



K&L GATES

CONFIDENTIAL AND PROPRIETARY
REAL ESTATE BREAKFAST SEMINAR

September 2020

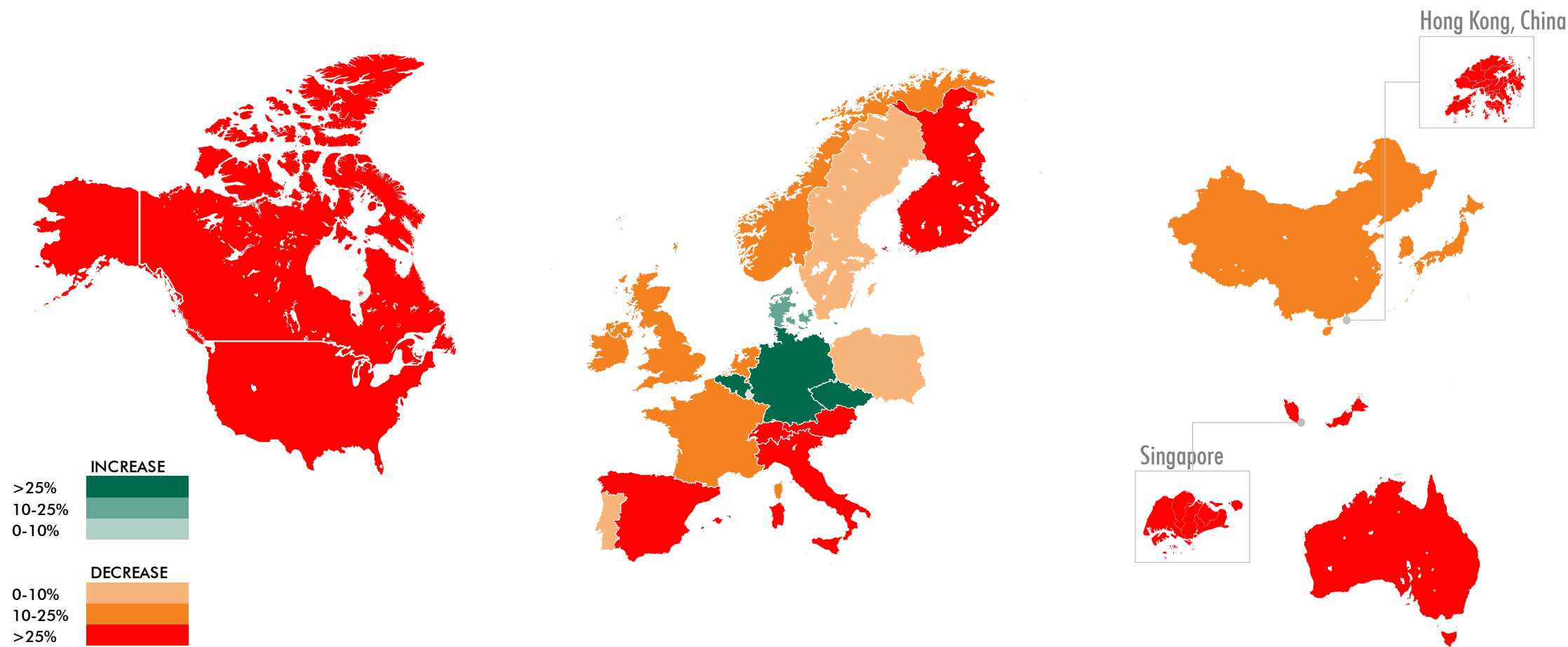
CBRE
GLOBAL
INVESTORS

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are filled with lights, and the sky is a clear, pale blue. A large, bright green triangular graphic element is positioned on the left side of the image, pointing towards the center.

THE YEAR TO DATE

TRANSACTION VOLUMES FELL SHARPLY IN H1 20 WITH THE EXCEPTION OF PARTS OF CENTRAL EUROPE

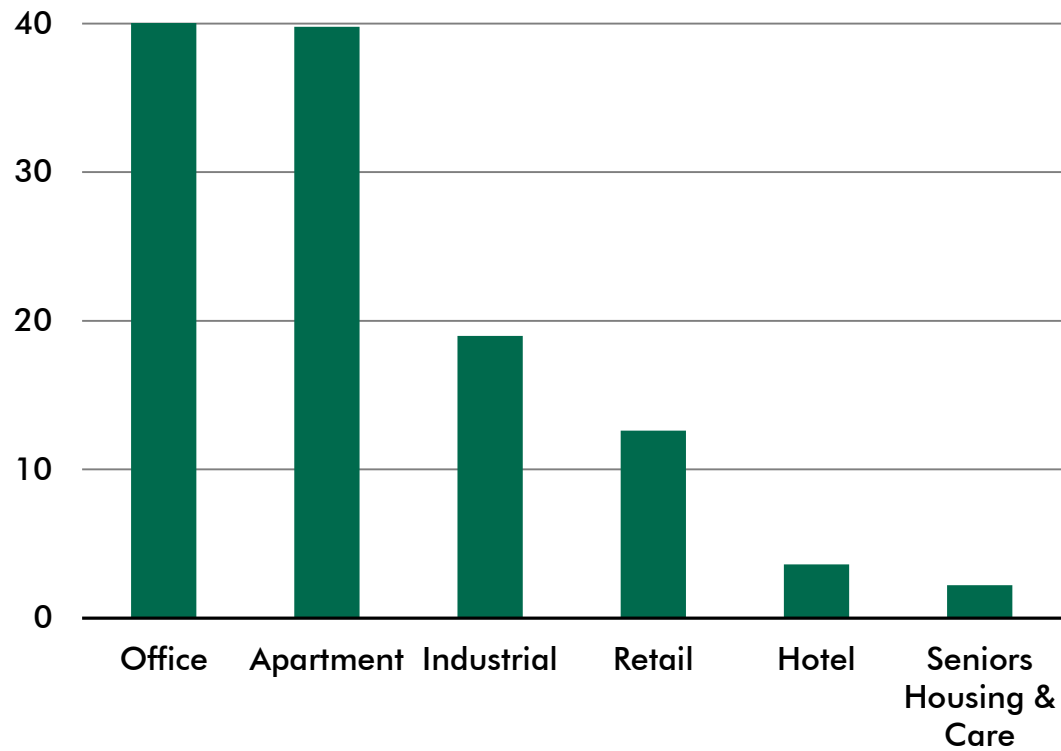
H1 2020 Change In Transaction Volume, % Y/Y.



