

QUARTERLY INVESTMENT REPORT

# RESOLUTION CAPITAL GLOBAL PROPERTY SECURITIES PIE FUND

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DECEMBER 2025

# Global Property Securities

## Fund Investment Performance

The Resolution Capital Global Property Securities PIE Fund (the 'Fund') outperformed the FTSE EPRA/NAREIT Developed Index Net TRI (100% Hedged to NZ dollars) by 128 basis points for the quarter ending 31 December 2025.

### Period Ending 31 December 2025\* - Net Returns

	Quarter %	1 Year %	Since Inception# % p.a.
Portfolio*	0.77	5.74	1.37
Benchmark+	-0.51	6.88	1.40
<i>Difference</i>	<i>1.28</i>	<i>-1.14</i>	<i>-0.03</i>

\* Returns are expressed after deducting tax and investment management costs.

# Inception Date: 26 August 2024.

+ Benchmark: FTSE EPRA/NAREIT Developed Index Net TRI (100% Hedged to NZ dollars).

Performance numbers less than one year are cumulative while numbers greater than one year are annualised. Past performance is no guarantee of future results.

## Fund Performance Drivers

Relative performance was positively impacted by:

- ✓ Over benchmark weight in US healthcare REIT Ventas (VTR)
- ✓ Over benchmark weight in Japanese diversified company Sumitomo Realty & Development (8830)
- ✓ Nil exposure to US office REIT Alexandria Real Estate Equities (ARE)
- ✓ Nil exposure to US storage REIT Iron Mountain (IRM)
- ✓ Over benchmark weight in Japanese diversified company Mitsui Fudosan (8801)

Relative performance was negatively impacted by:

- ✗ Over benchmark weight in US office REIT Vornado Realty Trust (VNO)
- ✗ Under benchmark weight in US industrial REIT Prologis (PLD)
- ✗ Over benchmark weight in UK residential REIT UNITE Group (UTG)
- ✗ Over benchmark weight in European residential company TAG Immobilien (TEG)
- ✗ Over benchmark weight in US data centre REIT Digital Realty Trust (DLR)

## Market Performance

### Market Overview

	31-Dec-25	30-Sep-25	Quarterly Total Returns
FTSE EPRA/NAREIT Developed Index Net (unhedged in NZD)	4,948	4,937	0.2%
FTSE EPRA/NAREIT Developed Index Net (hedged in NZD)	1,310	1,316	-0.5%
S&P/ASX 300 Property (Accum)	85,311	86,364	-1.2%
S&P/ASX 300 Index (Accum)	116,347	117,392	-0.9%
US 10 yr bonds	4.17%	4.15%	
NZ 10 yr bonds	4.40%	4.18%	
NZD/USD	0.58	0.58	-1.0%

Source: FactSet

## Global Commentary

The FTSE EPRA/NAREIT Developed Real Estate Index (NZD) Net TRI produced a total return of -0.5% for the quarter ending 31 December 2025.

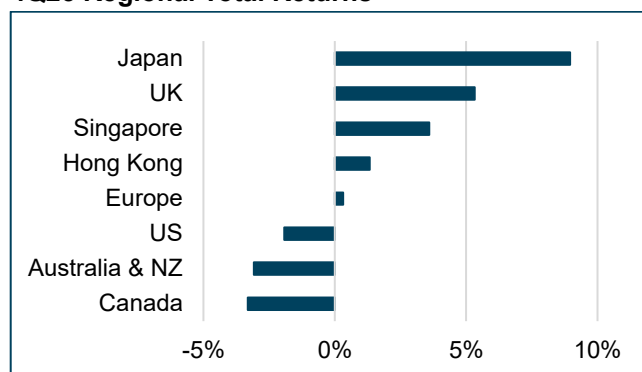
In local currency terms REITS underperformed global equities<sup>1</sup> (+3.4%) and global bonds<sup>2</sup> (+0.7%) over the quarter. For calendar 2025, global REITs delivered a credible 7.5% total return (in AUD hedged terms), between bonds (+4.4%) and equities (+18.4%).

With data suggesting global economic growth is proving resilient, the market outlook for central bank interest rates shifted to fewer prospective cuts. That said, economic growth is being driven disproportionately by AI and supporting infrastructure investment, whilst interest rate expectations seem unusually fickle. Some central banks, such as the BoJ, have already begun to raise rates, with its economy enjoying the strongest growth in a generation. There are growing expectations that the Reserve Bank of Australia will follow suit in 2026 following higher than expected consumer price inflation data during the quarter. In the U.S. and the UK, official interest rates were cut during the quarter but the prevailing consensus view for multiple rate cuts in late 2025-2026 has shrunk to only 25-50bps.

Unsettled geopolitical dynamics, elevated government debt and spending (eg defence) together with massive private sector investment in AI/data centres and supporting energy infrastructure, continued to maintain pressure on long-term interest rates. Crucially, the consumer remains buoyed by elevated asset prices, but there are clear signs of affordability pressures, particularly in lower income households, as well as concerns around tepid employment growth amid the threat to jobs posed by AI.

During the quarter, the overall operating environment for commercial real estate remained positive with elevated occupancy and growing rents. Evidence of improving underlying operating conditions provided support for listed real estate in Japan, Hong Kong and the UK.

### 4Q25 Regional Total Returns



Source: FTSE EPRA NAREIT Developed Index, Dec 2025

Japanese property enjoyed strong market returns fuelled by a rational geopolitical backdrop and crucial evidence that its economy has broken free of the deflation funk that has weighed on real estate since the early 90s. Rent increases to existing tenants are now common after years of constraint when stable rent reviews was seen as a good outcome. That share price gains came despite increases to interest rates should be noted as we have long argued that the impacts of interest rates should be viewed with regard to other key factors such as the profile of rent growth. Whilst the Portfolio is underweight the Japanese market, our stock selection outweighed market exposure, with key holdings Sumitomo Realty (+20% total return) and Mitsui Fudosan (+10%) generating outsized returns in local currency terms on the back of strong operating

<sup>1</sup> Source: Factset, MSCI Global Aggregate Index (local, net of withholding tax)

<sup>2</sup> Source: Factset, Bloomberg Global Aggregate (AUD Hedged)

performance, enhanced corporate governance measures and capital management initiatives including share buy-backs.

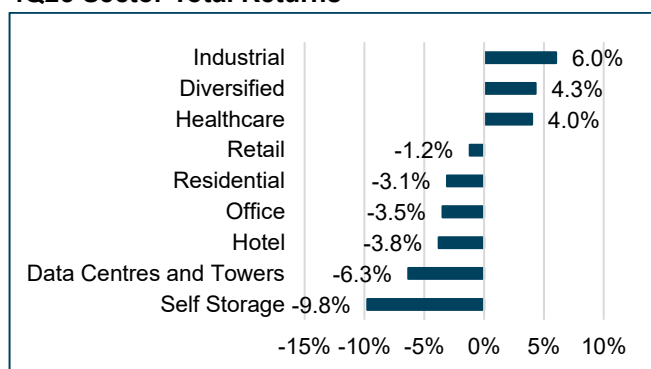
UK REITs rebounded as improved inflation data provided the BoE with ammunition to ease rates, and the Labor government delivered a budget less onerous for landlords than had been expected. That JP Morgan committed £3bn to a new European HQ to be developed at Canary Wharf also highlighted that London remains a key hub for capital markets. In short, much negativity was factored into UK REIT prices. Our overweight position contributed to the Portfolio's outperformance.

