PGIM REAL ESTATE

INVESTMENT RESEARCH

2025 SPOTLIGHT ON

EUROPE

Generating Resilient Income Growth Amid Uncertainty

JULY 2025

EUROPE 2025 KEY TAKEAWAYS:

1 THE TIME IS STILL NOW.

Against an uncertain backdrop, European real estate offers resilience and income growth potential supported by low supply, at an attractive entry point.

2 INVESTORS NEED TO ADAPT.

Returns are becoming more income and income growth driven, while the mainstreaming of operational real estate sectors and evolution of lender composition continues.

3 THE OUTLOOK VARIES BY GEOGRAPHY.

There are big differences in forecasts across cities and sectors – asset and market selection are key drivers of performance.

Heightened uncertainty is weighing on the near-term outlook for European real estate markets, but it has not derailed the RECOVERY and GROWTH story.

PART I

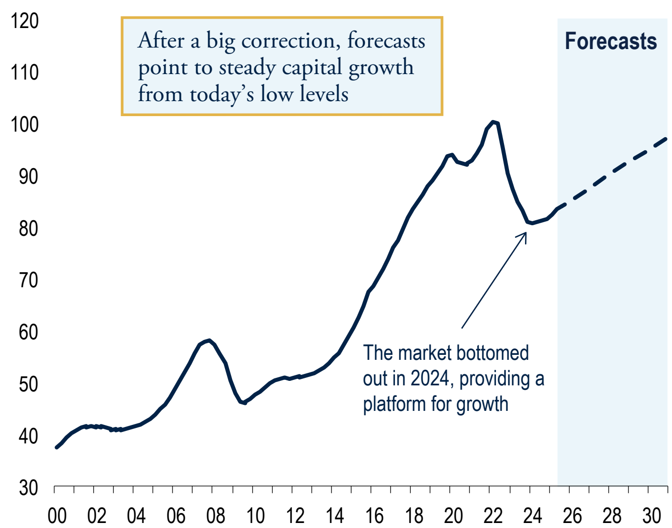
EUROPE OVERVIEW

Europe's Recovery Story Is Holding Up

Despite heightened global uncertainty, Europe's real estate recovery story remains intact. Total returns are picking up, driven by rising rents and falling borrowing costs, while low entry values and contained supply help to provide downside protection.

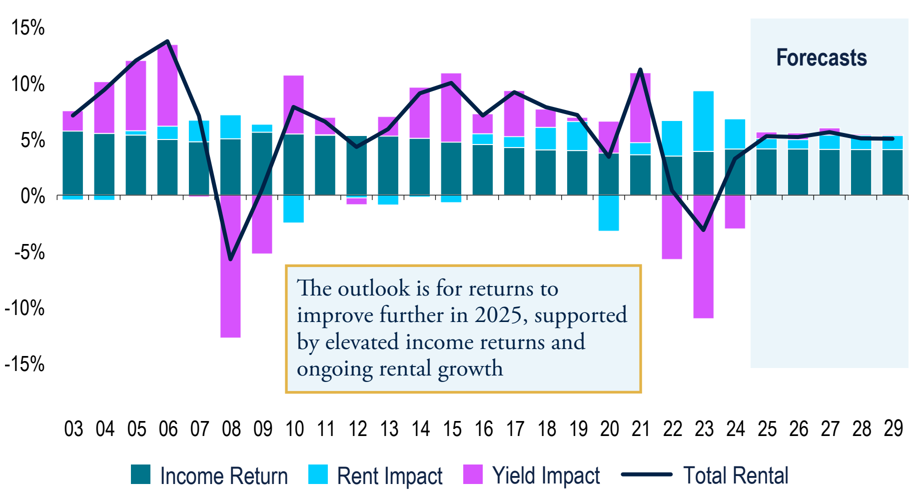
- Uncertainty about U.S. tariffs and global policymaking is weighing on near-term sentiment, but Europe's real estate recovery story is holding up.
- One key factor is that values fell a long way during the recent correction. As such, a lot of bad news is effectively already factored in, implying a strong degree of resilience.
- Returns picked up at the back end of 2024 as borrowing costs started to come down and any drag from yield expansion faded.
- The outlook is for a further improvement in returns in 2025, supported by elevated income returns and ongoing rental income growth, boosted by a low supply environment.
- In terms of the forecasts, the drivers of returns are shifting in emphasis toward income and income growth, in contrast to yield compression-driven returns that dominated in the last cycle.

PRIME EUROPEAN ALL PROPERTY NOMINAL CAPITAL VALUES (INDEX, 2022=100)



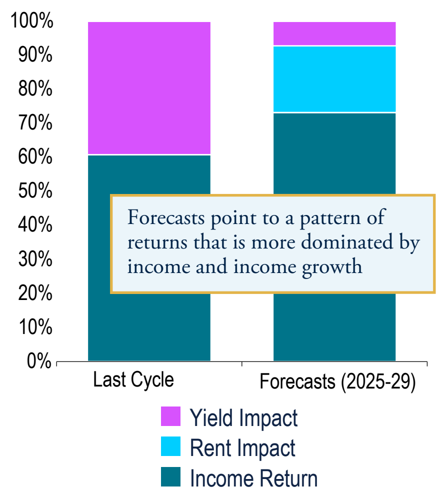
Sources: Cushman & Wakefield, PMA, PGIM Real Estate. As of June 2025.

MSCI EUROPE ANNUAL PROPERTY INDEX, UNLEVERED ALL PROPERTY TOTAL RETURNS (% P.A.)



Sources: MSCI, PMA, PGIM Real Estate. As of June 2025.

MSCI EUROPE ANNUAL PROPERTY INDEX RETURNS BREAKDOWN (%)

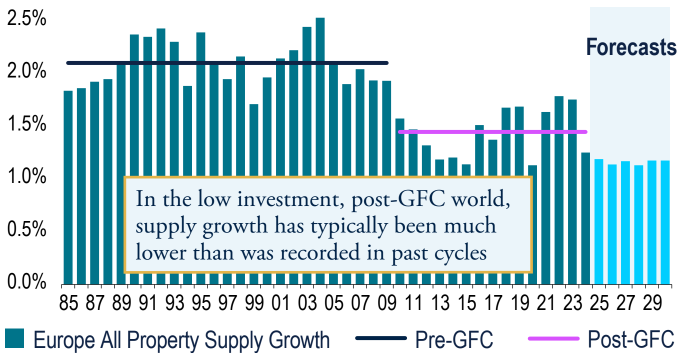


Sources: MSCI, PMA, PGIM Real Estate. As of June 2025.

Limited Supply Growth and Low Vacancy to Persist

While Europe's economic outlook is subdued, historically low supply growth and high occupancy rates are supporting rental growth prospects in the coming years.

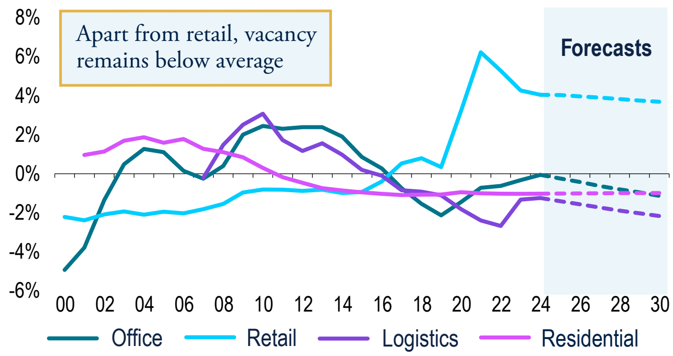
NET ADDITIONS TO EUROPEAN ALL PROPERTY SUPPLY (% P.A.)



Sources: PMA, PGIM Real Estate. As of June 2025.

- A combination of higher build costs, elevated interest rates and uncertainty over the near-term demand outlook has been weighing on development activity.
- Europe's supply pipeline is historically low, so risks of rising vacancy – and falling rents – are contained, even if demand eases in the near term.

VACANCY RATE BY SECTOR (%, RELATIVE TO 2000-24 AVERAGE)



Sources: PMA, PGIM Real Estate. As of June 2025.

- Vacancy rates are below long-term averages across Europe. With limited supply pipelines, vacancy should fall further even if near-term demand is held back by uncertainty.
- Retail has higher vacancy, but also an obsolescence story. Excluding obsolete stock, effective retail vacancy is much lower and driving improvements in rental growth.

