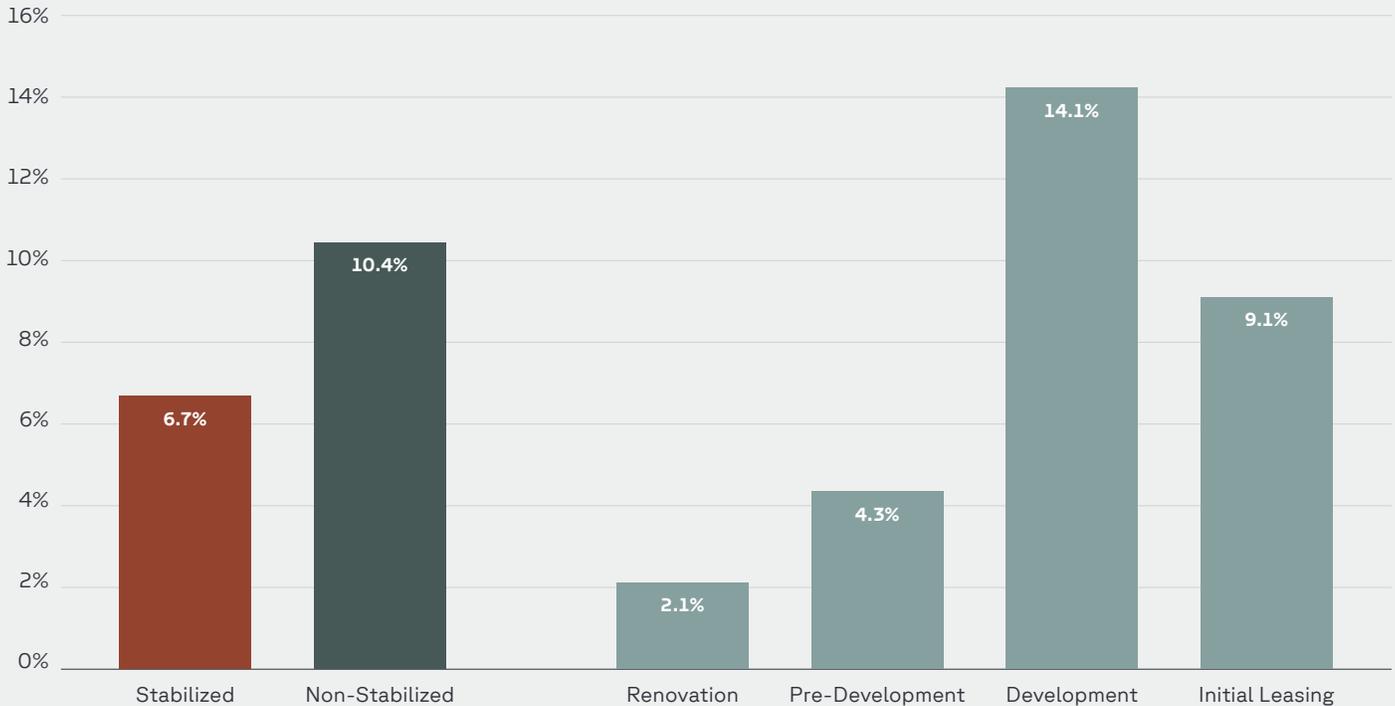


From a strategic standpoint, foundational real estate strategies, particularly open-end fund structures, continue to play a central role in institutional portfolios by delivering durable income, capital preservation, and diversification across cycles. While these vehicles are often associated with fully stabilized assets, our **RESEARCH**  underscores that modest exposure to non-stabilized properties, primarily through develop-to-core strategies, can materially enhance outcomes.

Since 2013, non-stabilized assets within ODCE portfolios have outperformed stabilized properties by approximately 375 basis points annually (**Exhibit 1**), despite representing a relatively small share of total portfolio value. Notably, develop-to-core strategies have demonstrated the strongest outperformance, reflecting the ability to create modern, high-quality assets at attractive bases without paying fully stabilized acquisition premiums. This experience reinforces an important principle: allowing for measured, execution-driven value creation within a core framework can improve both total and risk-adjusted returns without fundamentally altering the defensive characteristics investors seek from foundational allocations.

EXHIBIT 1: ODCE PROPERTY-LEVEL TOTAL RETURNS: STABILIZED VS. NON-STABILIZED

Avg Annual TWR



Source: NCREIF, Affinius Capital Research. Analysis from Q1 2013-Q2 2025

The current market environment strengthens this case. Following several years of valuation adjustment, open-end funds, particularly those with value creation capabilities, appear positioned to benefit from a new liquidity cycle; however, this will benefit some investments disproportionately, as portfolio quality and the credibility of valuation marks will increasingly determine which funds have more durable return potential. The broad trough in NCREIF valuations across most property types over the past five quarters has improved alignment between buyer expectations and seller pricing, setting the stage for incremental capital inflows and more normalized transaction activity.

