

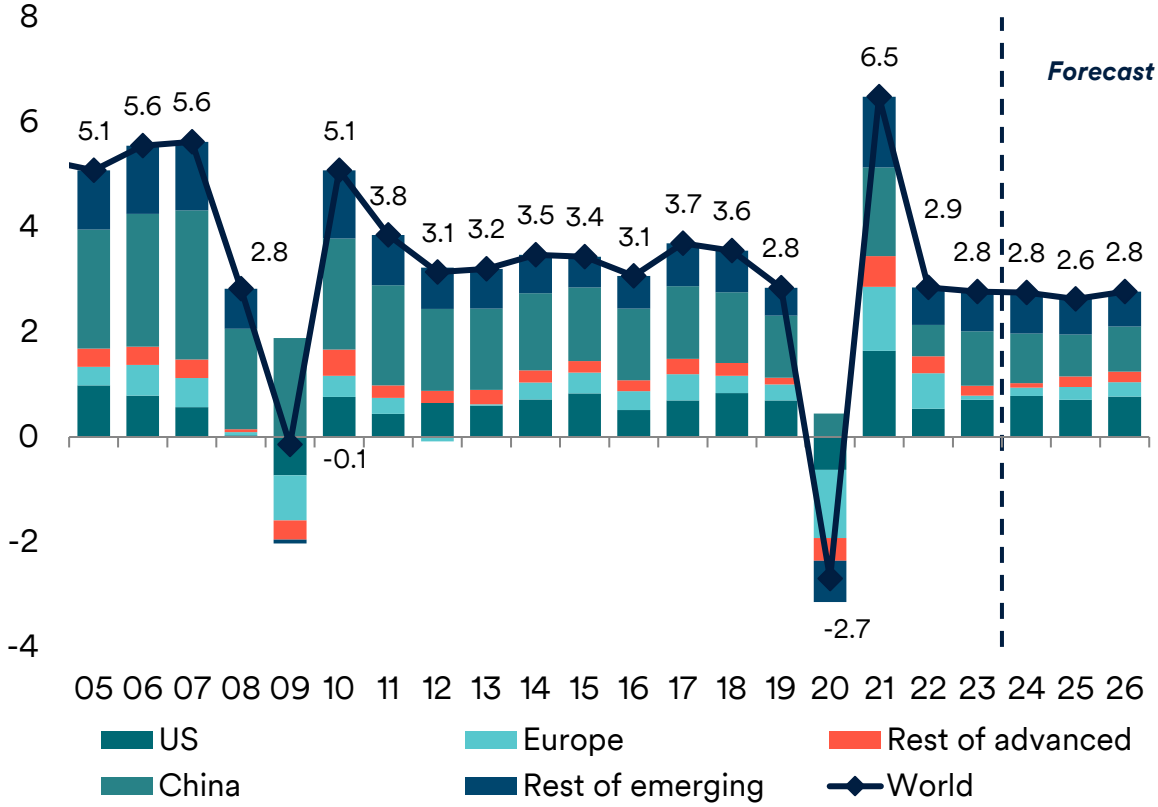


REAL ESTATE QUARTERLY LENS
Schroders Capital Real Estate

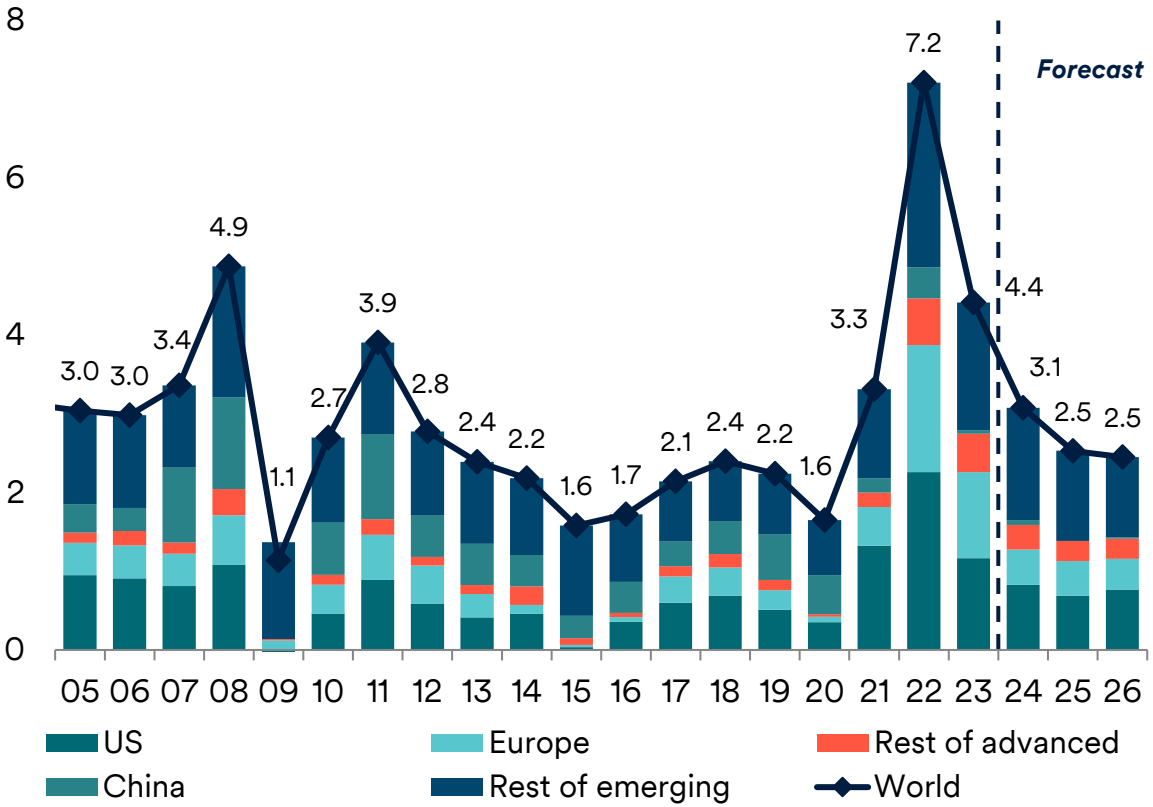
Growth and inflation forecasts

The world continues to experience disinflation in our forecast

Contributions to world GDP growth (y/y)



Contributions to World inflation (y/y)



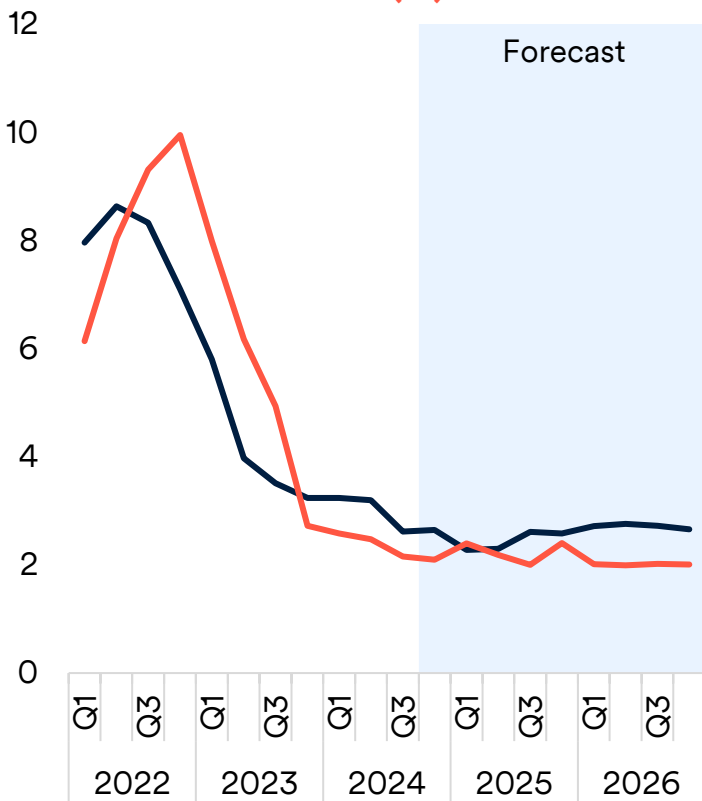
Source: Schroders Economics Group, 25 November 2024.

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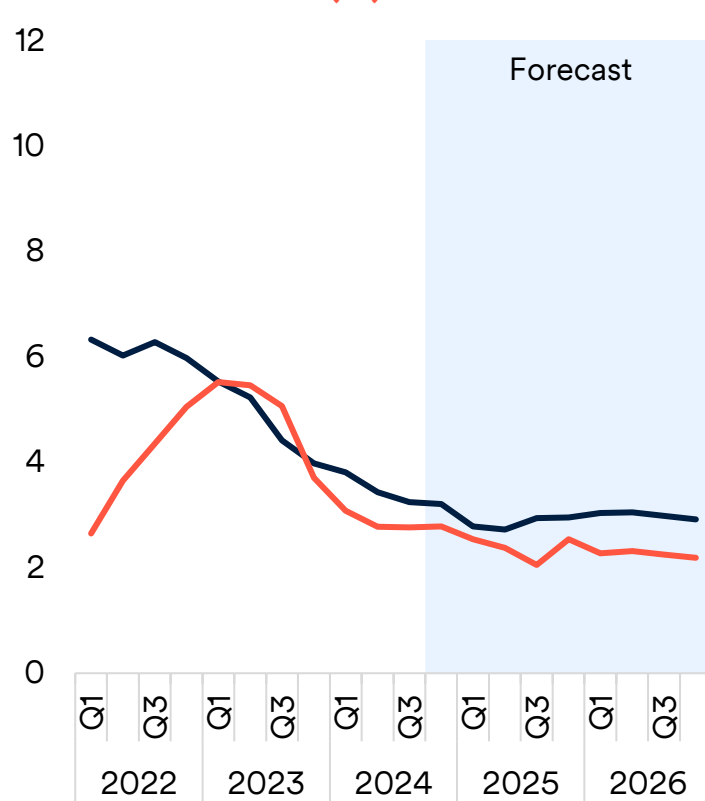
Inflation forecast to return to within 2-4% p.a. band