In Focus: Setting Out Our Narrative

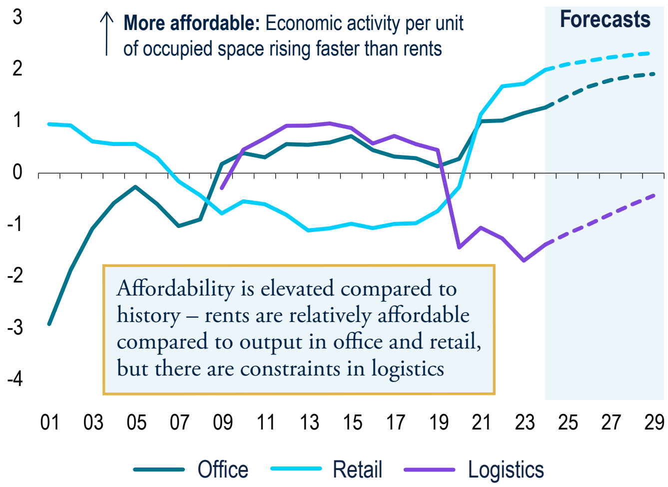
- The opening months of 2025 have been fast-moving in terms of establishing a macroeconomic outlook that acts as a backdrop for real estate investment strategy and decision making.
- Events can clearly move quickly, but **there are several factors that we can use to underpin our outlook:**
    - Global policy uncertainty is high and will remain so for the foreseeable future.
    - Recession risks have risen in Europe, but our base case is for a slowdown in growth rather than an outright contraction.
    - Interest rates may get cut more quickly in Europe than other parts of the world as growth slows. The long-term interest rate outlook remains broadly unchanged.
    - There are modest upside risks to economic activity from looser German fiscal policy and higher defense spending in major European countries.
- **There will be an impact on real estate demand,** especially in commercial sectors, as corporates will likely delay decision-making activity around investment, expansion or committing to long leases.
- Similarly, investors are delaying decisions about allocating capital and investing – real estate liquidity is set to remain lower than previously anticipated.
- The overall impact is to delay the recovery story for real estate from a low base, via slower rental and capital growth, but not completely derail it.
- **Some factors remain broadly unchanged in support of the real estate outlook:**
    - Values are low and a lot of bad news is already priced in. Yields are at fair value around the world.
    - Supply growth is low, giving resilience to the occupier market outlook even if economic growth slows.
    - Lenders are still active in real estate and credit availability remains supportive of values.

A Resilient Rental Growth Outlook

Europe is expected to deliver resilient rental growth on the back of low supply and vacancy, productivity gains and affordability, with non-traditional sectors offering a route to outperformance.

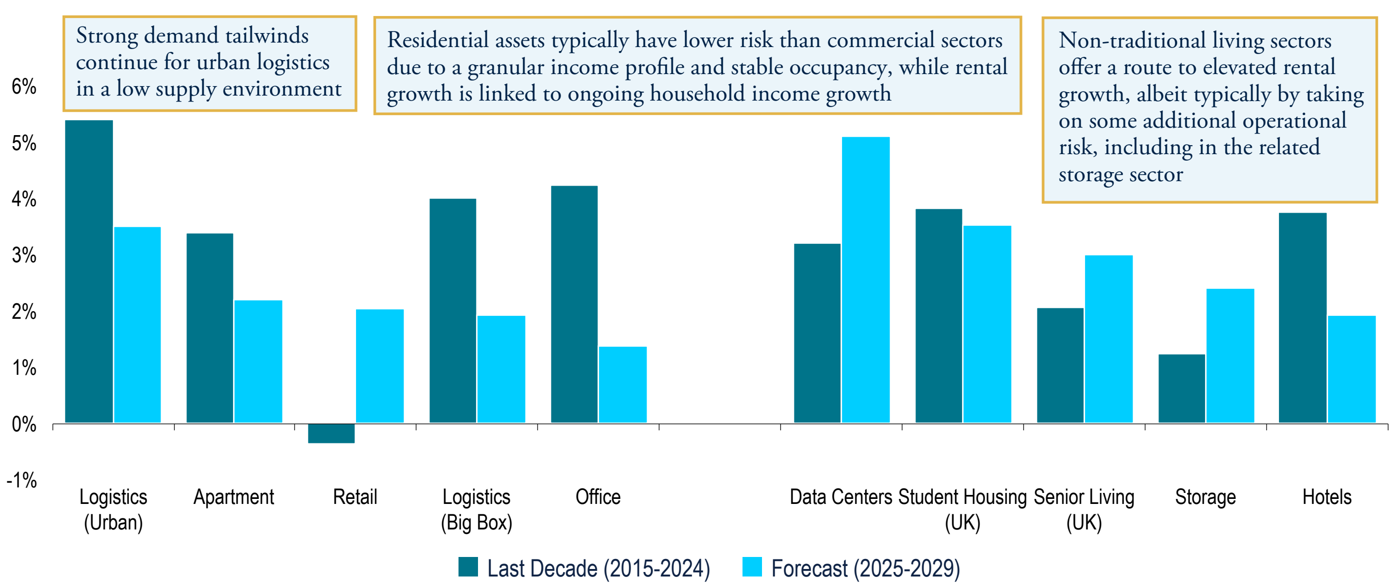
- While the economic outlook for Europe is muted and near-term demand risks are to the downside, expectations for real estate to deliver rental growth in the next cycle are driven by several key factors, including:
  - The ongoing low supply environment, with scarcity (low vacancy) boosting pricing power for landlords.
  - A shift toward more productivity-driven economic growth that is linked to higher rental growth.
  - High affordability that implies headroom for rents to increase, especially for office and retail assets.
- Over the next five years, mainstream real estate sectors (office, retail, big box logistics and apartments) are expected to record rental growth of about 2.5% per year.
- However, investors can seek to outperform by allocating to parts of the market that have stronger growth prospects, linked to structural tailwinds and rising household incomes.
- These include specialist sub-sectors, such as urban logistics, data centers on the back of rapid AI-driven demand growth and non-traditional living sectors.

REAL ESTATE SECTOR AFFORDABILITY INDICES – EUROPE (NORMALIZED)



Sources: Oxford Economics, PMA, PGIM Real Estate. As of June 2025.

PRIME RENTAL GROWTH BY SECTOR – MAJOR EUROPEAN CITIES (% P.A.)



Sources: PMA, Cushman & Wakefield, PGIM Real Estate. As of June 2025.

PART II | EUROPE

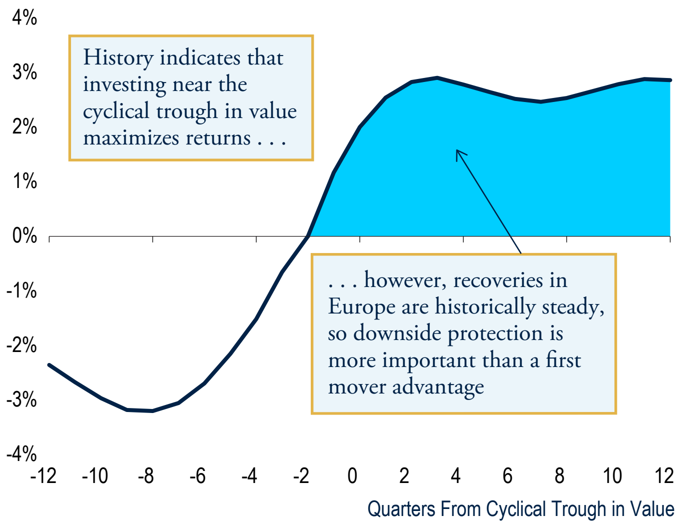
PORTFOLIO CONSTRUCTION

EUROPE CORE/CORE+ STRATEGIES

Rising values and falling borrowing rates are expected to boost European core returns. Supply shortages are creating a favorable backdrop for stable income and income growth, and there is an evolving opportunity set investors can tap into.

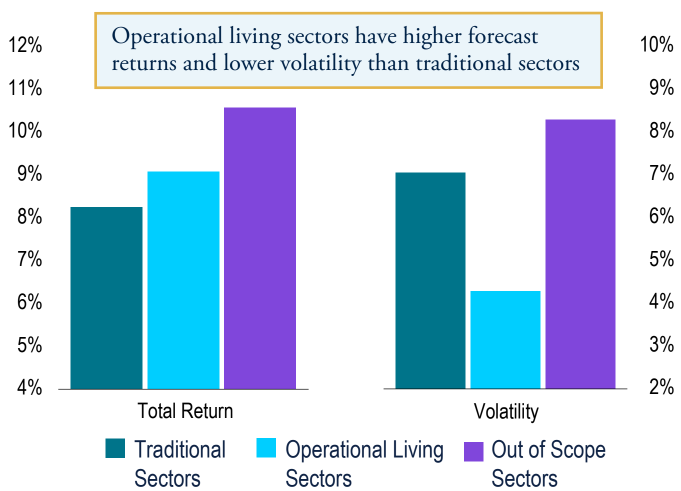
- Elevated income returns and rising values, driven by rental growth in a stable yield environment, means pricing has bottomed out, which provides a favorable entry point to deploy capital in European core.
- European value recoveries are historically long and drawn out, as growth only picks up slowly.
- If history is a guide, this would mean that entering the market now would result in elevated returns versus the long-term average for the next few years.
- Investments made during the quarter that valuations turned positive after past downturns generated a 2.75% p.a. total return premium over the average real estate returns in the subsequent three years.
- In addition, European core investing is evolving to include a growing opportunity set. Operational living sectors, including student accommodation and senior housing, have a strong returns outlook at historically lower levels of volatility, which could provide a boost to risk-adjusted returns.
- At the same time, traditional core sectors are also bouncing back, and sticking to core assets in liquid markets remains a crucial strategy component.

