2025 INSIDE REAL ESTATE OUTLOOK

Poised for growth

January 2025

Principal Asset Management℠

OVERVIEW

We feel that the long-awaited turning point has arrived

Source: Principal Real Estate, December 2024

Macroeconomic and commercial real estate (CRE) prospects

- The odds of a recession have largely diminished, and the global economy appears well-positioned to sustain its expansion as inflation eases and central banks adopt more accommodative policies.
- Global labor markets and corporate balance sheets have weathered the challenges of inflation and higher interest rates. Absent an exogenous shock, we anticipate smoother sailing ahead in 2025.
- Commercial real estate values have largely adjusted for the current cycle, setting the stage for a turning point in early 2025. However, we remain cautious about the office sector and see the greatest opportunities in structurally-driven property types over the next 12 months.
- From 2025 onward, we expect a range of opportunities to emerge as investors regain confidence in a stable economy and gain greater clarity on capital costs and pricing.

Capitalizing on an emerging recovery

- Real estate debt remains one of our highest conviction strategies in 2025 given its premium to core equity and need for capital to offset an elevated maturity schedule.
- Listed REITs may offer emerging opportunities given stronger sustained economic growth.
- Private equity markets have signaled a bottom for most sectors, and we expect stabilized to modest capital values amid increased debt issuance among private lenders.
- Structurally-driven sectors, such as data centers, logistics, and residential, remain well-positioned to take advantage of increased investor activity in 2025. We continue to suggest selectively adding these sectors to portfolios across all four real estate quadrants.

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Macroeconomic overview

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“In 2025, the opportunities will be plenty, but so may be the obstacles”

SEEMA SHAH

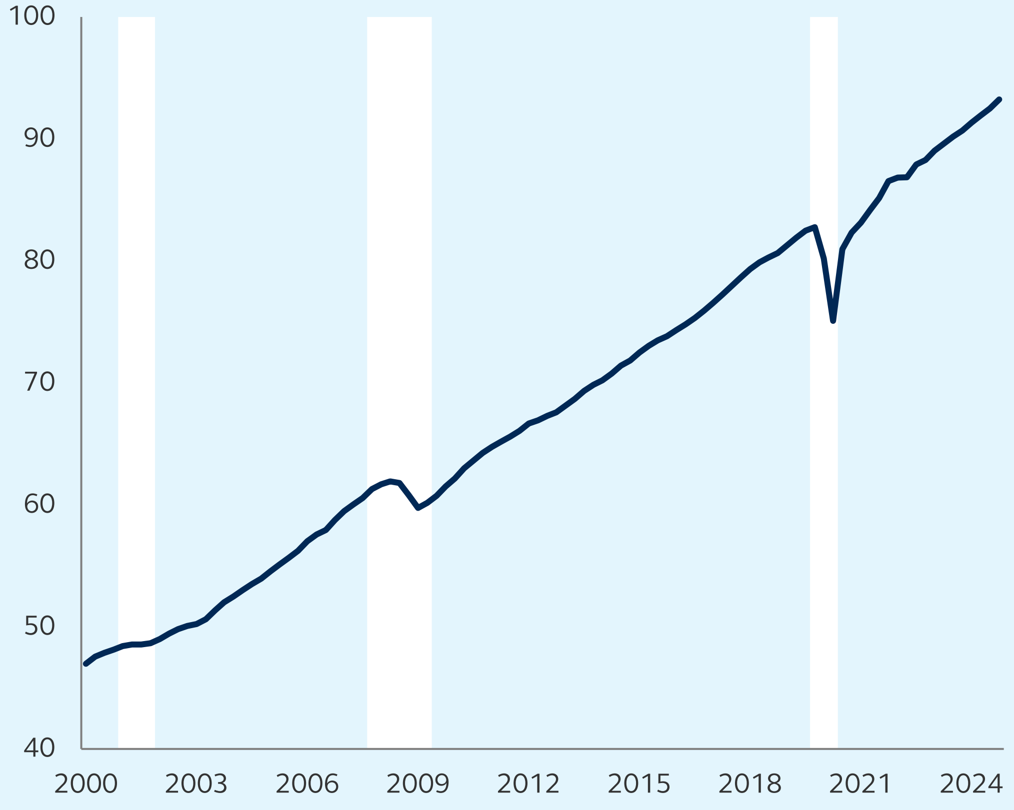
Continued global expansion in 2025

Key economic assumptions

- The gradual tide of disinflation, coupled with signs of slower growth across key global economies, has given central banks sufficient justification to pivot toward more accommodative monetary policies.
- Inflation in Europe, China, and, to a large extent, the U.S. has eased enabling central bankers to shift their stance.
- On balance, the global economy remains resilient. The U.S. and Asia have experienced a modest acceleration in activity over the past 12 months, reinforcing our view that a recession is unlikely in the near term. However, European economies have shown mixed performance, with Germany, Italy, and France facing a slower growth outlook.
- Elections in Europe and the U.S. have raised concerns about increasing nationalism, which could create headwinds to stronger growth and a low-inflation environment. It remains too early in the transition process to draw definitive conclusions.
- While short-term policy rates have eased, we anticipate a higher normalized long-term interest rate environment. Investors should prepare for this potential shift.
- Our base-case outlook projects a healthy yet more moderate pace of global growth in 2025, as central bank policy pivots are expected to provide support to risk assets.

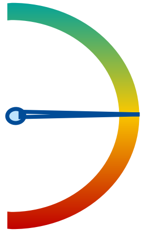
Global GDP

Trillion, 2017 USD, seasonally adjusted annual rate (SAAR)



White bars in chart indicate recessionary periods.
Source: Moody's Analytics, Principal Real Estate, December 2024

Economic stability could be on the horizon for many nations

	Outlook	Investors should price in sustained growth in 2025	Market	GDP growth, % 2023	2024-E	2025-F
N. America		**The U.S. economy exceeded expectations in 2024 and enters 2025 on solid footing.** While job growth has slowed, the labor market remains resilient, with unemployment hovering near generational lows. The Federal Open Market Committee (FOMC) has acknowledged that, as the inflation rate is moving closer to its target, it can now focus on full employment. Although risks to growth persist—stemming from potentially problematic trade policies following the presidential election and ongoing geopolitical conflicts—the U.S. economy is better equipped to weather unexpected headwinds than it was a year ago.		2.9	2.7	2.1
				1.5	1.1	1.8
Europe		**The European economy remains caught between recovery and stagnation.** Although moderating inflationary pressures and easing monetary policy will provide some relief, these may not be sufficient to reignite a solid economic growth trajectory. Indeed, forward-looking indicators point to sluggish and fragile performance for 2025, amid a continued contraction in industrial activity, political uncertainty in Germany and France that may defer investment decisions, and the need for fiscal consolidation after excess spending during the pandemic and energy crises. Southern European countries, excluding Italy, are expected to outperform, driven by service, tourism, and foreign investment inflow.		0.4	0.9	1.5
				-0.3	-0.1	0.7
				0.9	1.1	0.9
Asia Pacific		**Asia-Pacific economies are outperforming many others, particularly developed nations**, with exports serving as a key growth driver. However, export performance has been uneven. Lower inflation and appreciating currencies provide optimism, though growth may face headwinds in 2025. China remains a weak spot in the region. While fiscal stimulus could offer some support, flat export growth and sustained economic challenges may continue to weigh on the broader regional outlook. Furthermore, the prospect of increased U.S. tariffs presents a potential headwind to growth.		1.5	-0.2	1.2
				2.1	1.2	2.0
				5.2	4.8	4.5

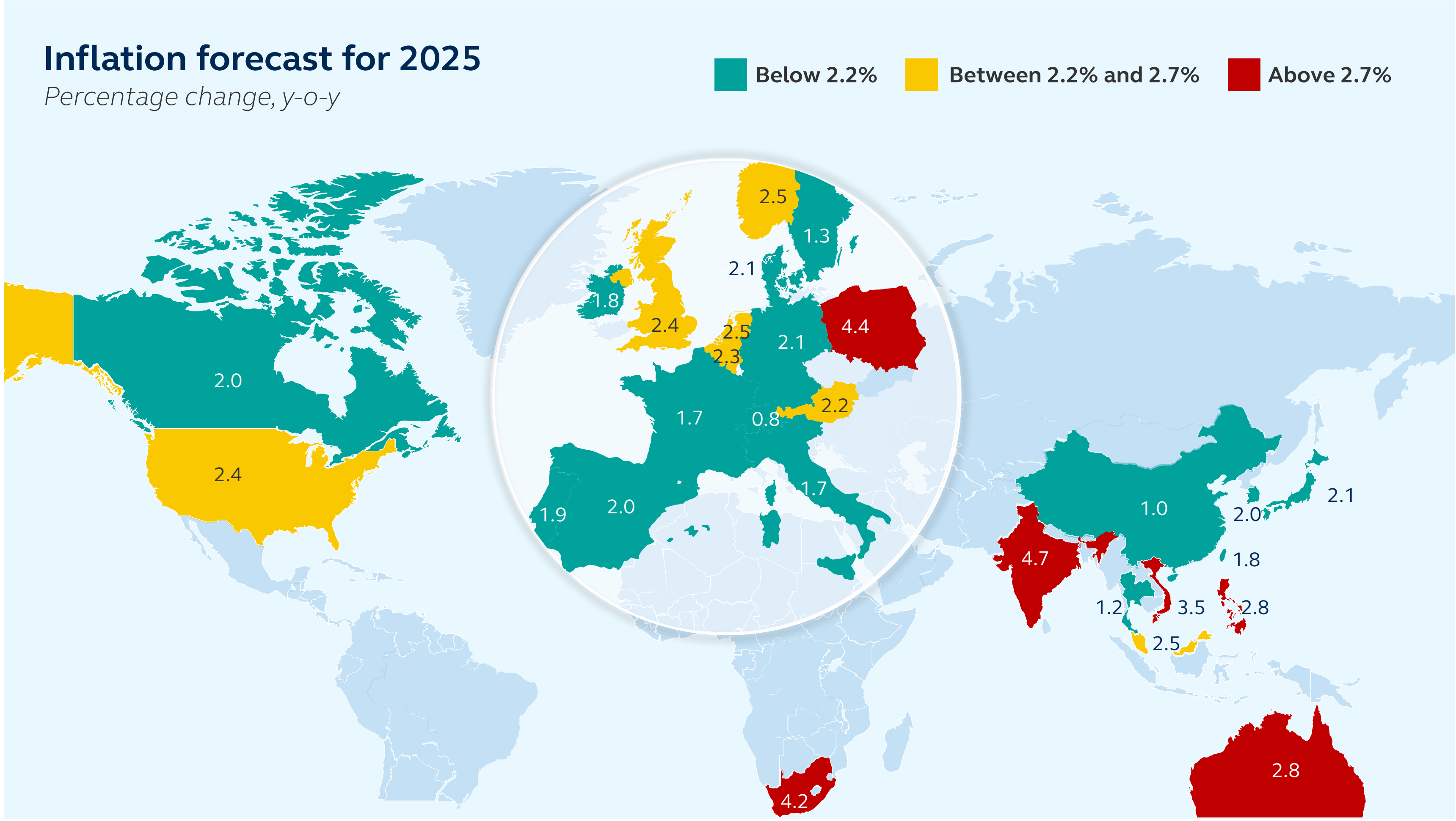
Source: Bloomberg, Principal Real Estate, December 2024. E = Estimate, F = Forecast

Disinflationary trends have become widespread

We are cautiously optimistic that inflation's downward trend will continue but remain aware of the risks of stronger inflationary trends.

While policymakers are hesitant to declare victory over inflation, they have shifted to preserve full employment and a sustained expansion. Slower growth in Europe and China provides impetus for a more accommodative policy stance.

We continue to monitor risks to upward movement in price indexes including wages, energy prices, and supply chain disruptions due to geopolitical trade disputes.



Source: Macrobond, Principal Real Estate, October 2024

Policy makers have adopted a more accommodative stance

After observing adequate data on disinflation globally, central bankers have shifted their stance on restrictive monetary policy and are now in rate normalization mode.

We believe that policy interest rate cuts will continue, but at a measured pace, as policymakers keep a cautious eye for data suggesting any reacceleration of inflation.

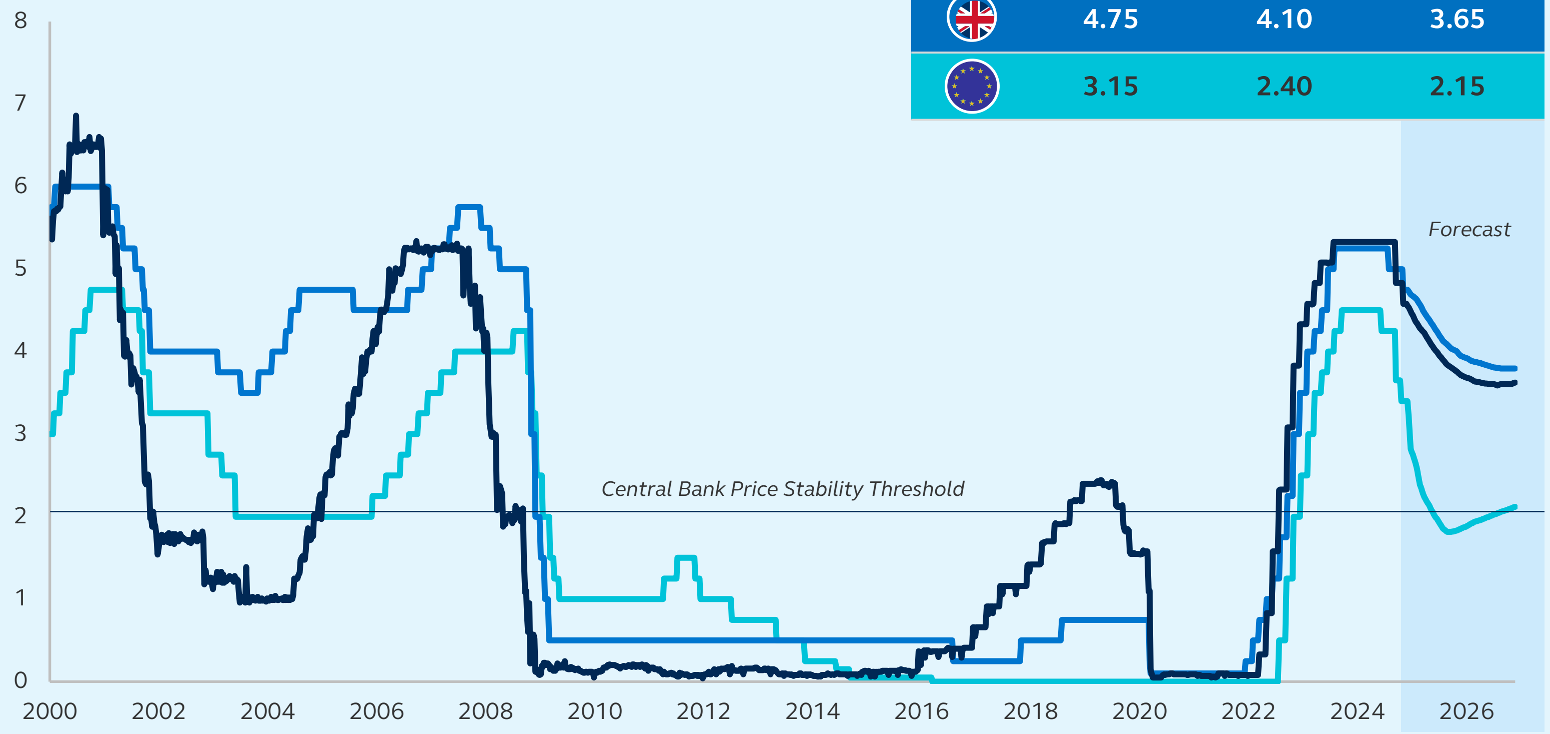
In the U.S., we feel that policy shifts by the new administration could present upside risks to prices and would hinder progress to date on closing bid-ask spreads in private equity real estate markets.

Investors will need to adjust valuation expectations in a new era of higher interest rates.

Central bank policy rates

Percentage, historical and forecasts

	Q4 2024	Q2 2025	Q4 2025
	4.55	4.00	3.70
	4.75	4.10	3.65
	3.15	2.40	2.15



Source: Fed, ECB, BoE, Euribor futures, Sonia futures, Fed funds futures, Bloomberg, Principal Real Estate, December 2024. These are the current views and opinions of Principal Real Estate and is not intended to be, nor should it be relied upon in any way as a forecast or guarantee of future events regarding particular investments or the markets in general.

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Key themes shaping the markets

"To understand is to perceive patterns."

ISAIAH BERLIN

02

Structural themes will drive divergence and returns differentials

Income growth is likely to be the primary driver of total returns in the coming year. As such, understanding the factors influencing real estate supply and demand fundamentals is critical.

We have identified several key themes that investors should closely monitor throughout the next year (highlighted in green in the exhibit).

These themes have the potential to significantly impact various sectors and geographies, driving divergence and return differentials across the real estate landscape.

By focusing on these trends, investors can position themselves to capitalize on opportunities and navigate potential risks.

Structural themes impacting real estate

World, 2025

Key themes

Macroeconomics

- Inflation
- Monetary policy
- Fiscal policy

Geopolitics

- Regional conflicts
- Tariffs
- U.S. election

Decarbonization

- Energy security
- Green transition
- Obsolescence

Technology

- Artificial intelligence (AI)
- Internet of Things (IoT)
- Remote working

Demographics

- Migration
- Tourism
- Mobility
- Aging

Source: Principal Real Estate, December 2024

Heightened geopolitical tension around the world remains a wild card

Europe

Russia continues efforts to unsettle European societies via espionage targeting infrastructure, elections, and public trust in media and governments. The war in Ukraine is likely to experience an increased tempo of military action as both Moscow and Kiev seek to maximize territory prior and during any potential negotiations regarding the conflict.

Expect additional political pressures on European countries from Washington, coupled with the continuing threats from Russia, to result in greater fiscal spending on security across Europe in 2025.

Asia

China "hawks" are ascendant in major national security roles for the incoming Administration, setting the stage for an increased foreign policy emphasis on the challenges posed by China.

The threat and use of tariffs are likely to feature in U.S. efforts to reduce Chinese content in global supply chains servicing the U.S. economy.

Additional restrictions on outbound U.S. investment to China may emerge as another factor for markets to consider.

Security concerns for Asian commerce stemming from territorial disputes in the South and East China Seas remain a potential source of regional volatility.

Middle East

The fall of Assad and retreat of Russian and Iranian forces from Syria will shape the regional security environment in 2025.

Anticipate fresh competition between Turkey, Israel, and Russia for influence among the various factions that will determine Syria's near future.

Syrian uncertainty and renewed U.S./Israeli pressure on Tehran may combine to serve as short-term destabilizing factors for regional markets through the first half of 2025.

Latin America

American policy in early 2025 is likely to focus on negotiations with multiple regional governments over receiving deportations, with tariffs serving as the "stick" in the U.S. approach.

Trade relations between the U.S., Mexico, and Canada may experience significant volatility as the Trump administration is likely to view the mandatory 5-year review of the USMCA trade agreement in 2026 as a source of leverage for a variety of non-trade objectives.

Washington is likely to press LatAm partners to reduce commercial and security relationships with China, elevating China's growing role in the region as a major focus of U.S. diplomacy.

Source: Principal Real Estate, December 2024

The era of Global Cooperation makes way for Global Competition

The Trump administration has threatened to deploy a broad use of tariffs on imports from several countries. The potential impact of these policies could range from trade war escalation and commercial turmoil to inflationary pressure.

China's response may be reminiscent of its reaction to the 2017 tariffs, when it targeted "red states" to impose political costs on the White House. Meanwhile, the European Union has already broached the likelihood of retaliatory tariffs.

At present, the most likely scenario is that campaign tariff threats might be employed as leverage to win concessions on other issues, including partnering with foreign governments to prevent the flow of immigrants, drugs, or other goods into U.S. soil. Nevertheless, heightened geopolitical tension and volatility has surely the effect of deferring investments and business decisions.

President-elect Trump's tariff pledges

Based on recent announcements at time of writing

Proposed tariffs put forward by President-elect Trump could reduce GDP in the U.S. by -0.6% and in China by -0.7%. Within Europe, the impact would vary significantly, ranging from -0.2% GDP drop in Germany to a negligible impact in Italy, according to a recent study carried out by the London School of Economics (LSE).

Source: Financial Times, The Washington Post, Economist, Principal Real Estate, December 2024

U.S. election

How the second Trump administration may impact U.S. CRE

Positive Neutral Negative

All (Neutral)

- Fed Chair Powell has indicated commitment to serving his term through 2026. This points to a continuation of the FOMCs current policy stance to maintain its dual mandate.
- Interest rates will move in response to inflation and job market expectations. Capital markets will respond accordingly.

