MSCI

Real Estate in Focus: US

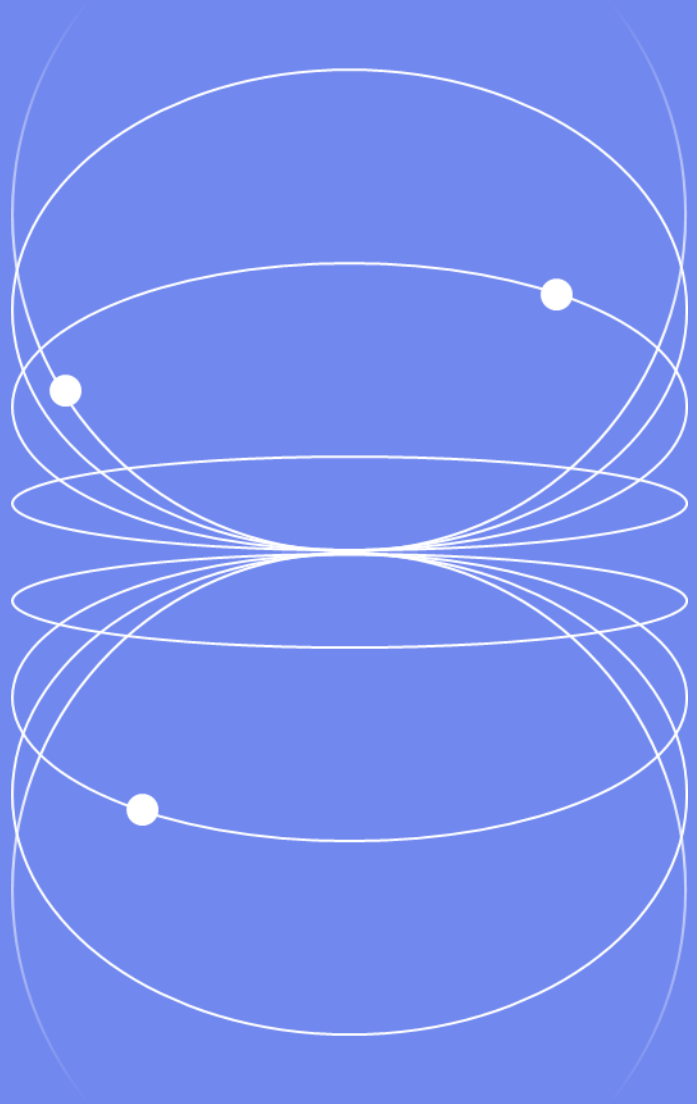
October 29, 2026

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AGENDA

- Q3 Trends
- Inflation and Commercial Real Estate
- Is Taking on More Risk a Winner now?

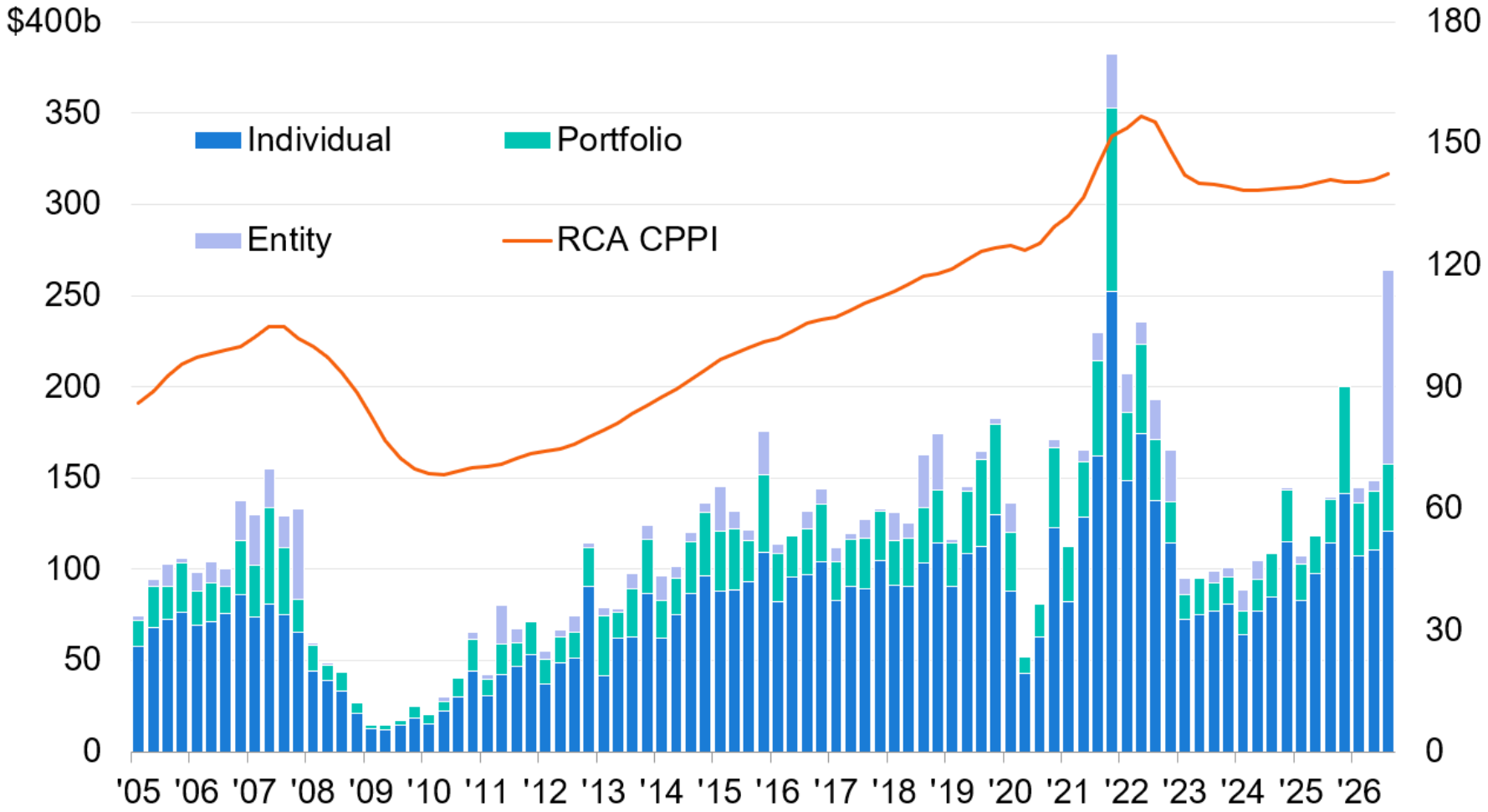
Q3 Trends



Information Classification: GENERAL

Deal Volume at Record Levels in Q3’26 … Sort of

- Deal volume closed at $263.7b in Q3’26, the second most actively traded quarter in history and the most liquid Q3 in history.
- The Vivmark Deal and Align Data Centers were one-off events but BIG
- Looking at individual asset sales, activity was up only 5% year-over-year.



Headline Figures on Deal Volume by Sector Look Good

- Growth in sales for all major sectors in the third quarter but for retail which was flat.
- Data centers … that's just a crazy growth rate … deal volume for the quarter is higher than that for offices, retail, and hotel.
- Record pace of entity-level activity exposed mostly to Apartments and Data Centers.

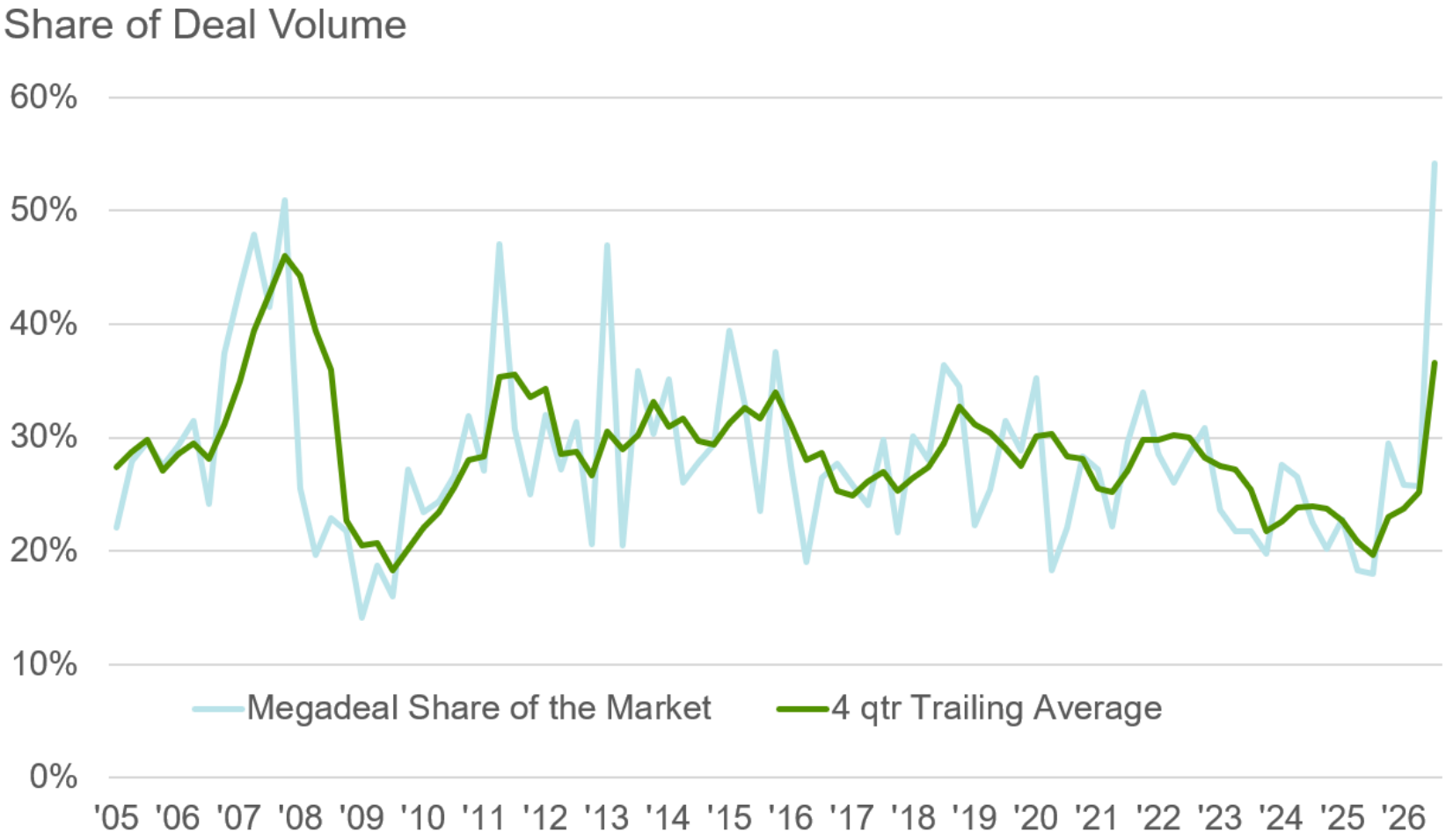
	Q3 2026		Year to Date	
	Vol ($b)	YOY	Vol ($b)	YOY
Office	27.0	29%	67.5	22%
Industrial	44.2	47%	113.3	41%
Data Center	34.5	1525%	44.4	1132%
Retail	18.0	0%	55.4	8%
Apartment	114.1	139%	189.2	63%
Hotel	7.4	9%	23.5	25%
Seniors Housing & Care	8.9	76%	31.5	119%
Dev Site	9.6	9%	32.2	22%
Total	263.7	89%	557.2	52%
Major Metros	102.7	139%	200.5	82%
Secondary Mkts	112.6	65%	241.2	37%
Tertiary Mkts	37.2	34%	104.1	34%
Portfolio & Entity	142.8	468%	218.4	206%
Single Asset	120.9	6%	338.8	15%

Top Markets for Q3’26 are an Odd Mix

2024	2025	YTD 2026	Market	Sales Volume ($m)	YOY Change
1	1	1	Dallas	24,191	28%
9	11	2	DC VA burbs	24,164	
2	3	3	Los Angeles	24,044	62%
5	7	4	Chicago	21,535	147%
6	6	5	Phoenix	17,983	56%
3	2	6	Manhattan	17,563	25%
4	5	7	Atlanta	16,303	46%
8	9	8	Boston	14,906	92%
7	4	9	Houston	14,267	14%
14	10	10	No NJ	13,568	81%
10	8	11	Seattle	12,724	28%
19	15	12	San Jose	12,094	95%
26	14	13	San Francisco	11,468	136%
38	38	14	Salt Lake City	11,046	
22	19	15	Orange Co	9,560	67%
15	17	16	San Diego	8,587	60%
16	12	17	NYC Boroughs	8,340	32%
11	16	18	Denver	8,065	40%
24	24	19	Inland Empire	7,681	72%
17	18	20	Austin	7,175	51%
37	42	21	DC MD burbs	7,087	
18	22	22	Orlando	6,711	48%
12	13	23	Miami/Dade Co	6,704	5%
13	20	24	Charlotte	6,352	29%
25	27	25	Broward	6,116	47%

