

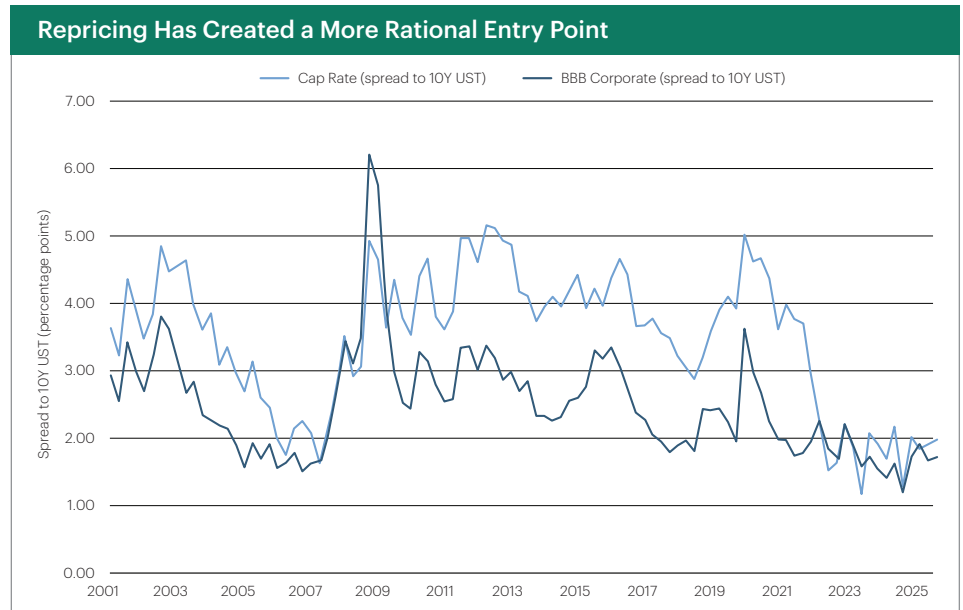
APOLLO

Why Real Estate in 2026?

MARCH 2026

Real estate has repriced. Supply is limited. And the **recovery is beginning to take shape.** Now may be a favorable time to allocate.

Real estate values peaked in 2022 and declined meaningfully over the following two years as interest rates rose sharply. That adjustment has largely occurred. Cap rate spreads widened materially during the rate shock and have since normalized. Relative to BBB corporate yields, real estate spreads now reflect a market that has already reset, not one priced at peak valuations.

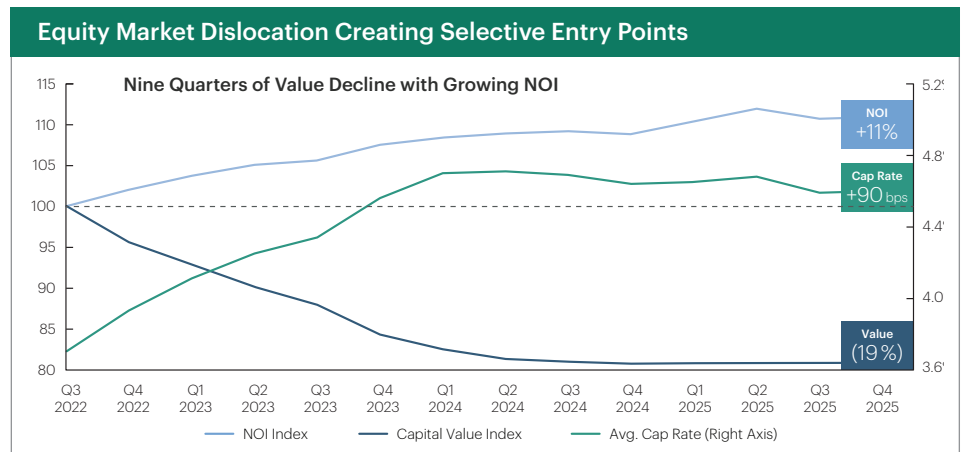


Source: Bloomberg and Bridge Investment Group Economist as of Q4 2025.

What this could mean for investors:

Capital is entering real estate following a repricing phase, with valuations more consistent with long-term averages and a more balanced risk-reward profile.

Over the past eight quarters, NOI increased, average cap rates expanded, and capital values declined. Income growth remained positive while asset values adjusted to higher interest rates. This divergence underscores that the recent correction was driven primarily by the rate shock, not by deterioration in property-level fundamentals. Unlike prior cycles where income collapsed before values corrected, this period reflects a pricing reset with steady underlying cash flows.

