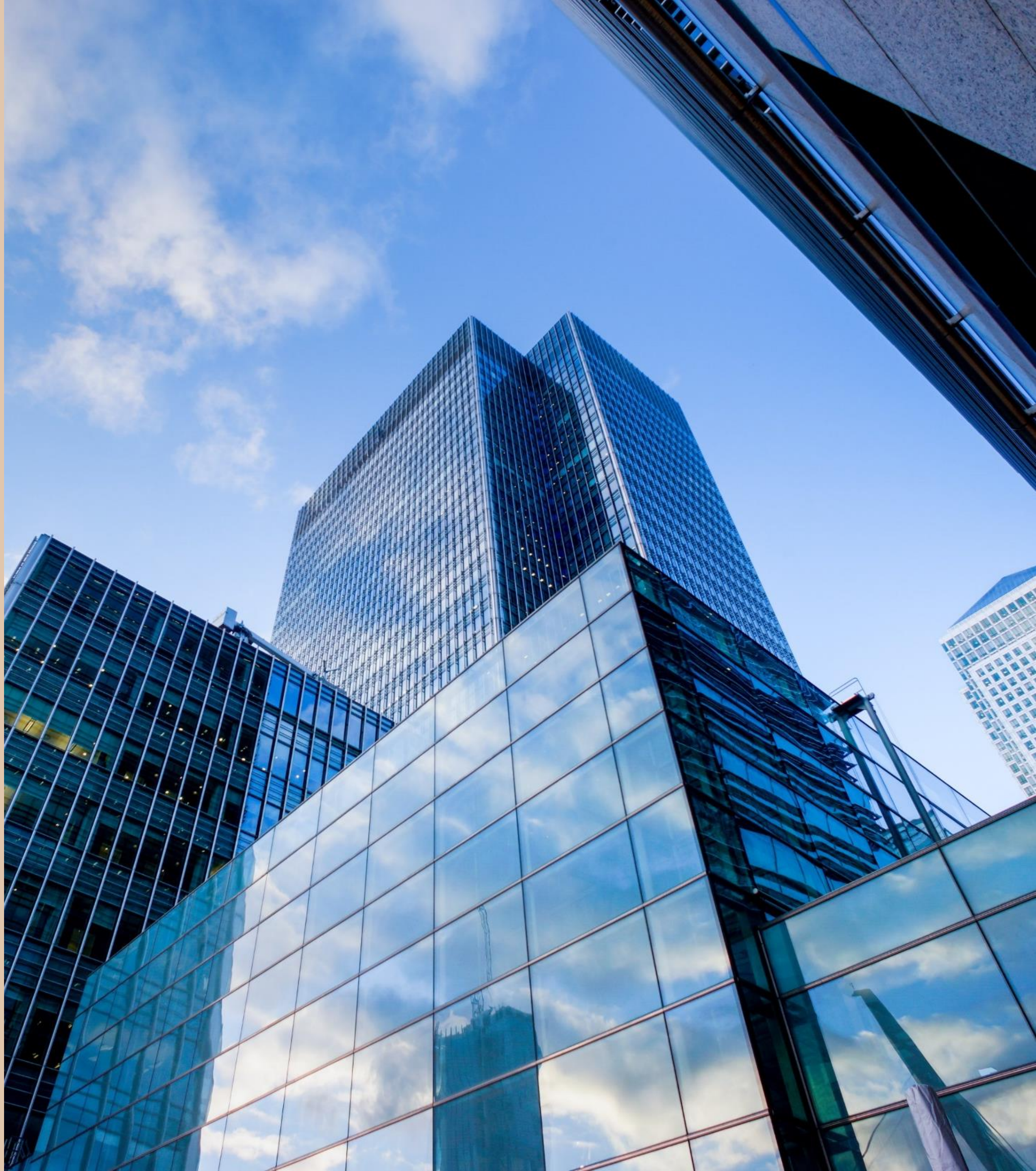
Capital Markets

2024 Overview



JLL SEE A BRIGHTER WAY

Capital markets key themes

1. **Onset of new liquidity cycle**
2. **FOMO/conviction** reducing bid/ask gap
3. **Transaction volume**: Down 52% in 2023; yoy growth resumed in Q3 2024; YTD 2024 is up 4%
4. **Consistency in Treasuries** (60-90 days) needed for further affirmation of pricing and sustained increase in volumes
5. **Monetary & fiscal policy:** creating confusion regarding inflation & recession risk, increasing volatility
6. **Portfolio and "break-up" pricing:** beginning to normalize, albeit at significant discounts to replacement cost
7. **Operational excellence vs financial engineering**
8. **Scale matters**

Drivers of pricing

1 Supply of capital

- **Capital flows**: majority factor in determining value
- **Dry powder**: discretionary capital at or near all-time highs
- **Transactions of scale ($150M+)**: inefficiently priced, however, SASB market acceleration is allowing transactions of scale
- **Bidder pools**: accelerating

2 Availability of product

- **Sale pipeline growing**: Capitulation providing positive momentum
- **Product availability**: More product → more choices = more investment optionality
- **TBB volume**: down 75-80% for multi-housing and industrial due to ROC metrics but beginning to normalize

3 Cost of capital

- **Investor viewpoint**: most institutional investors anchoring to 3.5% to 4.0% 10-year UST
- **Cap rates**: 150-200 bps spread above UST for "in-favor" property types
- **Spreads:** compressing as inflation risk stabilizes; recession risk persists

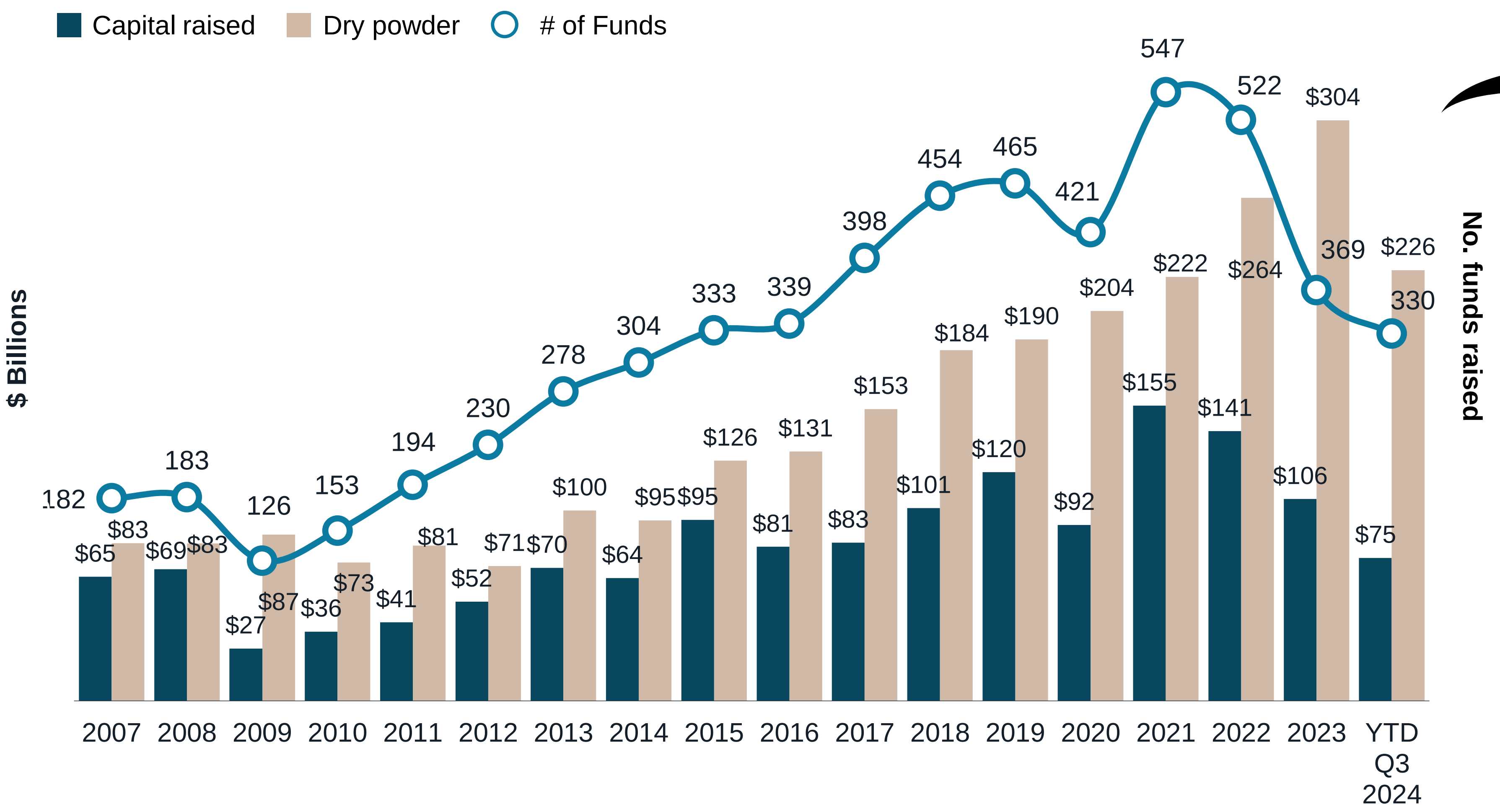
4 Location

- **Employment and population growth**: altering investments geographically
- **Job growth by industry:** growth industries vs. not
- **Talent:** STEM / diverse employment base remain important
- **Migration**: driven by cost of living, quality of life, taxes, regulatory issues, crime, etc.; 100-yr trend