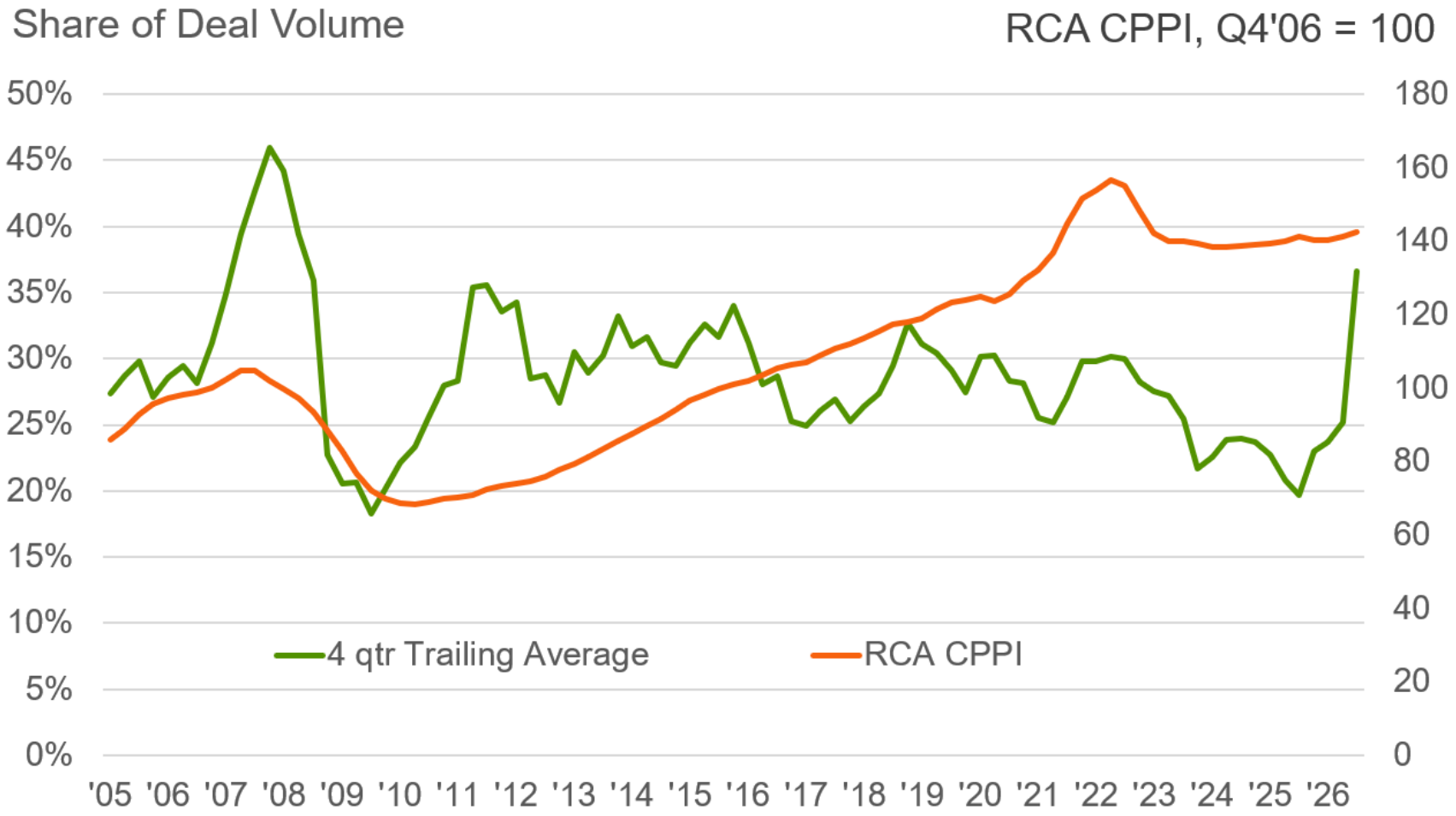
Portfolio and Entity Level Deals as a Share of Total Market

- Portfolio and entity-level sales surged into Q3’26.
- The 54% share of activity tied up in such deals for the quarter surpassed the previous 51% high share seen in Q4’07.
- Is the driver of the increase today the same as the increase seen ahead of the GFC?



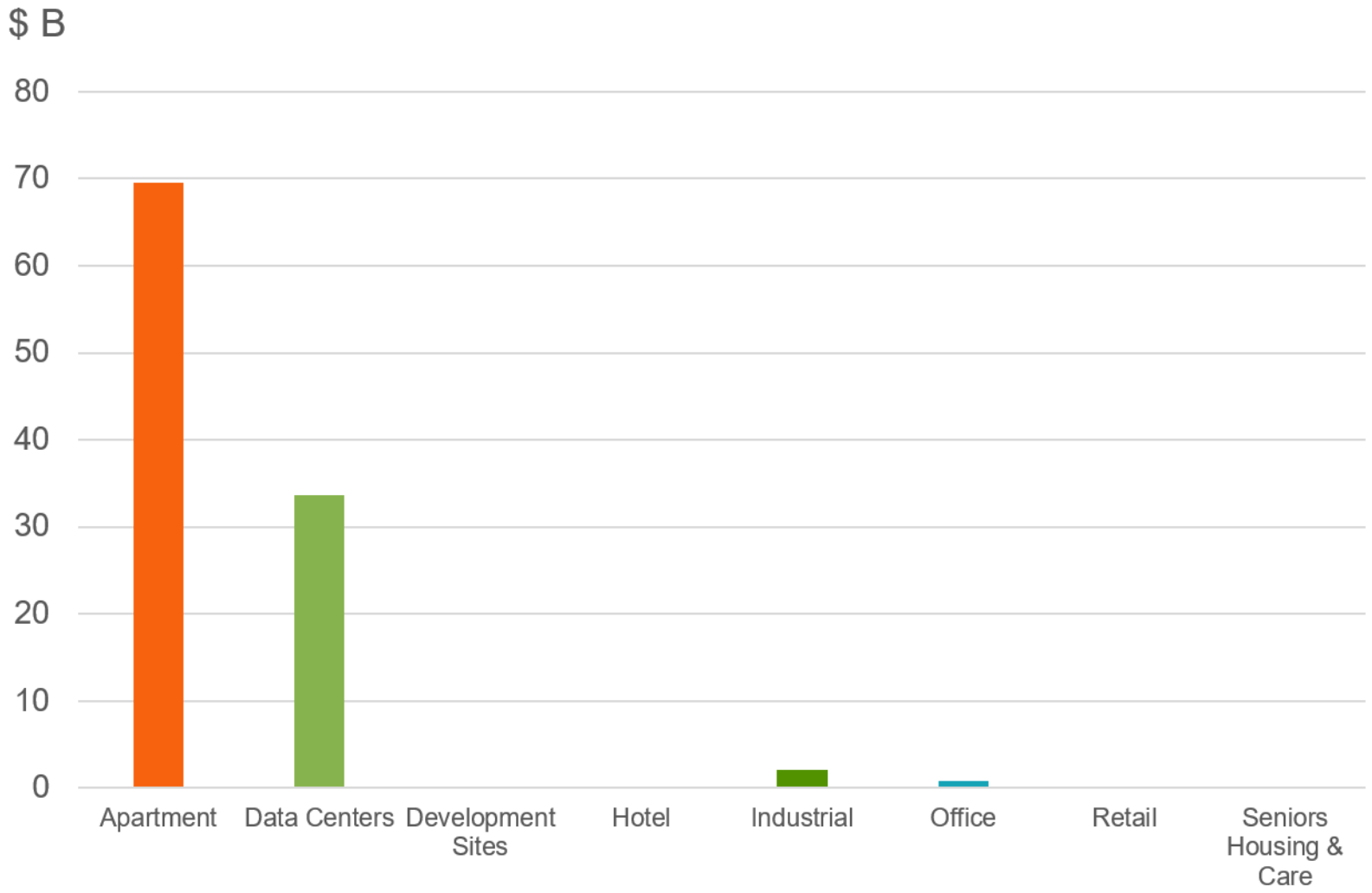
Commercial Property Prices vs. Megadeal Share

- Portfolio and entity-level sales surged into Q3’26.
- The 54% share of activity in such deals for the quarter surpassed the previous 51% high share seen in Q4’07.
- Is the driver of the increase today the same as the increase seen ahead of the GFC?
- Commercial property prices grew at an 8.6% CAGR in the five years to Q4’06, only 2.4% to Q3’25 … one year before each spike.



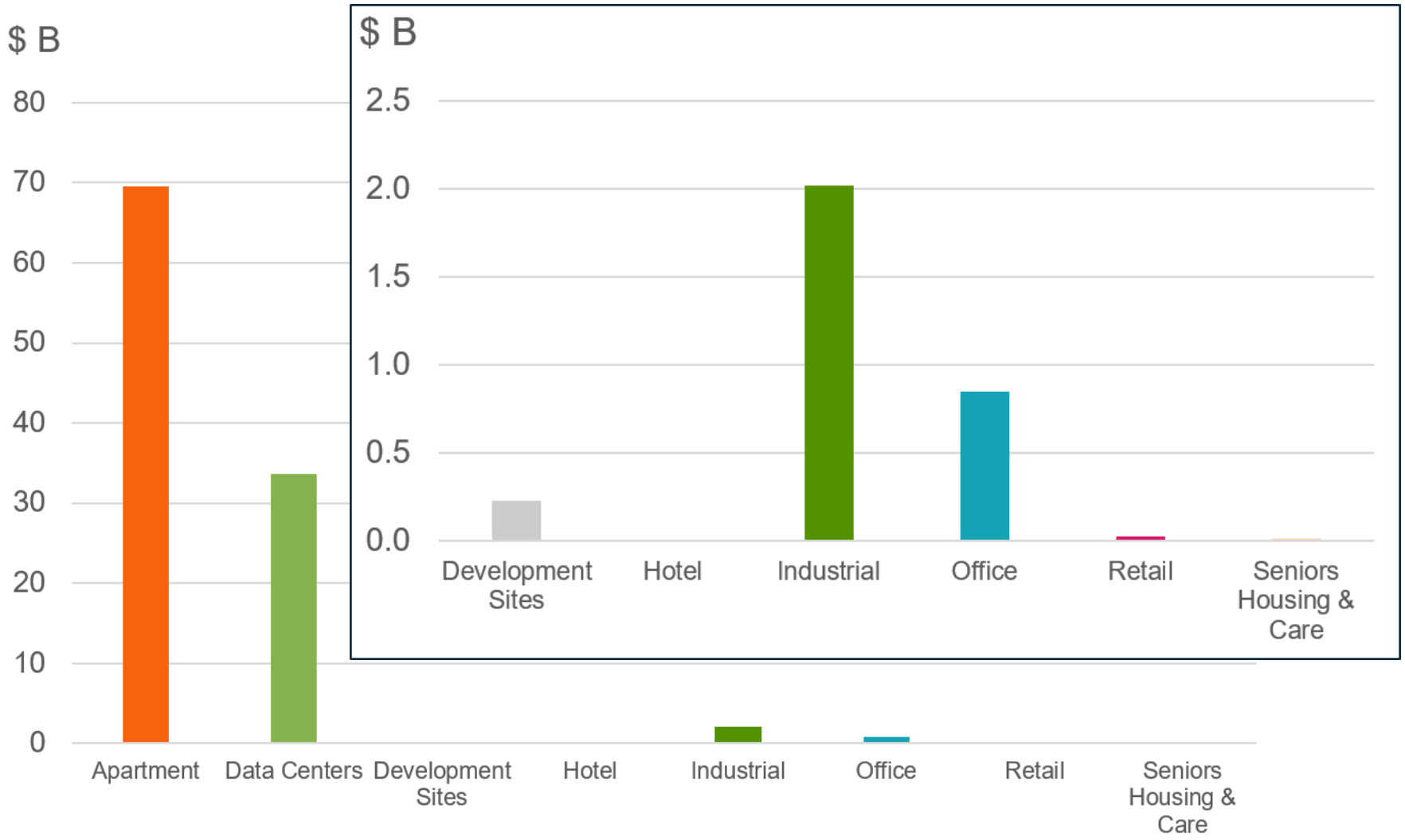
Q3’06 Megadeal Activity by Property Sector

- Apartments were the biggest component of activity thanks to the merger of Avalon Bay and Equity Residential.
- Investor interest in the apartment sector is still there but performance is not spectacular.
- Data Centers were the second largest component of activity.
- Align Data Center deal was a JV purchase by multiple entities excited by growth prospects.



