2026

HOUSE VIEW

From Static to Signal: The Path to Lift-Off

NORTH AMERICAN PROPERTY MARKET OUTLOOK

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EXECUTIVE SUMMARY

We are pleased to present our **2026 North American House View**. This publication is produced each year and serves two essential purposes. First, it highlights our outlook for the North American economy and the commercial real estate (CRE) sector. Secondly, it presents our strategic focus areas and approach to capture the opportunities presented in the current environment.

REPORT HIGHLIGHTS:

1. **From Repricing to Relative Value:** After several years of valuation adjustment and constrained liquidity, real estate capital markets are beginning to transition from gridlock toward normalization. While liquidity is returning unevenly, transaction evidence across public and private markets suggests much of the repricing has occurred, even as appraisal-based valuations remain uneven and inconsistently marked. The next stage of the cycle is increasingly defined by relative value, sector dispersion, and execution-driven outcomes.

2. **A Bifurcated Economy Anchored by AI Investment:** U.S. economic momentum is decelerating across much of the economy, as labor market softening and mounting strain on lower-income consumers dampen demand. The key exception remains AI-driven capital investment, which continues to support pockets of resilience through productivity gains and outsized spending.

3. **Data Centers and Power Infrastructure Constraints:** Demand for data center capacity continues to accelerate, driven by cloud computing and generative AI adoption, while power availability has emerged as the binding constraint. This imbalance is reshaping market geography, redirecting investment toward U.S. and European markets with favorable energy profiles. The resulting scarcity supports long-term pricing power for developers able to secure and deliver energized capacity.

4. **Real Estate Lending:** As banks and insurers recalibrate under evolving regulatory and capital frameworks, non-bank lenders are playing an increasingly central role in CRE finance. Real estate credit continues to offer an attractive opportunity, supported by conservative underwriting and tangible collateral. Structural demand for gap capital, construction lending, and senior mortgages persists as the market works through refinancing and recapitalization needs.

5. **Housing, Industrial, and Foundational Strategies in an Early Recovery:** Supply pipelines across multifamily and industrial are contracting sharply following several years of elevated deliveries, setting the stage for improving fundamentals as capital availability gradually improves. Foundational strategies, particularly open-end funds with measured exposure to develop-to-core execution, are positioned to benefit from a new liquidity cycle.

6. **Placemaking and Mixed-Use Rent Premiums:** As the cycle shifts toward execution and tenant selectivity, placemaking is becoming a more important driver of relative performance. This trend is supported by consistent rent premiums in mixed-use environments, particularly within high-quality urban nodes.

U.S. ECONOMIC CONDITIONS

Policy uncertainty and geopolitical developments in 2025 generated an unusually heavy headline cycle that tested the conviction of many investors. Against that backdrop, one of our core disciplines has remained unchanged: separating the signal from the noise, particularly given the multi-year horizons of real estate investments. This has not been a straightforward exercise. We have experienced several false starts toward recovery over the past two calendar years, moments when liquidity appeared to return and confidence began to rebuild, only to be interrupted by new policy shocks or macro crosscurrents. Yet, as we look ahead to 2026, there are credible reasons for cautious optimism. Capital is once again finding its way back into the market, liquidity is improving at the margin, and economic and property fundamentals have held up better than anticipated through the turbulence.

What makes the current environment particularly challenging to interpret is that the key economic indicators have, in many respects, remained unexpectedly normal despite extraordinary policy rhetoric. Employment and wage growth have moderated but remain resilient; consumer spending persists even as sentiment surveys paint a more pessimistic picture. This divergence between hard data and soft indicators has led some to label the current situation as a “vibecession.” Noise in the data has been amplified by structural problems in the data collection itself: post-pandemic response rates to economic surveys have declined significantly, and the recent government shutdown created additional gaps in timely information flow. In this type of environment, false signals can proliferate, reinforcing the importance of understanding not just what is happening, but what is already priced in and what remains underappreciated, particularly as key sectors diverge sharply in their trajectories.

The Bifurcated Economy: AI-Driven Expansion and Everything Else

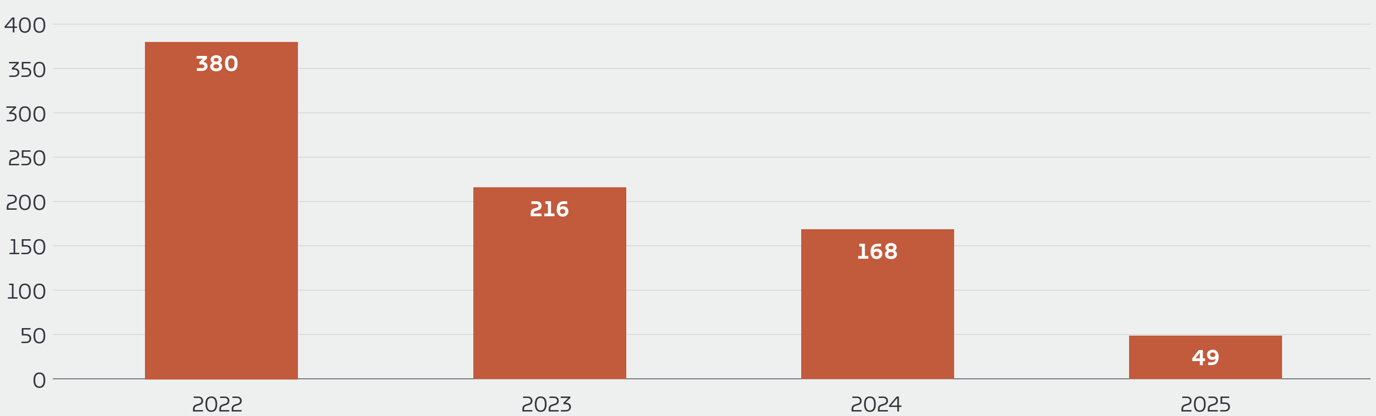
The U.S. economic data have become increasingly mixed, reflecting an economy that defies simple characterization. We begin with the indicators that continue to demonstrate resilience. At the aggregate level, growth has remained firmer than many expected: third-quarter GDP surprised to the upside at 4.3% annualized, driven by sustained consumer spending and business investment.

Looking forward to 2026, fiscal policy should provide an incremental tailwind. The Congressional Budget Office estimates that provisions in the "One Big Beautiful Bill Act of 2025," most notably full expensing for certain capital investments and select tax refunds to households, could add roughly **0.4 percentage points to GDP growth in 2026.**[1] Meanwhile, the drag from tariff implementation, which weighed on activity in 2025, is expected to fade assuming trade policy remains broadly stable.

What increasingly defines the current cycle, and distinguishes the U.S. economy from its global peers, is the scale and concentration of AI-related capital investment. The **"Magnificent Seven," plus Oracle, now represent more than 35% of S&P 500 market capitalization**,[2] an unprecedented level of concentration that underscores how central the AI narrative has become to U.S. asset prices. This concentration mirrors real-economy investment trends: capital expenditures by the five largest hyperscalers are projected to reach nearly $400 billion in 2025, almost double 2024 levels, and are expected to exceed $500 billion in 2026.[3] The associated buildout of data centers, power infrastructure, and advanced computing has already been a substantial contributor to U.S. GDP growth in 2025,[4] and the consensus among operators is that current and planned capacity remains insufficient to meet even baseline demand.

That said, the resilience in headline growth increasingly contrasts with **softening employment trends**, creating a more complicated set of signals for policymakers and investors alike. Payroll growth has slowed meaningfully (**Exhibit 1**), growing by an average of 12,000 jobs per month since May. This weakness can be attributed to several intersecting factors, each with different implications for the cycle ahead. First, net immigration has declined precipitously from the record inflows seen in 2023 and early 2024. As outlined in our **RESEARCH,** foreign-born workers accounted for approximately **75% of U.S. labor-force growth over the past two decades** and nearly **88% over the past five years**.[5] With immigration now slowing and domestic working-age population growth continuing to decelerate, the Federal Reserve Bank of Dallas estimates that the breakeven level of monthly job growth, the pace needed to keep unemployment stable, has fallen sharply, from over 200,000 per month in recent years to closer to 30,000 today. Together, these dynamics have given rise to what many now describe as a "No Hire, No Fire" labor market. Employers, wary of a potential economic slowdown, remain reluctant to add headcount, yet are equally hesitant to pursue aggressive layoffs, mindful of the severe labor shortages that followed the post-pandemic rebound.

