



**NCREIF**

National Council of Real Estate  
Investment Fiduciaries

# Spring Conference 2026

## GENERAL SESSION: Economic Conditions Update



Tom Kennedy  
Head of Research & Strategy  
J.P. Morgan

# Agenda

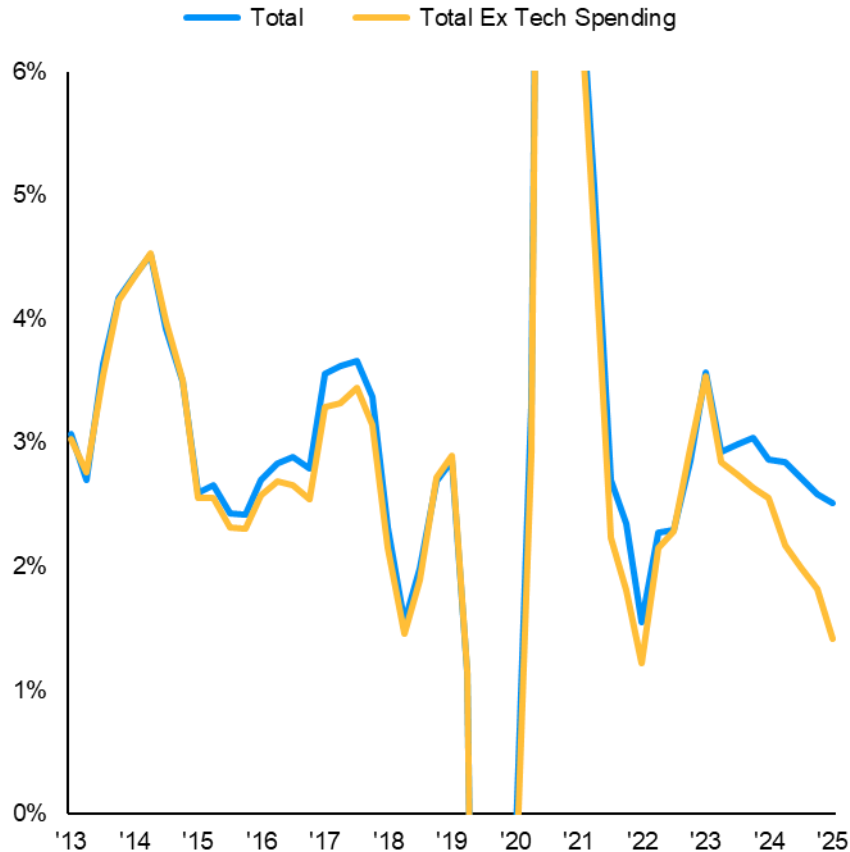
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- 1) Monumental shifts in the macro economy
- 2) The next five years of CRE investing are unlikely to look like the last five

# A unique time in macro history: Tech capex growth is a historic contributor to U.S. growth. For now, U.S. capex needs China.

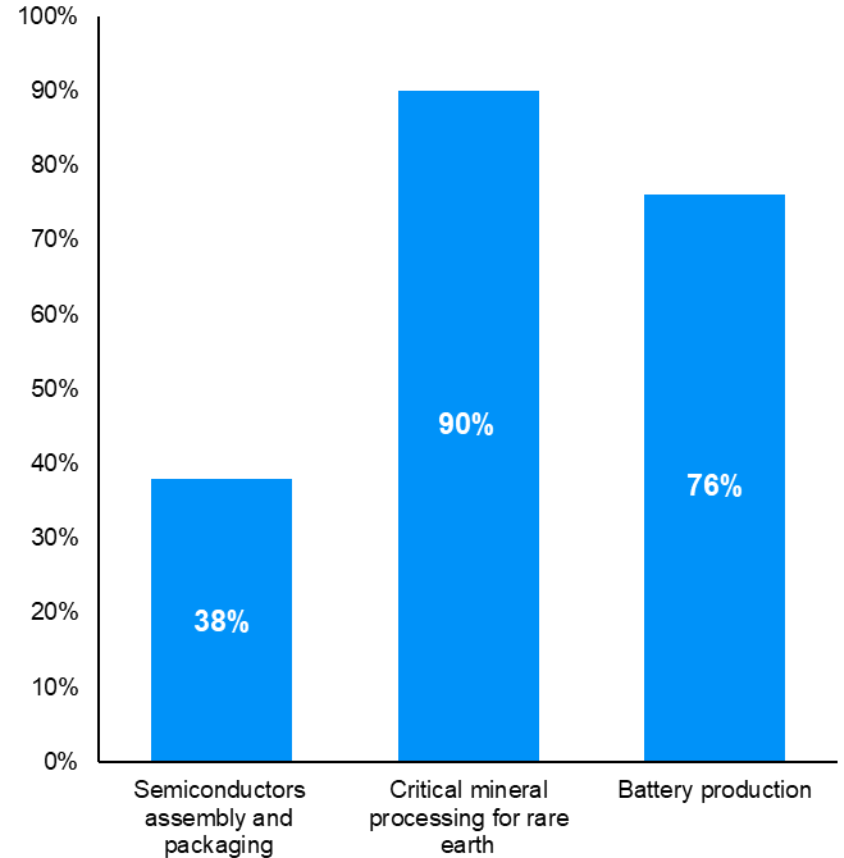
## Tech's large contribution to U.S. growth

Real growth\* (YoY %)



## The U.S. remains critically reliant on China

China as a share of world production

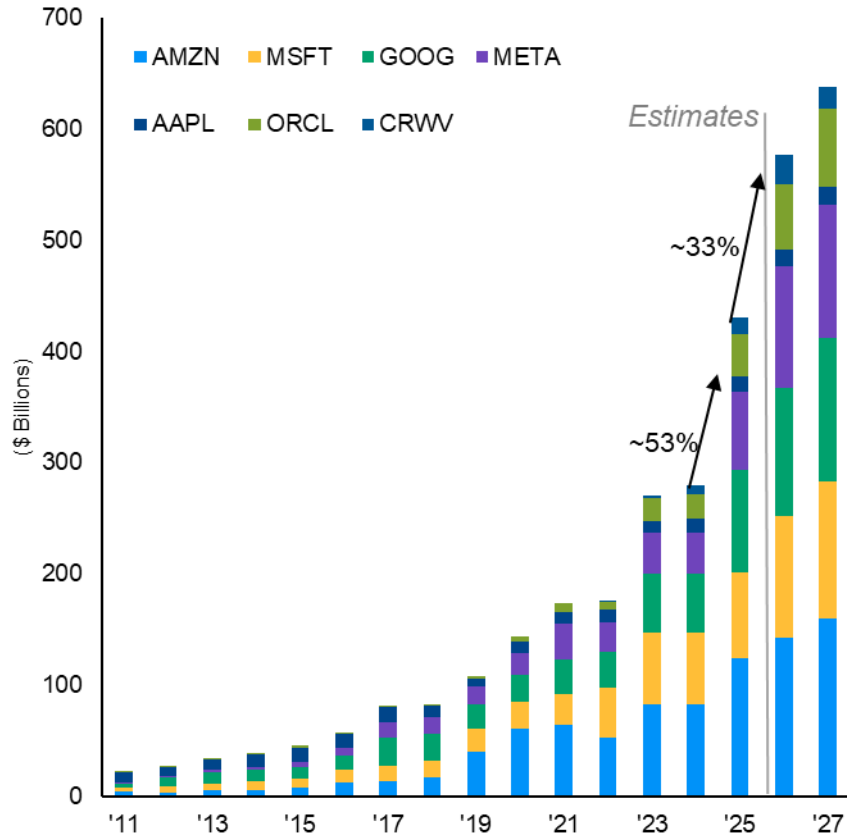


Source: Left – Moody's Analytics, Bureau of Economic Analysis, J.P. Morgan Asset Management. Data as of December 31, 2025. Note: \*Tech spending = Real private non-residential fixed investment into information processing equipment and software. Total growth defined as real final sales to private domestic purchasers. Right –The Future of European Competitiveness Report by Mario Draghi. Report as of September 2024, data as of December 31, 2021 for battery production; December 31, 2022 for critical minerals; December 31, 2019 for semiconductors.

# AI and the great “bubble” debate

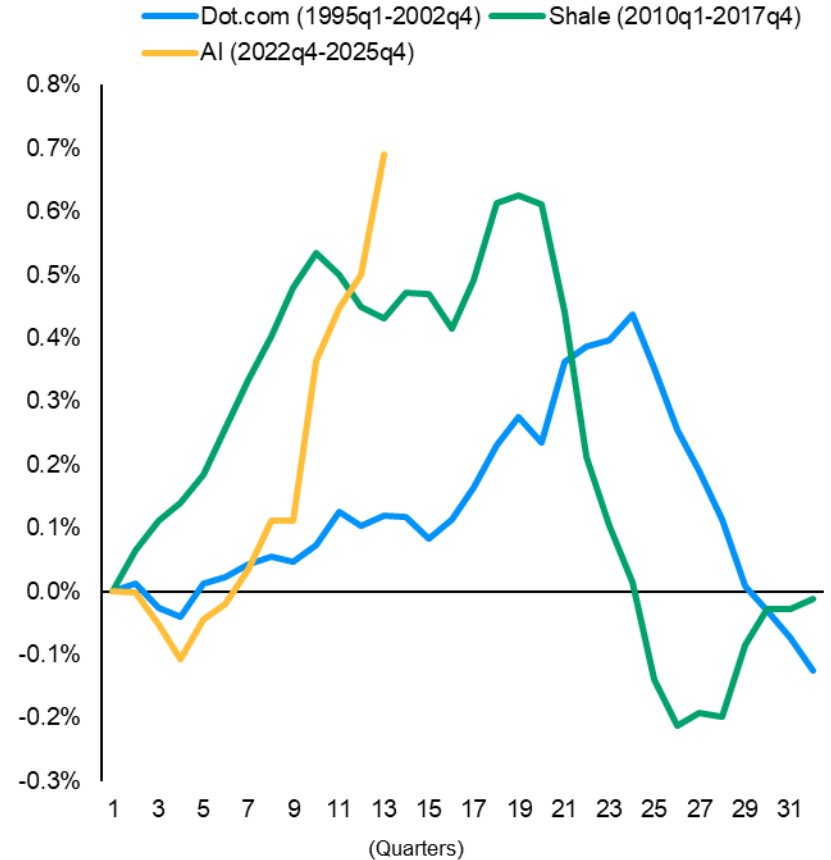
## AI related capex has exploded

Calendar year capex spend, \$ billions



## AI capex spending is reaching prior “bubble” levels

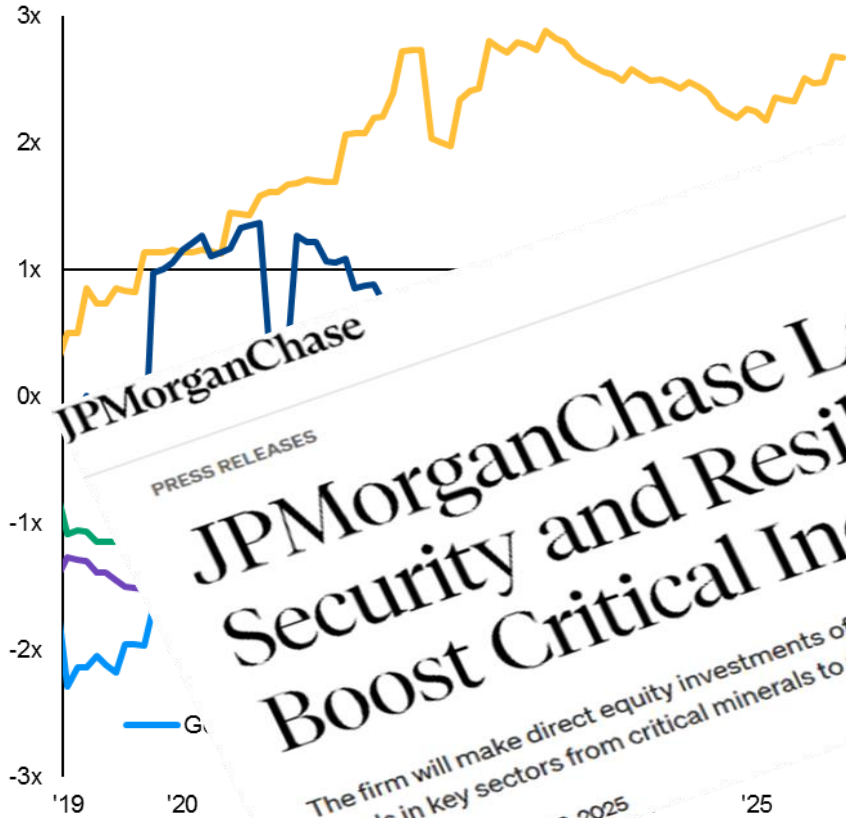
Capex spend as a % of GDP



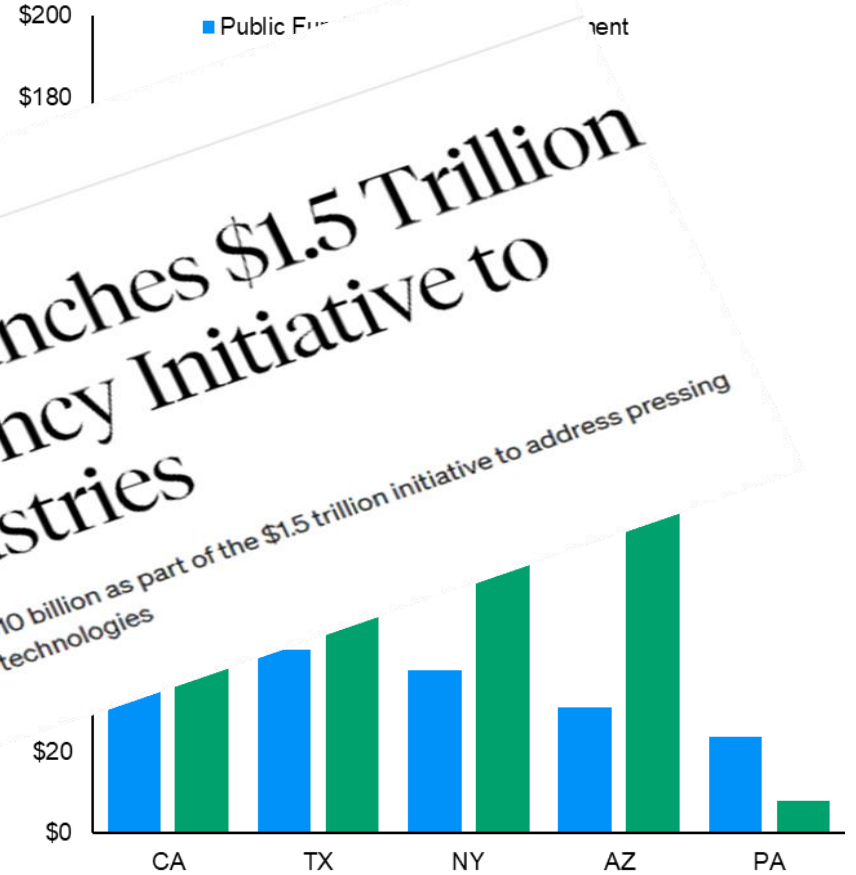
Source: Left - Bloomberg Finance L.P., J.P. Morgan Asset Management. Data as of December 31, 2025. Right – Richmond Federal Reserve, Haver Analytics, J.P. Morgan Asset Management. Data as of December 31, 2025. [https://www.richmondfed.org/research/national\\_economy/macro\\_minute/2025/seeing\\_double\\_an\\_ai\\_bubble](https://www.richmondfed.org/research/national_economy/macro_minute/2025/seeing_double_an_ai_bubble)

# AI hyperscalers are not the only ones investing in the critical infrastructure of America

**Hyperscaler balance sheet health suggests capex will continue**  
 Net Debt/EBITDA, 12m forward consensus expectations, multiple



**Fiscal stimulus incentivizing buildout of critical infrastructure**  
 Federal funding from stimulus bills\* vs non-federal follow-on investment



