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# 2Q 2026 Private Real Estate Performance[1]

## *Benchmark Insights*

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### Summary Highlights

- Private real estate returns remained positive in the second quarter, supported by income and stabilizing appreciation.
- The NCREIF Property Index returned 1.3% in 2Q 2026, driven almost entirely by income at 1.2%, while appreciation was modest at 0.1%. The one-year total return was 5.0%, comprised of a 4.7% income return and 0.3% appreciation.
- Private real estate outperformed bonds (+0.7%) during the quarter but lagged listed REITs (+12.2%) and a resurgent stock market (+15.2%).
- Appraisal-based real estate values have produced modest positive returns over the past six quarters, although capital values remain 18.6% below their 2022 peak.[2]
- Transaction activity and lending conditions are improving, but compressed cap rate spreads and continuing gap between transaction and appraisal pricing indicate that valuation risk has not fully receded. These conditions may indicate more attractive relative pricing in portions of the current transaction market than in certain appraisal-based legacy portfolios.
- Fundamentals remain generally resilient outside of the office sector, with stable occupancy across most other sectors. However, there is dispersion in rent growth, occupancy, and net operating income performance at both the sector and market levels, reinforcing the need for sector and asset selection.

[1] Data are from the NCREIF Property Index, NCREIF Performance Trends report, NFI-ODCE Index, MSCI Real Capital Analytics or Bloomberg as of June 30, 2026, except as otherwise noted.
[2] NCREIF Property Index, as of June 30, 2026. Analysis uses the Appreciation subindex of the NCREIF Property Index, and the peak was in Q2 2022.

## Relative Performance

**Exhibit 1: Performance Trends & Economic/Capital Markets Indicators[3]**

| | 2Q 2026 | 1-YEAR | 5-YEAR | 10-YEAR | 20-YEAR |
|---|---|---|---|---|---|
| Private Real Estate (NPI) | 1.3% | 5.0% | 3.4% | 4.8% | 6.1% |
| NFI - ODCE | 1.5% | 4.5% | 2.7% | 4.6% | 5.4% |
| Listed REITs | 12.2% | 21.2% | 5.8% | 6.1% | 6.7% |
| S&P 500 | 15.2% | 22.3% | 13.4% | 15.5% | 11.4% |
| Bloomberg U.S. Aggregate Bond | 0.7% | 3.8% | 0.1% | 1.5% | 3.3% |
| Inflation (CPI) | 3.5% | 3.0% | 4.5% | 3.2% | 2.5% |
| Effective Federal Reserve Interest Rate | 3.6% | 3.9% | 3.6% | 2.4% | 1.7% |
| 2-Year Treasury Yield | 4.2% | 3.7% | 3.6% | 2.5% | 1.9% |
| 10-Year Treasury Yield | 4.5% | 4.2% | 3.6% | 2.8% | 2.9% |

- Over the past year, the S&P 500 produced a total return of 22.3% and outperformed most other asset classes as equity markets rallied through the second quarter.
- The S&P 500 was trading at a multiple of 25.4x as of June 30, 2026, well ahead of its 10-year average of 21.2x, leaving valuations stretched relative to history.
- Valuation levels in the listed REIT market are more reasonable compared to the broader equity market, at 17.4x as of June 30, 2026, roughly in line with their 10-year average of 17.5x.
- The spread between the 10- and 2-year Treasury yields remained modestly positive at about 30 basis points. GDP grew at a 1.5% annualized rate in the second quarter of 2026, supported by strong personal consumption and private investment.[4]
- Inflation remains elevated. CPI rose 3.5% year-over-year in June 2026, while PCE inflation, the Federal Reserve's preferred measure, was 3.3%, remaining above the Fed's 2% target.
- The effective Federal Funds rate was still 3.6%. The Federal Reserve voted to keep rates steady in the July 2026 meeting as inflation remains much higher than its target. As of August 12, 2026, market pricing implied at least one additional rate increase by year-end.[5]

[3] Crow Holdings Capital Research & Strategy using data from Bloomberg and NCREIF as of June 30, 2026. Inflation (CPI), Federal Reserve Interest Rate, 2-Year Treasury Yield, and 10-Year Treasury Yields display data as of June 30, 2026 in the 2Q 2026 column, and the averages over the respective time periods for the following columns. Analysis and information provided on the real estate market is dependent upon many factors outside of CHC's control, including changes in the domestic and global economic environment. These views and opinions are not intended to provide nor relied upon for investment advice and represent observations based on the information available at the time and are subject to change. The indices shown are presented for general market context and are not directly comparable. Public and private-market indices differ materially in liquidity, leverage, valuation methodology, fees, transaction costs, portfolio composition and other characteristics. An investor cannot invest directly in an index.
[4] Bureau of Economic Analysis, as of July 2026. Preliminary release.
[5] Bloomberg, as of August 12, 2026. The probability of a rate hike by December 9, 2026 is 44%.

