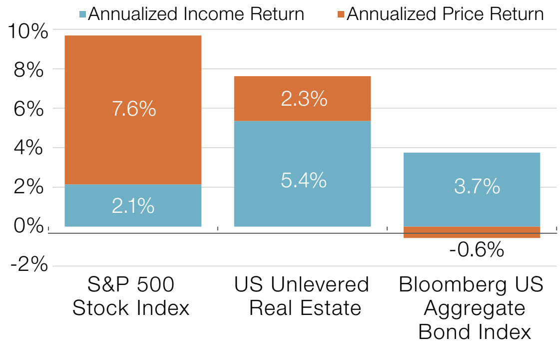
PART I: WHY REAL ESTATE

The Value Proposition

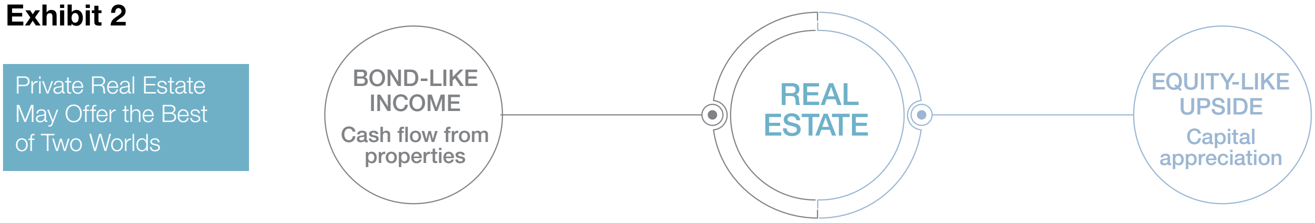
The real estate value proposition is rooted in the composition of its risk/performance over time – an apartment building, warehouse or office complex can offer the potential for ongoing income complemented by capital appreciation (the latter underpinned by rising income from rent increases). As shown in Exhibit 1, the average returns for real estate over the past 20 years have slotted between equities and fixed income The combination of cash flow and capital appreciation makes real estate, in our view, a blend of both traditional vehicles (a hybrid with equity and bond-like characteristics). It could be viewed as a natural bridge between stock and bond allocations.

Exhibit 1



Past performance cannot guarantee future results.
For definitions of each index, please see the end of this paper.
Sources: NCREIF, Standard and Poor's, Bloomberg, Hines Research. As of 4Q2023. The returns shown are average annualized total returns broken down into income and price returns. For U.S. Levered Real Estate, Hines Research used the NCREIF Property Index (NCREIF NPI), which measures property-level returns that do not consider the impact of mortgage debt-to-equity returns. NCREIF NPI provides capital, income, and total return; returns do not include a return of capital.

Exhibit 2



Past performance cannot guarantee future results.
Source: Hines Research. As of Q4 2023.

INCOME AND PRICE RETURNS OVER TRAILING 20 YEARS

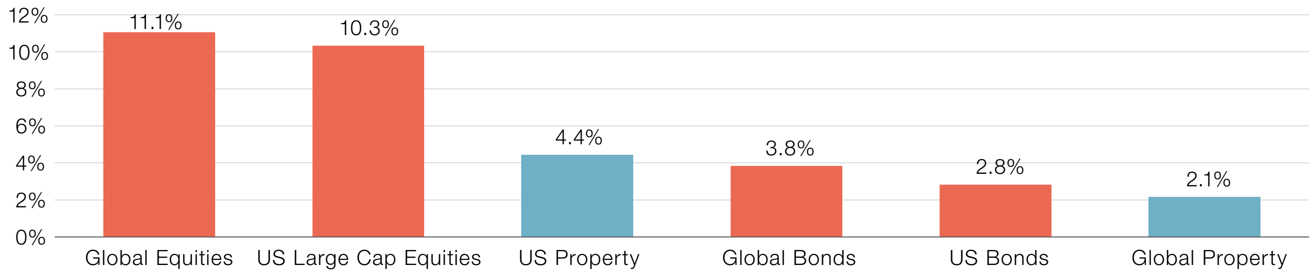
Our research suggests that a real estate allocation can play a supporting role for an equity portfolio during periods of low growth by offering income together with potential appreciation. It may also serve as a complement to an underperforming bond allocation during periods of strong equity growth. In addition, historically real estate has had lower volatility than other commonly held investments. Since 2001 (the oldest global return data available), the asset with the lowest

IN THIS PAPER, "WE" AND "OUR" REFERS TO HINES PROPRIETARY RESEARCH ("HINES RESEARCH").

downside volatility – a measure that considers only the severity of negative returns for any investment – is global real estate (as shown in Exhibit 3). This is due in part to the diversification benefits which may come from investing across global regions and sectors. Lower volatility generally translates into better capital preservation in down markets.

