STEPSTONE

StepStone Real Estate House Views

FALL 2025 REPORT

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All data is as of November 2025, unless otherwise noted.

Contents

Executive summary

Market themes & macro setting

Real estate pricing around cycle bottom amid elevated uncertainty and slower growth globally

- US policy rates easing, but pace could remain gradual due to stubborn inflation, resilient economy, and shutdown-related data gaps
- Lower European interest rates more likely to persist amid slow growth and limited inflationary pressures (ex UK)
- In Asia, Japan maintains strong investment appeal despite BoJ hikes, while China remains largely offline for most investors
- Regardless of central bank policy, 5-10 year rates, which drive real estate pricing, likely range bound absent recession

Property outlooks

- Relatively slow absorption across most sectors. Pockets of oversupply gradually resolving in US; supply constraints persist in EU
- Policy change impacts demand even ex US, especially industrial, which has rising vacancy despite slowing supply
- Uncertainty also impacting: office (overall weak, a few bright spots, AI is a wildcard), retail (vacancy up but still tight) and hotel
- Residential exceeding expectations due to high cost of ownership and housing shortage; demographics support senior housing
- Data center demand continues from strong cloud adoption and AI, supply constraints remain

Preferred strategies

- Quality assets with in-place, durable income. Lean into residential and necessity properties for downside protection
- Core+ is well-positioned in current cycle. Debt strategies also remain interesting, defensive
- Recapitalization and distress buying opportunities building, offer outsized return potential

Portfolio construction

- Pace carefully into core/core+ allocations, favoring durable income, seek better-priced open-ended funds, entry at market transaction pricing preferred. Debt can be interesting for income, defensiveness
- Enhance regional diversification as deglobalization advances
- Existing portfolio may underperform. Slow sales unlikely to save IRR in peak vintage non-core, implying eventual write-downs. Overmarked open-ended funds likely to post sluggish growth or corrections and ongoing net redemptions. That said, don't miss current distress opportunity amid the noise; lean into proven managers with comparative advantage

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Turmoil and opportunity

2022 - 2024

Rates rise, volume and prices bottom out, debt restructuring begins

2025+

- US policy changes start new cycle
- After pause, increasing liquidity restoring volume, workouts underway
- Pricing coming off bottom
- Uncertainty high

Now

Favorable outlook

Capitalizing on workout need with downside protection favors:

- core+,
- value added and distress experts,
- secondaries and recapitalizations

Debt

Ongoing

Real estate maintains its long-term targeted role in portfolios

- Diversification
- Inflation protection
- Current income
- Appealing risk/return

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Volumes and workouts rising, much to do

Trading volume is picking up

- US transaction activity up 17% YTD through 3Q, bringing the year to long-term average, bolstered by interest rate easing
- Non-core fund capital calls have risen to 21% above long-term average, fueled by new acquisitions citing distress as source
- Greater acceptance and more forced sales after 3 years of waiting
- Low regulation lifting bank M&A, facilitates loan resolution

Substantial balance sheet challenges remain

- 2025 maturities now nearly $1 trillion, approx. 2x normal due to kicking the can
- CMBS data shows 1/3 of matured loans not paid off; indicative of bigger, private market issues
- Pre-2022 loan balances higher than refinancing proceeds; office remains problematic
- While improving, non-core fund distributions still 60% below average due to slow sales of higher leveraged assets that may be over marked

Income matters

- Slowing economies and high uncertainty favor in-place income, suggest avoiding big bets on lease-up or rent growth
- Without falling rates, only income growth drives value growth
- Conditions favor granular asset selection amid submarket and local use divergence, seek pockets of relative strength
- High risk strategies have disappointed, fueling interest in core plus

Resolution has been slow

- Unlike the post GFC period
  - Less pressure on banks to resolve/sell notes
  - Fundamentals better, no recession
  - Interest rates holding, so no pricing rescue. Upward pressure on 5-10 year rates remains absent a recession
  - New capital sources – debt funds and recap money - reducing fire sales
  - Substantial dry powder puts a floor under pricing
- Regulators have not pushed banks to resolve loans in cycle trough; now policy favors less regulation of all sorts

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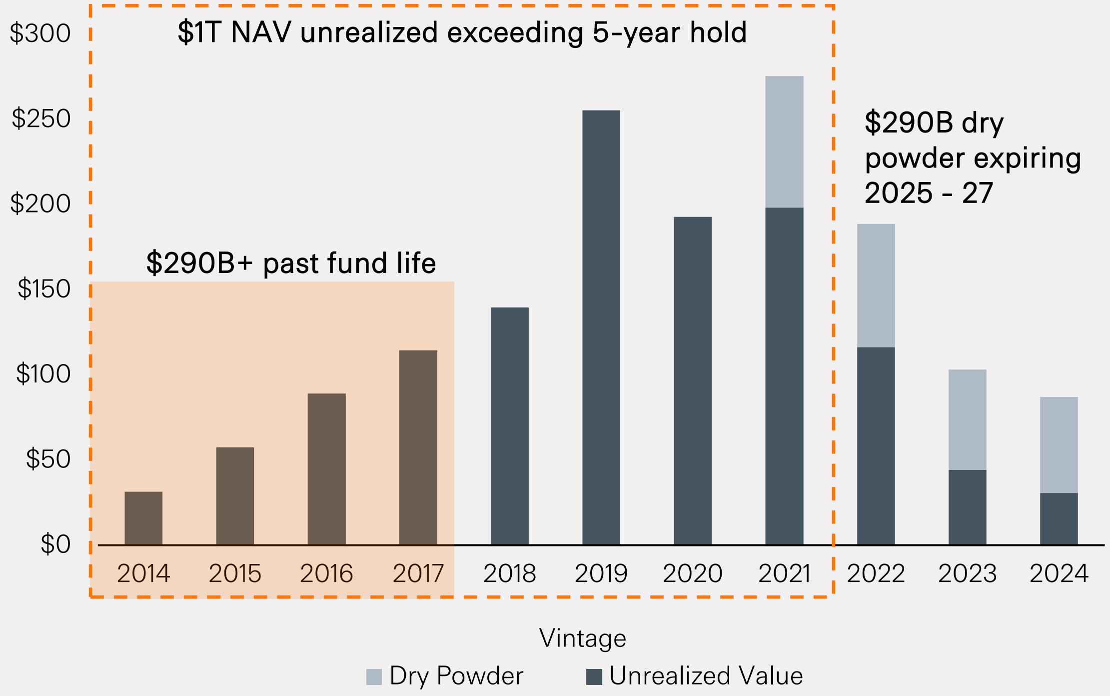
Market assessment

Substantial balance sheet challenges

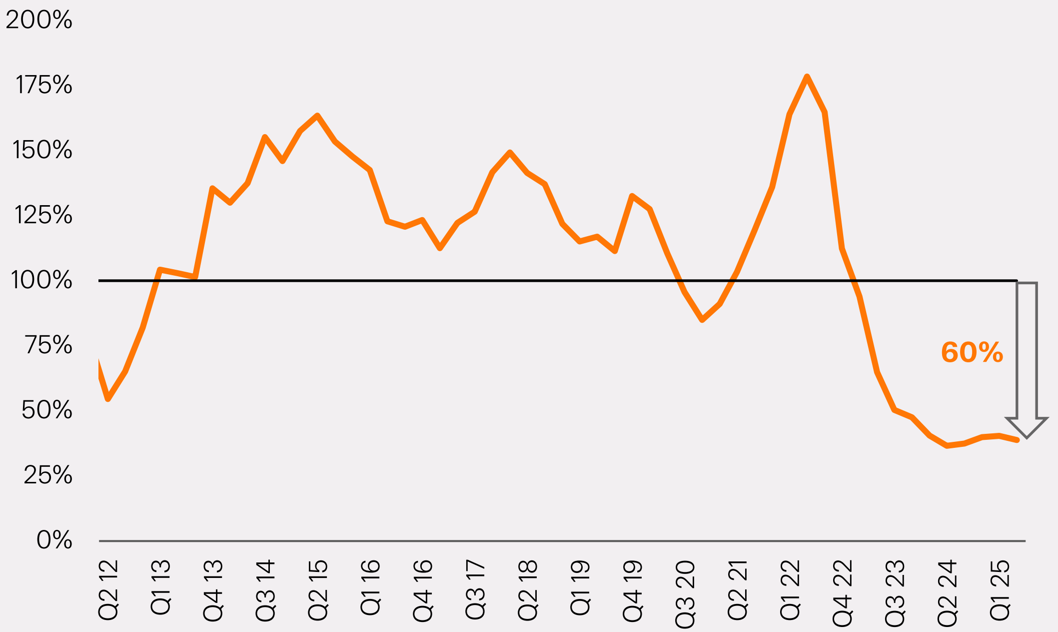
Pressure to exit building in non-core funds

Lack of distributions impairs fundraising

Global private real estate fund NAV unrealized by vintage
$ in billions



RE non-core fund distributions: trailing 12-month as % of long-term average

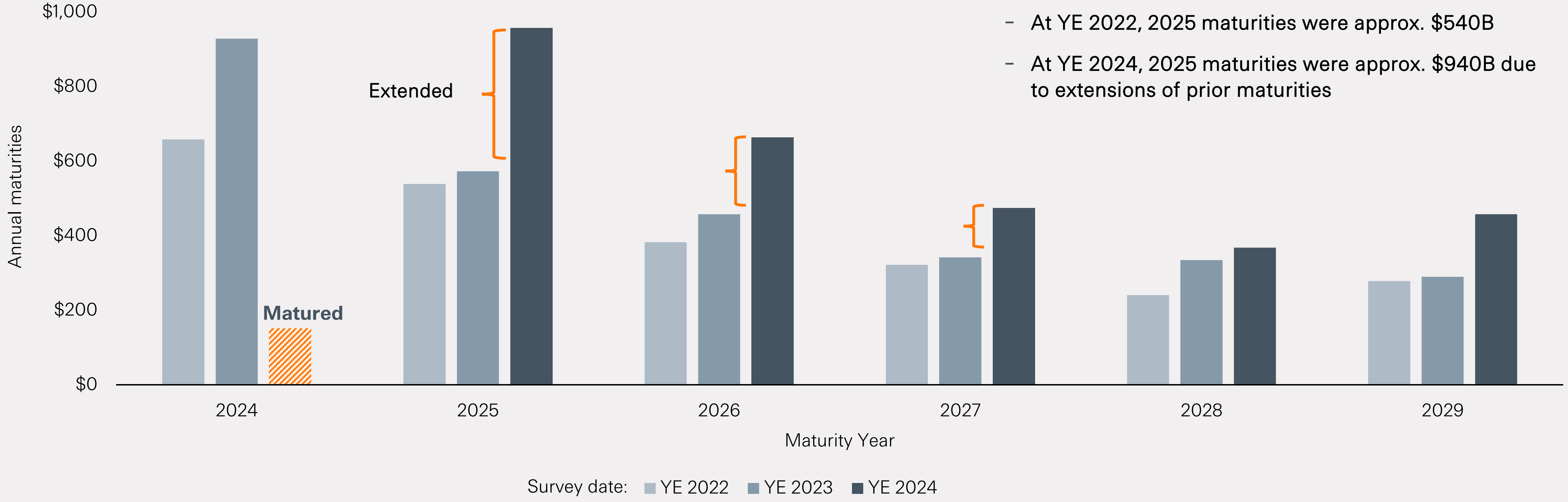


Source: StepStone SPI Research, Preqin Pro, October 2025. Both dry powder and unrealized value are as of September 2025.

Kicking the can accumulates old, unresolved loans

2025 maturities now over 70% above what they were in 2022 when rates rose; 2026 is growing

US loan maturities by expected maturity year
$ in billions



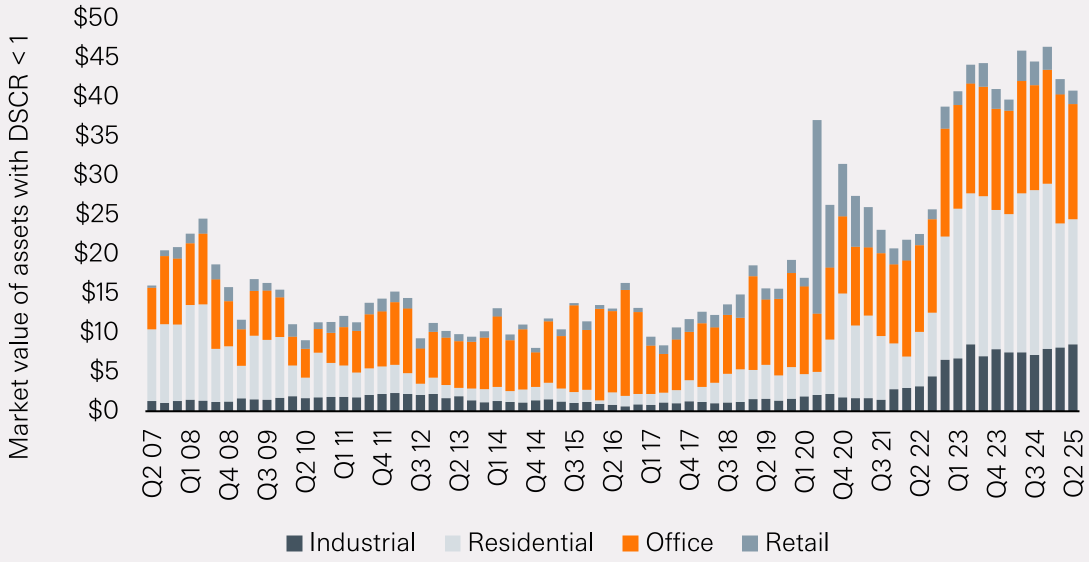
- At YE 2022, 2025 maturities were approx. $540B
- At YE 2024, 2025 maturities were approx. $940B due to extensions of prior maturities

Source: MBA, February 2025.

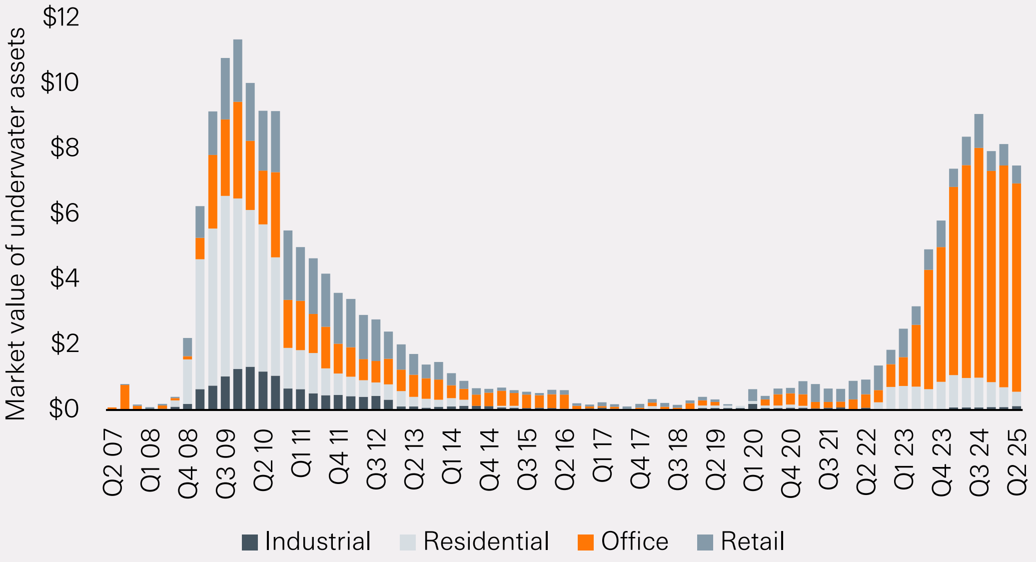
Loan-level detail shows challenges across property types

- Approx $40B of NPI assets have Debt Service Coverage Ratios below 1x; $7.5B have carrying values below loan values ("underwater")
- NPI Index is generally lower risk than non-core funds, which are likely to have more problems. The NPI was only 42% levered before the 2022 rate spike, assets were mostly stabilized, held for income, with fixed rate debt

NPI asset value with DSCR below 1x: led by residential, office
$ in billions



NPI underwater assets, over 80% of which are in office
$ in billions

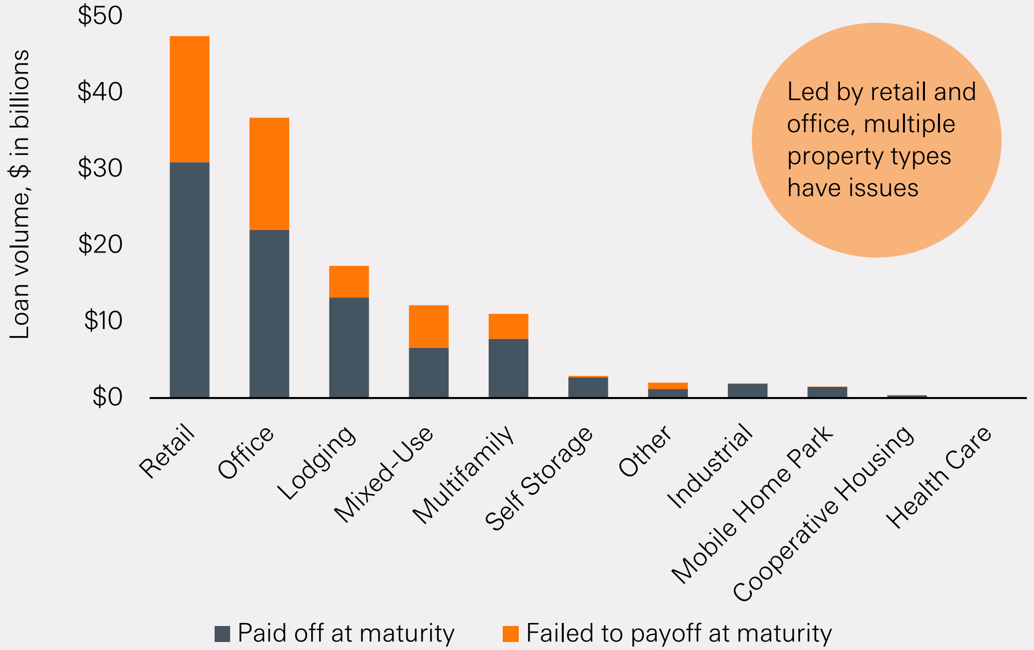


The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. Source: NCREIF NPI, Hines, August 2025. Levered properties with outstanding balance exceeding carrying value are considered underwater. At the beginning of the crisis at Q2 2022, the average occupancy for NPI levered assets was 93% and LTV was 42% (now 44%). Mainly via higher leverage, the NPI extends somewhat beyond the core level risk of NFI-ODCE index, but does not include assets with non-core (transitional) strategies.

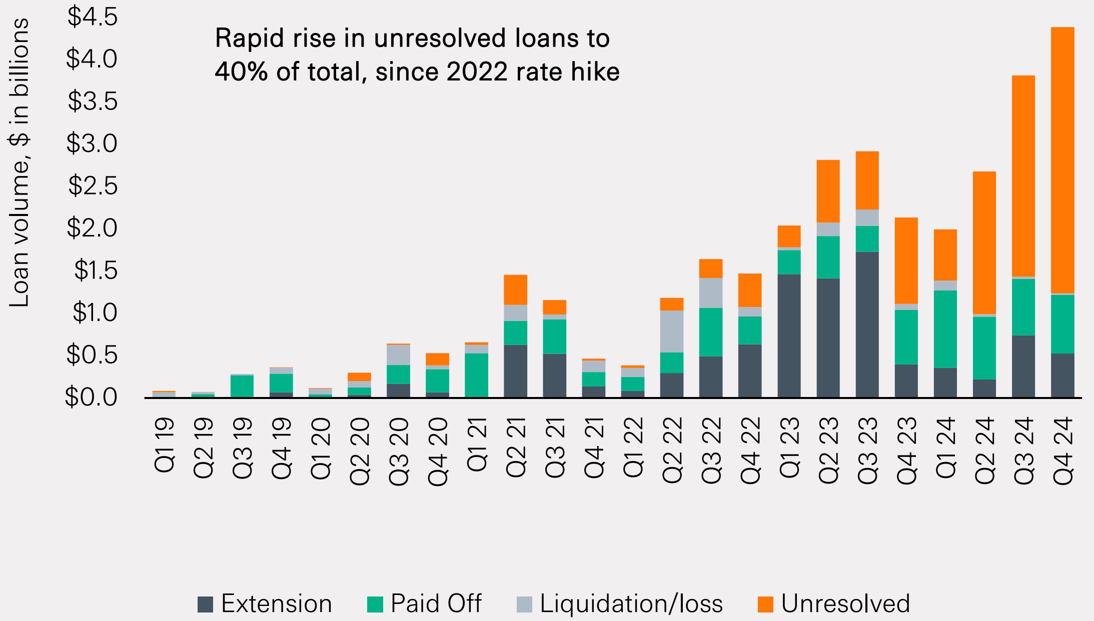
CMBS analysis offers insight on private market delays

Growing lack of resolution is caused by elevated macroeconomic uncertainty, lack of desirable outcomes, and limited price discovery (office)

CMBS loans scheduled to mature between Jan 20 and Apr 25, by property type[1]



Loan outcomes after maturity, over time



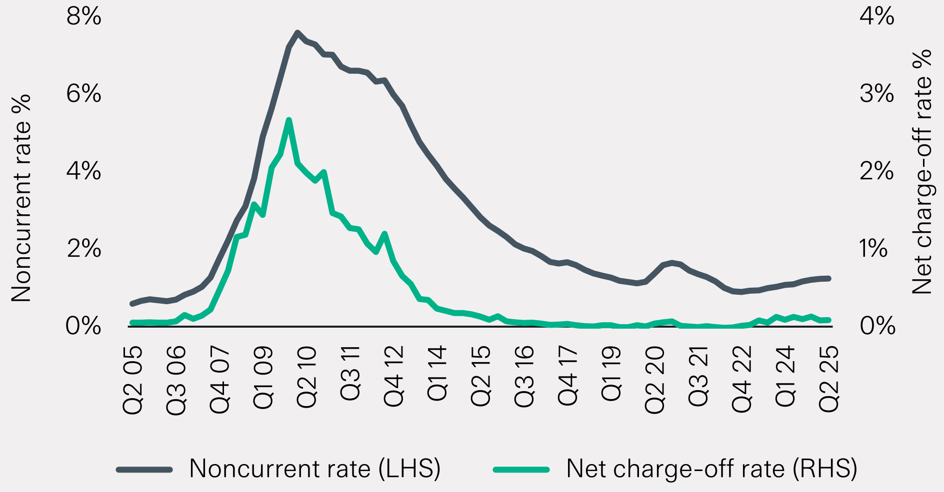
Source: Trepp, September 2025. 1. Fixed-rate private label CMBS loans scheduled to mature between January 2020 and April 2025, totaling $133.2 billion. These outstanding loans had no available extension options, were not delinquent or defeased 12 months prior to their scheduled maturity date.

Slow resolution, growing progress

Post GFC reforms now bolster banks, slowing resolution

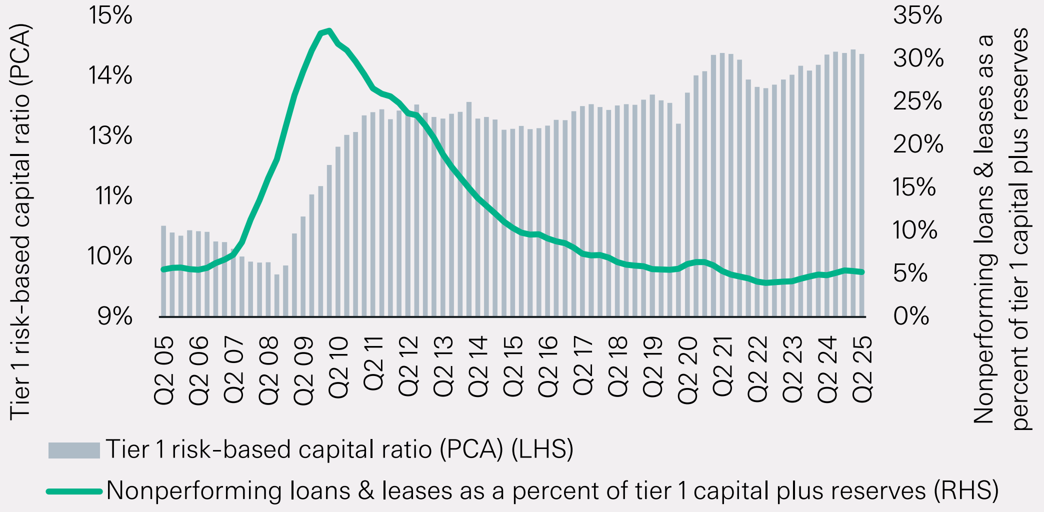
- Relatively healthy banking sector and better underwriting this cycle has meant fewer loan sales. This also enhances banks' ability to resolve once patience has run out, which anecdotally is now happening more
- Bank M & A activity growing amid lighter regulation, at 4-year high in Q3 25. Enables more loan sales because target portfolios are marked to market at acquisition and bad news is more acceptable in this context

Loan performance trends



Post GFC loan regulations requiring lower LTV and higher DSCR leave banks with a healthier loan pool despite challenges

Financial health indicators: Tier 1 capital and nonperforming loans



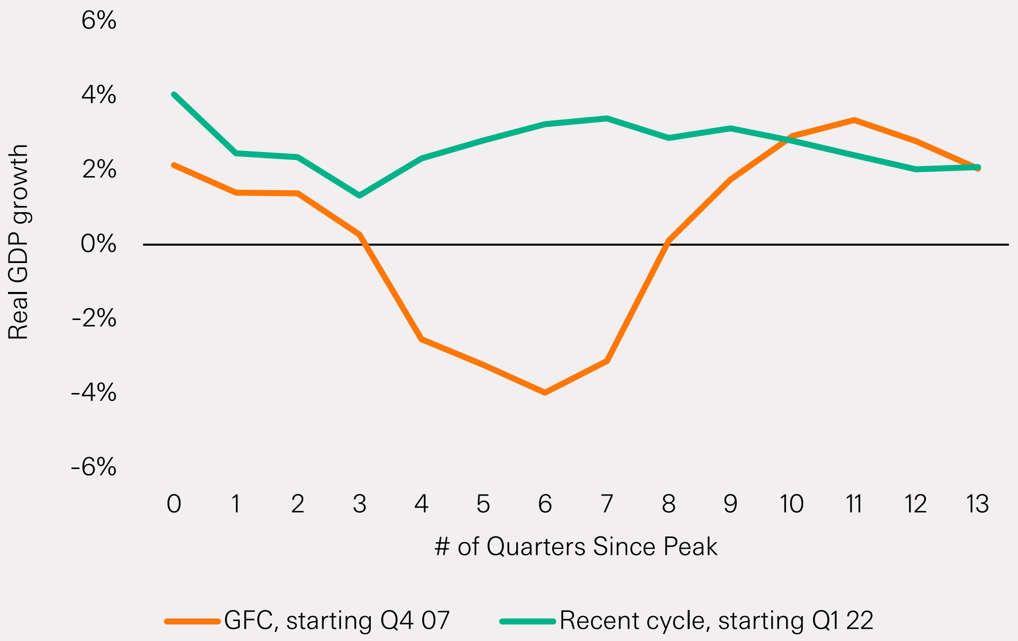
Post GFC capital regulations have meaningfully improved banks' health ratios, which increases flexibility in managing loan challenges

Source: FDIC Quarterly Banking Profile, Q2 25.

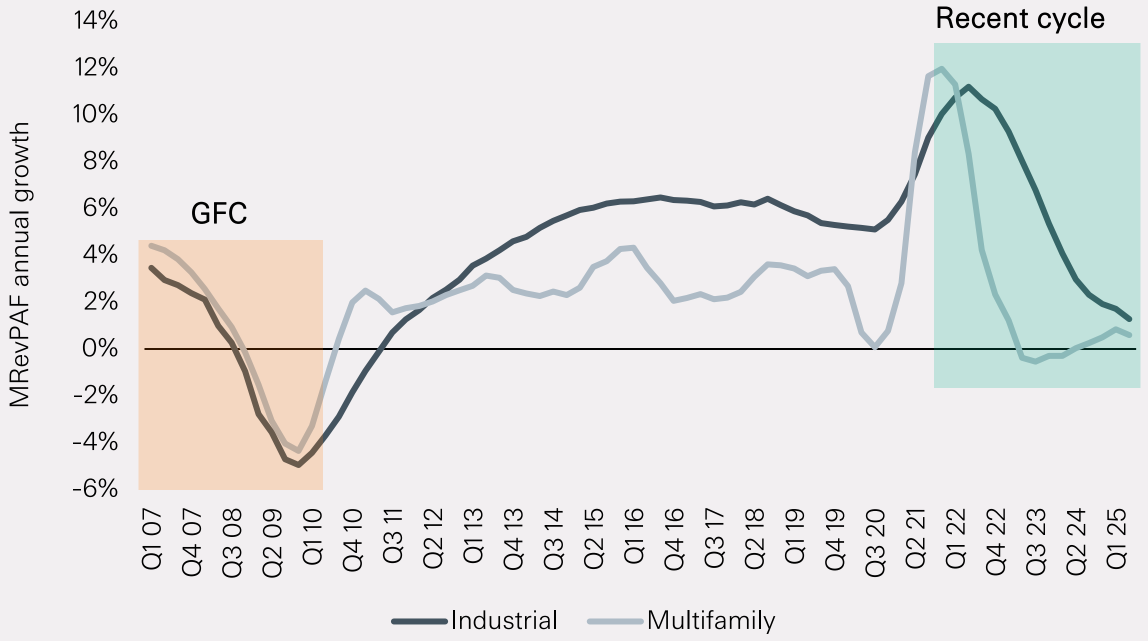
This is a fundamentally different cycle than GFC

- Economic growth has remained positive, continuing to support demand
- In contrast to the GFC, growth in rent per occupied SF or unit has largely remained positive despite the slowdown beginning in 2022

Real GDP growth, GFC vs recent cycle[1]



Growth in rent per occupied SF over time[2]



1..Source: FRED, September 2025. 2. Source: CoStar, October 2025.