ANNUALIZED 5-YEAR FORWARD-LOOKING TOTAL RETURNS MINUS HISTORIC AVERAGE (AVG. OF PAST CYCLES, %)*



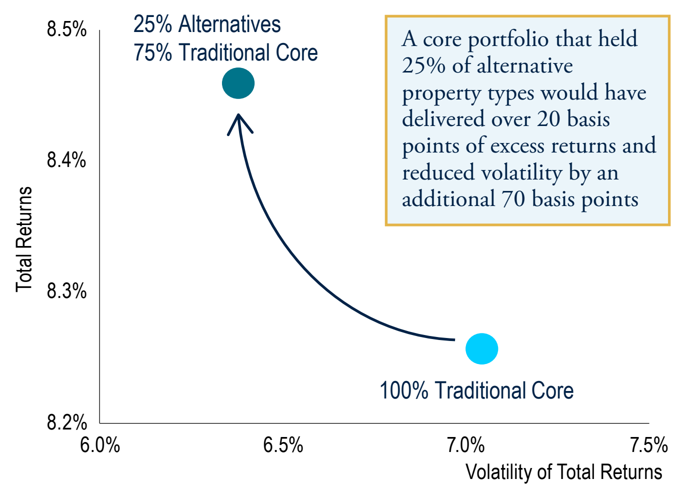
Note: *Historical periods include the troughs in capital values in 1993, 2003 and 2009.
Sources: Cushman & Wakefield, PMA, PGIM Real Estate. As of June 2025.

ALTERNATIVE SECTOR ALLOCATION CAN BOOST RETURNS



Note: Operational living sectors include UK senior housing, UK student housing and hotels; out of scope sectors include data centers and self storage.
Sources: PMA, Cushman & Wakefield, PGIM Real Estate. As of June 2025.

HISTORICAL RISK AND RETURN (2000 – 2024)



EUROPE VALUE-ADD STRATEGIES

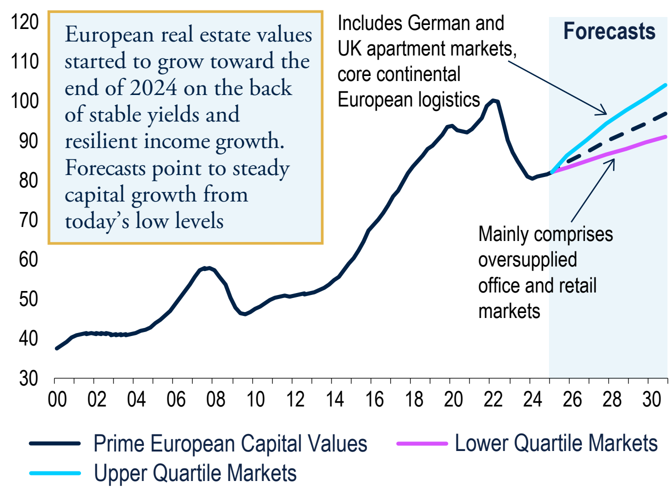
The case for value-add in Europe is compelling, supported by such factors as expectations of rebounding values, a need for capital after years of underinvestment, supply shortages, increasingly accretive leverage and an expanding opportunity set.

- Europe's property market has been through a significant correction in the past few years.
- Lower values and constrained supply limit downside risk for investors today. Much bad news is effectively already priced in, and there may be plenty of upside as the next real estate cycle gets underway.
- In the traditional sectors, apartment and logistics markets are set to deliver rental growth-driven value uplifts, while we anticipate ongoing value growth in non-traditional sectors with structural demand expansion like data centres, hotels and alternative living.
- Low liquidity persists and today's market can offer an attractive entry point in terms of being able to selectively acquire assets below valuation and capture immediate upside.
- Such opportunities are most notable where there are cash flow challenges to overcome, such as a need for further capital investment or a relatively short lease expiry profile.
- Given the scale of the estimated capex shortfall, our expectation is that the opportunity to modernize and institutionalize existing stock will remain substantial throughout the next cycle.

FIVE KEY THEMES SUPPORTING VALUE-ADD INVESTING IN EUROPE TODAY

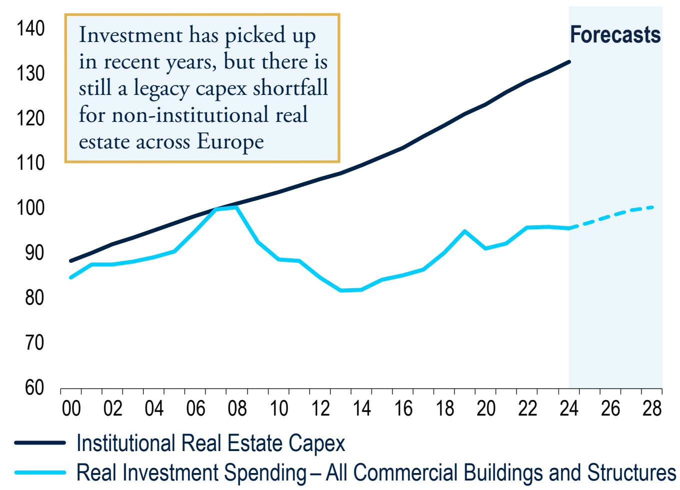
1 VALUE REBOUND	Rising values, falling borrowing rates set to boost returns
2 NEED FOR CAPITAL	Capex shortfalls and rising ESG requirements
3 SUPPLY SLOWDOWN	Constrained supply for most property types and locations
4 ATTRACTIVE ENTRY POINT	Low liquidity and stressed capital structures
5 EXPANDING OPPORTUNITY SET	Operational platforms drive income growth potential

PRIME EUROPEAN ALL PROPERTY NOMINAL CAPITAL VALUES (INDEX, 2022 = 100)



Sources: MSCI, Cushman & Wakefield, PMA, CBRE, PGIM Real Estate. As of June 2025.

INDEX OF EUROPEAN CAPEX SPENDING (INDEX 2007=100)



Sources: OECD, Oxford Economics, MSCI, PGIM Real Estate. As of June 2025.

EUROPE CREDIT STRATEGIES

DEBT RETURN DRIVERS

HIGH INTEREST INCOME

New loan coupons continue to be cyclically high, benefitting from high base rates and attractive lending margins.

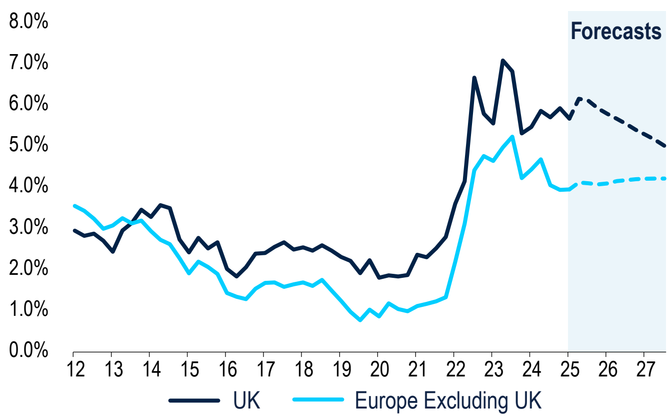
CONSERVATIVE LOAN METRICS

Due to higher interest rates, senior loan amounts will continue to be constrained by debt service coverage, keeping leverage levels modest.

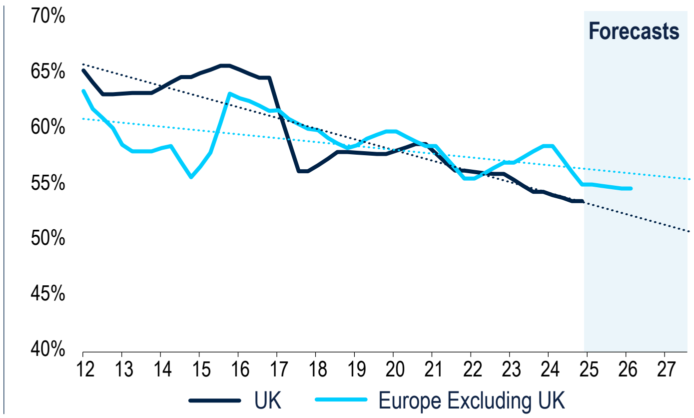
ATTRACTIVE ENTRY POINT

Elevated buy-in yields, low attachment points and expectations of improving credit profiles from growth in property NOI and values, point to the prospect of attractive debt returns.

PRIME OFFICE: SENIOR LOAN ALL-IN DEBT COSTS (%)



LTVS ON SENIOR LOANS (%)



Sources: Bloomberg, PMA, Oxford Economics, Bayes Business School, IREBS, RCA, Cushman & Wakefield, PMA, CBRE, PGIM Real Estate. As of June 2025.

PRIVATE CRE CREDIT STRATEGIES

CORE

Modest leverage secured by stabilized real estate owned and operated by high quality sponsorship

- Focus on long term structural trends driving occupier and investor demand.
- High quality, stabilized assets positioned for enduring long-term relevance.
- Assets located in strong markets and micro-locations and owned and operated by strong sponsors.
- Investment grade equivalent senior loan investments with substantial borrower equity and predictable income streams.
- Contractual investor protections from covenants and controls that address liquidity and risk.

TRANSITIONAL

Loans against light transitional properties, levered and unlevered, and mostly floating rate

- Focus on well-located existing or newly built assets with in-place income.
- Assets that feature value-add and/or lease up business plans to increase property income and exit via sale or refinance.
- Levered and un-levered senior whole loans with moderate LTVs.
- Loan supporting business plans that improve income profile and property value driving positive credit migration.
- Capitalize on demand for improving existing assets, which need to be upgraded to meet future standards.

