

APOLLO

# Real Assets Outlook for 2025

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**Apollo Global Management**

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Unless otherwise noted, information as of December 2024.

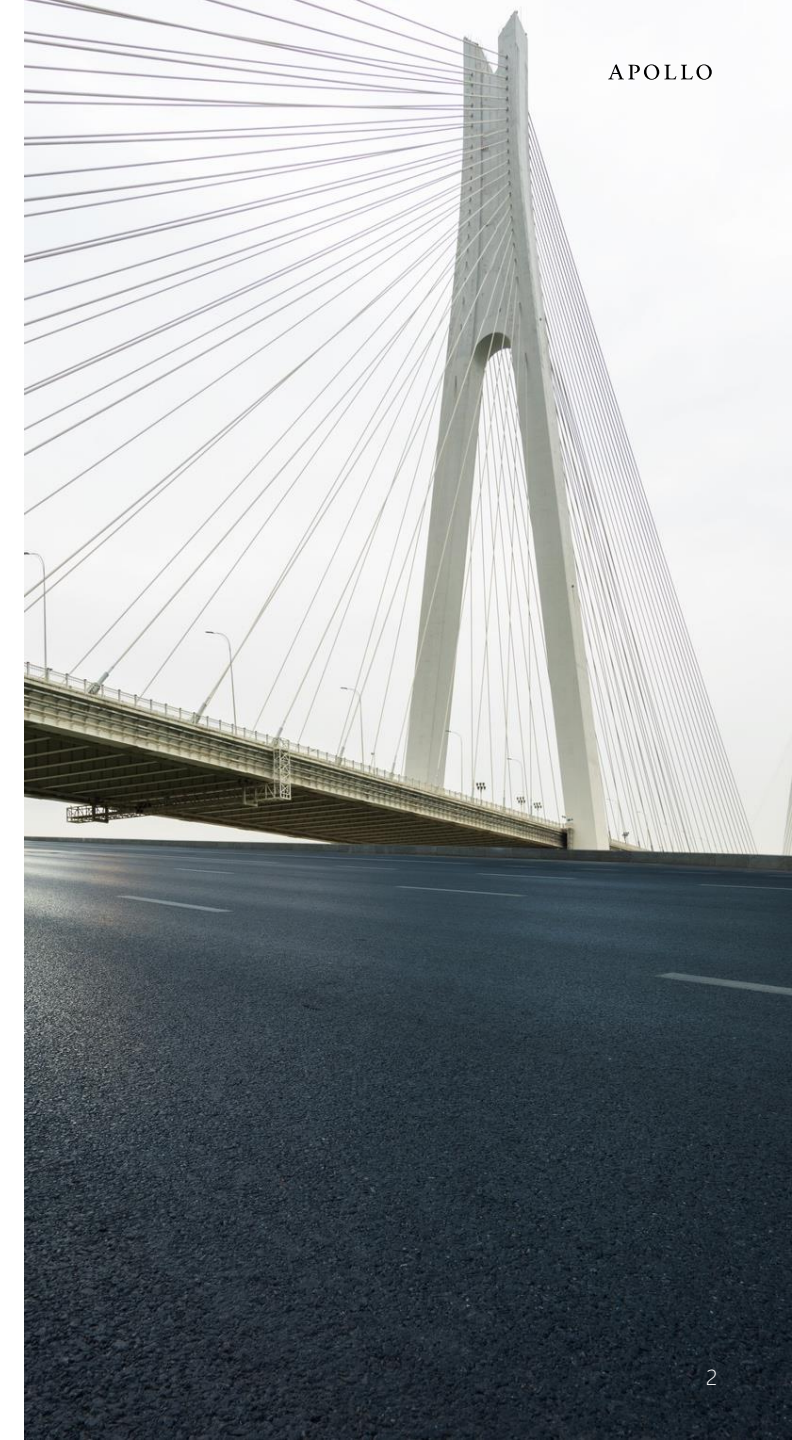
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# Overview

Private infrastructure has shown resilience in times of market stress and provided downside protection with low correlation to other major asset classes.<sup>1</sup> There are powerful macroeconomic tailwinds bolstering infrastructure today, including federal spending initiatives and the global need to update aging infrastructure:

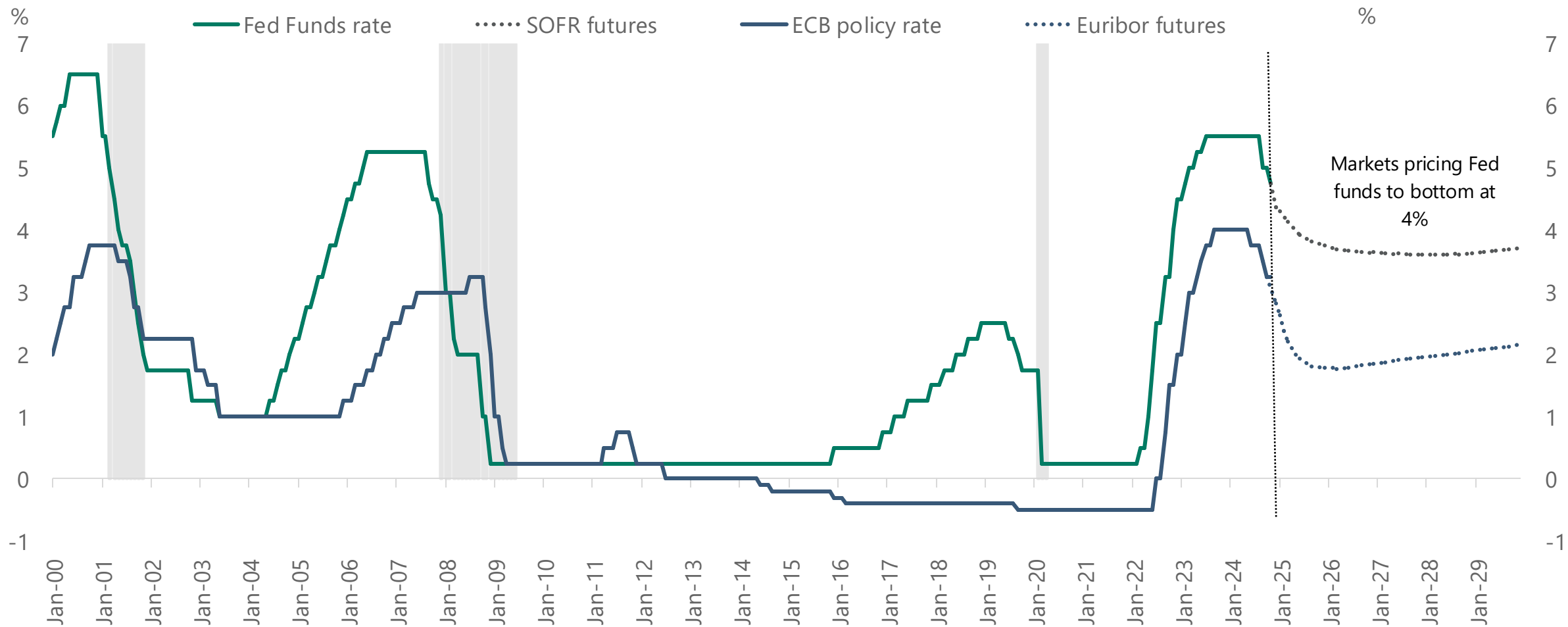
1. Global need to update aging infrastructure leaves an \$88 trillion funding gap by 2040<sup>2</sup>
2. Unprecedented regulatory support that will force spending on infrastructure, including the bipartisan infrastructure law that authorized \$1.2 trillion for transportation and infrastructure spending with \$550 billion of that figure going toward "new" investments and programs
3. The opportunity set includes digital infrastructure, where increasing computing power from generative AI and related technologies is driving heightened demand for data centers and electricity

For more discussion, see here: <https://www.apolloacademy.com/2025-economic-outlook-firing-on-all-cylinders/>

1. Infrastructure Investing: Embracing Complexity in Times of Structural Change, 2023

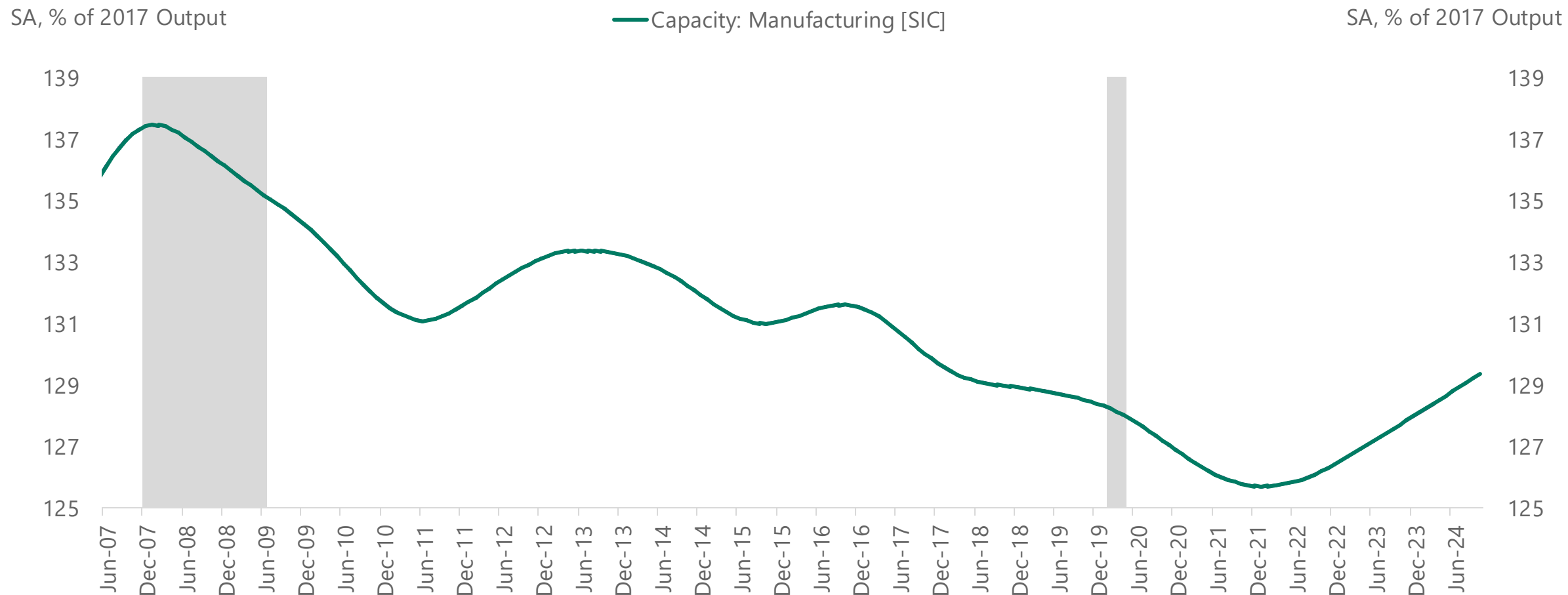
2. Apollo Chief Economist, Global Infrastructure Outlook from Global Infrastructure Hub, 2020

# Interest rates will remain higher for longer



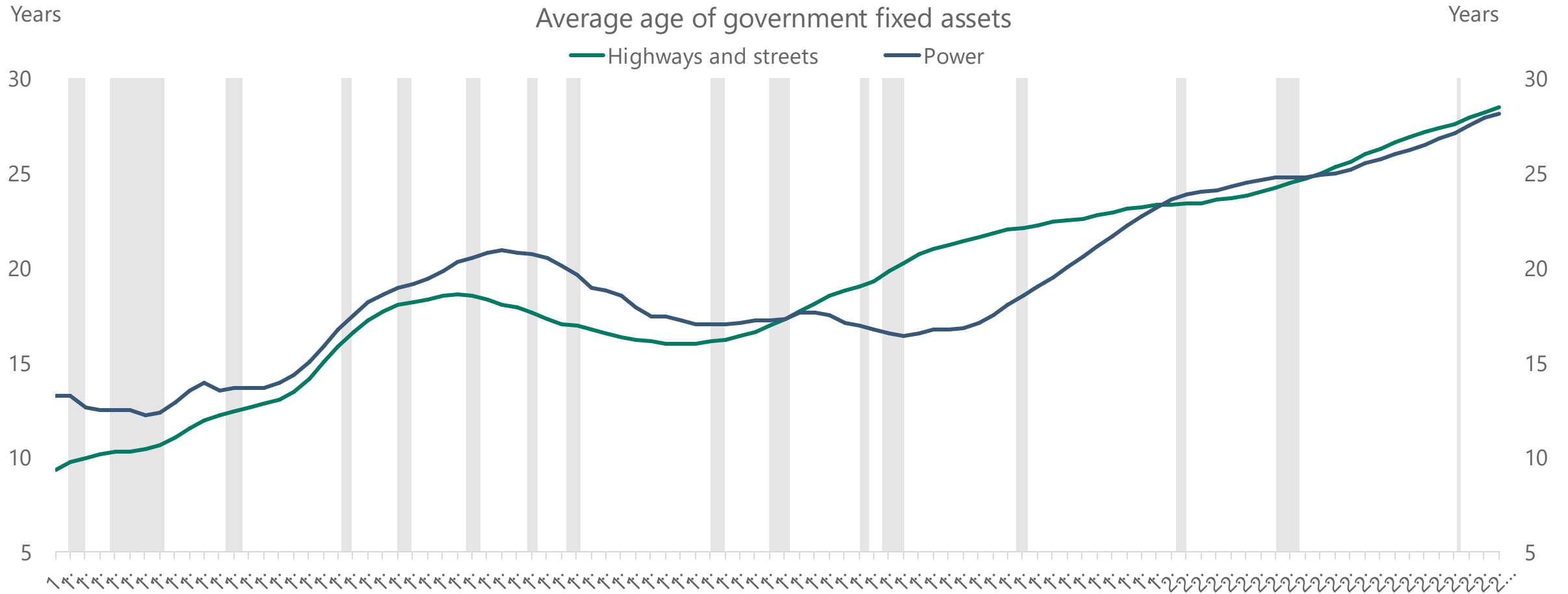
Overview:  
The coming industrial renaissance

