



# StepStone Real Estate 2025 Research Outlook

US

February 2025

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An investment involves a number of risks and there are conflicts of interest. Please refer to the risks and conflicts disclosed herein or in relevant disclosure documents associated with potential investments.

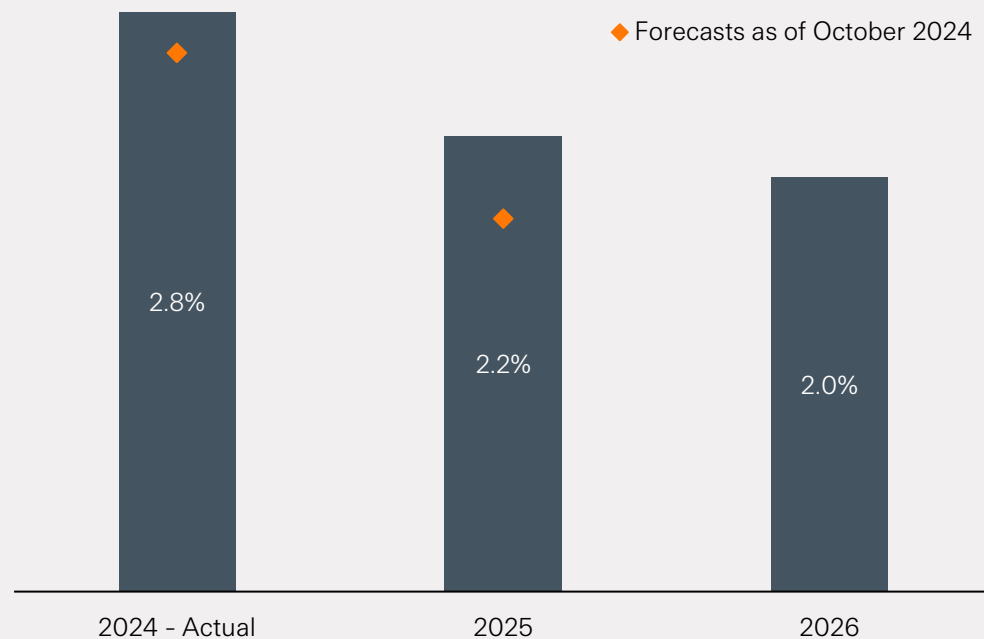
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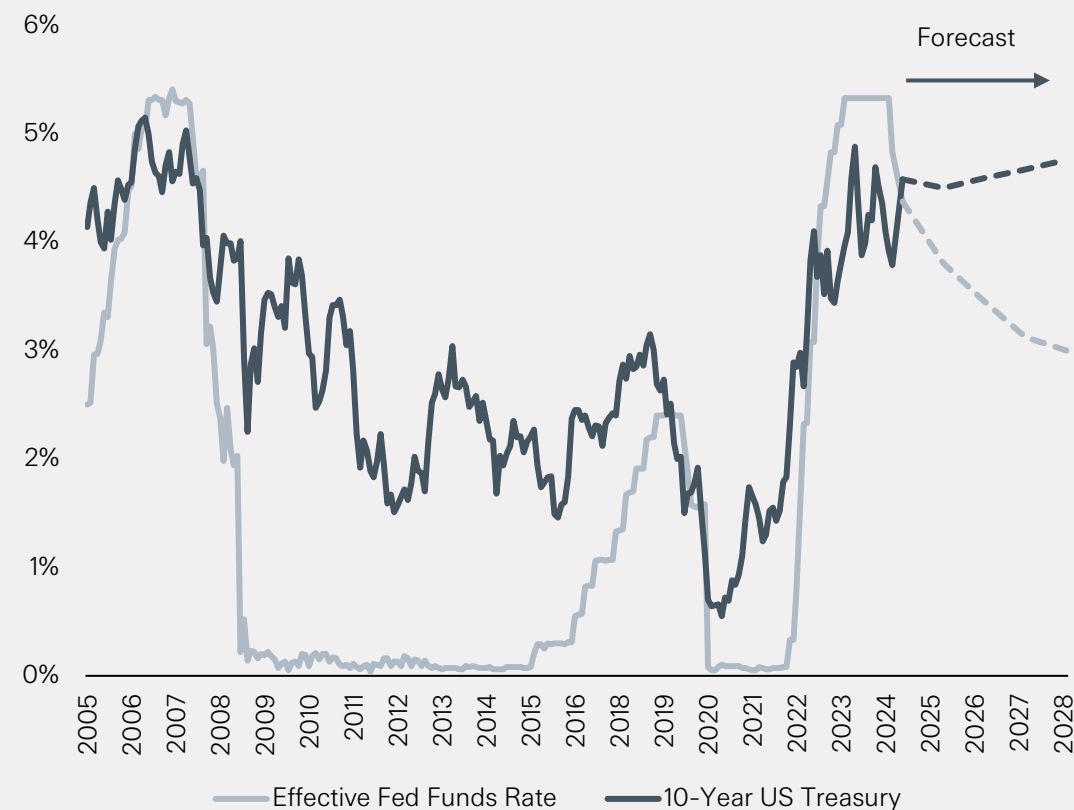
All data is as of February 2025, unless otherwise noted.

