, that not only support traditional industrial warehouse and distribution space but promote innovation in repurposing aging stock and developing new product with increased flexibility.

Opportunities

- **Infrastructure Investment:** The Bipartisan Infrastructure Law (BIL) is poised to ramp up funding and deployment, industrial will benefit from improved supply chain and distribution, just as tariffs are likely to increase onshoring efforts. U.S. freight tonnage could increase as much as 42% by 2050, and with BIL outlays expected to pickup markedly through 2027, 2025 is likely to be a key year for industrial growth.[14,15] Established industrial hubs should be a key area of focus, as well as spokes around newer population centers.
- **3PL Activity:** Stronger economic activity and increased tariffs are anticipated for the coming year, underpinning industrial demand. With recent rent resets and increased M&A activity triggering footprint reconciliation following a hiatus, third party logistics ('3PL') providers are returning to the market. As of 3Q24, 3PLs accounted for more than a third of leasing activity.[16] Markets with high-credit 3PLs may offer opportunity to leverage consolidation and growth.

U.S. Industrial Employment Growth



Source: Costar as of 3Q24.

Risks

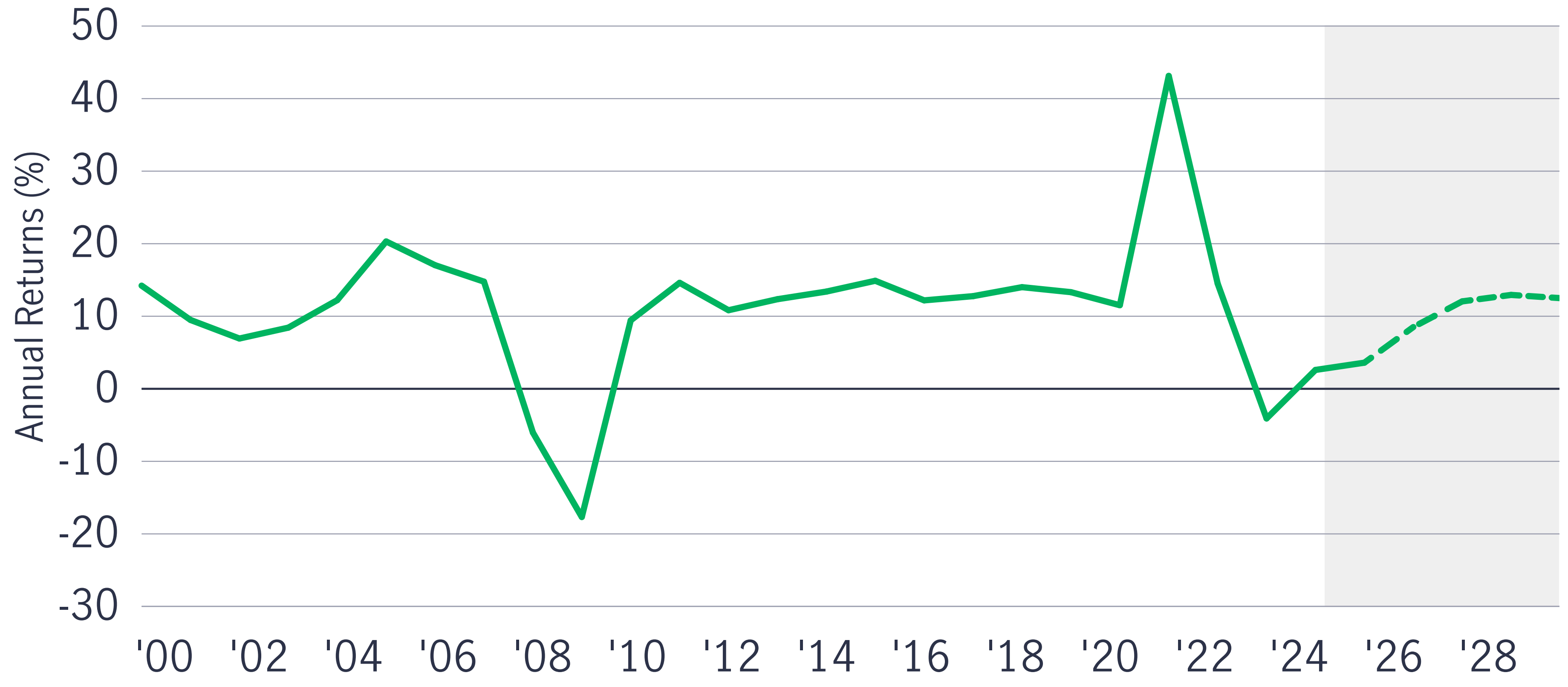
- **Oversupply Risk:** Particularly in Sun Belt markets, supply overhang from the last year of retreating demand coupled with deliveries of large-bay product already underway will continue to compress rent growth in those markets over the near-term. With the potential to demise some of this product, even smaller-sized product is at risk for slow rent growth and occupancy headwinds. Lease-up and sublease trends along with preleasing momentum is critical in identifying higher risk nodes.
- **Product Bifurcation:** With innovation and technology upgrades in industrial space, along with a surge in new state-of-the-art deliveries, a widening gap in performance compared with older vintage product is emerging. Functional obsolescence will be an increasing concern in lower barrier-to-entry and active development pipeline markets, as well as for assets that offer little flexibility in accommodating technological and automation innovation.[17,18]

13 Costar as of 3Q24. **14** CBRE Capital Markets Weekly Updates. CBRE as of 3Q24. **15** Comparing Drivers of Real Asset Performance. CBRE Econometric Advisors. 12.2.2024. **16** U.S. Industrial Figures. CBRE as of 3Q24. **17** Stability in Freight Markets Is Reviving Logistics Dealmaking. WSJ as of October 2024. **18** "Industrial Occupiers' Flight to Quality Leaves Behind Vacant Older Space." CBRE Capital Markets Weekly Update. CBRE as of September 2024.

Rents & Returns Outlook: Industrial

- Industrial returns continue gaining momentum, increasing 1.2% in 4Q24, bringing the 1-year total return into positive territory to 2.6% after six consecutive quarters of negative returns.
- Industrial is the second strongest sector among traditional sectors in terms of performance, bested only by retail, and both income and appreciation returns are trending in a positive direction to support further improvement in the period ahead.
- Our 5-year outlook is for industrial returns to underperform robust recent historical averages, which happens to include the single strongest year of performance on record in 2021.
- Moderate returns in 2025 will gain strength by 2027 when returns are expected to exceed 12%, supported by strengthening rent growth in the 4.0-4.5% range.
- The industrial sector is supported by e-commerce expansion, supply chain optimization, shifting consumer behaviors and reshoring and nearshoring efforts of the manufacturing industry that should provide tailwinds for demand in the near- and long-term.

Forecasted Annual Returns: Industrial

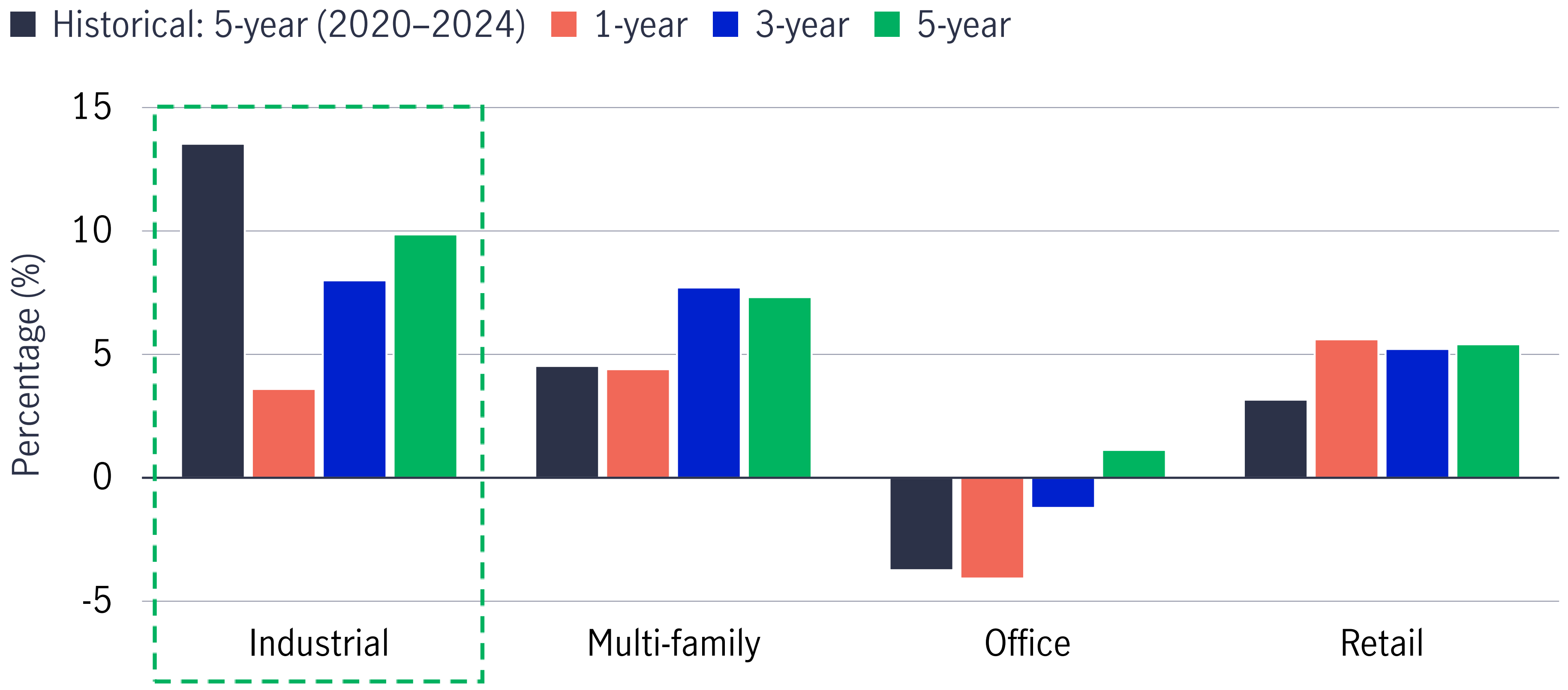


Source: Manulife Investment Management Research, as of 4Q24. Historical data is NCREIF as of 4Q24.

Forecasted Rent Growth: Industrial

Source: Manulife Investment Management Research, CoStar as of 4Q24.

Forecasted Annualized Returns by Property Type



Source: Manulife Investment Management Research, as of 4Q24. Historical data is NCREIF as of 4Q24.

U.S. Data Center Overview

House View, Allocations & Considerations

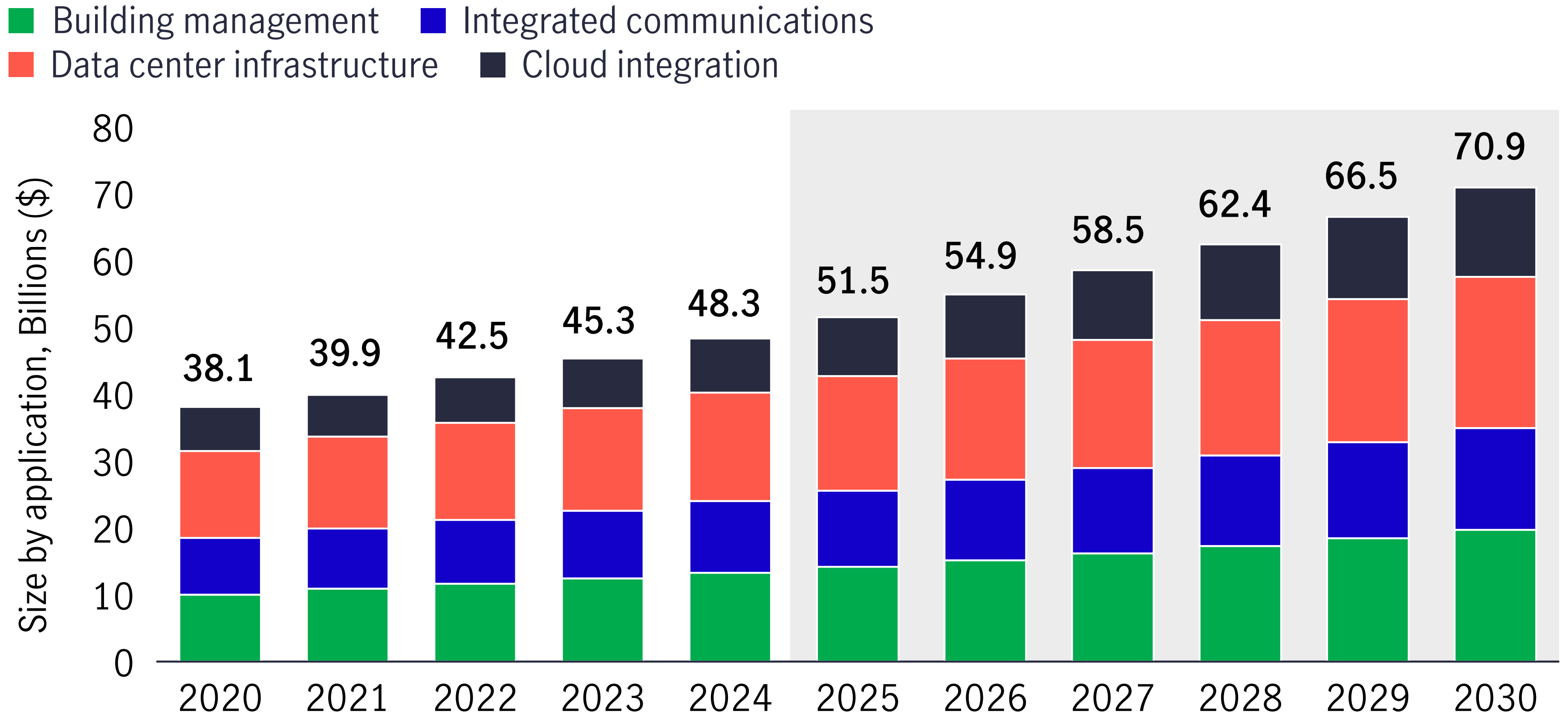
- Our House View currently delineates Data Centers within the Alternatives asset class.[1]
- Our position on Data Centers remains one of selectivity. There are opportunities in the marketplace in strategic locations with ample access to power and infrastructure. Asset selection is critical given the pace of innovation and change in the sector.

> **“Digital demand is fueling explosive growth in data centers through 2025 driven by AI, 5G, and cloud services. Strategic site selection is crucial as high demand and supply constraints push rents up and attract significant investment.”**

1 See “Property Type Investment Spectrum.”

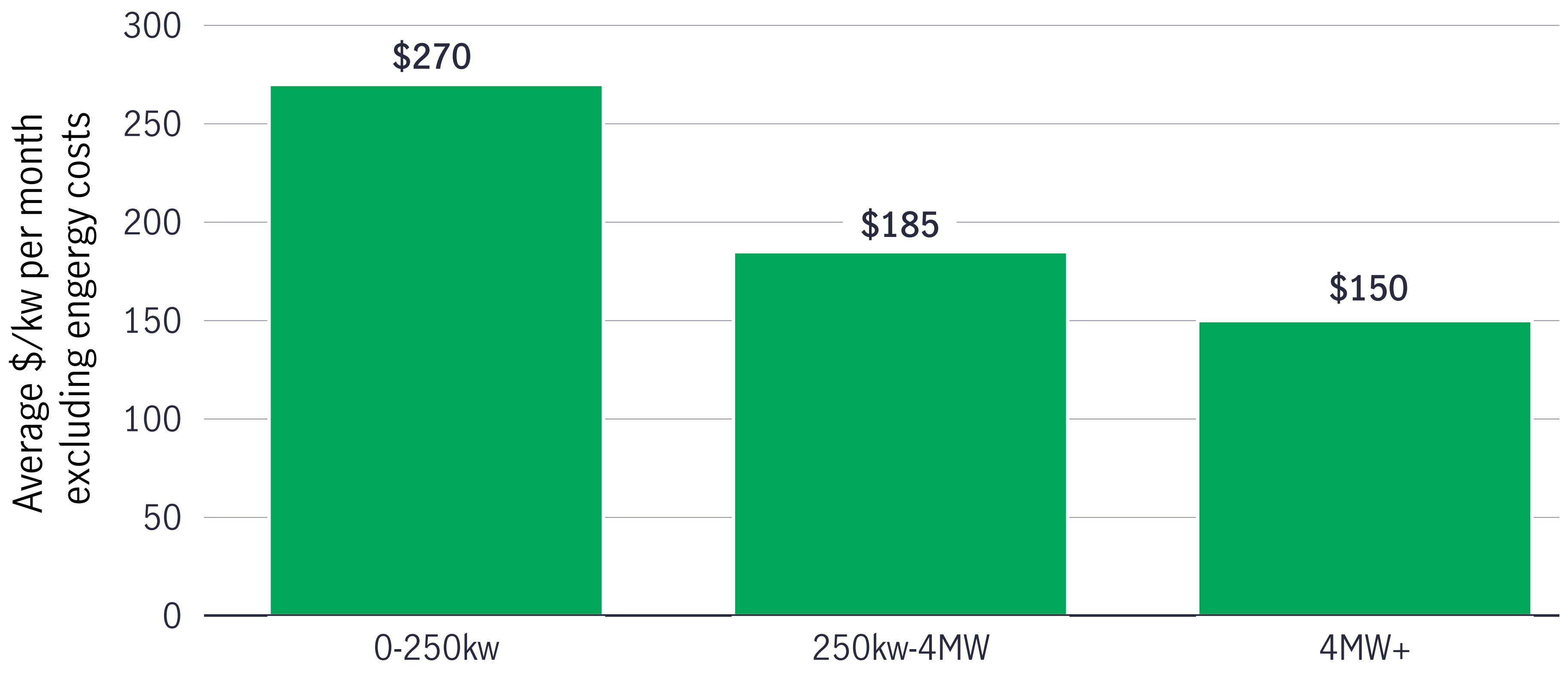
2024 Year In Review: Data Centers

U.S. System Infrastructure Software Market



Source: Grand View Research as of 3Q24.

Primary Global Data Center Markets Rental Rate



Source: Green Street. 'Data Center Sector Update'. As of 3Q24.

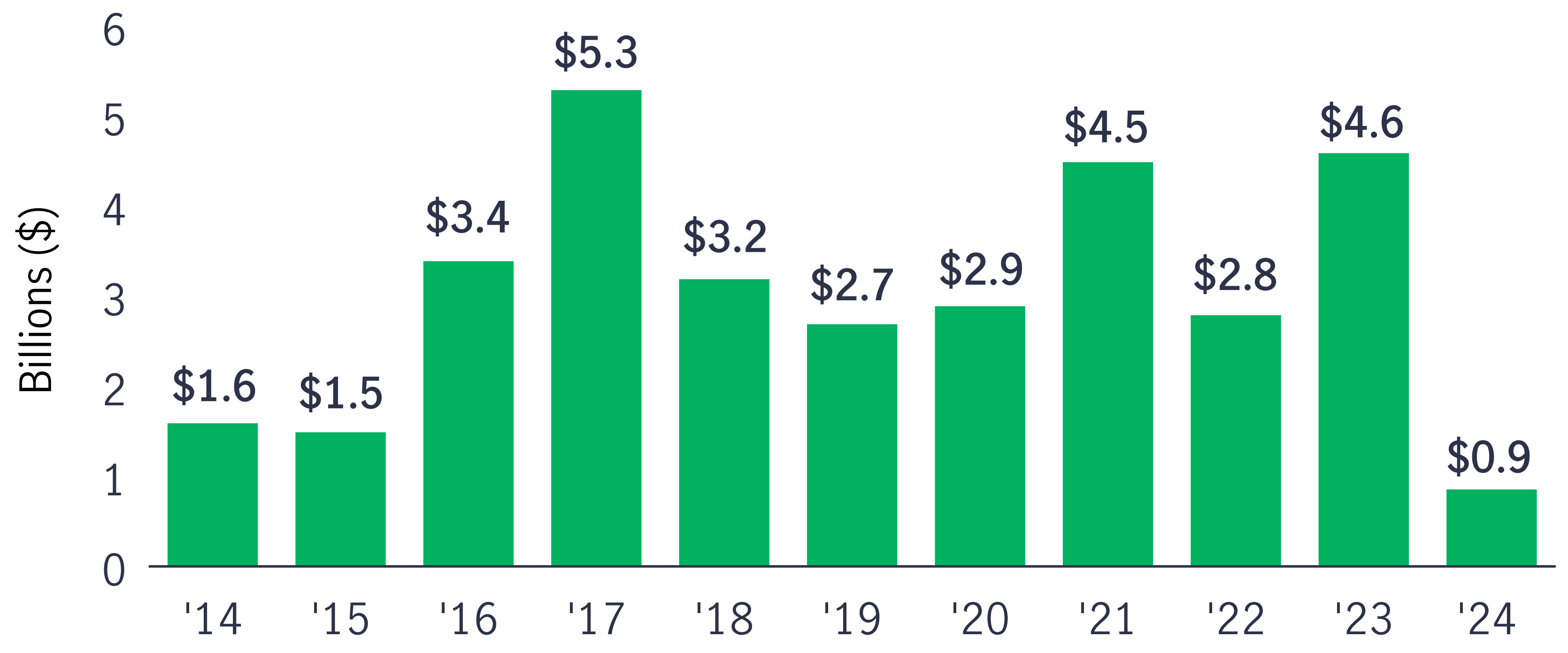
Data centers experienced significant growth in 2024, driven by increasing demand for digital infrastructure to support technologies like AI, high-frequency trading (HFT), and 5G networks.

- AI Driving Demand: The surge in AI deployments has significantly boosted demand for 250-500 kW configurations, with asking rates up 20% year-over-year.[2]
- Supply Constraints Persist: Despite a 40% global inventory expansion in 2024 (adding 4,500 MW), supply is struggling to keep pace with demand, particularly in U.S. hyper-scale markets.[3]
- Strong Demand Continues: Global data center leasing activity is set to reach record levels, with 1,800 MW of new deals signed in 2024, 80% of which are in the U.S.[4]
- Rising Rental Rates: Average rental rates for data center space are projected to increase further by year-end, driven by high demand and limited supply, with rates for 0-250 kW reaching $270 per kW/month.[4]
- Vacancy Rates Remain Low: Vacancy rates are expected to remain below 5%, reflecting tight supply conditions and continued expansion of AI and cloud-based applications.[5]

2 CBRE as of 3Q24. **3** Grand View Research as of 3Q24. **4** CBRE as of 3Q24. **5** Grand View Research as of 3Q24.

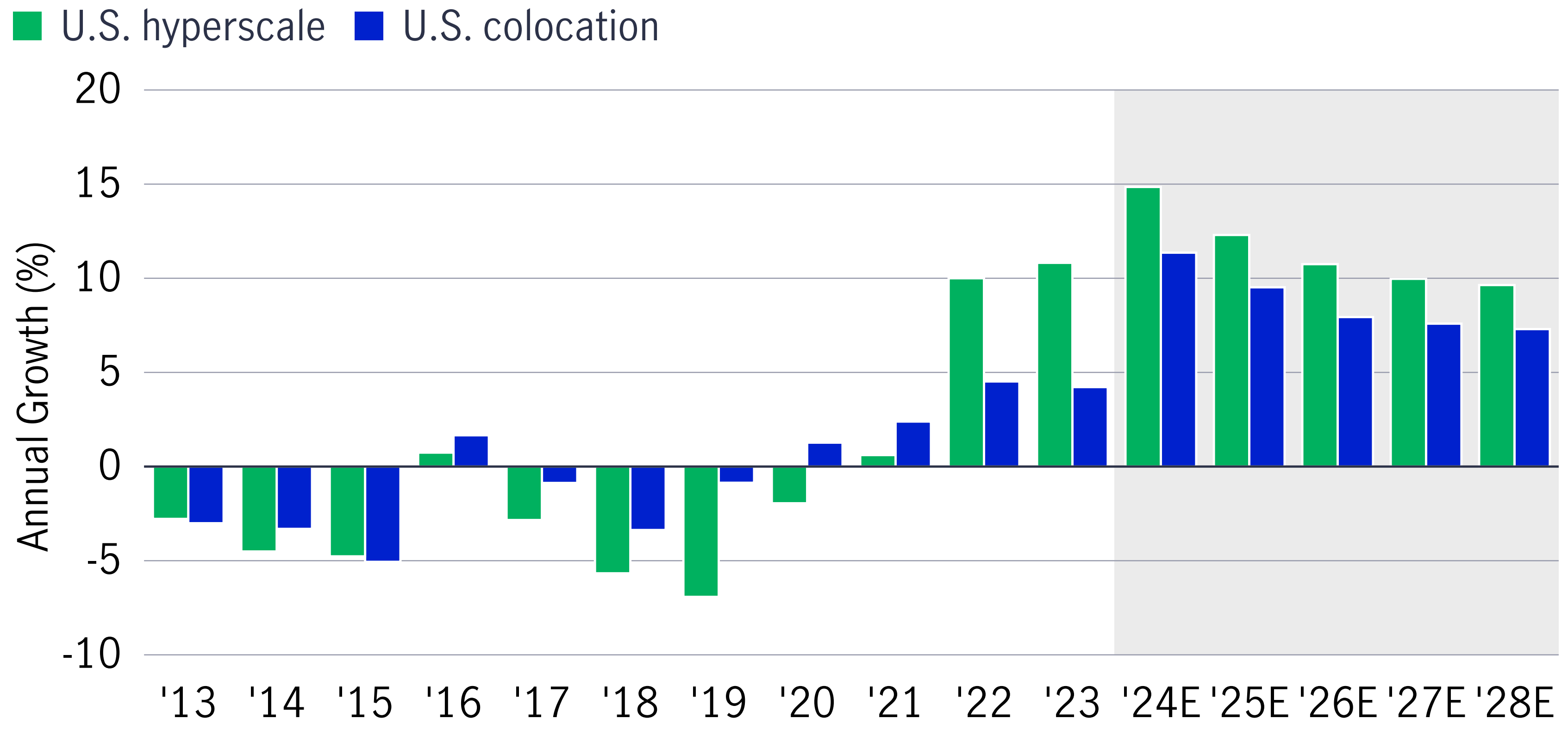
2025 Outlook: Data Centers

North America Transaction Volume



Source: JLL as of 3Q24.

Data Center Market RevPAF/PAM Growth



Source: Green Street as of 3Q24.

Strategic Developments and Challenges

- Construction is set to increase with projected budgets exceeding $100 billion, prioritizing markets with strong local demand and favorable tax incentives.[5]
- Long lead times for development and operational start-up present challenges, but pre-leasing activity remains strong, with hyper-scalers securing space 24 to 36 months in advance, a shift from six to twelve months ahead.[6]
- Developers are increasingly seeking sites near large power sources to mitigate these issues due to power availability and extended lead times for key electrical equipment.
- Global data center usage is expected to grow by 29% annually until 2035.[6]

Data Center Growth Fueled by Increased Investment and Demand for Cutting-Edge Technologies

- Prices are projected to rise by 10% to 15% in 2025, attracting substantial investment from institutional investors and private equity funds. Changing credit markets are opening up new financing opportunities, further fueling investment in data centers.[7]
- Operating fundamentals will stabilize at high utilization levels, with ongoing pressure on rents due to constrained supply pipelines and sustained demand growth from AI, 5G, and high-frequency trading applications.
- Major hyperscalers are projected to invest $213B in 2025, a 15% increase from 2023, ensuring continued expansion of infrastructure capacity. [7]

6 Green Street as of 3Q24. **7** CBRE as of 3Q24.

Big Ideas, Themes & Trends: Data Centers

Themes

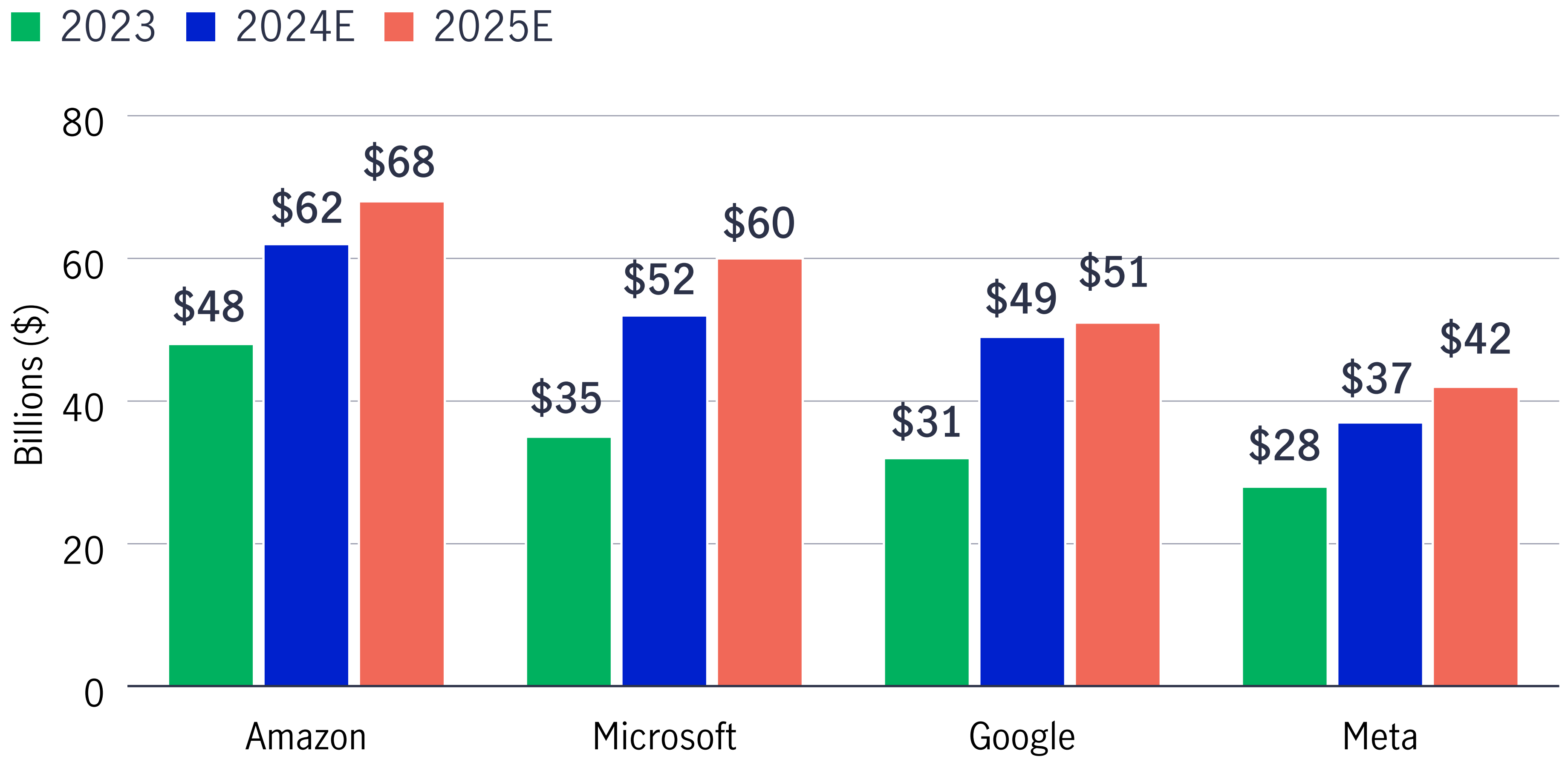
- Global demand for data center power anticipated to more than double by 2030, highlighting the increasing demand on digital infrastructure and resulting in increased institutional investment activity in the sector.[7]
- Facilitating affordable internet and cloud services, benefiting various downstream sectors. The e-commerce sector alone contributed to a 15% annual increase in storage capacity demand over the last five years.[7]
- Sustained demand outpacing supply with occupancy rates remain high, averaging 95-98% in major U.S. data center markets.[7]
- Global vacancy rates are projected to stay below 5% in 2024 due to constrained development pipelines.[8]

Opportunities

- **Market Absorption Trends:** Pre-leasing lead time among hyper-scalers averages 24 to 36 months in advance to secure space.
- **Tailored Development:** Build-to-suit projects targeting strong credit tenants for hyperscale facilities are driving increased investment and expansion from major players.
- **Infrastructure and Resilience:** Data centers are investing in infrastructure to withstand climate-related risks and enhance uptime reliability.
- **Technological Innovation:** The development of modular and edge data centers addresses the growing need for decentralized processing.

7 CBRE as of 3Q24. **8** Green Street as of 3Q24.

Capex Spend by Hyperscalers



Source: JLL as of 3Q24.

Risks

- **Construction and Development Challenges:** Supply chain disruptions, power availability and permitting delays continue to slow development pipelines, affecting new capacity additions.
- **Environmental and Regulatory Considerations:** Environmental factors such as energy efficiency, carbon footprint, and water usage, as well as compliance with environmental, data protection, and zoning regulations, can lead to increased operational costs and risk if not properly evaluated.
- **Technological and Financial Risks:** Rapid technological advancements create obsolescence risk and increase development costs.
- **Oversupply and Exit Risk:** Potential oversupply is considered low risk due to high construction costs and pre-leasing practices. However, the concentration of leases with a few major credit tenants raises exit risk, as it limits potential buyers and complicates investors' exit strategies.

U.S. Cold Storage Overview

House View, Allocations & Considerations

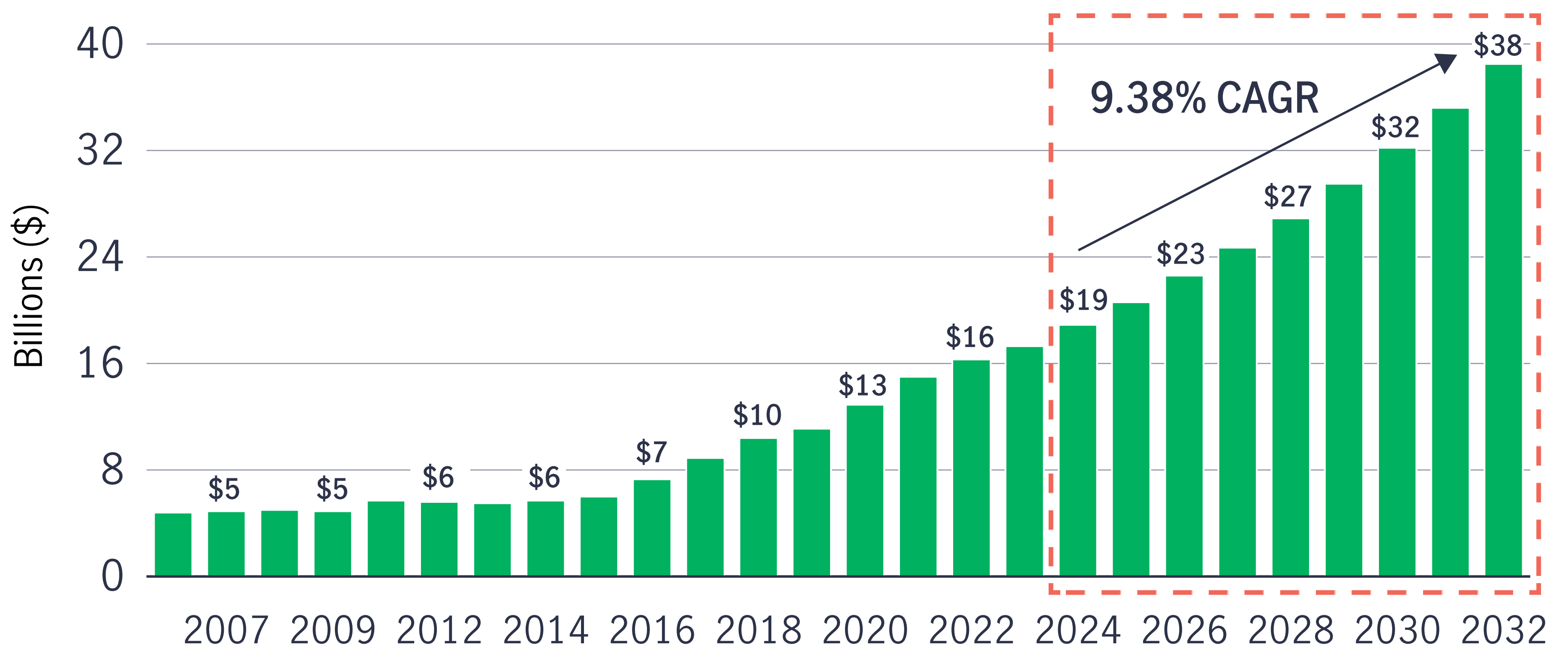
- Our House View currently delineates Cold Storage within the Alternatives asset class.[1]
- Our position on Cold Storage remains one of selectivity. There are opportunities in the marketplace in strategic locations with the focus on infill nodes in population hubs and with caution around the high operating costs and sustainability.
- The cold storage sector has seen a surge in demand, particularly due to the growth in online grocery sales and the need for vaccine storage during the pandemic. Supply remains tight, leading to high occupancy rates and rental growth.

"Cold storage is heating up as e-commerce and pharmaceutical demands skyrocket, driving a surge in specialized facilities and investor interest, but tight supply and high costs keep it a niche market."

1 See "Property Type Investment Spectrum."

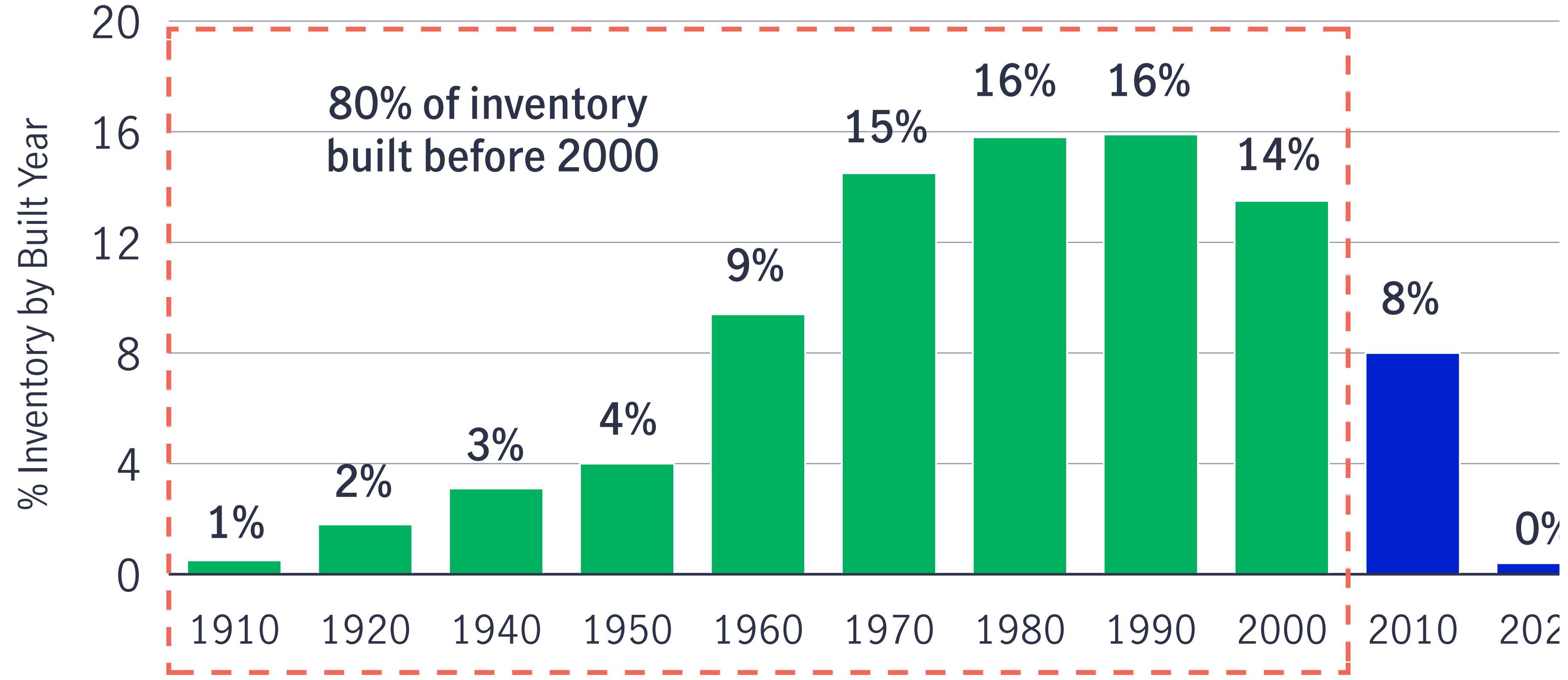
2024 Year in Review: Cold Storage

U.S. Private Warehouse Revenues



Source: USDA Monthly Surveys (2013 to 2023), US Census (NAICS 49132), GCCA as of October 2024.

Cold Storage Inventory by Year Bulit



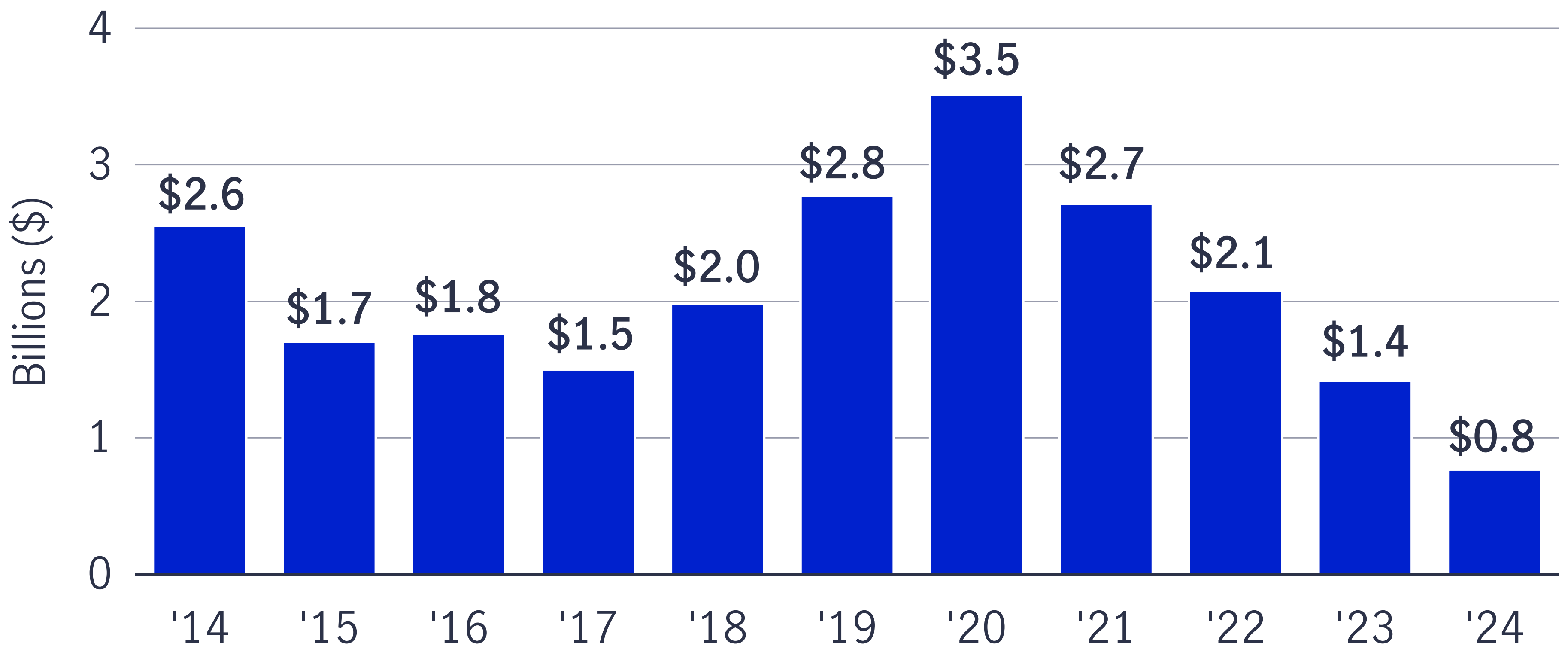
Source: JLL Research as of 3Q24.

- E-commerce growth is increasing demand for efficient distribution solutions, requiring both nearby and distant fulfillment centers in a "hub and spoke" strategy. Grocers' omnichannel advancements and the move from in-store sales to e-commerce, necessitates better management of online orders, BOPIS, and wider delivery areas.
- Annual leasing activity surged pre-Pandemic, with a 43% annual increase from 2017 to 2021, and pandemic-induced net migration patterns have triggered the growth of new industrial hubs needing cold storage.[2]
- Lineage, Inc. the worlds largest cold storage REIT, raised $5.1B in its July IPO – the largest of the year. Shares have declined ~7% since the IPO driven by both company specific concerns (Lineage reported a net loss of $543 million and its net debt remains high) as well as macroeconomic pressures (increased competition from new market entrants).[3]
- The largest U.S. metros with significant cold storage exposure hold over one-third of the total national capacity of 7.4 billion cubic feet of cold storage space. The sector saw an 8.6% expansion in facilities from 2023 to 2024, compared to a historical 2.2% annual growth from 2013 to 2020.[4]
- The pipeline is mostly build-to-suit projects, though high material and equipment costs and longer lead times have doubled development costs compared to traditional projects.
- Favorable tailwinds are supported by four major demand drivers across various industries: the rise of third-party logistics (3PL), developments in the biopharma industry, rise of grocery share of e-commerce and continued expansion of food manufacturers (single tenant users).

2 CBRE as of 2Q24. **3** S&P Global Intelligence, GCCA, Manulife Global Real Estate Research as of October 2024.
4 AFIRE and Costar as of August 2024.

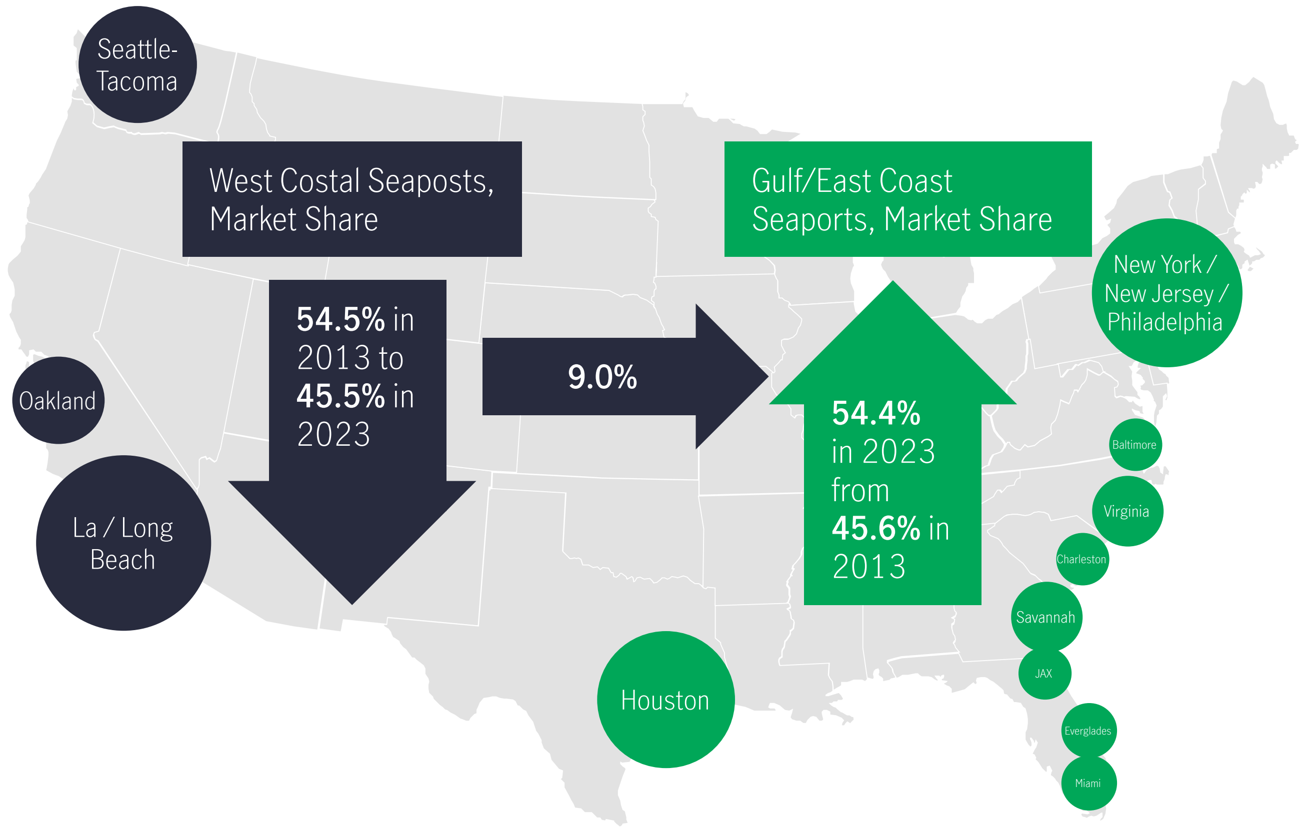
2025 Outlook: Cold Storage

Transaction Volume



Source: RCA as of 3Q24.

U.S. Trade Volume by Port, in TEU's



Source: American Journal of Transportation, Bureau of Transportation Statistics, Manulife Global Real Estate Research as of 3Q24.

