

Beyond the Dip:

The Big-Picture Drivers for Continued Investment in Real Estate

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Why do pension plans invest in real estate?



Cash Flow



Strong Returns



Downside Protection



Diversification



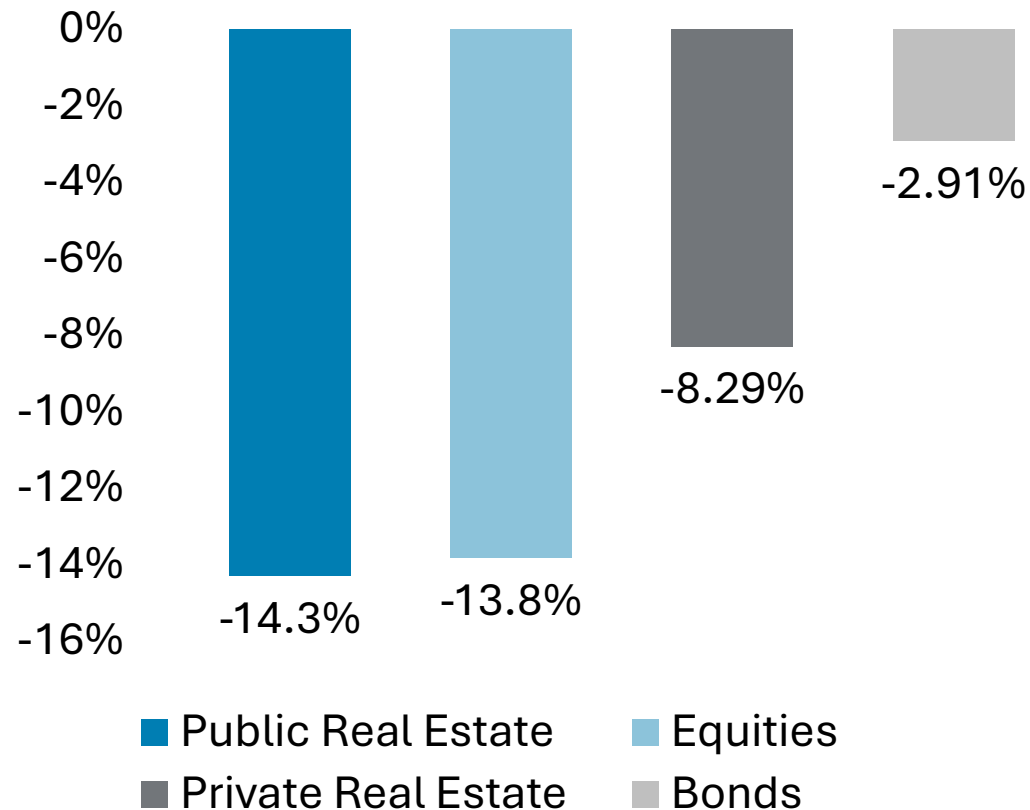
Inflation Hedging



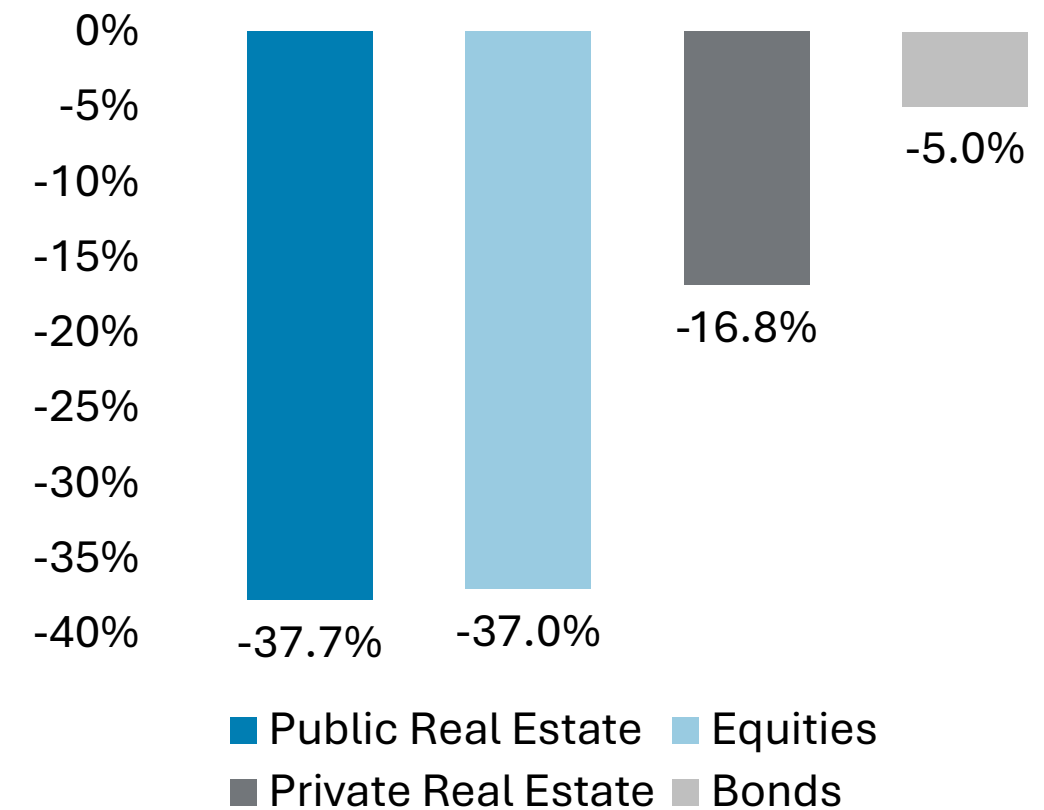
Lower Volatility

Historically, the asset class has offered compelling downside protection...

