TRANSWESTERN

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FINDING THE MARKETS THAT SUCCEED IN MOST TARIFF SCENARIOS

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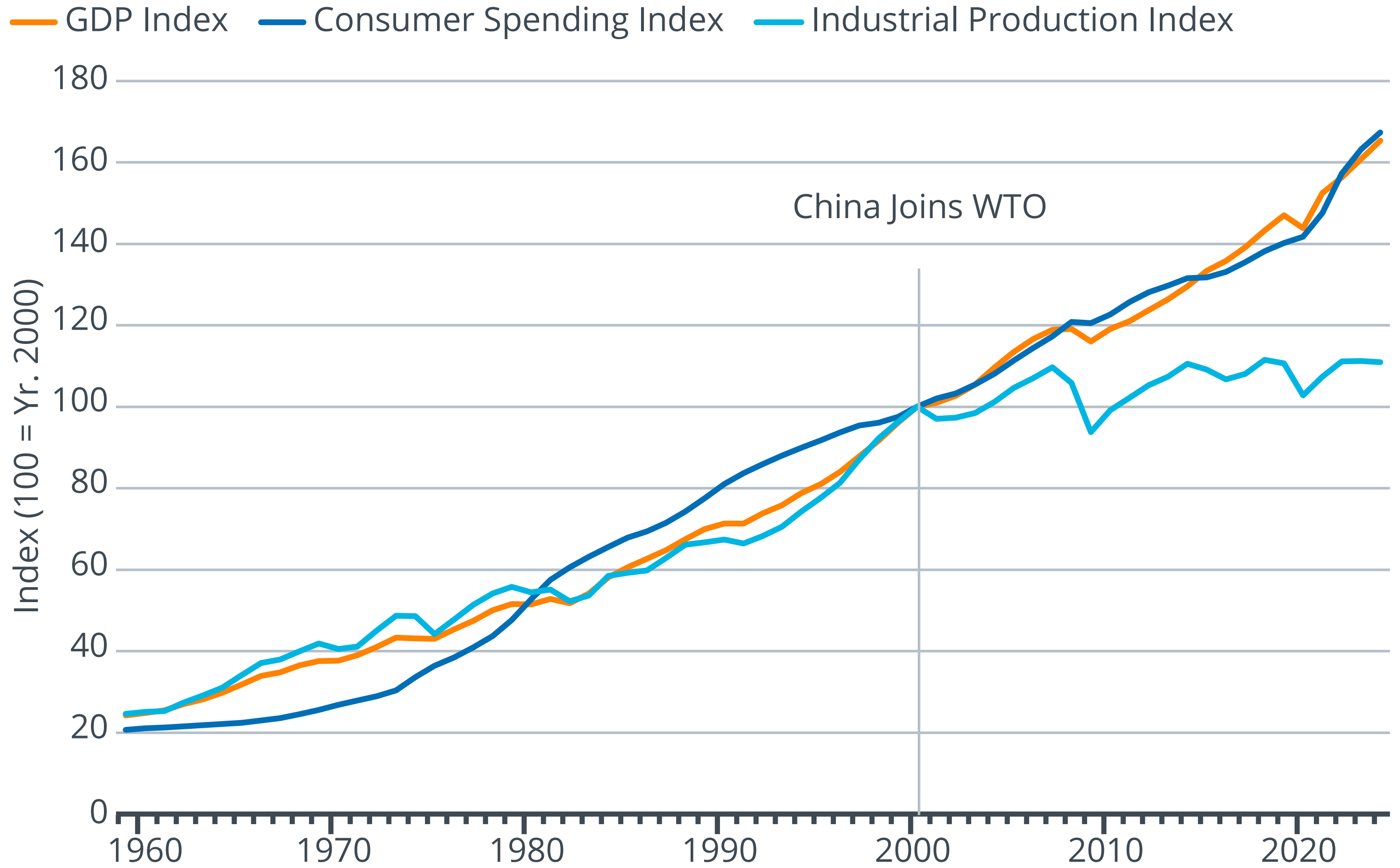
The size and shape of final tariffs are not yet known, and there are several crosscurrents at work.