**JPMorganChase Launches \$1.5 Trillion Security and Resiliency Initiative to Boost Critical Industries**

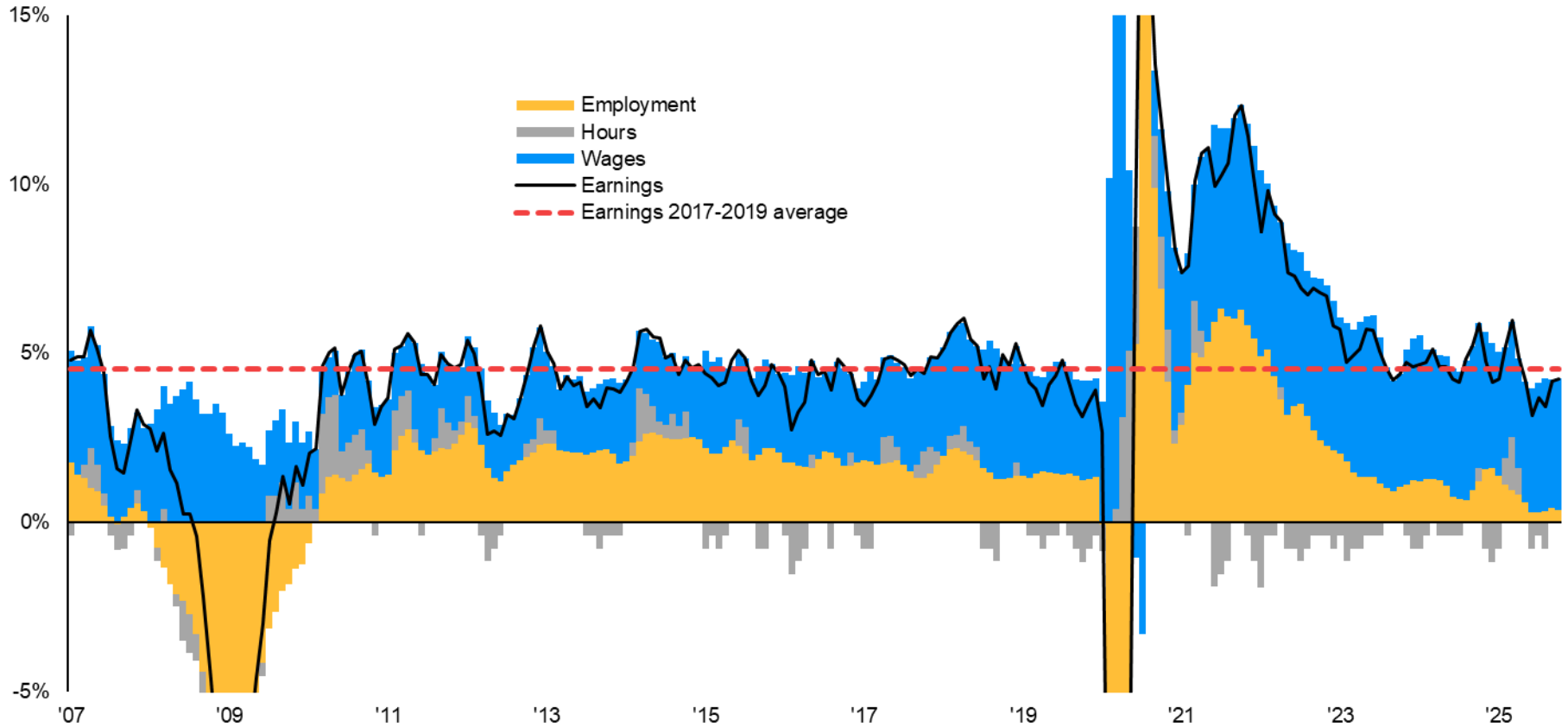
The firm will make direct equity investments of up to \$10 billion as part of the \$1.5 trillion initiative to address pressing needs in key sectors from critical minerals to frontier technologies

New York | October 13, 2025

Source: Left- Bloomberg Finance; Right- Morgan Asset Management. Data as of October 31, 2025. Note: Hyperscalers are GOOG, MSFT, META, AMZN. Right- Invest.gov (2025), Investing in America Map, Whitehouse.gov. Data as of January 10, 2025. Note: \*Dataset includes information on Federally funded programs and projects under the Bipartisan Infrastructure Law (BIL), Inflation Reduction Act (IRA), and CHIPS and Science Act (CHIPS).

# Aggregate consumer income growth is *just* below pre-COVID trend

Aggregate earnings growth (3m/3m annualized), %

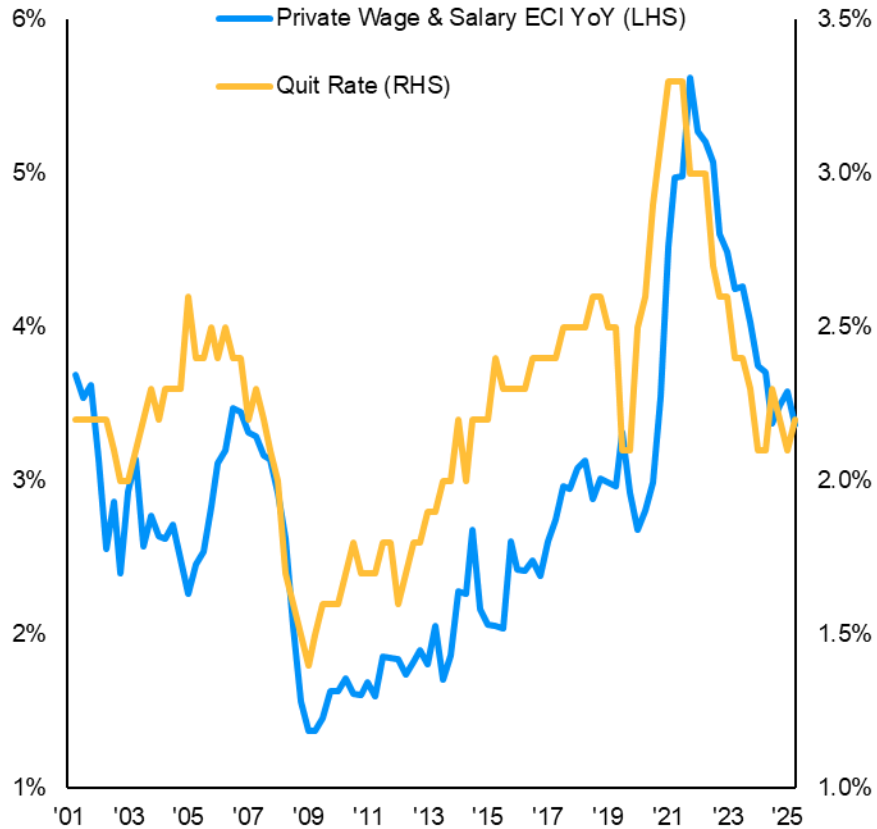


Source: Exante, Bureau of Labor Statistics, J.P. Morgan Asset Management. Data as of December 31, 2025.

# Labor market turnover is *marginally* weaker than it was pre-COVID

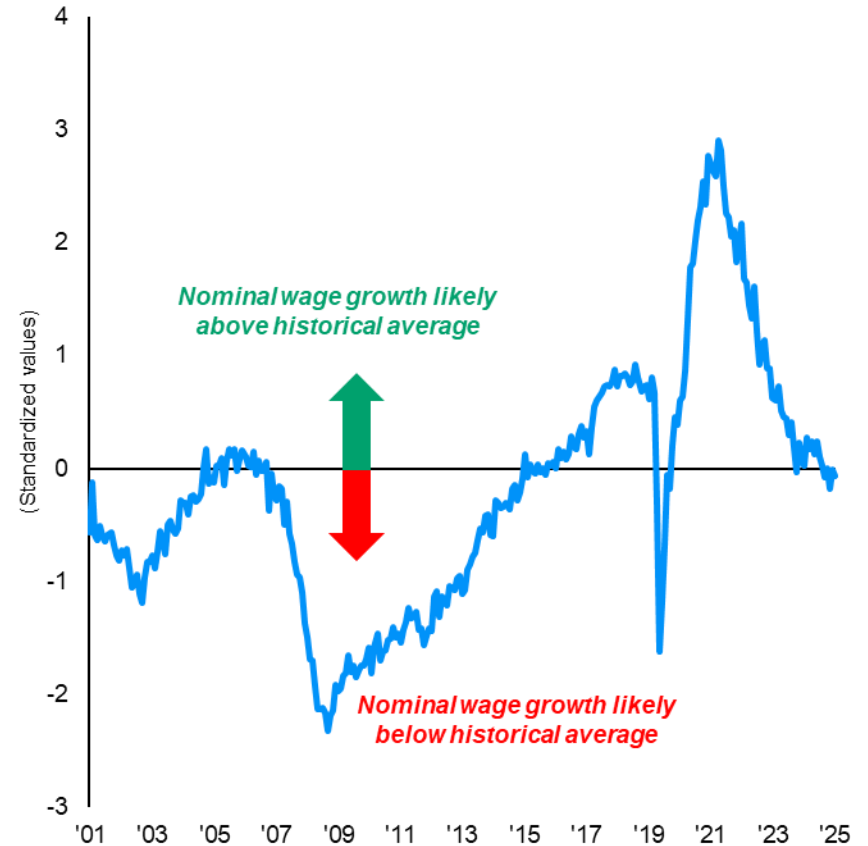
## Labor market is loosening but still looks in balance

Private employment cost index



## Wage growth projected to track historic trends

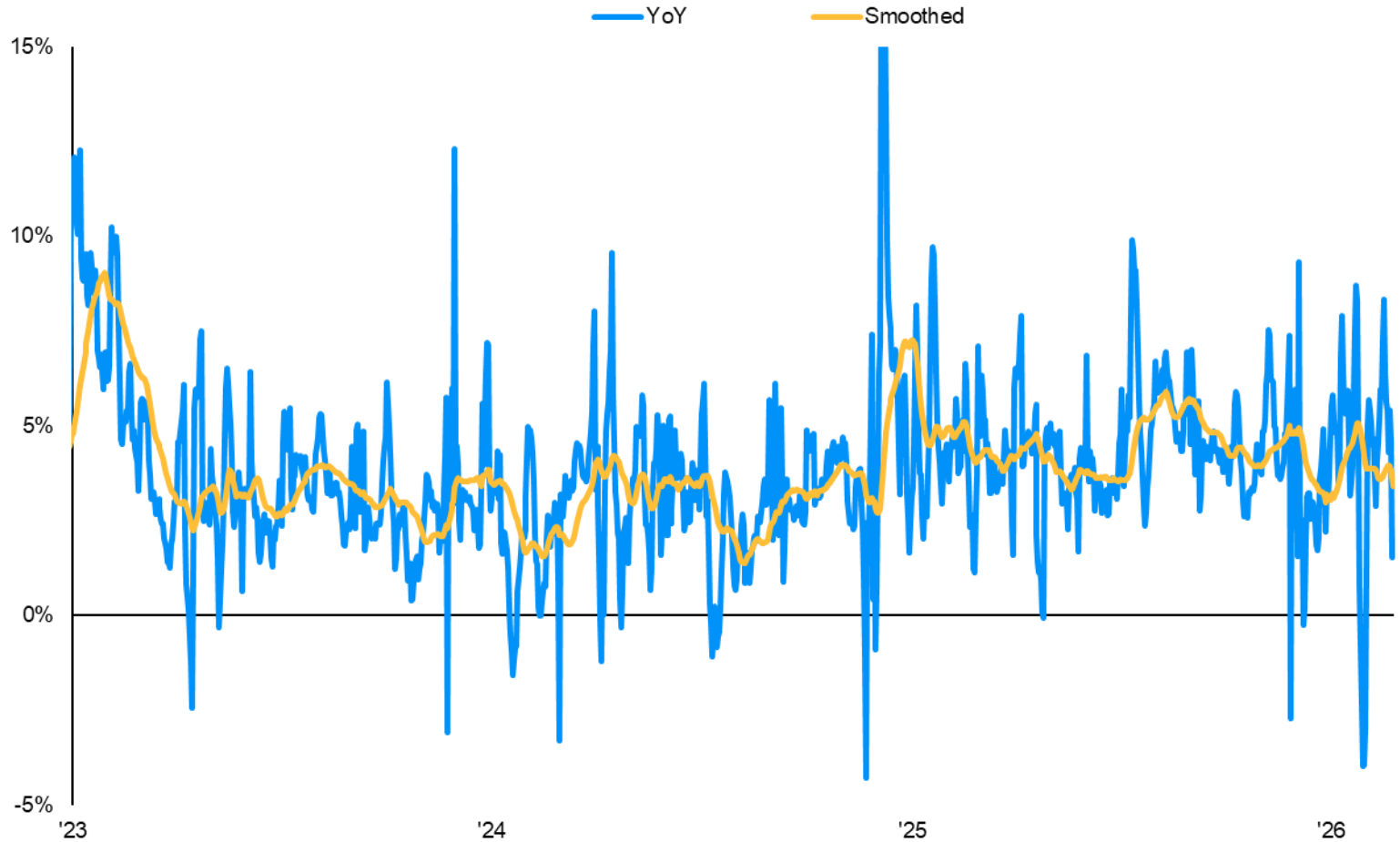
HPW labor market tightness index



Source: Left- Bureau of Labor Statistics, Haver Analytics, J.P. Morgan Asset Management. December 31, 2025. Right- Heise, Sebastian, Jeremy Pearce, and Jacob P. Weber. 2024. "Wage Growth and Labor Market Tightness is a comprehensive indicator designed to summarize current wage pressures and forecast future wage inflation by analyzing the relationship between the quits rate and job vacancies.." Federal Reserve Bank of New York Staff Reports, J.P. Morgan Asset Management. Data as of December 31, 2025.

# Consumer keep spending...

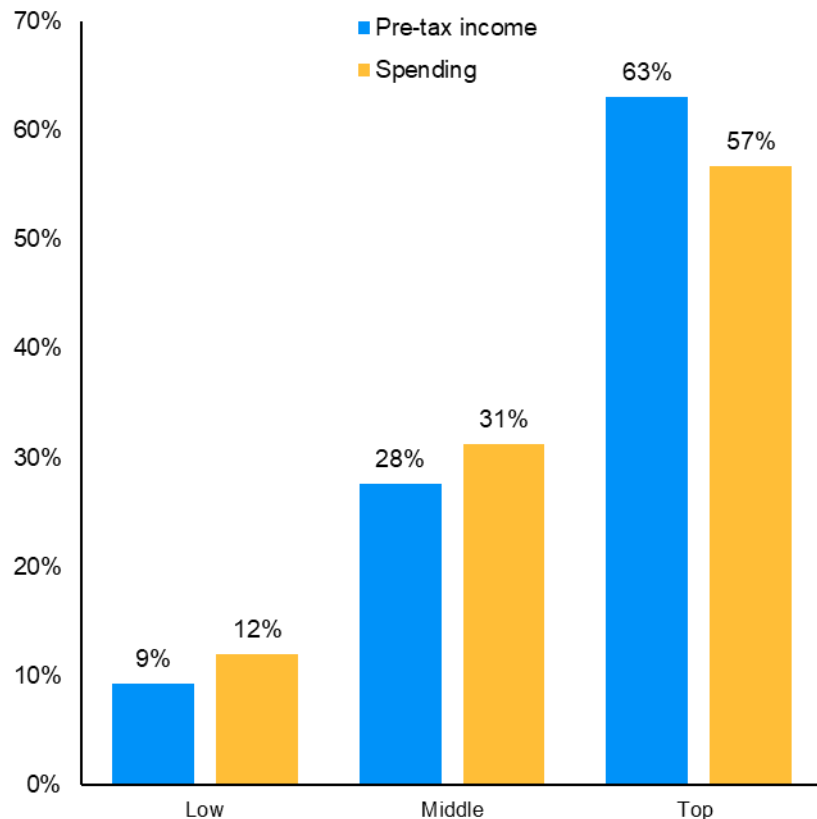
Chase card daily spending (Smoothed 30-day average, YoY %)



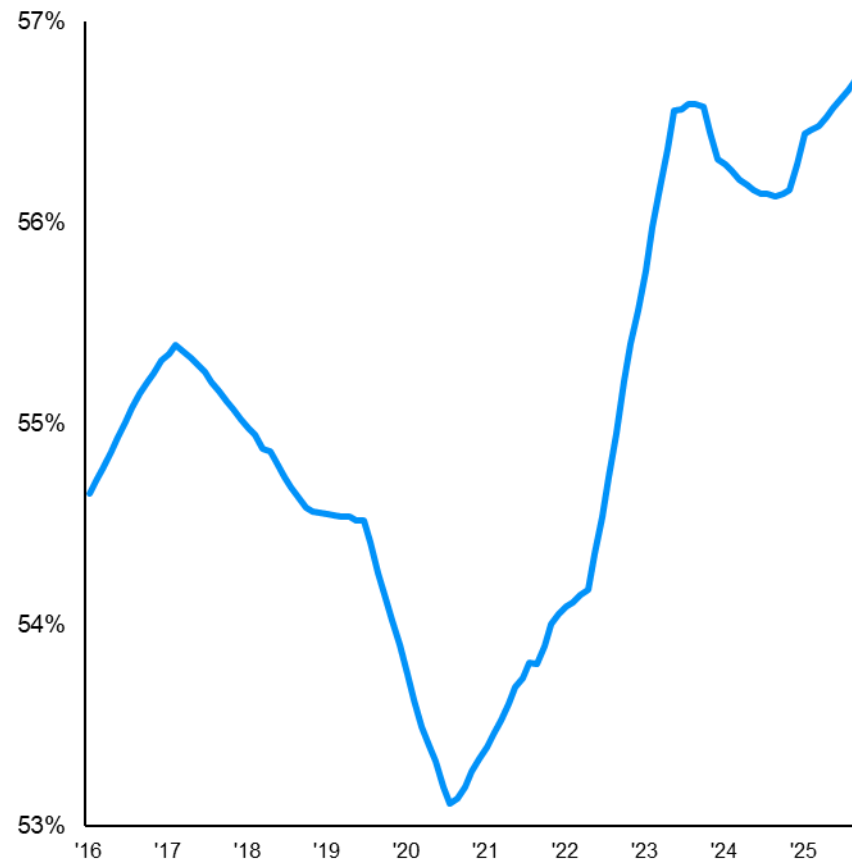
Source: J.P. Morgan Chase. Data as February 24, 2026.