Interest rates not coming to the rescue

- 5- and 10-year interest rates at long-term averages globally; COVID was exception, not new norm
- These rates generally declined for the 15 years prior to 2022, so falling rates feel more 'normal'

• Post COVID is stark contrast to post GFC period, when rates dropped meaningfully and stayed low, solving many problems

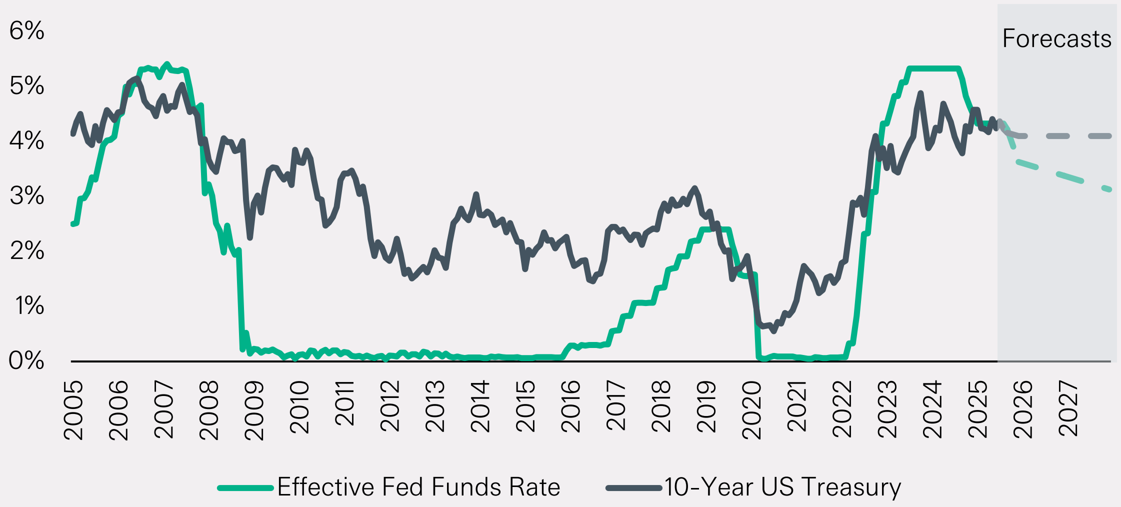
• This cycle, inflation delayed and moderated US fed funds rate drops; other countries have seen greater declines across the yield curve

• Inflation, deficits and other factors put upward pressure on 5-10 year rates

• Meaningful declines would *likely only occur with very weak economy*

• Ongoing political uncertainty implies more volatility

Fed funds rate vs 10-year treasury[1]



Avg 10-year govt bonds across different periods

Periods	US	UK	France	Germany	Australia	Japan
2020 – 2024 (COVID)	2.7%	2.4%	1.5%	1.0%	2.8%	0.4%
1990 – 2024	4.2%	4.5%	3.9%	3.5%	5.4%	0.6%
Current[2]	4.1%	4.5%	3.3%	2.6%	4.3%	1.7%
'25 Forecast[3]	4.1%	4.7%	3.5%	2.7%	4.3%	1.5%
'26 Forecast[3]	4.1%	4.5%	3.6%	2.8%	4.0%	1.6%

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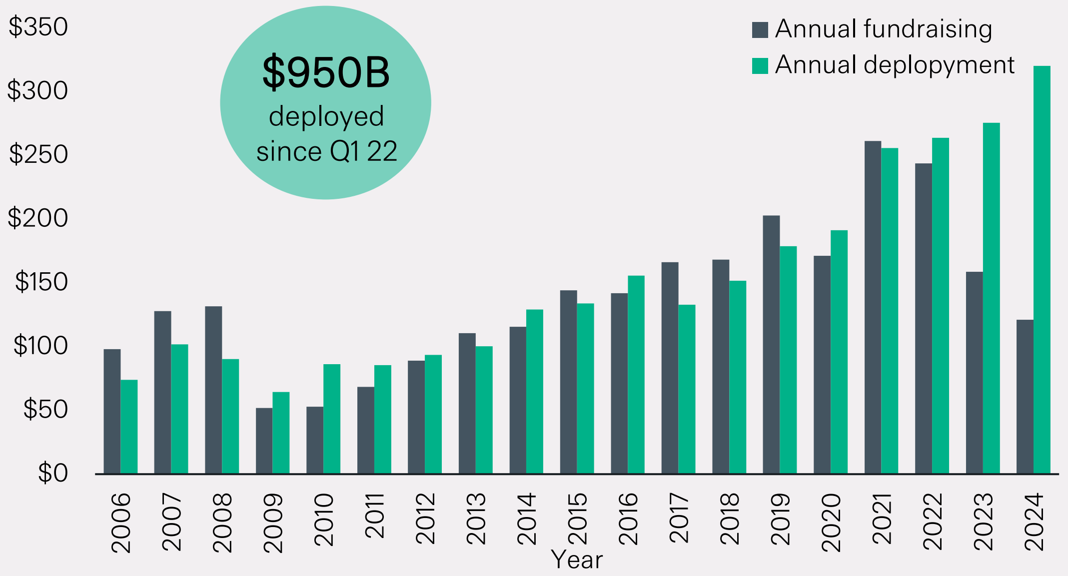
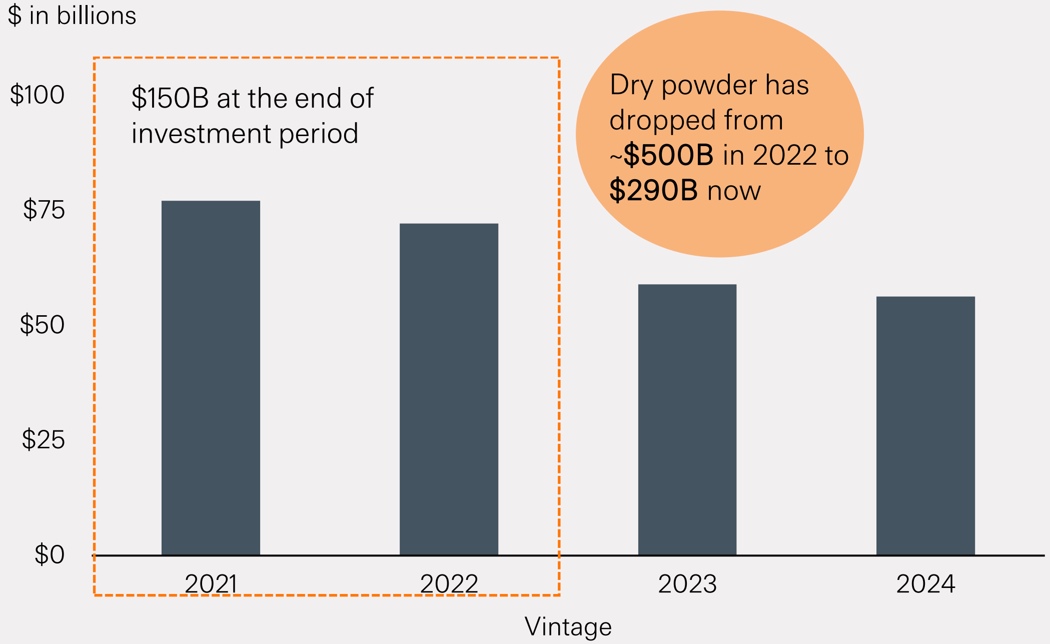
New capital mitigating fire sales, supporting pricing

- The Green Street CPPI dropped 40% post GFC, and only 25% this cycle
- Debt, recap and opportunistic capital is now abundant and active
- Non-core fund capital calls jumped to 21% above average from flat 9 months ago, using up dry powder

RE primary funds: historical fundraising & capital deployment[1]
$ in billions



RE primary funds: dry powder by vintage[2]
$ in billions



1. Preqin Pro, Real Estate primary funds, October 2025. Capital call is only available through Q1 2025, therefore 2025 data is not shown on the chart. 2. Preqin Pro, RE primary funds, as of September 2025.

Income matters and its granular

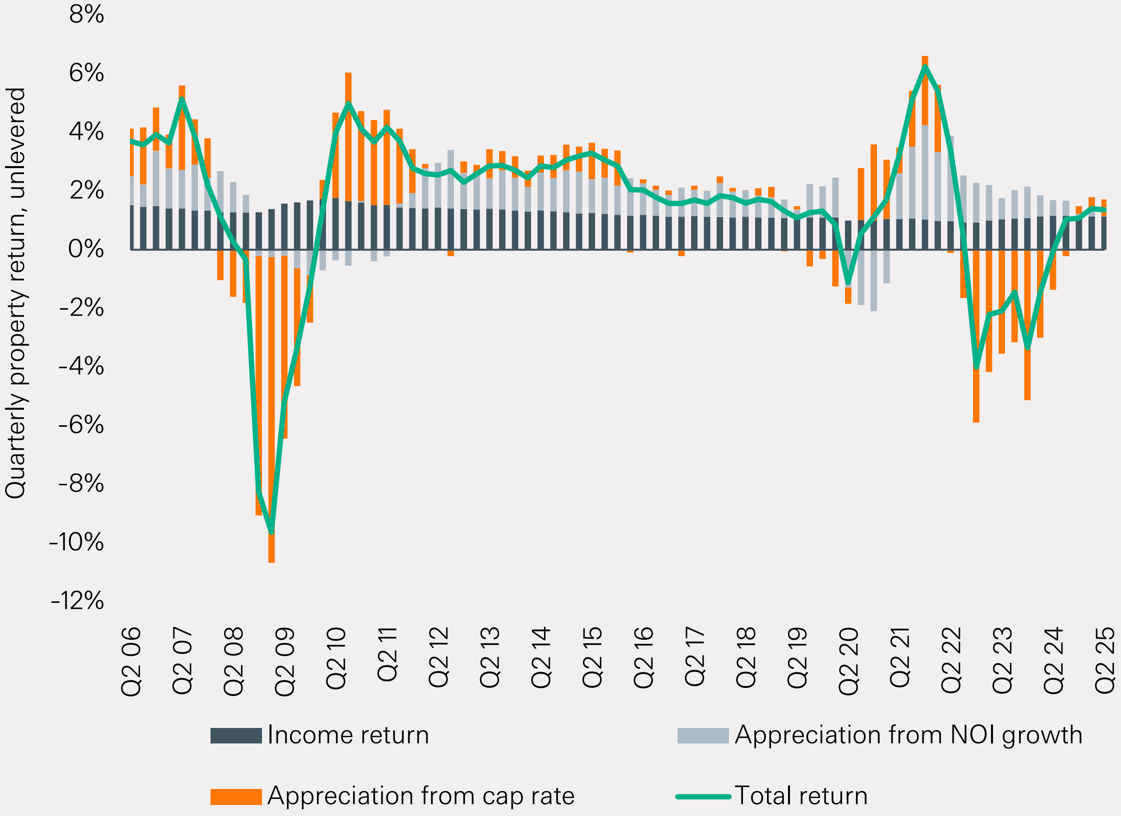
Income drives long-term property returns

- Long-term, core, buy and hold real estate returns (beta) are mostly from growing income streams
- Short term, swings in interest rates drive return volatility
- With 5-10 year interest rates not likely to fall materially, expected returns are more driven by income. If they fall, its likely in a very weak economy, making income valuable downside protection

NFI-ODCE net return mostly from income

Period	Income return	Appreciation return	Total return
3-year	3.0%	-9.0%	-6.2%
5-year	3.0%	-0.4%	2.5%
10-year	3.2%	1.2%	4.4%
25-year	4.4%	1.5%	5.9%
Since-inception	5.7%	1.2%	6.9%

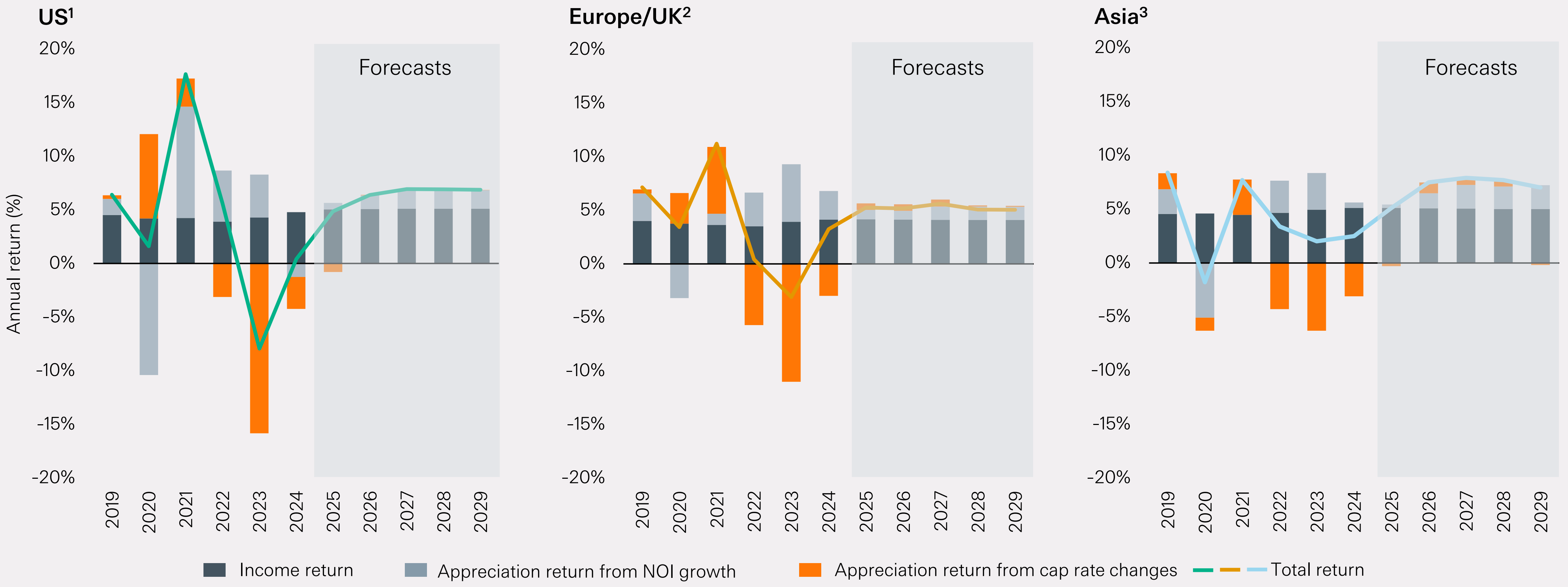
NFI-ODCE property return, dominated by steady income[1]



Source: SitusAMC, NCRIEF, as of Q2 25, August 2025. 1. Returns do not include capex drag which averages around 0.4% quarterly.

Global forecasts driven by income

Interest and cap rates still matter, and forecasters project less movement than recent past

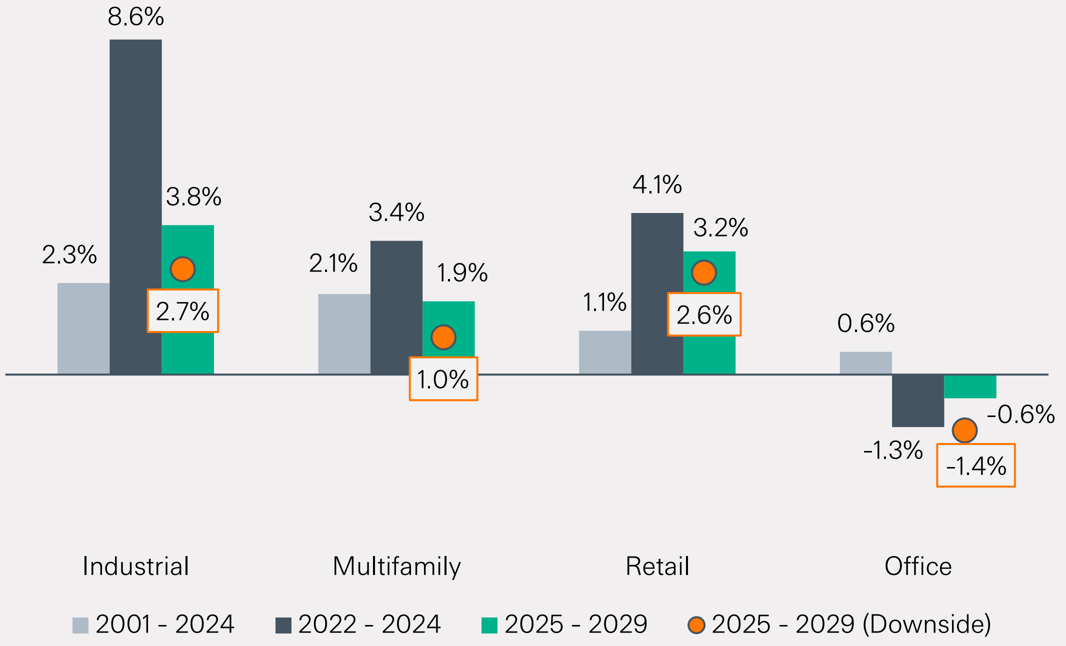


For illustrative purpose only.
1. PGIM Real Estate, NCREIF, as of June 2025. 2. MSCI, PMA, PGIM Real Estate, as of June 2025. 3. JLL, PMA, PGIM Real Estate, as of June 2025. Average of total returns across office, retail and logistics sectors in Australia, Hong Kong, Japan, Singapore and South Korea.

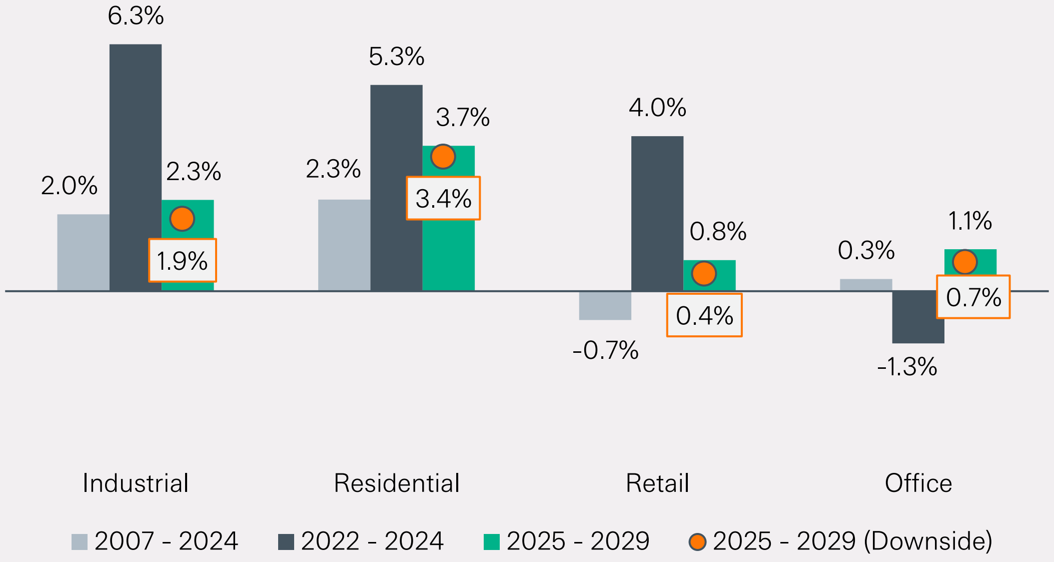
Property incomes generally expected to grow

- Weaker growth outlook than 6 months ago, but downside has improved
- Office still the exception. Industrial and retail NOI benefit from in-place leases rising to current market rates upon expiration. The amount varies by market and segment

US annual NOI growth



Europe/UK annual NOI growth



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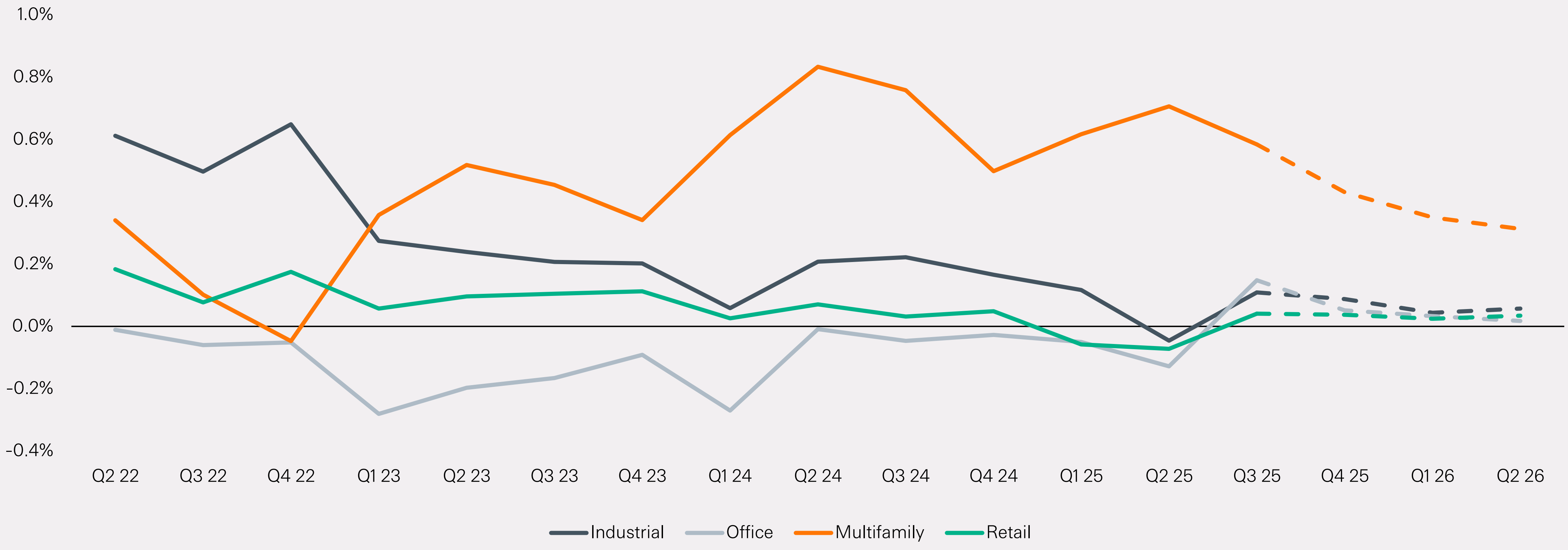
Income outlook reflects slower absorption

US net absorption SF/units as % of inventory

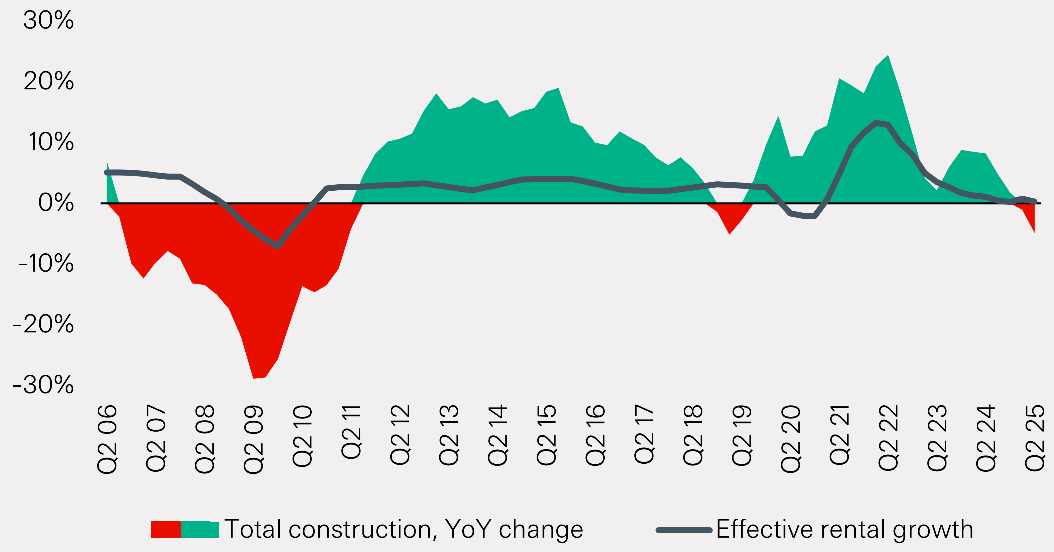


Source: CoStar, September 2025. Multifamily in units.

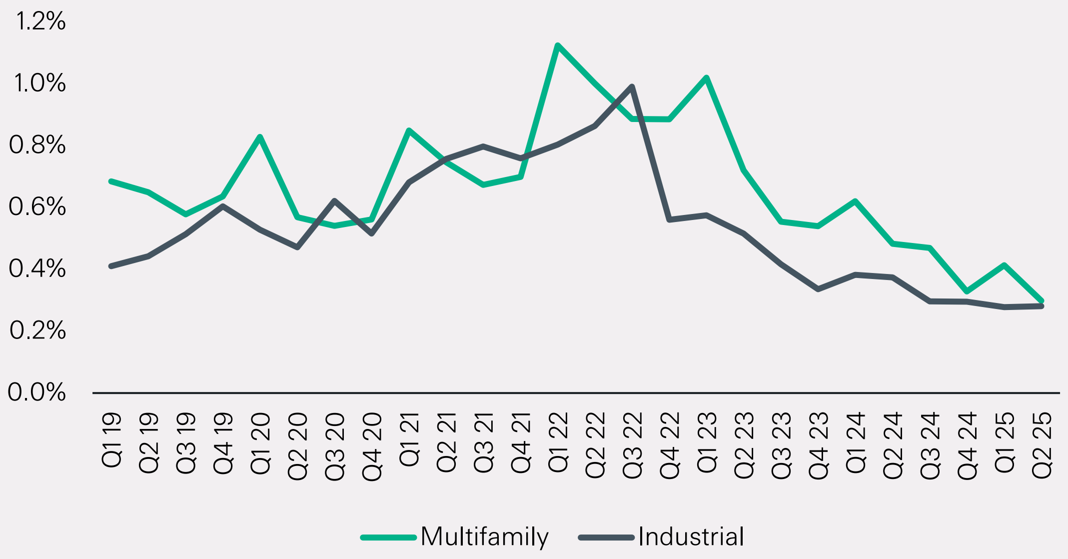
New supply has dropped, and may stay low

- 2022 interest rate rise triggered sharp pullback in construction
- Except for data centers, construction spend is down across property sectors[1]
- Tariffs and immigration policy put upward pressure on supply costs. Thus, higher rents are needed to justify new construction, allowing a longer period of rent and income growth before supply resumes

YoY change in total construction spend vs effective rental growth[2]



New construction starts as % of inventory[3]



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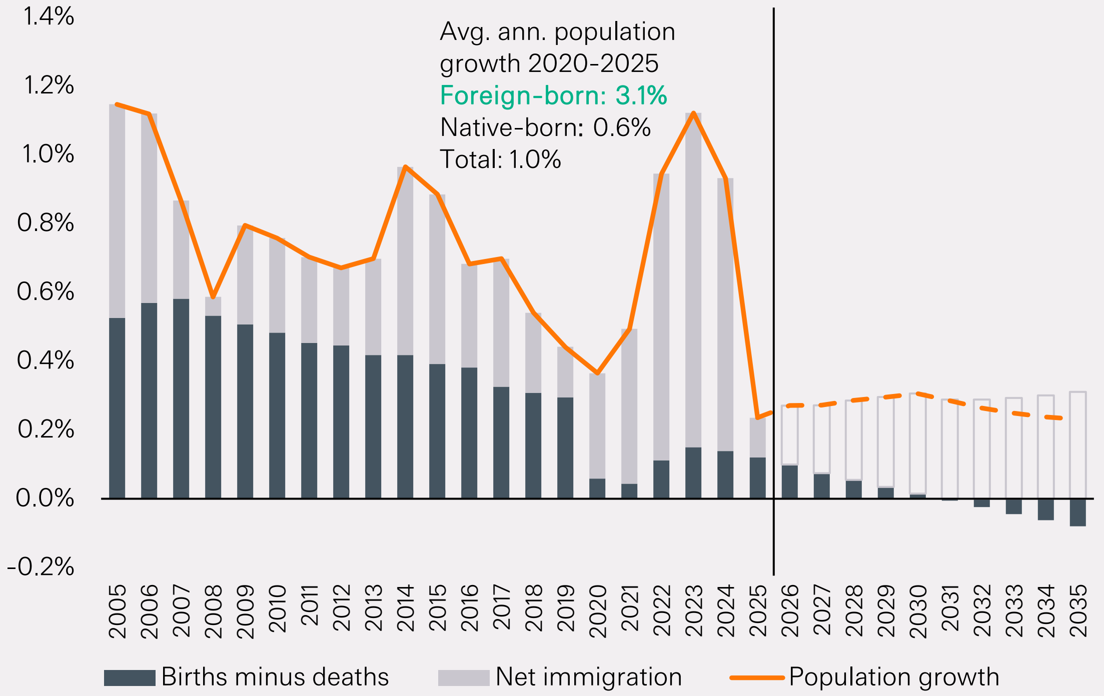
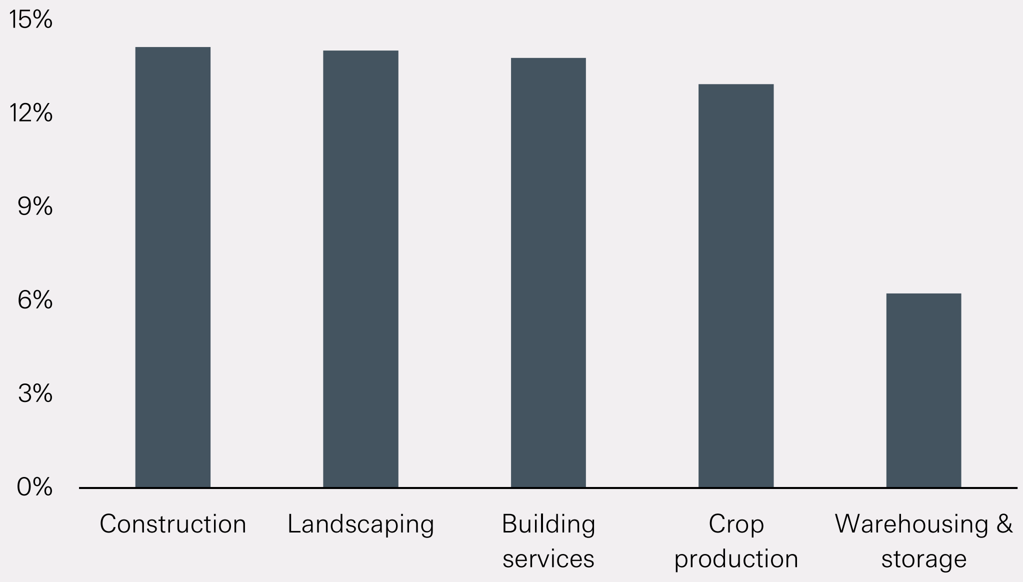
Immigrant reduction raises supply costs, lowers demand

- Immigrants dominate certain categories of construction labor, so reduced labor force can have outsized impact
- Even employers who avoid undocumented workers face higher costs as others compete for reduced labor force

US population, average annual % change



Estimate undocumented as % of total payroll employment

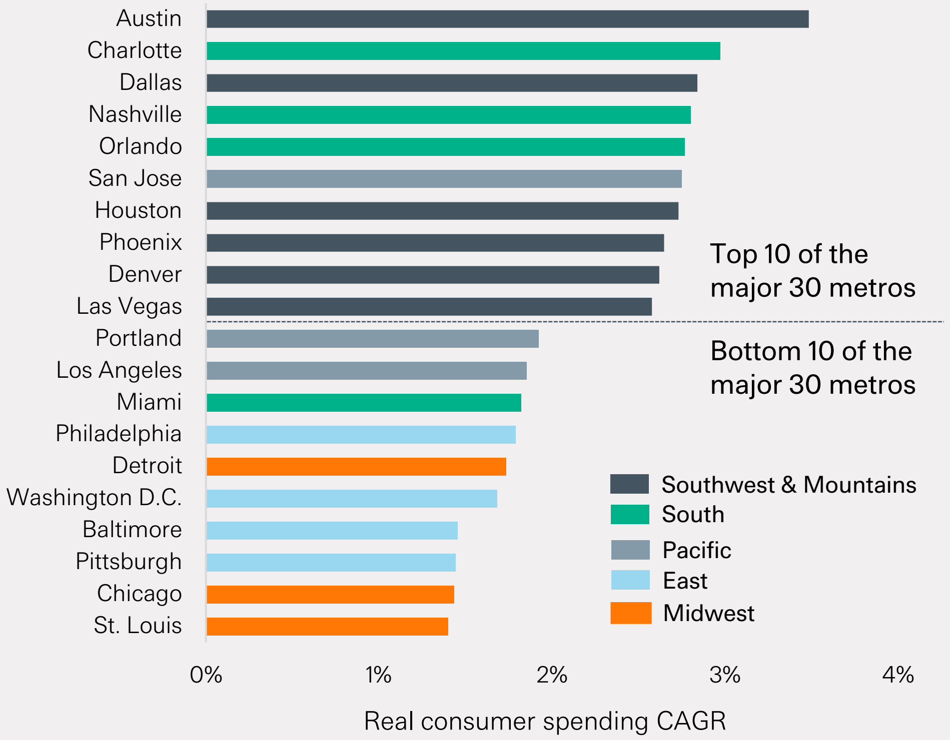


Sources: Current Population Survey, Bureau of Labor Statistics, Oxford Economics, Green Street, CBO, October 2025.