Residential (Neutral)

- Trump has not proposed specific reforms for the housing sector. However, there is speculation he might loosen builder regulations and evaluate tax incentives for first-time homebuyers.
- On the other side, Trump's threats of hiking trade tariffs and curbing immigration may create inflationary pressure, diminish workforce availability, and support higher borrowing costs.

Logistics (Negative)

- Trump has indicated he intends to levy a 25% broad-based tariff on all goods coming in from Canada and Mexico, and a 35% tariff for China.
- A reduction in imports will put upward pressure on warehouse vacancy rates.
- Ports on the West Coast would be severely impacted due to high exposure to imports from Asia.

Retail (Negative)

- Widespread tariffs on imports and possible retaliations from trade partners could detrimentally impact U.S. retailers.
- Increases in prices passed on to consumers would negatively impact discretionary spending, reducing sales in key retail segments.

Office (Positive)

- The Trump administration could drop corporate tax rates from the current level of 21% to as low as 15%.
- This measure would be a net positive to corporate balance sheets and stimulate stronger hiring within office-using industries.
- The office sector could experience an increase in leasing activity and occupancy rates.

Source: Principal Real Estate, December 2024

Increasing demand and political tensions cloud the energy outlook

The energy outlook is more complex and multifaceted than ever before. Thus, energy security, abundance, and availability are set to become increasingly important investment decision-making factors during the next real estate cycle.

Heightened geopolitical tensions, trade war threats, and sanctions have shown how particular economies and industries are vulnerable to energy disruptions and price increases. For example, NATO's embargo on Russia's fossil fuels is exerting long-lasting effects on Germany's competitive advantage. More locally, President-elect Trump's tariff proposals could cause similar consequences for the U.S. Midwest region which relies on oil imports from Canada.

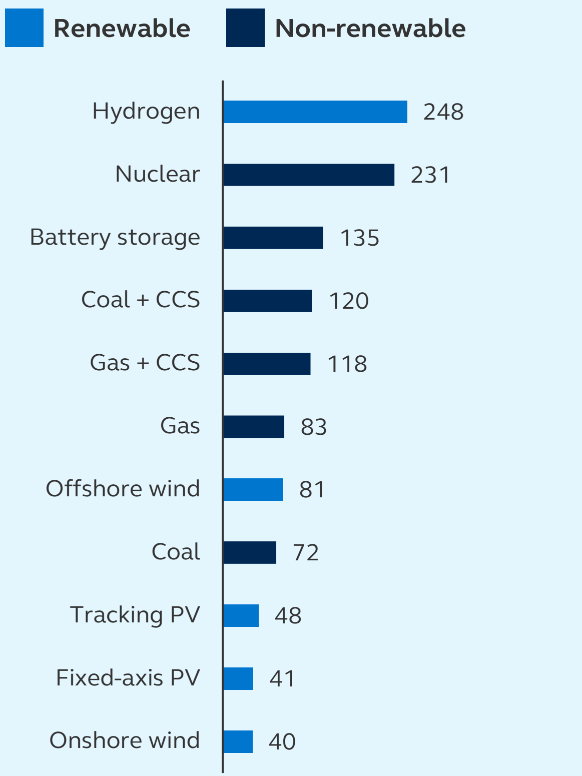
Reflecting today's uncertainties, governments, municipalities and companies able to secure cheaper, cleaner, and more reliable energy supply will avoid near term uncertainty, attract investments, unlock growth, and fuel higher returns. Equally, digitalization and green transition trends will accelerate the obsolescence of less efficient real estate assets, widening the performance gap between brown and green, more sustainable buildings.

Share of renewable[1]

Percentage of total national grid power generation

Electricity cost benchmark[2]

Globalized level, $ per megawatt-hour, real 2022

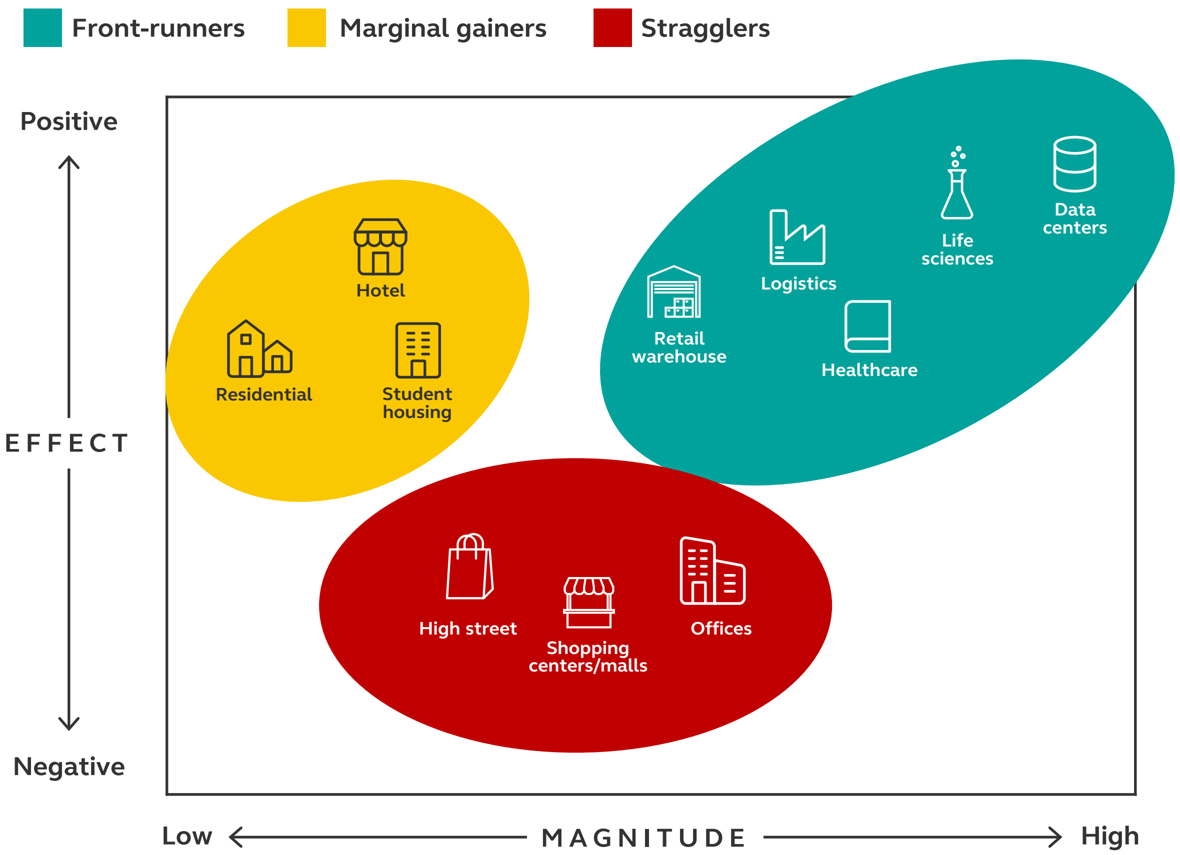


[1] Share of renewable exclude nuclear. [2] CCS = carbon capture and storage. PV = photovoltaic
Source: Bloomberg NEF, Principal Real Estate, 2023

AI has the potential to bring both positive and negative change

AI impact by property sector over the medium-term

2025-2030



Source: OECD, Principal Real Estate, December 2024

Due to its versatility, adaptability, and transformative potential, AI is likely to disrupt several fields, with far-reaching implications for society, businesses, and the economy. Although the exact impact and ripple effects on the built environment are difficult to predict with a high degree of certainty, our analysis has identified three groups of properties:

- **Front-runners:** Includes data centers, life sciences, healthcare, logistics, and retail warehousing. Although in different degrees, these real estate sectors should enjoy a large and positive impact, as the adoption of AI is likely to boost occupier demand or enhance tenants' business models.
- **Marginal gainers:** Includes the property types comprising the "living sector," namely hotels, student housing, and residential (multifamily, single-family rentals, manufactured housing, student housing, and senior living). The companies operating in this space will still benefit from a positive impact from AI. However, we believe this will be smaller in magnitude, primarily inducing efficiency gains without creating new business models or shifting demand-supply fundamentals.
- **Stragglers:** Includes offices, shopping centers/malls, and high-street retail. We fear the widespread adoption of AI technologies may generate headwinds for these sectors.

Demographics remain the bedrock of commercial real estate

In 2023, a record 6.5 million new permanent immigrants moved to OECD countries, marking a 10% increase from 2022 and up 28% from 2019.

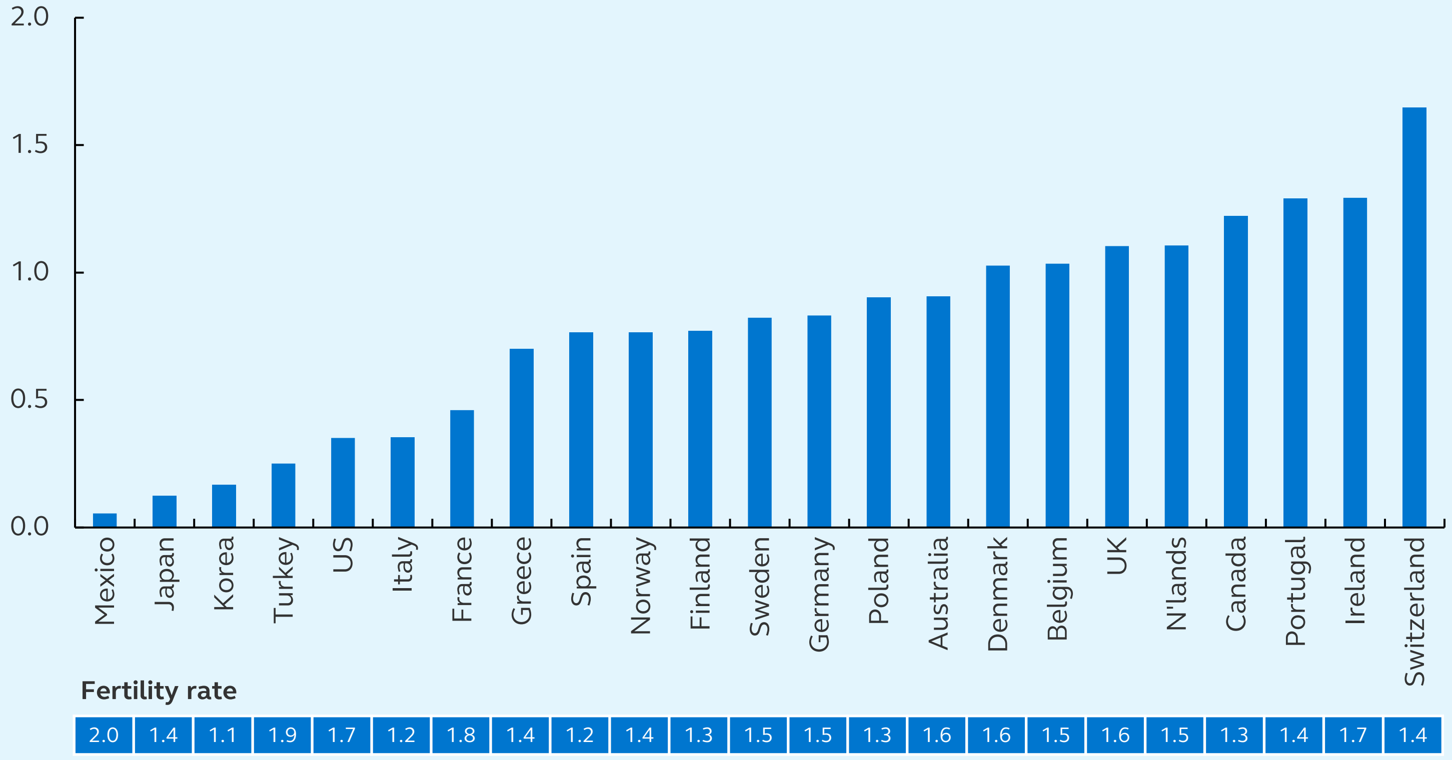
As populations continue to age and fertility rates remain below replacement levels across most Western countries, migration will play an increasingly vital role in alleviating labor shortages, supporting financial welfare systems, and sustaining economic prosperity.

Countries and urban centers that offer attractive conditions to draw migrants, particularly high-skilled individuals, are likely to outperform economically and deliver stronger real estate returns.

Conversely, jurisdictions that adopt populist movements and radical anti-immigration policies are, in our view, unlikely to achieve their growth potential. This stagnation is also likely to dampen the performance of real estate sectors such as multifamily, student housing, and logistics.

Migration inflow as a share of the total population

Percentage, selected OECD countries, 2023



OECD = The Organization for Economic Cooperation and Development.

Source: OECD, Principal Real Estate, December 2024. Fertility rate in a specific year is defined as the total number of children that would be born to each woman if she were to live to the end of her child-bearing years and give birth to children in alignment with the prevailing age-specific fertility rates.

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Real estate capital markets

“The future is fluid. Each act, each decision, and each development creates new possibilities and eliminates others.”

JACQUE FRESCO

03

What does macro foretell for real estate?

It will remain a lender’s market, but equity opportunities emerge

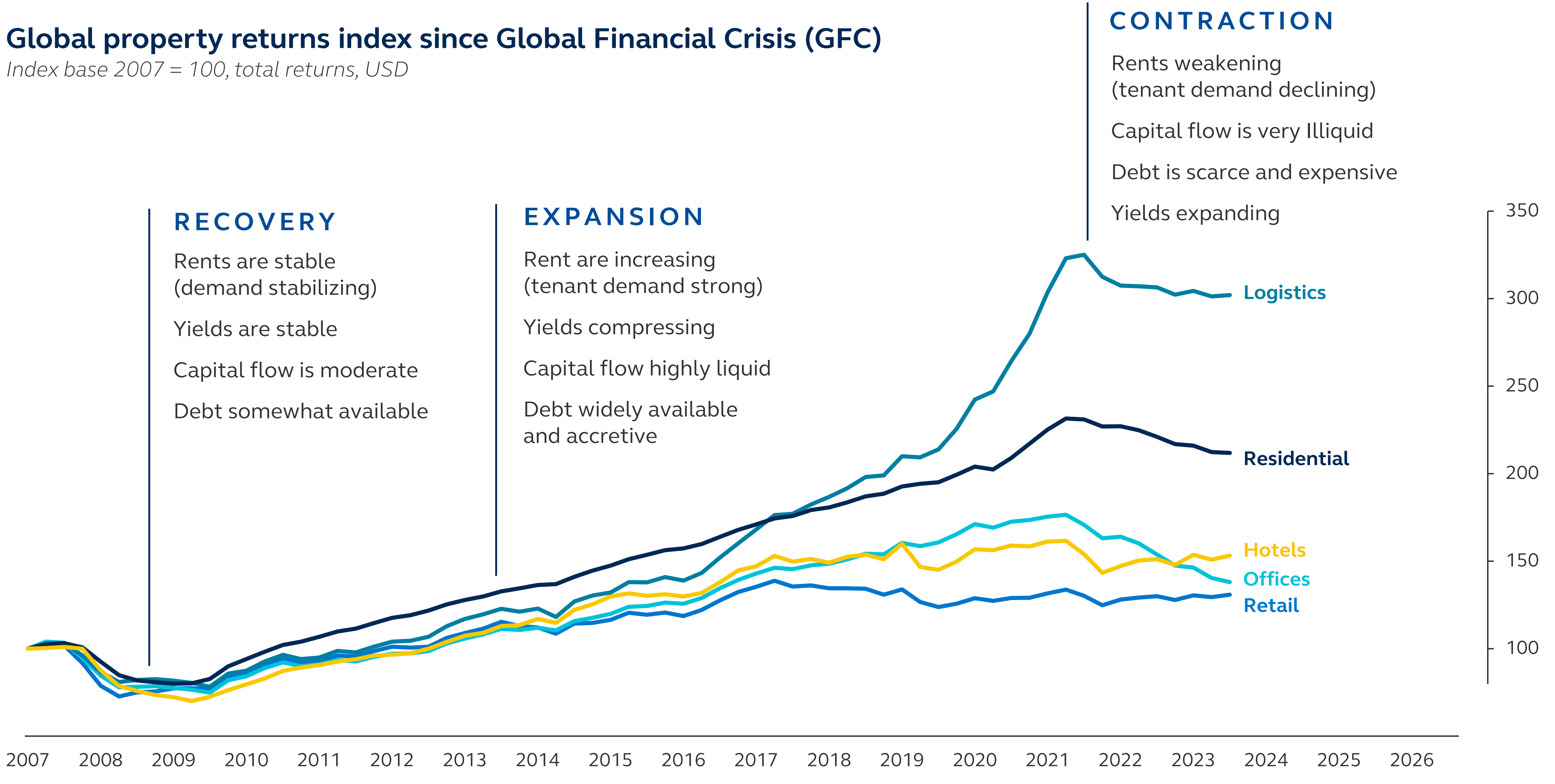
- We believe Real Estate Debt will remain competitive and offer healthy returns on a relative basis, and lenders should benefit from a more stable interest rate environment.
- Stabilization in capital values signal a recovery for equity real estate. While headwinds remain, they are easing.
- We continue to believe that a focus on quality and prudent sector selection will be the hallmark of successful portfolio construction.
- The transition to recovery may have been delayed a year, but we believe 2025 will be an attractive vintage for real estate investors.

Source: Principal Real Estate, December 2024

A new cycle is on the horizon

Global property returns index since Global Financial Crisis (GFC)

Index base 2007 = 100, total returns, USD



Source: MSCI, Principal Real Estate, October 2024

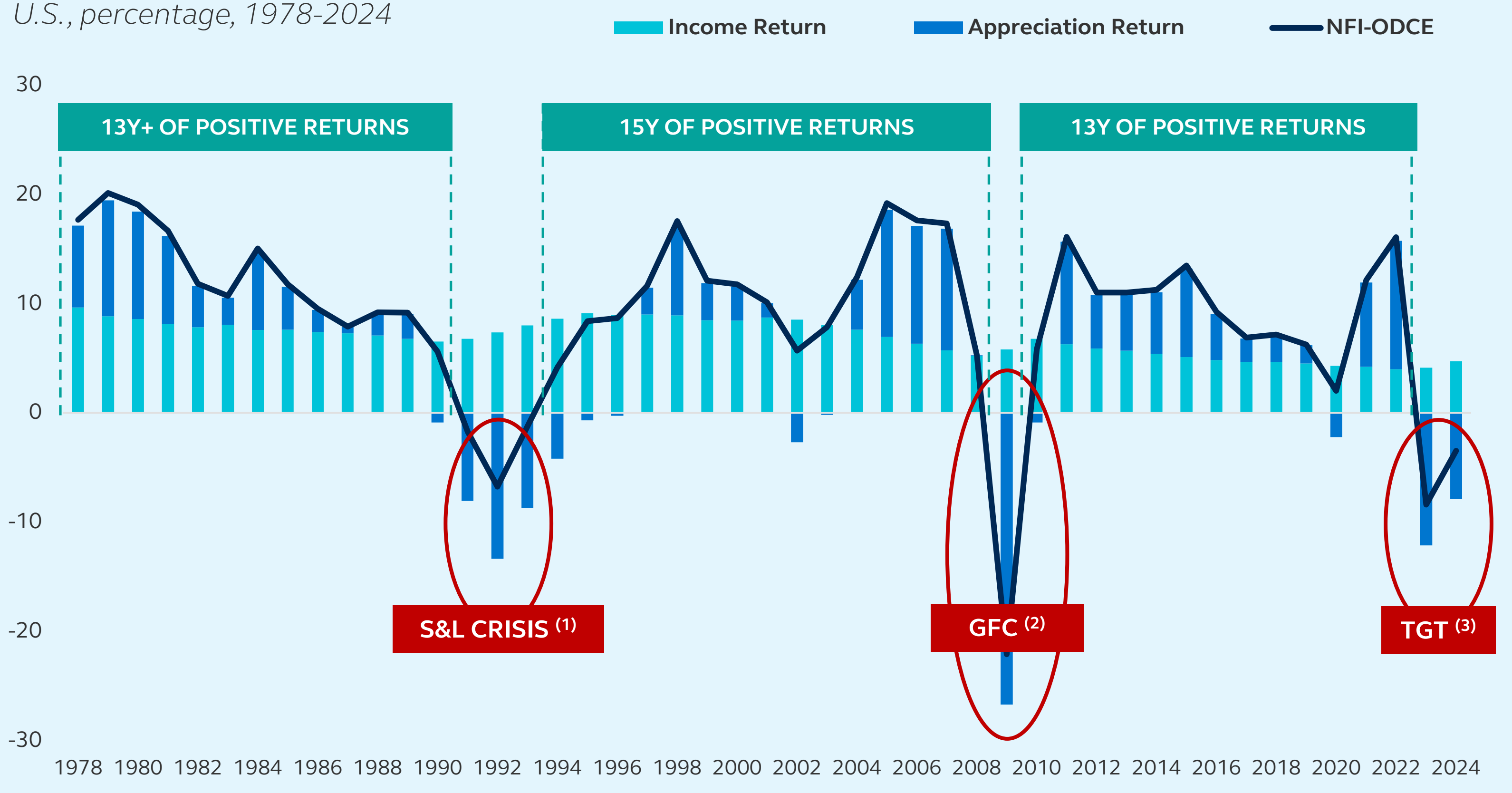
Long-run stability and expansion has historically been the norm

Investors benefit from stable income growth and long cycles of positive returns

- One hallmark of commercial real estate is stability through cycles supported by a relatively high share of total returns derived from income, roughly two-thirds.
- Over the past 45 years, there have been only five calendar years that have seen negative returns.
- Commercial real estate has tended to experience recoveries ranging from 13 to 15 years after periods of significant correction. Returns have averaged 11% on an annual basis during recoveries.
- We believe that 2025 will be an excellent vintage for new investment in commercial real estate.

