

APOLLO

Real Assets outlook for the second half of 2025

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Apollo Global Management

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Unless otherwise noted, information as of June 2025.

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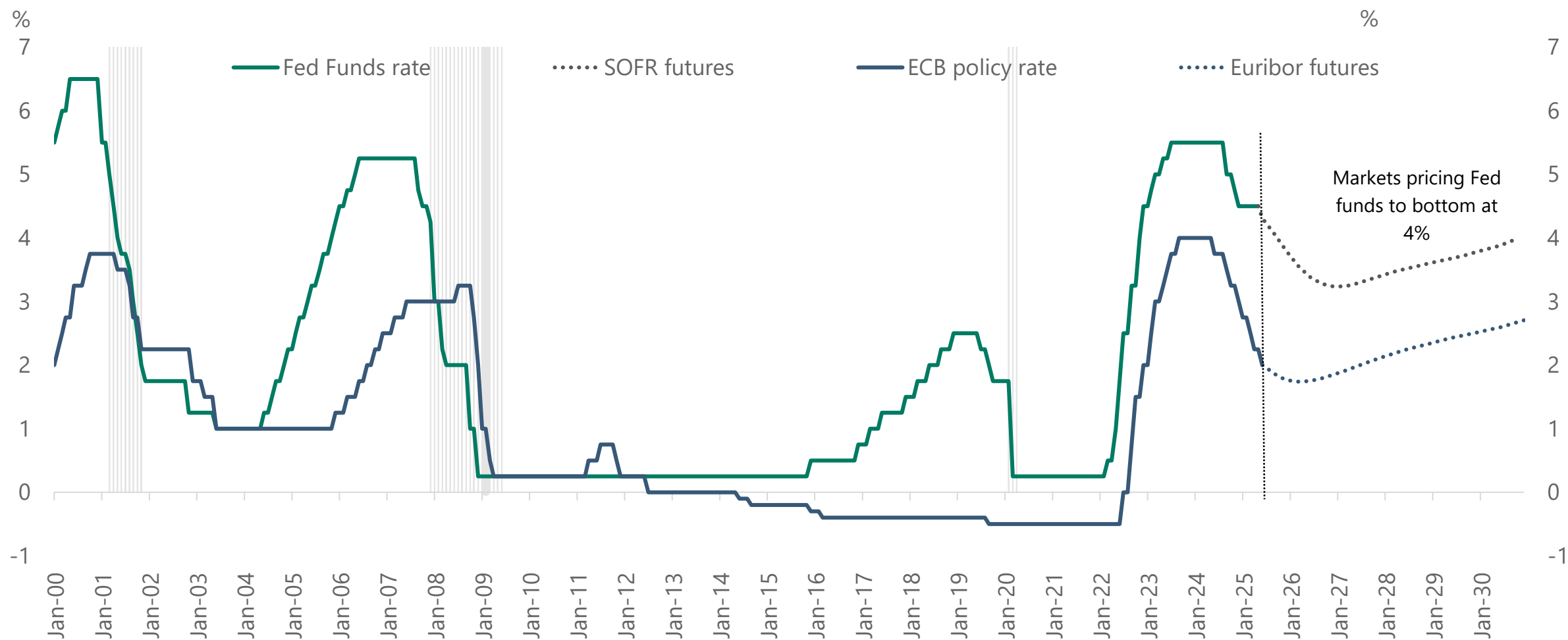
Overview

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

1. A global need to update aging infrastructure leaves an \$88 trillion funding gap by 2040
2. Global regulatory support that will encourage spending on infrastructure
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

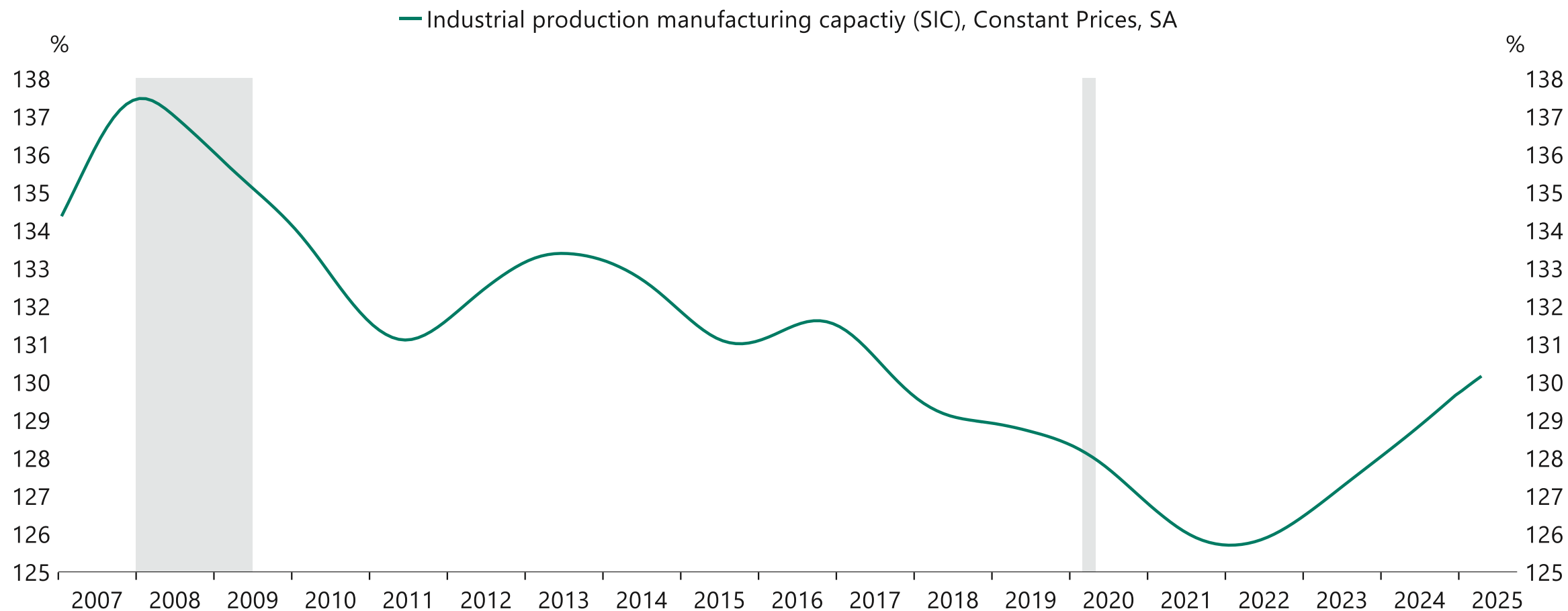
For more discussion, see [here](#)

The market expects the next Fed move to be a cut



Overview:
The coming industrial renaissance

US manufacturing capacity increasing

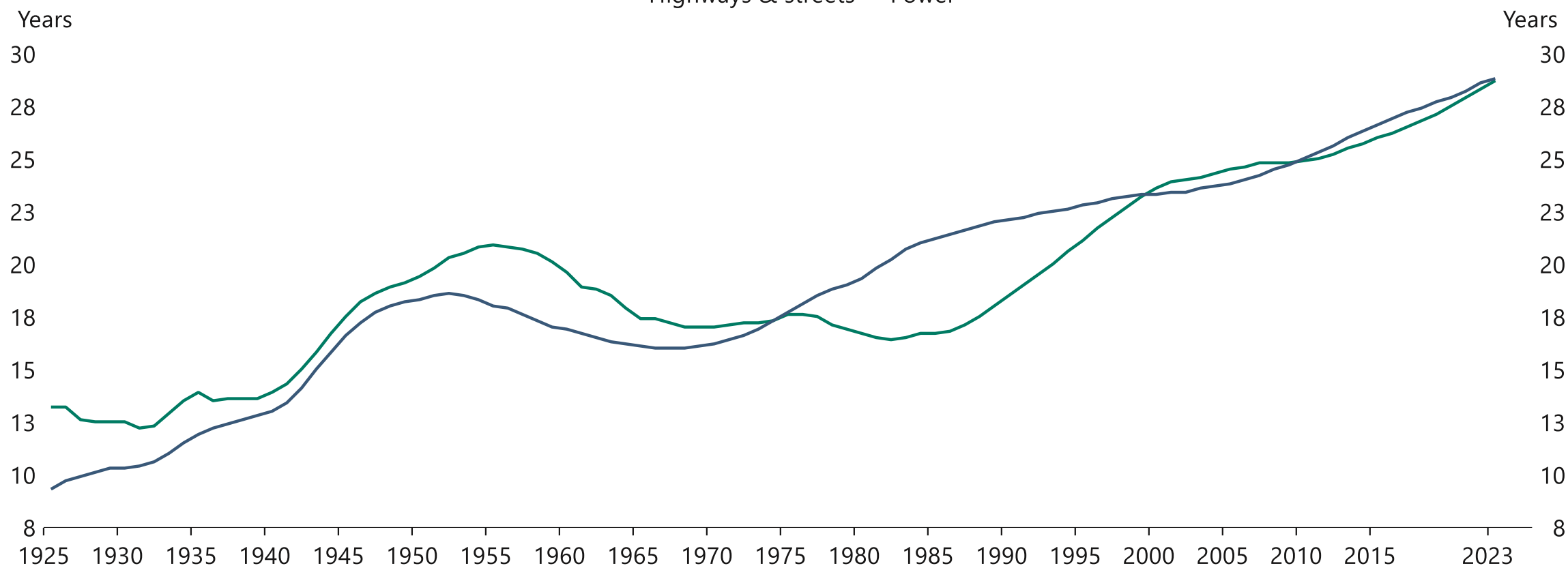


Source: Federal Reserve, Macrobond, Apollo Chief Economist. Note: SIC = Standard Industrial Classification

New investments are needed

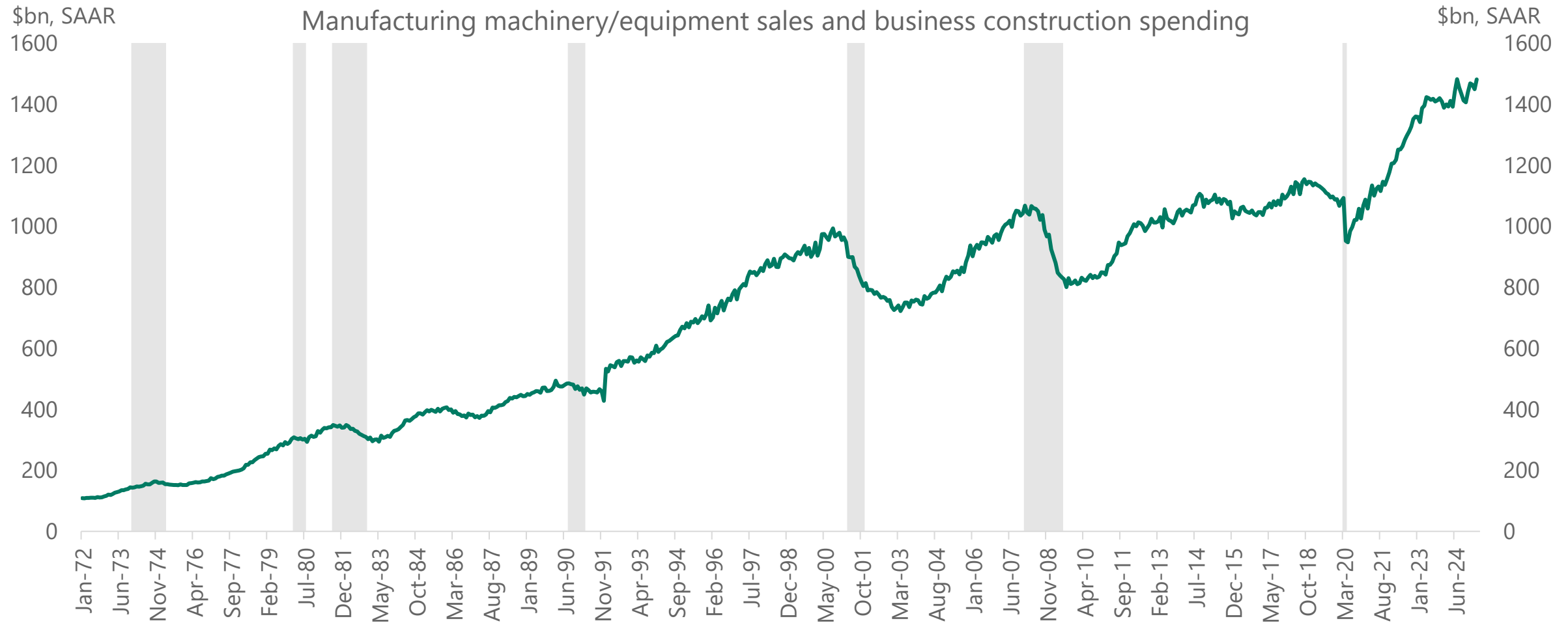
Average age at of government fixed assets

