

nuveen

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RealAccess

Alternative insights for global investors

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Alternatives

*Diving into
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OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

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Shedding light on alternatives

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Alternatives

Diving into private markets

Alternative investments may expand opportunities for portfolio diversification, income and returns. Private market investments offer potentially uncorrelated risk exposures and return profiles that could help mitigate public market volatility, protect against inflation and improve returns.

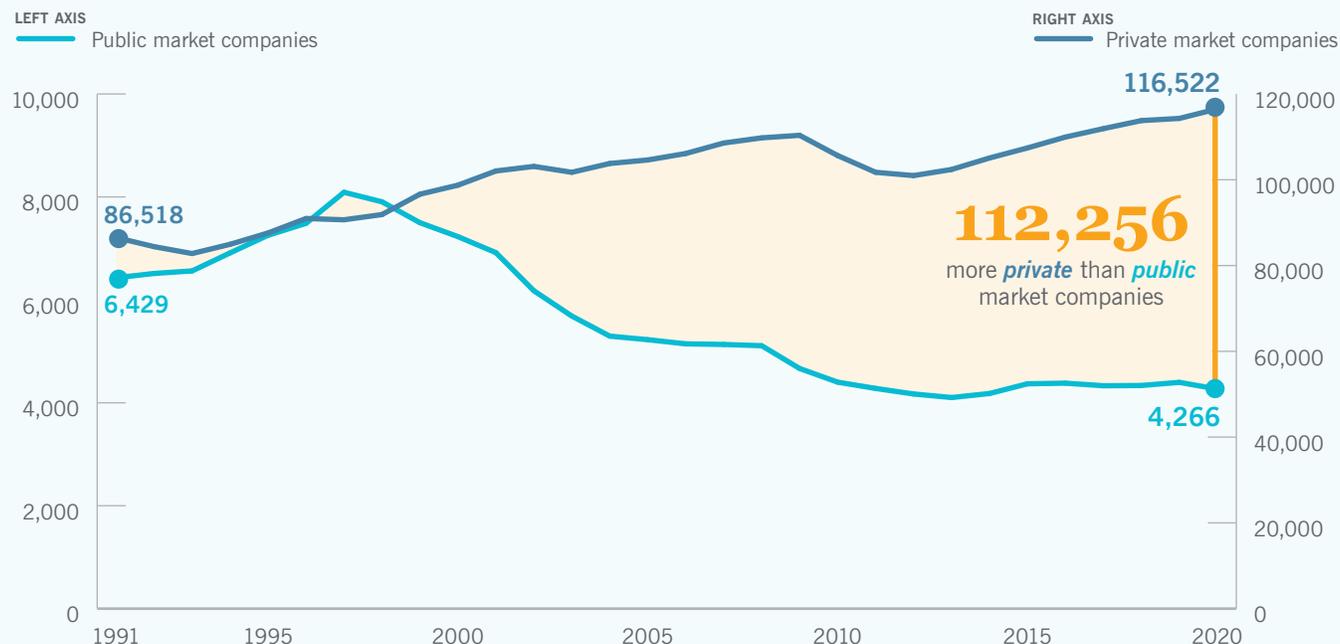
However, we often hear concerns from investors who are new to private markets. Here we aim to shed light on some frequently asked questions.

Where did all the public companies go?

The number of publicly listed U.S. companies has plummeted since peaking at more than 8,000 in the mid-1990s. The rise of private equity allows companies to remain private longer, giving them time to establish themselves without market scrutiny and the rigors of quarterly reporting. More startups are waiting to reach unicorn status (\$1 billion+ valuation) before going public or are choosing to be acquired rather than manage the uncertainties of an initial public offering.

Regardless of the business case, this well-established trend means private markets offer many more investment opportunities than the public markets.

