

2026 REAL ESTATE OUTLOOK

Navigating the real estate resurgence



OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

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The painful reset of private real estate seems to be in the rearview mirror, and we expect 2026 to be a good vintage for real estate investment. Values have stabilized, total returns are positive in most markets and limited new construction activity bodes well for medium-term fundamentals. Shifts in geopolitics, trade, monetary and fiscal policy around the globe may create headwinds and tailwinds for various sectors and geographies, but the megatrends that underpin our investments will play out over decades.

Riding the real estate recovery

Real estate turned the corner in 2025, and we expect the recovery to continue building momentum in 2026. An upswing in values, a falloff in new supply (which bodes well for fundamentals) and increasing deal velocity are all contributing to a brighter year ahead.

Global real estate values have been consistently nudging higher since the end of 2024, after having reset 16.2% from peak to trough¹, and total returns have been positive for even longer thanks to the consistent income real estate produces (Figure 1). Those positive total returns have been exceptionally broad-based—all 21 countries in the MSCI Global Quarterly Property Index generated positive total returns in each available quarter of 2025 data (Figure 2).

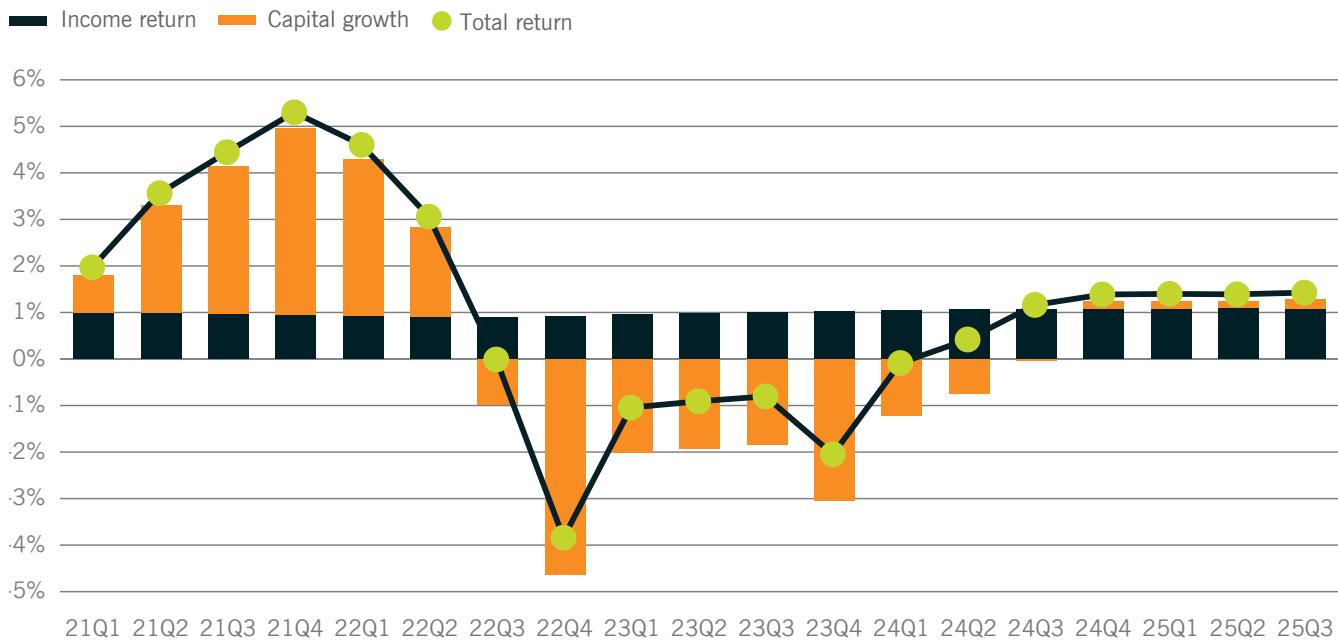
Over the course of 2025, real estate transaction volumes began to rebound in each region. Through the third quarter, rolling annual transaction volume was up 16% in Asia Pacific, 19% in Europe, and 21% in the U.S. For the first time since 2022, institutional investors in each global region are below their target allocation to real estate, providing additional dry powder for a capital markets recovery. In the U.S., as of October, transaction prices had increased 4.2% year-over-year with all major property types experiencing transaction price gains over the prior month, quarter and year. While there has been a consistent uptick in capital markets activity, both pricing and transactions broadly remain below pre-correction levels, and we expect to see further gains towards normalization in 2026.