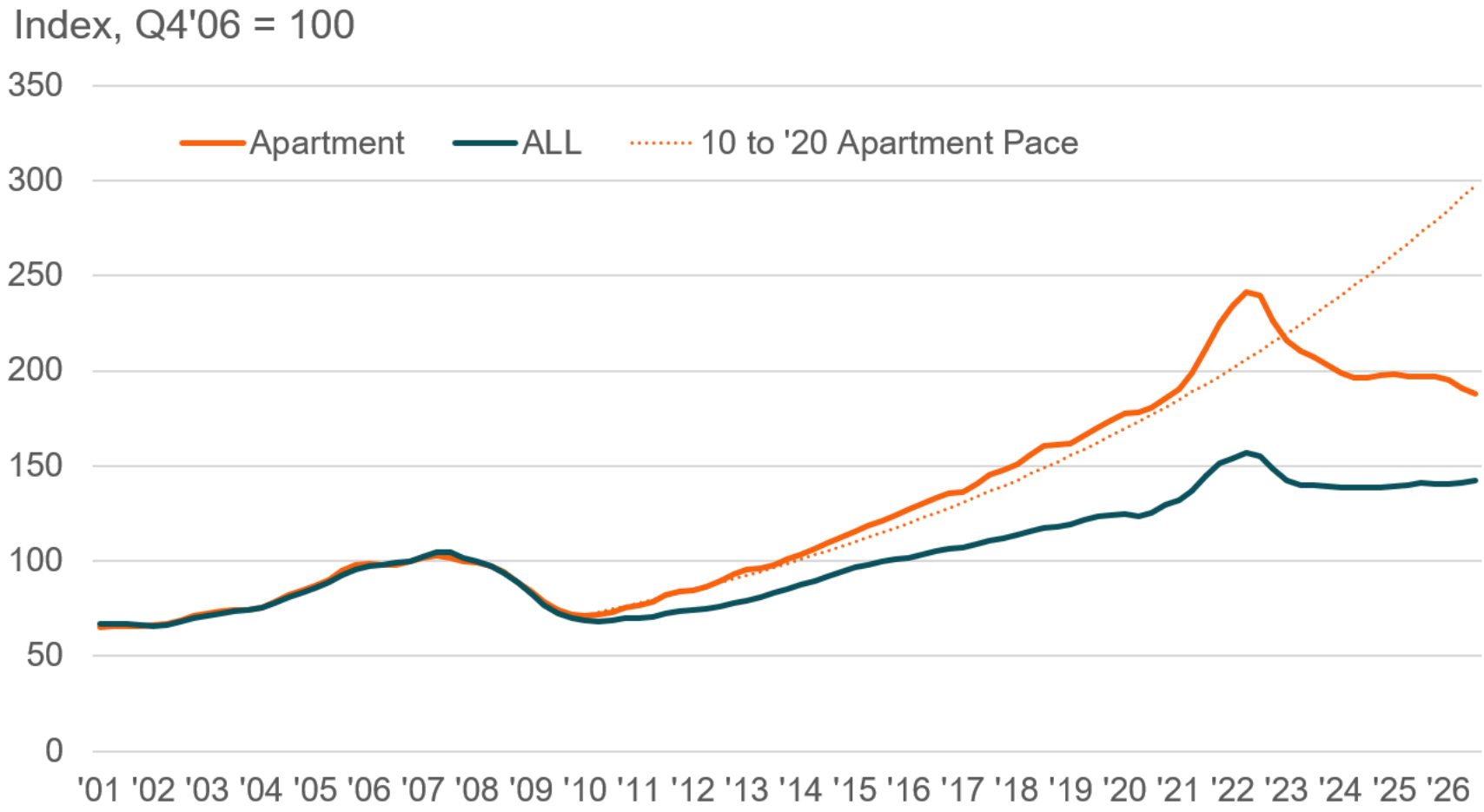
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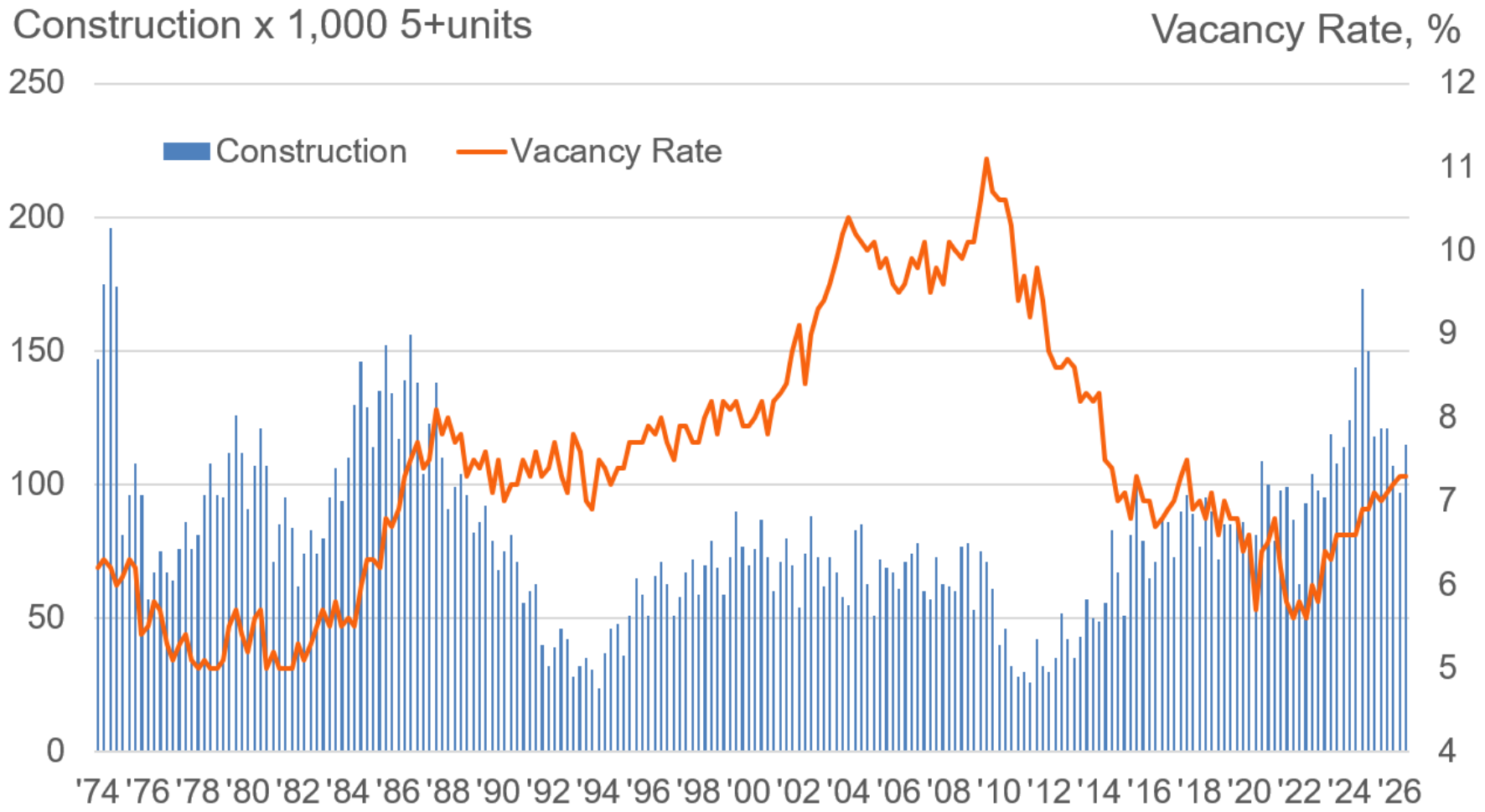


Apartment Price Levels vs. Total Market

- The pace of apartment price growth is nothing like the pre-pandemic.
- Apartment prices grew at a simple average 2.1% per year from 2010 to 2020.
- Had growth continued at that pace, the level hit in Q1’23 is where the market would have been.
- Price growth is slowing, not a sign of an exciting market everyone wants in on.



High Vacancy with Trailing Construction Can Limit Rent Growth

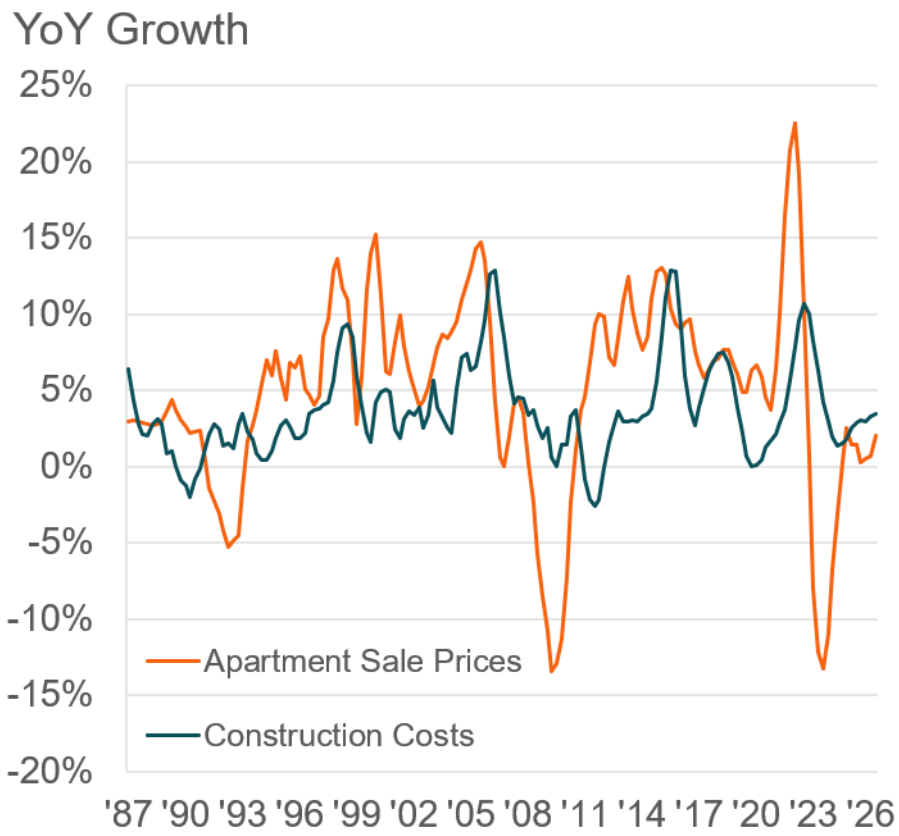


Source: U.S. Census Bureau

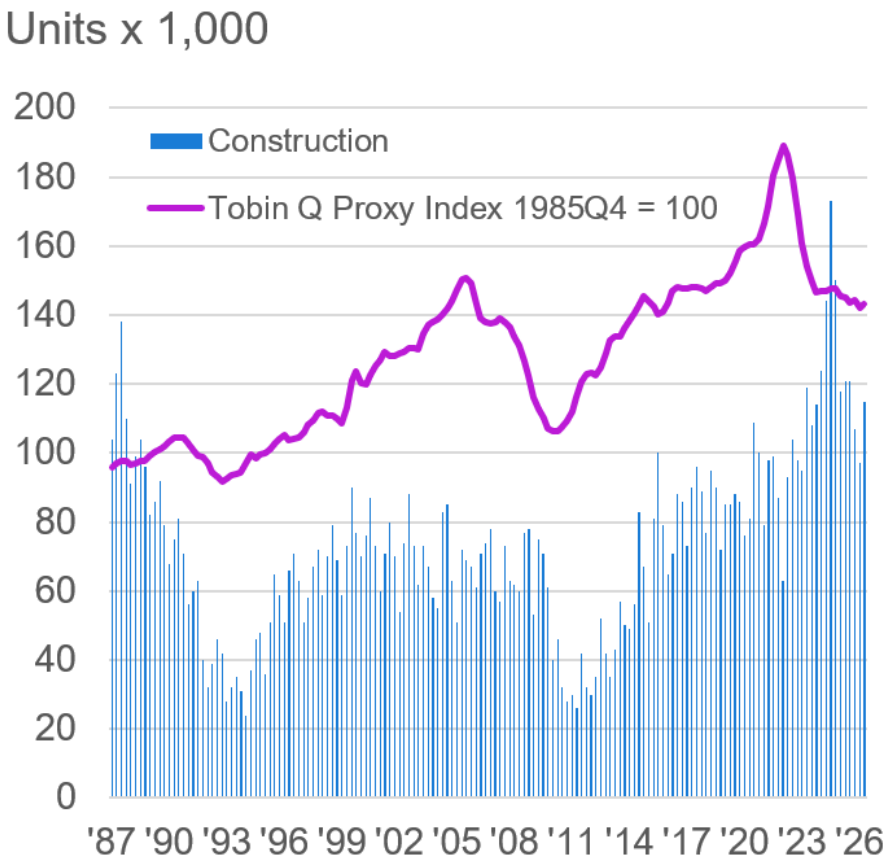
Supply is Pulling Back with Rents Expected to Climb Later

- Many deals that come to IC are pitched as “buying it below replacement cost”.
- The cost to build apartments has been growing faster than sale prices since 2022.
- The fall from the near-term peak in apartment construction should continue if the two-year lag between changes in this Tobin Q Proxy and construction holds.

