



ECONOMIC & CRE OUTLOOK

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Better never settles





01

**MACRO-
ECONOMIC
CONDITIONS**

REASONS FOR OPTIMISM

- US GDP tracking ~2% for 2026
- Labor markets resilient — no spike in unemployment
- Corporate profits: Growing strongly +10% y/y,
- Stock market near record highs; strong wealth effects
- AI tailwind: hyperscaler capex booming, productivity rising
- Business formation surging +25% y/y

KEY RISKS TO WATCH

- | | |
|--------|--|
| HIGH | Oil price shock (sustained \$100+) |
| HIGH | Stagflation: weak growth + high inflation |
| MEDIUM | 10-yr Treasury above 4.5% sustainably |
| MEDIUM | Fed independence pressures & Warsh era shift |
| LOW | US midterm election policy uncertainty |
| LOW | AI-driven job displacement (large scale) |

Momentum Dashboard

Most indicators pointing the right direction

Momentum Indicators				
As of mid-August 2026				
Economy	Period	Latest Read	Trend	
Same-Store Sales, Y/Y%	Mid-August	8.3%	▲ Solid/strong	
GDP Now, AR%	Q3 26	5.8%	▲ Solid/strong	
Airline Passenger Traffic, Y/Y%	Mid-August	-4.8%	▼ Slowing	
Jobless Claims, 4-wk MA	July 26	203,000	► Low/stable	
ECI Wage Growth, Y/Y%	Q2 26	3.2%	▼ Drifting lower	
Corporate Profits, Y/Y%	Q1 26	12.8%	▲ Strong	
Retail Sales, Y/Y%	June	6.7%	▲ Solid/strong	
Corporate Bond Yield (BBB)	Mid-August	5.5%	▲ Higher/stabilizing	
10-Yr Treasury Yield	End-August	4.7%	▲ Higher/stabilizing	
CPI Inflation, Y/Y%	July	3.4%	▼ Ticking lower	
WTI, \$/bbl	Mid-August	\$80–\$85	▲ Higher/stabilizing	
CRE	Period	Latest Read	Trend	
Office Vacancy	Q2 26	20.1%	▼ Stable/drifting lower	
Industrial Vacancy	Q2 26	6.9%	▼ Stable/drifting lower	
Retail Vacancy	Q2 26	6.0%	▲ Low/drifting higher	
Apartment Vacancy	Q2 26	8.9%	▼ Stable/drifting lower	

UNEMPLOYMENT RATE IS LOW; EMPLOYMENT FIGURES HAVE BEEN WEAK

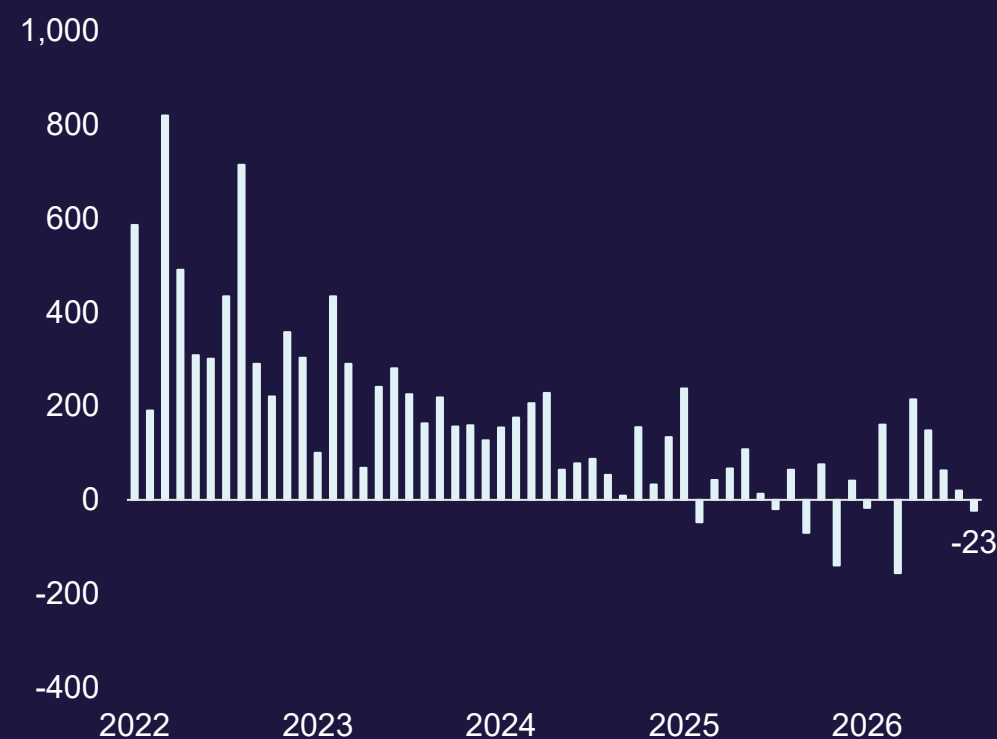


Unemployment rate is low



Note: *October 2025 was not released due to government shutdown
Source: U.S. Bureau of Labor Statistics (BLS): Current Population Survey (CPS) [Household Survey - LNS14000000]

Employment figures have been weak



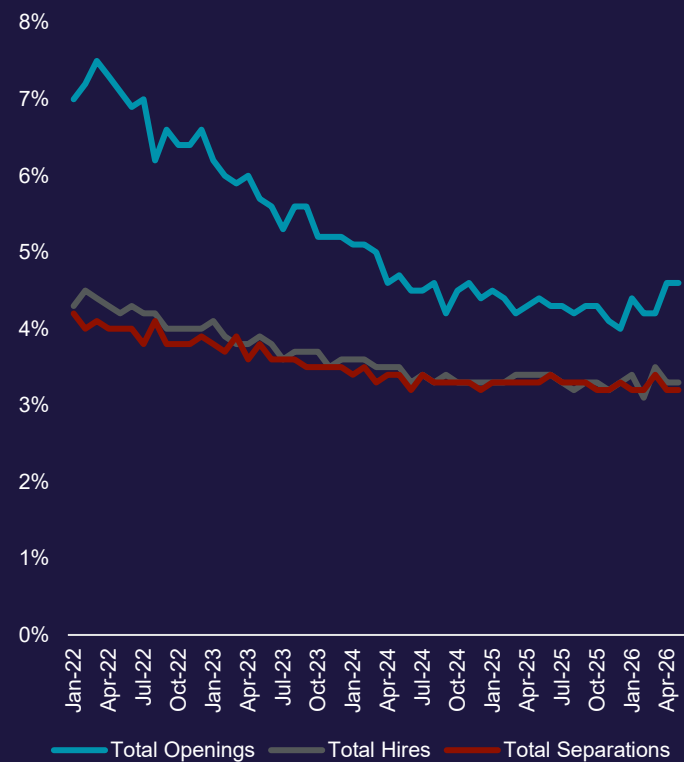
Source: U.S. Bureau of Labor Statistics (BLS): Current Employment Statistics

SOFTER MARKET MAKES JOB-SEEKERS LESS CONFIDENT



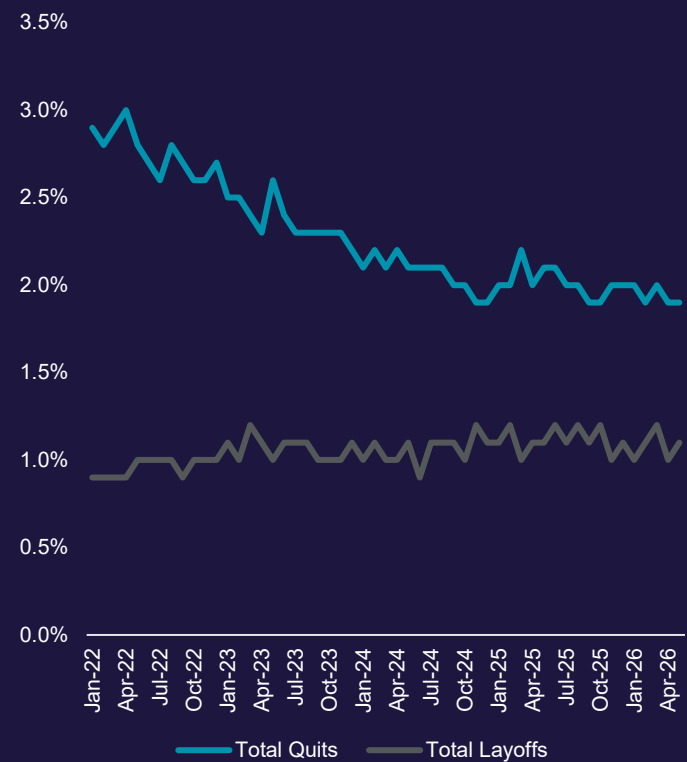
Job openings and labor turnover rate survey (Jan 2022 – May 2026)

Job openings rate began growing; hiring rate stayed flat



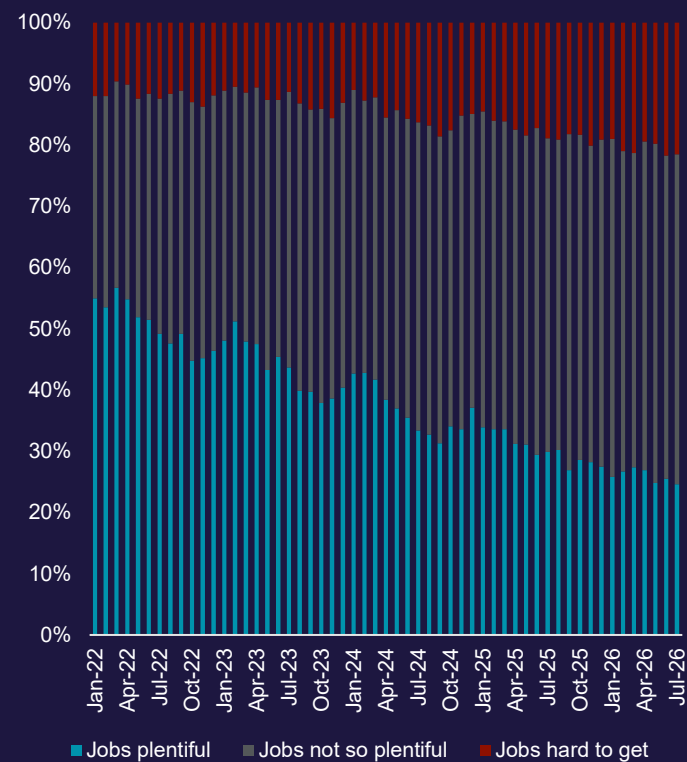
Source: U.S. Bureau of Labor Statistics (BLS): Job Openings and Labor Turnover Survey (JOLTS)
Cushman & Wakefield

Quitting rate down; layoffs rate grew slightly



Source: U.S. Bureau of Labor Statistics (BLS): Job Openings and Labor Turnover Survey (JOLTS) [Series ID = JTS00000000QUL]

Gains in job openings has not translated into confidence



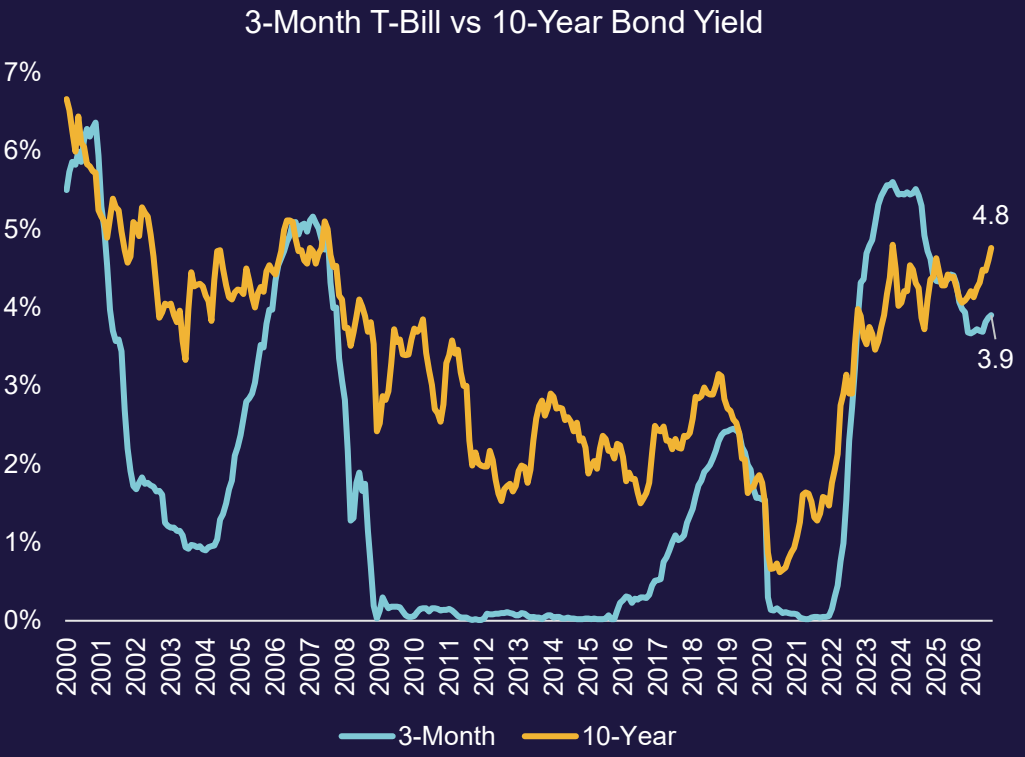
Source: The Conference Board: Appraisal of Present Situation (Jan 2022 – Jul 2026)

