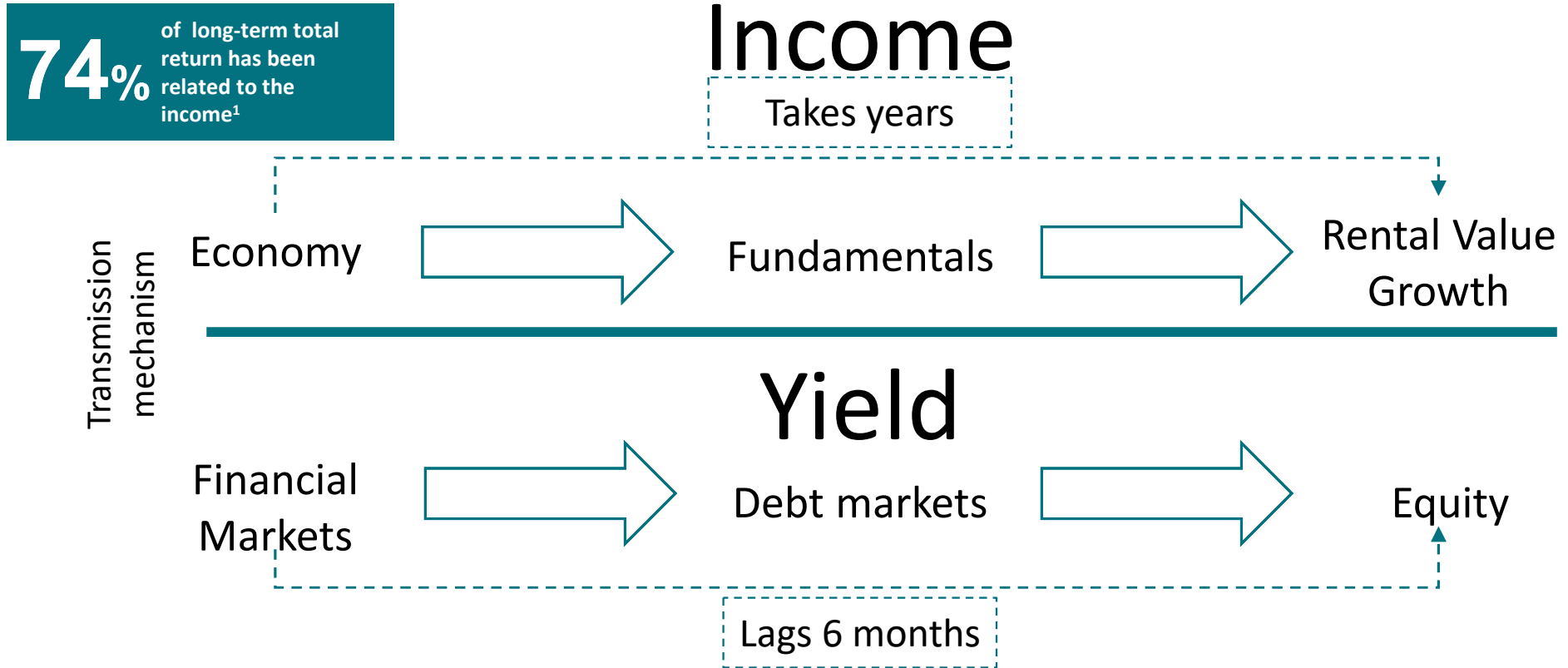


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Global Commercial Real Estate Outlook

Justin Curlow
Global Head of Research & Strategy
14 November 2024

Focus shifting to the numerator: Income drives performance over the long-run

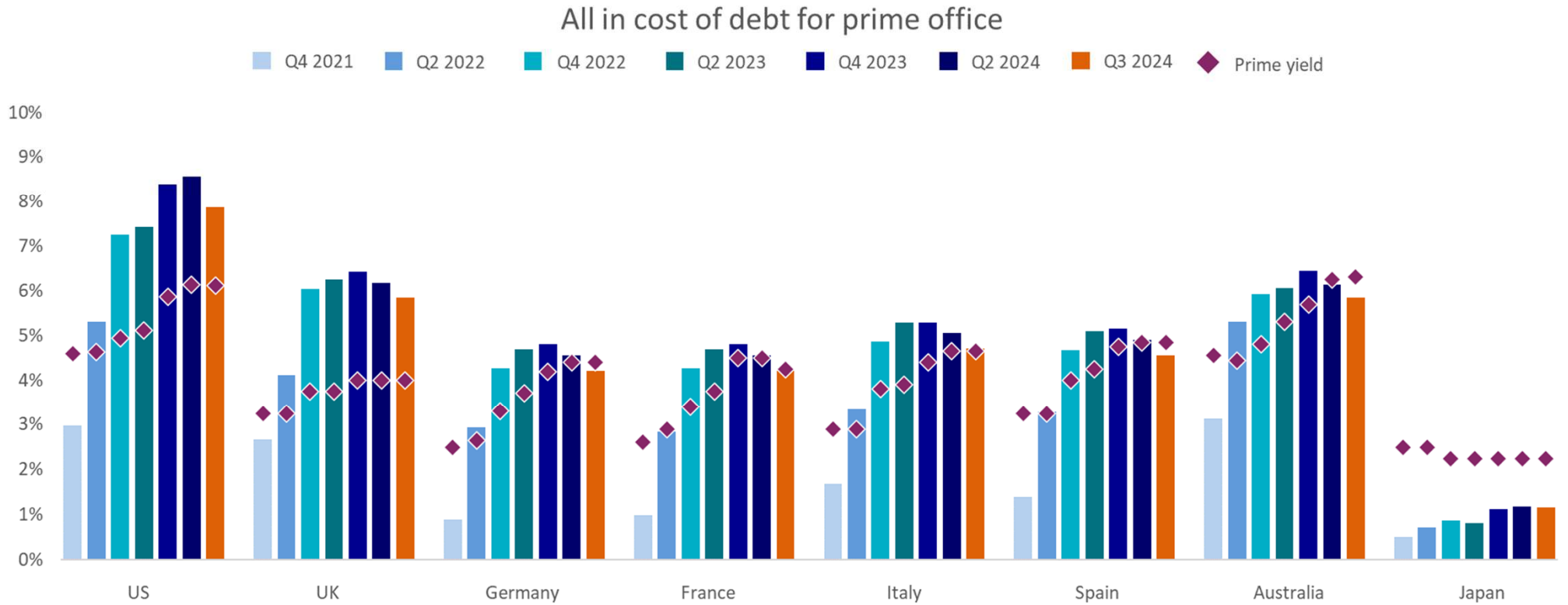


Source: AXA IM Alts, as at October 2024

¹ based on the MSCI Global Annual Property Index long-term averages. Total returns have been 7.2% p.a., of which 5.3% p.a. is income return and 1.8% capital growth.