Apartment Prices vs. Costs



Tobin’s Q vs. Construction



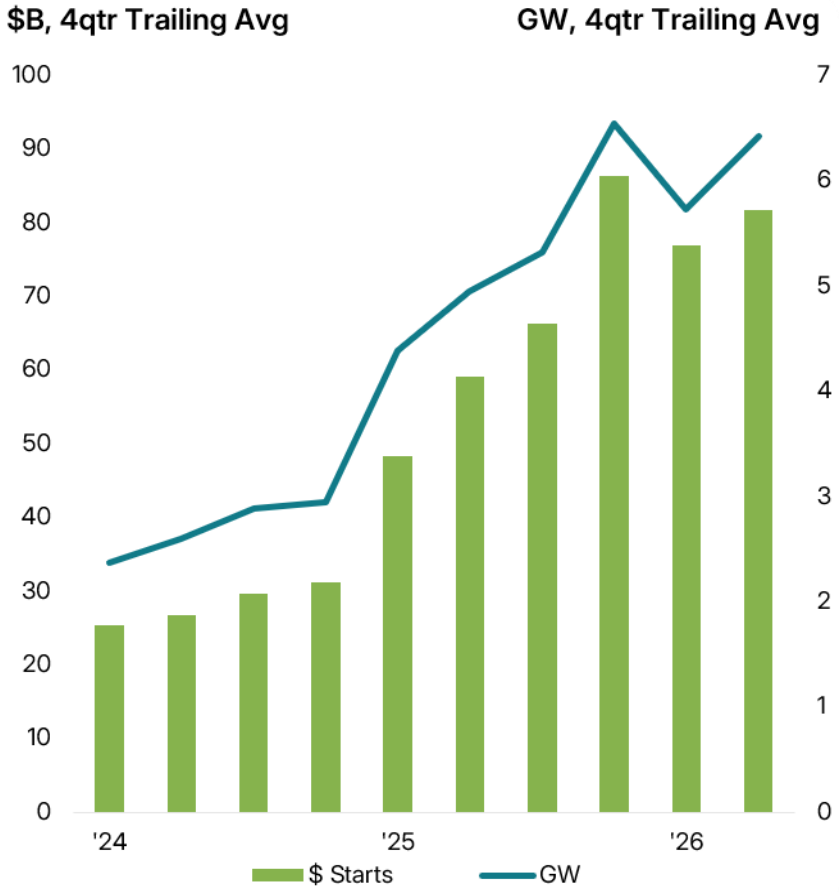
Sources: MSCI RCA CPPI, U.S. Census Bureau

Data Centers are on a Different Trajectory

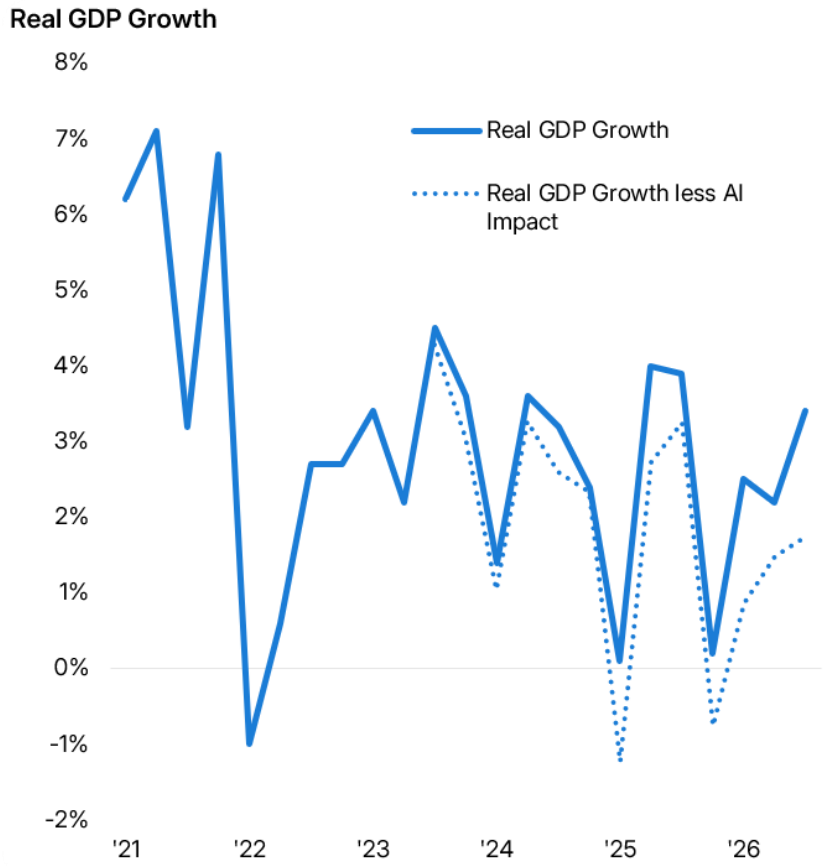
- The Align Data Center deal was approximately $40b in total and the JV structure reflects the fact that it is difficult for one buyer to put that much capital forward.
- The JV structure also reflects the frenzied interest in the sector with so many investors wanting in.
- Stripping the impact of AI investment out of GDP, U.S. was nearly in a recession in 2025.
- AI was 45% to 48% of the Q3'26 3.4% growth.

Sources: BEA, Author's Calculations

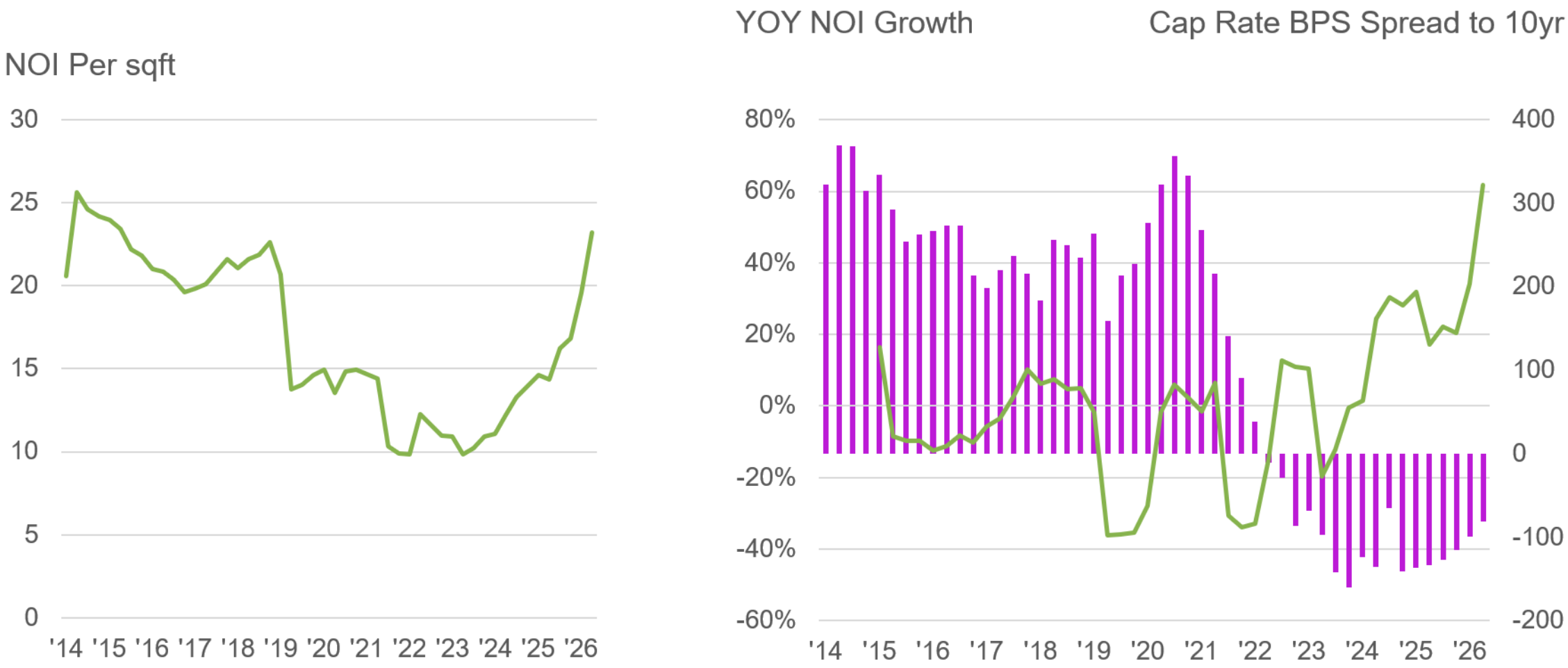
Data Center Starts



AI Impact on GDP Growth



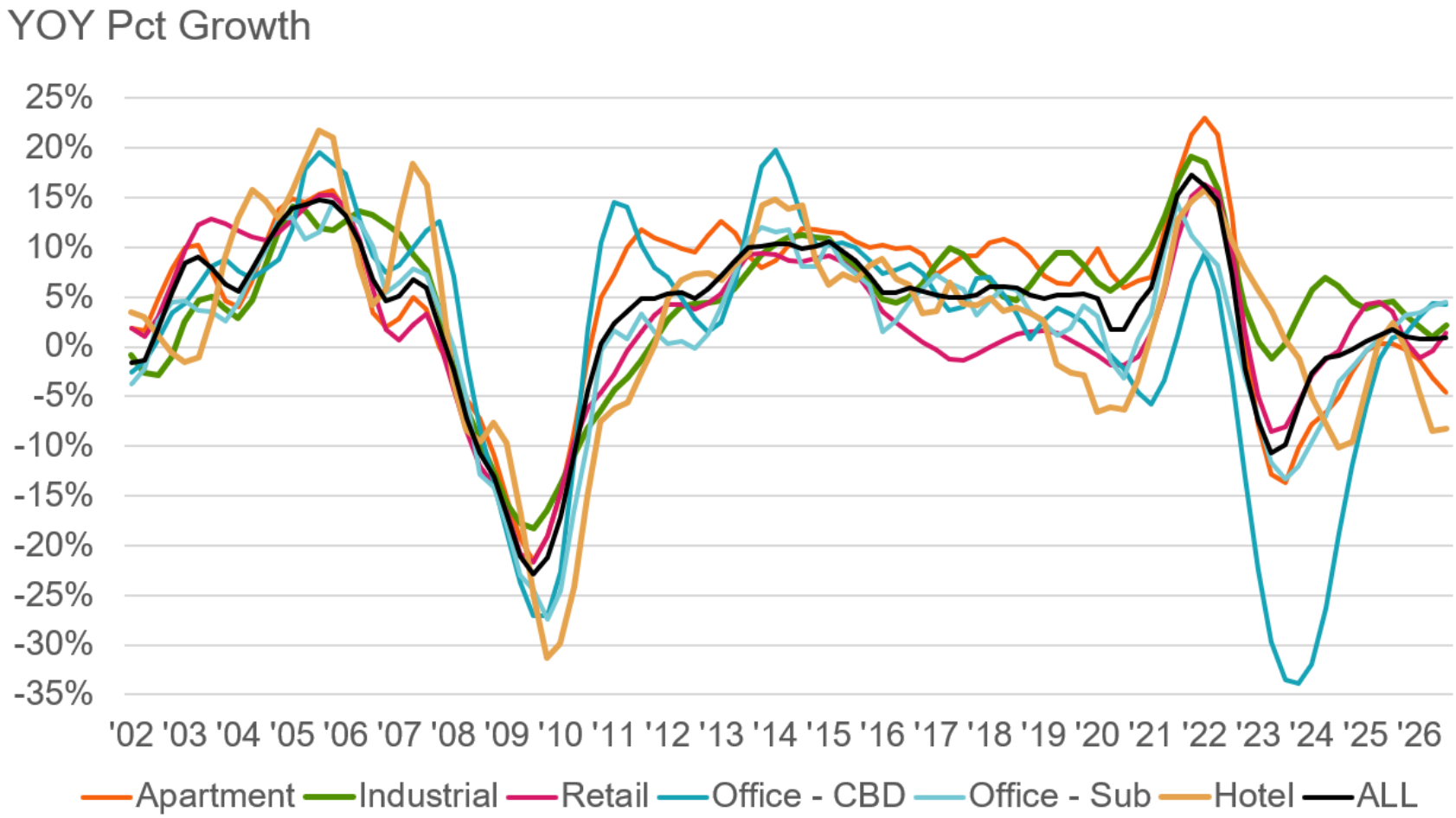
Strong Income Growth Helps Explain Negative Cap Rate Spread



