PGIM

3Q26

# Real Estate Securities Market Review

| GRES Composite Performance (%) | Inception Date | Third Quarter | Year-to-Date | Annualized 1 Year | 3 Year | 5 Year | 10 Year | Since Inception |
|---|---|---|---|---|---|---|---|---|
| **Global Real Estate Strategy (gross)** | 1/31/2007 | -6.01 | 5.67 | 4.91 | 11.63 | 2.37 | 5.01 | 4.15 |
| **Global Real Estate Strategy (net)** | | -6.18 | 5.08 | 4.12 | 10.80 | 1.60 | 4.23 | 3.37 |
| FTSE EPRA/NAREIT Developed Index | | -6.10 | 2.95 | 2.20 | 9.50 | 0.60 | 2.55 | 2.18 |
| Variance (gross – benchmark) | | **0.09** | **2.72** | **2.71** | **2.13** | **1.77** | **2.46** | **1.97** |
| **U.S. Real Estate Strategy (gross)** | 12/21/2010 | -5.98 | 12.12 | 10.27 | 14.59 | 5.80 | 8.54 | 9.95 |
| **U.S. Real Estate Strategy (net)** | | -6.16 | 11.50 | 9.45 | 13.74 | 5.01 | 7.73 | 9.13 |
| FTSE NAREIT Equity REIT Index | | -6.12 | 10.61 | 8.89 | 12.87 | 4.36 | 5.59 | 8.05 |
| Variance (gross – benchmark) | | **0.14** | **1.51** | **1.38** | **1.72** | **1.44** | **2.95** | **1.90** |
| **Select Real Estate Strategy (gross)** | 8/1/2014 | -6.16 | 5.43 | 3.68 | 11.96 | 2.91 | 7.35 | 7.22 |
| **Select Real Estate Strategy (net)** | | -6.35 | 4.80 | 2.86 | 11.08 | 2.10 | 6.50 | 6.37 |
| FTSE EPRA/NAREIT Developed Index | | -6.10 | 2.95 | 2.20 | 9.50 | 0.60 | 2.55 | 2.96 |
| Variance (gross – benchmark) | | **-0.06** | **2.48** | **1.48** | **2.46** | **2.31** | **4.80** | **4.26** |
| **Real Estate Income Strategy (gross)** | 9/29/2014 | -6.00 | 6.73 | 3.40 | 14.28 | 5.46 | 6.05 | 6.33 |
| **Real Estate Income Strategy (net)** | | -6.19 | 6.09 | 2.58 | 13.38 | 4.62 | 5.20 | 5.49 |
| Blended Benchmark[1] | | -5.59 | 1.71 | 0.21 | 8.06 | -0.06 | 2.38 | 3.44 |
| Variance (gross – benchmark) | | **-0.41** | **5.02** | **3.19** | **6.22** | **5.52** | **3.67** | **2.89** |

Source: PGIM, Bloomberg. Performance as of September 30, 2026. Each strategy is presented at the composite level. Net performance reflects a model management fee deduction using the highest possible fee charged for each composite. Variance shown only on a gross basis in instances where the index does not provide net returns for the benchmark. **Past performance is not a guarantee or a reliable indicator of future results.**

## Global Market Review

Global listed real estate came under pressure in the third quarter of 2026, as a sharp rise in sovereign bond yields outweighed resilient property fundamentals across most major markets. The FTSE EPRA NAREIT Developed Index declined by approximately 6% for the period, with higher borrowing costs and concerns over asset values driving a broad de-rating of the sector. Despite the challenging market backdrop, operating conditions remained sound, supported by limited new supply, stable occupancy, positive rental growth and sustained demand across several structurally supported property types.

Performance was negative across most regions, although dispersion was pronounced. North America declined approximately 6.4%, as the sharp increase in U.S. Treasury yields weighed on REIT valuations despite healthy earnings trends and continued economic resilience. Europe was the weakest region, returning -9.2%, reflecting greater leverage, rising borrowing costs and political and regulatory risks, partly offset by M&A activity and attractive discounts to private-market values. Asia Pacific declined approximately 3.5%, with weakness in Japan, Australia and Singapore offset by gains in Hong Kong; across the region, robust underlying property fundamentals were overshadowed by tighter monetary conditions and higher long-term rates.

