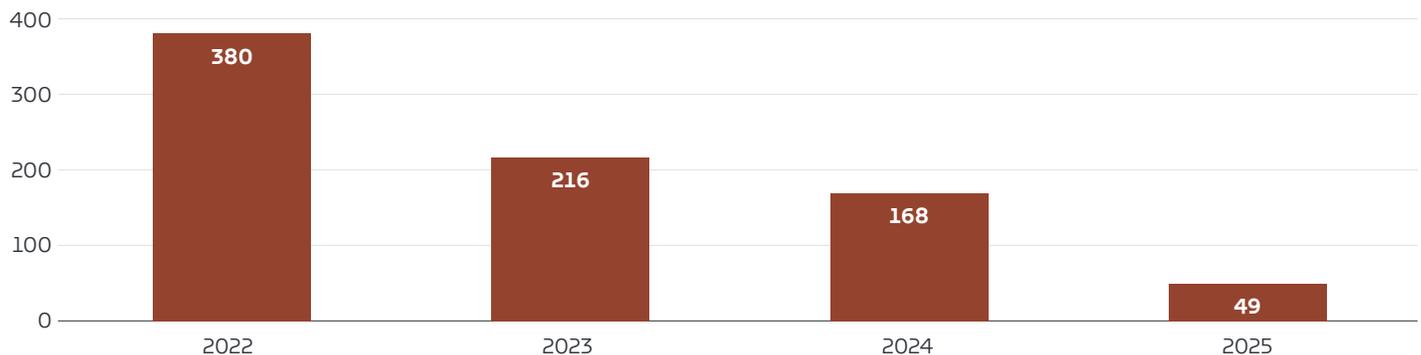


In today's environment, distinguishing durable signals from short-term volatility remains critical for long-horizon investors. While policy uncertainty, geopolitical developments, and uneven economic data continue to shape market sentiment, underlying fundamentals across much of the U.S. economy and commercial real estate have proven more resilient than anticipated. As liquidity gradually improves and the effects of prior repricing continue to work through the system, we believe the market is transitioning from a period defined primarily by valuation adjustment toward one increasingly driven by relative value, sector dispersion, and execution. At the same time, the rapid expansion of AI-related investment is reshaping the economic landscape, creating pockets of outsized growth that are influencing both real estate demand and capital allocation decisions across North America.

- U.S. economic growth is underpinned by resilient consumer spending and ongoing business investment despite elevated policy uncertainty, and fiscal policy impacts will provide tailwinds in 2026.
- Economic performance has become increasingly bifurcated, with AI-driven capital expenditures and technology investment supporting productivity gains and GDP growth even as other sectors decelerate.
- Employment markets are softening at the margin, reflecting slower hiring and reduced labor-force growth, yet unemployment and wage trends remain broadly consistent with a stable labor environment. Inflation measures have remained more contained than many anticipated despite higher tariffs and policy changes.

U.S. AVERAGE MONTHLY EMPLOYMENT GROWTH



Source: BLS

CAPITAL MARKETS

- Real estate capital markets are gradually transitioning from a period of constrained liquidity toward improving transaction activity, supported by easing borrowing costs and growing participation from non-bank lenders, though the recovery remains uneven across sectors and markets.
- Evidence from both public and private benchmarks suggests that much of the repricing cycle has occurred, with valuations stabilizing even as appraisal-based marks continue to adjust selectively.
- The current environment is increasingly characterized by relative value across sectors and strategies, as **private real estate appears increasingly well-positioned** relative to both public equities and fixed income alternatives.

"The next phase of recovery will not lift all boats equally. Pricing will differentiate those sectors with the strongest demand fundamentals, as well as operational superiority. We see a return to basics, in which assets with proven cash flows, strong tenancy, and attractive cost basis, as well as the ability to create value over time, will command a premium." — **LEN O'DONNELL**, Chairman & CEO

COMMERCIAL REAL ESTATE OPPORTUNITIES AND STRATEGIES

1. Our conviction around the **intersection of real estate and technology** has strengthened.
2. Reduced supply in **logistics** and **housing** driven by lower development activity, with demand drivers expected to benefit from secular tailwinds in key sectors, led by historic absorption for **data centers**.
3. Capital market dynamics continue to create a strategic opportunity for debt funds to leverage market dislocation and address persistent capital shortfalls.

