M&A and Strategic Transactions Monitor

September 2023

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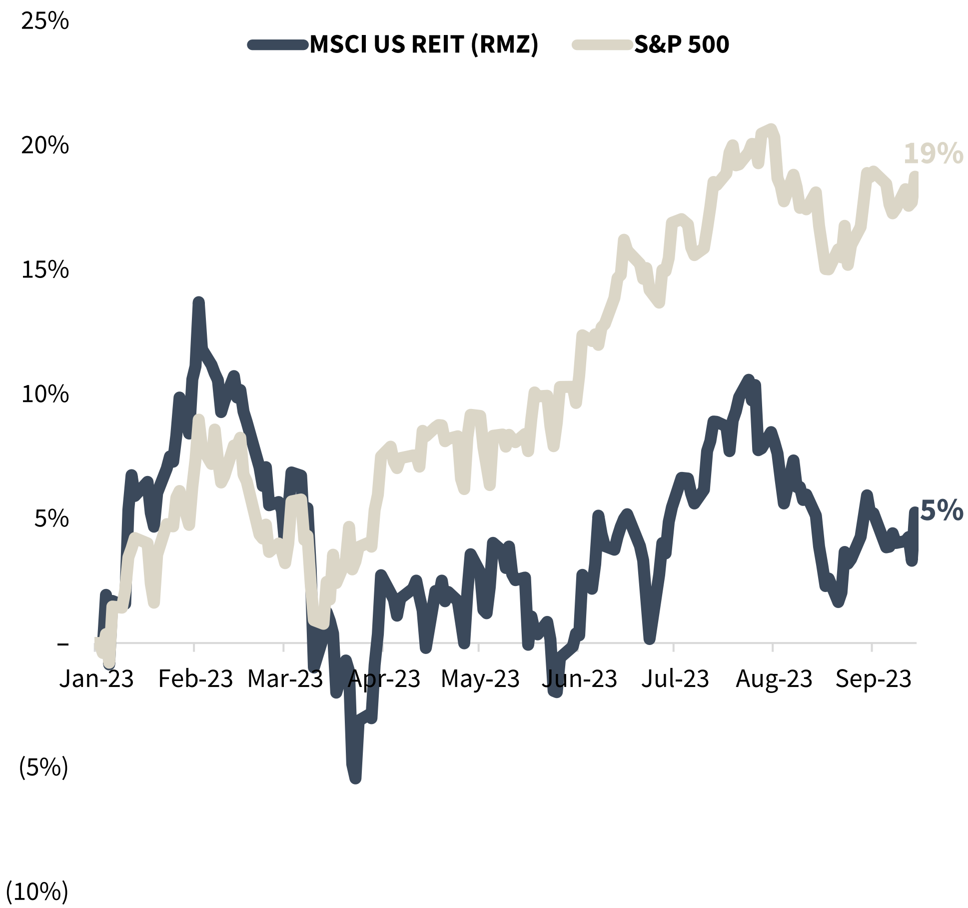
REIT capital markets, M&A and strategic transactions

M&A and strategic transactions

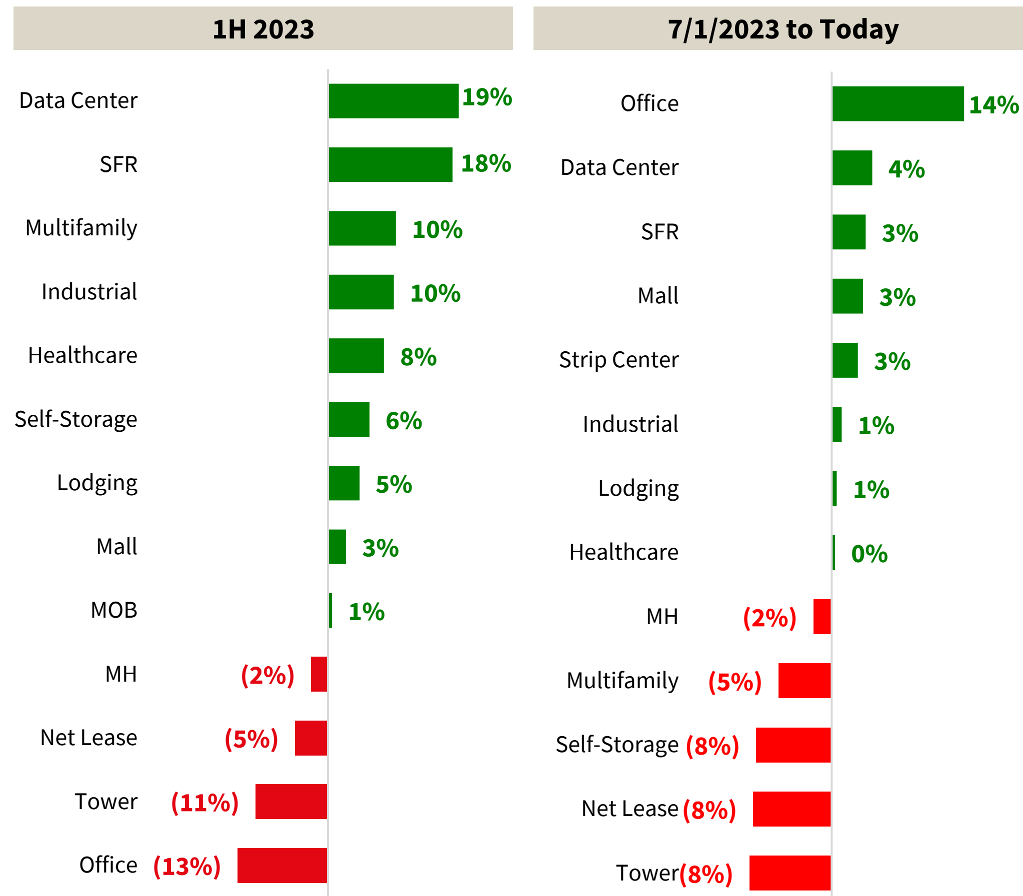
1. REIT and market performance

- 2023 has felt like a **roller coaster ride** with each week bringing its share of sharp swings across the capital markets depending on the nature of the headlines
- The year began on a positive note as the ever-tenacious **inflation appeared to have peaked,** however markets shifted at the end of Q1 upon **several bank failures and renewed fears of global recession**
- Despite the volatility both the broader markets and CRE equities **are up for the year**
- The broader markets have recovered from March, **up 19% YTD**, led by the more cyclical sectors like technology and consumer discretionary. REIT's have **underperformed broader markets, up only 5% YTD 2023**
- While plagued in the first half of the year, **office REITs have recovered some of the losses gaining 14% in 2H'23**. Favored sectors of the past few years like **self storage, tower** and **multifamily** have **underperformed in 2H'23** as they have **struggled to maintain the lofty fundamentals of the last few years**

Broad Market Performance YTD



Real Estate Sector Performance YTD



Source: Green Street, SNL Financial
Note: Market data as of 9/15/23

M&A and strategic transactions

2. Bid / ask spread on CRE values puts asset manager platform M&A in favor

I. **Asset Manager:** **Rithm Capital (NYSE: RITM)** agreed to acquire **Sculptor Capital Management (NYSE: SCU)** in **all-cash** deal valued at **$640M**

- Offer price of **$11.15 per share** represents an **18% premium** to unaffected share price; SCU shares **jumped 16%** following announcement
- Subsequently, Sculptor received unsolicited bid from **a consortium of hedge funds** which as of latest updates had offered **$12.76 per share**

II. **Asset Manager:** **TPG (NASDAQ: TPG)** agreed to acquire **Angelo Gordon** in **all-cash** transaction for **$2.7B** to scale up TPG's credit and real estate arm

- Transaction financed with **$970M cash** and up to **62.5M common and restricted units of TPG**
- Combined entity would have **$208B of AUM** as of 12/31/22

III. **Asset Manager:** **PacWest Bancorp (NASDAQ: PACW)** sold real estate lending unit, Civic Financial Services (CIVIC), to **Roc360** for an undisclosed amount

IV. **Asset Manager:** **SoftBank Group** sold its 90% interest in **Fortress Investment Group** to **Mubadala and Fortress management**

- Following the transaction, Mubadala will own **70% interest** while Fortress management will own the remaining **30% interest**

3. M&A activity involving private platforms and REITs selectively happening despite prevailing bid /ask spread

I. **Affordable Housing:** **Nuveen** acquired the platform and its **10K+ unit** affordable housing portfolio from **Omni** for undisclosed price

- The transaction increases Nuveen's affordable housing AUM to **$6.4B**
- As part of the transaction, Nuveen is acquiring all vertically integrated capabilities of the Omni platform including development, construction and related technology, among other capabilities
- Nuveen plans to launch US Impact Housing Fund, an open-end core-plus fund on the back of the acquisition of Omni
- JLL advised Nuveen on the transaction

II. **Data Center:** **Compass Datacenters** sold to **Brookfield (NYSE: BAM)** and **Ontario Teachers' Pension Plan** by RedBird Capital Partners and Azrieli Group

- The transaction ascribes an enterprise value of **$5.5B to Compass Datacenters**

III. **Diversified:** **Medalist Diversified REIT (NASDAQ: MDRR)** concluded strategic alternatives process to focus on internal growth and internalized management as part of its review

- JLL advised Special Committee of MDRR on the review of strategic alternatives

IV. **Hotels:** **KSL** acquired all outstanding common shares of **Hersha Hospitality Trust (NYSE: HT)** for $10.00 per share in **all-cash** transaction valued at **$1.4B**

- Offer price represents **60% premium** to HT share price
- The offer price translates to a **14x EBITDA multiple** on '23 EBITDA research estimates and **8.1% cap rate** on in-place NOI

V. **Self Storage:** **Public Storage (NYSE: PSA)** entered deal to acquire **Simply Self Storage** from **Blackstone Real Estate Income Trust (BREIT)** for **$2.2B** in cash