Core CPI is expected to prove stickier, especially in the eurozone

Headline CPI inflation (%)



Core CPI inflation (%)



Annual Headline CPI inflation data

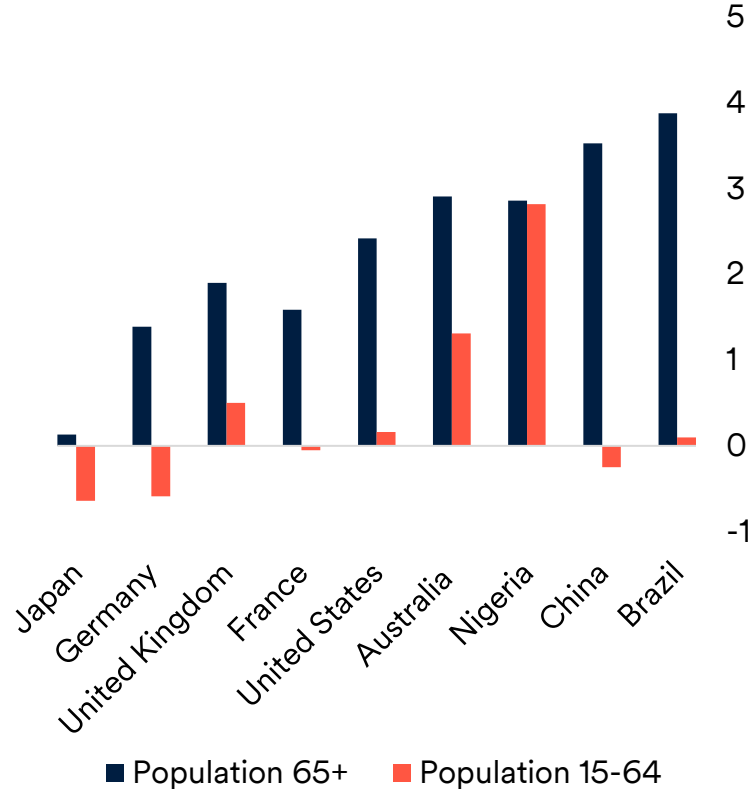
Country/Region	Dec-24	Dec-23	Dec-22
Switzerland	0.6%	1.7%	2.8%
Germany	2.6%	3.7%	8.6%
Eurozone	2.4%	2.9%	9.2%
France	1.3%	3.7%	5.9%
United Kingdom	2.5%	4.0%	10.5%
Italy	1.3%	0.6%	11.6%
Japan	3.6%	2.6%	4.0%
Norway	2.2%	4.8%	5.9%
Sweden	0.8%	4.4%	12.3%
United States	2.9%	3.4%	6.5%
Australia	2.8%*	4.1%	7.8%

Source: Schroders Economics Group, 25 November 2024. The forecasts should be regarded as illustrative of trends. Actual figures will differ from forecasts.*Figures are as at Q3 2024. LSEG and Schroders Capital. February 2025.

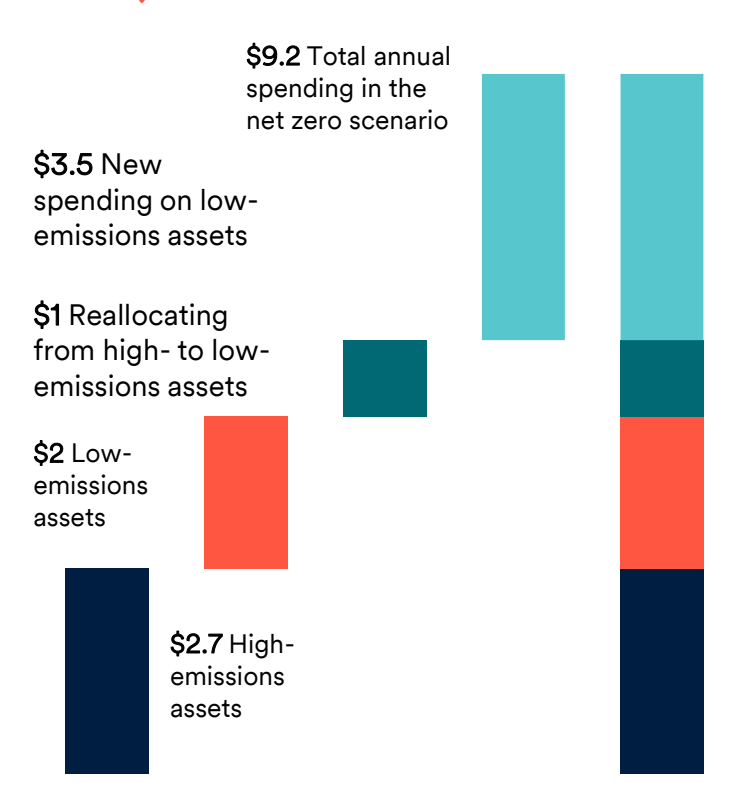
Why we forecast higher inflation levels than consensus

Caring for an ageing population, a costly climate transition & elevated geopolitical tensions

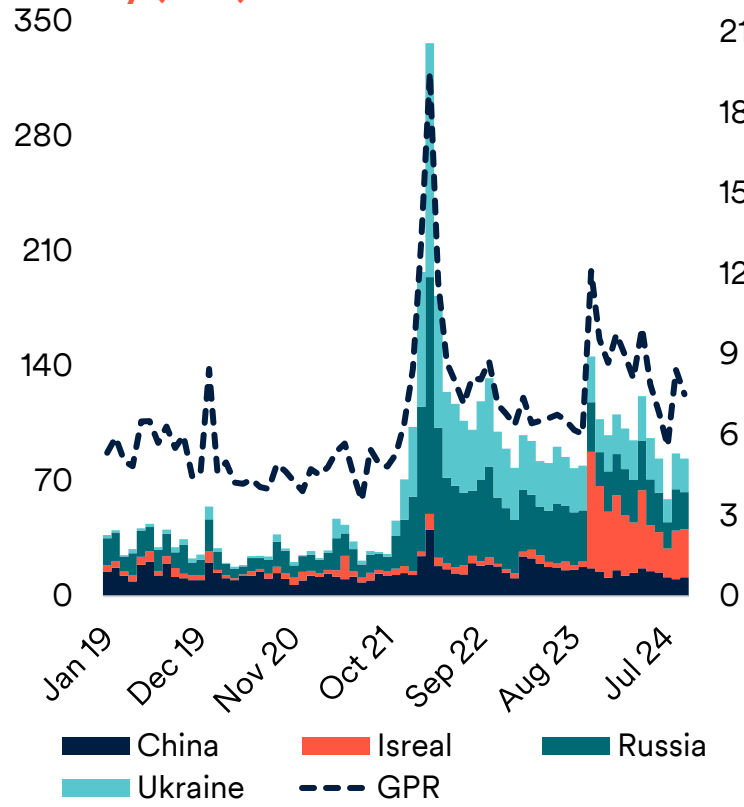
2032 10 Year P.A (%) growth rates (%) for over 65s and working populations



Annual Spending on physical assets for the Net Zero 2050 scenario (average 2021-50, USD Tn)



Geopolitical risk index (GPR) and the percent of articles mentioning each country (LHS)

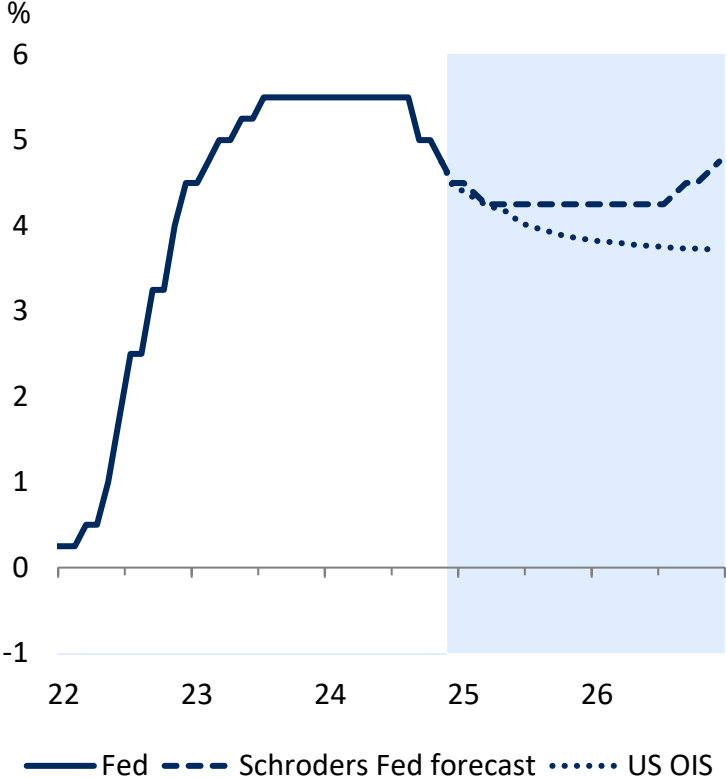


Source: Oxford Economics, McKinsey Global Institute analysis. Caldara, Dario, and Matteo Iacoviello (2021), "Measuring Geopolitical Risk," working paper, Board of Governors of the Federal Reserve Board, Schrodgers Capital. February 2025.