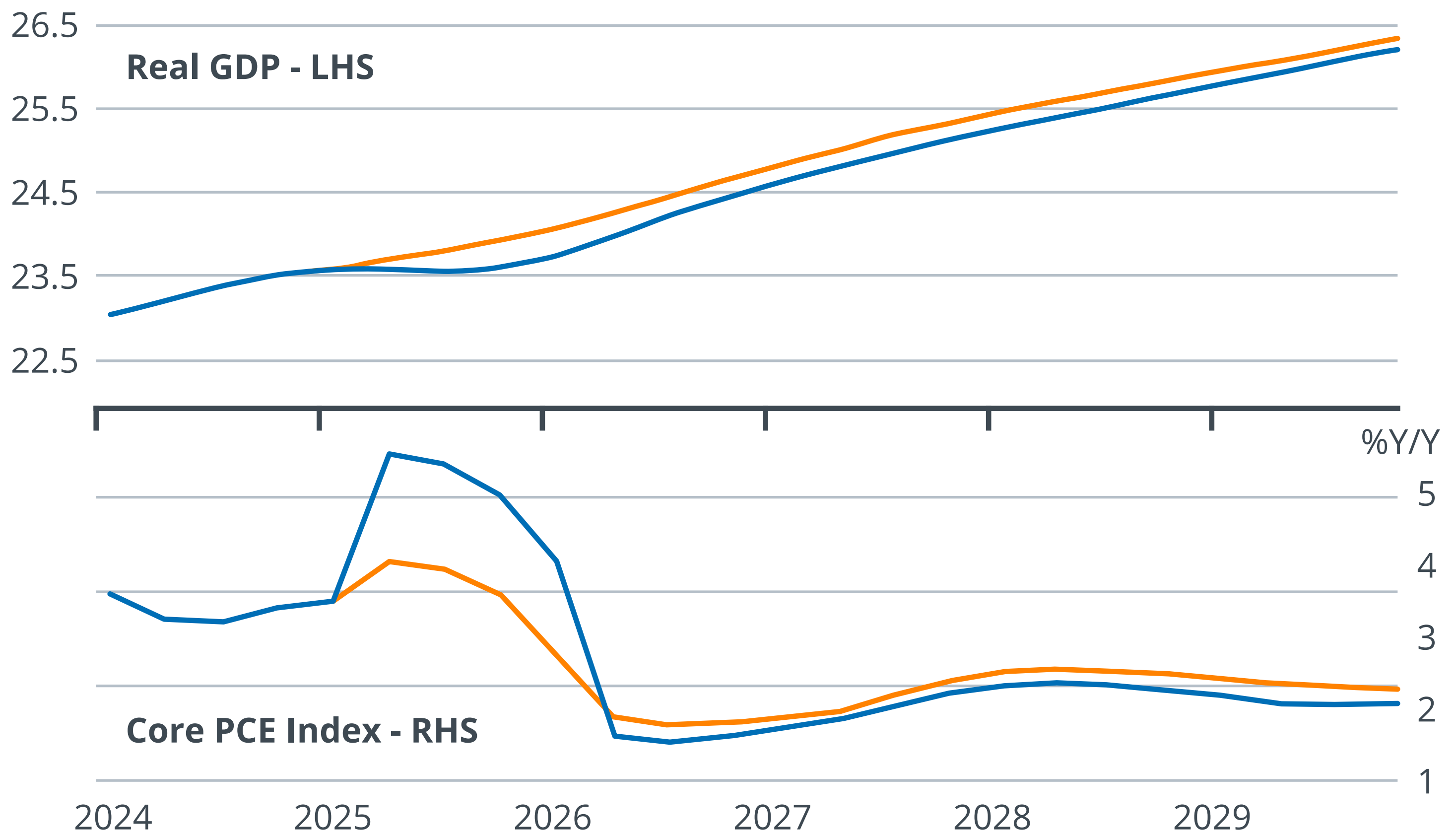
- Various tax, regulation and tariff regimes are being pursued simultaneously. Some of these are stimulatory, while others appear to be a drag on GDP in the near term. The net effect on GDP growth is expected to be mostly settled in the U.S. economy by the end of 2026.
- Consensus forecasts are for growth to slow, but continue, and for inflation to tick up in 2025 before falling to long-term trends in 2026.
- Could there be a recession or inflation stemming from the current “tariff tantrum”? Entirely possible, nobody knows at this moment. But, we believe growth is the natural state of the U.S. economy and there will be rent and value gains on top of good investment opportunities.
- U.S. industrial production stagnated, while GDP and spending grew, beginning in early 2000s. Tariffs seek to put the U.S. back on trend.
- Transwestern balances reasonable base case scenarios with downsides risks, such as for recessions and inflation, in formulating our investment and management strategies.