- Simply's portfolio includes 127 wholly-owned properties in 18 states
- Initial cap rate reported to be in the **5.0%-5.5% range** but PSA expects to achieve **6.25%-6.75% nominal** yield by year 3
- Sale will generate **$600M profit** for BREIT

M&A and strategic transactions

JLL

3. M&A activity involving private platforms and REITs happening despite prevailing bid/ask spread (cont'd)

VI. **Shopping Center:** **Kimco (NYSE: KIM)** and **RPT Realty (NYSE: RPT)** announced **all-stock merger** creating a **$22B** REIT

- RPT stockholders received **0.6049 newly-issued KIM shares ($11.34 per share implied offer price)** for an implied **19% premium** to RPT unaffected price and **21% discount to consensus NAV**
- The offer price represents a **low 8% cap rate**
- Expect immediate FFO accretion from **$34M cost savings synergies** (95% of RPT's annualized G&A)

VII. **Shopping Center:** **Regency Centers (NYSE: REG)** acquired **Urstadt Biddle Properties (NYSE: UBA)** for **$1.4B** in **all-stock** transaction

- UBA shareholders offered **0.347 shares** of newly-issued REG stock, implying a **20% premium** to unaffected price and **25% premium** to NAV
- Analysts predict **1.9% implied accretion** in FFO/sh due to expected **$9M of annualized G&A synergies**

VIII. **Shopping Center:** **Global Net Lease (NYSE: GNL)** and **The Necessity Retail REIT (NASDAQ: RTL)** completed simultaneous **all-stock merger** and **internalization** creating **$9.6B AUM** Net Lease/Retail REIT

- RTL stockholders received **0.670 GNL shares** ($7.08 per share) for an implied **35% premium** to 30-day VWAP
- Internalization consideration included **$325M GNL stock** and **$50M cash**
- The merger and internalization are expected to generate **$75M in synergies**

4. Public REITs diversifying capital sources by forming joint ventures with private capital partners

I. **Cold Storage:** **Envision Cold** lined up **$500M** investment from an undisclosed capital partner

II. **Data Center:** **Digital Realty (NYSE: DLR)** formed a JV under which **TPG Real Estate** will acquire a majority stake in three NoVA data centers with a total value of **$1.5bn** and a **6%** going-in cap rate

III. **Diversified:** **Safehold (NYSE: SAFE)** formed **$500M joint venture** with undisclosed **sovereign wealth fund** following completion of **iStar merger**

- Safehold committed **$275M** for a 55% interest while the SWF committed **$225M** for a 45% interest
- JV will focus on new acquisitions for **ground lease** investments

IV. **Gaming:** **Realty Income (NYSE: O)** announced **$950M** investment in Bellagio Las Vegas at **$5.1B valuation**

- O will invest **$300M** common equity into the JV to acquire a 22% interest from B-REIT and **$650M** to acquire **preferred equity interest** in the JV

V. **Healthcare:** **Sendero Capital** and **Angelo Gordon** launched **$300M programmatic JV** to acquire **value-add** and **core-plus outpatient MOB** and **surgery center** assets across the Northeast

- JLL advised on the formation of the joint venture

VI. **Mixed-Use:** **PMG** and **Carlyle** launched joint venture for mixed-use development with a total capitalization of **$520M**

- **$335M** construction loans and **$165M** LP equity raised to recap 517 unit, 10K SF multifamily and retail property in Brooklyn, NY
- JLL advised on the formation of the joint venture

VII. **Multifamily:** **Air Communities (NYSE: AIR)** announced two joint ventures with **two undisclosed institutional investors** to recap 11 properties valued at **$1.2B** based on LTM NOI cap rate of **5.6%**

- JV 1: Investor acquired **47% stake** in portfolio of 10 properties;
- JV 2: Asset manager acquired **70% stake** in Huntington gateway property in Virginia

M&A and strategic transactions

VIII. Multifamily: UDR (NYSE: UDR) formed **$510M** joint venture with LaSalle Investment Management; sold **49% stake** in four apartment buildings

- UDR received **$250M cash** from the initial sale and will use proceeds to pay down revolving credit facility
- JV structured as open-ended agreement intended to grow via future acquisitions, increasing assets by **$500M per year**

IX. Multifamily: Goldman Sachs joined **Urban Investment Fund** and **The Community Development Trust** on $1.2B affordable housing purchase

- Purchased **90 properties** with **10K+ units** from **Harmony Housing**

X. Office: Hudson Pacific (NYSE: HPP), Vornado (NYSE: VNO), and **Blackstone (NYSE: BX)** announced a Manhattan studio development joint venture for the Sunset Pier 94 project

- **$350M** investment will be Manhattan's first public-private partnership venture to build a production campus

XI. Office: SL Green (NYSE: SLG) announced sale of **49.9%** interest in 245 Park Avenue at gross asset valuation of **$2.0B** to **Mori Trust**

- Mori assumed half of the **$1.8B debt** at **4.2%** with **4 years remaining**

XII.Retail: Crow Holdings announced formation of **$2.6B retail platform** with undisclosed institutional investor

- The platform was formed via recap of **$1.8B** in assets across 2 retail funds
- JV to focus on open-air, food and service related shopping centers
- JLL advised the GP of Crow Funds and arranged senior mortgage to facilitate the transaction

XIII. Self-Storage: Ivanhoé Cambridge made first investment in self-storage through strategic partnership with **Safely Store Self Storage**

- Partnership, made alongside another institutional investor, will invest an initial **$400M in equity** to be deployed nationally

XIV.SFR: Sculptor Real Estate (NYSE: SCU) and **Second Avenue** announced strategic JV and property management agreement in which Sculptor will contribute **~500 SFR homes** and **$100M of additional growth capital**

- JLL acted as advisor to Second Avenue in formation of joint venture

XV. Student Housing: Core Spaces formed strategic partnership with **Blue Owl's GP Strategic Capital Platform (NYSE: OWL)**

- Long-term partnership will fuel Core's growth investments in existing and new student housing (build-to-rent) businesses

5. Large loan sales in focus

I. PacWest (NASDAQ: PACW) sold **$2.6B** in construction loans to **Kennedy Wilson (NYSE: KW);** KW acquired 74 real estate construction loans at a $200M discount for **$2.4B**

- **Fairfax Financial (TSX: FFH)** later acquired a 95% interest in **63 of 74 loans**; FFH paid **$2.1B** for **$2.3B** aggerate principal balance

II. Fortress acquired a **$1B** loan book of NYC office loans from **Capital One**

III. Cain International acquired **PacWest's** NY Loan Portfolio for **$1.2B**; 10 loans have $500M principal balance across multifamily and student housing

IV. Synovus Financial (NYSE: SNV) sold **$1.3B medical office building loan portfolio** to a strategic buyer, Kayne Anderson/Remedy, one of the largest healthcare real estate platforms in the US

- JLL advised Synovus on the sale

6. Large portfolio transactions in favored asset classes selectively occurring but down significantly

I. Healthcare: Alexandria (NYSE: ARE) sold five life sciences properties in the Boston area to a JV of **Anchor Line Partners** and **Alloy Properties** for **$365M**

M&A and strategic transactions

6. Large portfolio transactions in favored asset classes selectively occurring but down significantly (cont'd)

II. **Industrial:** **DRA Advisors** paid **$369M** to purchase a 2.8M SF portfolio of last-mile and logistics infill industrial properties

III. **Industrial:** **Westcore** acquired a CA-focused **$1B**, 3.5M SF industrial portfolio from **BentallGreenOak**

IV. **Industrial:** **FINSA** and **Walton Street Capital** closed sale of 46-property, 9M SF industrial portfolio in Mexico for **$662M** in one of the largest industrial real estate transactions in Mexico's history

V. **Industrial:** **Prologis (NYSE: PLD)** acquired **14M SF industrial portfolio** from **Blackstone (NYSE: BX)** in **$3.1B cash deal**

- Acquisition price represents a **~4% cap rate** in Year 1 and **5.75% cap rate** when adjusted to today's market rents

VI. **Industrial:** **CalSTRS alongside its** joint venture partner **Principal Real Estate** acquired for **$1.0B ,3M SF warehouse portfolio** in California's Inland Empire from **Alere Property Group**

VII. **Marina/RV:** **Monarch Alternative Capital** formed platform, "Go Outdoors," to invest in Marinas and RV resorts

- Launched platform with **recap of two large portfolios** owned in partnership with Safe Harbor Development (**11 marinas**, **4 RV resorts**)

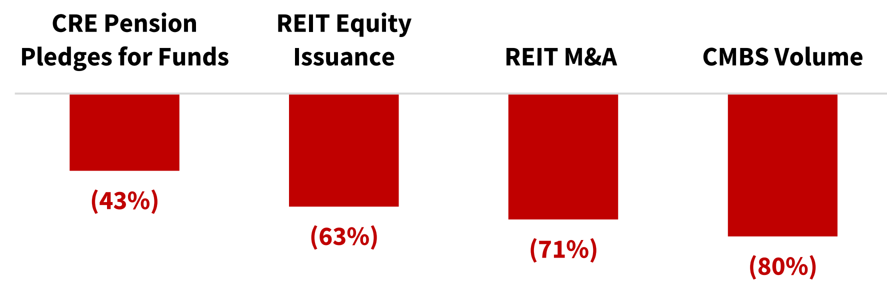
VIII. **Multifamily:** **Bridge Multifamily Fund** acquired the **$460M Boston-centric** portfolio, totaling 1,722 units, from **Harbor Group International**

IX. **Multifamily:** **Atlas Capital Group** acquired **51%** stake of 11-asset portfolio from **Blackstone (NYSE: BX)** for **$142M** (**43% discount** to 2015 purchase price)