## ... but the K-shaped economy is only going to get more pronounced

**Highest income earners make over half of all income...**  
% of pre-tax income and consumer spending by income cohort



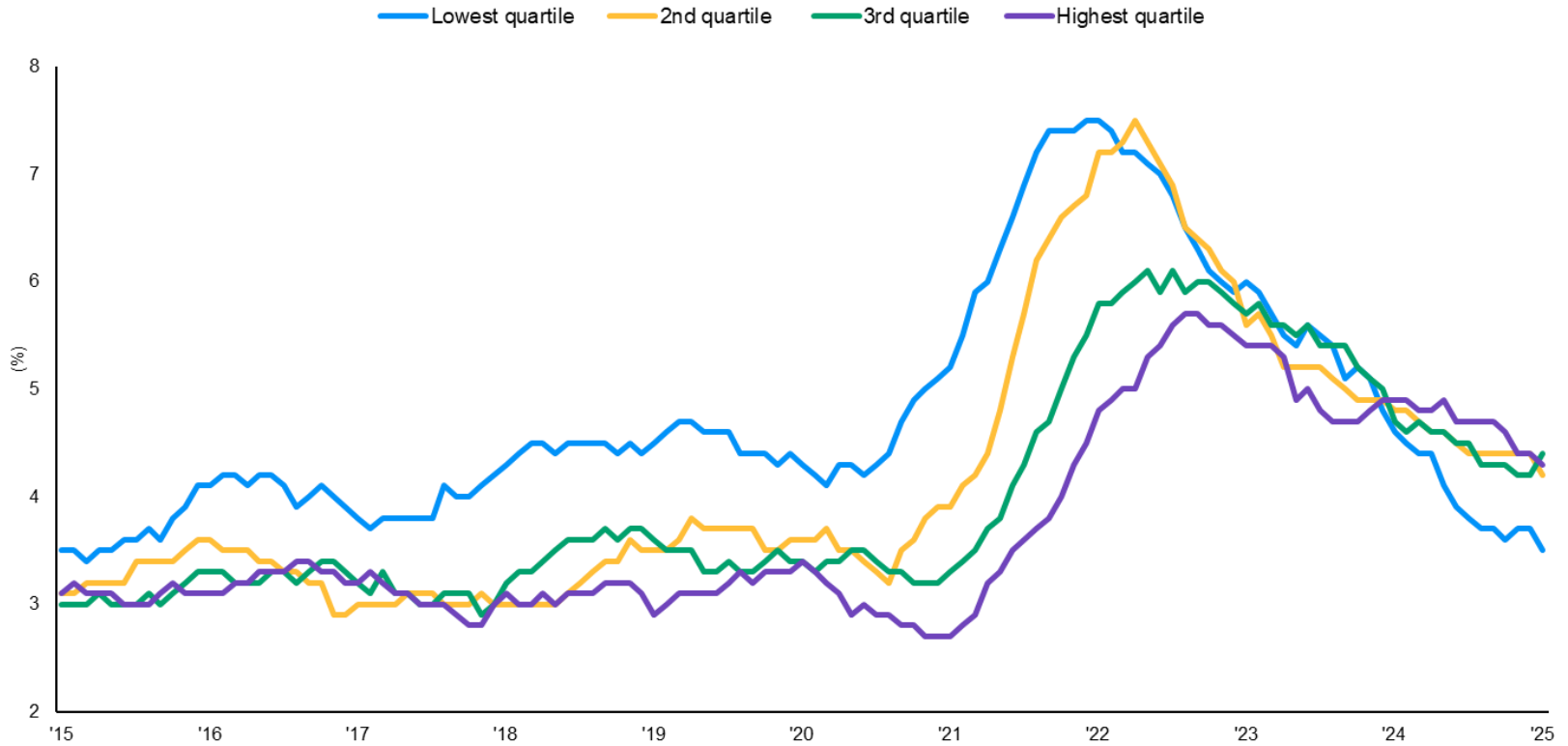
**... and account for increasing share of consumer spending**  
% of Chase card spending done by top 1/3 income cohort



Source: Left- Federal Reserve, J.P. Morgan Chase. Data as of November 30, 2025. Right- J.P. Morgan Chase. Data as of November 30, 2025. Note: Rolling 12-month average.

# The K-shaped economy

**Highest income earners are making more**  
Wage growth by worker wage distribution

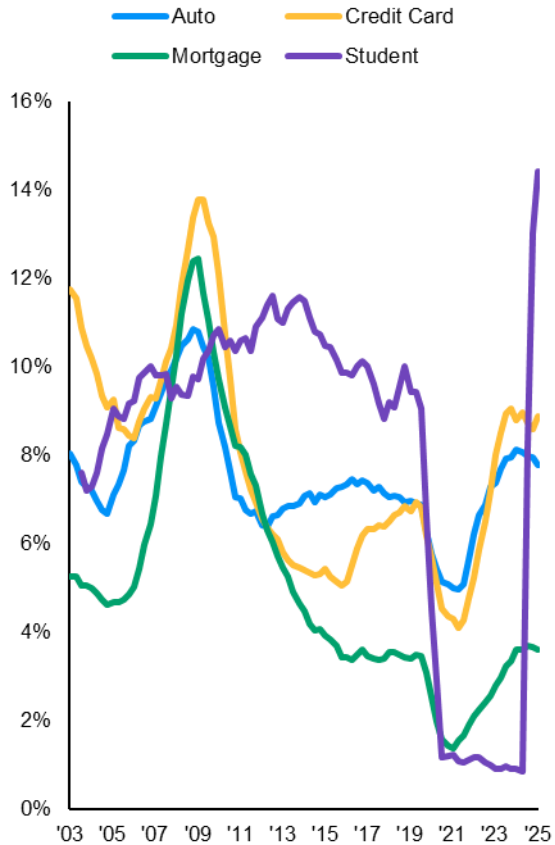


Source: Source: Left- Bureau of Labor Statistics, Federal Reserve Bank of Atlanta, J.P. Morgan Asset Management. Data as of November 30, 2025. Right: J.P. Morgan Chase. Data as of September 30, 2025. Note: The three cohorts are equal sized customers constructed each month based on verified income, "Low income" <\$75k, "Middle" \$75-\$125k, "High" >\$125k.

# The consumer is so much more than just their income

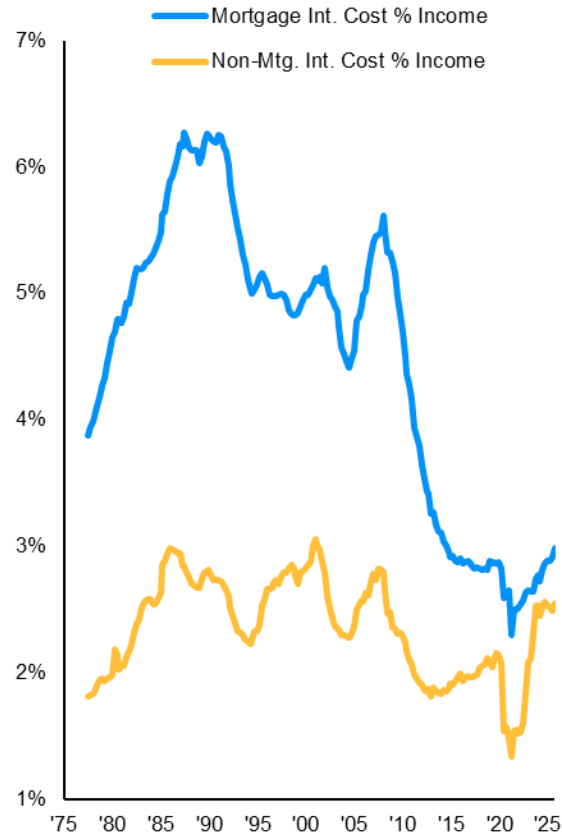
## Newly delinquent flows

New delinquent loan balances by type, %



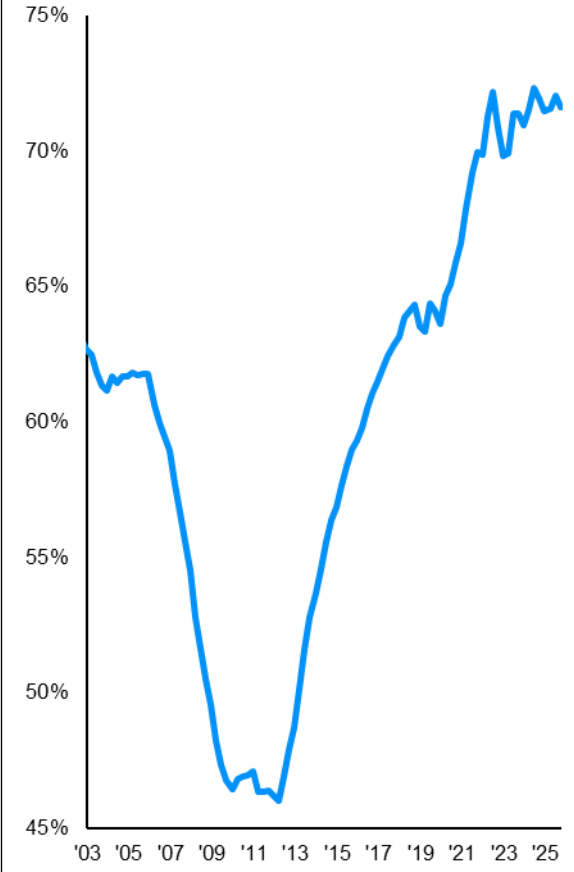
## Rising HH interest cost led by non-mortgage debt

Household interest cost % of after-tax income



## Household home equity near record highs

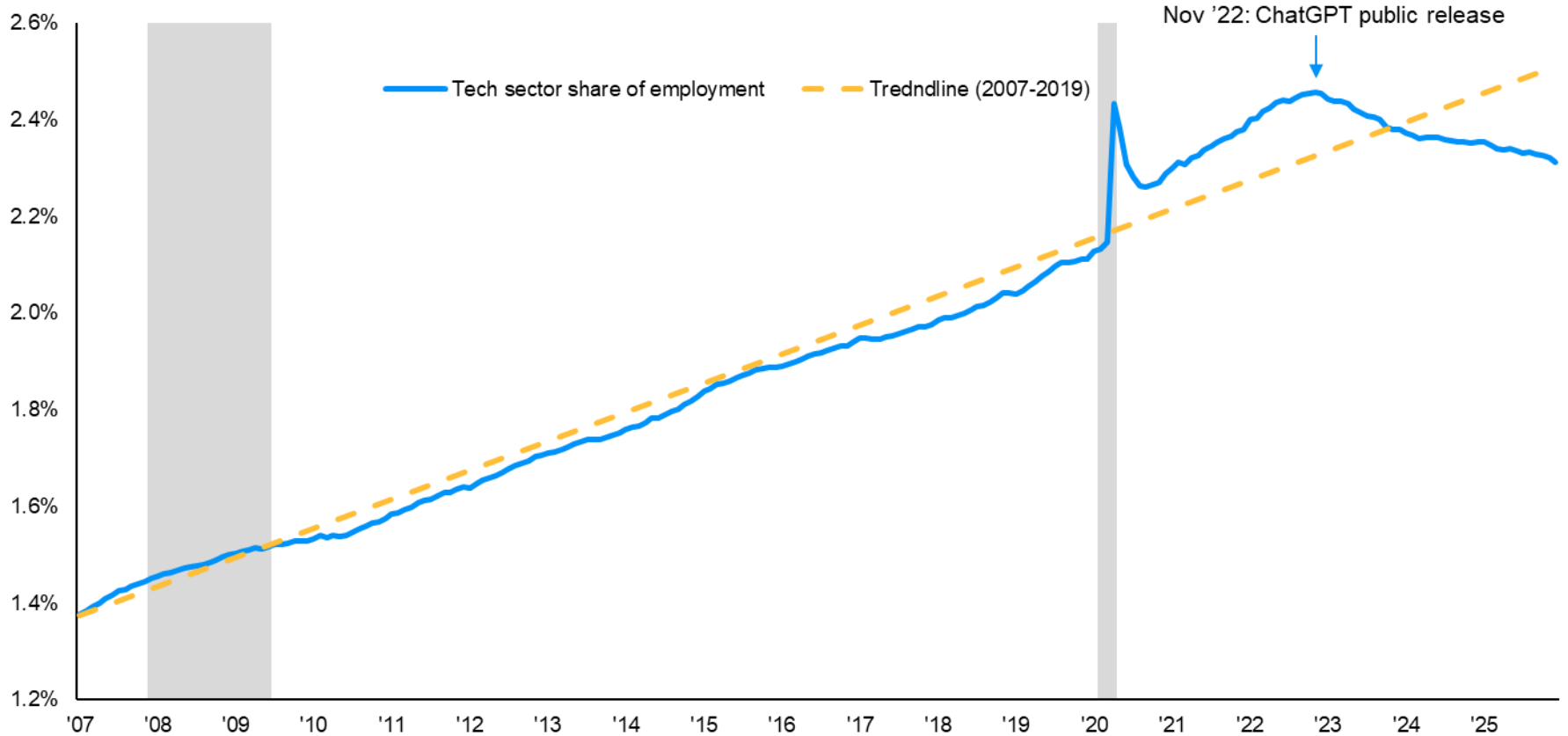
Home equity % real estate market value



Source: Left- Federal Reserve Board of New York. Data as of September 30, 2025. Middle - Bureau of Economic Analysis. Data as of September 30, 2025. Right – Federal Reserve. Data as of September 30, 2025.