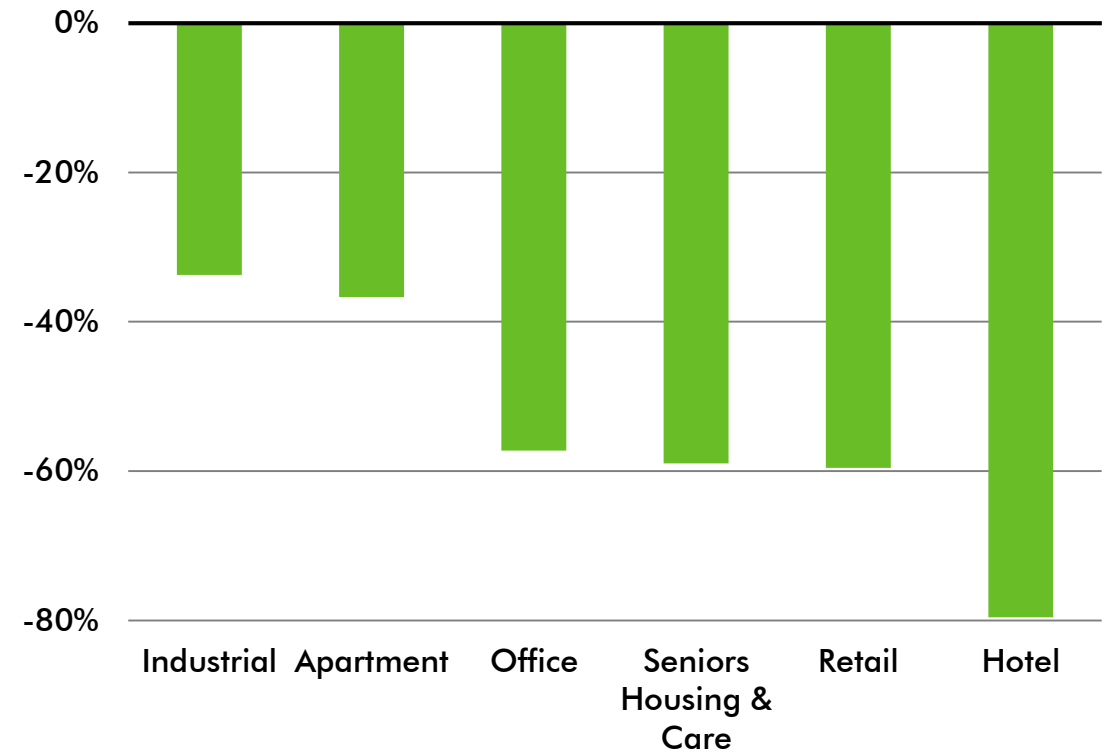
Source: Real Capital Analytics.

APARTMENTS CATCH UP WITH OFFICES GIVEN STRUCTURAL CHANGE FEARS

Global Investment Volumes By Sector, Q2 2020.
USD Billions.

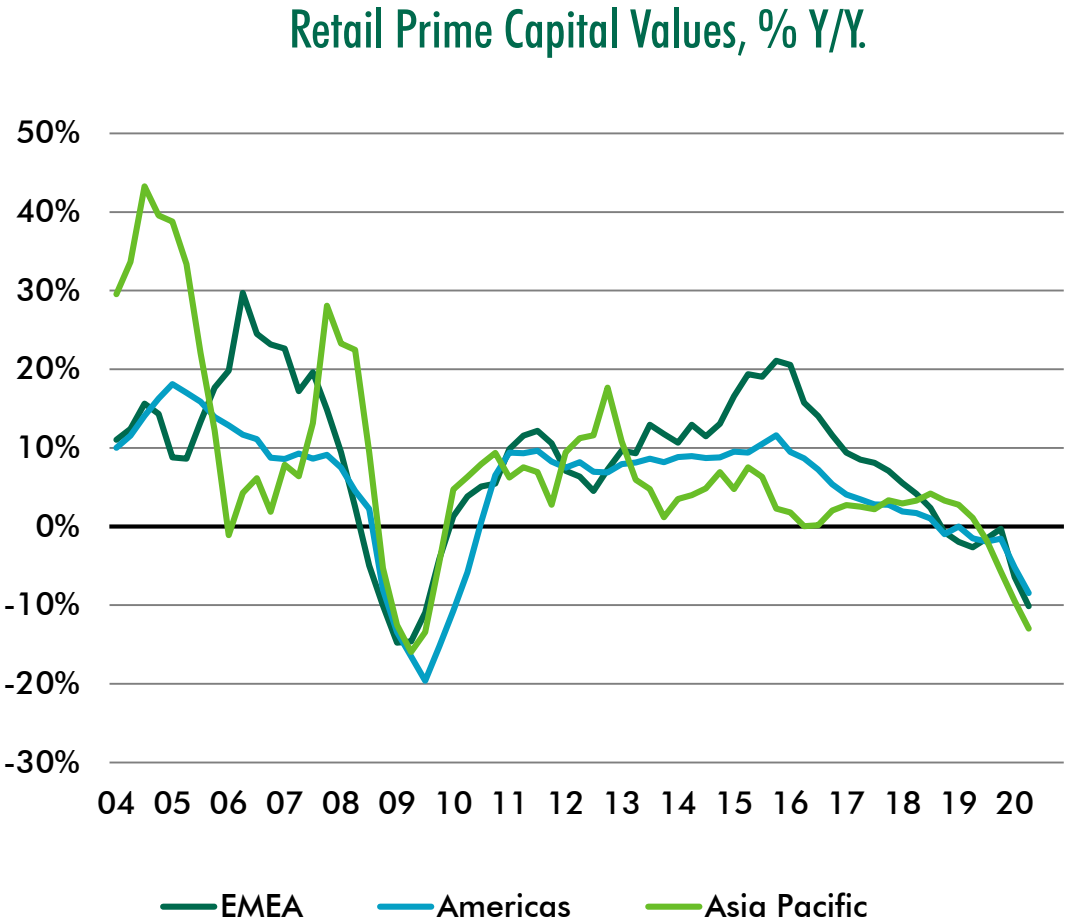
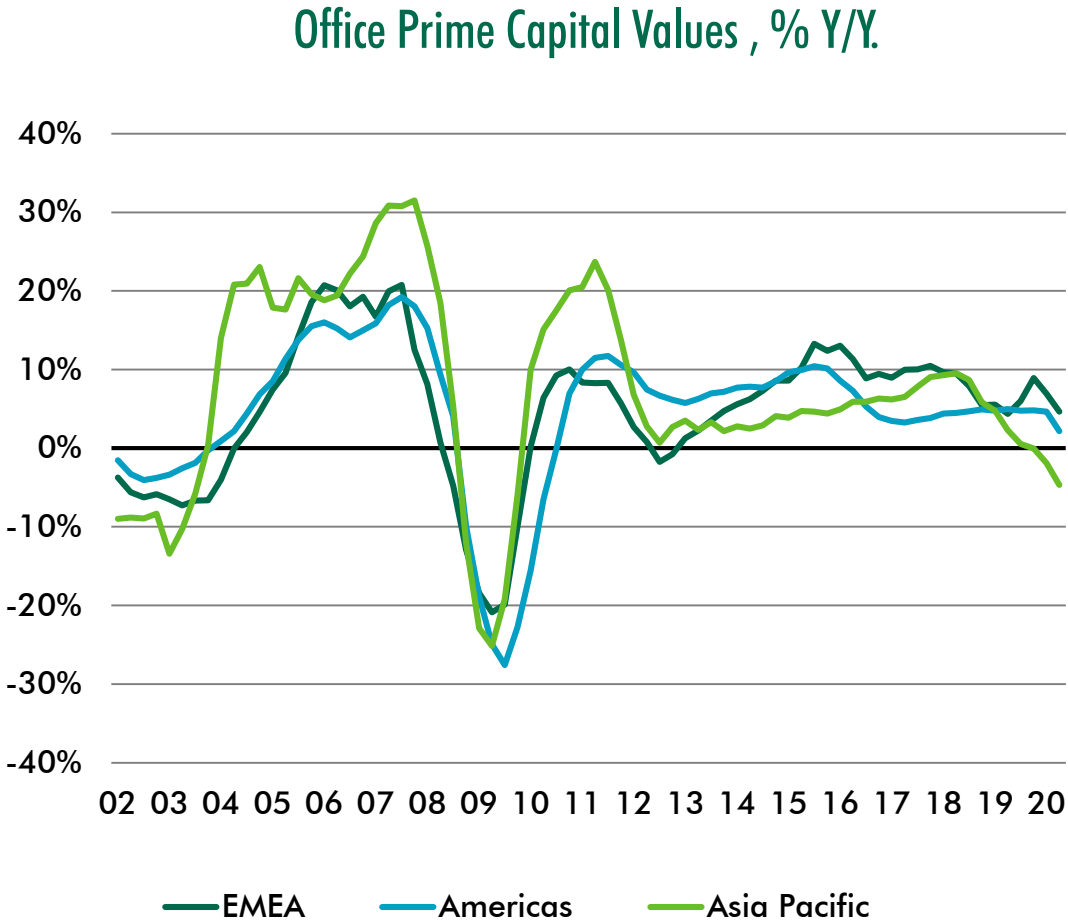


Global Investment Volumes, Q2 2020/Q2 2019, %.