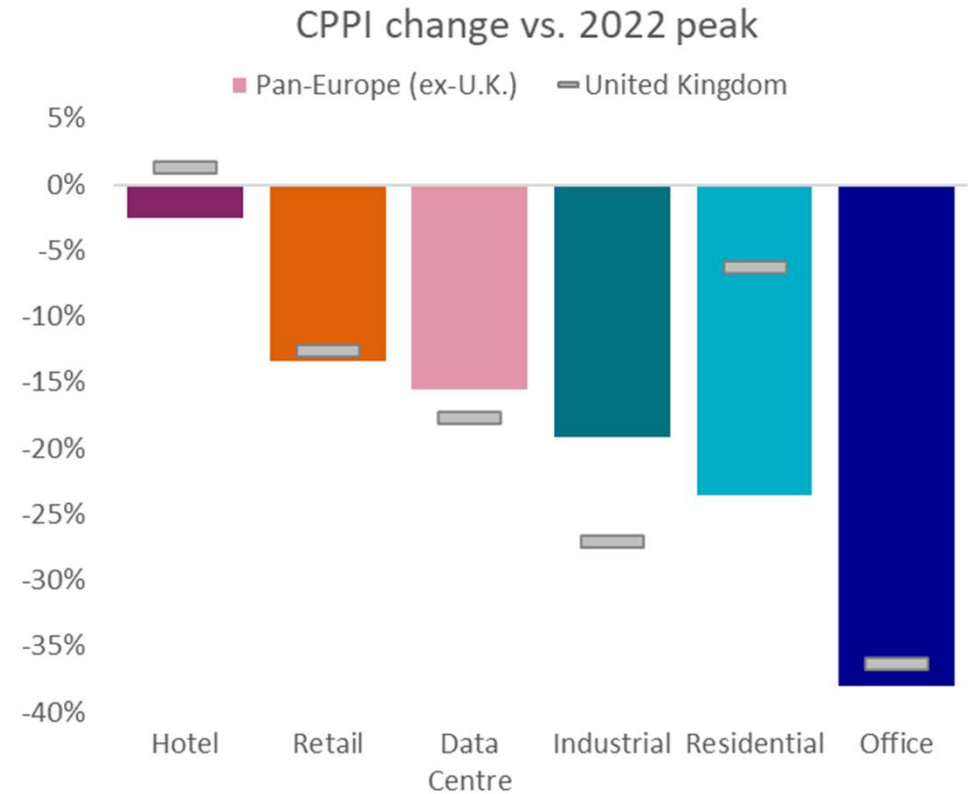
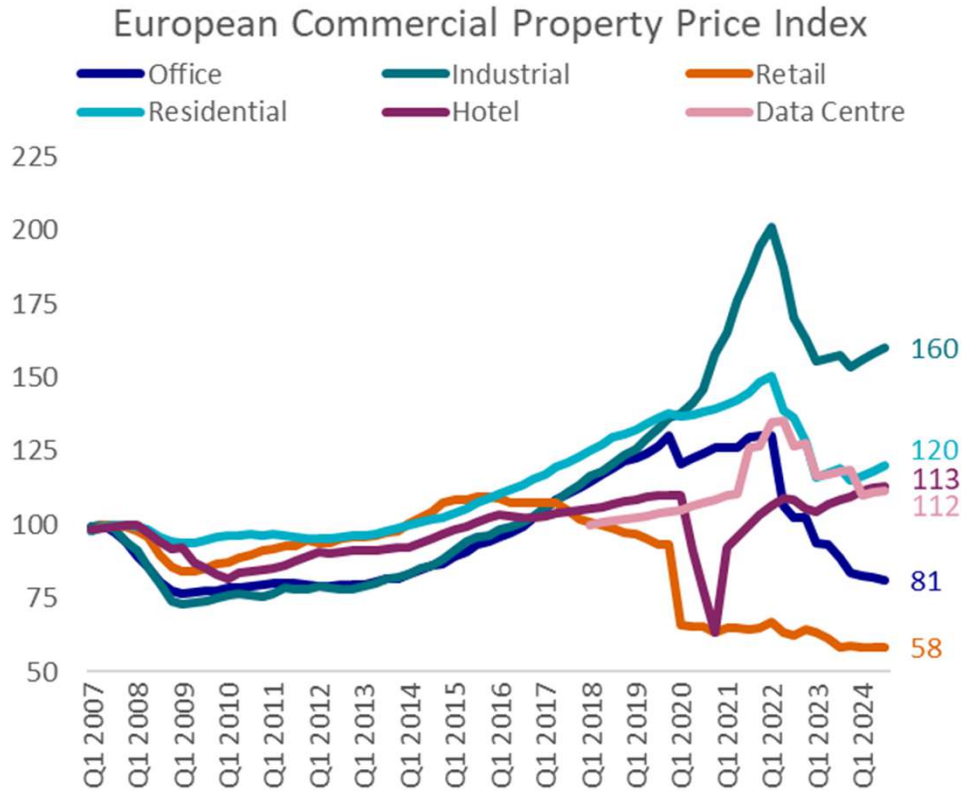
Important Notice: The information has been established on the basis of data, projections, forecasts, anticipations and hypotheses which are subjective. This analysis and conclusions are the expression of an opinion, based on available data at a specific date. Due to the subjective aspect of these analyses, the effective evolution of the economic variables and values of the financial markets could be significantly different from the projections, forecast, anticipations and hypotheses which are communicated in this Material. For illustrative purposes only.

