NONTRADED REITS

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Non-traded Jan-26 Monitor: Flows Moderate After 25YE Surge, SREIT NAV Round-Trip Turns Negative

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The Wolfe Byte

We report Janaury updates for BREIT (who provided January financials on Friday, 2/13) as well as Starwood and Ares REITs as an update to our recurring research on Non-traded REITs.

Today's report is an update of our recurring research on Non-traded REITs (see here) where we track the monthly performance of BREIT (Blackstone), SREIT (Starwood), and AREIT (Ares). In this report, we discuss the NAVs, yields, fund flows, balance sheet data for the month of January.

All data below is available in Excel upon request.

We think the data could be highlighting:

- **January data reflects a moderation in fund flow activity following the year-end surge, with flows stabilizing near flat levels while SREIT valuation headwinds persist.**
- **BREIT** returned to negligible net outflows of ~$11M in January, pausing the positive momentum seen in December's inflow spike ($280M), though sentiment remains highly stable.
- **AREIT** continued to see net inflows (+$12M), although volume normalized significantly from the 18-month highs observed in December ($229M).
- **SREIT**'s valuation declined by ~60 bps in January, pushing its NAV per share below the fund's inception level for the first time.
- While **BREIT** (+52bps) and **AREIT** (+83bps) posted steady NAV gains, they trailed the public REIT market (**IYR**), which rose ~2% in January and has rallied a further ~5% month-to-date.
- In portfolio updates, Blackstone's 4Q filings showed a continued conviction in digital infrastructure with a new position in DigitalBridge **(DBRG)**, while exiting REIT positions in Realty Income (**O**) and Hudson Pacific (**HPP**).

Investment Conclusion

We provide an update to our recurring research on Non-traded REITs (see here) on the monthly performance of BREIT (Blackstone), SREIT (Starwood), and AREIT (Ares).

1. NAV versus REITs

Exhibit 1 below compares NAVs of **BREIT**, **SREIT** and **AREIT** to **IYR** (the public REIT index).

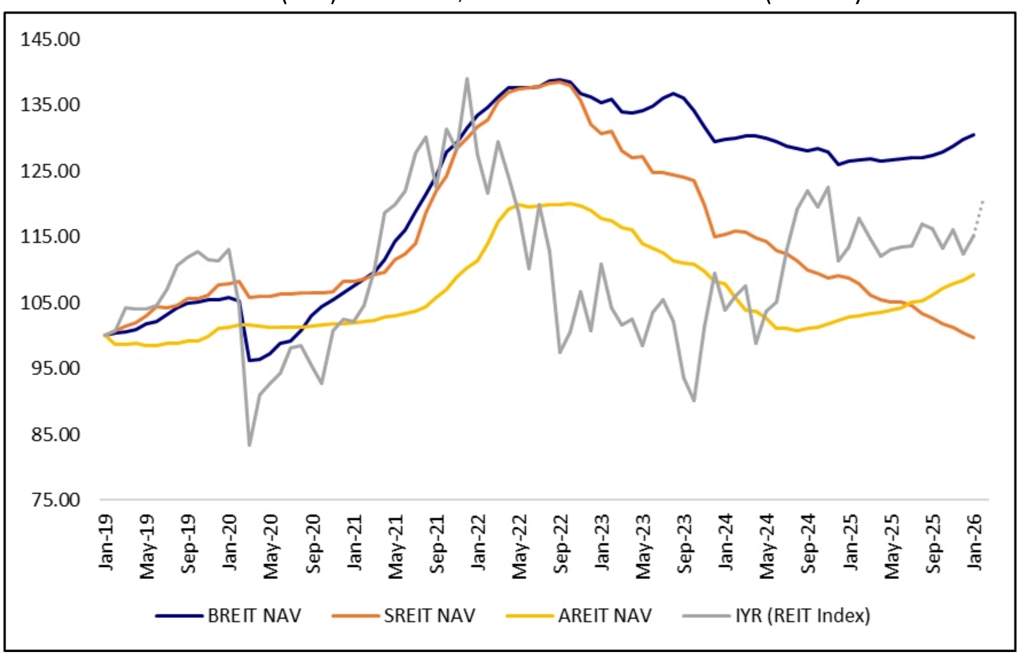
BREIT NAV increased by 52 bps month over month in January. **AREIT** NAV climbed by 83 bps while **SREIT** NAV declined 60 bps in January. **IYR** rose ~2% during the same period and has further improved ~5% month to date.

It appears the NAVs of **BREIT** and **AREIT** have largely converged to public REITs performance since deviation first occurred in early 2022. A notable outlier has been **SREIT**, whose NAV per share is now below the NAV levels at the fund's inception.

Both **BREIT** and **AREIT** are on track to exceed peak NAV levels (currently ~6% and ~9% below peak levels, respectively).

