

2025

GLOBAL PUBLIC REAL ESTATE

OUTLOOK REPORT



hazelview
INVESTMENTS

LETTER FROM THE TEAM

In last year's outlook report, we anticipated that REITs were on the verge of takeoff in 2024. By summer, REITs hit the inflection point we were anticipating, and investor sentiment improved significantly towards the asset class. However, more cautious commentary during the Federal Reserve's December meeting around future rate cuts led to a sharp market pullback in the final weeks of 2024. Despite this, global REITs ended the year with a mid-single-digit positive return.

As we turn our attention to 2025, this year's Global Outlook Report builds on the momentum seen over the past year, encapsulating our overarching theme—navigating the dynamic REIT landscape with expertise—and serving as your compass for the journey ahead. We believe REITs still offer ample runway in the coming year, supported by robust fundamentals, and continued discounted valuations.

In 2025, we believe the challenge lies in navigating through an increasingly complex macroeconomic environment. As active managers, we recognize the responsibility entrusted to us to steer capital effectively in uncertain times. Our approach is grounded in delivering tangible value by identifying and capitalizing on secular trends that transcend short-term market volatility to drive sustainable outperformance. In this report, we share our perspectives on the sectors and regions we believe are best positioned to drive growth and outperformance for our investors, including:

- Data Centers
- Senior Housing in North America
- Hotels in Japan
- Commercial Real Estate Brokers
- Australian and German Residential

To our partners and clients, we remain profoundly grateful for your trust. Together, we will continue navigating the dynamic REIT landscape with expertise, staying true to our active approach, and working relentlessly to achieve our shared investment objectives in 2025.

Thank you,



Sam Sahn



Darren Murray



Corrado Russo



Claudia Reich Floyd



Dario Maric

MARKET RECAP

Global REITs began 2024 on a cautious note, as the market grappled with higher rates and higher inflation, causing central banks to delay easing monetary policy. However, as inflation began to ease in the first half of the year, central banks initiated a long-awaited policy pivot in the second half of 2024. The Bank of Canada, Federal Reserve, Bank of England, and European Central Bank all implemented multiple rate cuts in 2024, unwinding some of the tightening from prior years. The Bank of Japan stood apart, raising rates for the first time in over a decade.

This policy shift marked an inflection point for REITs. Coupled with strong real estate fundamentals and steady earnings growth, investor sentiment towards the asset class improved meaningfully in the second half of the year, as reflected in Figure 1 below.

Figure 1. Commercial Real Estate Investor Sentiment Index



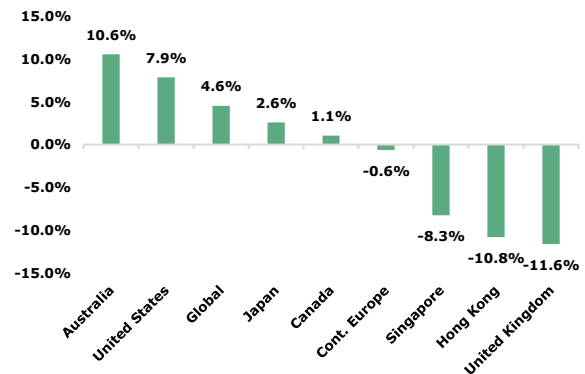
Source: Sentix, CBRE Research, October 2024.

Through the first 11 months of 2024, Global REITs delivered a 11.2% total return.¹ In December, REITs gave back more than half of their YTD gains as a result of the Federal Reserve taking a more cautious stance on the pace of rate cuts in 2025. Despite this short-term setback, REITs still closed the year in positive territory with a 4.6% total return.² Relative to other asset classes, REITs outperformed global bonds in 2024, which posted

a negative total return of -1.7% but fell short of global equities which delivered a return of 19.2%, propelled by the “Magnificent 7” technology giants whose average return reached a remarkable 67.3%.³

Regional Performance

Figure 2. 2024 Performance by Country



Source: Bloomberg LP. Global REITs represented by the FTSE EPRA NAREIT Developed Total Return Index. Data as of December 31, 2024. Total returns presented in local currency.

As displayed in Figure 2, performance varied significantly across regions. Australia and the United States emerged as standout performers, delivering a total return of 10.6% (AUD) and 7.9% (USD) respectively. Both markets benefited from resilient consumer spending and economic growth, improved financing conditions and steady real estate fundamentals led by the data center sector. In Canada, REITs posted a modest return of 1.1% (CAD), with senior housing REITs emerging as clear outperformers. Notably, Chartwell Retirement Residences, a company we identified as a top investment in our [2024 Outlook Report](#), delivered an impressive 35.6% (CAD) total return in 2024.⁴

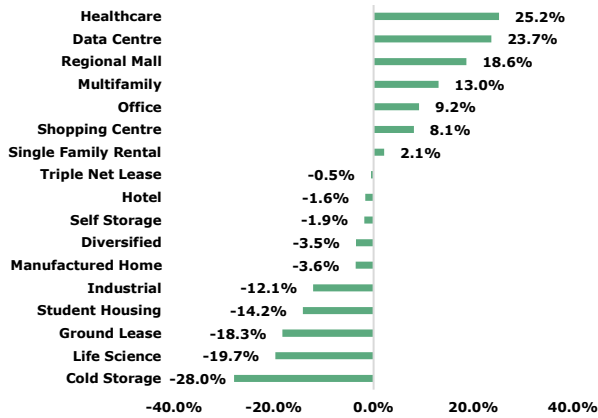
In Asia, Japan outperformed other markets in the region, driven by strong operating trends and higher real estate values. Within Japan, C-corps generated double digit gains of 14% (JPY), substantially outperforming J-REITs, which declined -4.1% (JPY).⁴ Japanese C-corps benefited from corporate governance reforms, share buybacks, and capital recycling strategies focused on unlocking shareholder value. By contrast, Hong Kong faced another challenging year, recording double-digit declines in share prices as economic headwinds from China continued to weigh heavily on property fundamentals.

European REITs underperformed, with the U.K. acting as a drag on the region’s performance.

However, select markets such as the Netherlands and Spain outperformed, highlighting how variations in regional dynamics can significantly influence performance and underscoring the value of tailoring strategies to local market conditions.

Sector Performance

Figure 3. 2024 Performance by Sector



Source: Bloomberg LP. Global REITs represented by the FTSE EPRA NAREIT Developed Total Return Index. Data as of December 31, 2024. Total returns presented in local currency.

Performance in 2024 also saw pronounced divergences across sectors, as illustrated in Figure 3, with fundamental dynamics disproportionately impacting certain property types. Cold storage, life science and industrial were notable underperformers, declining -28.0%, -19.7% and -12.1% respectively, as elevated new supply led to increased vacancy rates and or lower net effective rents.

Conversely, healthcare and data center REITs emerged as standout performers, delivering impressive total returns of 25.2% and 23.7%, respectively. The healthcare sector benefited from rising demand for senior housing units driven by aging baby boomers seeking elevated care, resulting in higher occupancy rates, NOI margins, and rents. Data centers experienced robust leasing activity, fueled by a surge in AI investments from hyperscale customers like Google, Amazon, and Meta. Notably, SUNeVision, a Hong Kong-based data center operator, highlighted as one of our favorite investment opportunities in our [2024 Outlook Report](#), delivered a 42.2% (HKD) total return, materially outperforming its Hong Kong peers.⁴

We believe navigating specific sector nuances like these reinforces the critical advantage of active management in guiding public real estate investment decisions.