— Highways & streets — Power

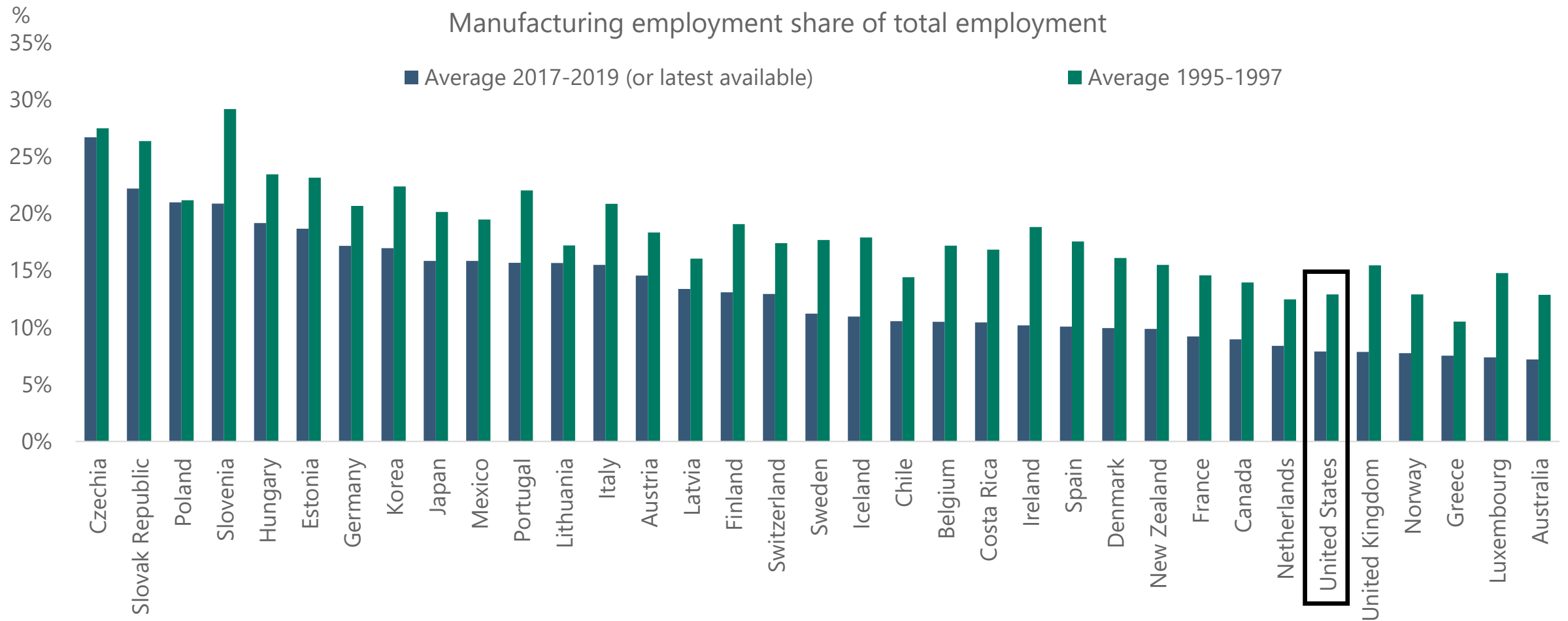


Source: U.S. Bureau of Economic Analysis (BEA), Macrobond, Apollo Chief Economist

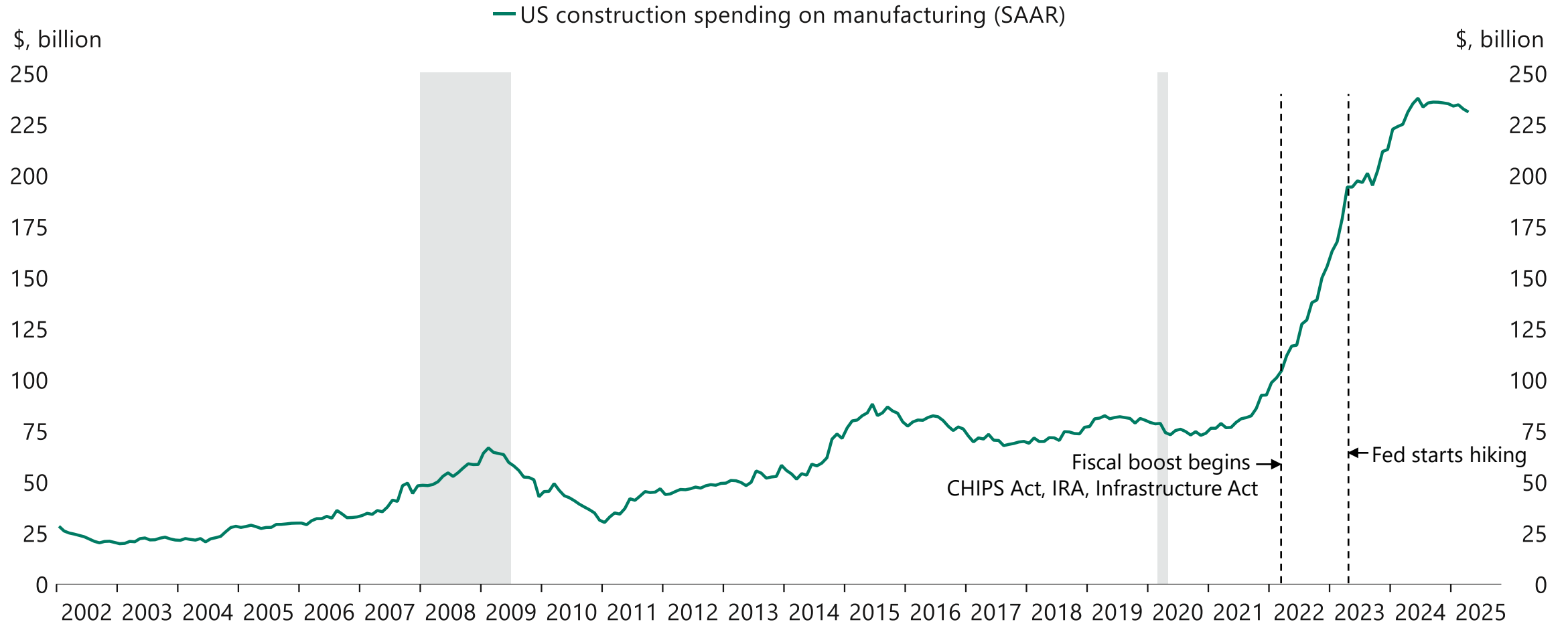
Manufacturing machinery and equipment sales and business construction spending



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



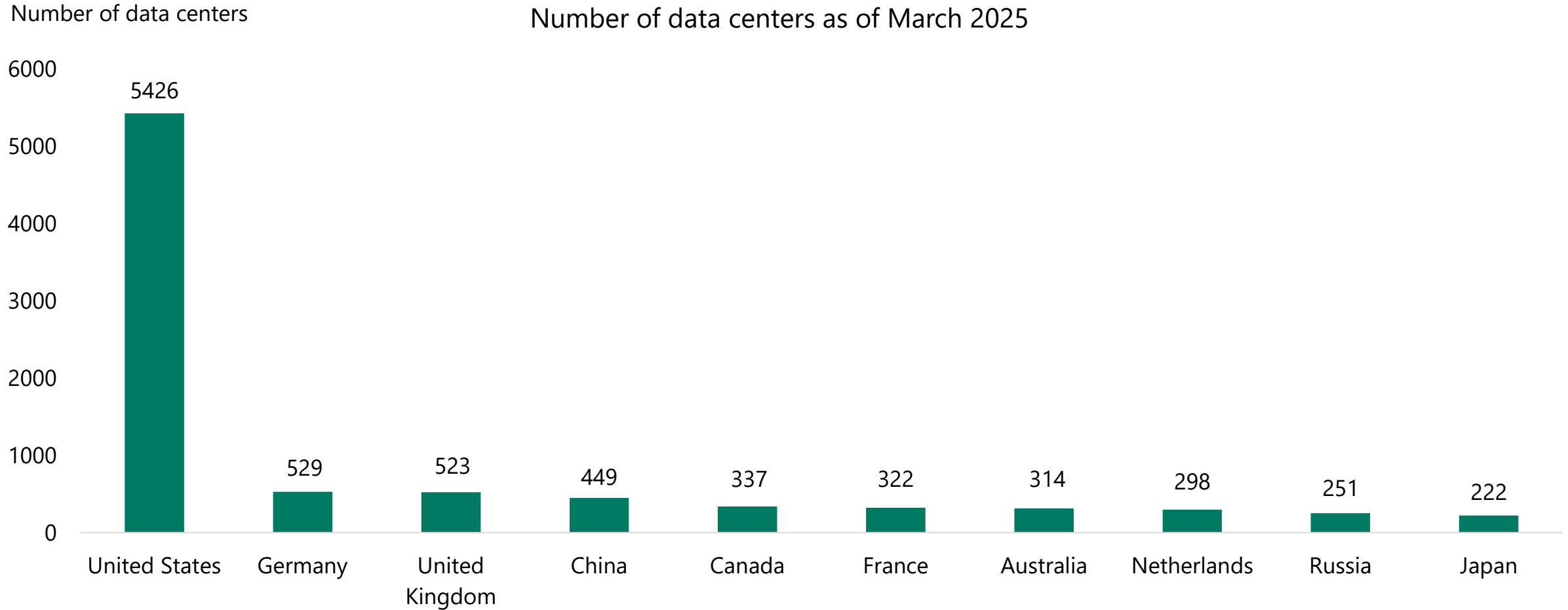
Positive effects of fiscal policy dominating negative effects of Fed hikes



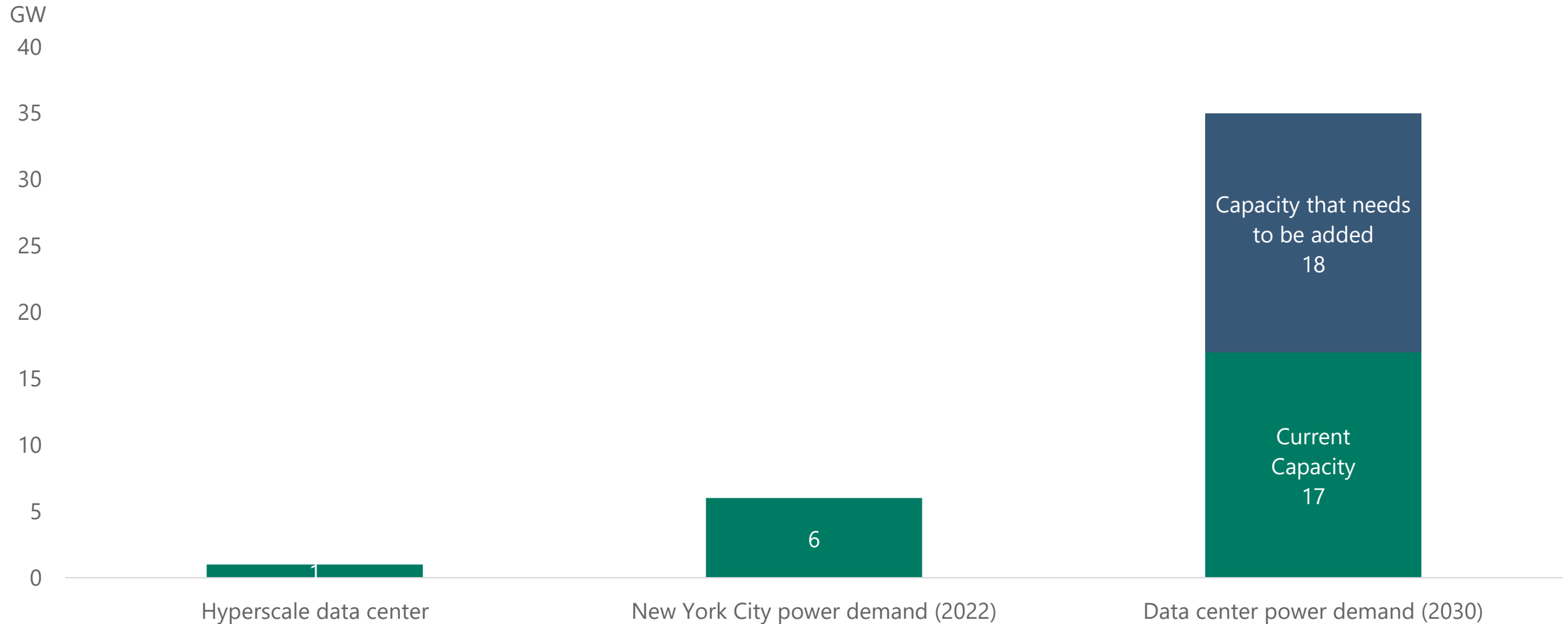
Source: U.S. Census Bureau, Macrobond, Apollo Chief Economist