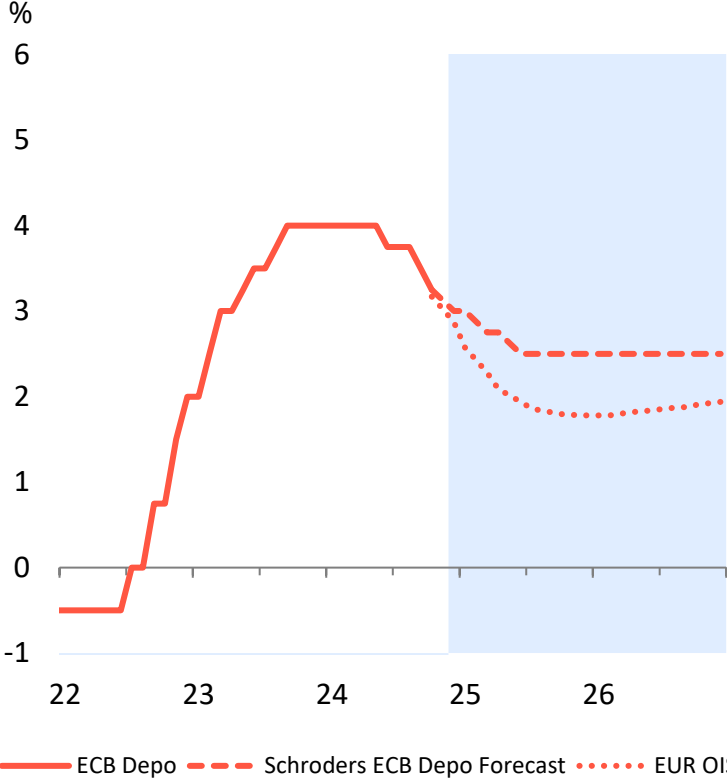
Interest rates not expected to fall materially further

Reflationary policies in the US may force the Fed to hike again in 2026

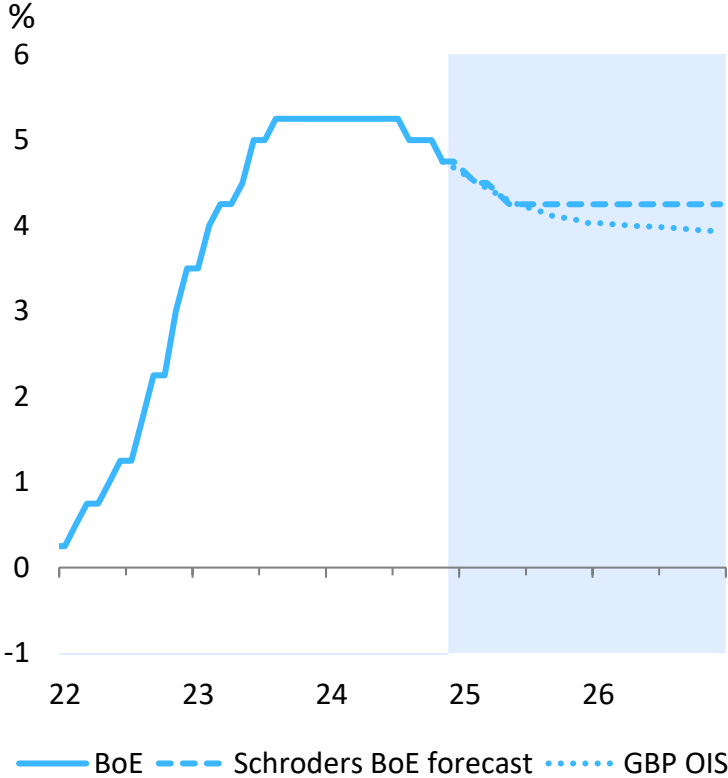
US interest rates forecast vs market



Eurozone interest rates forecast vs market



UK interest rates forecast vs market

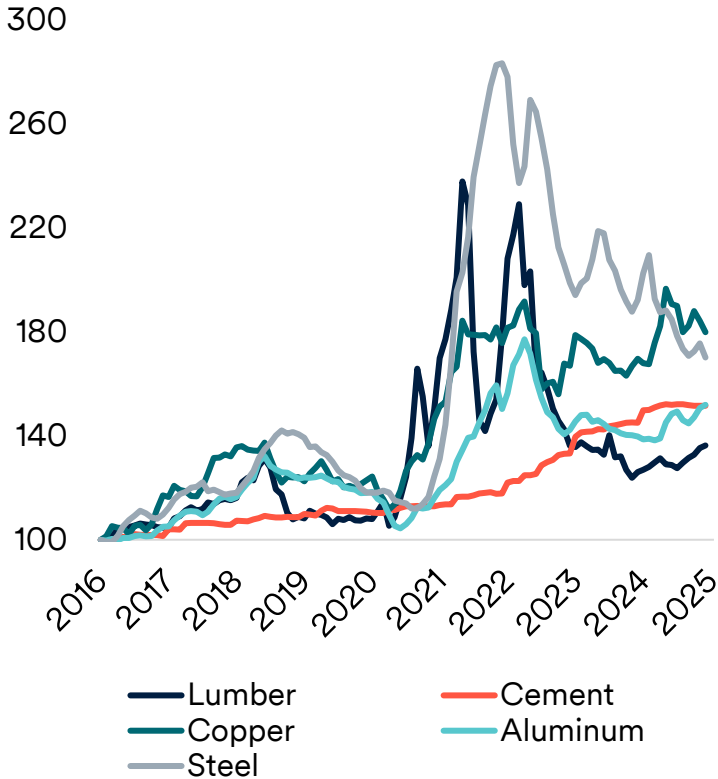


Source: Schrodgers Economics Group (21 November 2024). Goldman Sachs data for OIS (21 November 2024). OIS = Overnight index swap: a proxy for interest rate expectations in market. The forecasts should be regarded as illustrative of trends. Actual figures will differ from forecasts.

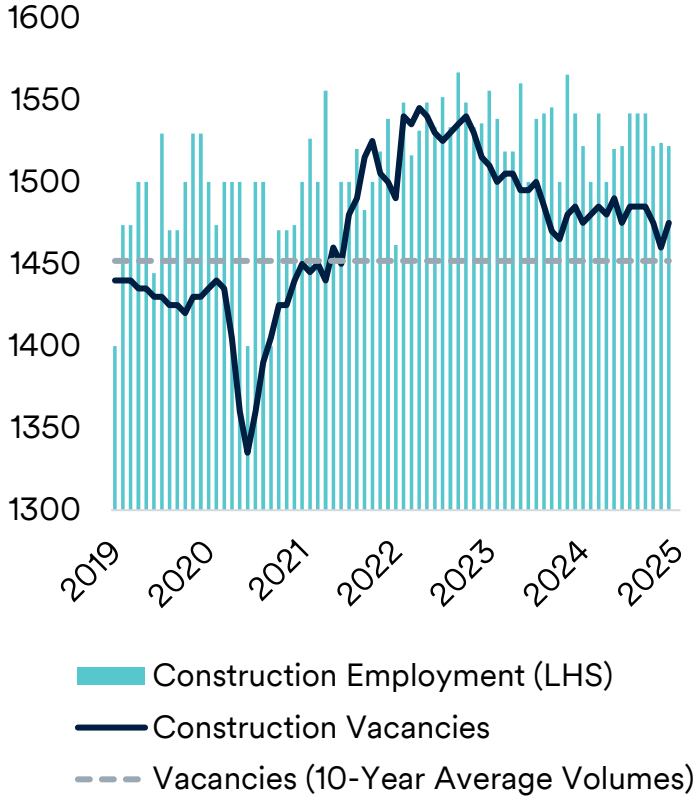
Supportive supply side

Elevated construction costs & labour shortages could further constrain undersupplied markets

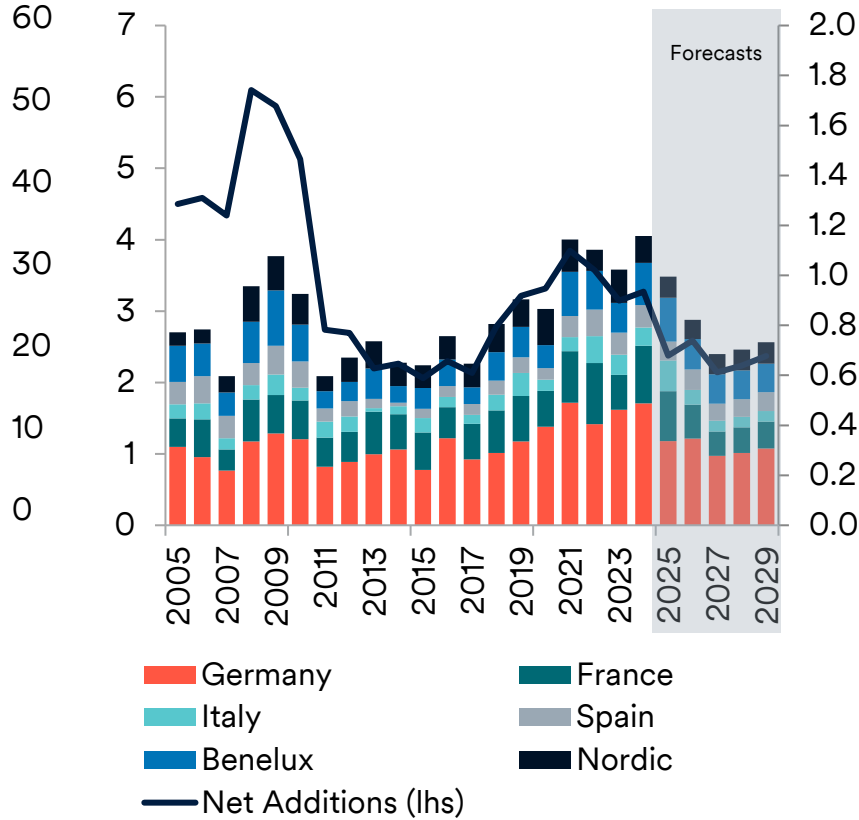
US Cost of Materials (Index, 2016 = 100)



UK Construction employment and vacancies (thousands)



Europe ex UK: Office completions (million sq m) and Net-Additions (% of Stock)

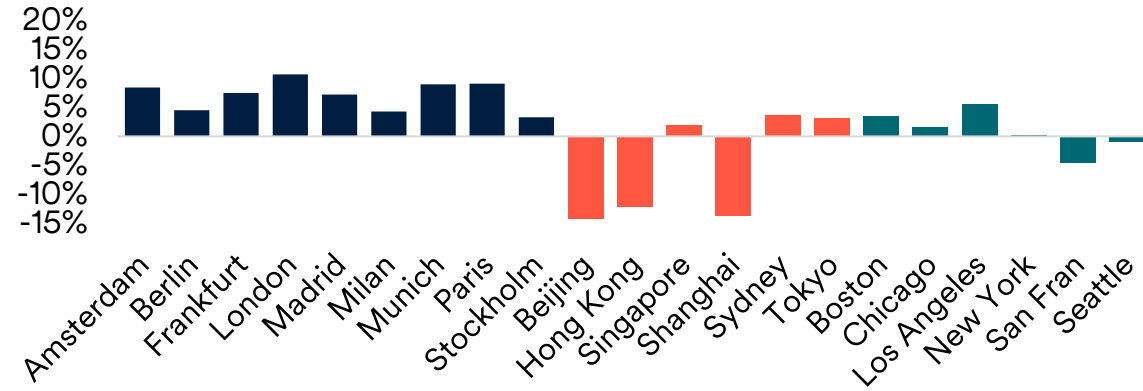


Source: LSEG, ONS, Turner and Townsend, PMA and Schroders Capital. February 2025.