## Property Sector Performance

- By sector, senior housing, self-storage, retail, manufactured housing, and medical office outperformed the overall NPI, posting one-year total returns of 14.8%, 6.8%, 6.7%, 12.2%, and 6.0%, respectively. Industrial (4.9%) and residential (4.5%) performed roughly in line with the index (5.0%), while office (3.8%) and hotels (3.4%) lagged.

**Exhibit 2: Performance Trends by Sector and Sub-Type[6]**

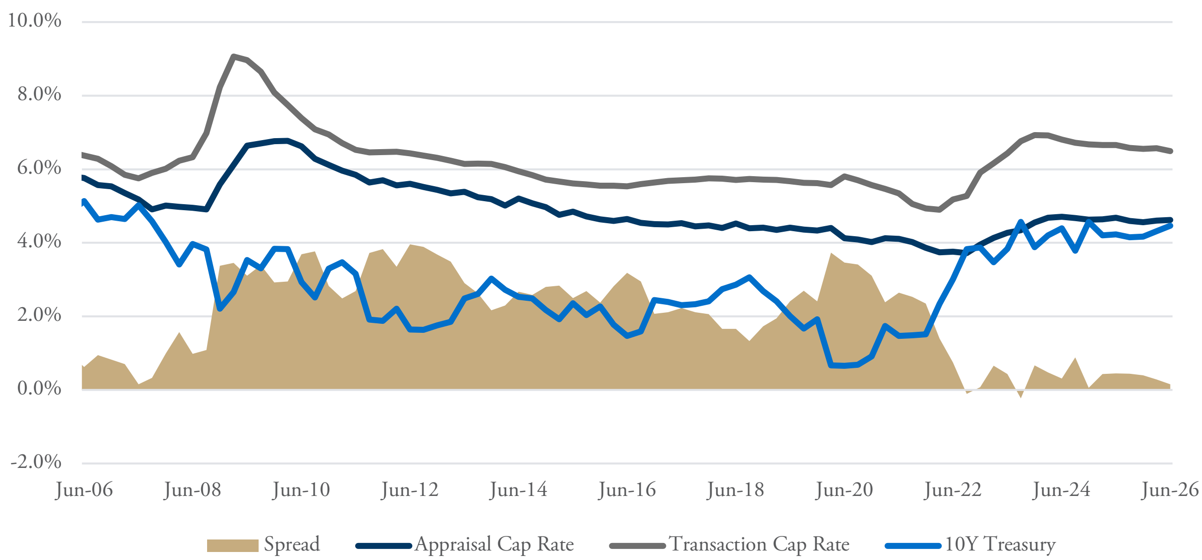
| PROPERTY SECTOR | NPI INDEX WEIGHT | INCOME | APPRECIA-TION | TOTAL RETURN | 3-YR | 5-YR | 10-YR | 20-YR | STANDARD DEVIATION |
|---|---|---|---|---|---|---|---|---|---|
| HOTEL | 0.2% | 6.2% | -2.6% | 3.4% | 4.7% | 7.4% | 2.3% | 3.9% | 11.3% |
| INDUSTRIAL | 33.3% | 4.2% | 0.7% | 4.9% | 2.4% | 8.7% | 11.5% | 9.5% | 12.2% |
| OFFICE | 17.2% | 5.7% | -1.8% | 3.8% | -3.6% | -3.9% | 0.6% | 3.8% | 10.7% |
| Central Business District | 7.8% | 5.6% | -1.2% | 4.4% | -5.1% | -6.2% | -0.9% | 3.7% | 12.6% |
| Life Science | 2.4% | 4.2% | -5.5% | -1.5% | -4.1% | 1.1% | 6.8% | 8.9% | 14.9% |
| Medical Office | 2.2% | 5.7% | 0.3% | 6.0% | 3.1% | 3.8% | 6.1% | | |
| Suburban | 1.3% | 6.6% | -3.1% | 3.3% | -1.8% | -1.6% | 1.9% | 3.3% | 8.5% |
| RESIDENTIAL | 29.8% | 4.4% | 0.1% | 4.5% | 1.4% | 4.3% | 5.0% | 5.9% | 9.3% |
| Apartment | 27.1% | 4.4% | 0.2% | 4.6% | 1.2% | 4.1% | 4.9% | 5.9% | 9.4% |
| Manufactured Housing | 0.3% | 3.6% | 8.4% | 12.2% | 11.5% | | | | |
| Single Family Rental | 1.0% | 3.8% | -1.5% | 2.3% | 1.2% | 7.6% | | | |
| Student Housing | 1.4% | 5.0% | -1.2% | 3.8% | 4.3% | 6.4% | 5.9% | | 5.6% |
| RETAIL | 12.4% | 5.6% | 1.1% | 6.7% | 4.8% | 4.2% | 2.7% | 5.6% | 7.6% |
| Mall | 5.8% | 5.6% | 0.3% | 5.9% | 4.3% | 3.4% | 1.5% | 5.8% | 8.4% |
| Street | 0.9% | 5.0% | -2.4% | 2.6% | -0.4% | -0.5% | -0.3% | 4.3% | 8.5% |
| Strip | 5.7% | 5.7% | 2.4% | 8.2% | 6.2% | 5.9% | 4.5% | 5.7% | 6.9% |
| SELF-STORAGE | 2.7% | 4.3% | 2.4% | 6.8% | 3.9% | 9.2% | 9.7% | 10.5% | 11.2% |
| SENIOR HOUSING | 1.7% | 5.7% | 8.7% | 14.8% | 6.1% | 4.7% | 5.9% | 8.4% | 7.4% |
| TOTAL NPI | **100.0%** | 4.7% | **0.3%** | **5.0%** | **1.2%** | **3.4%** | **4.8%** | **6.1%** | **9.1%** |

