

APOLLO

# Real Assets Outlook

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**Apollo Global Management**

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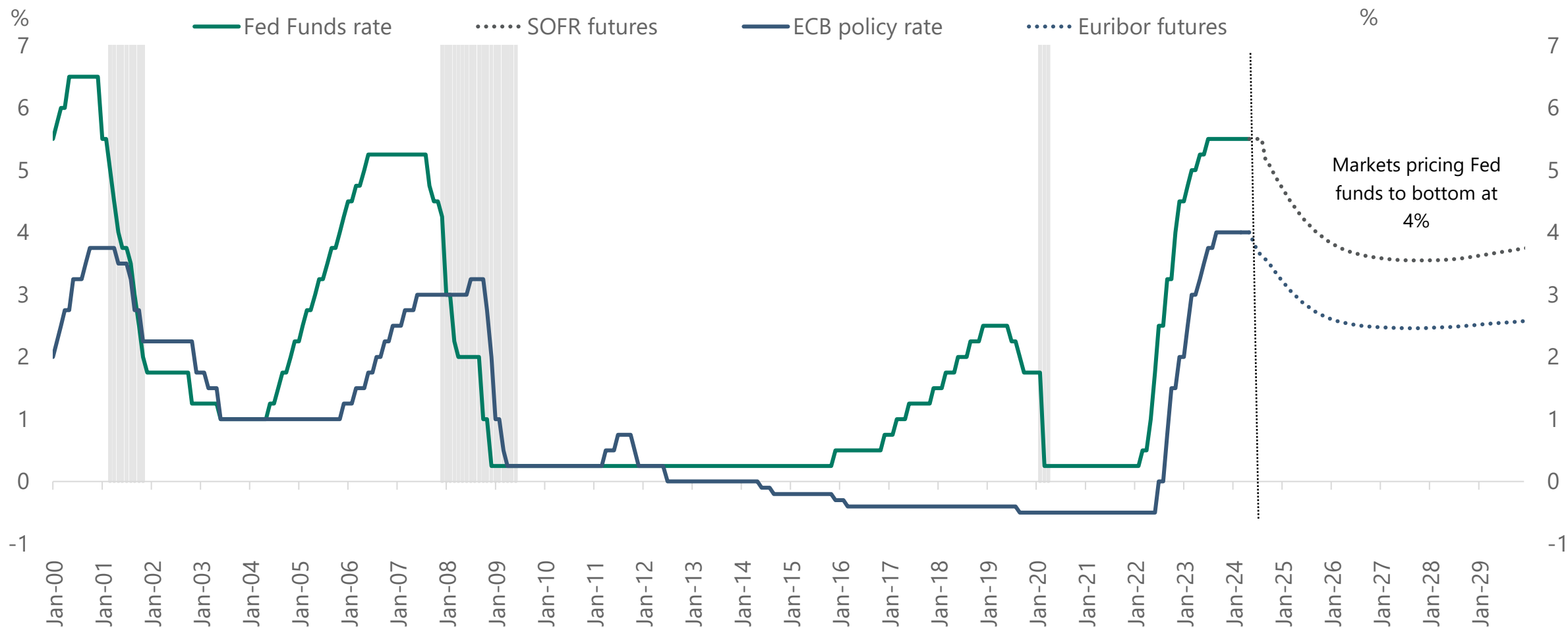


# Overview

1. Interest rates will remain higher for longer due to strong near-term growth, deglobalization, energy transition, increased defense spending, rising Treasury issuance, and US fiscal deficits.
2. Office remains particularly weak for a variety of reasons, including work from home and higher interest rates, but other real asset sectors are showing resiliency. Secular growth trends continue to persist for industrial, multifamily, as well as specialty areas such as data centers, cold storage, self-storage, and student housing.
3. The opportunity remains more compelling towards real estate debt than equity on a risk-adjusted basis in the current cycle. Real estate credit can offer a more attractive proposition due to high base interest rates, widening spreads, more protective loan structures, as well as expectations of higher-for-longer rates.

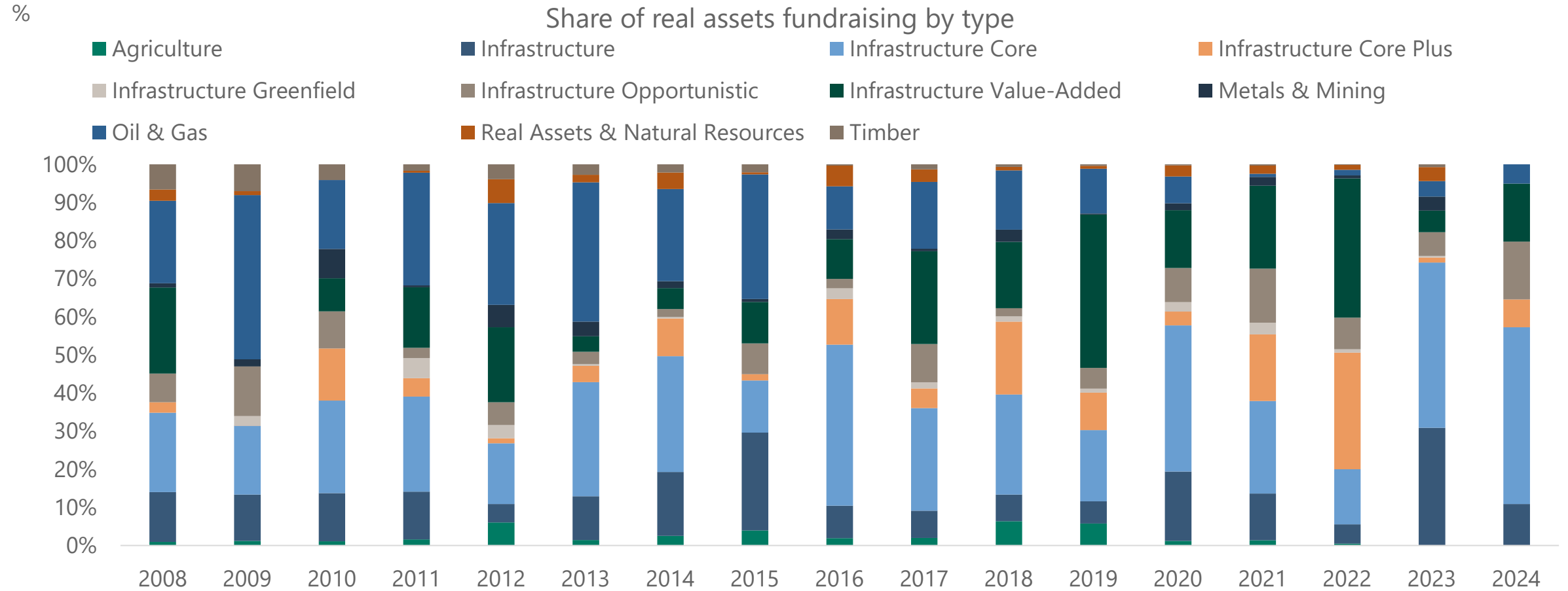
For more discussion, see here: <https://www.apolloacademy.com/2024-mid-year-outlook-an-unstable-economic-equilibrium/>