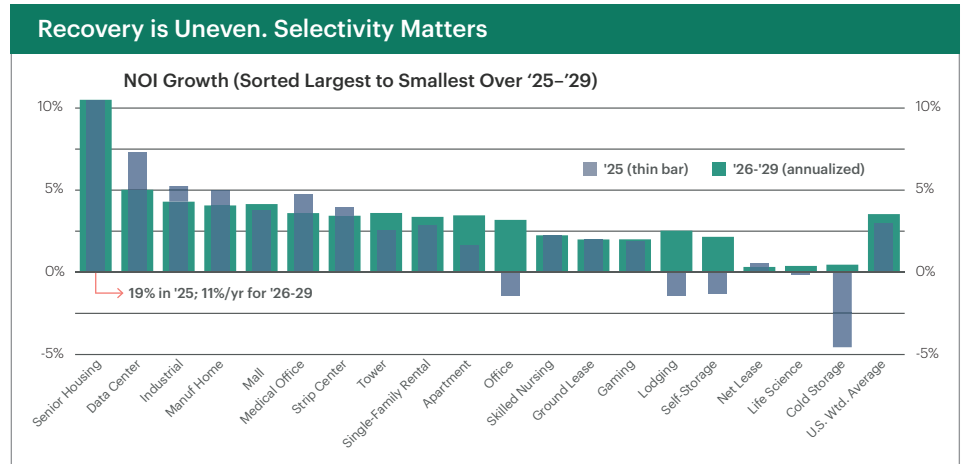


Source: Source: AEW, NCREIF.

What this could mean for investors:

If cap rates stabilize or compress, value recovery does not require extraordinary income growth. The repricing has already occurred while fundamentals remained intact.

Projected NOI (net operating income) growth varies meaningfully across property types over the next several years. While sectors like senior housing and data centers show the sharpest rebounds, others, including industrial, multifamily, and manufactured housing, offer more stable, durable growth. This dispersion reflects a market transitioning from dislocation to normalization, not a broad-based upswing. In prior cycles, late-stage recoveries were often driven by rising leverage and expanding multiples. Today's environment is different. Performance will likely depend more on sector exposure, asset quality, balance sheet discipline, and market-specific supply dynamics.

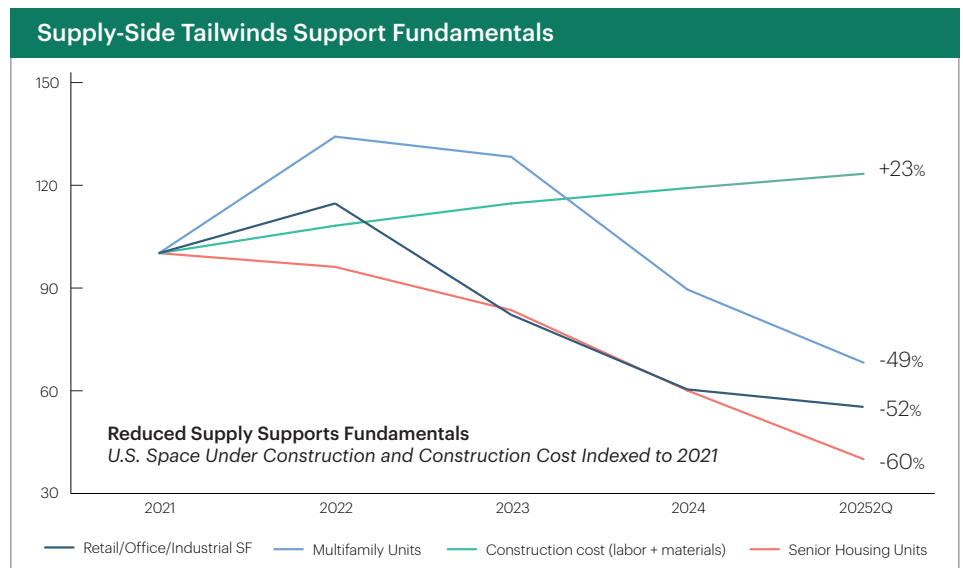


Source: Green Street U.S. Commercial Property Outlook as of November 2025.

What this could mean for investors:

In a fragmented recovery, outcomes may depend more on what you own than on timing alone. Selectivity and underwriting discipline matter more than broad exposure.

After years of elevated financing costs, rising construction expenses, and regulatory delays, new development has slowed sharply across most major real estate sectors. Unlike prior cycles where supply accelerated into late-stage recoveries, today's environment is characterized by muted development pipelines and disciplined capital formation. This creates a structurally supportive backdrop for existing assets, particularly in sectors where demand remains durable and inventory growth has meaningfully slowed.



Source: Costar, Turner, NICMAP, MSREI Strategy, data as of August 2025

What this could mean for investors:

When asset values reset and new supply is constrained, existing properties may benefit from improved occupancy stability, stronger pricing power, and greater downside protection through replacement-cost support.

- **The Cycle is Turning – Selectively.**
- **Asset values have reset. Financing conditions are improving. Supply is constrained. Fundamentals remain intact.**
- **This is not a late-cycle environment characterized by expanding leverage and peak valuations. It is a market emerging from a rate-driven correction, with pricing now more consistent with long-term averages.**
- **For investors with a long-term horizon, 2026 may represent a more rational point in the cycle to reengage with private real estate.**
- **The opportunity today is not about chasing momentum. It's about allocating capital after a repricing phase, with structural supply support and improving dynamics.**

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