

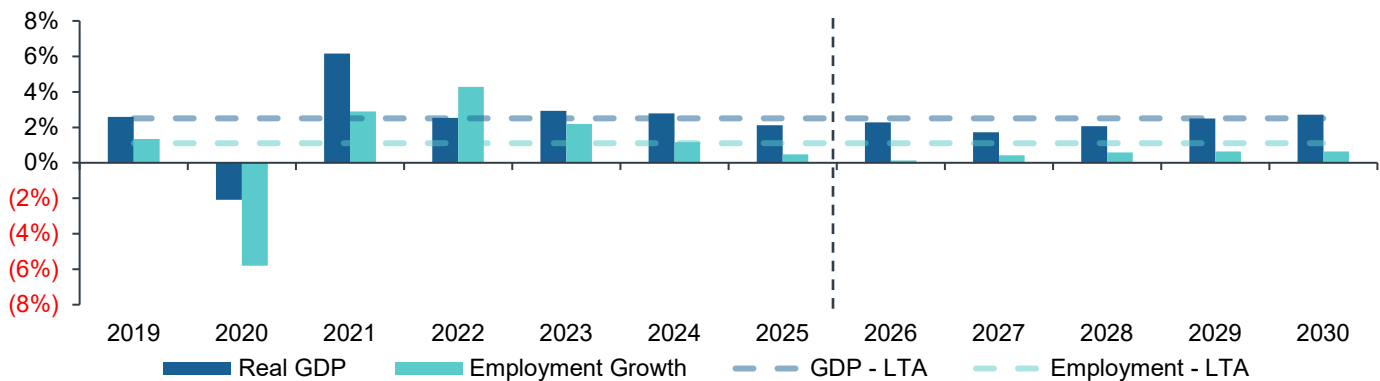
# U.S. QUARTERLY MARKET UPDATE: 1Q26

## MACROECONOMIC OUTLOOK

- **U.S. GDP** increased by an annualized rate of 2.0% in 1Q26, as AI-related spending offset the drag from net exports and a slowdown in consumer spending.
- **Total employment**, spurred by notable gains in healthcare, construction, and transportation payrolls, increased by 178,000 jobs in March, surpassing expectations and reversing the prior month's negative print. However, payroll levels, in comparison to March 2025, remained relatively flat, rising by just 0.2% YoY.
- Overall **inflation** accelerated in March, as surging energy prices, stemming from snarled energy supply chains following the closure of the Strait of Hormuz, drove a 3.3% annual increase in prices, reversing the downward trajectory in CPI growth.
- Following a cumulative 75 bps reduction in the **Fed funds rate** in 2025, the FOMC has paused rate cuts thus far in 2026, as it balances the risks of higher inflation with signs of a moderating job market and heightened geopolitical uncertainty.
- The **10-Yr Treasury** yield has edged higher in recent months in response to the ongoing war with Iran and renewed inflationary pressures. After trending downward through much of 2025, yields have climbed but remain within a low- to mid-4% range.
- **Consumer and business sentiment** have trended downward as persistent inflation and a cooling job market weigh on the consumer psyche. Recent company filings point to slowing consumption and expectations for weaker sales growth going forward.

The war in Iran has introduced a new source of uncertainty, contributing to greater market volatility and a more cautious near-term outlook for both the U.S. economy and commercial real estate. Higher energy prices and the potential for persistently elevated inflation could weigh modestly on growth, complicating the Fed's policy path and adding some uncertainty to the pace of recovery across property markets. While this backdrop is likely to delay a more pronounced rebound in leasing, investment activity, and price stabilization, it is not expected to fundamentally disrupt the recovery trajectory. Looking forward, the outlook remains constructive, supported by continued economic expansion, a relatively muted construction pipeline in many sectors, and improving availability of debt capital. These factors should help support the ongoing recovery in commercial real estate fundamentals, transaction activity, and valuations.