Exhibit 3

Downside Volatility for various asset classes for the period from 2001 - 2022



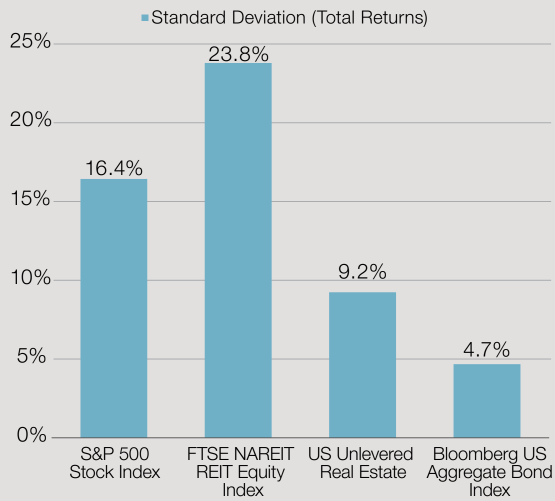
Past performance cannot guarantee future results. For definitions of each index, please see the end of this paper.
As of Q4 2022 for the period from 2001 – 2022.
Source: MSCI, Standard & Poor's, Bloomberg, Hines Research.

- Global equities are represented by the MSCI World Index,
- U.S. Large Cap Stocks are represented by the dividend yield of the S&P 500 Index.
- U.S. real estate is represented by the MSCI U.S. Annual Property Index.
- Global bonds are represented by the Bloomberg Aggregate Bond Index.
- U.S. bonds are represented by the Bloomberg Aggregate Bond Index.
- Global real estate is represented by the MSCI Global Annual Property Index ("MSCI Global Annual").

HINES NOTE

Public REITs are securities that are bought and sold on an exchange, so their performance is not a proxy for the real estate market. In fact, annualized volatility for publicly traded REITs over the last 20 years has averaged 23.8% versus only 9.2% for unlevered U.S. property. Over the same period, the correlation of U.S. publicly traded REIT total returns (measured by R^2) to the S&P 500 has been 0.74 versus only 0.14 for U.S. property. As such, U.S. publicly traded REIT performance is similar to that of an equity index.

Exhibit 4



Sources: NCREIF, Standard and Poor's, Bloomberg, FTSE NAREIT, Hines Research. As of 4Q2023. Volatility is calculated using rolling 1-year total returns.

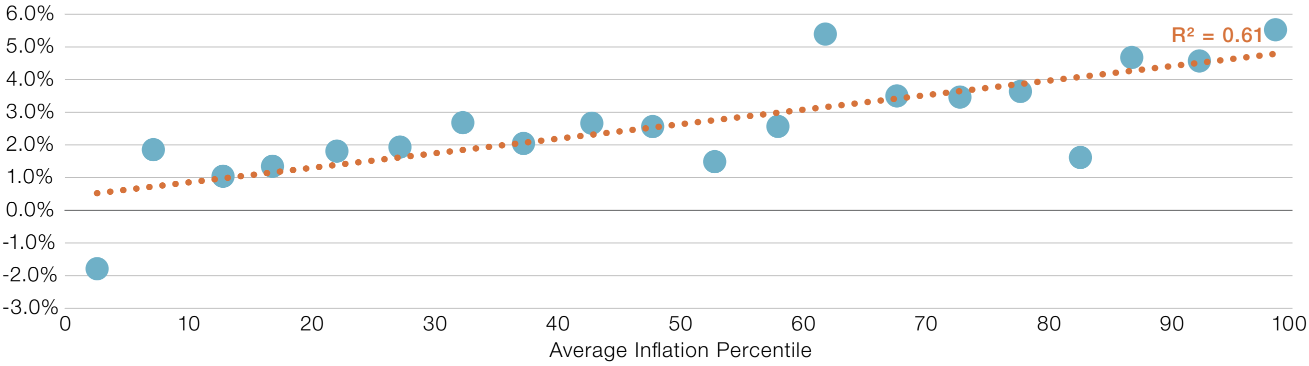
Public REIT Performance is not a Proxy for the Real Estate Market

REAL ESTATE HAS ACTED AS AN INFLATION HEDGE

Our research shows that real estate has historically behaved as an inflation hedge by offering capital appreciation underpinned by cash flow growth. Exhibit 5 shows that trailing annual rent growth, a key factor in the generation of cash flow at the property level, has a very significant relationship with concurrent inflation. Higher inflation tended to result in higher rent growth (a very welcome development during inflationary times).