EXHIBIT 1: U.S. AVERAGE MONTHLY EMPLOYMENT GROWTH



Source: BLS

1. https://www.cbo.gov/publication/61738#:~:text=In%20addition%20to%20boosting%20aggregate,increase%20in%20the%20labor%20supply
2. As of December 27, 2025
3. Based on Q3 earnings guidance
4. Estimated by the Federal Reserve Bank of St. Louis to have contributed 39% of Q3 2025 YTD GDP growth: https://www.stlouisfed.org/on-the-economy/2026/jan/tracking-ai-contribution-gdp-growth
5. https://www.epi.org/publication/the-u-s-born-labor-force-will-shrink-over-the-next-decade-achieving-historically-normal-gdp-growth-rates-will-be-impossible-unless-immigration-flows-are-sustained/#:~:text=The%20Congressional%20Budget%20Office%20(CBO,just%20the%20U.S.%2Dborn%20population

Second, **the gap between GDP growth and employment growth has fueled a growing debate around productivity**, and the role of AI. This narrative has gained traction as output has remained firm even as hiring has cooled, suggesting at least the early contours of productivity enhancement. The evidence, however, remains mixed. Recent studies from MIT and Stanford suggest AI's impact has been most pronounced in the technology sector and among entry-level workers performing routine cognitive tasks, while other research indicates that measurable productivity gains have yet to materialize broadly, or have even generated modest net job creation as new AI-adjacent roles emerge.[6,7] What is clear is that AI adoption among workers continues to expand,[8] and whether these tools ultimately prove labor-augmenting or labor-displacing may depend heavily on sector, occupation, and firm-level implementation. This uncertainty is compounded by demographic realities: the U.S. and other developed economies are contending with aging populations and slowing labor force growth, meaning some degree of productivity enhancement may be necessary simply to sustain current economic growth trajectories. **The question of whether recent employment softness reflects constrained labor supply or weakening employer demand is not merely academic. It has direct implications for Federal Reserve policy, the path of interest rates, and ultimately, the cost of capital for real estate investment.** The rise in the unemployment rate to 4.4%[9] and slowing wage growth may be indicative that slowing demand is the primary factor.

Maximum employment is half of the Fed's dual mandate; the other half is price stability, and here the data has confounded expectations in ways that complicate the policy outlook. At the outset of 2025, the baseline estimate among many economists was that, all else equal, each 1% increase in the effective tariff rate on U.S. imports would translate into roughly 10 basis points of additional inflation. Yet changes in both the Consumer Price Index (CPI) and the Personal Consumption Expenditures (PCE) measures are essentially flat from the beginning of the year,[10] despite the effective tariff rate rising from 2.4% in January to 16.8% by the end of November.[11] On its face, this suggests tariffs have had negligible inflationary impact.

However, there is no "all else equal" in economics, and the tariff shock did not occur in isolation. The uncertainty created by trade policy likely dampened demand, particularly for durable goods and business investment subject to long procurement cycles, while slower immigration growth has also reduced aggregate demand at the margin. Policy shifts create frictions: for example, planning uncertainty that shows up in deferred projects and elongated decision-making. This could be an additional factor behind the recent divergence between data and sentiment surveys, particularly around the theme of affordability. Consumers and businesses may be responding less to realized inflation than to the unpredictability of future costs.

That said, these policies are consistent with the continued fracturing of the global economy amongst key regional blocs that has been occurring for the past decade, and accelerated following the pandemic. Tariffs have become increasingly concentrated on Chinese imports, a shift with implications we have explored in previous **RESEARCH,** particularly for industrial real estate and supply chain reconfiguration across North America. Investors with multi-year horizons are increasingly looking through near-term volatility to assess the enduring impact on supply chains and regional competitiveness, and many expect trade policy changes to moderate as the administration prioritizes stability heading into the 2026 midterm elections.

6. https://arxiv.org/html/2510.25137v1#S7
7. https://digitaleconomy.stanford.edu/wp-content/uploads/2025/08/Canaries_BrynjolfssonChandarChen.pdf
8. https://www.gallup.com/workplace/699689/ai-use-at-work-rises.aspx
9. As of December 2025
10. CPI was 2.9% YoY in December 2024, 2.7% YoY as of December 2025. PCE was 2.7% YoY in December 2024, 2.8% YoY as of November 2025
11. https://budgetlab.yale.edu/research/state-us-tariffs-november-17-2025

CRE Capital Markets: It's All Relative

The current capital-markets backdrop increasingly has similarities with where we stood at this point in 2024. Then, as now, a series of three Federal Reserve rate cuts in the fall helped catalyze a pickup in market activity and a perceptible improvement in sentiment. The easing cost of debt, primarily at the short end of the curve, has supported refinancing and extension activity, and helped narrow bid-ask spreads.

That improvement is now visible across multiple dimensions of market activity and sentiment:

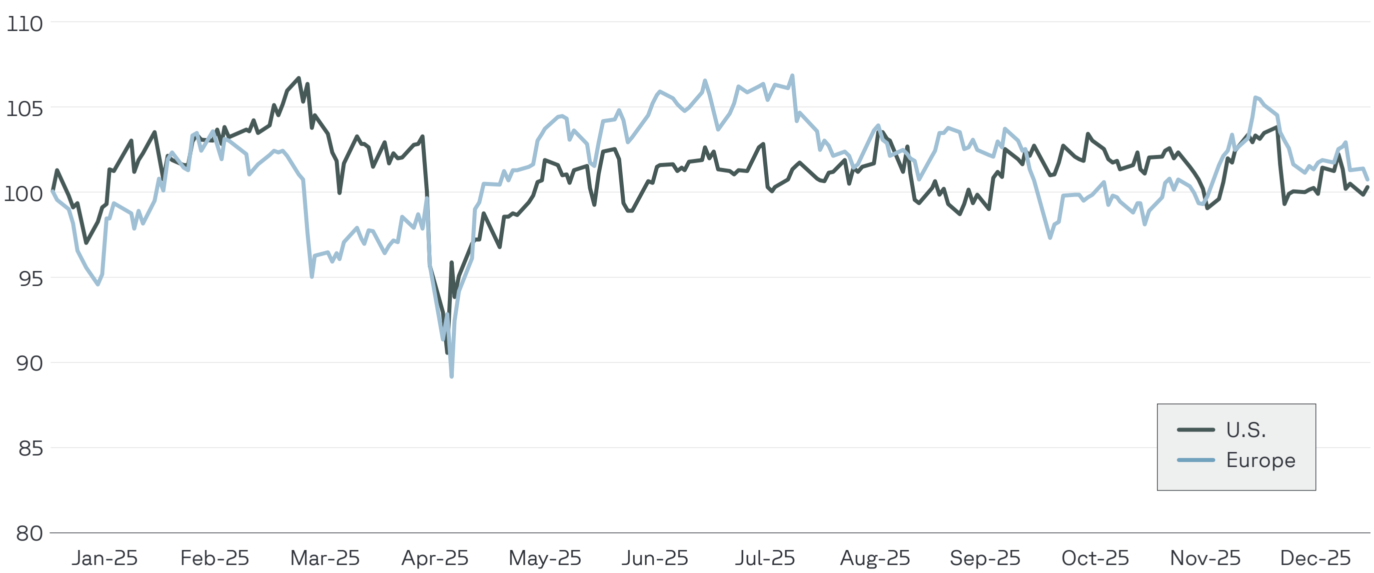
- **Lending volumes are up 47% year-to-date**, with **private debt fund activity up 67%**,[12] reflecting both borrower demand and the growing role of non-bank lenders.
- **U.S. real estate transaction volumes in 2025 were up 23% versus 2024**,[13] signaling a gradual thaw in deal activity, though this remains well below the peak years of 2021-2022 and continues to reflect a market still working towards equilibrium, amid increasing capitulation from both legacy owners and lenders.
- Investor sentiment has followed, with the PREA Consensus Forecast for total returns over the next three years rising by more than 200 basis points since Q3 2024, **signaling that institutional investors are beginning to price in recovery** rather than further deterioration.

True to form in early-stage recoveries, debt and value-oriented strategies are gaining traction ahead of stabilized core allocations. Liquidity is not returning uniformly, yet the interplay of declining borrowing costs, increased transaction activity, and rising return forecasts imply that markets are evolving from gridlock into a more deliberate, quality-differentiated phase of price discovery.

Additionally, there are indications that values have stabilized across both public and private markets, and the next leg of the cycle may feature a more broad-based recovery rather than the narrow trading that has dominated the past two years. Evidence of this stabilization is emerging across multiple benchmarks:

- **Public REIT valuations were essentially flat in 2025** despite significant policy uncertainty and volatility throughout the year (**Exhibit 2**). This was true across **both U.S. and European REIT indices**, even after an initial bout of European outperformance following the Liberation Day tariff announcements.
- **Private real estate values followed a similar trajectory**, with the NCREIF Property Index (NPI) up just 14 basis points in 2025, indicating a pause in the repricing that defined the prior two years. While broad-based markdowns now appear less likely absent a macro shock, appraisal marks, and in particular ODCE industrial, still have room to adjust as valuations converge with market-clearing transactions.
- Green Street's Commercial Property Price Index (CPPI) tells the same story, up 2.8% year-over-year as of November, reflecting modest appreciation but signaling that the repricing process has largely run its course.

EXHIBIT 2: U.S. VS. EUROPEAN REIT INDEX VALUES IN 2025



Source: Bloomberg

12. Per MBA, as of Q3 2025
13. Per Real Capital Analytics

Building on these early signs of valuation stability, the discussion increasingly turns to relative value, and here, private real estate appears more compelling than headline cap-rate comparisons alone might suggest. While cap rate spreads to investment-grade fixed income remain historically tight, that framing overlooks two important offsets.