# Outlook: flat growth, higher long-term interest rates

## US GDP growth forecast



## Fed funds rate vs 10-year treasury

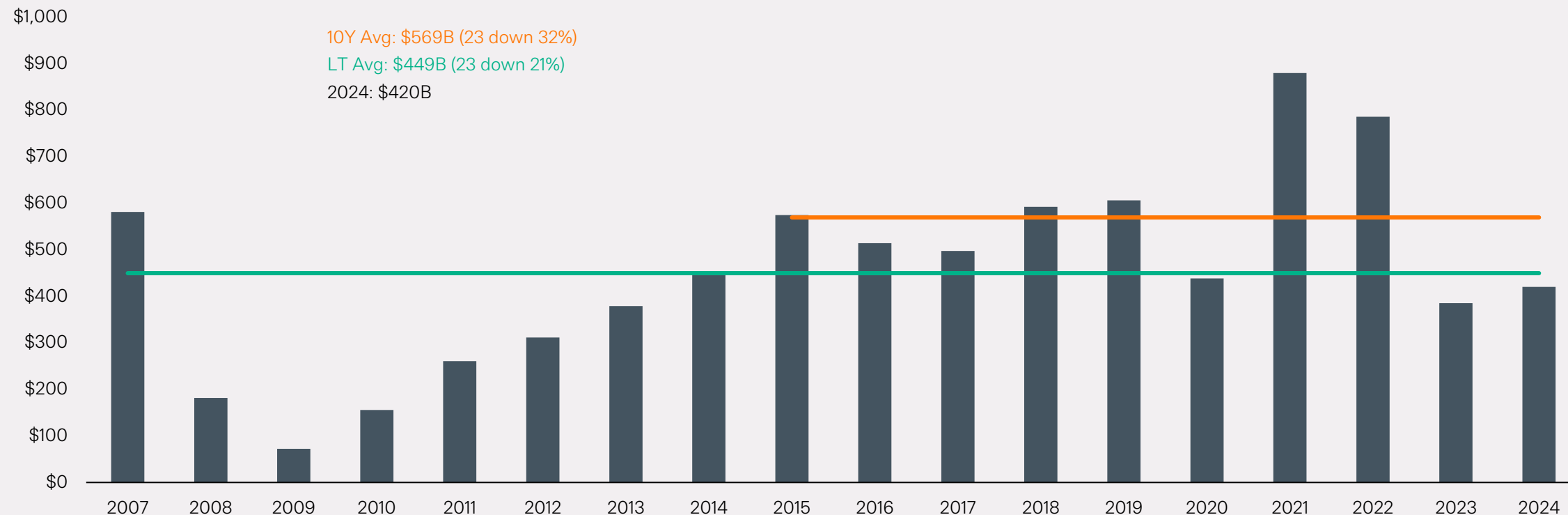


Sources: CapIQ, Consensus Economics, Chatham February 2025

# Transaction activity appears to have bottomed

## US annual transaction volume

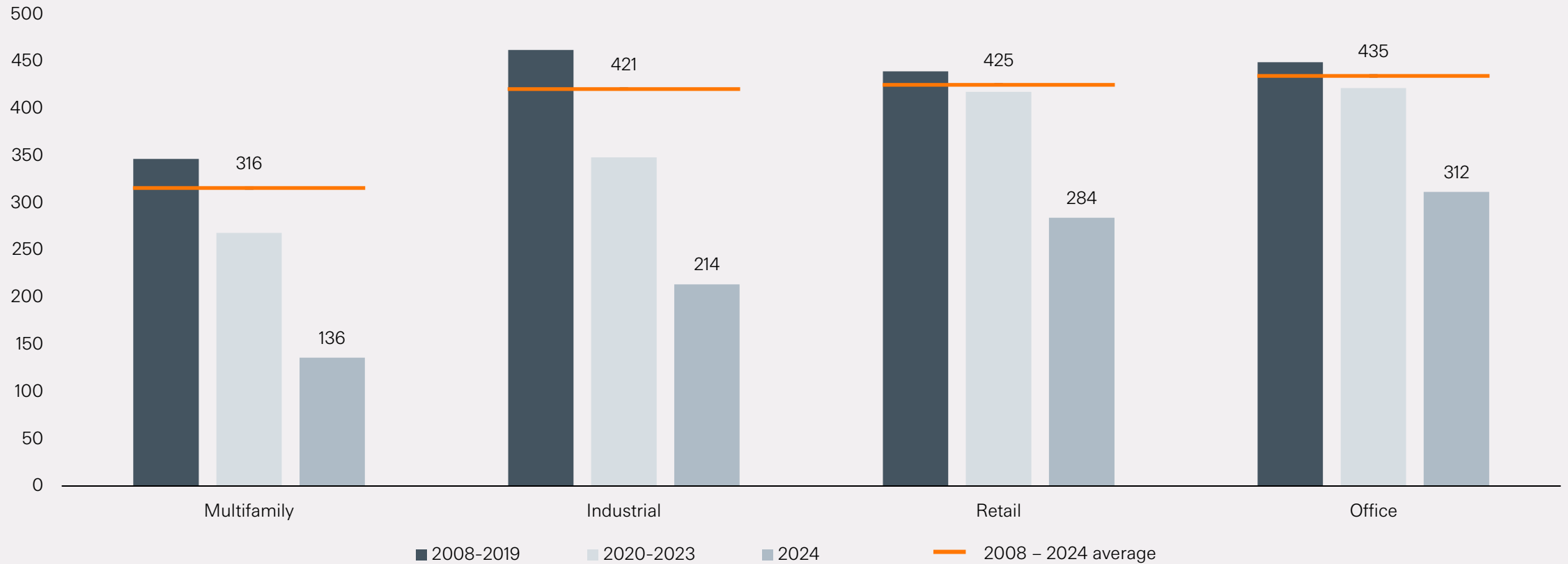
\$ in billions



Source: MSCI Real Capital Analytics, as of February 2025.

