

MANAGER MINUTES

VOLATILITY REVEALS REIT OPPORTUNITIES

I think it's very fair to say that the initial tariff announcements were much greater than people had expected and/or anticipated, particularly at the individual country level. So that's created some uncertainty and volatility and concerns about a recession and also inflation.

Real estate is much more insulated from this than many other parts of the economy. We take a lot of comfort in the fact that it's going to be really hard to predict some of the technology companies' earnings for the next 12 to 24 months. But real estate is backed by contractual leases. It's got identified cashflow. It relies primarily upon local supply and demand. So, a lot of domestic demand, and there's defensive ways to position within real estate that aren't exposed to the economic cycle.

As we look at it, versus private real estate in particular, we still have seen, particularly with this recent sell-off, a really big disconnect between private real estate pricing and listed real estate pricing. So we do expect to see more M&A activity in the space. We're seeing between where some of the smaller public companies are trading, versus not only private real estate, but maybe some of the larger consolidators, the bigger public companies that can go out, use a low cost of capital and consolidate.

We did see the DeepSeek news hit in the first quarter as well. But it really didn't matter in the quarter because the market just saw the headlines and sold indiscriminately.

We are structured and positioned very much on co-location companies. So that means multi-tenant, requiring low latency and high barriers to entry. We still have tremendous demand in that segment. We still have very limited supply where if you look at that particular area, the access to power is very challenging. To get a development approved and done is very challenging.

And in fact, an acceleration in demand, likely as we move from more of the what I call the learning phase of AI to the inference phase of AI in the inference phase, you need to be low latency co-located. You need to be near your tenants or near your clients. You need to be also near your cloud-based service providers.

We did maintain our healthcare overweight. We do like the defensive demand characteristics of that and feel the demographics are very strong that regard less of what happens with economic policy, whether it puts us into a recession or not, that this demand is just there. Particularly assisted living. Areas like living apartments. What we're seeing now is that that's starting to reverse and we're getting re-acceleration in rent growth in apartments, an area where there's very limited supply in 2026 and 2027 as a result of, what went on with the regional bank crisis, construction costs and inflation. Areas like Australia and in Japan, where we're really seeing some signs of really improved corporate governance, shareholder friendliness. And that's resulting in a revaluation of Japanese real estate operating companies.

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