

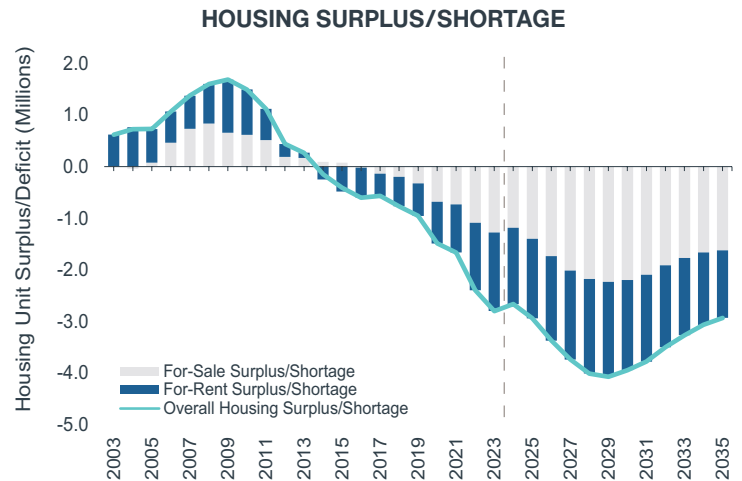
Clarion Calls: Housing: Durable Demand Driving Performance

October 2024

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



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. This material does not constitute investment advice, nor does it constitute an offer in any product or strategy offered by Clarion Partners LLC and should not be viewed as a current or past recommendation to buy or sell any securities. Any specific investment referenced may or may not be held in a Clarion Partners client account. It should not be assumed that any investment, in any property or other asset, was or will be profitable. Investment in real estate involves significant risk, including the risk of loss. Investors should consider their investment objectives, and it is strongly suggested that the reader seek his or her own independent advice in relation to any investment, financial, legal, tax, accounting or regulatory risks and evaluate their own risk tolerance before investing. There can be no assurance that market conditions will perform according to any forecast