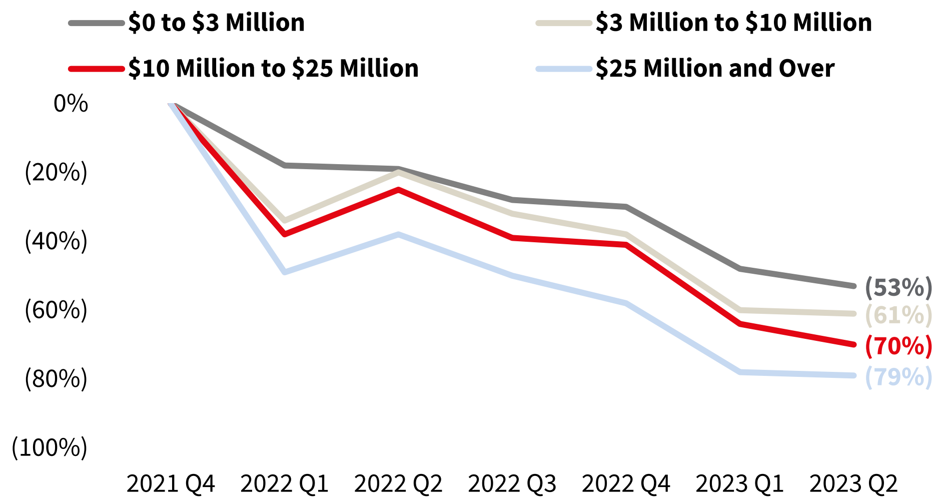
X. **Mixed Use:** **Simon Property Group (NYSE: SPG)** to invest **$1.5B to** redevelop several of its existing malls

- Plans to add 2,000 residential units and focus on Austin, Orange County, Seattle and Florida markets

Capital markets transactions down across the board as of 1H'23($M)



Large deal closings decreased dramatically since peak (2021 Q4)



REIT LTM July 2023 vs. LTM July 2022 % transaction volume decrease	
Multi-housing	(67%)
Office	(64%)
Hotels	(53%)
Industrial	(51%)
Retail	(48%)

Source: SNL Financial, CoStar, Green Street

Prominent themes in public capital markets

Prominent themes in **public** capital markets

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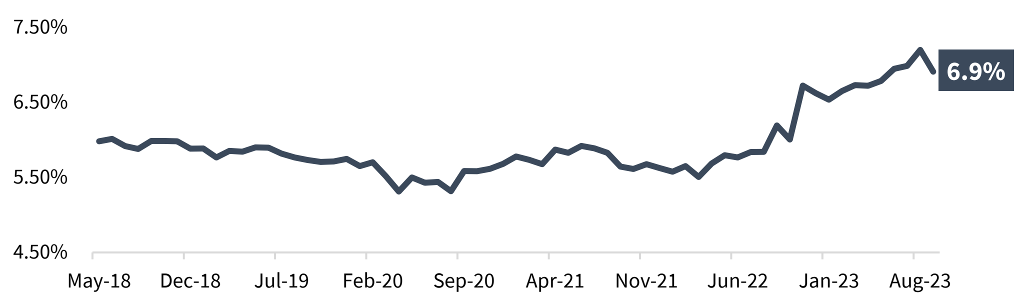
1. Risk premium has increased across the board given historically high debt cost impacting cost of equity

- Ongoing inflation and economic uncertainty exert a continuous influence on high rates, constraining capital raising opportunities
- Elevated rates exert pressure on the relationship between fixed income and REIT yields resulting in persistent, historically low spread between the fixed income yield and REIT implied cap rates; as a result investors have rewarded safety and cost of capital advantage as evidenced by relative outperformance of large-cap

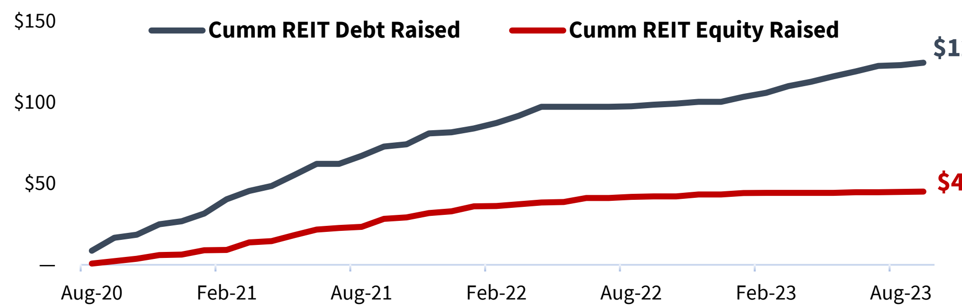
Unlevered returns of public REITs have increased significantly

Major Sector Unlevered IRR[1]



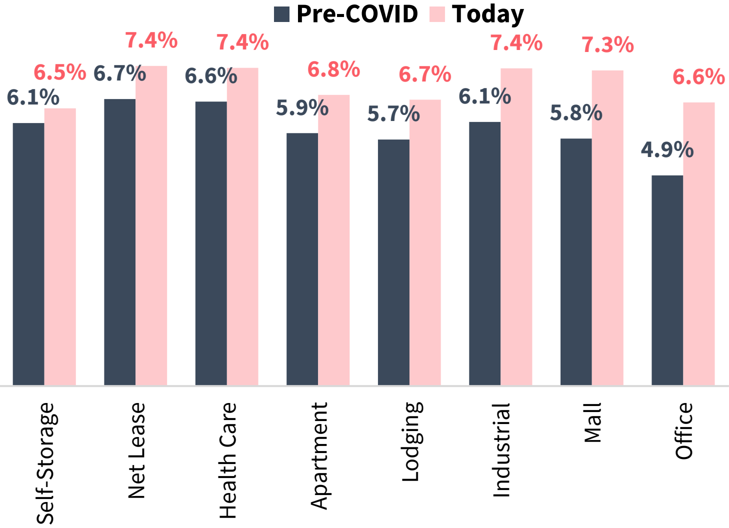
Equity raisings has essentially been stalled for a year

Equity & Debt Volume Raised (mm)

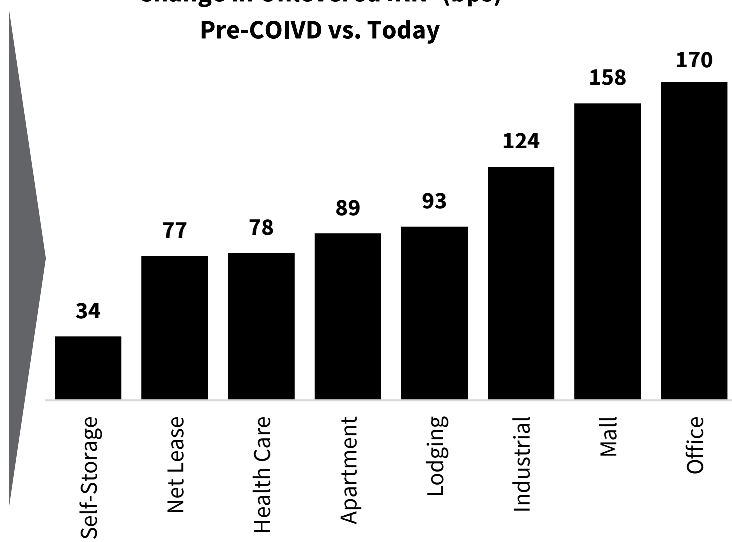


Overall REIT risk premium as measured by required unlevered IRR has increased across the board

Current REIT Unlevered IRR[1]

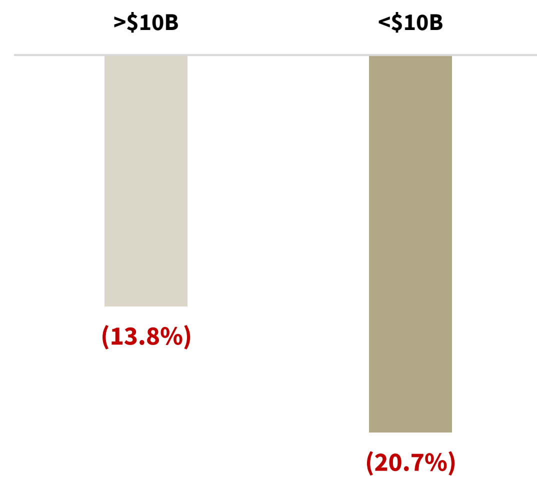


Change in Unlevered IRR[1] (bps)
Pre-COIVD vs. Today



Larger / safer REITs have outperformed

TSR by TEV Since Jan-22



Source: Green Street, SNL Financia
Note: Market data as of 9/15/23l
(1) Represents implied return expected for investing in a REIT sector as calculated by Green Street taking into account growth and capex profiles as well as prevailing volatility of a REIT sector's cash flow profile

