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Urban Land Institute

2027 United States | Canada

Emerging Trends in Real Estate®





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Notice to Readers

Emerging Trends in Real Estate® is a trends and forecast publication now in its 48th edition; it is one of the most highly regarded and widely read forecast reports in the real estate industry. *Emerging Trends in Real Estate*® *2027*, undertaken jointly by PwC and the Urban Land Institute (ULI), provides an outlook on real estate investment and development trends, real estate finance and capital markets, property sectors, metropolitan areas, and other real estate issues throughout the United States and Canada.

Emerging Trends in Real Estate® *2027* reflects the views of individuals who completed surveys or were interviewed as part of the research process for this report. The views expressed herein, including all comments appearing in quotation marks, are obtained exclusively from these surveys and interviews and do not express the opinions of either PwC or ULI. Interviewees and survey participants represent a wide range of industry experts, including investors, fund managers, developers, property companies, lenders, brokers, advisers, and consultants. ULI and PwC researchers interviewed over 500 individuals, and survey responses were received from almost 1,000 individuals, with company affiliations broken down as follows:

Interviewees and Survey Participants

	2027
Private property owner or commercial/multifamily developer	37.4%
Real estate advisory, service firm, or asset manager	19.1%
Private equity real estate investor	8%
Homebuilder or residential land developer	7.9%
Construction, construction services, architecture firm	5.9%
Bank or other lender	4.5%
Investment manager or adviser	3.9%
Publicly listed real estate property company or REIT	1.7%
Private REIT or non-traded real estate property company	1.6%
Other	10%

Position Breakdown

	2027
C-level executive	54.5%
Vice president	15.8%
Director	13%
Manager	4.2%
Associate	1.3%
General manager	1.2%
Assistant manager	0.1%
Supervisor	0.1%
Other	9.8%

Throughout this publication, the views of interviewees and/or survey respondents are presented as direct quotations from participants without name-specific attribution to any particular individual. A list of interview participants in this year's study who chose to be identified appears at the end of this report; however, it should be noted that all interviewees are given the option to remain anonymous regarding their participation. In several cases, quotations contained herein were obtained from interviewees who are not listed in the back of this report. Readers are cautioned not to attempt to attribute any quotation to a specific individual or company. Certain parts of this publication were created with Generative AI assistance, and this support was combined with the expertise of our human contributors. To all who contributed, PwC and ULI extend sincere thanks for sharing valuable time and expertise. Without the involvement of these many individuals, this report would not have been possible.

Editorial Leadership Team and Authors

***Emerging Trends* Chairs**
Andrew Alperstein, PwC
Angela Cain, Urban Land Institute

Editors-in-Chief
Haley Anderson, PwC
Chuck DiRocco, PwC
Anita Kramer, Urban Land Institute

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Mary Ludgin
Hessam Nadji
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Authors, Chapter 2
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Abhi Jain, Vincent Schulz, and Justin Starr, Hospitality
Heidi Learner, Office
Ahalya Srikant, Industrial

Author, Chapter 3
Market Profiles
Rebecca Rockey

Authors, Chapter 4
Peter Kovessy
Laura Hildebrand
Jana Paniccia
Eve Krakow
Alyssa Di Lazzaro

Contributors
Arthur Berlinger
Matt Carrigan
John Chang
Caroline Clapp
Allison Clements
Eric Finnigan
Saul Fonseca
Mike Hargrave
Hilda Martin
Lisa McCracken
Arben Skivjani
Rob Wherry
Cody Young

Senior Advisers
Lee-Anne Kovacs, PwC Canada
Fred Cassano, PwC Canada

Strategic Project Managers
Amber Batiste, PwC US
Karly Emery, PwC US
Sabrina Caramico, PwC Canada
Isha Grewal, PwC Canada

PwC US Creative and Web
Kristen Wilson, Design and UX Lead
Jennifer Whelpley, Senior Account Manager
Jason Kaplin, Data Management

ULI Editorial and Production Staff
Libby Riker, Senior Editor

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PwC Advisers and Contributing Researchers

Aaron Jodka
Abhi Jain
Adam Rubenstein
Alena Lane*
Alex Howieson*
Alex Schraft
Alexander Christianson*
Ali Abbas*
Alison Croteau
Allan Jenkins*
Ammar Faizy*
Amy Deng*
Andrew Alperstein
Andrew Nickel*
Andrew Parrilli
Andrew Popert*
Angela Ma*
Anthony Di Nuzzo*
Audrey Tuffy
Avery Parti
Bill Staffieri
Brenda Vethanayagam*
Brett Matzek
Brian Bilzi
Brian Keida
Caitlin Lim*
Calen Byers
Cameron Colannino
Cameron Evans
Catherine Cooke
Chance Woodard
Charles Campany
Chase Cook
Chris Bailey
Christian Bulza*
Christopher Bender
Christopher Emslie
Christopher Mill
Cindy Wu*
Claire Wheldon*
Colby Ehrhart
Connor Thomas
Dan Genter
Dan Picone
Dana McAlesse*
Dana Van Wie
Daniel D'Archivio*
Daniel Marinovic*
Danielle Aucoin*
Danielle Desjardins*
Dave Santerre*
Dave Swerling
David Neale*
David Voss
David Yee*
Derek Chu*
Derek Smith*
Dillon White
Dominic David*
Dylan Anderson
Dylan Shuff
Elise Hochberg*
Elle Angus*
Elliott Cappell*
Elodie Piché*
Emily Lamb
Emily Pillars
Eric Eaton*
Eric Tadros*
Erica Pereira*
Étienne Durand*
Evan Cohen
Francois Berthiaume*
Frank Magliocco*
Frederic Lepage*
Gloria Park
Graham McGowan*
Hadi Sheikh
Haley Anderson
Heather Meek*
Howard Ro
Ian Nelson
Isabelle Morgan
Jack Brown
Jack Olin
Jackie Miller
Jackson Petitt
Jacob Feenker
Jacobo Benzaquen Moreno
Jacqueline Kelly
Jasen Kwong*
Jason Boyer*
Jason Voong*
Jeff Grad*
Joe Emilius
Johanne Mullen*
John Crossman
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John Satelmajer
John Wayne
Jonathan Osten*
Jonathan Reimche*
Joon Chan*
Jordan Adelson
Jordan Hite
Jordan Samberg*
Jordano Perugini*
Joseph Moyer*
Josh Beaver*
Josh Cox
Julanne Allen
Karly Emery
Katarina Kranjc
Katherine Von Ahnen
Ken Goodwin*
Ken Griffin*
Kirandeep Dhillon*
Krista Ryan*
Laura Lewis*
Laura Wietlispach
Leah Waldrum
Lukas Osmundsen
Mack Cheatham
Manisha Chen*
Marie Armstrong*
Marilia Araujo*
Marius Andreasen
Matt McCullers
Matthew Keller
Maxime Lessard*
Megan Andrews
Megan Grotsky*
Michael Jachimowicz*
Mihai Homescu*
Mike Allen
Mike Greenberg
Mike Sturino*
Mike Villagomez
Miriam Gurza*
Mori Contreras
Natalie Cheng*
Nicholas Mobilio*
Nicholas Pelletier
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Noah George
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Tanya Hill-Lariviere*
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Turner Moss
Venkat Somasundaram
Véronic Doucet*
Victoria Burns
Victoria King*
William Atkiels
Yusra Shujaat*
Zachary Lee

*Based in Canada



01 You Have to Work for It

"Nothing is going to be free. Not going to get it from development, not getting it from free leverage, not getting into some kind of [financial] engineering. You just gotta go work."

—A portfolio manager at a real estate investment firm

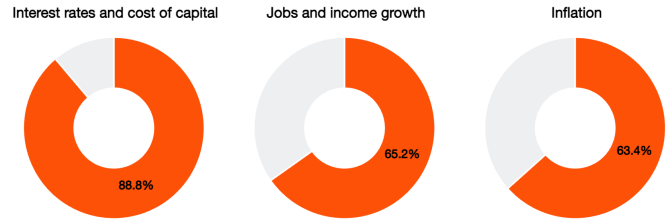
The real estate industry enters 2027 with a broadening set of sector opportunities, a supply cycle that is favoring existing assets, and debt markets that are functioning well across most sources of real estate lending including banks, insurance companies, debt funds, commercial mortgage-backed securities, and agencies. Repricing has created entry points across property types and geographies. And yet profitability expectations continue to decline, capital remains trapped in existing fund structures, and real estate must make its case against alternative investment strategies and private credit platforms that did not exist at comparable scale a decade ago. Navigating that environment—competing for capital in a higher-rate world, adapting operations to new technology, and making decisions with more variables and less certainty than the prior cycle required—is the work ahead.

The Economy and the Industry

The U.S. economy continues to show resilience as 2027 approaches, although the picture is becoming more uneven. Gross domestic product growth has held up, supported by consumer spending and business investment, even as hiring has slowed and household budgets remain under pressure from elevated costs. Consumers are still spending, but the composition of that spending is shifting in ways that affect retail, hospitality, and housing demand differently across markets and income levels.

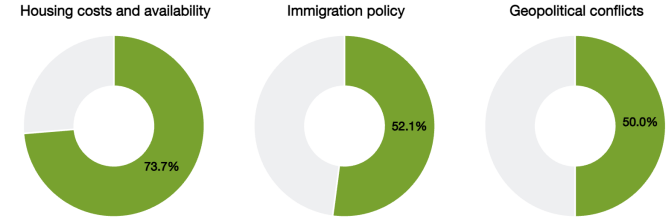
The cost of capital remains a defining feature of the outlook. Inflation continues to run above the Federal Reserve's target, and with Treasury yields above 5 percent in early October, investors, developers, and lenders are adjusting to borrowing costs that remain higher than the levels that prevailed through most of the prior decade. Tariffs, shifting trade policies, and geopolitical tensions have added another layer of uncertainty to business planning and capital allocation across the industry.

Economic/Financial Issues for Real Estate in 2027



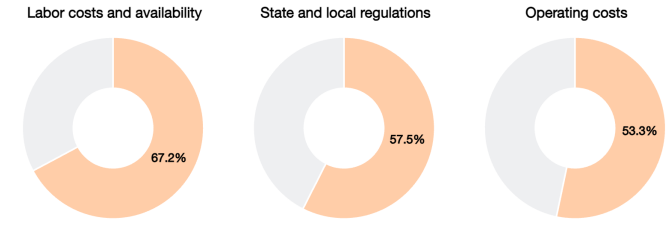
Source: *Emerging Trends in Real Estate 2027* survey.
Note: Based on U.S. respondents only. Percentage of experts who selected each issue.

Social/Political Issues for Real Estate in 2027



Source: *Emerging Trends in Real Estate 2027* survey.
Note: Based on U.S. respondents only. Percentage of experts who selected each issue.

Real Estate/Development Issues for Real Estate in 2027



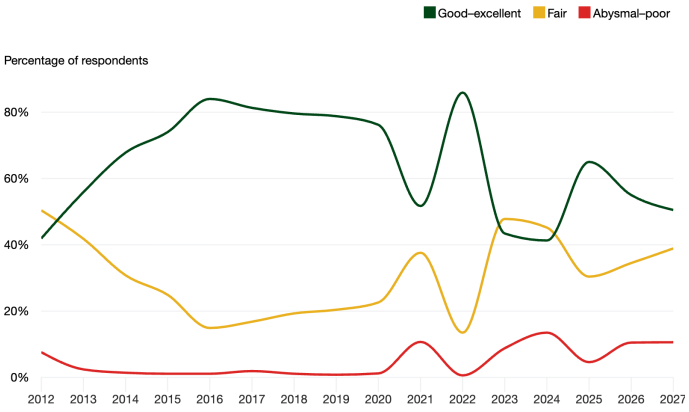
Source: *Emerging Trends in Real Estate 2027* survey.
Note: Based on U.S. respondents only. Percentage of experts who selected each issue.

The theme of last year's *Emerging Trends* was "Navigating the Fog," a phrase that captured the industry's disorientation as interest rates, capital markets, and valuations moved through a painful recalibration. Twelve months later, the fog has not entirely lifted, but the industry has adapted. The debate about rate levels has largely concluded, although with results that few participants anticipated. What has changed is what the industry is doing about it: rebuilding business models, rethinking project feasibility, restructuring fund vehicles, and reorienting underwriting from exit-cap rate assumptions toward income generation and operational execution.

What the Survey Tells Us

The *Emerging Trends* survey results reflect that industry adaptation, and the tensions within it. Respondents' assessment of their own business conditions has declined for the second consecutive year: 50.5 percent rate conditions as "good to excellent," down from 55 percent in the 2026 edition and 65 percent the year before that. Profitability is softening, and interviewees across the industry—not just investors, but developers, operators, and lenders—describe an environment where every aspect of the business requires more work than it did a few years ago. Across the industry, the work is harder.

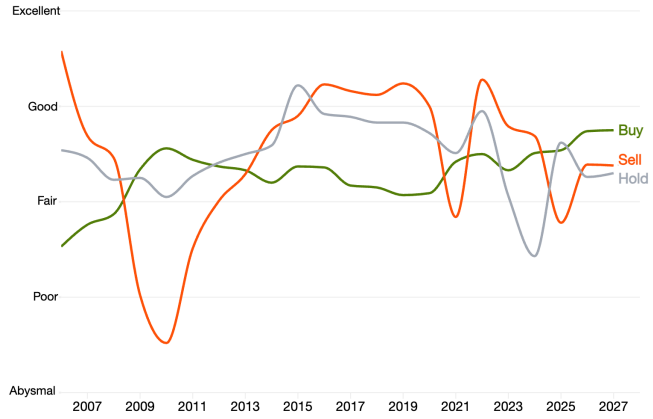
Firm Profitability Prospects for 2027



Source: *Emerging Trends in Real Estate* surveys.

And yet, at the same time, the *Emerging Trends* barometer has reached its highest reading in the survey's history. That signal deserves careful interpretation. It could reflect genuine conviction that the market has repriced sufficiently to create attractive entry points and, for some participants, particularly those with available capital and a long time horizon, that conviction appears well-founded. It could also reflect deployment pressure, as fund timelines and capital partner expectations push activity regardless of conditions. Several interviewees caution that the enthusiasm for buying does not always match the caution they hear in private conversations about valuations, exit assumptions, and the competitive environment.

Emerging Trends Barometer 2027



Source: *Emerging Trends in Real Estate* surveys.
Note: Based on U.S. respondents only.

The Return Model Has Changed

Over the past year, one debate has effectively ended. The underwriting case is higher for longer, and the industry has largely stopped arguing about it.

What is broadly shared across this year's interviewees is a recognition that the sources of return have changed. The capital market tailwinds that supplemented property-level performance for much of the prior cycle—declining rates, compressing cap rates, and rising exit values—are no longer available. Returns in the current environment depend more heavily on income growth, operational execution, and the specificity of asset and submarket selection.

That shift is showing up across the industry: in how deals are underwritten, how development projects are evaluated, how properties are managed, and how every participant in the industry communicates with their clients and capital partners. Investors are placing greater emphasis on cash returned to them and, as a result, distributions-to-paid-in-capital has displaced internal rate of return as the metric that limited partners focus on most. Net operating income growth has overtaken cap rate compression as the primary driver of value. And the submarket, not the metro area, has become the relevant geography for an increasing share of the industry.

> "People do not pay a lot for beta. You need to generate alpha through operational expertise."
>
> —The president of a leading investment management firm

The implications extend to every corner of the business. Developers face a construction environment where elevated costs and financing rates make new projects harder to pencil. Operators face tenants and residents with higher expectations and tighter budgets. Lenders face a refinancing wave that requires careful assessment of collateral values and borrower capacity. Advisors and service providers face clients who are more demanding about the specificity and timeliness of the analyses they receive.

The progression is instructive: sector still matters, but asset selection, submarket analysis, and execution increasingly determine outcomes. Each step toward greater specificity raises the difficulty and the premium on getting it right. A distribution warehouse in the Inland Empire and a distribution warehouse in eastern Pennsylvania occupy the same sector but inhabit different return profiles, driven by labor availability, entitlement timelines, power infrastructure, and last-mile economics. The broader sector thesis may get a firm to the table. The submarket thesis and execution plan determine whether that firm creates value.

Competing for the Allocation Dollar

The recalibration extends beyond how real estate generates returns to why capital flows to it at all. Sovereign wealth funds and large institutional platforms are pivoting toward income-oriented strategies, seeking durable cash yield in a world where risk-free rates remain structurally elevated. Real estate can deliver that income, but it is no longer the only asset class that can. Private credit, infrastructure, and energy transition vehicles all compete for the same allocation dollar.

Real estate must now articulate a value proposition that goes beyond "hard asset with inflation protection." The competitive dynamics have shifted, and the fund management landscape is shifting with them. Limited partners are moving toward co-investment and direct deals. Their due diligence centers on the intersection of theme, strategy, and team, and managers who cannot demonstrate operational depth in a defined strategy are finding it increasingly difficult to raise capital.

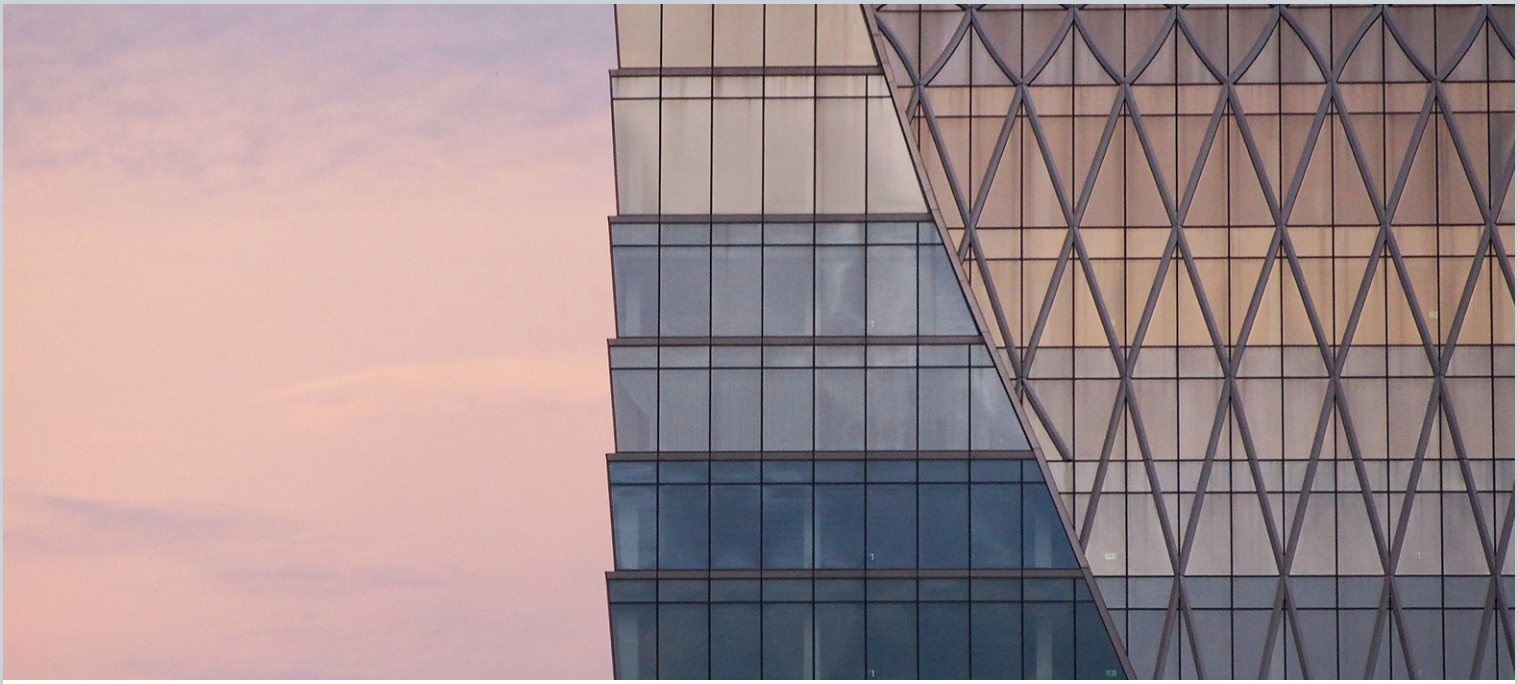
One portfolio manager calls it the "golden age of asset management." The characterization sounds paradoxical against declining profitability, but it captures something real: for managers with genuine operational capability, the market is presenting the widest opportunity set in years.

Distress is selective but real. Repricing has created entry points. And the supply cycle has turned decisively, with new construction starts across most major property types at or below replacement levels.

The question, and it is a genuine one, is whether the industry can convert that setup into results. The opportunities are real. The execution challenge is greater than it has been in a generation.

The Trends Ahead

This edition of *Emerging Trends* maps the terrain through eight trends that collectively describe the forces shaping real estate in 2027 and beyond: the fiscal reckoning, the expanding real estate universe, policy as the new geography, demographics as a compounding variable, the great submarket sort, the coming supply gap, AI and the human premium, and the reimagining of places. These trends are interconnected: fiscal conditions shape policy responses, demographic shifts drive submarket selection, supply constraints interact with development costs, and AI is changing how the industry responds to all of them. These trends are explored in the sections that follow.



Trend 1: The Fiscal-Financial Reckoning

- **The federal deficit and debt trajectory have created a persistent competitor for real estate capital.** With Treasuries offering yields that challenge core real estate returns, allocation committees are asking a question that would have been unthinkable five years ago: why take the illiquidity and complexity risk?
- **Situational financial distress among some real estate companies is emerging as an increasingly important source of both investment opportunity and capital markets risk.** It is not systemic. It is specific to vintages, capital structures, and fund timelines where the math no longer works, and it is surfacing through property-level operations and financial pressures.
- **The industry's response is more sophisticated than in prior cycles,** but for certain assets, the gap between marks and executable values remains wide, and the translation from opportunity to realized returns is far from certain.

"Why real estate when I can get 5 percent risk-free?"

—The president of a development firm

That question appeared in some form across a wide range of interviews conducted for this year's report, not only among investors, but among developers evaluating new projects, lenders pricing risk, and operators assessing how their businesses compete for capital. It is not rhetorical. It is the backdrop against which every real estate decision is being made, and how the industry answers it will shape activity for the remainder of this cycle.

The fiscal backdrop is the reason the question has staying power. As of mid-2026, the federal deficit stands at approximately $1.9 trillion, and the Congressional Budget Office projects it will reach $3.1 trillion by 2036. Federal debt has crossed 101 percent of GDP and is on a trajectory toward 120 percent. Net interest expense now exceeds $1 trillion annually. The relationship between fiscal deficits, Treasury issuance, and long-term borrowing costs is not mechanically straightforward—monetary policy, inflation expectations, global demand for U.S. debt, and the term premium all intervene—but the directional pressure is clear: a government borrowing at this scale must attract capital, and the yields required to do so create persistent competition for every other asset class.

The planning case is higher for longer, and for most participants, the debate has moved from whether rates stay elevated to what the business looks like at this level.

What Higher for Longer Means for Financing and Allocation

The implications are showing up across the industry, in how projects are financed, how capital is allocated, how development is underwritten, and how existing assets are valued and traded.

Fundraising timelines have lengthened. Redemption queues at open-end funds remain elevated. New commitments are flowing disproportionately toward strategies that can demonstrate current income growth rather than projected appreciation alone. And refinancing activity continues to dominate lending volumes, as borrowers seek to extend or restructure existing obligations.

On the financing side, the maturity schedule is creating a rolling series of decision points across property types. Industry estimates indicate a substantial volume of commercial real estate debt is approaching maturity over the next 12 to 24 months. Many of these loans were originated with shorter loan terms during the low-rate period, meaning a significant share of outstanding debt must be refinanced, extended, or resolved at rates meaningfully higher than the original terms. Each maturity forces a concrete choice: does the borrower inject additional equity, does the lender extend at revised terms, or does the asset change hands? The cumulative effect of those decisions will shape transaction volumes, pricing benchmarks, and capital availability.

The broader macroeconomic environment compounds the challenge. Geopolitical disruption—tariffs, energy price volatility, or shifting sovereign capital flows—has become a recurring feature rather than an exception. Tariffs were cited by 33 percent of respondents as a top economic concern, a new entrant to the survey that reflects how quickly trade policy has become a variable in real estate decisions.

Situational Distress: The Differentiated Story

Distress came up in a number of interviews conducted for this year's report. The frequency of those conversations is itself a signal. But the character of the distress matters as much as its prevalence.

This is not the systemic crisis of 2008 or the sector-wide collapse of office in prior downturns. It is situational, and the distinction that matters most is this: distress in this cycle is not necessarily synonymous with deteriorating property fundamentals. A building can be well-occupied, generating rent, and maintaining its physical condition while the ownership structure around it is under acute financial pressure such as leverage that no longer works at current rates, fund structures that cannot return capital within their intended timelines, or valuations that have not yet adjusted to reflect what a willing buyer would actually pay. The distress is arising from the financing, the ownership structure, or the timing of the investment, not only from the asset itself.

This distinction carries implications across the industry. For buyers with available capital, the opportunity set may be broader than a traditional distress cycle would suggest, because the underlying real estate in many cases is viable. For lenders, the question is how to manage a refinancing wave where the collateral is performing but the borrower's capital structure is not.

Fund-life pressure is forcing many of the transactions that are occurring. A number of vehicles raised during the 2017 to 2020 period are now approaching or exceeding their intended hold periods, and capital partners are seeking either liquidity or greater transparency about terminal values. Net asset values may lag current market conditions in some cases, a function of appraisal timing, comparable sale availability, and the inherent difficulty of valuing illiquid assets in a thinning transaction market. The disconnect between reported and realizable values is contributing to a slowdown in capital recycling that affects every part of the industry.

Silent foreclosures and negotiated recapitalizations are occurring at a pace that transaction data does not fully capture. These are not distressed sales in the traditional sense. They are restructurings conducted between parties who often prefer to preserve relationships over maximizing recovery. The transactions that are happening tend to be more selective and more asset-specific than prior cycles, with buyers, lenders, and operators all conducting more granular due diligence on the individual properties involved.

Multifamily housing faces particularly acute pressure in certain vintages where assets purchased at sub-4-percent cap rates with floating-rate debt have since repriced by 300 to 400 basis points and cannot generate positive leverage at current rates. One interviewee projects that returns on multifamily purchased at peak pricing could remain near zero through approximately 2029, a sobering assessment, though not a universal one. Other interviewees point to the supply cycle turning in favor of existing multifamily assets and argue that patience will be rewarded, particularly in markets where new construction has effectively stopped.

> "So much collective anxiety; everybody is triaging problems. It is equal parts the math, the arithmetic of higher rates, but psychology is playing as big of an impact."
>
> —The chief economist at a major multifamily housing investor

The Price Discovery Question

The more notable development in this cycle may be the growing sophistication of how firms manage through it. Several describe stress-testing capabilities that did not exist three years ago—the ability to model rate changes, commodity price shocks, and policy shifts across entire portfolios in a matter of days rather than weeks. One firm reports testing the impact of oil at $150 per barrel and cascading the results through every asset class in their portfolio within days of a geopolitical escalation. Whether that kind of capability translates into better investment decisions over a full cycle remains to be seen, but it represents an evolution in institutional risk management that is worth noting.

The fiscal and rate environment described in this trend is not a temporary condition. But the more consequential question for 2027 may be narrower: when does sufficient transaction volume occur to establish reliable pricing benchmarks? The forcing mechanisms are building, including fund expirations, loan maturities, and demands for liquidity from capital partners and lenders alike. Extend-and-pretend has deferred a reckoning in many corners of the market, but deferral has a shelf life. When enough assets trade to create genuine comparables, the industry, including investors, developers, lenders, operators, and the advisers who serve them, will have the clarity it needs to move forward, even if that clarity may be uncomfortable for some participants. The pace at which price discovery occurs will do more to shape the next phase of real estate activity than any single macroeconomic variable.



Trend 2: The Expanding Real Estate Universe

- **For the first time, infrastructure categories outscore every traditional and niche property type in the *Emerging Trends* survey,** signaling that industry interest is moving well beyond the sectors historically recognized as real estate.
- **The question facing the industry is no longer whether the investable universe is expanding but what that expansion requires:** different operating models and unfamiliar risk profiles that most traditional real estate organizations have not yet built.
- **Operational asset classes are scaling from entrepreneurial plays to institutional platforms,** facilitated in some cases by operating company/property company (opco/propco) structures that separate the real estate from the business, and that demand a clearer-eyed assessment of which cash flows are actually being underwritten.

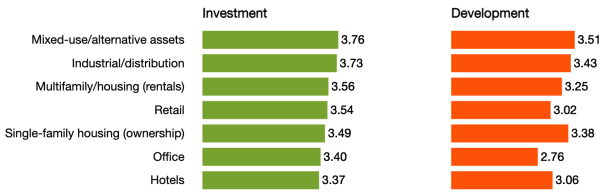
"Twenty percent of all real estate activity is outside the food groups (office, retail, industrial, multifamily) today; in the future it will be 50 percent."

—A senior strategy consultant

The most striking finding in this year's *Emerging Trends* survey is not which traditional property type leads the rankings, it is that none of them does. Last year's edition of *Emerging Trends* explored how sectors once considered niche—data centers, senior housing, self-storage, medical office, single-family rental—had "graduated" to essential components of institutional portfolios. The 2027 story is different in kind, not just degree. Rather than simply adding new property types to an existing framework, the industry is increasingly committed to investing in assets that require operational capabilities beyond conventional real estate ownership and management.

Prospects for Major Commercial Property Types, 2027

1–Abysmal 2–Poor 3–Fair 4–Good 5–Excellent



Source: *Emerging Trends in Real Estate* surveys.
Note: Based on U.S. respondents only.

The survey data tell the story clearly. When respondents are offered infrastructure as a category for the first time, they rate it higher than any traditional or formerly niche property type; energy and renewables, transportation, digital infrastructure, and water and utility systems all outscore the highest-rated traditional and formerly niche sectors.

That does not necessarily mean institutional portfolios are rotating en masse out of multifamily and into wind farms. Survey preferences and actual capital deployment are different things, and infrastructure carries distinct structures, regulatory considerations, and operating risks that set it apart from owning and leasing buildings. But the directional signal is worth paying attention to: the industry professionals who participate in this survey—owners, operators, developers, lenders, and advisers—are telling us that some of the most compelling opportunities now sit outside the traditional categories.

Why the Boundaries Are Moving

Several forces are converging. The transition to renewable energy requires physical assets—solar installations, battery storage, grid interconnection, and the land beneath them—at a scale of capital investment that rivals the largest established property sectors. Digital infrastructure, anchored by data centers but extending into fiber networks and edge computing facilities, is following a similar trajectory. And transportation and logistics networks, from intermodal terminals to last-mile distribution hubs, are attracting capital that a decade ago would have flowed into conventional industrial.

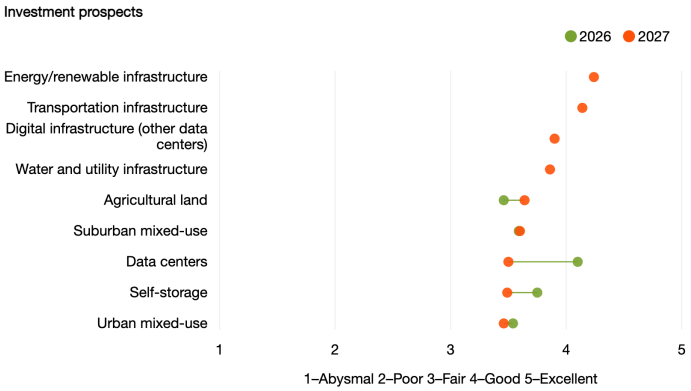
What these categories share is a set of characteristics that real estate investors already understand: durable cash flows from physical assets, high replacement costs, limited substitution risk, and contractual revenue streams that offer inflation linkage. The investment thesis is familiar. The assets themselves are not.

The implications go beyond financial to organizational. If infrastructure and operational assets are becoming core holdings rather than satellite allocations, then teams need engineers, infrastructure specialists, and regulatory analysts alongside the traditional leasing and development professionals. Several large institutional platforms are already building these capabilities in house. The REIT landscape reflects the direction of travel: the largest and most actively traded entities in public markets now include data center operators, cell tower companies, and specialty platforms that did not exist in the index two decades ago. Private markets are following the same arc.

The Rise of Operational Real Estate

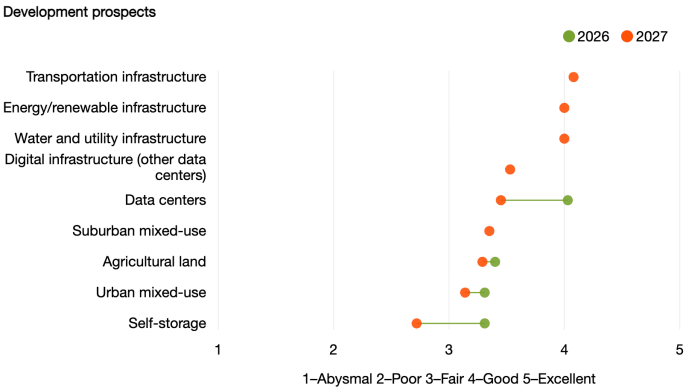
The expansion is not limited to large-scale infrastructure. Equally significant, and perhaps more immediately actionable for a broader set of investors, is the institutionalization of operational asset classes that were, until recently, considered too small, too fragmented, or too management-intensive for institutional capital.

Prospects for Mixed-Use and Alternative Assets Property Types, 2027 versus 2026



Source: *Emerging Trends in Real Estate* surveys.
Note: Based on U.S. respondents only.

Prospects for Mixed-Use and Alternative Assets Property Types, 2027 versus 2026



Source: *Emerging Trends in Real Estate* surveys.
Note: Based on U.S. respondents only.

Private equity has been consolidating businesses including car washes, marinas, cold storage facilities, and veterinary clinics for years, but the real estate component of those consolidations is now attracting dedicated attention from a broader range of market participants. In a growing number of cases, the mechanism enabling this shift is the opco/propco structure, separating the operating company from the property company to isolate real estate cash flows while leaving operational complexity with specialized operators. The approach is still evolving, and its application varies across business types, but the direction is clear.

The concept is straightforward: the operator assumes the business risk; the property owner collects contractual rent. But the execution demands clarity about where the real estate ends and the business begins. A marina, for example, generates stable income from slip leases but the fuel sales, storage, and food and beverage operations layered on top carry a different risk profile entirely. Whether the investment behaves like real estate or like an operating company with a real estate wrapper depends on the lease structure, the operator's creditworthiness, and how much the rent depends on business performance.

"We are in the middle of generational change to real estate."

—A senior strategy consultant

That distinction is not academic. Several interviewees describe situations where investors applied familiar real estate heuristics—cap rates, rent rolls, comparable sales—to assets whose value is principally derived from business operations. The results were predictable. The opco/propco structure is powerful, but it requires investors to understand both sides of the ledger, not just the one that looks like a building.

The institutional interest in these categories reflects more than a search for yield. It reflects a recognition that many of the fastest-growing segments of the economy—logistics, health care services, data processing, and experiential leisure—require physical infrastructure that sits somewhere between traditional real estate and traditional private equity. The investors and operators who can navigate that middle ground are accessing a part of the market that is growing rapidly and where competition, while intensifying, is still less crowded than in the traditional sectors.

What the Expansion Risks

An expanding universe does not automatically mean a safer one, and several interviewees are candid about the risks the industry has not yet fully priced.

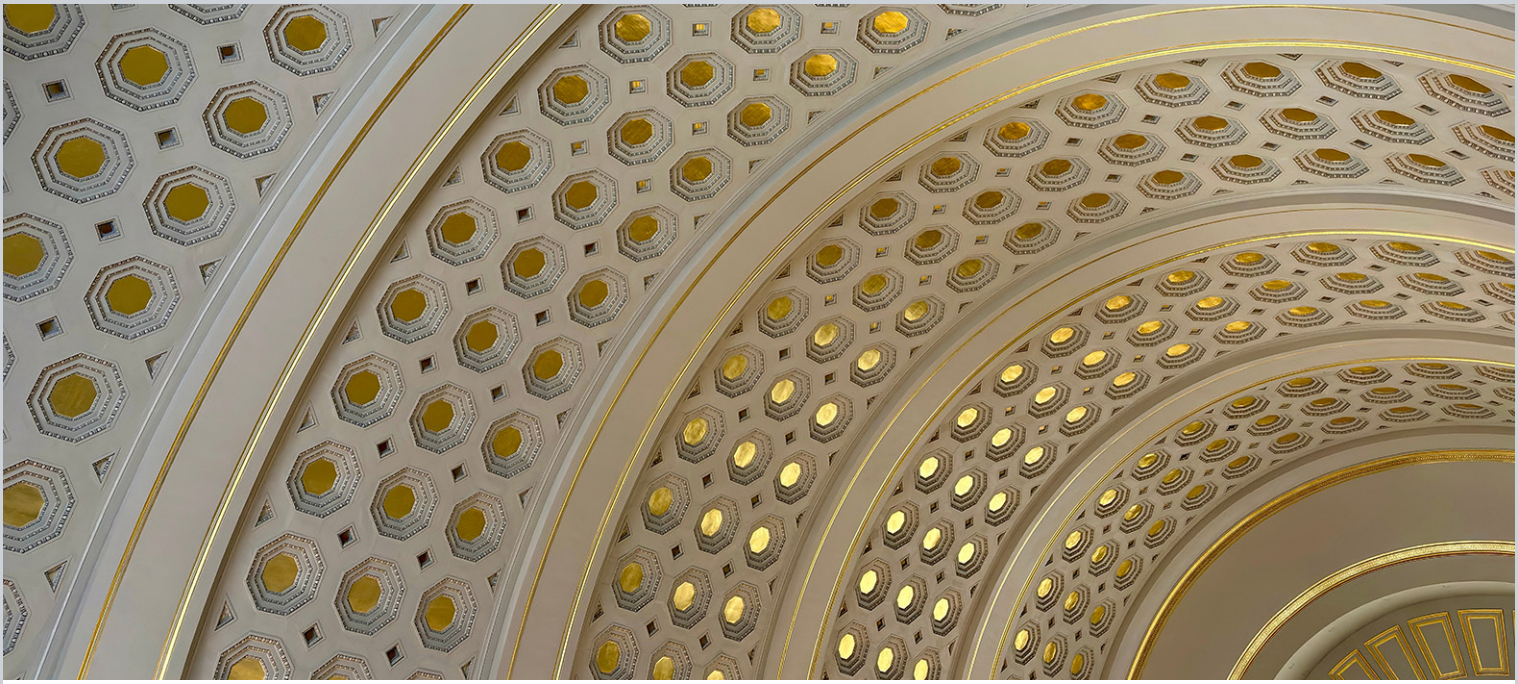
The first is capability. Real estate professionals have spent decades developing expertise in leasing, property management, and construction. Those skills do not

automatically transfer to power purchase agreements, technology infrastructure, or franchise-dependent operating businesses. The underwriting frameworks differ. The downside scenarios differ. And the operational intensity of many nontraditional asset classes exceeds what conventional portfolios have historically required. "You cannot evaluate a data center the way you evaluate an office building," notes a senior executive at a digital infrastructure firm. "The tenants are different, the capital expenditure cycle is different, and the obsolescence risk is on a completely different timeline."

The second is pricing discipline. The *Emerging Trends* survey data reflect strong investor interest, but strong interest tends to compress returns. As an example, data centers, which topped the survey rankings for three consecutive years before this edition, saw their investment prospect score decline sharply this year, a signal that some respondents believe the sector's pricing may have moved ahead of its risk-adjusted fundamentals.

The third is structural complexity. Opco/propco structures, infrastructure concessions, and platform investments involve legal and financial architecture that is considerably more intricate than a conventional property acquisition. Investors who lack the expertise to evaluate these structures, or who rely on real estate heuristics to underwrite unfamiliar cash flow profiles, face risks that may not surface until a downturn tests the model.

The investable universe is meaningfully broader than it was five years ago. The central challenge for 2027 is to identify new sectors to invest in while building the specialized knowledge required to evaluate, operate, and exit assets that do not behave like traditional real estate. The firms that navigate this expansion well will be those that recognize what they do not yet know and invest in closing that gap, rather than applying familiar frameworks to unfamiliar assets and hoping the thesis holds.



Trend 3: Policy Is the New Geography

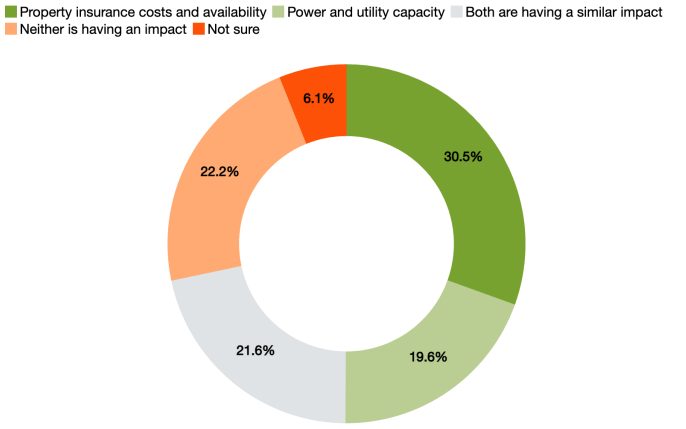
- **Regulatory conditions are becoming an increasingly important component of real estate investment and development decisions.** Rent regulation, insurance costs and availability, permitting timelines, energy and utility constraints, and restrictions on institutional ownership are all influencing where capital flows, and where it does not.
- **The effects vary significantly by location and property type.** A data center moratorium and a rent-control initiative pose fundamentally different risks to different investors, and the policy landscape is evolving at the state and local level in ways that demand market-by-market analysis.
- **Industry participants are incorporating regulatory considerations more directly into their decision making,** treating policy trajectory as a variable on par with supply, demand, and cost of capital; not because policy has replaced fundamentals, but because it increasingly determines whether strong fundamentals translate into actionable opportunity.

"Regulation and development constraints can create barriers to new supply, potentially supporting incumbent assets, but they can simultaneously create liquidity and exit risk because future buyers may discount exposure to the jurisdiction."

—A portfolio manager at a major financial institution

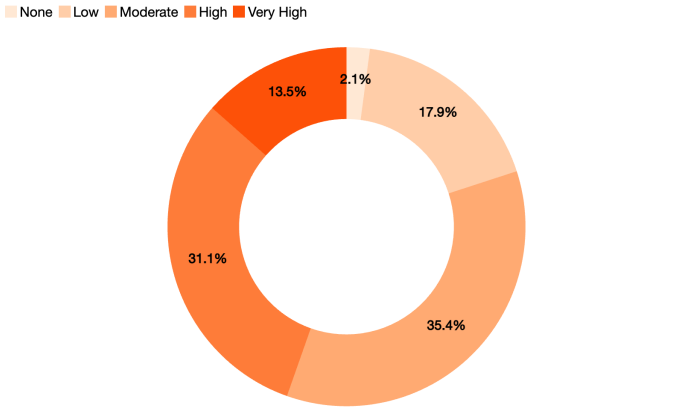
Location, demographics, and cost of capital still drive real estate decisions. That has not changed. What has changed is the degree to which regulatory conditions, at the local, state, and federal level, determine whether a market's economic fundamentals translate into viable projects, sustainable operations, and attractive returns. The *Emerging Trends* survey reflects this shift: a substantial majority of respondents say insurance costs and/or power and utility availability are materially affecting their decisions, and tariff-related uncertainty has appeared as a significant concern for respondents.

Which of the Following Is Currently Having the Greater Impact on Real Estate Decisions in Your Market?



Source: *Emerging Trends in Real Estate 2027* survey.
Note: Based on U.S. respondents only.

How Much Uncertainty Do You Believe Current or Anticipated U.S. Tariff Policies Add to the Real Estate Outlook for 2027?



Source: *Emerging Trends in Real Estate 2027* survey.
Note: Based on U.S. respondents only.

These are not abstract policy observations. They are inputs used by developers to evaluate project feasibility, by lenders to assess market risk, by operators to project costs, and by investors to screen geographies. The policy environment has become practical, not just political.

Different Policies, Different Implications

The tendency to group all regulatory challenges under a single heading—"policy risk"—obscures distinctions that matter for investment strategy. The policies affecting real estate in 2027 fall into several categories, each with different implications for different investors.

Rent regulation is spreading. The National Multifamily Housing Council is actively engaging on rent control in more than a dozen markets. The 21st Century ROAD to Housing Act, signed into law in July 2026, restricts certain large institutional investors from purchasing single-family homes beginning in January 2027, subject to exceptions for new construction, built-to-rent communities, and certain homeownership programs. A bipartisan bill has been introduced to address some of the act's impact, though it has not yet advanced. For multifamily housing owners, operators, and developers, rent regulation directly affects underwriting: rental revenue projections, operating cost pass-throughs, and exit assumptions all change when a jurisdiction adopts or expands rent control. The relationship between rent regulation and new housing construction is complex and varies by market: the effects depend on the structure of the regulation, exemptions for new development, and local market conditions. For investors in other property types, the effect is indirect but still material: rent control tends to suppress new housing construction, which can redirect household formation patterns and affect demand across sectors.

Insurance availability and cost present a different kind of challenge, one driven primarily by climate exposure and carrier economics, though state regulatory responses to insurer withdrawals can compound the effect. In parts of Florida and Southern California, the interaction among these forces has produced insurance costs that are multiples of prior levels. The effect on underwriting is immediate and quantifiable—a property that was viable at one insurance premium may not be at another—and unlike rent control, insurance costs affect every property type, from single-family homes to hospitality to industrial.

Permitting and entitlement timelines create a third category of policy influence. The time required to move a project from contract to construction varies dramatically by jurisdiction, and that variation does not merely delay returns. It changes the risk profile of development by extending the period of exposure to rate changes, cost escalation, and demand shifts. In markets with lengthy predevelopment processes, developers carry more risk for longer, and the economics of new construction become harder to underwrite with confidence.

Energy and utility constraints are an emerging but already impactful category. Data center development restrictions, enacted primarily by state or local governments, are now present in a growing number of jurisdictions, reflecting community and political concerns about power consumption, water use, and the local impact of large-scale digital infrastructure. As one West Coast investor puts it, "Power is becoming the currency in commercial real estate."

Where Policy Is Shaping Decisions

For certain asset classes in certain markets, the cumulative weight of regulatory conditions has become a decisive factor. One CEO of a hotel operator describes Los Angeles, Portland, and Chicago as markets where the regulatory and insurance environment makes it difficult to generate returns that justify new investment; a perspective that also reflects the specific economics of upper-end hospitality in those cities, including labor costs, the growing frequency and expense of property-related lawsuits, and the interaction between local policy and operating margins.

The observation is not universally shared. Other firms remain active in all three markets, particularly in property types with different regulatory exposures. But the broader pattern is worth noting: when policy conditions accumulate to a point where experienced industry participants choose to redirect activity, the effects extend beyond the immediate decision makers. Reduced investment and development activity may affect property values, tax revenue, and the quality of the built environment that may take time to reverse. Policy can also create opportunities. In New York City, zoning reforms and new tax incentives have helped unlock office-to-residential conversions—Manhattan conversion starts increased from 1.6 million square feet in 2023 to 5 million square feet in 2025—demonstrating how changes to development restrictions can alter the economics of existing assets and redirect investment toward new uses.

Boston illustrates the other direction. In 2025, development approvals declined by approximately half while the Zoning Board of Appeal deferred 19 cases compared with none the prior year, a combination of evolving regulatory requirements and elevated construction costs that demonstrates how quickly a well-functioning market can lose momentum.

San Francisco and the Forces Behind Changing Sentiment

Still, if some markets illustrate the costs of regulatory accumulation, San Francisco illustrates how quickly sentiment can shift when multiple forces align. The city's ascent from 45th to fifth in this year's survey rankings illustrates how multiple forces, not policy alone, can shift market sentiment rapidly.

San Francisco: Overall Real Estate Prospect Rankings, 2018-2027

Edition Year	Overall Rank
2020	27
2021	41
2022	60
2023	45
2024	58
2025	54
2026	45
2027	5

Source: *Emerging Trends in Real Estate* surveys.

The recovery reflects several converging factors. The artificial intelligence industry's rapid expansion has generated substantial demand for office and laboratory space, with AI-sector leasing contributing meaningfully to vacancy reductions.

Government policy has also contributed. Beginning in 2024, the city adopted a more pragmatic posture toward commercial development, invested in public safety and public realm improvements, and signaled a willingness to partner with the private sector. Interviewees credit the combination of these factors rather than any single catalyst and serve as a reminder that policy is one variable among several, and that even a supportive environment requires underlying demand to produce results.

Incorporating Policy into Investment Decisions

"We pay particularly close attention to political and regulatory risk. . . . It does not mean we are flooding into [one type of market], but we think a lot about what it means for supply-demand dynamics."

—A managing partner at a private equity real estate firm

The practical response across the industry is an expansion of the decision-making process. Several interviewees describe adding regulatory trajectory as a formal variable in market screening, development feasibility, and acquisition analysis; not as a qualitative overlay, but as a quantified input alongside supply pipelines, demand projections, and cost of capital.

The challenge is that policy risk is inherently more difficult to model than property-level fundamentals. Legislative changes can be abrupt. Ballot initiatives can produce binary outcomes. And the relationship between public sentiment, political action, and investment returns is not linear; it can remain dormant for years before producing a rapid shift in the operating environment.

What is clear from this year's interviews is that the firms treating policy as a background consideration are finding themselves surprised more often. The firms treating it as a core input—tracking legislative calendars, monitoring regulatory proposals, maintaining relationships with local officials, and building scenario analysis around policy outcomes—are better positioned to anticipate changes and, where possible, to act ahead of them.

The regulatory environment is becoming the lens through which the traditional determinants of real estate value are evaluated, and the developers, operators, investors, and lenders who adjust their process accordingly are the ones most likely to avoid the markets that look attractive on paper but prove difficult in practice.



Trend 4: Demographics: The Compounding Variable

- **The composition, location, and purchasing power of real estate demand are all changing simultaneously.** Household formation, affordability, aging, migration, and income stratification are compounding in ways that reward granular analysis and challenge conventional assumptions.
- **An aging population is generating substantial demand for senior housing and health care real estate,** the mid-30s cohort is the largest in the country and is moving toward home buying and peak spending years, and while domestic moves have declined overall, there is a shift in regional destination. At the same time, the wealth gap between the top 10 percent and all others has widened, reinforcing a K-shaped consumer economy.
- The United States is short several million housing units by most estimates, but a growing share of the population cannot afford the units that exist or that could feasibly be built. **The investment implications of those two statements are quite different.**

"There is a difference between structural undersupply and affordable undersupply and building what people can afford."

—A senior housing economist

Emerging Trends has discussed demographics for quite a few years, touching on the aging of America, the Sun Belt migration story, and the millennial generation's size and preferences. This year, the story is about demographic shifts and how these shifts are changing who demands real estate, where they demand it, and what they can afford to pay.

The Demand That Is Growing

Strong growth is seen in shifts in two large population cohorts.

First, as the "Demographic Shifts Impacting Real Estate" spotlight points out, the population in their mid-30s is the largest six-year cohort span in the country. With birthrates shifting to later years, this cohort is at prime first-time homebuyer age and moving toward peak spending years.

And second, as Chapter 2's discussion on senior housing describes: the oldest baby boomers turned 80 in 2026, the age at which a move to senior housing is more common, and that demand wave is arriving at precisely the moment the development pipeline is at its thinnest, a mismatch driven less by softening interest and more by construction costs, insurance, labor, and the cost and availability of capital. Further, that discussion points to the growing consumer interest in active adult communities, now becoming a distinct product type.

> "Senior housing has done really well because it was underbuilt . . . and the baby boomers are now turning 80."
>
> —A senior partner at a global alternatives firm

The investment opportunity is real, but it is not simple. Senior housing is an operating business, not a passive real estate holding, and the distinction matters. Several interviewees note that institutional investors who struggled with senior housing in prior cycles did so not because the demand thesis was wrong but because they underestimated the operational intensity.

The aging population also generates demand that extends beyond senior housing. Medical offices, outpatient facilities, and health care–adjacent real estate all benefit from the same demographic tailwind, and from a structural shift in health care delivery toward outpatient settings that has been underway for more than a decade.

Where Demand Is Relocating

Migration patterns are shifting in ways that affect the geographic distribution of real estate demand, though the changes are more nuanced than the "Sun Belt cooling" narrative suggests. As the "Demographic Shifts Impacting Real Estate" spotlight illustrates, the domestic migration boost to the top receiving markets has declined meaningfully from its post-pandemic peak, and regional shares of domestic migration have shifted, with the Midwest and Northeast gaining share while parts of the Sun Belt have given some back. Urban counties continue to lose domestic households to suburban, exurban, and rural counties. The offset by the arrival of new immigrants to urban areas has diminished.

At the same time, young families with children continue to choose Southeast, Florida, and Texas markets at elevated rates, drawn by housing costs, availability and affordability that remain attractive relative to higher-cost alternatives. The Sun Belt story is not over. It is becoming more differentiated, with clear distinctions between markets that have absorbed their supply pipeline and those that have not.

These shifting patterns have direct implications for submarket selection—the subject of Trend 5—because the demographic forces described here are among the primary drivers of the geographic divergence now visible across the industry.

Immigration policy is affecting demand through multiple channels. An estimated 30 percent of construction workers are foreign-born, and enforcement changes are extending project timelines and raising development costs. The effect on the labor force is direct and measurable. Immigration also affects housing demand: immigrants tend to be renters at higher rates than the native-born population, and any sustained reduction in immigration flows has implications for rental demand in gateway cities and markets with large immigrant populations.

The K-Shaped Economy and Demand

As the "Demographic Shifts Impacting Real Estate" spotlight documents, the concentration of wealth gains since 2020 has been substantial, with the majority accruing in the highest-income households. This K-shaped economy is well-reflected across property types, although in various ways. The retail sector is strong at both the luxury, experiential market and the value market. While Class A office buildings in desirable locations are strong performers, Class B and C in less attractive locations face steep challenges.

Still, without question, the concentration of purchasing power at the top end is most impactful in housing.

The Affordability Paradox

The consensus view holds that housing unaffordability is favorable for multifamily: if people cannot buy, they rent. The logic is intuitive. It is also, according to several interviewees, incomplete.

> "Housing unaffordability does not automatically create apartment demand. What it actually does, at a certain threshold, is suppress formation entirely. People double up. They stay with family. They leave the market. That is not demand; that is demand destruction."
>
> —A senior executive at a Sun Belt multifamily developer

This observation challenges one of the industry's most widely held assumptions, and it deserves serious consideration. Household formation rates among younger adults have decelerated over the past several years, and, according to data from Harvard's Joint Center for Housing Studies, the pattern correlates more closely with rent-to-income ratios than with homeownership affordability alone. When both owning and renting become unaffordable in a given market, the response is not substitution between tenure types; it is withdrawal from the housing market altogether.

The distinction between structural undersupply and affordable undersupply is where the investment analysis becomes specific. Structural undersupply means the country does not have enough housing units. Affordable undersupply means it does not have enough units at price points that match the income distribution of the people who need them. Both conditions exist simultaneously, but they carry different implications. Structural undersupply supports the case for new development: more units are needed. Affordable undersupply complicates it: because the units that are economically feasible to build often do not serve the income cohorts where the shortage is most acute.

Declining birth rates add a longer-duration consideration. The number of Americans turning 18 each year is approaching its peak and is projected to decline, a trajectory the "Demographic Shifts Impacting Real Estate" spotlight accompanying this chapter documents in detail. At the same time, the largest age cohort in the country is in its mid-30s—historically the peak years for household formation and homebuying, though elevated costs are delaying both. The size of this cohort represents substantial latent demand, but whether and when that demand materializes depends on affordability conditions, mortgage rates, and the availability of housing at price points this generation can access. The implications do not materially affect 2027 operating statements, but they are reshaping long-term underwriting for anyone evaluating student housing, entry-level multifamily, or markets whose growth depends on a continued pipeline of younger residents. (See "Demographic Shifts Impacting Real Estate" for the detailed demographic data and projections that underpin these observations.)

With natural population growth decelerating and workforce growth slowing, immigration will increasingly determine how much the United States grows over time, a reality that makes immigration policy not just a major labor market issue but a foundational variable for real estate demand projections.

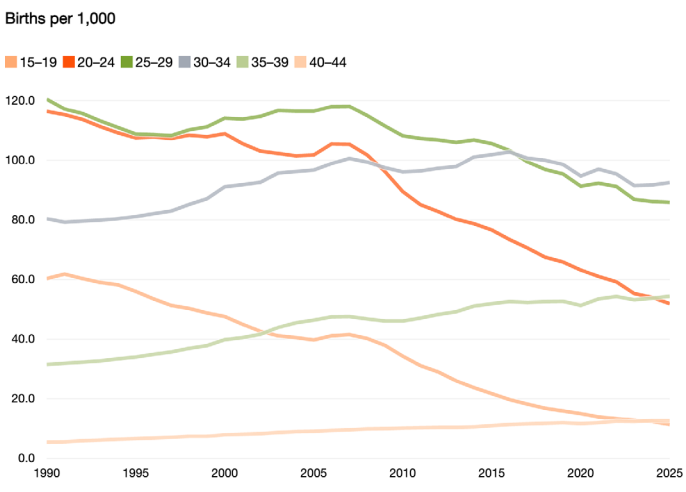
Spotlight: Demographic Shifts Impacting Real Estate

Theme 1: Population Growth Downshifting Toward Structural Decline

1. Births Shift to Women Over 35

Birth rates for women 20 to 24 have fallen by more than half since 1990, and women 35 to 39 now have more births per 1,000 than women in their early 20s. Rates are falling for every age group under 35, including women 30 to 34, whose rate peaked around 2015. Delayed family formation shifts young-adult housing demand toward smaller, childless households.

U.S. Birth Rates by Age Group, 1990–2025

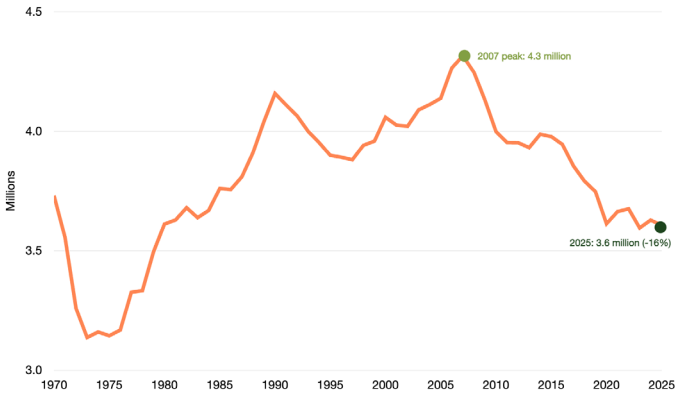


Source: *Centers for Disease Control, John Burns Research and Consulting, LLC*

2. Annual Births Fall to Early-1980s Levels

U.S. births peaked at 4.3 million in 2007 and have since fallen 16 percent to 3.6 million in 2025, matching early-1980s levels despite a population roughly 50 percent larger. Falling birth rates among women under 35 drive the decline. With population growth now concentrated among 35+ adults, smaller birth cohorts lock in slower natural growth in the population for decades.

U.S. Births, Annual, 1970–2025

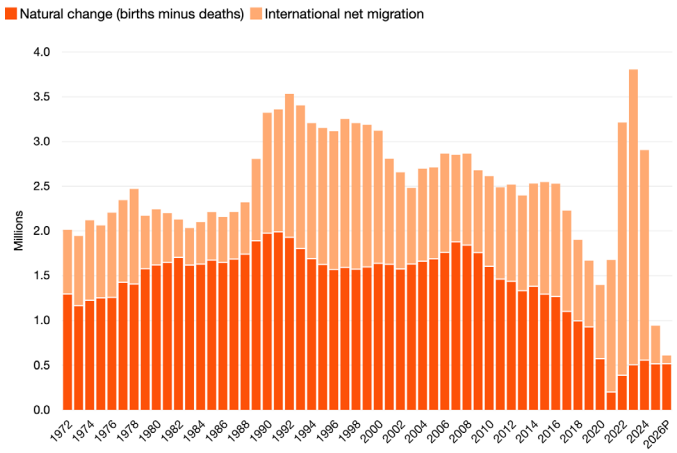


Source: *Centers for Disease Control, John Burns Research and Consulting, LLC*

3. Immigration Now Determines U.S. Population Growth

Natural change (births minus deaths) added 1.5 to 2 million people annually through 2010 but has fallen to just over 500,000, as low birth rates meet rising deaths from an aging population. Natural change is projected to turn negative in the next 10 to 15 years, leaving immigration as the only source of growth. With net immigration near zero in 2026, total growth falls to 600,000, the lowest in at least 100 years.