Source: Real Capital Analytics.

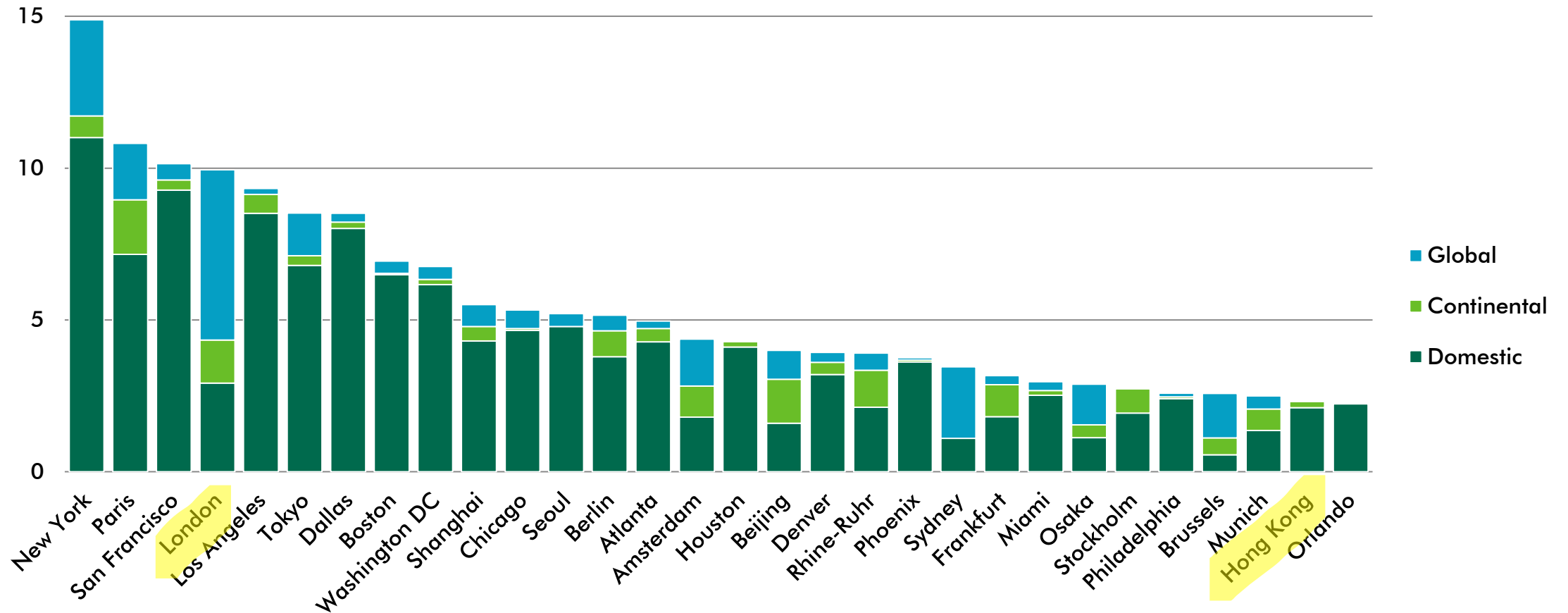
OFFICE CAPITAL VALUES FELL IN ALL THREE REGIONS IN Q2 – THE RETAIL BLOODBATH CONTINUES



Source: CBRE.

AT THE METRO LEVEL, LONDON CONTINUES TO SLIP – AS DOES HONG KONG

Top 30 Global Metros Transaction Volumes, H1 2020, USD Billions.



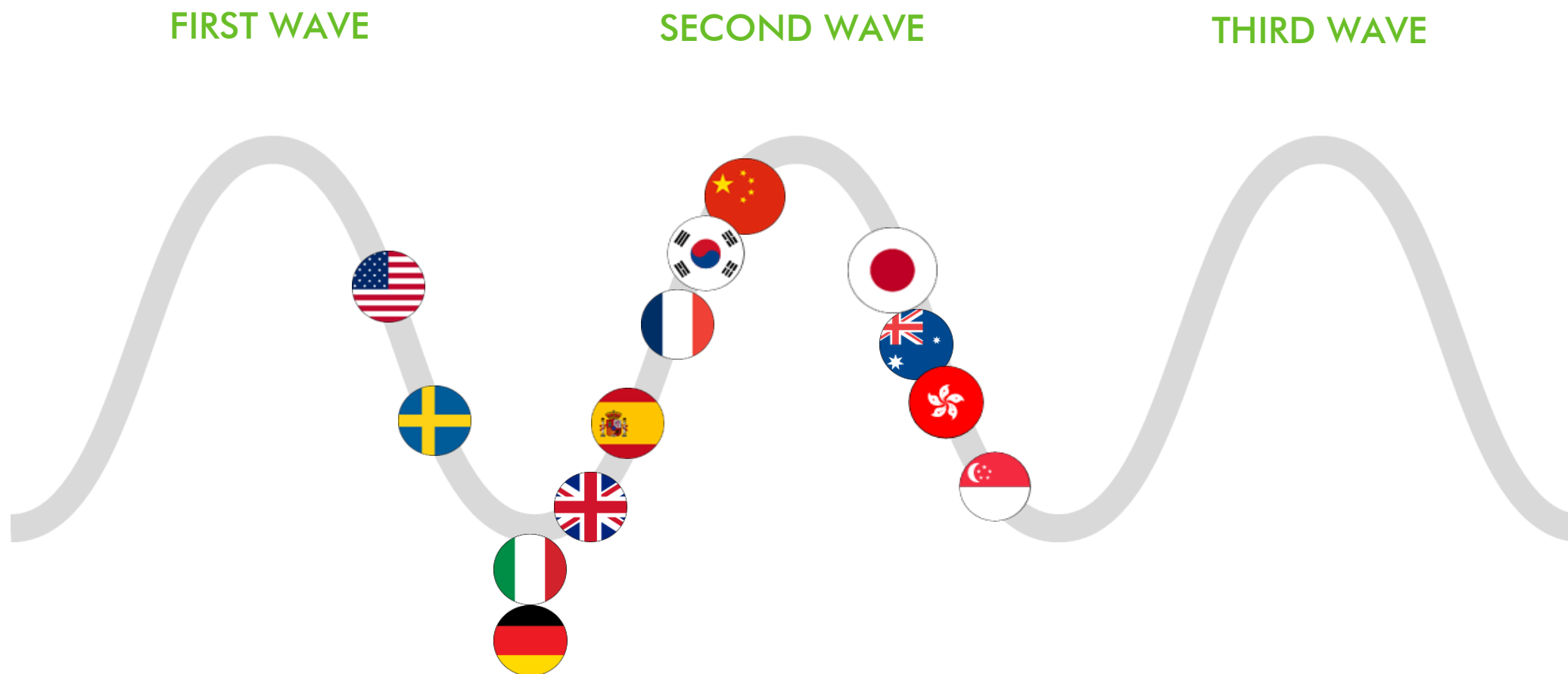
Source: Real Capital Analytics

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are framed by a clear blue sky. The perspective creates a sense of height and architectural grandeur. A large, bright green triangular graphic element is positioned on the left side of the image, partially overlapping the buildings.