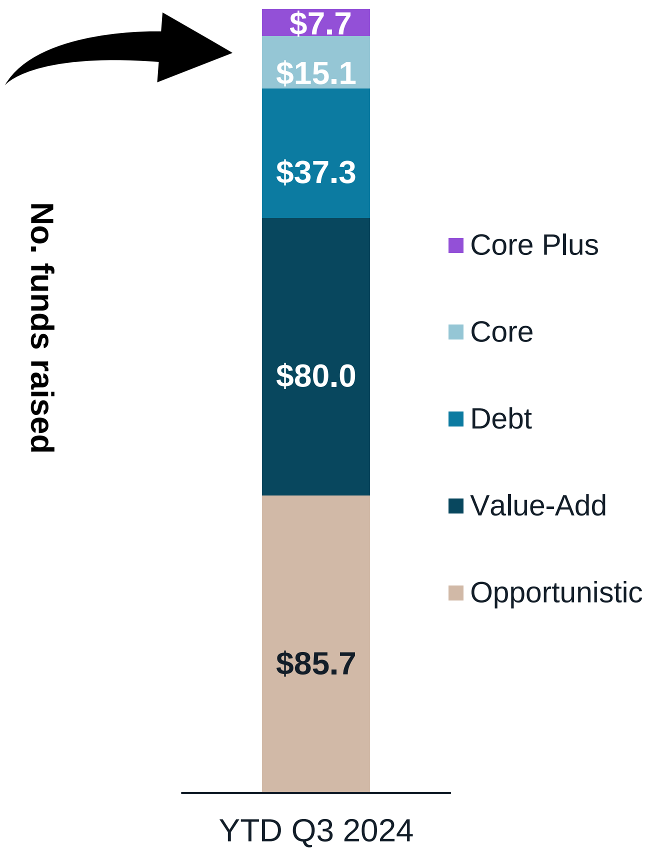
Equity

02

Dry powder near record levels but fundraising facing headwinds



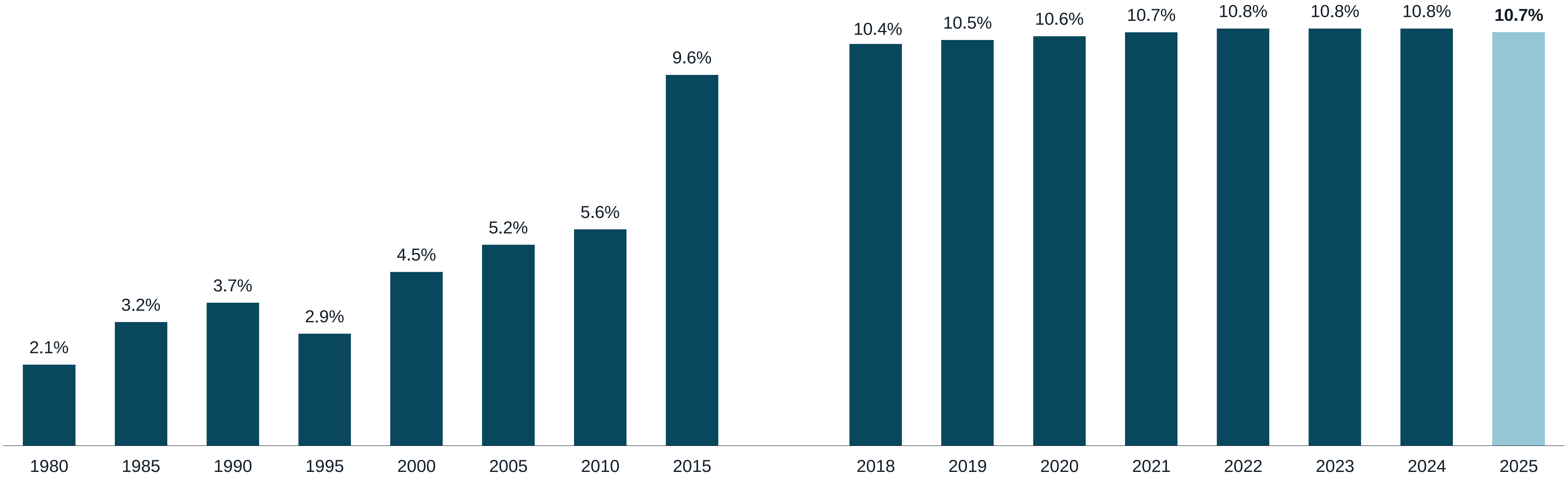
Composition of dry powder



Note: Pertains to closed-end funds focused on North America
Source: JLL Research, Preqin as of October 16, 2024. *Upward revisions to 2023 dry powder were made at the close of H1 2024 by Preqin

Institutional investors’ target allocations to CRE hold steady; 48% of LPs surveyed are under-allocated to CRE

Institutional target allocations have increased significantly over past 10 years

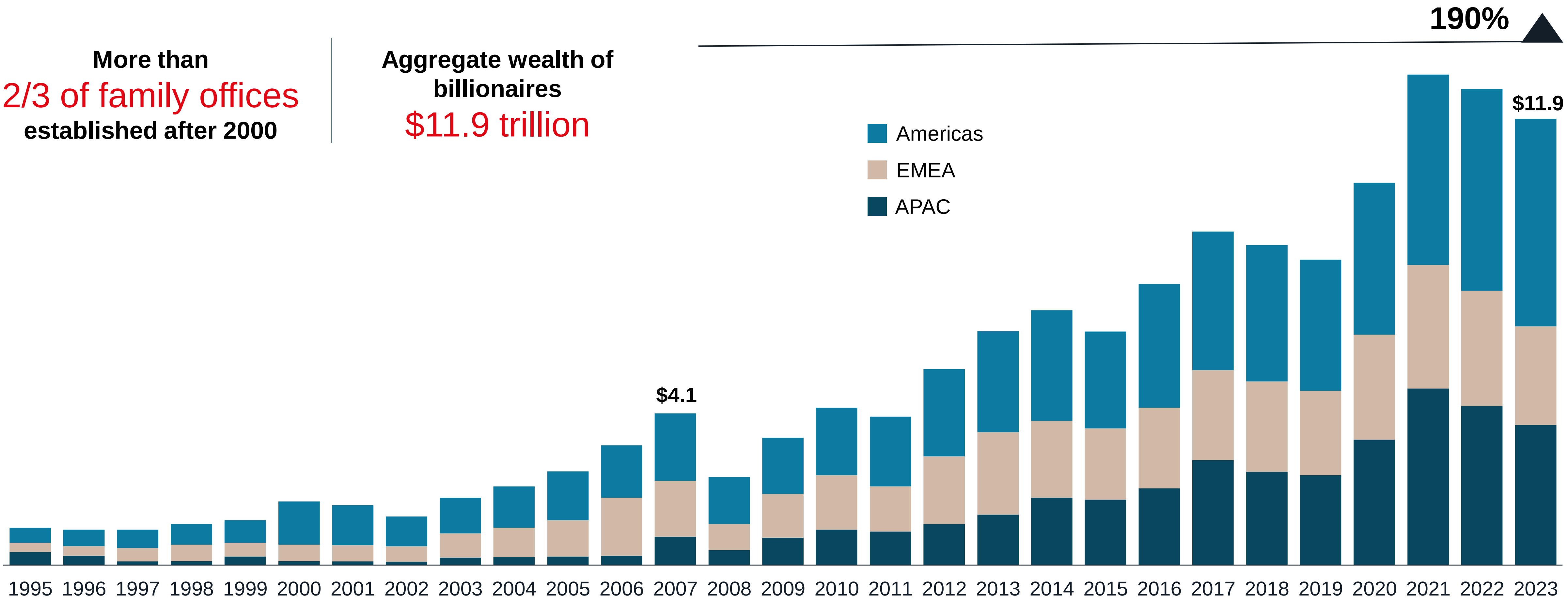


Source: JLL Research, 2024 Institutional Real Estate Allocations Monitor, Cornell University