U.S. Population Growth Due to Natural Change and International Net Migration

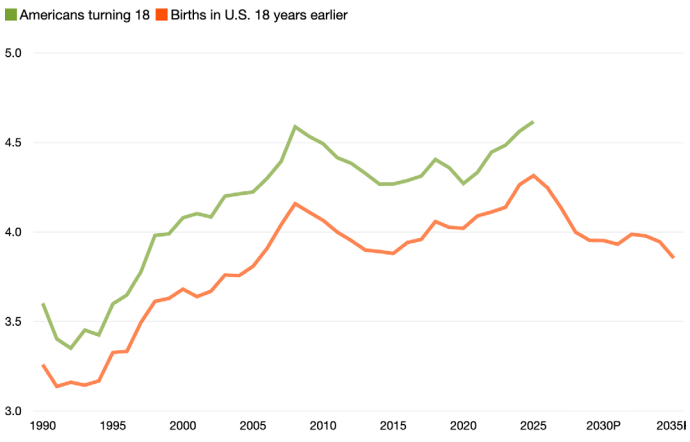


Source: *US Census Bureau, John Burns Research and Consulting, LLC*

4. Fewer 18-Year-Olds Ahead

The number of Americans turning 18 reached 4.6 million in 2025, the highest since at least 1990, reflecting the 2007 birth peak plus immigrants who arrived as children. Births 18 years earlier point to a decline of 9 percent by 2035, with the steepest drop through 2028. The nationwide demographic tailwind for college enrollment and student housing has ended, though some regions will be insulated by strong enrollment.

Americans Turning 18 Every Year Compared With Births 18 Years Earlier

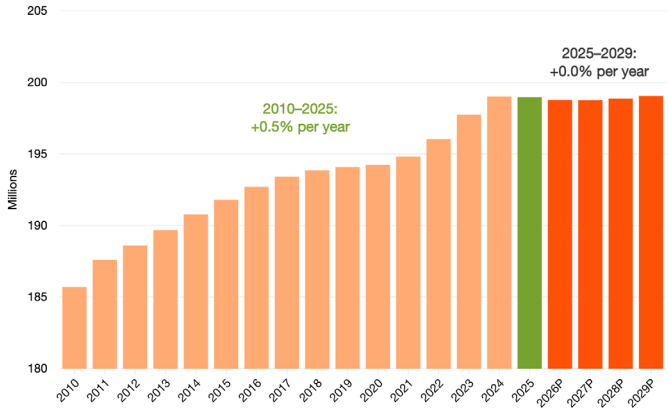


Source: *Centers for Disease Control, John Burns Research and Consulting, LLC*

5. Working-Age Population Stops Growing

The U.S. working-age population (ages 20 to 64) grew 0.5 percent per year from 2010 to 2025, reaching 199 million, but is projected to stay flat through 2029 as immigration falls and baby boomers continue aging out of the workforce. Labor force growth must now come from higher participation, which keeps break-even job growth low and removes a demographic tailwind for job-driven housing and commercial real estate demand.

U.S. Working-Age Population (Ages 20–64), 2010–2029



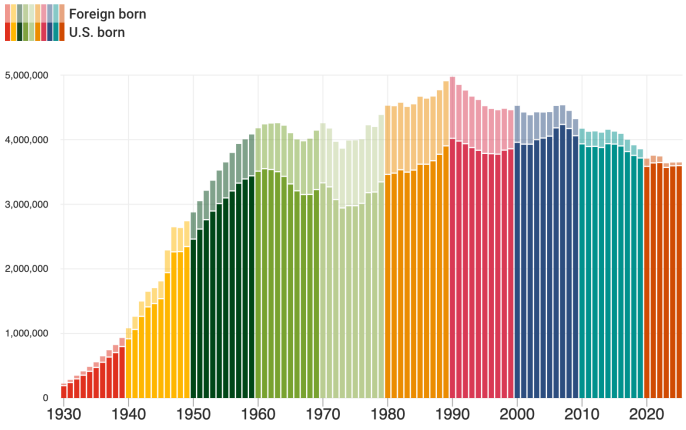
Source: *US Census Bureau, Congressional Budget Office, Forecasts by John Burns Research and Consulting, LLC*

Theme 2: Large Mid-30s Cohort Driving Spending and Housing Demand

6. Mid-30s Cohort Is America's Largest

Americans ages 33 to 38 are the country's largest age group: 28.9 million people, or an average of 4.8 million at each age, driven by the late-1980s and early-1990s birth surge plus decades of immigration. This group is at prime first-time homebuyer age and moving toward peak spending years, which arrive in their mid-40s over the next decade.

2025 US Population by Year Born



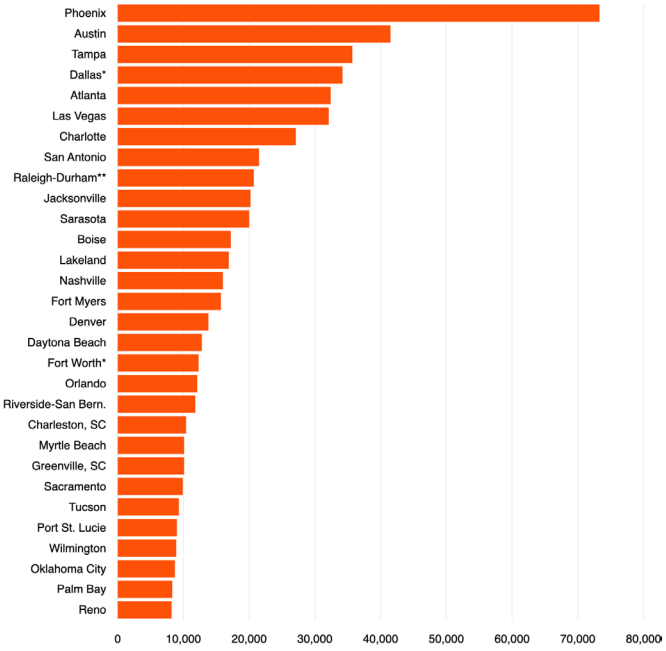
Sources: *US Census Bureau, Congressional Budget Office, Forecasts by John Burns Research and Consulting, LLC*

Theme 3: Shifting Domestic Migration Patterns Create New Winners

7. Top Migration Markets' Net Gains Fall by Nearly Half

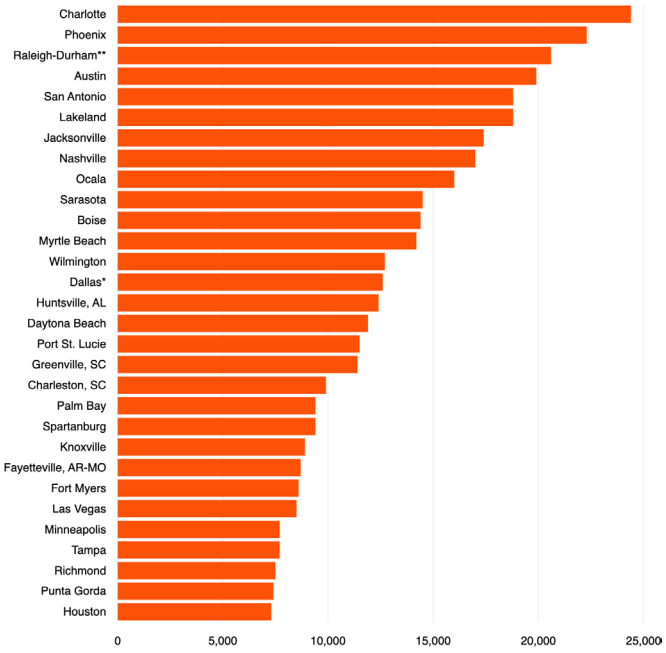
The 10 metro areas with the highest net domestic migration averaged net gains of 19,000 people in 2025, down 44 percent from 34,000 in 2019. Former leaders cooled most. Phoenix, Tampa, Las Vegas, and Dallas all dropped sharply. Lower home turnover and a weak hiring rate are suppressing long-distance mobility.

2019 Net Domestic Migration of People – Top 30 Metros



Source: *US Census Bureau, John Burns Research and Consulting, LLC*
*Metro division **Combination of metro areas

2025 Net Domestic Migration of People – Top 30 Metros



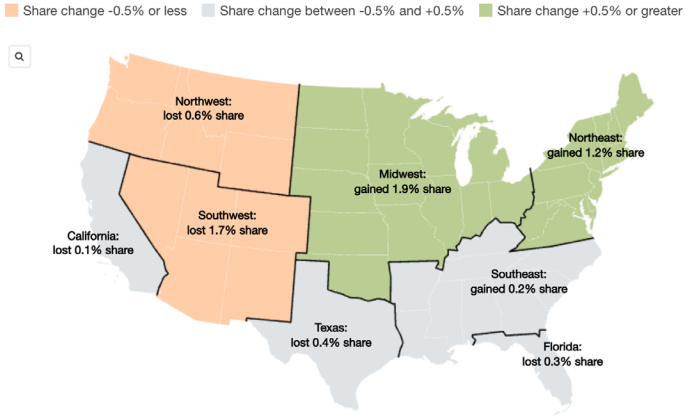
Source: *US Census Bureau, John Burns Research and Consulting, LLC*
*Metro division **Combination of metro areas

8. Southeast Holds, Midwest Gains Share of Movers

In the 12 months through June 2026, the Midwest's share of households moving in from other regions rose 1.9 percentage points compared with 2019, and the Northeast's rose 1.2 points, while the Southwest's fell 1.7 points and the Northwest's 0.6. The Southeast, Texas, and Florida held roughly steady. Relative affordability is drawing a larger share of movers to the Midwest and Northeast as the Southwest and Northwest lose ground in a shrinking pool of movers.

Shifts in Regional Shares of Inter-Region Household Migration

(March 2026, TTM vs. 2019); Domestic moves only, does not include international



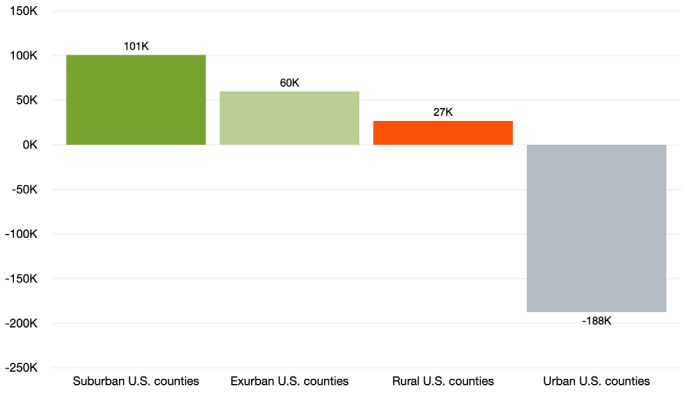
Source: *John Burns Research and Consulting, LLC, based on Melissa Data Corporation data*
Note: We define normal as 2019's inter-regional migration share, before the early 2020s migration boom-bust. Northwest region includes AK and HI.

9. Suburbs Capture the Most Movers Leaving Cities

Urban counties lost a net 188,000 households to domestic migration from July 2025 to June 2026, while suburban counties gained a net 101,000, followed by exurban (60,000) and rural (27,000) counties. Urban counties absorb most international migrants, but with net immigration near zero, that offset has largely disappeared. Suburban net gains support demand for lower-density housing (for sale and for rent), retail, medical office, and last-mile warehouses.

Domestic Net Household Migration by U.S. County Type, July 2025–June 2026

Move-ins minus move-outs; domestic moves only, does not include international



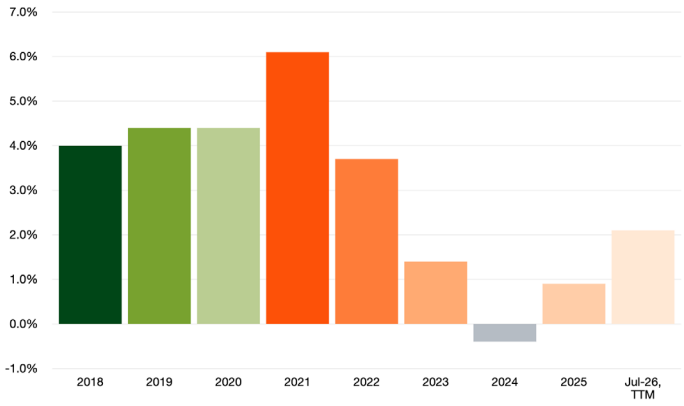
Source: *John Burns Research and Consulting, LLC, based on Melissa Data Corporation data*

10. Florida Net Domestic Migration Gains Momentum

Florida's net domestic migration rate (move-ins minus move-outs as a share of all domestic household moves) fell from 6.1 percent in 2021 to negative 0.4 percent in 2024, then rebounded to 2.1 percent in the 12 months through July 2026, the highest since 2022 but less than half the 2018 to 2020 pace. Net domestic migration is now adding more to Florida housing and retail demand than at any point from 2023 to 2025.

Florida Annual Domestic Household Net Moves Rate (%), 2018–July 2026, TTM

Domestic household move-ins minus move-outs as % of all domestic household moves. Domestic moves only, excludes international immigration.



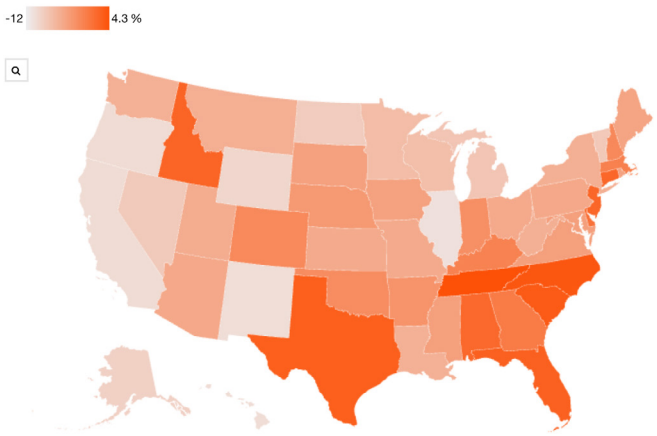
Source: *John Burns Research and Consulting, LLC, based on Melissa Data Corporation data*

11. Young Child Population Grows in Only 10 States

The population under age 5 declined in 40 states from 2020 to 2025, falling more than 3 percent in most. Growth was concentrated in the Southeast, led by Tennessee, North Carolina, and South Carolina at more than 3 percent, with smaller gains in other states including Texas, Florida, Idaho, New Jersey, Connecticut, Alabama, and Delaware. Young adults and families drawn by lower costs and job growth are concentrating future family housing demand in these states.

Age 0-4 Population Change by State

5-year percent change (2021–2025)



Source: *US Census Bureau, John Burns Research and Consulting, LLC*

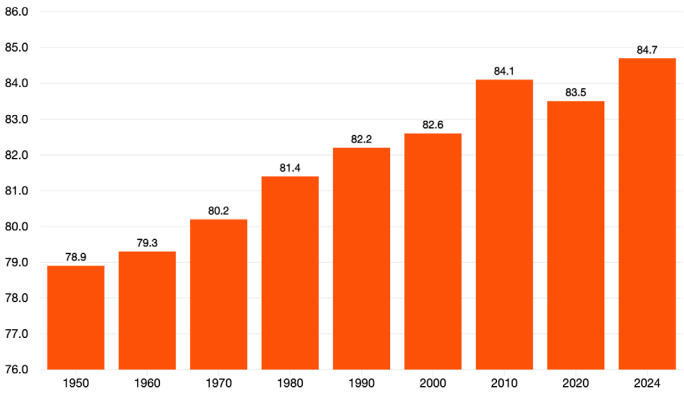
Additional Demographic Considerations

12. Retirees Face Longer Retirements Than Ever

Americans reaching 65 today can expect to live to their mid- to late 80s, nearly six years longer than in 1950, extending remaining lifespan from 14 years to almost 20. Longer lives keep older households in their homes longer, delaying the release of existing homes to younger buyers, and add years of spending on medical care and leisure.

Expected Lifespan for Those Who Reach Age 65 in the U.S.

Based on cohort life expectancy, age 65



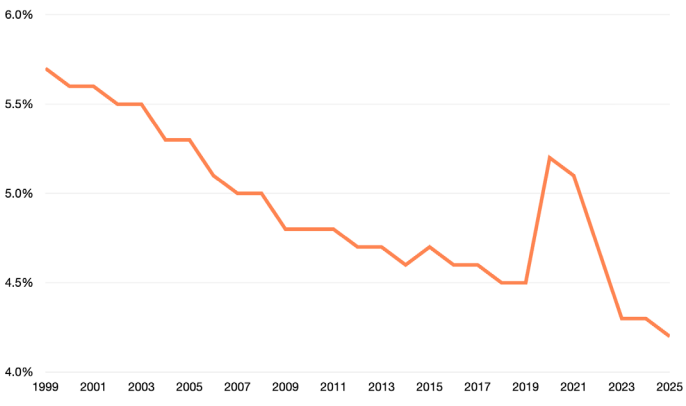
Source: *Centers for Disease Control and Prevention; John Burns Research and Consulting, LLC*

13. Older-Adult Death Rates Fall to Series Lows

The death rate for Americans ages 75 to 84 fell to 4.2 percent in 2025, continuing a general decline since 2000, with the exception of a COVID-era spike. The rate for those 85 and older dropped to 13.8 percent, near its 2009 low. Lower death rates extend how long older households occupy their homes, slowing the release of existing homes for resale.

U.S. Death Rate, Ages 75–84

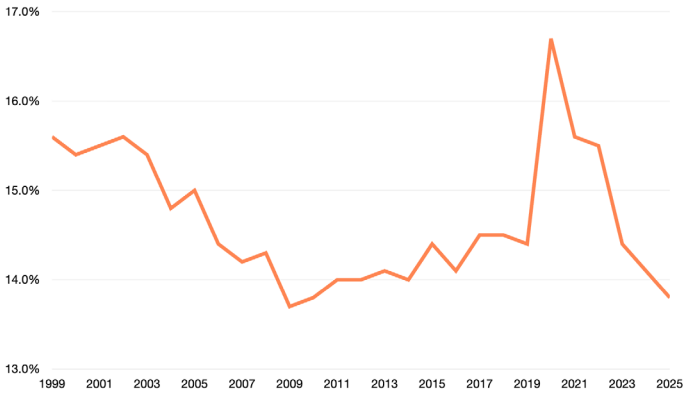
Deaths per year, % of age group



Source: *Centers for Disease Control and Prevention; John Burns Research and Consulting, LLC*

U.S. Death Rate, Ages 85+

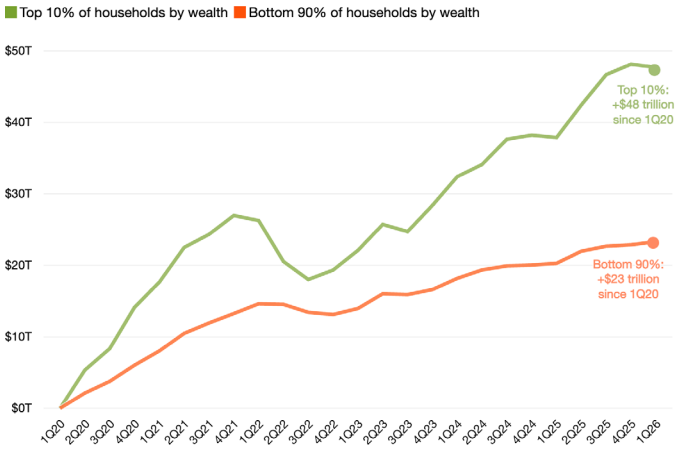
Deaths per year, % of age group



Source: *Centers for Disease Control and Prevention; John Burns Research and Consulting, LLC*

Growth in Household Net Worth, 1Q20–1Q26

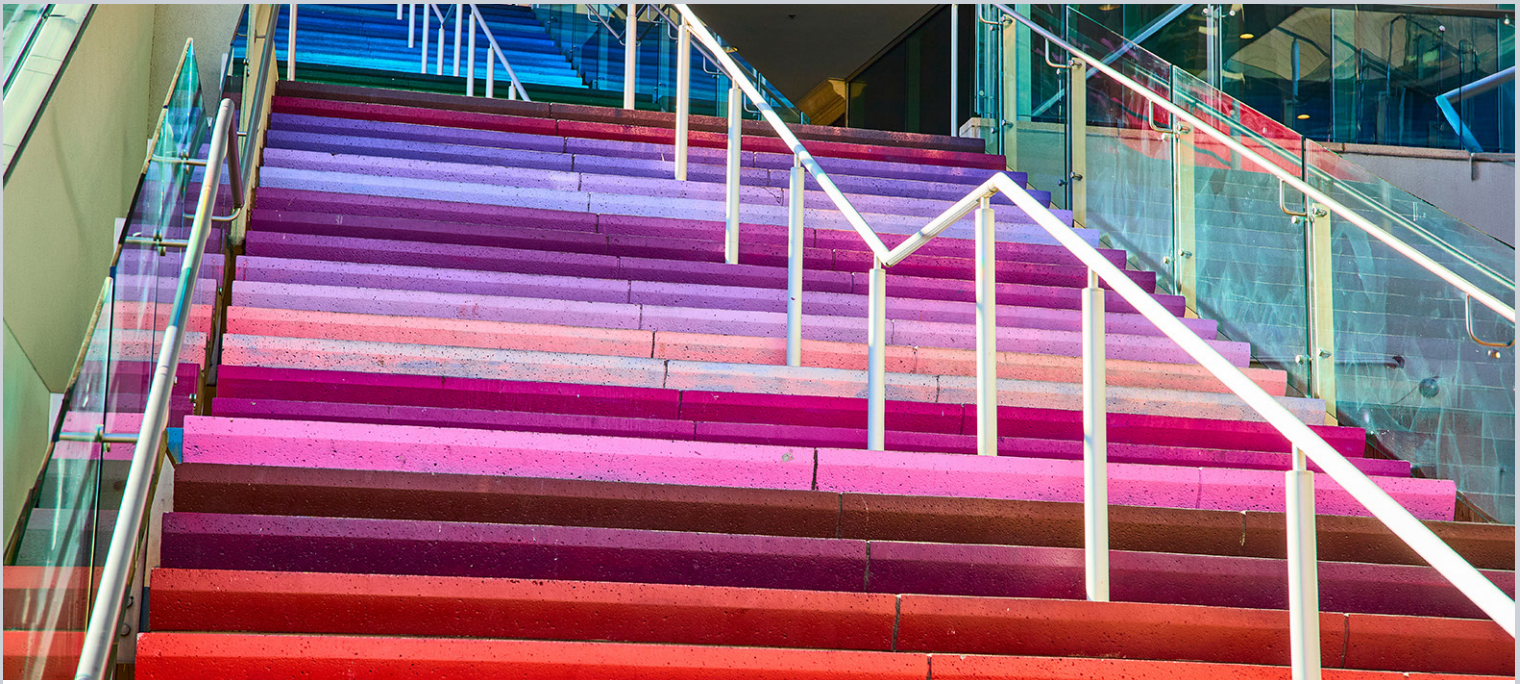
By net worth grouping



Source: *Federal Reserve; John Burns Research and Consulting, LLC*

14. Top 10 Percent Captures Two-Thirds of Wealth Gains

U.S. household net worth rose $71 trillion from early 2020 to early 2026, with $48 trillion, about two-thirds, going to the wealthiest 10 percent of households. The gap has widened since late 2024 as stock gains outpaced stalled home price growth, the main source of wealth for most households, reinforcing a K-shaped consumer economy.



Trend 5: The Great Submarket Sort

- **Interviewees consistently report that the dispersion of outcomes within markets may be as significant as the dispersion between them,** making submarket-level and asset-level analysis essential rather than optional.
- **A meaningful geographic rotation is underway,** driven by forward supply data. Several prominent firms have redirected entire geographic strategies away from overbuilt growth markets toward supply-constrained metros.
- **Exit liquidity deserves more attention than it typically receives.** Markets that deliver steady operating performance can still disappoint on total returns if the buyer pool at disposition is thinner than the seller anticipated.

"The winners of the space are going to be the ones who can tell the difference between a market that is supply constrained versus a market that you can easily develop new product in."

—A partner at an industrial-focused investment firm

"A lot of investors had the herd mentality to flood into the growth markets. And you see a disproportionate amount of supply in those markets as a result."

—A partner at a preferred equity and debt firm

Earlier trends in this chapter describe how fiscal conditions, policy, demographics, and supply constraints are reshaping the real estate landscape. This trend is about where those forces land, and why the answer increasingly depends on a level of geographic specificity that the industry has not historically required.

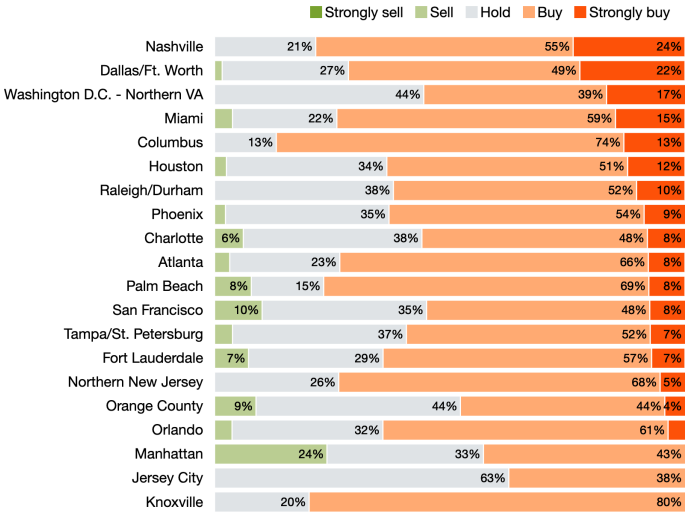
For most of the post-financial-crisis cycle, capital allocation operated on a relatively straightforward geographic framework: follow population growth and job creation, favor markets with business-friendly regulatory environments. That approach delivered strong returns for an extended period. What has changed is its sufficiency. The markets that attracted the most capital during the post-pandemic period also attracted

the most development. Permitting was fast, land was available, and construction pipelines expanded rapidly. As those deliveries arrive into a more cautious demand environment, performance is diverging sharply, not just between metro areas, but within them.

Supply as the Primary Filter

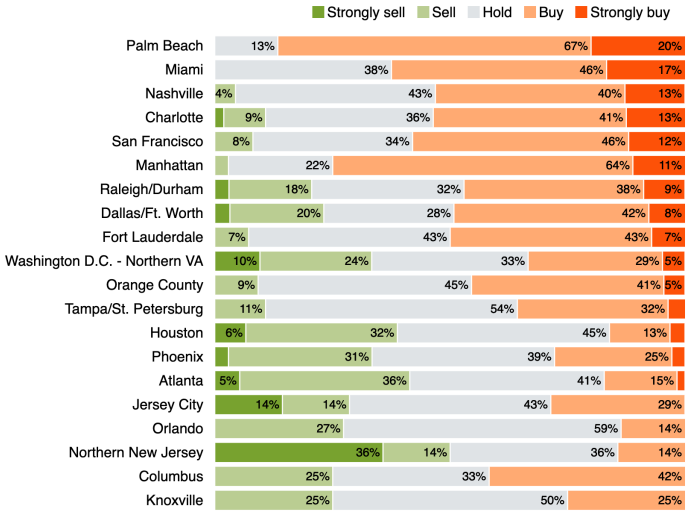
The geographic rotation underway in 2027 is real and measurable. One preferred equity firm redirected its entire focus from Atlanta, Nashville, Texas, and Phoenix to Chicago, San Francisco, and Sacramento based on forward supply analysis alone. Markets that were underbuilt, often because of regulatory constraints or higher development costs, are entering this cycle with tighter vacancy and less competitive new supply.

Industrial Buy/Hold/Sell Recommendations



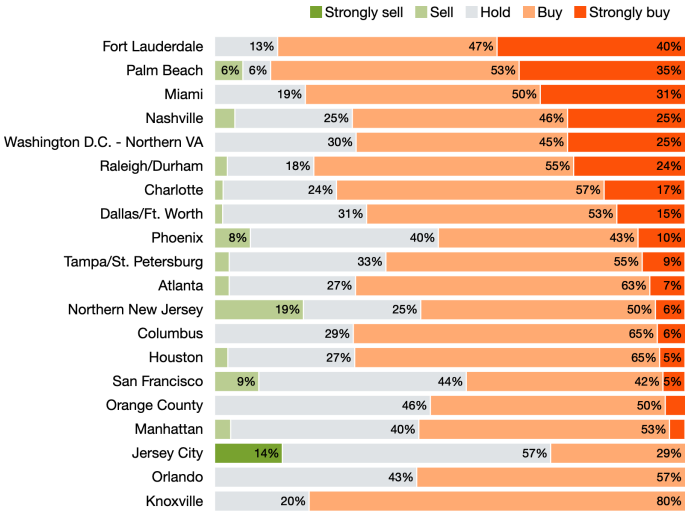
Source: *Emerging Trends in Real Estate 2027* survey.
Note: Markets listed are the top 20 rated overall for development and investment prospects, as described in Chapter 3.

Office Buy/Hold/Sell Recommendations



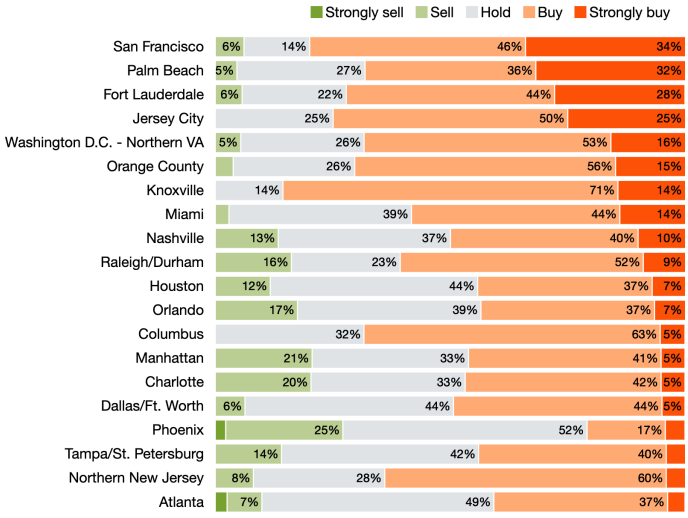
Source: *Emerging Trends in Real Estate 2027* survey.
Note: Markets listed are the top 20 rated overall for development and investment prospects, as described in Chapter 3.

Retail Buy/Hold/Sell Recommendations



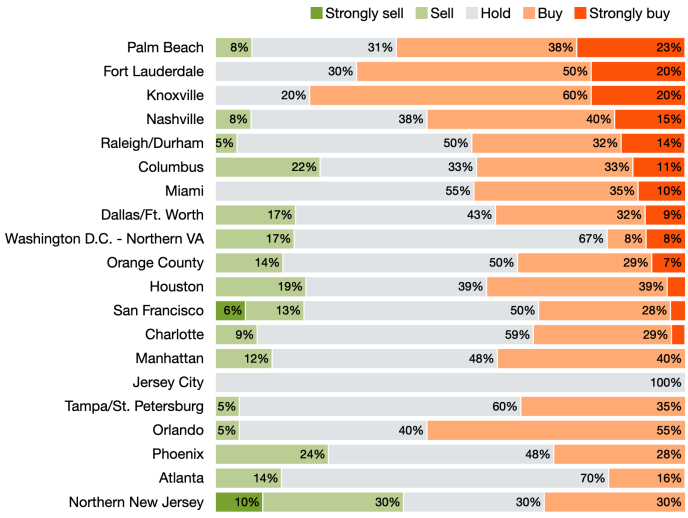
Source: *Emerging Trends in Real Estate 2027* survey.
Note: Markets listed are the top 20 rated overall for development and investment prospects, as described in Chapter 3.

Multifamily Buy/Hold/Sell Recommendations



Source: *Emerging Trends in Real Estate 2027* survey.
Note: Markets listed are the top 20 rated overall for development and investment prospects, as described in Chapter 3.

Hotel Buy/Hold/Sell Recommendations



Source: *Emerging Trends in Real Estate 2027* survey.
Note: Markets listed are the top 20 rated overall for development and investment prospects, as described in Chapter 3.

Chicago illustrates the dynamic in logistics. The market has maintained notably low industrial vacancy through recent cycles, and interviewees describe it as performing differently from prior periods, which is a function of constrained supply, diversified demand from e-commerce and manufacturing, and land costs that limit speculative development in desirable infill locations. Similarly, Cincinnati and Columbus are reaching new highs in certain industrial metrics. Central Pennsylvania is attracting institutional logistics interest as e-commerce fulfillment networks extend deeper into the eastern seaboard. Norfolk combines a limited supply pipeline with a military demand base that is largely insensitive to commercial cycles. In each case, the thesis rests on scarcity rather than growth—a different kind of diligence than the prior cycle demanded.

Within-Market Divergence

The more distinctive finding may be the scale of divergence within individual markets. Two assets in the same metro area and property type can produce dramatically different performance based on submarket-level supply, building quality, and competitive positioning.

In multifamily housing, the performance spread, measured in occupancy, rent growth, and concession levels, between a Class A property in a supply-constrained, walkable submarket and a Class B property in an overbuilt corridor of the same city can be striking. In logistics markets that experienced heavy development, the distinction between a modern facility near a major intermodal node and an older building in a secondary market of the same metro area can represent several hundred basis points of rent growth and occupancy difference.

> "The haves and have-nots are operating in two very different environments right now."
>
> —A senior executive at a major office REIT

In office, flight to quality continues to concentrate leasing in a small share of the newest buildings in the best locations. In industrial, specifications—clear heights, power capacity, trailer parking—create a functional divide between product that meets current requirements and product that does not. When new supply enters a softening market, it is the lower quality product that absorbs the competitive impact first. Across property types, sector-level exposure is an increasingly blunt instrument.

Exit Liquidity

The dimension that receives the least attention at acquisition may matter the most at disposition.

> "We are not seeing the core institutional buyer base when we are trying to sell assets. There is just weakness in creating a field to try to push pricing."
>
> —The CFO of a major office REIT

Secondary and tertiary markets or submarkets within primary markets attracting capital on the basis of strong fundamentals and supply constraints share a common limitation: a thinner institutional buyer pool at disposition. A well-located asset in a secondary market may deliver steady cash-on-cash returns through a hold period, but when an owner needs to liquidate, the universe of buyers capable of transacting can narrow considerably. The marketing period extends, pricing discovery takes longer, and in a stressed capital markets environment, the asset that performed well operationally may underperform on total returns because the exit did not clear at the anticipated valuation.

One interviewee recalls a long-held Midwest position that performed steadily throughout the operating period but disappointed at exit: "very steady performer, but when you went to exit, not a great depth of buyer pool, and everybody underwrote it as that steady Eddie. You did not get the jump ball on anything."

This is not an argument against secondary and tertiary markets or submarkets in primary markets. It is an argument for pricing the liquidity premium explicitly. The spread between a secondary market acquisition and a comparable asset in a deeper market needs to compensate for the structural reality that fewer buyers will compete at exit.

The forces described throughout this chapter, fiscal pressure, policy fragmentation, demographic shifts, supply constraints, are all playing out at the submarket level. The firms responding most effectively are investing in more granular data and more localized knowledge and asking harder questions about the full lifecycle of an investment—not just whether an asset will perform during the hold, but whether the market will support an orderly exit at the scale and pricing the investment requires.



Trend 6: The Coming Supply Gap

- **Construction pipelines have contracted significantly across most property types,** generally reflecting elevated development costs, financial constraints, and the need to absorb supply delivered during the prior cycle.
- **Reduced construction does not necessarily mean a shortage of space.** Demand for high-quality office space is strong, and supply is constrained by interest in combining the right type of space with the right location.
- **The timing of the glass-half-full implications of the supply contraction depends substantially on the interaction of fundamentals and the particulars of the slowdown.**
- **Elevated development costs, compounded by data center construction absorbing an outsized share of labor, materials, and electrical infrastructure, intensifies competition for existing properties,** creating potential advantages for owners, operators, and lenders with exposure to well-positioned stabilized assets.

"If you can buy below replacement cost, why would you build?"

—A senior hospitality executive

In the 2025 edition of *Emerging Trends*, the headline story was a supply surge. Record construction in industrial, multifamily, and life sciences was delivering new product into markets that, in many cases, had not experienced meaningful new supply in a decade. That wave has largely washed through the system, and what follows is development pipelines across most major property types have contracted to levels not seen in years, and the factors driving the contraction suggest it will persist.

The reasons for the slowdown are multiple and vary by sector. Across all property types, development costs have risen substantially with materials, skilled labor, and financing all contributing to a total cost of delivery that is meaningfully higher than when much of the current inventory was capitalized. In sectors like multifamily housing and industrial, the slowdown also reflects a natural correction: markets that experienced rapid development during the post-pandemic period are now absorbing that supply, and both developers and their capital partners are exercising caution about adding more. In other sectors, regulatory constraints, permitting delays, and, in the case of data centers, community opposition are extending development timelines or deterring new starts altogether.

The resulting picture varies by sector and geography. Some markets and sectors are approaching a period where limited new supply could begin to tighten operating conditions. Others have enough existing inventory and available space that the construction slowdown does not yet imply a shortage.

Where the Pipeline Has Contracted

The industrial logistics sector provides the most widely discussed illustration. The construction pipeline contracted sharply from its pandemic-era peak, and speculative starts slowed meaningfully through 2025 and into early 2026. More recently, national data suggests the pipeline has begun to stabilize and, in some markets, has started to expand again from those lows—a sign that developers with access to capital and pre-leasing activity are re-entering selectively. As further discussed in Chapter 2: Property Types, construction is resuming in targeted markets and size segments. But the recovery is uneven and several interviewees note that the overall volume of new competitive supply arriving over the next two to three years will remain well below the levels of 2022 through 2024, particularly for modern, large-format space in high-demand logistics corridors. As the head of a global logistics investment platform summed it up: "The under-construction pipeline is down significantly from peak. Expect undersupply of modern logistics within two years."

In hospitality, supply growth has remained below 1 percent annually for several consecutive years. The economics of new hotel construction are particularly challenging at current cost levels. Several interviewees note that the gap between what it costs to build a new hotel and what it costs to acquire an existing one has widened to levels that strongly favor acquisitions. That dynamic may limit new competitive supply for an extended period, which could support operating performance for existing properties, particularly in markets where demand is stable or growing.

Multifamily housing starts have fallen to their lowest level in more than a decade. The multifamily picture is complicated by the fact that the country faces a well-documented housing shortage even as recently delivered multifamily in certain submarkets remain in lease-up. The wave of deliveries that pressured rents in fast-growing Sun Belt and Mountain West markets during 2024 and 2025 is now being absorbed, and the projects that would have been capitalized in those markets in 2023 and 2024 were largely not, given the financing environment. The gestation period for large-scale multifamily housing development means the effects of that underinvestment are likely to be felt through the end of the decade.

Office space under construction has contracted to approximately 19.7 million square feet nationally, a figure well below historical norms. The office market also carries the highest vacancy among major property types, but interviewees caution against interpreting limited new construction as an imminent supply shortage. The more nuanced view is that the absence of new supply is gradually rebalancing conditions in select submarkets—particularly for trophy and Class A product—while commodity and lower-quality office space continues to face structural demand challenges that a supply contraction alone cannot resolve.

Life sciences construction has also slowed dramatically following the speculative development surge of 2021 and 2022. Deliveries have fallen to very low levels in recent quarters, and the speculative lab shell development that characterized the peak period has largely stopped. The correction has been significant; vacancy remains elevated in several major research clusters, including the core Boston, San Francisco, and San Diego markets that attracted the most aggressive development. At the same time, leading indicators are more encouraging: venture capital funding into life sciences companies has reaccelerated, pharmaceutical M&A activity has resumed, and sublease availability has begun to decline in select markets. Occupancy appears to have hit bottom as of 4Q 2025 and has since experienced two quarters of improvement in 2Q 2026. The path from reduced construction to improved operating performance will depend on the pace at which capital formation translates into development, a lag that typically runs 12 to 24 months between a funding event and a signed lease.

The Role of Development Costs

The elevated cost of development is the common thread across sectors, and it has implications that extend beyond the near-term construction outlook. Development costs including materials, labor, and the cost of capital have risen an estimated 30 to 40 percent from pre-pandemic levels in many markets, driven by materials, labor, and financing. As one senior health care REIT executive puts it, "You can't build a 20-year-old facility," a concise way of describing why existing assets in several sectors carry a cost advantage that new development cannot easily overcome. That gap, while it persists, limits the volume of new competitive supply that the market can produce.

For owners of existing stabilized assets, the development cost environment creates a potential advantage: limited new competition from projects that simply cannot be built at rents the market will currently support.

Data center construction has introduced an additional layer of cost pressure in certain markets and trades. The artificial intelligence buildout is consuming electrical infrastructure, skilled labor, and general contractor capacity, and interviewees in several markets describe competitive dynamics in which data center projects attract resources that would otherwise serve other types of development. The effect is most pronounced in markets with significant hyperscale construction activity and in specific trades—electrical, mechanical, and structural—where data center specifications demand higher skill levels. It is less of a factor in markets without major data center development or in construction disciplines that are not directly affected.

Survey data from this year's *Emerging Trends* respondents confirm that cost and labor availability remain significant concerns: just over 60 percent of respondents cite construction costs and labor as a top disruptor, second only to artificial intelligence.

Timing and Implications

The timing of the glass-half-full implications of the supply contraction depends substantially on the interaction of fundamentals and the particulars of the slowdown. Much will depend on how quickly existing inventory is absorbed, when new deliveries slow, and whether demand is strong enough to support improved occupancy and rents. In industrial logistics, the case for a near-term, low-supply scenario is arguably the strongest. Demand drivers are well established, vacancy in many markets has begun to normalize, and the pipeline contraction is advanced enough that competitive new supply over the next two to three years will be limited. Owners of modern, well-located distribution facilities are positioned to benefit as the market tightens.

In the multifamily sector, the low supply benefit is sector- and geography-dependent. Markets that overbuilt during the prior cycle still have absorption to complete before constrained supply translates into meaningful rent growth. Markets that were already supply-constrained, often because of regulatory barriers to development, may see the benefits sooner. The household formation and affordability dynamics discussed in Trend 4: Demographics: The Compounding Variable also matter. Constrained supply helps existing owners only to the extent that demand materializes at rents the market can support.

In the office sector, the supply picture is more complex, as detailed in Chapter 2: Property Types. Limited new construction is a positive for owners of high-quality assets in tight submarkets, but it does not resolve the structural vacancy challenge that the broader sector faces.

The broader observation is that the supply cycle is turning but how that plays out varies considerably by sector, and the lag between declining construction starts and improved operating conditions for existing assets is longer than it may appear. Except for housing, the supply gap is more of a forward-looking story than a present-tense condition in every market.

The investment implication is one of sequencing. The sectors where the pipeline contraction is most advanced and where demand drivers are most durable (industrial logistics in supply-constrained markets, hospitality in segments where new construction is cost-prohibitive, multifamily housing in markets that did not overbuild) are likely to see the benefits first. Office and life sciences, where vacancy remains elevated despite limited new construction, may take longer to reach the inflection point. For investors, developers, operators, lenders, and advisers, the discipline lies in distinguishing between sectors where reduced supply is already creating operating advantages and sectors where the gap between declining starts and improving fundamentals has not yet closed.



Trend 7: AI and the Human Premium

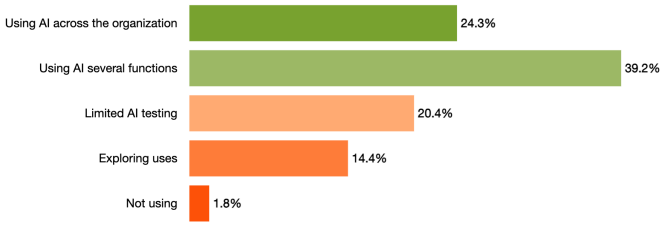
- **AI adoption in real estate has moved from experimentation to active use,** with almost two-thirds of survey respondents now actively deploying it and most of those reporting productivity gains. Still, the industry's collective understanding of where AI creates—and does not create—durable value remains incomplete.
- **The more consequential question is no longer whether firms are using AI but which activities benefit from automation and where human expertise continues to create value that technology cannot deliver.** That distinction is shaping investment strategy, operating models, and competitive positioning for firms across the industry.
- **As AI increasingly supports analytical and operational tasks,** the ability to exercise judgment, build relationships, and deliver differentiated service and experiences remains an important source of value across the industry.

"Everybody is talking about AI, but very few people are actually doing it well. It is painful and slow and expensive."

—The CEO of a national extended-stay operator

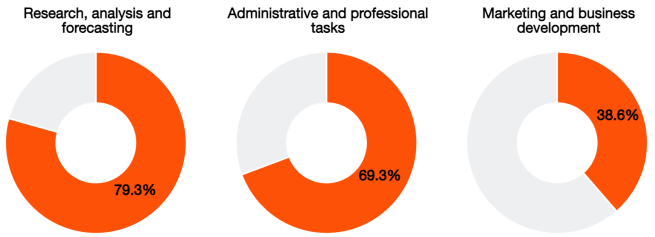
Artificial intelligence was already a significant topic in last year's *Emerging Trends* report, where it was described as moving from "buzzword to operational reality." Twelve months later, the adoption data has advanced. A clear majority of respondents are now actively using AI in their operations, and an even larger share rank it as the single most disruptive force facing the industry through 2029, ahead of construction costs, geopolitical instability, and energy and power grid constraints. The numbers suggest that AI has crossed from early experimentation into broader deployment across the real estate business.

To What Extent Is Your Organization Currently Using Artificial Intelligence (AI)?



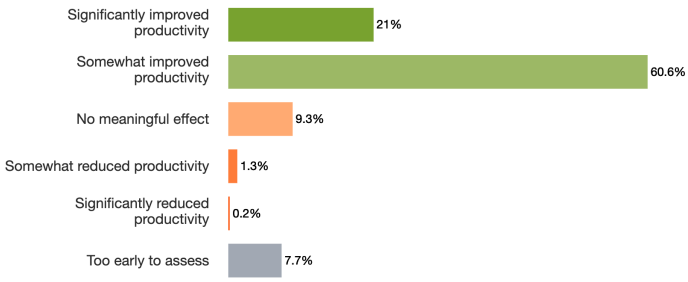
Source: *Emerging Trends in Real Estate 2027* survey.
Note: Based on U.S. respondents only.

Select the Three Areas Where Your Organization Is Using, or Expects to Use, AI Most:



Source: *Emerging Trends in Real Estate 2027* survey.
Note: Based on U.S. respondents only. Percentage of experts who selected each option.

Overall, What Effect Has AI Had on Productivity Within Your Organization?



Source: *Emerging Trends in Real Estate 2027* survey.
Note: Based on U.S. respondents only.

What the aggregate data does not capture is how unevenly that deployment is occurring. Some firms describe transformative results: internal tools built at a fraction of prior costs, analytical capabilities that did not previously exist, operational efficiencies that are freeing capacity for higher-value activities. Others describe failed pilots, organizational resistance, data quality problems, and the difficulty of moving from a promising demonstration to a production system that reliably improves outcomes. The candid assessment from one operator, "very few people are actually doing it well," may be the most representative observation in this year's interviews. See "AI in Institutional Real Estate: Adoption Without Impact" for reinforcement of this point.

Where AI Is Gaining Traction

The shift from last year centers on what firms are doing with the technology and how it is affecting their business models. The most-discussed development among interviewees is internal tool development. Several firms describe building custom applications using AI-assisted coding that replace vendor software at significantly lower cost. For example, one economy extended-stay operator reports that a team member with no formal coding background produced roughly 80 percent of a custom operational tool that had been quoted at $400,000 by an outside vendor. The internal build cost a fraction of that amount.

Whether that experience represents a scalable model or an exceptional case is debatable (the firms reporting similar results tend to have strong data infrastructure and executive commitment to the process) and internal development carries its own ongoing costs in maintenance, updates, and technical support that are not always apparent at launch. But the example illustrates a shift in the economics of technology development that has implications for the proptech ecosystem and for how real estate companies evaluate build-versus-buy decisions.

Investment analysis is another area where interviewees describe meaningful progress. One institutional manager reports using AI to process unstructured data—such as container volumes, consumer spending patterns, and municipal filings—to inform an investment thesis that diverged from consensus. The specific bet, in a market where sentiment was negative, performed well. Several firms describe scenario-modeling capabilities that allow them to assess the portfolio-level impact of macroeconomic shocks in days rather than weeks. These are compelling individual examples, though it is worth noting that the connection between AI-assisted analysis and sustained investment outperformance has not been broadly established across the industry.

"They are not accounting for some sort of reduction in headcount because of it. I just don't think they know what the impact is going to be. Right now, and for the foreseeable future, AI is going to be a tremendous positive."

—The CFO of a major office REIT

Fundraising is where AI's competitive implications may be most immediately visible. Institutional allocators are increasingly asking about a manager's data infrastructure and analytical capabilities during due diligence. The inquiries go beyond whether a firm uses AI to how it uses it, what proprietary tools it has developed, and whether its technology investment is producing demonstrable results.

Whether AI capability is already a decisive factor in capital allocation decisions or simply an emerging consideration is a matter of perspective, but the direction of the conversation is clear, and firms that can demonstrate thoughtful technology investment are finding it easier to differentiate themselves in competitive processes.

The Implementation Challenge

The enthusiasm about AI's potential coexists with a more sober set of observations about what it takes to deploy it effectively. Interviewees describe several recurring challenges.

Data quality is the most fundamental. AI systems are only as useful as the data they process, and many real estate organizations have spent decades accumulating property, financial, and operational data across fragmented systems with inconsistent formatting and limited integration. Cleaning, organizing, and connecting that data is expensive, time-consuming, and unglamorous, and it must be done before any AI application can produce reliable results.

Governance and cost control present related challenges. Token consumption, cybersecurity exposure, and the risk of employees using AI tools without adequate oversight are real concerns that several interviewees describe as underappreciated. The operational cost of AI is not limited to the subscription fee; it includes the organizational infrastructure required to deploy it responsibly.

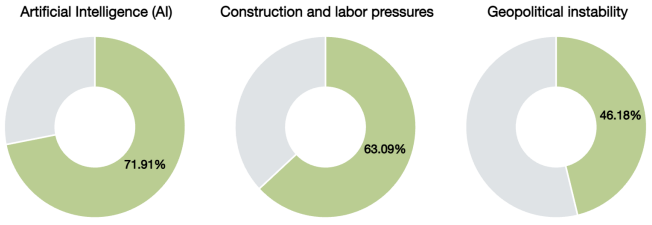
Talent is perhaps the most persistent constraint. Several firms note that the real challenge is not finding people who can use conversational AI tools (that skill is already widespread) but finding professionals who can embed AI deeply into business processes, connect it to proprietary data, and use it to improve decision-making at the organizational level. That capability remains scarce.

"Eventually every company will need a dedicated in-house AI expert."

—A senior executive at a public net-lease REIT

The observation captures both the ambition and the difficulty. Becoming a technology-capable real estate company requires investment in talent, infrastructure, and organizational culture that goes well beyond purchasing software.

Top Emerging Disruptors Reshaping Real Estate (2027–2029)



Source: *Emerging Trends in Real Estate 2027* survey.
Note: Based on U.S. respondents only. Percentage of experts who selected each disruptor.

Where Human Expertise and Service Create Value

Against this backdrop of technological adoption, a consistent observation emerges from the interview data that is worth taking seriously. The importance of human presence, personal service, and the quality of in-person experience in real estate is not new. It has always mattered, particularly in hospitality and in properties that compete on tenant experience. What interviewees are describing is a reinforcement of that longstanding preference, at a moment when the increasing prevalence of digital interaction in other parts of daily life may be making personal service more noticeable and more valued by the people who use buildings.

> "As data and AI make data more readily available, the market becomes more available. And so then the real skill and the human value of recognizing what is not priced in becomes even more valuable."
>
> —A partner at a national investment adviser

This observation speaks to a broad pattern that appears across sectors and an expectation of personal service that is intrinsic to the product. Multifamily operators that have invested in on-site programming, community management, and hospitality-inspired service approaches describe stronger resident retention and, in some cases, rent premiums relative to conventionally managed properties. The relationship between these investments and financial performance is difficult to isolate precisely; many variables contribute to occupancy and rent growth, but the directional signal across multiple interviewees is consistent. That said, preferences for human versus automated interaction vary by customer, activity, and property type. The 2026 *Emerging Trends* report noted that younger renters often preferred automated interactions for routine services such as maintenance requests and package notifications, suggesting that the value of personal engagement is context-dependent rather than universal.

In office, the discussion has shifted from how to compel attendance to how to create environments where in-person interaction is valuable enough that people choose to come in. "Hoteling did not work. Hot desking did not work," reports a senior leasing executive at a Manhattan office REIT. "What works is giving people a reason to come in that they cannot replicate at home. And that reason is almost always other people." Landlords and operators that are succeeding in this effort tend to invest in programming, food and beverage, flexible space design, and community management, amenities and services that are labor-intensive and fundamentally human. Live events, sports-adjacent development, and experiential retail (discussed further in Trend 8: Reimagining Places) represent a related category that is largely insulated from technological displacement.

The Practical Distinction

The opportunity for real estate professionals is to balance AI and human investment. It is to understand, with as much specificity as possible, which activities in their businesses benefit most from automation and which depend on human expertise, judgment, and personal interaction.

AI can increasingly assist with data processing, financial modeling, reporting, and analysis. But faster analysis does not eliminate the need for experienced professionals to interpret results, challenge assumptions, and make decisions in the context of market conditions that technology may not fully capture. Similarly, while automation can improve efficiency in property operations, personal service and relationships remain important in certain sectors and customer interactions.

The human premium in real estate extends well beyond customer-facing service. It includes the professional judgment that experienced dealmakers bring to evaluating opportunities, the market knowledge that allows investors and advisers to contextualize data that AI surfaces but cannot fully interpret, and the relationship-based dealmaking that underpins much of the industry's transaction activity. Complex decisions about risk, capital allocation, and strategy still depend on informed judgment that comes from experience. Interpreting and challenging AI-generated analysis is

itself becoming a valued skill, one that developers, operators, lenders, and advisers all need as these tools become more embedded in day-to-day workflows.

How individual firms allocate resources between those two domains—and whether they treat them as complementary investments rather than competing budget items—may prove to be one of the more consequential operating decisions of this cycle. The distinction between implementing technology and generating measurable value from it is not yet fully resolved across the industry, and executives who maintain clarity about that distinction will be better positioned than those who conflate adoption with advantage.

Spotlight: AI in Institutional Real Estate: Adoption Without Impact

Institutional real estate investors have spent the past several years approving AI budgets and building AI into how they source, screen, underwrite, and manage deals. With that work well underway, the question facing investment leaders has shifted from adoption to impact: is AI actually changing how their firms invest?

To answer it, Dealpath commissioned independent research firm Censuswide to survey 103 investment and technology professionals, from analysts to the C-suite, at institutional real estate firms in the United States and Canada managing $500 million to more than $40 billion in assets. Fieldwork was completed in 2Q of 2026, and the results are published in Dealpath's report *The 2026 State of AI in CRE Investing: Adoption Without Impact*.

The short answer is "not yet," and not because of the AI models themselves. The gains respondents reported were modest and uneven; many said the time spent checking AI's work cancels out the time it saves, and fragmented deal data was the most-cited reason AI fell short. The findings below cover four areas: the gap between adoption and results, the cost of verifying AI's work, how firms' confidence in their data compares with what it delivers, and where trust in AI breaks down.

1. Adoption Has Outpaced Measurable Outcomes

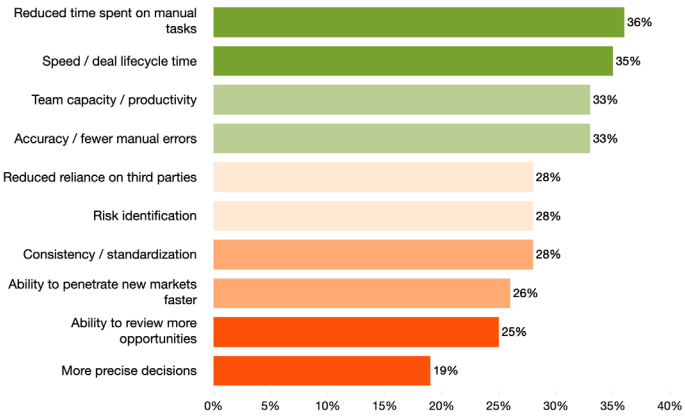
Nearly all respondents (97 percent) said AI is integrated into their firm's investment process, and 52 percent described it as fully integrated. Yet the top outcome AI improved most for these teams, cited by just 36 percent of professionals, was reduced time on manual and repetitive tasks.

The second highest outcome named was faster deal cycles, at 35 percent. The top two outcomes both reflect AI accelerating individual tasks, such as extracting figures from documents or summarizing diligence materials, inside workflows that are otherwise unchanged.

Improvements to the investment decisions themselves ranked last: just 19 percent cited more precise decisions.

AI Outcomes

What outcomes has AI improved the most for your team when it comes to deal evaluation and execution? (Respondents could select up to three)



Source: *Dealpath, The 2026 State of AI in CRE Investing: Adoption Without Impact. Survey of 103 institutional CRE investment and technology professionals in the U.S. and Canada, conducted by Censuswide; fieldwork completed Q2 2026.*
Note: Multi-select question; percentages do not sum to 100. No single outcome was cited by more than 36% of respondents.

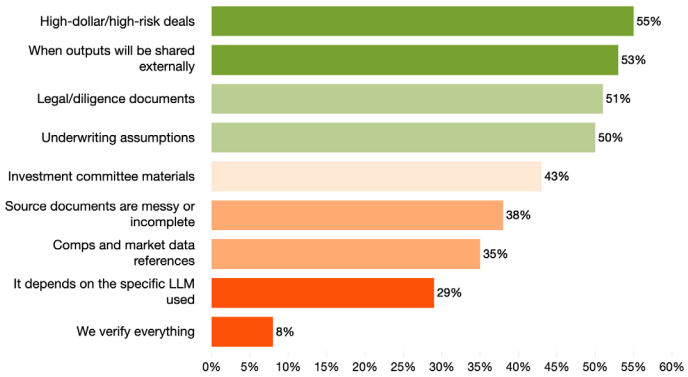
2. Verification Absorbs Much of the Time Saved

Verification is close to universal: 94 percent of respondents reported checking AI outputs most of the time or always. An analyst who uses AI to extract a T-12, for example, still confirms every line, because a single transposed expense flows into net operating income and then into valuation. The time this takes is what Dealpath calls the *verification tax*: the cost of confirming AI outputs are accurate enough to act on, which rarely shows up as a line item. *In effect, AI has moved much of the effort from performing the task to checking it.*

The cost shows up in the time data. Only 51 percent of respondents said AI saves them time once verification was counted, while 41 percent said work involving AI now takes longer than building the same analysis manually.

AI Output Verification

In which situations does your team typically increase verification of AI outputs? (Select all that apply)



Source: *Dealpath, The 2026 State of AI in CRE Investing: Adoption Without Impact. Survey of 103 institutional CRE investment and technology professionals in the U.S. and Canada, conducted by Censuswide; fieldwork completed Q2 2026.*
Note: Multi-select question; percentages do not sum to 100. Subtitle revised from the published figure ("When do firms...") because responses are individual, not firm-level.

The burden varies by type of work. Among respondents in credit, where covenant-heavy loan documents demand line-level precision, 51 percent said AI makes their work slower. Among those in dispositions, whose work leans on summarization that is quick to check, 59 percent said it saves time.

3. Self-Assessed Data Readiness Does Not Match Results

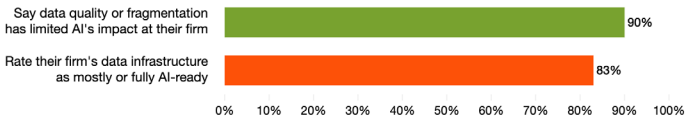
While 83 percent of respondents rated their firm's data infrastructure as mostly or fully ready for AI, 90 percent said data quality or fragmentation had limited AI's impact at their firm, a contradiction the report calls the *confidence gap*. A quarter called data the primary constraint, and only 8 percent said it had not limited AI at all. When AI outputs fall short, incomplete, inconsistent, or fragmented data is the most-cited cause, named by 43 percent, ahead of hallucinated outputs at 36 percent.