A falloff in construction activity improves the outlook further. Construction costs remain elevated thanks to a confluence of high material prices, expensive labor and elevated construction financing rates. These factors have significantly tempered new construction starts (Figure 3), which means investment properties will have less competition from new assets in the years ahead. This bodes well for occupancy and rent gains over the medium-term, which should further benefit the asset class.

Unexpected challenges could arise as a result of an uncertain geopolitical and economic backdrop, but this is not new. As an asset class, real estate has been substantially de-risked due to the value correction experienced between 2022–2024. This does not mean real estate is without risk, but investors should consider reallocating to the asset class in 2026 if they have not already done so. Given the backdrop, however, we believe there should be a focus on necessity real estate with more resilient demographically driven demand drivers.

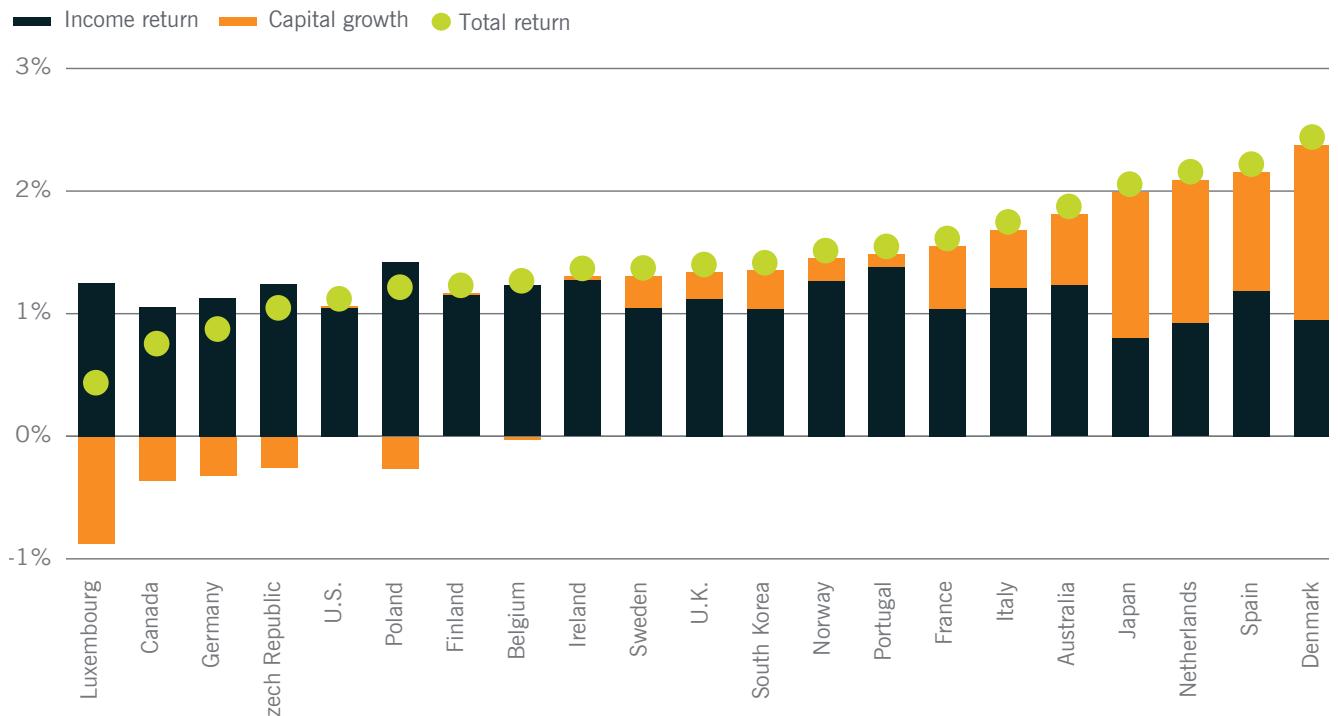
Global real estate values have been consistently nudging higher since the end of 2024.