# Early signs of job disruption seen in Tech, where AI use is high?

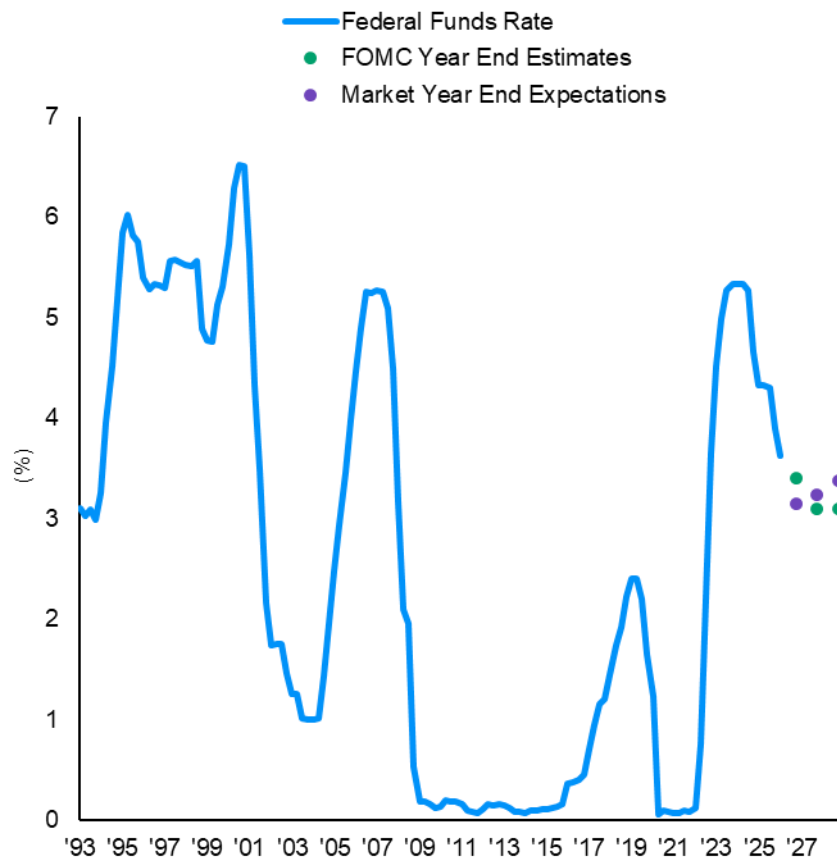
Tech share of total employment



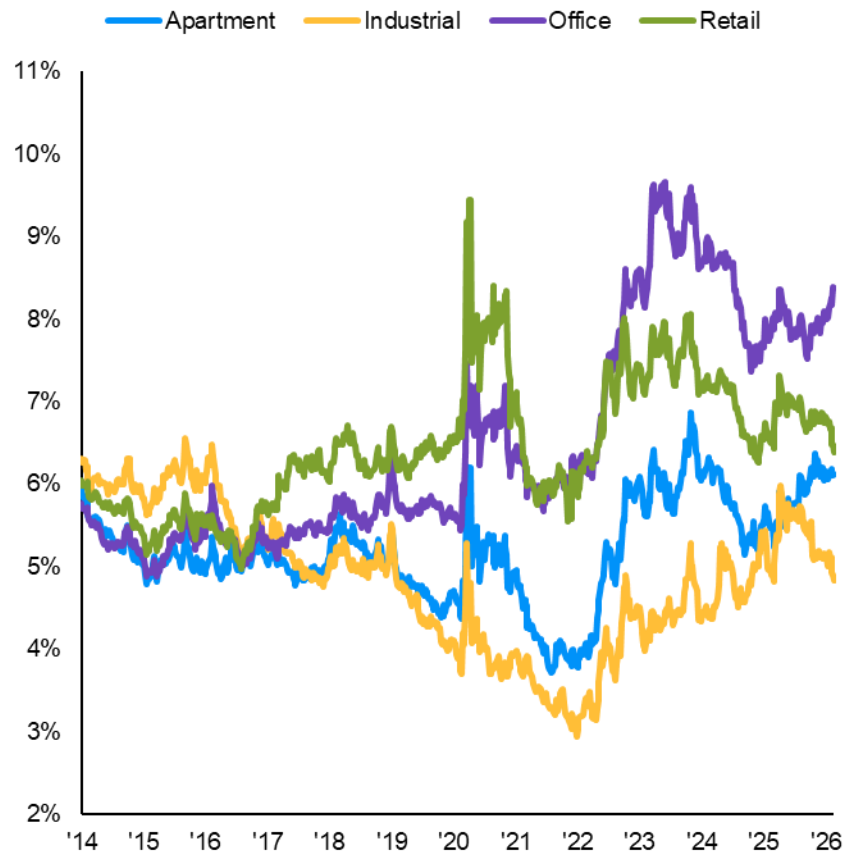
Source: J.P. Morgan Chase. Data as of December 31, 2025. Note: Yellow bar = trendline (2007-2019).

# Higher-for-longer interest rates have created dispersion

**Both the Fed and the market still see “higher for longer”**  
 FOMC and market expectations for the federal funds rate



**We expect growing dispersion across asset quality**  
 REIT implied cap rates by sector

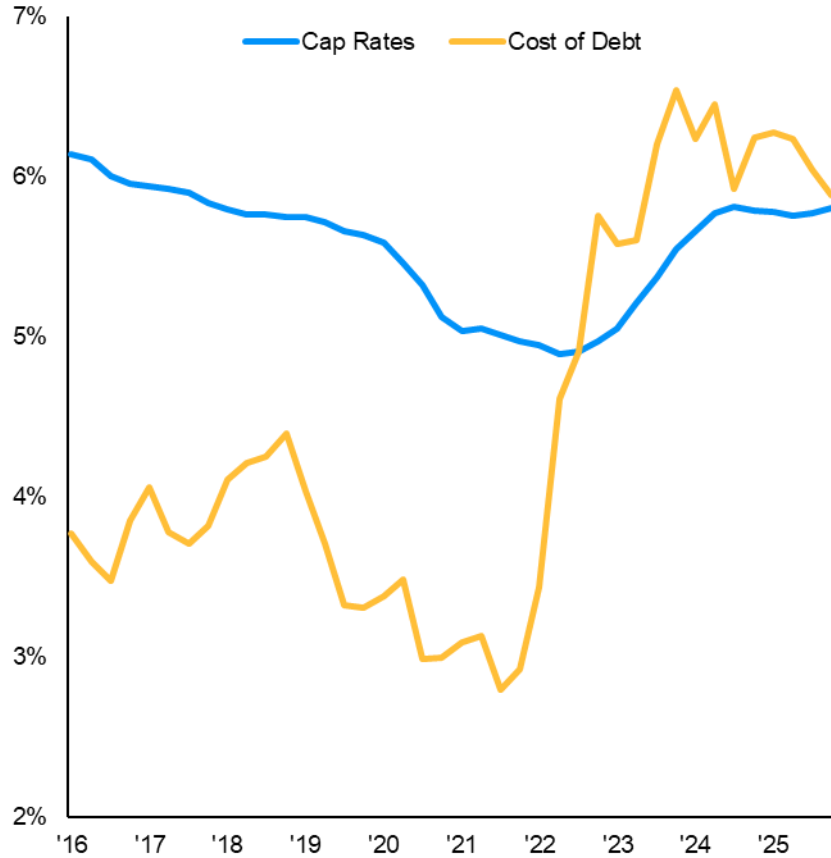


Source: Left- Moody’s Analytics, Federal Reserve, J.P. Morgan Asset Management. Data as of Market expectations are based off of USD Overnight Index Swaps. Right- Green Street Advisors, J.P. Morgan Asset Management. Data as of February 20, 2026. <https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/market-updates/on-the-minds-of-investors/what-does-a-higher-for-longer-interest-rate-policy-mean-for-real-estate/#>

# Capital structure to favor equity again

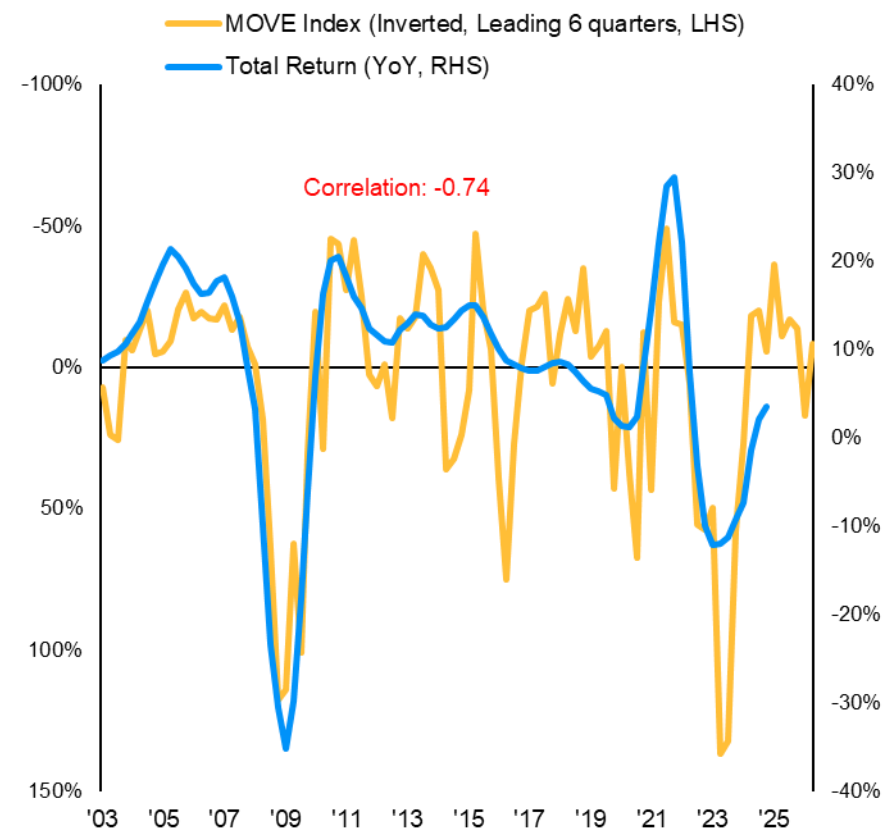
## CRE capital structure is normalizing

U.S. CRE cap rate vs average cost of debt



## Lower interest rate volatility drives improved CRE equity returns

YoY change in MOVE index vs ODCE total returns



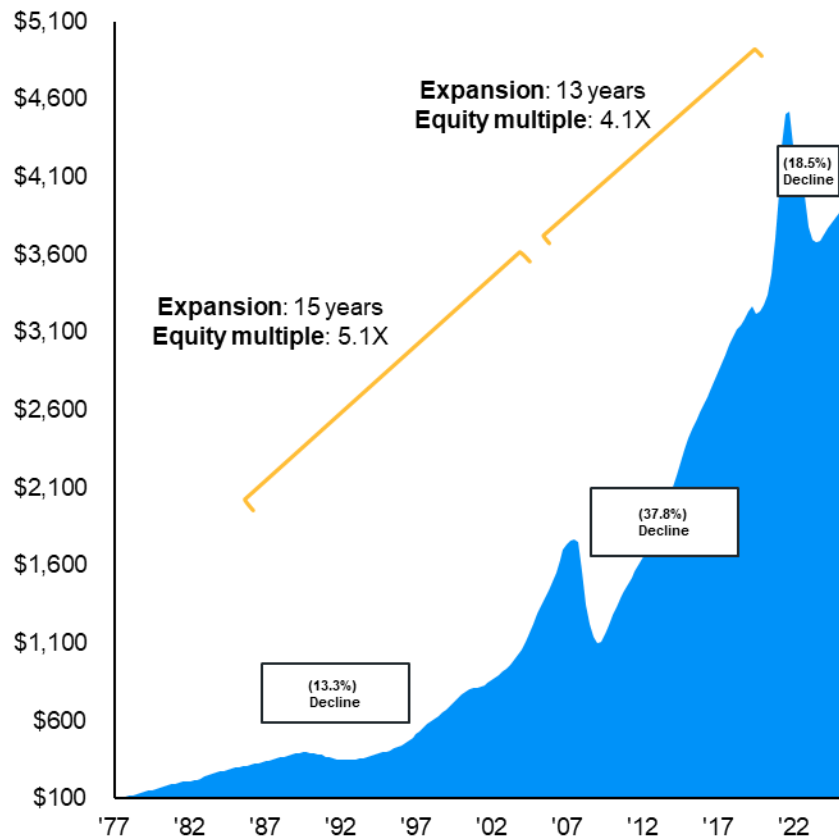
Source: Left- Real Capital Analytics, Green Street Advisors, Recursion, Trepp, Cushman & Wakefield, J.P Morgan Asset Management. Note as of December 31, 2025. Note: Cap rates are RCA transaction weighted average. Cost of Debt is represented by cost of conventional secured financing costs, 10-year, 50% LTV, fixed rate debt secured by multifamily, retail, office. Right- NCREIF ODCE, Bloomberg Finance L.P., J.P. Morgan Asset Management. Data as of December 31, 2025. Note: MOVE Index used as a proxy for U.S. bond market volatility.

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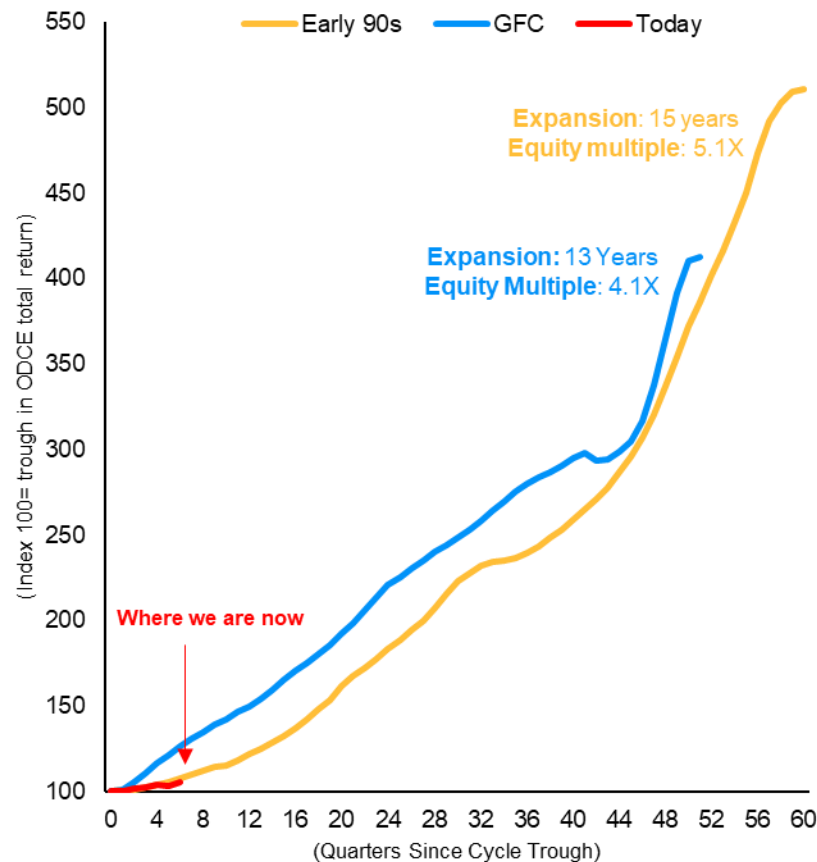
The next five years of CRE investing  
are unlikely to look like the last five

# CRE offers the best entry point today

There have only been 3 double-digit declines in CRE valuations  
Historical growth of ODCE capital



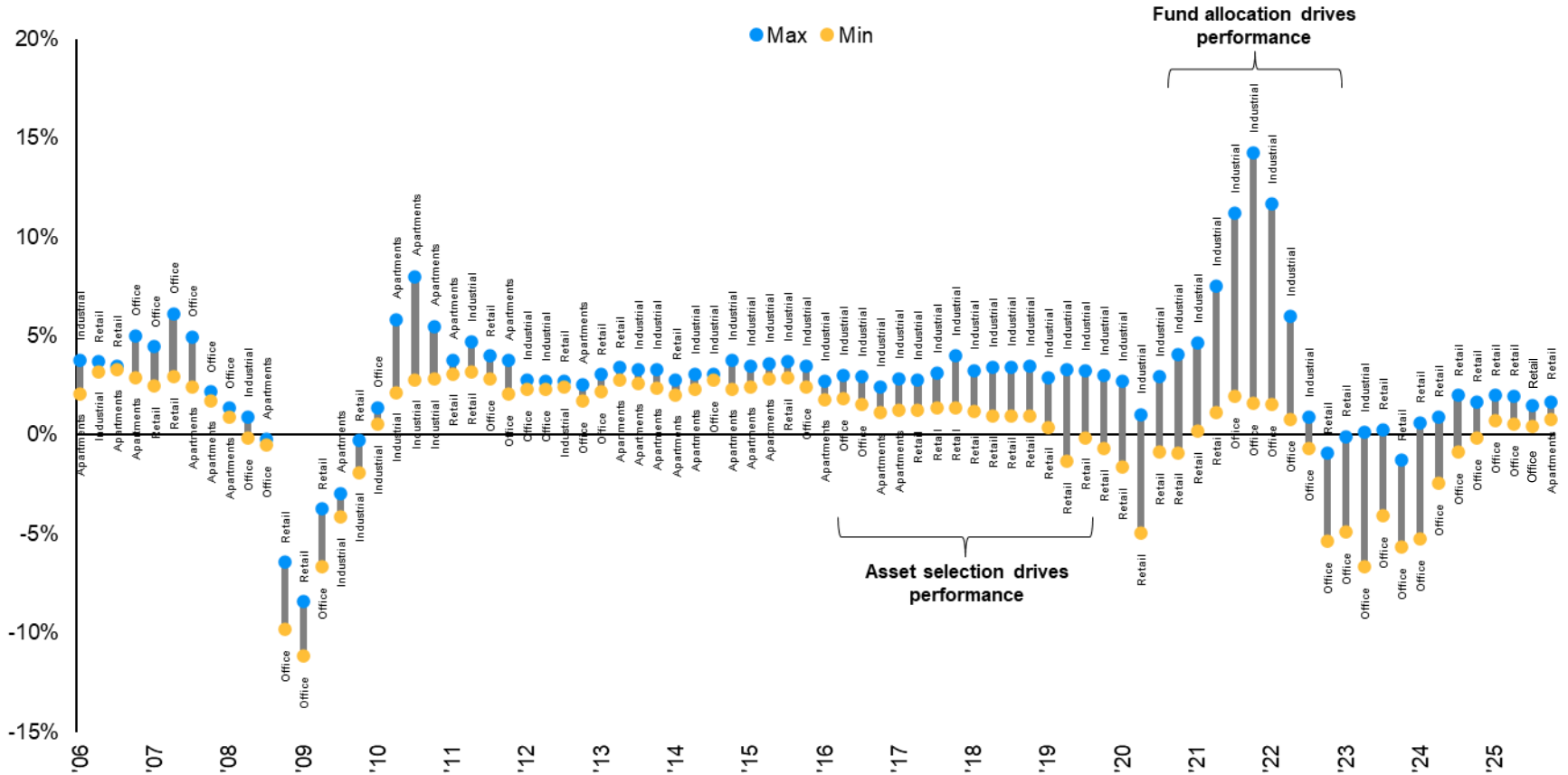
The recovery is just starting, prior recoveries were a decade plus  
Real estate recoveries across cycles



Source: Left- NCREIF ODCE, J.P. Morgan Asset Management. Data as of December 31, 2025. Note: NCREIF NFI-ODCE Index data reflects the returns of a blended portfolio of institutional quality real estate and does not reflect the impact of management and advisory fees. Right- NCREIF ODCE, J.P. Morgan Asset Management. Data as of December 31, 2025. Note: Early 90s (6/93-6/08), GFC (12/09-9/22), Today (6/24-12/25).