Average of Negative-Year Returns, 1978 - 2022



Maximum Negative-Year Returns, 1978 - 2022

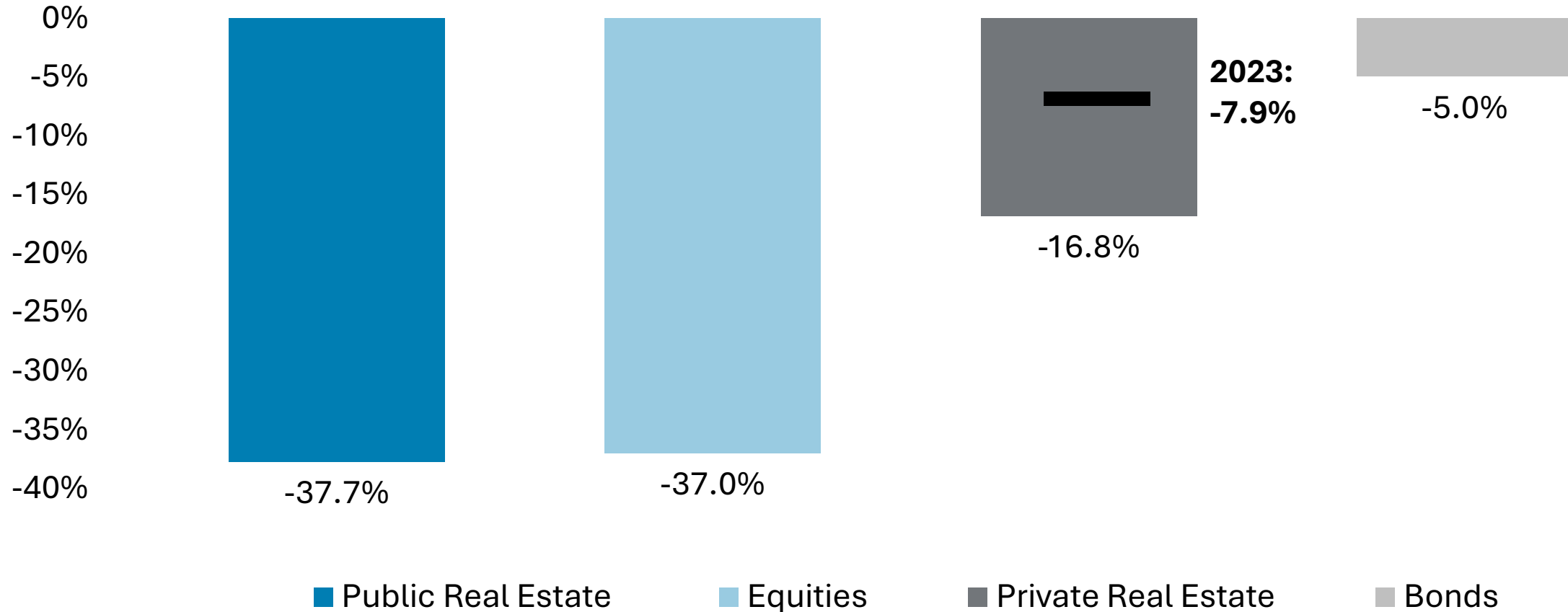


Note: Equities are represented by the S&P 500. Public real estate is represented by the FTSE Nareit All-Equity REITs Index. Private real estate is represented by the NCREIF Property Index. Bonds are represented by the U.S. 10-Year Bond.

Source: American Realty Advisors based on data from NCREIF, NYU Stern School of Business and Macrobond as of April 2023. Data reflects returns, gross of any fees. Past performance is not a guarantee of future results. Please also see disclosures at the end of this presentation.

...and while last year was tough, it wasn't the worst.

Maximum Negative-Year Returns, 1978 – 2023



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Real estate investing has its seasons.



We believe we're beginning to thaw...



...and full bloom may not be too far off.