# Interest rates will remain permanently higher



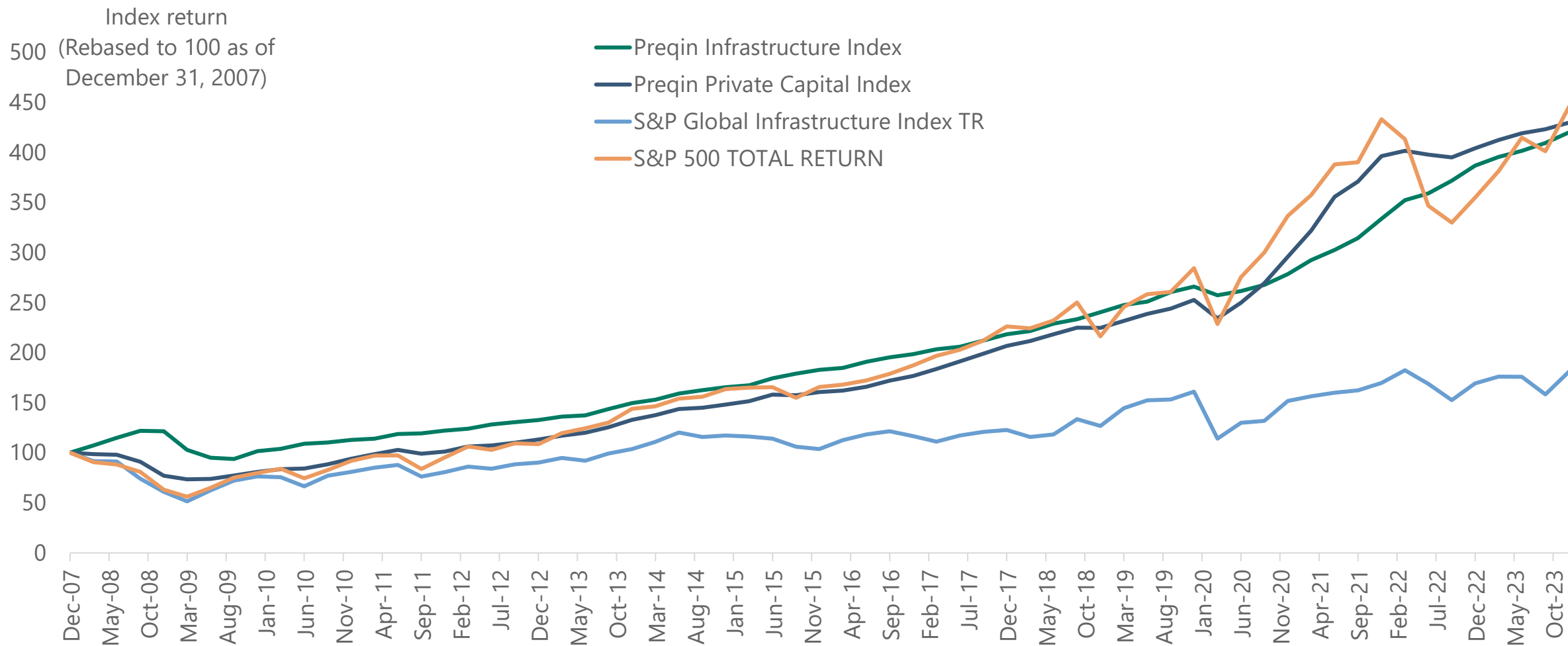
Real assets

# Real assets overview



Source: PitchBook, Apollo Chief Economist. Note: Data as of 31st March 2024

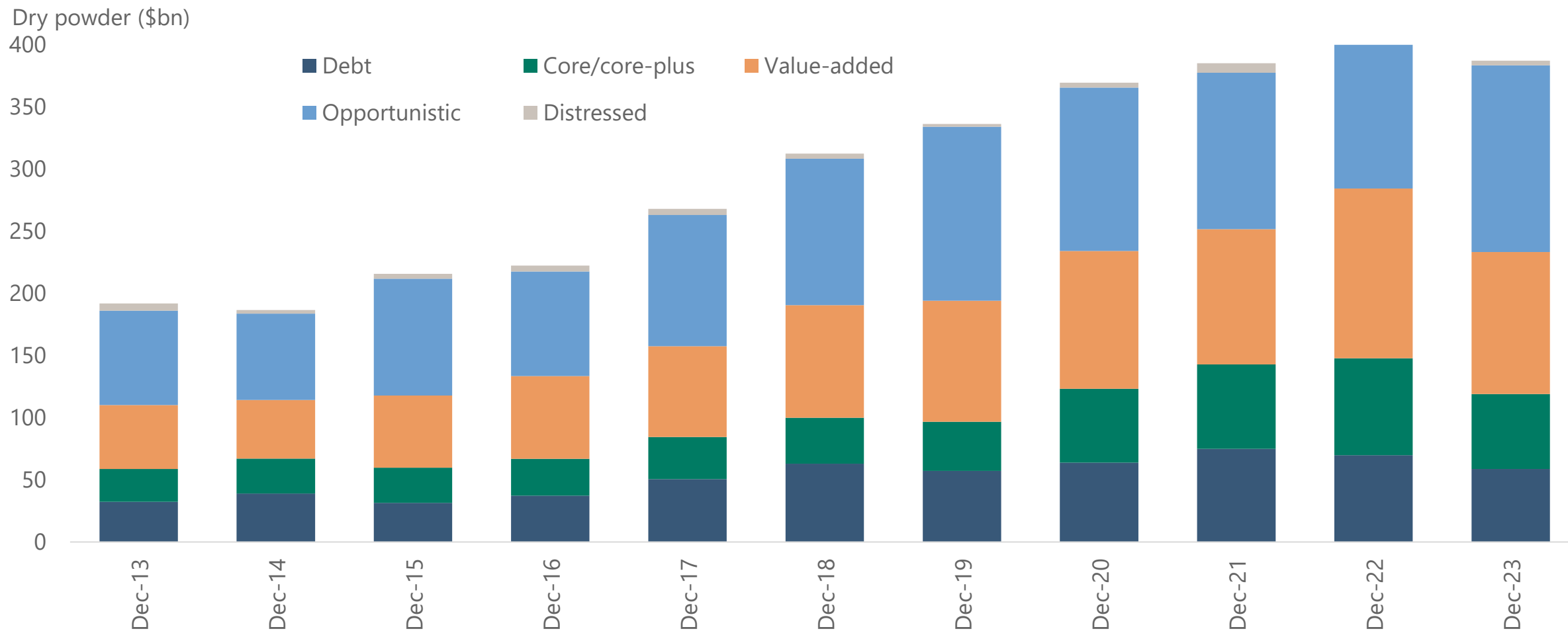
# Infrastructure index returns



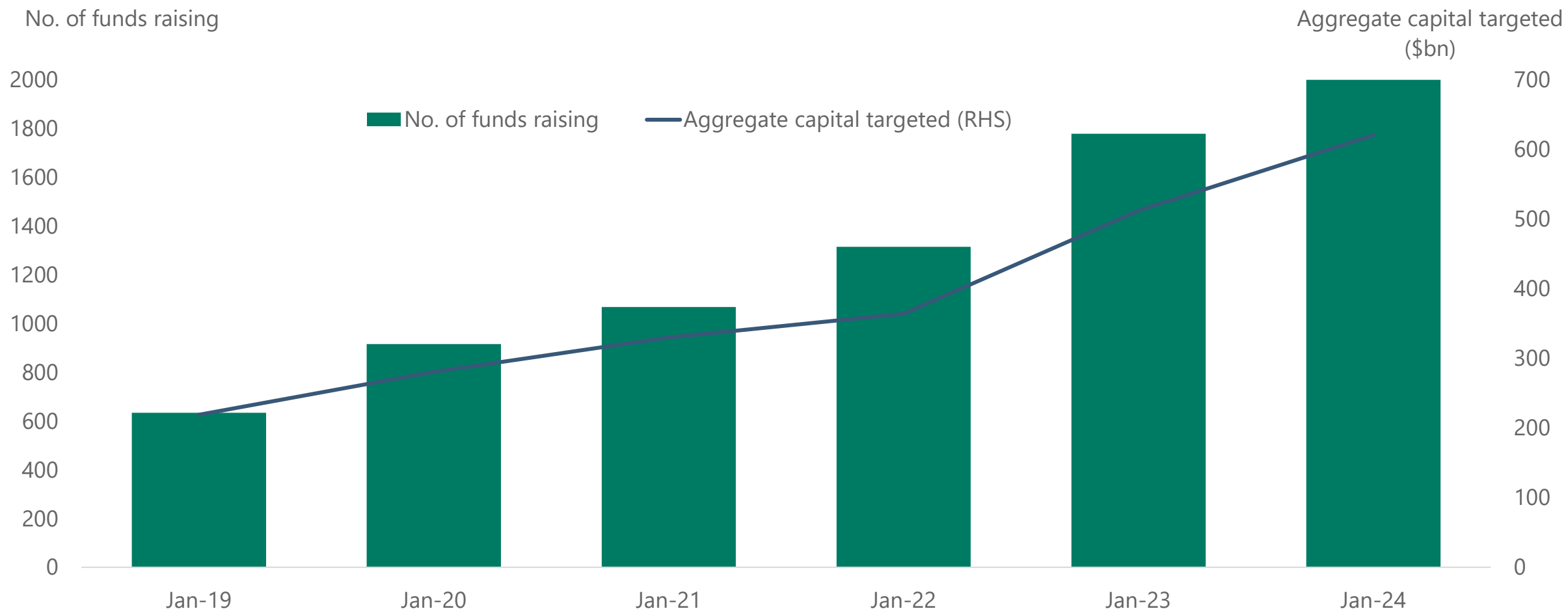
Real estate



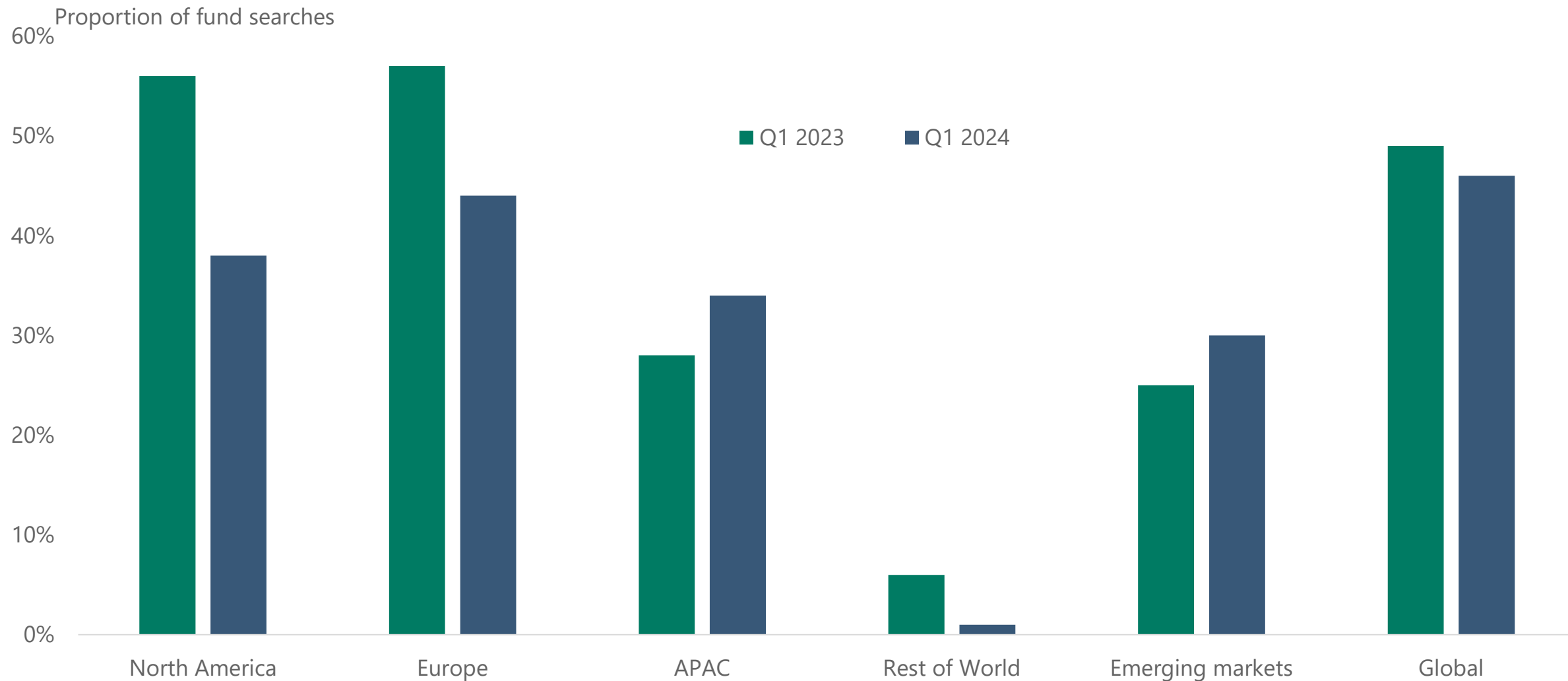
# Closed-end private real estate: dry powder by primary strategy



# Closed-end private real estate funds in the market over time



# Regions