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¹Managers ranked by total worldwide assets (net of leverage, including contributions committed or received, but not yet invested, REOCs are included with equity; REIT securities are excluded), as of 30 June 2022. Pensions & Investments, 3 October 2022. ²Principal Real Estate Investors became registered with the SEC in November 1999. Activities noted prior to this date were conducted beginning with the real estate investment management area of Principal Life Insurance Company and later Principal Capital Real Estate Investors, LLC, the predecessor firm to Principal Real Estate Investors.

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Whatever our views on central bank policy, many of us agree that the Federal Reserve faces a real challenge

in sticking a perfect landing in response to today's prevailing economic forces. Those forces include elevated levels of inflation, robust levels of employment that might nonetheless be vulnerable to sustained headwinds, and jitters about the banking system. It is surely not lost on the Fed that at least two of those economic forces bear directly on its twin mandates of hitting inflation targets and maintaining full employment. That symmetry aside, the Fed has the difficult task of parsing economic data that points in several possible directions.

For instance, January of 2023 saw more than half a million jobs added in the US and the unemployment rate reach its lowest level in 60 years. In March, fewer than half as many net new jobs were created, a notable slowdown but one that could align with a soft landing. Inflation continued its slow but steady descent from decades-high levels, but signs of stickiness at around 5% renewed worries that the Fed would have difficulty reaching its 2% target without producing more drastic downward effects on economic vitality. Already, a decline in GDP growth from 2.6% in 4Q2022 to just over 1% in 1Q2023 reflected the likelihood of a cooling economy. Taking the data at hand into account, the Fed raised interest rates twice during the first quarter of 2023, bringing its current target range to between 4.75% and 5%.

During the same quarter, global public equities advanced as investors looked past such concerns as the collapse of Silicon Valley Bank and somewhat down-weighted the possibility of imminent recession. The MSCI World, S&P 500, FTSE All-Share, and TOPIX indices all rose between 6% and 8%. Public and private real estate did not fare as well. Although the FTSE Nareit US Real Estate All REITs Index started 1Q2023 strong, declines in February and March resulted in a total return of roughly 1.5% for the quarter. The NCREIF Property Index declined by 1.8% over the same time frame. Worries about commercial real estate have surfaced as rising interest rates and some property value declines, realized or expected, coincide with a coming wave of debt maturities totaling nearly \$1.5 trillion by the end of 2025.

PREA's educational programming has been geared toward answering our questions about the real estate and capital markets as well as the economic backdrop. Numerous sessions at the 2023 Spring Conference in Seattle focused on these subjects, with panel discussions and presentations from leaders within and outside our industry. Similarly, [PREA webinars](#) moderated by Director of Research Greg MacKinnon have been examining various aspects of the "state of the market," starting with the debt space in a January 26 discussion. All are available for replay on PREA's website. In February, a PREA Near You event in New York tackled the question of office valuations in particular. Future events, publications, and online programming will likewise be organized around the goal of fostering dialogue and educational exchange among our industry peers.

As you are a vital part of that dialogue, I encourage you to contact members of PREA's board, committees, or staff with your feedback and ideas for content or speakers. I would like to make member engagement a priority as I step into the role of PREA Board Chair. My predecessor, Catherine Marcus, set a high bar in steering the Association to high levels of success, and I look forward to working with her and all of you to sustain this productive and inspiring trajectory.

Regards,

Manuel Casanga

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