Surge in private wealth globally provides untapped capital for future investment

More than
2/3 of family offices
established after 2000

Aggregate wealth of billionaires
$11.9 trillion



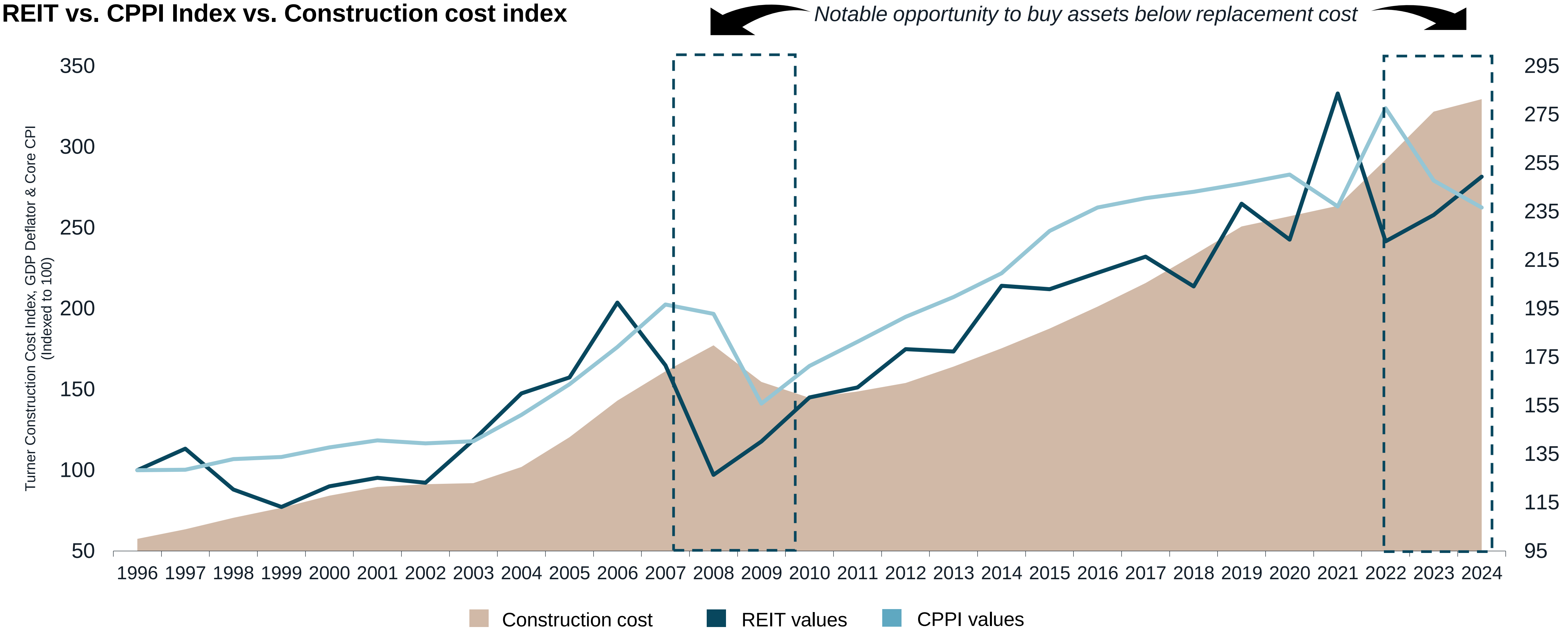
Source: JLL Research, UBS, PwC, Forbes

Pricing

06

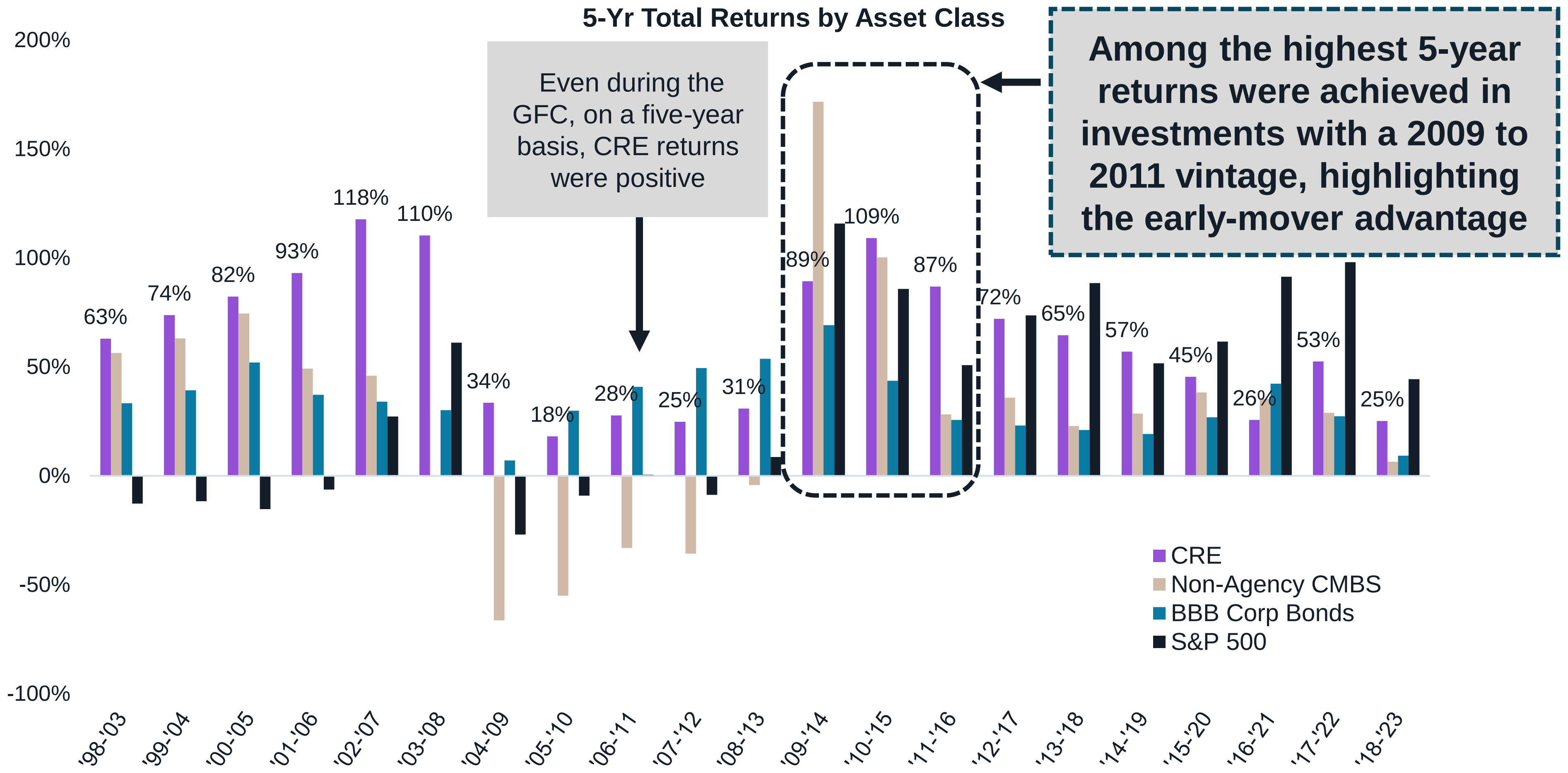
Investors benefiting from opportunity to acquire assets below replacement cost