PRIVATE MARKET OPPORTUNITIES FAR OUTSTRIP THOSE OF PUBLIC MARKETS



Data source **Chart:** Nuveen Portfolio Strategy Group. U.S. unlisted company data: U.S. Census Bureau; U.S. listed company data: Bank for International Settlements World Development Indicators. 31 Dec 1990 – 31 Dec 2019. **Table:** U.S. company counts: U.S. Census Bureau, NAICs data, March 2023; U.S. listed company count from Center for Research in Security Prices U.S. Market Update, August 2023.



A widening opportunity set is a key element of the private market advantage. The growth previously seen in public markets is now happening in private markets. Non-bank lenders now account for nearly 80% of loan origination, versus less than 30% in 1994. We expect the industry to continue shifting away from traditional financing sources such as banks and equity markets and toward private capital.

Data source: Pitchbook LCD, 31 Dec 1994 – 31 Dec 2022. Non-banks include institutional investors and finance companies. Most recent data available.

153K

**U.S. companies with
50+ employees**

181K

**U.S. companies with
\$10M+ revenues**

3.8K

**U.S. listed
companies**



How do individual investors access private markets?

Private market investments are increasingly available in more liquid and accessible structures, including publicly traded mutual funds and exchange-traded funds. We have also seen steady growth of semi-liquid structures like interval funds, non-traded real estate investment trusts (REITs), business development corporations (BDCs) and tender offer funds.



INTERVAL FUNDS

Similar to open- and closed-end mutual funds, interval funds are registered under the Investment Company Act of 1940, regulated by the SEC and offer simplified tax reporting (1099 instead of K-1). They are often more affordable and convenient than the traditional limited partnership structure.



BUSINESS DEVELOPMENT CORPORATIONS (BDCS)

Investors can buy and sell shares in traded BDCs on an exchange. A non-traded BDC provides financing primarily to privately held U.S.-based companies that cannot access funding from banks or other traditional lenders. They offer investors the potential for higher yields, lower volatility and greater diversification compared to public fixed income.



REAL ESTATE INVESTMENT TRUSTS (REITS)

Investors can buy and sell shares in traded REITs on an exchange. A non-traded REIT is designed to reduce or eliminate tax while providing returns on real estate; however, investors should know that non-traded REITs are less liquid than traded REITs.



TENDER OFFER FUNDS

These continuously offered closed-end funds are not listed on a stock exchange. They seek to provide investors with liquidity by offering to repurchase a percentage of their outstanding shares.

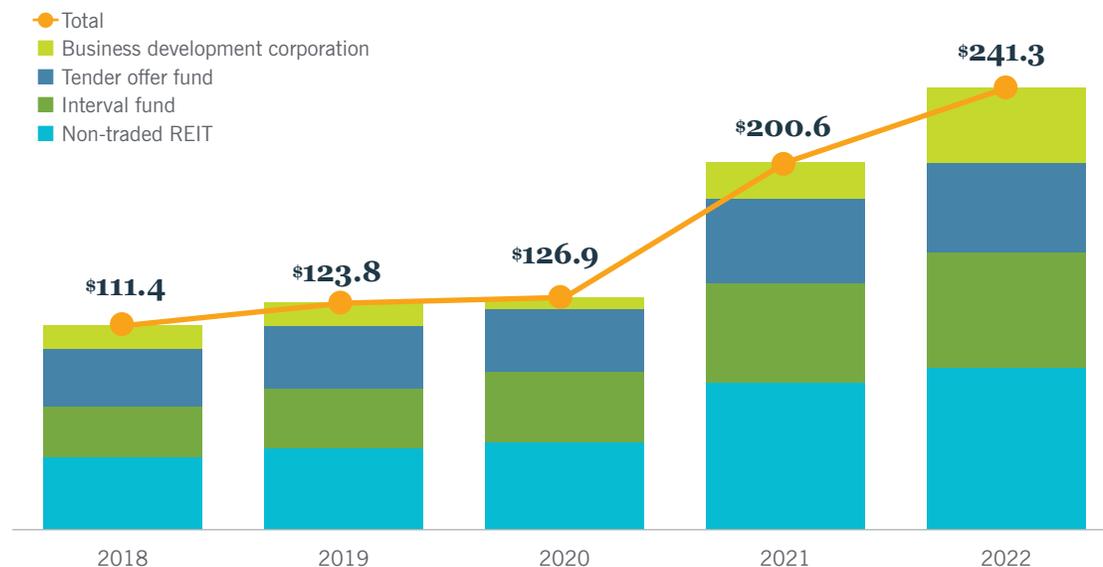
Who should consider alternatives?