## REAL GDP AND EMPLOYMENT GROWTH FORECAST (BASELINE)

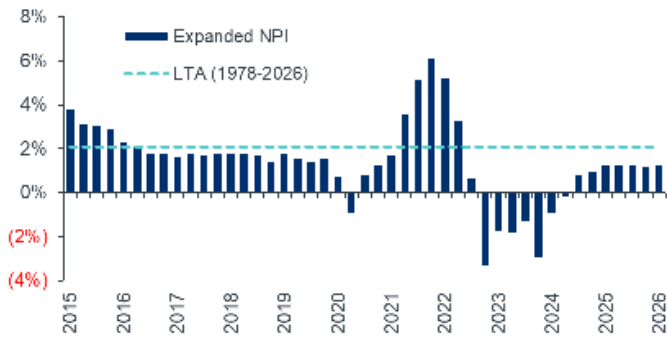


Sources: Moody's Analytics, Clarion Partners Global Research, April 2026. Note: LTA = 1990-2025. Forecasts were provided by Moody's Analytics as of 4/30/26. Forecasts have certain inherent limitations and are based on complex calculations and formulas that contain substantial subjectivity and should not be relied upon as being indicative of future performance. Past performance is not indicative of future results. Please see the important disclosures at the end of this presentation.

## COMMERCIAL REAL ESTATE OUTLOOK

**Investment Performance:** The Expanded NCREIF Property Index (NPI) generated a positive return for a seventh consecutive quarter, with a QoQ total return of +1.23%. Income returns remain the primary driver of performance, while appreciation remained flat but positive for a fifth straight quarter.<sup>1</sup> Performance was led by the senior housing (3.90%), retail (1.84%), and self-storage (1.53%) sectors.

### QUARTERLY TOTAL RETURN, PRIVATE REAL ESTATE



Source: NCREIF Property Index, Clarion Partners Global Research, 1Q26. Note: Expanded NPI includes all NPI properties and all qualified alternative assets. Alternative assets include storage, senior housing, data centers parking and others).

**Debt Capital Markets:** Debt capital markets remain constructive, with strong liquidity across lender types resulting in a borrower-friendly environment and tighter debt spreads. Banks have come back meaningfully, alternative lenders remain active, and debt funds remain flush with dry powder, resulting in heightened competition among lenders, particularly for good collateral and credible sponsors.

**Equity Capital Markets:** Transaction volume increased by 27% YoY to \$136B in 1Q26, according to MSCI/Real Capital Analytics.<sup>2</sup> Notable increases in office and industrial sales, along with a dramatic spike in the volume of senior housing trades, which rose by nearly 3x from the same quarter one year ago to \$13B, contributed to the rise in deal flow.

**Real Estate Occupier Demand:** Despite renewed uncertainty, tenant demand remains resilient, supported by positive employment growth and consumer spending, particularly in sectors where secular tailwinds continue to bolster take-up. Leasing remains highly bifurcated by asset quality in many sectors.

**Real Estate Supply:** Hampered by still-elevated construction costs and return requirements, construction pipelines across all property sectors, except for data centers, remain well short of historical norms, which should aid in bolstering near-term fundamentals. Improved availability of construction financing, solid market fundamentals, and cap rate compression in select sectors should prompt growth in construction pipelines in the coming quarters.

## PROPERTY TYPE OUTLOOK

### INDUSTRIAL / INDUSTRIAL ADJACENT

**Industrial:** Net absorption started the year at a healthy pace, with +39 MSF in 1Q26, matching the historical first-quarter average. Trailing four-quarter (T4Q) net absorption improved to +142 MSF after the sluggish +23 MSF in 1H 2025. Class A warehouse net absorption gained pace (+60 MSF in 1Q and +173 MSF in T4Q), while Class B/C warehouses continued losing occupancy (-23 MSF in 1Q and -47 MSF in T4Q). Construction deliveries exceeded overall net absorption in 1Q26 (44 MSF), but this was the lowest surplus since early 2022. Deliveries have sharply declined from the quarterly delivery pace of 100 MSF during 2022 to 2024.<sup>3</sup> The U.S. industrial vacancy rate appears to be stabilizing, as this marked the lowest YoY increase in three years and the first quarter without an increase since early 2022. Currently at 6.7%, the U.S. industrial vacancy rate matches its long-term average (LTA). Upward pressure on vacancy rates has eased, with construction decreasing meaningfully, and larger spaces (1.0 MSF+) are seeing a sharp decline in vacancy, now at 4.2%. New construction starts of 39 MSF in 1Q were slightly lower QoQ and 60% below peak levels in 2022.<sup>4</sup> Active supply underway, totaling 186 MSF and equating to just 1.1% of existing stock, is down 27 MSF YoY and has settled below LTA annual deliveries, with a healthy preleased rate of 39%. Average asking rents were generally flat, with 0.4% and 0.6% QoQ and YoY gains, respectively.