Pricing pressure has started to ease in continental Europe and Australia



Note: Q3 2024 debt spreads over 5yr swaps estimated, 5yr swaps refer to average over the quarter
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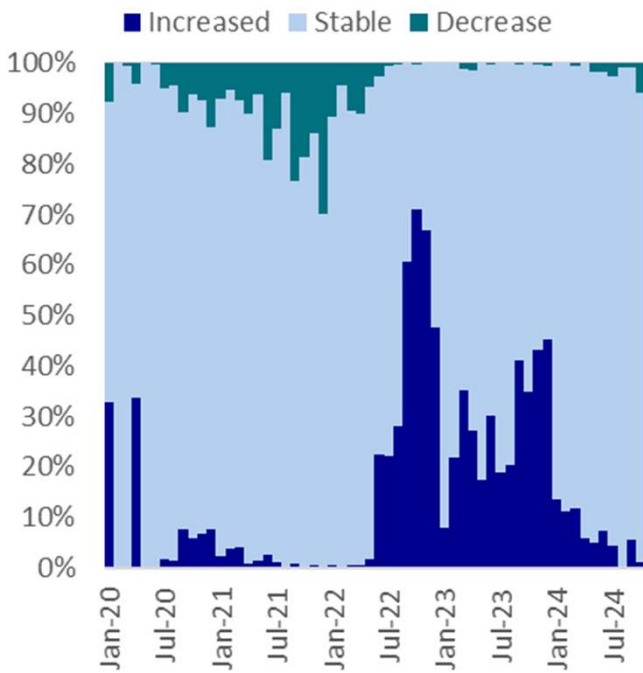
Capital value correction largely complete



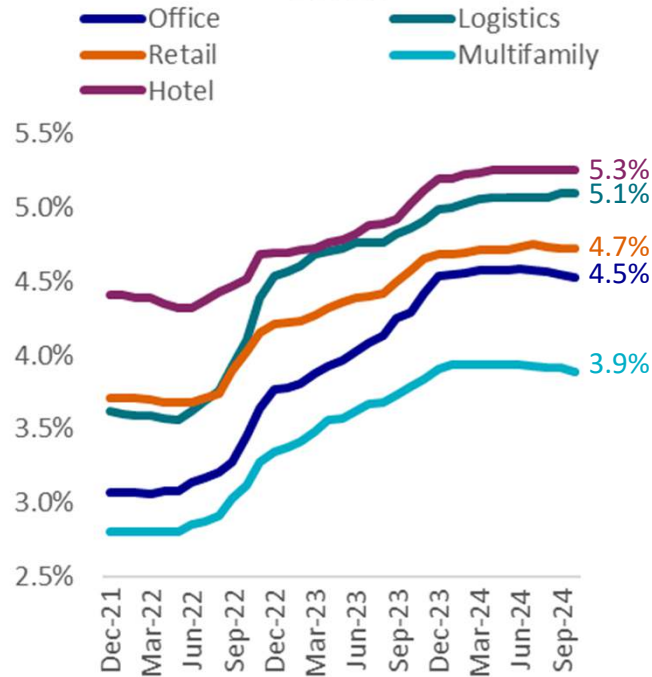
Source: Green Street, AXA IM Alts, data as at Q3 2024
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Valuations stabilising in Europe offering an attractive entry point

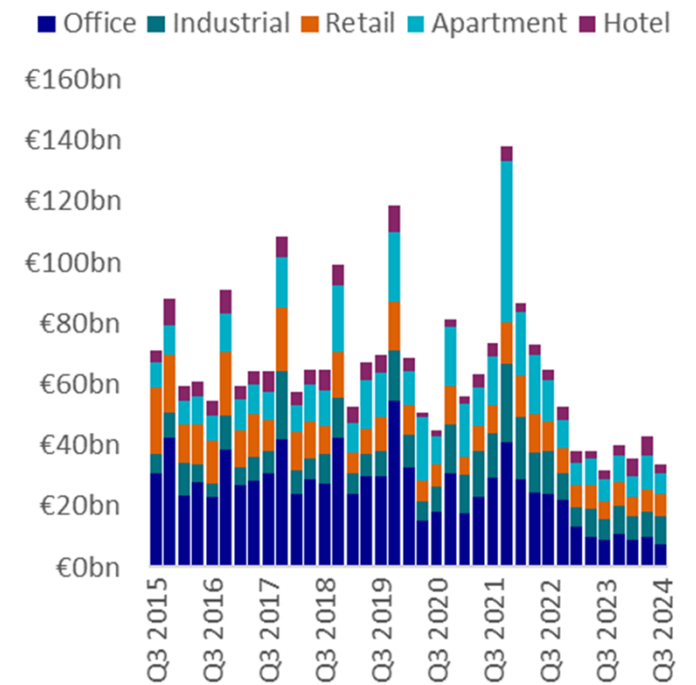
European valuation yield monthly movements



