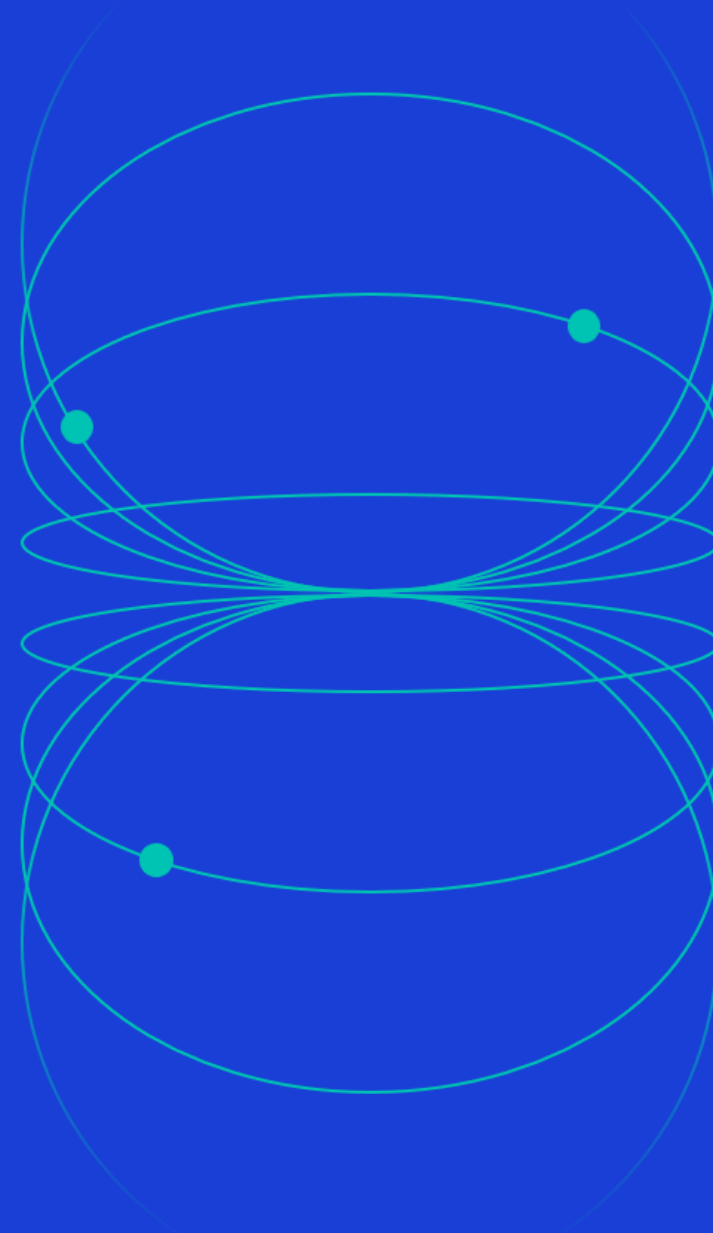




Real Estate in Focus: US

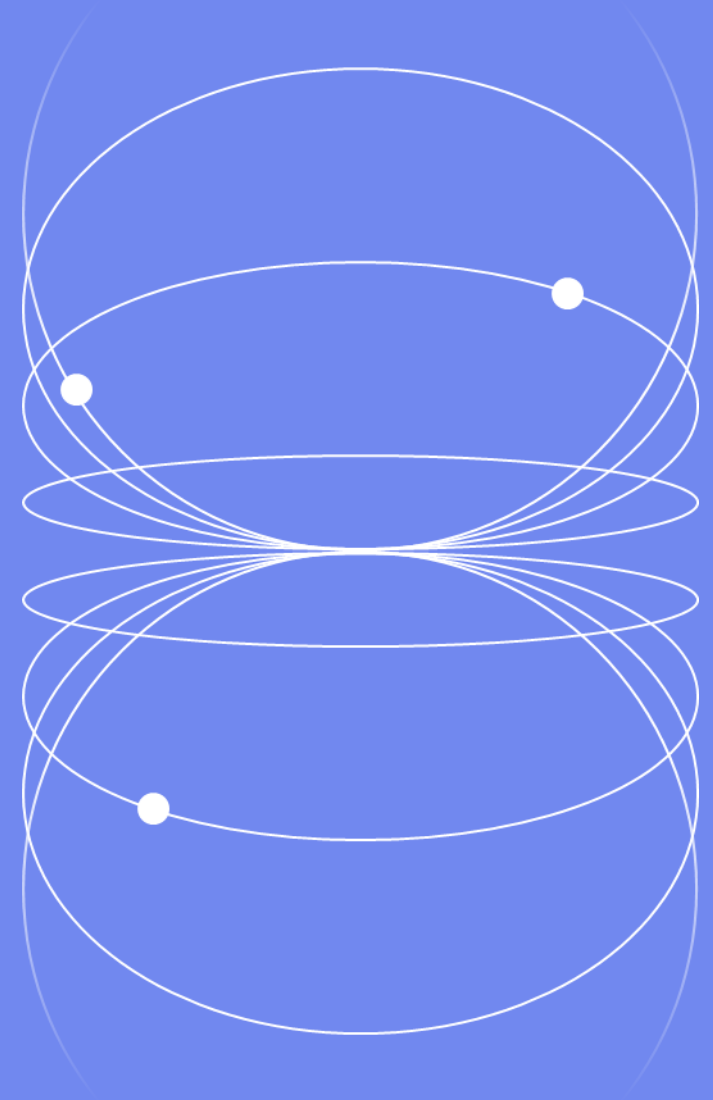
July 30, 2026



AGENDA

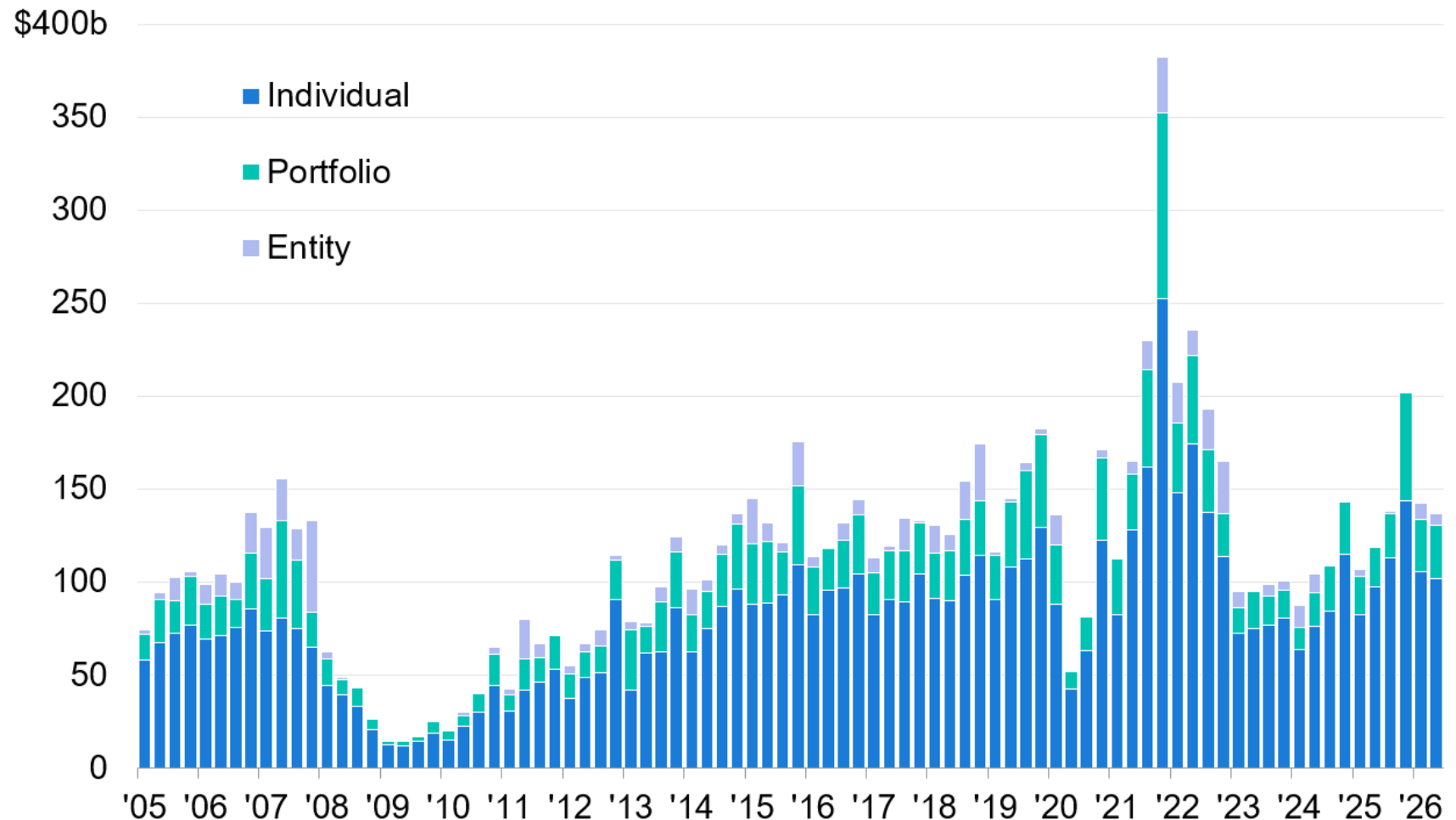
- **Investment Trends to Mid-Year**
- **Pricing Trends**
- **Distress Sales**
- **Looking Backward is not Looking Forward**

Investment Trends to Mid-Year 2026



Deal Volume at \$136.6b in Q2'26, Up 14% YoY ... Down from Q1

- Volume hit \$136.6b in Q2'26, up 14% YoY — extending a stretch of double-digit gains in sales activity.
- Entity-level M&A deals represented \$5.8b in volume, versus just \$0.9b a year earlier.
- Individual asset sales grew a slower 4% YoY to \$102.0b; portfolio and entity sales combined made up roughly 25% of total volume.
- The drop from Q1 is it a signal?



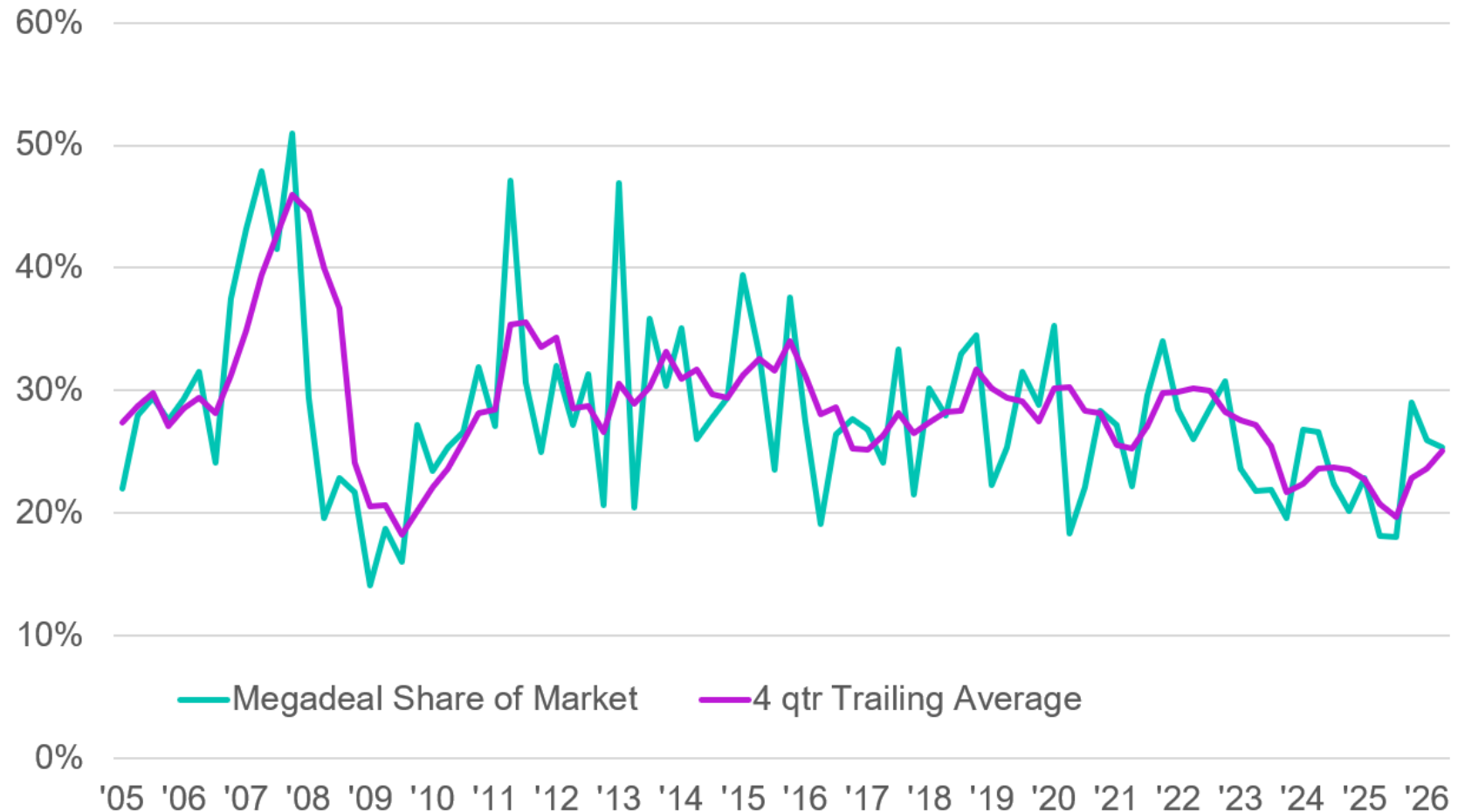
Deal Volume Growing 2026 so far Could it be Better?