Cold storage is seen as a unique and desirable niche, evidenced by the 2022 CBRE Investors Intention survey, where 40% of respondents were pursuing cold storage assets, up from 22% in 2021.

- For every $1 billion moved from in-store sales, about 1.25 million square feet of new distribution space is needed, crucial for the low-margin grocery industry that depends on efficient warehousing and cold storage.[5]
- Complexity of design and construction of modern facilities require specialty cold storage developers.
- Strong capital inflow into cold storage, due to long leases and essential nature, is attracting investors and driving mergers and acquisitions, fueled by omnichannel advancements and tech investments.
- Collaboration among grocers is common due to low margins, with Lineage and Americold dominating nearly three-quarters of the space. Most grocers outsource to these providers to reduce costs and management burdens.
- Third-party logistics (3PLs) providers are entering the market to address rising costs and supply chain issues. Despite limited assets, new facilities show the most promise, with a growing focus on sub-sectors or alternatives for higher yields.

5 CBRE as of 3Q24.

Big Ideas, Themes & Trends: Cold Storage

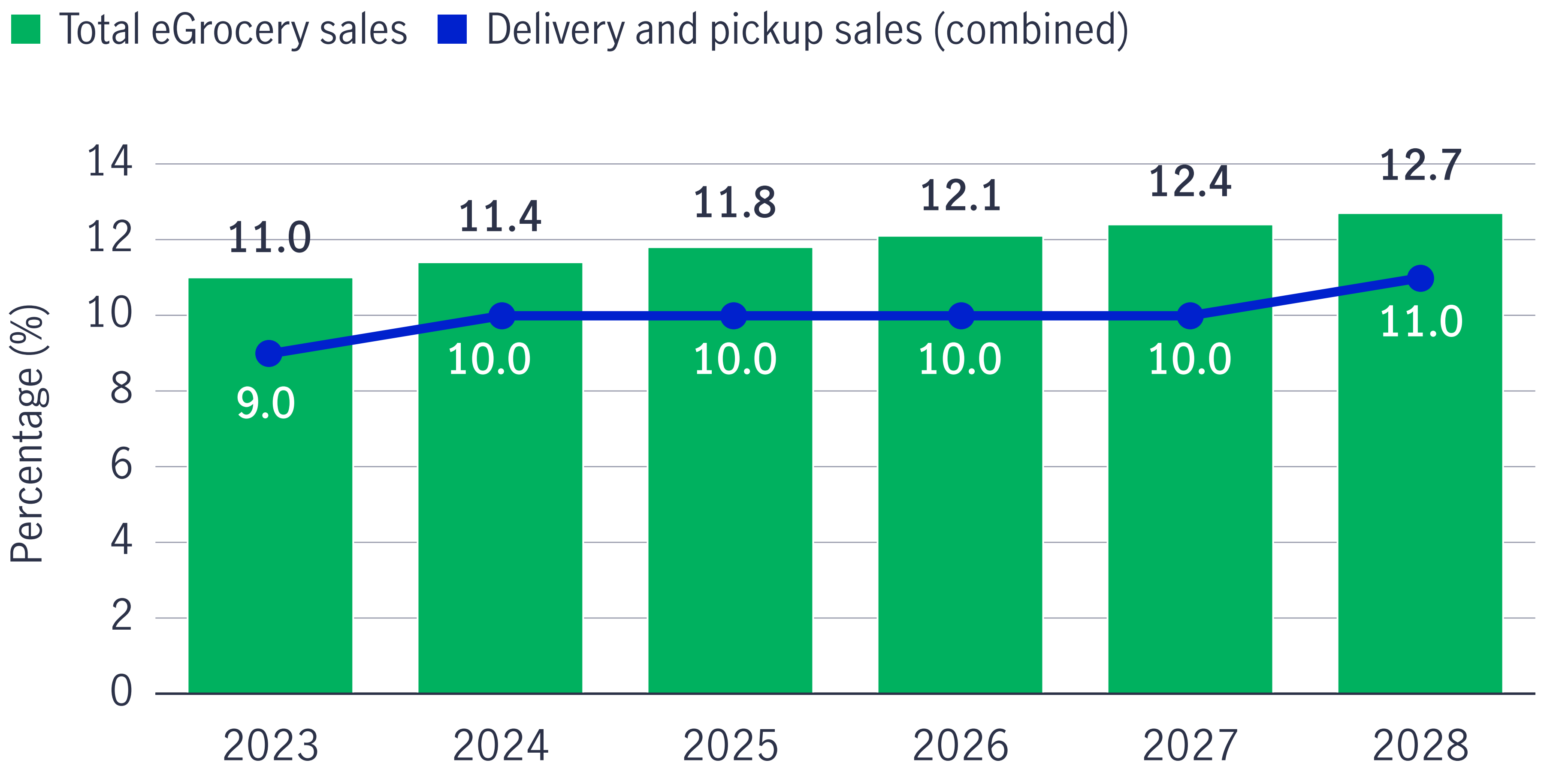
Themes

- Demand is driven mainly by the food, beverage, agriculture, and grocery sectors, with a growing role for pharmaceuticals. 53% of food and pharmaceutical businesses plan to expand cold storage in the next five years.[6]
- Grocers are developing micro-fulfillment centers to improve distribution and market reach. Pharmaceutical and biotech companies are optimizing distribution strategies.
- Increasing focus on sustainability through energy-efficient systems and renewable energy sources.

Opportunities

- **Tenant Preferences:** Automated facilities in high land-value markets meeting large-scale tenant preferences. Major grocer tenants seeking infill and smaller-box cold storage.
- **Financial Performance:** Higher development yields and margins than traditional warehouse.
- **Location Focus:** Infill nodes in population hubs due to BOPIS growth.
- **Industry Trends:** Ongoing demand for pharmaceutical and vaccine storage.

Share of U.S. Grocery Sales Going Online: 2023-2028

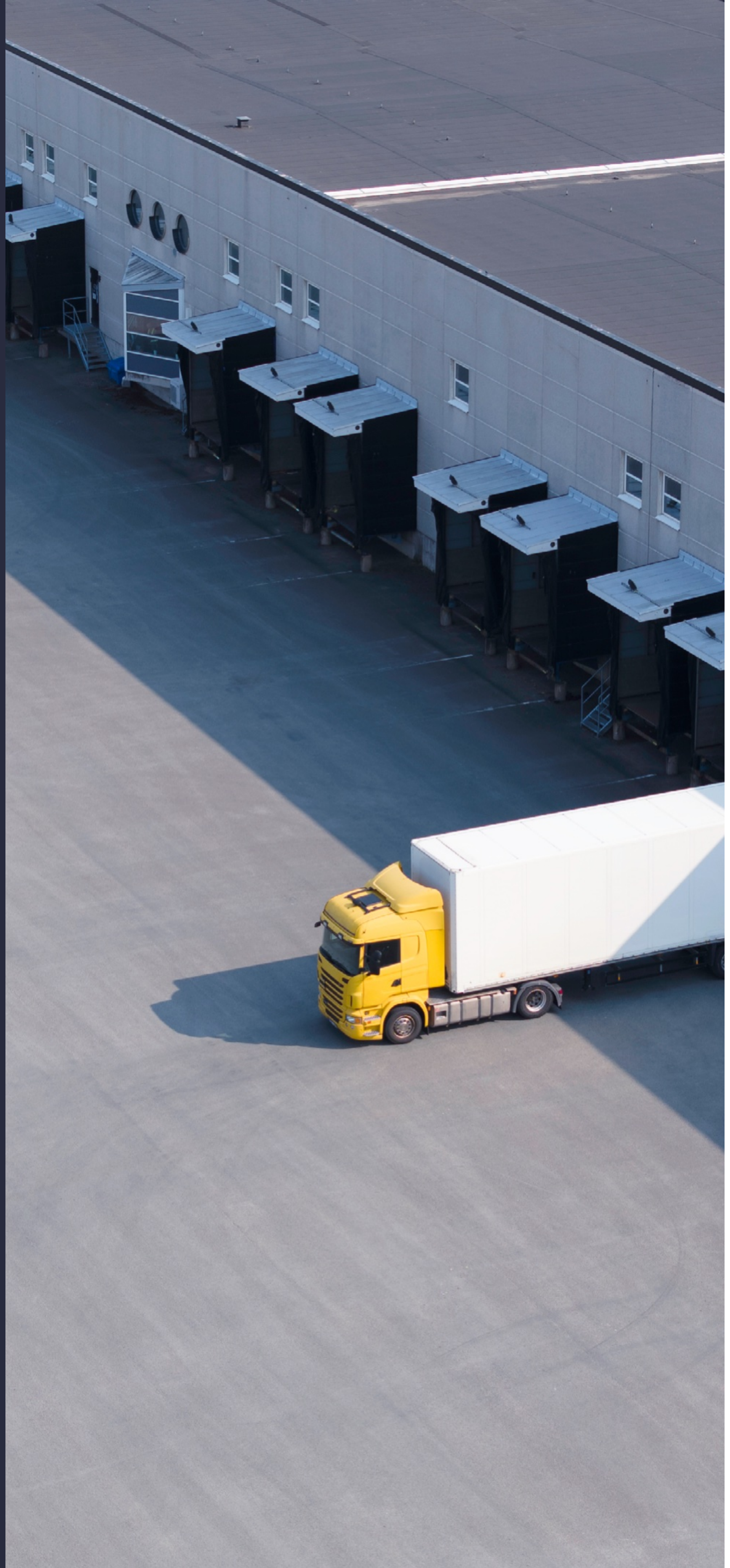


Source: Brick Meets Click/Mercatus 5-Year eGrocery Sales Forecast, April 2024.

Risks

- **Exit Risk:** Non-standardization since cold storage is typically build-to-suit.
- **Re-leasing Risk:** Enhanced re-leasing risk if tenant vacates with more speculative construction becoming prevalent and 3PLs with limited credit.[7]
- High Operating Costs and Sustainability Considerations due to energy consumption and maintenance requirements.
- **Pharmaceutical advancements:** Such as obesity treatment drugs, could lead to reduced food consumption; However, this risk is mitigated by the increasing need for refrigeration to store these drugs and a consumer shift towards fresh foods.

6 Global Pharmaceutical Cold Chain Market Size, Status and Forecast 2024-2031 Report as of May 2024 **7** NAIOP Speculative Cold Building Development: Trends and Strategies as of 2021.



U.S. Industrial Outdoor Storage “IOS” Overview

House View, Allocations & Considerations

- Our House View currently delineates Industrial Outdoor Storage “IOS” within the Alternatives asset class.[1]
- Our position on IOS is one of selectivity. There is an urgent need for market coverage to meet the evolving demands of fast-growing populations and surging e-commerce, leading to the extension of industrial hubs to spoke locations and finally the emergence of alternative warehousing and storage solutions. Industrial Outdoor Storage has gained attention as a critical step in the supply chain process, offering an alternative way to store specific types of goods and facilitating deliveries in supply-constrained, infill locations near ports and airports.

> **“Industrial Outdoor Storage is emerging as a crucial, high-demand solution in supply-constrained urban hubs, driven by e-commerce growth and last-mile logistics, but faces challenges from stringent zoning and high land costs.”**

1 See “Property Type Investment Spectrum.”

2024 Year In Review & 2025 Outlook: IOS

2024 Year in Review

The IOS market experienced significant institutional investment growth; however, it remains fragmented with limited historical data available for comprehensive trend analysis.[2]

- Demand and supply dynamics align closely with the industrial sector, driven by logistics, last-mile delivery, and storage needs, particularly in urban and suburban areas near transport hubs. Historically, e-commerce has significantly boosted demand, and as it continues to grow, demand is expected to rise accordingly.[3]
- Stringent zoning regulations and high land costs in urban and port-adjacent markets continue to constrain IOS supply, with some cities seeing less than 10% of land zoned for outdoor storage use.[4]
- The IOS market faces inherent supply constraints, primarily due to restrictive zoning laws and land repurposing during the post-pandemic industrial development surge.
- IOS sites are predominantly leased to single tenants, with well-positioned properties offering attractive shorter-term leasing solutions and requiring significantly lower capital expenditure and management than built spaces.[5]
- Investment slowed in 2024 due to rising borrowing costs, which increased by an average of 1.5% year-over-year, and fewer financing options for speculative developments.[5]

2025 Outlook

Institutions are focusing on properties with redevelopment potential near key logistics corridors and population centers, offering long-term upside in high-demand markets.

- National vacancy rates for IOS properties are projected to remain at historical lows of 2-3%, driven by sustained demand and limited new supply.[5]
- Zoning and tax restrictions will continue to inhibit new IOS development, though increasing land redevelopment efforts could unlock additional supply. Green Street forecasts 20% growth in redeveloped infill IOS sites by 2030.[6]
- Around one-third of infill sites are expected to undergo redevelopment within the next decade, signaling strong long-term potential for capital appreciation in strategic locations.[6]
- High barriers to entry will keep well-located IOS properties in demand, particularly those near major metropolitan areas or industrial hubs, further bolstering rent growth and investor interest.
- The sector continues to attract interest due to its minimal capital expenditure requirements, durable income streams, and favorable supply-demand dynamics. Rents for high-barrier-to-entry properties have risen by 6-8% annually over the past five years.[7]

2 Green Street as of 3Q24. **3** JLL as of 24Q3. **4** Green Street as of 3Q24. **5** JLL as of 24Q3. **6** Green Street as of 3Q24. **7** JLL as of 24Q3

Big Ideas, Themes & Trends: IOS

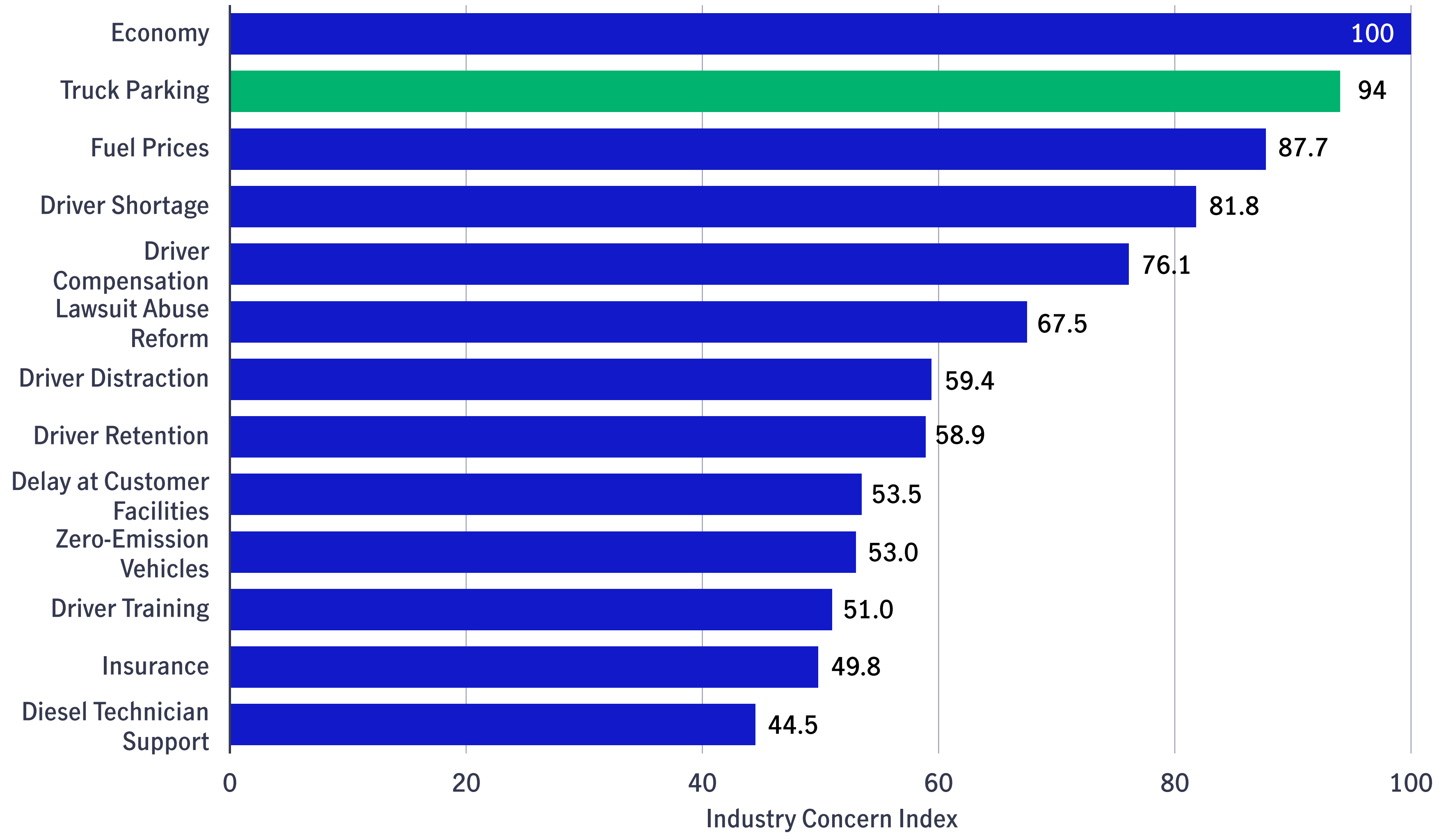
Themes

- Infill and port-proximate industrial markets are supply-constrained and carry stringent zoning laws, but there is potential for redevelopment and renovation. Urban markets LA and NY report <5% available IOS land.[8]
- The growing retail sector has led to a commercial parking shortage, resulting in $95 billion in financial losses, emphasizing the necessity and potential of IOS.[9]
- Advanced manufacturing growth is leading to the repurposing of warehouse space, redirecting users to leverage IOS and the increased reliance on flexible, lower-cost storage solutions.

Opportunities

- **Strategic Accessibility:** Supporting supply chains, particularly in suburban and exurban markets with high accessibility. Infill locations near major transport routes and urban centers attractive with high occupancy rates.
- **E-commerce Growth:** Rise in e-commerce and logistics operations fueling demand for last-mile delivery and storage solutions near urban centers.
- **Facility Sophistication:** Modern IOS facilities becoming sophisticated with features like shore power, security systems, and driver amenities.
- **Investment Efficiency:** Limited supply and minimal capital expenditure required for IOS properties makes them cost-effective.

Top Trucking Concerns



Source: American Transportation Institute as of 3Q24. Research

Risks

- **Bureaucratic Complexity:** Navigating local zoning laws and obtaining permits can be challenging.
- **Institutional Knowledge Gaps:** Municipalities' unfamiliarity with IOS projects leads to delays and increased costs.
- **Market Fragmentation:** The IOS market is highly fragmented, with many properties owned by private investors.
- **Operational Efficiency Challenges:** There is difficulty in achieving economies of scale and consistent operational standards.

8 Green Street as of 3Q24. **9** American Transportation Research Institute as of 24Q3.

U.S. Self-Storage Overview

House View, Allocations & Considerations

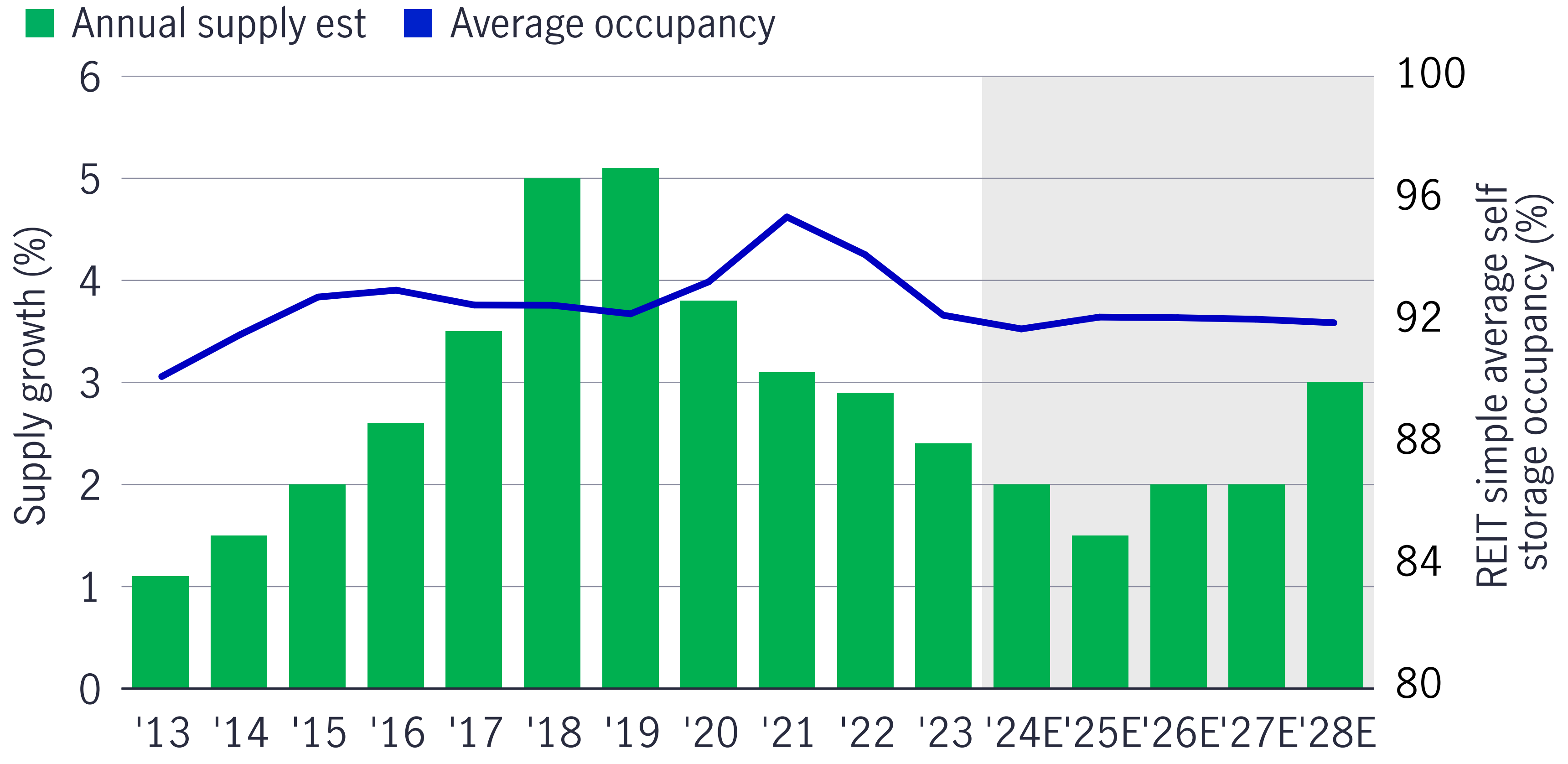
- Our House View currently delineates Self-Storage within the Alternatives asset class.[1]
- Self-storage is poised for strength in select markets, with the focus on state-of-the art product, with caution around housing market dynamics. Customers have a constant need for storage due to the 6 D's: Death, Divorce, Downsizing, Dislocation, Disaster and Density.[1]

"Self-storage is thriving due to urbanization and small business demands, but faces challenges from housing market fluctuations and rising construction costs. As digital transformation and climate-controlled facilities drive future growth, selective investment becomes key amidst shifting household behaviors and development slowdowns."

1 Property Type Investment Spectrum

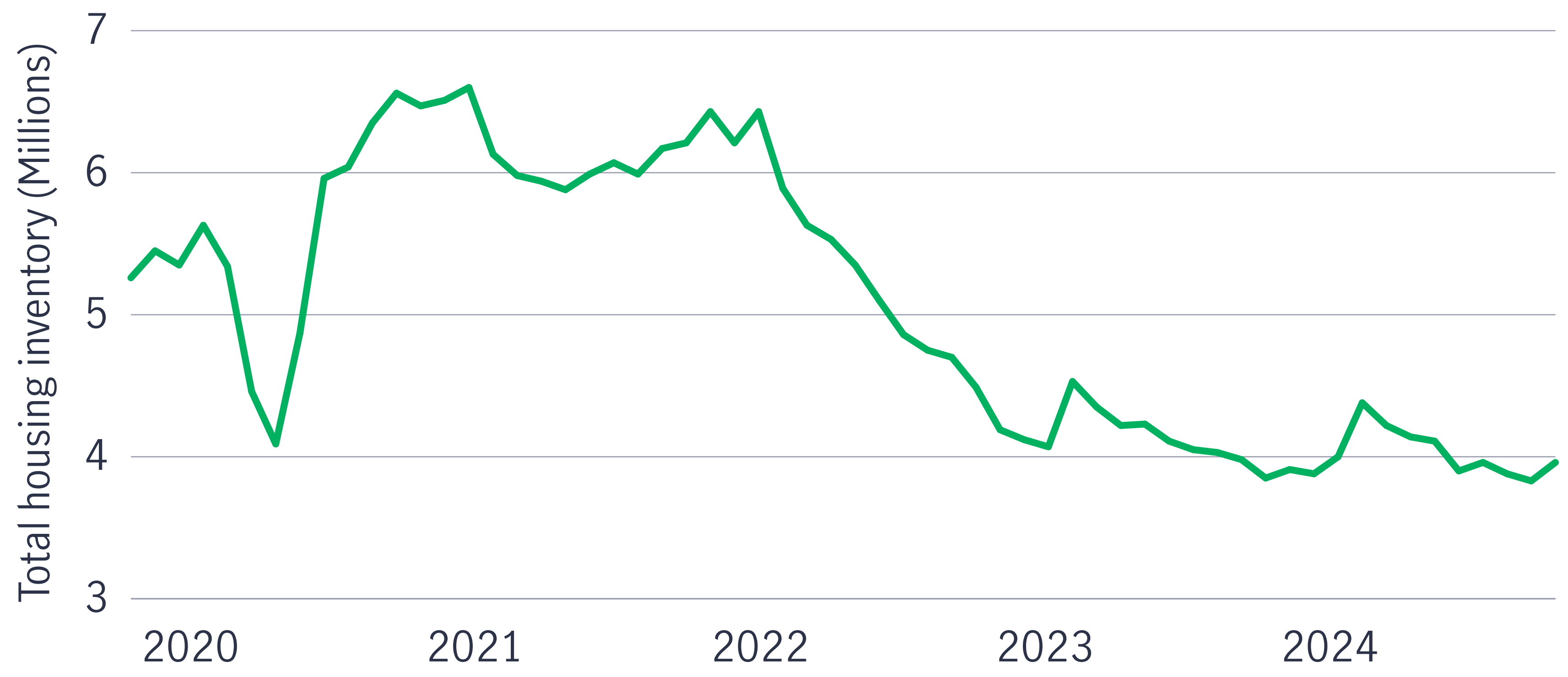
2024 Year In Review: Self-Storage

Self-Storage Annual Supply Growth & Occupancy



Source: Green Street as of 3Q24. Note: "E" is for estimated.

U.S. Existing Home Sales



Source: National Association of Realtors as of October 2024.

Demand is influenced by economic and demographic trends, home sales, and mobility. Rising housing costs push-pull for demand, with some households downsizing needing storage, while others lack disposable income for storage.

- Notable trend of self-storage use by small businesses with 20-30% of storage units in the US and Canada serving as small business hubs.[2]
- Development activity aligned with expectations for a slowdown in new supply (pipeline accounts for 3.5% of existing stock) with a difficult construction environment for obtaining loans, rising material costs, and permitting delays.[2]
- Household mobility and affordability pressures will sustain demand for storage solutions as people transition into smaller homes or move for work-related reasons.
- Rising housing costs and constrained new home sales are driving increased reliance on self-storage for temporary or long-term needs.
- Small businesses will continue to make up 20-30% of unit demand, particularly in urban and suburban markets.[2]
- Supply growth is expected to moderate to 2-3% annually, with developers cautious about adding new stock amid high construction costs and financing challenges.[2]
- Rent growth may decelerate slightly but is still expected to remain positive at 3-4% annually, driven by strong demand and limited new supply.[2]

2 Green Street 3Q24.

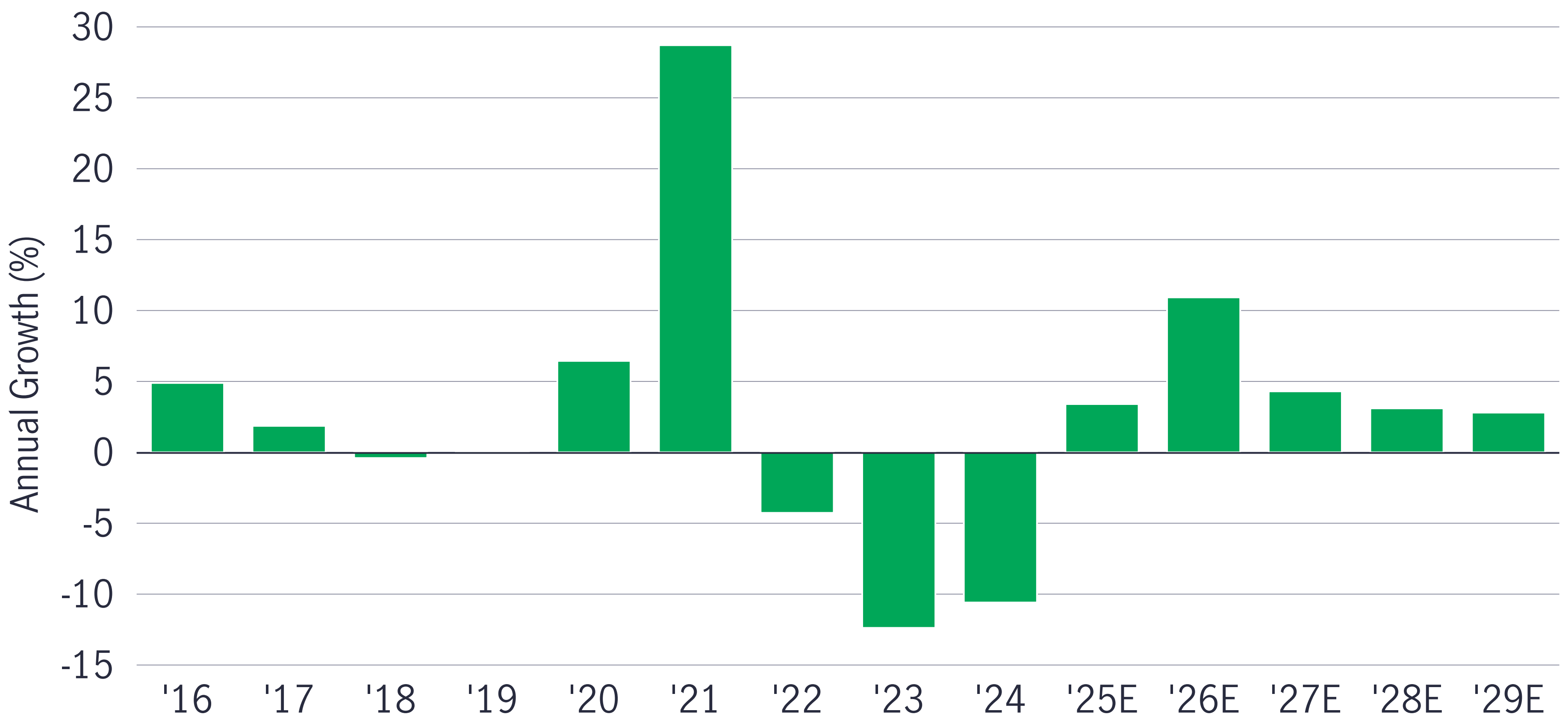
2025 Outlook: Self-Storage

Annual Supply Growth - Top-10 Supply Cities

City	2024	2025	2026	2027	2028
Philadelphia	12%	6%	5%	5%	4%
Los Angeles	7%	7%	3%	4%	4%
Dallas	5%	4%	5%	5%	3%
Honolulu	3%	4%	4%	9%	0%
Atlanta	5%	4%	4%	4%	3%
Miami	6%	3%	5%	3%	2%
New Jersey (Central)	4%	6%	4%	3%	2%
Orlando	4%	6%	3%	3%	2%
Tampa - St Petersburg	5%	3%	2%	3%	3%
Phoenix	4%	4%	3%	3%	2%

Source: Green Street as of 3Q24.

Self-Storage Market RevPAF Growth



Source: Green Street as of 3Q24. Note: "E" is for estimated.

The top five firms control over 31% of self-storage space in the U.S., with four being REITs: Extra Space Storage, Public Storage, CubeSmart, and National Storage Affiliates Trust, and the fifth being U-Haul.[3]

- Construction pipeline is decreasing, with 61.5 million net rentable square feet (NRSF) accounting for just 3.2% of the national stock, a level unlikely to significantly disrupt market balance. Forecasts predict new supply will fall to 2.0% of inventory by 2027 and 1.5% by 2028-2029.[3]
- Household consolidation driven by lower affordability, retirement-related downsizing, longer-term renting patterns, and lower ownership rates underpin long-term demand.
- Banks still lending on self-storage; CMBS (conduit) accessed in markets with limited liquidity.
- Due diligence tightening in line with greater CRE trends and private market self-storage returns lagging public market.
- Institutions have increased allocations to self-storage assets with capital inflows growing by 15% year over year, driven by the sectors resilience and stable cash flows.[4]
- Private market self-storage returns are lagging public REITs due to compressed cap rates, with public REITs reporting 6-8% annualized returns in key markets.[5]
- Focus is shifting to secondary and tertiary markets with higher cap rates, averaging 5.5% - 6%, offering better yield opportunities compared to primary markets.[6]

3 Yardi Matrix as of December 2024. **4** Green Street as of 3Q24. **5** NAREIT as of 3Q24. **6** CBRE as of 3Q24.

Big Ideas, Themes & Trends: Self-Storage

Themes

- Demand is expected to remain steady, influenced by long-term demographic and lifestyle changes.
- Digital transformation and automation in self-storage operations are becoming critical for enhancing customer experience and operational efficiency.
- Increased urban density is driving demand for self-storage in metropolitan areas, particularly where living space is limited.
- Growing awareness of climate change is prompting interest in environmentally sustainable and climate-controlled storage solutions, especially in vulnerable regions.

Self-Storage Demand Drivers

Societal demographic shifts create consistent opportunities for self-storage

Death **Divorce** **Dislocation**

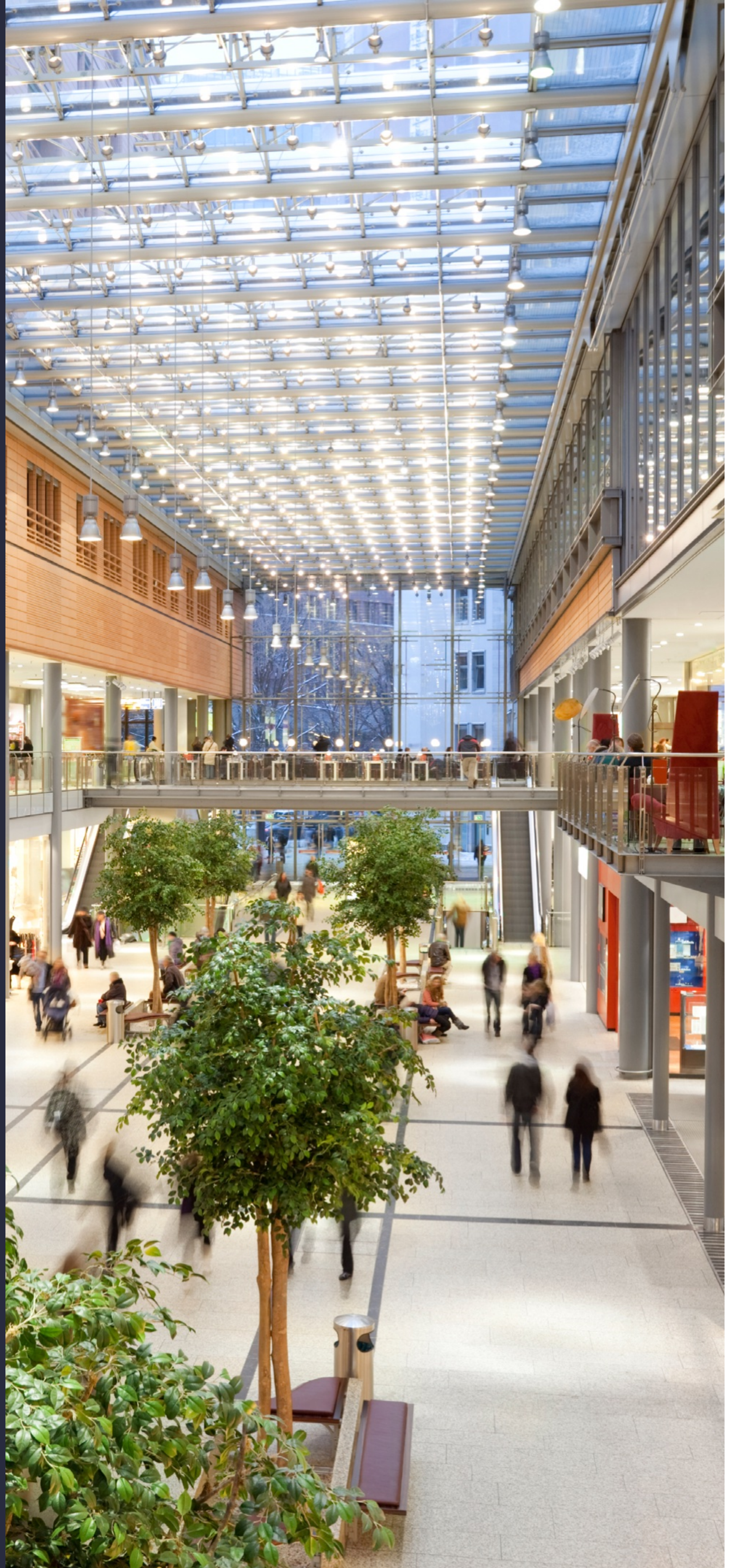
Downsize **Disaster** **Density**

Opportunities

- **Barrier-to-Entry:** Metros with limited supply and development constraints benefiting from Pandemic in-migration.
- **Catering to Climate:** Particularly in the Northeast, need for climate-controlled and state-of-the-art product.
- **Digital Transformation:** Adoption of digital platforms for customer engagement, including online rentals and automated access systems.
- **Urbanization:** Urban demand drives higher rents and lower vacancy rates due to limited space and high population density.
- **Value Gap:** With private returns lagging public REITs, there is potential to acquire undervalued assets, and boost returns through efficiency and strategic repositioning.

Risks

- **Household Behavior Shifts:** Spending pullbacks, lower migration and relocations compared with Pandemic flurry, and housing market slowdown tempering need for self-storage.
- **Development Activity:** Increase in deferred and abandoned projects, while planned pipeline growth has moderated.
- **Declining Street Rates:** Market saturation leading to declining street rates.



U.S. Retail Overview

House View, Allocations & Considerations

- Consistency in retail performance is driving our increased allocation to the retail sector. The sector is not without headwinds related to economic sentiment that is likely to lead to dwindling consumer spending, however, supply-side dynamics are especially strong.
- More limited institutional exposure historically compared with other asset types given general underperformance, particularly during the onset of the e-commerce boom, is shifting as investors recognize retail's reinvention resulting in carefully curated, hyper-local, retail markets.
- Our approach considers micro-level retail fundamentals with an optimally aligned tenant base to the catchment area.

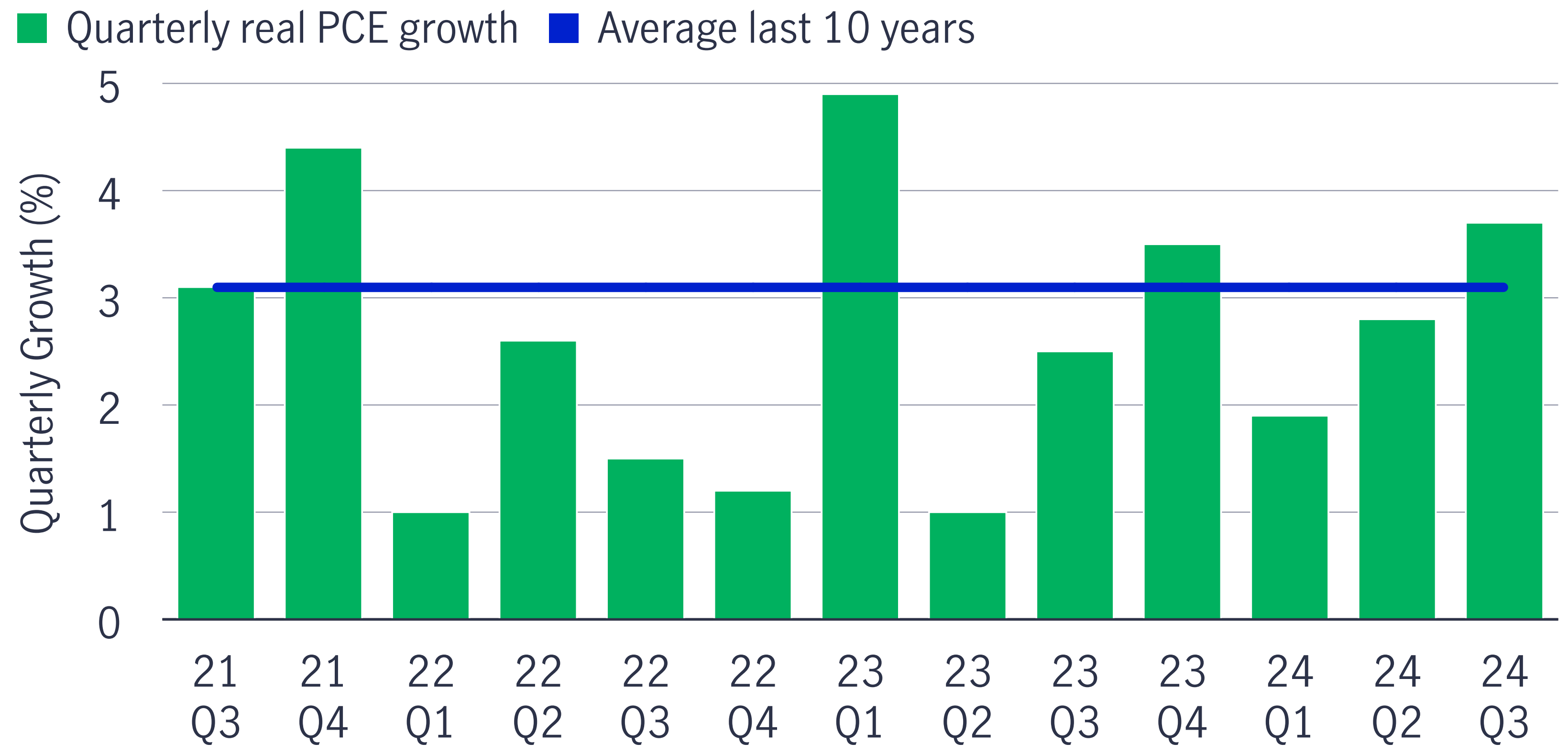
The U.S. retail real estate market is on a positive trajectory, supported by a long-term reinvention that positioned the sector strategically to respond proactively and nimbly to changing conditions. While not all retail drivers are trending with strength and uncertainty prevails, retail real estate indicators are mapping out a sustainable path forward. During the third quarter, economic drivers were volatile, with some weakening, and then a reversal in labor market trends; still growing – but slowing – retail sales; contracting discretionary spending; and fluctuating consumer sentiment keyed to income segment. Middle-to-lower-income households are reporting a heavier financial burden compared with higher-income households, likely pressured by high credit card interest rates and rising household debt, even as credit card delinquencies hover around the 20-year average.[1]

Retail opportunity continues to manifest in grocer-anchored and open-air centers, and through value-oriented and discount tenants which are retaining foot traffic. The luxury segment appears to be a growing area of opportunity and the enclosed mall segment may also present very early-inning potential.[2] In markets that recorded strong demographic growth in recent years – namely Sun Belt markets – demand for luxury and aspirational brick-and-mortar retail is on the rise. Even in the mall segment, where there are early signs of a change in trajectory, luxury or upscale malls are showing increased foot traffic compared with proximate shopping centers. Improving foot traffic and yearly visits to malls appears to be rooted in the repositioning of these enclosed centers to lifestyle, entertainment, and "eatertainment" uses.[2]

1 Delinquency Rate on Credit Card Loans, All Commercial Banks. St. Louis FED (FRED). 8.19.1024. **2** "The Comeback of the Mall." Placer.ai. June 2024.

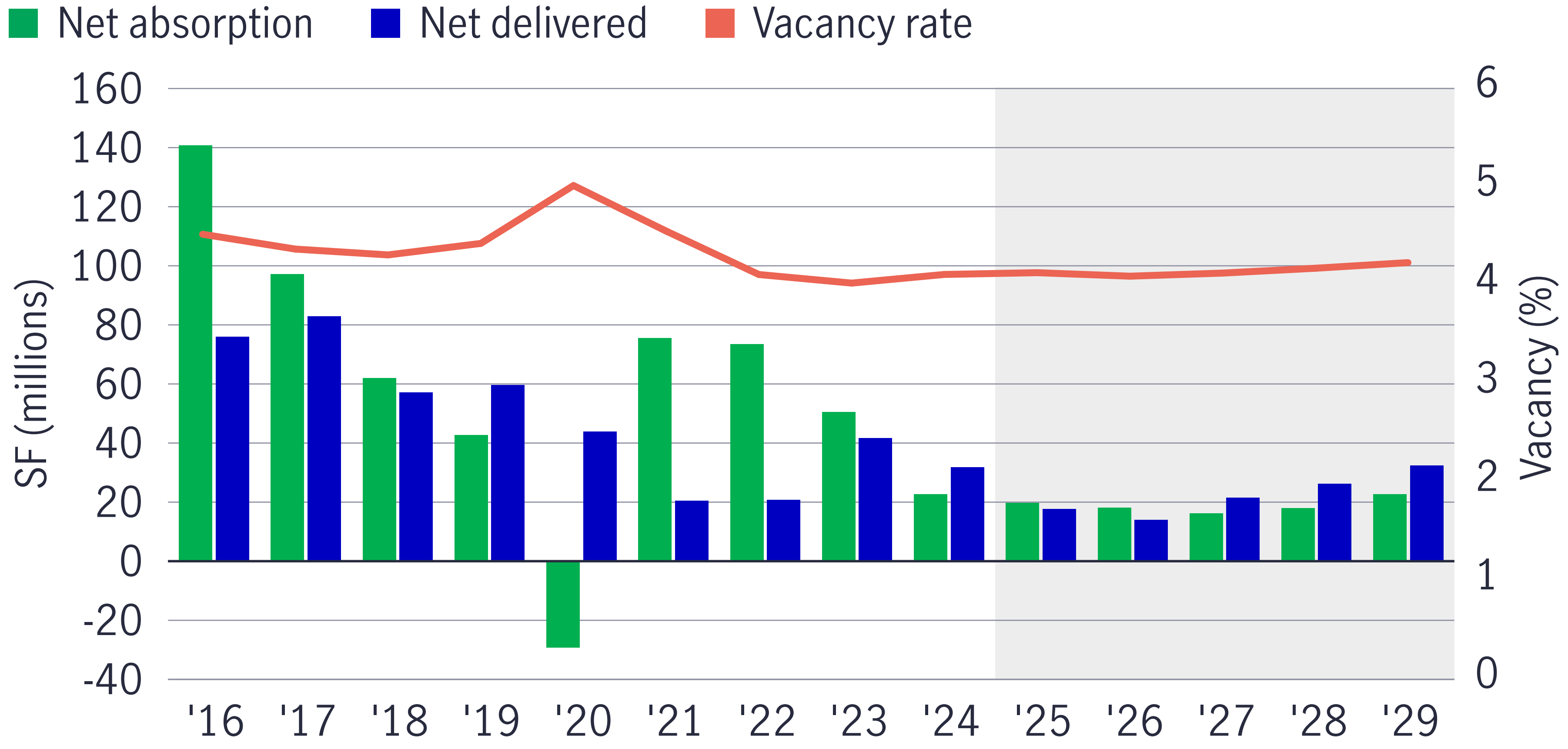
2024 Year In Review: Retail

Personal Consumption Expenditures Growth



Source: FRED as of 3Q24.

