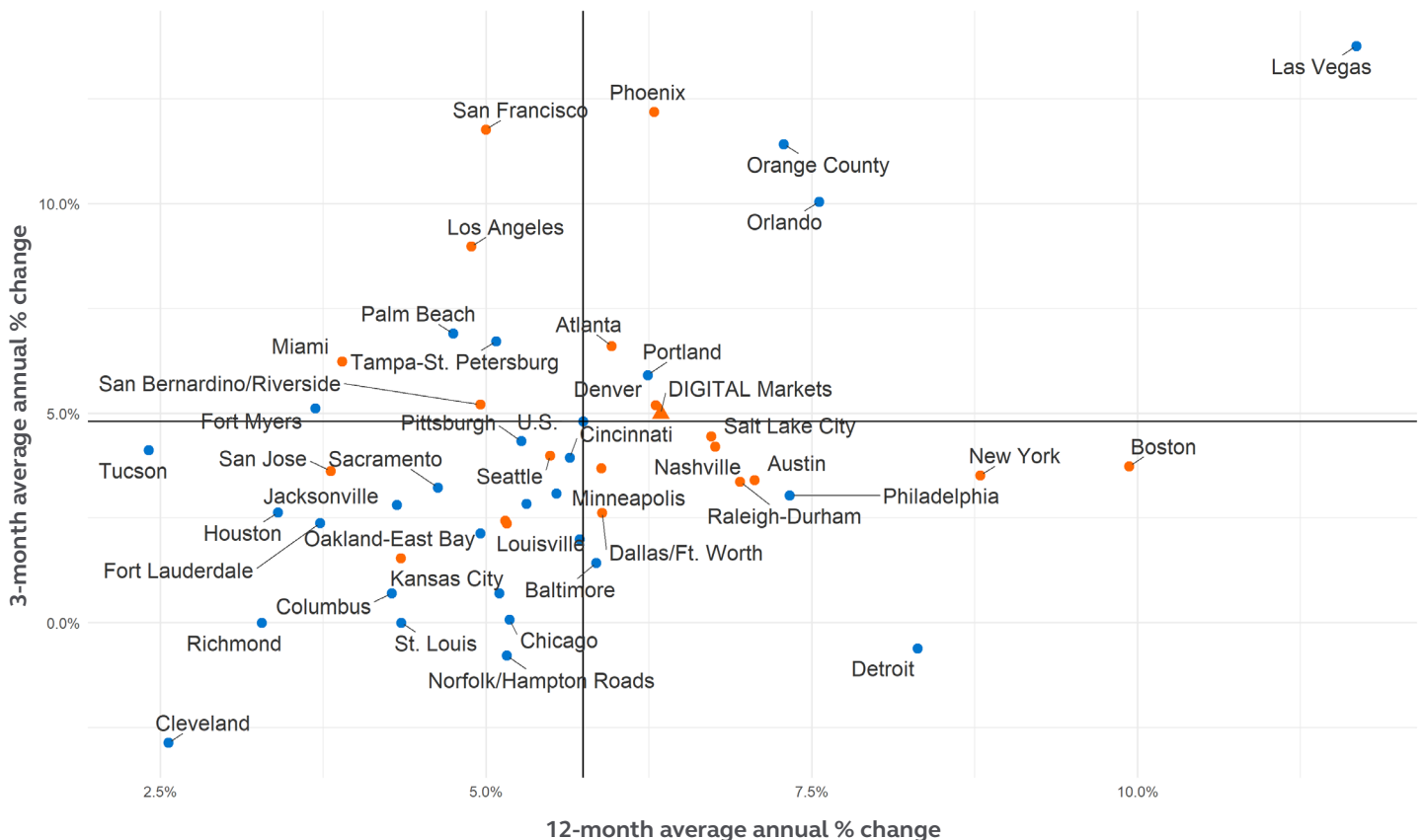


“DIGITAL” Employment report

August 2021

DIGITAL* employment chart



Source: Moody's Analytics, Principal Real Estate Research, August 2021

● = indicates a DIGITAL market

Employment rose in the second quarter of 2021 in 45 of the 48 metro areas Principal Real Estate Investors tracks, as regional labor markets continue to show signs of growth. Despite a recent rise in COVID-19 cases, the start of the summer saw strong hiring activity. Our internal DIGITAL sum of markets exceeded the national average during the past quarter due in part to a few larger metros, notably San Francisco and Los Angeles, hiring seasonal workers in the leisure and hospitality industry.

