



PGIM

2026 GLOBAL REAL ESTATE VIEWS

A COMPELLING VINTAGE

Finding Value Early in the Cycle



**For professional investors only. All investments
involve risk, including possible loss of capital.**

FOREWORD

With 2026 off to an eventful start, we're pleased to put the noise of market volatility and geopolitics into context and explain what it all means for real estate with our *Global Real Estate Views*, the latest thinking from our Investment Research team. We hope this provides the actionable guidance you need as you make your real estate allocation and selection decisions in an evolving macro environment.

As we look at the market today, one thing is clear: The biggest risk we see for real estate is not the noise; it is sitting on the sidelines. There will never be a risk-free moment. This is precisely why high-quality real estate matters more in portfolios in this environment. It can provide durable income, income growth, and a stabilizing anchor when day-to-day public market volatility is elevated.

In other parts of the financial market, especially equities, today's elevated price-to-earnings ratios leave little room for error and create a risk to future returns. Real estate is in a different place. After a sharp correction and a slow, uneven recovery so far, we see today's lower values as setting up a meaningful tailwind for returns in the years ahead.

We manage one of the largest and most diverse real estate platforms in the world and the signals are clear to us. Two themes emerge as we consider how to deploy capital: **Everyday Life** and **Market Momentum**.

Everyday Life is our structural foundation, the needs-based real estate tied to essential, nondiscretionary demand. Market Momentum is our tactical lane, the opportunities that materialize after a significant reset and are driven by liquidity, capital structure, or sector-specific dislocation. This is not a market that is rewarding broad exposure. Returns dispersion is wide, and that makes selectivity more important than it has been in many years.

Within Everyday Life, **Living** remains a global cornerstone because it maps directly to the lifecycle of people and communities, and the need for housing persists through cycles. In 2025, 60% of our global acquisitions and lending activity was in Living. Everyday Life also includes what we think of as **Urban Infrastructure**, the physical and digital backbone that supports modern cities.

Market Momentum reflects where we are in the cycle after several years of repricing. Values in many markets are becoming more attractive, but the recovery is uneven. We do not expect a broad-based rebound. We expect opportunities to appear market by market and sector by sector, which makes local insight and disciplined underwriting critical.

A major driver of Market Momentum today is the growing need for capital. Refinancing pressure, higher capital requirements, and more limited access to traditional financing are creating openings across the capital stack.

We are translating our high conviction into action in what we believe is a very compelling vintage for real estate. In this cycle, flexibility in capital deployment will distinguish the best performers. Selectivity and access to the best opportunities matter more than ever.



CATHY MARCUS
Co-Head & Global Chief
Operating Officer
Real Estate



RAIMONDO AMABILE
Co-Head & Global Chief
Investment Officer
Real Estate

2026 GLOBAL REAL ESTATE VIEWS: KEY TAKEAWAYS

A new cycle is underway, and real estate offers an attractive combination of cash flow generated by resilient, basic needs-driven demand and growth potential.

Here are three key takeaways from the report:

01 Capitalize on upside potential. After a big value reset, 2026 is set to be a strong investment vintage in this cycle, via basic needs investing for **everyday life** or targeting **market momentum**.

02 Take a focused approach. Be selective about where to deploy capital as gaps between winners and losers widen.

03 Diversify to manage risk. Diversifying by region, sector, and capital type builds a resilient portfolio.

PART 01

GLOBAL OVERVIEW

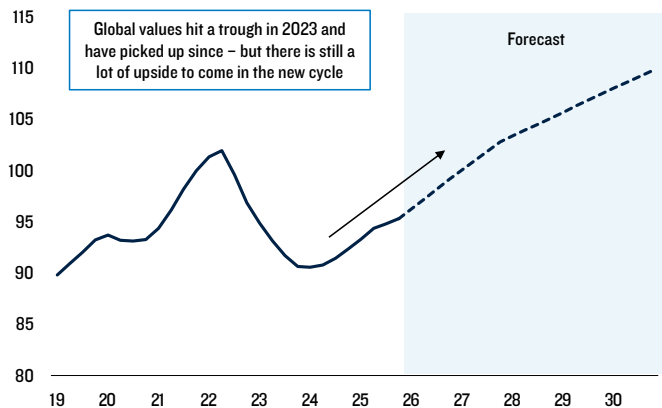


RESILIENT INCOME GROWTH DRIVING VALUES HIGHER

A new real estate cycle is underway as values start to rise again after a big correction. As the recovery continues, returns are likely to be driven by predictable cash flows and resilient rental growth.

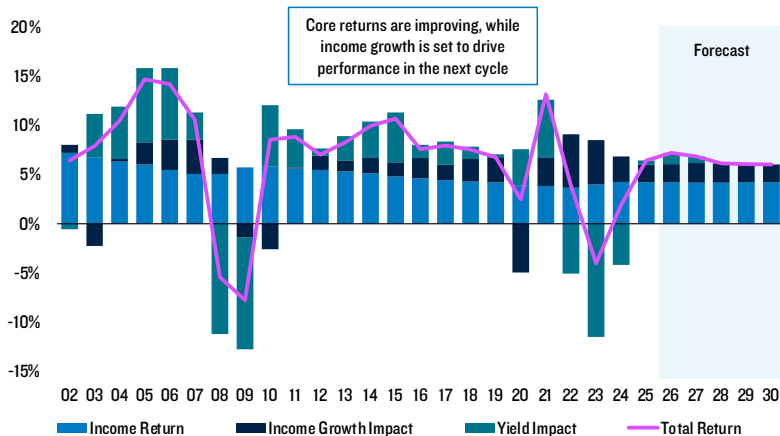
- At the prime end of the market, real estate values have been edging upwards for two years now, although it will take some more time to regain 2022 peak levels.
- Global interest rates look unlikely to fall much in the near term given a renewed inflationary threat from higher energy prices.
- Expectations for MSCI Global Annual Property Index returns in the next cycle are more heavily driven by rental growth than yield compression, which dominated the last cycle.
- Forecasts for ongoing resilient rental growth are supported by several factors, including:
 - Low supply and competition for high-quality space among key occupier groups.
 - Ownership constraints and housing shortages are set against increasing household incomes to drive residential rental growth prospects.
 - Demand expansion in parts of the market including the ongoing recovery in in-store retail spending and rising urban logistics requirements.
 - A gradual shift in index composition toward faster-growing operational real estate sectors.

