

Senior-focused real estate potential is coming of age

Bottom line up top

Navigating through noise. With tanker traffic through the Strait of Hormuz down 90% from normal levels, benchmark crude oil prices remained above \$105 per barrel last week. Yet major U.S. equity indexes pushed past hotter-than-expected U.S. inflation data thanks to resilient consumer spending, a surge in AI optimism and hopes for a meaningful diplomatic reset in Beijing. The Trump-Xi summit produced no breakthroughs, however, and on Friday a more risk-off tone took hold: The S&P 500 Index gave back some gains on renewed concerns about the Iran conflict and signs of tech weakness. Global bond yields were pressured higher.

The headline Consumer Price Index rose 0.6% for April and 3.8% year-over-year (the highest since May 2023), driven by higher energy and shelter costs. The Producer Price Index, a measure of inflation at the wholesale level, was even more startling, at 1.4% for April — double the consensus forecast of 0.7% and its hottest month-over-month reading since late 2022. Overall PPI accelerated to 6.0% year-over-year in April from 3.1% in January (Figure 1). Notably, services accounted for 63% of total April PPI versus just 19.3% for energy, suggesting that inflationary pressures are becoming more structurally embedded rather than being purely a function of the recent energy price shock.

Meanwhile, U.S. retail sales grew +0.5% in April, just a touch below the +0.55% consensus forecast. Spending at gasoline stations increased +2.8% due to sharply higher fuel prices, although sales growth in categories like electronics and appliance stores (+1.4%), online retail (+1.1%) and restaurants (+0.6%) offered some evidence of resilient underlying consumer demand.

Monetary policy matters. Following his Senate confirmation, Kevin Warsh stepped into the role of U.S. Federal Reserve Chair this past Friday, succeeding Jerome Powell, whose term as chair ended but who remains a voting member of the policymaking committee. The Fed has been on hold since December, keeping the target fed funds rate at 3.50%–3.75%, but with a more hawkish tilt amid inflation concerns and calls from some officials to remove the easing bias from policy statements. Minutes from the April meeting will be released on Wednesday, potentially helping markets assess whether a zero-cut scenario for 2026 is becoming the base case.

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CIO WEEKLY
COMMENTARY

18 MAY 2026



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*On behalf of
Nuveen's Global
Investment Committee*

As Nuveen's Chief Investment Officer and leader of our Global Investment Committee, Saira drives market and investment insights, delivers client asset allocation views and brings together the firm's most senior investment leaders to deliver our best thinking and actionable investment ideas. In addition, she is a portfolio manager for several key investment strategies.

Outside the U.S., some central banks may begin converging toward potential rate hikes this summer as energy-driven inflation risks persist. This week's non-U.S. economic calendar includes Chinese industrial production and retail sales for April, as well as critical CPI inflation data for the United Kingdom. A potentially sharp rise in U.K. consumer prices could test whether the Bank of England's increasingly hawkish rhetoric will translate into action at the bank's next policy meeting in June.

The mixed and evolving global economic and market backdrop may provide a constructive environment for real assets such as commercial real estate. With traditional fixed income spreads volatile, real estate's ability to offer inflation protection by adjusting rents, along with its relative yield advantage, could attract significant capital.

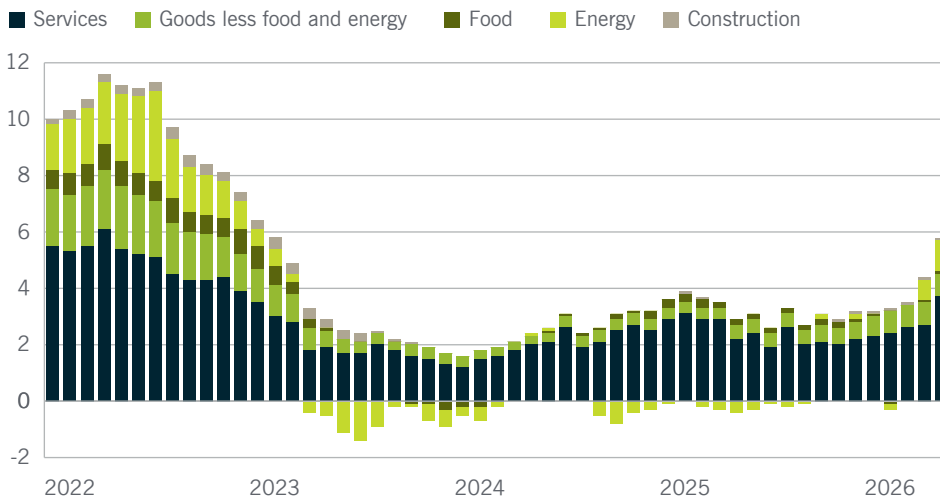
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The evolving economic and market backdrop may prove constructive for real estate.