WEALTH EFFECT IN FINANCIAL MARKETS



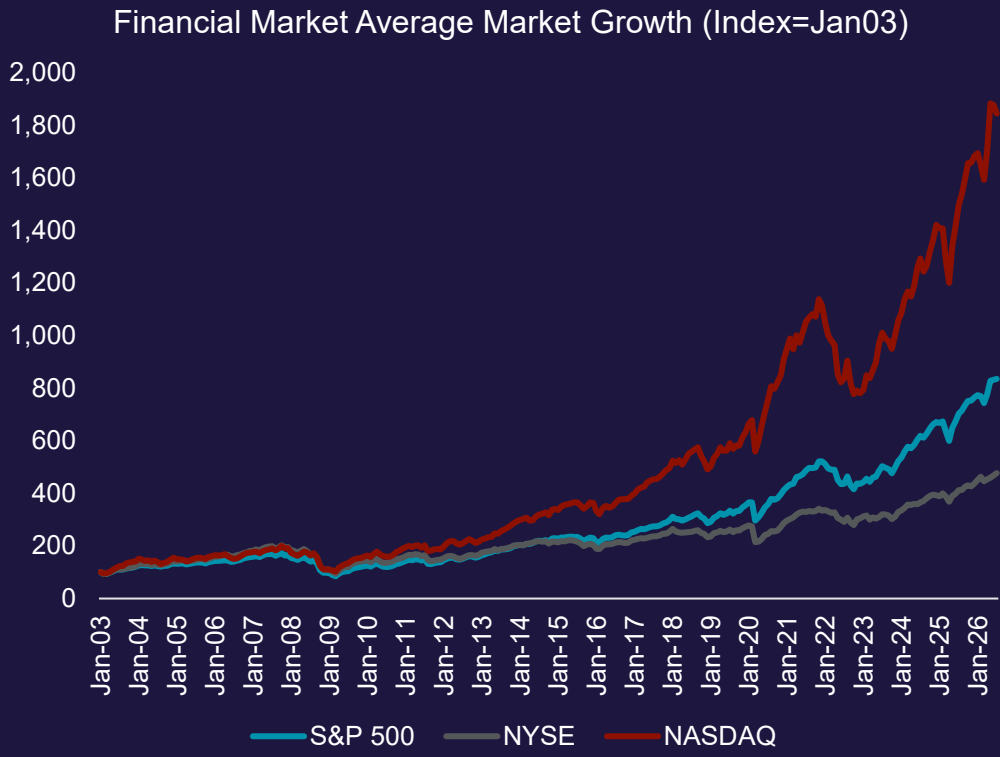
Higher long-term bond yields negatively affect CRE borrowing costs. However, a fast growing economy particularly if productivity increases may be able to support higher interest rates and stronger leasing demand, better rent growth and higher NOI.

Higher rates, mean higher borrowing costs in near term



Source: U.S. Board of Governors of the Federal Reserve System (FRB), Moody's Analytics, C&W Research
Cushman & Wakefield

All domestic financial markets see massive growth over the last few years

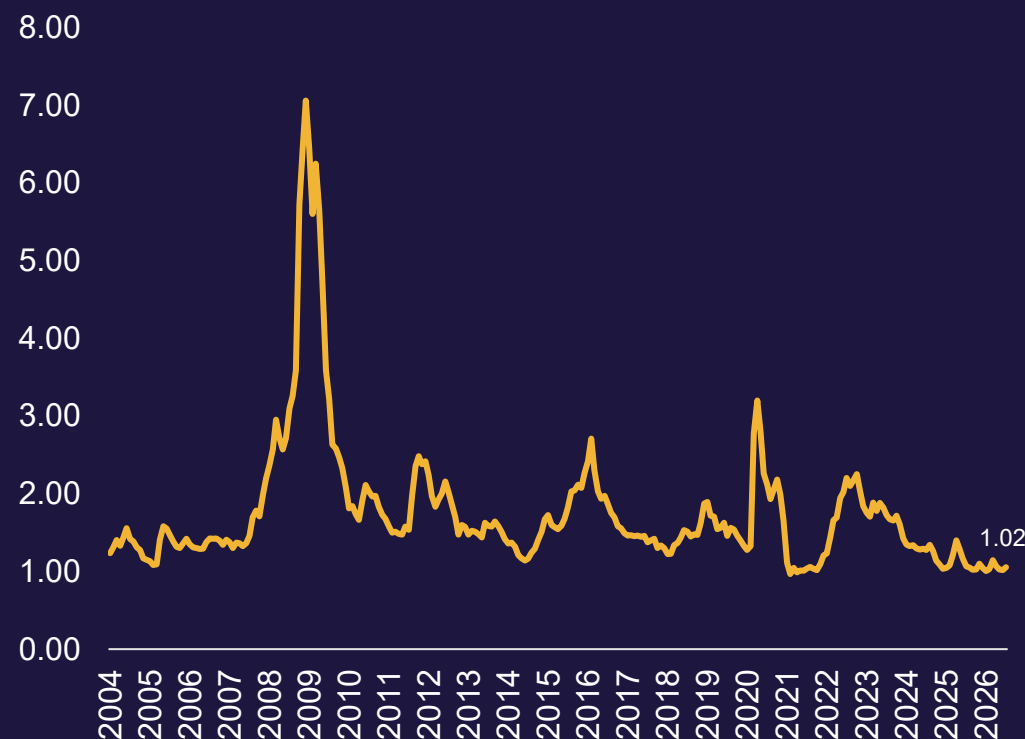


Source: Standard and Poor's, SIX Financial Information, Moody's Analytics, C&W Research

CREDIT RISK PREMIUMS LOWEST SINCE PANDEMIC, OPTIMISM IN CORPS

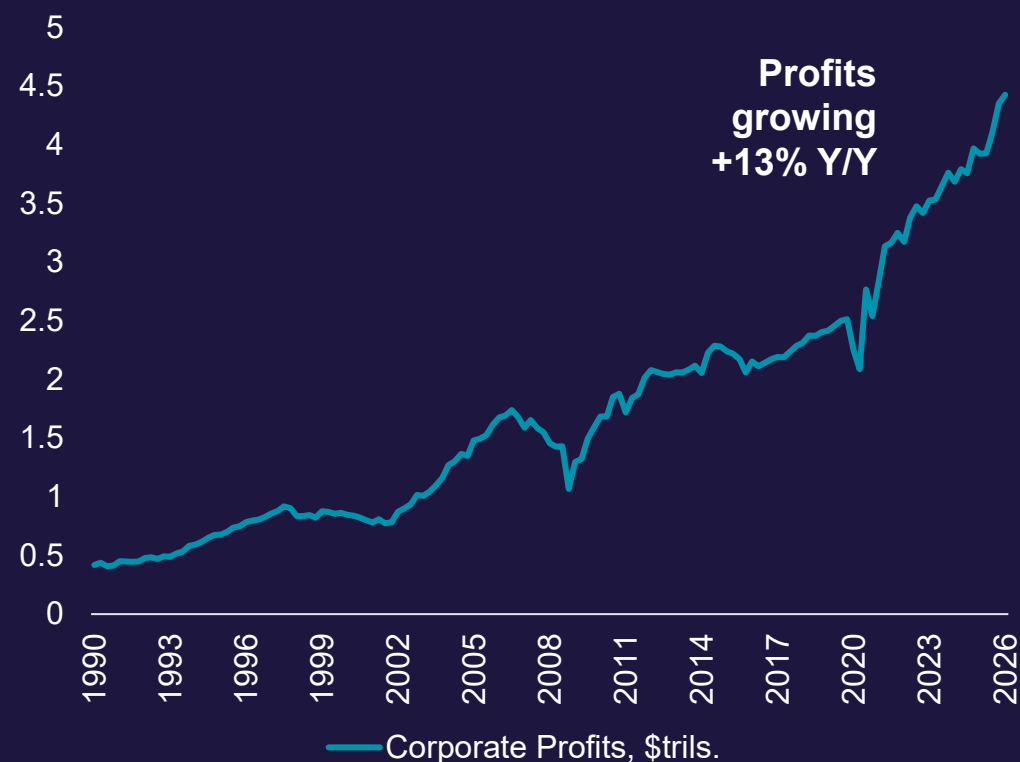


Corporate bonds interest rates (9-11 year) vs 10-year treasury bonds



Source: Moody's Analytics Calculated Aggregate Corporate Bond Rates, U.S. Board of Governors of the Federal Reserve System (FRB)

Corporate Profits



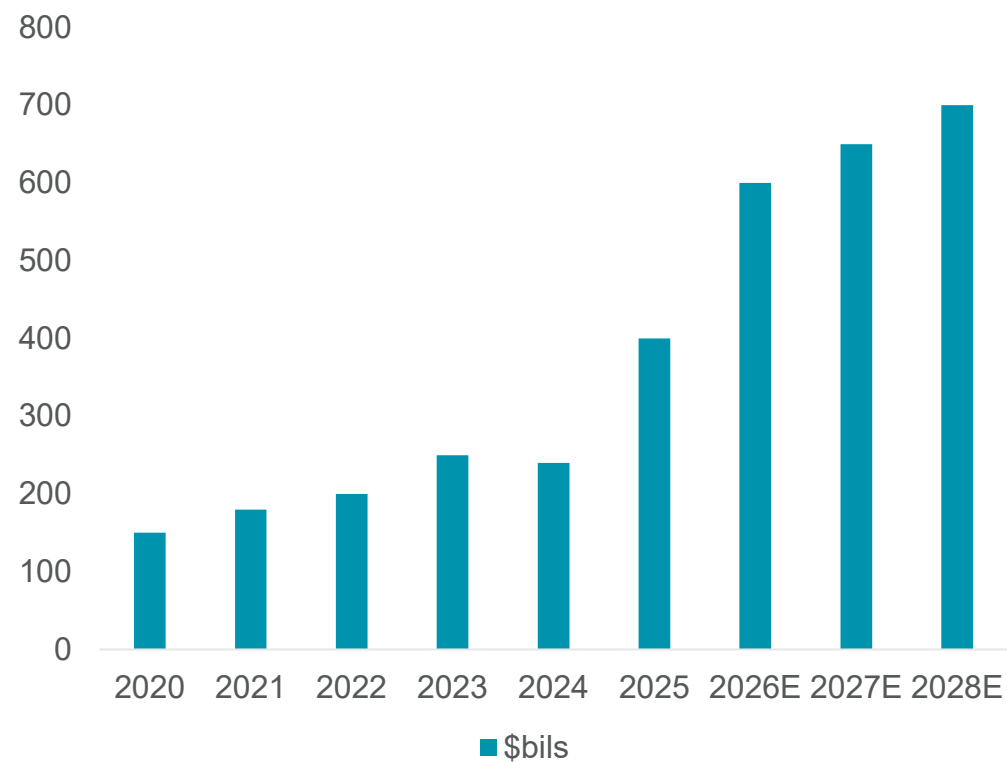
Source: U.S. Bureau of Economic Analysis, Cushman & Wakefield Research

REASONS FOR OPTIMISM



AI Tailwind Continues

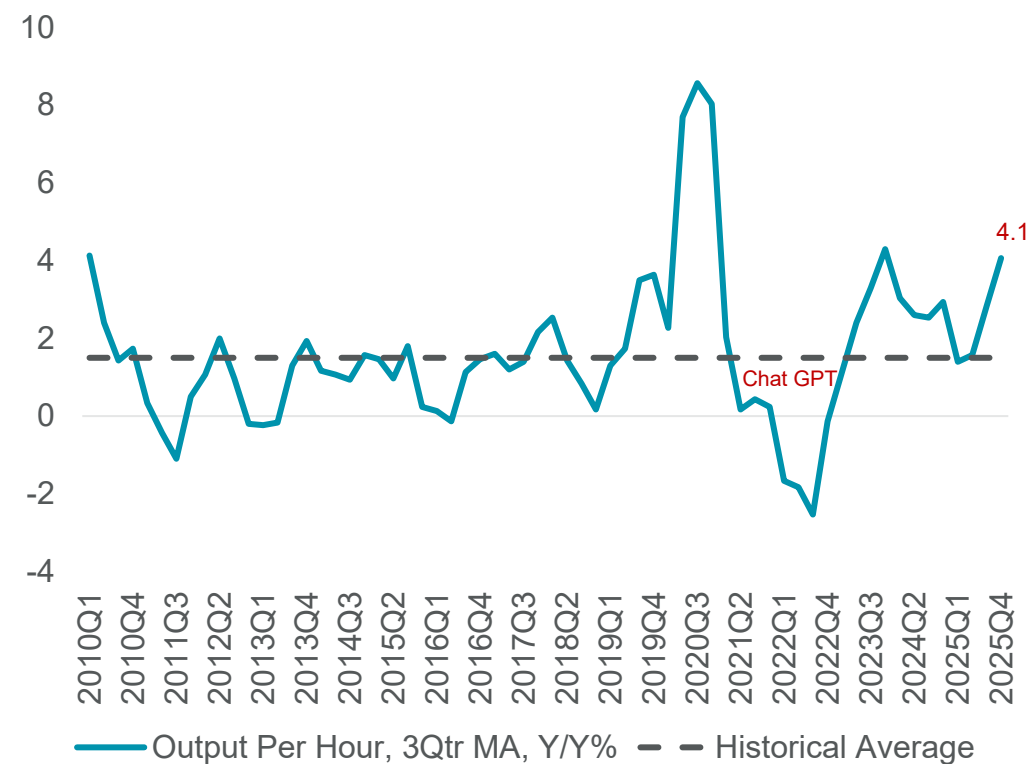
Hyperscaler's Data Center Investment



Source: Cushman & Wakefield Research

*Estimates include data centers, electrical power construction, and other investments