Digital infrastructure

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

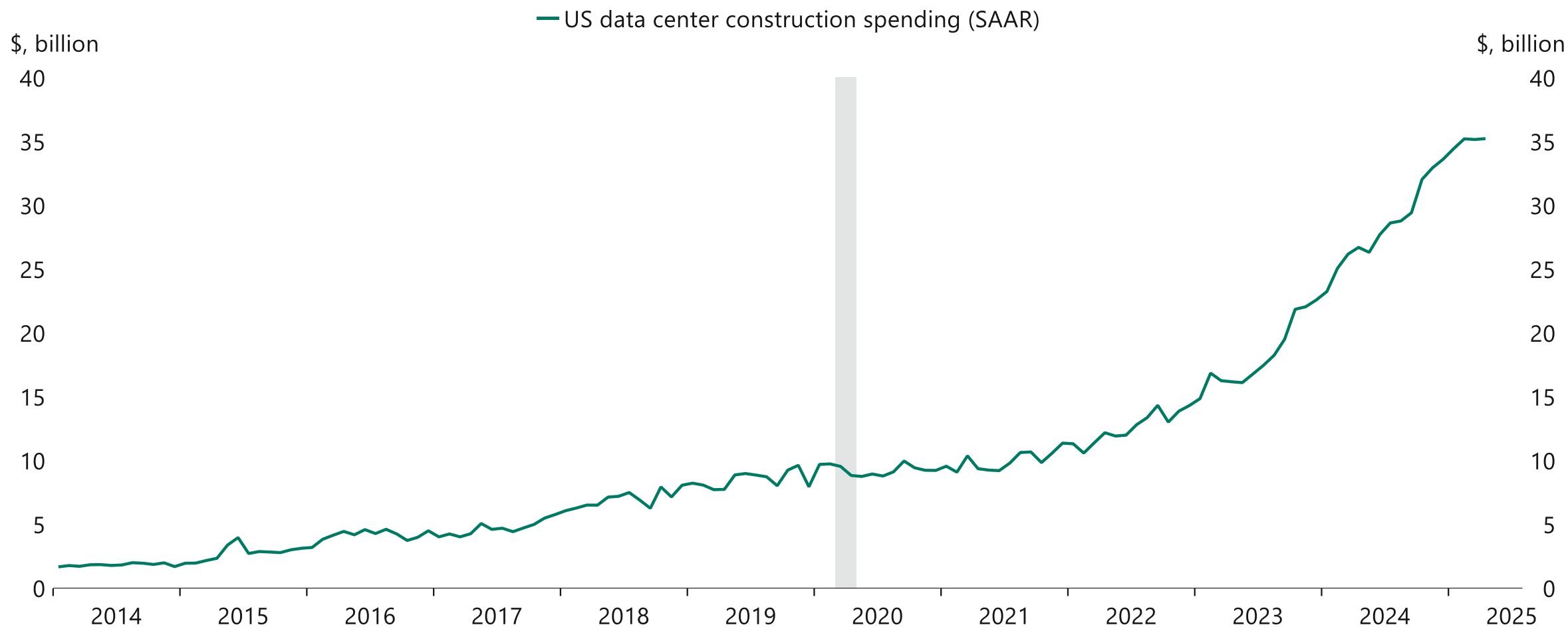


US data center energy demand: Need to add three NYCs to the power grid by 2030



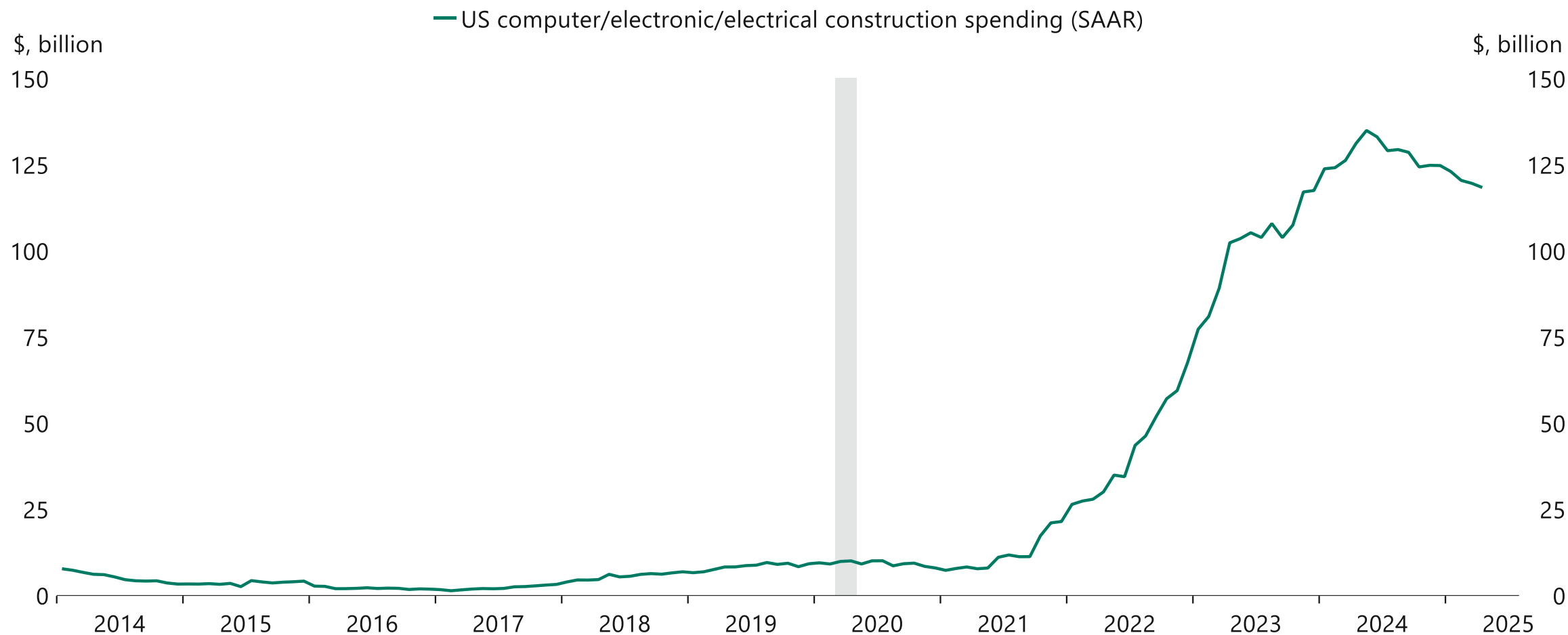
Source: NYISO 2022, McKinsey, Nextgen, datacenterknowledge.com, Apollo Chief Economist. Note: Current capacity as of 2022, [Why invest in the data center economy | McKinsey](#), [Systems - NYC Mayor's Office of Climate and Environmental Justice](#), [Data Center Power: Fueling the Digital Revolution](#),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

Positive effects of fiscal policy dominating negative effects of Fed hikes



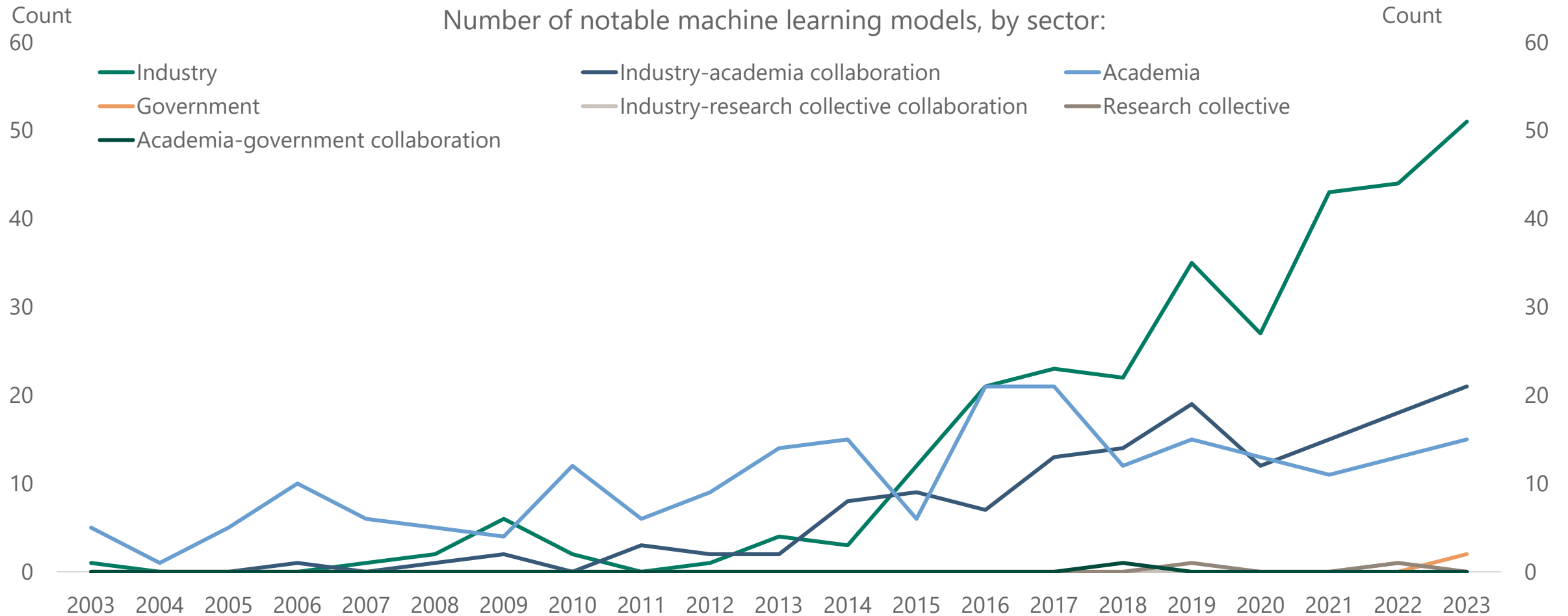
Source: U.S. Census Bureau, Macrobond, Apollo Chief Economist

