

CIO VIEWS: STRATEGY AND PORTFOLIO CONSTRUCTION

The private real estate recovery is getting real

Bottom line up top

Another week, another data drought... When the U.S. government shutdown finally ends and a backlog of economic reports is released, policymakers and financial markets raised on constant fresh data will finally rid their screens of stale reports. The last published U.S. unemployment rate, for example, was for August. And while the figure was a relatively low 4.3%, we're now approaching mid-November without a monthly nonfarm payrolls update from the Bureau of Labor Statistics. Meanwhile, privately collected labor market metrics such as layoffs show widening cracks in employment (Figure 1). Inflation has remained lower than expected in the wake of U.S. tariffs, but it is still well above the U.S. Federal Reserve's 2% target — never mind that the most recent print was for September. Barring a sudden breakthrough in Washington, the silence will continue this week.

...while crosscurrents could whip up a dust storm. As critical measures of the economy continue to languish in limbo, a pair of potential political and economic winds may be about to blow financial markets off course:

- First, with the shutdown now confirmed as the longest on record, identifiable drags on economic activity are evident. Hundreds of thousands of federal workers are on furlough or working without pay, government services are disrupted and forecasts flag sizable hits to GDP growth if the impasse persists. All of this weighs on confidence, consumption and business spending.



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On behalf of Nuveen's Global Investment Committee

As Head of Equities and Fixed Income, Nuveen's CIO 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 chairs Nuveen's Equities Investment Council and is a portfolio manager for several key investment strategies.

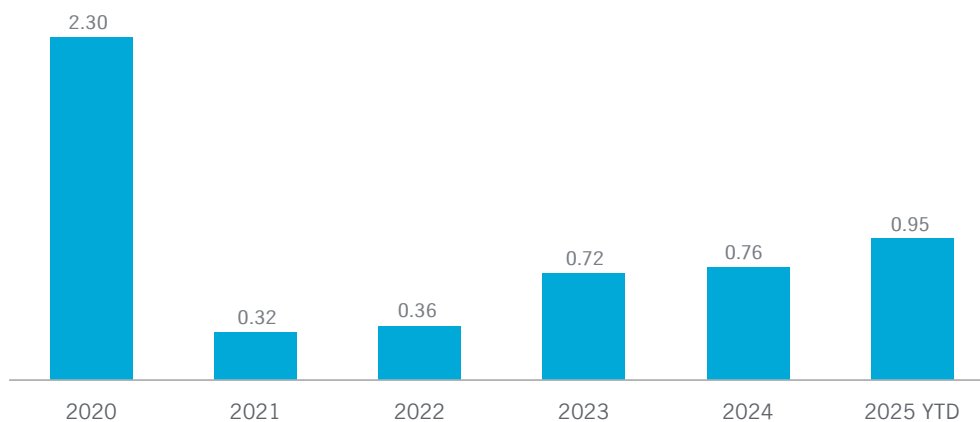
- Second, the U.S. Supreme Court’s hearing of a legal challenge to President Trump’s sweeping tariffs revealed the justices’ considerable skepticism toward the administration’s claim of executive authority to impose broad tariffs under the International Emergency Economic Powers Act. If the Court strikes down all or part of the tariffs, trade policy and global supply-chain expectations would be reshaped yet again, adding further uncertainty.

Together, current U.S. fiscal wrangling and unsettled global trade policy obscure the outlook for economic and financial forecasters. In equity markets, this shows up in heightened scrutiny of valuations — especially for AI and tech names that may have priced in perpetual growth. In fixed income, markets are wary of term-premium and duration risk. With public markets on edge, alternative assets such as private commercial real estate may be worth exploring. The asset class offers income-linked cash flows, inflation hedge potential and lower correlation to tech-growth euphoria.

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FIGURE 1: ANNOUNCED LAYOFFS APPROACH ONE MILLION IN 2025, THE HIGHEST SINCE 2020

Unprecedented job losses driven by U.S. government cuts and tariffs (millions)



Data source: Bloomberg, L.P., Challenger, Gray & Christmas, 30 Sep 2025.