Historical performance—NCREIF annual returns

U.S., percentage, 1978-2024



(1) Savings and Loan Crisis, 1991-1992; (2) Global Financial Crisis, 2008-2009; (3) The Great Tightening, 2023-2024

NFI-ODCE = The NCREIF Fund Index (open end diversified core equity). Indices are unmanaged and do not take into account fees, expenses, and transaction costs and it is not possible to invest in an index.

Source: NCREIF NPI, Principal Real Estate, October 2024. Past performance does not guarantee future results.

Public REITs lead the recovery, while private markets follow

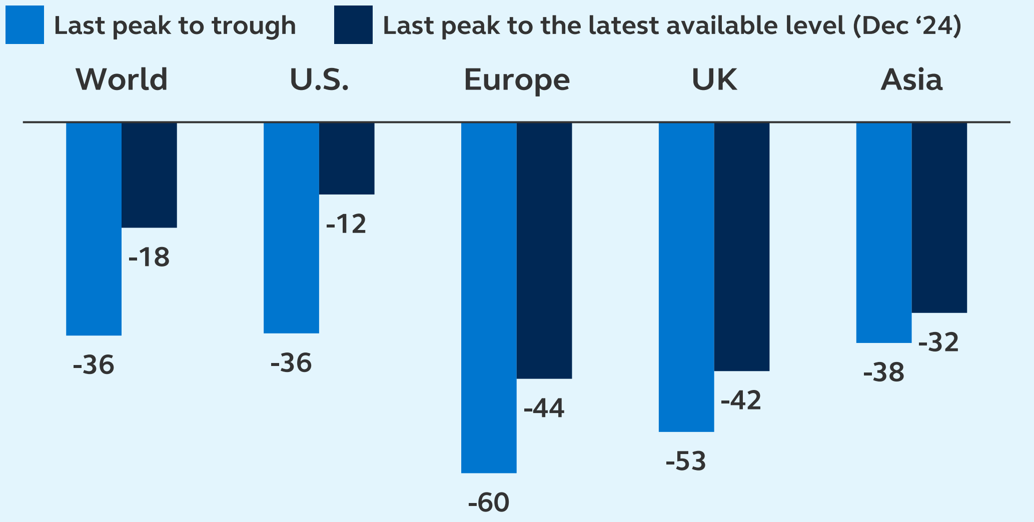
While 2024 proved more challenging than initially anticipated, REITs performed well compared to private equity, which remained in a corrective phase. Publicly listed REITs are now firmly in a recovery phase, with valuations aligning with our baseline assumption of continued economic expansion.

Private equity real estate, meanwhile, appears to be at the trough of its corrective phase. Several sectors are positioned for a recovery in capital values in 2025 as market conditions improve.

REITs

Public REITs have started to recover...

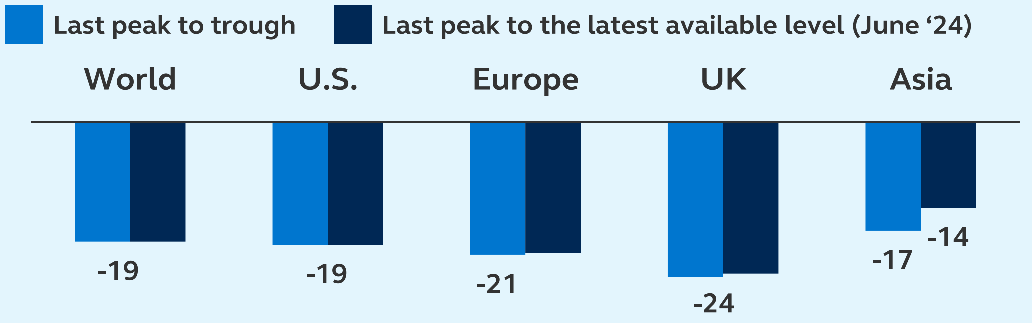
Percentage change, based on FTSE EPRA/NAREIT REITs share price index, USD



Private real estate

...While private real estate markets are still at their troughs

Percentage changed, based on MSCI Property index, USD



Source: MSCI, FTSE EPRA/NAREIT, Principal Real Estate, December 2024. Indices are unmanaged and do not take into account fees, expenses, and transaction costs and it is not possible to invest in an index.

We anticipate a shift in capital market activity in 2025

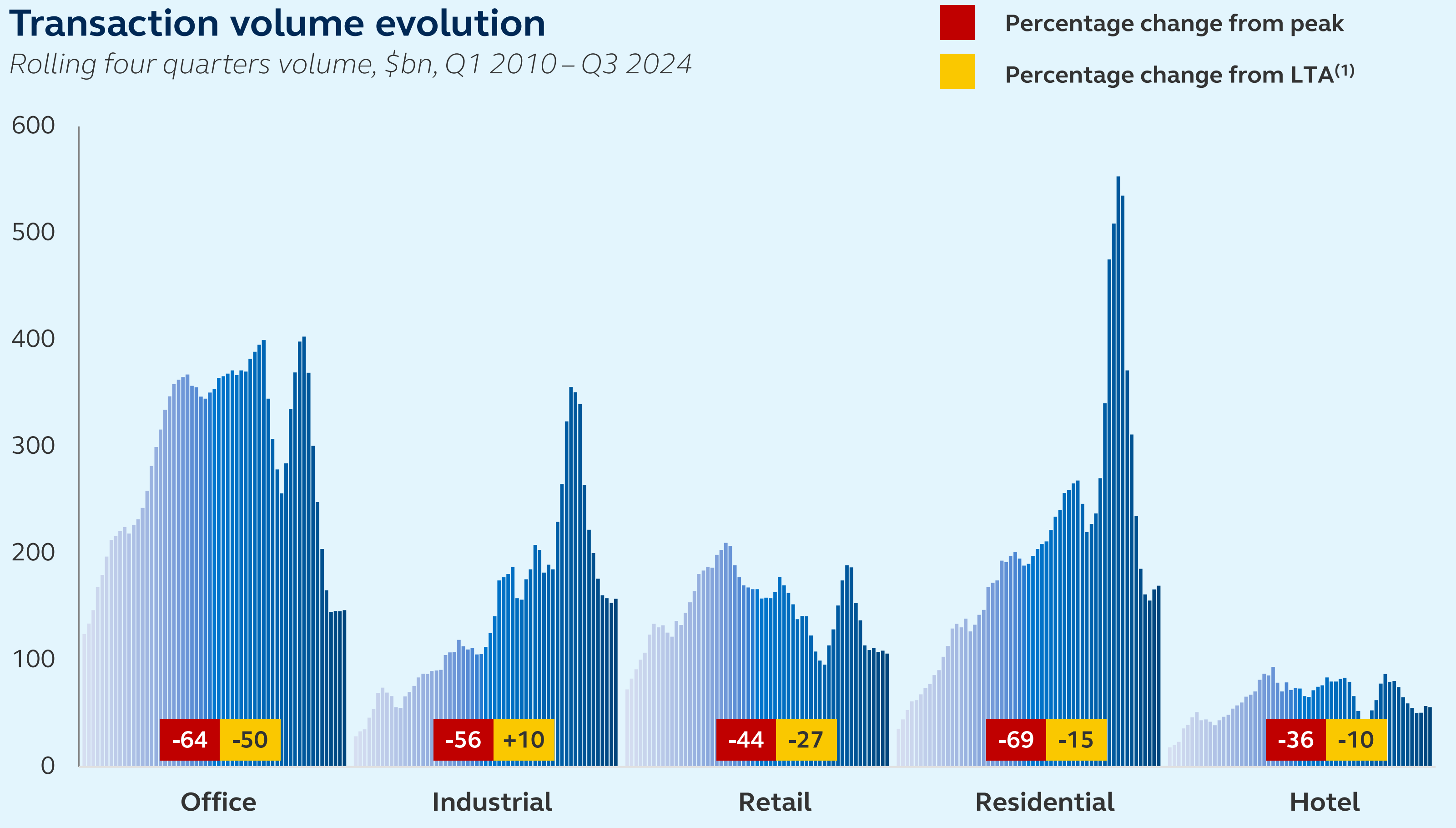
While we anticipated a pivot in 2024, global deal volume declined by 23%, marking two consecutive years of declining sales.

The decline was driven largely by the Asia-Pacific region. Volume in the Americas and EMEA remained generally on par with activity in 2023. This suggests that the worst of the downturn has passed, and commercial real estate is now moving into a recovery phase.

We feel that this is especially true for Europe and potentially the U.S. where significant value declines have already occurred. Monetary policy expectations are also more accommodative heading into the new year, and we expect this to align well with improved investor sentiment.

Transaction volume evolution

Rolling four quarters volume, $bn, Q1 2010 – Q3 2024



(1) Long-term average Q1 2010 – Q3 2024
Source: RCA, Principal Real Estate, Q3 2024

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Strategic outlook

“In the midst of chaos, there is also opportunity”

SUN TZU

04

Insights from our quadrant leaders

Our comprehensive capabilities across all four real estate quadrants provide a holistic and actionable strategy for 2025

DEVIN CHEN

Head of Private Equity
Portfolio Management

"With stable credit conditions, an improving demand outlook, and a decline in new supply on the horizon, we expect transaction activity to pick up in 2025."

Private equity insights →

KELLY RUSH, CFA

CIO, Real Estate Securities &
CEO, Public Real Assets

"The REIT sector's exposure to alternative asset classes with strong secular growth drivers presents compelling opportunities for investors in the year ahead."

Public equity insights →

CHRIS DUEY

Head of Private Debt
Portfolio Management

"2025 will present a more robust environment for private lenders. Credit markets are open, spreads remain tight, and banks are re-entering the market."

Private debt insights →

LAURA RANK, CFA

Head of Structured Credit,
Portfolio Manager

"We continue to view the CMBS market as an attractive lending option for borrowers and expect new issuance volumes to increase over the next year."

Public debt insights →

Source: Principal Real Estate, December 2024

Another good year to be a lender, but equity is on the rise

Four quadrant outlook

Upgrading our outlook for CRE Equity

Attractive | Improving | Stable | Deteriorating | Challenged

Private Equity
Core, Value-add, Opportunistic

Repricing is largely complete, positioning 2025 as a promising vintage year with emerging opportunities across most investment strategies. Investors are likely to focus on sectors with strong structural drivers and recovery potential.

Public Equity
REITs

Improving fundamentals and favorable sector exposure create a supportive environment. Valuations are buoyed by recovering prices, particularly in sectors with exposure to emerging growth themes.

Private Debt
Senior, Subordinate

Persistently elevated rates maintain pricing attractiveness relative to other risk assets. Limited distress mitigates downside risks, while heightened maturities are expected to unlock opportunities across a broad spectrum of strategies.

Public Debt
CMBS

Despite lingering risks tied to office sector exposure, other sectors remain balanced. Public debt continues to be reasonably priced for current valuations, offering favorable pricing relative to corporate bonds.

Source: Principal Real Estate, December 2024

We expect private equity opportunities to emerge in 2025

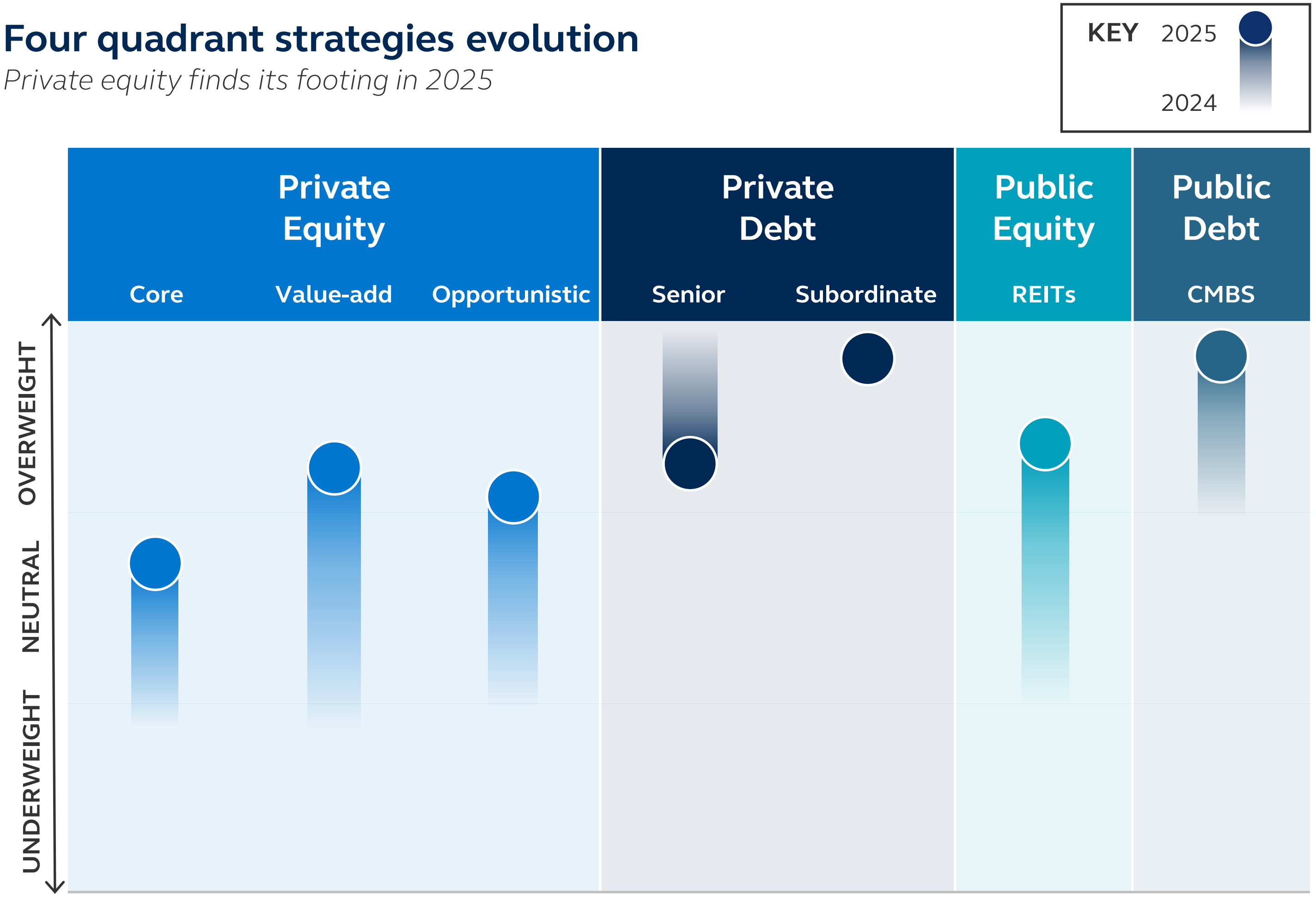
We believe that real estate debt continues to provide compelling absolute and relative value — it remains an attractive strategy for preserving capital values and generating income in the short term.

The private real estate equity sector stands to gain from a more favorable interest rate environment, offering clearer asset valuations and boosting investor confidence. With asset pricing likely at its trough entering 2025, the market presents attractive opportunities in sectors primed for recovery, paving the way for strong returns as conditions improve.

Public real estate equity also presents interesting opportunities, particularly as it has fully repriced and offers exposure to emerging growth sectors. These dynamics make it a potential area of focus for investors looking to capitalize on market rebounds.

Four quadrant strategies evolution

Private equity finds its footing in 2025



Source: Principal Real Estate, December 2024. This reflects our tactical views on relative opportunities over a 6–12-month horizon.

Values have troughed, transaction activity is on the rise

Private equity re-emerges in 2025

Headwinds faced by private equity in the last few years are easing as market conditions improve. With stable credit conditions, an improving demand outlook, and a decline in new supply on the horizon, we expect transaction activity to pick up in 2025. Redemption queues for open-ended funds are declining as valuations approach market-clearing levels, and the normalization of listed REIT valuations indicates that core investors will likely be net buyers.

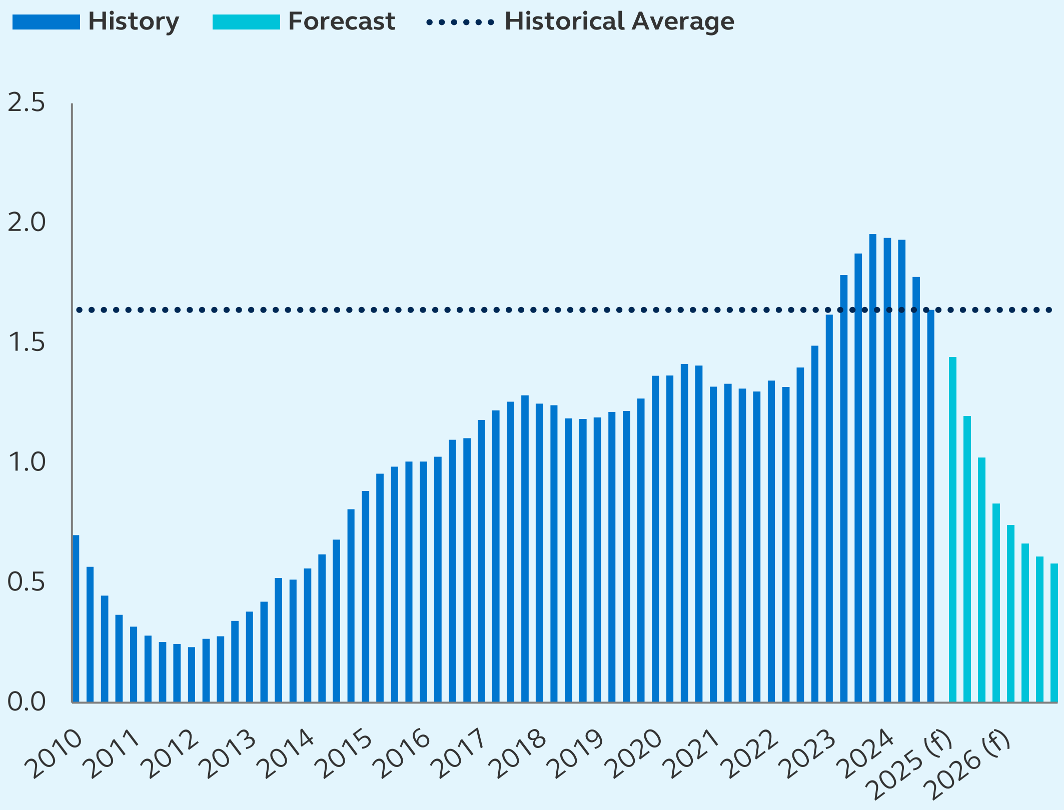
The private equity sector will likely continue to benefit from a healthy economy and more favorable capital costs, as a disinflationary trend allows central banks to ease their policies further. However, longer-term rates are likely to remain above pre-pandemic levels, and inflation risks may temper enthusiasm, prolonging the recovery.

We view 2025 as a year of opportunity. Distressed sales, particularly in the office and possibly the multifamily and retail sectors, may create attractive opportunities for value-add and opportunistic investors. Additionally, record levels of loans maturing and improving price transparency should lead to more recapitalizations of assets.

Our favored sectors are those driven by long-term secular trends, including data centers, residential, and logistics. We also remain optimistic about non-discretionary retail, such as grocery-anchored shopping centers, which offer attractive cash flow and serve as a hedge against market volatility.