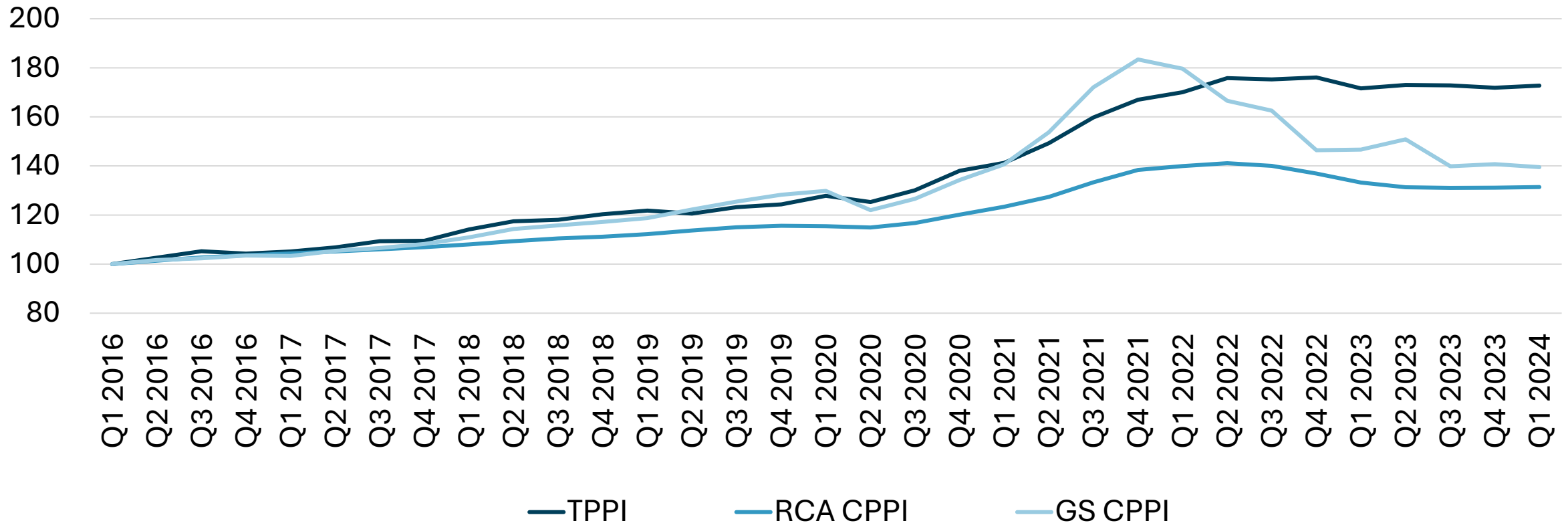
Identifying green shoots.

		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Pricing	Real Estate Yield Spread to Bonds	Red	Red	Green	Green	Yellow	Green	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
	YoY Change, CPPI	Yellow	Yellow	Red	Red	Yellow	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Green	Yellow
	YoY Change, Cap Rates	Green	Yellow	Red	Red	Yellow	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Green	Yellow
	QoQ Change, Cap Rates	Yellow	Yellow	Red	Red	Yellow	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Green	Yellow
Liquidity	YoY Difference, Average Interest Rate, CRE Debt	Yellow	Yellow	Yellow	Green	Green	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Green	Yellow	Yellow	Yellow
	CMBS Issuance (\$ millions)	Green	Yellow	Red	Red	Red	Red	Red	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
	Net Percentage of Banks Tightening Lending	Yellow	Yellow	Red	Red	Red	Yellow	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Red	Green	Yellow	Yellow
	YoY Change, Transaction Volume	Yellow	Yellow	Red	Red	Red	Yellow	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
Fundamentals	Supply-Demand Ratio, Industrial	Yellow	Yellow	Red	Red	Red	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	Yellow	Yellow	Yellow
	Supply-Demand Ratio, Retail	Yellow	Yellow	Red	Red	Red	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
	Supply-Demand Ratio, Office	Yellow	Yellow	Red	Red	Red	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	Yellow	Yellow	Yellow
	Supply-Demand Ratio, Residential	Red	Yellow	Yellow	Yellow	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Yellow	Yellow
	YoY Change, Multifamily Permitting	Yellow	Yellow	Yellow	Green	Green	Green	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
	YoY Change, Industrial Starts	Yellow	Yellow	Yellow	Green	Green	Green	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow

Source: American Realty Advisors based on data from Macrobond, MSCI Real Capital Analytics, NCREIF, Green Street Advisors, FRED St. Louis, CBRE-EA, and CoStar as of August 2024.

Real estate pricing beginning to find its footing as bid-ask spreads narrow.

