SitusAMC

Valuation Trends & State of the CRE Market

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3Q26 ODCE Index Results and Themes

Highest Return Since 2nd Quarter 2022

- The NFI-ODCE total return of 1.71% is the highest total return in a quarter since the 2nd Quarter 2022, which represents peak values in the ODCE index.

NFI-ODCE RETURNS

	3Q26	2Q26	1Q26	4Q25	3Q25
Income	1.02%	1.02%	1.00%	1.01%	0.99%
Appreciation	0.69%	0.47%	0.24%	-0.09%	-0.26%
Total (Gross)	**1.71%**	**1.49%**	**1.25%**	**0.91%**	**0.73%**

NOI Growth Rebounding At The Right Time

- With elevated interest rates persisting, investors are increasingly reliant upon accelerating NOI growth to stabilize returns.

Story of "Haves" & "Have Nots"

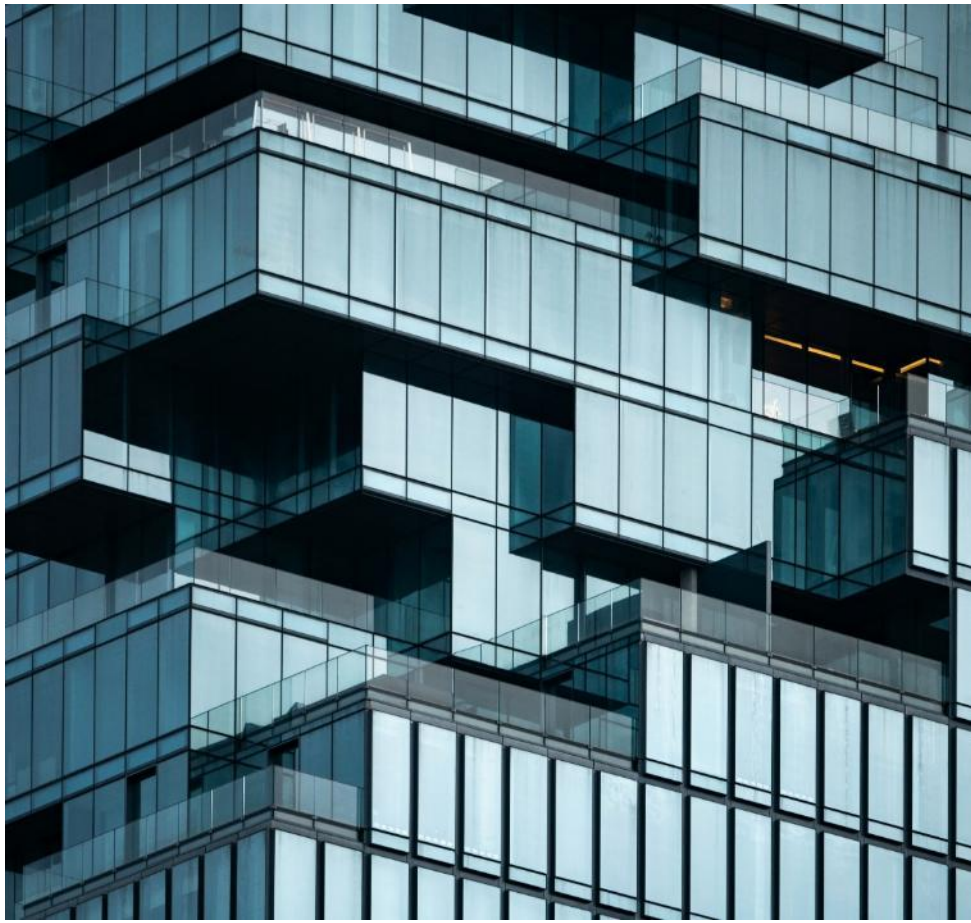
- Expect divergence to widen across properties and sectors, driven by in-place yields, NOI growth, and investor demand (or lack thereof).

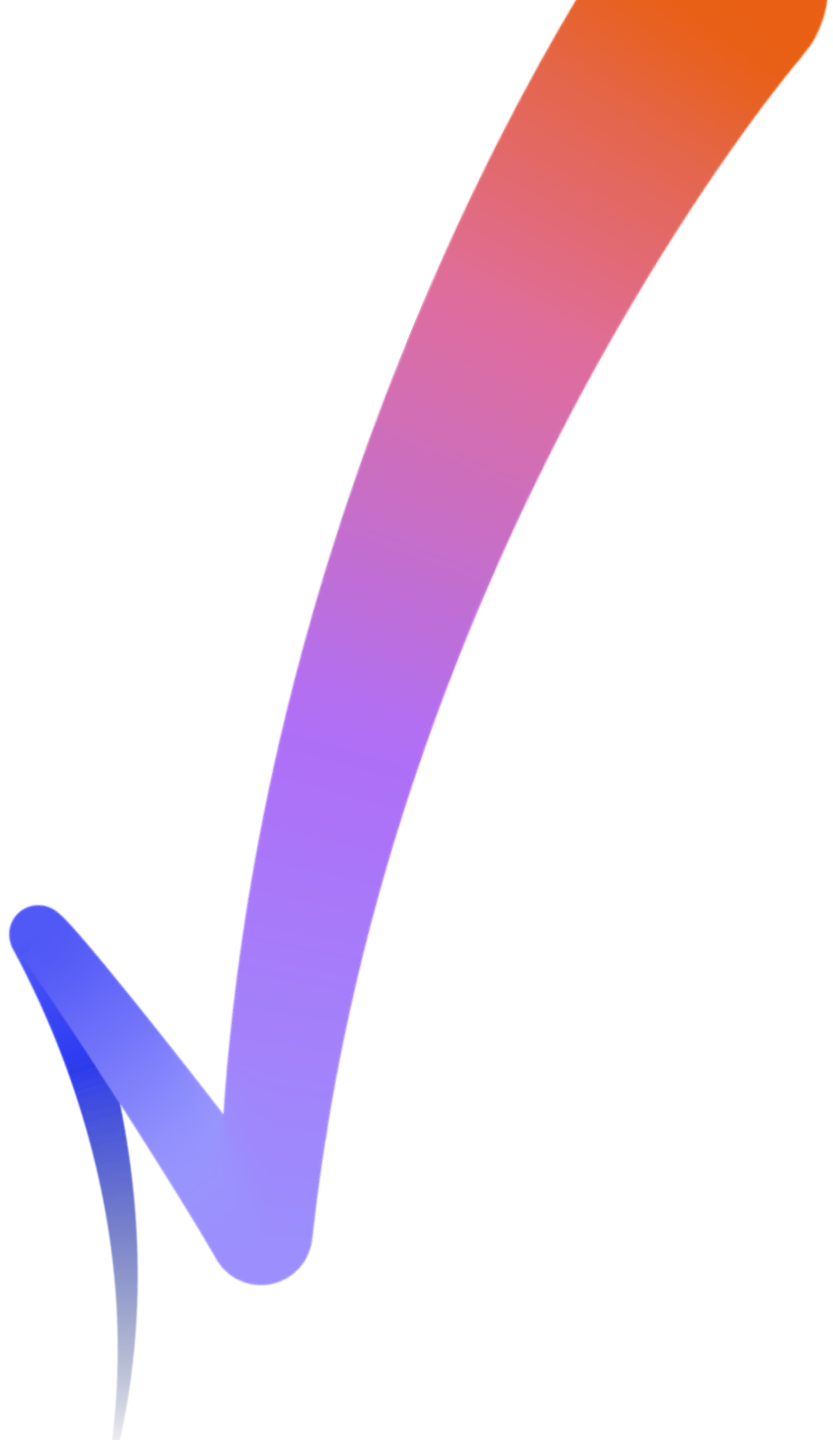
Transaction Activity Rebounded in 3rd Quarter 2026

- Transaction volume increased in 3Q26 (2X volume of 1Q26 and 2Q26), reflecting an average cap rate (T3) of 5.20%.

Higher For Longer Reaching Another Breaking Point

- Persistent interest rate pressures are testing valuations, but "details matter" in an environment where investors are distinguishing between the "Haves" and "Have Nots".