Investors have unique risk tolerances and liquidity needs, and alternatives can address specific concerns and desired outcomes:

- Explore asset classes that offer return potential but may be relatively less volatile
- Diversify traditional holdings beyond public equity and fixed income
- Consider new asset classes like real estate or farmland that may provide balance as more tangible assets
- Diversify direct investments in residential properties with a multisector, institutionally managed portfolio of private real estate
- Explore investing in startups and new businesses via private capital investments in private mid-sized companies

SEMI-LIQUID PRIVATE MARKET STRUCTURES HAVE EXPERIENCED STEADY GROWTH

Assets (\$ billions)



Data source: The Cerulli Report | U.S. Alternative Investments 2023.



The remote work revolution has changed office space



Investors have many concerns about the market for office space. But the picture is not quite as dire as some might suspect. Office real estate around the globe has responded very differently from one country to another. And even in the hardest-hit office markets, some segments continue to show strong returns. However, investors are right to be careful, and trends are changing offices around the globe.

1

Remote working is becoming more widespread

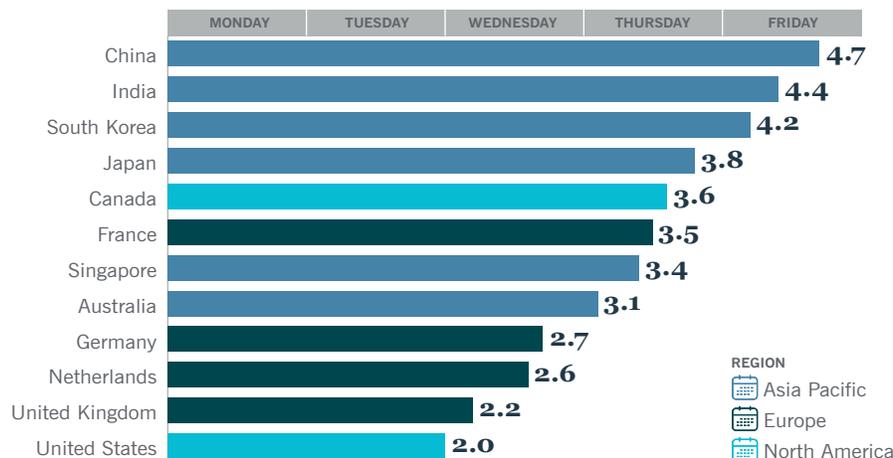
No global region has returned to normal attendance since the pandemic, but the Asia Pacific (APAC) region leads the way, followed by Europe and the U.S.

Cultural bias toward face-to-face interactions and team building have bolstered attendance in APAC. Additionally, tight living quarters in major office centers across APAC and Europe have drawn workers back to the office. Finally, superior public transit means workers spend less time and cost commuting.

The U.S. lags partly because workers rely on car travel, with long commutes exacerbated by aging infrastructure. Larger living quarters make working at home more feasible, and workers are reluctant to give up the flexibility of remote working.

WORKERS IN ASIA PACIFIC ARE SPENDING THE MOST DAYS IN THE OFFICE

Days working in the office



Data source: JLL, November 2023.

2

Leases active prior to the pandemic are expiring

The average office lease blended across markets and lease types (i.e., new leases versus renewals) is 7.75 years.¹ Given the long-term nature of office leases, many active leases were signed prior to the pandemic. These firms have not had the opportunity to make space decisions with full knowledge of the new hybrid environment.

