OXFORD ECONOMICS

SUN BELT METROS EXPECTED TO OUTPERFORM

NCREIF Fall Conference

October 2025

Key themes for US CRE

1

A pricing recovery next year

Improving confidence following a few rate cuts points to stronger capital returns for most sectors in 2026

Elevated borrowing costs and a lack of pricing transparency should keep values lower this year

2

Slower inventory growth ahead

For the US, we expect inventory growth to slow over the next five years compared to the previous five

Through 2026, industrial and residential will continue to dominate

3

Stabilizing cap rates next year

Higher for longer bond yields will force cap rates slightly higher this year, before stabilizing in 2026/2027

Slight cap rate compression is expected in the later forecast years

4

Modest rent growth in near-term

All-property rent growth will persist at modest rates (1.5%) in the near-term, but growth will gain momentum starting in 2027

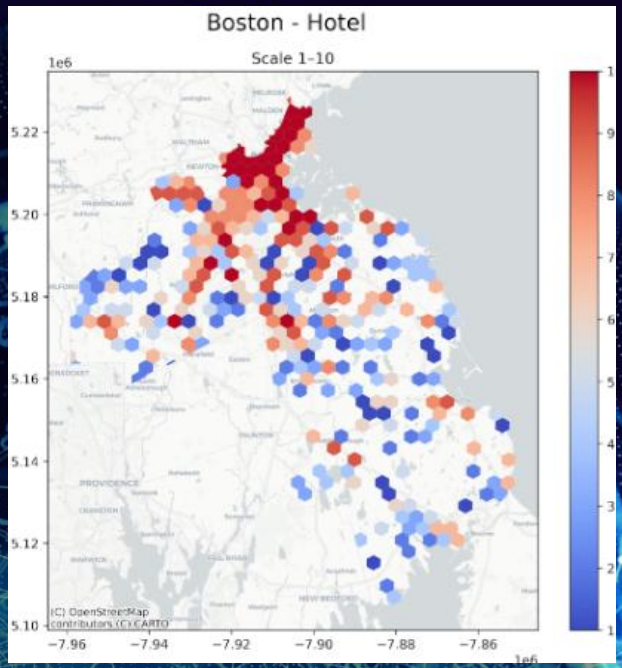
Industrial and residential will lead the other sectors

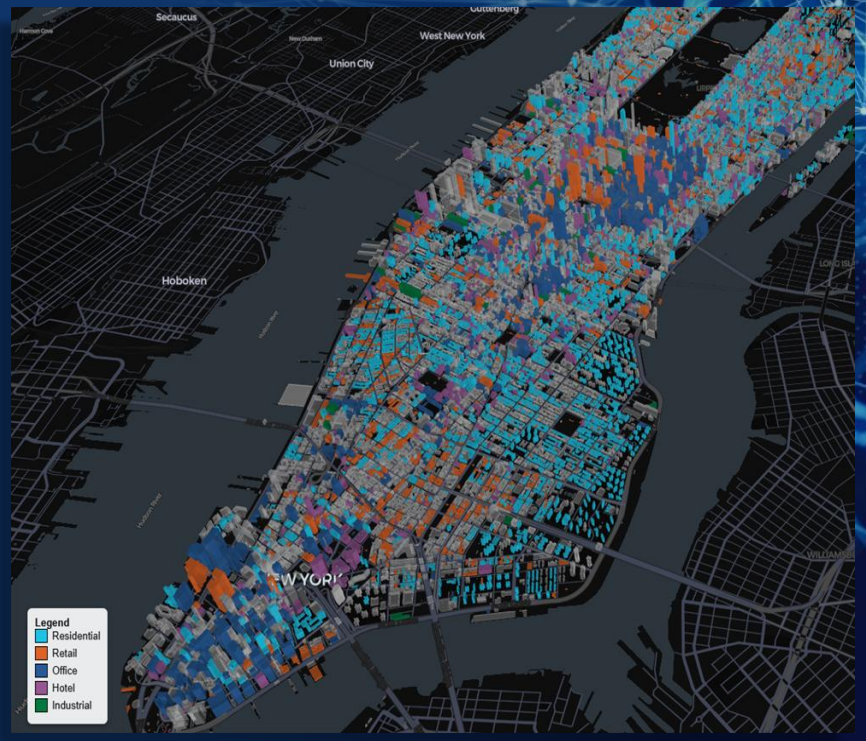
Source: Oxford Economics

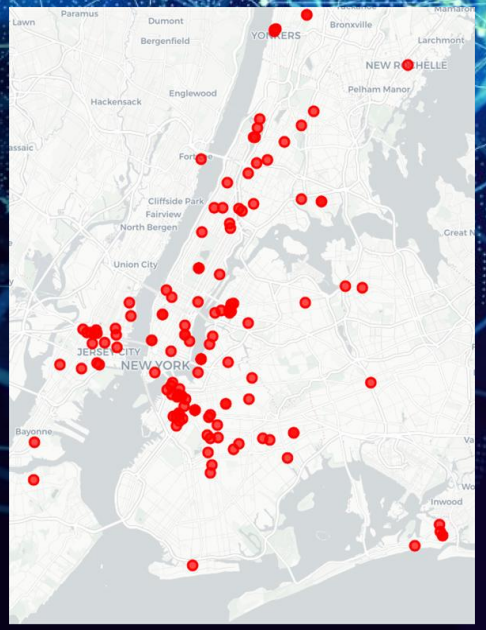
A new way to track real estate supply

Proprietary to Oxford Economics, we now measure building stock and development pipeline using machine learning, AI and geospatial analytics.