Figure 1: Global quarterly total returns have been positive for six quarters



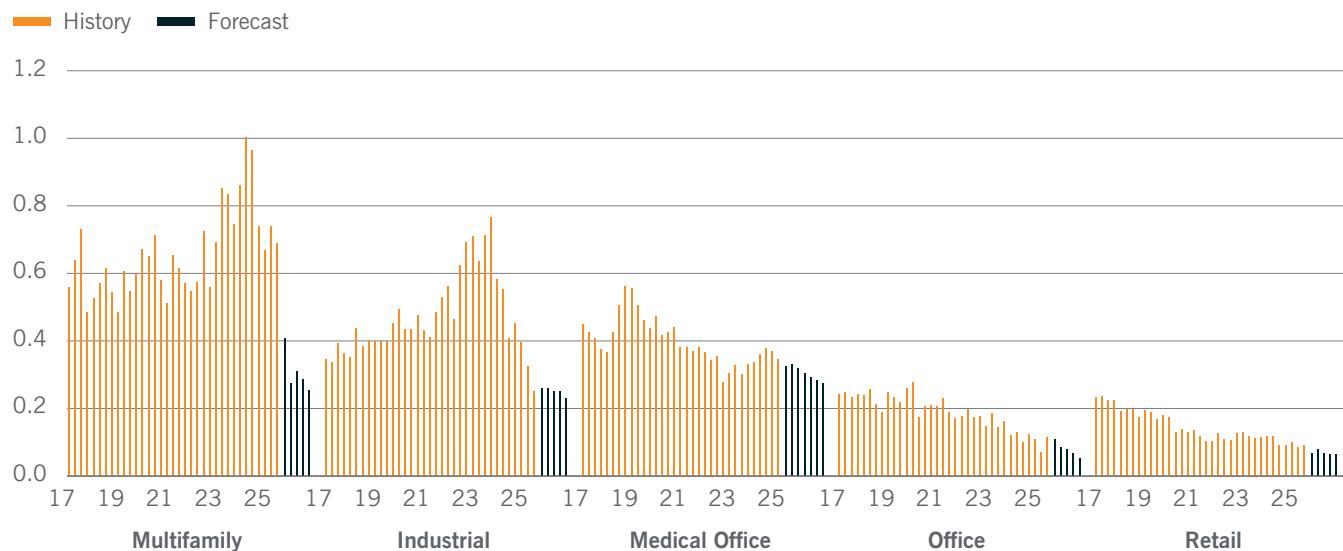
Source: MSCI Global Quarterly Property Index (Q3 2025 data as of 5 Dec 2025); Nuveen Real Estate Research.

Figure 2: Total returns are positive globally



Source: MSCI Global Quarterly Property Index (Q3 2025 data as of 5 Dec 2025); Nuveen Real Estate Research.

Figure 3: Quarterly deliveries as a percent of existing stock (Q1 2017 – Q4 2026)



Source: CoStar (Q3 2025); Revista (Q3 2025), Nuveen Real Estate Research.

Global opportunities

Global real estate appears to be turning a corner. In the third quarter of 2025, all 49 of 49 markets produced a positive total return² (Figure 4). The office sector remained the most challenged globally, but we continue to see significant dispersion across geographies. Between the third quarter in 2024 and 2025, the total return for German Office was negative (-0.9%), while the total return for Nordic Office was positive (7.6%), a spread of 850 points. South Korea's largest market, Seoul, had a vacancy rate of just 4.8% and rental growth at 6.7% year-over-year as of the third quarter³. This example demonstrates that real estate is not monolithic; each region, country and property sector presents opportunities for investors.