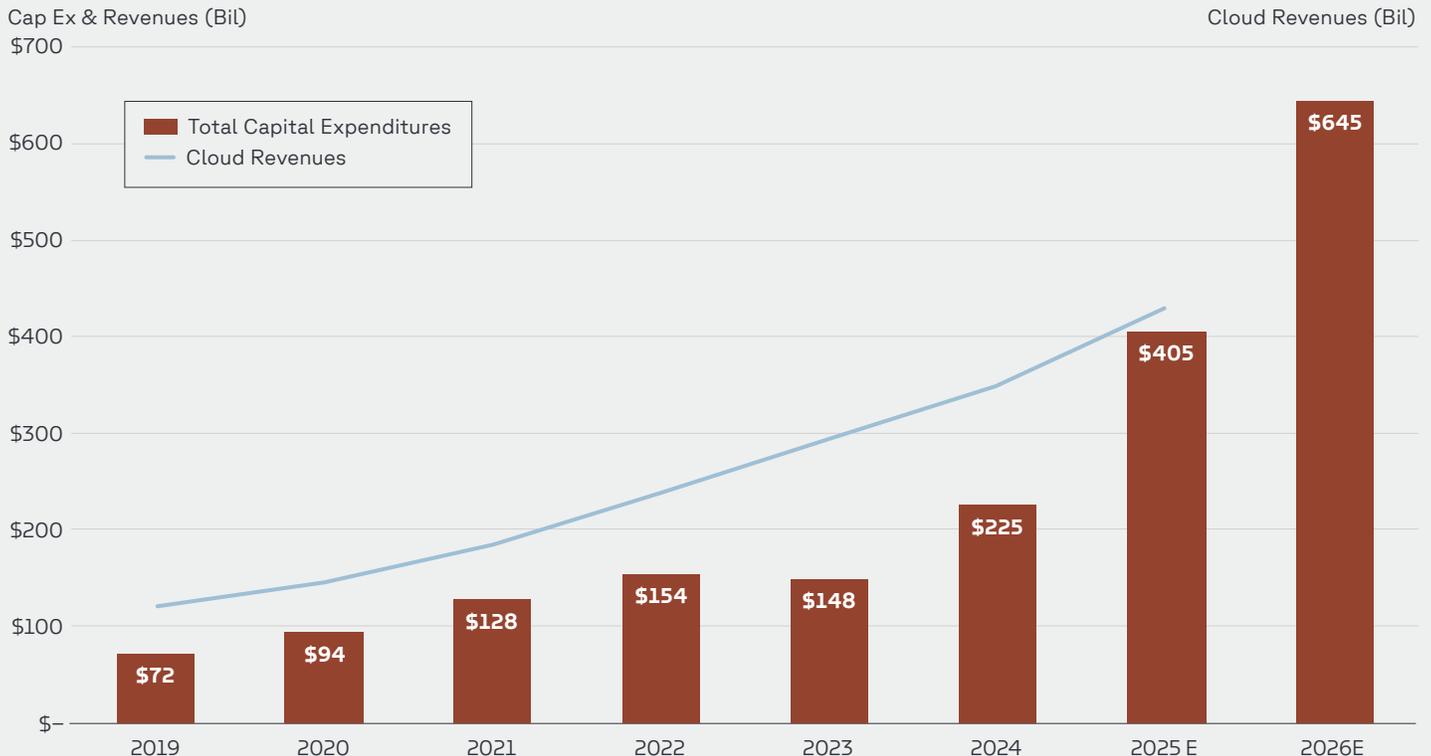
DATA CENTERS

Data centers have become foundational infrastructure for the digital economy, supporting cloud computing, artificial intelligence, and increasingly compute-intensive enterprise applications. The scale and persistence of AI-driven capital investment continue to reinforce the sector's long-term growth trajectory.