US economic growth still focused on sunbelt and west

Policy reforms are generally boosting outperforming, often tech-driven locations, so the growth outlook by location has not materially changed

Major 30 metros: real consumer spending, 2025 - 2029



- Many growth markets lack supply constraints, making it hard to grow property income and adding to investment risk
- While most growth cities still get high marks for investment appeal, Green Street gives at least an A- grade in 2 or more major property types to some slower growing metros:
  - Boston
  - Los Angeles
  - Miami/Palm Beach
  - New York /New Jersey
  - Philadelphia
  - San Francisco
  - Seattle
  - Washington D.C.
- There is substantial variation in outlook for fundamentals by submarket, property type and even sub property type (ie B outperforms A multifamily, small-bay industrial is stronger)

Source: Oxford Economics, October 2025.

Potential policy impact diverges by city, US

Overall risk	City	POLICY IMPACT: Tariffs	POLICY IMPACT: Immigration – Foreign-born population and recent immigration[1]	POLICY IMPACT: Federal Cuts – Spending cuts and Fed employment[2]	POLICY IMPACT: Medicaid – Healthcare employment and Medicaid enrollment	POLICY IMPACT: International tourism – % of overseas tourism[3]	POTENTIAL OFFSET: Job growth forecast ('25 – '29)[4]	POTENTIAL OFFSET: Tech job growth participation
High	Los Angeles	🔴	🔴	🟢	🔴	🔴	🟡	🟡
High	Boston	🟢	🔴	🟡	🔴	🔴	🟡	🟡
High	Washington, DC	🟢	🟡	🔴	🟡	🔴	🔴	🔴
Moderate	New York	🟡	🔴	🟢	🔴	🔴	🟡	🟡
Moderate	San Francisco	🟡	🔴	🟡	🟡	🔴	🟡	🟢
Moderate	Houston	🔴	🔴	🟡	🟢	🟡	🟢	🔴
Moderate	Chicago	🔴	🟡	🟢	🟡	🟡	🔴	🔴
Moderate	Atlanta	🔴	🟡	🔴	🟢	🟢	🟡	🔴
Low	Dallas	🔴	🟡	🟡	🟢	🟡	🟢	🟡
Low	Seattle	🟡	🟡	🟢	🟡	🟡	🟢	🟢

🟢 Low risk 🟡 Moderate 🔴 High risk

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Potential policy impact varies by property type, US

Lower economic growth reduces space demand. Inflation lifts expenses, cuts spending, can limit supply and lift rents

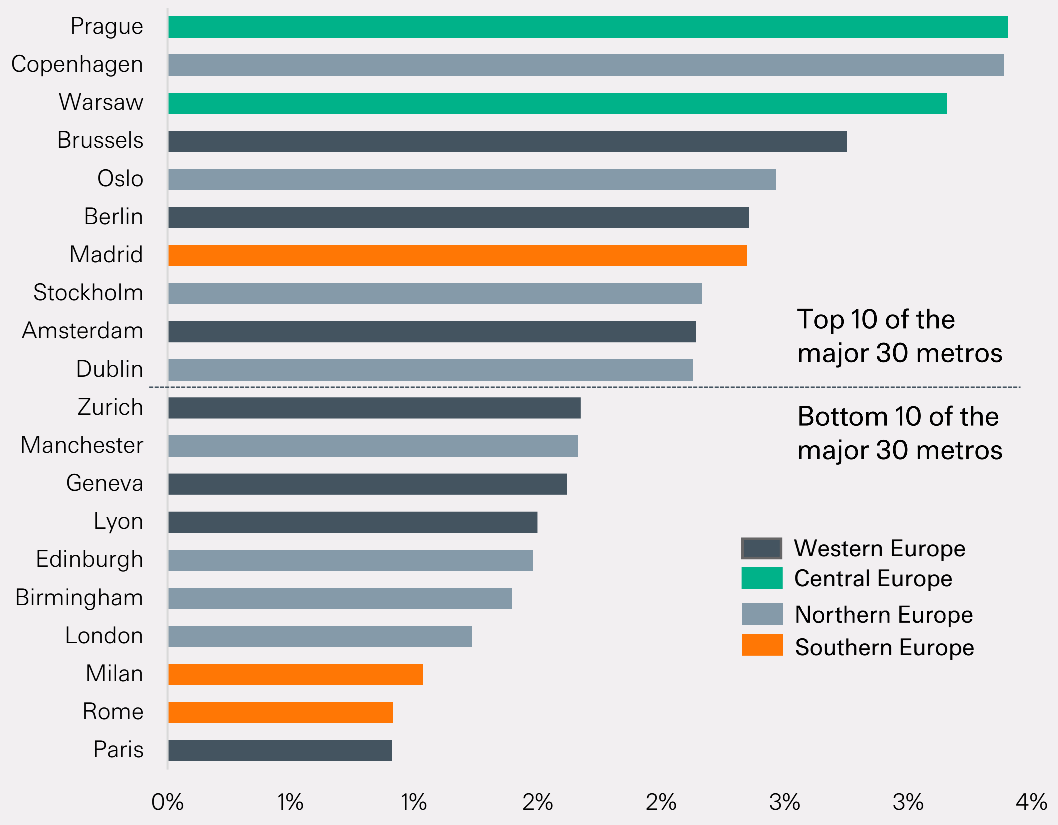
🟢 Favorable 🟡 Neutral 🔴 Unfavorable

	Tariffs	Immigration	Fiscal / federal layoffs	Investment Appeal
Industrial	▼ Reduced volume at ports – Demand shifts over time ▼ Closer link to retail spending than in past		▼ Higher interest rates reduce housing-related demand	🟡
Residential		▼ Reduced demand and increased credit loss for workforce housing	▲ Higher interest rates bolster rental pool	🟡
- Multifamily			▼ Admin cuts for affordable housing programs	🟡
- Student housing		▼ Fewer foreign students	▼ May weaken universities	🟡
Office			▼ GSA and vendor tenancy drops ▼ May reduce medical office demand ▲ AI emphasis benefits tech markets ▲ Fed return to office mandate	🔴
Retail	▼ Inflation / spending hit, especially non-essentials ▼ May challenge retailer health	▼ Immigration reliant workforce ▼ Spending impact in markets over-exposed to immigration	▲ Luxury retail could outperform	🟡
Hotel	▼ Less inbound foreign travel	▼ Immigration reliant work force ▼ Less inbound due to visa, entry challenges	▲ Luxury segment could outperform	🟡
Senior housing		▼ Immigration reliant work force	– Reinforces need for private pay	🟢
Data centers	▼ Tariffs raise equipment costs		▼ Reduced supply constraint if power more available	🟡
Life sciences	– Production shifts over time	▼ Immigration reliant work force	▼ Demand drop from funding cuts to NIH, university research	🔴

The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. For illustrative purposes only.

Central and northern European cities lead growth

Major 30 metros: real consumer spending, 2025 - 2029



- Supply constraints, prevalent across European cities, are a key driver of market performance and can be more important than high absolute economic growth
- Reflecting this dichotomy, only the following major metros score B+ or better for both industrial and resi per Green Street:
  - London (the only major metro at A+ on both)
  - Amsterdam
  - Brussels
  - Manchester
  - Oslo
  - Paris
  - Prague
- There is substantial variation in outlook for fundamentals by market, submarket, property type and even sub property type (relative outperformers include prime high street retail and urban infill industrial in major cities)

Source: Oxford Economics, October 2025

Potential policy impact, Europe and UK

● Favorable ● Neutral ● Unfavorable

	US policy/geopolitics	Immigration	Government spending and regulation	Investment appeal
	Trade policy has outsized impact on CH, IR, DE, NL; generally slows economies/demand across region	Countries favoring closed borders include IT, UK, DE; generally slows population/GDP growth	Highest debt to GDP in France, Italy, Greece, Belgium, Spain, Portugal which limits fiscal support	
Industrial	▼ Reduced volume at most ports (esp Antwerp) ▼ Closer link to retail spending than in past ▲ Boost to onshoring (esp. Central Europe) ▲ Increased trade with Asia boosts Hamburg ▲ Defense spending supports demand ▲ Boost to demand from Chinese occupiers	▼ Immigration reliant work force	▲ Fiscal stimulus focus on infrastructure and defense ▲ European Chips Act benefitted France, Germany, Belgium, and The Netherlands	●
Residential	▲ Ongoing conflicts and refugees exacerbate supply shortage	▼ Reduced population growth lowers demand growth	▼ Ongoing risk of regulation threatens rent growth (most regulated: Austria, France, Germany, Spain, Sweden, NL)	●
- Multifamily			▼ Gov't policies to boost supply (Housing Action Plan)	●
- Student Housing	▲ Students choose Europe/UK over US		▲ Post-study work visas/other policies boost enrollment ▲ Generally not impacted by rent regulation	●
Office			▲ AI emphasis benefits tech markets ▲ ESG drives brown to green investment	●
Retail	▼ Inflation / spending hit, especially non-essentials. May challenge retailer health ▲ Retail in tourist centers could benefit from travel diverted from US	▼ Immigration reliant workforce		●
Hotel	▼ Weaker dollar reducing US travel to EU ▲ Travel diverted from US	▼ Immigration reliant work force ▼ Immigrants often housed in hotels	▲ Short-term rental regulations limit competition	●
Senior housing		▼ Immigration reliant work force		●
Data centers	▼ Tariffs raise equipment costs		▲ AI Growth Zones (AIGZs) enable automatic planning consents for UK digital infrastructures and data centers	●

Capital markets

RE returns bouncing around bottom

Total return

	2022	2023	2024	Peak-to-Q4 24	2025 YTD (October 31st)
Public Indices (USD)					
Broad public equities: MSCI ACWI	-18.0%	22.6%	17.9%	18.6%	21.5%
Barclays Capital US Aggregate Bond Index	-13.0%	5.6%	1.2%	-7.0%	6.8%
US Public RE – All Equity REITs	-24.9%	11.4%	4.9%	-12.4%	2.2%
Global Public RE - EPRA/NAREIT	-23.6%	9.8%	1.6%	-14.8%	9.9%
Commercial Property Price Indices (unlevered)[1]					
US - Green Street CPPI, w/ODCE Weights	-15.9%	-10.3%	5.9%	-20.3%	1.1%
Europe/UK - Green Street CPPI, w/ODCE Weights	-15.7%	-11.8%	0.9%	-26.1%	1.1%
	2022	**2023**	**2024**	**Peak-to-Q4 24**	**2025 YTD**
Core Fund Indices (levered)[2]					
US - NCREIF ODCE (Q3 25)	6.5%	-12.7%	-2.3%	-19.1%	2.2%
Europe/UK - INREV ODCE (Q3 25)	-1.3%	-10.4%	0.6%	-15.9%	2.4%
Asia - ANREV ODCE (Q2 25)	6.3%	-0.5%	-0.6%	-1.9%	0.5%
Non-Core Fund Indices (levered)[3]					
Global - Burgiss VA/Opportunistic (Q2 25)	2.0%	-6.5%	-3.6%	-12.5%	1.7%

Investors under-allocated to RE

Property trading prices stalled around bottom
Private RE is cheap vs bonds and expensive vs. public RE, which is cheap vs S&P per Green Street

Core returns dampened as valuations correct
Many valuations still high, lowering return potential

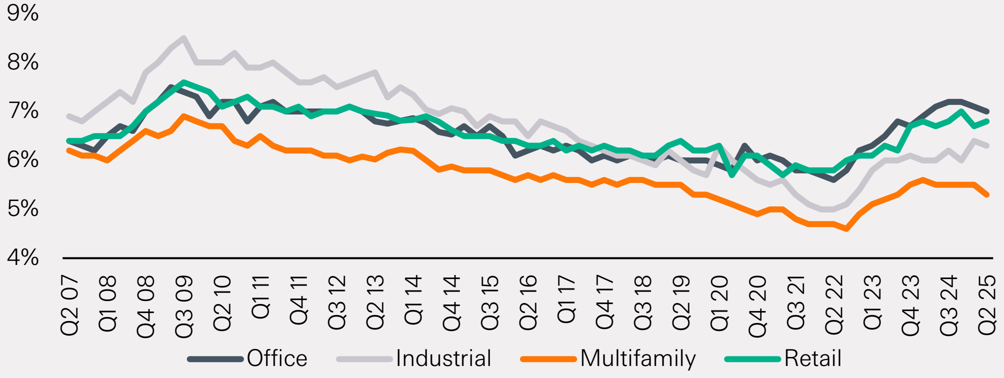
Non-core valuations have not corrected fully
Peak vintage funds (2019-21) still generally held at cost, so valuation declines are likely

Sources: NCREIF, INREV, ANREV, Burgiss, Green Street, NAREIT, Bloomberg and FTSE, StepStone SPI Reporting, October 2025. Note: In aggregate, public REITs are 44% allocated to major property types (retail, residential, industrial, and office) as of Q3 2025 according to NAREIT, compared to 88% exposure to major property types in the private Global Real Estate Fund Index produced by ANREV, INREV, and NCREIF as of Q2 2025. 1. Green Street CPPIs as of Q3 2025, w/ODCE Weights are reported in local currencies. Europe CPPI uses Q2 2025 ODCE weights due to reporting lag. US: A quality assets; Europe A and B quality. 2. All Fund Indices' returns are net of fees and reported in local currencies. NFI-ODCE's LTV is 26% as of Q3 2025. INREV and ANREV ODCE LTVs are 24% and 32%, respectively, as of Q2 2025. 3. The average LTV for real estate non-core funds is 55% as of Q2 2025, based on SPI reporting.

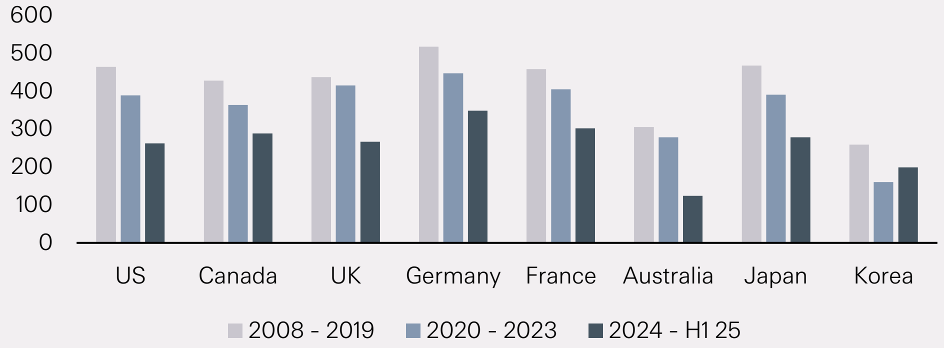
Cap rate spreads remain thin

Cap rates trend downward as interest rates ease, keeping spreads well below long-term norms

Median global cap rate trends by property type



Overall cap rate spread to government bond yield by country (bps)



Cap rate quartiles by largest property types, Q2 25

Region	Property type (volume leaders)	Bottom quartile		Median		Top quartile	
		Cap rate	YoY chg.	Cap rate	YoY chg.	Cap rate	YoY chg.
US	Multifamily	5.90%	-20 bps	5.40%	-20 bps	4.8%	-30 bps
	Industrial	7.20%	+10 bps	6.40%	+40 bps	5.7%	+30 bps
Europe / UK	Office	8.60%	-50 bps	7.0%	-30 bps	5.3%	-10 bps
	Industrial	7.80%	+60 bps	6.5%	+30 bps	5.1%	-60 bps

Global cap rate spreads by country, Q2 25[1]

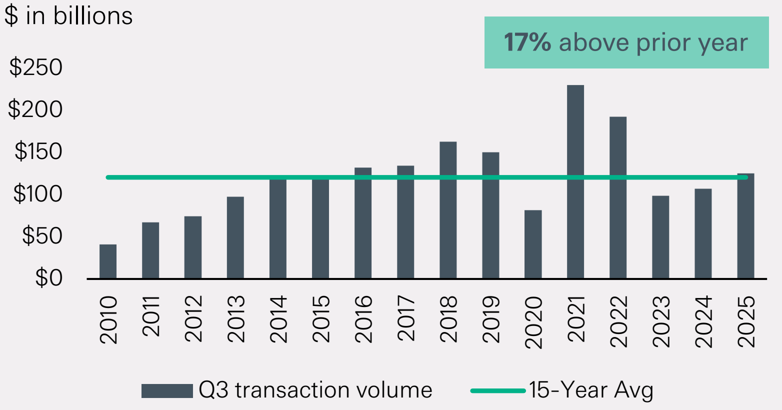
Country	Cap rate	Spread	15y avg spread	Delta
US	7.0%	270	430	160
Canada	6.3%	277	403	125
UK	6.6%	233	434	200
Germany	6.8%	353	515	163
France	6.7%	309	450	141
Australia	6.2%	129	306	177
Japan	4.4%	235	438	203
Korea	4.6%	227	249	22

Source: MSCI Real Capital Analytics, October 2025. 1. Office, Industrial, Retail.

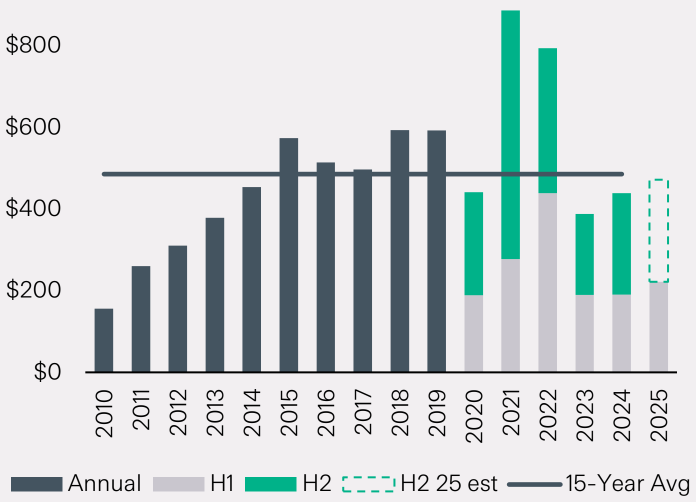
Transaction volumes recovering

- US volume YTD back to long-term averages as of Q3 25
- Europe/UK volume flat YoY, while APAC up by 7%
- Multifamily and industrial still drive US volumes; office reviving
- Office is top trading sector in Europe/UK and APAC, although multifamily is gaining ground in Europe/UK. Industrial also actively traded
- Senior housing trades are up notably across regions YTD, +91% YoY globally

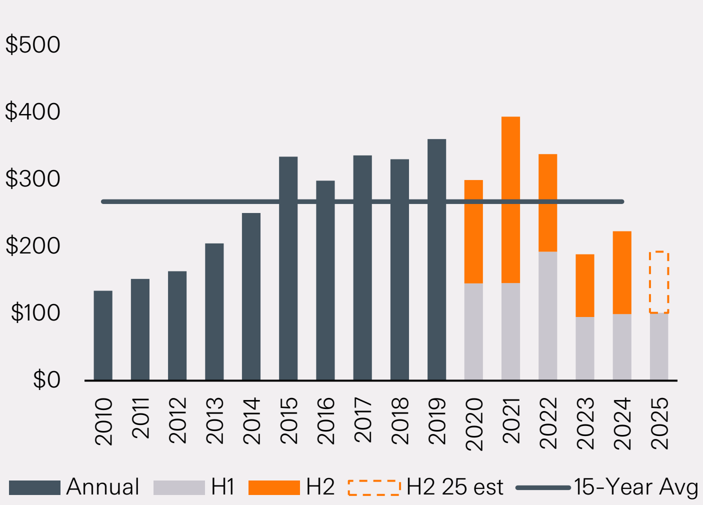
US Q3 transaction volume
$ in billions



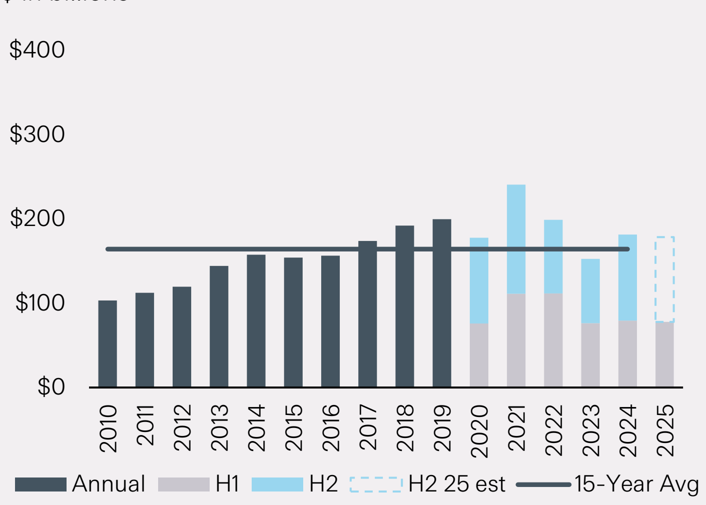
US annual transaction volume
$ in billions



Europe/UK annual transaction volume
$ in billions



APAC annual transaction volume
$ in billions



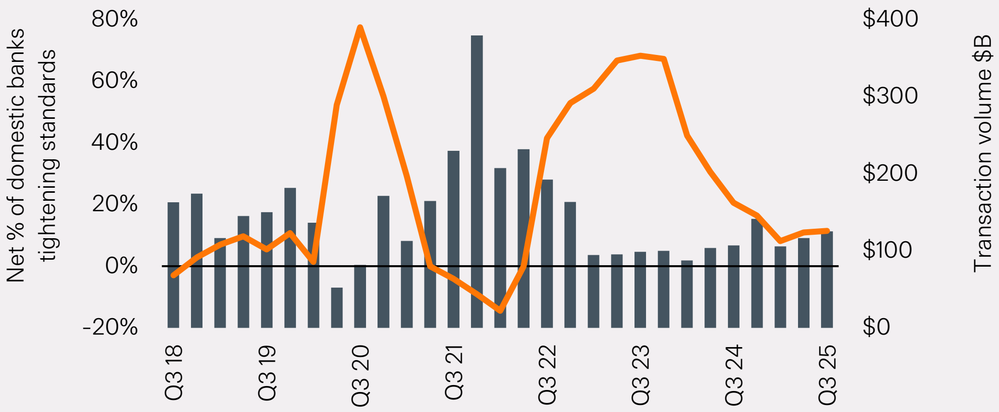
Source: MSCI Real Capital Analytics, October 2025.

Lending availability improved, rates and spreads down

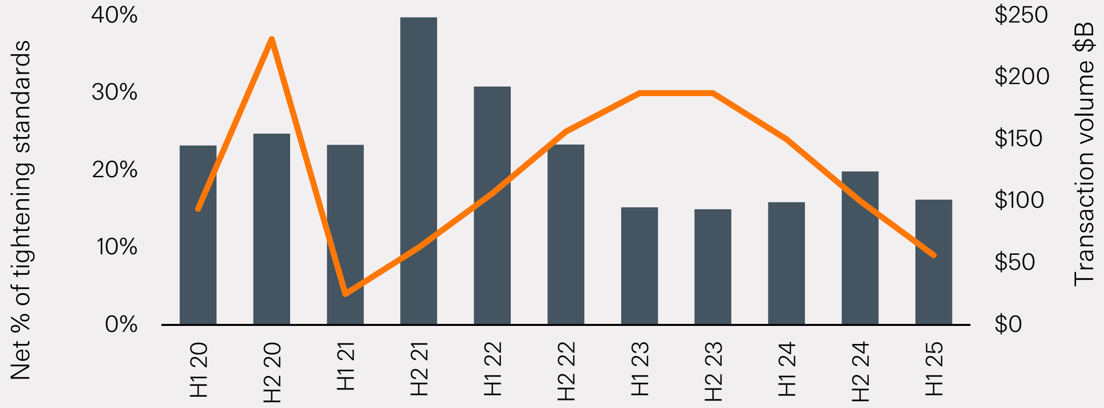
- High base rates and uncertainty have limited new borrowing, not debt availability
- Leverage most accretive in continental Europe
- As the percent of banks tightening goes down (below in orange), transaction volume eventually goes up (black bars below)

	US		Continental Europe[3]		UK[3]	
	Q1 22	Q3 25	Q1 22	Q3 25	Q1 22	Q3 25
Spread	1.3%	1.5%	1.9%	1.5%	2.4%	2.0%
Base rate	1.5%	4.1%	1.0%	2.2%	1.5%	3.7%
Total cost	2.8%	5.6%	2.9%	3.7%	3.9%	5.7%
vs Spring HV		↓ -0.2%		↓ -0.1%		↓ -0.2%

US[1]



Europe[2]



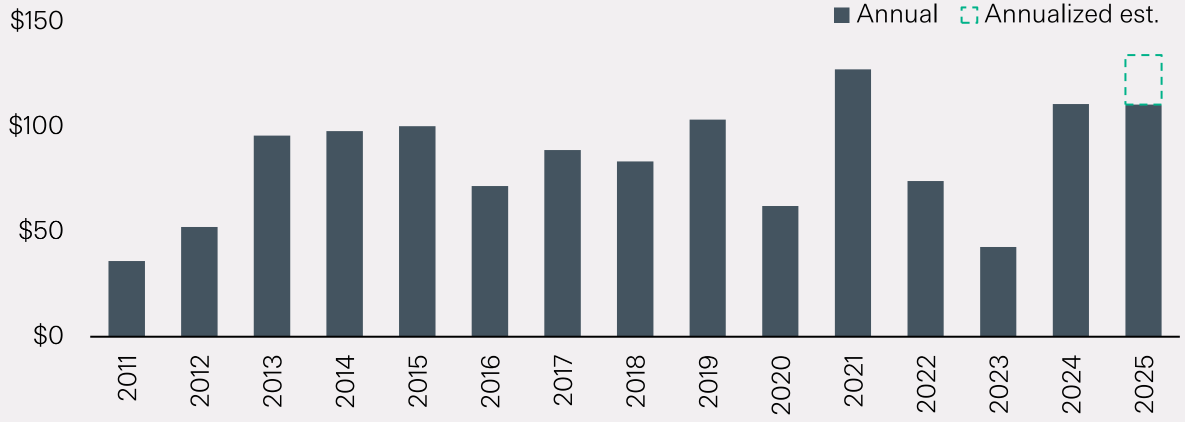
Net % of tightening (LHS)   Transaction volume ($B) (RHS)

Sources: 1. Board of Governors of the Federal Reserve System, FRED, MSCI RCA, October 2025. Net Percentage of Domestic Banks Tightening Standards for Business Loans = Percentage of Banks Tightening Lending Standards - Percentage of Banks Easing Lending Standards 2. European Central Bank: The euro area bank lending survey, July 2025. The net percentages refer to the difference between the sum of the percentages of banks responding "tightened considerably" and "tightened somewhat" and the sum of the percentages of banks responding "eased somewhat" and "eased considerably". Note the euro area bank lending survey is exclusive of UK. Transaction volume, sourced from MSCI RCA as of October 2025, is inclusive of volume in Europe and UK. 3. PGIM, Chatham, borrowing cost quotes for stabilized multifamily property, October 2025.