Sources: MSCI Global Quarterly Property Index via MSCI Real Assets MCP, Data Center GRACS, Fed Fred DGS10

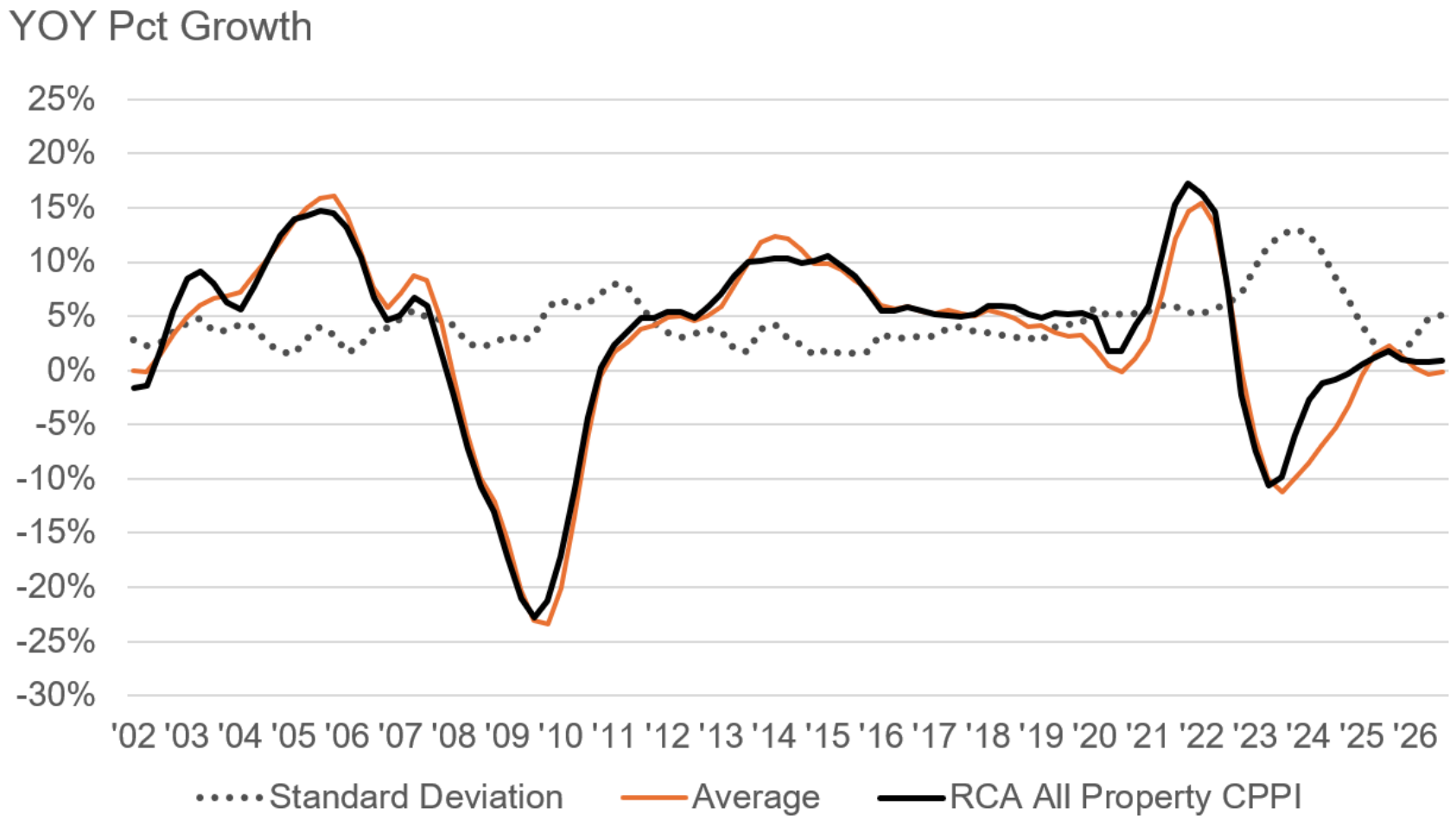
Commercial Property Price Growth by Property Sector

- There is growth in property prices underway.
- The pace of growth is nothing like the pre-pandemic pace.
- The best performing sectors were up only about 4.5% year over year.
- The 2014 to 2019 period was topping out closer to 10% for the leaders.



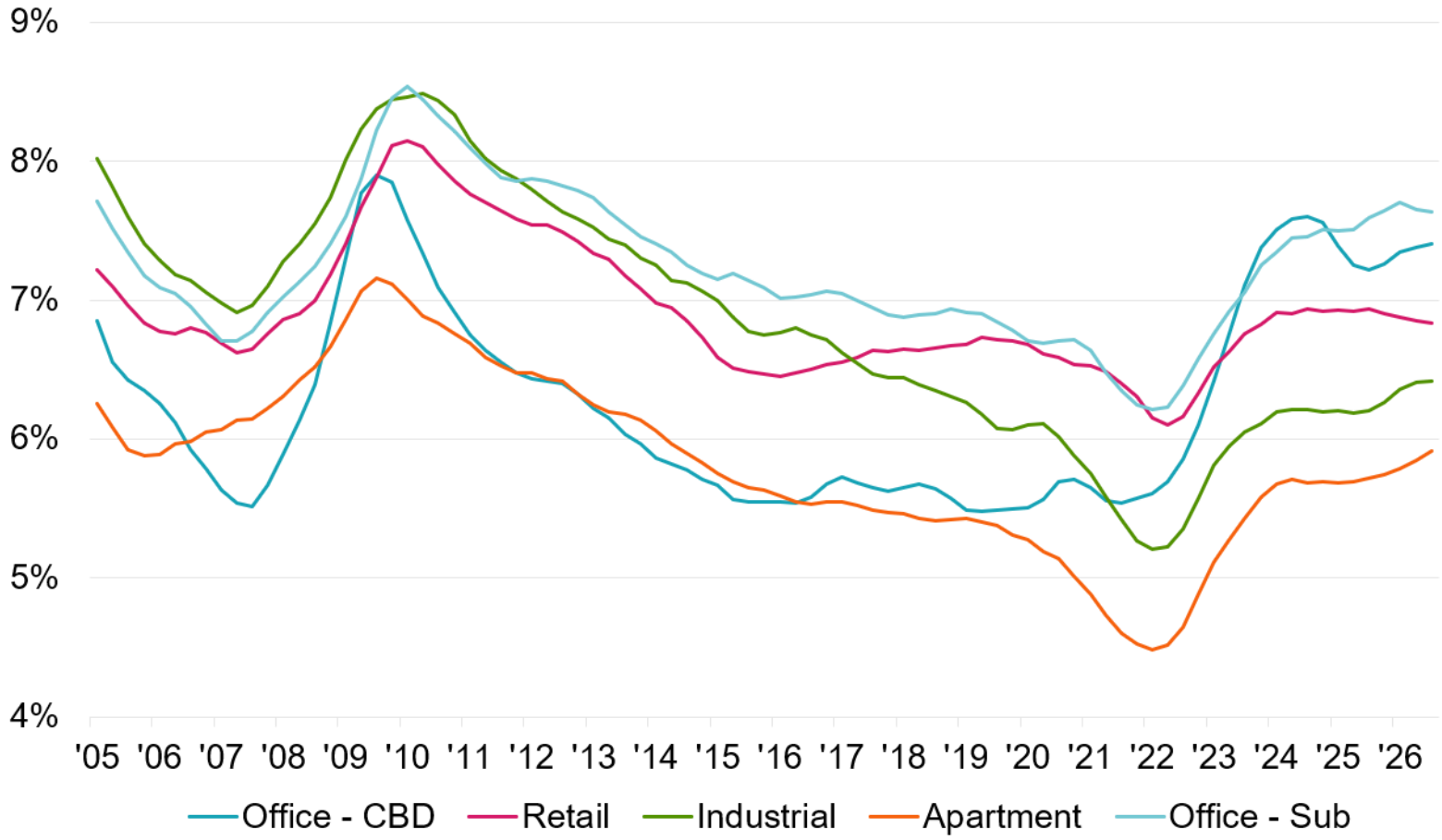
Commercial Property Price Growth by Property Sector

- Looking here at the RCA All-Property CPPI highlights this slower pace of growth more cleanly.
- Up only 0.9% from last year in Q3’06.
- A simple average across six subtypes shows a 0.1% decline.
- Standard deviation of the growth rates across the six was at a record high in 2023, still elevated in Q3’06 after some retrenchment.

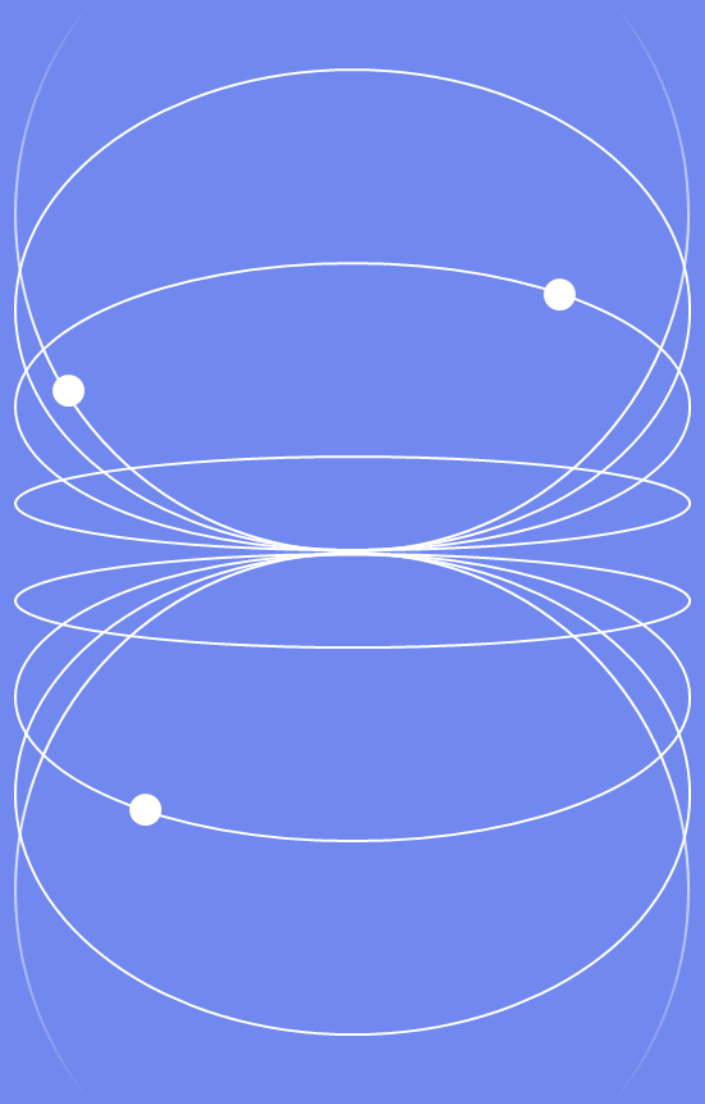


Cap Rates by Property Sector Showing Movement

- 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.