That said, our exposure to leading UK student housing provider Unite Group (UTG) weighed on performance after they disclosed soft student leasing for the academic year ahead. Categorised in the residential component of the benchmark, UTG's total return for the December quarter was -22% in local currency terms.

Hong Kong showed improvement with increased visitors and early signs of the condo market reviving. Our exposures to Sun Hung Kai (16) and Wharf REIC (1997) contributed positively to relative performance.

U.S. REITs, the dominant region in the benchmark, underperformed the global index. Operating and capital management issues specific to a number of major U.S. REITs such as document storage REIT Iron Mountain (IRM) (-17%), gaming REIT VICI Properties (VICI) (-12%) and life science owner Alexandria Real Estate (ARE) (-40%) weighed on the market's return. We have no exposure to these stocks. Our stock selection in the U.S. market generated outperformance, particularly in the strongly performing seniors housing component of the healthcare segment, principally through Ventas (VTR) (+11.2%) and Welltower (WELL) (+4.6%).

#### 4Q25 Sector Total Returns



Source: FTSE EPRA NAREIT Developed Index, Dec 2025

From a sectoral perspective, having digested the U.S. policy tariff onslaught earlier in the year, more robust economic conditions provided encouragement for logistics players to actively re-engage for space needs, helping to drive renewed investor confidence in industrial REITs, with the rearmament of Europe also a major talking point that is expected to see greater demand for warehouse space. The Portfolio's

performance was negatively impacted by our under benchmark weight exposure.

Our underweight exposure to U.S. self-storage, a sector weighed down by continued customer pricing weakness for reasons we will later discuss, helped the Portfolio outperform. Whilst U.S. self-storage provided sub-par returns for the quarter, self-storage in other markets performed strongly, and a key contributor to the Portfolio's outperformance was our holding in ASX listed National Storage REIT (NSR) (+18.7%) which received an unsolicited takeover offer.

Elsewhere in Australia, a flurry of mall transactions at prices at or near all-time highs, signalled strong investor interest after a challenging decade. These transactions reinforced the intrinsic value of Scentre Group (SCG), and our holding added to Portfolio outperformance.

Concerns about an AI bubble and potential oversupply of data centres may have manifested through the weak performance of data centre REITs for the quarter. Our key exposures Digital Realty (DLR) (9.8%) and Equinix (EQIX) (-1.6%) detracted from performance, but as we discuss later, we believe these stocks are relatively insulated... at this point. We were fortunate to have no exposure to ASX listed NextDC (NXT) (-26%) which appears to be weighed down by uncertainty on how it will fund its ambitious data centre development program.

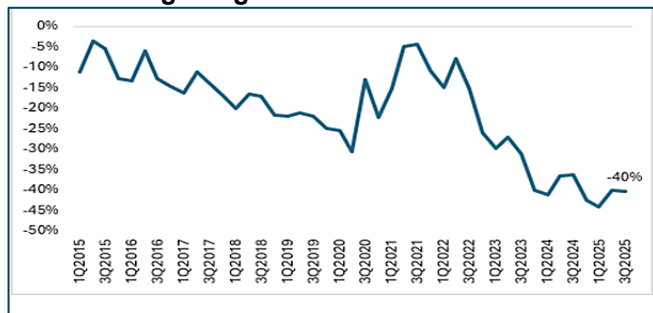
Office leasing activity improved in some of the more occupancy-challenged markets such as San Francisco, driven by AI tenant demand. However, U.S. office stocks were weak, driven mostly by life-science specialist Alexandria (ARE) which is facing operating and financial pressures, as well as a number of New York exposed names which were pressured by weaker earnings guidance (notably BXP and SL Green (SLG)) and uncertainty around the policies of the newly elected left-wing mayor.

#### Self-Storage Self selection

Positioning in the self-storage sector was the largest driver of relative Portfolio returns in the quarter driven by overweight positions in Australia and the UK, and underweight exposure to the struggling U.S. market.

U.S. storage stocks fell 11% in the quarter as earnings results disappointed, with negative same store revenue growth and rental momentum stalling. Operational visibility remains poor given subdued housing turnover (including homeowners and renters), a key driver of self-storage demand. Leasing spreads (as shown in the chart below for U.S. REIT Public Storage (PSA)) remain deeply negative which is a headwind to improving revenue and earnings growth.

## Public Storage Negative Rent Reversion



Source: Public Storage Company Filings, Oct 2025

Elsewhere in the U.S, Iron Mountain (IRM), classified as self-storage in the benchmark but ostensibly a document storage business, plummeted 17.4% following a short report alleging aggressive accounting that overstated earnings and understated leverage. The Portfolio has no exposure to IRM, which contributed to relative returns.

Outside of the U.S., self-storage returns were driven by M&A in both the UK and Australia. UK REIT Big Yellow Group (BYG), long a core holding in the Portfolio, solicited interest to sell the company in response to the persistent discount at which the stock trades. BYG owns 110 properties, with nearly 70% of its revenues derived from population-dense submarkets in London/Southeast where new supply is difficult to create. It is the number-one brand name in the UK self-storage sector and is secured against a fortress balance sheet.

Whilst Blackstone publicly declared its interest earlier in the quarter, in early December, both parties announced that a formal offer would not be made. While we were not in the bidding tent, we surmise that the required return for an opportunistic buyer was an obstacle to an adequate bid price. If BYG's discounted share price persists, this is unlikely to be the last approach, but equally we are in no rush to see a platform of this quality leave the public market.

In Australia, Portfolio holding National Storage (NSR) announced that it would recommend an unsolicited takeover offer from Brookfield and Singapore's GIC (the latter an existing joint venture property partner of NSR). The offer at A\$2.86 per share represents an 11% premium to NSR's most recently reported NAV and a 27% premium to the undisturbed share price. This is the second bid for NSR in less than 6 years, following Public Storage's offer in February 2020 to acquire NSR for A\$2.40/share, an offer that was subsequently dropped due to the unfolding pandemic. It is also the second bid for an Australian self-storage portfolio this year, coming on the heels of an

unsuccessful offer for Abacus Storage King (ASK) by Public Storage and its largest investor, Ki Corporation.

While the bid is third-party validation of the value we see in the NSR platform, we do not believe the current bid reflects full value. The reported appraisal based NAV does not sufficiently capture the leasing upside in the portfolio or the value creation of its development program. Nor does the offer appropriately compensate NSR shareholders for platform value which has been assembled over 30 years. Like BYG, this is an unusual company that can only be sold once, and so, there is no reason to sell at a bargain price with the future growth embedded in the portfolio accruing to the next owner.