Global All Property Prime/Grade A Capital Values (Index: 4Q21=100)



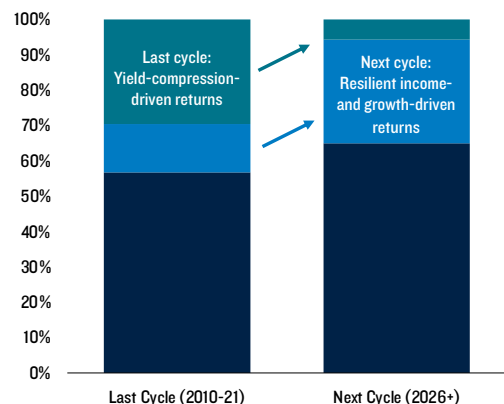
Sources: CoStar, Cushman & Wakefield, JLL, PMA, PGIM. As of April 2026.

MSCI Global Annual Property Index (All Property Total Return, % p.a.)



Sources: MSCI, PGIM. As of April 2026. Note: Figures for 2025 are PGIM estimates.

Returns Breakdown Comparison: Last Cycle vs. Next Cycle Forecasts

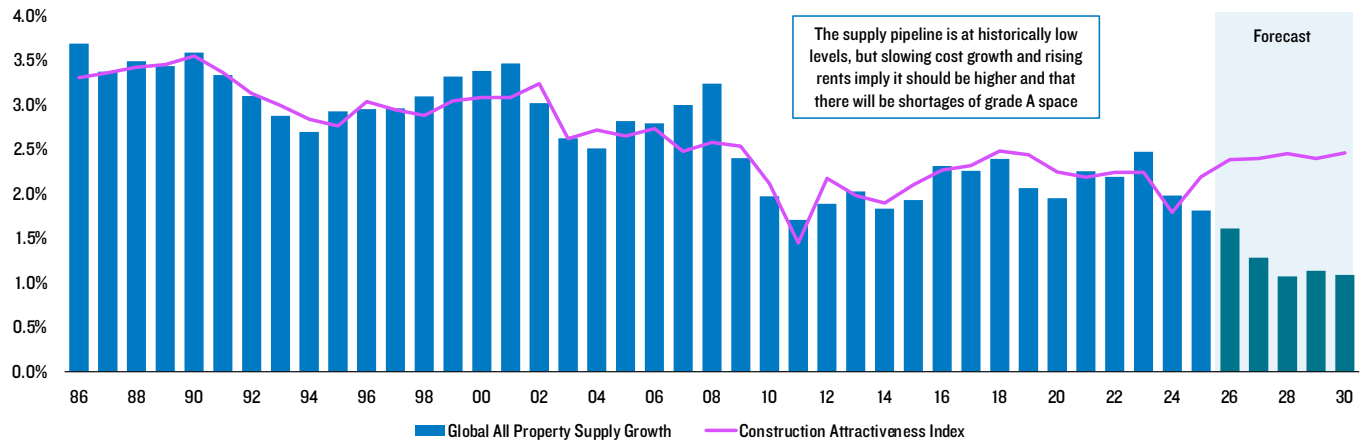


Forecasts are not guaranteed and may not be a reliable indicator of future results.

LOW SUPPLY GROWTH CONTRIBUTING TO GRADE A SPACE SHORTAGES

A slowdown in construction activity in recent years means that the supply pipeline is historically low. With cost growth slowing and rents rising, completions are set to fall short of what the market needs, and increasing shortages of grade A space are set to drive rental growth.

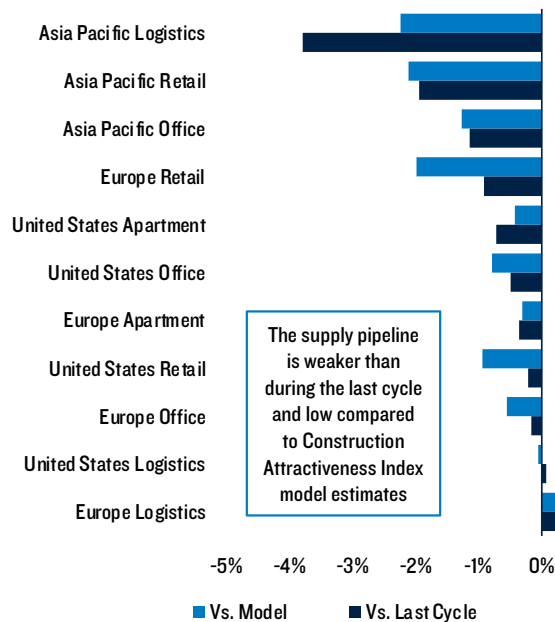
Net Additions to Global All Property Supply (% p.a.) vs. Construction Attractiveness Index



Sources: CoStar, JLL, PMA, Oxford Economics, Bureau for Labor Statistics, World Bank, PGIM. As of April 2026.
 Note: Construction Attractiveness Index is estimated using a regression that includes real global construction costs (3-year lag) and real prime global all property rents (2-year lag).

- The global supply pipeline is historically low. Construction activity fell sharply in recent years, reflecting increasing building costs, falling values, and retreating bank lenders.
- However, despite conditions improving, there is little sign of a reacceleration in building activity, and renewed geopolitical turmoil and upward pressure on interest rates in the first quarter will only reinforce the low pipeline.
- The pace of supply growth is lower compared to the last cycle, except for logistics in the United States, Europe, and Australia, where supply is expanding to meet ever-rising online distribution requirements.
- Despite sluggish demand growth, especially for traditional commercial real estate like office and retail, shortages of grade A space are emerging, driving ongoing headline rental growth across property types and regions.
- In the living sector, significant housing shortages are a feature of many major cities around the world.
- While global risks are elevated, a persistent low supply environment means that real estate cash flow and income growth are set to remain resilient.

Sector-Region Supply Growth Forecasts Relative to Model and Last Cycle (2026-30, % p.a.)