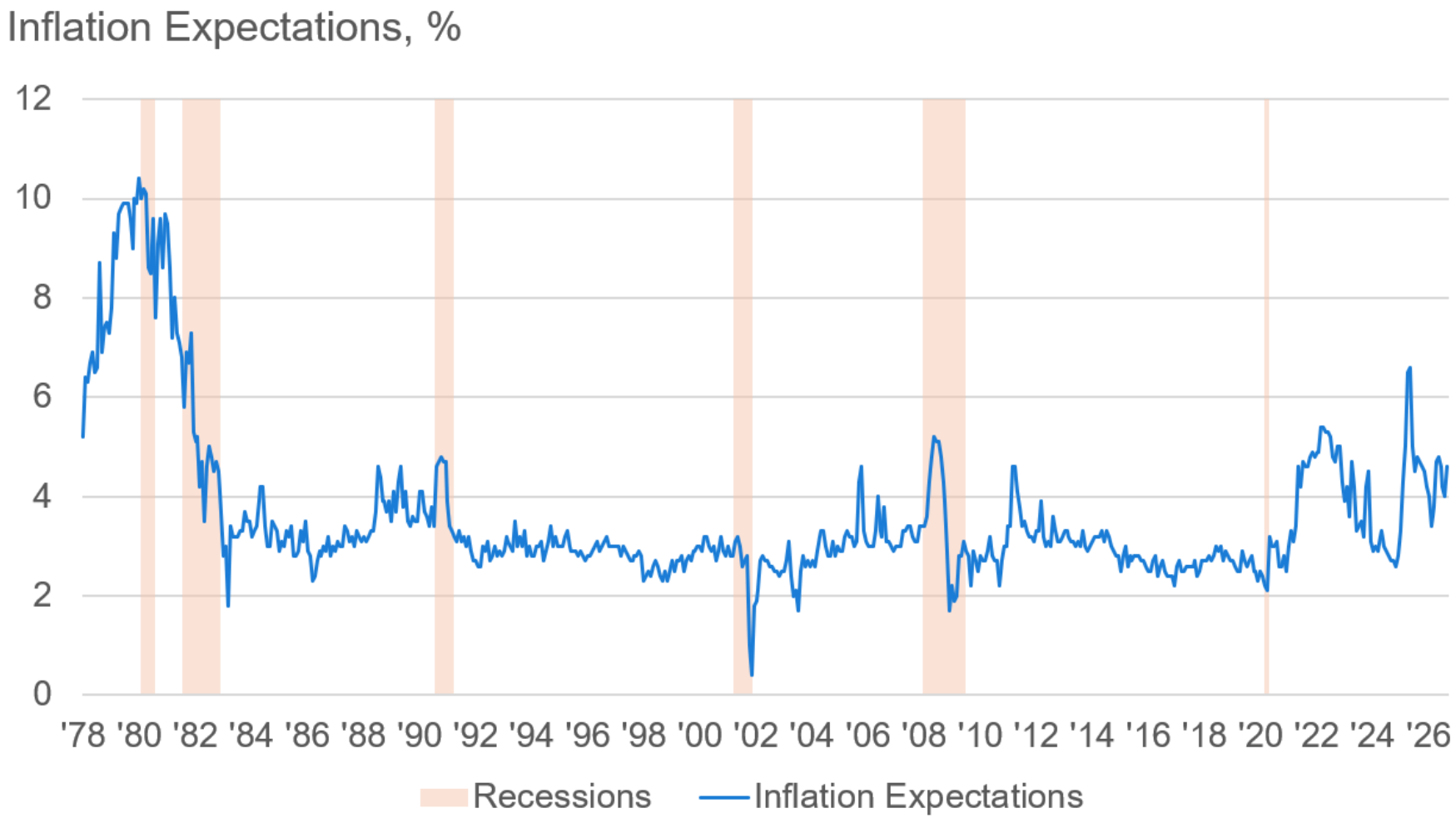
Inflation and Commercial Real Estate



Information Classification: GENERAL

Inflation Expectation for the next 12 Months are Elevated

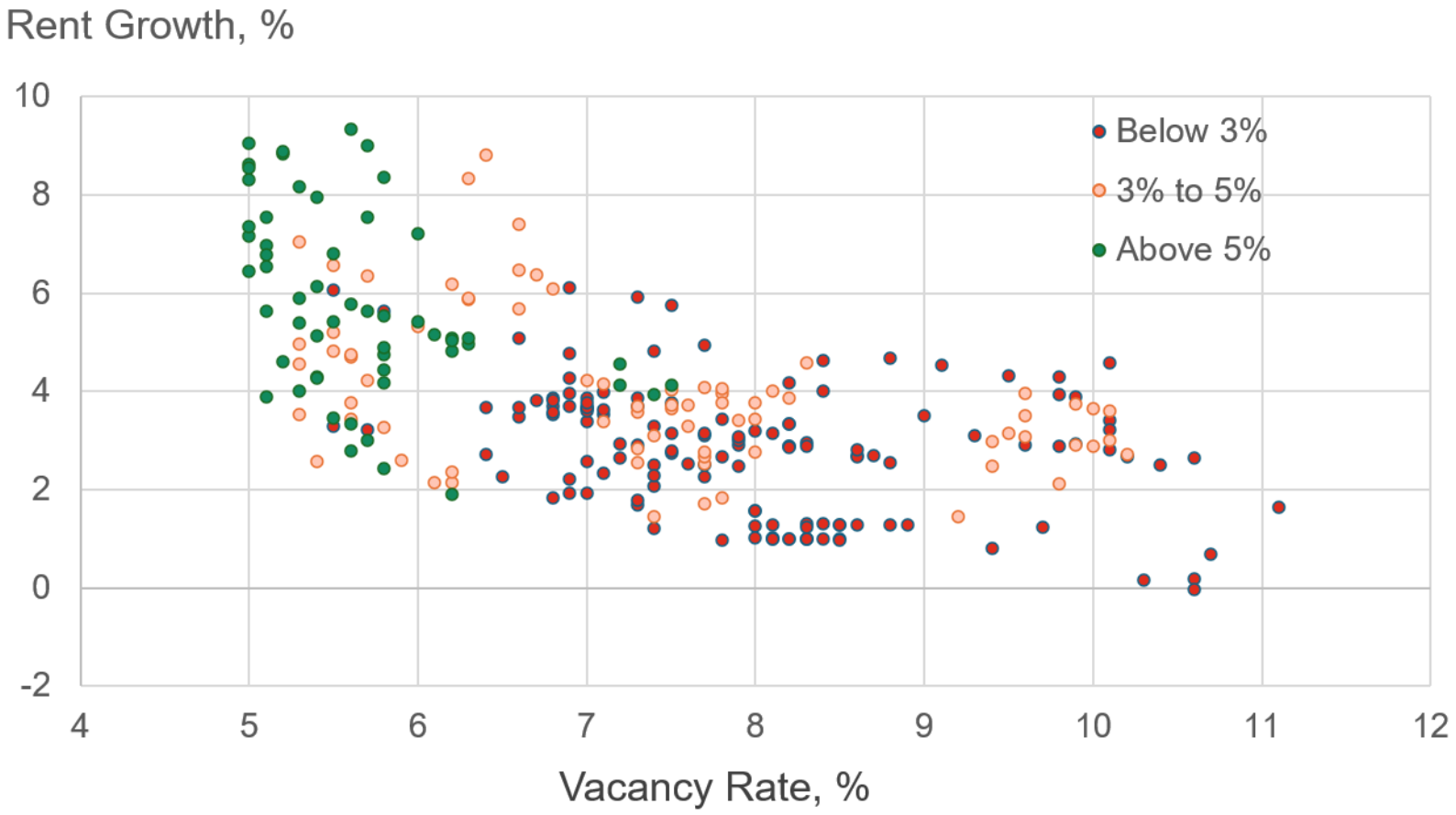
- Inflation expectations on the part of consumers spiked into 2025 on the back of tariff turmoil.
- It seemed to be cooling into 2026 and slipped below the 4% level just as the War on Iran started.
- Into September, consumers were expecting 4.6% inflation into the year ahead.



Source: University of Michigan Survey of Consumer Expectations, NBER

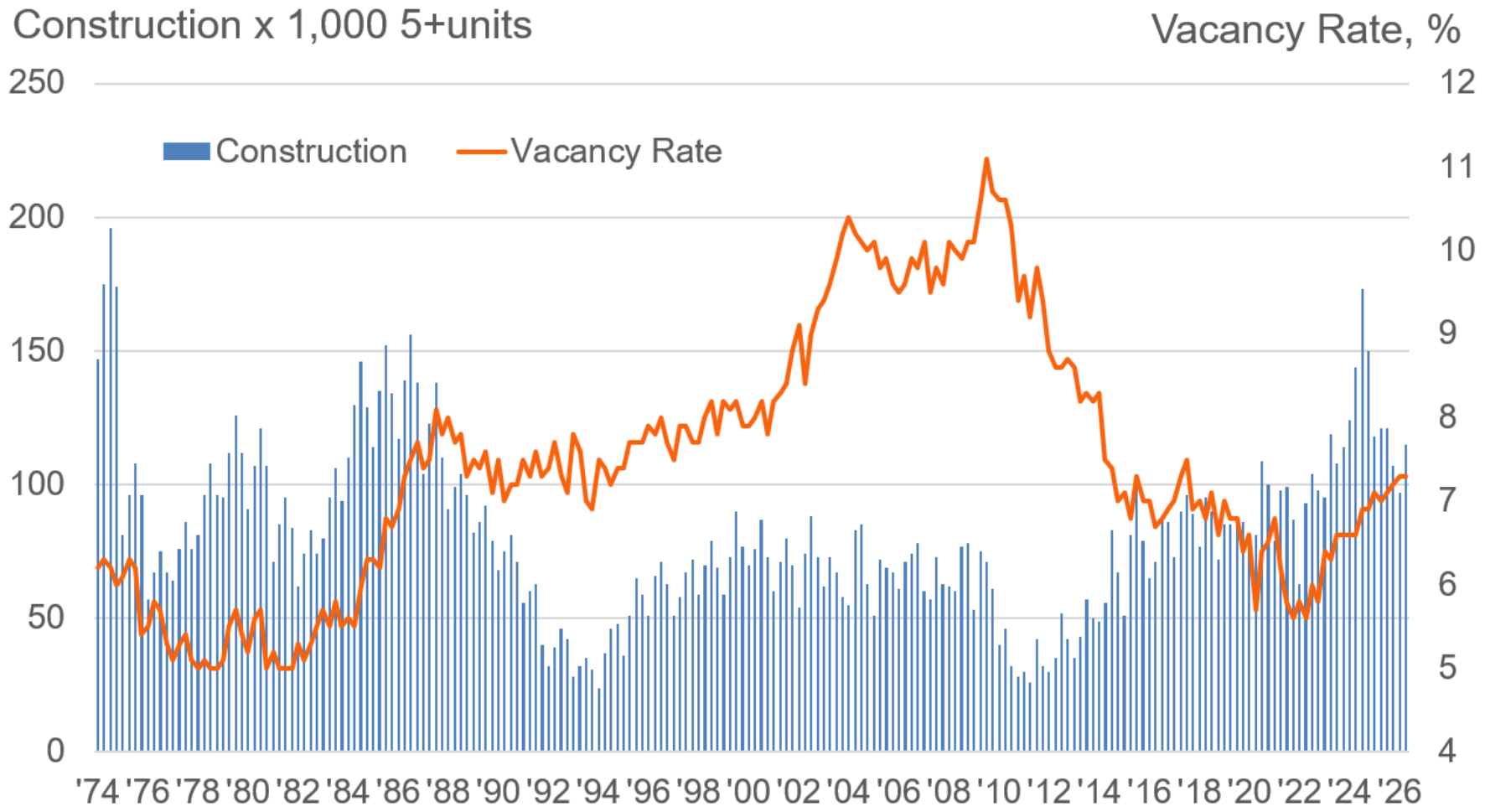
Inflation is not Good for Real Estate

- Inflation is not good for anybody, it distorts investor price expectations and leads to sub optimal investments.
- The thought that apartments are a safe haven in the face of inflation does not hold as it is the space markets that set rents, not asset managers.



Source: U.S. Census Bureau and BLS via RRVRUSQ156N and CUUR0000SEHA on Fed FRED Website

High Vacancy with Trailing Construction Can Limit Rent Growth



Source: U.S. Census Bureau

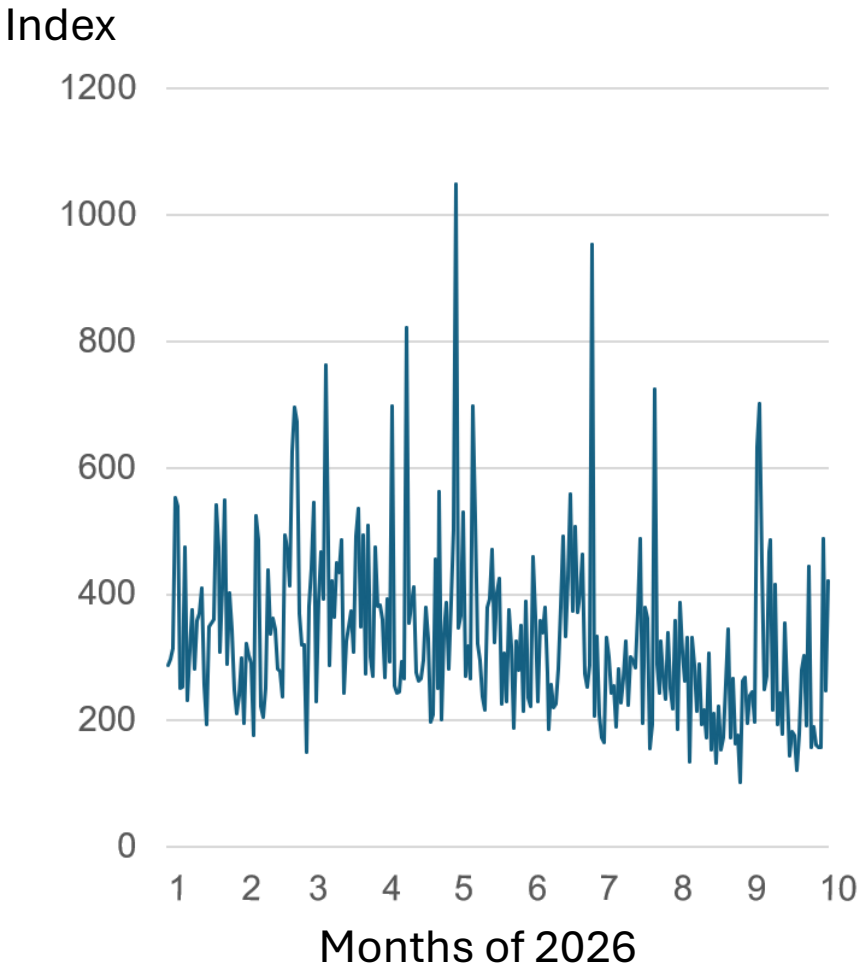
Investor Risk Appetite Still Healthy

- When the spread between “safe” 10yr US Treasuries and risky Baa corporate bonds is low, investors willing to take on more risks.
- Until they are not. Spikes in illiquidity in the credit markets move faster than the CRE markets.
- Spread is currently only at 146 bps … but it has flattened in recent weeks after falling in mid year.