REIT vs. CPPI Index vs. Construction cost index



Source: JLL Research, Turner Construction, Bloomberg, indexes used: Turner Construction Cost Index (indexed to 100, base year: 1996), NAREIT Equity REIT Index (indexed to 100, base year: 1996), Green Street Commercial Price Index (index to 100, base year: 1997); data as of October 28th, 2024

Early-mover advantage starting to diminish, and acquisitions' discount to replacement cost already narrowing



Overall outperformance analysis:

- Notwithstanding the current dislocation, CRE has long track record of outperforming and adding stability and diversification to investment portfolios
- CRE outperformed corporate bonds and non-agency CMBS in 71% of 5-year hold periods during the past 25 years (and outperformed S&P 500 in half of the periods)
- CRE has not posted negative total returns during any 5-year hold during the past 25 years, proving cyclical durability

Notes:

- X-axis labels in main chart pertain to investment horizon (with first year being the acquisitions year)
- CRE returns are based on Green Street's Commercial Property Return Index (CPRI) which reflects total return (capital appreciation + income)
- JLL also conducted the analysis for three-year and seven-year investment horizons, and the proportion of years where CRE outperforms largely holds consistent

Source: JLL Research, Green Street, Bloomberg Finance, LP

CRE yields vs. 120 days ago

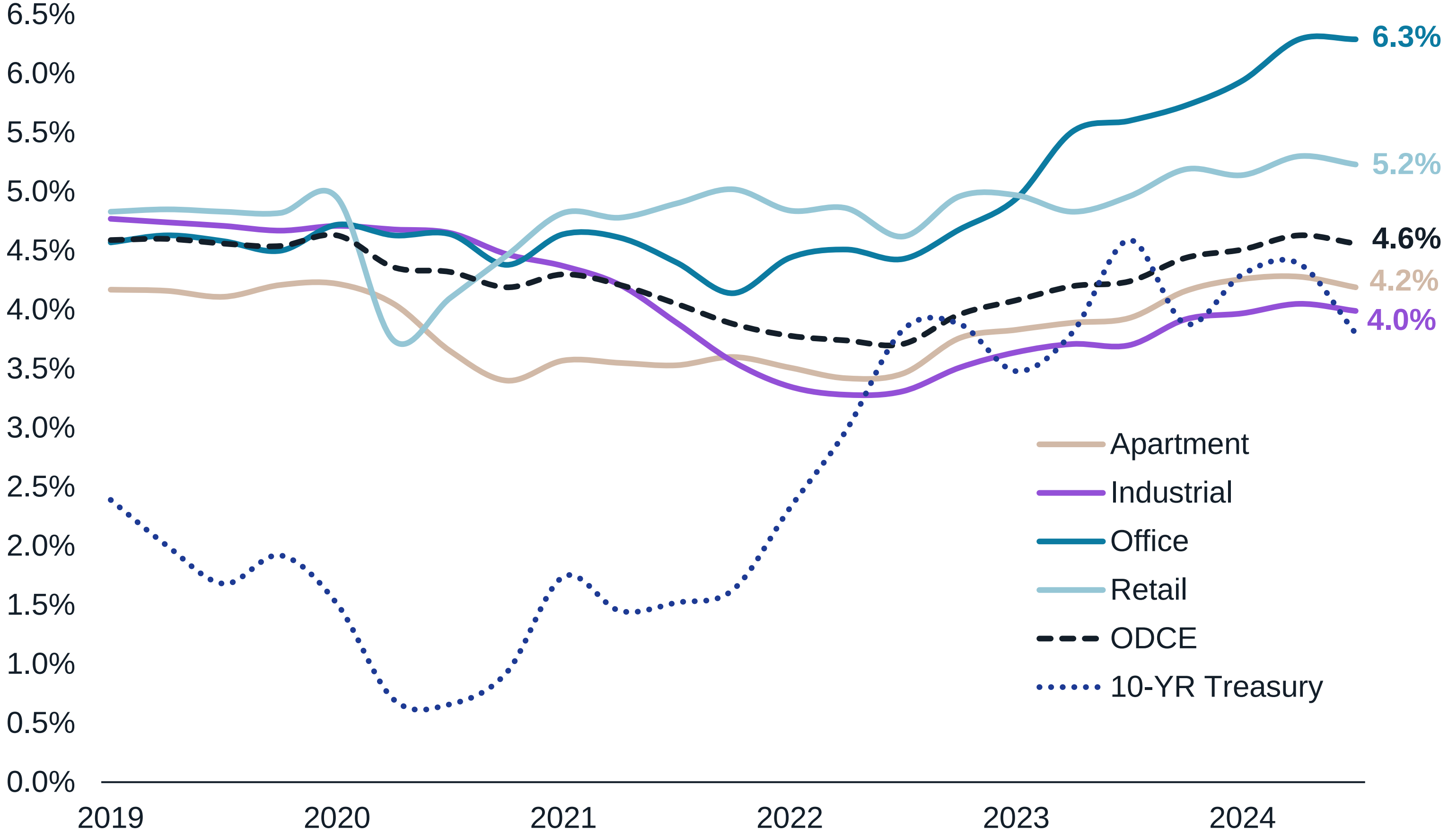
Current going-in yields (based on JLL transactions / market guidance)

	Office		Multi-housing		Industrial		Retail	
	120 days ago	Now	120 days ago	Now	120 days ago	Now	120 days ago	Now
10-year UST	4.40%	**4.15%**	4.40%	**4.15%**	4.40%	**4.15%**	4.40%	**4.15%**
Core	6.5 – 7.5% (assumes seller financing)	6.25 – 7.25% (assumes seller financing)	4.5 – 5.0%	4.25 - 5.0%	5.0 – 5.5%	4.7 - 5.4%	6.0%	5.5 - 6.25%
Core-plus	8.0 – 10.0%	8.0 - 10.0%	5.0 – 6.0%	4.75 - 5.5%	6.25 – 6.75% (untrended YOC)	6.0 - 6.5% (untrended YOC)	7.0 - 7.5%	6.5 - 7.5%
Value-add	10.0%+ cap rates 20.0% Levered IRR	10.0%+ cap rates 20.0% Levered IRR	5.75 – 6.25%	High 5%+	Year 3 YOC of 7%	Year 3 YOC of 7%	7.5 - 8.5%	7.5 - 8.5%

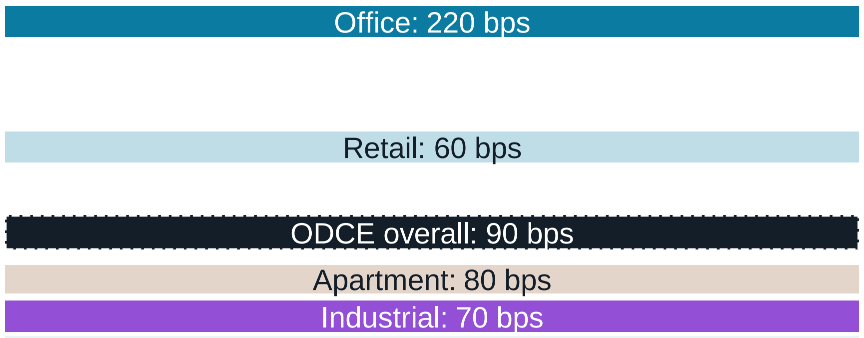
Hotels
Full service hotels: 6.00 - 8.50%
Self service hotels: 7.50 - 10.00%

Note: Current 10-year UST as of December 8, 2024; 10-year UST 120+ days ago as of June 3, 2024. Retail pricing pertains to grocery-anchored assets
Source: JLL Research, Federal Reserve

U.S. core (ODCE) appraisal cap rates starting to come closer to ‘spot’ values (with exception of office)