Supply & Demand



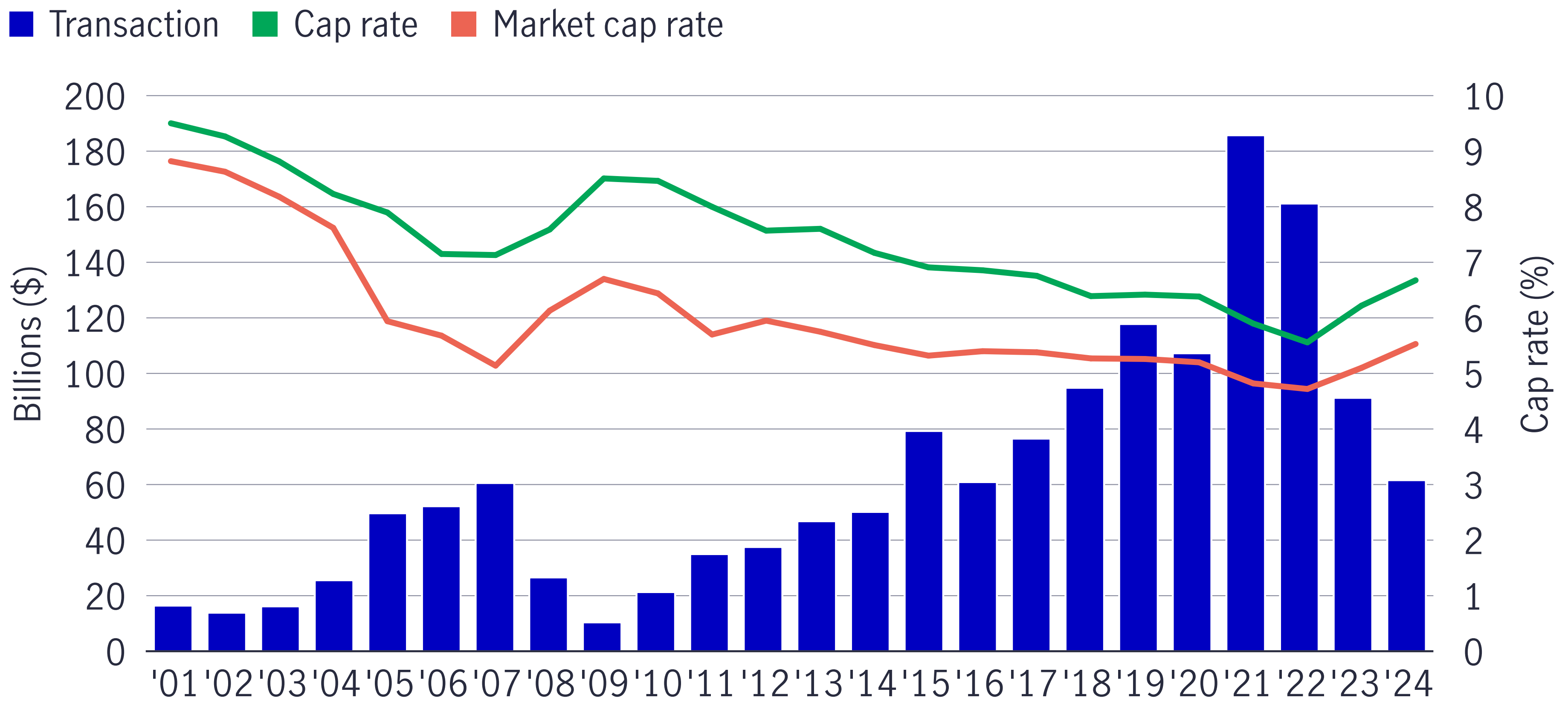
Source: Costar as of 3Q24.

- Vacancy for the U.S. retail market is holding steady at the 4.1% mark as of 3Q24, largely unchanged since late 2021 into early 2022, and well below the 5.3% long-term average with a subdued development pipeline underpinning this stability.[3]
- In the 12 months through the third quarter, a net 33.2 MSF was delivered. While this represents an uptick from lows at the start of the pandemic, new inventory is also critical to support the transformation in the retail sector and net migration patterns anchoring high-growth markets.[3]
- While asking rent growth tapered in the 12 months through 3Q24 to 2.3% growth, this rate outpaces the long-term average by 80 bps. With inflation easing, softer growth in asking rents is not unexpected, particularly following two years of robust escalation.[3]
- While investors are noticeably more confident in the sector, as evidenced by returns and an increase in deal flow earlier this year, sentiment has pulled back.
- At the close of 3Q24, year-to-date sales volume totaled $38.9B, down 14% from the same period last year.[4]
- On a quarterly basis, transactions were about level with 2Q24, but showed a 27% decline during the same period one year earlier with just $11.7B in sales.[4]
- Returns data was more robust as of the fourth quarter with the sector achieving an annual return of 5.3% - the best of any sector, and compared with 0.2% annual return as of mid-year 2024.[5]
- Income returns on a 12-month basis were level at around 5.6% while appreciation continued to improve, increasing the year-over-year rate by 300 bps.[5]

3 CoStar as of October 2024. **4** RCA/MSCI as of September 2024. **5** NCREIF NPI Expanded as of 4Q24.

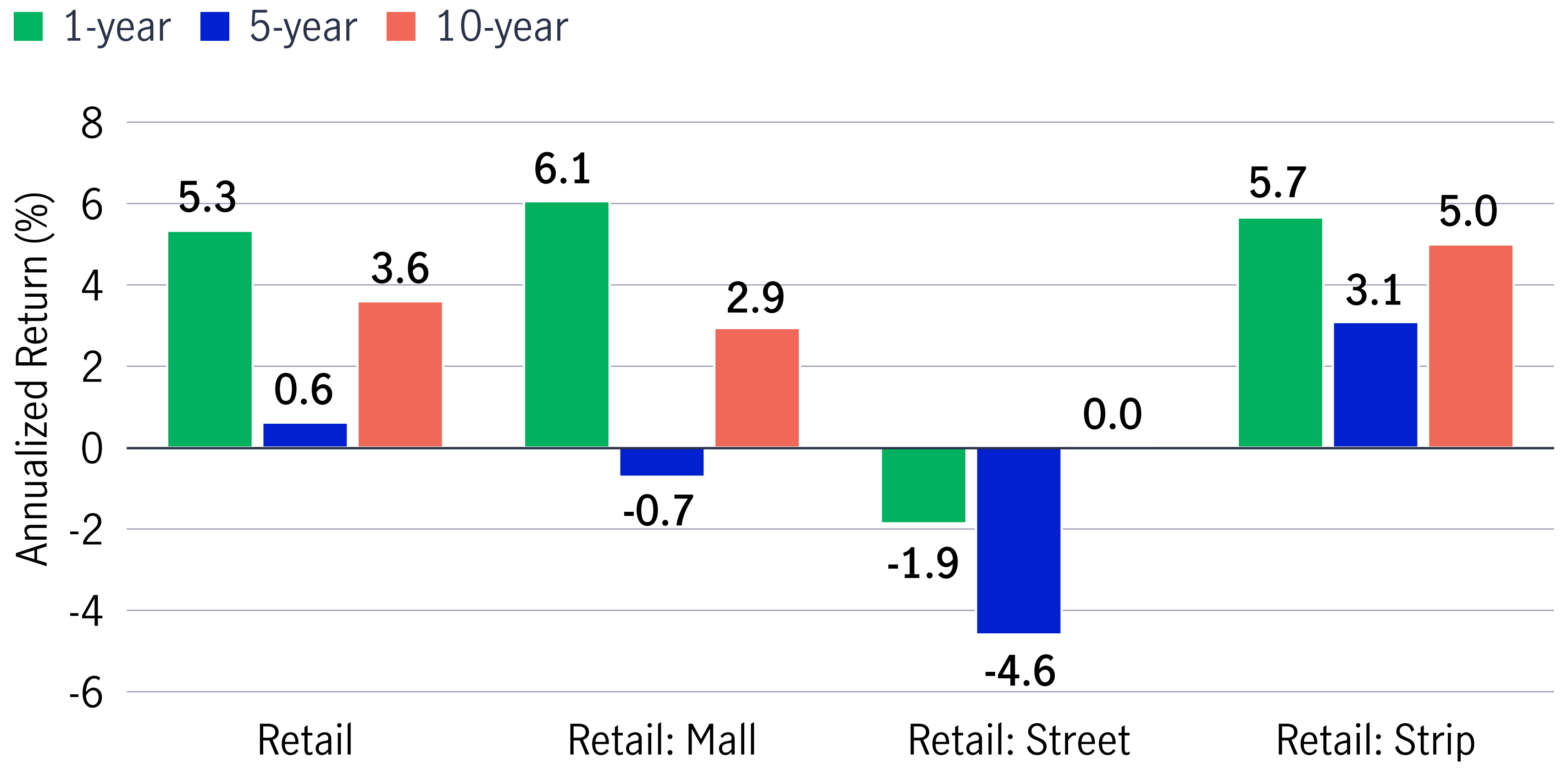
2025 Outlook: Retail

Transaction Volume vs. Cap Rate



Source: RCA as of 3Q24.

NCREIF NPI Returns by Retail Subtype



Source: NCREIF as of 4Q24

The near-term outlook is fairly sanguine, defined by resilient payroll growth, falling interest rates and lower inflation. The overall health of the consumer seems stable and will likely help the retail sector maintain momentum through year-end. Due to the efforts of both retailers and CRE investors over the last decade, through the pandemic, real estate fundamentals are largely intact—rooted in strategic repositioning and restrained development activity.

- Currently 46.8 MSF is underway, and given consistent net positive absorption equal to or outpacing construction activity during the last three years, it is unlikely vacancy will fluctuate significantly.[6]
- Repositioning activity in the sector, particularly in the mall segment, continues to advance the supply side. Owners are also more quickly responding to emerging retail trends to maintain their performance. For instance, recent consolidation and closures of national pharmacy chains are already evolving into conversion of these spaces to other creative uses, with attention to the high-visibility locations and larger footprints.[7]
- The strongest retail centers boast retailers with well-developed omnichannel platforms, with a high-performing aspirational retail presence to drive foot traffic. Grocery-anchored centers are also outperforming, particularly those with a diversified needs- and service-based tenant mix.
- The ability to attract demand from within the immediate catchment area but also serve as a destination (with unique or differentiated tenancy), is a unique attribute of retail investment. Optimistic forecasts regarding healthy consumer spending growth over the near- and medium-term will broadly underpin fundamentals across the U.S.

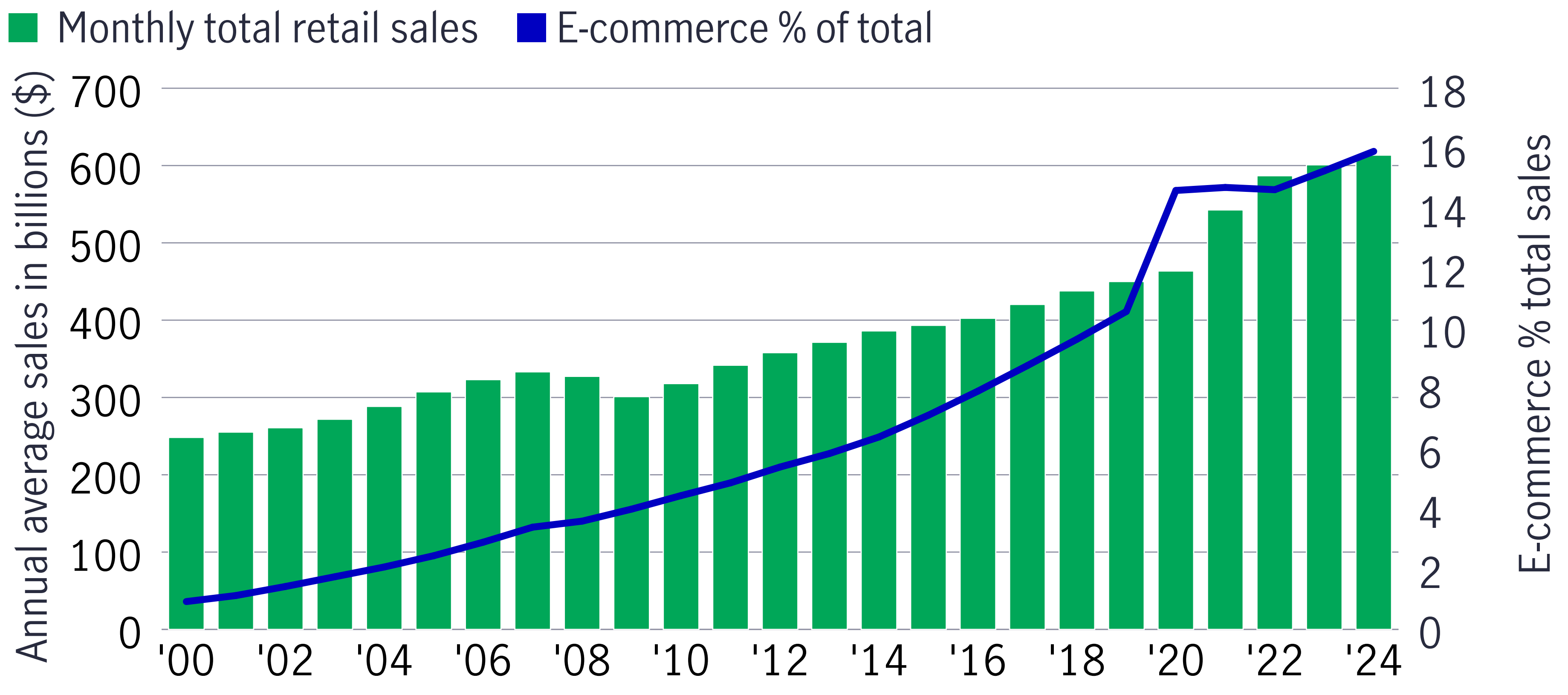
6 CoStar as of October 2024. **7** "Why the local drugstore could become a plasma collection center, restaurant or even a dog park." CoStar as of September 2024.

Big Ideas, Themes & Trends: Retail

Themes

- Evolving shakeups with large-format, big-box retailers and pharmacy chains pose some risk to the retail market, but value-chain and dollar store momentum will help mitigate demand-side impact. The sector still has room for expansion and growth, and demographic swings anticipated over the next year will also provide strategic opportunities for investors seeking to boost their retail allocation.
- Though signs are largely positive retail real estate investment, higher rates and lack of liquidity continue to play into the market and momentum will rely heavily on shoring up consumer health to drive demand side momentum.
- As the sector's reinvention is fully deployed and the development pipeline is highly curated to retailers' renewed footprint strategies, investors are able to consider opportunities with more confidence in regard to brick-and-mortar positioning, and focus more strategically around long- term demographic prospects.

E-Commerce Share of Retail Sales



Source: FRED as of 3Q24.

Opportunities

- **Technology:** As retailers adopt digitalization for the in-store experience, layouts and prototypes need to be increasingly more flexible and agile in responding to rapid innovation. Not only does this mean an asset's physical characteristics, but also the infrastructure and power to support technology integration. Highly adaptable assets and developments that are also state-of-the-art in terms of seamless technological integration are likely best positioned to outperform.[8]
- **2nd Gen Space:** Constrained development helped the retail sector rebalance as e-commerce challenged brick-and-mortar demand. Retailers that transcended e-these headwinds and the Pandemic are looking to curate footprint strategies that will anchor future growth. A lack of new product is prompting retailers to consider 2nd generation space. Recent retail closures and liquidity challenges position well-located, flexible 2nd gen assets for potential outsized returns if secured at a competitive basis.[9]

Risks

- **E-Commerce Grocer Penetration:** Though grocery-anchored centers are outperforming, e-commerce is gaining traction in the grocery distribution and sales space. E-commerce grocery delivery sales increased 25% in the 12 months through 3Q24, and will likely impact grocery footprint strategy moving into 2025, potentially shifting demand from retail space to cold storage.[10]
- **Diverging Incomes and Consumer Behavior:** Real income growth is retreating, and household savings are depleted relative to Pandemic highs. In particular, middle- and lower-income earners are increasingly reporting more distress while higher-income earners report the opposite, which may create a growing bifurcation in retail center performance depending on inline tenant composition. Consumers continue to prioritize value-oriented purchases, posing risk to centers without exposure to this product type.[11,12]

8 Incisiv's 2024 State of the Industry: Innovation in Retail. September 2024. **9** Prepare yourself for the future of retail. JLL. November 2024. **10** Delivery Scores a Comeback in E-Grocery Channel. Progressive Grocer. 10.22.2024. **11** "High-income households are doing just fine, helped by higher asset prices. Lower-income consumers — not so much." GlobeSt. 9.18.2024. **12** "Retail sales suggests consumption growth slowing only gradually." Oxford Economics. 8.15.2024.

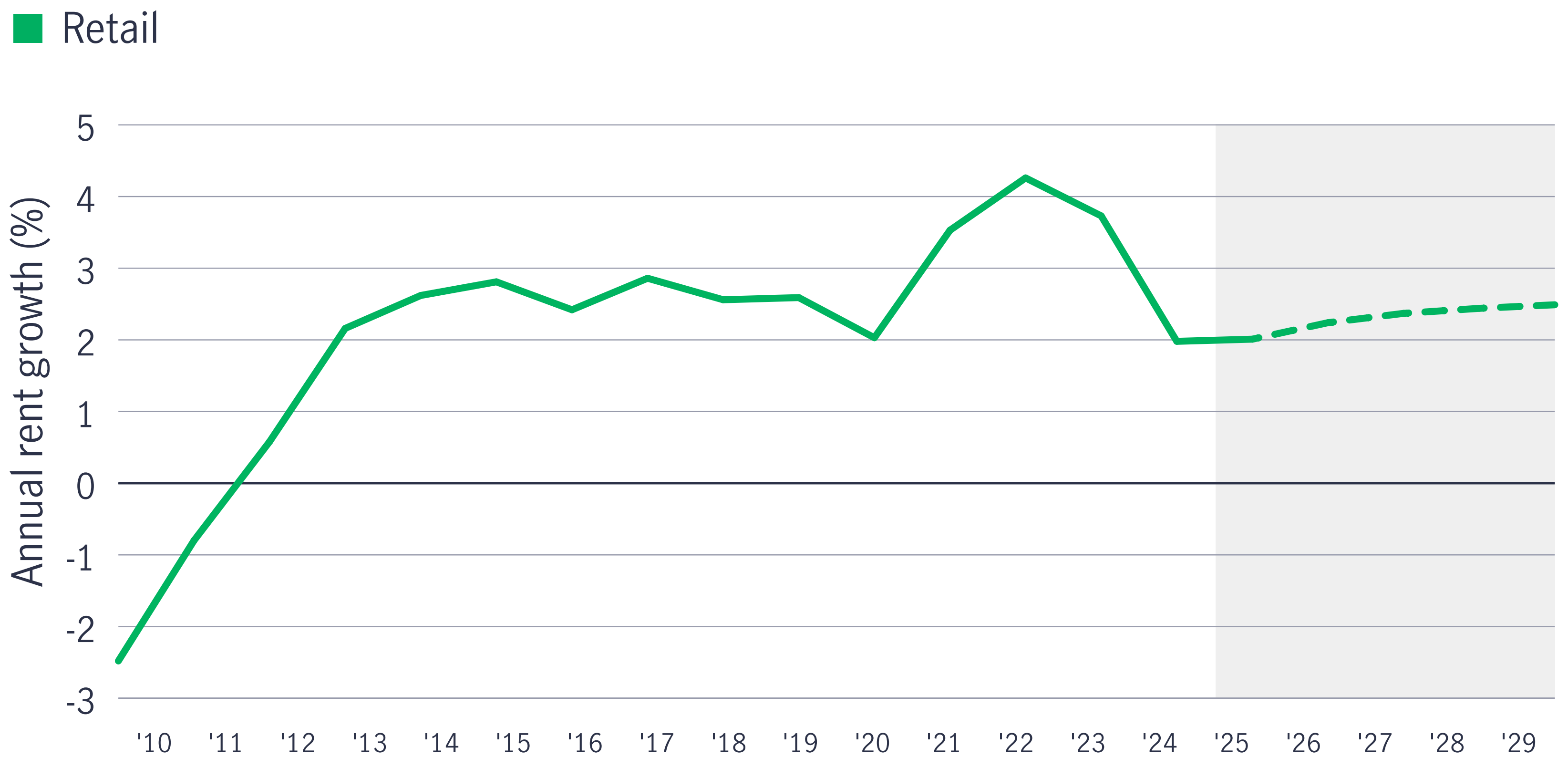
Rents & Returns Outlook: Retail

- Retail has emerged as a top performer among traditional sectors and continues to maintain solid performance moving into 2025 amid strong fundamentals and solid consumer spending.
- Our 5-year outlook is for retail returns to solidly outperform recent historical averages, starting in 2025 and maintaining strength supported by steadily improving rent growth in the 2.0-2.5% range—on par with pre-Pandemic rent growth.
- However, retail is expected to underperform both industrial and multifamily over the next 5-years.
- Structural headwinds from e-commerce will persist and require retailers to adapt to changing spending patterns and consumer behaviors, presenting upside for those retail subtypes that can support tenants in their omnichannel retailing strategies.

Forecasted Annual Return: Retail

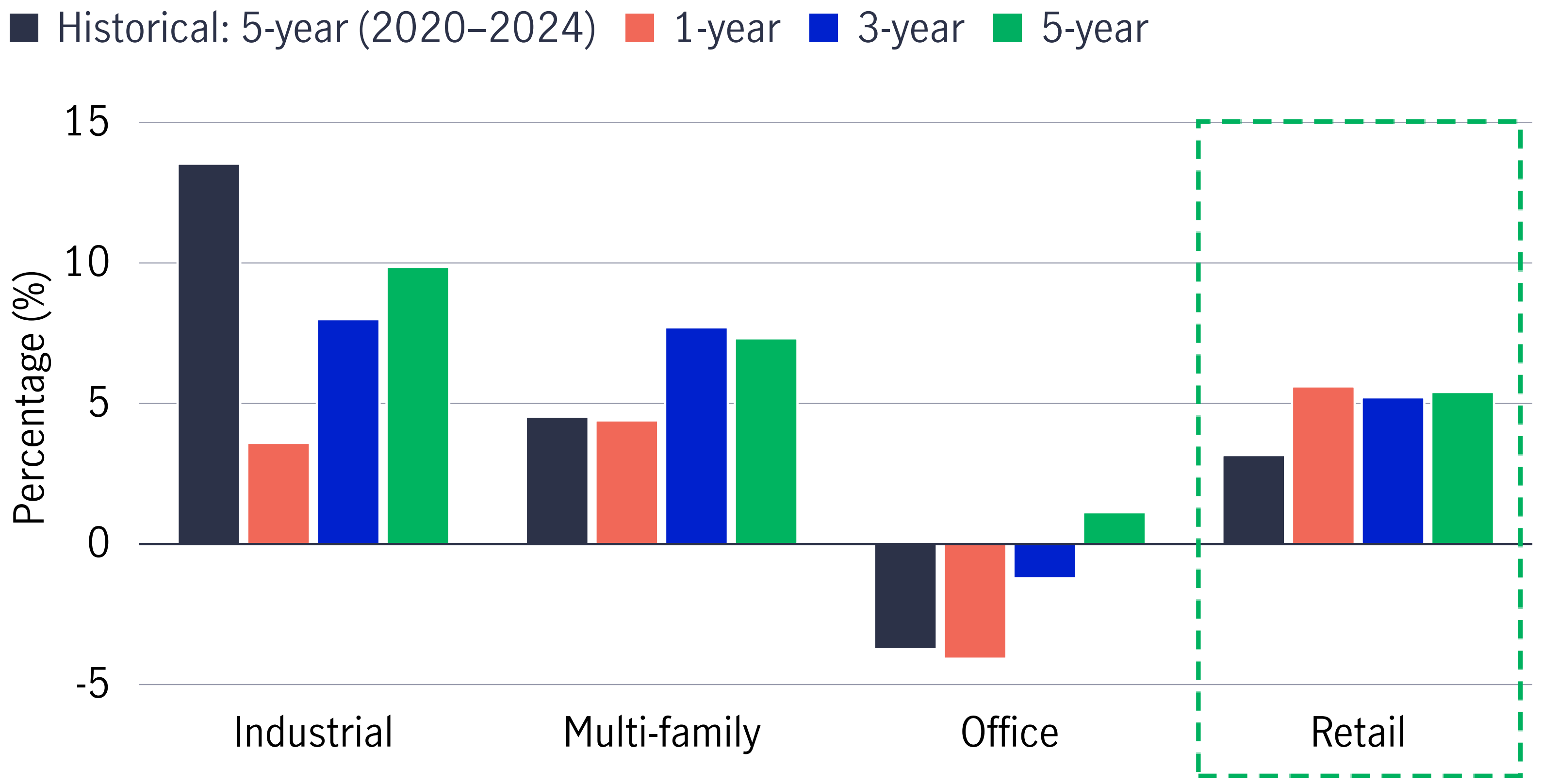
Source: Manulife Investment Management Research, as of 4Q24. Historical data is NCREIF as of 4Q24.

Forecasted Rent Growth: Retail

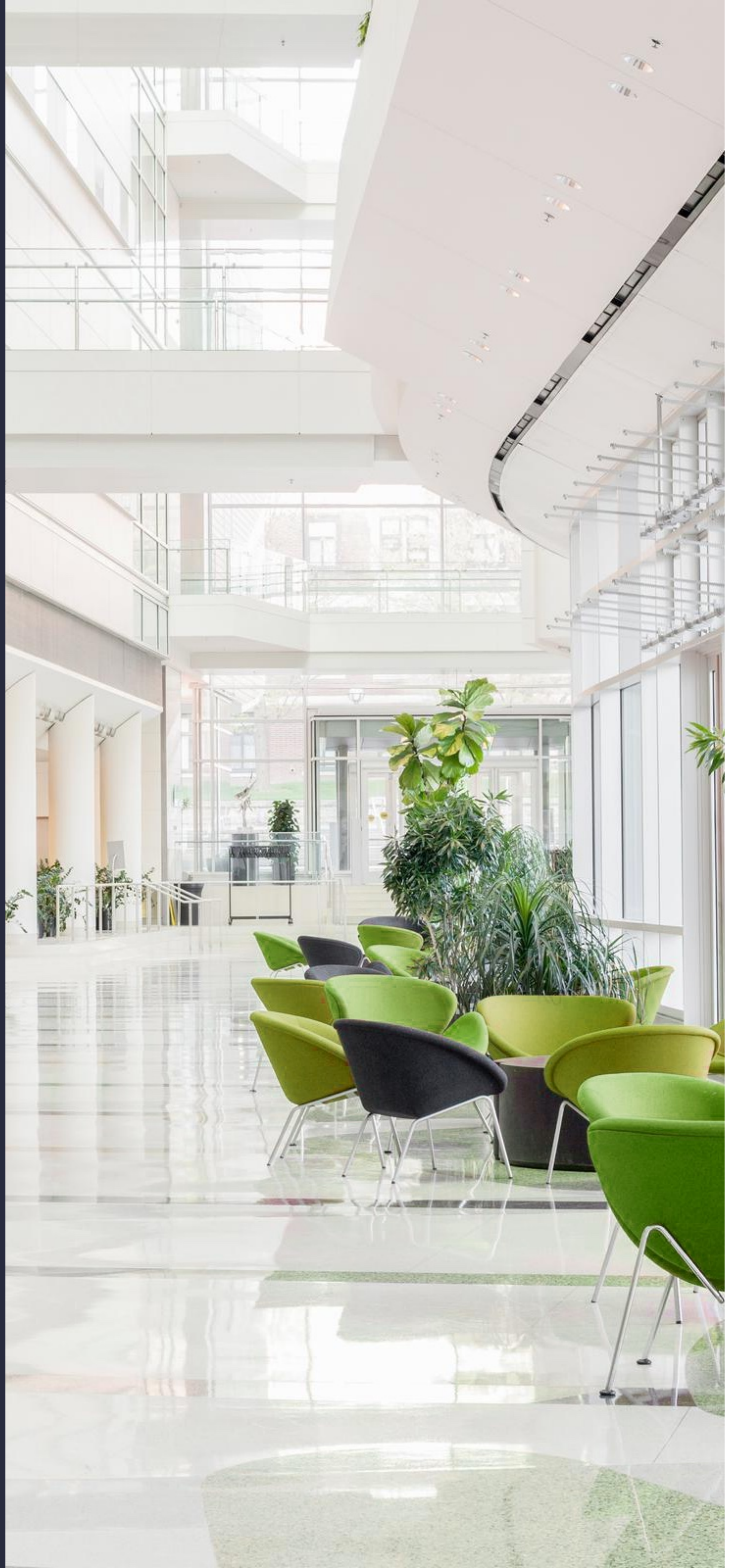


Source: Manulife Investment Management Research, CoStar as of 4Q24.

Forecasted Annualized Returns by Property Type



Source: Manulife Investment Management Research, as of 4Q24. Historical data is NCREIF as of 4Q24.



U.S. Sector Overview - Office

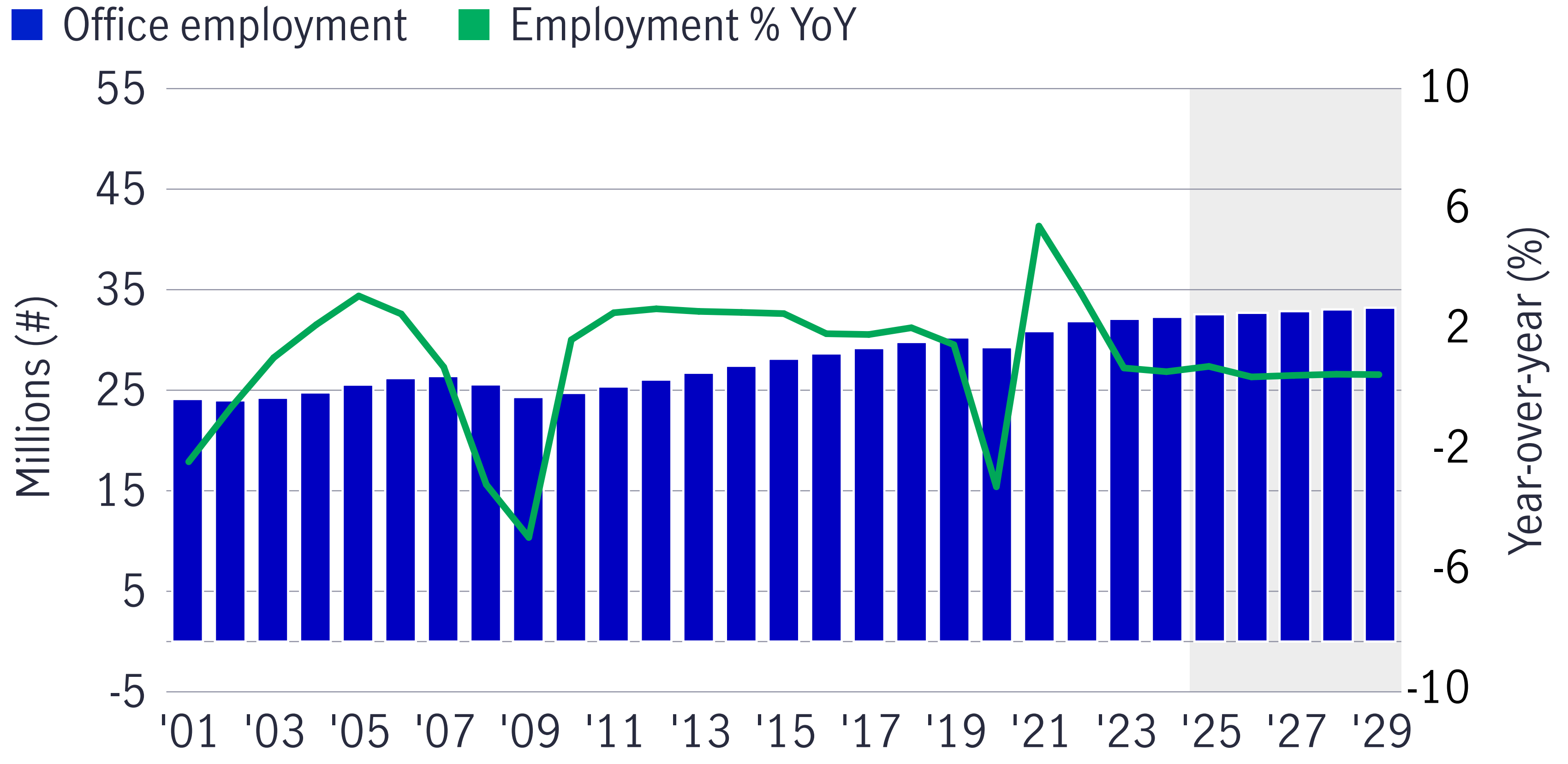
House View, Allocations & Considerations

- We are underweight Office due to continued demand erosion and persistent uncertainty in the asset class negatively impacting valuations and growing distress levels.
- Our viewpoint, while aligned with the vast majority of institutional investors, is to continue to reduce our exposure to U.S. office through a highly selective, disciplined pipeline and strategic asset management.
- Select opportunities may present that offer advantageous exposure to growing micro-markets, characterized by dynamic in-bound demographic shifts coupled with industry composition lending to in-office occupancy, and best-in-class product to cater to return-to-office ("RTO"). Opportunities may also exist across structured finance where investor positioning is more protected within the capital stack.

Now more than four years after the onset of the pandemic, office market dynamics are still as uncertain as ever, as hybrid and remote work, along with consolidation efforts and uncertainty in hiring, complicate the path to recovery. More organizations appear to be moving towards stricter return-to-office (RTO) requirements, though it remains highly variable by industry and the time in office required. Through much of the last 24 months, organizations have been heavily focused on drawing workers back to the office with amenity improvements and other incentives. As the labor market began to show some softening at around the mid-year mark, talent leverage came into question. Labor force participation is up, pay gains are strong but flattening, and job applications are rising. Any weakness emerging in private-sector professional and business services and FIRE-sector hiring could turn the tables in favor of stricter RTO mandates.

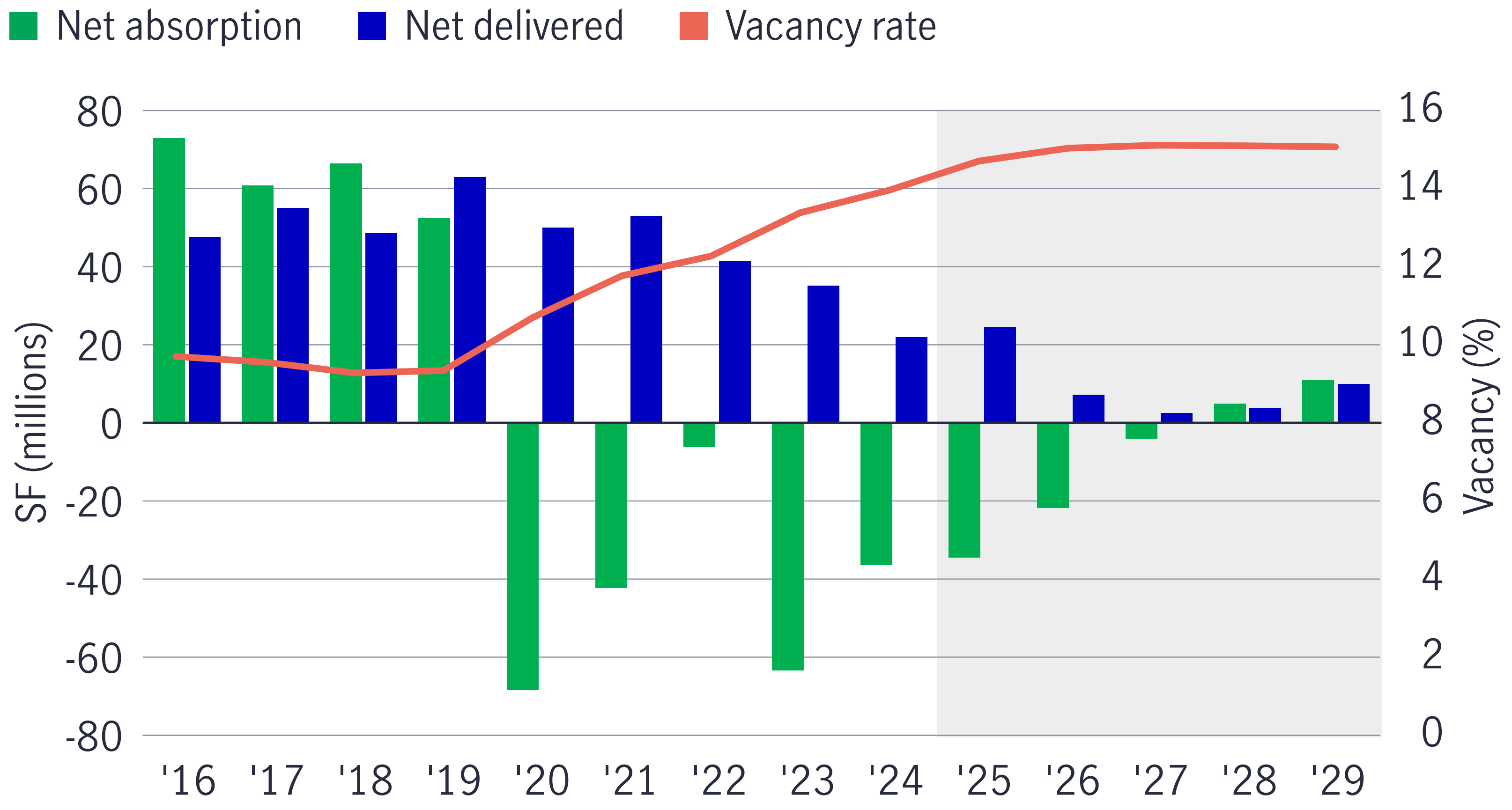
2024 Year In Review: Office

Office-Using Employment & Growth



Source: Costar as of 3Q24.

Supply & Demand



Source: Costar as of 3Q24.

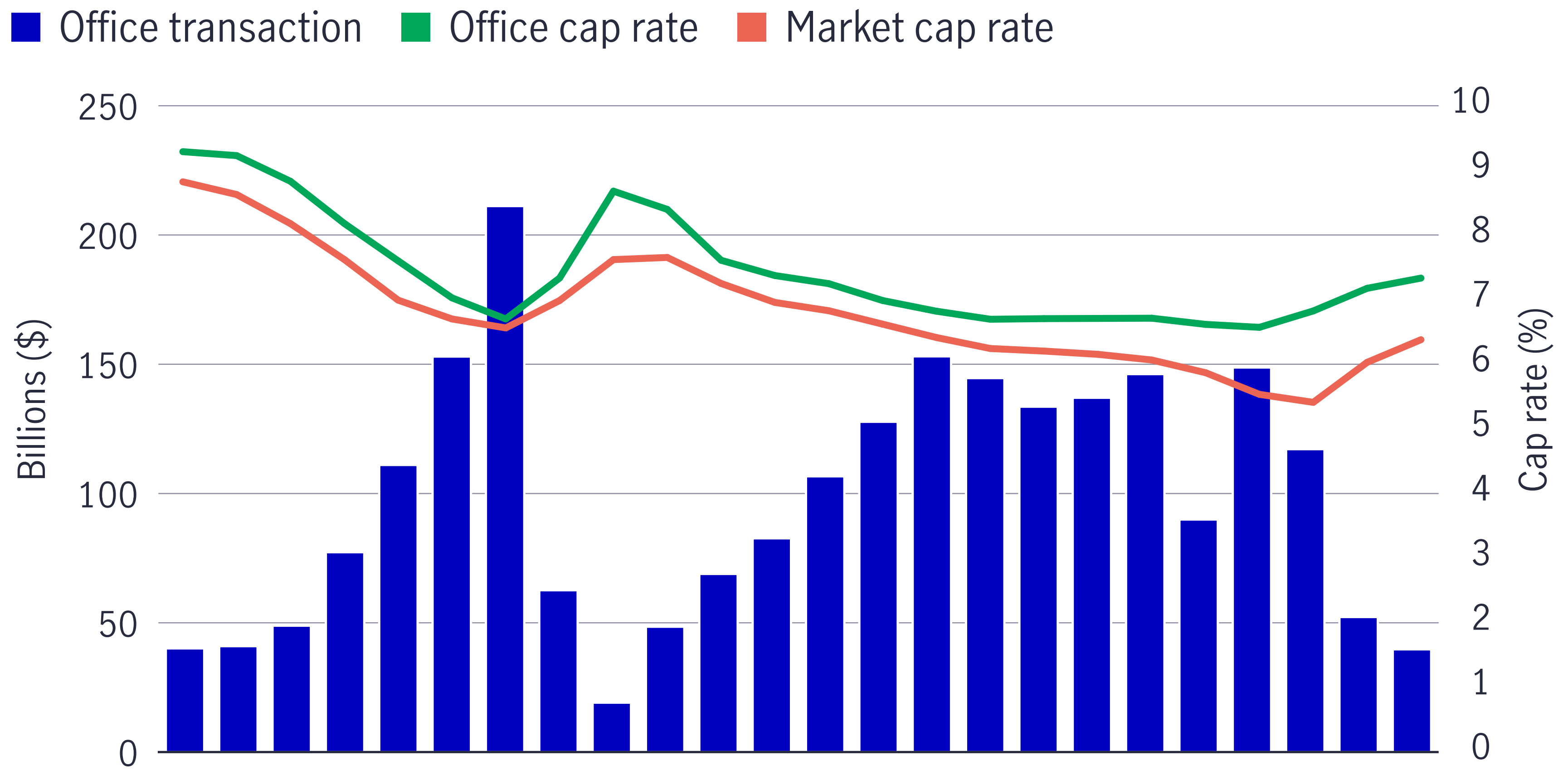
One of the key factors undermining the elusive office recovery is the long-term under-demolishment of office product, leaving a glut of obsolete commodity and outdated space flooding the market. For years, new construction outpaced both demolition activity and absorption levels, adding 66 MSF on average to inventory annually since 2000. Highly restrictive construction lending – especially for office product—is reducing development while other incentives drive more intensive conversion activity.[1]

- While organizations continue to downsize, the degree of downsizing appears to be declining. From downsizes of more than 15% of space (involving leases greater than 25,000 SF) in 2022, firms on average are now consolidating by around 10%.[2]
- As of 3Q24, a little more than 80 MSF of new construction is underway, the lowest level since 2012, and approximately 30 MSF of office product is currently under demolition, conversion or non-office redevelopment (demolition and ground-up development to a non-office use).[3]
- Though the reconciliation on the supply side is now underway, vacancy across the U.S. continues to rise, increasing 50 bps at the end of 3Q24 from year-end 2023 and hitting a high of 13.9%, per CoStar, while other sources peg vacancy even higher than 20.0%.[2,3]
- Yet net absorption tells a slightly different story, showing some improvement in the 12-month trailing rate.
- While still negative, CoStar shows a quarter-over-quarter improvement of 28 MSF, and JLL cites a 10% improvement in the quarterly rate of absorption, buoyed by a combination of healthier leasing trends and demolition activity.[2,3]
- New sublease additions to the market declined by 13.0% during 3Q24, along with both absorption and vacancy improving.[2]

1 CoStar as of October 2024. **2** "U.S. Office Market Dynamics." JLL. 3Q24.**3** CoStar as of October 2024.

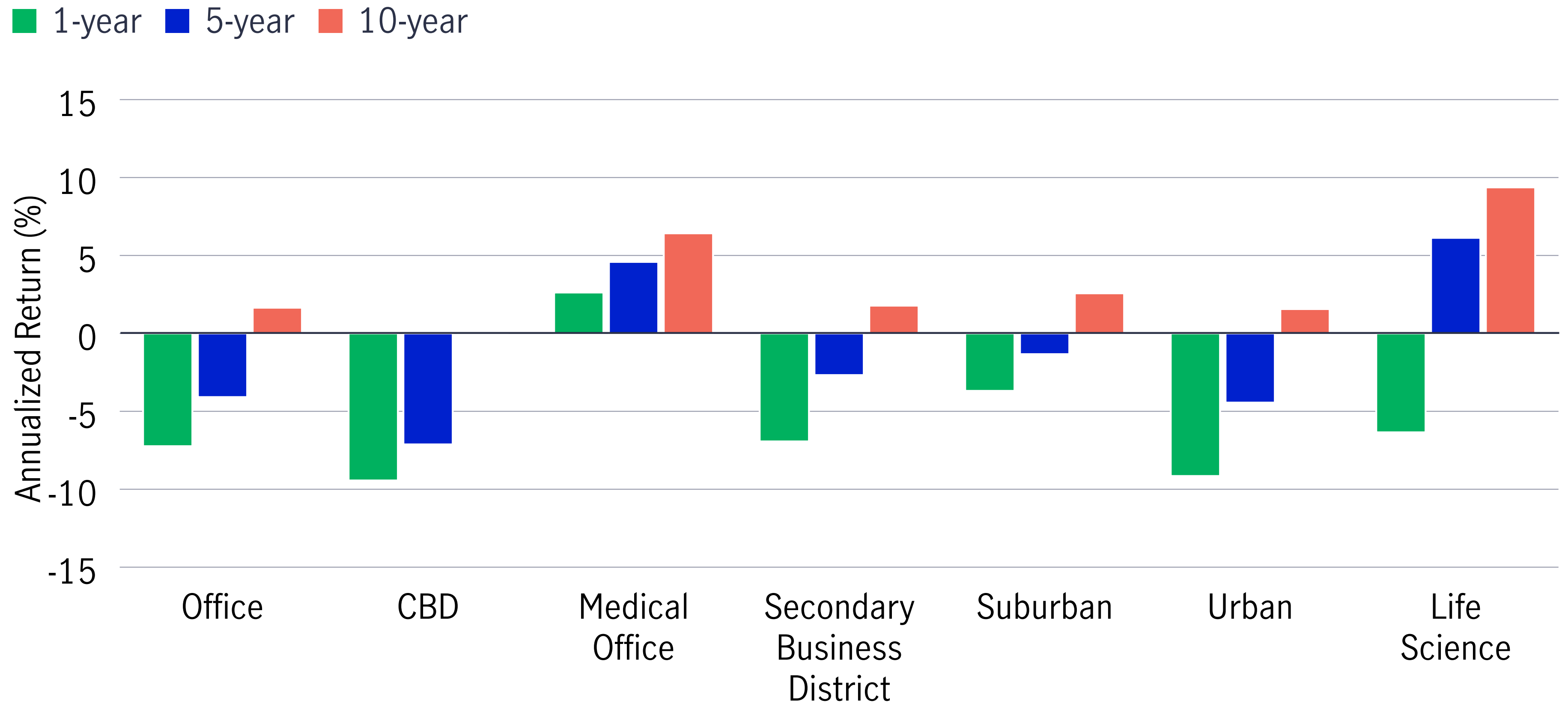
2025 Outlook: Office

Transaction Volume vs. Cap Rate



Source: RCA as of 3Q24.

NCREIF NPI Returns by Office Subtype



Source: NCREIF as of 4Q24.

- Third quarter transaction volume surprised to the upside, closing out with $12.8B transacted compared with $12.3B during the previous quarter.[4]
- Year-to-date volume reflected similarly, up 12% from the same period in 2023 to $41.7B closed through 3Q24. Office sales activity is currently at about 80% of total 2023 volumes.[4]
- Office sector returns continue to fluctuate in the negative, however, appear to be reversing course. Total returns were -7.2% year-over-year through 4Q24 compared with a -11.5% year-over-year through 3Q24.[5]
- The quarterly rate of return was -0.6%, though negative showing improvement throughout the year.[5]
- Income returns remained positive at 5.9% over the last 12 months, and 1.4% for the quarter – both metrics level with the previous two quarters.[5]
- Not much is anticipated to turn around through year-end, and the outlook for the office sector moving into 2025 is pessimistic. Headwinds have not dissipated and a growing performance gap between best-in-class or "trophy" assets and commodity class B and C assets persists.
- Further, there is not enough momentum or recovery in the high-end segment to drive an overall recovery. Overall returns are expected to contract at least through the next year, with capital values continuing to feel the brunt of weak demand-side fundamentals driving more distress.[6]
- Though income returns may not necessarily turn negative, rising expenses—particularly insurance, capex and concessions—are disproportionately impacting the office sector, and continue to erode NOI.

4 RCA/MSCI. Data as of September 2024. **5** NCREIF NPI Expanded. Data as of 4Q24. **6** "United States: Office value correction persists in 2025, despite rate cuts." Oxford Economics. 10.3.2024.

Big Ideas, Themes & Trends: Office

Themes

- While the labor market is broadly stable, office-using sectors will likely add jobs at a slower rate, not all of which will in any case translate into "in-office" jobs.
- Not only is office highly exposed to upcoming maturities, but the sector also suffers disproportionately from higher interest rates due to fundamental weakness and a general lack of investor and lender conviction.
- Near-term office sector investment potential is likely isolated to trophy assets in locations that benefit from higher occupancy trends, and Sun Belt markets continue to show stronger rates compared with traditional Coastal Gateways.[7]
- As Gateways begin to record more population influx, increased return-to-work, and investor-owner decisioning that could result in lower office inventory, very select opportunities in the sector may present in these markets.

Risks

- **Leasing Strategy:** Organizations continue to right-size with the adoption of hybrid working, further challenging absorption. Moreover, demand for the highest quality, highly amenitized space, coupled with shorter leasing terms and smaller leases enhance the capital investment needed to build out space and payback can stretch as long as four years, outpacing lease terms, critical to consider in acquisition strategy.[9]
- **Financing:** In the challenging financing environment, even more pronounced for office, private buyers emerged as the most active investment participants in the office sector, able to buy on an all-cash basis. Ground lease is also a financing strategy employed by private and high-net worth, enhancing illiquidity risk.
- **Buyer Composition:** Costly capital improvements and lack of institutional experience and in managing office product, complicated by changes in operating models are challenging new owners and could create more distress over the medium term.[5,6 10,11]

Opportunities

- **Trophy is King:** Office users continue on a flight to quality, demanding best-in-class amenities and Trophy buildings in "main-and-main" locations are showing the only potential for outperformance, even growth. Mezz opportunities in this tier 1 office slice, or even highly select, new vintage, equity plays with credit-tenancy and long-term WALT may emerge.
- **AI Boost:** While some markets are at risk of displaced office workers from AI, more jobs are now being created than displaced and anchoring increased leasing activity, with tech accounting for 18% of leasing activity in the first three quarters of 2024. Markets with a combination of AI corporate presence and high venture capital inflow may experience some potential office resurgence moving forward in 2025, providing opportunity for investment.[8]
- **Demolition to Industrial:** Though a handful of office-to-industrial conversions are taking place, a more efficient and cost-effective approach is likely demolition to new build. Outer-ring locations in high-growth suburban markets offer the potential to meet growing last-mile demand, supported by existing infrastructure conducive for industrial, while reducing office exposure and providing the potential for an opportunistic play with strategic exit.