Property type performance was similarly differentiated. Healthcare, hotels and selected office markets proved relatively resilient, supported by strong demographics, recovering travel demand and positive leasing trends. Data centers remained a compelling long-term growth theme, although capital requirements and regulatory pressures contributed to share-price volatility. By contrast, long-duration and acquisition-dependent sectors, including net lease and gaming REITs, were more negatively exposed to the higher cost of capital, while residential performance varied by market. Industrial/logistics, retail and selected residential segments continued to benefit from constrained supply and durable demand, even as financing conditions became more restrictive.

Looking ahead, the near-term outlook remains closely tied to the path of inflation, monetary policy and sovereign bond yields. Nevertheless, we remain constructive on listed real estate over a 12-month horizon, as recent weakness has created attractive valuation opportunities while cash flows and earnings prospects remain supported by favorable supply-demand dynamics. We continue to favor high-quality companies with strong balance sheets, disciplined capital allocation and visible organic growth, with selective exposure to healthcare, data centers, industrial/logistics, Japanese developers, Australian retail, and other businesses benefiting from structural

demand. We remain cautious on highly leveraged companies, acquisition-dependent models and property types facing elevated vacancy, regulatory pressure or substantial capital expenditure requirements.

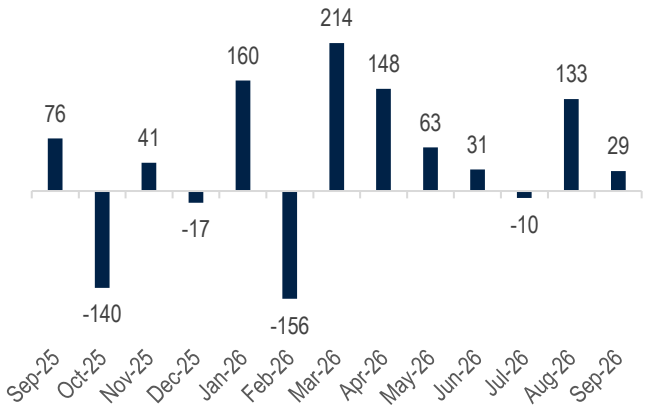
## United States[2]

### Market Review

The third quarter of 2026 proved to be a meaningful test of the U.S. REIT sector's resilience, as a sharp and sustained rise in interest rates overwhelmed the strong fundamental backdrop that had driven outperformance through the first half of the year. The U.S. REIT market declined 6.3% in the quarter compared to a 2.5% gain for the S&P 500. As a result, REITs are now lagging the S&P 500 Index by roughly 300 bps on the year, despite being up a still very healthy 10.5%.

The dominant driver of the quarter's relative underperformance was an extraordinary move in rates. The U.S. 10-year Treasury yield rose 80 bps over the quarter to levels not seen in nearly two decades. The rate surge has introduced a meaningful degree of uncertainty over commercial real estate values given a likely move higher in market cap rates across all property types. The debate over the magnitude and duration of this repricing is likely to be a key focal point for the REIT market for the balance of 2026. That said, it is important to remember the underlying operating environment remains highly favorable, characterized by low new supply, steady occupier demand, and broadly positive earnings revisions. As a result, if this recent rate surge proves temporary, the recent weakness in REIT performance could be an attractive opportunity to gain exposure to a sector with strong multi-year fundamental support.

### Monthly Gains (000) for Office-Using and Non-Office-Using Jobs[3]




The U.S. economic backdrop in 3Q26 was characterized by a resilient consumer offset by a moderating labor market. On the consumer side, the data was more encouraging. Real personal spending rose 0.6% in August — the fastest monthly pace in over a year — as households continued to spend despite persistent inflation. However, the labor market showed signs of fatigue by quarter-end: September nonfarm payrolls increased just 29,000, with the unemployment rate increasing to 4.2%. For REIT investors, a modest softening in labor trends could ultimately prove to be a positive if inflationary fears lessen and interest rates revert back some of their recent move.