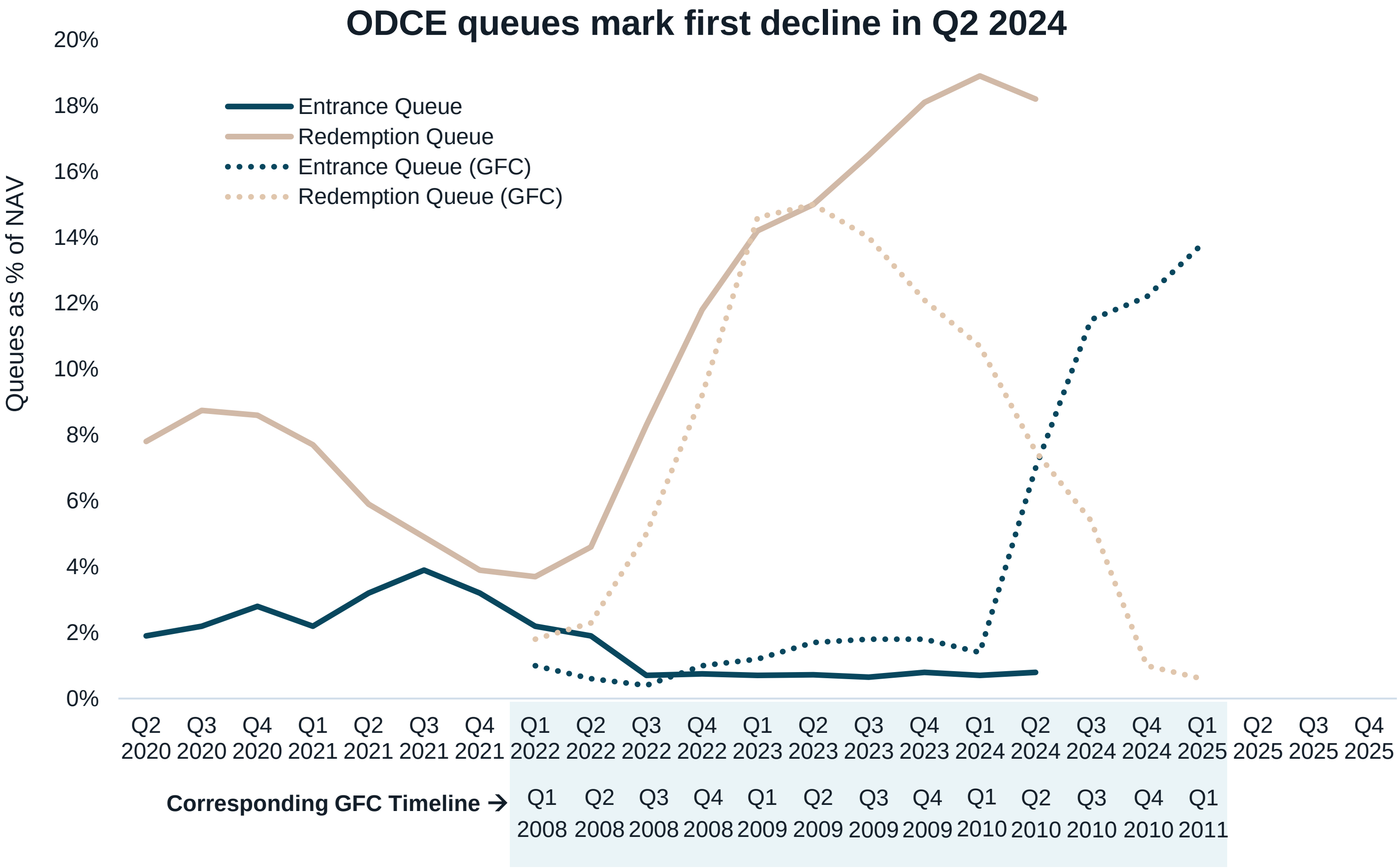
ODCE cap rate expansion since peak



- Since the market peak in late 2021 / early 2022, ODCE appraisal cap rates have expanded by approximately 80 basis points.
- As such, the value resets are lagging the ‘spot’ market notably, as is typically the case throughout various cycles.
- Given the disconnect between ODCE marks and ‘spot’ values, the core funds are facing redemption queues and are hampered in their capital deployment efforts.

Note: pertains to equal-weighted ODCE fund appraisal cap rates
Source: JLL Research, NCREIF, Bloomberg

U.S. core fund (ODCE) redemption queues starting to turn the corner as funds' returns improve



ODCE queues – GFC lookback

- Redemption queues started rising in Q1 2008 and peaked at approx. 15% of NAV in Q2 2009 (six quarters later)
- During this period, ODCE appraisal cap rates expanded by approx. 150 bps
- Redemption queues and entrance queues came together at ~7% in Q2 2010 (another four quarters later)
- Redemption queues settled to ~1% by Q4 2010, at which point entrance queues rose to ~12% (another two quarters later)

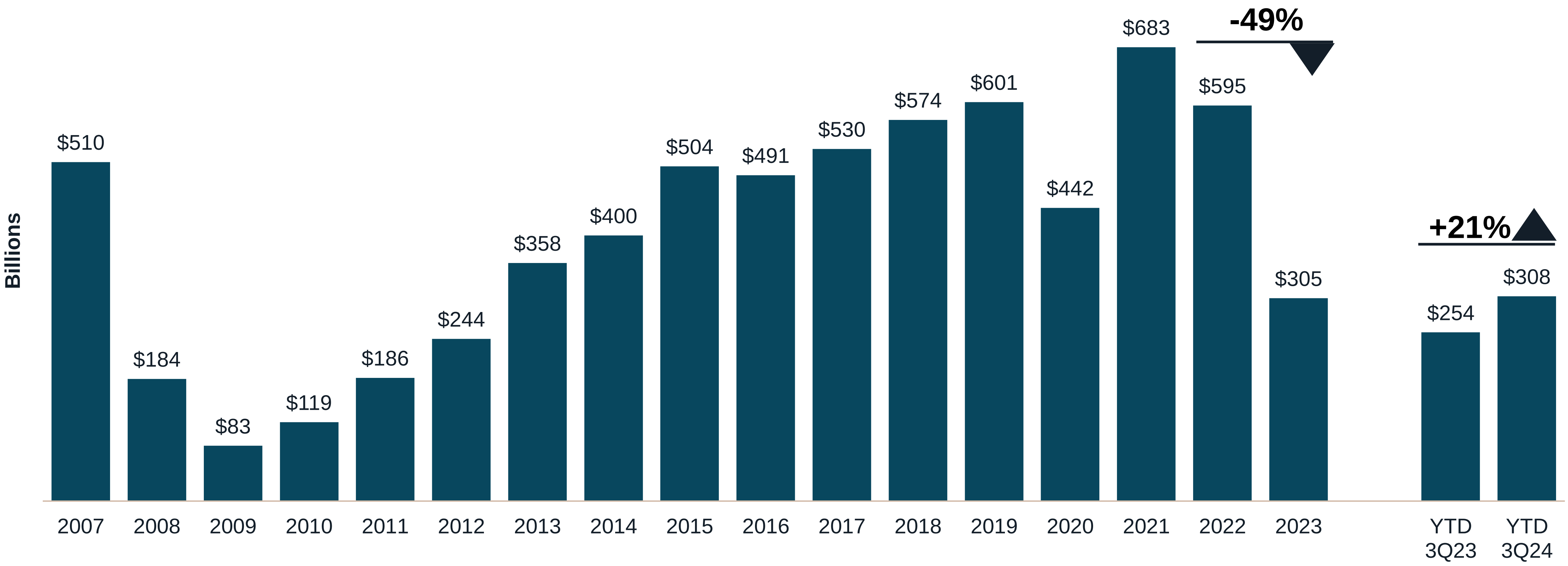
Current cycle – expectations and outlook

- Redemption queues started rising in Q2 2022 amid start to Fed's interest rate hike cycle
- After peaking at 19%, redemption queues stand at around 18% as of Q2 2024
- As more ODCE funds post positive quarterly returns, redemption queues are expected settle further

Source: JLL Research, NCREIF, IDR (Report as of Q2 2024. Q3 2024 data to be released in mid-December 2024)