Source: DBAA and DGS10 on Fed FRED website through 10-26-26

A Higher Frequency View on Uncertain and 10yr UST in 2026

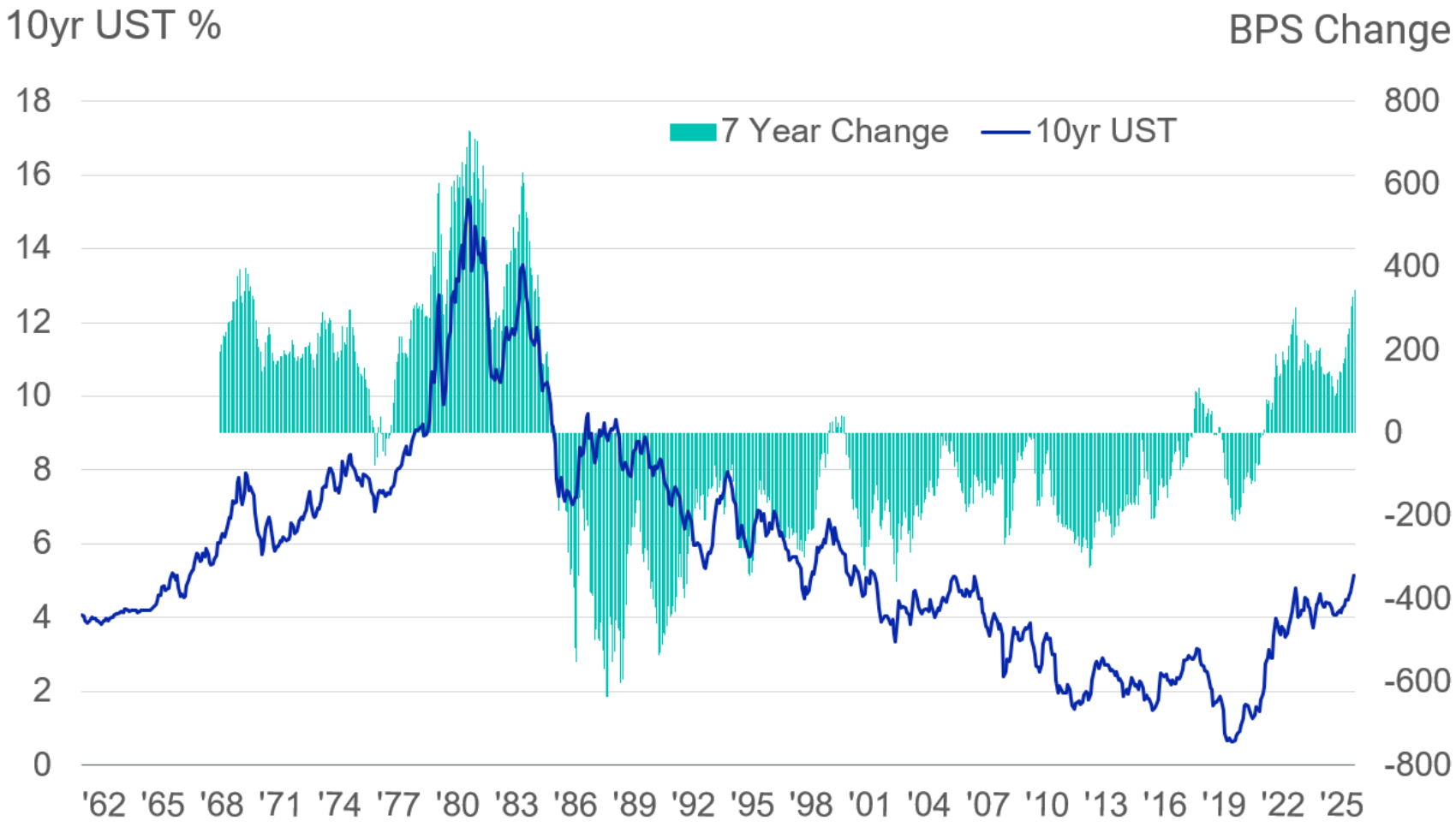




Source: PolicyUncertainty.com US Economic Policy Uncertainty, Fed FRED DGS10 through 10-27-26

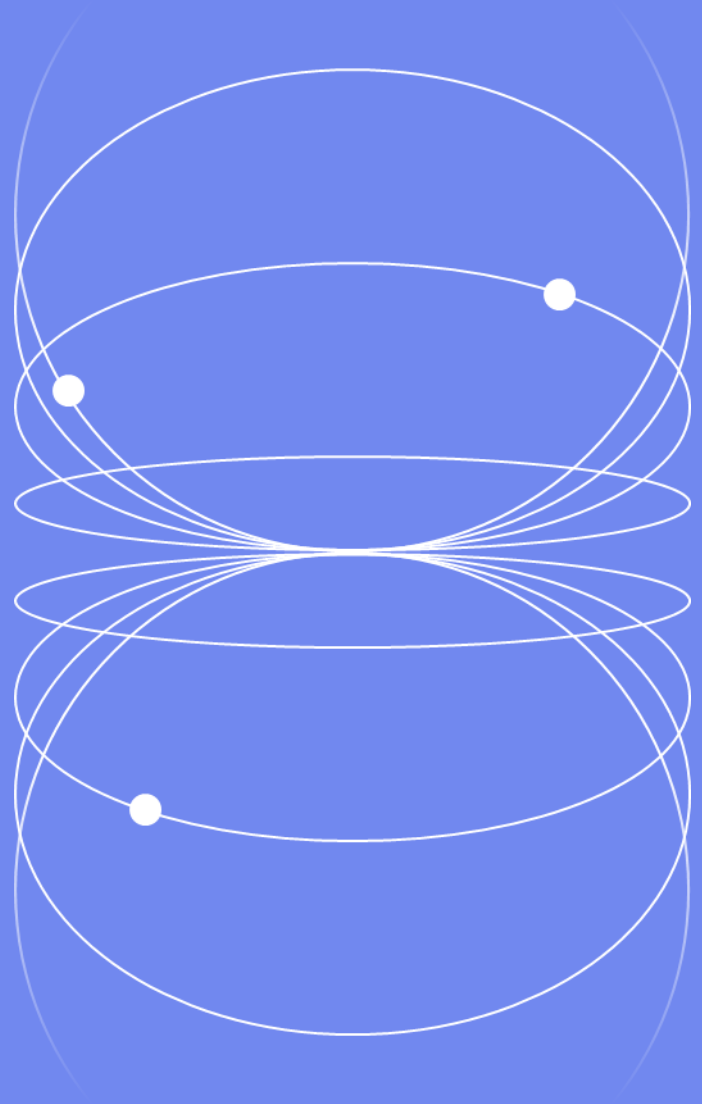
The 10 Year Treasury and the Seven Year Itch

- Real estate investments, on average, are held for seven years in the U.S.
- Every investment made from the mid 1980s until about 2019 was done in an environment where the previous buyer was in a higher interest rate environment with higher cap rates and mortgage rates.
- Now, capital market forces are a headwind.



Source: DGS10 on Fed Fred Website

Is Taking on More Risk a Winning Strategy Now?

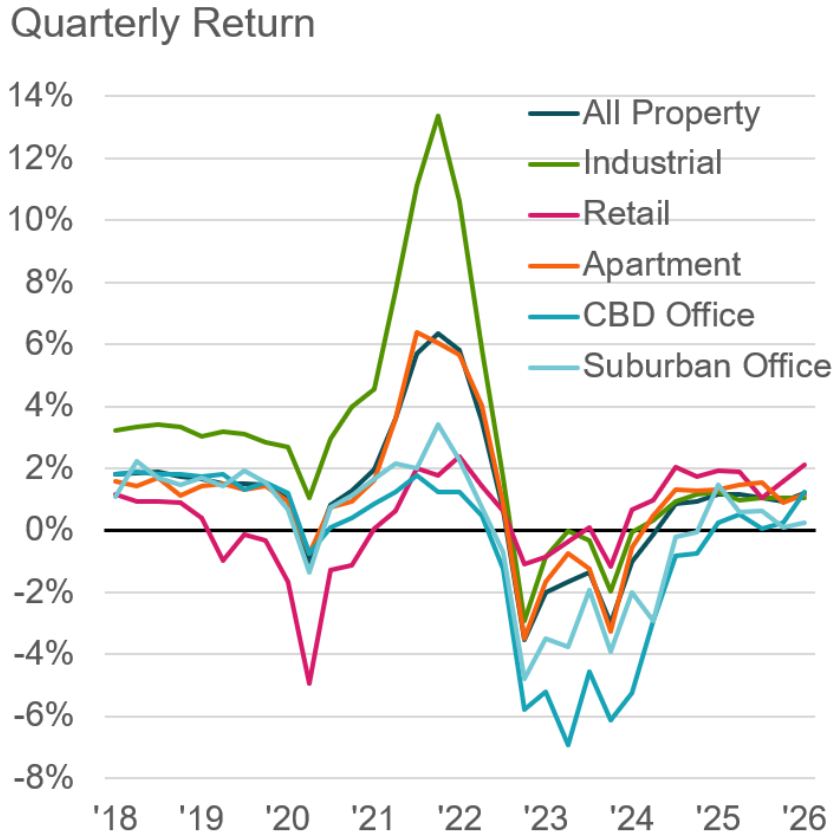


Information Classification: GENERAL

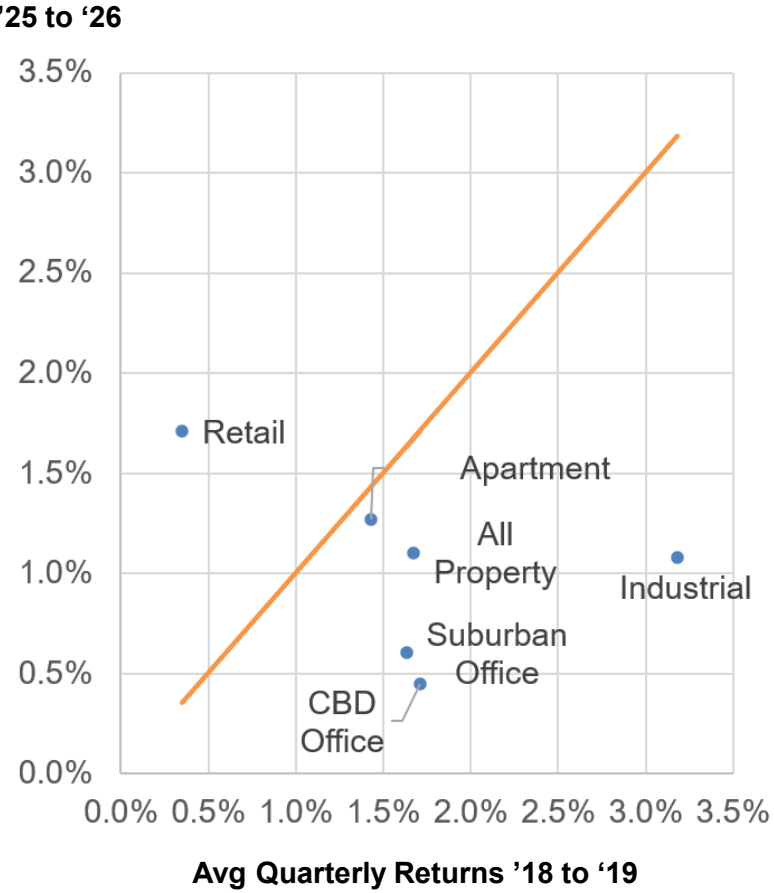
Why Slowing Volume? Returns Matter for Deal Activity

- 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?