On the other hand, an estimated 50% of leases that were active prior to the pandemic have expired, closely in line with demand losses to date, suggesting the trend is on pace for the projected decline in space needs.

3

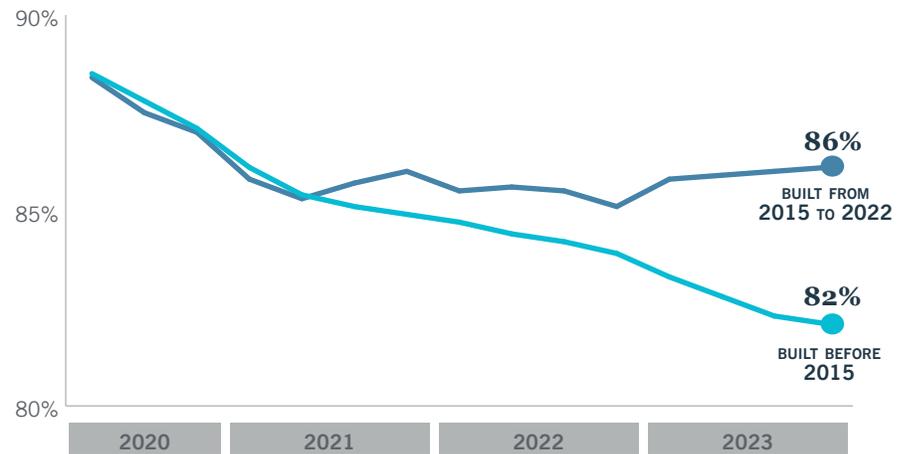
The U.S. confronts excess supply

Even with an expanding knowledge-based workforce, the U.S. will likely need less office space in 10 years than prior to the pandemic. Current owners face formidable near-term risks, including debt maturities, escalating capital expenses and a weak leasing environment. This distress should help force a repricing of assets to current market conditions and allow new owners with lower cost bases to improve assets and compete for future demand.

And a flight to quality trend has emerged. Older properties without significant renovations are losing a heavier share of occupancy. They generally lack sufficient rents to justify meaningful investment and are becoming stranded assets. Newer properties built to modern standards are increasingly taking market share.

THE U.S. FLIGHT TO QUALITY HAS ACCELERATED

Share of occupancy (%)



Data source: CoStar Group, Inc., Nuveen Real Estate Research, 30 Jun 2020 – 31 Dec 2023.



4

Asia Pacific faces economic challenges

Asia Pacific occupancy has recovered across many regional markets, with office attendance rates approaching 80% for Japan, Hong Kong and South Korea versus 50% for the UK and U.S.²

But economic growth in the region is weakening in 2024, and the hit to business sentiment and profitability has dampened medium-term occupier demand for office space. More than ever, investors in search of recurring income returns should focus on well-located, quality buildings with strong ESG credentials.

5

Europe is driven by an environmental agenda

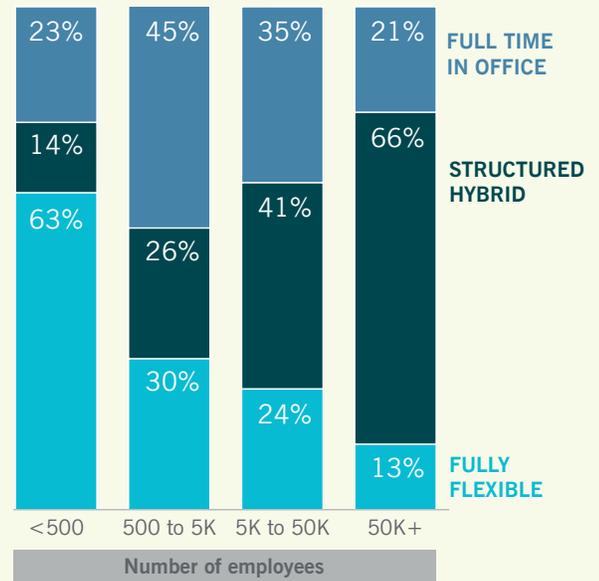
Energy efficiency and decarbonization have become particularly pertinent for corporate occupiers, accelerating the bifurcation between relevant and obsolete office stock. Post-pandemic office attendance and soaring energy bills due to the war in Ukraine have only served to reinforce this trend.

