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RealAccess

Alternative insights for global investors

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Alternatives

Diving into private markets

Shedding light on alternatives

We address investor concerns and questions.

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Sizing up the state of office space

Trends are transforming offices around the globe.

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Capitalizing on private capital dynamics

Ushering in a new era of growth and opportunity.

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Looking beyond the horizon in real estate

Select real estate presents investment possibilities.

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Charlotte, the queen city

Charlotte shows resilience and a dynamic market for business.

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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.

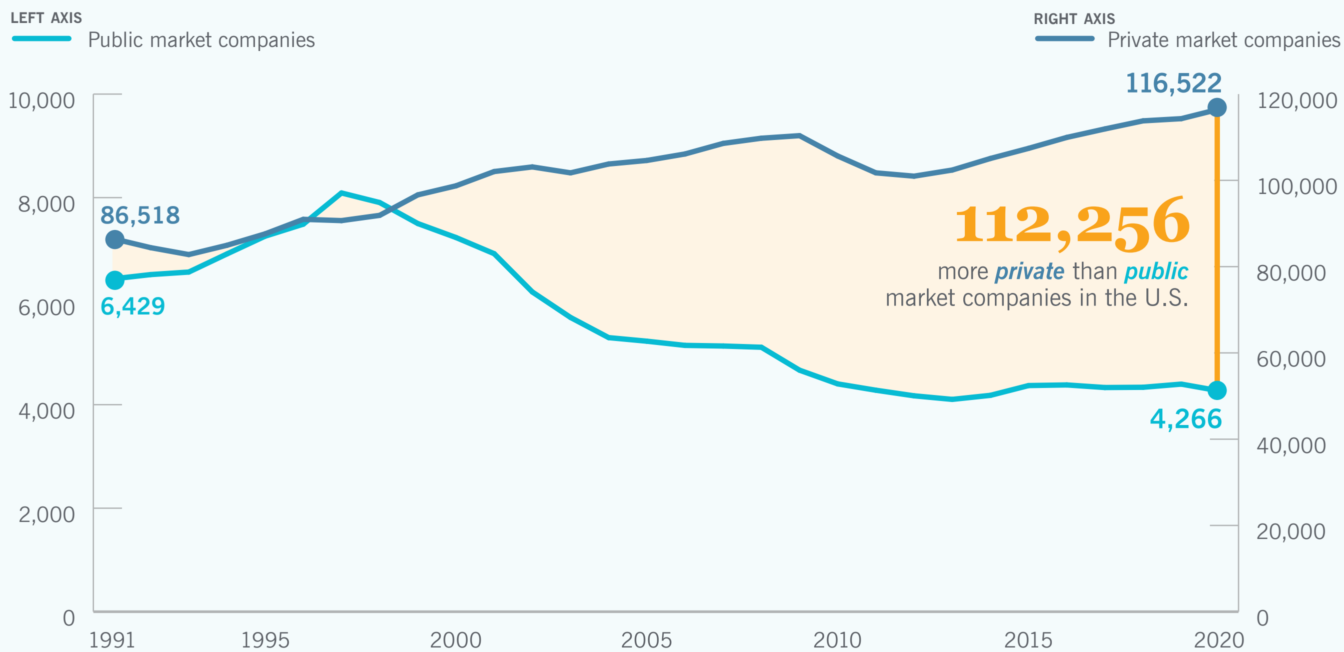
However, we often hear concerns from investors who are new to private markets. Here we aim to shed light on some frequently asked questions.

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.

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

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 innovative semi-liquid structures that bridge the gap between traditional and private markets. Commonly used vehicles include long-term asset funds in the U.K., European long-term investment funds, Luxembourg UCI Part II funds, reserved alternative investment funds and investment trusts.

U.K. LONG TERM ASSET FUNDS (LTAFS)

LTAFs are open-ended funds, available to retail investors and authorised by the U.K.'s Financial Conduct Authority. They can invest in long-term, private market assets. As such they have notice periods for redemptions and deal infrequently. LTAFs are predominantly marketed to UK defined contribution pension schemes and to sophisticated and high net worth investors.

