

Clarion Calls: Housing: Durable Demand Driving Performance

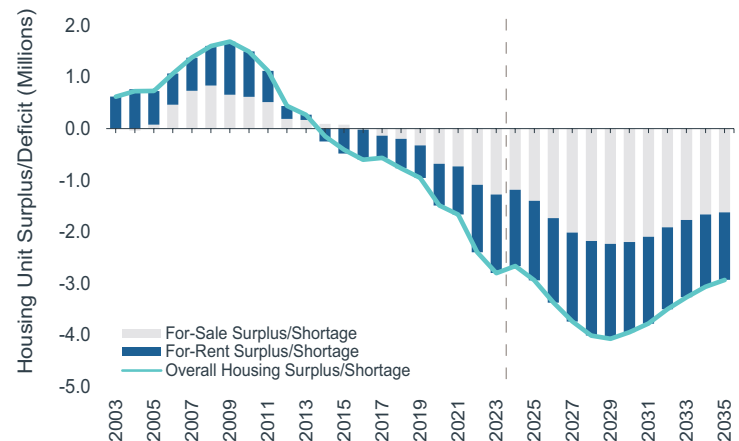
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U.S. Housing Fundamentals Remain Strong Amid Persistent Shortage

What You Need to Know

- ✓ Chronic housing shortage creates opportunity for rental strategies
- ✓ Demographic tailwinds and affordability challenges contribute to the sector's strong long-term performance
- ✓ Multifamily values are stabilizing amid an optimistic interest rate outlook¹

HOUSING SURPLUS/SHORTAGE



Source: U.S. Census Bureau; Moody's Analytics; Clarion Partners Investment Research, as of April 2024.

Demand Drivers

➤ Affordability Challenges Leads to Renting

- Existing home prices increased 45% between year-end 2019 and mid-2024.
- This, combined with rising interest rates, led to a 90%+ increase in monthly payments of newly purchased homes.

➤ Millennials & Gen Z Entering Prime Earning and Household Formation Years

- A healthy economy & rising wages should encourage young adults to form new households.
- These generations are seeking differentiated product that provide some of the benefits of owning a home.

➤ Retiring Baby Boomers Driving Demand for Age Specific Housing

- The 65+ population is the fastest growing cohort, forecast to increase from 18% to 21% over the next 10 years.
- This generation is the wealthiest in history and are increasingly choosing the flexibility of renting over owning.

Supply Dynamics

➤ Decline in Multifamily Development Activity

- Construction starts have declined 41% from the peak in 2022.
- As a result, new supply is projected to decline sharply in 2026.

➤ Low Availability for For-Sale Housing

- Inventory of existing homes for sale is 40% below the long-term average.
- Single family starts are down 22% from peak in Q1 2021.

➤ Age Leading to Value Erosion in Some Assets

- Aging assets can be more susceptible to health, economic and regulatory risks.
- Strategic capital and operational improvements position assets to capture demand.

Current Opportunity

Chronic housing shortage, easing supply pressures, and durable demand support housing's **Positive Outlook**.

Compelling entry point: Multifamily real estate values have stabilized & have potential to rebound

¹ MSCI Real Capital Analytics and Green Street Advisors
Source: Clarion Partners Investment Research, Moody's Analytics, National Association of Realtors, Freddie Mac, Insurance Information Institute, U.S. Census Bureau.
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