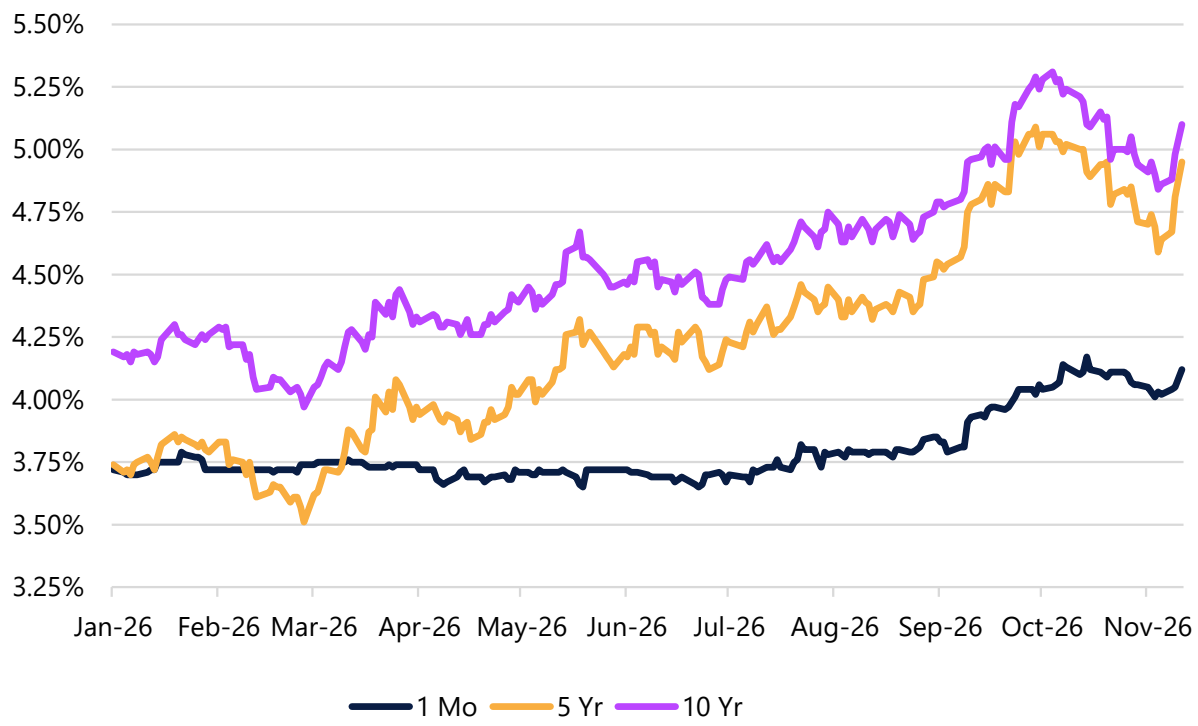




Capital Markets: Uncertainty & Volatility

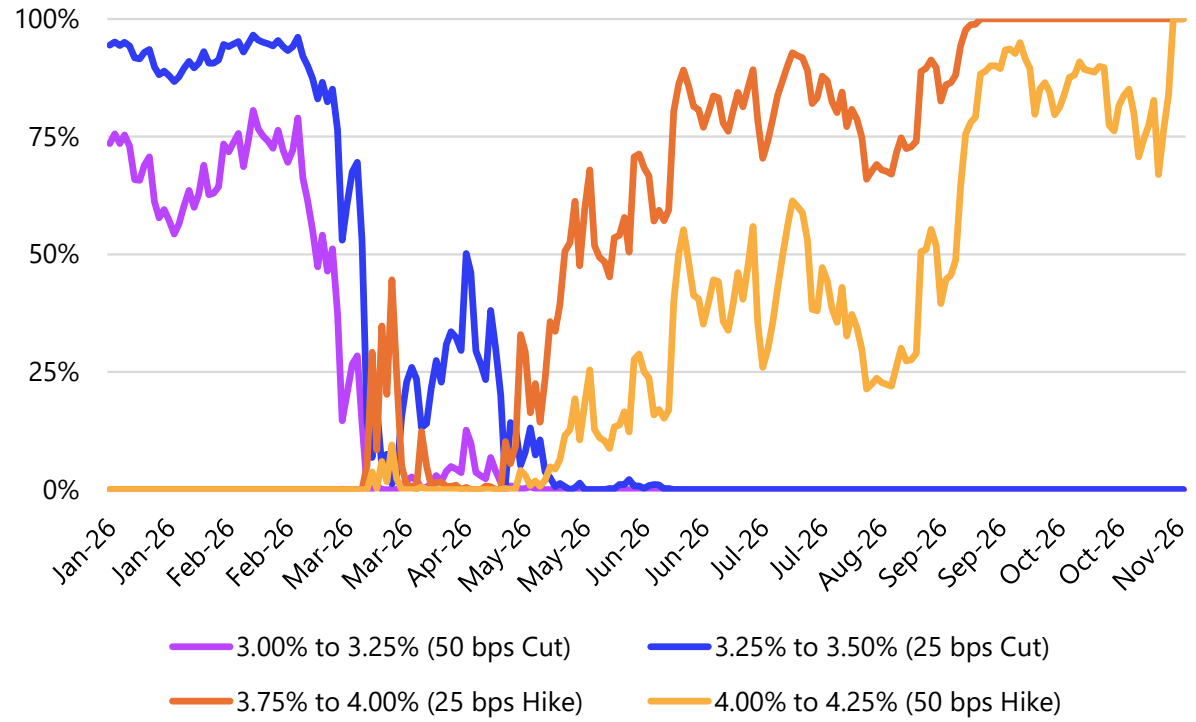
Uncertainty Driving Cost of Capital Higher

U.S. Treasury Rates - Yield Curve Movement



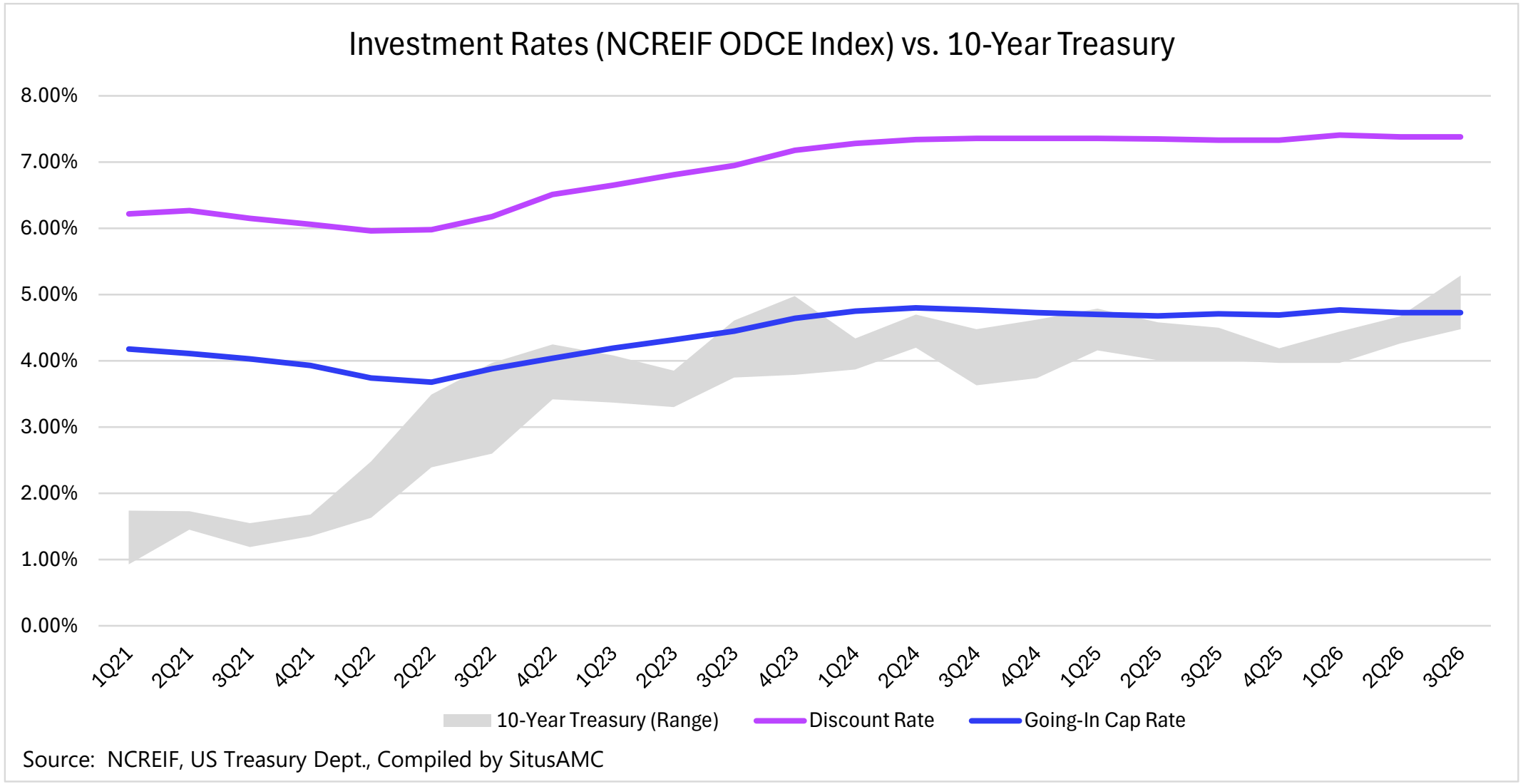
Source: US Treasury Dept., SitusAMC

Fed Funds Rate - Probability Movements in 2026



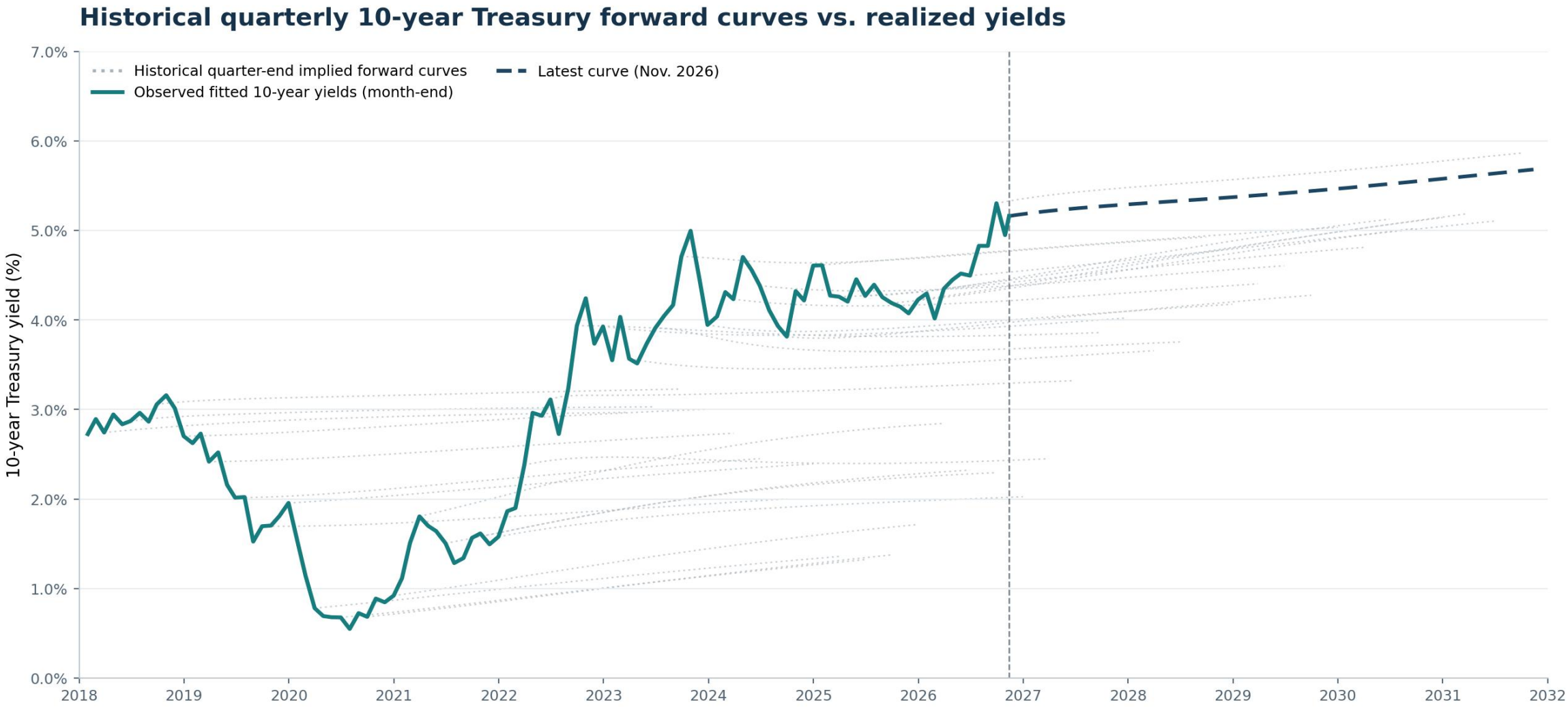
Source: CME Group, SitusAMC

Rising Treasury Rates Place Greater Pressure on Values, But Not Unprecedented in Current Cycle