USA MAJOR INDICATORS



Source: Transwestern, FRED

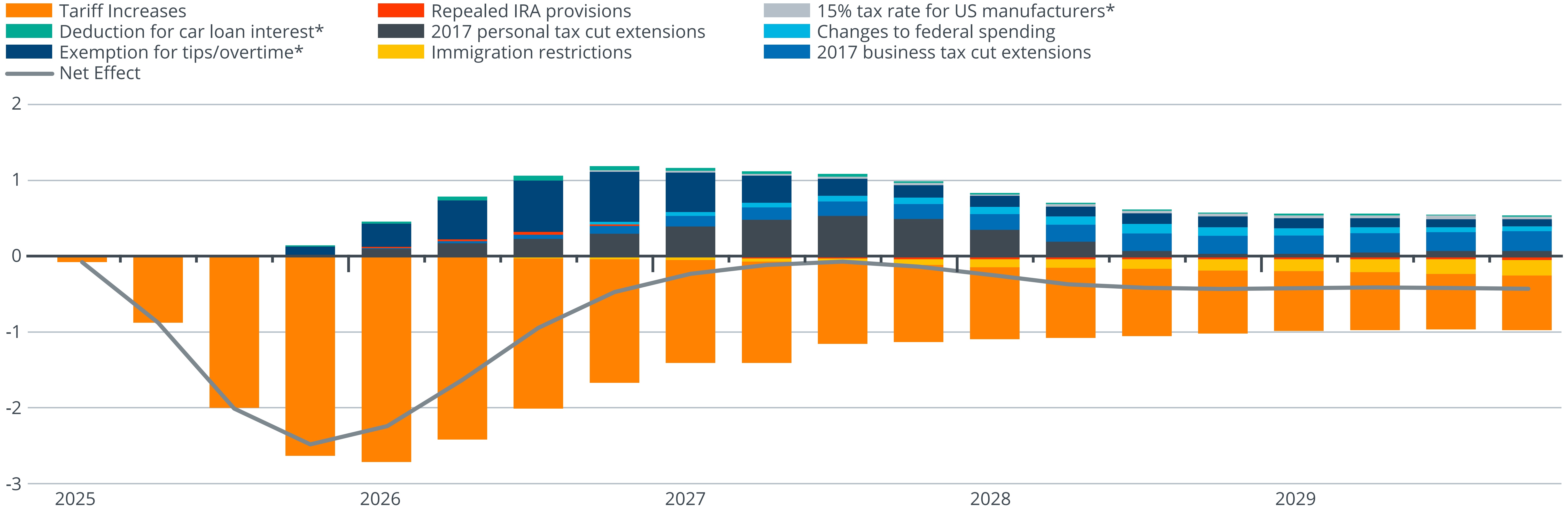
USA REAL GDP AND CORE INFLATION (4/5/25)



Source: Transwestern, Oxford Economics

USA: FISCAL, TRADE, AND IMMIGRATION POLICY CROSSCURRENTS (4/5/25)

