Global Real Estate Strategic Outlook

Mid-Year 2025

IN A NUTSHELL

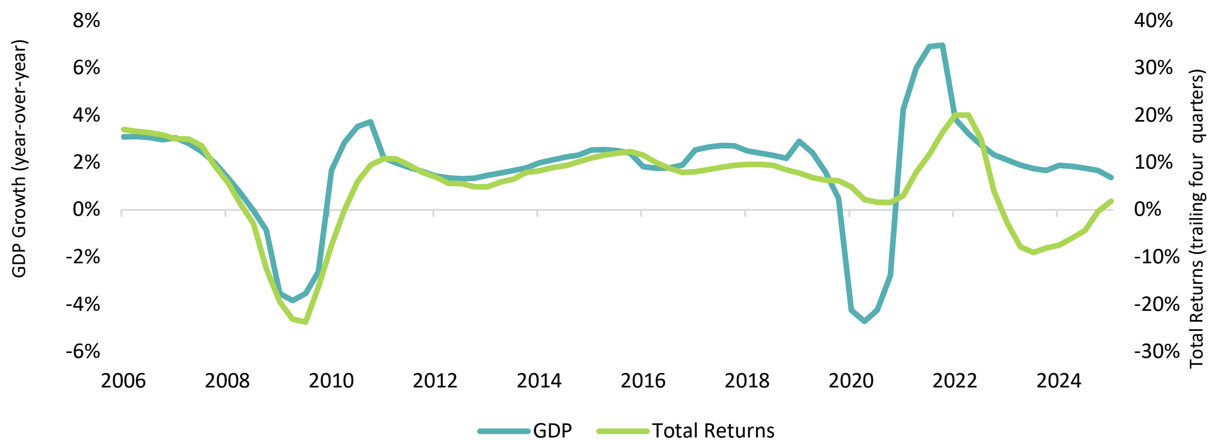
— The global real estate recovery that began in 2024 remains on track in our view.[1] We believe that macro conditions and property fundamentals will remain supportive through 2026.
— We believe that Europe will generally outperform the U.S. and Asia-Pacific (APAC) in the near term, with exceptions across sectors and markets. We see balanced regional opportunities over a full investing cycle.
— While we maintain conviction around the industrial sector, we believe that it is rivaled, and in many places surpassed, by residential property. Office and Retail are divergent across regions, with APAC particularly strong in the former, and the U.S. in the latter.

1 / Real Estate Outlook

Global real estate has maintained positive momentum in 2025 (see Exhibit 1). Over the past 20 years, returns have tracked economic growth (correlation = 0.6), lagging by two quarters.[2] The correlation would have been stronger, in our view, if not for extraordinary post-COVID interest-rate volatility, which whipsawed valuations.

[1] ANREV, INREV, NCREIF. As of March 2025.
[2] ANREV, INREV, NCREIF (returns); Oxford Economics (GDP). As of March 2025.

EXHIBIT 1: OECD ECONOMIC GROWTH AND GLOBAL REAL ESTATE TOTAL RETURNS



Source: Oxford Economics (GDP); NCREIF/GREFI (real estate returns). As of March 2025. Past performance is not a guarantee of future results.

Real estate performance has improved as interest-rate pressures have abated.[3] Across Europe, the U.S., and parts of Asia (but not Japan), government bond yields have plateaued, oscillating around a stable trend since late-2023.[4] Interest-rate stability has allowed returns to gravitate toward levels more commensurate with fundamentals.[5] DWS believes that bond yields will move broadly sideways across major economies through 2026 (slightly higher in Japan), imparting a neutral force on valuations (see Exhibit 2).

EXHIBIT 2: DWS ECONOMIC FORECASTS

	GDP Growth			Government Bond Yield		
	2024	2025	2026	2024	2025	2026
U.S.	2.8%	1.2%	1.3%	4.4%	4.4%	4.5%
Eurozone	0.7%	1.1%	1.4%	2.5%	2.6%	2.5%
Japan	0.1%	1.0%	0.7%	0.9%	1.4%	1.8%

Note: Germany is used for Eurozone government bond yield.
Source: DWS. As of June 2025. Past performance is not a guarantee of future results.