Leading into market wide data driven occupancy performance, footfall, supply chain analysis, more real data performance.







Real Estate Economics Service

Building Stock Estimation

Our methodology provides an independent data-driven approach to estimating building stock utilizing the strength of cutting-edge geospatial data science.

Geographies

100 cities

Sectors

Office, industrial, retail, residential, hotels

Forecasts

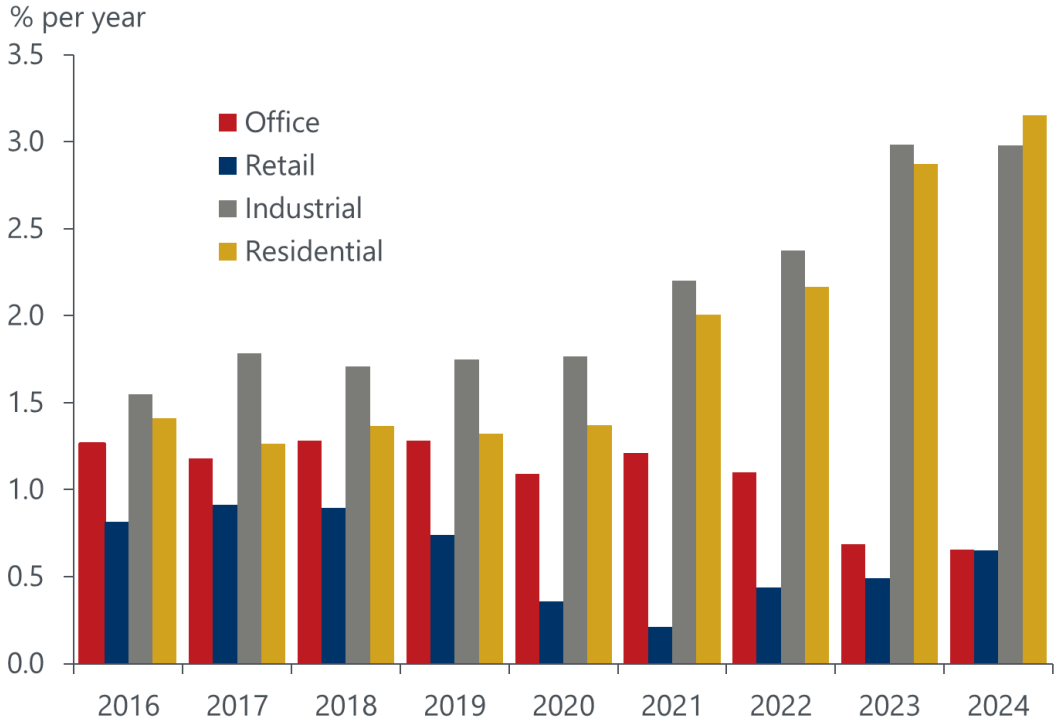
Includes proprietary development pipeline

- Collected, combined, and analyzed dozens of spatial datasets (global, local, open, and proprietary data providers)
- Curated fine-grained city-wide spatial information on the level of individual buildings by estimating footprint-level building stock of different functions using building footprint area, building height, and building function.
- All machine learning models used, averaged over cities, show 90%+ accuracy on building-level floor space, while expert-based manual validation yields 85%+ accuracy on building function.

Analyzing inventory growth at the metro level

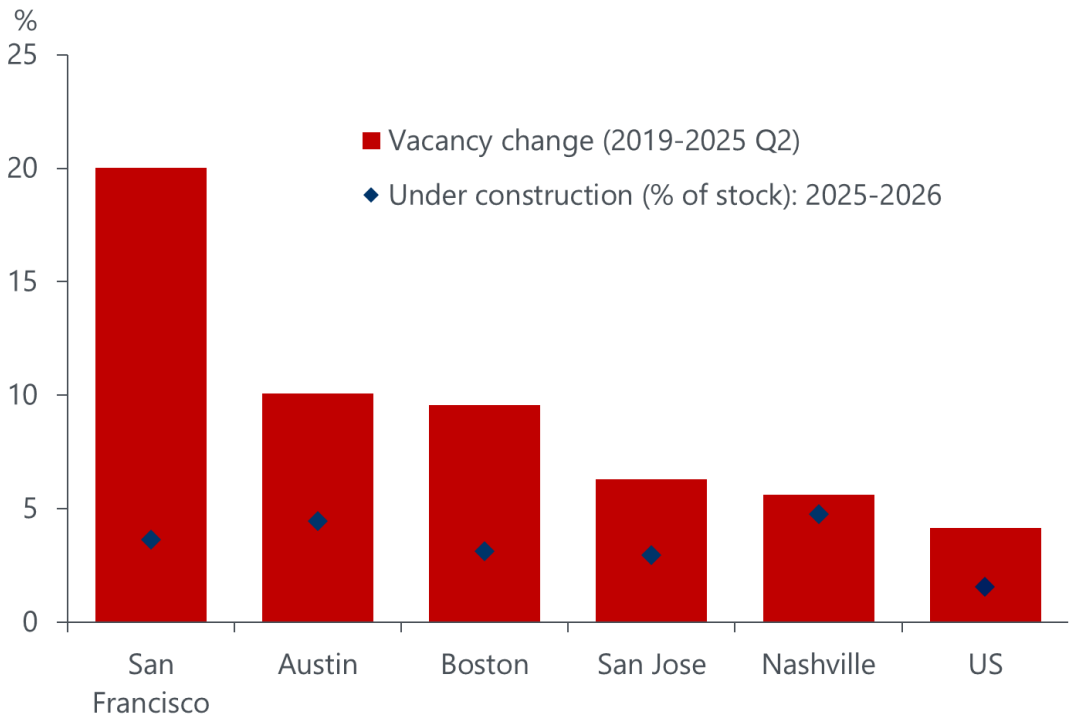
Inventory growth will likely moderate for all sectors next year. But for certain sunbelt markets, such as Phoenix, Austin, Tampa, and Nashville, all-property stock growth should remain elevated compared with the US.