# US manufacturing capacity increasing

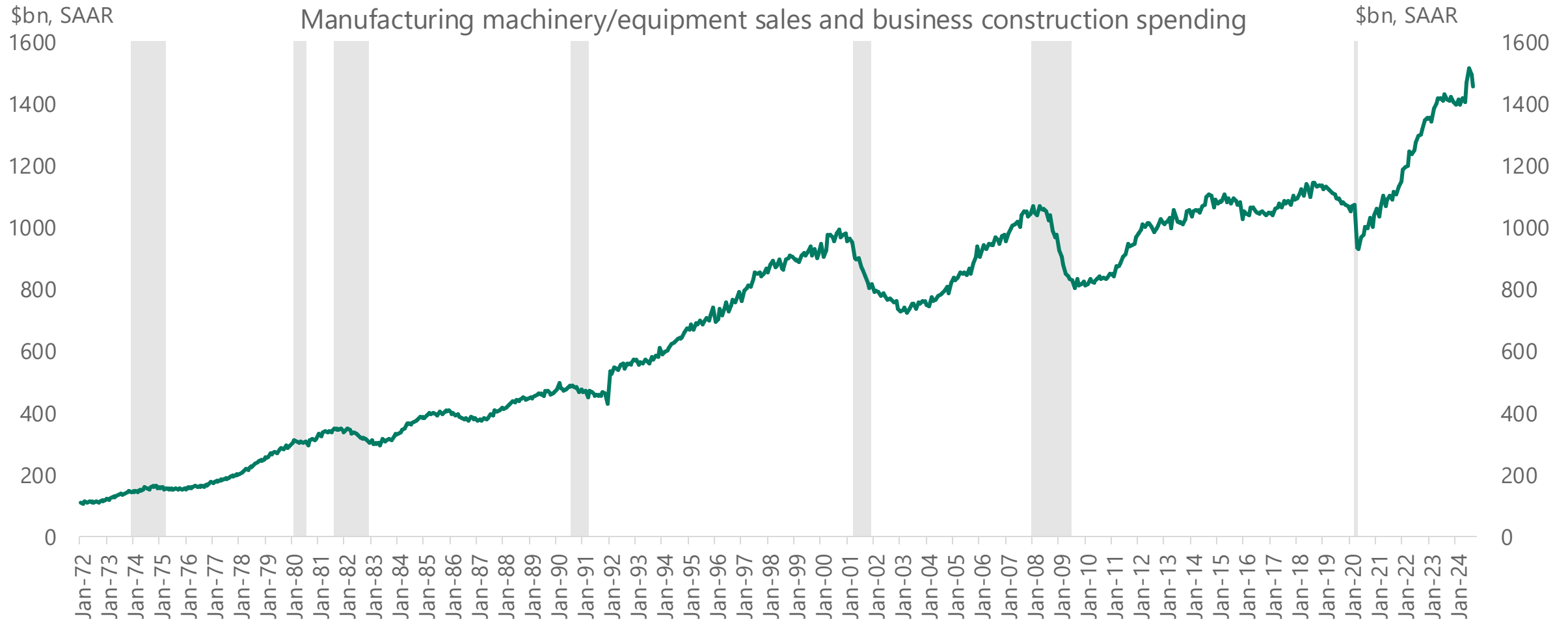


Source: Federal Reserve Board, National Bureau of Economic Research, Haver Analytics, Apollo Chief Economist. Note: SIC = Standard Industrial Classification

# New investments are needed



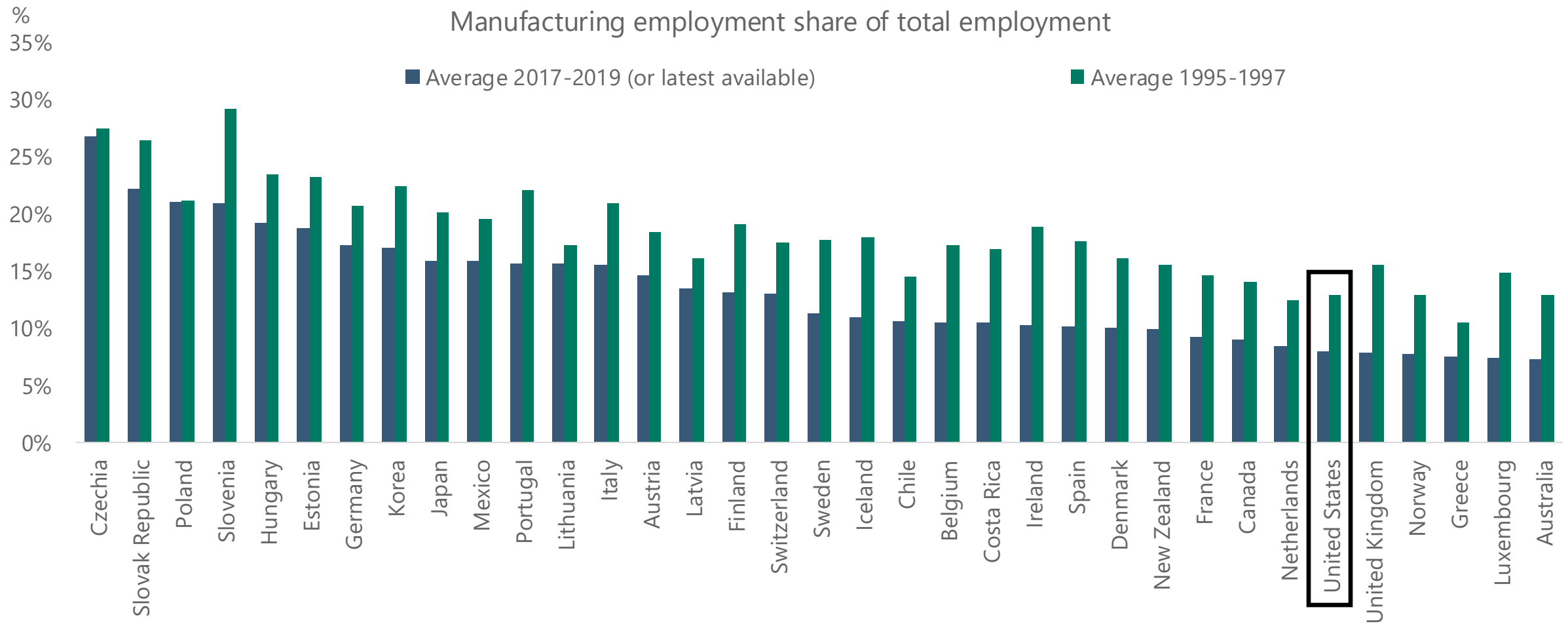
# Manufacturing machinery and equipment sales and business construction spending



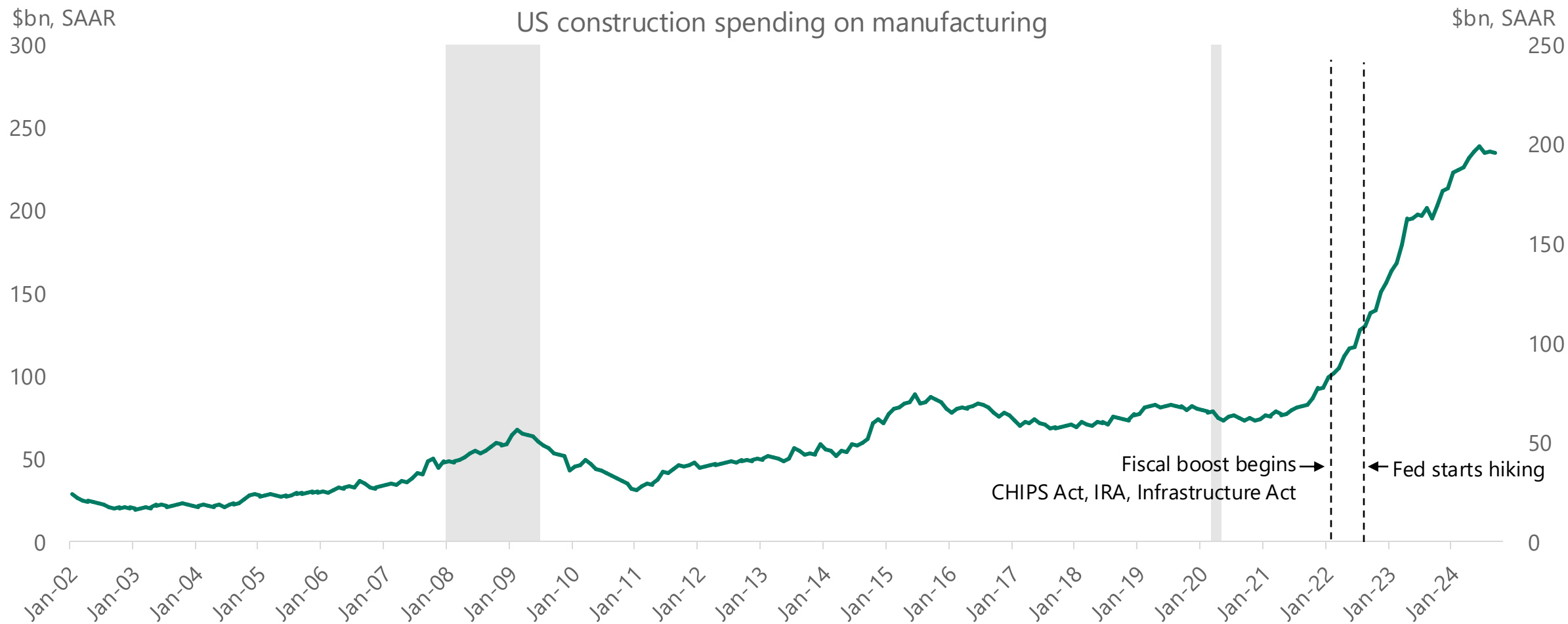
Source: Census Bureau, Haver Analytics, Apollo Chief Economist



# US: Manufacturing employment makes up a small share of total employment



# Positive effects of fiscal policy dominating negative effects of Fed hikes



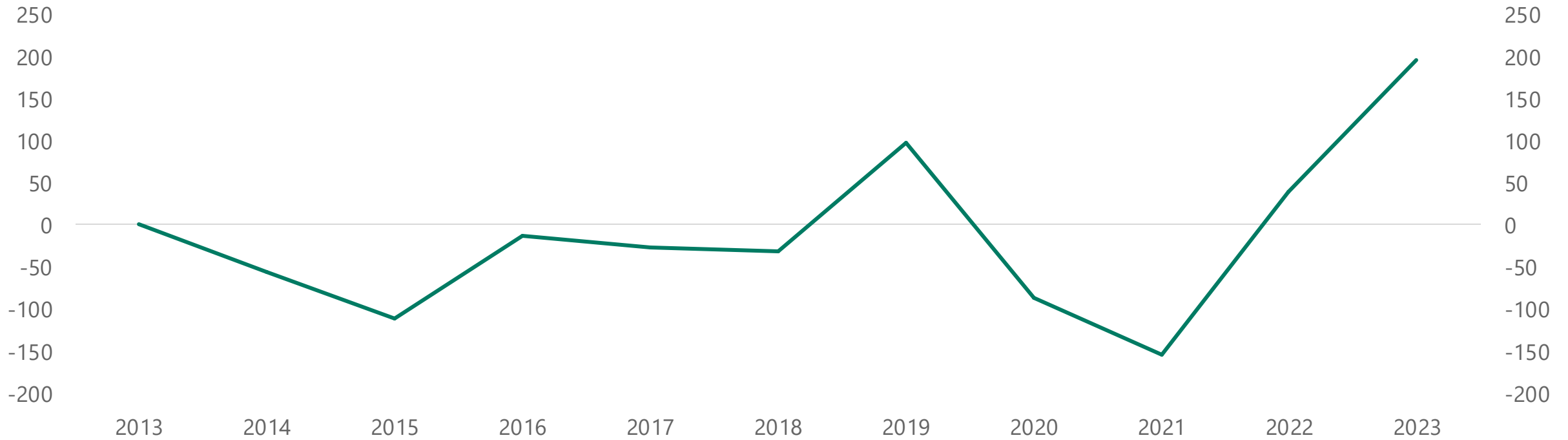
Source: Census Bureau, Haver Analytics, Apollo Chief Economist

# Reshoring index at highest level

Manufacturing import ratio,  
YoY, bps

Kearney's 2024 Reshoring Index

Manufacturing import ratio,  
YoY, bps

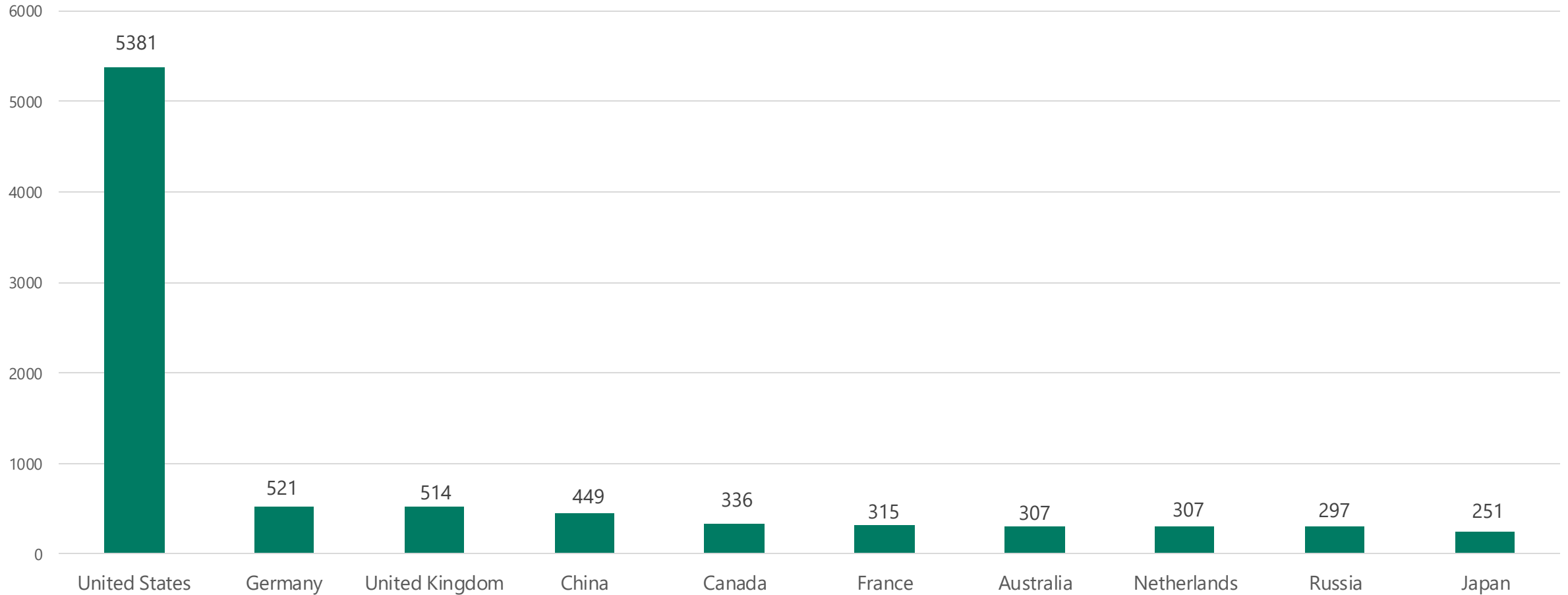


Source: Kearney Made in America: Here to stay? 2024 Reshoring Index, Apollo Chief Economist. Note: Manufacturing import ratio = total manufactured goods import from 14 Asian low-cost countries and regions as a % of domestic output.