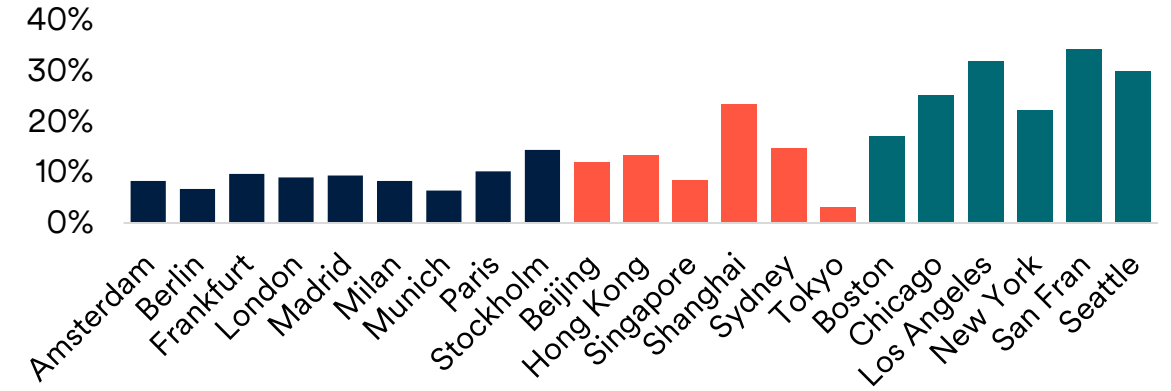
Real estate rental growth and vacancy

Generally, tight vacancy and supply conditions prevail, supporting operating fundamentals

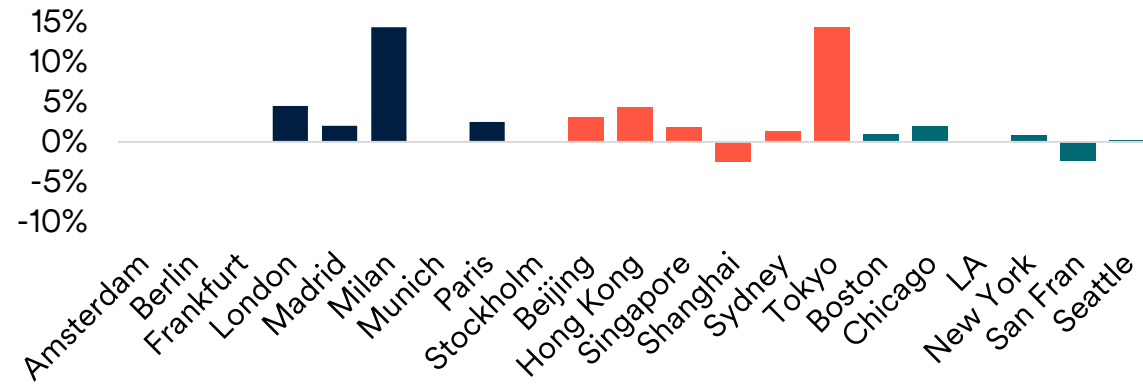
Q4 2024 Office sector rental growth



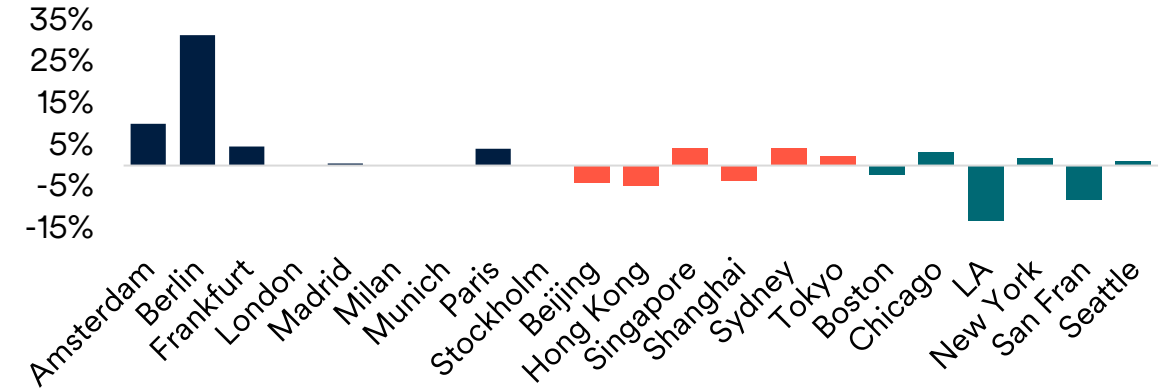
Q4 2024 Office sector vacancy rates



Q4 2024 retail rental growth¹



Q4 2024 Industrial/logistics rental growth



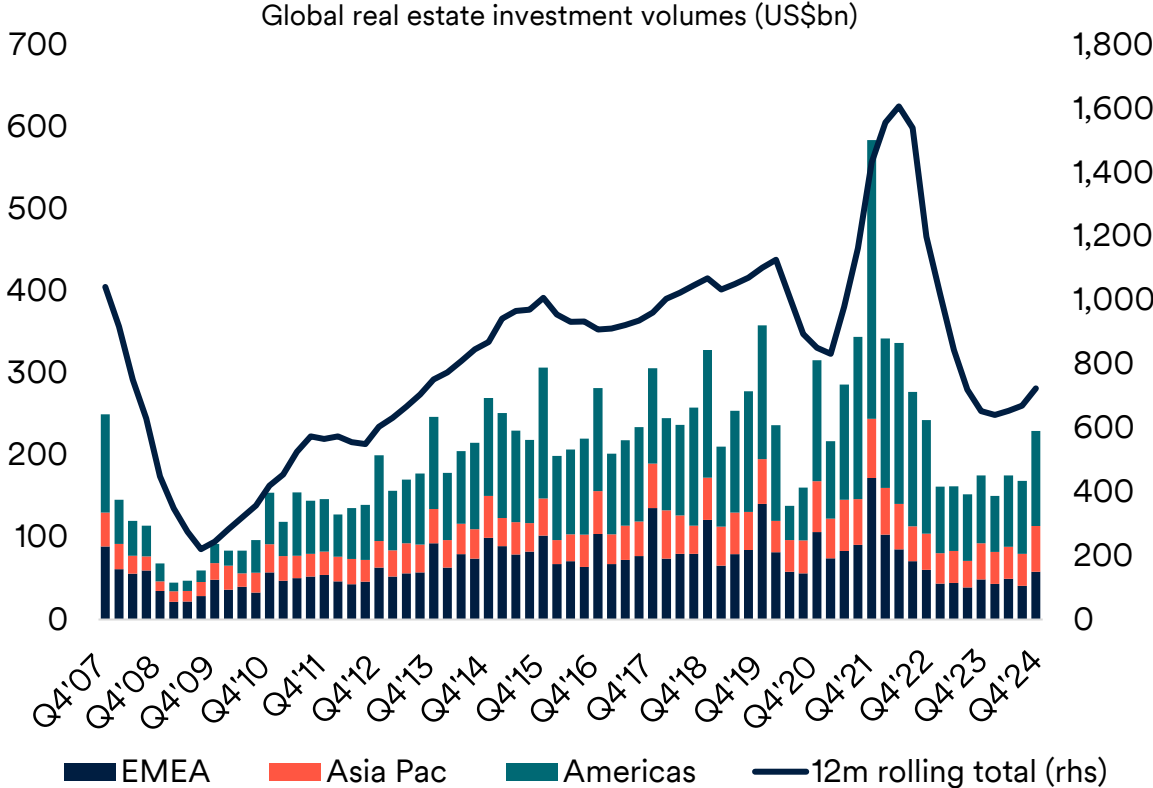
Source: CBRE, C&W, Green Street Advisors, JLL, Schroders Capital, February 2025.

¹Retail rental growth data reflect high street or shopping centre where relevant. Data for Asian Pacific markets as at Q3 2024.

