nuveen
REAL ESTATE

Six picks for '26

An excerpt from Nuveen's 2026 real estate outlook

Compelling investment opportunities persist across regions and risk tolerances. In the near term, we believe investors can capitalize on the following segments of the market.

1. Lenders have a solid foundation

The valuation correction and loan-to-value (LTV) reset presents an attractive entry point for investors. CRE debt offers portfolios risk mitigation benefits, aligned with its position at the bottom of the capital stack. Current CRE debt conditions are creating new opportunities for investors to further diversify from public market uncertainty and into private markets.

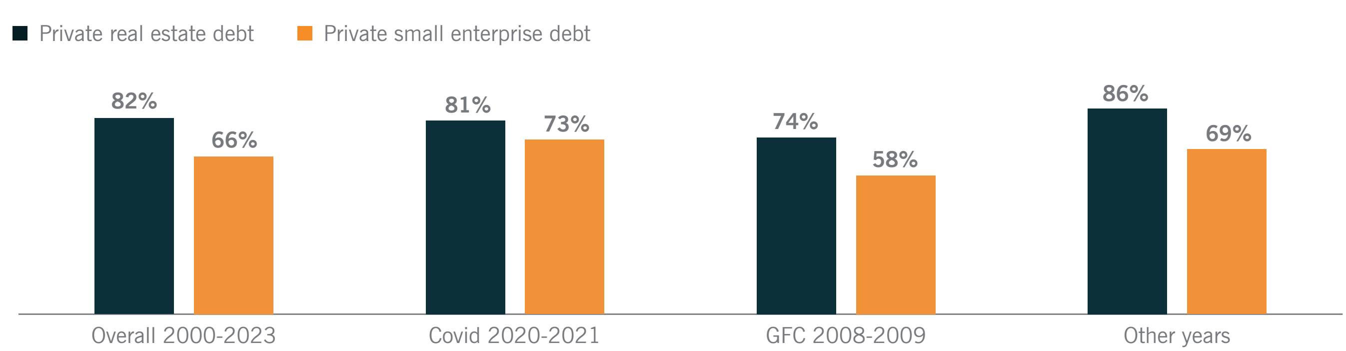
In the U.S., the continuation of the U.S. Federal Reserve's current interest rate cycle should increase lending for commercial real estate and further support property values, driving additional debt and equity investment activity. These factors mean commercial real estate remains well positioned for solid performance, especially in sectors, markets and properties less sensitive to changing policy and economic environments.

Conditions in Europe are also providing attractive opportunities for investors. The repricing has been a driving force for opportunities in the region. While offices have faced headwinds, the sector may have reached a bottom with early stabilization emerging. Industrial and logistics properties continue demonstrating resilience, supported by ecommerce growth and supply chain reconfiguration. High street retail is showing selective recovery in prime locations with strong foot traffic. Prime assets across Europe have corrected by 20–25 percent.[1] Divergence of asset performance within sectors is creating opportunities for discerning lenders who can identify quality underlying assets at favorable entry points.

Real estate debt now delivers yields comparable to high-yield corporate bonds but with superior collateral backing through physical assets. Unlike the rapidly growing private corporate credit market, where U.S. default rates have climbed to 5.7 percent,[2] commercial real estate debt demonstrates lower volatility while maintaining similar returns to riskier asset classes.

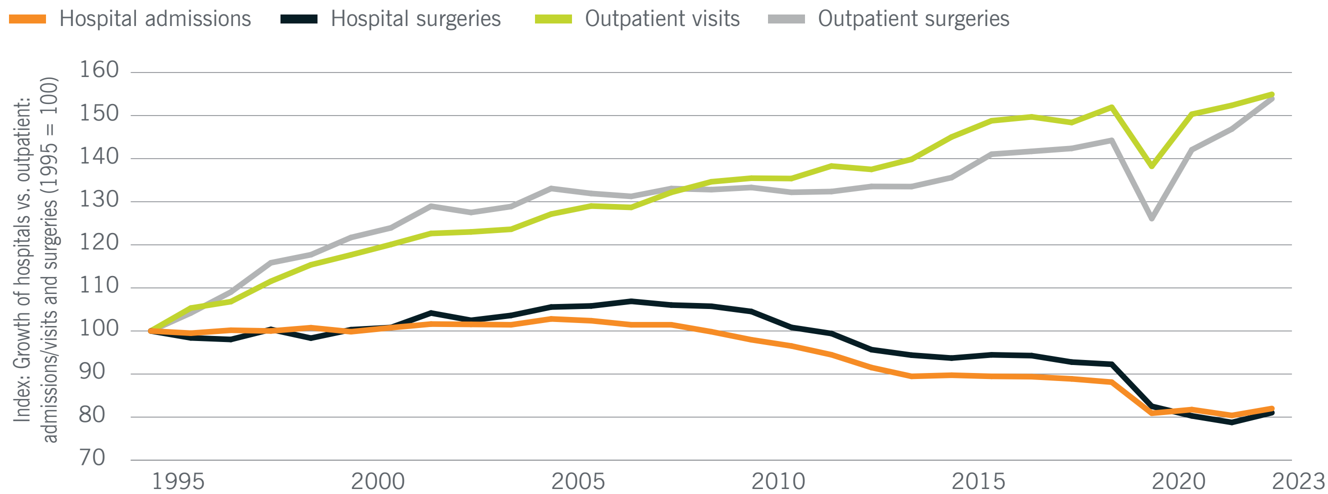
Recovery rates in real estate debt consistently exceed 80 percent, even during major market shocks (Figure 1).[3] The conditions CRE debt are operating under are creating new opportunities, supporting investors seeking to further diversify away from public markets uncertainty, while also working to diversify allocations to private markets. The asset class benefits from low correlation with traditional investments, offering effective portfolio diversification. As banks retreat from lending due to Basel III regulations, alternative lenders continue to expand market share, creating a diverse and resilient lending environment.

