COHEN & STEERS

Real Estate Opportunities

The U.S. real estate market, as represented by the FTSE Nareit All Equity REITs Index, had a total return of 11.36% for the year.

Investment Review

Real estate securities continued to rally in December on an improving interest rate and economic outlook. Real estate shares saw strong follow-through on November gains (along with broad equities) as further signs of disinflation solidified investor sentiment that the Federal Reserve would pivot toward cutting lending rates in 2024. Interest rates declined sharply on these expectations, and credit spreads narrowed, which further supported share prices. In the real estate space, performance was primarily driven by interest rates and macro assumptions, with more cyclically oriented sectors outperforming those with pricing power and well-defined growth prospects.

A number of sectors with more challenged fundamentals, which had underperformed earlier in the fourth quarter, outperformed in December's rally. Self storage REITs (21.1% total return) rose meaningfully again in December on interest rate expectations and a healthier U.S. economic outlook. Lower mortgage rates could lead to more housing transactions, driving demand for self storage space. For now, however, U.S.-based storage companies may not yet have seen a bottom in new tenant rental rates. Moreover, those companies anticipate 2024 same-store revenues to face a headwind of elevated move-out rates. The office sector (19.6%) also continued its outperformance from November despite an ongoing struggle with reduced demand. Industrial (15.1%) outperformed on the prospect of an economic "soft landing." But while rent growth in some U.S. cities appears to be stabilizing, other markets are still decelerating.

Performance among residential property types was mixed, with a reversal in relative performance from November. Apartments (11.0%), which have struggled with rental growth (with weakness particularly in the Sunbelt region), found favor in December. Other residential subsectors, including manufactured homes (2.4%) and single-family homes for rent (1.8%), trailed.

Consumer cyclicals gained, including retail landlords, which were backed by healthy leasing activity. Regional malls (16.8%) benefited from continued strong leasing activity, particularly among trophy assets, as tenants looked past consumer and economic concerns. With supply expected to remain limited, pricing power could potentially increase. Hotels (11.9%) also outperformed; shopping centers (9.1%) gained but trailed U.S. real estate broadly.

Data centers (–1.5%) modestly retreated amid an investor rotation into assets perceived to be riskier. The sector strongly outperformed in 2023 on its compelling secular growth story. Digital Realty announced a $7 billion joint venture with a

Index Performance (US$)

	Linked Index[1]
Q4 2023	17.98%
1 Year	11.36%
3 Year	5.70%
5 Year	7.43%
10 Year	7.67%

(1) Linked Index: Prior to 3/31/2019, the index was the FTSE Nareit Equity REITs Index. Thereafter, it is the FTSE Nareit All Equity REITs Index.

Data quoted represents past performance, which is no guarantee of future results. Risk of loss is possible.

This information is not representative of any Cohen & Steers account and no such account will seek to replicate an index. You cannot invest directly in an index and index performance does not reflect the deduction of fees, expenses or taxes.

Periods greater than 12 months are annualized.

Index Characteristics

	FTSE Nareit All Equity REITs Index
Premium to NAV	16.9%
Premium to DDM	15.5%
Dividend Yield	4.0%
Price/Cash Flow (2023E)	18.7x
Cash Flow Growth (2023E vs. 2022)	3.5%
Cash Flow Growth (2024E vs. 2023E)	2.9%
5-Year Cash Flow Growth	4.7%
Total Market Capitalization	$1,315.1B
Weighted Average Market Cap.	$42.4B
Number of Holdings	140

Source: Cohen & Steers.

Characteristics are market capitalization-weighted averages of estimates for companies in the FTSE Nareit All Equity REITs Index and are subject to change over time.

Real Estate Opportunities

private equity investor to develop four hyperscale campuses across Northern Virginia, Paris and Frankfurt. The company will maintain a 20% equity stake, reducing its future development spending by $5.6 billion. The projects will likely take until at least 2026 to complete.

Investment Outlook

We believe listed real estate offers attractive return potential relative to broad equities. Fundamentals are on solid footing compared with prior cycles. Slowing inflation and still-healthy demand should provide a more supportive backdrop for REITs as we approach the end of the Fed hiking cycle. While growth will likely decelerate, cash flows are generally expected to remain sound as supply stays in check. Further, an end to central bank tightening tends to be followed by notable strength in listed real estate performance.

We have a preference for assets with strong secular growth profiles and good pricing power. Among residential sectors, we favor single-family homes based on our positive view of rental housing demand (supported by the lack of affordability in the purchase market) and demographic tailwinds. We have become more cautious on multi-family residences due to weakening fundamentals. In health care, we have a positive outlook on senior housing, where occupancies are improving following early-pandemic declines. With growth rates normalizing in self storage, we have pared our weight in the sector.

