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INDUSTRY NEWS | REAL ESTATE, CREDIT, AND FINANCIAL MARKET TRENDS

SECOND QUARTER **2024**

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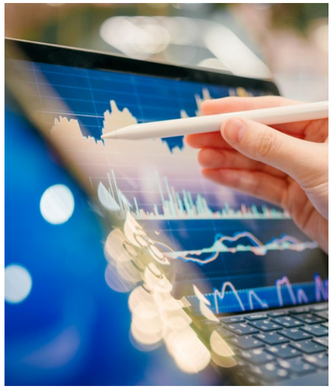
IN THE **NEWS**



Alternative Credit Funds for Advisors Surge with Record Sales Pace

While real estate alternatives struggle to raise capital, semi-liquid credit is on a tear via BDCs and interval funds. "The demand is still way bigger than the supply as everyone is trying to figure out their place," she said. According to Amanda Tepper, managing partner at Chestnut Advisory Group. "Advisors are very interested. There is big end-client demand for the asset class.

Source: FundFire

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Fortune Favors Early Movers in America's Property Crunch

Commercial real estate prices have broadly declined by over 20%. The window to 'buy near the bottom" will be shorter than most think and the highest returns are likely to be realized by those who can stomach the remaining uncertainty.

Source: Wall Street Journal

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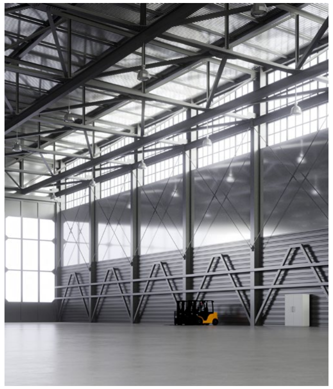

Industrial Prices Continue Upward Trend Despite Challenges

Industrial building prices per square foot continue to rise even as fundamentals normalize highlighting the benefit of the intrinsic loss to lease in the sector. In May, the national average rate for all in-place leases was $8 per square foot, a 7.5% increase from last year, according to CommercialEdge's National Industrial Report.

Source: Globest.com

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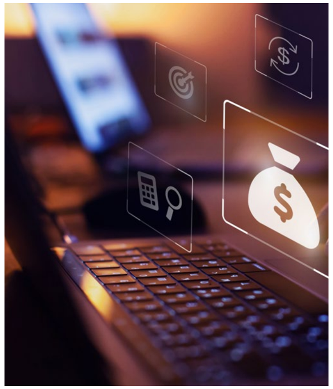

Gatekeepers Weigh the Pros and Cons of Private Credit

Are CLOs a better bet than private credit? Some think so. Specifically, SEI CIO Jim Smigiel compared private credit funds unfavorably to another fixed-income alt: Collateralized loan obligations (CLOs). According to Smigel, CLOs, which typically package together hundreds of underlying loans, can offer similar returns to private credit investments but with less drawbacks.

Source: Citywire

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FEATURE **ARTICLE**

Starwood REIT's Redemption Cutback Jolts Semi-Liquid Alts Market

The Starwood cutback in liquidity combined with other non-traded REITs limiting redemptions may have highlighted the structural shortcomings that some advisors missed when allocating to these discretionary liquidity vehicles.

Source: FundFire

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QUOTES OF THE **QUARTER**

“A steadily growing pool of investors is driving the demand for alternative investment funds, and the bounce back in fundraising reflects this,” she said in an email. “These investors are long-term thinkers who understand the valuable role alternatives play in portfolio construction and are accustomed to market cycles.”

Anya Coverman,
President and CEO
Institute for Portfolio Alternatives

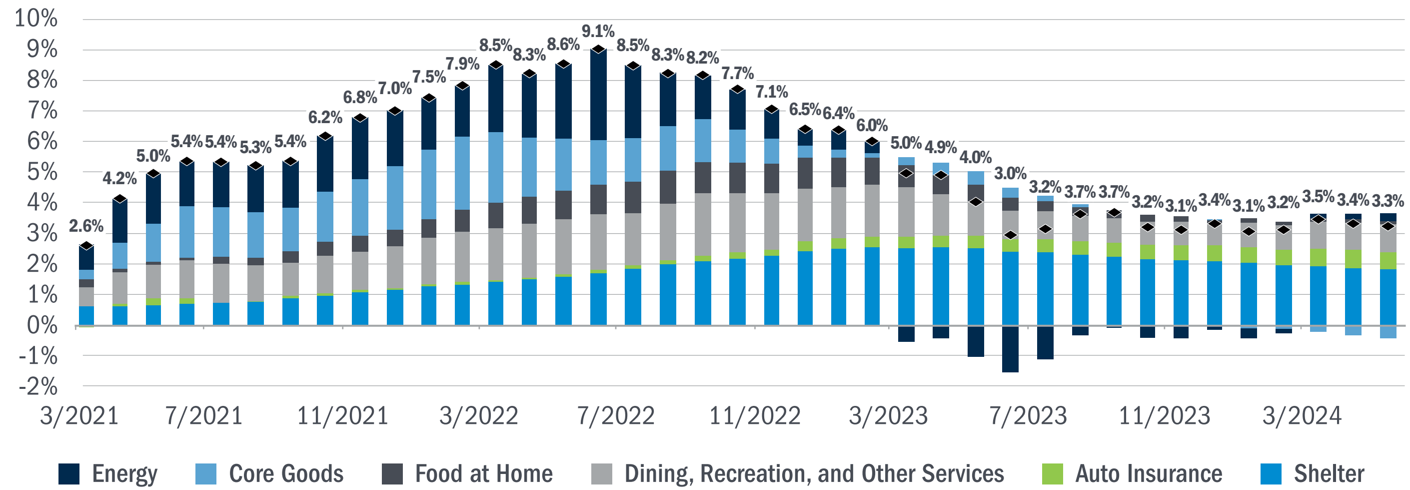
“When you speak with the wealth platforms, their appetites are broadening,” he said. “They’re looking at a greater number of solutions and tools for advisors to solve for fixed income and credit needs in individual investor portfolios.”

Alex Catterick,
Head of Alternative Investment Solutions
Manulife Investment Management

NEW **DATA**

The decrease in inflation rates back to historical averages has been driven by the large decrease in core goods and energy. While shelter inflation remains a bit high, lag effects are likely to bring this and overall inflation down the remainder of 2024

Contribution to y/y % change in CPI, non-seasonally adjusted



Source: *JPMorgan Asset Mangement, Guide to the Markets, June 30, 2024*

NEW **RESEARCH**

CLO MYTH BUSTING, THE TOP THREE MISCONCEPTIONS | SOURCE: OAKTREE

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“CLOs are created based on the assumption that an economic downturn will occur during the typical five-year life of the CLO – and thus that some defaults in the underlying loans will occur. **As such, CLOs are structured to be self protective.**”

“**Importantly, this growth hasn’t been accompanied by a reduction in investor protections – a trend seen in many other credit markets that expanded over the last decade.** In fact, multiple post-GFC trends in the CLO market have helped reduce risk for many investors. For example, the period during which CLO managers can invest in new loans has been shortened, and enhanced par subordination has become common, meaning CLO investors have more protection against losses. Moreover, CLOs have been subject to the heightened regulations put in place after 2008, including the Volcker Rule, a broad measure that has limited the type of assets that CLOs can hold.”

“**CLOs offer investors many potential benefits, including diversification, structural protections, low sensitivity to interest rate increases, and higher average yields than similarly rated traditional fixed income.**”