- First, **inflation expectations remain elevated**, and our **RESEARCH,** indicates that the inflation-hedging characteristics of commercial real estate, through income growth, lease resets, and replacement-cost dynamics, justify structurally tighter cap rate spreads to investment-grade fixed income at this point in the cycle relative to long-term averages.
- Second, in a broader asset-allocation context, the divergence between public and private markets has become difficult to ignore. The **S&P 500 has nearly doubled from its 2022 trough**, buoyed by AI-driven earnings optimism, while **private real estate valuations remain roughly 21% below their peak, and 27% below Q4 2019 levels on an inflation-adjusted basis.** Viewed through that lens, our **RESEARCH,** finds that private real estate entry points appear to screen as increasingly fair, if not outright attractive, relative to both equities and high-yield credit.
- Third, as valuations normalize, those core assets that have been appropriately marked offer improved yields, creating what investors may find as an attractive attachment point for long-duration capital. Importantly, core investments with embedded value-creation drivers (ex. leasing, operational upside, or selective development) appear especially compelling over the next three years as the cycle shifts from repricing to execution-driven outcomes.

This relative-value setup helps explain the shifting patterns of investor behavior now emerging across property sectors. While public equity markets have already repriced aggressively, private real estate has yet to experience a comparable recovery, creating room for differentiation as capital returns. Beneath the surface, investor sentiment is turning selectively: retail has come back into favor in part due to its higher going-in cap rates, mixed-use environments that combine lifestyle retail with residential and other uses continue to demonstrate strength, and capital is beginning to target the best office assets in the healthiest markets (e.g., Manhattan, San Francisco, and Dallas), even as many other office markets continue to lag.

As liquidity gradually improves, this environment favors disciplined capital allocation, separating opportunities that warrant conviction from those that still demand patience.

"The next phase of recovery will not lift all boats equally. Pricing will differentiate those sectors with the strongest demand fundamentals as well as operational superiority. We see a return to basics, in which assets with proven cash flows, strong tenancy, and attractive cost basis, as well as the ability to create value over time, will command a premium."

LEN O'DONNELL, Chairman & CEO

TRENDS, OPPORTUNITIES, AND STRATEGIES

As U.S. commercial real estate capital markets navigate this inflection point, demand drivers across major property sectors have proven more resilient than many expected through this cycle. Construction deliveries are projected to decelerate substantially in industrial and multifamily beginning in 2026, a lagged consequence of sharply reduced starts over the past few years as elevated construction costs and restrictive debt availability curtailed new projects. This supply-side adjustment is poised to provide incremental support to operating fundamentals just as capital availability begins to improve.

For more than a decade, investor returns were driven by sector allocation, and aggressive fiscal and monetary policy that led to consistently falling interest rates and cap rate compression. It is our view that these tailwinds will not be present for the foreseeable future, but there has emerged a compelling opportunity to deploy capital thoughtfully, emphasizing resilience, income durability, and growth through execution.

"As liquidity gradually returns and price discovery continues, we believe investors who remain patient, selective, agile, and focused on fundamentals will be best positioned to navigate the transition."

LEN O'DONNELL, Chairman & CEO

Accordingly, it will be via the market's acceptance that values are settling into a new range that will bring back liquidity. **This requires the industry to acknowledge that the last five years represent, to a certain degree, a lost vintage, and that a resetting of expectations is needed to re-engage with transactions and deployment under a new reality.** Against that backdrop, our investment focus centers on value creation and themes rooted in durable demand growth: the convergence of real estate and technology infrastructure, credit strategies, rental housing, and a disciplined mix of opportunistic and foundational investment approaches designed to perform across cycles.

Technology and Real Estate

The U.S. economy is increasingly driven by technology and digitization, reshaping traditional industries and creating entirely new markets. The rapid advancement of artificial intelligence, cloud computing, and big data analytics is transforming how businesses operate and redefine consumer experiences. Companies across sectors are leveraging digital tools to streamline processes, enhance productivity, and scale operations globally. The proliferation of e-commerce, along with traditional sectors such as manufacturing and healthcare leveraging technology to improve efficiency and deliver new products and services, demonstrates how digital platforms have become embedded in everyday life, accelerating economic activity and innovation. The adoption and integration of these platforms is profoundly influencing real estate demand.

DATA CENTERS

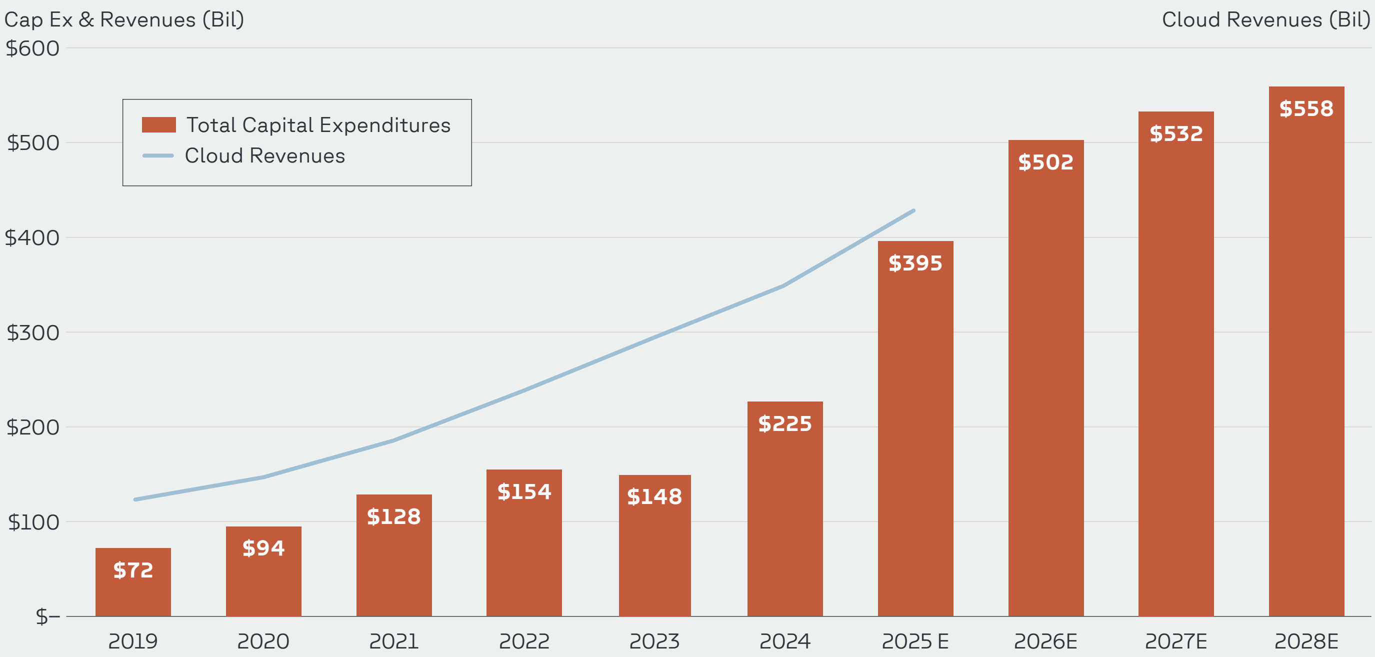
The U.S. economy's increasing reliance on technology has placed data centers at the core of its digital evolution. Data centers function as the vital organs of the digital economy, processing and storing the information that powers everything from online transactions to AI computations. Supporting them is a vast network of fiber optic cables and transmission lines, functioning as the circulatory system that transports data globally. Together, these "digital organs" and their "circulatory system" form the backbone of modern connectivity, ensuring the seamless flow of information that sustains the increasingly digital-dependent global economy.

Data center demand continues to accelerate, propelled by two primary tailwinds:

Cloud computing has become a foundational component of the global economy over the past decade. The four largest cloud providers[14] have turned digital infrastructure into a core utility, with combined cloud revenue run rates at $440 billion annually, and growing at a compounded 22% rate since 2016.[15] Cloud revenue growth has kept pace with rising capital expenditures, as shown in **Exhibit 3**.

Generative AI has accelerated this trend, requiring immense computational power and storage capacity to train and deploy advanced models. A single large-language-model query consumes roughly ten times the power of a standard web search. Overall adoption of AI tools has increased substantially, from 8% of the U.S. population in 2023 to 38% in 2025, with those self-classifying as "heavy users" increasing from 3% to 21% over the same period.[16] Enterprises are embedding AI into their core operations, causing demand for high-performance, low-latency infrastructure to soar, fueling the acceleration in both cloud revenues and hyperscaler capital expenditures.