All sector completions[1]

Percentage



[1] Total completions for multifamily, industrial, office, and retail.

Source: Principal Real Estate, December 2024. This reflects our views on relative opportunities over a 12-month horizon. It is not intended to be, nor should it be relied upon in any way as a forecast or guarantee of future events regarding particular investments or the markets in general.

Sustained expansion suggests healthy REIT performance

Positioned for success in 2025

REITs continue to benefit from a buoyant economy, more favorable capital costs, and solid market fundamentals across most sectors. Fading supply headwinds in 2025 and a potential soft economic landing should drive a reacceleration in REIT earnings next year.

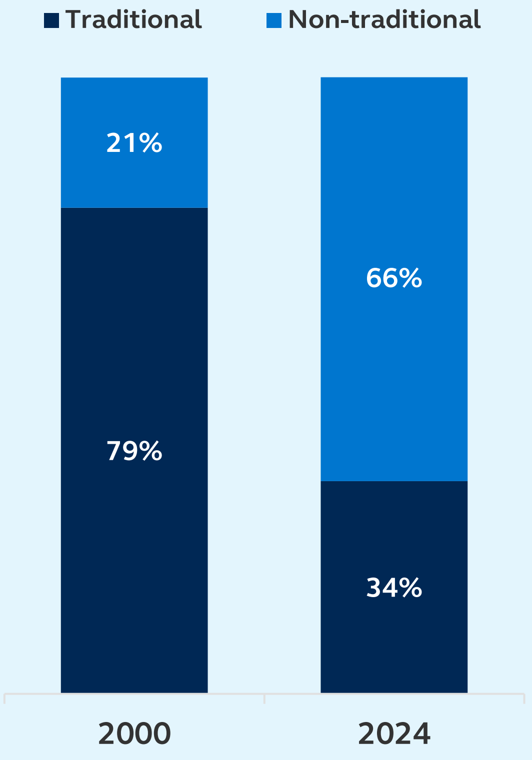
We continue to see opportunities in many alternative sectors driven by demographic growth. Senior housing is experiencing improving fundamentals post-pandemic, supported by strong demographic tailwinds and low supply.

Similarly, the single-family rental sector is benefiting from record-low affordability in the for-purchase housing market, alongside an increasing preference for renting among both Millennials and Baby Boomers.

As we enter 2025, the largest potential headwind is a reacceleration of inflation, which could result in higher interest rates and upward pressure on real estate cap rates. The REIT sector's exposure to alternative asset classes with strong secular growth drivers presents compelling opportunities for investors in the year ahead.

U.S. REIT sector exposure

2000 vs. 2024



Sector weight	2000	2024
Towers	0%	13%
Healthcare	3%	12%
Net Lease	2%	11%
Data centers	0%	9%
Self-storage	3%	8%
Other	1%	3%
Hotels & Resorts	9%	2%
Single-family rental	0%	2%
Land/Timber	1%	2%
Manufactured homes	1%	2%
Industrial	7%	12%
Apartments	16%	9%
Shopping centers	8%	5%
Malls/Outlets	15%	4%
Office	14%	3%

Source: FactSet. FTSE NAREIT Equity All REITs index, Principal Real Estate, December 2024. Chart data through 30 September 2024. This reflects our views on relative opportunities over a 12-month horizon. It is not intended to be, nor should it be relied upon in any way as a forecast or guarantee of future events regarding particular investments or the markets in general. Past performance does not guarantee future results.

Interest rate stability may be the key to private debt in 2025

Lenders are cautiously optimistic

While 2024 was billed as a great time to be a lender, higher interest rates and limited transactions have continued to create a challenging environment.

We believe that 2025 will present a more robust environment for private lenders. Credit markets are open, spreads remain tight, and banks are re-entering the market.

A steep maturity schedule and an increase in sales transactions are expected to offer significant opportunities for lenders over the next 12 months. Additionally, we anticipate an increasing number of opportunities to finance transitional properties.

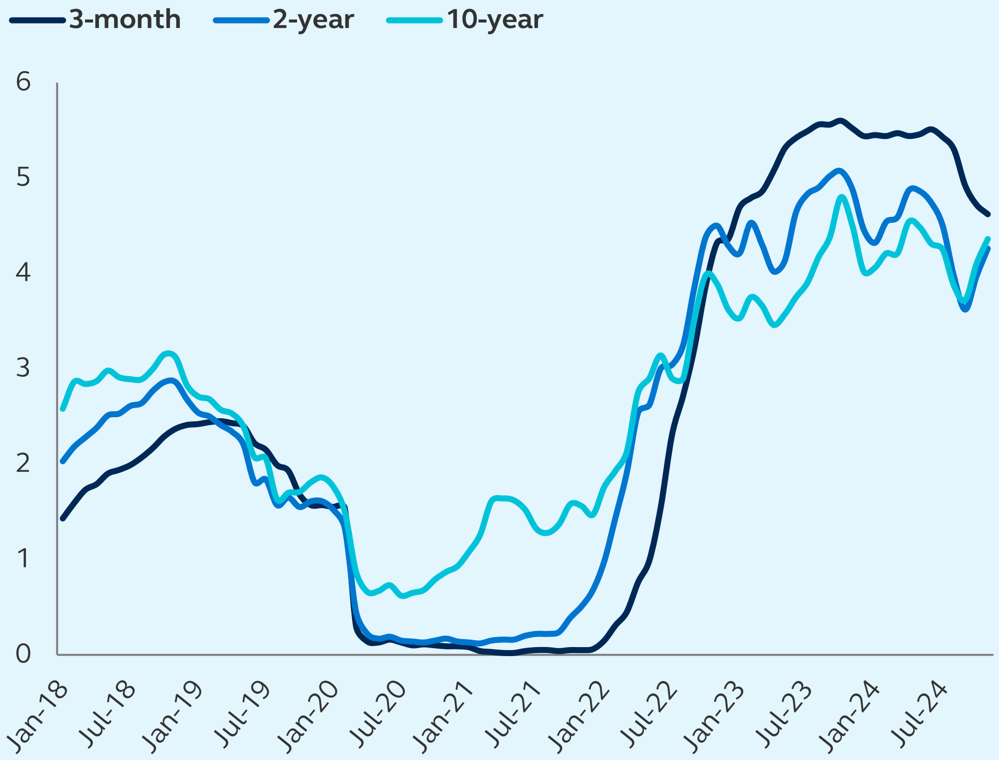
While supply and demand fundamentals have exerted pressure on the apartment and industrial sectors, construction lending has slowed enough to tighten construction pipelines.

Looking ahead, the primary challenge remains the state of the capital markets. Our optimism for 2025 assumes a stable 10-year Treasury yield, ideally in the low 4% range. A reduction in SOFR would also be beneficial, particularly for the floating rate market.

The office sector will likely remain in the penalty box, but growth in alternative sectors and a rebalancing of fundamentals in the apartment and industrial sectors should create an interesting and dynamic set of opportunities as we enter the next cycle.

U.S. treasury yields

Percentage



Source: Federal Reserve, Moody's Analytics, Principal Real Estate, December 2024. SOFR = Secured Overnight Financing Rate. This reflects our views on relative opportunities over a 12-month horizon. It is not intended to be, nor should it be relied upon in any way as a forecast or guarantee of future events regarding particular investments or the markets in general.

Attractive spreads and increased new issuance bolsters CMBS in 2025

CMBS should take advantage of attractive risk premiums

The economic and policy landscape for 2025—characterized by moderating inflation, lower interest rates, and stable growth—bodes well for both the commercial real estate recovery and the CMBS market. Much of the stress remains concentrated in the office sector, but the pace of deterioration is manageable and largely reflected in current CMBS spreads.

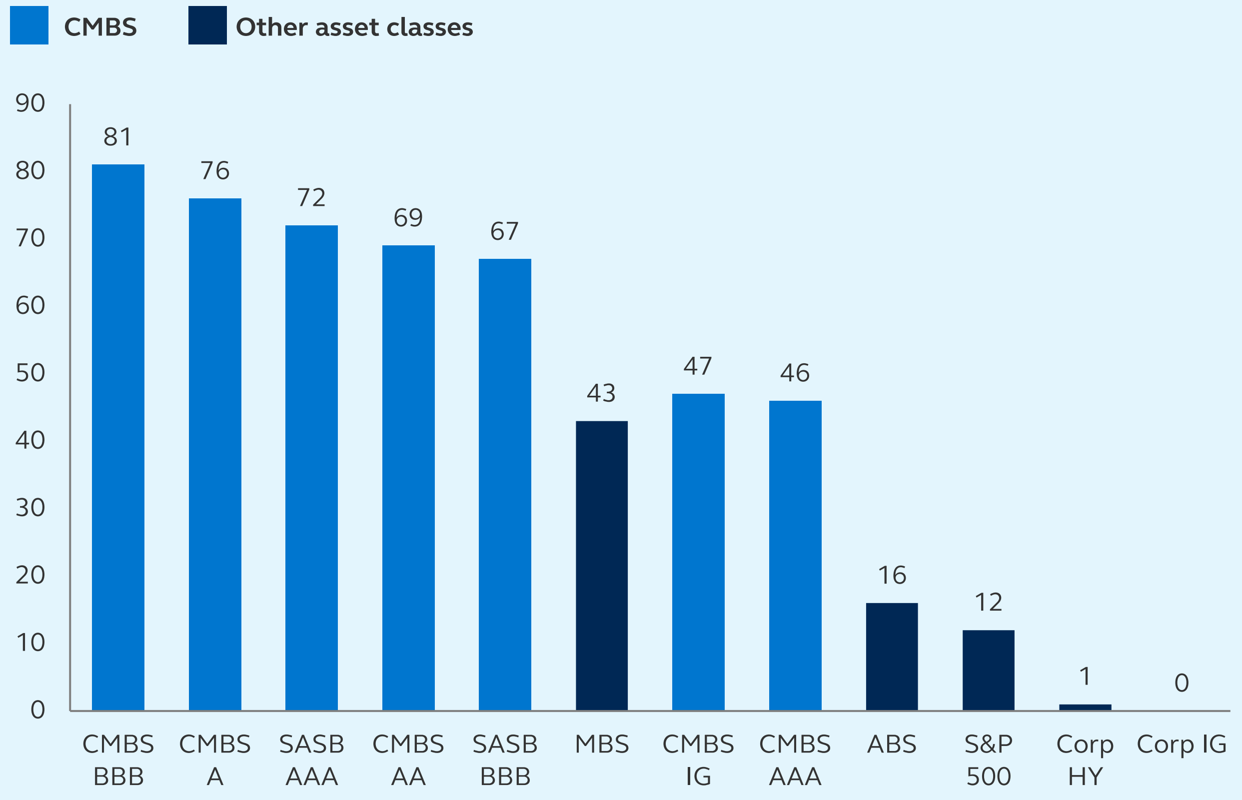
We continue to view the CMBS market as an attractive lending option for borrowers and expect new issuance volumes to increase over the next year. While spreads on public CMBS have narrowed over the past year, opportunities for further compression remain, and current yields are compelling. This is particularly evident in the conduit credit and SASB (Single-Asset, Single-Borrower) markets, where spreads are attractive compared to corporate investment-grade debt.

The primary risks to the sector—aside from a recession—include a reacceleration of inflation, which could drive higher interest rates over an extended period.

Nevertheless, we believe that a balanced allocation to CMBS offers an attractive carry option with low correlation to traditional investment-grade fixed-income sectors.

Risk premium by asset class

Percentage, current spread percentile, 1998-2024



Source: Bloomberg Index Services Limited, J.P. Morgan, Bloomberg, Principal Asset Management, December 2024. Chart data through 30 September 2024. See Important information for index descriptions. Indices are unmanaged and do not take into account fees, expenses, and transaction costs and it is not possible to invest in an index. This reflects our views on relative opportunities over a 12-month horizon. It is not intended to be, nor should it be relied upon in any way as a forecast or guarantee of future events regarding particular investments or the markets in general.

Global investors will have a range of regional opportunities in 2025

Performance across regions remains an important area of focus

We believe investors should prioritize resilient property sectors supported by strong structural and demographic demand drivers to propel growth. Demographics and income growth continue to serve as foundational pillars for commercial real estate performance.

While sector allocation will be pivotal for a successful investment strategy in 2025, investors must also focus on regional allocations. Regions with robust population growth, proximity to leading research institutions, and high-value-added industries are expected to outperform.

In the short term, we remain cautious of cyclical factors that may lead to uneven performance across sectors and regions.

Sector/market opportunity matrix

Based on rental growth, value trends, supply demand imbalance, and other fundamental drivers

High | Medium high

	U.S.						Europe					
Sectors	Northeast	Sunbelt	Midwest	Pacific NW	Northern California	Southern California	U.K.	Germany	France	Southern Europe	Benelux	Nordics
Data centers	High	High		High	High		High	High	High	High	High	Medium high
Logistics	High	High	High	High	Medium high	Medium high	High	Medium high	High	Medium high	High	
Hotels									High	High	Medium high	Medium high
Single-family	Medium high	High	Medium high	High	High	High						
Multifamily	Medium high		Medium high	Medium high	Medium high	Medium high	High			High	High	Medium high
Medical office	Medium high	Medium high	Medium high	Medium high	Medium high	Medium high						
Essential retail	Medium high	Medium high	Medium high	Medium high	Medium high	Medium high	Medium high	Medium high	Medium high	High		
Senior housing	High	Medium high	Medium high	Medium high	High	High						
Student housing		Medium high	Medium high							High		
Self-storage												
High street retail									Medium high	Medium high		
Office												
Life sciences												
Malls												

Source: Principal Real Estate, December 2024. This reflects our views on relative opportunities over a 12-month horizon. It is not intended to be, nor should it be relied upon in any way as a forecast or guarantee of future events regarding particular investments or the markets in general.

Principal
Asset Management℠

Sector opportunities

“Know what you own and why you own it.’

PETER LYNCH

05

State of the commercial real estate sectors

- High conviction opportunities
- Sectors in neutral
- Sectors warranting caution

United States

Data centers

The sector remains one of the most sought after by investors due to robust demand drivers.

Residential

Overdevelopment in some segments is being eroded, and housing remains underserved across the broader spectrum.

Industrial

Despite pockets of weakness, demand has rebounded. Supply chain reconfiguration and e-commerce should support long-term demand.

Retail

Productive outlook due to lack of development and resolute consumer base. Value-oriented assets provide stability through periods of economic uncertainty.

Healthcare

Improving fundamentals highlight the sector's underserved nature. A shortage of skilled labor remains a primary headwind.

Student housing

Healthy fundamentals are counterbalanced by increasing new supply and uncertain enrollment trends.

Life sciences

A weak phase in the VC cycle following the pandemic coupled with over-supply is creating stress for the sector.

Office

Improvements in fundamentals are evident, but negative effective rents point to a difficult operating environment.

Europe

Data centers

It is the sector with the brightest outlook owing to structural supply-demand imbalance.

Residential

Values turned positive in Q2 2024, after a peak-to-trough decline of 14%. Limited availability and affordability pressure support the sector.

Industrial

Supply is relatively tight, while demand is shifting towards modern, energy-efficient assets.

Hotel

The sector benefits from higher investor sentiment, buoyant tourism, and increasing business travel demand.

Retail

Weak outlook owing to a precarious political and economic environment, particularly in Germany and France.

Student housing

The UK market commands some caution in the short term until the impact of the new student visa rule is fully understood.

Healthcare

Ongoing challenges include a shortage of workers, a lack of funding, and operators' financial pressure.

Office

The outlook and sentiment remain weak. The sector is likely to lag the other property types.

Source: Principal Real Estate, December 2024

Global data centers

High conviction

Rising power availability is still catching up to demand

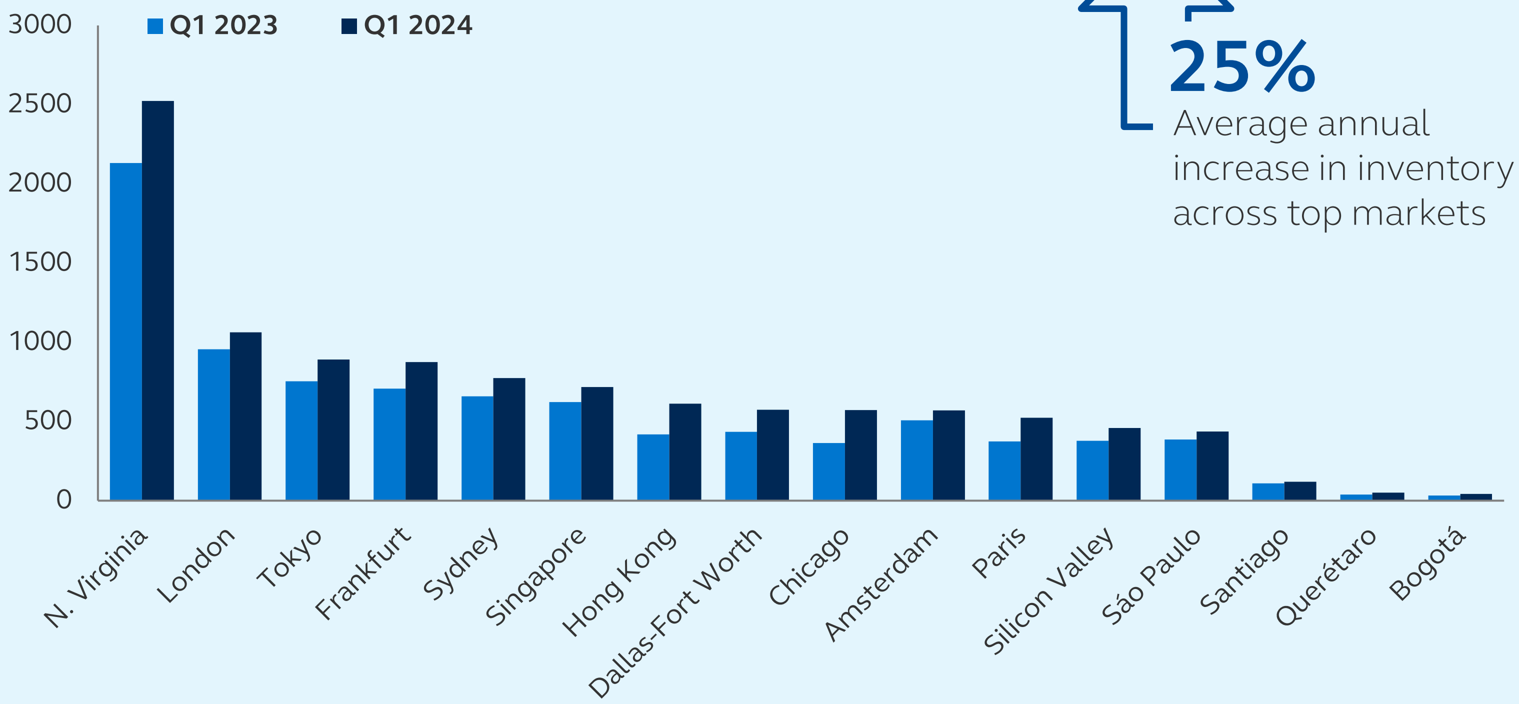
The data center sector is experiencing significant demand driven primarily by the expansion of AI applications, with vacancy rates in top North American markets below 2% and double-digit rent growth.

In the first half of 2024, over 3,000 MW of new data center deals were signed, with 75% occurring in the U.S., indicating robust investment and expansion in this sector.

Institutional investors are increasingly attracted to data centers, which are among the few sectors showing positive capital appreciation, despite challenges posed by high development costs and lengthy construction timelines.