- By sub-type, manufactured housing again led the way with a one-year total return of 12.2%, far surpassing the overall NCREIF total return of 5.0%.
- Senior housing, strip retail, self-storage, medical office, and malls also outperformed the overall index.
- Apartments, single-family rentals, student housing, office, life science, and street retail underperformed the index over the past year.

[6] Crow Holdings Capital Research & Strategy using data from NCREIF as of June 30, 2026. Income, Appreciation and Total Return columns are 1-year returns, whereas the columns 3-Yr, 5-Yr, 10-Yr, and 20-Yr are annualized Analysis and information provided on the real estate market is dependent upon many factors outside of CHC's control, including changes in the domestic and global economic environment. These views and opinions are not intended to provide nor relied upon for investment advice and represent observations based on the information available at the time and are subject to change. NPI Index Weight does not total to 100% because "Other" category and certain Office sub-types were excluded from the chart.

- Although appraisal-based returns have stabilized, valuation risk has not fully dissipated. The spread between appraisal cap rates and the 10-year Treasury yield remains unusually narrow, and transaction cap rates continue to exceed appraisal cap rates by approximately 90 to 150 basis points. This suggests that recently acquired assets may offer more attractive pricing than portions of the existing appraisal-based index, while some legacy valuations may remain vulnerable to further adjustment.[7]

**Exhibit 3: Appraisal Cap Rate, Transaction Cap Rate, and Spread to 10-year Treasury Yield[8]**




- Cap rates on assets sold from the NCREIF Property Index have historically exceeded the index's valuation cap rates by an average of 55 bps over the past 30 years. The gap was 127 bps as of 2Q 2026, more than twice the long-run average and among the widest readings in the series, which peaked at 137 bps recently in 1Q 2026.[9]
- In each prior recovery cycle, this gap reverted towards its long-run average as transaction cap rates fell faster than valuation cap rates against the backdrop of low interest rates and wide spreads to the U.S. Treasury yield. Assets transacted during those periods generally delivered stronger appreciation and greater total returns than assets held at lower valuation cap rates. The gap could revert to the long-term average in two ways: Transaction cap rates can either move lower or values for assets held in the index can be adjusted lower. With the 10-year Treasury at 4.5% and the appraisal cap rate spread to Treasuries at 15.5 bps as of June 30, 2026 (and negative by early August 2026), the first mechanism has considerably less room to operate than it did in past cycles.