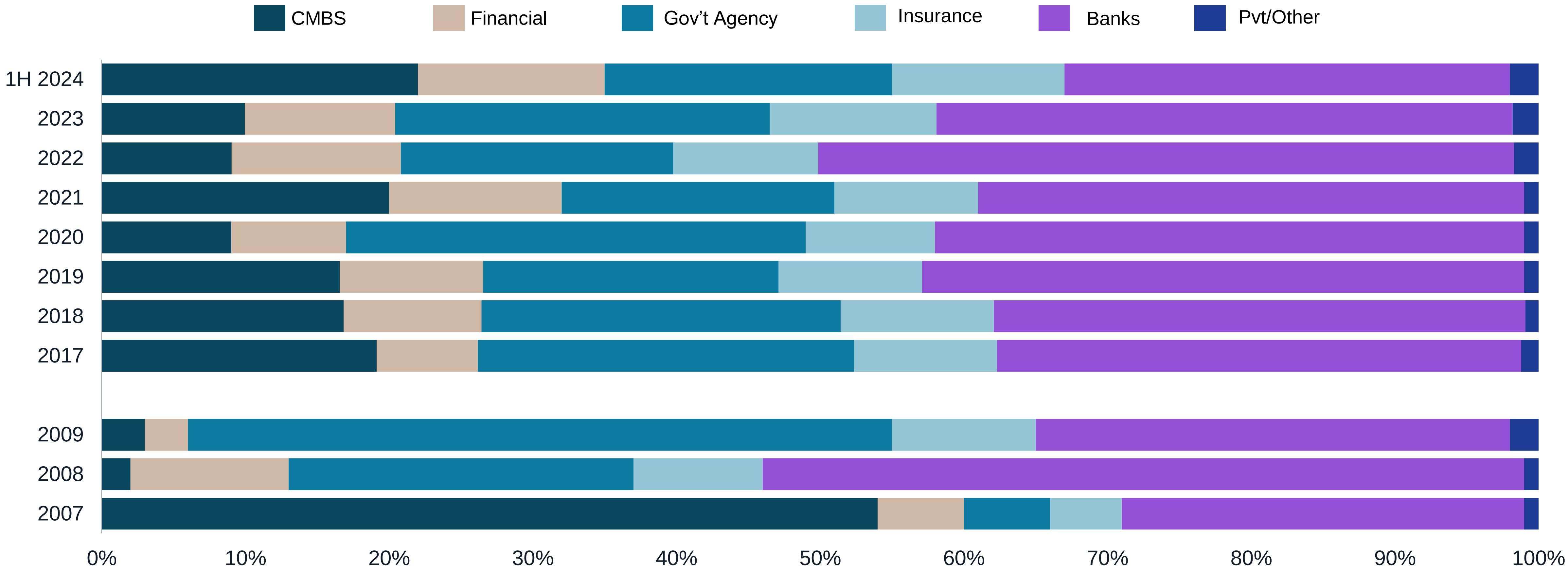
04 Debt

Lenders active and liquidity available; loan originations mark significant increase in second half of 2024



Source: JLL Research, Mortgage Bankers Association (YTD 3Q 2024 volumes are preliminary)

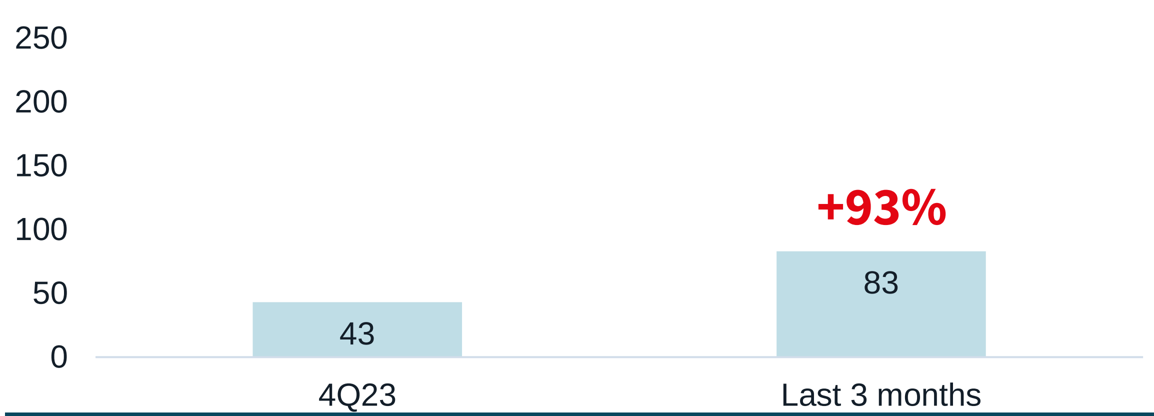
Lender composition remains diverse/balanced



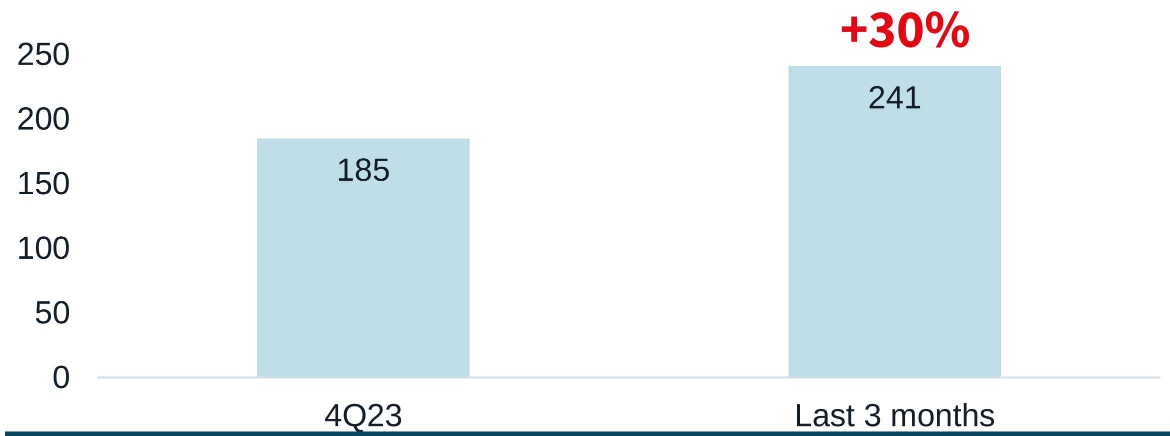
Note: Data is released on bi-annual basis (in late March and in late September)
Source: JLL Research, Real Capital Analytics

No. of lenders quoting on transactions up materially, even for office

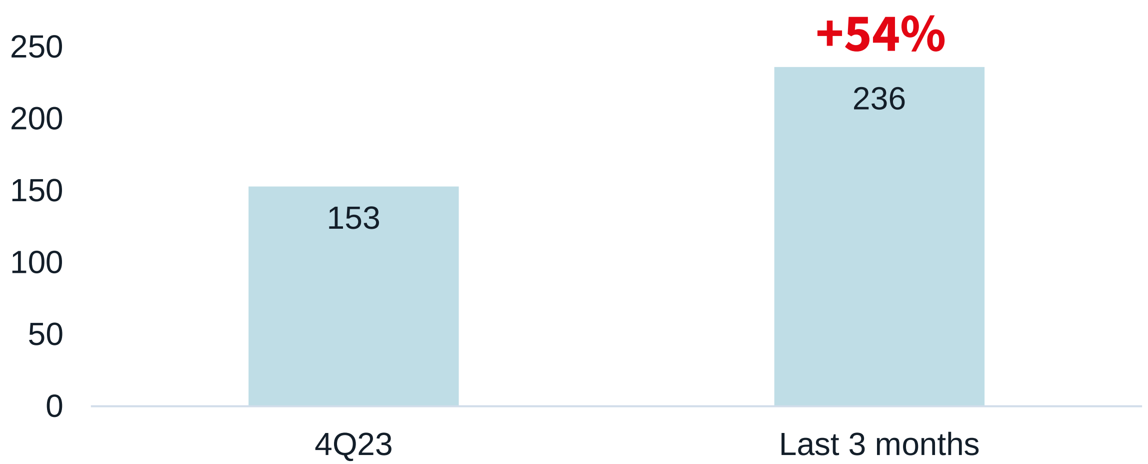
Office



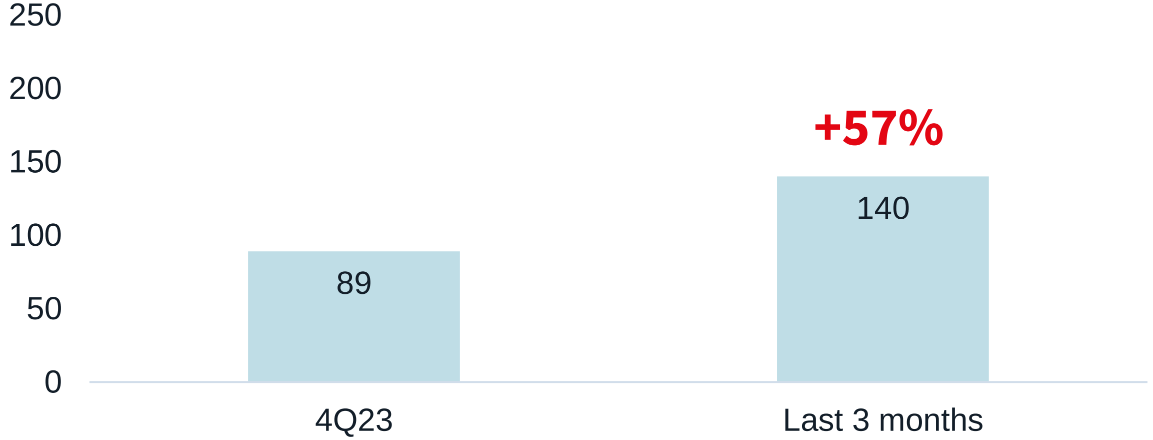
Multi-Housing



Industrial



Retail



Source: JLL Research (proprietary quote data)