- Office sector and development sites only negatives for Q2'26.
- Chunky, one-off portfolio and entity level sales are driving more deal flow in recent periods.
- High pace of growth for megadeals, a bit of a change from recent patterns.
- There are signs of weakness for individual asset sales, however.

	Q2 2026		H1 2026	
	Vol (\$b)	YOY	Vol (\$b)	YOY
Office	18.5	-9%	40.1	14%
Industrial	32.5	27%	65.4	31%
Data Center	7.7	1806%	8.5	476%
Retail	18.0	13%	35.9	8%
Apartment	36.7	1%	72.1	6%
Hotel	8.0	27%	15.4	28%
Snr Hsg & Care	7.3	51%	21.8	135%
Dev Site	7.9	-19%	20.2	18%
Total	136.6	14%	279.3	23%
Portfolio & Entity	34.6	59%	71.6	55%
Single Asset	102.0	4%	207.8	15%

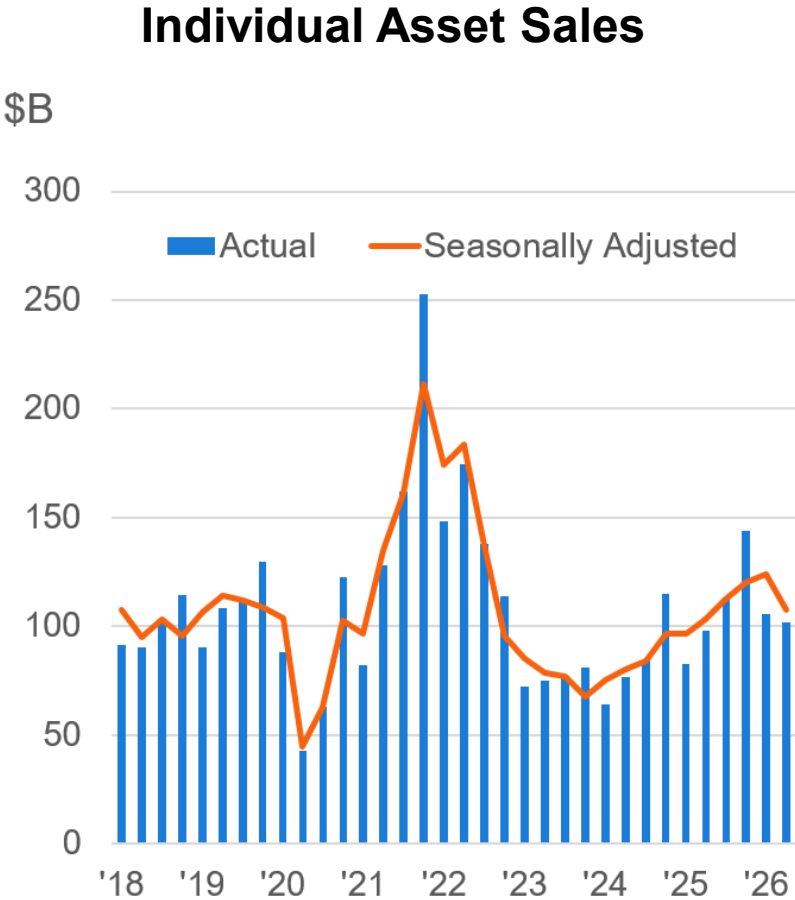
Portfolio and Entity Level Deals as a Share of Total Market

- Portfolio and entity-level sales rebounding into Q2'26.
- Represented 25% of all deal activity for the quarter.
- This level is still low relative to pace since 2010.
- Such deals have simply been difficult since 2023 and less necessary to grow exposure quickly.



Seasonally Adjusted Data Shows Pain in Q2'26

- The 4th quarter is normally the biggest quarter in the year for investment in individual properties. The 1st quarter is typically the worst.
- Structural issues around capital raising and deployment fuel these quarterly patterns.
- Adjusting for seasonal patterns, Q2 was a miss.
- Retail did better than other sectors.

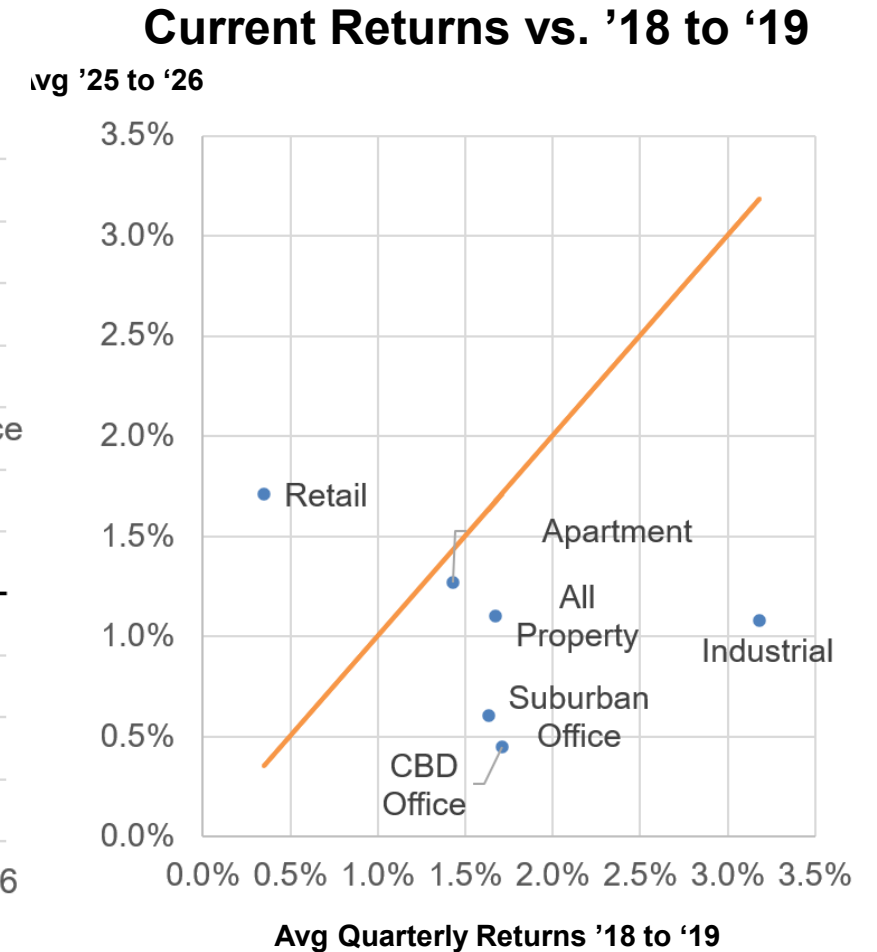
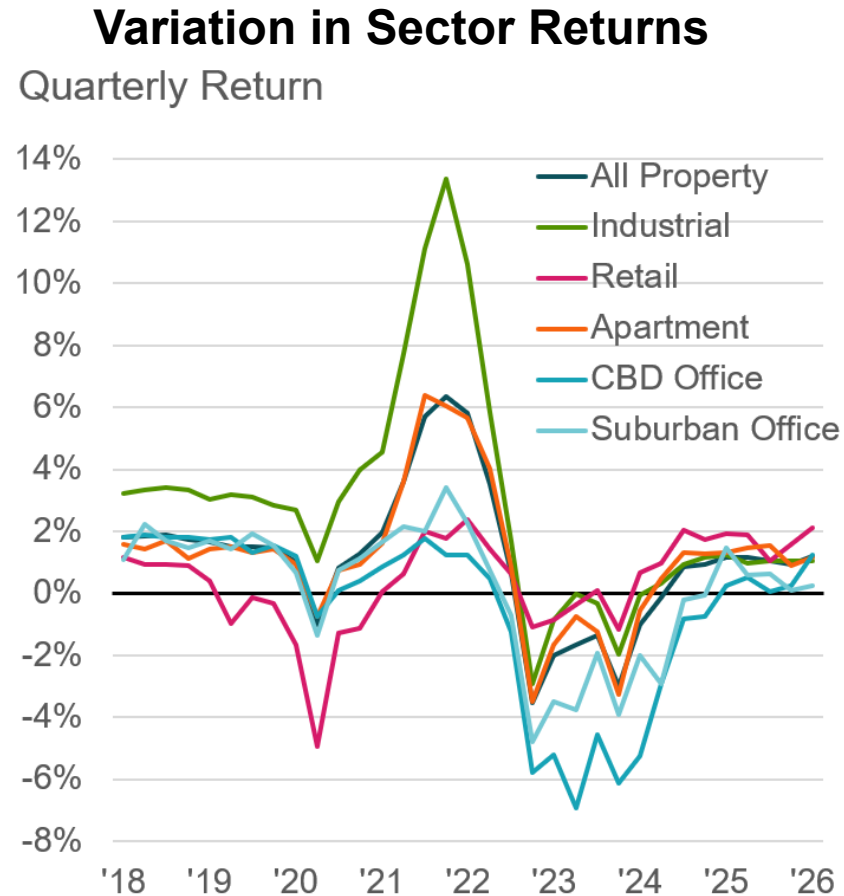


By Sector

	Q1 to Q2 Change, SA
Office	-19.1%
Apartment	-14.3%
Retail	-6.5%
Industrial	-10.7%
Total	-13.4%

Why Slowing Volume? Returns Matter for Deal Activity

- Some investors outperformed simply by buying industrial, but no sector outperforms to such an extent now.
- Returns are not at a fantastic level but it is at least positive which helps deal volume.
- What forces will drive each sector moving forward?

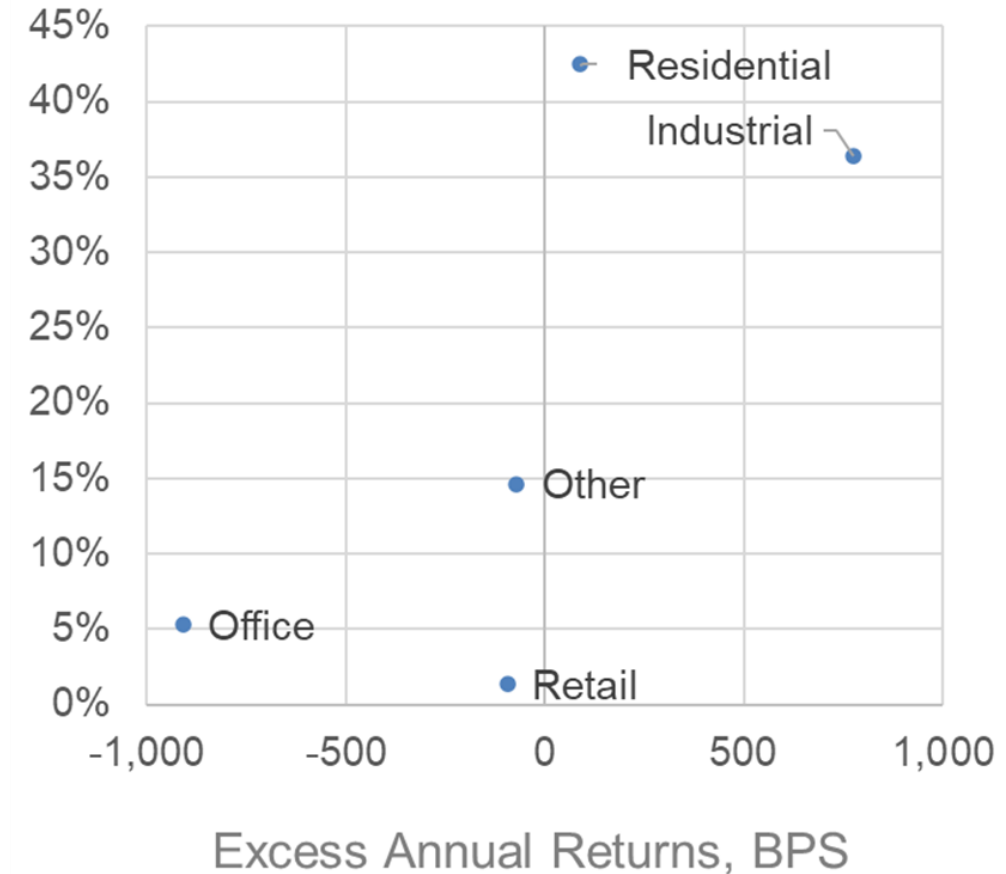


Source: MSCI U.S. Quarterly Property Index via MSCI Real Assets MCP

Institutional Capital Still Loves Industrial and Apartments

- From 2021 to 2025, residential and industrial properties outperformed in the MSCI U.S. Quarterly Property Index.
- Residential outperformed to total index an average of 90 BPS per year versus 775 BPS for industrial.
- Given the outperformance of these two sectors, the share of new fund raising over the last five years was dominated by these two sectors.
- Is the ongoing growth in apartment and industrial property sales a function of pension consultants again skating to where the puck was?