Available power by global market

Megawatts (MW)



25%
Average annual increase in inventory across top markets

Source: CBRE, Principal Real Estate, Q1 2024

High conviction

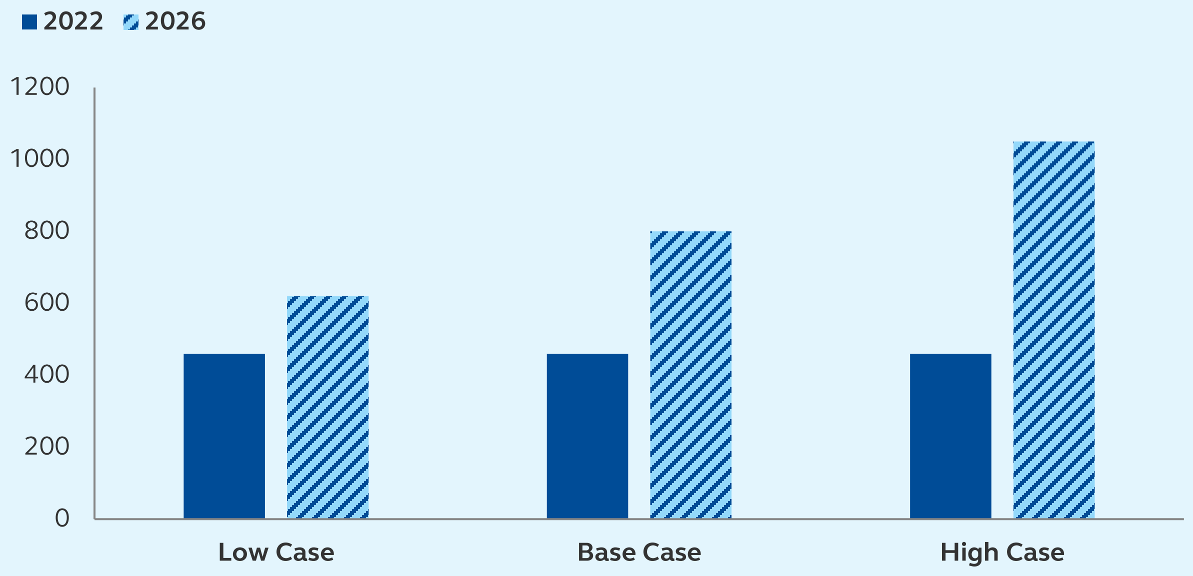
Global data centers

Demand is strong and will drive need for more capacity

Approximately 80% of current demand is driven by hyperscalers, 60% of which comes from just three companies.

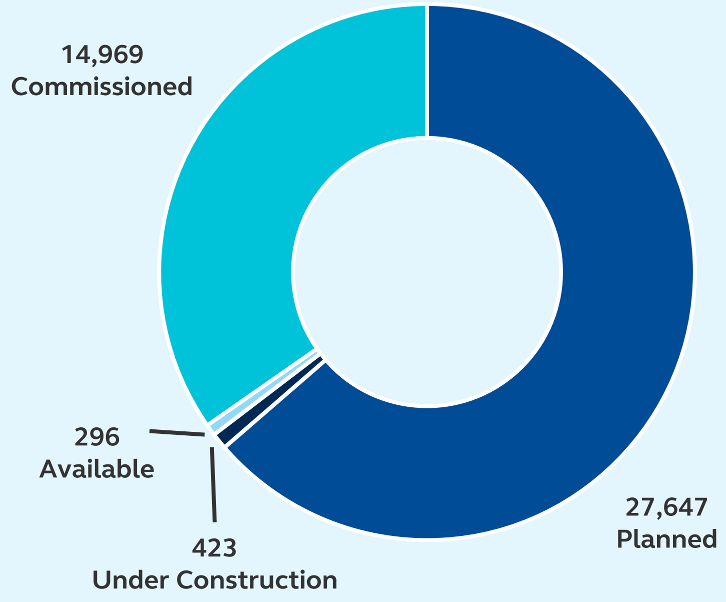
Electricity demand forecast from data centers, AI, and cryptocurrencies worldwide

Terrawatt hours



North American colocation

MW



Source: Colliers, datacenterHawk, Green Street, Statista, Principal Real Estate, Q4 2024

High conviction

U.S. industrial

Demand resurgence aligns well with a strong 2025

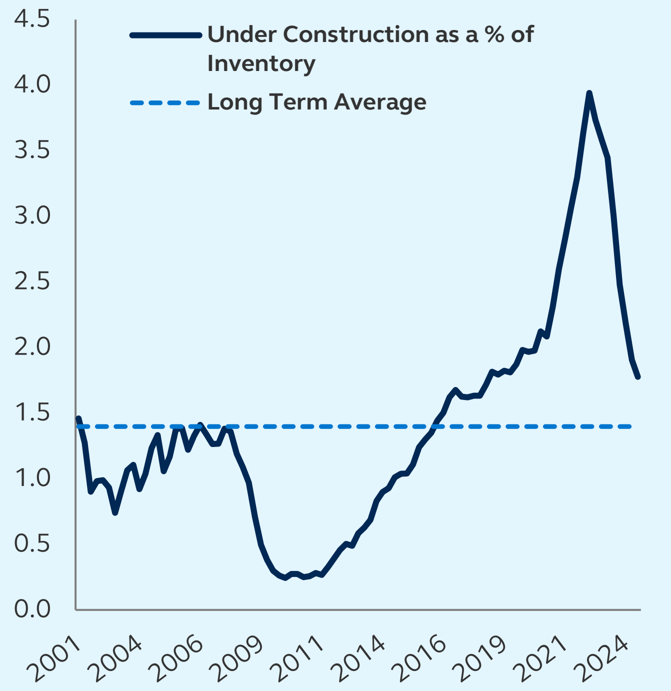
Entering 2025, the sector has experienced a decline of over 50% in projects under construction, driven by high capital costs and a modest reduction in capital values. Leasing activity among large e-commerce firms has also rebounded, helping to stabilize occupancy rates in most regions.

A stronger dollar means stronger imports for the U.S., which is significant as international trades shift. The U.S. has increasingly globalized where we receive our imports, moving away from China. Currency devaluation may be in the cards for other countries in response to higher U.S. tariffs.

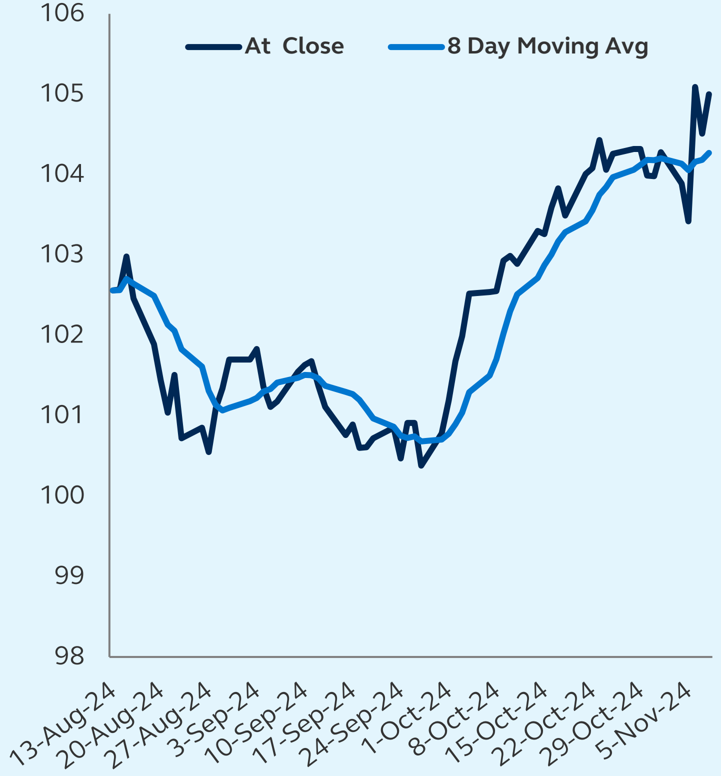
More importantly, structural demand drivers remain firmly intact, and the sector continues to be well-capitalized, providing a strong foundation for recovery and growth in 2025.

Under construction as a percentage of inventory

Percentage



U.S. Dollar Index (DXY)



Source: CoStar, Tullett Prebon, Principal Real Estate, Q3 2024

European industrial

High conviction

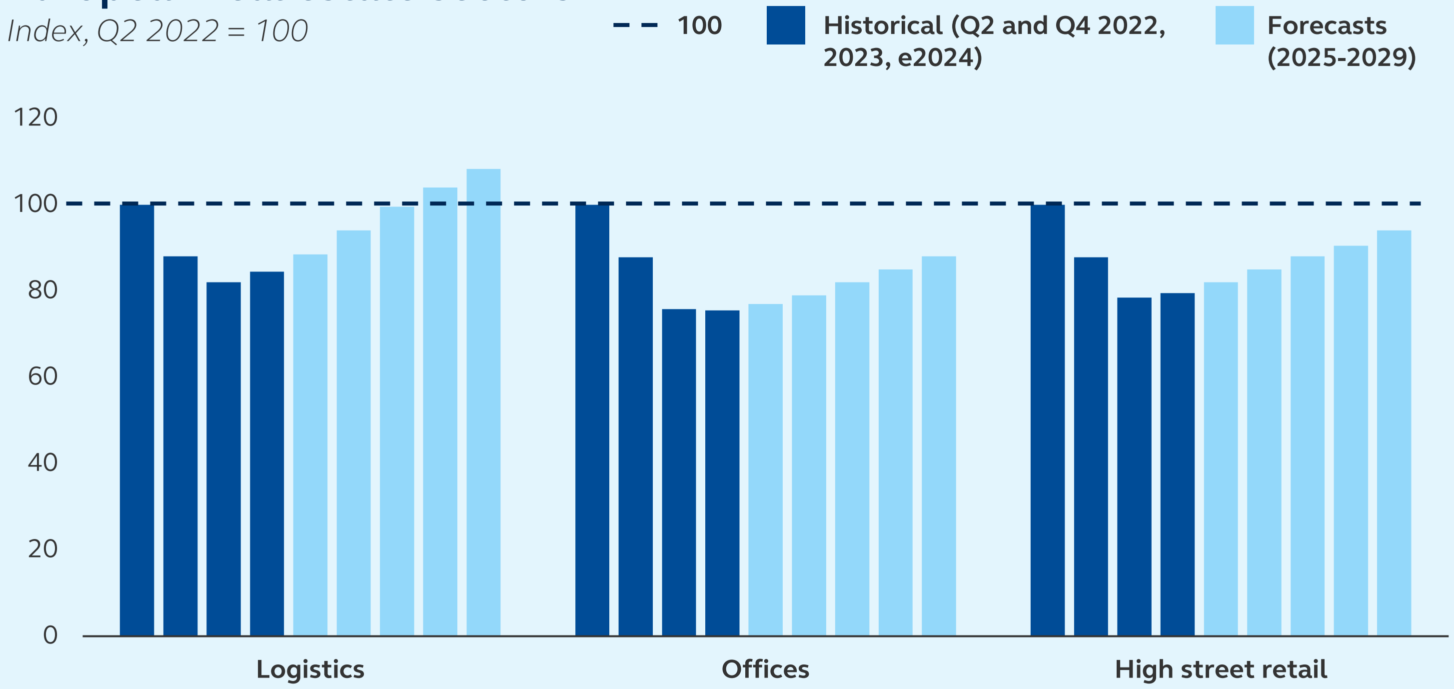
E-commerce, automation, and sustainability will enhance returns

We expect industrial (logistics) to outperform the other traditional real estate sectors as three structural trends underpin performance:

1. Relatively low e-commerce penetration still offers a lot of opportunities for the industrial sector to grow, especially in mainland Europe.
2. The vast majority of warehouses are more than 20 years old, unable to fulfill modern operational requirements. Rapid advancements in AI and warehouse robotics will accelerate the shift toward newer buildings, which will become taller, smaller, and closer to end customers.
3. Tightening sustainability regulations will make it increasingly difficult to execute greenfield development projects, putting a cap on new supply.

Capital value index correction and expected recovery for selected European real estate sectors

Index, Q2 2022 = 100



Source: PMA, Principal Real Estate, December 2024. e = Estimate

High conviction

U.S. single-family rental

Single-family rentals provide an affordable option for households

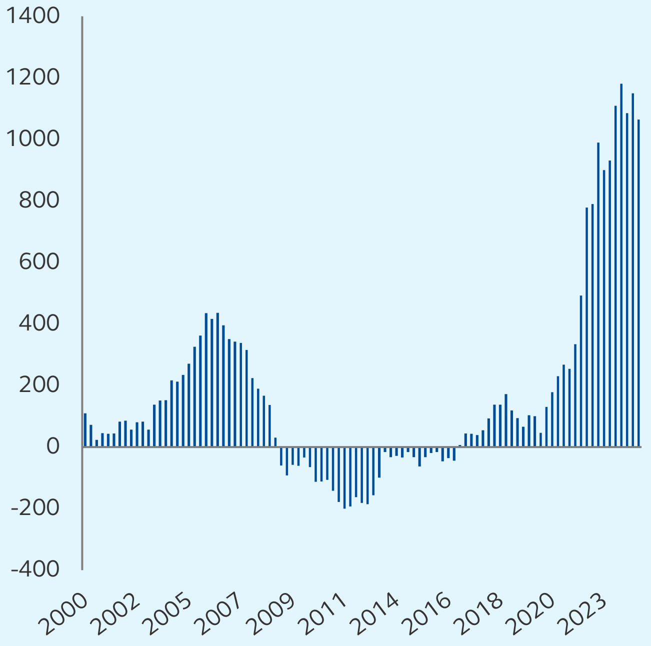
The single-family and built-to-rent sectors are well-positioned to capitalize on dislocations in the purchase market. Housing affordability remains at record lows as income growth has lagged the rapid appreciation of home prices.

Although some key U.S. Sunbelt metros have seen pockets of elevated development, occupancy rates and rental growth in these markets remain strong. In 2024, the sector outperformed the broader index, with capital values continuing to rise.

While we acknowledge a moderate risk from declining interest rates, which could shift demand back toward the purchase market, the reconciliation between current incomes and elevated home prices is likely to be a multi-year process. Stable income growth and high occupancy levels will likely continue to provide investors with a compelling opportunity in residential portfolio construction.

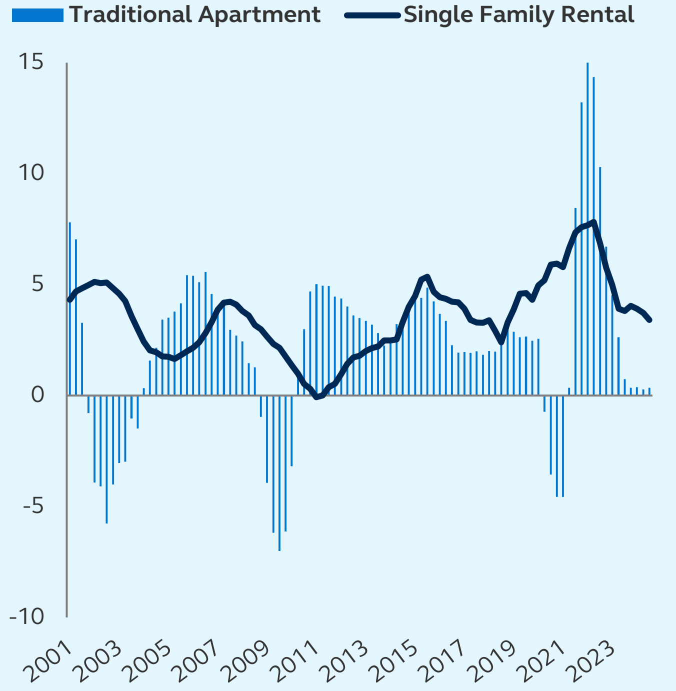
National cost of owning vs. renting single-family starter home (1)

USD



Rent growth

Year-over-year % change



(1) Cost to own assumes purchase of a home at 80% of median home price, with a 5% down payment and a 30-year fixed rate mortgage. We include PMI insurance at 1% of loan value. Maintenance costs are included assume 1% of purchase price annually. Home-owners insurance of $1,353 in constant 2022 dollars and real estate taxes at a rate of 1.53% are also included in the payment.

Source: Census Bureau, Moody's Analytics, Principal Real Estate, November 2024

High conviction

European hotels

Recovery has been noteworthy

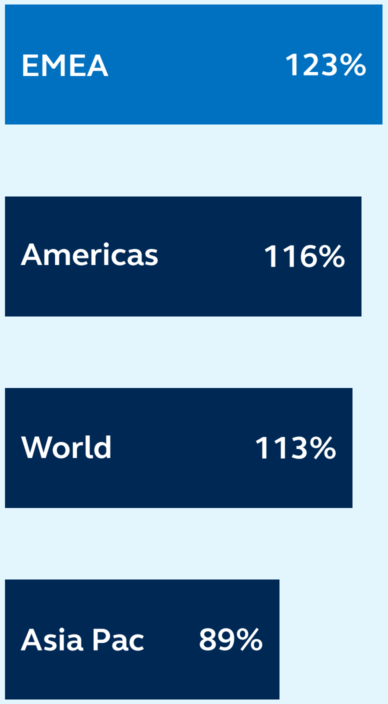
The recovery in hotel trading has been noteworthy, surpassing 2019 levels (a previous peak) in almost all markets, up to 123% in EMEA and 130% in Europe.

Similarly, in terms of capital flow, the European hotel sector is the only sector that closed the gap compared to its 2022 level, as investors took note of the continued spike in tourism and increasing business travel demand.

A growing global economy and the increase in the middle class in developing markets support strong medium- and long-term growth in the hotel sector, particularly for the European region which accounts for almost two-thirds of the world's airport tourist arrivals.

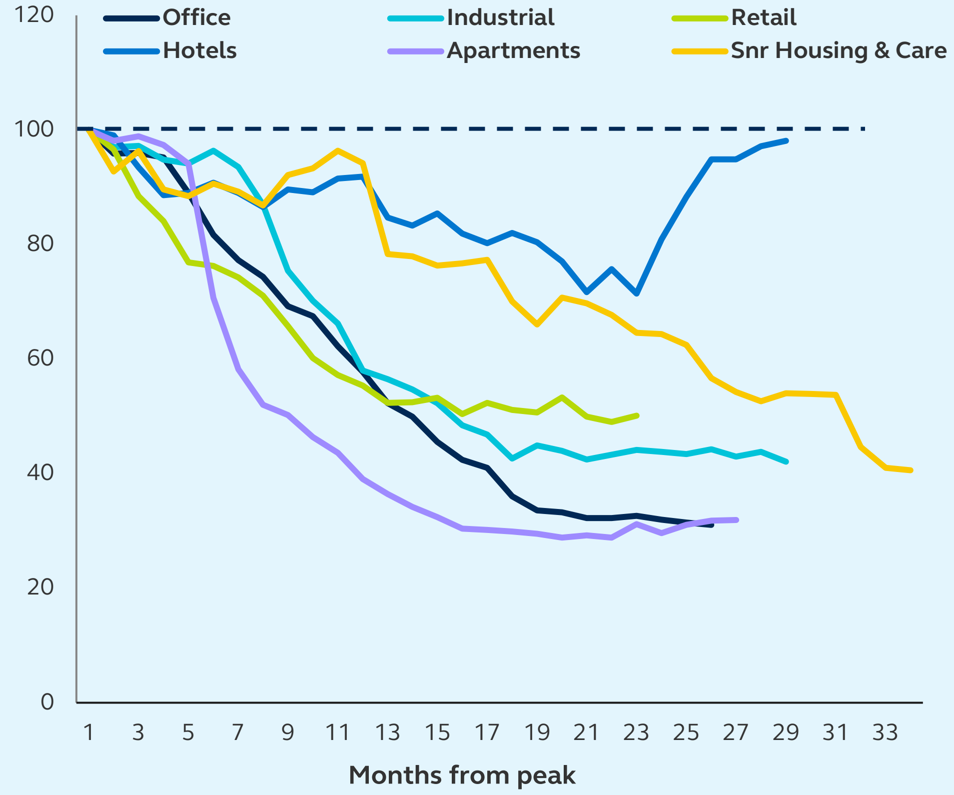
RevPar recovery

RevPAR recovery relative to 2019, by region, percentage



Transaction volume recovery

Index, Europe, rolling four quarters, pre-crisis peak volume = 100



Source: STR, MSCI, Principal Real Estate, Q3 2024. Revenue per available room (RevPAR) is a performance measure used in the hospitality industry. RevPAR is calculated by multiplying a hotel's average daily room rate by its occupancy rate.

High conviction

European hotels

Tourism is here to stay as younger generations prioritize travel

Tourism projections are very promising amid favorable structural trends such as rising mobility and increasing interest in leisure, travelling, and travel-related experiences, especially across the younger generations.

For many, travel isn’t merely an interest but rather has become a priority, even in times of uncertain economic conditions.