Figure 1. Real estate has shown resilience across extreme market conditions



Source: GCD Bank data; July 2025

Figure 2. Outpatient care surges as hospital admissions and surgeries decline



Sources: Nuveen Real Estate, American Hospital Association; June 2025

2. Aging population propelling healthcare demand

Demographic and structural shifts are driving opportunities in U.S. healthcare real estate. Demand for medical outpatient buildings (MOBs) is accelerating, with healthcare spending exceeding one-sixth of U.S. GDP and the senior population projected to grow 68 percent by 2040.[4] Seniors spend three times more on healthcare than younger cohorts,[5] creating sustained tailwinds.

A fundamental shift from hospital to outpatient care is under way; hospital admissions have declined 10 percent while outpatient visits surged 13 percent over the past decade (Figure 2).[6] Unlike traditional office properties suffering from work-from-home trends, medical visits remain necessarily in-person, with MOB vacancy rates at 7.4 percent versus 13.9 percent for traditional office, a 650 basis points spread.[7]

In the Asia Pacific region, Australia is emerging ahead of becoming a super-aged society by 2035 (20 percent plus aged 65+)[8] and Japan's growing number of single elderly households supports senior living demand.

With more than a quarter of the population aged 75 and above by 2040, the opportunity to provide well-built and managed senior housing homes in Japan is immense. At less than 4 percent fill-rate, demand will continue to outpace supply, especially as the number of single elderly households also continues to grow.

3. Demographic shifts make living sector favorable

The global living sector continues to draw robust investor interest, with the U.S., Europe and Asia Pacific facing unique opportunities and challenges.

U.S. apartment sector fundamentals are strengthening as new supply growth moderates and past peak deliveries give way to absorption. Demand is positive across major markets, yet higher supply in select cities maintains pressure on rent growth. Single-family rentals, although seeing decelerated growth due to greater housing stock, remain positioned for expansion driven by demographics, ongoing suburban migration and millennial renters facing affordability constraints in homeownership. The sector's resilience and future outlook are enhanced by long-term demand tailwinds, though navigating supply dynamics and rent pressure will be a key challenge.

Europe's living sector is buoyed by record investment and strong performance, as housing prices outpace incomes and support rising rental demand. Southern and Central nations like Portugal, Spain, and Eastern European countries lead house price increases, while rental growth is supported by affordability challenges and persistent supply shortage. As construction and permit activity starts to recover, near-term supply remains limited, bolstering rent. Structural divergence between house and rent price growth creates opportunities for build-to-rent strategies.

Investor appetite shows little signs of slowing; the sector accounts for a rising share of commercial real estate allocations. However, stretched affordability and tight housing supply present ongoing risks and disruption potential.

Asia Pacific markets demonstrate steady resilience, with Tokyo at the forefront due to strong domestic and international migration and recreational advantages. Strong lease demand is driving rents higher, prompting strategic asset management and migration to outer city wards. New energy standards and constrained multifamily supply further support rental growth. Australia faces similar supply challenges, with residential approvals 24 percent below the required 20,000 monthly units needed for national targets, ensuring a landlord-friendly environment despite moderated rental growth. In South Korea, a shift from Jeonse deposits to monthly rentals reflects changing consumer preferences, expanding opportunities for well-managed rental assets. Across Asia Pacific, affordability, supply and demand imbalances and regulatory shifts combine to sustain strong rental demand.