Productivity Gains

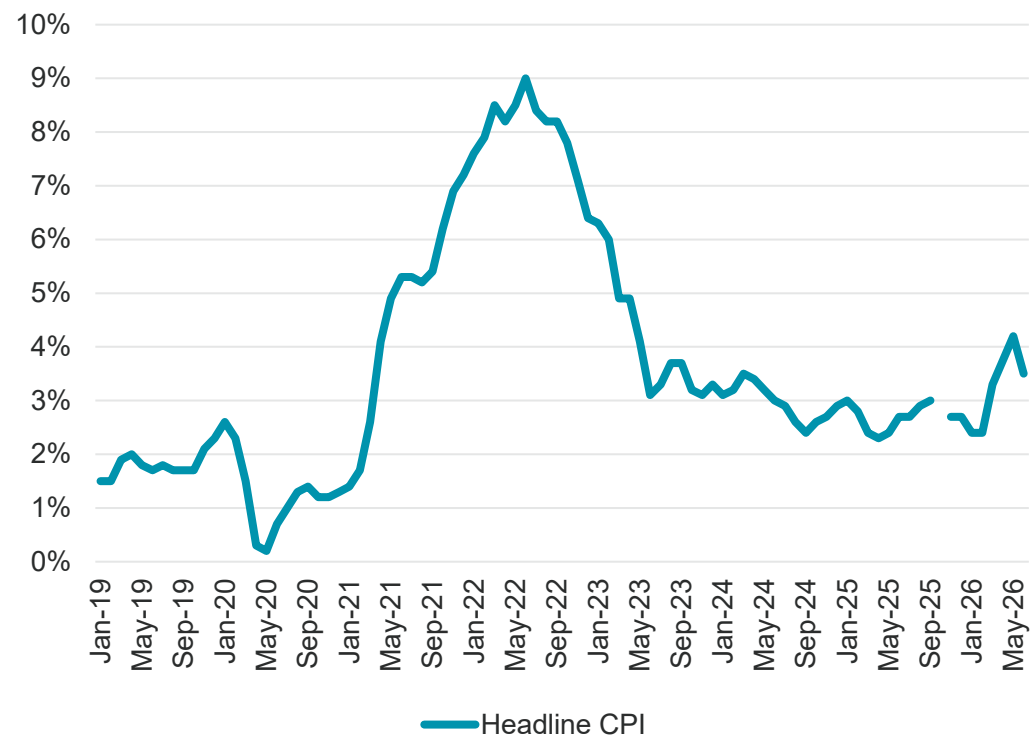


Source: Yahoo Finance, Cushman & Wakefield Research

INFLATION TO COME DOWN GRADUALLY; FED WILL WAIT

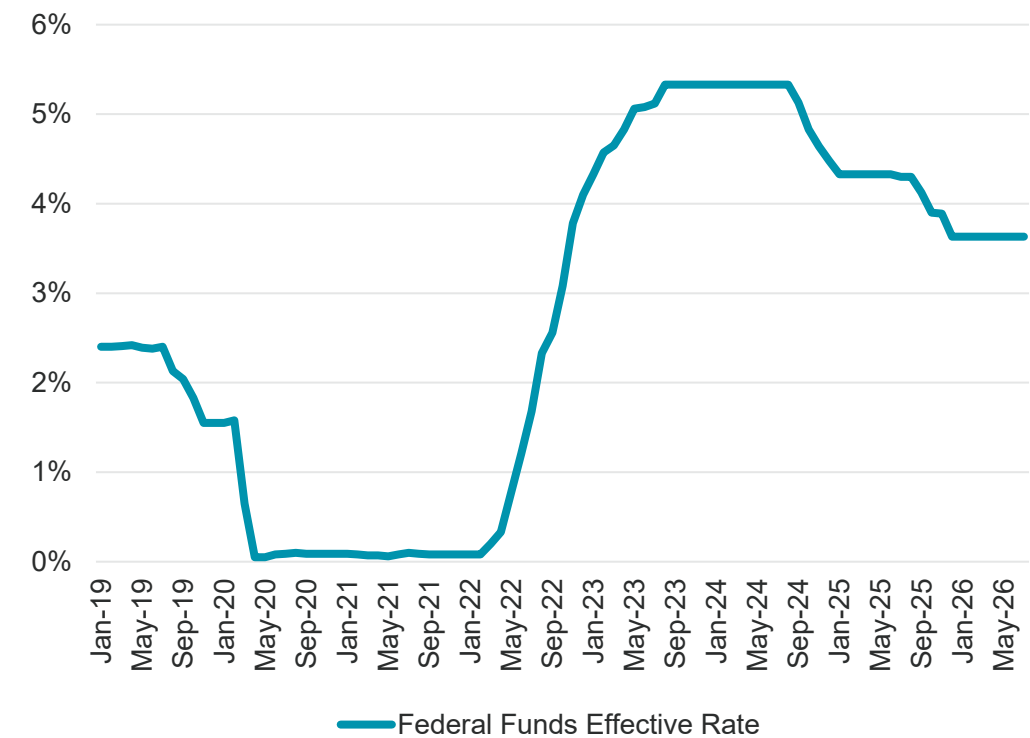
Inflation outlook hinges on resolution in the Middle East

Headline CPI (Consumer Price Index)



Source: Bureau of Labor Statistics

Federal Fund Rate



Source: Federal Research Board

C&W HOUSE VIEW FORECAST

Solid but not spectacular growth ahead

C&W Baseline Outlook (July vintage)			
	2025	2026F	2027F
U.S. Economy			
Real GDP	2.1	2.1	2.0
Nonfarm Employment (000's)	316	661	788
Office-using Employment (000's)	-168	85	154
Productivity (output per hour)	2.3	1.6	1.8
Unemployment Rate	4.3	4.3	4.5
Retail Sales (Y/Y%)	4.0	4.9	3.5
CPI Inflation (Y/Y%)	2.7	3.4	3.0
Core CPI (Y/Y%)	2.9	2.9	3.1
PCE Deflator (Y/Y%)	2.6	3.5	2.8
Federal Funds Rate*	4.1	3.5	3.25
10-Year Treasury Rate**	4.3	4.4	4.3
BBB Corporate Bond**	5.4	5.5	5.5
WTI \$/bbl	65	85	73
*Lower bound range, year-end			
**Annual average			



02

OFFICE

Office: House View Summary

The recovery is broadening — Class A leads, new supply is near record lows, and vacancy looks to have peaked

20.1%

National vacancy — flat for 2 years, but absorption has improved for 7 straight quarters

+24 msf

Class A net absorption over the past year, leading the flight-to-quality recovery

0.3%

Construction pipeline as a share of inventory, down from 2.6% in 2020

55 markets

Over half of U.S. office markets posted positive absorption over the past 4 quarters

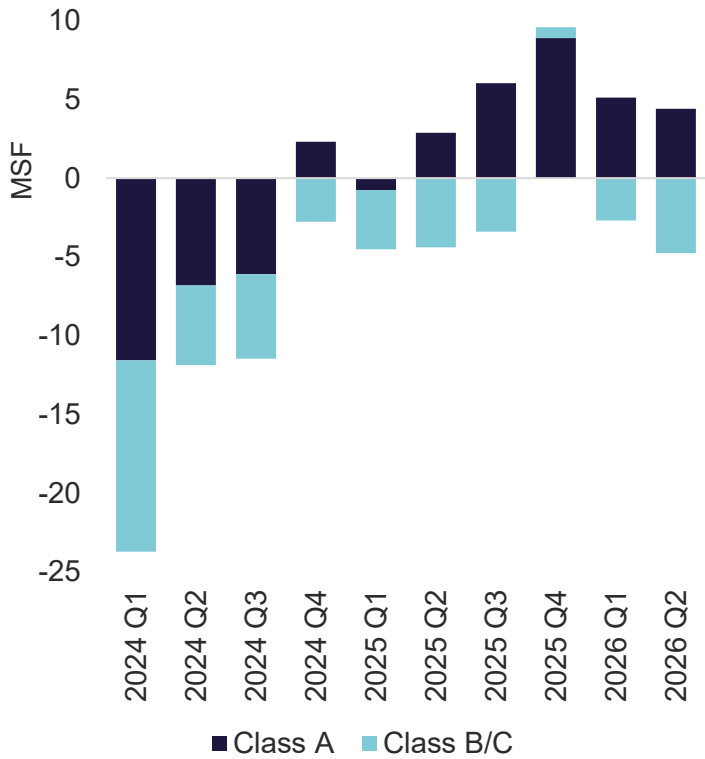
Key Takeaways

- **The recovery is broadening:** Class A absorption has been positive for seven straight quarters, while over half of U.S. markets posted positive absorption over the trailing four quarters.
- **Vacancy has likely peaked:** national vacancy sits at 20.1%, essentially flat for two years, but 4-quarter rolling absorption reached +14.3 msf, the strongest reading since 2020; sublease space has fallen roughly 28-30% from its 2024 peak.
- **Supply is at a generational low:** only 19.7 msf is under construction and deliveries have dropped to a 14-year low; total office inventory has actually shrunk 0.6% over the past five quarters.
- **Headline vacancy masks underlying strength:** national figures are skewed by a small number of severely distressed buildings, and that distress appears to be peaking rather than accelerating.
- **Rents are largely flat, with pockets of strength:** national asking rents fell just 0.1% YoY to \$38.38 psf, while 26 markets, led by San Francisco, Miami and Austin, posted growth above 2%.

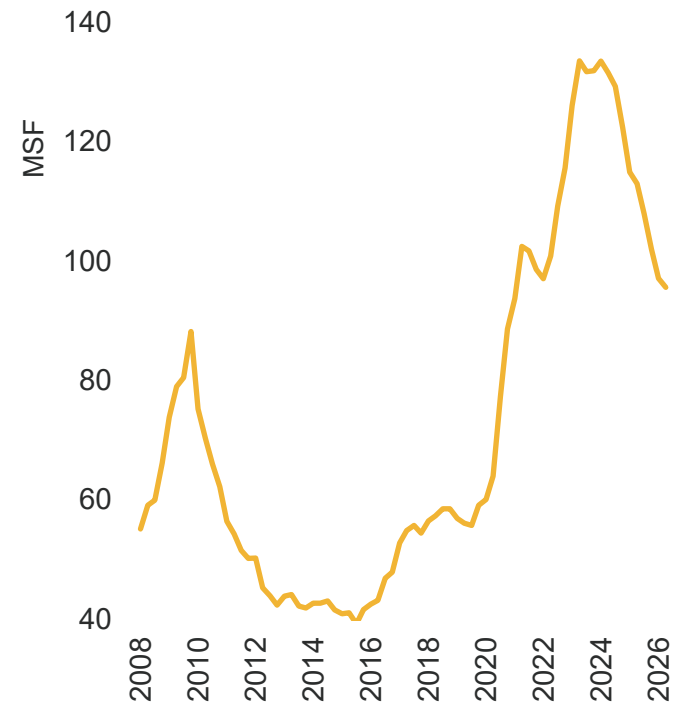
U.S. OFFICE RECOVERY TAKING HOLD



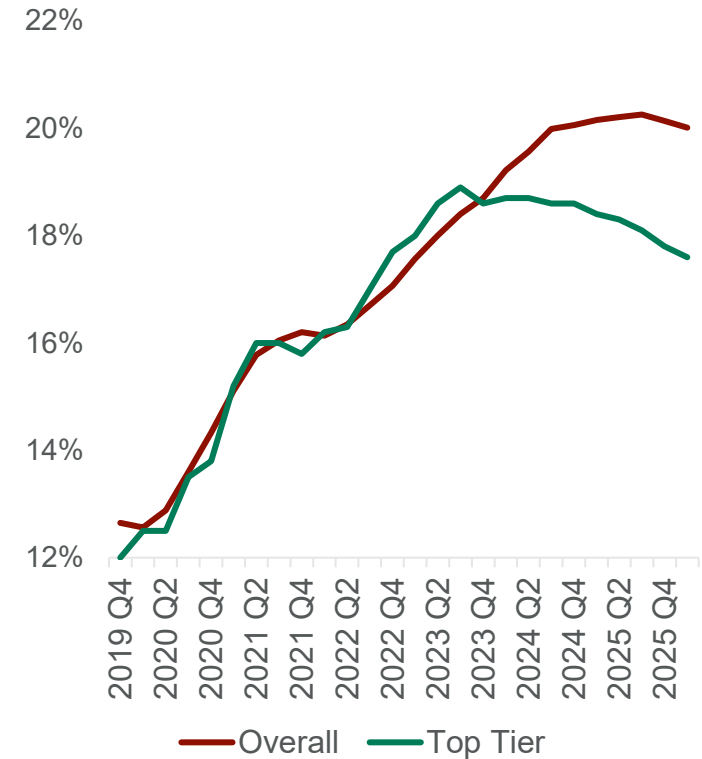
Class A Demand Turned Positive in Late 2024