**Industrial Outdoor Storage:** Institutional appetite for this property type is strong, driven by the potential for higher yields and strategic value additions, such as enhanced security, vehicle charging infrastructure, and larger sites to accommodate storage and maintenance. Less than 1% of stock has been added to the market over the last two years and the average asking rent is 44% above 2020 levels, as availability remains historically tight, sitting 370 bps below industrial overall.<sup>5</sup> Supply is especially tight in urban port locations, providing landlords with strong rental pricing power. While the outlook for the sector is positive, investors should remain focused on end-user retention.

OUTLOOK	INDUSTRIAL	IOS	COLD STORAGE
<b>Drivers</b>	<ul style="list-style-type: none"> <li>Demographics</li> <li>Innovation</li> <li>Shifting Globalization</li> </ul>	<ul style="list-style-type: none"> <li>Demographics</li> <li>Innovation</li> <li>Shifting Globalization</li> </ul>	<ul style="list-style-type: none"> <li>Demographics</li> <li>Innovation</li> </ul>
<b>Demand</b>	Medium	Medium	Soft
<b>Supply</b>	Low	Low	Low
<b>Cap-Ex</b>	Low	Low	High
<b>NOI Growth</b>	Strong	Strong	Soft
<b>Total Return</b>	Positive	Positive	Soft

## HOUSING

**Multifamily:** The sector continues to face near-term crosswinds, as signs of labor market softening persist, and lease-ups and concessions remain elevated across many markets. However, supply appears to have peaked, and demand remains resilient, which should begin to ease pressure on fundamentals. Nearly 80,000 units were absorbed in 1Q26, a solid rebound from the seasonal decline recorded at the end of 2025. On an annual basis, net absorption reached nearly 310,000 units, roughly on par with the trailing 10-year average, indicating demand has remained stable despite emerging labor market headwinds. Completions totaled roughly 60,000 units in 1Q26, bringing the T4Q total to just over 340,000 units, a continued deceleration from the recent peak recorded in 2024. The national vacancy rate for stabilized assets fell 20 bps QoQ to 4.8%, which is 40 bps below its historical norm, underscoring the sector's strong underlying fundamentals.<sup>6</sup> Annual institutional-quality starts remain roughly 50% below the post-pandemic peak, while quarterly starts fell sharply in 1Q26.<sup>7</sup> This dynamic is expected to support future rent growth, which remains sluggish – average rent is up just 0.2% YoY, as aggressive concessions remain prevalent in high-supply markets<sup>8</sup> Tenant retention remains strong, with a renewal rate of about 56% (+80 bps QoQ) and an average renewal rent growth of 3.5%.<sup>9</sup>

**Single Family Rentals:** Scattered-site single-family rentals (SFRs) continued to outperform apartments this quarter, though rent growth decelerated further, remaining positive but below historical averages. As of February 2025, annual rent growth decelerated to 1.7%, 1.4 pts lower than a year ago and 1.8 pts below the sector's long-term average.<sup>10</sup> This slowdown is likely influenced by a growing availability of both for-sale and for-rent homes, with an average of 1.3 million homes listed for sale in 1Q – a 5% increase YoY.<sup>11</sup> The SFR vacancy rate inched up to 6.1% in 1Q, a 10-bp increase from the prior quarter.<sup>12</sup> In contrast, the build-to-rent (BTR) segment continues to face headwinds in the form of new deliveries. BTR vacancy continued its upward trend in 1Q, climbing 20 bps QoQ to 5.0% (+40 bps YoY), while rent growth remains subdued at -0.1% YoY.<sup>13</sup> Political uncertainty surrounding institutional ownership of SFRs remains a key risk to the sector.

**Manufactured Housing:** Affordability constraints, demographic tailwinds, and limited new supply continue to underpin the manufactured housing (MFH) sector through early 2026. Shipment levels remain subdued, following the sharp decline observed from the late 1990s through the early 2010s. As of February 2026, the annualized shipment pace was approximately 98,000 units – in line with recent trends but still roughly half the long-term average dating back to 1959.<sup>14</sup> This persistent supply-demand imbalance continues to support rent growth, which has held in the ~5% to 6% range over the past year.<sup>15</sup>

**Student Housing:** The Fall 2026 leasing season progressed through 1Q, with the market now more than halfway leased. According to College House, the national pre-lease rate averaged 54.6%, 2.3 pts below the same point last year. Rent growth also moderated as the season advanced, with average YoY rent growth decelerating to 1.8%.<sup>16</sup> Performance is expected to remain uneven at the campus level, driven by differences in enrollment trends, supply pipelines, and local demographics.

