



Why invest in real estate?

December 2025
Manulife IM Real Estate
Research & Strategy

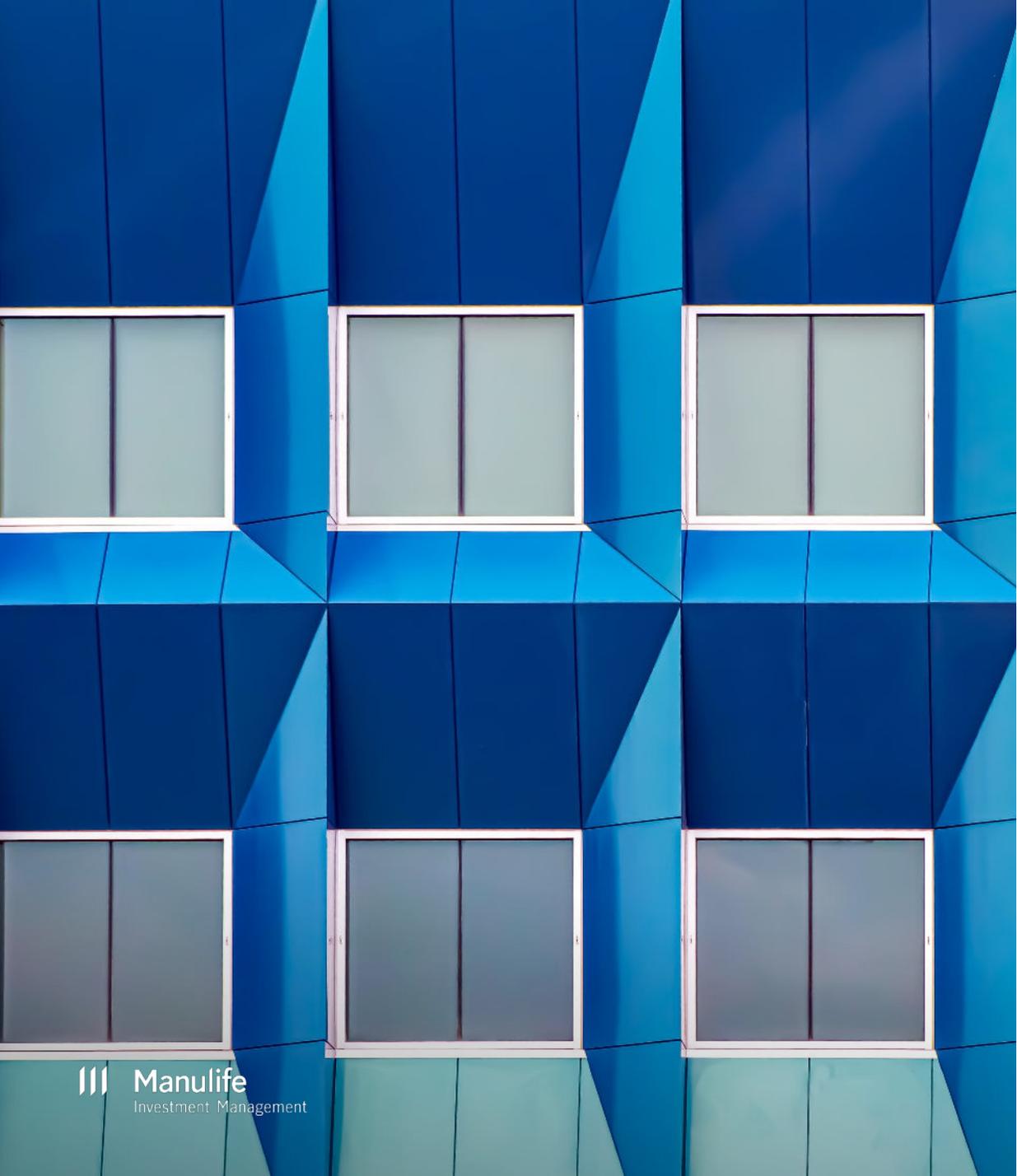


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Why invest in real estate? **North America**



Why commercial real estate (CRE)?

CRE is a tangible asset class that balances income, growth, and risk mitigation and should be a core pillar of both institutional and private portfolios

Inflation hedge

CRE can serve as an inflation hedge as property values and rental income tend to increase with inflation, unlike traditional fixed-income assets which struggle to keep pace with inflation.¹

Multi-asset portfolio diversification

CRE has a low—and sometimes negative—correlation with other major asset classes, meaning its inclusion in a diversified multi-asset portfolio can reduce volatility and improve risk-adjusted returns.

Use of leverage

Leverage in CRE enhances capital efficiency and can amplify returns, making it a powerful tool for investors seeking to optimize performance and expand portfolio opportunities.

Dual sources of return

Real estate provides two complementary return drivers: steady income growth from rents and long-term appreciation potential from rising property values.

Value creation

Investment in a tangible asset offers a unique ability to actively influence performance and create value through property improvements, operational efficiencies, and strategic repositioning, capturing value beyond market-driven growth.

Diversification & targeted exposure

Bespoke market and industry exposure through different geographic locations, property types, tenancy and market segments can provide diversification and targeted exposure.

Tax benefits

CRE can provide tax breaks and deductions such as depreciation deductions and the ability to defer capital gains through like-kind exchanges.

Branding & visibility

Through choosing strategic locations and unique architecture, CRE can enhance brand visibility and create a lasting impact on the community.

¹ Forbes, "Recession-Proof Industries to pump up your portfolio" Real Estate Research Institute as of November 2022.

Diversification benefits

Real estate offers important diversification benefits across a multi-asset portfolio and within the real estate sector itself

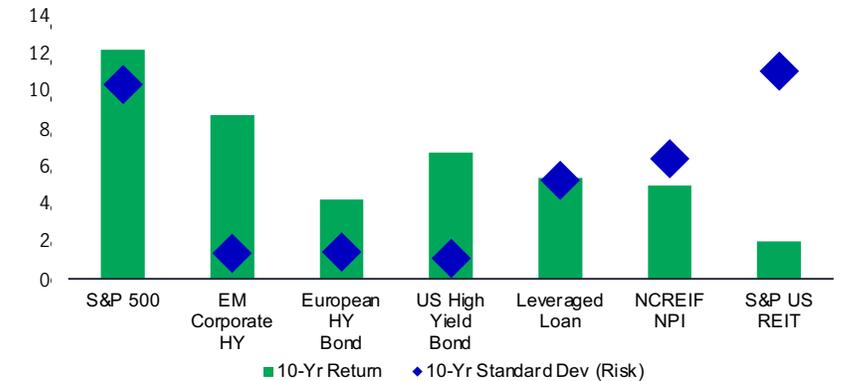
- CRE offers **diversification benefits** with low and sometimes negative correlations with other asset classes, reducing volatility and improving risk-adjusted returns.
- Diversification across property types and markets within CRE enhances income stream durability through downturns, cushions portfolios against equity drawdowns and rate volatility, provides **resiliency, and serves as an inflation hedge.**
- The concept of core real estate is evolving, as new demand drivers like AI, technology, and demographic shifts **expand real estate investment beyond traditional sectors into alternatives.**

We tailor allocations toward specific industries, tenants and secular trends, balancing long-term, tenant-driven income streams to capture alpha.