We do note that, of the three NTRs, **BREIT** has outperformed **SREIT** and **AREIT** over the ~3 year, which can be attributed to portfolio make-up with BREIT's significant exposure to data centers - likely the only retail product with such exposure.

Exhibit 1 - BREIT/AREIT NAVs' Upward Trend Continues, Contrasting SREIT
Time series of REIT index (IYR) to BREIT, SREIT and AREIT NAV (January 31 2019 =100)



Source: Wolfe Research, Company Filings, FactSet
Feb-26 IYR Performance taken as of 2/17

2. Fund Flows

BREIT reported negative net fund flows, with implied net outflows of $11M in January - a step-down from the first net positive flow month in nearly 2 years in December (Exhibit 2). The company has previously noted they have fulfilled all repurchase requests and plan to continue doing so even if it requires exceeding the caps. Please see our fund flow definition in the Exhibit footnote.

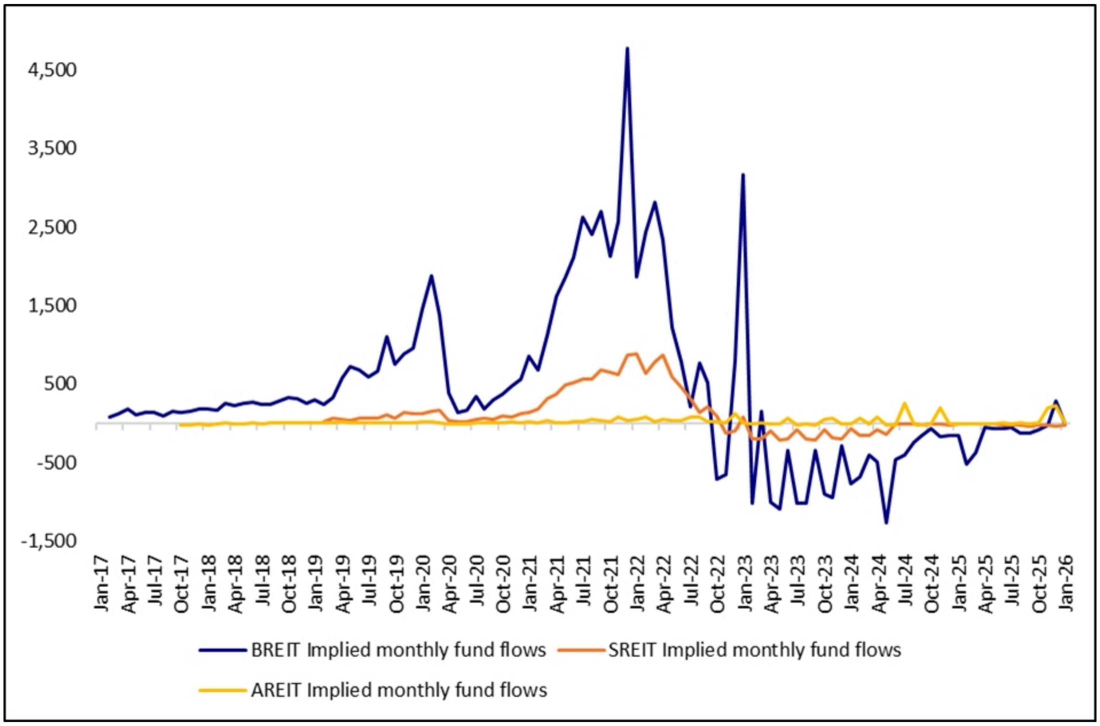
AREIT saw net inflows of $12M in January after net inflows of $229M in December (highest in 18 months).

SREIT saw net outflows of $22M in January (following $36M outflows in December).

The stabilizing net fund flow trend for all three NTRs remains encouraging.

Please note, our net fund flows are a function of REIT share counts inclusive of OP Units, and as such have a margin for error.

Exhibit 2 - BREIT Saw A Slight Reversal in Flows Trend after Net Inflows for the First Time in 2 Years in December
Implied monthly fund flows (in $ mm)