Relative sector performance within the U.S. REIT market was also heavily influenced by the rate environment. Sectors whose growth models depend heavily on external spread investing, acquiring properties at cap rates above their cost of capital, were severely penalized, while sectors with above-average organic growth embedded in their existing portfolios proved far more resilient. This distinction is likely to remain the central organizing principle for REIT sector allocation as long as the rate environment remains elevated and uncertain.

The worst-performing sectors during the quarter were net lease and gaming REITs. Both sectors are characterized by long lease durations, fixed or modestly escalating rents, and growth models that rely on acquiring new properties at a spread to their weighted average cost of capital. In addition, increased focus on tenant rent coverage for the gaming REITs further weighed on the companies during the quarter as the outlook for regional casinos weakened.

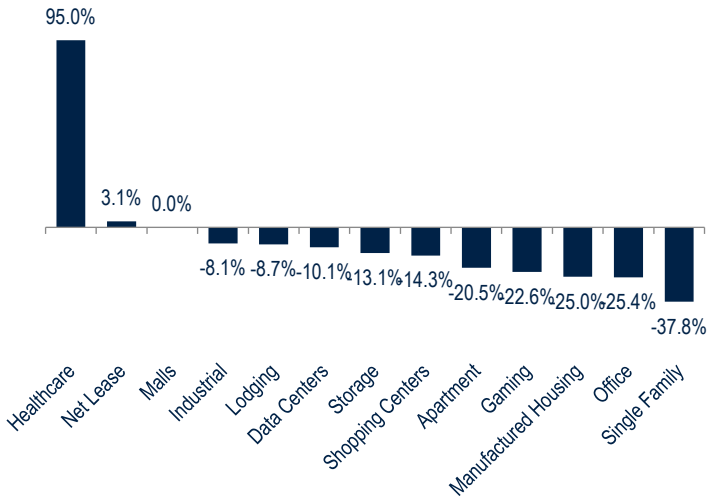
The best-performing sectors during the quarter were healthcare and hotel REITs, as investors preferred names best positioned to sustain above-average NOI growth in a higher interest rate environment. Healthcare REIT's declined just 1% in the quarter with the sector's largest name, Welltower, posting a 1.7% gain. We remain overweight senior housing REITs within healthcare, as we expect low supply and strong demographic demand to drive sector leading NOI and earnings growth. In addition, the influx of new capital to this sector is likely to limit any potential cap rate expansion relative to other real estate sectors. Hotel REITs were the second-best performing subsector in the quarter, reflecting continued resilience in both leisure and business travel demand, with RevPAR trends tracking ahead of expectations over the summer months.

The third quarter of 2026 witnessed another flurry of capital markets activity among U.S. REITs. CSquare (CSQR), completed its IPO in July, marking the 4th IPO in the REIT market this year. The U.S. market also witnessed 3 more M&A announcements, 2 in the apartment REIT sector (AVB/EQR) and (IRT/CSR), as well as Prologis buying UK-based SEGRO in the industrial sector. Finally, private equity remains active with LXP industrial REIT announcing a take-private by Brookfield.



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### U.S.-Sector Price/Net Asset Value[4]




## Market Outlook

Despite the recent spike in interest rates, the outlook for U.S. REITs remains constructive on a 12-month horizon. The rate-driven selloff has created valuation opportunities in high-quality names with strong organic growth profiles, and we expect the market to increasingly reward earnings visibility and internal growth over external acquisition-dependent models as long as the rate environment remains elevated.

From a portfolio perspective, we continue to emphasize high-quality companies with strong balance sheets, durable cash flow generation, and disciplined capital allocation. We remain overweight senior-housing focused healthcare REITs with a preference for mid-cap names with more reasonable valuations. We continue to add to our cold storage overweight within the portfolio. After years of challenging fundamentals and stock underperformance, we believe demand has troughed and we see significant upside given such depressed valuations. We've also lowered our weight to the net lease sector, given a more challenging acquisition environment, and added to the manufactured housing sector, given above-average growth and reasonable valuation. Finally, we remain overweight data center REITs, given unprecedented compute demand across the industry and limited power availability.