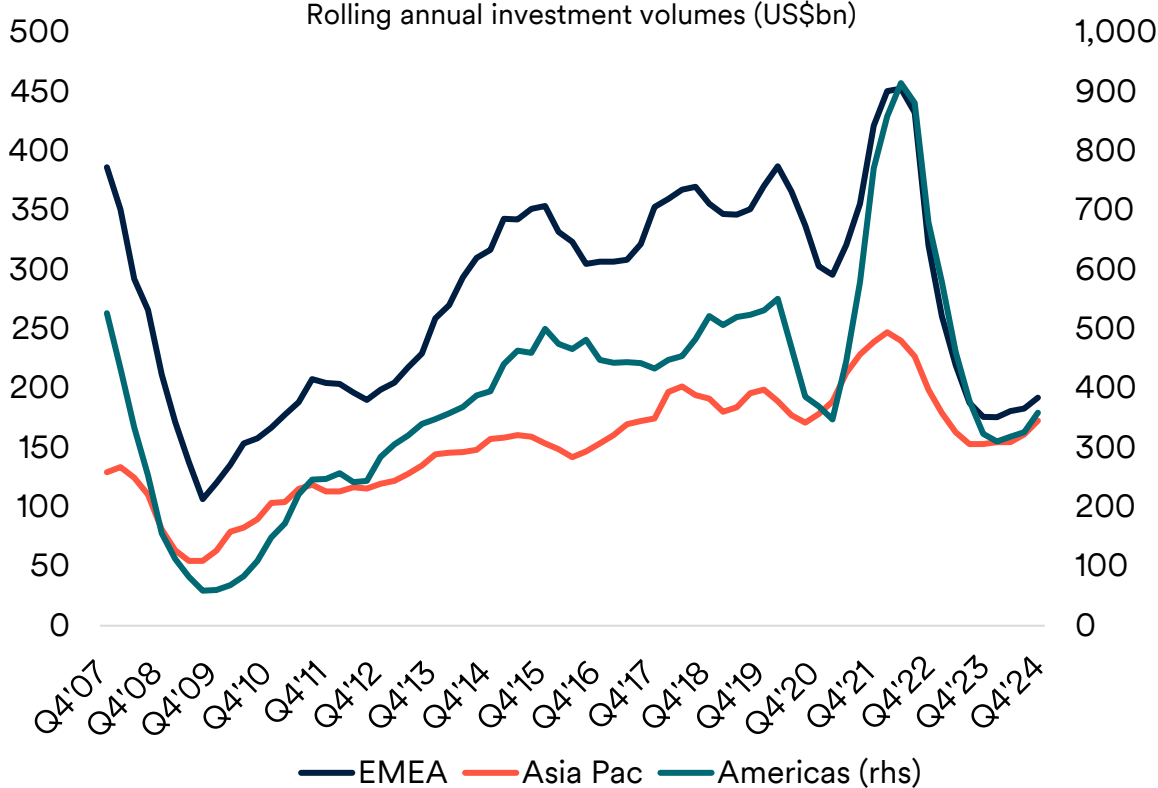
Real estate transaction volumes (US\$bn)

Volumes remain subdued in historic context but are improving - and more positive sentiment should catalyse activity going forward

Q4'24 global transaction volumes improved 31% over Q4'23



Volumes picked up across all regions

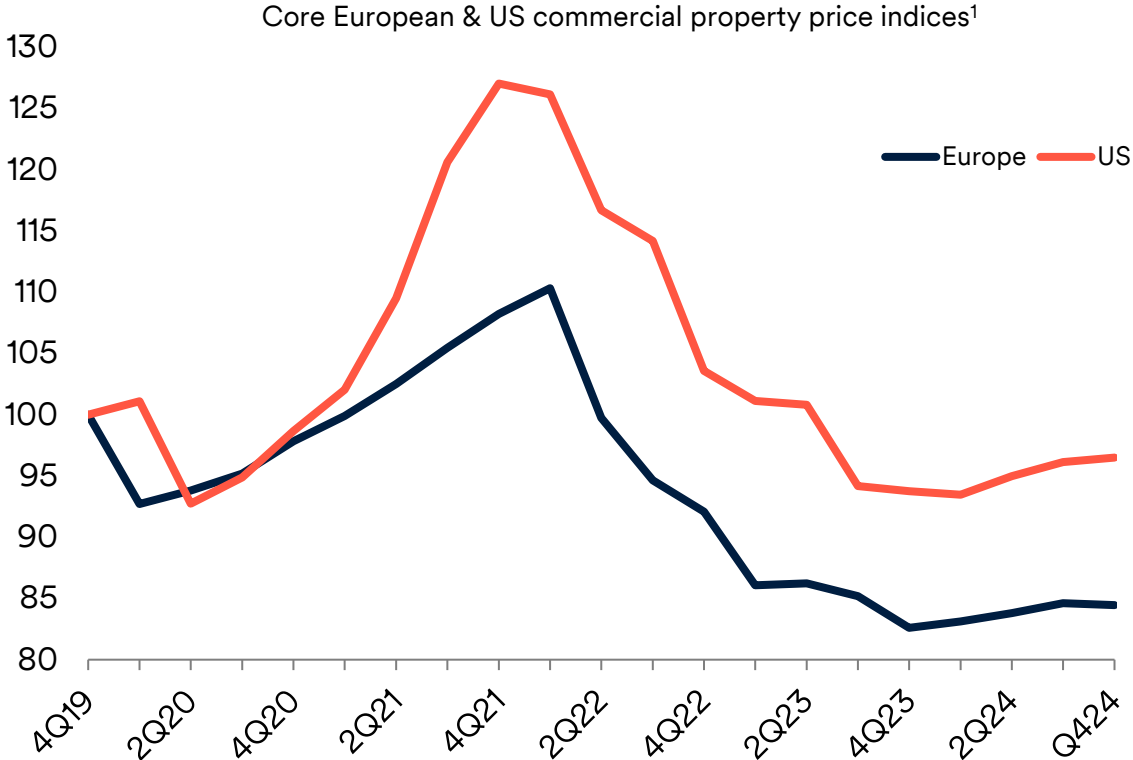


Source: MSCI RCA, Schroders Capital. February 2025. Volumes shown exclude the sale of development land

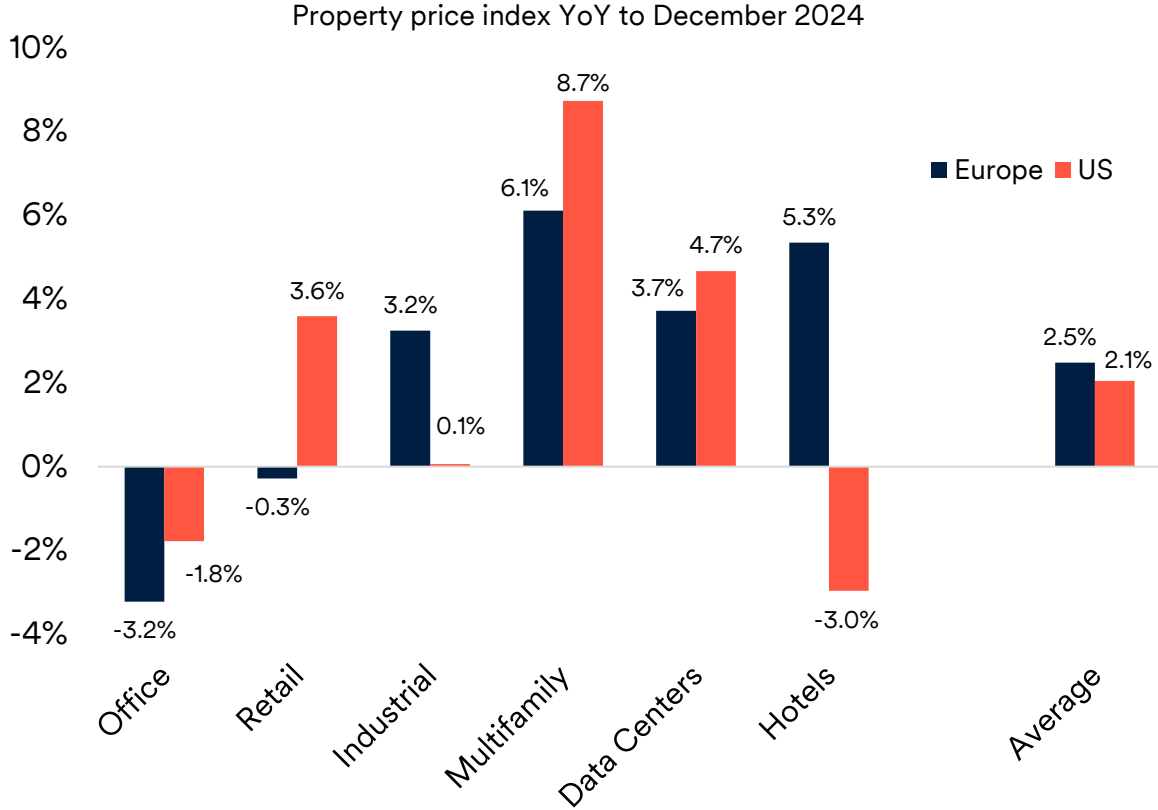
Commercial real estate transaction pricing

Clear evidence of transaction prices recovering following significant falls across multiple sectors