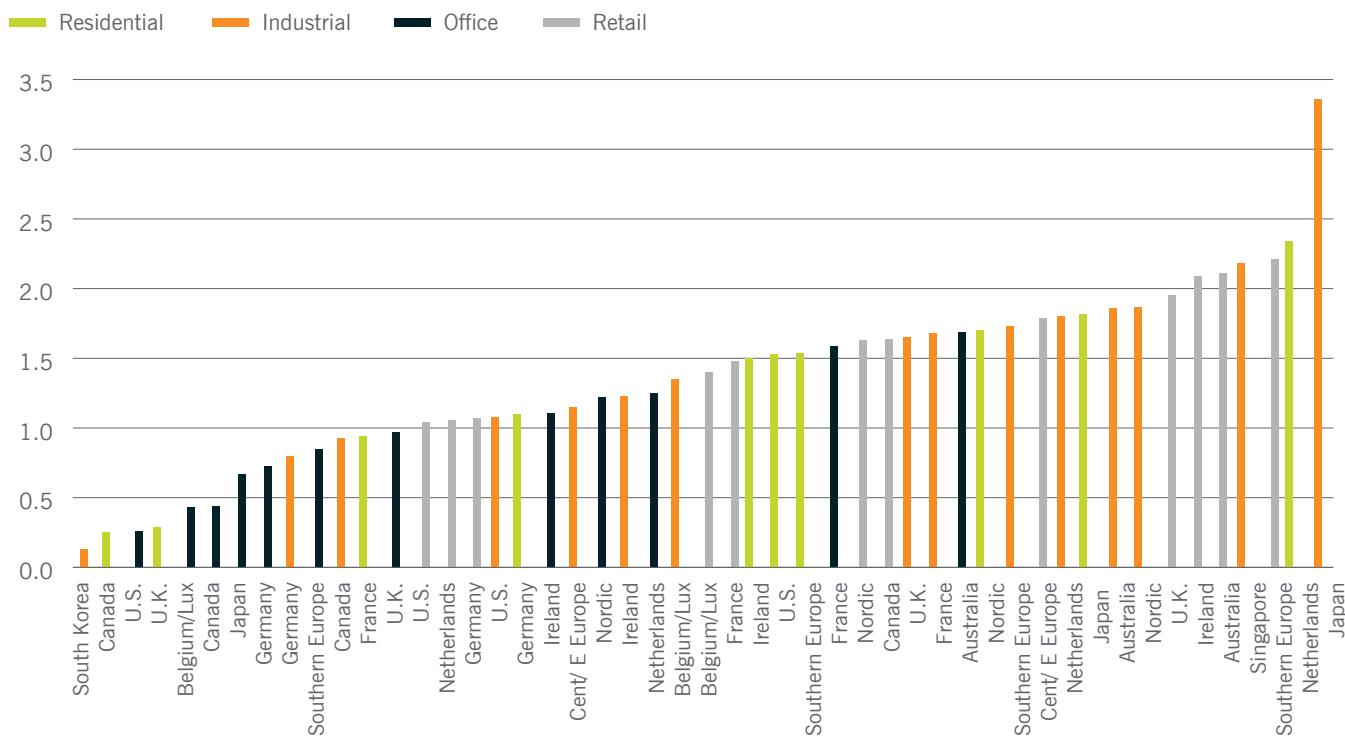
Innovation can drive real estate returns

We expect sector selection to contribute less to performance than we have seen in the past cycle, so asset selection and asset management become more significant drivers of return. With this in mind, artificial intelligence (AI) and energy transition technologies are emerging as powerful catalysts for real estate performance in 2026. AI is transforming property operations through building automation, enhanced tenant experiences and unprecedented data center demand, enabling compressed operating costs, more predictable NOI and opportunities for outperformance.

Meanwhile, the energy transition creates investment opportunities as over 10,900 companies with science-based targets drive strong occupier demand for green buildings (Figure 5), particularly in Europe where there are rental premiums of 5-10% in certain markets. These technological innovations aren't just operational improvements—they're becoming frontline drivers of value that separate efficiency leaders from laggards across real estate portfolios.