Source: NCREIF, US Treasury Dept., Compiled by SitusAMC

The Treasury Yield Curve: A Poor Crystal Ball for Future Interest Rates

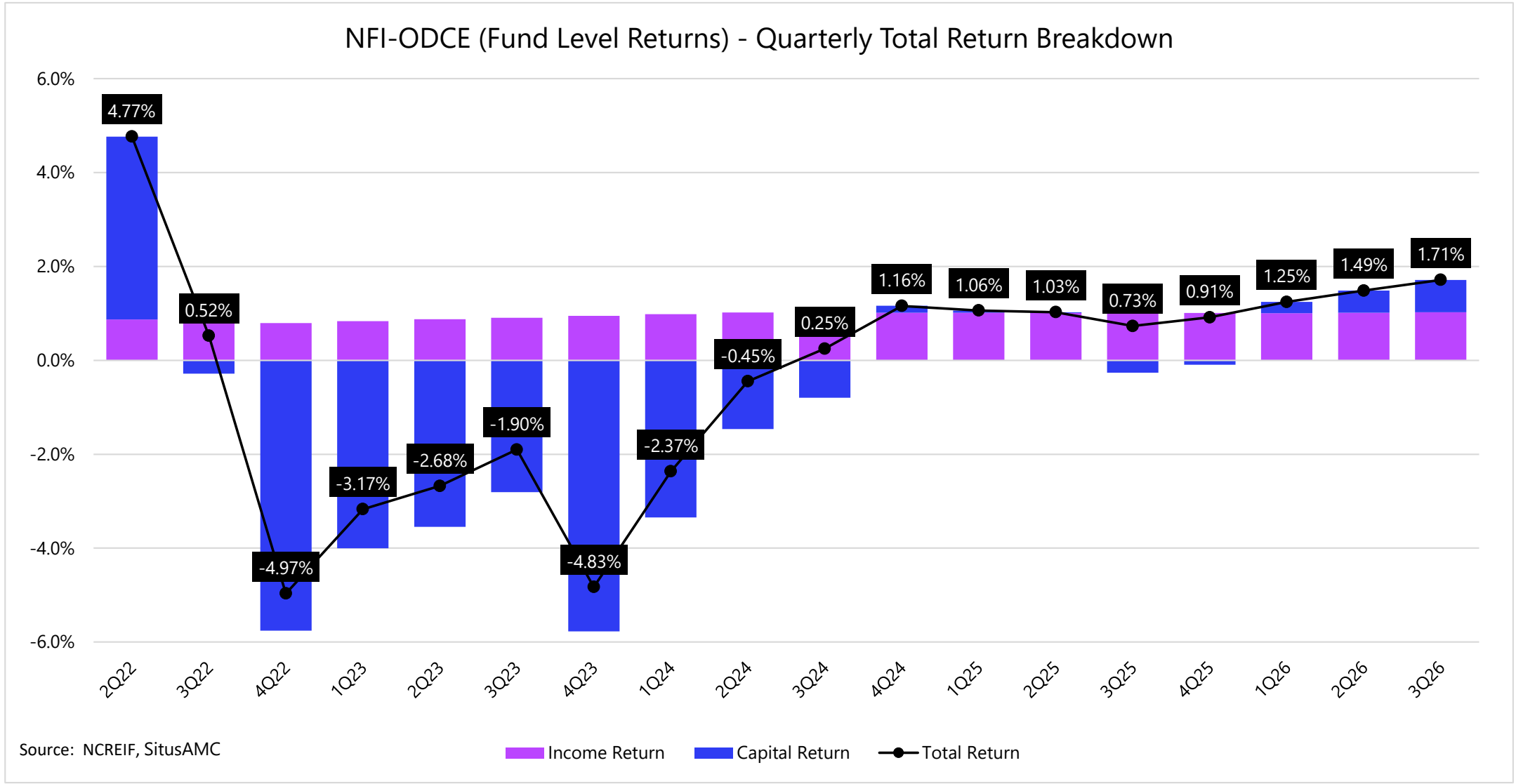


Source: Federal Reserve Gürkaynak–Sack–Wright; quarter-end vintage from existing monthly fitted-curve matrix. Latest Nov. 13, 2026.

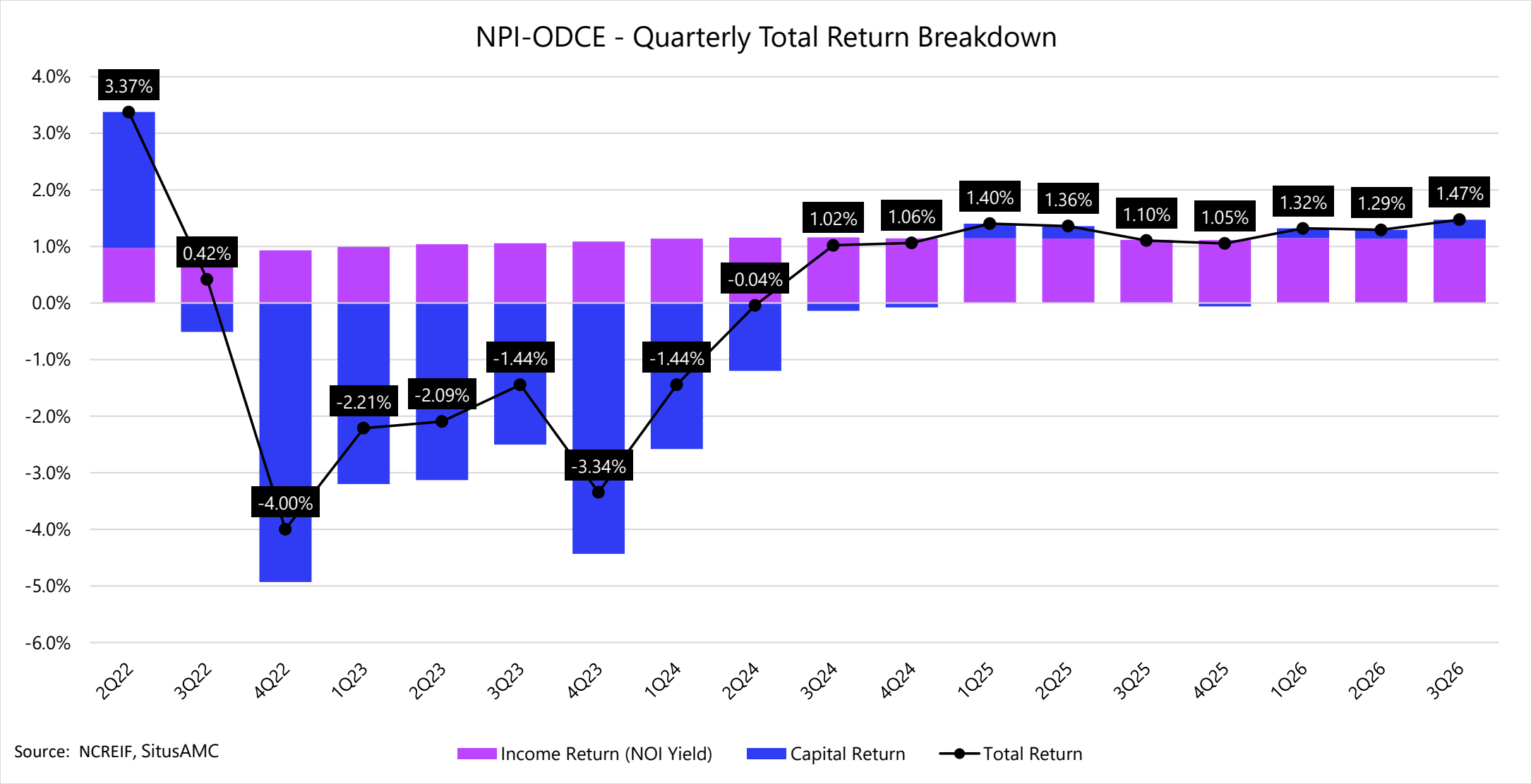


ODCE:
Stable Returns in 3Q26;
Sustainability in Question

NFI-ODCE (Fund Level Returns) – Highest Quarterly Return Since 2nd Quarter 2022!

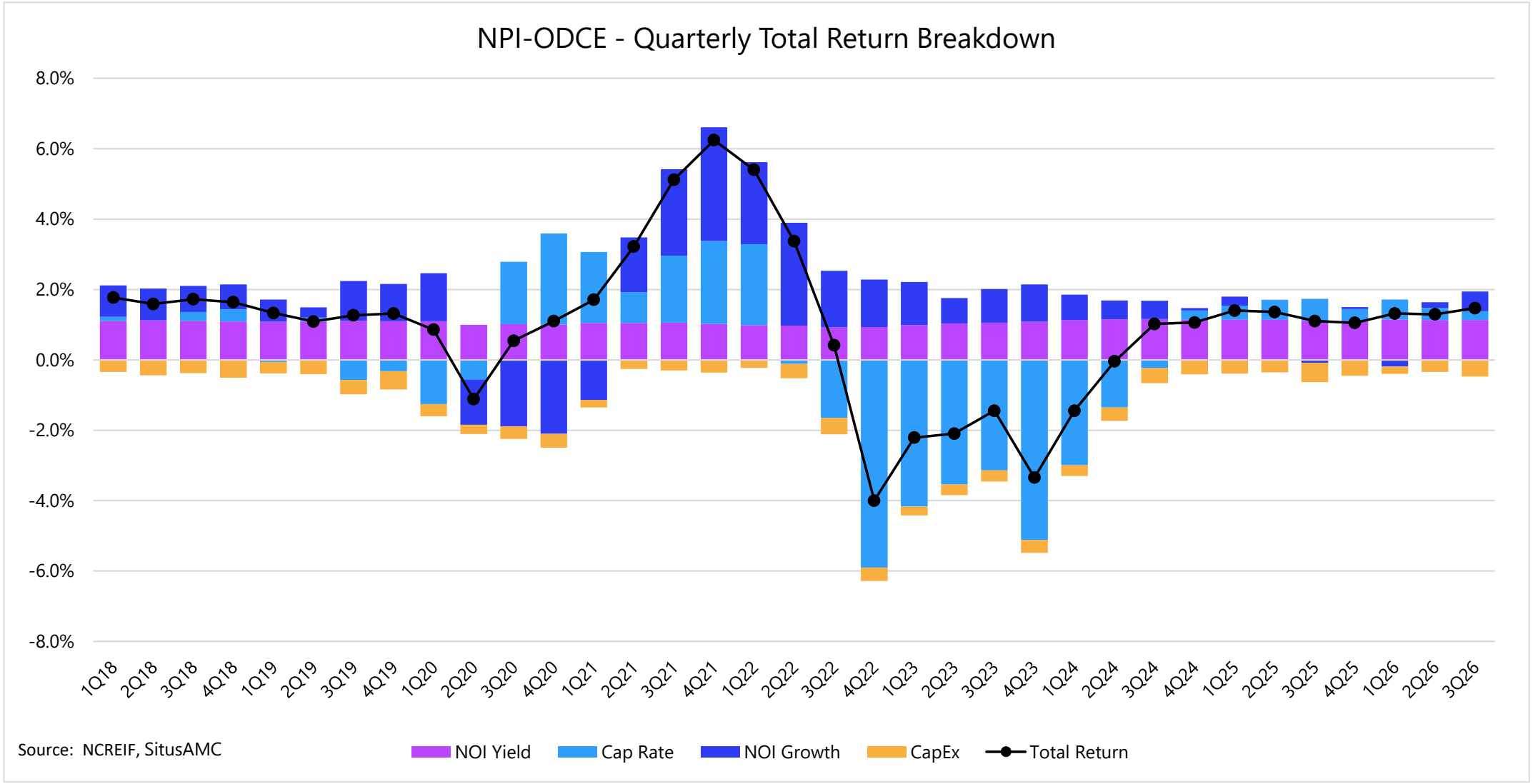


NPI-ODCE (Property Level Returns) – Property-Level Appreciation Continued to Rise in 3Q26