EUROPEAN LONG TERM INVESTMENT FUNDS (ELTIFS)

ELTIFs provide investors with access to private market investments. Introduced in 2015, the ELTIF regime was recently revamped by the European authorities to facilitate semi-liquid investment strategies. It can be marketed to all types of investors, including retail investors, across the European Union using its passporting capabilities.

LUXEMBOURG UCI PART II FUNDS

A fund set up under Part II of the Luxembourg Law on undertakings for collective investment (UCI) is an investment fund that can invest in all types of assets. Recently, it has become an option for private market semi-liquid investment strategies. It can be sold to all types of investors, including retail across the European Union.

LUXEMBOURG RESERVED ALTERNATIVE INVESTMENT FUNDS (RAIFS)

RAIFs are for institutional and professional investors, as well as some high net worth investors. They can invest in private market assets and have been used predominantly for closed-ended investment strategies.

INVESTMENT TRUSTS AND REAL ESTATE INVESTMENT TRUSTS (REITS)

Investment trusts, including U.K. REITs, have a fixed number of shares (described as closed ended) and are usually traded on an exchange. REITs are a popular vehicle for property investment, distributing a significant proportion of rental income to its investors.

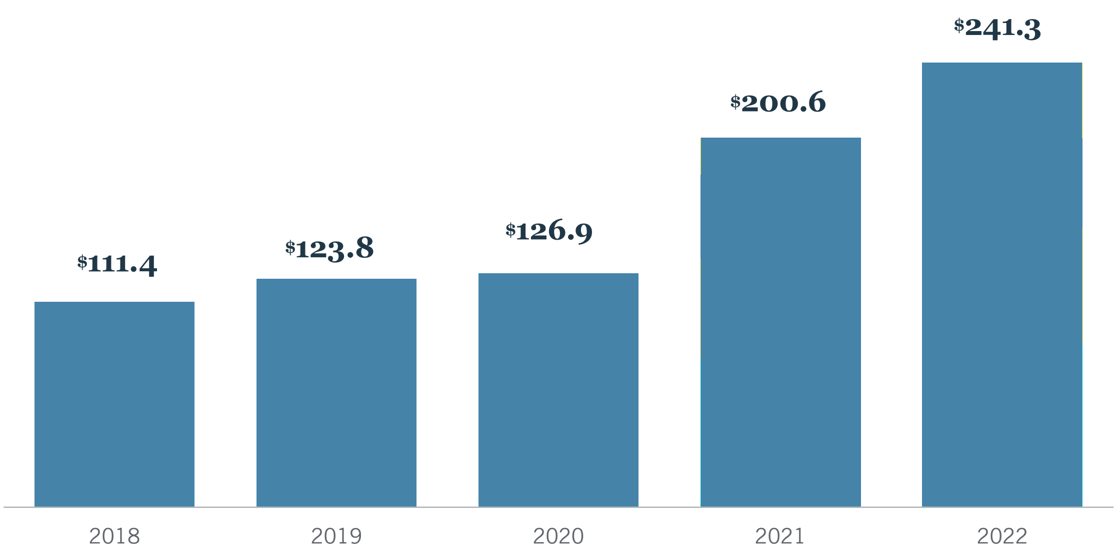
Who should consider alternatives?

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 IN THE U.S.

Assets ($ billions)



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

Real estate

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

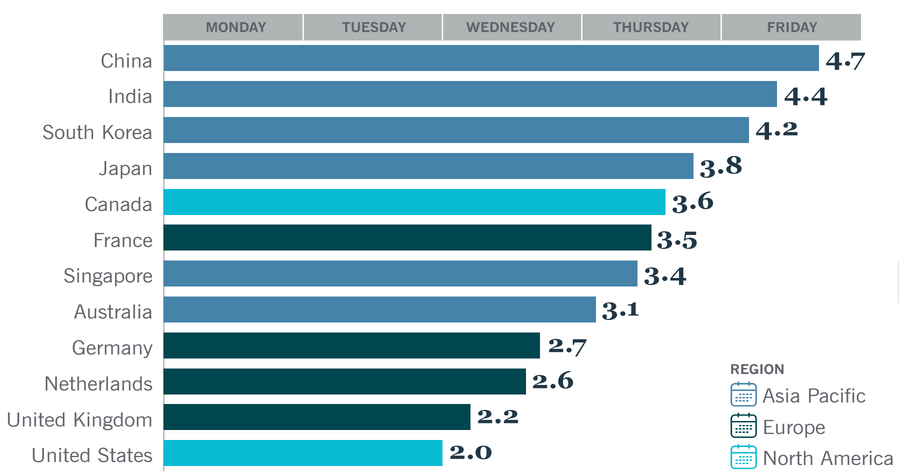
No global region has returned to normal attendance since the pandemic, but the Asia Pacific (APAC) region leads the way, followed by Europe and the U.S.