To be sure, the growth outlook remains uncertain, not least due to America's tariff program. However, positive drivers also exist, in our view, including aggressive fiscal stimulus in Germany and investment in artificial intelligence (AI) in the U.S. and elsewhere. The OECD forecasts that its members will expand by roughly 1.5% annually this year and next, down only slightly from 1.8% in 2024.[6] Importantly, this slower economic tempo will meet a quickly dwindling real-estate supply pipeline (in the U.S., for example, starts are down by nearly two- thirds from their peak) following recent price corrections and rising construction costs.[7] Overall, we believe that fundamentals are poised to strengthen.

[3] ANREV, INREV, NCREIF (performance); Bloomberg (interest rates). As of March 2025.
[4] Bloomberg. A of June 2025.
[5] ANREV, INREV, NCREIF (returns); Bloomberg (interest rates); DWS (fundamentals). As of March 2025.
[6] OECD. As of July 2025.
[7] CoStar and DWS. As of June 2025.

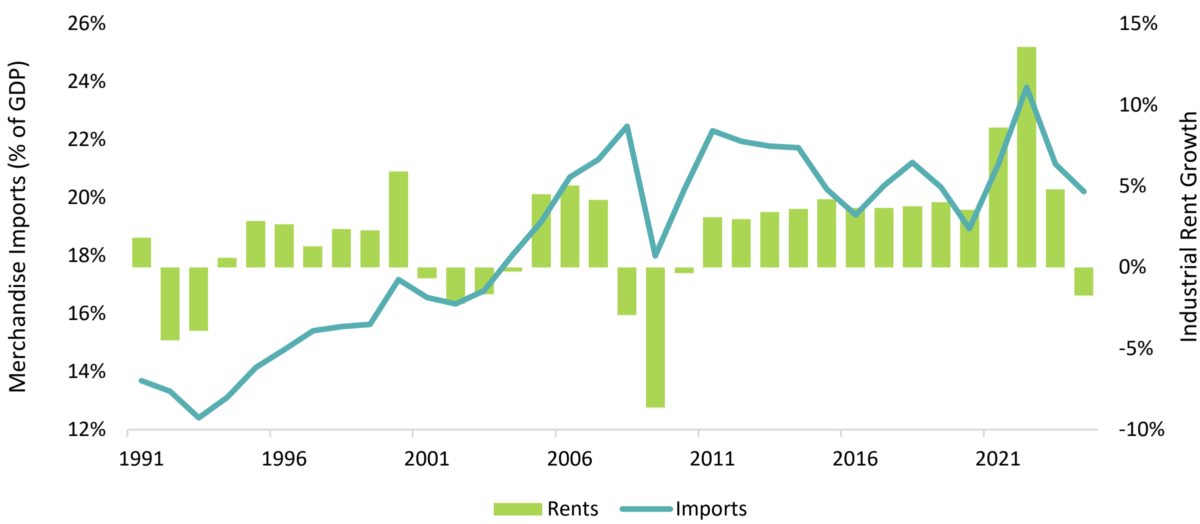
2 / Investment Strategy

The industrial sector has been a star performer for most of the past decade, as e-commerce, and attendant efforts toward rapid fulfillment, have gained traction.[8] The upswing culminated with a COVID-fueled surge in online goods spending, which accelerated the deployment of distribution capacity.[9] Fundamentals have since cooled, as spending patterns have normalized and supply triggered by the earlier boom has materialized.[10] More recently, the specter of trade wars has further threatened the sector's preeminence.