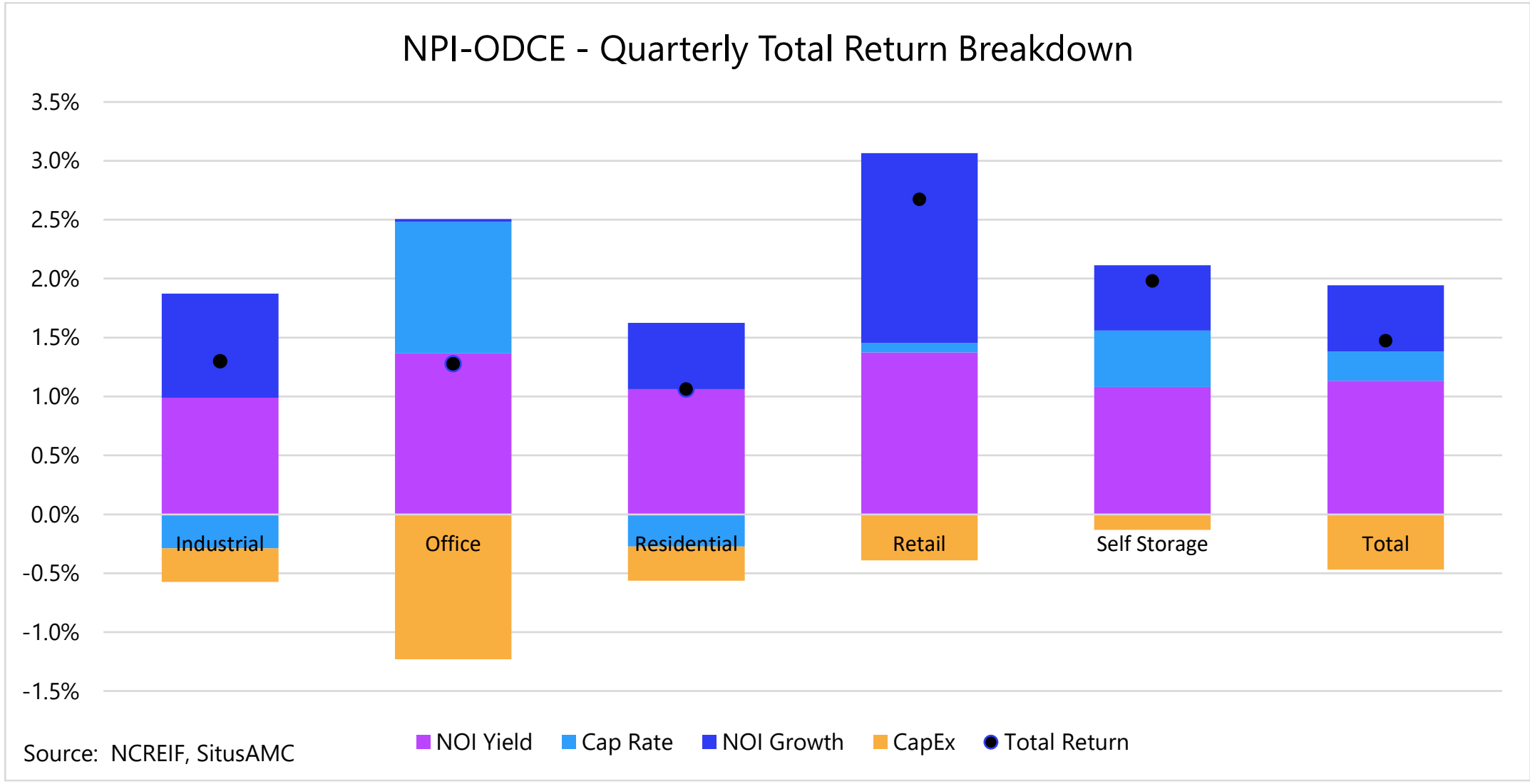


Source: NCREIF, SitusAMC

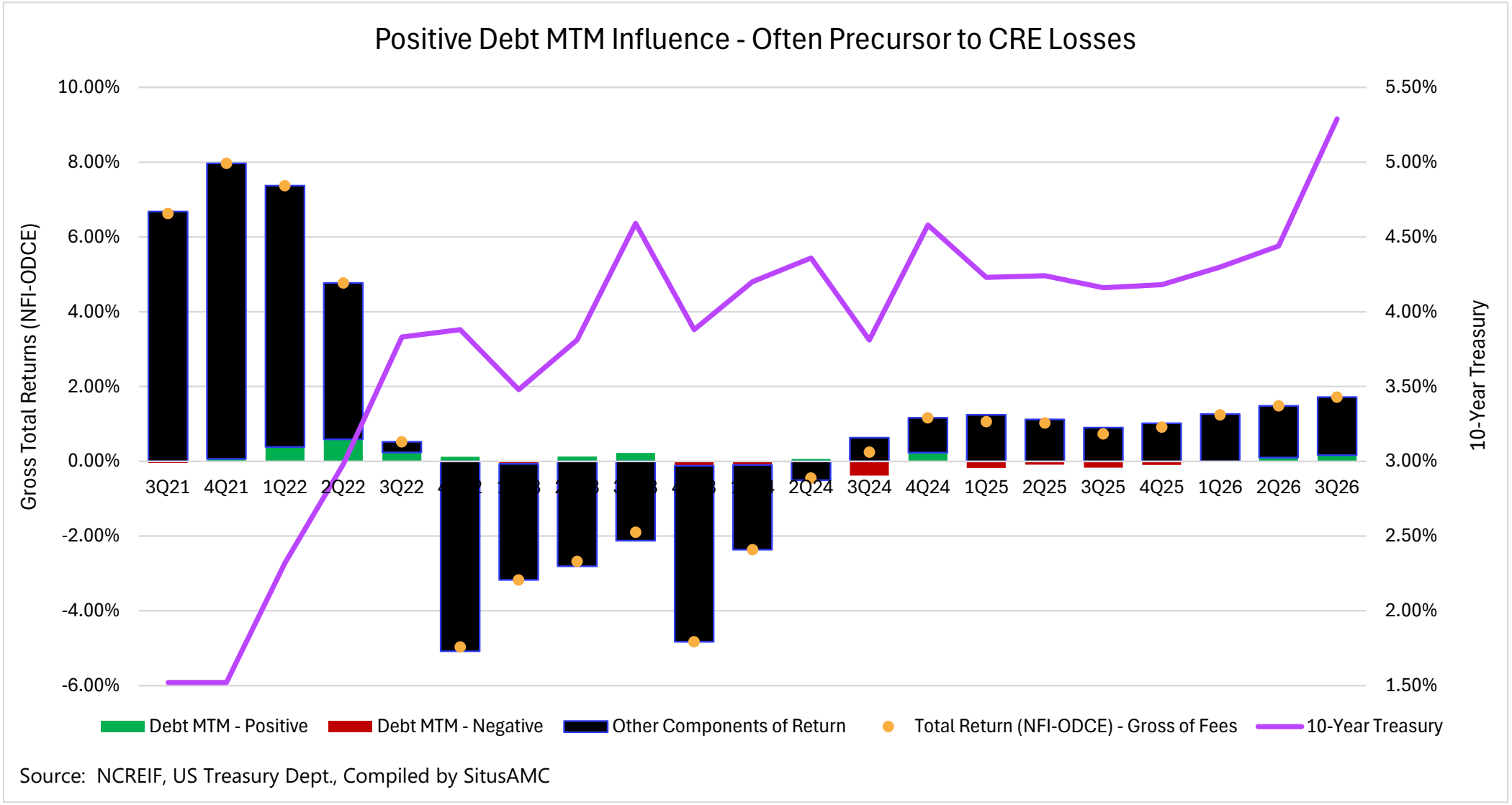
Composition of Total Return (Property Level) – NOI Growth Beginning to Improve



3Q26 Total Returns – Retail and Storage Continue to Lead the Way…

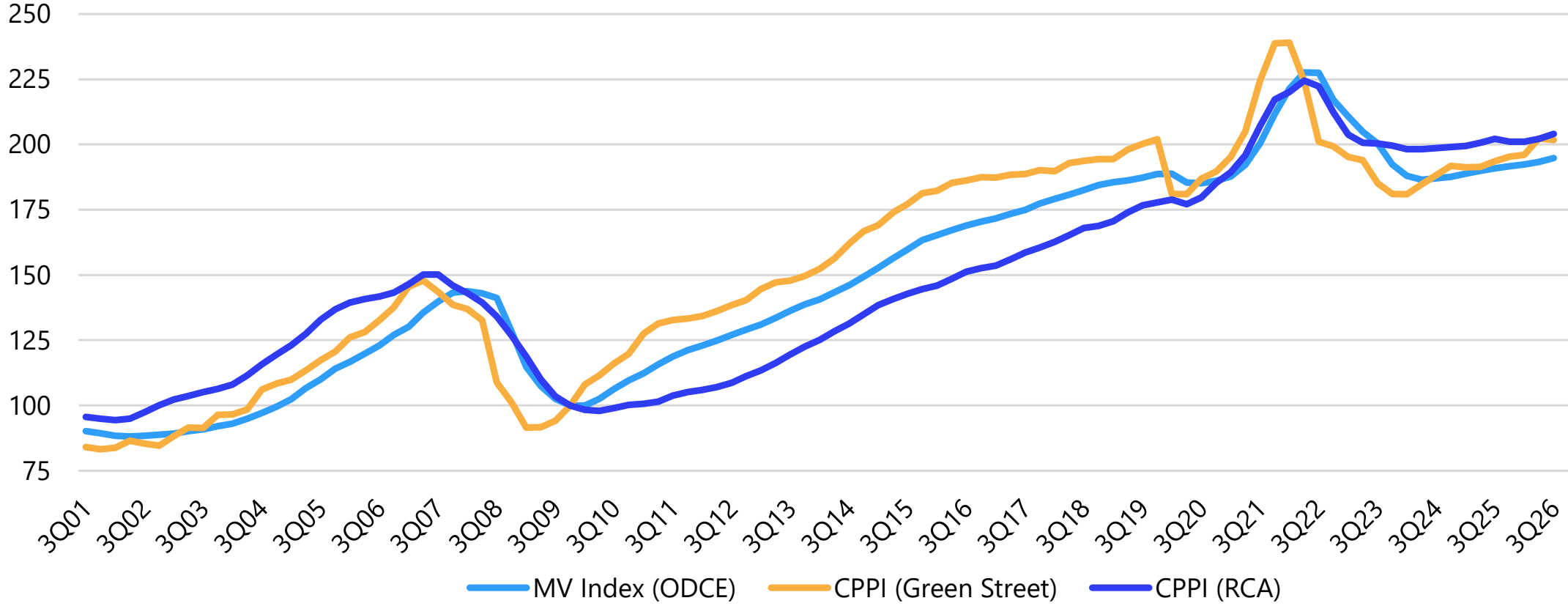


Positive Influence from Debt MTM – Not So Positive for CRE Values



Source: NCREIF, US Treasury Dept., Compiled by SitusAMC

Real Estate Value Indices – NPI-ODCE Reasonably Aligned with Green Street (Minor Correction in 3Q)