Sublease Availabilities Back to 2021 Levels



Top Tier Vacancy Declining For 2.5 Years

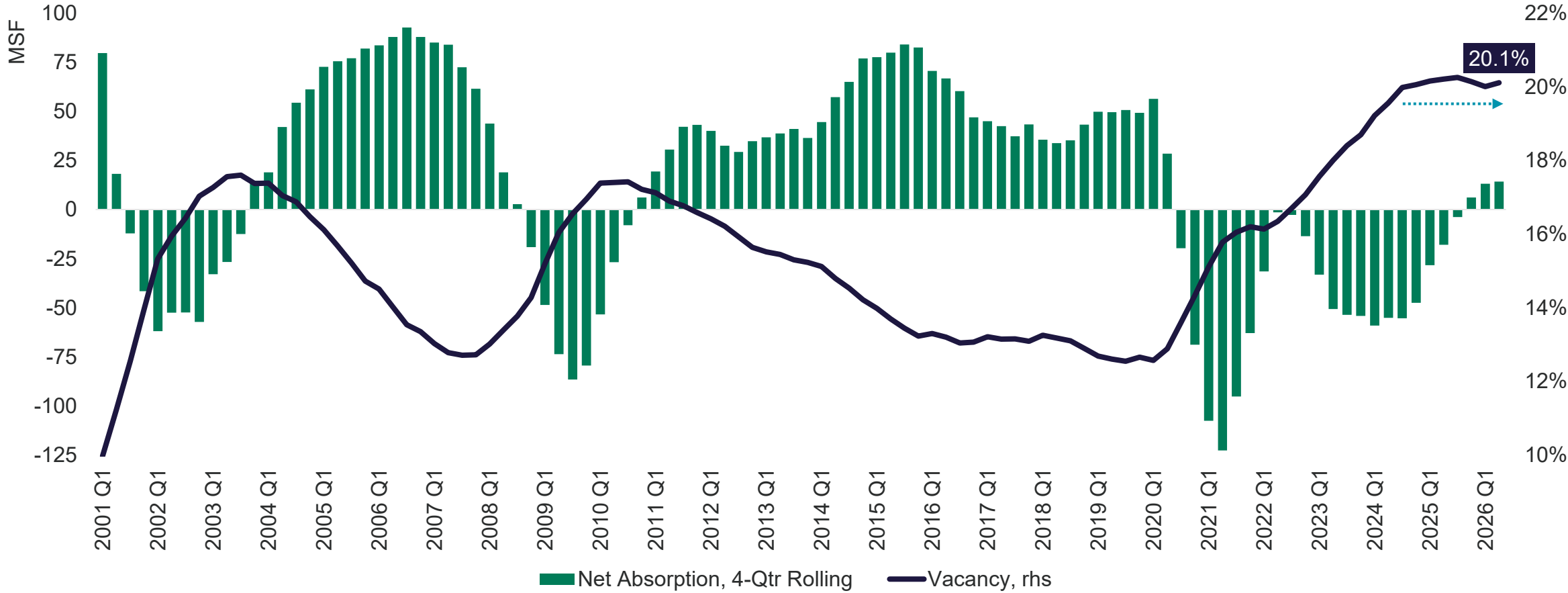


Source: Cushman & Wakefield Research

NATIONAL VACANCY REMAINS FLAT



National vacancy has remained essentially flat for two years now and currently sits at 20.1%. Net absorption in Q2 2026 was slightly negative (-360,000 sf), but upward revisions in recent quarters pushed the 4-quarter rolling total up to +14.3 msf, the 7th straight quarter of improvement.



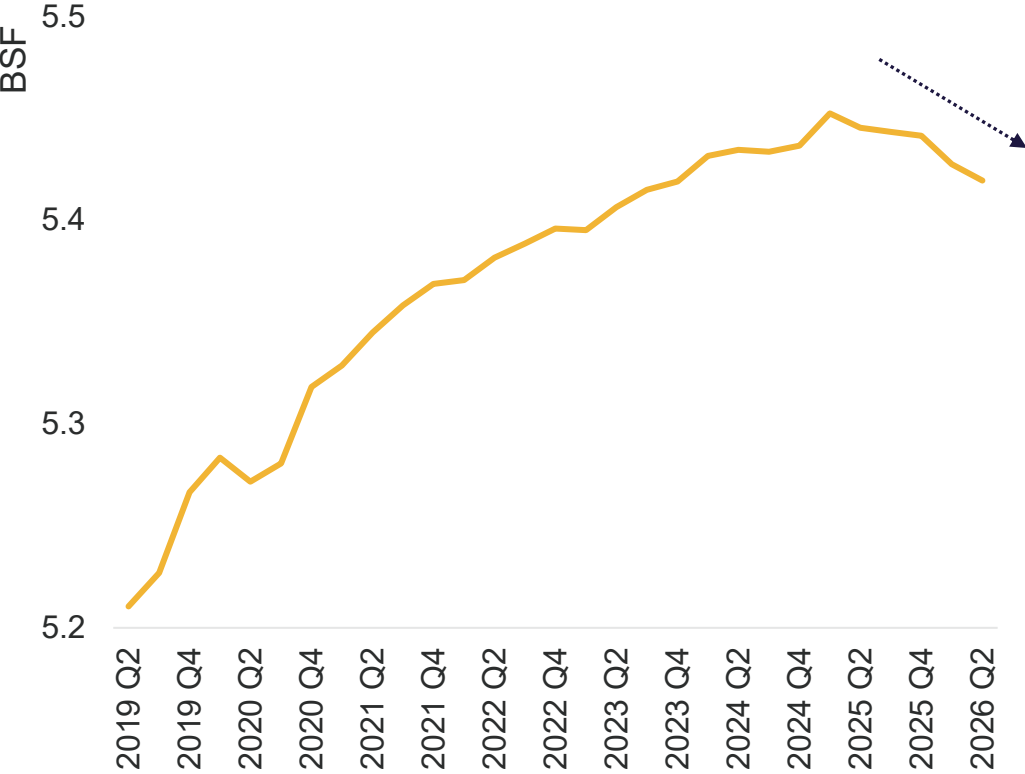
Source: Cushman & Wakefield Research

OFFICE INVENTORY IS DECLINING



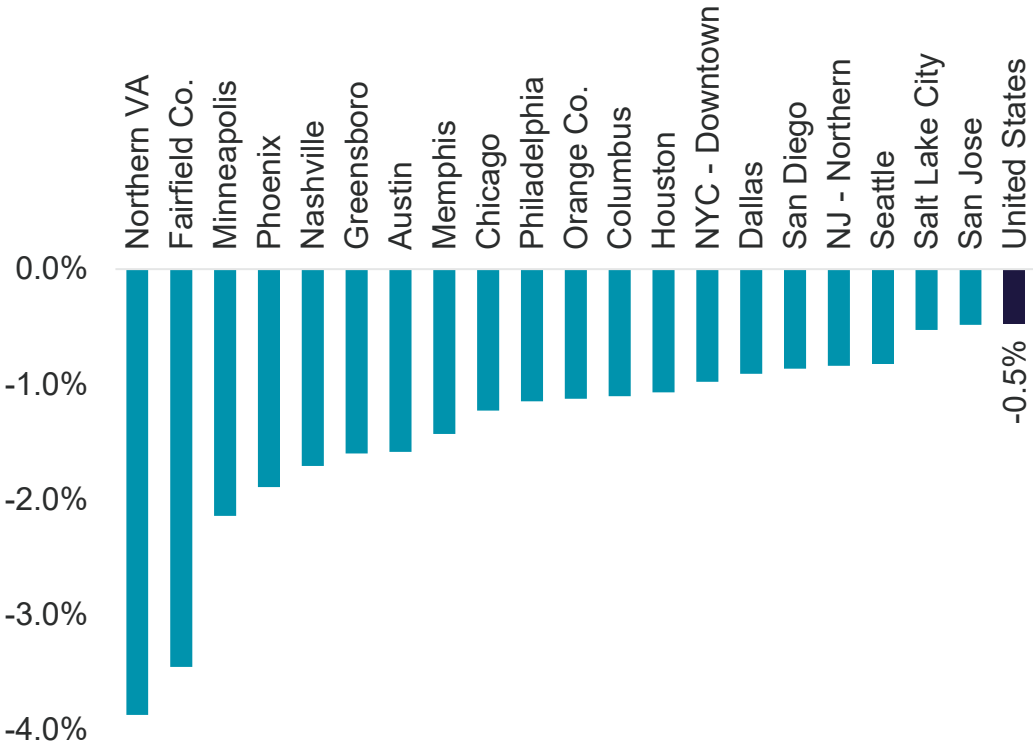
Part of the “firming” of the office market is that office inventory is declining. In fact, the total U.S. office stock tracked by Cushman & Wakefield Research has declined by 0.6% over the past five quarters—33 msf smaller than that Q1 2025 peak. Over the past year, inventory in 20 different U.S. markets has declined by 1.0% or more.

U.S. Office Inventory



Source: Cushman & Wakefield Research

Largest YOY Change in Inventory, Select Markets



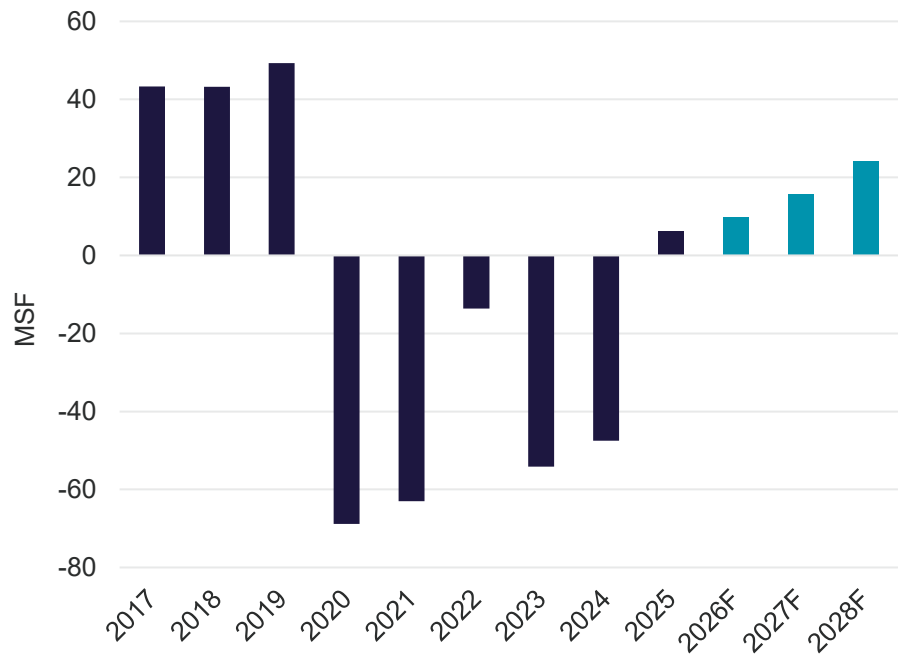
Source: Cushman & Wakefield Research

Note: Includes markets where inventory has declines by >500,000 sf in the past four quarters

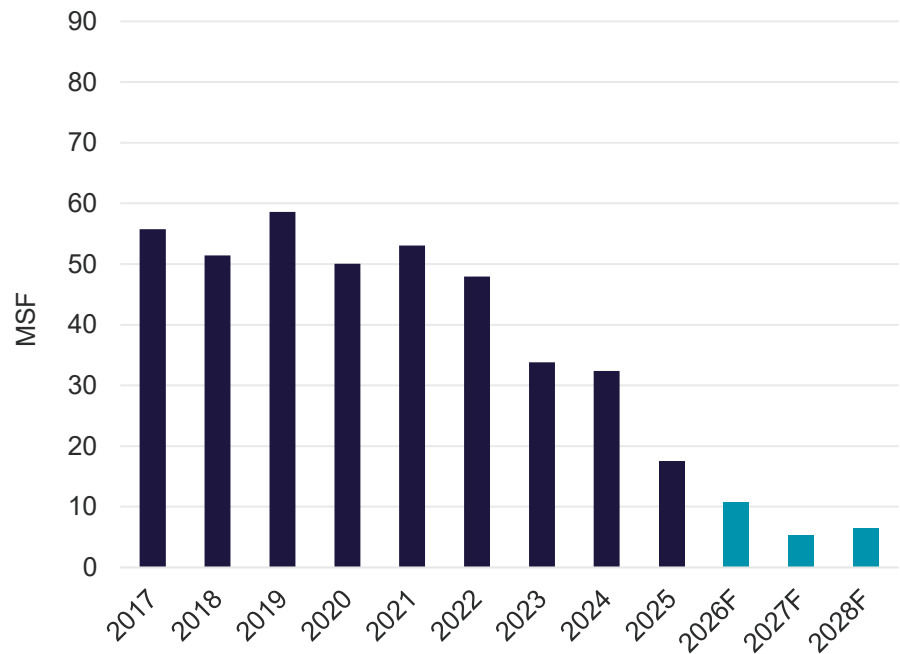
DEMAND EXPECTED TO STRENGTHEN IN SECOND HALF OF 2026

Demand turned positive in 2025. Absorption is expected to slowly accelerate through 2028. On the supply side, the pipeline has continued to decline since 2022, but slowed more rapidly through 2025 as the space under construction thinned out given the high vacancy rate environment. With vacancy persisting in the 20% range, even less office buildings are breaking ground without financing in place and preleasing commitments.