Source: NAREIT Alternatives include Health Care (Life Science, Medical Office), Data Centers, Self Storage, Manufactured Housing, and Single-Family Rental. NPI Alternatives include Life Science, Medical Office, Data Centers, Operating Land, Manufactured Housing, Single-Family Rental and Student Housing. Note: Past performance is not an indication of future results. Top Chart: Bloomberg, Corporate Direct Lending - Bloomberg US Leveraged Loan Index, U.S. High Yield Corporates - Bloomberg US Corporate High Yield Total Return Index, Real Estate Credit - Treasuries - Bloomberg US Corporate Total Return Value Unhedged USD Index, Real Estate Equity - FTSE Nareit All Equity REITs, CMBS - Bloomberg CMBS Investment Grade Total Return Index Value, Corporate Bonds - Federal Reserve Economic Data, Investment Grade Bonds - US Agg Total Return Value Unhedged US Aggregate Bond Index as of July 2025. Bottom Chart: 1 NPI Alternatives include Life Science, Medical Office, Data Centers, Operating Land, Manufactured Housing, Single-Family Rental and Student Housing. as of December 2024.

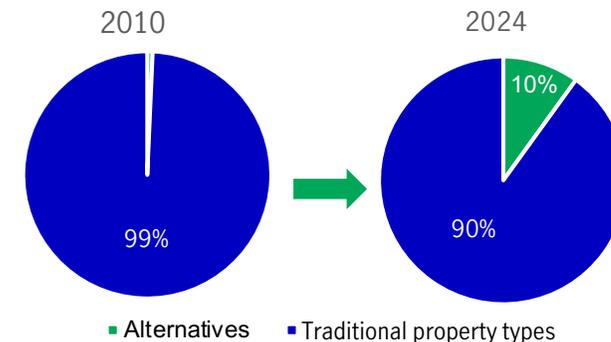
Risk-return performance of select indices (return %)

Historically lower volatility than equities. NCREIF NPI annual volatility of 6.6% vs. 10.7% for S&P 500



Allocation to alternative real estate sectors

NPI alternatives are up from 1% in 2010 to 10% in 2024



Value creation and control

Core real estate delivers stability, visibility, and opportunities to unlock growth

- Prime CRE assets **reinforce corporate visibility** and maintain stronger tenant demand across cycles, helping **stabilize income** during volatile macro environments.
- Unlike passive asset classes, active management allows investors to **directly impact value** through modernization, operational improvements, and targeted capital programs.
- Hands-on asset management bridges the gap between in-place product and modern expectations, supporting net operating income (NOI) growth, retention, and long-term appreciation, allowing investors to **manage risk dynamically**.
- On-the-ground operating expertise **enhances decision-making**, especially as markets diverge and policy shifts impact local performance.

Prime real estate offers durable income, deep tenant demand, and opportunities for long-term value creation.

Source: Manulife Investment Management as of September 2025.

John Hancock Tower



Boston's tallest skyscraper still boasts the "Hancock Tower" name despite being owned by another operator since 2010, reinforcing John Hancock corporate identity and prestige.

Memorial Hills, Houston multifamily



Purchased below replacement cost and repositioned to Class A, NOI growth was enhanced through rent resets, amenity upgrades, and tenant retention programs.

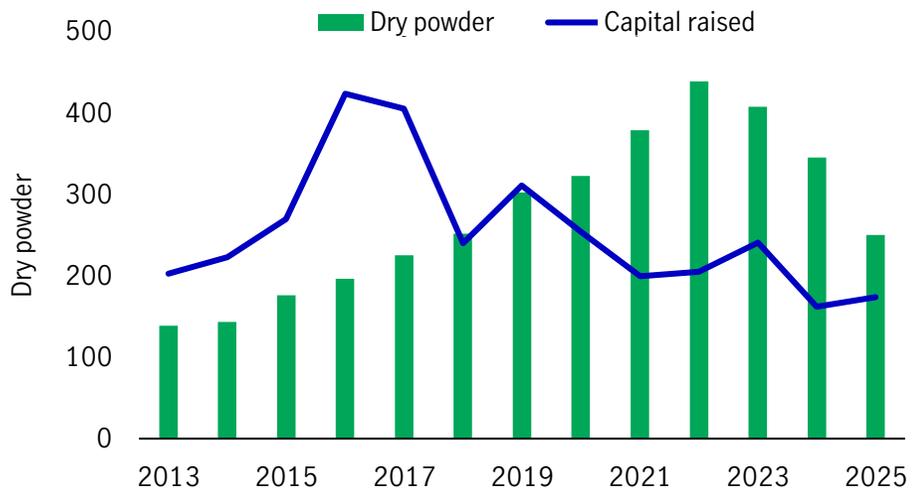
Opportunity for renewed private real estate investment

Greater rate clarity and more manageable financing costs are increasing investor confidence and efficiency, reigniting the capital markets

- Abundant dry powder, growing debt availability, a growing maturity wall, and a pricing reset create **an attractive entry window for investors**.
- Fundraising momentum signals **long-term conviction** in real assets despite short-term volatility.
- Capital formation trends suggest **ample room for growth** as markets stabilize and pricing adjusts.

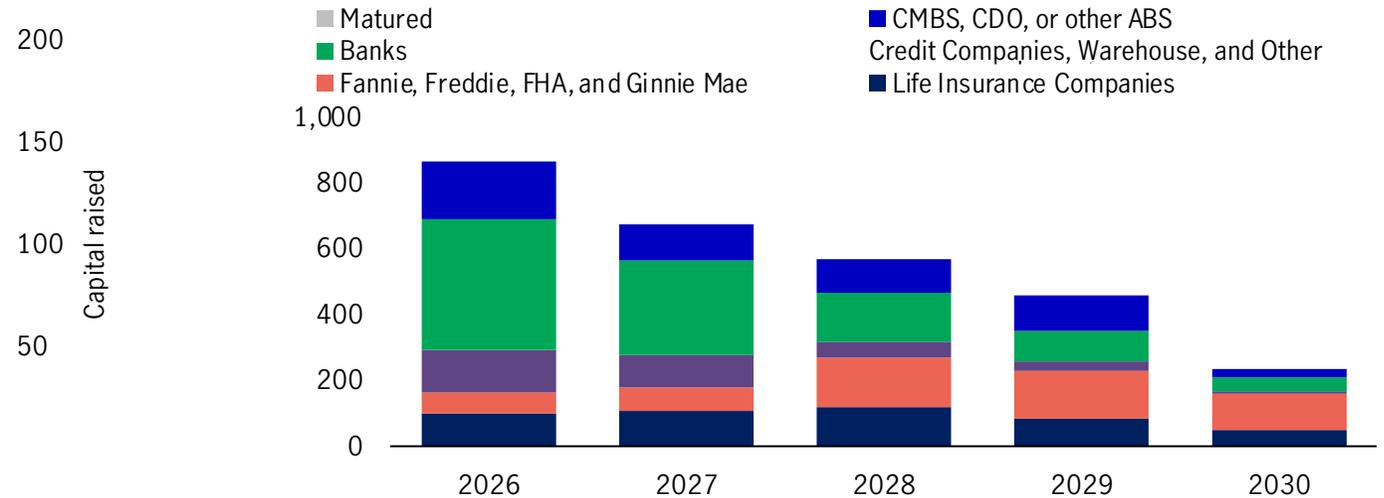
2026 is shaping up to be a strong transaction year for levered and unlevered buyers of private real estate.