Impact on real GDP, % difference from pre-election forecast



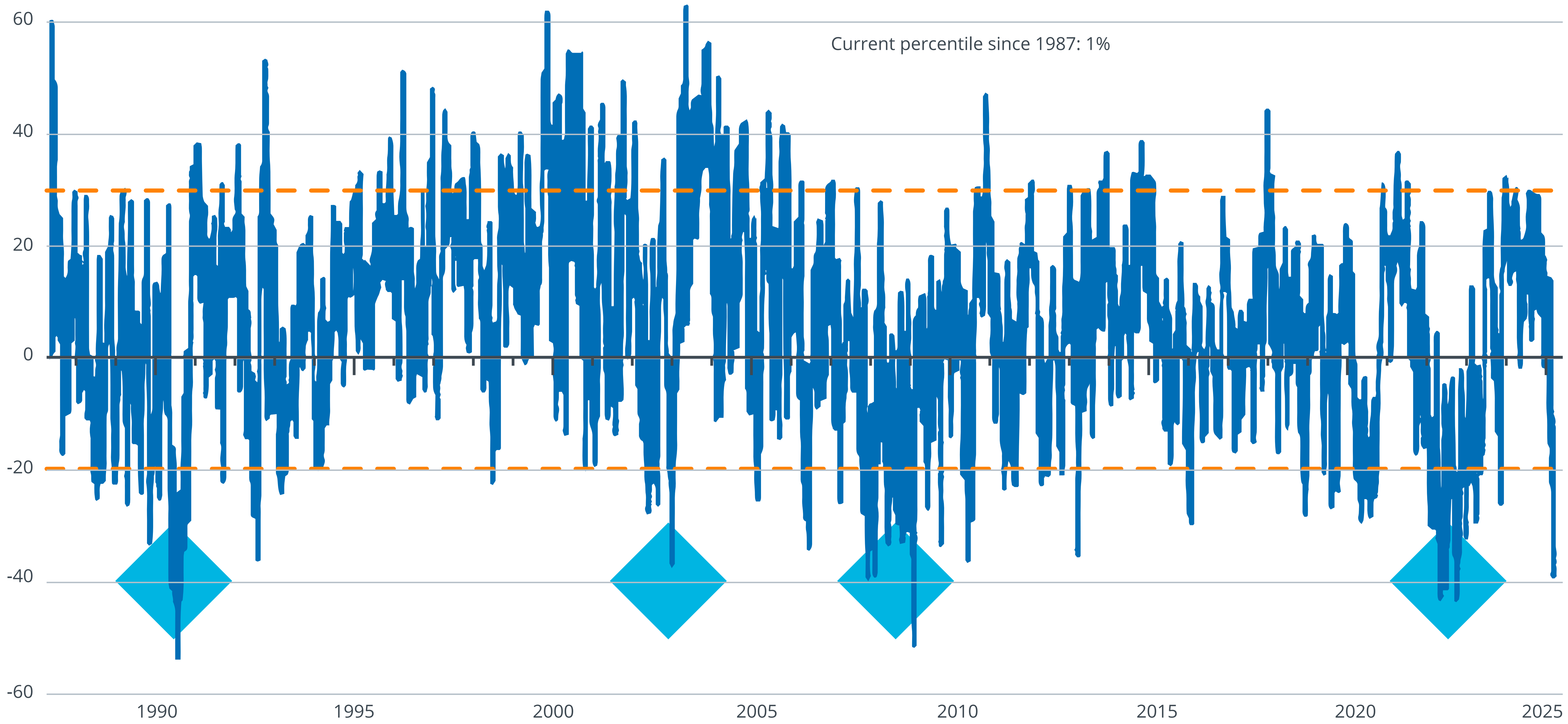
Source: Transwestern, Oxford Economics

Current market volatility may present opportunities, particularly for well-positioned industrial and multifamily assets.

- With long-term operating income attributes resembling the stock equity markets and steady yield similar to bonds, real estate may be attractively positioned as both an inflation hedge and a source of value stability in the eventual tariff and trade regime.
- Industries considered strategic and more complex appear better positioned for expansion and may include pharmaceutical, computer chips, autos, steel and energy. Trade tribulations over the last decade have illustrated where manufacturing expansion tends to occur in these industries, including Texas, Tennessee, Arizona, Ohio and Georgia.
- We have already seen indicators of onshoring, country of origin diversifications, and supply chain shifts in anticipation of tariffs and anti-globalization sentiment as risk mitigation strategies.

AAII INVESTOR SENTIMENT

Bull minus bear spread



Source: Transwestern, American Association of Individual Investors

NON-INTUITIVE VIEW OF INDUSTRIAL DEVELOPMENT OPPORTUNITIES

Projects built in the near term would deliver in the 2026-2027 time period, when deliveries will be significantly lower, thereby setting the stage for what should be a stronger supply/demand environment.