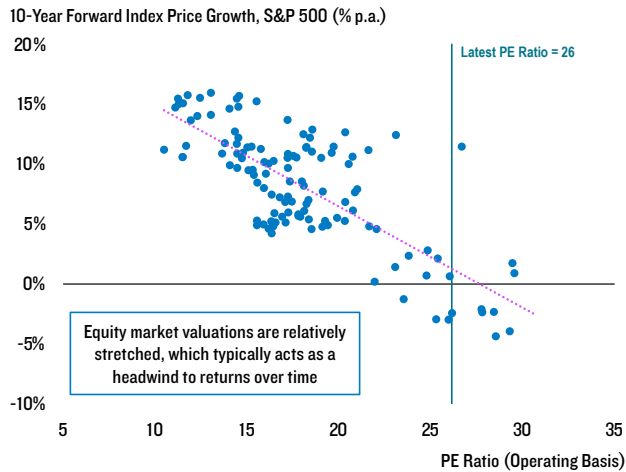


Sources: CoStar, JLL, PMA, PGIM. As of April 2026.

A ROTATION OF CAPITAL BACK TOWARD REAL ESTATE

Real estate values are still low after a deep correction and are set to act as a tailwind for returns. Attracted by resilient cash flow, investors are rotating back to real estate and deal volume is rising again.

10-Year Forward Index Price Growth vs. Price-to-Earnings (PE) Ratio – S&P 500, 1Q86-4Q25

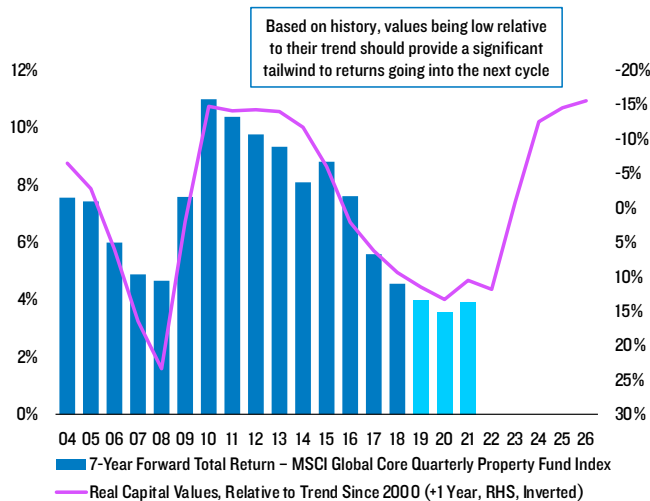


Sources: S&P, Oxford Economics, PGIM. As of April 2026.

Equity valuations look stretched...but it's the opposite story for real estate

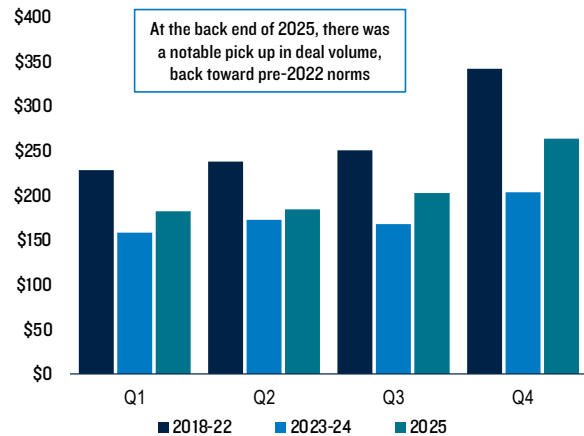
- Global risks remain elevated, but real estate is in a stronger position to capture capital flows than in recent years.
- One key driver is relative valuation. Investment grade credit spreads are low relative to real estate credit, while in equity markets, elevated price-to-earnings (PE) ratios are clearly at risk of acting as a headwind to future returns.
- For real estate, after a deep correction and sluggish recovery to date, the opposite is true: Low values are set to act as a significant tailwind to returns in the coming years.
- The predictable cash flows real estate offers also look attractive given ongoing geopolitical uncertainty.
- For real estate, 2026 is set to represent a compelling investment vintage, as low entry values provide a basis for potential returns to remain consistently above historical averages for several years.
- There are signs that investors are starting to rotate back into the asset class. Deal volume trended higher in 2025 than in the previous few years – most notably in the fourth quarter – and is moving back toward pre-2022 norms.

Seven-Year Forward Total Returns – MSCI Global Core Quarterly Property Fund Index (% p.a.)



Sources: INREV, ANREV, NCREIF, CoStar, JLL, PMA, PGIM. As of April 2026.

Global Transaction Volume by Quarter (\$ Billion)



Sources: MSCI / Real Capital Analytics, PGIM. As of April 2026.

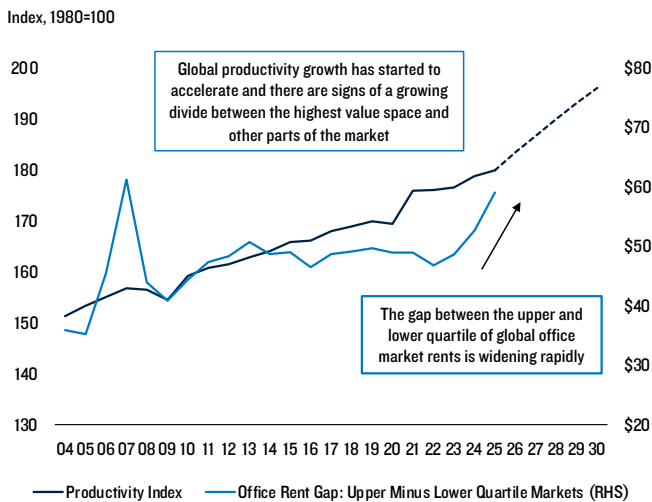
Investors are starting to re-allocate to real estate and deal volume is rising

PRODUCTIVITY GROWTH IS SHIFTING MARKET DYNAMICS

AI and tech adoption are expected to create winners and losers, implying outsized benefits for high-value submarkets and rising demand for lifestyle living in major cities, but also growing needs for affordable housing given expected labor market disruption in the near term.