The gap likely reflects a higher bar for what counts as usable data. Firms have historically judged their data by whether it is accurate enough for a trained professional, one who knows the data and how it is organized, to act on. AI requires more: every field must also be structured, current, and connected to the deal record. A professional can work around the gaps; a model inherits them and fills them with guesses rather than flagging them.

The constraint is felt most acutely closest to the deals: 77 percent of investment professionals said data has significantly or moderately limited AI, compared with 56 percent of technology and data leaders.

The Confidence Gap

Respondents' ratings of their firm's data infrastructure for AI, compared with their reports of data limiting AI's impact



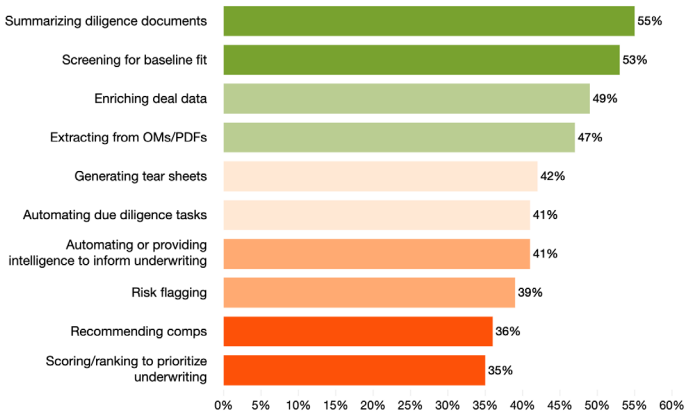
Source: *Dealpath, The 2026 State of AI in CRE Investing: Adoption Without Impact. Survey of 103 institutional CRE investment and technology professionals in the U.S. and Canada, conducted by Censuswide; fieldwork completed Q2 2026.*
Note: 83% = rated data infrastructure 4 (mostly ready, 43%) or 5 (fully ready, 40%) on a 1-5 scale. 90% = said data quality or fragmentation has limited AI's impact significantly, moderately, or minimally. Figures describing firms are respondents' assessments of their own firms.

4. Trust Declines as Tasks Move Toward Valuation

Trust in AI varies predictably by task, along what Dealpath terms the *trust spectrum*. Informational tasks, whose outputs are easy to check against a source, earned the most trust: 55 percent of respondents highly trust AI to summarize diligence documents, and 53 percent to screen opportunities for baseline fit. Judgment tasks closest to valuation earn the least: just 35 percent highly trust AI to score and rank opportunities, and 36 percent to recommend comps, the two lowest of any use case.

The Trust Spectrum for AI Use Cases

Share of respondents who highly trust AI to perform each task (minimal verification needed)



Source: *Dealpath, The 2026 State of AI in CRE Investing: Adoption Without Impact. Survey of 103 institutional CRE investment and technology professionals in the U.S. and Canada, conducted by Censuswide; fieldwork completed Q2 2026.*
Note: Values match the published Trust Spectrum figure, shown here as a ranked bar chart. Informational tasks rank highest; judgment tasks closest to valuation rank lowest.

Underwriting shows what is at stake. It had the lowest AI adoption of any lifecycle stage, with 48 percent of respondents using AI there, yet 23 percent named it as the stage where AI has delivered the most measurable value, second only to portfolio management at 31 percent. The pattern is consistent with the survey's root-cause findings: the more a team can rely on the data beneath an output, the further along in the deal cycle it is willing to use AI.

Outlook: As AI Models Change, the Underlying Data Will Dictate Returns

A year earlier, Dealpath's 2025 State of AI Readiness survey, a separate study of 100 institutional investors, found 98 percent naming data infrastructure a top priority for the following 24 months and 61 percent expecting AI to deliver faster deals. In the 2026 survey, just 35 percent named deal speed among the outcomes AI had most improved, and the data foundation investors prioritized a year ago was the most-cited reason AI falls short. The industry has deployed AI faster than it has built the foundation beneath it.

That leaves every firm paying one of two costs. The verification tax recurs with every output built on fragmented data. The *data toll* is a one-time investment to structure, connect, and govern deal data so outputs can be trusted. The survey leaves little doubt which is cheaper: firms should pay the data toll once rather than the verification tax forever.

Waiting for better models will not remove the need. Already, 71 percent of respondents reported using general-purpose large language models directly, and every firm can license the same ones. When the models are shared, a firm's advantage moves to the proprietary data these models can reason over: the opportunities the market has brought to a firm, and the firm's decisions about them. Most firms already have more of this data than they can use, but it is scattered. Offering memorandums and broker emails sit in individual inboxes and team spreadsheets where no colleague or model can query them, and the reasoning behind a pass is often lost to turnover because it was never written down.

Timing matters. A document archive can be reprocessed as models improve; a decision that was never recorded cannot be reconstructed by any model. Firms that capture deal flow and decisions as the work happens will build a record that deepens with every deal they screen, so that each deal informs the next decision. Those that wait will have better models working on the same fragmented data. In 2027, the return on AI will depend less on which model a firm uses and more on the context firms can give that model.

—Dealpath



Trend 8: Reimagining Places

- **Some of the most significant development activity is occurring at the district and neighborhood scale,** where public infrastructure, institutional anchors, and private capital converge to reshape entire neighborhoods rather than individual parcels.
- **Sports-anchored districts, innovation clusters, and large-scale mixed-use developments are producing a model of coordinated investment** that transcends conventional property transactions, though the risks differ substantially from traditional real estate.
- **Industry participants do not need to lead a district redevelopment to be affected by one.** Public infrastructure and anchor-institution investment can change the competitive position of every surrounding property.

"Those kinds of big-thinking developments are clearly in our real estate wheelhouse, but far different than finding a great site on the corner and building an office building."

—A senior real estate adviser

Public/private partnerships and anchor-institution strategies have a long history in American cities. Development districts and coordinated redevelopment are not new. What appears different in 2027 is the scale, the sophistication of the capital structures, and the number of projects moving from planning into execution. The examples on the minds of this year's interviewees suggest that some of the most consequential capital deployment is happening at a level of complexity that requires capabilities beyond conventional real estate expertise, and that the results are reshaping competitive dynamics for surrounding properties whether or not their owners are directly involved.

District-Scale Development in Practice

Sports and entertainment venues are the most visible catalysts, but the model extends well beyond them. Nashville's East Bank development, anchored by a new stadium, is structured as a comprehensive mixed-use district—residential, office, retail, and entertainment—that effectively creates a second urban core. Atlanta's Battery district has become a frequently

cited model for how a venue can anchor a broader destination. Las Vegas has attracted multiple franchise relocations in part because its existing hospitality and entertainment infrastructure makes district-level investment around venues particularly attractive. The projects attracting attention vary widely in scale, type, and stage of development. It is worth distinguishing among established operating districts, projects under construction, and proposals that remain subject to approvals and commitments.

Dallas illustrates the ambition at a broader scale, with multiple district-level efforts at various stages: a proposed arena district, a City Hall campus initiative, and the more advanced Red Bird redevelopment on the city's southern side, which combines a medical anchor with retail, workforce housing, and community health infrastructure.

Not every stadium project generates transformative results. The outcomes depend on the quality of the public/private agreement, the depth of surrounding demand, and the willingness of all parties to maintain commitments over timelines that typically span a decade or more.

Institutions other than sports teams can serve similar catalytic functions. Bentonville, Arkansas illustrates how sustained philanthropic investment in cultural amenities, trails, and community infrastructure can change the investment thesis for an entire market. Upstate New York presents a different variant: federal semiconductor investments, most notably a large technology company complex near Syracuse, are generating projected demand for housing and services in communities that have not seen significant new development in years, though the distinction between projected needs and committed projects remains important.

"The future innovation clusters are going to require universities that have knowledge, governments that have land, and private capital."

—A leading real estate academic

Higher education institutions are pursuing a version of the same strategy at an unprecedented scale. For example, Carnegie Mellon announced plans for a $2 billion campus in Miami's Wynwood district, funded by the largest single donation in American university history. Vanderbilt University opened a graduate campus in Manhattan's Chelsea neighborhood in August 2026 and is developing a graduate campus in West Palm Beach, though that project remains in design and fundraising. These are permanent physical commitments that will reshape demand for housing, services, and commercial space in receiving neighborhoods for decades.

The Risks

The risks of district-level development are on the minds of this year's interviewees, and they are as distinctive as the opportunities. These projects require alignment among parties with different objectives and time horizons—public agencies on political cycles, institutional anchors on strategic plans, or private developers on fund timelines. When a political administration changes, a public commitment is deferred, or an anchor scales back, private capital deployed in anticipation of the full program can find itself stranded.

The capital stacks are more intricate than conventional real estate finance—typically involving public subsidies, tax-increment financing, institutional investment, and private equity—and the timeline from concept to construction often extends well beyond what private capital is accustomed to. As one senior executive at a diversified development firm noted, "We see value in it. We tend to rely on others to help execute." The question of who pays for infrastructure, and whether development creates incremental demand or redistributes existing activity, is not known at the outset.

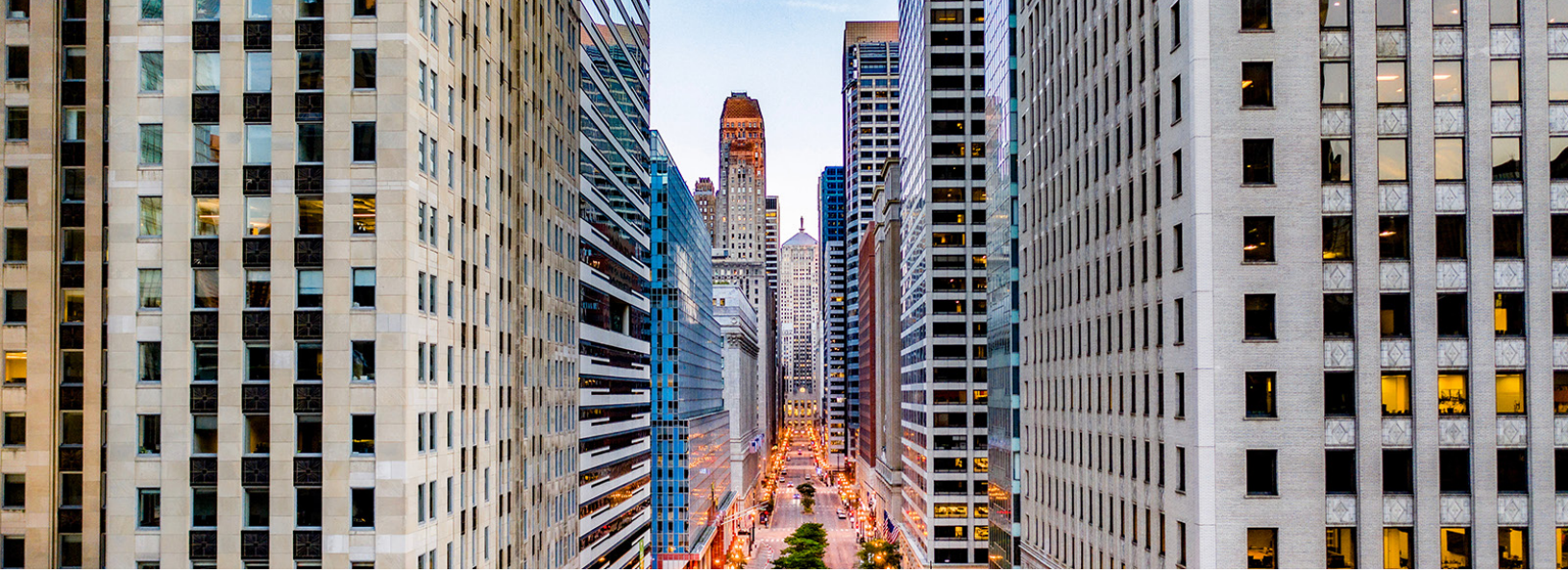
For a developer leading a district plan, the risk profile includes coordination, entitlement, public financing uncertainty, and the question of whether public commitments will hold over a multiyear timeline. For a firm acquiring a property within an advancing district,

the calculus is different: some of the value created by the broader plan can be captured without bearing the coordination burden, but with less control over the factors that determine the district's success and less clarity about which landowners ultimately capture the value that coordinated investment creates.

Looking Ahead

For real estate professionals, the takeaway is not that every deal needs to be a district-level play. Most activity will continue to be asset-specific. But the most consequential development in many markets is occurring at a scale that reshapes the competitive environment for surrounding properties, and understanding whether a district plan is advancing, stalling, or at risk is becoming part of evaluating any asset within its reach.

The firms that participate in these opportunities will need civic fluency, public-sector relationships, and patience. The firms that do not participate will still be affected by the results.



02 Property Type Outlook

"It is the year of the asset selector."

– A managing director at a real estate investment firm

The 2027 *Emerging Trends* survey reveals a property market in which the familiar hierarchy has compressed. The gap between the highest- and lowest-rated major property types for investment prospects is roughly half what it was three years ago. At the same time, the boundaries of what constitutes a real estate investment continue to expand: four infrastructure categories were included in the survey for the first time, and all four scored higher for investment prospects than every established commercial property type (a development Chapter 1 explores in Trend 2, The Expanding Real Estate Universe). The property type ratings themselves support a conclusion that runs through this report: broad sector bets are giving way to more specific decisions about which asset, in which submarket, and for which strategy.

Investment Prospects for Major Commercial Property Types, 2020–2027

1–Abysmal 2–Poor 3–Fair 4–Good 5–Excellent

	2020	2021	2022	2023
Mixed-use/alternative assets				
Industrial/distribution	3.65	3.76	3.79	3.69
Multifamily/housing (rentals)	3.55	3.39	3.73	3.67
Retail	2.77	2.69	2.84	2.86
Single-family housing (ownership)	3.37	3.39	3.82	3.32
Office	3.24	2.93	3.07	2.72
Hotels	3.22	2.86	3.31	3.33

	2024	2025	2026	2027
Mixed-use/alternative assets			3.69	3.76
Industrial/distribution	3.63	3.67	3.61	3.73
Multifamily/housing (rentals)	3.70	3.59	3.67	3.56
Retail	3.27	3.43	3.48	3.54
Single-family housing (ownership)	3.68	3.60	3.60	3.49
Office	2.60	2.79	3.24	3.40
Hotels	3.33	3.45	3.40	3.37

Source: *Emerging Trends in Real Estate* surveys.
Note: Based on U.S. respondents only.

Development Prospects for Major Commercial Property Types, 2020–2027

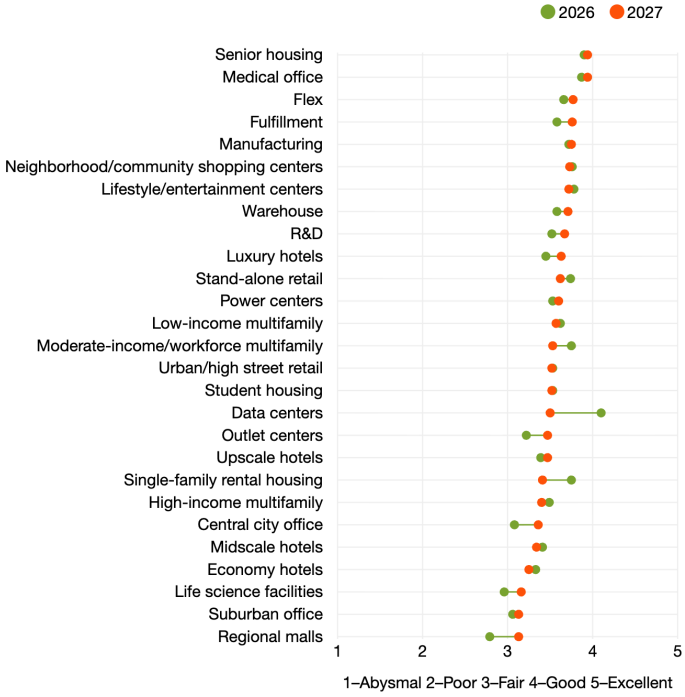
1–Abysmal 2–Poor 3–Fair 4–Good 5–Excellent

	2020	2021	2022	2023
Mixed-use/alternative assets				
Industrial/distribution	3.66	3.73	3.83	3.67
Single-family housing (ownership)	3.39	3.48	3.85	3.34
Multifamily/housing (rentals)	3.36	3.33	3.61	3.52
Hotels	2.94	2.59	2.74	3.05
Retail	2.45	2.54	2.49	2.51
Office	3.00	2.67	2.69	2.34

	2024	2025	2026	2027
Mixed-use/alternative assets			3.52	3.51
Industrial/distribution	3.43	3.39	3.21	3.43
Single-family housing (ownership)	3.58	3.60	3.65	3.38
Multifamily/housing (rentals)	3.39	3.27	3.38	3.25
Hotels	2.92	3.13	3.01	3.06
Retail	2.75	2.94	2.93	3.02
Office	1.88	2.11	2.63	2.76

Source: *Emerging Trends in Real Estate* surveys.
Note: Based on U.S. respondents only.

Investment Prospects for Commercial/Multifamily Subsectors, 2027 versus 2026



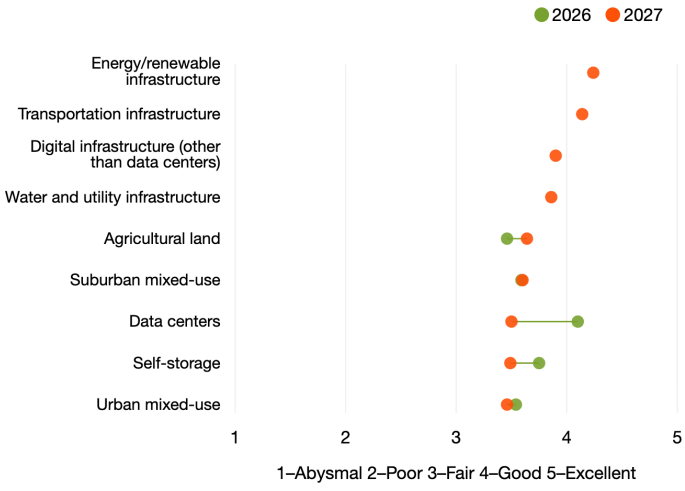
Source: *Emerging Trends in Real Estate* surveys.
Note: Based on U.S. respondents only.

Development Prospects for Commercial/Multifamily Subsectors, 2027 versus 2026



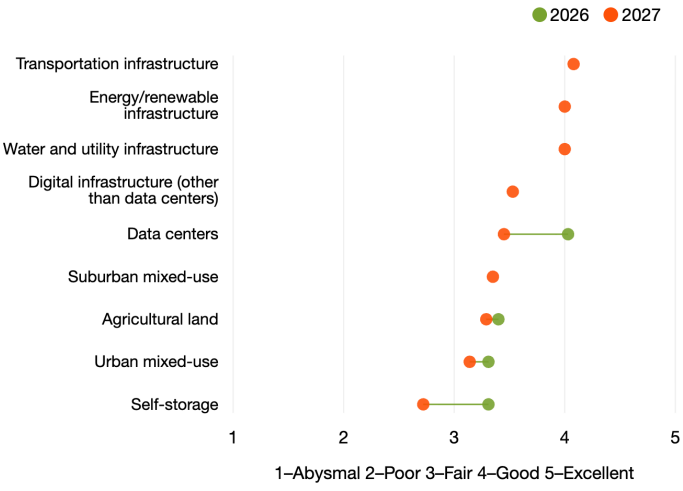
Source: *Emerging Trends in Real Estate* surveys.
Note: Based on U.S. respondents only.

Investment Prospects for Mixed-Use and Alternative Assets Property Types, 2027 versus 2026



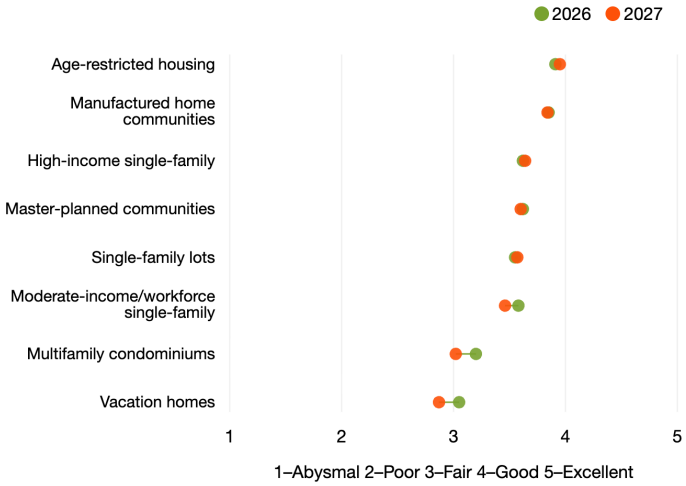
Source: *Emerging Trends in Real Estate* surveys.
Note: Based on U.S. respondents only.

Development Prospects for Mixed-Use and Alternative Assets Property Types, 2027 versus 2026



Source: *Emerging Trends in Real Estate* surveys.
Note: Based on U.S. respondents only.

Investment Prospects for Residential Property Types, 2027 versus 2026



Source: *Emerging Trends in Real Estate* surveys.
Note: Based on U.S. respondents only.

Development Prospects for Residential Property Types, 2027 versus 2026



Source: *Emerging Trends in Real Estate* surveys.
Note: Based on U.S. respondents only.

Industrial and distribution ratings recovered from a modest 2026 dip to post the strongest investment prospect score among established commercial property types, supported by tightening supply pipelines and broadening demand from data center adjacencies, advanced manufacturing, onshoring, and e-commerce. Demand is evolving: tenants are increasingly prioritizing access to power, water, and infrastructure over building specifications alone, and older facilities that can be quickly retrofitted are gaining value alongside new construction.

Retail ratings improved for the fifth consecutive year, a trajectory few would have predicted when the sector sat near the bottom of the rankings just four years ago. Open-air centers aligned with value and necessity retail, combined with a decade of undersupply, have repositioned the sector as a durable income play. "The pendulum has swung to where developers have leverage in retail right now," observes a senior executive at a national retail developer.

Office produced the most notable shift. Investment prospects improved for the fourth consecutive year, and central city office posted the largest single-subsector gain in the survey. The improvement reflects real leasing activity, particularly from technology and AI-related tenants, rather than sentiment alone, though high vacancy, elevated delinquency rates, and significant capital expenditure requirements temper the outlook. "Office is selective," notes a fund manager at a national institutional investor. "Not everyone wants to go data centers. Not everyone has the relationships for senior housing. So where is the growth?" The question captures a broader industry mood: with the old playbook less reliable, the search for the next high-conviction sector has itself become a defining feature of 2027.

Multifamily and single-family housing, which, alongside industrial, have anchored portfolio strategy for much of the past decade, both declined in this year's survey. Along with higher construction costs, multifamily housing faces what one senior researcher describes as "what the bottom looks like": a market absorbing the consequences of record 2023–2024 deliveries, with recovery expected to inch forward rather than accelerate. Single-family housing confronts weaker buyer confidence, and a rate environment that continues to suppress both starts and transactions. Development prospects for single-family posted the sharpest year-over-year decline among major property types.

Hotels held roughly steady, with upscale and luxury segments outperforming economy, reflecting the concentration of discretionary spending among higher-income households that Chapter 1's demographics discussion examines in more detail.

At the subsector level, senior housing and medical office share the top position for investment prospects among established commercial categories, a reflection of demographic tailwinds that are structural rather than cyclical. “Senior housing has done really well because it was underbuilt, because it had struggled so long post-COVID, and the baby boomers are now turning 80,” notes a senior institutional investment adviser. Senior housing occupancy has climbed for five consecutive years past 90 percent, while construction sits at its lowest level in over a decade. Medical office benefits from the continued shift toward outpatient care and ambulatory surgery centers, with occupancy above 92 percent and transaction volumes nearly doubling year-over-year. Both sectors offer the income durability and demand visibility that the industry is prioritizing. Among the infrastructure categories now included in the survey, energy and renewable infrastructure, transportation infrastructure, digital infrastructure beyond data centers, and water and utility systems each drew ratings higher than any established property type. The inclusion of these categories, and the strength of the response, reflects the industry’s growing recognition that the investable universe extends well beyond buildings. Data centers, which held the top investment and development prospect ranking for three consecutive years, experienced the survey’s most significant single-year decline. The correction reflects not diminished demand but growing awareness of execution constraints, power limitations, and regulatory friction, all of which the sector’s own write-up in this chapter examines in detail.

The compression of property type ratings does not signal a market without conviction. It signals a market where conviction must be earned at a finer level of detail: by property type, by submarket, by asset, and increasingly by the operating strategy applied to each. As Chapter 1 describes, returns in the current environment depend more on income growth, operational execution, and specificity than on the broad capital market tailwinds that carried portfolios in the prior cycle.

The sections that follow provide that finer level of detail: contributed analyses from sector specialists covering industrial, multifamily housing, office, retail, hospitality, data centers, senior housing, medical office, student housing, single-family housing, self-storage, life sciences, and infrastructure (in no specific order). Each tells a story specific to its sector. Read together, they describe an industry in which the ability to evaluate and select across a widening range of property types, rather than concentrate in a narrowing few, is the capability that separates firms positioned for what comes next.



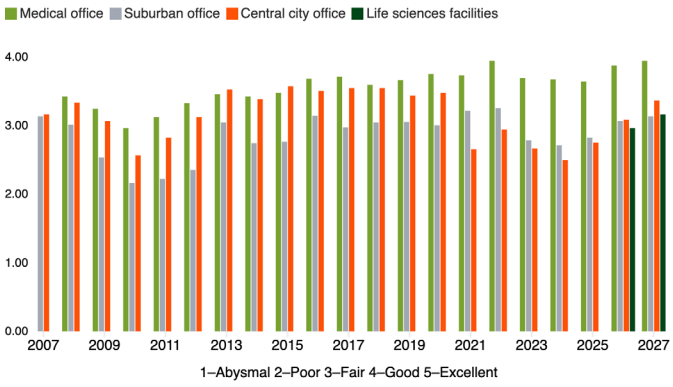
Office: Recovery at a Higher Cost

- High vacancy rates obscure a shortage of offices tenants want. Limited construction and more renewals are reducing tenants' choices in preferred locations, supporting rent growth and demand for upgraded buildings in those neighborhoods.
- Tenants want flexibility, but providing it requires capital. Furnished space and shorter leases help companies avoid costly buildouts and long-term commitments. Owners must weigh those leasing benefits against upfront spending, less-predictable income, and potentially less-favorable financing terms, especially as capital costs have increased.
- Higher rents may not be enough to improve returns. Lower purchase prices and the potential to fill vacant space are attracting buyers, but operating expenses and building improvements can absorb rental gains. Uncertainty over capital spending is leading some investors to favor lending over ownership.

Positive net absorption trends and rising rents are improving the outlook for the office market as leasing strengthens and post-pandemic downsizing subsides. Limited construction and the removal of obsolete buildings from inventory may allow even moderate demand growth to tighten the market, without a return to pre-pandemic attendance or space standards, however. For tenants seeking large blocks of high-quality space in preferred locations, that tightening is already evident: elevated national vacancy rates obscure a shortage of suitable buildings. Waiting for greater clarity on headcount, including the potential effects of artificial intelligence (AI), may therefore leave tenants with fewer choices and higher costs when they are ready to commit.

Office

Investment prospect trends

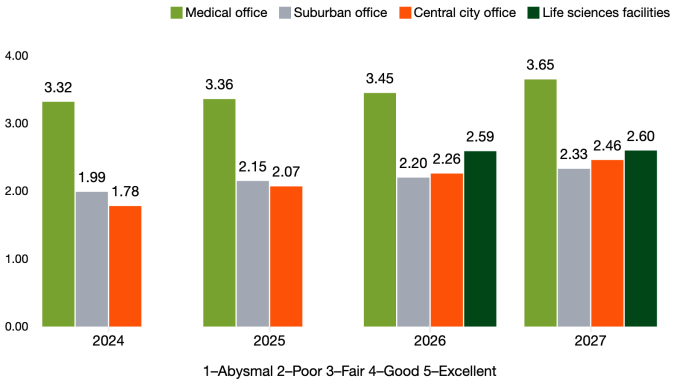


Source: *Emerging Trends in Real Estate* surveys.
Note: Based on U.S. respondents only.

For owners who can meet those requirements, fewer competing buildings should support rent growth and renewals. Capturing that demand, however, may require substantial investment, while higher operating expenses could further absorb rental gains. Owners and researchers generally agree that limited new supply should support rents; they differ on how broadly leasing will recover and whether the additional income will cover the spending needed to attract and retain tenants.

Office

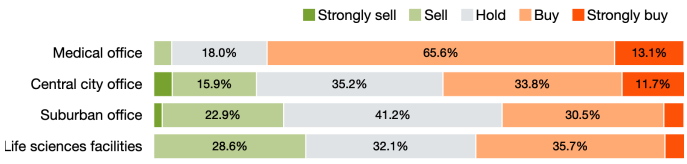
Development prospect trends



Source: *Emerging Trends in Real Estate* surveys.
Note: Based on U.S. respondents only.

Office

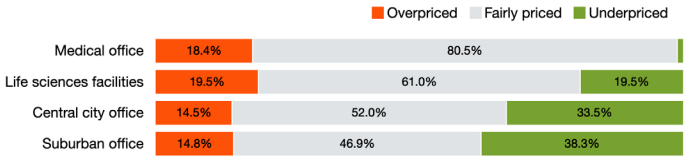
Buy/Hold/Sell recommendations



Source: *Emerging Trends in Real Estate 2027* survey.
Note: Based on U.S. respondents only.

Office

Opinion of current office pricing



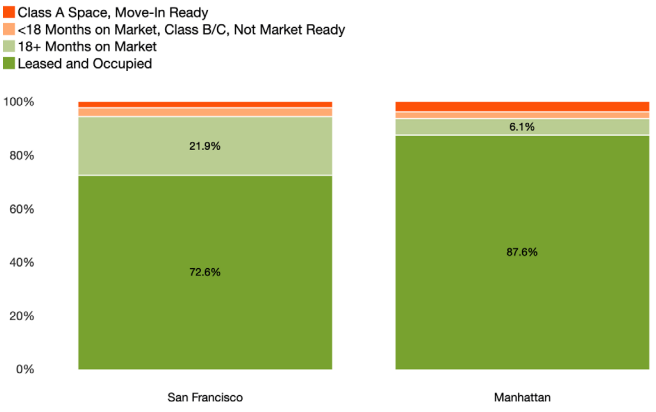
Source: *Emerging Trends in Real Estate 2027* survey.
Note: Based on U.S. respondents only.

Scarcity Beneath the Elevated Vacancy Headlines

Even with national office leasing volumes that reached a post-pandemic high in 2Q 2026, vacancy rates remain elevated and stand around 19 percent nationally. Much of the available space has languished on the market, reflecting a mismatch between what buildings offer and what tenants want.

"I've never seen such a quick recovery in a city in my life," said a West Coast leasing officer of San Francisco, referring to positive net absorption, rent gains, and vacancy rates that have declined from a peak of nearly 37 percent to 29 percent. Noting that "40 percent of the available inventory in San Francisco has not transacted in four years or more," he pointed to one of the current market challenges: high availability of second-tier space and little move-in ready, high-quality stock. Data provided by one leasing broker illustrates this phenomenon: despite an overall availability rate of more than 27 percent in San Francisco, just 2.2 percent of office stock represented Class A, move-in ready space—a percentage roughly comparable to that in Manhattan (3.7 percent).

Office Space by Time on Market



Source: *Colliers, 3Q 2026*

Rising rents alone will not quickly bring new building supply, however; "attainable, but expensive" financing (particularly with benchmark 10-year Treasury rates at multi-decade highs) and higher operating expenses have capped new office groundbreakings for the near term, continuing a post-COVID pattern identified by Trepp, where office operating expense growth exceeded revenue growth every year from 2021 to 2025. Elevated construction costs are also limiting the supply response, giving owners of existing buildings more time to lease vacant space and raise rents.

Scarcity has also changed the economics for tenants, where tenants already in desirable buildings may choose to renovate and renew rather than incur the dual expenses of relocation and buildout costs, particularly as tenant improvement allowances and free rent concessions were described as "plateauing."

More renewals, in turn, leave fewer openings for companies seeking to upgrade, turning the search for prime space into a game of musical chairs, creating what one global office research head called "frustrated demand"—tenants willing to lease space but unable to find offices that meet their requirements for location, quality, size, or layout. As one researcher put it, "location increasingly sets the limits of the flight to quality."

When prime space is unavailable, tenants appear more willing to compromise on the building than on the neighborhood, creating an opportunity for owners who can upgrade well-located properties at a reasonable cost. "An okay building in the best submarket beats the alternative" of a great building in a sub-par neighborhood, another occupier research head said, reinforcing the results of a recent broker survey: when occupiers were asked what they would do "when the best building is unavailable," 34 percent responded that they would choose a mid-quality building in the best location, twice the percentage (16 percent) who would choose a comparable high-quality building in a secondary location. The upshot is that offices in second-tier submarkets could see vacancy rates remain at above-average levels for an extended period.

AI: Little Impact to Date on Office Demand

To date, the AI corporate expansion has been greatest on the coasts—with San Francisco and Manhattan markets as the primary beneficiaries. Longer-term effects will depend on to what extent AI impacts employment. Some brokers pointed to established talent clusters, including Boston and Seattle, as markets where positive AI employment impacts are likely to be felt and where office performance could be strong. Still, it should be noted that the recent uptick in overall national leasing activity hasn't been entirely due to AI. One Sun Belt owner reported strong leasing activity without substantial direct AI tenancies, while another brokerage researcher pointed to a broadening of leasing demand outside of tech, noting strength from aerospace, defense, and legal services tenants.

Office Leasing Demand by Industry

2017-2019 Rank	TTM Rank	Industry	TTM leasing activity (m.s.f.)	YoY change (%)	TTM vs. pre-pandemic change (%)
1	1	Technology	42.2	+38%	-9%
2	2	Banking & Finance	37.1	+10%	18%
3	3	Legal Services	23.0	+5%	31%
7	4	Accounting & Consulting	12.6	+34%	-2%
8	5	Government	10.1	+22%	-10%
5	6	Health	9.6	-18%	-30%
11	7	Architecture & Engineering	8.4	-23%	6%
4	8	Insurance	8.3	-14%	-36%
14	9	Aerospace & Defense	8.1	+54%	37%
10	10	Retail	6.6	+3%	-3%
16	11	Construction & Materials	6.2	+19%	0%
12	12	Media & Entertainment	5.2	+8%	-26%
13	13	Real Estate	4.9	-27%	-22%
9	14	Energy & Utilities	4.5	-28%	-49%
17	15	Other Professional Services	4.2	-10%	-30%
6	16	Coworking	3.9	-2%	-72%
18	17	Nonprofits & Associations	3.9	-3%	-26%
15	18	Life Science	3.2	+23%	-40%
22	19	Food & Beverage	3.2	+50%	-6%
19	20	Education	3.2	-37%	-40%
21	21	Telecommunications	2.2	-32%	-47%
23	22	Travel & Recreation	2.0	+42%	-19%
20	23	Advertising & Marketing	1.9	-4%	-62%
24	24	Logistics & Distribution	1.6	+11%	-33%
25	25	Automotive	0.7	-36%	-52%

Source: *JLL Research, July 2026*

Pointing to an academic study that analyzed American workers' adaptability to AI-induced job displacement, a U.S. office research head noted that a lot of the impact from AI is likely to be felt by "reconfiguring the office as opposed to reducing the need for it," arguing that automation will increase the importance of work involving interpersonal interaction. "What technology does is it changes the composition of employment," he added, estimating that only 5 percent of the office-using workforce is vulnerable to AI displacement.

At this point in the recovery cycle, in-office attendance mandates are largely entrenched: median in-office requirements currently hover at three days per week according to a recent occupier survey. However, a research and data head for a prominent landlord speculated whether AI could lead a full return to in-office work: if corporate office networks prove to be more secure than remote connections in the face of routine, AI-enabled cyberattacks, he suggested that employees' ability to work from home could be curtailed.

Even so, a global head of research for an asset manager remained unconvinced that the employment effects could yet be underwritten confidently: "I don't know what jobs are going to be upskilled, re-skilled, or downskilled." For now, the question as to whether productivity gains generate enough new work to offset displaced roles remains outstanding.

Flexibility: The Must-Have Amenity

One channel by which AI has boosted the broader economy has been through a reduction in the technical skills (and associated costs) needed to launch a new enterprise, leading to greater business formation. According to the Bureau of Labor Statistics, there were 338,000 private-sector establishment "births" in 4Q 2025—the highest figure in three years—leading to the creation of more than 1 million jobs. But given that only half of all new private-sector establishments still exist five years later, lease flexibility remains key, especially for tenants without the ability to anticipate how much space they will need as their business and headcount evolves.

"Anything where there's flexibility is attractive," said an occupier researcher. For smaller firms and companies entering new markets, furnished space and shorter commitments offer a way to establish a presence without settling long-term requirements. But larger firms are seeking flexible space as well, enabling them to enter new markets, house project teams, and expand without the uncertainty around the cost and time required of a conventional office buildout, using such arrangements alongside permanent offices.

Increasingly, landlords are meeting this demand by offering more "spec suites"—prebuilt office space for prospective, as yet-to-be-signed tenants. "We can get them in business next week," said a West Coast chief leasing officer, while an occupier research head described spec suites as "flying off the shelf" among startups. Owners also pointed to potential savings from controlling the design and construction process and "reusing" improvements across successive tenants. While an initial lease may be less profitable, the economics will improve if subsequent occupants of the spec space require little additional work.

Spec suites, which tend to have a smaller footprint than traditional for-lease space, may also provide a pipeline of future conventional tenants as smaller businesses expand and grow out of their space. However, the West Coast chief leasing officer pointed out that the cost of funding a build-out of spec space, which is without a signed or long-term tenant, is not for the faint of heart in the current environment: "Capital is a limited commodity and it's a constraining factor [at current borrowing costs]," he cautioned. In some cases, landlords are partnering with co-working providers to offer shorter-term, pre-built space, offering them reduced rents in exchange for a share of their revenues. However, financing can be more difficult for a building owner with a shared space provider tenant versus a conventional corporate tenant, forcing owners to decide whether the added value that flexible space brings to a building's leasing proposition offsets the income certainty that longer-term leases typically bring and potentially improved financing terms.

"Earning the Commute"

Several building owners noted that hospitality is increasingly shaping the office experience, with greater attention to how tenants use shared spaces throughout the day. One of the many amenities that owners are finding resonate with tenants is building-wide conference rooms and event facilities in the form of amenity floors. The benefit to tenants is clear: access to facilities that may only be infrequently used without dedicating part of their own leased footprint to those functions. Lounges and meeting areas increasingly resemble hotel lobbies and have a "residential hospitality feel," with comfortable furniture and layouts that work for both business and social gatherings; even office lobbies are becoming more than a place to pass through and are offering a setting for gathering and informal work.

The hospitality approach also places greater emphasis on convenience and personal service. Accessible food options, well-appointed fitness facilities (which have expanded beyond gyms to include basketball and pickleball courts), and simple room reservations make the building easier to use, while attentive staff and organized activities create opportunities for interaction. A flexible-office provider noted that the value for tenants lies in a workplace that anticipates everyday needs and supports a more comfortable, productive day. As one REIT leasing officer explained, the objective is to "make work frictionless for employees, which then in turn makes it a little easier for employers" while another noted that the office has to "earn the commute." One brokerage office research head emphasized that people themselves are the office's most important amenity and that office space must encourage interaction.

A national head of occupier research echoed this sentiment, pointing out landlords and property managers who are making "the office worth showing up for [by] creating more onsite experiences to drive engagement," adding that "a prospective tenant walking into a building full of life is more likely to sign a deal than one who shows up to a building where no people are visible." In place of the ice cream social or after-hours lobby networking event? Puppy parties, on-site massages, and even Botox bars, according to one researcher at a firm with an active property management business.

A Stronger Market, but More Selective Investment

Lower acquisition prices, occupancy upside, and limited supply support the case for renewed investment. Investors disagreed, however, on whether the opportunity was more attractive through ownership or lending. One investment researcher saw an attractive entry point for office acquisition from an equity perspective, while a global head of research for an institutional investment manager countered by stating that "there are easier ways to make those returns," expressing a preference for supplying debt capital, given the uncertainty (and cost) of capital expenditures. A co-head for real-assets research with responsibility for the Americas described a recovery led by experienced private buyers investing their own capital, with institutional investors returning more gradually.

Distress may also become more visible as conditions improve. Already, office delinquencies (12.16 percent in September 2026, according to Trepp) are up 100 basis points over the last 12 months. A transaction researcher thought distress appeared to have peaked while an investment manager research head expected lenders to sell more troubled assets into a stabilizing market, suggesting that distressed sales may increase. "The headlines might get worse before they get better," he noted. If true, more sales may enable recapitalization and necessary investment rather than signaling continued market weakness.

For owners, the central question is whether higher rents will cover the operating costs and capital spending needed to attract and retain tenants. Owners with competitive locations, adaptable space, and sufficient capital will be best poised to capture demand, even as a broader leasing recovery may do little for buildings that remain costly to reposition or poorly matched to demand.



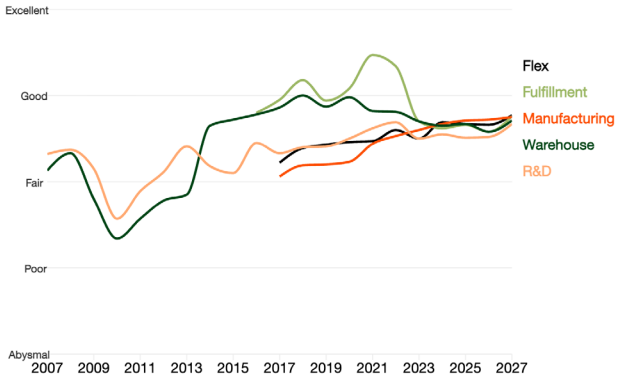
Industrial: Emerging Industries Are Creating New Demand Drivers

- Logistics real estate is entering the next phase of expansion as a growing, broadening demand base is meeting relatively low levels of new supply and ushering in higher occupancy and rents.
- Data center infrastructure and advanced manufacturing are adding new requirements alongside established consumer and e-commerce activity, strengthening the sector's growth potential and expanding the range of properties positioned to benefit from recovery.
- Competition for land, power, and construction resources should increase the value of existing industrial assets. The industrial real estate market is expected to move from recovery to expansion in 2027 as a result.

Industrial real estate demand is expanding beyond traditional uses in North America. Emerging demand drivers, including data center infrastructure development and manufacturing growth, are supporting new uses of existing industrial space while increasing competition for land and supply. At the same time, e-commerce and supply-chain reorganization remain important structural drivers of logistics demand, supporting the sector's long-term growth.

Industrial/Distribution

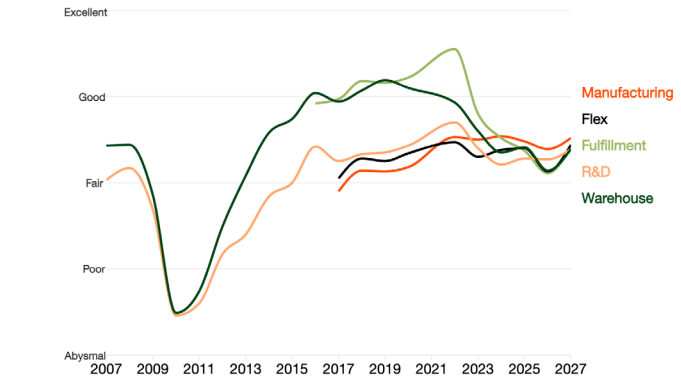
Investment prospect trends



Source: *Emerging Trends in Real Estate* surveys.
Note: Based on U.S. respondents only.

Industrial/Distribution

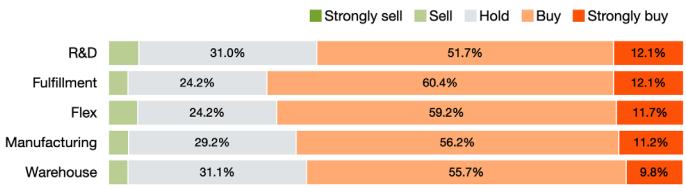
Development prospect trends



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Industrial/Distribution

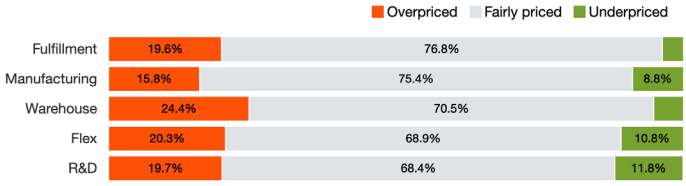
Buy/Hold/Sell recommendations



Source: *Emerging Trends in Real Estate 2027* survey.
Note: Based on U.S. respondents only.

Industrial/Distribution

Opinion of current industrial pricing



Source: *Emerging Trends in Real Estate 2027* survey.
Note: Based on U.S. respondents only.

Data Center Development and Advanced Manufacturing Are New Demand Drivers

The AI industry is driving data center development, generating new logistics space requirements for both construction and long-term operations.

Occupier trends experts estimate that this direct data center support currently accounts for approximately 5–15 percent of leasing activity. This figure likely understates the sector's full impact because some construction-related activity and third-party logistics (3PL) requirements are captured in other categories. Prologis Research estimates that data center infrastructure demand will account for 30 million to 40 million square feet of net absorption in 2026.

While construction-related demand may fluctuate with entitlement, permitting, and infrastructure commissioning timelines, the ongoing need to store, repair, and replace specialized equipment should create a recurring base of industrial demand around established and growing data center clusters.

Once data centers and supporting networks are fully built, industry experts estimate approximately 70 percent of companies serving the sector are tied to ongoing operations. These businesses maintain, repair, and replace transformers, switchgear, cabling, cooling equipment, servers, and parts, alongside a supplier network of manufacturers, distributors, and service providers. As data center development expands geographically, supporting logistics users often locate on the outskirts of major markets. These locations can provide an efficient service radius to data center clusters while offering access to land and labor. Same-state operations can also provide tax benefits to customers.

Advanced manufacturing is also accounting for a growing share of industrial leasing. One expert estimates that manufacturing represents approximately 13 percent of current occupier activity and could approach 20 percent in some markets over the next 18 months. Growth is concentrated in sectors including semiconductors, aerospace, defense, pharmaceuticals, and specialized machinery, as well as data center-related equipment.

These emerging drivers are adding to industrial demand while discretionary goods and housing-related sectors remain subdued. As leasing activity in these traditional sectors improves, their space requirements are expected to combine with demand from data centers and advanced manufacturing, broadening the sources of industrial demand.

Consumers Continue to Spend with Online Share Rising Further

Consumption remains the foundation of logistics real estate demand. Despite inflationary pressures, U.S. real retail sales are expected to grow 3 percent in 2026. While population growth is expected to slow, real retail sales are expected to increase through the decade as spending per household rises alongside wage growth. At the same time, supply chains continue to be reorganized around resilience, redundancy, nearshoring, and regional distribution efficiency. Together, continued consumption and supply-chain reorganization are pushing leasing activity near record highs.

E-commerce has also re-accelerated as a source of logistics demand, accounting for 23 percent of new leasing in 2026 year-to-date through the first half of 2026. E-commerce penetration of retail goods sales is expected to reach 26.3 percent by 2027, up from 23.5 percent in 2025. In addition to sales growth, rising service-level requirements are increasing logistics real estate needs. Faster delivery speeds and greater product selection require industrial users to be positioned closer to consumers, increasing the space needed to meet service expectations.

New Supply Has Bottomed

Industrial development is beginning to recover as improving development economics make new construction more viable. Construction is resuming in targeted markets and size segments where supply is in demand. Groundbreakings are increasing in high-demand markets such as Pennsylvania, Dallas, and Houston. Deliveries in the top 30 markets in the United States are expected to total 205 million square feet in 2026 and 230 million square feet in 2027.

The next supply cycle is likely to remain more disciplined than prior cycles. Constraints on power availability, land costs, infrastructure requirements, and regulatory timelines are slowing the pace of new construction. As a result, development will likely concentrate in markets with limited availability of larger facilities and demand for specialized space. Customers with specific automation requirements and use cases are also pursuing built-to-suit development.

At the same time, demand from data centers and advanced manufacturers is increasing competition for development resources. Although these users do not typically compete for the same existing buildings as logistics customers, they can absorb developable land and regional utility capacity that might otherwise support future logistics development. Competition from high-tech users can also increase logistics replacement costs by raising the value of land with secured power capacity and putting upward pressure on construction costs. In addition, competition for construction resources can delay expected deliveries, with current timelines being extended by several quarters.

These dynamics are likely to reinforce barriers to new logistics supply and support the value of existing properties.

Infrastructure Is Increasingly a Differentiator

Power availability is becoming one of the most important determinants of location selection for leasing and new development. A conventional industrial lease requirement may require up to 5 megawatts of power today, as customers also seek to future-proof supply chains for automation and other technological solutions. Some data center suppliers and advanced manufacturers require twice the power of a typical user or more.

Power constraints are also increasing interest in redevelopment. Existing facilities with established utility connections may offer a faster path to occupancy than ground-up construction, particularly where timelines for new power delivery and permitting have lengthened. The timelines for data center infrastructure build-outs have created urgency for suppliers to lease space as soon as possible. Manufacturers often do not want to and do not have to wait for a brand new building, and can often utilize existing older product with adequate power and infrastructure. This increases the value of existing industrial clusters and buildings that already have power and grid connectivity. One industrial real estate expert described this as “premium Class B product”—an older building with access to power, water, and infrastructure.

Customers are prioritizing speed to delivery over any building specifications, which will greatly benefit buildings that can be quickly retrofitted or modified to meet needs rather than just brand-new facilities.

This creates an opportunity for smaller Class B facilities that have struggled to attract traditional distribution users but may be well suited to HVAC providers, electrical contractors, repair operations, and specialized manufacturers. These users typically need functional space near a major facility rather than a large, state-of-the-art space.

The result is likely to be a more segmented leasing recovery. Class A bulk facilities should benefit from improving logistics demand, while powered and infrastructure-ready Class B buildings capture incremental requirements from manufacturers and data center suppliers.

Industrial Operations Continue to Evolve

Automation adoption continues to progress and Prologis Research estimates that 30–35 percent of modern facilities contained some form of fixed or flexible automation in 2026. Looking ahead, robotic solutions have laid the groundwork for the next stage of industrial automation: AI-enabled systems. Physical AI, which enables robots to perform tasks more intelligently and efficiently to improve safety and fill gaps for existing labor, is emerging as a path to efficient and resilient warehouses.

Adoption remains in its early stages, with many providers still working to demonstrate that their solutions can scale. Initial use cases are likely to focus on defined workflows, such as end-of-line manufacturing or autonomous earthmoving for industrial development, before expanding across facilities. However, uncertain returns, high capital requirements, and the need for data and systems tailored to each operating environment will continue to constrain broader deployment.

The cost and availability of computing capacity present additional obstacles. AI companies are competing for capacity while working to demonstrate that productivity gains justify the cost of their solutions. Well-funded companies may be better positioned to secure capacity, while less-funded startups face greater cost and availability constraints. Pressure to demonstrate durable revenue and tangible earnings benefits could narrow the field of providers through 2027, giving those with proven, scalable solutions an advantage in securing adoption.

Capital Markets Are Resilient but Face Some Near-Term Headwinds

Industrial capital markets remain uneven, but institutional investors continue to see long-term value in the sector. Transaction volumes increased 31 percent year-over-year in the first half of 2026 despite higher borrowing costs and continued volatility. As investors become more selective, asset-specific factors such as location, building quality, customer demand, and future capital requirements are playing a larger role in investment decisions.

The Sun Belt remains the most active region for high-quality building investment, while interest is shifting back toward California, where industry-specific demand drivers are concentrated. Elevated replacement costs support the value of existing assets, while stronger forecast growth in some markets may lead investors to accept lower returns relative to risk-free rates.

Approximately $56 billion in uninvested capital is committed to logistics, according to industry experts. This capital could support demand for well-located, high-quality assets, although uncertainty around the cost of capital could temper transaction-volume growth into 2027. As investors reassess allocations, portfolio diversification across locations, building characteristics, and customer industries could provide additional sources of performance.

Despite near-term capital-market uncertainty, domestic and international investors continue to pursue institutional-quality industrial assets. Investment performance will increasingly depend on asset-level fundamentals and market selection, reinforcing the importance of location, building quality, and customer demand in delivering durable long-term returns.



Retail: Positive Outlook Despite Increasingly Challenging Consumer Situation

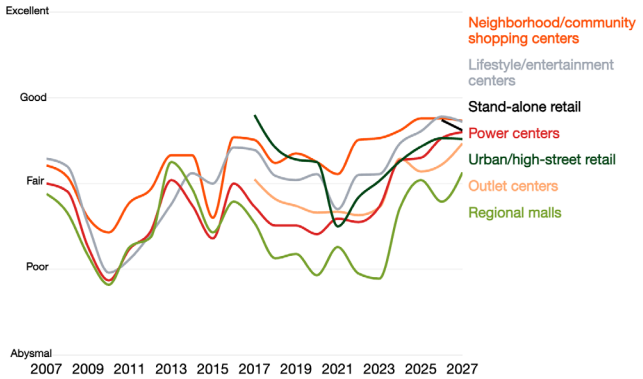
- Despite increasingly challenging consumer economics, the retail real estate community remains largely upbeat in their outlook for the year ahead.
- After years of undersupply and fewer store closures in 2026, retail fundamentals are in a strong place to weather any challenges 2027 may bring.
- With open-air centers largely focused on value, malls increasingly dominated by luxury and experience, and little left in the middle, the shopping center environment already mirrors the K-shaped economy.

Entering the final months of 2026, consumers appeared to be in an increasingly precarious position. Since 2025, inflation has been on the rise driven at first by U.S. tariff policy and, more recently, by the energy shock from the Iran war. As this report went to press, there was no end in sight to the conflict and diesel prices were setting new records, promising to drive inflation even higher. This has set off what will likely be another round of interest-rate hikes by the Federal Reserve as it seeks to bring prices back under control, which will create more consumer pain.

Nothing has a more profoundly negative impact on consumer sentiment than inflation. Both the Conference Board's Consumer Confidence Index and the University of Michigan's Consumer Sentiment Index have posted readings at or near all-time lows (even below readings posted during the Great Financial Crisis) in recent months and those readings were worsening heading into the final months of 2026.

Retail

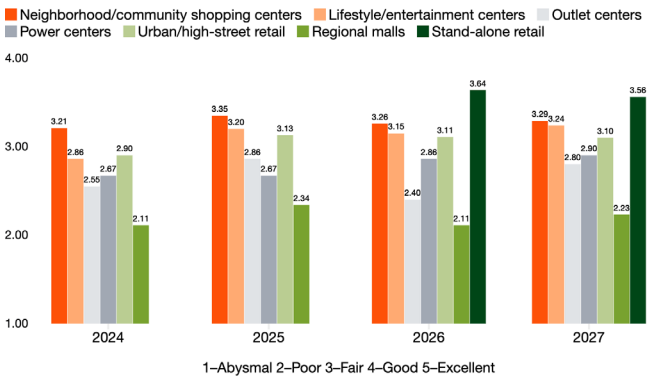
Investment prospect trends



Source: *Emerging Trends in Real Estate* surveys.
Note: Based on U.S. respondents only.

Retail

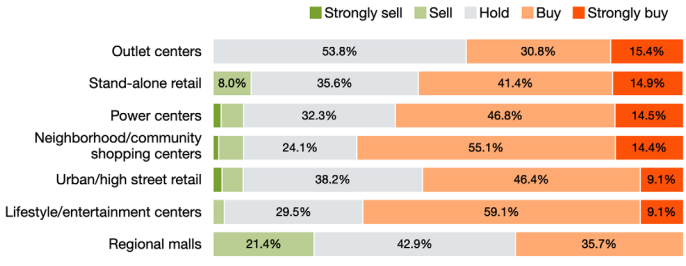
Development prospect trends



Source: *Emerging Trends in Real Estate* surveys.
Note: Based on U.S. respondents only.

Retail

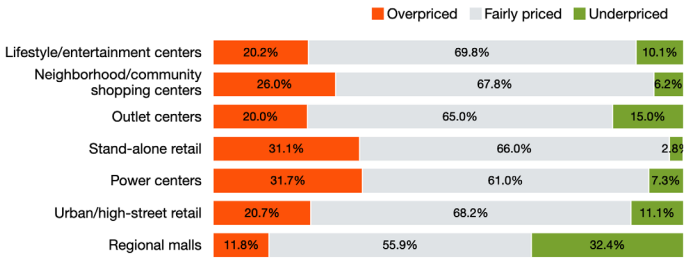
Buy/Hold/Sell recommendations



Source: *Emerging Trends in Real Estate 2027* survey.
Note: Based on U.S. respondents only.

Retail

Opinion of current retail pricing



Source: *Emerging Trends in Real Estate 2027* survey.
Note: Based on U.S. respondents only.

But while consumers might be increasingly dour in temperament, the real question is are they continuing to show up? Since the 1990s, consumer spending has driven 65 to 70 percent of GDP, though these numbers have increasingly reflected a K-shaped divide with the top 10 percent of households (those earning $250,000 a year or more) accounting for an outsized share of spending. The K-shaped economy theory was initially proposed by the economists at Moody's, based on their analysis that stated that the top 10 percent of earners were driving nearly 50 percent of all consumer spending, therefore roughly one-third of total GDP. While there are competing economic theories including G-shaped (generational), E-shaped (with three tiers that include a struggling middle class in slow decline sandwiched between a prosperous few and struggling masses), and others, all of them share a general take of an increasingly fragile economy driven by fewer players, with the greatest share of consumers simply focused on daily needs and survival spending.

The most recent retail sales data from the U.S. Census Bureau indicate annual sales growth for most retail categories in positive territory throughout most of 2026. But much of these gains are inflated by the impact of inflation. Annual gains for nearly every retail category except for gas stations have plummeted as an increasing share of consumer dollars have been shifted toward the cost of fuel. When adjusted for inflation, automotive retail, department stores, furniture and home furnishing stores, food and grocery stores, and the health and personal care categories were all underperforming (in terms of annual sales growth) as of August 2026.

Meanwhile, according to the Federal Reserve, U.S. consumer credit card debt stood at $1.26 trillion as of the end of 2Q 2026. This is the second highest level on record, following the $1.28 trillion posted at the close of 4Q 2025. Unfortunately, the decline has mostly been driven by debts discharged by bankruptcies, which are

up an estimated 12 percent through 2Q 2026. Meanwhile, of the $1.26 trillion of U.S. consumer credit card debt in place as of the 2026 midyear mark, the average interest rate was 22.15 percent APR with 12.8 percent of those accounts in late-stage delinquency (90+ days past due). Those credit card interest rates will only climb higher heading into 2027 in the wake of rising interest rates.

In other words, while the consumer economy has remained resilient in 2026, the headwinds are worsening. There are red flags everywhere. And so, the retail real estate outlook for 2027 must be similarly challenging, right? Wrong.

"I've never seen a bigger disconnect between consumer economic indicators and retail real estate in my career," the head of retail research for one global brokerage firm told us. "Ultimately, one drives the other, but there are a lot of reasons for a bullish property outlook despite the consumer economy currently."

In our interviews this year, we came across near-universal concern as to the state of the consumer economy in both the United States and Canada, with most respondents anticipating economic conditions likely to get worse heading into late 2026 and early 2027. Yet, confidence in current retail real estate fundamentals was also a universal response.

As the master broker leading site selection for a nationally active off-price apparel chain told us, "Of course, I am worried about inflation and how much more the American consumer can handle. But we are a value concept and are picking up market share in this environment. Our same-store sales are up. Honestly, our biggest challenge has been finding enough vacant, quality space to reach the growth goals our CEO set out for us this year."

One of the reasons that quality space remains at a premium is that store bankruptcies and closures in 2026 are down from the levels recorded over the last couple of years. According to global research and advisory firm Coresight Research, total expected closures in the United States are expected to fall to 8,228 storefronts in 2026 compared to 9,197 in 2025. Just as important, most of those are concentrated with smaller-space users.

Unlike the closures in recent years where specific categories have accounted for the lion's share of closures, closures in 2026 have been dispersed across multiple categories. Major closures have been announced by a handful of concepts active in the apparel, convenience store, furniture, department store, games and hobbies, and grocery categories, but none of those categories would be classified overall as being in contraction mode. For space users primarily active in mall, lifestyle, outlet center, and urban high street real estate, closures have been led by a mix of legacy apparel players though not at levels that have significantly impacted occupancy. The year 2026 has also seen a significant uptick in bankruptcy filings and restaurant closures from legacy fast food franchisees, but this has had little impact on vacancy levels as fast food locations with drive-thru capabilities have remained in strong demand with these spaces generally being backfilled at a brisk pace.