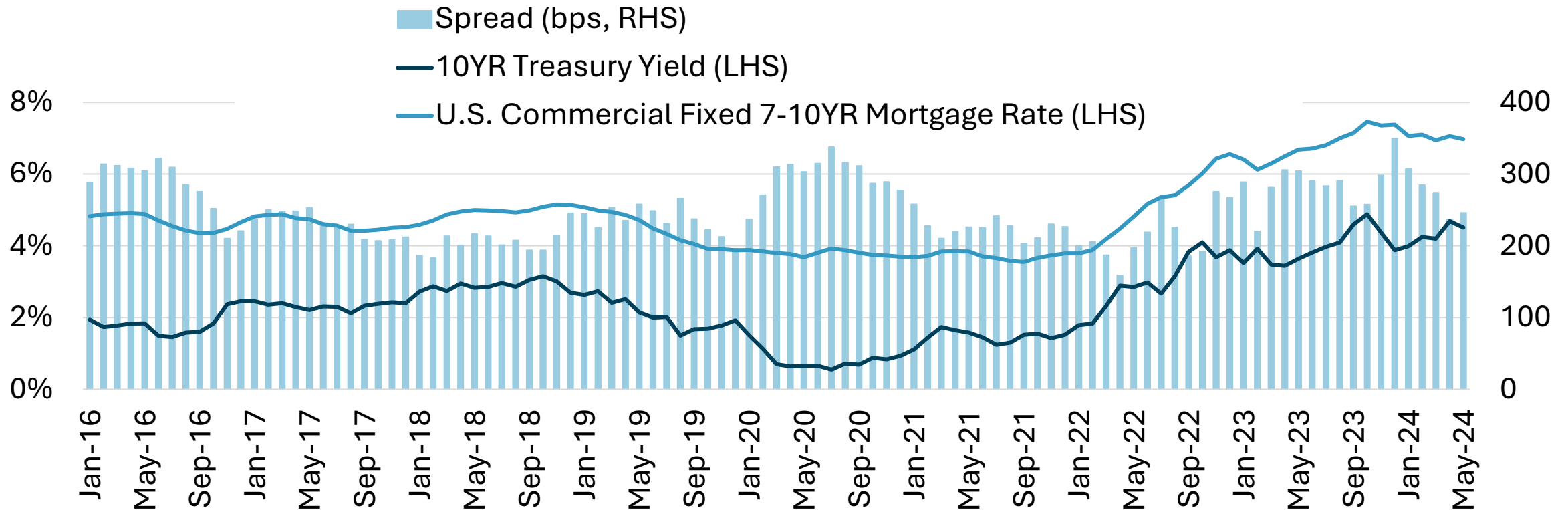
Different Measures of Real Estate Pricing (Q1 2016 = 100)



Source: American Realty Advisors based on data from MSCI Real Capital Analytics, Trepp, and Green Street Advisors as of June 2024. Green Street CPPI reflects an equal-weighted index of the industrial and apartment indices.

Lending market becoming slightly more favorable for borrowers.

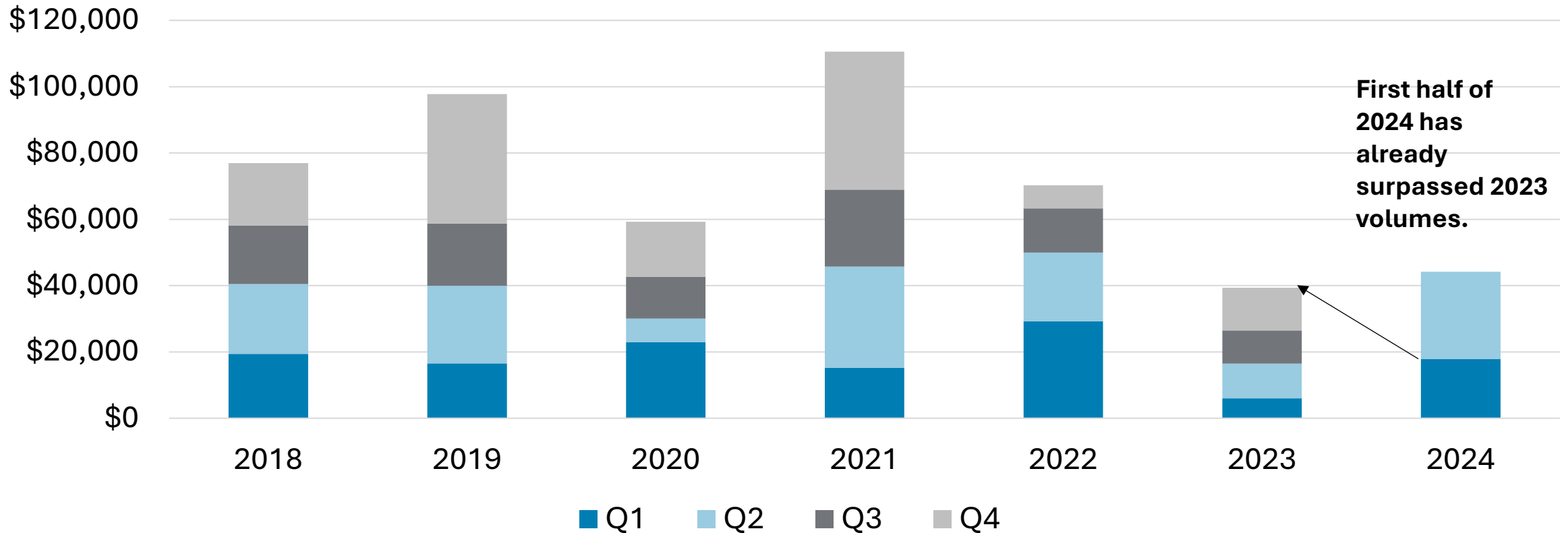
Credit Spread Between 10YR Treasury and 7-10YR Fixed Rate Commercial Loan



Source: American Realty Advisors based on data from Macrobond and MSCI Real Capital Analytics as of August 2024.