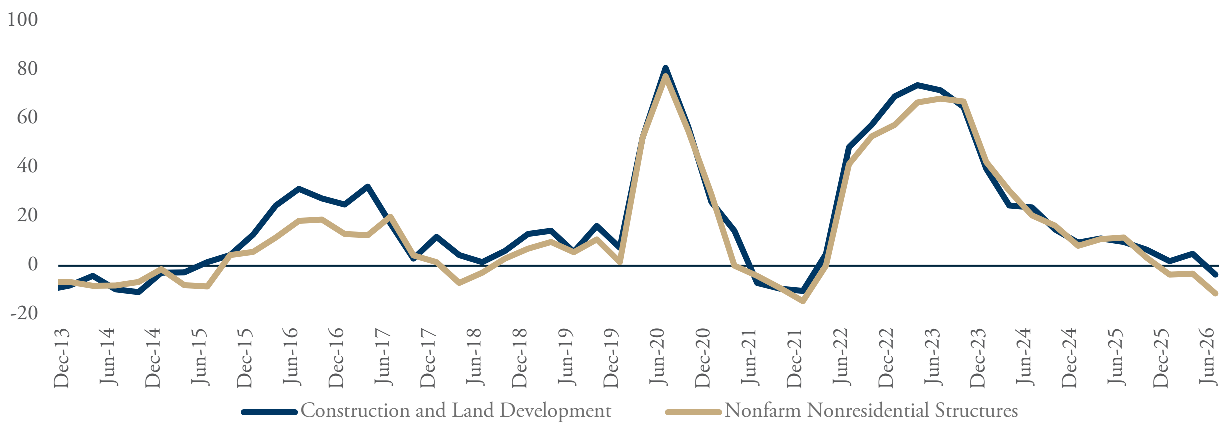
[7] Green Street Advisors nominal cap rates are used as a proxy for transaction cap rates. As of June 30, 2026, transaction cap rates were 5.2% for apartments and industrial, 7.2% for office, and 6.7% for retail. These cap rates are 90-150 bps higher than NCREIF appraisal cap rates as of 2Q 2026, at 4.1% for industrial, 4.3% for apartment, 5.7% for office, and 5.3% for retail.
[8] NCREIF, Green Street Advisors, and Bloomberg, as of June 30, 2026. Transaction cap rate refers to the nominal cap rates as reported by Green Street Advisors, weighted according to the NCREIF Property Index only for Apartments, Industrial, Office, and Strip Centers. The appraisal cap rate refers to the valuation cap rate from the NPI trends report.
[9] Crow Holdings Capital Research & Strategy using data from NCREIF as of June 30, 2026. Both series are four-quarter moving averages. This measure is not directly comparable to the 90-150 bps differential previously cited. The NCREIF series compared cap rates on properties actually sold out of the index against appraised cap rates on the same population, while Green Street figures are market-level estimates.

- The current recovery is also the shallowest of the past four. Six quarters past the trough, index capital values have risen 0.4%, compared to gains of 2.0% following the 4Q 1989 peak, 4.9% following 2Q 2001, and 13.5% following 1Q 2008.[10] In each of those three recoveries, rising values were supported by low or declining interest rates.
- Taken together, these observations suggest additional valuation adjustments may occur for held assets, or that there could be limited appreciation on held assets unless interest rates fall back. If history is a guide, assets acquired today at transaction cap rates well above index valuation cap rates may offer better appreciation potential than assets already held within the index at lower cap rates.

## Transaction Activity & Fundamentals

- Transaction activity continues to recover and lending conditions are improving. Transaction volumes rose 14% year-over-year to $136.6 billion in 2Q 2026. Trailing-12-month volume reached $619.9 billion, up 29% year-over-year, in line with the five-year annual average. Apartment and industrial property types continued to dominate deal activity over the past 12 months, at $174.0 billion (up 11%) and $134.4 billion (up 24%), respectively. Retail volume was $76.5 billion (up 23%), and office continued its recovery at $89.5 billion, up 26% year-over-year.[11]
- The Senior Loan Officer Opinion Survey on Bank Lending Practices reported a net easing in real estate lending standards across all commercial real estate loan types for the first time since early 2022.[12] Commentary from Green Street suggests the improvement may partly reflect renewed commercial real estate lending by regional banks.[13]