Positive effects of fiscal policy dominating negative effects of Fed hikes

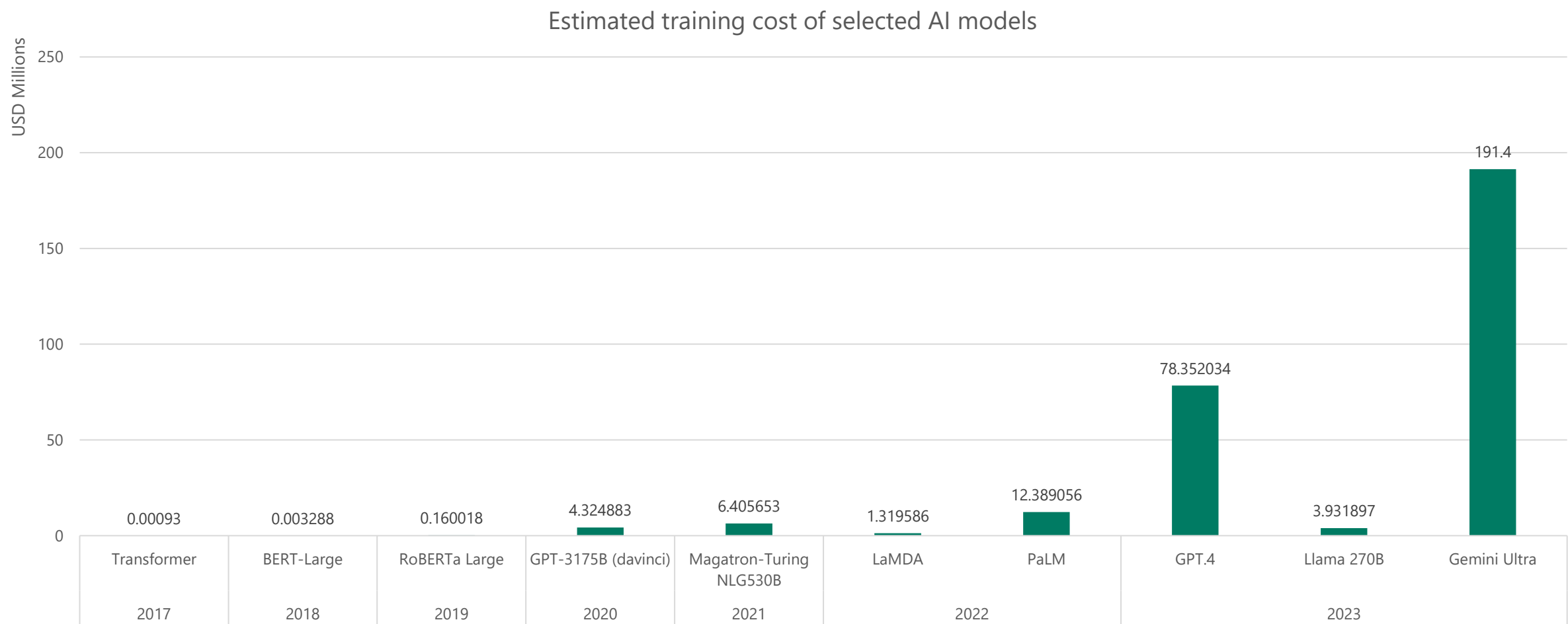


Source: U.S. Census Bureau, Macrobond, Apollo Chief Economist

Number of notable machine learning models, by sector



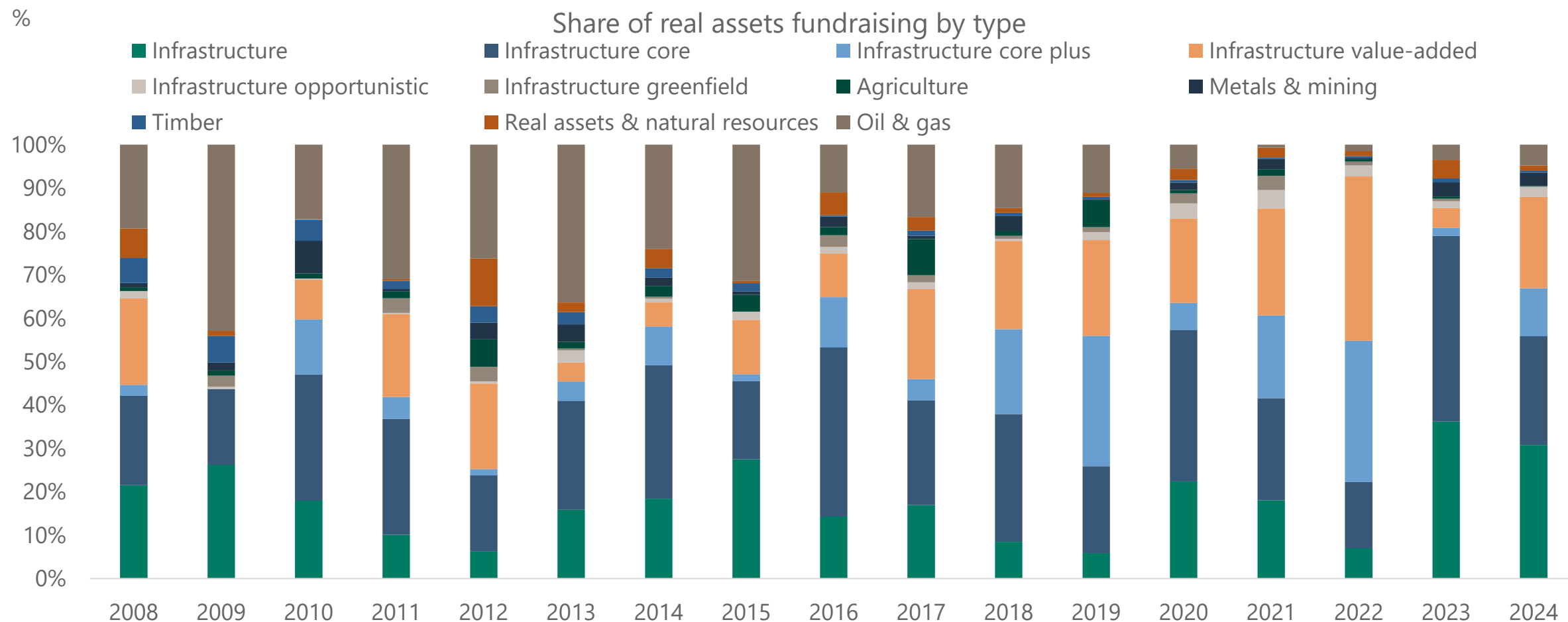
Estimated training costs of selected AI models



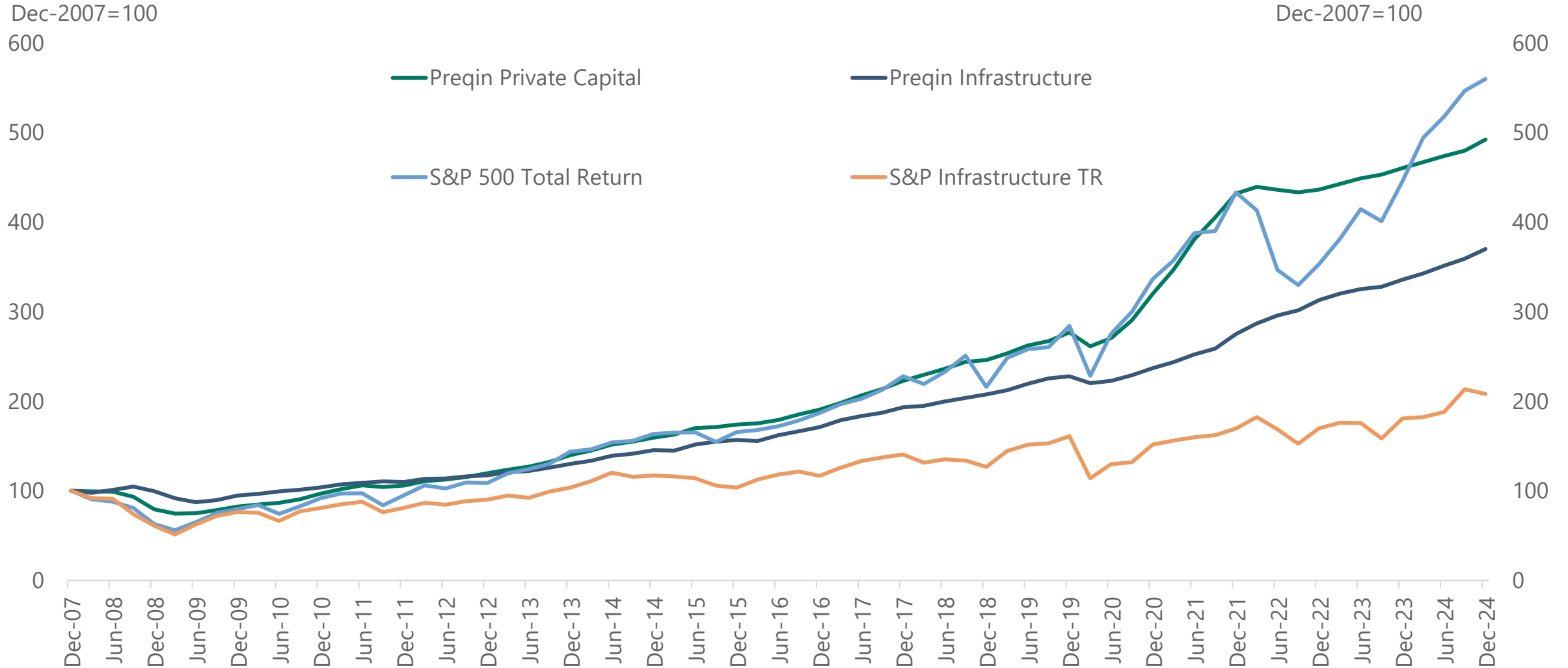
Source: Source: Epoch, 2023, <https://aiindex.stanford.edu/report/>, Apollo Chief Economist