Variation in Sector Returns



Current Returns vs. ’18 to ‘19

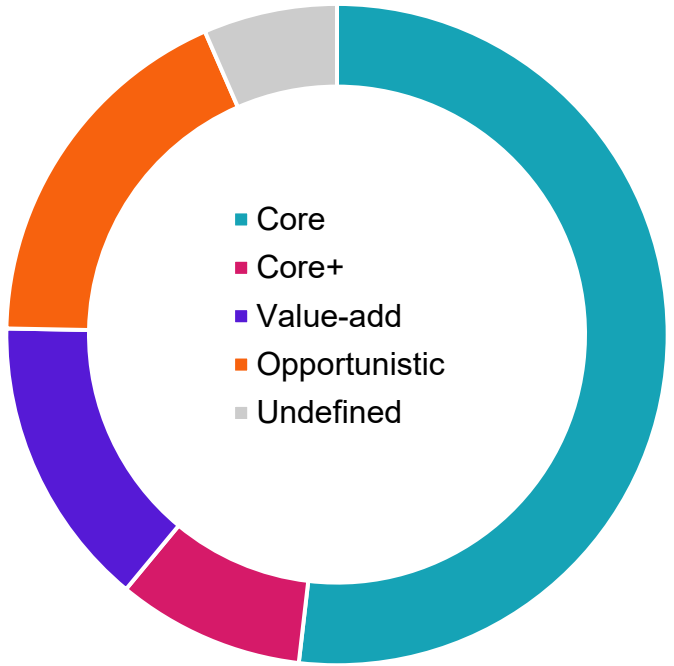


Source: MSCI U.S. Quarterly Property Index via MSCI Real Assets MCP

What About other Strategies?

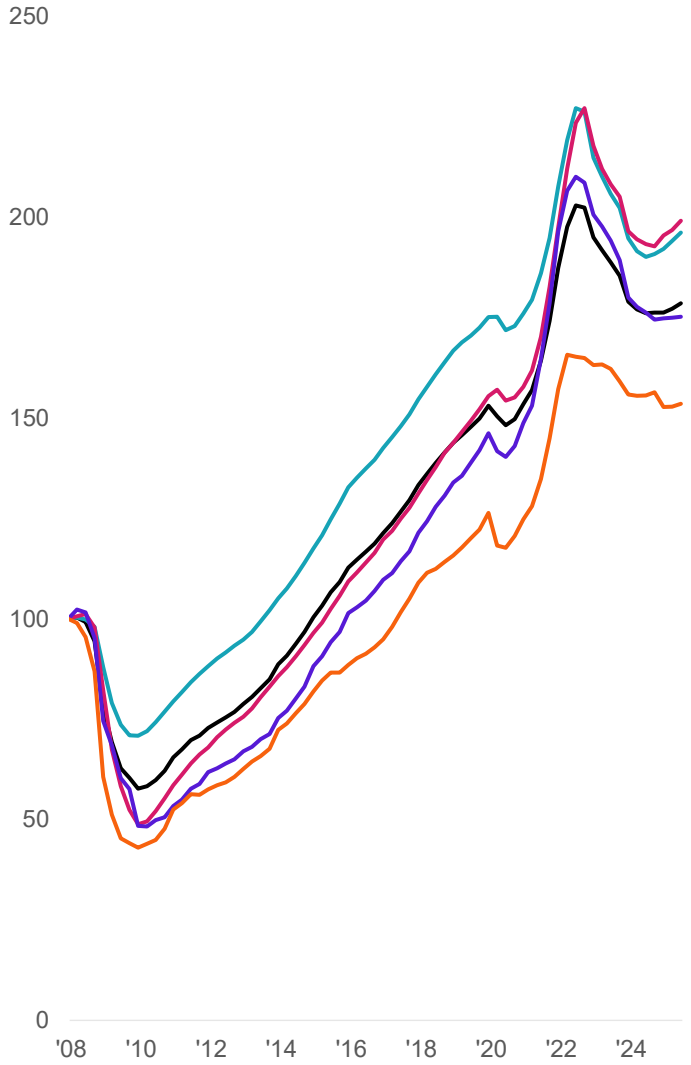
The MSCI All Private Real Estate Fund Index measures the total return performance of institutional private real estate funds across the full spectrum of investment styles. The index encompasses both open-end and closed-end fund structures and includes core, core+, value-add, and opportunistic strategies, providing a comprehensive view of the global private real estate fund universe.

Strategy breakdown



Cumulative index performance

Net total return (Dec 2007 = 100)

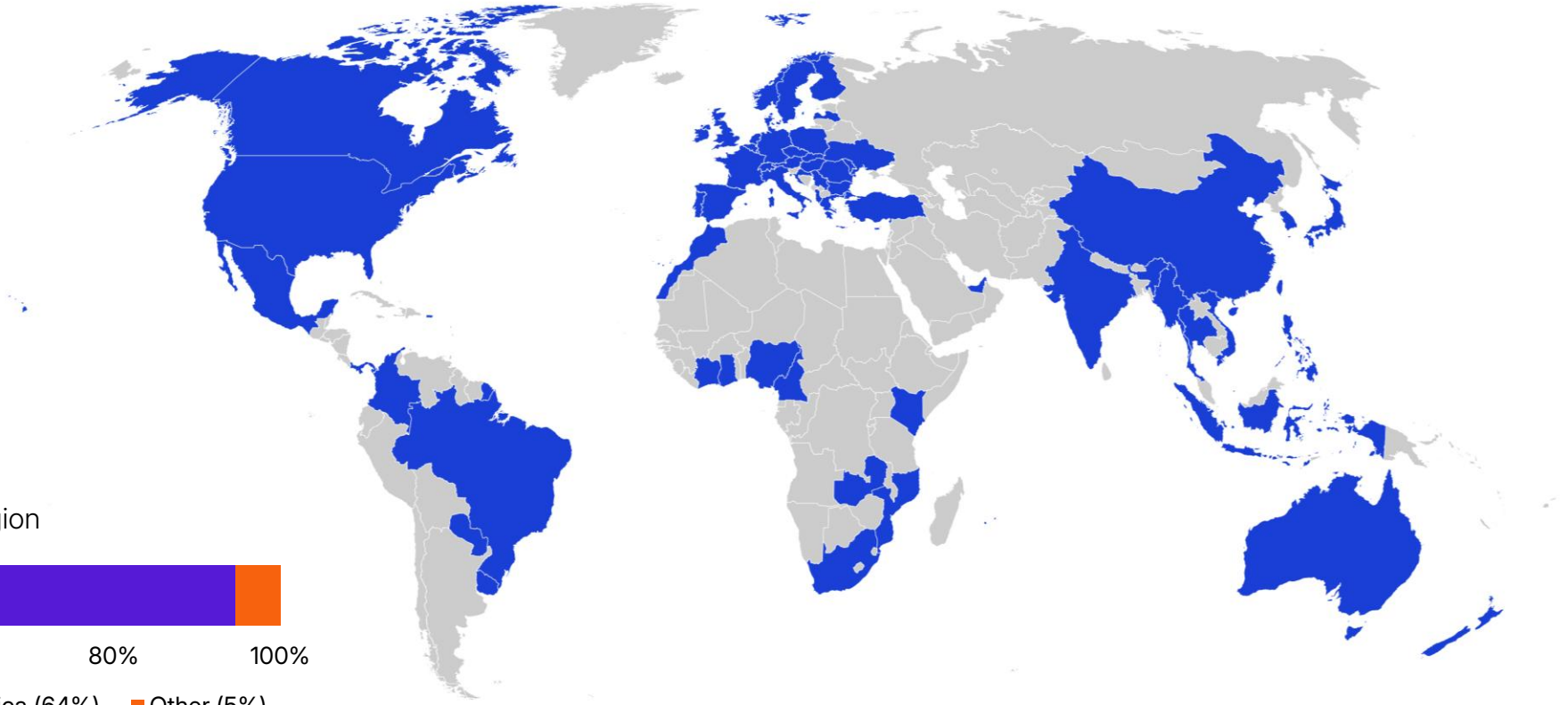


Source: MSCI All Private Real Estate Fund Index

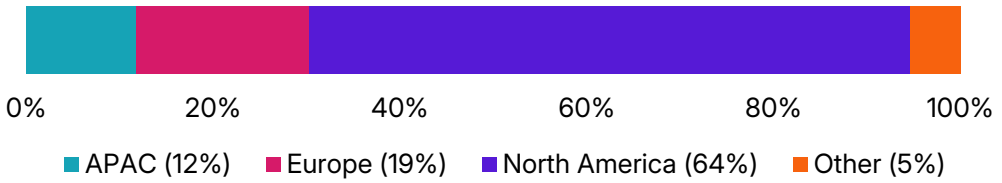
The “ACWI” of private real estate funds

→ The index tracks the performance of 1,357 global private real estate funds, with a Net Asset Value of USD 966 billion as at March 2026.

Holdings locations

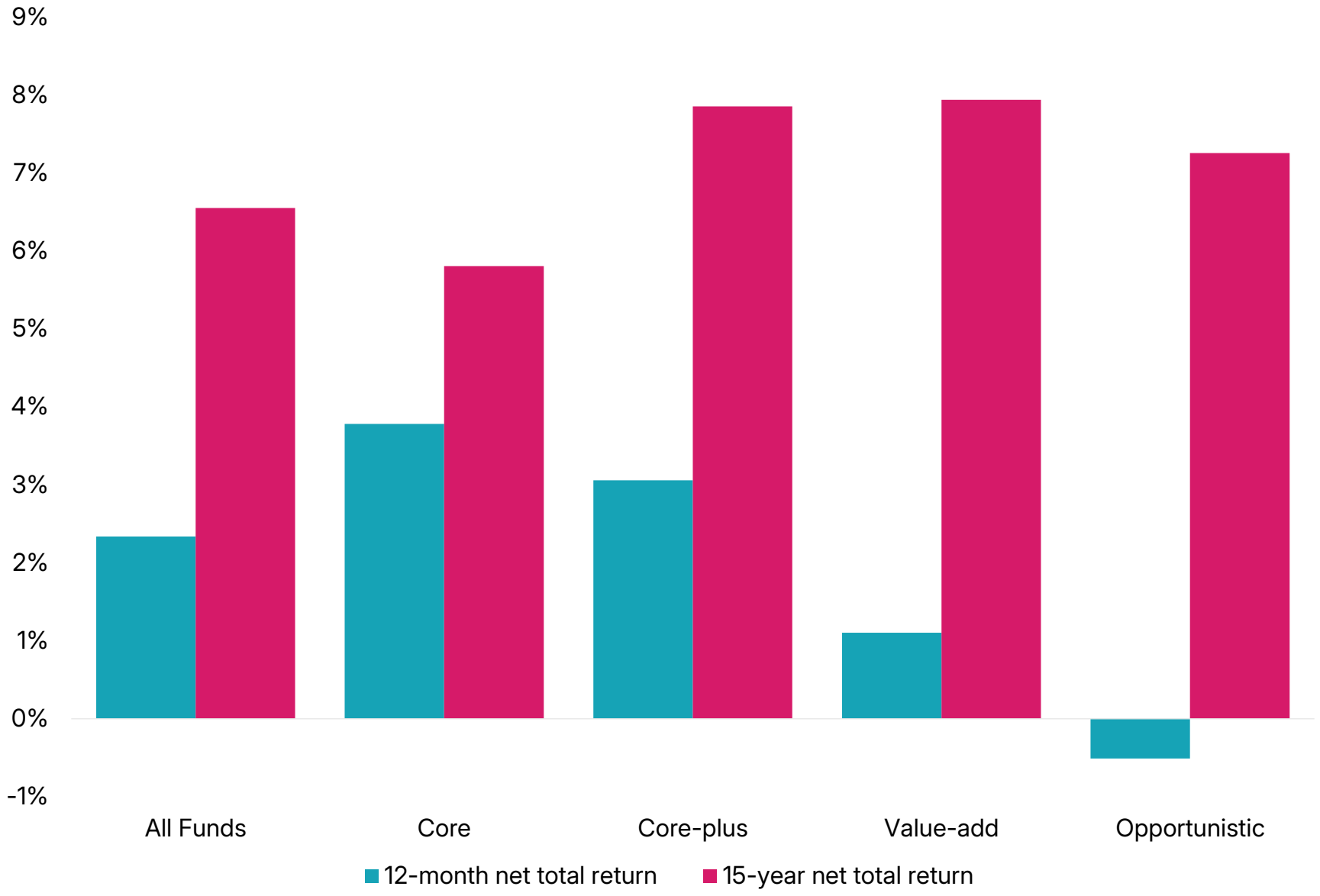


NAV weight by fund region



Near-term pain, long-run premium: The gap in strategy returns

- Not all strategies have felt the recent downturn equally. Lower-risk strategies have demonstrated relative resilience, delivering annualized total returns of 3.8% and 3.1%, respectively, in the year to March 2026.
- More-active strategies have fared worse in the near term. Value-added funds delivered 1.1% while opportunistic funds produced a return of -0.5%.



Source: MSCI All Private Real Estate Fund Index

Questions?



Jim Costello
Jim.Costello@msci.com

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