

2026 Market Outlook

POSITIONING FOR THE NEXT CYCLE



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Executive Summary

Following a year marked by continued uncertainty, we look to 2026 anticipating a shift in favor of more stability. Stability in interest rates and capital markets should set the stage for a new real estate cycle, which presents an opportunity for skilled, disciplined investors to stand out from the crowd.

Key Takeaways

Interest Rate Environment

The interest rate environment is beginning to stabilize around the world as economies approach central bank inflation targets, providing support for real estate capital markets.

Global Growth

Global growth is expected to be relatively stable driven by consumer strength and global infrastructure build-out, creating a unique opportunity for real assets that can diversify investor portfolios.

Real Estate Cycle

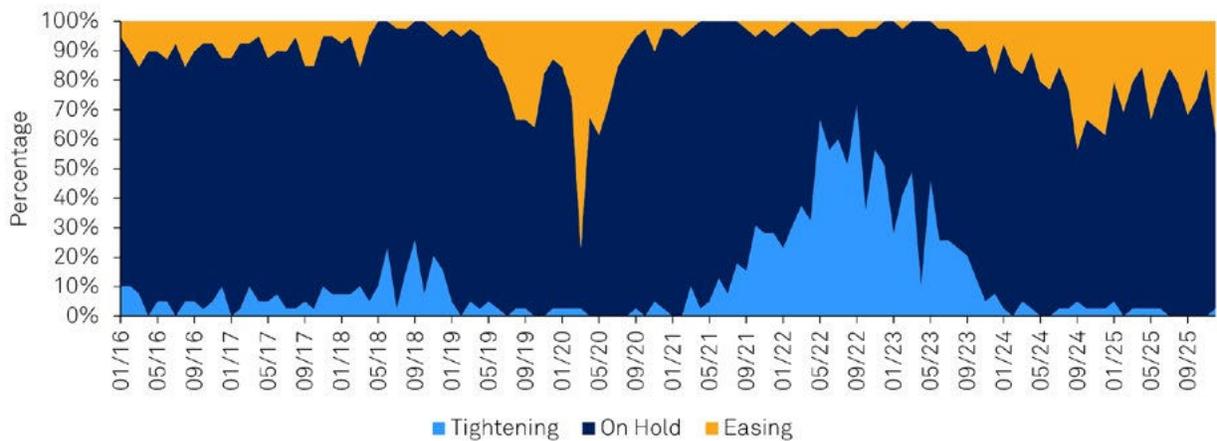
The beginning of a new real estate cycle is creating opportunities for accretive capital deployment, especially as declining supply provides support for fundamentals.

Macroeconomic Landscape

At CenterSquare, we think about the real estate investment landscape across three major categories – real estate fundamentals, the capital markets environment, and government policy. Over the last five years, there has been a lot of uncertainty across all three of these categories. The COVID-19 pandemic was a significant shock to the system, creating ripple effects that led to unprecedented government stimulus, runaway inflation, dramatic shifts in monetary policy, and major political risks. Over time, while the effect of those ripples remains, the magnitude continues to decrease. As we look into 2026, this trend continues.

Major global Central Banks eased policy interest rates last year as inflation approached policy targets, and we expect monetary policy rates to settle into a neutral stance this year, although at higher than pre-COVID levels. This should result in most Central Banks holding rates steady or slightly easing further in the coming year, except for Japan (Figure 1).

Figure 1: Percentage of global central banks tightening, easing, or holding policy rates



Source: BIS, as of December 2025.