US: completions as a % of stock



Source: Oxford Economics

Office: under construction and vacancy

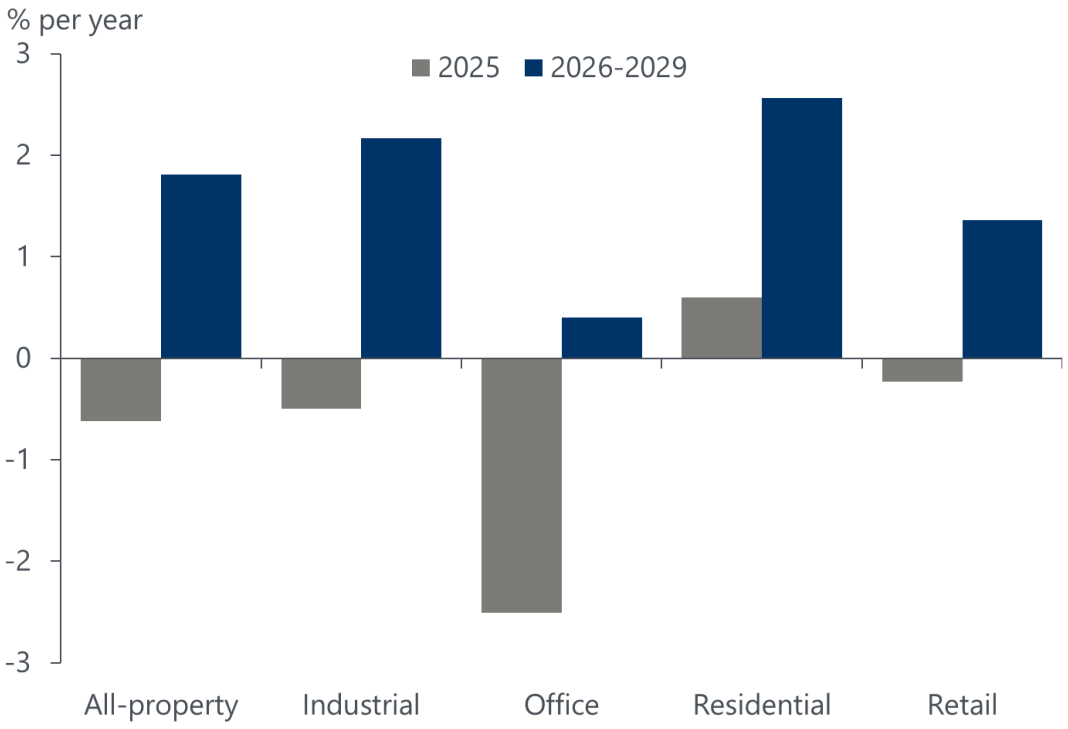


Source: Oxford Economics, NCREIF

A price recovery and most metros outperform

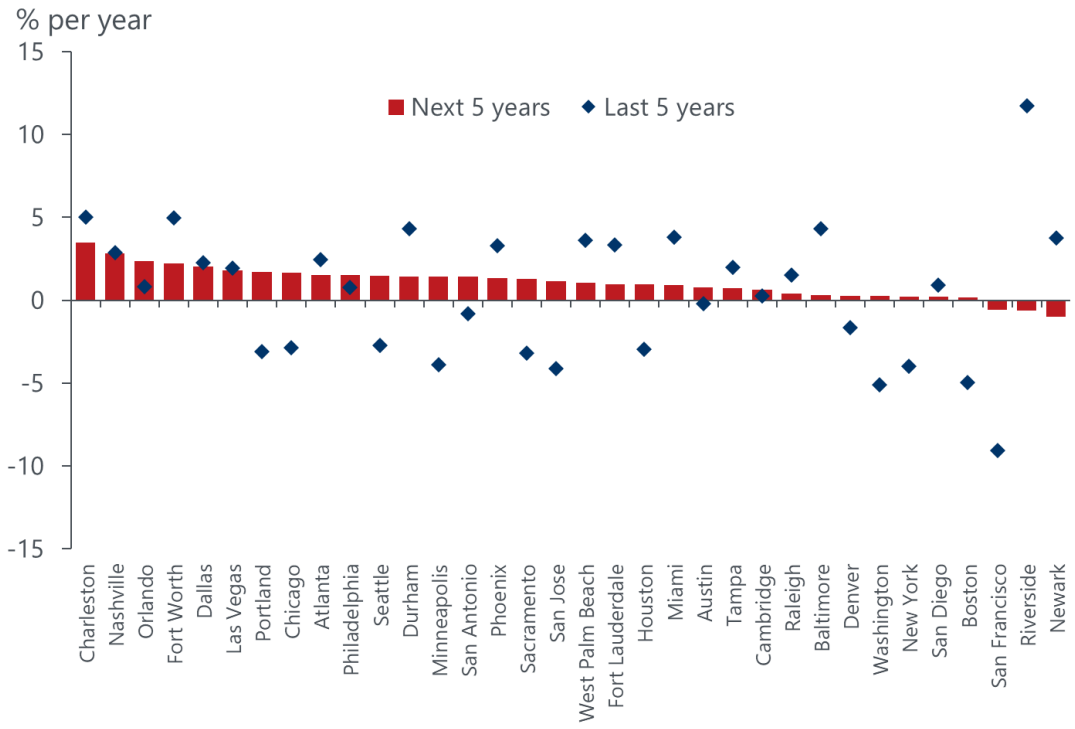
We expect a pricing recovery will be underway in 2026 driven by higher capital returns in markets such as Atlanta, Dallas, Nashville and Orlando.

Capital return



Source: Oxford Economics, NCREIF