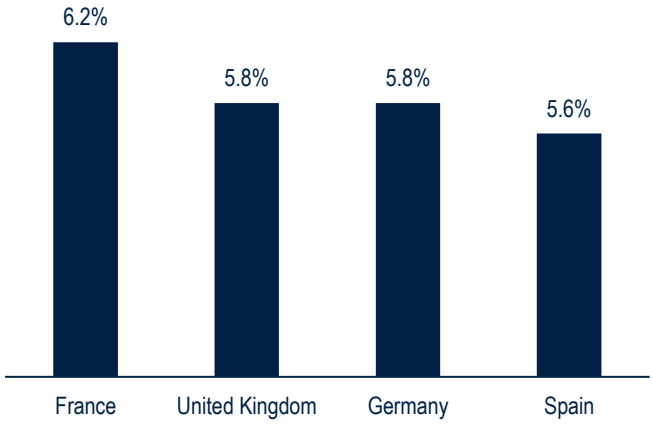
# Europe[2]

## Market Review

The European public real estate market index suffered a big reversal in the third quarter, returning -9.2% (gross total return USD). While all global regions saw steep declines in 3Q26 due to the significant jump in bond yields, Europe's total return in the quarter was behind North America's -6.4% and Asia Pacific's total return of -3.4%. On a year-to-date basis to the end of September, Europe's total return of -9.4% was far behind North America's 9.2% and slightly trailed Asia Pacific's -7.4%.

Total returns across all of the countries in the European region were negative in the third quarter. The UK was the best performer for the second month in a row with a total return of -1.4%. M&A activity enhanced returns in the UK as index heavyweight Segro received successively higher bids from U.S. REIT Prologis, lifting other industrial names as well. Switzerland, Sweden, France and Belgium were clustered together in the performance ranking with total returns in the range of -9% to -11%. France gave up some performance in the third quarter, as French spreads over German bonds widened due to French macropolitical concerns. Spain and Germany were the weakest performers in the quarter with total returns of -20% and -21%, respectively. Germany's performance continued to suffer as large multifamily residential names underperformed on climbing bond yields and regulation threats. Spain reversed its 1H26 outperformance as turmoil in the data center sector hit its largest stock which has a significant data center pipeline.

### Europe-Sector Implied Cap Rates[5]




## Market Outlook

The lagging performance of the European index clearly reflects the impact of increased bond yields and borrowing costs, heightened by higher company leverage in the region as well as concerns about levels of government deficits and total debt. The ECB has already begun tightening with two 25 basis point hikes and the Bank of England is expected to start tightening soon. Higher interest rates carry several negative potential consequences, including valuation falls, a pause in transaction markets and the erosion of company cash flows from higher interest costs. As a result, we have sharpened our focus on company balance sheets, adopting an even more cautious stance on company leverage and maturities and modeling higher borrowing costs. In addition to the challenge of higher interest rates, Europe also faces political risks from upcoming elections in Spain and France and regulation threats in Spanish data centers and German multifamily residential.

Despite the prevailing macro uncertainty and risks, we still see a positive outlook on balance for the listed real estate market in Europe. Public market share prices still offer significant discounts to private market valuations. Many companies are currently offering attractive cash flow yields with earnings growth in structurally supported sectors. These attractive valuation levels and



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the arbitrage opportunity between private and public market values have attracted growing M&A interest in the European sector, starting with midcap names and moving up to the large caps. New supply of real estate generally remains under control across most sectors.

However, we are aware of the risks to real estate of further geopolitical uncertainty and potential economic slowing in the region. Europe is more exposed economically to increasing world energy prices due to its higher level of net imports. To manage this risk, our investment focus in Europe is on the sectors with structural growth and predictable and growing income streams: industrial/logistics, healthcare and retail. We remain cautious overall and underweight on the office market due to higher vacancy in secondary locations, substantial capex backlogs and the potential for further private market value adjustments, though prime office in the major cities has very limited availability and is performing well.

We remain moderately underweight Europe due to the economic growth challenges and macroeconomic risks facing the region. However, many companies are still offering attractive relative valuations, and we are using major valuation moves to act where we see catalysts and have conviction on earnings growth.