All-in borrowing costs ease since late 2023

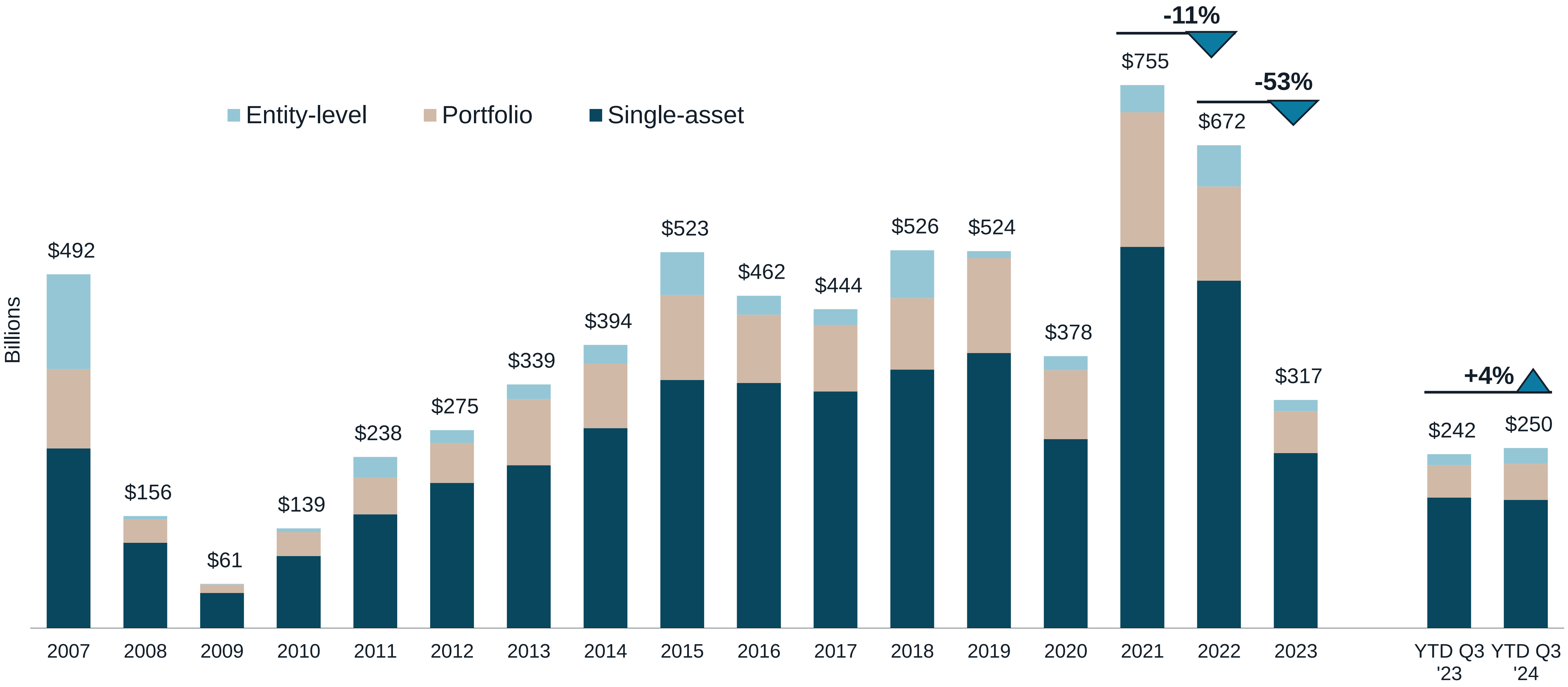
	Index			+	Spreads		=	All-in borrowing costs	
	Term SOFR (1M)	5-Year Treasury	10-Year Treasury		A / BBB corp average	Real estate (10-Year)*		10-Year	
Current	4.47%	4.00%	4.15%		95 bps	135-175 bps		5.50%-5.90%	⟵ Renewed volatility since mid Sept
Oct 2023	5.33%	4.92%	4.98%		143 bps	150-200 bps		6.48%-6.98%	⟵ Peak in 10Y Treasury
Nov 2021	0.04%	1.14%	1.53%		94 bps	100-140 bps		2.53%-2.93%	⟵ Anomaly
2018 average	2.06% *(30D LIBOR)*	2.75%	2.91%		123 bps	120-150 bps		4.11%-4.41%	⟵ Benchmark?

Note: Assumes core/core plus assets with low to moderate leverage
‘Current’ is as of December 8, 2024; ‘Oct 2023’ rates are as of Oct 20, 2023 (to represent peak in 10Y Treasury); ‘Nov 2021’ represents market peak (10Y Treasury represents Nov monthly average)
Source: JLL Research, Bloomberg Finance L.P.

01

Transaction volumes

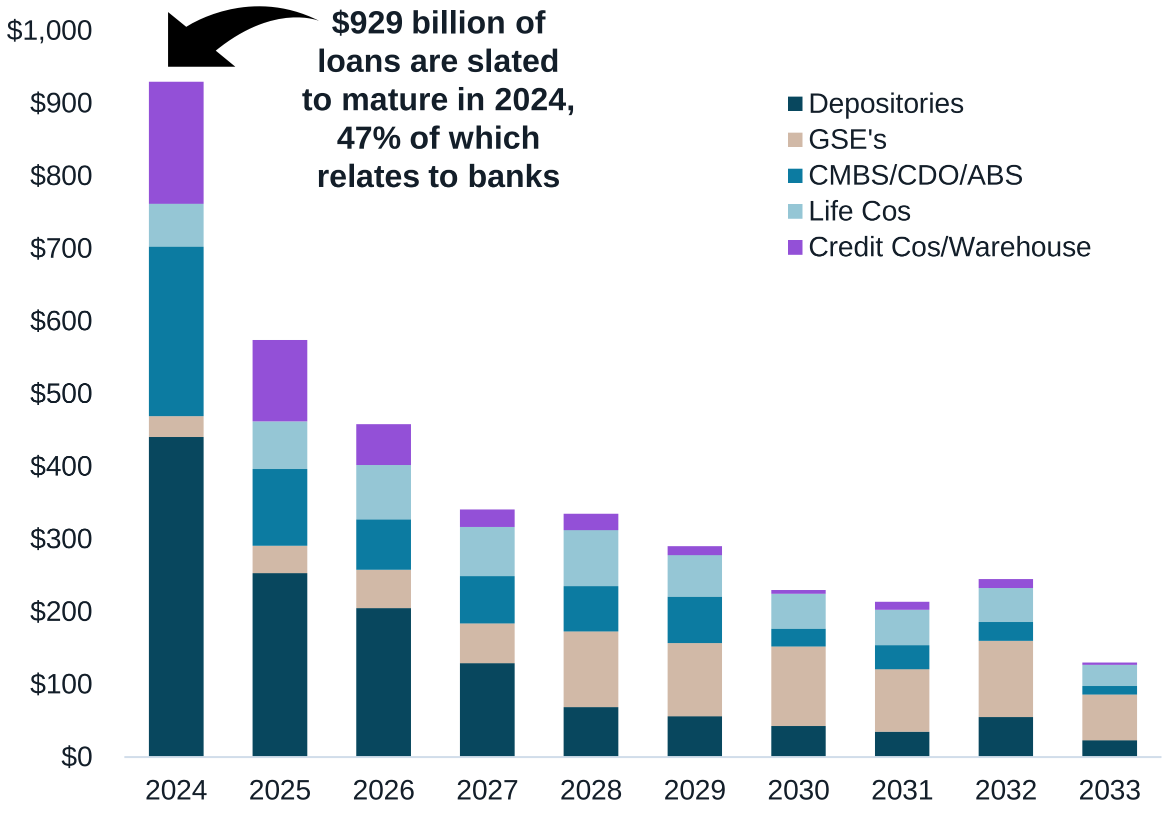
Transactions activity increasing; Q3 2024 up 4% YoY