MARKET OUTLOOK

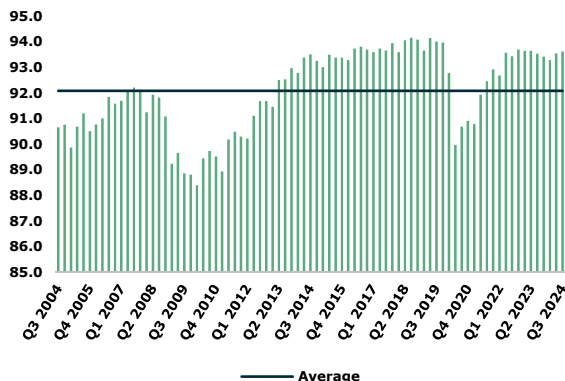
STRENGTH IN FUNDAMENTALS

Although higher interest rates over the past three years have tested investor confidence in publicly listed real estate, commercial and residential fundamentals have been strong across most property types and geographies. These strengths are characterized by resilient demand, limited new supply across most property sectors, and improved operational efficiency. As we enter 2025, we believe these fundamentals provide a solid foundation for growth, with earnings expected to accelerate over the next 12 months. According to UBS, global REITs are forecasted to grow earnings by 6.2% in 2025, a roughly 100 basis-point improvement over 2024.⁵

Persistent Demand Across Core Property Types

Favorable demand-supply dynamics continue to drive positive net absorption of vacant space. As highlighted in Figure 4, occupancy rates across all property types in the U.S. are at or near peak levels. We are observing similar trends globally. In 2025, we anticipate occupancy rates will remain high and improve further, as lower levels of supply lead to further net absorption of vacant space.

Figure 4. U.S. Occupancy Rates



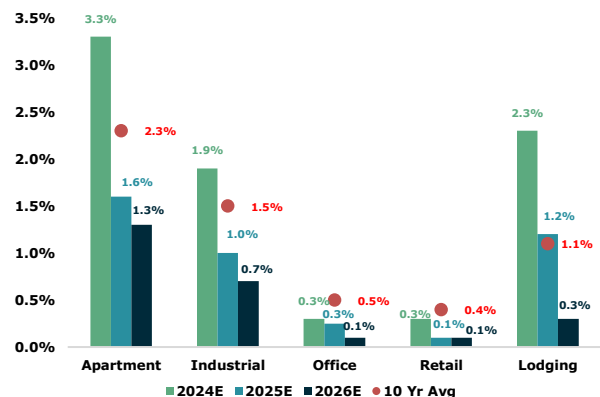
Source: NAREIT Q3 2024 T-Tracker. All Equity REITs Index.

The one notable exception to this trend has been the office sector in North America, which continues to face headwinds from hybrid work models and an oversupply of sublease space. However, even in the office sector, signs of recovery emerged in 2024, with top-tier, amenity-rich buildings in prime urban locations experiencing a flight-to-quality from tenants eagerly seeking modern spaces with superior amenities to attract and retain talent. Outside North America, office markets like London, Paris, Berlin and Tokyo are experiencing rental rate growth driven by increased leasing activity.

Limited Supply Amid Higher Costs

The other side of the equation supporting real estate fundamentals is the constrained supply environment. Inflationary pressures and tighter financing conditions have significantly increased the cost of bringing new projects online. As a result, developers in many markets are scaling back construction pipelines, with elevated prices for building materials, labor, and borrowing limiting new activity. According to CoStar, new supply across major property types in the U.S. is forecasted to grow by 1.2% in 2025, representing a -33.4% year-over-year decline.⁶ As displayed in Figure 5, new supply growth across major property types is forecasted to be below its 10-year average in 2025 and decline further in 2026.

Figure 5. U.S. Annual Supply Growth



Source: CoStar, YardiMatrix, STR, BMO Capital Markets, December 2024.

We are seeing similar trends globally, particularly in residential markets in Canada, Europe, and Asia that remain chronically undersupplied, exacerbating the lack of affordable housing. Additionally, global constraints in power availability are further limiting the supply of new data centers.

With supply relatively constrained, we believe landlords will continue to experience pricing power in 2025 leading to positive releasing

spreads, better property-level operating margins and stronger earnings growth.

Operational Efficiency and Balance Sheet Discipline

REITs have also benefited from their proactive measures to strengthen their balance sheets and enhance operational efficiency. In the years after the pandemic, many REITs capitalized on historically low interest rates by issuing long-term, fixed-rate debt to build more resilient balance sheets. These strategic capital market decisions, coupled with a general decline in leverage, positioned the REIT sector to better withstand the period of monetary tightening that began in 2022. As a result, REITs were able to limit the adverse impact of rising rates, preserving cash flow margins and operational stability. Entering 2025, the global REIT sector’s debt-to-gross asset value stands at 34%, with net debt to EBITDA at 6.3x.⁷ We believe these robust metrics position REITs to go on the offense in 2025. For example, Macerich, a U.S. regional mall REIT, issued 20 million shares at \$19.75 (USD) per share, raising nearly \$400 million of capital at a 7.8% implied cost of equity that will be used to pay down debt at an effective interest rate of ~9% at their Washington Square mall.⁸

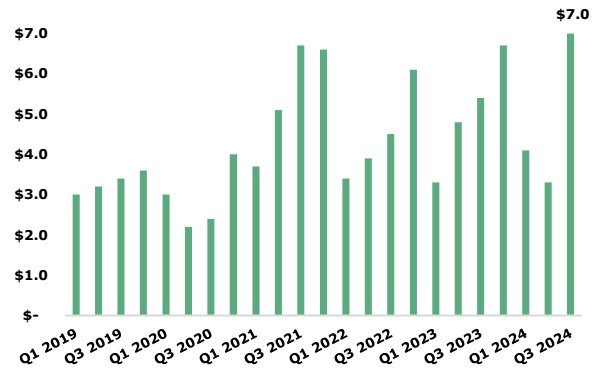
Cost of Capital Advantage

After many years, REITs have regained a cost-of-capital advantage over many private real estate owners and are leveraging this edge to acquire assets and portfolios at cap rates that are accretive to earnings. In November 2024, Keppel DC REIT acquired two data center assets in Singapore for approximately \$1.4 billion.⁹ This acquisition, funded in part by \$700 million of new equity, reduced the company’s leverage by 640 basis points to 33.3%.⁹ The acquisition will result in pro-forma distribution per unit (DPU) accretion of 8.1% and a NAV per share increase of 11.7%.⁹

In the third quarter of 2024, U.S. REITs issued a record level of equity through their at-the-market (ATM) programs, as shown in Figure 6. This record equity issuance highlights strong investor appetite for REIT shares and a strategic approach to raising capital. In some cases, REITs have issued equity below NAV, but the assets they are acquiring are at cap rates that are higher than the implied cap rate of their current stock price, resulting in the transaction being accretive to earnings. For example, in the fourth quarter of 2024, Cousins Properties, a Sun Belt-focused office REIT, raised approximately \$500 million in equity to acquire two office buildings in Charlotte and Austin at GAAP cap rates between ~8.4% and 8.7%, compared to the company’s implied cap rate

in the low-to-mid 7% range.¹⁰

Figure 6. Quarterly U.S. REIT ATM Program Usage (\$Billions USD)



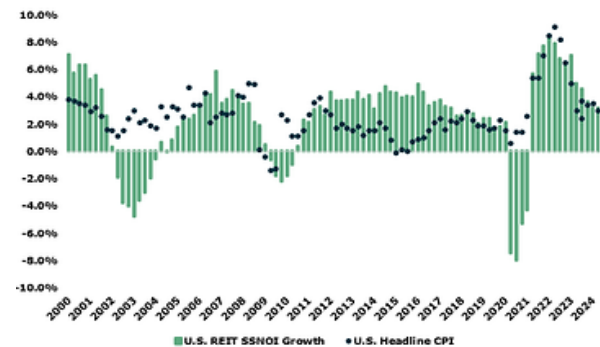
Source: Mizuho / Greenhill Research, November 2024.

Looking ahead to 2025, we anticipate higher transaction volumes and more accretive external growth, leading to further equity issuance. We believe active managers with strong industry relationships are well-positioned to capitalize on these trends, securing at-the-market equity allocations and providing investors with access to these compelling growth opportunities.