HIGH YIELD

Providing dynamic solutions across the capital stack

- Lower available debt on new senior loans creates a significant funding gap for alternative and flexible capital sources.
- Providing capital solutions for funding sustainable refurbishment and development projects.
- Bridge funding to allow for stabilization prior to sale / refinance / term out.
- Restructuring and growth capital for strong sponsors with stressed capital stacks secured by attractive real estate.
- Capitalize on under-supply of suitable stock in some markets.

PART III | EUROPE

KEY INVESTMENT THEMES

WHAT DRIVES INVESTMENT OPPORTUNITIES IN EUROPE?

Structural investment themes still hold, but some strategies are more exposed to a softening near-term demand and liquidity story. High conviction themes include strategies targeting the living sector, related urban infrastructure and data centers, along with credit strategies as the share of private lenders continues to grow.

	Theme		Rating	Real Estate Approach	United States	Mexico	Europe	Asia Pacific
STRUCTURAL TRENDS	Living	Traditional	Green	Apartment/multifamily	✓		✓	✓
			Green	Single-family rentals	✓		✓	
		Operational	Green	Student/co-living			✓	✓
			Green	Senior housing	✓		✓	✓
		Related urban infrastructure	Green	Urban/infill logistics	✓		✓	✓
			Yellow	Self storage			✓	
	Data Centers		Green	Colocation			✓	✓
			Yellow	Hyperscale	✓			✓
	Credit		Green	Senior/whole loan	✓		✓	✓
			Green	Subordinated	✓		✓	✓
			Yellow	Development finance	✓		✓	✓
	Logistics		Red	Big box/supply chain	✓	✓	✓	✓
			Yellow	Trade-driven		✓		
			Yellow	Manufacturing-related		✓		
TACTICAL OPPORTUNITIES	Cyclical / Recovery	Hospitality	Yellow	Hotels			✓	✓
			Green	Open-air accommodation			✓	
		Retail	Yellow	High street/luxury				✓
			Yellow	Discount formats			✓	
		Office	Red	CBD office			✓	✓
			Yellow	Medical office	✓			
		Public markets	Green	Undervalued REITs	✓			

KEY TO RATINGS:

- Green: **HIGHEST CONVICTION THEMES,** most resilient to uncertain market conditions.
- Yellow: **CONTINGENT THEMES,** more caution and selective approach needed while uncertainty is elevated.
- Red: **SELECTIVE THEMES,** market uncertainty causing significant headwinds that affect execution.

PART III

KEY INVESTMENT THEMES

STRUCTURAL TRENDS

Investment conviction driven by basic needs and long-term structural trends that support ongoing demand creation.

LIVING

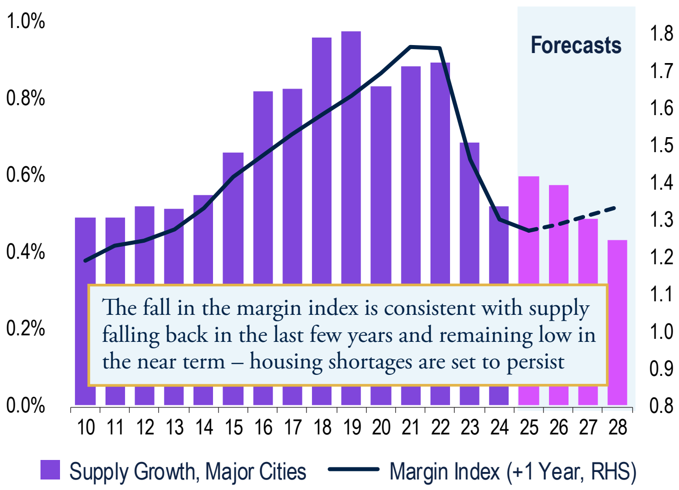
Pressure on development margins from elevated build and financing costs in recent years means housing shortages are set to persist. Looking ahead, residential rents are forecasted to rise further on the back of growing household incomes.

TOP INVESTMENT PICKS

- Apartments and multifamily in major cities
- UK single-family rentals
- Co-living and student accommodation in high-density locations
- Living-related infrastructure, such as self storage

- Across Europe, residential supply growth has pulled back in recent years.
- Elevated build costs and higher interest rates have coincided with downward pressure on values of rental housing due to higher yields. Margins for developers have fallen, and completions are similarly subdued.
- The result is that most major European cities have very low vacancy rates and significant shortages of housing.
- Over time rents move closely in line with household incomes, giving residential investments predictable cash flows. Expected persistence of housing shortfalls may give the sector significant downside protection.
- As the share of investment going to the residential sector continues to rise, through allocations and outperformance, investors stand to benefit from increased liquidity and institutional depth.

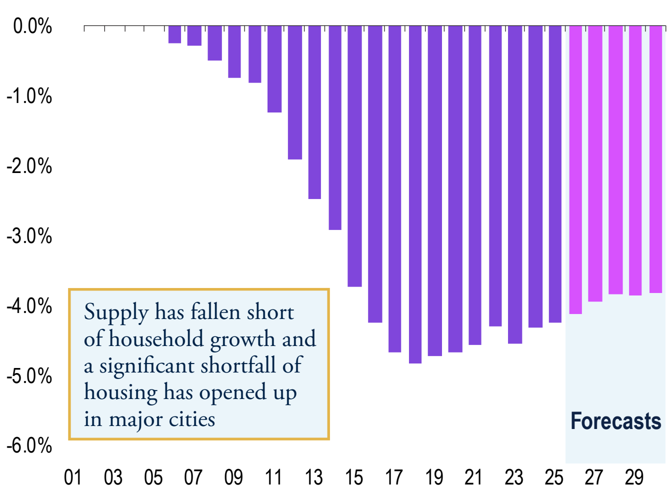
ANNUAL HOUSING SUPPLY GROWTH, MAJOR EUROPEAN HOUSING MARKETS (% TOTAL HOUSEHOLDS)



Note: The margin index reflects estimates of the gap between build costs and values (capitalized rental streams) on indicative new homes.

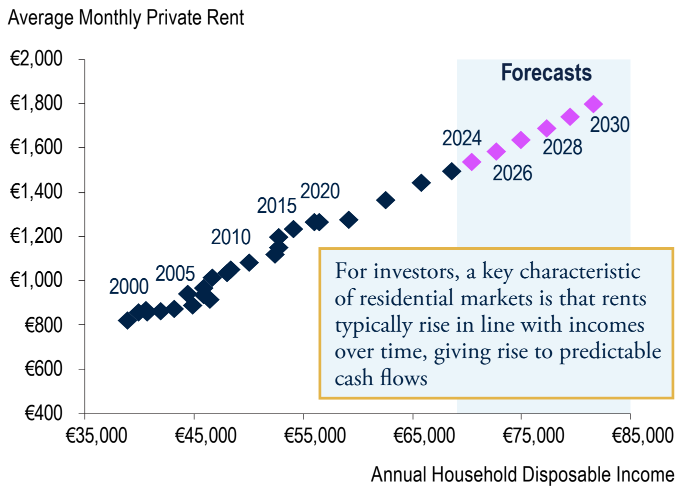
Sources: PMA, Oxford Economics, PGIM Real Estate. As of June 2025.

ESTIMATED EUROPEAN HOUSING SHORTFALL, MAJOR EUROPEAN HOUSING MARKETS (% TOTAL HOUSEHOLDS)



Sources: PMA, Oxford Economics, PGIM Real Estate. As of June 2025.

ANNUAL HOUSEHOLD DISPOSABLE INCOME VS. AVERAGE MONTHLY PRIVATE RENT SINCE 2000 – MAJOR EUROPEAN HOUSING MARKETS (€)



Sources: PMA, Oxford Economics, PGIM Real Estate. As of June 2025.

Note: "Major European Housing Markets" comprises Copenhagen, Paris, Berlin, Frankfurt, Hamburg, Munich, Milan, Amsterdam, Madrid, Stockholm, London, Birmingham and Manchester.

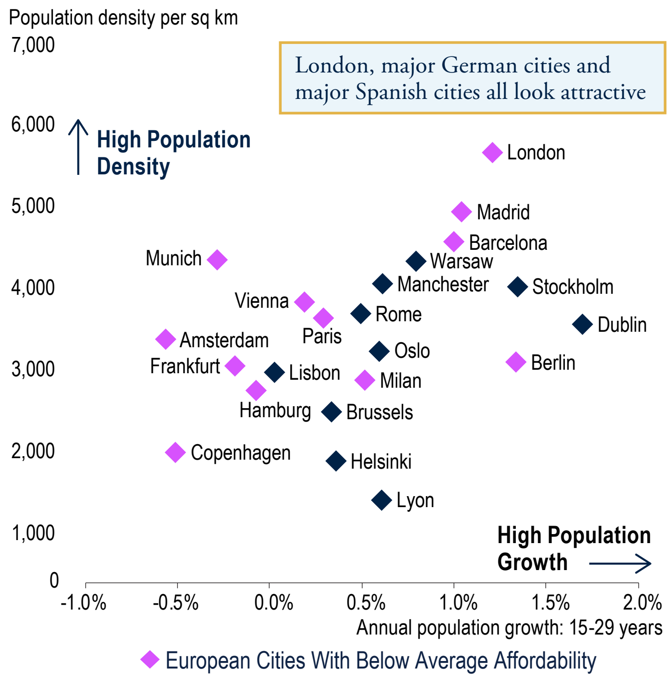
Forecasts are not guaranteed and may not be a reliable indicator of future results.