European prime yields by sector

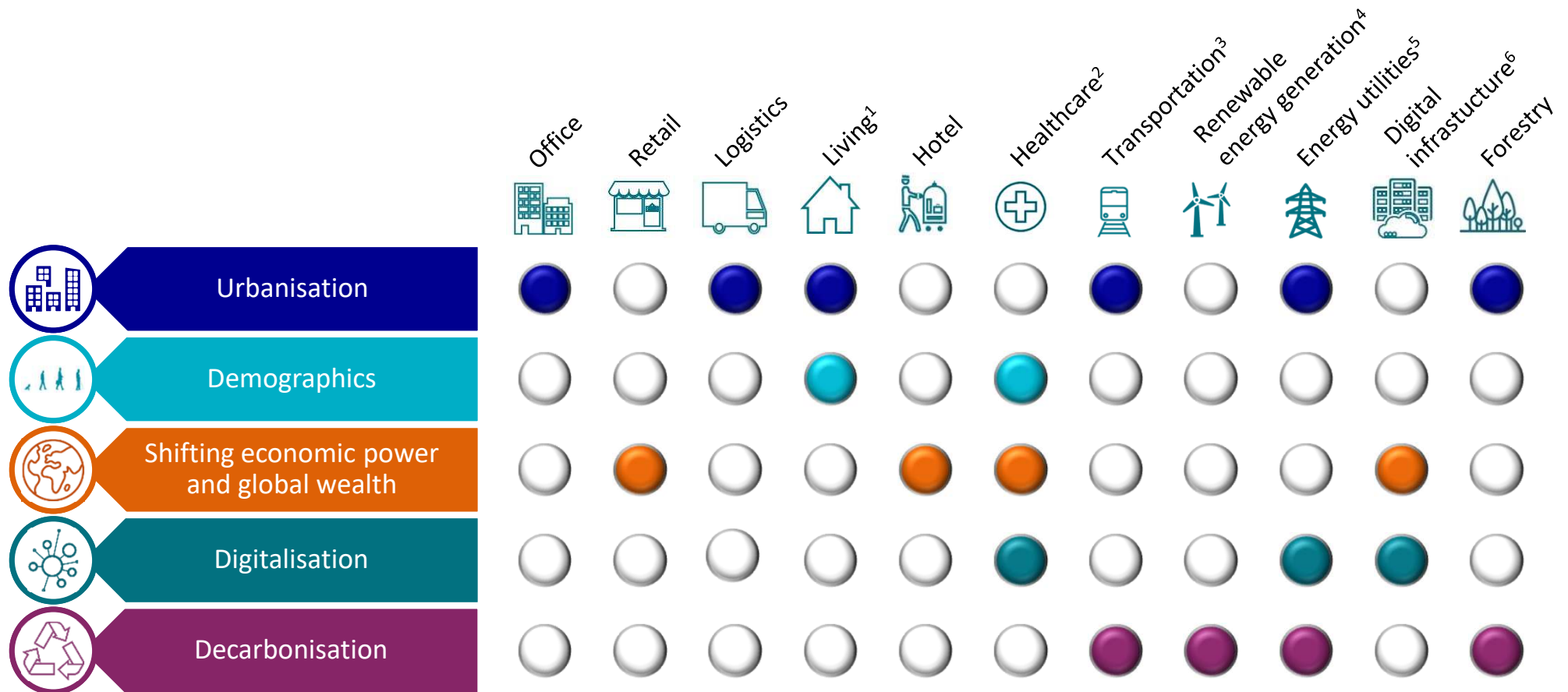


European investment transaction volumes



Source: CBRE Research, MSCI Real Capital Analytics, AXA IM Alts, data as at 29 October 2024
 Note: Unweighted average of prime country level valuation yields
 For illustrative purposes only. Please see important notice on slide 1

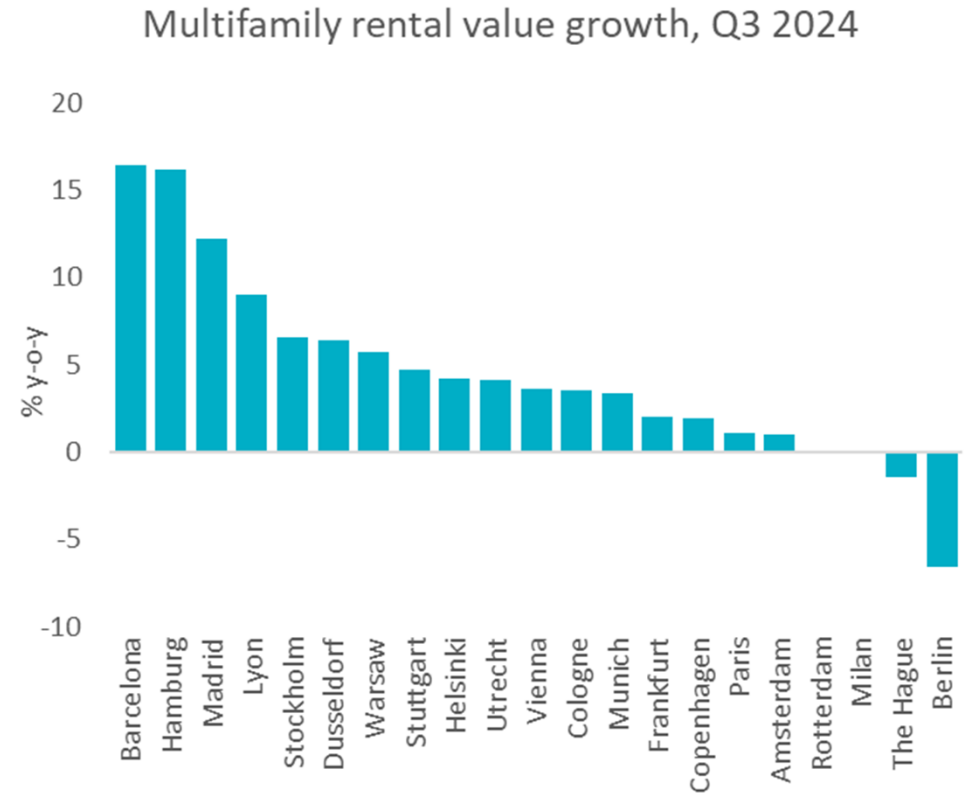
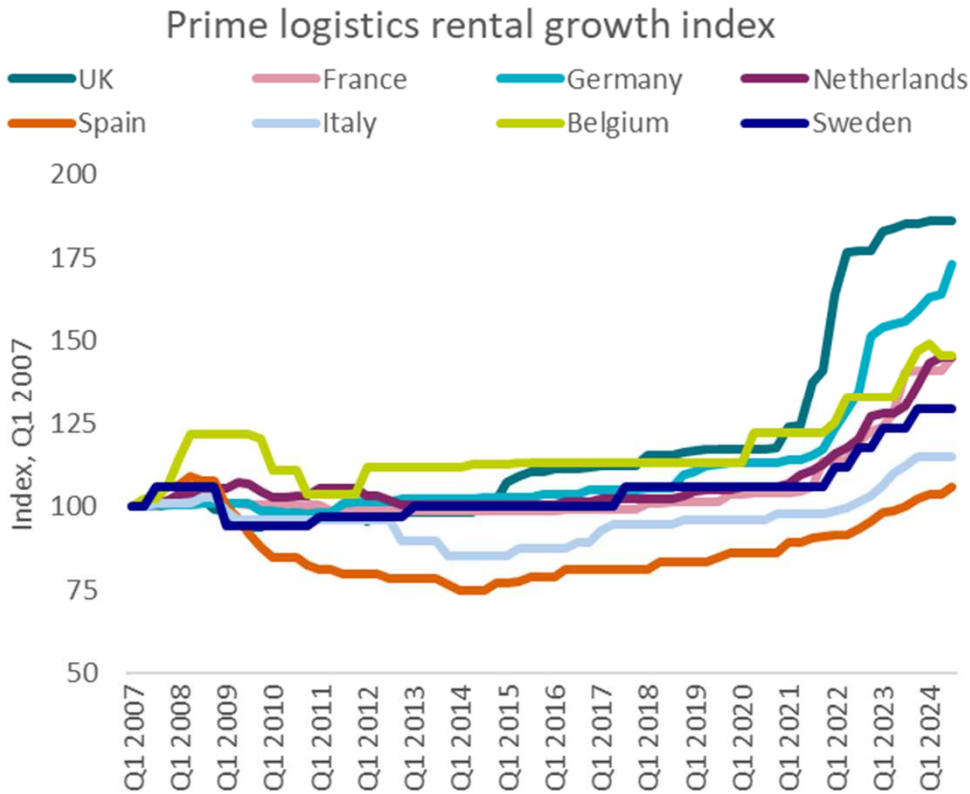
Thematics underpinned by Megatrends are driving demand for alternatives