- **Unprecedented Technology Investment:** Hyperscaler capital expenditures are projected to accelerate further in 2026 to over \$600 billion, reflecting the scale of infrastructure required to support next generation compute workloads.
- **Sustained Demand Expansion:** Data center absorption has accelerated to historic levels, with hyperscale and enterprise demand continuing to outpace available capacity as AI adoption expands across industries, our **RESEARCH** shows.
- **Power as the Binding Constraint:** Limited power availability, extended development timelines, and site scarcity have emerged as the primary constraints across many Tier I markets, reshaping market geography, reinforcing low vacancy, and supporting sustained rent growth for stabilized, energized facilities.
- **Strategic Development Advantage:** Affinius Capital's vertically integrated platform and ability to source, entitle, and deliver powered sites positions the firm to partner with hyperscale tenants and capture opportunities created by persistent supply-demand imbalances.

This structural supply-demand imbalance is reshaping where and how new capacity can be delivered. In this environment, assets and development platforms capable of securing and executing on energized capacity are benefiting from strong pre-leasing activity. **These dynamics support a compelling risk-return profile**, positioning the sector to absorb increasing institutional allocations, according to our **RESEARCH**.

HYPERSCALER CLOUD REVENUES AND CAPITAL EXPENDITURES TREND



Source: Company Filings, Bank of America, Affinius Capital Research

LOGISTICS

While trade and tariff uncertainty slowed leasing momentum in 2025, the forces underlying that pause, including reshoring, nearshoring, supply-chain redundancy, and e-commerce growth, continue to point toward higher long-term demand for modern industrial space across North America.

- **Structurally rising demand remains intact. A fracturing global economy** is driving broader and more geographically distributed manufacturing and logistics footprints, while secular e-commerce growth continues to underpin demand for bulk, regional, and last-mile facilities. These dynamics favor increased industrial capacity over time, even if absorption remains uneven near term.
- **Supply is slowing materially.** Following several years of elevated deliveries, industrial development has pulled back sharply, with starts and space under construction down significantly from peak levels and total deliveries projected to decline 75% from peak levels over the next two years. This supply-side adjustment is improving market balance and setting the stage for firmer fundamentals as demand re-engages.
- **Modern facilities are positioned to outperform.** Our **RESEARCH** shows that newer, well-located Class A industrial assets have consistently outperformed in the early stages of recovery cycles. With new supply constrained, competition for high-quality space diminishes just as leasing activity improves, supporting stronger occupancy, rent growth, and performance dispersion in favor of modern facilities.
- **Mexico represents a differentiated opportunity.** Nearshoring and supply-chain reconfiguration are increasingly benefiting Mexico, which is well positioned at the intersection of global manufacturing realignment and U.S. consumption. Rising manufacturing investment, expanding logistics demand, and improving financing conditions support continued growth, creating attractive opportunities for disciplined development and build-to-suit strategies south of the border.

HISTORICAL OUTPERFORMANCE OF MODERN LOGISTICS IN THE EARLY RECOVERY PHASE

	Decline in Completions	Avg Annual Return: Industrial Buildings < 10 Years Old	Avg Annual Return: Industrial Buildings > 10 years Old	Annual Outperformance: Modern Product
DOT.COM BUST	-56%	13.7%	11.5%	2.16%
Under 250K SF		12.8%	10.0%	2.76%
250-500K SF		13.6%	11.2%	2.40%
500K+ SF		14.2%	12.5%	1.70%
GFC	-84%	12.0%	10.1%	1.88%
Under 250K SF		10.0%	9.1%	0.90%
250-500K SF		11.9%	10.3%	1.60%
500K+ SF		13.1%	10.7%	2.30%
CURRENT CYCLE	-72%			?