Most of the closures that have occurred in 2026 have been from concepts using smaller footprints of 6,000 square feet or less. That is not to say there haven't been some larger-space users closing stores, but the number of space givebacks from tenants active in larger spaces (20,000 square feet or more) is nowhere near what the market experienced in 2025.

But while the market will likely end 2026 with fewer closures, store openings are also declining. Coresight predicts store closings to outpace openings by 2,500 to 2,800 storefronts. Data from the tenant tracking database The Brown Book support that thesis. That firm, which tracks the growth and contraction plans of more than 20,000 concepts active across the United States and Canada, reports that planned new store openings for 2026 are down roughly 15 percent against 2025.

The Brown Book reports that despite an uptick in legacy fast food franchisee closures (driven primarily by burger and pizza chains), that category remains at the top of all others in terms of planned growth (with most vacated quick-service restaurant locations with drive-thru windows finding new tenants relatively quickly). They report the top categories for expansion will include quick-service restaurants (with coffee, chicken, and Asian concepts leading the way), grocery stores, dollar stores, discount stores, warehouse stores, off-price apparel, gyms/health clubs, car washes, medi-spa/aesthetics concepts, urgent care facilities, and veterinary hospitals. But as they explain, "a lot of the concepts we track that wanted to open 100 units last year are aiming for 80 store openings this year. Nearly every growth concept is still growing, but at a more measured pace." Early data for planned 2027 expansion suggest growth concepts will remain conservative with expansion plans in the coming year.

The retail platform leader for a brokerage active across the United States and Canada told us, "On both sides of the border we have seen growth concepts taking a more conservative approach to expansion. Some of this reflects uncertainty in the economy, but we are also seeing the impact of new artificial intelligence (AI) data tools in site selection. It's more about quality than quantity now. In the long run, I expect fewer chains to open stores in locations that don't pan out." All our interviewees reported increased use of AI tools in 2026, and they expect to accelerate use in 2027. "Site selection is where I am seeing the greatest impact of AI on commercial real estate so far," the owner of a boutique retail brokerage told us. "Our clients are starting to ask us for a lot more data and a lot more intel whatever side of the deal they are on."

Property fundamentals are reflecting these trends. Through the first half of 2026, the CoStar Group reports softening leasing activity in the United States, with smaller leases of 2,500 square feet or less continuing to account for a disproportionate share of transactions.

CoStar also reports incrementally higher vacancy over the first six months of 2026 for mall (8.4–8.5 percent), power center (4.6–4.8 percent), neighborhood center (6.4–6.5 percent), and strip center (4.9–5.1 percent) properties and just over 15.5 million square feet of new development expected to deliver in 2026 against a total shopping center inventory of more than 5.2 billion square feet of space. This equates to an increase in inventory of just 0.29 percent. To put things in perspective, between 2000 and 2010, the average annual increase in U.S. retail inventory was five times that at 1.49 percent.

The year 2026 may prove to be a record for low levels of new development in the United States with construction levels likely to fall further in 2027. "It's still really difficult to make new projects pencil," the CEO of one development company told us. "Lumber and steel prices are still about 40 percent higher than they were five years ago, but rents have only increased about 15 percent in that time. Inflation numbers are heading the wrong way, so we're pushing back some projects we had planned for 2027. I suspect we'll see record, or near record, low levels of retail construction next year."

Those low levels of new construction were one of the reasons cited by most of our interview subjects as a reason for their confidence in retail, whatever the economy throws at it in 2027. "We've built next to nothing for more than 10 years. It's one of the reasons retail fundamentals have held firm even if we've had a few years since the pandemic where closures outpaced openings," one analyst for a REIT told us. One broker shared, "Vacancy moving up modestly in 2026 hasn't necessarily been a bad thing. Space is in high demand if 5,000 square feet or less, or if it's junior box space in the 20,000- to 30,000-square-foot range. We honestly have not had enough of that kind of product to move. If we continue to see a modest uptick in vacancy in 2027, I am confident the market could handle it, though it is the last thing I would wish for. While I trust our sector's resilience, I also don't want to tempt fate. Be careful what you wish for."

The CEO of a grocery-anchored focused REIT told us, "The reason I am optimistic about 2027, even if the economy ends up being spotty, is retail real estate now aligns almost perfectly with where the consumer is. Ten years ago, when every story was about 'retail apocalypse' this or that, was really about the challenges of mid-price-point retail, whose primary offering to consumers was convenience of access, struggling to evolve and survive in a marketplace where convenience moved online. That middle is mostly gone now. What's left? Discount, value, and basic-needs retail on one end of the scale and luxury or experiential retail at the other end. Retail has already adapted to reflect the K-shaped economy, as have our properties. Open-air is all about discount, value, and basic needs. Resurgent malls, lifestyle and outlet centers, and striving urban districts, at least the class A ones, are luxury and experience. The economy may be a concern, but retail assets and who they cater to have never been better aligned."

But as the chief economist for one brokerage told us, "We see retail continuing to perform well in 2027, though we expect fundamentals to continue to soften. Despite this, we see it outperforming across most of the potential scenarios we have game planned, including a garden variety recession. Likewise, we see retail, especially grocery-anchored shopping centers, remaining at or near the top of most investor wish lists even as industrial and multifamily investments increasingly regain their mojo. But anything beyond a mild downturn, or if the economy were to experience a black swan event, all bets are off."



Multifamily Housing: Waiting for Recovery

- Four years into a weak rent growth cycle, multifamily housing investors are getting antsy. Although demand has held up, rent growth has been put on hold due to rapid supply growth in the Sun Belt and Mountain West.
- Decelerating deliveries could help reduce excess supply and lead to the next cycle of rent growth, but the timing depends on demand maintaining strength in the face of headwinds from immigration policy and weak job growth.
- Investors favor the multifamily sector for its long-term stability, but prospects for higher-for-longer interest rates continue to widen the gap between buyers and sellers. That tilts transaction activity from property sales toward refinancing and restructuring.

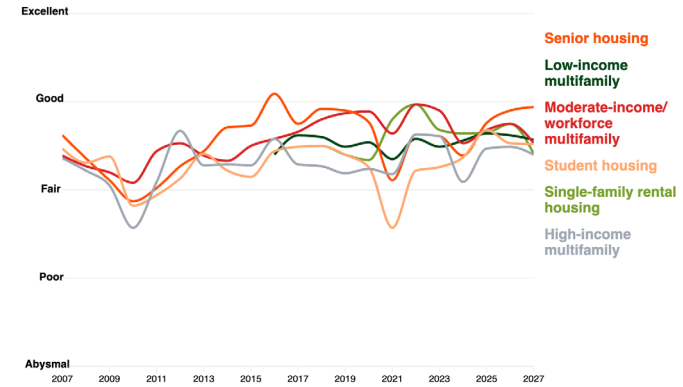
Multifamily housing performance has been sluggish in recent years, though each year starts with consensus forecasts of recovery. Four years into the cycle of weak rent growth, the market is increasingly anxious. “Everyone’s asking, when are rents going to go up again?” said the head of research at a national brokerage.

With many trends moving in the right direction, the segment should break out of its malaise in 2027. The question is how rapidly and how intense the recovery will be. “If I had to say what point in the cycle we are at, I’d say this is what the bottom looks like,” said a senior researcher at a large property firm.

Capital conditions are sound. Both equity and debt investors are attracted to the sector’s long-term stability and not dissuaded by the recent slump in performance. Even so, transaction activity has been limited for several years by high interest rates and differing perceptions of value. Many sellers are still balking at pulling the trigger until prices recover.

Multifamily

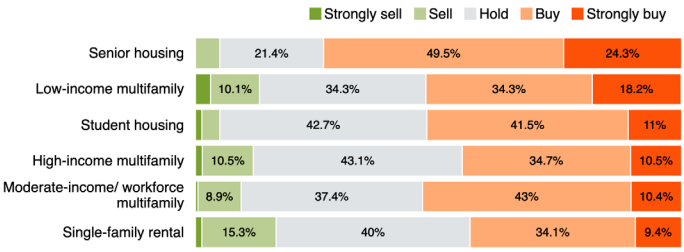
Investment prospect trends



Source: *Emerging Trends in Real Estate* surveys.
Note: Based on U.S. respondents only.

Multifamily

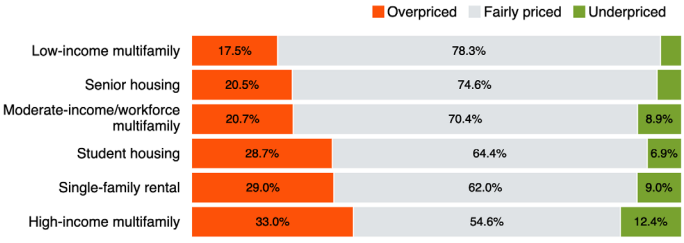
Buy/Hold/Sell recommendations



Source: *Emerging Trends in Real Estate 2027* survey.
Note: Based on U.S. respondents only.

Multifamily

Opinion of current multifamily pricing



Source: *Emerging Trends in Real Estate 2027* survey.
Note: Based on U.S. respondents only.

Glass Half-Full or Half-Empty?

The 2020s decade has been a roller coaster for apartments. Record levels of demand ushered in record-high rent growth in 2021 and 2022. Then asking rents stalled, increasing less than 1 percent per year since 2023. The main reason for the slowdown is the wave of supply in high-growth markets that started in the late 2010s and intensified in recent years. Deliveries overwhelmed Sun Belt and Mountain West markets such as Austin, Charlotte, Nashville, Denver, and Phoenix, pushing asking rents down despite continued population and employment gains.

Regional differences in rent growth are correlated to deliveries. Nationally, new supply peaked at about 700,000 units in 2023 and 2024. Metro areas with limited supply growth in the Northeast and Midwest recorded consistent, moderate gains in demand and rent growth. But high-supply Sun Belt markets produced a large number of excess units. More than 1 million units were in lease-up nationally as of September 2026, representing more than 8 percent of total stock in markets such as Charlotte, Austin, and Phoenix, according to Yardi Matrix.

With so many new properties in the lease-up phase competing with existing properties for tenants, property owners have had a weak hand. Many properties are offering one- or two-month concessions, while new leases of vacant units are 4–8 percent less than the leases they replace in high-supply markets, which means income growth is derived solely from renewal leases. “Renewals are helping, but it’s a tough environment out there,” said an executive at a firm with holdings throughout the Sun Belt.

The outlook for 2027 is mixed. A glass-half-full side cites ongoing strong demand and waning supply growth, as starts and deliveries are down by nearly 40 percent since the peak. Optimists note demand is boosted by the weak home sale market and the affordability gap between renting and owning. Fewer renters are moving into homeownership, either because they can’t afford to or because of lifestyle choices such as delayed marriage and fewer children. That has helped maintain apartment occupancy rates. “There is a long-term tailwind of households staying in rentals longer due to high costs of buying and owning a home,” said a housing researcher. “With about 4 million Americans turning 35 every year, even if there is relief on mortgage rates, renter demand will keep going up.”

Meanwhile, supply growth is slowing. After peaking at 700,000 deliveries in 2024, apartment deliveries will continue to fall. Firms including RealPage forecast deliveries to fall to about 300,000 units in 2027. Lower supply and strong absorption should lead to rapid absorption of vacant units in Sun Belt and Mountain West markets, which would produce “normal” 2–3 percent rent growth in 2027. “We are halfway working through excess supply, and starts are slowing down in places that are the most impacted,” said a senior researcher at a large multifamily firm. “We should start stabilizing soon.”

The glass-half-empty scenario forecasts weaker demand while supply growth doesn't fall enough to quickly absorb many units in the lease-up phase. Headwinds to demand include slowing population growth, languishing job growth, and weak consumer confidence.

The United States averaged 1.3 percent population growth annually since the 1960s, according to the Census Bureau, but that was expected to fall to 0.2 percent in 2026 and likely lower in 2027. Births have fallen to levels not seen since the early 1980s, while net immigration is stalling due to the administration's immigration and deportation policies. "Policy whiplash around immigration coupled with the structural decline in domestic U.S. growth means the renter population under 35 will not grow," said a demographic researcher at a consulting firm.

Meanwhile, new job creation has fallen sharply since the spring of 2025, and consumer confidence is at the lowest it has been in 60 years. The combination of factors is prompting downward revisions in household growth estimates, though demand is expected to remain positive on balance.

Questions also surround the supply side of the equation, as forecasts of how much deliveries are falling are hotly debated. Yardi Matrix forecasts deliveries to fall to about 450,000 through 2028, a level at which excess stock in markets with the biggest overhang in supply will take a year or more to get absorbed. "The worst markets are getting better, but it's not like a complete 180," said a senior multifamily researcher at a large property firm. "It's more like a moderate move in the right direction."

It also may be difficult to end generous concessions without giving tenants sticker shock. "It will take some time for the concessions to burn off," said a national brokerage firm executive. "If someone got [a three-month concession] the previous year, they're not going to be comfortable moving to zero."

The consensus is increasingly cautious about the outlook. "When we look back, 2026 will be the bottom but there will be limited upside in 2027," said an executive at a large management firm. "It's been so long waiting for the recovery; now that it's here, it's inching along slowly," said another multifamily executive.

The four-year rent growth slowdown in the Sun Belt has prompted some owners to look at markets in the Midwest and Northeast where rents are steady, including Minneapolis, Columbus, and Chicago. "In times like these, it's good to be in supply-constrained markets," said an executive at a firm with a national footprint. "This is an example of the benefits of diversifying your portfolio."

No Shortage of Investor Capital

Questions about performance are not discouraging multifamily investors. The sector for years has constantly been at or near the top of investor preference surveys. Multifamily housing ranked behind only mixed use/alternative assets and industrial/distribution for prospects in the *Emerging Trends* investor survey, with a nearly 5:1 ratio between buy and hold recommendations.

Within the multifamily sector, investors ranked senior housing and apartments aimed at lower-income tenants as the most favorable segments, slightly ahead of student housing, single-family rentals, and luxury apartments. An impressive 73.8 percent of investors had "buy" or "strong buy" recommendations for senior housing, with only 4.9 percent identifying that segment as a "sell."

Yet sales activity has been modest since interest rate hikes in 2022 pushed up the cost of capital and caused property values to fall. Early in 2026, investors were confident interest rates would fall and return robust deal flow, but the war in Iran pushed inflation and interest rates up and added to economic uncertainty. "Commercial real estate thrives on stability," said one senior brokerage executive. "Instability is the main challenge now."

Weak supply-side fundamentals also come into play. Merchant developers can't sell until occupancies are stabilized, and that's harder with the supply glut. "We are stuck in the equilibrium where many deals don't work," said one debt fund lender. "A lot of properties have high concessions, or are still taking too long in lease-up, and every penny of cash flow is going to debt service." The valuation gap between buyers and sellers that widened in 2022 remains wide. "We have had properties up for bid, they all came back lower than we valued them at, so we didn't sell," said an executive at a large firm based in the Midwest.

Most deals getting done are on opposite ends of the spectrum. On one end are high-quality, low-risk properties in strong markets that trade for low acquisition yields with institutional buyers that use cash or low-leverage, low-cost debt. The other end involves value-add properties that have a story, such as properties coming to the end of loan extension periods that are recapitalized by private equity buyers.

The extent of deal flow in 2027 depends on a variety of factors, some outside the industry's control. Demand is unlikely to weaken, but mortgage rates (and, indirectly, pricing) are contingent to a degree on factors such as the war in the Middle East and tariffs.

Interviewees expect an increase in resolutions of overleveraged and long-extended loans, albeit gradually. Banks are under pressure to shed old loans but want to avoid losses. "The challenge is . . . all the extend and pretend deals are coming to a fork in the road; banks must decide whether to keep working them out or start the foreclosure process," said an executive at a national brokerage.

The ongoing weak performance of the Sun Belt has increased investor interest in coastal and Midwest markets. "Steady Eddy may not always grab the headlines," said one national mortgage broker. "But steady looks pretty attractive when everything else feels expensive and uncertain."

Yet a wholesale shift in investor preferences is unlikely. Large coastal markets have political risks such as rent control and taxes, and it's risky to buy in regions and markets where a firm has no operating presence. "Because there is so much capital looking for multifamily, there definitely is more interest in markets where investors didn't go before," said one executive at a firm concentrated in the Midwest. "But capital is being pretty cautious and not going crazy in the Northeast and Midwest."

The amount of dry powder that is unable to buy properties is making it more difficult to raise equity. "Capital raising is brutal right now," said the chief economist at a firm that tracks transactions. "Investors frustrated in attempts to raise equity capital are turning to raising debt capital instead." Dozens of debt funds are on the prowl for highly leveraged recapitalizations. Private equity funds captured 19 percent of multifamily lending market share through mid-year in 2026, compared to the 2015–2019 average of 5 percent, according to MSCI.

That hasn't stopped traditional senior loan sources such as insurers, commercial banks, and government-sponsored enterprises from being active, while multifamily commercial mortgage-backed securities (CMBS) and collateralized loan obligations (CLO) in 2026 hit volume levels not seen since 2007.

A Step in the Right Direction

Multifamily housing is benefiting from the recent national focus on housing affordability, which has prompted policymakers at federal, state, and local levels to pass hundreds of bills in 2026 to improve housing affordability.

One example is the largest-ever annual funding for Low-Income Housing Tax Credits (LIHTC). The federal government now has $14 billion of credits annually to allocate among the states. Another example is the 21st Century ROAD to Housing Act, which is aimed at the market-rate segment. Among other things, the bill streamlines environmental reviews, requires the U.S. Department of Housing and Urban Development (HUD) to issue guidelines to permit single-staircase apartments, creates pilot grant programs for regional housing agencies to develop housing, incentivizes development in Community Development Block Grant (CDBG) jurisdictions, and rewards local governments that increase housing production. Congress also permanently renewed Opportunity Zones, a tax incentive that has been effective since being passed in 2017 in building apartments in low-income areas.

The upshot for the multifamily sector is that despite its weaknesses, supply/demand metrics are improving, rent growth has likely bottomed, and favorable policy achievements should make 2027 an early phase in the next multifamily growth cycle. "We should see more clarity in 2027; not a major bounce back, but a more normal pattern of rent growth," said a researcher at a large property firm.



Single-Family Housing: The 2027 Builder Playbook Is Less Land, Sharper Segmentation, More Flexibility

- Land buying and banking trends are a major part of future capital planning.
- The great builder pivot moving into 2027 will be new land, product, and segmentation strategies.
- The national and local regulatory environment will impact land and homebuilding decisions in 2027.

The year 2027 is shaping up to be a challenging one for the single-family housing sector, as higher mortgage rates, increasing construction costs, and weak consumer confidence create headwinds to home-buying demand. These headwinds are not new, and builders are adjusting their internal and external strategies. At this point in the cycle, new trends often emerge as builders adapt to affordability challenges and a slower market. Evolving builder strategies are reshaping the single-family housing sector in three areas: land strategy/banking, buyer segmentation, and responses to regulation.

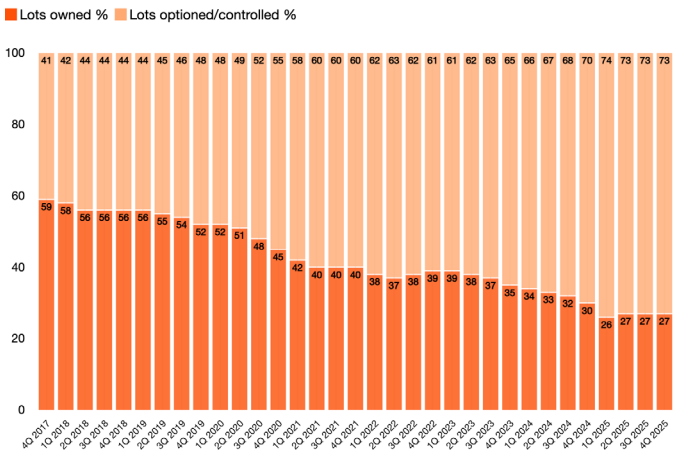
Land-Buying Trends

While home demand may be low today, builders need to prepare for the future. Many builders are using a "land-light" or "asset-light" strategy to control enough lots to sustain community count and future closings but avoid an oversupply of land. This strategy can increase returns on inventory and equity, improve cash conversion, reduce corporate leverage, and enable faster changes in product, price point, or geography as demand shifts.

Large production builders entered 2026 with a strong reliance on land they control but do not own. Across eight publicly traded builders with comparable disclosures, the majority of lots were controlled through options, purchase contracts, land banks, or joint ventures. This structure preserves access to future communities while moving much of the capital burden and market-value risk to land sellers, developers, and institutional land-bank providers.

Land banking has become a central part of public homebuilders' capital strategies. John Burns Research and Consulting (JBREC) reports that 73 percent of public builder land is now optioned or controlled off-balance sheet.

Public Homebuilders' Share of Lots (Owned vs Optioned/Controlled) / Total Lots



Sources: *Bloomberg; public homebuilder public filings; John Burns Research and Consulting, LLC (Data: Homebuilders' 1Q26, Pub: Jul-26)*
Notes: Total lots includes both owned and optioned/controlled lots; lots owned % = lots owned / total lots; Lots optioned/controlled % = (total lots - lots owned) / total lots. UHG is not included in this graph due to inconsistency in reporting this metric historically. As of December 31, 2025, GRBK revised its definition of "lots controlled" to "lots under contract." Lots under contract include all land or lots for which the Company has a contractual right to acquire pursuant to a fully executed option contract or purchase and sale agreement. GRBK's 4Q25 and revised 4Q24 figures reflect this updated definition.

Heading into 2027, we expect builders to continue using land banking to preserve capital and maintain operational flexibility, but with greater scrutiny on costs, margins, and land quality. A series of public homebuilders and a land banker provided their outlook on land banking in the last quarter of 2026 and moving into coming years:

"If you still want to grow your business, and can get a land banker on board, then the benefits are keeping your own powder dry from a cash standpoint to preserve capital. If the market continues to go south, you might lose your deposit, but you have the flexibility to do so."

— Executive, public homebuilder

"If the land banker sees that business is not sustainable, they have to work with you as a partner. Just-in-time lot delivery, not a lot of inventory, improves your return on equity. If you had $10 million to spend, you could put it all into one deal and develop it, or 10 land bank deals with $1 million in each one."

— Executive, public homebuilder

"For us, it's a tool we use within a larger lineup of options to leverage capital for additional land opportunities that we would not otherwise have. However, the impact on future margins is significant and should be deployed surgically."

—Division president, public homebuilder

"We are not currently using land banking or financing lots; we purchase land and lots directly through our corporate entity. We have not seen significant distress in the land market—lot prices generally are not declining, but they are no longer increasing either."

— Division president, public homebuilder

"Most big builders have a strategy in place around land banking. We are seeing additional products in the market to entice builders—like 'land holds' where a bank will hold the land until a certain date and enter into a committed buy-back."

— Senior vice president, land banker

Segmentation Trends

Overall, we expect single-family housing starts to decline in 2027, but specific segments are doing better than others. Notably, the luxury market, which is less susceptible to mortgage rate changes, has continued to outperform in 2026, and builders we interviewed expect this trend to continue into 2027 and beyond.

"We continue to look for opportunities, with the greatest focus on A-quality submarkets and higher-end buyer segments rather than entry-level products."

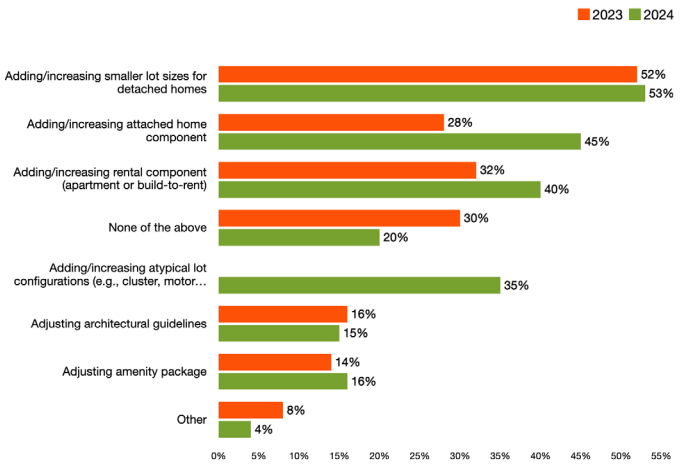
— Vice president, land acquisition, public homebuilder

However, the luxury segment itself is changing, particularly in markets that have seen ample buyers, many of whom have been cash buyers, over the past five to 10 years. One regional private builder said, "Our buyers aren't willing to pay as much as they were for finishes, and fewer cash buyers are coming to the table," in underperforming locations. Another public luxury builder now sells lots directly to buyers, who then hire their own builders.

We expect the entry-level segment to contract in 2027, and builders are using mortgage rate buydowns and other incentives to keep buyers engaged.

Incentives are now a permanent part of pricing in the entry-level segment. In July 2026, JBREC published an article noting that "attainable has become the brand positioning that wins; the absorption numbers at communities doing this well make the case." Overall, we don't expect builders to come off incentives in the first half of 2027, as we expect mortgage rates to remain high, home prices to see flat-to-modest appreciation, and rising inflation is expected to keep rates higher for longer. Looking to the future of the attainable segment, builders are leaning into smaller lots and smaller homes, with some looking at the build-to-rent segment.

Adjustments Being Made to Increase Affordability (Share of Master Plan Developers)



Source: *New Home Trends Institute by John Burns Research and Consulting, LLC 2024 survey of 55 master-planned communities across the US.*
Note: Respondents were instructed to select all that applied. Results will not total to 100%.
**"Adding/increasing atypical lot configurations" was not an option in 2023's survey.

Regulatory Trends

Builders will be looking at the regulatory environment in 2027, both nationally and locally, to guide strategy and decisions. The 21st Century ROAD to Housing Act could be beneficial to builders in 2027 by clearing the path for them to sell finished homes to single-family rental operators, a strategy that has proven effective for clearing excessive speculative inventory build-up. Municipalities can also help the homebuilding industry by allowing higher-density development for entry-level builders, increasing affordability in local markets.

At the same time, the regulatory environment could also deepen a downturn through higher impact fees and longer approvals. Some builders we interviewed are shifting land buying away from high-fee municipalities toward markets where fees are more predictable.

Pivot or Trend?

The year 2027 will remain challenging for single-family homebuilding, but strong execution of the right strategies could differentiate builders and create opportunities for outperformance. With a decline in new-home starts, persistent affordability challenges, and a continued shift toward separating land ownership from homebuilding operations, builders will increasingly look to new strategies to improve capital efficiency and manage risk.

Land strategies will emphasize controlling rather than owning lots through options, joint ventures, and land banking. While land banking will not be the right strategy for every builder, land underwriting will become increasingly selective, with capital concentrated in stronger submarkets and projects with greater flexibility.

At the same time, builders will continue to refine product offerings to meet demand where it exists. Expect greater segmentation at both ends of the market: the attainably priced housing side for payment-sensitive buyers, and the higher-end homes for more resilient consumers, while the "missing middle" remains an opportunity for new product solutions, including build to rent.

Contributions of the 21st Century ROAD to Housing Act to an Expanded Housing Supply

Five Ways in Which the Legislation Will Shift the Funding and Regulatory Landscape

The 21st Century ROAD to Housing Act, which became law at 12 a.m. on July 11, 2026, with the expiration of the 10-day window for presidential review, shows both the potential and the limitations of federal housing policy. The federal government funds the largest housing subsidy programs in the United States. Yet it has very little sway over the local zoning, permitting, and building code policies that most directly affect developers' ability to build new housing—policies that stem from state and local law. For this reason, practitioners hoping that this federal legislation can lead to a large increase in housing supply are likely to be disappointed. Nevertheless, the Act will contribute in notable ways to increasing the production of housing.

The Act includes more than 50 provisions. These are the top five contributions of the Act to the nation's housing supply:

- **Eliminates requirement that manufactured homes have a permanent chassis.** Once implemented by HUD, Section 301 of the Act makes it possible for manufactured housing providers to produce multistory buildings to the HUD Code. Because the HUD Code overrides local building codes, manufactured housing providers can achieve significant economies of scale that lower construction costs. This provision should enable similar economies of scale to be applied to small multistory buildings, lowering costs for consumers and enabling some developments to move forward that might not otherwise have been financially feasible.
- **Raises the cap on bank public welfare investments.** Section 203 of the Act allows banks to put more of their capital in public welfare investments, such as the low-income housing tax credit. This provision should increase demand for the credits, thus boosting prices, which will generate more equity for affordable housing development.
- **Streamlines federal environmental reviews.** The Act streamlines the National Environmental Policy Act (sections 205 and 206), eliminates the requirement to conduct federal environmental review for USDA-funded infill projects (Section 103), and streamlines required federal environmental reviews in HOME-funded projects (Section 501). This provision reduces the costs of complying with federal environmental requirements, which sometimes duplicate state and local requirements.
- **Facilitates innovative housing approaches.** The Act includes a $200 million innovation fund to reward jurisdictions that adopt policies to expand the supply of housing (Section 208) and authorizes grants to local governments and tribes to implement pre-approved plans. The Act also directs HUD to produce guidelines to facilitate the production of single-stair buildings up to six floors in height (Section 102), rather than the double-staircase structures that are often currently required.

- **Makes changes to the Community Development Block Grant (CDBG) program.** The Act requires city, county, and state CDBG grantees to publish a list of undeveloped parcels owned by the grantee (Section 104); lets CDBG funding be used for new construction (Section 204); and provides CDBG bonuses and deductions tied to the production of new housing (Section 213).

Many of these provisions will increase housing supply by lowering construction costs. Others reward the adoption of pro-housing local and state policies—ordinances that relax zoning requirements, for example, or specific steps to accelerate the permitting process. One of these provisions should have the effect of boosting the amount of equity that can be generated from low-income housing tax credits and other housing-related tax incentives.

Notably, the final Act omits a provision included in an earlier version that would have required developers of build-to-rent developments to sell the units individually within seven years. Because these developments are financed as rental housing and are not designed to be split into individual units, that requirement would likely have significantly depressed the construction of new build-to-rent developments.

Although not specifically a housing supply intervention, Section 404 of the Act authorizes a demonstration of automatic enrollment (with the ability to opt out) into a version of HUD's Family Self-Sufficiency program. This change is notable, as automatic enrollment could help to substantially expand the ability of low-income families to build assets while living in HUD-assisted rental housing.

Another notable feature of the 21st Century ROAD to Housing Act is the fact that it was produced through the traditional legislative process, in which the House and Senate work separately on their own versions of a bill and ultimately compromise on a final package capable of obtaining the support of both chambers and the president. Strong bipartisan support for the final measure demonstrates the broad political imperative to do something about the nation's housing supply shortage.

Most of the Act's provisions will require action by HUD before they take effect. Thus, it could take many years for the full effects of the legislation to be felt.

—Urban Land



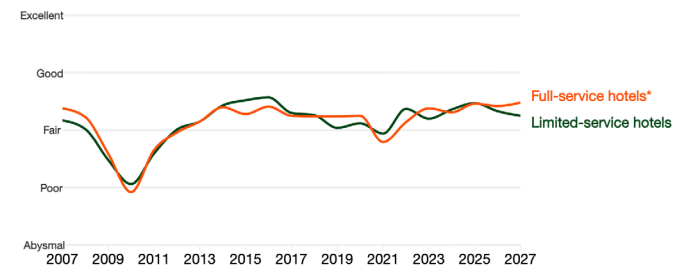
Hospitality: A More Selective Hotel Market Takes Shape

- Rebranding or repositioning existing properties under new brands will continue to play a leading role in 2027, as high development costs and constrained construction financing continue to favor acquisitions, conversions from other property types, and renovations over ground-up development.
- The performance gap between higher- and lower-priced hotels persists, but performance is becoming more market- and asset-specific as local demand, property quality, and capital needs increasingly differentiate outperformers.
- Purpose-driven travel is emerging as an additional source of leisure demand, creating opportunities for hotels to differentiate through programming and partnerships while capturing incremental spending beyond the room.
- AI is moving from influencing hotel bookings to facilitating transactions, requiring brands to compete for visibility with both travelers and the AI agents acting on their behalf.

The U.S. hotel sector is entering 2027 on firmer footing than it had a year ago. Through August 2026, revenue per available room (RevPAR) increased 2.9 percent year-over-year, supported by a 2.7 percent increase in average daily rate (ADR) and a 0.2 percent increase in occupancy. Demand has improved and limited new supply remains supportive of existing properties. At the same time, high construction and financing costs continue to favor existing assets, while labor, insurance, energy, and other core operating costs remain elevated and continue to weigh on property-level returns. In addition, hyper-local demand drivers and asset quality are becoming more important in separating outperformers from the rest of the market.

Hotel

Investment prospect trends



Source: *Emerging Trends in Real Estate 2027* surveys.
Note: Based on U.S. respondents only.
*Starting in 2017, results are the average of investment prospects for three categories—luxury, upscale, and midscale hotels. Previous years' results are based on investment prospects for a single category—full-service hotels.

Hotel

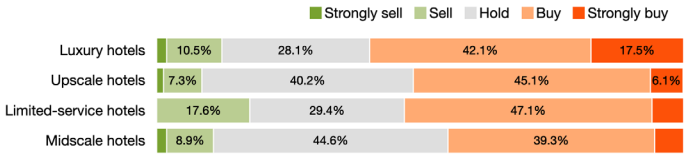
Development prospect trends



Source: *Emerging Trends in Real Estate 2027* surveys.
Note: Based on U.S. respondents only.
*Starting in 2017, results are the average of investment prospects for three categories—luxury, upscale, and midscale hotels. Previous years' results are based on investment prospects for a single category—full-service hotels.

Hotel

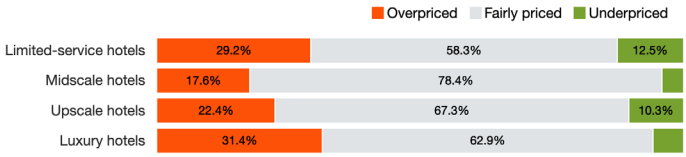
Buy/Hold/Sell recommendations



Source: *Emerging Trends in Real Estate 2027* survey.
Note: Based on U.S. respondents only.

Hotel

Opinion of current hotel pricing



Source: *Emerging Trends in Real Estate 2027* survey.
Note: Based on U.S. respondents only.

Constrained New Supply Drives Focus on Existing Assets and Rebranding

New hotel construction remains challenging as elevated costs continue to limit project feasibility. Elevated labor and replacement costs remain meaningful barriers to ground-up development. Competition from data centers, energy infrastructure, and other large-scale projects is adding further pressure by tightening the supply of skilled trades and subcontractors. Acquisition financing is generally more available than construction financing, although borrowing costs remain elevated and continue to weigh on investment returns.

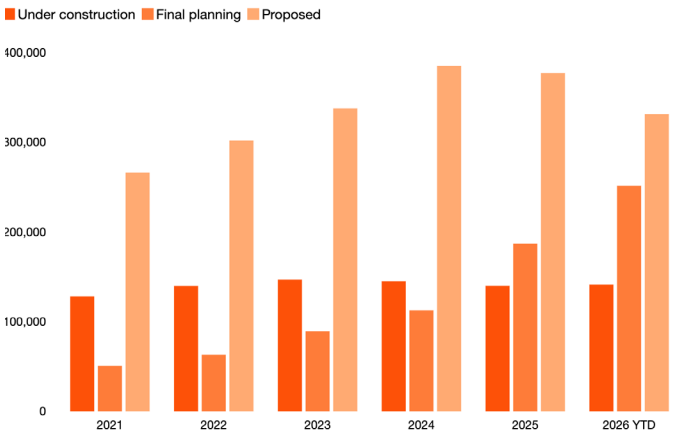
These conditions are pushing owners and developers toward acquisitions, and renovations for the purpose of rebranding and repositioning. In high-cost markets, existing properties can often be acquired significantly below the cost of developing comparable new product. Where renovation, rebranding, or repositioning can create upside, buying an existing property often offers a more attractive risk profile than new construction. Rebranding is estimated to account for roughly 40 percent of brand growth by some market participants, underscoring their growing importance to hotel expansion.

A growing backlog of capital needs is creating another layer in the investment landscape. Hotels that deferred capital spending in the past are now facing aging guestrooms, property improvement requirements, and higher debt-service costs. That is widening the gap between well-capitalized properties and underinvested properties, while creating opportunities for buyers with capital to acquire and reposition tired assets.

Despite these challenges, the development pipeline suggests interest is beginning to rebuild. Rooms under construction remain broadly in line with 2024 and 2025 levels, while projects in final planning have increased and proposed rooms remain elevated. However, much of this activity has yet to translate into construction. Financing, replacement costs, labor availability and project feasibility will continue to determine which projects move forward in 2027.

Hotel Rooms in Pipeline by Stage, 2021-2026

Number of rooms (annual average; 2026 YTD as of Jul 2026)



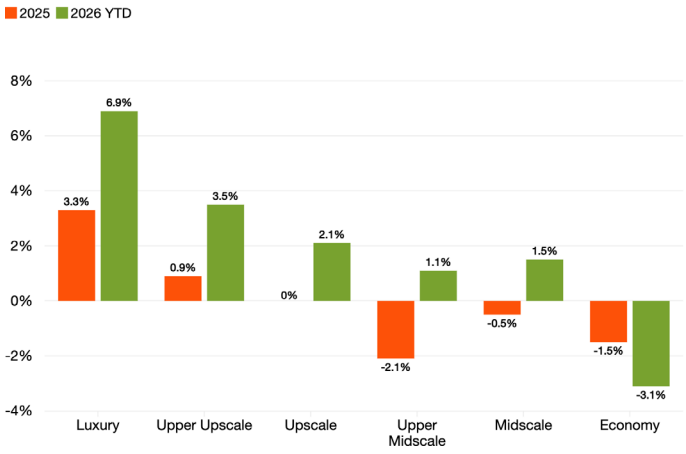
Source: *CoStar.*

Bifurcation in Performance Begins to Narrow

Emerging Trends in Real Estate® 2026 highlighted increasingly K-shaped performance of the hotel market, with higher-priced hotels benefiting from resilient discretionary spending while lower-priced segments faced greater pressure. That bifurcation remains, but the shape of the recovery is beginning to change as performance improves across the middle of the market. RevPAR growth has strengthened at the upper end, while upscale and upper-midscale hotels have returned to growth after declining in 2025. Economy hotels, however, remain under pressure. The result is a performance curve that is beginning to look less K-shaped and more C-shaped, as improving mid-priced segment performance fills in the middle while the greatest pressure remains concentrated at the lower end.

Hotel RevPAR Growth by Chain Scale, 2025 versus 2026, YTD

12-Month rolling RevPAR, year-over-year % change



Source: *CoStar.*
Note: 2025 = Dec 2025 rolling 12-month; 2026 YTD = Aug 2026 rolling 12-month.

This year's *Emerging Trends* survey results point to a similarly selective outlook. Investment prospects strengthened for luxury and upscale hotels, while sentiment toward midscale and economy properties slightly declined. The broader survey results reinforce this divergence, with the outlook for full-service hotels improving while limited-service hotels lost ground. Overall, respondents continue to favor higher-end and full-service properties, suggesting that the improvement in operating performance across the middle of the market has not yet translated into an equally broad improvement in investor sentiment.

Chain scale, however, is becoming a less complete explanation of overall hospitality performance. Extended-stay hotels in markets benefiting from data center, energy, infrastructure, and other large construction projects can capture sustained project-based demand, creating pockets of strength even within lower-priced segments. This makes local demand composition and the customer base being served increasingly important alongside traditional chain-scale classifications.

Heading into 2027, the hotel market therefore remains bifurcated but is becoming less polarized. Higher-end hotels continue to benefit from resilient discretionary spending, while improving performance across upscale and upper-midscale hotels is broadening the recovery into the middle of the market. Economy hotels continue to face greater pressure, but lower-priced segments are not uniformly weak. In markets with durable corporate, infrastructure, or residential demand, select extended-stay and focused-service hotels can produce steadier occupancy than the broader consumer backdrop might suggest. As the K-shaped recovery becomes more C-shaped, performance is increasingly being determined not only by chain scale, but also by local demand drivers, customer mix, and individual asset characteristics.

From Place to Purpose: Travel Becomes More Intentional

Travel behavior continues to evolve beyond common themes observed over the past years, including the blending of business and leisure that defined the rise of "bleisure"—the flexibility to work remotely from leisure destinations through "workations"—and increased interest in multigenerational travel. One area to watch in 2027 is travel centered on a specific personal interest or objective, described as *purpose-driven* travel. One emerging trend, which is driven by increasing consumer need for authenticity and intentionality, is "skillcation"—trips that focus on learning or developing a skill through immersive culinary, wellness, sports, outdoor, artistic, or other experiences. Consumer research points to growing interest in these more intentional trips, particularly as an increasingly digitalized AI-driven world drives demand for tangible, real-life experiences. Consumer interest in travel centered on personal passions, hobbies, and skill development is creating new opportunities for hotels to engage guests around the purpose of their trip. For hotels, the opportunity extends beyond in-house offerings: properties can tap into this demand through partnerships with local businesses, instructors, and experience providers, broadening the guest experience without requiring significant investment in new amenities.

For owners and operators, the relevance of purpose-driven travel is less about adopting a new label and more about understanding what is motivating a guest to stay. Hotels can shape programming, partnerships, and marketing around those motivations, creating a more differentiated product without necessarily making major physical changes to the property.

Purpose-driven travel can further influence the hotel revenue mix. Programming tied to wellness, food and beverage, sports, or local experiences can create incremental spending beyond the room, while packages and loyalty offers can encourage longer stays or repeat visits. Urban, select-service, and extended-stay properties can use partnerships and targeted offers to connect more directly with the reason a guest is in the market.

For 2027, understanding the purpose behind a trip can become another important tool for differentiation and additional property-level revenue. Hotels that connect the room to the experience that prompted the stay can capture more spending across other segments, such as food and beverage, wellness, activities, and other ancillary offerings while strengthening the guest relationship.

Hospitality's Next Guest Is an AI Agent

AI is moving from influencing hotel bookings to facilitating the transaction itself. Over the past 12 months, several AI agents began rolling out direct hotel booking capabilities, allowing travelers to search conversationally, select a hotel and room, and complete the booking journey and payment without returning to a traditional hotel search or booking flow. This marks an important step from AI helping travelers decide where to stay toward acting on those decisions.

For hotel brands, this evolution could radically change how properties compete for visibility online. As travelers increasingly use AI agents to identify hotels based on specific preferences, brands are complementing traditional search engine optimization with generative engine optimization (GEO) to improve their visibility within AI-generated recommendations. This places greater importance on making room attributes, amenities, policies, rates, and availability accessible and understandable to AI platforms.

Taken together, the next step may be AI increasingly interacting with AI. For owners and operators, this creates both opportunities and new distribution challenges, as they need to market not only to travelers, but also to the AI agents acting on their behalf. AI could make differentiated properties easier to discover based on specific attributes rather than brand recognition alone but could also create another powerful intermediary between hotels and their guests. The key question is who controls the customer relationship and the economics of distribution when AI increasingly decides where travelers stay.

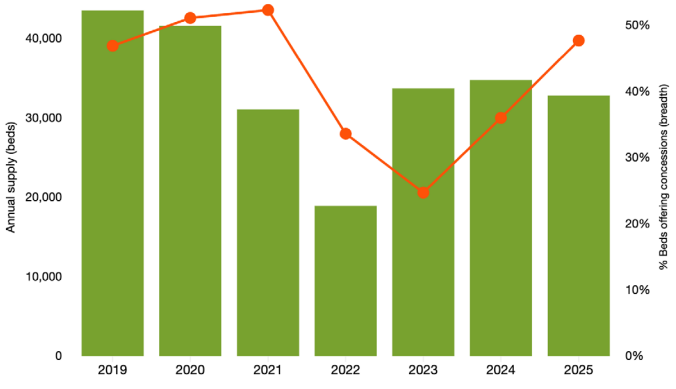


Student Housing: Heading Into a More Crowded Stretch

- Student enrollment kept growing in the 2025–2026 academic year, though slower than 2024–2025's surge, even as new student housing supply pulled back for the first time in three years.
- Concessions climbed to their highest share since 2021, a sign the sector is still absorbing the supply built up in 2023 and 2024.
- Six separate developments, from a new endowment tax to tighter loan caps to a shrinking pool of incoming students, are all arriving at once, an unusually crowded stretch.

Student housing carried momentum out of 2024, and 2025 mostly held onto it, though growth slowed by year's end. Enrollment across the 175 core universities tracked and forecasted by RealPage grew 2.0 percent, a step down from 2024's 2.4 percent gain but well ahead of the broader market, where the National Student Clearinghouse Research Center put nationwide post-secondary growth at 1.0 percent for fall 2025. That gap isn't a coincidence. As smaller colleges close, their students land at the bigger, better-known schools that make up RealPage's 175. For 2026–2027, we expect average growth across RealPage's 175 to ease further, to 1.5 percent. New supply, though, pulled back in 2025–2026 to 32,815 beds, down from 34,773 the year before, the first decline since 2022.

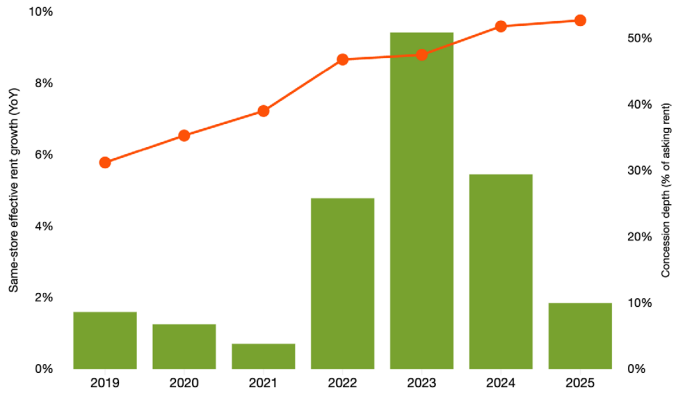
Annual Supply versus Share of Beds Offering Concessions



Source: *RealPage Market Analytics, RealPage175 universities*

Demand held up, but only with help. Concessions climbed to 47.7 percent of beds, the highest share since 2021, when pandemic-era vacancy was to blame. This time it's supply. Deliveries jumped nearly 80 percent between 2022 and 2023, held near that level through 2024, and eased only slightly in 2025. New buildings don't fill overnight, so that stock is still working its way through the market. Rent growth backs that up, slowing to 1.9 percent, the softest since 2021. None of this is alarming by itself, but the timing is worth watching, since financing and borrowing are tightening just as enrollment, closures, visas, and shifting majors all converge.

Concession Depth versus Same-Store Effective Rent Growth



Source: *RealPage Market Analytics, RealPage175 universities*

A new endowment tax, tiered as high as 8 percent, hits the wealthiest research universities hardest. Harvard's first-year bill could reach $368 million, Yale's $276 million, and Stanford's $202 million. Over five years, each could owe over $1 billion, and roughly 20 universities owe the tax next year. Princeton avoided its bill by expanding aid enough to push its tuition-paying enrollment under the law's 3,000-student threshold, and is now exempt. Congress rejected a proposed 40 percent National Institutes of Health (NIH) cut, though $1.9 billion in grant terminations hit many research-heavy campuses. Those schools are cutting graduate school admissions. Yale is phasing in a 13 percent cut to humanities and social sciences graduate enrollment and 5 percent in science, technology, engineering, and mathematics (STEM) by 2028, and Massachusetts Institute of Technology's (MIT's) incoming graduate class is already down nearly 20 percent.

At the same time, graduate students are being squeezed from the borrowing side. Grad PLUS loans ended for new borrowers on July 1, 2026, replaced by a $20,500 annual cap and a $100,000 lifetime cap for most master's students; continuing students keep grandfathered access, but every new cohort starts under the tighter ceiling. Cost of attendance is meant to cover housing and tuition together, so once it clears $20,000, the loan cap alone won't cover a lease. Students respond with more roommates, cheaper buildings, or delayed enrollment.

That squeeze hits fast. The next one builds more slowly, but it's already underway: high school graduates peaked in 2025, and the Western Interstate Commission for Higher Education (WICHE) projects a 13 percent decline by 2041, though that masks sharp regional differences. The Northeast loses about 17 percent of its graduating class, the Midwest 16 percent, and the West 20 percent, while the South grows roughly 3 percent. Only 12 states plus Washington, D.C., mostly Southern, add graduates; the other 38 lose them, including West Virginia, down about 26 percent. Enrollment hasn't turned yet, but the pipeline feeding it is shrinking.

That decline shows up in college closures. Nine schools are shutting down in 2026 alone, with six more mergers underway. Since March 2020, roughly 49 nonprofit colleges have closed or announced closure, displacing about 53,400 students. It's almost always the same kind of school: small, private, tuition-dependent, several years into steep enrollment decline before closing. None of these are RealPage's 175 core schools, but they're an early warning, not an isolated one. Larger campuses will feel it, too, just later, with more cushion.

It isn't only the domestic pipeline running thin. International enrollment, once an offset, is now hit from several directions. F-1 visa issuance fell 34 percent between 2024 and 2025, about 131,000 fewer visas; India's totals are down 76 percent since 2023. A new rule ending "Duration of Status" would have capped F-1 visas at four years in September 2026, but a federal judge blocked it as unlawful the day before it was set to take effect. Litigation continues, and the cap could return. NAFSA had projected up to 111,000 fewer students, $3.4 billion, and 40,000 jobs lost this fall on that rule holding. Even blocked, a lease signed a year out is a bet on policy that could shift.

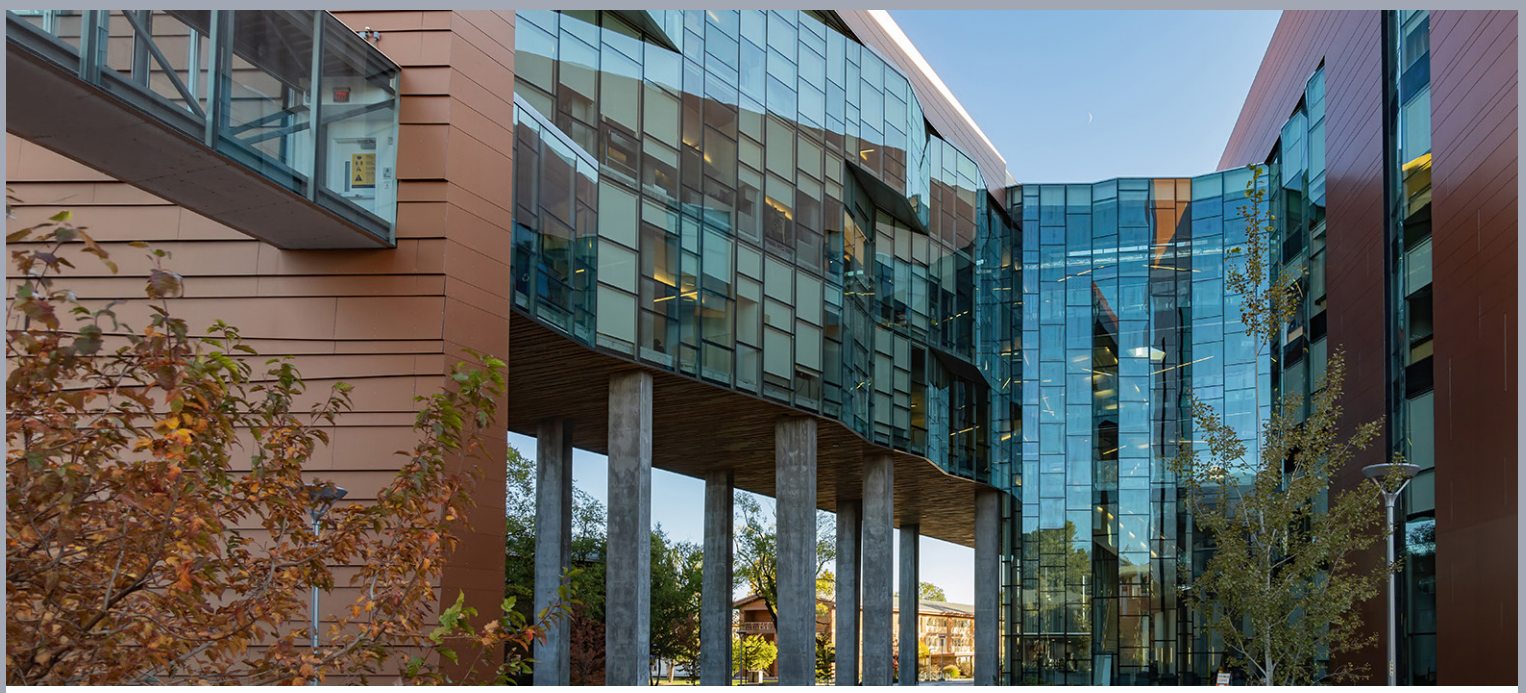
Even where enrollment holds, what students choose to study is shifting. Gallup finds 42 percent of bachelor's students have considered switching majors because of artificial intelligence (AI), and 13 percent already have. Computer science, the major most tied to AI, is seeing its first pullback in two decades. This year's CRA Taulbee Survey puts new computer science majors down 13 percent and total enrollment down 4 percent. Vocational program enrollment is up about 20 percent since 2020, and those students rarely rent purpose-built housing, so that demand never turns into leased beds.

Supply has its own bind, too, and it isn't only rising costs. On-campus housing covers only about a fifth of enrollment at RealPage's 175 universities, so growth spills into neighborhoods next door, now pushing back harder than usual. Providence, Rhode Island, is exploring a housing overlay district; Narragansett, Rhode Island, caps occupancy per house; State College, Pennsylvania, is untangling an old deed restriction that nearly sank one project; and Texas Christian University's neighbors are fighting new ones.

A few schools are shifting the fight inward instead of fighting neighbors, but that only works where the campus has the beds for it. Washington University in St. Louis is requiring sophomores to live on campus starting this fall, pulling in the cohort that would otherwise sign its first off-campus lease, and that's already pushing juniors out of campus housing to make room. Sacramento State and Point Park require two years on campus starting this fall, so their sophomore-year mandate doesn't bite until 2027–2028. Either way, a school can only require what it has beds for, the one real cushion in a one-sided trade.

None of that amounts to a crisis by itself, an endowment tax here, a lending cap there, a slower trickle of high school graduates. Stack them up in the same few years, and 2025 starts to look like the easy part. Enrollment held up, and concessions absorbed a supply overhang that's been building since 2023, doing the work rents alone couldn't, and that's not a combination worth counting on twice. The exposure isn't spread evenly. The research universities, the international-heavy schools, and the graduate programs carried the sector through 2025, and they're sitting closest to everything on this list. That overlap, more than any single item on it, is what should shape how the next two years get underwritten.

—RealPage



Life Sciences: Signs of Recovery, but a Long Road Ahead

- The long-term outlook for life sciences real estate remains compelling. An aging population, the growing prevalence of chronic diseases, continued drug discovery, and advances in AI that are accelerating research and development all support sustained demand for life sciences space over time.
- The near-term opportunity is one of timing and absorption. With absorption now outpacing deliveries and more markets beginning to stabilize, the industry is gradually working through the significant supply added during the recent development cycle. Reaching pre-2022 occupancy levels will take time.
- Capital remains more selective than during the post-pandemic boom, with greater emphasis on mature companies with later-stage trials, AI platforms, and clearer paths to market.

Overview

The life sciences real estate sector has faced significant headwinds in recent years following a rapid shift from the intense demand and limited availability that characterized the post-pandemic boom, to weakened demand, rising vacancies, and a substantial oversupply of space.

Fundamentals deteriorated significantly and it swiftly turned into a tenant-favored market. Although the industry has a long way to go to absorb all the available inventory and regain balance, there are signs that the tide is turning and recovery is beginning. Occupancy appears to have hit bottom as of 4Q 2025, and has since experienced two quarters of improvement in 2Q 2026. For the most part, speculative construction has halted and many properties have been taken out of inventory as they lease to other tenant types or sell for other types of uses.

The public markets have provided a meaningful lift to the sector in 2026. After years of sluggish activity, initial public offerings (IPOs) have picked up significantly, with this year's total number of public debuts already surpassing those in 2025. Resilient stock performance and improving investor sentiment have also strengthened confidence across the sector. Merger and acquisition activity has remained strong, as large pharmaceutical companies pursue acquisitions to address looming patent cliffs and capitalize on favorable market conditions.

Unlike the post-pandemic rush, when a greater share of investment flowed to early-stage startups, today's activity is shifting toward more-mature companies with later-stage trials, AI platforms, and a clearer path to market.

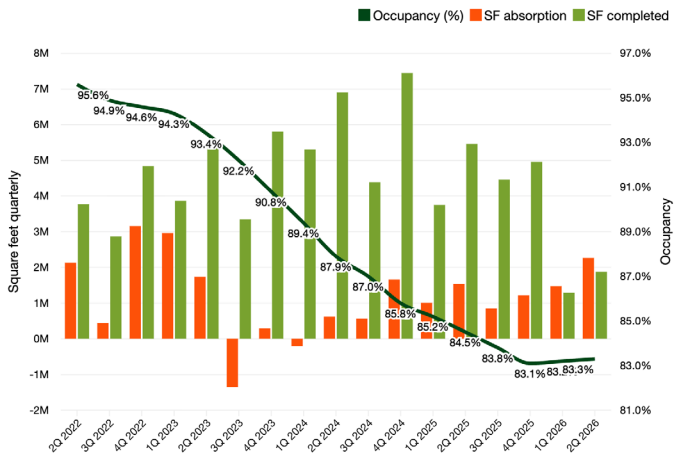
With stronger exit activity, many investors have the opportunity to recycle capital, helping boost venture funding. While total funding has increased this year, venture capital remains more cautious than during the post-pandemic period, with relatively little seed and Series A capital being deployed. The preference continues to be for more-mature, lower-risk, and larger investment opportunities. This could have downstream implications, particularly as changes in National Institutes of Health funding have been creating additional challenges for early research and startups. As a result, the pipeline of startup companies could be more measured in the years ahead.

Fundamentals: Stabilization Sets the Stage for Recovery

Total life sciences inventory across all U.S. markets reached 407 million square feet in 2Q 2026. This includes both user-owned properties, such as those occupied by biotech and pharmaceutical companies, and investor-owned assets, encompassing manufacturing, research and development space, and supporting office space. Total inventory has grown 27 percent over the past five years, with growth in some of the larger clusters substantially exceeding the national average. Even in a strong demand environment, absorbing this level of new inventory would take time.

As demand softened in 2022, occupancy declined for four consecutive years, reaching its low point in 4Q 2025. The market has been waiting for signs that the decline was coming to an end, and 2026 has begun to deliver them. Occupancy increased in both 1Q and 2Q 2026, marking the first two consecutive quarters of improvement and an early indication that the market is beginning to stabilize. Absorption outpaced completions in both quarters, pushing occupancy for all properties from its 83.1 percent low in 4Q 2025 to 83.3 percent in 2Q 2026. Among investor-owned properties, occupancy bottomed at 69.9 percent in 4Q 2025 and has since increased to 70.8 percent.

Supply & Demand, U.S. Life Sciences Properties

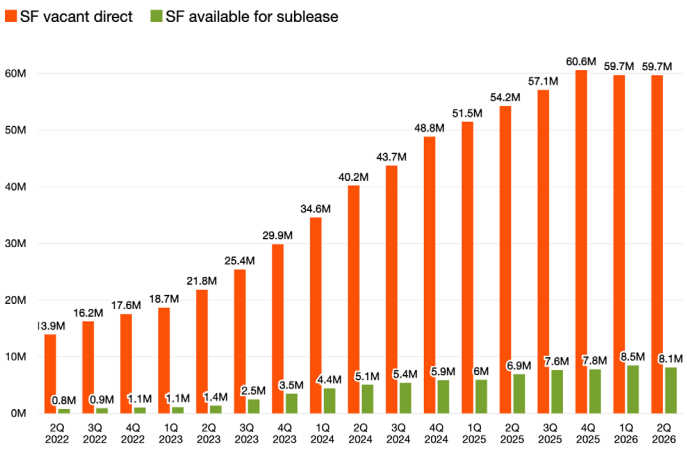


Source: *ULI Lab*

Absorbing Existing Availability Will Take Time

Although leveling off and starting to decline, there is still an unprecedented amount of available space in the market. Currently 67.8 million square feet of space is being marketed as available either directly or by sublease. Many speculative new construction projects still sit completed and empty.

