Principal Asset Management

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The rise of rentership:

Why long-term demand and market dislocation are creating opportunities across US housing

***Chase McWhorter,** Institutional Real Estate, Inc.'s managing director, Americas, spoke with **Kevin Yam,** managing director, portfolio management, and **Jim Halliwell,** managing director, head of housing and alternatives, about the evolution of the US housing market, the long-term drivers of rentership, and why Principal believes today's environment presents a compelling opportunity for a diversified living strategy.*

How would you characterise the long-term investment case for housing today?

Kevin Yam: The continued growth of rentership is the most important trend shaping housing for the next decade. Demographics, affordability challenges and lifestyle preferences are all contributing to a larger and more durable renter population.

The demographic story is particularly compelling. The US population is aging rapidly, creating demand across senior housing and age-qualified housing formats. At the same time, younger households continue to face barriers to homeownership. The result is a broader spectrum of Americans renting for longer – a trend that is increasingly evident across nearly every generation.

What makes this especially attractive from an investment perspective is that these drivers are largely structural rather than cyclical. We are not talking about a short-term demand trend tied to a particular point in the economic cycle. Rather, we are seeing long-term changes in how Americans live and access housing. As a result, we believe rentership will remain a durable and growing feature of the housing market, creating a sustainable foundation for demand across the living spectrum.

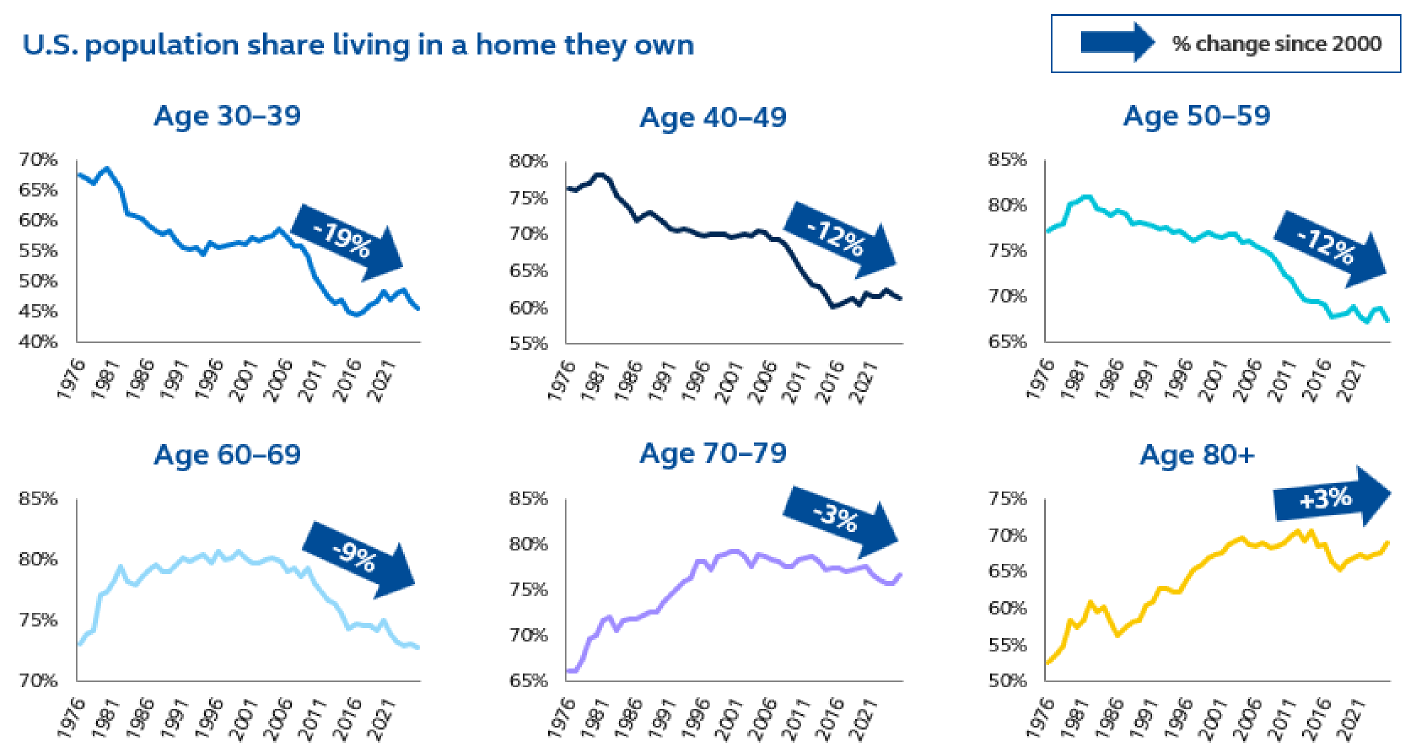
Affordability has been a major discussion point in housing. How does that influence your outlook?

Jim Halliwell: Affordability is one of the strongest secular tailwinds for rental housing today. The cost of homeownership has risen significantly over the past several years. In fact, the average cost of owning a home versus renting is now nearly two times higher across the top 50 US markets, and in some markets that gap approaches four times higher. And that's before a down payment requirement simply to achieve a monthly payment that remains meaningfully above the cost of renting.