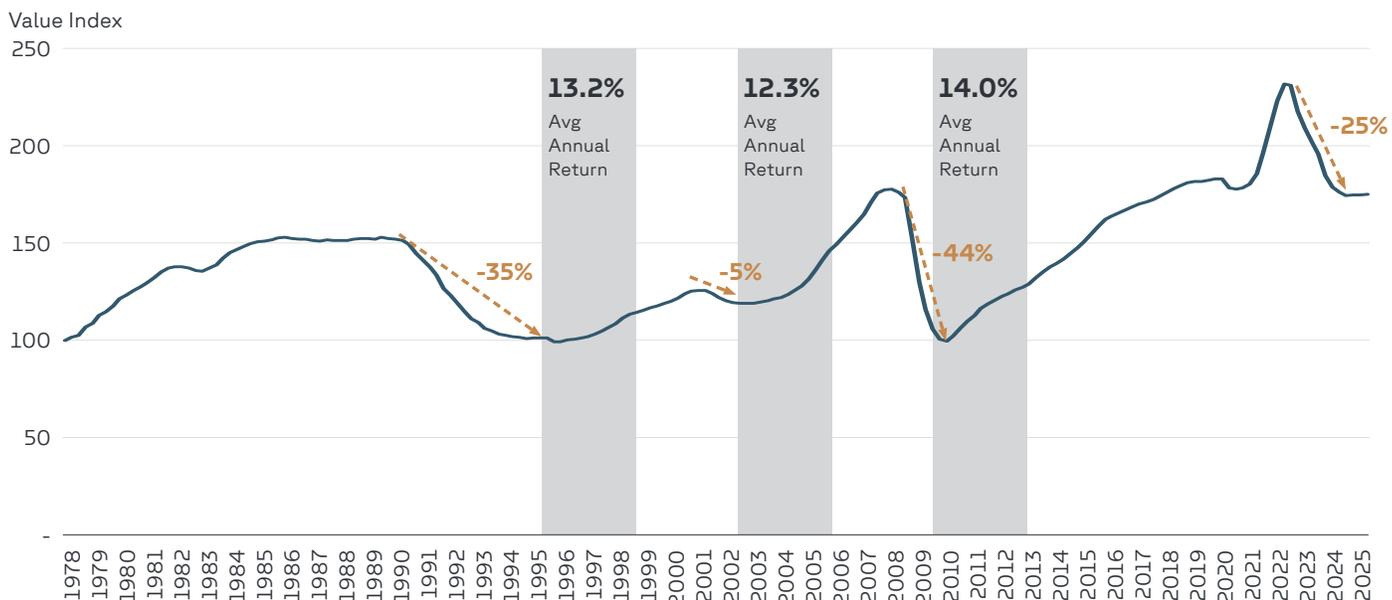
Historically, as shown in **Exhibit 2**, stabilized property returns following a valuation decline have been strong in the early recovery stages. As investor sentiment stabilizes and real estate allocations gradually rebuild, funds with disciplined balance sheets and execution capacity should be well placed to deploy capital into assets that combine current income with identifiable pathways to stabilization. Importantly, this is not a return to the conditions that characterized the prior cycle; value creation moving forward will not be driven by broad cap rate compression, but more about **operational execution, leasing, and selective development into increasingly constrained supply environments**. As a result, differentiation will favor funds with embedded upside and demonstrated execution capabilities, as opposed to strategies that relied primarily on passive aggregation during a period of falling cap rates and rising rents.

Against a backdrop of continued pressure in the broader office sector, government-leased buildings face a distinct but manageable set of policy-related uncertainties under the new administration. Concerns entering 2025 centered on the potential for accelerated lease terminations, workforce reductions, and asset sales driven by the Department of Government Efficiency (DOGE), as well as the broader risk that heightened scrutiny of federal spending could negatively impact demand for government-occupied space. While these initiatives created near-term uncertainty and weighed on market sentiment, many of the more aggressive targets ultimately proved impractical. Planned large-scale asset sales and lease terminations were scaled back, and reductions in the federal workforce fell well short of initial goals.

Importantly, the policy backdrop has also produced tangible operating momentum across the sector and within our portfolio. Utilization rates across the Washington, D.C. market are beginning to improve and occupancy is showing early signs of stabilization, as illustrated by the experience of our Government Building Fund. Since the administration's "Return to In-Person Work" memorandum, the Fund's office utilization rate has increased from roughly 60% in January 2025 to approximately 92% today, while leased occupancy has remained resilient, rising from 92.7% to 93.5%. The government continues to focus on consolidation into newer, high-quality Class A buildings, reinforcing the bifurcation between mission-critical assets and the broader office stock. While policy-driven uncertainty can influence short-term valuations, and while we remain thoughtful on potential sales considerations in both office broadly and government office specifically, portfolios anchored by long-duration U.S. credit leases, modern facilities, and mission-critical tenancy remain well positioned to withstand both political and cyclical headwinds. That durability has been demonstrated by the Fund continuing to achieve a 100% success rate on first-time renewals.

The lesson of this cycle is not that foundational strategies must become more aggressive, but that they must be adaptive. Open-end funds that balance income stability with measured exposure to value creation are increasingly well positioned to navigate policy uncertainty, valuation dispersion, and uneven recovery dynamics. As markets move beyond repricing and toward normalization, these strategies offer a durable platform for long-term capital deployment.

EXHIBIT 2: HISTORICAL NFI-ODCE AVERAGE ANNUAL TOTAL NET RETURNS IN FIRST FOUR YEARS OF RECOVERY FOLLOWING VALUATION DECLINES



Source: NCREIF, Affinius Capital Research. Analysis from Q1 2013-Q4 2025



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