7 US: Office value correction persists in 2025, despite rate cuts." Oxford Economics. 10.3.2024. **8** "Largest Share of US Office Leasing Activity This Year, Buoyed by the Growth of Artificial Intelligence." CBRE. 11.12.2024 **9** "Despite increase in asking rents, 'real' office rents have declined." CoStar. 10.7.2024. **10** "Higher tenant improvement costs pin office rents to the ceiling." CoStar. 10.7.2024. **11** "Will Offices Come Back In Fashion? Contrarian Buyers Are Betting Millions On It." Bisnow. 9.3.2024.

Rents & Returns Outlook: Office

- Office, the last remaining traditional sector experiencing negative returns, continues to be challenged; however, returns are slowly improving and becoming less negative.
- Office appreciation returns have declined approximately 36% since peak in early 2020, and value declines continue albeit at a slowing pace.
- Our 5-year outlook is for office to continue to underperform, weighed down by negative performance in 2025 and 2026, while improving returns in the outer years will boost the 5-year time weighted return into positive territory.
- Rent growth will be lackluster, increasing in the low 1% range over the forecast period; however, the reset basis within the office sector will lead to select opportunities that have the potential to record solid performance.
- Office-using sectors will likely add jobs at a slower rate, and even those office-using jobs that are added may not translate into "in-office" attendance and increased occupancy, resulting in a delayed recovery that will favor best-in-class or "trophy" assets.

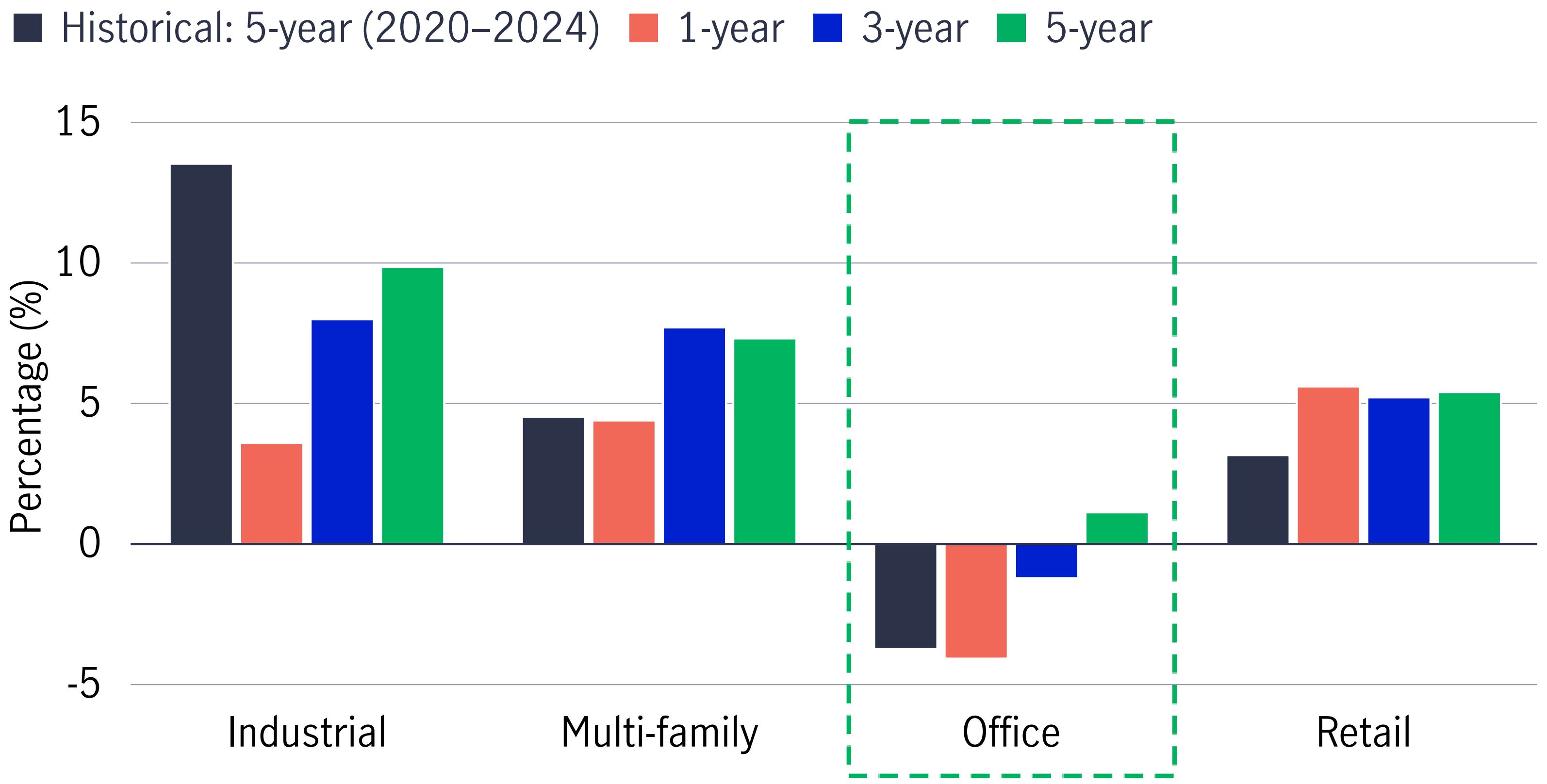
Forecasted Annual Return: Office

Source: Manulife Investment Management Research, as of 4Q24. Historical data is NCREIF as of 4Q24.

Forecasted Rent Growth: Office

Source: Manulife Investment Management Research, CoStar as of 4Q24.

Forecasted Annualized Returns by Property Type



Source: Manulife Investment Management Research, as of 4Q24. Historical data is NCREIF as of 4Q24.

U.S. Life Science Overview

House View, Allocations & Considerations

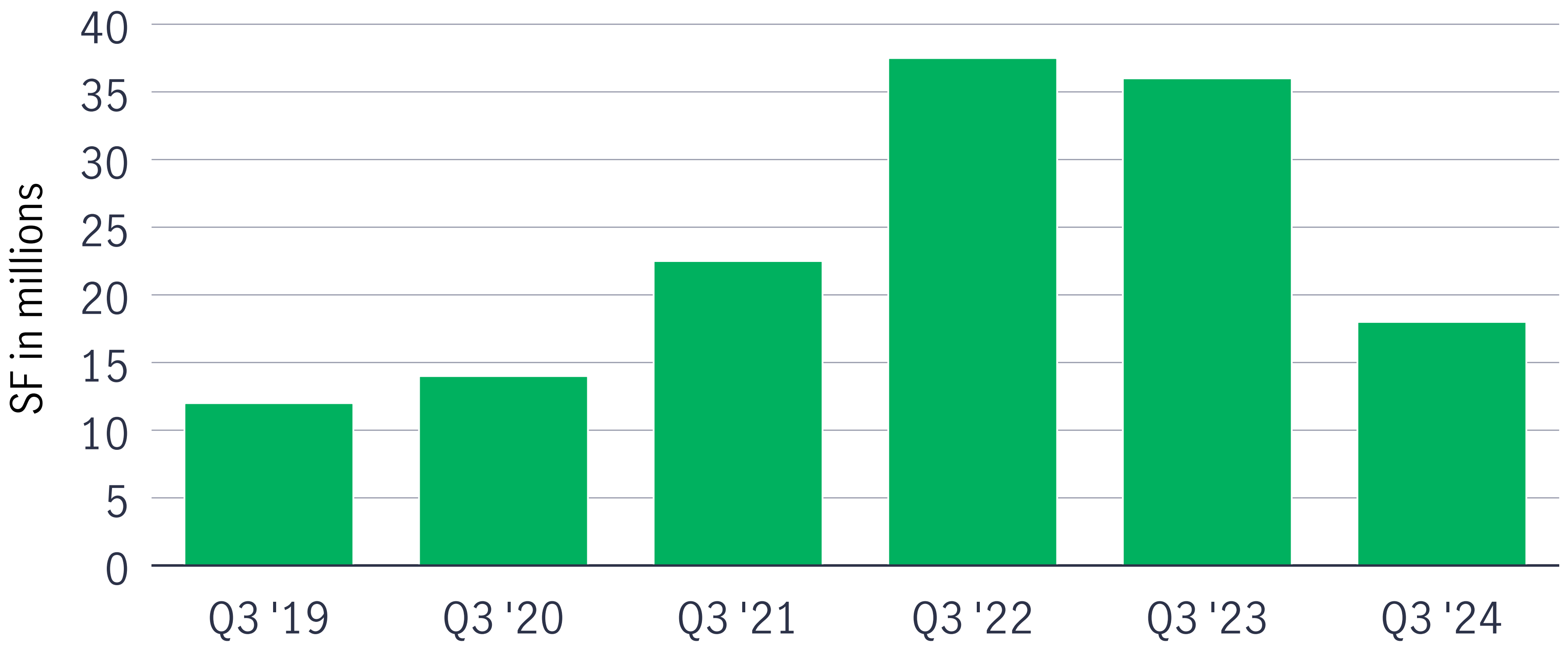
- Our House View currently classifies Life Science as part of our Office allocation, and does not delineate as the sub-type as Alternative.[1]
- While acknowledging recent challenges in funding, we remain optimistic in historically proven-out as well as maturing life-science/bio-tech markets that boast a strong labor pool with proximity to higher educational institutions or health care enterprises driving sector investment.[2]

"Key life science clusters continue to thrive, even amid general economic challenges, because of their dependence on direct research and face-to-face collaboration."[3]

1 Property Type Investment Spectrum **2** 2024 Life Sciences Real Estate Perspective and Cluster Analysis. JLL. 2024. **3** "The Most Active Life Science Markets in the U.S." Commercial Property Executive. 12.09.2025.

2024 Year in Review: Life Science

Lab/R&D Space Under Construction



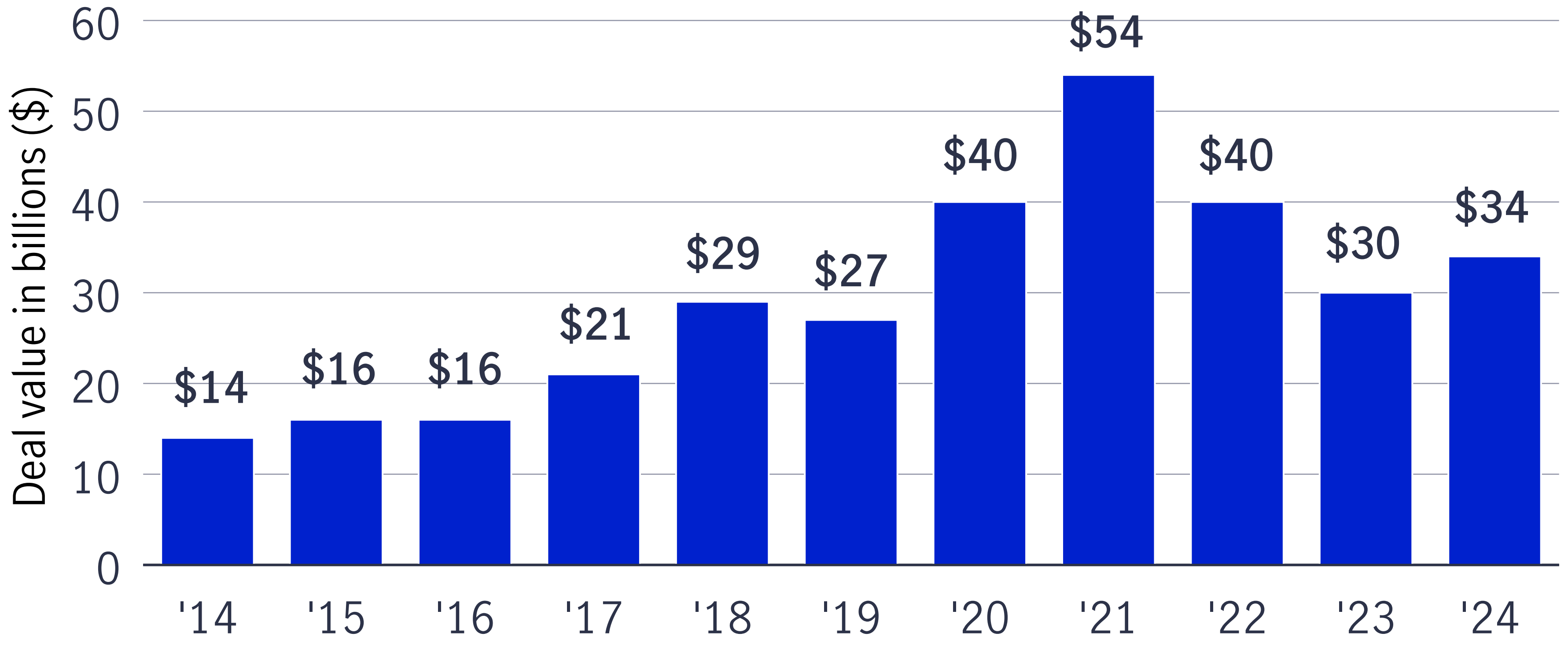
Source: CBRE as of 3Q2024.

- Life sciences fundamentals were mixed in 2024, weighed on by oversupply hang. Overall vacancy increased to 18.4% as of 3Q24, up 520 bps from one year ago.[4]
- VC funding appears to be on the upswing. YTD through November 2024, funding for life sciences ventures reached $34 B compared with $30 B for all of 2023, and higher than annual levels during the 5-year period preceding the Pandemic.[5]
- Yet, weakness on the supply side continues to challenge occupancy. As of 3Q24, a little less than 17 MSF of space was underway, including conversions and build-to-suit projects. Only about a third of this space is pre-leased.[4]
- Speculative development by non-specialists or new-to-market entrants continued, with much of the activity concentrated in the conversion space.
- New development, however, was restrained in 2024, symptomatic of the financing environment, and high construction costs, particularly for the sophisticated build-outs demanded of this sector; but also because of mounting completions in previous years and office conversion activity.
- Compared with a total of 27.4 MSF delivered from 2022 to 2023, 2024 recorded 2.2 MSF in new ground-breakings.[6]

4 U.S. Life Sciences Figures. CBRE. As of 3Q24. **5** "Six Hot Trends in Life Sciences for 2025." Goodwin. 12.13.2025. **6** "The Most Active Life Science Markets in the U.S." Commercial Property Executive. 12.09.2025

2025 Outlook: Life Science

Life Sciences VC Funding



Source: Pitchbook. Data as of December 2024.

- The combination of recovering VC funding, improved valuations for publicly traded biotech stocks, and IPOs on the rise, points to more expansion during 2025, key for demand-side fundamentals. Investors are taking note, and through September 2024, life sciences were showing expected returns just exceeding apartment, and outpacing industrial by 400 bps.[7]
- As tenants continue to embark on a flight to quality, pre-leasing for new construction may have the potential to pick up, but at the risk of lower quality buildings experiencing outflow and an increased rate of functional obsolescence in the space is likely, similar to overall office market trends.
- Increased bifurcation in the industry is also presenting, with more differentiation between biotech trends and space, and lab space. The latter is where much of the supply risk currently resides.[8]
- Markets like Boston, San Francisco and San Diego remain key for life science expansion, anchored in higher education and talent, but struggling with elevated vacancy and supply.[9]
- Longer term supply risk not as heighted with the slowdown in new ground-breakings, and should help fundamentals start to rebalance as VC funding and IPOs churn demand.

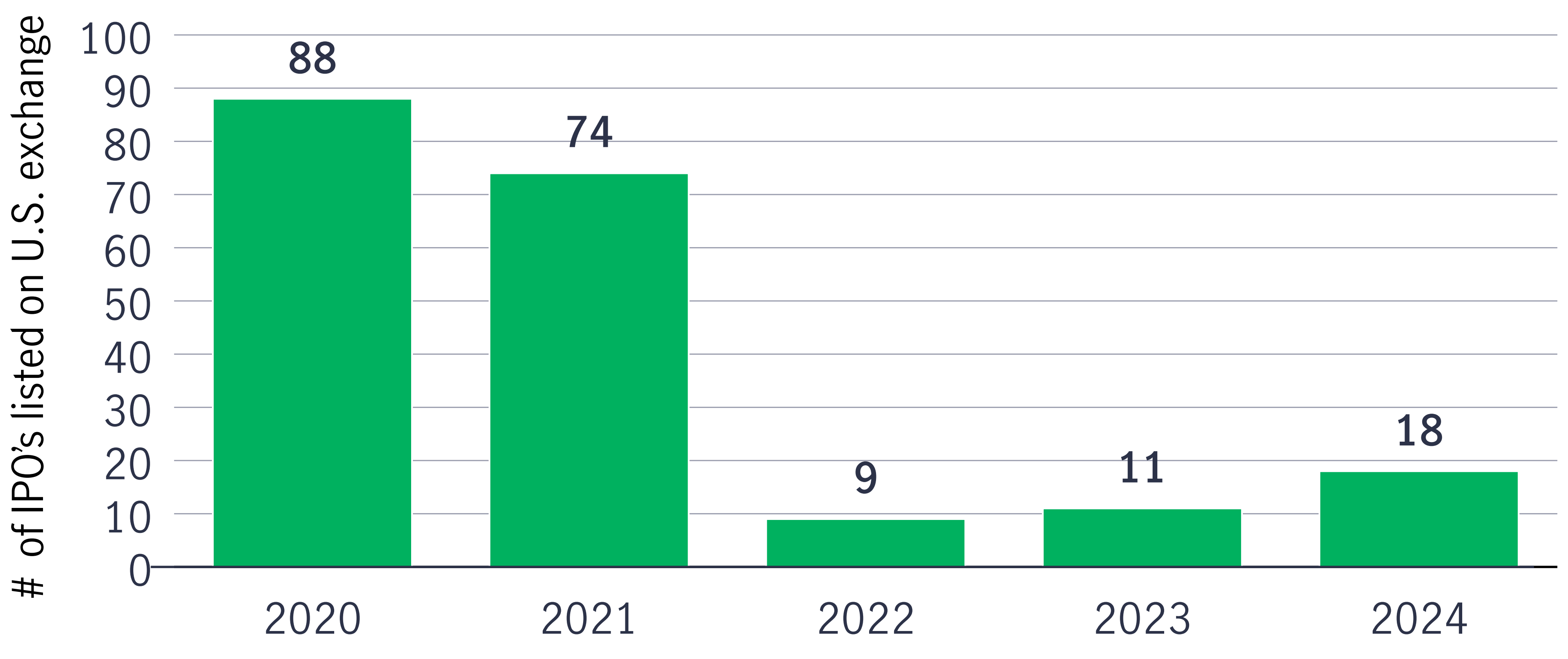
7 Life Sciences Sector. Green Street. September 2024. **8** "'The Math Isn't Going To Lie': Lab Real Estate's Woes To Continue In 2025." Bisnow. 12.17.2024. **9** U.S. Life Sciences Figures. CBRE. As of 3Q24.

Big Ideas, Themes & Trends: Life Science

Themes

- Demand rebalancing: Prior to and during the Pandemic, the life science sector experienced strong and steady demand, triggering an influx of funding, a boost in bio-tech/R&D employment, and CRE investment. A 70% expansion in inventory in the decade leading up to the Pandemic, and subsequent development came up against a rapid pullback in VC funding in mid-2022, putting pressure on the sector. Recent figures indicate stabilizing demand.
- High Barrier-to-Entry: Developing life science properties requires specialized infrastructure, including advanced HVAC systems and lab-specific build-outs, leading to higher capital expenditures compared to traditional office spaces.
- Innovation Clusters: Proximity to leading research institutions and universities remains critical, and talent/demographics is also a key component. Shifts in migration led to an increase in emergent markets that also boasted strong

Life Science IPOs



Source: Goodwin's Life Sciences IPO Tracker. Goodwin. 12.13.2024.

Opportunities

- **Live-Work-Play & Talent:** With outflow of population and talent from urban cores, established life science hubs Boston, San Francisco, and others face some risk as companies seek to attract the best talent. Occupiers are increasingly prioritizing best-in-class facilities, access and amenities. Markets that offer a combination of labor pool and newer vintage stock are likely have the most viability.
- **M&A:** As Big Pharma absorb early-stage companies, established, high-barrier-to-entry markets could move more towards equilibrium and saturation; economic volatility and funding still lower than peak levels are anticipated to fuel M&A.
- **Growth in Emerging Markets:** Rising talent pools and cost efficiencies are driving demand in emerging life science hubs such as Houston, Boulder and Raleigh-Durham. These markets benefitted from Pandemic net migration and are also not experiencing robust development pipelines; development or conversion opportunities may offer strategic entry.

Risks

- **Generative AI & Capital Intensity:** High build-out costs and specialized fit-outs make life science projects capital-intensive, requiring longer-term investment horizons and careful tenant credit evaluation. Older vintage buildings and conversions are more likely to require more initial and continuous investment to maintain competitiveness.
- **Market Saturation:** In several markets, the rapid expansion of life science real estate has led to increased competition and potential oversupply, which could impact rental rates and occupancy levels. High-inventory markets currently experiencing robust pipelines may run a higher risk of functional obsolescence.

U.S. Medical Office Building "MOB" Overview

House View, Allocations & Considerations

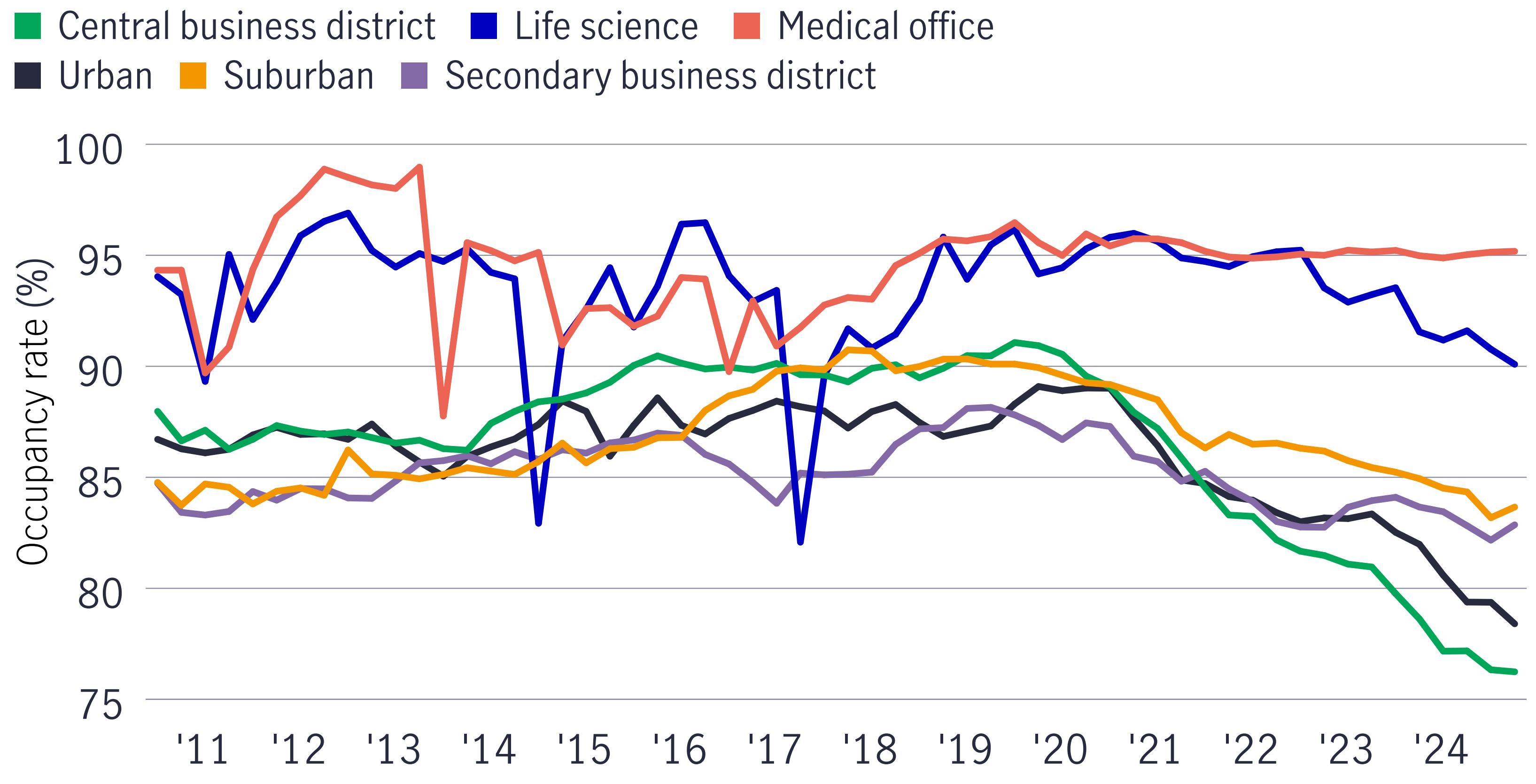
- Our House View currently delineates Medical Office Building ("MOB") within the Alternatives asset class.[1]
- Our position on MOB is one of selectivity. A MOB is designed specifically for healthcare providers, offering specialized facilities for medical practices, and typically located near hospitals or healthcare campus, although increasingly located in retail-oriented locations as healthcare systems look to maintain profitability by shifting care from inpatient to outpatient settings. 41,355 MOBs total 1.6 billion square feet and can include many tenant types and services, including urgent care and emergency services, dialysis, ambulatory surgery, and imaging as well as standard physician offices. Inelastic demand for health care services and the real estate that facilitates them provides a compelling investment opportunity. An aging population, technological advancements and a growing culture of wellness and preventative medicine strengthens the outlook.[2]

"Inelastic demand and sticky tenants underpin a sector that is poised to experience significant demand growth as the population ages."

1 Property Type Investment Spectrum **2** PWC & ULI. 2025 Emerging Trends in Real Estate. November 2024.

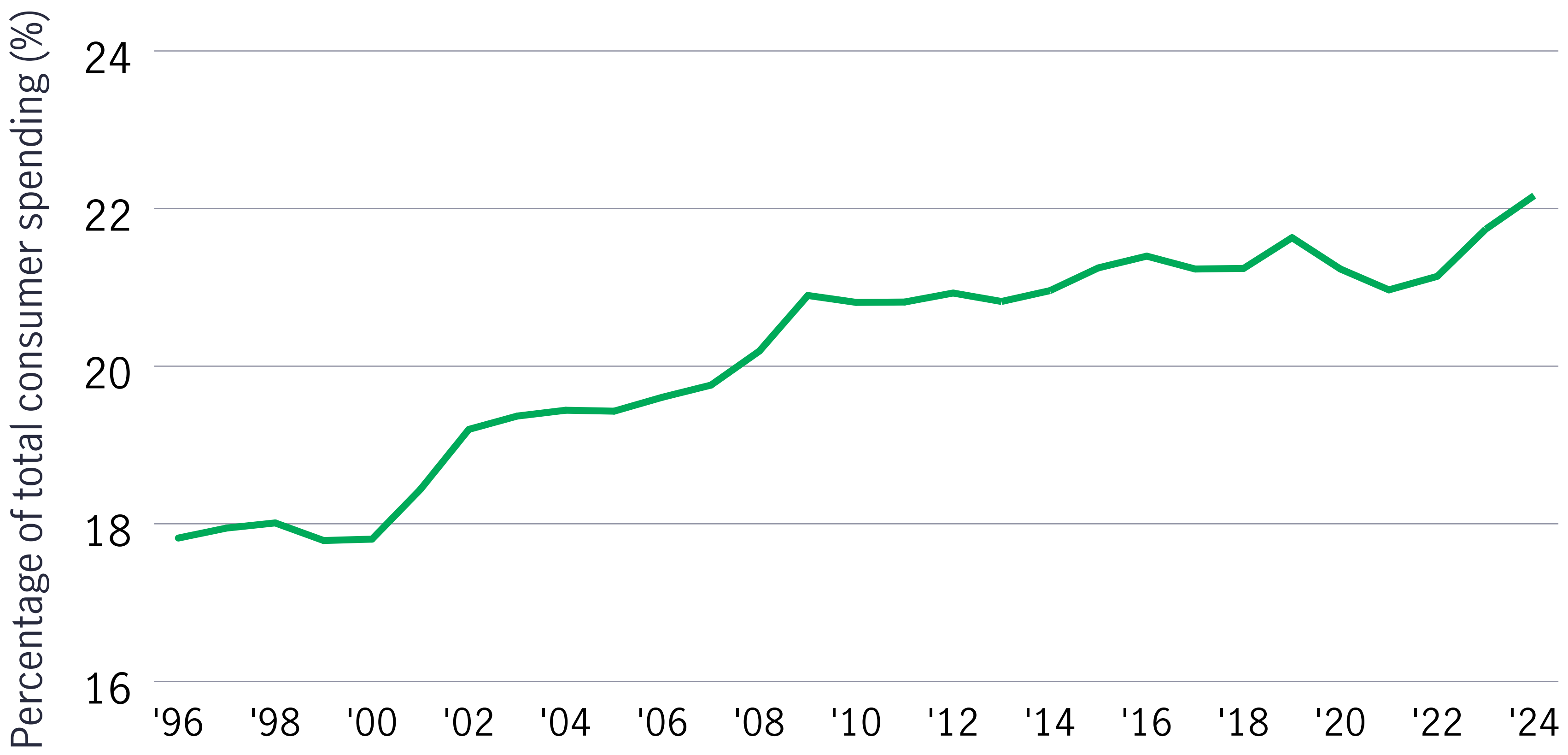
2024 Year In Review & 2025 Outlook: MOB

Occupancy by Office Subtype



Source: NCREIF as of 3Q24. Note: NPI-Expanded index data.

Share of Total U.S. Consumer Spending on Health Goods & Services



Source: Oxford Economics, 3Q24. Note: Inflation-adjusted in 2017 U.S. dollars.

2024 Year In Review

- Demand outpacing supply: MOB demand has outpaced supply on a quarterly basis for the past three years – in total, 33 million square feet were completed, and 45 million square feet were absorbed.[3]
- Occupancy up: Average occupancy increased 160 basis points from 91.4% to 93% over the last 3-years, while many metro areas are now at or below 5% vacancy.[3]
- Top-tier rent growth strength: Rent growth has started to slow overall, but top-tier rents continue to climb - the 90th percentile rent is up 3.4% from a year ago.[3]
- Investment volume normalizing: MOB investment volume increased 48% year-over-year in 3Q24 to $2.5 billion, in-line with the 2019-2023 Q3 averages.[4]

2025 Outlook

- Limited new supply: In the last 12 months, less than 1% of inventory has broken ground, setting the stage for further tightening fundamentals and increasing landlord pricing power.[3]
- MOB decoupled from traditional office: Traditional office is approaching a cyclical low occupancy while MOB is reaching a cyclical high, boosting the outlook.[3]
- Robust health care job growth: BLS projects health care to be the most rapidly growing sector for the next 10 years, creating about 45% of all job gains during that period, boosting demand for space in an already tight sector.[3]

3 PWC & ULI. 2025 Emerging Trends in Real Estate. November 2024. Note: in the largest 100 metros. **4** CBRE. "U.S. Medical Outpatient Building, Figures, Q3 2024".

Big Ideas, Themes & Trends: MOB

Themes

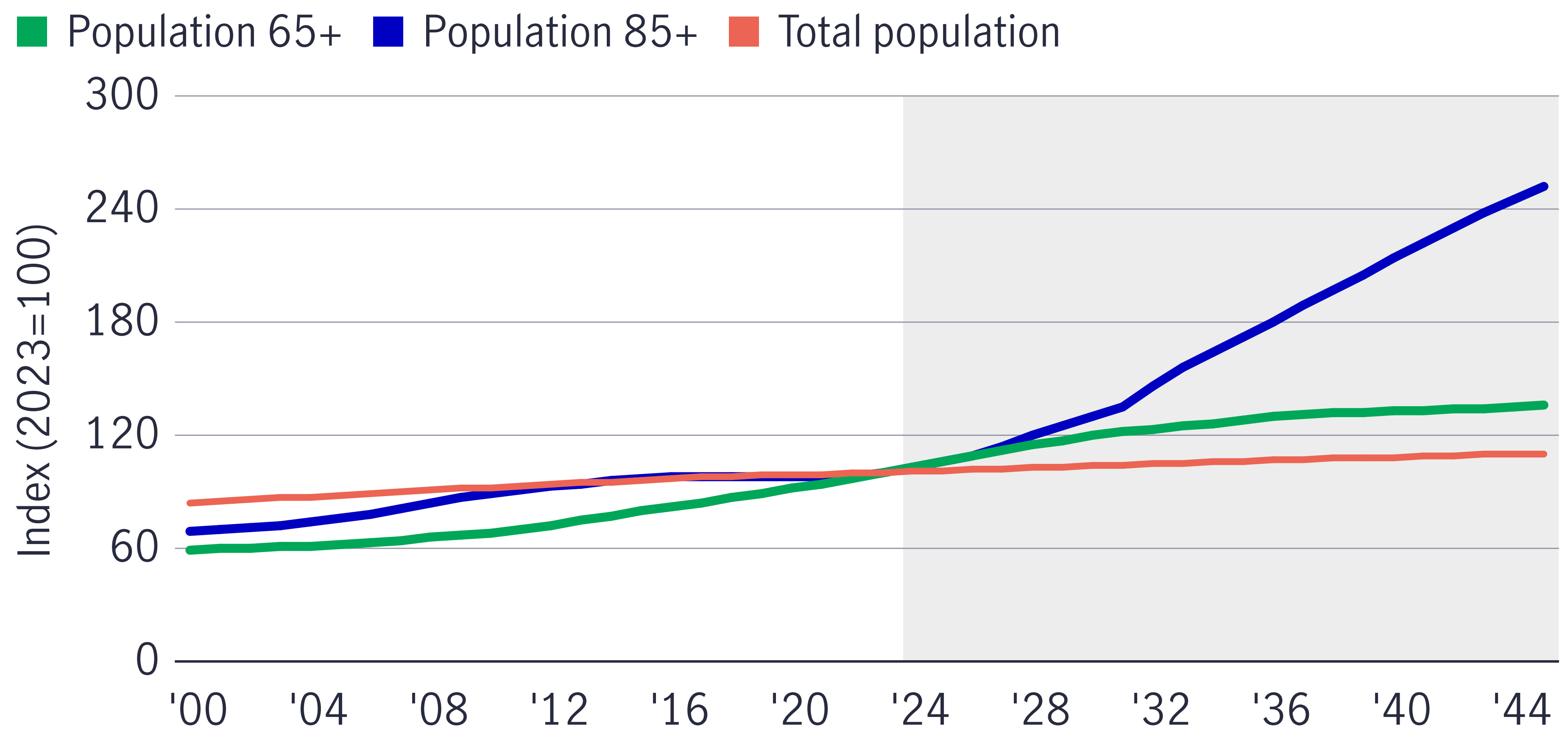
- An aging population supports a growing patient population and the resulting rise in spending on healthcare, underpinning demand for MOB.
- Technological advancements in the healthcare industry require modern, well-equipped MOBs that can accommodate the latest medical equipment and technologies.
- Healthcare affordability pressures are catalyzing large healthcare systems to seek greater efficiency and profitability in delivery methods, resulting in a shift to lower cost, move convenient MOB options for outpatient care and away from higher cost, less accessible hospital settings.

Opportunities

- **Shift to retail locations:** Many MOB locations have moved off hospital campuses into the community to increase accessibility for patients, effectively growing market share for providers and hospital systems, while also savings costs.
- **Wellness/prevention culture:** The growing culture of wellness and preventative medicine increases consumer focus on medical services that support health and well being.
- **Sticky tenants:** Health care tenants typically sign 10–15-year leases, make large investments into specialized equipment that is hard to move and aim to retain patients, resulting in lower tenant turnover.
- **Insulated from Digitization & WFH:** Most patients need to see their doctors in-person for most services, insulating against the risk of remote work reducing demand for physical space.
- **New medical discoveries and technologies:** The number of medical issues that can be addressed is growing as new medical discoveries/ technologies are made.

9 Joint Center for Housing Studies of Harvard University. America's Rental Housing 2024.

Population Growth Index By Age Cohort



Source: Oxford Economics, 3Q24.

Risks

- **Heavy healthcare regulation:** MOBs must comply with numerous healthcare regulations and standards, that are subject to change, such as the Americans with Disabilities Act (ADA) and the Health Insurance Portability and Accountability Act (HIPAA), to ensure successful operation.
- **Maintenance and upgrades:** MOBs may require significant investment in maintenance and technological upgrades to meet healthcare standards and tenant needs.

Canada Macro-Economic Overview

Canada experienced economic volatility throughout the last quarter of 2024, influenced by Canadian policy moves, mounting weakness in the labour markets and GDP, as well as the potential impact from U.S. election results. Though rate cuts began in June 2024, as of December 2024, the Bank of Canada (BoC) continued to track more aggressively in rebalancing the economy with another 50-basis point (bp) cut to 3.25% following the 50 bp reduction in October 2024. This rate now falls within the BoC's target territory between 2.25% and 3.25%.[1] Rising unemployment, waning business spending, and weak 3Q GDP performance, along with anticipated weak 4Q GDP growth, were the major concerns triggering the rate cut. On the positive side, inflation appears to be moderating alongside improvement in consumer spending.[1]

- GDP performance is underscoring economic weakness. While larger metros are outperforming, 3Q GDP was 0.3%, down 20 bps from the first two quarters of the year, bringing the annualized rate to 1.0%.[2]
- With lower exports and a pullback in business spending the main factors slowing economic activity, estimates for 2024 point towards GDP growth coming in at less than 2.0%, compared with 2.4% in 2023.[3]

Canada's labour market is top of mind for policy makers. While employment is on the upswing, it continues to underpace how fast the labour force is growing. Under-employment is a persistent issue with a lack of jobs appropriate for the skill sets available and workers settling for part-time employment.

- While November added just over 50,000 jobs, December monthly gains are anticipated to underperform and continue driving unemployment.[4]
- The national unemployment rate was 6.8% as of November 2024, up 30 bps from October and 100 bps from one year earlier, while Toronto's unemployment rate surged to 8.5% by comparison.[5]

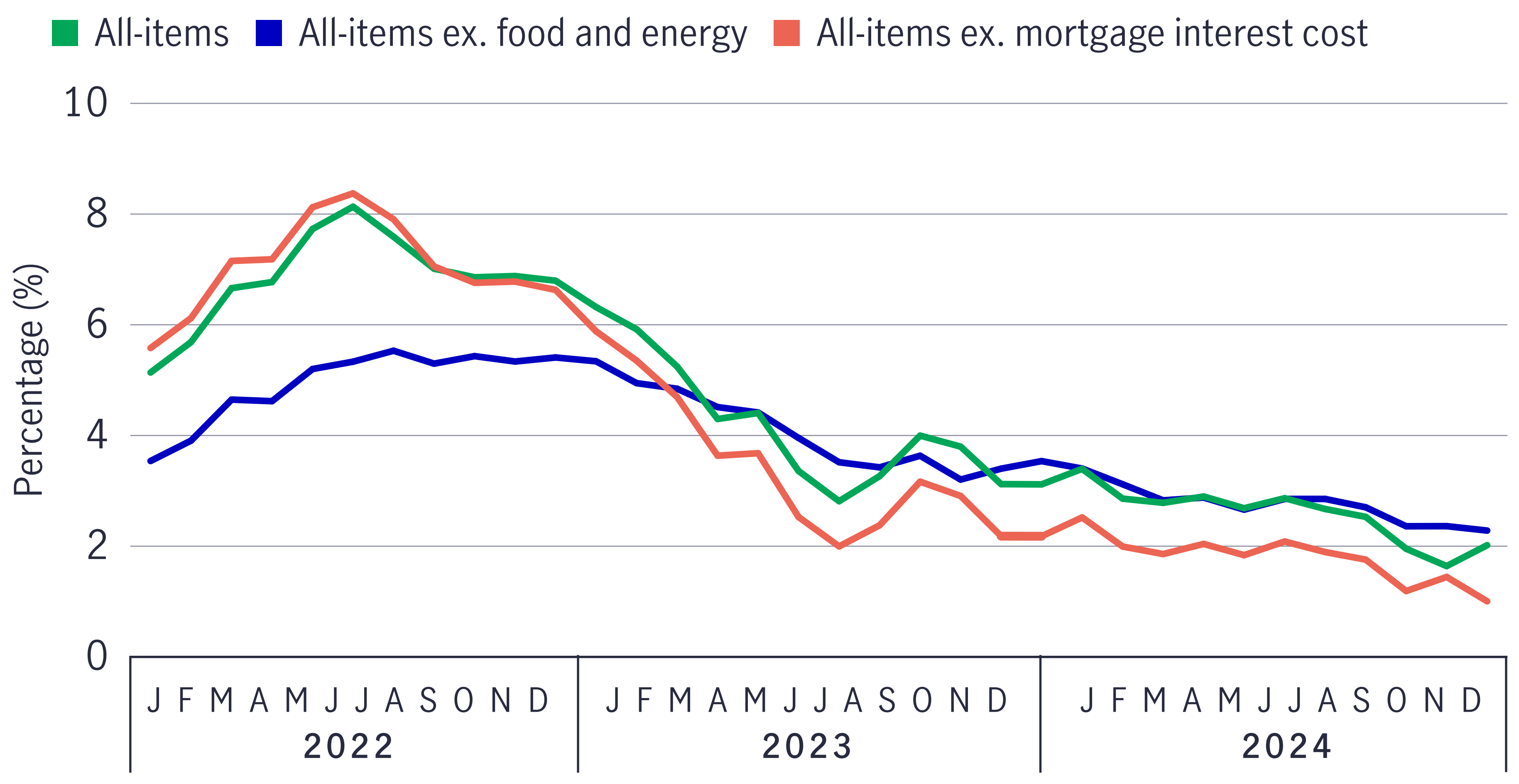
Factors such as rising population, a modest reversal in labour force participation, and extended job searches for new employment seekers (e.g., graduates) escalated the upward trend.

1 BoC cuts by 50 bps, signals more gradual approach to follow." RBC. 12.11.24. **2** Statistics Canada. Data as of December 2024. **3** "Canada: Population decline and tariff talk to affect metros outlook." Oxford Economics. 12.24.24. **4** "Canada's labour market likely continued to underperform at the end of 2024." RBC. 1.6.25. **5** "Population decline and tariff talk to affect metros outlook. Oxford Economics. 12.24.24.

- The December CPI showed headline inflation trending at 1.8% year-over-year – aligning with the BoC's 2.0% target and an improvement from 1.9% in November.[6]
- Core inflation edged up another 0.3% in December, bringing the year-over-year rate to 2.5%, mostly reflecting higher mortgage interest rate costs and still high rental inflation.[6]
- Ex-shelter—the "supercore" measure—was up 3.0% on a 3-month annualized basis, with trim services still trending higher than target.[6]

High debt burdens among low- and middle-income households are curtailing consumer spending, while housing and non-residential investments further weaken due to elevated borrowing costs and softer corporate profits. Yet, lower borrowing costs and improving business confidence may support a soft recovery in housing and business investment, giving a bit of a kick to overall GDP in 2025. As the labor market revives and consumer spending rebounds, steadier economic growth is on track to become the norm by 2026 and continue on that path going forward.

Consumer Price Index, Year-Over-Year Change



Source: Statistics Canada, December 2024. Note: Data is not seasonally adjusted.

6 "Inflation tracks target in Canada in November." RBC. 12.17.25.

Headwinds on the horizon are dominated by political posturing around immigration policy and U.S. tariffs.

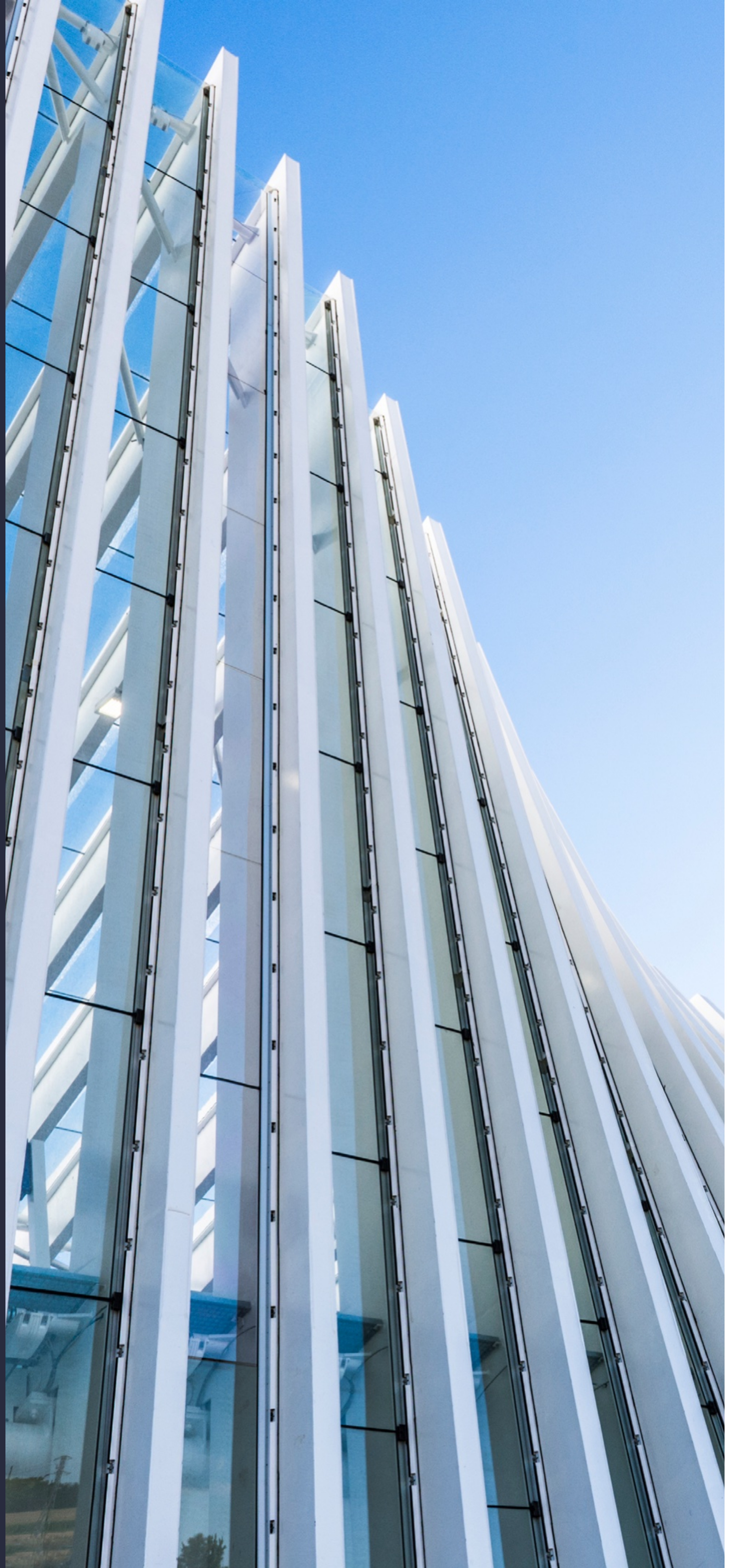
- The Government announced a 20% reduction in permanent resident targets on top of a reduction mandate released at the start of 2024.
- Targets are being set to reduce the temporary resident share of the population to 5.0% from the current 7.3%.[7]
- New targets will be implemented at least through 2026, and may create population outflows and a reversal in population growth trends to the negative.
- Business spending, activity and exports are at risk with proposed U.S. tariffs as high as 25% on imports from Canada and Mexico.
- The U.S. accounts for more than three-quarters of Canada's exports, and estimates suggest as much as a $30 billion reduction in Canada's economy—or about 1.4%—should these tariffs be implemented.[7]

Persistent declines in per capita GDP and unemployment, especially over the short term, will likely put further downward pressure on domestic pricing.[8] More gradual interest rate adjustments are anticipated going forward, but perhaps edging closer to a 2.0% rate to stimulate the economy in the face of emerging headwinds – though these looming headwinds could bode even more rate cuts than are currently being priced in.

Unemployment Rate

Source: Statistics Canada, October 2024. Note: Data is seasonally adjusted.

7 "Immigration Curbs Cloud Canada's Outlook." CBRE. 10.31.24. **8** "Inflation tracks target in Canada in November." RBC. 12.17.25.



Canada Capital Markets

With the execution of two more aggressive rate reductions by the BoC came some positive sentiment toward reigniting the capital markets. While lower rates may provide a springboard for liquidity and the ability to transact, fundamentals are somewhat at risk given the economic backdrop. This may hinder investors from fully engaging in the market – particularly from an acquisition standpoint, unless sellers are willing to accept the risk premium buyers are seeking. Dynamics differ among sectors, of course, with industrial, select retail and select multifamily still attractive over the long term . Near-term volatility in the overall economy, especially the labour market, however, is deterring institutional buyers.