targeted by infrastructure investors over the next 12 months, Q1 2023 vs. Q1 2024



# Quarterly global private real estate deals by property type

Aggregate deal value (\$bn)

160

140

120

100

80

60

40

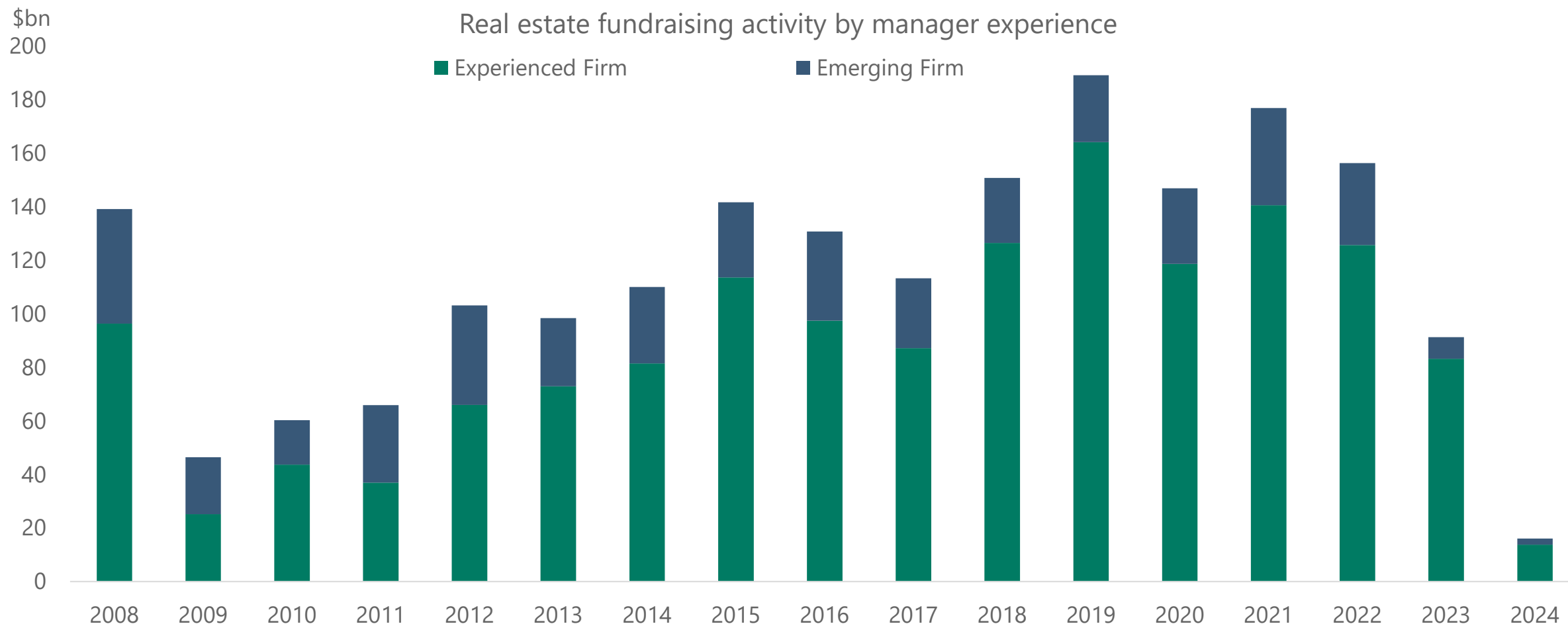
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Office Residential Hotel Land Others

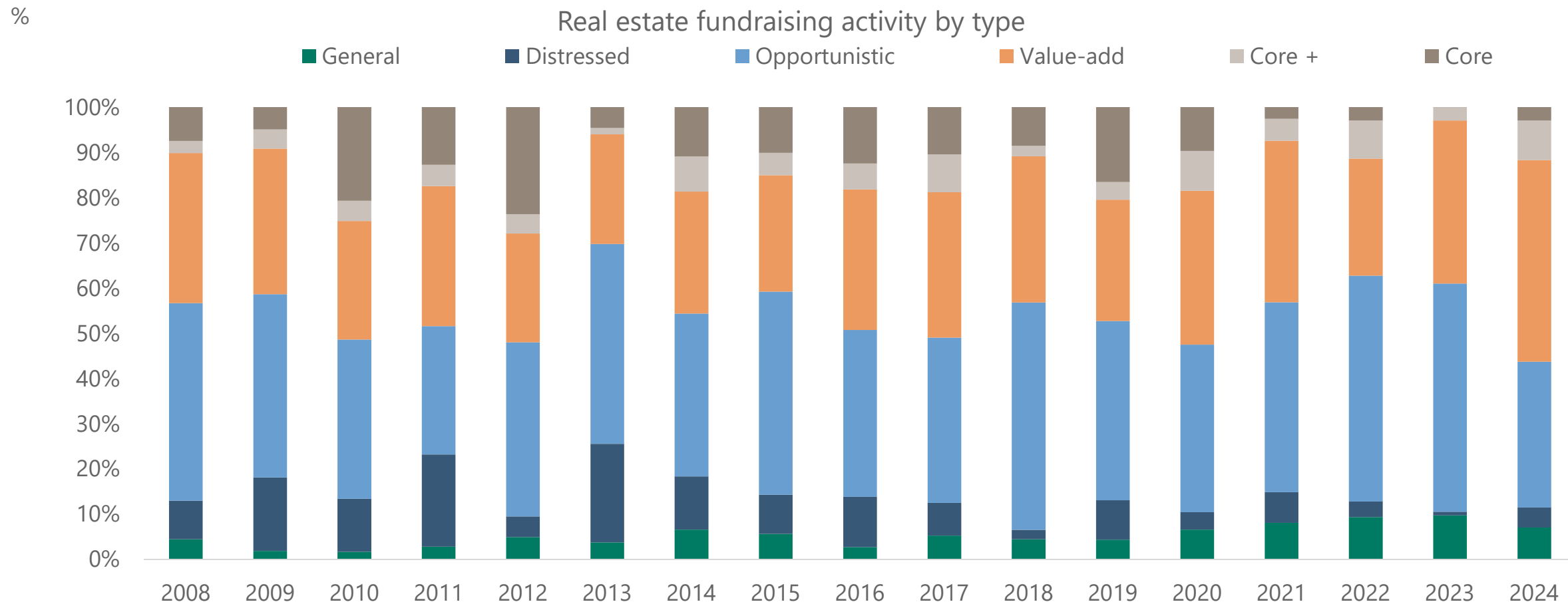
Mar-19 Jun-19 Sep-19 Dec-19 Mar-20 Jun-20 Sep-20 Dec-20 Mar-21 Jun-21 Sep-21 Dec-21 Mar-22 Jun-22 Sep-22 Dec-22 Mar-23 Jun-23 Sep-23 Dec-23 Mar-24