North America RE dry powder and capital raised (\$ billions)



Source: Preqin as of December 2025.

\$2.8 trillion CRE loan maturity wall (\$ billions)



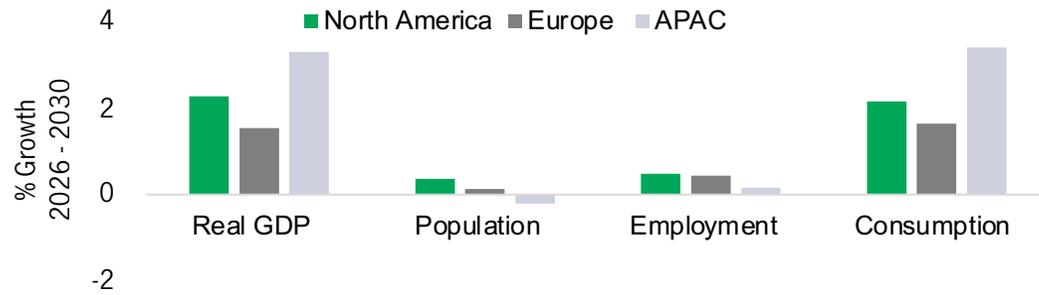
Source: Mortgage Bankers Association and MIM Real Estate Research as of October 2025.

Why invest in North America?

North America remains the world's most transparent, liquid, and institutionally preferred real estate market

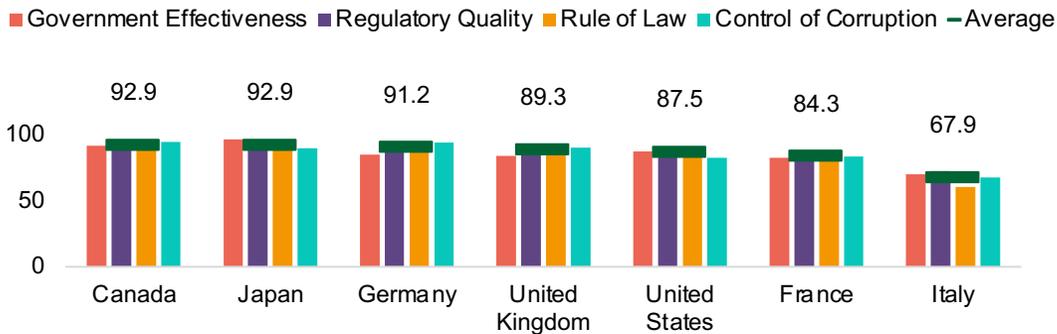
Macroeconomic fundamentals annual growth forecasts

North America is forecasted to lead population and employment growth in the next 5 years, fueling consumption and GDP growth



Source: International Monetary Fund as of October 2025.

2024 worldwide governance indicators ranked on average percentile



Source: World Bank Group as of December 2025. Note: 2024 is the latest available data.

- North America offers deep liquidity and transparent pricing, which helps **global capital deploy at scale** despite market uncertainty.
- **Diverse economic engines** (technology, healthcare, logistics, and consumer) reinforce long-term demand for core real estate.
- U.S. and Canada consistently rank among the **most transparent and regulated CRE markets globally**, reducing legal and operational risk.
- North American RE exposure can **anchor portfolio stability amid global economic volatility**.
- Predictable legal and governance frameworks **reduce regulatory risk** for long-duration investors.

Investors aiming to mitigate risk and achieve scale are drawn to North America's unmatched combination of resilient fundamentals, deep liquidity, and market transparency

Why invest in real estate? United States

Why invest in the United States

Unmatched scale, stability, and innovation position U.S. real estate as the cornerstone of global investment strategies

Transparent markets backed by strong protections

The U.S. offers one of the most transparent real estate markets with robust legal frameworks and strong property rights protections that safeguard investor interests.



Governance & transparency

The deepest and most liquid real estate market in the world

With a wide range of asset classes, high transaction volumes and a deep buyer pool, institutions can deploy and recycle capital with ease.



Liquidity requirements

Positioned to thrive amid global shifts

A diversified economy and leadership in technology and infrastructure position the U.S. to adapt and thrive as demographic, technological, geopolitical, and climate forces shape the next decade.



Future-proofing

Economic resilience, growth, and stability

Enduring demand through economic growth and innovation is coupled with the stability of dollar-based investments in the world's reserve currency.



Risk-return objectives

Broad geographic and sector diversification potential

Over 380 metro areas and the growing presence of alternative real estate sectors provide a broad opportunity set for investors, enhancing diversification and the ability to scale.



Scalability & deployment

Why U.S.—unmatched scale and resilience

Scale and strength that attract global capital and reinforce economic stability

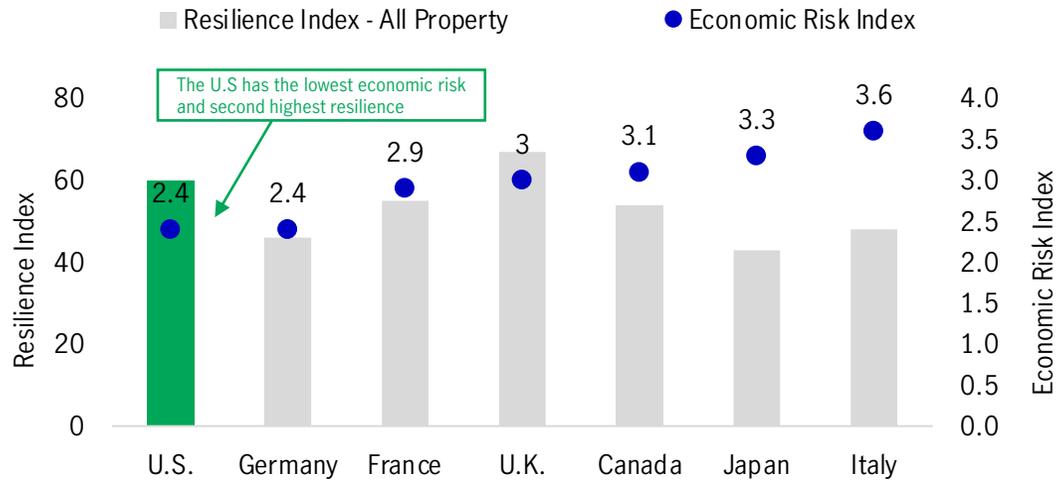
The U.S. economy benefits from a **large and diverse advanced economy that provides low economic risk and high resilience**, particularly across fundamental secular forces, demographics, technology, geopolitics and climate, which will shape the next decade.