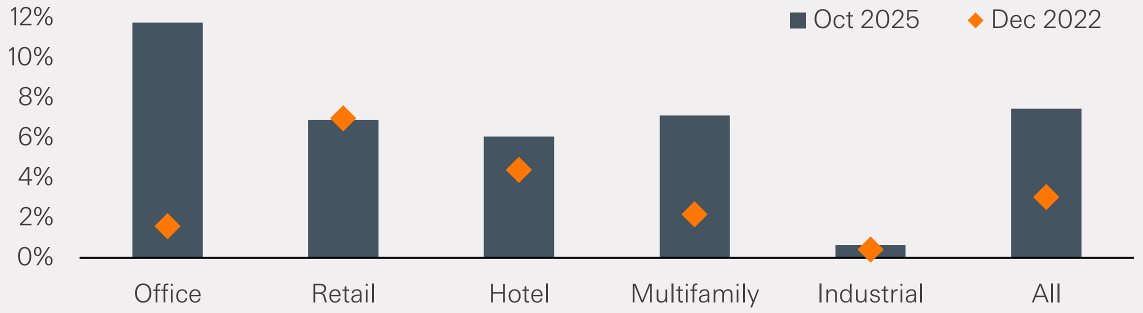
CMBS: new issuance strong, delinquencies rising

- The transparency of CMBS offers insight on the rest of the market
- 2025 issuance on pace to hit a 4-year high
  - Single asset, single borrower (SASB) represents ~60% of the YTD total, which is well above average; this is a shift to higher quality, lower risk strategies[2]
  - Office is a key driver of SASB issuance, at 27% of the total. Reflects highly bifurcated market; these are top quality assets, rent rolls and operators[2]
  - CLOs are recovering, at 20% of US issuance vs 8.3% in 2024. They are used to back loan on loan strategies[2]
- Delinquency is up around 150 bps YoY
  - Multifamily more than doubled
  - Office hit a record high in October

Non-agency CMBS annual issuance[1]
$ in billions



CMBS delinquency rate by property type (%30 days+)[2]



1. Green Street, October 2025. 2. Trepp, October 2025.

Funds

Many non-core funds haven't reflected market price drop

Newer vintages have:

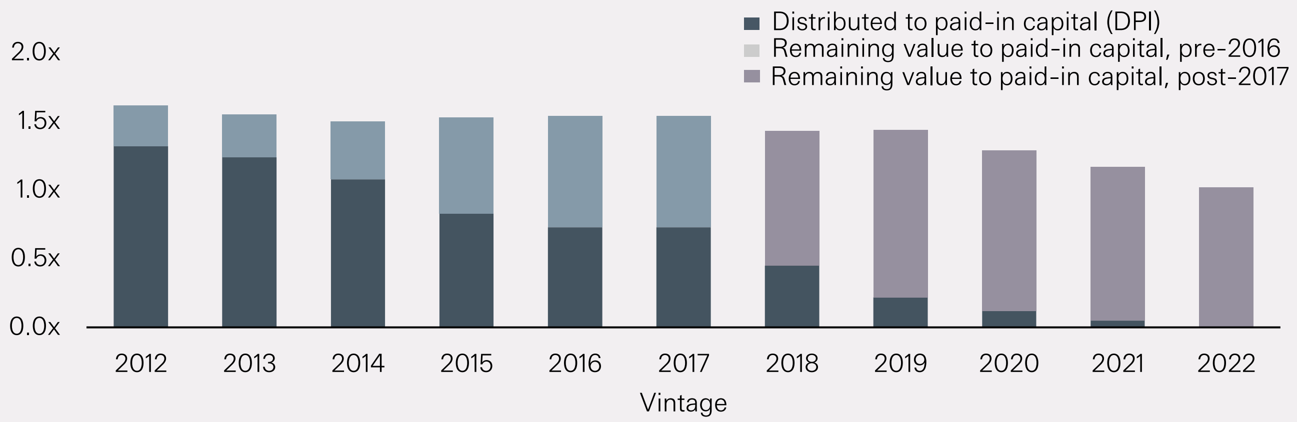
- Fewer realizations
- Minimal valuation changes, so many assets held at or near cost
    - *Minor value erosion in 2019 and 2020 vintages this year*
- Highest exposure to peak pricing, lowest cost leverage and resulting funding gaps

Older vintages have:

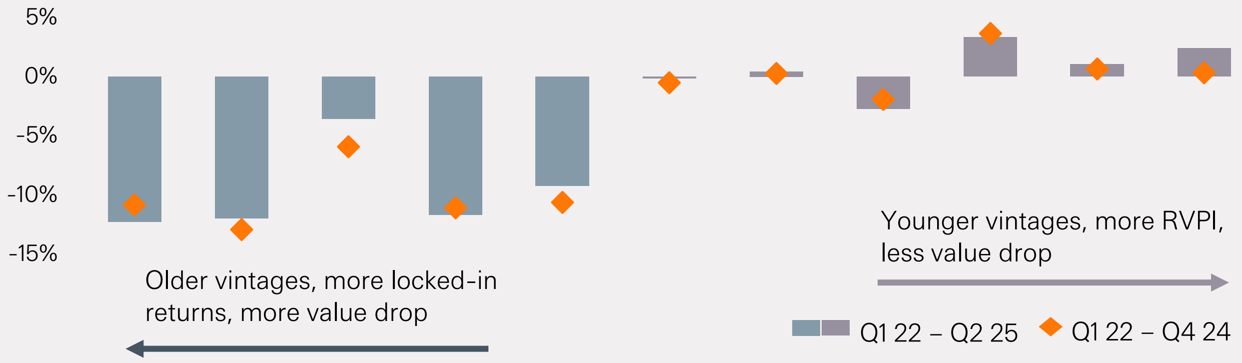
- Substantial realizations to lock in total fund returns
- Sizeable drops in Remaining Value to paid-in capital (RVPI) valuation, in some cases triggered by sales

Total value to paid-in capital

Q1 22



IRR change from RVPI

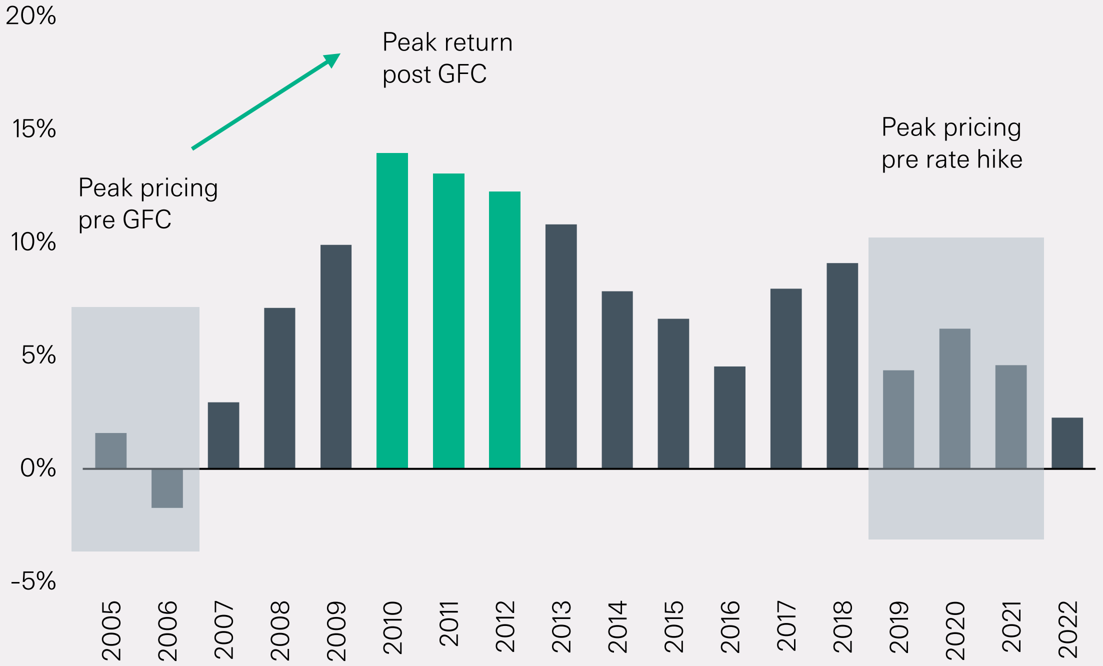


Source: MSCI Burgiss, Real Estate Value-add and Opportunistic strategy, US focused funds, Q2 25.

Real estate is cyclic

Investors requiring strong trailing results to commit are more likely to get timing wrong

Non-core fund median IRR, vintages 2005-2022



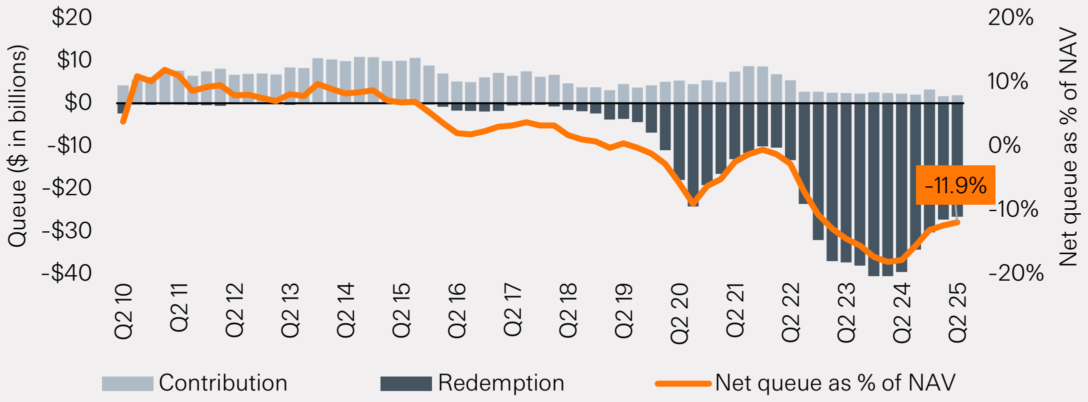
- Similar to today, when commitments were made in 2010-12:
  - Trailing fundamentals down/challenged
  - Prices and returns down
  - Higher uncertainty
- When commitments were made at peak pricing, in both 2005-06 and 2019-21:
  - Trailing fundamentals strong (including COVID migration play), with more expected
  - Prices and returns up
  - Unusually high price per SF defended as ‘new normal’

Source: MSCI Burgiss, Real Estate value-add and opportunistic funds, as of Q2 25.

US open-ended fund queues lower, still at historic highs

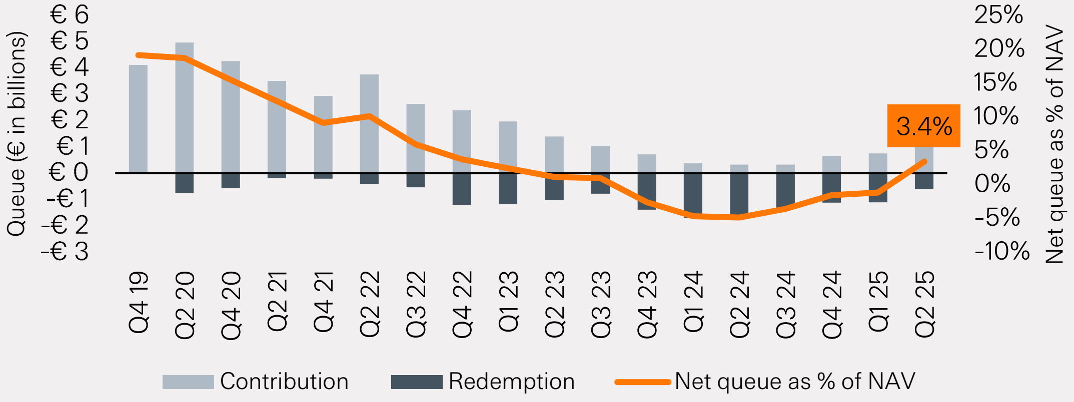
18 US ODCE funds have reduced their redemption queue since Q4 24. Four funds have no queue, up from two as of Q4 24

US: NCREIF ODCE fund queues, Q2 25



Fund level net redemption queue as % of NAV	# of Funds	% of total queue
No net redemption	4	0%
Under 10%	10	34%
10% - 20%	5	20%
Over 20%	6	46%
Total	25	100%

Europe/UK: INREV ODCE fund queue, Q2 25[1]



Fund level net redemption queue as % of NAV	# of Funds	% of total queue
No net redemption	7	0%
Under 10%	5	33%
10% - 20%	1	67%
Over 20%	0	0%
Total	14	100%

Source: StepStone Real Estate Manager Surveys data, September 2025.
1. Based on 13 out of 16 INREV ODCE constituent funds.

US core fund valuations do not reflect market cap rates

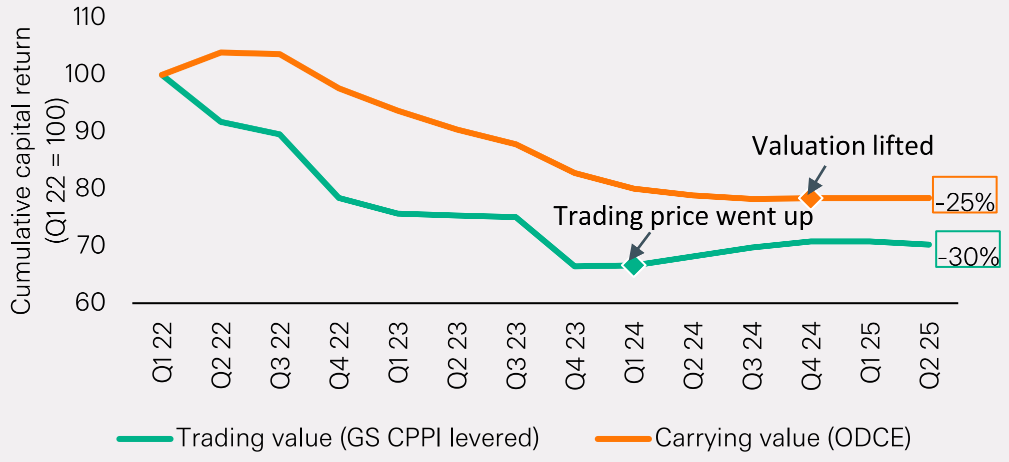
US

Sector	ODCE appraisal cap rate[1]	Market cap rate		Borrowing cost	ODCE exposure
Industrial	4.0%	5.4%		5.8%	37%
Multifamily	4.3%	5.2%		5.6%	28%
Office	6.2%	Class A: 7.5%	Class B: 11.5%	7.2%	18%
Retail	5.3%	Retail: ex-Mall 6.8%	Mall (Grade A): 8.3%	5.8%	11%

Europe / UK

Sector	ODCE appraisal cap rate[3]	Market cap rate – prime[4]	Market cap rate – all[5]	Borrowing cost[6]	ODCE exposure
Industrial	5.0%	4.9%	6.0%	4.6%	32%
Office	4.4%	4.6%	7.0%	4.9%	29%
Residential	3.8%	4.3%	4.5%	4.5%	19%
Retail	5.7%	4.3%	8.3%	5.4%	15%

US pricing – ODCE vs. GS CPPI (at ODCE leverage)[2]



- While a roughly 50 bps gap between the two indices is normal, the actual differentials far exceed that. Some GPs are now marking up their portfolios while others have taken sizeable write-downs
- European pricing is much more aligned at cap rate level. Individual fund level returns diverge more than US

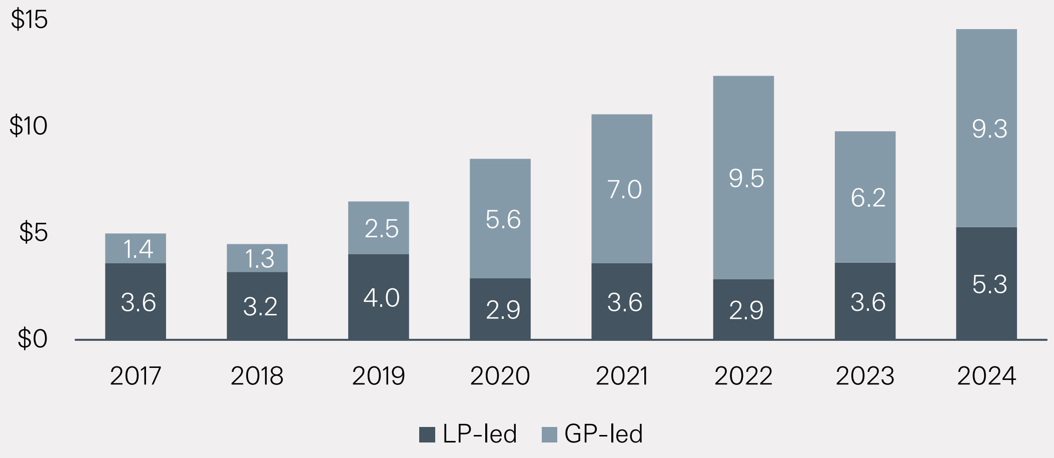
Sources: NCREIF, INREV, Green Street, CoStar, CBRE, Cushman & Wakefield, Catella, October 2025. Europe market cap rates weighted by ODCE country and sector mix. US borrowing rates from Chatham lending market overview Q2 2025 applicable to secured fixed rates. US Retail borrowing cost of 5.8% is for grocery anchored.
1. Limited to operating assets with 75%+ occupancy. 2. US GS CPPI weighted by NCREIF ODCE property mix. 3. Value-weighted appraisal cap rates reported by 12 out of 16 ODCE funds, as of Q2 2025. 4. European prime residential market cap rates as of Q1 2025 due to reporting cycle. 5. Net Initial Yield from Green Street, inclusive of purchasing costs as of Q2 2025. 6. CBRE: Financing conditions have materially improved. While five-year swap rates mostly moved sideways, this was offset by a compression in margins resulting in lower borrowing costs, especially in Euro-denominated countries.

Secondary sales rising

- GP led secondaries increasingly dominate volume; much of it is unreported due to lack of broker involvement
  - SRE has tracked $76.9B of deal flow YTD 2025 as of October; trailing 3 months volume up 16% versus same period last year
  - Deals are larger, averaging $183M in 2025 over trailing 3 months, up 23% YoY
  - This includes a wide array of property types, with residential (35%), industrial (16%) and hospitality (16%) the largest categories
- LP secondaries volume and pricing still low, with trades averaging 83% of NAV as of March, 2025
  - Inflated carrying values (NAV) mean buyers need higher discounts; resulting low offer means fewer deals are closing
  - With low volume, real estate secondaries market data coverage, usually done by brokers, has declined and is out of date

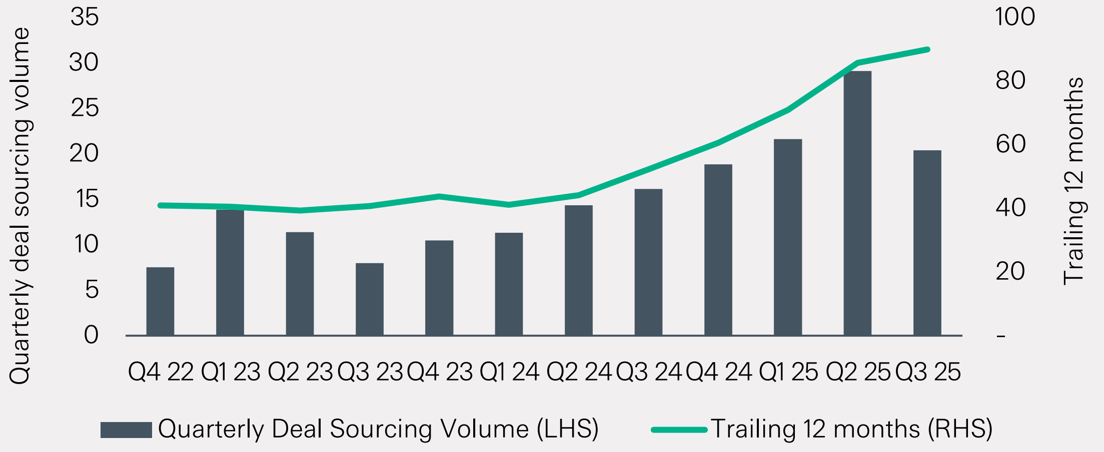
Global real estate secondaries volume per broker data

$ in billions



GP-led secondary deal sourcing by SRE

$ in billions



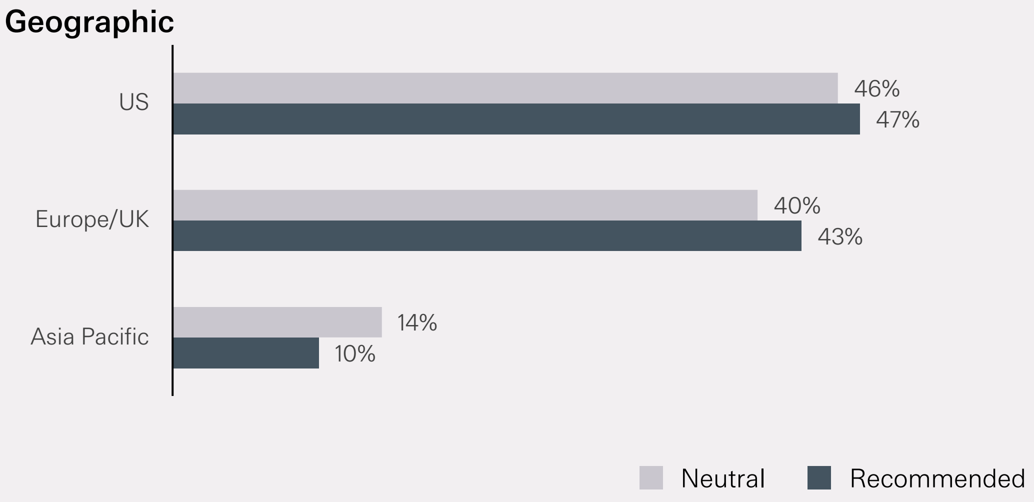
Source: Jeffries LLC, Ares, Greenhill, March 2025. SRE data as of October 2025.

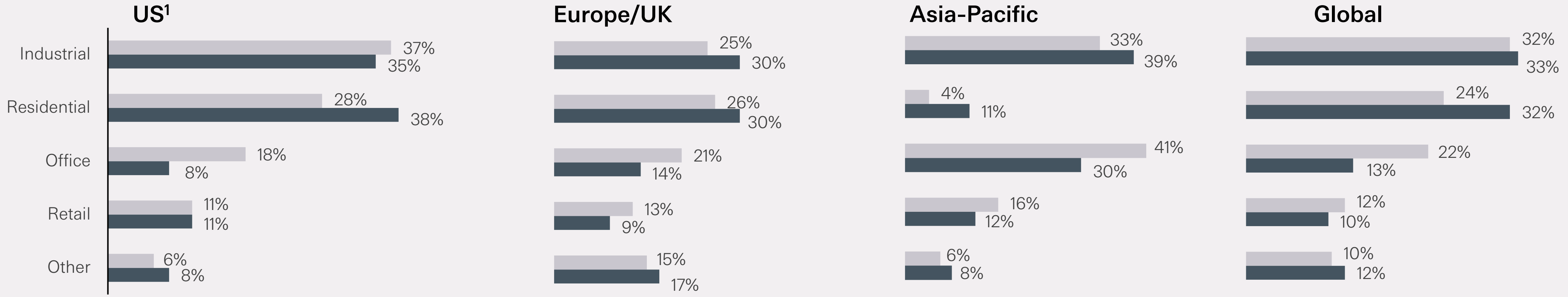
Preferred strategies & portfolio construction

Global real estate portfolio positioning

Considerations

- Recommendations are for mature, core portfolios; encourage greater tilts for newer, core+ and non-core portfolios
- Diversify geographically due to deglobalization
- Europe/UK overweight for distress, better spreads
- Asia opportunity largely focused on Japan; limits overweight ability
- Recommended risk exposure tilts, overweight:
  - Core+ for durable income
  - Non-core for distress, including recaps and secondaries
  - Debt for current income with attractive risk/return





Sources: StepStone Real Estate calculations, September 2025. Neutral weightings sourced from Global Real Estate Fund Index and StepStone quarterly OEF surveys for global property and geographic allocations and ANREV, INREV, and NCREIF core fund indices as of Q2 2025 for property allocations by region. Other property includes data center, hospitality, self-storage, senior housing, parking and land. Recommendations are recast in relation to new neutral weightings. The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. 1. US property mix is based on NFI-ODCE index. If accounting for non-ODCE funds tracked by StepStone, the property neutral weights are Industrial 39% / Residential 27% / Office 18% / Retail 9% / Other 7%.

Non-core positioning

Considerations

Property type		Target for 1-2 year deployment
Industrial		10-30%
Residential		20-40%
	- Multifamily	15-30%
	- Single family rental	0-15%
	- Student housing	0-15%
	- Manufactured housing	0-15%
Office		0-15%
	-Trophy	0-10%
	- Life science R&D	0-5%
	- Medical office	0-15%
Retail		0-15%
Other		15-65%
	- Self storage	0-15%
	- Cold storage	0-10%
	- Senior housing	0-15%
	- Hospitality	0-10%
	- Data centers	0-15%

- Cycle is around bottom on pricing with overall sluggish growth outlook and no clear recovery catalyst – the hardest and best time to commit capital
- At this point in the cycle, the goal is to
  - Thoughtfully capitalize on distress in the hands of proven managers
  - Ideally with risk-mitigated structures or less debt, and without dependance on heavy leasing and rent growth
- It is now less about filling the buckets than finding good, well underwritten deals at attractive entry points
  - Seek pockets of growth
- Exposure targets allow active management while providing risk mitigation amid high levels of change and uncertainty
- The opportunity is global. Distress is interesting in US and Europe/UK, but it's harder to find European funds with strong track records, practically limiting overweight
- As always, tailor to individual investor goals and circumstances. Targets address the total program, not individual funds

US core/core+ fund portfolio positioning

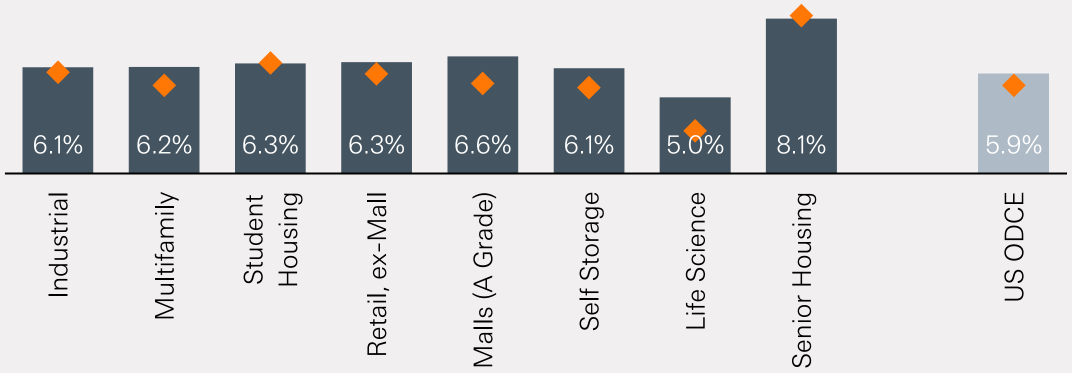
Considerations

- Asset and fund selection will drive performance
- Carefully evaluate NAV especially if entering; still generally too high to deliver target returns
- Non-ODCE funds better priced, more attractive entry basis
- Secondary market NAV discounts offered by sellers too low, uninteresting, seller's need for liquidity and buyer's ability to close primary drivers of discounts

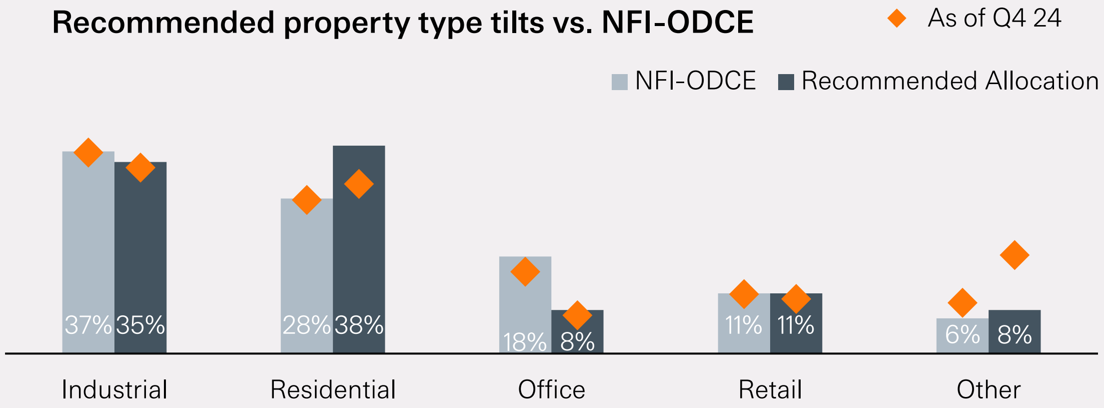
Returns based on initial investment at NFI-ODCE NAV. SRE has temporarily removed office projections due to lack of visibility

New NCREIF ODCE property type categories (see appendix) begin use with 2025 data

Five-year core fund net return projections by type



Recommended property type tilts vs. NFI-ODCE



Source: StepStone Real Estate calculations, NCREIF, October 2025. Prospective five-year buy-and-hold return for a representative Grade-A/Core asset reflecting a market average level of return. Leverage is applied at the current level of the NFI-ODCE at a 26% LTV using StepStone Real Estate estimates for debt finance costs. NCREIF ODCE weightings are the value-weighted share of net real estate assets as of Q2 2025. Other property includes hospitality, healthcare, self-storage, senior housing. The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. For illustrative purposes only. Target returns are hypothetical and are neither guarantees nor predictions or projections of future performance. Future performance indications and financial market scenarios are no guarantee of current or future performance. There can be no assurance that such target will be achieved or that the investment will be able to implement its investment strategy, achieve its investment objectives or avoid substantial losses. Further information regarding target is available upon request.

Europe/UK core/core+ fund portfolio positioning

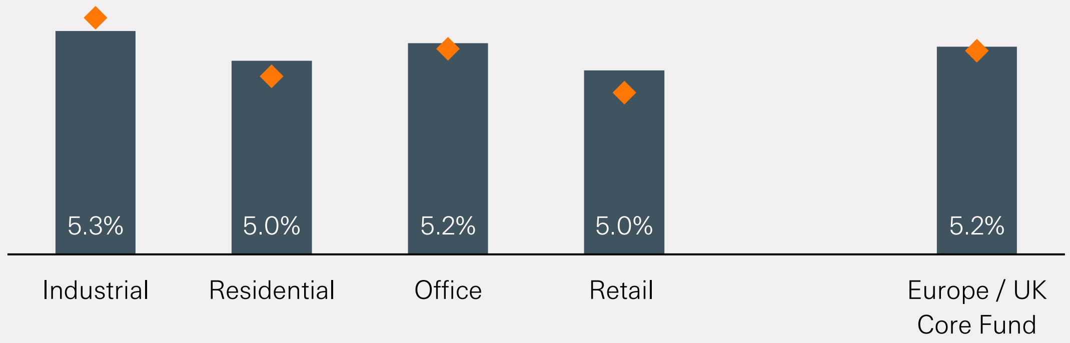
Considerations

- Asset and fund selection will drive performance
- Industrial and residential are appealing; while still a risk, lower likelihood of new rental regulations especially in Germany
- Niche products maturing, increasingly available in core/core+
- Secondary activity reduced due to greater equilibrium in contribution and redemption queues

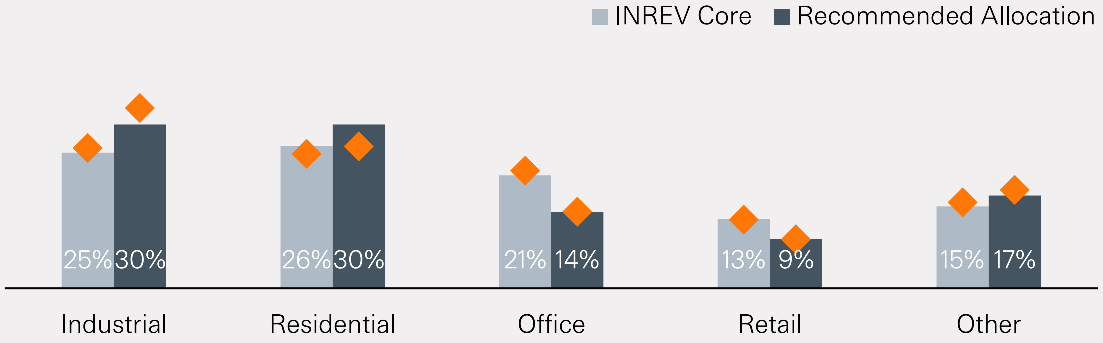
Returns based on initial investment at NAV

SRE focuses on the larger INREV Core, which includes country specific funds; INREV ODCE is only pan-European funds

Five-year core fund net return projections by type



Recommended property type Tilts vs. INREV Core



Past performance is not indicative of future results and there can be no assurance that the investment will achieve comparable results or avoid substantial losses. Source: StepStone Real Estate calculations, INREV, October 2025. Prospective five-year buy-and-hold return for a representative Grade-A/Core asset reflecting a market average level of return. Leverage is applied at the current level of the INREV-ODCE at a 24% LTV using StepStone Real Estate estimates for debt finance costs. INREV Core weightings are based on INREV Core Index as of Q2 2025. Other property includes hotel, leisure, parking and agricultural, etc. The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. For illustrative purposes only. Target returns are hypothetical and are neither guarantees nor predictions or projections of future performance. Future performance indications and financial market scenarios are no guarantee of current or future performance. There can be no assurance that such target will be achieved, be able to implement its investment strategy, achieve its investment objectives or avoid substantial losses. Further information regarding target calculations is available upon request.