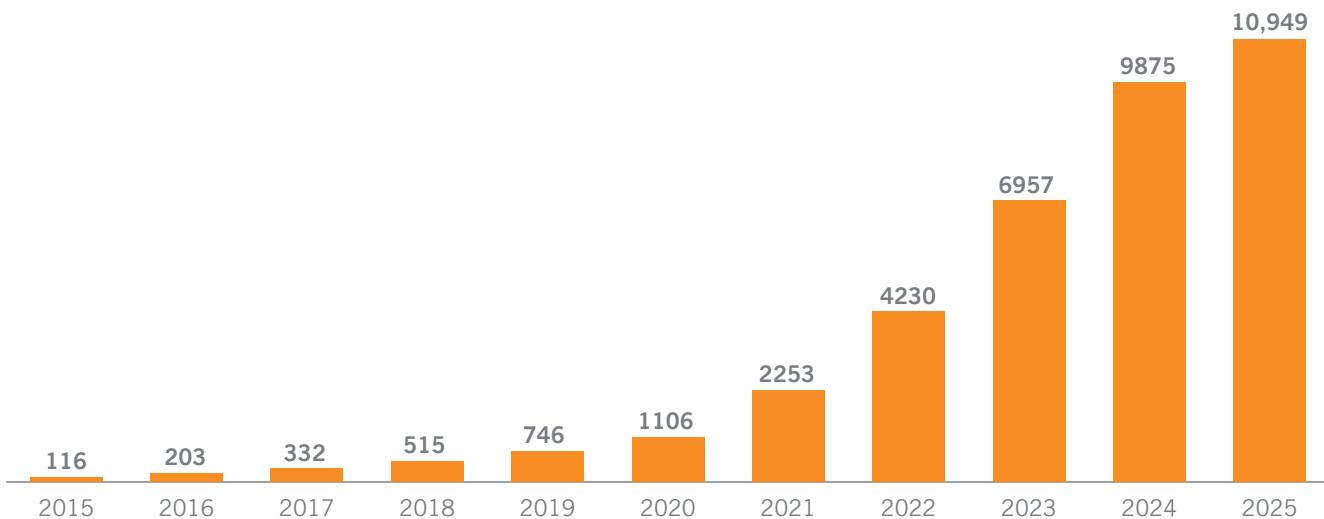
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Figure 4: Total returns are positive in all market segments



Source: MSCI Global Quarterly Property Index (Q3 2025 data as of 8 Dec 2025); Nuveen Real Estate Research.