Data center REITs are well situated, in our view. While tech companies are slowing spending, capital expenditures for cloud computing remain healthy. Supply is constrained by limitations on power infrastructure serving key data center markets; as a result, the sector has enjoyed its strongest rent growth in a decade. We have recently added to our cell tower allocation, as valuations have become more attractive.

We remain cautious about offices due to weak fundamentals and uncertain longer-term demand. Within the sector, our holdings are concentrated in companies with assets in secondary office markets, where we believe fundamentals will remain resilient.

COHEN & STEERS

Real Estate Opportunities

Index Sector Total Returns

Sector	Q4 2023	YTD 2023
Data Centers	11.76 %	30.06 %
Regional Mall	34.33 %	29.94 %
Hotel	22.92 %	23.92 %
Specialty	22.47 %	22.76 %
Single Family Homes	8.66 %	20.63 %
Industrial	17.13 %	19.15 %
Self Storage	23.52 %	18.50 %
Timber	14.22 %	15.91 %
Health Care	10.47 %	13.93 %
Shopping Center	15.73 %	12.05 %
Apartment	8.89 %	5.88 %
Manufactured Home	12.67 %	2.48 %
Gaming	10.73 %	2.20 %
Office	23.54 %	2.03 %
Free Standing	18.48 %	-1.52 %
Infrastructure	30.63 %	-1.53 %
Diversified	20.39 %	-7.59 %

Source: Cohen & Steers.

Data quoted represents past performance, which is no guarantee of future results. Risk of loss is possible. This information is not representative of any Cohen & Steers account and no such account will seek to replicate an index. You cannot invest directly in an index and index performance does not reflect the deduction of any fees, expenses or taxes.

Data quoted represents past performance, which is no guarantee of future results. Risk of loss is possible.

The FTSE Nareit All Equity REITs Index contains all tax-qualified REITs with more than 50% of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria.

Important Risk Considerations: Investing involves risk, including entire loss of capital invested. There can be no assurance that the investment strategy will meet its investment objectives. Diversification is not guaranteed to ensure a profit or protect against loss.

The strategy invests in private real estate investments which are illiquid and susceptible to economic slowdowns or recessions and industry cycles, which could lead to financial losses in a portfolio and a decrease in revenues, net income and assets. Lack of liquidity in the private real estate may actually be sold.

The strategy may use leverage, directly or indirectly in connection with an investment. The use of leverage involves a high degree of financial risk and may increase the exposure of investments in the strategy to factors such as rising interest rates, downturns in the economy, or deterioration in the condition of the properties underlying such investments. Leverage magnifies favorable and unfavorable effects of price movements in a portfolio's underlying assets and overall aggregate returns of a portfolio.

A portfolio in the strategy could potentially be concentrated in relatively few underlying assets and thus the benefits of diversification may not be fully realized. Because of the length of time typically needed to construct a private real estate portfolio, initially the strategy will not be diversified. A limited number of underlying assets could result in aggregate returns realized by the investor which are substantially adversely affected by the unfavorable performance of a small number of underlying assets.

For investors in the Middle East: This document is for information purposes only. It does not constitute of form part of any marketing initiative, any offer to issue or sell, or solicitation of any offer to subscribe or purchase, any products, strategies or other services nor shall it or the fact of its distribution form the basis of, or be relied on in connection with, any contract resulting therefrom. In the event of that the recipient of this document wishes to receive further information with regard to any products, strategies, other services, it shall specifically request the same in writing from us.

An investor cannot invest directly in an index and index performance does not reflect the deduction of any fees, expenses or taxes. Index comparisons have limitations as volatility and other characteristics may differ from a particular investment. The Fund is actively managed. The composition of the Fund is not constrained by the composition of the benchmark.

The views and opinions in the preceding commentary are as of the date of publication and are subject to change. There is no guarantee that any historical trend discussed above will be repeated in the future, and there is no way to predict precisely when such a trend might begin.

There is no guarantee that any market forecast or investment objective set forth will be achieved. This material should not be relied upon as investment advice, does not constitute a recommendation to buy or sell a security or other investment and is not intended to predict the performance of any investment.

Cohen & Steers Capital Management, Inc. (Cohen & Steers) is a registered investment advisory firm that provides investment management services to corporate retirement, public and union retirement plans, endowments, foundations and mutual funds. **Cohen & Steers Asia Limited** is authorized and regulated by the Securities and Futures Commission of Hong Kong (ALZ367). **Cohen & Steers Japan Limited** is a registered financial instruments operator (investment advisory and agency business and discretionary investment management business with the Financial Services Agency of Japan and the Kanto Local Finance Bureau No. 3157) and is a member of the Japan Investment Advisers Association. **Cohen & Steers UK Limited** is authorized and regulated by the Financial Conduct Authority (FRN458459). **Cohen & Steers Ireland Limited** is regulated by the Central Bank of Ireland (No.C188319). **Cohen & Steers Singapore Private Limited** is a private company limited by shares in the Republic of Singapore.