Durable population and economic growth, supported by robust labor markets and productivity, drive sustained real estate demand.

As the world’s largest CRE market, a **deep buyer pool and robust capital markets** enable efficient entry and exit, even in volatile cycles.

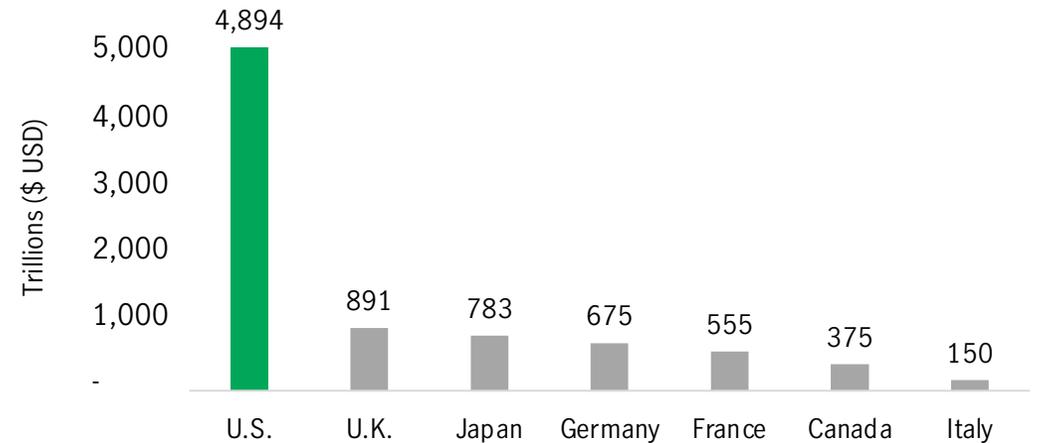
For over a decade, the U.S. has ranked as the top market for foreign direct investment confidence—driven by technological innovation and economic strength, generating a continuous flow of investment that strengthens the broader economy and real estate markets.¹

Risk & CRE Megatrend Resilience Index



Source: Oxford Economics as of December 2024 (latest available).

Commercial real estate market size—G7



Source: Morgan Stanley Capital International “MSCI” Real Estate Market Size Report as of December 2024.

¹ “World at inflection: The 2025 FDI Confidence Index.” Kearney, as of April 2025.

Why U.S.—demographic shifts drive a range of opportunities

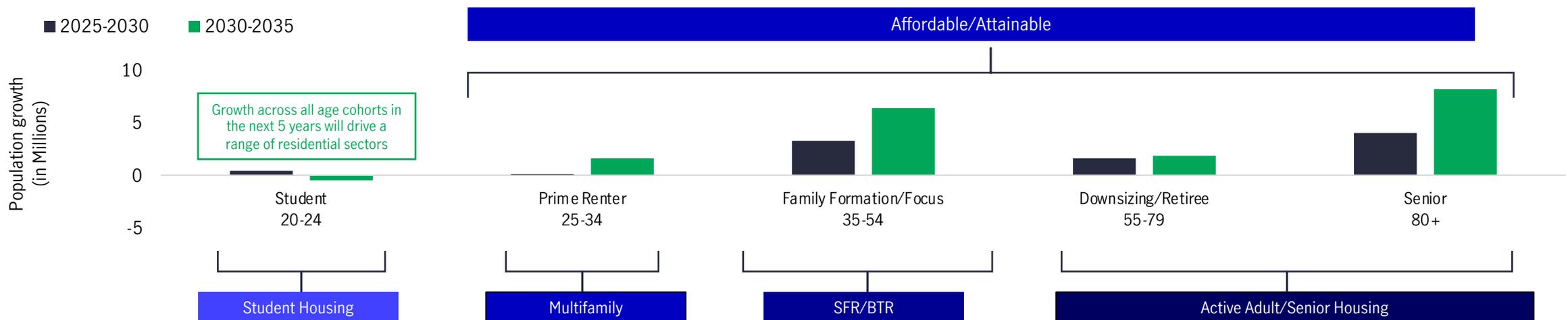
Aging and evolving generational preferences are reshaping real estate demand

Long-term demographics support sustained demand for real estate and create new opportunity for the built environment to respond, with particularly compelling drivers in the living sectors.

Evolving migration patterns are shifting demand toward high-growth Sunbelt and secondary markets with strong employment pipelines, anchoring new population centers and reshaping demand across regions.

Shifting generational preferences influenced by lifestyle choices and household formation are redefining how and where people live, work, and play.

Population growth by cohort and primary living sector demanded



Source: Oxford Economics as of July 2025.

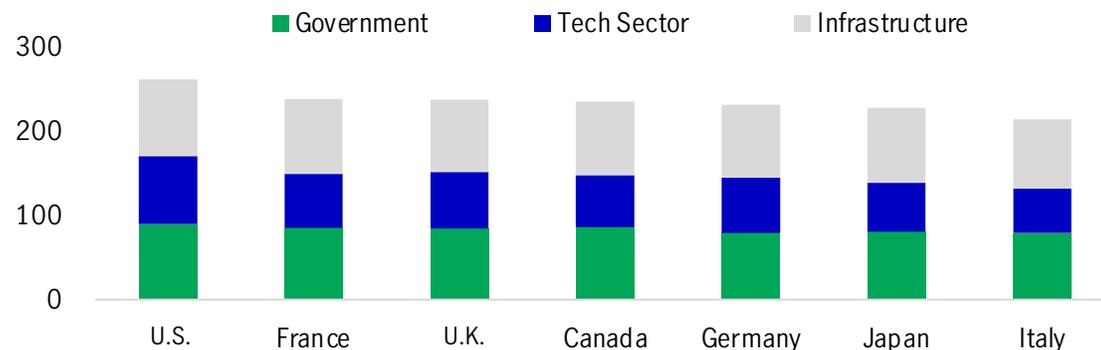
Why the U.S.—workforce and infrastructure ready for the future

Innovation, digital infrastructure, and AI readiness strengthen the United States' competitive edge

AI readiness leadership propels the U.S. to the forefront of global innovation, driving long-term economic growth and competitiveness as digitalization and infrastructure investments boost productivity and reshape industries.