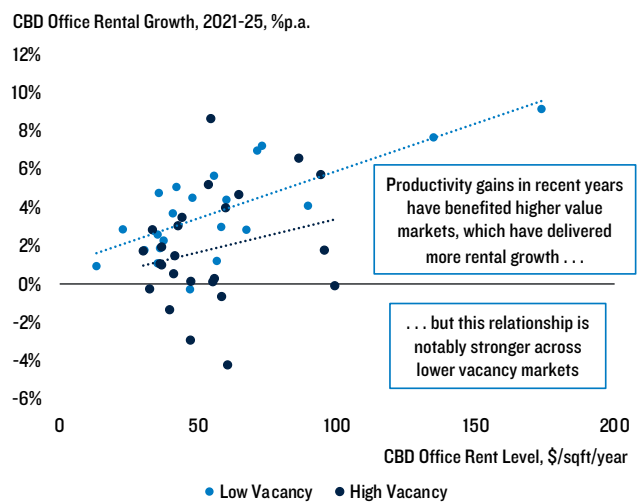
- Investment into AI, technology, and related infrastructure is now a meaningful driver of global economic growth and its impacts are starting to show up in real estate markets.
- The main channel is through an impact on productivity growth, which in turn affects the ability of firms – real estate users – to pay rent, as well as pay the salaries of workers who occupy residential assets.
- The bulk of tech and AI investment – and associated return on capital – is taking place in the United States, but the benefits for users are set to spread out globally.
- The office sector is on the front line. In the short term, AI and technology threaten to displace jobs and hold back overall take-up.
- However, there is also a flight-to-quality story playing out too as firms seek to harness the benefits of technology as a productivity enhancer too.
- In recent years, rising productivity has been accompanied by a notable acceleration in the gap between upper and lower quartile global office markets.
- The boost to higher rental value locations is something that wasn't recorded during the last economic cycle, which was more heavily employment driven.
- The story is playing out differently across markets too. Cities with high vacancy rates are benefiting less from rising productivity than where vacancy is low, and occupiers are forced to compete harder for space.
- There are several other channels through which productivity is set to impact real estate markets:
 - Higher wages for workers in major cities, especially where jobs are linked to such sectors as finance, technology, insurance, and advanced manufacturing.
 - In turn, rising demand for lifestyle living and related amenities in major cities.
 - At the same time, likely short-term disruption to labor markets implies rising needs for affordable rental housing options.

Global Productivity Index vs. Office Rent Gap



Sources: CoStar, Cushman & Wakefield, JLL, PMA, Oxford Economics, PGIM. As of April 2026.

CBD Office Rental Growth vs. Rent Level, Major Global Cities

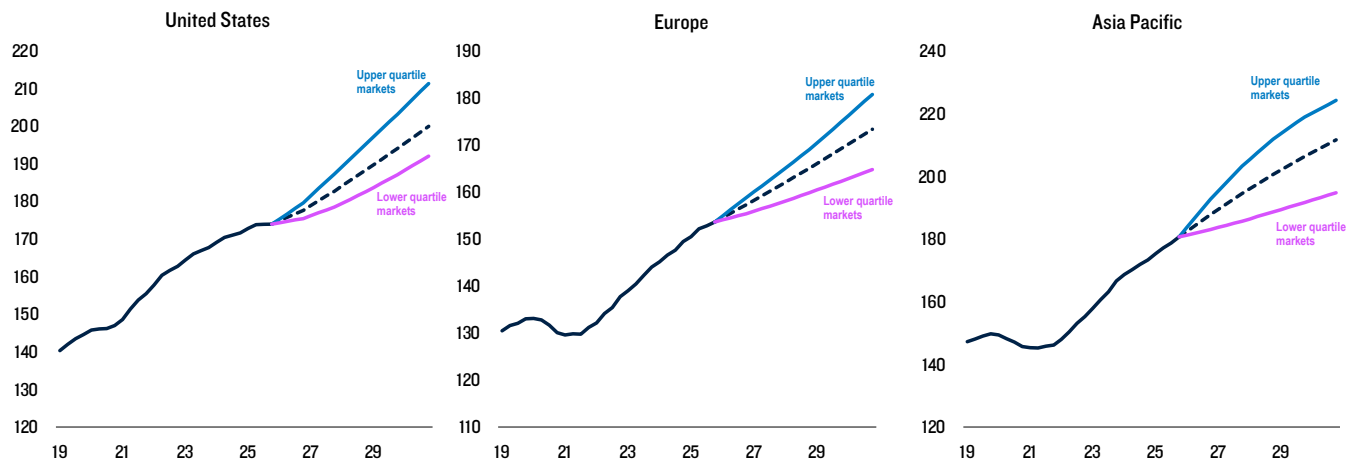


Sources: CoStar, Cushman & Wakefield, JLL, PMA, PGIM. As of April 2026.

DIFFERENCES IN THE OUTLOOK CALL FOR A FOCUSED APPROACH

While most markets are expected to record rental growth in the coming years, there are significant differences between faster- and slower-growing parts and in opportunities across regions. A focused approach is needed to target outperformance.

Index of All Property Prime/Grade A Rents by Region (1Q01=100)



Sources: CoStar, JLL, Cushman & Wakefield, PMA, PGIM. As of April 2026.

Note: Data cover major markets for office, retail, logistics, and apartment in each region. Asia Pacific comprises developed markets excluding Hong Kong and China.

- Needs-based living continues to offer a significant opportunity set in the United States, notably in demographic-driven senior living and build-to-rent, where vacancy is falling.
- Office leasing is improving but against a backdrop of elevated vacancy.
- Demand for data center space remains broad-based.
- Low vacancy is a key theme after a low building cycle and stock withdrawals in sectors like retail and office.
- Supply shortfalls are opening up for data centers and apartments, for which demand is strong, supported by structural tailwinds.
- Competition for scarce grade A space is rising.
- The living sector opportunity set is expanding into higher density rental sectors like co-living and multifamily.
- A flight to quality among tenants is driving a stronger office rental growth outlook, especially for grade A assets.
- A resilient consumer story supports rising hotel RevPAR rates and necessity retail.