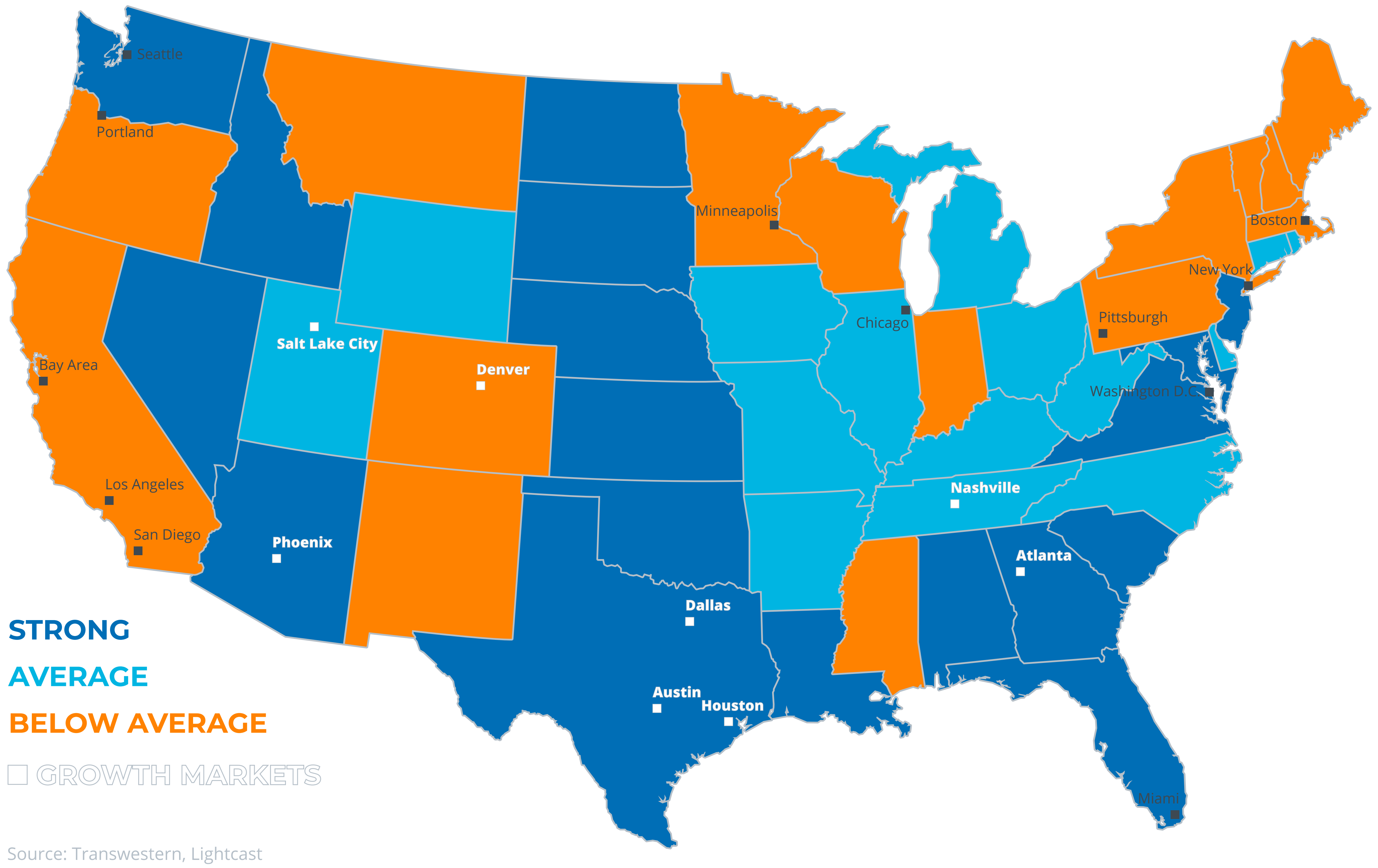
Consider the long view for both existing and new construction strategies.

- If manufacturing activity increases in the U.S., we believe the industrial and multifamily property types will benefit, especially in regions with labor force growth and pro-business policies. Existing properties may be purchased at discounts to replacement cost in a "risk off" environment.
- Higher demand through the supply chain supports industrial property absorption, while job and economic growth, coupled with America's housing shortage and high cost of home ownership, supports apartment demand in these targeted geographies.

TARIFFS & REAL ESTATE PERFORMANCE

Historically, when investor sentiment becomes this bearish, buying opportunities in commercial real estate follow.