Portfolio considerations

Following two years of declines, **global private real estate** returns have been positive for the past five quarters amid diminishing headwinds for the asset class. Rebounding real estate prices in most global markets, rising transaction volumes and a sharp drop in new-construction activity have all contributed. With real estate at a turning point, we continue to favor a global cities approach that emphasizes growing markets with educated and diverse populations.

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We are finding increasingly more attractive deals in real estate equity, particularly health care.

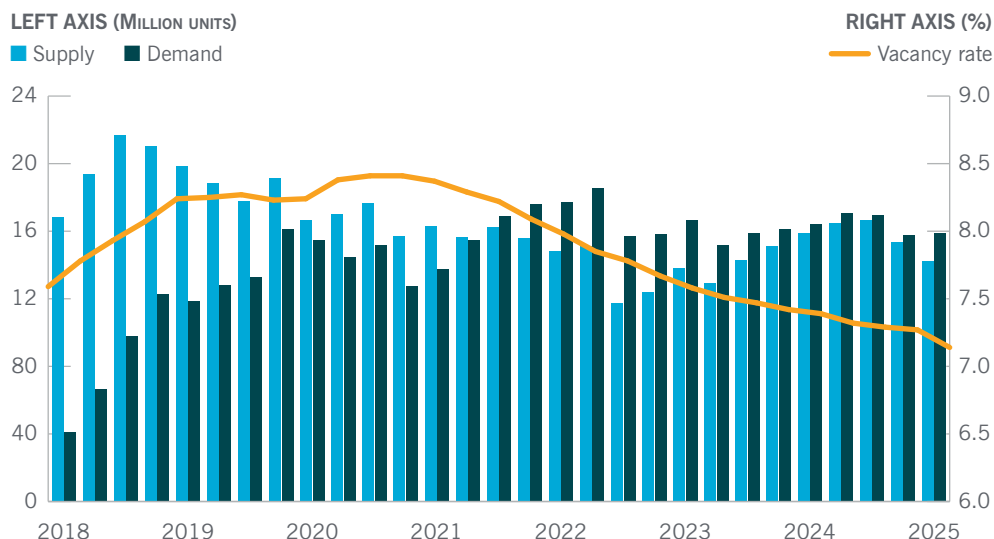
While real estate debt remains attractive, given high base rates, reset asset values and spreads that are still wider than normal — a rarity among credit asset classes in the current market landscape — we are finding increasingly more attractive deals in **real estate equity** as the pendulum begins to swing toward greater equity deployment.

Our most-favored property sectors include **health care** and **neighborhood retail**. Within health care, outpatient medical buildings (medical office) are benefiting from all-time-low vacancies. Vacancy rates for this subsector have been falling for four years as demand continues to outpace supply (Figure 2). Senior housing is another area of health care we prefer. The 75 years and older population is expected to grow 3.7% annually in the U.S. over the next decade. This burgeoning demand in the face of extremely limited supply supports strong fundamentals. Neighborhood retail is also experiencing vacancies well below its historical average, with construction starts dwindling to a 20-year low. In particular, grocery-anchored retail centers have outperformed, and we believe their resilience will continue.

Outside the U.S., **European real estate** stands out. Valuations have repriced significantly, interest rates are relatively low and economic growth is stable with potential upside. The residential sector is especially noteworthy on the strength of sustained investor demand, structural undersupply and relative insularity from geopolitical risk. In particular, we favor student housing for its structural undersupply and affordable housing, where demand is fueled by home prices and market rents that are rising much faster than personal incomes.

FIGURE 2: WITHIN MEDICAL OFFICE, DEMAND CONTINUES TO OUTPACE SUPPLY

Supply, demand and vacancies for medical office properties



Data source: Nuveen Real Estate Research, Revista, 30 Jun 2025.

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Nuveen's Global Investment Committee (GIC) brings together the most senior investors from across our platform of core and specialist capabilities, including all public and private markets.

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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