Source: AXA IM Alts, as at 8 May 2024

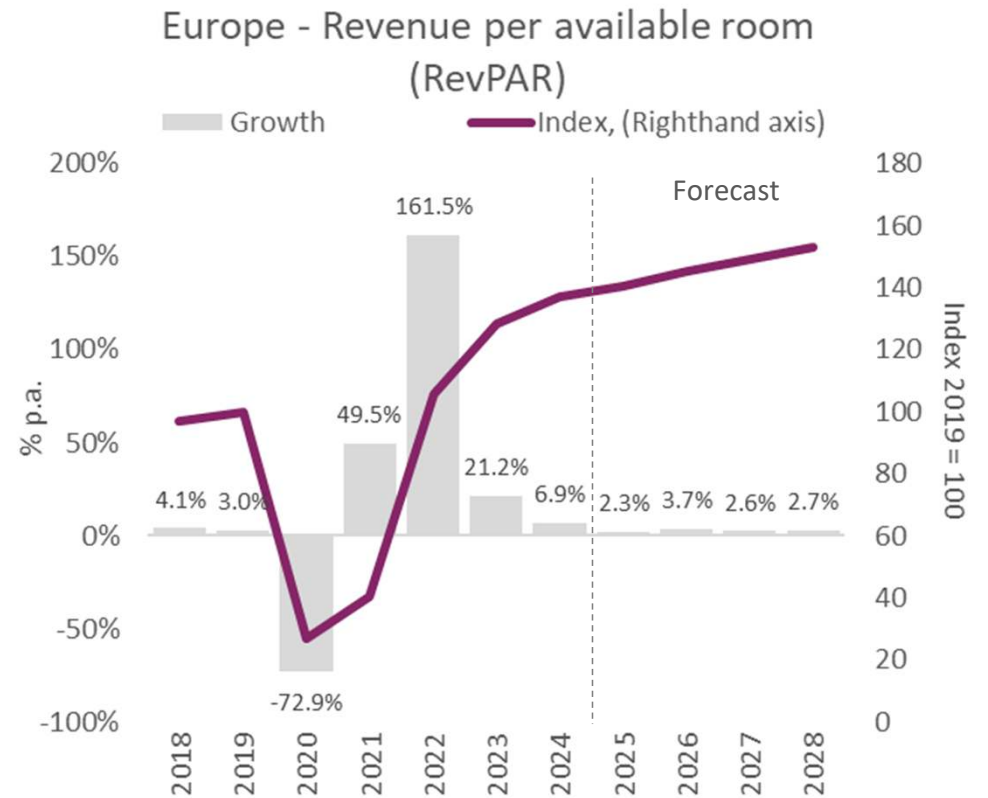
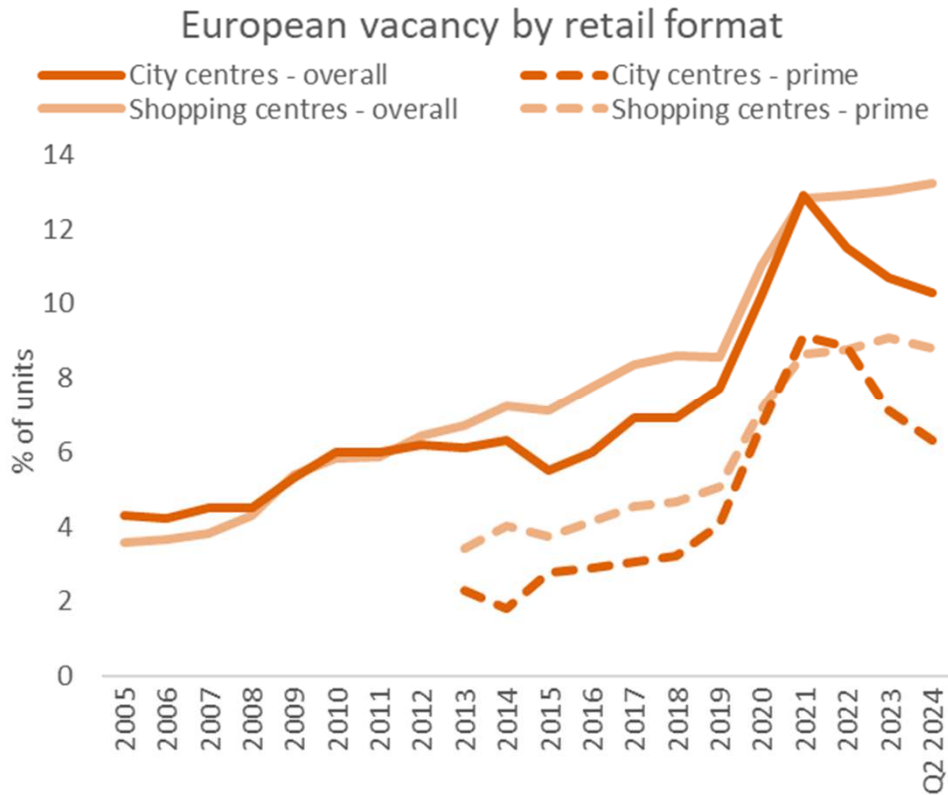
Notes: ¹ includes Private Rental Sector (PRS), Purposed Built Student Accommodation (PBSA), and Senior Housing (SH), ² includes Life Science, Medical Office, Hospitals & Assisted Living, ³ includes trains, toll roads, airports and container terminals/docks, ⁴ includes wind, solar & geothermal, ⁵ includes district heating, regulated electricity networks, grid upgrade and balancing, batteries and storage, ⁶ includes fibre networks, data centres & mobile/cell towers. For illustrative purposes only. Please see important notice on slide 1