# Real estate fundraising led by experienced firms



Source: PitchBook, Apollo Chief Economist. Note: Data as of 31st March 2024

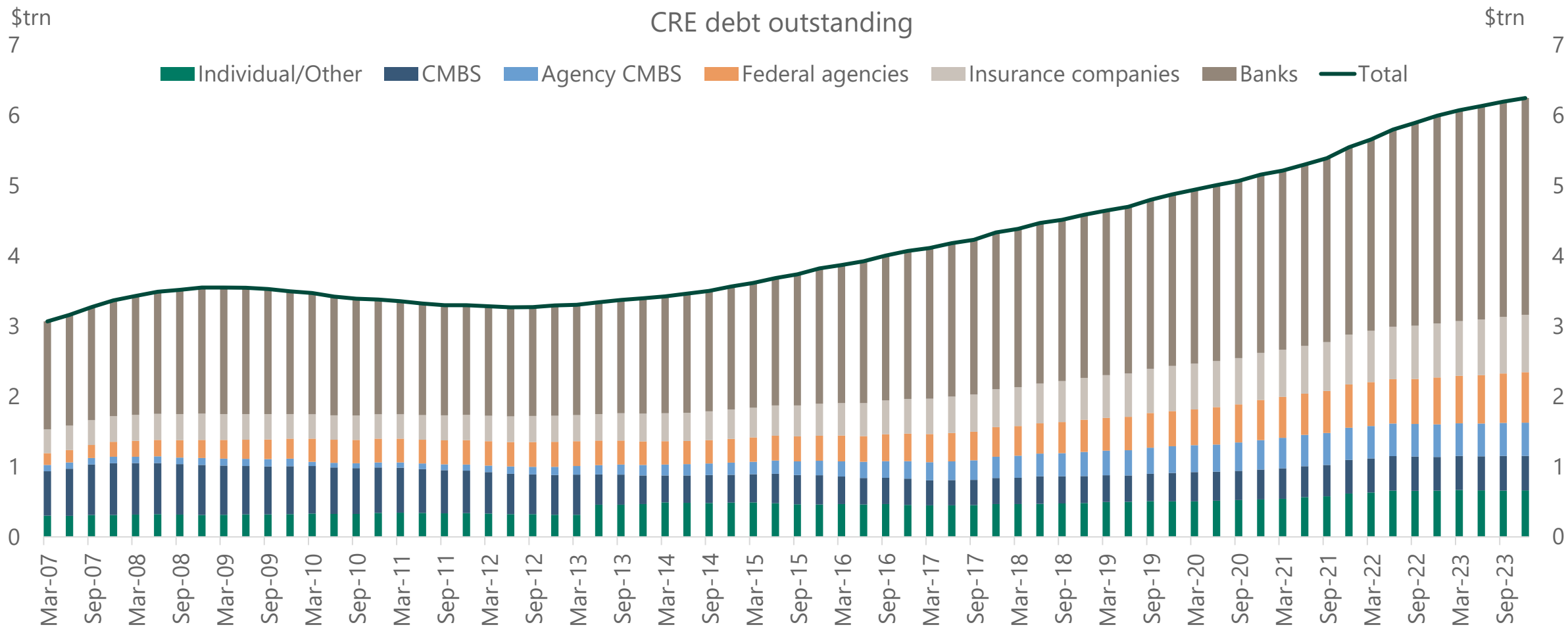
# Real estate fundraising activity by type



Source: PitchBook, Apollo Chief Economist. Note: Data as of 31st March 2024

# Commercial Real Estate

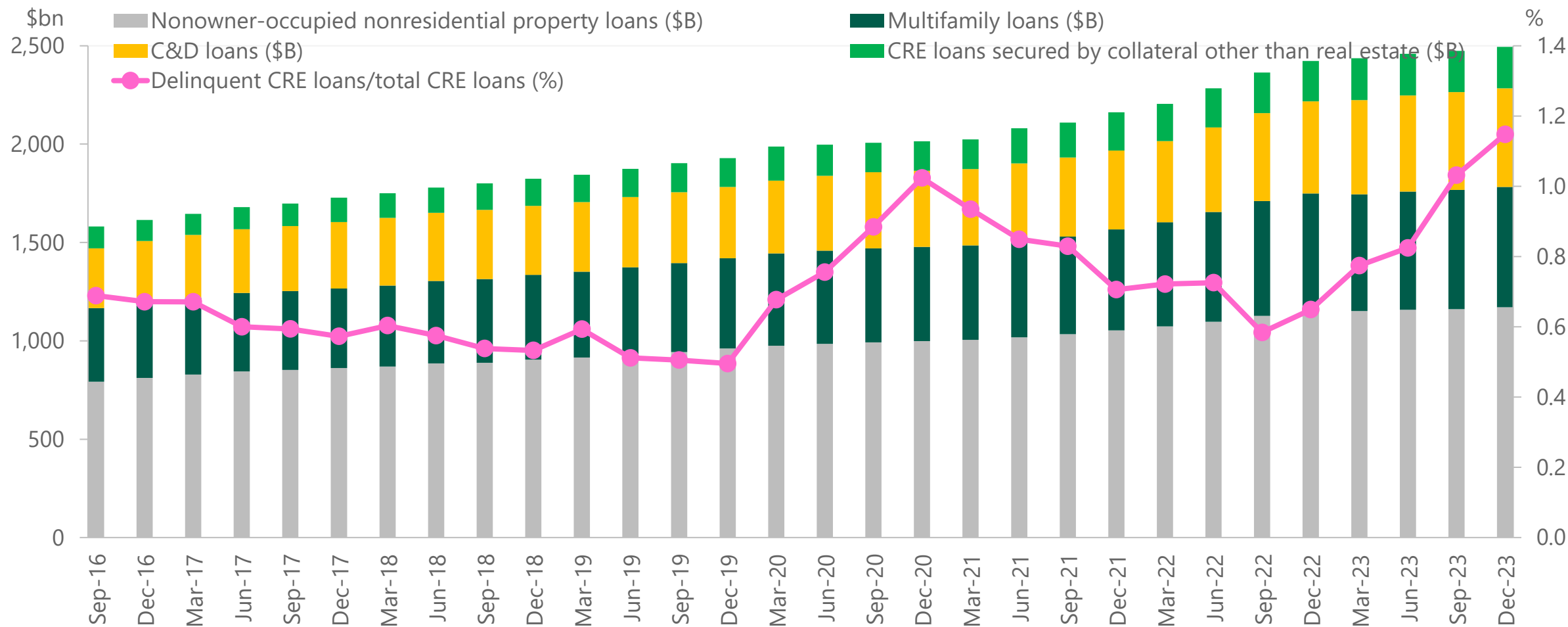
# Banks hold half of CRE debt outstanding