Internal Growth and Inflation Protection

While acquisition volumes are expected to improve in 2025, internal growth remains a fundamental strength. The ability to deliver steady, positive same-store net operating income (SSNOI) growth highlights the resilience of REIT cash flows across economic cycles, providing a reliable foundation for long-term performance. Historically, REITs have demonstrated the capacity to increase rents and maintain SSNOI growth at rates that match or exceed inflation, as depicted in Figure 7 below.

Figure 7. U.S. REIT SSNOI Growth vs. Inflation



Source: NAREIT Q3 2024 T-Tracker. U.S. Headline CPI, Bloomberg LP.

Real estate's intrinsic link to inflation comes from the nature of leases, which often include annual rent escalations tied to inflation or have durations short enough (like hotels or apartments) where landlords can reprice space at higher rates upon lease renewal more frequently. This internal growth component within a REIT's existing property portfolio should lead to increased dividends for shareholders over time.

Looking ahead to 2025, proposed shifts in U.S. policy could further influence the inflation landscape. These measures have the potential to impact inflation, with ripple effects extending to other developed markets. If inflation does remain elevated above central bank targets, we believe many REITs are well-positioned to capture incremental price increases through higher rental income.

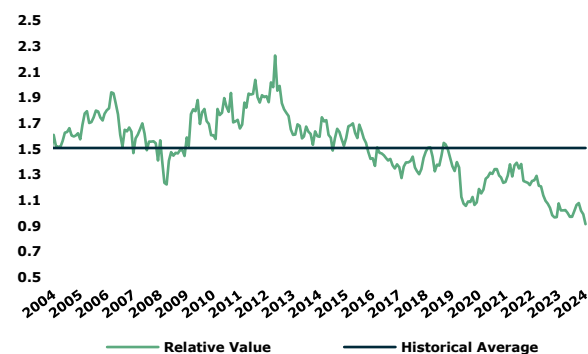
ATTRACTIVE VALUATIONS

We believe the valuation backdrop for publicly listed real estate is more compelling heading into 2025 than at any point in the past three years.

Relative Valuations at Decade-Long Discounts

After three consecutive years of underperformance, global REITs are trading at historically attractive levels relative to global equities. As shown in Figure 8, on a price-to-cash flow basis, global REITs are trading at their cheapest levels in over 20 years relative to global equities.

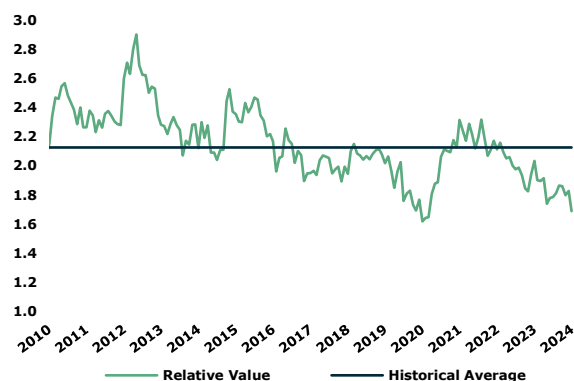
Figure 8. Global REITs vs. Global Equities Price to Cash Flow Ratio



Source: UBS, Datastream. Data as of December 31, 2024.

Similarly, on a relative EV/EBITDA basis, REITs are trading near historic lows compared to global equities, as illustrated in Figure 9.¹¹

Figure 9. Global REITs vs. Global Equities EV/EBITDA Ratio



Source: UBS, Datastream. Data as of December 31, 2024.

We believe this valuation disparity positions REITs for a potential re-rating over the next 12 months. For investors who can act on these valuation dynamics, historically low relative multiples offer a unique opportunity to increase exposure to high-quality REITs at attractive valuations.

Intrinsic Value and Potential Return Upside

Beyond relative valuation measures, REITs are also cheap on an absolute basis.

As shown in Figure 10, our valuation models suggest that REITs are priced at a -17% discount to intrinsic value (defined as a blend between NAV and Cash Flow), which implies a 20% upside in price from current levels. Over a two-year holding period, and inclusive of a 3.8% dividend yield per annum, our valuation models forecast an annualized expected total return of 13% to 15%.

Figure 10. Hazelview's Two-Year Forward-Looking Projections*

	P/D Intrinsic Value	Amount Dividend Yield	Upside to Intrinsic Value
Global REITs Universe	-17.0%	3.8%	20.4%
By Geography	P/D Intrinsic Value	Amount Dividend Yield	Upside to Intrinsic Value
United States	-13.0%	3.6%	14.9%
Canada	-23.9%	5.2%	31.5%
Continental Europe	-27.3%	3.0%	37.5%
United Kingdom	-28.6%	5.3%	40.1%
Pacifics	-7.5%	3.1%	8.1%
Hong Kong	-39.5%	6.5%	65.3%
Japan	-18.0%	3.7%	22.0%
Singapore	-10.2%	5.5%	11.4%

Source: Bloomberg LP, Hazelview Securities Inc. Data as of January 7, 2025.

*For illustrative purposes only. The above hypothetical data is based on Hazelview Securities Inc. assessment and is not guaranteed. Potential return may be negative. Global REITs Universe is defined as the FTSE EPRA NAREIT Developed Total Return Index and other public real estate securities Hazelview deems as worthy of investment consideration.

We believe our forward-looking valuation models adopt a conservative underwriting approach by not factoring in potential cap rate compression. For context, a 25-basis point change in cap rate typically results in a 5-7% impact on NAV and according to CBRE, cap rates are forecasted to compress in 2025.¹² Therefore, we see more upside than downside to our forward NAV estimates.

Finally, we believe through active management, we can strategically position our portfolios in specific companies, property types, and geographies to unlock better upside potential and capitalize on the unique opportunities available in today's market.



CONCLUSION

We believe constrained supply, strong demand, historically low relative valuations and heavily discounted absolute valuations, position REITs to deliver attractive returns in the year ahead. After three years of navigating economic volatility, REITs are emerging from a period of resilience and recalibration, offering investors a compelling opportunity.

Regional growth prospects, sector fundamentals, and company performance will vary as central banks recalibrate policies and geopolitical uncertainties persist. In this complex landscape, success requires more than passive investing, it calls for the informed judgment and strategic precision that only active management provides. Active management serves as a compass, guiding investors through the intricacies of public real estate. With deep market expertise and localized insights, active managers can uncover the most promising opportunities, identifying sectors, regions, and companies with strong secular growth potential and durable fundamentals to insulate from external shocks.

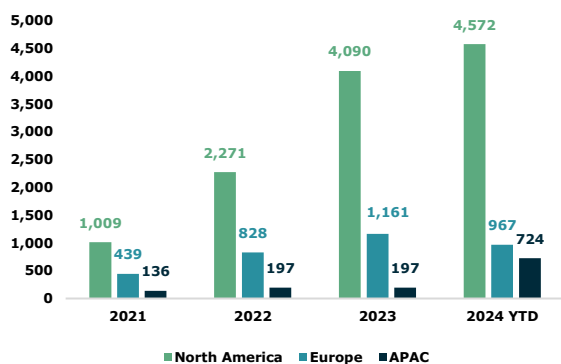
As we look toward 2025, public real estate stands out as a powerful tool for building resilient, diversified portfolios. Equipped with the right expertise and strategic focus, investors can confidently navigate uncertainty and capitalize on the opportunities ahead. In the following section, we showcase our top investment ideas for 2025, designed to create lasting value for our investors.

OUR BEST IDEAS

DATA CENTERS

We believe data centers represent one of the most compelling secular growth opportunities in the REIT industry. Data centers are experiencing record demand from hyperscale customers and enterprise users driven by the growing utilization of digital applications, artificial intelligence (AI), cloud computing, and network connectivity, as illustrated in Figure 11. Simultaneously, significant supply constraints caused by power availability issues and shortages of critical equipment are reducing vacancy rates and driving market rents higher across key markets.

Figure 11. Annual Data Center Net Absorption by Region (MW)



Source: datacenterHawk, BMO Capital Markets, Q3 2024.