The AI readiness index measures AI adoption and scaling across three dimensions: Government (vision and ethics), Tech Sector (industry maturity and innovation), and Data and Infrastructure (AI infrastructure and data quality).

Government AI Readiness Index – G7

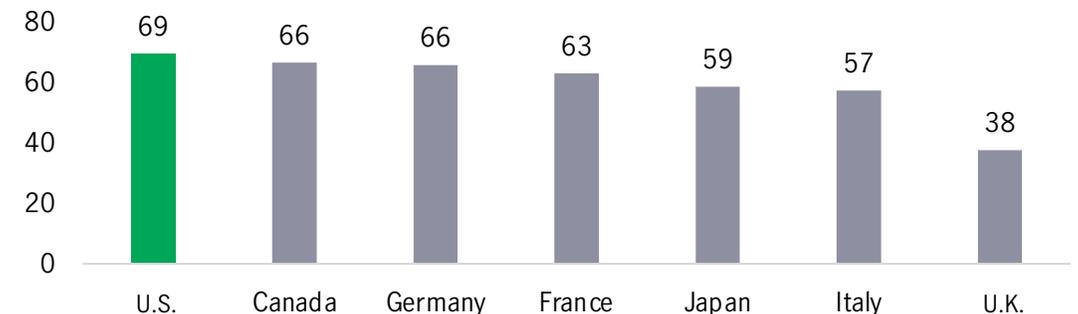


Source: Oxford Insights as of December 2024 (latest available).

As the top G7 nation for global talent competitiveness, the U.S. excels in attracting, growing, and retaining skilled talent, crucial for innovation and economic leadership in the AI era. It performs particularly well in enabling and growing talent and in vocational and technical skills.

The Global Talent Competitiveness Index assesses how countries enable, attract, grow, and retain talent, vital for economic growth, innovation, and productivity, now including AI adoption, workforce resilience, and employee wellbeing.

Global Talent Competitiveness Index – G7



Source: European Institute of Business Administration "INSEAD" Global Talent Competitiveness Index 2025 Report.

Why U.S.—strong return premium potential and transparency

The U.S. combines attractive return premium potential with strong transparency and liquidity, offering compelling risk-adjusted returns and more efficient capital deployment

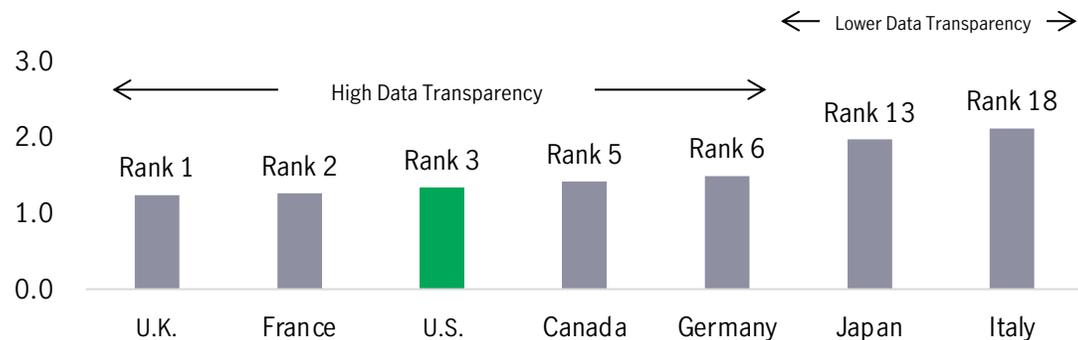
The U.S. stands out as one of the most transparent RE markets, boosting investor confidence and liquidity through strong legal frameworks and property rights protections.

Data transparency is crucial for informed decisions and efficient capital deployment. High market transparency offers reliable information, reducing uncertainty and transaction risk, enabling faster underwriting, better pricing accuracy, and greater scalability for institutional capital.

The U.S. offers a high return premium, with stronger fundamentals like higher yields, favorable growth prospects, and lower perceived risk, making its real estate more attractive globally.

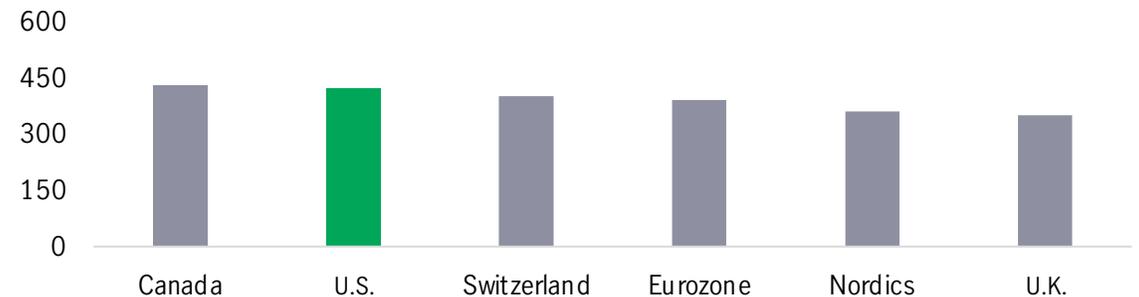
The return premium, indicating market attractiveness, shows the extra yield from real estate over the 10-year swap rate. Higher premiums suggest stronger relative value and better risk-adjusted returns.

G7 CRE Data Transparency Score (lower score = favorable)



Source: Jones Lange Lasalle “JLL”, Global Real Estate Transparency Index as of December 2024 (latest available).

Commercial Real Estate market size—G7



Source: Green Street as of November 2025 (latest available). This forecast does not necessarily reflect the views of Manulife Investment Management Real Estate Research and Strategy.