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 transport 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

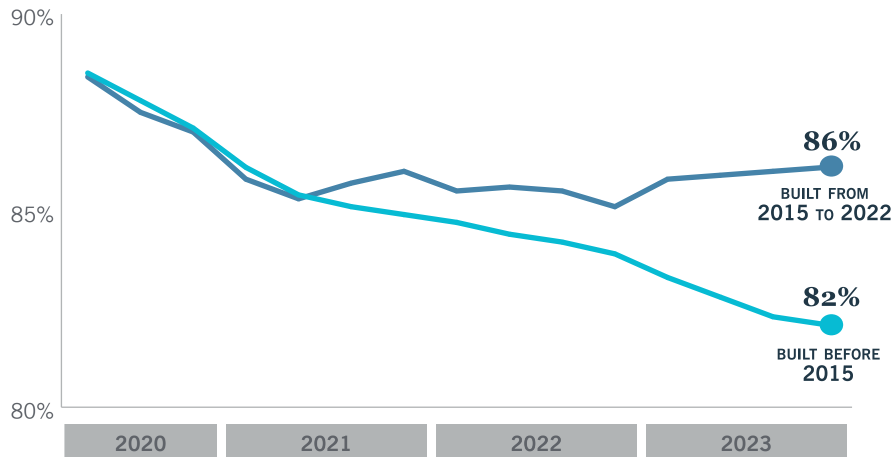
The U.S. confronts excess supply

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

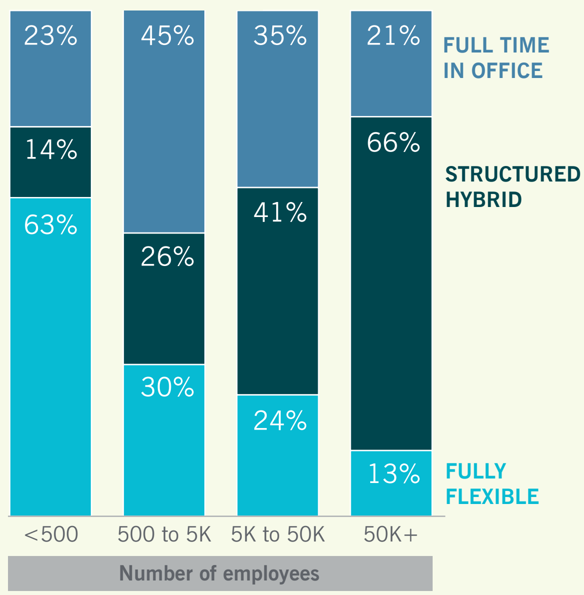
Energy efficiency and decarbonization have become particularly pertinent for corporate occupiers, accelerating the bifurcation between relevant and obsolete office stock. Post-pandemic office attendance and soaring energy bills due to the war in Ukraine have only served to reinforce this trend.

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 to look out for in private markets

We believe 2024 may usher in a new 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 likely continue in 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.

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, North Carolina 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.[4]

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."[5]

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.[6]

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.[7]

Business friendly

North Carolina is ranked highly for corporate tax structure, a favorable regulatory environment, access to capital/funding and workforce training programs.[8]

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 FORTUNE 500 **&** **18** FORTUNE 1000

Companies headquartered in Charlotte.[9]


Charlotte

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 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.

5 Source: The best places to live in the U.S., ranked. https://realestate.usnews.com/places/rankings/best-places-to-live

6 Source: Moody's Analytics, U.S. Census Bureau.

7 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.

8 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

9 Source: Editors, F. (18 Dec 2023a). Fortune 500. https://fortune.com/ranking/fortune500/2023/

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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