Real assets

Real assets overview

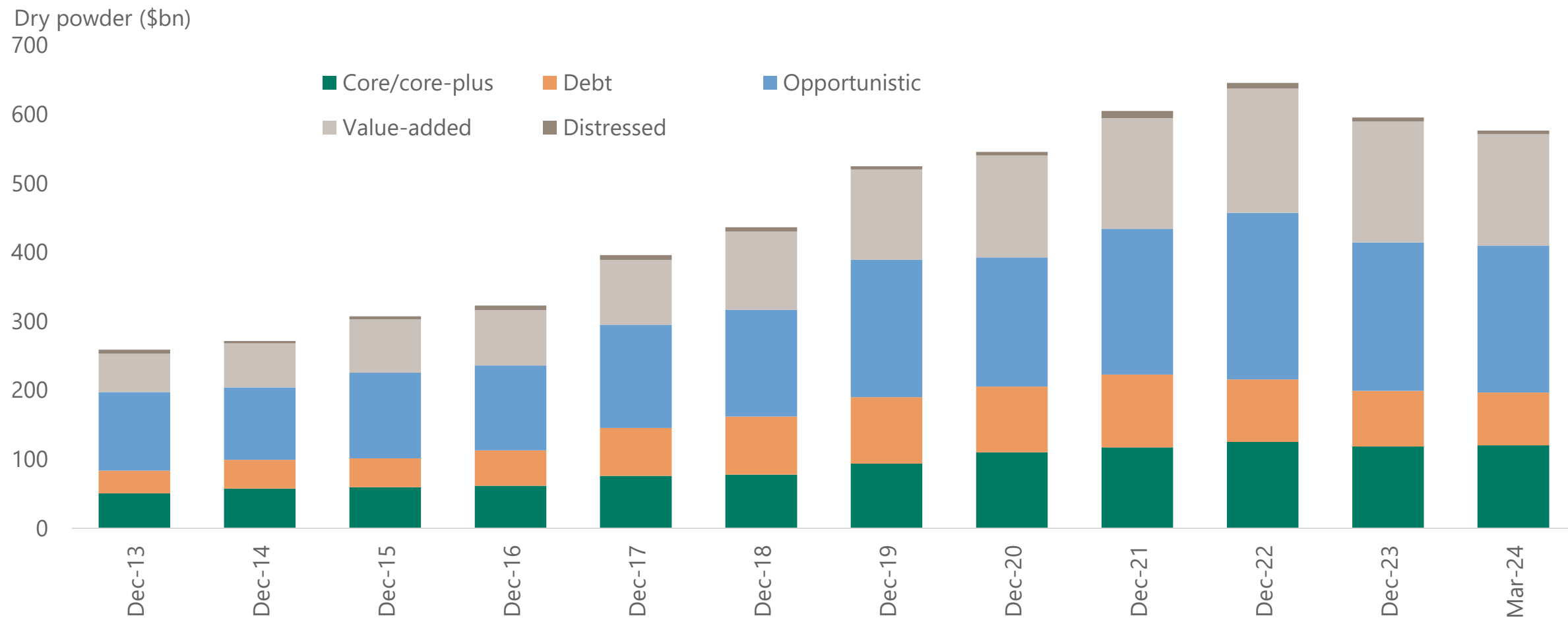


Infrastructure index returns

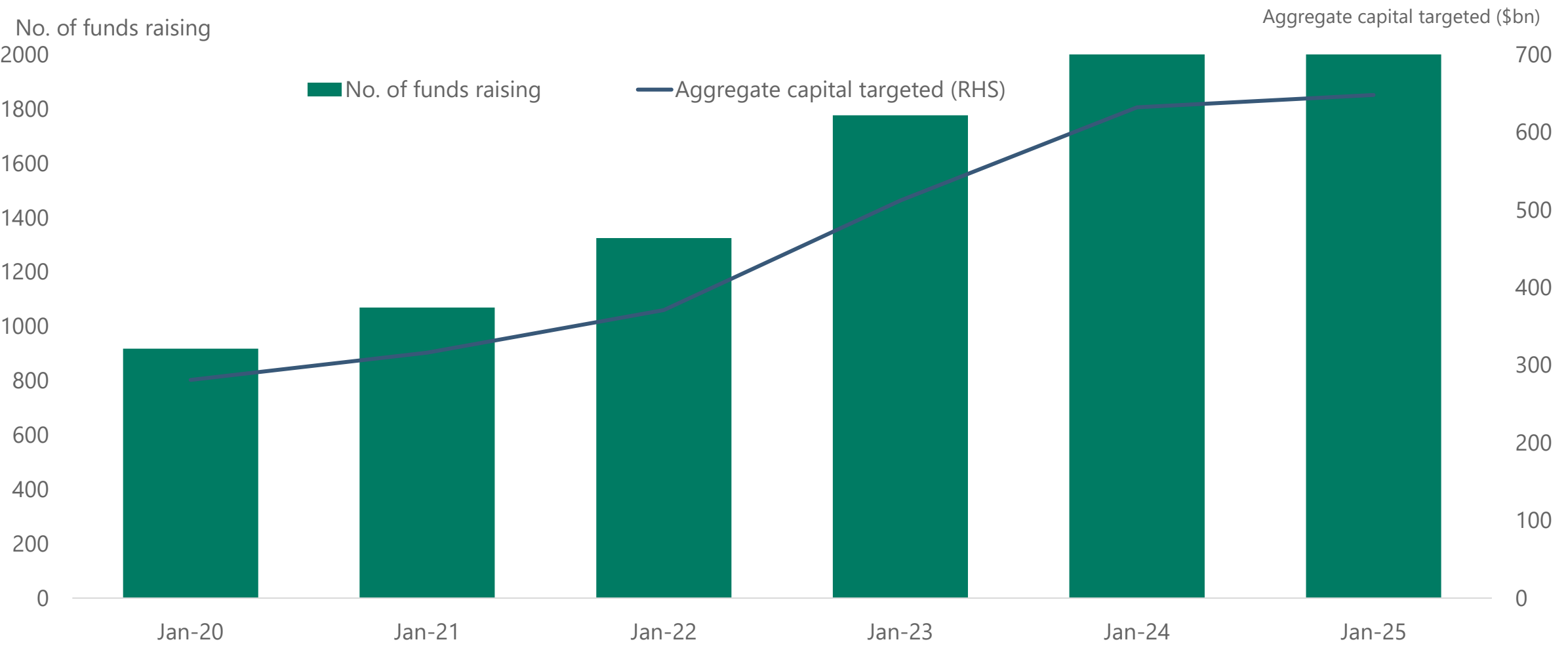


Real estate

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

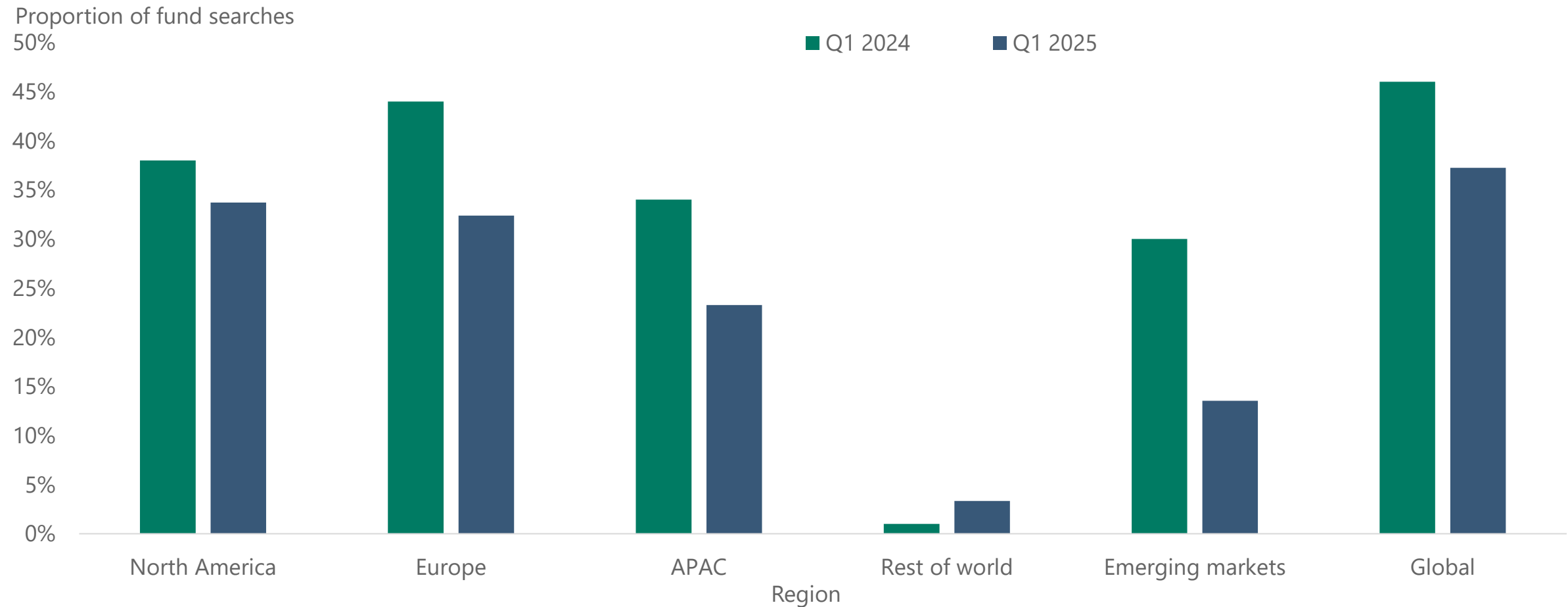


Closed-end private real estate funds in the market over time

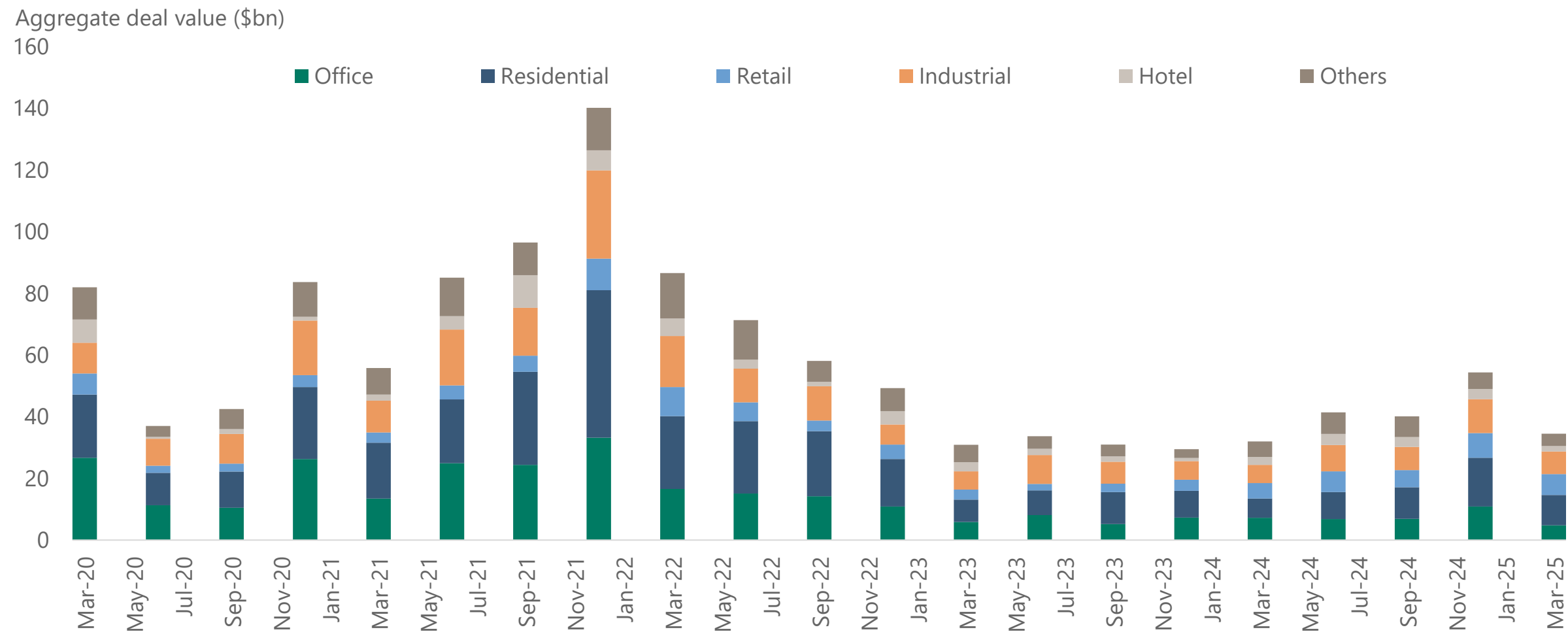


Source: Preqin Pro, Apollo Chief Economist

Regions targeted by infrastructure investors over the next 12 months, Q1 2024 vs. Q1 2025

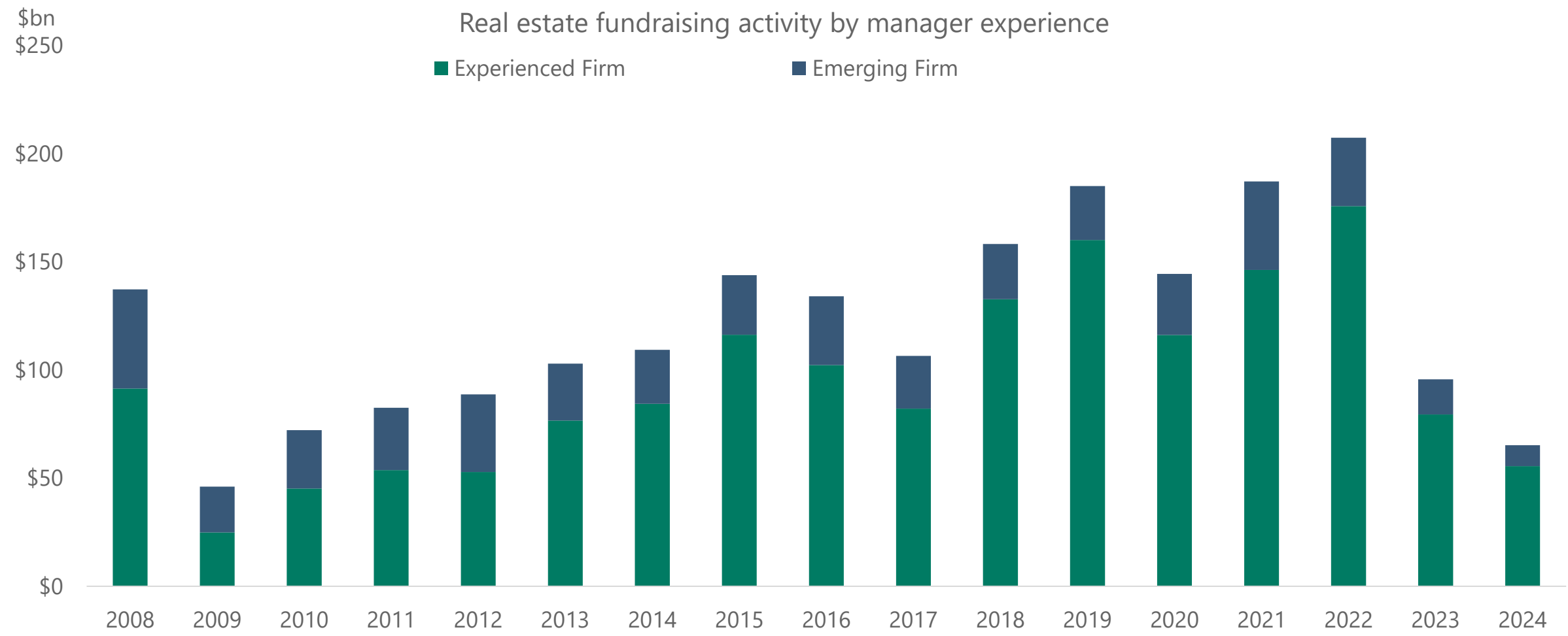


Quarterly global private real estate deals by property type



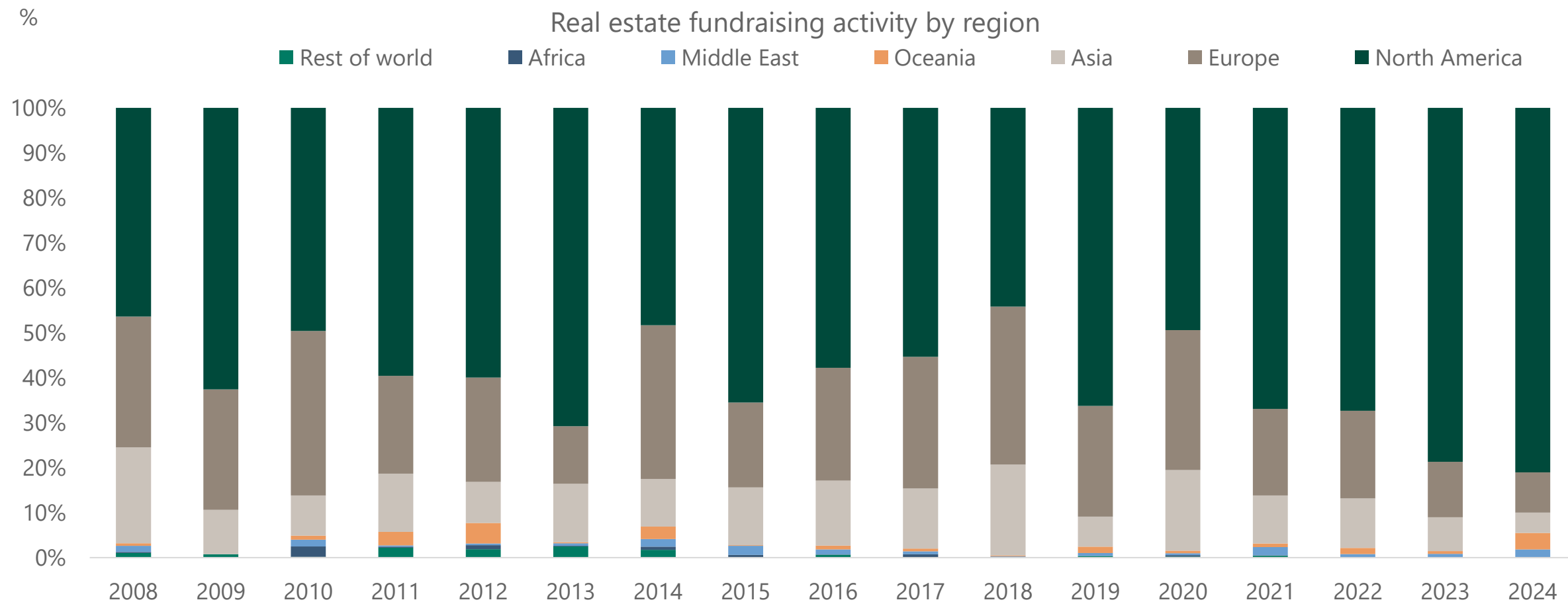
Source: Preqin Pro, Apollo Chief Economist