European cities vary considerably in terms of the age of the stock. Upgrading space at lease expiry is expected to play a major role in reversing obsolescence in coming years, and environmental upgrades will likely play an important role in sector revitalization.

U.S. workers are back in the office mostly part-time

In the U.S., whether by choice or mandate, many workers are heading back to the office, but expectations have changed. Attendance peaks mid-week at around 60% occupancy.³ Most fully remote firms are moving toward hybrid schedules. Requiring a physical presence in the office for even part of the week keeps workers living and working in the same metro area, which has far-reaching ramifications across property sectors and markets. Conversely, many previously fully in-office firms are also pivoting toward hybrid models, thus muting the impact overall.

OFFICE ATTENDANCE REQUIREMENTS



Data source: The Flex Index (flex.scoopforwork.com), Q3 2023 Flex Report. Sample size: 4,762 companies.

The risks are real, but we see space for winners

The office market will be challenged for years to come. However, certain factors may mitigate the headwinds, including future job growth and a renewed commitment to building out space that fosters collaboration. Careful asset selection backed by strong market research and purposeful business plans should generate opportunities. Regardless of the region, investors will be wise to prioritize green credentials and spaces that foster collaboration.

Private capital

4 critical themes for 2024

We believe 2024 may usher in a new Goldilocks era of growth and opportunity in private capital. Market dynamics should create opportunity for those best positioned to capitalize on four market themes.



1

New normal rates

With interest rates expected to ease, we anticipate a more forgiving financing environment for private equity sponsors. Considering the depressed levels of merger and acquisition activity in 2023, owners have been slower to achieve realizations for their limited partners. With more favorable all-in debt costs, equity returns should start improving, accompanied by a more accelerated deployment of dry powder for 2024.

These trends are also tailwinds for portfolio performance. A lower benchmark should return interest and fixed charge coverages to more comfortable levels and allow borrowers with payment-in-kind (PIK) instruments to activate cash-pay options.

2

Key market participants

We think winners in today's market have distinct attributes:

Asset managers with scale, diverse investment capabilities, diverse sources of dry powder and sustainable deal-sourcing advantages should thrive.

Private equity firms with dry powder and proven valuation discipline should prevail as the buyer of choice for the best platform investment opportunities.

Portfolio companies with prudent balance sheet structures or leveraged bifurcated financing strategies that offer PIK flexibility should be best suited to pursue growth opportunities.

3

Stay alive to thrive

What goes into creating portfolio excellence?

Diversification must be evaluated across several dimensions, including sector, deal structure, leverage profile, sponsor relationships and company model. Low position size is critical.

Flight-to-quality should always be a focus. By consistently backing strong businesses, investors may enjoy sustained growth despite a tough environment.

Clear alignment has been crucial to mitigating risk. General partners not only bring experience creating value through market cycles, but also have meaningful stakes in the outcome, typically through an equity investment.

4

Next gen private capital

Lower interest rates in 2024 will likely create more advantageous conditions for liquid loans. In such conditions, banks typically invade the higher end of the middle market, with higher leverage, unitranche, cov-lite structures and tighter pricing.

However, today the largest private debt managers have armed themselves with hold levels above \$1 billion for cov-lite term loans and created capacity in specialized industries like retail, software and technology. For traditional middle market borrowers, direct lenders have benefited from a wildly skewed ratio of private versus public financings.

Real estate

***Beyond
bricks:***
**Innovation
is driving
the future of
real estate**

While market turbulence will proceed into 2024, we believe select real estate opportunities will continue to present compelling investment opportunities. Real estate portfolios that allocate to alternative property types and are focused on large-scale trends could benefit from enhanced diversification and superior resiliency.