Together, these trends position the living sector for continued global growth, albeit with regional nuances in supply constraints, affordability and investment momentum.

4. Europe and Asia Pacific provide attractive conditions for student living

Purpose-built student accommodation (PBSA) is facing shifting dynamics across Europe and Asia Pacific, shaped by long term trends.

In Europe, the landscape is evolving rapidly due to changes in international student mobility. Over the past 18 months, major education destinations such as Canada, Australia and the U.S. have introduced restrictive visa and immigration policies, resulting in significant declines in international student numbers. Canada and the U.S. saw student visa issuance plummet by 47 percent and 12 percent year-on-year. Yet, the U.K. rebounded, demonstrating a 27 percent uptick as specific restrictions eased. Europe has emerged as the primary beneficiary of these policy shifts, with countries including Germany, Italy, the Netherlands, France and Sweden now absorbing a larger share of international enrolment. High-growth markets such as France, Austria, Ireland and Spain are seeing year-on-year increases of 20–30 percent in international student interest.

Europe benefits from redirected international student demand, providing significant tailwinds for PBSA investment and growth in the short-to-medium term. European markets are well-positioned to capitalize on these macro changes, although the full impact of restrictive global policies is yet to be seen.

Asia Pacific offers a contrasting but equally compelling set of fundamentals. Australia's student housing sector stands out for its resilience, marked by an 11 percent increase in international student enrollment year-to-date. This demand has prompted new PBSA development, but scheduled supply in the next two years remains insufficient to bridge the gap, especially in cities like Sydney and Melbourne, where provision rates are expected to stay below 45 percent.

Challenges in both regions include managing regulatory risks and supply constraints. In Europe, the medium-term outlook depends on how new immigration rules evolve, while Asia Pacific must cope with chronic undersupply despite investor appetite.

5. Necessity retail proves resilient

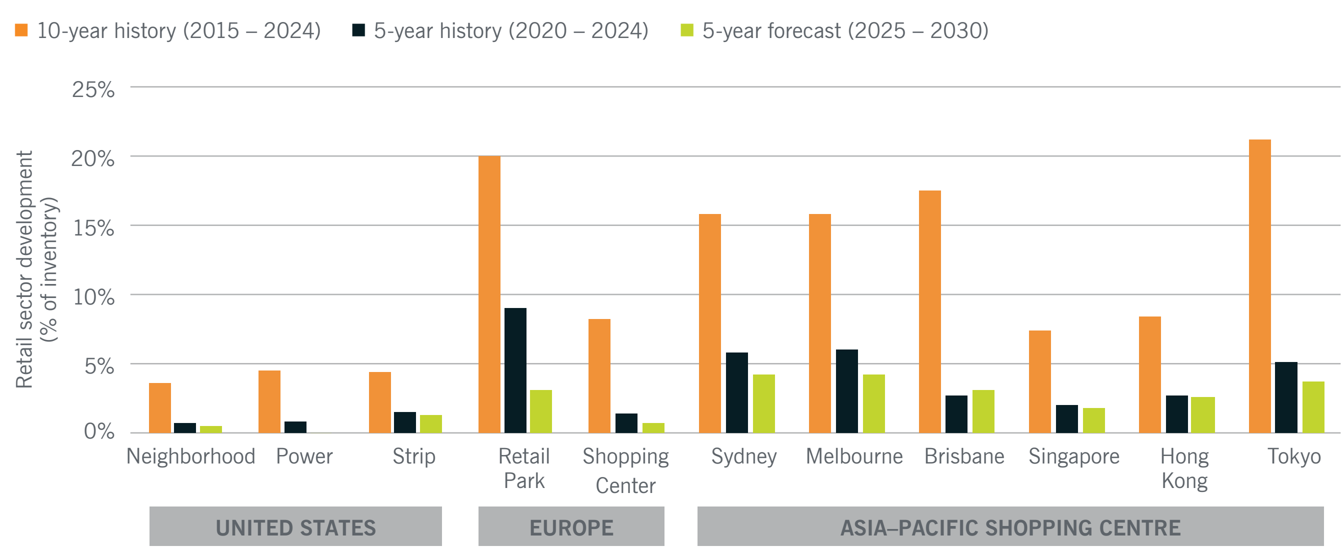
Our global research reveals three fundamental characteristics of successful necessity retail investments: strategic locations in demographically favorable areas, ability to attract best-in-class tenants and sustainable traffic patterns from market dominance. Post-pandemic shifts, including suburbanization, remote work adoption and value-seeking behavior, are strengthening neighborhood centers that support frequent visits and multi-purpose shopping trips.