OPERATIONAL LIVING

Housing shortages and affordability pressures for younger households are driving demand for smaller living concepts in higher-density locations.

- Across Europe, a lack of affordable housing supply in high-density, urban areas is creating demand for smaller living concepts such as micro-living.
- When it comes to micro-living and student housing, the most attractive locations are cities with high density, limited supply, affordability pressures and growing young adult populations, that are more likely to compromise on space as opposed to quality and location.
- Our analysis points to London, major German cities and major Spanish cities as being attractive for investment, based on a combination of relatively young populations, high urban density and affordability pressures due to elevated house prices.

CITY POPULATION DENSITY VS. YOUNG ADULTS POPULATION GROWTH

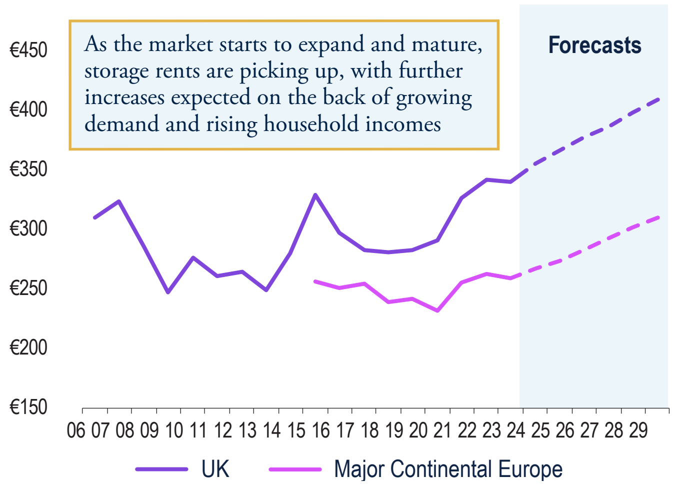


Sources: Oxford Economics, PGIM Real Estate. As of June 2025.

SELF STORAGE

A shift toward smaller living spaces implies a rising need, and rental growth potential, for related urban infrastructure such as self storage.

AVERAGE SELF STORAGE RENTS (€/SQM/YEAR)



Sources: European Self Storage Association (FEDESSA), PGIM Real Estate. As of June 2025.

- Europe's storage market faces some near-term headwinds as demand and occupancy rates are linked to housing markets, where sales demand is subdued.
- However, rents are expected to rise in the coming years on the back of rising household income, and there is a significant structural opportunity too.
- High urban density in many European cities points to the potential for storage provision to expand further from very low existing levels.
- And while the UK market is well established, investors can capitalize on a lack of institutional depth in major continental European markets, such as France and Spain, to source attractive deal opportunities.

LOGISTICS

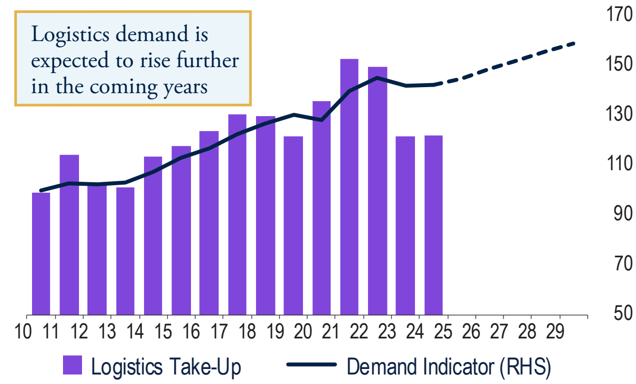
While logistics is first in line to come under pressure from weak performance in the industrial sector caused by the introduction of tariffs, the ongoing rise in e-commerce and restructuring of supply chains continues to drive space demand.

TOP INVESTMENT PICKS

- Urban assets in locations with positive e-commerce dynamics
- Core distribution markets that benefit from supply chain restructuring

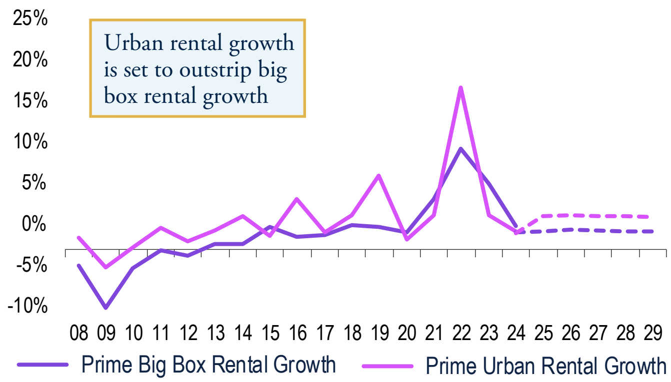
- Logistics demand is forecasted to pick up in line with a more positive outlook for retail spending as well as supply chain restructuring, although risks around industrial production are rising.
- Industrial production growth will be weaker in an environment of elevated uncertainty around tariffs, and weakness in logistics space demand will only selectively be offset by the announced increase in fiscal spending, i.e. military expenditure.
- Rising e-commerce penetration rates remain the main driver for space demand as online retail continues to expand in key markets, in particular in urban areas close to the end consumer.
- Prime urban rental growth is set to outstrip big box rental growth as demand remains concentrated in areas close to the end consumer and as supply shortages persist in high-density urban conurbations.

LOGISTICS TAKE-UP (MILLION SQM) AND LOGISTICS DEMAND INDICATOR (INDEX, 2010=100)



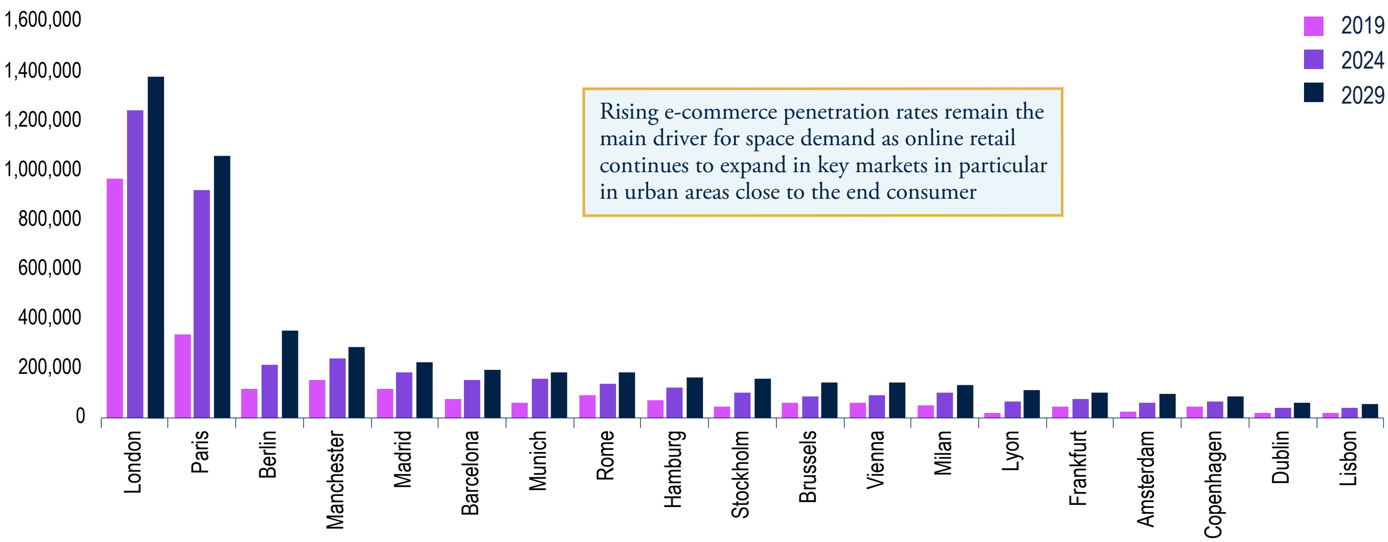
Sources: Oxford Economics, PMA, PGIM Real Estate. As of June 2025.

LOGISTICS RENTAL GROWTH BY LOGISTICS TYPE



Sources: PMA, PGIM Real Estate. As of June 2025.

E-COMMERCE RELATED URBAN LOGISTICS DEMAND BY CITY (SQM)



Sources: Oxford Economics, PMA, Knight Frank, PGIM Real Estate. As of June 2025.

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

DATA CENTERS

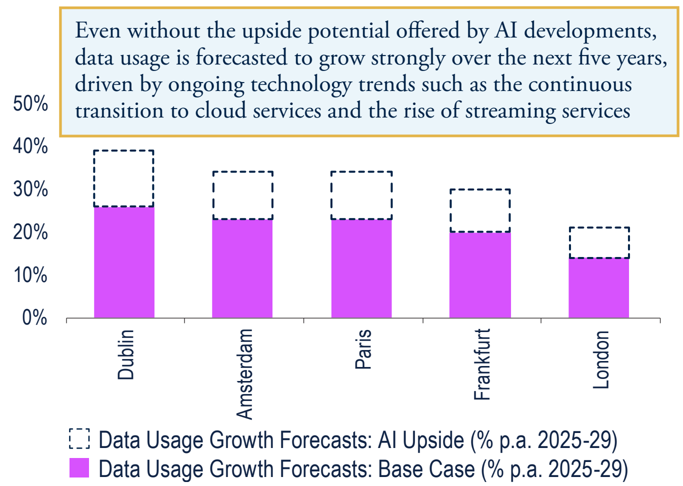
Continuously rising data usage provides a favorable outlook for data centers, but development activity is picking up rapidly too, which makes choosing the right locations more important than before.