Source: NCREIF, Affinius Capital Research, CoStar

REAL ESTATE LENDING

Real estate lending has evolved from a cyclical opportunity into a more durable component of portfolio construction, supported by tangible collateral, conservative capital structures, and persistent capital needs as the market works toward equilibrium. Regulatory and capital constraints on banks and insurers have reinforced the role of non-bank lenders. Our **RESEARCH** shows that commercial real estate credit remains fundamentally distinct from corporate private credit, benefiting from conservative leverage, observable valuation benchmarks, and stronger recovery dynamics. These characteristics are attracting new and incremental capital sources; our **RESEARCH** highlights that growing insurer allocations, driven by expanding annuity sales and favorable regulatory treatment, are increasingly targeting high-quality real estate credit, reinforcing demand for well-structured lending solutions as refinancing pressure and reduced construction lending continue to reshape capital stacks.

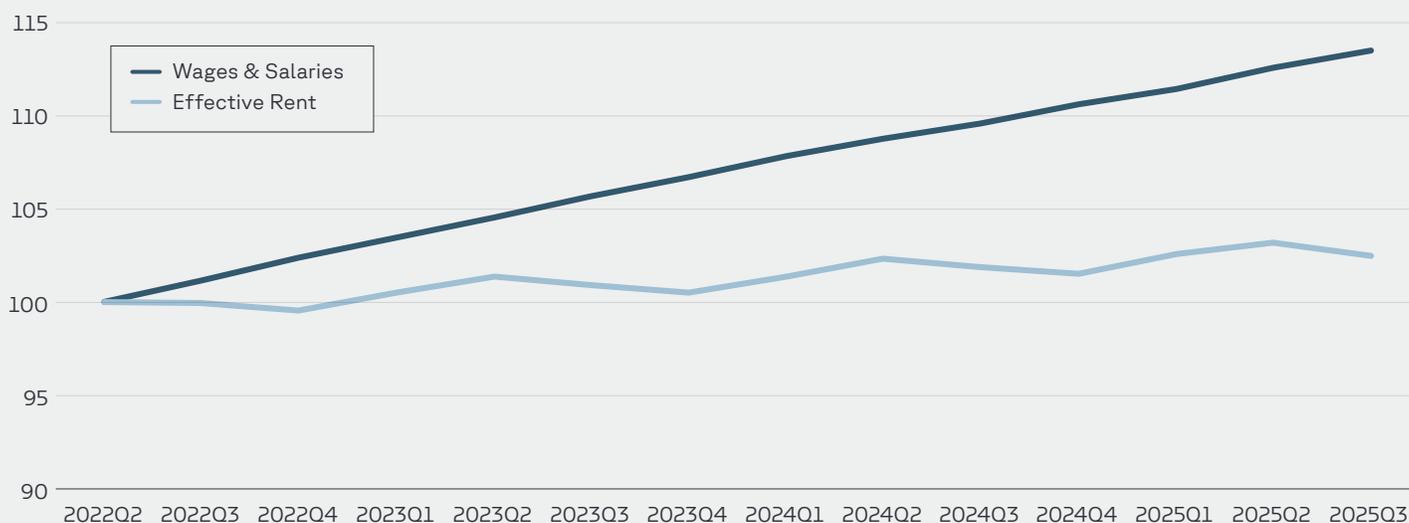
- Core first mortgage lending opportunities are emerging as higher rates and reduced competition lead to lower-leverage loans with strong relative value.
- Gap capital strategies are filling the void left by senior lenders, offering equity-like returns with subordination benefits.
- The steep decline in bank construction lending has created an opening for private credit to step into favorable terms, particularly for projects set to deliver in a lower-supply environment.

HOUSING

Housing is returning to its traditional role as a cornerstone allocation within real estate portfolios, defined by durable cash flows, strong inflation-hedging characteristics, and consistent liquidity supported by GSE-backed financing. After a period in which returns were driven disproportionately by development and rapid rent growth, the coming cycle is expected to favor income durability, operational execution, and long-term ownership.