Exhibit 5

Historical Global Property Rent Growth Relative to Inflation



Past performance cannot guarantee future results.
Sources: Oxford Economics, JLL, CBRE, PMA, NCREIF, CoStar, Hines Research. As of Q3 2023. Hines Research took country-level trailing annual inflation and scored each quarter's (normal distribution) against the country's own history. This was applied to all markets under coverage in Europe, Asia and North America. All datapoints were bucketed into bands of 5 points (i.e., 0-5, 5-10, etc.). Then the trailing annual rent growth associated with each datapoint (each quarter for the market in question) was averaged for each band. The results are charted here or quoted in the table. The period covered is from 1981 to present, though data availability differs by market. * R^2 is a measure that indicates the proportion of the variance in the dependent variable that can be explained by the independent variables in a regression model. It provides an assessment of how well the regression line fits the observed data points. R^2 values range from 0 to 1, where a higher value indicates a better fit of the model to the data. An R^2 value of 1 indicates that all the variability in the dependent variable can be explained by the independent variables, while a value of 0 suggests that the independent variables have no explanatory power.

Our Research leads us to believe that in the current economic environment inflation could very well run hotter for longer than most expect, part of a shift we view as "regime change." What we mean by this term is that the world will likely experience a persistent shift in the investment and economic environment from low inflation, low interest rates and low growth to higher inflation, higher interest rates and (we would argue) higher growth. If growth is measured using nominal gross domestic product (GDP), which does have a higher correlation to performance measures like price and rent growth, the result is real GDP growth plus higher equilibrium inflation. Our data suggests real estate can perform well in this new regime, potentially outrunning inflation by delivering appreciation returns driven by cash-flow growth.

WHERE ARE WE IN THE REAL ESTATE ADJUSTMENT CYCLE?

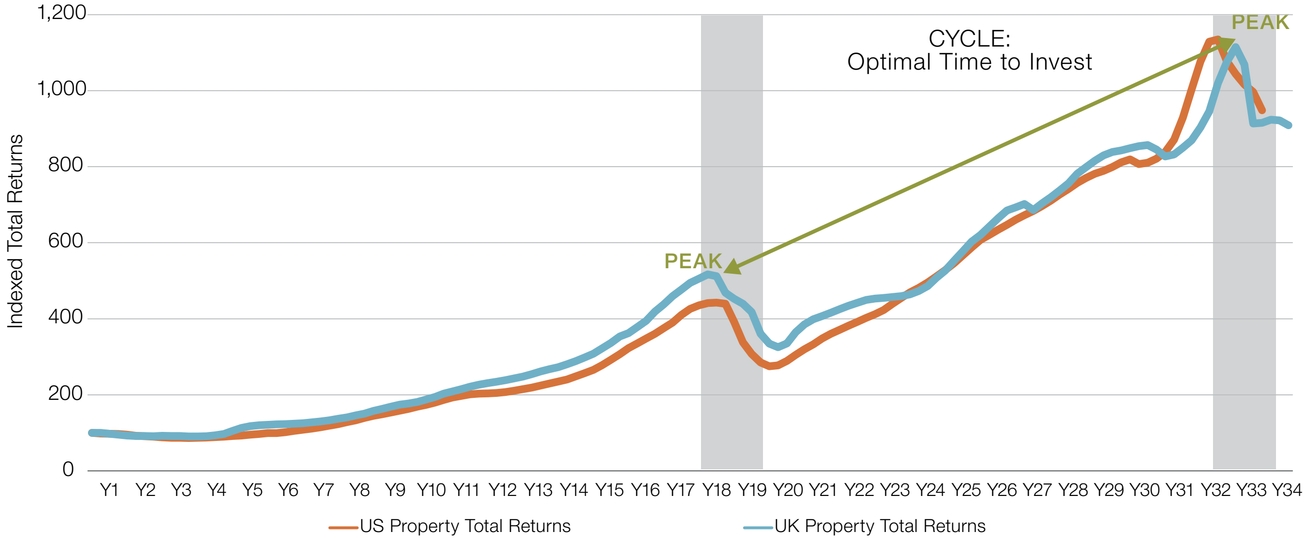
We have uncovered a pattern supporting what appears to be longer multi-year real estate cycles. Reviewing historical market data, real estate performance has tended to track in what we call "long cycles." These are defined as 15 to 17-year periods, measured peak to peak, that end (and begin) with significant downturns. In the U.S. and U.K., there have been two each using the available data (in the early 1990s and from 2008 to 2010). Any mid-cycle downturn, like 2002 or the one during COVID, turned out to be much more moderate. As shown in Exhibit 6, there has been a significant drop in real estate prices at the far right of the chart, which represents the most recent period over 2022 and 2023. We believe the scale of the current downturn, visually clear in Exhibit 6, signals the beginning of a new long cycle of growth is likely near. Real estate investing in the next 6-8 months may allow participation in a multi-year recovery, with investors possibly experiencing rising income from distributions, stability in value, downside risk mitigation, and capital appreciation supported by cash flow growth as rents respond to the higher inflation.