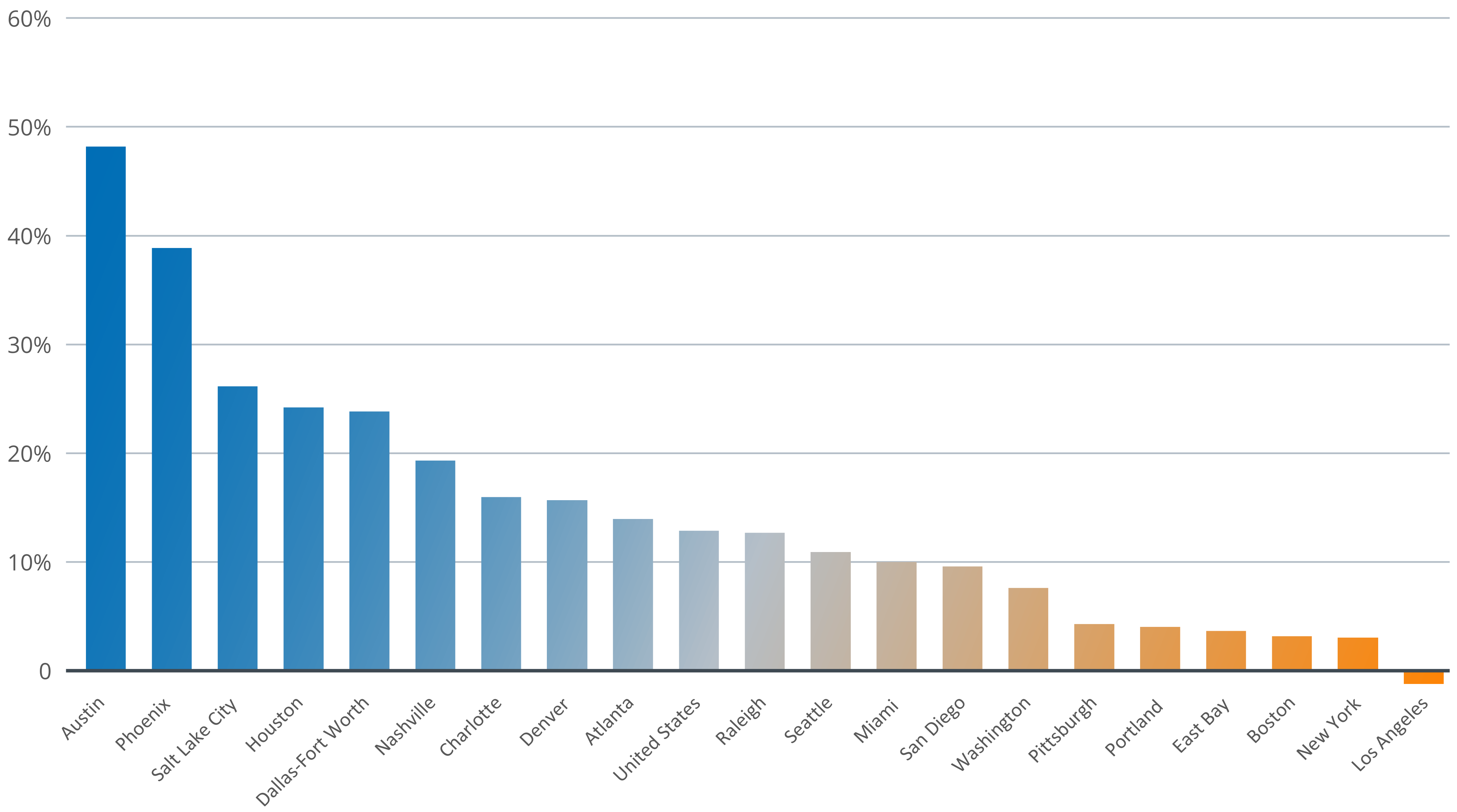
TOTAL JOB GROWTH AND MIGRATION | 2023/2024 AVERAGE



Source: Transwestern, Lightcast

INDUSTRIAL MARKET INCREASE IN TOTAL DEMAND

% Change Since Q4 2019



Source: Transwestern, CoStar

Real estate allocations made today will be invested over the next two years in what are expected to be excellent vintages.

- Values are down sharply from the peak three years ago, and there currently is an oversupply of industrial and multifamily in certain markets.
- Distressed owners and banks provide opportunity to acquire assets (across most property types) at attractive prices and take advantage of select development opportunities.
- Over a 5-7 year investment period, we should have rent and value gains on top of compelling investment opportunities in this vintage.

Where we see the greatest value.

- Property types and geographies that will benefit in either a higher-tariff environment (which should support higher levels of U.S. manufacturing), or a return to more typical tariff regimes.
- Property types with strong demand prospects, chiefly industrial and multifamily but also healthcare real estate.
- Metropolitan areas with exceptional demand drivers, e.g., above-average population growth, with an emphasis on population growth from domestic migration (less risky than coastal markets which depend on international in-migration to grow).
- Prized assets in metropolitan areas that include a growing labor force with a range of skill and price points and pro-business environments.
- Markets that stand out for their potential in either a high- or low-tariff environment, due to their attractive mix of the qualities outlined above, include the "Texas Triangle" of Houston, Dallas and Austin/San Antonio, Nashville, Phoenix, Raleigh and Charlotte. These markets have demonstrated strong demand growth since 2019.

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