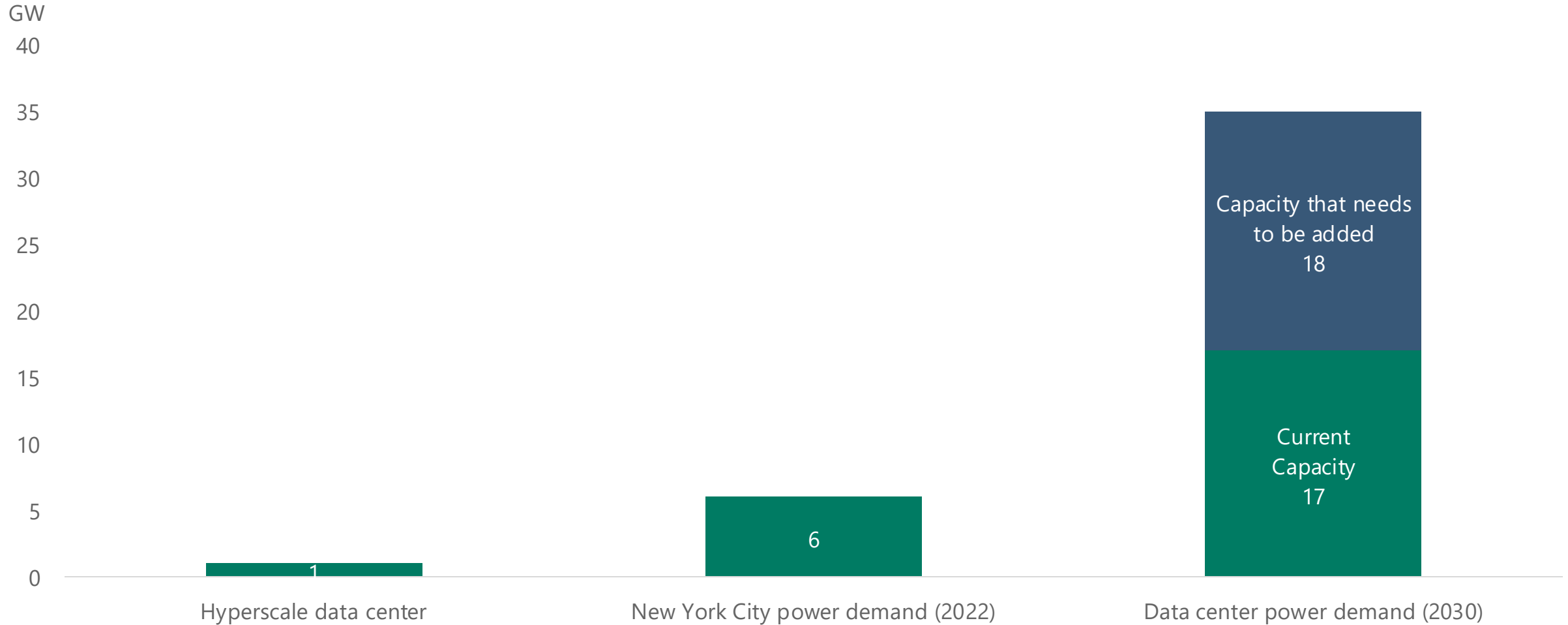
# Digital infrastructure

# There are more data centers in the US than in all other major countries combined

Number of data centers

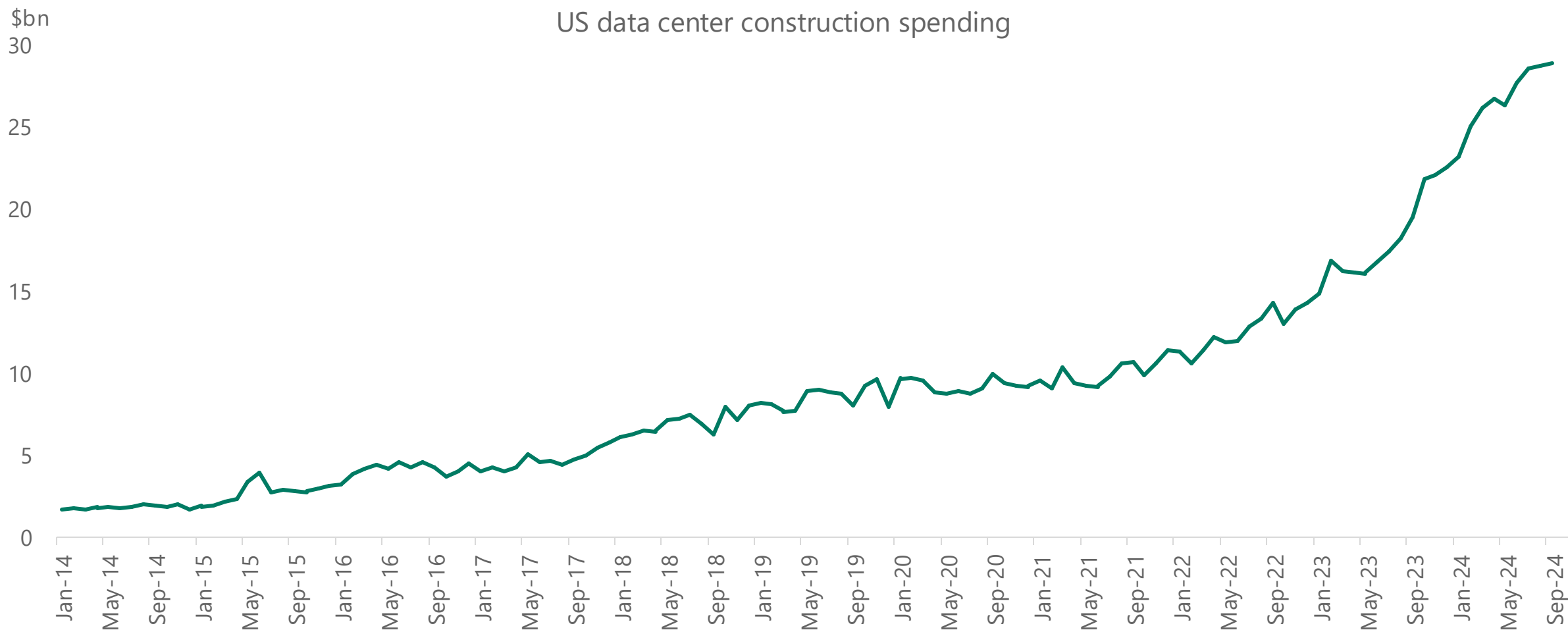


# US data center energy demand: Need to add three NYCs to the power grid by 2030



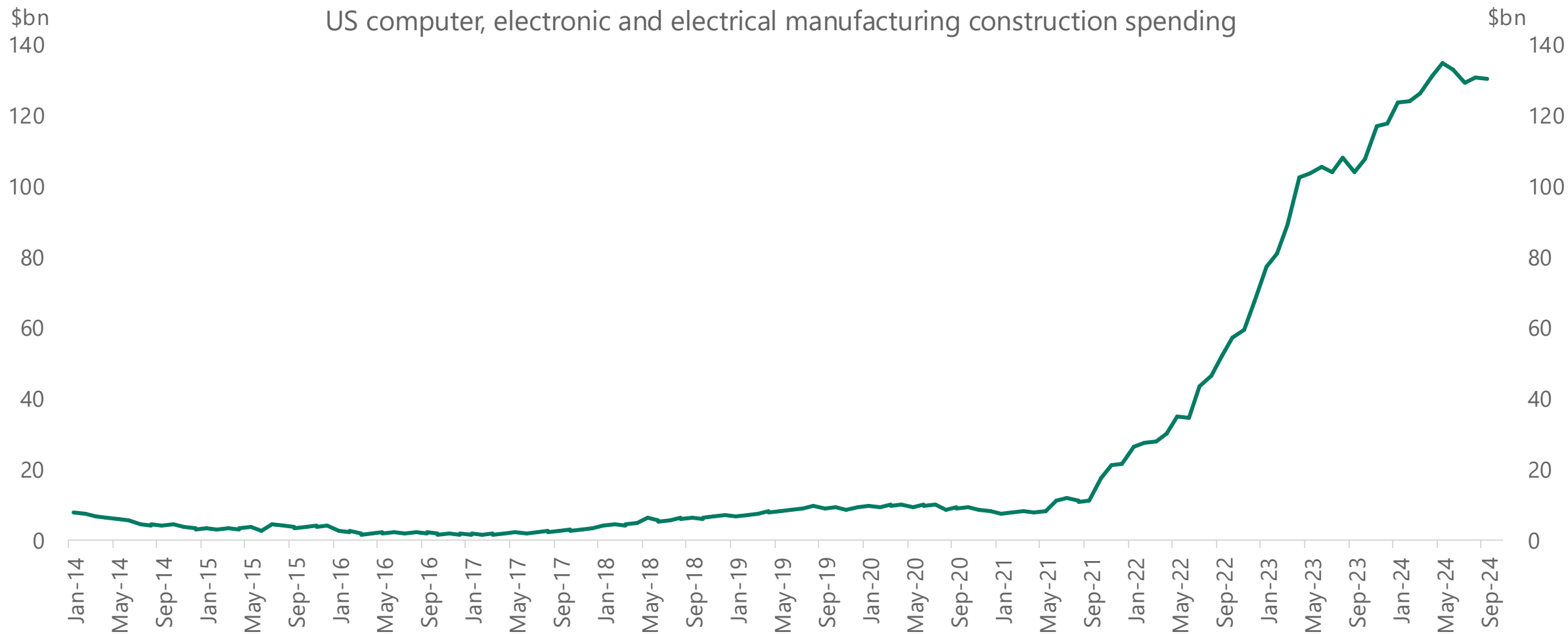
Source: NYISO 2022, McKinsey, Nextgen, datacenterknowledge.com, Apollo Chief Economist. Note: Current capacity as of 2022, [Why invest in the data center economy | McKinsey](#), [Systems - NYC Mayor's Office of Climate and Environmental Justice](#), [Data Center Power: Fueling the Digital Revolution, US data center power consumption to double by 2030 - DCD](#)

# Positive effects of fiscal policy dominating negative effects of Fed hikes



Source: Census Bureau, Haver Analytics, Apollo Chief Economist

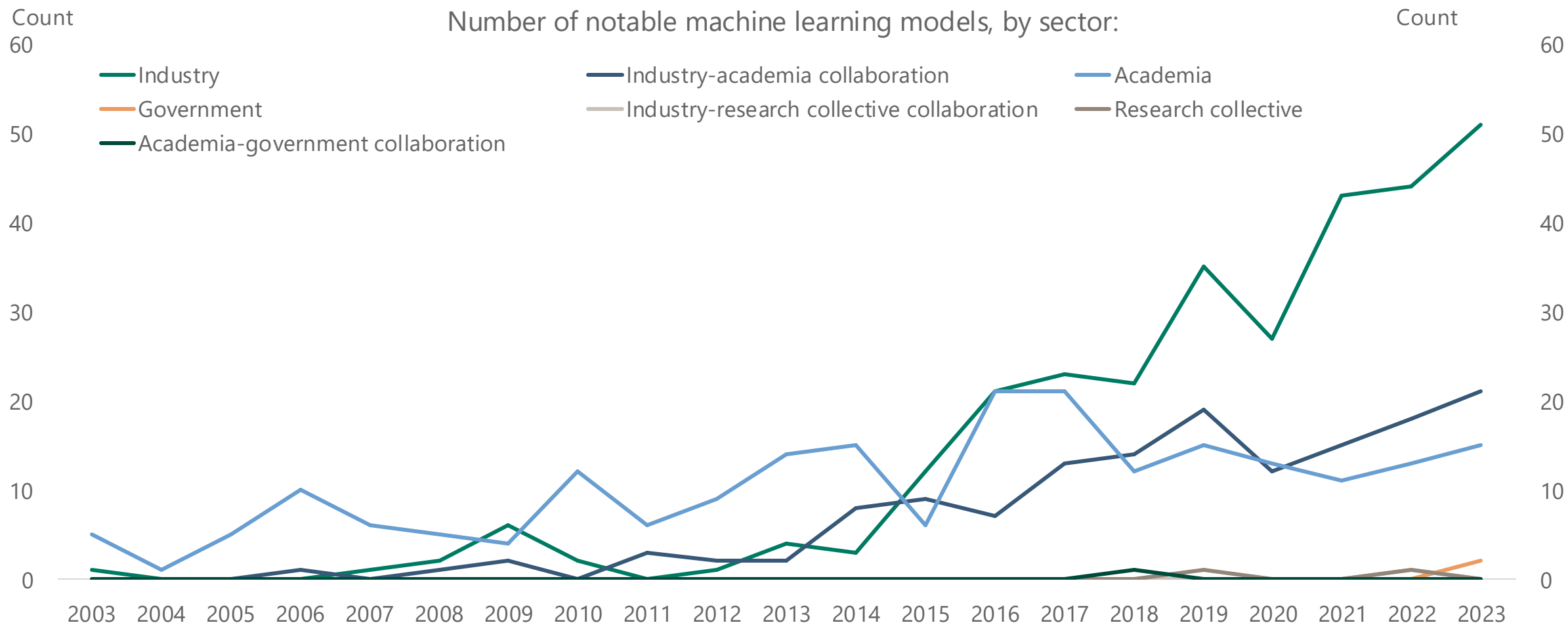
# Positive effects of fiscal policy dominating negative effects of Fed hikes