Market fundamentals remain robust across regions. In the U.S., grocery-anchored strip centers maintain occupancy rates 4 percent higher than non-anchored counterparts, while limited new supply (just 0.2 percent of inventory) supports rent growth.[9]

European retail parks deliver 6 percent average income returns with diversified tenant mixes spanning grocery, home goods and essential services.[10] Asia Pacific markets, particularly Australia's east coast cities, offer compelling yields of 6-7 percent supported by strong population growth projections.[11]

The digital-physical integration has evolved from threat to opportunity, with rising ecommerce

Figure 3. The retail development pipeline has never been this measured



Sources: U.S. – CoStar, data as of 4Q25. Europe – PMA, dataset is Pan European 16 market average and includes all pipeline under construction data as of 4Q25. Asia Pacific – JLL, CBRE, Rating and Valuation Department, Japan Council of Shopping Centers, Nuveen Real Estate, data as of 4Q25.

fulfillment costs making in-store collection increasingly cost-effective. Combined with minimal development pipelines globally (Figure 3), attractive yield spreads and defensive income characteristics, necessity retail presents compelling risk-adjusted returns for institutional investors.

6. Light industrial capitalizes on tailwinds

The re-emergence of trade barriers and other disruptions to international trade may significantly alter the industrial landscape in developed North American and European countries. By targeting international supply chains, these policies have incentivized companies to locate production of goods in the country of consumption, with the potential for renewed growth for manufacturing communities and overlooked markets. Distribution centers oriented toward global logistics now face pressure to adapt, with many successfully repositioning to serve intra-regional networks or attract new types of industrial users.

This transformation is not limited to primary manufacturers. As large companies establish domestic facilities for example within the U.S. or within the EU, their suppliers and service providers are following suit, forming and reinvigorating industrial clusters and fueling sustained demand for specialized buildings across the supply chain.

However, established distribution hubs like Greater Los Angeles, New York, New Jersey, Rotterdam, Hamburg or Antwerp face challenges due to heavy dependence on global trade. Still, these regions benefit from strong infrastructure and resilience, giving them a chance to adapt.

The U.S. Midwest, Southeast and Texas, as well as Central Germany, Northern Italy and the Midlands in the U.K. are emerging as beneficiaries of these changes. In the U.S., North Carolina, Georgia and Tennessee are attracting unprecedented manufacturing investment, with smaller cities and university towns drawing advanced operations. Under pressure to produce locally in particular, Chinese companies are investing in manufacturing facilities primarily in Central and Eastern Europe. In Western Europe, manufacturing capacity is being rapidly added by the defense industry. Success in this evolving landscape requires a strategic focus on local strengths and adaptability as supply chains become more domestically and regionally focused.

Conclusion

Following the reset in property values, we believe that real estate has broadly stabilized, setting up a good vintage for the asset class in 2026. Geopolitics is likely to continue creating volatility in financial markets. Real estate is not immune, but our preferred investment themes capitalize on long-term megatrends, providing a degree of resilience. As laid out within this publication, investors considering an allocation to the asset class in 2026 have a number of compelling opportunities to consider.

Notes: [1]*CBRE Prime Capital Value Index;* [2]*Fitch U.S., 2025;* [3]*GCD Bank data;* [4]*OECD Data Explorer, Health Expenditure and Financing Percentage of GDP, September 2025;* [5]*OECD Population Projections, 75+ year-old population figures, November 2024;* [6]*Nuveen Real Estate; American Hospital Association, June 2025. Note: Data is updated through year-end 2023;* [7]*Nuveen Real Estate; Revista, CoStar Group, Inc., June 2025. Note: CoStar data is used for traditional office vacancy and Revista data is used for medical outpatient buildings. Revista's Top 50 markets were used for both data sources;* [8]*The Cabinet office, Ministry of Health Labour and Welfare, Ministry of Internal Affairs and Communications, National Institute of Population and Social Security Research;* [9]*NCREIF data as of March 2025;* [10]*MSCI as of 2024;* [11]*Oxford Economics, as of June 2025*

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*Assets under management as of 30 September 2025. Nuveen assets under management (AUM) is inclusive of underlying investment specialists. Totals may not equal 100% due to rounding. Years of real estate investing experience Source Nuveen as of 30 June 2025. Total real estate employees Source Nuveen includes 350+ real estate investment professionals, supported by a further 410+ Nuveen employees. *Pensions & Investment Real Estate Managers Special Report, October 2024. Ranking included 76 real estate managers and ranked them by total worldwide real estate assets as of June 30, 2023. Real estate assets are reported net of leverage, including contributions committed or received but not yet invested.*

This is an excerpt of the full report, which is available at https://www.nuveen.com/global/insights/real-estate/real-estate-outlook-2026