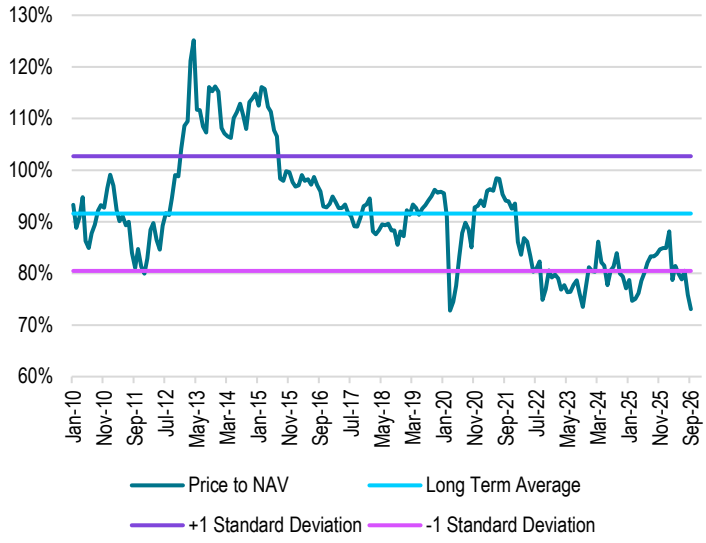
## Asia Pacific[2]

### Market Review

The APAC REIT index declined in 3Q26 by ~3.5% as it worsened from the second quarter and troughed at this year's lows. Global and regional headlines centered on the rising rate narrative as sovereign bond yields rose significantly through the quarter. Ten-year U.S. treasury yields peaked at ~5.3%, the highest in 25 years, which triggered a selloff in regional real estate equities. Rising inflation fears, the increasing AI capex debt load and U.S. fiscal concerns contributed to a challenging macro environment. In addition, the market remains wary of incremental Fed tightening in the months ahead with inflation at elevated levels.

Japan developers declined 5.5% over 3Q26, continuing from the 7.5% decline in the previous quarter. The developers reported 1QFY26 results with Mitsubishi Estate reiterating its 9% ROE target for the fiscal year, underpinned by overseas capital gains, Tokyo office leasing and Tokyo condo sales outperforming expectations. Mitsui Fudosan came in slightly below consensus due to a slower pace of domestic asset sales bookings. However, Management reaffirmed that this would be largely secured by the 2Q26 results. Consensus is forming that the big two developers will announce earnings upgrades with additional share buybacks at their 2Q26 results in November. Once again, the 1Q26 earnings report showcased robust asset fundamentals: Tokyo central office rents rising 10–20% on lease reversions and strong asset sales (whether domestic or foreign) being achieved despite the rising rate environment. The sharp contrast between real estate fundamentals in Japan and share price performance remains stark for the Japan developers —something we expect to narrow as positive 2Q26 results come in.

**APAC Price to NAV[6]**




JREITs declined 4.1% on a total return basis in 3Q26, marking a third consecutive quarterly decline. The sector underperformed TOPIX, which gained ~4%, while performing broadly in line with Japan developers. Performance diverged sharply within the quarter. JREITs rallied ~3% in July as long-term yields stabilized following the BoJ's June rate hike, while a rotation out of AI-related equities supported defensive assets. However, these gains reversed in August and September as expectations for further monetary tightening intensified. The BoJ raised its policy rate to 1.25% on 18 September, while the 10-year JGB yield moved above 3%. With consensus expecting the tightening cycle to extend into 2027, investors remained cautious despite the significant sector correction. The disconnect between operating fundamentals and share-price performance widened during the quarter. Rental growth remained healthy and continued to offset higher financing costs. In the office sector, Activia and Daiwa Office REIT achieved double-digit rent increases on renewals, while Nippon Building Fund and Japan Prime Realty raised their medium-term earnings and distribution growth targets. Residential fundamentals were similarly robust, with Advance Residence reporting rent increases of close to 19% on tenant turnover. Subsector performance remained differentiated. Hotel REITs were the strongest performers, supported by shareholder-return and earnings initiatives. Invincible Investment established a medium-term target of at least 3% annual DPU growth, while Japan Hotel REIT raised its DPS outlook through cost controls and disposal gains despite adopting more cautious RevPAR assumptions. Office and logistics REITs performed well in July but subsequently gave back their gains as rising long-end yields weighed on valuations. Residential REITs were the weakest despite strong rental growth. Sankei Real Estate was the standout performer in September following a take-private tender offer, highlighting the potential value embedded in a sector trading at a meaningful discount to NAV.