Figure 1

Wholesale inflation spikes to its highest level since 2022

U.S. Producer Price Index, final demand (% YoY)



Data source: Nuveen, Bloomberg, L.P., 13 May 2026.

Portfolio considerations

Following two years of declines, **global private real estate** returns have been positive for the past seven quarters. Rebounding real estate prices in most global markets, rising transaction volumes and a sharp drop in new-construction activity have all contributed. Among the allocations we currently favor are U.S. medical office and U.S. senior housing — two sectors where demographic trends, supply and demand dynamics, and a positive rent growth outlook are creating compelling opportunities for diversified, long-term investors.

Demand for medical outpatient space has outpaced new supply for the past five years and remains robust, which bodes well for the sector's future fundamentals. New starts have been muted, at about half the recent peak levels seen in 2022. Meanwhile, rent growth is running at +1.9% year-over-year and +26% since 2017,

with new centers commanding a 31% rent premium versus existing centers. Tenant retention currently sits at 85%, above its 10-year average of 82%.

A significant shift from inpatient care to lower-cost outpatient treatment is driving demand for medical outpatient buildings (Figure 2), while a wealthy, aging population is fueling sustained investment in research and innovation. The senior cohort (age 75+) as a share of the U.S. population is expected to grow by 68% between 2024 and 2040. This should lead to a substantial increase in health care outlays, as seniors spend about three times more than younger age groups. Health care already makes up 17% of U.S. GDP, a level that's expected to keep climbing.

Demand for senior housing will be driven by the accelerating demographic wave of aging baby boomers, coupled with a declining caregiver-to-population ratio. Affordability has increased more than 10% since 2013, with seniors' median household net worth sufficient to cover six years of senior housing rent. While demand should rise, supply has fallen short in the past 18 quarters, and the new construction pipeline is at a decade low. This imbalance has led to elevated rent growth of +4.1% and +4.9% for independent and assisted living, respectively.

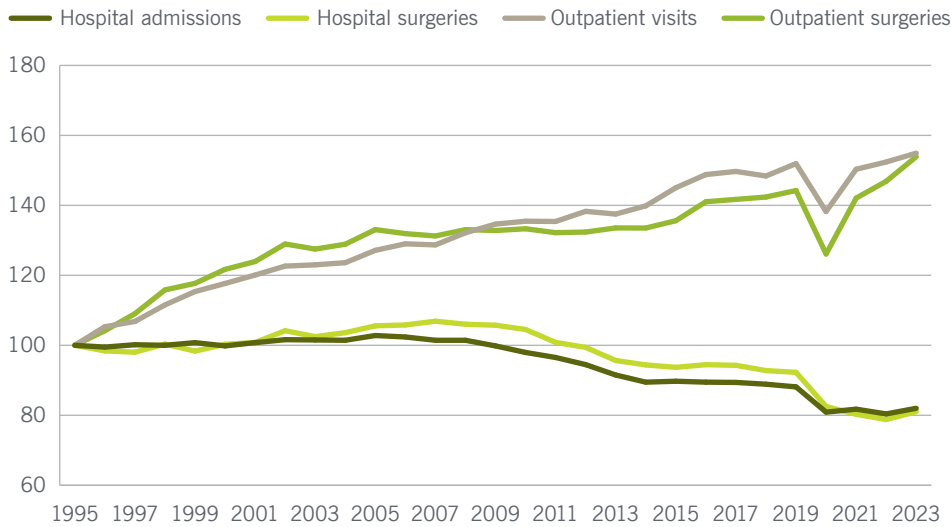
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Demographics and supply and demand dynamics are driving U.S. medical office and senior housing sector returns.

Figure 2

Outpatient care continually gains market share

Number of treatment types, indexed to 29 Dec 1995



Data source: American Hospital Association trendwatch chartbook; Green Street. Dec 2023.

About Nuveen's Global Investment Committee

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Regular meetings of the GIC lead to published outlooks that offer:

- macro and asset class views that gain consensus among our investors
- insights from thematic “deep dive” discussions by the GIC and guest experts (markets, risk, geopolitics, demographics, etc.)
- guidance on how to turn our insights into action via regular commentary and communications

For more information, please visit nuveen.com.

Endnotes

Sources

All market and economic data from Bloomberg, FactSet and Morningstar.

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definitions and index descriptions, please access the glossary on nuveen.com. **Please note, it is not possible to invest directly in an index.**

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