- **A “back to basics” opportunity set is emerging.** Multifamily continues to benefit from resilient demographic demand and improving rental affordability, as income growth has outpaced rent growth in recent years. At the same time, elevated home prices and mortgage rates have kept homeownership out of reach for many households, reinforcing renter retention and supporting stable occupancy across institutional-quality assets.
- **Supply pressures are easing.** Following several years of elevated deliveries, multifamily construction is slowing sharply, with new supply projected to 65% from peak levels over the next two years. This slowdown, combined with a persistent national housing shortage and affordability constraints in many markets, is setting the stage for improving fundamentals as existing inventory is absorbed.
- **Income-driven strategies are well positioned.** With broad-based cap rate compression unlikely to re-emerge, we see a compelling opportunity to target housing investments that deliver attractive current income, **inflation protection**, and incremental upside through disciplined asset management and selective development as the next cycle takes shape.

U.S. WAGE & SALARY VS. RENT GROWTH, INDEXED TO Q2 2022



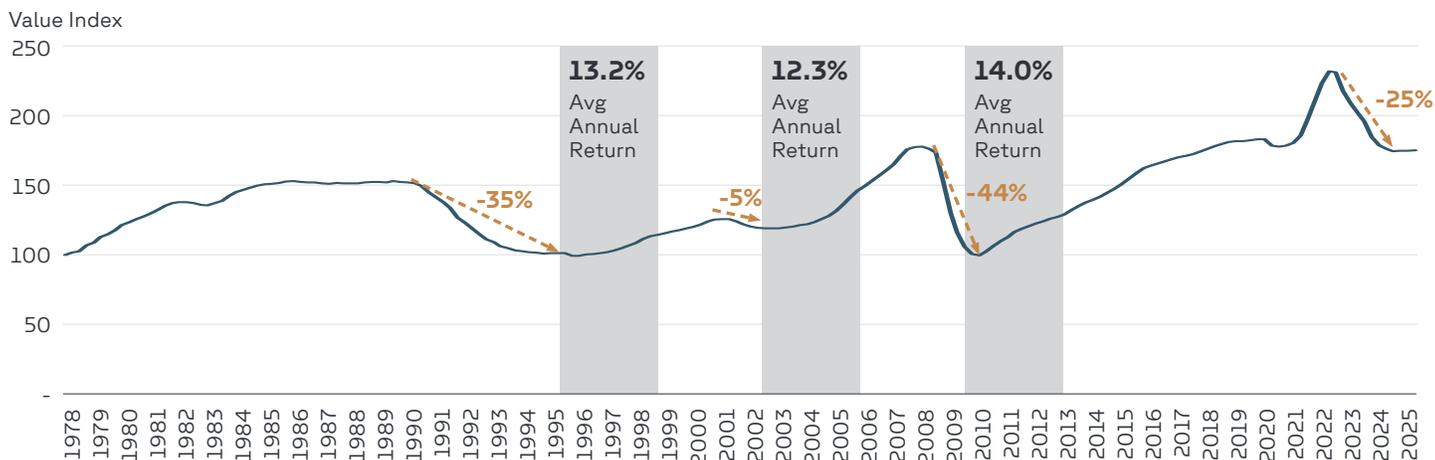
Source: CoStar, St. Louis FRED, Affinius Capital Research

FOUNDATIONAL STRATEGIES

Thoughtfully constructed foundational strategies, particularly open-end fund structures, remain central to institutional portfolios, offering durable income, capital preservation, and diversification as markets transition from repricing toward normalization. While the prior cycle rewarded passive aggregation and cap rate compression, the current environment increasingly favors disciplined execution, portfolio quality, and credible valuation marks.

- **Measured value creation enhances outcomes.** Our **RESEARCH** shows that modest exposure to non-stabilized assets within a core framework, primarily through develop-to-core strategies, has meaningfully improved total and risk-adjusted returns over time, without compromising the defensive characteristics investors seek from foundational allocations.
- **Post-repricing dynamics support deployment.** Following several years of valuation adjustment, open-end funds are positioned to benefit from improving liquidity and incremental capital inflows, though outcomes are likely to be uneven. Historically, stabilized assets have delivered strong returns in the early stages of recovery, reinforcing the opportunity for disciplined capital deployment as transaction activity normalizes.
- **Execution, not compression, will drive differentiation.** With broad cap rate compression unlikely to re-emerge, relative performance is increasingly tied to leasing execution, operational discipline, and selective development in supply-constrained environments. Funds with embedded upside and demonstrated execution capabilities are best positioned to navigate valuation dispersion and deliver durable long-term returns.