Exhibit 6

Long Cycle Investing: A New Long Cycle May Be in the Offing

Prioritizing long-term investment strategies has alleviated the pressure of perfectly timing the market's bottom

U.S. and U.K. All-Property Long Cycles and Total Returns Based on Entry Point



Past performance cannot guarantee future results. For definitions of each index, please see the end of this paper.
Sources: MSCI, NCREIF, Hines Research. As of 4Q2023. We are using total returns for all properties. Hines Research uses the NFI-ODCE Fund Index for U.S. private real estate in this analysis. The "long cycle" is a concept that is the opinion of Hines Research, backed by the following rationale: Real estate cycles in two markets where Hines Research dates to at least 1989, the U.S. and U.K., can extend from cyclical downturns of equal to or greater than 10% declines using total returns (U.S.: (1) -13%, 3Q1990-2Q1993 (2) -38%, 2Q2008-4Q2009; U.K.: (1) -10%, 4Q1989-4Q1992 (2) -37%, 2Q2007-2Q2009). Any intermediate downturns, if any, are of scale less than -10% using total returns. We show one cycle (averaged from two cycles) for each of the markets shown.

LEARN MORE

Interested in further insights from Hines Research on real estate as an investment solution? Download our full whitepaper, Real Estate Investment Solutions, available at Hines.com/privatewealth.

ABOUT HINES' PROPRIETARY RESEARCH TEAM

Josh Scoville and his team, including Michael C. Hudgins, Senior Managing Director, the lead author on this paper, are responsible for constructing the Hines macroeconomic view and outlook for commercial real estate market fundamentals and pricing. Hines Research is also responsible for assisting with the development of investment strategies for the firm's investment programs; working closely with the local and fund management teams, clients and partners; and supporting U.S. regional and international country heads in identifying market/submarket opportunities and risks. The views of the local and fund management teams on the latest market developments are exchanged regularly via biweekly conference calls and quarterly market updates and are essential for reviewing investment strategies and fund portfolio allocations.

Additional members of Hines' Proprietary Research team include Ryan McCullough, James Purvis, Tim Jowett, Erik Thomas, Michael Spellane, and Anthony Witkowski.

Disclaimer

Past performance is no guarantee of future results. Investing involves risks, including possible loss of principal. The opinions presented herein cannot be viewed as an indicator of future performance.

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Endnotes

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U.S. Unlevered Real Estate is represented by the NCREIF NPI, short for the NCREIF Property Index -- is a quarterly index tracking the performance of core institutional property markets in the U.S. The objective of the NPI is to provide a historical measurement of property-level returns to increase the understanding of, and lend credibility to, real estate as an institutional investment asset class. The universe of investments: (1) is comprised exclusively of operating properties acquired, at least in part, on behalf of tax-exempt institutions and held in a fiduciary environment; (2) includes properties with leverage, but all returns are reported on an unleveraged basis; and (3) includes apartment, hotel, industrial, office and retail properties, and sub-types within each type. The database fluctuates quarterly as participants acquire properties, as new members join NCREIF, and as properties are sold. Sold properties are removed from the index in the quarter the sales take place (historical data remains). Each property's market value is determined by real estate appraisal methodology, consistently applied.

FTSE Nareit Equity REITs Index contains all publicly-listed and traded equity REITs not designated as Timberland REITs or Telecommunications REITs. Prior to December 2010, the index included Timberland REITs and Telecommunications REITs.

Stocks/U.S. Equities are represented by the S&P 500 Index, widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

Global Equities are represented by the MSCI World Index, a global equity benchmark that represents large and mid-cap equity performance across 23 developed markets countries. The index is reviewed quarterly with the objective of reflecting change in the underlying equity markets in a timely manner, while limiting undue index turnover.

US Property – MSCI U.S. Annual Property Index is the U.S. component of the MSCI Global Annual Property Index.