GENERATIVE ARTIFICIAL INTELLIGENCE (AI)

Innovations have the potential to revolutionize underwriting, valuation, development, leasing, building operations and risk. AI intersects with real estate in multiple ways, from changing the number of employees in an office to enhancing operations systems like building heating and cooling systems. New buildings with state-of-the-art specifications will be an important part of the AI trend.

BATTERY/CHIP MANUFACTURING

Demand for batteries and chips will create opportunities, particularly in former industrial cities. For example, Intel is investing in facilities in Columbus, Ohio, and Magdeburg and Dresden, Germany. Meanwhile, manufacturers of electric vehicles (EVs) and EV batteries are investing billions in cities like Spartanburg and Savannah in the Southeast U.S. and Billy-Berclau in the north of France.

ALTERNATIVE PROPERTY TYPES

These market segments — such as health care and self-storage — typically rely less on economic growth and more on demographics, structural changes and technology. One of the

biggest drags on real estate returns is the cost of maintaining a real estate asset. On average, these costs are lower for alternative sectors (13%) than for traditional real estate sectors (20%).

TRANSITION TO THE LOW CARBON ECONOMY

The structural factors toward the decarbonization of real estate continue to increase, with market bifurcation between brown and green buildings already observed in some European office markets. Net zero carbon market drivers are increasing demand for low carbon buildings and creating opportunity for new development and upgrading existing structures, which may lead to higher rents/income.

AGING POPULATIONS

10% of the world population is more than 65 years old, with the expectation to add 800 million more seniors by 2050. Across the developed world, more than one-third of the population may require senior living solutions. Ample opportunities exist to build up an attractive portfolio of senior housing assets across global cities that may deliver strong risk-adjusted returns backed by structural tailwinds.

Alternatives

Interval funds swim in less liquid waters

Alternative investments provide yield and total return potential, often by investing in less liquid assets. However, interval funds are considered alternative not because of their investments, but because of their tailored strategy to offer investors an illiquidity premium. And these strategies are catching on.

What are interval funds and how do they work?

An interval fund is a continuously offered closed-end fund that provides periodic liquidity through share repurchases. One main difference from other closed-end funds is that interval funds are typically not listed on an exchange. Interval funds are registered under the Investment Company Act of 1940. Investors can access less liquid investment strategies in a registered product and enter or exit their investment at net asset value.

Who might consider interval funds?

Interval funds may interest investors seeking:

- Additional yield and total return, often through less liquid investment strategies. This requires a higher risk tolerance.
- A registered investment vehicle similar to an open- or closed-end fund, but that shares characteristics with a private fund.
- Investment managers who may capitalize on opportunities that may be less accessible in vehicles offering greater shareholder liquidity.

What are the potential benefits?



ENHANCED YIELD AND RETURN POTENTIAL

Interval funds seek to put cash to work in public and/or private investments designed to pay a dividend and appreciate in value. Through active management, the investment teams carefully research each holding, evaluate the risk/reward payoff and manage the use of portfolio leverage (as applicable based on fund guidelines).



GREATER FLEXIBILITY

Interval funds do not need to manage daily inflows and outflows from investors buying and selling shares. Funds can remain fully invested because they do not need to hold cash to meet redemptions. Portfolio managers have flexibility to invest in less liquid securities that may have longer holding periods. Portfolios can reflect a longer-term view and may employ leverage⁴ to boost income.



MARKET AND PORTFOLIO LIQUIDITY

During times of market uncertainty and volatility, liquidity in the market comes under pressure as investors move to the sidelines. Funds can experience sharp declines in value, which may be magnified if the portfolio management team is not able to buy securities at attractive prices or sell securities that are not as marketable.