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

CONCLUSION

Drawing on Affinius Capital's 44-year history, we believe the current environment presents a compelling opportunity set. While policy uncertainty and macro volatility continue to shape near-term sentiment, underlying fundamentals across many sectors have proven more resilient than anticipated. As markets move beyond repricing and toward normalization, opportunity is increasingly defined by relative value, asset quality, and execution rather than broad beta. In this setting, patient, disciplined, and solution-oriented capital is well positioned to navigate dispersion, address capital needs, and capture durable, long-term value creation.



MARK FITZGERALD,
CFA, CAIA

Managing Director, Head of Research

mark.fitzgerald@affiniuscapital.com

Important Disclosures

Affinius Capital® is the brand that applies to it and its advisory subsidiaries including Affinius Capital Advisors LLC and Affinius Capital Management LLC. The information contained in this report is being provided to you by Affinius Capital (together with its affiliates, "Affinius") for information purposes only and is not, and may not, be relied on in any manner as, legal, tax or investment advice. The information contained herein does not constitute an offer to sell or a solicitation of an offer to buy an interest in any investment vehicle sponsored by Affinius and any such offer will only be made pursuant to a confidential private placement memorandum and/or the Partnership's subscription documents, which will be furnished to qualified investors in connection with such offering and will be subject to the terms and conditions contained therein. The information in this report is only as current as the date indicated, and may be superseded by subsequent market events or for other reasons. Affinius Capital assumes no obligation to update the information herein. Investment in a Partnership will involve significant risks, including risk of loss of the entire investment.

This Report may contain forward-looking statements that include statements, express or implied, regarding current expectations, estimates, projections, opinions and beliefs of Affinius, as well as the assumptions on which those statements are based. Words such as "believes," "expects," "endeavors," "anticipates," "intends," "plans," "estimates," "projects," "targets," "assumes," "potential," "should" and "objective," (or the negatives thereof) or other variations thereon and comparable terminology identify forward-looking statements. Forward-looking statements are hypothetical in nature and involve a number of known and unknown assumptions, risks, uncertainties and other factors outside of Affinius' control, and accordingly, actual events or results may differ materially from those projected. No assurance can be given that any investment will be able to achieve returns comparable to those projected or targeted. Investors and prospective investors should not place undue reliance on any forward-looking statements or examples included in this Supplement, and Affinius does not assume any obligation to update any forward-looking statements contained herein.

Investments and Market Risk. Investments involve significant risks, including risk of loss of the entire investment. Prospective investors should consult their own legal, tax and financial advisors as to the consequences of an investment. Leveraged investments may present additional risks to the investor, including, capital structure risk. Dependence on key personnel may result in operational risk. An investment sponsored by Affinius Capital is intended to be a long-term investment.

Third-Party Data. Certain information contained in this report has been obtained from published and non-published sources. Recipients should understand that any such information may not have been independently verified. Except where otherwise indicated herein, the information provided herein is based on matters as they exist as of the date of preparation and not as of any future date and will not be updated or otherwise revised to reflect information that subsequently becomes available, or circumstances existing or changes occurring after the date hereof.

The opinions and recommendations herein do not take into account the individual circumstances or objectives of any investor and are not intended as recommendations of particular investments or strategies to particular investors. No determination has been made regarding the suitability of any investments or strategies for particular investors. Portions of this report may reflect our opinions and beliefs regarding general market activity and potential impacts of current market conditions. Such opinions and beliefs are subjective, do not represent a complete assessment of the market and cannot be independently verified.



9830 Colonnade Blvd., Suite 600
San Antonio, Texas 78230 USA
affiniuscapital.com