Overall, DIGITAL markets were close to the U.S. average this quarter with a few outliers. Markets with greater tourism saw renewed strength through June due to the

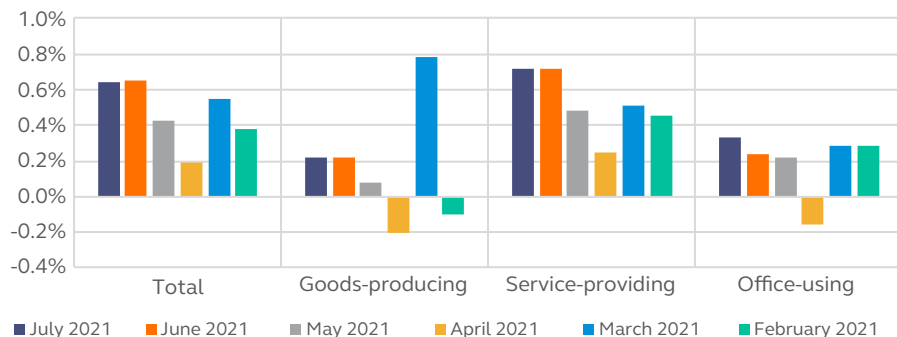
seasonal boost in the leisure/hospitality industry. The manufacturing industry still lags broader employment as the effects of chip shortages linger. Service oriented industries which were shuttered during lockdowns are beginning to benefit from easing restrictions—though the Delta variant may pose downside risks as we enter the second half of the year. Some high-growth markets could also be experiencing constraints on construction activity amid heightened lumber prices and labor shortages.

Despite resurgent growth, the labor market is still below its pre-pandemic peak. Meanwhile, job openings have risen to record levels as the current labor pool appears to

* DIGITAL refers to key long-term growth drivers centred around demographics, innovation, globalization, infrastructure, and technology that Principal has identified as metrics of long-term market outperformance.

exhibit mismatched skills and a shortage of lower-skilled lower-wage workers. Some workers may also feel unsafe or lack adequate childcare during the summer break. Slack in the labor market should tighten as students return to schools and supplemental unemployment insurance benefits roll off. The pace of vaccination has slowed considerably in the U.S., however. The emergence of the Delta variant alongside slowing vaccination could prove a headwind for markets should lockdowns reemerge. Even with new variants increasing transmission rates, we still expect most markets to fully recover by 2023, with DIGITAL markets seeing an earlier recovery.

Monthly percentage change



Source: BLS, August 2021

Top 5, bottom 5 cities

Top 5	3 month % change
1. Las Vegas	13.8%
2. Phoenix	12.2%
3. San Francisco	11.8%
4. Orange County	11.4%
5. Orlando	10.1%

Bottom 5	3 month % change
44. St. Louis	0.0%
45. Richmond	0.0%
46. Detroit	-0.6%
47. Norfolk/Hampton Roads	-0.8%
48. Cleveland	-2.9%

Source: BLS, August 2021

Risk Considerations

Investing involves risk, including possible loss of principal. Past performance is no guarantee of future results. Potential investors should be aware of the risks inherent to owning and investing in real estate, including value fluctuations, capital market pricing volatility, liquidity risks, leverage, credit risk, occupancy risk and legal risk.

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MM11961-02 | 08/2021 | 1777565 | 08/2022