Top picks: faster growing

- High occupancy apartment markets
- Senior housing
- Urban logistics
- Data centers

Caution: slower growing

- Gateway office

Top picks: faster growing

- Major city apartment markets
- Self storage
- Open-air hospitality
- Low vacancy CBD office

Caution: slower growing

- High vacancy retail markets
- Big box logistics

Top picks: faster growing

- Japan multifamily
- Necessity retail
- Hotels
- CBD office (e.g. Japan, Australia, and Singapore)

Caution: slower growing

- High vacancy logistics markets

DIVERSIFICATION STRATEGIES ARE GROWING IN IMPORTANCE

Elevated global risks mean that diversification is more important than ever in global real estate portfolios. Even for investors in higher-returning geographies, such as the United States, there are significant benefits to having at least a small international core and non-core allocation.

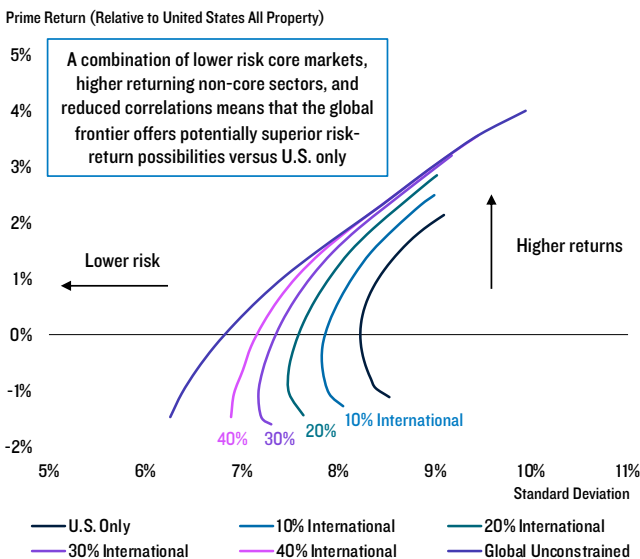
Ranking of Annual MSCI Sector-Region Returns Over Time (% p.a.)

| 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| 17% | 22% | 23% | 17% | 17% | 2% | 3% | 18% | 16% | 11% | 13% | 15% | 14% | 12% | 15% | 15% | 12% | 11% | 40% | 15% | 4% | 6% | 10% |
| 15% | 18% | 22% | 17% | 16% | 2% | 2% | 14% | 15% | 11% | 13% | 13% | 14% | 8% | 12% | 13% | 11% | 10% | 27% | 8% | 3% | 5% | 7% |
| 13% | 16% | 20% | 16% | 12% | 2% | 1% | 13% | 13% | 11% | 10% | 12% | 12% | 8% | 10% | 9% | 9% | 8% | 17% | 7% | 2% | 5% | 6% |
| 12% | 16% | 19% | 16% | 12% | 0% | 0% | 10% | 13% | 10% | 10% | 12% | 12% | 8% | 10% | 9% | 9% | 6% | 11% | 7% | 2% | 4% | 6% |
| 10% | 14% | 18% | 15% | 11% | -2% | 0% | 10% | 10% | 9% | 10% | 11% | 11% | 8% | 9% | 8% | 8% | 5% | 11% | 5% | 1% | 4% | 6% |
| 9% | 13% | 18% | 14% | 11% | -5% | -1% | 10% | 7% | 7% | 9% | 10% | 10% | 8% | 8% | 8% | 8% | 4% | 8% | 4% | 0% | 3% | 6% |
| 9% | 12% | 15% | 14% | 10% | -6% | -4% | 8% | 7% | 6% | 8% | 10% | 10% | 7% | 8% | 8% | 6% | 2% | 7% | 4% | -1% | 3% | 6% |
| 9% | 11% | 15% | 13% | 8% | -6% | -4% | 7% | 7% | 6% | 8% | 9% | 10% | 7% | 7% | 7% | 6% | 2% | 6% | 3% | -2% | 3% | 6% |
| 8% | 11% | 15% | 13% | 8% | -8% | -13% | 7% | 7% | 5% | 6% | 8% | 9% | 7% | 7% | 6% | 5% | 1% | 6% | 2% | -3% | 2% | 5% |
| 7% | 11% | 14% | 13% | 7% | -8% | -17% | 6% | 6% | 4% | 6% | 8% | 9% | 7% | 6% | 6% | 4% | -1% | 6% | 1% | -6% | 1% | 5% |
| 7% | 8% | 10% | 13% | 5% | -9% | -19% | 5% | 6% | 4% | 5% | 7% | 8% | 6% | 6% | 3% | 0% | -5% | 5% | -4% | -7% | 1% | 4% |
| 4% | 7% | 10% | 11% | 4% | -10% | -21% | 4% | 5% | 3% | 5% | 6% | 7% | 6% | 5% | 3% | 0% | -8% | 4% | -5% | -16% | -8% | 1% |

| Key | U.S. Office | U.S. Retail | U.S. Industrial | U.S. Apartment | Europe Office | Europe Retail | Europe Industrial | Europe Apartment | Asia Pacific Office | Asia Pacific Retail | Asia Pacific Industrial | Asia Pacific Apartment |
|-----|-------------|-------------|-----------------|----------------|---------------|---------------|-------------------|------------------|---------------------|---------------------|-------------------------|------------------------|
|-----|-------------|-------------|-----------------|----------------|---------------|---------------|-------------------|------------------|---------------------|---------------------|-------------------------|------------------------|

Sources: MSCI, PGIM. As of April 2026. Past performance is not a guarantee of future results.

Risk-Return Plot, Global Prime Returns (2002-25)



Sources: MSCI, PGIM. As of April 2026. Past performance is not a guarantee of future results.