**Exhibit 4: Net Percentage of Banks Tightening Standards for Commercial Real Estate Loans**[14]




- Assets within the index continue to exhibit generally stable fundamentals relative to historical averages, except for the office market.
- Four-quarter NOI growth remained positive across most sectors as of 2Q 2026. Industrial NOI grew 2.6% and apartment NOI 1.8%, while retail rose 1.5%. Office remained the outlier at -4.9%,

[10] Crow Holdings Capital Research & Strategy using data from NCREIF as of June 30, 2026. Capital value indices are set to 100 at each cycle trough.
[11] MSCI Real Capital Analytics, as of June 30, 2026
[12] Federal Reserve, as of 2Q 2026.
[13] Green Street, SLOOS Update: Regional Bank Comeback Continues (Quick Take: Informational), August 3, 2026.
[14] Federal Reserve, Senior Loan Officer Opinion Survey, as of July 2026. Negative values indicate that more banks reported easing standards than tightening standards.

continuing to weigh on the index, while senior housing posted the strongest NOI growth at 17.1%, consistent with its sector-leading total return.

- Occupancy rates for apartments were 94.2%, above their 20-year average of 93.7%. Industrial occupancy of 95.1% remained above its long-run average even as elevated supply is absorbed, with industrial NOI growing 2.6% year-over-year.
- Retail occupancy remained above average at 93.2% while NOI grew 1.5%. The office market continued to struggle, with occupancy of 86.6%, approximately 100 basis points below its 20-year average, and four-quarter NOI growth of -4.9%.

**Exhibit 5: Occupancy Rates by Property Sector[15]**

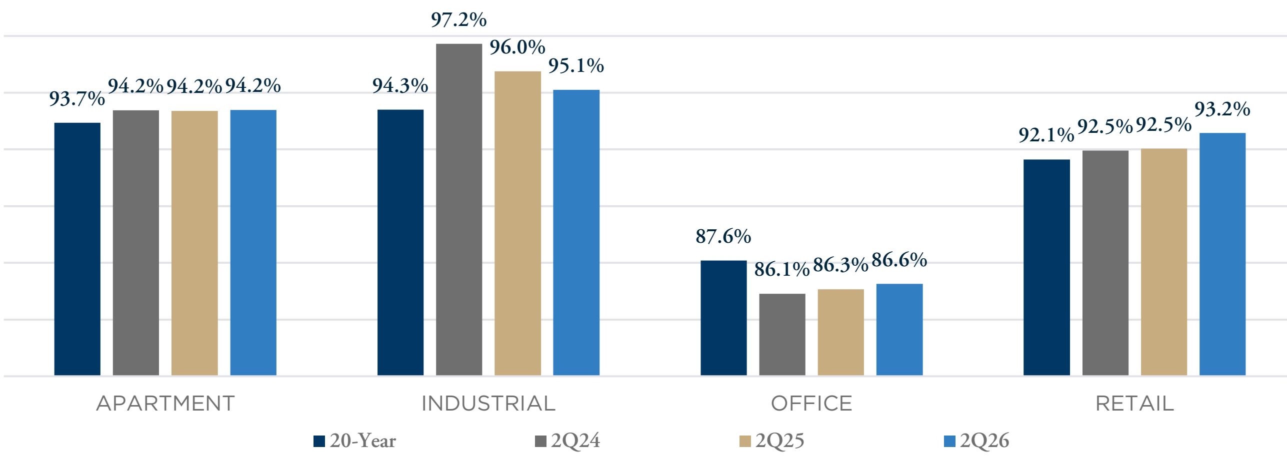
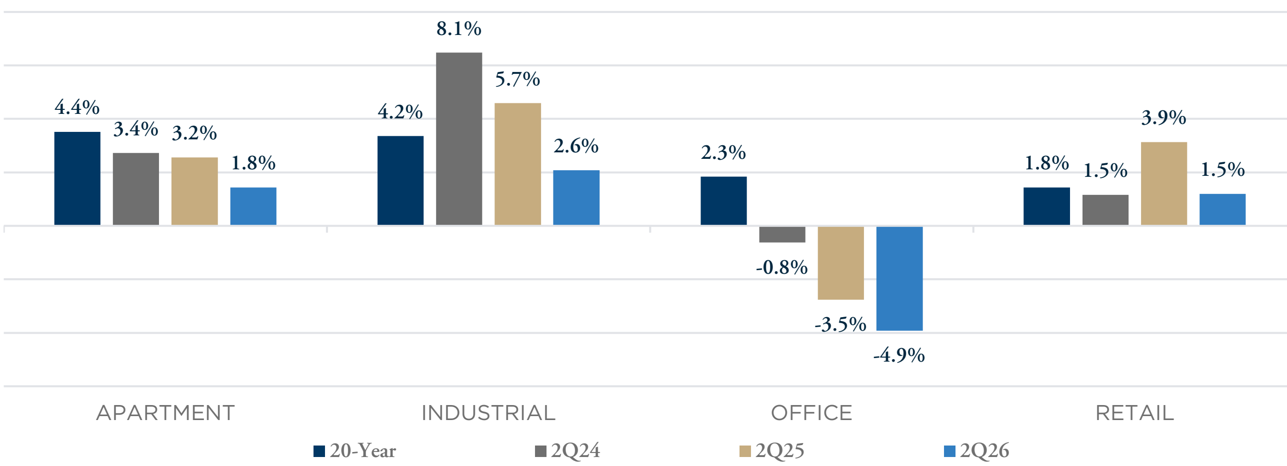