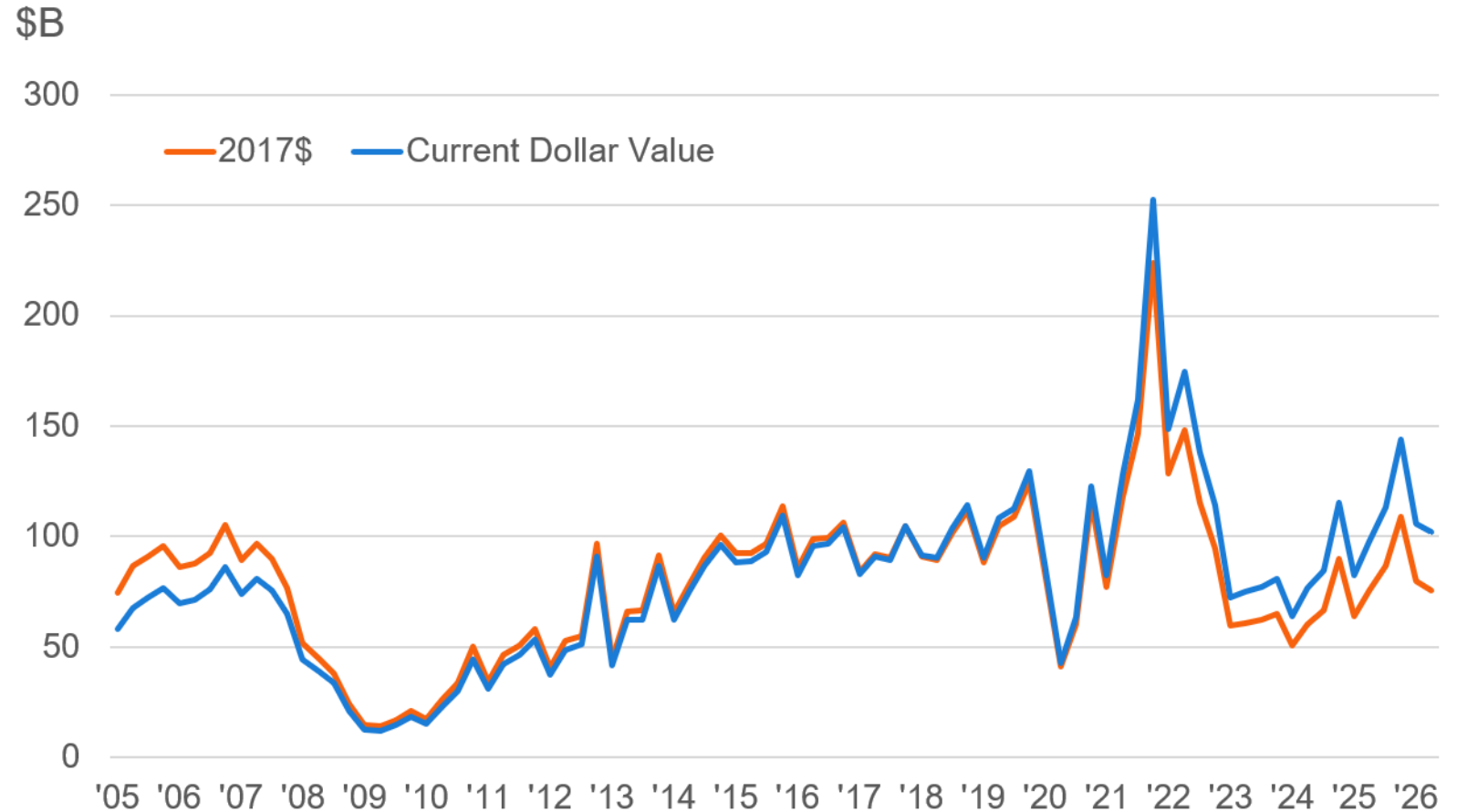
Share of Fundraising



Source: MSCI U.S. Quarterly Property Index via MSCI Real Assets MCP, RCA Funds

Inflation Masks Challenges Faced for Individual Asset Sales

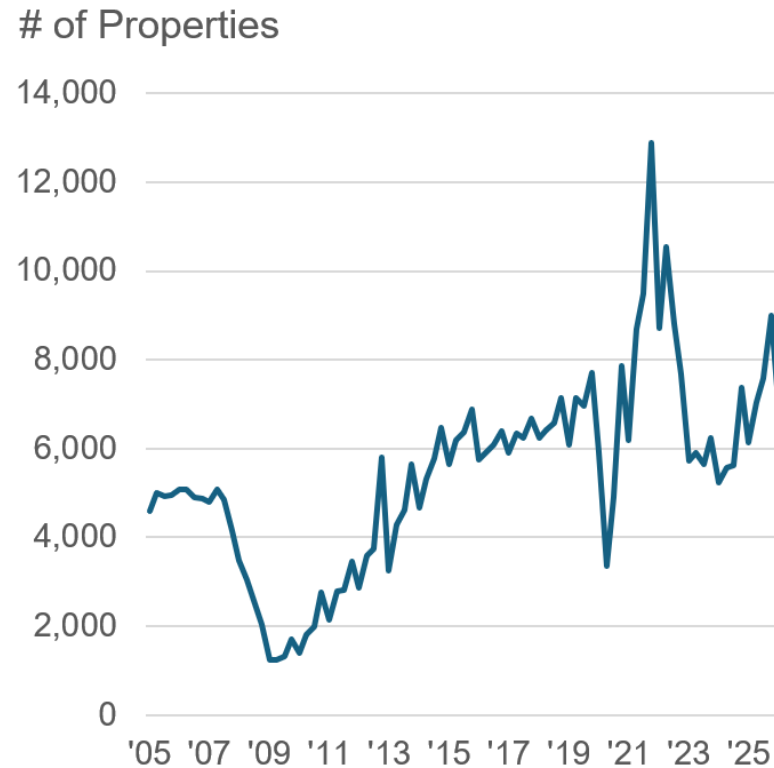
- \$102 B in Q2'26 is slightly better than average Q2 deal volume from 2015 to 2019: \$94.7 B.
- Inflation clocked in at a 3.5% CAGR since 2017.
- Q2'26 deal volume stood 21% lower than the Q2 deal volume from 2015 to 2019 when adjusting for inflation.



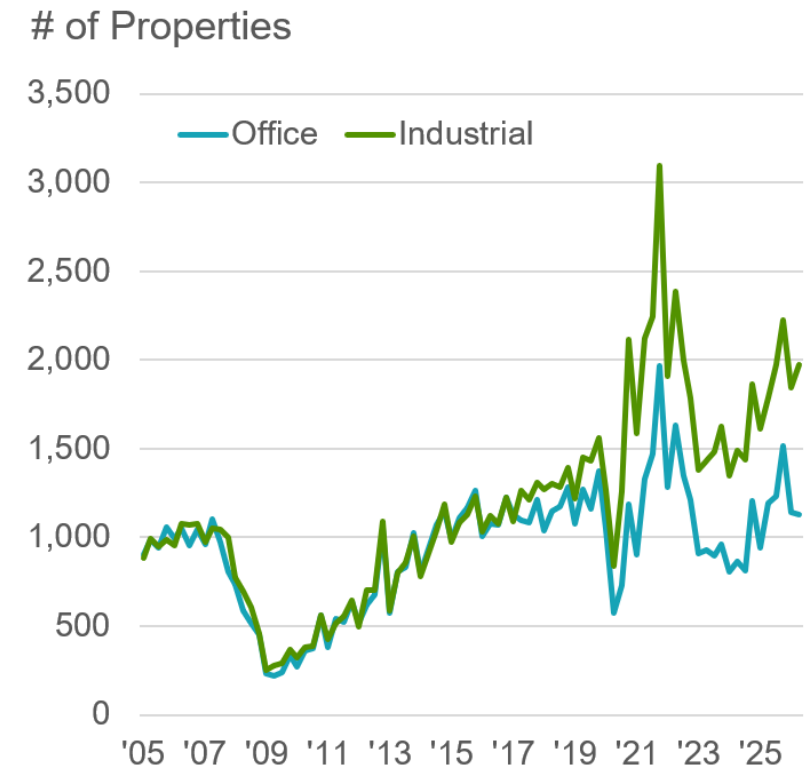
of Properties Sold in Individual Asset Deals

- “Jim, I don’t give a rat’s a** about inflation or returns, I just care about deal flow.”
- Total # of properties sold in Q2’26 via individual asset sales 13% greater than Q2 averages from ’15 to ’19.
- This higher level is only a function of more industrial building sales, 59% higher.
- Offices by contrast are flat.