# Tight cap rate spreads could weigh on values

Cap rate spread (bps) over 10-year government bond yield

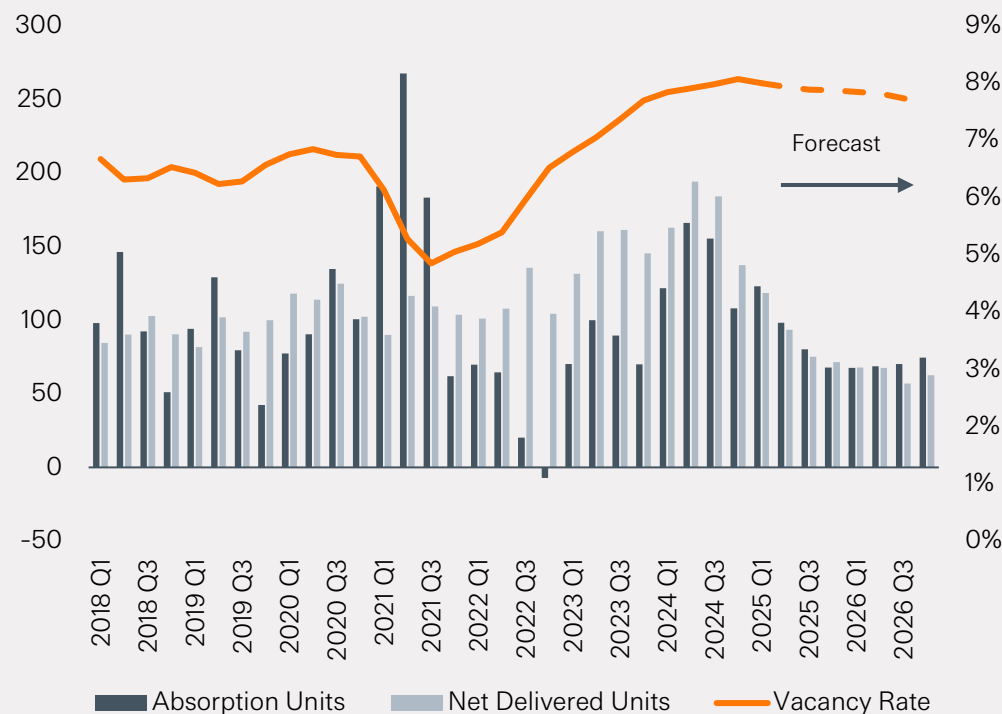




# Multifamily fundamentals

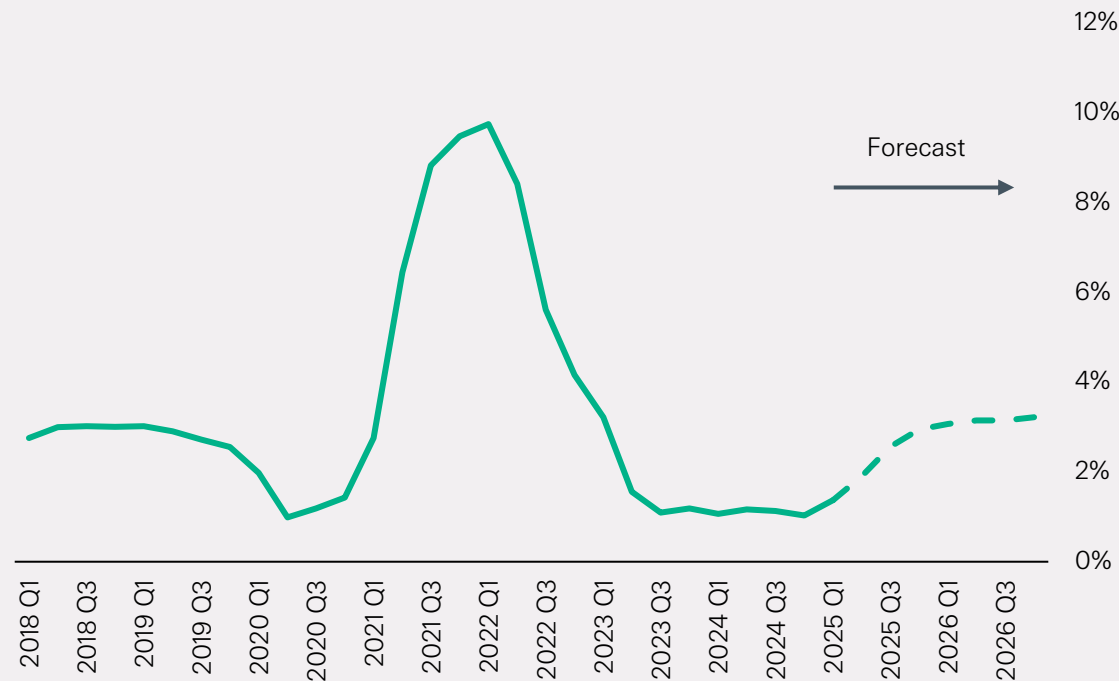
## Supply, demand and vacancy

Units in thousands



Source: CoStar, February 2025.