Preferred themes

	US	Europe/UK	APAC
CORE / CORE+	- **Class A,B apartments:** Stabilized assets in strong submarkets - **Manufactured housing:** Sticky tenant base supports healthy rent escalations - **Industrial:** Assets with long WALT to credit tenants, infill locations in growth markets - **Medical Office**: Steady growth in outpatient services; long-term credit leases limit risk - **Retail:** Newer vintage, high-quality grocery-anchored retail with long-term lease to dominant grocer	- **SFR:** In UK, acquire for-sale assets from stressed homebuilders and convert to MF - **Senior housing**: Long-term leases to operators align with core/core+ risk profile - **Student housing**: Strong fundamentals and low provision rate in continental Europe - **Industria**l: Urban logistics in markets with ecommerce upside (Spain, Italy)	- **Apartments**: Stabilized assets in Japan - **Student housing**: Prime locations in Sydney, Melbourne, and Brisbane - **Data centers**: Hyperscale and colocation centers with longer WALT in mature markets - **Industrial**: Infill assets supporting domestic consumption with long WALT in Japan and Australia - **Office:** Stabilized, trophy office in Seoul and Tokyo
NON-CORE	- **Apartments:** Assets with distressed balance sheets and/or deferred capex - **SFR –BTR** (not scattered site) in markets with strong population and income growth - **Student housing:** Select opportunities at growing universities with high barriers to entry and limited development pipelines - **Senior housing:** Wind-ups of legacy vintage funds needing liquidity - **Self Storage:** Micro-market opportunity; well-occupied assets in supply constrained markets	- **Apartments**: Brown-to-green strategies in select markets. Co-living in Spain (avoids rent regulations) - **Senior housing:** Attractive demographics and aging population in markets with lack of institutional capital - **Self Storage**: Lack of institutionalization provides opportunity across Europe - **Retail:** Mispriced assets in strong locations	- **Apartments:** Well-located, but under-managed, Tokyo multifamily assets - **Data centers**: Pre-leased hyperscale data centers in Australia, Japan, South Korea and Singapore - **Hotels:** Assets with deferred capex in strong tourist locations in Japan and Australia - **Office:** Mispriced assets in prime submarkets in Tokyo and Seoul

CAPITAL STRUCTURE

- Distress oriented structuring with downside protection: recaps, preferred equity, value add or core+ level property risk; can be assets or funds, many of which have end of life challenges
- Preferred equity funding of select developments
- Debt

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Preferred market/property type strategies

● Favorable ● Neutral ● Unfavorable

Property type	Market conditions for fundamentals – Demand: Cyclic	Demand: Secular	Demand: Policy Risk	Supply	Core pricing	Investment appeal: US	Europe/UK	APAC
Industrial	Unfavorable	Favorable	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Residential								
- MF - Class A	Neutral	Neutral	Neutral	Unfavorable	Neutral	Neutral	Favorable	Favorable
- Class B/C	Neutral	Favorable	Neutral	Neutral	Neutral	Favorable	Favorable	Favorable
- Single Family Rental	Favorable	Favorable	Neutral	Neutral	Unfavorable	Neutral	Favorable	n/a
- Student Housing	Favorable	Neutral	Neutral	Neutral	Neutral	Neutral	Favorable	Favorable
- Manufactured Housing	Favorable	Favorable	Favorable	Favorable	Favorable	Favorable	n/a	n/a
Office								
- Trophy	Unfavorable	Unfavorable	Unfavorable	Favorable	Neutral	Unfavorable	Unfavorable	Neutral
- Life Science R&D	Unfavorable	Neutral	Unfavorable	Unfavorable	Unfavorable	Unfavorable	Neutral	Neutral
- Medical Office	Favorable	Favorable	Neutral	Favorable	Neutral	Favorable	n/a	n/a
Retail	Unfavorable	Unfavorable	Unfavorable	Favorable	Neutral	Neutral	Neutral	Neutral
Other								
- Self Storage	Neutral	Unfavorable	Neutral	Neutral	Neutral	Neutral	Favorable	Neutral
- Cold Storage	Neutral	Favorable	Neutral	Neutral	Neutral	Neutral	Neutral	Favorable
- Senior Housing	Favorable	Favorable	Neutral	Favorable	Favorable	Favorable	Favorable	n/a
- Hospitality	Unfavorable	Neutral	Unfavorable	Favorable	Neutral	Neutral	Neutral	Favorable
- Data Centers	Neutral	Favorable	Neutral	Neutral	Neutral	Neutral	Favorable	Neutral

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Europe/UK: preferred market/property type strategies

● Favorable ● Neutral ● Unfavorable

	Investment appeal						
Property type	Europe/UK	UK	Germany	France	Nordics	Spain	NL
Industrial	Neutral	Neutral	Neutral	Neutral	Neutral	Favorable	Favorable
Residential							
- MF - Class A	Favorable	Neutral	Favorable	Neutral	Neutral	Favorable	Favorable
- Class B/C	Favorable	Favorable	Favorable	Neutral	Neutral	Favorable	Favorable
- Single family rental	Favorable	Favorable	n/a	n/a	n/a	n/a	n/a
- Student housing	Favorable	Neutral	Favorable	Favorable	Neutral	Favorable	Favorable
Office							
- Trophy	Unfavorable	Unfavorable	Unfavorable	Unfavorable	Unfavorable	Unfavorable	Unfavorable
- Life science R&D	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Retail	Neutral	Favorable	Neutral	Neutral	Neutral	Favorable	Neutral
Other							
- Self storage	Favorable	Neutral	Favorable	Favorable	Neutral	Favorable	Favorable
- Cold storage	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
- Senior housing	Favorable	Favorable	Neutral	Neutral	Favorable	Favorable	Favorable
- Hospitality	Neutral	Neutral	Neutral	Neutral	Neutral	Favorable	Unfavorable
- Data centers	Favorable	Favorable	Favorable	Favorable	Neutral	Favorable	Favorable

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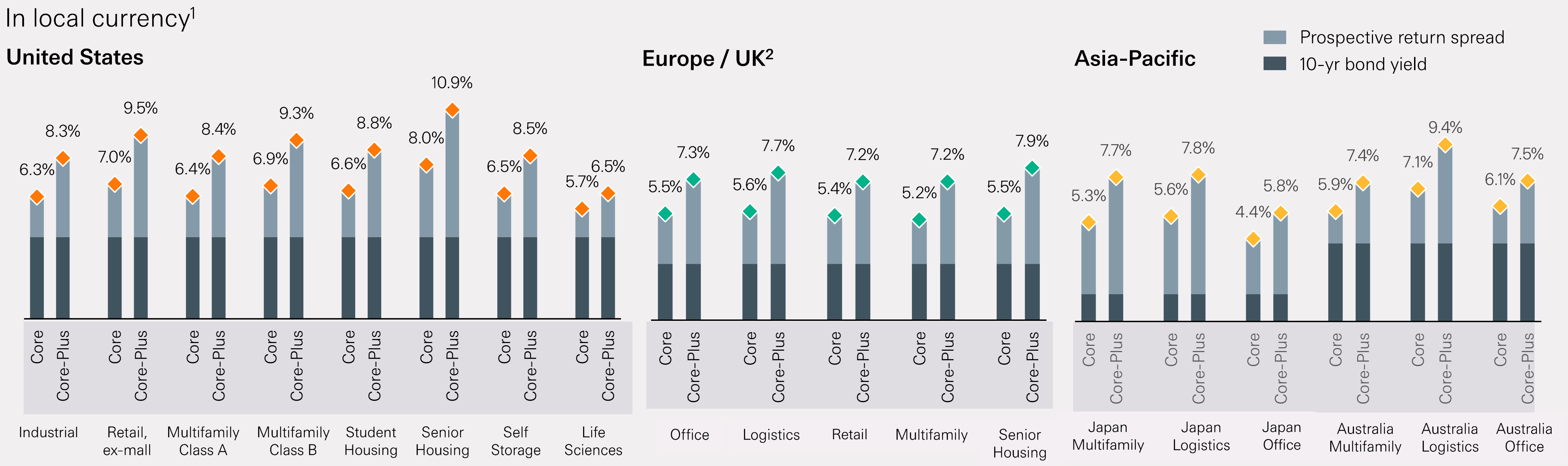
Asia-Pacific: preferred market/property type strategies

● Favorable ● Neutral ● Unfavorable

Property type	Investment appeal						
	APAC	Japan	Australia	Korea	Singapore	China	Hong Kong
Industrial	Favorable	Favorable	Favorable	Favorable	Favorable	Neutral	Neutral
Residential							
- MF - Class A	Favorable	Favorable	Favorable	Neutral	Neutral	Unfavorable	Neutral
- Class B/C	Favorable	Favorable	Neutral	Neutral	Neutral	Unfavorable	Neutral
- Student housing	Favorable	Favorable	Favorable	Neutral	Neutral	Unfavorable	Neutral
Office							
- Trophy	Neutral	Favorable	Neutral	Favorable	Neutral	Unfavorable	Unfavorable
- Life science R&D	Neutral	Favorable	Neutral	Neutral	Neutral	Neutral	Neutral
Retail	Neutral	Neutral	Neutral	Neutral	Neutral	Unfavorable	Neutral
Other							
- Self storage	Neutral	Neutral	Neutral	Neutral	Neutral	Unfavorable	Neutral
- Cold storage	Favorable	Favorable	Favorable	Neutral	Neutral	Unfavorable	Neutral
- Hospitality	Favorable	Favorable	Favorable	Neutral	Neutral	Unfavorable	Unfavorable
- Data centers	Neutral	Neutral	Favorable	Neutral	Favorable	Neutral	Neutral

Core/core+ property-level 5-year performance prospects



- Returns based on initial investment per trading price data. Open-ended fund commitments made at above market NAVs will yield lower returns
- Fundamentals based on downside scenarios that assume recession and recovery within the 5-year period
- SRE has temporarily removed US office from the projections due to lack of visibility on demand, future capital expenditure and exit market

Past performance is not indicative of future results and there can be no assurance that the investment will achieve comparabl e results or avoid substantial losses. Sources: StepStone Real Estate calculations, Green Street, MSCI RCA, Cushman & Wakefield, Catella, CBRE, IPF European Consensus, NCREIF, INREV, Oxford Economics, Chatham Financial, Consensus Economics, October 2025. Prospective five-year buy-and-hold return for a representative Grade-A/Core asset reflecting a market average level of return. For illustrative purposes only. Target returns are hypothetical and are neither guarantees nor predictions or projections of future performance. Future performance indications and financial market scenarios are no guarantee of current or future performance. There can be no assurance that such target IRRs will be achieved or that the investment will be able to implement its investment strategy, achieve its investment objectives or avoid substantial losses. Further information regarding target IRR calculations is available upon request. The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass.

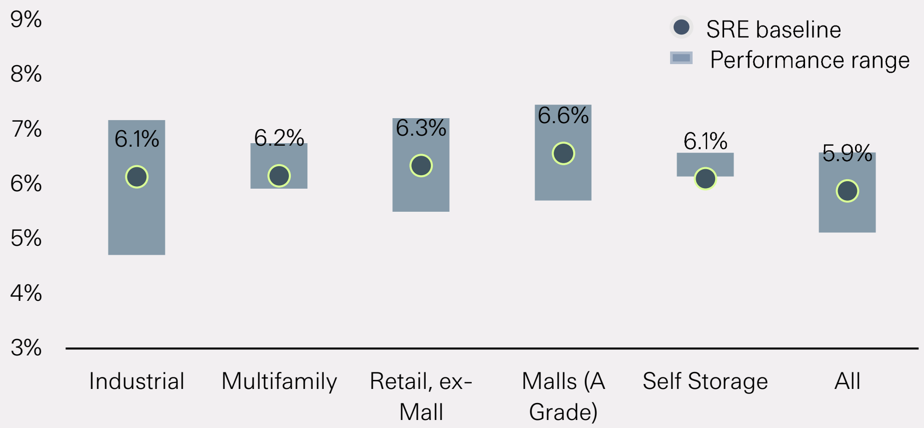
1. All return projections are in local currency. 2. 10-Yr Bond yield is blended average of 80% Europe and 20% UK.

Core/core+ performance scenarios and expected returns

	Third-party baseline	▲ Scenarios ▼
Growth	- High economic uncertainty boosts downside risks - Policy changes and trade war dim prospects globally - Eurozone growth below other regions - Asia-Pacific above, with slower pace	▲ Fiscal stimulus and deregulation offsets impact of US policy changes ▼ Confidence falls further, consumers and businesses retrench, economy falls into recession (in SRE projections) or worse; possible stagflation (not in projections)
Inflation	- Inflation expected to move gradually higher as new tariffs take effect - Diverges by country	▲ Slower economic growth offsets impact of tariffs, keeping rise in inflation muted ▼ Inflation rises even as growth slows
Monetary policy	- While pace of easing may continue to diverge, inflation pressures limit easing cycle across central banks - Government bond yields stabilize at higher, "normal" levels	▲ Inflation remains under control, allowing central banks to continue cutting rates ▼ With inflation moving swiftly higher, central banks postpone additional easing and consider rate hikes
Employment	- Job growth limited in slow economy; hiring highly concentrated - Reduced immigration keeps a lid on labor supply growth and rise in unemployment	▲ Fiscal stimulus and deregulation lift economic growth, businesses continue to invest and expand ▼ Layoffs add to labor market pressure, driving unemployment higher
Geopolitical	- Russia-NATO and ME conflicts back to top risk in OE survey of businesses - Concerns over global trade war have eased somewhat, now 2nd on the list	▲ Easing of tensions and conflict, resolution of trade war ▼ Escalation or spread of existing conflicts, plus China/Taiwan risk; oil price/supply issues

Range of five-year real estate core fund performance expectations[1]

US core fund performance by property type, net of fees



- Cyclic impact on rent growth varies by property type
- Multifamily returns improving as new supply is absorbed; narrow range in performance reflects its defensive nature and higher cost to own
- Industrial highly exposed to tariffs/trade war. The sector is also cyclic, more tied to spending than in the past, driving wide range in performance
- Retail's range reflects sensitivity to trade policy; higher baseline returns due to lack of supply
- Self-storage more range bound, reflecting its less cyclical demand drivers

Past performance is not indicative of future results and there can be no assurance that the investment will achieve comparabl e results or avoid substantial losses. Table sourcse: Oxford Economics, Consensus Economics, StepStone Real Estate analysis, as of October 2025. Prospective five-year buy-and-hold return for a representative Grade-A/Core asset reflecting a market average level of return. Leverage is applied at the current level of the NFI-ODCE at a 26% LTV using StepStone Real Estate estimates for debt finance costs. The NFI-ODCE estimate is calculated using the Q2 2025 index weightings. Office projections currently suspended due to lack of visibility. The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. 1. For illustrative purposes only. Target returns are hypothetical and are neither guarantees nor predictions or projections of future performance. Future performance indications and financial market scenarios are no guarantee of current or future performance. There can be no assurance that such target will be achieved or that the investment will be able to implement its investment strategy, achieve its investment objectives or avoid substantial losses. Further information regarding target is available upon request.

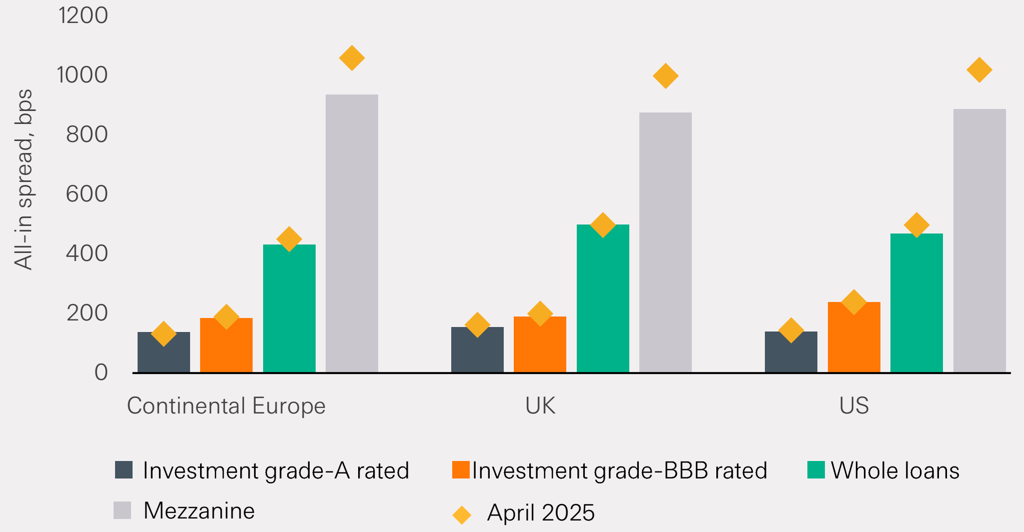
Private debt: better terms, less competition, higher returns

Private lenders expected to gain market share

- **Volume has improved across the market** including among banks, reflective of Mortgage Bankers Association projection of a 28% lift in loan volume for 2025 vs. 2024 in US. This has lowered spread and increased competition in some segments of the market
- **High volatility:** Shifting rates and spreads meaningfully impact volumes, and are affected by overall uncertainty plus unclear interest rate path
- **Better structures, more attractive returns available:** Alternative lenders can originate with better structure and covenants and charge more for complexity and flexibility. While bank volumes are increasing, they are less active than pre-correction (in part due to existing, unresolved loans), so private lenders' share of volume continues to increase

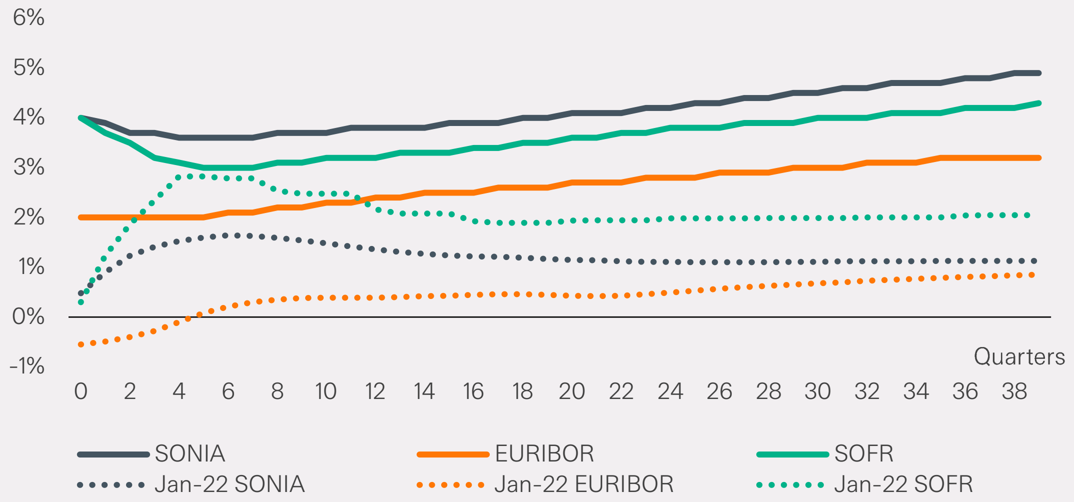
All-in lending spreads over base rate by loan type

As of September 2025



Three-month forward curves

Q2 25 vs. Q1 22



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Sources: PGIM, AIG, Chatham Financial, StepStone Real Estate analysis, September 2025.

Private debt: preferred strategies

Loan type	Features	US	Europe/UK
Senior loans / investment grade	- Senior CRE mortgages on high-quality stabilized properties - Max 60% LTV - European lenders incur low solvency capital charges	- Pricing and terms favor life company and certain unlevered debt fund originators - Banks returning to this segment	- Banks currently active across sectors and especially within the core markets - Banks have a particular appetite for loan-on-loan financing due to efficient capital treatment. Margins have tightened as a result over the last couple quarters
Whole loans / stretch senior	- Whole loans on core-plus and light value-add properties - Max 65-70% LTV - US spreads in slightly on multifamily, up slightly on industrial; retail, office and hotel spreads in materially	- Life companies, REITs, and bank activity up - Core+ debt funds' office loan problems persist with several winding down, but new offerings can be attractive - 2025 agency purchase quotas of $146B up 4% from 2024, with LTVs down 5-10% from 2020. 50% of agency purchases must support affordable housing, and the FHFA may increase the quotas and preserve the workforce housing exemption - Ample liquidity remains for stabilized, qualifying multifamily financing	- Both unlevered and levered lenders active in this segment - Margin tightening across sectors due to significant competition over the past quarter especially for larger transactions - Market is becoming more efficient especially for larger transactions which are being executed via financing bid processes
Levered whole loan / high yield / mezzanine	- Floating rate whole loans on transitional properties with financial leverage or retention of high yield subordinate/mezzanine positions - Typical whole loan is 65% LTC last dollar and mezzanine to 75-80%	- 10-13% debt fund net returns on 2-2.5/1 levered transitional loans and high-quality mezzanine debt at 50%-70% LTC; returns from current cash distributions of 8-10% - Mezzanine spreads ~650 bps on stabilized and 900+ bps on deeper transitional business plans - Warehouse and repo facilities active and competitive, with new structures filling gap in single A-note and loan on loan executions which are down from previous peaks, but picking up - CLO executions increasing, favors prediictable cash flow so multifamily best option	- Alternative lenders are most focused on this segment of the market. Many use the same loan-on-loan lenders and hence margins have also tightened - Lenders are underwriting all sectors and business plans, however are generally maintaining covenant requirements - Deployment has been a challenge for many alternative lenders with high cost of capital due to competition and still limited transaction volume
Development financing	- Lending to a narrower range of property types focusing on multifamily, other living sectors and industrial where development is justified - Max 80% LTC	- Focus mainly on select multifamily, BTR, and last mile/infill industrial , build to suit and pre-leased preferred, interest in storage, niche sectors, student - Certain sunbelt markets overbuilt in multifamily, market selection critical - Partial recourse levels from traditional lenders are up, also increasing use of debt fund mezzanine and preferred equity - Regional banks slowly returning	- Development financing on a whole loan basis is providing attractive risk return for alternative lenders - Financing available across sectors particularly BTR, student, pre-leased industrial, and data centers
Special situations / opportunistic debt	- Recapitalizations - Discounted Payoffs (DPOs) - Sub-performing Loans (SPLs)	- Opportunities for recaps and high yield executions (i.e., loan/portfolio acquisitions, recap funding /DPOs); strong counterparty relationships benefit - Regulators' bank problems will require a private markets solution. To date, few significant portfolio sales, but single and small portfolio sales are increasing	- Opportunities continue to be driven by funding gaps or sponsors with liquidity constraints - Less institutional sponsors or corporate entities are the main counterparties for these situations

Overweight Neutral Underweight

Source: StepStone Analysis, April 2025. The opinions expressed herein reflect the current opinions of StepStone Real Estate as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. No representation or warranty is made as to the returns which may be experienced by investors.

Macro setting

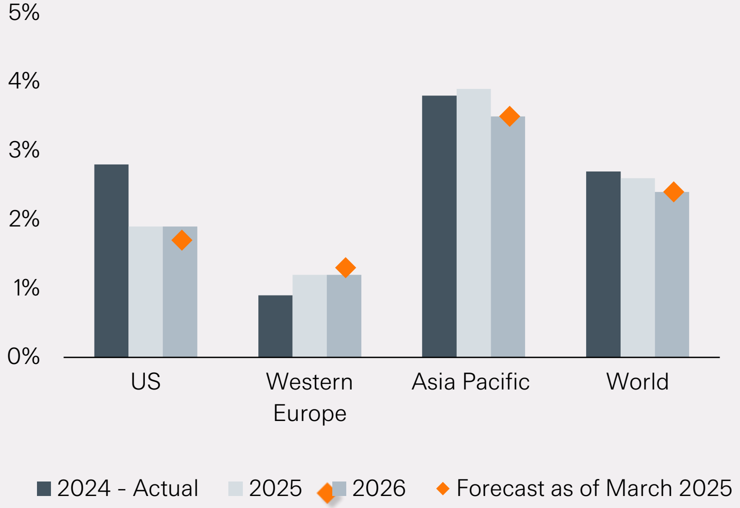
Tariffs likely to slow growth, fuel inflation

- US policy weighs on global growth expectations. Risk of recession still elevated but below April levels
- EU outlook improved with German stimulus, but now growing concern around potential debt crisis in France. Southern Europe remains outperformer
- APAC still leads global growth, but well below trend due to slowing in China and tariffs

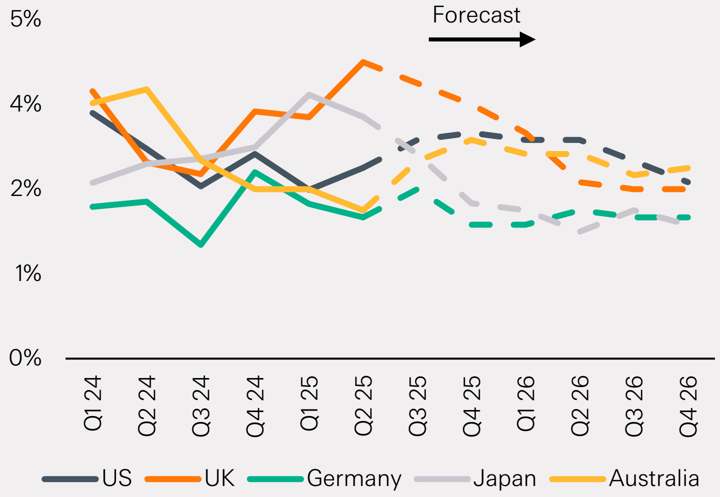
- US tariffs could raise prices globally, although weaker economic growth (esp. ex-US) may offset this
- US will bear the brunt of price pressures; inflation could approach 3.5% even as growth slows
- Inflationary pressures lower in continental Europe; UK National Insurance contributions inflationary
- APAC could see bigger hit to growth from tariffs, offsetting inflationary pressures

- While the Fed has shifted toward easing, the pace could continue to lag other central banks
- In most parts of Europe (ex-UK) and APAC, limited inflationary pressures have allowed central banks to maintain a steady pace of rate cuts
- In Japan, wage negotiations point to continued inflation, but tariffs and subsequent hit to growth could pause BoJ's hiking cycle

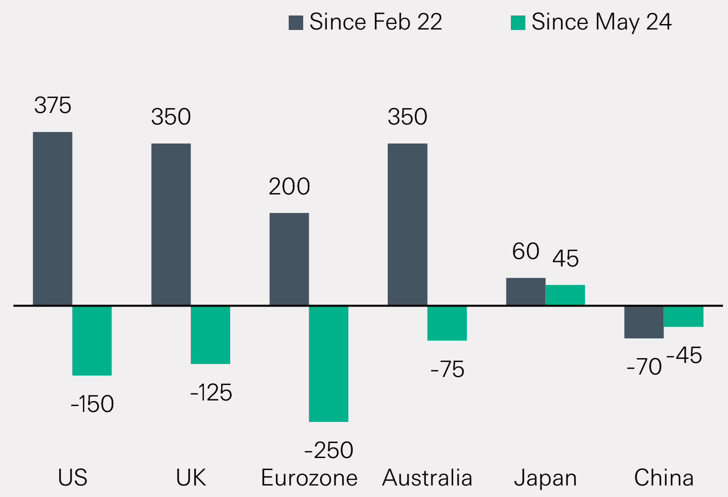
Real GDP annual growth outlook[1]



Annual CPI inflation[2]



Change (bps) in central bank policy rates[3]



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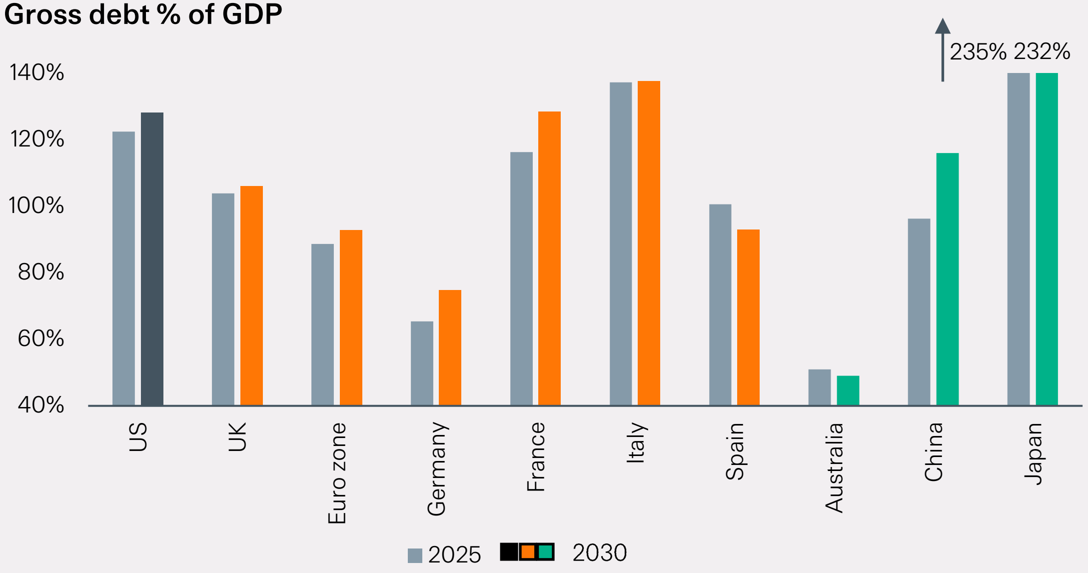
Rising debt burdens warrant higher long-term yields