## Healthcare – senior returns

Healthcare generated another quarter of strong performance, driven by the sustained strength of seniors housing operations. Muted supply coupled with strong demand fundamentals, driven by aging demographics, are producing outsized rent and earnings growth that should continue for the next several years. Seniors housing heavyweights, Ventas (VTR) and Welltower (WELL), were the primary drivers of relative Portfolio returns.

During the quarter Welltower announced a flurry of transactions totalling US\$14bn of seniors housing acquisitions, including two of the largest platforms in the UK, Barchester for £5.2bn and HC-One for £1.2bn. This brings total investment activity in 2025 to US\$23bn. As a funding source, the company concurrently announced US\$9bn of disposals, including US\$7.2bn of medical office buildings (MOBs), representing the majority of its MOB portfolio. This is in addition to the company raising equity via its ATM<sup>3</sup> program, which has helped the company maintain a strong balance sheet with less than 3x Net Debt/EBITDA. We expect that these capital initiatives will boost WELL's overall earnings growth by 1-2% to 17-18% CAGR over the next three years.

In conjunction with 3Q25 results, Welltower unveiled a new executive compensation program noteworthy for its structuring and magnitude. Under the program, five senior executives will receive no compensation other than US\$110,000 in annual salary for 2026-2035. In addition, these executives will be granted long-term incentive plan (LTIP) units, 50% of which vest based on performance metrics (market cap increase and relative total shareholder returns) and the other 50% on their continued tenure through 2030. At maximum payout, the LTIPs would represent ~2.1% of market cap should returns exceed a relative basket of peers by 600 bps annually and should the company's equity market cap

<sup>3</sup> ATM (At-The-Market) is a program that enables listed companies to raise equity capital by issuing new shares into the market on a daily traded basis.



increase by US\$100 billion (currently US\$130bn). This is a potentially eye-popping payday for the named executives: US\$4.8 billion if the hurdles are met. Whilst recent performance has been exceptional, for which management should take a fair amount of credit, the scheme appears extravagant signalling an element of hubris. We await details on checks and balances, with the plan to be put to shareholders in the upcoming proxy season.

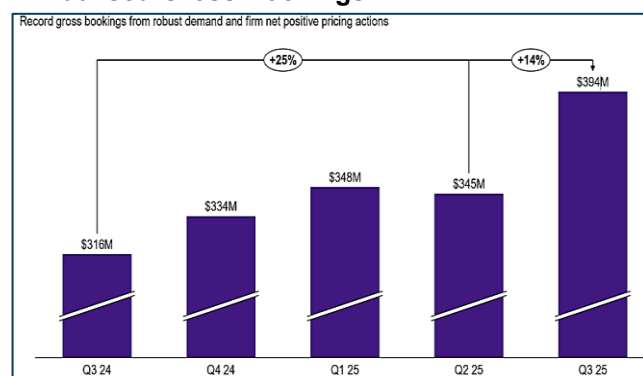
Although categorised as an office stock, life science specialist Alexandria Real Estate Equities (ARE), underperformed in dramatic fashion, tumbling 40% in the quarter following the Company slashing 2026 earnings guidance to a 29% FFO per share year-on-year decline and cutting its dividend by 45%. ARE's challenges are a result of the combination of weak life-science supply and demand fundamentals together with its over-sized development pipeline and aggressive interest capitalisation policy. The Portfolio benefited by not having a position in ARE in the quarter.

## Data Centres: power hungry, performance lite

Data centre REIT stock prices struggled in the December quarter despite strong operating fundamentals.

Both Equinix (EQIX) and Digital Realty (DLR) reported strong leasing results in the third quarter. Equinix secured record gross bookings, 25% higher than the previous year. Digital Realty's leasing backlog grew, and it raised earnings guidance for the full year to +8.3%.

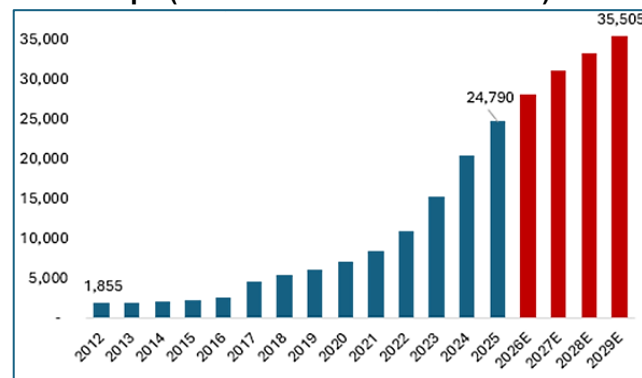
### Annualised Gross Bookings



Source: Equinix Company Filings, Oct 2025

Despite solid operations, broader industry concerns are weighing on public REIT valuations and the ability of the industry to fund the gigantic build out. While vacancy remains low in key established U.S. markets and customer pricing is firm, reports of colossal data centres (1-4.5 GWs) being built wherever land and cheap power are readily available are raising fears the industry is heading for over-capacity.

### U.S./Europe (Commissioned Power in MW)



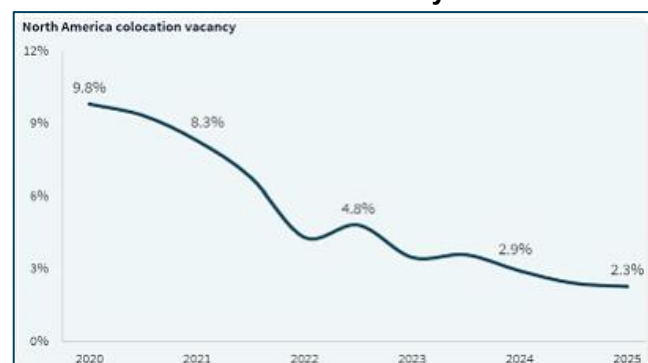
Source: Green Street. U.S. 2012-2029E, no data for Europe from 2012-2016, Jan 2026

While we acknowledge the risk of over-supply given the unproven nature and profitable applications of the technology driving this demand super-cycle, we believe the market doesn't fully appreciate the composition of DLR and EQIX's portfolios and their competitive position in the industry.

Digital Realty and Equinix have virtually no exposure to the higher risk 1 GW+ projects designed for AI training being built in tertiary markets with higher latency. Their global footprints are focused on existing cloud availability zones where utilisation is fungible across a range of users, such as Cloud, 5G, financial services, as well as high-density compute (AI). Demand in these locations has steadily grown over time driven by digitisation of the economy and need for low latency.

Moreover, unlike new entrants which are solely focused on AI training deployments, Equinix and Digital Realty are global leaders in retail colocation ("colo"). Colo is an important market segment that should benefit from the evolution of AI training shifting to inference, which is more latency sensitive causing it to primarily locate inside existing cloud availability zones, the sweet spot for DLR and EQIX's portfolios. In this key segment, markets supply/demand fundamentals are actually improving, as indicated by declining vacancy rates in Tier 1 markets, illustrated in the chart below.