EXHIBIT 3: HYPERSCALER CLOUD REVENUES AND CAPITAL EXPENDITURES TREND



Source: Company Filings, Bank of America, Affinius Capital Research

14. Amazon Web Services, Microsoft Azure, Google Cloud, and Oracle
15. Through Q3 2025, per company financials
16. https://sparktoro.com/blog/new-research-20-of-americans-use-ai-tools-10x-month-but-growth-is-slowing-and-traditional-search-hasnt-dipped/

Demand for data center capacity has continued to accelerate at an unprecedented pace. Net absorption increased from **6.3 gigawatts (GW) in 2023** to **9.6 GW in 2024**, and reached **16.9 GW in 2025**. This step function increase represents the convergence of the buildout of AI training infrastructure, the ongoing migration of enterprise workloads to the cloud, and rapidly growing inference applications as large language models move from development to production deployment. The supply response, while aggressive by historical standards, has been unable to keep pace, not due to lack of capital or developer activity, but because power has become the binding constraint. The U.S. grid currently supports roughly 36 gigawatts of data center load, yet demand through 2030 is projected to require nearly 80 gigawatts,[17] necessitating a rapid expansion of generation and transmission capacity. Similar pressures are emerging in Europe, where utilities in Ireland and the Netherlands have imposed connection moratoriums. Across major U.S. markets, interconnection queues have lengthened to four to seven years in most major metros and five to ten years in Northern Virginia, Columbus, and Northern California.[18] As a result, vacancy rates have fallen below 1% in many key markets, and developers with permitted sites and secured power allocations are commanding unprecedented pricing power, while hyperscalers increasingly redirect capital toward markets offering faster paths to energized capacity. **Of the nearly 17 GW leased in the U.S. this year, over 50% is outside the top twenty data center markets.**

Pennsylvania is emblematic of this shift. As the second-largest natural-gas-producing state with substantial nuclear and hydro capacity, it offers a diversified, reliable, and competitively priced energy mix combined with strategic proximity to East Coast population centers. Hyperscalers have moved decisively:

- Amazon purchased land adjacent to the Susquehanna nuclear plant for $650 million, securing up to 1.9 GW of carbon-free power.
- Microsoft entered a 20-year, $16 billion deal to restart Three Mile Island, adding 835 MW of clean energy.
- Google signed a $3 billion, 20-year PPA for 670 MW of hydropower from the Holtwood and Safe Harbor dams.

Similar dynamics are emerging across U.S. and European markets where strong energy profiles, land availability, and regulatory support are redirecting hyperscale investment away from historically dominant nodes.

Despite this compelling supply-demand imbalance, media skeptics have begun questioning whether an "AI bubble" is inflating, arguing that hyperscaler capital spending has outpaced plausible revenue trajectories and will inevitably result in stranded capacity. While capital markets have historically overbuilt during technological inflection points, and not every AI venture will deliver on its promise, this concern misreads both the current capacity deficit and the nature of the opportunity. Much of the capacity being delivered today is best understood as the **foundation layer**, which is the buildout required to train and deploy large language models, rather than the full expression of AI demand. The next leg of growth is likely to be driven less by training and more by **inference at scale**, as AI applications, tools, and agentic workflows become embedded across enterprise and consumer use cases. Importantly, hyperscalers are not building ahead of this future; they are playing catch-up to current demand, constrained more by power and delivery timelines than by customer appetites.

17. Goldman Sachs, "Generational Growth: AI, Data Centers, and the Coming U.S. Power Demand Surge", April 28, 2024
18. Eastdil Secured, as of Q3 2025

Our direct conversations with hyperscale operators consistently reveal the same dynamic: they are failing to meet internal deployment targets, constrained by power availability, and are generating strong returns on incremental investments. This dynamic is reinforced by management commentary: both Microsoft and Amazon have signaled that they expect to roughly double their data center footprint over the next two years, underscoring that leading operators view today's capacity as insufficient for the deployment targets already in motion. The below excerpts from Q3 2025 earnings calls highlight this dynamic:

aws "We're going to continue to be very aggressive investing in capacity because we see the demand... as fast as we're adding capacity right now, we're monetizing it...it's still quite early."

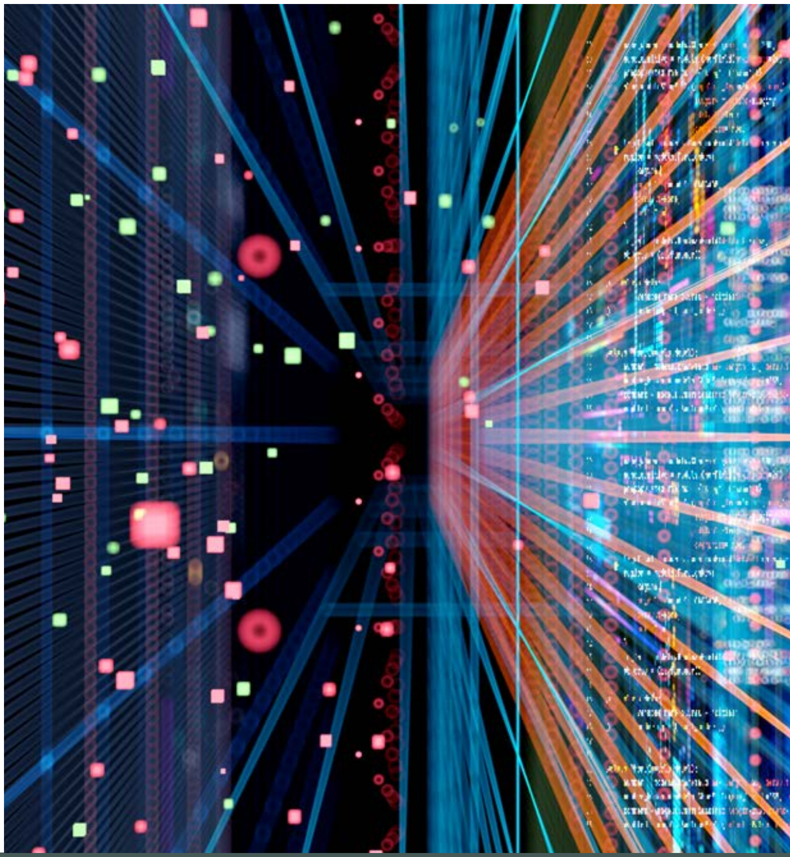
"Demand again exceeded supply across workloads, even as we brought more capacity online."

Alphabet "Google Cloud's backlog increased...reaching **$155 billion**...driven primarily by strong demand for enterprise AI," and "we've signed more billion-dollar deals in the first nine months of 2025 than in the past two years combined."

Meta "We are...operating...in a compute-starved state," and "there's a lot more compute that we could put towards these that would unlock a huge amount of opportunity in the core business."

That said, we do not claim to forecast which specific use cases will dominate or how quickly monetization will scale. Our investment thesis rests on more concrete ground: we are constructing mission-critical infrastructure for the world's most capitalized enterprises, secured by long-dated leases and investment-grade credit, in a market where supply constraints ensure pricing power for those who can deliver energized capacity. These supply constraints are reflected by the fact that of the 18 GW currently under construction, 93% is pre-leased.[19]

As an emerging sector, there are limited examples of fully realized investment cycles and successful exits at scale. However, our **RESEARCH** suggests capital formation is deepening rapidly, with institutional allocators increasingly comfortable underwriting data center investments and a growing universe of buyers, from REITs to infrastructure funds to hyperscalers themselves pursuing forward acquisitions, providing liquidity for those seeking to monetize assets. The sector's maturation is proceeding quickly, and we expect exit markets to continue broadening as operational track records lengthen and the asset class becomes better understood by traditional real estate capital.



Data center development exemplifies Affinius Capital's investment philosophy: identifying sectors where technology is fundamentally reshaping demand, in this case for physical infrastructure. Together with our affiliate Corscale,[20] we operate a vertically integrated platform controlling the entire development and investment process, from site selection and design through construction, leasing, capital markets and asset management. While powered shells presently represented the majority of our activity, one of our competitive advantages is our ability to create bespoke turnkey solutions for hyperscalers utilizing creative lease and ownership structures, a flexibility that has strengthened partnerships with industry leaders. This is not speculative development; it is build-to-suit and pre-leased construction backed by investment-grade tenants signing long-term leases, generating durable cash flows with embedded growth as power costs and scarcity drive rental escalations. The sector's extraordinary growth trajectory, combined with our operational capabilities and tenant relationships, positions data centers as a core component of our strategy for 2026 and beyond.

19. datacenterHawk, as of Q3 2025
20. Corscale, LLC and Patrinely Group, LLC are subsidiaries of the same parent company, Crimson Interests, LLC Affinius Capital owns a minority interest in Crimson Interests, LLC. Another company controlled by certain owners of Affinius Capital has a separate ownership interest, and combined, these companies own a majority interest in Crimson Interests, LLC. Please see Part 2A of Affinius Capital Advisors Form ADV for more information

INDUSTRIAL

Among major property sectors, industrial real estate was the most directly impacted by trade policy volatility in 2025. Shifting tariff regimes, uncertainty around global trade relationships, and evolving industrial policy created meaningful hesitation among occupiers, particularly manufacturers and logistics users with cross-border supply chains. As a result, lease execution slowed, and in many cases demand was deferred as tenants waited for greater clarity on sourcing, pricing, and long-term location strategy. This uncertainty weighed on near-term absorption.