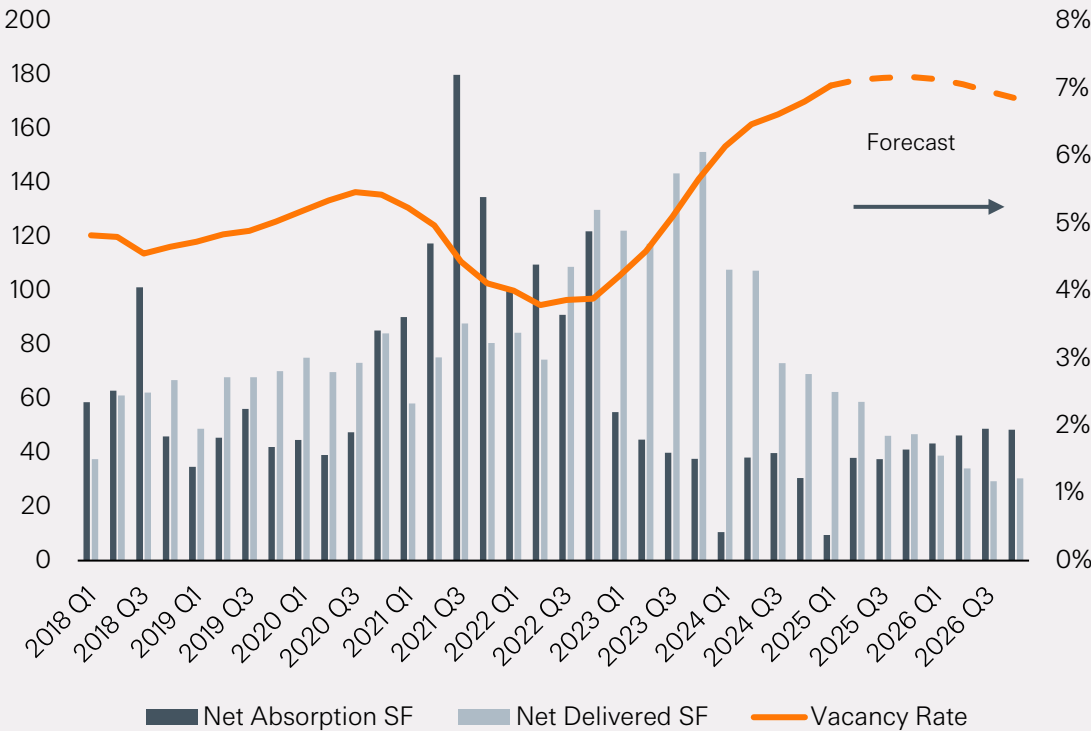
## Market asking rent growth



# Industrial fundamentals

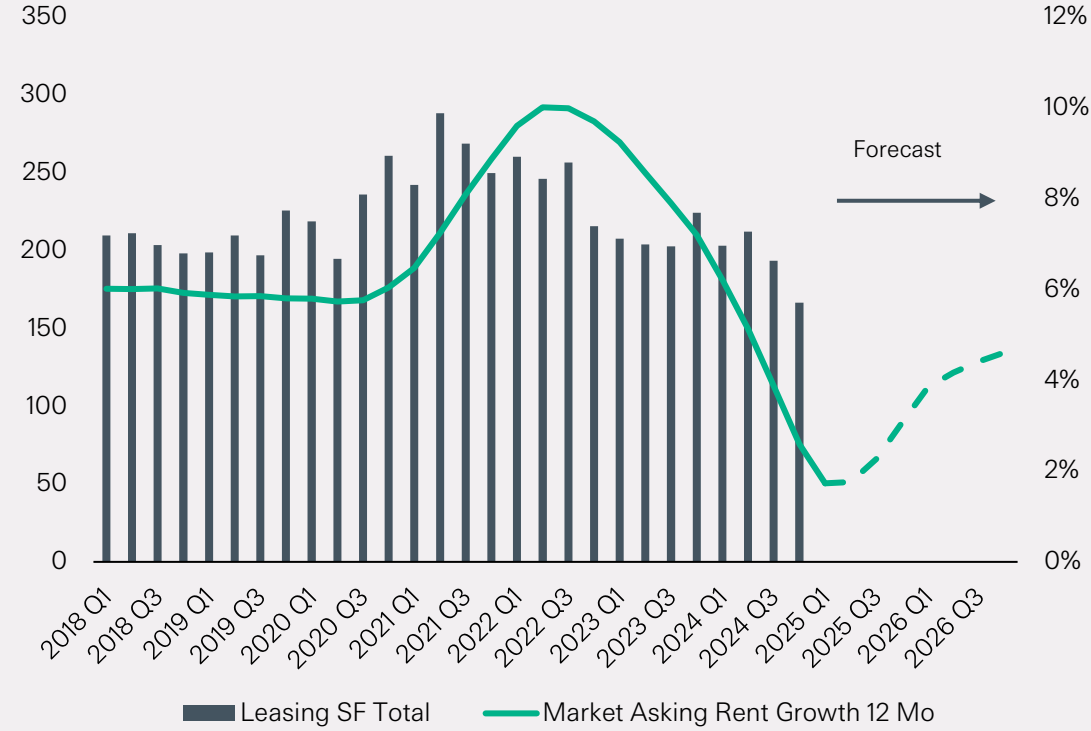