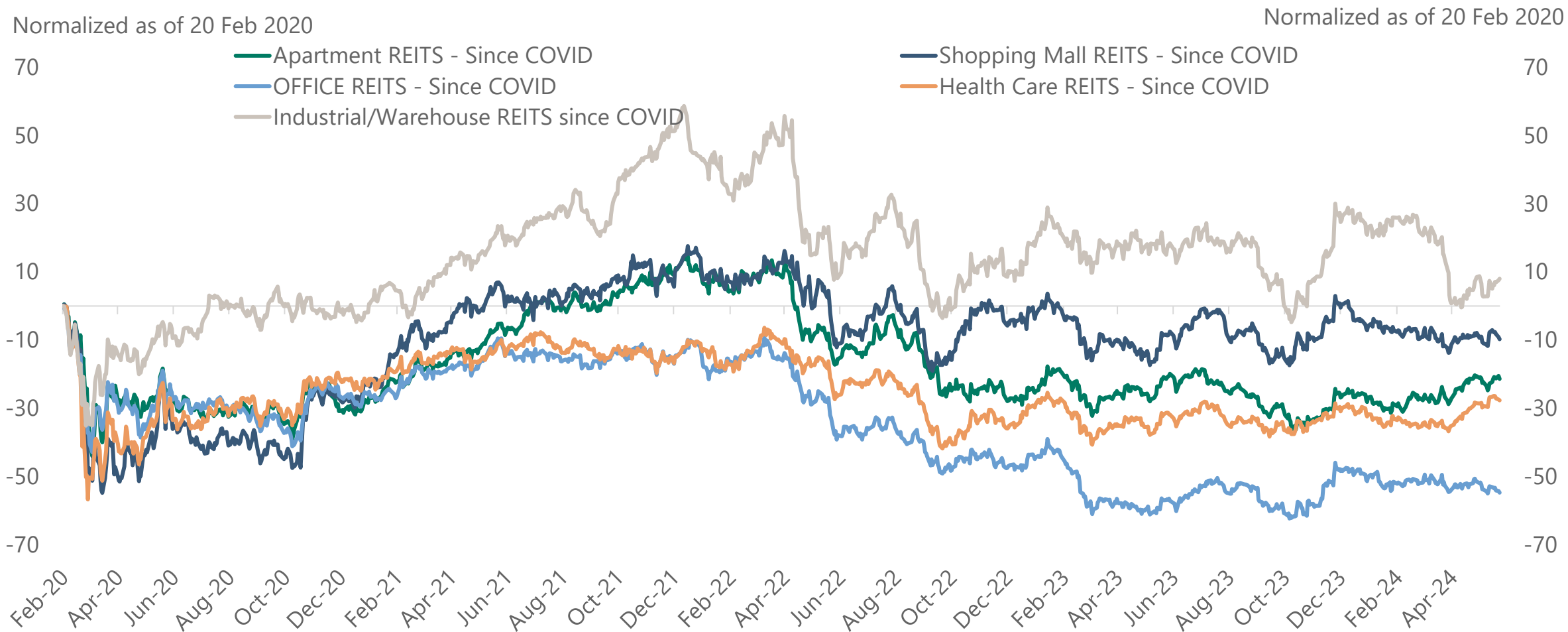
Source: FRB, Apollo Chief Economist



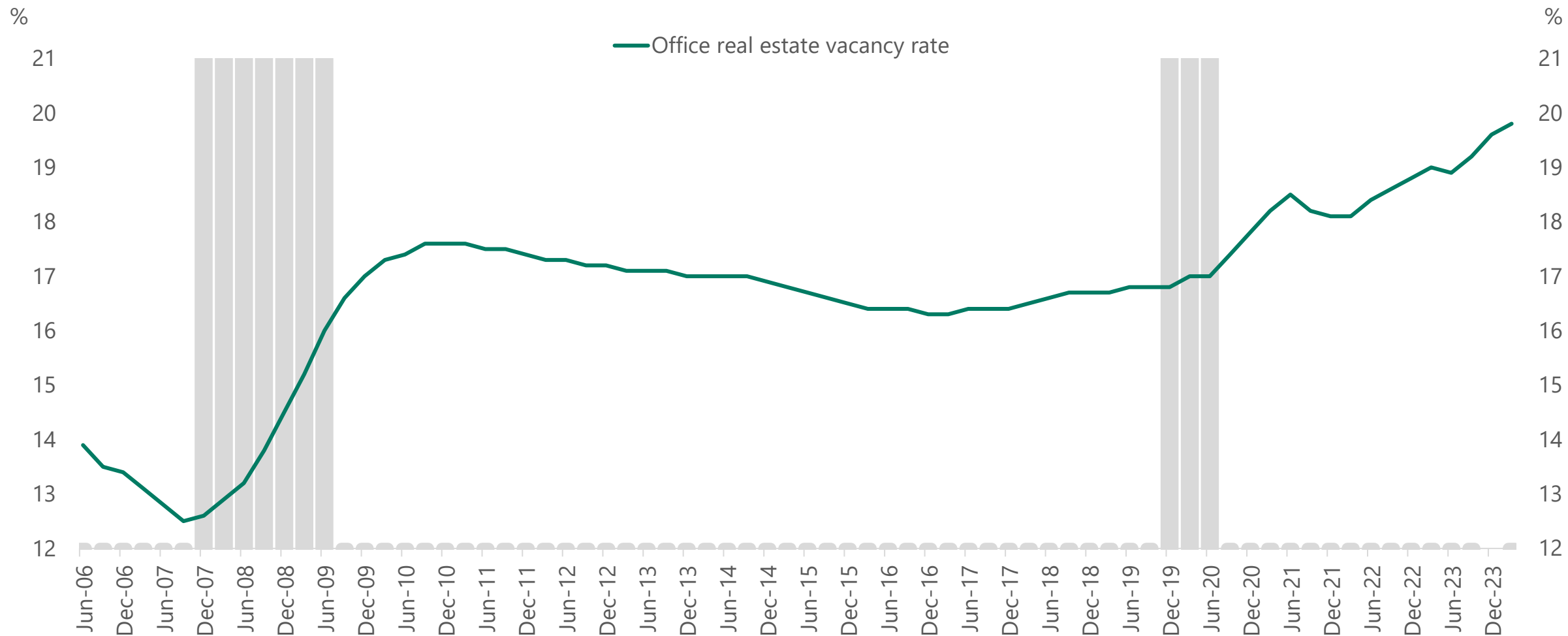
# CRE composition and delinquency at US banks