- Inflation, which is moderating but anticipated to continue given the soft labour market, along with economic and demographic risks, is directing buyer interest towards longer-term, more counter-cyclical plays.
- Top sectors of interest are led by grocer- or food-anchored retail, industrial and suburban multifamily.
- Though demographic trends are poised to shift significantly in the next couple of years, there is pent-up demand for retail and multifamily product, especially in lower-cost areas beyond urban cores.
- While multifamily is dealing with some oversupply in a number of urban areas, by and large Canada faces a long-term housing shortage, with a housing shortfall of approximately 3.5 million units.[1]
- Retail development, on the other hand, remains constrained and record levels of population growth during the last three years have further exacerbated the supply-demand gap.
- Industrial is anticipated to generate interest for similar reasons, serving household growth and penetrating new, exurban population centres.

Overall, it appears the capital markets environment may continue on an unsteady track into at least the first part of 2025. Though larger, institutional investors continue to seek strategic opportunities, the pool of on- and off-market opportunities are limited due to a seemingly unpredictable bid-ask spread pattern, thereby bringing more private buyers to the mix.

1 Solving the housing crisis: Canada's Housing Plan. Government of Canada. As of 4Q24.

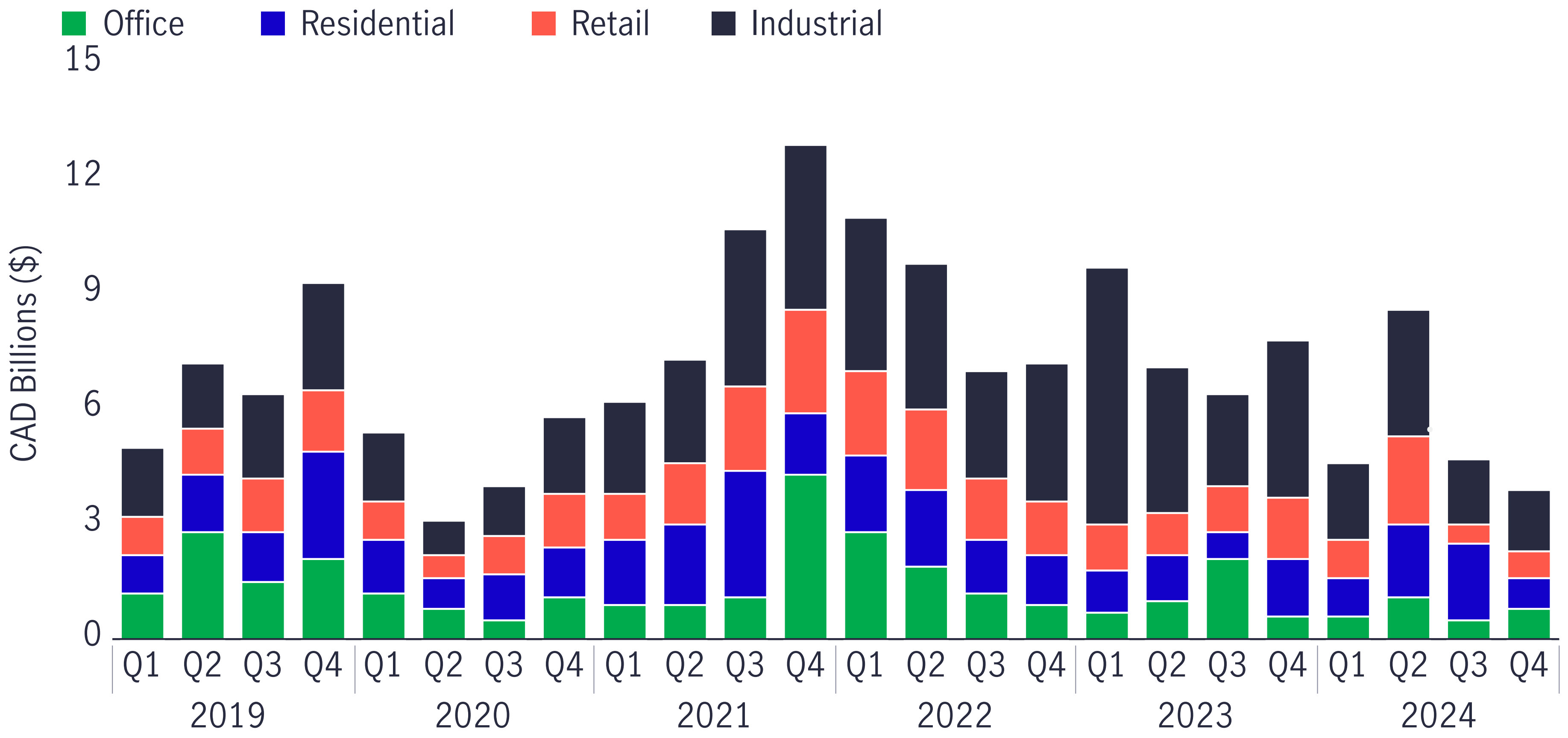
Transaction volume struggles to surpass 2023 in spite of lowering rates

- Transaction activity throughout 2024 was below the previous year, with volume reaching $21.9 B, under the $30.8 B transacted in 2023.[2]
- Small-cap deals under $20 M are dominating acquisitions, accounting for 60% of volume through mid-year.[3]
- As interest rates did not shift downward until late in the year and buyers remained sidelined, cap rates across the board held steady following a slight expansion earlier in the year.
- When rates fall below 2.2% (the lower boundary of the "neutral" range), liquidity is said to increase, and rates fell 125 bps during 2024 to 3.25%, into neutral territory.[3]
- The all-properties cap rate is currently 6.7%, about 340 bps above the 10-year rate.[3]
- Bond yields are forecast to settle out at around 3.5% during the next 5 years, and as such, cap rates are likely to remain relatively flat barring upheavals in long-term bond trends or economic conditions.

Though the Greater Toronto Area (GTA) accounted for nearly one-third of the volume (in line with historical trends), the region recorded a significant pullback compared to other metros. GTA activity shrank 22.8% year-over-year while Vancouver, Montreal and Calgary all recorded transaction increases compared with this time last year, which helped to offset lower GTA volume. The GTA still remains high on investor radar, but sentiment appears to be falling as buying activity in other metros picks up. This may reflect some of the uncertainty over the impact of new immigration policy, as well as a disproportionately weaker labour market. According to the Altus Group's latest investment survey, Vancouver, Calgary and Edmonton are key areas boasting growing institutional interest.[4]

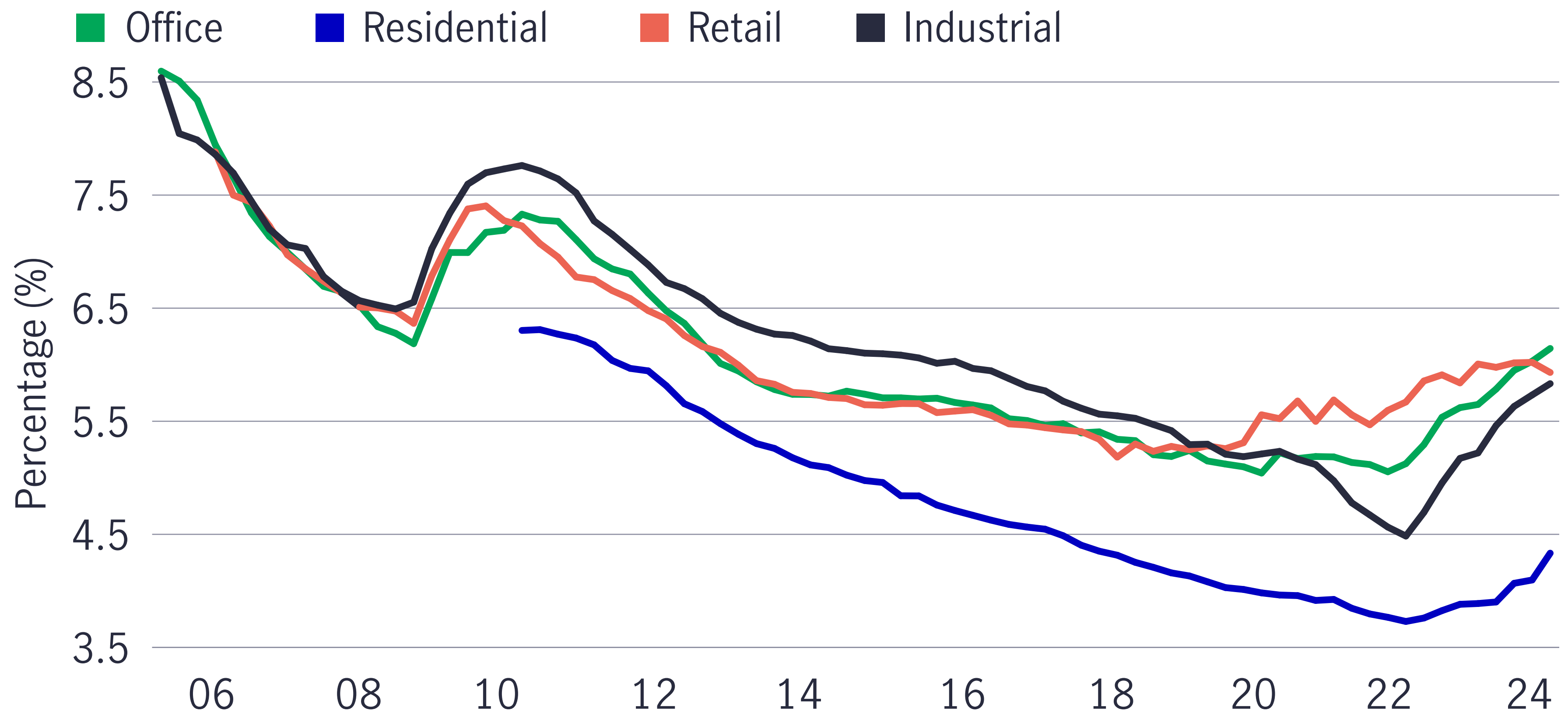
2 MSCI. As of 3Q24. **3** "What does 2025 have in store for the Canada Real Estate Markets?" CBRE. As of 4Q24. **4** Investment Trends Survey. Altus. As of 3Q24.

Transaction Volume by Property Type



Source: Costar as of 4Q24.

Cap Rate by Property Type



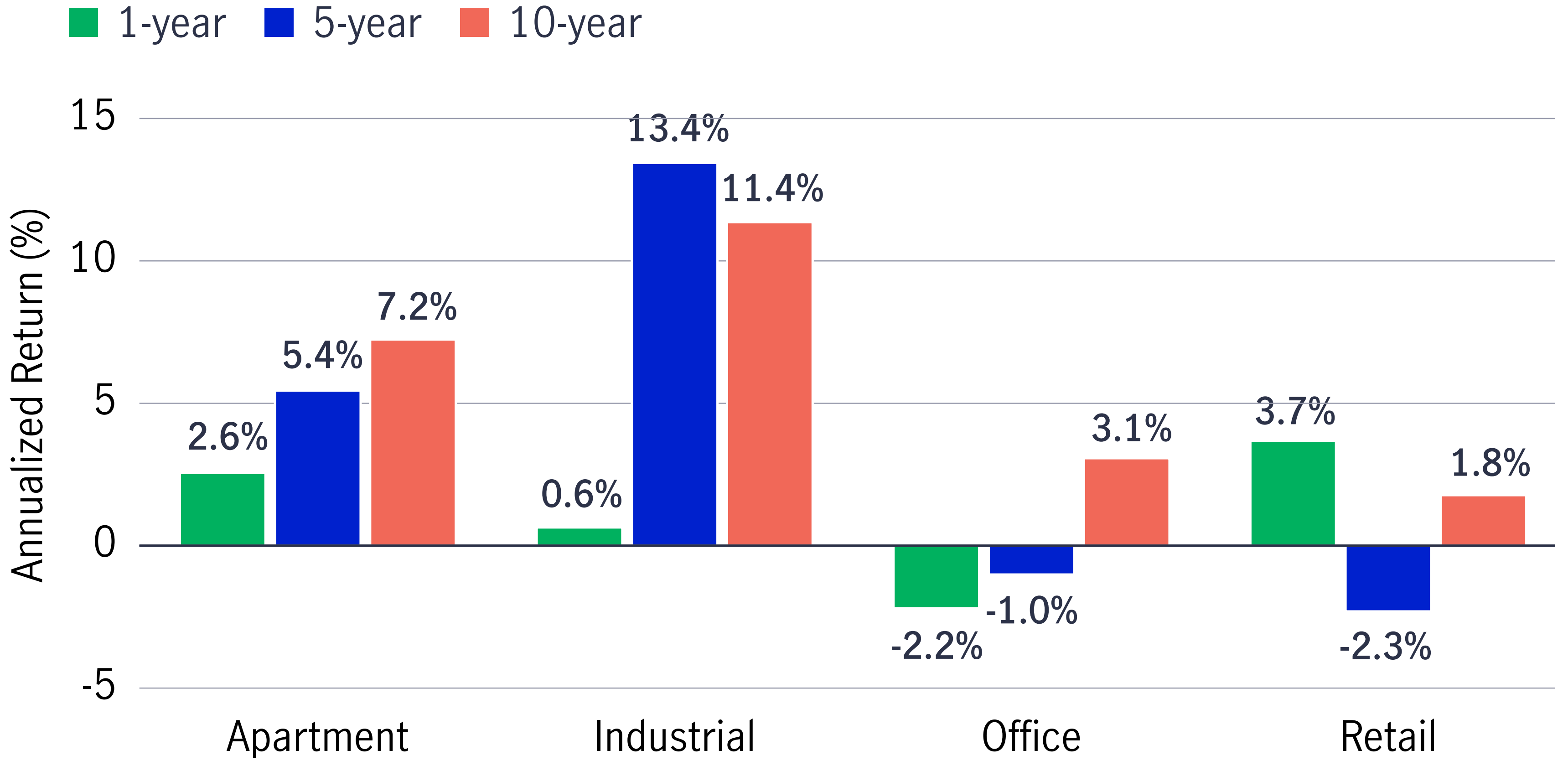
Source: MSCI as of 3Q24.

Total returns begin to stabilize to the upside across most sectors

- Third-quarter returns data (the latest data available) showed stability, with total returns coming in at 1.0% as capital returns edged out of negative territory, closing out the three-month period at 0.0%.[5]
- Income returns grew 1.1%, unchanged from the previous quarter.
- Year-over-year income returns were 4.4%, sustaining a steady rate of growth from the previous quarter.[5]
- Directionally, this allowed year-over-year returns to tick up to 0.8% from 0.1% one quarter earlier, and capital returns to improve by 100 bps, though still in the red at -3.5%.[5]
- Capital investment and growing tenant improvement allowances are also impacting cash flow and performance to the negative across sectors.
- Population growth is a driving force for demand across all commercial real estate, and the expected weakness will likely hinder cap rate compression in the next few years, and certainly not to the extent recorded between 2020 and 2023.

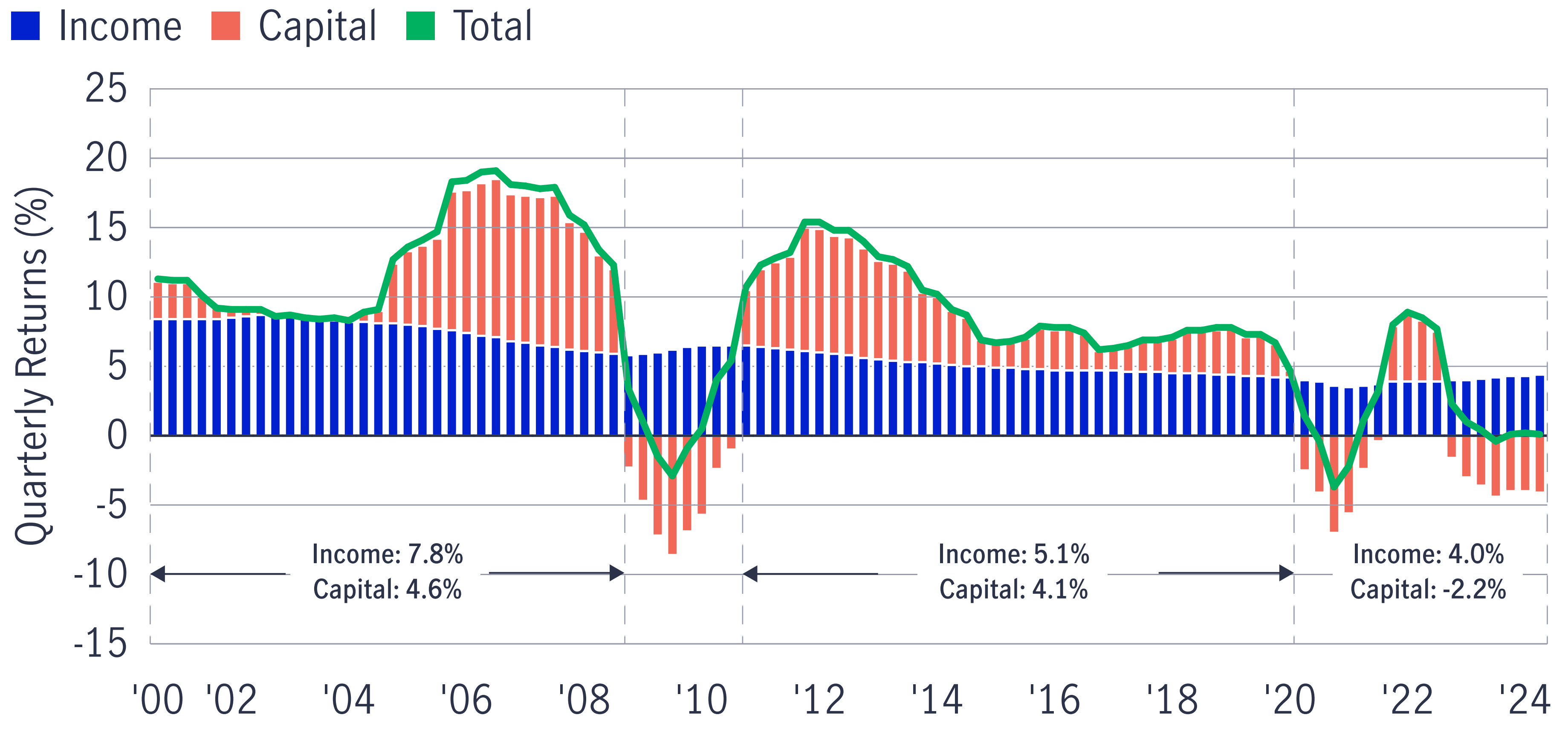
Moving into 2025, we expect ongoing volatility and some skepticism in the capital markets as immigration policy changes take hold, challenging the direction of the economy as well as rates. A lower rate environment, however, will help initiate a more positive trajectory and, again, sectors with strong fundamentals over the long term will sustain investor interest. While not expecting a robust turnaround in investment activity, we believe institutional investors will re-engage in strategic opportunities. Buyers will likely seek to leverage a lower-rate environment and capitalize on current momentum in select markets, setting the stage for a more active scenario in the second half of the year.

MSCI REALPAC Annualized Total Return



Source: MSCI as of 4Q24.

Income vs. Capital Returns



Source: MSCI as of 3Q24.

5 MSCI. As of 3Q24.

Canada Capital Market Outlook by Sector

Sector Outlook	
Industrial	Over the past few years, liberal immigration policies driving explosive population growth and household formation supported historically strong industrial demand, necessitating requiring more industrial product. Now, Canada's industrial market is in a period of normalization. Transaction volume this year and rising cap rates particularly for larger-bay product, was more indicative of investor caution, in part tied to near-term construction risk and headwinds related to the overall economy and the U.S. election. Investors will likely be able to hone in on strategic long-term plays as this normalization levels off, particularly with new stock coming to market and offering potential, low-basis entry points.
Residential	Multifamily capital markets showed slight weakness in the third quarter, experiencing some volatility, which in part reflects uncertainty around future growth potential as landlords struggle with limited turnover and ability to raise rents to boost cash flow. While demand-side challenges may persist moving into 2025, Canada's housing shortfall creates opportunity for strategic investors. Immigration policy changes will undoubtedly affect demand composition, but also potentially open new avenues of growth and a realignment of supply. Rental housing is still likely to prove to be a more cost-effective option over buying for households as higher interest rates remain the norm.
Office	Investors remain averse to office, underscored by persistent weakness in returns; and valuations continue to shrink, one of many critical deterrents in the recovery. The strongest headwind against reigniting the office recovery may be a combination of new supply and cash flow challenges. Landlords of existing assets, even Trophy, are continually facing cash flow challenges catalyzed by intensive tenant improvement packages to attract and retain tenants and ongoing capex for sustainability-related mandates. This investment required further impedes investor interest in the sector,, though there are select buyers who can buy at a low basis for repositioning, seeking out core-plus and value add deals.
Retail	Retail sales are trending in a positive direction, and shifting from food and beverage to material goods. This shift in spending may reflect recent improving inflation levels, but could reverse if the labour market continues to soften. Retail centres are boasting competitive income returns supported by current landlord leverage giving them the ability to escalate rents and, more selectively, based on percentage rents. With grocer- and food-anchored centres in the spotlight, investors are targeting strategic assets that align with recent population centre growth; private investor interest in the enclosed mall segment is also on the rise.

Canada Residential Overview

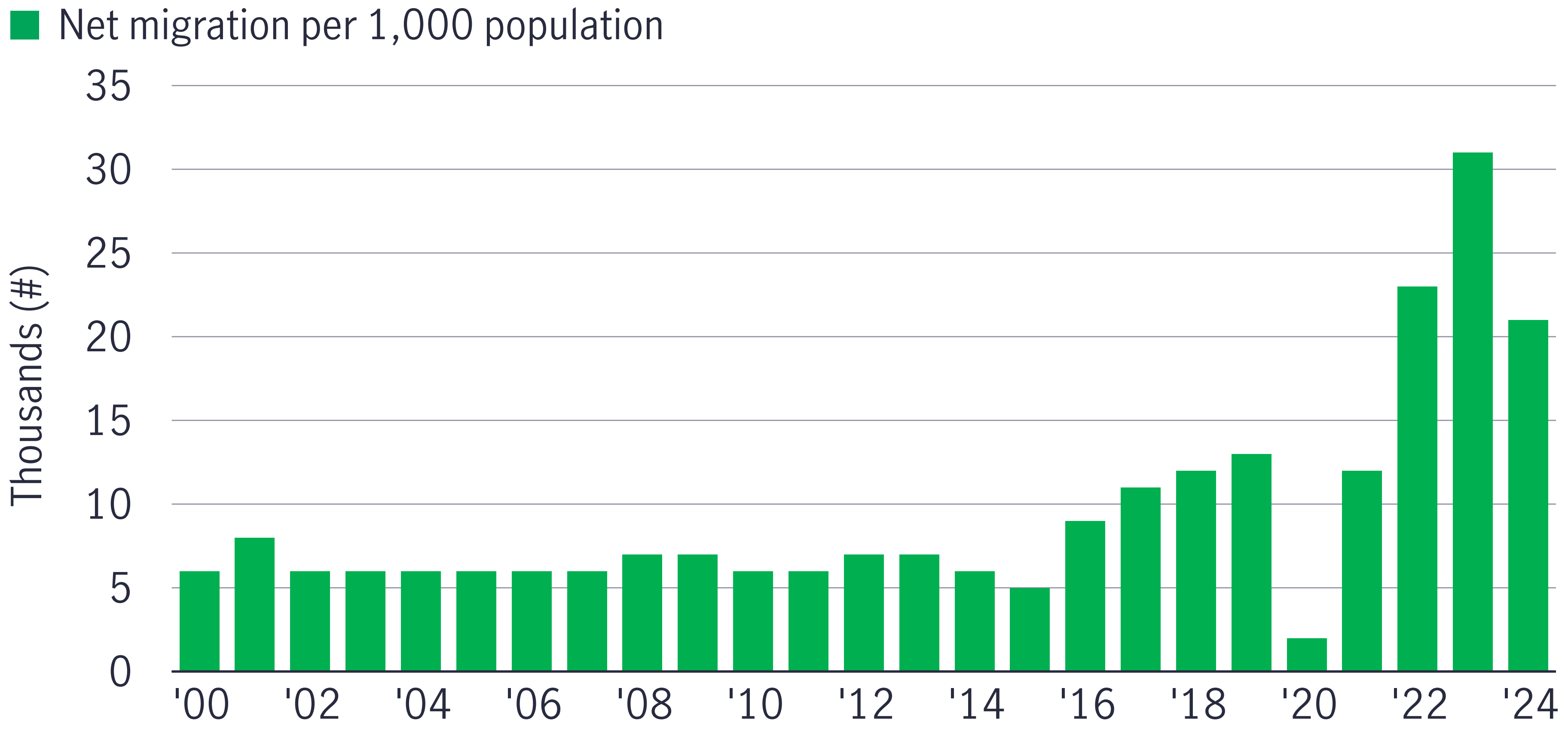
House View, Allocations & Considerations

- Residential is over-allocated in our House View, reflecting our conviction in long-term demographics trends that will bolster demand for the sector and its potential for outperformance.
- The quality and price point of the product underway and delivering to market are misaligned with demand. The bulk of new deliveries are high-end assets underwritten to higher rents than what is affordable for middle income renters.
- Location is also a factor, where much of the new construction is occurring in urban nodes as population moves farther out in search of greater affordability. In spite of pockets of higher construction volume, the nation as a whole remains undersupplied.

The Canadian multifamily real estate market remained exceptionally tight in 2024, driven by rising home prices; elevated mortgage rates; a constrained housing development pipeline, specifically for more affordable housing; and rapid population growth. Immigration-driven population growth has been fueling rental demand across Canada, especially in fast-growing cities such as Toronto, Vancouver and Calgary, but some of this demand could dissipate with upcoming immigration caps. Persistent challenges to affordability continues to direct more households to rent over buy.

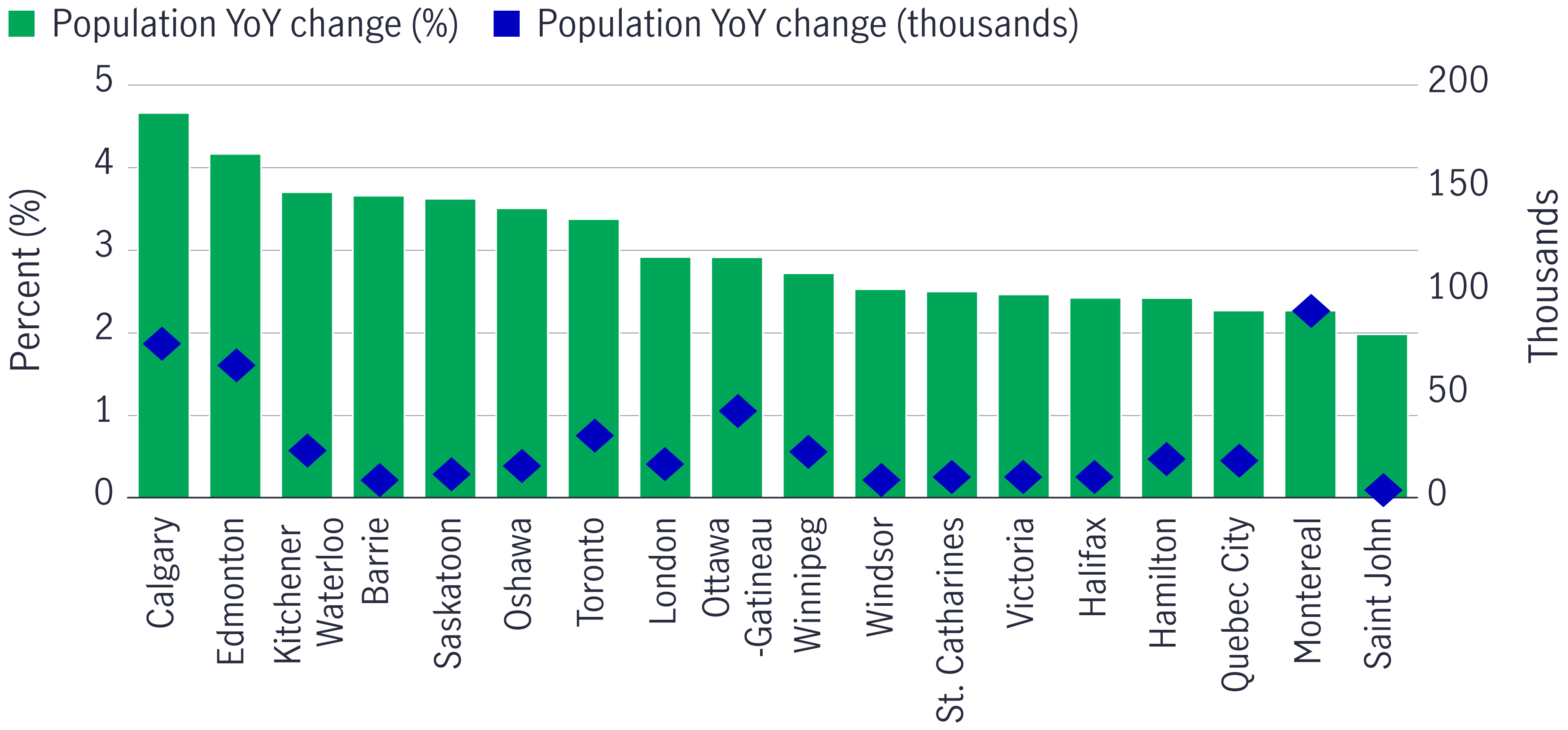
2024 Year In Review: Residential

Net Migration



Source: Oxford Economics as of 3Q24.

Population Growth



Source: Oxford Economics as of 4Q24.

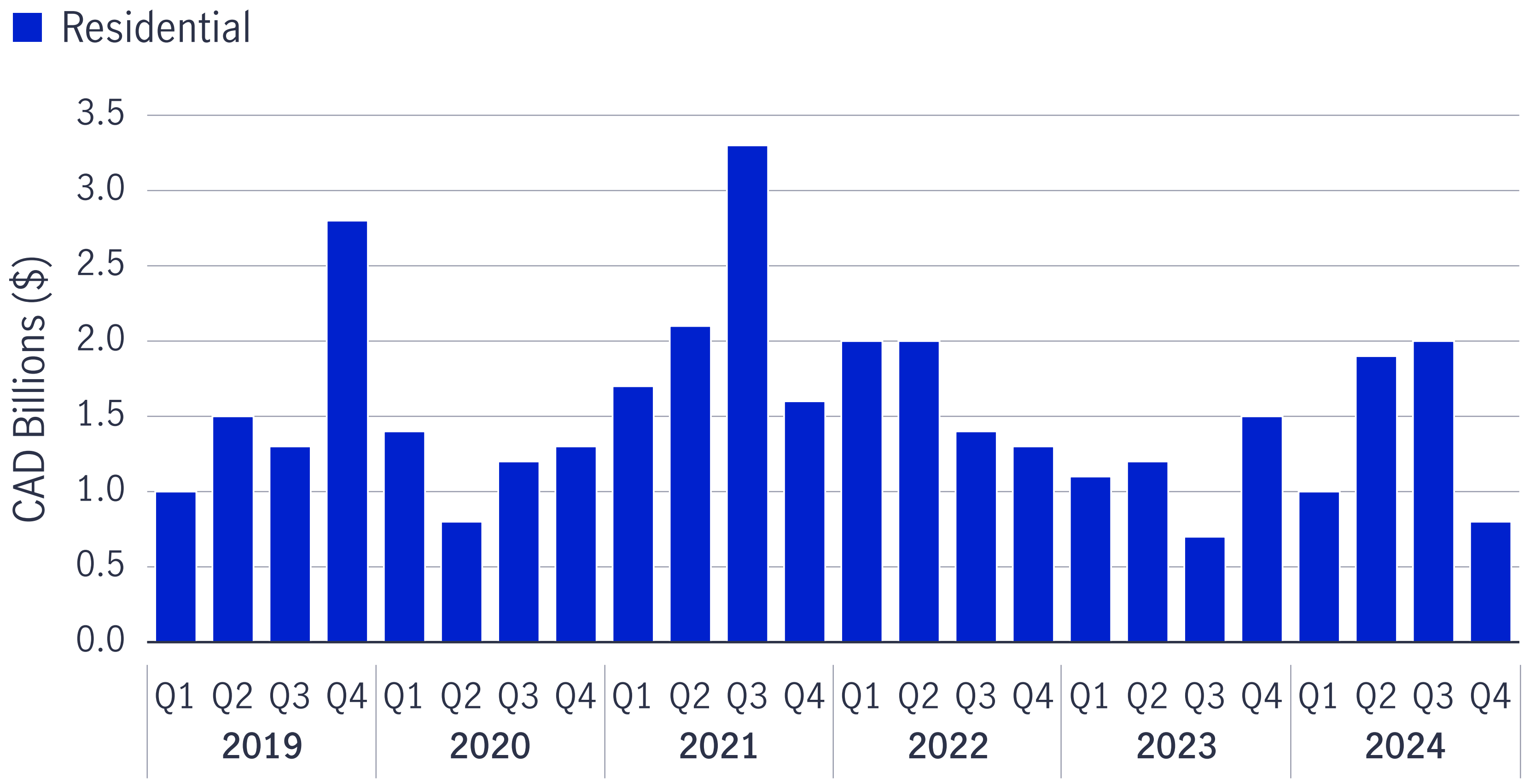
Since 2021, surging immigration supporting strong population growth, averaging 3.0% annually in the last two years, has built a robust demand platform for multifamily, while also exacerbating the supply-demand gap.[1] Likewise, the inflationary and rising rate environment impacted the for-sale housing market, limiting turnover and directing potential buyers to the renter-pool. Closing out 2024, multifamily market conditions continued to soften. Regionally, major higher-cost markets like Toronto and Vancouver are feeling more pressure, as resident outflow to more affordable areas picks up, and urban core supply pipelines are elevated.

- Operating fundamentals are largely hampered by a lower turnover rates, preventing owners/operators from raising rents for renewals as much as for new leases.
- A more active 2024 development pipeline also put pressure on supply-side fundamentals, due to price point and quality misaligned with demand just as the affordability gap continues to widen, even with a national housing shortage.
- Lack of demand translated to a rise in vacancy to 2.5% during the course of the year from 1.7% at the close of 2023 – and the highest rate since 2020.[2]
- Asking rent growth is tapering. In fact, during the last quarter of the year, rents contracted 0.5% – the first time on record since tracking began.[2]
- Asking rents were still up 1.5% year-over-year, but given slowing absorption and declining occupancy levels, the rate may continue to trend down in the coming months.
- Multifamily capital markets showed slight weakness in the third quarter, experiencing some volatility, which in part reflects uncertainty around future growth potential.
- Year-over-year, total returns decelerated to 2.6% from 2.8% the previous quarter, hit by a 0.5% contraction in capital growth compared with -0.3% for the year through 2Q24.[3]
- Though income returns were stable, increasing 3.1% year-over-year and 0.8% for the quarter, that and the 0.1% appreciation during the third quarter were not enough to push 12-month rolling valuations into the positive.[3]
- Investors also appear to be cautious, but still active in the market. Though quarterly transaction volume retracted more than 50% in the fourth quarter to $787.5 M, annual volume at the close of 2024 was $4.4 B, up 43.8% from one year earlier.[4]

1 Statistics Canada. Data as of January 2025. **2** CoStar. As of 4Q24. **3** MSCI. As of 3Q24. **4** CoStar. As of 4Q24.

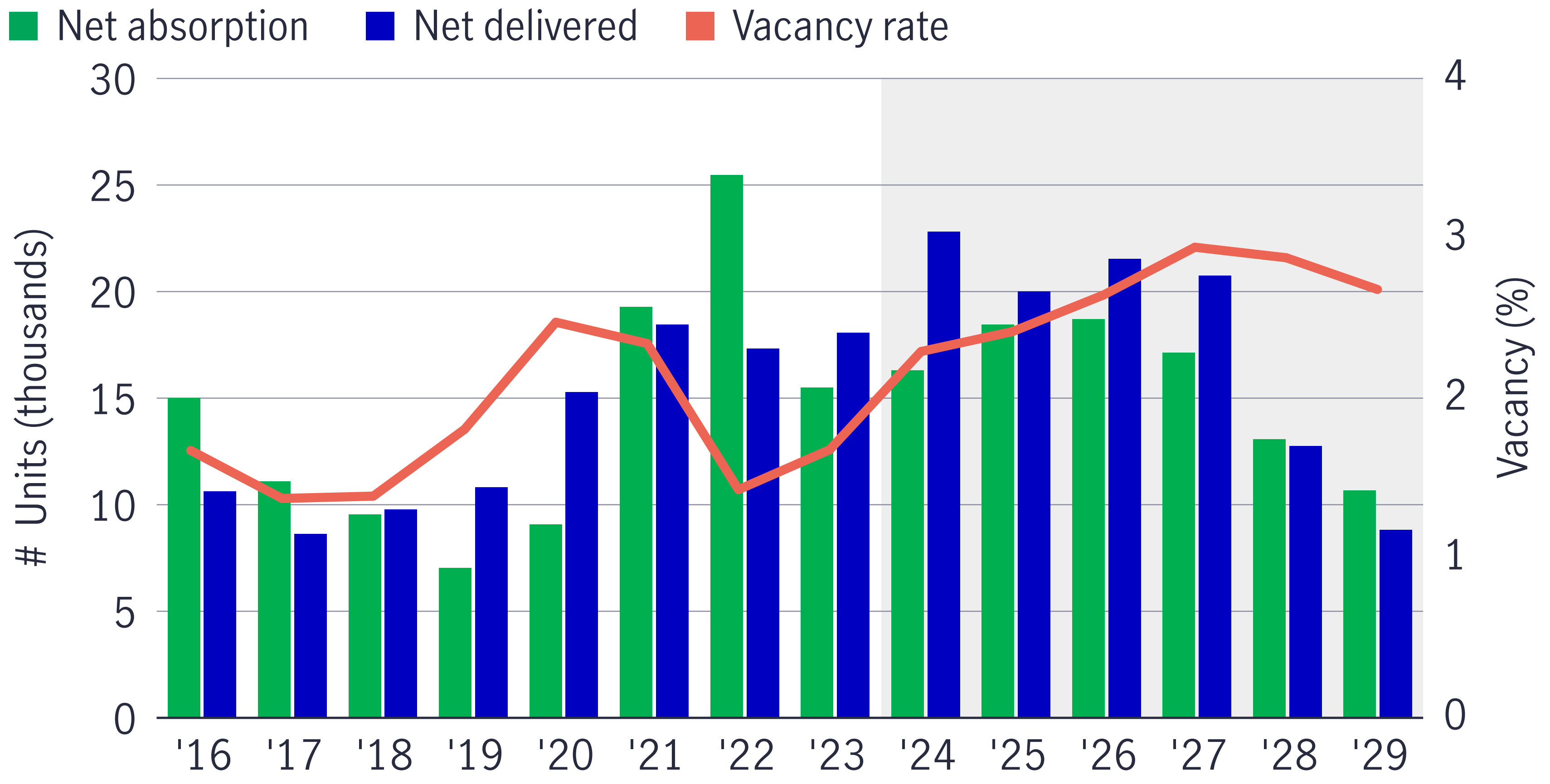
2025 Outlook: Residential

Transaction Volume



Source: Costar as of 24Q4.

Supply & Demand



Source: Costar as of 3Q24.

- Now, with immigration policy changes on the horizon, we anticipate some correction on the demand side for rental housing, although long-term structural housing shortage and affordability challenges remain.
- Key to rebalancing Canada's multifamily market will be in the type and price point of product delivered. Though more than 23,000 units were delivered in 2024, net absorption totaled just 15,000 units, reflecting the supply-demand misalignment.[5]
- With another 83,310 units in the pipeline, the highest level on record, there is little relief on the horizon to alleviate near-term supply pressure in the high-end segment.
- Developers began pulling back on both single- and multifamily projects earlier in the year. Elevated building material costs and interest rates were – and are still – limiting.
- Starts began to pick up in August, perhaps a reflection of some government programs incentivizing construction. In the 12 months through November, total housing starts increased 9.0%, with an 11.0% increase in multifamily.[6]
- Longer term, recent changes to CMHC construction financing may be problematic, creating some illiquidity and development of product that could actually help to correct structural undersupply.
- Apartment turnover rates have also declined substantially across Canada over the past seven years, which may further dampen NOI growth. This challenge will be especially pronounced in markets with rent control, where the ability to raise rents on existing tenants is limited, further restricting revenue potential.

While demand-side challenges may persist moving into 2025, Canada's housing shortfall creates opportunity for strategic investors. Immigration policy changes will undoubtedly affect demand composition, but also potentially open new avenues of growth and a realignment of supply. Although elevated unemployment and underemployment levels might cause some near-term retraction in domestic demand, rental housing may still prove to be a more cost-effective option over buying for households as higher interest rates remain the norm.

5 CoStar. Data as of 4Q24. **6** Canada Mortgage and Housing Corporation. Data as of November 2024.

Big Ideas, Themes & Trends: Residential

Themes

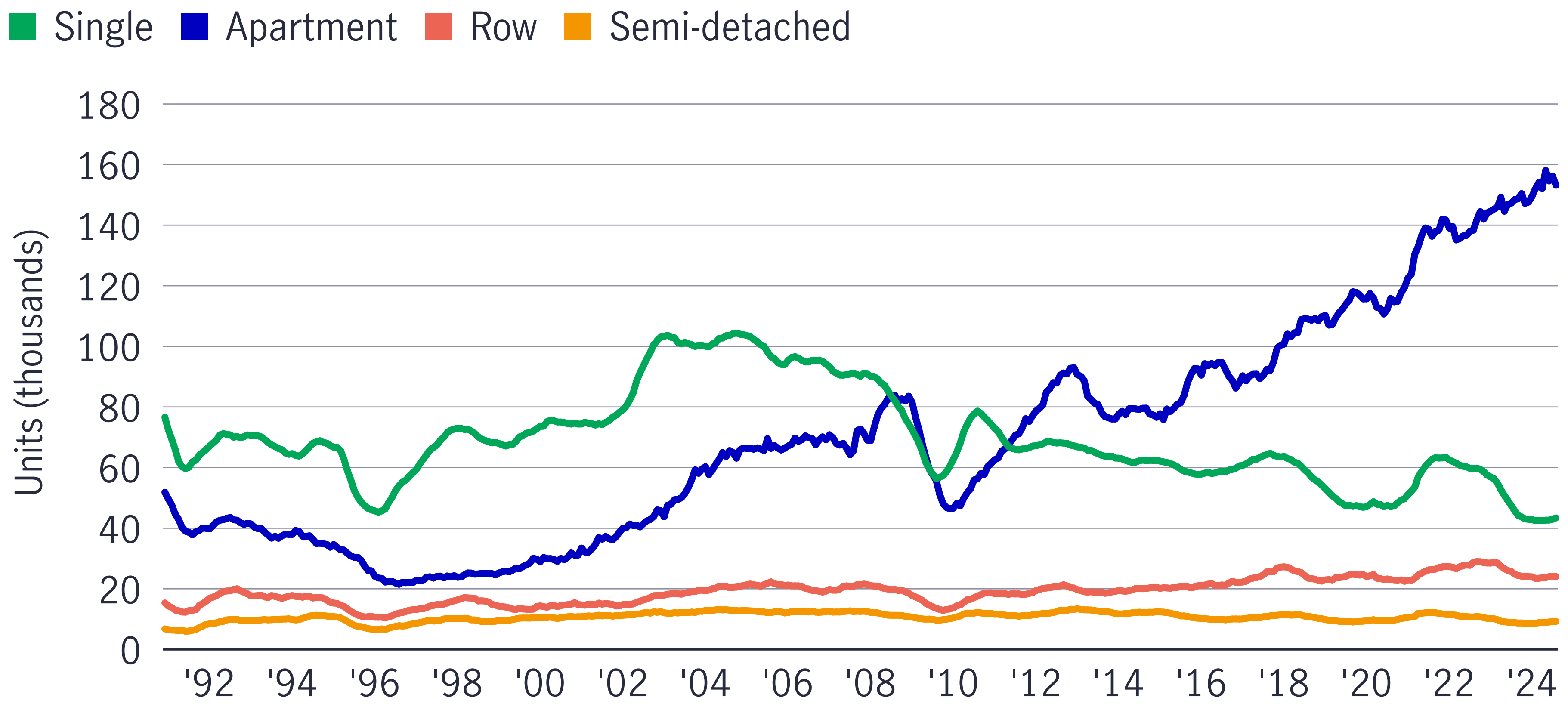
- The Canadian residential multifamily market will continue grappling with persistent undersupply, while also contending with nuances in fundamentals.
    - Demand: Immigration and rapid population growth fueled demand over the last few years, now poised to reverse in the coming years with immigration caps.
    - Supply: Chronic undersupply in critical, affordable stock while some markets face near-term high-end supply shock and will complicate a recovery, particularly for high-cost markets like Toronto and Vancouver that may also be disproportionately affected by immigration caps.
- High rents are discouraging tenant mobility, which, along with low turnover rates, constrains NOI growth. Caution is warranted as affordability challenges and low tenant turnover are expected to limit NOI growth in the near term.[7]

Opportunities

- **Demographic shifts due to affordability:** Target market-rate opportunities in lower-cost metros that are benefitting from expensive, urban core outflow where supply pipelines remain constrained.
- **Employment hubs will anchor demand:** Look for opportunistic plays or development opportunities in submarkets with strong employment hubs showing growth and are also higher-barrier to entry, leveraging proximity between live/work.
- **Development & price point intersection:** Rental demand from the middle-income segment of the population, in particular, is not being met; select markets where there is high concentration of this demand without supply may offer development and value-add opportunities, or the ability for investors to take on higher-end product at a low basis.

7 Solving the housing crisis: Canada's Housing Plan. Government of Canada. As of 4Q24.

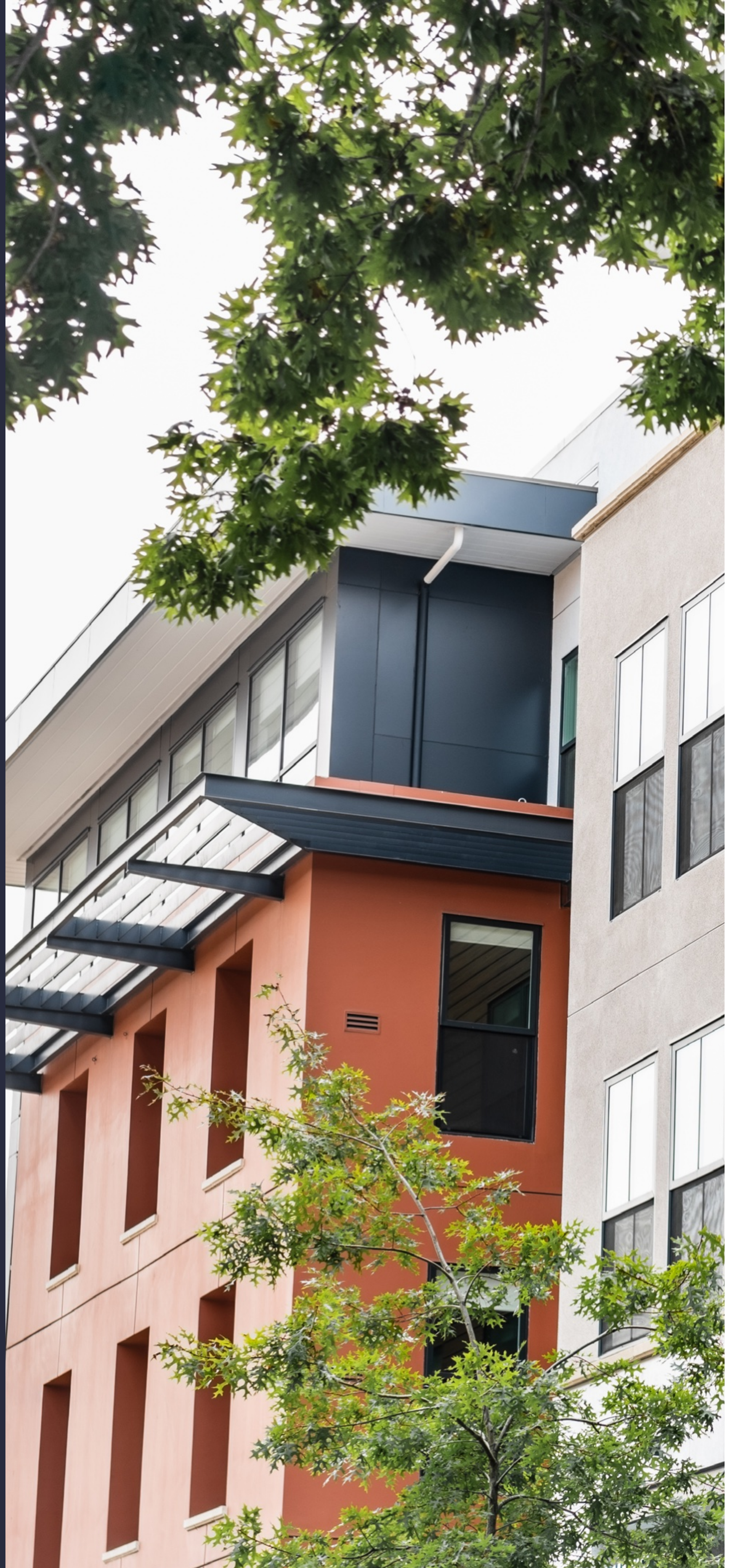
Housing Starts, Annual Rate, 12 Month Total



Source: Canada Mortgage and Housing Corporation as of 3Q24.