# 1) Asset selection is going to matter again

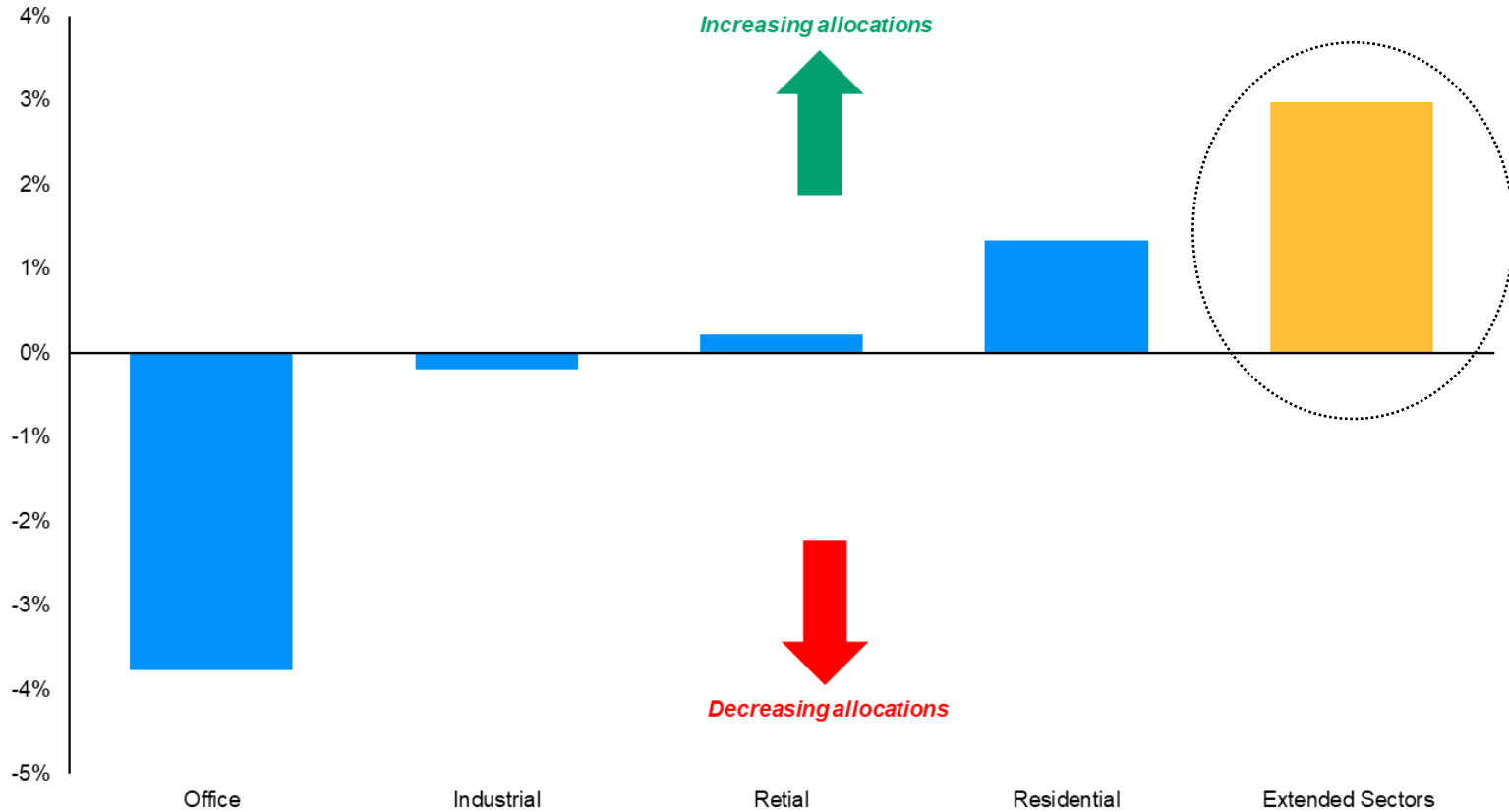
Core property type total return: min vs max (2006-2025)



Source: NCREIF ODCE, J.P. Morgan Asset Management. Data as of December 31, 2025.

# “We want more extended sectors”

Projected change in ODCE allocations: today vs manager targets

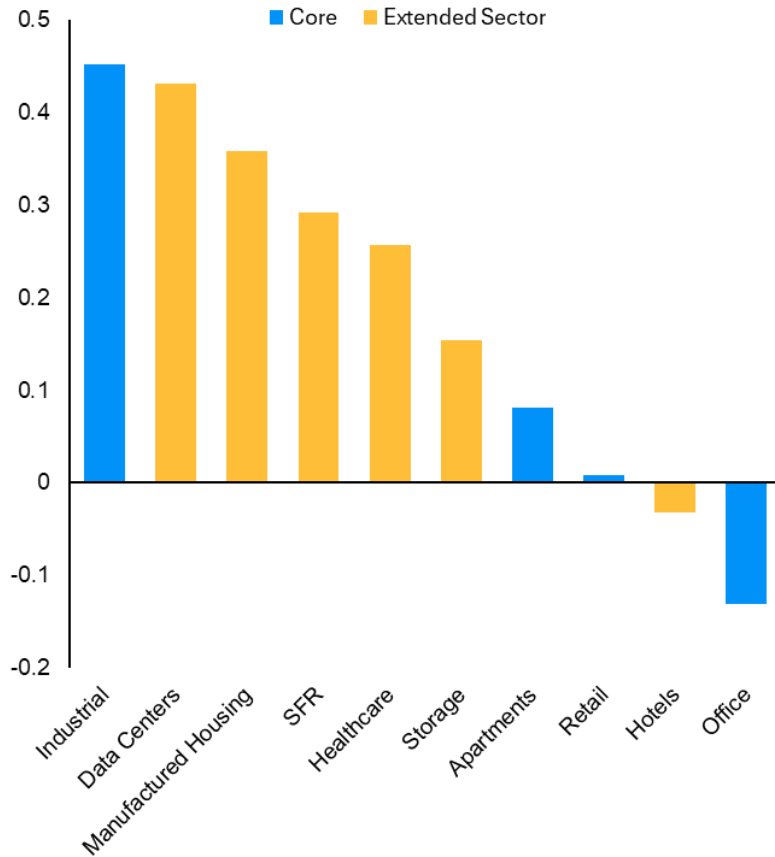


Source: NCREIF ODCE, J.P. Morgan Asset Management. Data as of December 31, 2025.

# The case for extended sectors

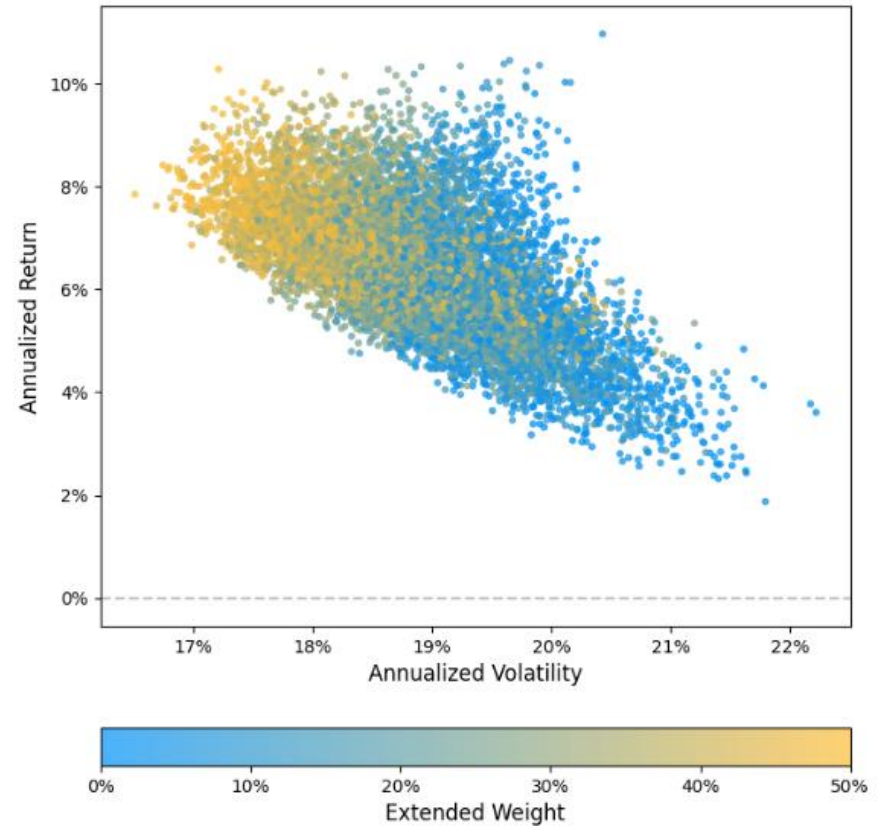
## Alts have generally seen better risk-adjusted returns

Sharpe ratio - NAREIT sector indices, annualized (2016-2025)



## Increased alts exposure has driven better performance

Risk-return of random allocations to NAREIT sector indices

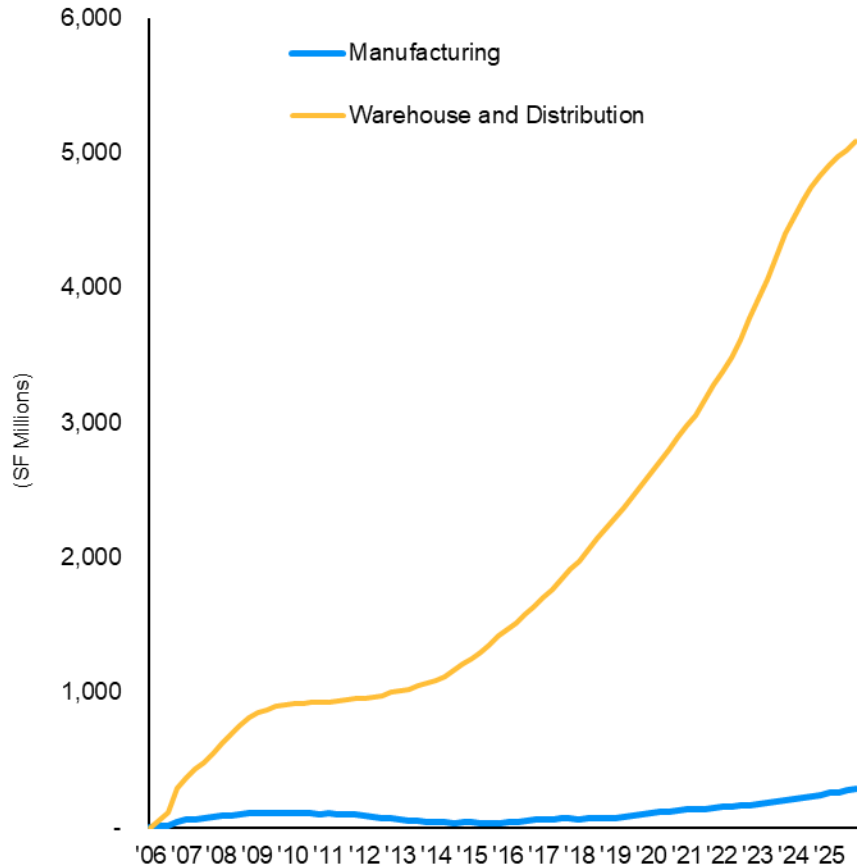


Source: Both – NAREIT, J.P. Morgan Asset Management. Data as of December 31, 2025.

## 2) Life after the “E-commerce Boom” is reshaping the industrial sector

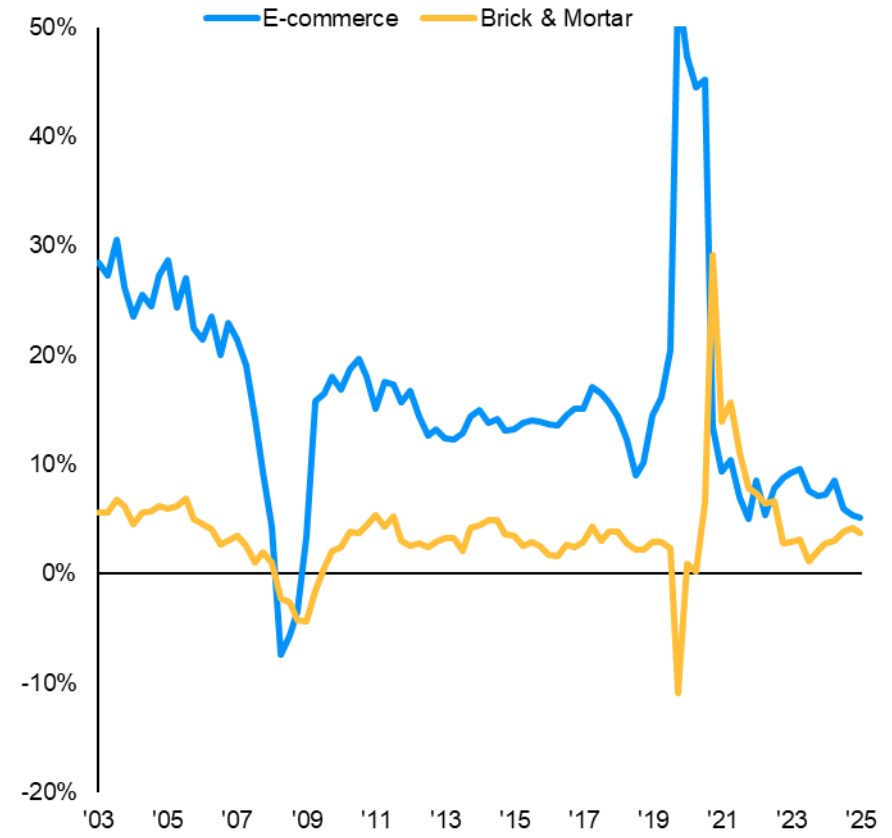
### America prioritized its “Give Me My Stuff Now” network

Cumulative change in occupied SF



### But the era of explosive E-commerce growth is fading

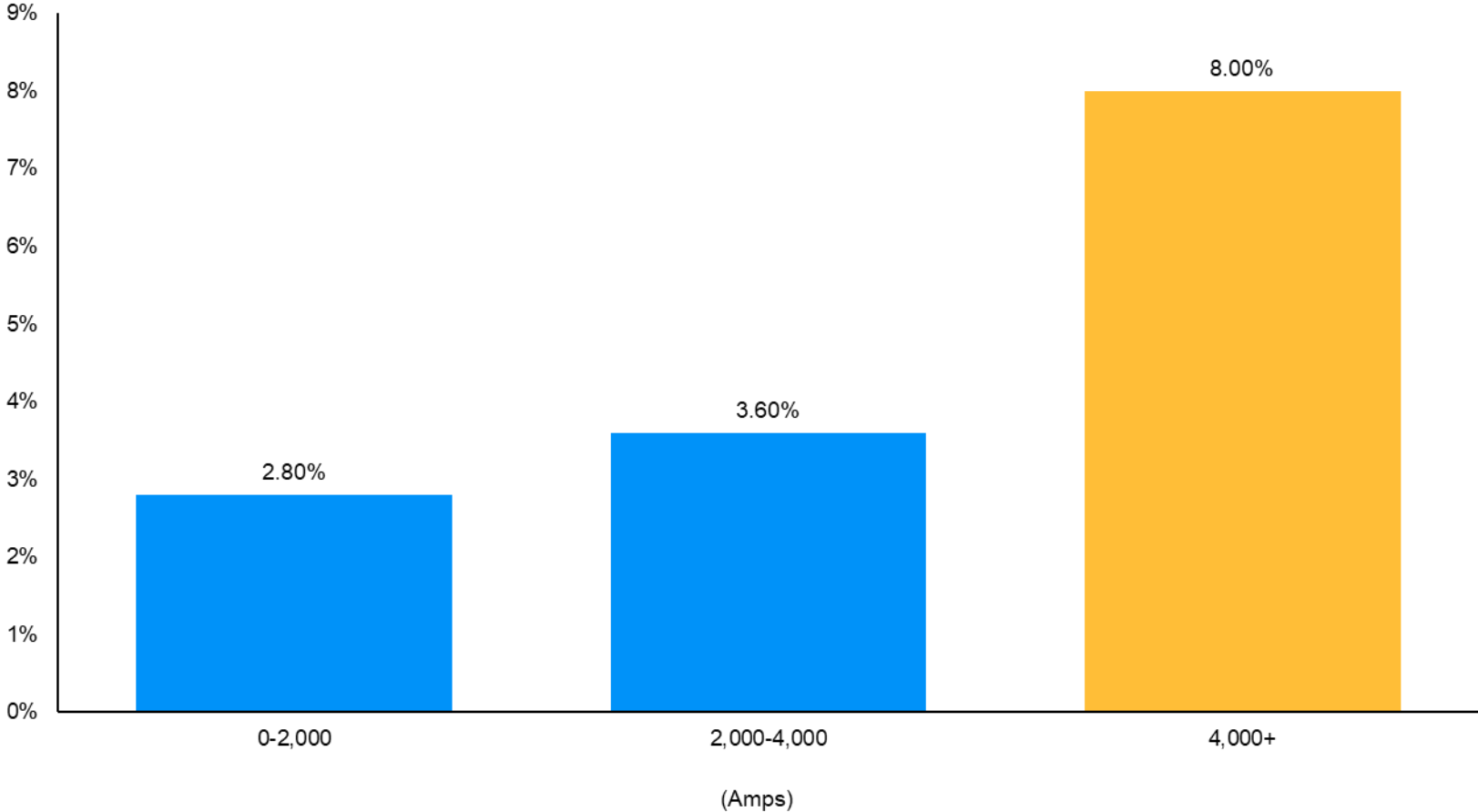
Y/Y growth in retail sales by category



Source: Left- CoStar, J.P. Morgan Asset Management. Data as of December 31, 2025. Right- U.S. Census Bureau, St. Louis Fred, J.P. Morgan Asset Management. Data as of September 30, 2025.