Quarterly Square Feet of Availability, U.S. Life Sciences Properties



Source: *ULI Lab*

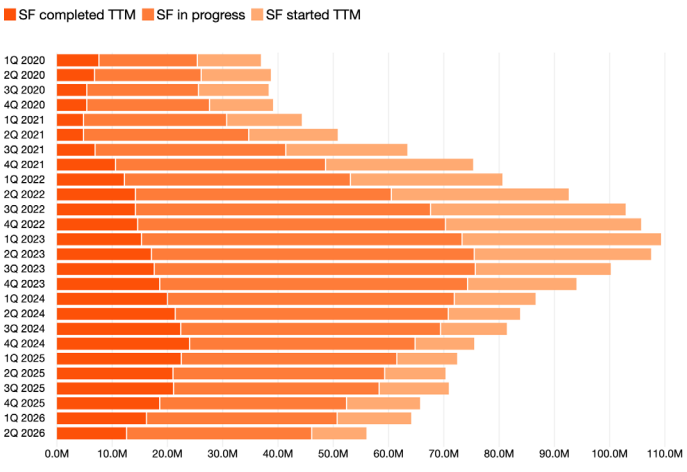
In some cases, developers and owners have been able to lease properties to other types of tenants or transition assets to other uses. These properties are then removed from the life sciences inventory, helping reduce overall availability and relieve some of the pressure on the market.

Even as demand begins to rebound, it will take time to work through the existing availability and bring the market back into balance.

Construction Deliveries Reach New Low

In 2021 and early 2022, demand for life sciences space was exceptionally strong, with limited availability and a relatively modest construction pipeline. As developers responded to these conditions, speculative projects gained momentum. That momentum accelerated to historic levels in 2023, just as demand began to soften amid growing investor caution. The construction pipeline peaked in 2Q 2023 at 58.5 million square feet, equivalent to 16.7 percent of existing inventory. At the height of the cycle, construction starts were running at an annual pace equal to 11.6 percent of inventory.

Square Feet of Annual Construction Starts, Completions and Total Pipeline U.S. Life Sciences Properties



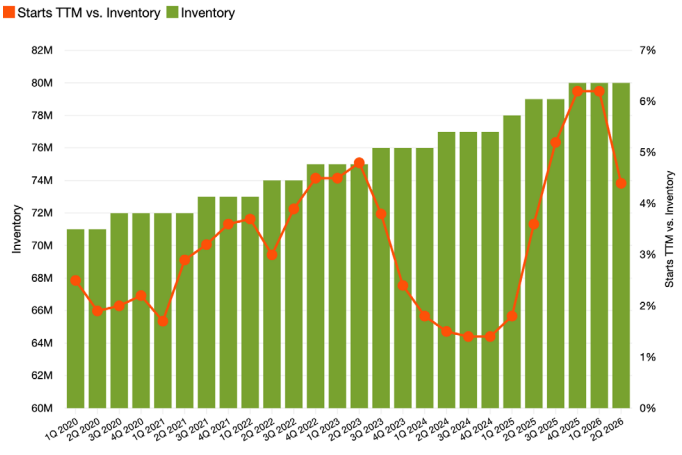
Source: *ULI Lab*

It takes time to slow the momentum of a development cycle, but construction activity has now moved into a much more measured environment. New project starts have fallen below 10 million square feet annually, the slowest pace since before the pandemic boom, and completions are following a similar downward trajectory. Most projects currently being started or delivered are user-owned developments, build-to-suit projects, or manufacturing space. As a result, new deliveries are generally not adding pressure to market fundamentals like they did during the peak of the development cycle.

Manufacturing: A Sustained Source of Growth

Life sciences manufacturing has benefited from sustained tailwinds since the pandemic, when pharmaceutical companies became more aware of vulnerabilities in global supply chains. Many began exploring opportunities to onshore or reshore manufacturing operations rather than relying as heavily on overseas production. More recently, tariffs and other policy initiatives have added further incentives for domestic manufacturing. Together, these trends have generated a new wave of manufacturing construction, helping keep total life sciences inventory growing even as overall construction starts have declined.

Life Sciences Manufacturing Inventory & Construction, U.S.



Source: *ULI Lab*

A Recovery That's Broadening, but Uneven

Recovery is broadening across the country in 2026, with more markets showing positive momentum and enough movement to influence national trends. Denver-Boulder posted the strongest occupancy increase among the major clusters over the past two quarters, while the three largest clusters—San Diego, Boston, and the Bay Area—also recorded modest gains.

Cluster	2Q 2026 SF Open	2Q 2026 Net Absorption	4Q 2025 Occupancy (%)	2Q 2026 Occupancy (%)	4Q 2025-2Q 2026 Occupancy Change (Basis Points)
Boston	69.0M	458,118	75.0%	76.4%	140
San Francisco-San Jose	53.7M	201,814	71.8%	72.2%	40
San Diego	29.2M	101,668	66.5%	67.4%	90
New York	29.1M	-33,072	78.4%	78.2%	-20
Raleigh-Durham	22.4M	-79,878	86.3%	85.9%	-40
Philadelphia	21.0M	82,628	83.1%	84.2%	110
DC-Baltimore	15.4M	-556,251	82.0%	78.7%	-330
Chicago	11.6M	0	86.4%	85.4%	-100
Los Angeles	8.6M	57,415	93.3%	93.5%	20
Seattle	8.2M	-38,511	80.3%	79.3%	-100
Denver-Boulder	6.2M	105,894	78.1%	81.8%	370
Houston	5.0M	-85,801	86.0%	82.8%	-320

Notably, two of the hardest-hit core clusters during the downturn, Boston and the Bay Area, are now showing signs of traction. Boston's occupancy, which declined from the low 90s to the mid-70s in recent years, has edged higher, supported by a series of signed leases from both established and emerging biotech companies.

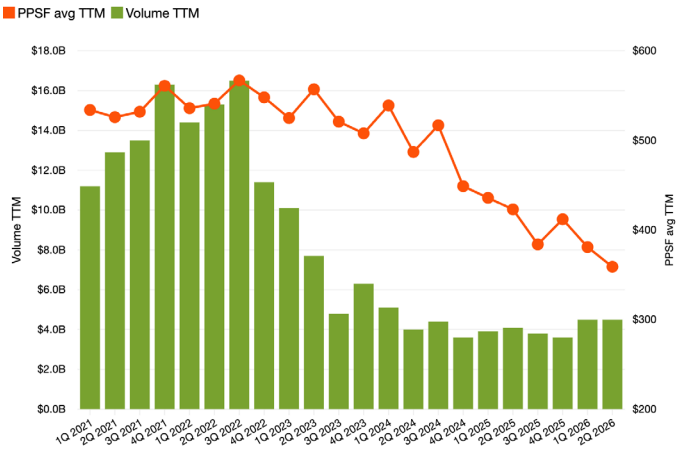
That said, the recovery is far from universal. Some markets continue to experience occupancy declines, underscoring the fact that the recovery is developing at different speeds across the country.

Acquisition Activity Remains Muted; Reflects Market Challenges

Despite an increase in overall commercial real estate transaction activity, life sciences sales remain relatively muted but steady, consistent with the pattern of the past several years. Deal volume and transaction count have remained within a narrow range—roughly $3.5 billion–$4 billion and 65–75 transactions annually—essentially flat from a year ago. Cap rates have also stabilized in the mid-6 percent range, up meaningfully from the sub-5 percent levels of 2022 but no longer trending higher.

Approximately 24 percent, or nearly one-quarter, of all life sciences properties sold over the past year have been converted to other uses, often at pricing well below previous market levels. Many transactions like these have involved properties with significant vacancy, contributing to lower overall pricing. As a result, average pricing fell to $359/square foot in 2Q 2026 from a high of over $550/square foot in 2023.

Sales Transaction Volume and Price Per Square Foot U.S. Life Sciences Properties



Source: *ULI Lab*

Looking Forward

After swinging from a shortage of space to a surplus, the life sciences real estate market is showing its first meaningful signs of stabilization. New speculative development has largely slowed, while a meaningful amount of space has left the market as properties are leased to non-life-sciences users or sold for other uses.

The improvement in capital markets is another encouraging sign. IPO activity has increased, large pharmaceutical companies are actively pursuing acquisitions to address upcoming patent expirations, and stronger exit activity is helping restore confidence among venture investors. Funding is beginning to return to the sector, although capital remains more selective than during the post-pandemic boom, with greater emphasis on mature companies, later-stage trials, AI platforms, and clearer paths to market.

The market still has significant inventory to work through, and the recovery is likely to unfold gradually. But with speculative supply in check, occupancy beginning to stabilize, and capital markets showing renewed activity, the conditions for a broader recovery are emerging.

Long-Term Outlook

The long-term outlook for life sciences real estate remains compelling. An aging population, the growing prevalence of chronic diseases, continued drug discovery, and advances in AI that are accelerating research and development all support sustained demand for life sciences space over time. As the industry continues to develop new therapies and expand its manufacturing capabilities, the need for specialized research and production space will continue to grow.

The near-term opportunity is one of timing and absorption. With absorption now outpacing deliveries and more markets beginning to stabilize, the industry is gradually working through the significant supply added during the recent development cycle. Reaching pre-2022 occupancy levels will take time, but the fundamental drivers of long-term demand remain intact. With new supply more constrained and demand gradually strengthening, the market is increasingly positioned for a healthier and more balanced growth environment over the years ahead.



Medical Office: Reliability and Growth Opportunities

- A shift toward outpatient care and an aging population are some of the secular trends in place that will help fuel the outpatient sector for years to come.
- Supply and demand fundamentals within the MOB sector are also resistant to a slowdown in the economy.
- Beyond these strengths, potential challenges include local health care market dynamics, potential impacts from the One Big Beautiful Bill, and overall U.S. health system changes.

Demand for health care services continues to grow as the population ages, new discoveries and medical advances increase the number of medical issues that can be addressed, and the focal shift from reactive medical care to preventative care and wellness continues. The real estate that supports the health care system is largely made up of hospitals/inpatient care and medical office buildings or medical outpatient buildings (collectively, MOBs).

For institutional real estate investors, the health care real estate sector is generally viewed as a steady and reliable investment among differing strategies. But for some investors, the sector also offers growth strategies. These investors often know where the growth in health care real estate is and how to strategically invest in this growth. For these investors, the combination of steadiness and reliability, coupled with growth, often produces outsized investment performance over time.

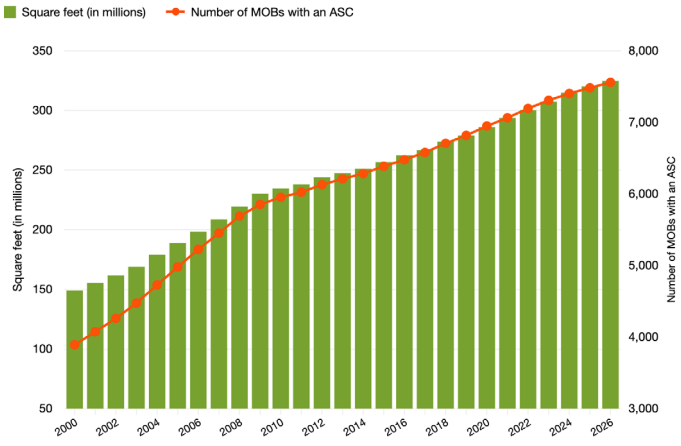
The MOB sector is a benefactor of several long-term secular tailwinds. With advancements in health care technology, many services are now able to be performed in an outpatient setting rather than inpatient, freeing up space in the hospital for more advanced and complicated cases. In recent years, even traditional hospital procedures such as cardiac surgeries can often be performed within a specialized outpatient setting. These types of specialty MOB locations have been growing and moving off hospital campuses and out into the community to make them more accessible for patients. This helps providers and hospital systems build market share and more effectively serve a wide range of patients and cases.

MOBs with an Ambulatory Surgery Center

One of the growth strategies deployed by stakeholders in the MOB sector is to invest in or develop an MOB with an ambulatory surgery center (ASC). MOBs with ASCs often carry higher rents (due to more expensive build-out) as well as a synergistic tenant base that complements the ASC operator. ASCs can exist within single-tenant MOBs. These are MOBs that are normally underneath 25,000 square feet (although they can run larger). ASCs can also exist within multitenant MOBs. Specialties such as gastroenterology, cardiology, orthopedics, ophthalmology, pain management, and ear, nose, and throat (ENT) often perform procedures within an MOB with an ASC.

There are 7,558 MOBs with an ASC comprising 325 million square feet in the United States. Since 2020, the number has grown by 2.6 percent and the square footage has grown by 3.0 percent per year.

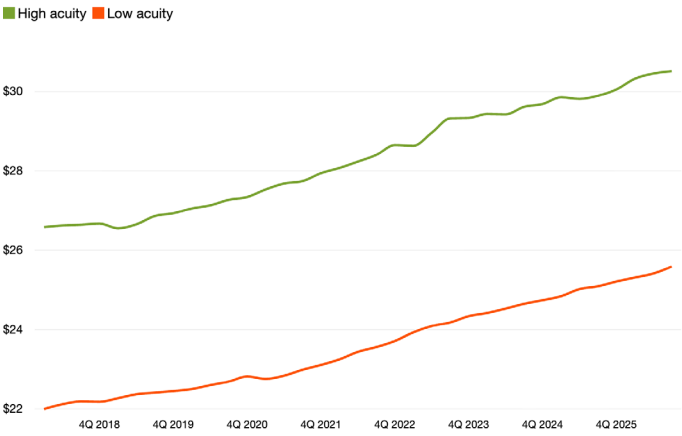
Number of MOBs with an ASC



Source: *RevistaMed*

Other growth strategies include MOBs with dialysis centers, freestanding emergency centers, urgent care, and other property types such as inpatient rehabilitation hospitals and micro hospitals. Investors have become increasingly comfortable with these types of higher-acuity MOBs. Higher-acuity MOBs also tend to have higher growth profiles than MOBs without high-acuity tenants or profiles. In fact, high-acuity MOBs had an average rent of $30.51/square foot in 3Q 2026 compared to $25.59/square foot for low-acuity MOBs. MOBs with these types of premiums can deliver greater returns for investors while also offering effective quality services at a lower cost than many other settings.

MOB Avg Rent Trends - High and Low Acuity - Top 100 Metros

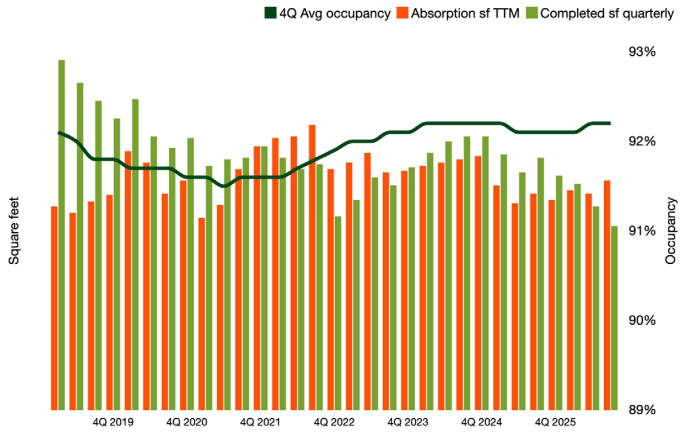


Source: *RevistaMed*

Supply and Demand Conditions Favorable Across the MOB Sector

Occupancy rates across the top 100 metro areas for MOBs have been steady for several years, with an occupancy rate (4Q Avg) of 92.2 percent in 3Q 2026. This was flat compared to 1Q 2026 and up 10 basis points from one year ago. The occupancy rate trend illustrates the steadiness of the outpatient/MOB sector. Physician groups and other health care practices often sign long-term leases and renew when the term is up, with renewal rates in the MOB sector generally above 80 percent. Completions are running at levels well below those seen before 2020, with overall inventory growth rates for the MOB sector trending near 1 percent across the US. Given that overall ambulatory healthcare employment is growing near 2.4 percent, physician groups and health systems often find limited space options when looking to grow their outpatient footprints.

MOB Annual Absorption, Completions, Occupancy (%), Top 100 Metros



Source: *RevistaMed*

Metro Level Observations

Looking at the MOB markets in the following table, different pictures emerge regarding growth opportunities as well as current conditions. In 2Q of 2026, the Los Angeles metro area had the strongest net absorption of the 25 largest metro areas. LA's MOB occupancy rate is currently 92.7 percent, which is a cyclical high. It has had strong absorption over the past year of 961,539 square feet and boasts the strongest net absorption in the top 25 metro areas as of 3Q 2026.

Other large markets are also experiencing strong levels of absorption in 2026. The Chicago CBSA has an MOB occupancy rate of 93.6 percent and has had a trailing 12 month (TTM) net absorption of over 300,000 square feet. The New York metro area's MOB occupancy rate is 94.0 percent in 3Q 2026, after falling from 94.0 percent prior to 2020 to 93.4 percent in 2022.

Ten of the 25 markets had negative TTM net absorption in 3Q 2026. The occupancy rate in the Minneapolis MOB market fell from 92.5 percent in 3Q 2025 to 91.8 percent in 3Q 2026. During that period, TTM net absorption was negative by 55,278 square feet. Occupancies in Houston and Philadelphia have also been on the decline amidst negative net absorption.

Base rents are the strongest in Los Angeles and San Francisco. Both markets boast average MOB base rents above $40/square foot. Several markets in the Southeast have seen the largest growth in base rents during the past few years. Orlando's base rent of $27.21/square foot in 3Q 2026 is up 22 percent in the past five years. Atlanta's MOB base rent has also risen dramatically in the past five years.

Top 25 Metro Areas Ranked on TTM Net Absorption

	SF open	Occupancy rate 4Q avg	Net absorption TTM	Asking rent avg
Los Angeles	60.9M	92.7%	398,120	$41.11
Chicago	48.2M	93.6%	301,338	$23.85
New York	76.9M	94.0%	276,783	$33.35
Atlanta	33.5M	91.8%	222,528	$25.69
Detroit	19.8M	88.3%	192,865	$20.62
Orlando	12.5M	93.1%	176,579	$27.71
Seattle	18.8M	93.3%	175,296	$30.27
Portland	13.0M	94.2%	104,211	$28.87
San Antonio	14.1M	89.1%	91,541	$27.39
Boston	28.1M	94.2%	89,742	$29.40
Washington DC	27.4M	89.8%	76,830	$29.98
Phoenix	22.4M	87.6%	67,143	$25.51
Miami	25.2M	92.5%	52,399	$33.23
San Diego	16.1M	92.2%	21,778	$34.32
Charlotte	13.7M	93.8%	5,399	$28.38
San Francisco	21.8M	92.5%	-214	$40.35
Tampa	16.4M	93.3%	-6,053	$26.09
Dallas	38.3M	89.1%	-15,549	$26.84
St Louis	17.1M	92.7%	-27,921	$24.04
Riverside	12.9M	93.3%	-29,776	$28.16
Minneapolis	21.4M	91.8%	-55,278	$23.14
Baltimore	16.6M	91.9%	-55,837	$27.00
Denver	16.3M	90.8%	-76,001	$23.07
Philadelphia	32.6M	91.6%	-105,146	$24.05
Houston	47.0M	88.3%	-205,440	$25.38

Source: *RevistaMed*

MOB Transaction Activity Increasing

MOB transaction volume has been increasing in 2026. As of 3Q 2026, annual MOB transaction volume has reached $17.6 billion. This is up from $9.2 billion in 3Q 2025. Private investors and hospitals and health systems have been driving increases in volumes. Private investors have deployed $13.5 billion into buying MOBs during the past year while hospitals and health systems have deployed $2.5 billion. REITs have been net sellers over the past year by selling $8.6 billion of MOBs compared to acquisitions of just over $1 billion. Transaction activity should continue to rise as several large MOB portfolios are in the process of closing in the second half of 2026.

The average capitalization rate for MOBs was 6.7 percent across the United States in 3Q 2026. The cap rate has been steady in 2026 after peaking above 7 percent in 2024 and 2025. There has been cap rate compression for Class A, well-located MOB assets with strong health system credit tenancy while cap rates for other MOB assets have been steady or flat.

Key MOB Stats Buyer Type

Buyer type (group)	Number of properties	Total price	Square feet	Price per sf	Avg. cap rate/yield
Hospital/Health System	121	$2,540M	7,066,904	$374	6.2
Investor/Private	902	$13,530M	37,776,883	$397	6.7
Provider Owner	90	$491M	1,741,904	$377	7.3
REIT	39	$1,064M	2,087,381	$515	6.4
Grand Total	**1,152**	**$17,624M**	**48,673,072**	**$397**	**6.7**

Source: *RevistaMed*
Note: 3Q26, Preliminary Data, TTM Basis

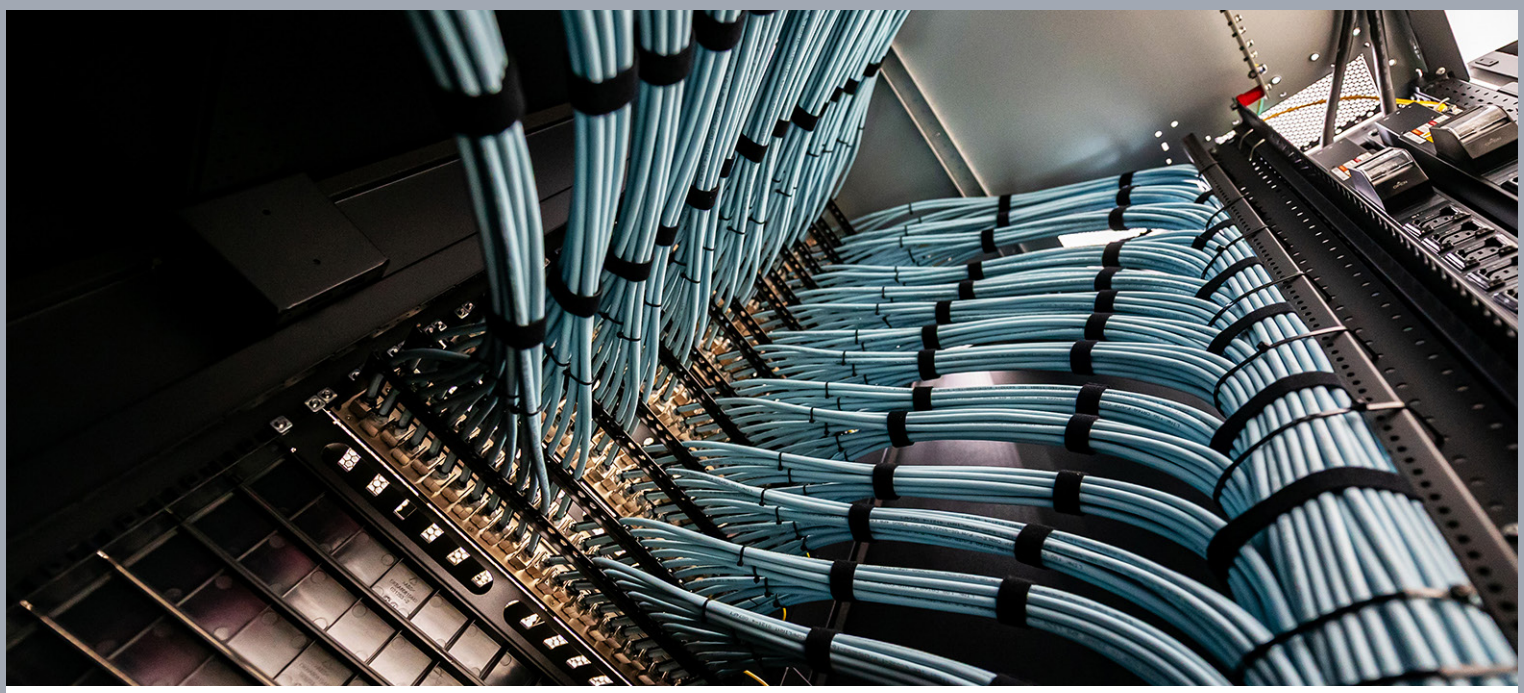
Construction

MOB construction levels continue to trend at cyclical low levels in 2026. In 3Q 2026, 17.5 million square feet of MOBs started construction in the past year. This is down from 19.3 million square feet in 3Q 2025. Completions were 15.9 million square feet on a TTM basis in 3Q 2026 compared to 20.5 million square feet in 3Q 2025. Construction costs and resulting rents required to start construction have continued to be impediments to rising construction levels.

MOB Sector Outlook

A shift toward outpatient care and an aging population are some of the secular trends in place that will help fuel the outpatient sector for years to come. Supply and demand fundamentals within the MOB sector are also resistant to a slowdown in the economy. These characteristics have attracted many investors to the sector over time. Beyond these strengths, potential challenges include local health care market dynamics, potential impacts from the One Big Beautiful Bill, and overall U.S. health system changes.

—RevistaMed



Data Centers: Scaling Under Constraint

- Hyperscalers are forecast to spend over $700 billion on capital expenditures in 2026, yet most have stated that demand for AI and cloud storage continues to outpace available compute capacity.
- With vacancy rates holding well below 2 percent and under-construction projects nearly completely preleased, market rent growth has sustained mid-teens annual growth since bottoming in 2021.
- The political backlash is a hybrid of similar land-use objections seen with energy projects layered with new concerns around electricity prices, water consumption, and broader distrust of Big Tech.

Overview of the Data Center Environment

The data center sector continues to evolve into a strategically important asset class and is a frequently discussed segment of the real estate and infrastructure markets. Demand continues to be driven by cloud computing, artificial intelligence (AI), and the proliferation of data-intensive applications. Hyperscalers have drastically increased capital expenditure budgets, while evolving regulatory scrutiny around power availability, grid stability, and AI-related policy have introduced new considerations shaping investor sentiment. While the pipeline of new development remains robust, persistent and growing constraints—particularly related to power, land, labor, water, and regulations—are limiting the pace at which supply can be delivered. As a result, the supply-demand imbalance has driven strong growth in operating fundamentals across the sector.

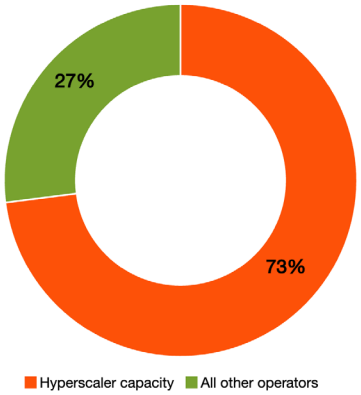
Fundamentals Driven by Supply-Demand Imbalance

Following a record year for North American data center absorption in 2025, leasing in the first half of 2026 has surpassed full-year 2025 by nearly 40 percent, according to datacenterHawk data. With vacancy rates holding well below 2 percent and under-construction projects nearly completely preleased, CBRE data shows U.S. market rent growth has sustained mid-teens annual growth since bottoming in 2021. As AI and cloud computing workloads have become increasingly power-intensive, demand for larger power deployments has grown, driving stronger rent growth for large contiguous space relative to smaller multitenant space.

Hyperscaler Hyper Growth

Driving the demand are the hyperscalers, who combined spent $376 billion on capital expenditures—predominantly for data centers and related infrastructure—during 2025 and are now forecast to spend more than $700 billion in 2026, according to company earnings filings. This capital expenditure engine has helped the hyperscalers grow their footprint to account for nearly 75 percent of all data center capacity, according to datacenterHawk. Despite the magnitude of this investment and scale of existing footprints, these companies have indicated that demand for AI and cloud storage continues to outpace available compute capacity.

Hyperscalers Account for Nearly 3/4 of North American Data Center Capacity



Source: *datacenterHawk (as of 2Q 2026)*

The supply-demand imbalance has opened a window for companies that are able to reposition existing data center portfolios or develop data centers in the electricity-constrained environment.

One rapidly growing subset of AI and cloud computing companies is the "neoclouds." Ranging in origin from crypto-mining companies to purpose-built AI infrastructure providers, neoclouds have emerged as an increasingly important source of compute capacity. These operators predominantly rent out GPU-powered compute for AI workloads and have quickly grown into substantial power users, building out scaled platforms with large, contracted pipelines.

Supply Constraints and the Impact of NIMBYism

Supply constraints relating to power, land, labor, fiber, and regulations have been increasing as the growth in development and power consumption has been a shock to the necessary infrastructure. Power remains the primary constraint, and while utilities and power providers are working to alleviate constraints, timelines to install new generation and transmission infrastructure can stretch longer than a decade. More recently, legislation has been a rapidly changing hurdle for industry participants to navigate.

Navigating Energy Constraints

Growing data center demand is catalyzing an overdue modernization of grid infrastructure, which had limited annual growth in electricity demand for nearly two decades until 2020. To support the massive shift in demand for electricity, utilities and other grid participants are aggressively investing to try to accommodate. To minimize the financial impact of the grid upgrades on non-data center users, utilities, states, and municipalities are implementing cost-allocation tools such as upfront infrastructure payments and take-or-pay programs—which effectively charge data center users a specified amount of allocated power even if they do not use it.

Data center users seeking quicker access to power have increasingly developed in emerging markets or brought their own generation to the site, commonly known as behind-the-meter power. Markets that were not historically primary markets, such as Austin, Reno, and Richmond, have experienced substantial data center development due to more accommodative regional infrastructure and legislation. Furthermore, "frontier markets," which are rural locations with little legacy data center presence, including areas such as West Texas and Richland Parish, have grown to specifically accommodate AI training processes, as these processes are highly power-intensive, but do not require sitting near large population bases. Across primary, emerging, and frontier markets, developers are increasingly considering developing their own power generation to expedite data center delivery times. This approach encompasses a range of technologies, from natural gas-fired generation to small modular nuclear

facilities, and has been growing in popularity. As of early 2026, Enverus Intelligence Research was tracking over 40 GW of announced behind-the-meter and co-located generation across the country.

Regulatory Hurdles

Over the past 12 months, and accelerating in the first half of 2026, a growing cohort of municipalities and opposition groups have actively worked toward limiting the development of data centers. Even as leasing set a record in the first half of 2026, numerous developments were blocked or delayed due to local opposition. The backlash is a hybrid of familiar land-use objections seen with energy projects layered with new concerns around electricity prices, water consumption, and broader distrust of Big Tech. While there is generally broader federal-level support for AI and digital infrastructure, most projects ultimately receive approval at a more local level. This heightens the importance of location selection, shifting much of the development to more business-friendly jurisdictions.

Federal Position

The federal government has provided support for the development of data centers through executive orders; however, protecting the end users from potentially shouldering costs has resulted in the Ratepayer Protection Pledge. According to the White House, the Ratepayer Protection Pledge resulted in more than 300 stakeholders (including hyperscalers and utility companies) committing to build, procure, or fund generation capacity sufficient to cover their data center electricity demand, and to pay for the grid infrastructure required to connect them, without passing those costs to residential or commercial ratepayers. While the pledge is not legally binding, it has resulted in the recently proposed Ratepayer Protection Act and SHIELD Act, which would codify ratepayer protections into law. These proposals have received bipartisan support and will be closely monitored as they develop.

State-Level Tariffs and Utility Agreements

While local jurisdictions ultimately approve or deny the data center, state and utility-level policies can significantly impact the viability and potential for investment in those areas. State utility commissions and individual utilities are establishing rules tied to large-load rate classes, minimum demand contracts, and direct cost allocation of infrastructure to limit the downstream implications on residential and commercial users. Utility commissions in certain states have begun initiating tariff structures that are applied directly to hyperscalers.

Local Land Use Issues and Benefits of Data Centers

At the local level, land use control and community impact mitigation are the focal points, with municipalities implementing zoning ordinances, conditional use permits, noise requirements, negotiated community benefit programs, and water-usage restrictions. Furthermore, certain areas have imposed data center development moratoriums, hindering the ability to develop new projects in those areas. While concern is expected with the development of data centers, it is important to also understand that data centers can provide meaningful benefits to the areas they're sited in, such as the tax revenue benefit below.

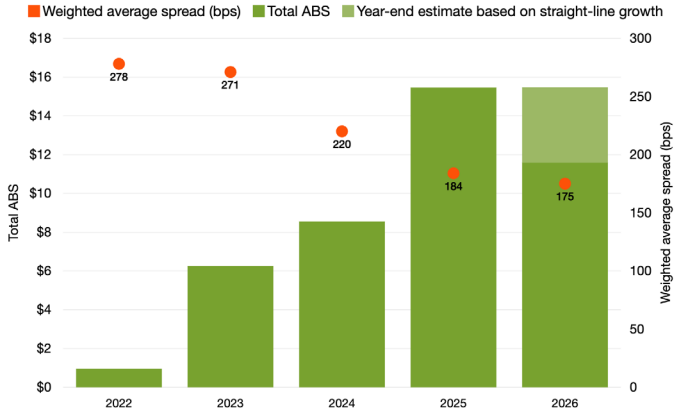
Data centers deliver substantial tax revenue—from real estate and personal property taxes—with little demand for public services as they generate minimal traffic, require few police or fire calls, and use minimal other public services. For example, public filings in Loudoun County, Virginia, show that a data center costs the county $0.04 per $1 of tax revenue, whereas normal businesses cost about $0.25 per $1 of revenue. Furthermore, because of data center tax revenue, Loudoun County resources note that the jurisdiction has one of the lowest real property tax rates in Northern Virginia; about 25 percent lower than neighboring areas. In addition to tax revenue benefits, data centers also can result in higher-paying jobs, better infrastructure (fiber, broadband, and power), and construction employment growth, as well as downstream job creation throughout the nation. A 2026 PwC report stated that each direct job in the data center industry supports more than 4.5 jobs elsewhere in the U.S. economy.

Capital Meets Compute

As new data center projects increase in scale, operators are engaging with a wider range of capital sources to secure financing, including private and public debt and equity markets. Capital is pouring into the sector with a diversified suite of vehicles that touches many different investors' risk-adjusted return appetite.

Data center transactions have predominantly come in the form of platform deals or entity-level sales, with the largest data center transaction ever closing in 2026. Platform investments provide the buyer with development yield upside, and platforms that have a meaningful supply of powered land provided the quickest time to capitalize on this development yield. Public markets have also been receptive to data center REITs with two U.S.-focused data center REIT initial public offerings occurring in 2026.

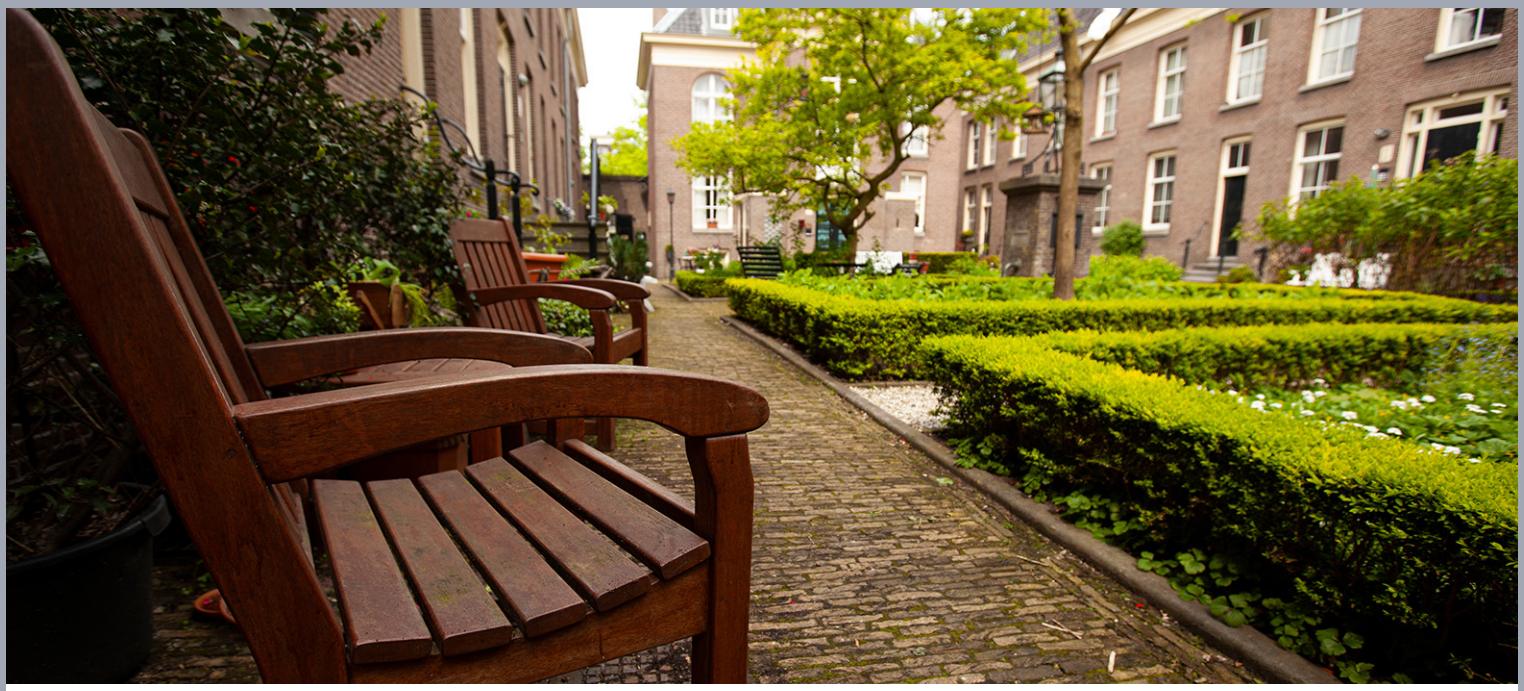
Data Center ABS Funding and Average Spread



Source: *Green Street (as of September 2026).*
Note: ABS spreads are a weighted-average spread across tranches.

Despite a higher-rate environment, data center debt markets have shown deep liquidity and lender conviction across the full life cycle, from construction through stabilization. A meaningful shift in the sector this year has been the increased use of corporate bonds by hyperscalers to fund data center development. Their strong investment-grade ratings have allowed for relatively cheap financing, and with large capital expenditure budgets, this debt financing spreads the cost over time rather than draining cash reserves. Private credit has also increased lending into the sector, providing another source of capital for early-stage development. Financing structures include project finance facilities secured by individual projects and their contracted cash flows, term loans collateralized by GPUs, and private placements. Lastly, asset-backed securities (ABS) and commercial mortgage-backed securities are being increasingly utilized for stabilized facilities, with ABS spreads compressing from 250–300 basis points in 2023 to 150–200 basis points in 2026, per Green Street data.

—Harrison Street Asset Management



Senior Housing: Tight Supply, Strong Demand, and a Sector Reinventing Itself

- Senior housing occupancy has risen for roughly five straight years and now exceeds 90 percent, but affordability for middle-income older adults remains one of the sector's largest challenges.
- Active adult housing is drawing increased consumer and investor interest, while incoming boomers for both active adult and senior housing are choosing larger units and expecting wellness-focused "healthspan" programming.
- AI has moved from back office to core strategy, with working applications in sales and marketing, resident wellness monitoring, and transaction underwriting.

Senior housing enters this year's *Emerging Trends* cycle in an unfamiliar position: it is, by nearly every conventional measure, one of the strongest performing real estate sectors in the country. National occupancy has now climbed for roughly five consecutive years, pushing past the 90 percent threshold in the top primary and secondary markets for the first time since the Great Financial Crisis. Meanwhile, new construction has fallen to levels not seen since 2012, with units under construction across the primary markets down to a fraction of the peak reached in 2020. Annual inventory growth has been running near 0.4 percent, the lowest rate recorded since data tracking began two decades ago by NIC MAP. These positive market fundamentals have driven senior housing to outperform the most widely used real estate benchmark (the NCREIF Property Index) for seven consecutive quarters, posting both NOI growth and investment returns that are attracting increased interest from both private equity and public REIT investors.

The arithmetic behind this is straightforward and durable: the oldest baby boomers turned 80 in 2026, the age at which a move to senior housing is more common. That demand wave is arriving at precisely the moment the development pipeline is at its thinnest, a mismatch driven less by softening interest and more by construction costs, insurance, labor, and the cost and availability of capital. The result is a landlord's market: same-store asking rents have grown annually, and margins have been expanding as occupancy gains outpace expense growth. Operators who spent the past several years focused on survival and expense discipline are now focused on revenue management, staffing stability, and, increasingly, where and how to grow again.

That last question—where and how to grow—is where the more interesting story for this year's report lives. A supply-constrained, high-occupancy environment gives the sector room to experiment with new products, price points, and technologies rather than simply building more of the same. Three threads stand out: the rise of active adult housing as a distinct product type, the unresolved challenge of the middle-market consumer, and a fast-changing set of expectations from the residents themselves.

Active Adult Housing Captures Increased Interest

Active adult housing—age-restricted, amenity-rich rental housing without services or care—has garnered increased consumer and investor interest and is now tracked separately by NIC MAP across several hundred properties nationally. It occupies a useful position in the continuum: for the growing cohort of independent, healthy older adults who are not yet ready for the service intensity or price point of traditional independent living but are ready to downsize, active adult housing offers community, low-maintenance living, and lifestyle amenities without a care component.

Occupancy in the segment has been consistently above 90 percent, and it remains a smaller, faster-growing complement to core senior housing rather than a substitute for it. For developers and capital sources, the appeal is a hybrid one: multifamily-like underwriting and financing, paired with an operating model built around programming and community rather than intensive staffing. As more operators bring hospitality- and wellness-oriented programming into active adult housing, the line between it and independent living light (IL-Lite) will continue to blur, and this hybridization is likely to be one of the more closely watched product trends over the next several years.

The Middle Market Remains the Industry's Biggest Unsolved Problem

If active adult housing represents the sector's most successful recent innovation, middle-income senior housing remains its most persistent gap. Roughly 16 million middle-income older adults are projected to reach age 75 or older by 2033, and by most estimates a substantial majority of them will not be able to afford existing private-pay senior housing without drawing down home equity. They earn too much to qualify for Medicaid-funded care but not enough to comfortably absorb a $6,000-plus monthly rate for assisted living. Middle-income seniors are expected to represent a growing share of all older adult households within the decade, making this less a niche affordability issue than a structural one for the industry's long-term relevance.

There is no single fix, and this year's conversations reflect that: repurposing distressed or older-vintage assets rather than building new; unbundling services and dining so residents pay only for what they use; smaller unit footprints paired with shared amenity space; alternative construction methods to compress hard costs; and new capital structures—including philanthropic, government, and blended finance models—that can underwrite a lower rent basis. None of these are fully proven at scale yet. But the fact that middle-market strategy sessions have become a fixture at every major industry conference this year, rather than an aspirational side conversation, signals that capital and operating expertise are being directed at the problem in a serious way.

A Different Consumer Is Walking Through the Door

Underneath both trends is a more fundamental shift: the resident profile is changing, and the physical product and programming need to change with it. Today's incoming boomer cohort is, on average, selecting larger units—one, two, or even three bedrooms and larger floor plans—over studios, a reversal of a design assumption that shaped much of the existing inventory. Developers are responding by widening the unit mix at the top end for residents downsizing from single-family homes, even as some markets simultaneously push toward smaller, value-oriented units for cost-conscious residents—a bifurcation that will require more nuanced underwriting than a one-size unit mix historically allowed.

Amenities remain table stakes, but the more consequential shift is toward wellness and what the industry increasingly calls *healthspan*—the years lived in good health, not just years lived. Fitness and rehabilitation space, nutrition and dining programs designed around metabolic and cognitive health, and partnerships with outside wellness and healthcare providers are moving from differentiators to expectations. This is not a cosmetic trend. The consumer entering the industry today, and especially the one arriving over the next two decades, will have spent decades of adult life with access to wearable devices, fitness culture, and preventive medicine, and they will expect senior housing to meet that standard. Operators and developers who treat wellness programming as an operating philosophy—reflected in staffing, dining, and daily programming—rather than a renovated fitness room will be better positioned as this generational shift accelerates.

Technology and AI Move from Back Office to Core Strategy

Artificial intelligence has moved quickly from a talking point to a working tool across three parts of the senior housing business. The most mature application today is sales and marketing: AI-driven tools are helping operators understand the prospective resident's customer journey, personalize outreach, and manage lead conversion in a sector where sales cycles can run for months and depend heavily on timing and relationship management. Given how central occupancy is to performance, this is arguably the highest-value use case in the sector today.

A second, earlier-stage application sits inside the healthspan conversation itself: AI-enabled tools for wellness monitoring, fall risk, cognitive screening, and preventive health tracking are beginning to be integrated into resident programming and are extending the operator's ability to intervene earlier rather than react to a health event. This connects directly to the resident-expectation shift described above and is likely to expand meaningfully over the next several years as tools mature and reimbursement and liability questions are resolved.

The third application is on the growth and capital side of the business. Transaction teams are using AI-enabled market data and analytics tools to underwrite opportunities, benchmark submarkets, and assess operator performance far faster than manual processes allowed a few years ago. In a market where good assets and credible operators are scarce and competition for both is intense, the ability to move quickly and with confidence on underwriting has become a genuine competitive advantage rather than a back-office efficiency.

Looking Ahead

Senior housing heads into the next year with favorable fundamentals but real strategic questions. Demand is not the issue; the industry's ability to diversify its product, solve for affordability, and modernize the resident experience will determine how much of the coming demographic wave it actually captures—and how much migrates instead toward home-based care, informal caregiving, or products the sector hasn't yet built.

—National Investment Center for Seniors Housing & Care (NIC)



Self-Storage: Growth Without Ownership

- Fundamentals are set to improve as supply tapers. The delivery slate in 2026 will be the smallest since 2016, and national vacancy is expected to ease to 10 percent by year-end from a 12-year high. Rent gains are concentrated in metro areas with shrinking pipelines, pointing to a sector absorbing new supply rather than facing distress.
- The largest REITs are growing through management faster than ownership. Managed stores across the three major REITs grew at a 14.7 percent annualized rate from 2023 to 2025, reaching 3,224 facilities by June 2026. Owned portfolios grew far more slowly, as fee income, ancillary revenue, and pricing data came without the capital cost of acquisitions.
- Independent owners could face a narrower rate-setting window. With about two-thirds of the nation's stores still outside major operators, the spread of centralized, algorithmic pricing may push many small owners to choose among competing, joining a management platform, or selling.

The self-storage sector is entering a new phase, as construction activity continues to taper. Developers are set to expand national inventory by 2.2 percent in 2026, roughly 25 percent below 2025's volume and the smallest delivery slate since 2016. Sun Belt metro areas are set to capture most of the development, with Phoenix, Houston, Southeast Florida, Tampa-St. Petersburg, Orlando, and Dallas-Ft. Worth leading the pipeline.

The national vacancy rate is expected to ease to 10 percent by year-end, down from a 12-year high of 10.2 percent in December 2025. As of June, vacancy in Texas/Oklahoma and the Midwest was down year-over-year, while the increases in the South narrowed. The Northeast was the only region where the pace of increases accelerated.

The average asking rent, at approximately $1.18/square foot, remains about 12 percent below the 2022 peak, after four years of annual declines. Rent gains are concentrated in metro areas with shrinking, modest pipelines, including Los Angeles, Minneapolis-St. Paul, and Northern New Jersey, while Tampa-St. Petersburg and Orlando, where deliveries will lift inventory by about 6 percent, face the steepest declines. These figures describe a sector digesting new supply rather than facing distress, as the average stabilized rent was still up more than 2 percent year-over-year in June.

While pressure from new supply on street rates is easing, another structural shift may sustain the gap between stabilized and asking rents. The largest operators, including the three major self-storage REITs, are expanding their footprints through third-party management agreements faster than they are acquiring buildings. For operators lacking a national platform behind them, the pressure can be acute. Many small owners may now face a choice of competing against these larger operations, joining one of these management platforms at the cost of some income, or selling.

Combined, managed stores across the three largest REITs grew at a 14.7 percent annualized rate from 2023 to 2025, reaching 3,224 facilities by June 2026, while owned stores advanced at a fraction of that pace.

The drivers of this expansion are clear. Management fee income arrives without the capital commitment of ownership, and the major REITs layer additional revenue on top—property management, asset management, and tenant reinsurance all accrue to the platform regardless of who holds title. Scale lowers the platform's cost, as spending on national marketing, call centers, and search placement is spread across hundreds of properties. More facilities mean more real-time occupancy and conversion data, which sharpens rate-setting across the entire network. Repeated repricing raises realized rates while shortening average tenancy, a trade the platform's lead generation absorbs. This can pressure smaller operations to compete on rents without the same marketing advantages. Management visibility into facility operations can also complement the acquisition pipeline. A manager continuously tracks a store's rent roll, rate performance, and expense load, offering a longer, more granular read on operations than a bidder working from financial disclosures at the point of sale, and well before an owner decides to transact.

For independent owners, the practical effect of expanding management platforms and recent REIT consolidation is a narrower rate-setting window. When a centrally managed platform takes over a portfolio that was previously priced at the regional level, it brings algorithmic revenue management to those stores. Holding rates on inertia no longer works when nearby competitors continuously reprice based on live occupancy data.

The competition has room to spread. As of 2025, public companies and other top operators accounted for roughly 33.6 percent of facilities on an owned-and-managed basis, leaving a fragmented 66.4 percent of the nation's stores outside of the major REITs and other large operations. That remainder, largely composed of single-asset and small-portfolio owners without a national brand or pricing engine, is where management contracts can grow. It also explains why the platform, rather than the balance sheet, has become the growth vehicle of choice.

For owners in that remainder, the question of signing a management contract with a major REIT is more than a matter of fees. Platform management can deliver occupancy an independent operator may struggle to achieve, but it often does so through a cycle the owner does not control. Rates generally climb for existing tenants until some leave, and the vacated unit is backfilled at the prevailing asking rate, restarting the climb. The brand's traffic is what makes that cycle workable, but it is also what makes it difficult to unwind. An owner who returns to self-management gives up the lead flow the property's occupancy has come to depend on.

Not all property owners will face this dilemma, however. REITs and larger institutions often focus capital on primary and secondary markets. Though some pressure remains, investors in smaller secondary markets and tertiary metro areas are less likely to face competition from REIT-managed properties. Properties on the outskirts of major metro areas are often in a similar situation, and an older facility, even in a more central location, may not factor into REIT consideration. Niche formats offer another buffer, as assets built around specialized demand, such as recreational vehicle and boat storage, often fall outside the traditional footprint REITs consider. These owners may be able to continue operating as before. Still, owners who more directly compete with businesses owned or operated by the major REITs face a difficult range of options.

—Marcus & Millichap

Infrastructure: A Historic Buildout Meets Two Major Bottlenecks

Infrastructure is becoming one of real estate's most dynamic sectors as an unprecedented buildout takes shape. While this investment cycle includes traditional classes of infrastructure such as roads, bridges, and railway, it is largely being fueled by the rise of AI, the subsequent data center boom, and the modernization of power and grid systems needed to keep the digital economy operating. PwC's Global Infrastructure Outlook 2025–50 estimates $151.1 trillion of capital is needed over the next 25 years to maintain global infrastructure, with nearly $33 trillion being invested in the United States alone.

That momentum is showing up in the 2027 *Emerging Trends* survey results. Energy and renewables, transportation, digital, and water and utility infrastructure were among the highest-rated categories for both investment and development prospects. That conviction lines up with the direction of capital and demand. As the lines between infrastructure and real estate continue to blur, access to power, water, and digital capacity is becoming a more important driver of value.

Strong demand, though, doesn't translate into a clear path to execution. Our survey points to two potential bottlenecks: the cost of insuring these assets and the reliable power needed to operate the businesses occupying them. These bottlenecks translate into constraints that can slow delivery, change underwriting assumptions, and raise the cost of capital.

When asked which issue is having the greater effect on real estate decisions, 31 percent of respondents pointed to property insurance costs and availability, 20 percent cited power and utility capacity, and 22 percent said both. That means more than 7 in 10 respondents think these issues alone or in combination are impacting decisions in their market.

Power is one of the clearest pressure points. When asked about whether power and utility capacity was a constraint on real estate development in their markets, respondents said it was a moderate (41.3 percent), significant (27.3 percent), or decisive (6.1 percent) constraint. Those concerns are on top of traditional obstacles such as permitting and weather-related delays, labor shortages, and supply chain scheduling for essential equipment. As more capital pours into infrastructure projects, companies must also balance multiple stakeholder expectations on returns.

Property insurance is viewed in a similar fashion. When asked a follow up question on property insurance, respondents said this issue was moderately (44.1 percent) or significantly (28.3 percent) affecting real estate decisions in their markets. This signals that the ability to insure assets is becoming an integral component for decisions on where to build, which assets to buy, and how risk is priced. For owners and investors pursuing large infrastructure-linked projects, the ability to insure an asset on reasonable terms may matter almost as much as the asset's location, design, or demand profile.

That leaves the market with a more demanding investment equation. The opportunity in infrastructure-linked real estate remains significant, supported by strong demand and high conviction across several asset types. As power and insurance constraints become more central to decision-making, success will depend on navigating the practical barriers that come with it.

—PwC

Energy: Speed to Power, License to Build

In a matter of less than two years, data centers have gone from just another class of real estate assets to a flash point for concerns over the future of artificial intelligence, environmental impacts, and rising electricity bills. Questions about data center development are dominating politics from the neighborhood to national level and proved to be a central issue in the 2026 federal mid-term election cycle.

With predictions of 166 GW in new U.S. electricity demand mostly from data centers by 2030, their energy use is a big part of the story and the challenge. Although the U.S. electricity system is an incredible machine that safeguards our communities, drives our economic development and maintains our collective security, the electricity grid is increasingly old, outdated, and unfit for purpose. The Department of Energy has determined that over 70 percent of U.S. transmission lines and power transformers are over 25 years old. Further, the grid was designed around a 20th century resource mix, weather patterns, and technology. Legacy market design and power interconnection processes, together with the reality that grid investments ultimately flow through to customers' utility bills, add to the challenge and have created an inflection point several decades-in-the-making for this country's electricity grid.

The real estate industry is experiencing this collision of rising demand with an old grid firsthand. Its effects on land costs, supply chain timelines, and construction costs are increasingly relevant constraints on growth. For data centers in particular, two factors can now make or break a project: access to power and community opposition. The real estate industry is well positioned to help solve both barriers, both by monetizing part of the solution set and developing distributed energy resources that help earn the social license to build.

Faster, Cheaper Technology

The concept of rooftop solar and aggregating distributed energy resources such as batteries, electric vehicles, and smart thermostats is not new. But over the last year, two emerging themes are coinciding to create attractive market opportunities.

First, development of the large-scale power generation needed to meet new electricity demand is increasingly hampered by permitting, interconnection, and supply chain delays, making access behind schedule and more expensive. In a speed to power regime in which every electron counts, data center developers and the large-load customers that they host are looking for faster, cheaper, and cleaner alternatives to utility-scale supply. Community solar and storage and virtual power plants (VPPs)—dispatchable aggregations of distributed energy resources—can provide usable capacity in a matter of months instead of years, often at lower cost. At the end of 2025, the think tank RMI predicted that VPPs can meet 20 percent of U.S. peak demand by 2030. A May 2023 Brattle Group analysis suggested that a 60 GW VPP deployment could meet U.S. resource adequacy needs over the next decade at a savings of $15 billion to $35 billion over conventional resource deployment. While the loss of federal incentives in 2025 will dampen this cost estimate, it provides a window into the relative economics.

Second, concerns over rising electricity prices and affordability more generally have inspired some of the policy innovations required to create workable financing pathways. These policy pathways come in the form of state and utility VPP incentive programs, community solar programs, and emerging wholesale market participation. Existing incentive programs in Texas, New York, and Connecticut have been joined by recent legislative reform in Maryland, Colorado, Virginia, Illinois, and New Jersey to constitute new VPP markets. On the community solar side, established program states include New Jersey, Maryland, Illinois, New York, Minnesota, and Massachusetts. Virginia and Maryland expanded their incentive programs this year, and Ohio and Michigan are weighing new ones.

State and federal policymakers are also establishing "bring your own new capacity" requirements as both carrots and sticks, either allowing large loads to jump the

interconnection line if they bring their needed incremental capacity or actually requiring new capacities if large loads want to be protected from curtailment risk before other types of customers during grid emergencies. Creditworthy hyperscale partners can provide upfront capital and bilateral contracting opportunities for distributed energy resources (DERs) that stand alone, complement the regulatory incentives and markets, and potentially address Bring Your Own Clean Energy (BYOCE) requirements. (It is important to note that as policy reform is moving quickly at the state and federal level, it is unclear whether and how VPPs and community energy projects will qualify as bankable capacity.)

Industry leaders have been ahead of the curve in deploying distributed resources, following through on commitments to deploy significant amounts of rooftop solar globally. Warehouses are particularly well-suited to community solar and storage partnerships, which involve state-incentivized small solar projects, typically in the range of 1 to 5 MW.

Hyperscalers have also gotten into the game. During 2026, an aggregator agreed to provide a hyperscaler up to 100 MW in VPP capacity funded by the hyperscaler. The deal ensures a contractual revenue stream and equips the hyperscaler with its own new capacity intended to provide curtailment protection and cost advantages in the Mid-Atlantic regional market. This capacity comes from the kinds of buildings and devices that the real estate industry owns or can access.

Technology as Part of the Social License

As societal anxiety over the threat of artificial intelligence continues to ratchet up, it is likely to get harder before it gets easier to build new data centers. Community opposition focuses on several aspects of data center development, including the pollution and cost impacts of new power supply. While they will not be the whole of the solution, community energy programs and VPPs can contribute to the engagement and partnership required to gain community acceptance. VPPs lower utility bills for customers that host them and can also bring down system costs in a benefit to all of a utility's customers, not just the VPP hosts. They can avoid new power plants and transmission development and often provide resilience benefits in the face of extreme weather and other grid blackouts. Community solar and storage investments provide similar benefits and help to address the split incentive reality in multifamily housing and commercial buildings; in other words, allowing an arrangement where building owners monetize the roof or land directly and let tenants or subscribers share in the savings.

While by definition each successful community partnership effort must be bespoke, politicians and communities are starting to create precedents for the level of investment that communities should be able to expect. In New York, following declaration of a one-year state-wide moratorium on data center development in July 2026, Governor Hochul recommended that localities require $1 million of community contribution per megawatt as a condition for approval. For comparison, 1 GW data center may reach $30 billion to $50 billion in total investment so the community benefit line item under the Hochul proposal would be $1 billion. Even at a discount, the potential for community benefits is unprecedented, at least in dollar terms.

On the community partnership front, as part of a data center development in Minnesota in February 2026, a hyperscaler not only agreed to pay its full cost of electricity service and interconnect 1,400 MW of new wind, 200 MW of new solar, and 300 MW of long-duration iron-air battery storage to the grid, it also committed $50 million to support distributed batteries deployment to improve distribution grid resilience to benefit customers.

While real estate companies have had to absorb higher costs and development delays as electricity demand has increased, they also have the buildings, warehouses, parking structures, and land holdings available to capitalize on the need for fast new power supply. Aggregations of distributed energy resources in the form of VPPs and community energy create new revenue streams, bring down customer electricity costs, and improve grid resilience. Capturing the opportunity will require new capabilities and partnerships, and fluency in regulations and market structures that are still evolving. Importantly, the social license to build new data centers requires innovative approaches to cost savings and community partnership, two areas in which the real estate industry has much to offer.

—Allison Clements, Former FERC Commissioner



03 Markets to Watch

"Growth is increasingly found in unique places, micro-markets, and specialized sectors."

– A senior partner at a national investment adviser

"Housing investment opportunities today are increasingly about where shifts are occurring rather than how much activity exists overall."

– A senior investment professional at a global manager

Emerging Trends has been tracking the shift toward more localized investment and development strategies for several editions. In 2027, the forces driving that shift—supply constraints, policy fragmentation, AI-driven demand, and infrastructure requirements—have made the geographic calculus more specific and more consequential than ever.

Beyond the multifaceted analysis that has evolved over time for evaluating real estate markets, submarkets, and sites, the 2027 *Emerging Trends* survey and interviews point to yet another layer of decision points:

- Energy and power grid constraints are influencing development decisions for nearly half of respondents (45.3 percent cite it as a top disruptor);
- Insurance costs are affecting investment decisions at an even higher rate (72.4 percent cite as moderately or significantly affecting real estate decisions in their markets);
- Onshoring and advanced manufacturing, from semiconductor fabrication to defense technology, are creating entirely new demand corridors in markets that did not register on industry radars five years ago; and
- Local governance, from permitting timelines to rent regulation to conversion-friendly zoning, increasingly determines whether a market's growth statistics translate into actionable opportunity.