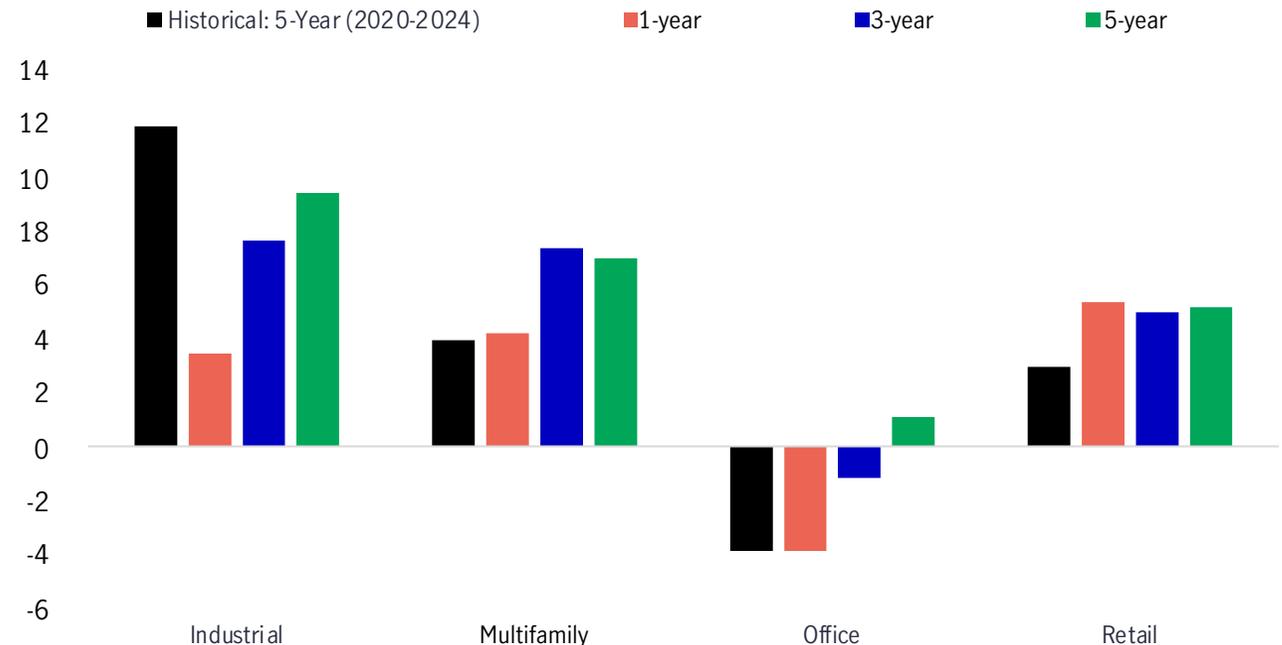
U.S. outlook

A new liquidity cycle is emerging though volatility and risks remain under close watch

- A reset basis, liquid lending markets, and ample dry powder set the stage for a **new liquidity cycle**.
- The opportunity for an **early mover advantage** presents given recent market dislocation, as new investments have historically outperformed existing investments.
- Market repricing and slower development create **attractive entry points**.
- Looking ahead, the capital markets hinge on the **careful balancing of inflation and economic growth** which will continue to dictate the direction of interest rates and influence capital availability.
- Any major labor market dislocation could cascade into demand volatility across all real estate sectors.
- Amid macroeconomic uncertainty, **growing allocations to alternatives** may gain momentum, supported by their counter-cyclical qualities that stabilize cash flows.

Forecasted annualized returns by property type (%)

Performance is expected to pick up over the next 5 years for all sectors while Industrial continues to exhibit the highest level of overall returns.



Source: Manulife Investment Management as of December 2025.

Why invest in real estate? Canada

Why Canada

Executive summary

Canada's structural strengths and forward-looking fundamentals position the country as a desirable destination for global capital deployment

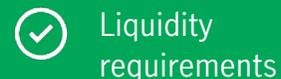
A stable, transparent market built on world-class governance

Ranks first among G7 nations for governance and top globally for data transparency, providing investors with confidence, clarity, and reduced execution risk.



A large, active, and liquid market offering superior risk-adjusted returns

Combines deep market liquidity with the highest return premiums globally, creating a market that's both active and attractively priced for long-term capital deployment.



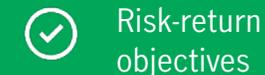
Future-ready economy powered by Talent and AI Readiness Innovation

Leadership position in global talent and AI readiness allows Canada to be a competitive and forward-looking market aligned with transformative megatrends shaping real estate.



Balanced growth outlook that supports predictable returns

Offers sustainable population and GDP growth combined with CRE structural resilience, reducing volatility and enabling scalable, long-term investment strategies.



Expanding investable universe through alternatives and secondary markets

Growing presence in alternative sectors combined with the rise of dynamic secondary markets broaden the opportunity set for investors, enhance diversification, unlock new sources of yield, and support scalable strategies beyond traditional core assets.



Why Canada—governance and strong data transparency

Leading governance standards and exceptional data transparency drive investor confidence, enabling scalable growth

Governance scores are widely recognized benchmarks for assessing the strength and reliability of governance frameworks across nations.

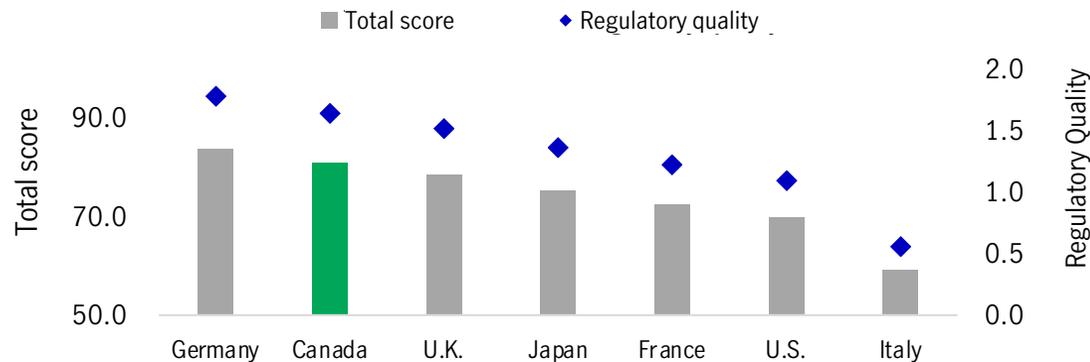
Higher scores are preferred by investors as they indicate better stability, transparency, predictability, and reduced risk.

Canada ranks second among G7 countries, underscoring its trusted governance environment, which translates to attractiveness for global capital and institutional market participation.

Data transparency informs decision making and efficient capital deployment. High market transparency reduces investor uncertainty and transaction risk, improving underwriting, pricing accuracy, and scalability for institutional capital.

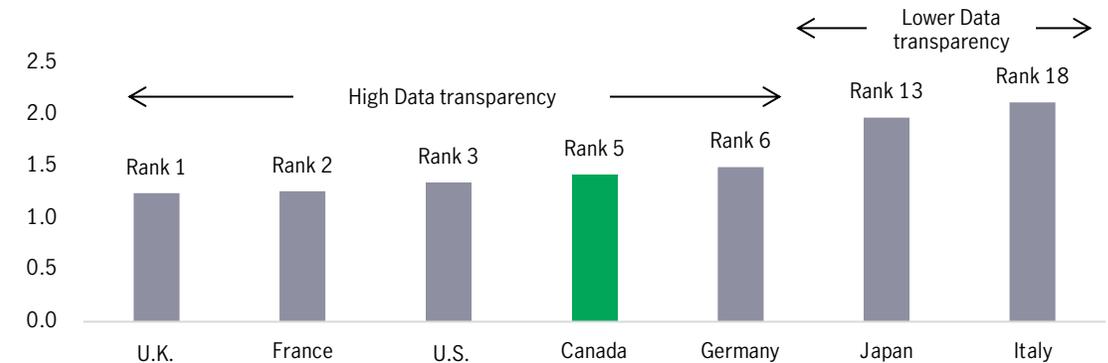
Canada's top 5 position reinforces its reputation as a market where transparency supports investor confidence and long-term portfolio expansion.