### North America colocation vacancy



Source: JLL Research, Aug 2025

## Goodman's Data Centre Christmas Cheer

Days before Christmas, Goodman Group (GMG) announced it would partner with Canada Pension Plan Investment Board (CPPIB) in a A\$14bn European data centre development program, including an initial A\$3.9bn to develop four projects in Paris (2), Amsterdam and Frankfurt. On a global basis in data centre development, CPPIB now partners with Goodman in Europe and with Blackstone-owned Airtrunk in Asia, which is emblematic of investors wanting to 'get in' on development profits but perhaps not wanting to own these large-scale assets longer term. Despite a late share price surge, GMG underperformed over the quarter with a total return of -5% and the Portfolio's nil exposure contributed positively to relative performance.

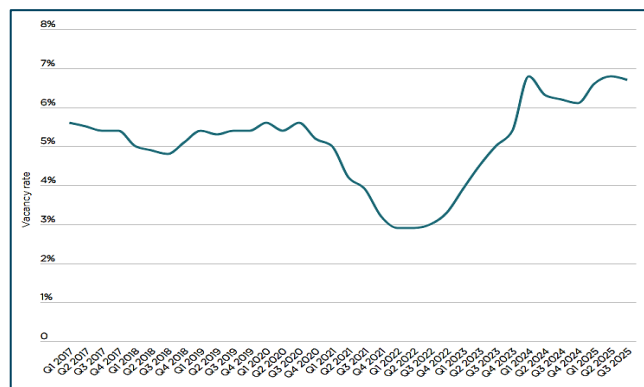
## Industrial – inflection or false dawn?

Industrial REITs gained 6% in local currency terms in the quarter as improved leasing volumes and increased build-to-suit demand provided early signs that fundamentals are bottoming. We are a little more circumspect given now elevated vacancy rates and public market valuations.

The supply picture is improving, with new starts in the U.S. running 75% below 2022's boom-time peak levels, albeit still not depressed as current construction volume now is in-line with the industry's long term average. With tenants showing renewed signs of leasing, market vacancy is arguably close to peaking at 7.5%, having doubled since the pandemic. Market rent inflection though likely remains further out. Even Prologis' (PLD) retiring CEO, Hamid Moghadam, commented that he didn't know whether market rent growth would inflect in 6 months or in 2 years.

We believe the picture for logistics in Europe is more encouraging. Adding to our long standing holding in Warehouses de Pauw (WDP), during the quarter, the Portfolio reinitiated a position in Segro (SGRO), the London listed UK/Europe logistics giant. Amid signs of vacancy stabilising (see chart below), SGRO is positioned to experience 4% p.a. growth in net operating income (NOI) over the next couple of years, driven primarily by positive lease spreads, underpinning ~5% p.a. EPS growth after higher finance costs are taken into account.

## Logistics Vacancy across Europe signs of stabilisation



Source: Savills, Nov 2025 (data as of 3Q25)

The UK/EU demand environment also appears to have new tailwinds. Increased defence spending is expected to drive greater demand for logistics and supporting infrastructure. Additionally, the UK government's budget was not nearly as punitive on real estate as had once been feared. With this improved operating backdrop, SGRO's valuation on an FFOx basis was at a 10-year low, the stock trading at a 23% discount to published NAV, which is itself 27% below the peak recorded in 2022.

## Office – disappoints despite decent operational outlook

The recovery in office operating fundamentals is broadening with strengthening conditions in several core markets, including New York, London, Tokyo, and even San Francisco, a market which seemed almost left for dead only a year ago (consistent with its notoriously boom bust nature). Tenants remain focused on higher quality buildings. Yet even with a more constructive operational outlook on the ground, office REIT stocks underperformed in the quarter, falling 3.3% in local currency terms.

U.S. office stocks were particularly weak, declining 18.3% in the quarter and our modest overweight detracted from relative returns. Portfolio holdings and New York office specialists Vornado (VNO) and Empire State Realty (ESRT), each declined 15% following weaker than expected earnings guidance and poor sentiment following the election of the new NY mayor Mamdani. We toured VNO's large Penn Station cluster and believe it is making good progress in repositioning these well-located, transportation-rich assets after decades of under investment. The company's capital improvements plan is largely complete, and leasing is achieving higher rents than underwritten which should drive strong earnings growth in 2027. We remain positive on the outlook for the New York office recovery and are willing to be patient.

Across the pond in London, tenant demand is broad based with solid market rent growth in the West End

and the City supported by low vacancy and limited development. Even the much maligned Canary Wharf is making a comeback as tenants show renewed interest in this submarket, albeit thanks largely to the lack of quality space in the more desirable city and west end markets. The showstopper however was JP Morgan's intention to develop a £3 billion, 3 million sq ft, headquarters on the western flank of Canary Wharf to be completed in 2031. This is the largest office building ever built in the UK by a factor of 2. JP Morgan's plans send a clear message that physical offices have a permanent role, that London will remain an important global financial capital, and that existing office options are insufficient. In many ways, JP Morgan's London plans parallel its recently completed new global headquarters in midtown Manhattan. Both HQs are expected to house 10,000+ employees in state-of-the-art facilities that will serve as competitive draws for both clients and staff.

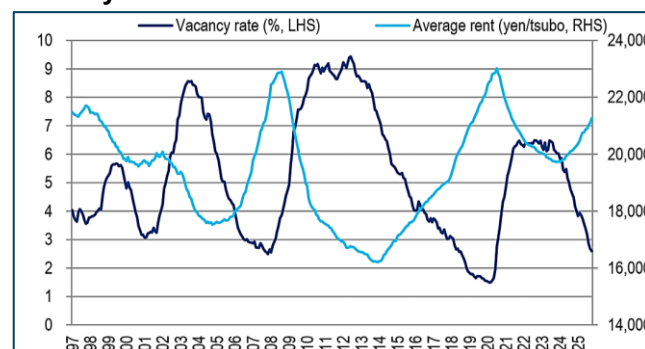
We remain constructive on the outlook for London office property. Active tenant requirements are the highest in a decade, and new supply beyond 2027 is moderate. Transaction market activity however, has been restrained by high interest rates and concerns in the lead up to the UK budget. We remain optimistic that direct markets will regain their footing, providing visibility and support for depressed public market valuations. Our positioning in London office is via specialist Derwent London (DLN) and diversified REIT LandSec (LAND). DLN was flat (-0.2%) for the quarter, largely ascribed to a delay on preleasing a development, and LAND generated a +10.3% total return.

During the quarter, the Portfolio exited a small position in French office specialist Gecina (GFC) for which a soft Parisian market and declining indexation create leasing challenges and decelerating internal growth.

### Tokyo: Land of the rising rents

Tokyo is currently one of the brightest office markets globally. Leasing demand is robust, led by a flight to quality, a return to office, and by broad corporate expansions. Vacancy continues to decline, most recently down 15 bps to 2.44% in Tokyo's Central 5 Wards. Rents remain affordable for tenants, and while they are still below prior cycle highs, rent growth is accelerating, up 5.4% in Central Tokyo. Sharply higher construction costs (S-class buildings are estimated to be up as much as 75-80% in the past several years) are dampening future office supply, providing further support for additional rent growth ahead.

### Tokyo Central Five Ward Rent Growth and Vacancy



Source: Citi, Nov 2025

Importantly, even with interest rate hikes underway in Japan, the real estate transaction market is strong and backed by robust tenant demand as the economy strengthens. This underscores that supply and demand fundamentals and rising replacement costs are more important drivers for real estate than interest rates alone.