OUTLOOK	MULTIFAMILY	MANUFACTURED HOUSING	SFR/BTR
Drivers	Demographics and Housing		
Demand	Strong	Strong	Strong
Supply	Elevated	Low	Low
Cap-Ex	Low	Low	Medium
NOI Growth	Moderate	Strong	Moderate
Total Return	Positive	Positive	Positive

Note: Multifamily supply is elevated but declining sharply.

## OFFICE

Office sector fundamentals generally remain soft, due in large part to hybrid work and slowing job growth. However, there are signs that fundamentals are gradually beginning to improve. Nationally, trailing 4Q net absorption in 1Q26 totaled 0.7% of existing stock (nearly matching its highest level since 2019), although it remains well below the long-term average of 1.3%.<sup>17</sup> Meanwhile, supply-side pressure continues to abate, with trailing 4Q completions in 1Q26 totaling 14.8 MSF, the lowest level in more than a decade. As a result, the office vacancy rate fell 40 bps YoY to 18.6%. Additionally, national asking rent growth improved, reaching 2.2% YoY - the fastest growth since before the pandemic, though leasing concessions remain elevated.<sup>18</sup> The office market has a relatively long road to recovery, with the current vacancy rate sitting 360 bps above its long-term average. The market remains heavily bifurcated between “trophy-quality” assets and struggling commodity-office product.

OUTLOOK	COMMODITY OFFICE
Demand	Soft
Supply	Low
Cap-Ex	High
NOI Growth	Soft
Total Return	Challenged

## RETAIL

Neighborhood and community centers reported just above 1.4 MSF of completions in 1Q, the second-lowest (after 2Q 2022) since 1990, although this followed 2.3 MSF and 2.7 MSF of deliveries in 4Q and 3Q, respectively.<sup>19</sup> The total square footage of shopping centers under construction in 1Q amounted to just under 0.3% of existing stock, suggesting little indication of a sharp near-term uptick in supply.<sup>20</sup> Quarterly absorption came in at 0.6 MSF, driving

the availability rate slightly higher to 6.8%. Availability has hovered within a tight range (6.4% to 6.8%) since 4Q 2022 and an even tighter one (6.7% to 6.8%) since 1Q 2025. In the context of minimal construction, muted net absorption and flat availability (which is rising in some cases) suggests many landlords may be prioritizing rental growth over sheer occupancy. This dynamic occurred earlier in markets such as Raleigh (4.2% availability rate in 1Q26, vs. a post-COVID low of 3.2% in 4Q 2023).<sup>21</sup> U.S. annual asking rent growth came in at 2.5%, decelerating from a 5.6% annual growth rate in 4Q and 2.8% in 3Q.<sup>22</sup>

OUTLOOK	STRIP CENTER	MALL
Drivers	Demographics, Innovation, and Shifting Globalization	
Demand	Strong	Medium
Supply	Low	Low
Cap-Ex	Medium	High
NOI Growth	Strong	Moderate
Total Return	Positive	Moderate

## HEALTHCARE

**Life Sciences:** Fundamentals for commodity life sciences softened further in 1Q26, as leasing remained lackluster. Both start-ups and established firms continue to cut costs, reducing headcount and footprint in response to the challenging funding environment and in preparation for leaner times ahead. As a result, the vacancy rate rose by 150 bps YoY across the three largest U.S. life sciences markets (Boston, San Francisco, and San Diego), while non-same-store average asking rent growth decreased by 8.4% YoY.<sup>23</sup> High quality sponsors and locations continue to fare much better. Construction activity has declined substantially over the last two years but remains relatively robust (4.0% of stock is underway), which will contribute to further downward pressure on occupancy rates and rent growth through the near term.<sup>24</sup>

**Medical Offices:** Demand remained strong while deliveries continued to slow, resulting in the trailing twelve-month U.S. occupancy rate increasing by roughly 10 bps from one year ago to 92.2% in 1Q26 (40 bps above the sector's average since 2018).<sup>25</sup> Same-store asking rents grew by 1.9% YoY, a solid, but slowing pace from the 2023 high of 2.9%.<sup>26</sup> Going forward, supply-side dynamics continue to look favorable with the sector's under-construction pipeline receding to just under 20 MSF (2.2% of stock), while construction starts have fallen sharply (40% decline in trailing twelve month starts since 3Q22 peak).<sup>27</sup>