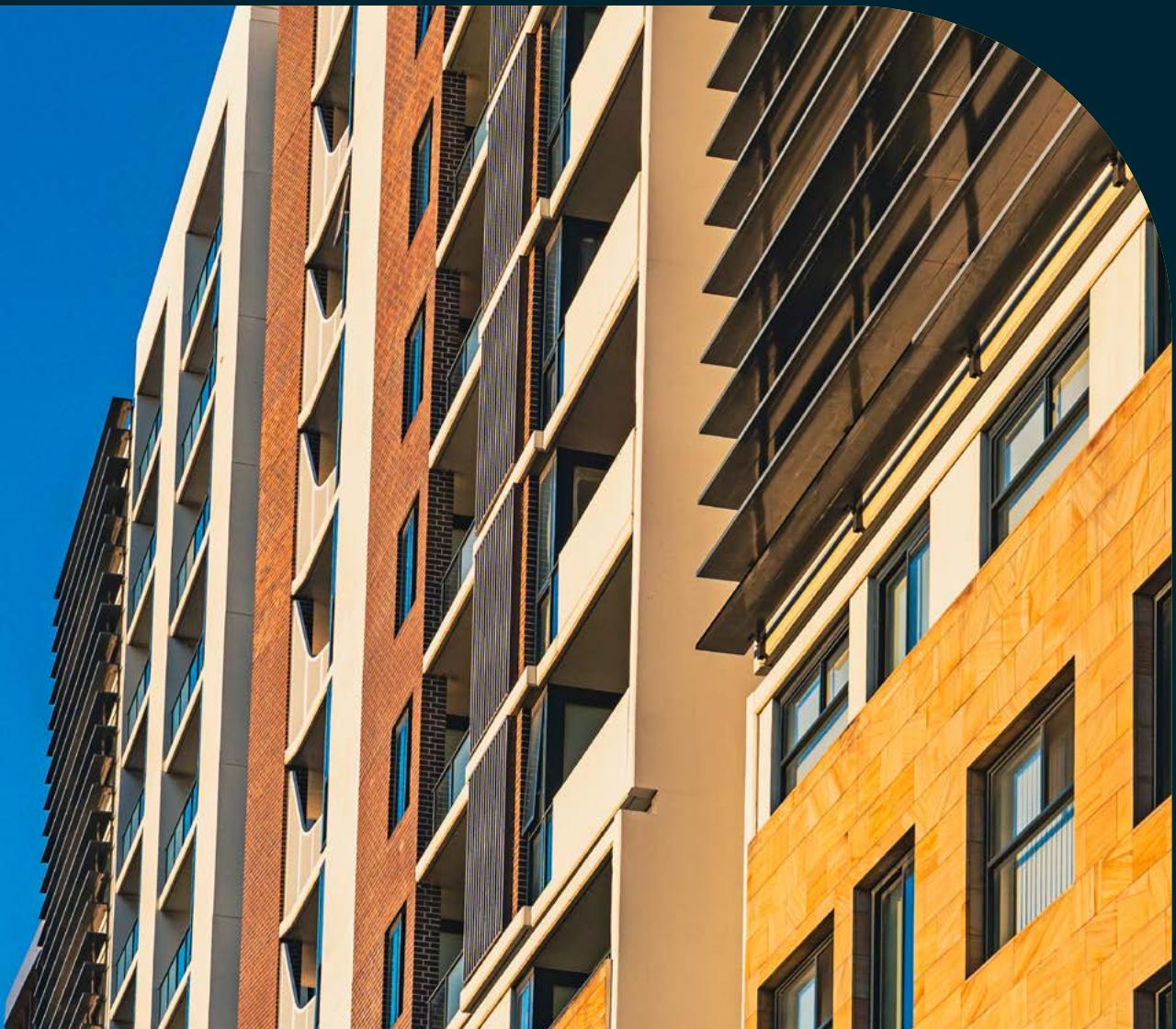
Figure 5: Science based targets initiative aligned companies



Source: SBTi Trend Tracker, August 2025.

Six picks for '26'

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.

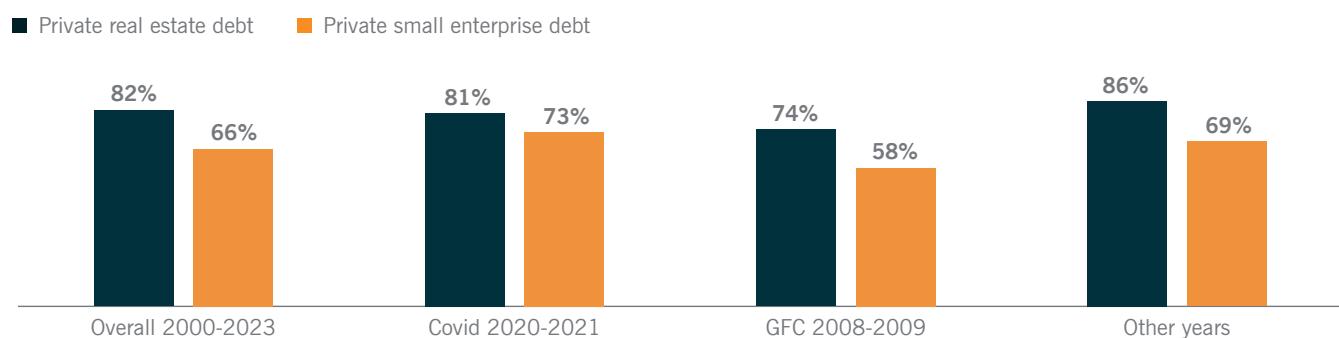
In the U.S., the continuation of the U.S. Federal Reserve's (Fed) current interest rate cycle should increase lending for commercial real estate and further support property values, driving additional debt and equity investment activity. These factors mean commercial real estate remains well positioned 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 e-commerce 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%.⁴ 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%,⁵ commercial real estate debt demonstrates lower volatility while maintaining similar returns to riskier asset classes. Recovery rates in real estate debt consistently exceed 80%, even during major market shocks (Figure 6).⁶ 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 6: Real estate has shown resilience across extreme market conditions



Source: GCD Bank data, July 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% by 2040.⁷ Seniors spend three times more on healthcare than younger cohorts,⁸ creating sustained tailwinds.