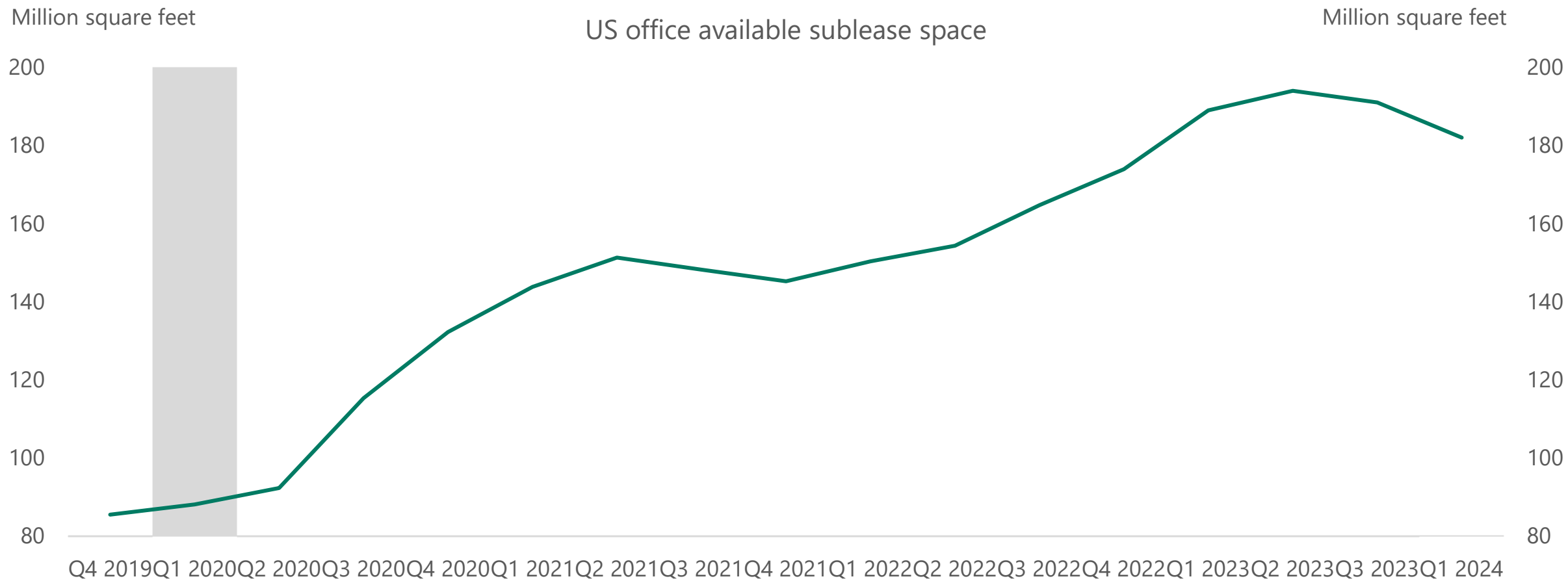
# CRE performance



# US: Office vacancy rate approaching 20%

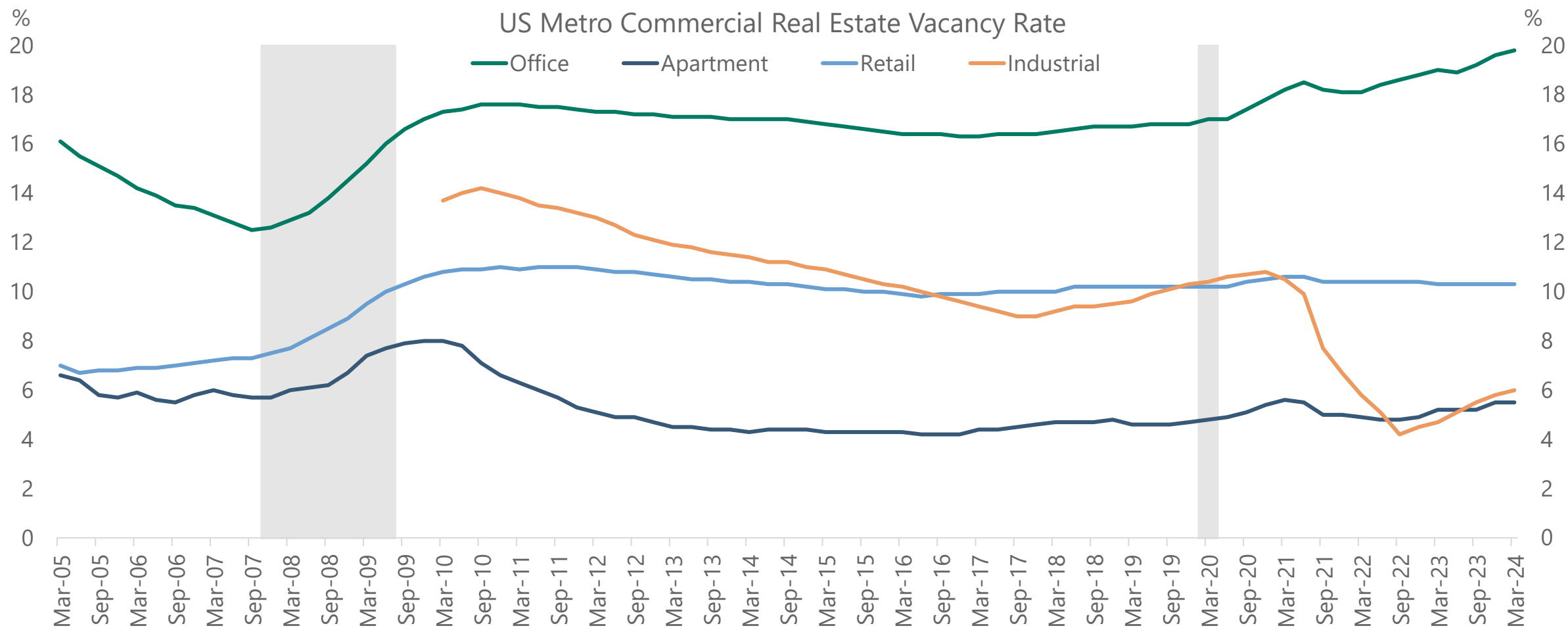


# Available US office space

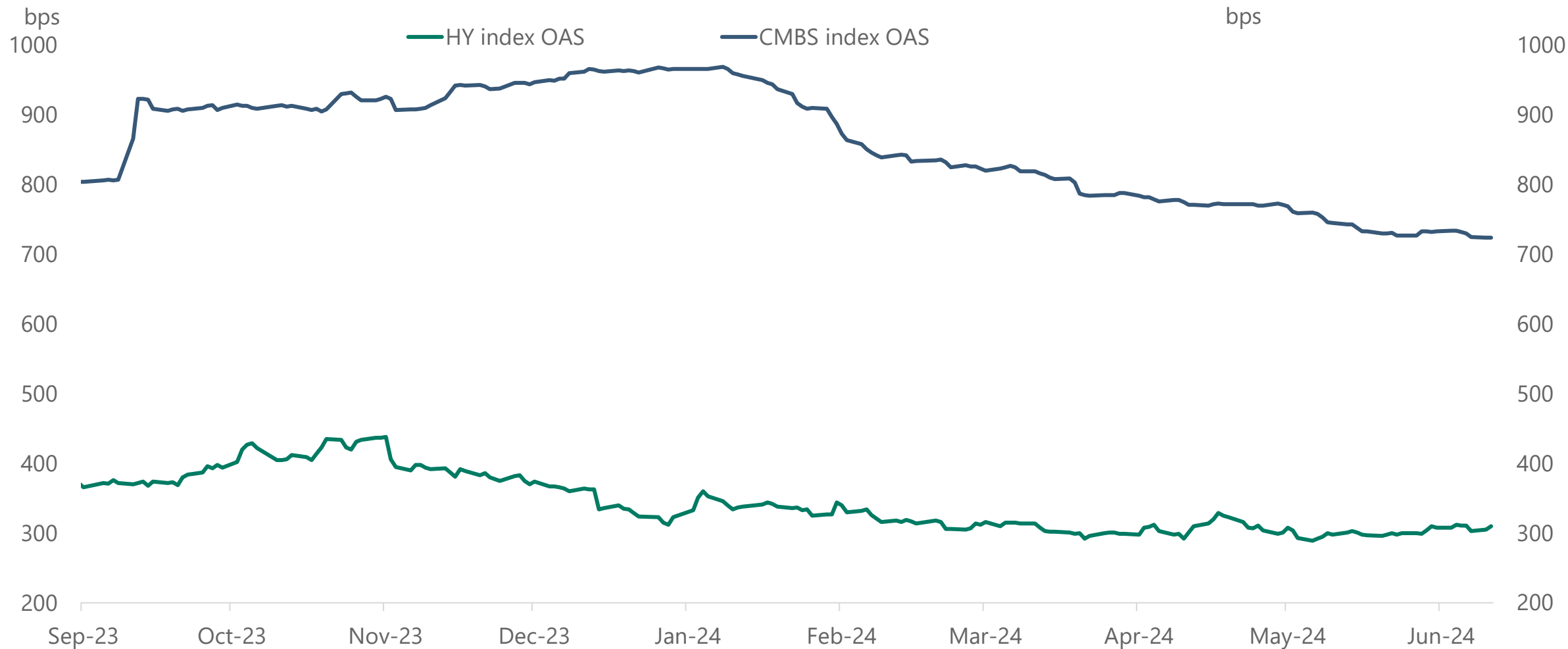


Source: CBRE, Bloomberg, Apollo Chief Economist.