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Australian real estate equities declined ~9% in 3Q26, underperforming both APAC and global developed-market indexes, as higher bond yields and renewed expectations for RBA tightening weighed on valuations. The 10-year Australia bond yield rose to 5.40% in late September, near 15-year highs, although a softer-than-expected monthly CPI print toward quarter-end moderated rate-hike expectations. Against this challenging macro backdrop, underlying real estate fundamentals remained generally resilient, supported by limited new supply. Retail occupancy remained high and transaction activity healthy, although discretionary spending softened as consumers prioritised essential categories. Office conditions continued to improve, particularly for prime Sydney CBD assets, with Brisbane also showing signs of recovery, while industrial landlords maintained strong positive re-leasing spreads despite elevated incentives. Residential conditions weakened further, with national home values 5.2% below their March peak and auction clearance rates softening. Data centers remained a key structural growth theme, with NextDC reporting a significantly larger forward order book, Goodman securing its first fully-fitted hyperscaler lease and Stockland expecting data center income from FY27. However, the sector's significant capital requirements weighed on equity performance, highlighted by NextDC's A$1.1bn convertible issuance and ~22% share-price decline in September. Stock-level dispersion was pronounced: Ingenia rallied more than 30% in September following takeover interest from Warburg Pincus, while Mirvac and Stockland rebounded from valuation lows. Conversely, discretionary retail landlords Vicinity and Scentre underperformed, while fund managers Charter Hall and Centuria Capital de-rated, with the latter additionally affected by an equity raising and private-credit exposure to Bathla Group. Overall, robust property fundamentals and continued institutional capital interest were offset by higher funding costs, tighter financial conditions and softer residential and discretionary consumer trends.

Hong Kong real estate equities rose ~6% in 3Q26, outperforming both APAC and global indexes. Despite a 25bps Fed rate increase in September, HIBOR rose only modestly, while expectations that major banks could keep Prime rates unchanged provided support to the property sector. Mainland policy remained an important sentiment driver, with tighter outbound-investment controls and offshore income tax enforcement weighing on Mainland investor demand. Property fundamentals nevertheless showed signs of improvement. In office, leasing momentum strengthened, supported by expansion demand from financial firms following tax incentives for fund managers. However, the recovery remained concentrated in Central while decentralised rents stayed under pressure. Retail conditions were also more resilient than expected, with high-end spending holding up despite tougher comparables and continued northbound consumption. Stock performance was differentiated during the quarter. Wharf REIC rallied more than 40% after raising its payout ratio from 65% to 90%, while Swire Properties benefited from resilient China tenant sales and potential capital-recycling opportunities. SUNeVision also outperformed on robust data center demand from Mainland hyperscalers expanding offshore. Henderson Land performed well following results, supported by farmland resumption gains, although management highlighted softer residential demand amid tighter Mainland capital controls. Conversely, SHKP underperformed following weaker-than-expected results and outlook, while Hysan was weighed down by concerns over the leasing prospects for Lee Garden Eight. Link REIT reported gradual improvement in Hong Kong retail and signs of stabilisation in China, although a clear return to rental and DPU growth has yet to emerge. Overall, improving office and retail fundamentals and selective corporate catalysts supported the sector, partly offset by policy uncertainty and continued weakness in parts of the residential market.

Singapore real estate equities ended 3Q26 weaker, with SREITs returning -5.0% and developers -4.3% on a total return basis in local currency, significantly underperforming the broader equity market (STI +11.2%). The quarter began positively in July, as investors favored Singapore-focused names with resilient domestic fundamentals, including CICT and CLAR, alongside Keppel REIT, following strong operating results and the divestment of its Tokyo asset above valuation. Sentiment subsequently reversed as the rising global rate outlook weighed on the sector, with broad-based weakness across retail and industrial REITs in August before the sell-off intensified in September. Keppel REIT was relatively resilient in September, supported by healthy Singapore office fundamentals and the disposal of T Tower in Seoul at a premium to valuation, which reduced gearing and provided potential flexibility for unit buybacks. Singapore Grade A office rents also continued to rise in 3Q26 amid tight vacancy and limited near-term supply. In contrast, Suntec REIT fell 8.9%, as its strategic review was viewed as narrower than expected. Developers were weaker in September. CDL declined 11.2% after its strategic review fell short of elevated near-term expectations, despite setting measurable three-year targets for divestments, deleveraging and shareholder returns. UOL fell 10.0% amid limited near-term catalysts, while CLI was comparatively resilient at -2.6%, supported by continued growth in funds under management and its capital-return framework. Policy changes provided a more constructive medium-term backdrop for Singapore developers, including the removal of the 15-month wait-out period for private property owners purchasing HDB resale flats and the extension of ABSD remission timelines for large en bloc redevelopments.