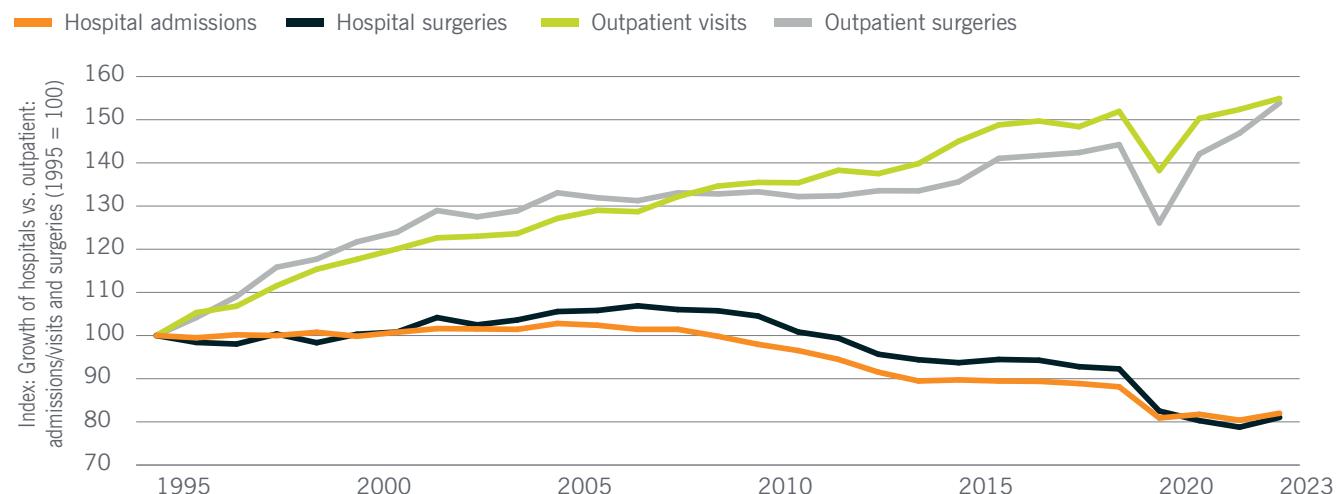
A fundamental shift from hospital to outpatient care is underway; hospital admissions have declined 10% while outpatient visits surged 13% over the past decade (Figure 7).⁹ Unlike traditional office properties suffering from work-from-home trends, medical visits remain necessarily in-person, with MOB vacancy rates at 7.4% versus 13.9% for traditional office, a 650 bps spread.¹⁰

In the APAC region, Australia is emerging ahead of becoming a super-aged society by 2035 (20%+ aged 65+)¹¹ 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% fill-rate, demand will continue to outpace supply, especially as the number of single elderly households also continues to grow.

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Figure 7: Outpatient care surges as hospital admissions and surgeries decline



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

Note: Data is updated through year-end 2023.



3 Demographic shifts make living sector favorable

The global living sector continues to draw robust investor interest, with the U.S., Europe and APAC 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.

APAC 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% 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 APAC, 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.

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4 Europe and APAC provide attractive conditions for student living

Purpose-built student accommodation (PBSA) is facing shifting dynamics across Europe and APAC, 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% and 12% year-on-year. Yet, the U.K. rebounded, demonstrating a 27% 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% 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.

APAC offers a contrasting but equally compelling set of fundamentals. Australia's student housing sector stands out for its resilience, marked by an 11% 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%.

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 APAC must cope with chronic undersupply despite investor appetite.