Prominent themes in **public** capital markets

2. Correlations between REIT returns and US Treasury rates has become more pronounced since mid-2022

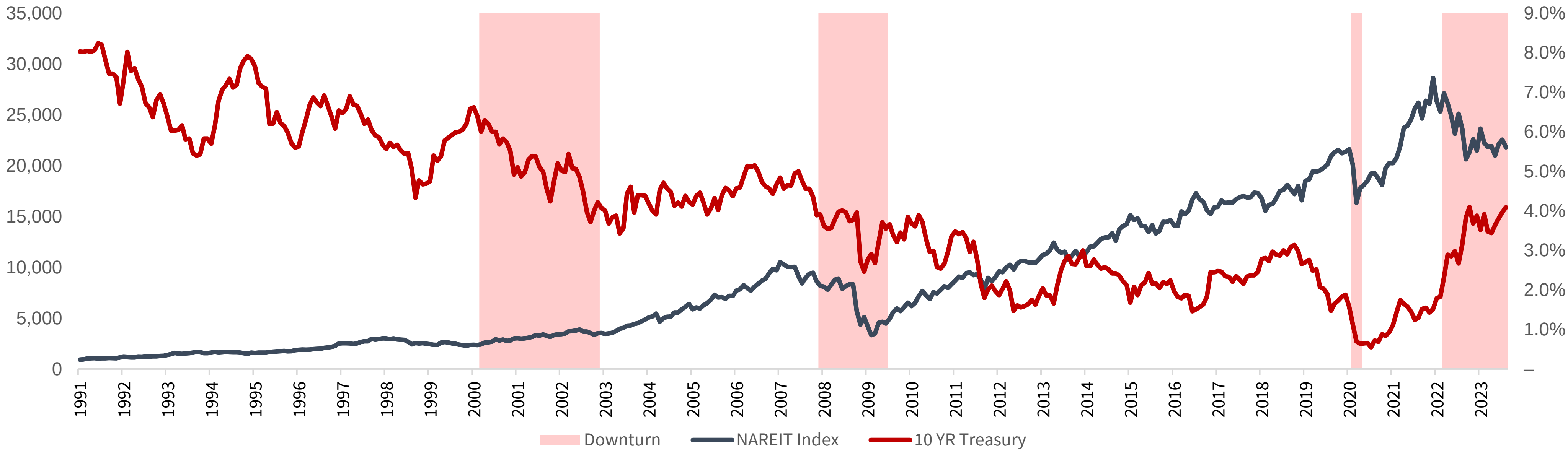
- The prevailing logic is that interest rates and REIT returns should be negatively correlated
- Period 1 - In 1990s and early 2000s, the negative relationship between rates and REIT returns prevailed as should be expected
- Period 2- However, since mid-2000s till early 2022, REIT returns and the 10-year treasury rate was overall positive; this 2 decade+ period has seen sustained low rates and hence interest rates have not been a driver of REIT returns
- Period 3 - **With 10-year treasury rates approaching historical averages and the significant focus on the interest rates in general, the negative relationship between REIT returns and treasury rates has renewed over the last 18+ months**

Period	1	2	3
Avg. 10YR UST	5.8%	2.5%	**3.4%**
REITs & UST Correlation	(62%)	52%	**(87%)**

Negative correlation between REITs and 10-year treasury in the 1990s

20 year period of counter-intuitive positive correlation between REITs and the 10-year treasury

Negative correlation returns since mid-2022



Source: Federal Reserve, NAREIT

Prominent themes in **public** capital markets

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3. Fundamentals, not interest rates, driving intra-sector REIT outperformance

- REITs performance since the onset of the COVID-19 in Feb. 2020 can be broken into three market cycles; all of which **REITs have underperformed** the broader market

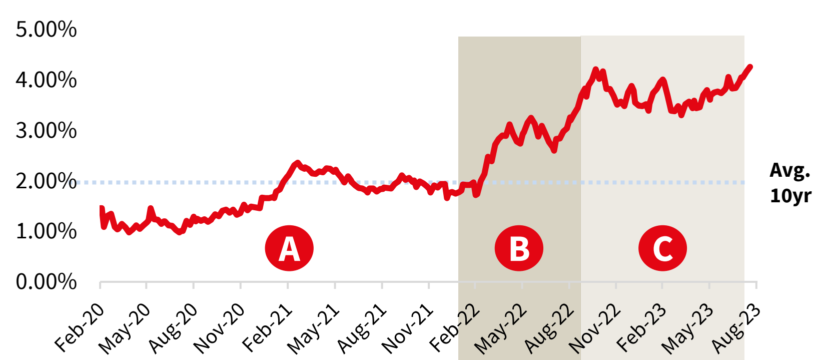
A **Feb. 2020 – Jan. 2022** – **outperformance** across mostly **growth REITs** as interest rates remained low and broader markets and REITs gained

B **Jan. 2022 – Oct. 2022** – broader market struggled as fed funds rate ballooned from **0.25%-0.50% in Feb. 2022 to 5.25%-5.50% in Aug. 2022; all REITs struggled in general**

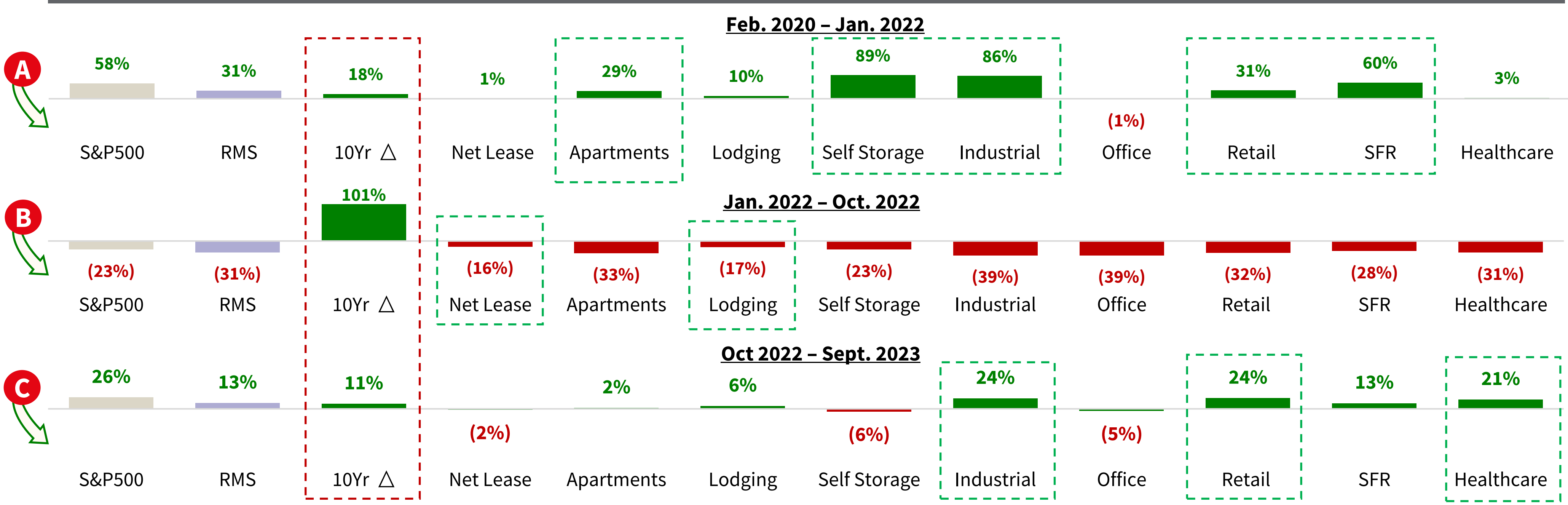
C **Oct. 2022 – Sept. 2023** – interest rates stabilized somewhat and topping out around Oct. 2022 levels; retail REITs, industrial and healthcare outperformed **driven by solid trends**

Growth REITs	Yield REITs
• Apartments, self-storage, industrial, SFR, office	• Retail/mall, healthcare, net lease

10 year Treasury Rates



REITs Total Return - Market Cycles Since Early 2020



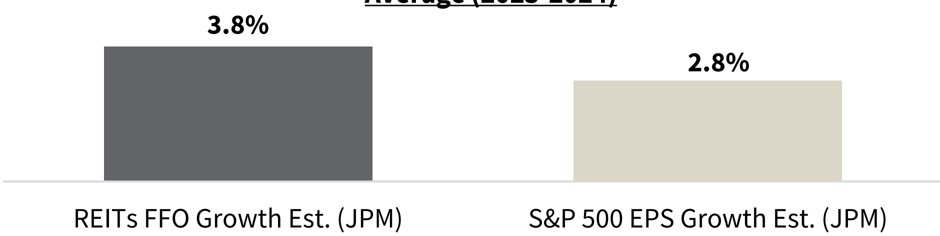
Source: Green Street, SNL Financial, NAREIT, U.S. Department of the Treasury
Note: Retail includes retail and mall sector performance
Note: Market data as of 9/15/23

Prominent themes in **public** capital markets

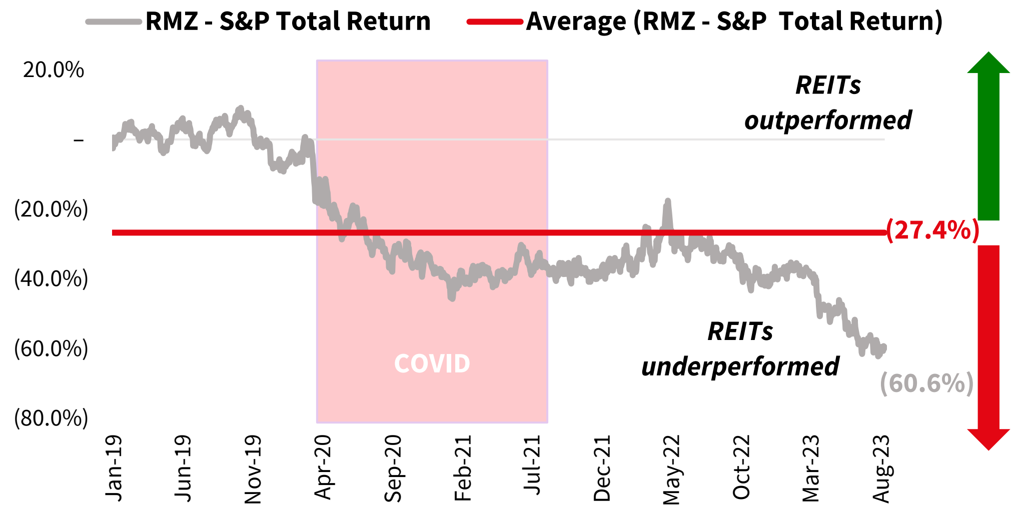
4. Given recent divergence of performance, REITs are attractively priced