## Supply, demand and vacancy

SF in millions



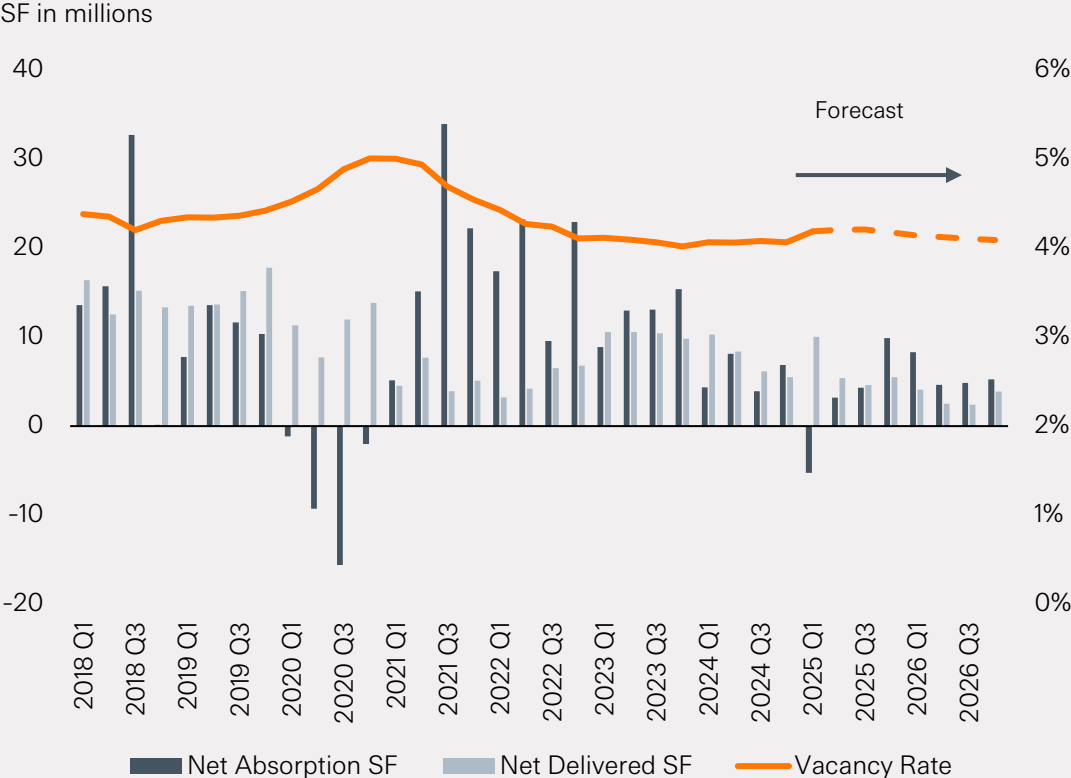
## Leasing and rent growth

SF in millions

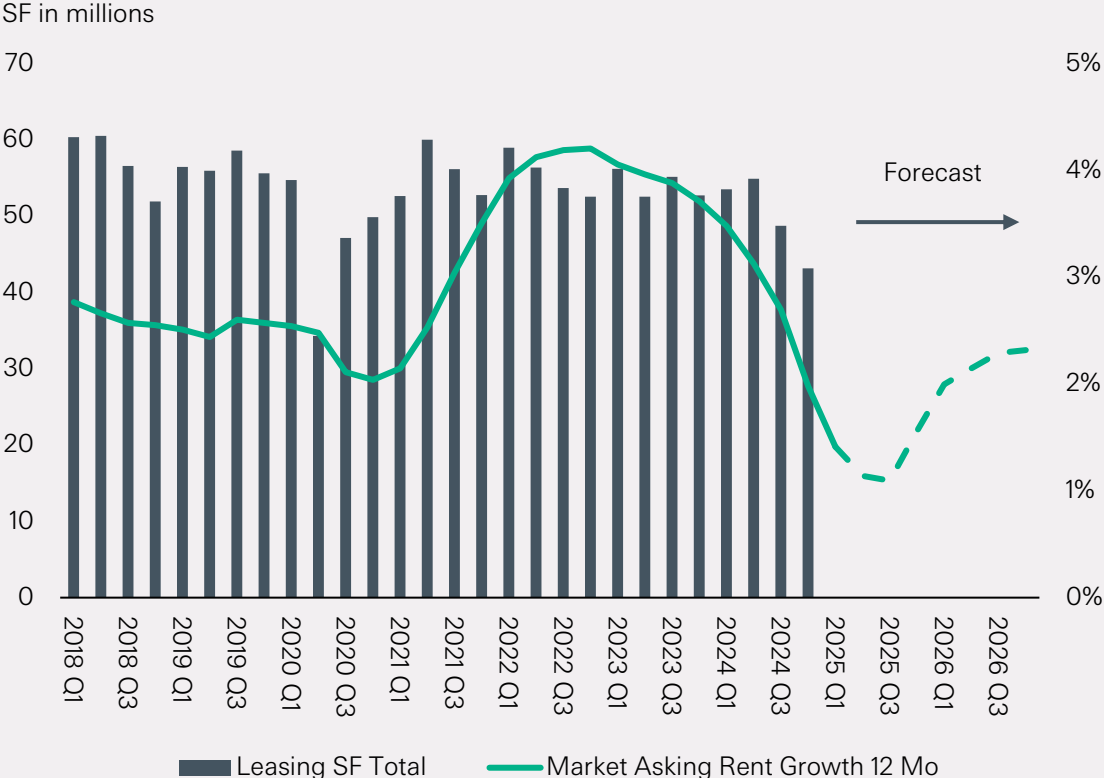