Total # of Properties Sold

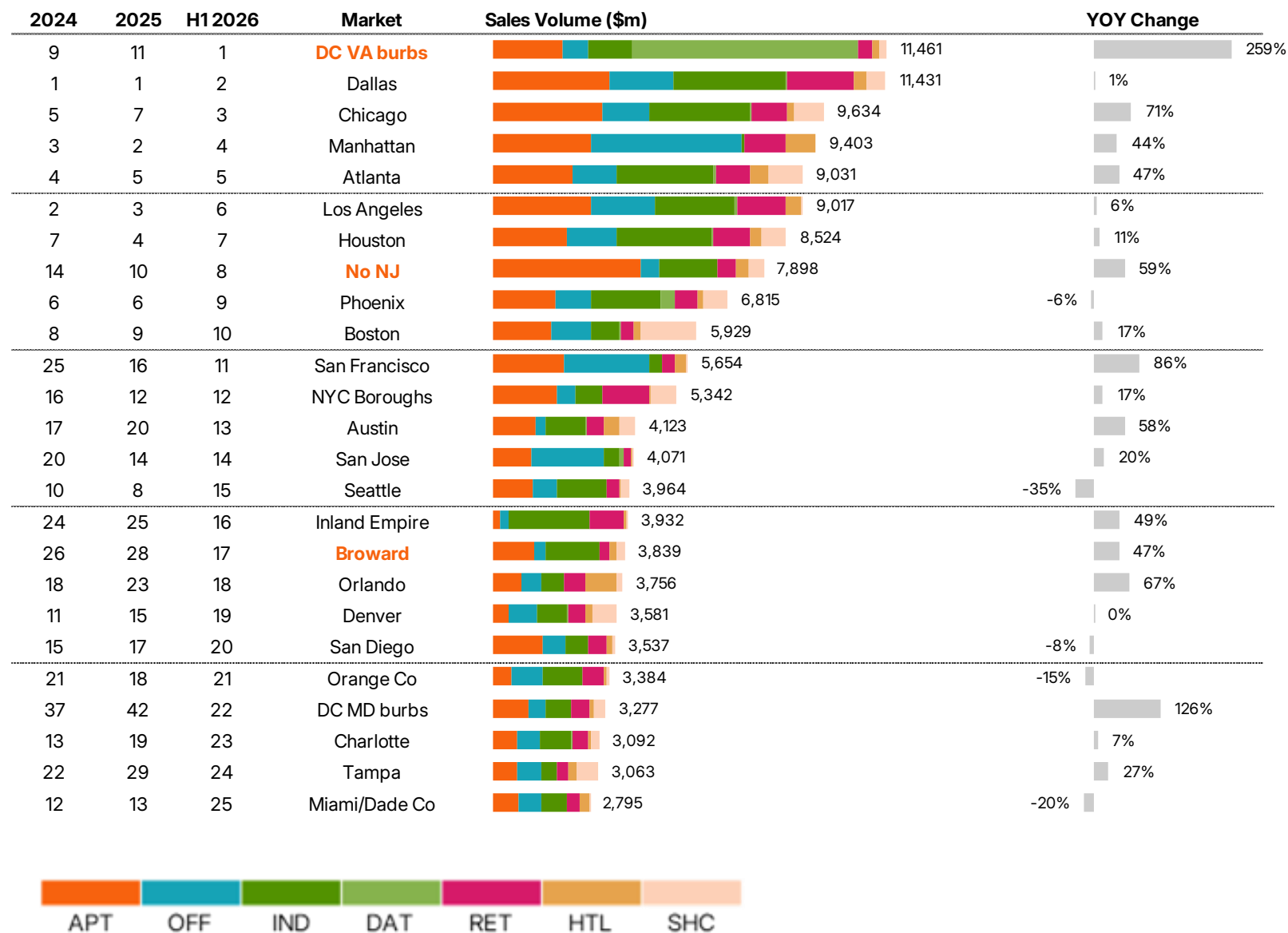


Properties Sold, Selected Sectors



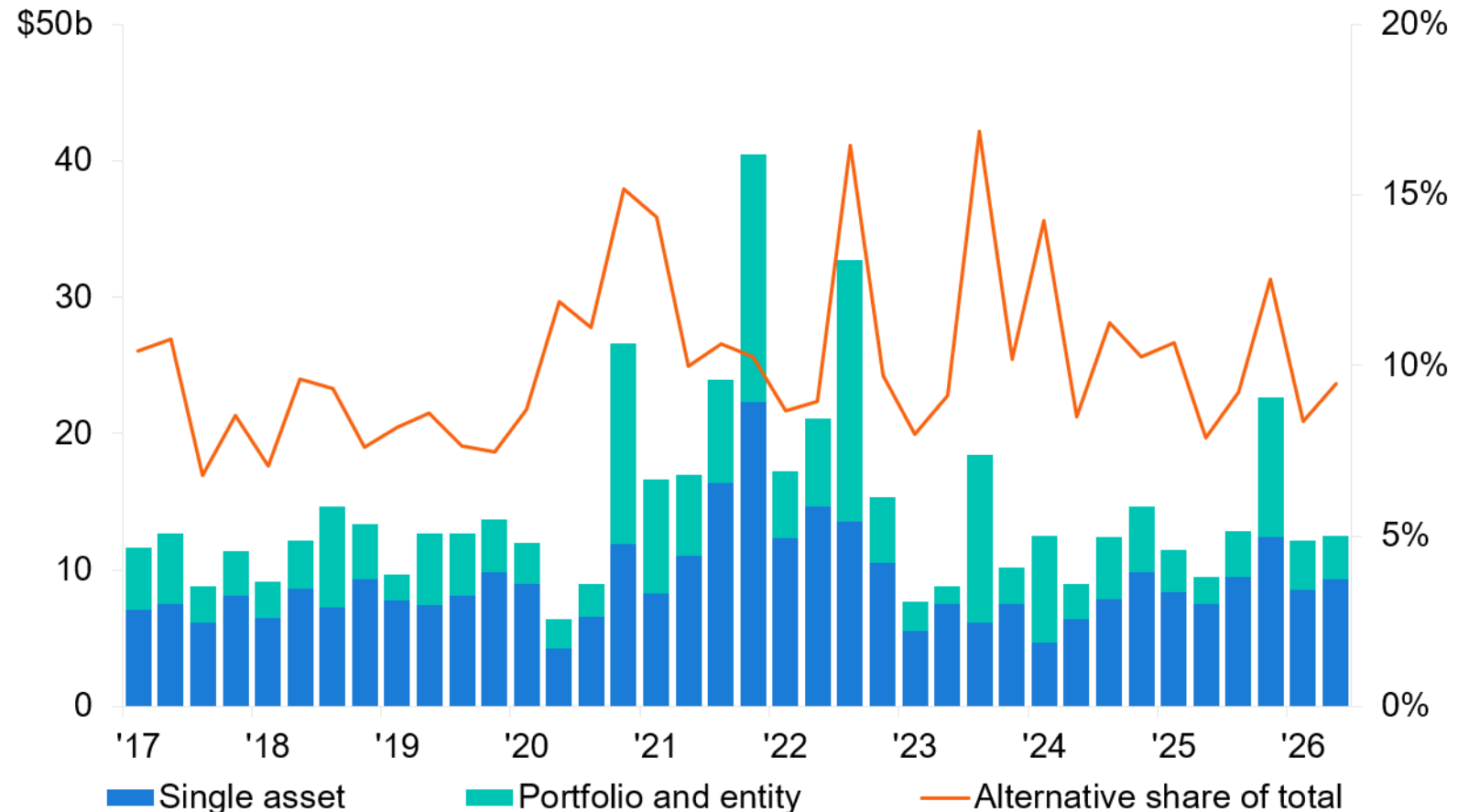
Top Markets for CRE Investment in H1'26

- A new player enters the scene with data centers driving Northern Virginia to the top of the list.
- Rebound in retail helping Dallas along with investor preferences for industrial and apartments.
- Chicago ahead of Manhattan is unusual, but gain, sector selection is a story there.



Investment in Alternative CRE Sectors (Ex. Data Centers)

- Alternative investment was up 31% in Q2'26 from the pace set a year earlier.
- Portfolio and entity-level sales were weak last year and posted 56% yoy growth in Q2'26.
- Alts were 9.5% of all deal activity in Q2'26, roughly in line with normal trends.

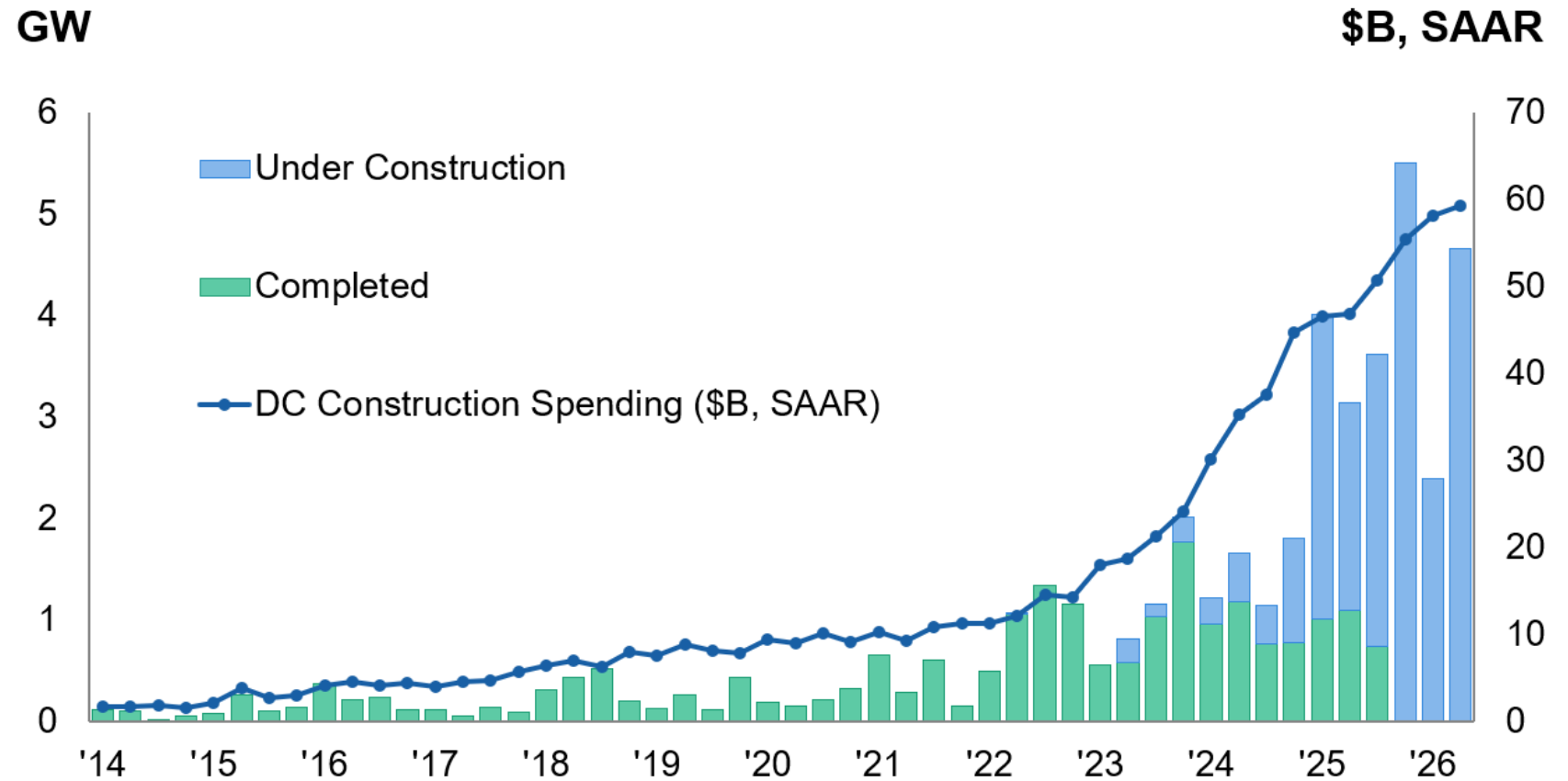


Breakdown of Alternative CRE Sales Q2'26 (ex. Data Centers)

	Single Asset	Portfolio & Entity	Total	YOY Change
Medical Office	2.8	0.4	3.2	24%
Mobile/Manuf Hsg	1.0	0.2	1.2	145%
R&D	1.6	0.2	1.9	-6%
Self Storage	1.3	1.1	2.4	68%
Student Housing	1.6	0.9	2.5	59%
Age-Restricted	0.6	0.2	0.8	15%
Cold Storage	0.4	0.1	0.5	-34%

Capital Flows into Data Centers Mostly a Construction Story

- Data center construction trends shown in MW, rounded up to GW here.
- For comparison U.S. consumed 4,000 GW in 2022 according to the EIA.
- Looking at a leading indicator for construction from the value of projects put in place from the Census, it is clear that momentum behind the pipeline for construction will continue ... though growth is decelerating.

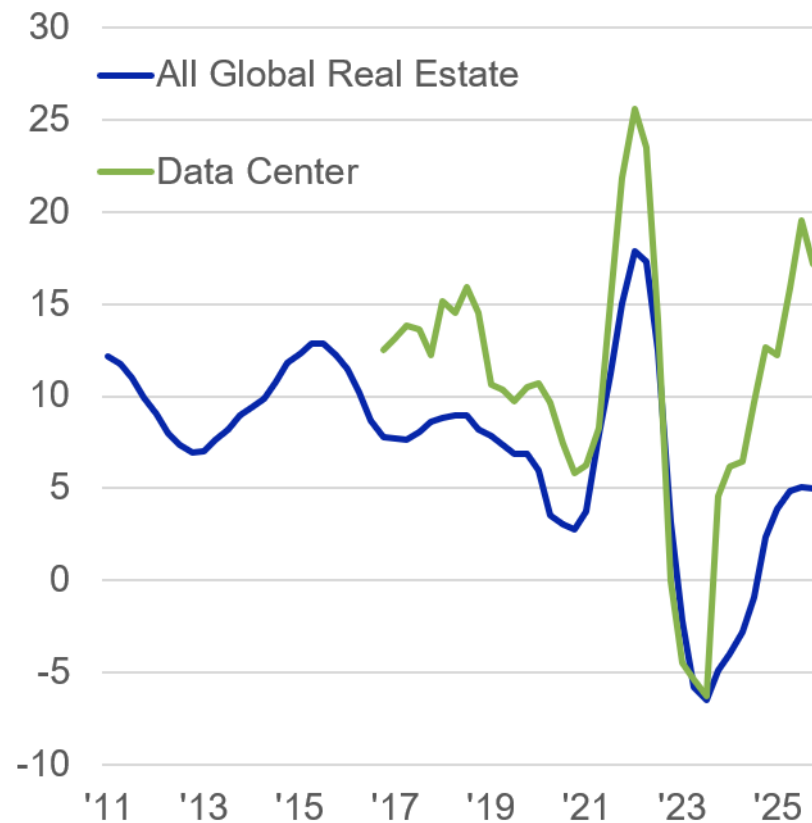


Source: RCA Data Center Construction, Census Department VIP Survey (C30)