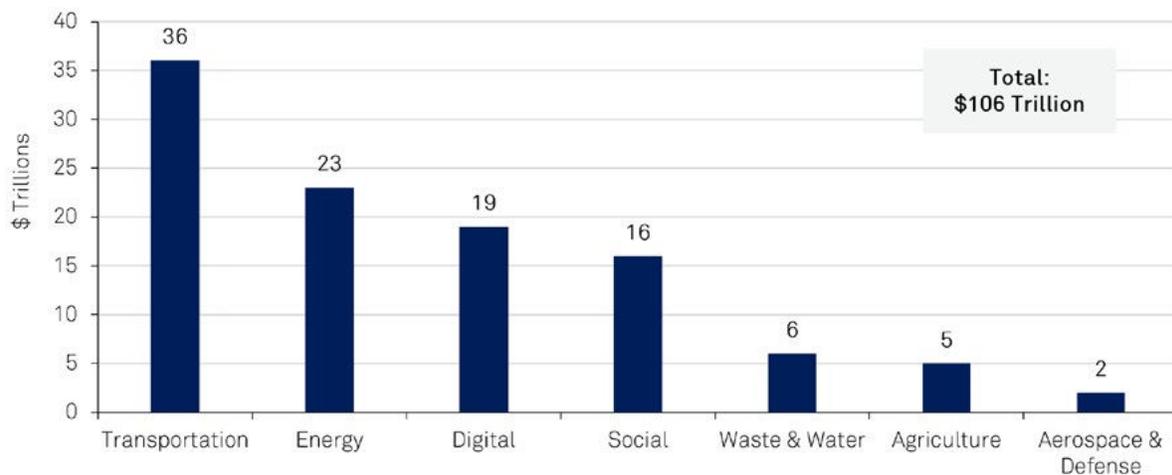
Meanwhile, global economic growth is expected to remain relatively stable (Figure 2) as consumption, fiscal spending, and the global infrastructure build-out appear poised to continue into 2026.

Figure 2: Global Real GDP Growth Expectations



Source: Bloomberg, as of October 28, 2025. The above is based upon subjective estimates and assumptions about circumstances and events that may not yet have taken place and may never do so.

Figure 3: Total infrastructure investment projected through 2040



Note: Figures do not sum, because of rounding. Source: Food and Agriculture Organization; Global Infrastructure Hub; International Energy Agency; International Monetary Fund; Organisation for Economic Co-operation and Development; Preqin; United Nations; World Bank; World Economic Forum; McKinsey. September 2025

In fact, this infrastructure build-out is turning out to be a material driver of growth around the world. Cumulative global spending is on track to exceed \$106 trillion by 2040 (Figure 3), with material investment across Asia due to rapid urbanization and industrialization. Meanwhile, the Americas and Europe are putting trillions into modernizing legacy systems, expanding digital infrastructure, and scaling renewable energy. Globally, we see private capital playing a central role as dedicated infrastructure fund AUM has tripled since 2016 to more than \$1.5 trillion.

While the confluence of these factors appears to create a relatively “goldilocks” macroeconomic environment for investors, key risks remain top of mind in the coming year:

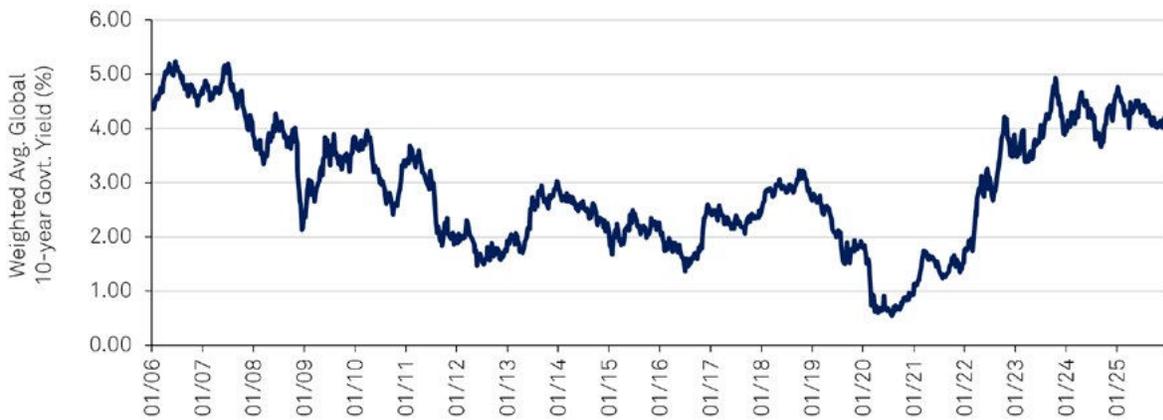
- Inflation could surprise to the upside, shifting the monetary policy stance more hawkish as we have already started seeing in Australia.
- The U.S. labor market could deteriorate meaningfully through large-scale layoffs rather than continuing to remain somewhat stalled.
- Geopolitical risks remain in play globally as nationalist policies, deficit spending, political uncertainty, and geopolitical conflicts continue.
- Fading confidence in the promise of AI, the growth associated with the build-out of required infrastructure, or its resulting productivity could simultaneously hamper economic growth and cause a sharp correction in equity markets, threatening the wealth effect that is fueling consumption across the higher-end consumer.