Levels modestly increased over the quarter



Europe and US experienced annual rises on average

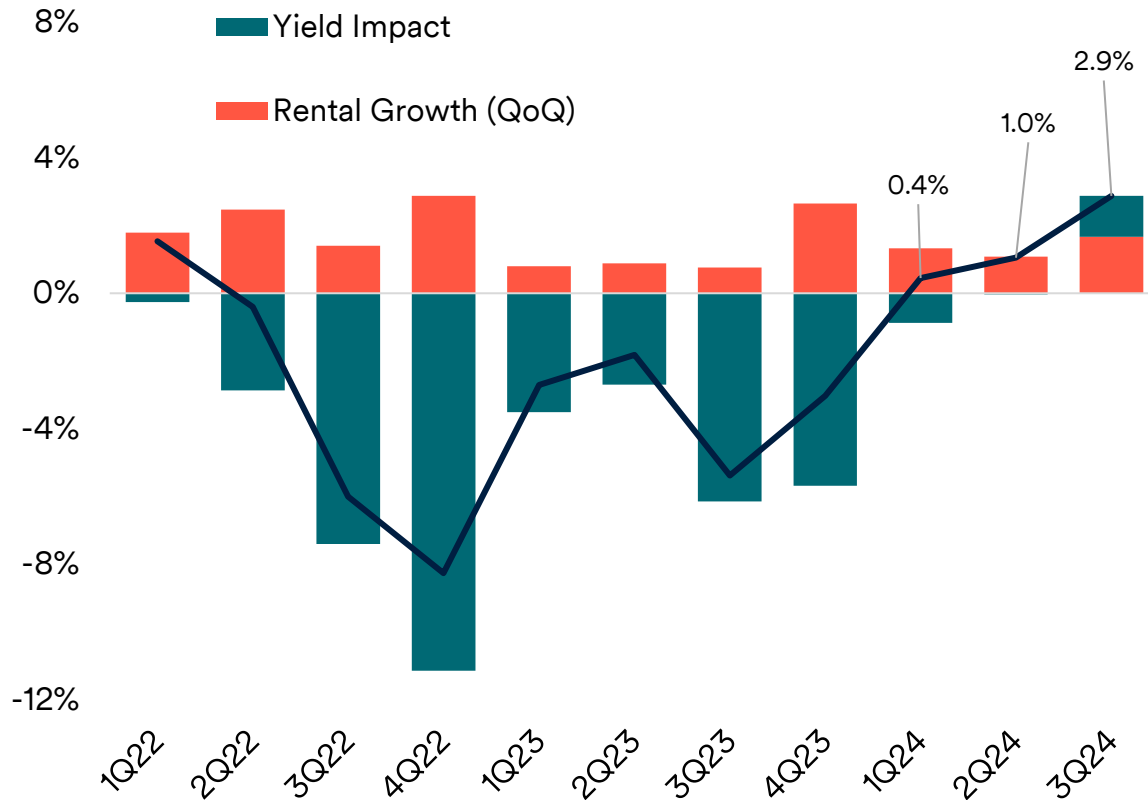


Source: Green Street Advisors, Schroders Capital, February 2025. Data last updated on the 21st of January 2025. 1. Core sectors is an unweighted average of the office, industrial, multifamily and retail sectors.

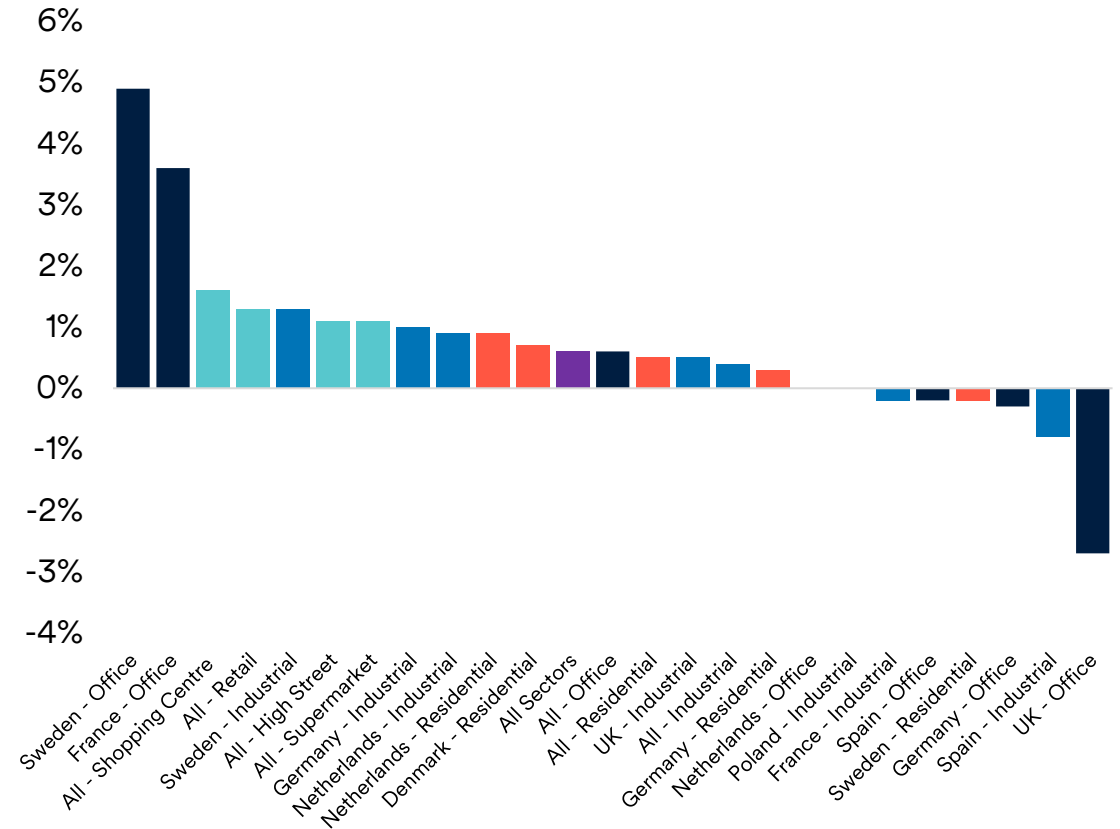
European real estate valuations improving

Offices and retail turned positive, industrial and residential both show consecutive quarterly growth

Quarterly prime all property capital value growth & attribution



Quarterly average value appreciation across European markets

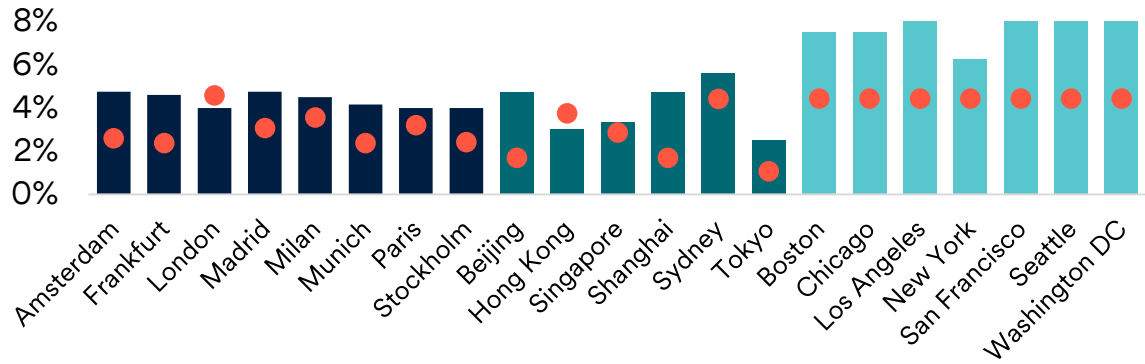


Source: Altus, CBRE, Schroders Capital, November 2024.

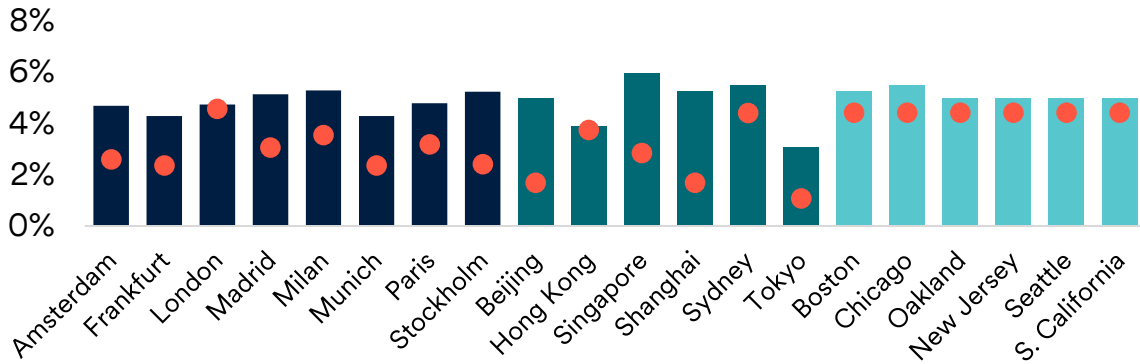
Major metro yields for the 'traditional' real estate sectors

Prime/Grade-A CRE yields have increased substantially across major global markets

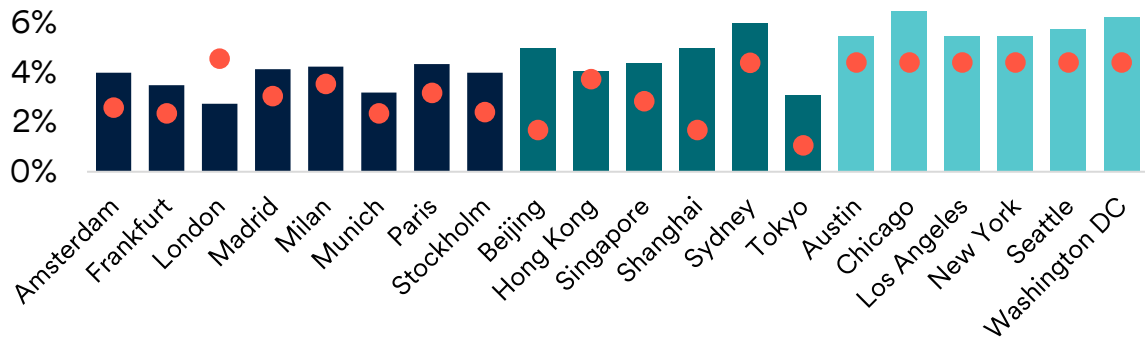
Offices



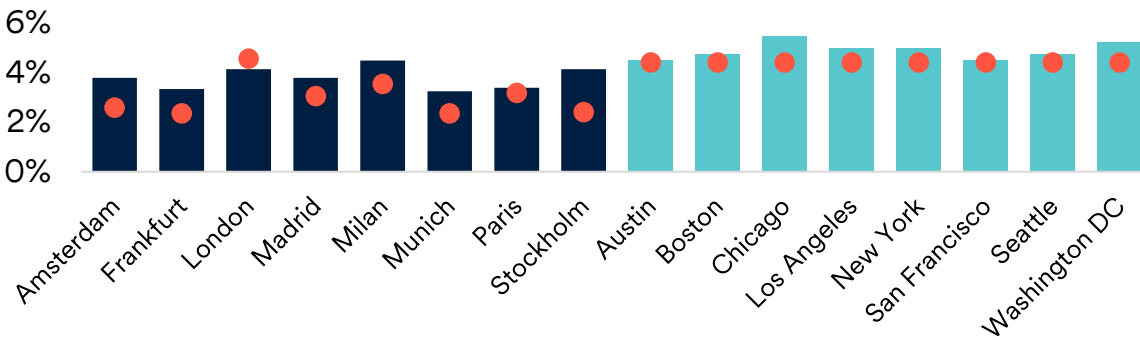
Industrial & Logistics



Retail¹



Multifamily²



● National government ten-year bond yield

Source: CBRE, JLL, PMA, Schrodgers Capital, February 2025. Asian prime real estate yields are as at Q3 2024. US prime real estate yields are as at Q2 2024.