Source: Census Bureau, Haver Analytics, Apollo Chief Economist

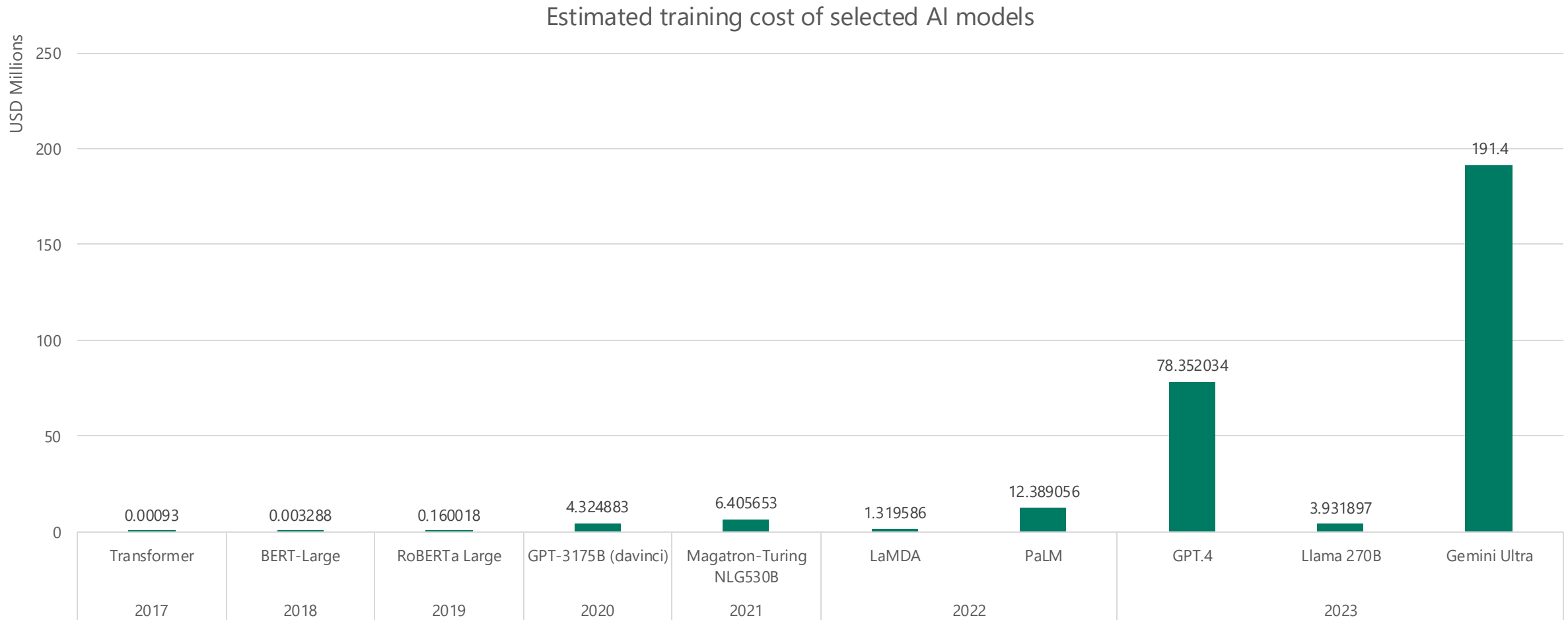


# Number of notable machine learning models, by sector



Source: Source: Epoch, 2023, <https://aiindex.stanford.edu/report/>, Apollo Chief Economist

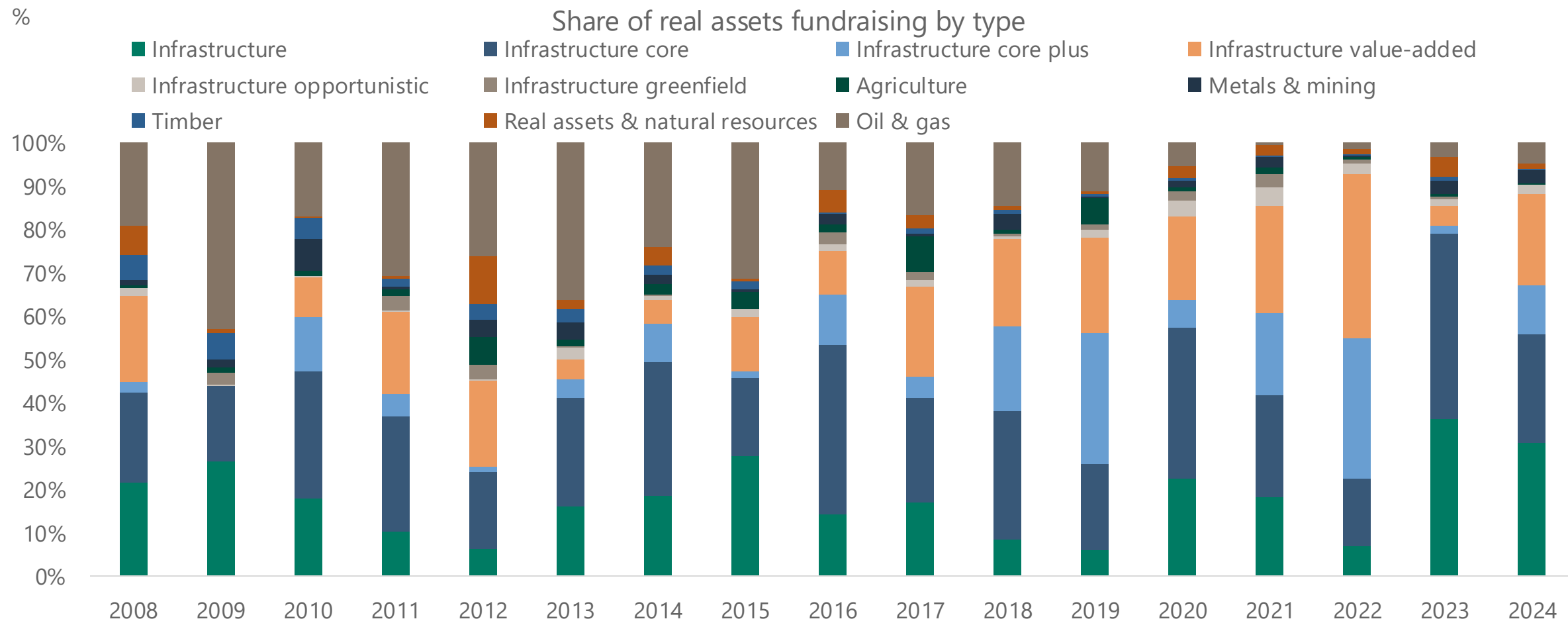
# Estimated training costs of selected AI models



Source: Source: Epoch, 2023, <https://aiindex.stanford.edu/report/>, Apollo Chief Economist

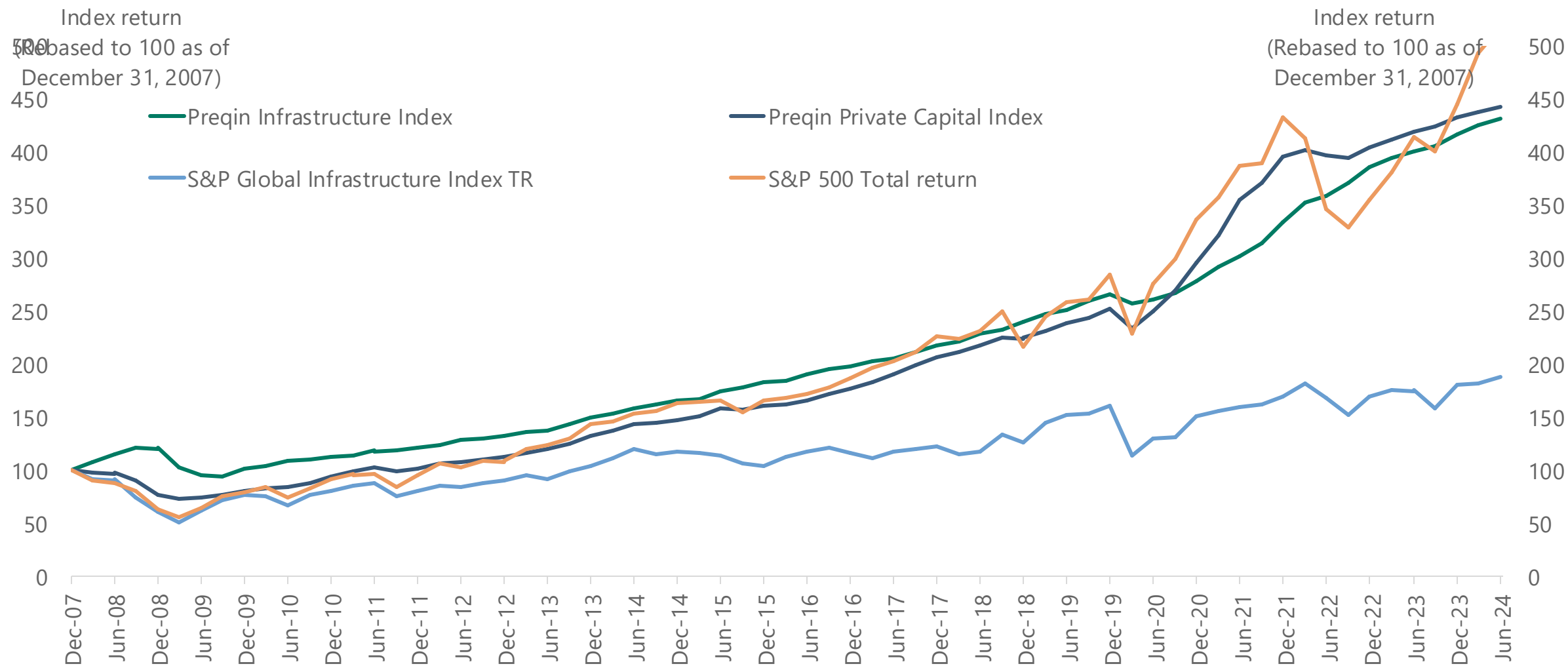
Real assets

# Real assets overview



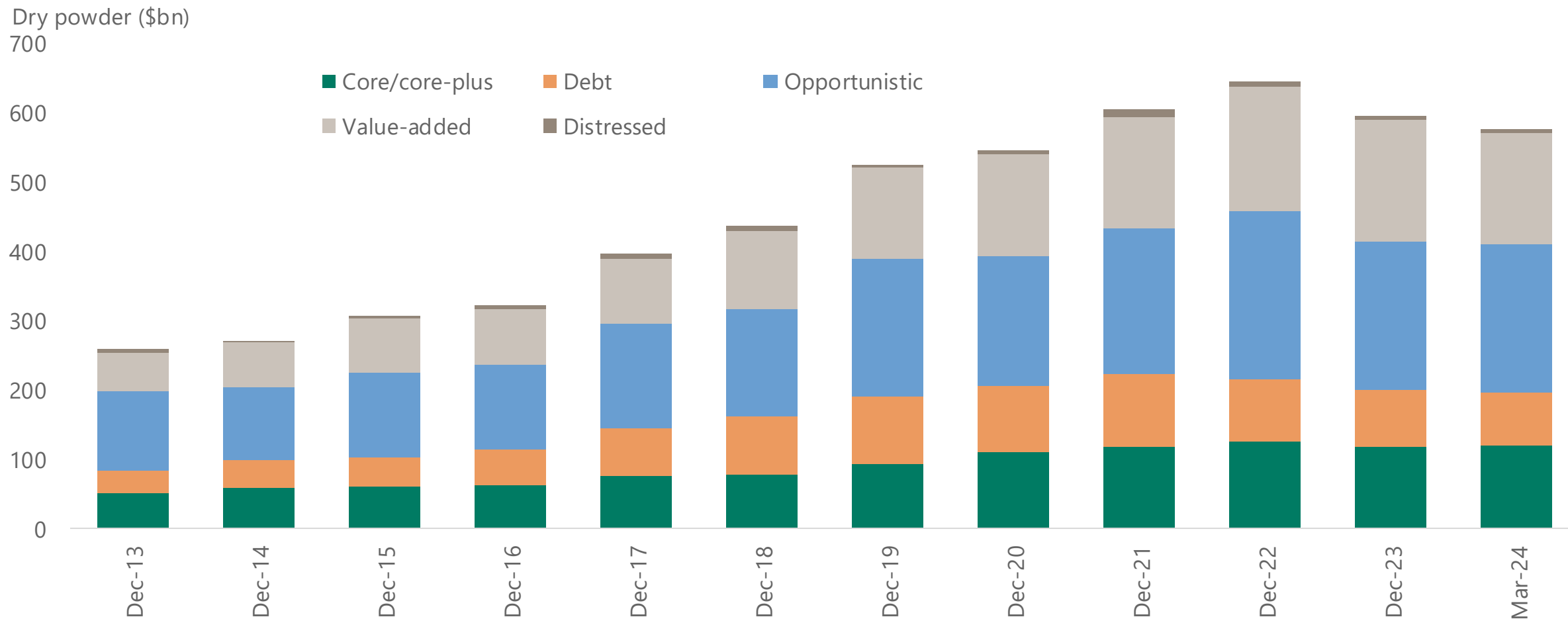
Source: PitchBook, Apollo Chief Economist. Note: Data as of 30<sup>th</sup> September 2024