All-property capital return

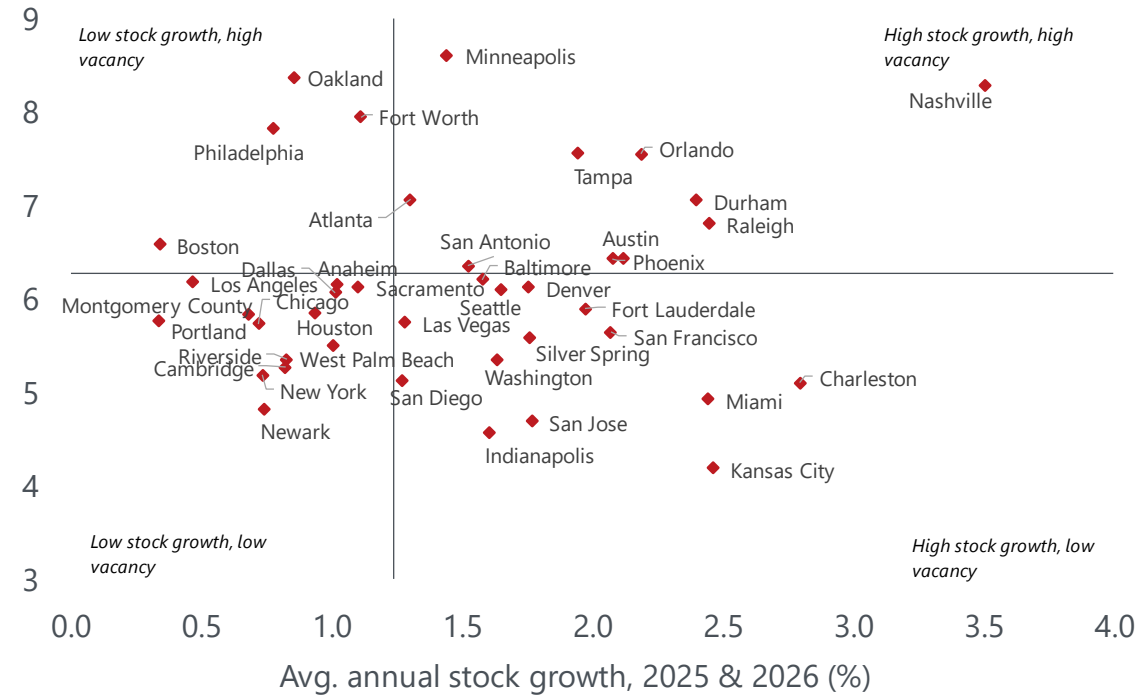


Source: Oxford Economics, NCREIF

Apartment value gains support solid returns despite supply

In Charleston, Kansas City, Chicago, and Minneapolis, apartment total returns are projected to produce more than 8% annually over the next five years, supported by value growth, despite most top markets experiencing stock growth above the national average over the next two years.