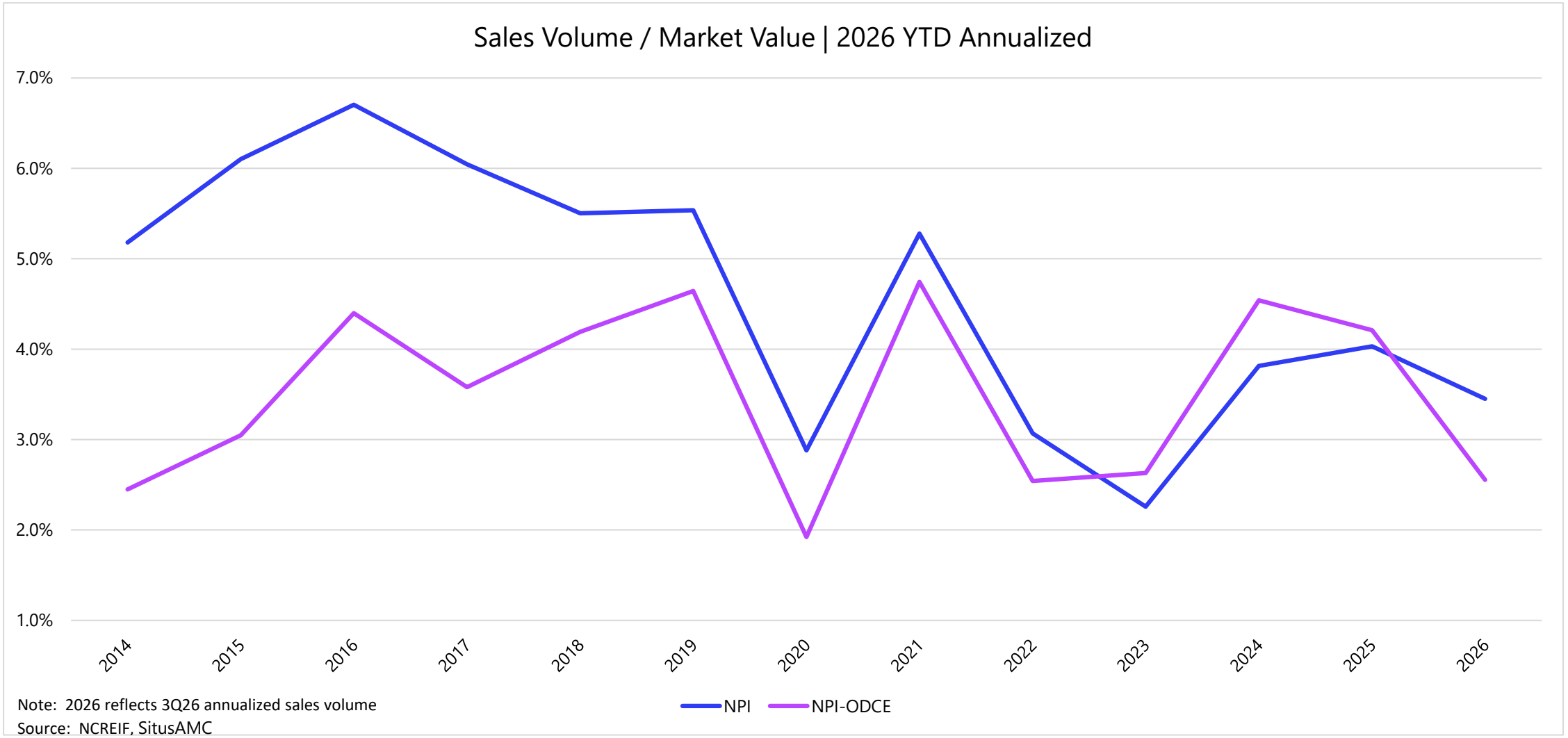
Source: NCREIF, Green Street, MSCI (RCA), Compiled by SitusAMC

Scale: 4Q09 = 100



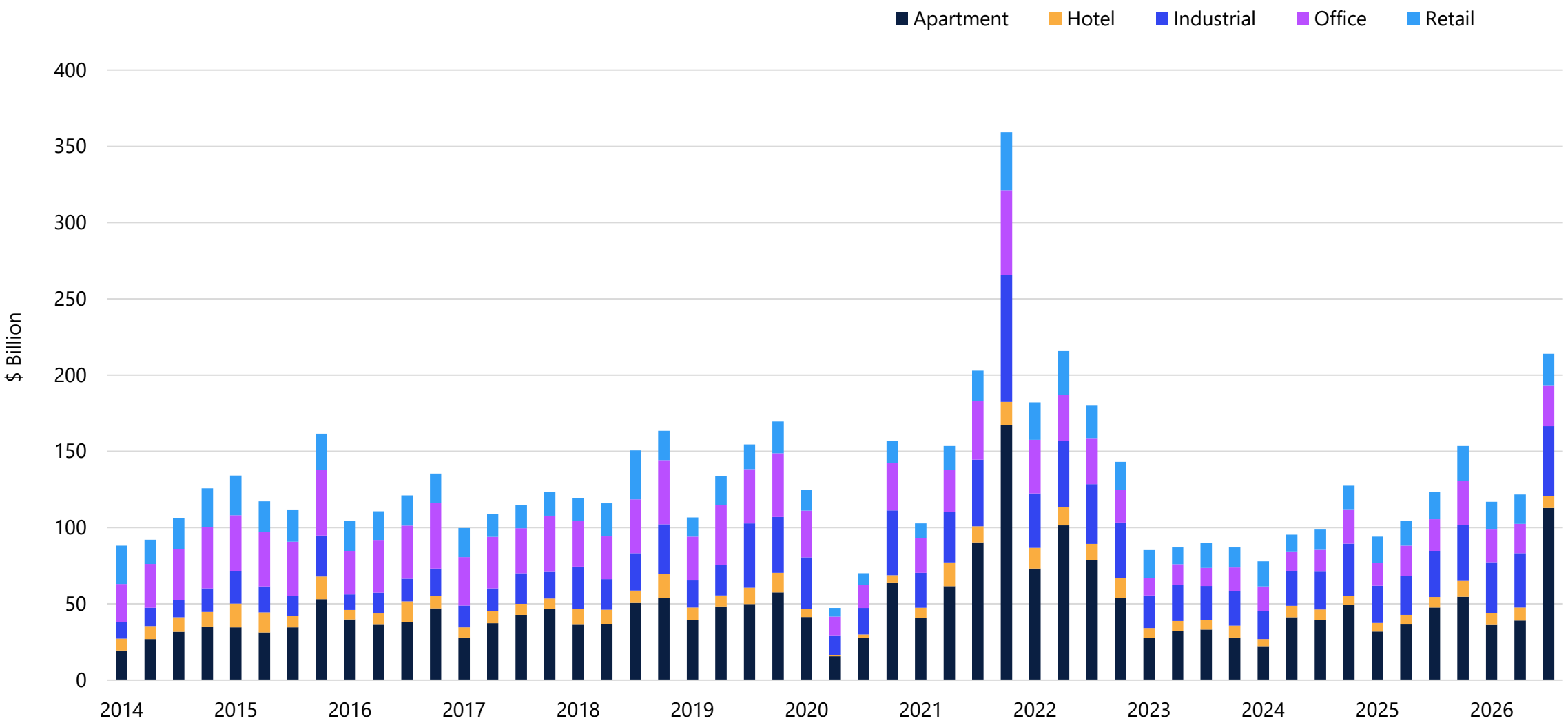
Price vs. Value:
What Are Sales Telling Us?

Deal Volume Resurgence in 2024 and 2025…Fall Off in 2026 Transaction Volume!



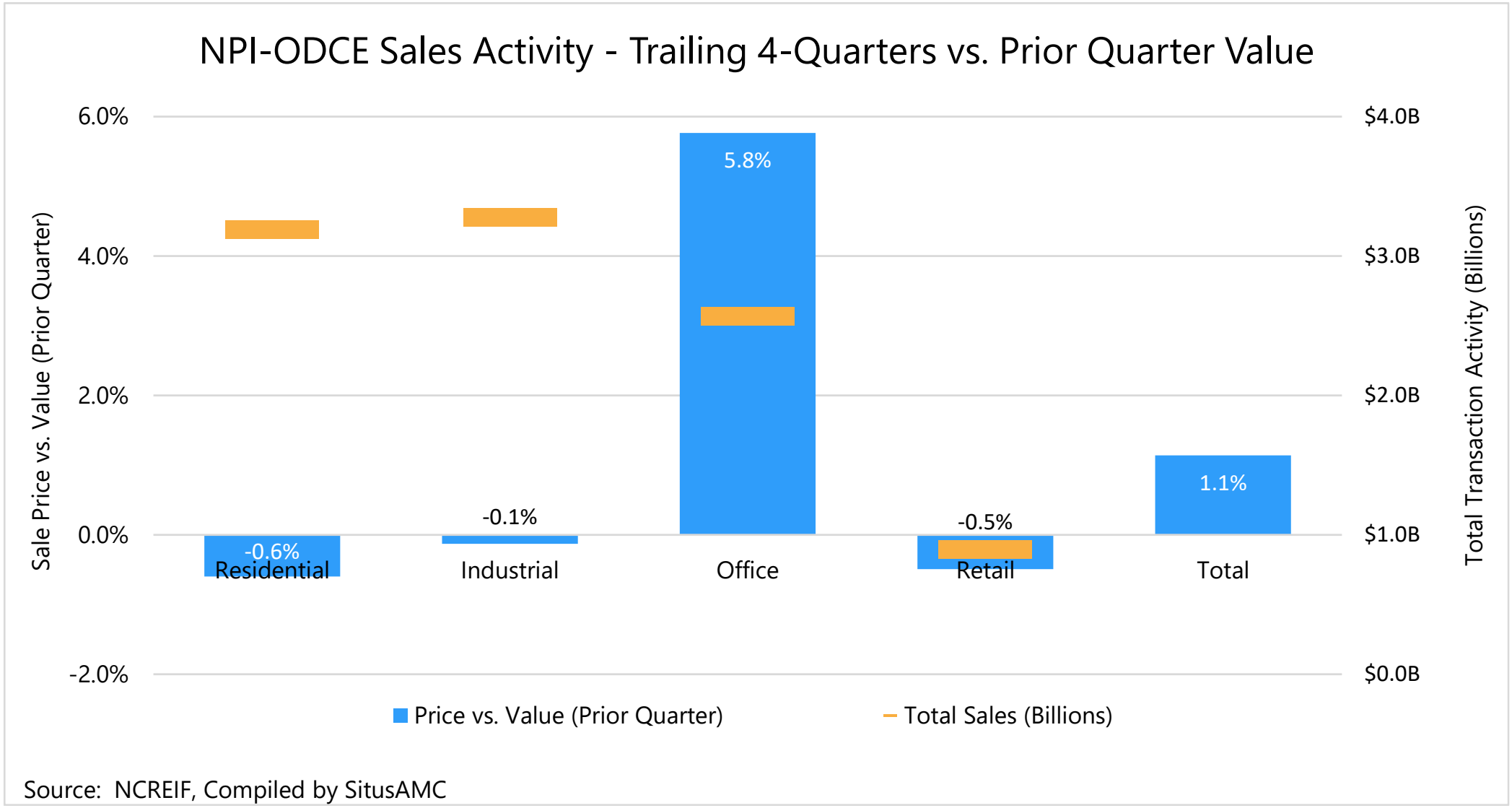
Note: 2026 reflects 3Q26 annualized sales volume
Source: NCREIF, SitusAMC