TOP INVESTMENT PICKS

- Locations with a demand/supply imbalance
- Focus on data centers that can be utilized for a wide range of data usage to minimize potential disruption

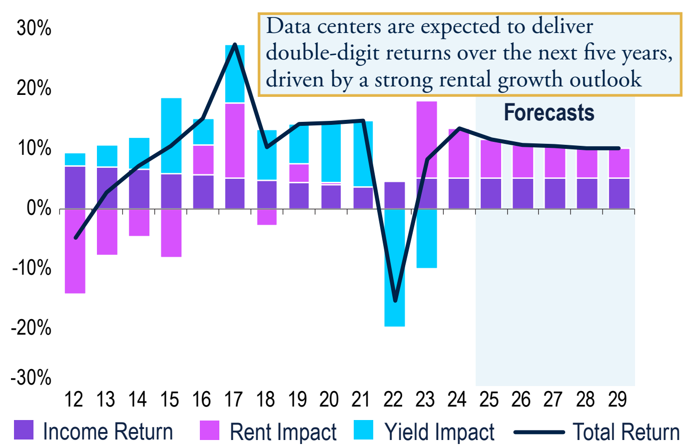
- Our base case points to data usage growing strongly by around 20% per year over the next five years, with AI developments providing upside risks.
- However, there are uncertainties around space requirements as more efficient AI models that consume less power for the same level of output also raise the risk that demand for data center capacity will be less than forecasted.
- And the supply pipeline is growing in response to rapidly rising data storage requirements. Estimated supply shortfalls still exist in the key European data markets, but choosing the right locations is more important than before.
- Nevertheless, the ongoing transition to cloud-based solutions and the rising use of streaming supports ongoing demand expansion and double-digit forecast returns.
- The most attractive data center locations in Europe remain those close to connectivity infrastructure and end users such as Frankfurt and London where demand is expected to remain strong and outstrip constrained supply.

DATA USAGE GROWTH FORECASTS (% P.A., 2025-29)



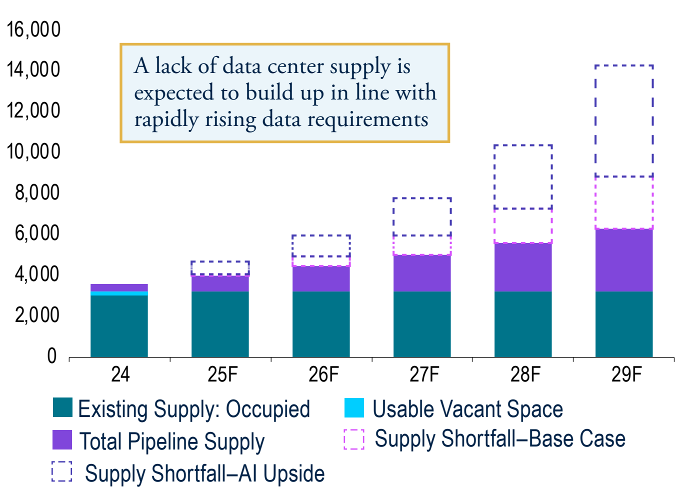
Sources: Arthur D. Little, PGIM Real Estate. As of June 2025.

PRIME MARKET TOTAL RETURNS, KEY EUROPEAN DATA CENTER MARKETS FLAPD, UNLEVERED POWERED SHELL (% P.A.)



Sources: CBRE, Green Street, JLL, PGIM Real Estate. As of June 2025.

ESTIMATED DATA CENTER SUPPLY SHORTFALL (MW, FLAPD)



Sources: Arthur D. Little, PGIM Real Estate. As of June 2025.

CREDIT

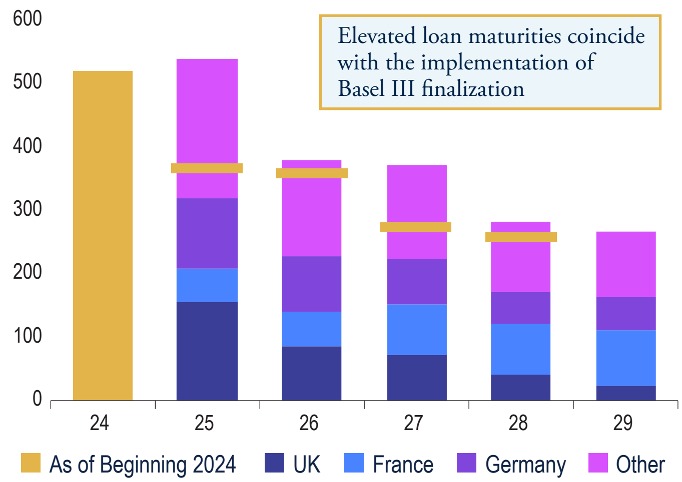
As banks implement Basel III finalization and further retreat from higher-risk lending, private credit is positioned to expand its market share, providing flexible, higher-leverage capital solutions.

TOP INVESTMENT PICKS

- Gap financing
- Transitional financing
- Senior development loans

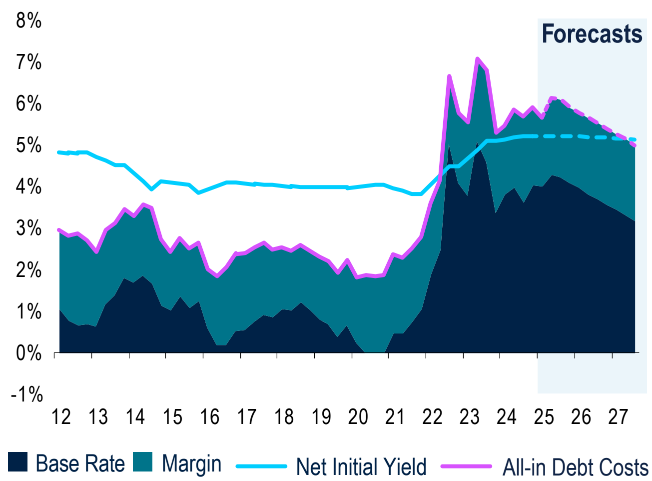
- Basel III finalization, effective from January 1, 2025 in continental Europe and delayed to January 1, 2027 in the UK, will further dampen bank appetite for higher-risk lending, driving sustained demand for alternative capital.
- Continental Europe faces a deeper funding gap as CRE lending remains bank-led, unlike the UK where a more developed alternative lender base is pushing banks toward a more strategic approach.
- Elevated loan maturities, constrained senior advance rates and rising ESG capex needs are driving demand for flexible capital solutions across the capital stack.
- There is an ongoing need for higher senior leverage, whole loan and subordinate financing to bridge the gap between senior lending levels and sponsor requirements.
- There is continued demand for transitional and development loans to support value-add business strategies and asset repositioning, especially in undersupplied markets and outdated stock.
- Debt is becoming accretive again, especially in continental Europe, which will help unlock transactions and create more financing opportunities.

EUROPEAN LOAN MATURITIES (US$ BILLIONS)

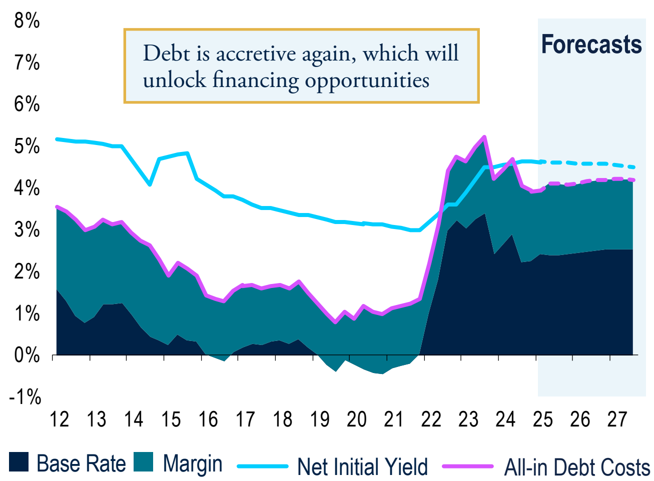


Sources: ECB, Bayes Business School, IEIF, IREBS, PGIM Real Estate. As of June 2025.

UK PRIME OFFICE: SENIOR LOAN ALL-IN DEBT COSTS VS. PRIME PROPERTY YIELDS



EUROPE EX. UK PRIME OFFICE: SENIOR LOAN ALL-IN DEBT COSTS VS. PRIME PROPERTY YIELDS



Sources: Bloomberg, PMA, Oxford Economics, Bayes Business School, IREBS, PGIM Real Estate. As of June 2025.

PART III

KEY INVESTMENT THEMES

TACTICAL OPPORTUNITIES

Opportunities arising from near-term growth, the anticipated cyclical value rebound and market dislocation.