¹ Yields represent shopping centres, high street and strip centres where appropriate. ² US cities represent CBRE's apartment infill figures where available.

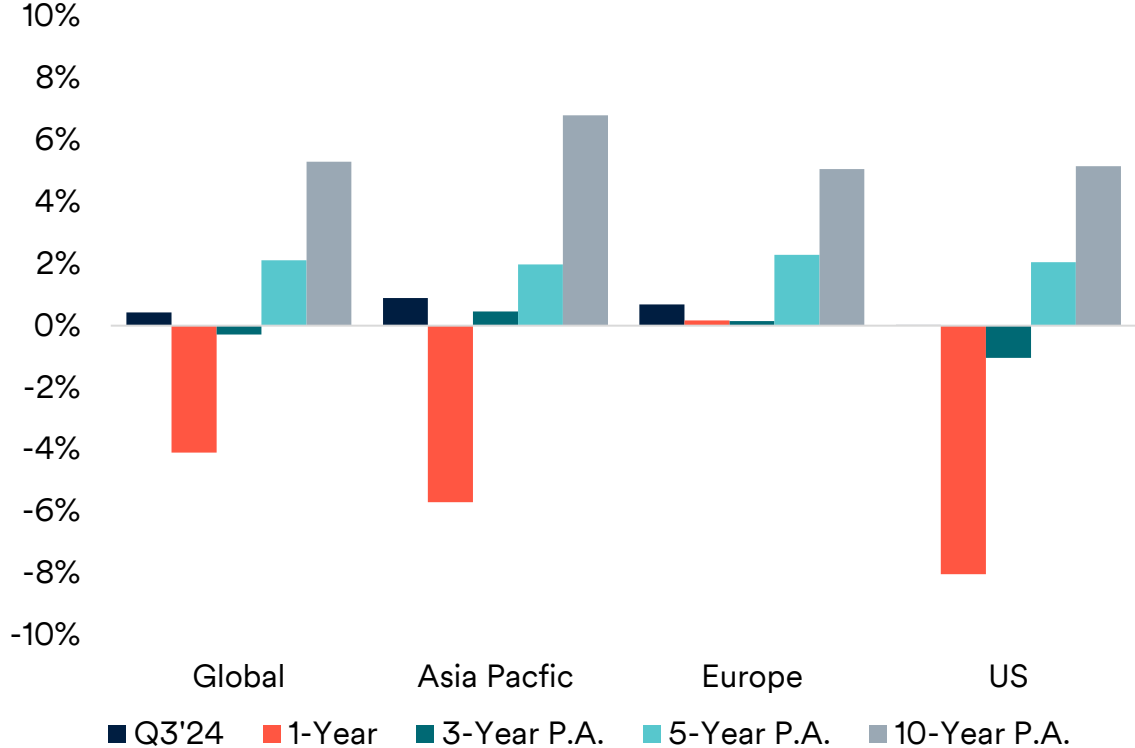
Global private real estate fund performance lagging broader markets

Modest positive global real estate fund returns recorded in Q3'24

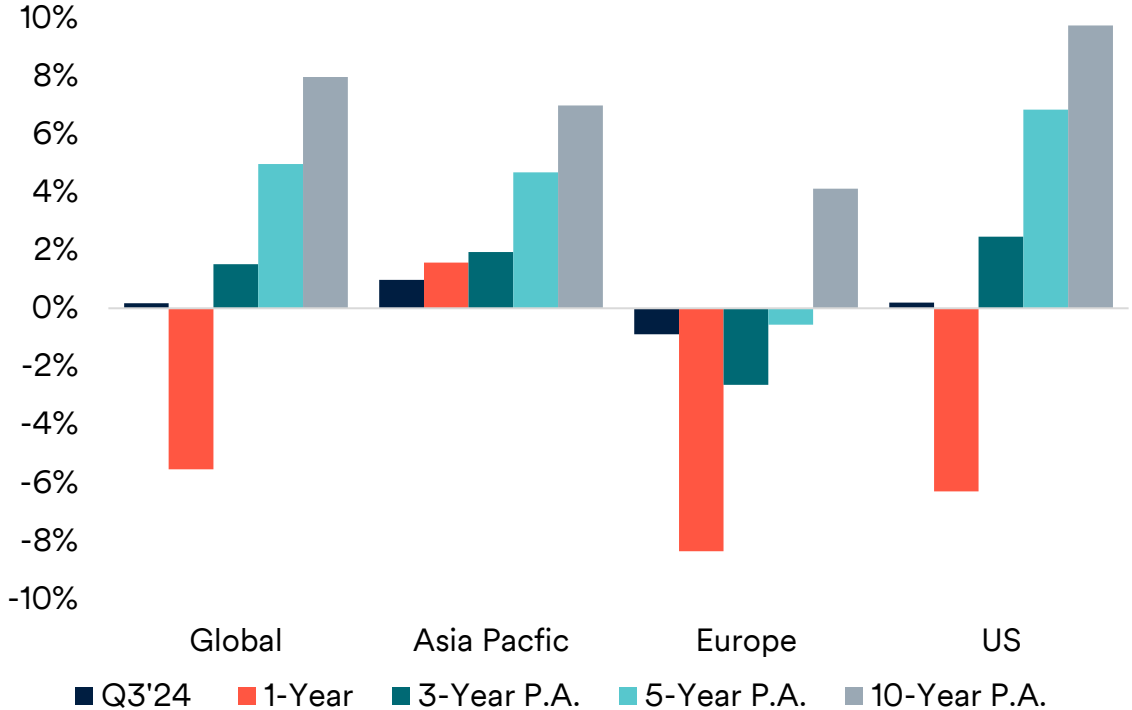
Global core real estate delivered a 0.4% total return over Q3'24 but -4.1% over 12-months

Regionally, the Asia Pacific led non-core performance posting a 1.0% total return over Q3'24 versus a 0.2% global equivalent

Core private real estate fund returns in local currency



Non-core private real estate fund returns in local currency

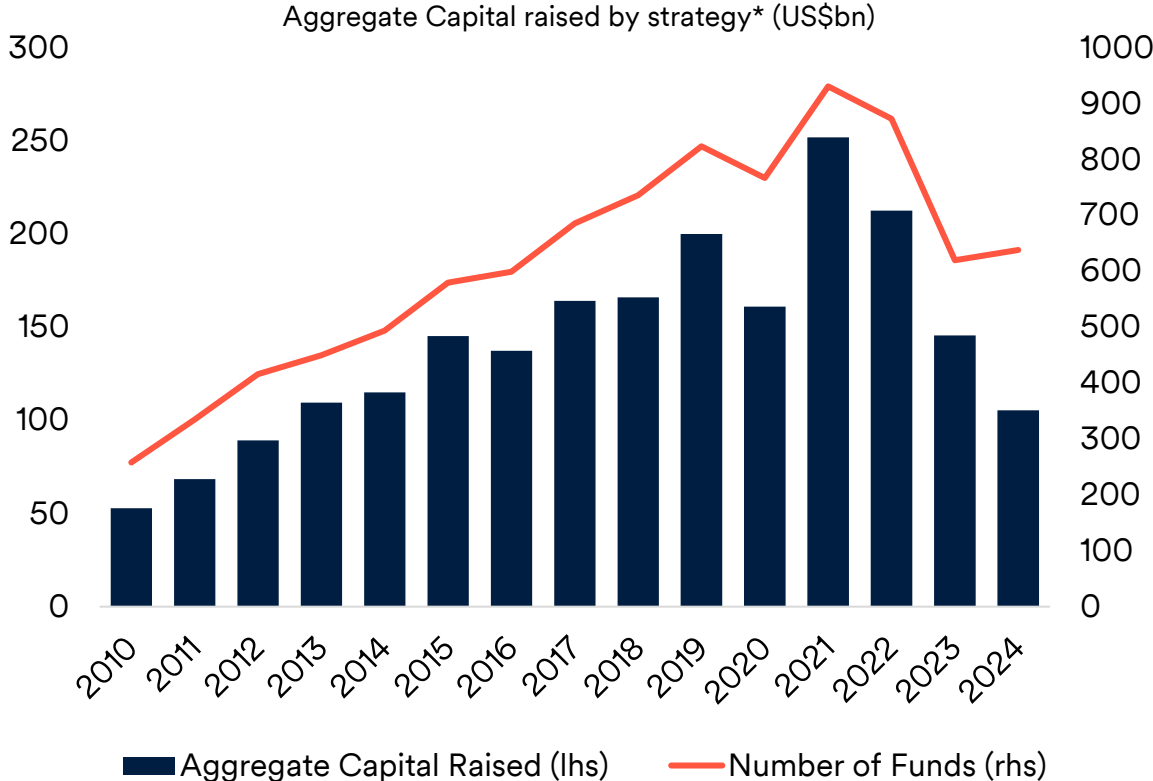


Source: GREFI, 3Q 2024. ANREV, INREV, NCREIF, Schroders Capital. February 2025. Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.