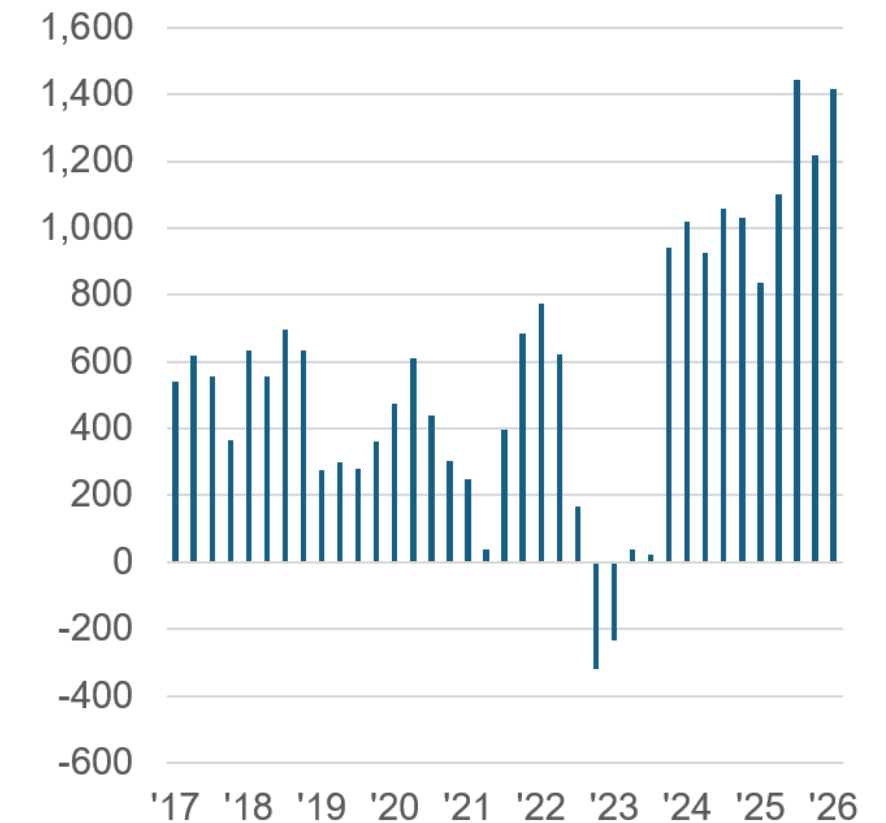
Substantial Outperformance of Data Center Returns

- Returns for data centers have outperformed the MSCI Global Property Index to a substantial degree since 2023.
- What was running at 600 BPS of outperformance has climbed above 1,000 BPS in recent quarters.

Annual %

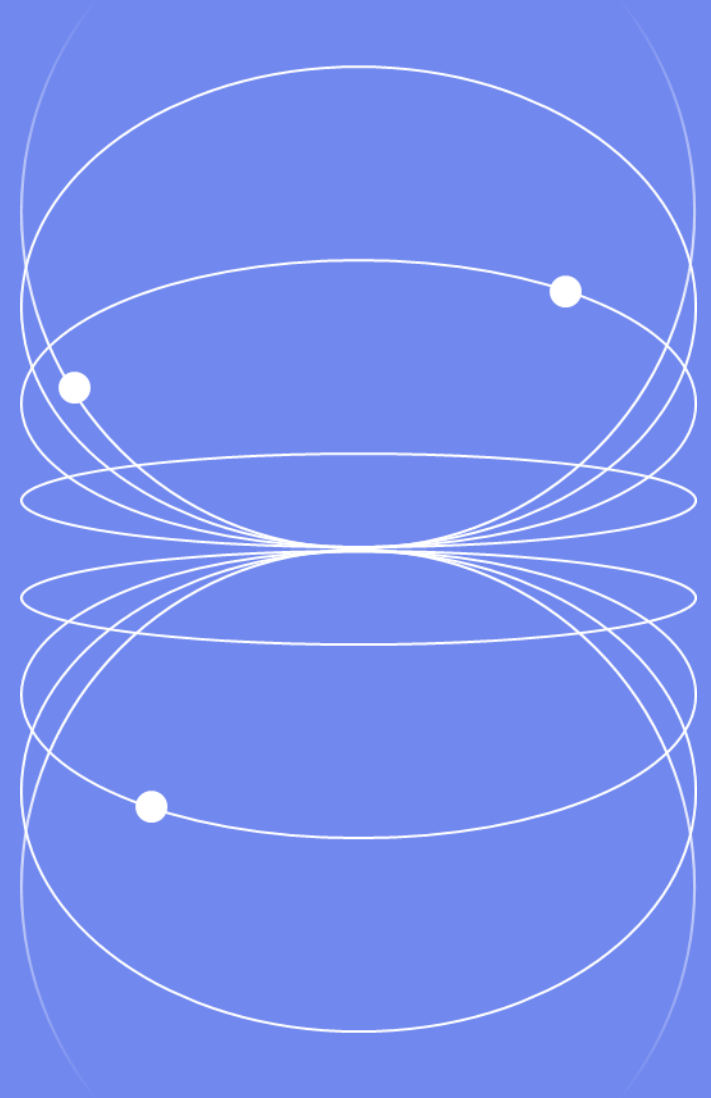


BPS Spread



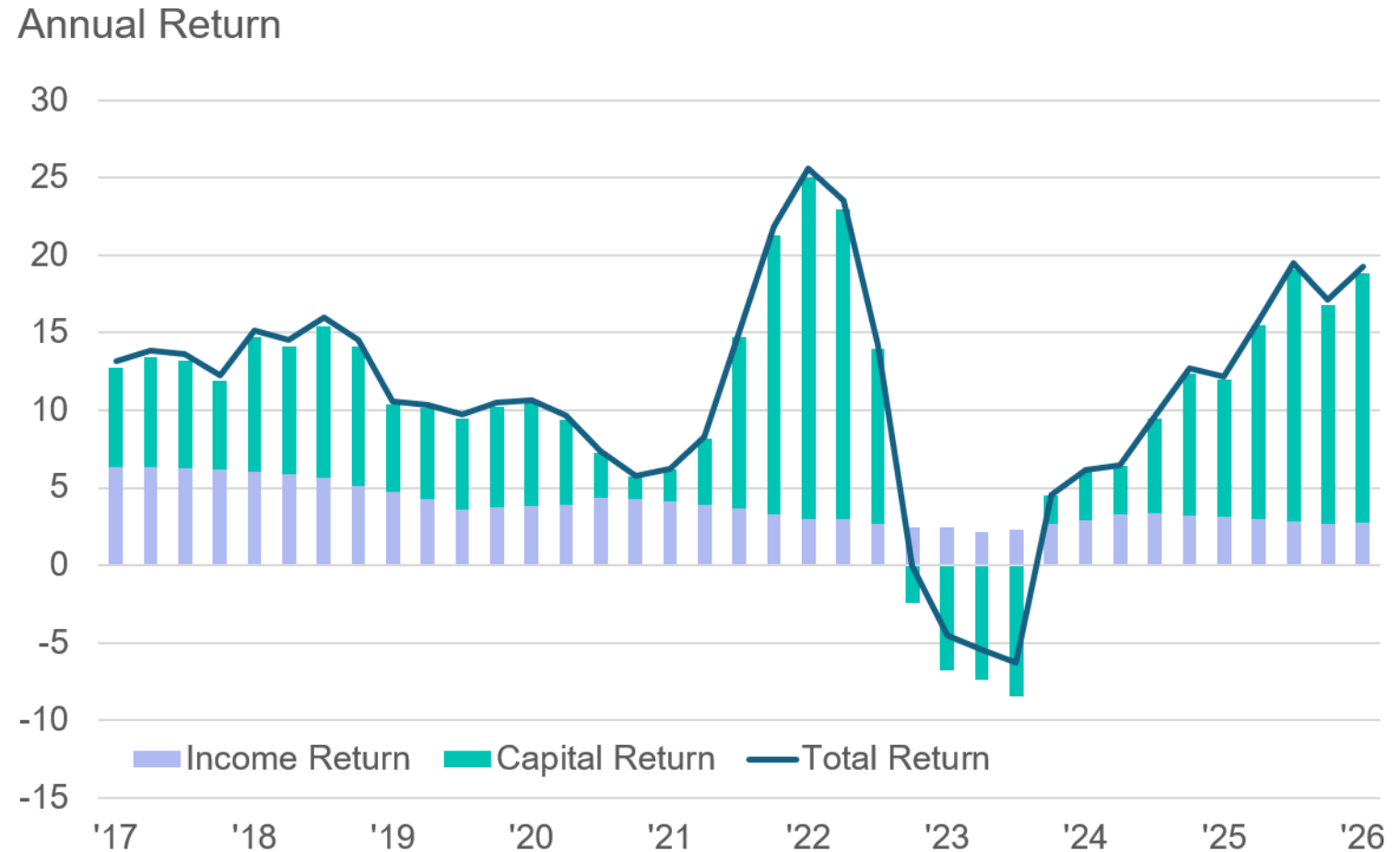
Source: MSCI Global Quarterly Property Index via MSCI Real Assets MCP, Data Center GRACS, Returns in USD

Pricing Trends



Data Centers are not Immune from Capital Markets Challenges

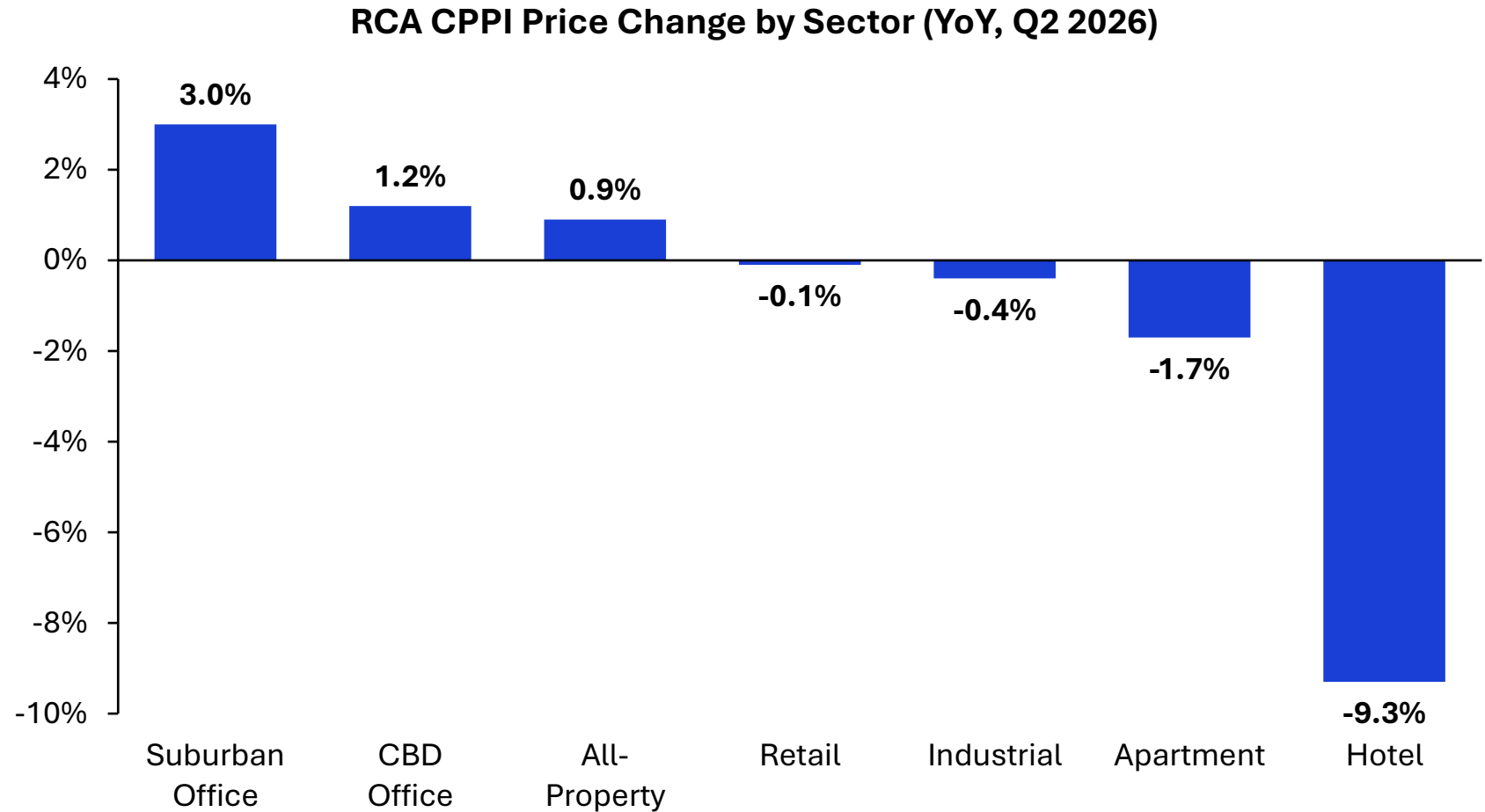
- Capital market liquidity was impaired following the interest rate shock that started in 2022.
- Even though the story of data center demand has been growing rapidly, changes in the cost of capital impacted even data centers.
- Shrinking income returns suggest investors are valuing these investments at a high level compared to other sectors.