We believe that any concerns regarding the industrial sector's outlook are largely misplaced. In our view, COVID distorted the timing of consumer spending and warehouse leasing, but did not fundamentally alter the upward trajectory of online activity, which remains firmly intact.[11] A brief burst of supply is quickly dissipating as lower prices and high construction costs have upended the economics of development.[12]

Moreover, contrary to conventional wisdom, we believe that trade is not altogether critical to the sector's success. Often unmentioned in the tariff debate is the fact that globalization, defined as the share of goods trade in the economy, peaked in 2008, aside from a brief 2022 COVID spike (see Exhibit 3). Even as trade has receded (haltingly), the industrial sector has thrived, generating rent growth averaging 4%-5% annually, far higher than during globalization's heyday in the 1990s and 2000s.[13]

EXHIBIT 3: OECD IMPORTS AND GLOBAL INDUSTRIAL RENT GROWTH



Sources: Oxford Economics (imports); DWS (rents). As of December 2024.

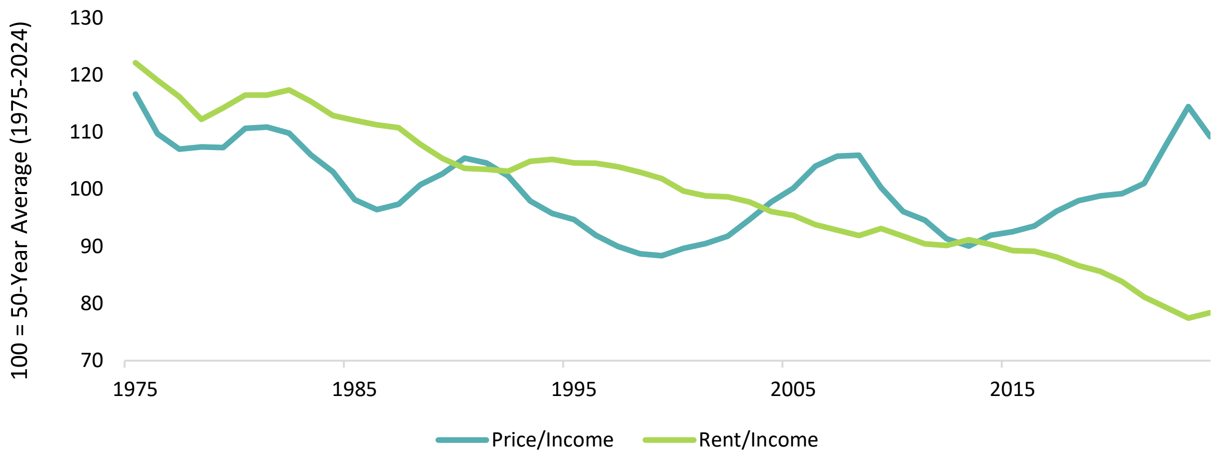
To be sure, correlation is not necessarily causation, and trade is no doubt integral to certain port markets (e.g., Seoul, Los Angeles, Hamburg, and Rotterdam), in our view. However, the experience of the past 15 years suggests to us that deglobalization may not be detrimental to warehousing overall, creating winners (e.g., onshore manufacturing hubs) as well as losers (ports).

Even as we continue to overweight industrial property across regions, its leadership has been usurped, in many places, by the ascendant residential sector. In developed economies, home prices have risen to all-time highs, as homebuilding has failed to keep

[8] eMarketer (e-commerce); CBRE-EA and DWS (industrial performance). As of June 2025.
[9] eMarketer (e-commerce); Oxford Economics (goods spending). As of June 2025.
[10] Oxford Economics (spending); CBRE-EA and DWS (fundamentals, supply). As of June 2025.
[11] eMarketer. As of June 2025.
[12] CoStar and DWS. As of June 2025.
[13] CBRE-EA and DWS. As of June 2025.

pace with expanding populations.[14] Rents have also increased, but household incomes have risen faster, improving overall rental affordability even as homeownership has moved further out of reach (see Exhibit 4).