Real estate fundraising led by experienced firms



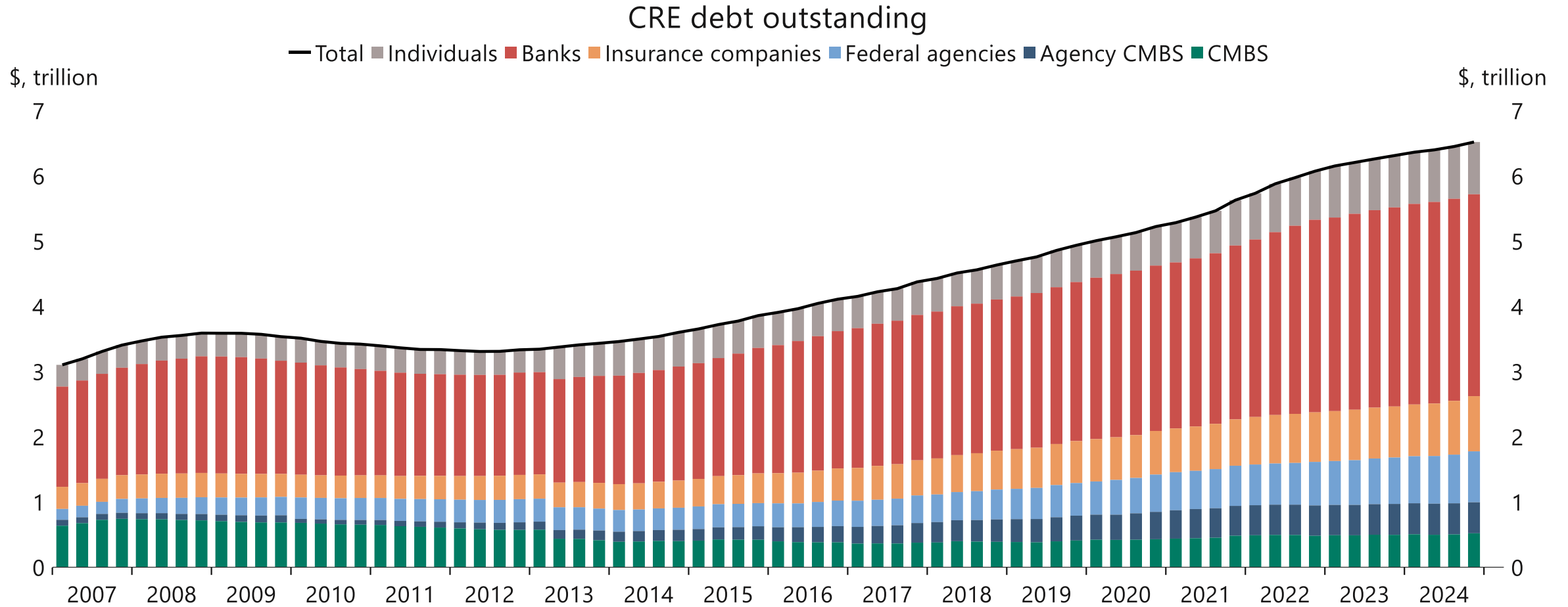
Source: PitchBook, Apollo Chief Economist. Note: Data as of 31st December 2024

Real estate fundraising activity by type



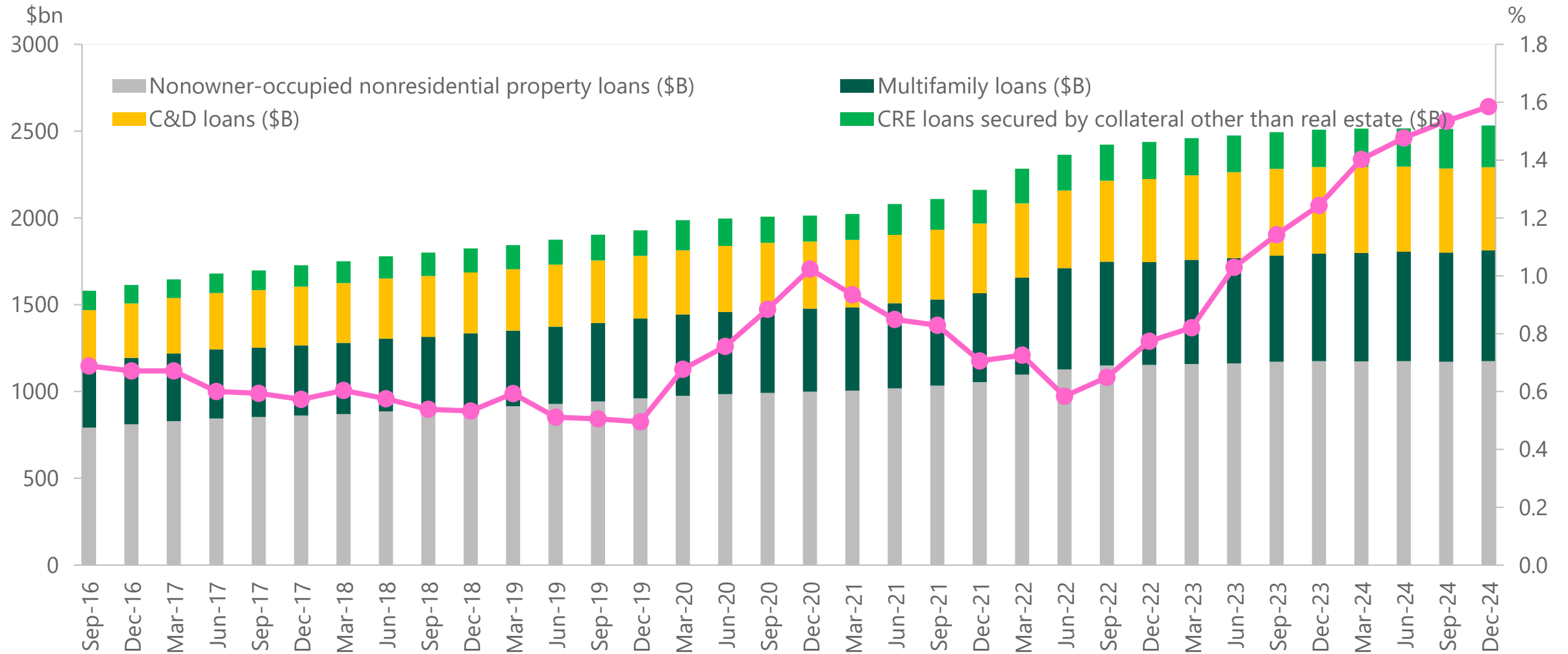
Commercial Real Estate

Banks hold half of CRE debt outstanding

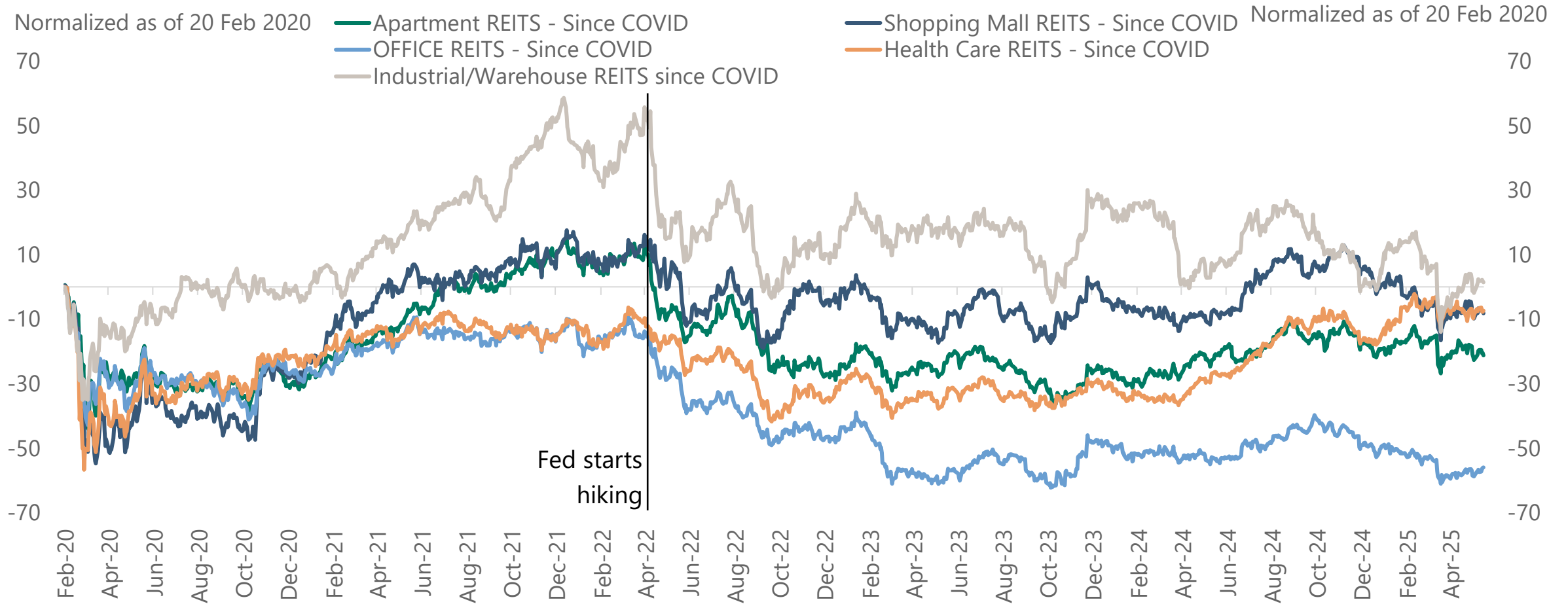


Source: Federal Reserve, Macrobond, Apollo Chief Economist

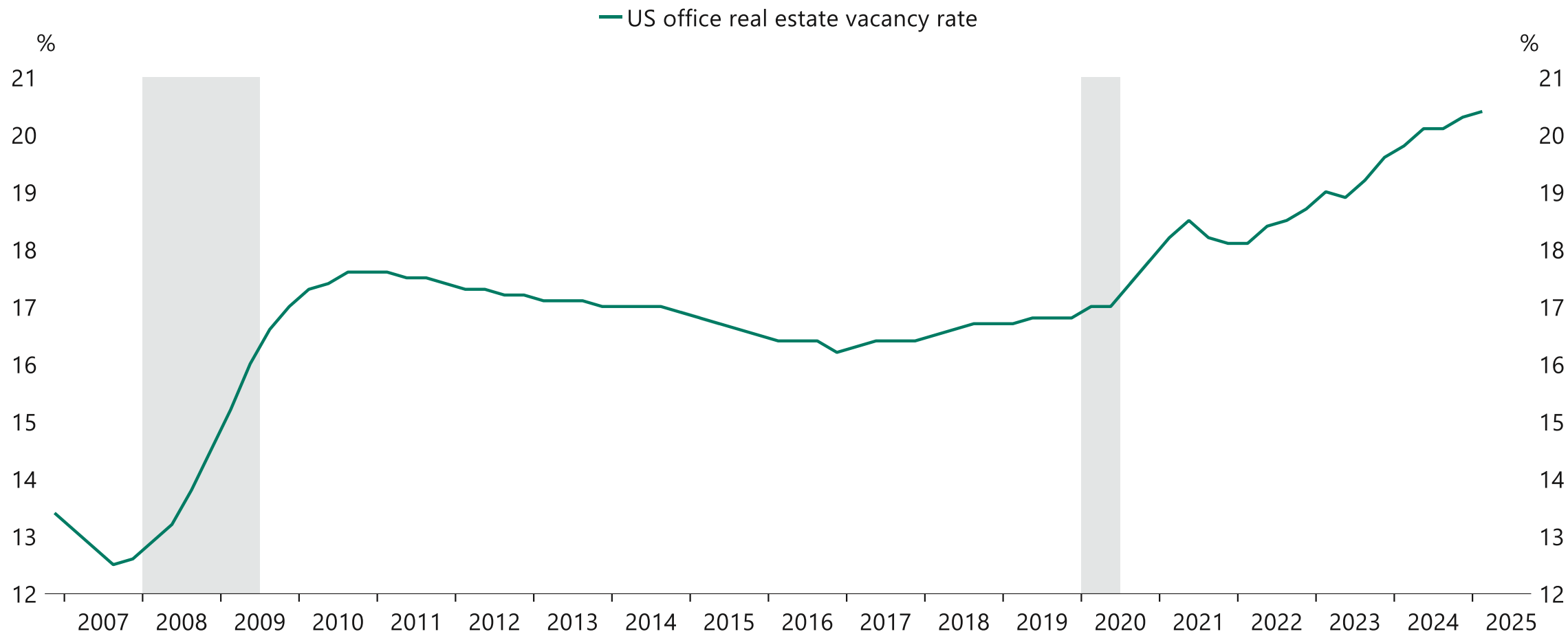
CRE composition and delinquency at US banks