**Senior Housing:** Through 1Q26, U.S. senior housing market conditions continued to tighten, with net absorption outpacing completions for the 20th consecutive quarter.<sup>28</sup> As a result, occupancy rates have improved from sub-80% levels in 2021 to 89.8% in 1Q, while average rent growth was 4.8% YoY.<sup>29</sup> The sector's construction pipeline remains

in check, with units under construction equating to just 2.3% of existing stock, which is well below the 7% construction rate observed at the height of the previous supply wave from 2016 to 2020.<sup>30</sup> Looking ahead, the sector appears poised for strong rent growth. This will likely be a result of the demographic tailwind, specifically the growth of the 80+ year-old population, which is projected to expand by 5.2% per year through 2030.<sup>31</sup>

OUTLOOK	LIFE SCIENCES	MEDICAL OFFICE	SENIOR HOUSING
Drivers	<ul style="list-style-type: none"> <li>Demographics</li> <li>Innovation</li> <li>Shifting Globalization</li> </ul>	<ul style="list-style-type: none"> <li>Demographics</li> <li>Innovation</li> <li>Housing</li> </ul>	<ul style="list-style-type: none"> <li>Demographics</li> <li>Innovation</li> <li>Housing</li> </ul>
Demand	Soft	Strong	Strong
Supply	Elevated	Low	Low
Cap-Ex	Medium	High	High
NOI Growth	Soft	Moderate	Strong
Total Return	Challenged	Positive	Positive

## SELF-STORAGE

Fundamentals remain relatively soft, due in large part to subdued home sales activity and household mobility. Conditions appeared to improve in the second half of last year, with annual same-store "move-in" rent growth returning to positive territory in 4Q 2025.<sup>32</sup> However, conditions appear to have softened again, with move-in rents declining by 2.2% YoY in 1Q26. National average move-in rent is more than 12% lower than its 2022 peak. Existing customer rate increases (ECRIs) remain healthy and have largely offset the decline in move-in rates over the last few years. This has resulted in relatively flat revenue growth YoY for the major REITs. Self-storage demand should gradually improve over the next couple of years, driven by the anticipated recovery in home sales activity. The national construction pipeline also continues to decrease (2.2% of existing space is underway),<sup>33</sup> another tailwind for the sector's near-term performance.

OUTLOOK	SELF-STORAGE
Drivers	Demographics and Housing
Demand	Soft
Supply	Low
Cap-Ex	Low
NOI Growth	Moderate
Total Return	Moderate

## DATA CENTERS

Data centers continue to experience strong demand, supported by rapid AI adoption and cloud computing investments. Recent public market commentary from large tenants has been positive, suggesting that current and planned (2026+) capital expenditures into space and infrastructure are accelerating, despite economic uncertainties. In most cases, power availability remains at

the center of site selection strategies. As of 4Q25, the vacancy rate for primary data center markets was at a record low 1.4%. This is despite the significant YoY inventory increase, as much of this newly delivered space is pre-leased.<sup>34</sup> Primary markets continue to expand meaningfully, collectively adding 36% of stock in 2025. The overall under-construction pipeline remains active, with just under 6,000 MW under construction at the end of 2025, most of which is pre-leased. Many planned projects, however, face delays due to ongoing permitting, zoning and power challenges.<sup>35</sup> While rent growth has moderated relative to recent years given the persistently active supply, average asking rent continued to rise in 2025, with an average gain of 6.5% for 250-to-500-kW.<sup>36</sup> Average pricing for the high-demand large segment (3-10MW) jumped 12.5% in 2025.