- There is a disconnect between REITs' **strong fundamentals / growth expectations** and **market sentiment**
  - Challenging debt markets and economic conditions are overshadowing healthy REIT growth outlook
  - Negative sentiment around office and CRE debt defaults are a drag on the rest of the real estate sector, even though cash flows and occupancies are healthy
  - Given **significant underperformance** and especially in light of **superior growth forecast**, REIT are attractively valued compared to broader market

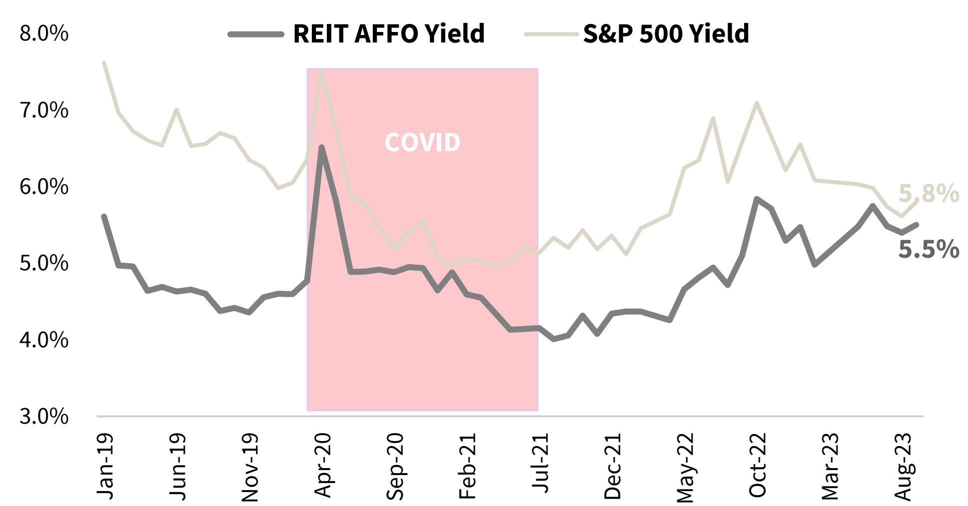
Average (2023-2024)



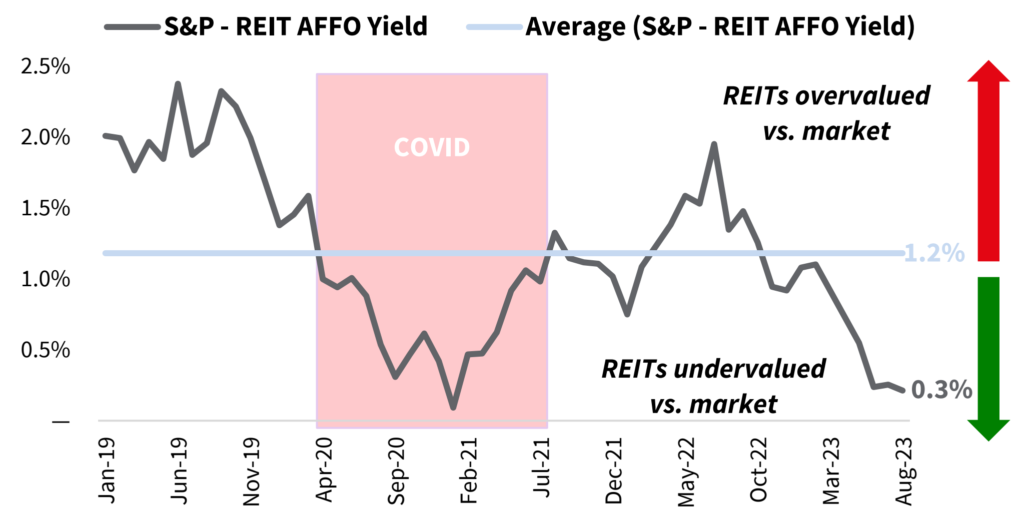
REITs have continued to underperform market since COVID-19 despite favorable growth outlook



REITs displaying strength in the turbulent markets



REITs are attractively priced vs. S&P, similar to COVID-19 lows



Source: CapIQ, SNL, J.P. Morgan, Green Street
Note: Market data as of 9/15/23
(1) Average IRR expectations inclusive of all Green Street REIT sectors

Prominent themes in **public** capital markets

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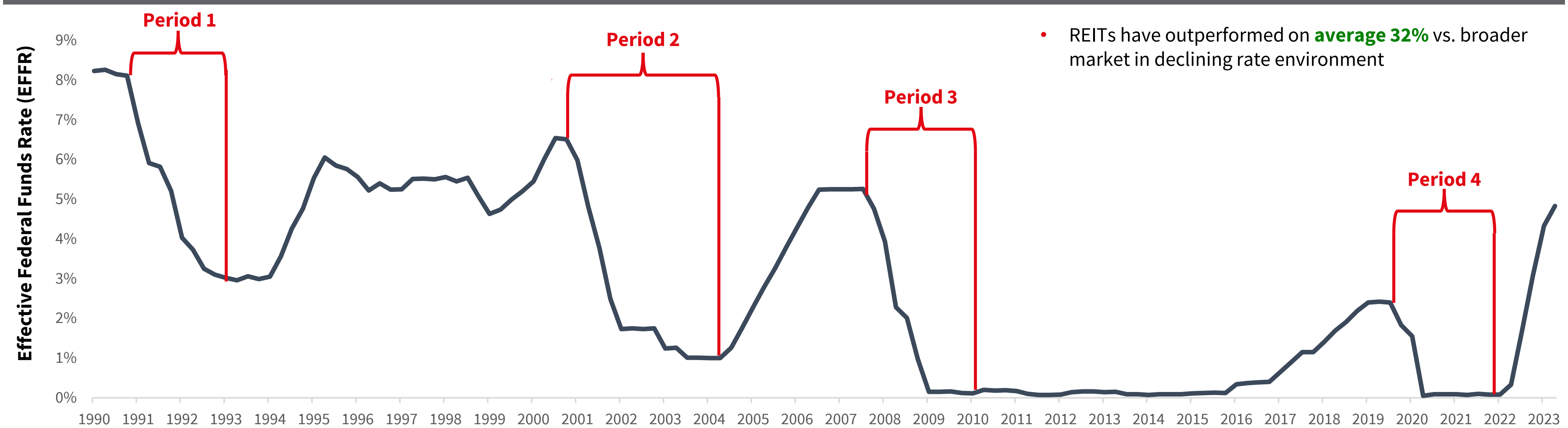
5. REITs benefit significantly during easing of rates period

Federal Funds Rate



- REITs have outperformed on **average 32%** vs. broader market in declining rate environment

REITs Have Historically Outperformed the Broader Market During Rate Easing Periods

			First 6 mos.			Entire Duration		
Easing Period		**Duration (mos.)**	**REIT return**	**S&P 500 return**	**Change**	**REIT return**	**S&P 500 return**	**Change**
Period 1	**Jan-91 to Jan-93**	24	22%	16%	**5%**	43%	40%	**2%**
Period 2	**Dec-00 to Jun-04**	43	11%	(4%)	**15%**	72%	(10%)	**82%**
Period 3	**Aug-07 to Feb-10**	30	(3%)	(4%)	**1%**	20%	11%	**9%**
Period 4	**Aug-19 to Feb-22**	31	5%	10%	**(6%)**	61%	26%	**35%**
Average		**32**	**9%**	**5%**	**4%**	**49%**	**17%**	**32%**

Source: Federal Reserve, SNL Financial
Note: REIT return represented by Dow Jones US Select REIT Index

Prominent themes in **public** capital markets

6. Entity-level M&A transactions for private real estate platforms increasingly popular

- Platform investments continue to draw attention given their opportunity for **heightened returns**, **pipeline** of deals and creative deal structures
- Platform owners benefit from **partnership with capital providers** given ability to **efficiently raise programmatic capital**
- **Buyer universe** for platform investments is also **expanding**
  - **SWF and foreign LP capital, insurance companies, pension companies and family office/ultra HNW** drive activity

✓ **Flexible structures and investment horizons**

✓ **Likely greater returns** – access to GP economics, fee streams

✓ **Pipeline of LP investment opportunities** – circumvent competitive, marketed processes, minimize select transaction fees

✓ **Deal synergies** – potential value-add for investor contributing existing assets or platform infrastructure to new venture

✓ **Partnership intangibles** – proprietary knowledge and expertise gained from long-term strategic alliance

Corporate Debt	Preferred Equity	Minority Common Equity	~50/50 Common Equity	Majority Common Equity
$300M senior unsecured notes by **confidential investor** into UWM, a residential mortgage servicing company preparing for its IPO	**$200M pref equity investment** by **Koch Real Estate** into Amherst Residential, a SFR operator with **22,000 homes** and **$2B AUM**	**Passive, minority investment** by **Almanac** into Waterton, a multifamily, senior living and hospitality owner/operator with **$9B AUM**	**50% acquisition** by **Simon Property Group** of a real estate investor and manager and with **$13B AUM** in the US and globally	**100% equity acquisition** by **Nuveen/TIAA** of a leading affordable housing owner/operator with **10,000+ units** under management
$204M debt financing and **$20M share issuance** by **Davidson Kempner** into Playa, a beachfront resort owner/operator	**$300M pref equity investment** by **Blackstone REIT** into Tricon, a SFR and residential manager with **30,000 homes under management**	**27% equity acquisition** by **Dyal** of secondary interests in RXR, a commercial and resi fund manager and operator with **$20B AUM**	**50% acquisition** by a **StepStone SMA** of a healthcare real estate investor and manager and with **$13B AUM** in the US and globally	**100% equity acquisition** by **RMR Group** of a multihousing real estate platform with **$7B AUM** and **28,000 units managed** for **$80M**
$95M debt financing and **warrant issuance** by **confidential investor** into Trinity Place Holdings, a NYC real estate owner/operator	**$75M pref equity investment** by **Madison International Capital** into Plymouth Industrial REIT; concurrent JV on subportfolio of assets	**$300M investment** by **Clal Insurance** into Carr Properties, a privately-held gateway office REIT with **$4B AUM**	**50% acquisition** by a **Arizona SRS** of a leading multifamily developer and manager with **71 properties** and **19,100 homes under management**	**Cash/stock acquisition** by **TPG** of a global alternative asset manager with **$73B AUM** including **$18B of real estate assets**

Prominent themes in private capital markets

Prominent themes in **private** capital markets

1. Multi-housing sector: As post-pandemic growth surge normalizes, a number of gateways are now among the outperformers

- A return of strength in the Gateways: After taking backseat to Sun Belt metros throughout the pandemic, large traditional markets have outperformed on a relative basis in H1 2023. Gateways took six of the top 10 positions for multi-housing investment through June, compared to three of 10 spots in 2022.
- National effective rent growth came in at 2.4% YoY in Q2, falling short of an expected 3.8% as stagnating Sun Belt conditions have dragged on growth. In contrast, economically diverse gateway markets of New York, Boston, and Chicago all exceeded national averages with 4-6% rent growth.