Overall Net Absorption (msf)



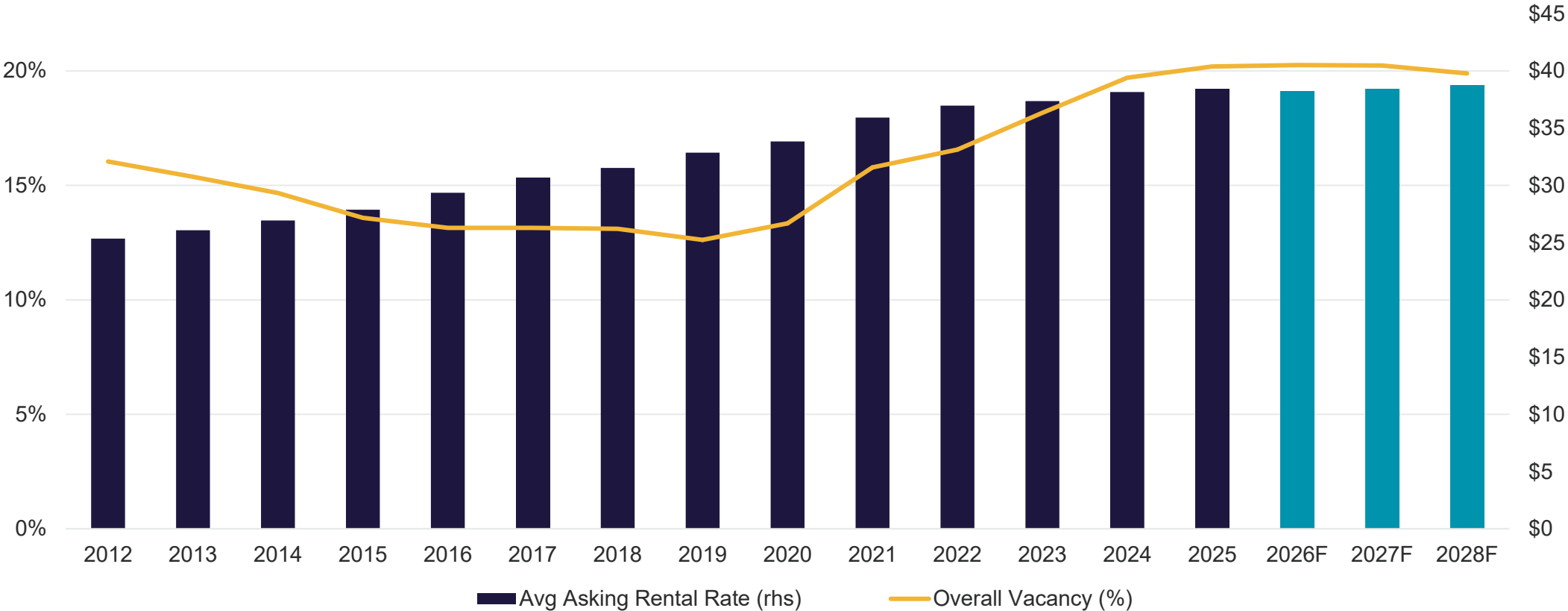
Annual New Deliveries (msf)



Source: Cushman & Wakefield Research

VACANCY AT CYCLICAL PEAK; RENT GROWTH REMAINS STAGNANT

The nationwide vacancy rate likely peaked in the second half of 2025 and is expected to hold steady for the next three years. Likewise, asking rental rate growth remain very flat on a national basis, though will vary both up and down across markets.



Source: Cushman & Wakefield Research



04

RETAIL

Retail: House View Summary

Fundamentals hold up despite softer rents; pricing and returns confirm the sector is re-rating

1.7 pp

Retail total returns ahead of all other property types, trailing 4Q (NCREIF)

**Slowest
since 2015**

Rent growth has cooled to its weakest pace in a decade as vacancy edges up

<Avg

New supply remains well below the historical average — the key support for rents

South + West

Dominant leasing activity and population growth, led by FL, TX, NC, AZ, CA

Key Takeaways

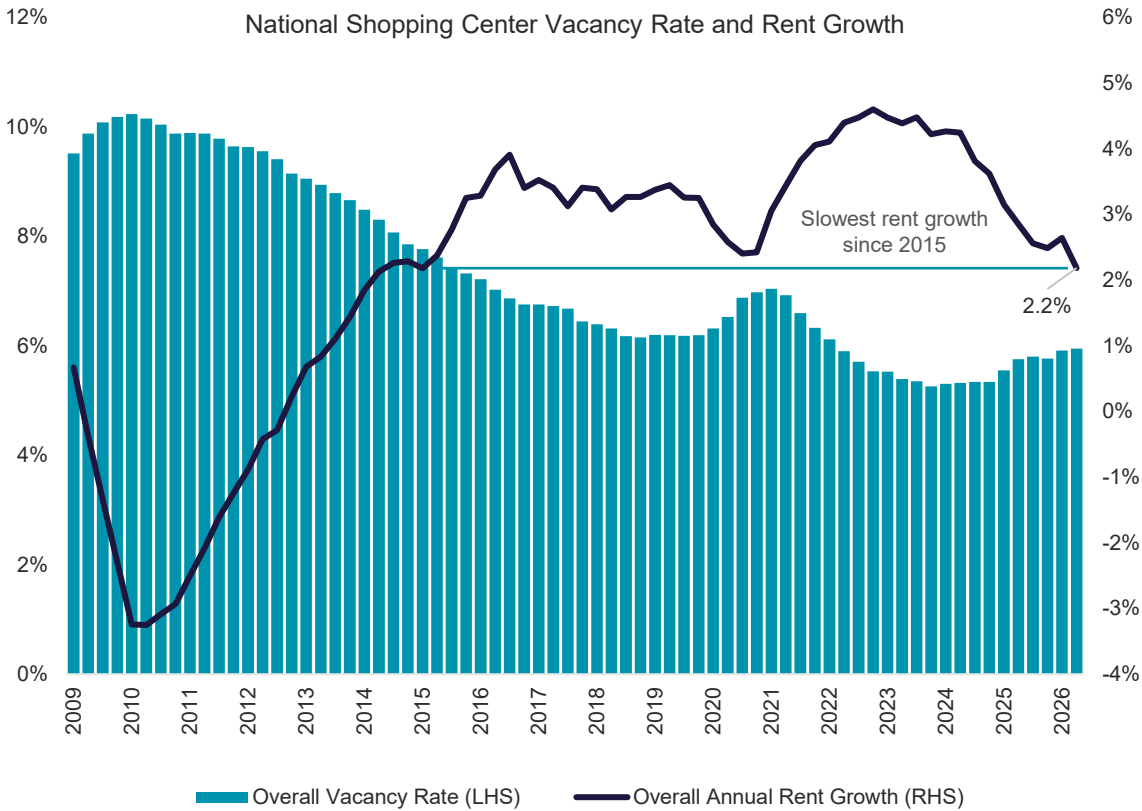
- **Fundamentals remain intact:** vacancy has ticked up and rent growth has slowed, but limited new construction keeps the supply/demand backdrop supportive for landlords.
- **Quality space is scarce:** high-quality retail is hard to acquire in already competitive markets supply scarcity
- **Pricing is rebounding:** overall and top-quartile cap rates have started to compress off their 2023-24 peaks, signaling renewed investor appetite.
- **Performance leadership:** retail's trailing 4-quarter total return leads every other property type, even as insurance cost pressure lingers (~6% of costs, though psf costs have eased).
- **Geographic tilt:** Sunbelt markets (South, West) drive the bulk of leasing volume and carry the strongest forecasted population growth.
- **Tenant mix is shifting:** value-oriented concepts, discount stores, grocery, warehouse outlets, are net openers in 2026 YTD, while apparel, electronics, drugstores and department stores are net closers.

SUPPLY/DEMAND FUNDAMENTALS REMAIN INTACT: RENTS WILL GROW



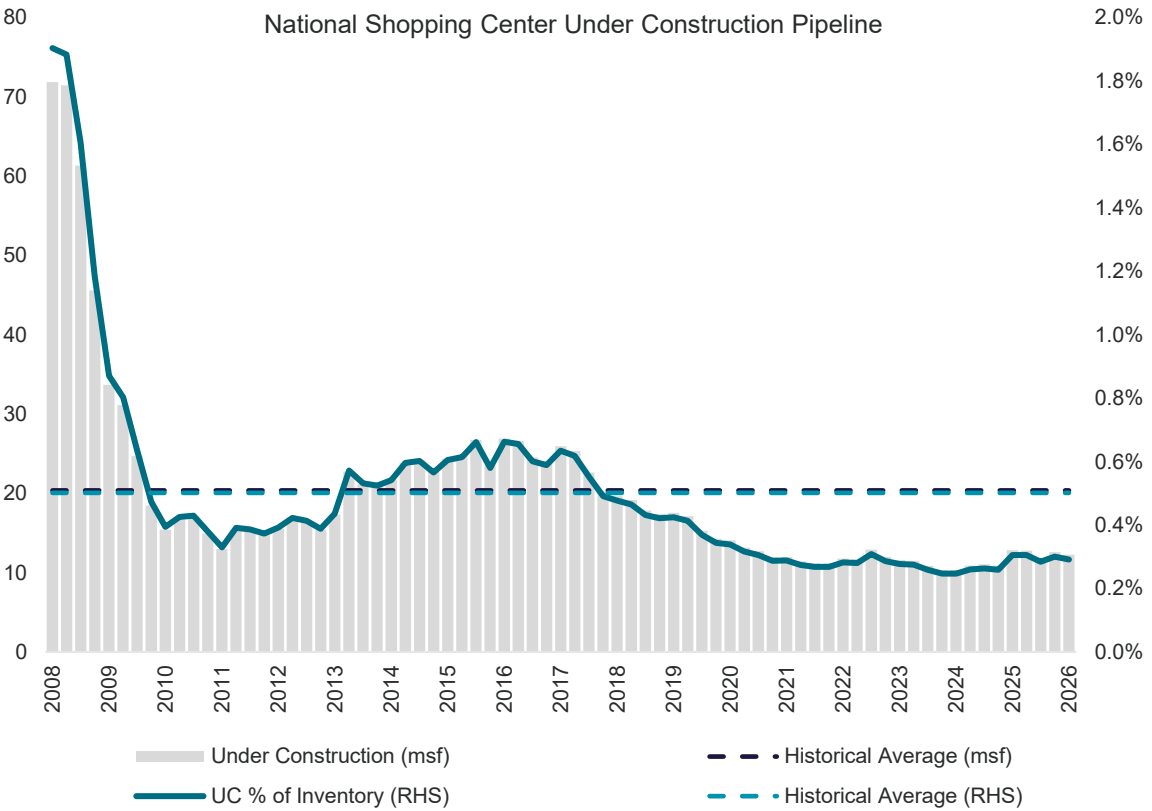
The lack of quality supply with continued strong demand for retail will sustain long-term rental growth

Rents have softened as vacancy rises



Source: CoStar, C&W Research

However, new supply is well below historical averages



Source: CoStar, C&W Research

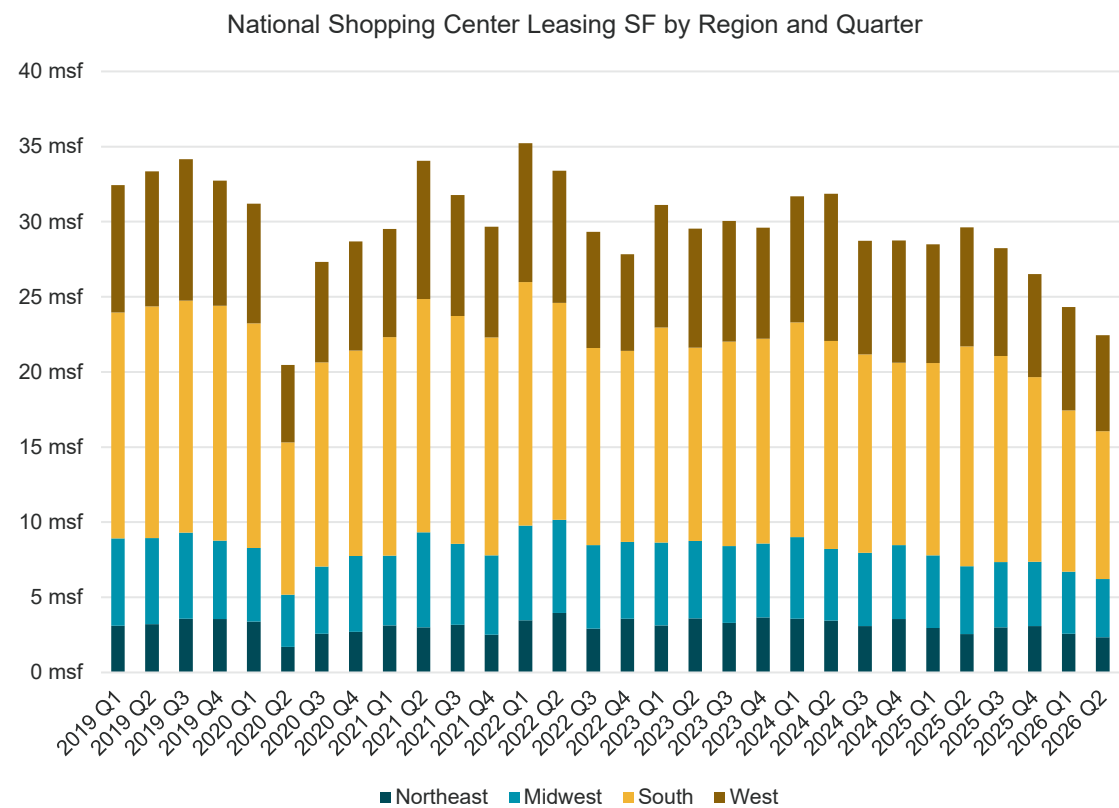
SOUTHERN AND WESTERN MARKETS: HIGHER ACTIVITY