The time required to move a project from contract to construction varies dramatically by jurisdiction, and that variation changes the risk profile of development by extending the period of exposure to rate changes, cost escalation, and demand shifts. Yet those same barriers to entry may support strong pricing and favorable cap rates for existing assets, a dynamic that separates markets where development is feasible from markets where existing assets carry a scarcity premium. The markets at the top of this year's rankings share a common thread: each offers an answer to the question facing the industry: *why here, and why now?*

The overall real estate prospect rankings are derived from the *Emerging Trends* survey of industry professionals, reflecting a composite of investment, development, and homebuilding prospect scores rated on a one-to-five scale. It is worth noting that scores among the top-ranked markets are closely clustered—small movements in survey responses can meaningfully shift rankings year-over-year—and the rankings should be read as directional indicators of industry sentiment rather than precise ordinals.

This year's ranking movements reflect a broader shift in how the industry evaluates markets. The largest gains belong to markets with specific, identifiable demand catalysts: San Francisco rises 40 places to fifth (from 45th in 2026), propelled by AI-sector leasing and the technology industry's continued expansion, which have reduced office vacancy by more than 500 basis points from its peak. Knoxville climbs 46 spots to 20th, anchored by defense-technology activity and affordability. Yet no single metric, new or old, tells the whole story. "No single variable has consistently predicted rent growth since 2000," cautions a senior executive at a national multifamily housing operator. The ranking shifts illustrate an industry moving toward market-by-market, sector-by-sector, and asset-by-asset evaluation, but those performing that evaluation are the first to acknowledge that the criteria themselves are still evolving.

The housing story in 2027 is as much about affordability as it is about supply and demand. Across the country, the gap between where capital is being deployed and where households can afford to form is widening, and that gap is itself a signal about where the next wave of demand may emerge.

Markets that rank highly for overall real estate prospects do not necessarily rank highly for homebuilding. Entitlement barriers that make existing assets valuable—lengthy predevelopment timelines, restrictive zoning, and limited conversion-friendly policy—make new construction prohibitively slow for builders.

The pattern reverses in markets the industry has largely overlooked. Chicago, Philadelphia, and Detroit are generating housing demand driven by relative affordability, large existing populations, and pent-up household formation, forces that industry sentiment has not yet fully recognized. Affordability is both a social concern and an investment variable. Markets where housing costs consume a smaller share of household income tend to sustain stronger occupancy, lower turnover, and more durable rent growth at the property level, advantages that compound over hold periods. One national multifamily housing operator puts the contrarian case directly: overlooked markets with depressed expectations may outperform precisely because the herd has moved elsewhere.

The divergence between investment and homebuilding sentiment underscores how differently builders and investors evaluate the same markets when affordability, entitlement timelines, and existing supply enter the calculus. A market's attractiveness depends not just on a single composite score but on which question is being asked: attractive for whom, in which sector, and at what point in the cycle.

Overall Real Estate Prospects

Market	2027 Rank	2026 Rank	Change	Region
Dallas/Ft. Worth	1	1	— 0	South Central
Nashville	2	6	↑ 4	South Central
Miami	3	3	— 0	Southeast
Raleigh/Durham	4	11	↑ 7	Southeast
San Francisco	5	45	↑ 40	West
Houston	6	5	↓ -1	South Central
Manhattan	7	9	↑ 2	Northeast
Jersey City	8	2	↓ -6	Northeast
Tampa/St. Petersburg	9	8	↓ -1	Southeast
Charlotte	10	14	↑ 4	Southeast
Orlando	11	12	↑ 1	Southeast
Phoenix	12	10	↓ -2	West
Orange County	13	18	↑ 5	West
Atlanta	14	13	↓ -1	Southeast
Northern New Jersey	15	7	↓ -8	Northeast
Washington D.C. - Northern VA	16	21	↑ 5	Southeast
Palm Beach	17	20	↑ 3	Southeast
Fort Lauderdale	18	25	↑ 7	Southeast
Columbus	19	38	↑ 19	Midwest
Knoxville	20	66	↑ 46	South Central
Austin	21	30	↑ 9	South Central
Chicago	22	27	↑ 5	Midwest
Salt Lake City	23	23	— 0	West
Kansas City	24	24	— 0	Midwest
Long Island	25	26	↑ 1	Northeast
Charleston	26	36	↑ 10	Southeast
Boston	27	15	↓ -12	Northeast
Brooklyn	28	4	↓ -24	Northeast
San Jose	29	40	↑ 11	West
Cincinnati	30	57	↑ 27	Midwest
Sacramento	31	48	↑ 17	West
Greenville	32	46	↑ 14	Southeast
NYC Other	33	17	↓ -16	Northeast
San Antonio	34	19	↓ -15	South Central
Minneapolis/St. Paul	35	50	↑ 15	Midwest
Jacksonville	36	37	↑ 1	Southeast
Boise	37	62	↑ 25	West
Seattle	38	22	↓ -16	West
San Diego	39	34	↓ -5	West
Detroit	40	16	↓ -24	Midwest
Los Angeles	41	44	↑ 3	West
Richmond	42	39	↓ -3	Southeast
Indianapolis	43	42	↓ -1	Midwest
New Orleans	44	35	↓ -9	South Central
Westchester/Fairfield	45	32	↓ -13	Northeast
Oklahoma City	46	55	↑ 9	South Central
Chattanooga	47	65	↑ 18	South Central
Birmingham	48	69	↑ 21	South Central
Memphis	49	58	↑ 9	South Central
Pittsburgh	50	29	↓ -21	Northeast
Philadelphia	51	31	↓ -20	Northeast
Cleveland	52	61	↑ 9	Midwest
NW Arkansas	53	41	↓ -12	South Central
Albuquerque	54	70	↑ 16	West
Denver	55	43	↓ -12	West
Inland Empire	56	56	— 0	West
Portland, ME	57	47	↓ -10	Northeast
SW Florida	58	67	↑ 9	Southeast
Norfolk	59	64	↑ 5	Southeast
Tallahassee	60	33	↓ -27	Southeast
St. Louis	61	63	↑ 2	Midwest
Louisville	62	59	↓ -3	South Central
Honolulu	63	54	↓ -9	West
Washington D.C. - District	64	49	↓ -15	Southeast
Oakland-East Bay	65	79	↑ 14	West
Milwaukee	66	68	↑ 2	Midwest
Washington D.C. - MD Suburbs	67	73	↑ 6	Southeast
Deltona/Daytona Beach	68	71	↑ 3	Southeast
Omaha	69	52	↓ -17	Midwest
Baltimore	70	72	↑ 2	Northeast
Gainesville	71	60	↓ -11	Southeast
Des Moines	72	53	↓ -19	Midwest
Portland, OR	73	80	↑ 7	West
Hartford	74	81	↑ 7	Northeast
Buffalo	75	75	— 0	Northeast
Spokane-Coeur d'Alene	76	76	— 0	West
Madison	77	51	↓ -26	Midwest
Las Vegas	78	28	↓ -50	West
Tacoma	79	74	↓ -5	West
Tucson	80	78	↓ -2	West
Providence, RI	81	77	↓ -4	Northeast

Source: *Emerging Trends in Real Estate 2027* survey.

Homebuilding Prospects

Housing Rank	2027 Rank	2026 Rank	Change	Region
Houston	1	3	↑ 2	South Central
Dallas/Ft. Worth	2	1	↓ -1	South Central
Chicago	3	18	↑ 15	Midwest
Washington D.C. - Northern VA	4	5	↑ 1	Southeast
Fort Lauderdale	5	2	↓ -3	Southeast
Phoenix	6	9	↑ 3	West
Tampa/St. Petersburg	7	6	↓ -1	Southeast
San Francisco	8	15	↑ 7	West
Atlanta	9	8	↓ -1	Southeast
Boston	10	13	↑ 3	Northeast
Philadelphia	11	10	↓ -1	Northeast
Los Angeles	12	7	↓ -5	West
Inland Empire	13	3	↓ -10	West
Detroit	14	11	↓ -3	Midwest
Sacramento	15	19	↑ 4	West
Minneapolis/St. Paul	16	14	↓ -2	Midwest
Manhattan	17	17	— 0	Northeast
San Antonio	18	26	↑ 8	South Central
Orlando	19	24	↑ 5	Southeast
Long Island	20	31	↑ 11	Northeast
Orange County	21	16	↓ -5	West
Seattle	22	12	↓ -10	West
Miami	23	22	↓ -1	Southeast
Charlotte	24	20	↓ -4	Southeast
Las Vegas	25	23	↓ -2	West
St. Louis	26	34	↑ 8	Midwest
Austin	27	27	— 0	South Central
Denver	28	21	↓ -7	West
Baltimore	29	28	↓ -1	Northeast
San Diego	30	25	↓ -5	West
Portland, OR	31	30	↓ -1	West
Oakland-East Bay	32	32	— 0	West
Columbus	33	35	↑ 2	Midwest
Palm Beach	34	33	↓ -1	Southeast
Indianapolis	35	41	↑ 6	Midwest
Cleveland	36	54	↑ 18	Midwest
Cincinnati	37	50	↑ 13	Midwest
Westchester/Fairfield	38	29	↓ -9	Northeast
Oklahoma City	39	41	↑ 2	South Central
Nashville	40	39	↓ -1	South Central
San Jose	41	38	↓ -3	West
Raleigh/Durham	42	37	↓ -5	Southeast
Pittsburgh	43	36	↓ -7	Northeast
Northern New Jersey	44	44	— 0	Northeast
Washington D.C. - MD Suburbs	45	46	↑ 1	Southeast
Jacksonville	46	45	↓ -1	Southeast
Norfolk	47	47	— 0	Southeast
Brooklyn	48	43	↓ -5	Northeast

NYC Other	49	51	↑2	Northeast
Kansas City	50	40	↓-10	Midwest
Knoxville	51	70	↑19	South Central
Washington D.C. - District	52	52	–0	Southeast
Greenville	53	56	↑3	Southeast
Hartford	54	66	↑12	Northeast
Richmond	55	59	↑4	Southeast
Charleston	56	55	↓-1	Southeast
Louisville	57	61	↑4	South Central
Milwaukee	58	48	↓-10	Midwest
Omaha	59	65	↑6	Midwest
Birmingham	60	61	↑1	South Central
SW Florida	61	64	↑3	Southeast
Memphis	62	68	↑6	South Central
Salt Lake City	63	60	↓-3	West
Honolulu	64	58	↓-6	West
New Orleans	65	66	↑1	South Central
Albuquerque	66	63	↓-3	West
Tucson	67	69	↑2	West
Tacoma	68	53	↓-15	West
Chattanooga	69	74	↑5	South Central
NW Arkansas	70	72	↑2	South Central
Jersey City	71	76	↑5	Northeast
Boise	72	78	↑6	West
Portland, ME	73	73	–0	Northeast
Des Moines	74	77	↑3	Midwest
Deltona/Daytona Beach	75	80	↑5	Southeast
Spokane-Coeur d'Alene	76	81	↑5	West
Tallahassee	77	79	↑2	Southeast
Gainesville	78	75	↓-3	Southeast
Madison	79	71	↓-8	Midwest
Buffalo	80	57	↓-23	Northeast
Providence, RI	81	49	↓-32	Northeast

Source: *Emerging Trends in Real Estate 2027* survey.

Regional Trends

The regional context below provides a framework for how the broader landscape is shifting.

The Southeast: Maturing Beyond Migration

Markets in the Southern and Southeastern regions account for six of the top 10 overall prospect rankings.

But the region's narrative is evolving from a migration story to one of economic diversification and broader economic maturation. Nashville rises from sixth to second, anchored by a maturing health care sector, alongside a technology campus and a stadium investment that are creating new development corridors.

Miami continues to separate itself from the broader Sun Belt through international capital flows and corporate relocation: hedge fund and financial services firms are establishing permanent headquarters, and the metro area's tourism economy continues to generate substantial economic impact. Raleigh/Durham, ranked fourth, is expanding from its life sciences identity toward a broader manufacturing transformation, with significant statewide manufacturing investment reshaping the Research Triangle.

The caution within the Southeast is familiar but sharpening: in markets where it is easy to build, capital floods in, supply responds, and the resulting oversupply can take years to absorb. Austin, after falling from 15th in 2025 to 30th in 2026, recovers only to 21st when looking ahead to 2027.

The West: Technology as Catalyst

Technology investment, whether in artificial intelligence, semiconductors, aerospace, or data centers, is reshaping physical demand across western markets in ways that extend well beyond the technology sector itself. San Francisco is the most dramatic example, rising from 45th to fifth on the strength of an AI ecosystem that has generated substantial venture capital activity and driven meaningful recovery across office and residential sectors. Investment sales are strong, and trophy assets are trading at levels that signal institutional confidence in the market's durability.

Phoenix has evolved from an affordability-driven growth story into a leading semiconductor, data center, and advanced manufacturing hub. Orange County blends aerospace and defense with tourism into a diversified growth profile. Seattle, despite a ranking decline (22nd to 38th), has now posted its best new office leasing since 2019 in the first nine months of 2026, with AI-related demand up nine-fold year-over-year, a trajectory that echoes San Francisco's earlier recovery arc.

The Northeast: Selective Strength

The picture in the Northeast is more nuanced than a single narrative can capture. Manhattan rises from ninth to seventh—continuing its recovery from 42nd in 2022—and the broader New York corridor has three markets in the top 15: Manhattan, Jersey City (eighth), and Northern New Jersey (15th). Manhattan's recovery is among the most diversified of the profiled markets, with simultaneous strengthening across office, retail, and tourism, and a substantial infrastructure pipeline that reinforces the market's long-term competitive position.

But the trajectory across the corridor is uneven. The Northeast story is less about uniform strengthening and more about specific demand catalysts—AI and financial services in Manhattan and entitlement-driven scarcity in Jersey City—rewarding certain corridors while broader regional sentiment softens.

The Midwest: The Contrarian Case

Broadly, the Midwest is building a contrarian investment case not on headline growth but on relative value: affordable markets with stable income demographics, constrained supply pipelines, and acquisition bases well below replacement cost. "Utility and entitlement constraints increase the scarcity value of existing assets," notes a senior executive at a digital infrastructure firm. Markets such as Chicago, Cincinnati, and Indianapolis offer the opportunity to acquire assets at a meaningful discount to what it would cost to build them, a margin of safety that supports durable income returns even without headline rent growth.

In contrast, Columbus, ranked 19th, represents a Midwest market with a growth profile that more closely resembles the Sun Belt, anchored by a roughly 28-billion-dollar semiconductor campus that is creating an advanced manufacturing agglomeration alongside its established logistics strengths. The city ranks third nationally as a data center market and benefits from a university talent pipeline that gives it a competitive advantage in attracting the workforce these industries require.

The South Central: Scale, Infrastructure, and Energy

Across the South Central region, the combination of business-friendly governance, available power capacity, and scaled logistics infrastructure is drawing capital to sectors—data centers, advanced manufacturing, and defense—that increasingly define where growth concentrates. Dallas/Ft. Worth retains its position at the top of the overall rankings, a reflection of the market's scale, diversification, and infrastructure ambitions. The metro area is one of the world's primary data center markets, has launched the Texas Stock Exchange, and has a multi-billion-dollar projected manufacturing pipeline. Multiple mega-projects are reinforcing the market's infrastructure in ways that extend its competitive advantages.

Houston continues to benefit from energy-sector strength and an expanding industrial base, ranking among the top markets for warehouse and distribution development as nearshoring activity accelerates along the Texas corridor. The metro area's port infrastructure, handling the majority of Gulf Coast container traffic, positions it as a primary beneficiary of supply chain reconfiguration. San Antonio is emerging as a defense and cybersecurity hub, leveraging its military installations and lower cost structure than Austin to attract both workforce and investment. And Austin, while contending with the consequences of rapid development, retains the state's strongest job growth rate and continues to attract technology talent, even as the market works through elevated supply in several sectors.

The Markets

What follows are profiles of the five highest-ranked U.S. markets for overall real estate prospects in 2027—Dallas/Ft. Worth, Nashville, Miami, Raleigh/Durham, and San Francisco—followed by five markets whose individual stories merit close attention—Manhattan, Phoenix, Orange County, Columbus, and Seattle.

Regional Framework with Primary Markets

Region*	States	Emerging Trends Markets
Midwest	Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin	Chicago, Cincinnati, Cleveland, Columbus, Des Moines, Detroit, Indianapolis, Kansas City, Madison, Milwaukee, Minneapolis/St. Paul, Omaha, and St. Louis
Northeast	Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont	Baltimore, Boston, Brooklyn, Buffalo, Hartford, Jersey City, Long Island, Manhattan, Northern New Jersey, NYC Other, Philadelphia, Pittsburgh, Portland – Maine, Providence, and Westchester/Fairfield
Southeast	Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, Washington, D.C., West Virginia	Atlanta, Charleston, Charlotte, Deltona/Daytona Beach, Fort Lauderdale, Gainesville, Greenville, Jacksonville, Miami, Norfolk, Orlando, Palm Beach, Raleigh/Durham, Richmond, SW Florida, Tallahassee, Tampa/St. Petersburg, Washington D.C. – District, Washington D.C. – Northern Virginia, and Washington D.C. – Maryland Suburbs
South Central	Alabama, Arkansas, Kentucky, Louisiana, Mississippi, Oklahoma, Tennessee, Texas	Austin, Birmingham, Chattanooga, Dallas/Ft. Worth, Houston, Knoxville, Louisville, Memphis, Nashville, New Orleans, Northwest Arkansas, Oklahoma City, and San Antonio
West	Arizona, California, Colorado, Idaho, Montana, New Mexico, Nevada, Oregon, Utah, Washington, Wyoming	Albuquerque, Boise, Denver, Honolulu, Inland Empire, Las Vegas, Los Angeles, Oakland – East Bay, Orange County, Phoenix, Portland – Oregon, Sacramento, Salt Lake City, San Diego, San Francisco, San Jose, Seattle, Spokane – Coeur d'Alene, Tacoma, and Tucson
Primary Markets	Atlanta, Boston, Brooklyn, Chicago, Dallas/Ft. Worth, Houston, Long Island, Los Angeles, Manhattan, Miami, Northern New Jersey, NYC Other, Orange County, Philadelphia, Seattle, Washington D.C. – District, Washington D.C. – Northern Virginia, and Washington D.C. – Maryland Suburbs	

*U.S. Census Bureau Geographic Levels: Three Census Regions—the Midwest, Northeast, and West—are applied as is to *Emerging Trends* markets, while the South Region is split into two groups by Census Divisions to balance the market count across categories. The South Atlantic Census Division is applied as the Southeast region and the Census East South and West South Divisions are combined to form the South Central region.



Dallas/Ft. Worth

It's no shock that "Bigger in Dallas" remains the top market to watch. The Texas Stock Exchange began trading in July 2026 and completed its rollout by month-end, joining NYSE Texas and Nasdaq Texas. In September, a global financial services firm chose uptown over suburban Atlanta for a regional hub expected to house 3,800 employees by 2035, while another global investment bank's campus—equipped for up to 5,000 employees—takes shape nearby for early 2028 delivery. These are operating centers, not satellite offices, and they bring high-wage jobs that require premium space and amenities.

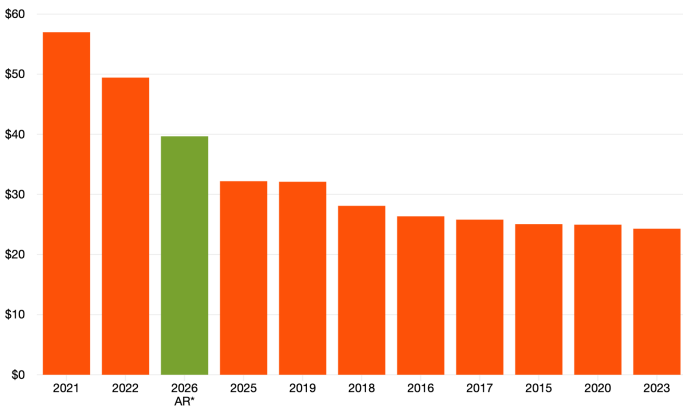
The office sector continues to lead the nation. Class A vacancy remains high at 24.8 percent, but having declined 190 basis points since its 1Q 2025 peak, it started compressing sooner and faster than the nation. Net absorption has been positive for seven straight quarters, totaling 3.8 million square feet, however, additional tailwinds—conversions, demolitions, and user purchases—have allowed the stock to shrink by 7.3 million square feet, removing high-vacancy properties from the market. Top-tier space is tightening fast, especially along the Dallas North Tollway. Class A asking rents sit nearly 25 percent above pre-pandemic levels while top tier rents are 30 percent higher. Construction remains limited, but the pipeline for office has grown each quarter since 3Q 2025.

The office sector isn't the only one where supply is picking up. From its nadir in 1Q 2025 at 19.9 million square feet, the industrial sector now has 30.6 million square feet underway. Overbuilt periphery submarkets are clearing, which reopens the door for new development. Dallas's 7.3 percent vacancy rate is down 250 basis points from its post-pandemic peak. Big-box leasing (500,000+ square feet) reached 23.9 million square feet across 30 leases through September, eclipsing the 2023 record of 18.3 million. South Dallas has no available big boxes for the first time in at least a decade, versus 12.6 million square feet in early 2022.

Cushman & Wakefield's 2026 Global Data Center Market Comparison ranks Dallas as the world's top primary data center market for the first time. The binding constraint is now power. The Electric Reliability Council of Texas's large-load queue runs to hundreds of gigawatts, much of it speculative, and new Texas rules put loads above 75 megawatts under curtailment protocols. Meanwhile, infrastructure is keeping pace, with DFW Airport's Terminal F and Terminal C rebuilds, a multibillion-dollar convention center overhaul, and a $2.5 billion Love Field expansion starting in 2027.

Dallas/Ft. Worth

Total investment sales (billions), all property types



Source: *MSCI Real Capital Analytics, Cushman & Wakefield Research*
**Annualized rate.*

The mixed-use wave extends to the Mavericks and Stars, who are each planning arena-anchored districts—about 104 acres at Valley View and a roughly $1 billion project at Willow Bend, that would redevelop two aging malls. The outlook remains nearly unstoppable as Texas also leads in projected future manufacturing investment, at an estimated $672 billion according to Industrial Sage. The robust socioeconomic environment in the city of 8.5 million people has produced the third best year (through August) of investment sales so far in 2026, behind only 2021 and 2022, and the annualized pace is up 23.2 percent from 2025 levels.

—Cushman & Wakefield



Nashville

The momentum in Music City has crossed the Cumberland River, as a second urban core emerges on the East Bank. A global enterprise technology company has advanced plans for a massive East Bank/River North campus, submitting final development approvals for what is now envisioned as a roughly 1.3 million-square-foot office campus on more than 80 acres, part of a broader $4.5 billion investment. The project—arguably the largest investment in Nashville in modern history—is expected to bring 8,500 jobs (from its current ~900) and includes offices, hospitality, public space, a pedestrian bridge, and extensive mixed-use development.

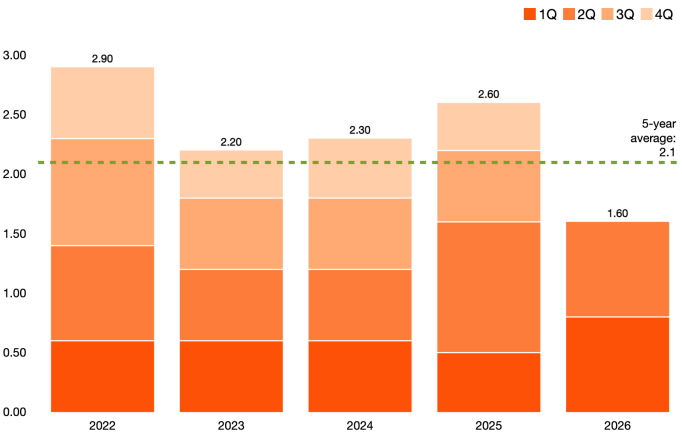
The public and private investment tied to the new $2.2 billion Titans stadium, opening next year, alongside the 30-acre Eastpoint Flats development, which kicked off in May 2026, is driving land value, hotel development, multifamily interest, and infrastructure spending throughout the East Bank corridor.

In the Downtown, Nashville Yards has moved beyond a development project and is becoming a fully functioning mixed-use district. During the past year, it has attracted additional corporate users, including major office tenants, and developers have filed plans for another office tower despite a cautious national office development environment. As elsewhere, the market is now favoring new, amenitized space over commodity space.

Overall office vacancy sits at 16.7 percent in 3Q, down from the 17.3 percent peak in early 2025. With nearly 1 million square feet of demand since 2024 and only one small 60,000-square-foot building underway, the market is now clearly signaling inflection and demand growth. Should they materialize, the 1.4 million square feet of planned conversions would pull vacancy to 15.7 percent. Nashville is transitioning from one of the nation's most active office development markets to one of the most supply-constrained.

Nashville

Office leasing demand (msf)



Source: *Cushman & Wakefield Research*

Segmentation continues to show greater dispersion in rents: A Downtown Class A space built after 2007 asks $60.67/square foot versus $38.11/square foot for older stock. A global coffee retailer's 250,000-square-foot Peabody Union lease, the start of a 2,000-job hub, is another green shoot in a market where leasing volume is at its highest level since 2021 (2.3 million square feet).

Capital targeting Nashville has been flat relative to 2024 and 2025 at an estimated $6.5 billion for all of 2026. Investment sales peaked in 2021 and 2022 at $11.1 billion and $13.9 billion, respectively, however the current run rate represents a historically strong market. A fully leased downtown headquarters sold in May for $255 million, close to $500/square foot and the second-largest office trade in city history. A national real estate investment firm paid $217.8 million for a Gulch Union tower.

The supply-demand push-pull in multifamily housing is finally winding down. Demand relative to stock (3.6 percent) ranks Nashville 4th in the nation as 18,100

units were absorbed in the first nine months of 2026. Vacancy has come in nearly 230 basis points to sub-10 percent (9.8 percent) for the first time in years, paving the way for a broader rent recovery, which remains in its early stages.

Nashville's 5 percent population growth from 2024–2025 defies the national slowdown in migration, and even as inflation has accelerated throughout the year, "Nash-Vegas"-bound travelers haven't blinked: a record 17.4 million visitors came to the city, spending a record $11.6 billion. The BNA airport also set a record 26.7 million passengers in fiscal 2026 amid its $3 billion expansion. Nashville's economy is further buttressed by a secular tailwind: the health care sector, a $72 billion, 372,000-job industry, which anchors the economy. The city may be famous for its music, but its broader story is one of economic diversification and durable growth, suggesting Nashville's next act could be even larger than its last.

—Cushman & Wakefield



Miami

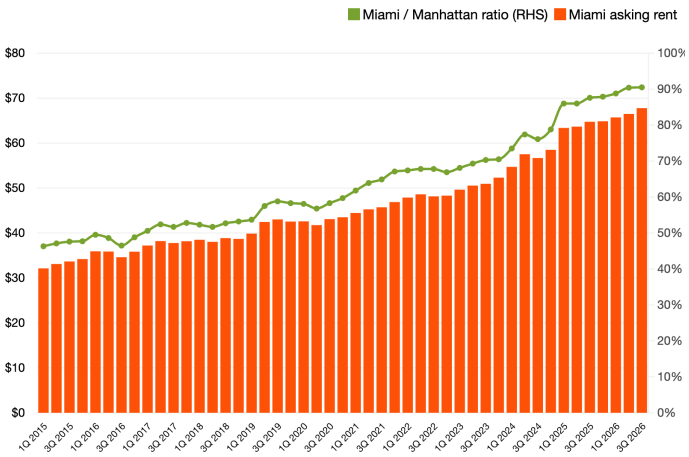
Few cities embody the transformative growth that is underpinning Miami's economy and real estate markets. Already known for its alluring beaches and visitor economy, a deepening bench of finance and tech firms is cementing Miami's position as a leader and top destination for technical talent. A global hedge fund manager began construction on its 1.7 million square foot new global corporate HQ in Brickell, a $2.5 billion project, in March 2026, with vertical development only just recently kicking off. Despite a recent pause, the hedge fund continues to define the market by committing $2 billion for a 35-acre Carnegie Mellon campus in Wynwood.

It's not just about one firm though. Office demand has been robust post-pandemic, and current tenants in the market total over 2.8 million square feet of demand with an average requirement just over 27,000 square feet. Vacancy is now at its lowest point since 3Q 2020, at 13.7 percent—not far from pre-pandemic averages. Construction, meanwhile, remains limited with only 395,000 square feet underway beyond the global HQ discussed above and an international bank's 1.6-million-square-foot tower that broke ground in April.

Although Florida's repeal of the commercial rent tax last October trims occupancy costs, office rents are rising, and quickly. Average asking rents for office are nearing $68/square foot, just 10 percent less than Manhattan's average, while top-tier rents are mostly coming in $100/square foot to $120/square foot. Top-tier office space trades between $400 and $600/square foot depending on the submarket location. One office building in Coconut Grove sold for more than $1,067/square foot. The convergence in pricing in leasing markets toward those of Manhattan is one of the more noteworthy outcomes from Miami's evolution.

Miami

Average office asking rent (gross full service, per square foot)



Source: *Cushman & Wakefield Research*

Investment sales are off 4.3 percent compared to 2025, tallying just $6.9 billion through August. The prior peak was in 2022, at $17.3 billion. In December 2025, a development partnership closed on a $520 million Brickell Bay Drive site, the most expensive land trade in Miami's history, backed by a $464.5 million loan. Nearly $14 billion of South Florida apartments have traded over five years but has slowed considerably since the record $6.7 billion traded in 2021. Multifamily deals continue to pick up from their 2023 nadir of $1.9 billion and are on track to reach $3.1 billion this year. The multifamily sector in Miami is absorbing supply, with demand ranking 12th in the nation (relative to stock), vacancy falling to 8.1 percent, and rents rising 2.8 percent year-over-year in 3Q 2026.

Outside of multifamily and BTS office, *limited* development defines most of the real estate sector. Retail is the second tightest in the nation at 3.1 percent

vacancy, where rents are 37 percent higher than in 2019 (versus 25 percent for the nation). The visitor economy remains equally impressive. Greater Miami welcomed a record 28.3 million visitors in 2025, generating $32.2 billion of economic impact and $22.7 billion of direct visitor spending. Lodging, dining, entertainment, and retail continue to benefit from one of the strongest tourism engines in the country.

Transformative mixed-use developments are scattered around the city. Inter Miami's Nu Stadium opened in April 2026 as the first phase of the $1 billion, 131-acre Miami Freedom Park—a privately funded, mixed-use urban district in immediate proximity to Miami International Airport. Closer to the water north of Brickell, Miami Worldcenter is adding 600,000 square feet of office space later this year, with 1,700 hotel rooms and 600,000 square feet of additional event, meeting, and exhibition space yet to come.

Taken together, Miami is increasingly separating itself from the broader Sun Belt, pairing recent population and employment growth with international capital, global tourism, and corporate investment to create one of the deepest and most resilient real estate demand stories in the country.

—Cushman & Wakefield



Raleigh/Durham

The Triangle's story has always been rooted in innovation. While many Sun Belt markets have relied heavily on migration or tourism, Raleigh's expansion continues to be anchored by its concentration of universities, technology firms, advanced manufacturing, health care, and life sciences.

The region's largest real estate story has shifted from focusing almost entirely on life sciences (labs) to the transformation that manufacturing investment at large (factories) will bring to the state—a total which is now estimated to be near $140 billion per Industrial Sage. The continued buildout of major commitments from large healthcare and technology firms, and other semiconductor, life sciences, and advanced manufacturing users—is reshaping the region's economic base and creating a longer runway for office, industrial, and residential demand. In April 2026, a large pharmaceutical company chose Durham for a $1.4 billion, 185-acre campus.

Research Triangle Park's RTP 3.0 initiative is simultaneously repositioning one of the nation's most important innovation districts into a more mixed-use environment with residential, retail, and amenity components.

The office and life sciences sectors are transforming. With a normal office vacancy rate of 7 to 8 percent (for multiple years pre-pandemic), the current 21.5 percent rate is hard to digest, especially since it has been flat at this level since H2 2024. Likewise, life sciences vacancy is at 26.4 percent, though it is slightly down from its 29.5 percent peak and 28 percent one year ago. The good news for both sectors is that construction is nonexistent. On the office side, in five of the last eight quarters, office absorption has been positive, and there are 3.1 million square feet of tenant requirements in the market.

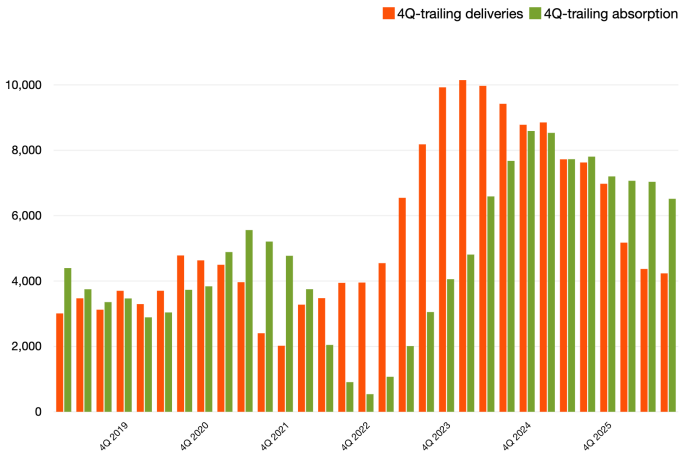
Tenant demand remains concentrated in newer, highly amenitized properties across Cary, West Raleigh, and Six Forks. Top-tier rents across the Triangle average $37.37/square foot, 18.3 percent above the market average ($31.60/square foot). On the life sciences side, RTP has emerged as a premier pharmaceutical manufacturing hub, leveraging its highly educated workforce and competitive labor costs to attract substantial investment from leading pharmaceutical companies. While the vacancy rate remains elevated, existing inventory is increasingly positioned to attract demand from adjacent sectors, including technology, advanced manufacturing, and other knowledge-based industries.

Capital markets are cautious but beginning to reflect that improving outlook. Office investment activity strengthened by 10.6 percent in 2026, highlighted by the $206.7 million acquisition of Bloc83, one of the largest office transactions in the region since before the pandemic. This puts year-to-date investment in office on par with the annual total for 2025. Retail and alternatives are reaching levels associated with last year's annual total, a trendline that could allow the market to exceed last year's level by 23 percent if continued through the final months of the year. Investors remain selective, but confidence in Raleigh/Durham has improved.

The multifamily market is also finding firmer footing after absorbing one of the largest construction waves in its history. Since 2023, more than 29,000 units have been delivered across the region, but vacancy is falling as demand remains robust. Vacancy was 9.4 percent in 3Q 2026, down over 200 basis points from a year earlier, as net absorption exceeded deliveries by more than 150 percent in the last four quarters. Household formation in Raleigh/Durham is among the strongest nationally. As a result, rent growth appears to be accelerating, and reached 1.6 percent in 3Q 2026.

Raleigh/Durham

Multifamily supply-demand imbalance declining rapidly



Source: *CoStar, Cushman & Wakefield Research*

The next chapter for Raleigh/Durham will likely be defined not by population growth alone, but by the cumulative impact of multibillion-dollar investments in talent, research, infrastructure, and advanced industries that continue to deepen the region's competitive advantage.

—Cushman & Wakefield



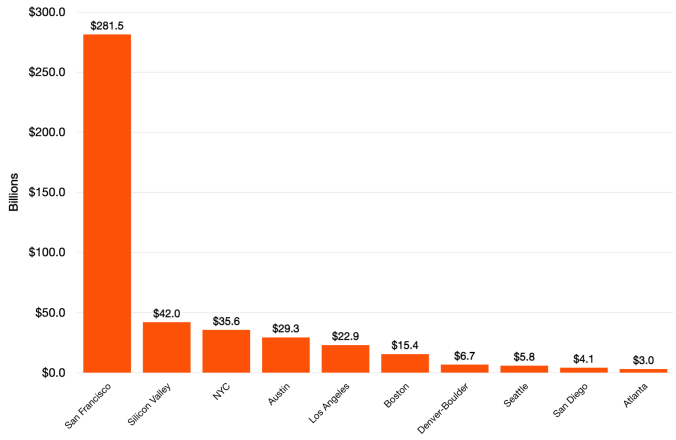
San Francisco

Few cities can boast a comeback story like San Francisco. After years of challenges since the pandemic, it is safe to say a new chapter in San Francisco's history is being written, and AI is at the center of it.

San Francisco is the epicenter of AI capital, capturing roughly 54 percent of global AI and machine learning venture capital funding in 2026. Nearly all of VC funding is tied to AI and machine learning (98 percent). San Francisco-based companies alone attracted approximately $281.5 billion of venture capital funding through 3Q 2026, dwarfing every other North American market. Funding is concentrated with 86 percent of all rounds through 3Q into four companies. Moving forward, expect more VC concentrating with the robotics/advanced manufacturing sector of AI with San Francisco getting a significant share of that.

San Francisco

The AI boom - Top 10 markets for VC funding



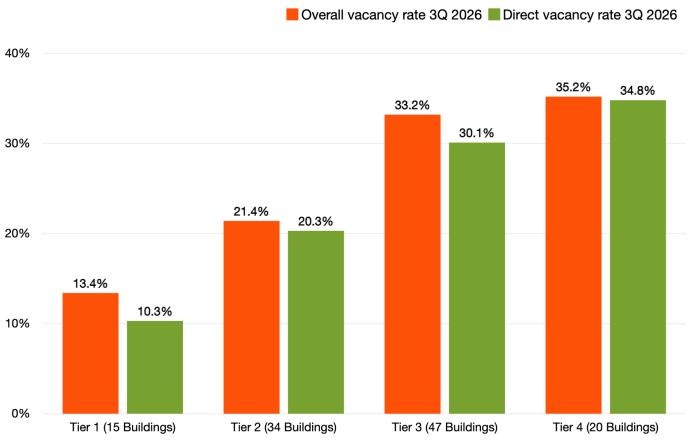
Source: *Pitchbook, Cushman & Wakefield Research*

The knock-on effects for the commercial property markets are materializing. AI companies account for 29 percent of tenant requirements for office space, and total office demand is 8.0 million square feet, up from 7.0 a year ago. New leasing is on pace for a record (10.4 million square feet was recorded in 2014), absorption has been positive in seven of eight quarters, and sublease space is down 60 percent from its 2024 peak. Vacancy is 29.3 percent, down from a 34.7 percent peak, and asking rents rose 3.4 percent in the quarter to $72.68/square foot, the highest since 2023. Of note, the availability rate in San Francisco is now less than the vacancy rate with the delta being 180 basis points at 3Q 2026. Further, once tenants move into space they have already leased, the vacancy rate would fall to almost 25.0 percent.

The office recovery is narrow. Top-tier CBD towers are 13.4 percent vacant versus 35.2 percent for the bottom tier, and Mission Bay is 8.5 percent vacant at $125.70/square foot, the most competitive submarket in both the city and country.

San Francisco

The AI boom - Office vacancy by tier



Source: *Cushman & Wakefield Research*

On the multifamily side, the recovery is just as pronounced as that of office, but the depth is not narrow. Since 2020, the market has whipped from a 6.5 to 7 percent vacancy rate to 14 percent, to now rest at 3.2 percent, a near record but only for the year 2000 when it hit a 1.8 percent low. Though around 3,900 units are under construction, there have been no deliveries for three straight quarters and rent growth has accelerated to 15.6 percent year-over-year, a trend that appears to be likely to continue. A little goes a long way—population-wise, the losses from 2020–2024 have abated, but the city is not adding to its population meaningfully.

Trophy capital is back, and office investment is ratcheting up, as evidence of the purchase of roughly 47.5 percent of 101 California for about $450 million, the city's largest office deal in four years, and the Transamerica Pyramid which sold for $692 million, near $933/square foot. These deals reflect a broader acceleration: year-to-date, office sales are $3.8 billion, trending at a roughly $5.7 billion year if the pace continues. Already, the deals transacted through 3Q surpass the annual volumes reached in all years since 2022. Multifamily is posting record sales volume. Through August, the $5.8 billion sold is nearly double its prior 2024 record of $3.2 billion.

Unlike most other top markets, mixed-use development is forthcoming, but it isn't the core driver of the market momentum now. No office space is under construction, but 20 million square feet is planned, led by developments such as Mission Rock, Pier 70, Potrero Power Station, 50 First Street, and 200 Mission Street. Instead, San Francisco is demonstrating a pattern that has repeated throughout its history: transformative innovations tend to rebuild the city long before cranes appear on the skyline.

The retail sector is staging a comeback as well. What started as improvements within the neighborhoods (thanks, in part, to work from home) is now expanding into the CBD and Union Square, as conferences, tourism, and return-to-office all take hold. Safety and security has been front and center with the new city administration and the change is palpable, though still imperfect. Luxury boutiques have expanded along with numerous high-street/fast-fashion retailers, many of which left San Francisco during the pandemic. Bars and restaurants have also been in growth mode over the past year, many catering to the tech workforce. There remain issues, especially around what to do with the former San Francisco Centre on Market Street, just south of Union Square. Bids were received in September with a decision to be made before year's end on who will get to decide its fate.

—Cushman & Wakefield



Manhattan

The Big Apple is back, big time. Though office recovery remains an important and increasingly positive story, the more consequential trend is the simultaneous strengthening of tourism, retail, multifamily demand, transit usage, and corporate occupancy that is reinforcing the borough's position as the country's premier urban economy. As the third biggest destination for VC funding (overall and for AI/machine learning), Manhattan's emergent AI ecosystem is only just starting to leave its fingerprints on the commercial property markets.

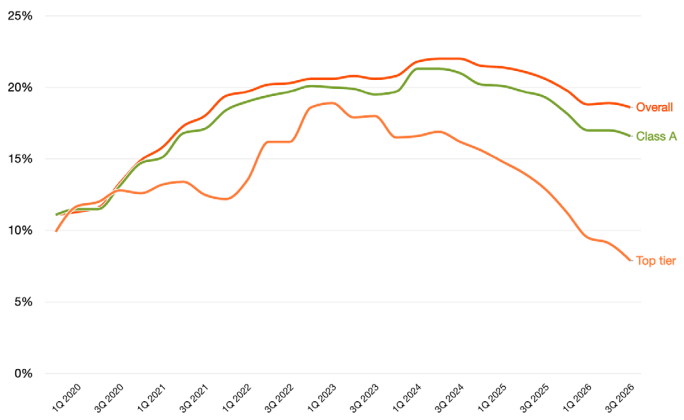
AI-related office leasing has materially accelerated in the past two years: so far in 2026, AI leasing has totaled 2.8 million square feet, more than all of 2025 combined (950,000 square feet). Unlike the Bay Area where nearly one-third of all demand is from AI, Manhattan's demand profile is more diversified, reflecting a broader recovery in return-to-office, corporate expansion, and a growing sense of urgency to secure top-quality space. AI leasing as a share of total leasing is only 11.7 percent year-to-date, and within the tenant requirement data, AI remains 10.8 percent of future demand.

Future requirements of 6.5 million square feet were the highest of the post-pandemic era. Large users are also anchoring new buildings as big block vacancies dwindle. A global financial services firm has pre-committed to nearly 2.0 million square feet at Two World Trade, an international law firm 916,000 square feet at 570 Fifth, and an AI firm 465,630 square feet at 330 Hudson. Rents in top tier/new (re)development now exceed $300/square foot, a reflection of a top-tier market whose vacancy is 7.9 percent, the lowest since 2019. Manhattan's office market is beyond recovery and into a growth cycle. Overall office vacancy fell to 18.6 percent in September, the lowest since 2021, with direct vacant space down 12 straight months and sublease space at its lowest level since April 2020. New leasing is up 4.2 percent to 23.9 million square feet year-to-date (32.6 million square feet with renewals), a pace that could lead to near-record levels of gross demand with the current record-holder being 2019 at 42.5 million square feet.

Moody's Analytics estimates that the 2023–2025 population growth rate in the New York City MSA was 1.6 percent, lower than the growth rates of other cities but enough to put it in the top spot for nominal population gains (a little over 323,000) over the period. The city's housing stock is increasingly strained by recovering demographics. Overall, the metro area boasts an incredible supply-side story with recent (relative) delivery levels at all-time highs, but the bulk of the new supply is happening outside Manhattan. Manhattan has delivered only 7,522 units since 2025. Direct-lease average rents hit a record of $5,600 in July (according to CoStar) against citywide rental vacancy of 4.0 percent. Manhattan multifamily investment is nearing $3.0 billion year-to-date, already higher than the annual totals of the last three years and on pace to virtually match 2019's total of $3.6 billion. Office conversions are scaling too, with about 5.9 million square feet of starts expected in 2026, bringing the cumulative square footage of conversions to 15.8 million square feet in the post-pandemic period.

Manhattan

Office vacancy rates



Source: *Cushman & Wakefield Research*

This sense of resurgence and reinvention is visible on the street. Times Square is hovering around 250,000 daily pedestrians in August, with the summer months outperforming the last few years, while MTA ridership reached its highest annual level since 2019 at 1.9 billion riders, 1.3 billion of which were on New York City Transit, a 7 percent increase year-over-year. Retail availability across Manhattan has fallen to a record-low 10.4 percent, reflecting steady demand from restaurants, luxury retailers, entertainment concepts, and experiential tenants. Fifth Avenue, Madison Avenue, SoHo, and the Upper East Side continue to see tightening availability and rising rents.

Investors are pursuing opportunities in the city that never sleeps. Manhattan is in a league of its own, transacting nearly $33 billion in deals since 2025. Investment volumes have already exceeded $12 billion year-to-date in 2026, an annualized pace of over $16 billion. Office demand remains restrained, although CMBS issuance is rising rapidly. Office volume reached $4.9 billion in the nine months, with Class A making up about 81 percent of $25 million-plus trades. An office REIT paid $730 million ($1,174/square foot) for 65 East 55th, and a partnership of institutional investors and a real estate owner-operator paid $1.08 billion for 590 Madison.

None of these buyers could replicate these assets today for anything close to their acquisition basis. Prime Manhattan construction costs remain extraordinarily high, entitlement risk is significant, and new development generally requires major anchor commitments. For investors, acquiring a premier existing building may be the most efficient way to gain exposure to future demand growth.

Beneath the leasing and investment headlines sits one of the largest urban infrastructure buildouts in the country. Projects including the Gateway Tunnel, Penn Station modernization, Port Authority Bus Terminal replacement, Second Avenue Subway expansion, and the combined $27 billion redevelopment of JFK and LaGuardia airports represent tens of billions of dollars of investment that will reshape accessibility, mobility, and economic capacity across Manhattan for decades to come. The scale of these commitments reinforces an important point: long-term public and private capital continue to be deployed on the assumption that Manhattan's role as a global commercial center will expand rather than contract.

—Cushman & Wakefield



Phoenix

Few markets better demonstrate the evolution of the modern Sun Belt than Phoenix. What began as a story of population growth and affordability has matured into one increasingly defined by advanced manufacturing, semiconductors, logistics, health care, and data infrastructure.

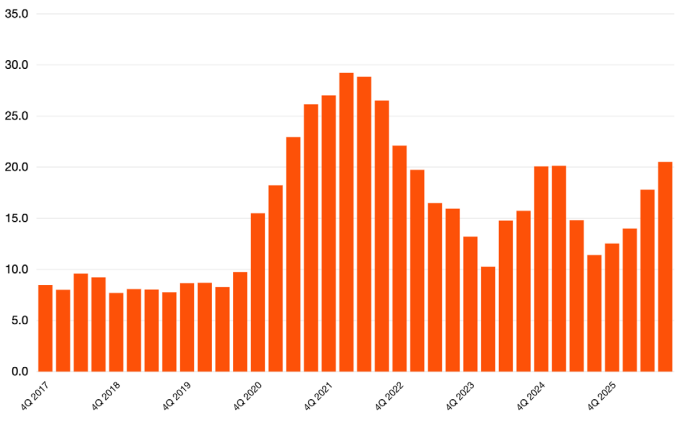
Greater Phoenix has emerged as the nation's leading semiconductor investment market since 2020, with dozens of firms announcing expansions or relocations. The region now supports roughly 189,000 semiconductor-related jobs, while billions of dollars continue flowing into life sciences, health care, and data centers. Nearly 1.6 gigawatts of data center capacity is under construction, regional hospitals have announced at least $6 billion in capital investment since 2018, and the region's bioscience pipeline represents $10 billion in potential investment. This is in addition to the record-setting commitment from a large semiconductor company of $265 billion across 10–12 fabrication plants, two packaging plants, and an R&D center, which puts 30 percent of its most advanced manufacturing capacity in the Arizona Valley. The flagship project has helped attract additional suppliers, logistics users, and technology firms to the region—as well as a wave of investment into nearby housing and retail—highlighted by Halo Vista's planned 28-million-square-foot mixed-use campus.

Phoenix ranks fourth globally in data center operating capacity, rounding out its position as a major hub for advanced manufacturing and technology. Though Arizona paused new data center tax-exemption applications for a three-year period in June, and there is uncertainty around the ability to develop the infrastructure for required energy loads, planned capacity expansions through 2036 would only roughly double that of the region, which is on the lower end of the spectrum for markets where development is occurring.

The clearest winner in the frenzy of investment targeting Phoenix is the industrial sector. Data center-related industrial leasing is significant and growing, comprising 14.2 percent of leasing from 2022–2025. Data center investment has been off the charts as well, totaling $7.8 billion through August, which is more than double its prior peak of $3.1 billion in 2022, and accounts for 38 percent of Phoenix's total investment sales volume so far. Year-to-date net absorption hit 13.6 million square feet in 2026, the fourth best year on record. Vacancy fell 300 basis points to 10.3 percent in 3Q 2026. Bulk space (300,000+ square feet) is 5.1 percent vacant versus 32.5 percent at its 2022 peak, with 34 tenants chasing 10 available buildings. Mid-size boxes (100,000 to 250,000 square feet) are the soft spot, at 19.7 percent vacant, though even there, leasing activity exceeded 5.0 million square feet in three of the last four years, and has already eclipsed the 6.0-million-square-foot-mark year-to-date in 2026.

Phoenix

Industrial sector net absorption (4Q trailing total, msf)



Source: *Cushman & Wakefield Research*

Though office has a longer recovery ahead of it, net absorption has been positive in seven of the last eight quarters, totaling 2.5 million square feet. Vacancy now sits at 25.1 percent, 260 basis points below its post-pandemic peak, aided by the 5.6 million square feet of redevelopment that has resulted in demolished or converted office product since 2020. Another 4.9 million square feet of proposals is likely to propel the office market recovery in the coming years.

Inflection is not just happening in the office sector. The multifamily housing market—like many of its Sun Belt peers—is working through a massive wave of deliveries at a time when net migration and population growth have slowed. Still, Phoenix's population has grown by 2.8 percent (140,000)—a healthy clip—in the past two years. Affordability dynamics have been key in buttressing demand: the monthly cost of homeownership in Phoenix now exceeds a typical apartment rent by roughly $1,564 per month, nearly three times the pre-pandemic affordability gap, keeping would-be buyers in the renter pool. Year-to-date, Phoenix's net absorption has exceeded 18,000 units, a historic record by a wide margin—a little over 14,000 units were absorbed over the same period in 2024. With 16,000 units in the pipeline, 62 percent lower than the recent peak, the downtrend in vacancy will continue. It is already down to 10.7 percent in 3Q 2026 from its recent peak of 13.0 percent, and this decline remarkably happened in the span of four quarters. It's likely that the recent inflection in rent growth foreshadows greater pressure ahead.

Office, industrial, and development site investment sales are all on track for record or near-record years in the Silicon Desert. Multifamily transactions remain more muted, but the prospects of rapidly improving NOI fundamentals may shift this dynamic in the near future. Phoenix is firmly in the top 10 markets for investors, reflecting a structural shift as much as a cyclical one.

Phoenix is distinguished by the scale at which growth is occurring. Population gains, semiconductor and advanced manufacturing investment, logistics expansion, and major infrastructure projects are not operating independently. They are reinforcing one another, transforming Phoenix from a high-growth Sun Belt market into one of the country's most important centers of production, technology, and long-term capital investment.

—Cushman & Wakefield



Orange County

Orange County continues to distinguish itself from most coastal markets. While many gateway cities are contending with slow growth and aging infrastructure, Orange County is benefiting from a rare combination of advanced manufacturing, tourism, destination-oriented investment, health care expansion, logistics infrastructure, and a steadily improving office market.

The office market continues to heal. Countywide vacancy stood at 14.2 percent in 3Q 2026, down 280 basis points year-over-year, while year-to-date absorption remained positive at nearly 1.1 million square feet. Leasing activity has held remarkably steady at approximately 4.8 million square feet through 3Q 2026 right on par with 2025 levels, supported by large occupiers and continued flight-to-quality demand. Class A assets continue to outperform, capturing 58 percent of year-to-date leasing activity. Office sales volume reached $2.8 billion, the highest level since 2019, and up 27 percent from 2025.

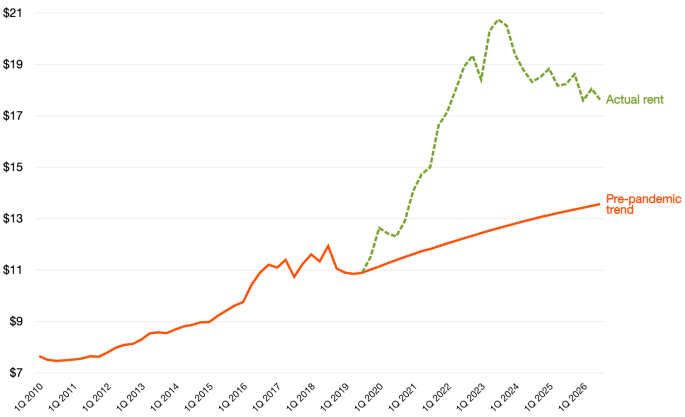
That recovery remains highly concentrated. Irvine and Irvine Spectrum continue to capture an outsized share of tenant relocations, with more than 220 Orange County tenants relocating between 2024 and 2Q 2026. Roughly 76 percent of movers chose Class A space, taking advantage of elevated vacancy, generous concessions, and upgrade opportunities. Irvine Spectrum alone generated nearly 317,000 square feet of positive tenant migration, underscoring its position as the county's dominant office node.

The industrial market is simultaneously undergoing a structural transformation. Aerospace and defense have overtaken logistics as a leading source of demand, with one of the largest defense technology firms occupying roughly 1.2 million square feet across Orange County. Aerospace and defense leasing exceeded logistics leasing for the first time in 2025 and continues absorbing many of the large industrial blocks previously occupied by distributors and e-commerce users.

With the pandemic's whiplash in consumer supply chains and still subdued consumer-related leasing, rent growth remains elusive. Despite this, rents remain well above their pre-pandemic trendline. Industrial sales volume is up 12 percent over its 2025 level and is on pace for its strongest year since 2021.

Orange County

Industrial rents still elevated even as peak pricing descends



Source: *Cushman & Wakefield Research*

Beyond the property markets themselves, some of the county's most important growth drivers are destination oriented. The most visible is OCVIBE, the 100-acre entertainment and mixed-use district surrounding the Honda Center. Current phases include The Weave, a 168,137-square-foot Class A office project, while the broader $4 billion vision includes residential, hospitality, retail, entertainment, public spaces, and transit-oriented development designed to create a new regional urban core around Anaheim's Stadium District.

The county's tourism economy remains equally important. Disneyland Resort continues to serve as one of California's strongest visitation engines, employing about 35,000 and funding roughly 60 percent of

Anaheim's general fund. The resort broke ground on a 6,000-space garage and Harbor Boulevard bridge in August. It is the first physical step of its $1.9 billion DisneylandForward plan. That visitor traffic is showing up in retail fundamentals: retail vacancy in Central County, home to the resort, sits at 2.9 percent, below the countywide rate of 3.7 percent.

Major infrastructure is another layer of support for the region's economy. The Ports of Long Beach and Los Angeles remain critical economic engines immediately adjacent to the market, while John Wayne Airport underpins the county's most in-demand office corridor. The Greater Airport Area is Orange County's largest office submarket, accounting for approximately 53 percent of countywide office leasing and nearly 953,000 square feet of year-to-date absorption, and its Class A asking rents have risen 5.7 percent over the past year, triple the countywide pace.

Multifamily housing and health care are also increasingly shaping the landscape. The proposed Five Lagunas project in Laguna Hills, significant health care investments, and the acquisition of the 1.0-million-square-foot Ziggurat building illustrate how residential and health care uses are becoming increasingly important demand drivers alongside traditional office and industrial sectors.

What makes Orange County unique is its ability to blend innovation and lifestyle, where aerospace manufacturing, world-class tourism, mixed-use placemaking, and high-value employment centers reinforce one another to create a growth story that extends well beyond any single property type.

—Cushman & Wakefield



Columbus

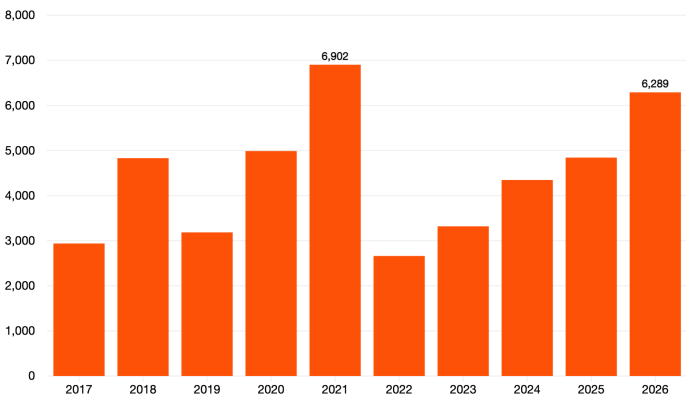
The “C-bus” growth story is diverse and robust, and its logistics/retail strength stretches back to the 1970s and 1980s. Columbus is benefiting from a rare combination of centrality, population growth, university-led talent production, advanced manufacturing investment, flat topography, logistics infrastructure, and a remarkably diversified employment base.

The defining story is manufacturing. The semiconductor campus in New Albany remains one of the largest economic development projects in U.S. history, with the initial phase representing roughly $28 billion in investment and serving as the anchor for a rapidly expanding semiconductor ecosystem. Despite construction delays, the project has helped attract tens of billions of additional dollars throughout Central Ohio from suppliers, data centers, logistics operators, and advanced manufacturing firms. It’s not just tech either—a major pharmaceutical manufacturer just announced a massive $2.2 billion investment for a modular pharmaceutical manufacturing campus in New Albany. This is gradually creating a modern version of industrial agglomeration historically associated with Detroit, Silicon Valley, or Research Triangle Park.

The region’s industrial real estate market is taking note—new leasing demand is just shy of 14 million square feet year-to-date, the second best on record behind 18.9 million square feet of deals done during the pandemic frenzy in 2021. In the past eight quarters, Columbus’s vacancy rate has compressed by 440 basis points—second fastest in the nation after Indianapolis—to just 3.4 percent. In Pickaway County, near Rickenbacker Airport on the Franklin border, a global logistics provider took 1.2 million square feet, buoying recent absorption. A major defense technology manufacturer rolled the first Ohio-built military drone off its $910 million production line in July 2026, and has plans to create over 4,000 jobs by 2035. The development cycle is kicking into gear as a result, with the pipeline jumping from 5.9 million square feet a year ago to 17.2 million square feet. Year-over-year rent growth is 7.8 percent and accelerating.

Columbus

Multifamily net absorption (1Q-3Q total, units)

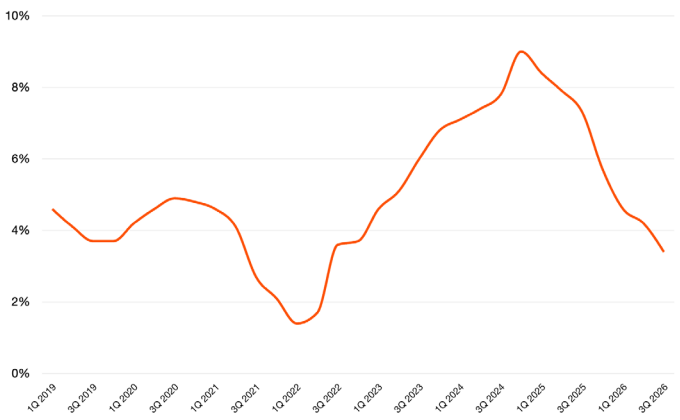


Source: *Cushman & Wakefield Research, CoStar*

While recent fundamentals have softened in the multifamily sector, dating back to the pandemic, Columbus has recorded rent growth in excess of the national average in 20 of 26 quarters. New supply is at a peak in 2026, surpassing 8,000 new units through 3Q 2026; however, future deliveries will collapse in the near term as only 7,000 units remain underway. This is less than one year of supply at the current absorption pace. The impending downshift in development will undoubtedly be good news for vacancy, which now stands just above 10 percent. Occupancy will likely rise quickly as steady and solid population growth (2.3 percent in the past two years) translates into enduring demand. Demand is having a record year—over 8,200 units absorbed from 1Q to 3Q 2026, well above the prior *annual* record of 7,900 posted in 2021.