R squared: Coefficient of determination ranging between 0 -1 (0 -100), reflecting percentage of the response variation reflected by the linear model/factor. The higher the number the higher the correlation with 1 (100) reflecting a complete correlation.

Global Property – MSCI Global Annual Property Index ("MSCI Global Annual"). The constituents of the MSCI Global Indexes are real estate investments that are held in professionally managed portfolios. They therefore may include properties held in insurance and pension funds, sovereign wealth funds, listed property companies including REITs, unlisted pooled funds, charitable trusts, traditional landed estates, and by other large private property owners.

The MSCI Global Annual reports the market rebalanced returns of the 25 most mature markets (including the U.S.). The index began tracking markets in 2001 and reporting results starting with the year ended December 31, 2001. Results are reported annually. The MSCI Global Annual Indexes measure unlevered total returns of directly held standing property investments from one valuation to the next. The returns are based solely on directly held standing investments in completed and lettable properties, often described as operating properties. The index tracks performance of 58,827 property investments, with a total capital value of USD 2,079.7 billion as of December 2022 and is comprised of all property sectors (retail, office, industrial, residential, hotel and other), direct ownership structures and interests. The index is computed at the building level and excludes properties held indirectly through investment in other funds, the impact of debt, fund management fees, taxation and cash. The MSCI Global Annual is used to gauge the performance of the global real estate market. The countries included in the MSCI Global Annual will be subject to change as their coverage extends to more countries and as more accurate estimates of the value of each investment market become available. The Indexes reflect the impact of entity level expenses.

Endnotes - continued

US Bonds are represented by the Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, fixed-rate agency MBS, ABS, and CMBS (agency and non-agency).

Global Bonds –are represented by the Bloomberg Global Aggregate Index which is a measure of global investment grade debt from a multitude local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Investments in direct real estate may be subject to more expenses than a direct investment in bonds, including management fees and entity-level expenses.

US Property Returns are represented by the NFI ODCE, short for NCREIF Fund Index Open End Diversified Core Equity, is a capitalization weighted, gross of fee, time weighted return index with an inception date of December 31, 1977. Other supplemental data such as equal weight and net of fee returns are also provided by NCREIF for information purposes and additional analysis. To be eligible for NFI ODCE membership, each member fund must be marketed as an open-end fund with a diversified core investment strategy primarily investing in private equity real estate. All members funds must adhere to the following index inclusion criteria: (1) At least 80 of market value of net assets must be invested in real estate 20 cap on cash and equivalents); (2) At least 80 of market value of real estate net assets must be invested in private equity real estate properties 20 cap on real estate assets invested in but not limited to, property debt, public company equity/debt or private company equity/debt; (3)At least 95 of real estate net assets must be located in U S markets; (4) At least 80 of market value of real estate net assets must be invested in office, industrial, apartment and retail property types; (5) No more than 65% (+/- for market force)s of market value of real estate net assets in one property type or region as defined by NCREIF Property Index; and (6)No more than 40% leverage. Each member fund must also comply with the NCREIF PREA Reporting standards. Please note that when returns are computed for the NPI, the returns for the levered properties are computed on a de-levered basis, i.e., the impact of financing is excluded.

UK Property Returns are represented MSCI UK Quarterly Property Fund Index, which represents the performance of U.K. unlisted pooled property funds. The Index is value-weighted, denominated in Great Britain Pound Sterling (GBP) and based on the Net Asset Value (NAV) of its constituent property funds each quarter.

Opportunistic are investments characterized by high risk/high return, including development, redevelopments, or acquisition projects where most of the expected return is from value appreciation, have significant leasing risk or high leverage, and are typically under a shorter-term tactical investment.

Core investments are separated into two categories: (1) Traditional Core and (2) Core-Plus. Traditional Core are investments characterized by low risk/low return, are generally institutional quality operating properties with most of the return derived from income with little expected volatility of that income and are typically a long-term strategic investment. Core-Plus are investments characterized by lower risk/lower return (relative to value-add or opportunistic strategies), are generally institutional quality operating properties with most of the return derived from income with some expected volatility of that income and are typically long-term strategic investments. Core-Plus presents somewhat more risk than Traditional Core because of higher leverage, leasing risk, or moderate capital expenditures. Value-add investments are separated into two categories: (1) Traditional Value-Add and (2) Long-Term Hold Value-Add.

Traditional Value-Add are investments characterized by moderate risk/higher return, generally operating properties or properties in lease-up, may require some renovations, have a significant portion of return expected from the appreciation of the property, and are a shorter-term tactical investment. Long-Term Hold Value-Add is the same as above but with the intention of holding for the long term.