Logistics & residential: strong fundamentals continue to drive income growth



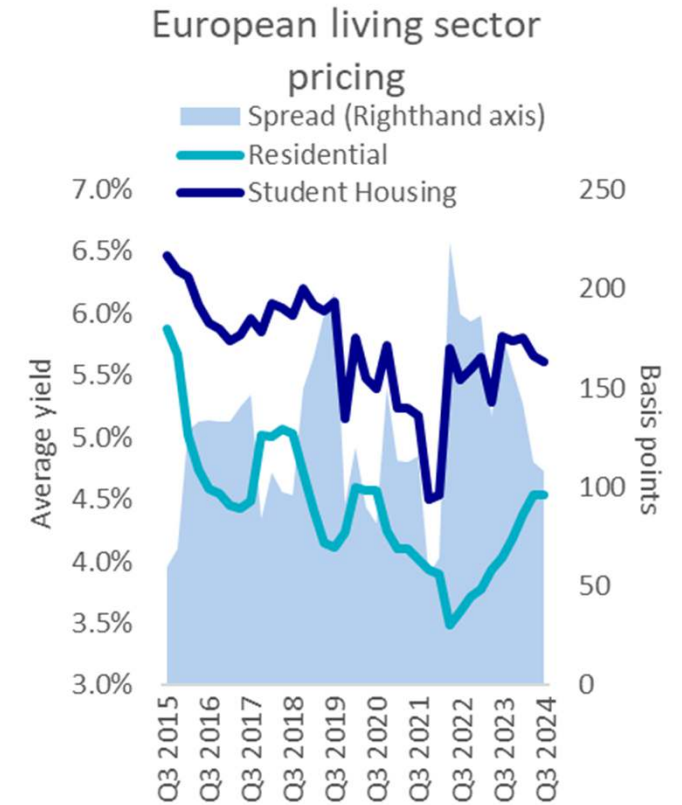
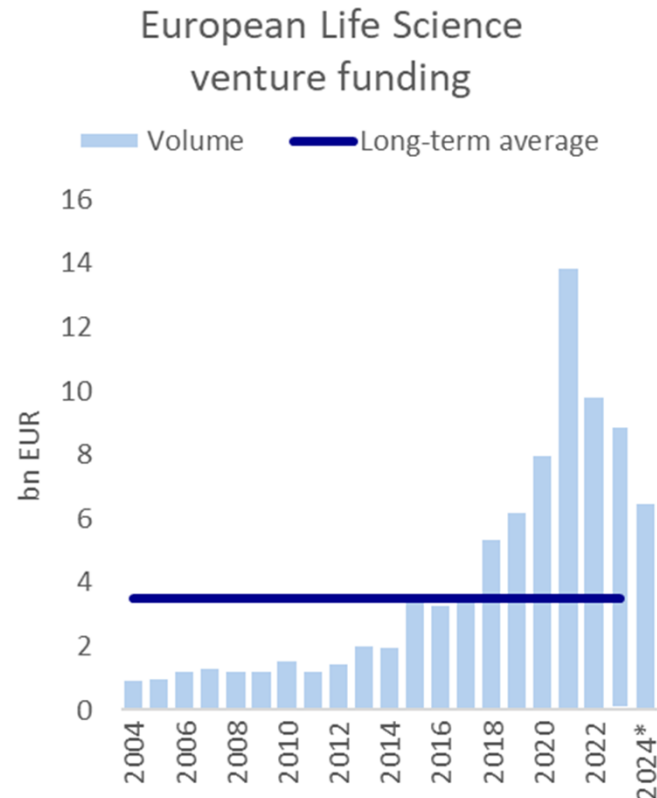
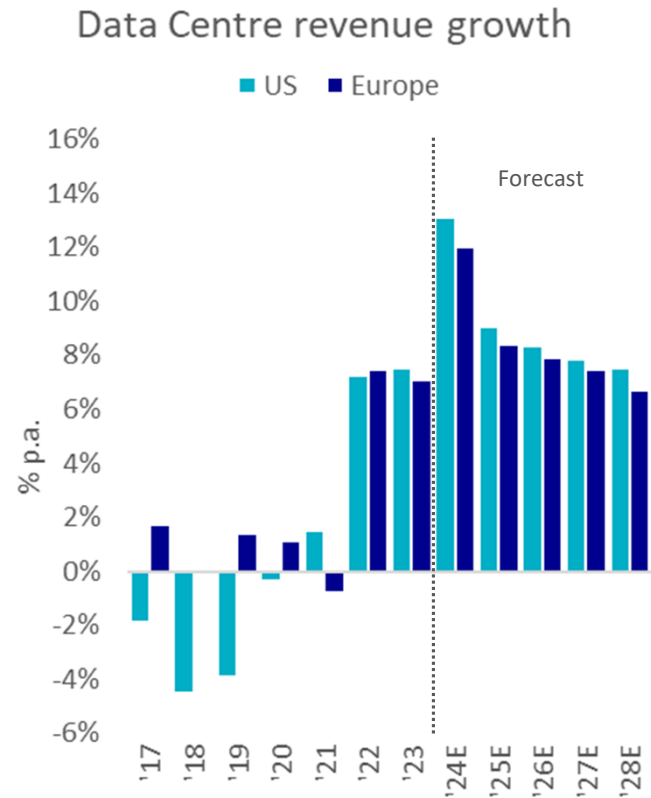
Source: JLL, CBRE, AXA IM Alts, data as at Q3 2024
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Retail & hotels: post COVID rebound well underway, but macro slowdown remains a risk