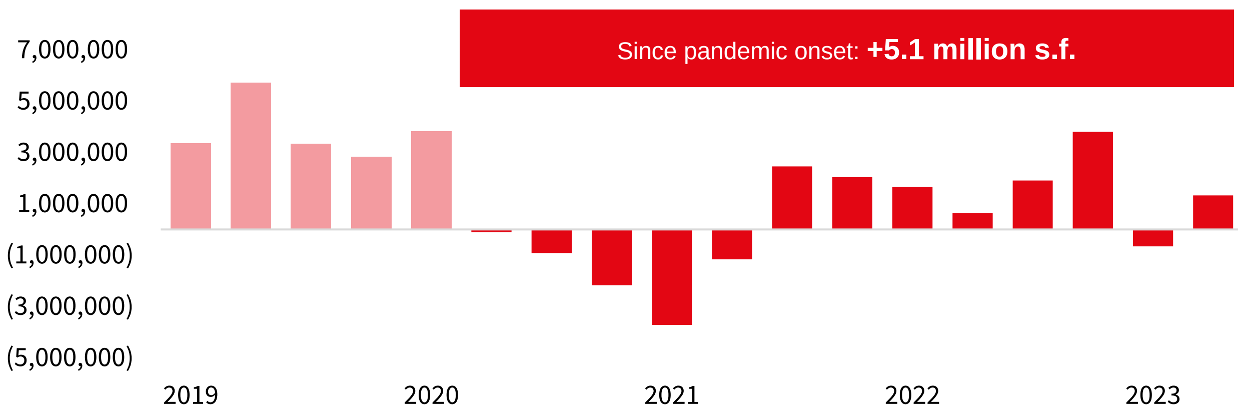
Source: JLL Research, Axiometrics

Prominent themes in **private** capital markets

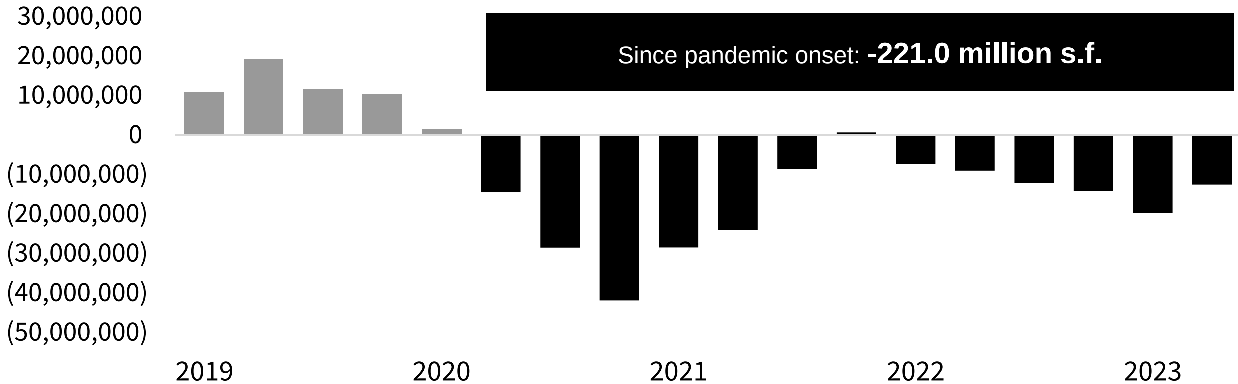
2. Live-work-play submarkets continue to outperform, and office utilization in these submarkets surpass the market as a whole

- Areas with a more diverse distribution of property types among commercial, residential and entertainment uses have seen more resilient demand and a general sense of heightened vibrancy that has driven a rising profile within their markets during the pandemic
- Submarkets with mixed-use or destination characteristics saw a less acute slowdown in office leasing volume as they have grown to capture a greater share of market-wide leasing

Live-work-play submarket net absorption



Other submarket net absorption

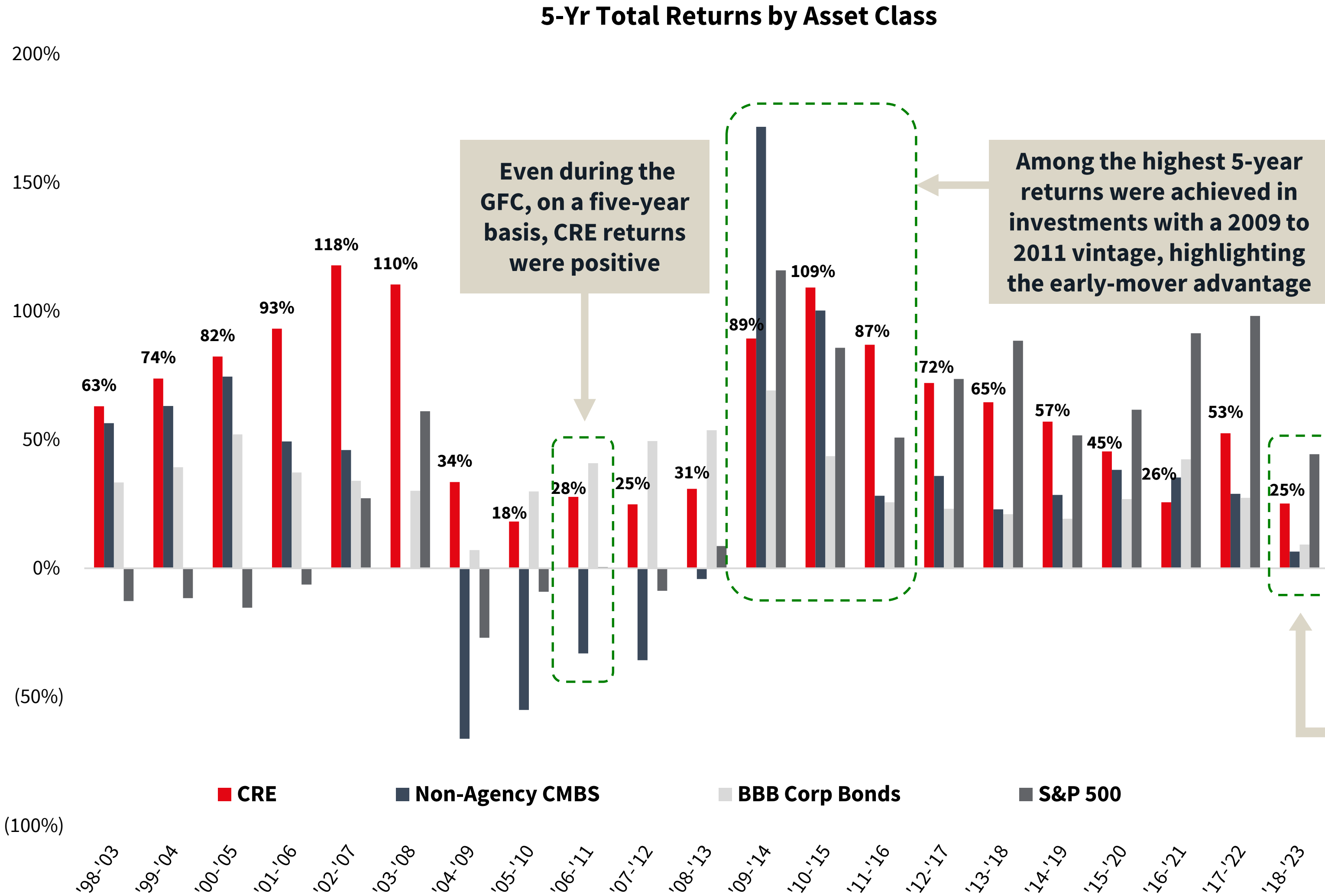


Market	Live-Work-Play Submarket(s)
Atlanta	Midtown
Austin	East Austin, Domain
Baltimore	Baltimore SE
Boston	Seaport District, Back Bay
Charlotte	Midtown/South End
Chicago	Fulton Market
Dallas	North Central Expy, Uptown/Oak Lawn
Denver	LoDo
Houston	Katy Freeway East
Los Angeles	Westside
Miami	Wynwood-Design District, Brickell
Nashville	The Gulch
New York	Williamsburg, Hudson Yards
Philadelphia	University City
Phoenix	Camelback Corridor
Portland	Pearl District
San Diego	Del Mar Heights/Carmel Valley
San Francisco	Mission Bay/China Basin
Silicon Valley	West Valley
Seattle	Lake Union
Washington, DC	Market District, Ballpark
Suburban MD	Rockville Pike
Northern VA	Rosslyn, Ballston

Source: JLL Research

Prominent themes in **private** capital markets

3. CRE has outperformance track record and adds stability/diversification to investment portfolios



Overall outperformance analysis:

