

- **Approaching an inflection point in the recovery:** After five consecutive quarters of positive returns, the NFI-ODCE Index suggests values have likely stabilized following a nearly 25% drawdown from peak levels. While risks remain, flat-to-improving pricing trends, narrowing bid-ask spreads, and an increase in transaction liquidity point toward a more constructive environment ahead.
- **A new set of winners and losers is emerging:** Supply pipelines are shrinking across major property types, while demand is simultaneously stabilizing, or in some sectors, beginning to accelerate.. Retail and alternatives continue to show resilience, multifamily rent growth has flattened, and vacancies remain slightly elevated, and industrial is transitioning from rapid growth to stable performance. Even office fundamentals are beginning to show early signs of stabilization in higher-quality assets.
- **Reversion to accretive leverage may unlock opportunity:** With the Federal Reserve initiating rate cuts in 2025 and financing costs beginning to ease, real estate may be moving out of a prolonged period of negative leverage. Historically, declining rates have supported valuation recovery and transaction activity — conditions that may support improved liquidity in 2026.
- **Selection matters more than allocation going forward:** In contrast to recent years, when sector allocation drove most relative performance, we expect asset-level selection to once again be the primary driver of outperformance. Dispersion is widening, and disciplined underwriting, operational execution, and local market expertise will be increasingly critical.
- **Technology and real estate continue to converge:** Data centers have become one of the most significant structural growth themes in private real estate, supported by AI, cloud computing, and digital infrastructure demand. While challenges remain, the scale and durability of these drivers underscore the growing importance of technology-enabled real estate assets.

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