EXHIBIT 4: OECD HOME PRICES AND RENTS RELATIVE TO HOUSEHOLD INCOME



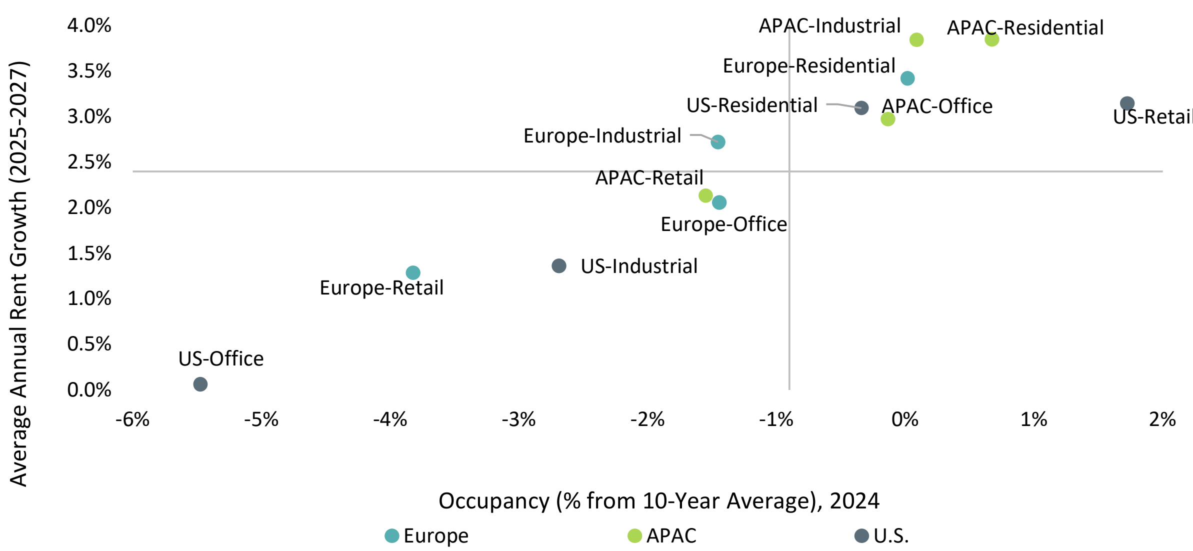
Sources: OECD and DWS. As of March 2024.

The upshot is that renting has become the default housing option for many new households, in our view. Residential vacancy rates are 2%-3% in Australia, Germany, and the UK.[15] They edged somewhat higher in the U.S. (5%) but dropped sharply again in the first half of 2025 amid a groundswell of demand (the strongest first-half since at least 1996).[16] It is conceivable that tighter immigration policies could dampen population growth, household formation, and ultimately rental demand. At the same time, we see limited evidence of any significant uptick in homebuilding, suggesting that vacancies will remain low for the foreseeable future.

It is important to underscore that generalizations are inherently imperfect. To invoke a tired cliché, successful investing comes down to “location, location, location.” Rising interest rates may pressure investment performance in Japan, but APAC fundamentals and rent-growth prospects are among the strongest in the world (see Exhibit 5). The U.S. office sector is saddled with high (albeit stabilizing) vacancies, but conditions are much stronger in Tokyo and Seoul.[17] Meanwhile, America’s retail sector — especially grocery-anchored centers — is uniquely robust, offering investors strong yields and healthy rent growth.[18] One size does not fit all, and we continue to see compelling opportunities and risks across regions and sectors.

[14] OECD. As of March 2025.
[15] CBRE-EA and DWS. As of June 2025.
[16] CBRE-EA. As of June 2025.
[17] CBRE-EA and DWS. As of June 2025.
[18] CBRE-EA and DWS. As of June 2025.

EXHIBIT 5: OCCUPANCY AND RENT GROWTH BY REGION-SECTOR



Sources: CBRE-EA and DWS. As of July 2025.

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