THE PATH AHEAD

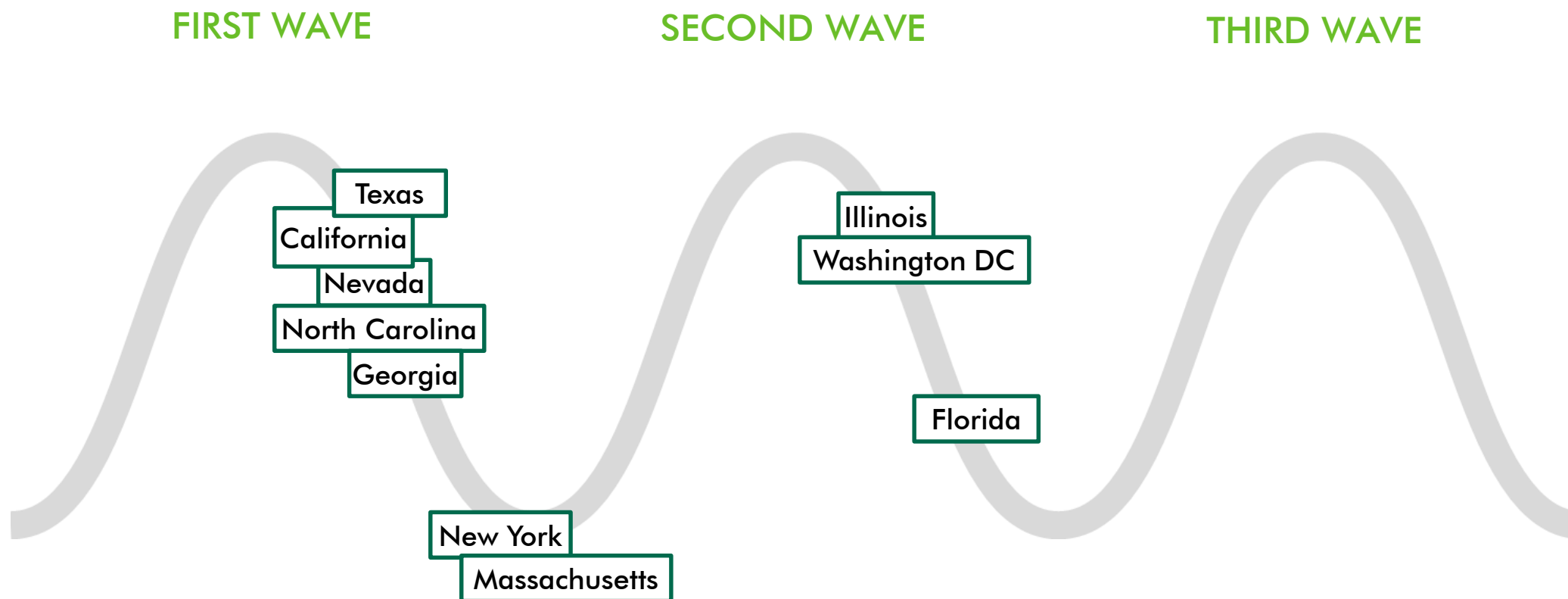
THE MACRO AND REAL ESTATE OUTLOOK IS HUGEY INFLUENCED BY THE PATH OF COVID

Pandemic Wave Chart Based On The CBREGI Estimate Of R and Confirmed Cases.



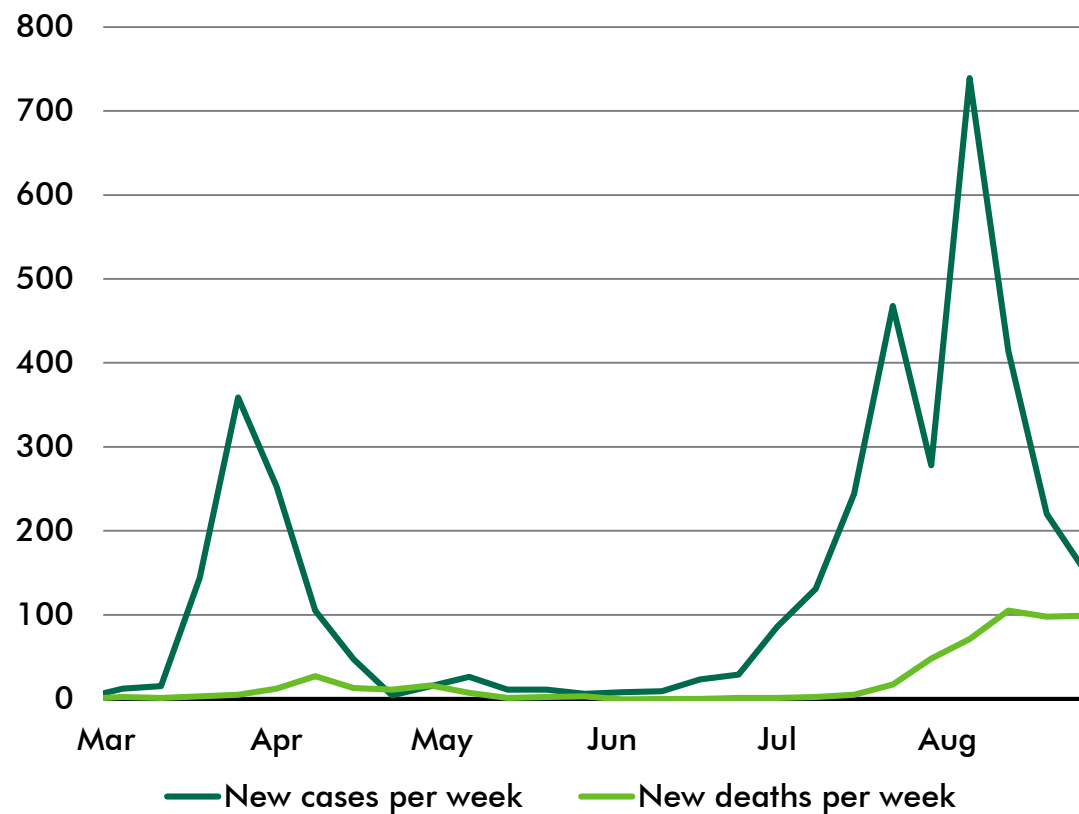
WITHIN THE USA THERE IS A MASSIVE DIVERGENCE ACROSS STATE AND LOCAL RESPONSES

Pandemic Wave Chart Based On The CBREGI Estimate Of R and Confirmed Cases.