# Infrastructure index returns

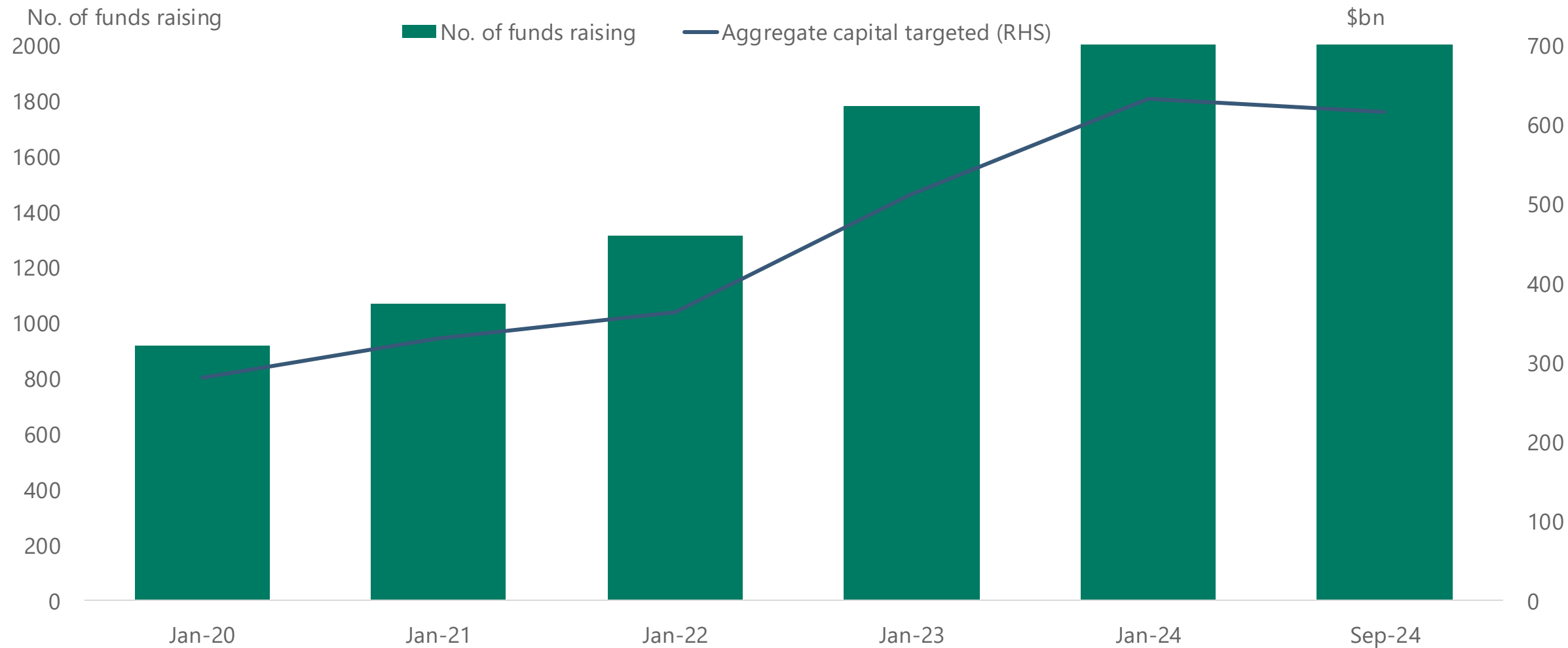


Real estate

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



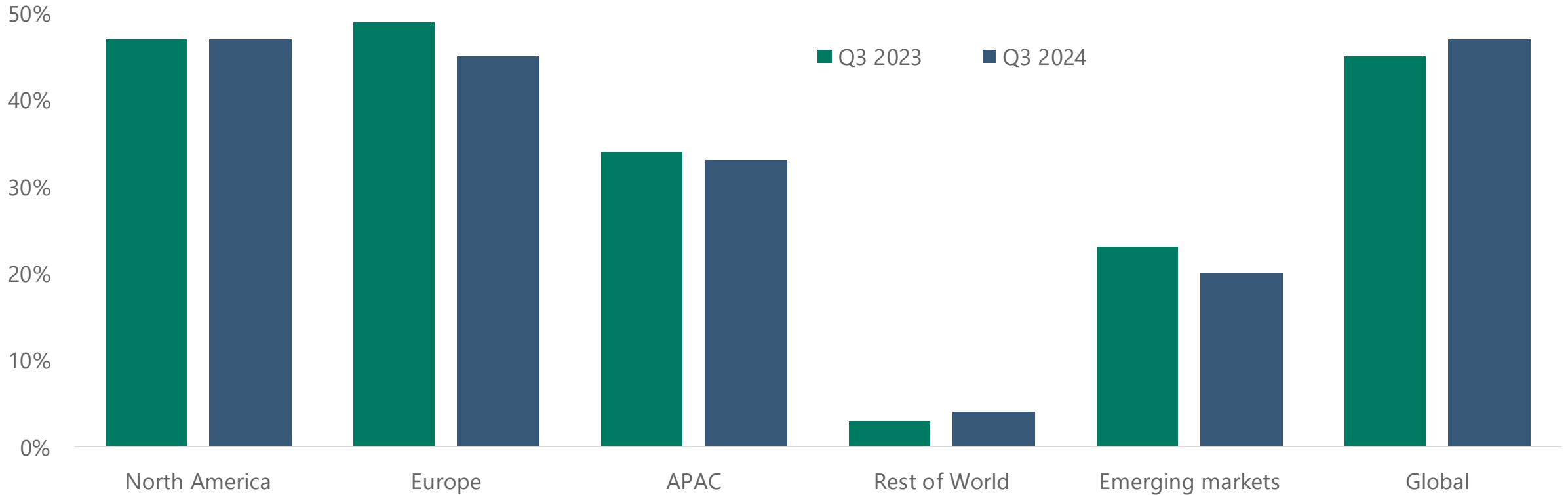
# Closed-end private real estate funds in the market over time





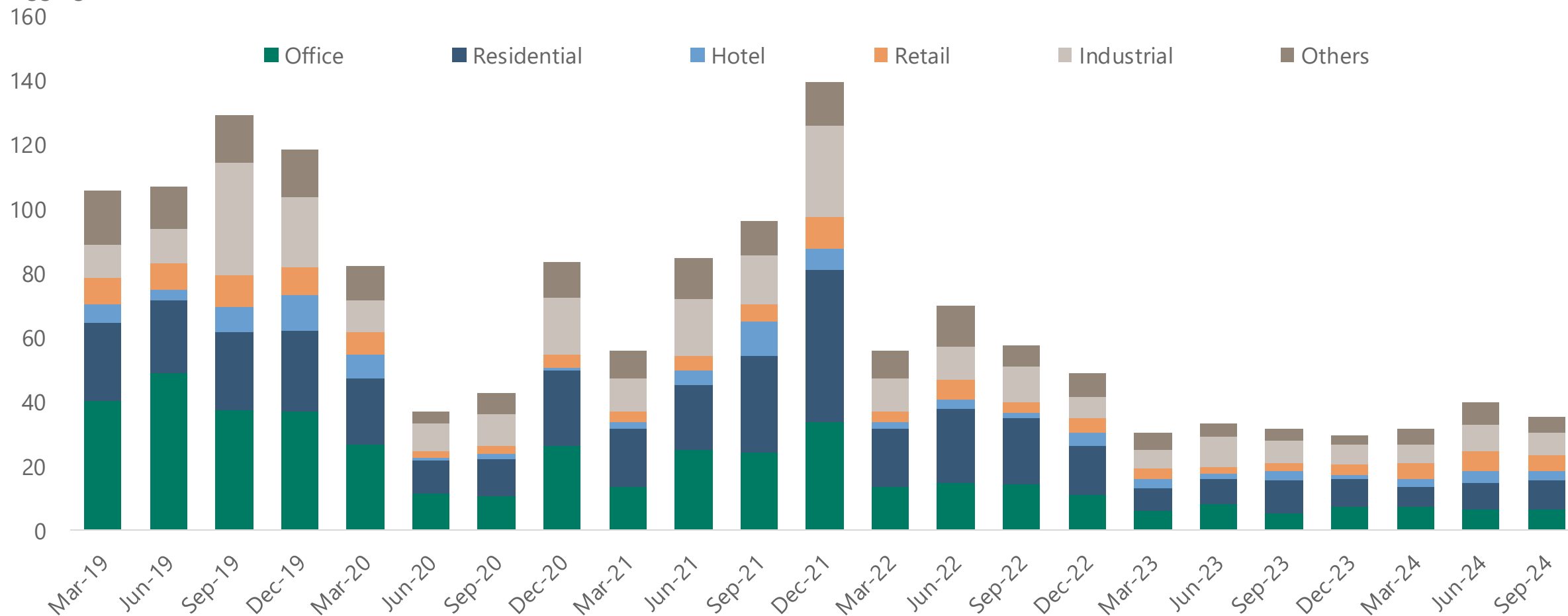
# Regions targeted by infrastructure investors over the next 12 months, Q3 2023 vs. Q3 2024

Proportion of fund searches  
60%

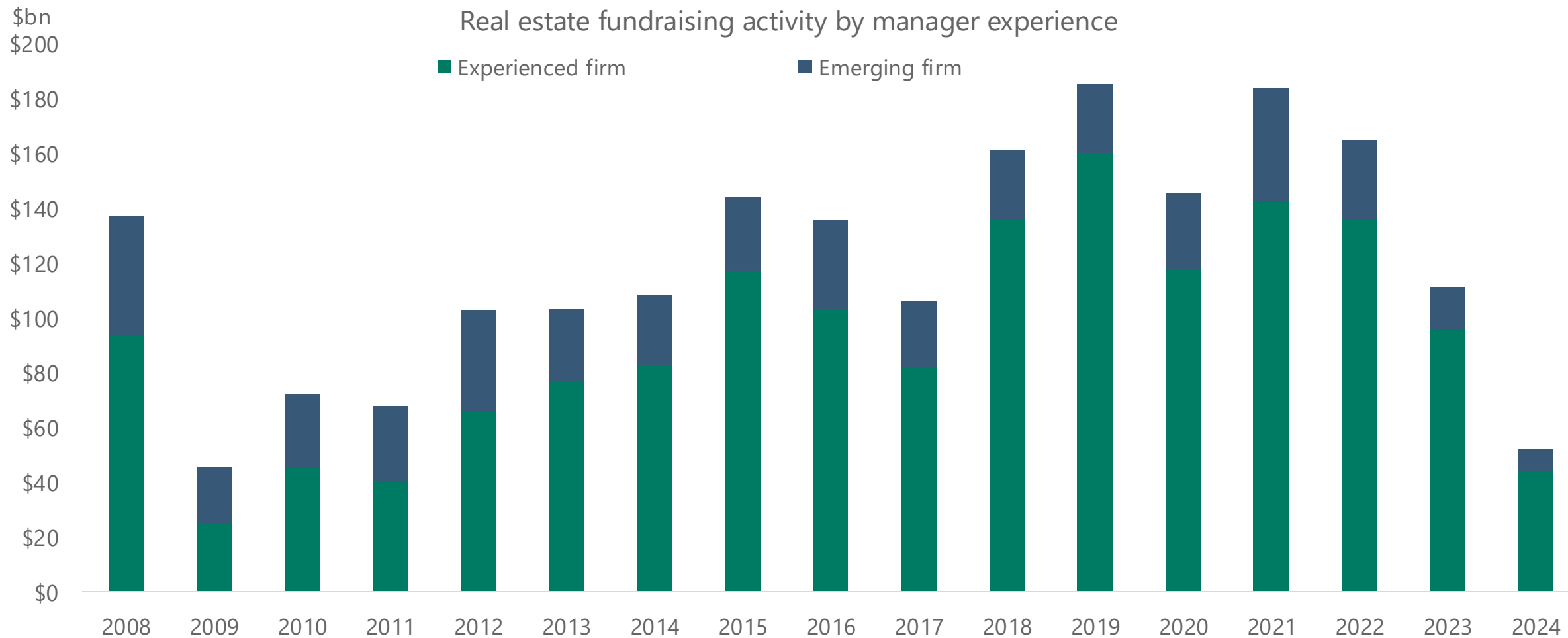


# Quarterly global private real estate deals by property type

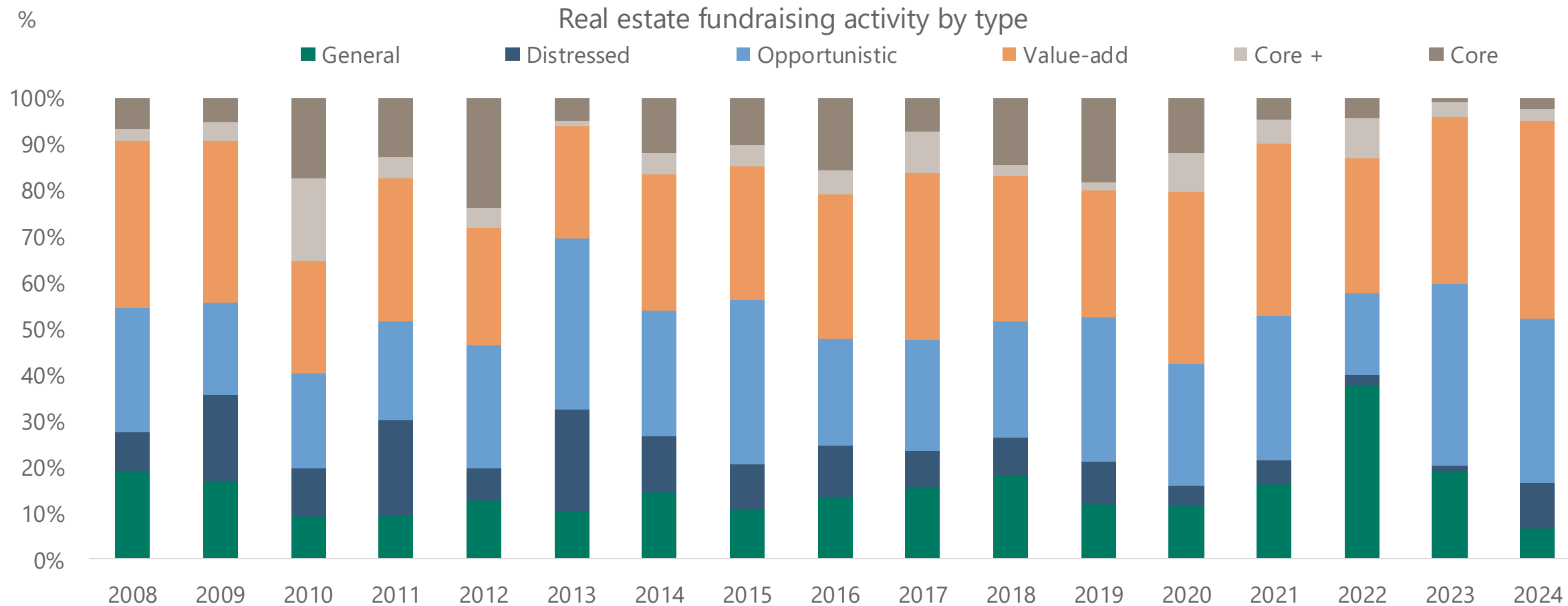
Aggregate deal value (\$bn)