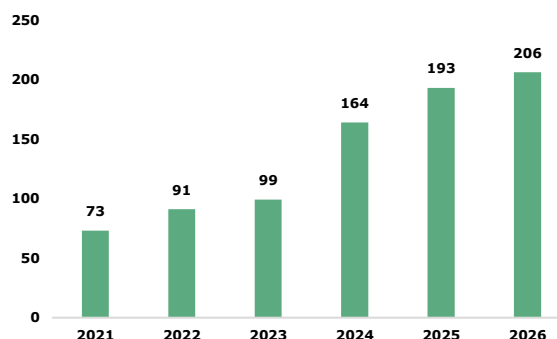
Robust Demand and Supply Challenges

Data center leasing activity in North America surged throughout 2024, with Q3 2024 posting a 15% quarter-over-quarter increase and a 58% year-over-year rise, marking the third-highest leasing quarter on record.¹³ Net absorption has exceeded 1 GW for six consecutive quarters, driven by robust leasing activity in key markets such as Northern Virginia, Atlanta, and Phoenix.¹³

In Europe, hyperscale customers are also expanding aggressively, with London, Frankfurt, Paris, Dublin, and Amsterdam experiencing 140

MW of net absorption in Q3 2024. Looking ahead to 2025, hyperscale capex is forecasted to rise by nearly 20% to approximately \$200 billion, following a remarkable 66% increase in 2024 as depicted in Figure 12. Major hyperscale players such as Amazon, Microsoft, Google and Oracle are projected to invest heavily in generative AI, cloud computing, and infrastructure, signaling continued robust leasing demand in the year ahead.

Figure 12. Hyperscale CAPEX Forecast (\$Billions USD)



Source: BofA Global Research, December 2024.

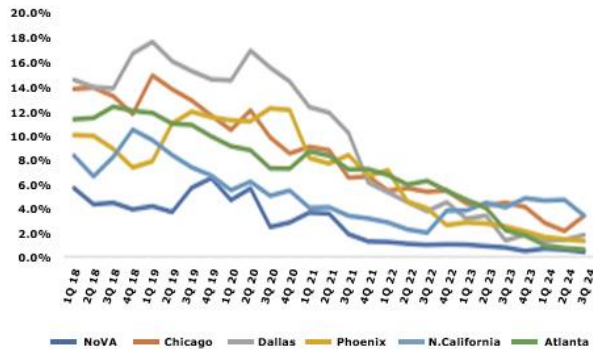
BlackRock and Microsoft's recent announcement to raise \$30 billion for global data center development underscores the immense opportunity in the sector.¹⁴ Public REITs with development expertise and existing large globally diversified portfolios, are uniquely positioned to capitalize on this growth.

The rapid growth of AI deployments is driving increased power requirements, intensifying transmission constraints, and creating shortages of critical components such as transformers, switches, and generators. These power capacity challenges are expected to persist into 2025, further complicating the development of new data centers. According to Goldman Sachs, 47 GW of additional power generation capacity will be required to meet U.S. data center demand by 2030. By that time, data centers could account for up to 9% of U.S. electricity consumption.¹⁵

These supply chain challenges have led to construction delays and forced tenants to secure data center space two to four years before project completion. Despite record construction activity across North America—3.9 GW currently underway—nearly 80% of this space is already pre-leased, highlighting the tight supply environment.¹² Vacancy rates in core North American markets remain near historical lows as displayed in Figure 13, with Q3 2024 figures showing Northern Virginia at 0.4%, Dallas at 1.4%,

Phoenix at 1.3%, Silicon Valley at 3.4%, and Chicago at 2.1%.

Figure 13. U.S. Data Center Vacancy Rates



Source: datacenterHawk, BMO Capital Markets, Q3 2024.

Hong Kong Spotlight

The data center market in Hong Kong is projected to grow at a compounded annual growth rate (CAGR) of 14.6% by 2028. Despite ongoing geopolitical tensions, mainland Chinese and international hyperscalers have continued to invest in the region, drawn by Hong Kong’s robust connectivity, competitive tax environment, low energy costs, and favorable climate.

Concerns about data center deployments shifting away from Hong Kong have largely been proven to be overstated, as doing so would introduce latency issues elsewhere in the Asia-Pacific (APAC) region. Hong Kong remains one of the most interconnected markets, with 12 out of 15 intra-Asia subsea cables landing in the city.¹⁶ Operators introducing new capacity stand to benefit from ramping leasing volumes, driven by hyperscale tenants expanding their cloud services and AI computing power requirements.

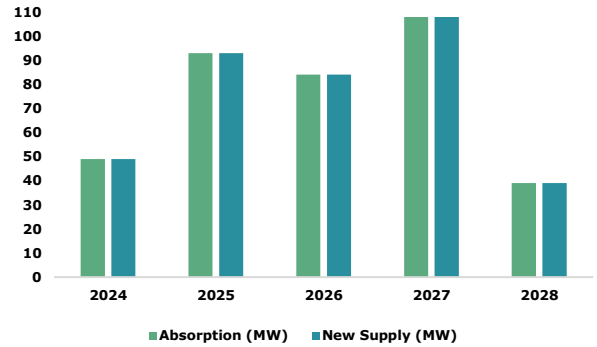
Singapore Spotlight

As a Tier 1 APAC data center market, Singapore serves as a financial and connectivity hub for the Association of South Asian Nations (ASEAN) region. In 2019, the Singaporean government imposed a prohibition on new data center development. Although this restriction has since been relaxed, only 80 MW of IT capacity (out of a 1.4 GW market) has been awarded to operators, with no new supply expected to come online until after 2026.

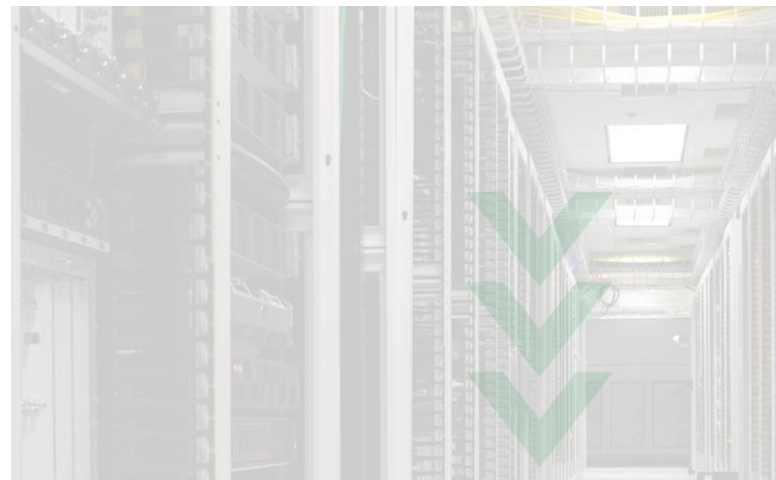
Utilization rates within the colocation market, which accounts for 57% of capacity in Singapore, are extremely high at 99%. We anticipate the supply-demand imbalance will persist in 2025, allowing Singapore-based data center operators to continue to achieve double-digit rental

reversions and maintain sticky occupancy rates as highlighted in Figure 14.

Figure 14. Singapore Absorption and New Supply



Source: Keppel DC REIT H1 2024 Investor Presentation.



DATA CENTERS OUTLOOK

As we move into 2025, we believe data center REITs are well positioned to capitalize on strong secular growth tailwinds, driven by record-low vacancy rates and robust leasing demand. In 2024, hyperscale rents for leases exceeding 4 MW rose by 10% to 30% across major North American markets, while European markets like London experienced a 15% increase. This upward trajectory in rents is expected to continue into 2025, fueled by escalating construction and equipment costs, tight supply conditions, and surging demand for artificial intelligence (AI) and cloud computing solutions.