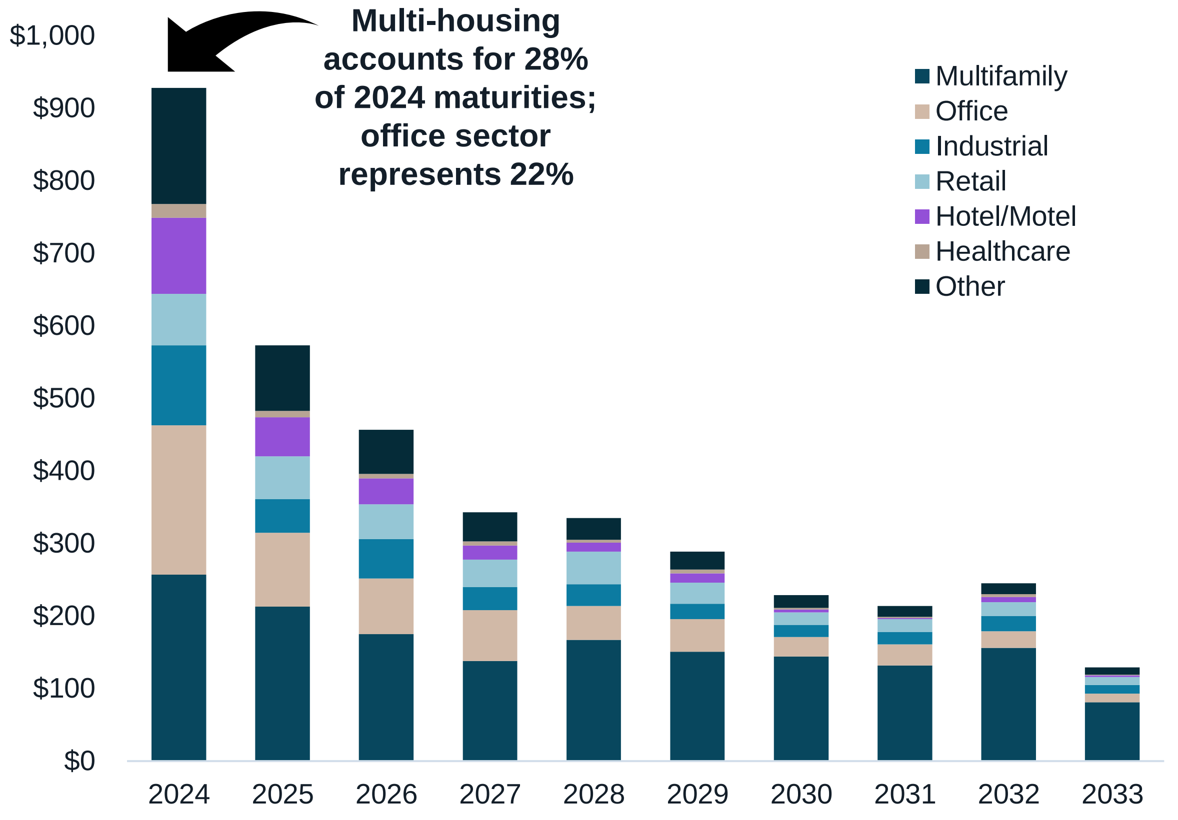
Source: JLL Research, Real Capital Analytics (transactions over $5 million, includes entity-level transactions), includes: office, industrial, multi-housing, retail, hotels and seniors housing. Includes recaps; excludes refinances

Loan maturities are catalyzing transactions activity

Loan maturities by lender type ($ billions)

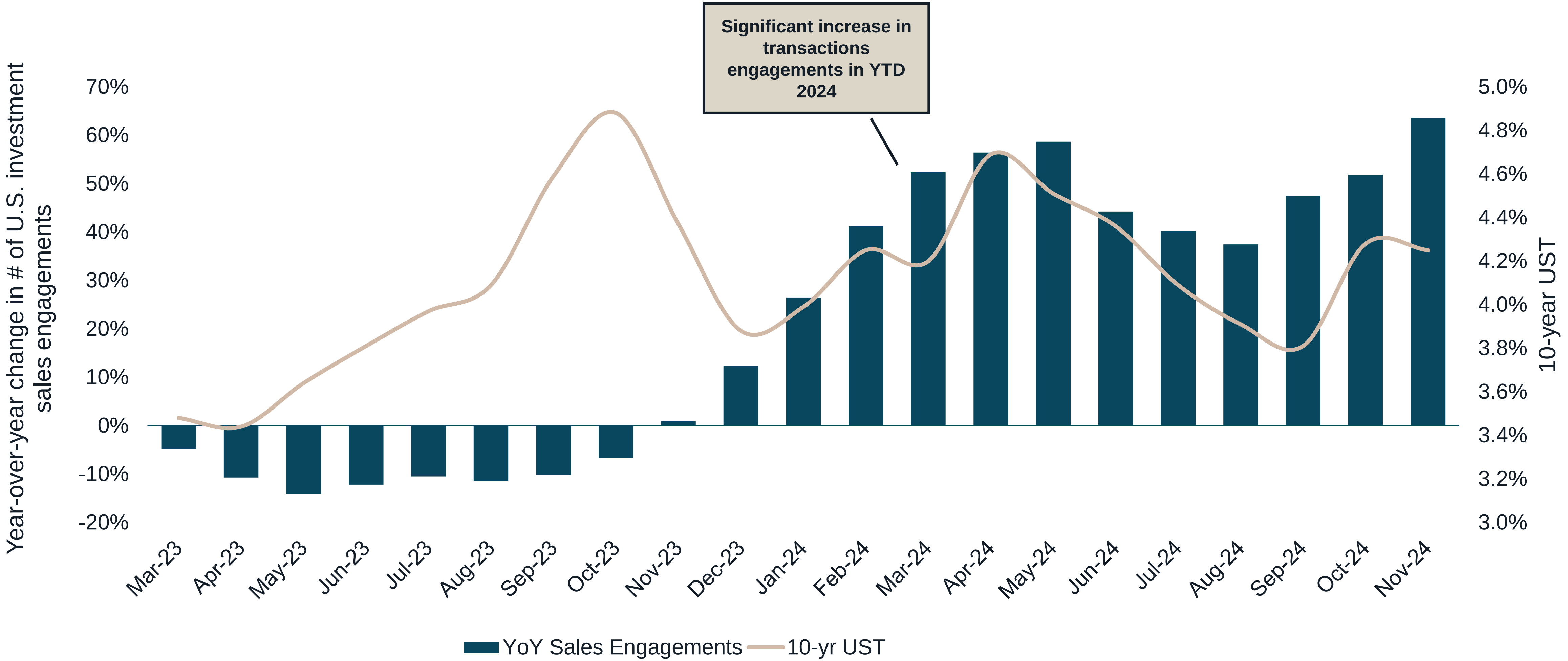


Loan maturities by property type ($ billions)



Note: Data pertains to all lender types
Source: JLL Research, Mortgage Bankers Association (Data is as of December 31, 2023, and is released once per year, and does not reflect extensions that have taken place during the year)

Significant increase in transactions mandates as new liquidity cycle builds



Note: Sales engagement YoY change based on 3-month moving average, 10-yr UST represents month-end value
Source: JLL Research

Thank you

JLL SEE A BRIGHTER WAY

SEE A BRIGHTER WAY

Disclaimer

The information contained in this document is proprietary to Jones Lang LaSalle and shall be used solely for the purposes of evaluating this proposal. All such documentation and information remains the property of Jones Lang LaSalle and shall be kept confidential. Reproduction of any part of this document is authorized only to the extent necessary for its evaluation.
It is not to be shown to any third party without the prior written authorization of Jones Lang LaSalle. All information contained herein is from sources deemed reliable; however, no representation or warranty is made as to the accuracy thereof.