Importantly, the forces driving that hesitation also point toward **structurally higher long-term demand for industrial space**. A fracturing global economy, defined by reshoring, nearshoring, supply-chain redundancy, and greater regional self-sufficiency, requires broader and more geographically distributed manufacturing and logistics footprints. At the same time, secular demand from e-commerce continues to underpin the sector. Online sales growth continues to outpace brick-and-mortar retail, and most retailers now operate an omnichannel model that depends on modern distribution infrastructure. Whether supporting last-mile fulfillment, regional bulk distribution, or returns processing, industrial space remains central to how goods move through the economy. While 2025 was characterized by pauses and recalibration, the direction of travel remains clear: these dynamics favor more industrial capacity over time, even if the path is uneven.

That long-term demand backdrop now intersects with a meaningful supply-side adjustment. Development activity has slowed sharply from its 2022 peak. Space under construction has declined from approximately 710 million square feet in Q3 2022 to roughly 318 million square feet today.[21]

Construction starts remain low, down 67% from peak levels and averaging just 59 million square feet over the past five quarters. As a result, **total deliveries in 2026-2027 are projected to decline by roughly 75% from the 2022-2023 peak**. National vacancy has risen to 7.5%, modestly above its 20-year average, as certain markets continue to digest recent elevated deliveries. Notably, industrial land pricing has generally held across most markets, signaling that capital continues to underwrite the sector's long-term relevance despite near-term normalization.

This environment is particularly supportive of modern, Class A industrial assets. Our **RESEARCH** shows that **newer, well-located facilities consistently outperform in the early stages of real estate recoveries**, a pattern illustrated in **Exhibit 4**. With new supply deliveries sharply curtailed, competition for high-quality space diminishes just as tenant demand begins to re-engage, allowing modern assets to capture leasing velocity, occupancy gains, and rent growth ahead of the broader market. This dynamic reinforces the persistent flight to quality observed across leasing activity and helps explain why performance dispersion within the industrial sector is widening as the cycle turns.

EXHIBIT 4: HISTORICAL OUTPERFORMANCE OF MODERN LOGISTICS IN THE EARLY RECOVERY PHASE[22]

	Decline in Completions	Avg Annual Return: Industrial Buildings < 10 Years Old	Avg Annual Return: Industrial Buildings > 10 years Old	Annual Outperformance: Modern Product
DOT.COM BUST	**-56%**	**13.7%**	**11.5%**	**2.16%**
Under 250K SF		12.8%	10.0%	2.76%
250-500K SF		13.6%	11.2%	2.40%
500K+ SF		14.2%	12.5%	1.70%
GFC	**-84%**	**12.0%**	**10.1%**	**1.88%**
Under 250K SF		10.0%	9.1%	0.90%
250-500K SF		11.9%	10.3%	1.60%
500K+ SF		13.1%	10.7%	2.30%
CURRENT CYCLE	**-72%**			**?**

Source: NCREIF, Affinius Capital Research, CoStar

21. CoStar, as of Q3 2025
22. Covers the initial five years of real estate value recoveries in prior cycles

At the same time, a disconnect remains between core industrial valuations and real-time market signals. As of mid-2025, ODCE fund appraisals continue to imply cap rates below 4%, a level increasingly difficult to reconcile with observed transaction activity. For several years, appraisals have leaned on embedded mark-to-market upside to justify low implied cap rates; yet with average lease terms under five years, a substantial portion of that upside has already been captured. Against that backdrop, the persistence of sub-4% implied cap rates appears increasingly untenable. We expect this imbalance to begin correcting over the coming quarters as a meaningful volume of transactions reaches the market, with early indications pointing toward cap rates in the 5%-6% range, particularly for assets with longer-duration leases. Selectively, these levels present compelling entry points, especially in markets with durable rent growth or in assets that can be acquired with vacancy and repositioned. For now, however, capital has been slow to mobilize, as many institutional investors prioritize liquidity within existing portfolios rather than deploying new capital, extending the repricing process.

Looking beyond near-term valuation adjustments, the more constructive signal lies in the early contours of the next development cycle. The excesses of recent years are being worked through more quickly than many expected. Chicago offers a clear illustration: vacancy for bulk facilities of one million square feet or more rose from roughly 5.5% at the end of 2021 to over 11% as inventory expanded rapidly, only to round-trip back to 5.4% vacancy today,[23] with just two buildings currently under construction. Similar patterns are emerging across multiple markets as supply pipelines contract sharply. Combined with renewed e-commerce growth, continued reshoring of manufacturing and logistics, and demand tied to aerospace, defense, energy transition, and data center supply chains, fundamentals are quietly firming. Construction economics have also improved: hard costs for bulk buildings are down 20-25% from peak levels, general contractor pricing has become more competitive, and while tenant improvement costs remain elevated, **overall yields on cost for new projects now exceed 7%** in many cases. With speculative supply constrained, **build-to-suit activity is likely to increase in 2026**, alongside selective opportunities for well-located speculative development. Despite uneven conditions across regions and slow-moving capital, we believe 2026 represents one of the most attractive entry points in a decade for combining acquisition and development strategies within the industrial sector, particularly for disciplined investors with patient capital and operational reach.

Looking to the south of the U.S. border, **Mexico is appearing increasingly well positioned to capitalize on the evolving global trade order**, shaped by nearshoring,

supply-chain diversification, and the reconfiguration of manufacturing away from single-country dependence. Now the largest trading partner of the United States,[24] Mexico sits at the intersection of these shifts, offering scale, proximity, and manufacturing depth as North American supply chains continue to regionalize.

From an operating perspective, these trends are already translating into tangible activity. Over the past year, **Affinius completed more than three million square feet of build-to-suit industrial transactions in Mexico for high-quality credit tenants**, monetizing several assets and positioning others for exit in the coming year. We maintain strong conviction in Mexico's ongoing expansion, supported by rapid growth in e-commerce penetration, rising domestic consumption, and increasing inbound demand from multinational manufacturers and third-party logistics providers. Construction financing markets in Mexico have also continued to mature, across both build-to-suit and speculative development, improving execution certainty and supporting the launch of multiple inventory projects designed to serve a broader and more diversified tenant base.

Looking forward, nearshoring remains a powerful secular tailwind. Mexico combines **competitive labor costs, a skilled manufacturing workforce, and immediate access to the world's largest consumer market**. Demand is not only coming from U.S. firms; we are also seeing increased activity from Asian e-commerce and logistics companies, driven by efforts to diversify production away from China while maintaining access to U.S. end markets. With exports reaching record levels and manufacturing investment continuing to migrate from Asia to North America, we believe Mexico stands to benefit disproportionately from the reordering of global supply chains. Our established local partnerships, control of strategic land positions, and long-standing relationships with global tenants leave us well positioned to capitalize on this next phase of industrial growth south of the border.

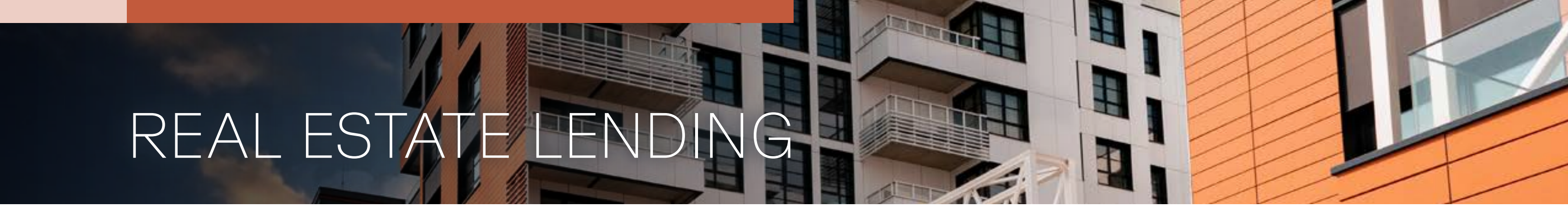
23. CoStar, as of Q3 2025
24. September 2025 YTD imports from Mexico into the U.S. total $400 billion, compared to $292 billion for Canada and $242 billion for China. https://www.census.gov/foreign-trade/statistics/highlights/topyr.html

REAL-ESTATE ADJACENT INFRASTRUCTURE AND TECHNOLOGIES

The intersection of real estate and infrastructure is becoming increasingly central to value creation. The scale and speed of investment required across **power generation, transmission, and enabling infrastructure** now rival traditional real estate capital cycles.

Recent activity across our platform reflects this shift. We are also evaluating opportunities emerging from the evolving mobility landscape, where changes in vehicle technology, fleet utilization, and routing efficiency have implications for real estate and infrastructure demand. We are pursuing real estate-integrated power solutions that address both tenant needs and broader system constraints. In logistics, this includes renewable natural gas fueling infrastructure to support fleet decarbonization and alternative fueling strategies for e-commerce occupiers. In data centers, we are increasingly focused on behind-the-meter and alternative generation solutions that lower delivered power costs, enhance reliability, and can be structured to provide capacity back to grid operators.