SENIOR HOUSING IN NORTH AMERICA

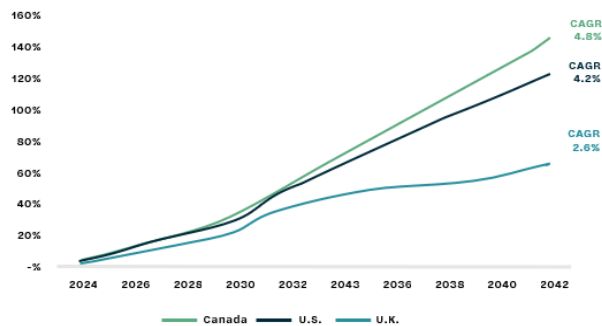
We believe the senior housing industry remains one of the most compelling investment opportunities for 2025, building upon its stellar performance in 2024. Powerful demographic tailwinds in both Canada and the U.S.—driven by the aging baby boomer cohort—are fueling multi-year demand growth. At the same time, supply growth remains constrained by limited debt availability and rising construction costs, resulting in muted new development activity.

We believe these dynamics are expected to drive significant gains in occupancy rates, net operating income (NOI) margins, and market rent growth for existing operators in 2025, resulting in solid earnings and cash flow growth relative to the broader public REIT peer set. Furthermore, we anticipate external growth to play a pivotal role in 2025. Senior housing REITs, benefiting from a distinct cost-of-capital advantage over private owners, are well-positioned to acquire assets at attractive cap rates from smaller market participants. This ability to execute accretive acquisitions further enhances their growth prospects, complementing organic operational improvements.

Canada Spotlight

In Canada, the senior housing market is benefiting from strong demographic tailwinds. According to Cushman & Wakefield, the 80+ population cohort is projected to grow at a 4.8% compound annual growth rate (CAGR) through 2042, as displayed in Figure 15. We believe this demographic trend is a core driver of sustained demand growth for senior housing in the coming years.

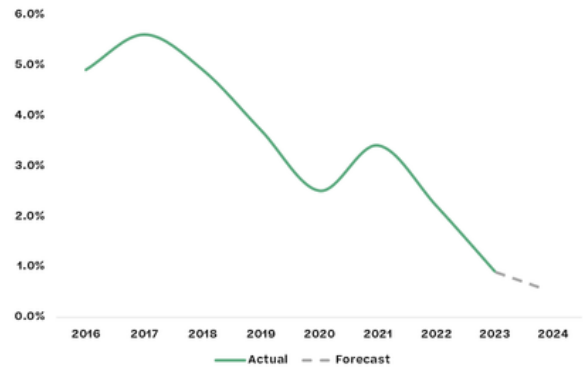
Figure 15. Projected Cumulative Growth in Population Age 80+



Source: Cushman & Wakefield, Statistics Canada, September 2024.

On the supply side, new senior housing construction starts as a percentage of existing inventory have reached multi-year lows, as highlighted in Figure 16.

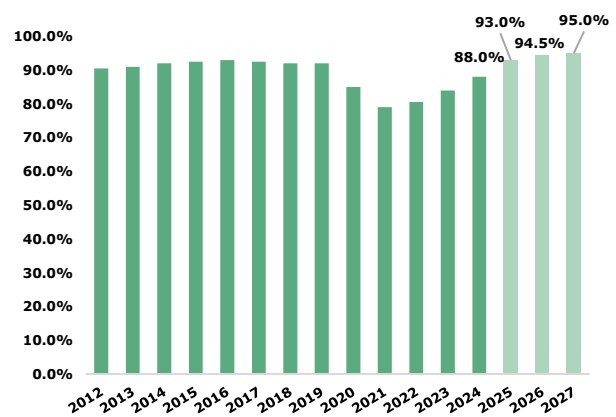
Figure 16. Canada Senior Housing Construction Starts as a Percentage of Existing Inventory



Source: Cushman & Wakefield, September 2024.

This combination of robust demand and constrained supply has fueled a strong recovery in occupancy. By the end of 2025, occupancy rates in Canada’s senior housing market are expected to exceed pre-pandemic levels, as illustrated in Figure 17. We believe these supportive fundamentals position Canadian senior housing operators for outperformance in 2025.

Figure 17. Canada Historical & Forecast Market Occupancy Rates



Source: Cushman & Wakefield, September 2024.

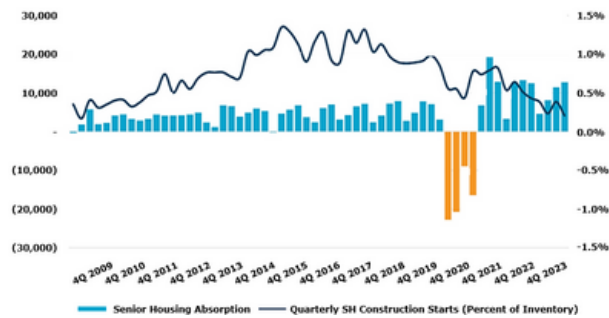


U.S. Spotlight

In the U.S., senior housing demand-supply dynamics mirror those in Canada and remain highly favorable. According to Cushman & Wakefield, the 80+ population cohort is expected to grow at a 4.2% CAGR through 2042. Unlike in Europe and other regions where senior housing is heavily subsidized by governments and subject to regulatory risks, the U.S. senior housing sector is primarily funded by private individuals.

On the supply side, construction activity remains subdued. As of Q3 2024, construction starts, measured as a percentage of inventory, fell to 3.5%—the lowest level since 2014—while annual absorption reached 3.9%.¹⁷ This marks the 20th consecutive quarter of decelerating construction starts, as shown in Figure 18. Currently, only 26,000 units are under construction nationally, but over 600,000 units are needed to bridge the demand-supply gap.¹⁸ This imbalance provides significant opportunities for senior housing owners and operators to push rents and drive growth in 2025.

Figure 18. U.S. Senior Housing Construction Starts as Percentage of Inventory and Absorption



Source: The National Investment Center for Seniors Housing and Care (NIC). July, 2024 MAP Data.



SENIOR HOUSING IN NA OUTLOOK

In 2025, we believe senior housing REITs in North America are set to benefit from powerful secular growth drivers, fueled by robust demographic tailwinds and constrained supply conditions. At the same time, rising construction costs, limited debt availability, and subdued new development activity have significantly constrained inventory expansion. As highlighted above, construction starts as a percentage of existing inventory remain at multi-year lows, a dynamic that is expected to sustain upward pressure on occupancy rates, rental growth, and NOI margins into 2025.

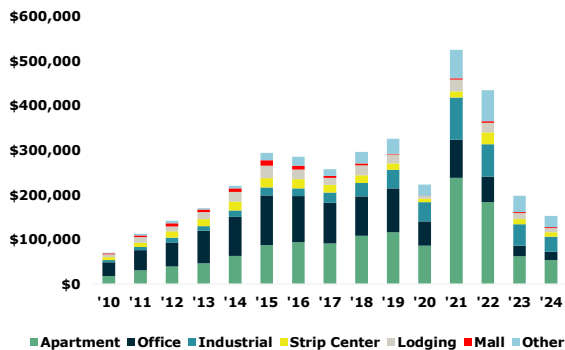
COMMERCIAL REAL ESTATE (“CRE”) BROKERS

We view the commercial real estate (“CRE”) broker sector as a highly attractive investment opportunity in 2025. CRE brokers provide exposure to both a cyclical recovery in property transactions and leasing volumes, as well as the secular growth of facility and property management services for owners and occupiers. This “picks-and-shovel” approach enables investors to gain indirect exposure to CRE activity without taking on significant asset-level valuation risk.

Cyclical Recovery in Transactions

The rapid rise in global interest rates beginning in early 2022 had a pronounced negative impact on CRE transaction volumes. Buyers and sellers struggled to align on pricing with sellers anchored to historical valuations and buyers expecting discounts to reflect higher borrowing costs. As a result, transaction volumes from 2023-2024 fell to levels last seen during the post-GFC recovery from 2010-2013, as Figure 19 demonstrates.