# Vacancy rates rising for Office, Apartment, and Industrial real estate in a strong economy?

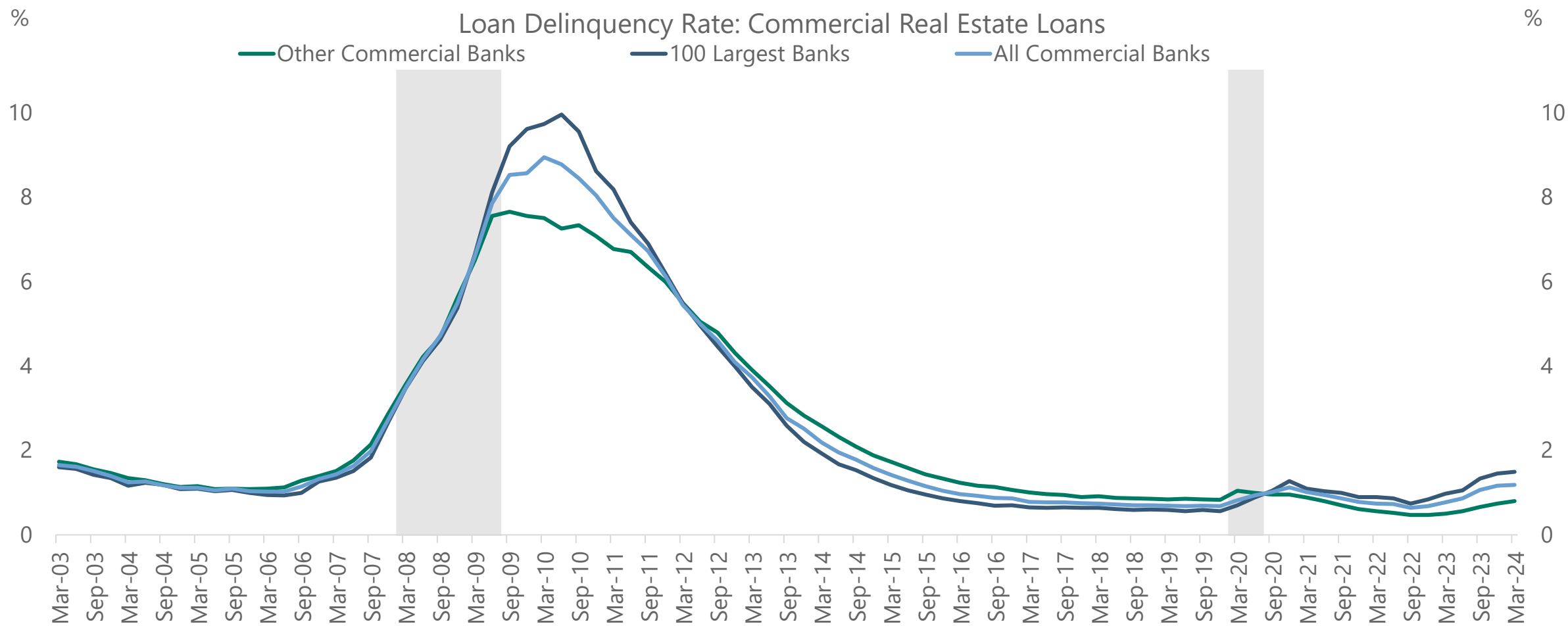


# CMBS spreads compared with HY spreads



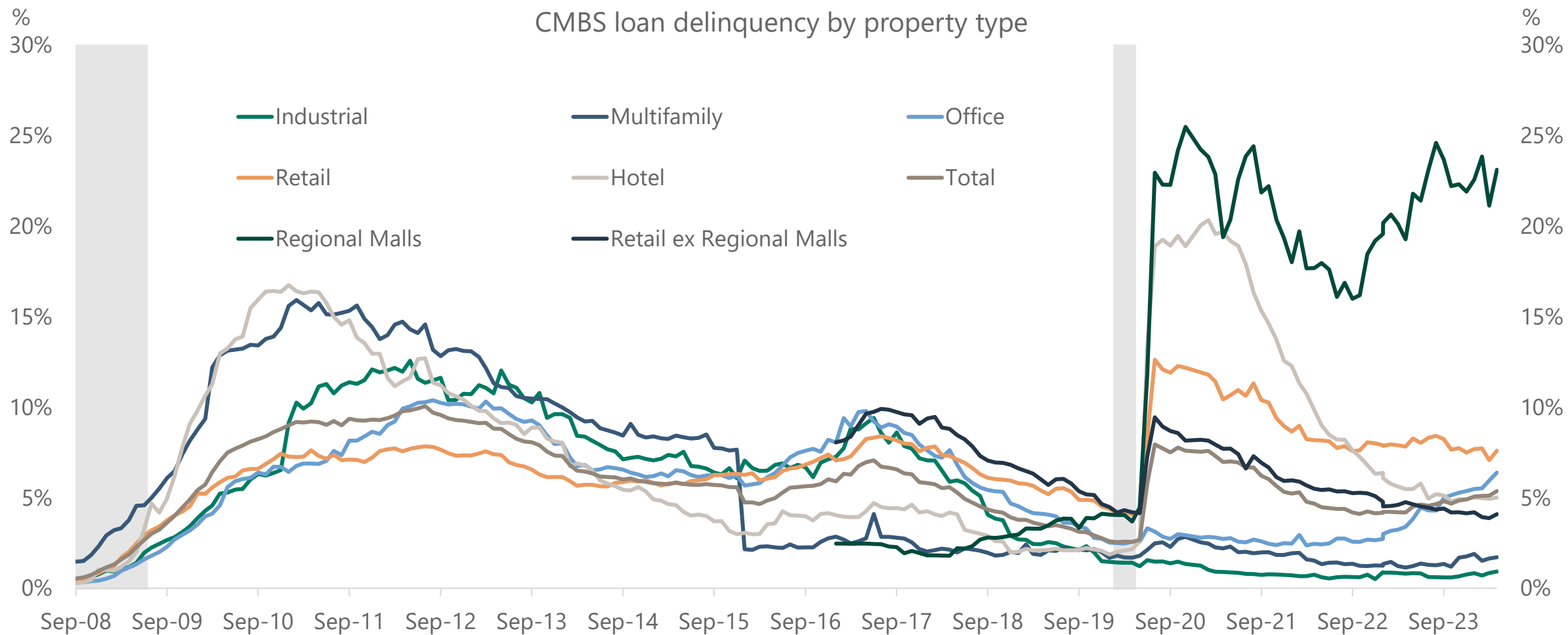
Source: Bloomberg, Apollo Chief Economist. (Note: BBG Ticker: LF98OAS Index, LC31OAS Index)

# CRE delinquency rate



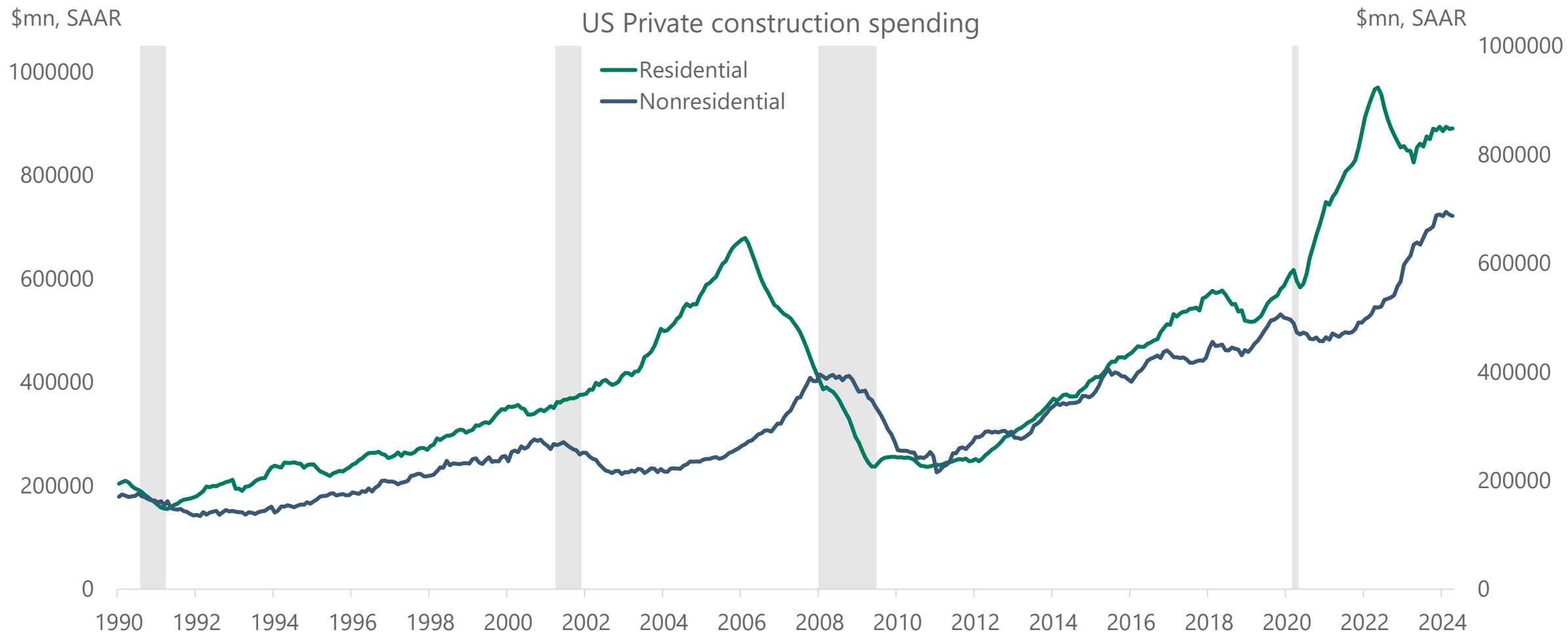
Source: FRB, Haver Analytics, Apollo Chief Economist