Real Estate Transaction Volume Remains Robust – 40% YoY Increase



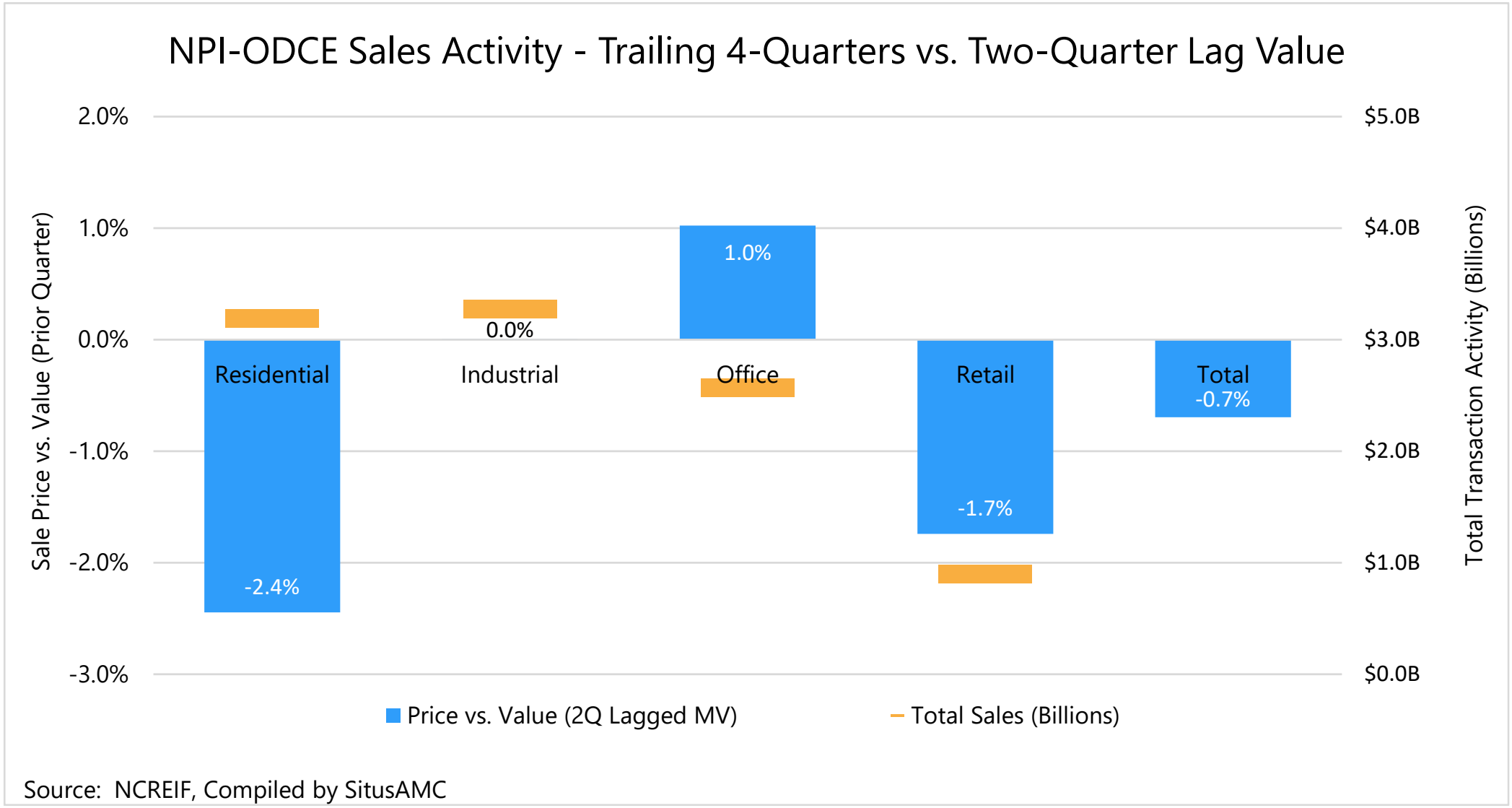
Source SitusAMC Insights, MSCI Real Assets, 3Q 2026.