# Today's industrial market: give me my POWER now

1yr returns by power capacity (JPMAM industrial portfolio)

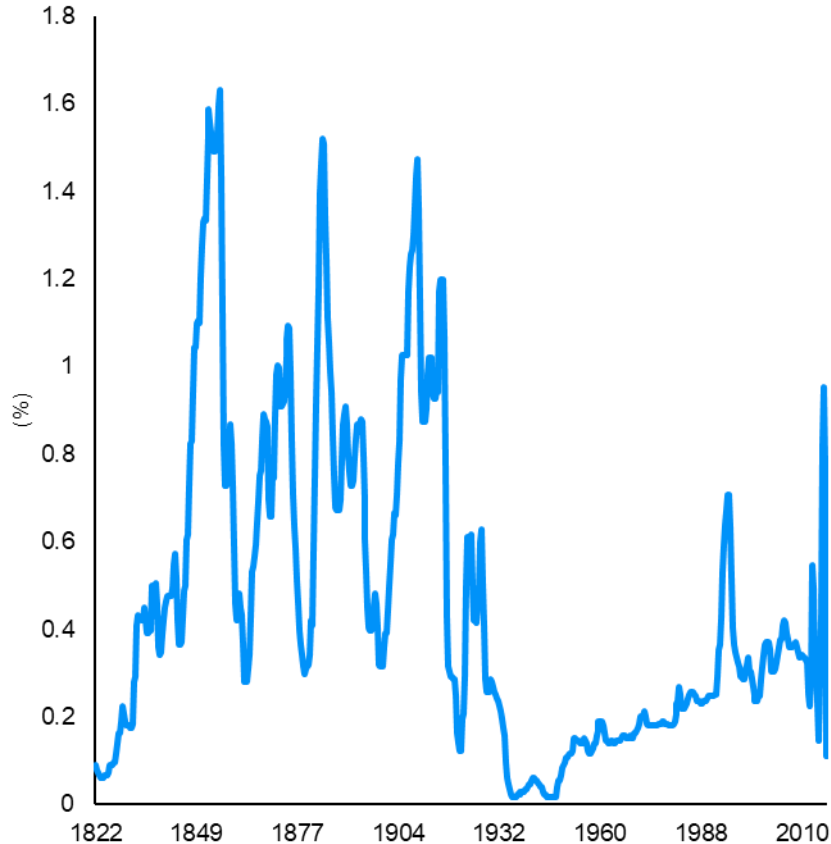


Source: J.P. Morgan Asset Management. Data as of September 30, 2025.

### 3) Not all housing is good housing

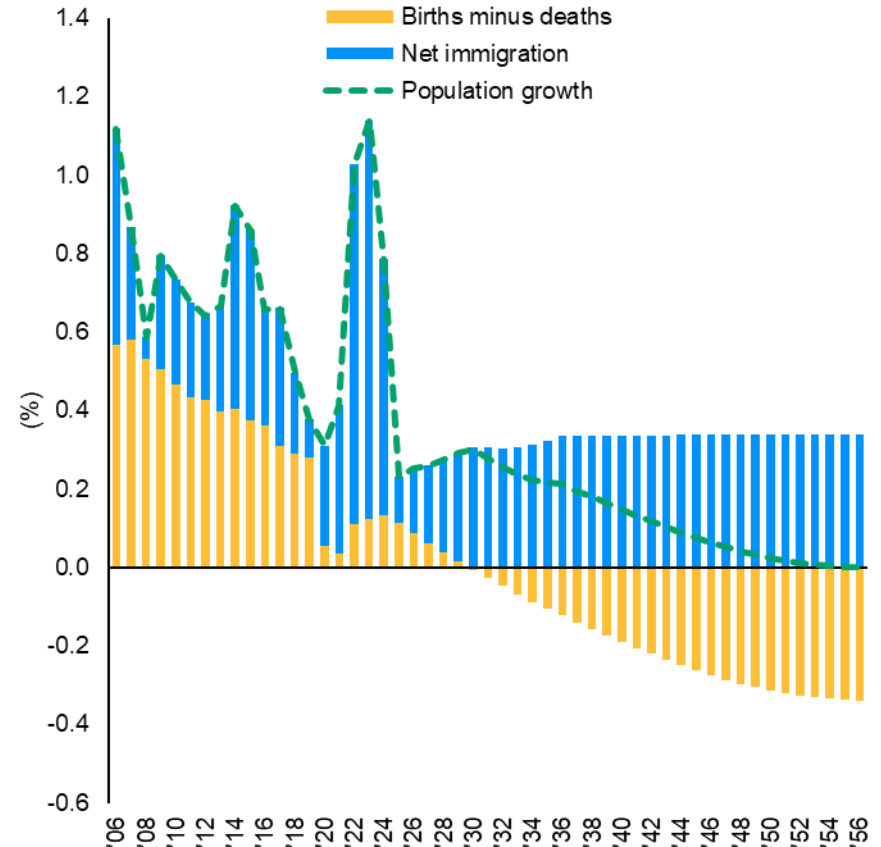
#### Once-in-a-generation immigration surge

Immigration as a % of population



#### CBO's forecast for U.S. population is a wake-up call

Components of U.S. population growth

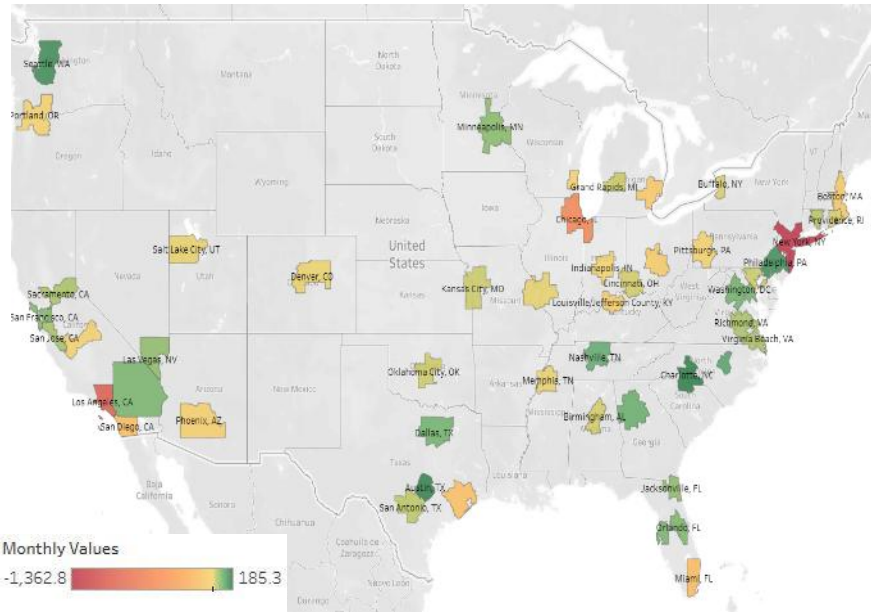


Source: Left -Congressional Budget Office used since 2011. 2025 is an estimate. Data as of September 1, 2025. Note: Historical immigration data from Abramitzky R, Boustan L. Immigration in American Economic History. Right- Congressional Budget Office: "The Demographic Outlook: 2026 to 2056", J.P. Morgan Asset Management.

# Growth will be harder to find. Residential strategies will need to become more focused

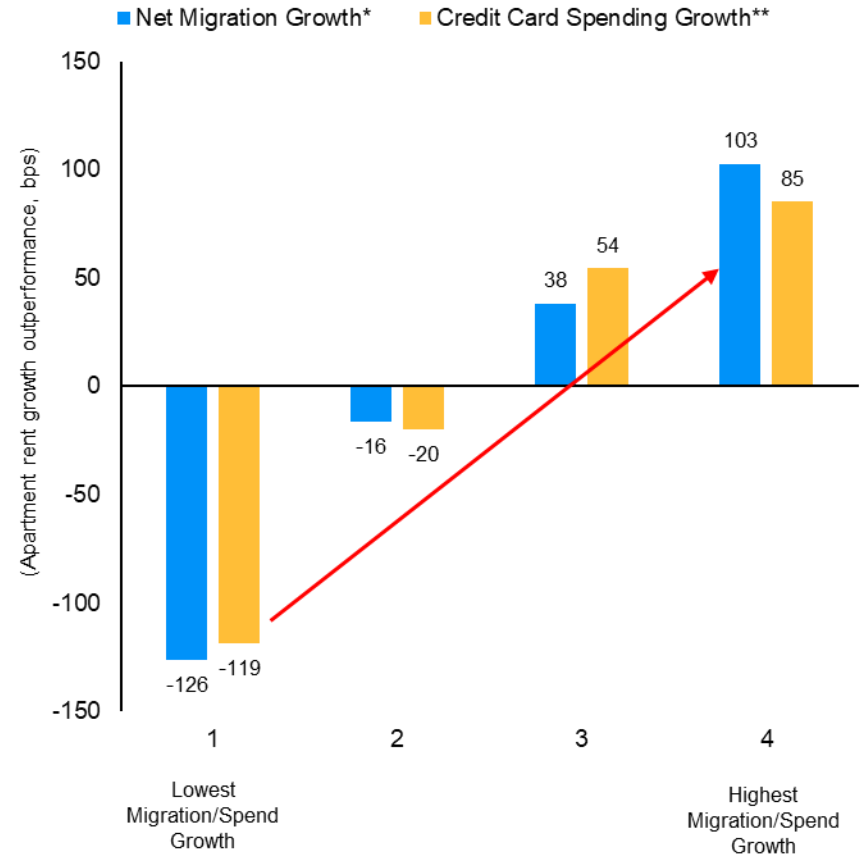
## Where are Chase customers moving?

Chase cardholders net migration (trailing 6-month average)



## Higher spending + net migration = higher rent growth

Rent growth outperformance by chase consumer growth quartiles



Source: Left- J.P. Morgan Asset Management. Data as of December 31st, 2025. Right - J.P. Morgan Asset Management, RealPage Market Analytics, Data as of December 31st, 2025. Note: \*Net migration growth is the Y-o-Y difference in net inflow for a market. The series is lagged by 4 quarters for the analysis as it leads apartment rent growth. \*\*Spending Growth is the Y-o-Y change (%) in same-customer credit card spending. The series is lagged by 4 quarters for the analysis as it leads apartment rent growth.

## 4) Office performance turns from drag to driver

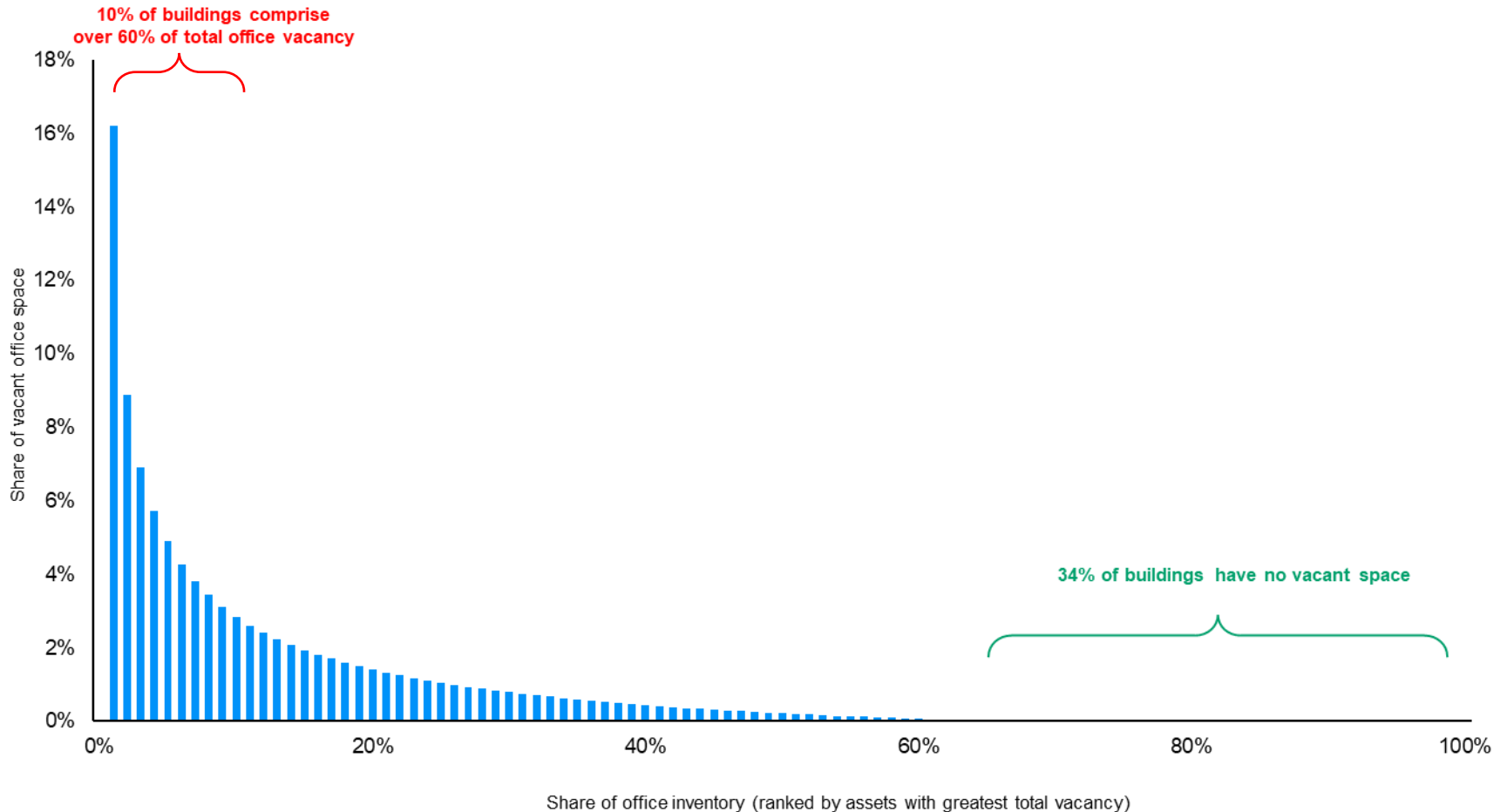
Office quarterly total return vs benchmark



Source: NCREIF ODCE, J.P. Morgan Asset Management. Data as of December 31, 2025.