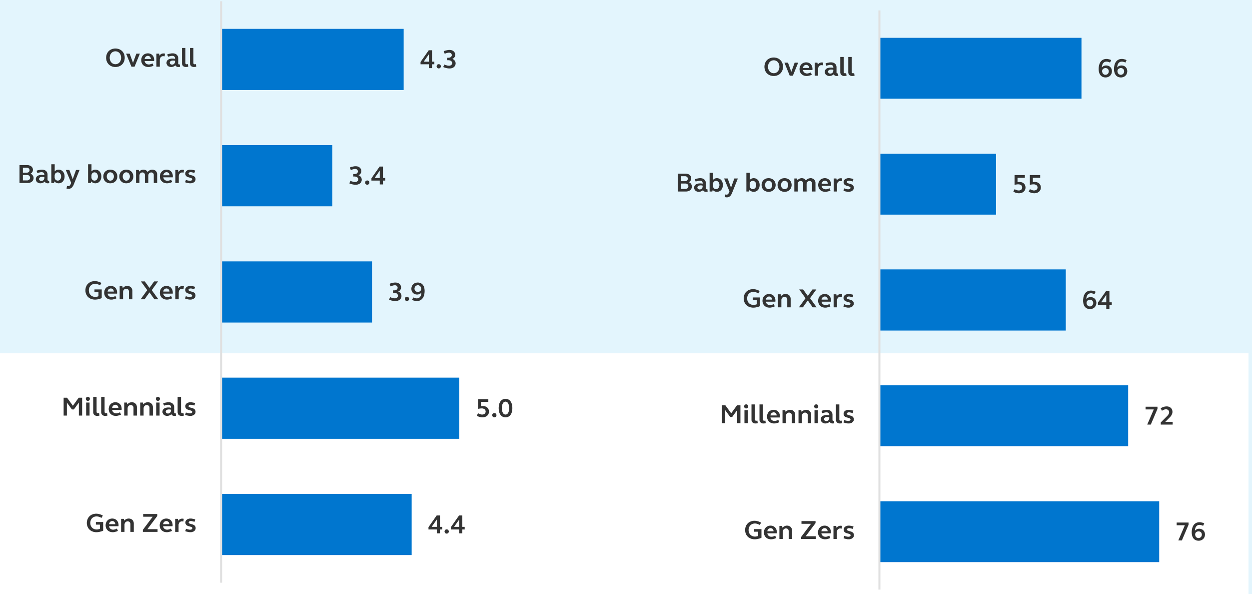
The newer generations seem to prioritize experiences over possessions, driven by a thirst for novelty.

Additionally, the proliferation of low-cost carriers, mobile connectivity, translation software, social media, and remote working are all contributing to lowering the barriers to spending time away from home more frequently.

In other words, travel is expected to remain one of the fastest-growing areas for consumer spending and the hotel sector is poised to benefit the most from this.

Number of trips taken in 2023
Average number, incl. domestic and overseas

People with increased interest in travel
Share of total respondents



Baby boomers = age 58+, Gen Xers = age 42 to 57, Millennials = age 26 to 41, Gen Zers = age 18 to 25. Survey findings are based on more than 5,000 interviews carried out from February to March 2024.

Source: McKinsey State of Travel Survey, Principal Real Estate, Q1 2024

High conviction

U.S. apartments

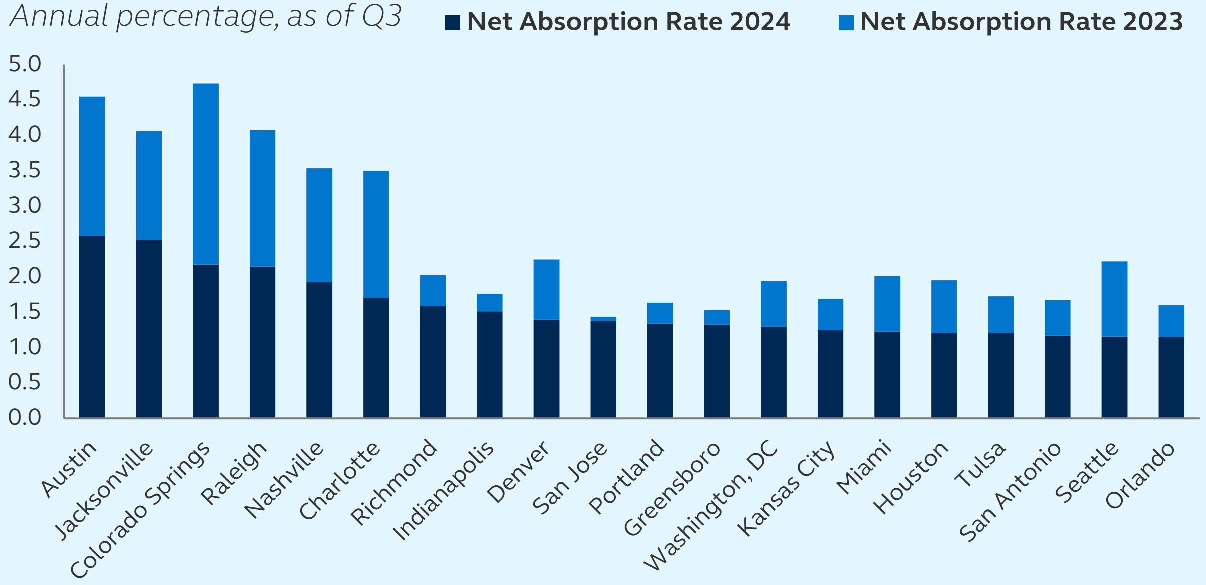
Fundamentals begin stabilizing while pricing favors landlords

Fundamentals are stabilizing. The first drop in vacancy in two years, rent growth ticking up after remaining flat, and strong positive net absorption all show signs of the apartment sector turning a corner.

As demand regains momentum, distress, and depressed pricing have created attractive opportunities for some investors.

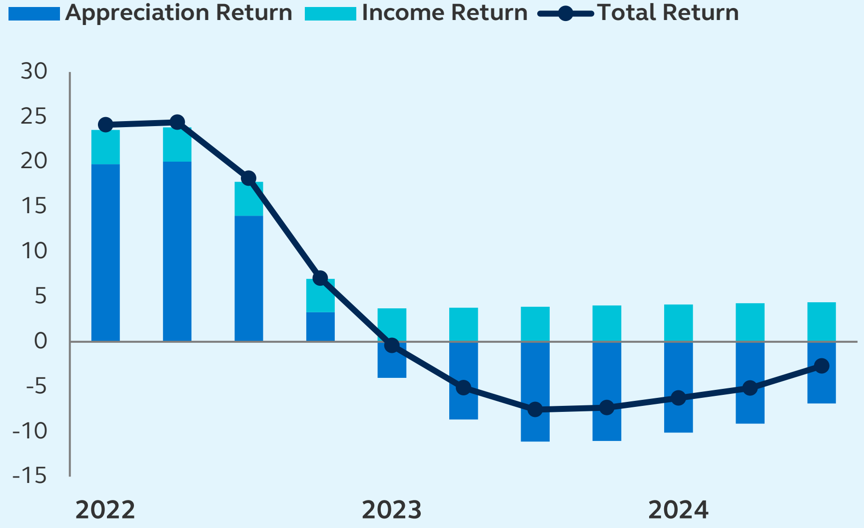
Net absorption rates

Annual percentage, as of Q3



U.S. apartments annual returns

Annual percentage



Source: CBRE EA, NCREIF, Principal Real Estate, Q3 2024

European apartments

High conviction

Affordability and availability challenges create investment opportunities

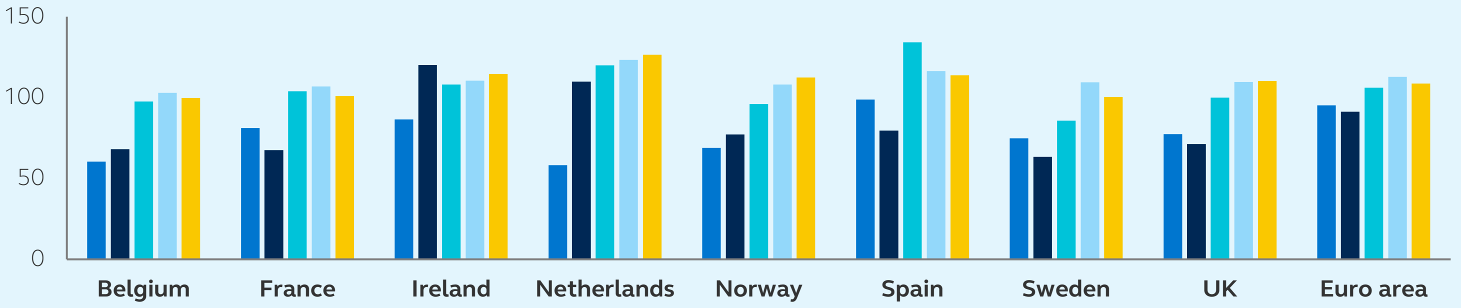
The European residential sector is relatively young and fragmented, with limited availability of institutional-grade properties in several European markets. Institutional penetration of the rental sector is limited, ranging from 13% in Germany to less than 2% in the UK.

However, over the last decade, housing demand—underpinned by migration, changing family structures, and urbanization—has consistently outstripped supply in most geographies, resulting in widespread affordability and availability problems in most European geographies.

This backdrop poses steep challenges for the industry and policymakers. But it also creates a unique set of opportunities, as the European residential investment potential is vast in scale and wide in breadth.

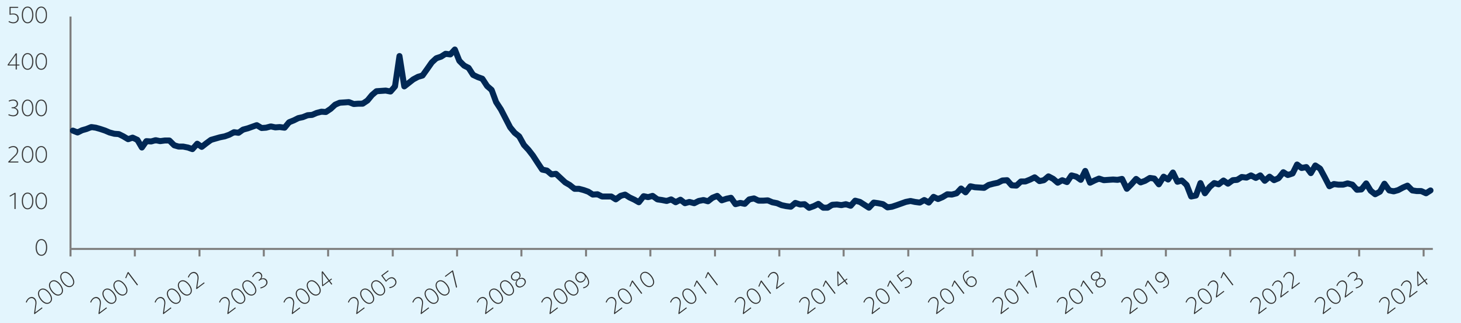
House affordability

House price to income ratio for selected European residential markets



Multifamily permissions

EU 27, Building permits, two or more dwelling buildings, 2015=100, calendar adjusted, SA, Index



Source: OECD, Eurostat, Principal Real Estate, Q4 2024. EU27 countries: Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden.

Mid-high

U.S. medical outpatient buildings (MOBs)

Poised to benefit from limited supply, demographic-driven demand

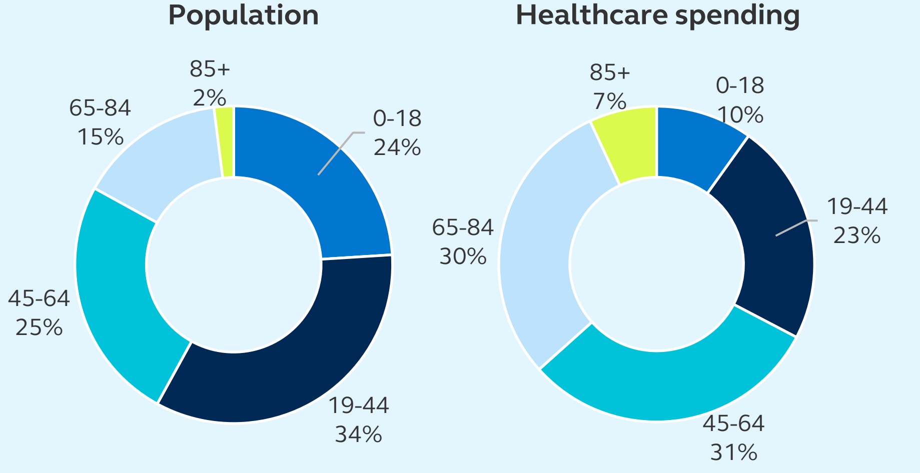
The medical office sector is benefiting from a transition from inpatient to outpatient care, driven by cost reduction and patient convenience, with hospital admissions declining by 15% over the past decade while outpatient admissions have increased by 10%.

An aging population is fueling demand for outpatient services, resulting in rising occupancy rates in MOBs while construction pipelines remain muted.

The sector has seen a 60% increase in transaction volume quarter-over-quarter as investors recognize opportunities in the growing outpatient care market.

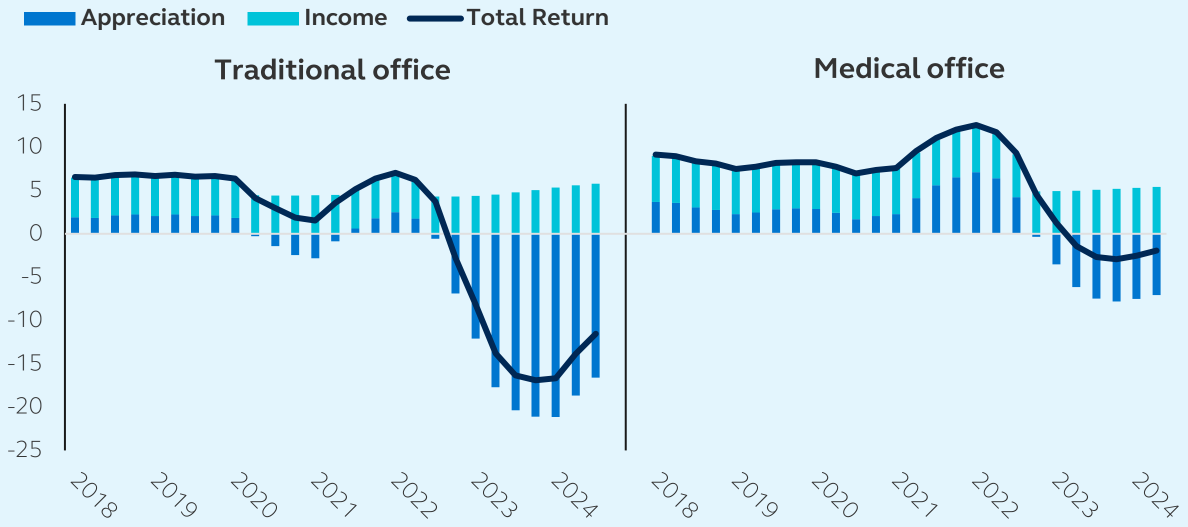
Share of U.S. population & healthcare spending by age cohort

Percentage



Components of total return

Year-over-year percentage based on NCREIF indices



Source: Census, CBRE, NCREIF, Principal Real Estate, December 2024

Mid-high

U.S. essential retail

Fundamentals are healthy for necessity-based retail

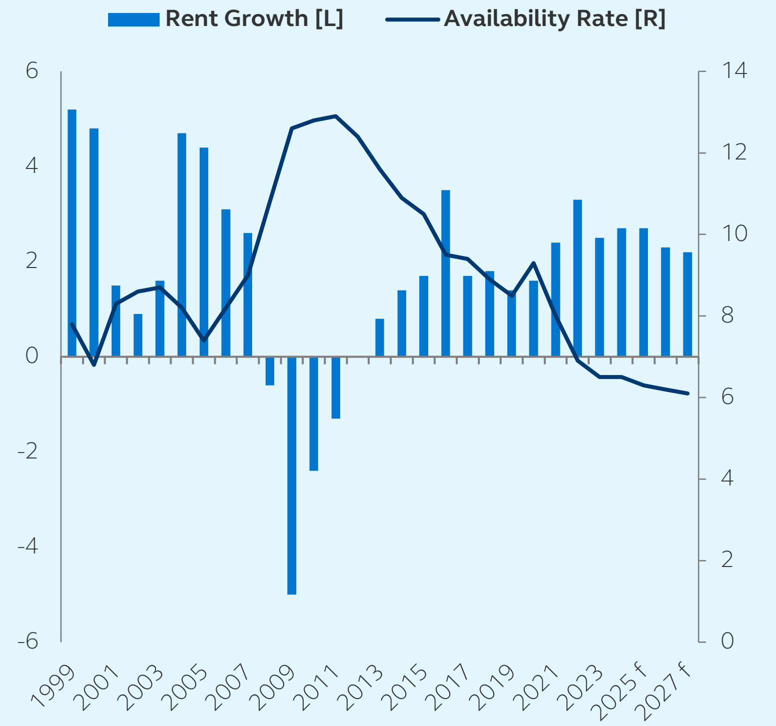
The retail sector continues to outperform most other sectors, with stabilized valuations and healthy occupancy levels due to limited new supply.

The sector is benefiting from strong consumer spending trends supported by healthy economic growth. While household balance sheets have moderated post-pandemic, consumers remain resolute.

While the potential for slower economic growth and a retracing of inflation would threaten the sector's strong performance, a focus on necessity and value-oriented retail will potentially provide greater stability to portfolios with retail exposure.

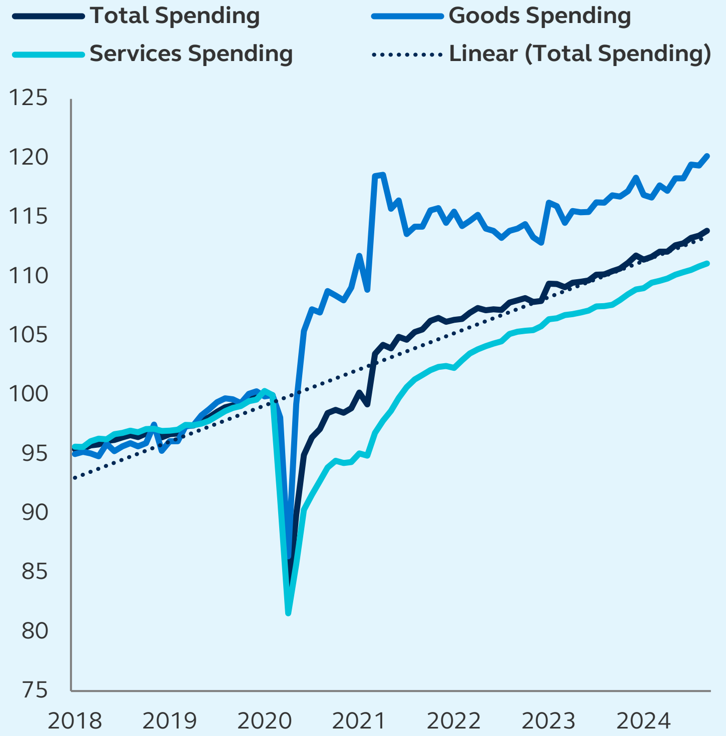
Retail vacancy and rent growth

Percentage



U.S. real consumer spending

Feb 2020=100



Source: NCREIF NPI, BEA, Moody's Analytics, Principal Real Estate, Q3 2024

European essential retail

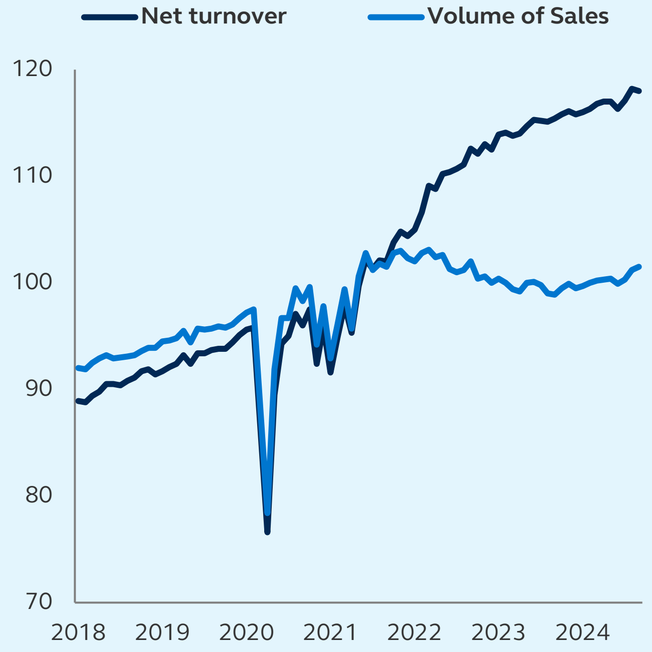
Mid-high

Fundamentals are healthy for necessity-based retail

As retail sales volumes stay healthy, inflation erodes wages, and food sales remain largely unaffected by the growth of e-commerce, a healthy path is established for necessity-based retail.