ODCE Price vs. Value (+1.1% Variance) – ~$9.9 Billion of Sales

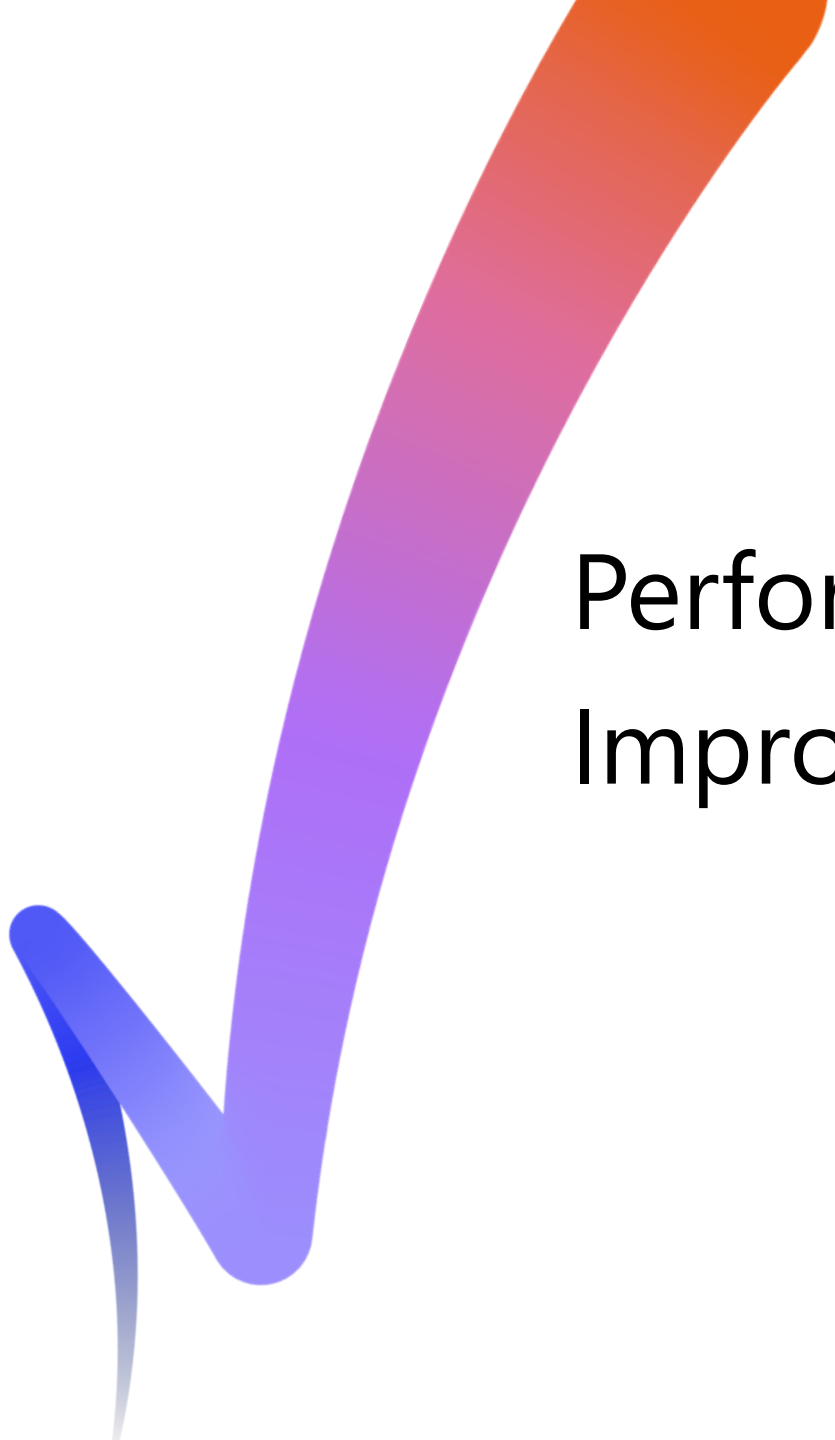


Source: NCREIF, Compiled by SitusAMC

ODCE Price vs. 2Q Lagged Market Value (-0.7% Variance) – ~$9.9 Billion of Sales

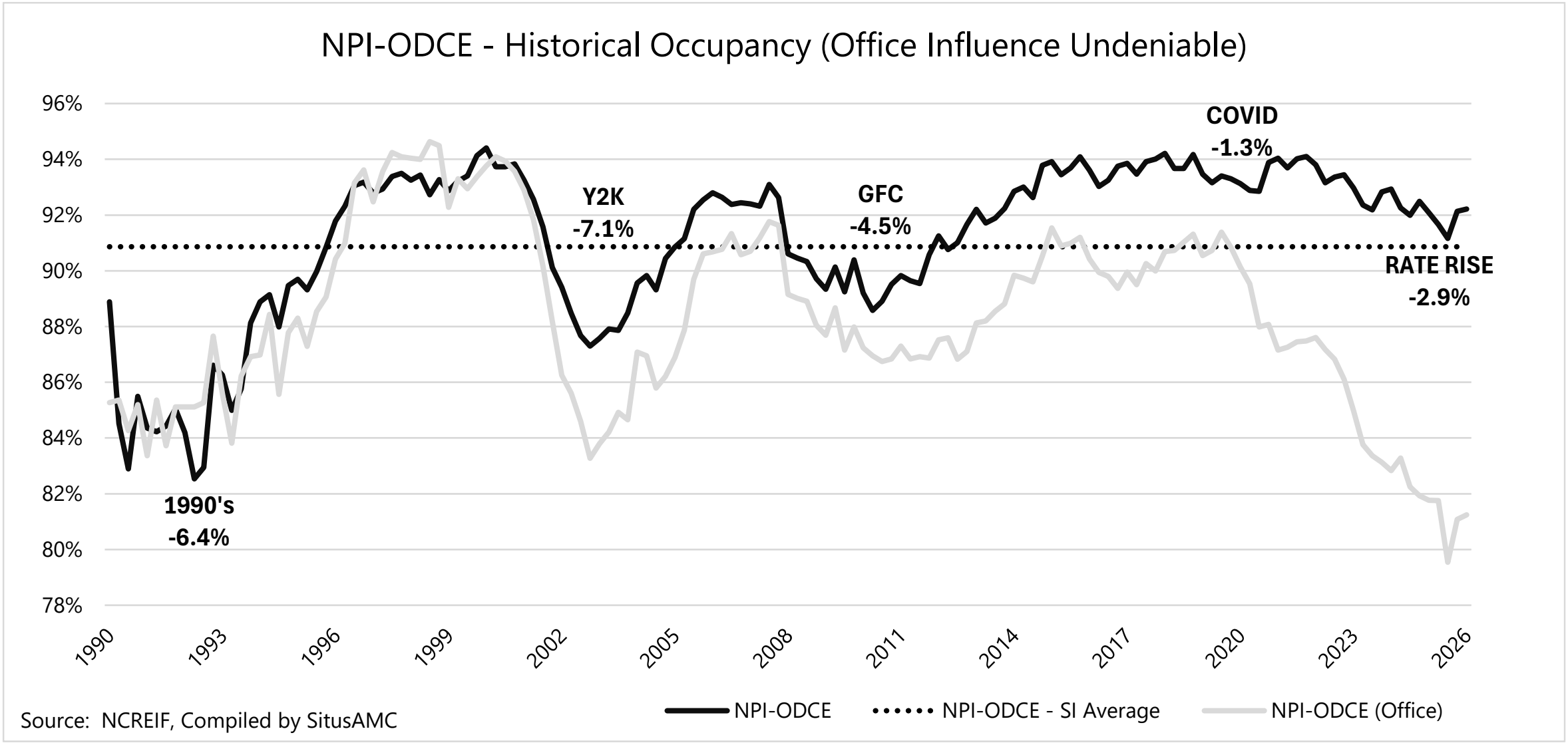


Source: NCREIF, Compiled by SitusAMC



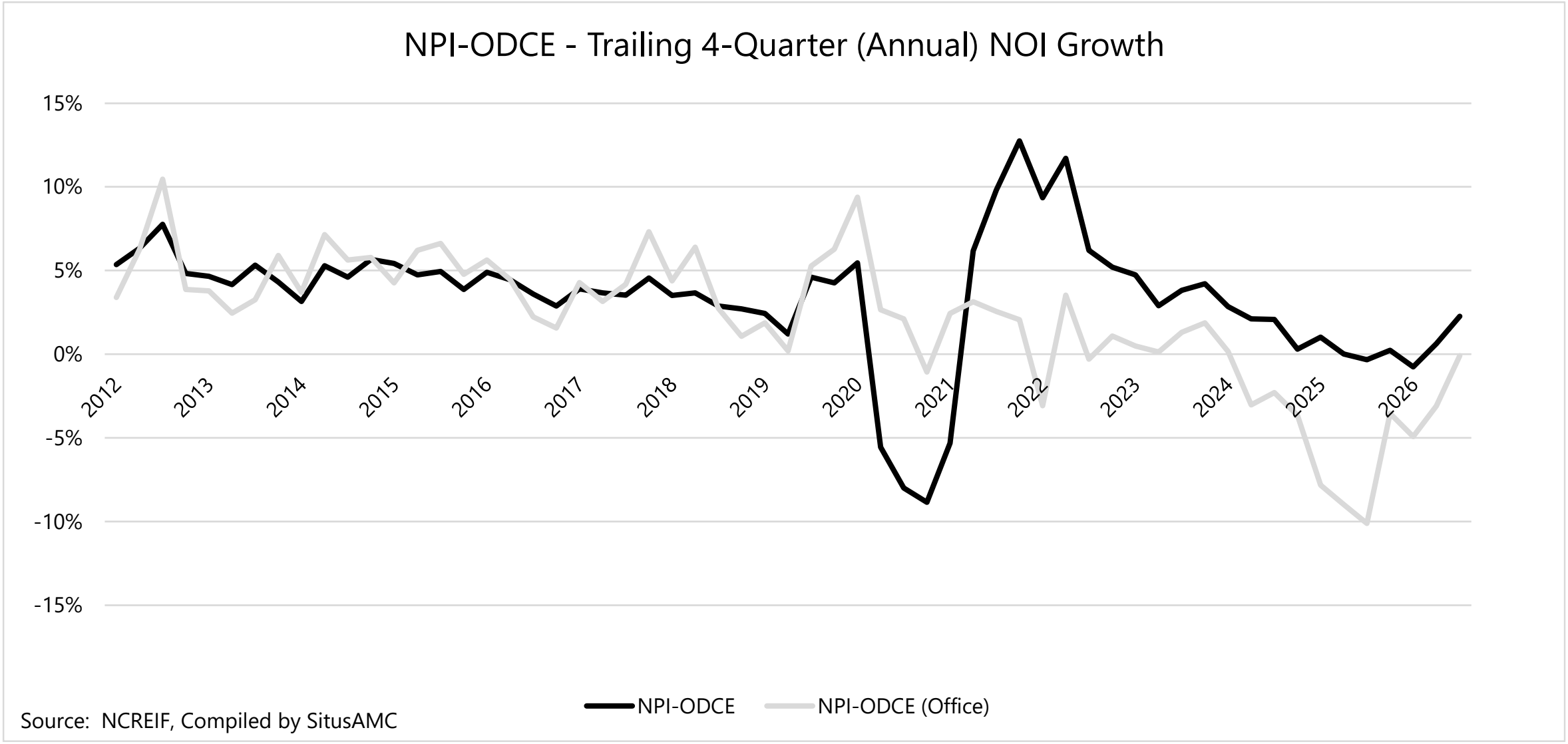
Performance Metrics: Improved Fundamentals