# Real estate fundraising led by experienced firms



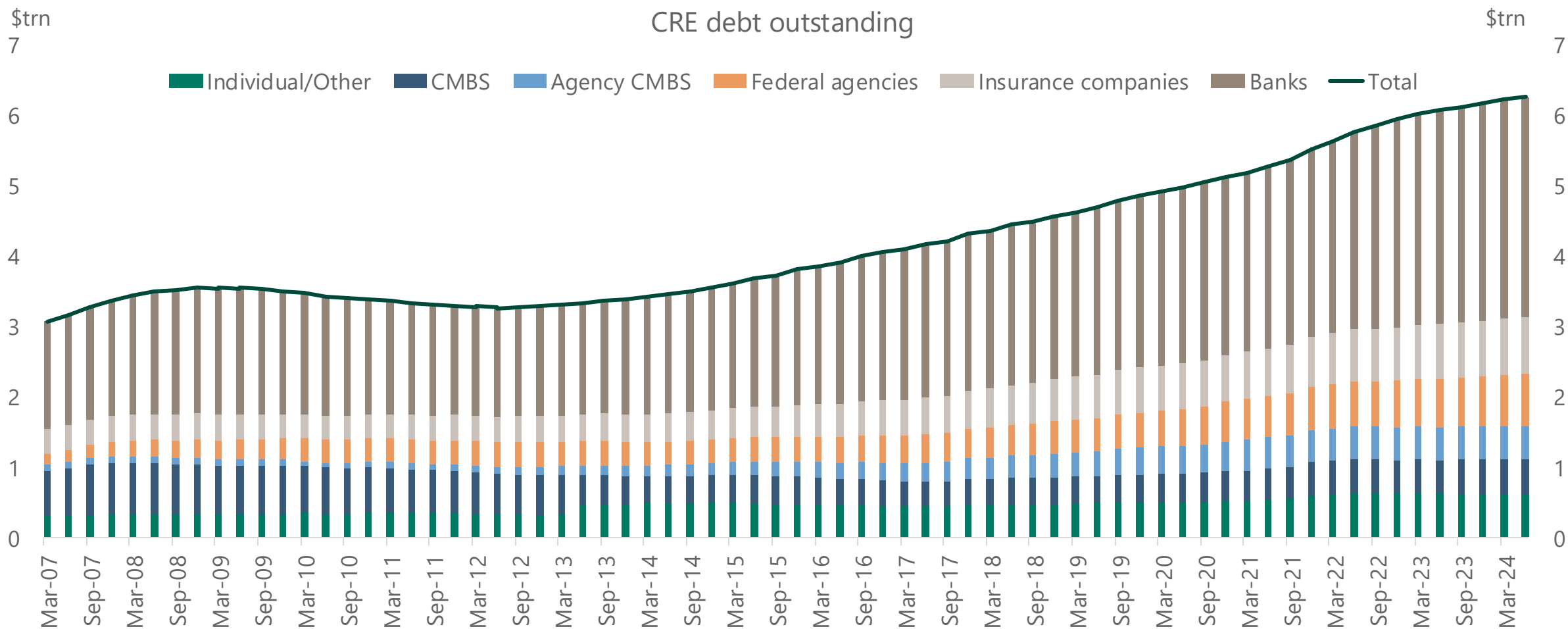
# Real estate fundraising activity by type



Source: PitchBook, Apollo Chief Economist. Note: Data as of 30<sup>th</sup> September 2024

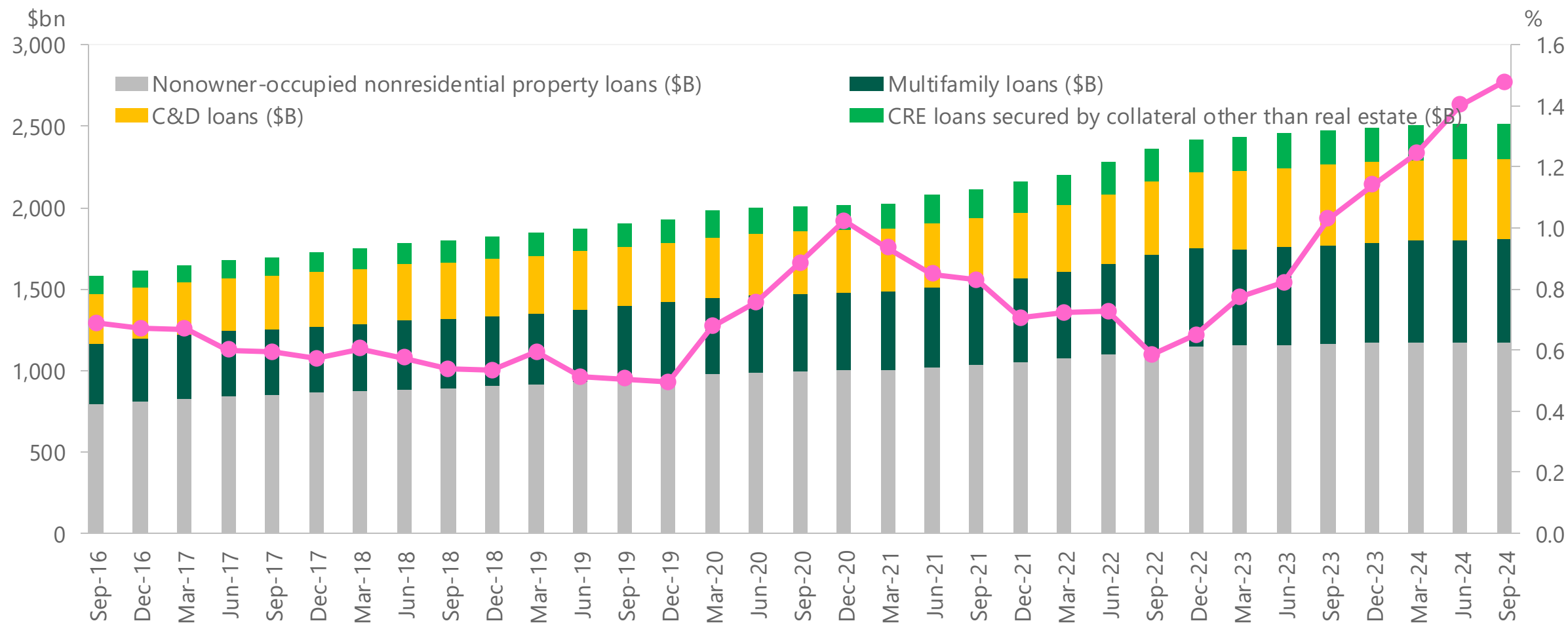
# Commercial Real Estate

# Banks hold half of CRE debt outstanding



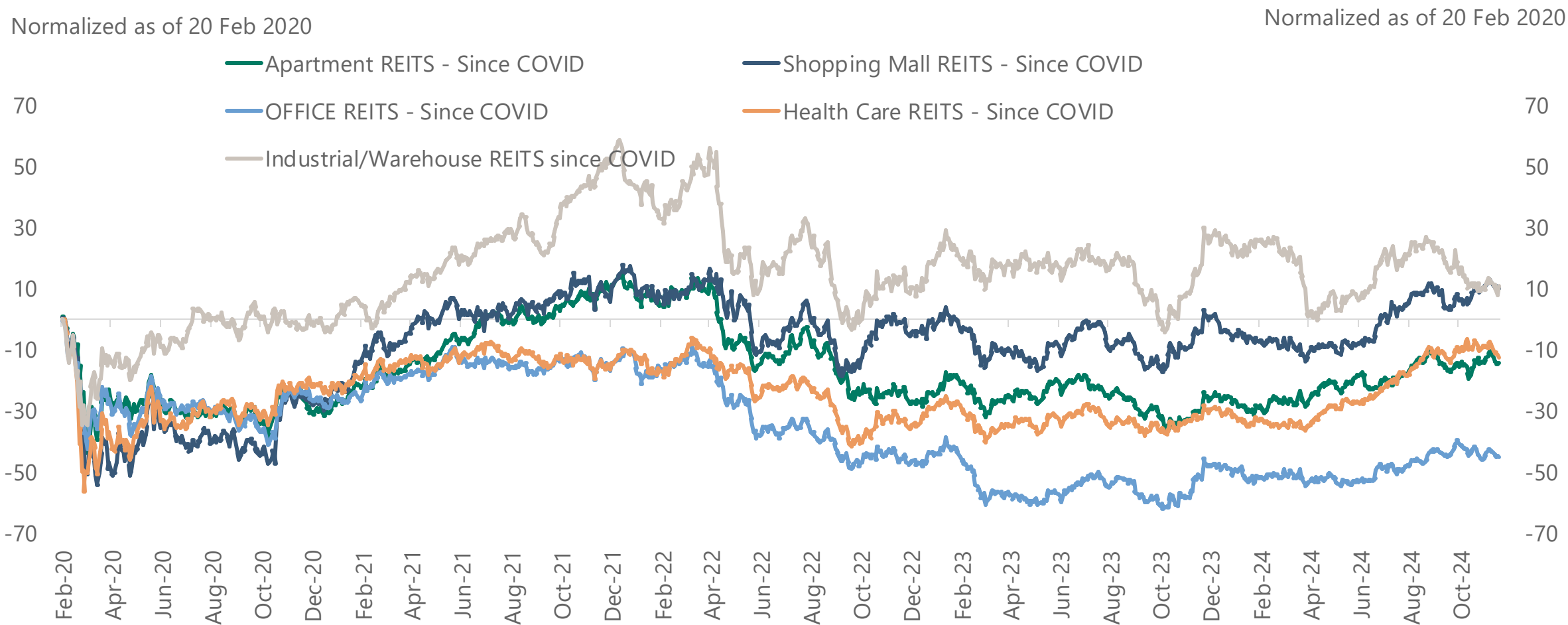
Source: FRB, Apollo Chief Economist

# CRE composition and delinquency at US banks



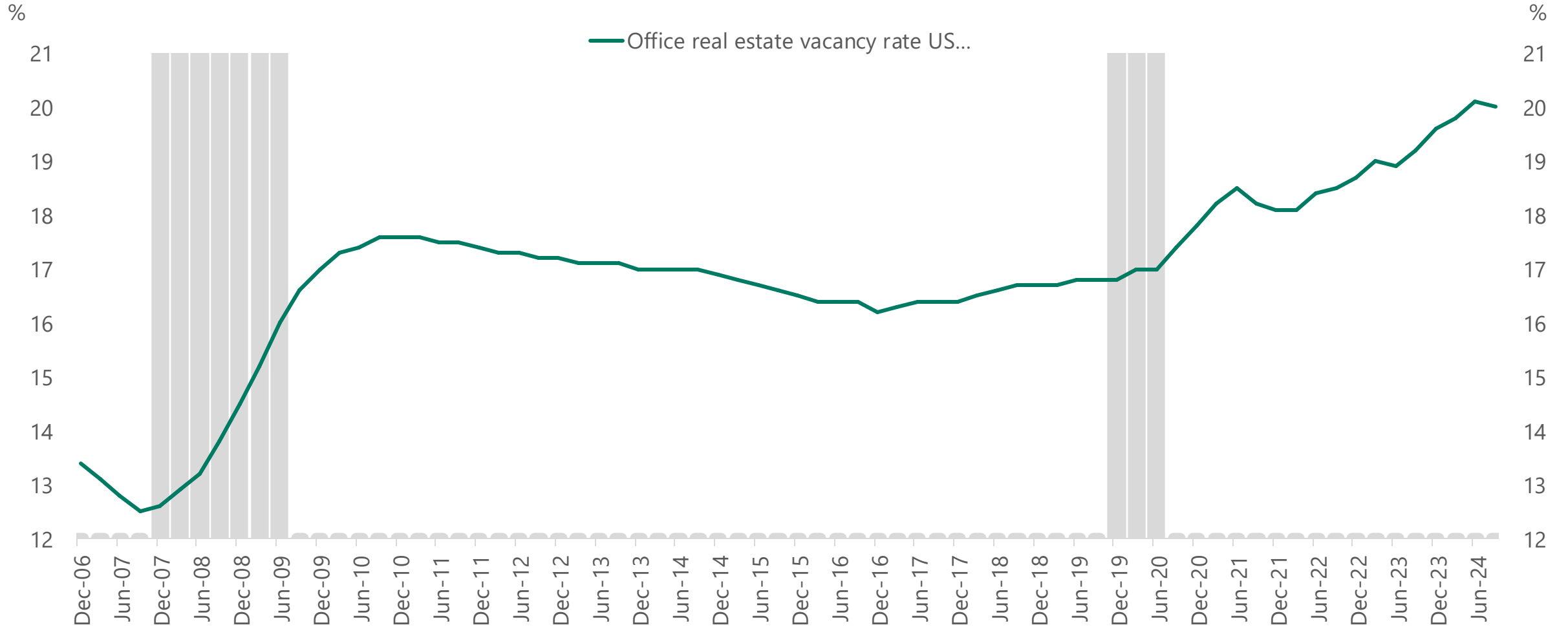
Source: S&P Global Market Intelligence, Apollo Chief Economist