The Portfolio has exposure to property companies with significant Tokyo office exposures, such as Sumitomo Realty (8830) and Mitsui Fudosan (8801) which are well positioned to capture strengthening market conditions.

### Retail – lots in store

Retail real estate performed soundly over the quarter with the Portfolio's exposure to high quality malls and necessity-oriented shopping centres supporting relative returns.

Whilst healthcare is the fund's biggest over benchmark weight sector exposure, retail is the biggest absolute exposure. The shopping centre landscape is now better defined with on-line experiential/services oriented retailers (eg health and beauty) now more prominent and goods retailers understanding the benefits of a multi-channel (brick and mortar combined with on-line) offering.

In the UK, Portfolio holding Hammerson (HMSO), gained 13.6% in the quarter as management continues to execute on its plan to consolidate ownership of core assets by acquiring JV stakes. Taking the reins of the then compromised platform in 2020, the outgoing CEO Rita-Rose Gagney has done an outstanding job repositioning HMSO to now offering a well capitalised, high quality European retail platform. UK retail has been reset in terms of rents to sustainable levels and cap rates at cyclical lows. In the quarter, Hammerson acquired the remaining 50% stake in the Oracle in Reading from its JV partner ADIA for £105m at a 7.2% net initial yield. The asset benefits from recent renovation and repositioning works with further opportunity to drive income in the years ahead.



The Oracle transaction is just one example of improving liquidity in mall transaction markets around the world. Australia notably saw several transactions in the quarter which prove value and underscore listed REIT share prices. Australian mall pricing is only marginally below the all-time peak, reflecting the social infrastructure nature of these assets supported by strong operational performance (>99% leased, 3-4% NOI growth) and favourable outlook given low vacancy, strong tenant demand, growing catchments and virtually no new supply.

Major transactions in the quarter included 2 deals by Portfolio holding Scentre Group (SCG), owner of the Westfield brand in Australia and New Zealand. The REIT sold a 19.9% stake in the super-prime Westfield Sydney to Australian Retirement Trust for A\$864 million, reflecting a 4.7% cap rate and equal to latest book value. Separately, having sold a 25% interest earlier in the year, Scentre sold a further 25% stake in Westfield Chermside in Brisbane to the Dexu Wholesale Shopping Centre Fund for A\$683m, in line with the June 2025 book value and a 5.0% cap rate.

In the U.S., Portfolio holding Federal Realty (FRT) continued to execute its capital recycling plan. Whilst focused on shopping centres, FRT owns a number of mixed-use properties designed to create highly desirable urban districts. With several non-critical components at a mature phase, FRT has elected to sell peripheral residential assets and redeploy into higher yielding upscale shopping centres from which it can drive greater cashflow growth through superior asset management and its leasing power. During the quarter Federal acquired two assets including a 480,000 sq. ft. grocery anchored centre in Annapolis, Maryland for US\$187m and its first asset in Omaha, Nebraska for \$153m. Acquisitions were funded with \$170m of disposals and the net result was accretive to FFO. After a significant multiple de-rating over prior quarters, we believe FRT looks well positioned given competitive NOI growth, accretive capital recycling and a portfolio underpinned by wealthy consumer demographic catchments.

Meanwhile, in AsiaPac, Hong Kong is beginning to see improvement at the luxury end of retail: Wharf REIC (1997) gained 6.9% in the quarter, benefiting Portfolio performance. Tourism, while still below pre-pandemic levels, is up double-digits this year, and discretionary sales are climbing. In contrast, Link REIT (823) declined 10% in the quarter as it experienced negative rent reversions due to sales leakage as mainland Chinese e-commerce platforms (e.g. Pinduoduo, Taobao) enticed Hong Kong residents with free delivery. The Portfolio has no exposure to Link REIT which benefitted relative returns.

In Europe, Portfolio holding mall REIT Unibail-Rodamco-Westfield (URW) acquired a 25% stake and management rights to St James Quarter, Edinburgh's

leading mall. URW generated a positive 3.7% return for the quarter as it delivered strong operating results and continued its multi-year plan to reduce leverage and return to earnings growth. Reflecting solid operational performance and successful refinancing, URW upgraded earnings guidance. Concurrently the company announced the unexpected replacement of CEO Jean-Marie Tritant with current Chief Strategy and Investment officer, Vincent Rouget who comes with a solid pedigree having worked for 15 years at Aermont Capital, the PE business of prior CEO Leon Bressler, before joining URW in 2023. Looking ahead we do not anticipate any major shift in strategy given Rouget was one of the chief architects of the recent multi-year business plan.

## Residential – Unite gets schooled

The Portfolio's exposure to the residential sector modestly detracted from performance in the quarter, driven principally by idiosyncratic events.

In the UK, student accommodation REIT Unite Group (UTG) underperformed due to sudden operational weakness and lack of visibility provided by management on forward guidance. As highlighted last quarter, UTG missed its occupancy target for the 2025/26 academic year despite reiterating guidance 6 weeks prior. The occupancy miss exposed a broader UK purpose-built-student-accommodation (PBSA) issue, where stretched affordability is impacting demand despite student enrolment numbers increasing. More UK students are choosing the lower-cost option of living at home, and international students are economising too through renting lower price point rooms. Excess supply has also weighed in some markets. In response to the unexpected weak results, UTG held an investor day which incorporated 2026 EPS guidance 7-10% lower than 2025, a reduced development pipeline and initiatives to reduce overheads. While these initiatives appear sensible, the industry outlook is less straightforward than previously thought. Accordingly, we have exited the position as we seek to better understand the long term return dynamic.

In the U.S., long time holding, Invitation Homes (INVH) held its first investor day since 2019. Numbering more than 85,000, the company is the largest owner of single-family rental homes in the U.S.. The event showcased INVH's medium term strategic growth objectives including acquisitions, partnerships, construction lending and third-party capital management which collectively could add 9% to earnings by 2028. The company also outlined the intention to consider adding an in-house development capability – something it has hitherto shied away from. While helpful to frame the corporate objectives the day did not do enough to address the operating outlook where pricing power has deteriorated in some of its markets due to elevated supply.

Post quarter end the single-family-rental (SFR) sector unhelpfully landed in the crosshairs of President Trump, who proposed a populist measure of banning institutional landlords from buying more single-family homes. Scant details are available and these off-hand policy thought bubbles often don't proceed so we are loath to draw definitive conclusions. We have released a separate detailed note on this issue ([Trump threatens to ban institutional investments in single-family homes - Resolution Capital](#)) and posit that the proposal is unlikely to change INVH's value proposition to any great extent.