While many of these initiatives remain in formative stages, they reflect a consistent strategic view: the convergence of real estate, infrastructure, and technology is still in its early innings. As power, connectivity, and performance constraints tighten, we expect this convergence to unlock long-term opportunities for innovative solutions that address the challenges of a changing world.



REAL ESTATE LENDING

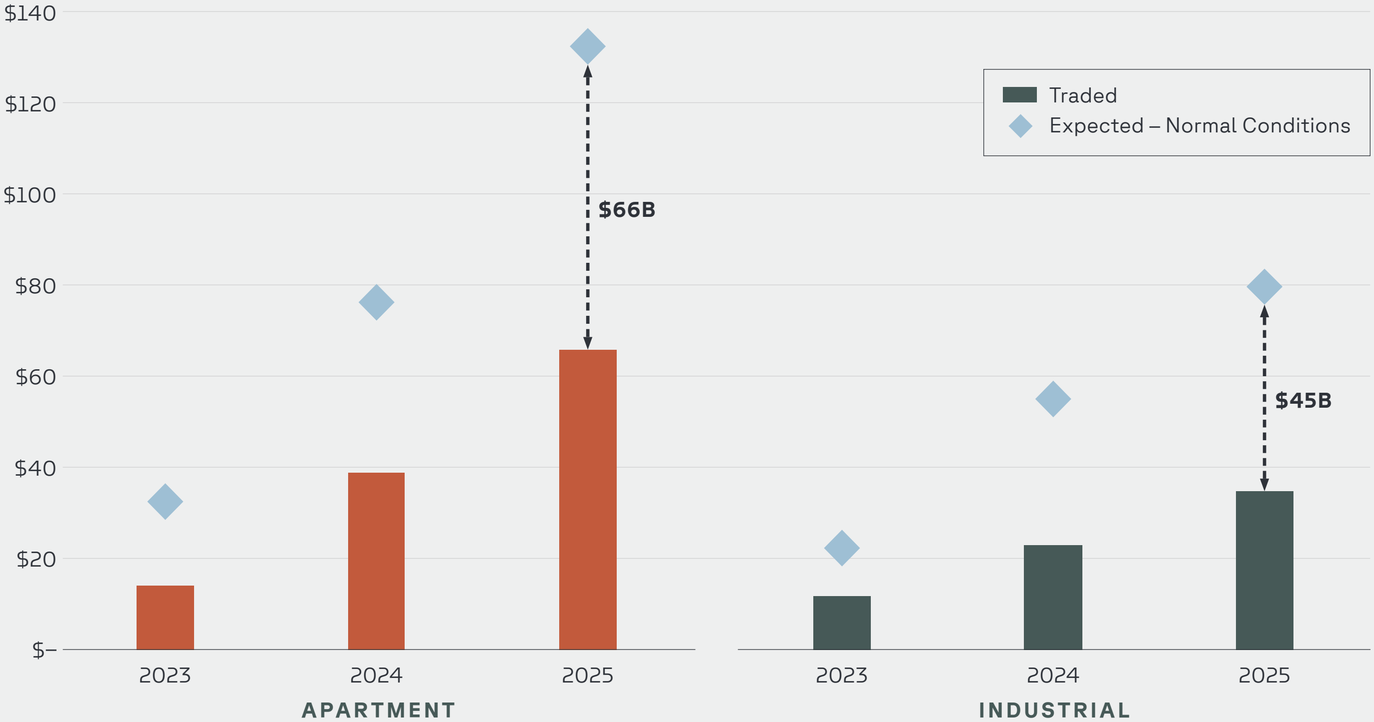
Real estate lending has evolved beyond a cyclical play to become a **core component of portfolio construction**, offering durable income, capital preservation, and an attractive opportunity in a market still working toward equilibrium. While concerns around private credit have surfaced, largely centered on corporate lending structures and underwriting discipline, real estate credit continues to stand apart, anchored by tangible collateral, transparent valuation benchmarks, and conservative capital stacks.

As outlined in our recent **WHITE PAPER**, conflating CRE credit with corporate private credit risks obscuring meaningful differences in risk profile and recovery outcomes, particularly in a slowing economic environment

Our approach throughout this cycle has emphasized discipline over deployment speed. We have continued to originate loans against current market values, applying conservative leverage, realistic rent growth assumptions, and prudent exit cap rate buffers. This underwriting posture has preserved credit quality even as spreads widened materially in 2022 and 2023, generating returns that exceeded initial projections. While we are seeing early signs of return normalization as liquidity improves and lender competition modestly increases, current pricing remains compelling relative to underlying risk.

In our view, the durability of real estate credit returns is less about peak spreads and more about identifying opportunity through the underwriting cycle, particularly at a time when equity valuations remain uneven and refinancing risk continues to shape borrower behavior. In fact, our research suggests that there is substantial pent-up acquisition volume; from the 2021-24 construction vintages in multifamily and industrial, just in top U.S. markets, we estimate more than $112 billion in trades that would have occurred in a normal transaction market that require creative solutions and repositioning of capital stacks, as shown in **Exhibit 5**.

EXHIBIT 5: U.S. TRANSACTION VOLUME VS. HISTORICAL TREND



Source: RCA, CoStar, Affinius Capital Research

Importantly, demand for real estate credit is being reinforced by structural shifts in the broader financial system. Operating conditions for both banks and insurance companies are increasingly strengthening the position of non-bank lenders by expanding access to lower-cost senior capital. For banks, evolving risk-based capital frameworks continue to favor lending to non-banks, often through warehouse and financing facilities, over direct CRE origination, improving capital efficiency while transferring asset-level risk. For insurers, as detailed in our RESEARCH, record annuity sales driven by an elevated rate environment and demographic tailwinds have expanded long-duration liabilities faster than internal origination capacity, increasing demand for high-quality credit investments that non-banks are well positioned to generate. Regulatory treatment further supports this trend, as real estate debt benefits from favorable capital charges relative to equity and many alternative assets, making it an efficient vehicle for yield enhancement and asset-liability matching.

This asset class offers diverse strategies that cater to varying risk appetites while filling critical gaps in the capital markets:

Core First Mortgage Lending

Current market dynamics, including the elevated rate environment and some existing lenders dealing with extensions and challenges in the portfolio, are creating opportunities to originate lower leverage mortgages with attractive coupon rates and spreads. These loans have exhibited compelling attributes for investors over the last 20 years, with strong relative value, risk-adjusted returns, and low correlations versus other asset types.

Gap Capital

Lender retrenchment in recent years has lowered LTVs available from many senior lenders; combined with reduced valuations in the current environment, this is offering attractive detachment points for gap capital strategies, offering equity-like yields but with the benefits of subordination.

Construction Lending

The sharp decline in bank construction lending, negative in 2024 and through the first three quarters of 2025 for the first time since the GFC, created a vacuum for private credit to step in. Investors with flexible capital are well-positioned to take advantage of favorable terms in construction, much of which is projected to deliver in a lower-supply competitive environment.

Across strategies, we remain focused on selectivity: partnering with experienced sponsors, prioritizing assets aligned with today's tenant requirements, and structuring loans with downside protection rather than reliance on future market expansion. Our platform's ability to operate across the capital stack and investment horizon allows us to address both near-term dislocations created by competitor retrenchment and longer-term structural opportunities as private markets continue to mature. In an environment where capital discipline is once again being tested, we believe real estate credit remains one of the most compelling opportunities for investors seeking income, resilience, and consistency.

HOUSING

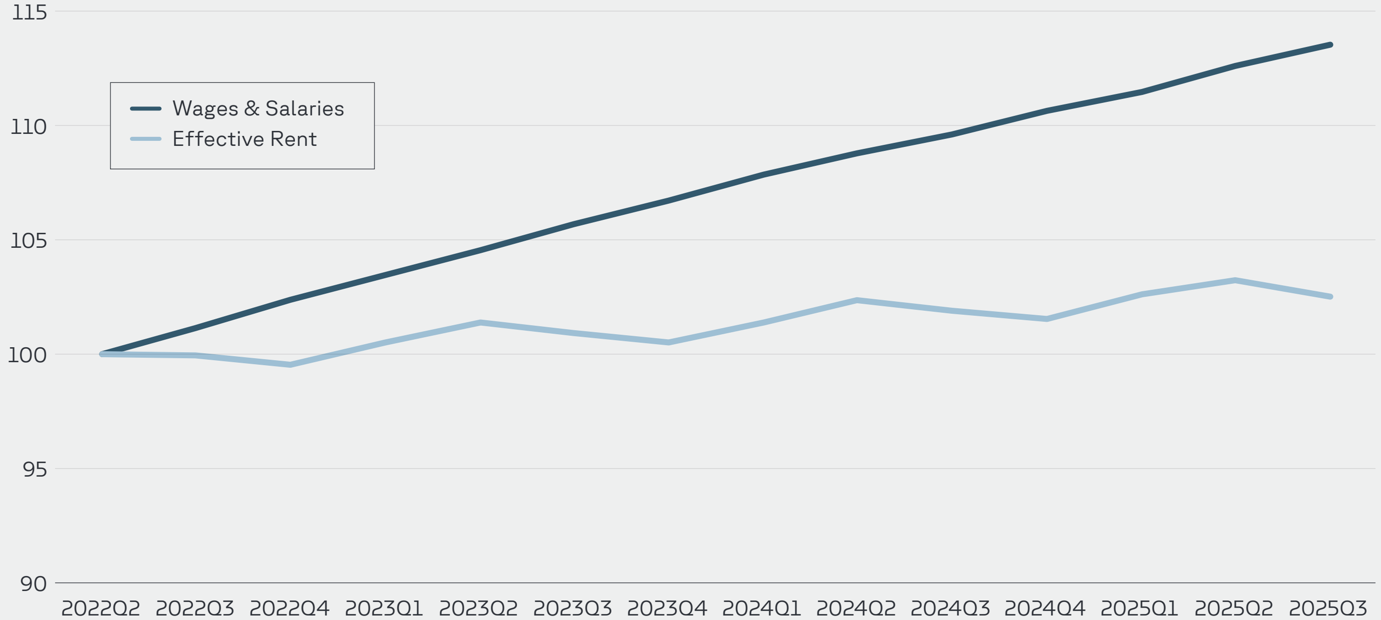
We believe that the coming cycle will restore housing to its traditional role as a cornerstone of a well-constructed real estate portfolio. For the better part of 40 years, housing delivered durable and rising cash flows, served as a strong hedge against inflation, and provided consistent liquidity backed by Government Sponsored Enterprises (GSEs).

