QUICK TAKE

Long-Term Rates

Crow Holdings Capital

What Higher Long-Term Treasury Yields Could Mean for Real Estate

SEPTEMBER 2026

YASMINE KAMARUDDIN
Director of Research for Crow Holdings Capital

MARK G. ROBERTS
Head of Research for Crow Holdings Capital

SHORT ANSWER:

Historical experience suggests that Treasury yields alone have not determined real estate performance, although elevated financing costs may affect valuations and new supply in the near term.

The 30-year Treasury yield increased from 1.32% as of March 31, 2020 to 4.95% on June 30, 2026, before rising further to 5.27% as of August 21, 2026.[1] Recent upward pressure on 10- and 30-year yields may reflect several overlapping factors, including inflation and energy-price concerns, rising federal debt and deficits, shifts in Treasury debt-management policy, increased borrowing to fund AI and infrastructure investment, and uncertainty surrounding the Federal Reserve's policy path. Although long-term rates remain elevated, expectations are more moderate over the intermediate term: The 5-year, 5-year forward inflation expectation rate was approximately 2.3% in August 2026, while Bloomberg consensus forecasts indicated a 10-year Treasury yield of 4.5% by year-end 2026,[2] 4.3% by year-end 2027, and 4.2% by year-end 2028.[3]

The recent increase is unusually large but not without precedent. Comparable episodes occurred in the late 1970s and 1980s, while smaller but still meaningful increases occurred in 1993–1994 and 2008–2010. Real estate performance during and after these periods varied considerably, reflecting differences in inflation, economic growth, financing conditions, property fundamentals, and starting valuations. As Exhibit 1 shows, NFI-ODCE returns were positive during most of the identified episodes and in the four quarters following each prior rate peak. The 2008–2010 episode is an outlier, as it coincided with a substantial decline during the Global Financial Crisis.

Exhibit 1: 30-Year Treasury Yield Increase Episodes
Historical NFI-ODCE Performance During and After Major Rate Increases[4]

Rate-Increase Episode	Approximate Rise	ODCE Cumulative Returns During Episode	Equivalent Annualized Returns	Forward 4-Quarter Return at Rate Peak
MARCH 1978 – SEPTEMBER 1981[5]	+686 bps	+83.5%	+18.9%	+10.36%
MARCH 1983 – JUNE 1984	+295 bps	+19.2%	+15.1%	+10.84%
JUNE 1986 – SEPTEMBER 1987	+251 bps	+8.5%	+6.7%	+6.95%
SEPTEMBER 1993 – DECEMBER 1994	+186 bps	+6.8%	+5.4%	+7.11%
DECEMBER 2008 – MARCH 2010	+204 bps	–29.2%	-24.2%	+20.14%
MARCH 2020 – JUNE 2026	+363 bps	+21.5%[6]	+3.2%	Not yet observable

Across the full available history, the level of the 30-year Treasury yield had only a modest relationship with NFI-ODCE total returns and a modest negative relationship with appreciation returns. The relationship with income returns was considerably stronger, which may reflect the importance of income within private real estate returns. The results indicate that long-term yields matter, but they are not sufficient on their own to explain total real estate performance.

Exhibit 2: 30-Year Treasury Yield and NFI-ODCE Return Correlations[7]

NFI-ODCE Return Series	Contemporaneous	1-Year Forward
INCOME RETURN	69.5%	69.2%
TOTAL RETURN	10.5%	4.2%
APPRECIATION RETURN	–3.1%	–9.2%

In conclusion, higher long-term rates warrant near-term caution but do not suggest a change in the long-term real estate thesis. Higher long-term rates could slow the pace of valuation recovery and keep financing conditions restrictive in the near term. At the same time, higher financing and construction costs may limit new development, potentially creating a more favorable supply environment for existing assets. If rates moderate over the intermediate term as currently expected, valuation pressure could ease while the effects of reduced construction persist. This backdrop may create more constructive investment conditions, particularly where higher going-in yields coincide with durable demand and constrained supply. Investors should remain selective and attentive to financing and valuation risk, while continuing to focus on property sectors and markets with resilient long-term fundamentals.

1) Federal Reserve Bank of St. Louis (FRED), "Market Yield on U.S. Treasury Securities at 30-Year Constant Maturity".
2) Federal Reserve Bank of St. Louis (FRED), "5-Year, 5-Year Forward Inflation Expectation Rate (T5YIFR)".
3) Bloomberg, consensus forecasts as of August 24, 2026.
4) Crow Holdings Capital Research & Strategy analysis using 30-year U.S. Treasury yield data from Bloomberg and gross-of-fee NFI-ODCE total-return data from NCREIF, March 31, 1978 through June 30, 2026. Rate-increase episodes were identified from quarterly observations, and were selected based on a 175 bps increase in the 30-year Treasury yield over at least two quarters threshold. Past performance is not indicative of future results. "ODCE result during episode" reflects the cumulative NFI-ODCE total return over the stated period; "forward four-quarter return" reflects the cumulative total return during the four quarters following the identified rate peak. The NFI-ODCE is a capitalization-weighted, gross-of-fee, time-weighted index of open-end diversified core equity real estate funds.
5) The 30-year Treasury yield started rising in June 1977, but the calculations on this row started in March 1978 when the ODCE series began.
6) From March 2020-September 2022, total cumulative returns were 38.4%. From September 2022-June 2026, total cumulative returns were -12.2%, resulting in a cumulative total return of 21.5% over the period when the 30-year Treasury yield was rising.
7) Crow Holdings Capital Research & Strategy analysis using quarter-end 30-year U.S. Treasury yield data from Bloomberg and year-over-year gross-of-fee NFI-ODCE income, appreciation and total returns from NCREIF, March 31, 1979 through June 30, 2026. Contemporaneous correlations compare each quarter-end Treasury yield with the NFI-ODCE year-over-year return for the same quarter; one-year-forward correlations compare each yield observation with the NFI-ODCE year-over-year return four quarters later.