# Office vacancy is concentrated in relatively few buildings

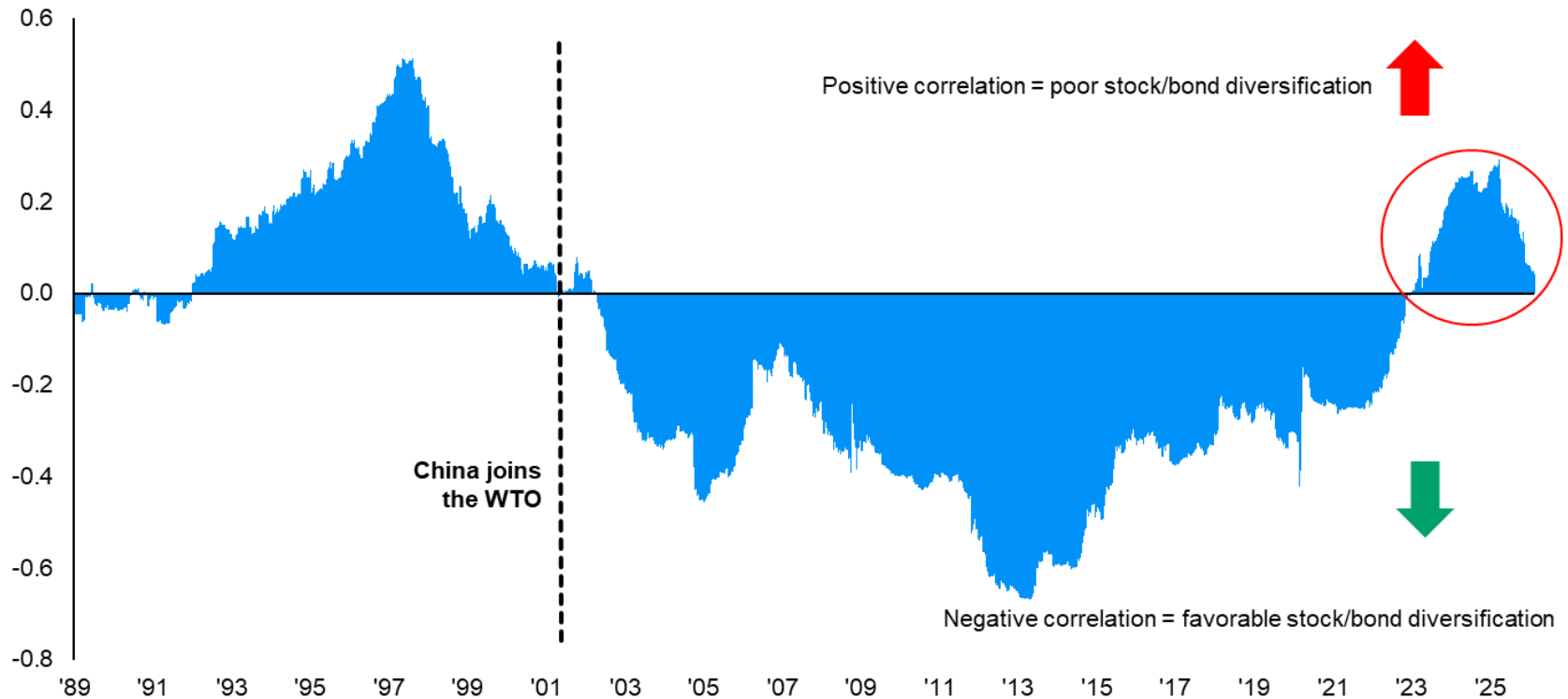
Office vacancy concentration by share of total US vacancy



Source: JLL Research, J.P. Morgan Asset Management. Data as of September 30, 2025.

## 5) A new world order requires changes to portfolio construction

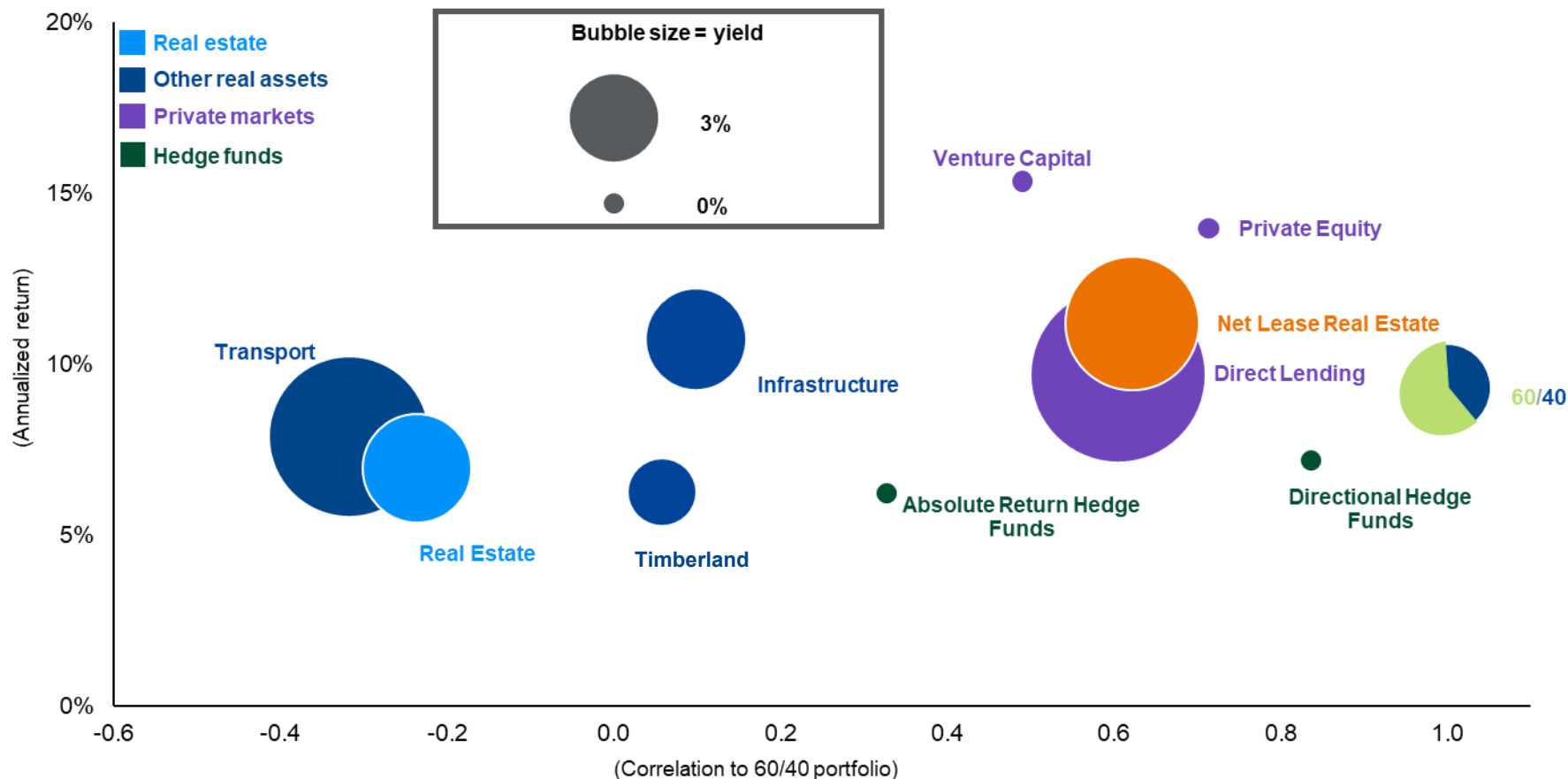
Public equity correlation to bonds



Source: Bloomberg Finance L.P. Data as of February 20, 2026. Note: Correlation based on the weekly total return for the indices for the past 3 years. Bonds uses the Bloomberg Treasury Index and Equities uses the S&P 500 Index.

# Investors should look to real assets for diversification

10-year correlations and 10-year annualized total returns (quarterly, 4Q11-1Q25)



Source: Bloomberg, Burgiss, Cliffwater, FactSet, MSCI, NCREIF, PivotalPath, J.P. Morgan Asset Management. Data as of March 31, 2025. Note: All categories are global, except for timberland and direct lending, which are U.S. Correlations are based on quarterly returns over the time period indicated. "Net lease real estate" is an author-created index inclusive of ADC, BNL, EPR, EPRT, NNN, O and WPC.

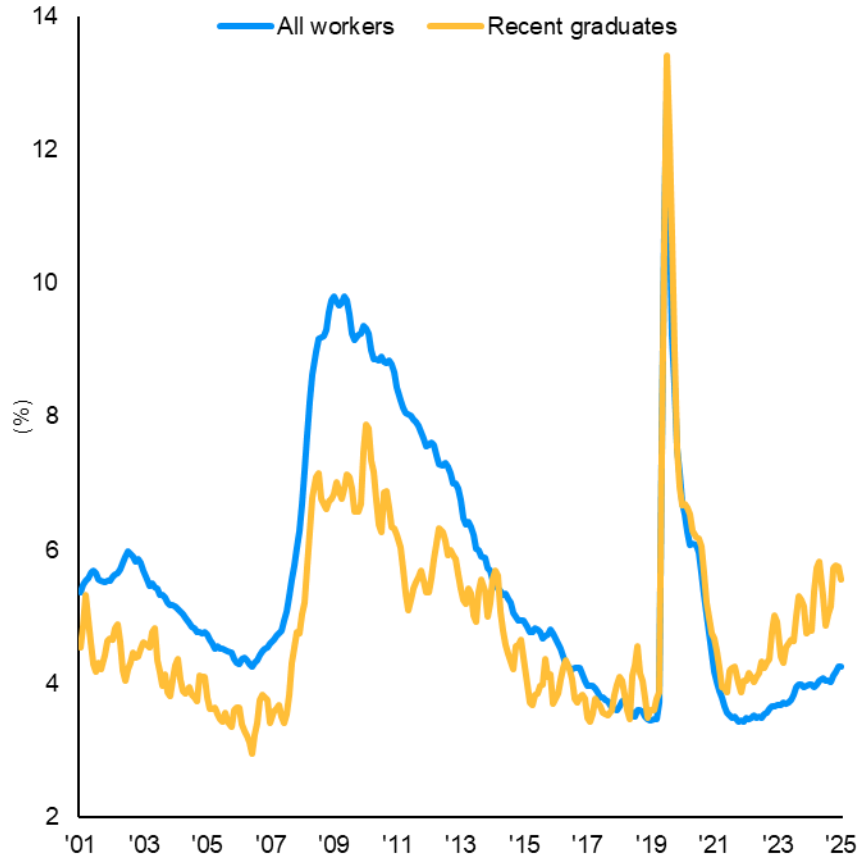
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# Appendix

# Young college graduates are struggling to find new jobs

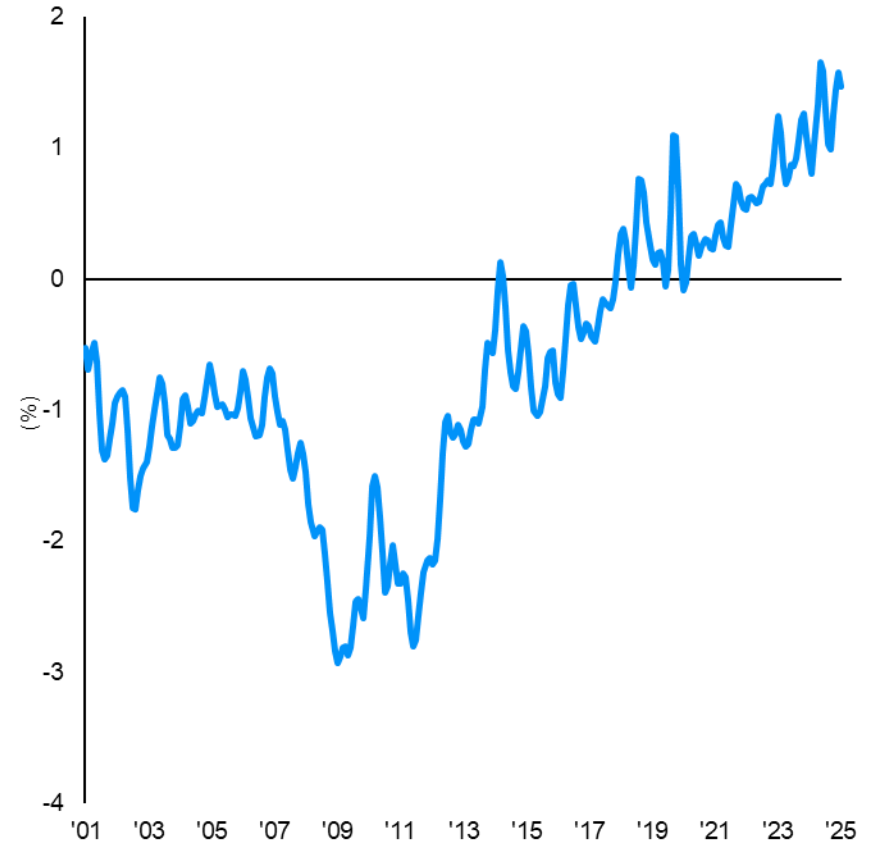
## Unemployment rate for recent grads rising faster than overall rate

Unemployment rate by cohort (%)



## College degree is not the pathway to job security that it once was

Spread in unemployment rate: recent grads minus total (%)

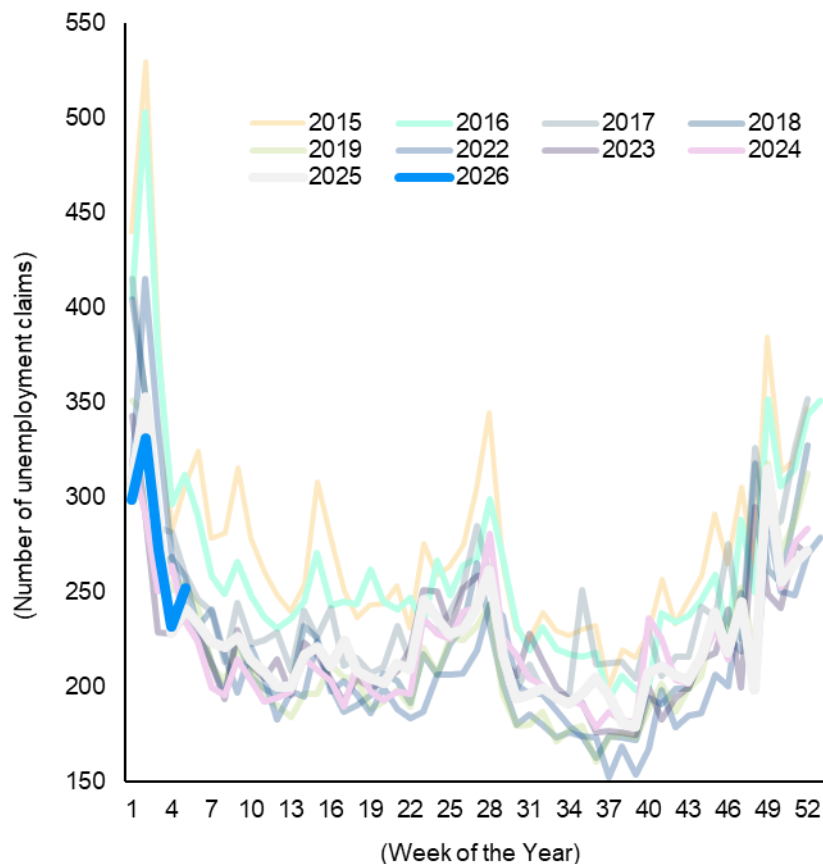


Source: Both- Federal Reserve Bank of New York, The Labor Market for Recent College Graduates, <https://www.newyorkfed.org/research/college-labor-markets>, J.P. Morgan Asset Management. Data as of December 31, 2025. Note: Right chart is rolling 3-month average. <https://am.jpmorgan.com/us/en/asset-management/protected/institutional/insights/portfolio-insights/alternatives/higher-education-enrollment-problem-and-implications-for-students/>