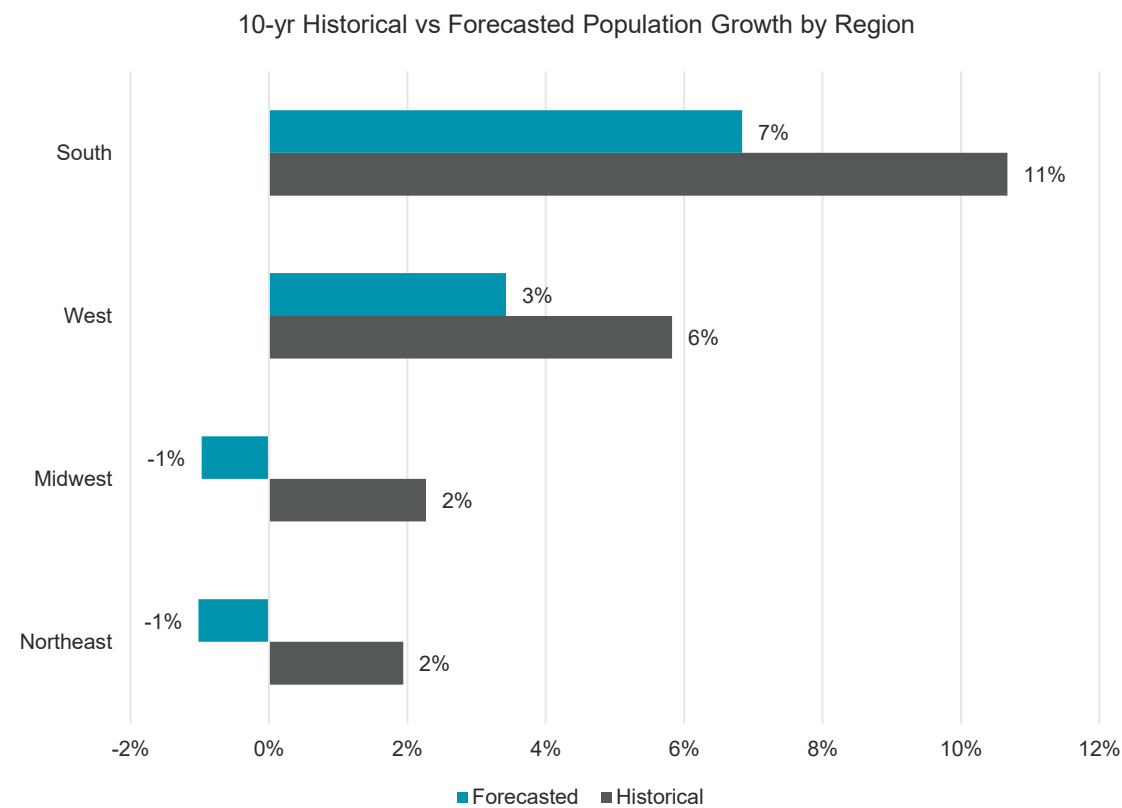
Sunbelt markets such as FL, TX, NC, AZ and CA continue to see steady retail activity

South and West regions dominate retail leasing

They also have the largest expected population growth



Source: CoStar, C&W Research

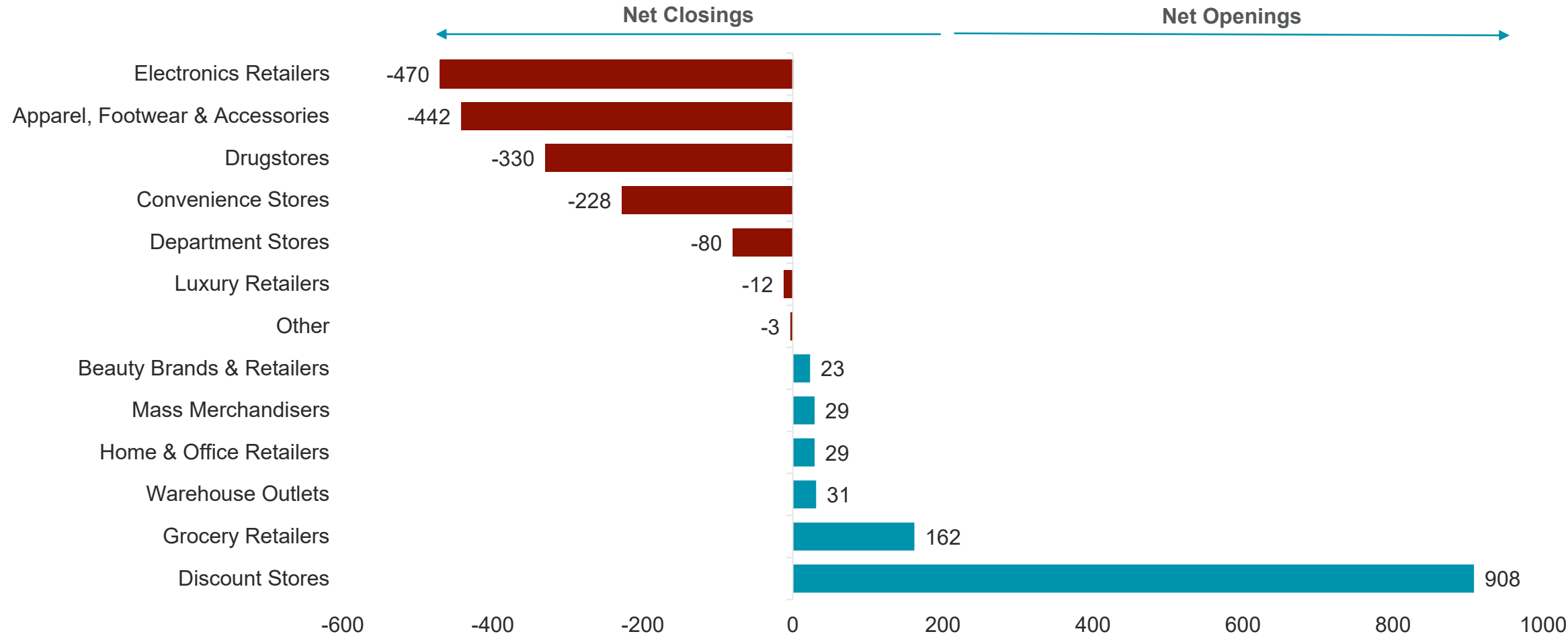


Source: CoStar, C&W Research

GROCERY, OFF-PRICE/DISCOUNT DEMAND DUE TO THE “VALUE” SEEKING CUSTOMER



Net Openings/Closings, 2026 YTD, units

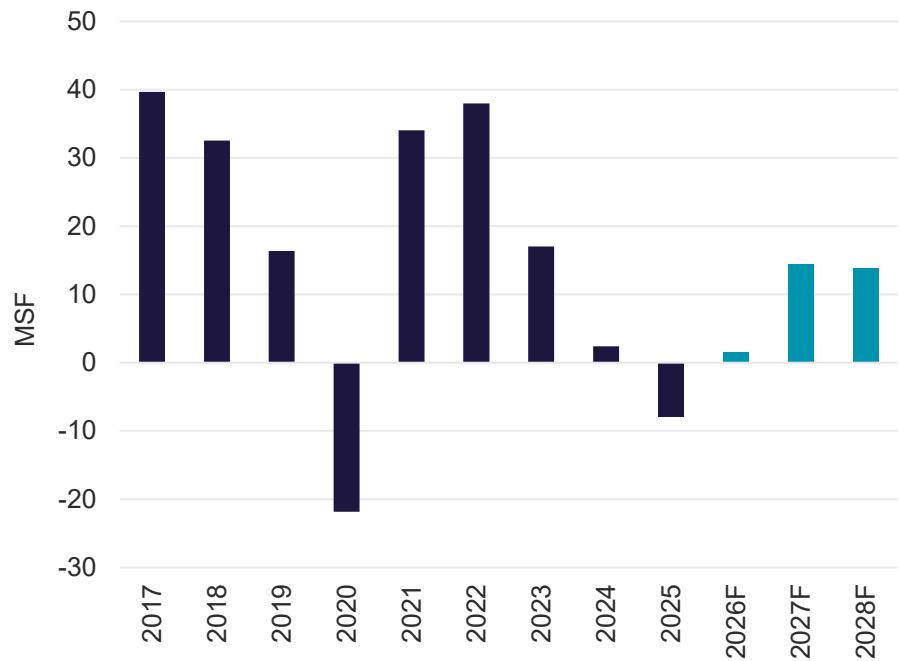


Source: Coresight Research (U.S. Store Tracker)

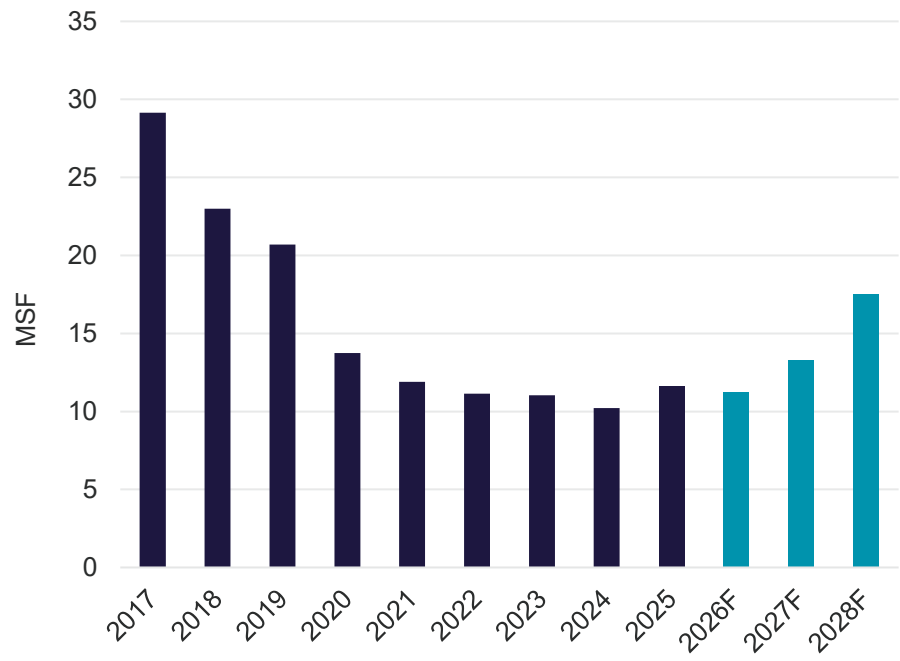
DEMAND EXPECTED TO REBOUND IN 2027–2028

With the exception of 2020, retail absorption had been solid coming out of COVID, but faltered in 2024 and turned negative in 2025. Absorption is expected to turn nominally positive in 2026 before picking up in 2027-2028. Fortunately, on the supply side, construction starts have remained moderate and is expected to reaccelerate in 2027 and 2028.

Overall Net Absorption (msf)



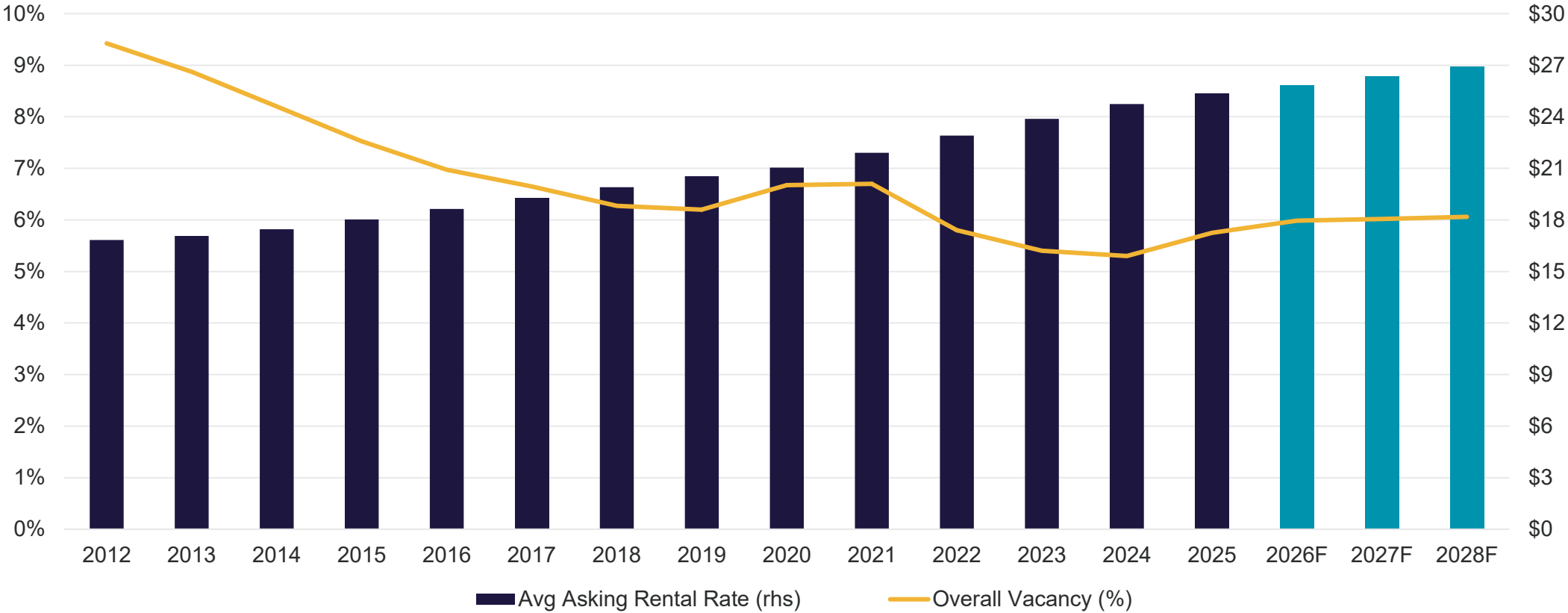
Annual New Deliveries (msf)



Source: Cushman & Wakefield Research

VACANCY PAST CYCLICAL PEAK; RENT GROWTH REMAINS COOL

The nationwide vacancy rate has been in secular decline from 2012 to 2024, with a COVID-related uptick in 2020-2021. Vacancy increased slightly in 2025 and is expected to remain flat at around 6% through 2028. Asking rent growth has been remarkably steady and is expected to grow. Meanwhile, asking rental rate growth should climb roughly 2% per year through 2028.