- Notwithstanding the current dislocation, CRE has long track record of outperforming and adding stability and diversification to investment portfolios
- CRE outperformed corporate bonds and non-agency CMBS in 71% of 5-year hold periods during the past 25 years (and outperformed S&P 500 in half of the periods)
- CRE has not posted negative total returns during any 5-year hold during the past 25 years, proving cyclical durability

CRE's advantage eroded during the past 12-month period (CRE return of -13%), but further losses have been stemmed in YTD 2023 (CRE return of -1%)

JLL also conducted the analysis for 3-year and 7-year investment horizons, and the proportion of years where CRE outperforms largely hold consistent

Source: JLL Research, Green Street, Bloomberg Finance LP
Note: X-axis labels in main chart pertain to investment horizon (with first year being the acquisition year)
Note: CRE returns are based on Green Street's Commercial Property Return Index (CPRI) which reflects total return (capital appreciation & income)

Prominent themes in **private** capital markets

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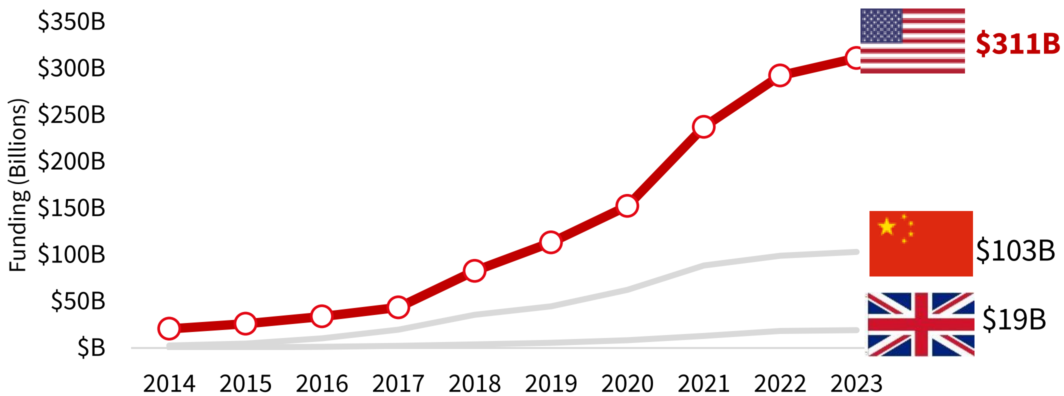
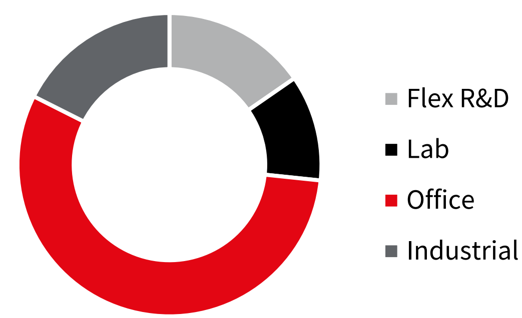
4. AI companies are already having a positive impact on real estate leasing demand

- AI will impact virtually all segments of the economy. Timing of AI adoption is just as much the question as is its economic potential.
- AI users are slated to become major occupiers across multiple property types. The leasing footprint of AI companies is expected to grow to 60 million s.f. in the U.S. by 2028, benefiting talent and innovation-rich gateway markets that have in some cases faced a slower rebound post-pandemic.

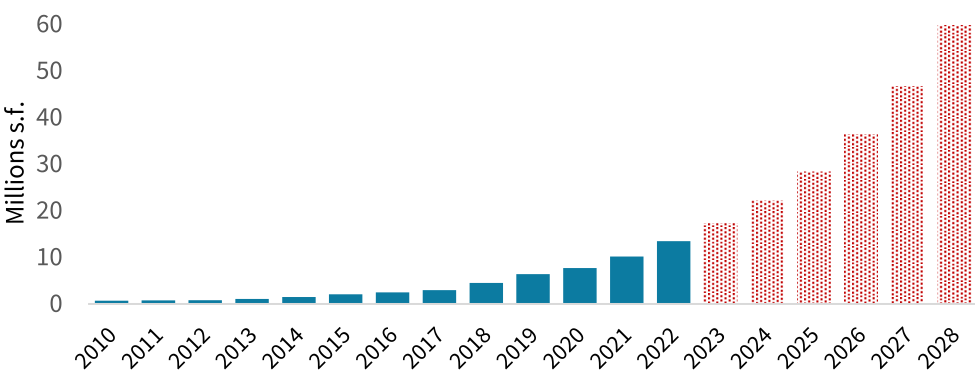
U.S. leads the charge in **AI funding**



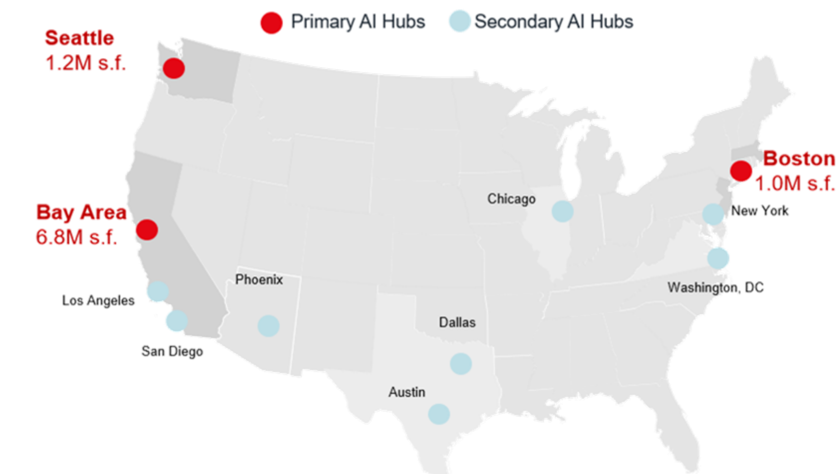
Leasing demand will benefit **office** sector and **industrial** and **lab**



Footprint of AI companies is expected to grow to **60 m.s.f** by 2028



AI companies are in **three primary hubs**



Source: JLL Research, Pitchbook, PwC
Note: Estimated footprint using companies headquartered in California, Washington, Virginia, Maryland, New York, Massachusetts, Texas, and Illinois, includes Palantir from Denver. Does not include ByteDance

Property sector spotlight:

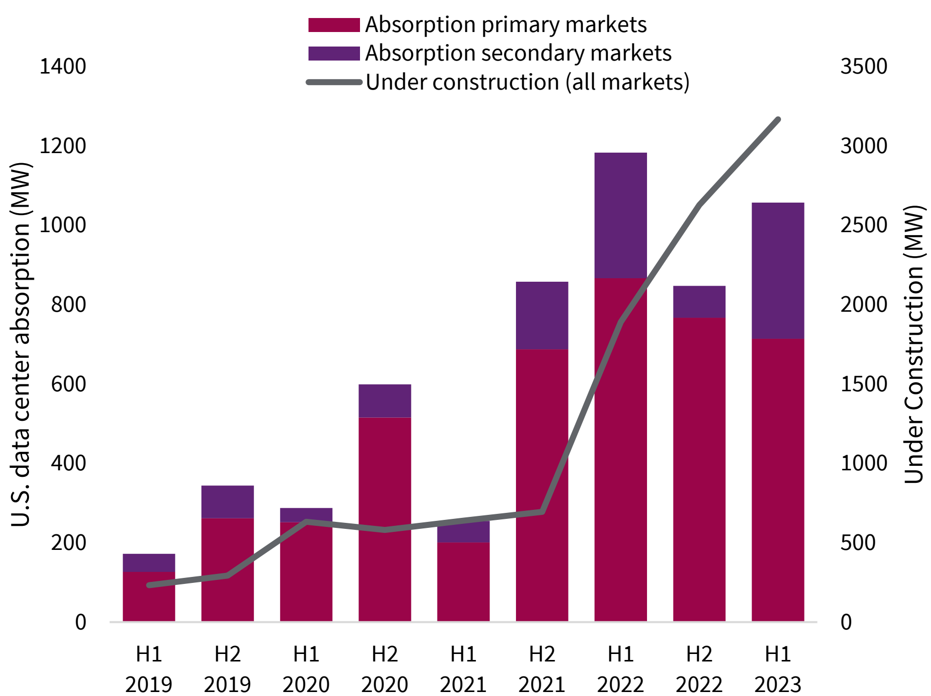
Data Centers

Property sector spotlight: Data Centers

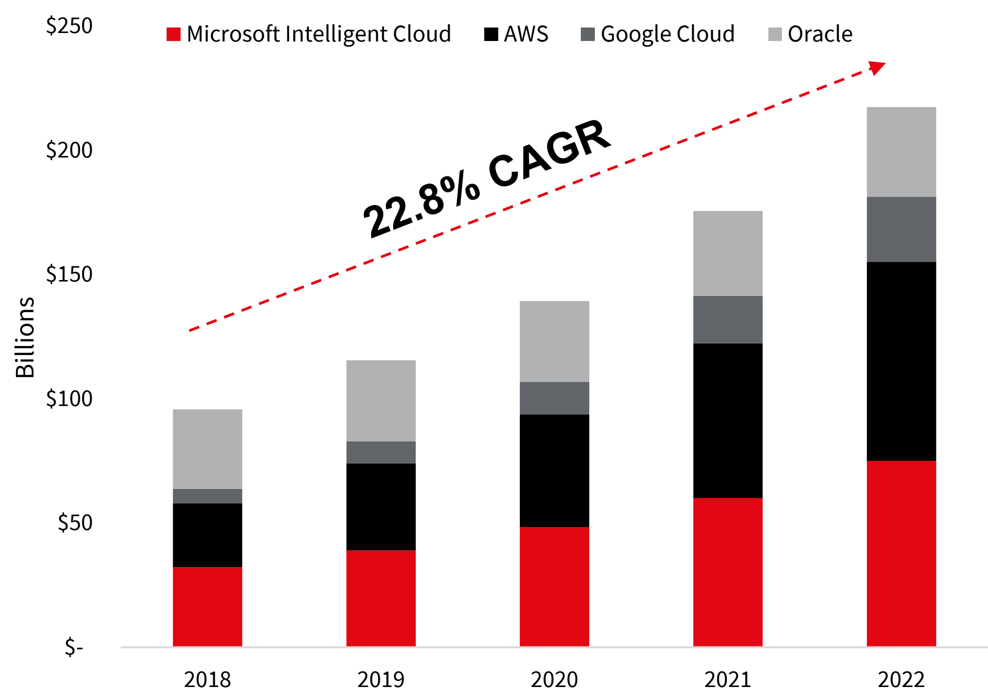
Record demand meets limited supply: Sector is experiencing strong growth driven by hyperscalers, AI requirements, and the expansion of edge computing