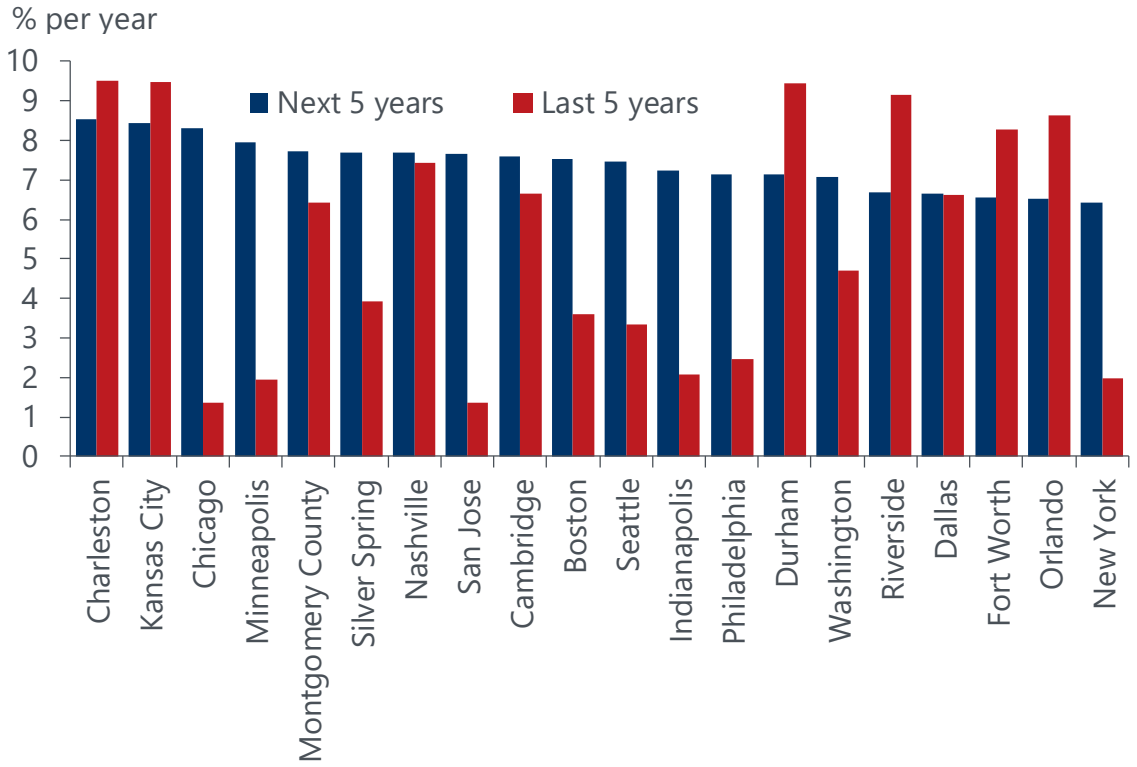
Residential vacancy and stock growth



Source: Oxford Economics

*axis intersection represents US average

Residential total return: Top 20 markets

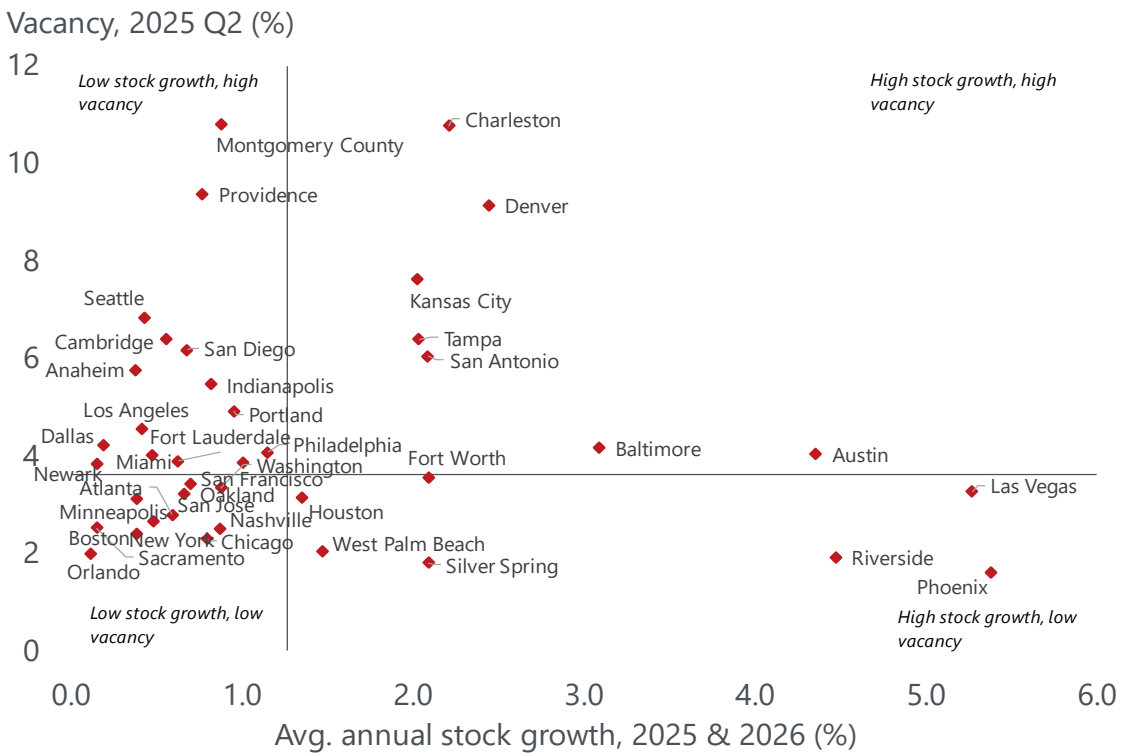


Source: Oxford Economics, NCREIF

Industrial supply will challenge values over the near term

Industrial real estate in Kansas City, Orlando, Nashville, and Charleston is projected to outperform in terms of both capital return and rent growth over the next five years. These markets benefit from strong logistics infrastructure, a mature manufacturing presence, and population growth critical to industrial demand.

