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A new investment regime: What 2026 means for private real estate

Private real estate enters 2026 on firmer footing than it has seen in several years. The valuation reset that began in 2023 is largely complete, capital is selectively returning, and fundamentals across most major property types remain healthy. Yet the defining feature of today's environment is not a synchronized rebound – it is the widening gap between sectors that are accelerating and those still recalibrating to long-term shifts in demand.

The new investment regime is not about calling a single turning point. It is about navigating a landscape where the recovery is real, but uneven.

A recovery that's real – just not evenly distributed

After several years of revaluation, core private real estate appears to have moved into a more constructive phase. Stabilized assets with durable tenants and modest leverage have benefited from a combination of steady income, improving sentiment, and slowing development pipelines.

However, the recovery is not unfolding evenly. Some sectors are gaining momentum while others continue to adjust:

- **Industrial and residential** continue to show strength, supported by resilient tenant demand and limited new supply. Long-running demographic trends – including logistics redesign, population migration and persistent housing shortages – continue to reinforce these sectors.
- **Retail and self-storage** have shown stable fundamentals after years of rationalized supply. Both enter 2026 with occupancy and rent trends that remain on solid footing.
- **Office and life science assets** remain challenged. Shifting workplace patterns, tenant credit concerns and excess supply in certain submarkets continue to weigh on performance.

The bottom line heading into 2026: the asset class has turned the corner, but the gap between winners and laggards remains wide.

Tightening supply: a key driver heading into 2026

One of the most influential drivers of the next phase is the significant slowdown in new development. Elevated construction costs, selective lending and more conservative underwriting have pushed many projects aside. In several property types – particularly industrial and multifamily – future supply is expected to drop meaningfully from historical norms.

For existing assets, this sets the stage for competitive dynamics that can support rents and occupancy even in a moderate growth environment.

Replacement costs reinforce the value of existing assets

Despite some stabilization in materials and labor, the cost of building new assets remains high relative to acquiring stabilized ones. This gap provides a natural floor for values, particularly in markets with healthy demand. For many allocators, it reaffirms core real estate's role as an income-oriented allocation with long-term appreciation potential.

The digital economy continues to redefine demand

AI is no longer a niche theme – it is reshaping how companies operate and, ultimately, what types of infrastructure are needed to support modern workloads. In response, demand for data centers has grown rapidly. But the most important constraint heading into 2026 is power and expertise. Excess demand, alone, does not guarantee attractive returns if a project lacks secured power capacity or if the executing team doesn't have the relationships or expertise to complete it successfully. So, the strongest opportunities will likely be

de-risked hyperscale developments with clear visibility into long-term power and will have specialized teams behind them.

A practical takeaway for advisers in 2026

For allocators, the year ahead may be best viewed through the lens of two distinct roles real estate can play in a portfolio.

First, core real estate works best as a broad allocation. Institutions don't try to guess which manager or sector will lead in a given year – they hold diversified exposure to the full core universe, allowing income and long-term appreciation to compound without relying on concentrated decisions. This broad foundation is often what delivers consistency through uneven markets.

Second, real estate tied to the digital economy – particularly data center development – offers compelling long-term opportunity, but results depend heavily on specialized expertise, access and disciplined execution. In this part of the market, experience matters more than thematic enthusiasm, and outcomes can differ widely depending on who is leading the strategy.

Advisers who distinguish between these two roles – broad exposure for stability and selective expertise for growth – may be better positioned to navigate an uneven but improving landscape in 2026.

Conclusion

Private real estate enters 2026 with renewed momentum, a healthier supply picture, and clearer separation between sectors positioned for growth and those still recalibrating. While the recovery is not uniform, visibility is improving. For advisers, the opportunity lies in aligning portfolios with the parts of the market where fundamentals are strengthening most consistently – and recognizing where focused expertise is required to participate in higher-growth segments of the private real estate universe.



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CORPORATE OVERVIEW

Accordant Investments is a registered investment adviser based in Scottsdale, AZ. Accordant creates investment solutions that allow private wealth investors to access private real estate in a way that was once only available to the world's largest investors.

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