Real Estate Cycle

In the context of this macroeconomic backdrop, the real estate industry is at the threshold of a new cycle — one defined by stabilizing interest rates, rising transaction volumes, slowing new supply, and opportunities for accretive capital deployment.

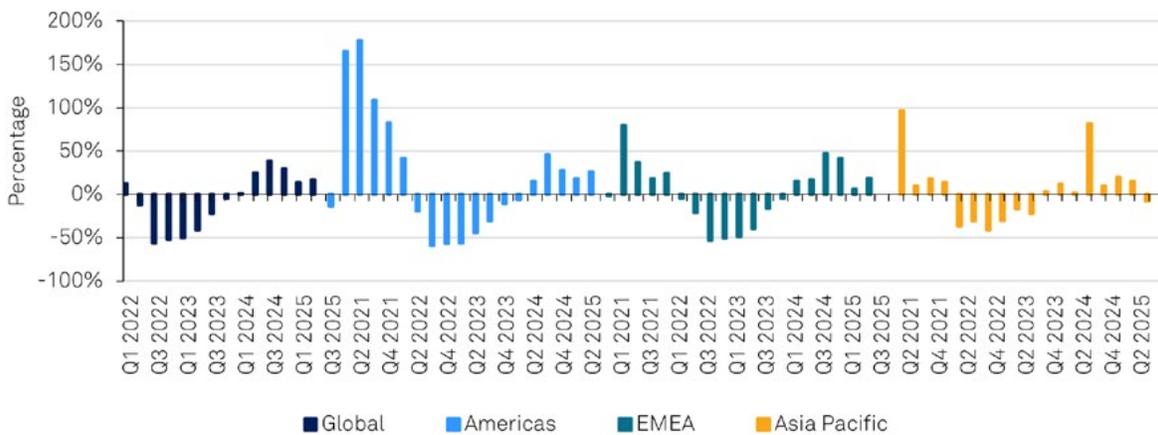
While policy rates are a focus for markets, as real estate investors we remain focused on the long-end of the yield curve. Though the 10-year government bond yield is resetting structurally higher, it has remained relatively range-bound (Figure 4). We anticipate peak interest rate uncertainty is behind us, providing clarity for real estate capital markets around the world that have started to recover. Global transaction volume reached \$213 billion in Q3 2025, up 21% year-over-year, with the living sector leading, office rebounding on large deals, industrial moderating on trade concerns, and retail continuing its recovery (Figure 5). Importantly, bid-ask spreads are gradually narrowing as sellers adjust expectations and buyers demand higher returns.

Figure 4: Global 10-year government bond yield



Source: Bloomberg, as of October 28, 2025.