Source: MSCI Global Quarterly Property Index via MSCI Real Assets MCP, Data Center GRACS, Returns in USD

Sectors Are Pricing on Their Own Fundamentals

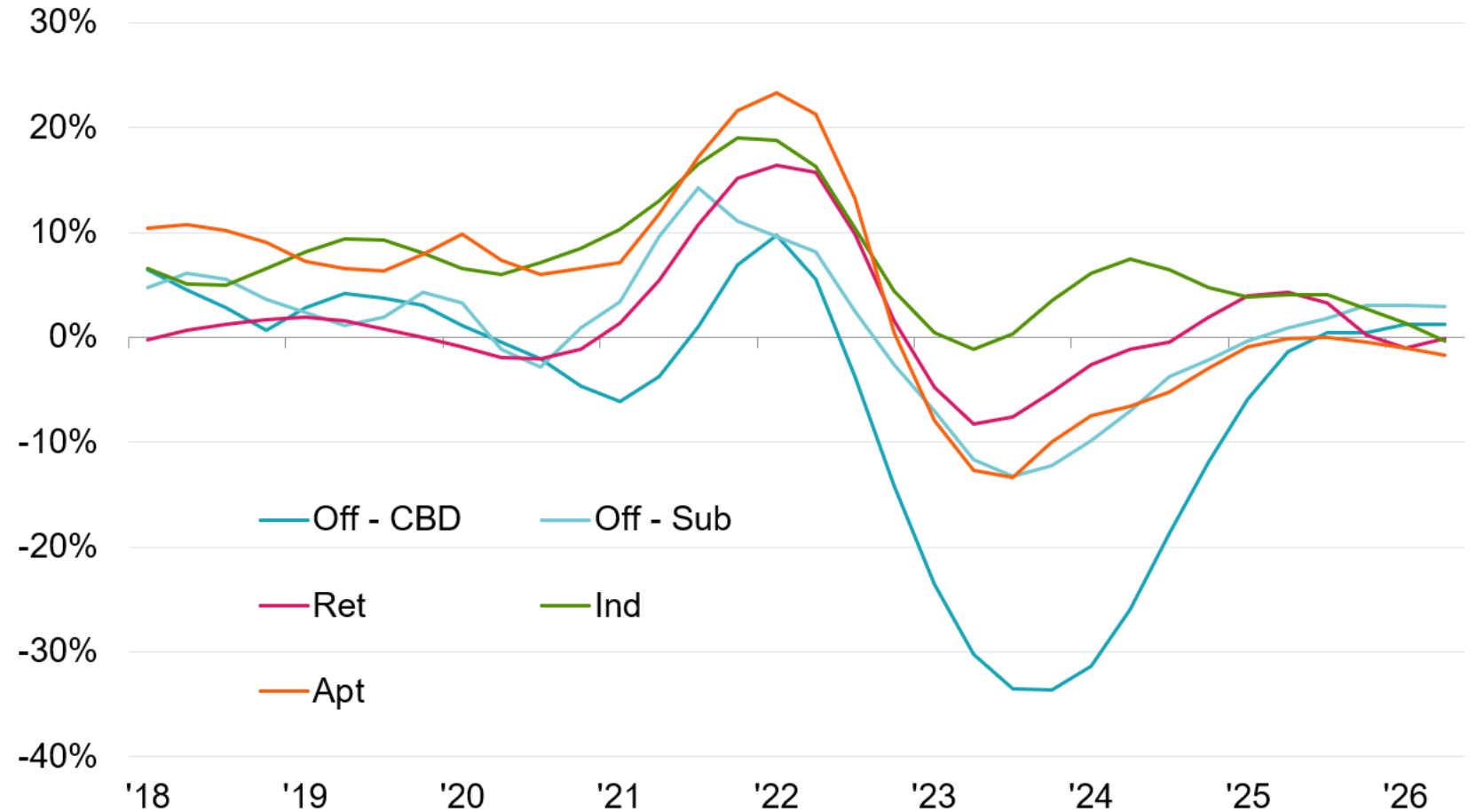
- Suburban office led price growth, up 3.0% YoY — a tentative sign of a pricing crest after two years of declines.
- Industrial logged its first negative reading this cycle, down 0.4%, though the weakness traces mainly to late 2025.
- Apartment and hotel were the laggards, down 1.7% and 9.3% YoY respectively, with hotel pricing the weakest of any sector.



Growth in the RCA CPPI by Property Sector

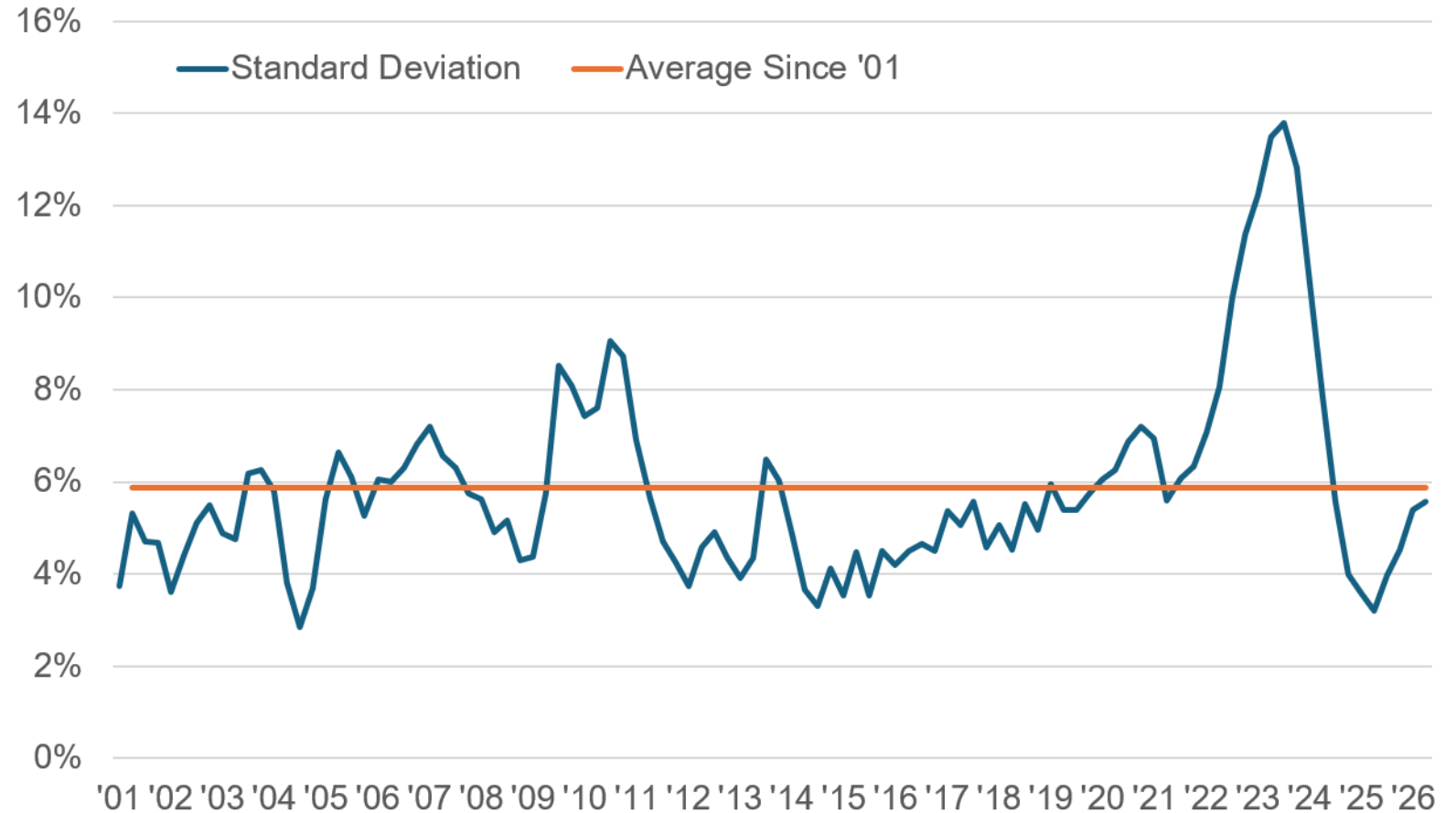
- Excluding the hotel outlier here.
- Growth was on a common path to a degree before the pandemic.
- The Covid-19 shock to income fundamentals was unique to each sector.
- Prices seem to be converging to a common cycle again....

YOY Percent Growth



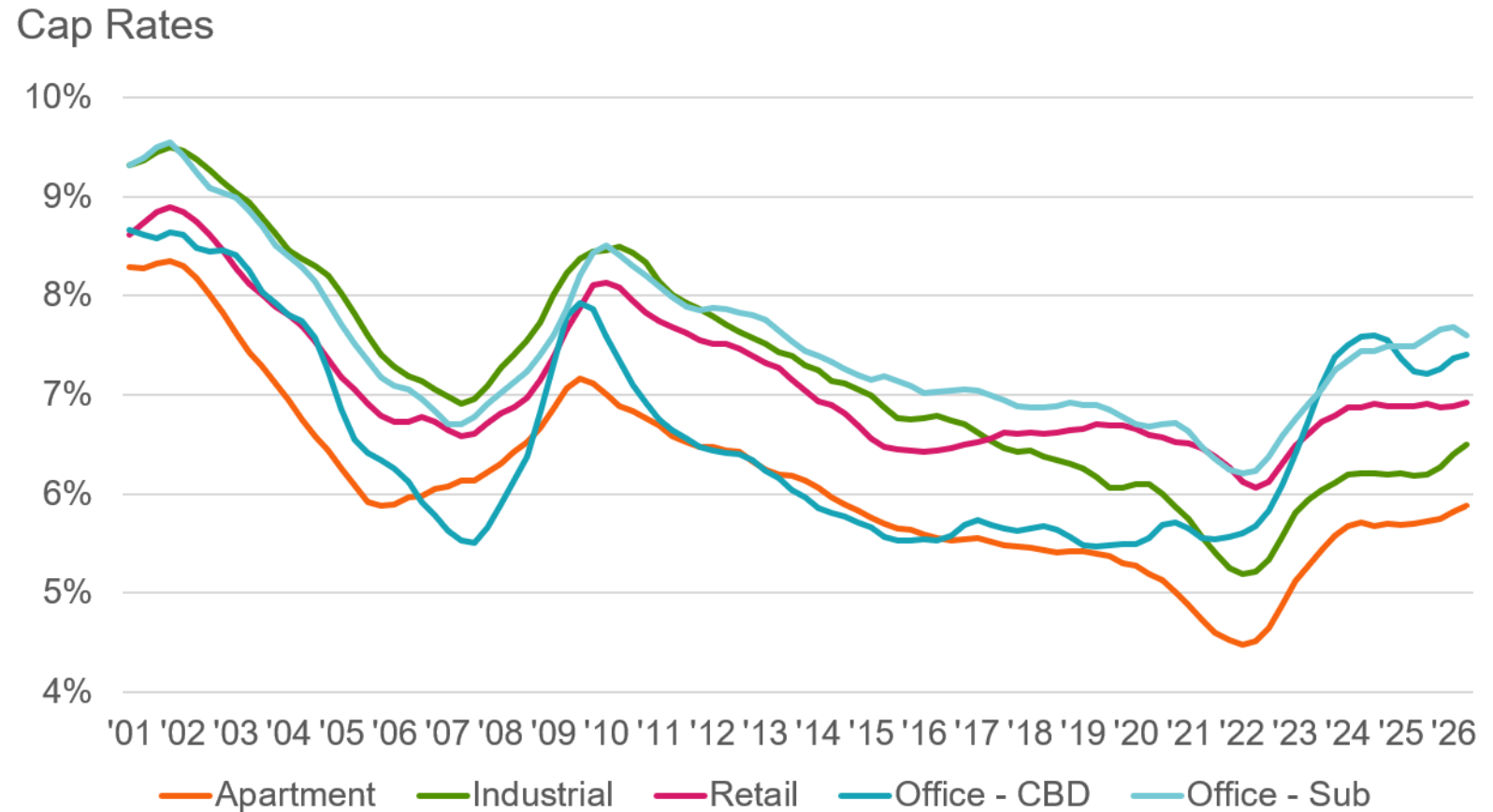
Variation in RCA CPPI across Property Sector

- Looking at the standard deviation of growth rates across the five sectors shown
- The increase then decrease in variation across sectors was more extreme following Covid-19 than in any other period.
- Q2'26 seems to be settling into a “normal” pattern across sectors.