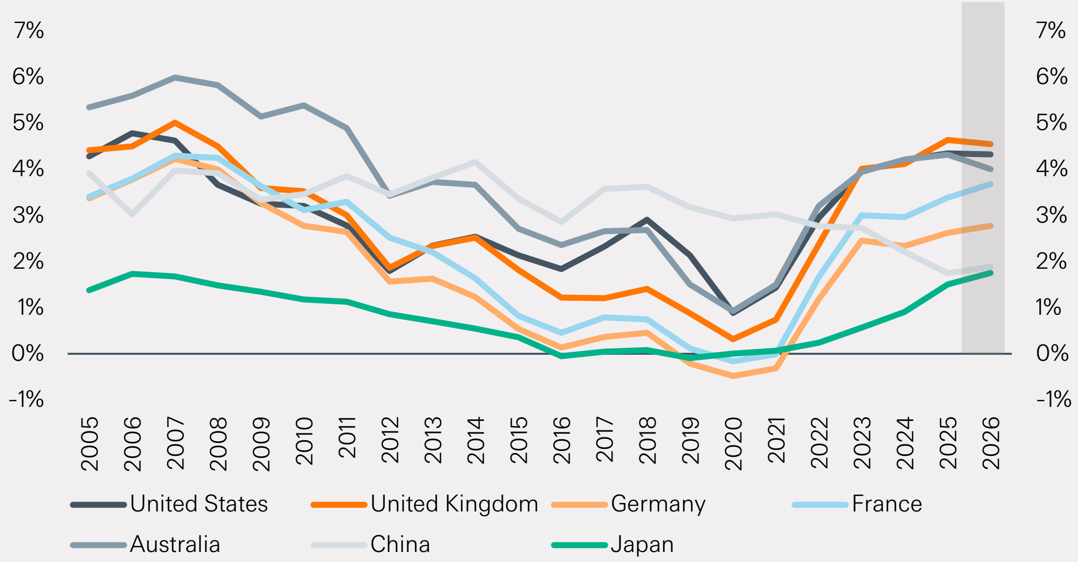
Longer-term yields are expected to remain near current ranges for most advanced economies

- Government debt burdens, a key driver, are expected to increase steadily across most major economies. In the US, debt could exceed 128% of GDP by 2030 (up from 105% in 2015)
- Other factors, including inflation and questions around Fed independence (US), mean rates could stay high even as economic growth weakens

Gross debt % of GDP



10-year government bond yield



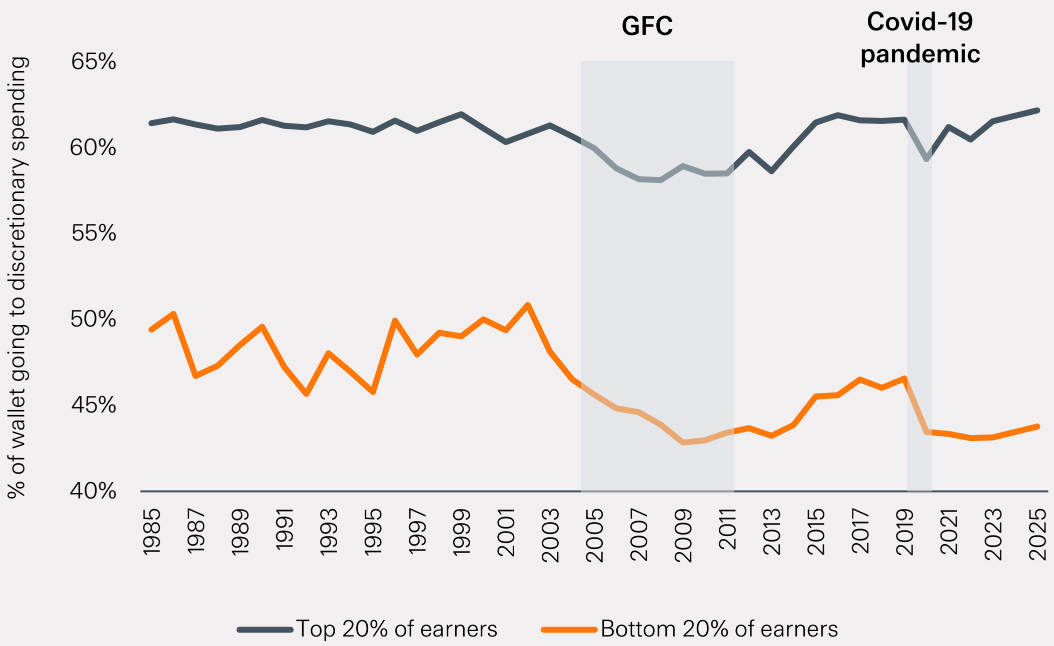
Source: IMF, Oxford Economics, September 2025.

High income consumers dominate US spending

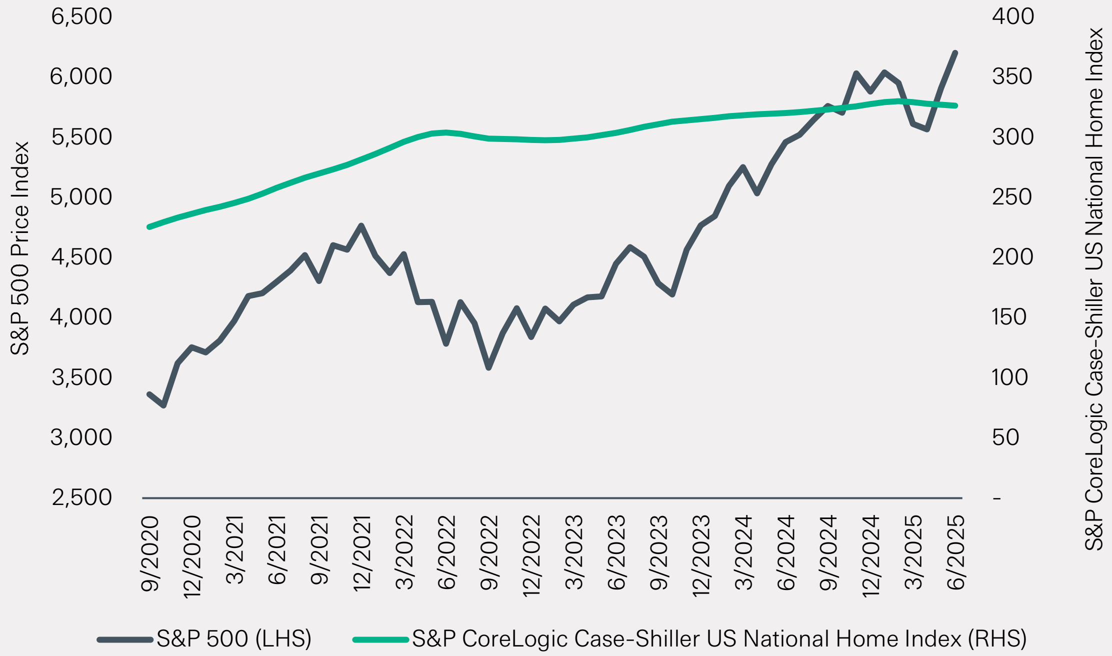
...supported by recent lift in stock market and home price gains, which are also expanding the wealth gap. Consumer spending is a growing share of GDP, averaging around 2/3rds. As spending population narrows, its growth depends more on the stock market. The dependency increases as consumer bifurcation advances, which is set to occur as a result of new government policy

US discretionary spending[1] by income group, 1985 to present

Divergence now called 'K shaped economy'



US prices of stocks and homes, 2020 to present

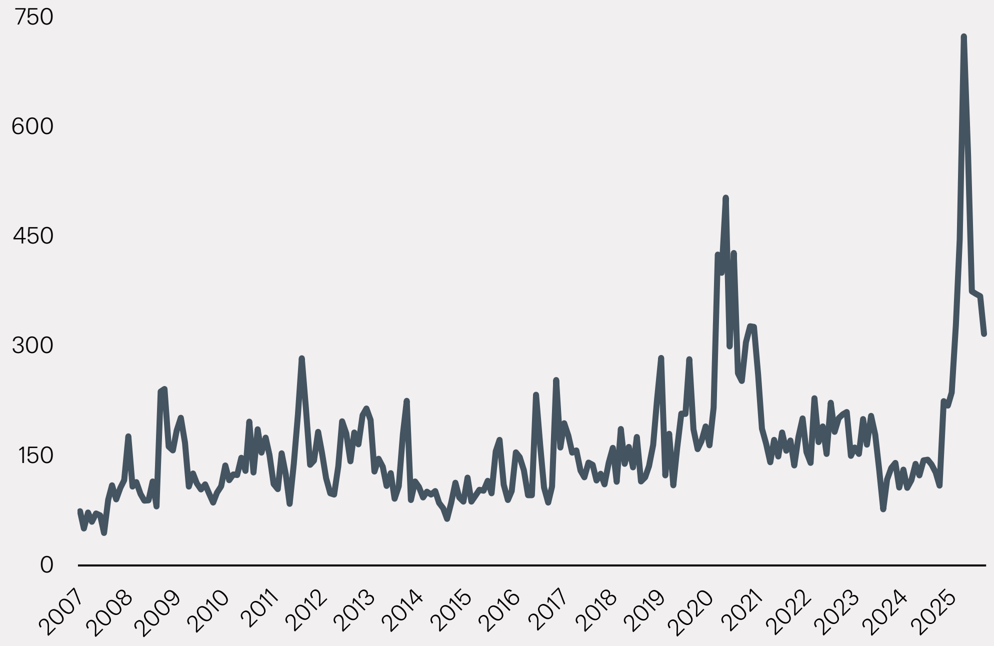


Sources: Oxford Economics, Haver Analytics, Cap IQ, S&P Dow Jones Indices LLC via FRED, September 2025. 1. Spending ex food at home, gas, housing & utilities.

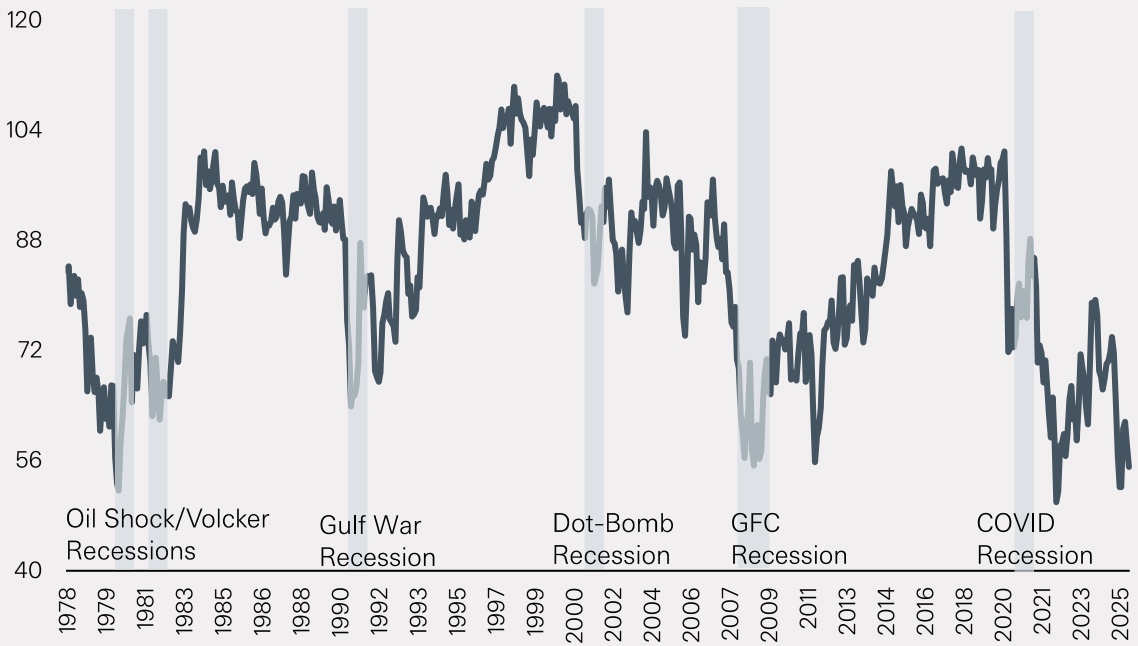
Elevated uncertainty distinguishes this cycle

Uncertainty is down but still at COVID-like levels. US consumer sentiment similarly weak and falling

US economic policy uncertainty index[1]



Consumer sentiment index[2]

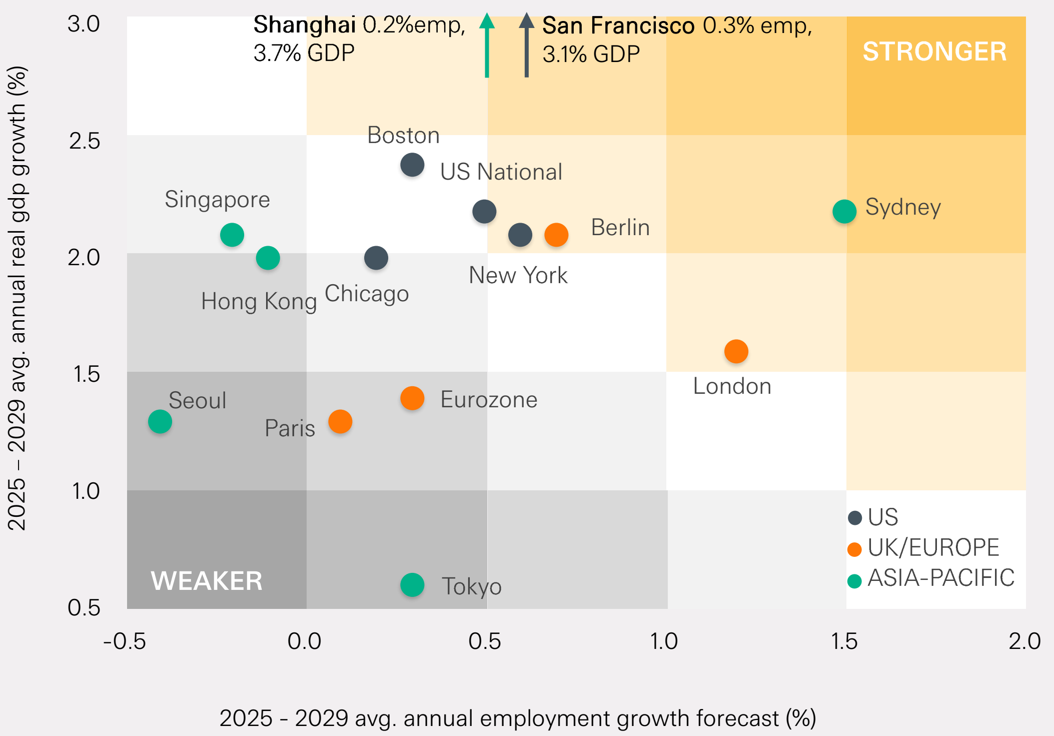


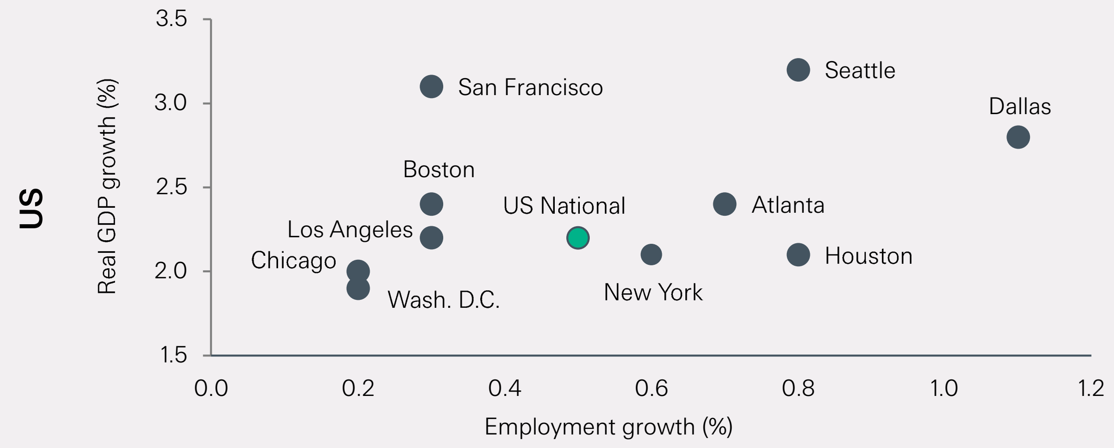
1. 'Measuring Economic Policy Uncertainty' by Scott Baker, Nicholas Bloom and Steven J. Davis, October 2025
2. University of Michigan: Consumer Sentiment, Index 1966:Q1=100, Monthly, Not Seasonally Adjusted, October 2025.

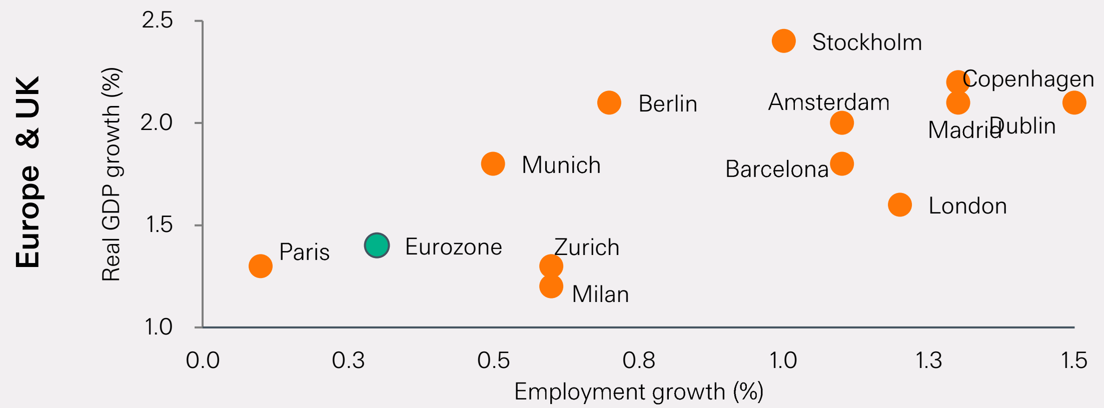
City growth impacts property income, prospects vary

US policy changes are likely to drive further divergence

Employment and GDP growth prospects, key cities by region







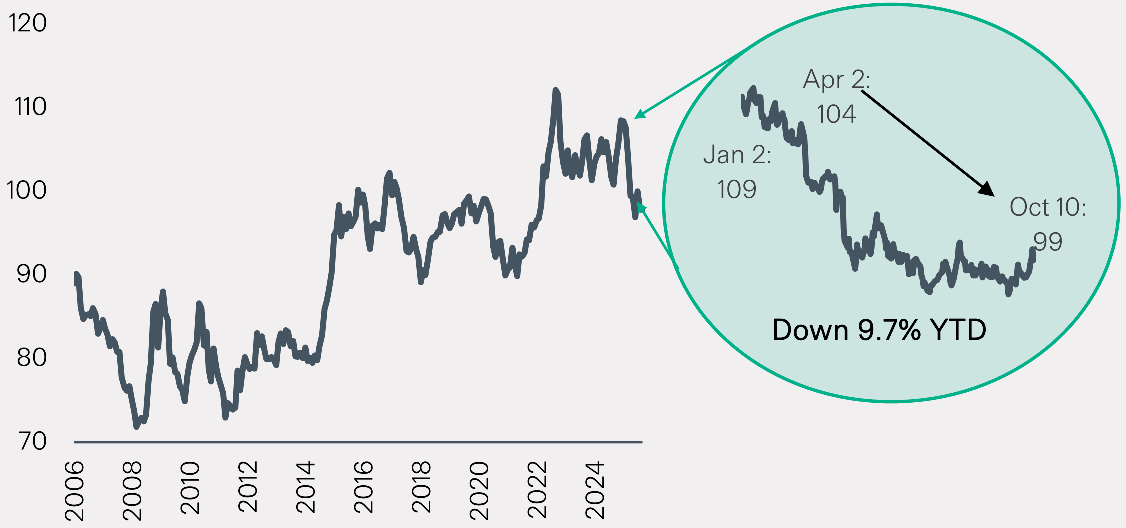
The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. Source: Oxford Economics, October 2025.

Policy changes drop US dollar value and raise FX volatility

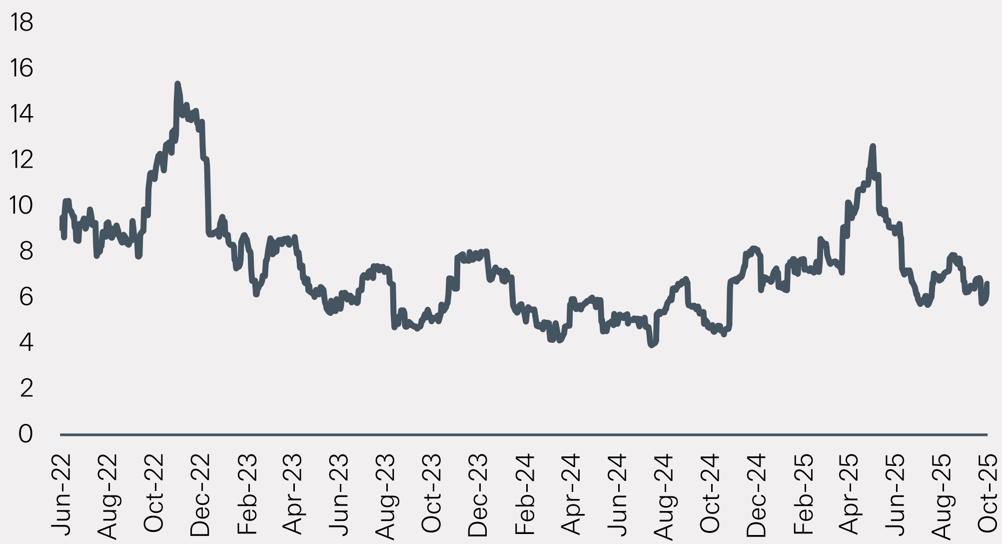
- FX rates are notoriously hard to predict, particularly in a way that is useful for long-term investments, because they are a function of government and central bank behavior
- Hedging major currencies is generally cost effective, and events have not materially changed the cost

- The dollar's unique list of advantages supports its ongoing role as the world's reserve currency
  - Deep and liquid government debt markets
  - No capital controls
  - Not heavily managed by the central bank

US dollar versus other currencies: DXY index[1]



FX volatility: DXY, 30-day rolling volatility (%)



Sources: Bloomberg, Chatham, October 2025. 1. DXY index weighted as follows. EUR: 57.6%, JPY: 13.6%, GBP: 11.9%, CAD: 9.1%, SEK: 4.2%, CHF: 3.6%

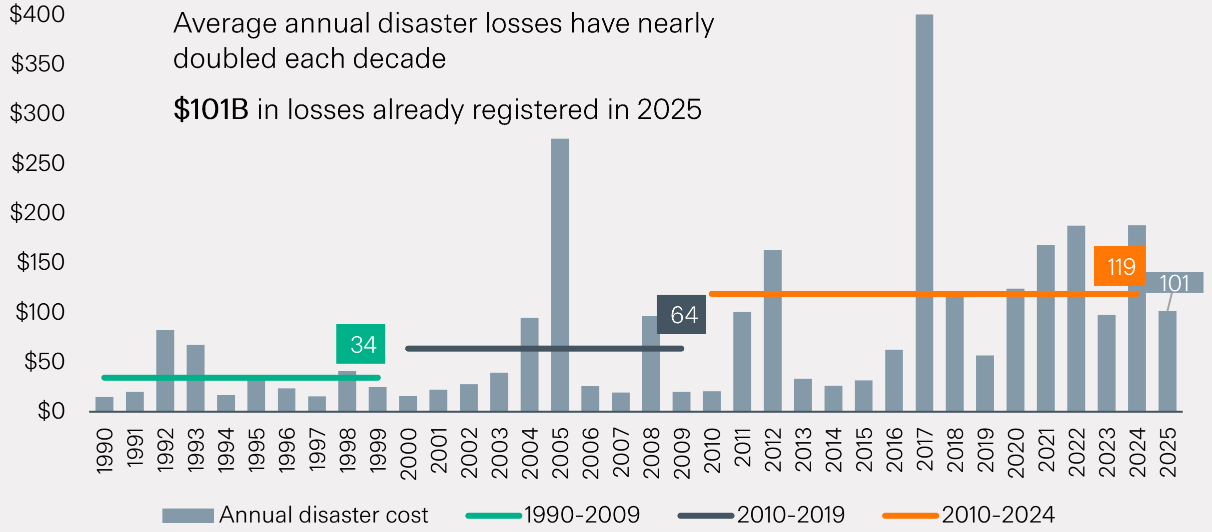
Climate events are increasingly expensive

Insurance and recovery trending up, with some insurers exiting high risk markets

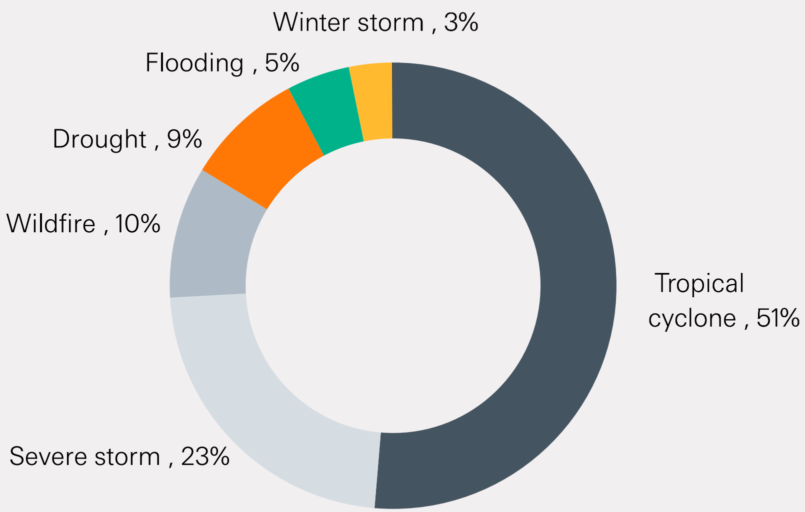
- Average annual losses from climate events doubled each decade since 1990
- In the first half of 2025, 14 events each costing >$ 1B had total loss of $101 billion
- Extreme weather is driving insurance costs for commercial real estate higher, doubling over the past decade in the US, for example
- Tropical cyclones (including hurricanes) and severe storms caused the greatest economic damage 2011-2025
- US population growth and considerable real estate investment is focused on metros with highest risk of natural disasters (TX, FL)

US disaster events costing >$1B, 1990 – 2025 (CPI-adjusted)

$ in billions



Total loss incurred by peril, 2011-2025



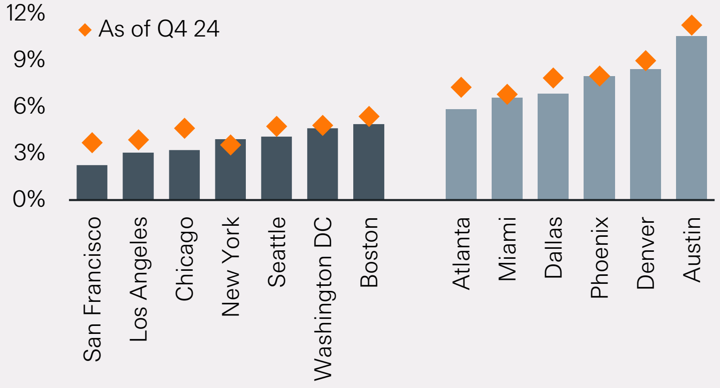
Source: Climate Central, as of June 2025.