Higher interest rates putting downward pressure on commercial real estate

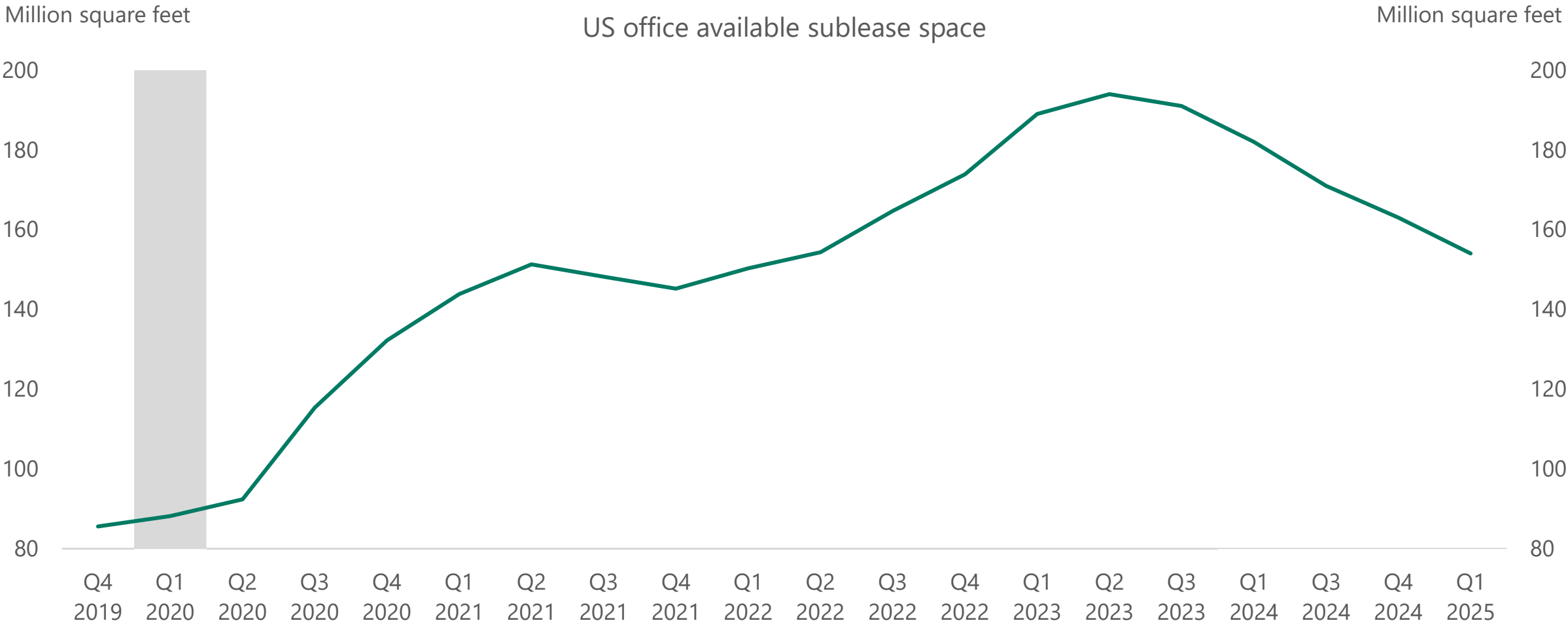


US: Office vacancy rate approaching 20%



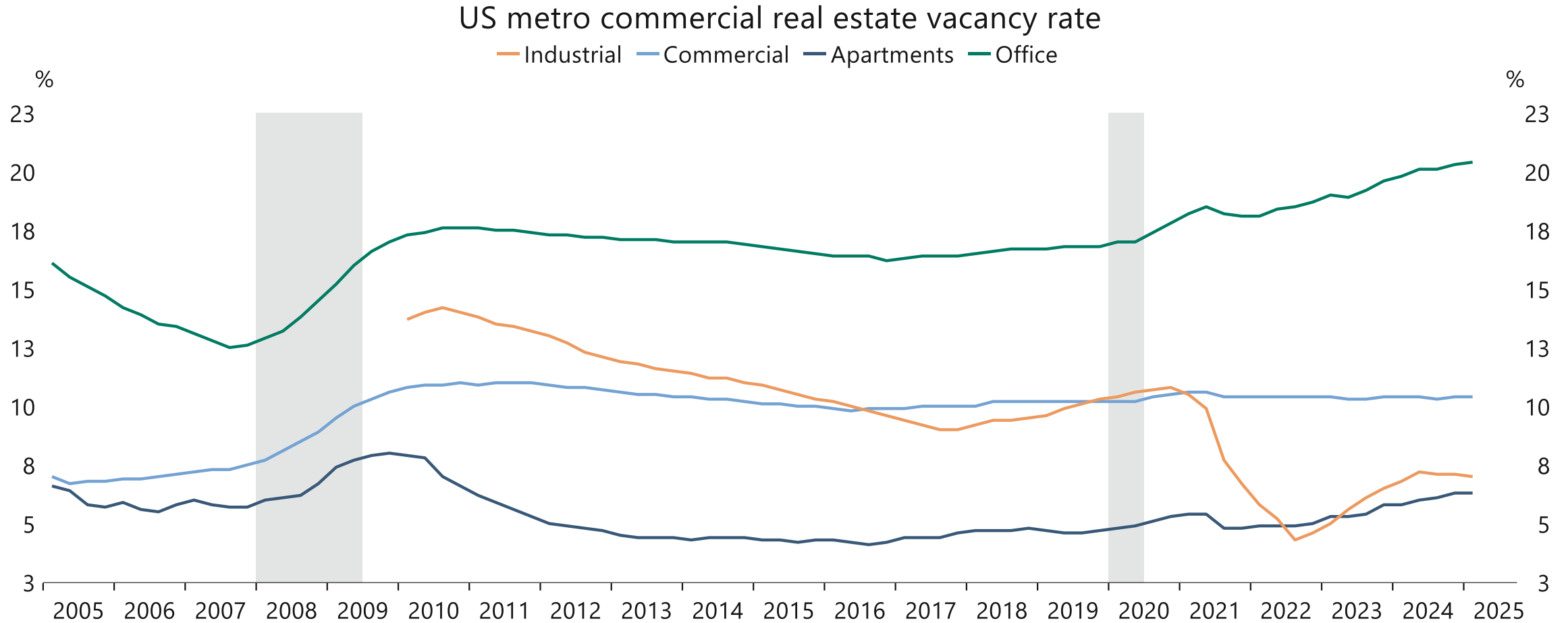
Source: REIS Data, Bloomberg, Macrobond, Apollo Chief Economist

Available US office space



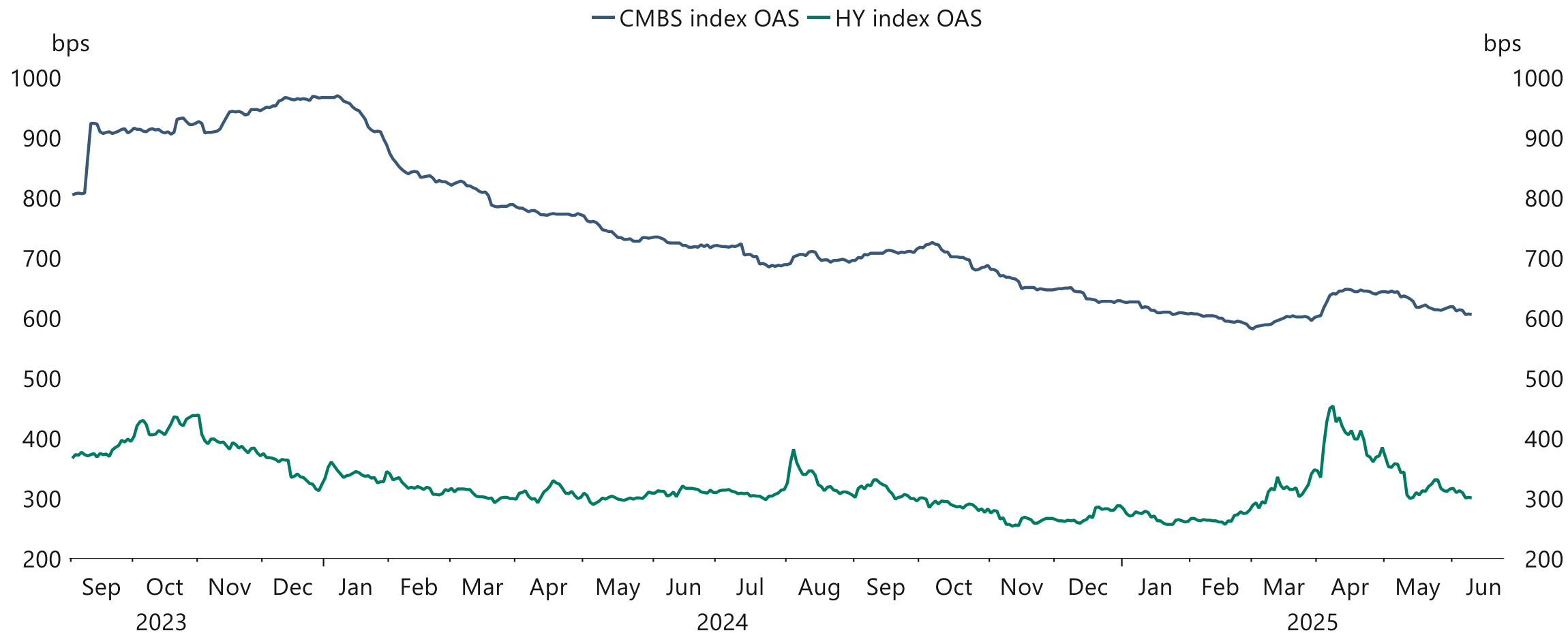
Source: CBRE, Bloomberg, Apollo Chief Economist.

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



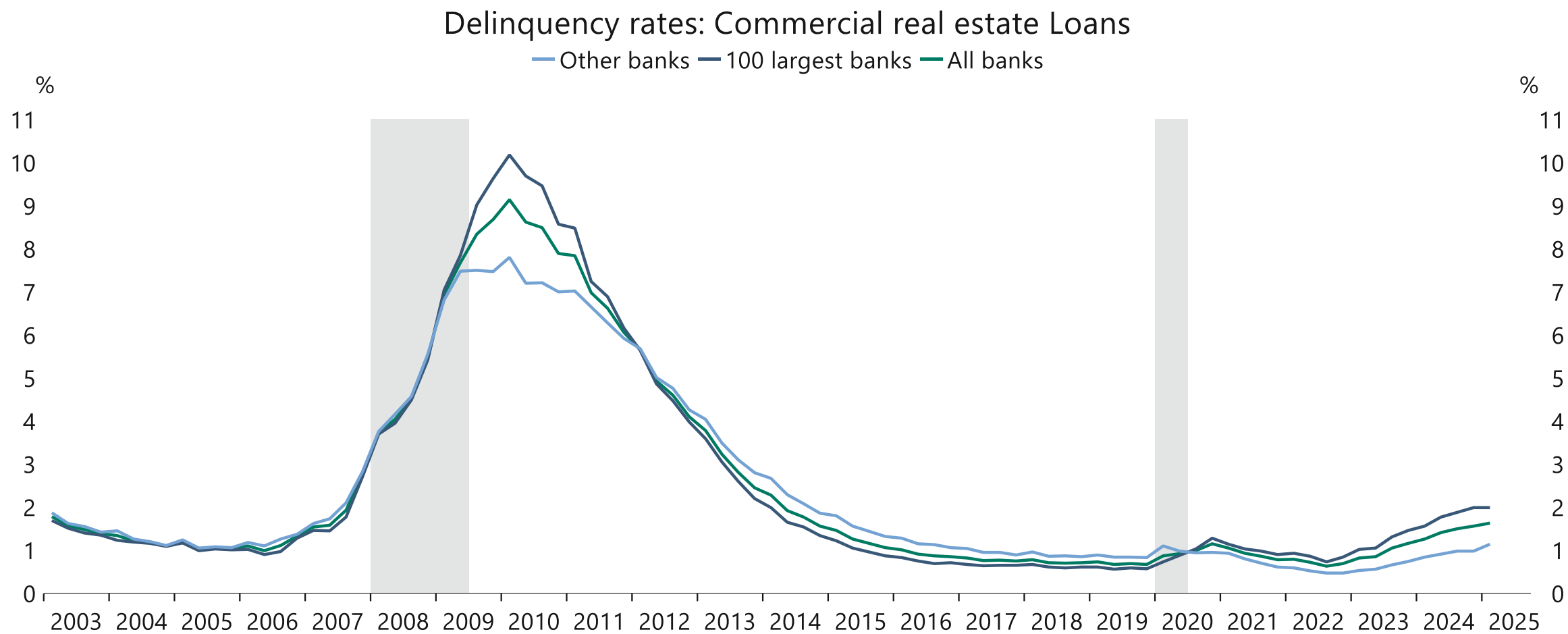
Source: Bloomberg, Macrobond, Apollo Chief Economist