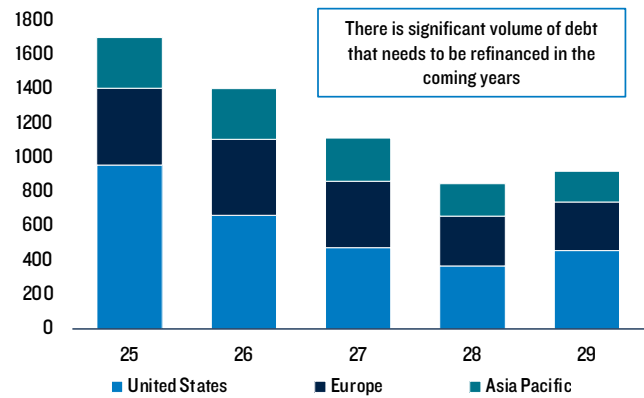
- A combination of different cyclical drivers and momentum across sectors and geographies, along with elevated global geopolitical and macro risks, means that differences in performance are set to persist.
- History shows us how varied returns can be over time and points toward a diversified approach to portfolio construction.
- In a simple analysis from the perspective of a U.S.-based investor, there are clear benefits in terms of potentially superior risk-return combinations from diversification into international real estate, even though its domestic market is expected to be an outperformer.
- The analysis shows that the maximum incremental benefit is for international allocation increases up to 20-30% exposure, with benefits tapering off beyond 40% – alongside the increased costs such an approach would imply.

CAPITAL NEEDS: CAPEX INJECTIONS AND CAPITAL STACK RESTRUCTURING

Capital needs are significant, including modernization of aging stock and restructuring of capital stacks after shifts in values and interest rates in recent years. The retreat of banks from development-related lending is opening opportunities for private capital providers.

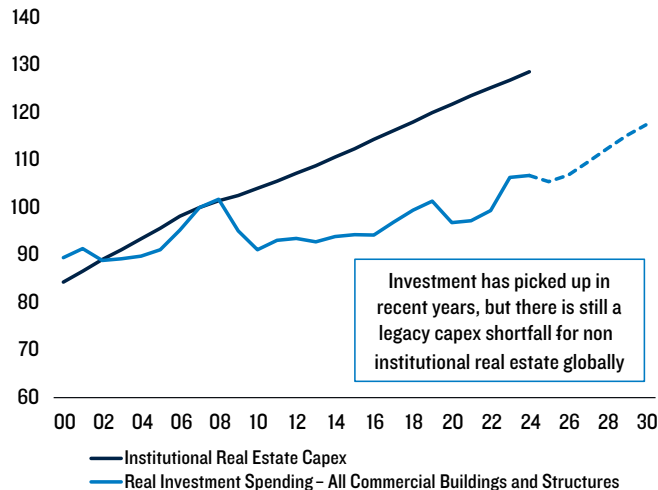
- Several factors combine to imply a significant ongoing need for capital in global real estate and associated investment opportunities.
- One is that the last cycle was characterized by low investment, as well as low new supply growth, meaning there is a lot of aging real estate stock in need of capital for refurbishment or modernization.
- Capital needs are most acute outside institutionally held real estate markets, opening opportunities for investors to acquire and invest in non-institutional stock, for example in the hospitality sector.
- At the same time, there is a significant volume of maturing loans that need to be dealt with – with extensions in recent years adding to the total approaching expiry.
- Interest rates remain much higher than they were five years ago, while values are only just starting to edge up after a deep correction.
- Equity and debt opportunities relating to capital stack restructuring are set to remain elevated throughout 2026.
- Banks continue to retreat from development lending markets, opening opportunities for private capital providers.

Estimated Loan Maturities by Region (\$US Billion)



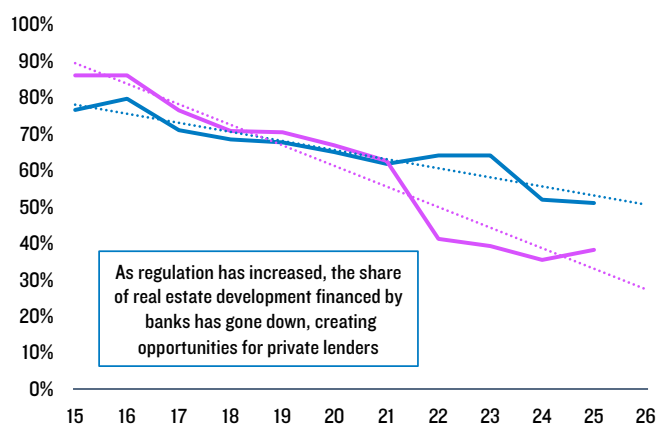
Sources: Mortgage Bankers Association, ECB, APRA, Bayes Business School, Cushman & Wakefield, MSCI/Real Capital Analytics, IREBS, IEIF, PGIM. As of April 2026.

Index of Global Real Estate Capex (2008=100)



Sources: MSCI, OECD, Oxford Economics, PGIM. As of April 2026.

Market Share of Development – Banks (%)



Sources: MSCI/Real Capital Analytics, Bayes Business School, APRA, PGIM. As of April 2026.

PART 02

INVESTMENT THEMES



FOCUS ON REAL ESTATE FOR EVERYDAY LIFE AND INVESTING INTO CYCLICAL MOMENTUM

Elevated uncertainty calls for a portfolio tilt toward the living sector to benefit from structural demand growth and resilient cash flow generation. At the same time, looking beyond near-term risks, low valuations and capex shortfalls mean today’s market represents an attractive entry point for strategies that capitalize on market momentum.

| EQUITY & CREDIT | |
|---|---|
| Everyday Life | Market Momentum |
| <p>Nature of Opportunity Real estate investment opportunities that lean into the resilience of basic needs demand, comprised predominantly of strategies focused on delivering the living space and critical urban infrastructure that households need for everyday life.</p> | <p>Nature of Opportunity Despite elevated global risks, liquidity is improving and there are significant opportunities related to the anticipated upward momentum of cyclical valuations, supporting strategies targeting leasing growth, capex deployment, and capital stack restructuring.</p> |
| <p>Three Key Structural Drivers</p> <ul style="list-style-type: none"> • Housing shortages • Aging demographics • Digitalization/AI penetration | <p>Three Key Tactical Drivers</p> <ul style="list-style-type: none"> • Leasing upswing • Capex shortfalls • Debt refinancing/restructuring |
| <p>Capital Deployment Approaches</p> <p>CORE/CORE +</p> <ul style="list-style-type: none"> • Buy-and-hold • Build-to-core • Senior lending <p>VALUE-ADD</p> <ul style="list-style-type: none"> • Development financing • Operating platforms • Mezzanine debt <p>CREDIT-SPECIFIC</p> <ul style="list-style-type: none"> • Bridge-to-agency | <p>Capital Deployment Approaches</p> <p>CORE/CORE +</p> <ul style="list-style-type: none"> • Active asset management • Reversionary growth • Senior lending <p>VALUE-ADD</p> <ul style="list-style-type: none"> • Conversions/modernization • Institutionalization • Mezzanine debt <p>CREDIT-SPECIFIC</p> <ul style="list-style-type: none"> • Transitional finance |
| <p>Global Target Sectors</p> <ul style="list-style-type: none"> • Senior housing • Multifamily/single family • Urban logistics • Low latency data centers • Necessity retail | <p>Global Target Sectors</p> <ul style="list-style-type: none"> • Hospitality • Big box/manufacturing logistics • Conversions (e.g. office to living/hotel) • Office |