However, in the last cycle, housing evolved into a high-return, largely development-driven sector fueled by supply constraints, accelerating rent growth, and the aforementioned impact of unusually accommodative fiscal and monetary policy. That policy backdrop is unlikely to repeat in the new cycle, and as a result we are enthusiastic on a "return to basics" in this sector that we view as important.

Housing demand continues to be supported by durable demographic and economic forces, even as near-term conditions reflect the aftereffects of an elevated supply cycle:

- Rental affordability continues to improve, as **income growth has outpaced rent growth for several consecutive years**, pushing rent-to-income ratios lower in most U.S. markets as rent growth has moderated (**Exhibit 6**).
- Homeownership remains out of reach for many households, with elevated home prices and mortgage rates delaying transitions to ownership and driving persistently high resident retention, particularly among higher-income renters.
- Occupancy rates are rising across many Sunbelt markets despite continued rent growth challenges, suggesting owners are prioritizing occupancy in a supply-heavy environment and that the sector may be approaching an inflection point as deliveries decline substantially over the next couple of years.
- Household formation remains resilient, supported by smaller household sizes, with single-person households now comprising roughly 29% of U.S. households, reinforcing demand for rental housing.

EXHIBIT 6: U.S. WAGE & SALARY VS. RENT GROWTH, INDEXED TO Q2 2022



Source: CoStar, St. Louis FRED, Affinius Capital Research

While stabilized assets are showing improvement, lease-up across newer deliveries is still underway, as reflected in the gap between stabilized occupancy and total portfolio occupancy. Multifamily net absorption reached near-record levels through mid-2025, though the second half of 2025 saw a deceleration after six consecutive quarters of elevated absorption, a development worth monitoring given its historical correlation with employment and household formation trends. Slowing immigration, both authorized and unauthorized, has introduced another variable into the demand outlook. Institutional-quality multifamily appears less exposed to these shifts, while Class C assets have underperformed in recent months, a divergence that warrants close monitoring. Historically, employment growth has correlated closely with household formation, and any sustained labor market softness could temper near-term absorption even as long-term housing needs remain unmet.

From a valuation and strategy standpoint, multifamily remains well-suited to long-term ownership, where previously mentioned durable cash flows and **strong inflation-hedging characteristics,** , combined with active management, can compound returns over time. While pricing dynamics continue to vary widely by market and asset quality, and select transactions in high-growth, supply-constrained geographies have reflected aggressive underwriting with cap rates compressing into the mid-4% range, we do not view these trades as representative of broader market conditions. More generally, as supply continues to work through the system and investor demand remains measured, multifamily cap rates are as likely to drift modestly higher as they are to remain flat. Within this environment, we see a **compelling window to pursue income-driven strategies**, targeting acquisitions that can deliver attractive current yield, with upside generated through superior asset management and **selective development that enhances long-term portfolio returns**.

The medium-term supply outlook reinforces this opportunity set. Multifamily starts have slowed sharply, with national construction deliveries to decline by roughly 60% from peak levels in 2026 and 2027, allowing markets time to absorb existing deliveries. The affordability gap between owning and renting continues to push a disproportionate share of household formation into rentals, reflected in the decline in the U.S. homeownership rate from 66.0% in Q3 2023 to 65.3% as of Q3 2025. Public policy remains a critical swing factor, particularly in coastal markets such as New York, where evolving legislation bears close watching, but in many cases, regulation continues to constrain new supply more than demand. The U.S. faces a shortage of several million units, particularly in the attainable and affordable segments, while many coastal and Midwest markets continue to face acute supply constraints.

Conventional multifamily, single-family rentals, and even shared living will also benefit as demographic and economic pressures continue to favor renting.

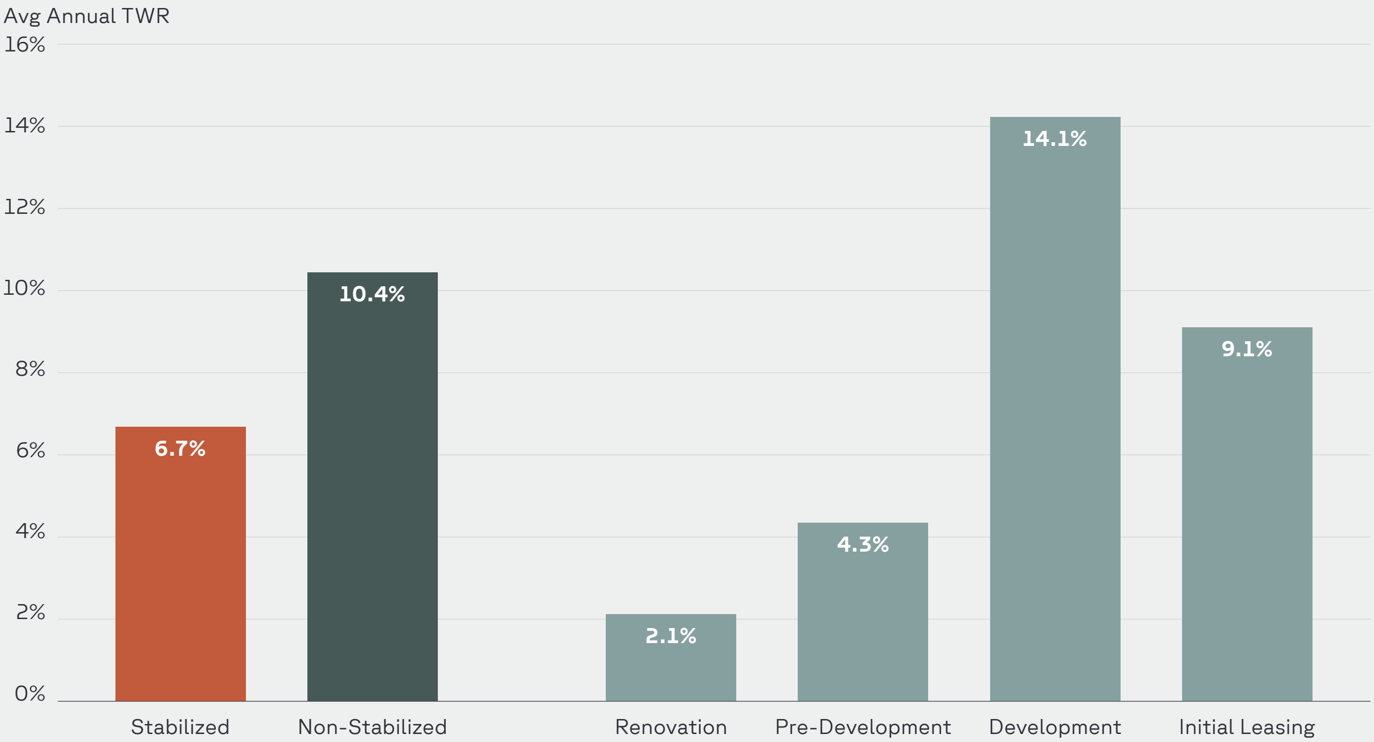
With supply pipelines thinning and affordability pressures intensifying, the sector is poised for renewed balance between capital formation, new construction, and sustained renter demand. We expect the early stages of a new development cycle to emerge in 2026, gaining momentum into 2027 and 2028. For disciplined investors, this environment offers the opportunity to build durable income streams with measured exposure to growth, recognizing that early-cycle entry, executed selectively, has historically been rewarded.

FOUNDATIONAL STRATEGIES

From a strategic standpoint, foundational real estate strategies, particularly open-end fund structures, continue to play a central role in institutional portfolios by delivering durable income, capital preservation, and diversification across cycles. While these vehicles are often associated with fully stabilized assets, our **RESEARCH** underscores that modest exposure to non-stabilized properties, primarily through develop-to-core strategies, can materially enhance outcomes.