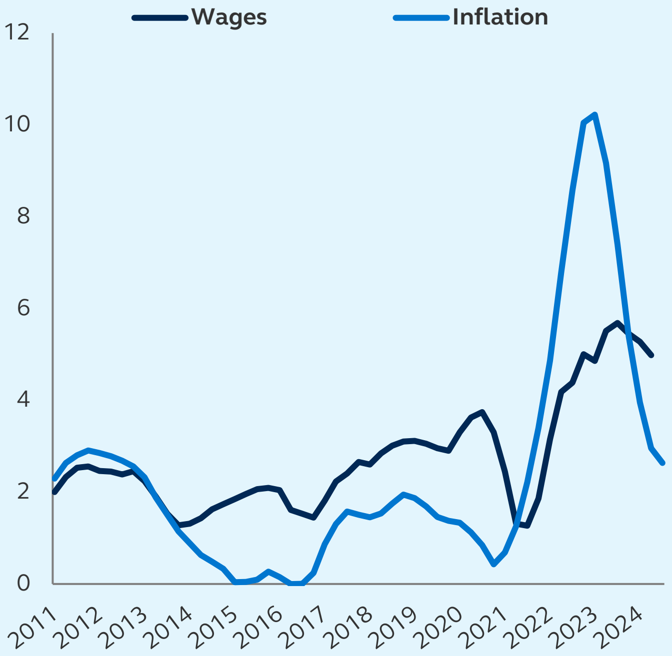
EU retail trade volume vs. turnover

Index, 2021 = 100, seasonally adjusted



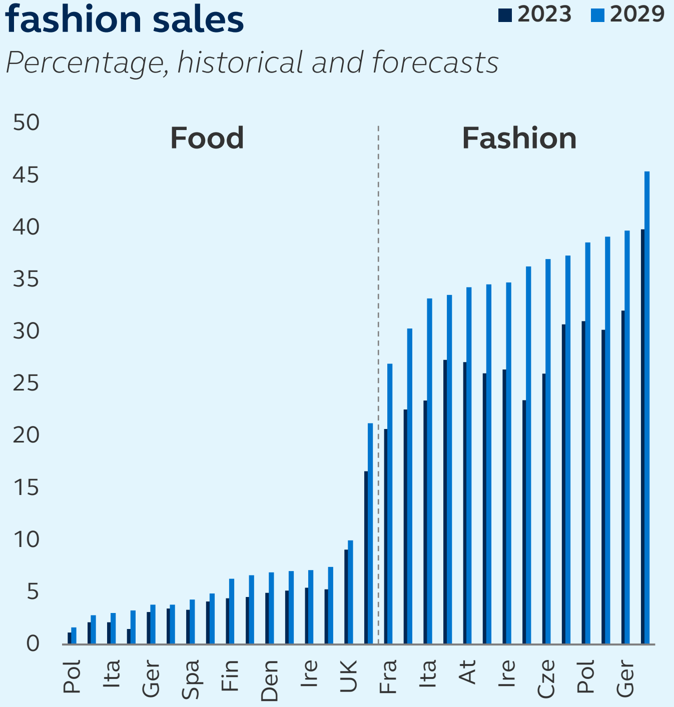
EU27 wages vs. inflation

Percent per annum



Online share of food and fashion sales

Percentage, historical and forecasts



Source: PMA, Eurostat, Global Data, Principal Real Estate, December 2024. EU27 countries: Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden.

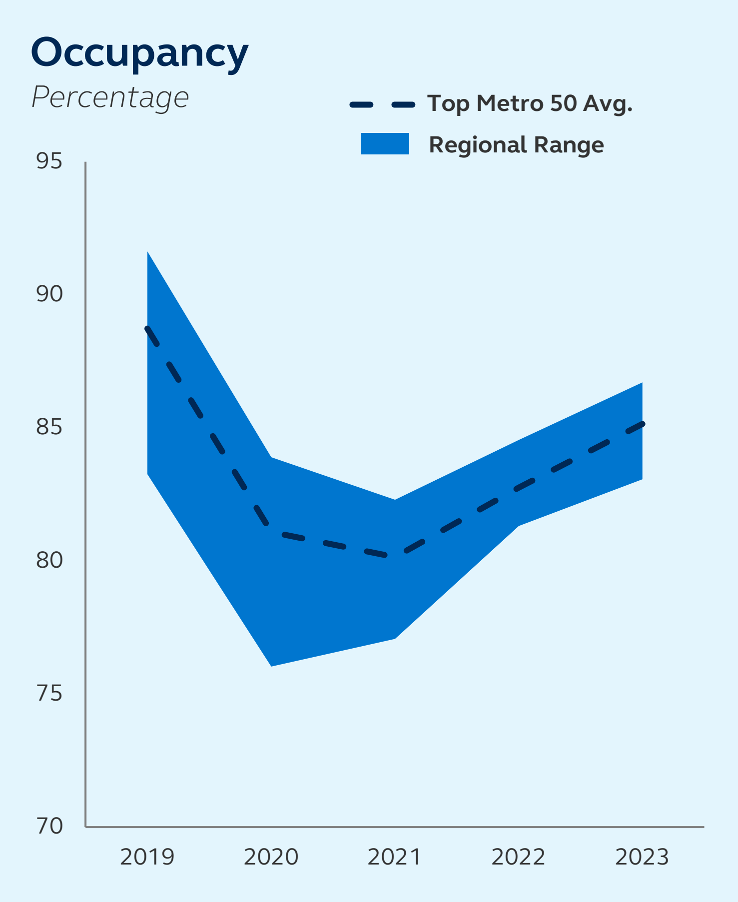
Mid-high

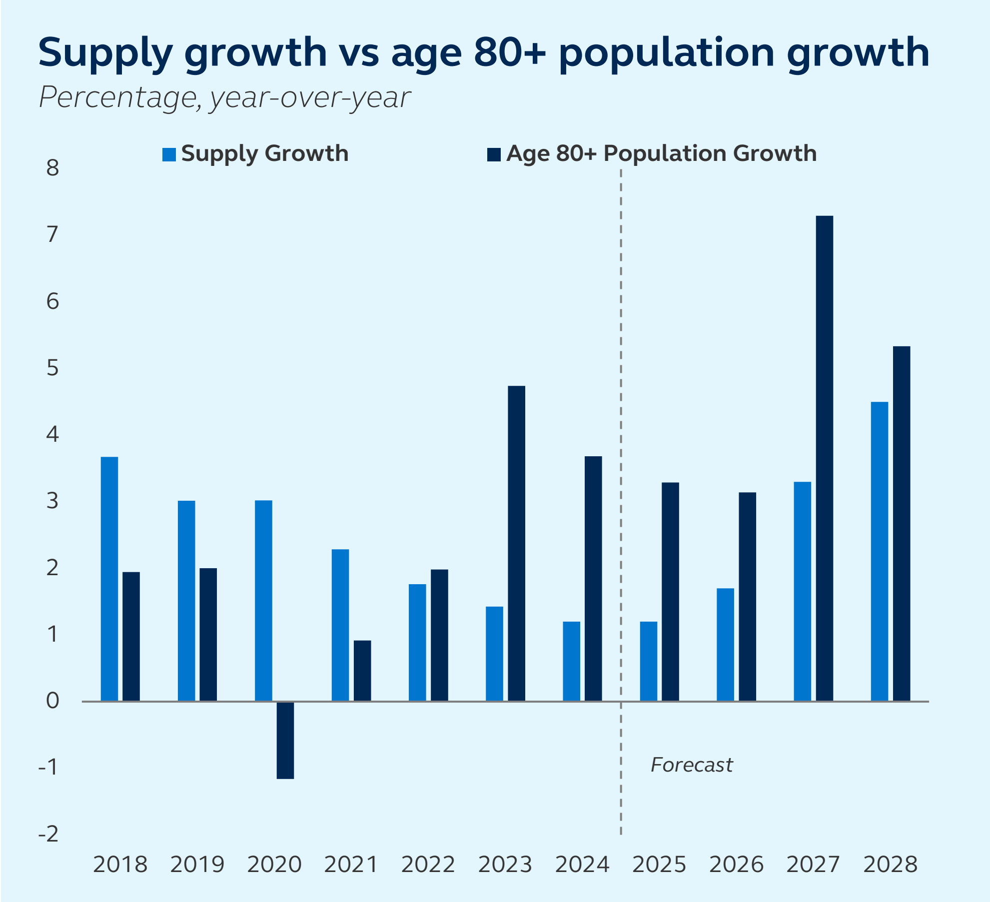
U.S. senior housing

Demographic trends will provide boost if investment in facilities allows

As Baby Boomers continue to age, the senior housing sector should experience high levels of demand. For supply to keep up, the sector will need to see more investment in new development over the next decade.

Occupancy rates have increased steadily post-pandemic, but higher capital costs may slow the pace of construction in the near term. Proper planning by property owners and developers is necessary to prevent shortages.





Source: NIC, Green Street, Principal Real Estate, 3Q 2024

Mid-low

U.S. student housing

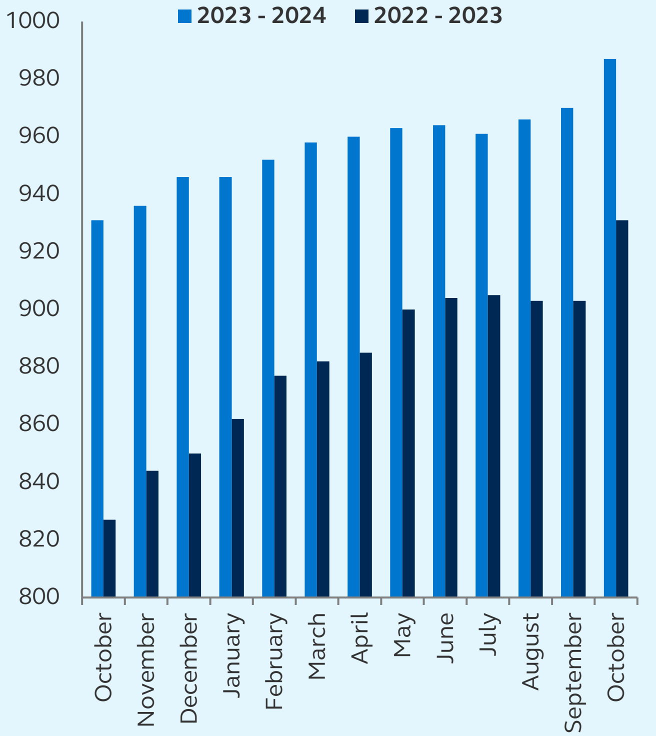
Solid fundamentals today, but secular headwinds in the offing

Student housing fundamentals remain strong, with room rates across institutionally managed properties continuing to rise. However, the space is becoming increasingly competitive as most demand is now being met.

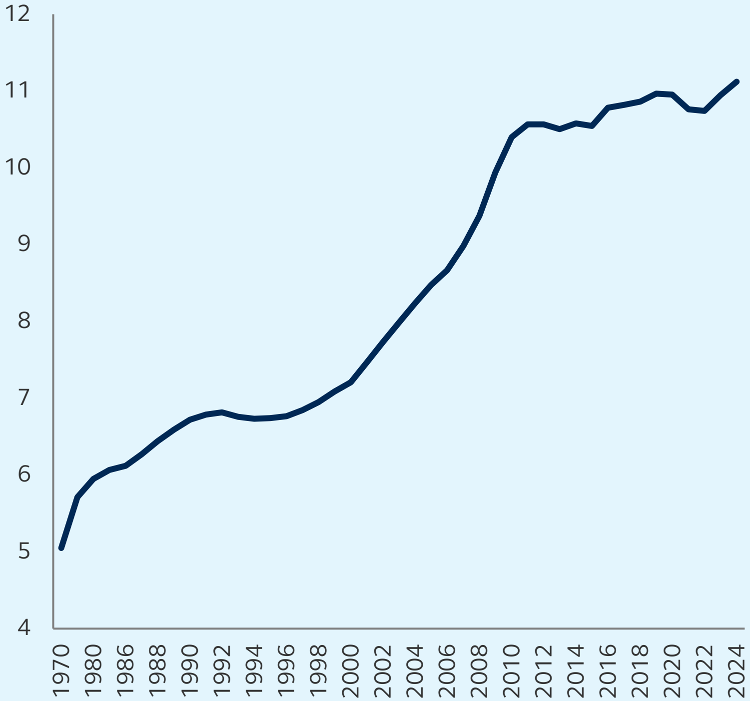
Increased migration to southeastern states such as Florida and Georgia has generated optimism in the sector. Students opting to stay close to home often face limited housing options, a gap that developers are eager to address.

Despite these positive trends, we remain cautious about the sector due to rising investor competition, which is impacting pricing, and a secular stagnation in enrollment at four-year institutions. If these trends persist, they could pose long-term challenges for property owners.

Room rate trends
USD



Fall enrollment: 4-year degree-granting institutions
Students, millions



Source: College House, National Center for Education Statistics, Principal Real Estate, 3Q 2024

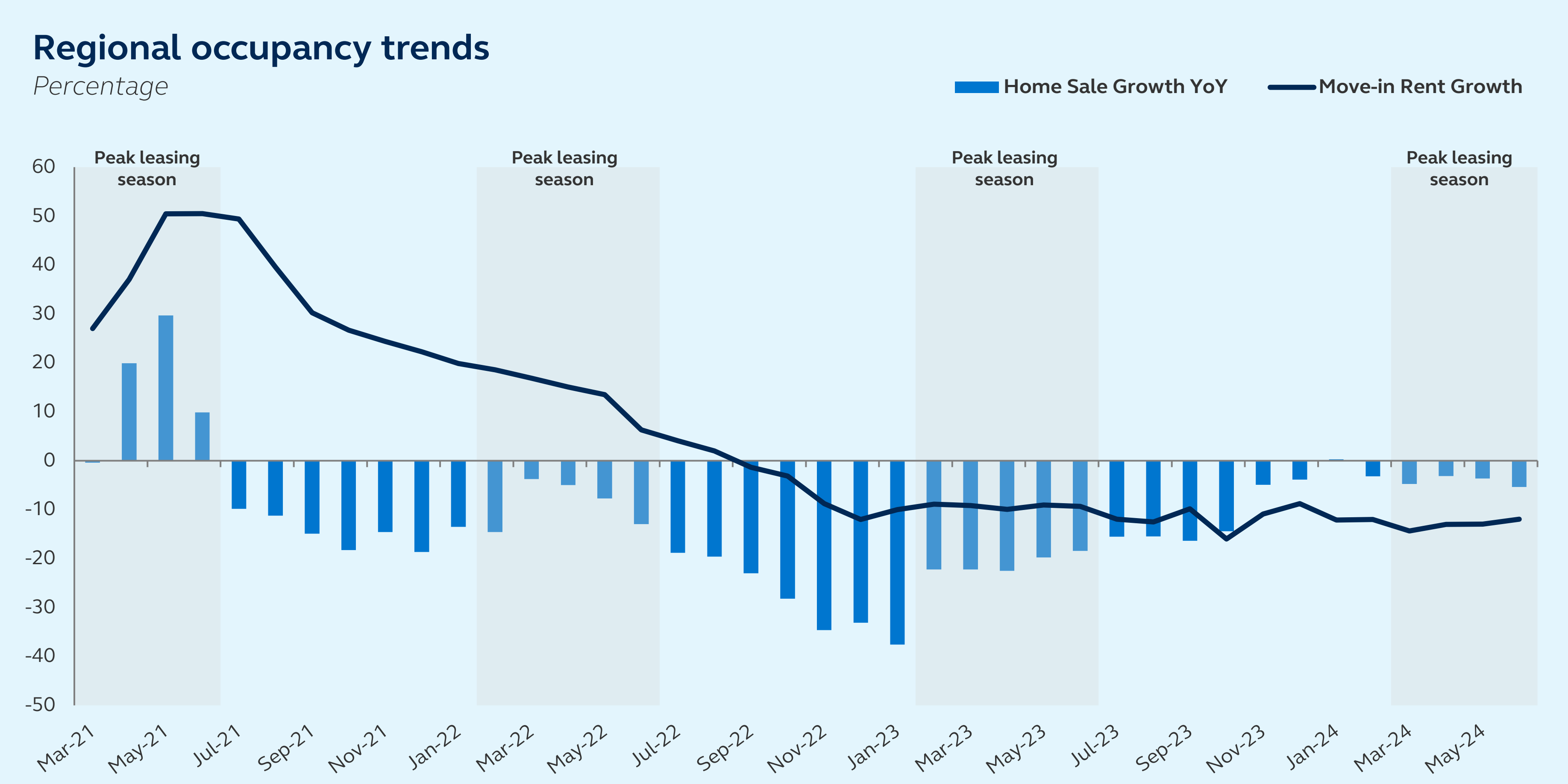
Mid-low

U.S. self storage

Reliance on the housing sector causes concern

The strong correlation between self-storage demand and home sales has held steady following the pandemic. Single-family home sales are at a generational low, creating headwinds for self-storage demand.

Same-store rents have provided a strong floor for investors, but the immediate outlook remains challenged unless the relief in the housing market brings new life to the sector.



Source: Green Street, Principal Real Estate, 3Q 2024

Caution

Global office

The worst days are behind us, but the future remains uncertain

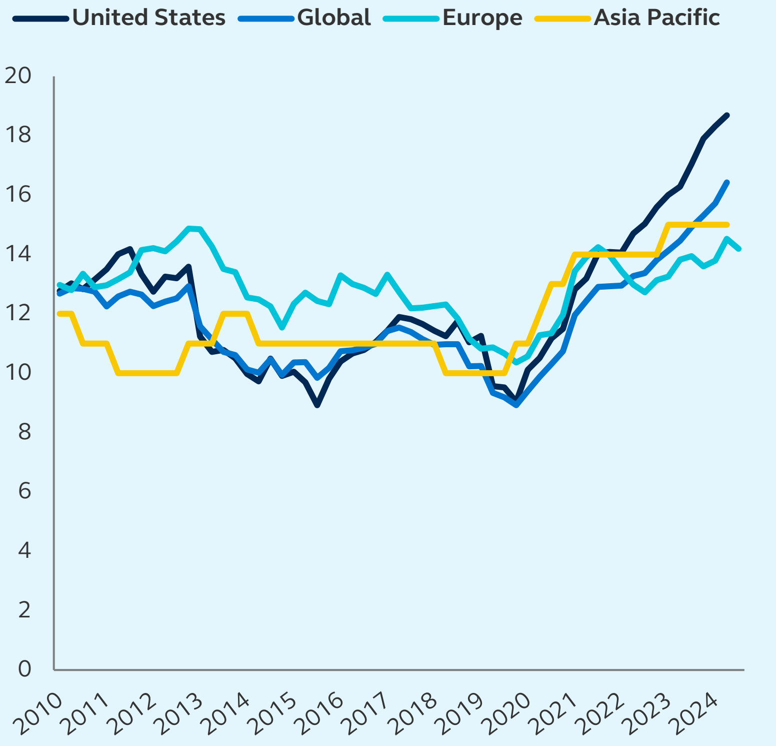
Global demand for office space stabilized in 2024, but there is much work to be done before the sector regains a modicum of its former appeal to investors. The transaction market remains thin except for entity-level deals—particularly in the U.S.— and trading within Central Business Districts (CBDs) remains scant.

The sector remains an outlier as valuations continue to be written down, which we expect to continue well into 2025.

While the sector remains risky to core investors, there has been a movement among investors looking to take advantage of pricing dislocations—a signal that the bottom may soon come into sight.