## Market Outlook

In the near term, focus remains on elevated sovereign bond yields globally. Until macro conditions stabilise, local property fundamentals could continue to be disregarded. The upcoming U.S. mid-term elections also bear watching given the potential implications for U.S. foreign policy and broader geopolitical uncertainty. We envisage macro stabilisation of some sort to refocus the market's attention on key real estate fundamentals that remain largely positive within the Asia-Pacific region. In fact, we continue to believe that demand for Asia's key real estate markets remains robust, underpinned by strong population dynamics, cycle-low interest rates and stable political regimes with pro-growth agendas. This is positive for office and owner-occupied condo markets in the major cities of Tokyo and Singapore. Limited supply in these submarkets further strengthens the positive thesis. In Australia, the favorable real estate demand-supply dynamic from population growth and limited supply should support the performance of multiple sectors, primarily retail. Besides, Australia's Tier 1 chip export status under the U.S. framework, combined with its stable geopolitical environment, positions it as a favored destination for data center investment and capacity expansion. We are overweight the Japanese developers given positive office and condo fundamentals and improvements in shareholder returns. We underweight JREITs with preference toward large-cap office and residential sectors. In Australia, we overweight retail REITs as



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key beneficiaries of domestic consumption and favorable demand-supply dynamic. We also overweight companies with data center development exposure that can benefit from the strong secular demand. For SREITs, we prefer resilient industrial and data center REITs that are priced attractively. In Hong Kong, we prefer real estate companies that have active shareholder return initiatives.

**Performance data throughout the market commentary is shown on a gross basis and does not reflect the deduction of fund management fees and expenses. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.**

This reflects our expectations as of September 30, 2026 and may change materially.



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Holdings in a strategy can vary significantly from broad market indexes. As a result, performance of an individual strategy can deviate from the performance of such indexes. As a strategy invests in stocks, there is the risk that the price of a stock owned within a strategy could go down or pay lower-than-expected or no dividends. In addition, the value of the equity markets or of companies comprising the real estate industry could go down. Other considerations relative to the public markets may include, but not be limited to: borrowing and leverage, currency futures and options, debt securities, derivatives, foreign exchange transactions, foreign investment risks, hedging, illiquid or restricted securities, initial public offerings, investment in emerging markets, investment in other investment companies, mortgage-backed securities, options, repurchase agreements , risk factors involving derivatives, securities lending, short sales, temporary defensive strategy and short-term investments, U.S. Government securities, warrants and rights, and forward commitments. These risks may increase the Strategy's share price volatility. There is no guarantee the Strategy's objective will be achieved.

Investors are advised to review the Investment Prospectus, Statement of Additional Information and other information related to specific strategies for further detail regarding the risks associated with investment in REITs and real estate securities.

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[1] Blended benchmark is 80% FTSE/EPRA NAREIT Developed Index/ 20% BofA Merrill Lynch 7 Const. REIT Preferred Securities Index

[2] Reference to out- and under-performance is within the context of and relative to the specific region's REIT market unless otherwise noted.

[3] Bloomberg. As of September 30, 2026

[4] PGIM, Bloomberg and Green Street. As of September 30, 2026

[5] Morgan Stanley, Citi. As of September 30, 2026

[6] JPM, SMBC Niko, Citi, PGIM as of September 30, 2026



**Forecasts are not guaranteed and may not be a reliable indicator of future results. Past performance is not a guarantee or a reliable indicator of future results**. 6079070_PGIM