# Delinquency rates rising for multifamily

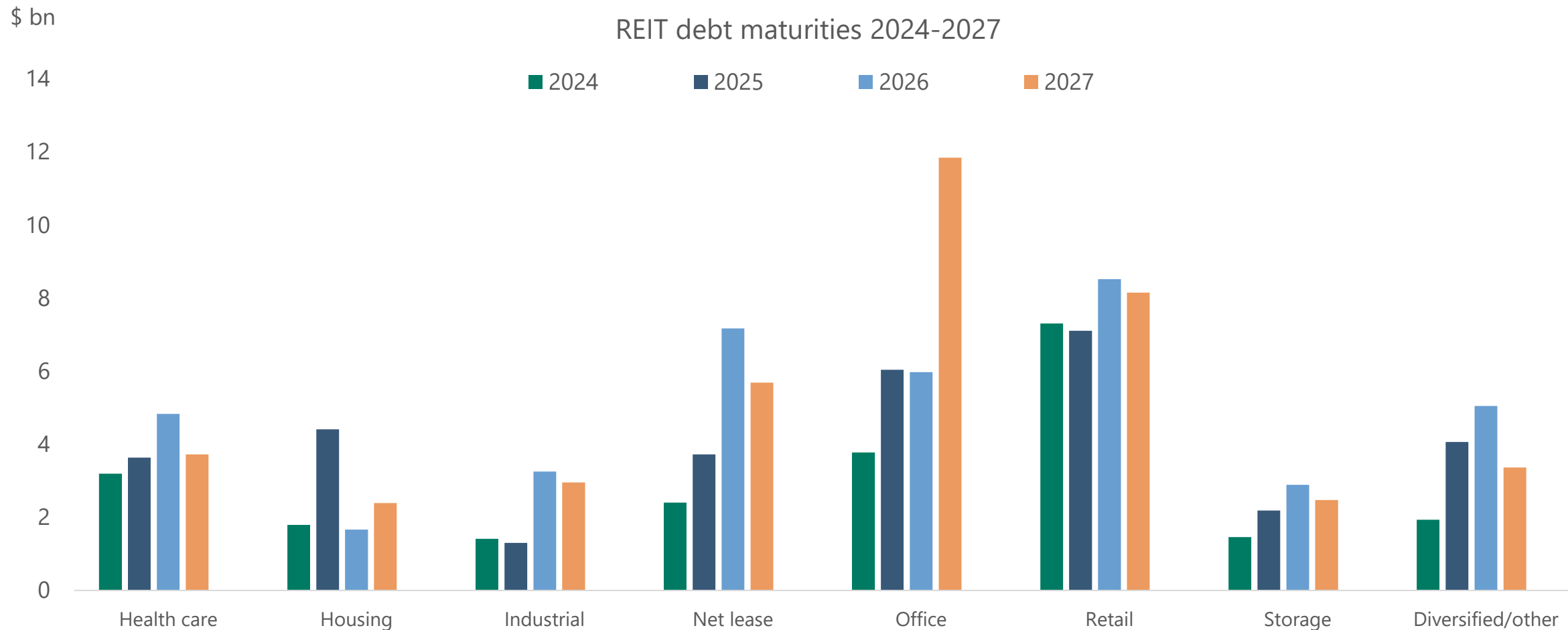




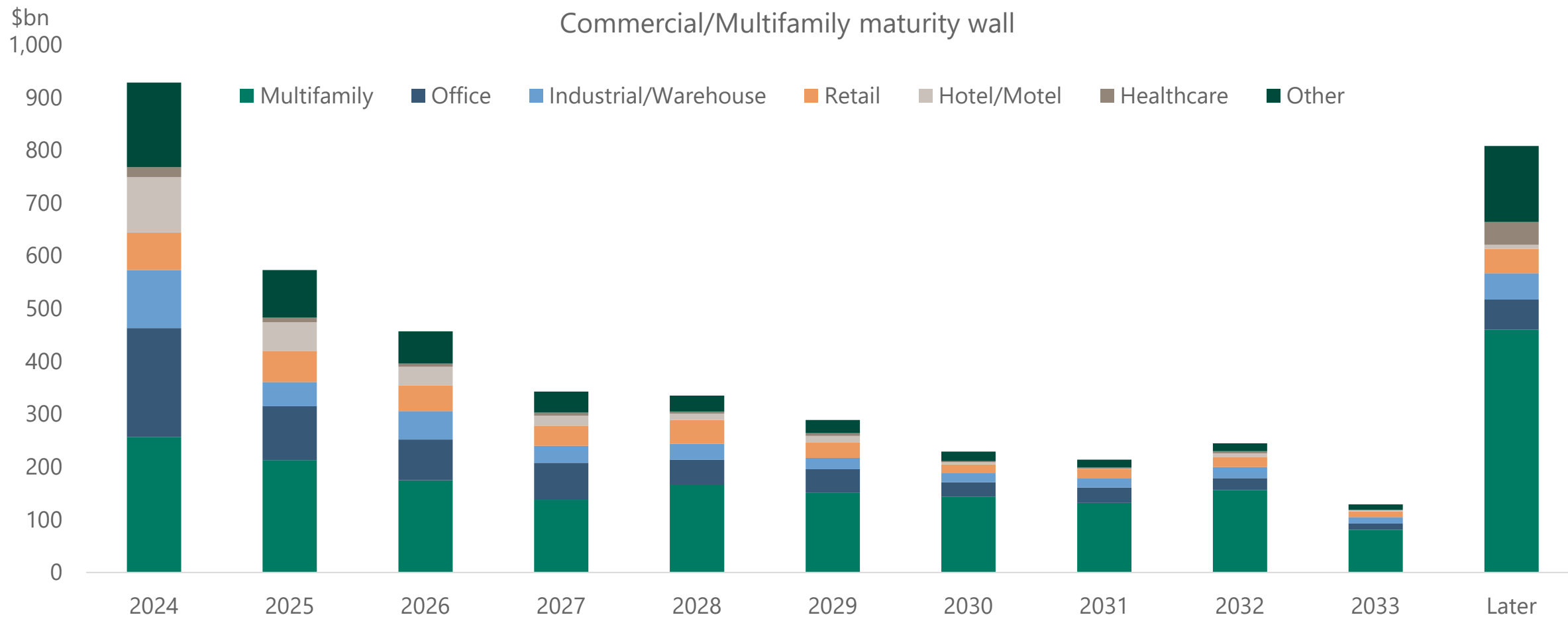
# Residential construction spending elevated



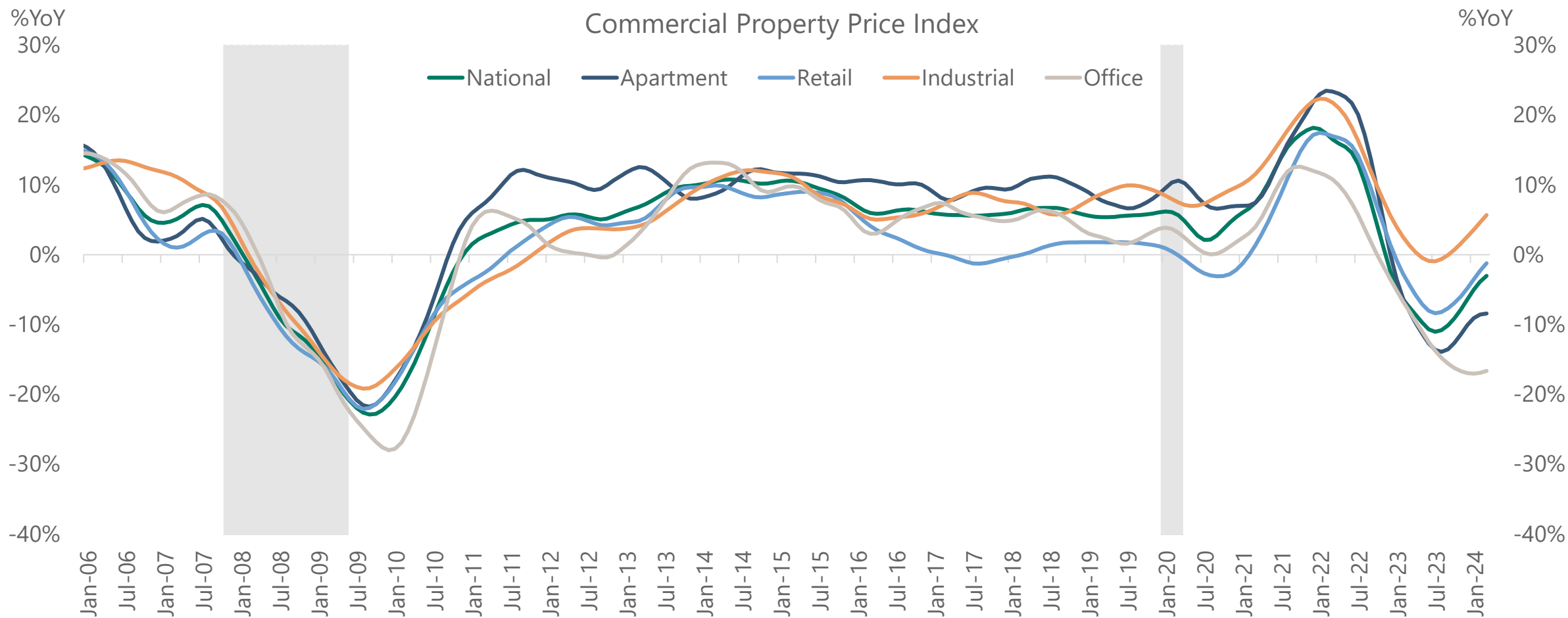
# U.S. REITs hold approximately \$23 billion of debt maturing this year



# The CRE maturity wall is steep



# Some CRE prices starting to rebound





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Torsten Slok joined Apollo in August 2020 as Chief Economist and he leads Apollo's macroeconomic and market analysis across the platform.

Prior to joining, Mr. Slok worked for 15 years as Chief Economist on the sell-side where his team was top ranked in the annual Institutional Investor survey for a decade. Mr. Slok has also worked at the IMF in Washington, DC and at the OECD in Paris.

Mr. Slok has a Ph.D in Economics and studied at the University of Copenhagen and Princeton University.