INVESTMENT OPPORTUNITY: SUMMARY TABLE

Variations in such factors as the exposure to global risks, cyclical dynamics, the degree of institutional participation, and exit liquidity mean that the opportunity set differs across sectors and geographies. While the opportunity set is broad early in the cycle, investors need to remain focused on the parts of the market that can deliver resilient returns and are conducive to value creation.

| Theme | Strategy | Target Sector | Geography | | | |
|-----------------|-------------------------------|---|-----------|--------|--------|------|
| | | | U.S. | Mexico | Europe | APAC |
| EVERYDAY LIFE | Living | Senior living | ● | ○ | ● | ● |
| | | Multifamily | ● | ○ | ● | ● |
| | | Single family | ● | ○ | ● | ○ |
| | | Manufactured housing | ● | ○ | ○ | ○ |
| | | Student/co-living | ● | ○ | ● | ● |
| | Critical urban infrastructure | Urban logistics | ● | ● | ● | ● |
| | | Low latency data centers | ● | ○ | ● | ● |
| | | Necessity retail | ● | ○ | ● | ● |
| | | Medical office | ● | ○ | ○ | ○ |
| | | Self storage | ● | ○ | ● | ○ |
| Credit-specific | Bridge-to-agency | ● | ○ | ○ | ○ | |
| MARKET MOMENTUM | Leasing upswing | Big box/manufacturing logistics | ● | ● | ● | ● |
| | | Hotels | ○ | ○ | ● | ● |
| | | Open-air hospitality | ○ | ○ | ● | ○ |
| | | Discretionary retail | ● | ○ | ● | ● |
| | | Office | ● | ○ | ● | ● |
| | Capital injections | Conversions e.g. office to living/hotel | ● | ○ | ● | ● |
| | Credit-specific | Transitional finance | ● | ○ | ● | ● |

- Key to Table**
- Highest conviction strategies, most resilient to evolving market conditions.
 - Contingent strategies, apply broadly but some caution required given market risks.
 - Selective strategies, market risks and headwinds potentially affect execution.
 - Strategy not under consideration in that geography.

Note: Global target sectors shown in blue.

PART 03

PORTFOLIO CONSTRUCTION



CORE/CORE+ STRATEGIES: EQUITY AND DEBT

Near-term conditions call for an overweight toward basic needs living sector assets in core portfolios, while diversification benefits imply reducing reliance on the United States. Debt strategies offer a quick entry route to building living exposure.

Key near-term core portfolio construction considerations:

- Run a clear overweight to the living sector, due to its resilient basic needs demand profile, clear supply shortages, and typically high occupancy rates.
- Living sector focus is on established rental markets that allow deployment at scale, such as the United States, Germany, UK, and Japan.
- The United States has a strong returns outlook, but high global uncertainty points to significant benefits from geographical diversification, so reduce weighting slightly versus a near 50% index exposure.
- Values are low, but office is underweight due to the effect of elevated uncertainty on business confidence and longer-term concerns about the impact of AI on office-using jobs.
- Retail is an improved story, but allocation is neutral given potential consumer headwinds from higher energy costs.
- Logistics is a focused story on urban/last mile strategies. Run an underweight against a benchmark that grew rapidly in recent years.
- Small overweight to hotels given rebound in tourism and potential boost to Europe and Asia Pacific from reduced travel in the Middle East.

Indicative Short-Term Global Core Equity Portfolio Allocation (%)

| | Office | Retail | Industrial | Resi. | Hotel | Total | (+/-) |
|-----------|--------|--------|------------|-------|-------|--------|-------|
| U.S. | 0.0% | 5.0% | 10.0% | 25.0% | 0.0% | 40.0% | -8.0% |
| Europe | 5.0% | 5.0% | 5.0% | 15.0% | 5.0% | 35.0% | 4.4% |
| Dev. APAC | 2.5% | 5.0% | 5.0% | 10.0% | 2.5% | 25.0% | 3.6% |
| Global | 7.5% | 15.0% | 20.0% | 50.0% | 7.5% | 100.0% | |
| (+/-) | -23.5% | 1.6% | -9.4% | 27.1% | 4.2% | | |

Note: Weights shown relative to MSCI estimated market weights. Figures are for developed markets only and exclude China.
Sources: MSCI, PGIM Real Estate. As of April 2026.

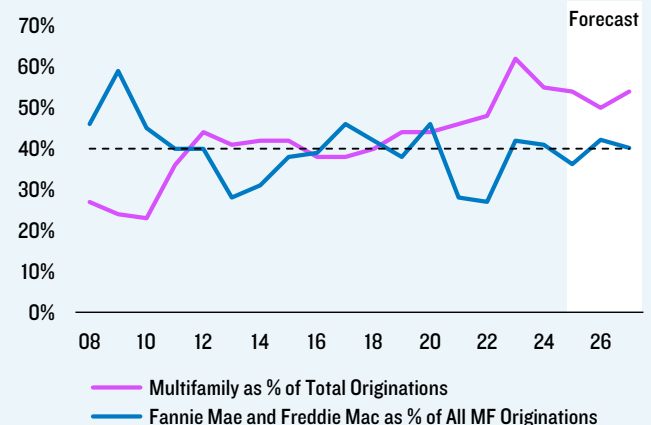
Other portfolio considerations:

- Focus on deploying capital in major cities to capture potential productivity benefits and mitigate risk from negative effects of AI-tech adoption (e.g. job displacement).
- Ensure a moderate use of leverage given risks that inflation moves higher and borrowing rates rise.
- To drive returns in the living sector, look at develop-to-core strategies and expand into operational living sectors that offer higher returns and are increasingly seen as part of the core investment landscape.