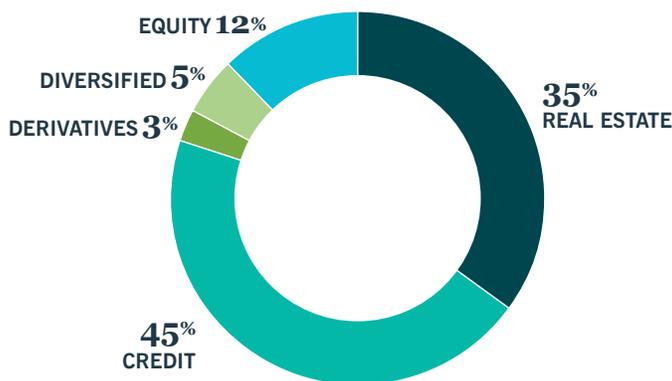


TIMING OF REDEMPTIONS

Interval fund shareholders who want to redeem their investments need to initiate a request during the period specified by the fund, usually quarterly. Since funds make available a certain percentage of outstanding shares, shareholders may not be able to exit their positions in full during a particular repurchase offer period.

FLEXIBILITY TO HOLD LESS LIQUID SECURITIES

Interval fund assets by category (%)



Data source: The Cerulli Report | U.S. Alternative Investments 2023. Data as of 2022.

The queen city

Our research team has analyzed more than 4,000 cities and identified the top 2% we believe are best positioned to benefit from global megatrends. Charlotte is one of these cities:

Banking powerhouse

Home to more than 53,000 banking sector jobs, ranking fifth on an absolute basis and first when adjusted for the size of the local labor force.⁵

Best places to live

Placed first in the extra-large metro category (population greater than 2.5 million) in the latest “Best Places to Live in the U.S. in 2023–24.”⁶

Migration magnet

Metro area continues to grow rapidly, adding 424,000 new residents over the past 10 years, a cumulative 18% increase, more than tripling the national average growth.⁷

Resilient local economy

7.5% more jobs than prior to the pandemic, versus 3.3% for the U.S. overall. Only six U.S. markets with employment bases greater than 1 million have had a stronger recovery.⁸

Business friendly

North Carolina is ranked highly for corporate tax structure, a favorable regulatory environment, access to capital/funding and workforce training programs.⁹



Nuveen is proud to have acquired Commonwealth, a new mixed-use development in the trendy Plaza Midwood neighborhood of Charlotte. By enhancing this turn-of-the-century site, we aim to create a walkable, vibrant community with apartments, coffee shops, fitness centers, restaurants and services.

3.5x

Ratio of banking jobs as a share of overall employment versus the national average.⁵

3rd

Growth rate ranking among metro areas with a population greater than 2 million.⁷

9 & 18

FORTUNE 500 FORTUNE 1000

Companies headquartered in Charlotte.¹⁰

A nighttime photograph of a cityscape in Charlotte, North Carolina. The scene features a modern fountain with multiple water jets illuminated from below, creating a warm yellow glow. In the foreground, there is a paved walkway, a grassy area with large rocks, and a young tree with purple blossoms. Several tall, slender light poles are visible, some of which are illuminated. The background is dominated by several skyscrapers, including the Bank of America Corporate Center, which is brightly lit and stands out against the dark blue night sky. The word "Charlotte" is written vertically in a large, white, serif font on the left side of the image.

Charlotte

For more information, please visit nuveen.com.