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5 Necessity retail proves resilient

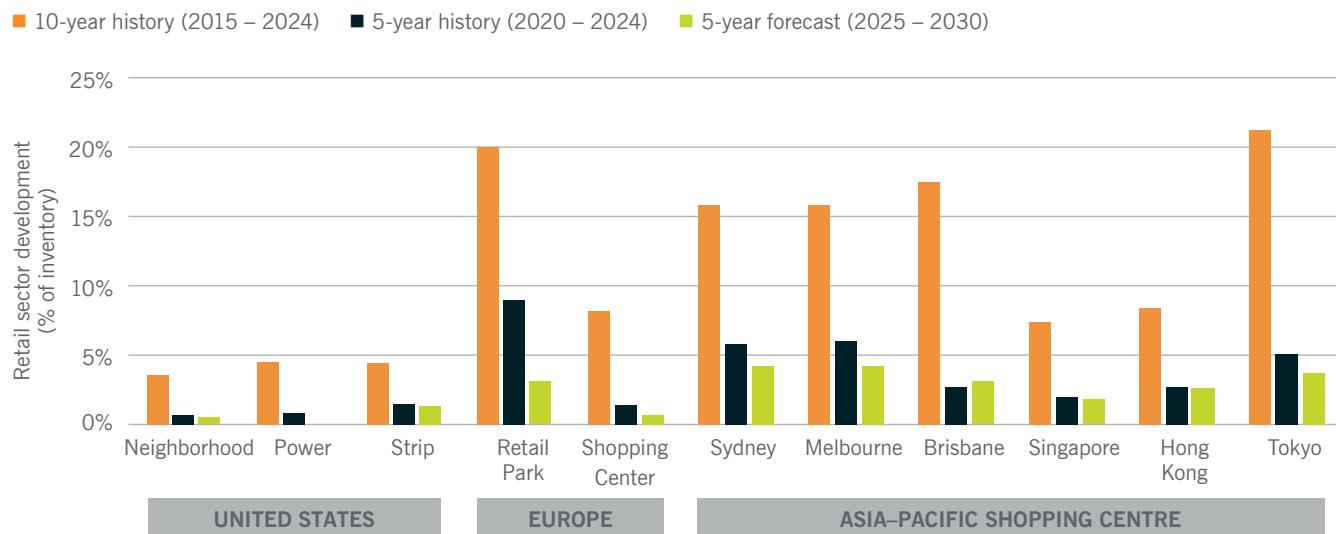
Our global research reveals three fundamental characteristics of successful necessity retail investments: strategic locations in demographically favorable areas, ability to attract best-in-class tenants and sustainable traffic patterns from market dominance. Post-pandemic shifts, including suburbanization, 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% higher than non-anchored counterparts, while limited new supply (just 0.2% of inventory) supports rent growth.¹²

European retail parks deliver 6% average income returns with diversified tenant mixes spanning grocery, home goods and essential services.¹³ Asia Pacific markets, particularly Australia's east coast cities, offer compelling yields of 6-7% supported by strong population growth projections.¹⁴

The digital-physical integration has evolved from threat to opportunity, with rising e-commerce fulfillment costs making in-store collection increasingly cost-effective. Combined with minimal development pipelines globally (Figure 8), attractive yield spreads and defensive income characteristics, necessity retail presents compelling risk-adjusted returns for institutional investors.

Figure 8: The retail development pipeline has never been this measured



Source: U.S. CoStar, data as of 4Q25. Europe PMA, dataset is Pan European 16 market average & 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.



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 fuelling 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 defence 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.

For more insights into real estate visit nuveen.com/realestate

Endnotes

1 MSCI Global Data, Q3 2025

2 MSCI Global Quarterly Property Index. Q3 2025 most recent data as of publication

3 JLL REIS, Q3 2025

4 CBRE Prime Capital Value Index

5 Fitch U.S., 2025

6 GCD Bank data

7 OECD Data Explorer, Health Expenditure and Financing Percentage of GDP, September 2025

8 OECD Population Projections, 75+ year-old population figures, November 2024

9 Nuveen Real Estate; American Hospital Association, June 2025. Note: Data is updated through year-end 2023

10 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

11 The Cabinet office, Ministry of Health Labour and Welfare, Ministry of Internal Affairs and Communications, National Institute of Population and Social Security Research

12 NCREIF data as of March 2025

13 MSCI as of 2024

14 Oxford Economics, as of June 2025

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