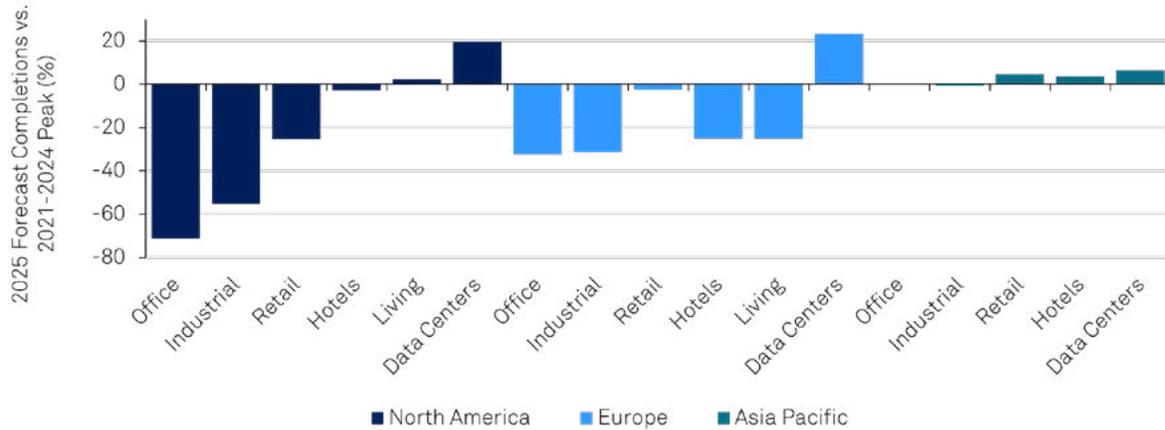
Figure 5: Quarterly year-over-year change in direct investment by region Q1 2021 – Q3 2025



Source: JLL Research, as of November 2025. Transactions US\$5.0+ million, excluding land/development and entity-level deals.

In addition to higher financing costs, real estate construction costs have surged due to years of elevated labor and materials inflation. Together, these dynamics have dramatically reduced the economic viability of new development across most global property types, resulting in decreased supply (Figure 6). This supply contraction is creating tailwinds for existing assets as fundamentals begin to improve.

Figure 6: New supply to decline across most property types globally

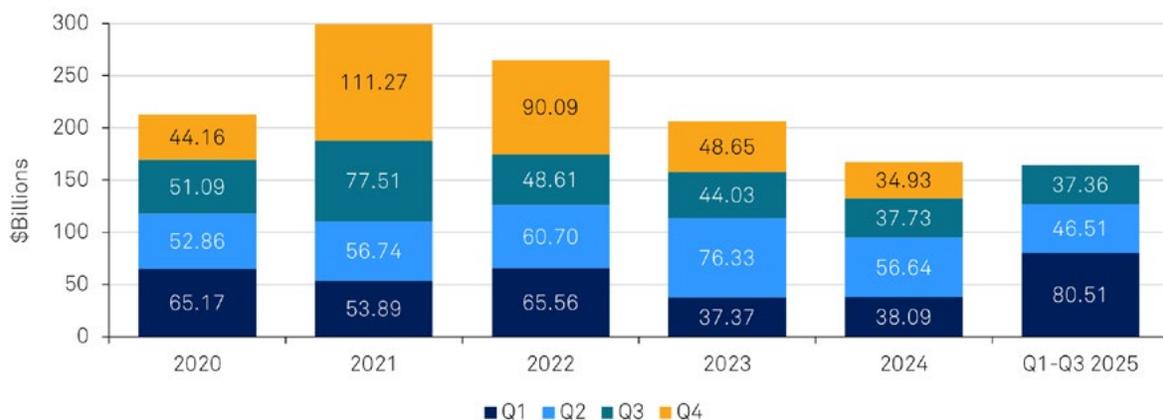


Source: JLL Research, 2024. North America = U.S., Canada; Retail = under construction vs previous under construction peak; Europe Living = Germany, U.K. Build-to-Rent; U.S. Living = Multihousing; Europe / Asia Pacific Retail = Shopping Centers; U.S. Retail = total retail

The recovery of the capital markets combined with decreasing supply creates the environment for a strong vintage opportunity, similar to the opportunity during the last resetting real estate business cycle post-GFC. As a result, the asset class is back on the menu for capital allocators.