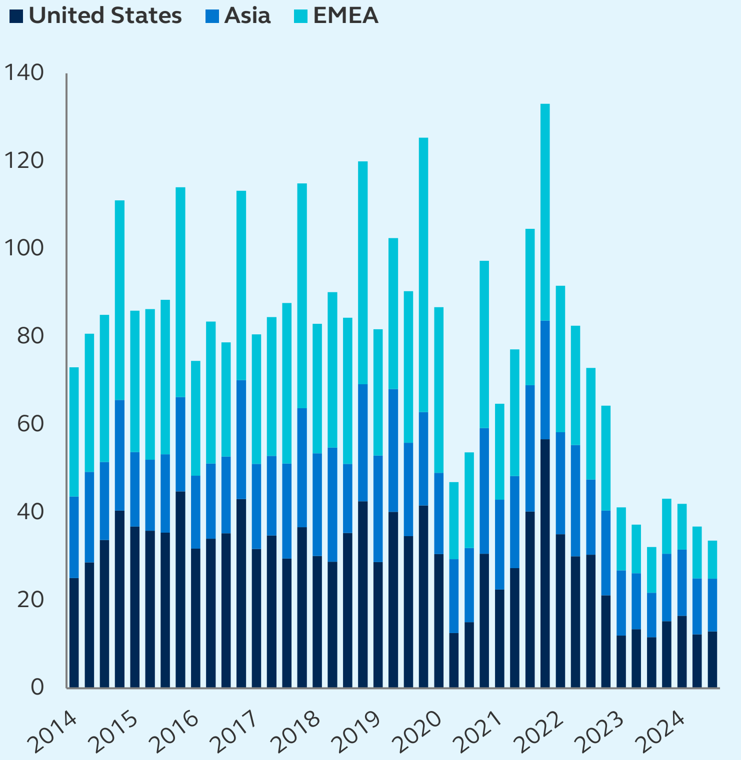
Office vacancy rate by region

Percentage



Global office transaction volume

Billions, USD, quarterly



Source: JLL, Real Capital Analytics, MSCI, Principal Real Estate, 3Q 2024

Caution

European care homes

A dire funding model weighs on care homes

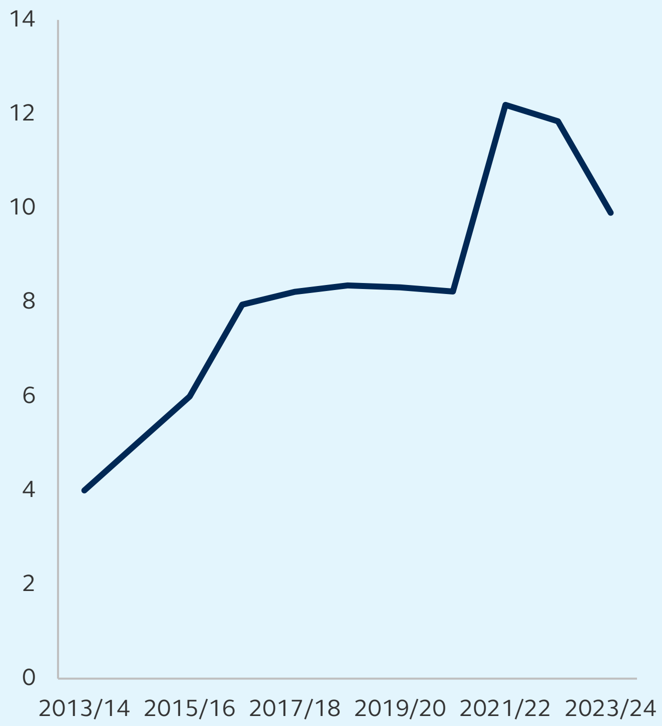
The healthcare sector is generally supported by positive long-term trends, such as aging demographics and the increasing prevalence of chronic diseases. However, it is currently experiencing cyclical challenges.

Rising operational costs, staffing shortages, and restricted access to financing have put pressure on the balance sheets of many providers. This is particularly pronounced in the care home sector, where companies are often unable to pass on these higher costs to residents.

Thus, we believe the healthcare sector will face a slower recovery compared to other property types.

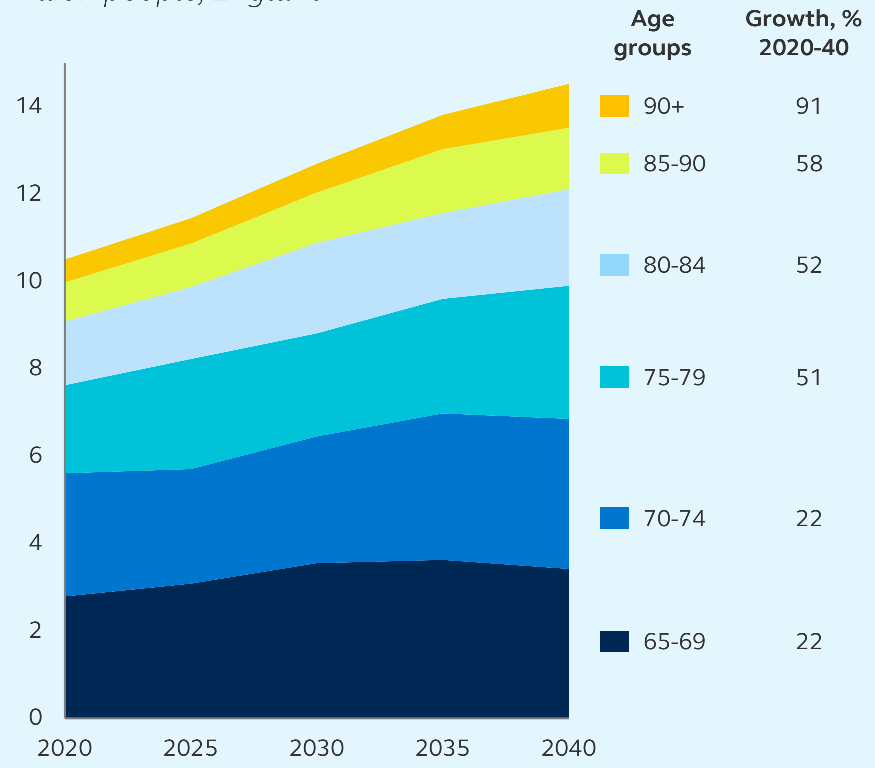
Care workers' vacancy rates

Percentage, England



Population aged 65 and above

Million people, England



Source: Workforce Intelligence, NOMIS, Principal Real Estate, December 2024

Global shopping centers

Caution

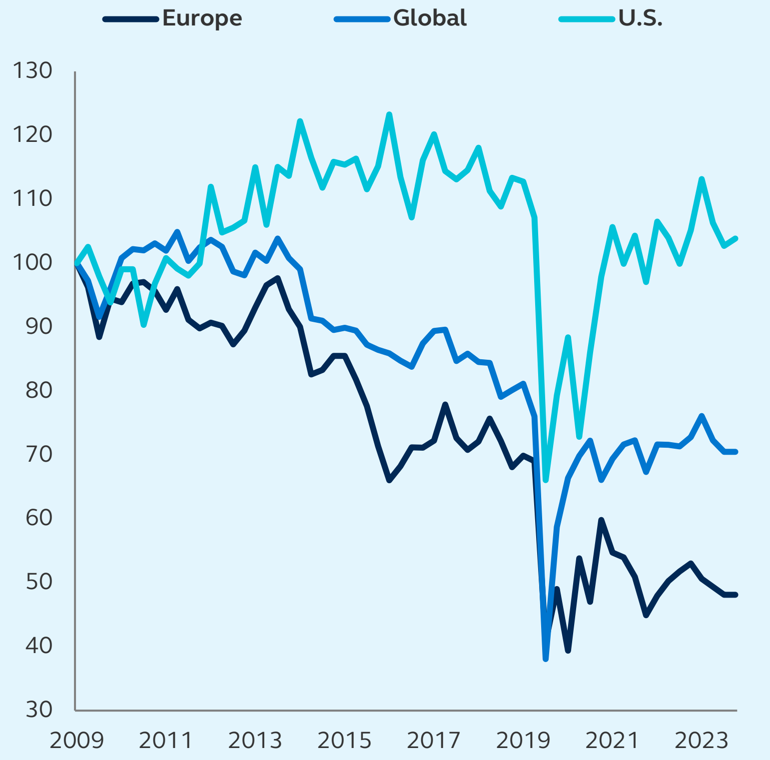
Operators and consumers are both feeling the effects of inflation

Owners of shopping centers are struggling to turn profits as costs to operate these large properties continue to grow. E-commerce shops have proven to be a good substitute that drives traffic away. Centers with strong experiential attractions can stand out, but overall, we believe this sector will underperform.

Consumers across the globe have felt the pressure of the past few years. Inflation, geopolitical conflict, and mounting debt have prompted consumers to cut back on discretionary spending.

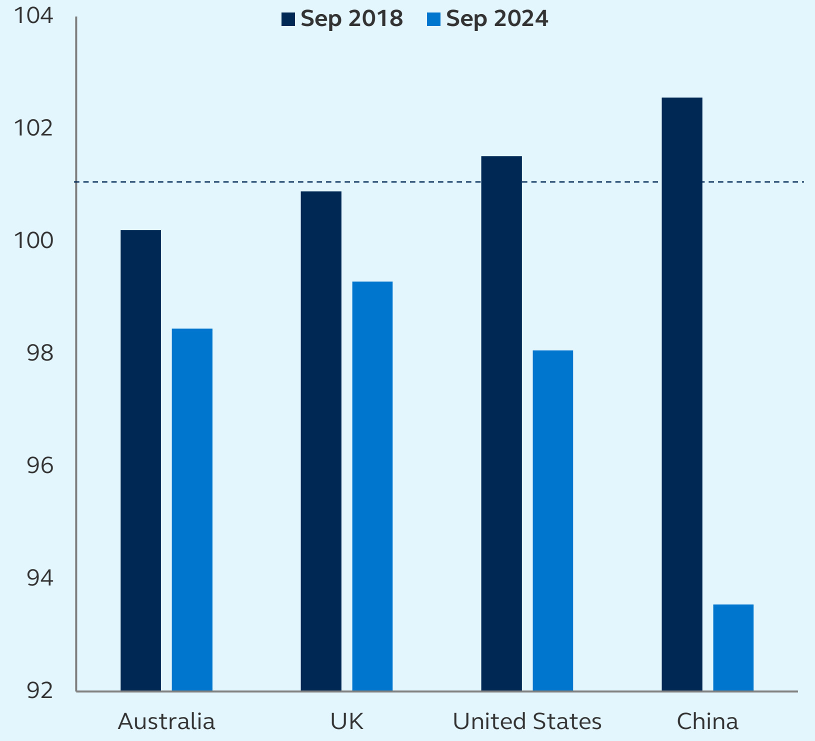
NOI Growth index

Q4 2009 = 100



Consumer confidence

Consumer opinion surveys, normal = 100, SA



Source: MSCI, Macrobond, National Sources, OECD, Principal Real Estate, 3Q 2024

Caution

Global life sciences

Research is struggling without funding

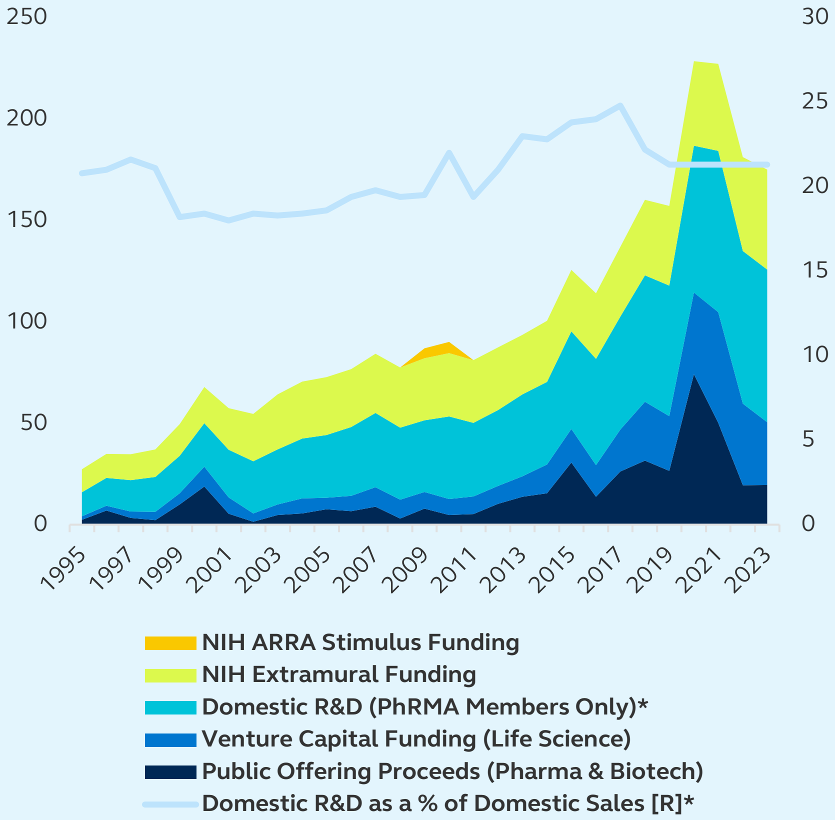
Cashflow problems and overdevelopment continue to plague the life sciences sector. Increased costs of capital over the past year have stymied growth for many life sciences companies.

Relief from the capital markets cannot come fast enough as balance sheets are stretched thin by expensive R&D costs.

Metros with strong ties to prestigious universities may continue performing well due to research costs being paid at the school level.

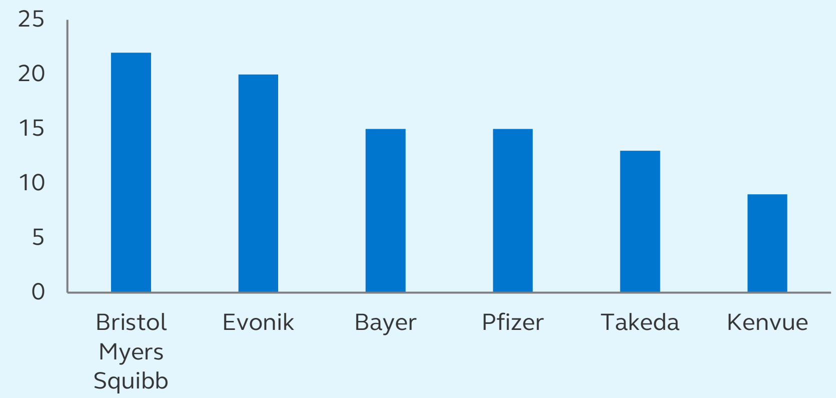
U.S. life sciences funding & R&D spending

Billions USD, percentage



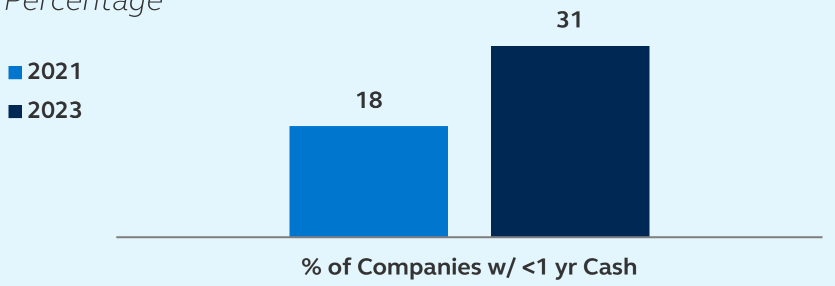
Large pharma employee layoffs in '24

Thousands



Companies with less than one year of cash

Percentage



*Due to lack of available data, 2023 figure is estimated based on 2022.

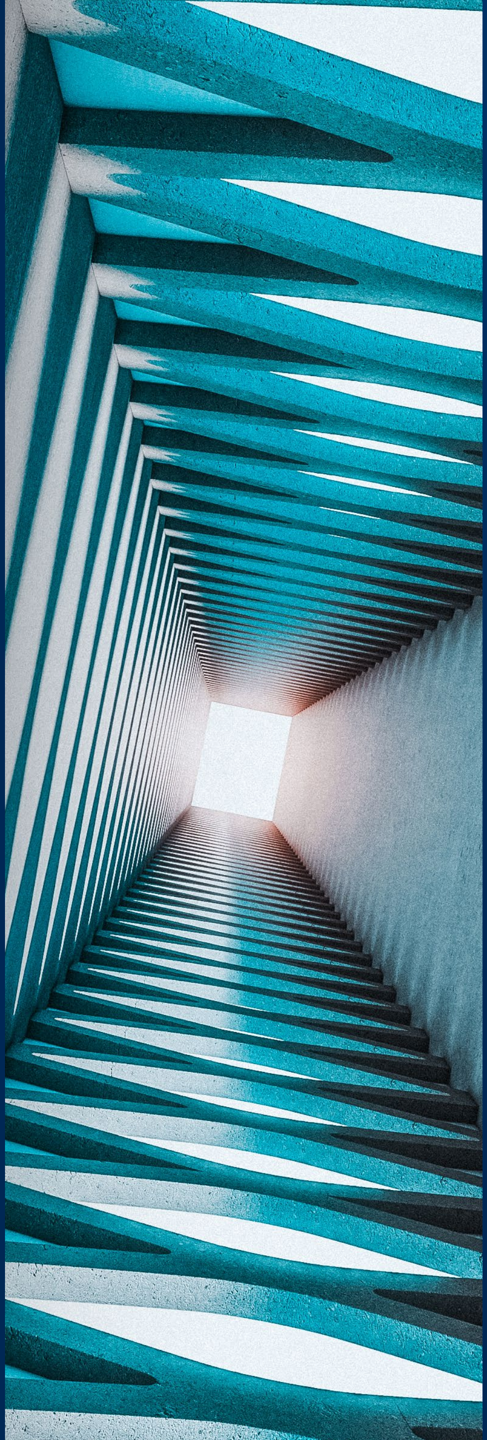
Source: Bloomberg, NIH, Pharmaceutical Research & Manufacturers of America, PitchBook, Company Disclosures, Green Street, Principal Real Estate, 3Q 2024

Conclusion: A better year ahead in 2025

“Keep your face always toward the sunshine and shadows will fall behind you”

WALT WHITMAN

06



Taking advantage of an improved investment landscape

01 A disappointing 2024 gives way to opportunity in 2025

While 2025 is expected to offer continued opportunities in the debt market, a more favorable capital markets environment bodes well for equity investors capitalizing on the decline in capital values since 2022. Lower capital costs and a more accommodative policy are also providing investors with improved clarity on pricing.

02 Focus remains on sectors that benefit from strong secular tailwinds

Data centers, logistics, and residential sectors remain our top choices for 2025. These sectors continue to be underserved and exhibit strong underlying demand, which we believe will enhance portfolio performance.

03 A better year for real estate in 2025

We are at the end of real estate's corrective phase, which we believe will make 2025 a highly attractive vintage for investors. Quality and sector selection will remain key focus areas over the next 12 months for investors looking to capitalize on the nascent recovery.

Source: Principal Real Estate, December 2024

About Principal Real Estate

Access the full spectrum of today's commercial real estate investment opportunities.

Principal Real Estate is the dedicated real estate investment team within Principal Asset Management.

We have a 360° view of real estate, with capabilities that span the spectrum of public and private equity and debt investments. We seek to maximize opportunities and find the best relative value on behalf of our clients using our specialized market knowledge, dedicated and experienced teams around the globe, and extensive connections across all four real estate quadrants.

- Top 10 global manager of real estate (1)
- $102 billion in real estate assets under management (2)
- Over 60 years of real estate investment experience (3)
- More than $124 billion in real estate debt and equity transactions over the past decade (4)
- Recognized globally as a leader in sustainable investing (5)

PrincipalAM.com/RealEstate

See important information for footnote references

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Index descriptions

NFI-ODCE: The NCREIF Fund Index (open end diversified core equity) is an index of 20+ institutional perpetual funds ("core funds") that pensions and endowments have invested in to get durable, income-oriented real estate exposure for the last 40 years.

MSCI Property index: Report the market returns of the 25 most mature real estate markets, together with Global and Pan-Europe composite indexes, measured by MSCI and their partners

FTSE EPRA/NAREIT REITs share price index: Is designed to represent general trends in listed real estate equities.

Bloomberg US CMBS Investment Grade Index: Measures the market of US Agency and US Non-Agency conduit and fusion CMBS deals with a minimum current deal size of $300mn

Bloomberg US Corporate High Yield Index: Measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

Bloomberg US ABS Index: Is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index only includes ABS securities.

Bloomberg US Mortgage Backed Securities Index: Tracks fixed-rate agency mortgage-backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

Important information

[1] Managers ranked by total worldwide real estate assets (net of leverage, including contributions committed or received, but not yet invested; REOCs are included with equity; REIT securities are excluded), as of 30 June 2024. "The Largest Real Estate Investment Managers," Pensions & Investments, 7 October 2024

[2] As of 30 September 2024. Includes clients of, and assets managed by, Principal Real Estate Europe Limited and its affiliates. Does not include assets that are managed by Principal International and Retirement and Income Solutions divisions of Principal. Due to rounding, figures shown may not add to the total.

[3] Experience includes investment activities beginning in the real estate investment area of Principal Life Insurance Company and continuing through the firm to present.

[4] As of 31 December 2023. Excludes public REIT transaction volume.

[5] As recognized by 2024 Global Real Estate Sustainability Benchmark (GRESB) assessments representing data from 1 January 2023 to 31 December 2023. The Firm paid GRESB an application fee to be evaluated and use the ranking. In order to receive a ranking, the firm paid GRESB an application fee to be evaluated and rights to use the rating. Principal Real Estate recognized as ENERGY STAR Partner of the Year 2016-2024, Sustained Excellence Award 2018-2024. The U.S. Environmental Protection Agency (EPA) annually honors organizations that have made outstanding contributions to protecting the environment through energy efficiency, April 2024.

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