Risks

- **Upcoming immigration caps may result in demand retrenchment:** Alongside a lower rate environment, rental housing may face some pullback in demand with immigration caps anticipated to lead to population outflow over the next two years, while lower rates may eventually redirect demand towards for-sale.
- **Government intervention and regulation uncertain:** Rent control and affordable requirements may put market-rate, higher-end investments at risk, though upcoming elections may change government stance; warrants caution in opportunistic plays in high-regulatory markets until there is more certainty.
- **Ongoing cost pressures on operating income:** Rising operating and insurance costs as well as lower tenant turnover across metros is challenging NOI growth; avoid metros with higher insurance risk exposure, currently facing high-end supply shock, and higher-end assets in those metros.



Canada Attainable/Affordable Housing Overview

House View, Allocations & Considerations

- Our House View currently delineates Attainable/Affordable Housing within the Residential property type or asset class.[1]
- Attainable/Affordable Housing is housing that is affordable to people earning between 50-120% (Attainable) or 50% or less (Affordable) of the Area Median Income (AMI), meaning they need to spend no more than 30% of their income on housing. Housing is often a household's largest expense, and the growing supply and demand imbalance of this sector leads us to believe that highly selective opportunities have the potential to generate both strong financial and social returns. Attainable can be considered market rate depending on the asset classification. Subsets of investment include naturally occurring affordable housing (NOAH), which does not have income restrictions or receive public assistance, and workforce housing which is affordable to households earning between 60-120% of AMI but is not always distinct from NOAH.

Market Considerations

- Barrier-to-entry / development pipeline
- Cost of living/overall affordability / homeownership attainability
- Rental attainability
- Regulatory considerations
- Demographics
- Rent growth trends

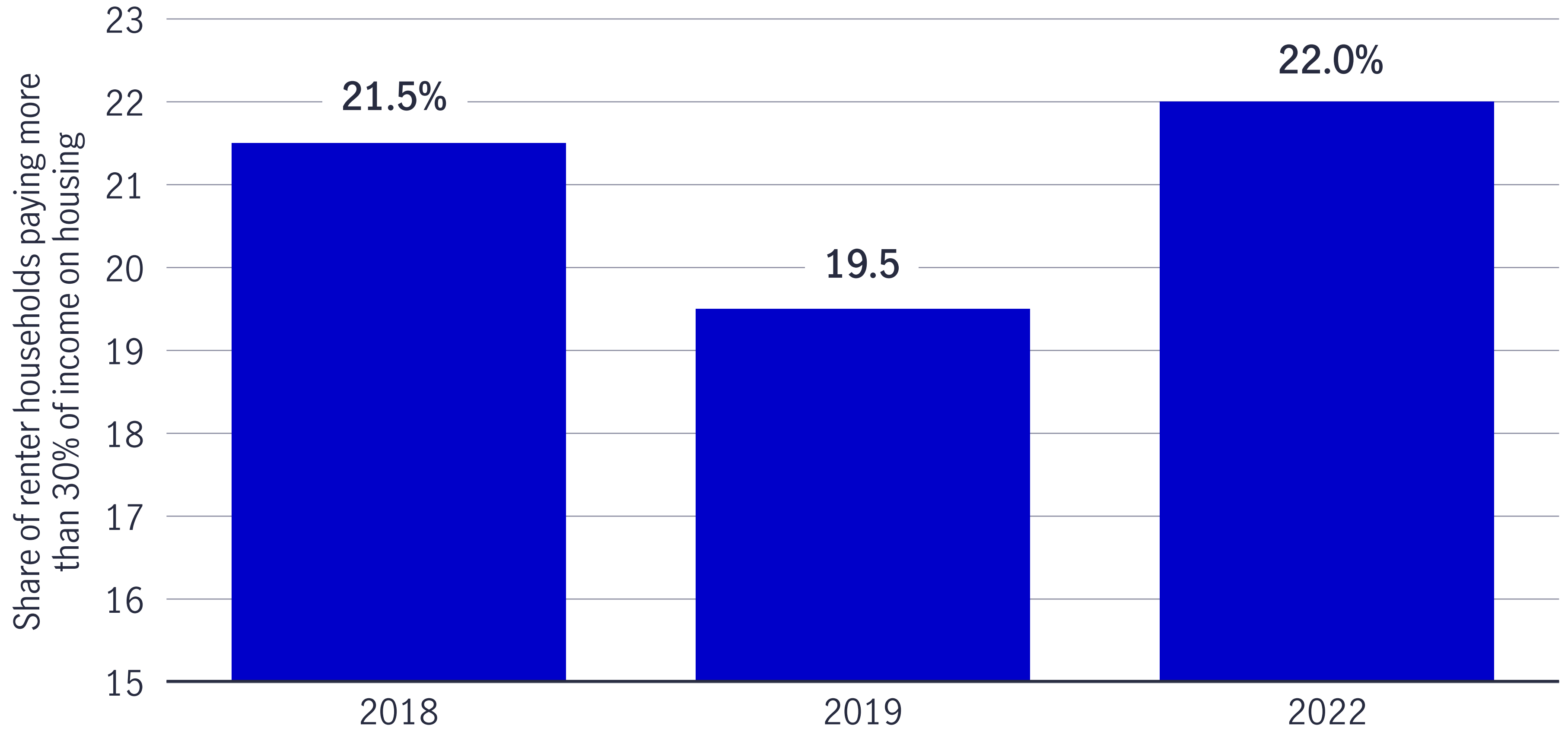
Asset Considerations

- Rent affordable to <= 120% or <=50% of average median income
- Proximate to job hub
- Connectivity to transportation
- Access to infrastructure providing upward mobility – quality public/charter schools; primary healthcare
- Strong management

1 See "Property Type Investment Spectrum."

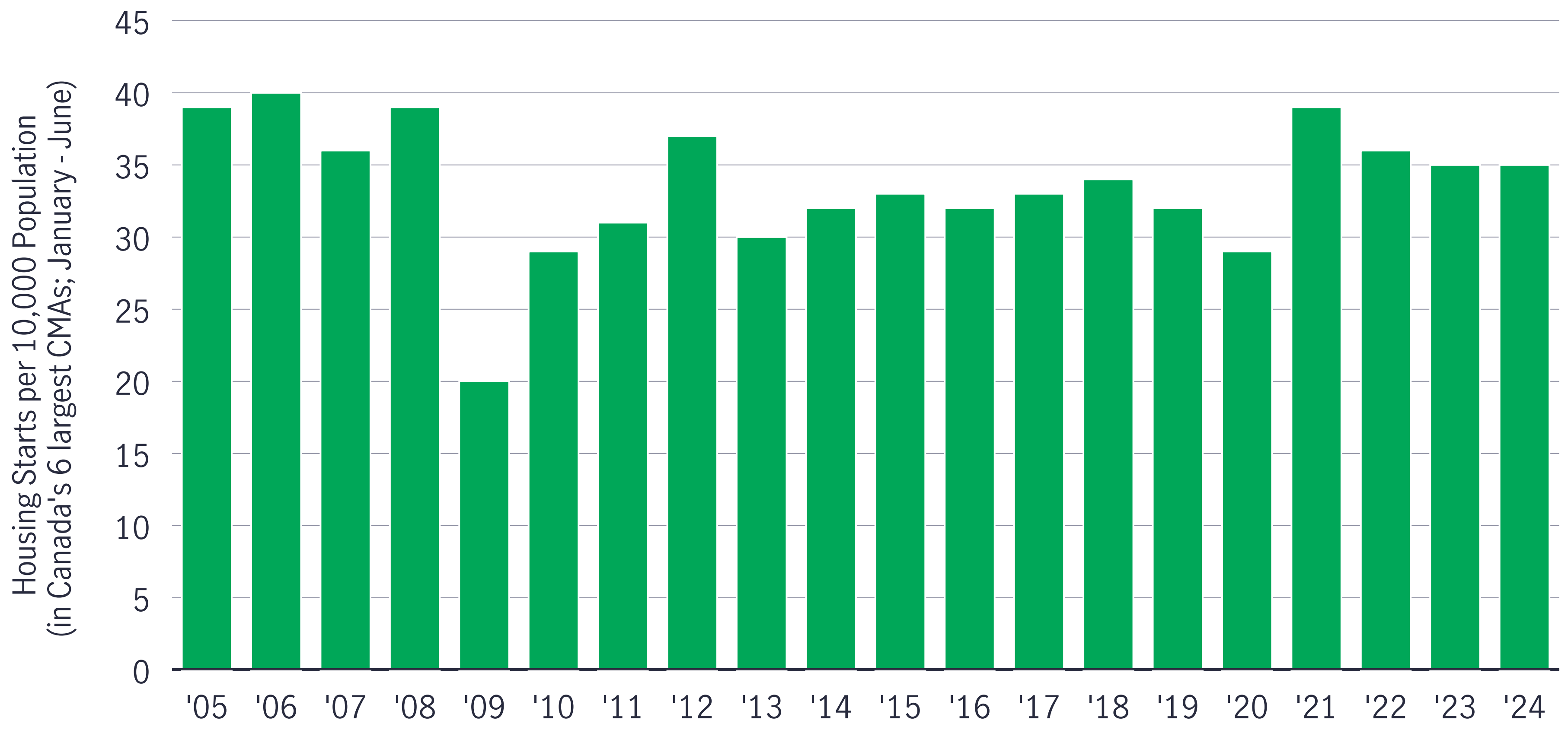
2024 Year In Review & 2025 Outlook: Attainable/Affordable Housing

Share of Cost Burdened Renter Households



Source: Statistics Canada as of September 2024. (Canadian Housing Survey, 2018, 2021 and 2022)

Housing Starts Per 10,000 Population



Source: CMHC. "Fall 2024 Housing Supply Report."3Q24.

Canada is in a rental housing crisis, with rental availability declining as rental costs have surged, far outpacing wage growth.2 Rapid population growth, partly driven by temporary immigration, is a key driver behind the crisis, along with a mismatch between upper scale rental units delivering and demand at affordable rents.[2] Barriers to homeownership such as high housing prices and interest rates are keeping renters in place that would otherwise be first-time homebuyers. The demand pool for rentals is deep and growing particularly for rentals that are considered affordable. The lack of affordable housing for those most in need presents a compelling opportunity for investors to meet the market, with private investment paired with government incentives in affordable rental housing that will generate solid returns while supporting positive social impacts.

- Rent growing faster than income: Since 2018, the average rent for a two-bedroom home has increased 70% faster than wages, increasing the share of cost burdened households, particularly among renters who were more than twice as likely to fall in this category.[2,3]
- Ultra-low vacancy: All provinces in Canada have vacancy rates below the housing shortage threshold, with less than 1.0% of rentals both vacant and affordable for the majority of Canadian renters.[2]

2 CBCNews. "Where can you afford to rent?" 6/11/2024. **3** Statistics Canada. "Housing affordability in Canada, 2022".

Big Ideas, Themes & Trends: Attainable/Affordable Housing

The federal government is taking comprehensive approach to tackle the affordable housing crisis by investing in a range of programs to increase housing supply, preserve and build affordable housing, protect renters, and address homelessness. Public-private partnerships and other structures will play a key role in supporting the development and expansion of much needed affordable housing stock in Canada.

- Attainable/affordable is a necessity-based sector that offers a complement to the attractive features of traditional multifamily, like resilience against economic downturns, while also providing the opportunity for high occupancy, lower concessions, persistent rent growth, low turnover, and the use of government vouchers as a backstop reducing credit loss, translating to stable risk-adjusted returns.
- Renters increasingly face affordability challenges with 22% of renters spending 30% or more of their income on rent, a meaningful increase over 2019 levels.
- Structural undersupply and barriers to homeownership underpin the housing affordability crisis, generating durable demand for attainable/affordable housing.

Investment Performance Summary by Affordability Tier

Affordability Tier	Most	Mid-Market	Least
Average Return/Quarter	1.64%	1.42%	1.06%
Volatility of Quarterly Returns	2.78%	2.87%	2.89%
Compound Average Annual Return, 1Q08 to 1Q24	6.54%	5.62%	4.15%

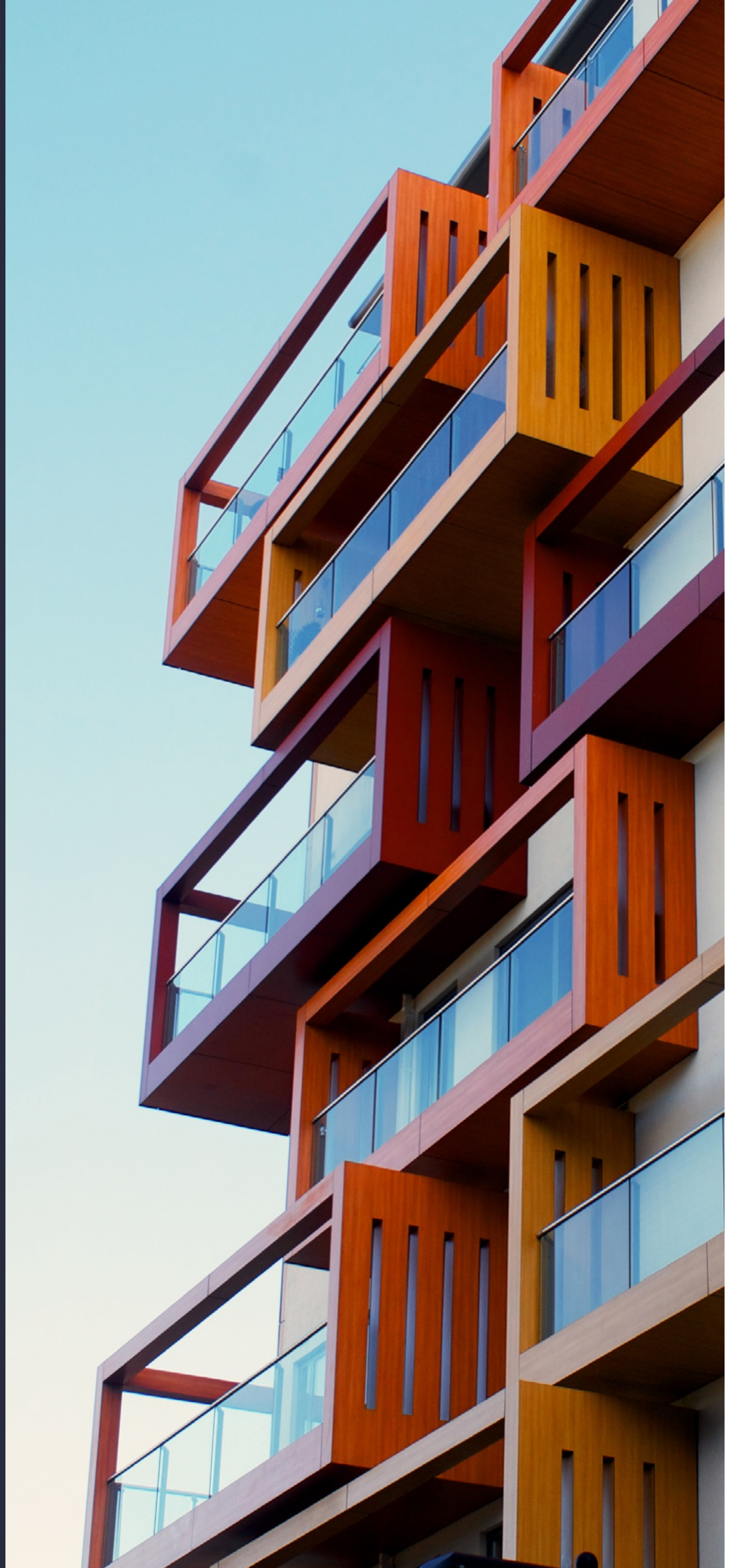
Source: PREA. "Can Investors Afford to Ignore Affordability? The Investment Characteristics of Affordable Housing". Research based on NCREIF data as of 1Q24. Past performance is not an indication of future results.

Opportunities

- **Growing Demand:** Look for large affordability gaps where there is a strong renting cohort, increasing the demand for attainable and affordable housing.
- **Social Impact:** Accessible to a wider demographic, attainable/affordable supports the health, well-being, and quality of life of a broader group or constituents within the community beyond the residents themselves.
- **Quality of Life:** A desirable jobs-housing balance, expressed by short commute times, is one of the most important quality-of-life factors.
- **Government Subsidies/Incentives:** A variety of government subsidies and incentives provide significant funding and resources to support the construction of new housing units and in some cases the renovation of existing ones, making affordable housing projects financially viable and socially impactful.

Risks

- **Regulatory Changes:** Understanding and tracking changes of the nuanced government policies and incentives, is essential for successfully executing the business plan and mitigating potential future risks. Upcoming elections could create challenges in underwriting, a headwind for investments and execution.
- **Headline Risk:** Institutional investors may become a target for headline risk if associated with evictions and rent increases.
- **Aging Inventory:** The aging of affordable housing stock can significantly increase the risk of higher capital expenditures.
- **Rising Expense Growth:** Rising expenses can impact affordable properties more than market-rate properties given that expenses take up a larger share of revenue.



Canada Student Housing Overview

House View, Allocations & Considerations

- Our House View currently delineates Student Housing within the Residential property type or asset class.[1]
- Though Student Housing investment is bespoke and requires programmatic operating partnership, it is a potential, highly selective, diversification play within the residential allocation for our portfolio. In recent decades, demand for higher education in Canada has surged, particularly among international students, generating the need for private, off-campus housing. At the same time the student housing sector remains fragmented and undersupplied, offering a compelling opportunity for investment, but it is not without risks as the federal government curtails the influx of international students in the period ahead.

Market Considerations

- Strong educational institution presence
- Supply constraints/barrier-to-entry
- Affordability measure
- Regulatory environment

Asset Considerations

- Direct access to educational institution
- High Walkability/Retail access
- High-tech features
- Best in class amenity package
- Graduate, Post-Graduate demand

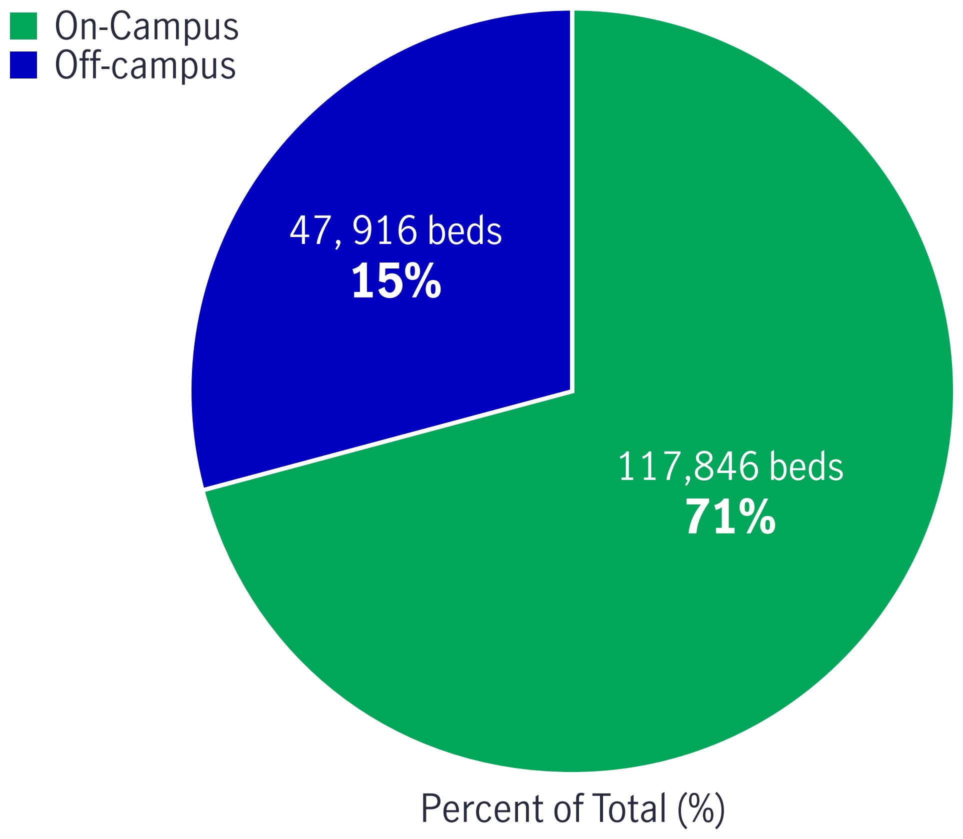
1 “Property Type Investment Spectrum

2024 Year In Review: Student Housing

Number of Students & Provision Rate

Source: BONARD, November 2023.

Purpose-Built Student Accommodation Stock Composition



Source: BONARD, November 2023.

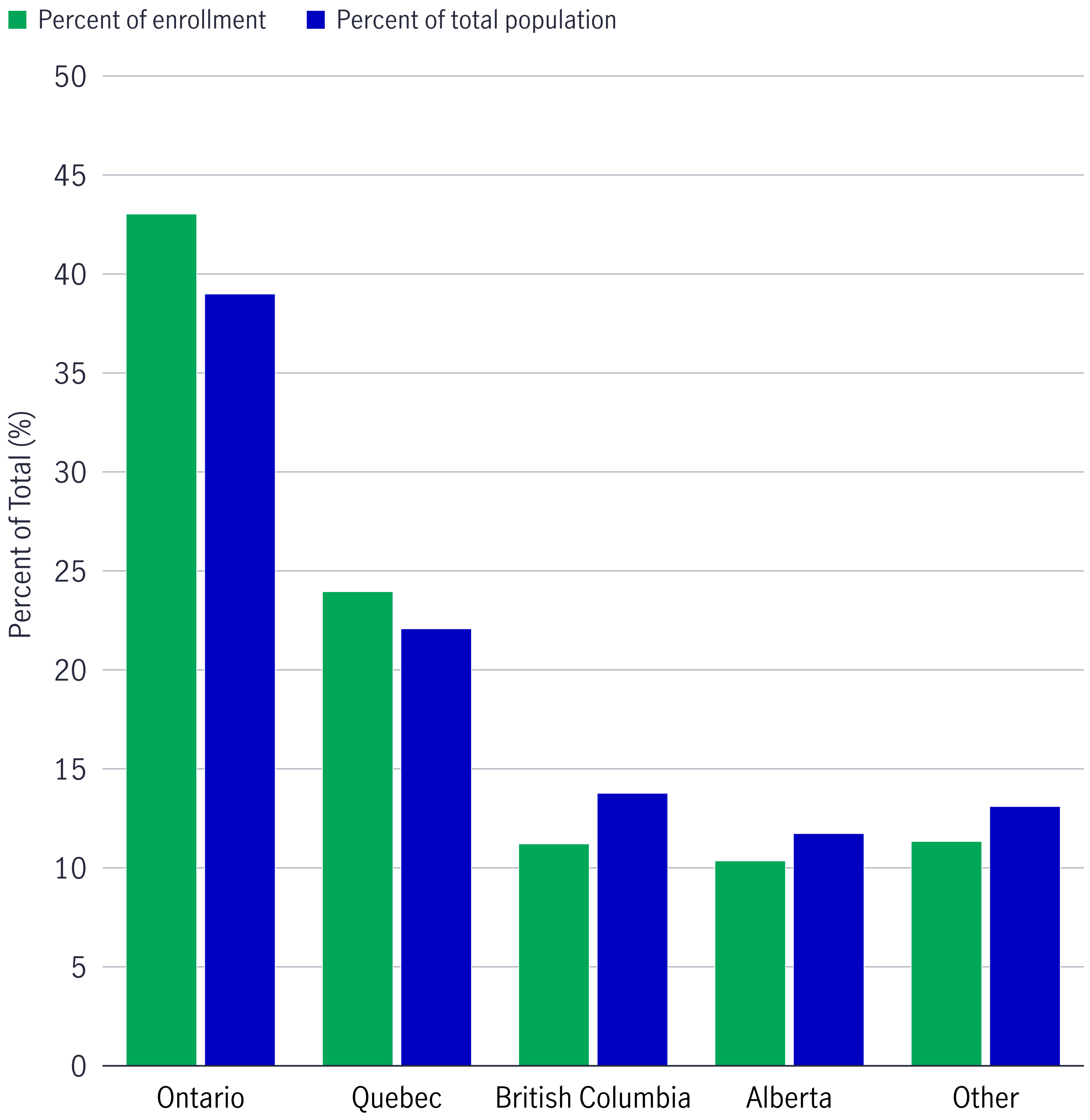
The demand pool of students is deep and growing while the supply of purpose-built student housing is limited, setting an attractive backdrop for fundamentals.

- Diverse student population: Recognized globally for high-quality education, Canadian colleges and universities attract a diverse student population with more than 20% represented by international students in the 2022-2023 school year.[2]
- Low Canadian provision rate: Purpose-built student housing in Canada is limited with about 166,600 beds, providing housing for just 10% of students, compared to the U.K. which has nearly a 30% provision rate.[3]
- Most beds in large hubs: Most of the beds are in Canada's largest education hubs such as Toronto (23,336), Waterloo (22,198), Vancouver (15,792), Ottawa (13,140), London (13,053) and Montreal (13,086).[4]
- New supply would have minimal impact on provision rate: 46 student housing projects comprising 16,735 beds are in the planning or construction stage, set to deliver in the next 3-5 years, which would increase the provision rate from 10% to 10.5%.[5]
- Tight supply-demand dynamics: Industry experts see the tight supply-demand dynamics pushing rents higher for student housing in Canada, with a 15% year-over-year average increase.[6]

2 Higher Education Strategy Associates. "The State of Postsecondary Education in Canada, 2024". September 2024. Note: The term "full-time equivalent" (FTE) in Canada is a mathematical approximation.**3** Green Street. Canadian student housing market in early stages of growth: Bonard. July 2024. Data as of 2023. **4** "Canada's student housing market in 'early stages': Bonard." 7/24/24. **5** "Canada's student housing market in 'early stages': Bonard." 7/24/24. **6** "Capitalizing on the Underserved Student Housing Market in Canada: Industry Overview and Capital Raising Structures." 4/5/2023.

2025 Outlook: Student Housing

Full-Time Enrolments Share By Province, 2022-23



Source: Higher Education Strategy Associates. "The State of Postsecondary Education in Canada, 2024". September 2024. Oxford Economics as of 3Q24.

Demand dynamics and demographic shifts point to enhanced and broadened need for student housing options and the overall student experience is driving market selection, with cultural immersion, connectivity, availably of work-study opportunities and availability or post-study employment prospects prioritized.

- Severe undersupply: Purpose-built student accommodation (PBSA) is severely undersupplied by about 400,000 beds currently, creating a compelling opportunity for investors as supply pipeline remains short of demand; off-campus housing in particular is extremely limited, accounting for less than a third of total beds.[7]
- Development needed: An estimated 1.2 million students rent in communities around their post-secondary institutions, decreasing the availability and increasing the pricing of homes for everyone in the private rental market, particularly low-income families and young adults, highlighting implications that extend well beyond universities and college campuses and the need for more development and investment into the sector.[8]
- Ontario, Quebec continue to dominate: Ontario has the country's largest university system, making up roughly 43% of total enrollment (compared to just 39% of the country's population), followed by Quebec with over 24% of total enrollment (compared to 22% of the population).[9]
- Provision rate increasing: During the next five years, the provision rate is forecast to edge up to 12%+, and this rate could moderate with caps in international student enrollment.[10]

7 Bonard. November 2023; "Forum becomes biggest player in Canadian student housing." Real Estate News Exchange. 10.31.2024. **8** Dejardins. "From Campus to Community: Why Student Housing Shortages Should Worry All Canadians." September 2024. **9** Higher Education Strategy Associates. "The State of Postsecondary Education in Canada, 2024". September 2024. Oxford Economics as of 3Q24. **10** Bonard Student Housing Summit. June 2024; AlignVest Student Housing Report. June 2024.

Big Ideas, Themes & Trends: Student Housing

Themes

- Significant full-time post-secondary enrollment growth, has been driven by a more than double increase of international students over the last decade.
- Underbuilding is pervasive despite some universities building new housing, sometimes with support from initiatives implemented by provincial governments, but oftentimes these beds are reserved for first year students, pushing others to look at private, off-campus rental options.
- Canada's stock of purpose-built student housing is underdeveloped while demand continues to grow, presenting a compelling opportunity for private investors, however the Federal government's efforts to curtail the influx of international students, given housing affordability and health care concerns at the local community level, will likely impact enrollment growth rates near-term.

Opportunities

- **Growth In Markets Favored by International Student:** International student base growing rapidly given Canada's globally recognized, high-quality educational institutions, supporting stronger demand for markets fed by this segment.[11]
- **Lower Provision Rates Provides Runway:** Lower provision rates in major cities like Toronto and Montreal suggest these cities are meaningfully undersupplied.[12]
- **Quality And Safety:** The role purpose-built student housing can play in ensuring optimal living conditions, such as avoiding overcrowding, ensuring regular maintenance, etc. support positive outcomes for student academic performance and mental well-being, a key concern for students and their families.[13]
- **Large City Appeal:** Domestic declines in college enrollment are most pronounced in non-Polytechnic intuitions outside of large cities, whereas universities in larger cities are holding up better.[11]

International Post-Secondary Permit Caps

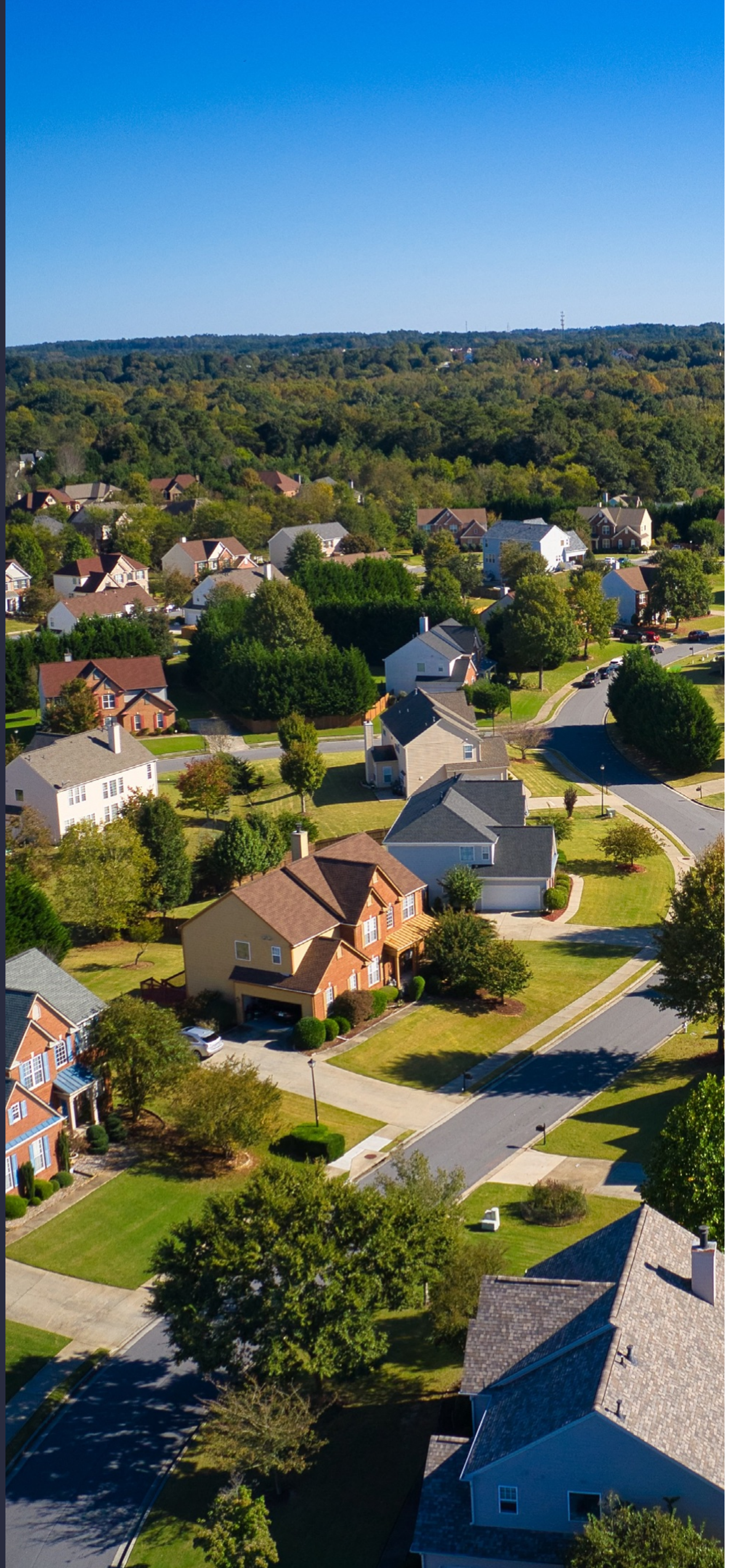
Year	Permits Issued (Target)	Year-Over-Year Decline
2024	485,000	35%
2025	437,000	10%
2026	437,000	0%

Source: " Canada further reducing the number of international student permits." CBC News. 9.18.24; "Federal government to further limit number of international students." CTV News. 9.21.24

Risks

- **Declining Domestic Enrollment:** Domestic enrollments have declined and per student funding has stagnated or declined, a net negative for domestic enrollments and the trajectory.[11]
- **Shrinking Pool of International Student Permits:** The 1.5 million study permits granted from 2018-2023 to international students has been linked to strains on housing affordability and healthcare in the communities around these institutions. Therefore, federal government has made efforts to limit the number of international student permits.[14]
- **Timing:** High supply/late delivery markets face occupancy challenges when not timed with the academic year.

11 Higher Education Strategies. 'The State of Postsecondary Education in Canada, 2024.' September, 2024. **12** "Canada's student housing market in 'early stages': Bonard." 7/24/24. **13** Dejardins. "From Campus to Community: Why Student Housing Shortages Should Worry All Canadians." September 2024. **14** "Canada further reducing the number of international student permits." CBC News. 9.18.24; "Federal government to further limit number of international students." CTV News. 9.21.24.



Canada Active Adult Overview

House View, Allocations & Considerations

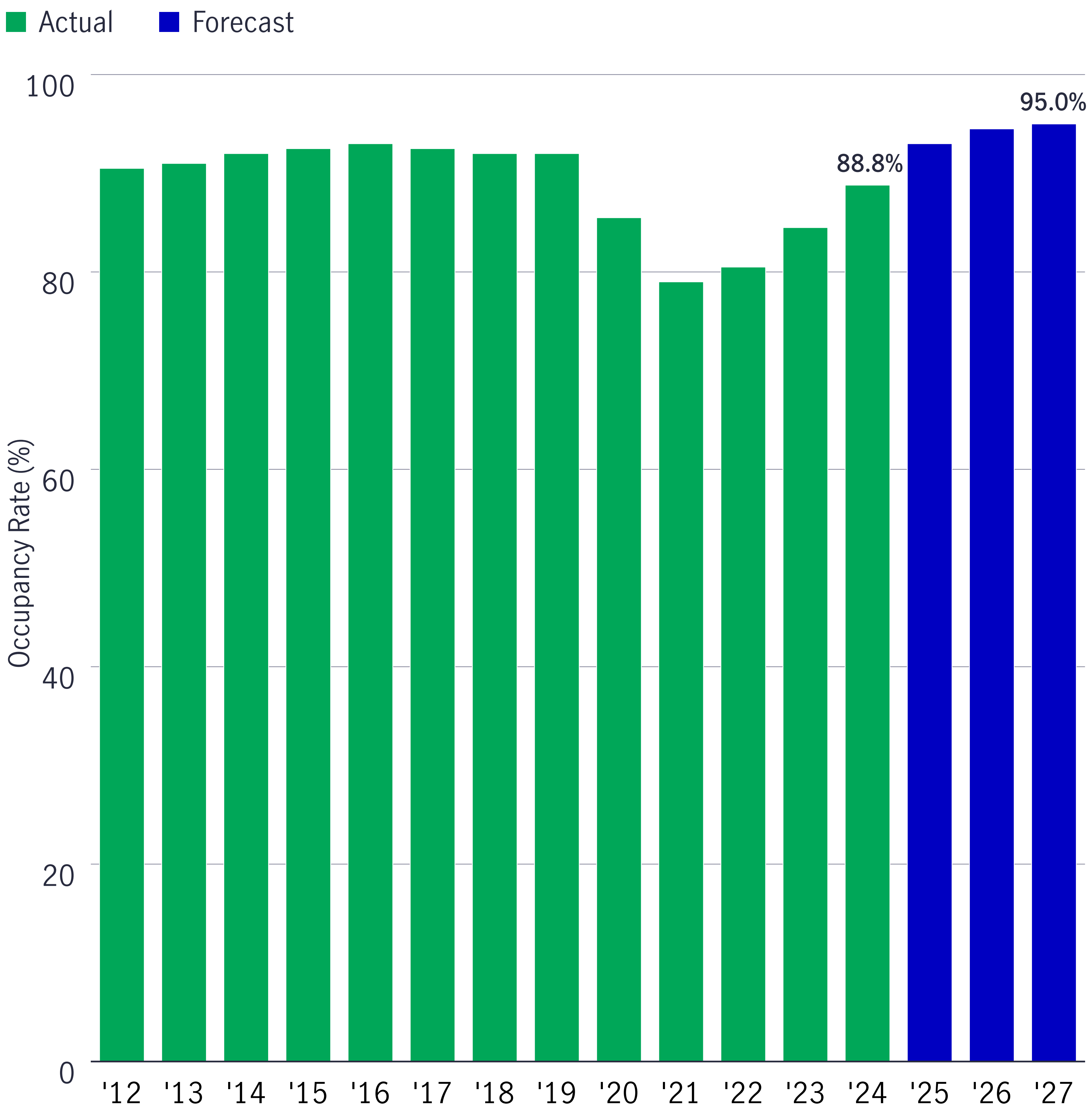
- Our House View currently delineates Active Adult within the Residential property type or asset class.[1]
- Active Adult is a lower-acuity, age-qualified, lifestyle-focused subset of Senior Housing that appeals to younger (average age typically 72-74 years old), healthier (i.e., no/low acuity needs) cohorts looking to live in a secure, maintenance-free rental with lifestyle-focused amenities that support socialization and activities, within close proximity to local communities and recreation. The sector servers as a diversification play with bespoke characteristics that will be evaluated on a highly selective basis, requiring programmatic operating partnerships.

"The declining ratio of caregivers to elderly population highlights the needs-based aspect of this sector..."

1 Property Type Investment Spectrum

2024 Year In Review: Active Adult

Canada Senior Housing Occupancy Rate



Source: Cushman & Wakefield. Senior Housing Operating Performance, Canada. September 2024.

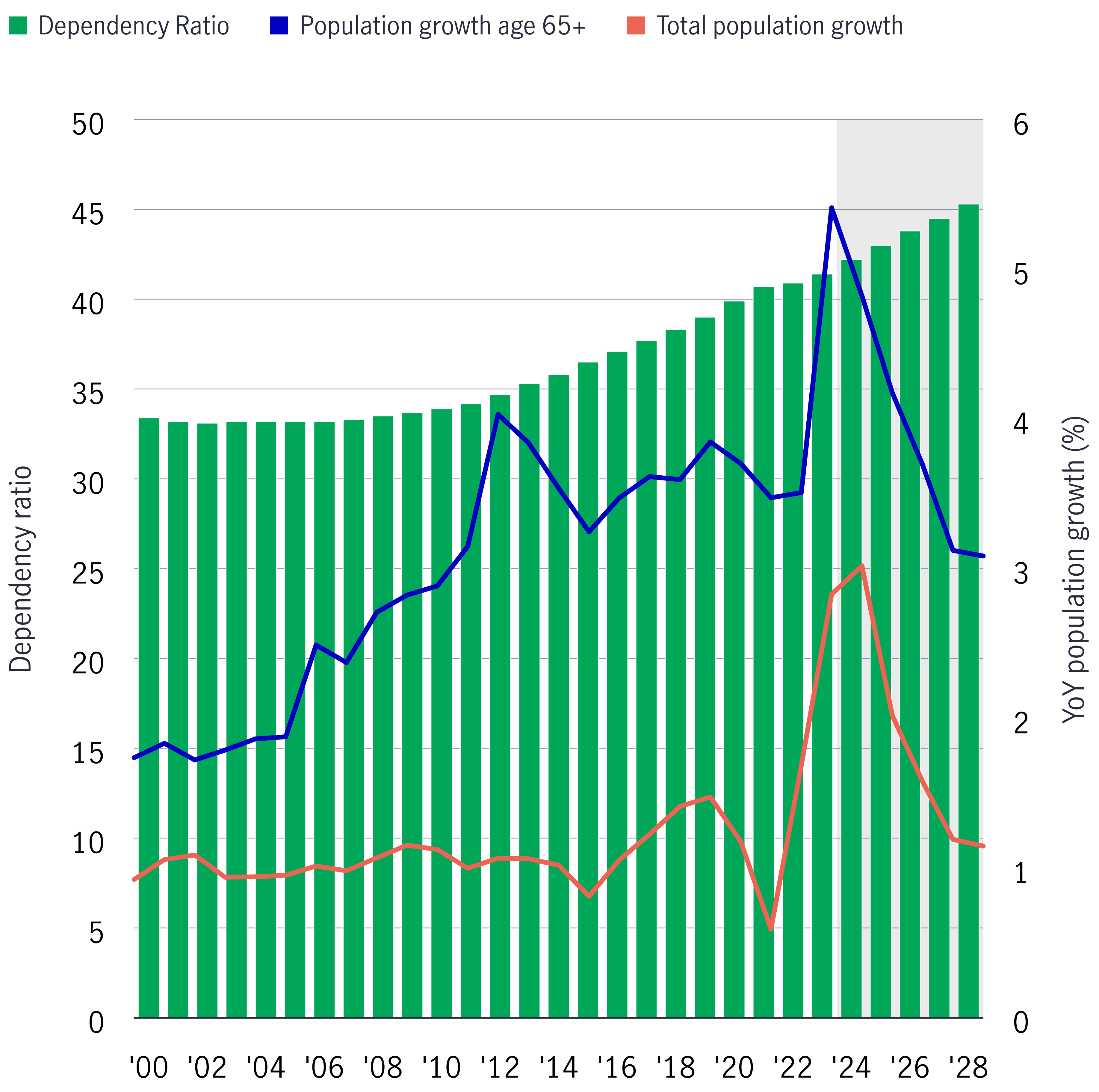
After facing several challenges over the past four years, primarily an occupancy and labor crisis due to the COVID-19 pandemic, the senior housing sector continues to exhibit improving fundamentals as rapid occupancy recovery comes on the heels of strong demand growth supported by the 80+ population.

- Senior occupancy increasing: National seniors housing occupancy is up 400 basis points year-over-year to 88%, with several metro markets recovering back to mid-90% occupancy.[2]
- Sustained improvement: Occupancy is showing sustained improvement, moving steadily upwards from the nadir in 2021 of just below 80% occupancy.[2]
- Solid rent growth: Year-over-year rent growth averaged between 3%-5% in 2024 so far.[2]
- Transactions slow through Q3: Transaction volumes totaled $1.7 billion through the first three quarters of 2024, down almost 40% compared to the same period in 2023, while over $1 billion is in various stages of due-diligence, likely to close in Q4 which would push 2024 totals closer in-line with 2023 totals.[3]
- Cap rates vary across geo: Senior housing cap rates for "A" quality assets range from 5.50-6.00% in Vancouver on the low end to 6.50-7.00% in Edmonton and Calgary on the high end as of 3Q24.[3]

2 Cushman & Wakefield. Senior Housing Operating Performance, Canada. September 2024. **3** Cushman & Wakefield. Canadian Seniors Housing & Healthcare Practice Group. October 2024.

2025 Outlook: Active Adult

Dependents to Working Age Population vs. Population Growth Ages 64+



Source: Oxford Economics as of 3Q24.

The rising dependency ratio, the relationship between the working age population relative to the 64+ population, will make it more challenging to age at home given a lack of caregivers and will strengthen the needs-driven demand for seniors housing. These continued increases in demand combined with a tighter supply pipeline set the stage for a strengthening operating environment over the near and long term.

- Occupancy moving towards pre-pandemic level: Based on favourable supply and demand fundamentals, national occupancy is expected to surpass its pre-pandemic level (92%) by the end of 2025.[4]
- Cyclical low development: Seniors housing development activity has slowed to a new cyclical low, amid rising construction costs and interest rates challenging new developments.[4]
- Favourable supply dynamics ahead: Estimates of 200,000 new seniors housing suites are required over the next decade to maintain market equilibrium, far exceeding the 73,000 suites built during the past decade for context.[4]
- Strong affordability metrics: Affordability metrics are in a solid position to support continued rent growth given further wealth accumulation by the Boomer target market given rising home equity.

4 Cushman & Wakefield. Senior Housing Operating Performance, Canada. September 2024.

Big Ideas, Themes & Trends: Active Adult

Themes

- Favorable population growth, supply slowdowns, older properties closing due to obsolescence, and increasing need for care characterizes a Senior Housing sector in Canada that is well into recovery post-Covid.
- Canada's relatively strong population growth by global standards, especially for seniors, will continue to support demand for several decades.
- The declining ratio of caregivers to elderly population highlights the needs-based aspect of this sector while rising equity prices and home values which strengthen wealth and affordability metric.
- At the same time Senior Housing starts have generally declined since 2017, falling below the rate of required replacement. In the period ahead, the sector is expected to push beyond recovery mode and into growth mode as favorable trends continue to play out.

Opportunities

- **Longevity & Increased Activity:** An active lifestyle preference favors direct living/maintenance support, recreation, and healthcare accessibility.
- **Engagement and socialization:** Proximity to community activities, educational institutions, learning hubs and employment - are key in attracting demand.
- **Middle-Market:** More affordable options are needed to satisfy non-luxury demand, particularly as mortgage and multifamily rental rates remain elevated.
- **Sticky Renters:** Despite longer lease up periods relative to traditional multifamily, average length of stay is ~5 years versus 2-3 years respectively.[5]
- **Expanding Profit Margins:** Continued relief on wages and the use of agency staffing, combined with improving occupancy and rent growth that outpaces expense growth, should continue to improve overall margins.
- **Post-COVID Operating Environment:** New technology and policies in a post-pandemic environment underpin asset management strategies to maintain staffing and safety/security of facilities.

5 Green Street. Health Care Insights - Active Adult Sector: Another Living Option. 7.12.2024.

Risks

- **Structural Labor Shortages:** Although wage pressures have eased recently and near term risk is low, the industry faces structural labor shortages over the long-term given an aging society amid an already tight labor market.
- **Regulations:** Although most relevant for higher acuity facilities, senior housing is subject to various healthcare and housing regulations which are subject to change, potentially impacting the operations and profitability of facilities.
- **Elastic Demand:** Higher price points suggest more elastic demand relative to traditional multifamily, suggesting critical importance of micro-market underwriting, floor plan design, and marketing.