HOSPITALITY

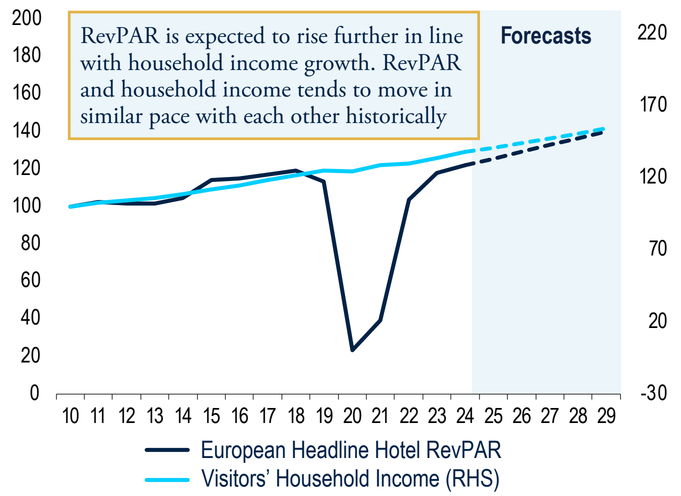
While the post-pandemic recovery has now played out, further hotel RevPAR growth is driven by rising household incomes, supported by a limited supply pipeline and low capital investment over the past cycle.

TOP INVESTMENT PICKS

- Mid-market hotels
- Open-air hospitality

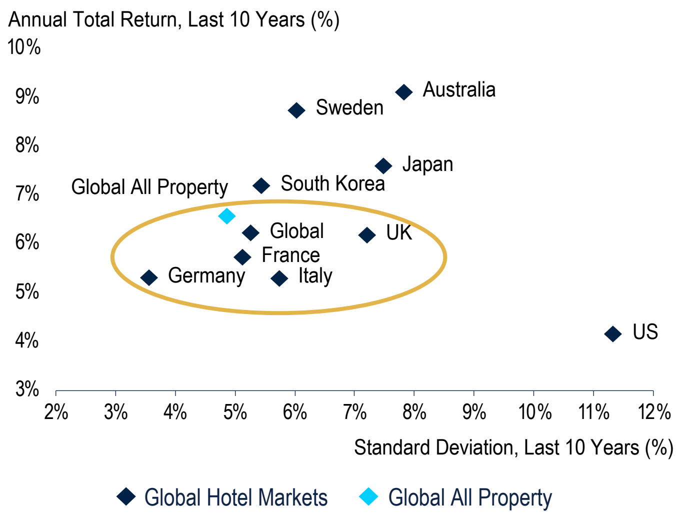
- With the post-pandemic rebound now done, a key driver for the hotel sector is rising household income, which we expect to translate into hotel RevPAR growth.
- In Europe, hotels are frequently acquired with a lease structure in place, which significantly mitigates risks of unplanned capital expenditure, reducing the drag on hotel investment performance.
- Additionally, acquiring leased hotels reduces volatility of total returns, making the risk-adjusted outlook for hotel returns stack up well against the all property average.
- In terms of specific value-add opportunities, given the operational nature of hotels, under-managed hotels present compelling opportunities for investors to inject fresh capital to benefit from rising demand.

EUROPEAN HOTEL REVPAR VS VISITORS' HOUSEHOLD INCOME (2010=100, REAL TERMS, ESTIMATED)



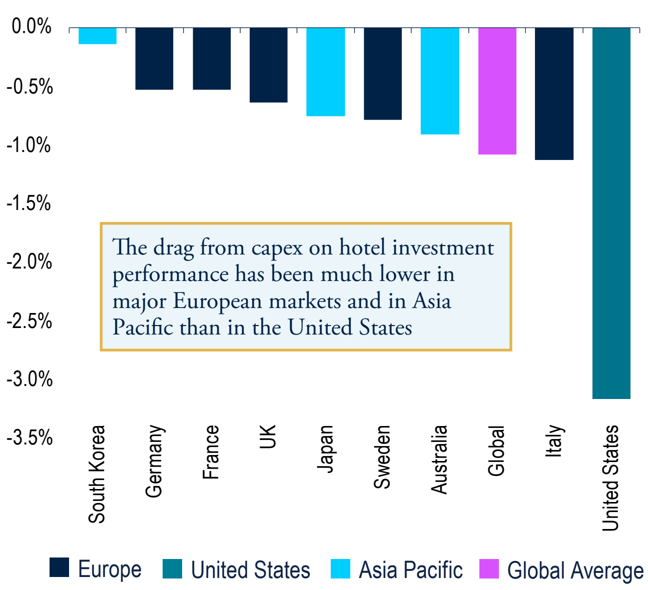
Sources: Eurostat, PMA, Oxford Economics, PGIM Real Estate. As of June 2025.

RISK VS. RETURN – MAJOR HOTEL MARKETS



Sources: MSCI, PGIM Real Estate. As of June 2025.

HOTEL NET CAPEX ("INVESTMENT IMPACT") OVER THE LAST 10 YEARS (% P.A.)



Sources: MSCI, PGIM Real Estate. As of June 2025.

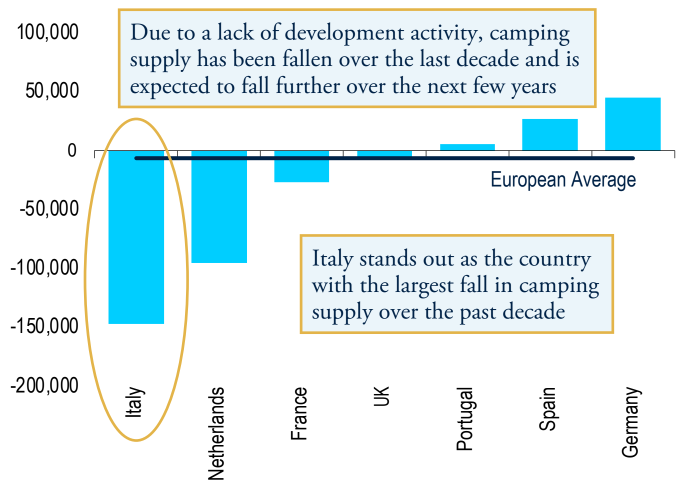
Forecasts are not guaranteed and may not be a reliable indicator of future results.

OPEN-AIR HOSPITALITY

Open-air hospitality provides alternative accommodation options to hotels for tourists. Under-managed campsites represent a compelling opportunity for institutional investors to generate value.

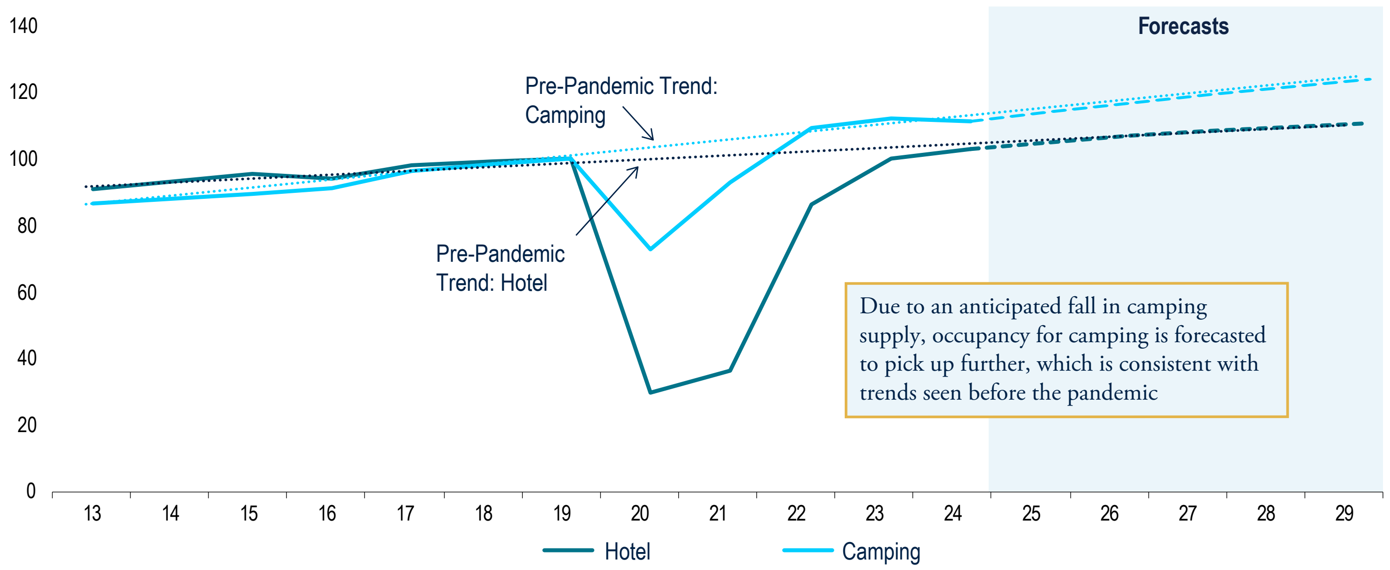
- Open-air hospitality includes accommodation formats such as campsites and caravan parks, which provide affordable options for tourists.
- The number of camping bedplaces in Europe has fallen over the last decade, with Italy having the most significant reduction of supply.
- The lack of fresh capital in open-air hospitality assets, which are often family-owned, points to compelling opportunities for institutional investors to generate value by implementing dedicated capex programs in under-managed assets.
- On the demand side, overnight stays in campsites tend to be more predictable than in hotels, which are more exposed to the volatility of overseas travel.
- Given camping supply is forecasted to fall further and demand is set to hold up, camping occupancy is expected to improve, which is consistent with trends seen before the pandemic.