**Exhibit 6: Four-Quarter NOI Growth by Major Property Sector[16]**

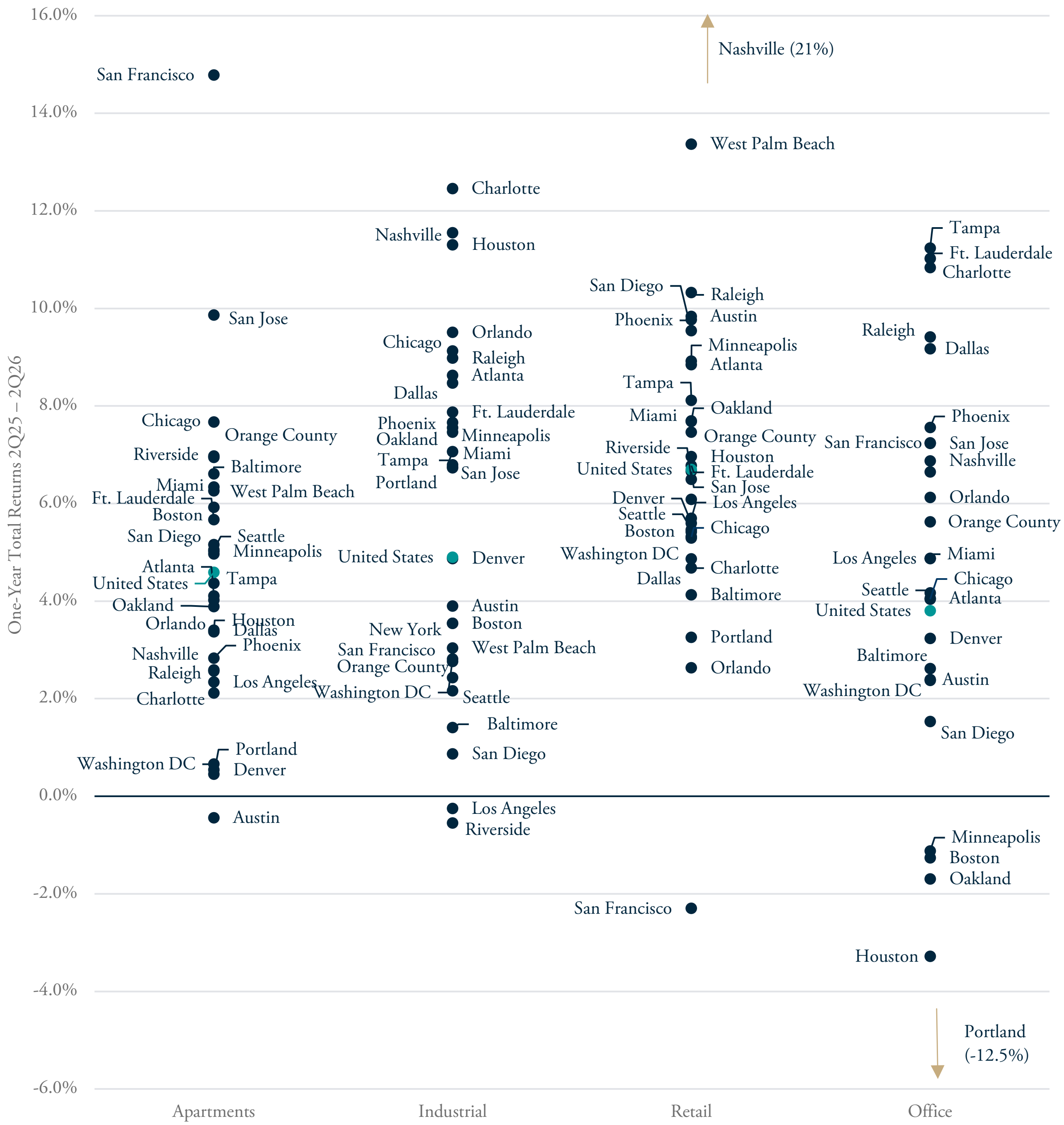



[15] Crow Holdings Capital Research & Strategy using data from the NCREIF Performance Trends report, as of June 30, 2026.
[16] Ibid.

## City-Level Performance[17]

**Exhibit 7: One-Year NCREIF Total Returns by City and Sector**

*Retail Leading – Fundamentals Driving Relative Performance*




[17] Crow Holdings Capital Research & Strategy using data from NCREIF MSA as of 2Q 2026. Analysis and information provided on the real estate market is dependent upon many factors outside of CHC's control, including changes in the domestic and global economic environment. These views and opinions are not intended to provide nor relied upon for investment advice and represent observations based on the information available at the time and are subject to change. City-level historical returns are presented for informational purposes only and should not be interpreted as recommendations regarding future market or sector performance.

*Apartments*

- After three years of elevated deliveries during 2023-2025, supply continues to decline, with 469,371 units delivered in the year ending 2Q 2026, down 23.9% year-over-year. Deliveries are projected to fall to 411,222 units in 2026, 334,575 units in 2027, and 275,865 units in 2028 (CoStar forecast as of 2Q 2026), supporting a recovery in occupancy and rents. San Francisco was the top-performing apartment market (14.8%), followed by San Jose (9.9%), Riverside (7.0%), Orange County (6.9%), Baltimore (6.6%), and Miami (6.3%). In contrast, Austin (-0.4%), Denver (0.5%), Portland (0.5%), and Washington, D.C. (0.7%) lagged.

*Industrial*