Endnotes

Sources

- 1 Source: CompStak, Inc.
- 2 Source: CBRE Group, Inc.
- 3 Source: Kastle Back to Work Barometer, <https://www.kastle.com/safety-wellness/getting-america-back-to-work/>
- 4 Leverage is created whenever a fund has investment exposure (both reward and/or risk) equivalent to more than 100% of the investment capital. Leverage involves the risk that a fund could lose more than its original investment and also increases the fund's exposure to volatility, interest rate risk and credit risk.
- 5 Source: Moody's Analytics, U.S. Bureau of Labor Statistics. Charlotte has a location quotient of 3.54 for credit intermediation employment (NAICS: 5221) as of 2023 Q4. This ranks first for U.S. metro areas with at least 15,000 credit intermediation jobs.
- 6 Source: The best places to live in the U.S., ranked. <https://realestate.usnews.com/places/rankings/best-places-to-live>
- 7 Source: Moody's Analytics, U.S. Census Bureau.
- 8 Source: Moody's Analytics, U.S. Bureau of Labor Statistics. Compares total nonfarm employment between 2020 Q1 and 2023 Q4 in metro areas with at least 1 million employed workers as of 2020 Q1.
- 9 Source: Kaelble, S. (14 Sep 2023). 2023 top states for doing business meet the needs of site selectors. Area Development. <https://www.areadevelopment.com/Top-States-for-Doing-Business/Q3-2023/2023-top-states-for-doing-business-meet-the-needs-of-site-selectors.shtml>
- 10 Source: Editors, F. (18 Dec 2023a). Fortune 500. <https://fortune.com/ranking/fortune500/2023/>

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Such information may include, among other things, projections, forecasts, estimates of market returns, and proposed or expected portfolio composition. Any changes to assumptions that may have been made in preparing this material could have a material impact on the information presented herein by way of example. **Performance data shown represents past performance and does not predict or guarantee future results.** Investing involves risk; principal loss is possible.

All information has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not be relied on as such. For term definitions and index descriptions, please access the glossary on nuveen.com. **Please note, it is not possible to invest directly in an index.**

Important information on risk

All investments carry a certain degree of risk and there is no assurance that an investment will provide positive performance over any period of time. Equity investing involves risk. Investments are also subject to political, currency and regulatory risks. Diversification is a technique to help reduce risk. There is no guarantee that diversification will protect against a loss of income. Debt or fixed income securities are subject to market risk, credit risk, interest rate risk, call risk, derivatives risk, dollar roll transaction risk, and income risk. As interest rates rise, bond prices fall. Foreign investments involve additional risks, including currency fluctuation, political and economic instability, lack of liquidity, and differing legal and accounting standards. These risks are magnified in emerging markets.

As an asset class, real assets are less developed, more illiquid, and less transparent compared to traditional asset classes. Investments will be subject to risks generally associated with the ownership of real estate-related assets and foreign investing, including changes in economic conditions, currency values, environmental risks, the cost of and ability to obtain insurance, and risks related to leasing of properties. Real estate investments are subject to various risks, including fluctuations in property values, higher expenses or lower income than expected, and potential environmental problems and liability. Please consider all risks carefully prior to investing in any particular strategy. A portfolio's concentration in the real estate sector makes it subject to greater risk and volatility than other portfolios that are more diversified and its value may be substantially affected by economic events in the real estate industry. International investing involves risks, including risks related to foreign currency, limited liquidity particularly where the underlying asset comprises real estate, less government regulation in some jurisdictions, and the possibility of substantial volatility due to adverse political, economic or other developments. As an asset class, agricultural investments are less developed, more illiquid, and less transparent compared to traditional asset classes. Agricultural investments will be subject to risks generally associated with the ownership of real estate-related assets, including changes in economic conditions, environmental risks, the cost of and ability to obtain insurance, and risks related to leasing of properties.

Investors should be aware that alternative investments including private equity and private debt are speculative, subject to substantial risks including the risks associated with limited liquidity, the use of leverage, short sales and concentrated investments and may involve complex tax structures and investment strategies. Alternative investments may be illiquid, there may be no liquid secondary market or ready purchasers for such securities, they may not be required to provide periodic pricing or valuation information to investors, there may be delays in distributing tax information to investors, they are not subject to the same regulatory requirements as other types of pooled investment vehicles, and they may be subject to high fees and expenses, which will reduce profits. Alternative investments are not appropriate for all investors and should not constitute an entire investment program. Investors may lose all or substantially all of the capital invested. The historical returns achieved by alternative asset vehicles is not a prediction of future performance or a guarantee of future results, and there can be no assurance that comparable returns will be achieved by any strategy.

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This information does not constitute investment research as defined under MiFID.

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