U.S. apartment REITs also face the spectre of regulation with new rent control measures proposed in a couple of major cities. The Los Angeles City Council is seeking to reduce permitted rent renewal increases to be 90% of CPI in a range of 1%-4% versus the previous limit of 100% of CPI in a range of 3%-8%. Across the country in Massachusetts, a new ballot initiative seeks to cap rent increases at the lower of 5% or inflation. While in both markets several steps need to occur before either law would be enacted, clearly the regulatory outlook is getting a bit darker for U.S. rental housing. As we have seen in many markets, these types of regulations serve only to exacerbate affordability issues by acting as a disincentive for investment in the sector. Whilst the U.S. apartment REITs screen attractive on some metrics, we maintain a neutral exposure to U.S. multifamily in light of weak jobs growth and immigration trends which are vital to household formation and tenant demand.

## Outlook

2025 could be viewed as a year of stabilisation for Commercial Real Estate values as the impacts of COVID and abnormal interest rate settings prior to 2023 (negative rates/QE) have somewhat "washed through".

That doesn't mean we are off to the races. 2026 starts with a confluence of extraordinary geopolitical, environmental and technological forces.

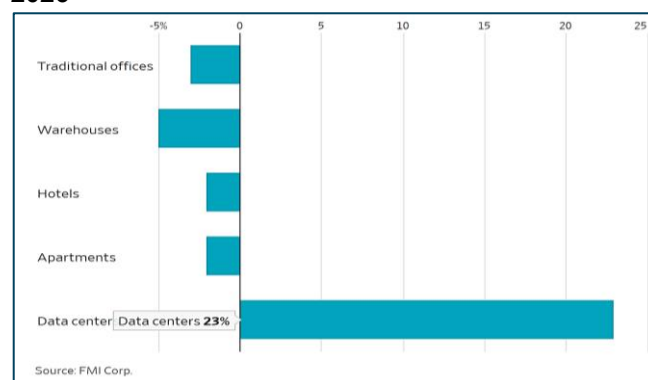
Whilst the other drivers will be important, we believe the technology issue is the most influential pertaining specifically to commercial real estate particularly as progress, or failure, of AI applications is better understood. This will have a significant bearing on demand for real estate as an investment class and expected demand for physical space in some segments of the Commercial Real Estate (CRE) spectrum.

REITs typically own and manage high quality, tangible income producing assets which should always be referenced to functionality and replacement costs. By

our estimates, today's CRE values imply little or no premium to replacement costs. Consequently, there is limited incentive to build on a large scale despite overall low/moderate vacancy, particularly for quality real estate. Rents are rising but will need to rise materially to meet higher hurdle rates to justify meaningful new supply.

As the chart below highlights, data centres are an exception. In response to exceptional occupier demand, data centres are attracting outsized capital which suggests a looming oversupply issue, although we note energy constraints appear to be keeping excessive short term supply in check in core locations.

### Projected annual change in construction spending 2026

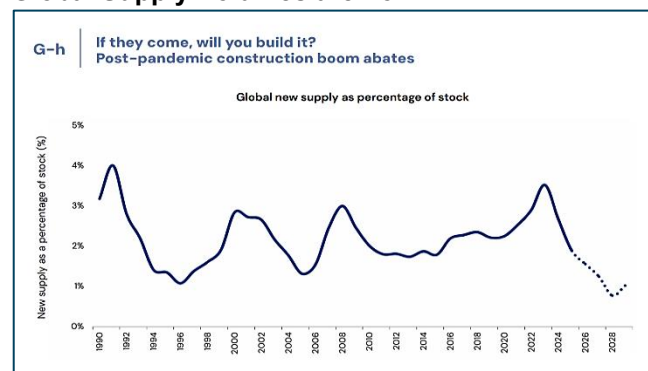


Source: FMI Corp, WSJ, Jan 2026

In an overall sense, **occupancy rates are elevated in a broad range of CRE segments**<sup>4</sup> including higher quality office buildings, the segment viewed generally as most at risk to AI related job losses. Hence, the commercial real estate pool currently appears fit for purpose and REITs generally exhibit industry leading metrics.

Crucially, as highlighted in the chart below, overall CRE construction is moderate and trending to historically low levels, suggesting a looming undersupply if occupier demand patterns are broadly consistent with historic norms.

### Global Supply Volumes are Low



Source: Lasalle, Nov 2025

<sup>4</sup> Smaller sectors such as life science and cold storage are notable exceptions

Hence demand is key to the outlook. In light of the promised transformational benefits of AI, the market's concern is focused on occupier demand for physical commercial real estate space. The ability of AI and robotics to reshape the economy and its commercial applications is yet to be comprehended. Computing and IT development over the past 50 years has extinguished some menial tasks, but significantly improved productivity, and freed up resources for newly created previously unimagined jobs. Crucially demand for physical space expanded, albeit at uneven rates among various property categories. There is cause to believe AI will continue this trend, but the path will likely be uneven.

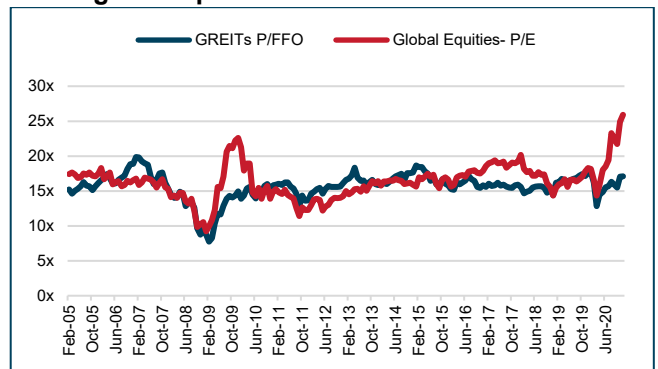
**Sector Valuation Metrics suggests investors remain cautious.** With an underlying property yield of circa 6%<sup>5</sup>, listed REITs are trading at/or below appraisal valuations. So much so that REITs are increasingly activating share buy backs. Given REITs are required to pay-out taxable earnings this not a material initiative<sup>6</sup>, and we stress dividends are not at risk of being cut as a funding source. But it does point to management's conviction that REITs are trading cheap to intrinsic value.

Based on current pricing, REITs are trading on 16x Funds From Operations (FFO) multiple of 2026 forecast earnings, consistent with the long term average, with earnings growth forecast to be 5-6%, improving over 2025 and above the rate of inflation.

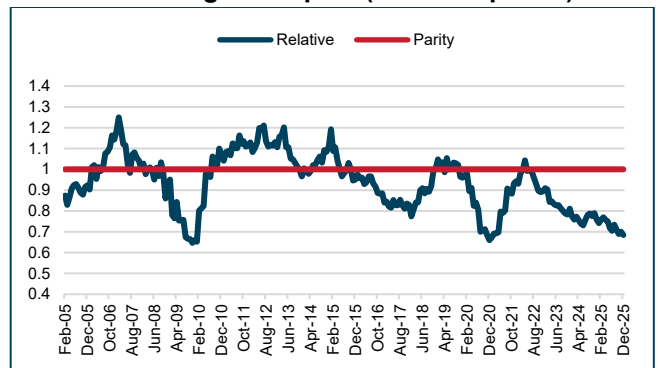
But we stress the earnings multiples should not be viewed as the sole valuation arbiter. Crucially when referenced against replacement costs, supply and occupancy, the valuation is far from demanding, particularly given the REIT sector's balance sheet is generally strong and dividends are covered by effective operating cashflows. Even U.S. seniors housing, the most highly rated multiple segment of the REIT market today, remains at or below replacement costs owing to elevated building costs and the occupancy fall-out from COVID.

