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IN FOCUS
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C-PACE outlook amid economic and political shifts

The current U.S. administration's focus on energy independence, efficiency and pro-business policies are expected to provide favorable conditions for Commercial Property Assessed Clean Energy (C-PACE) to continue to scale. From a policy standpoint, C-PACE is a state and locally legislated program, which has received support from both Republican and Democratic controlled states. C-PACE-enabling legislation has been passed under all presidential administrations since its inception in 2008, and is funded by private capital providers, such as Nuveen Green Capital (NGC), through a public-private partnership.

We expect C-PACE will continue to offer investors a combination of stable fixed-income returns and opportunity. C-PACE's state policy framework and scalability make it a key driver in commercial real estate (CRE) development, particularly as markets adapt to volatile political and economic landscapes.

Update from the Nuveen Green Capital Team

KEY FACTORS DRIVING CONTINUED C-PACE GROWTH OVER NEXT FOUR YEARS:

Insulation from federal policy shifts

C-PACE is a state and locally legislated policy and operates at the state and municipal level. As a result, it is largely insulated from federal policy shifts. C-PACE has consistently expanded under the last four presidential administrations and has received bi-partisan support across both Republican and Democratic controlled states. Under the first Trump presidency, NGC's originations grew at a compound annual growth rate of ~160%. Out of the states with an active C-PACE policy, 42% have a Republican governor and 58% have a Democratic governor. Most importantly, C-PACE is funded by private capital, not federal funds, so changes to federal budgets, incentives and mandates have little to no impact on C-PACE operations.

NGC expects that the primary driver for C-PACE originations for property owners will continue to be a "double bottom line" of improved operating efficiency and cost savings. At the same time, investors have been sitting on cash awaiting a catalyst, whether that was the start of Fed rate cuts or more visibility around the direction of economic growth or fiscal policy. For those who are still on the sidelines, perhaps a new administration could serve as the impetus for reallocating to fixed income.

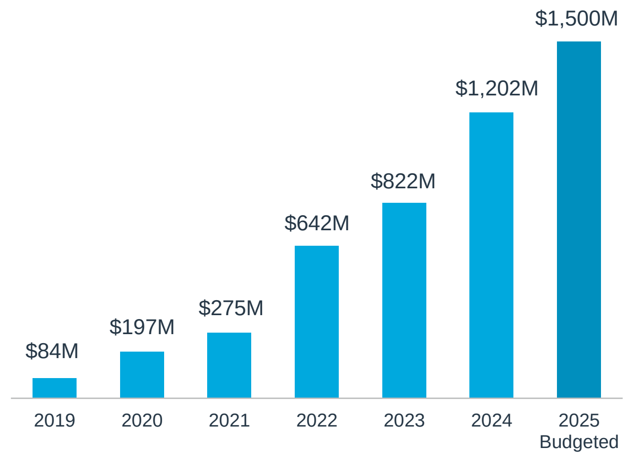
Durability of sustainability in CRE

Risks associated with sustainability and resiliency are increasingly affecting both building performance and investment returns, making it an ongoing focus for both building owners and investors. Regardless of federal regulations, initiatives in cities and states are being implemented to improve the building stock and protect real estate investments while addressing climate change concerns. In addition, tenant demand for sustainable buildings is unlikely to waiver, and property owners recognize the financial benefits of lowering operating costs and the increased property values of sustainable buildings.

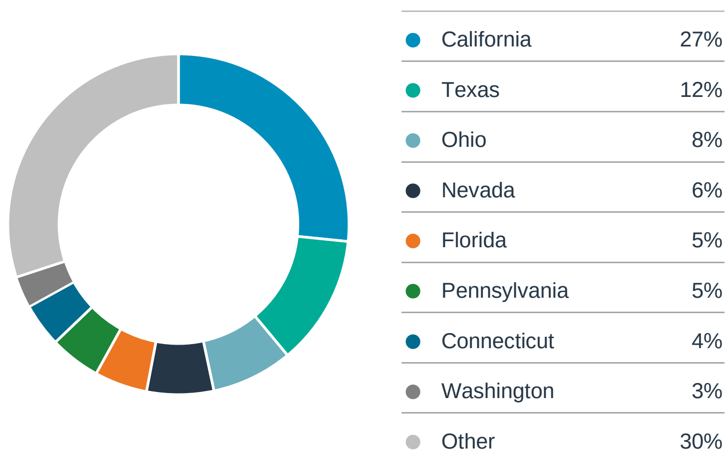
The need for resiliency in CRE is playing a key role as natural disasters increase and insurance premiums are rising. C-PACE is a strategy that can be used to mitigate insurance costs. Owners and developers can use C-PACE funds to implement upgrades that enhance their building's resilience against natural disasters, such as hurricanes or earthquakes. This allows them to make significant upfront investments without large out-of-pocket costs while avoiding higher insurance rates.

C-PACE programs are also a valuable economic development tool in many markets. To date, nearly 50,000 jobs have been created from NGC's C-PACE financed projects, according to the American Council for an Energy-Efficient Economy (ACEEE). Programs are well-established in Democratic and Republican states alike, with California and Texas reflecting two of NGC's largest markets. Using C-PACE financing, projects that would otherwise not be feasible can be unlocked for commercial property owners and developers, creating energy contracting and construction jobs, helping the community by consuming less energy and water, and improving the local property stock and value, which will, in turn, attract new residents and businesses to the area. This is all through a private capital financing structure that does not burden local governments. C-PACE also frees up capital for property owners to use elsewhere, further benefiting local economies.

C-PACE originations by year



C-PACE originations by state



Data as of 31 Dec 2024 and reflective of NGC's Portfolio

Macro environment may foster C-PACE originations growth

Higher tariffs and immigration restrictions may result in rising construction costs for both materials and labor. The increasing cost of CRE construction projects will drive demand for financing solutions to complete capital stacks, including C-PACE. We have seen an increase in NGC's C-PACE being used to recapitalize ongoing or recently completed CRE projects since 2020, where borrowers sought to complete the capital stack and reduce their projects' overall cost of capital. As of year-end 2024, recapitalization projects accounted for 40% of NGC's overall portfolio.

Trump has stated that he intends to make cuts to housing regulations, which would make multifamily housing less expensive to build. Such multifamily construction incentives could boost deal flow in the sector, while banks may continue to be sensitive to commercial real estate transactions in the near term, creating potentially more opportunity for specialty lenders like NGC. While market liquidity drivers such as Opportunity Zone renewal, lower taxes and deregulation of financial institutions will likely result in better capitalized borrowers and larger transaction size and volume.

C-PACE is well-positioned for volatility

As market volatility reduces insight into potential asset returns, C-PACE's flexibility to fund projects throughout all stages of construction, as well as its cost-efficiency as a fixed-rate, fully amortizing solution, is particularly attractive for sponsors and investors alike (according to the U.S. Department of the Treasury, the 10-year US Treasury was up 4.6% as of 31 December 2024 versus 0.9% as of 31 December 2020). C-PACE investment is expected to continue to deliver relative value and stable, risk-adjusted returns.

C-PACE's appeal and durability lies in its versatility of use and ability to adapt to and grow through changing market cycles. Its insulation from federal policy shifts, its attractiveness as a tool during volatile economic times and the need for continued focus on sustainability within the CRE market are likely to drive C-PACE demand for the next four years and beyond.

For more information, please visit us at nuveen.com.

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