Global real estate fundraising surpassed \$164 billion through the first three quarters of 2025—almost matching 2024’s total—with outsized momentum in opportunistic and value-add strategies (Figure 7). While multifamily remains the most popular property type across capital flows, data centers have demonstrated material momentum in fundraising this year, capturing 31% of new capital commitments, more than double their average share in 2020–2024. In fact, investors seeking to capitalize on the digital infrastructure build-out is driving the convergence of real estate and infrastructure into the broader category of real assets for many capital allocators given both asset classes provide diversification, income stability, and inflation protection for portfolios. Though capital is coming back to the asset class, investor preferences are shifting. After facing liquidity constraints in supposedly “liquid” vehicles, allocators increasingly prefer structures that offer greater agency in capital deployment.

Figure 7: Private real estate fundraising (capital raised)



Source: PERE Fundraising Report, as of September 30, 2025.

Conclusion

The resetting market presents opportunity for capital deployment across the real estate asset class, but operating in a world of structurally higher interest rates means that cap rate compression is no longer a driver of returns. Generating alpha in real estate requires true skill – steering clear of the herd mentality, avoiding risks of competitive supply, and identifying assets, locations, and business plans that can outperform – and, importantly, investing in those assets at the appropriately reset valuations in appropriate structures.

The proceeding outlook pieces will detail our thoughts on doing just this across global listed real estate and private real estate markets.



Stability in capital markets and slowing supply set the stage for a new real estate cycle in 2026.

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About the Authors



Todd Briddell, CFA
Chief Executive Officer

As Chief Executive Officer of CenterSquare Investment Management, Todd Briddell brings three decades of real asset experience and vision to direct the firm's global strategy, with a sharp focus on growth, performance and corporate values.

Upon joining CenterSquare in 1993, Todd founded the firm's listed real estate securities group and served as a driver of both the public and private investment platforms, holding numerous leadership positions across the firm. He became Chief Executive and Chief Investment Officer in 2012, and in 2018 headed the firm's successful management buyout from BNY Mellon. In his dual role, Todd maintained oversight responsibility for all of CenterSquare's real asset investment advisory services including listed real estate, private equity real estate and private real estate debt across the United States, Europe and Asia. He also chairs the firm's Management Committee and CenterSquare's Private Real Estate Investment Committee.

Todd holds a B.S. in Economics from the Wharton School of Business at the University of Pennsylvania with concentrations in Finance and Real Estate. He is a member of NAREIT, the CFA Institute/Society of Philadelphia and PREA, where he was Co-Chair of the Green Building Committee. He is a Research Sponsor and sits on the Executive Committee of Zell/Lurie Real Estate Center Advisory Board at the Wharton School.



Uma Moriarity, CFA
Senior Investment Strategist and Global Head of Sustainability

Uma Moriarity is the Senior Investment Strategist and Global Head of Sustainability. She focuses on investment strategy and leads thought leadership across the Firm's public and private real estate platforms. She is part of the listed real estate investment team and serves on CenterSquare's Private Real Estate Debt Investment Committee. Uma leads the Firm's Environmental, Social, and Governance (ESG) strategy to incorporate ESG into the decision-making and management of listed and private real estate investments to create long-term value, reduce risk, and generate superior risk-adjusted investment returns. Prior to joining CenterSquare, she spent three years in corporate strategy and planning at ExxonMobil in Houston. Uma graduated from The Pennsylvania State University with Interdisciplinary Honors and High Distinction and holds a B.S. in Finance with a minor in International Business, B.S. in Accounting, and Master of Accountancy. She is a CFA charterholder and member of the CFA Institute, and a LEED Green Associate. She currently serves on the Board of Directors for Green Building United, the Penn State Smeal Sustainability Advisory Board, the FTSE EPRA Nareit Americas Regional Advisory Committee, and serves on the Penn State Board of Trustees.

About CenterSquare

Founded in 1987, CenterSquare Investment Management is an independent, employee-owned real asset manager focused on listed real estate, private real estate equity and private real estate debt investments. As a trusted fiduciary, our success is firmly rooted in aligning our interests with those of our clients, partners and employees. CenterSquare is headquartered in suburban Philadelphia, with offices in New York, Los Angeles, London and Singapore. With approximately \$14 billion in assets under management (December 31, 2025), our firm and subsidiaries are proud to manage investments on behalf of some of the world's most well-known institutional and private investors.



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