Property type outlooks

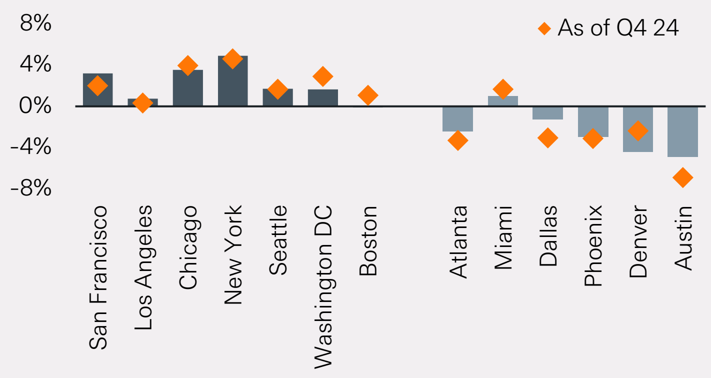
US outlook

Multifamily - US

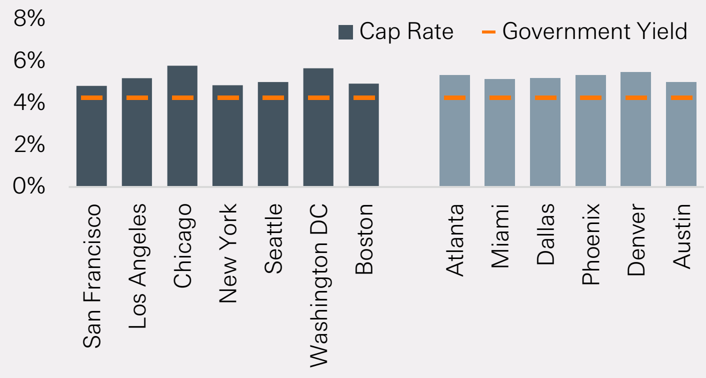
Vacancy rates[1]



YoY rental rate growth[1]



Grade-A cap rates & 10yr govt yields[2]



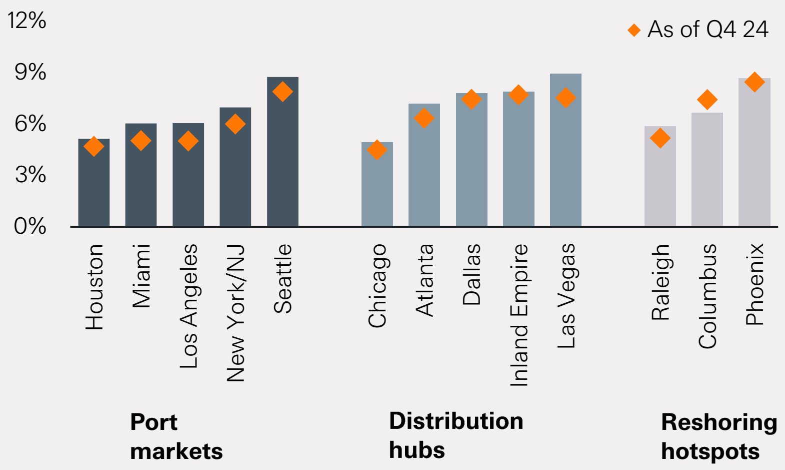
Distress potential: medium - high

	Key market trends	Winners	Losers
Baseline	**Operating fundamentals:** Broadly resilient, supported by less supply after 2025 and high cost of home ownership. Excess supply in growth markets gradually getting absorbed **Capital markets:** Generally stable, but high interest rates and uncertainty prolong recovery. Debt has been consistently available and cost is stabilizing	- Supply-constrained core coastal markets - Opportunistic acquisitions at reset bases in strong longer-term growth markets - 'Middle of bell curve' affordable/accessible - Stabilized/near-stabilized properties - Townhome, SFR, large unit sized assets	- Assets in lease-up - Lower barrier to entry markets - Affordable properties subject to stroke-of-pen risk and large share of immigrant renters - Highly levered, fully priced transitional business plans - Markets tied to trade and/or immigration
Downside scenario	**Operating fundamentals**: Notable weakening, but limited additional supply and high cost of ownership could prevent declines seen in prior recessions **Capital markets:** Depends on severity of downturn. Impacts could rival prior recessions but relatively high current cap rates and lack of investment appetite in some other sectors could support	- Experienced sponsors - High quality/newer in primary markets (3 to 5-year hold) - Core business plans - Geographic diversification - Flight to quality/affordable submarkets - Markets with diversified employment drivers - Stable regulatory/landlord-friendly markets	- Intensive value-add business plans, due to uncertainty regarding capex and achievable rental premiums - Development business plans with aggressive underwriting - Affordable properties at risk for credit loss, stroke of pen - Luxury properties in new-supply heavy markets

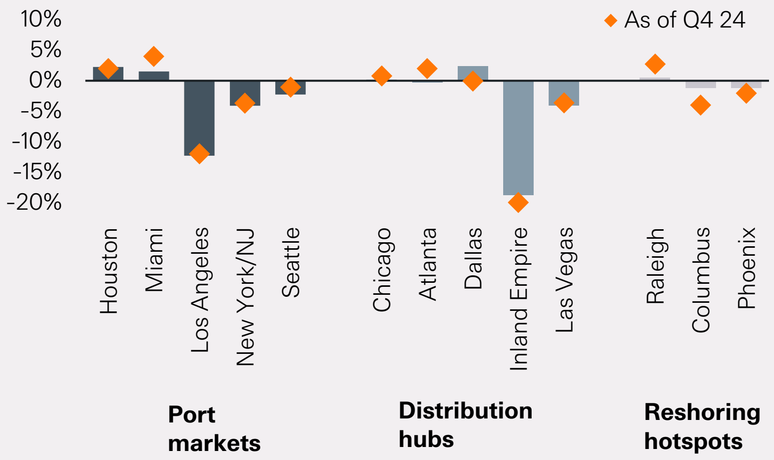
 1. Sources: CoStar, Q2 25. 2. Sources: CoStar, CapIQ, Q2 25.

Industrial - US

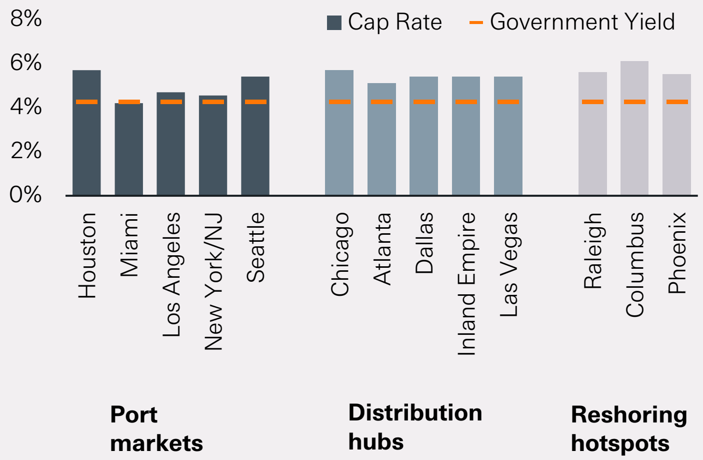
Vacancy rates[1]



YoY rental rate growth[1]



Grade-A cap rates & 10yr govt yields[2]



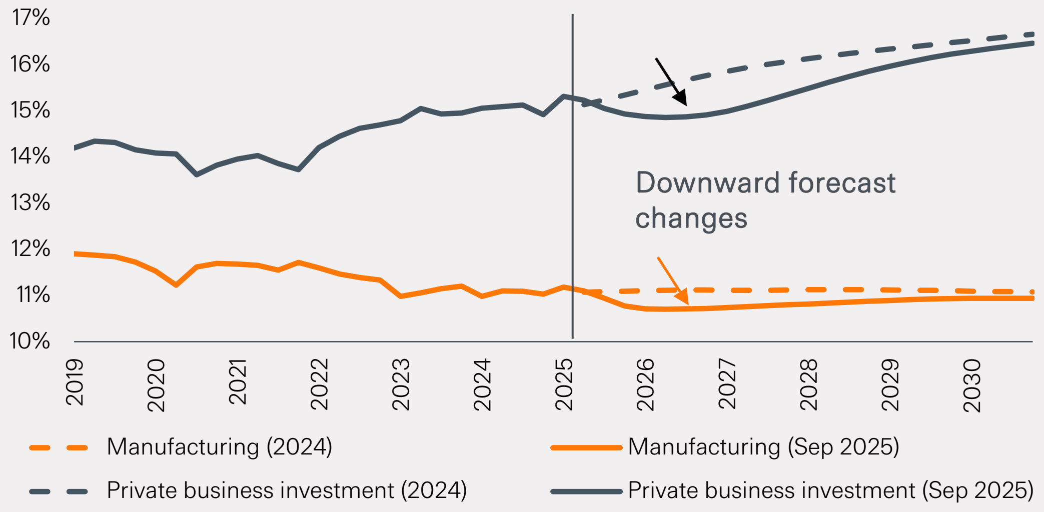
Distress potential: low

	Key market trends	Winners	Losers
Baseline	**Operating fundamentals:** Leasing is slow especially for large commitments due uncertainty on tariffs and the economy. This plus oversupply limits near-term improvement, but lack of construction starts can support occupancy gains and normalized rent growth over mid term **Capital markets**: Broadly stable. High interest rates limit cap rate compression and policy uncertainty keeps transaction activity modest	- Small /mid-bay properties - Manufacturing and adjacent assets - Infill locations in growth markets - Border/Mexico strategies	- Big box assets with lease-up risk - Coastal markets reliant on import volume - Recent vintage big box speculative development
Downside scenario	**Operating fundamentals**: Near-term weakening in occupancy and rent growth, but drop in construction starts still provides a floor, supporting gradual recovery over mid term **Capital markets**: Severity of downturn determines extent of weakening, but current high cap rates and relatively resilient buyer pool help to limit valuation and sales volume declines	- Longer WALT properties - Manufacturing tenants with heavy investment in space - Newer vintage, infill assets - Markets/submarkets with diversified employment drivers	- Speculative development - Import/trade reliant markets - Chinese 3PL tenants - Large blocks of upcoming vacancy

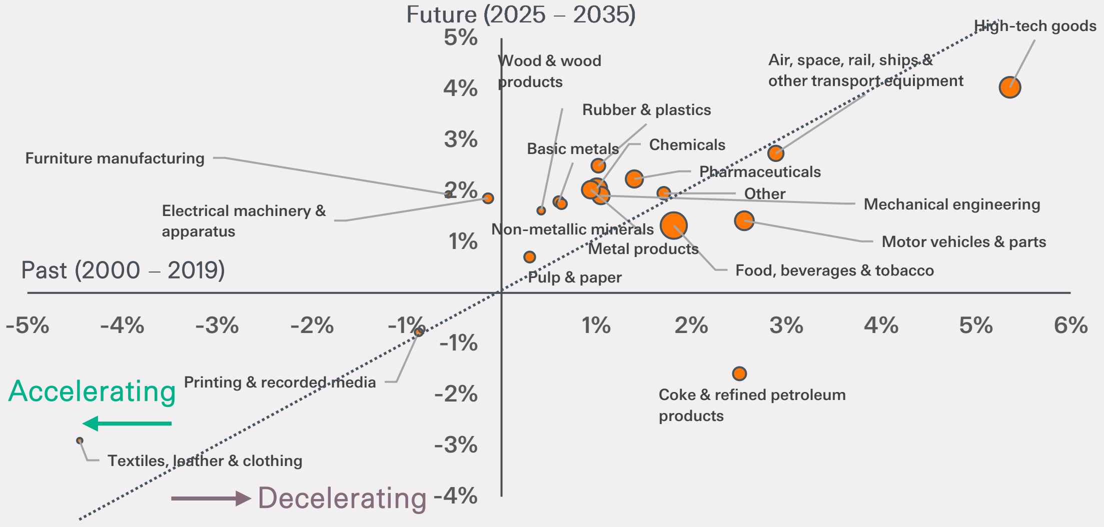
The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. 1. Source: CoStar, Q2 25. 2. Sources: CoStar, CapIQ, Q2 25.

US manufacturing and investment forecasts revised down

Change in manufacturing and investment forecasts, % of GDP



Manufacturing subsector CAGR, historical vs future[1]



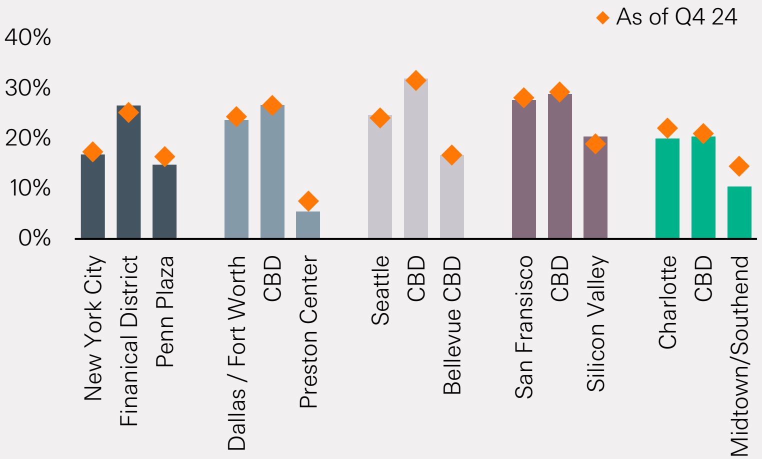
- Uncertainty related to tariffs and the economy hampers investment decision-making. Investment forecasts have come down
- Tariffs can raise the cost of building new manufacturing capability as well as the ongoing manufacturing inputs
- There are other significant barriers to re-shoring, including high US labor costs and limited availability of skilled workers

- A broad-based reindustrialization is unlikely. Relative winners and losers are mostly unchanged despite new policies
- Growing sub-sectors already occupy a strong US position – high-tech goods, pharma, aerospace, and defense
- The administration's recent rollback of clean-energy tax credits threatens momentum in green and high-tech investment

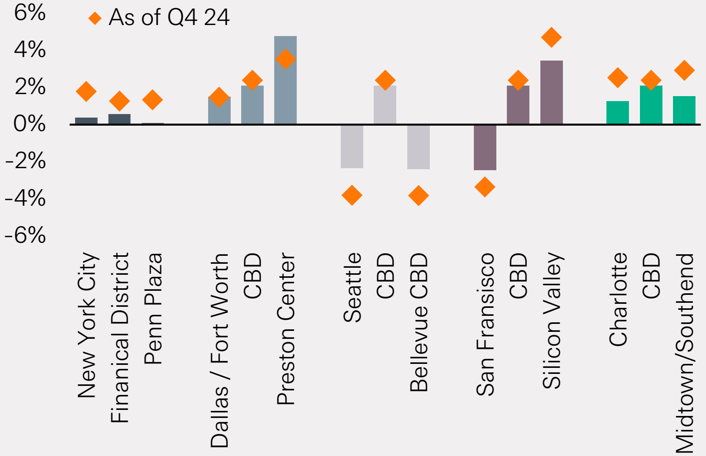
Sources: Oxford Economics, Haver Analytics, July 2025. 1. Size of bubble is scaled to size of sector. High-tech goods includes computers, office equipment consumer electronics, telecommunications equipment, semiconductors, and precision instruments. The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass.

Office – US

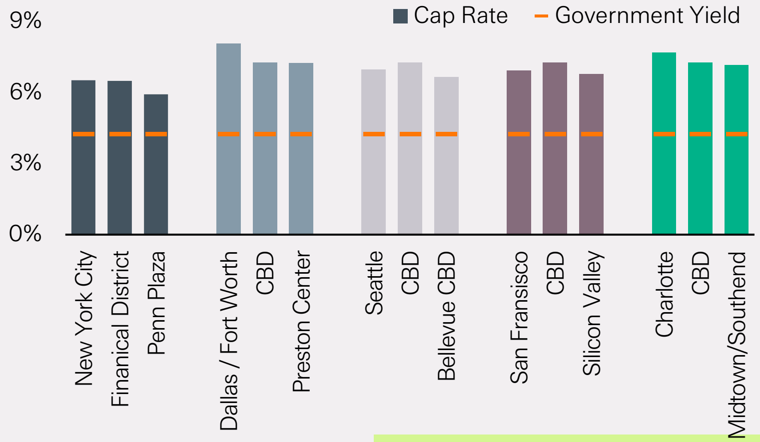
Vacancy rates[1]



YoY rental rate growth[1]



Grade-A cap rates & 10yr govt yields[2]



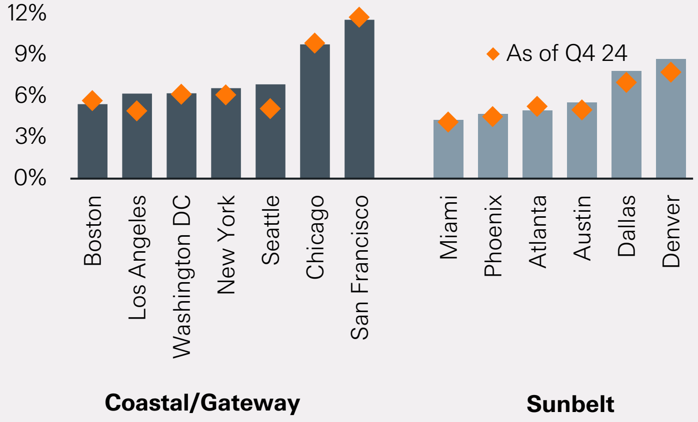
Distress potential: high

	Key market trends	Winners	Losers
Baseline	**Operating fundamentals**: Very bifurcated, with best-quality assets in top locations performing relatively well and many other assets still challenged amid persistently high vacancies. Work from home seems to have stabilized and new supply is low, although office attendance remains well below pre-COVID levels • *Signs of recovery are highly concentrated in desirable submarkets, including select gateway and sunbelt markets* **Capital markets**: Investor sentiment shift towards "office curious", helped by growing debt availability • *Initially family offices with long-term capital were making basis bets, now seeing institutional value-add capital selectively invest with typical ~5yr hold periods* **AI impact:** The full extent and direction of impacts is so far unknown. While now lifting some hiring, it may reduce overall office headcount and demand	- Best of Class A, core pricing: ▪ Urban core locations adjacent to transit hubs ▪ Differentiated product in supply constrained submarkets ▪ Submarkets with diverse demand drivers - Acquiring existing leased assets at wide cap rates. Amortize basis through contractual cash flow and re-lease at appropriate rents - Heavily reset bases of 'next to lease' assets at high target returns to justify risk. Basis is critical because these assets can require material capital to re-lease	- Class B/C assets - Class A or A- assets that are non-differentiated or poorly located

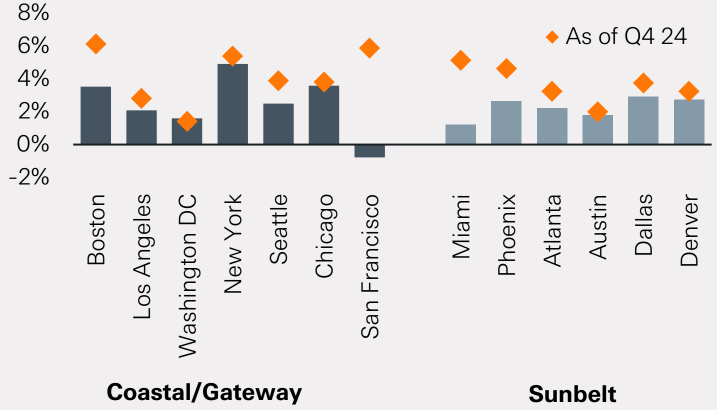
1. Source: CoStar, Q2 25. 2. Sources: CoStar, CapIQ, Q2 25.

Retail - US

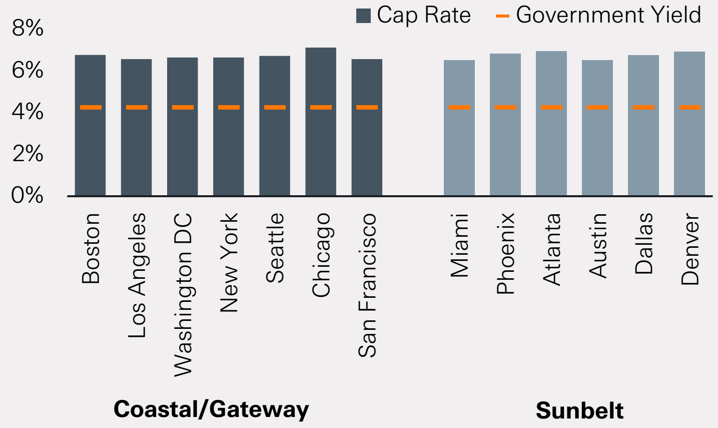
Vacancy rates[1]



YoY rental rate growth[1]



Grade-A cap rates & 10yr govt yields[2]



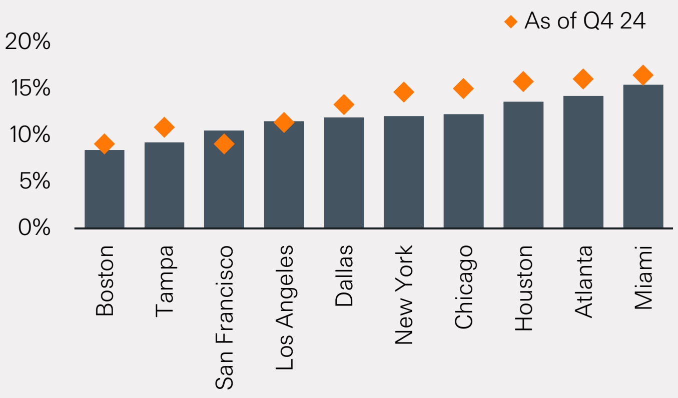
Distress potential: low

	Key market trends	Winners	Losers
Baseline	**Operating fundamentals**: Lack of new supply supports stable occupancy and rent growth even as macro environment keeps upward pressure on store closures **Capital markets**: Strong investor demand and debt availability support steady improvement in transaction activity; cap rates stable amid higher interest rate environment	- High quality, newer vintage assets in growth markets - Stabilized assets with upside levers (e.g. pad developments, select repositioning) - Community centers with mix of convenience and lifestyle	- Large format, prior generation power centers with big-box backfill risk - Locations without proximity to fast growing, affluent, and high-density residential
Downside scenario	**Operating fundamentals**: Occupancy and rent growth deteriorate with more store closures, but lack of new supply and relatively healthy retail balance sheets prevent GFC-level declines **Capital markets**: High starting point limits cap rate expansion, overall volumes decline with buyers focused on higher quality assets with longer WALT and credit leases	- Longer WALT assets with investment grade, necessity-based tenancy - Assets anchored by dominant grocer with necessity-based in-line tenancy	- Assets with heavy tenant roll and concentrated tenancy risk (big box vs. in-line turnover) with mark-to-market assumptions that may not be achievable in a weaker economy - Markets with undifferentiated, significant retail SF per capita

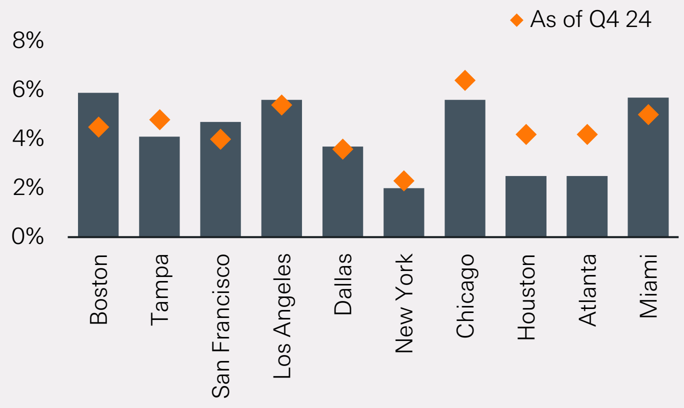
1. Source: CoStar, Q2 25. 2. Sources: CoStar, CapIQ, Q2 25.

Senior housing - US

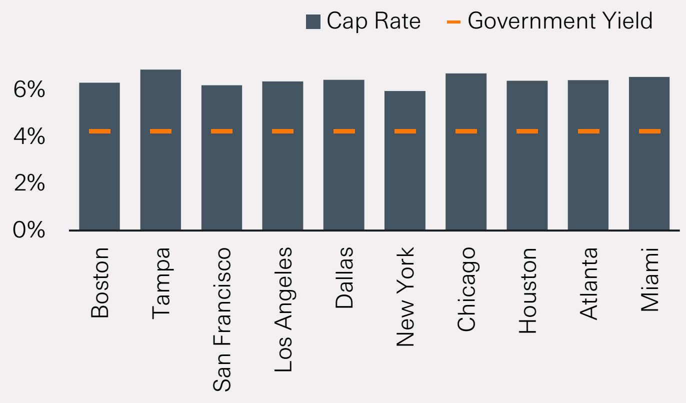
Vacancy rates[1]



YoY rental rate growth[1]



Grade-A cap rates & 10yr govt yields[2]



Distress potential: low

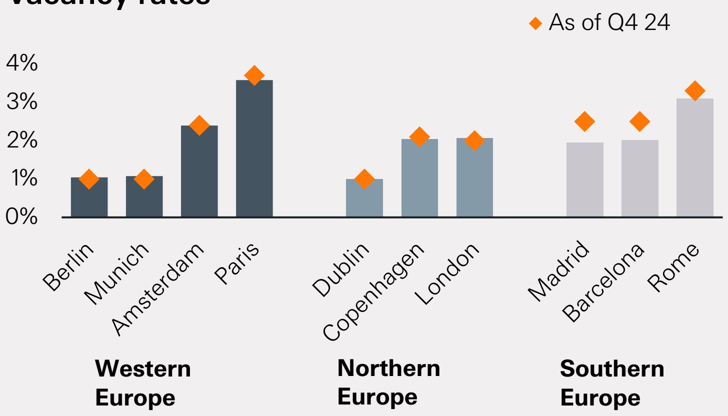
	Key market trends	Winners	Losers
US	**Operating fundamentals:** Positive outlook, with Silver Tsunami (baby boomers turning 80) underpinning strong demand and near-record low new supply forecasted. NOI margins re-stabilizing • *Higher quality properties approaching stabilization in the 90%+ range and seeing well above inflationary rent growth.* **Capital markets:** Buyers of stabilized assets can achieve significant positive leverage, higher going-in cap rates and higher expected NOI growth rates for generally higher unlevered returns outlook vs other residential types	- Class A assets that are stabilizing and benefiting from above-inflationary rent growth, especially high-end properties - New development, given very limited current development pipeline - Higher barrier to entry markets with additional hurdles to new construction such as Certificate of Need states or union labor requirements - Strong operators are key	- Class B/C product and older layouts which are less desirable vs new product and could require significant capex given deferred maintenance - Standalone memory care and higher-acuity-skewed-assets have limited institutional liquidity though can provide higher (and more volatile) cash on cash - Very large format assets which are generally difficult to maintain stabilization

1. Source: Green Street, Q2 25. 2. Sources: Green Street, CapIQ, Q2 25.

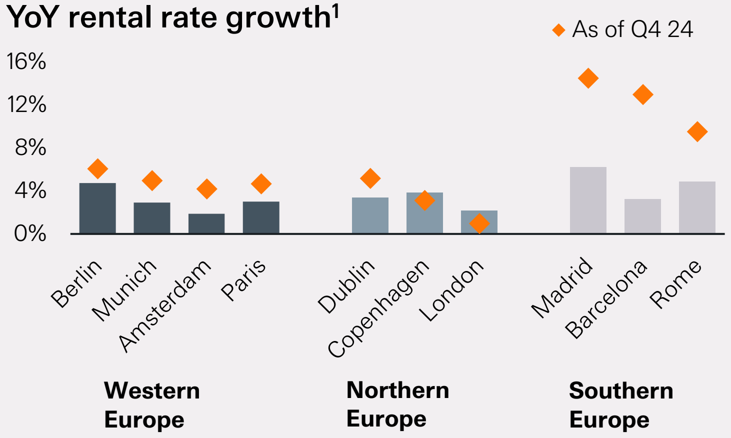
Europe/UK outlook

Multifamily – Europe/UK

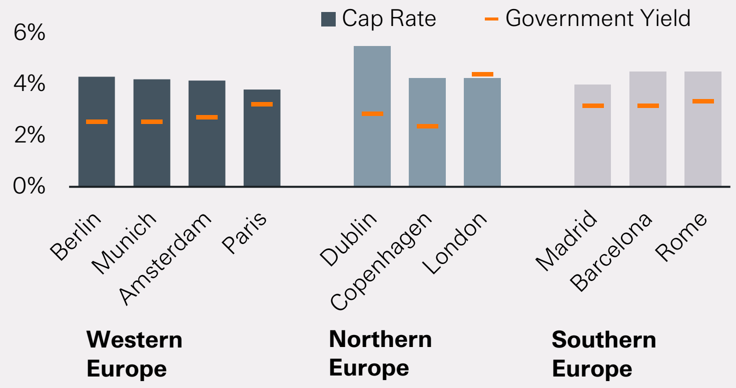
Vacancy rates[1]



YoY rental rate growth[1]



Grade-A cap rates & 10yr govt yields[2]



Distress potential: low

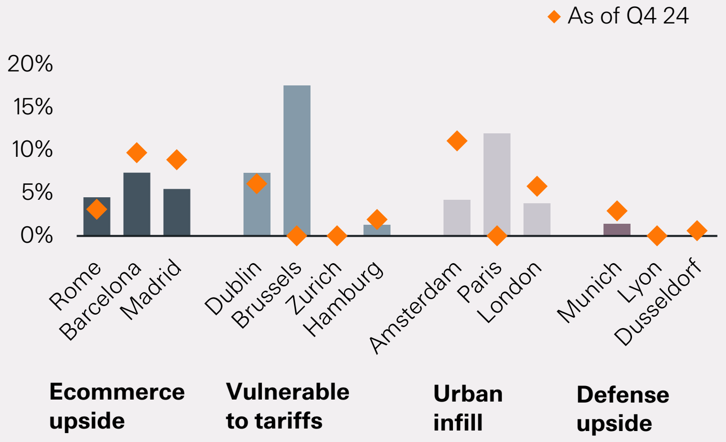
	Key market trends	Winners	Losers
Baseline	**Operating fundamentals**: Limited supply and healthy demand should support stable and high occupancy, inflation+ rent growth and low credit loss **Capital markets**: Accretive debt and broad, capitalized buyer pool should support slow but steady transaction markets and stable cap rates	- Mid-market product with widest demand pool - Cities with high supply barriers, strong urbanization trends - Markets that benefit from positive leverage - Dublin, Copenhagen, Amsterdam, Madrid - Preferred equity positions in new developments - Brown-to-green strategies in select markets - Recap new assets/portfolios with fund life considerations	- Prime product at top decile rents - Regulation changes mid-investment period - New development - High-end regional UK schemes
Downside scenario	**Operating fundamentals:** Likely modest weakening except in severe downturn. Persistent undersupply should limit occupancy and rent declines **Capital markets**: Severity of downturn, central bank policy will determine impacts, but high current cap rates (vs. peak) and healthy investor interest could help to limit sales volume and value declines	- Markets with strong fiscal strength (DK, SE, NL, DE, IE) - Markets with strong social safety nets - Affordable housing strategies - Acquire unbroken for-sale assets, reposition to multifamily	- Grade A/prime development - Highly exposed economies with weak supply barriers - Secondary cities

The opinions expressed herein reflect the current options of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. 1. Source: Green Street, Q2 25. Solid bars indicate Q4 2025 vacancy forecasts. 2. Sources: CapIQ, FRED, Q2 25. Cap rates from Catella, Q1 25.