CHANGE OF CAMPING BEDPLACES OVER LAST 10 YEARS (ESTIMATED)



Sources: Eurostat, PMA, Oxford Economics, PGIM Real Estate. As of June 2025.

OCCUPANCY INDEX: HOTEL VS. CAMPING (2019=100)



Sources: Eurostat, PMA, PGIM Real Estate. As of June 2025.

DISCOUNT RETAIL

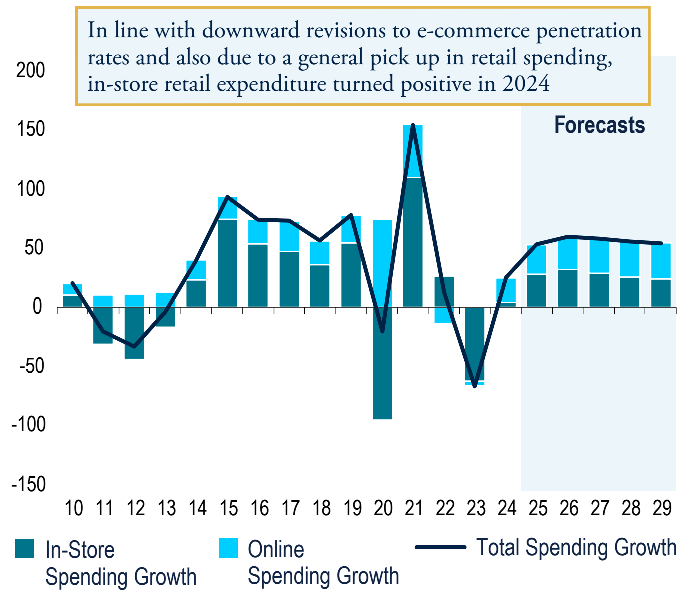
Retail formats serving consumers looking for value have been resilient through the downturn. Retailers predominantly found in retail parks have been opening more units and rents have held up and are expected to continue the recovery.

TOP INVESTMENT PICKS

- **Retail parks with defensive income profiles**
- **Discount retail formats**

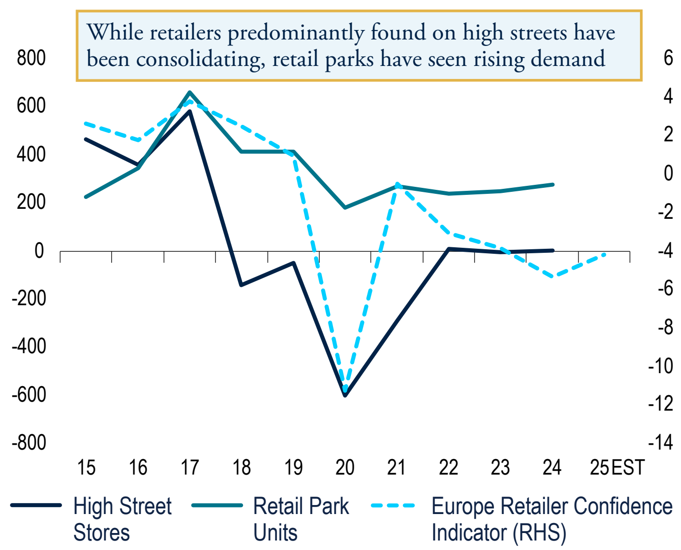
- In line with downward revisions to e-commerce penetration rates and also due to a general pick up in retail spending, in-store retail expenditure has turned positive and is accelerating.
- While retailers predominantly found on high streets have been consolidating units and closing non-performing stores, retail parks have seen rising demand for units even during a challenging period for physical retailers.
- As a result, vacancy in retail parks is relatively low, in-place income attractive and the rental growth outlook stable and more defensive – which matters as retailer confidence is still relatively muted.
- This is the case in both the UK, where e-commerce penetration rates are higher, and in continental Europe, where e-commerce penetration rates are catching up, which can provide downside protection for strategies across all geographies.

RETAIL SPENDING GROWTH – EUROPE (REAL, 2024 PRICES, € BILLIONS)



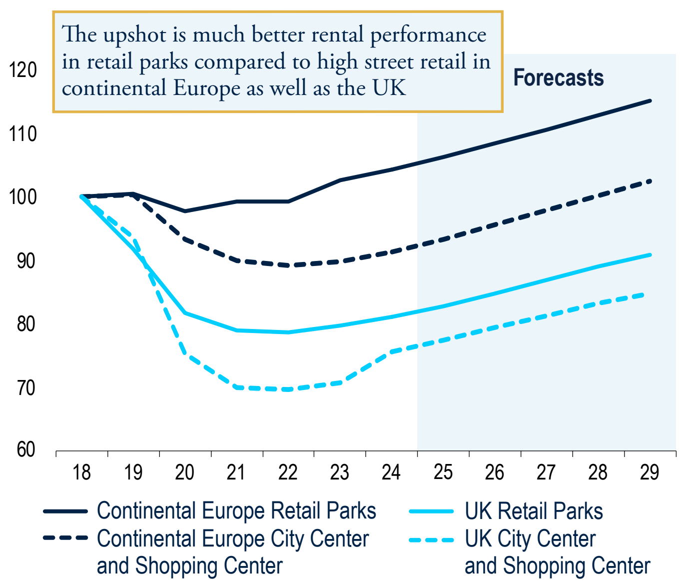
Sources: PMA, Oxford Economics, PGIM Real Estate. As of June 2025.

NET STORE OPENINGS / CLOSURES (EUROPE NET UNITS) AND RETAIL CONFIDENCE



Sources: PMA, Eurostat, PGIM Real Estate. As of June 2025.

PRIME RETAIL RENTS (INDEX, 2018 = 100)



Sources: PMA, PGIM Real Estate. As of June 2025.

CBD OFFICE

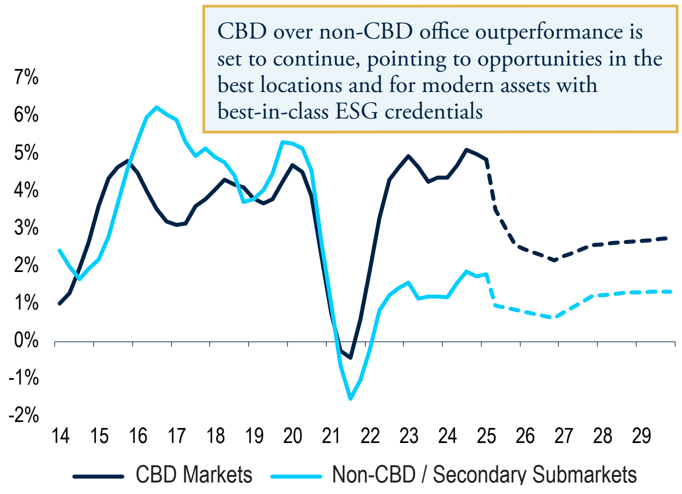
Looking at affordability by city allows us to identify office markets with upside rental growth risks.

TOP INVESTMENT PICKS

- Prime CBD Office

- Most office markets that recorded above average affordability scores in 2023 went on to record stronger-than-expected rental growth in 2024.
- As affordability remains elevated, we expect rental growth to keep beating forecasts, in particular in cities where obsolescence has risen and where vacancy started to come down, such as Amsterdam, the UK markets and Berlin and Frankfurt.
- Prime CBD office rental growth outperformance is set to continue, pointing to a selective opportunity for offices in the best locations and with the best ESG credentials over non-CBD markets and secondary assets.
- While economic uncertainty remains a downside risk to office rents, the medium-term outlook is supported by rising obsolescence, stranded office assets being converted and removed from the market and falling vacancy in a low supply environment.

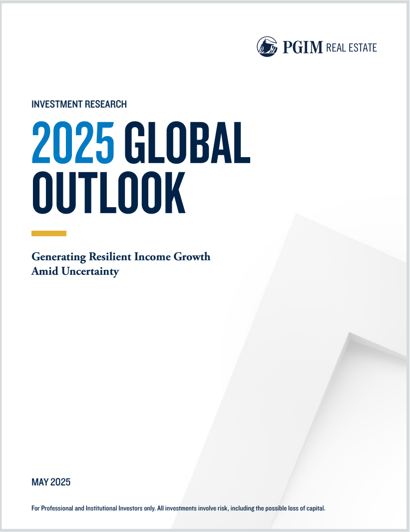
EUROPEAN OFFICE PRIME RENTAL GROWTH (%)



Sources: Oxford Economics, PMA, PGIM Real Estate. As of June 2025.

FORECAST OFFICE RENTAL GROWTH BY CITY PLUS AFFORDABILITY UPSIDE RISK – 2025-29 (% P.A.)

Sources: Oxford Economics, PMA, Cushman & Wakefield, PGIM Real Estate. As of June 2025.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INVESTMENT RESEARCH

2025 GLOBAL OUTLOOK

Generating Resilient Income Growth Amid Uncertainty

MAY 2025

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