# No signs of elevated layoffs right now

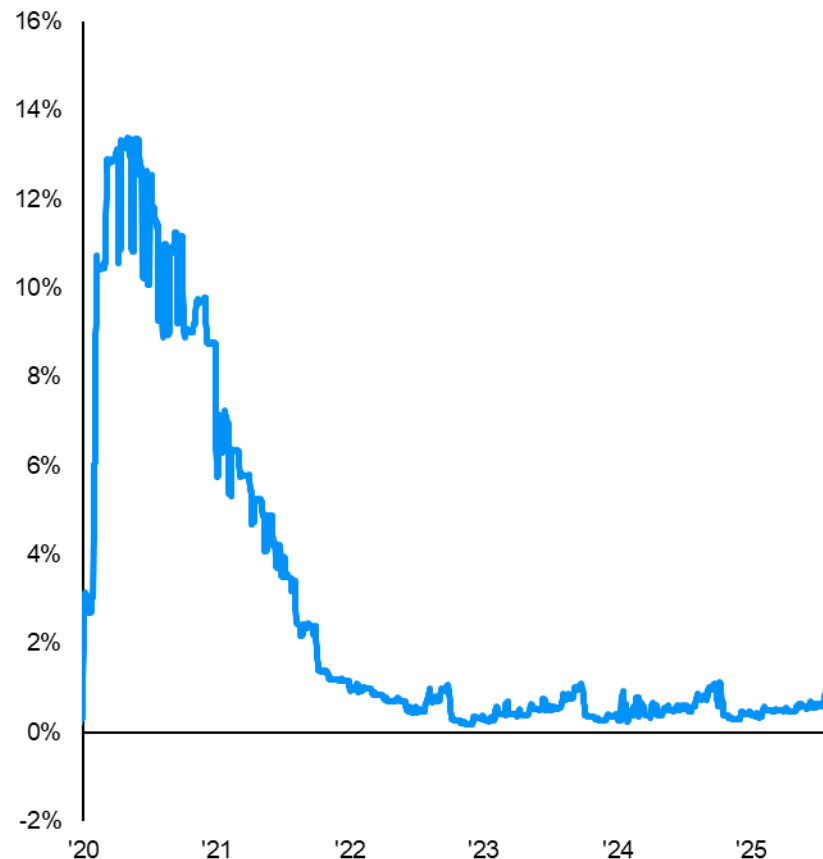
## Non-seasonally adjusted claims are in line with recent years

Initial claims (Thousands, NSA)



## There is no evidence of job loss with our customers

% of Chase customers receiving unemployment insurance

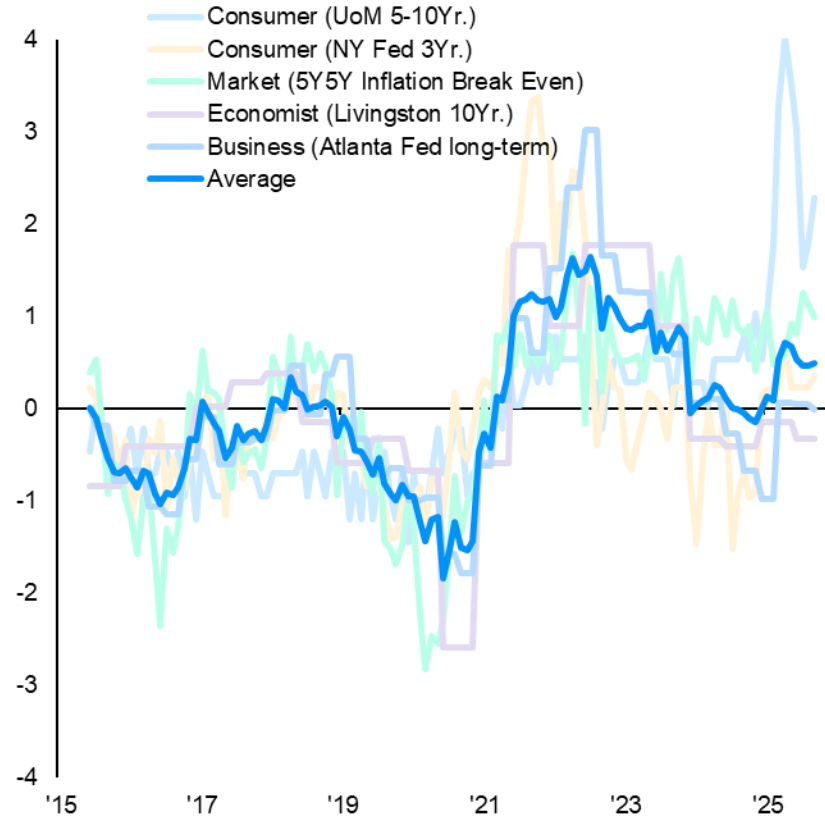


Source: Left – Moody’s Analytics, US ETA. J.P. Morgan Asset Management. Data as of January 31, 2026. Right - J.P. Morgan Chase. Data as of January 9, 2026. Note: Data set is only of Chase card holders currently in the labor force.

# Inflation expectations remain anchored and service inflation has cooled

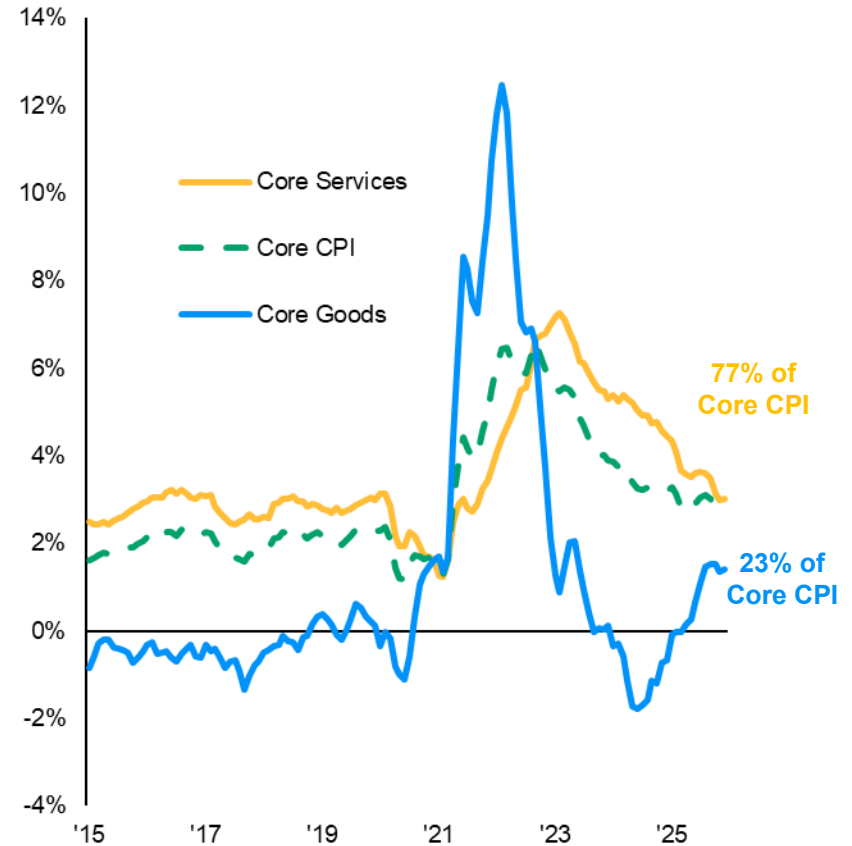
## Inflation expectations remain anchored

Z-score



## Persistent inflation would require a pick-up in services prices

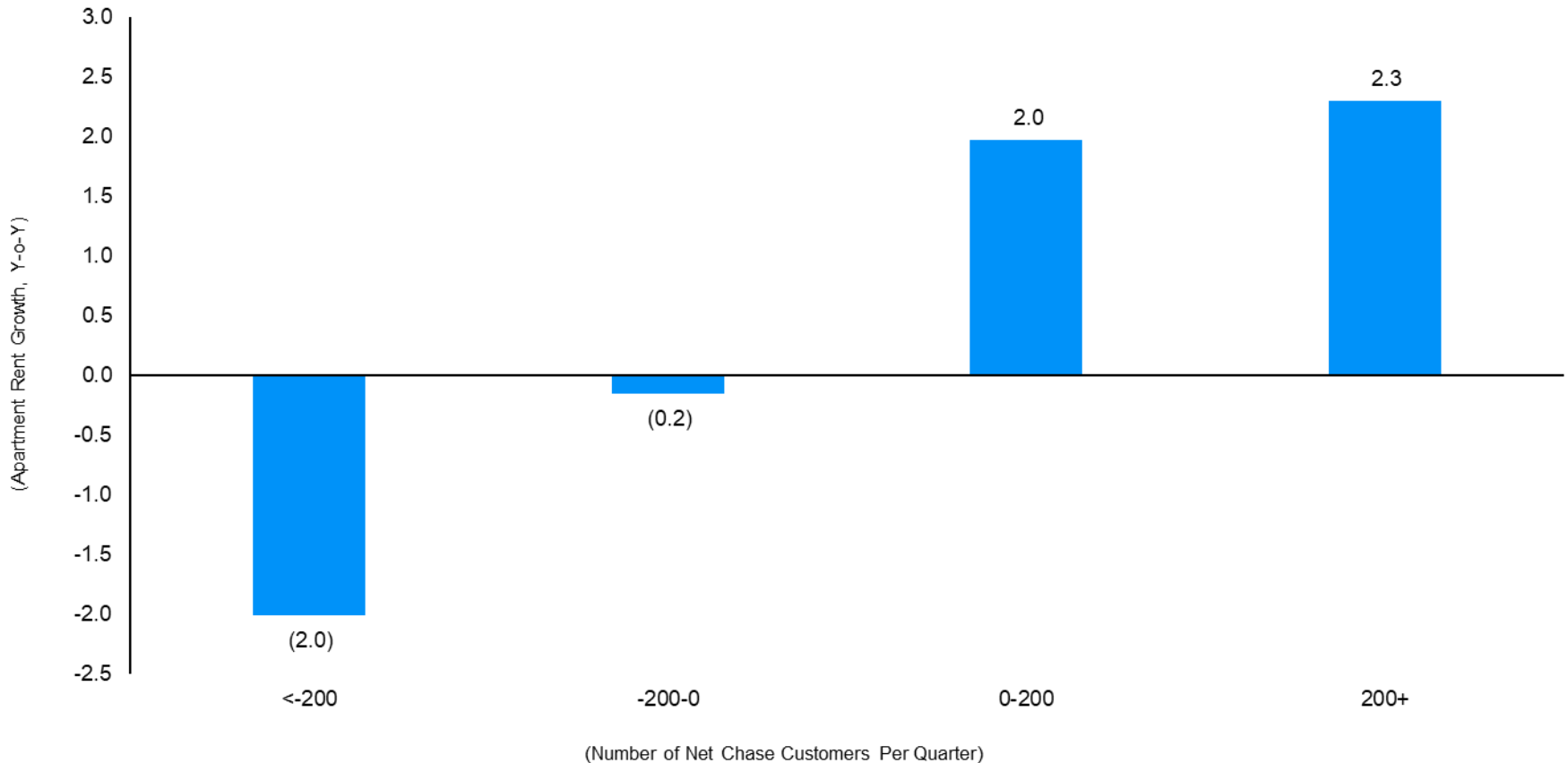
Y/Y change in inflation metrics



Source: Left- University of Michigan, Atlanta Fed, Philadelphia Fed, NY Fed, Bloomberg Finance L.P., J.P. Morgan Asset Management. Data as of September 30, 2025. Note: Average is equally weighted across consumer, market, economist and business expectations. Right- Bureau of Labor Statistics, J.P. Morgan Asset Management. Data as December 31, 2025.

# Chase Migration Matters: More Chase customers = higher rent growth

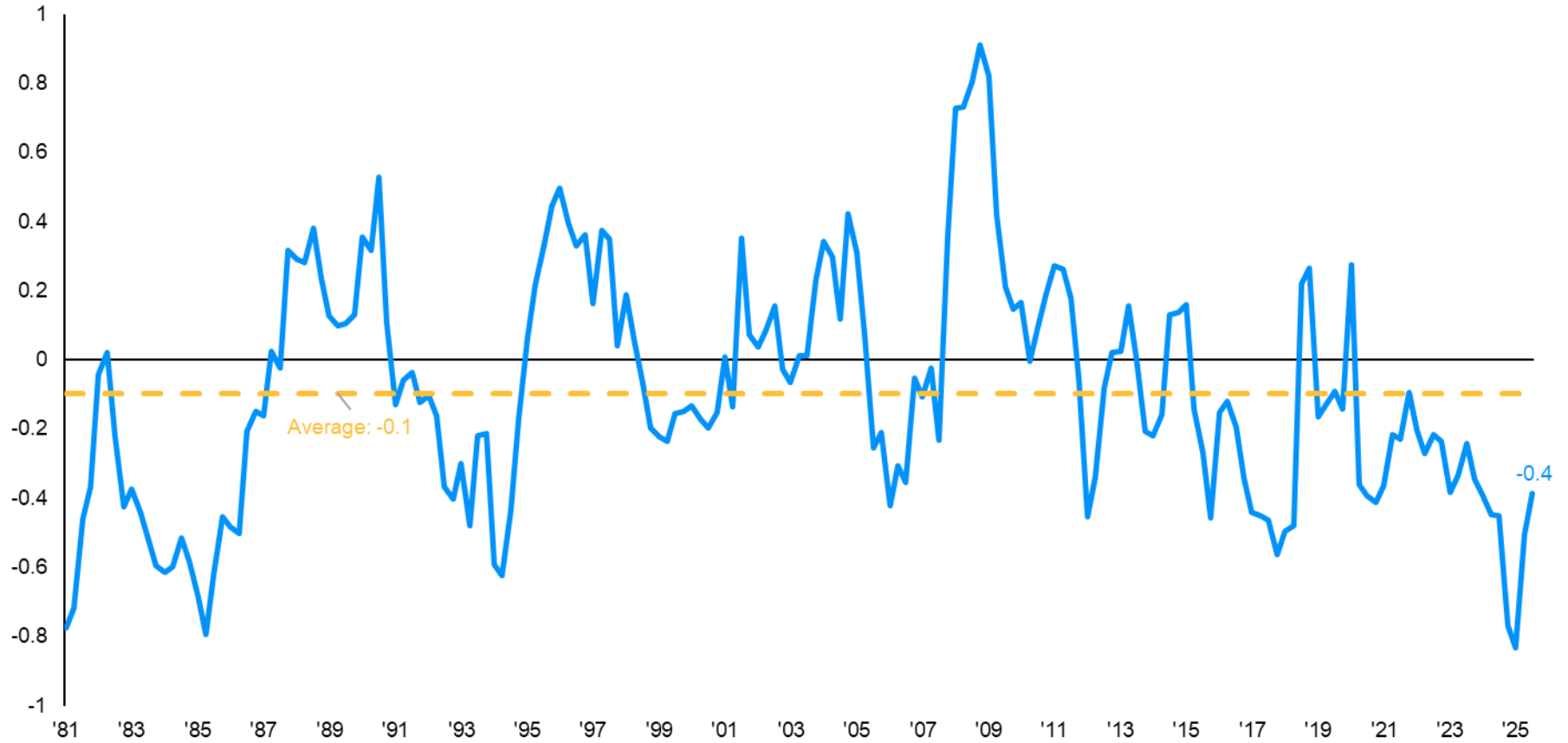
Market rent growth by Chase migration trend



Source: J.P. Morgan Chase. Data as of June 30, 2024. Note: Migration data is lagged two quarters. Data shown here utilizes Q2 2024 vs. Q2 2023. Chase's Migration Momentum by city, and we found positive correlation to the city's RealPage rent growth two quarters later. These are absolute rent growth numbers, not relative to any benchmark. Each bar chart represents roughly 10 US cities that REA research forecasts.

# Direct CRE provides a way to diversify away from tech

Direct core CRE correlation to S&P 500 (quarterly, total return)



Source: NCREIF ODCE, S&P, Bloomberg Finance L.P., J.P. Morgan Asset Management. Data as of December 31, 2025. Note: 12-quarter rolling average.

# US macro and rates outlook

Base case scenario

Street Outlook 2026					
	Fed Funds*	Real GDP	Core PCE	10Y	SPX \$
	Q4 '26	Q4 '26	Q4 '26	Q4 '26	Q4'26
<b>JPM AWM</b>	3.50	1.50-2.00	2.30-2.50	4.30	7,200-7,400
<b>JPM IB</b>	3.75	1.80	2.90	4.35	7,500
<b>Bank of America</b>	3.25	2.40	2.60	4.25	7,100
<b>Morgan Stanley</b>	3.25	1.80	2.60	4.05	7,800
<b>Goldman Sachs</b>	3.25	2.55	2.23	4.20	7,600
<b>Wells Fargo</b>	3.25	2.50	2.6	4.15	7,500
<b>UBS</b>	3.25	1.84	2.84	4.00	7,500
<b>Average (ex-JPM AWM)</b>	3.30	2.15	2.63	4.20	7,500
<b>FOMC (median)</b>	3.50	2.30	2.50	-	-

Source: JPM; BoA; MS; GS; WF; UBS; Federal Reserve. Data as of December 30, 2025. Note: \*Forecasts are upper bound of target range. GDP and inflation estimates represent Q4/Q4 growth rates.