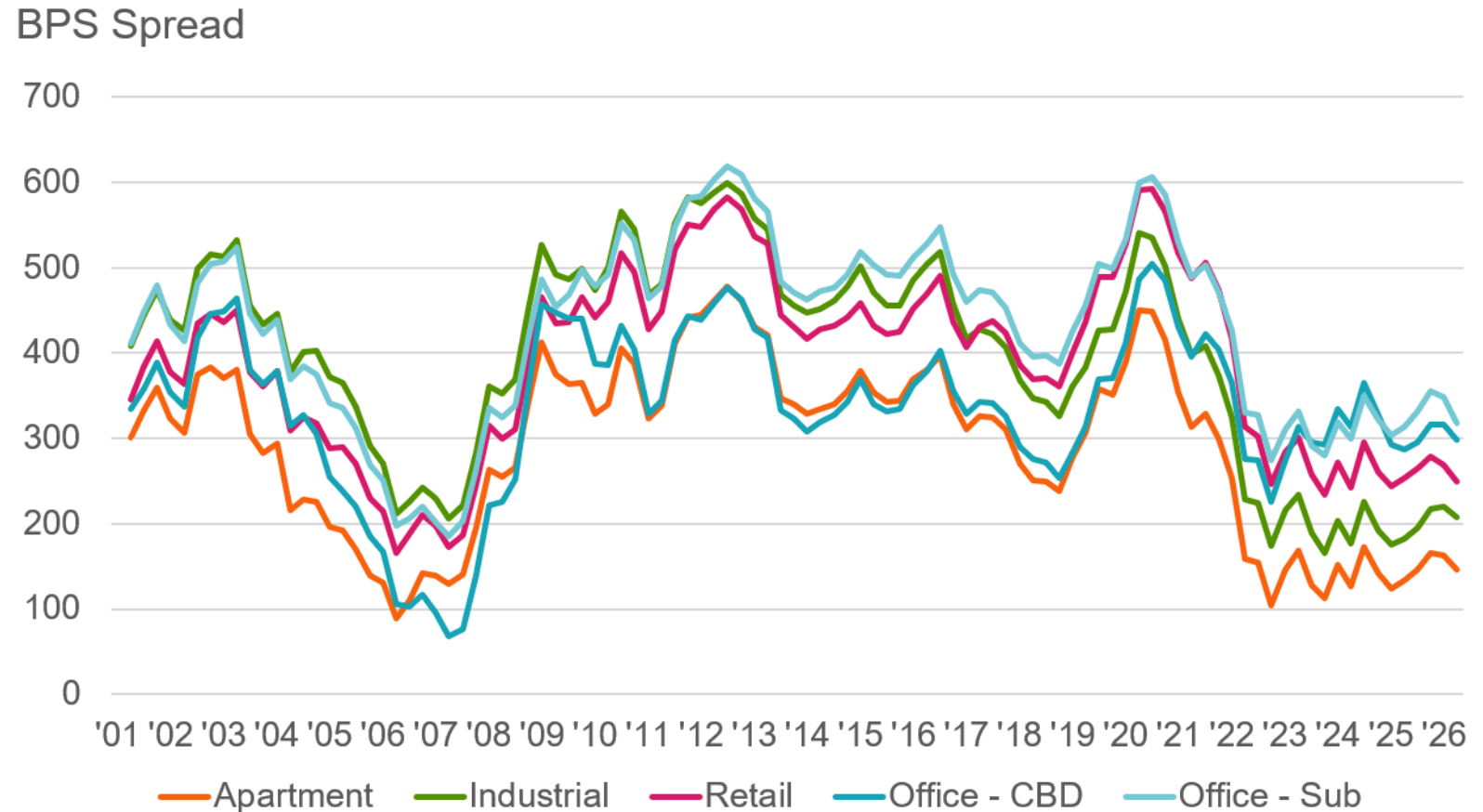
Cap Rates by Property Sector Showing Movement

- Cap rates have nudged up a bit in 2026
- To get back to the lows of 2022 one would need either a massive increase in liquidity, interest rates fall to record lows, or fantastic change in income growth expectations.
- Cap rate levels are back to where they were 10 to 15 years ago.



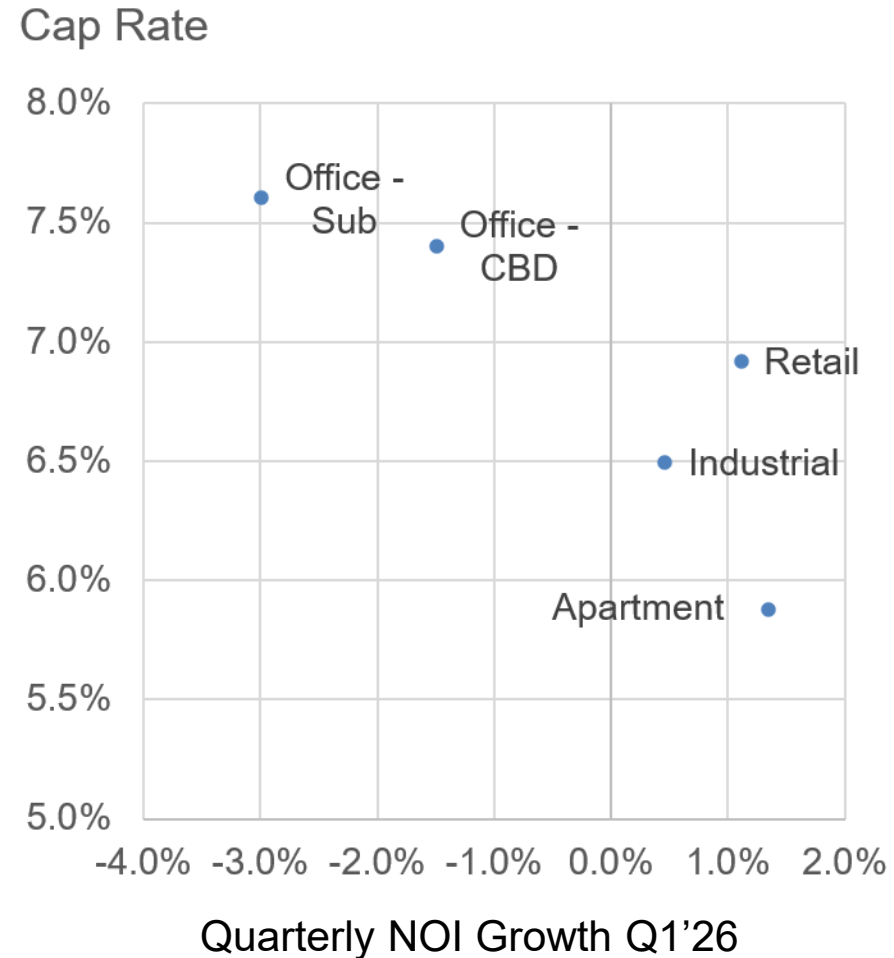
Cap Rate Spreads to 10yr UST Moving as Well

- Do not blame the upward creep in cap rates on the rise in interest rates. There is not a one-to-one spread between these measures.
- Spreads are inching up as well on changes in liquidity and income growth.
- Big exception is CBD office which has improved from 2023 and 2024 when fears were excessive.



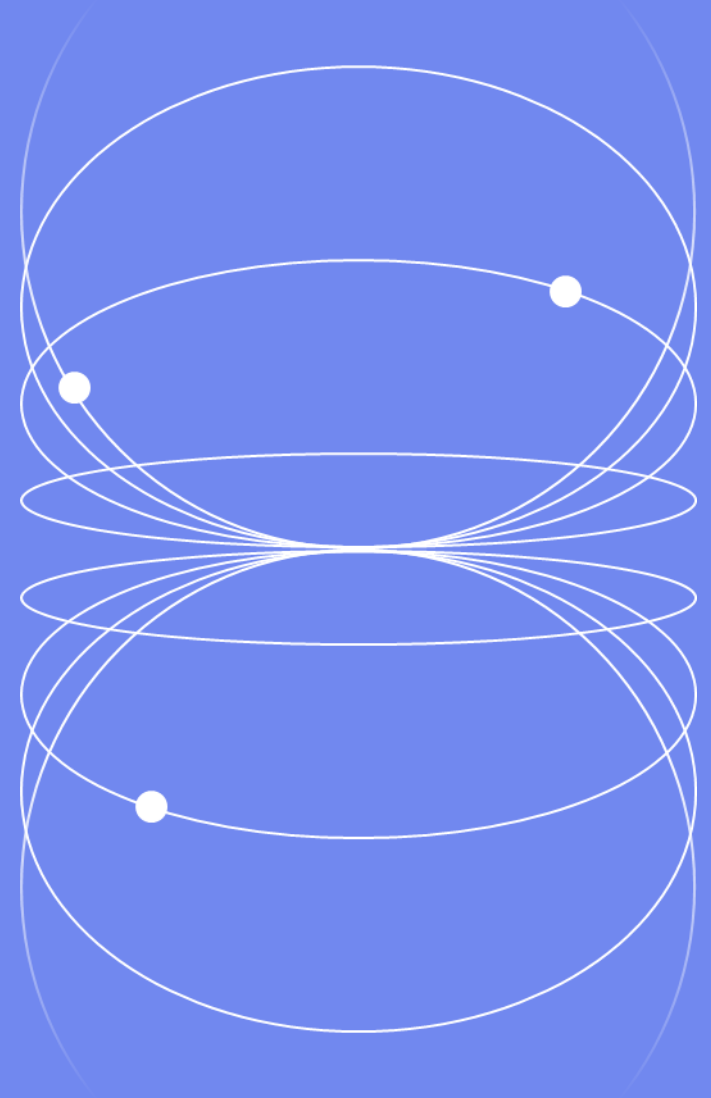
Institutional Capital Still Loves Industrial and Apartments

- Income growth is one factor that could drive cap rates lower.
- There has been a disconnect of late though with industrial cap rates lower than retail but stronger income growth for retail of late.
- Granted higher capex costs for retail so maybe a wash?
- Office cap rates higher than other sectors still makes sense despite recent improvements with income still challenged across institutional portfolios.