Debt as an Entry Point for Living Opportunities

- One of the key challenges for investing equity in living is deploying capital, especially outside the United States where institutionally held stock is a small part of the market.
- Debt strategies offer a quick entry route, including through refinancing, and, with interest rates still elevated, an attractive risk-return combination, especially as banks continue to reduce their development exposure.
- In the United States, bridge-to-agency represents an attractive opportunity to earn outsized returns, working with an equity sponsor to develop living assets that will eventually be refinanced by agencies.

Share of U.S. Multifamily Loans – U.S. Agency Lenders (%)



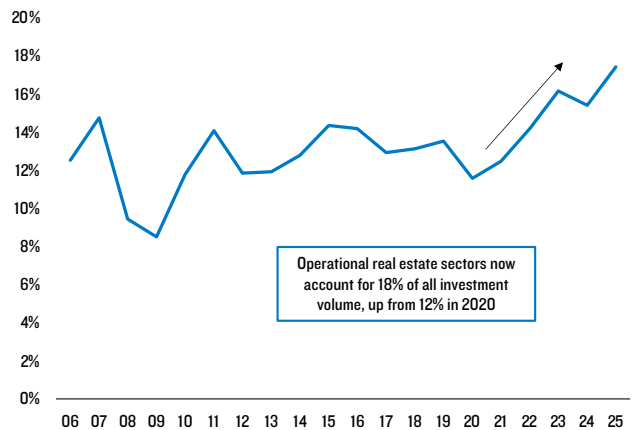
Sources: Mortgage Bankers Association, PGIM. As of April 2026.

VALUE-ADD STRATEGIES: EQUITY AND DEBT

Value-add strategies will have to work for returns in the next cycle, although low values act as a significant tailwind and there are several potential drivers of deal opportunity and value creation, including strained capital stacks, investment in operational sectors, and development.

- While core returns are improving, value-add investors will have to work to drive capital value growth and generate outsized returns in the next cycle, especially as elevated interest rates reduce the scope for leverage or significant yield compression to boost returns.
- There are several potential drivers of deal opportunity and investment performance to target.
 - Many markets that had a significant downturn are now seeing improvements in capital value growth from a very low base and have significant upside potential.
 - Increases in interest rates are putting strain on capital stacks for deals in markets that have recorded a significant correction. There are opportunities to provide equity and debt capital on an attractive entry basis to meet rising capital needs, e.g. for capex or refurbishment budgets.
 - There is also an increased share of investment going into operational sectors, which open up the potential for higher returns, while increased core buyer interest boosts exit liquidity for stabilized assets and operating platforms.
 - Development returns are supported by a low supply pipeline, which means competition among tenants for any space completed remains high, driving prospects for occupancy and rents.

Share of Operational Sectors in Global Transaction Volume (%)

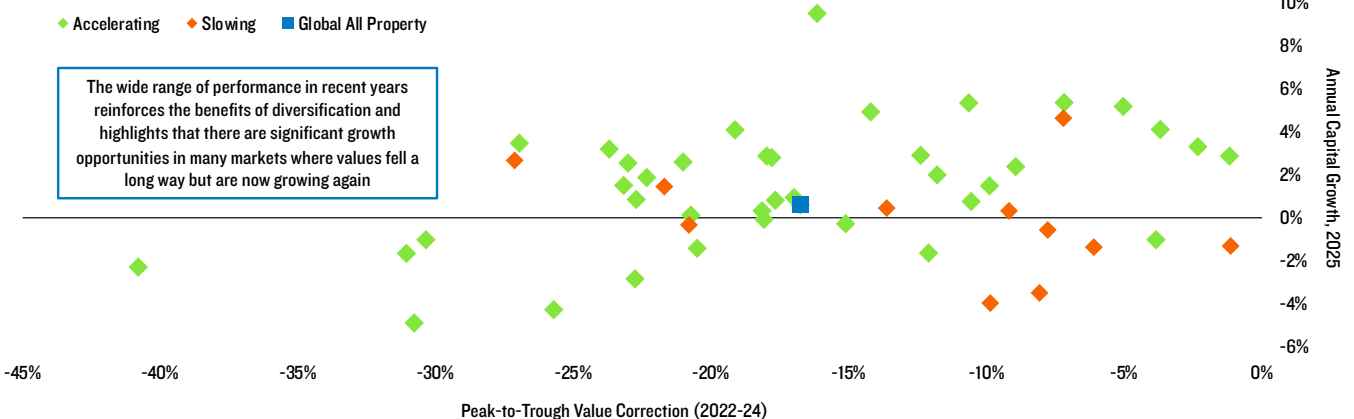


Operational real estate sectors now account for 18% of all investment volume, up from 12% in 2020

Sources: MSCI/Real Capital Analytics, PGIM. As of April 2026.

- There are opportunities to institutionalize assets and build portfolios to earn a premium in parts of the market, such as hospitality and self storage in Europe.
- Value-add equity and debt strategies should be overweight toward provision of living and related critical urban infrastructure in the near-term while uncertainty is elevated.

Annual Capital Growth vs. Recent Peak-to-Trough Value Correction by MSCI Country-Sector Segment



Sources: MSCI, PGIM. As of April 2026.

KEY RESEARCH CONTACTS



Primary Authors

GREG KANE

Managing Director
Head of European Real Estate
Investment Research
greg.kane@pgim.com

LEE MENIFEE

Managing Director
Head of Americas Real Estate
Investment Research
lee.meniffee@pgim.com

Contributors

UNITED STATES

DEAN JOSEPH DEONALDO

Director
dean.joseph.deonaldo@pgim.com

BRADLEY DOREMUS, CFA

Executive Director
bradley.doremus@pgim.com

ASIA PACIFIC

TIFFANY TAN

Associate
tiffany.tan@pgim.com

EUROPE

MATTHEW HUEN, CFA

Vice President
matthew.huen@pgim.com

FLORIAN RICHTER

Vice President
florian.richter@pgim.com



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