G7 Governance total score (higher score = favorable)



Source: World Bank Group as of December 2024. Scores include regulatory quality, government effectiveness, political stability, absence of violence, voice/accountability, rule of law and control of corruption.

G7 CRE Data transparency score (lower score = favorable)



Source: Jones Lange Lasalle “JLL”, Global Real Estate Transparency Index as of December 2024 (latest available).

Why Canada—highly liquid market and strong market premium

The combination of deep market liquidity and top-tier return premiums reinforces Canada’s global position as a market of strong relative value, resilience, and growth potential

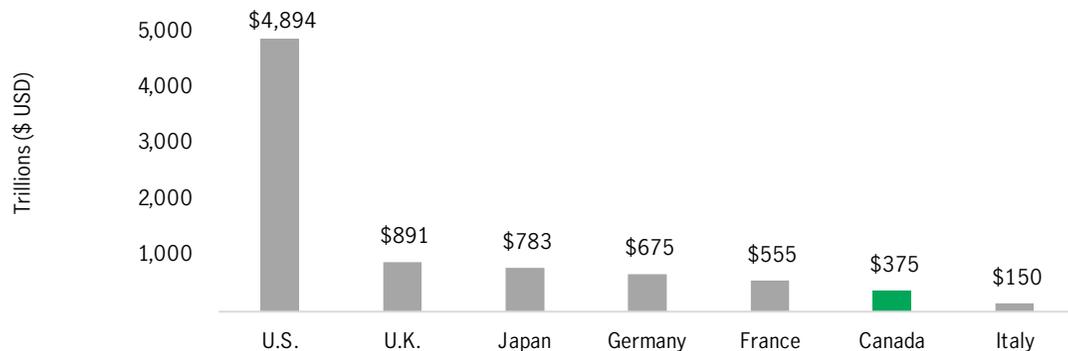
Canada stands out as one of the few G7 markets showing minimal net change amid global headwinds, underscoring its resilience. The stability generates stronger investor confidence and relatively sustained transaction levels, creating an efficient capital markets and better entry and exit opportunities.

Canada’s **resilience positions it as an attractive destination** for capital that is seeking stability, consistency and liquidity.

The return premium reflects the additional yield investors can expect from real estate relative to the 10-year swap rate, serving as a key indicator of market attractiveness. Higher premiums signal stronger relative value and more compelling risk-adjusted returns.

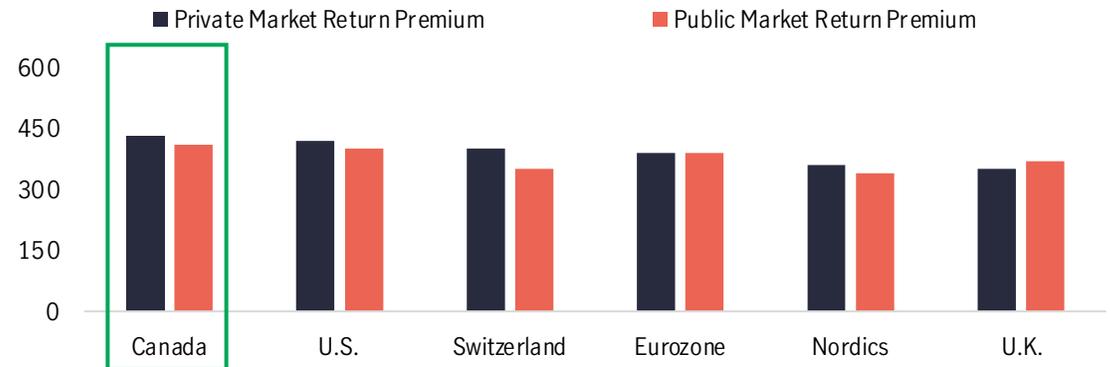
Canada stands out as a top-ranked market across both private and public real estate sectors, offering the highest return premium among major global regions. This underscores Canada’s ability to deliver superior income potential while maintaining stability, making it appealing for capital seeking resilience, consistent performance and long-term growth opportunities.

Commercial Real Estate Market Size – G7



Source: Morgan Stanley Capital International “MSCI” Real Estate Market Size Report as of December 2024.

Major Global Regions Private & Public Market Return Premium



Source: Green Street as of November 2025 (latest available).

Why Canada—exceptional talent & future-ready innovation

Global leadership in talent and AI readiness provides a strong foundation for future competitiveness, offering investors a strategic edge in unlocking scalable returns

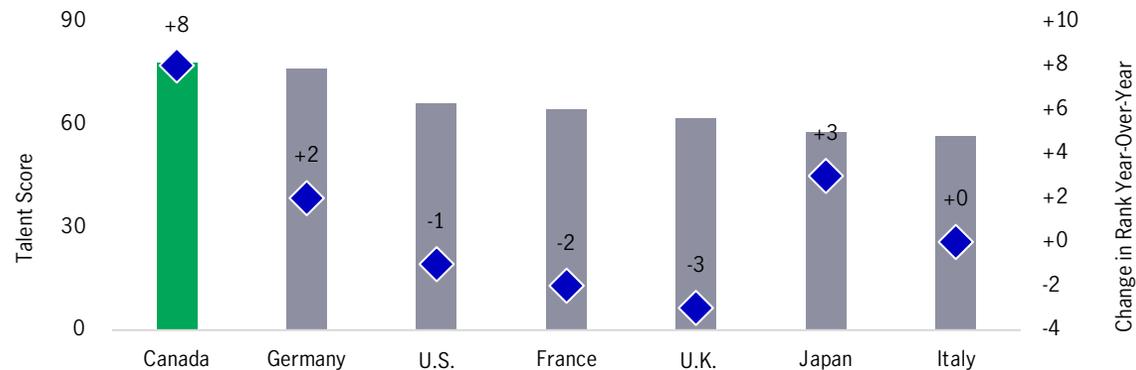
The Global Talent Score is a key indicator of workforce quality and competitiveness. Talent availability and skill depth are critical drivers of economic growth, innovation and productivity. Markets with higher scores are better positioned to attract and retain global capital.

Canada's leading position, coupled with an upward movement in rank in 2025, signals a robust talent pipeline that fuels growth opportunities and reduced execution risk for investors.

AI preparedness is evaluated through assessing vision, governance & ethics; digital capability; industry maturity; innovation capacity; human capital; physical AI infrastructure; data availability, amongst others, to determine ability to adopt and scale AI.