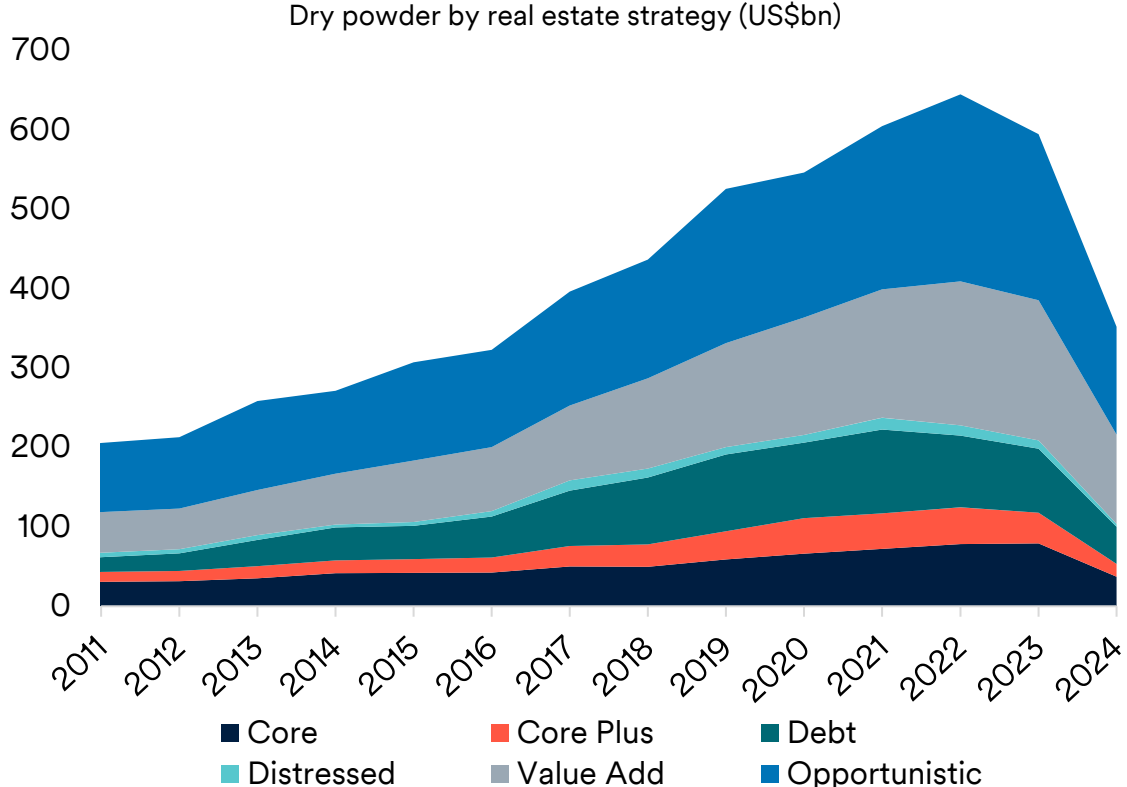
Private equity real estate fundraising

Private real estate fundraising slowed, but the number of funds raised increased slightly in 2024

Prequin registered \$105.4bn of new capital raised during 2024



Dry powder levels have decreased moderately to \$351.4bn

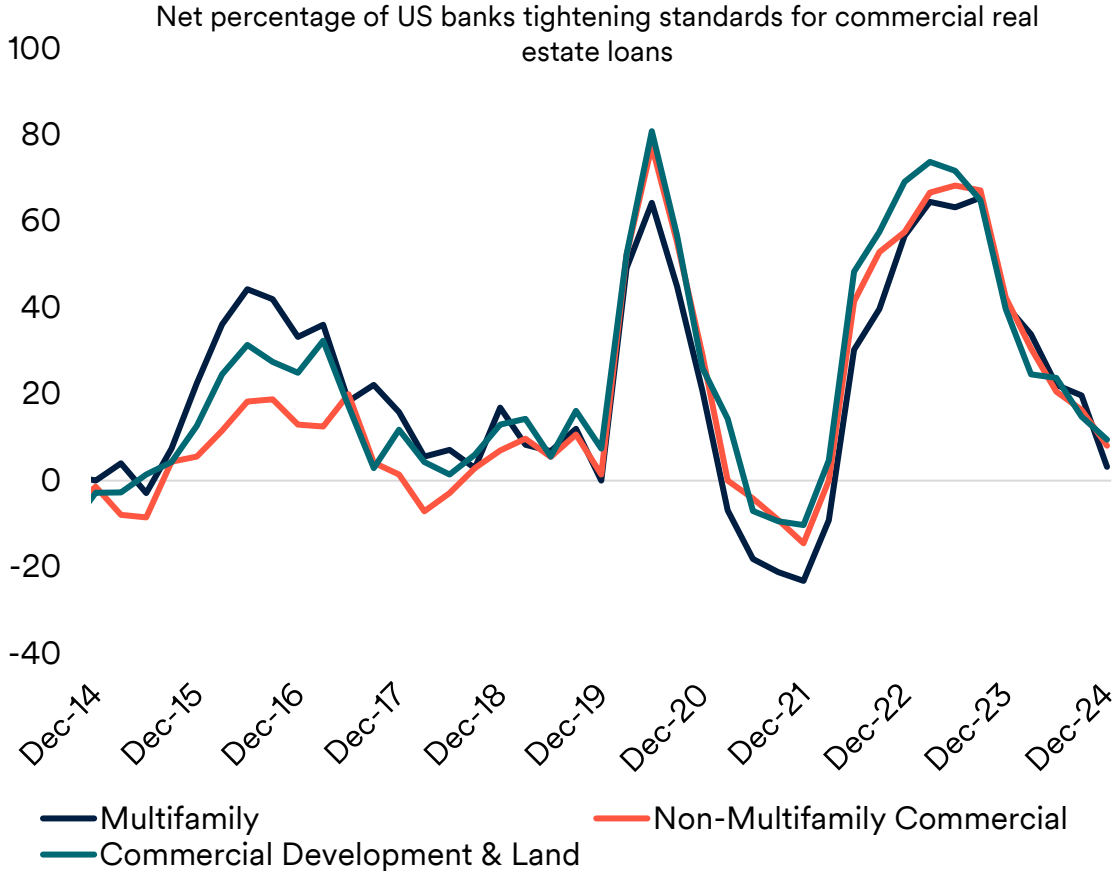


Source: Prequin and Schroders Capital. February 2025. *Refers to core, core-plus, debt, distressed, opportunistic and value add strategies. (data downloaded on the 14th January 2025)

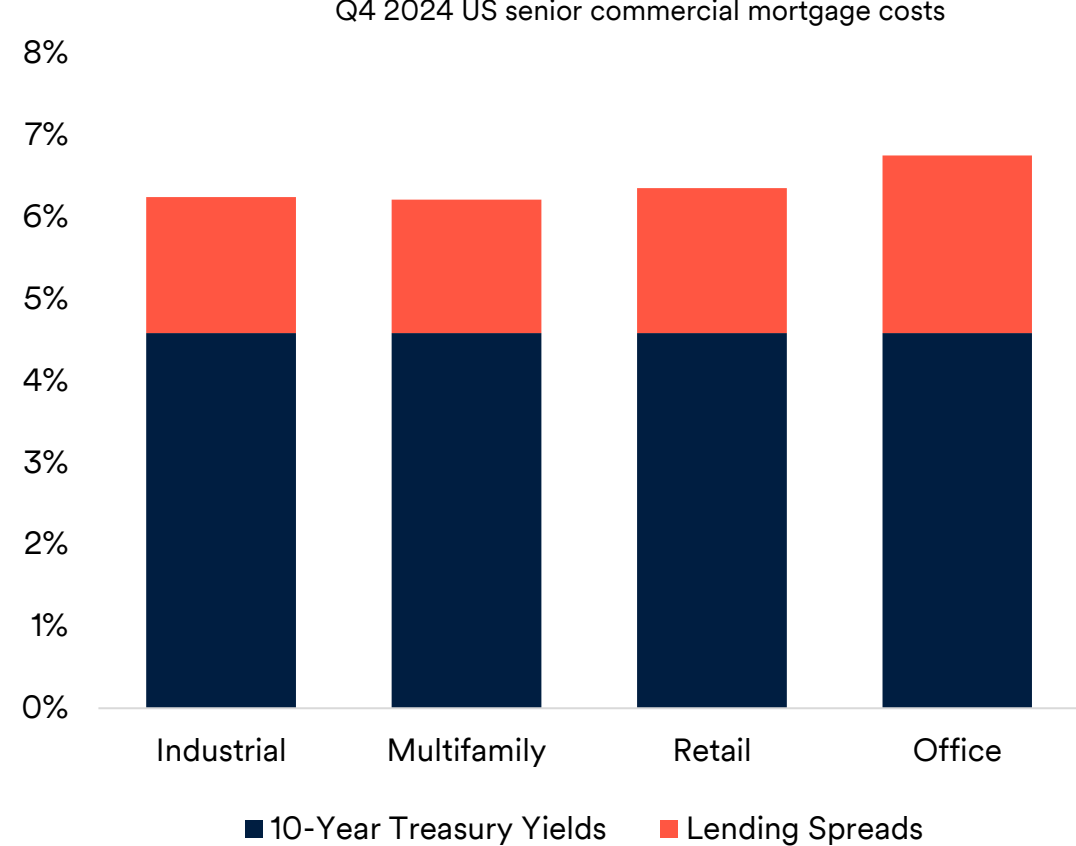
Commercial real estate debt markets

Fewer US banks were tightening their standards during Q4 2024

Loan standards remain historical high



Margins for commercial real estate mortgages have been stable



Sources: Federal Reserve, Koyfin, Trepp, Green Street Advisors and Schroders Capital. February 2025.

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