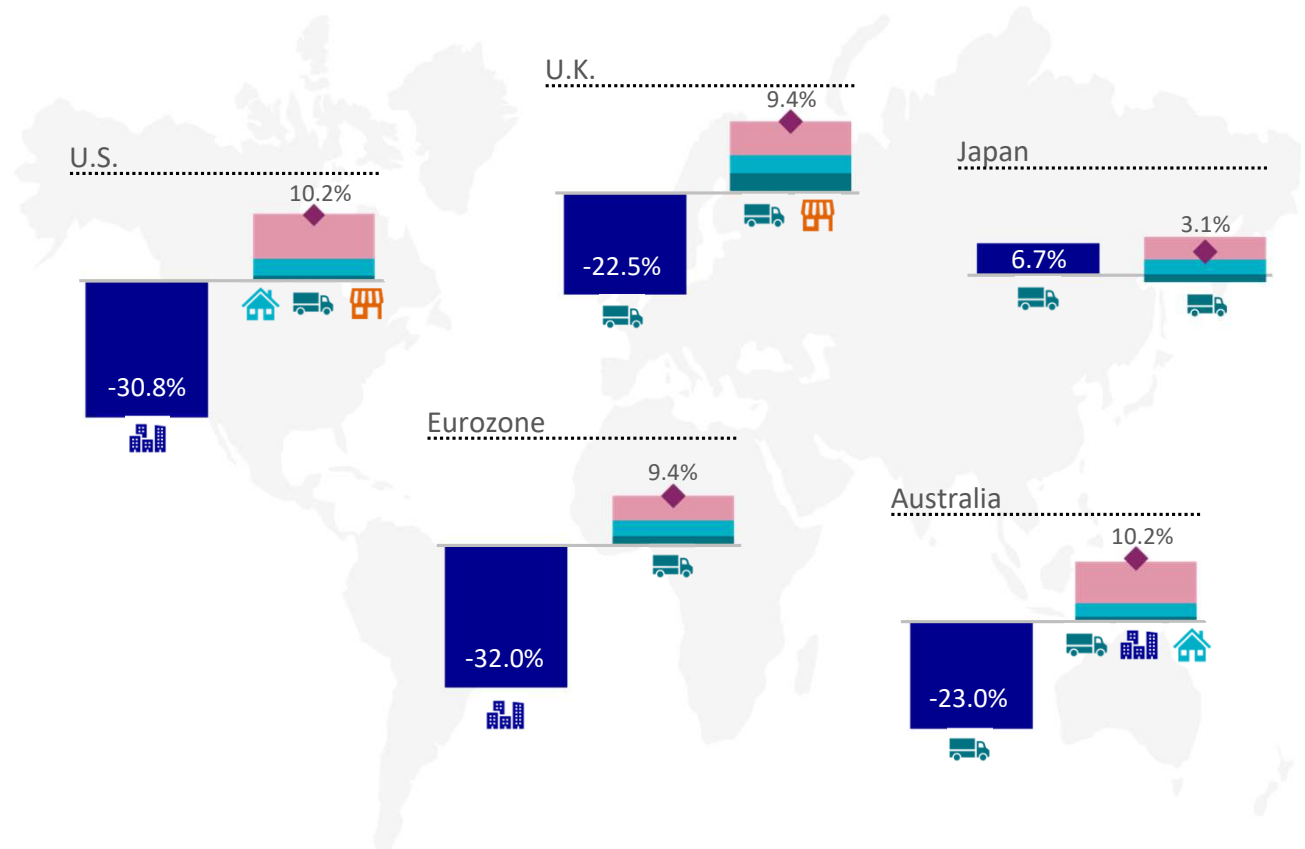
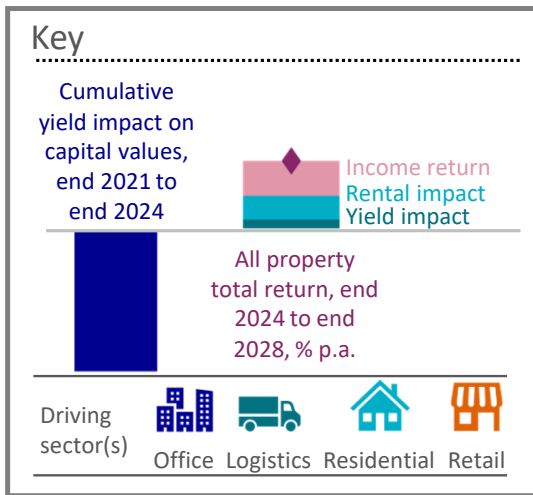
Source: PMA, Green Street, AXA IM Alts, data as at Q2 2024
For illustrative purposes only. Please see important notice on slide 1