Canada Industrial Overview

House View, Allocations & Considerations

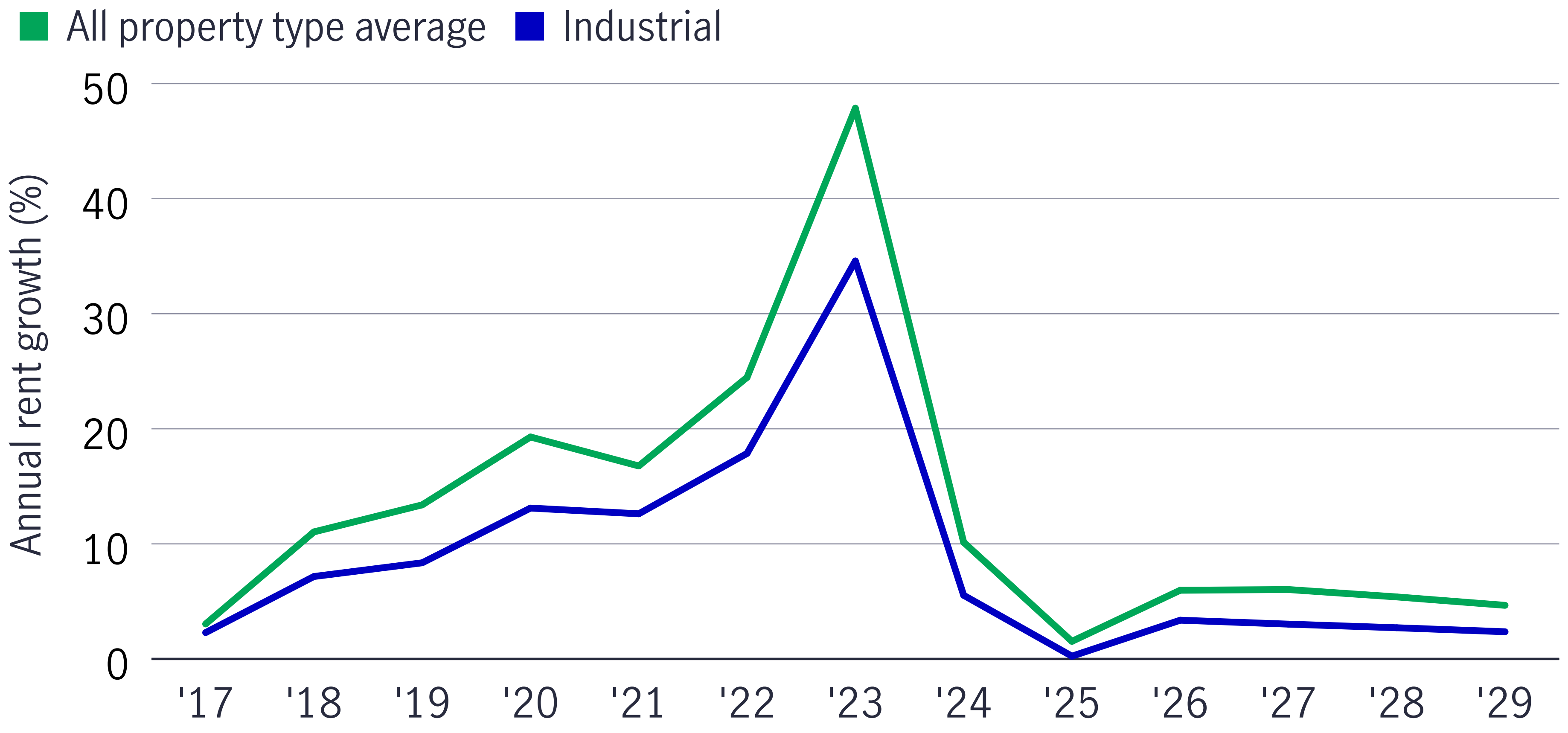
- We maintain a slight overweight allocation to the industrial sector, due to strong secular tailwinds. The industrial sector is a high-target investment area for many institutional investors today; our strategy centers around many of the same drivers but with a bespoke approach that prioritizes longevity.
- Focused on transportation hubs, in proximity to major population centers that are also supply constrained. Those characteristics help support valuations and long-term rental growth.
- Peak supply and a slowdown in demand are expected to cause some softening in industrial real estate in the near term; however, with a growing population, the market should be able to absorb new construction and manage vacancies, making this softening temporary.

The major themes for Canada's industrial market revolve around supply and reconciliation of space. Until the Pandemic, the industrial pipeline was quite measured, amounting to around 1.0% of inventory annually and accelerating to double that in the last two years.[1] Liberal immigration policies driving explosive population growth and household formation likewise supported historically strong demand, requiring more industrial product. Now, following two years of a weak economic climate, expected to persist, and with changes in immigration policies and U.S. tariffs looming, industrial users are continuing to take a cautious approach to leasing.

1 CBRE, Canada National Industrial, 2Q 2024

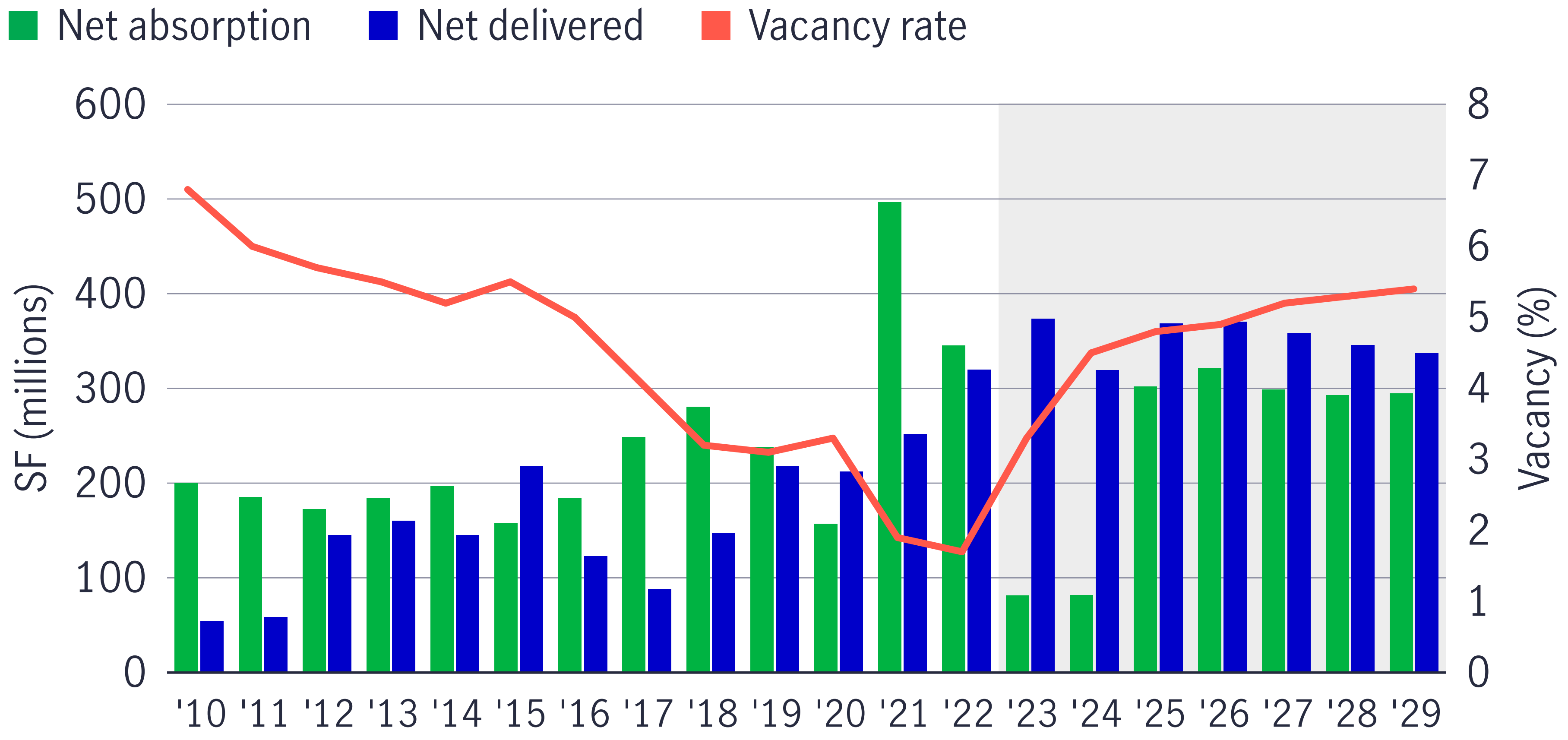
2024 Year In Review: Industrial

Rent Growth



Source: Costar as of 3Q24.

Supply & Demand



Source: Costar as of 3Q24.

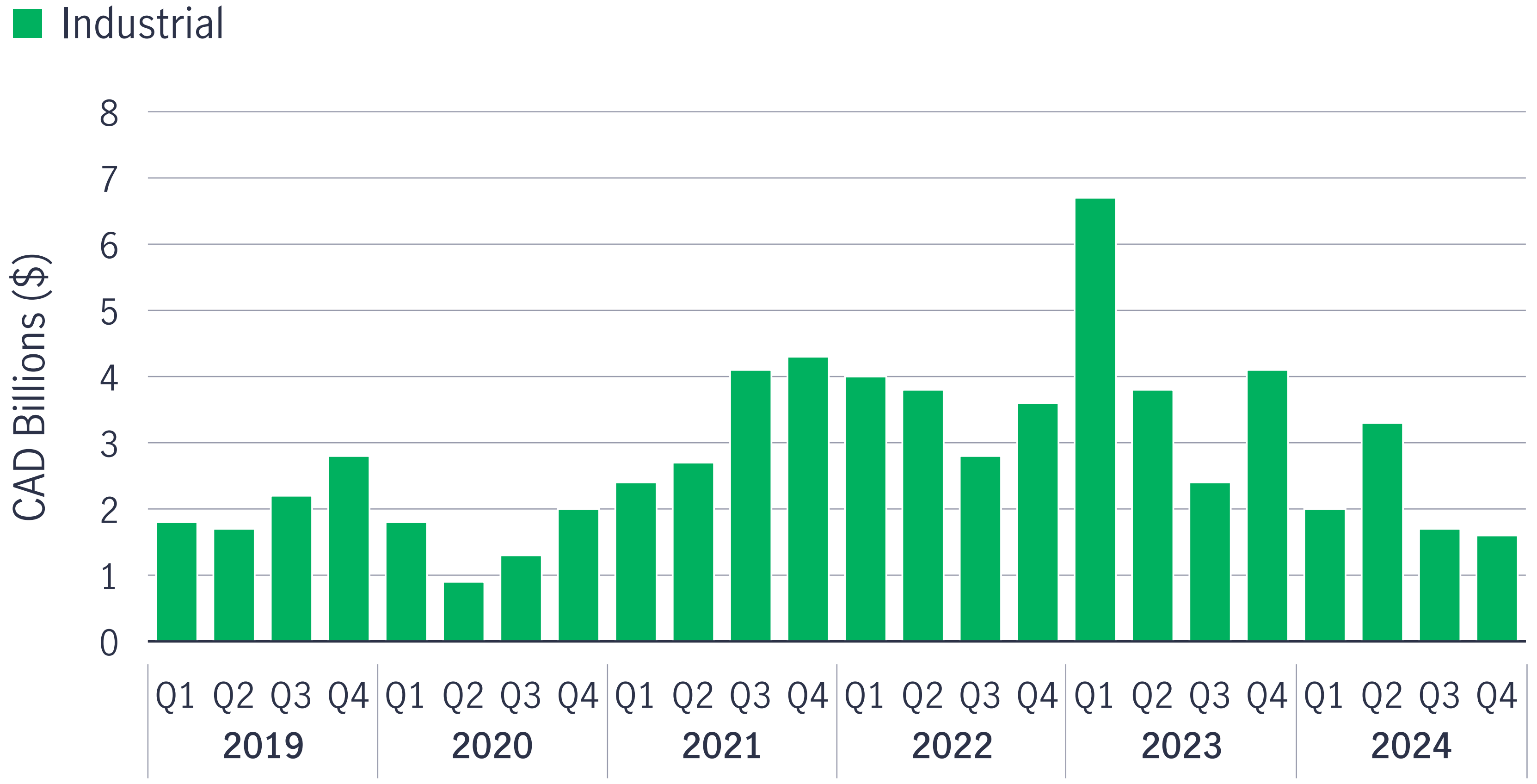
The industrial supply pipeline has been especially active since 2020, essentially doubling the annual volume of construction delivered on average during the previous seven years. Not only did the e-commerce explosion during the Pandemic motivate development activity, but population and household formation growth—and population dispersion—compounded the need for more industrial stock.

- As of the 4Q24, fundamentals showed a turnaround through the absorption of 4.9 MSF during the quarter, bringing annual net absorption to positive 1.4 MSF.[2]
- While this is a fraction of the 10.8 MSF absorbed in 2023, given the negative absorption during the first three-quarters of the year, this correction to the upside may boost investor confidence in the sector moving into 2025.[2]
- Activity is particularly healthy for small- and mid-bay product, whereas supply risk and demand pullback has hit large-bay disproportionately.
- Vacancy is still elevated at 3.5% compared with its hovering in the 1.0-2.0% range since 2018, but is on par with the long-term average, bringing the market closer to equilibrium for more measured growth. The percentage of sublease space available also fell 180 bps to 13.8% from last quarter.[2]
- Rent trends reflect industrial market softening in favour of the tenant, with net asking rents contracting 4.8% during 2024 to their lowest level since the close of 2022; yet tenant improvement allowances are expanding, up 2.2% from one year ago.[3]
- More than 35.0 MSF was delivered in 2024, following 38.0 MSF completed in 2023.
- As of 3Q24, total returns reflect enhanced performance. Total returns were up 0.6% year-over-year after posting a negative 12-month rolling return through 2Q24.[3]
- While the income rate of return was flat at 3.8%, capital growth improved 30 bps, closing the 12 months through 3Q24 at -3.0% as 3Q capital returns did not show any change.[4]
- Transaction volume was more indicative of investor caution, in part tied to near-term construction risk and headwinds related to the overall economy and the U.S. election.
- While activity in the last quarter of the year increased over the third quarter to $1.6 B, total 12-month rolling transaction volume contracted 43.1% to $6.6 B from $11.7 B at the close of 2023.[4]

2 CoStar as of 4Q24. **3** MSCI as of 3Q24. **4** CoStar as of 4Q24.

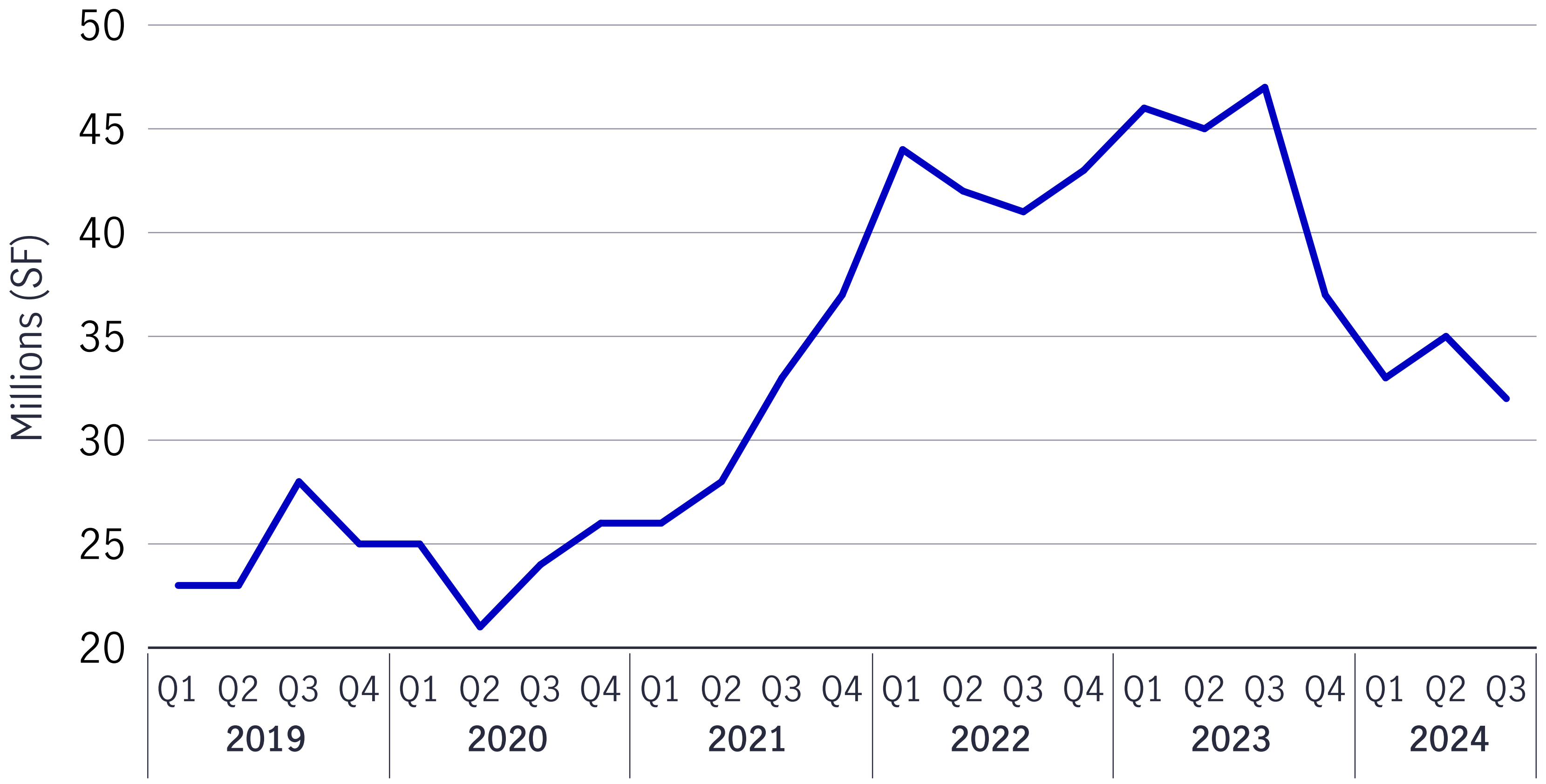
2025 Outlook: Industrial

Transaction Volume



Source: Costar as of 4Q24.

Industrial Under Construction



Source: CBRE as of 3Q24.

The Canadian industrial real estate market faces a period of recalibration. Industrial assets are still showing strong net operating income (NOI) growth, driven by lease rollovers and rental escalations from previous years. While long-term demand drivers such as e-commerce and supply chain evolution remain intact, short-term challenges, in the form of economic uncertainty, rising interest rates, and U.S. tariffs are generating headwinds for both leasing and investment activity. With pressure on e-commerce companies and third-party logistics easing, the third-highest year of deliveries on record—with lower levels of pre-leasing for less than a third of the space—brings some performance risk to the industrial market.

- Over the near term, new construction is expected to slow, though earlier supply increases will continue to pressure vacancy rates.
- Developers are already pulling back, with just 23.9 MSF underway compared to 37.[7] MSF last year at this time. A little more than 20 MSF is set to deliver in 2025, and a fraction of that—3.4 MSF—in 2026.[5]
- Tenant demand is expected to remain weak through year-end, especially in large markets like Toronto and Vancouver. Logistics hubs will continue to see softer demand as economic activity slows.
- Despite the overall slowdown in demand and softening rent growth, markets like Calgary are bucking national trends, showcasing resilience.
- Calgary's industrial market has become an attractive alternative for companies priced out of major markets, though this trend may wane with broad rent contraction, an influx of recent deliveries in these markets, and as users reconcile footprints.

Despite short-term challenges, the industrial sector's fundamentals remain strong, supported by e-commerce and supply chain reconfiguration. Falling interest rates will support economic recovery, which should trickle into industrial demand, as well as reduce pressure on inventory, material handling and fleet costs. Investors will likely be able to hone in on strategic long-term plays as this normalization levels off, particularly with new stock coming to market and offering potential low-basis entry points.

5 CoStar as of 4Q24.

Big Ideas, Themes & Trends: Industrial

Themes

- Looking ahead, oversupply related to larger-bay product coupled with potential impacts from U.S. tariffs should deter development, and likely help stabilize the industrial market over the near term. Subdued construction activity along with healthy long-term fundamentals in support of the sector will likely drive a turnaround in investor confidence.
- Major logistics hubs benefiting from proximity to expanding affluent households and access to a skilled labor force, will likely remain more stable in the near-term. Modern logistics facilities and urban infill properties suited for last-mile delivery logistics are particularly attractive. However, amid evolving market conditions, we maintain a cautious stance on pricing dynamics. We anticipate further adjustments in capitalization rates, underscoring the importance of disciplined underwriting and strategic asset selection.

Canada Manufacturing Employment

Source: Oxford Economics as of 3Q24.

Opportunities

- **Small- & Mid-bay product outperforming:** With the supply pipeline concentrated in larger-bay product, small- and mid-bay product are performing relatively better. Users are also rightsizing, funneling demand into this segment. Small- and mid-bay industrial in infill locations are positioned to outperform.
- **State-of-the-art development:** Though there is some oversupply of large-bay industrial in select markets, delivery of sophisticated warehouse and logistics space to accommodate advanced distribution and storage methods is critical. New vintage opportunities may present at a competitive basis; in markets with a concentration of older vintage stock, these assets may benefit from outsized demand flow, particularly if they can be demised.
- **Lower-cost population centers sustain demand:** Select, lower-cost markets that benefitted from strong population growth and will continue to attract inflow will likely continue to maintain relatively strong demand for goods, warranting proximate and last-mile warehouse and distribution space.

Risks

- **Excess supply & growing functional obsolescence:** New construction is dominated by larger-bay and big-box warehouse facilities, where demand is retracting, creating some oversupply risk but also functional obsolescence for older vintage large-bay stock.
- **Demographic shifts may change demand flow:** With immigration caps on the horizon that may limit population growth and affect recently expanding population centers, newer industrial hubs that emerged to service this growth may see modest contraction in demand.
- **U.S. Tariffs:** Impending potential U.S. tariffs are likely to impact demand for Canadian goods to the downside, in turn reducing demand for warehousing and logistics space. Markets with large exporter presence are most at risk.

Canada Data Center Overview

House View, Allocations & Considerations

- Our House View currently delineates Data Centers within the Alternatives asset class.[1]
- Our position on Data Centers remains one of selectivity. There are opportunities in the marketplace in strategic locations with ample access to power and infrastructure. Asset selection is critical given the pace of innovation and change in the sector.

> **"Digital demand is fueling explosive growth in data centers through 2024 and beyond, driven by AI, 5G, and cloud services. Strategic site selection is crucial as high demand and supply constraints push rents up and attract significant investment."**

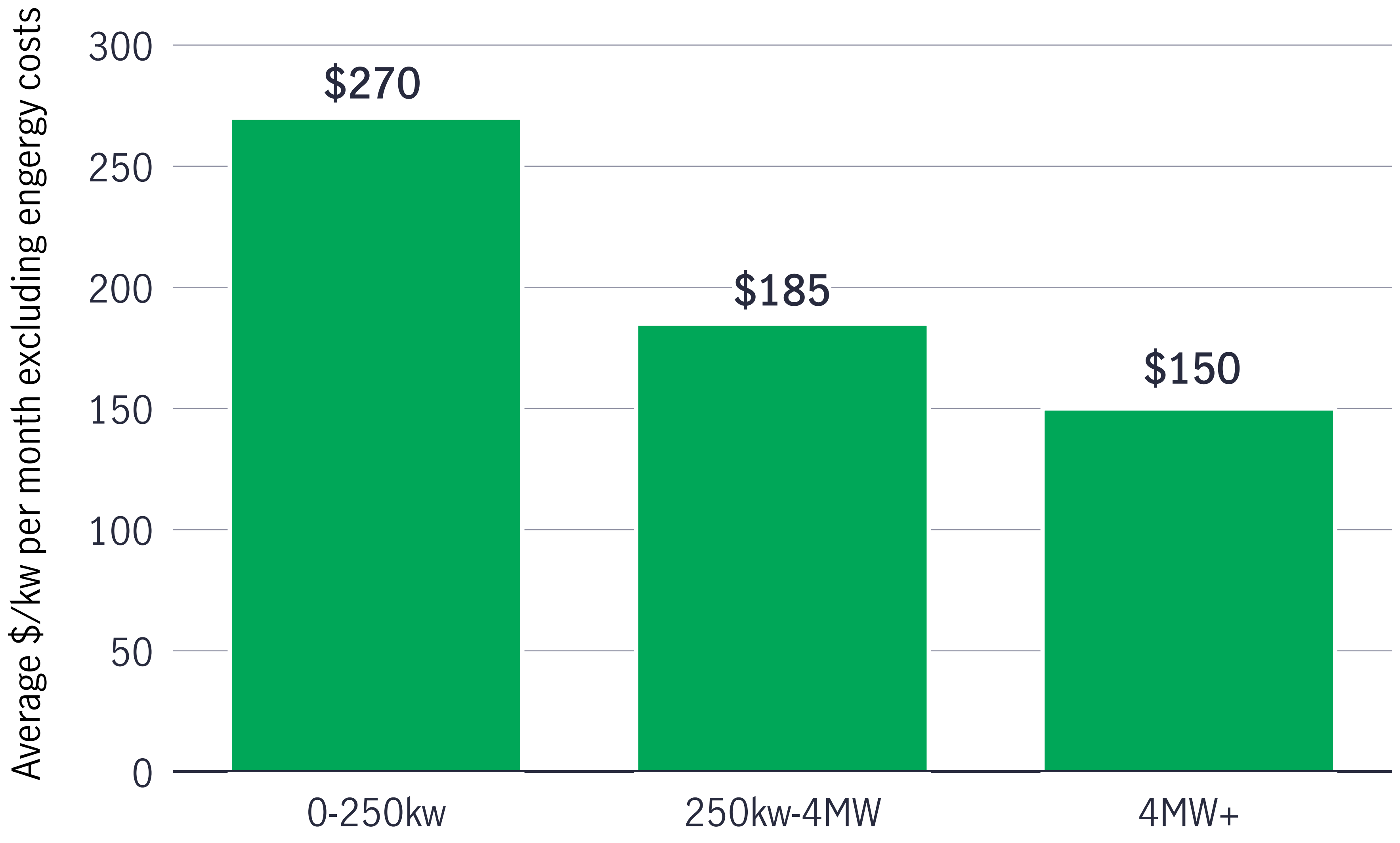
1 See "Property Type Investment Spectrum."

2024 Year in Review: Data Center

Data centers experienced significant growth in 2024, driven by increasing demand for digital infrastructure to support technologies like AI, high-frequency trading (HFT), and 5G networks.

- Operators in Canada are focusing on energy-efficient technologies and integrating renewable energy sources, such as hydropower, to meet sustainability goals and lower operational costs. The market is projected to grow from USD 5.03 billion in 2023 to USD 9.04 billion by 2029, reflecting a CAGR of 10.26%.[2]
- IT load capacity is expected to increase from 754.6 MW in 2024 to 1,159.6 MW by 2029, driven by rising investments in IoT, AI, and cloud technologies.[3]
- Colocation services are projected to generate USD 3.47 billion in 2024, with revenues reaching USD 5.33 billion by 2029, growing at a CAGR of 8.97%.[4]
- Canada has an estimated 239 operational data centers, and energy consumption is steadily increasing, heavily influenced by AI development and high-performance computing needs.[5]
- Global data center leasing activity is set to reach record levels, with 1,800 MW of new deals signed in 2024, 80% of which are in the U.S.[6]
- Average rental rates for data center space are projected to increase further by year-end, driven by high demand and limited supply, with rates for 0-250 kW reaching $270 per kW/month.[6]
- Vacancy rates are expected to remain below 5%, reflecting tight supply conditions and continued expansion of AI and cloud-based applications.[7]

Primary Global Data Center Markets Rental Rate

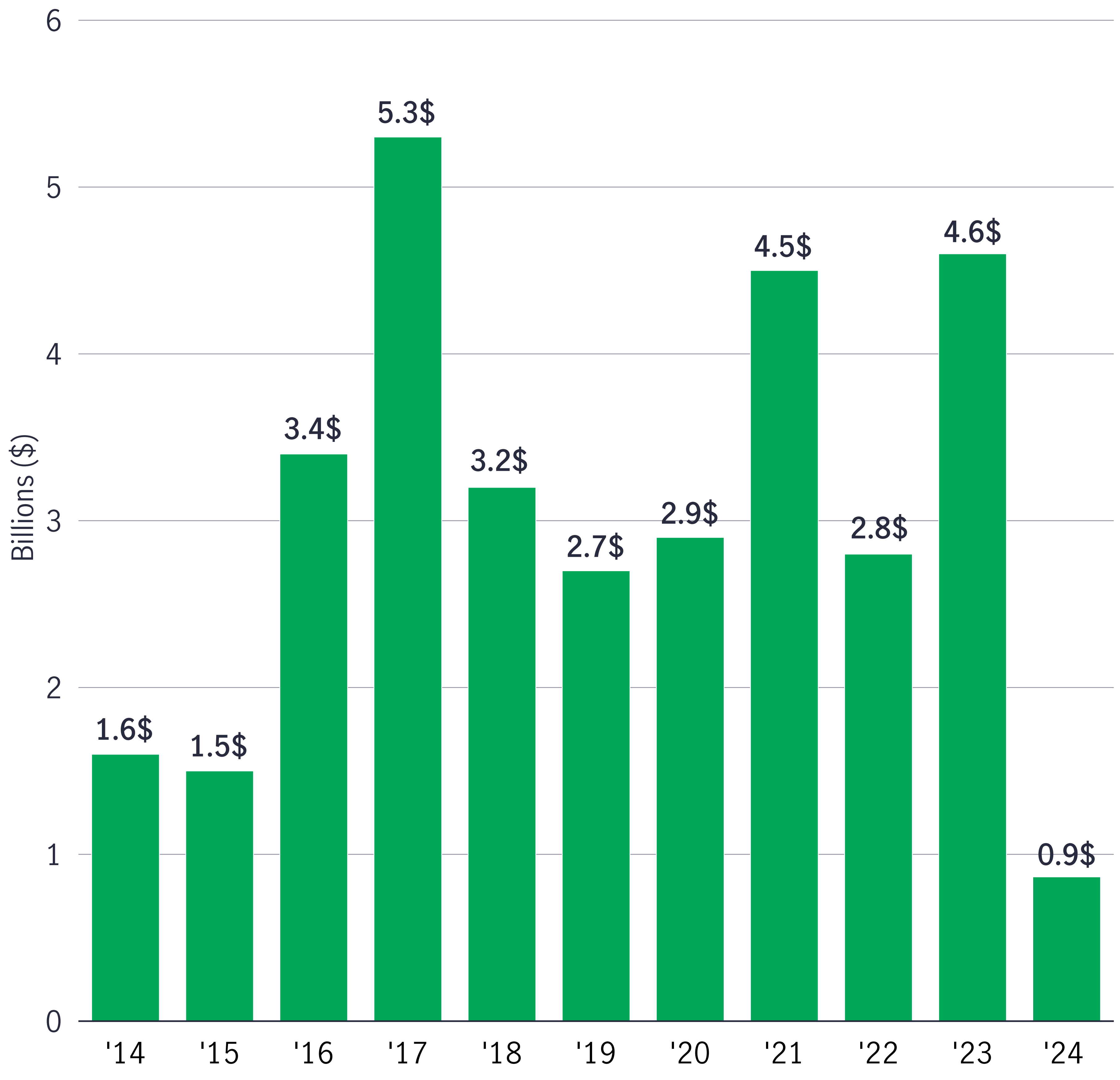


Source: JLL as of 3Q24.

2 Arizton Advisory & Intelligence, 2024. **3** Canada Data Center Market Report 2024. **4** Mordor Intelligence, 2024
5 Canada Energy Regulator, Market Snapshot 2024 **6** CBRE as of 3Q24. **7** Grand View Research as of 3Q24.

2025 Outlook: Data Center

North America Transaction Volume



Source: JLL as of 3Q24.

- Construction is set to increase with projected budgets exceeding $100 billion, prioritizing markets with strong local demand and favorable tax incentives.[8]
- Long lead times for development and operational start-up present challenges, but pre-leasing activity remains strong, with hyper-scalers securing space 24 to 36 months in advance, a shift from six to twelve months ahead.[8]
- Developers are increasingly seeking sites near large power sources to mitigate these issues due to power availability and extended lead times for key electrical equipment.
- Global data center usage expected to grow by 29% annually until 2035.[8]
- Prices are projected to rise by 10% to 15% in 2025, attracting substantial investment from institutional investors and private equity funds. Changing credit markets are opening up new financing opportunities, further fueling investment in data centers.[9]
- Operating fundamentals will stabilize at high utilization levels, with ongoing pressure on rents due to constrained supply pipelines and sustained demand growth from AI, 5G, and high-frequency trading applications.[9]
- Major hyperscalers are projected to invest $213B in 2025, a 15% increase from 2023, ensuring continued expansion of infrastructure capacity.[10]

8 Green Street as of 3Q24.**9** CBRE as of 3Q24. **10** RL as of 3Q24.

Big Ideas, Themes, & Trends: Data Center

Themes

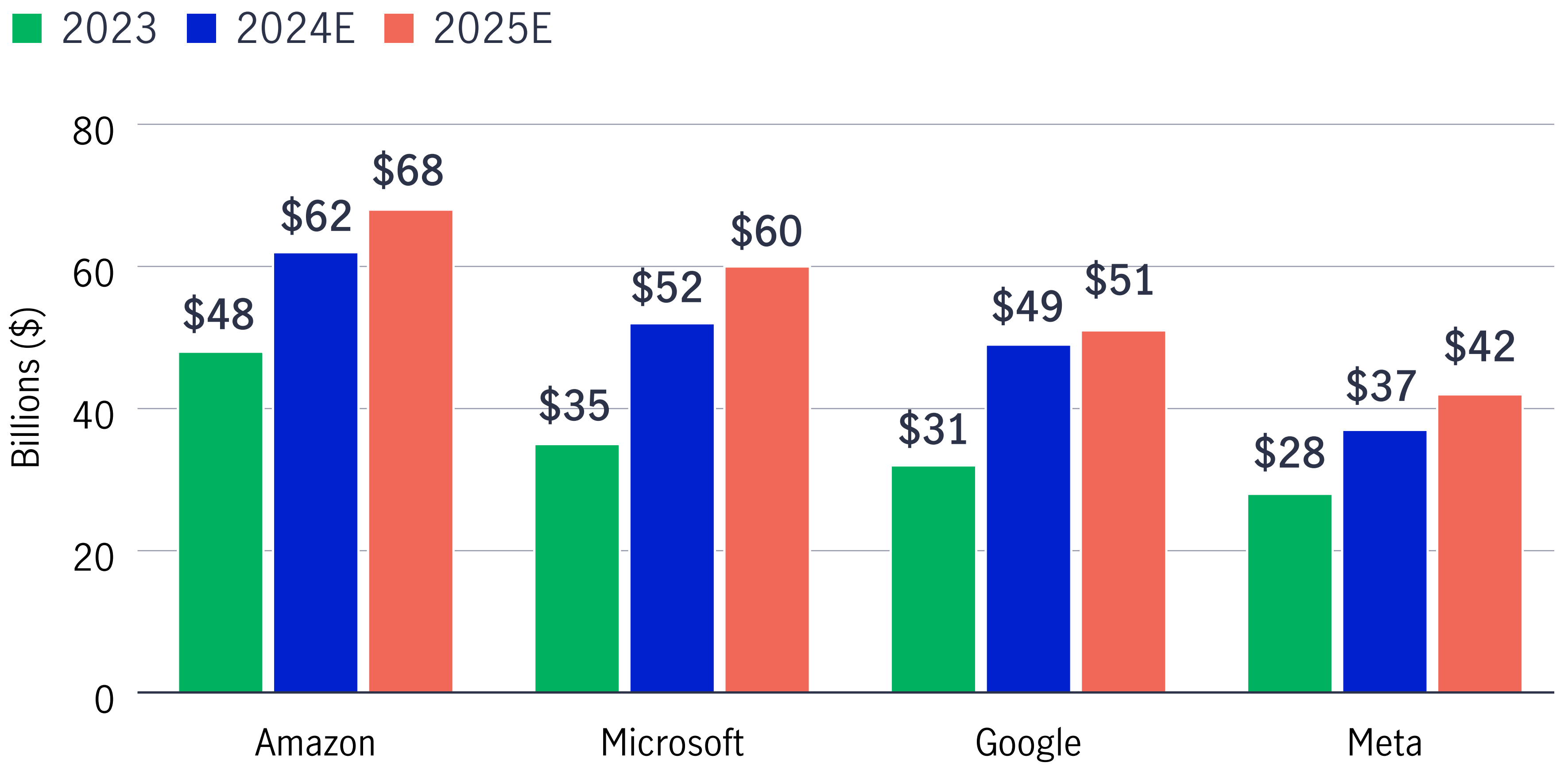
- Global demand for data center power anticipated to more than double by 2030.
- Facilitating affordable internet and cloud services, benefiting various downstream sectors. The e-commerce sector alone contributed to a 15% annual increase in storage capacity demand over the last five years.[11]
- Occupancy rates remain high, averaging 95-98% in major U.S. data center markets, driven by strong demand and limited new supply.[11]
- Vacancy rates are projected to stay below 5% globally in 2024 due to constrained development pipelines.[12]

Opportunities

- **Market Absorption Trends:** Pre-leasing lead time among hyper-scalers averages 24 to 36 months in advance to secure space.
- **Tailored Development:** Build-to-suit projects targeting strong credit tenants for hyperscale facilities are driving increased investment and expansion from major players.
- **AI, 5G, IoT, and cloud computing:** Growth in AI is driving sustained demand for hyperscale and edge data centers, with global data center usage expected to grow by 29% annually until 2035. [12]
- **Infrastructure and Resilience:** Data centers are investing in infrastructure to withstand climate-related risks and enhance uptime reliability.
- **Technological Innovation:** The development of modular and edge data centers addresses the growing need for decentralized processing.

11 CBRE as of 3Q24. **12** Green Street as of 3Q24. **12** Green Street as of 3Q24.

Capex Spend by Hyperscalers



Source: JLL as of 3Q24.

Risks

- **Construction and Development Challenges:** Supply chain disruptions, power availability and permitting delays continue to slow development pipelines, affecting new capacity additions.
- **Environmental and Regulatory Considerations:** Environmental factors such as energy efficiency, carbon footprint, and water usage, as well as compliance with environmental, data protection, and zoning regulations, can lead to increased operational costs and risk if not properly evaluated.
- **Technological and Financial Risks:** Rapid technological advancements create obsolescence risk and increase development costs.
- **Scale and Pricing Risk:** Hyperscalers and co-locaters often prioritize owning and controlling their sites, rather than partnering, potentially making it difficult to achieve economies of scale. They may also dictate pricing and consolidate market power, creating long-term dependency risks for other market players.

Canada Self-Storage Overview

House View, Allocations & Considerations

- Our House View currently delineates Self-Storage within the Alternatives asset class.[1]
- Self-storage is poised for strength in select markets, with the focus on state-of-the art product and conversions, with caution around housing market dynamics. Customers have a constant need for storage due to the 6 D's: Death, Divorce, Downsizing, Dislocation, Disaster and Density.[1]

"Self-storage is thriving due to urbanization and small business demands, but faces challenges from housing market fluctuations and rising construction costs. As digital transformation and climate-controlled facilities drive future growth, selective investment becomes key amidst shifting household behaviors and development slowdowns."

1 Property Type Investment Spectrum

2024 Year in Review: Self Storage

Self-Storage Annual Supply Growth & Occupancy

Source: Green Street as of 3Q24.

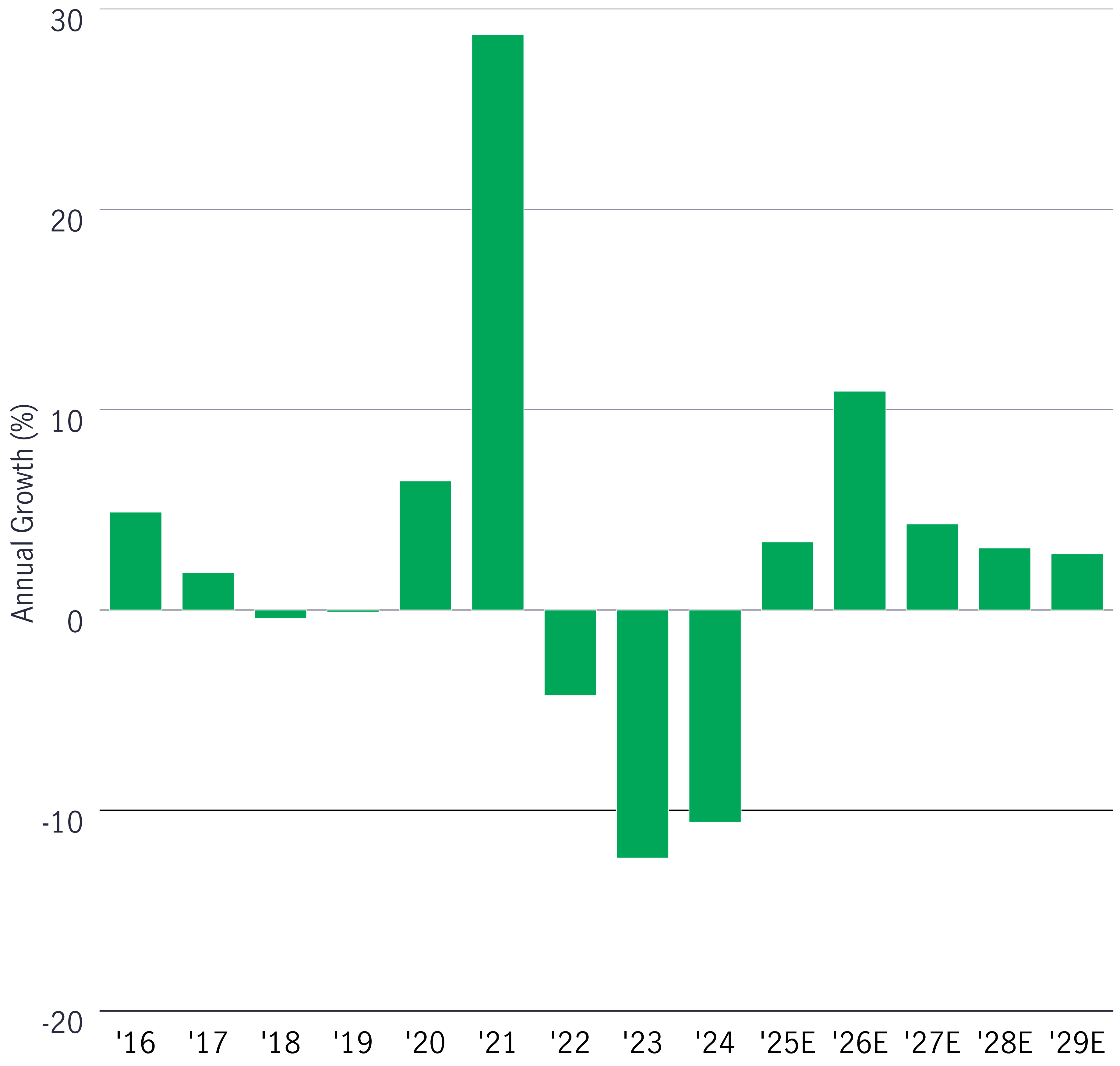
Demand is influenced by economic and demographic trends, home sales, and mobility. Rising housing costs push-pull for demand, with some households downsizing needing storage, while others lack disposable income for storage.

- Notable trend of self-storage use by small businesses with 20-30% of storage units in the US and Canada serving as small business hubs.[2]
- Development activity aligned with expectations for a slowdown in new supply (pipeline accounts for 3.5% of existing stock) with a difficult construction environment for obtaining loans, rising material costs, and permitting delays.[2]
- Household mobility and affordability pressures will sustain demand for storage solutions as people transition into smaller homes or move for work-related reasons.
- Rising housing costs and constrained new home sales are driving increased reliance on self-storage for temporary or long-term needs.
- Small businesses will continue to make up 20-30% of unit demand, particularly in urban and suburban markets.[2]
- Supply growth is expected to moderate to 2-3% annually, with developers cautious about adding new stock amid high construction costs and financing challenges.[2]
- Rent growth may decelerate slightly but is still expected to remain positive at 3-4% annually, driven by strong demand and limited new supply.[2]

2 Green Street 3Q24.

2025 Outlook: Self Storage

Self-Storage Market RevPAF Growth



Source: Green Street as of 3Q24.

Operating fundamentals will stabilize at high utilization rates with consistent rent growth, underpinned by Canada's strong urbanization trends and increasing demand for storage in densely populated cities.

- Supply growth in Canada's self-storage sector is projected to remain steady at 2-3% annually, as developers face constraints from high land costs and stricter zoning regulations in urban areas.[3]
- Occupancy rates are expected to stabilize at 88-90%, reflecting strong demand from residential and small business users despite economic headwinds.[3]
- Rental rate increases are anticipated to be 4-5% year-over-year, driven by high demand in metropolitan regions like Toronto, Vancouver, and Calgary.[3]
- Banks still lending on self-storage; CMBS (conduit) accessed in markets with limited liquidity.
- Due diligence tightening in line with greater CRE trends and private market self-storage returns lagging public market.
- Institutions have increased allocations to self-storage assets with capital inflows growing by 15% year over year, driven by the sectors resilience and stable cash flows.[3]
- Private market self-storage returns are lagging public REITs due to compressed cap rates, with public REITs reporting 6-8% annualized returns in key markets.[4]
- Focus is shifting to secondary and tertiary markets with higher cap rates, averaging 5.5% - 6%, offering better yield opportunities compared to primary markets.[5]

3 Green Street as of 3Q24. **4** NAREIT as of 3Q24. **5** CBRE as of 3Q24.

Big Ideas, Themes & Trends: Self-Storage

Themes

- Household consolidation driven by lower affordability, retirement-related downsizing, longer-term renting patterns, and lower ownership rates underpin long-term demand.
- Regional disparities will emerge, with urban centers outperforming rural markets due to limited land availability and stronger population growth.
- Canadian self-storage operators are expected to benefit from streamlined operations and digital transformation, which will help sustain profitability amid rising operational costs.[6]
- Growing awareness of climate change is prompting interest in environmentally sustainable and climate-controlled storage solutions, especially in vulnerable regions.

Opportunities

- **Barrier-to-Entry:** Metros with limited supply and development constraints. Warehouse conversion due to the lower cost compared to new development.
- **Digital Transformation:** Adoption of digital platforms for customer engagement, including online rentals and automated access systems.
- **Institutionalization:** Leverage fragmented, privately held portfolios in the Canadian market to streamline operations and unlock potential.
- **Urbanization:** Increased demand in urban areas due to limited living space and higher population density, commanding higher rents and lower vacancy rates.
- **Per Capita Potential:** Capitalize on Canada's low self-storage space per capita compared to other markets to meet growing consumer demand.

Self-Storage Demand Drivers

Societal demographic shifts create consistent opportunities for self-storage.

Death	**Divorce**	**Dislocation**
Downsize	**Disaster**	**Density**

Risks

- **Household Behavior Shifts:** Spending pullbacks, lower migration and relocations compared with Pandemic flurry, and housing market slowdown tempering need for self-storage.
- **Development Activity:** Increase in deferred and abandoned projects, while planned pipeline growth has moderated.
- **Declining Street Rates:** Market saturation leading to declining street rates.
- **Availability:** Existing high-quality facilities are controlled by established market players unlikely to sell.

6 Green Street as of 3Q24.

Canada Retail Overview

House View, Allocations & Considerations

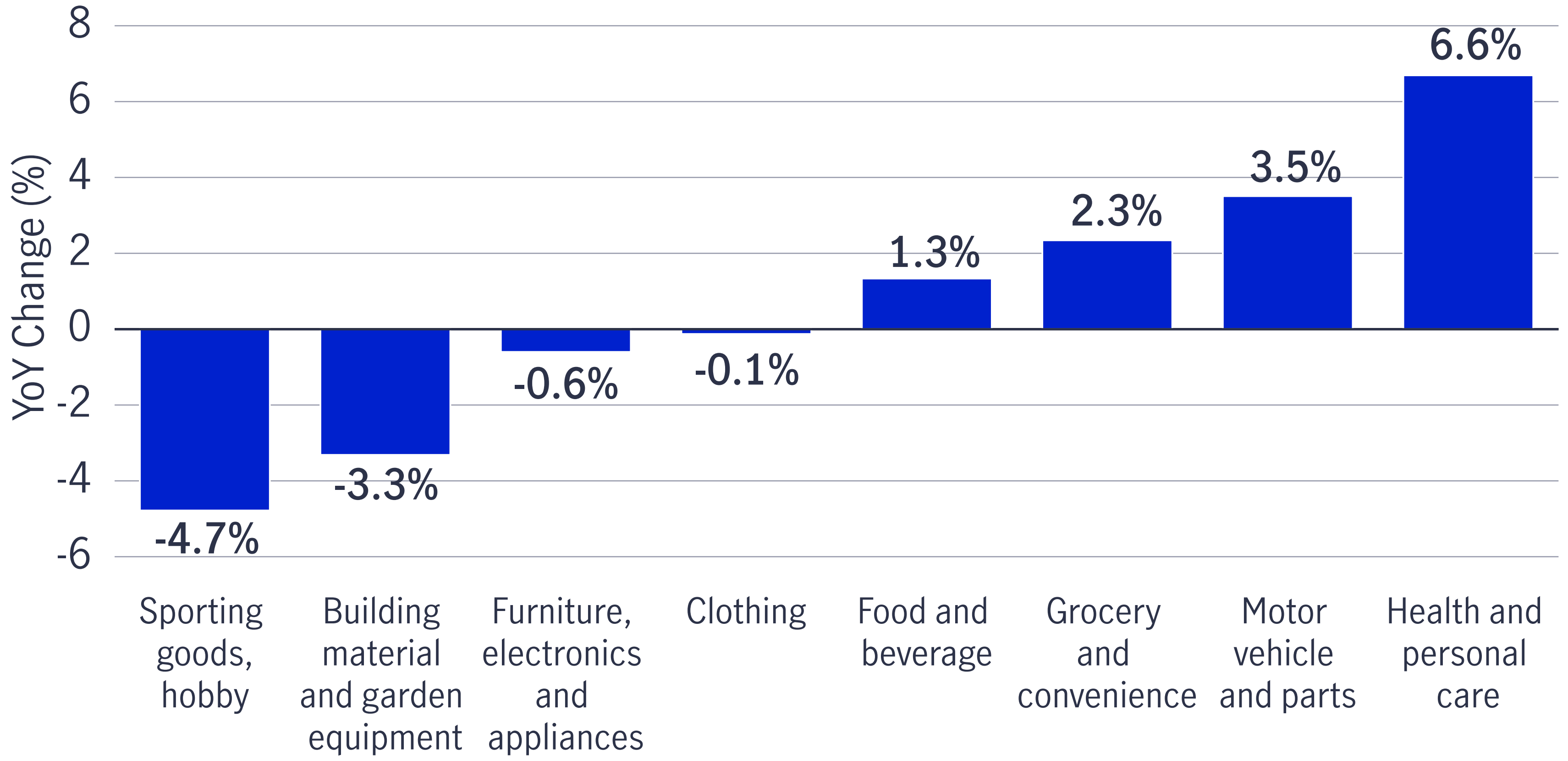
- We maintain a neutral allocation to retail. While the sector faces challenges due to uncertain economic conditions impacting consumer spending, there are positive factors such as secular demographic trends and constrained construction pipeline.
- We focus on Grocery-anchored centers and strategic micro-locations within densely populated areas. These locations efficiently cater to local communities and boast a diverse range of tenants.
- Value-add and opportunistic investments for mixed-use assets, especially in areas with restricted land availability near rapidly expanding population centers offers compelling opportunities.