Industrial vacancy and stock growth



Source: Oxford Economics

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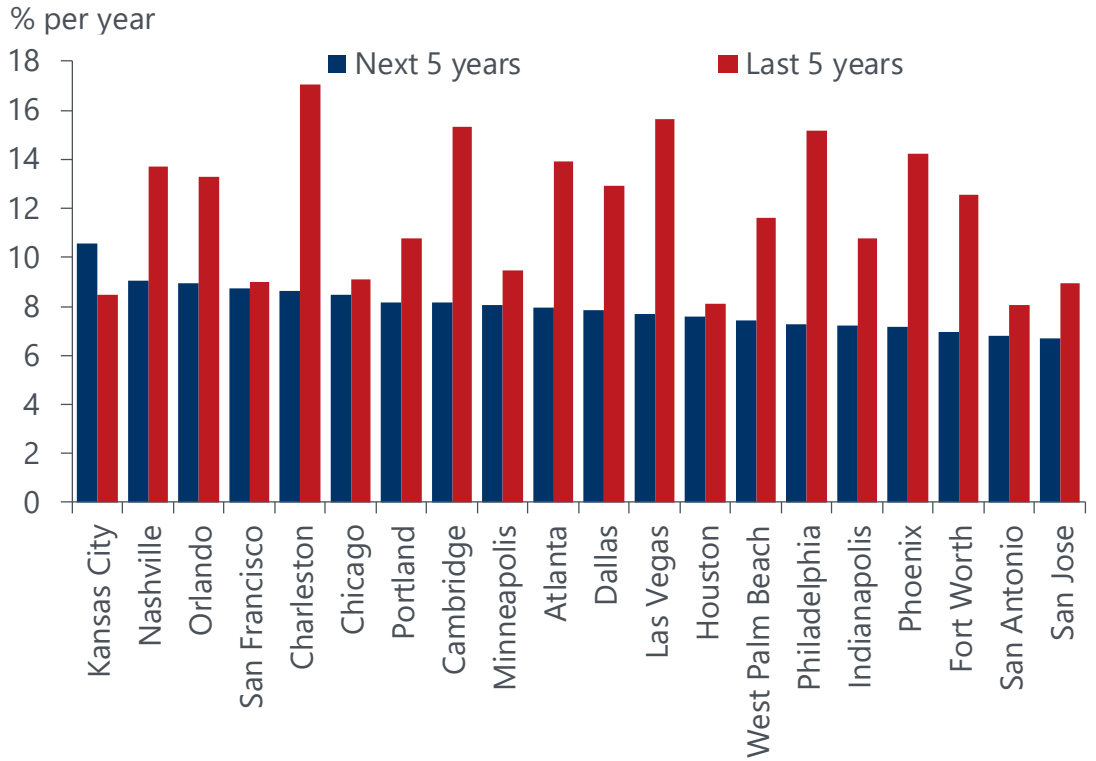
Industrial total return: Top 20 markets