- Industrial market conditions are improving as supply has meaningfully declined. Deliveries declined 16.3% year-over-year to 229.5 million SF as of 2Q 2026. As a percent of inventory, deliveries declined to 1.2%, matching 2017 levels. Deliveries are expected to total roughly 225 million SF in 2026 and 204 million SF in 2027 (CoStar forecast as of 2Q 2026). The One-Year NCREIF Property Index total returns were highest in Charlotte (12.5%), Nashville (11.6%), Houston (11.3%), Chicago (9.1%), Raleigh (9.0%), and Atlanta (8.6%), while several West Coast markets — Los Angeles (-0.3%), Riverside (-0.6%), San Diego (0.9%), and Seattle (2.2%) — underperformed the sub-index.

*Retail*

- The retail market continues to strengthen with steady consumer spending, sustained tenant demand, and limited new construction. National retail returns have been the highest among the four major property types for nine out of the past 10 quarters. Returns are broadly consistent nationwide, with Nashville standing out at 21.2%, more than three times the national return of 6.7%. Other strong performers include West Palm Beach (13.3%), Raleigh (10.3%), Austin (9.8%), Phoenix (9.7%), San Diego (9.5%), Minneapolis (8.9%), Atlanta (8.8%), and Tampa (8.1%). San Francisco (-2.3%) was the notable laggard. Retail's above-average occupancy and relatively high cap rates may support continued relative performance, although outcomes will vary by market and asset.

*Office*

- Dispersion across cities remains high in the office sector. Tampa (11.2%), Ft. Lauderdale (11.0%), Charlotte (10.8%), Raleigh (9.4%), and Dallas (9.2%) posted the strongest office performance, while Portland (-12.5%), Houston (-3.3%), Oakland (-1.7%), Boston (-1.3%), and Minneapolis (-1.1%) lagged. The sector remains the most challenged due to high capital expenditure requirements and structurally shifting demand drivers. Individual building characteristics may remain more influential than broad, market-level trends.