- **Market conditions to remain tight through 2024:** The first half of 2023 witnessed robust growth in the data center market; however, most major and secondary markets are struggling with a supply and demand imbalance, leading to a shortage of colocation space and rising pricing. Secondary markets are expected to support the overflow from the constrained primary markets. Most of the supply expected to be delivered in the latter half of 2023 and 2024 has been preleased or is under exclusivity, resulting in limited options for users
- **Artificial intelligence: New technologies will drive greater data center adoption.** Major cloud service providers are growing rapidly to support new AI requirements and the need for more computing power, making it challenging to find space and power for smaller requirements in many markets. This has led to a significant surge in leasing to date in 2023, with a mounting demand for capacity to meet higher density data center requirements for AI development
- **Reducing latency drives growth outside of core markets:** To reduce latency, hyperscalers and cloud companies are building small data centers close to population centers outside of core markets. Generative AI and growth of connected devices will continue to drive demand for edge data center requirements
- **Investor demand will remain elevated:** Despite the rise in interest rates, data center lender and investor demand remain strong

Record growth and limited availability will continue



Cloud services revenue expanding rapidly

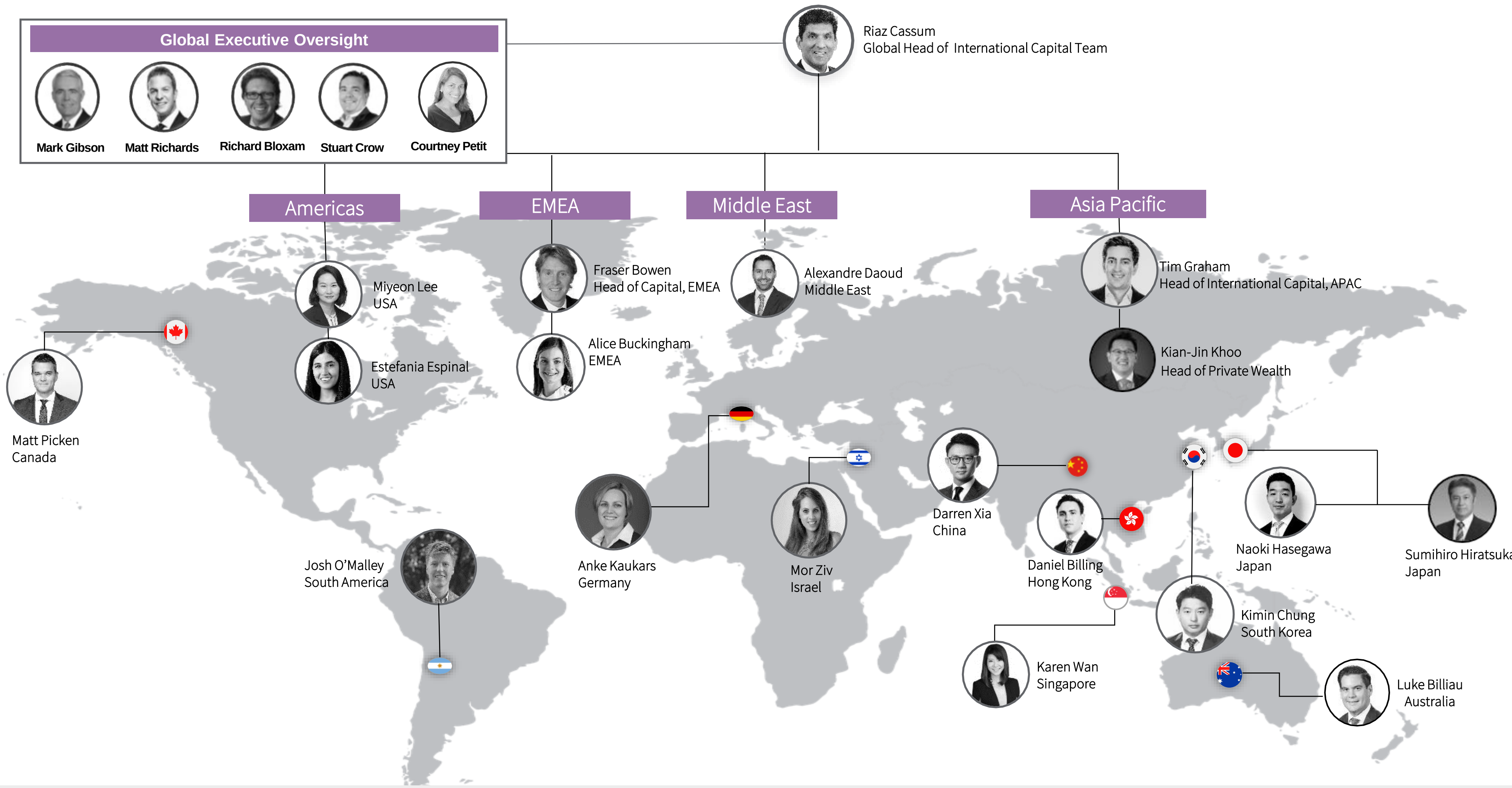


Source: JLL Research, public filings

The JLL Capital Markets platform

JLL's Global Capital Markets Overview

Unmatched, Unified, and Uniquely Qualified Global Transactions Team



Americas

1,687 Capital Markets Professionals
4 Countries
68 Offices

EMEA

1,365 Capital Markets Professionals
23 Countries
73 Offices

Asia-Pacific

756 Capital Markets Professionals
14 Countries
59 Offices

Source: JLL employment total January 2023

JLL's Global M&A Franchise

Scale, Success and Growth

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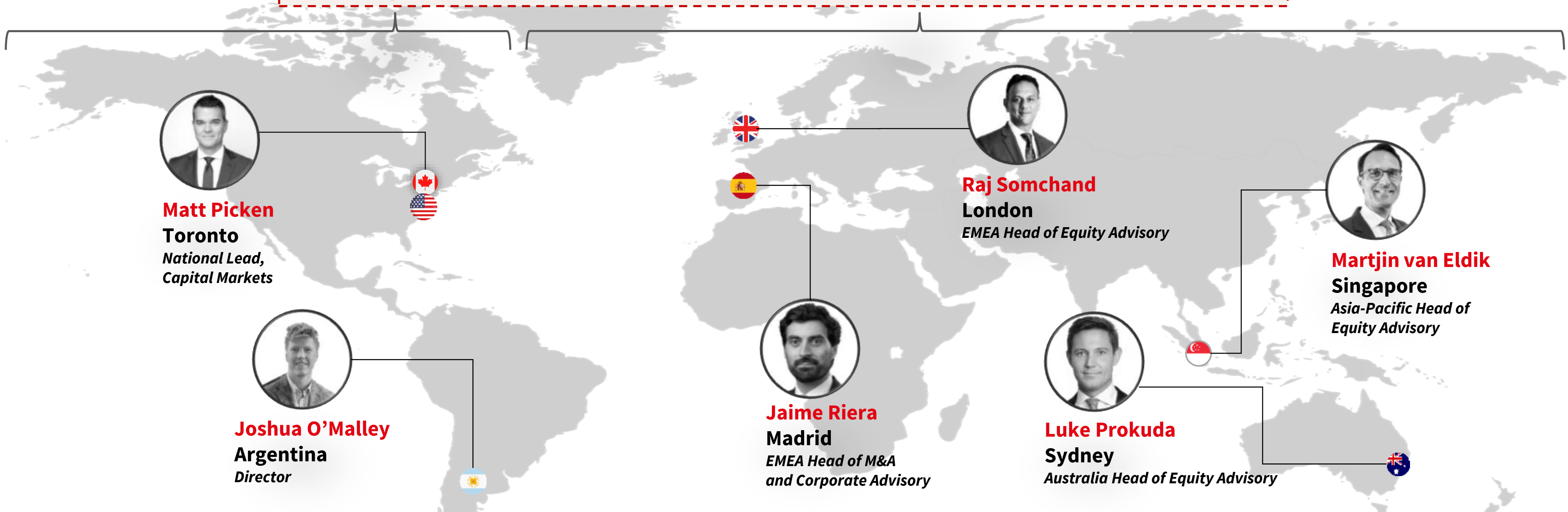
Steve Hentschel
Global Co-Chair of Real Estate Investment Banking

Wenceslao Bunge
Global Co-Chair of Real Estate Investment Banking



47 Bankers Globally: New York, London, Madrid, Singapore, Sydney and Toronto

AMERICAS

Ted Flagg – Senior Managing Director
Jeff Altman – Senior Managing Director
Sheheryar Hafeez – Managing Director
Chris Shea – Managing Director

Total Bankers: 15

EMEA

Sacha Hoek – Senior Director
Alvaro Granell – Senior Director
Dan Jones – Senior Director
Edward Bradford – Senior Director

Total Bankers: 23

ASIA-PACIFIC

Philippe Merette – Senior Director
Anirudha Ganguli – Senior Director
David Curtis – Executive Director
Matt Fulton – Director

Total Bankers: 11

Source: JLL

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