Source: Cushman & Wakefield Research



05

MULTI-FAMILY

Apartment: House View Summary

Demand is normalizing at a high level, the supply wave has crested, but capital markets momentum is cooling

4th strongest

1H on record for apartment demand (208K units); overall vacancy appears to have topped out

Reaccelerating

Rent growth picked up momentum in Q2, reversing the slowdown seen at the end of 2025

-55%

Under-construction share of inventory has fallen from its 2023 peak as the delivery wave crests

Cooling

Rebound in transaction volume is losing steam as rising rates weigh on deal activity

Key Takeaways

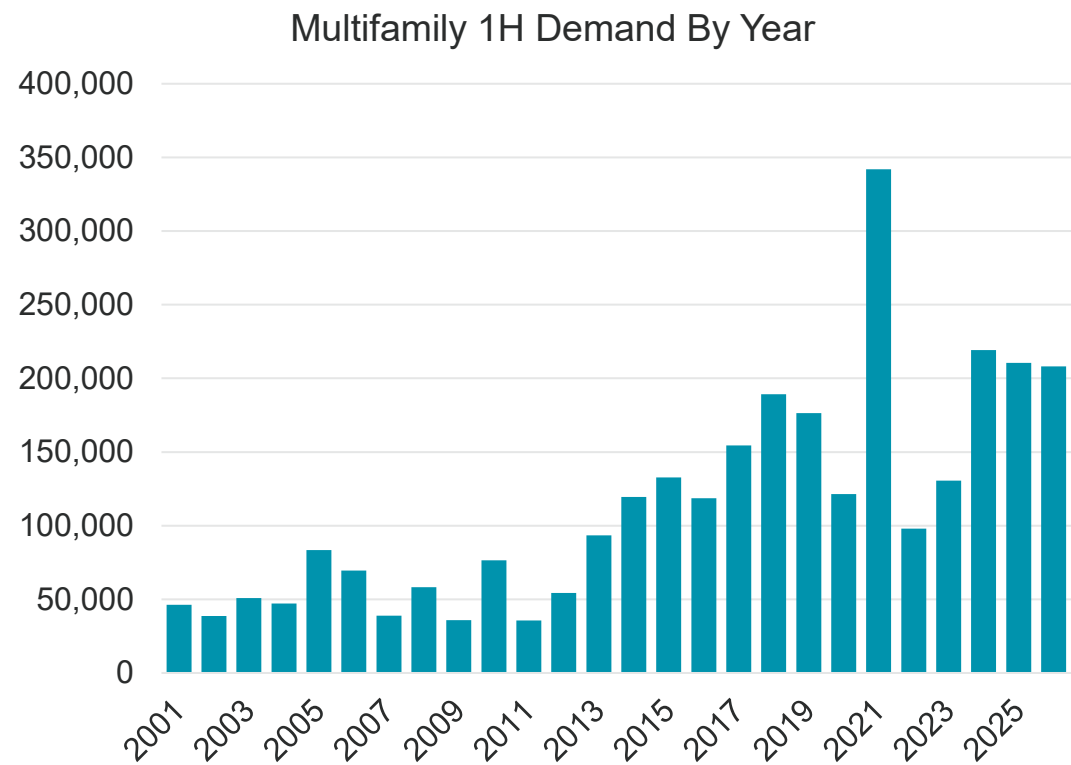
- **Demand is normalizing at a high level:** 1H 2026 demand was the fourth strongest first half on record, and overall vacancy appears to have topped out after peaking around mid-2025.
- **Rent growth is turning up:** national asking rent growth accelerated in Q2, reversing the deceleration seen at the end of 2025.
- **Quality bifurcation continues:** 4 & 5-star ("Class A") product captured roughly 90% of net absorption over the past year and carries meaningfully higher occupancy than Class B/C.
- **The supply wave has crested:** construction starts have fallen to 2012 levels and the under-construction share of inventory is down by more than half from its 2023 peak; if demand holds, the current oversupply should prove short-lived.
- **Capital markets momentum is cooling:** transaction volume growth is decelerating as higher rates weigh on deal activity, even as investors keep concentrating on newer-vintage (2010s/2020s) assets, now nearly half of trading volume.

APARTMENT DEMAND IS NORMALIZING

1H demand was the fourth strongest in history by a small margin

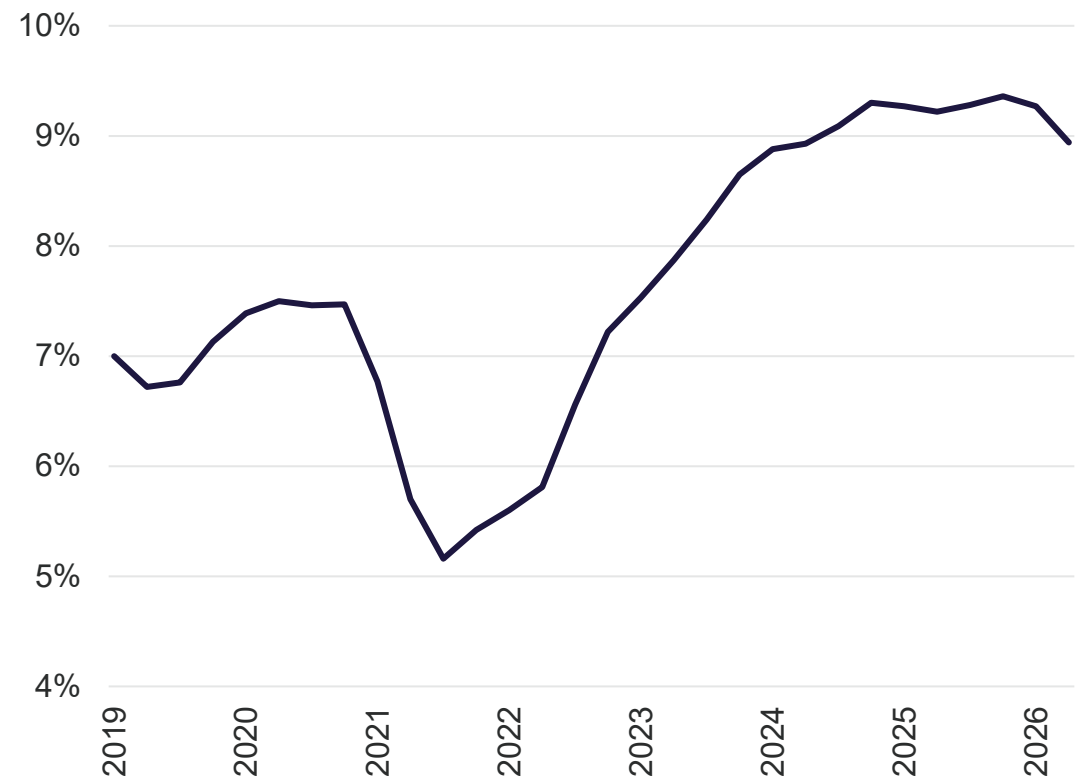


Significant Uptick In Multifamily Demand Post-Pandemic



Source: CoStar, Cushman & Wakefield Research

Overall Vacancy Seems To Have Topped Out

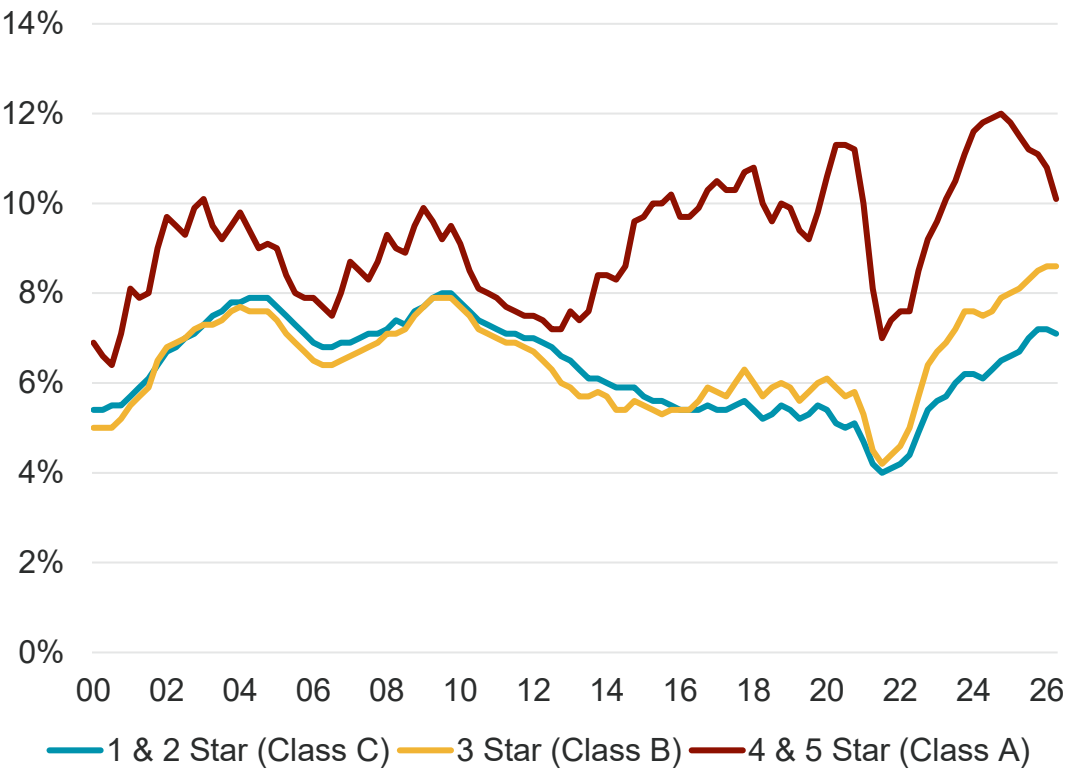


TOP QUALITY PRODUCT IS OUTPERFORMING

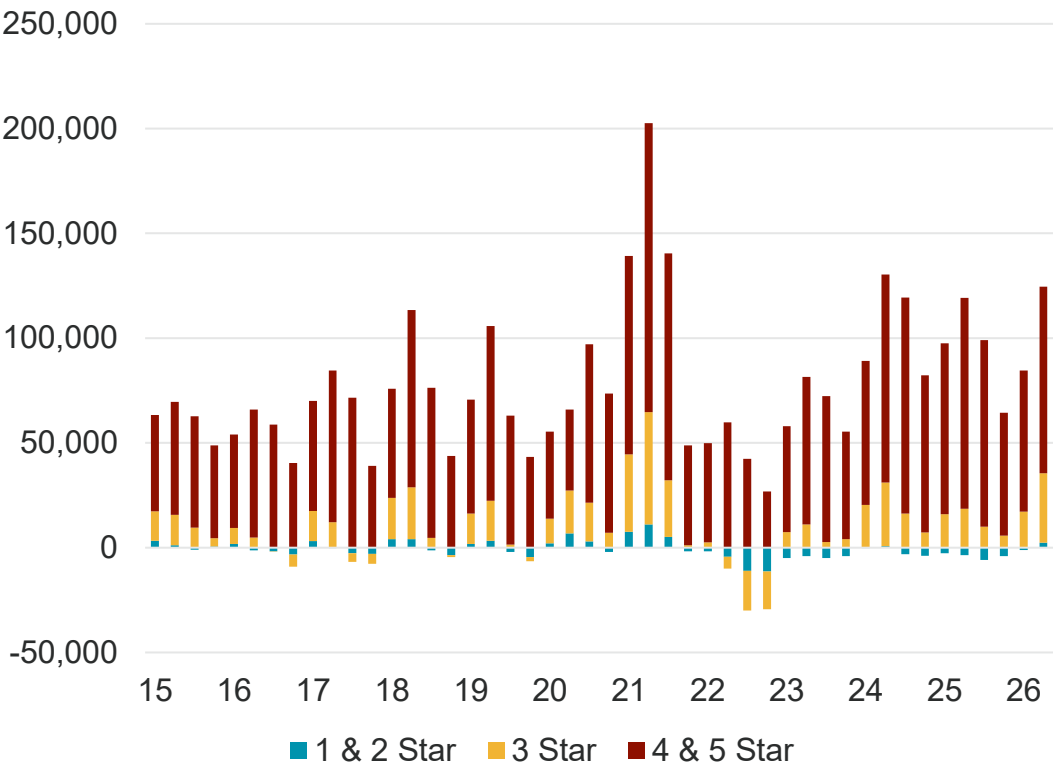


Renters are trading up to the best quality product

Vacancy Rate By Star Rating



4 & 5 Star Product Represented ~90% of Absorption Over The Last Year



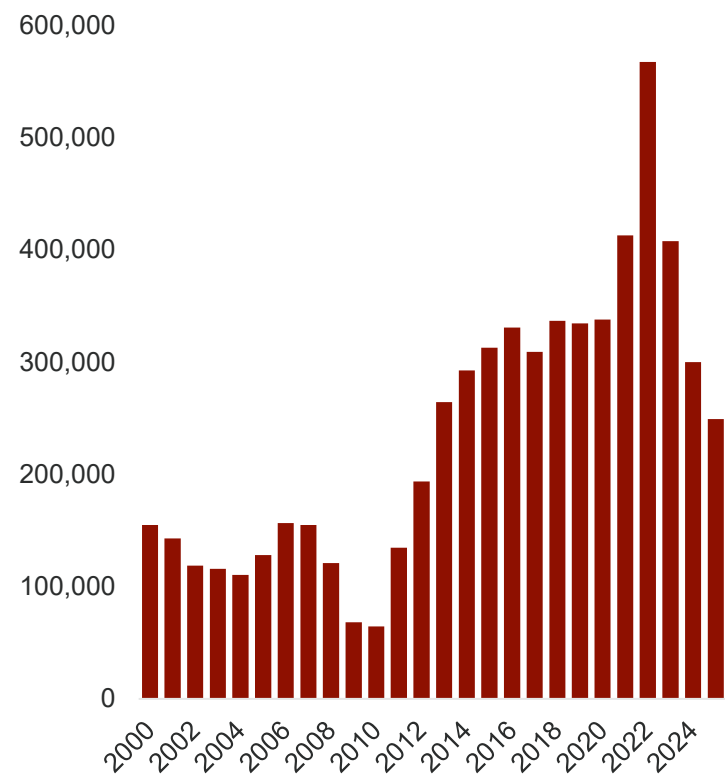
Source: CoStar, Cushman & Wakefield Research