CMBS issuance has reaccelerated after a lukewarm 2023.

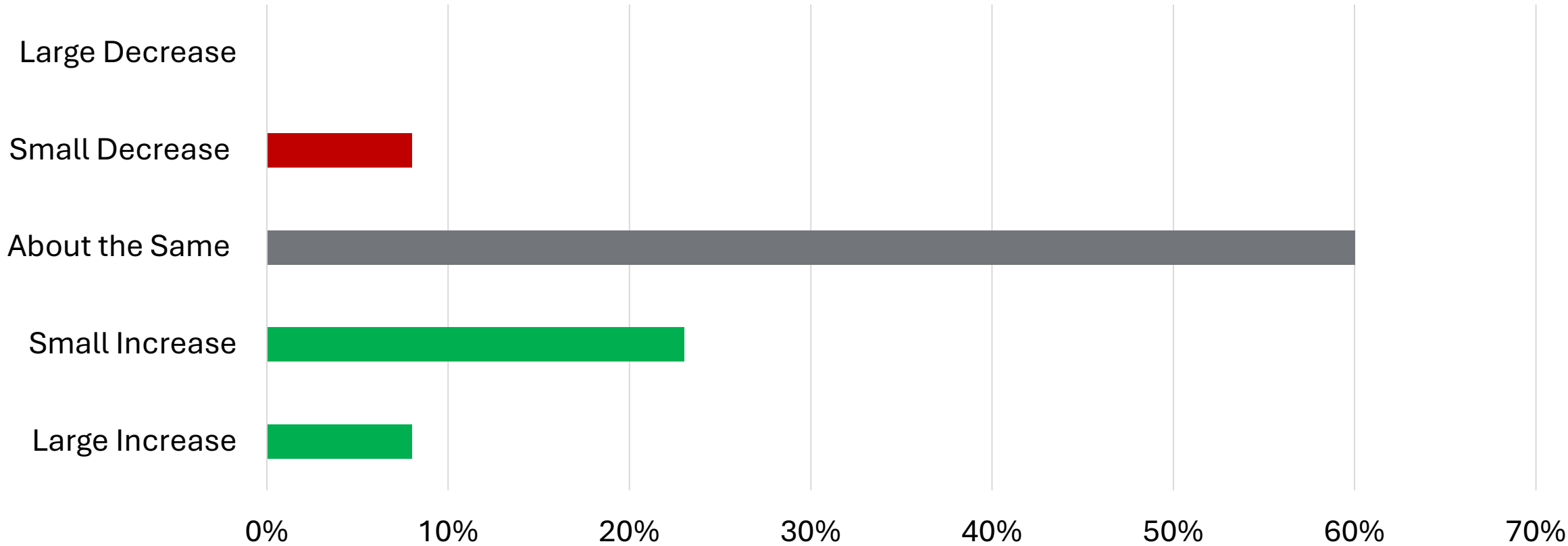
U.S. CMBS Volume (\$M)



Source: American Realty Advisors based on data from Green Street as of August 2024.

Improved investor sentiment reflects increasing appetite for investment activity.

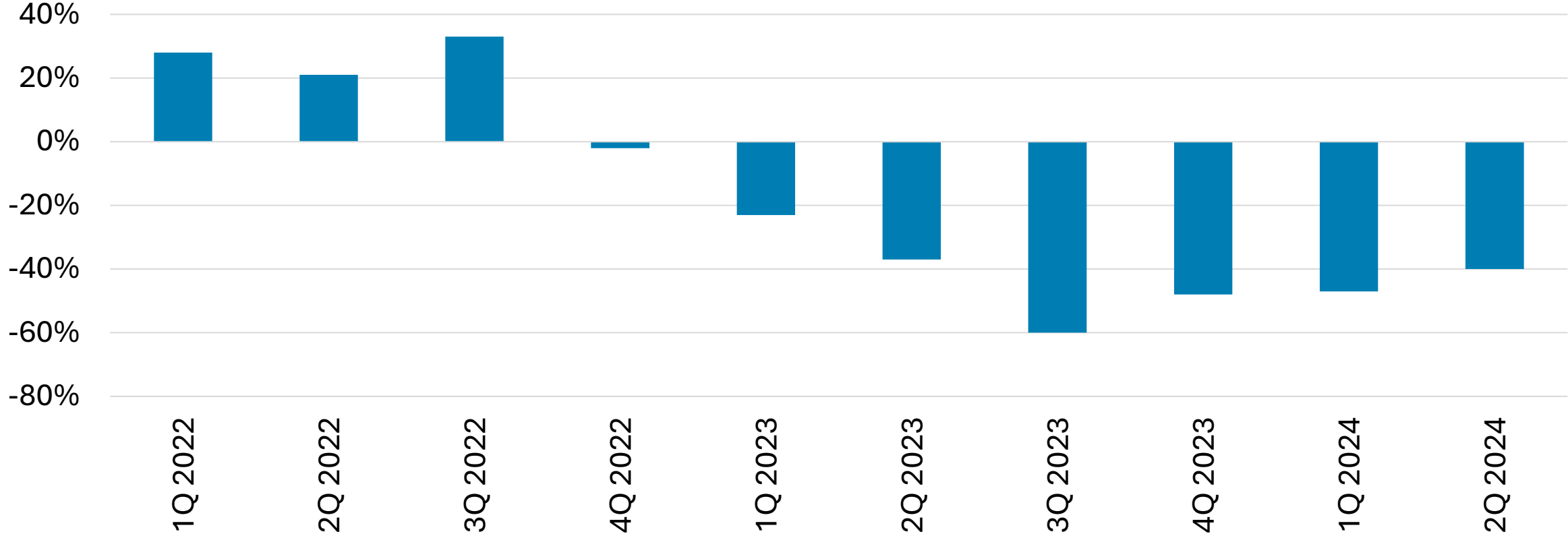
Real Estate Allocation Expectations for 2024