# Retail fundamentals

## Supply, demand and vacancy



## Leasing and asking rent growth



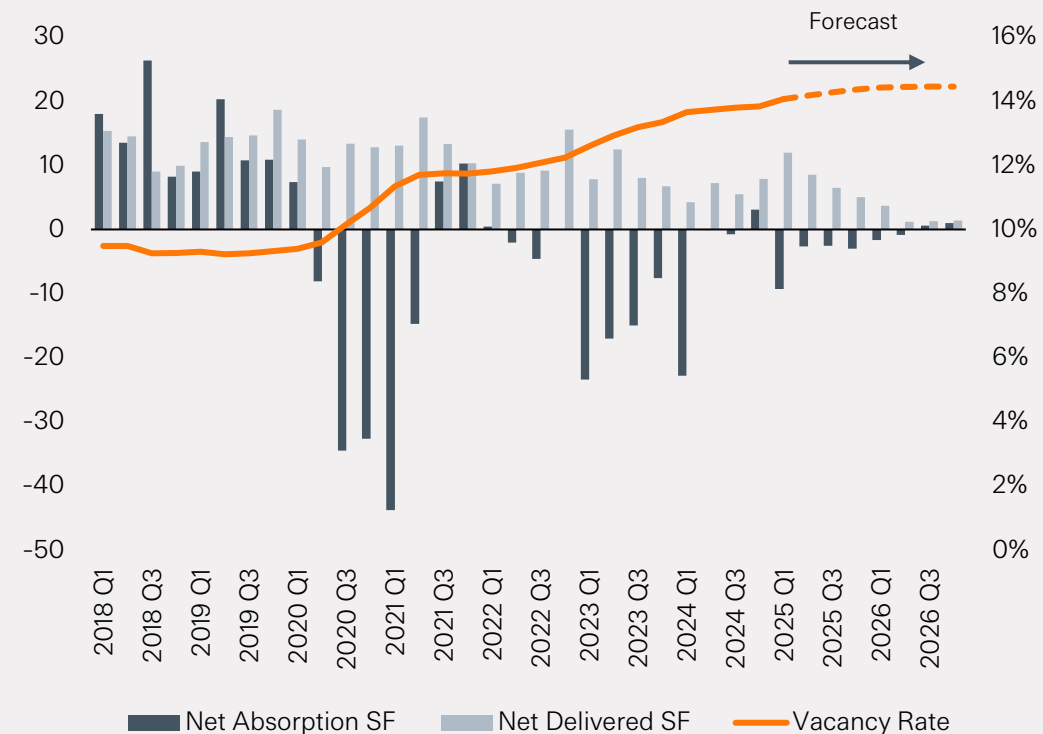
Source: CoStar, February 2025.