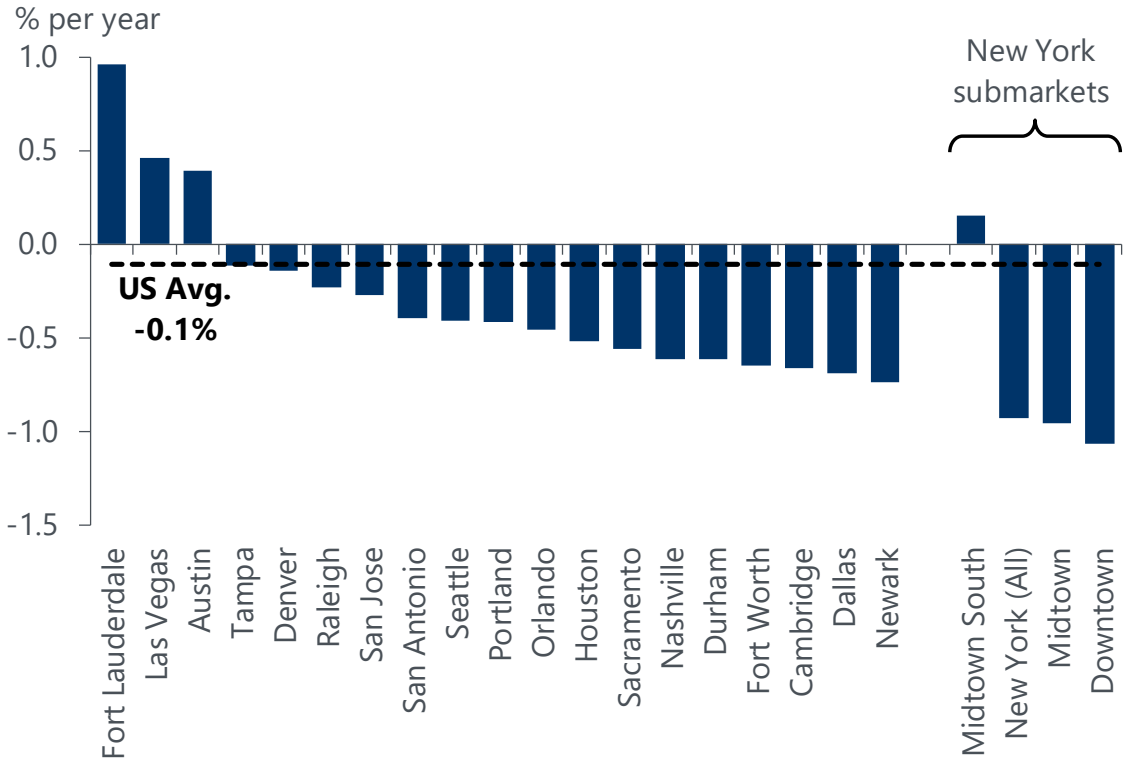


Source: Oxford Economics, NCREIF

Office outlook stabilizing but value recovery remains elusive

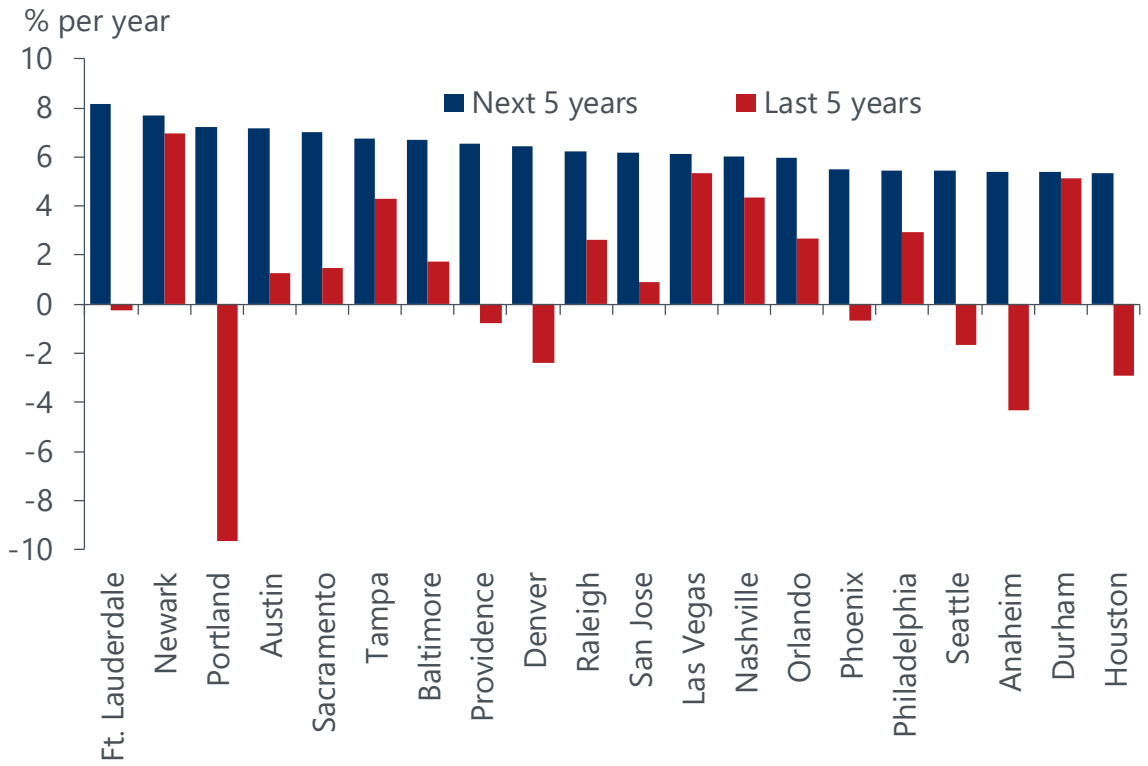
Office remains challenged nationally, with only Fort Lauderdale, Las Vegas, and Austin forecast to see positive capital appreciation over the next five years. Rent growth is expected to remain muted across cities, with only Austin set to experience rising rents over the next five years.