Alternatives: niche sectors offer income resilience and growth prospects



Source: Green Street, FCF, MSCI Real Capital Analytics, AXA IM Alts, data and forecasts as at September 2024
 Note: Data centre revenue growth assumes 50/50 Hyperscale/Colocation; *2024 to September; Long-term average 2001-2023
 For illustrative purposes only. Please see important notice on slide 1

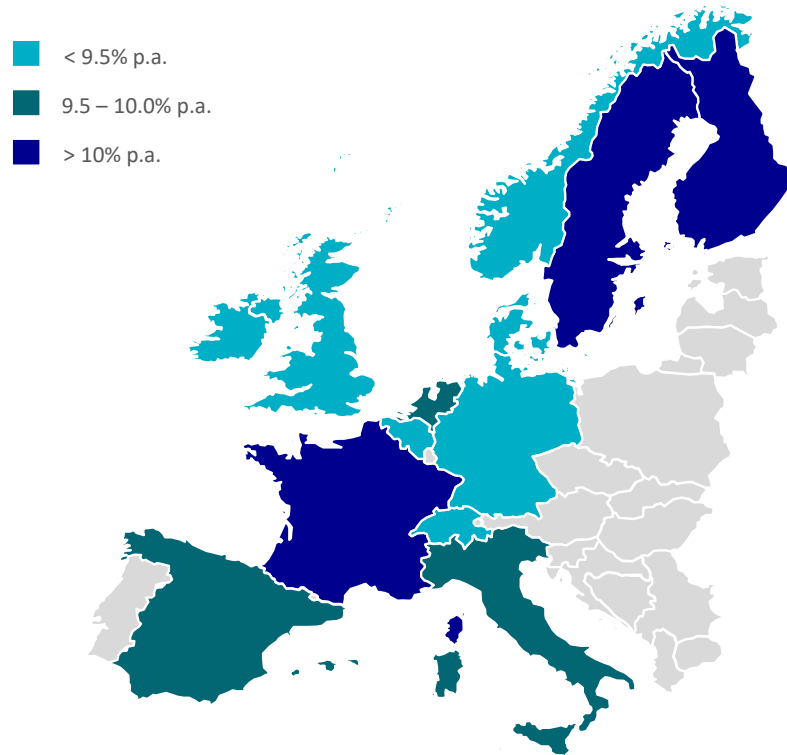
Global real estate outlook: performance recovery expected from 2025



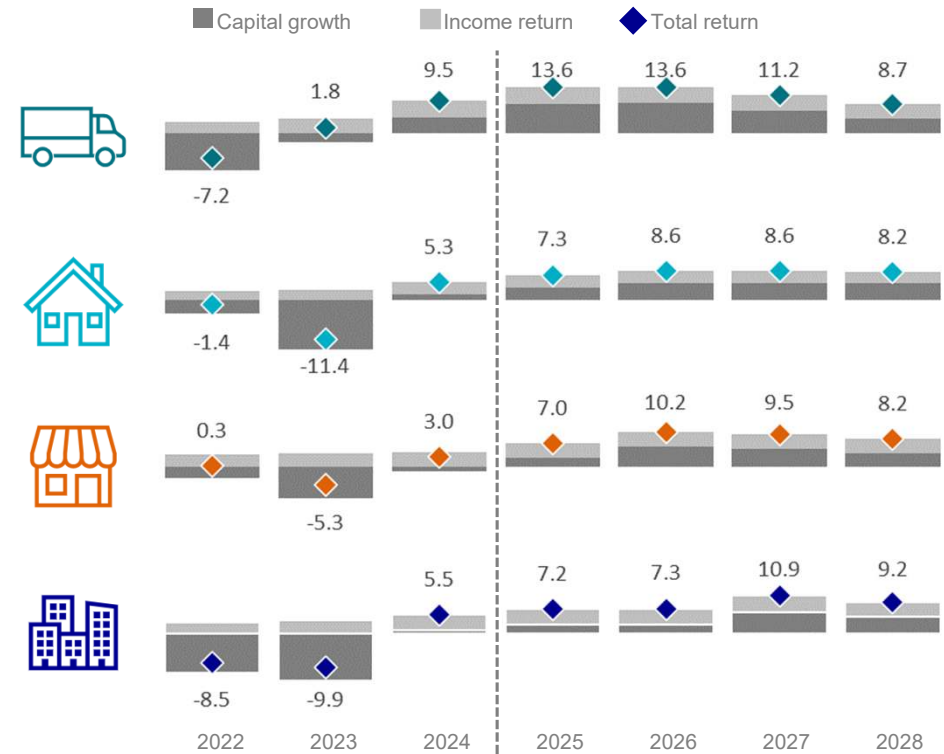
Note: Driving sector(s) illustrate which sector is expected to see the greatest degree of repricing during the downturn and which sectors are expected to outperform all property during the recovery. This forecast is for illustrative purposes only, established on the basis of an internal model of AXA IM Alts, and does not constitute an offer to buy or sell. It does not constitute a reliable indicator of future performances. AXA IM Alts disclaims any and all liability relating to a decision based on this forecast. Source: AXA IM Alts, forecasts as at 6 September 2024. Images for illustrative purposes only.

European outlook: income resilience and growth prospects drive sector performance

All property prime total returns by country, 2025-2028



Prime European total returns by sector



Source: AXA IM Alts, forecast as of 6 September 2024

Note: Diagrams for illustrative purposes only. These scenarios are presented as of this document's date. They do not constitute a representation or guarantee as to future scenarios nor performances. AXA IM Alts disclaims any and all liability relating to these scenarios' description and can modify these scenarios according to market evolutions and taking into account the regulations in force.

Summary



Pricing adjustment coming to an end as rate pressures subside – Europe ahead of the U.S.



Transaction market has slowed notably but should gather pace through 2025



Looking forward, income resilience and growth prospects to drive sector performance

Source: AXA IM Alts, as at 29 October 2024

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