# Office fundamentals

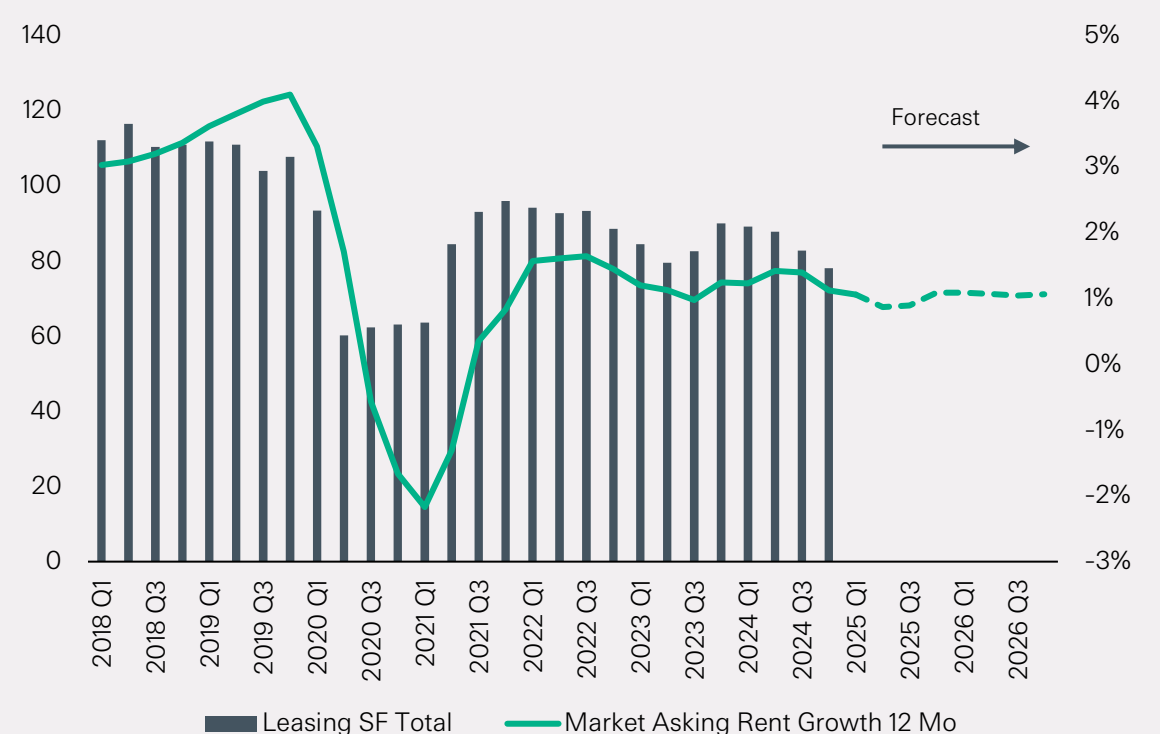
## Supply, demand and vacancy

SF in millions



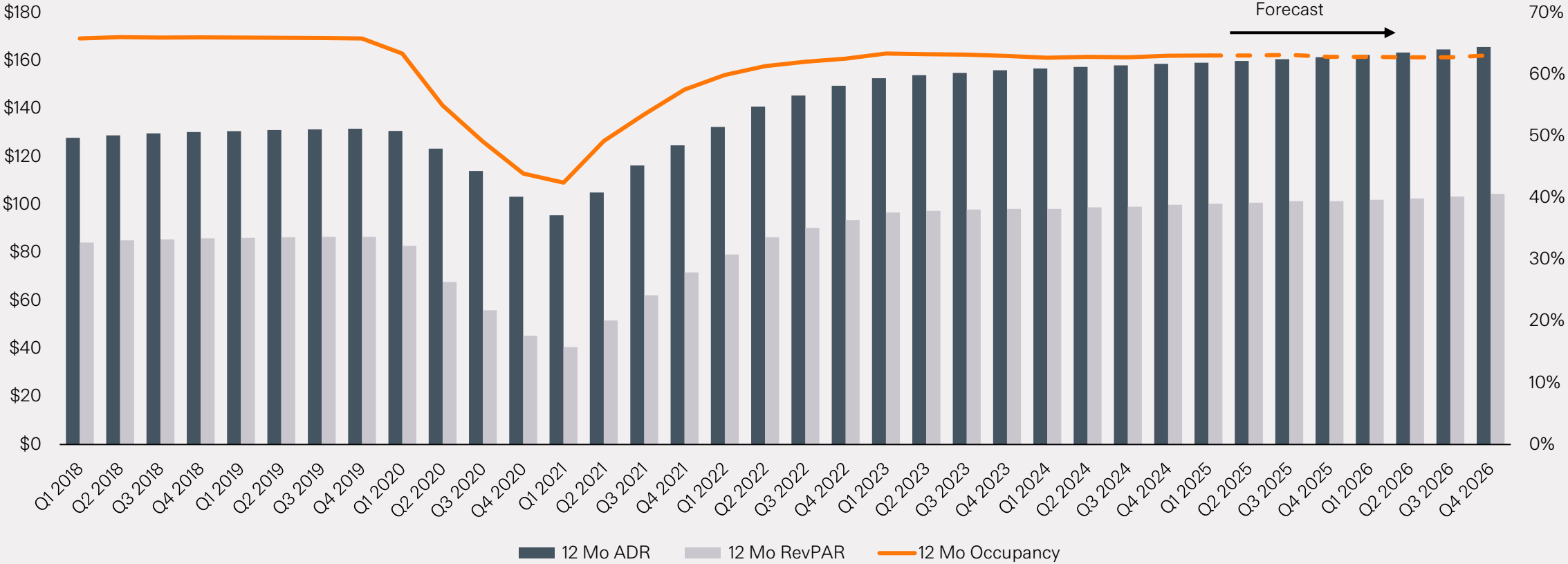
## Leasing and asking rent growth

SF in millions



# Hotel fundamentals

## Occupancy and revenue



Source: CoStar, February 2025.