Furthermore, the earnings multiple should be viewed against other investment alternatives. As suggested in the following chart, versus the average equities valuation, REITs appear outstandingly cheap. That said, we acknowledge equities valuations are heavily skewed by a select group of mega caps typically pertaining to AI.

## Earnings multiples



## Relative Earnings Multiples (GREIT/Equities)



Source: Bloomberg, FactSet, Dec 2025

GREITs: FTSE EPRA Nareit Developed Index

Global Equities: MSCI World Index

Importantly we see no undue signs of pressure on credit availability, quite the opposite, with REITs enjoying historically low credit margins thanks to the prevalence of investment grade ratings afforded by many REITs

Should REIT discounts to underlying persist and there is growing evidence of liquidity returning to the direct CRE investment market, we believe it is natural to expect greater levels of REIT merger and acquisition activity.

Segments positioned to do well, which collectively comprise nearly 70% of the Portfolio, include network dense/colo data centres, prime retail, needs-based seniors housing and residential, select central offices and well located industrial.

In conclusion, REITs enter 2026 largely in a position of operational and financial strength. Desirable space, which our REITs typically focus on, is becoming more scarce, and while there is not a feeding frenzy by tenants, the low supply dynamics means landlords are gaining the upper hand and lease terms are firming. Should occupier demand prove robust, the industry is

<sup>5</sup> Resolution Capital Swordfish universe based on 2026 earnings

<sup>6</sup> Absent large scale dispositions and/or leveraging up which we do not believe are viewed as viable/practical capital management initiatives in today's environment

in a position to generate increasingly meaningful real income growth in the medium term.

Whilst the only constant is change, one could argue we have been afflicted by the Chinese curse “may you live in interesting times”. We take comfort from being invested in high quality, well capitalised, listed liquid real estate which will continue to house the economy and society in general.

ESG

New York City's Local Law 97: Compliance, Challenges, and Decarbonisation Pathways

Local Law 97 (LL97), enacted in 2019, sets emissions reduction targets for large commercial and multifamily properties in New York City (NYC). The law introduces emissions caps, reporting requirements, and financial penalties for non-compliance, creating a framework that influences building operations and investment decisions. While NYC has put several programs in place to assist landlords complying with LL97, there have been a number of factors that are suggestive of the potential for delays and a slightly more relaxed enforcement of the law.

LL97 aims to reduce the carbon emissions of commercial and multifamily properties over 25,000 sqft in NYC by 40% by 2030 and 80% by 2050 compared with 2017 base year. The law also has potentially financially material fines for buildings that exceed carbon limits at \$268 per ton of carbon emitted over the regulated limits. This fine applies each year the property is over the emissions limit. There are also fines for landlords that do not submit the necessary reporting or those who submit false reports. There is an increasingly material and ongoing financial incentive for landlords to comply with the legislation and invest in upgrading the performance of their properties, rather than just paying the fine each year for non-compliance.

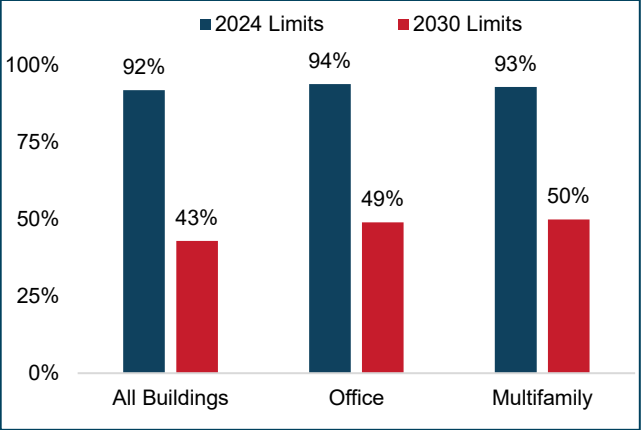
For most properties covered by LL97, the emissions caps for the 2024 - 2029 period will not cause too many compliance issues. The vast majority of the 50,000 properties covered by LL97 meet the emissions cap for this period. The level of compliance achieved under this first emissions cap will become clearer once reporting is completed for 2024. This reporting is due by the end of December 2025.

However, the emissions cap for the next stage of the law, from 2030 to 2034, is much more likely to cause problems. At a 40% reduction in emissions, landlords need to be planning now and investing in their buildings ahead of 2030 to ensure their properties meet that emissions target.

The chart below shows the proportion of properties that meet the 2024 emissions and cap as well as the 2030

cap. Approximately 43% of the buildings covered by LL97 do not currently meet the 2030 requirements.

Proportion of properties meeting emissions reduction requirements



Source: Urban Green Council, "Local Law 97 Progress", 2025.

Given the significant number of properties that are not meeting the 2030 target, shown in the chart above, there have been increasing concerns that these limits might not be as strictly enforced as needed for the legislation to achieve its decarbonisation goals.

To address affordability concerns tied to the necessary decarbonisation upgrades, NYC introduced a comprehensive support system for LL97 compliance. The NYC Accelerator provides free technical assistance to over 22,500 buildings, helping owners understand compliance requirements, develop project scopes, and connect with contractors and financing options, with a specialised track for affordable housing properties. Financial support is also available across a range of programs that could include up to 100% project funding repaid through property taxes, NY State programs that could cover 30-50% of upgrade costs, as well as utility rebates that provide per-measure incentives for affordable buildings (such as \$500 per boiler tune-up). Multifamily buildings with substantial rent-regulated units can also use a prescriptive compliance pathway, implementing specific energy conservation measures rather than meeting numerical carbon caps in the early years.

However, NY's previous mayor had sent conflicting messages about the strictness of LL97 enforcement. While launching a "Getting 97 Done" initiative in September 2023 to emphasize enforcement, the administration simultaneously created flexibility mechanisms through Department of Buildings rules that allow building owners to mitigate fines via "Good Faith Effort" provisions by demonstrating progress on implementing decarbonisation projects and submitting compliance plans. There has been criticism of these measures arguing that the rules could push back effective compliance dates by two years and may delay compliance, allowing non-compliant building owners to avoid consequences through a process called "mediated resolution". This could allow a significant amount of agency discretion and unclear standards.



Implementation concerns also extend beyond policy design to operational capacity and timeline management. It is not clear if the Department of Buildings, which is responsible for enforcing compliance with the law, has sufficient capacity to monitor the 50,000 buildings covered by LL97. It is estimated that the department has under resourced its staff by 50% of what is required. Staffing shortfalls coupled with multiple deadline extensions have raised concerns that New York city may potentially be underprepared, and there may be a political unwillingness to enforce the law strictly.

At the New York State level there have also been some regulatory and legislative decisions that could complicate LL97 compliance in later years. The most prominent is the decision to indefinitely delay enforcement of the All-Electric Buildings Act. NY Governor Kathy Hochul cited affordability concerns as justification for delay. The Act was passed in 2023 and required almost all new buildings under seven stories use electric-only systems from the start of 2026 and all new buildings after 2029.