CMBS spreads compared with HY spreads



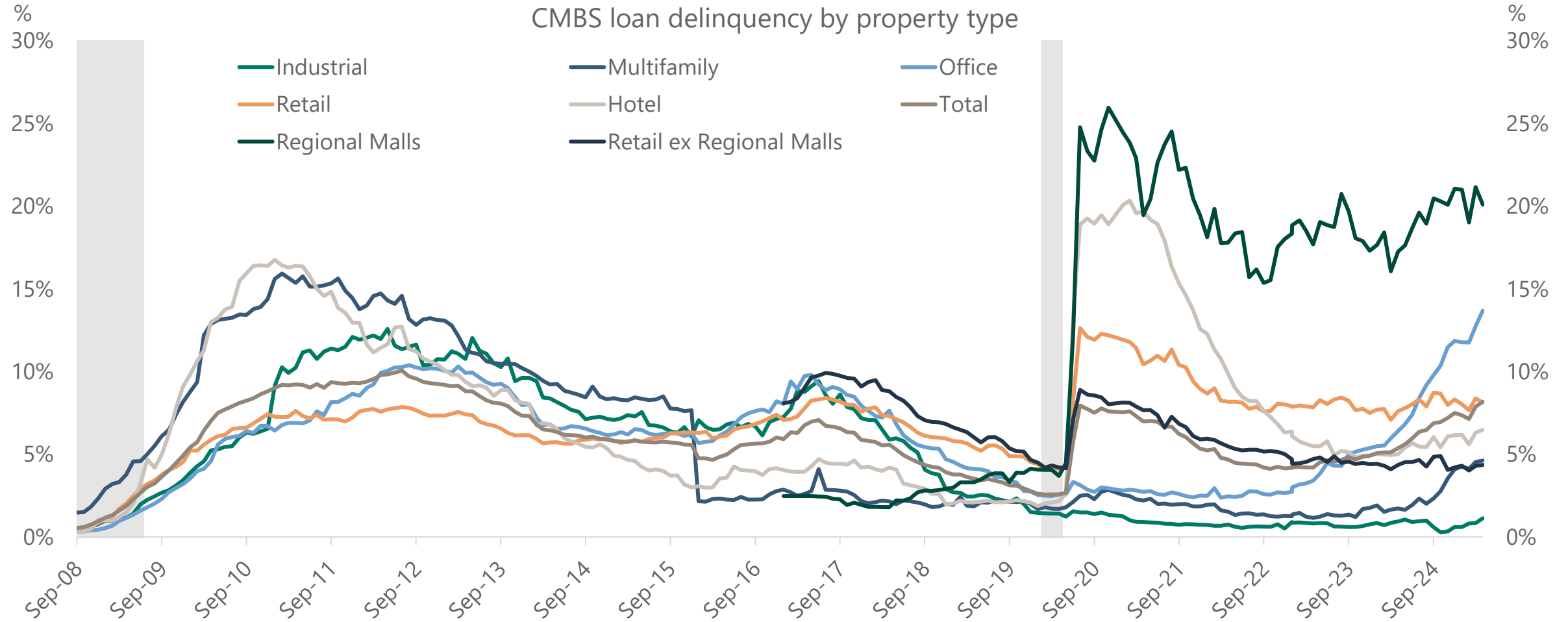
Source: Bloomberg, Macrobond, Apollo Chief Economist

CRE delinquency rate



Source: Federal Reserve, Macrobond, Apollo Chief Economist

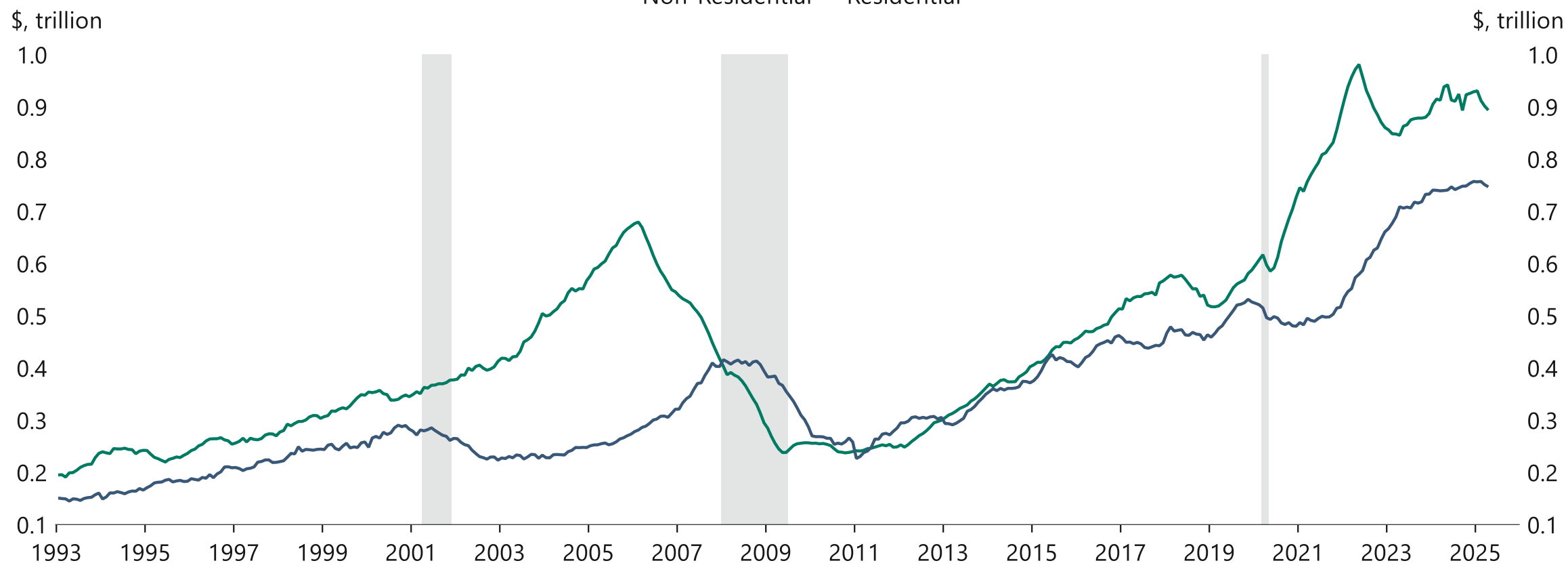
Delinquency rates rising for multifamily



Residential construction spending elevated

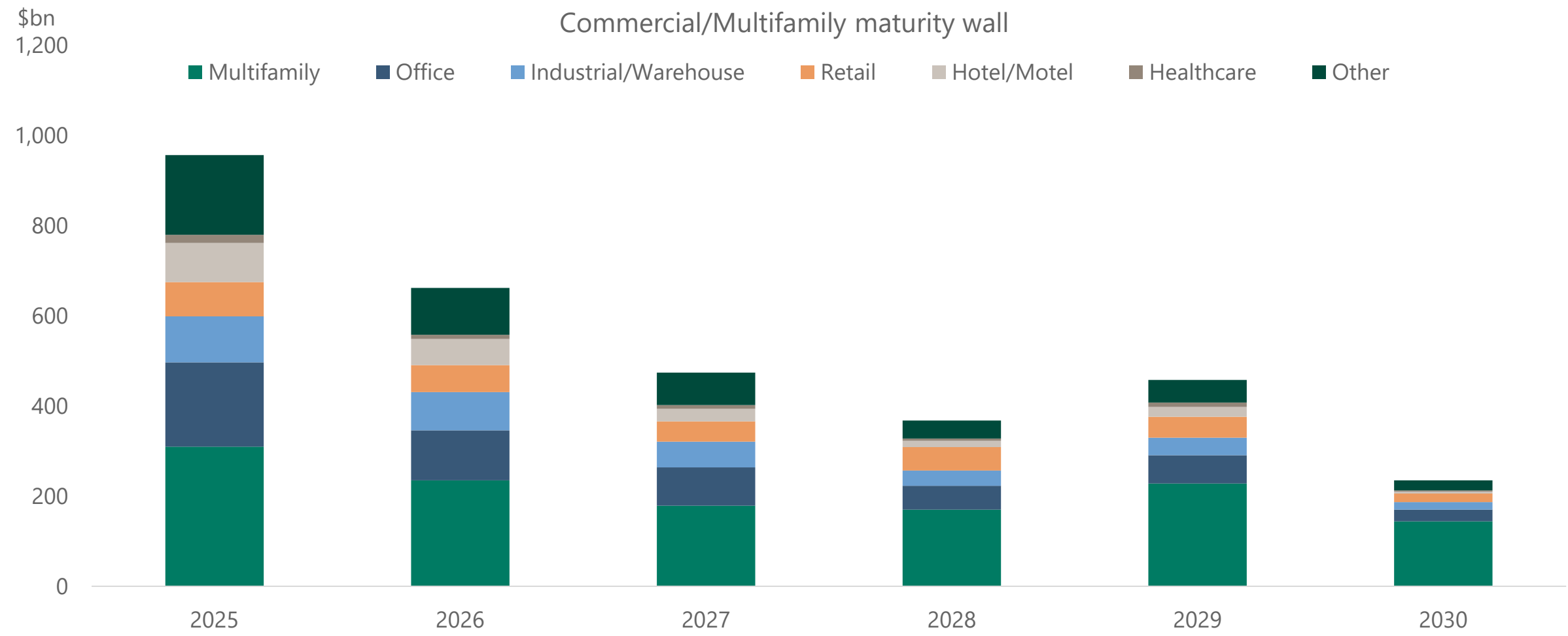
US private construction spending

— Non-Residential — Residential



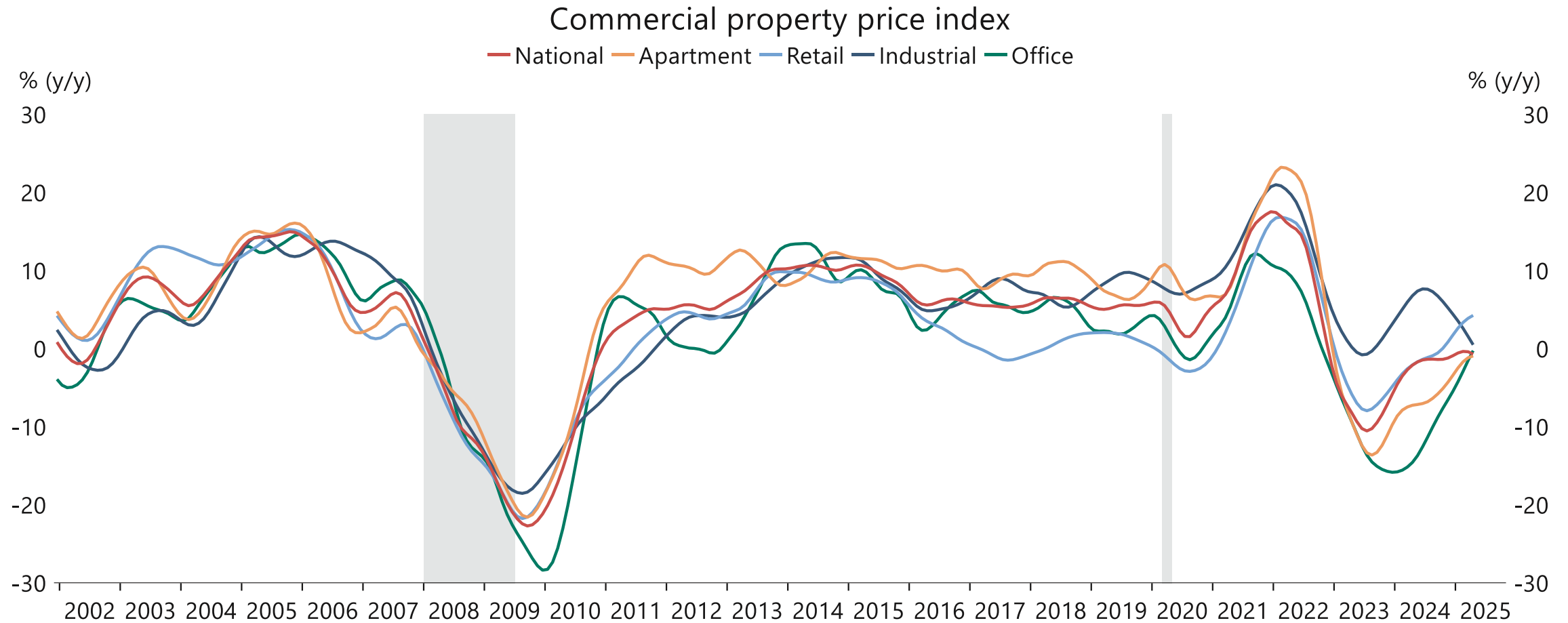
Source: U.S. Census Bureau, Macrobond, Apollo Chief Economist

The CRE maturity wall is steep especially for residential and office



Source: MBA, Apollo Chief Economist

Prices on commercial real estate not going up, and downward pressure on industrial



Source: RCA, Bloomberg, Macrobond, Apollo Chief Economist



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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.