Since 2013, non-stabilized assets within ODCE portfolios have outperformed stabilized properties by approximately 375 basis points annually (**Exhibit 7**), despite representing a relatively small share of total portfolio value. Notably, develop-to-core strategies have demonstrated the strongest outperformance, reflecting the ability to create modern, high-quality assets at attractive bases without paying fully stabilized acquisition premiums. This experience reinforces an important principle: allowing for measured, execution-driven value creation within a core framework can improve both total and risk-adjusted returns without fundamentally altering the defensive characteristics investors seek from foundational allocations.

EXHIBIT 7: ODCE PROPERTY-LEVEL TOTAL RETURNS: STABILIZED VS. NON-STABILIZED



Source: NCREIF, Affinius Capital Research. Analysis from Q1 2013-Q2 2025

The current market environment strengthens this case. Following several years of valuation adjustment, open-end funds, particularly those with value creation capabilities, appear positioned to benefit from a new liquidity cycle; however, this will benefit some investments disproportionately, as portfolio quality and the credibility of valuation marks will increasingly determine which funds have more durable return potential. The broad trough in NCREIF valuations across most property types over the past five quarters has improved alignment between buyer expectations and seller pricing, setting the stage for incremental capital inflows and more normalized transaction activity.

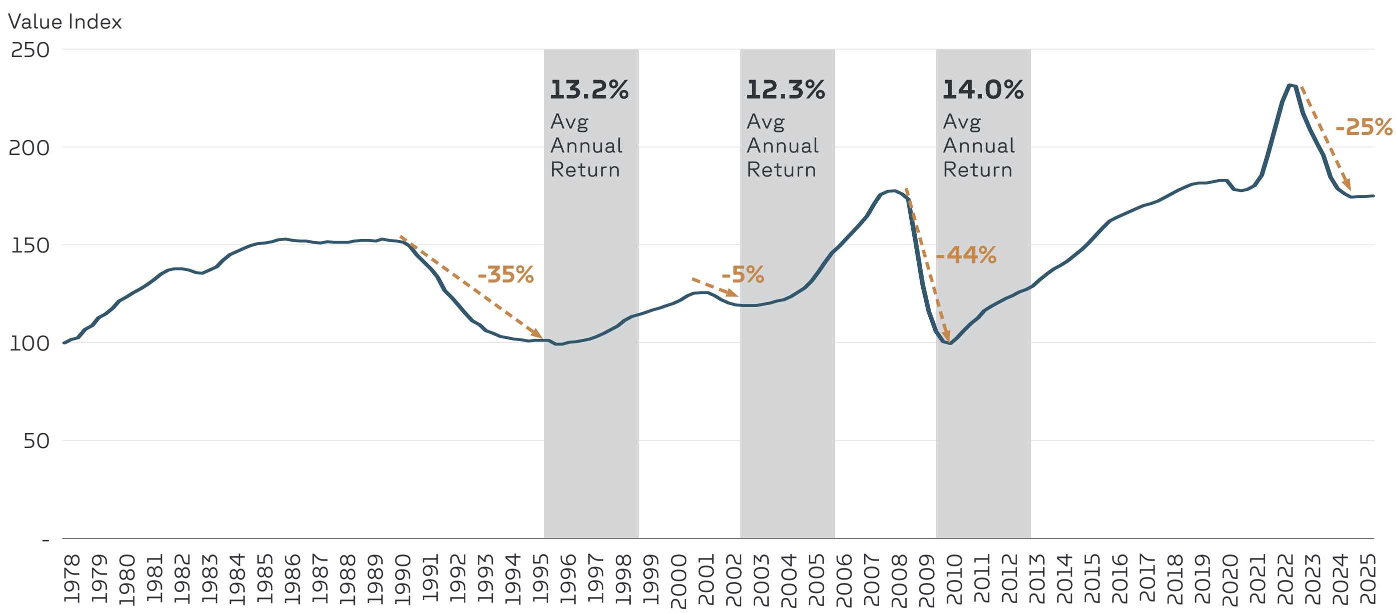
Historically, as shown in **Exhibit 8**, stabilized property returns following a valuation decline have been strong in the early recovery stages. As investor sentiment stabilizes and real estate allocations gradually rebuild, funds with disciplined balance sheets and execution capacity should be well placed to deploy capital into assets that combine current income with identifiable pathways to stabilization. Importantly, this is not a return to the conditions that characterized the prior cycle; value creation moving forward will not be driven by broad cap rate compression, but more about **operational execution, leasing, and selective development into increasingly constrained supply environments**. As a result, differentiation will favor funds with embedded upside and demonstrated execution capabilities, as opposed to strategies that relied primarily on passive aggregation during a period of falling cap rates and rising rents.

Against a backdrop of continued pressure in the broader office sector, government-leased buildings face a distinct but manageable set of policy-related uncertainties under the new administration. Concerns entering 2025 centered on the potential for accelerated lease terminations, workforce reductions, and asset sales driven by the Department of Government Efficiency (DOGE), as well as the broader risk that heightened scrutiny of federal spending could negatively impact demand for government-occupied space. While these initiatives created near-term uncertainty and weighed on market sentiment, many of the more aggressive targets ultimately proved impractical. Planned large-scale asset sales and lease terminations were scaled back, and reductions in the federal workforce fell well short of initial goals.

Importantly, the policy backdrop has also produced tangible operating momentum across the sector and within our portfolio. Utilization rates across the Washington, D.C. market are beginning to improve and occupancy is showing early signs of stabilization, as illustrated by the experience of our Government Building Fund. Since the administration's "Return to In-Person Work" memorandum, the Fund's office utilization rate has increased from roughly 60% in January 2025 to approximately 92% today, while leased occupancy has remained resilient, rising from 92.7% to 93.5%. The government continues to focus on consolidation into newer, high-quality Class A buildings, reinforcing the bifurcation between mission-critical assets and the broader office stock. While policy-driven uncertainty can influence short-term valuations, and while we remain thoughtful on potential sales considerations in both office broadly and government office specifically, portfolios anchored by long-duration U.S. credit leases, modern facilities, and mission-critical tenancy remain well positioned to withstand both political and cyclical headwinds. That durability has been demonstrated by the Fund continuing to achieve a 100% success rate on first-time renewals.

The lesson of this cycle is not that foundational strategies must become more aggressive, but that they must be adaptive. Open-end funds that balance income stability with measured exposure to value creation are increasingly well positioned to navigate policy uncertainty, valuation dispersion, and uneven recovery dynamics. As markets move beyond repricing and toward normalization, these strategies offer a durable platform for long-term capital deployment.

EXHIBIT 8: HISTORICAL NFI-ODCE AVERAGE ANNUAL TOTAL NET RETURNS IN FIRST FOUR YEARS OF RECOVERY FOLLOWING VALUATION DECLINES



Source: NCREIF, Affinius Capital Research. Analysis from Q1 2013-Q4 2025

CONCLUSION

The U.S. real estate market once again finds itself at an important juncture that has been shaped by a gradual easing in financial conditions, improving visibility on valuations, and an economy that has proven resilient despite persistent policy noise. After an extended period of repricing and one of the longest periods of constrained liquidity in memory, there are again signs that capital markets are beginning to function more normally, even if unevenly.

At the same time, structural forces, from the digitization of the economy and the expansion of AI-driven infrastructure to demographic pressures on housing and the reconfiguration of global supply chains, continue to reshape where and how demand for real assets is forming. These forces are not cyclical in nature, but secular, and they provide a durable foundation for selective investment as the next phase of the cycle takes shape.

As this technology evolves, there will be winners and losers. Productivity gains will drive profitability and growth in some sectors, while in other sectors, the workforce reductions associated with productivity gains may serve to dampen demand. Over time, this may also bring about shifts in income and income potential that could impact sectors in a lasting way.

Yet, as in all early-stage recoveries, progress is unlikely to be linear. There is no indication that policy uncertainty or geopolitical risk are behind us, and we have seen these disrupt previous attempts at recovery. In the extreme, these can lead to a reduction in confidence in global capital markets, as we saw following liberation day in 2025, which caused the emerging liquidity cycle to stall. This will require ongoing monitoring.

Sector-level imbalances will continue to test investor conviction, and dispersion across markets, property types, and capital structures is likely to widen further. What makes us optimistic and enthusiastic about the emerging market opportunity is that in this environment, outcomes will be driven less by broad market exposure and more by disciplined underwriting, operational execution, and the ability to align capital with long-term demand rather than short-term sentiment.

Simply put, for more than a decade, investor returns have been driven by sector allocation, falling interest rates, and falling cap rates. It is our view that these tailwinds will not be present for the foreseeable future. While the conditions that characterized the prior cycle are unlikely to return, the current moment offers a compelling opportunity to deploy capital thoughtfully, emphasizing resilience, income durability, and growth through execution. As liquidity gradually returns and price discovery continues, we believe investors who remain patient, selective, agile, and focused on fundamentals will be best positioned to navigate the transition.

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