After nearly a decade of reinvention and strong demographic trends, Canada's retail market is trending positive and steadily growing to favour investors. Most crucially, the lack of new supply during this period supported the sector in transforming its inventory by repurposing, upgrading or demolishing obsolete space. Over time, as retailers undertook new execution strategies, retail real estate product was refined and tailored to meet demand, so that today, indicators reveal a somewhat subdued but consistent market. As of October 2024 (the latest data available), retail sales increased 1.5% year-over-year and 0.6% during the month – the second consecutive monthly increase and a positive trend moving into the holiday period.[1] Among the major categories, retail food and beverage recorded the largest monthly decline at 0.7%, while furniture, electronics and appliance boasted a 2.5% increase.[1] This shift in spending may reflect recent improving inflation levels, but could reverse if the labour market continues to soften.

1 Statistics Canada, "Retail trade, September 2024", as of September 20, 2024.

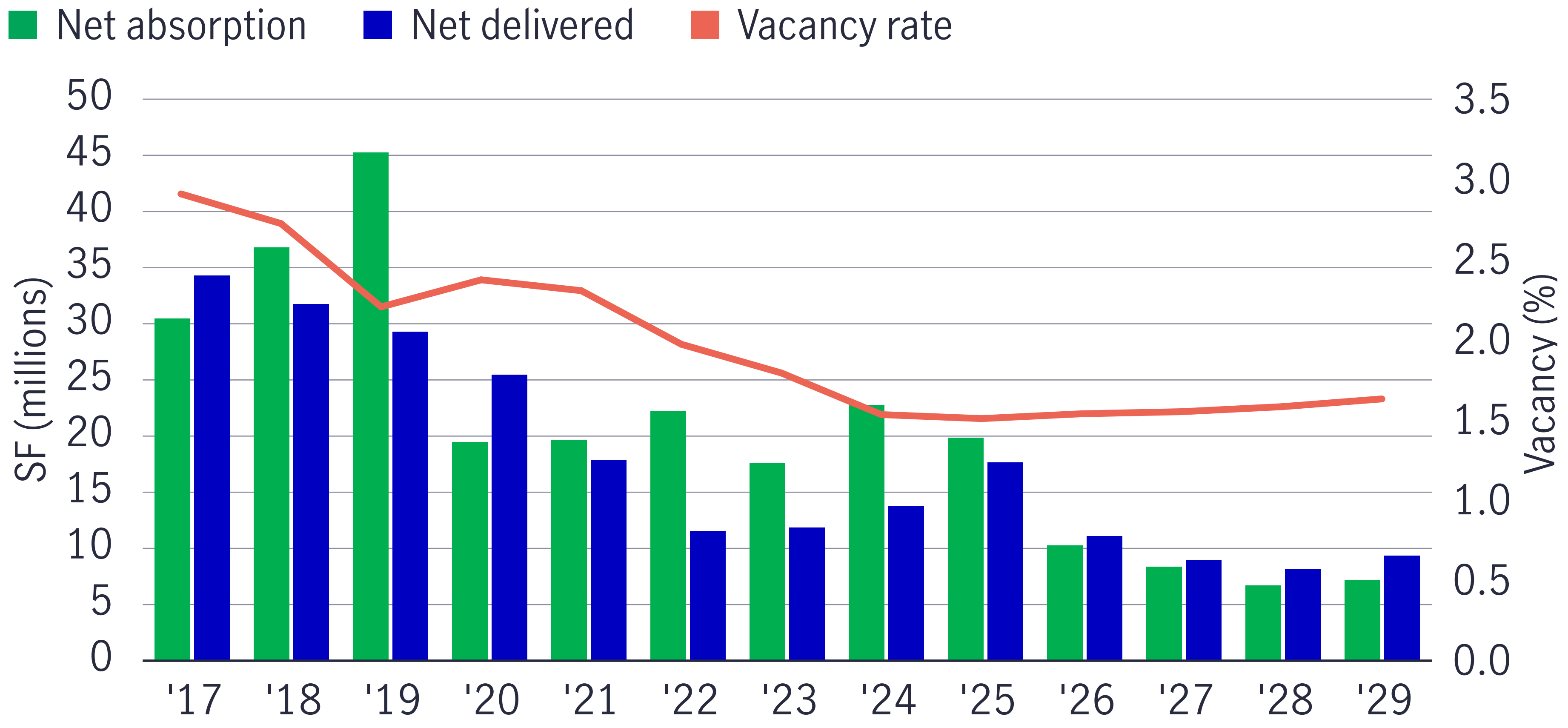
2024 Year In Review: Retail

Retail Sales YoY Change



Source: StatCan as of 3Q24.

Supply & Demand



Source: Costar as of 3Q24.

Retail market fundamentals held strong and steady through the last three months of the year. A constrained development pipeline has moved the market in favour of the landlord since the disruption of the e-commerce boom, particularly in the last few years, enabling the retail market to leverage and curate existing space to modern demand profiles.

- A sign of consistent demand, net absorption levels for the year ticked up to 5.5 MSF, helping maintain a tight 1.5% vacancy rate (all retail formats) throughout the year.[2]
- This compares to a long-term vacancy of 2.2%, and as such, is fueling asking rents to record highs.[2]
- Asking rents increased 2.8% during 2024, and though this rate of growth was slower than the strong 4.0-5.0% annual rate of growth during the last three years, it aligns with previous annual growth rates and reflects the landlord-favourable environment.
- At the close of the year, 6.6 MSF was underway, pulling back from more than 7.0 MSF delivered annually in 2022 and 2023.[2]
- This adjustment is timely, with 3.8 MSF delivered in 2024—the highest year-end level since at least 2016 since data tracking began.[2]

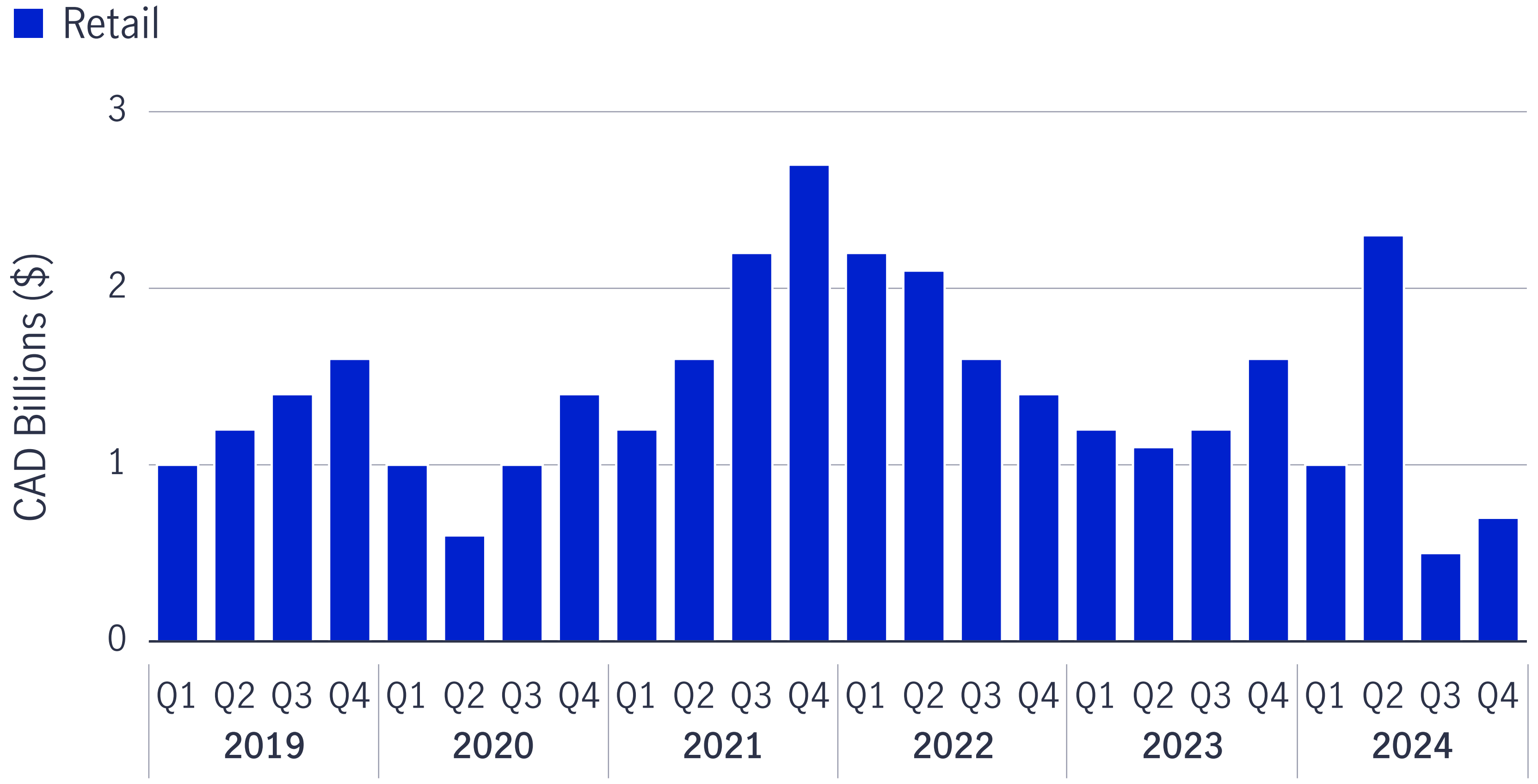
In terms of total returns, retail continues to outperform other sectors, benefitting from highly strategic development and asset management over the last few years.

- As of the 3Q24, rolling 12-month returns were 3.7%, improving 40 bps over the previous quarter, with consistently strong income returns of 5.9%, a minimal 10 bp increase.[3]
- Though capital growth was down 2.0%, this marked an improvement from -2.5% year-over-year as of 2Q24.[3]
- Returns for 3Q were positive across the board, with a 1.4% increase in income and 0.2% increase in capital, bringing the total return to 1.5%.[3]
- Against the backdrop of few years historically exceeding $1.0 B on a quarterly basis, $740 M was transacted in 4Q24, nearly doubling 3Q24 volume.[4]
- On a rolling 12-month basis, transactions were up 2.3% to $3.5 B, though just slightly below the long-term average annual trade level.[9]

2 CoStar. As of 4Q24. **3** MSCI. As of 3Q24. **4** CoStar. As of 4Q24.

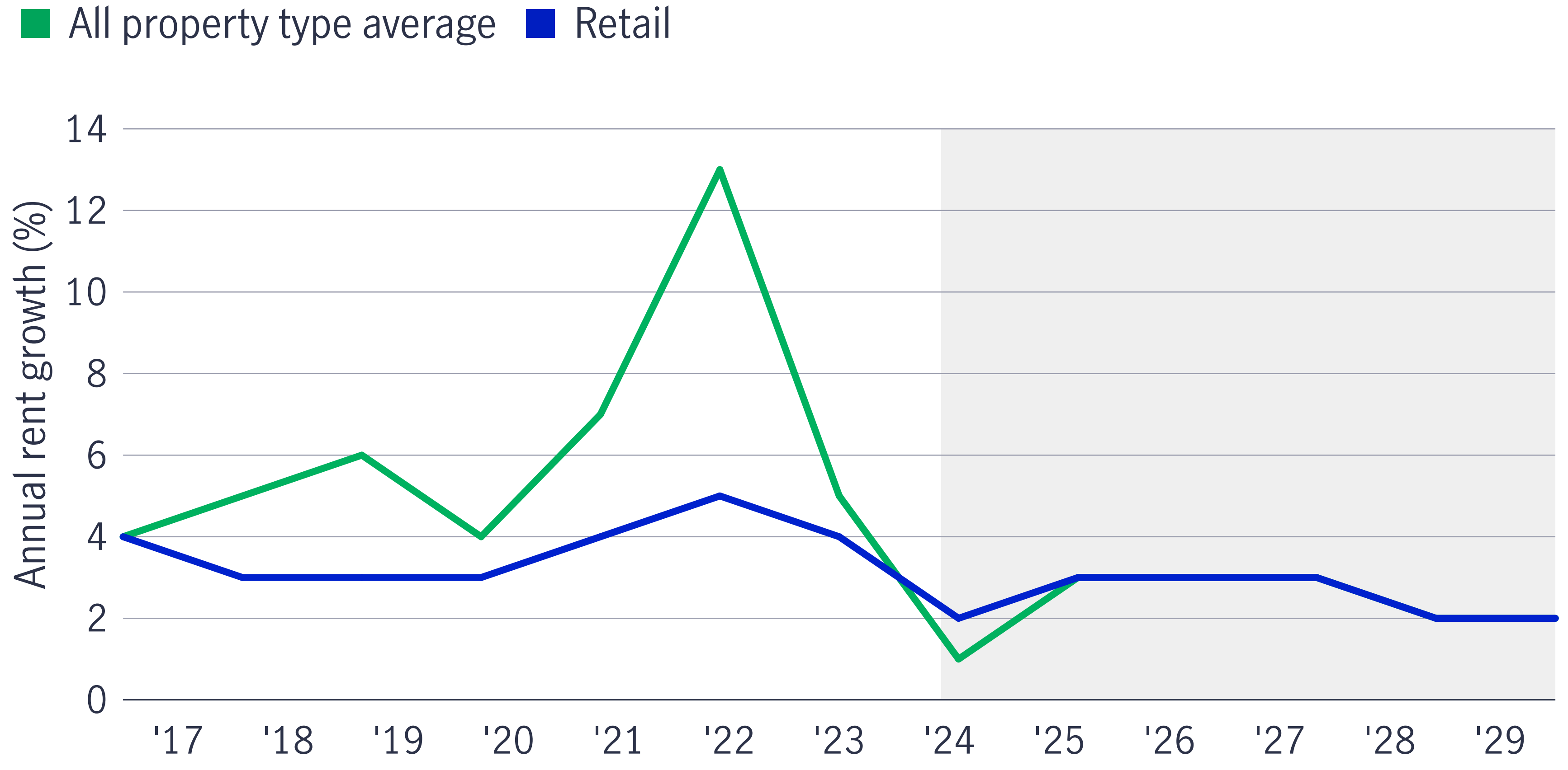
2025 Outlook: Retail

Transaction Volume



Source: Costar as of 4Q24.

Rent Growth



Source: Costar as of 3Q24.

Retail centres typically boast competitive income returns supported by current landlord leverage giving them the ability to escalate rents and, more selectively, based on percentage rents. Though the retail capital markets are historically not as active as other sectors, investment activity is holding its own, aided by more favorable returns data.

Especially as more economic headwinds may emerge during the near term with upcoming Canada and U.S. changes in government, the retail sector still offers opportunity for institutional investors. With grocer- and food-anchored centres in the spotlight, investors are targeting strategic assets that align with recent population centre growth which can be sustained even amidst the potential demographic disruption caused by immigration caps. Further, such retail centres also benefitting from services- and/or value-oriented tenancy (e.g, health services, salons, etc.) may offer a countercyclical play should there be further deterioration in the economy and labour market.

- Grocery-anchored and necessity-based retail should stay the course to outperform as consumer demand for essential goods remains steady.
- Necessity-based retail formats enjoy strong demand, while discretionary retail formats are encountering higher vacancies and slower absorption.
- The stability of retail properties, particularly in the necessity-based sector, offers a defensive investment option amid broader market volatility.
- As borrowing costs decline, investor demand for stable, income-generating assets will increase, especially in high-density markets
- Retail properties remain an attractive asset class due to their income return stability and the strong demand for necessity-based segments.
- Investor interest in open-air, necessity-driven centers remains strong, though owners are reluctant to sell, limiting the supply of available assets on the market.

Even with risks ahead, retailers who have made it through the Pandemic and have successfully shifted to omnichannel are those that institutional investors are targeting in their centres, providing further support for outsized investment returns through strategic exposure to the sector.

Big Ideas, Themes & Trends: Retail

Themes

- Valuations for competitive, grocer-anchored centres closing in on pre-pandemic levels, if not level with. Enclosed malls still have a wide valuation gap to pre-pandemic.
- Investment opportunities in grocery-anchored retail remain scarce, hindering a full recovery in transaction volume, sellers are reticent to market assets due to strong fundamentals, rent growth—particularly in open-air centers—durable cash flows, and limited supply risk.
- Large, enclosed malls, however have started to transact, primarily from large pension funds to private buyers.
- Concurrently, demographic shifts and retail reinvention strategies are reshaping investment strategies, encouraging a more nuanced approach to asset allocation. With an ongoing constrained development pipeline, investors can capitalize on resilient brick-and-mortar which remains an essential element of retailers' market reach and consumer accessibility.

Retail Sales Growth

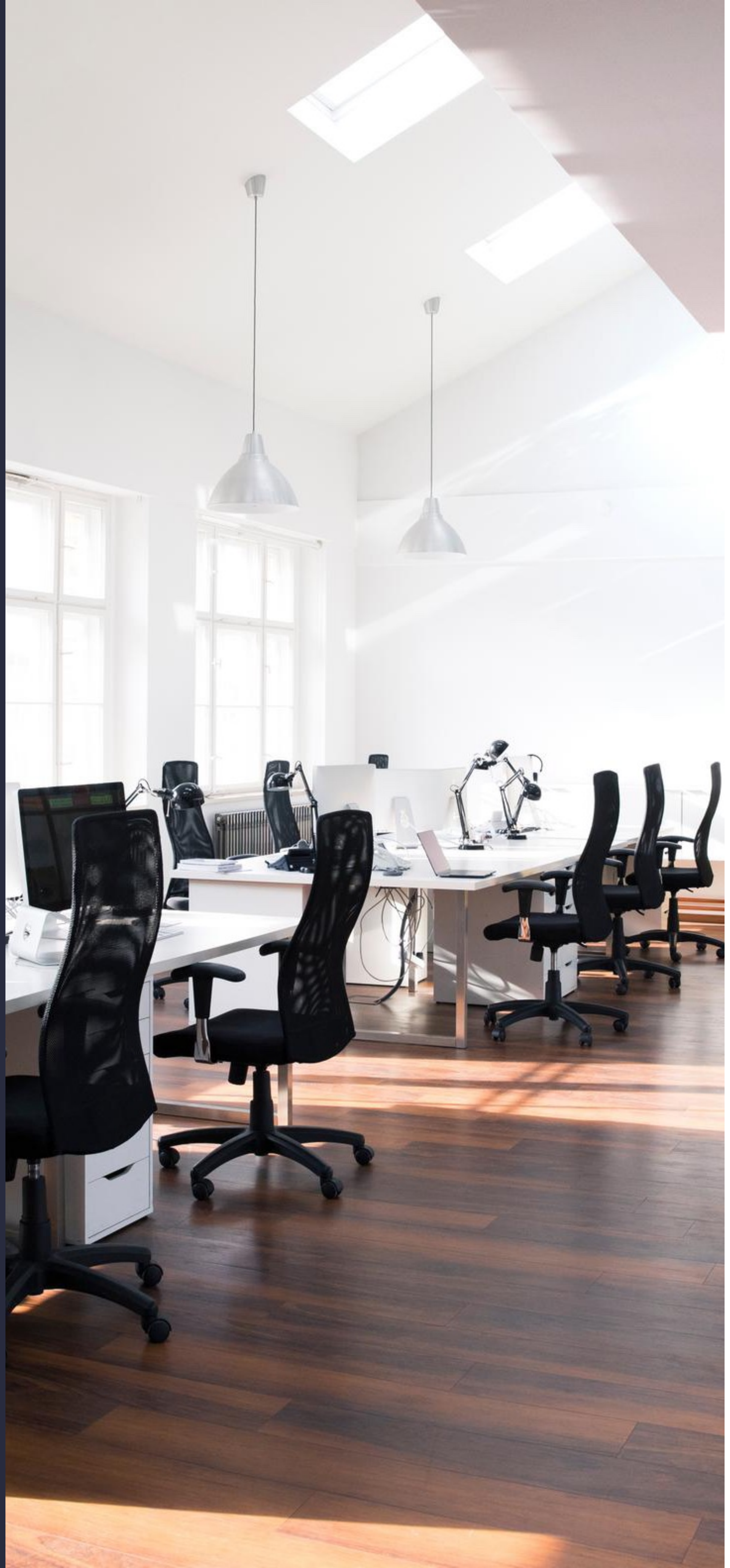
Source: Statistics Canada as of 3Q24.

Opportunities

- **Grocer anchored/necessity-based retail reigns:** Immigration driven population growth is a long-term tailwind for sustainable demand. Lack of supply will further bolster fundamentals.
- **Mixed-use development opportunities:** Integrating retail spaces with residential and entertainment areas to create vibrant, multi-functional environments will continue to boast the most demand. These mixed-use developments cater to the increasing demand for convenient, walkable communities where people can live, work, and shop in close proximity.
- **Cost of capital opening up markets:** Cap rates reset more significantly compared with other asset classes, preventing as high an instance of negative leverage. With more debt available as lenders have limited retail on their books, there is more opportunity for investors to leverage and gain strategic retail exposure and boost cash flow.

Risks

- **Immigration caps may shift population centers:** Retail in high growth areas that benefitted from immigration and high population growth may see some rebalance and potentially population declines with immigration caps on the horizon. Investors should employ caution in investing in areas saturated with newer-vintage retail, developed to meet surging demand.
- **Power center tenants are consolidating:** Footprint consolidation and downsizing of big-box retailers are resulting in closures, putting power centers at risk of tenant outflow.
- **Labor market softness:** Though payrolls are still growing, the pace is moderating, and unemployment rising, which could put pressure on discretionary consumer spending, creating some risk of retail sales at lifestyle centres and centres with less necessity-based tenancy.



Canada Office Overview

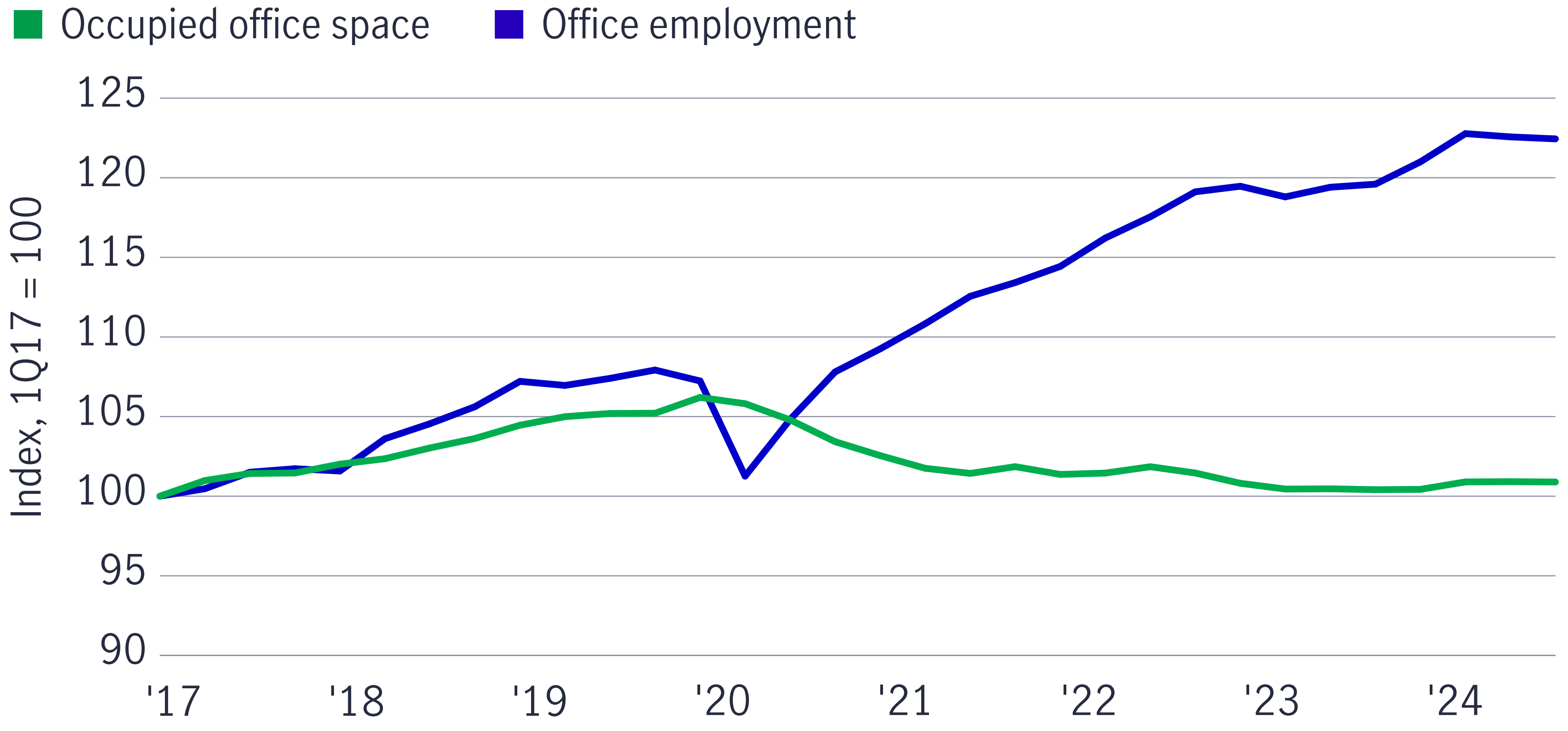
House View, Allocations & Considerations

- We are underweight Office due to continued demand erosion and persistent uncertainty in the asset class negatively impacting valuations.
- Our investment strategy is prioritizing a gradual reduction of our exposure to Canadian office real estate. We achieve this through a meticulously selective approach, focusing on a disciplined disposition pipeline and strategic asset optimization, including conversion to alternative uses.
- While reducing overall exposure, we remain attentive to very selective opportunities in burgeoning micro-markets. We target assets with best-in-class features tailored to accommodate the return-to-office trend.

Bifurcation continues to be the main theme across the Canadian office market. Overall, office market performance is weak, although select markets, locations and asset sub-types are outperforming. There is a growing performance spread between Downtown and Suburban markets that emerged at the start of 2022, largely in favour of Suburban office. Likewise, trophy assets in highly strategic locations, typically in Downtown markets, not only outperform all other classes but are also showing greater stability, if not improvement.

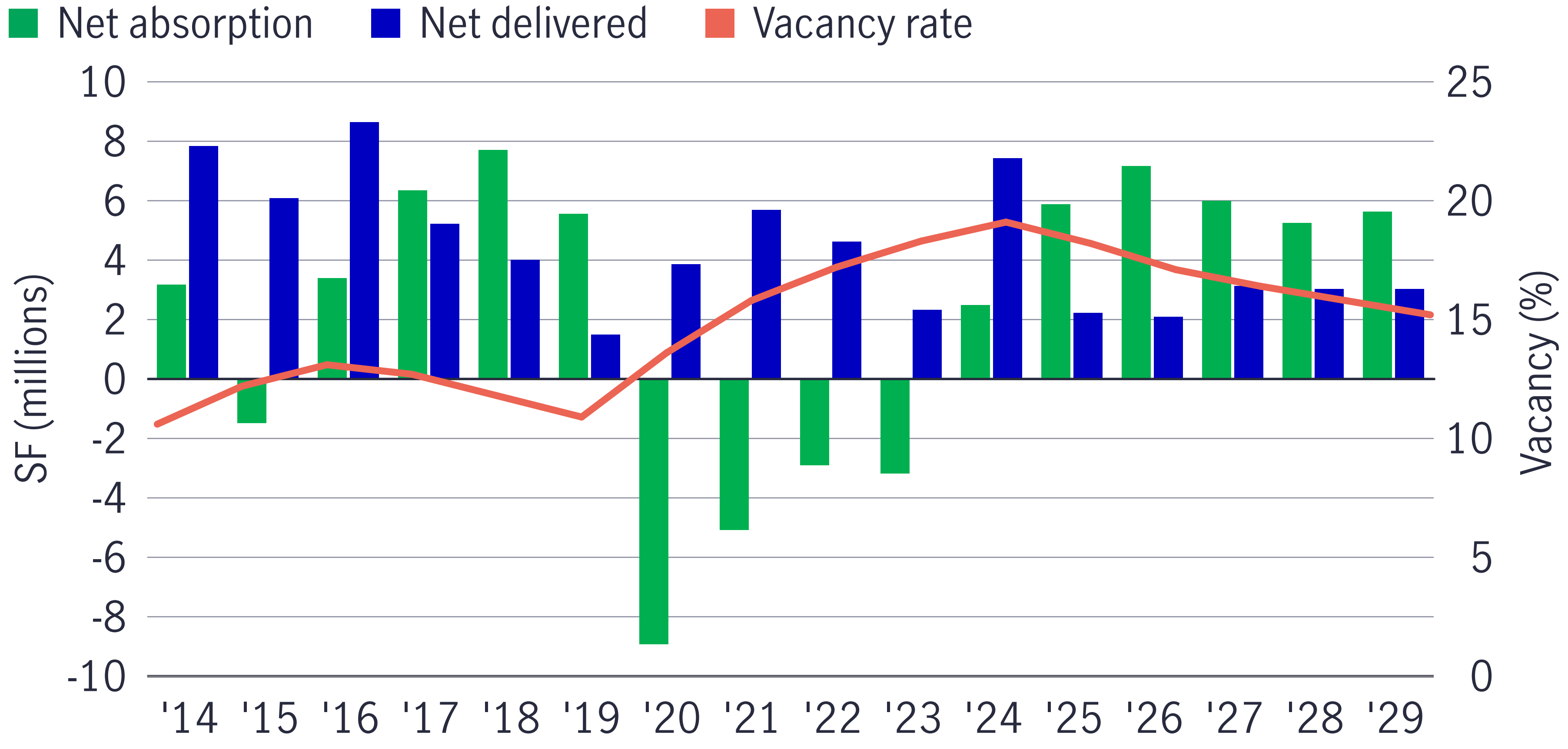
2024 Year In Review: Office

Office Space Demand vs. Office Employment



Source: CBRE, Manulife Investment Management as of 4Q24.

Supply & Demand



Source: Costar as of 3Q24.

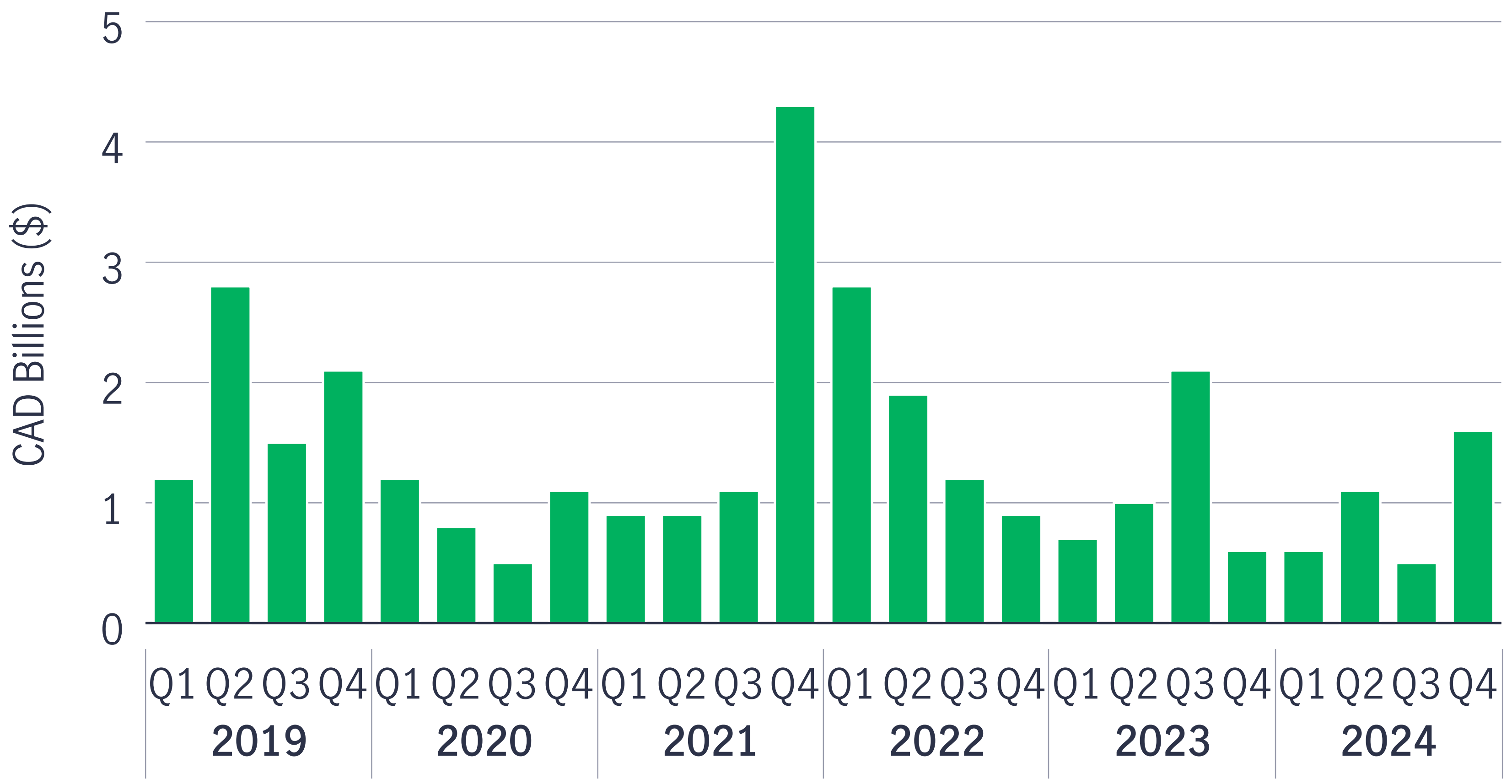
The Canadian office real estate sector continues to face significant hurdles as remote work and softening economic background reshape tenant demand. Fourth quarter operating indicators showed further deterioration overall for Canada's office market, particularly in Downtown markets.

- While overall vacancy was level at 18.7% during the quarter, this compares with 18.3% at the end of 2023, and is a historical high.[1]
- At the close of 2024, Downtown vacancy reached the 20.0% mark while Suburban vacancy was trending down at 17.2%.[1]
- Downtown Toronto and Montreal are the only exceptions, with vacancies about 200 bps lower than their suburbs, yet still well above pre-COVID levels.
- While higher vacancy may not be translating to lower overall asking rents, net effective rents are showing pressure as landlords vie for limited demand through increased concession and incentive packages.
- Overall net absorption was negative for the quarter, but was on track to reverse a negative 3 MSF of net absorption recorded in 2023, achieving 2.6 MSF of positive net absorption in 2024, notably concentrated in Downtown markets.[1]
- Completions are putting some upward pressure on vacancy, with nearly 7.0 MSF in total completed this year, the highest volume of deliveries since 2016, with just one-third pre-leased and the bulk of product delivered to Downtown markets.[1]
- With 3.4 MSF of office construction underway , Downtown construction is 2.5 times the level in Suburban markets.[1]
- Year-over-year, total returns came in at -2.2%, although this marked a slight improvement over the previous quarter, aided by a 0.9% increase in returns in 3Q24.[2]
- Valuations continue to shrink, one of many critical deterrents in the recovery. Capital growth was down 7.2% year-over-year, contracting another 0.4% in 3Q, while income returns were relatively stable at 5.3% year-over-year.[2]
- Transaction volume recorded a noticeable uptick in the 4Q, reaching $824 M, the highest quarterly level since 3Q23. However, volume for the year was down 20.9% to $2.4 B, the weakest 12-month trailing transaction volume since mid-2021.[3]

1 CBRE-EA. As of 4Q24. **2** MSCI. As of 3Q24. **3** CoStar. As of 4Q24.

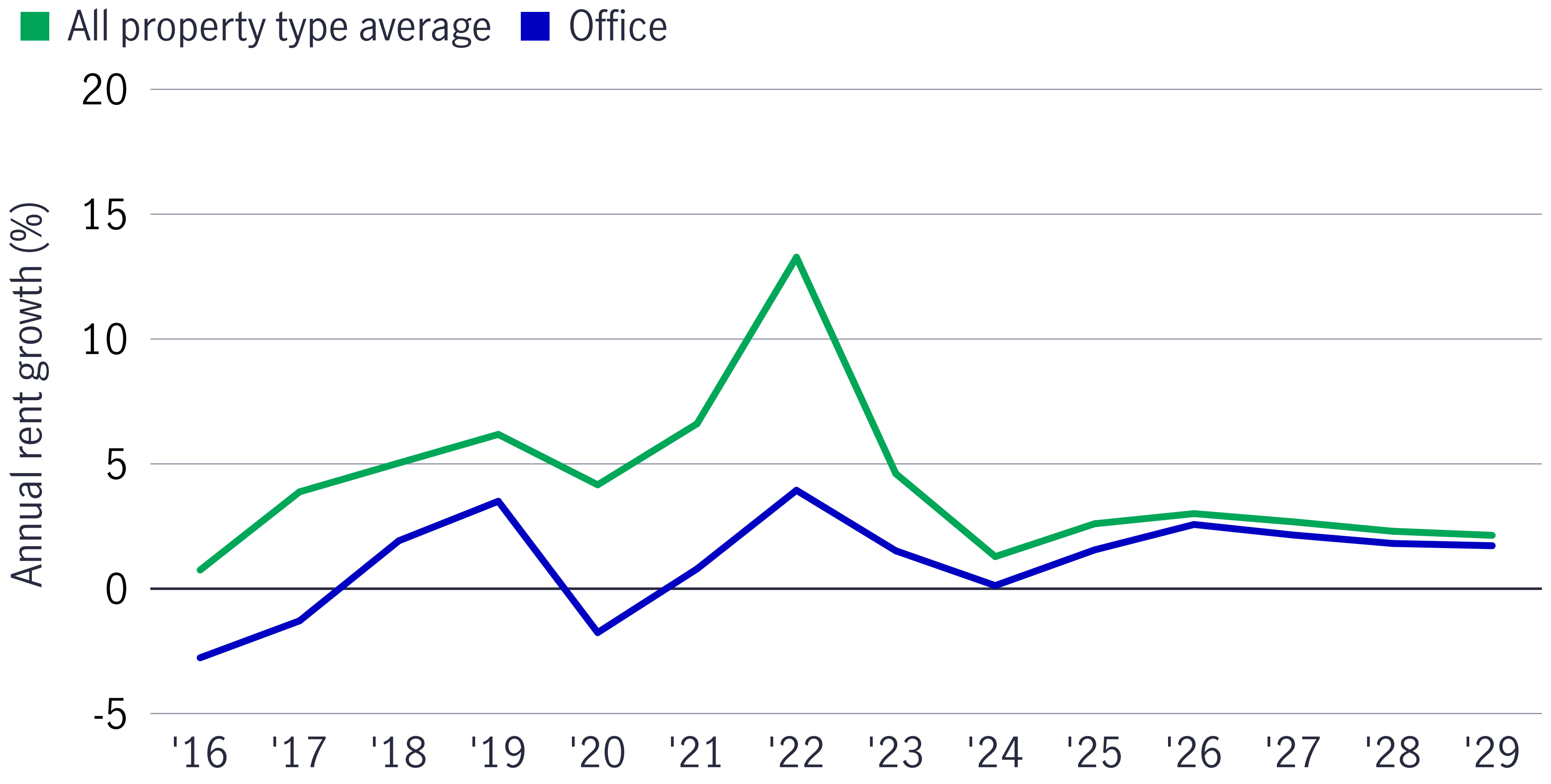
2025 Outlook: Office

Transaction Volume



Source: Costar as of 4Q24.

Rent Growth



Source: Costar as of 3Q24.

One of the key factors undermining the elusive office recovery is the long-term under-demolishment of office product, leaving a glut of obsolete commodity and outdated space flooding the market. For years, new construction outpaced both demolition activity and absorption levels, adding 66 MSF on average to inventory annually since 2000.[4]

Even minimal new supply, while critical for space upgrades, may exacerbate the already growing performance divide between Downtown and Suburban office markets, and poses heightened risk for office market recovery more broadly. Across Canada vacancy is elevated to historic highs, and with higher-quality product delivering, functional obsolescence will also intensify. Not all new product will be classified as "Trophy," and even Class A vacancy is trending in the 16-17% range. Office conversions are picking up, but not to the extent that they will offset deliveries.

- Since 2021, nearly 7.0 MSF has been converted – the same volume as completions during 2024 alone, and representing less than 2.0% of total national office inventory.[4]
- The majority of conversions (61.9%) are to residential, followed by industrial (13.0%).[4]
- Tenant demand in downtown office markets is expected to stay weak, with consolidations and cost-cutting reducing office footprints. Suburban markets may see modest leasing activity driven by smaller tenants.
- Rental growth will remain limited, with landlords offering concessions to attract tenants. Flexible lease terms will become more common as competition increases.
- Investor caution has been compounded by falling rents and higher interest rates, which have driven the rise in cap rates, particularly in downtown office markets.

The strongest headwind against reigniting the recovery may be a combination of new supply – even if minimal – and cash flow challenges, on top of labour market weakness and economic uncertainty. Not only do these factors together cloud both demand and supply-side fundamentals, they perpetuate a growing divergence between best-in-class, trophy product and commodity assets, accelerating functional obsolescence.

4 CBRE-EA. As of 4Q24.

Big Ideas, Themes & Trends: Office

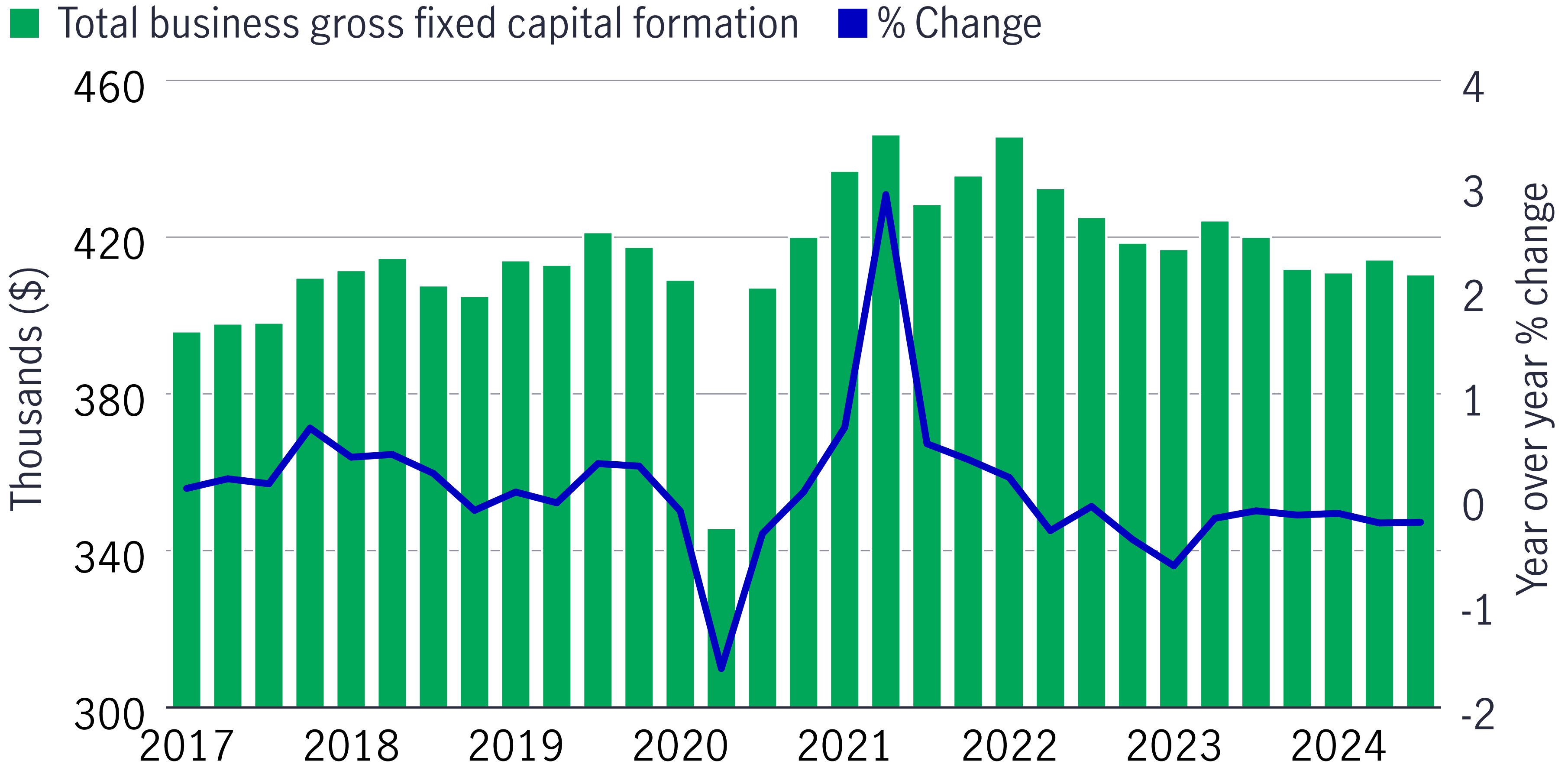
Themes

- The office market continues to struggle, particularly in downtown cores, where vacancy rates are high and tenant demand is subdued. As companies shift away from expensive urban centers, suburban markets, benefiting from affordability and accessibility, are enjoying greater leasing activity.
- While economic uncertainty and corporate cost-cutting weigh on the sector as a whole, suburban office space is positioned to outperform, driven by flexible work models and evolving tenant preferences.
- Investors will target high-quality assets with long-term leases, especially in suburban markets, where demand fundamentals are stronger.

Opportunities

- **High-quality is highest in demand:** A flight to quality continues, underscoring the preference for investment in Trophy assets in the best locations, whether in urban cores or suburban markets. Accessibility and best-in-class construction are most desirable for tenants, and as such, investors.
- **Long WALT/High Credit and Single-tenant:** Assets with long duration cash flows from credit office tenants, that can last through current office cycle offer some opportunity, especially if a single-tenant asset.
- **Return to work is returning:** Recently, several major multi-nationals have announced plans requiring 5-day in-office policies. While these mandates have indeed been slow to be enforced, more organizations are recognizing productivity loss. With unemployment on the rise, there could be more pressure felt by talent to return.

Business Growth: Fixed Capital Formation



Source: Statistics Canada as of 3Q24.

Risks

- **Business displacement:** Some businesses have following population relocating out of expensive major metros into more suburban markets, further highlighting risk to urban core office product.
- **High cost of retention:** The cost of securing tenants is escalating, even for Trophy assets, making deal making significantly more expensive and challenging. Assets with multiple, smaller sized tenants are likely to be more cash-flow challenged due to frequent lease roll and turnover.
- **Capital investment for sustainability:** Significant capital investment is required to upgrade buildings for de-carbonization and sustainability regulations, increasing overall expenses, particularly challenging for older vintage buildings.
- **Lender appetite is weak:** Beyond the high cost of financing, the availability of financing is extremely limited, and characterized by low LTVs, high spreads and recourse, complicating refinancing.

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ESG Integration and Engagement

Any ESG-related case studies shown here are for illustrative purposes only, do not represent all of the investments made, sold, or recommended for client accounts, and should not be considered an indication of the ESG integration, performance, or characteristics of any current or future Manulife Investment Management product or investment strategy.

Manulife Investment Management conducts ESG engagements with issuers but does not engage on all issues, or with all issuers, in our portfolios. We also frequently conduct collaborative engagements in which we do not set the terms of engagement but lend our support in order to achieve a desired outcome. Where we own and operate physical assets, we seek to weave sustainability into our operational strategies and execution. The relevant case studies shown are illustrative of different types of engagements across our in-house investment teams, asset classes and geographies in which we operate. While we conduct outcome-based engagements to enhance long term-financial value for our clients, we recognize that our engagements may not necessarily result in outcomes which are significant or quantifiable. In addition, we acknowledge that any observed outcomes may be attributable to factors and influences independent of our engagement activities.

We consider that the integration of sustainability risks in the decision-making process is an important element in determining long-term performance outcomes and is an effective risk mitigation technique. Our approach to sustainability provides a flexible framework that supports implementation across different asset classes and investment teams. While we believe that sustainable investing will lead to better long-term investment outcomes, there is no guarantee that sustainable investing will ensure better returns in the longer term. In particular, by limiting the range of investable assets through the exclusionary framework, positive screening and thematic investment, we may forego the opportunity to invest in an investment which we otherwise believe likely to outperform over time. Please see our ESG policies for details

PM-51400 EN 2/25