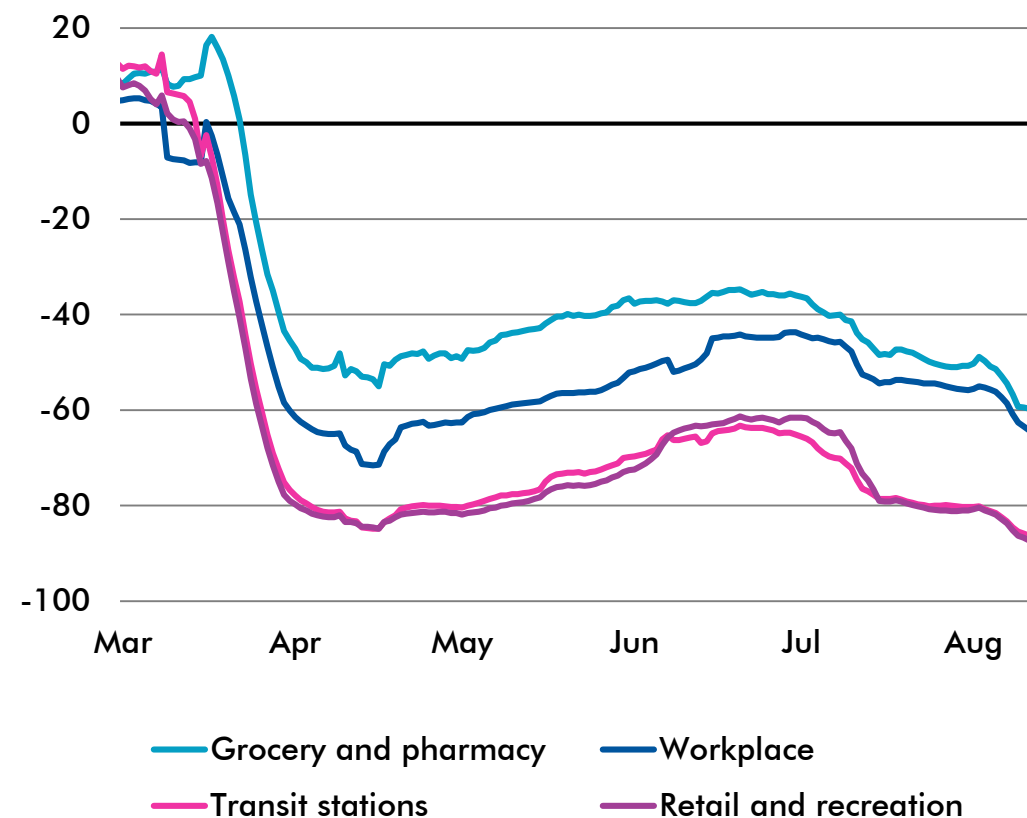
WAVES DON'T NECESSARILY ATTENUATE – A WARNING FROM AUSTRALIA

Australian Weekly New Confirmed SARS-Covid2 Cases & Deaths.



Source: World Health Organization.

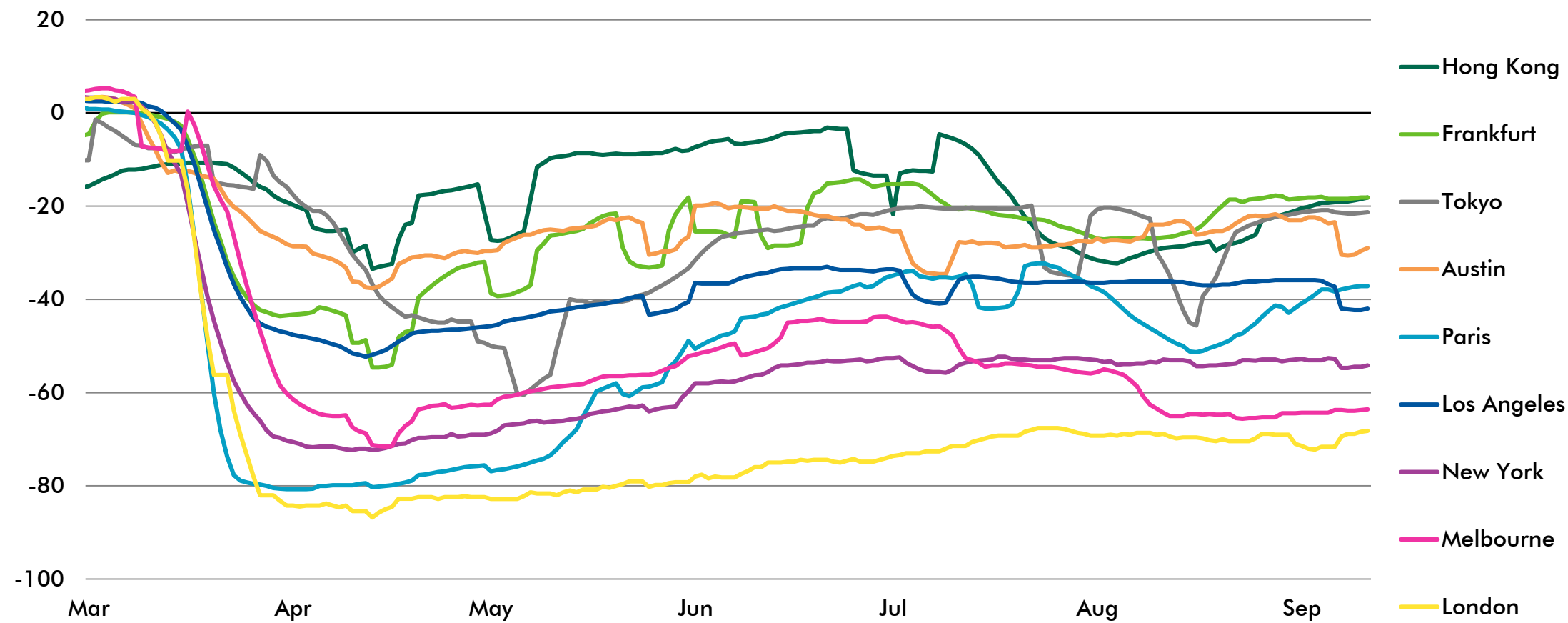
Melbourne - Mobility Relative To Baseline, %, 7 day moving average.



Source: Google.

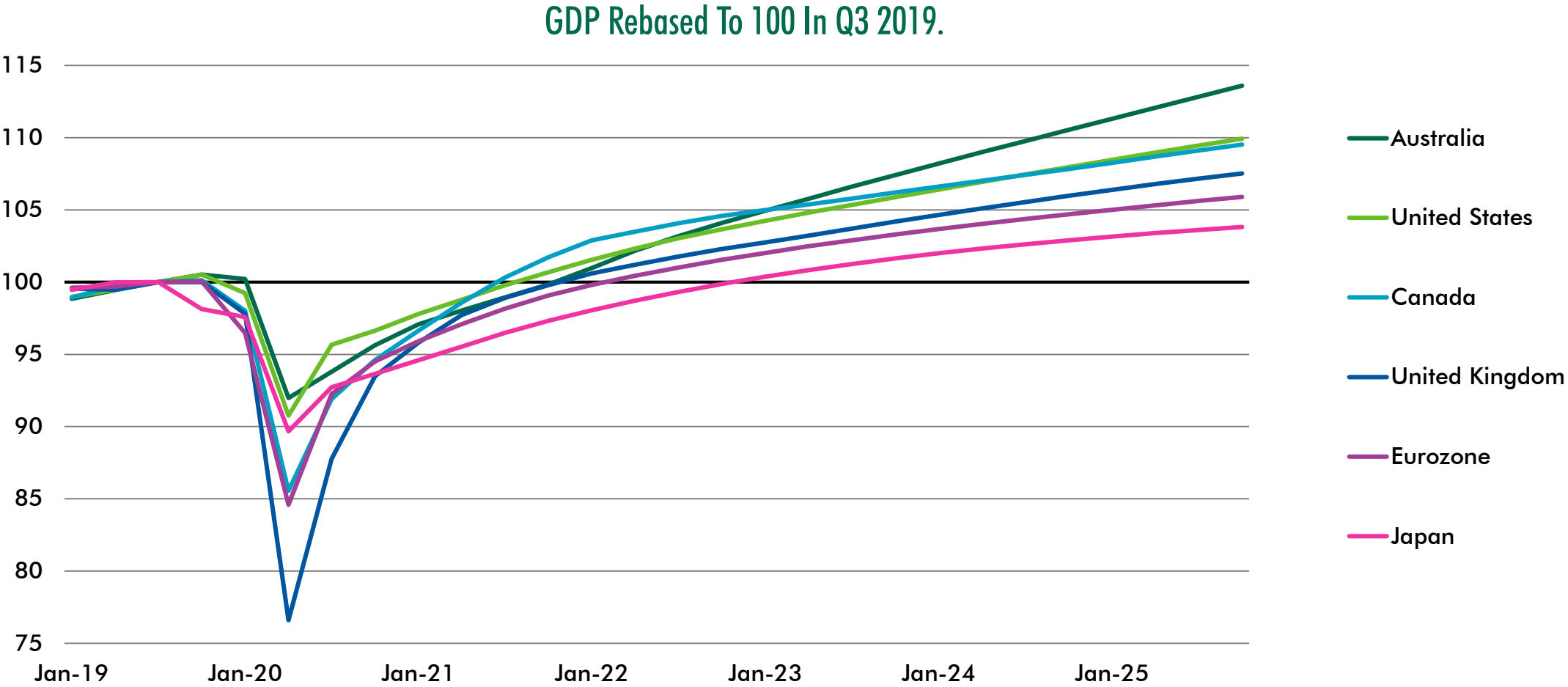
DECISIONS ON WHEN TO RETURN TO WORK DEPEND ON THE MANNER AND MEANS OF COMMUTE TOO

Google Mobility Data – Workplace Activity, % Y/Y (7 Day Moving Average).

