DUFF & PHELPS
INVESTMENT MANAGEMENT CO.

2023 OUTLOOK

GLOBAL REAL ESTATE SECURITIES

December 2022

"Overall, global real estate fundamentals remain solid even as they are impacted by slowing global economic growth and higher refinancing rates..."

2022 Retrospective

As a result of aggressive central bank policy in most developed markets (outside of Japan), which drove short- and long-term interest rates meaningfully higher, global equities including listed real estate underperformed notably in 2022.

All countries delivered negative total returns in U.S. dollar terms, with the U.S. performing in line, Asia outperforming (led by Singapore, Hong Kong, and Japan) and Europe underperforming (weighed down by Germany, Sweden, and the U.K. among the larger countries). Currencies were notably volatile during the year, with the U.S. dollar outperforming for the first three quarters before exhaling in the last quarter as central banks moved beyond peak hawkishness.

On a property sector basis, only the specialty property sector delivered positive total returns, driven by the solid performance of the U.S. gaming REITs. The lodging and retail property sectors outperformed on a relative basis as well, benefiting from further normalization in their underlying operating performance following the pandemic. The residential, office, and industrial property sectors were the larger laggards, with residential and industrial giving back some of their material outperformance from 2021 and office continuing to suffer from subpar utilization as employers continued to adjust workplace strategies.

Cash flow and dividend growth for listed global real estate companies remained solid, particularly across shorter-lease property sectors, such as lodging, self-storage, industrial and residential, but only lodging

200 South Wacker Drive, Suite 500 | Chicago, IL 60606
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outperformed on a relative basis in this group as significant multiple compression across the others led to underperformance. Public-to-public and privatization merger and acquisition activity was robust in the first half of 2022 on a global basis and across multiple property sectors. However, with the rise in cost of capital and more uncertainty in the debt markets, this activity materially slowed down in the second half of the year.

Global listed real estate ended the year trading at a notable discount to NAV estimates on private valuations.

2023 Outlook

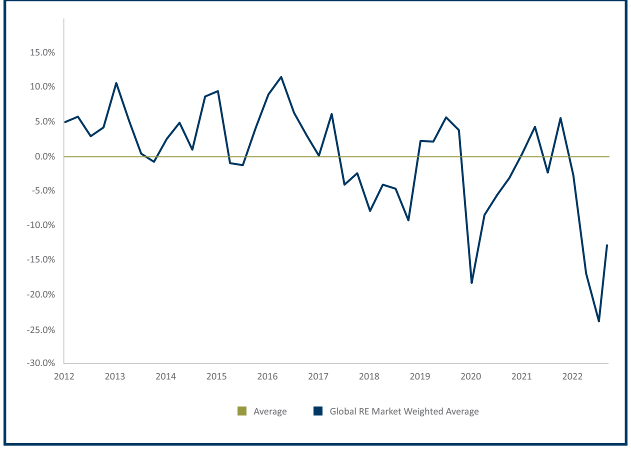
The Duff & Phelps Global Real Estate Securities Team expects global economic growth to slow in response to higher interest rates. One of the key debates is whether central banks can orchestrate a soft landing or if we will see a more meaningful contraction in the global economy. The pace of interest rate increases is expected to slow and may be joined by reduced quantitative tightening, which makes a significant further correction in cash flow multiples less likely.

Global listed real estate cash flow and dividend growth are expected to decelerate as the post-Covid operating performance normalization process has largely played out and as companies absorb the higher financial and operating costs to their businesses. Nonetheless, at this point the team believes global cash flow and dividend growth will remain positive. Quality and resiliency in the form of well-positioned balance sheets and sustainable growth in cash flow and dividends will likely be preferred by investors as we continue to face an uncertain economic environment.

Fundamentally, secular growth drivers should continue to benefit logistics and communications infrastructure (data centers and cell towers). Self-storage and residential growth should remain positive, but to a lesser degree. Certain aspects of health care should continue to recover, such as senior housing operating properties in the U.S. Conversely, the office property sector will likely remain the most challenged on a global basis.

Given the capital that has been raised by private equity sponsors on a global basis, the D&P Global

Listed Global Real Estate Weighted Average Premium/(Discount) to NAV



Source: FTSE EPRA Nareit, Bloomberg Finance L.P., S&P Capital IQ, Duff & Phelps. As of November 30, 2022

Real Estate Securities Team expects M&A activity to resurface, particularly if the availability and pricing in the debt markets improve and global listed real estate continues to trade at discounted valuations.

Looking forward, the team has a positive view on listed global real estate due to what they believe are oversold valuations. The Federal Reserve and its global central bank peers are moving past peak hawkishness, which should facilitate more active debt markets. Overall, global real estate fundamentals remain solid even as they are impacted by slowing global economic growth and higher refinancing rates. In our view, listed global real estate has shown an ability to outperform when central banks are pursuing a more reasonable path of increasing interest rates, in terms of both magnitude and frequency. This was clearly not the case in 2022 as central banks played catch-up with inflation. With an abundance of private capital on the sidelines and discounted pricing (arguably wholesale prices) available, we see listed real estate as much more attractive than private real estate. This supports the adage that real estate is cheaper on Wall Street, or on global exchanges, than it is on Main Street.

The Authors:

Geoffrey Dybas, CFA

Geoffrey P. Dybas, Executive Managing Director, heads the Duff & Phelps' Global Real Estate Securities team. He is Senior Portfolio Manager and co-founder of all dedicated REIT strategies managed by Duff & Phelps. Mr. Dybas was a corporate banker for Bank One and began his investment career in 1989. He holds a BS degree, cum laude, from Marquette University and an MBA from the Kellogg School of Management at Northwestern University.

Frank Haggerty, CFA

Frank Haggerty, Senior Managing Director, serves as Senior Portfolio Manager for all dedicated Global Real Estate Securities. Mr. Haggerty joined Duff & Phelps in 2005 after having served as a REIT portfolio manager and senior analyst for ABN AMRO Asset Management. He began his investment career in 1996. He holds a BS from Illinois State University and an MBA with distinction from the Kellstadt Graduate School of Management at DePaul University.