OUTLOOK	DATA CENTERS
Drivers	Demographics and Innovation
Demand	Strong
Supply	Elevated
Cap-Ex	High
NOI Growth	Strong
Total Return	Positive

## HOTEL

In March 2026, U.S. hotel occupancy was at 64.9%, up 2.0% from the same month in 2025.<sup>37</sup> Revenue per available room (RevPAR) came in at \$108.99, 5.9% above March 2025 levels, while the average daily rate (ADR) was \$168.06, up 3.8% from March 2025.<sup>38</sup> San Francisco reported the highest increase among the top 25 markets in occupancy, ADR, and RevPAR from March 2025 to March 2026; the same pattern held in February, when the Bay Area hosted the Super Bowl on February 8.<sup>39</sup> In February, U.S. occupancy was 60.4% (up 2.3% from February 2025) and RevPAR was \$98.28 (up 4.3%).<sup>40</sup> In January, occupancy was 52.4% (down 0.2% from January 2025), and RevPAR was \$79.69 (up 0.4%).<sup>41</sup>

OUTLOOK	HOTELS
Demand	Medium
Cap-Ex	Medium
Supply	High
NOI Growth	Soft
Total Return	Challenged

METRIC	UNITS	CURRENT QUARTER (26Q1)	PRIOR QUARTER (25Q4)	PRIOR YEAR (25Q1)	20-Yr LTA
Real Gross Domestic Product (GDP)	% Annualized Rate	2.0%	0.5%	-0.6%	2.1%
Total Employment Growth	y/y%	0.2%	0.2%	0.7%	0.9%
Office-Using Employment Growth	y/y%	-0.5%	-0.5%	-0.6%	1.0%
Unemployment Rate	%	4.3%	4.5%	4.1%	5.8%
Consumer Price Index (CPI)	y/y%	2.7%	2.8%	2.7%	2.5%
Annual Wage Growth (Avg. Hourly Earnings)	y/y%	3.6%	3.9%	4.1%	3.2%
Retail Sales	y/y%	3.7%	3.0%	4.5%	4.1%
Total Residential Starts	000s, SAAR	1,419	1,323	1,401	1,153
Multifamily	000s, SAAR	462	398	386	342
Single Family	000s, SAAR	957	925	1,015	811
Existing Single-Family Median Home Price	y/y%	0.5%	1.2%	3.3%	3.5%
Existing Single-Family Home Sales	000s, SAAR	3,677	3,777	3,700	4,379
Fed Funds Rate (Effective)	%	3.6%	3.9%	4.3%	1.7%
3-mo. Treasury Yield	%	3.7%	3.9%	4.3%	1.7%
10-yr Treasury Yield	%	4.2%	4.1%	4.5%	2.9%
BBB Corporate Bond Yield	%	7.5%	5.1%	5.6%	5.1%
High-Yield Corporate Bond Yield	%	6.7%	6.6%	7.1%	7.5%

Sources: Moody's Analytics, BEA, BLS, U.S. Census Bureau, NAR, FRB, FRED, Clarion Partners Global Research, 1Q26.

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1 NCREIF, 1Q26.

2 MSCI/Real Capital Analytics, 1Q26.

3 CBRE-EA, 1Q26. Note: Figures are preliminary and total market net absorption is calculated by Clarion Partners based on quarterly change in occupied stock using vacancy rate.

4 CBRE Research, 1Q26.

5 Clarion Partners Global Research, CBRE-EA, 1Q26.

6 CBRE-EA, 1Q26.

7 Real Page, 1Q26.

8 CBRE EA, 1Q26.

9 Real Page, 1Q26.

10 John Burns Real Estate Consulting, 1Q26.

11 National Association of Realtors, Moody's, 1Q26.

12 U.S. Census Bureau, 1Q26.

13 Yardi Matrix, 1Q26.

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- 14 U.S. Census Bureau, 1Q26
  - 15 Public Filings on Behalf of Equity LifeStyle Properties, Sun Communities, UMH Properties, Inc., 1Q26
  - 16 College House, 1Q26.
  - 17 CBRE-EA, 1Q26.
  - 18 CBRE-EA, 1Q26.
  - 19 CBRE-EA, 1Q26.
  - 20 Cushman & Wakefield, 1Q26.
  - 21 CBRE-EA, 1Q26; Cushman & Wakefield, 1Q26.
  - 22 CBRE-EA, 1Q26
  - 23 JLL Research. 1Q26.
  - 24 JLL Research. 1Q26.
  - 25 RevistaMed, 1Q26.
  - 26 RevistaMed, 1Q26.
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  - 28 NIC MAP Vision. 1Q26.
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  - 34 CBRE Q4 2025.
  - 35 CBRE Q4 2025.
  - 36 CBRE, 2H 2025.
  - 37 STR. March 2026.
  - 38 STR. March 2026.
  - 39 STR. March and February 2026.
  - 40 STR. February 2026.
  - 41 STR. January 2026.