## RISKS AND OTHER CONSIDERATIONS

**Risks Associated with Investments.** Identifying attractive investment opportunities and the right underlying fund managers is difficult and involves a high degree of uncertainty. There is no assurance that the investments will be profitable and there is a substantial risk that losses and expenses will exceed income and gains.

**Restrictions on Transfer and Withdrawal; Illiquidity of Interests; Interests Not Registered.** The investment is highly illiquid and subject to transfer restrictions and should only be acquired by an investor able to commit its funds for a significant period of time and to bear the risk inherent in such investment, with no certainty of return. Interests in the investment have not been and will not be registered under the laws of any jurisdiction. Investment has not been recommended by any securities commission or regulatory authority. Furthermore, the aforementioned authorities have not confirmed the accuracy or determined the adequacy of this document.

**Limited Diversification of Investments.** The investment opportunity does not have fixed guidelines for diversification and may make a limited number of investments.

**Reliance on Third Parties.** StepStone will require, and rely upon, the services of a variety of third parties, including but not limited to attorneys, accountants, brokers, custodians, consultants and other agents and failure by any of these third parties to perform their duties could have a material adverse effect on the investment.

**Reliance on Managers.** The investment will be highly dependent on the capabilities of the managers.

**Risk Associated with Portfolio Companies.** The environment in which the investors directly or indirectly invests will sometimes involve a high degree of business and financial risk. StepStone generally will not seek control over the management of the portfolio companies in which investments are made, and the success of each investment generally will depend on the ability and success of the management of the portfolio company.

**Uncertainty Due to Public Health Crisis.** A public health crisis, such as the recent outbreak of the COVID-19 global pandemic, can have unpredictable and adverse impacts on global, national and local economies, which can, in turn, negatively impact StepStone and its investment performance. Disruptions to commercial activity (such as the imposition of quarantines or travel restrictions) or, more generally, a failure to contain or effectively manage a public health crisis, have the ability to adversely impact the businesses of StepStone's investments. In addition, such disruptions can negatively impact the ability of StepStone's personnel to effectively identify, monitor, operate and dispose of investments. Finally, the outbreak of COVID-19 has contributed to, and could continue to contribute to, extreme volatility in financial markets. Such volatility could adversely affect StepStone's ability to raise funds, find financing or identify potential purchasers of its investments, all of which could have material and adverse impact on StepStone's performance. The impact of a public health crisis such as COVID-19 (or any future pandemic, epidemic or outbreak of a contagious disease) is difficult to predict and presents material uncertainty and risk with respect to StepStone's performance.

**Taxation.** An investment involves numerous tax risks. Please consult with your independent tax advisor.

**Conflicts of Interest.** Conflicts of interest may arise between StepStone and investors. Certain potential conflicts of interest are described below; however, they are by no means exhaustive. There can be no assurance that any particular conflict of interest will be resolved in favor of an investor.

**Allocation of Investment Opportunities.** StepStone currently makes investments, and in the future will make investments, for separate accounts having overlapping investment objectives. In making investments for separate accounts, these accounts may be in competition for investment opportunities.

**Existing Relationships.** StepStone and its principals have long-term relationships with many private equity managers. StepStone clients may seek to invest in the pooled investment vehicles and/or the portfolio companies managed by those managers.

**Carried Interest.** In those instances where StepStone and/or the underlying portfolio fund managers receive carried interest over and above their basic management fees, receipt of carried interest could create an incentive for StepStone and the portfolio fund managers to make investments that are riskier or more speculative than would otherwise be the case. StepStone does not receive any carried interest with respect to advice provided to, or investments made on behalf, of its advisory clients.

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**Material, Non-Public Information.** From time to time, StepStone may come into possession of material, non-public information that would limit their ability to buy and sell investments.

**ESG Integration.** While StepStone seeks to integrate certain ESG factors into its investment process and firm operations, there is no guarantee that StepStone's ESG strategy will be successfully implemented or that any investments or operations will have a positive ESG impact. Applying ESG factors to investment decisions involves qualitative and subjective decisions and there is no guarantee the criteria used by StepStone to formulate decisions regarding ESG, or StepStone's judgment regarding the same, will be reflected in the beliefs or values of any particular client or investor. There are significant differences in interpretation of what constitutes positive ESG impact and those interpretations are rapidly changing. The description of ESG integration herein is provided to illustrate StepStone's intended approach to investing and firm operations; however, there is no guarantee that the processes will be followed in every circumstance or at all.

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