Columbus

Industrial vacancy rate



Source: *Cushman & Wakefield Research*

Columbus is not known for its competitive office market, which is composed of 35 million square feet of stock. Vacancy is high at 22.5 percent but down from its peak exactly two years ago of 24 percent. Five of the last six quarters reported positive absorption, and new leasing remains healthy at 1.2 million square feet so far in 2026. (The 2017–2019 average is 1.2 million square feet for reference.) Dynamics are bifurcated across tiers and submarkets. Downtown vacancy is rising at 24.5 percent (Class A 26.1 percent, top tier 18.4 percent), while suburban vacancy is falling and recently hit 21.3 percent (Class A 23.8 percent, top tier 9.6 percent). Downtown will welcome Ohio State University in 2029 as it relocates its law school to the historic (former) Huntington Bank building.

Conversely, Columbus is known for data centers—it ranks third in the nation for operational capacity and 11th for growth in capacity underway from 2025–2026 H1. Columbus is emerging as a national leader in behind-the-meter power generation, with data center operators—dominated by hyperscalers—increasingly deploying natural gas-backed generation to accelerate development timelines and bypass utility constraints.

A proposed 430-megawatt generation facility exemplifies this shift and positions Central Ohio at the forefront of a new model for large-scale digital infrastructure development. While rising political sensitivity is becoming a factor in both the Ohio Governor and Senate races, it has not diminished the standing of the market from a national perspective.

The data center space isn't the only infrastructure spending. Columbus is building a $2 billion terminal at John Glenn Columbus International Airport, and the state put $70 million into airfield work at Rickenbacker airport for one of the largest defense technology companies. Downtown, the $290 million Scioto Peninsula Phase II is adding mixed-use.

Growth is increasingly visible across several transformative districts, including the New Albany corridor, Ohio State University's Innovation District, Downtown's Scioto Peninsula, and the Rickenbacker logistics hub. Together, these investments are creating a more diversified and interconnected regional economy, while reinforcing Columbus's position as one of the most dynamic growth markets in the Midwest.

—Cushman & Wakefield



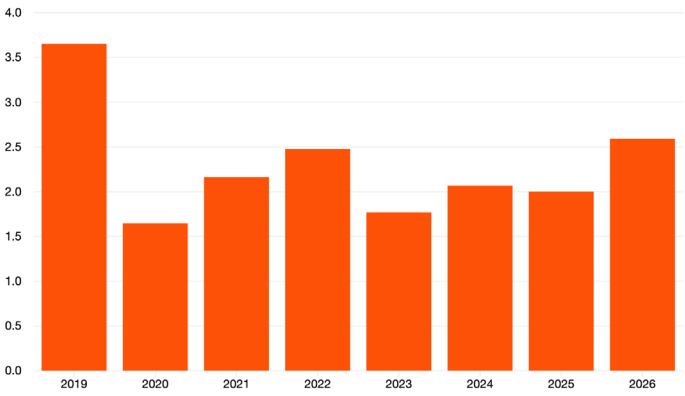
Seattle

While other markets are enjoying a comeback story in 2026, Seattle had the largest drop in ranking—from 22 to 38—since the *Emerging Trends* survey began. What is possibly behind this, and more importantly, what is the outlook for Seattle's commercial property markets?

Worsening sentiment towards the Emerald City is likely a function of its beleaguered office sector, which has seen no abatement to the slow and steady increase in vacancy. Now at 32.6 percent, vacancy is up from the 7.7 percent boasted on the eve of the pandemic. No other market has recorded negative demand for 25 of the 26 quarters since March 2020, although some have come close (Portland, Denver, Boston, Los Angeles CBD). Some of the region's key players have headed to Bellevue or the Eastside. While many markets are reinventing pockets of the market through redevelopment, thus reducing office stock, Seattle's stock remains near an all-time high of 69 million square feet, well over the 61-million-square-foot size from 4Q 2019.

Seattle

New office leasing (1Q-3Q total, msf)



Source: *Cushman & Wakefield Research*

It is not all bad news. In the past six months, Seattle's nonfarm payrolls have grown by over 15,000 jobs—positive news relative to the 12-month period before then when the labor market pulled back by 5,000 jobs. Though 8th for year-to-date VC funding at $5.8 billion, this far exceeds the amounts recorded for other top markets to watch (e.g., Miami, Phoenix).

In property, new office leasing is recording its best year since 2019, reaching 2.6 million square feet of new deals inked in the first nine months of 2026. AI-related leasing is now 615,000 square feet, up from only 68,000 square feet in 2025, and is benefiting both the office and industrial markets. There are other green shoots: sublease vacancy is down by 300,000 square feet in the past year, and the downtown core was responsible for 82 percent of all 3Q new leases and 72 percent of all 2026 new leases in Seattle. Despite overall vacancy, top tier product is 8.6 percent vacant, a delta of 2,400 basis points to the market.

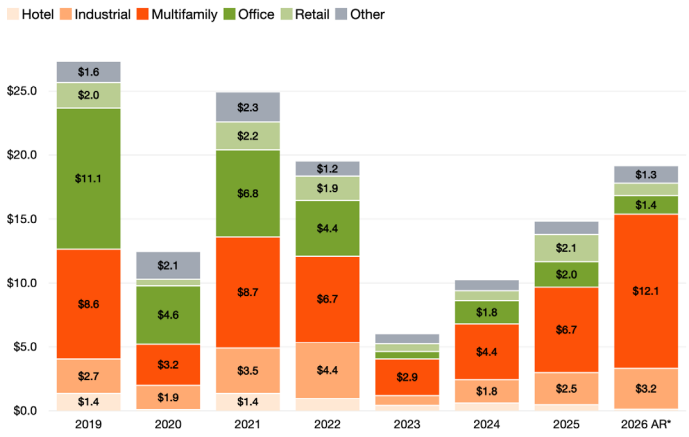
The next phase of Seattle's recovery is increasingly tied to residential growth. Local policymakers have made office-to-housing conversions a core component of downtown revitalization efforts, and the region now has nearly 2,650 housing units tied to completed or proposed conversions of obsolete office inventory. While only select buildings are viable candidates, the trend reflects a broader effort to create a more balanced live/work/play downtown environment. Since 2020, roughly 777,000 square feet of office inventory has already been removed, with another 868,000 square feet expected to follow. The multifamily market's vacancy rate just ticked below 7 percent for the first time in three years.

Though Seattle fell in the *Emerging Trends* survey rankings, it remains 7th for investment sales since 2025, an improvement in rank from 2023–2024 when it was 13th. The best years ever for the Seattle capital markets were in 2019 and 2021 when totals surpassed $24

billion. An average “strong year” (pre-pandemic) would have been about $20 billion. In 2026, already $12.6 billion has transacted, a roughly $19 billion pace. For all of the negative talk, it appears that Seattle is maintaining its share of capital deployment. Industrial deals are on track for their best year since 2022 and multifamily could reach a record if the 2026 pace continues.

Seattle

Investment sales by property type (billions)



Source: *Cushman & Wakefield Research, MSCI Real Capital Analytics*
**Annualized rate.*

The takeaway is that Seattle increasingly resembles San Francisco in one respect: today’s market is less about cyclical office demand and more about the long-term value of talent concentration. The office market will take time to fully recover, but the region’s competitive advantages remain difficult to replicate elsewhere. Look where San Francisco fell in the rankings a few years ago, versus where it is now. A similar story lies ahead for Seattle.

—Cushman & Wakefield



04 Emerging Trends in Canadian Real Estate

"There are better days ahead. I'm so bullish on Canada."

"I feel a sense of optimism that I haven't in a while."

Executive Summary

Optimism this year is earned.

Real estate executives across Canada are calling it: the market is at, or very near, the bottom. They point to signs including resetting valuations and a deal cycle turning a corner. Investors are also growing more optimistic about the buying opportunities ahead. Canadian respondents to this year's *Emerging Trends in Real Estate*® survey provided an aggregate buy rating of 3.61—the highest in 15 years. Sentiment toward selling, meanwhile, remains near record lows but has started to pick up.

Confidence in the recovery is building. But optimism won't convert into opportunity on its own. That conversion will be earned by the organizations disciplined enough to solve the constraints standing between them and the opportunities the next cycle creates.

Trade disputes, escalating operating costs, and compressed yields are part of why this year's optimism comes with a qualifier. But they aren't what will determine who seizes the opportunities ahead. That will come down to capability: how deliberately an organization positions its assets, plays to the distinct strengths of regions across the country, and accelerates its own operations to capture what the next cycle offers.

Emerging Trends Barometer 2027



Source: *Emerging Trends in Real Estate* surveys.
Note: Based on Canadian investors only.

Canada isn't experiencing one cycle. It's experiencing several. Ask about Canada's real estate outlook, and the answer depends on the asset class—senior housing, retail, and industrial are pulling ahead, while the condo market is still absorbing an inventory overhang. Ask by region, and the picture splits again—downtown Toronto's trophy office towers are rebounding on return-to-office

mandates, while Ottawa wrestles with a shrinking federal footprint, for example.

Ask by role in the value chain, and confidence splits yet again: this year's *Emerging Trends* survey shows real estate investors and services firms growing more optimistic heading into 2027, while lenders, investment managers, and developers pull back. And ask about the impact of artificial intelligence (AI), and another divide appears: legacy systems are slowing some, while an appetite for experimentation is driving others forward.

Real Estate Business Prospects, 2027 versus 2026



Source: *Emerging Trends in Real Estate* surveys.
Note: Based on Canadian respondents only.

Yet beneath every asset class, city, and business model, the same question shapes the outlook: is the organization still doing business the way it did a decade ago, or is it reinventing itself for what comes next?

The outlook for purpose-built rental is an example of optimism with conditions attached. Policy support exists in the form of Canada Mortgage and Housing Corporation (CMHC) financing, municipal incentives, and development charge relief, but it hasn't settled the debate over whether now is the time to build. A wave of new supply is hitting the market as immigration slows, pushing up vacancy rates and complicating the math underpinning new builds. This is keeping some developers on the sidelines. Yet others, particularly those backed by long-term capital, are moving forward, expecting the market to absorb recently constructed units and for immigration levels to accelerate in the coming years. The divide comes down to timing—whether to move now or wait for a better entry point. These decisions will shape how much new housing gets built, and with it, housing affordability for the Canadian population in the coming decade.

Retail tells a different story. Not long ago, many believed e-commerce would hollow out brick-and-mortar storefronts. Instead, an undersupply and a rebound in tenant demand have broadened investor interest beyond necessity-based and grocery-anchored properties. One interviewee said traditional malls are adapting and now outperforming pre-pandemic levels. Taken together, the evidence points to something bigger than a rebound: a retail supercycle. That popularity is drawing in capital fast enough to worry some investors who fear it will drive down the returns that made retail attractive in the first place. Others question how much room is actually left to grow, given how far rents have already been pushed across most of the sector.

This retail debate reflects larger questions running throughout this year's report: where are opportunities concentrating? And who is positioned to reach them? Understanding the impact of technological disruption, geopolitical tensions, changing demographics, and other megatrends provides part of the answer.

For example, data centre demand is surging, and electricity access increasingly decides who gets to build. This is where power, compute, and real estate now meet. Defence spending is expected to spur new industrial and residential demand, connecting national resilience with real estate. Changes in how we care for ourselves are reshaping real estate too: an aging population, reimagined medical-office formats, and community-centred designs are converging around an opportunity that reaches well beyond senior housing alone.

Acting on these trends takes capital. While debt capital remains plentiful, lenders have grown fiercely selective—favouring strong sponsors, income-producing assets, and highly bankable projects. Ahead of an impending 2027 refinancing wave, equity—not debt—has emerged as the defining constraint for borrowers looking to recapitalize and move forward. That pressure is elevating the importance of tax-aware capital, where policy reforms offer a practical lever to attract foreign investment into Canada. Turning capital into performance, however, demands new capabilities. Companies are moving from AI experimentation to measurable results, creating and capturing value in ways that go beyond efficiency and help unlock operating alpha.

Each shift carries its own binding constraint. Solving them is what can turn today's optimism into tomorrow's opportunity.

Building at the Intersection of Real Estate and Infrastructure

"Real estate and infrastructure remain foundational long-term bets, even when short-term volatility creates noise."

Canada's infrastructure build-out is accelerating. And it's creating new investment, development, and operating opportunities for those real estate companies breaking through their traditional industry boundaries. The organizations seizing new sources of growth are overcoming the constraints that historically kept many confined to more traditional asset classes—and are moving into territory no single organization can claim alone.

Three forces emerged across this year's interviews: power and compute, national defence and resilience, and demographics and care. Real estate underpins all three. Together, they form an investable thesis for the year ahead.

An Oxford Economics forecast prepared for PwC projects Canada will need US$4.7 trillion in infrastructure investments by 2050. These requirements span not just traditional civil works, but also data centres, defence facilities, and health care. Many of this year's interviewees see a central role for real estate companies in the delivery of these complex projects. "There's significant opportunity in infrastructure and infrastructure-like assets," one said.

Infrastructure-style returns have largely outperformed core real estate in recent years. The assets powering that performance share distinct traits. Contracted cash flows that extend over decades, rather than traditional lease cycles. Operational intensity. Demand underpinned by shifting structural forces, such as technological disruption, geopolitical tensions, and changing demographics.

Not all of those performance traits point in the same direction. Lower federal immigration targets, for example, are weighing on demand for student housing in the near term. Should those levels recover, student housing could re-emerge as one of the sectors where demographics-driven demand meets real estate.

Real estate paired with infrastructure-adjacent assets can embed these traits and attract additional sources of capital—especially with hundreds of major projects planned or under construction across Canada.

Many opportunities in the next real estate cycle won't live neatly within standalone asset classes. Consider some of the areas highlighted by interviewees. Data centres and the race for power. Defence spending and its spillover into industrial and residential real estate. And the expanding ecosystem of care-adjacent assets anchored by senior housing. Each represents a distinct intersection of real estate and infrastructure. And each comes with binding constraints. The organizations first to solve them will position themselves to lead in 2027 and beyond.

Powering Compute: Securing the Electricity Data Centres Demand

Data centres have moved from a niche real estate play to a core asset in the eyes of some—but not all—interviewees. Others view data centres as their own asset class entirely. Demand is surging for the computing power needed for AI applications, cloud migration, digital government services, data sovereignty requirements, and the broader digitization of the economy. PwC's infrastructure forecast projects Canada will invest US$54 billion in data centres between 2025 and 2050. One interviewee named data centres their primary growth driver, while another named them their top bet heading into 2027.

Developing data centres is not an opportunity open to everyone. Interviewees from two financial institutions said success depends on operator quality, sponsor strength, and careful deal structuring. Other interviewees expressed outright skepticism, with one investor arguing data centres are not real estate at all, pointing to limited tenant liquidity and the possibility that new technologies could eventually make today's facilities obsolete. Combined with the size, complexity, and capital requirements of data centre developments, the investment case is a disciplined infrastructure thesis, not a universal buy signal.

Among the challenges constraining data centre development in Canada, interviewees frequently raised power availability. That sentiment is echoed in PwC's Global Data Centre Outlook 2026–50, which found transmission capacity, substation availability, and multiyear transformer lead times are bottlenecks that determine which projects break ground and when. Power is also where new opportunities are forming—not only for those building data centres, but also for those who can help solve the power constraints hindering the ambitions of some data centre proponents. One interviewee framed power availability as a new form of zoning. For real estate organizations, the opportunity isn't generating power—it's securing the land where power is available.

This increasing energy demand is highly visible at the local level. In Ottawa, for example, the local utility has said connection requests from large-scale projects, many of them data centres, could soon exceed the city's entire current power use by residents and businesses combined. An analysis by PwC Canada's real assets practice suggests that by 2040, the structural supply gap in Ontario alone will likely reach 68 terawatt-hours—equivalent to roughly 45 percent of the province's current annual output.

The constraint runs deeper than simple scarcity. Ontario, for example, is emerging from a 15-year period of flat electricity demand, leaving grid operators, developers, and supply chains to manage a sudden uptick after a long period of inactivity. Data centres are competing with other users for power as electrification increases demand across homes, vehicles, and industries. Expanding the grid to meet this growing demand will take years and significant investment. On top of that, data centres require near-constant uptime, which favours steady sources of power, such as nuclear or natural gas, over intermittent renewables such as wind or solar.

Then there's the question of who pays for it all. Canada's new responsible data centre development principles are blunt: data centres must not shift electricity costs to Canadians. Navigating the power constraint requires a series of deliberate choices. The first is jurisdiction: provinces with more abundant power supply, and less strain on their grids, offer an easier path than those already stretched thin. Market structure matters too. In more liberalized power markets such as Alberta, developers can negotiate direct agreements with power generators. In more tightly regulated markets, all power must flow through a central utility, leaving little room to strike independent deals.

Some organizations are taking a more direct approach and building their own power supply. In Alberta, one large technology company is pairing its planned data centre with a dedicated natural gas plant built specifically to serve it. The provincial government has urged other developers to do the same. Ontario has signaled a similar direction, encouraging data centre developers to build their own power-generation facilities.

New ideas for overcoming electricity constraints are also emerging. One concept is to make use of power that already exists but cannot reach the grid. Some power generation, particularly from renewable energy projects, can occasionally be curtailed when local transmission lines are too congested to carry it. One idea being explored is to place a data centre directly beside that stranded generation, paired with battery storage to manage the natural gaps in renewable output. Connecting the two directly could let a data centre bypass the grid entirely.

For real estate organizations, this focus on power proximity can reshape the value of their properties. The opportunity comes from securing the physical sites where that power is accessible.

One industrial landowner whose properties sit near grid connections is converting them into micro data centre facilities. Another interviewee said they hold employment land where data centres are a permitted use and anticipates the local utility bringing hundreds of megawatts of capacity to their site. Others are repositioning entire portfolios: one interviewee said they're converting logistics land for data centre use and using existing industrial assets as a platform for energy generation and technology services. Another is looking at power-served industrial sites and hyperscale-adjacent submarkets where demand is rising fastest.

Real estate organizations can't overcome power constraints on their own. Technology companies and power generators are typically at the centre of negotiating power supply. For real estate organizations, this creates pressure to define their roles within these partnerships and an opportunity to put forward vital pieces of a solution.

PwC's infrastructure forecast projects Canada's data centre buildout will be concentrated in the coming years, peaking in 2029. Real estate organizations have a short runway to act—or risk missing out on their share of Canada's multibillion-dollar data centre opportunity.

Positioning Portfolios for Canada's Defence Buildout and National Resilience

Defence spending in Canada is growing sharply. The question for real estate companies is where opportunities will emerge. PwC's infrastructure forecast projects Canada will invest US$89 billion in defence infrastructure between 2025 and 2050—a 389 percent increase in annual spending, which makes defence the fastest-growing segment of the country's infrastructure buildout. While the immediate opportunities are highly localized, one pension fund interviewee said they view defence spending as a potential broader catalyst that could span industrial logistics, residential development, and workforce housing.

Some see opportunity. Others see uncertainty. Defence-linked demand remains an investment thesis in progress rather than a settled consensus. On the industrial side, it's too early for most to tell when or how proposed federal spending will translate into concrete real estate requirements. Organizations are responding to this uncertainty in different ways. One pension fund said they see an opportunity to position developable land ahead of the procurement cycle. And one developer said their employment lands are already drawing interest from defence-related manufacturers. Yet others are skeptical. One developer said they've seen no local impact from defence spending, while another doubted that proposed investments would reach a scale sufficient to affect overall demand for industrial properties.

So how can real estate organizations position themselves to capture demand that hasn't yet materialized? One pension fund said their strategy is to acquire and prepare industrial assets ahead of demand, rather than waiting for stabilized properties to emerge. That means looking at where the demand is expected to emerge—likely outside major urban centres and closer to northern markets, port cities, and manufacturing hubs. For example, some brokers are already tracking opportunities to repurpose sites used by the automotive sector for defence-related storage. But positioning ahead of demand requires more than just holding land. It also means bringing investment proposals and development ideas directly to the public sector, helping shape new collaborative relationships.

While defence spending has yet to spark a measurable increase in demand for industrial properties, investments in military housing are already in motion.

In early 2026, the federal government expanded its military housing construction program to 7,500 units planned across the country and issued an advanced procurement notice for potential projects valued at $3.74 billion. The largest projects are slated for major military bases, including locations in Valcartier, Petawawa, and Edmonton.

Some developers are responding to this expansion with a strategic pivot. One homebuilder, for example, said they see military housing and institutional partnerships as a way to diversify revenue during a broader residential slowdown.

For institutional investors, the appeal is structural: one interviewee said base-adjacent rental housing offers predictable, long-duration returns because government-backed leases carry the level of certainty long-term capital desires. Aligning long-term economic interests can help housing built today stay well-maintained for decades.

The federal government has said it wants to use modern methods of construction, as well as low-carbon materials, to deliver this housing. "Military housing may not look like traditional residential development," one asset manager said. "The opportunity could be in modular solutions." Another interviewee said this scale of government-backed commitments is what the modular sector needs to justify investing in new manufacturing capacity. Still, procurement timelines, qualification requirements, and underwriting hurdles could slow that progress.

The military housing pipeline isn't the only place defence spending could reach the residential real estate market. Interviewees pointed to a second, broader effect: as supply chains, workforces, and communities expand

around bases and procurement corridors, demand for residential and purpose-built rental housing could follow. There's no sign of this yet in the numbers, and it hasn't shown up in underwriting. It remains a longer-term prospect.

Capturing these defence opportunities requires reinvigorated collaboration between the public and private sectors. Organizations that define their place in defence-related ecosystems—and find ways to advance government priorities—will hold the advantage over their peers as the government rolls out specific requirements.

Reshaping Real Estate Around How We Care

The first baby boomers turned 80 in 2026—a demographic inflection the senior housing sector has been waiting on for a decade. That shift is driving a level of demand the sector isn't prepared for: Cushman & Wakefield estimates Canada will need nearly 200,000 additional senior housing rental units over the next decade. The shortfall is coinciding with a health care system pushing care out of hospitals and into communities.

When asked about the best opportunities in Canadian real estate, many of this year's interviewees highlighted senior housing, a broad category of assets spanning aging-in-place support, retirement residences, independent living, assisted living, and long-term care. One interviewee said the sector "is on a roll," supported by demographics, improved incentives, and a positive five-year runway. But another cautioned senior housing is "not just a development challenge—it's an affordability crisis," pointing to a long period of underdevelopment. The opportunity is there, but it demands operating discipline, not just capital.

This demand, combined with cooling condo presales, is prompting some Toronto developers to turn paused projects into senior housing. One interviewee, for example, is redesigning suites and amenities with accessibility in mind. But others cautioned that existing condo stock is not well suited for senior housing. Suite sizes can be too small, high-rise buildings may lack adequate elevator capacity, and common areas haven't always been designed for accessibility.

Other companies are going even further, reimagining how care and real estate intersect more broadly. "The opportunity isn't just senior housing," one interviewee noted. Sectors that once operated separately, such as housing, medical offices, labs, primary care, assisted living, and retail pharmacies, are increasingly converging around the needs of individuals rather than institutions.

For some organizations, this means embedding care directly into everyday environments. One interviewee described "medtail" as a significant emerging trend, with medical and wellness tenants increasingly moving into retail settings. Pharmacists are part of this shift: their role has expanded beyond dispensing, into chronic disease management and primary-care screening. As pharmacies take on more clinical functions, they're becoming a stronger anchor for necessity-based retail properties. Elsewhere, other interviewees described building ecosystems around senior residences: one operator's developments connect residents to grocery, pharmacy, and medical clinic space, all accessible without going outdoors. Another integrates medical clinics directly inside their senior residences, subleasing space to physicians so care is delivered on site.

Medical Office and Outpatient Care

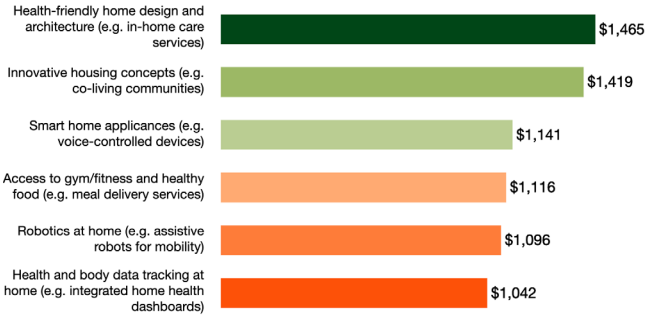
Outpatient and private-sector procedures require specialized clinical space—and demand keeps growing. One interviewee sees a five- to eight-year window as outpatient procedures move outside hospitals. Another said they see medical offices as attractive but operationally intensive and difficult to scale. Tenant credit, tenant-improvement costs, specialized buildout, and service-delivery requirements can limit the speed at which capital is deployed.

One interviewee said they're responding by aggregating existing medical buildings into a dedicated portfolio, including through a new investment vehicle built specifically for health care real estate. Another said they recently completed a 25,000-square-foot clinic with surgical rooms. These examples illustrate both the opportunity and the technical requirements associated with health care—and how the sector will likely reward repeatable operating expertise over capital alone.

This thinking goes beyond senior housing. One asset manager described master-planned campuses: intergenerational communities anchored not just by residences, but by universities and health care facilities. There's a significant opportunity that extends beyond dedicated care assets. As more Canadians seek to age in place, conventional apartments, rental communities, and mixed-use neighbourhoods will need to become more care-ready—accessible by design, connected to services, and capable of accommodating home-care workers, mobility devices, and remote monitoring.

A survey by Strategy& (part of the PwC network) found Canadians spend just 73 minutes a year, on average, with a health care provider. It's a reminder that most health happens outside the health care system, in the places people live and work. The same survey suggests Canadians are ready to invest in that shift, with meaningful annual spending intent across health-friendly home features, from in-home care services to health-tracking devices.

Canadians' Willingness to Spend on Healthy Living Features Annually



Source: *PwC and Strategy& survey of 1,000 Canadian consumers (September 2026)*

It's part of a broader pattern: care is shifting from institution-led and occasional to consumer-led and continuous, woven into daily routines rather than confined to institutional settings.

Some organizations are weaving care into residential amenities in novel ways. For example, one multifamily developer provides residents in its upscale properties with virtual access to private clinics. As care becomes more continuous and consumer-led, buildings are also becoming platforms for digital health delivery—telehealth rooms, reliable in-suite connectivity, remote monitoring, and secure data systems—while preserving the dignity, privacy, and choice residents expect.

Unlike conventional real estate, care assets sit within regulated delivery systems. Location, financing, operations, and value are shaped not only by demand and rent growth, but also by provincial policy, licensing, reimbursements, workforce capacity, and public-system partnerships. Organizations are responding in different ways. Some developers have paired up with specialized operators who bring the expertise in labour management, care delivery, and regulatory compliance the sector demands. Some investors have moved in the opposite direction by building capabilities in-house and shifting away from passive ownership toward operating the business directly. A third approach treats the complexity as temporary: one interviewee said they acquire underperforming senior housing, invest in upgrades and stabilize occupancy, then sell once the asset is repositioned.

Labour shortages and changing immigration policies are binding constraints the sector must confront. Operating costs, accessibility redesign, food and insurance inflation, and specialized service delivery are all connected to a labour market where care operators compete for scarce workers. Immigration policy has become a real estate variable that directly affects the viability of care-sector assets. With federal immigration targets lower than they were a few years ago, the pressure on operators to recruit and retain staff is intensifying.

Beyond these immediate constraints, real estate organizations are confronting a longer-term risk specific to senior housing. Today's wave of demand is generational: some fear once the current cohort of seniors moves through the system, smaller subsequent generations could leave the market oversupplied. One way to mitigate this risk is by designing senior housing with future flexibility in mind, so suites, common spaces, and building systems can convert to other uses, such as student housing, once demographic demand shifts.

Hospital and Care Facility Workforce Housing

Workforce housing tied to hospitals and care facilities is a related opportunity several interviewees raised. They pointed to underused hospital lands where non-traditional developers may be able to move more quickly than traditional players. These projects can connect care, living, and retail while helping address the labour constraints that may otherwise limit the delivery and operation of care assets. One interviewee described hospitals as part of the housing solution, capable of using their catchment areas to reimagine how care, living, and community come together.

This convergence of care and real estate is most visible in senior housing today. But the same forces—embedding care into everyday environments, designing for flexibility, choosing an operating model deliberately—apply wherever the two intersect. Capturing this opportunity means designing properties around the person living in the space, rather than solely around the care services being delivered. The assets that create the most enduring value will measure their performance in ways that go beyond occupancy and rental rates. They'll pursue outcomes such as resident independence, reduced isolation, access to daily needs, and the ability to support people as their needs change.

Redefining the Boundaries of Real Estate

The next real estate cycle is increasingly being defined by opportunities at the intersection of real estate and infrastructure. Looking past traditional sectoral boundaries will help the real estate industry better meet the expectations of investors looking at other asset classes such as infrastructure.

The organizations positioning themselves for this future are building partnerships that bring together diverse, multidisciplinary expertise. By finding ways around the constraints that hold cross-sector projects back, they can move from reacting to these emerging opportunities to shaping them.

Selective Investments Prime Real Estate Dealmaking Recovery

"Foreign investors are filling the gap left by Canadians undervaluing their own market."

Improving capital availability and an increasingly active deals environment are sparking a recovery in the Canadian real estate market. Current deals activity is being driven by the privatization of public real estate investment trusts (REITs), institutional investors pivoting their portfolios, and the disposition of distressed assets.

The next real estate cycle will be won by organizations that can defend after-tax returns, solve refinancing pressure, and create net operating income (NOI) growth without relying on capitalization-rate compression. Those that get this right will attract capital, talent, and partnerships others won't.

A Time of Transition for Canadian Real Estate Dealmaking

After a 20-year bull run, 2022 marked the start of several years of significant deals volatility, sparked by the Bank of Canada raising interest rates 10 times over an 18-month period. But over the last 12 months, investor confidence has started to pick up again. Total commercial real estate investment volume reached $16.2 billion in the second quarter of 2026—the highest level since early 2022, according to CBRE. There's a growing belief that the fundamentals underpinning the deal environment are strengthening, making Canada a more attractive place to invest.

Heading into 2027, three forces will shape a selective recovery: improving but selective capital availability, continued caution from equity investors, and tax policies that shape how foreign and domestic capital flows into Canada.

Improving transaction activity doesn't mean values have fully recovered. Bid-ask spreads are narrowing for high-conviction assets as debt markets become more functional. Pricing remains uneven for development land, transitional assets, and properties needing capital. Recovery will be practical: refinancing low-rate loans, adjusting pro formas, and managing covenant pressure.

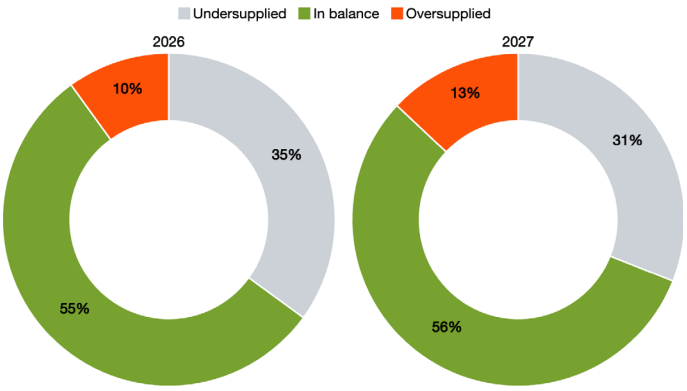
Improving, If Selective, Capital Availability

Debt capital remains plentiful in Canada. That's a shift from recent years: survey respondents are far less likely now to say debt capital availability is falling short for acquisitions, refinancing, and development. Banks are well positioned to lend, and a growing number of alternative lenders are active. In June 2026, the Office of the Superintendent of Financial Institutions (OSFI) adjusted its rules to give Canada's largest banks greater flexibility to deploy capital.

Several interviewees highlighted the role CMHC continues to play in real estate financing. While some noted program constraints and shifting rules have affected development planning and project feasibility, others emphasized CMHC-backed financing remains the preferred execution path for purpose-built rental development.

Debt Capital for Acquisitions

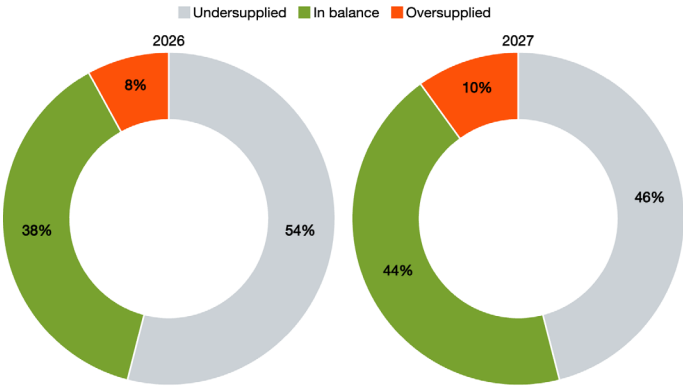
Real estate capital market balance forecast, 2027 versus 2026



Source: *Emerging Trends in Real Estate* surveys.
Note: Based on Canadian respondents only.

Debt Capital for Development/Redevelopment

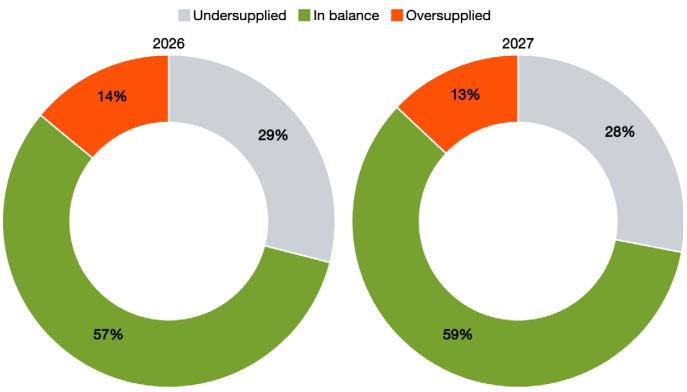
Real estate capital market balance forecast, 2027 versus 2026



Source: *Emerging Trends in Real Estate* surveys.
Note: Based on Canadian respondents only.

Debt Capital for Refinancing

Real estate capital market balance forecast, 2027 versus 2026



Source: *Emerging Trends in Real Estate* surveys.
Note: Based on Canadian respondents only.

For many real estate companies, the challenge isn't capital availability. It's selectivity. One interviewee highlighted the "continued flight to quality," a sentiment echoed by others. The flight to quality is increasingly a flight to liquidity, operating, and capital expenditure certainty. Even a physically high-quality building can be difficult to finance or sell if future costs are opaque. Another interviewee noted that while capital is available, deploying it is difficult due to underwriting constraints, stressing that "projects need to be highly bankable to secure financing."

Selectivity is evident across the deal continuum. Banks prefer to finance income-producing assets over construction. Lenders are prioritizing large companies with income-producing assets and other ventures able to service their debt, as well as smaller companies with well-proven histories and strong fundamentals. They're also concentrating on premium assets.

This selectivity has consequences. Small real estate companies and funds with less diversified portfolios continue to struggle with attracting capital, while alternative lenders with significant land exposure in their portfolios are challenged by fluctuating land valuations. While this has contributed to stalled projects and receiverships, it's also led to creative solutions aimed at unlocking projects. These include renegotiated agreements between borrowers and lenders, as well as partnerships with more sophisticated builders and market players.

As conventional equity remains cautious, structured capital is filling the space between senior debt and common equity through preferred equity, mezzanine debt, rescue capital, co-general partner investments, recapitalizations, continuation vehicles, and joint ventures. Much next-cycle dealmaking may involve recapitalizations, partial sales, preferred-equity investments, portfolio restructurings, and acquisitions of debt rather than property.

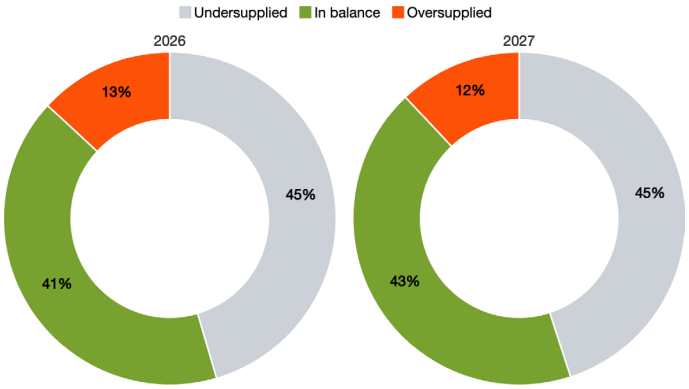
Continued Caution from Equity Investors

Many equity investors remain hesitant to deploy capital in the Canadian real estate market, with survey respondents continuing to say there's an undersupply of equity capital for both acquisitions and development. Deals that are happening largely stem from funds pivoting portfolios or selling distressed assets. Most public REITs are also still trading below their net asset value (NAV), so they aren't active buyers. Several have been taken private over the last 18 months, while others are buying back their own stock. While this is a sign of confidence in intrinsic value, it's a short-term strategy that doesn't address the underlying NAV discount.

Some pension funds are rethinking their real estate investments. One interviewee mentioned they're reducing allocations because "there's a risk trade-off between public markets and real estate, and real estate isn't performing." The pressure on real estate is being compounded by strong Toronto Stock Exchange performance, which has made equities more compelling for some institutional investors. Many investors are asking when capital will return to real assets.

Equity Capital for Acquisitions

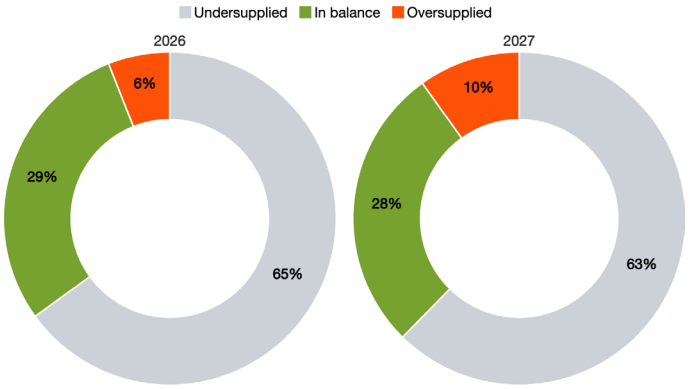
Real estate capital market balance forecast, 2027 versus 2026



Source: *Emerging Trends in Real Estate* surveys.
Note: Based on Canadian respondents only.

Equity Capital for Development/Redevelopment

Real estate capital market balance forecast, 2027 versus 2026



Source: *Emerging Trends in Real Estate* surveys.
Note: Based on Canadian respondents only.

Family offices are acting more cautiously as well, with some shifting their focus to conversion projects and others shying away from funds. This wariness extends beyond family offices. Allocator scrutiny of fund structures is intensifying. Some pension funds are exiting open-ended funds entirely in favour of direct assets, while redemption gating has compounded liquidity stress. Capital is starting to rotate toward closed-ended development funds with defined timelines, suggesting a potential shift in how institutional investors access real estate.

While many equity investors aren't focused on net-new investments, one interviewee highlighted that institutional and infrastructure capital is entering real estate through adjacent categories that offer diversification and perceived resilience.

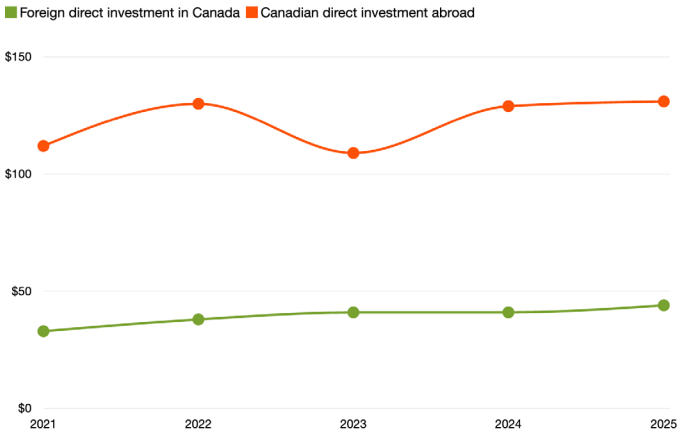
While Canada is seen as a stable market with high-quality assets, the deeper US market remains a major focus for many equity investors, including Canadian players. Interviewees noted Canadian pension funds and developers have, historically, deployed disproportionately to the US. To keep domestic equity capital in Canada, related policies need to be competitive with opportunities in the US and elsewhere.

A Desire to Capitalize on Renewed Interest from Foreign Investors

Trade tensions and a reassessment of North American supply chains have created an opportunity for Canada to strengthen its investment framework for housing, infrastructure, industrial capacity, energy, and digital infrastructure. That renewed interest is already translating into higher capital inflows: foreign direct investment in Canadian real estate hit a record $44.9 billion in 2025, up 7.1 percent from the year before, according to Statistics Canada. Interviewees argued the focus should be on durable, predictable rules that support long-term capital rather than short-term responses to market volatility. For real estate, that means policy that improves the ability to finance, build, own, operate, and ultimately recycle capital into Canadian assets.

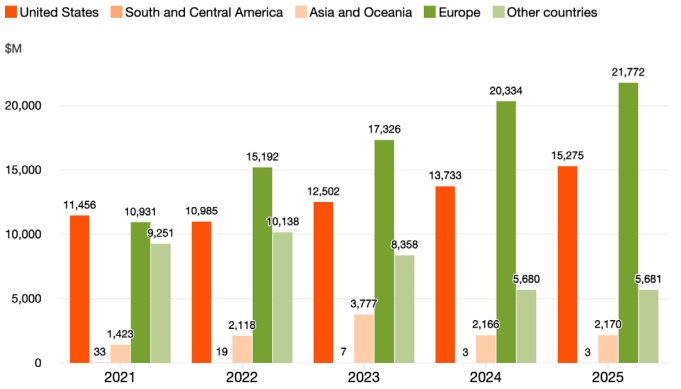
Tax is a significant capital-markets variable. While the cost of capital and spreads have improved for foreign investors, they remain tight within North America. One interviewee suggested early in the summer that there was a competitiveness gap of approximately 150 to 200 basis points for investment in Canada versus the US.

Foreign Direct Investment, Real Estate, Rental, and Leasing (in Billions)



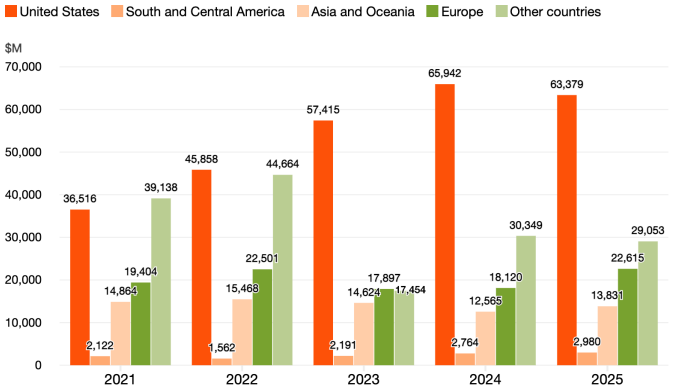
Source: *Statistics Canada, international investment position, Canadian direct investment abroad and foreign direct investment in Canada, by North American Industry Classification System (NAICS) and region*

Direct Investment, Real Estate, Rental, and Leasing Investment in Canada (in Millions)



Source: *Statistics Canada, international investment position, Canadian direct investment abroad and foreign direct investment in Canada, by North American Industry Classification System (NAICS) and region*

Canadian Direct Real Estate, Rental, and Leasing Investment Abroad (in Millions)



Source: *Statistics Canada, international investment position, Canadian direct investment abroad and foreign direct investment in Canada, by North American Industry Classification System (NAICS) and region*

Interviewees raised a range of tax and policy opportunities that could make it easier to attract foreign capital—and capital more broadly. These include allowing companies to defer capital gains taxes through reinvestment in similar properties, as allowed in the US using a 1031 exchange. They also discussed reciprocal tax treatment for qualifying foreign pension plans, so long-term pension capital from treaty-partner countries isn't materially disadvantaged relative to Canadian pension investors investing domestically.

Interviewees also suggested more practical excessive interest and financing expenses limitation (EIFEL) rules, including simpler compliance, consideration of targeted relief for priority capital-intensive assets, and a review or extension of the temporary purpose-built-rental exception. Another idea was strengthening the alignment of tax and incentive programs across federal, provincial, and municipal governments.

Others suggested reassessing foreign-buyer restrictions and non-resident speculation taxes—not to open the door to speculative purchasing, but to help create a clear pathway for long-term institutional capital that builds rental, affordable, and senior housing. Some also pointed to a modernized version of the former multi-unit residential building (MURB) regime to mobilize individual and private capital into new purpose-built rental supply.

There was acknowledgement of recent effective tax and policy changes. Examples include the Goods and Services Tax/Harmonized Sales Tax (GST/HST) new housing rebate, increases to capital cost allowance rates, development charges credits in Ontario, and improved allowances for purpose-built rental. These measures can improve project economics, but many interviewees continue to see a need for greater certainty and broader Canadian tax reform.

The Canada Investment Summit in September 2026 was widely seen as creating significant positive momentum for attracting foreign investment to Canada. The government measures announced at the summit, including a permanent productivity mega-deduction that allows for immediate expensing of a range of depreciable property, weren't specifically aimed at the real estate sector. But these measures are encouraging, as they can indirectly benefit real estate projects through eligible capital expenditures such as building improvements, energy-efficiency investments, and technology infrastructure.

What to Watch for in 2027

Investor confidence in the Canadian real estate market is growing, and the signs of recovery are emerging. However, trade uncertainty and Canada-United States-Mexico Agreement (CUSMA) renegotiations could affect investor confidence and cross-border capital flows. Government action will be a critical area to watch, particularly given the federal government's commitment to building essential infrastructure and the policy initiatives that have been announced or put into place over the last year.

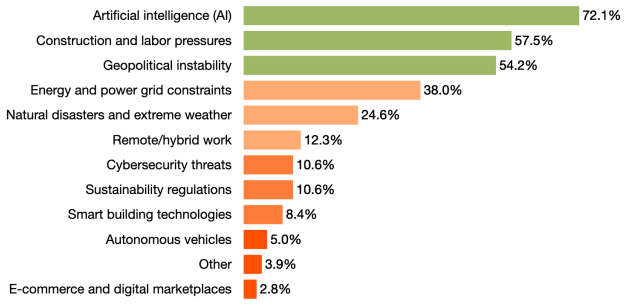
The 2027 refinancing wave—loans originated at lower rates now requiring fresh equity or workouts—will be a defining capital-markets event. Structure, operating capability, and tax efficiency will matter more than broad optimism. Organizations that solve for capital, execution, and policy friction will be better positioned than those simply waiting for the next cycle.

AI Adoption: The Key to Accelerating Operational Performance

"We're trying to solve issues with yesterday's solutions. We need to rethink business models."

This is the year of the operator. For real estate companies, success depends on management strength, scale, and operational excellence. AI can be a critical enabler of all three. In fact, PwC's AI performance study showed that, across industries, the most AI-fit companies deliver AI-driven revenues and efficiencies 7.2 times as high as those of other companies.

Top Emerging Disruptors Reshaping Real Estate (2027–2029)



Source: *Emerging Trends in Real Estate 2027* survey.
Note: Based on Canadian respondents only.

Capital rewards demonstrable improvement. PwC's 2026 mid-year Global M&A industry trends report showed dealmaking activity remains strong for assets that enable the AI economy. AI—which *Emerging Trends* survey respondents named the top disruptor in real estate—is reshaping the industry in two ways. It's changing how companies operate assets, and it's creating demand for the power, data centre capacity, logistics infrastructure, and specialized industrial space the AI economy needs. Yet many real estate organizations still face significant constraints to achieving measurable AI value. These include data quality, cost, cybersecurity, and workforce reskilling.

Where Are Real Estate Companies Deploying AI?

Most companies recognize the need to invest time, effort, and money in AI but as some sit on the sidelines or delay decisions, the gap between leaders and others is widening.

For some, AI tools have significantly reduced time spent on analysis and document preparation. One interviewee said AI has cut the time needed to prepare a confidential information memorandum (CIM) from roughly two weeks to two days, while another said they're using AI to overcome translation barriers and aggregate global property data. Others said they're using AI to help with lease review, underwriting, and data management.

AI use and impact in the real estate industry looks different depending on the asset class and type of organization. Brokerages are among the earliest adopters, where tight margins combined with access to data mean AI has a considerable impact. Many brokers have already begun using AI to improve the lead-to-lease workflow. Some are also using AI to organize building and zoning information, generate renderings, and create immersive storytelling for customers.

One brokerage platform described how AI is embedded across its business model and has become core to how it builds and delivers products. Real-time data access allows the company to shift with supply and demand and make immediate business decisions. AI has also accelerated the pace of building new tools. One interviewee said they've cut engineering timelines from two years to six months, or roughly 75 percent.

Construction companies are also leading the way on AI adoption. Beyond automation and robotics, they're focused on supply chain management and using AI to coordinate scheduling, reduce waste, compress timelines on delivery and building, estimate costs, and improve workflows—making sure they have people at the right place at the right time.

Real estate developers and operators are also using AI: to improve the use of space in their buildings, find ways to cut construction costs without lowering quality, and shorten development timelines. One interviewee highlighted using up to 80 design scans per building to develop fully coordinated, permit-ready layout plans in minutes.

From Digital Intelligence to Physical AI

The next phase of AI adoption will move beyond screens and documents into the physical environments real estate companies build and operate. This is physical AI, technology that enables robots and autonomous systems to sense, reason, and act in the real world. In real estate, physical AI applications range from drones for site surveys and inspections to robots performing tasks in high-risk construction areas.

One construction-technology firm said they're building physical AI infrastructure for homebuilding. They noted two robots producing a single wall execute more than 240 discrete tasks using approximately 230 sensors per robotic cell. Meanwhile, residential developers are exploring AI-driven service robots for tenant-facing operations.

While physical AI acts in the real world, the intelligence coordinating these actions is increasingly agentic. Unlike generative tools that create or summarize content, agentic AI can take a multi-step objective, reason through a workflow, call approved systems, and complete or escalate tasks within defined controls. In real estate, that could mean an agent that reviews a lease, flags anomalies against a standard playbook, and routes exceptions to legal. Agentic AI changes workflow design and decision rights, making governance, authority limits, and human accountability central to deployment.

Moving from Efficiency to Measurable ROI

Many companies are still unclear on the extent to which their AI investments are delivering business value. Companies must understand outcomes, determine key success factors, and set up indicators to measure return on investment (ROI) beyond efficiency gains and quality improvements. The organizations best positioned to benefit will be those that identify specific operating constraints, design workflows around people and technology, and measure outcomes in terms of safety, service quality, energy performance, asset uptime, and NOI.

Where are early leaders emerging? One industrial property owner and manager that's been investing heavily in data analytics and AI for years said they've found measurable value in predictive leasing analytics, such as identifying tenants likely to expand. They said they're also using AI for market rent forecasting and energy optimization across their portfolio. A pension fund operating in the areas of office, retail, industrial, and rental housing said measurable value is emerging for them in logistics site intelligence, underwriting and portfolio management workflows, and sourcing, screening, and asset-management decisions.

Another area where leaders are emerging is tenant experience. They're using AI to support faster leasing, reliable service, better comfort, and proactive maintenance. One investment firm said they're exploring digital assistants to handle tenant payments, manage service requests, and monitor building access.

How AI Leaders Are Navigating Common Constraints

Accessing the full benefits of AI requires overcoming real constraints. Interviewees cited data quality, cost, cybersecurity and privacy, and talent as top barriers to AI adoption. Some also mentioned the continued need for human oversight. And many larger firms must overcome the hurdle of legacy systems.

Before organizations can use data to make decisions, they must first improve their data consistency, structure, and governance. As one interviewee said, "Before AI can deliver real value, the data has to be clean, standardized, and usable." A data strategy is a commercial strategy. Organizations need to make sure they own the data generated by their buildings, tenants, operating systems, and service providers. Without that, even a technically successful AI pilot is difficult to scale across a portfolio or convert into lasting competitive advantage.

Smaller or newer companies may be more agile, as they don't have as much legacy data. In fact, in a reversal of past tech adoption trends, some private companies are leading the way in AI adoption, as many larger enterprises grapple with older systems, privacy concerns, and regulatory issues. This divide is set to compound through the upcoming generational transfer, with many younger leaders more willing to fail fast and move quickly. As the real estate industry sees increased consolidation, private companies that invest in AI and incorporate new ways of doing business will be more competitive and better positioned to attract capital.

One constraint that's top of mind for interviewees this year is cost. Now that many AI providers have moved to token-based pricing, companies are realizing they need to be more disciplined in how and where they spend their money. And with the pace of technological change, some are afraid to make the wrong bet. One interviewee captured it well: "Things are changing and evolving so fast that you have to ask yourself, is now the time to invest or do I watch it evolve a little bit more first?"

When evaluating costs, it's important to consider the entire life cycle. This includes start-up and ongoing operations, monitoring as AI and agentic AI evolve, data portability, vendor exits, and potential decommissioning costs.



Cybersecurity is another quickly growing concern. In addition to navigating customer data privacy, many companies worry powerful technologies could find vulnerabilities in their systems and expose them to increased cyber risks. As buildings, equipment, and autonomous systems become more connected, cyber risk moves beyond information technology. Owners and operators will also need to protect their operational technology, including building controls, access systems, life-safety interfaces, sensors, and robotics. Breaches to operational technology systems can disrupt physical operations as well as compromise data.

Risk management must be an integral part of a company's AI strategy, with resources allocated to managing multiple risks—including cybersecurity, privacy, reputational damage, and loss of trust.

Investing in People—Not Just Technology

While many AI initiatives start from a technology function or are led by a single individual, several interviewees noted true transformation starts at the executive, board, or ownership level and brings multiple parts of the organization together. One interviewee described AI implementation as being led top-down with executive sponsorship, project management, and department-level accountability for outcomes.

As one real estate developer put it, "It's an organizational reinvention." Organizations have to build new project management teams to use technology well. Instead of departments, interdisciplinary teams tackle projects together, resulting in big gains.

As competition intensifies, some companies are struggling to find the right talent. PwC's Global AI Jobs Barometer found that while investing in AI skills is essential, building judgment and leadership is just as important. Reskilling people also requires dealing with resistance to change. As one interviewee noted, the right training helps employees using AI become more comfortable with prompts and outputs. Another acknowledged some people find moving between different AI models challenging, highlighting the need for sustained support.

Next Steps: Delivering Even Stronger Outcomes with AI

The first wave of AI improved the work done around real estate. The next wave will improve and automate parts of the physical work of building, operating, maintaining, securing, and experiencing real estate. While AI may provide competitive advantage to early movers today, over time, adoption will be a requirement to compete.

How do organizations move from experimentation to measurable results? Three transitions will define the next phase: copilots to workflows, insights to decisions, and digital to physical. AI will be embedded in repeatable, high-volume business processes rather than individual productivity tools. Governed agentic AI will be used to identify opportunities, trigger tasks, and escalate exceptions while maintaining human accountability. Physical AI will be deployed in buildings, job sites, industrial facilities, and operational environments where improvements will create direct value.

Tomorrow's real estate leaders will combine better data, human judgment, and intelligent physical systems to deliver the outcomes that matter most: faster decisions, safer operations, lower energy use, more reliable service, stronger tenant experiences, and higher-performing assets.

Markets to Watch

Canada Markets to Watch:
Overall prospects

More than 1 standard deviation from the mean
+/– 1 standard deviation of mean
Less than 1 standard deviation from the mean

Rank	
1	Calgary
2	Toronto
3	Edmonton
4	Ottawa
5	Halifax
6	Montreal
7	Vancouver
8	Saskatoon
9	Winnipeg
10	Quebec City

Source: *Emerging Trends in Real Estate 2027* survey.
Note: Based on Canadian respondents only.

Canada Markets to Watch:
Homebuilding prospects

More than 1 standard deviation from the mean
+/– 1 standard deviation of mean
Less than 1 standard deviation from the mean

Rank	
1	Calgary
2	Toronto
3	Edmonton
4	Montreal
5	Vancouver
6	Ottawa
7	Halifax
8	Quebec City
9	Winnipeg
10	Saskatoon

Source: *Emerging Trends in Real Estate 2027* survey.
Note: Based on Canadian respondents only.

Calgary

Calgary is expected to lead all Canadian cities in economic growth in the coming years, according to Signal49. Real GDP growth is forecast at 2.4 percent in 2026 and 3.4 percent in 2027. Population growth, however, is expected to slow to 0.9 percent in 2026 and 1.0 percent in 2027, creating a divergence between economic momentum and demographic growth.

2027 Forecast Economic Indicators by City

	Real GDP growth	Population growth	Unemployment rate
Calgary	3.4%	1%	6.5%
Edmonton	3%	1.2%	6.5%
Toronto	2.5%	-0.5%	7%
Winnipeg	2.5%	0.1%	5.5%
Vancouver	2.4%	-0.1%	5.6%
Saskatoon	2.1%	1%	5.2%
Montreal	1.9%	-1%	6.1%
Halifax	1.8%	0%	5.8%
Quebec City	1.7%	0%	3.2%
Ottawa-Gatineau	1.4%	0.2%	6.4%

Source: *Signal49, Major City Insights, Summer 2026*

Calgary's industrial market continues to tighten despite a substantial development pipeline. Several interviewees pointed to Calgary's growing role as a western Canadian distribution hub and to logistics activity fuelling demand for well-located large- and small-bay space. Colliers reported an industrial vacancy rate of 3.0 percent in the second quarter of 2026, down from 4.1 percent a year earlier, with more than 3.4 million square feet under construction. Net absorption reached more than 1.5 million square feet during the quarter, with Colliers attributing much of the demand to large-bay distribution transactions.

The residential market, meanwhile, is slowing after several years of rapid expansion. Several interviewees noted rising multifamily supply and growing vacancy pressures as key market trends. CMHC expects rental vacancy to rise from 5.0 percent in 2025 to 5.7 percent in 2026 and 6.2 percent in 2027 as new purpose-built rental supply enters the market and demand moderates. Calgary is the only Canadian market where rents declined, with Yardi data showing in-place rents down 1.9 percent year over year. Housing construction remains elevated, with 27,684 units recorded in 2025, although CMHC expects this will start to ease as developers proceed more cautiously and work through existing inventories.

Calgary's office market continues to recover, although improvement remains uneven. Several interviewees mentioned office investment opportunities tied to current valuations and improving leasing conditions. CBRE reported Calgary's downtown vacancy rate inched downward in the second quarter of 2026, reaching 29.2 percent, as the market recorded 114,874 square feet of positive net absorption. CBRE attributed this improvement to increased leasing activity, declining sublease space, and the removal of inventory through conversion activity.

Conversions remain central to Calgary's downtown recovery, but interviewees expressed differing views on how long the trend can extend. While some said residential conversions are a significant opportunity, others suggested that many remaining office buildings are difficult candidates for conversions because of deep floor plates and building-design limitations. They also noted conversion projects often depend on government incentives to proceed.

The suburban office market is performing stronger than downtown, with vacancy at 16.0 percent and net absorption of 270,643 square feet in the second quarter, according to CBRE.

Interviewees expressed positive sentiment around Calgary's retail market. Indeed, while the headline data appears to show softness, the underlying story is more nuanced. CBRE reported a retail vacancy rate of 5.9 percent at the end of 2025, up from 4.3 percent, with negative net absorption of 481,000 square feet. But CBRE attributed nearly all of this negative absorption and much of the vacancy increase to space left by large department store brands. Excluding these vacancies, CBRE said the overall retail vacancy would have declined for a fifth consecutive half. This aligns with the positive sentiment voiced by interviewees, including expectations that the retail sector will gain strength in the year ahead.