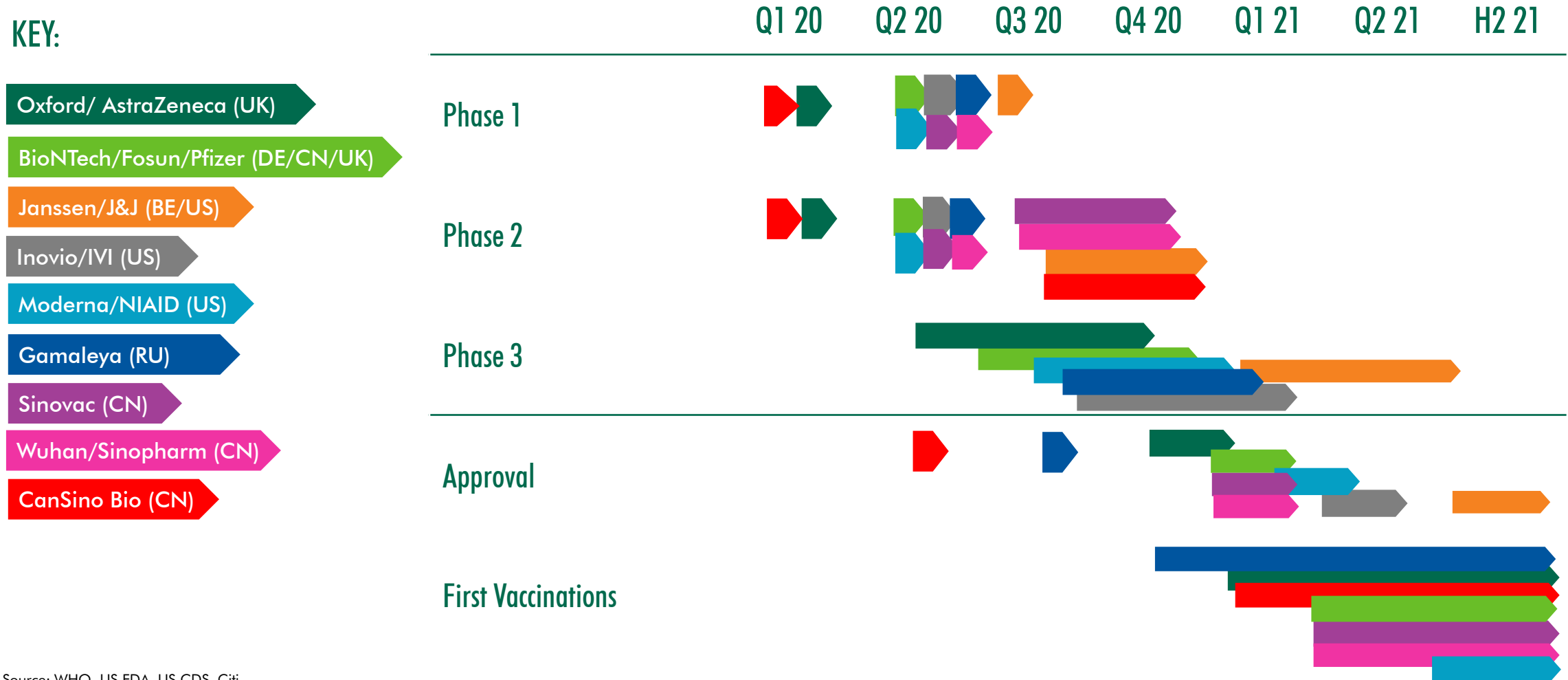


Source: Google.