Occupancy on the Upswing – ODCE Fundamentals Continue to Improve



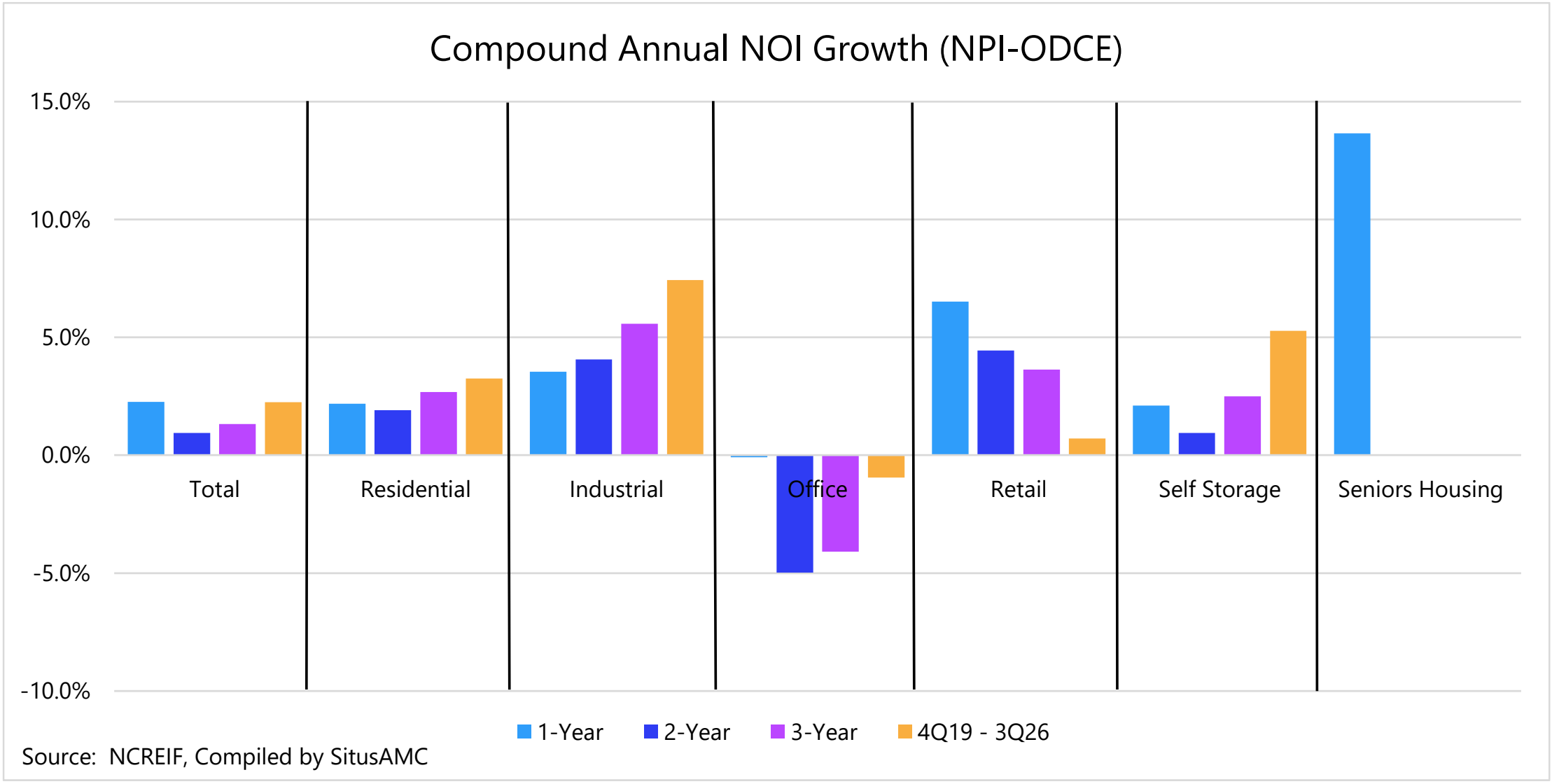
Source: NCREIF, Compiled by SitusAMC

ODCE NOI Growth Poised to Accelerate – Office Headwinds Easing

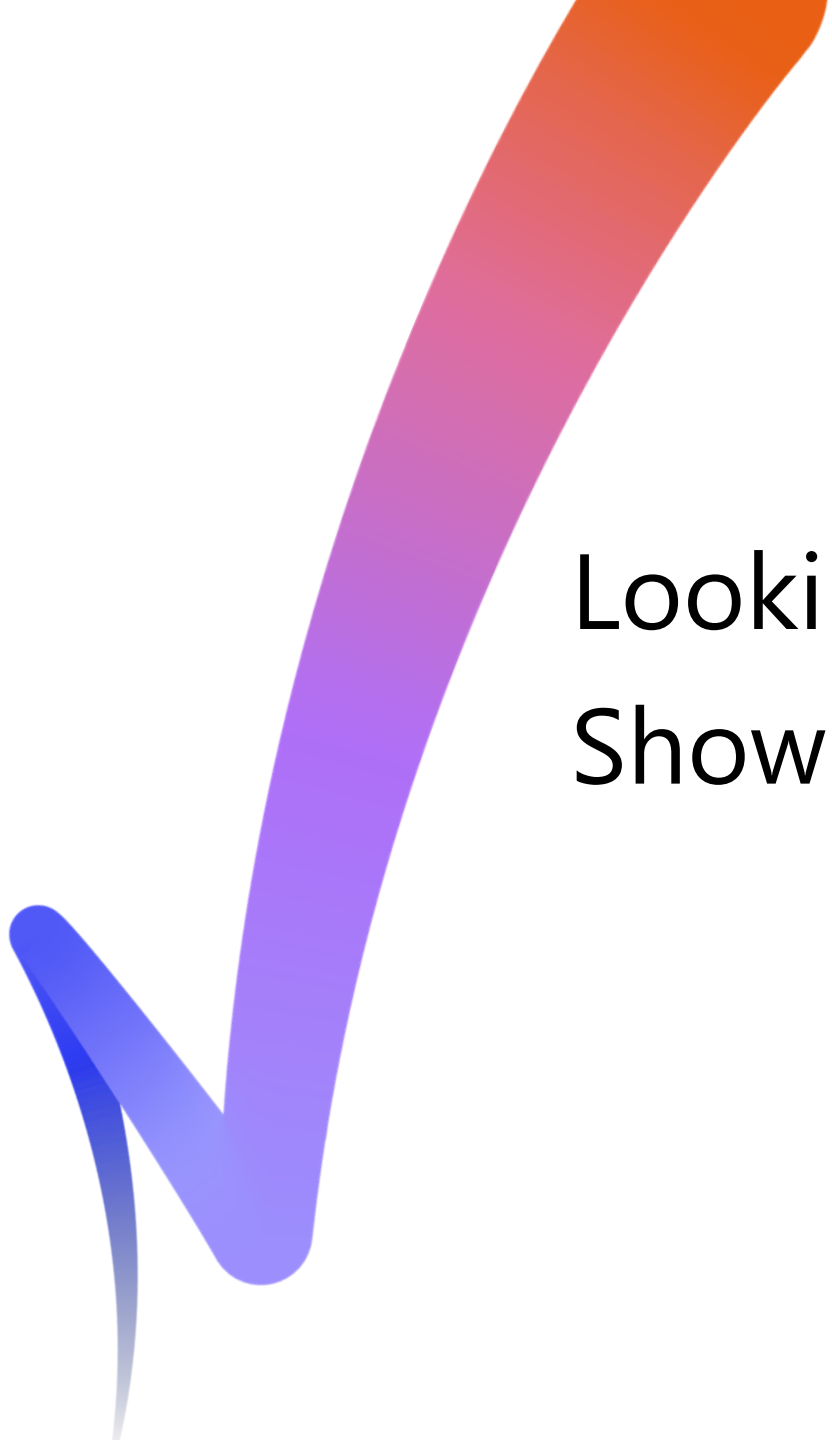


Source: NCREIF, Compiled by SitusAMC

NOI Growth – Positive Momentum Building Across Most Sectors



Source: NCREIF, Compiled by SitusAMC

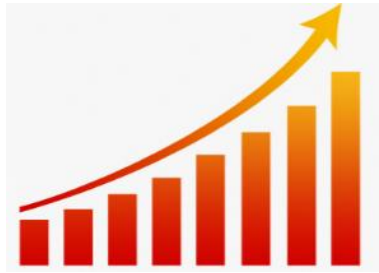


Looking Ahead:
Show Me The NOI!

Trends Impacting 4Q26 Valuations



- **Interest Rate Concerns Remain in Focus**
  - Persistent “higher for longer” interest rate pressures continue to challenge valuations, capital flows, and investor return expectations.
  - Despite elevated rates, property-specific fundamentals and relative pricing remain critical in determining the impact on values.

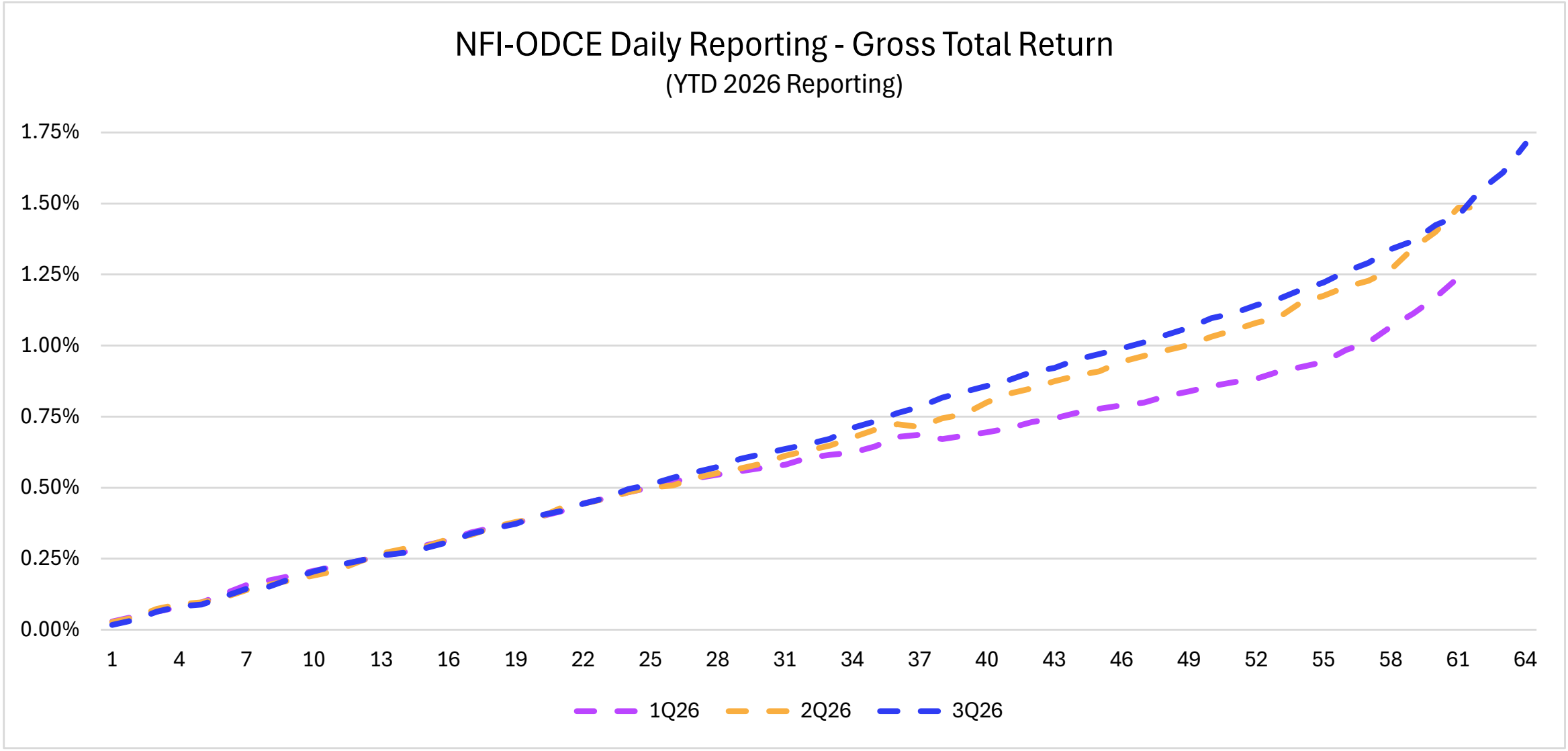


- **NOI Growth Is The Ultimate Differentiator**
  - Actual near-term NOI growth is increasingly the key differentiator driving investor demand.
  - Strengthening occupancy, improving lease trade-outs, and limited new supply provide investor optimism that NOI growth trend has room to run.

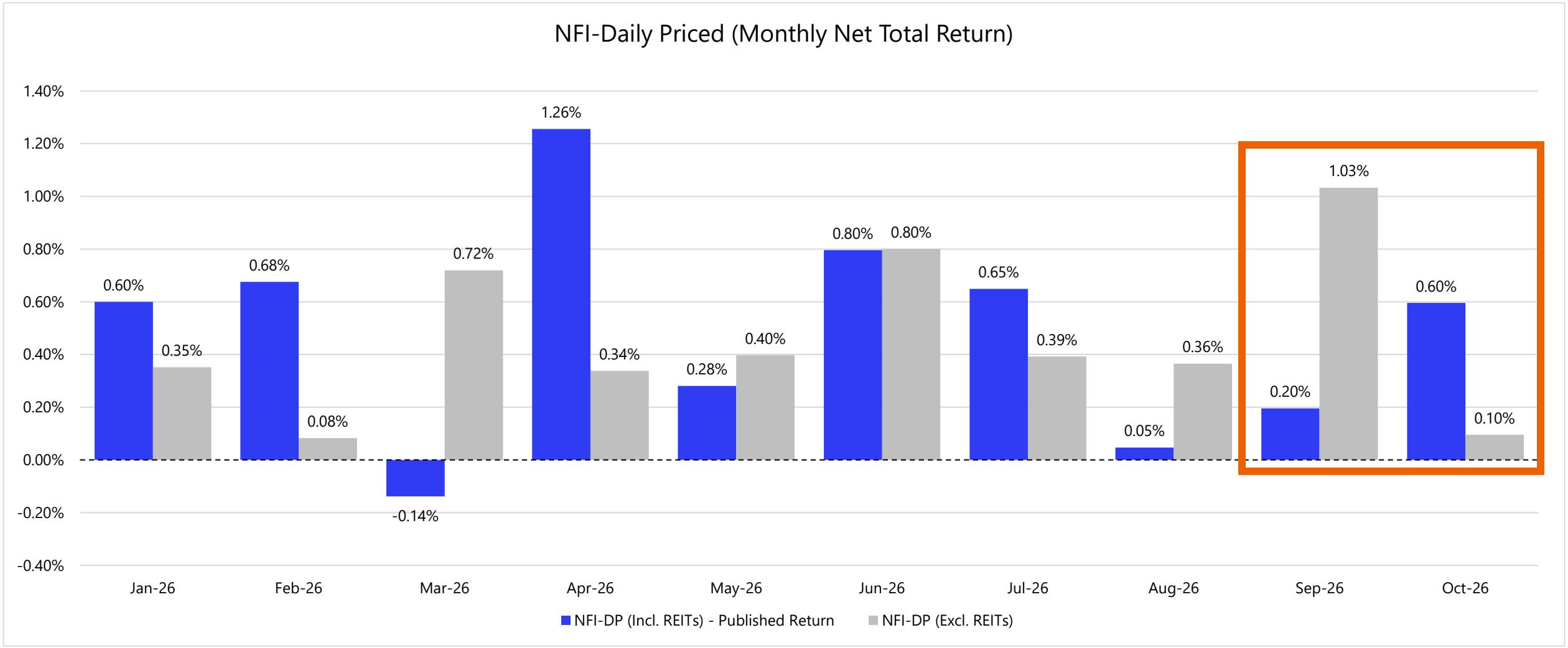


- **Widening Divide Between “Haves” and “Have Nots”**
  - Properties facing stagnant NOI, elevated capital requirements, or lease-up challenges are most vulnerable to pricing pressure, further widening the gap between the winners and losers.
  - The widening divide extends beyond property sectors to individual assets and markets.

Real-Time Reporting Matters Today – SitusAMC Has Unique Perspective Into NFI-ODCE



NFI-Daily Priced Index – Surface Level Information Doesn't Tell the "Real" Story





Powering
opportunity
everywhere.

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