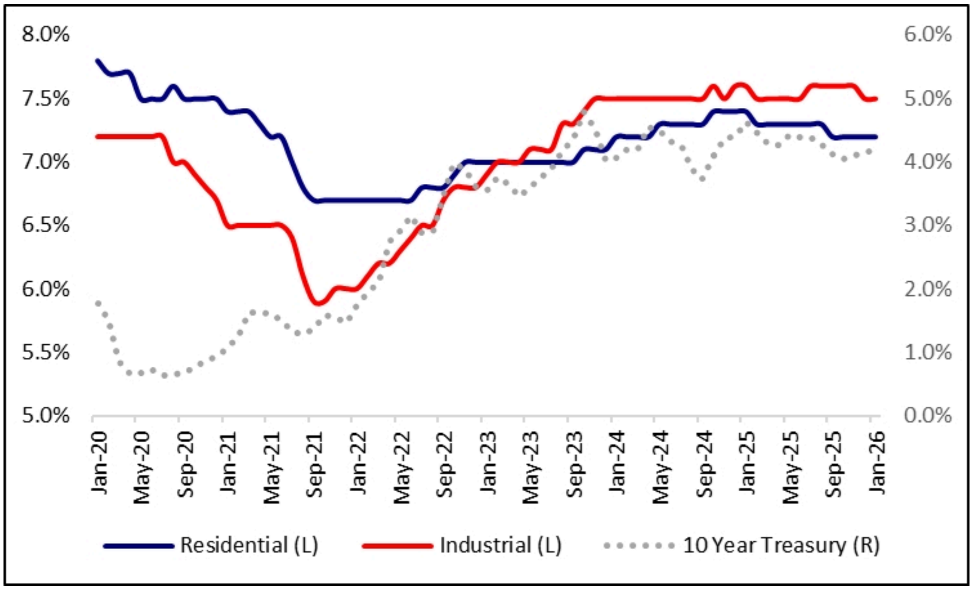
Source: Wolfe Research, Company Filings

3. Discount Rates

Exhibit 3 shows that **BREIT** has consistently increased discount rates for residential and industrial assets (which comprise the majority of their portfolio) during 2022 and 2023 but kept them largely flat in 2024-25. This has resulted in asset valuation decline, which **BREIT** notes were offset by strong same property net operating income growth as well as gains from interest rate swaps.

In January, discount rates for rental housing and industrial were flat month over month. The average monthly 10 year Treasury rates increased ~7 bps in the same period. Other discount rate changes include data center which went up 10 bps month-over-month.

Exhibit 3 - Discount Rates Were Flat Month-Over-Month for Industrial and Residential
BREIT's discount rates for Residential and Industrial assets (Jan-20 to present) compared to average monthly 10 year treasury yield



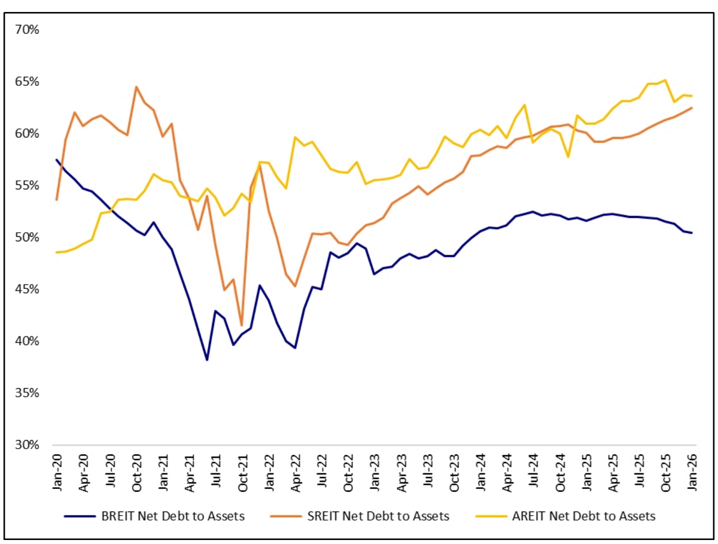
Source: Wolfe Research, Company Filings, FactSet

4. Balance Sheet

Exhibits 4 and 5 below show the debt to assets and unrestricted cash balance for the non-traded REITs. We believe a higher cash balance position, combined with lower leverage, is constructive for continued expansion into commercial real estate.

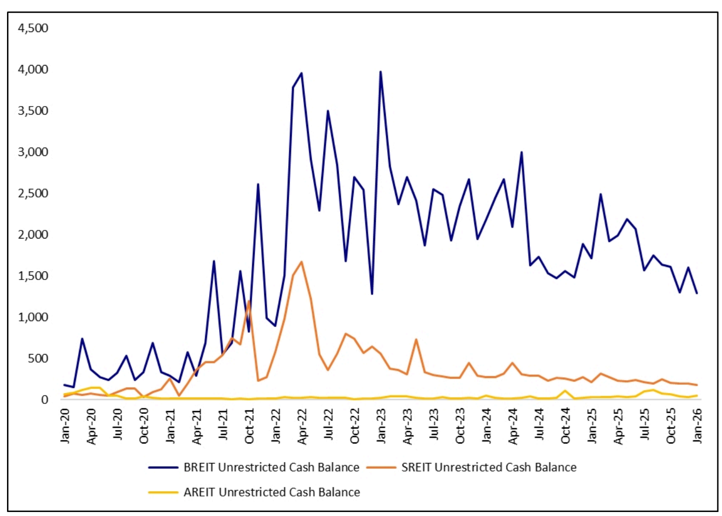
Leverage was largely flat for **BREIT** and **AREIT,** but went up for **SREIT** month-over-month in January, while cash balance declined for all but **AREIT**.