THE CBRE GLOBAL INVESTORS' MACRO BASE CASE IS FOR A NIKE SWOOSH RECOVERY

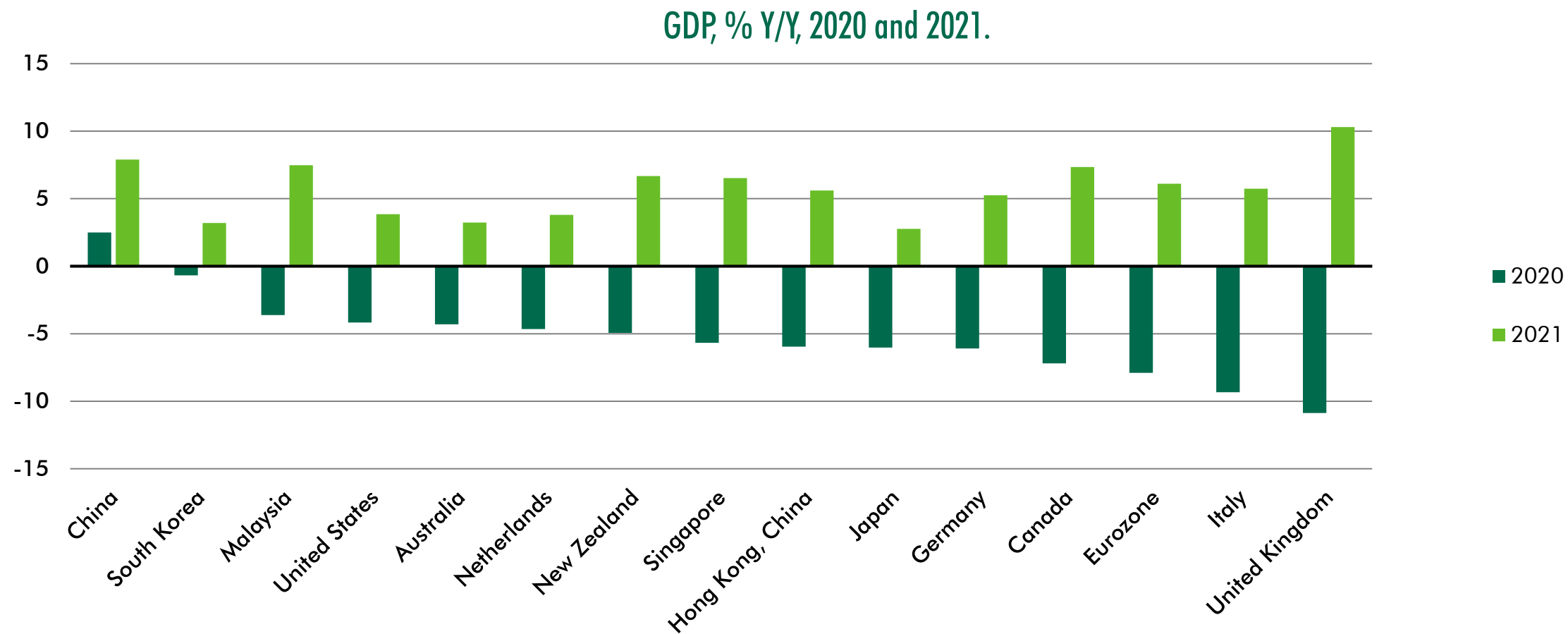


THIS IS CONTINGENT ON A MASS VACCINATION PROGRAMME BY NEXT SUMMER



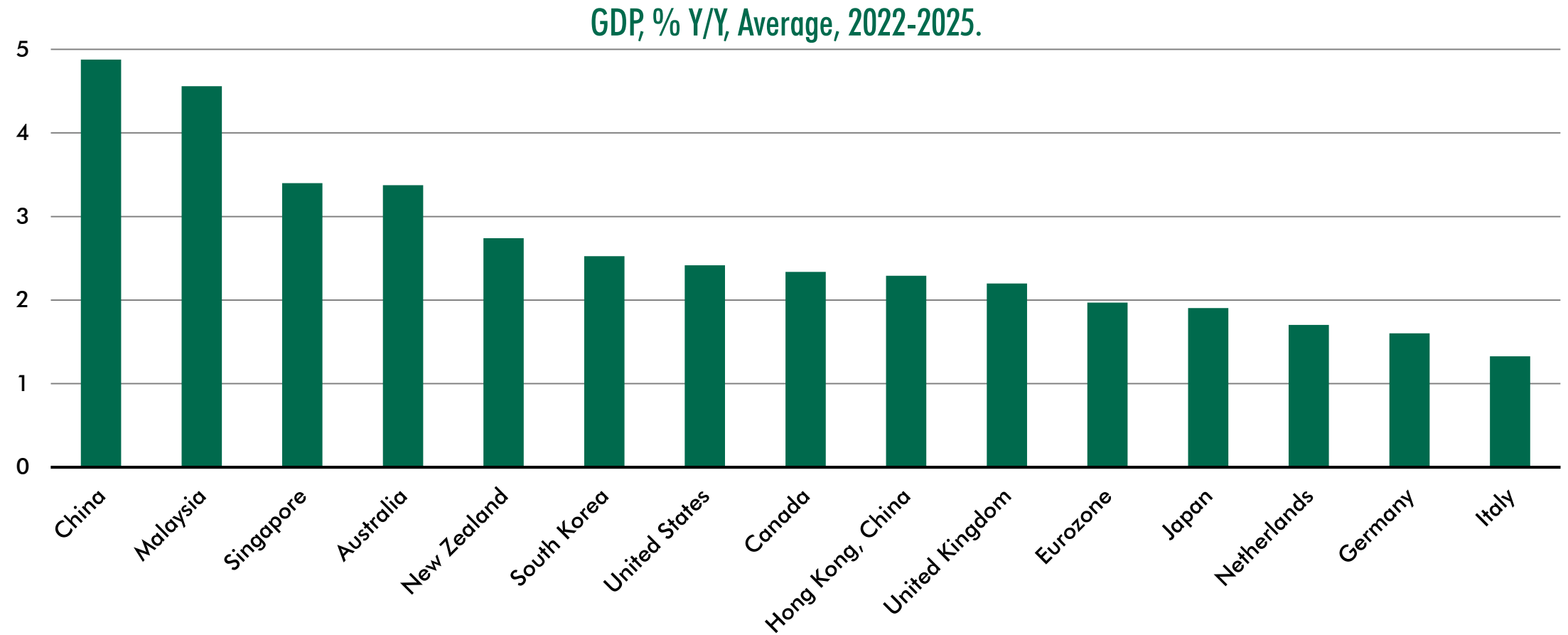
Source: WHO, US FDA, US CDS, Citi.

2020 AND 2021 ARE SEE-SAW YEARS – BUT LABOUR MARKETS WILL TAKE LONGER TO RECOVER



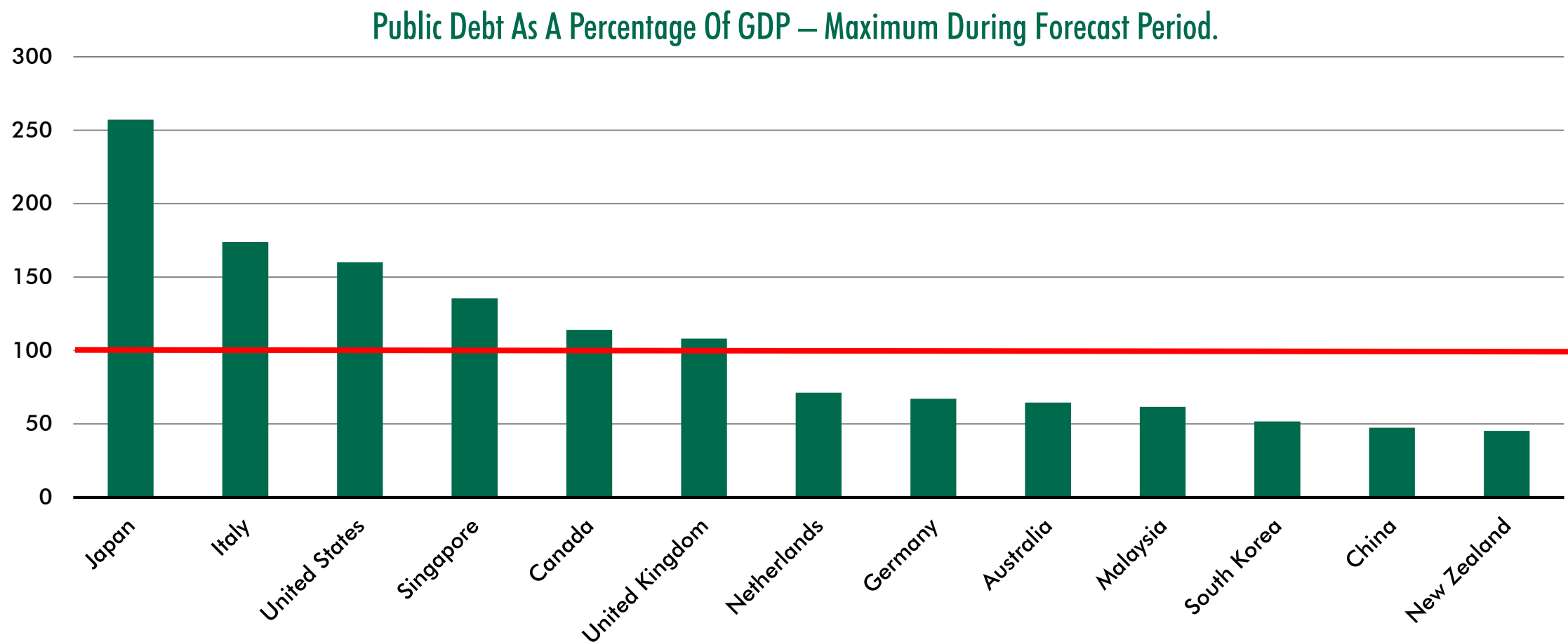
Source: Oxford Economic Forecasting.

2022-2025 LOOK PRETTY GOOD!



Source: Oxford Economic Forecasting.

THE BIG QUESTION IS HOW EACH LOCAL, FEDERAL, NATIONAL GOVERNMENT DEALS WITH DEBT!