Source: American Realty Advisors based on data from CBRE's U.S. Investor Intentions Survey 2024.

Industrial starts still plummeting on an annualized basis...

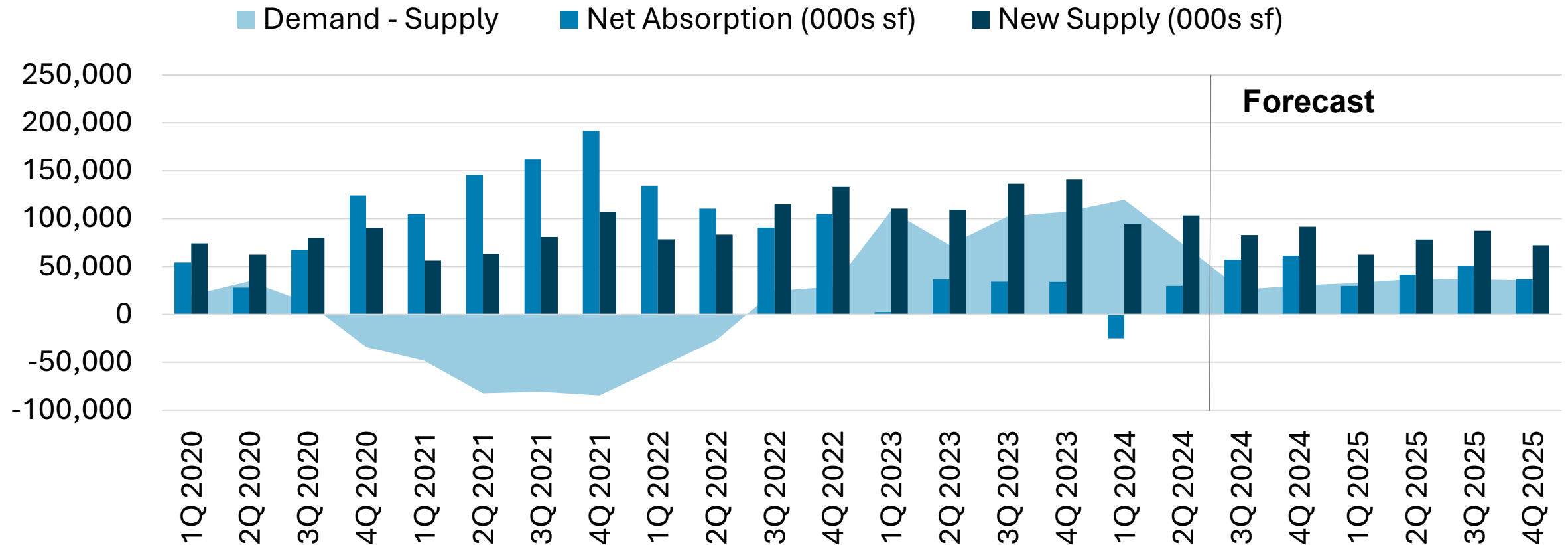
Year-Over-Year Change, Industrial Construction Starts



Source: American Realty Advisors based on data from Newmark and CoStar as of August 2024.

...which should help support a gradual recovery in the balance of fundamentals.