Figure 19. U.S. Commercial Real Estate Transaction Volume (\$Millions USD)

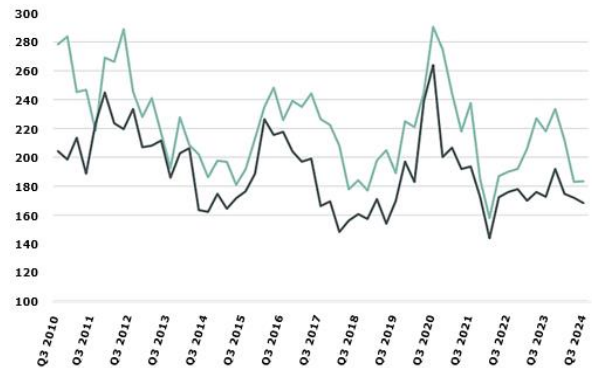


Source: Greenstreet. Data as of October 16, 2024.

As we enter 2025, we believe conditions in the transaction market have improved. Transaction-related revenues for industry leaders CBRE and JLL turned positive in 2024, supported by management commentary indicating that seller expectations are now more closely aligned with current market conditions. Concurrently, most global central banks have begun cutting interest rates (albeit at varying speeds), and credit spreads have compressed to their tightest levels since late 2021, facilitating a recovery in debt markets, as depicted in Figure 20. We believe this

more favorable funding environment is expected to further drive transaction activity in 2025, positioning CRE brokers to benefit from rebounding volumes.

Figure 20. Commercial & Multifamily Loan Spreads to 10-Year Treasury (in Bps)



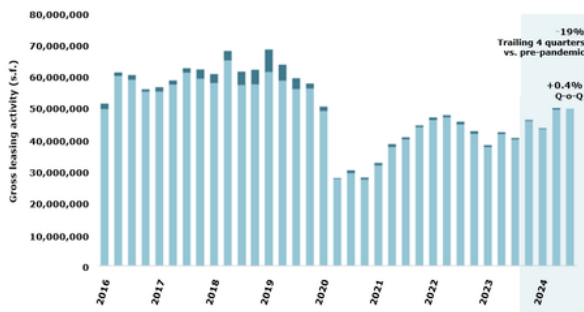
Source: CBRE Capital Markets, CBRE Research Q3 2024.



Leasing and Tenant Demand

In addition to sales, CRE brokers generate significant transaction-related revenues from leasing commissions. While challenges in office markets are well-documented, office leasing activity has rebounded as tenants gain greater clarity on their long-term space requirements. Figure 21 illustrates this recovery, showing increased gross U.S. office leasing activity in 2024. Although lease economics may differ from pre-COVID norms, CRE brokers primarily facilitate these transactions without assuming the same risks associated with property ownership.

Figure 21. Gross U.S. Office Leasing Activity (in Square Feet)

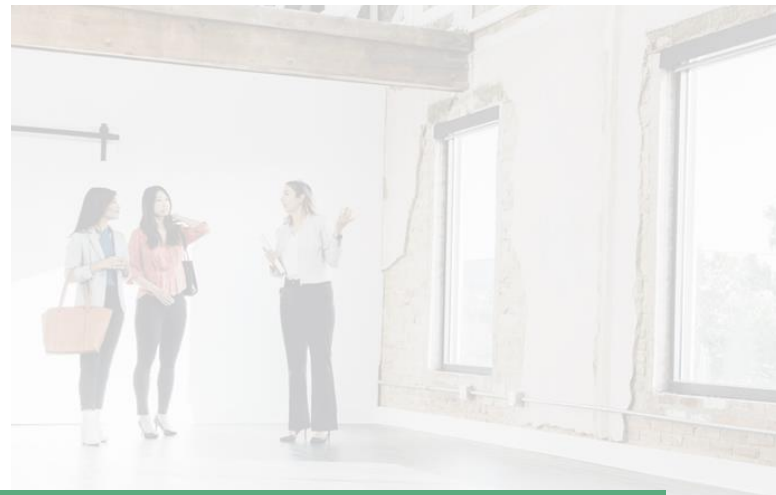


Source: JLL Research, Q3 2024.

Secular Growth in Property and Facilities Management

CRE brokers derive a significant portion of annual revenues from managing owned or leased properties on behalf of clients. Large corporations with global real estate footprints require significant investments of time and capital to manage their portfolios efficiently, especially for companies whose primary focus is not real estate.

In recent years, real estate has become a more management-intensive business due to increasing complexity and polarization. As a result, companies are increasingly outsourcing these responsibilities to third-party specialists like CRE brokers. These firms leverage their expertise and global scale to streamline operations, allowing multinational companies to consolidate their outsourcing needs with a single vendor, minimizing complexity and costs.



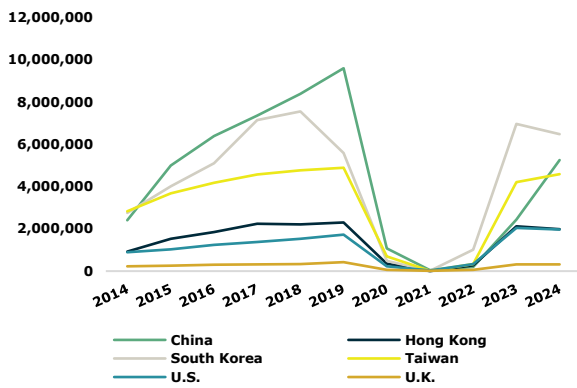
CRE BROKERS OUTLOOK

In 2025, we believe the commercial real estate broker sector is poised for strong performance, driven by both a cyclical recovery and secular growth trends. Transaction volumes are expected to rebound as compressing credit spreads and improved alignment between buyer and seller pricing facilitate greater market activity. Meanwhile, leasing activity is gradually recovering, providing additional revenue opportunities for brokers. Beyond these cyclical drivers, the ongoing expansion of facilities and property management services continues to fuel long-term growth, as corporations increasingly outsource real estate operations to specialized brokers with the scale and expertise to deliver efficient solutions.

HOTELS IN JAPAN

We perceive Japan's hospitality and tourism industry to be on a sustained growth trajectory, poised to exceed pre-COVID levels and achieve record highs in 2025. Figure 22 demonstrates the robust rebound in Japanese tourism since the pandemic. Strong inbound tourism from Western and Asian nations, the reopening of mainland China's borders, and a favorable Yen exchange rate support higher tourist inflows and continued improvement in hotel demand, room rates, and occupancy in 2025.

Figure 22. Annual Visitor Arrivals to Japan by Area



Source: Japan National Tourism Organization, September 2024

Inbound Tourism Trends

Japan's inbound tourism continued its strong recovery in 2024, with 17.8 million visitors in the first half of the year, surpassing the 16.6 million arrivals during the same period in 2019. This suggests a projected 12% annual increase over the record 31.8 million tourists in 2019. Visitors from Asia (excluding China) and Western nations have already exceeded pre-COVID levels by 10 – 70%. Notably, mainland Chinese arrivals also showed significant recovery, with an October 2024 recovery rate of 80% compared to pre-COVID levels, a significant improvement from 50% in January.

Inbound travelers now account for 25% of hotel demand, up from 21% in 2019. Additionally, the full-year contribution of Chinese tourists is expected to further bolster hotel operating fundamentals in 2025.

Economic Tailwinds

Since 2021, the ~32% depreciation of the Japanese Yen against the U.S. dollar has significantly boosted Japan's appeal as an

affordable destination for international travelers. This favorable exchange rate has contributed to an increase in the average length of stay, which rose from 1.9 nights in 2019 to 4.3 nights in the first half of 2024. Additionally, spending per tourist has surged by 48%, with notable growth across key categories such as shopping, lodging, dining, and transportation.

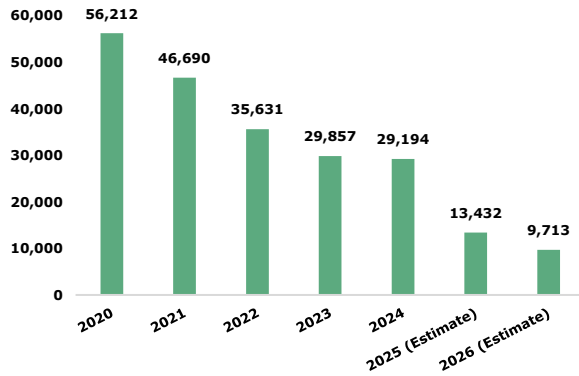
These dynamics have propelled average daily rates (ADRs) higher by approximately 23% above pre-COVID levels, while occupancy rates have recovered to the mid-80% range. These trends are expected to continue into 2025, driving record ADRs, improving occupancy, gross operating margins, and distribution per unit (DPU) growth for hotel J-REITs.