Office capital return over next 5 years



Source: Oxford Economics, NCREIF

Office total return: Top 20 markets



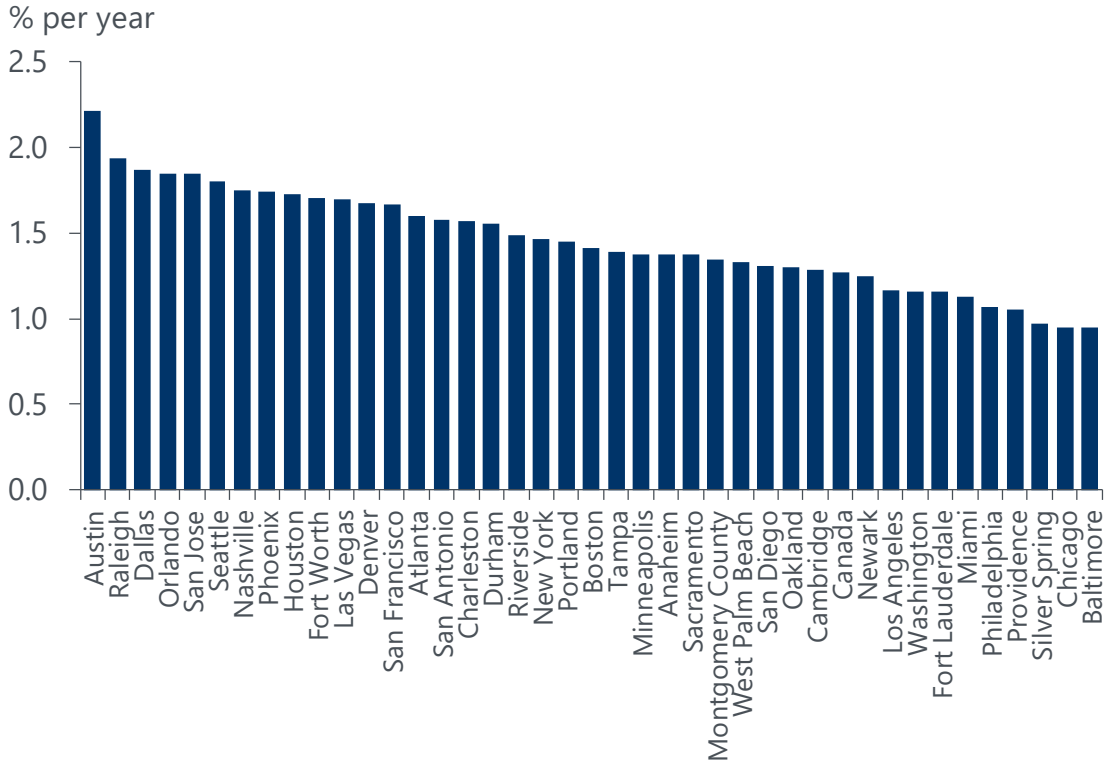
Source: Oxford Economics, NCREIF

Questions: Use the question panel

Retail rent growth is widespread, bolstering total return

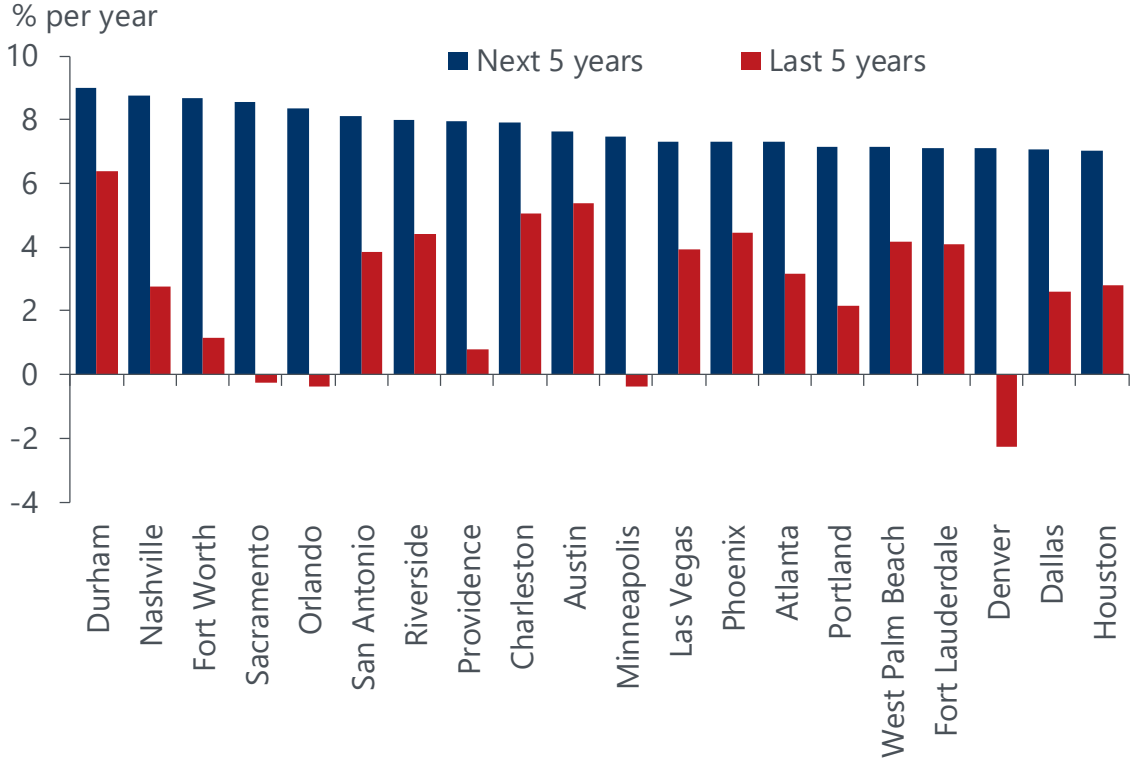
Retail rents are projected to grow in every city we cover over the next five years, ranging from 1.0% in Baltimore and Chicago to 2.2% in Austin. After Austin, rent growth in Raleigh, Dallas, and Orlando lead the nation, reflecting strong demographic momentum and employment inflows, which support local retail demand even as the sector adapts.

Retail rent growth over next 5 years



Source: Oxford Economics, NCREIF

Retail total return: Top 20 markets



Source: Oxford Economics, NCREIF

QUESTIONS?