# CRE performance

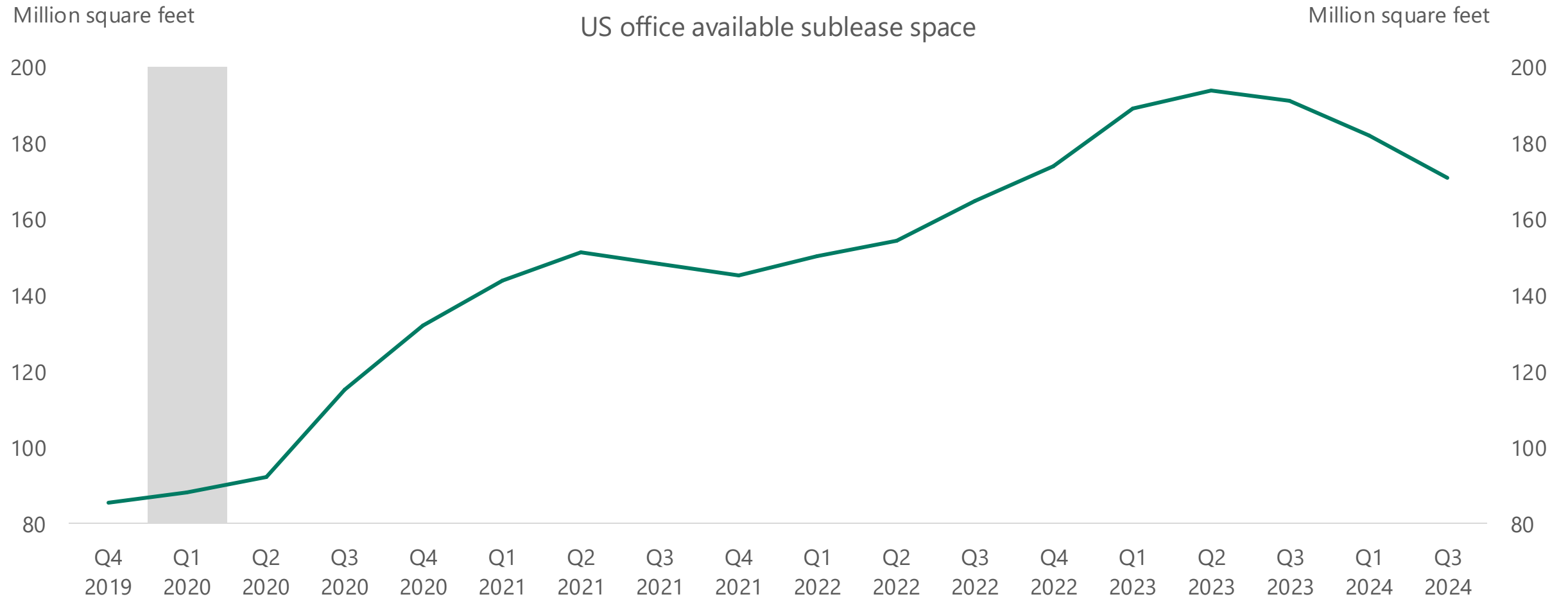




# US: Office vacancy rate approaching 20%

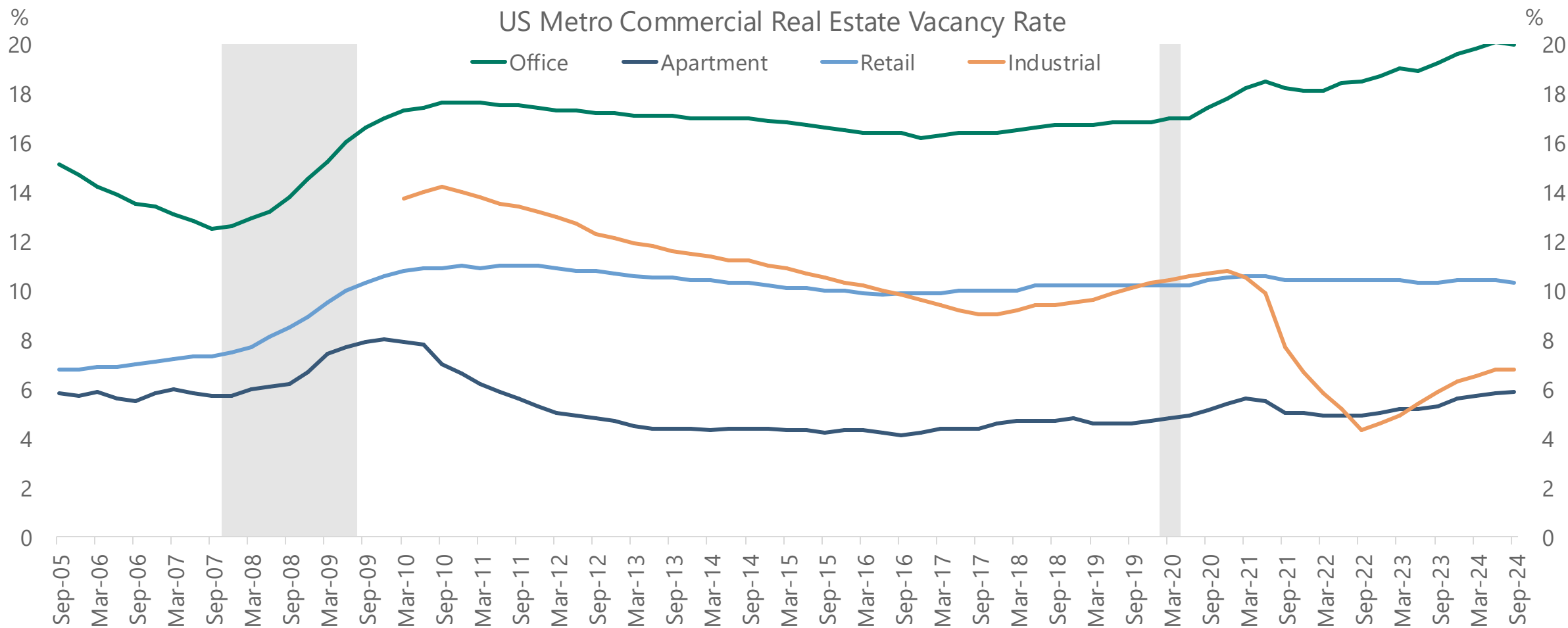


# Available US office space

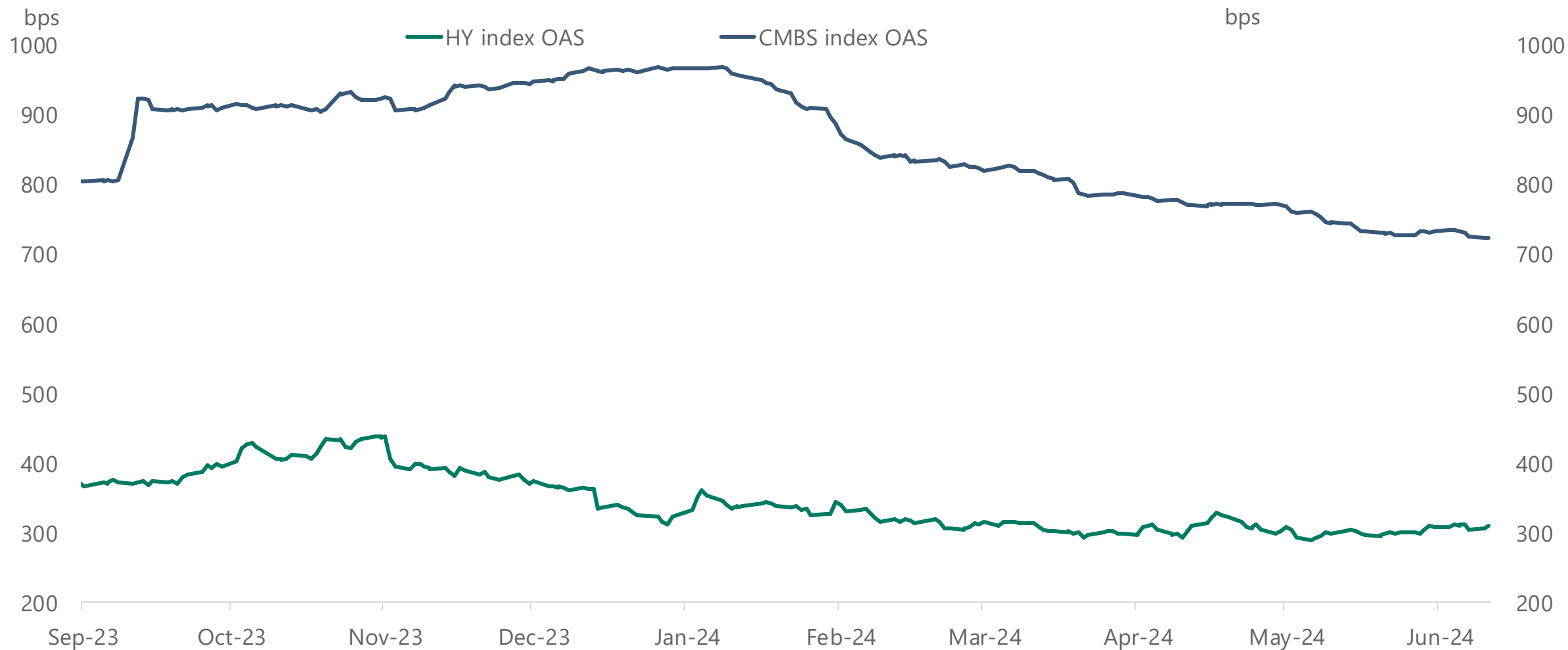


Source: CBRE, Bloomberg, Apollo Chief Economist.

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

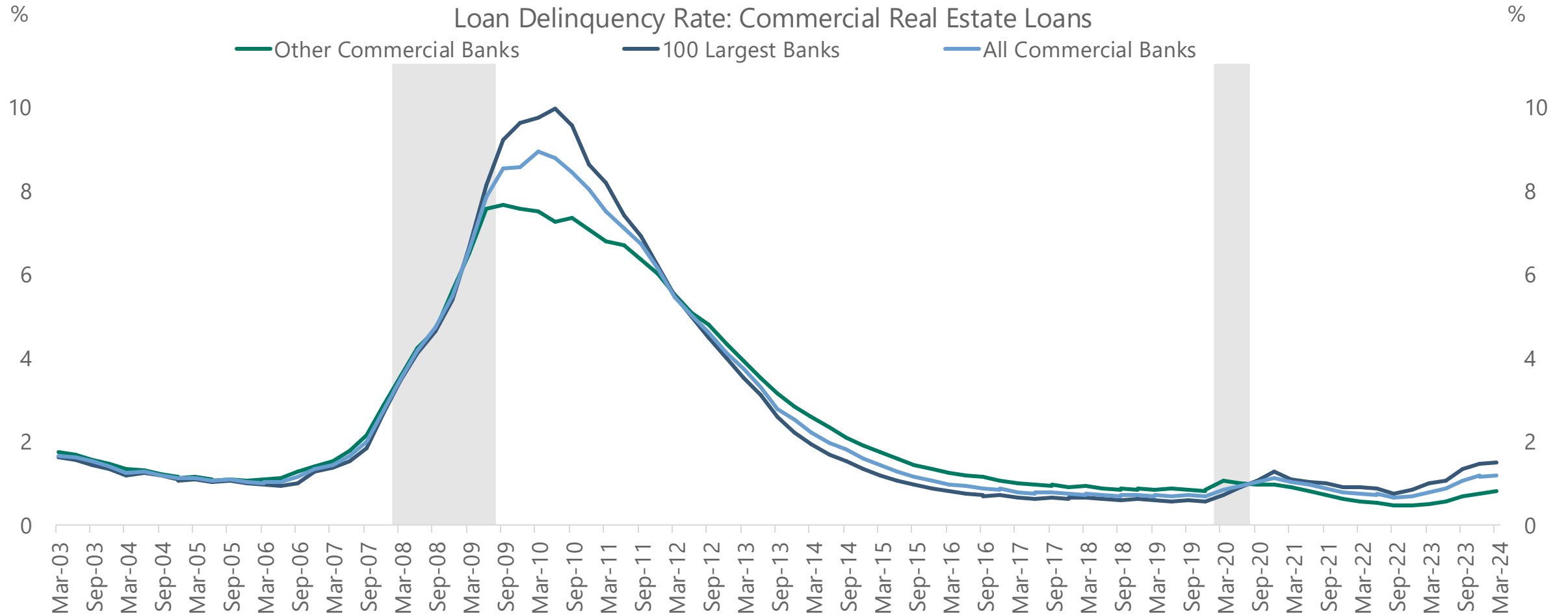


# CMBS spreads compared with HY spreads



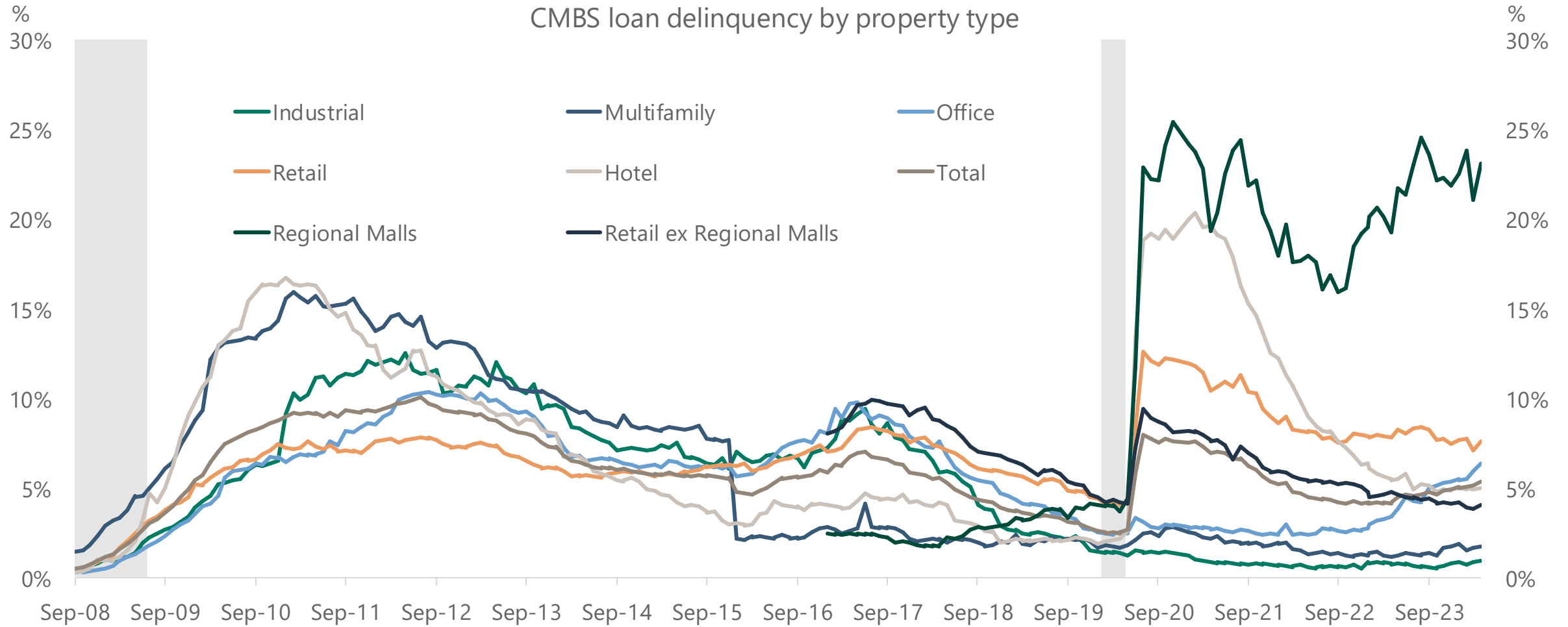
Source: Bloomberg, Apollo Chief Economist. (Note: BBG Ticker: LF98OAS Index, LC31OAS Index)