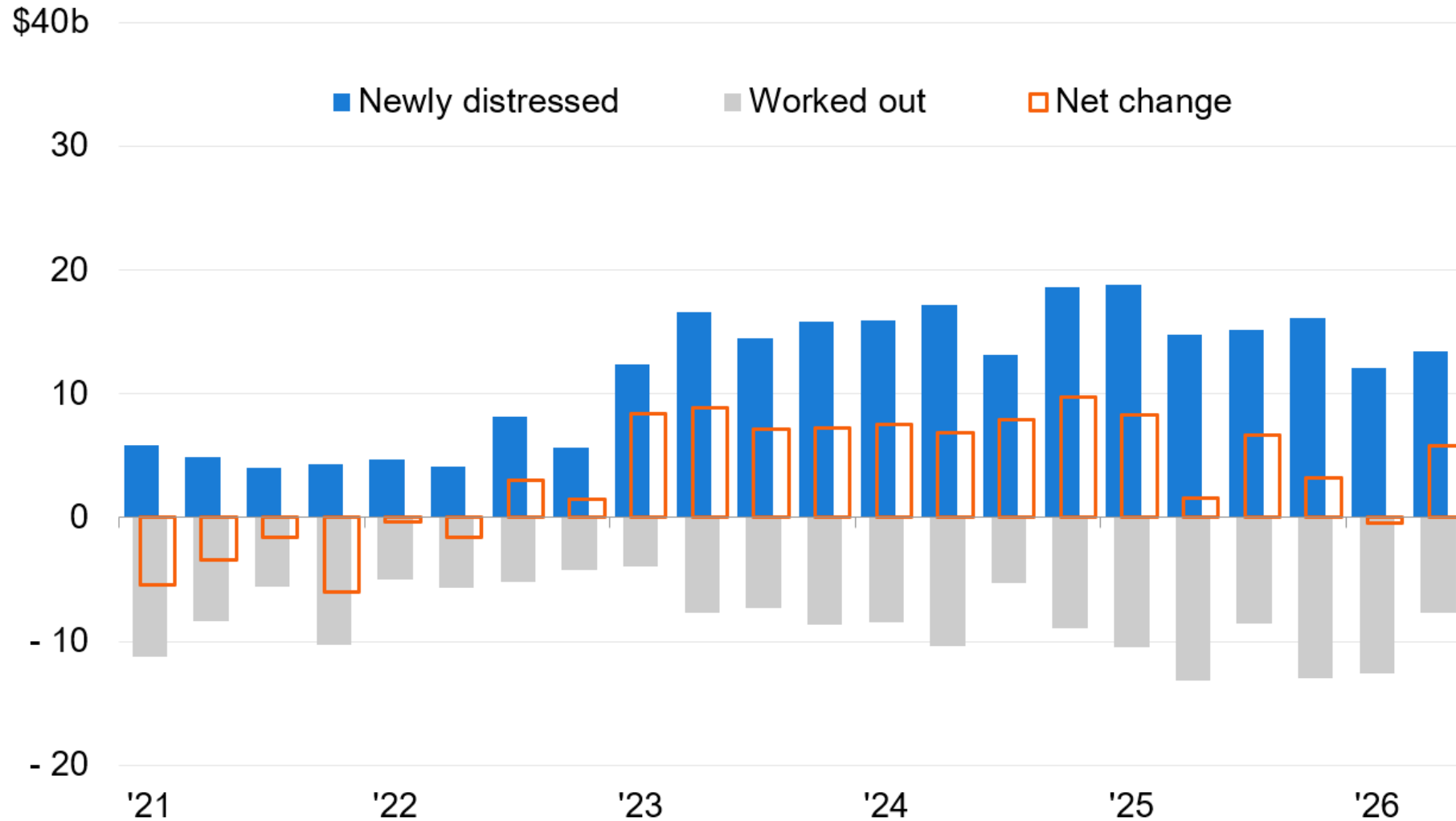


Source: MSCI U.S. Quarterly Property Index via MSCI Real Assets MCP

Distress Sales

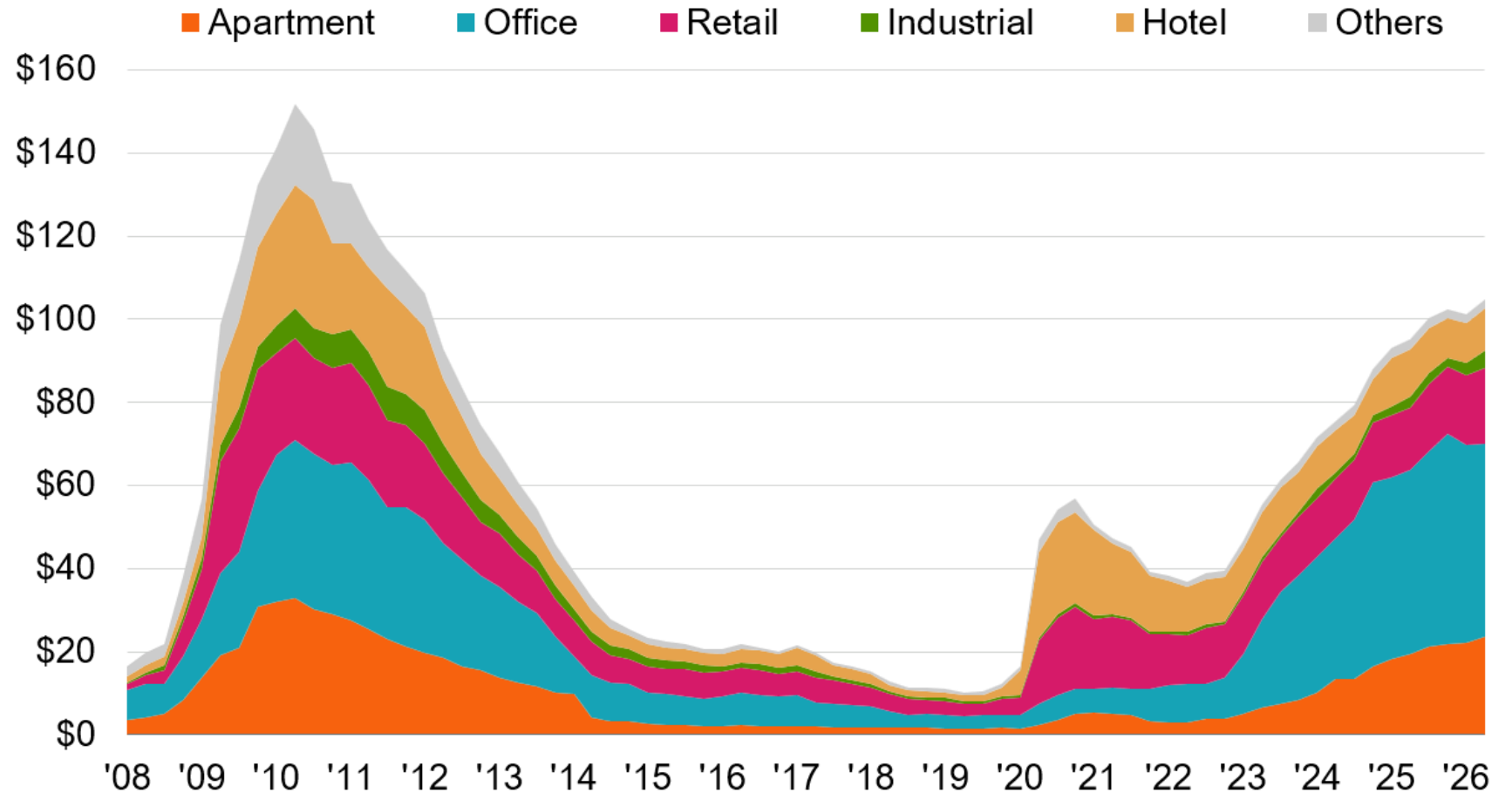


A Decline in Distressed Assets in Q1 Reversed Course in Q2



Distressed Assets by Property Sector

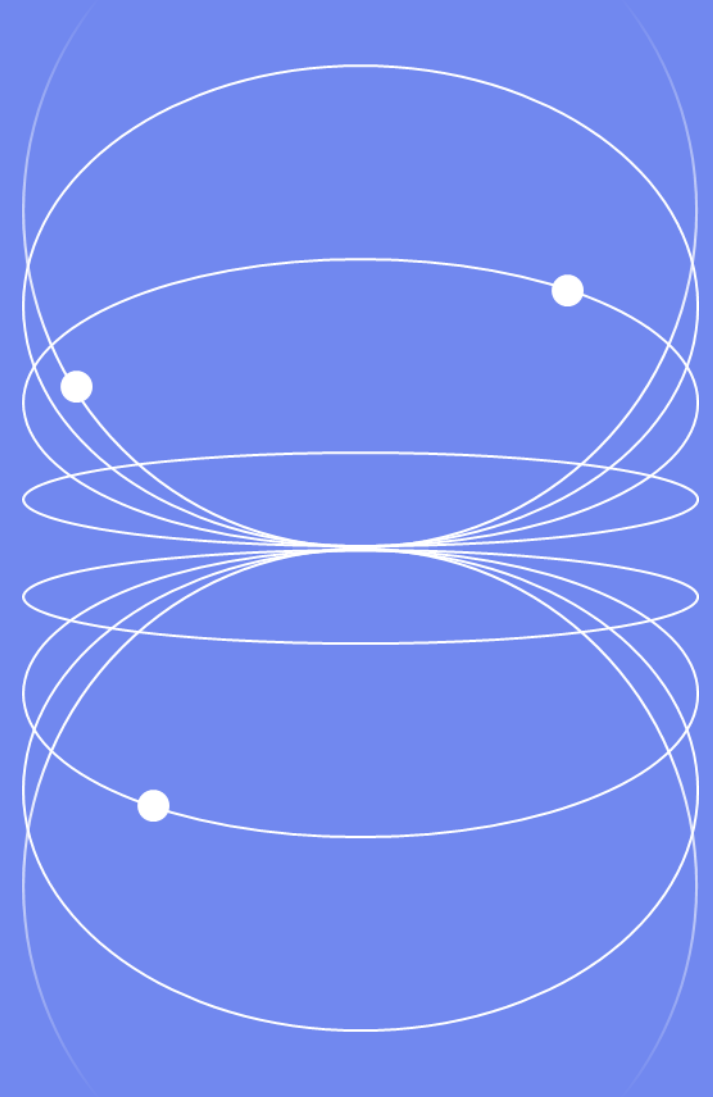
- A slight drop in Q1'26 seems to be a pause.
- The office sector is still the poster child for pain in this cycle, though no real increase in Q2'26.
- Other sectors, including industrial drove the increase.



Stock of Distress by Property Sector in Q2'26

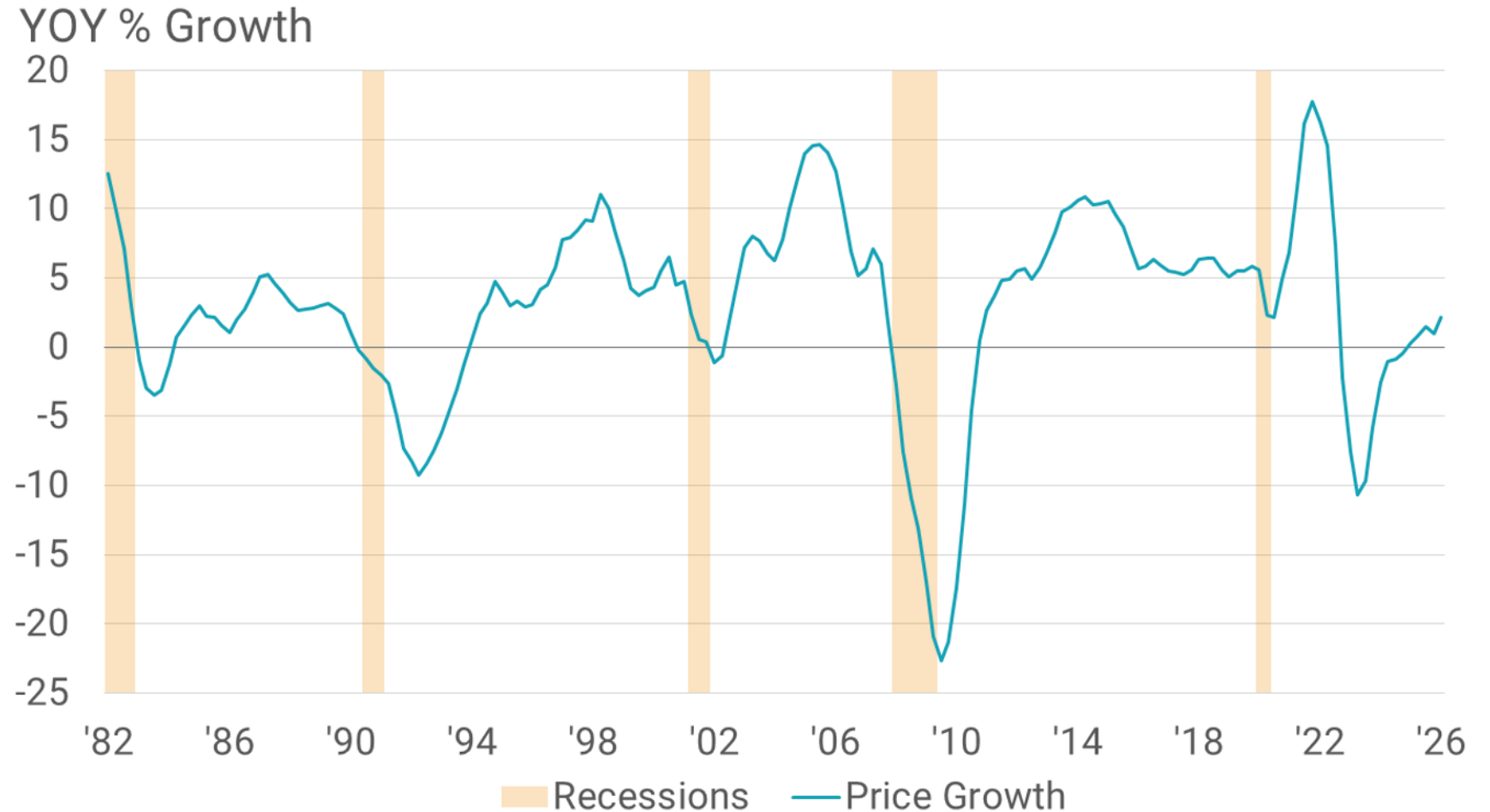
Property Type	In Default/ Special Servicing (\$m)	Held as REO (\$m)	Total Outstanding Distress (\$m)
Office	46,589	18,172	64,761
Industrial	4,252	550	4,802
Retail	18,097	6,183	24,280
Apartment	23,494	4,339	27,833
Hotel	10,292	5,363	15,656
Seniors Housing & Care	716	355	1,070
Dev Site	707	498	1,205
Mobile/Manufactured Housing	169	8	177
Self Storage	75	12	87
Parking Facility	269	73	343
Data Center	28	0	28

Looking Backward is not Looking Forward



This Cycle was Different from Others: Old Analogies Don't Fit

- Blending RCA CPPI with earlier survey-based measures of prices
- Commercial property prices followed a head-and-tails pattern in every cycle since the early 1980s.
- The nature of supply, demand, and finance shocks have varied since 2020.
- Rules of thumb and analogies that worked before may not work today.



Sources: BOGZ1FL075035503Q on Fed Fred Website, MSCI's RCA All Property Type CPPI, NBER

Questions?



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