Major U.S. REITs with exposure to LL97 have stated that they are well placed to comply with the upcoming targets, with almost all highlighting full compliance with the 2024 emissions caps. NY focused office REITs including portfolio holdings Vornado (VNO) and Empire State Realty Trust (ESRT), as well as SL Green (SLG) have publicly stated they expect to be compliant or face minimal impact through to 2029, having made significant decarbonisation related investments. All three have acknowledged, however, that the 2030 emissions caps will be more difficult and require additional investments.

Local Law 97 remains a pivotal element of NYC's climate strategy, setting ambitious targets that will shape the real estate sector for decades. While early compliance trends are encouraging, the next phase, particularly the 2030 emissions caps, will require sustained investment, clear guidance, and effective collaboration between policymakers, building.



## Fund Changes

- Divested exposure to:
  - UK residential REIT UNITE Group (UTG)
  - European office REIT Gecina (GFC)
  - US retail REIT Agree Realty Corporation (ADC)
- Introduced exposure to:
  - UK industrial REIT SEGRO (SGRO)
  - US residential REIT AvalonBay Communities (AVB)
  - US retail REIT Macerich (MAC)
- Switched from under to over benchmark weight in US retail REIT Simon Property Group (SPG)
- Reduced over benchmark weight in US data centre REIT Digital Realty Trust (DLR)
- Switched from over to under benchmark weight in US retail REIT Kimco Realty Corporation (KIM)

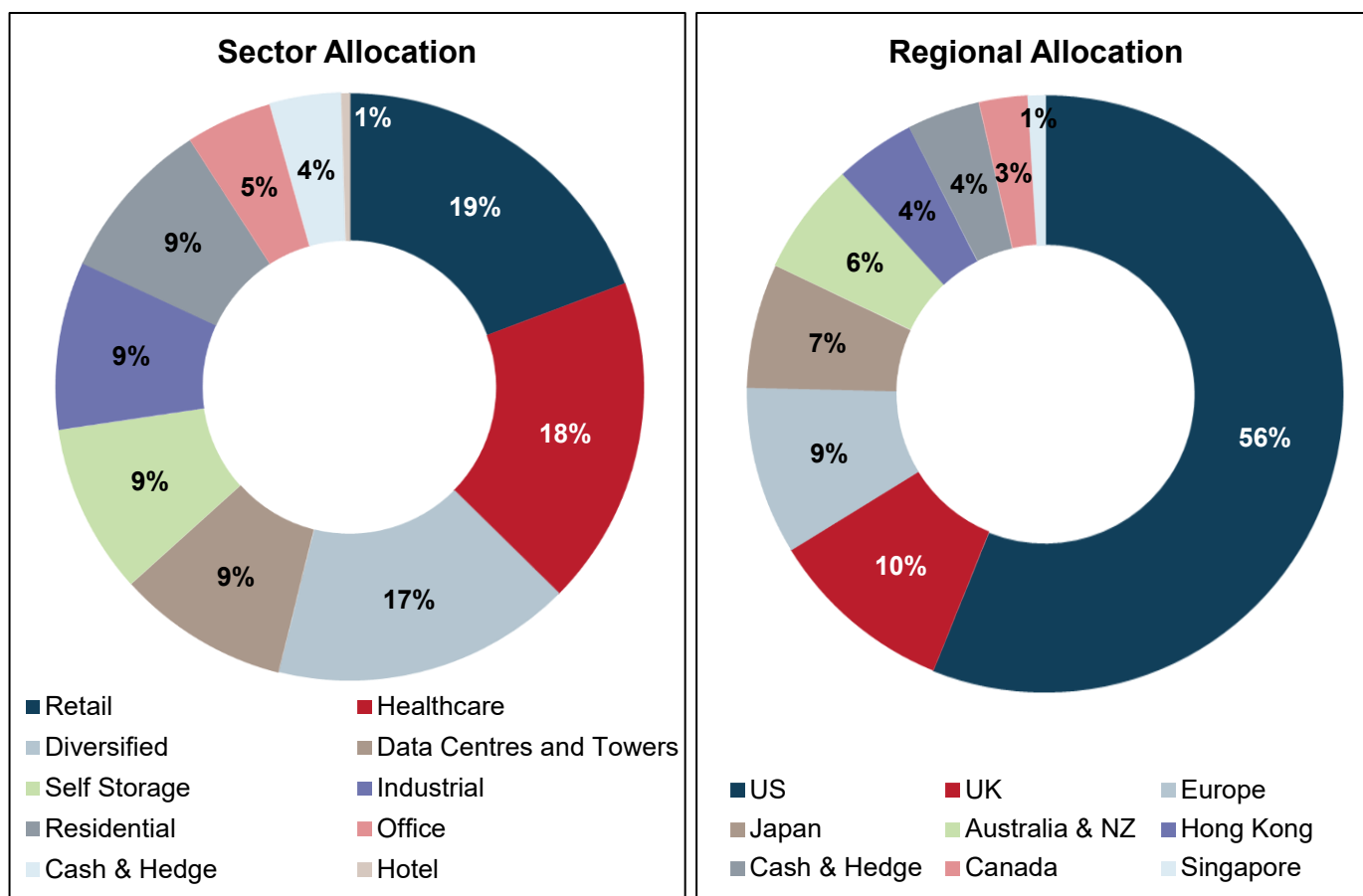
## Fund Top 10 Holdings

### Top 10 Portfolio Holdings – 31 December 2025

Stock	Sector	Listing	Portfolio Weight
Welltower Inc.	Healthcare	US	8.6%
Equinix, Inc.	Data Centres And Towers	US	5.5%
Ventas, Inc.	Healthcare	US	5.1%
Prologis, Inc.	Industrial	US	5.0%
Simon Property Group, Inc.	Retail	US	4.8%
Federal Realty Investment Trust	Retail	US	4.3%
Unibail-Rodamco-Westfield SE	Retail	Europe	4.0%
Mitsui Fudosan Co., Ltd.	Diversified	Japan	3.9%
Digital Realty Trust, Inc.	Data Centres And Towers	US	3.9%
Sun Hung Kai Properties Limited	Diversified	Hong Kong	3.6%

Illustrative only and not a recommendation to buy or sell any security.

## Allocations – 31 December 2025



Source: Resolution Capital

## Contact Details

### Andrew Parsons

CIO - Portfolio Manager

Email: [andrew.parsons@rescap.com](mailto:andrew.parsons@rescap.com)

### Marco Colantonio

Portfolio Manager

Email: [marco.colantonio@rescap.com](mailto:marco.colantonio@rescap.com)

### Robert Promisel

Portfolio Manager

Email: [robert.promisel@rescap.com](mailto:robert.promisel@rescap.com)

### Julian Campbell-Wood

Portfolio Manager

Email: [julian.cwood@rescap.com](mailto:julian.cwood@rescap.com)

### Resolution Capital Limited

Tel: +61 2 8258 9188

Email: [clientservices@rescap.com](mailto:clientservices@rescap.com)

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**Resolution Capital Limited ABN: 50 108 584 167 AFSL No. 274491**

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