# CRE delinquency rate



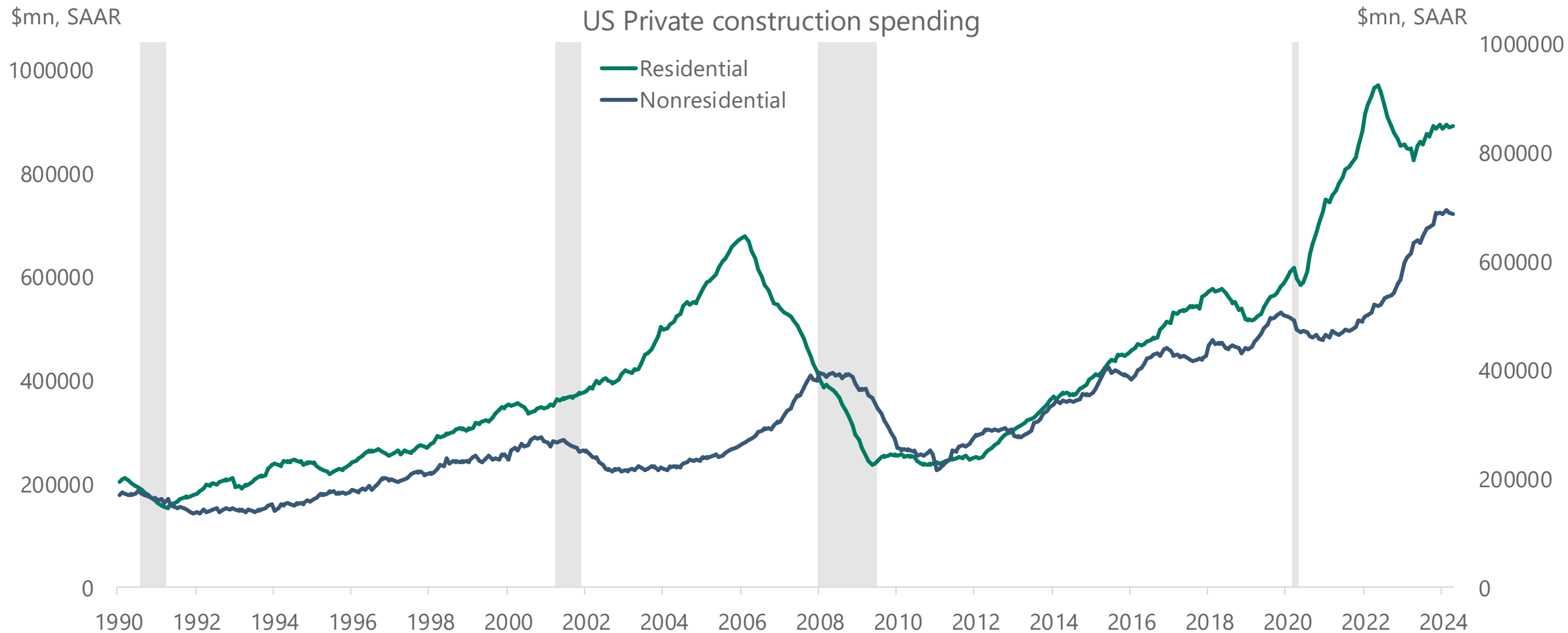
Source: FRB, Haver Analytics, Apollo Chief Economist

# Delinquency rates rising for multifamily

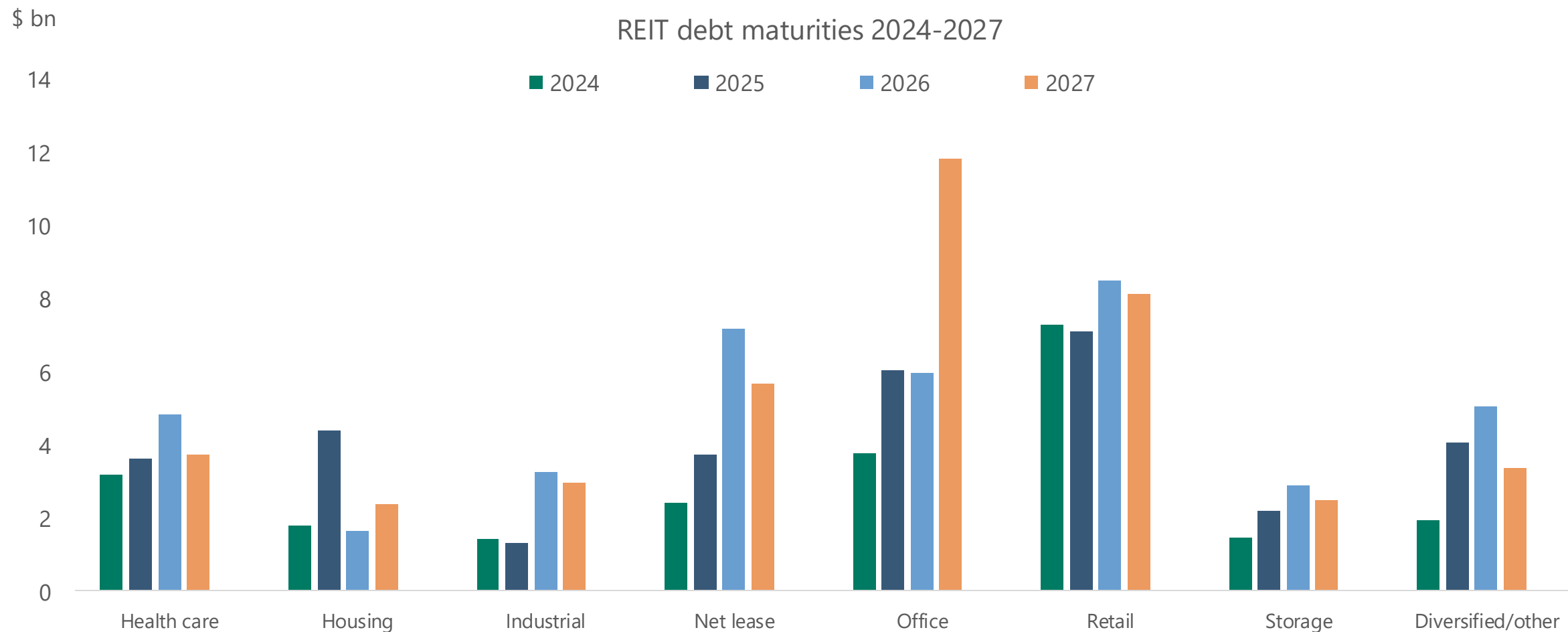


Source: Moodys Analytics, Apollo Chief Economist

# Residential construction spending elevated

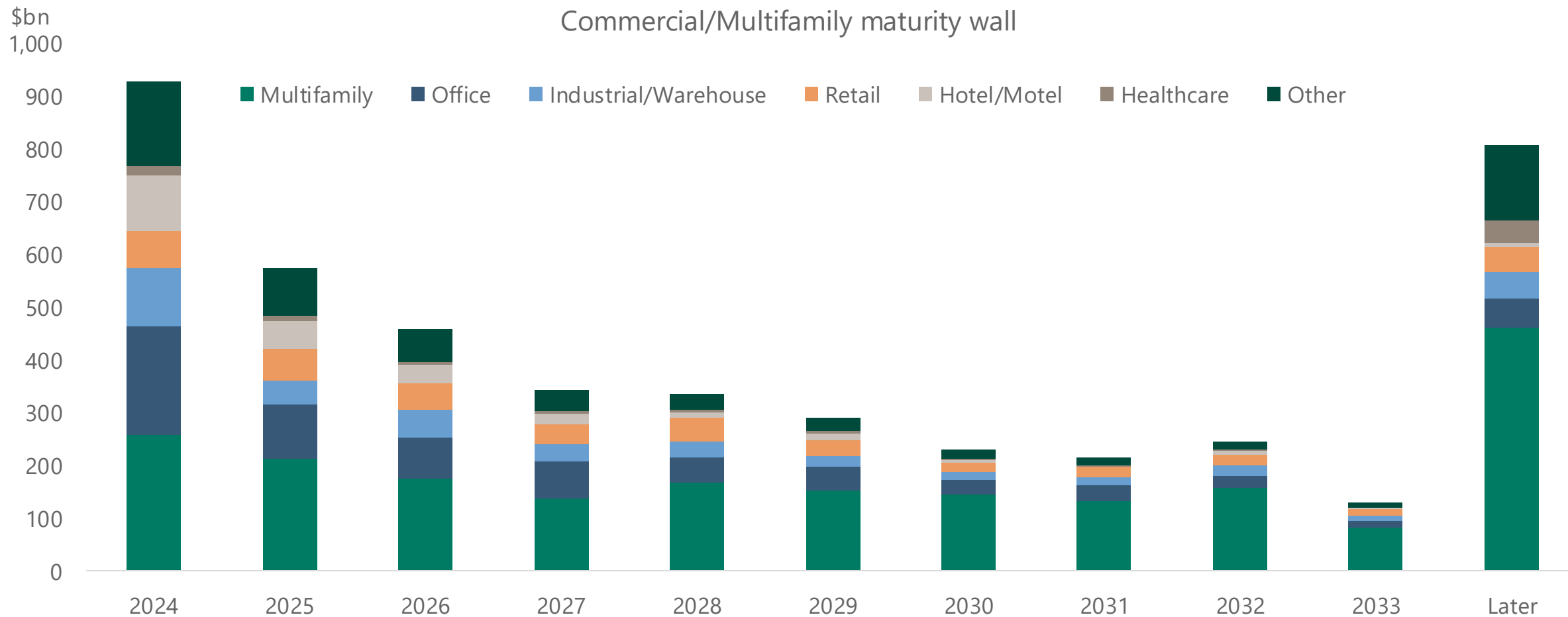


# U.S. REITs hold approximately \$23 billion of debt maturing this year

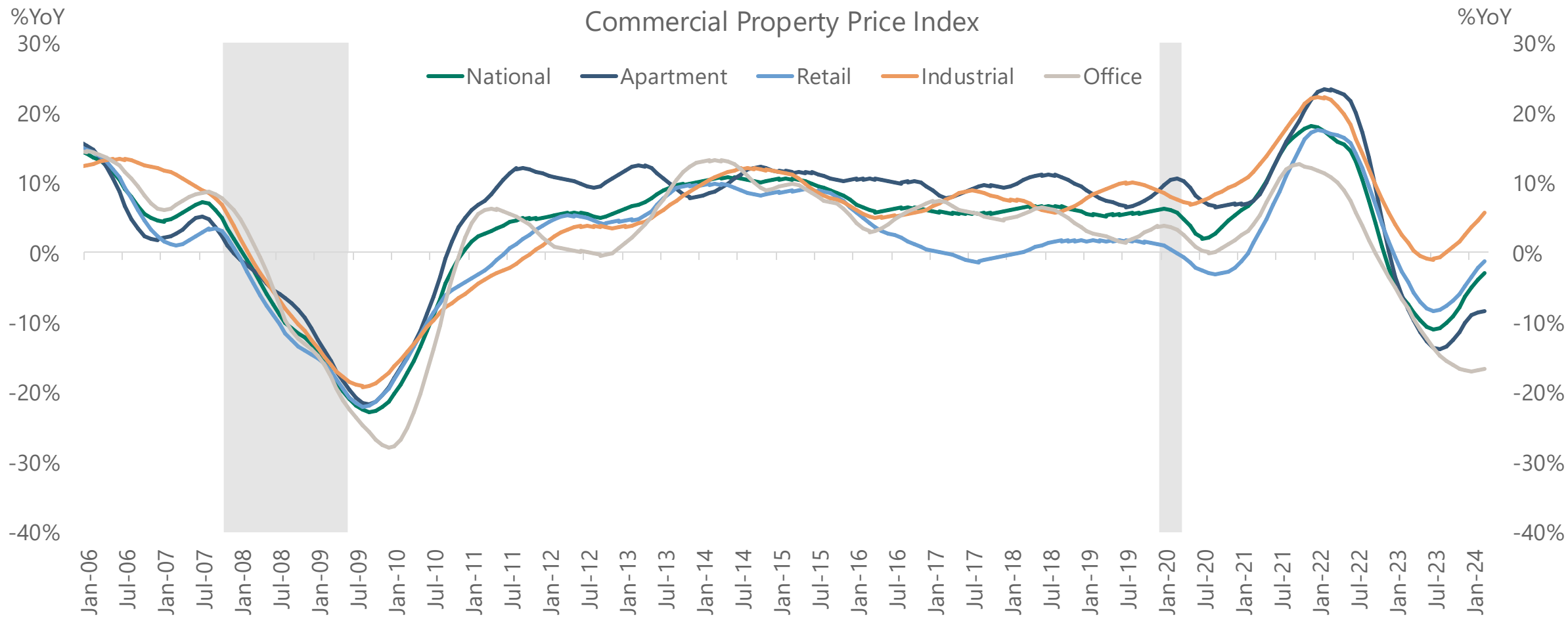




# The CRE maturity wall is steep



# 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.