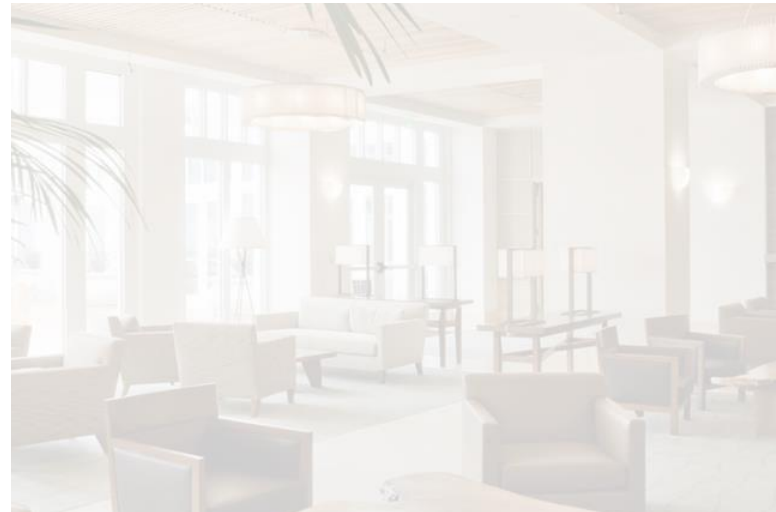
Supply Constraints

Inflationary cost pressures and rising wages are deterring new hotel developments across Japan. Over the past five years, the market saw an average annual supply of 39,500 hotel units. However, this figure is expected to decline to 13,400 units in 2025 and ~9,700 units in 2026 as highlighted in Figure 23.

Figure 23. Japan Number of Planned New Hotel Room Supply



Source: Invincible Investment Corp. Presentation, H1 2024.



HOTELS IN JAPAN OUTLOOK

We believe Japan's hospitality sector is well-positioned for robust growth in 2025, supported by strengthening inbound tourism trends and a significant slowdown in new hotel supply. This favorable demand-supply imbalance is expected to drive continued improvements in occupancy rates and average daily rates (ADRs) in 2025, reinforcing Japan's position as an attractive market for hospitality real estate investments. The Japanese government's ambitious 2030 target to double annual inbound tourists from ~30 million to 60 million, coupled with historical growth trends, underscores the sector's long-term potential.

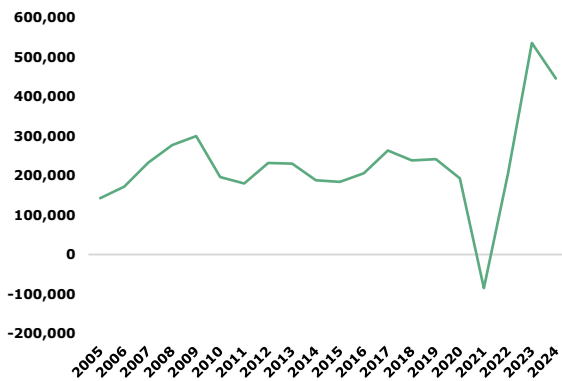
RESIDENTIAL

We see residential real estate as a compelling investment opportunity in 2025, with attractive prospects in both Australia and Germany driven by structural supply-demand imbalances and demographic tailwinds. These markets offer unique opportunities for investors, with supportive fundamentals and potential for long-term value creation.

Australia

The Australian residential market faces a significant undersupply of housing, driven by record immigration levels and constrained new development. Net overseas migration reached a historic high of 547,000 in 2023, surpassing the previous peak of 433,000 in 2022. Migration data for the first nine months of 2024 showed permanent and long-term arrivals reaching another record pace of 392,000, as displayed in Figure 24.

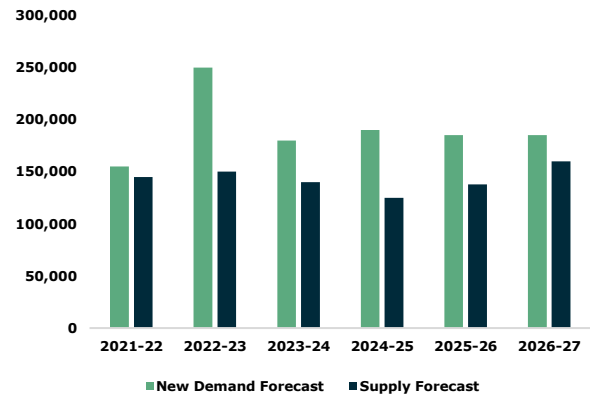
Figure 24. Historical Net Overseas Migration in Australia



Source: Australian Bureau of Statistics, December 2024.

We believe this population growth, paired with limited housing supply, points to ongoing price support in 2025. National vacancy rates remain tight at 1.2%, with major cities such as Sydney (1.5%), Melbourne (1.7%), and Brisbane (1.0%) reflecting the broader undersupplied market. Projections highlight a significant housing shortfall, with a substantial forecasted deficit of homes by 2027, as illustrated in Figure 25.

Figure 25. Estimated Australian Housing Supply and Demand Imbalance



Source: Housing Australia, JLL Research August 2024.

With interest rates expected to decline, residential companies with strong development pipelines of master-planned communities should see a recovery in settlement volumes and price stability in 2025. These communities attract households seeking larger living spaces, community amenities, and family-friendly environments.

We see land-lease communities gaining popularity, particularly among Australia's aging population (65+). Like North America, Australia's population is aging rapidly, with the 65+ segment projected to rise from 16% in 2020 to 22% by 2026. Homes located in land-lease communities offer ~30% price discounts relative to median home prices, making them an attractive option for retirees seeking to downsize. Currently, less than 1% of Australians live in land-lease communities, compared to ~6% in the U.S., suggesting substantial room for growth.

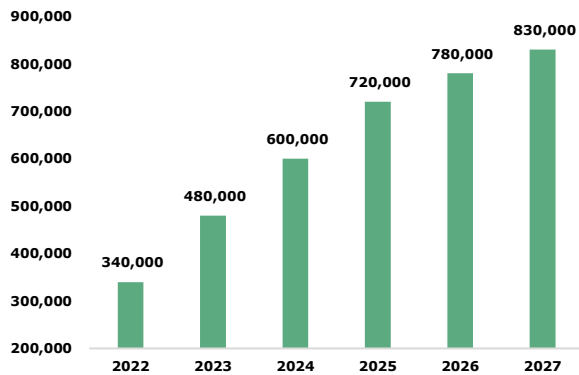
We believe the development model for land-lease communities is attractive, providing development margins on home sales and annuity-like income on land leases that are linked to fixed escalations or CPI. Residential companies that can scale their pipelines in 2025 are well-positioned for strong cash flow growth through higher settlement volumes.

Germany

We see the German residential sector as similarly characterized by a persistent and growing rental housing supply-demand imbalance, creating an attractive investment setup for 2025. According to estimates by the Federal Statistical Office, Germany currently faces a cumulative construction gap of approximately 600,000 apartments, which is forecasted to expand to over 830,000 units by 2027, as illustrated in Figure 26.



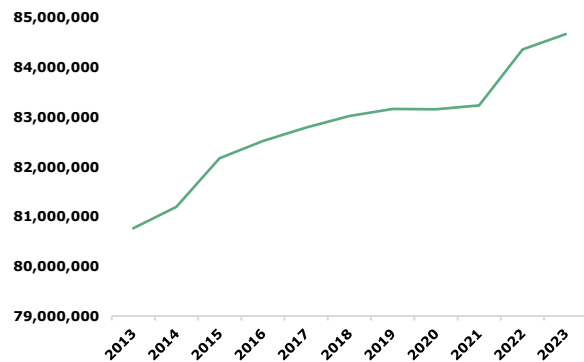
Figure 26. Forecasted German Residential Construction Shortage (# Of Apartments)



Source: Germany Property Federation (ZfA), Statista Research, February 2024.