Exhibit 4 - Leverage Was Flat Month over Month for BREIT
Time Series of Net Debt to Total Assets for the Non-Traded REITs



Source: Wolfe Research, Company Filings

Exhibit 5 - Cash Balance Declined for BREIT in January
Time Series of unrestricted cash balance (in $ mm) for the Non-Traded REITs



Source: Wolfe Research, Company Filings

5. Yield

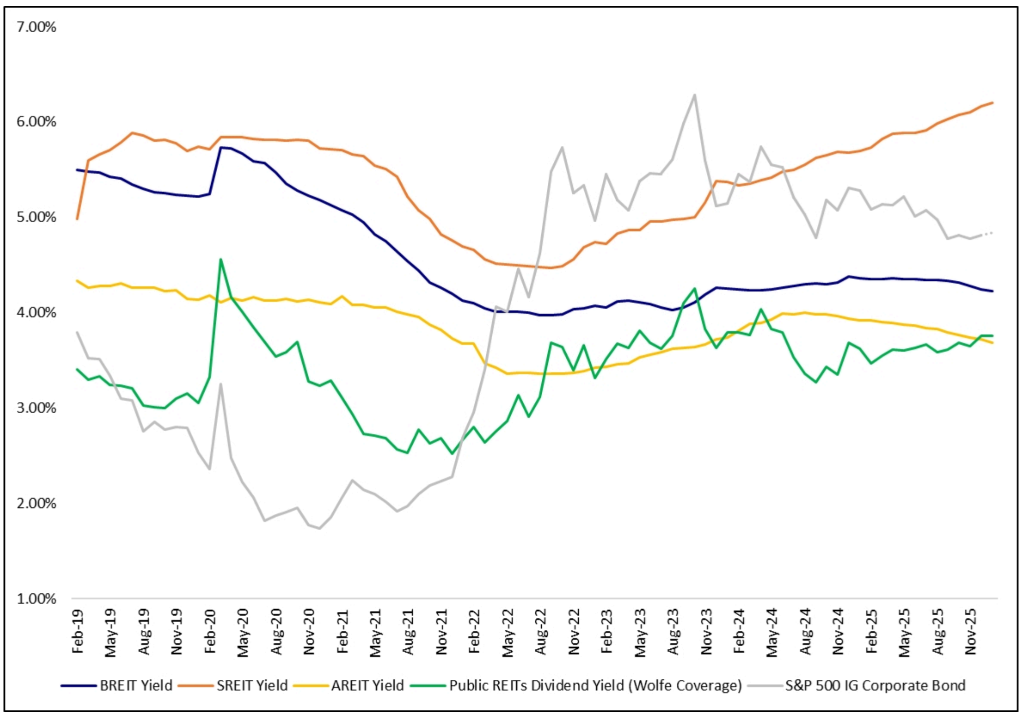
Exhibit 6 compares the corporate bond yields to non-traded REITs' yields, as well as Wolfe's public REIT coverage dividend yield.

BREIT's dividend yields came down slightly, as the NAV improved while the dividend remained unchanged month-over-month. While **BREIT** and **SREIT** continue to offer yields above Wolfe's public REITs coverage average yield, AREIT's yields remained below that of public REITs' average in January.

SREIT yields are also above that of corporate bond yields.

The improvement in inflows makes us wonder if investors see these funds as cash substitutes rather than long term investment substitutes (as cash or short term rates have fallen but long term rates have not).

Exhibit 6 - BREIT and SREIT Yields Remain Above Wolfe's Public REITs Coverage Average Yield
Corporate bond index yield and Wolfe's public REIT coverage yield versus annualized non-traded REIT yield



Source: Wolfe Research, Company Filings, FactSet
Feb-26 Corporate Bond Yield taken as of 2/17

Appendix - Blackstone Holdings

The charts below highlight Blackstone holdings and changes in 4Q25 according to 13-F holdings. We note the following:

- **BX** closed its position in Realty Income (**O**), a net lease REIT, as well as Hudson Pacific Properties Inc (**HPP**), an office REIT.
- The company took a position in DigitalBridge (**DBRG**), a digital infrastructure and data center investment firm.

Chart 1 - REITs held by Blackstone in 4Q25

Ticker	Shares	% Portfolio	Value ($000)	Sector
BXMT	9,283,323	0.70%	177,589	Mortgage
SHO	8,645,000	0.30%	77,286	Hospitality
CLDT	1,621,000	0.00%	11,039	Hospitality
APLE	446,900	0.00%	5,295	Hospitality

Source: Wolfe Research, Company Filings
Please note: positions are listed as held by Blackstone overall rather than specific to BREIT

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