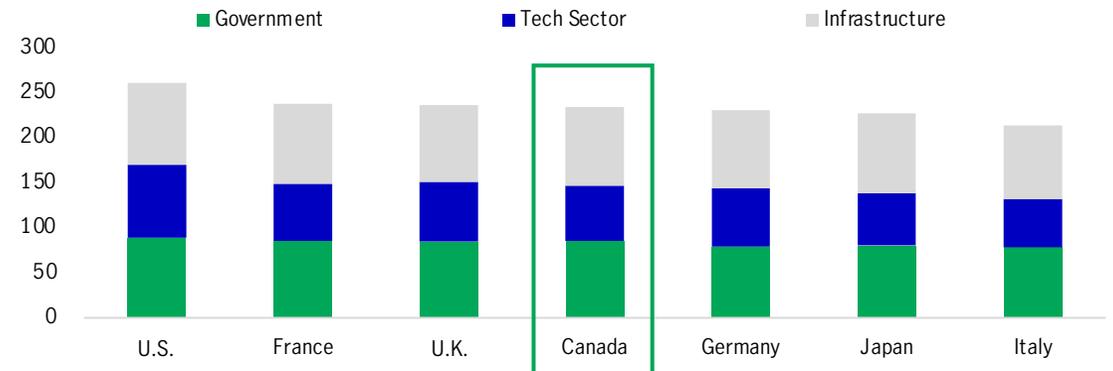
Canada's top tier ranking reflects a robust tech ecosystem, reliable governance and solid infrastructure—creating an environment conducive to AI-driven growth.

2025 World Talent Score (Higher Score = Favorable)



Source: IMD, The 2025 IMD World Talent Ranking as of December 2024 (latest available).

Government AI Readiness Index – G7 (Higher Score = Favorable)



Source: Oxford Insights as of December 2024 (latest available).

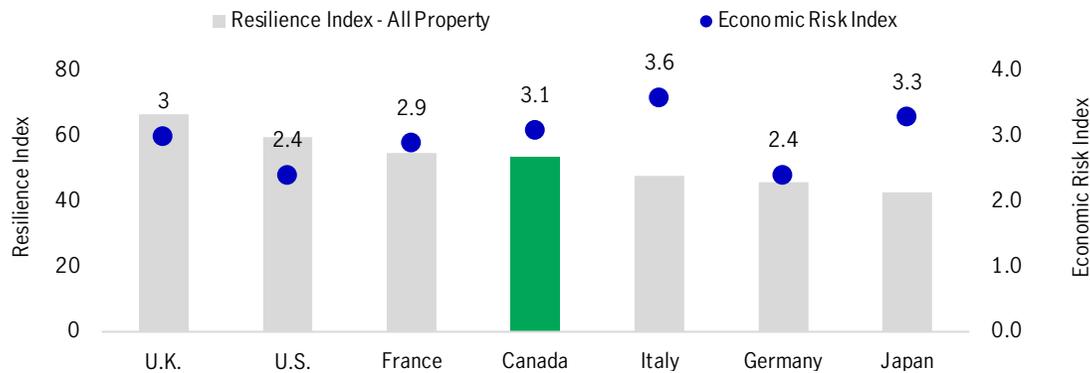
Why Canada—balanced growth & stability fuel growth outlook

Blend of resilience and sustainable expansion reduces volatility and supports predictable returns for global investors

The Risk & CRE Megatrend Resilience Index evaluates Economic Risk and Resilience, considering macroeconomic vulnerability along with structural strength across property markets; higher scores signal a stronger ability to withstand secular shifts and adapt to megatrends.

Canada's score represents a balanced market with a moderate risk profile and strong resiliency, translating into a market that offers stability and ability to pivot, ideal for long-term capital deployment.

Risk & CRE Megatrend Resilience Index

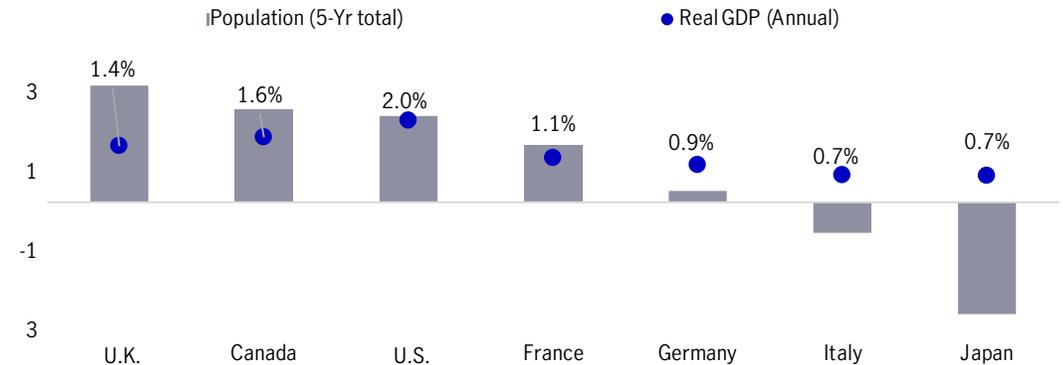


Source: Oxford Economics as of December 2024 (latest available).

Population and real GDP outlook through 2030 an overall expansionary environment, though modest, for most G7 countries.

Canada ranks 2nd among the G7 for population growth, standing out as a balanced market, combining steady GDP expansion with positive and sustainable population growth. Canada's blend of growth and stability, helps reduce volatility, supports predictable returns, and enables long-term capital deployment.

Annual population and GDP growth forecasts (2025 – 2030, %)



Source: International Monetary Fund as of November 2025 (latest available).

Canada outlook

A new liquidity cycle is emerging, although volatility and risks remain under close watch

- Canada's macroeconomic landscape reflects a **multifaceted but evolving environment** that underscores the importance of diversification in CRE portfolios to mitigate risk.
- A pricing reset across focal sectors along with a more constrained pipeline create **attractive entry points**.
- The government's renewed focus on fiscal spending and regional collaboration is set to shape Canada's CRE landscape by **unlocking growth corridors**, creating opportunity through housing initiatives, infrastructure, and defense investments, while strengthening investor confidence.
- **Rate stabilization provides an element of predictability**, though investors are careful about the implications of higher-for-longer rates, economic growth and labor market weakness.
- Canada's CRE market is **evolving beyond traditional sectors**, creating new pathways for growth. Emerging segments provide additional opportunity to capture yield, hedge against cyclical risk, and align long-term portfolio scalability.
- Accessing **secondary markets** to unlock high-growth opportunities creates new avenues for investment, enabling early access to growth corridors with attractive pricing and income returns.

Forecasted annualized returns by property type (%)



Source: Manulife Investment Management as of December 2025.

Appendix

Notes and disclosure



Investing involves risks, including the potential loss of principal. Financial markets are volatile and can fluctuate significantly in response to company, industry, political, regulatory, market, or economic developments. These risks are magnified for investments made in emerging markets. Currency risk is the risk that fluctuations in exchange rates may adversely affect the value of a portfolio's investments.

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