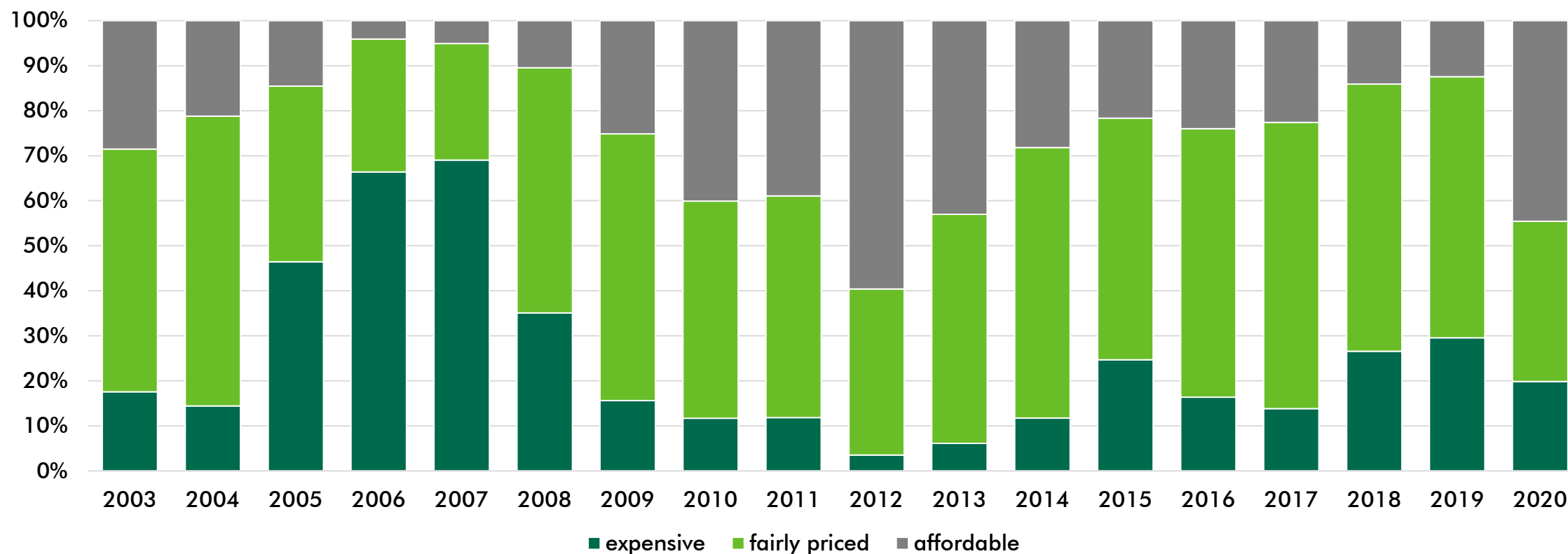
Source: Oxford Economic Forecasting.

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are arranged in a way that they appear to converge towards the top of the frame. The glass reflects the sky and shows some interior lights. A large, solid green triangle is positioned on the left side of the image, pointing towards the center. Inside this triangle, the text "WHERE ARE THE OPPORTUNITIES?" is written in white, uppercase letters.

WHERE ARE THE
OPPORTUNITIES?

OVERALL, THANKS TO RISING CAP RATES, REAL ESTATE PRICING WILL IMPROVE VERSUS JUNE 2020

Percentage Of RARE Markets That Are Expensive, Fairly Priced Or Affordable



Source: CBRE Global Investors.

Relative pricing for 2020 is based on forecasted year-end cap rates (initial yields) versus fair cap rates based on interest rates, risk premiums and growth expectations.

Cut-off points for relative pricing labels are chosen such that per region (EMEA, APAC, North America) 50% of all markets are classified as fairly priced across the full period 2003-2020.

KEY CALLS

**1 RETAIL
DOESN'T
BOUNCE BACK**

**EXCEPT MAYBE U.S.
NCC RETAIL?**

**2 OFFICES DO!
BUT EXERCISE
CAUTION**

**3 BEDS AND
SHEDS REMAIN
RESILIENT**

THE FUTURE OF OFFICE



ROUTINE WORK

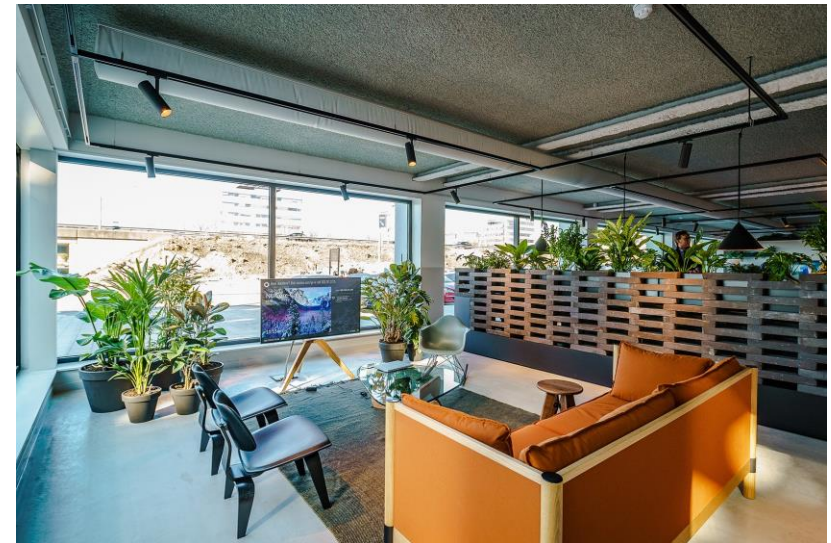
ACCESS TECHNOLOGY



COLLABORATION

CLIENTS

CULTURE



SO HOW DO THE BEHAVIOURAL TRENDS WORK?



MORE SPACE DEMAND AS EMPLOYERS
CREATE LARGER PERSONAL AND
COLLABORATIVE SPACES?



LESS SPACE DEMAND AS
EMPLOYEES WORK FROM
HOME MORE?



SO HOW WILL THESE CONFLICTING STRUCTURAL CHANGES IMPACT THE **NET** DEMAND
FOR OFFICE SPACE & THUS RENTS?

SOME OTHER POTENTIAL OPPORTUNITIES:

1 DEMAND FOR SINGLE FAMILY EDGE-CITY HOUSING

2 RADICAL REPRICING IN RETAIL & HOTELS

3 BUILD TO CORE FUTURE PROOF OFFICES



DISCLAIMERS

DISCLAIMER

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All target or projected gross internal rates of return (IRRs) do not reflect any management fees, acquisition fees, reserves, carried interest, taxes, transaction costs and other expenses to be borne by certain and/or all investors, which will reduce returns. Gross IRR or Gross Return shall mean an aggregate, compound, annual, gross internal rate of return on investments.

Target returns are derived from analysis based upon both quantitative and qualitative factors, including market experience and historical and expected averages related to the risk/return profile and criteria for investments (the "Investment Targets") of the fund or program. The Investment Targets are based on the expected cumulative internal rates of return generated by the expected investments across a multi-year period. After synthesizing this information, CBRE Global Investors has arrived at what it believes are realistic target returns for the fund or program. The fund or program's target returns are presented to establish a benchmark for future evaluation of performance, to provide a measure to assist in assessing the anticipated risk and reward characteristics of an investment in the Fund and to facilitate comparisons with other investments. Any target data or other forecasts contained herein are based upon subjective estimates and assumptions about circumstances and events that may not yet have taken place and may never do so. If any of the assumptions used do not prove to be true, results may vary substantially. Actual individual investment performance may not achieve the Investment Targets upon realization/liquidation as initially expected, which may have a material effect on overall realised portfolio performance over the life of the fund or program and the ability to achieve targets. The ability to achieve a given Investment Target may be affected by numerous factors including, but not limited to, investment values, cash flow, environmental and structural factors, ratings and market conditions. Many factors affect performance including changes in market conditions and interest rates and changes in response to other economic, political or financial developments. The target returns are pre-tax and represent possible returns that may be achieved, but are in no way guaranteed. The target returns are subject to change at any time and are current as of the date hereof only. In any given year, there may be significant variation from these targets, and there is no guarantee that the fund or program will be able to achieve the Investment Targets in the long term. The Investment Targets are being shown for information purposes only and should not be relied upon to make predictions of actual future performance. Targets are objectives and should not be construed as providing any assurance as to the results that may be realised by the fund or program in the future.

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