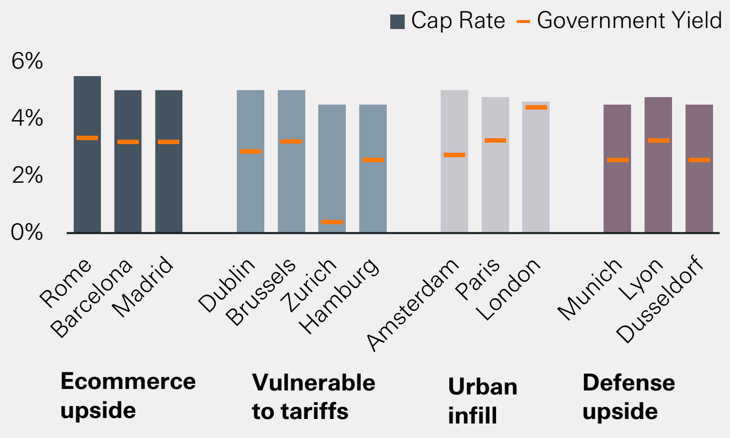
Industrial – Europe/UK

Vacancy rates[1]

YoY rental rate growth[2]



Grade-A cap rates & 10yr govt yields[3]



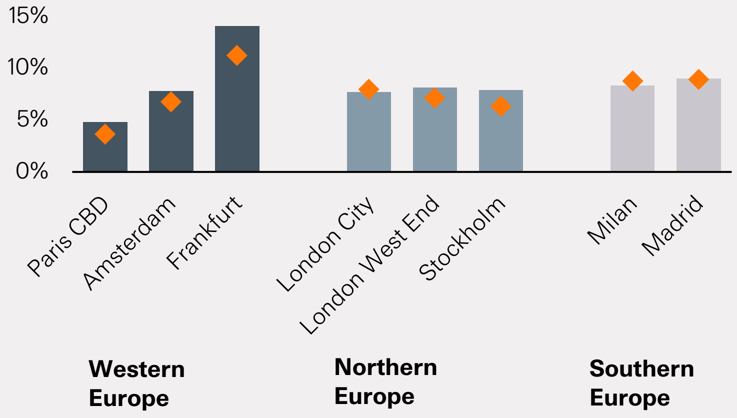
Distress potential: medium

	Key market trends	Winners	Losers
Baseline	**Operating fundamentals**: Normalization of demand leading to an uptick in vacancy and slowing rent growth. Certain markets with outsized exposure to trade with US could weaken (e.g., Dublin, Zurich, Brussels) **Capital markets**: Stable valuations, gradual improvement in transaction activity as institutional investors selectively re-engage (focus on core/core+ assets in core markets)	- Markets with ecommerce upside (Spain, Italy) - Last-mile, urban infill assets - Multi-tenant assets in core locations - Assets linked to supply chain mgmt. along key trade corridors	- Speculative development - B/B+ quality stock - Markets with outsized exposure to trade with US
Downside scenario	**Operating fundamentals**: Weakening depends on severity of downturn, with core markets outperforming. Structural changes to demand drivers (e.g. ecommerce) provide floor to occupancy and help to limit rent declines **Capital markets**: Meaningful decline in valuations and transaction activity, although current high cap rates and continued institutional interest help to limit severity	- Longer WALT assets - High barrier to entry markets - Investment grade tenants with sector diversification - Key manufacturing clusters tied to defense	- Secondary, tertiary locations - Seaport locations hit by pullback in trade - Markets reliant on auto manufacturing and/or direct exports to US

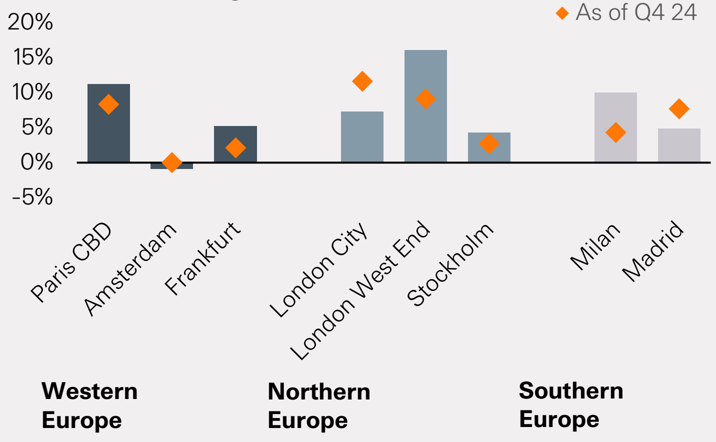
 1. Source: Green Street, Q2 25. Solid bars indicate Q4 25 vacancy forecasts. 2. Source: Cushman & Wakefield, Q2 25. 3. Sources: Cushman and Wakefield, CapIQ, and FRED, Q2 25.

Office – Europe/UK

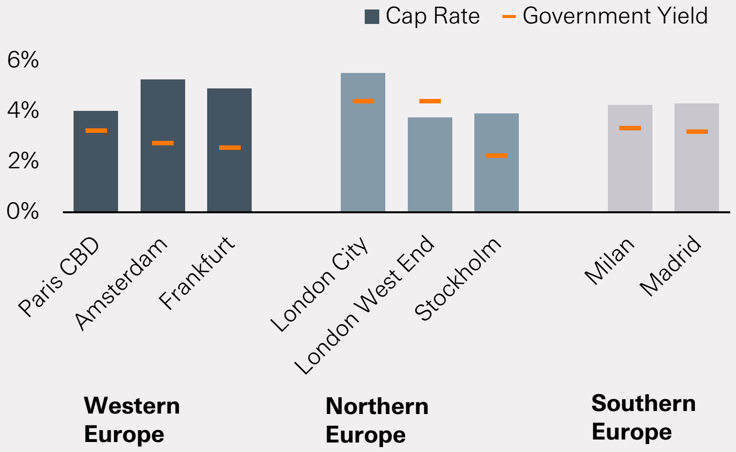
Vacancy rates[1]



YoY rental rate growth[2]



Grade-A cap rates & 10yr govt yields[3]



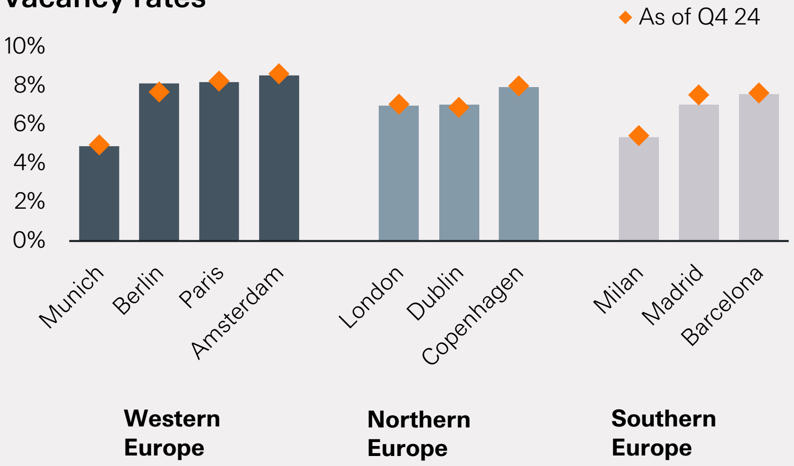
Distress potential: high

	Key market trends	Winners	Losers
Baseline	**Operating fundamentals**: Headwinds remain, including impacts of AI, ESG regulation, and macroeconomic uncertainty. However, demand gradually improving due to rate cuts and RTO mandates. Limited new supply is also supporting fundamentals – *Core Western European markets (e.g., Paris CBD, London City, London West End) continue to attract most of the demand and retain best liquidity vs. secondary markets (e.g., Madrid, Berlin, Amsterdam)* **Capital markets**: Investor sentiment is improving and lenders are returning to the market. Bifurcation by quality of stock continues; lower quality stock in secondary locations remains illiquid, potentially requiring conversion to other uses – *Investors remain highly sensitive to location, quality and liquidity; capital markets are recovering in core locations*	- Well-located, highly amenitized Class A office stock with strong ESG credentials - Assets with long WALT and high credit quality tenants - Flex and managed office space - Flexible lease arrangements	- Lower quality, outdated office stock in secondary locations with poor ESG credentials - Assets with high lease up requirements, short tenant WALTs and / or low tenant credit qualities

The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. 1. Source: Savillis, Q2 25. 2. Source: Cushman & Wakefield, Q2 25. 3. Sources: Cushman & Wakefield, CapIQ, Q2 25.

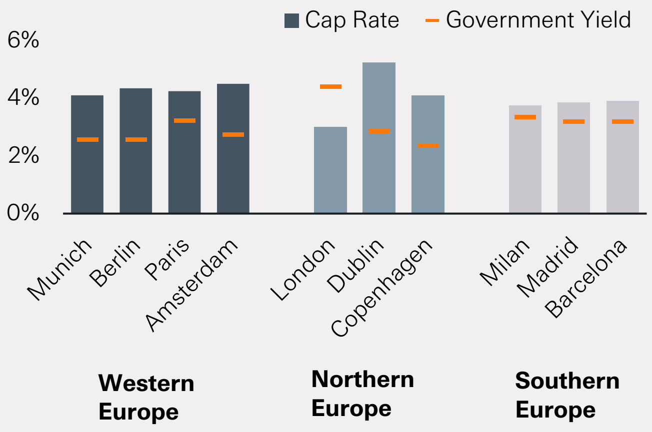
Retail – Europe/UK

Vacancy rates[1]



YoY rental rate growth[2]

Grade-A cap rates & 10yr govt yields[3]



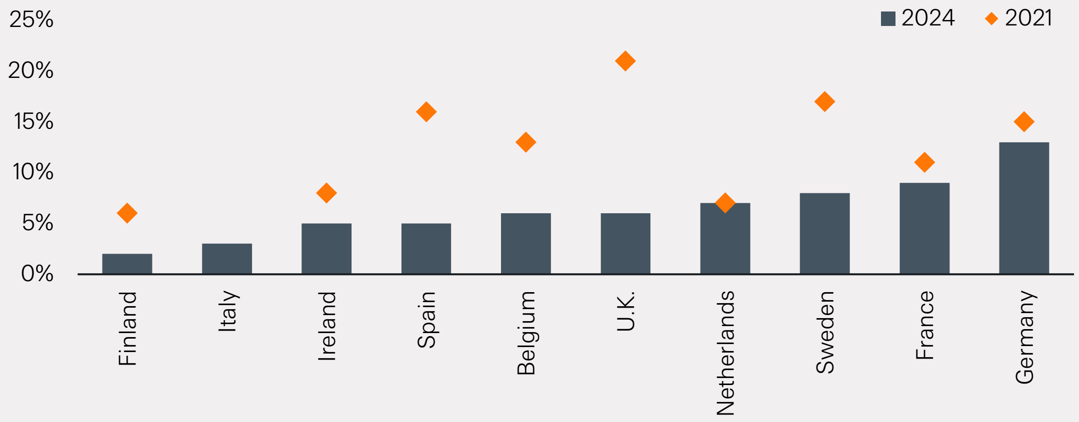
Distress potential: medium

	Key market trends	Winners	Losers
Baseline	**Operating fundamentals**: Steady improvement in demand supports stable occupancy and modest rent growth **Capital markets**: Interest rate declines could support modest cap rate compression. Grocery and high street assets help to drive gradual recovery in transaction activity	- Grocery anchored and retail parks in established locations - Prime high-street retail in major cities - Southern and Eastern Europe	- Regional high-street retail - Large format retail parks in B locations - Outdated shopping centers outside city centers
Downside scenario	**Operating fundamentals**: Space give-backs lead to occupancy declines and negative rent growth. Grocery-led and convenience assets prove most resilient **Capital markets**: Yields widen modestly even as interest rates decline, helping to drive moderate value declines. Re-set bases help to provide floor to values even in more severe downside	- Assets in high barrier to entry markets with limited competition - Grade A shopping centers in prime locations with high quality tenants	- Markets characterized by lower profit margins (NL) - Assets in non-core locations with volatile footfall

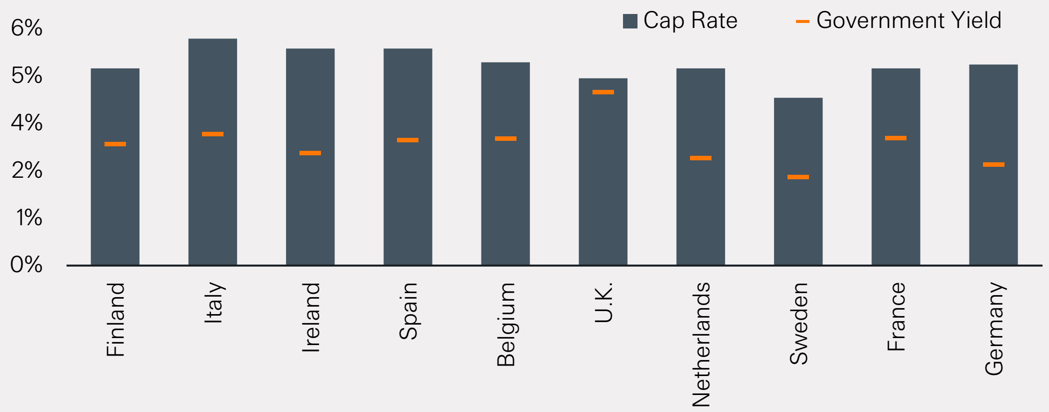
The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. 1. Source: Green Street, Q2 25. Solid bars indicate Q4 25 vacancy forecasts. 2. Source: Cushman & Wakefield, Q2 25. 3. Source: Cushman & Wakefield, CapIQ, Q2 25.

Senior Housing – Europe/UK

Vacancy rates[1]



Grade-A cap rates & 10yr govt yields[2]



Distress potential: low (ex FR)

	Key market trends	Winners	Losers
Baseline	**Operating fundamentals:** Opportunity for long-term secured rental income stream, with additional revenues from top-up services. Competitive land acquisition process likely to drive supply shortage, especially affordable product **Capital markets:** Strong demand growth and solid long-term demographic fundamentals have led to significant investor interest. Understanding local funding systems and lease standards is crucial to assessing relative value between markets	- UK: Remains attractive due to strong pricing power and low net new bed supply - Nordics: Significant shortage of care homes despite a rapidly aging population - Spain: Acute supply shortage and low cost per bed supporting increased interest in the sector - Partnering with the right local operating partners important to mitigate country-specific risks in highly regulated business	- Germany: regulatory environment tough to navigate with differing legislation for each individual federal state - France: Stricter regulation on new care bed approvals, limiting growth; market dominated by public sector and non-profit institutions

The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document come to pass. 1. Source: Green Street, October 2025. Italy 2021 vacancy at 41%, off the chart. 2. Prime yield sourced from Cushman & Wakefield as of Q1 2025. Government yields sourced from Fred, CapIQ as of Q2 2025.

Senior Housing – US vs Europe/UK

Senior housing in both the US and Europe/UK is expected to outperform most other property sectors in coming years, with relatively high cap rates and favorable occupancy/NOI trends expected to generate strong returns. While the US market is more established and less regulated, Europe/UK offers more opportunities to consolidate and upgrade aging assets and in turn, the potential for outsized returns

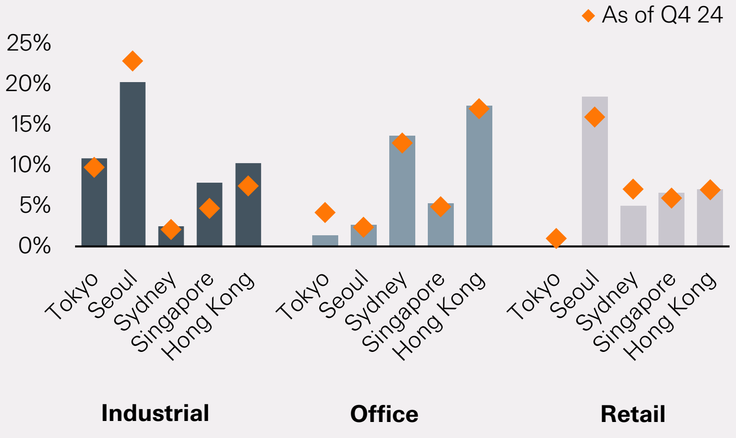
	US	Europe/UK
Ownership structure	Dominated by **private capital**, including REITs and private equity. High transaction volumes and liquidity	More **mixed ownership**: public, non-profit, and private. Institutional capital is increasing but still emerging, leaving consolidation/upgrade opportunity
Funding model	Primarily **private pay**. Public funding (e.g., Medicaid) is limited and mostly applies to higher-acuity care	Greater reliance on **public subsidies** and social care systems. Many independent/assisted living models are integrated into national healthcare frameworks
Market segmentation	Highly segmented: independent living, assisted living, memory care, skilled nursing facilities. Investors target specific acuity levels	Less segmentation; more integrated care models. Focus on long-term care and aging in place
Development trends	New construction is at **historic lows**, creating supply-demand imbalance. Investors are repositioning assets to independent/assisted living	**Chronic shortage** of purpose-built senior housing. Development has lagged demographic demand, especially in major urban centers. Assets generally older than in US; possible rehab opportunities
Workforce & staffing	Labor shortages are a major concern. Staffing costs and availability impact margins	Workforce often more regulated and unionized. Staffing levels mandated in many countries
Cultural preferences	Greater acceptance of institutional senior living. Families more likely to choose independent/assisted living for aging relatives	Stronger preference for **aging at home** or in community-based settings. Institutional living is still culturally sensitive

Sources: JLL, Green Street, Cushman & Wakefield, CBRE, October 2025.

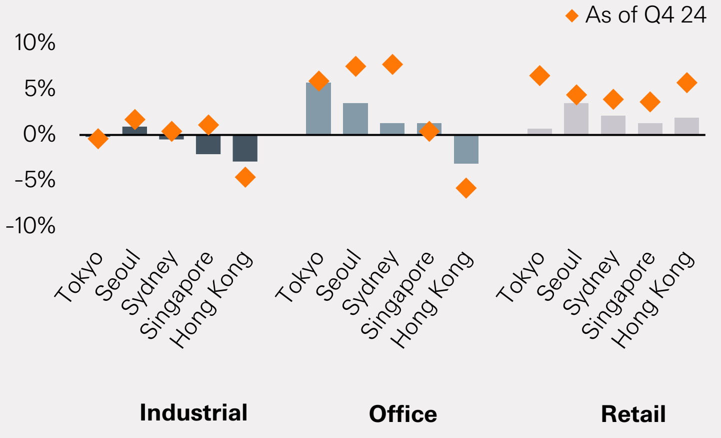
APAC outlook

APAC property sectors - baseline

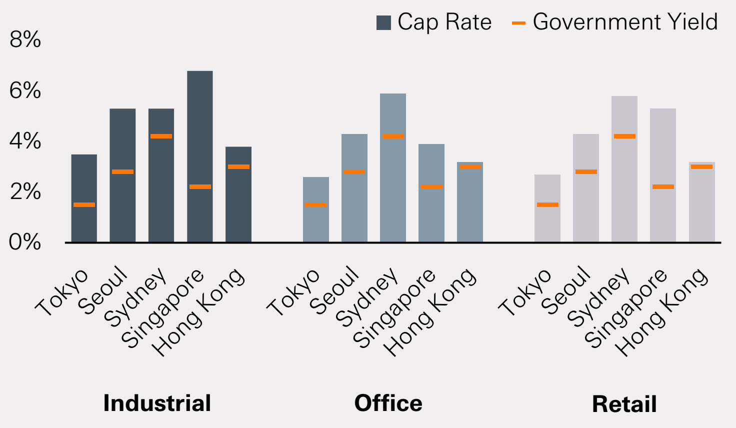
Vacancy rates[1]



YoY rental rate growth[1]



Grade-A cap rates & 10yr govt yields[1]



	Key market trends	Winners	Losers	Distress potential
Multifamily	**Operating fundamentals**: Tokyo multifamily remains nearly fully occupied with wage increases supporting rental growth. In Australia, net migration, limited housing supply, and favorable policy changes have encouraged the development of institutional multifamily assets **Capital markets**: Further rate hikes by the Bank of Japan may result in mild cap rate expansion	- Well-located assets near public transportation	- Development assets facing cost overruns and delays in Australia	Low
Industrial	**Operating fundamentals**: In Tokyo, tapering supply and increasing construction costs should reduce vacancy. In Sydney, despite new deliveries, vacancy remains low **Capital markets**: In Tokyo, amid strong investment demand, yields remain flat despite higher interest rates. Sydney experiencing elevated transaction volume and yield compression as capital previously sidelined has become active due to interest rate cuts	- Modern assets in prime locations - Infill locations with limited new supply	- Speculative development in oversupplied submarkets - Cold storage in Seoul	Low
Office	**Operating fundamentals**: In Tokyo, vacancy is below historic averages, strong precommitment for new supply. Vacancy tight in Seoul's core business districts due to supply constraints. In Australia, secondary locations weak but demand improving in core CBD locations **Capital markets**: Strong momentum in Japan and Korea driven by solid fundamentals; Interest rate cuts in Singapore and Australia boosting capital markets activity	- Well-located assets in Seoul and Tokyo/Osaka	- China and Hong Kong - Secondary locations in Melbourne and Sydney	Low in Japan / Seoul High in China and Hong Kong

...essed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document come to pass. 1. Sources: CBRE, JLL, Q2 25.

Other property types

Other rental housing sectors

Sector	Commentary	Distress potential
Manufactured housing	US: – Affordability and near-nonexistent new supply have resulted in strong fundamentals. Investors should be wary of each market's potential for changes in regulation – Strong capital markets activity, with persistent demand for individual assets by institutional and non-institutional buyers and institutional capital seeking defensive core returns for stabilized high-quality assets and portfolios	Low
Single family rental	US & UK: – Cumulative home price appreciation and high borrowing costs (esp. relative to “locked-in” current rate) keeping would-be sellers in their homes and limiting first-time homebuyer purchases – Disconnect between retail home value and income capitalization rate approach keeping scattered site SFR volume low – Growing institutional sector given homebuilders’ shift to selling stock at reduced rates to guarantee sales – Build-to-rent ("BTR") continuing to emerge as target for institutional capital and core buyers upon stabilization	Medium
Student housing	– **US:** Delivery of new supply and rent affordability weighing on rent growth and occupancies across sector for current academic year. Opportunities are very market-specific. New construction starts remain elevated in low barrier to entry markets. Highly liquid capital markets environment with strong investor and lender demand – **Europe/UK:** Investment activity remains high. Strong growth in domestic and international students due to Europe’s appeal, quality institutions and lower tuition, with recent lift from US policy changes. Supply constrained due to high construction costs and planning policies although pockets of UK are oversupplied and demand in the UK has cooled for the 25/26 Academic Year – **APAC:** Australia continues to be most active student housing market in APAC, driven by low product penetration and growing demand from international students	Low

Overweight Neutral Underweight

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Alternative sectors

Sector	Commentary	Distress potential
Data centers	- **US**: Barriers to securing power in core markets drive scarcity and valuation. Potential risk to tertiary, AI-focused data centers as hyperscalers requirements evolve - **Europe/UK**: Strong fundamentals underpin core markets (FLAP-D) where hyperscalers focus capital deployment. Prefer flexible, high-density facilities optimized for both AI and cloud - **APAC**: Developed markets remain the preferred strategy; however, build-to-suit / development projects targeting hyperscalers typically yield thinner margins and limited rental growth due to hyperscalers' strong bargaining power in the region. Furthermore, constraints on space and power restrict new entry, shifting investment activity toward emerging markets, where weaker leasing, construction delays, cost overruns, and systemic and regulatory uncertainties introduce greater risks.	Low
Life sciences	- **US**: Negative absorption due to oversupply and limited demand. New deliveries continue due to long development timelines. Changes to federal programs and subsequent impact on research grants creating further demand challenges. Limited investor and lender demand; credit build-to-suit developments continue to be capitalized - **Europe/UK:** Limited activity in the sector, at both occupational and capital flow levels. Relevant geographies limited to a few micro-locations in Europe (Oxford/Cambridge, London, Paris, Berlin-Potsdam). Complexity as to what level of specifications qualify for a "Life Sciences" product. Tailwinds include government support and race to discover new drugs - **APAC**: Growing institutional interest across the region, particularly in Australia and Japan, driven by favorable demographic trends and government support	High
Medical office	- **US**: Significant equity and debt liquidity for core/core+ properties with health system tenancy and medium/long WALT. Build-to-suit developments highly competitive with yield on cost spreads to market cap rates very tight. Demand / supply fundamentals remain solid and sector is likely a relative outperformer	Low
Self storage	- **US**: Operating headwinds subsiding as supply is absorbed and development pipelines remain muted. Historic low in housing mobility is impacting ability to grow NOI in oversupplied markets. Continued institutional demand for assets in right locations and submarkets - **Europe/UK**: Strong interest given immense runway for demand. Aggregation strategies focused on conversion of vacant retail/industrial assets or development of best-in-class product when platform acquisitions not available or too competitive. Disappointing performance of the listed sector in UK at start of the year, but now improving in second half - **APAC**: Australia, Hong Kong, and Japan lead market activity. Investors focusing on aggregation strategies. Ownership remains fragmented compared to Western markets	Medium
Hotel	- **US**: Near-term demand growth expected to stagnate, driven by weakening consumer and softening travel trends. Elevated labor costs have potential to drive operating expense growth and margin compression - **Europe/UK**: Strong post-pandemic pricing recovery, esp. in leisure segment. Business has lagged but should improve throughout 2025. Other supports include demand from developing economies, short-term rental regulations, and limited supply. Improving capital markets should boost investor confidence despite macroeconomic uncertainty - **APAC**: Japan remains leading investment destination, driven by continued strong domestic and international tourism. Urban hotels in Tokyo, Osaka, and Fukuoka experiencing high occupancy, ADR and RevPAR growth	Medium

Overweight Neutral Underweight

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Appendix

NCREIF - ODCE revisions to expand niche exposure now effective

25% in other and now 25% in alternative subtypes allows 50% to niches. Unchanged: max 60% per property type, min 5% to 3 of 4 major property types, max 65% per geographic region, max 35% tier 1 leverage, min 75% stabilized (min 75% occupancy)

Previous criteria

Min 75% in major property types	Apartment	Apartment garden Apartment high-rise Apartment low-rise	
	Industrial	Manufacturing Flex Warehouse Specialized	
	Office	CBD SBD Urban Suburban	
	Retail	Street Strip Mall	
Max 25% in other	Other	Self storage Senior housing Hotel Land Data center Entertainment Parking Other	*Single-family rental* *Manufactured housing* *Student housing* *Industrial life science* *Office life science* *Medical office*

New criteria *+ adds related alternative subtypes, up to 25% max*

Min 75% in major property types (including related alt. subtypes)	*Residential*	Apartment garden Apartment high-rise Apartment low-rise	+ *Single-family rental* + *Manufactured housing* + *Student housing*
	Industrial	Manufacturing Flex Warehouse Specialized	+ *Industrial life science*
	Office	CBD SBD Urban Suburban	+ *Office life science* + *Medical office*
	Retail	Street Strip Mall	
Max 25% in other	Other	Self storage Senior housing Hotel Land Data center Entertainment Parking Other	

Source: NCREIF, April 2024, implemented for 2025 reporting

RISKS AND OTHER CONSIDERATIONS

Risks Associated with Investments. Identifying attractive investment opportunities and the right underlying fund managers is difficult and involves a high degree of uncertainty. There is no assurance that the investments will be profitable and there is a substantial risk that losses and expenses will exceed income and gains.

Restrictions on Transfer and Withdrawal; Illiquidity of Interests; Interests Not Registered. The investment is highly illiquid and subject to transfer restrictions and should only be acquired by an investor able to commit its funds for a significant period of time and to bear the risk inherent in such investment, with no certainty of return. Interests in the investment have not been and will not be registered under the laws of any jurisdiction. Investment has not been recommended by any securities commission or regulatory authority. Furthermore, the aforementioned authorities have not confirmed the accuracy or determined the adequacy of this document.

Limited Diversification of Investments. The investment opportunity does not have fixed guidelines for diversification and may make a limited number of investments.

Reliance on Third Parties. StepStone will require, and rely upon, the services of a variety of third parties, including but not limited to attorneys, accountants, brokers, custodians, consultants and other agents and failure by any of these third parties to perform their duties could have a material adverse effect on the investment.

Reliance on Managers. The investment will be highly dependent on the capabilities of the managers.

Risk Associated with Portfolio Companies. The environment in which the investors directly or indirectly invests will sometimes involve a high degree of business and financial risk. StepStone generally will not seek control over the management of the portfolio companies in which investments are made, and the success of each investment generally will depend on the ability and success of the management of the portfolio company.

Uncertainty Due to Public Health Crisis. A public health crisis, such as the recent outbreak of the COVID-19 global pandemic, can have unpredictable and adverse impacts on global, national and local economies, which can, in turn, negatively impact StepStone and its investment performance. Disruptions to commercial activity (such as the imposition of quarantines or travel restrictions) or, more generally, a failure to contain or effectively manage a public health crisis, have the ability to adversely impact the businesses of StepStone's investments. In addition, such disruptions can negatively impact the ability of StepStone's personnel to effectively identify, monitor, operate and dispose of investments. Finally, the outbreak of COVID-19 has contributed to, and could continue to contribute to, extreme volatility in financial markets. Such volatility could adversely affect StepStone's ability to raise funds, find financing or identify potential purchasers of its investments, all of which could have material and adverse impact on StepStone's performance. The impact of a public health crisis such as COVID-19 (or any future pandemic, epidemic or outbreak of a contagious disease) is difficult to predict and presents material uncertainty and risk with respect to StepStone's performance.

Taxation. An investment involves numerous tax risks. Please consult with your independent tax advisor.

Conflicts of Interest. Conflicts of interest may arise between StepStone and investors. Certain potential conflicts of interest are described below; however, they are by no means exhaustive. There can be no assurance that any particular conflict of interest will be resolved in favor of an investor.

Allocation of Investment Opportunities. StepStone currently makes investments, and in the future will make investments, for separate accounts having overlapping investment objectives. In making investments for separate accounts, these accounts may be in competition for investment opportunities.

Existing Relationships. StepStone and its principals have long-term relationships with many private equity managers. StepStone clients may seek to invest in the pooled investment vehicles and/or the portfolio companies managed by those managers.

Carried Interest. In those instances where StepStone and/or the underlying portfolio fund managers receive carried interest over and above their basic management fees, receipt of carried interest could create an incentive for StepStone and the portfolio fund managers to make investments that are riskier or more speculative than would otherwise be the case. StepStone does not receive any carried interest with respect to advice provided to, or investments made on behalf, of its advisory clients.

Other Activities. Employees of StepStone are not required to devote all of their time to the investment and may spend a substantial portion of their time on matters other than the investment.

Material, Non-Public Information. From time to time, StepStone may come into possession of material, non-public information that would limit their ability to buy and sell investments.

Responsible Investment Integration. While StepStone seeks to integrate certain responsible investment factors into its investment process and firm operations, there is no guarantee that StepStone's responsible investment strategy will be successfully implemented or that any investments or operations will have a positive responsible investment impact. Applying responsible investment factors to investment decisions involves qualitative and subjective decisions and there is no guarantee the criteria used by StepStone to formulate decisions regarding responsible investment, or StepStone's judgment regarding the same, will be reflected in the beliefs or values of any particular client or investor. There are significant differences in interpretation of what constitutes positive responsible investment impact and those interpretations are rapidly changing. The description of responsible investment integration herein is provided to illustrate StepStone's intended approach to investing and firm operations; however, there is no guarantee that the processes will be followed in every circumstance or at all.

Performance Information. No investment decisions may be made in reliance on this document. In considering performance information herein, readers should bear in mind that past performance is not necessarily indicative of future results and that actual results may vary. There can be no assurance that any StepStone fund will be able to successfully implement its investment strategy or avoid losses. Performance shown herein may include investments across different StepStone funds. The aggregate returns are not indicative of the returns an individual investor would receive from these investments. No individual investor received such aggregate returns as the investments were made across multiple funds and accounts over multiple years.

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