The bigger issue is that this isn't a short-term phenomenon. The affordability challenges are rooted in a shortage of attainable housing for first-time homebuyers that has been decades in the making and is unlikely to be resolved quickly. As a result, households that may have traditionally transitioned into homeownership are remaining renters for longer, creating a broader and longer-term renter base than many investors appreciate.

For investors, the implication is straightforward. Demand for rental housing is becoming broader, deeper and more enduring. Whether it's multifamily, manufactured housing, build-to-rent, age-restricted housing, or senior housing, affordability continues to support occupancy and reinforce long-term demand across the living sectors.

Homeownership is declining across almost every generation



Source: John Burns Research & Consulting, LLC, U.S. Census Bureau, Principal Real Estate, 2025.

If rentership is a long-term trend, what makes today's market particularly compelling for investors?

Kevin Yam: We think housing is in an attractive phase of the cycle. The long-term drivers of rentership remain intact, but several housing sectors have experienced meaningful dislocations over the past few years.

In conventional multifamily, elevated supply in parts of the Sun Belt has pressured rent growth and sentiment. In student housing, concerns about enrollment and demographics have weighed on capital flows. More broadly, tighter capital markets have created liquidity pressures and widened the gap between buyers and sellers.

Historically, some of the most attractive investment opportunities emerge when short-term challenges obscure long-term fundamentals. We believe this dynamic is playing out across parts of the housing market today. While the specific catalysts vary by sector, the common thread is that long-term demand remains healthy while pricing in certain areas has become more attractive.

Jim Halliwell: What makes the opportunity compelling is housing's defensive profile.

Housing tends to be more needs-based than election-based, which ameliorates the impact from near-term economic fluctuations.

That doesn't mean housing is immune from volatility, but we believe it can offer a degree of resilience during periods of uncertainty. When combined with the opportunities Kevin described, that creates a particularly attractive backdrop for investors today.

Principal has emphasised a diversified approach to housing. Why is breadth important right now?

Kevin Yam: Breadth matters because opportunity isn't concentrated in any single housing sector. Different sectors are at different points in the cycle, driven by different demographic, operating and capital market dynamics. That creates meaningful differences in relative value.

A diversified strategy allows us to allocate capital where we believe the opportunity is most compelling rather than being constrained to a single property type. Just as importantly, it gives us a much broader investment universe. More opportunities allow us to be more selective, focusing on the best housing investments overall rather than simply the best opportunities within one sector.

In today's market, we think the combination of relative value and disciplined asset selection is a meaningful competitive advantage.

What differentiates Principal's approach from that of other housing investors?

Jim Halliwell: We would highlight three things: scale, breadth, and selectivity.

Scale matters because it expands access. Principal is one of the largest real estate investors globally, with extensive relationships across operators, lenders, developers and capital providers. That network provides visibility into opportunities that may never become broadly marketed and allows us to transact with greater consistency across market cycles.

Breadth is equally important. We invest across the full housing spectrum, in conventional multifamily, student housing, senior housing, manufactured housing and other living sectors. Very few investors have the platform, expertise, and operating relationships necessary to execute across the entire housing ecosystem. That breadth allows us to evaluate opportunities through a relative value lens and allocate capital where we see the most compelling risk-adjusted returns.

Finally, selectivity is critical in today's environment. Not all housing assets will perform in an identical fashion, even within the same sector or market. Our proprietary research, analytical tools and investment processes are all designed to evaluate opportunities at the asset level, and to identify the characteristics most likely to support durable NOI growth.

Ultimately, we believe the combination of scale, breadth and disciplined asset selection positions us to capitalise on the opportunities emerging across the housing market today.

What should institutional investors take away from Principal's approach to the living sector?

Kevin Yam: We believe the housing market is being shaped by a powerful combination of long-term demand and near-term opportunity.

The long-term drivers of rentership remain firmly in place, supported by demographics, affordability challenges and changing consumer preferences. At the same time, several housing sectors have experienced meaningful dislocations, creating attractive entry points despite a constructive demand outlook.

The opportunity, however, is not simply about owning housing. It's about identifying where long-term demand and attractive valuations intersect. We believe our scale, breadth across housing sectors and disciplined investment approach put us in a good position to capitalise on those opportunities.

CONTRIBUTORS

Jim Halliwell

Managing Director

Head of Housing and Alternatives

Jim Halliwell has more than 38 years of experience in the real estate industry. He leads the Principal housing and alternative investment strategies and is the architect of its proprietary residential investment model. Jim has been involved in over $25 billion of transactions while at Principal and serves on the Investment Committee.

Kevin Yam

Managing Director

Portfolio Management

Kevin Yam is a 22-year real estate private equity veteran with deep expertise in housing and value creation across market cycles. He brings a full-cycle investment background and his experience extends across the US housing ecosystem.

COMPANY OVERVIEW

Principal Real Estate is the dedicated real estate investment team of Principal Asset Management^{SM}. Our knowledge and expertise span the spectrum of public and private equity and debt. Our specialised market knowledge, dedicated and experienced teams, and extensive connections across all four real estate quadrants allow us to maximise opportunities and find the best relative value on behalf of our clients.

Visit our website at **www.PrincipalAM.com/realestate**

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