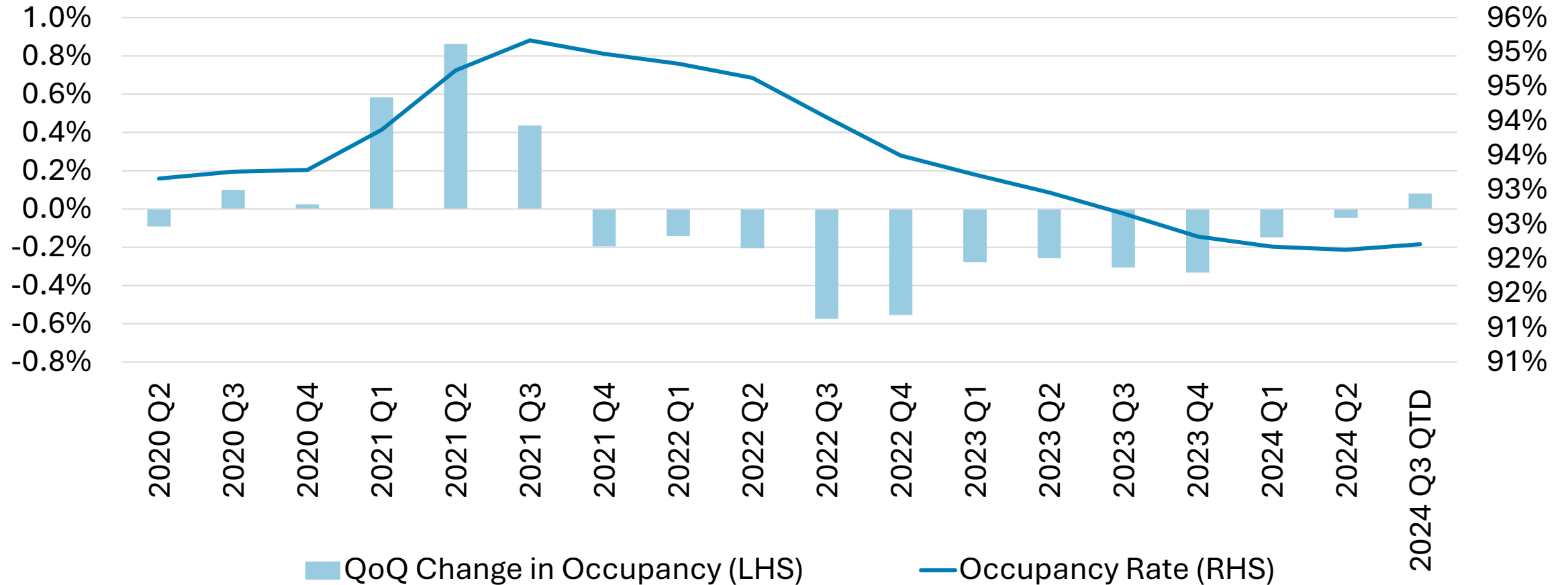
National Industrial Supply-Demand Balance



Source: American Realty Advisors based on data from CBRE-EA and Green Street Advisors as of August 2024. Forecast provided by CBRE-EA.

Multifamily occupancies have turned a corner...

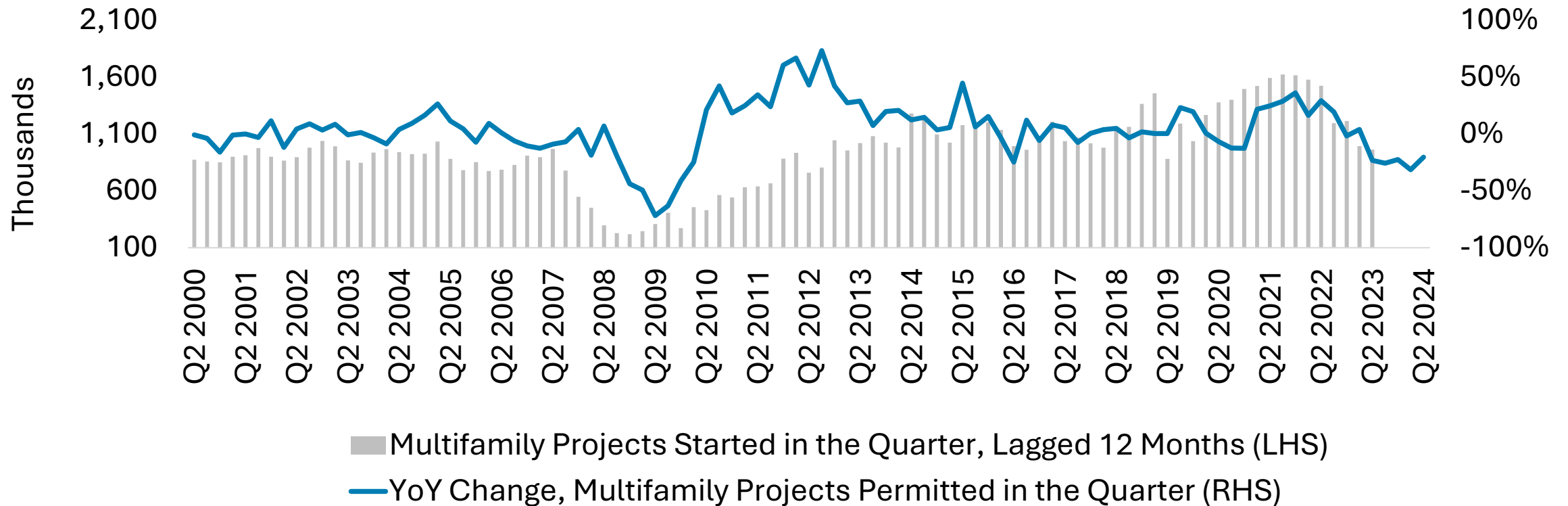
U.S. Multifamily Occupancy and Quarterly Change



Source: American Realty Advisors based on data from CoStar as of August 2024. 3Q 2024 QTD = quarter to date through August 28th.