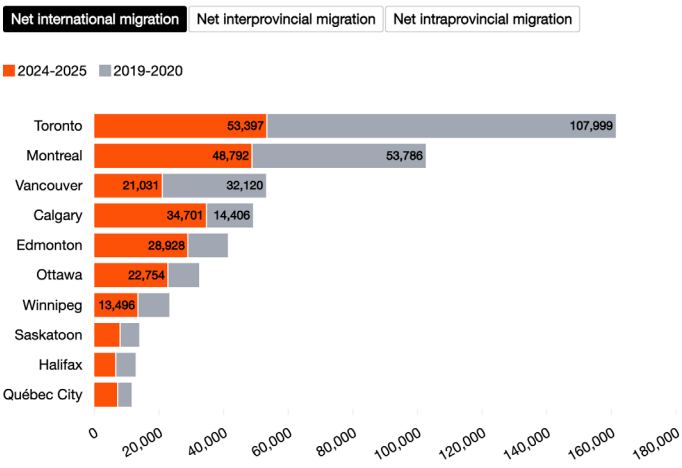
More broadly, interviewees pointed to renewed investor interest in Calgary. One interviewee said institutional investors are beginning to return to Calgary. Another said ultra-high-net-worth and private buyers are increasingly looking at Canadian real estate for diversification, particularly in Calgary, where they expect an eventual recovery. Another interviewee suggested private investors could be among Calgary's most active buyer groups in 2027 given Alberta's relative economic strength and competitive debt-financing conditions. Several interviewees also described Calgary as a more diversified economy than in past cycles, with one noting it's no longer just an oil and gas market.

Toronto

Toronto is navigating a period of modest economic growth, but several interviewees said they remain bullish on the city's long-term fundamentals. Signal49 forecasts real GDP growth of 0.9 percent in 2026, reflecting the impact of a shrinking population—driven in part by lower immigration—a sluggish housing market, and shifting Canada-US trade dynamics. While these conditions are constraining near-term economic activity, the city's real GDP growth is forecast to improve to 2.5 percent in 2027, supported by continued job gains in finance, insurance, real estate, and other professional services, according to Signal49.

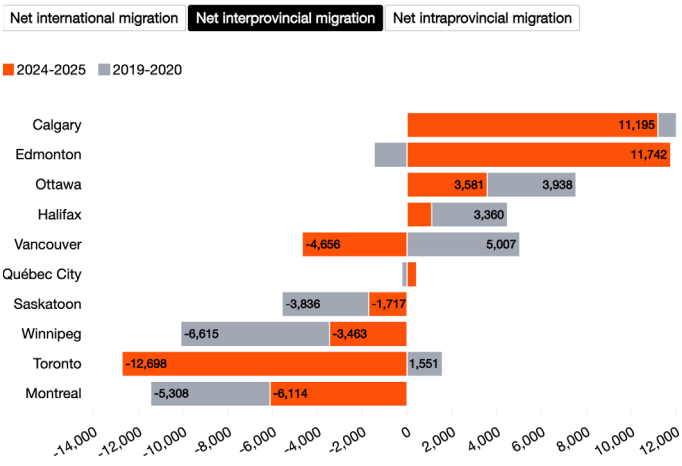
The city is also contending with a sharp demographic shift; its population growth moved from 2.4 percent growth in 2024 to a 1.7 percent contraction in 2025. Statistics Canada figures show net international migration to Toronto in 2024–2025 was half the level recorded in 2019–2020. Toronto has also moved from a net gain to a net loss of residents to other provinces. This is compounding an already-established pattern of residents moving to other communities within Ontario. According to Signal49's forecast, Toronto's population will contract further in 2026 and 2027.

Net international, interprovincial and intraprovincial migration by census metropolitan area, 2024-25 versus 2019-20



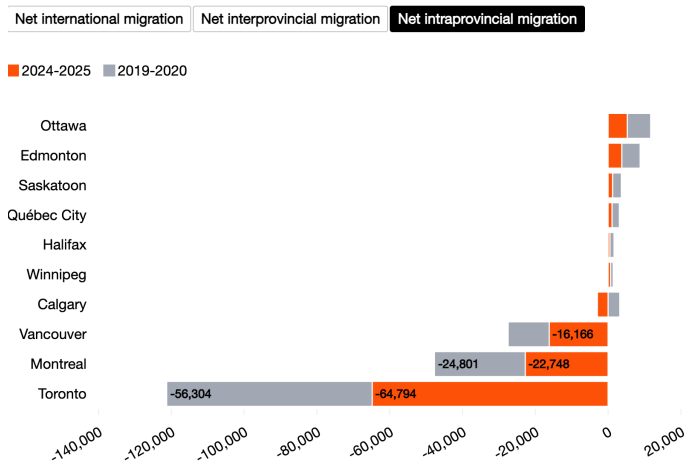
Source: *Statistics Canada, annual demographic estimates*
Note: Figures as of July 1 of each respective year.

Net international, interprovincial and intraprovincial migration by census metropolitan area, 2024-25 versus 2019-20



Source: *Statistics Canada, annual demographic estimates*
Note: Figures as of July 1 of each respective year.

Net international, interprovincial and intraprovincial migration by census metropolitan area, 2024-25 versus 2019-20



Source: *Statistics Canada, annual demographic estimates*
Note: Figures as of July 1 of each respective year.

Interviewees identified industrial and logistics assets, data centres, reshoring-related manufacturing, purpose-built rental housing, and transit-oriented communities as areas of interest in anticipation of population growth resuming in three to five years. This suggests capital is gravitating toward sectors with long-term structural support despite near-term economic and demographic challenges. The recent privatization of a major real estate investment trust with significant holdings in the Greater Toronto Area underscores the growing role of institutional and foreign capital in the region and signals confidence in its long-term real estate fundamentals.

Toronto's condominium market continues to face significant headwinds. Interviewees reported stronger prospects for low-rise product than high-rise projects, launch delays to 2027 or later, and a shift toward larger suites, phased launches, and end-user-oriented offerings. They also described continued investor interest in premium suburban and midtown nodes while noting downtown high-density sites remain more difficult to underwrite. Urbanation reported just 50 pre-construction condominium sales in the second quarter of 2026, down 80 percent year over year. At the same time, completed developer-held condominium inventory reached a record 5,001 units, while pre-construction and under-construction condominium inventory declined 37 percent year over year, Urbanation found. The current slowdown may have longer-term consequences: delayed launches and weak presales are narrowing the pipeline of projects that would otherwise begin construction later in the decade.

These condominium-market conditions continue to weigh on housing construction. After hitting 37,718 units in 2024, total housing starts tumbled to 26,087 units in 2025 and are forecast to decline further in 2026 before stabilizing in 2027, according to CMHC. However, some of that decline is being offset by rental-oriented development. CMHC reports robust rental starts. Government financing programs and municipal incentives are expected to provide partial support, while some developers are exploring the conversion of condominium site applications to rental projects. This shift isn't feasible for every site. It depends on land costs, approvals, financing, suite design, municipal charges, and achievable rents.

That reset to rental is creating a selective land opportunity. Development land in the Greater Toronto Area has repriced significantly from peak levels, and some investors are acquiring entitled or near-entitled sites with optionality between condo and rental outcomes. Others are pursuing covered-land strategies—acquiring income-producing assets where current cash flow supports the hold while retaining future redevelopment potential. But land remains difficult to finance, and recovery timelines are uncertain. The opportunity favours patient capital and flexible structures over speculative accumulation.

The rental market is also adjusting to slower population growth. CMHC forecasts purpose-built rental vacancy will rise to 3.5 percent in 2026 before stabilizing at 3.4 percent in 2027 as growing supply coincides with weaker population growth and some higher-income renters' move into homeownership. Flattening home prices are helping renters enter the ownership market. At the same time, those same stagnating property values are eroding the home-equity nest egg move-up buyers rely on, weighing on demand for new ground-oriented homes.

The office market is showing signs of recovery. Interviewees pointed to renewed activity associated with return-to-office mandates at many banks and law firms, as well as stronger demand for higher-quality buildings, with Class A and trophy assets outperforming lower-quality space. CBRE reported a downtown Class AAA vacancy rate of just 2.6 percent, compared to an overall downtown vacancy rate of 13.1 percent in the second quarter of 2026. CBRE also reports positive quarterly absorption and notes downtown recorded 4.6 million square feet of positive absorption and a 460-basis-point decline in vacancy over the 12 months ending in the second quarter of 2026. Suburban office conditions also improved, with vacancy falling to 20.2 percent and quarterly absorption reaching 458,284 square feet. Some owners are retrofitting vacant office suites to help attract tenants.

Toronto's industrial vacancy rate was the lowest in the country at the end of the second quarter. According to Colliers, vacancy measured 2.2 percent in mid-2026 after falling 70 basis points over the previous two quarters. Net absorption reached 3.5 million square feet in the second quarter of 2026. It also exceeded 2 million square feet for a third consecutive quarter, according to Colliers. The brokerage reports rents are beginning to stabilize. Asking rents—which stood at $16.22 a square foot in the second quarter—remain below prior peaks but are declining at a slower pace, while incentive packages are flattening.

Edmonton

Edmonton's real estate market is being shaped by a combination of moderating supply growth and resilient demand. The city's economy is supported by a broad base of government, health care, education, logistics, and service-industrial activity—a mix that sets Edmonton apart from Calgary. Signal49 said the city's real GDP growth is expected to slow from 1.6 percent in 2025 to 1.1 percent in 2026 before jumping to 3.0 percent in 2027. Population growth has cooled as migration flows have declined, while the city's unemployment rate is forecast to improve from 7.7 percent in 2025 to 6.7 percent in 2026 and 6.5 percent in 2027, according to Signal49. This reflects the growing number of jobs and demand for workers in the city, although some interviewees suggested a shortage of skilled labour could threaten Edmonton's positive economic outlook.

Edmonton's industrial market remains one of the city's strongest real estate stories. One factor to watch is the growing optimism around a new oil pipeline that, if built, will increase demand for industrial space. According to Colliers, industrial vacancy stood at 3.8 percent in the second quarter of 2026, falling below 4 percent for the first time in six quarters. One interviewee highlighted multi-level storage space as being in particularly high demand—especially when it's tech-enabled and climate-controlled. More broadly, interviewees said the industrial market, particularly small- and mid-bay space, is undersupplied. One suggested this could lead to future rental growth. Colliers reported asking industrial net rents stood at $11.97 per square foot at the end of the second quarter, a 2 percent year-over-year increase, while more than 1.7 million square feet remained under construction. One interviewee said built-to-suit industrial space is moving forward, while speculative development remains limited.

The residential market, by contrast, appears to be moving from expansion toward balance. According to CMHC, housing starts totalled 21,337 units in 2025, with forecast ranges pointing to lower activity in 2026 and 2027. CMHC also expects apartment vacancy to rise from 3.8 percent in 2025 to 4.5 percent in 2026 and 5.0 percent in 2027 as additional supply enters the market, leading to softer rental-market conditions and more moderate rent growth. One interviewee suggested supply is reshaping market conditions, noting Edmonton may require additional time to find its footing because of overbuilding and oversupply concerns. But they also noted Edmonton hasn't seen the same overbuild of speculative condos as some other cities, with many developers focusing instead on purpose-built rental in recent years.

Office market conditions are improving, although the recovery remains uneven. According to CBRE, the Edmonton office market recorded positive net absorption of 35,389 square feet in the second quarter of 2026, contributing to a modest decline in vacancy to 18.9 percent. Downtown posted 80,569 square feet of positive absorption, outperforming the suburban market, which recorded negative absorption of 45,180 square feet. Return-to-office momentum is pushing tenants toward efficiently run, well-built space with strong amenities, interviewees said—driving disproportionate uptake in higher-quality buildings. Interviewees described the market as highly bifurcated, with leasing activity concentrated in Class A and AA buildings, with lower-quality Class B and C assets facing greater challenges. For older office assets, the path forward may mean recapitalization or an alternative use, such as conversion to residential. Feasibility depends on building design, location, and capital requirements. But interviewees said residential conversion remains difficult without compelling government incentives.

One interviewee observed institutional capital is re-entering Alberta's markets. While Calgary tends to be the primary beneficiary initially, Edmonton, where investment activity is currently driven primarily by private capital, generally sees increased interest later.

Ottawa

Ottawa is expected to rank last among major Canadian cities for economic growth in 2026, according to Signal49, with real GDP forecast to decline 0.1 percent before rebounding to 1.4 percent in 2027. Yet survey respondents' sentiments toward Ottawa run more positively than the economic data alone might suggest, with the city's residential market showing fundamentals that compare favourably to other major markets.

The population is expected to contract by 0.1 percent in 2026 before recovering modestly to 0.2 percent in 2027. Signal49 attributes the outlook to expected federal spending cuts, public-administration job losses, and slower migration. While government workforce uncertainties may be limiting economic activity in the short term, the public sector is also a source of long-term resilience and new growth opportunities.

These demographic and economic trends are beginning to influence Ottawa's residential market. According to CMHC, housing starts reached 10,864 units in 2025 but are forecast to fall to a range of 7,700 to 9,500 units in 2026 and 7,800 to 9,600 units in 2027. CMHC says slower population growth, a large volume of units already under construction, and reduced permits and approvals are expected to weigh on future construction activity. Apartment projects remain the largest component of development activity, although CMHC expects the slowdown to affect that segment most significantly. In July 2026, Ottawa City Council approved a 54 percent reduction in residential development charges over three years, a move that could support housing construction as activity moderates.

Condominium development remains limited—a contrast to cities that have grappled with condo overbuilding. No condominium apartments were under construction in Ottawa at the end of the second quarter of 2026, according to Urbanation. The firm also reported approximately 4,000 purpose-built rental units were absorbed over the previous 12 months, roughly matching Toronto's absorption despite Ottawa having a much smaller population. Even so, CMHC projects the broader rental market will loosen in the coming years. Vacancy is expected to rise from 3.0 percent in 2025 to 3.6 percent in 2026 and 3.8 percent in 2027 as new rental supply enters the market and population growth slows.

Ottawa's office market continues to post rising vacancy rates and negative absorption, according to CBRE. Total office vacancy reached 15.0 percent in the second quarter of 2026, up from 14.3 percent, while net absorption was negative 120,254 square feet. Vacancy in the city has now risen for four consecutive quarters. That pressure is not evenly distributed by building class. CBRE reports Class A vacancy in the central business district at 13.2 percent, compared with 16.3 percent for Class B and 33.9 percent for Class C. Lower-quality buildings are widely seen as bearing the brunt of the market's softness, a trend often linked to the federal government's shrinking appetite for older space. This points to a possible opportunity for repositioning.

CBRE also reported negative suburban absorption of 141,915 square feet in the second quarter. This marks a sixth consecutive quarter of negative absorption in that segment and more than 486,000 square feet of vacated space since the start of 2026.

At the same time, Ottawa's office market reflects a notable tension. Federal employees are returning to the office more frequently even as the federal government continues to reduce its real estate footprint. Several interviewees identified federal return-to-office policies as creating demand for office space, and one interviewee pointed to selective office re-engagement opportunities as pricing resets create potential acquire-and-reposition strategies.

Ottawa's industrial market remains tight, according to Colliers. Vacancy held steady at 2.5 percent in the second quarter of 2026. Colliers noted leasing activity has been constrained by a shortage of functional industrial space, particularly small-bay facilities and properties with outdoor storage. The market also has roughly 3.3 million square feet under construction, much of it already pre-leased, suggesting supply constraints are likely to persist.

Halifax

Halifax is entering 2027 with slower economic and demographic growth than it's experienced in recent years. Signal49 forecasts real GDP growth of 1.6 percent in 2026 and 1.8 percent in 2027, after a much stronger performance in 2025. The weaker outlook reflects uncertainty surrounding Canada-US trade negotiations, Signal49 says. In the short term, Signal49 projects population growth will remain stagnant with zero-to-negative growth in 2026 and 2027 due to lower immigration levels. Beyond that, interviewees said population growth in Halifax is set to rebound. Rising defence spending, shipbuilding, and naval activity, in addition to expanding port-related supply chains, could be another way growth reaches Halifax real estate, although the timing and scale remain uncertain.

The residential market in Halifax reflects a combination of slowing demand growth and persistent tightness. Housing starts are expected to ease significantly from the elevated levels reached in 2025, CMHC says, although activity is forecast to remain high by historical standards. Apartment construction remains the dominant component of new supply, but CMHC expects purpose-built rental development to moderate as population-driven demand cools and recent construction activity improves supply relative to current demand.

Rental conditions are expected to loosen modestly as record completions come to market, with vacancy forecast to increase to 2.9 percent in 2026 and 3.1 percent in 2027. However, CMHC still expects vacancy to remain below the long-term average, keeping the market tight. That tension is reinforced by Yardi data showing Halifax recorded 5.7 percent in-place rent growth in the second quarter of 2026, the highest year-over-year in-place rent growth in Canada. Several interviewees said they expect that growth to continue at a relatively high rate, pointing to a persistent gap between in-place and asking rents.

Halifax has the lowest office vacancy rate among Canada's major cities. According to CBRE, the city's overall vacancy held steady at 9.0 percent in the second quarter of 2026. The downtown market has posted eight consecutive quarters of positive net absorption, CBRE reported, with demand concentrated in Class A properties while Class B and C properties experienced negative absorption. Halifax's defence and naval role continues to support long-term tenant demand, according to CBRE, although the brokerage notes direct office requirements from the sector remain uncertain.

Colliers reported Halifax had the highest industrial vacancy rate in Canada at 10.3 percent in the second quarter of 2026. While that rate was down from 11.1 percent the previous quarter, it remained elevated relative to historical norms. Quarterly net absorption was positive at 75,867 square feet, although Colliers noted year-to-date net absorption remained negative 31,486 square feet, tempering the improvement seen in the latest quarter. At the same time, the development pipeline in Halifax has effectively paused. With no active construction pipeline, current industrial vacancy could tighten again if demand from defence, logistics, or port-related activity accelerates.

Montreal

Montreal's real estate market is contending with a weak economic backdrop that's shaping demand across asset classes. Real GDP growth is forecast to remain at 0.4 percent in 2026 before accelerating to 1.9 percent in 2027, according to Signal49. Population growth was negative 0.5 percent in 2025 and is forecast at negative 1.0 percent in both 2026 and 2027. Signal49 attributes the slower outlook to international trade uncertainty and reduced international migration. Despite weaker near-term economic conditions, interviewees described Montreal as one of the more attractive major Canadian markets for capital deployment, citing its scale, liquidity, and long-term investment appeal. This appeal is reinforced by Montreal's diversified employment base, relative affordability, and role as a logistics hub.

Residential construction remains elevated in Montreal, but the market is transitioning from record activity toward moderation as developers deal with higher vacancies in new units recently delivered. CMHC reports housing starts reached 27,777 units in 2025, including 25,223 apartment starts. Total starts are forecast to be between 23,000 and 28,000 units in 2026 before easing to 18,500 to 25,500 units in 2027. Rental housing continues to drive construction activity, accounting for 80 percent of new housing units.

The rental market reflects both healthy demand and a growing supply pipeline. One interviewee described the sector as steady, resilient, and consistently solid. Even so, it's expected to remain a tenant's market for a few more years. At the same time, CMHC forecasts the rental vacancy rate will rise from 2.9 percent in 2025 to 3.8 percent in 2026 and 4.2 percent in 2027. CMHC attributes this increase to recently completed and under-construction units, an expected drop in permanent and temporary immigrants, and labour-market weakness. Several developers also said newly built units are taking longer to absorb than the citywide vacancy rate suggests. CMHC data backs this up: rental buildings completed between July 2022 and June 2025 carried an 8.4 percent vacancy rate in 2025—nearly triple the citywide figure.

One interviewee also pointed to significant condo oversupply in Montreal. CMHC notes condominium starts are being dampened by high costs and limited presales, while rental housing continues to drive residential construction. Some of that oversupply is now being absorbed directly into the rental market. Private funds have recently been buying unsold condo units in bulk, at steep discounts to what developers originally sought. The expectation is that these units will operate as rentals until market conditions support a resale.

Transit infrastructure is also shaping expectations for future development activity in parts of the Montreal region. This includes the Blue Line metro extension and a proposed tramway network, currently being studied, that would connect Montreal's eastern boroughs and Repentigny to the existing metro network. These projects may create opportunities for residential transit-oriented development over time. In retail and mixed-use settings, an interviewee pointed to demand linked to the South Shore segment of the Réseau Express Métropolitain (REM), which opened in 2023, though they noted some of that impact has yet to be fully reflected in market activity. The REM's planned airport connection, expected in 2027, could spur similar transit-oriented development elsewhere along the network.

Montreal's office market is showing signs of improvement, although vacancy remains relatively high. Interviewees described positive momentum in the office market, particularly for Class A assets. That sentiment exists alongside still-elevated vacancy rates, even as absorption has improved. CBRE reported that the overall office vacancy rate stood at 18.0 percent in the second quarter of 2026, while downtown vacancy was 16.9 percent. The downtown market has recorded three consecutive quarters of positive net absorption, according to CBRE. The brokerage firm also noted tightening at the top of the market, with Class AAA vacancy declining to 4.8 percent.

The city's industrial fundamentals continue to show encouraging signs. The market has now recorded two consecutive quarters of positive net absorption, according to Colliers, with the vacancy rate declining 10 basis points to 5.7 percent. Approximately 1,572,550 square feet remained under construction at the end of the second quarter. Average asking net rent was $13.94 per square foot after a modest decline—a level interviewees described as supportive of a steady, ongoing recovery. Longer term, the Port of Montréal Contrecœur terminal expansion could reinforce

Montreal's role in Canada's trade diversification efforts and support future demand for warehousing, intermodal, distribution, and industrial facilities across the region. The project broke ground in April 2026 and is expected to increase the port's capacity by 60 percent.

Vancouver

A weaker demographic outlook is weighing on parts of Vancouver's property market. Signal49 forecasts population growth will remain negative through 2027, even as real GDP growth estimates reach 1.5 percent in 2026 and 2.4 percent in 2027. Signal49 attributes the demographic weakness to lower levels of immigration. Interviewees described broad caution. Developers, in particular, are holding back on pursuing new projects. Investors are largely on the sidelines as well, although some said they were eyeing select opportunities such as repriced office assets and senior housing.

The demographic shift is showing up most clearly in the residential sector. CMHC expects housing starts to continue declining due to weak demand and high construction costs, with lower apartment construction accounting for much of the slowdown. Weak condominium demand and uncertainty around future price growth have slowed presales, according to CMHC. Interviewees also pointed to caution among developers and distress in parts of the condominium and high-rise land market.

CMHC expects rental vacancy rates to continue rising as projects currently under construction are completed while rent growth remains limited. One interviewee linked the softer demand environment to lower levels of immigration and fewer international students, while others pointed to short-term absorption challenges in the rental market. At the same time, some interviewees said a future supply gap is emerging in the multifamily pipeline. The rise in vacancy reflects supply now hitting the market. But high costs, weak presales, and development caution could shrink the multifamily pipeline well beyond this construction cycle, creating a future supply gap.

Vancouver's office market continues to diverge, with Class A and AAA space, as well as downtown properties, outperforming the broader market. CBRE reported Metro Vancouver's office vacancy rate was 11.6 percent in the second quarter of 2026, up 80 basis points, alongside negative net absorption of 84,314 square feet. Beneath the headline numbers, downtown Vancouver recorded positive absorption of 54,688 square feet, with leasing activity remaining above the five-year quarterly average, while suburban markets posted negative absorption of 139,002 square feet.

Vancouver has the lowest downtown office vacancy rate among major Canadian cities at 12.2 percent, according to CBRE. Several interviewees expressed long-term confidence in Vancouver's office market, citing interest in repriced assets, the appeal of core office properties, and the market's liquidity.

Industrial rents have reset from their peak, but vacancies have remained steady. Colliers reported a vacancy rate of 3.1 percent in the second quarter of 2026, down from 3.2 percent the previous quarter, alongside positive net absorption of 241,785 square feet. Asking rents averaged $19.03 per square foot, down from their 2023 peak and 5.7 percent lower year over year. Even after this decline, Vancouver has the second-highest industrial rents in Canada, behind only Victoria, according to Colliers. Constrained industrial land, high replacement costs, and demand tied to port, airport, and regional distribution activity continue to support industrial fundamentals even as rents reset. Much of the new industrial supply expected to arrive later in 2026 and 2027 is substantially preleased, according to Colliers, limiting its impact on broader market availability.

Retail remains one of Vancouver's steadiest asset classes. Colliers reported urban retail vacancy of 3.0 percent and suburban retail vacancy of 0.8 percent. Grocery-anchored shopping centres have maintained vacancy below 1.0 percent for two straight years.

Saskatoon

Resource investments, agriculture, mining, manufacturing, and a relatively affordable cost of living are helping to buoy Saskatchewan's economy. Several interviewees expressed strong optimism about Saskatchewan's outlook, describing the province as well-positioned for growth. That sentiment provides an important backdrop for Saskatoon, which led all Canadian cities in real GDP growth in 2025 at 3.6 percent. Signal49 expects that growth to moderate to 1.8 percent in 2026 and 2.1 percent in 2027, a trajectory it attributes in part to trade uncertainty and geopolitical tensions.

The city's demographic momentum is also slowing from recent highs. According to Signal49, population growth is forecast at 1 percent in 2027, following 0.8 percent growth in 2026. Signal49 noted reduced federal immigration targets have contributed to slower population growth.

The slower growth is reflected in the residential market, although construction activity remains elevated. This includes work on the city's largest residential complex. The $100-million, 474-unit project consists of two towers, the first of which was completed in 2026. According to CMHC, housing starts reached 3,812 in 2025 and are expected to remain within a range of 3,500 to 4,500 in 2026 and 3,300 to 4,700 in 2027. CMHC says the city's purpose-built rental supply will continue expanding, supported by government incentives, projects already under construction, and ongoing apartment development. At the same time, rental demand is expected to grow more slowly, leading vacancy to rise from 3.3 percent in 2025 to a forecast 4.4 percent in 2026 and 4.7 percent in 2027 as new supply comes online, according to CMHC.

The office market in Saskatoon softened in the second quarter of 2026. According to Colliers, vacancy increased to 13.6 percent from 12.6 percent in the previous quarter, while net absorption was negative 32,897 square feet. Colliers attributed the shift in part to two new large listings and said tenant demand remained steady.

Saskatoon's industrial market remains tight despite a moderation in development activity. According to Colliers, vacancy declined to 2.5 percent in the second quarter of 2026 from 2.7 percent in the first quarter, while asking net rents continued to trend upward, increasing to $13.93 per square foot from $13.45 per square foot. The market is also benefiting from broader industrial investment, including construction of a new $51 million mining equipment manufacturing and servicing facility. Construction activity has eased compared with recent years. But Colliers says mid- to large-bay speculative construction is expected to rise in the second half of 2026 and expand the city's industrial inventory through 2027.

Winnipeg

Winnipeg is drawing attention from several Canadian real estate organizations that see significant opportunities in the city and have identified it as one of the top markets to watch in 2027. Interviewees also pointed to broader growth prospects across Manitoba and the Prairies, even as they noted attracting capital to Winnipeg and other secondary markets, particularly from international investors, can be challenging. Winnipeg's relative affordability, central logistics position, and diversified employment base support a stable, income-oriented investment proposition, although smaller transaction sizes can limit liquidity.

Against this backdrop, Signal49 forecasts Winnipeg's real GDP growth will accelerate from 1.2 percent in 2026 to 2.5 percent in 2027, even as population growth is expected to remain subdued, declining 0.2 percent in 2026 before returning to modest growth in 2027.

The residential real estate market continues to see elevated levels of construction activity. According to CMHC, total housing starts are forecast to range from 5,600 to 6,500 units in 2026 and from 5,300 to 6,700 units in 2027, following 6,061 starts in 2025. CMHC says construction levels are supported by strong homeownership demand alongside government programs and incentives, favourable financing conditions, and zoning reforms supporting rental apartment development. In September, however, the provincial government expanded the number of rental units subject to rent-control rules by raising the monthly rent exemption threshold to $2,000, up from $1,670. CMHC forecasts the rental vacancy rate will rise from 4.4 percent in 2026 to 5.0 percent in 2027 as an expanding rental inventory coincides with reduced immigration levels.

Winnipeg's office market posted mixed results in the second quarter of 2026, according to CBRE. Overall vacancy increased by 20 basis points to 16.0 percent, while net absorption was negative 46,360 square feet. However, conditions improved in the downtown market, where vacancy declined by 10 basis points to 17.5 percent and net absorption was positive 15,552 square feet. Downtown Class A space also continued to strengthen, with the vacancy rate declining by 20 basis points to 12.7 percent and positive absorption reaching 7,314 square feet. CBRE reported this was the fifth consecutive quarter of positive absorption in Winnipeg's downtown Class A market. This points to a localized flight to quality rather than a broad-based market recovery.

Winnipeg's industrial market continues to show stable fundamentals. According to Colliers, the vacancy rate held steady at 2.9 percent in the second quarter of 2026, despite two significant vacancies that continue to weigh on market conditions, while net absorption reached 145,119 square feet—the third consecutive quarter of positive absorption.

Quebec City

Quebec City is entering a period of slower economic and population growth, but targeted development activity and major infrastructure investments continue to support parts of its real estate market. Data centre construction, transit investments, and a port modernization project are shaping a distinct investment profile for Quebec City.

Interviewees pointed to improving conditions, although this optimism sits against a softer near-term backdrop. After growing 1.0 percent in 2025, real GDP is forecast by Signal49 to slow to 0.7 percent in 2026 before improving to 1.7 percent in 2027. Signal49 also expects weaker near-term population dynamics tied to slower international migration, with the population forecast to contract in 2026 and remain flat in 2027.

The city's residential real estate market is adjusting to these demographic trends. According to CMHC, total housing starts are expected to decline from 8,583 in 2025 to a forecast range of 5,900 to 8,500 in 2026, before stabilizing at 6,000 to 8,600 in 2027. CMHC said the expected decline is being driven largely by the City of Lévis moratorium on issuing new residential construction permits in certain areas, with planned North Shore multi-unit projects not expected to fully offset weaker activity on the South Shore. Rental market conditions are also expected to ease. CMHC forecasts the vacancy rate will rise from 2.4 percent in 2025 to 3.3 percent in 2026 and 3.9 percent in 2027, which it attributes to a decrease in temporary residents and an increase in new rental supply.

Transit investments could affect future residential development patterns. These include the $7.6 billion TramCité project, which is expected to spur the construction of thousands of new homes, particularly near stations. One interviewee referenced the project's route and future station connections in Saint-Roch, highlighting local attention on how transit expansion could shape development and connectivity in areas served by the network.

The industrial market continues to recover after a period of softer leasing activity. According to Colliers, Quebec City recorded 48,096 square feet of net absorption in the second quarter of 2026, marking a second consecutive quarter of positive absorption, while vacancy fell from 5.0 percent to 4.9 percent in the second quarter of 2026. Colliers noted demand has remained firm for functional, well-located space despite economic uncertainty.

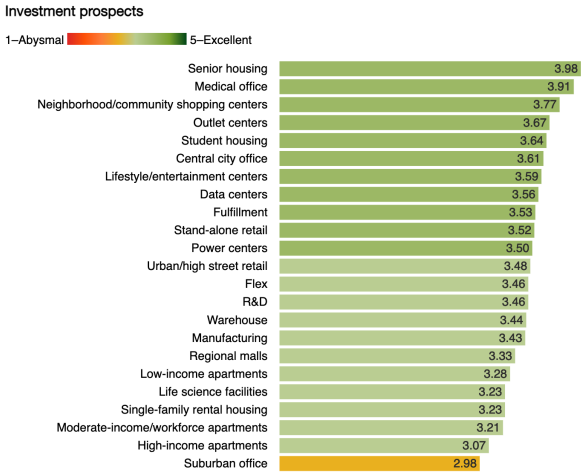
The industrial market is also characterized by a substantial development pipeline, with approximately 1.3 million square feet under construction in the second quarter of 2026. Data centre developments account for most of this activity, according to Colliers. The ability to continue to convert data centre demand into sustained development will depend on reliable power, grid capacity, fibre connectivity, cooling, approvals, and community support. Longer term, broader industrial development could benefit from major infrastructure investments, including the $1.7 billion Port of Québec modernization plan.

The performance of Quebec City's office market remains mixed. According to CBRE, vacancy stood at 12.9 percent in the second quarter of 2026, while the market recorded 83,479 square feet of positive net absorption. CBRE noted leasing activity was uneven across building classes, with Class B properties outperforming other market segments as occupiers sought more affordable space. CBRE also reported office-to-residential conversion activity is accelerating, with acquisitions happening for conversion purposes. A similar shift is underway in retail, where some shopping malls are being transformed for office or residential use.

Best Bets

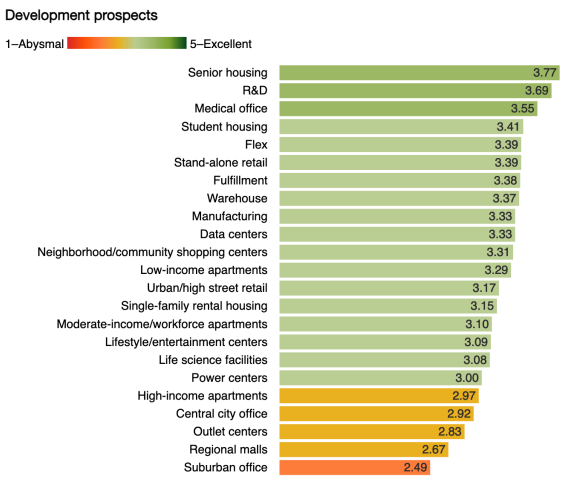
Capital is returning to Canadian real estate, but the strongest opportunities in 2027 reward selectivity over broad exposure. Three asset classes stand out as best bets across the market. Three more offer compelling returns for investors with the right operating capability, capital patience, or specialist knowledge.

Prospects for Commercial/Multifamily Subsectors in 2027



Source: *Emerging Trends in Real Estate 2027* survey.
Note: Based on Canadian respondents only.

Prospects for Commercial/Multifamily Subsectors in 2027



Source: *Emerging Trends in Real Estate 2027* survey.
Note: Based on Canadian respondents only.

Senior Housing: Baby Boomers Enter Their 80s Seeking Independent-Living Communities

Rapidly accelerating demand. Limited new supply. That's how one major senior housing operator described the market today as the long-anticipated wave of baby boomers enters their 80s. Occupancy and rents are climbing as available space shrinks.

Interviewees described senior housing as a continuum, starting with active living communities and seniors' apartments, then independent living and retirement residences, before eventually moving to memory care and other forms of assisted living. But seniors are increasingly delaying their entry into that continuum, moving from their longtime homes directly into independent living and retirement residences in their early 80s. That's where the investment case is strongest.

Senior housing is an operating business. Not a passive real estate holding. It demands more of an owner than a standard multifamily asset. Success depends on staffing, service delivery, and day-to-day management. Those operating demands are keeping some investors on the sidelines. And that's leaving fewer competitors for those who form the right partnerships.

Securing a capable operating partner helps investors tap into this demographic-driven opportunity. It's also where operational excellence frequently emerges. Leading properties offer premium food service and wellness programming, and they integrate care services around residents' daily lives—creating access to retail, physicians, and medical office space directly in their communities. Looking ahead, that integration will likely go even further, evolving away from standalone facilities toward models that embed senior housing directly within broader mixed-use neighbourhoods.

Easing construction costs and stabilizing land prices are allowing new senior housing projects to pencil out after years on pause. Yet that development window may prove brief if land costs rise and competition for trades returns. New construction also faces an affordability ceiling: higher-end products serve a limited clientele, which could make the market for premium private-pay housing narrower than headline demographics suggest. Against this backdrop, existing, stabilized assets are attracting multiple bids, including from foreign institutional investors, narrowing bid-ask spreads.

The opportunity isn't uniform across the country. A new build in Alberta carries different risks and return opportunities than converting an existing property in Toronto, for example. Several interviewees said that for now, they're focusing primarily on major metropolitan areas—including Vancouver, Calgary, Edmonton, Toronto, and Montreal—where demographic scale provides the deepest support.

Retail: Demand Is Diversifying; Supply Hasn't Kept Up

Retail has mounted a decisive comeback—defying fears that e-commerce would hollow out physical storefronts. Investor interest now extends well beyond necessity-based and grocery-anchored plazas. Across power centres, open-air formats, urban high streets, and even well-positioned regional malls, retail has emerged as one of Canada's most favoured asset classes—intensifying competition for space, compressing cap rates, and generating some of the highest returns in the country, according to interviewees.

Part of the story lies in the enduring appeal of in-person shopping. PwC Canada's Holiday Outlook report found that 60 percent of Canadian consumers planned to visit a physical store to purchase gifts during the 2026 holiday season, making it the most popular shopping channel. Even among Gen Z—the demographic most associated with digital-first habits—brick-and-mortar came out on top for purchasing, with 44 percent planning to buy gifts in person.

That consumer demand is running into a supply deficit built up over the past decade, when retail development failed to keep pace with population growth. With tenants competing for space, landlords are benefiting from strong leasing spreads upon renewal. Yet investors are divided on how long those gains can continue. While some interviewees believed scarcity would sustain ongoing margin growth, others questioned how much runway remains after recent increases. Some have even paused acquisitions over concerns pricing is nearing a cyclical peak.

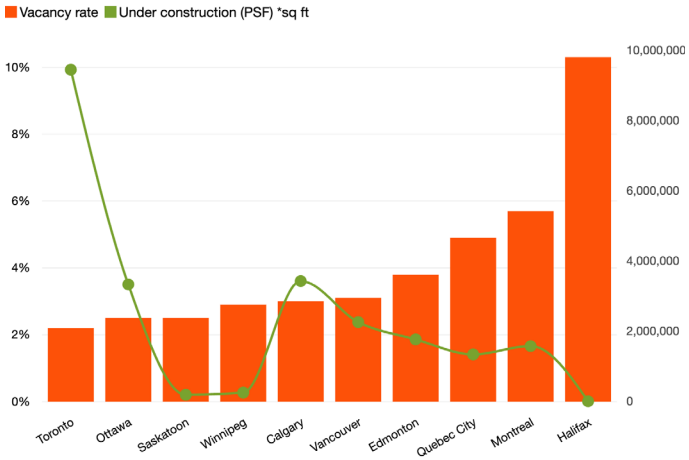
The scarcity of space is changing how retailers expand. Rather than waiting for developers to build custom pads, merchants are amending their floor plans to fit existing spaces. Retailers are also reshaping the footprints behind their storefronts. Store expansions are directly fuelling industrial demand, with companies adding automated distribution hubs, cold-storage facilities, and last-mile fulfillment centres to service their networks.

Even with retail strengthening broadly, the highest conviction remains in necessity-based properties anchored by major grocers. While retail performance varies by region, grocery-anchored formats have demonstrated remarkable consistency across the country. These open-air centres generate reliable, repeat foot traffic that supports surrounding daily-needs services, from personal care to quick-service dining. That consistent consumer draw has made supermarket-anchored centres a primary target for institutional capital, with buyers facing tight competition for high-quality properties.

Industrial: A Perennial Favourite Now Requires a More Targeted Approach

Industrial has been a longstanding best bet in Canadian real estate, and it remains one. But the thesis has changed. The market has absorbed recently constructed supply, and rents have stabilized. At the same time, trade tensions have introduced new considerations for investors with exposure to affected industries. Industrial is a broad asset class with many different stories playing out at once, and success in 2027 will favour specific, targeted investments over broad-based exposure.

Industrial Space, 2Q 2026



Source: *Colliers industrial market reports, 2Q 2026*

Mid-bay properties have emerged as a preferred format, offering diversified occupancy with lower turnover risk. Small-bay serves tenants who depend on proximity to customers—contractors, distributors, service firms, and last-mile operators—and is particularly attractive where both product and land are constrained. Large-bay carries a different risk profile: highly bespoke and more exposed to vacancy if a single anchor tenant departs. That preference for smaller, multi-tenant formats plays to industrial's structural advantages—low construction costs outside urban cores, fast build timelines, and the ability to reconfigure or demolish at relatively little expense.

Several structural demand drivers continue to reinforce the case for industrial. E-commerce growth and expanding retail networks are sustaining demand for warehousing, fulfillment, and cold storage facilities. Reshoring and nearshoring activity are creating new requirements for purpose-built industrial space. Defence-related spending is expected to add a further layer of demand.

The opportunity varies by region. Alberta is a standout, where constrained land, inland-port expansion, and growing manufacturing activity are converging to increase demand for small-bay and distribution-hub space. The Greater Toronto Area and Vancouver are also active markets but face land constraints that are prompting some developers to explore specialized formats such as multi-level logistics.

For investors looking beyond standing stock, entitled industrial land with power access, servicing, or strategic-location advantages—particularly in Alberta, the Greater Toronto Area, and key logistics corridors—offers a complementary thesis. Institutional investors, including insurance companies, are entering through land-banking and lot-servicing platforms where entitlement risk is removed and builder take-downs are scheduled.

Not all interviewees shared the same bullish outlook. Some described the broader industrial market as compressed and fully valued, with challenging leasing conditions in certain markets. Others noted returns have moderated from peak levels. Still, institutional capital and lenders continue to favour industrial, and the long-term fundamentals—healthy tenant retention, durable cash flows, and constrained supply—keep drawing investment.

Selective Opportunities

Purpose-Built Rental: Patient Capital Stays in; Student Housing Draws a Closer Look

Purpose-built rental retains strong long-term institutional appeal. Several interviewees identified purpose-built rental as a best bet and expected outperformer, with one noting US institutional capital is re-warming to the Canadian market. For institutional investors with patient capital and a longer-term time horizon, rental housing remains the preferred residential play over condo development or condo inventory acquisitions. Near-term rental development economics, however, remain challenging in some markets, with soft rents, tight financing, and elevated costs holding back new projects. The result is a bifurcated market: conviction is high among long-term holders, while shorter-horizon investors are stepping back.

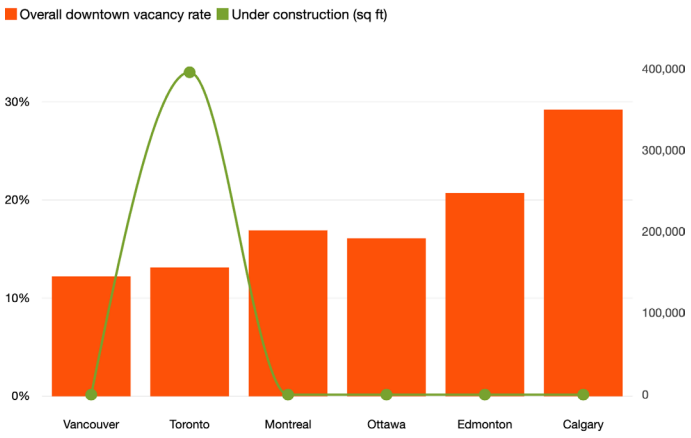
One variant of purpose-built rental is attracting specific attention: student housing. Characterized by years of chronic undersupply and aging product, student housing offers an investment case built on durable, campus-linked demand. Like senior housing, it's an operator-led model—a bigger operational lift than standard multifamily, with returns often tied to services rather than passive rent collection. While student housing serves both domestic and international students, immigration policy remains an important demand variable. The federal government has reduced arrival targets for new temporary residents, including international students, through 2028. The outlook beyond that is unclear. For investors who believe international student levels will recover, well-operated student housing properties are attractive. For those less certain, the near-term policy environment warrants caution.

Office: Quality Downtown Assets Are Back in Demand

Broad pessimism around office has given way to selective re-engagement. Interviewees reported strong demand for well-located, high-quality downtown assets—particularly Class A properties and value-add opportunities where active management and leasing execution can unlock returns.

Return-to-office policies are contributing to improving sentiment, and demand from AI and technology companies is adding a new source of tenant activity. Leasing activity has picked up in markets such as Toronto and Vancouver. The performance gap between stronger and weaker office assets, however, continues to widen—making asset selection and market positioning critical.

Canadian Downtown Office Market Statistics, 2Q 2026



Source: *CBRE, Canada office figures, 2Q 2026*

Data Centres: Concentrated Conviction

Investor enthusiasm for data centres has cooled from previous years, but large institutional investors with established hyperscale relationships continue to commit capital.

Institutional investment is concentrating around hyperscale and co-location platforms backed by established operators and credible end users. Beyond direct platform ownership, partnerships with experienced developers and investment in power-served land offer alternative paths into the sector. Grid capacity, interconnection timelines, and sponsor quality remain the primary factors distinguishing investable projects.

Conclusion

Canada isn't recovering as one market. It's recovering as many. Competing means overcoming constraints as varied as the opportunities. The organizations that solve for power, defence, and care—and pair that with disciplined capital and operational excellence—will define Canada's next real estate cycle. Optimism, this year, must still be earned. That work starts now.

Interviewees

Abitbol Consulting
Reuben Abitbol

ACORE Capital
Nick Bitting
Mike Wilkinson

ACRES Commercial Realty Corp.
Mark Fogel

AEW
Mike Acton
Michael Byrne
Sara Cassidy
Tony Crooks
Joshua Heller
Lauren O'Neil

Alate Partners Inc.
Courtney Cooper
Stephanie Wood

Alliance Prével Inc.
Laurence Vincent

Allied Properties Real Estate Investment Trust
Cecilia Williams

Altree Developments Inc.
Zev Mandelbaum

Amdev Property Group
Amar Bhalla

Anderson
Ken Rosen

Anthem Properties Group Ltd
Eric Carlson

Appelt Properties
Greg Appelt

Aquilini Development Limited Partnership
Mark Mazzone

AR Global - National Healthcare Properties
Drew Babin

Ares Capital Management
Jamie Sunday

Ares Real Estate
Bryan Donohoe

Arkfield
Ramin Jalalpour
Rouh Ramezani

Arlington Properties
Cliff Ayers
William Morris
Jarrod Norman

Asana Partners
Bri Jacobson
Stefan Neudorff
Saad Sheikh

Aspen Management and Investment Properties (SGV) Ltd.
Greg Guatto

ATAPCO Properties
Charles Baker
Russel Powell
Scott Robuck
Andrew Weeks

Avenue Living (2014) LP
Max Graham

Avison Young
Meghann Martindale

Azimuth Global Partners

Bain Capital Real Estate
Ben Brady
Ryan Cotton
Joe Marconi

Banner Industrial Properties
Dan Morrison

Baranof Holdings
Andrew Aiken

Barclays
Schecky Schechner

Basis Investment Group
Mark Bhasin

Bayer Ventures
Jeffrey Bayer

BCDC
Brett Schwenneker

Belkorp Industries Inc
Bruno Di Spirito

BentallGreenOak (Canada) Limited Partnership
Devinder Gill
Simon Holmes

Berkshire Residential Investments
Gleb Nechayev
Ravi Ragnauth
Eric Schrumpf

Boardwalk REIT
James Ha

Bohler
Dan Duke

BOMA Toronto
Susan Allen
Caroline Karvonen

Bosa Development Group Inc.
Clark Lee

Bothwell-Accurate Group
George Vassallo

Brandywine Realty Trust
Jerry Sweeney
Tom Wirth

BridgeInvest

Brookfield
Matt Larriva

Brookfield Residential Properties Inc.
Thomas Lui

BTB Real Estate Investment Trust
Michel Leonard

Build Canada Homes
Jeffery Coles

BXP
Mike LaBelle
Owen Thomas

Cabot Properties
Franz (Seppi) J. Colloredo-Mansfeld
Michael Gebo
Michael McCarthy
Nicholas Snow
Harbone Steward III

Cadillac Fairview
Sal Iacono

Caisse de dépôt et placement du Québec
Annie Houle

Caivan Holding Corporation
Frank Cairo

Calgary Housing Company
Saket Ayala

Caliber Projects Ltd.
Zack Staples

Calibrex Development
Steve Bruno

Cameron Stephens Mortgage Capital Ltd
Katie Bonar

Camrost Felcorp Inc.
Joseph Feldman

Canada Lands Company Limited
Stéphan Déry

Canada Mortgage and Housing Corporation
Mathieu Laberge

Canada Pension Plan Investment Board
Janet Chung

Canada Post Pension Plan
Marie-Josee Turmel

Canadian Apartment Properties REIT
Brad Cutsey

Canadian Mortgage Capital
Rob Goodall

Canderel
Brett Miller

Canfirst Capital Management Inc
Allan Perez

Canopy Real Estate Partners
Jay Rollins

Cansel Survey Equipment Inc.
Lovett Lewis

Capital Now Financial Inc
Feisal Dedhar

Carbonleo Real Estate Inc.
Antoine Bernier

Carmel Partners
Bryan Crane
Phil Owens

CBRE Limited
James Breeze
Peter Senst
Samantha Sukumar
Stefan Weiss
Dave Young

Cedar Investment Group
Spencer Raymond
Joseph Schechter

CenterSquare Investment Management
Robert Hobula

CentreCourt Developments Inc.
Bader Elkhatib

Centurion Asset Management Inc.
Paul Chin

Chartwell Retirement Residences
Vlad Volodarski

Choice Properties Real Estate Investment Trust
Rael Diamond

City of Toronto
Patrick Matozzo

Interviewees

Claridge Real Estate
Charles-Antoine Lussier

Clarion Partners
Indraneel Karlekar
Josh Pristaw

Clarke Inc.
Tom Casey

Clifton Blake Asset Management Ltd
Wes Myles

Collecdev Inc
Jennifer Keesmaat

Colliers International Group Inc.
Nicole Larsen
Brian Rosen
Marianne Skorupski

Colonnade Bridgeport
Hugh Gorman

Concert Properties Ltd.
Lindsay Brand
Catherine Roome

Conservatory Group Inc.
Mark Libfeld

Continental Properties
Jay Lybik

Conundrum Capital Corporation
Daniel Argiros

COPT Defense Properties
Stephen Budorick
Anthony Mifsud
Britt Snider

Cortland
Lee Everett

CoStar Group
Jan Freitag

Cranson Capital Securities Inc.
Devon Cranson

CreateTO
Vic Gupta

Crestpoint Real Estate Investments Ltd.
Scott Antoniak

Crombie Real Estate Investment Trust
Kara Cameron
Mark Holly

CrossHarbor Capital Partners
Patrick O'Sullivan
Tom Stevens

Crown Realty Partners
Emily Hanna

Crux Capital Corporation
Peter Aghar

CT Real Estate Investment Trust
Kevin Salsberg

Cushman & Wakefield
Alanna Joy Loeffler

D2 Residential
David Brickman

Darwin Properties Ltd.
Alan Nijjar

DataBank, Ltd.
Kevin Ooley

Davidson Hospitality
Jason Rabidoux

Davis Companies
Joshua Israel

DBS Developments Inc
Ben Rossetto

Deco Homes
Tanino Quaranta

Delmanor Seniors Communities
Floriana Cipollone

Desjardins Global Asset Management
Richard Dansereau

Desjardins Securite Financiere, Compagnie d'Assurance VIE
Benjamin Chua

Devon Properties Ltd
Reed Kipp

Devron
Pouyan Safapour

DG Group
Marco Carfa
Julian De Gasperis

Diamond Corp
Ty Diamond

Digital Realty Trust, Inc.
Greg Wright

DivcoWest
Gregg Walker

Domain Capital Group
Patrick Newman
David Seaman
Steven Weisenburger

Dorsay Development Corporation
Geoffrey Grayhurst

Dream Finders Homes
David Smith

Dream Unlimited Corp.
Jamie Cooper
Alex Sannikov

Drewlo Holdings Inc.
Allan Drewlo

Easterly Government Properties
Allison Marino

Empire Communities Corp.
Andrew Guizzetti
Daniel Guizzetti

Engineered Air — Resman Holdings Ltd.
David Taylor

EPIC Investment Services Limited Partnership
Craig Coleman
Laetitia Pacaud

EQT Real Estate
Pete Lloyd

Equiton Partners Inc.
Braiden Goodchild
Jason Roque

Equus Capital Partners
George Haines
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Kyle Turner

Esri
Gregg Katz

Esri Canada Limited
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Evergreen Devco
Rogg Collins

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Fengate Asset Management
Jaime McKenna

Fernbrook Homes
Albert Chen

Fidelity Investments
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Fiera Capital
Kathy Black

First Industrial Realty Trust
Jojo Yap

First National Financial LP
Adam Powadiuk

First Washington Realty
Daniel Radek

Fitzrovia Real Estate Inc.
Adrian Rocca

Fonds de placement immobilier Cominar
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Forgestone Capital
Trevor Blakely

Forum Asset Management
Aly Damji

G2S2 Capital Inc.
George Armoyan
George Armoyan Jr.

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Galia Feiler

GBT Realty Corporation
Jeffrey Pape

GEM Health Care Group Limited
Syed Hussain
John Yuan

Gensler Architecture & Design Canada, Inc
Steven Paynter

Geranium Corporation
Boaz Feiner
Jennifer Lee

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Luc Paquet

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Suzanne E. Mulvee
Thad D. Palmer

Gillam Group Inc.
Marcus Gillam

Global Net Lease, Inc.
Ori Kravel
Christopher Masterson

GO Residential REIT
Peter Sweeney

Interviewees

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Bruce Black

Graham & Company
Jack Brown
Matthew Graham

Granite Real Estate Investment Trust
Teresa Neto

Green Cities
Molly Bordonaro

Greybrook Capital Inc
Peter Politis

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Steve Girouard

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Sebastien Gariepy

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Annie Lemieux

Groupe Montoni
Dario Montoni

GWL Realty Advisors Inc.
Glenn Way

Harbert Management Corporation
Wade Armstrong
Brandon Cohen
Todd Jordan
Michael Waldrum

Harlo Diversified Canadian Real Estate Trust
Andrew Lepper

Hazelview Investments Inc.
Michael Tsourounis

High Street Logistics Properties
Conor Feeney
Michelle Paglia
Andy Zgutowicz

Highwoods Properties
Carman Liuzzo

Hines
Ray Lawler

Hopewell Development Corporation
David Loo

Hopewell Residential Communities Inc.
Jason Kraatz

Horizon Legacy Construction Automation Corp
Nhung Nguyen

Hydro-Québec
Catherine Bilodeau

IDI Logistics
Christopher Kazanowski
Ugo Okoro
Shawn Warren

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Jean-François Poirier

Industrial Alliance Insurance And Financial Services Inc
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Peter Cvelich

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Alissa Crafa
Paul Nasser
Sean Ruhmann
Thomas Taranto
Alex Wucker

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Evan Allegretto
Alisha Wong

Invesco Mortgage Capital
Kevin Collins
David Lyle

Invesco Real Estate
Rivka Altman
Michael Sobolik
Matt Wokasch

Investment Management Corporation of Ontario
Richard Varkey

ITC Construction Group
Vincent Lee

Ivest Properties Limited
Hal Gould

Jayman BUILT Ltd.
Aasit Amin

JBG SMITH Properties
Moina Banerjee
Steven Museles
Jeremy Poteet
Michelle Tierce
Patrick Tyrrell
Angela Valdes

JH Investments Inc.
Julian Carson

JLL
James Cook
Scott Homa
Kelsey Nastasi

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Eric Finnigan

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Brad O'Connor

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Kevin Hoffman

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Ross Cooper
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Anupam Kothari

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LEM Capital
Gregory Biester
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Limekiln Real Estate Investment Management
Scott Waynebern

Lincoln Avenue Capital
Thom Amdur

Lincoln Property Company
Dan Roth

LIV Development
Cole Carter
Cooper Herrington

Long Wharf
Jeff Gandel
Phil Murphy

Longpoint
Nilesh Bubna

Madison Homes Limited
Miguel Singer

Madison Pacific Properties Inc.
Peter Grippo
Nathan Worbets

Mainstreet Equity Corp.
Bob Dhillon

Mancal Properties Inc.
Patrick Briscoe

Mantella Corporation
Craig Hippern

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Richard Prokup

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John Chang

Marcus Partners
Paul Marcus

Marlin Spring Investments Limited
Pedro Lopes

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Jared Menkes
Sean Menkes

MetLife
Chris Aiken

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Aaron Silver

Michael Garron Hospital
Melanie Kohn

Interviewees

Middleburg Communities
Mark Franceski

ML Emporio Properties Ltd
Inder Gill

Montez Corporation
Manfred Lau

Morguard Corporation
Paul Miatello
Angela Sahi

MSCI
Jim Costello

Multifamily Impact Council
Bob Simpson

Muzzo Brother Group
Joseph De Tommaso

MyAbode Inc
Bronwyn Smith

National Development
Brian Kavoogian

National Homes Management Inc.
Deena Pantalone

National Multifamily Housing Council
Caitlin Sugrue-Walter

Nearctic Industrial REIT
Kylie Brown

Netrality Data Centers
Gerald M. Marshall

Newmark Group, Inc.
Brandon Isner
Jessica Morin
Raymond Wong

NexLiving Communities Inc.
Stavro Stathonikos

Noble Investment Group
George Dabney
Jennifer Eager

NorthBridge
Greg Lauze

Northcrest Developments
Derek Goring

Northview Apartment REIT
Todd Cook
Sarah Walker

Nuveen
Jason Hernandez
Ana Leon

Olympus Housing Capital
Aimee Martin

Ontario Infrastructure and Lands Corp
Heather Grey-Wolf

OpenForm Properties Ltd.
Drew deWynter
Jason Turcotte

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Eyal Rosenblum

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Tyler Seaman

Pangman Development Corporation
Kevin McKee

PBA Land Development Ltd.
Vincent Kong

PCI Developments
Kristen Devaney

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Greg Friedman
Michael Ritz

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Harley Gold

Pebblebrook Hotel Trust
Thomas Fisher

Pennybacker
Thomas Beier

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Aaron Cameron

Peterson
Raymond Choy
Judy Leung

PGIM Real Estate
Didier Fritzsche
Justin Gleason
James Glen
Jeremy Keenan
Mark Negus

Plaza Retail REIT
Jason Parravano

Porte Industries Ltd.
Robert Chalhoub
David Porte

Principal Asset Management
Rich Hill

PRO REIT
Gordon Lawlor

Prologis, Inc.
Damon Austin
Chris Caton
Clare Chandler
Dan Letter
Doug McMahon
Jacob Milligan
Hamid Moghadam

Prologis Ventures
Rajeev Oak
Rae Oakley
Charlie Walker

Promise Robotics Inc.
Ramtin Attar

Public Sector Pension Investment Board
Laurence Bastien

Pure Industrial
David Owen

Pyramid Global Hospitality
Chris Devine

QuadReal Property Group Limited Partnership
Remco Daal
Dennis Lopez

Quinn Residences
Richard Ross

R-Labs Canada Inc.
George Carras

RBC Capital Markets
David Tweedie

RCLCO Fund Advisors
Taylor Mammon

Real Property Association of Canada
Michael Brooks

Realstar Corp
Randy Hoffman
Colin Martin

Redbourne Group
Benjamin Spencer

Republic Developments Inc.
Matt Young

Requus Capital
Dino Antzoulis

RioCan Real Estate Investment Trust
Andrew Duncan
Jonathan Gitlin

RXR Realty
Mike Maturo

Ryman Hospitality Properties
Jennifer Hutcheson

SafeHarbor Marinas
Ian McLean

Sajecki Planning
David Sajecki

Salthill Capital Partners
Cathal O'Connor

Savanna
Dana Paulich

Scalia Properties Inc.
Sam Scalia
Patrick Sylvain

Shape Holdings Corp
Ian Cullen

Sienna Senior Living
Jennifer Anderson
David Hung

Simpson Housing
Venita Dehaven
Jason Kern
Frank Rooney

SL Green Realty
Matt DiLiberto

SmartCentres Real Estate Investment Trust
Rudy Gobin
Mitchell Goldhar

Société de gestion COGIR S.E.N.C.
Mathieu Duguay

Spanier Group
Robert Spanier

St-Gelais Montminy & Associés Architectes
Guillaume Robin

Stafford Homes Limited
Jonathan Goldman

Standard Real Estate Investments
Robert Jue

Starlight Capital Investments
Dennis Mitchell

State Street Investment Management
Tim Wang

Stepstone
Margaret McKnight

Interviewees

StoneRiver Company
Donald Gambril

Strand Development Limited
Mike Mackay

StratCap Digital Infrastructure REIT
Michael Weidner

TA Realty
Cullen McGehee
James Raisides
Lisa Strope

Taggart Realty Management Inc
Derek Howe

TD Asset Management Inc.
Colin Lynch

The Armour Group
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Justin Bosa
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The Minto Group Inc.
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Sender Gordon

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Greg Tanzola

Torchlight Investors
Sam Chang
William Clarkson

Toronto Atmospheric Fund
Kristian Knibutat

TradeLane Properties
Aki Dellaportas

Transwestern
Hans Nordby

Trez Capital
Eric Horie

Tricon Residential Canada ULC
Gary Berman

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Bruno Giancola

Trillium Health Partners
Shawn Kerr

Trinity Development Group Inc.
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Rebecca Rep

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Valery Homes Limited
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Hugh Goodday

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Ravi Anand
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Brad Jones
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Angela Cain
Global Chief Executive Officer, Urban Land Institute

Urban Land Institute
2101 L Street, NW
Suite 400
Washington, DC 20037
202-624-7000
www.uli.org

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