THE PEAK OF THE CONSTRUCTION WAVE IS BEHIND US

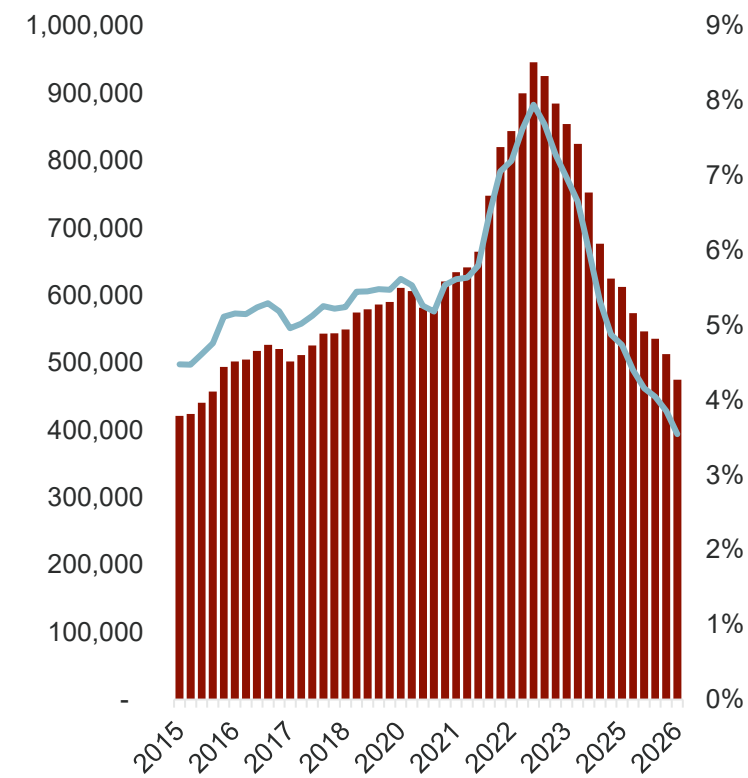


If demand holds, this oversupply will be short-lived

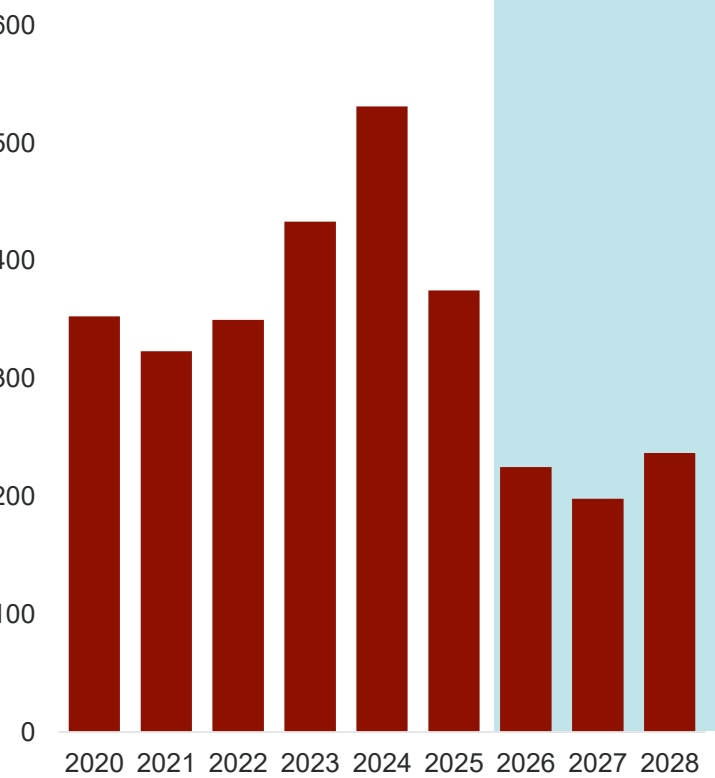
Starts Are Down to 2012 Levels



Construction Activity Pulling Back



Delivery Wave Has Peaked

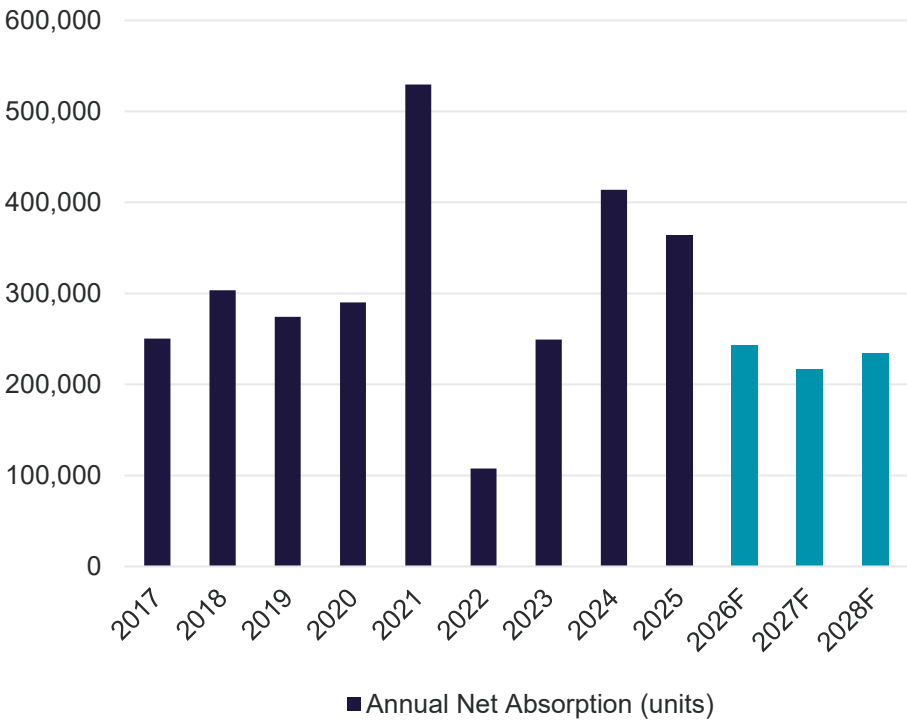


Source: Census, HUD, CoStar, Cushman & Wakefield Research

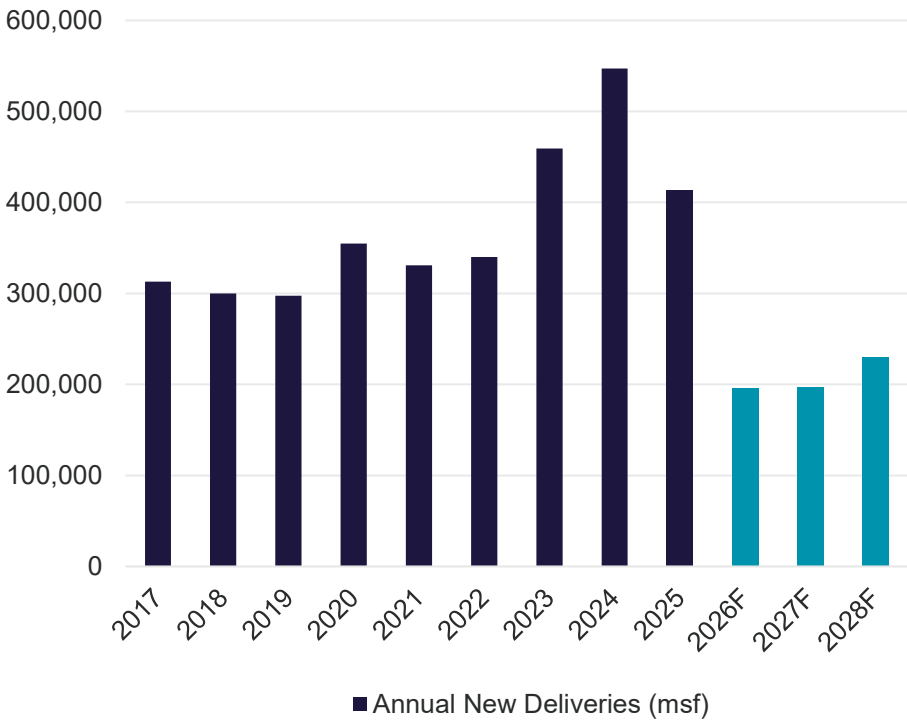
DEMAND EXPECTED TO MODERATE BY REMAIN STEADY THROUGH 2028

Apartment demand has been performing strongly, with the exception of 2022. Demand is expected to remain solid over the next three years, though below the heady levels of 2021 and 2024-2025. New supply surged in 2023 and remained elevated through 2025, likely in response to demand in 2021-2024. But going forward, deliveries are expected to moderate over the next three years.

Overall Net Absorption (units)



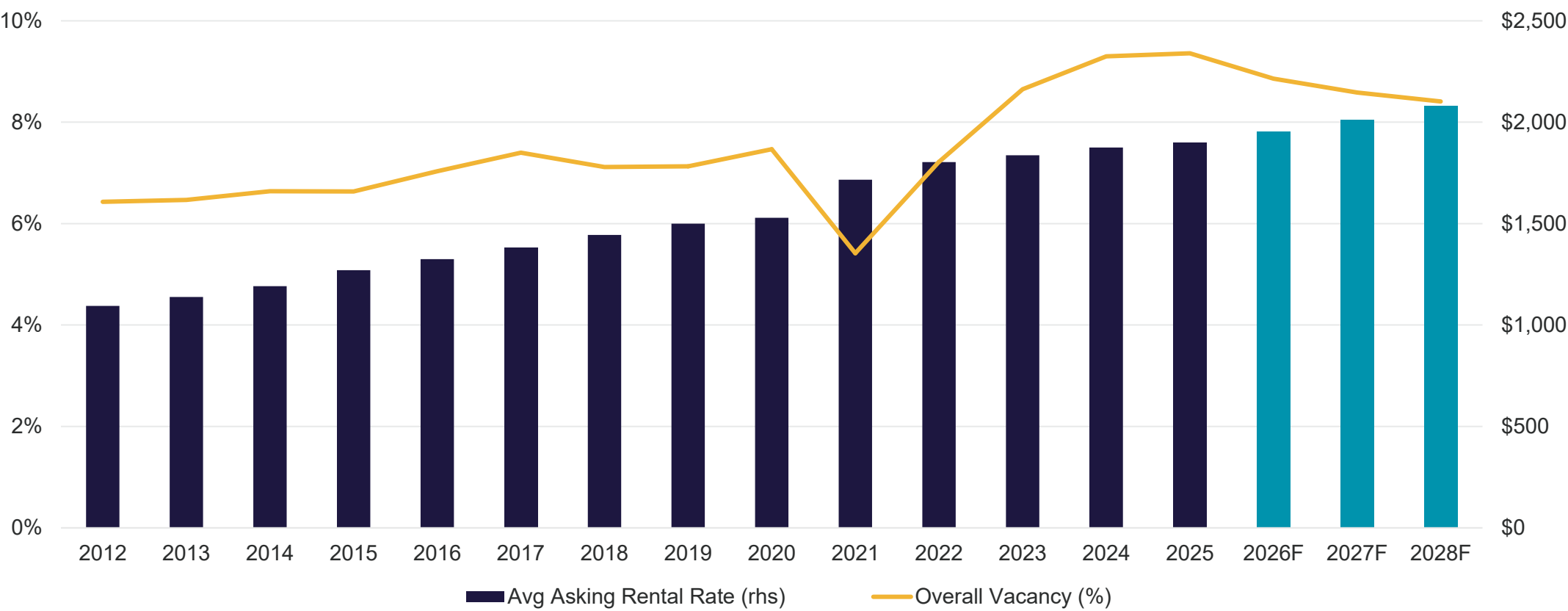
Annual New Deliveries (units)



Source: Cushman & Wakefield Research

VACANCY PAST CYCLICAL PEAK; RENT GROWTH REMAINS COOL

The nationwide vacancy rate surged from 2022 to 2024 as supply grew and demand moderated. Going forward, the vacancy trend is reverting to mean as supply and demand are becoming better balanced. Rental rate growth has been and is expected to continue to be positive and average over 3% over the next three years.



Source: Cushman & Wakefield Research