...with drop-off in permitting driving further decline in starts and deliveries in coming years.

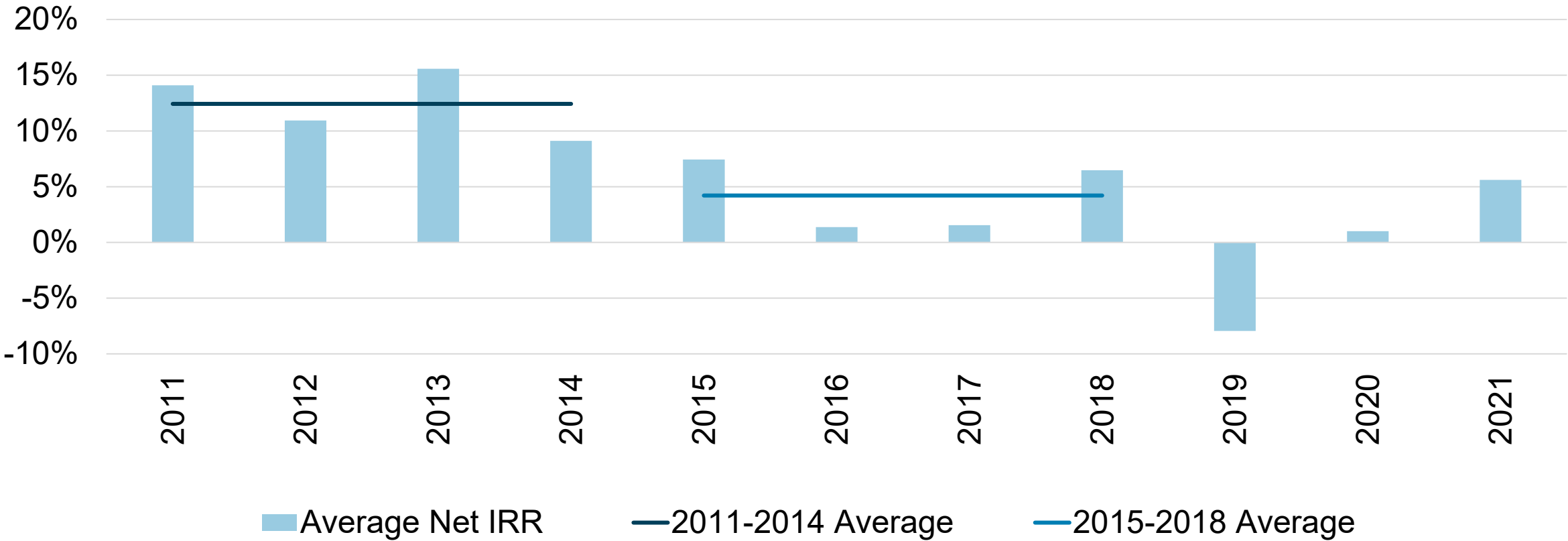
Year-over-Year Change, Quarterly Multifamily Units Permitted (5+) and Multifamily Projects Started Lagged 12 Months, Q2 2000 – Q2 2024



Source: American Realty Advisors based on data from the U.S. Census Bureau as of August 2024.

There is something to be said for timing when it comes to early recovery years...

Average IRR, Vintage-Year Value-Add Funds



Source: American Realty Advisors based on data from NCREIF dated 31 March 2024, the latest the series was available. Value-add real estate fund performance reflects the NCREIF Fund Index – Closed-End Equity Value-Add Strategies (NFI-CEVA) equally weighted as of the reporting date.

...but ultimately time in the market > timing the market.

Value of an Initial \$1 Million Investment Made Into ODCE at the Peak of the Market At Various Points During the GFC



Source: American Realty Advisors based on data from NCREIF ODCE as of August 2024.

Figures reflect the value of a hypothetical \$1 million investment made into the NCREIF Open-End Diversified Core Equity (ODCE) Index based on net index total returns as achieved and reported by NCREIF. The analysis assumes the hypothetical investment was made in the last quarter of positive total returns (2Q 2008) before returns turned negative and exited at the trough (4Q 2009) and 18 months after the trough (2Q 2011). Values do not assume the re-investment of dividends and reflect the value of the principal at the times denoted based on total return performance of the aforementioned index.

It is important to note that the performance data is derived from an index of open-end diversified core real estate funds that cannot be invested in directly. The hypothetical performance is for illustrative purposes only and does not represent actual or potential investment results. Past performance is not indicative of future results. Investing involves risk, including the potential loss of principal. The projected return is subject to a number of significant assumptions as set out on this page. There can be no assurance the assumptions discussed herein and used to calculate such returns will be correct or achievable in the future, that other factors not described above may materially impact such returns. Actual returns will vary and may vary significantly from such projected returns.

Key Takeaways



Capital market indicators are signaling a turning point.



Fundamental prospects are improving.



Investing earlier in recoveries has yielded better returns.



Stay the course.

Disclosures

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