Moreover, the German government’s annual target of 400,000 newly completed apartments is expected to fall drastically short, with actual supply only forecasted to reach 150,000 units in 2025.¹⁹ This stark undersupply exacerbates the structural imbalance in the market. Strong demand for residential housing is underpinned by demographic trends and increasing urbanization. Germany’s population reached a historic high of over 84 million in 2023, continuing a decade-long growth trajectory, as shown in Figure 27.

Figure 27. German Population Growth

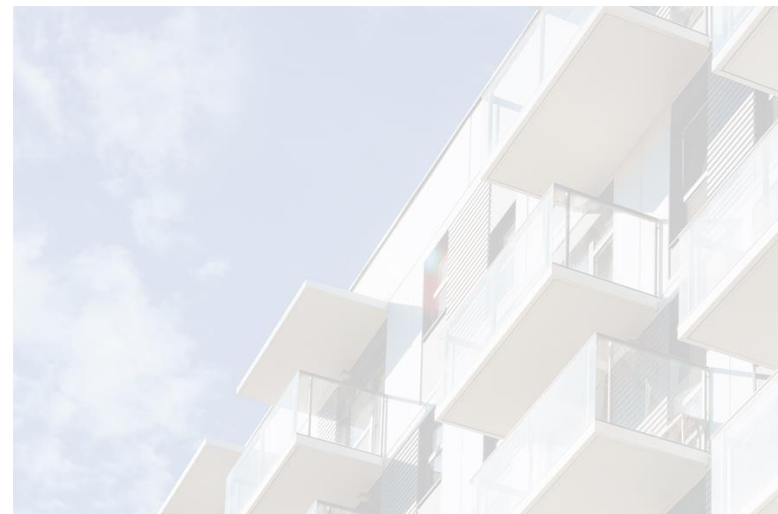


Source: German Federal Statistical Office, Destatis, December 2024.

The financial dynamics for households further support the residential rental market. During the low-interest rate environment of 2020-2021, purchasing a property cost 30–40% more in monthly payments compared to renting. Today, it is significantly higher than 40%, making renting the only viable option for over 50% of the population.

In-place rents for residential rental portfolios are considerably below market levels due to

regulatory measures such as rent freezes and rent control tables, creating substantial embedded growth potential. This disparity suggests outsized room for rental growth, which is expected to remain around 4% annually over the coming years, further solidifying the sector's growth prospects.



RESIDENTIAL OUTLOOK

We believe both the Australian and German residential markets are poised for outperformance in 2025, underpinned by robust demand dynamics and constrained supply growth. In Australia, record immigration levels and a structural housing deficit create a favorable environment for master-planned and land-lease communities. Meanwhile, Germany’s structural undersupply of housing in urban centers and gap between market rents and in-place rents supports long-term rental growth.

MEET THE TEAM

Hazelview Investments is an active investor, owner and manager of global real estate investments committed to creating value for people and places. We have an active, hands-on investment management platform that helps us find opportunities to invest in sustainable long-term cash flow and we are committed to fostering the long-term growth of our employees, residents and the investments we make for our clients.

Equipped with an experienced team of real estate professionals strategically located in major markets (Toronto, New York, Hamburg and Hong Kong) provides an advantage of global perspective and the ability to stay on the pulse of new developments. This ‘feet in the street’ presence allows us to be face-to-face with local markets, enabling us to accurately and efficiently source, underwrite and monitor global real estate investments.

Our key investment strategies include Core, Focused and Liquid Alternative and are offered to both institutional and retail audiences through a range of public and private vehicles.

Meet our seasoned, institutional team of investment professionals covering key global markets made up of:

- Portfolio Managers: 20 years average experience; 17 years together
- Dedicated 14 person REIT team located in 4 global offices
- Managing C\$2.1B in global real estate
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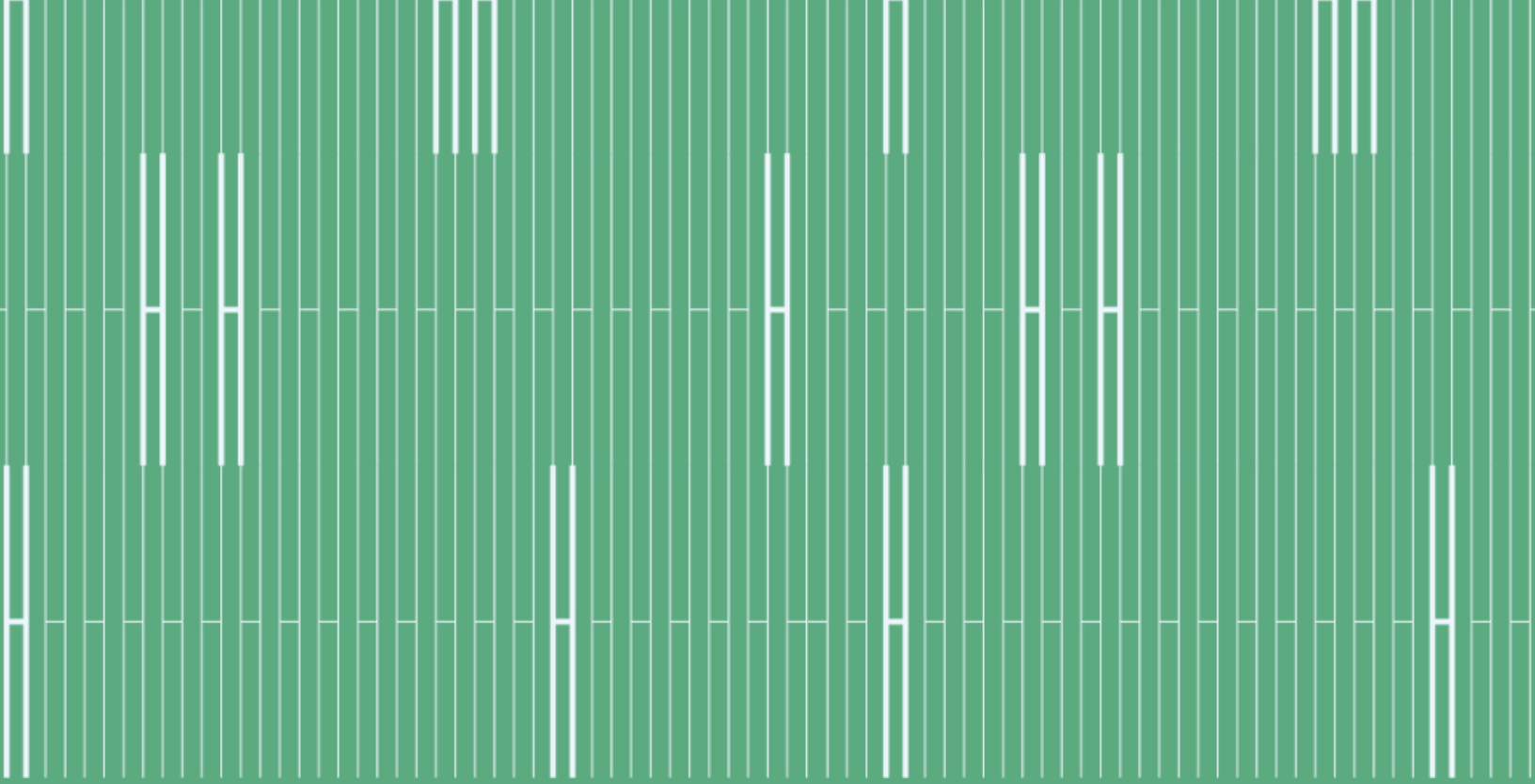


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