U.S. Commercial Real Estate Chartbook

January 2026

MetLife Investment Management

Key Takeaways

1. After three years of underperformance, CRE allocations are below target for most institutional investors.

2. Private CRE values troughed in late 2024 and remained approximately flat in 2025. We expect average price growth of 4.9% in 2026.

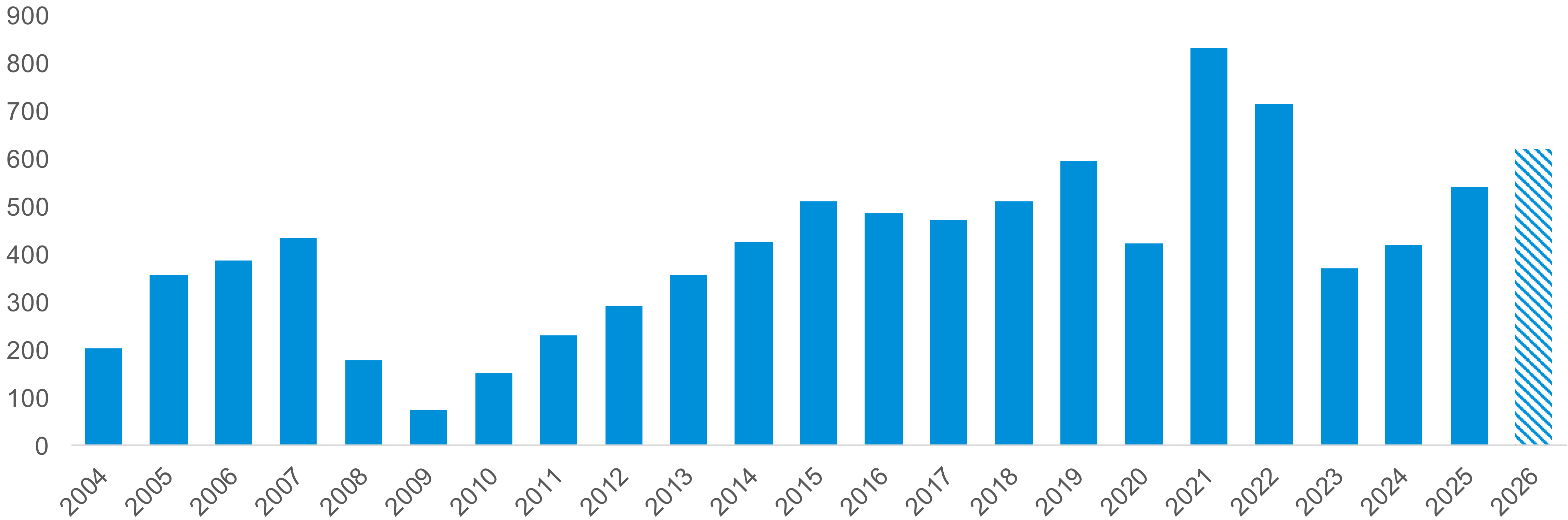
3. The recovery has been uneven, and the gap between outperforming and underperforming property types and markets may widen in 2026.

Capital Markets Conditions

CRE Transaction Volume Is Gradually Recovering

Investment activity has been gradually increasing since reaching a low point in 2023. Depressed levels are largely due to redemption queues in funds. For example, the ODCE queue peaked at 19% of NAV in 2023 and is currently at 12%.[1]

US CRE Investment Activity ($, Billions)

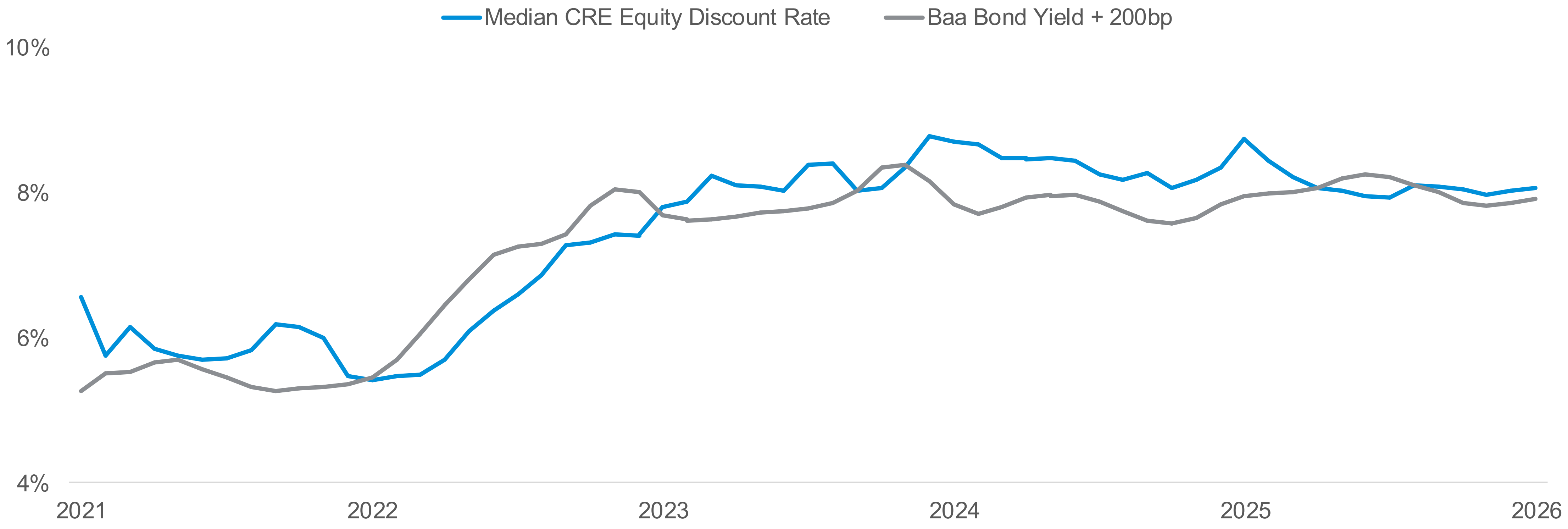


1: Data from the Callan Institute as of 3Q 2025
Sources: MIM, MSCI RCA. Data as of 4Q 2025.

Real Estate Equity Yields Slightly Exceeding Our Baa Bond + 200 bp Benchmark

We believe that when core unlevered real estate equity yield targets exceed Baa corporate bonds yields by + 200 bps, it signals positive relative value. This benchmark also served as an early warning, as the CRE downturn began in the first half of 2022.

Real Estate Equity Yields vs Baa Corporate Bond Yields +200 bps

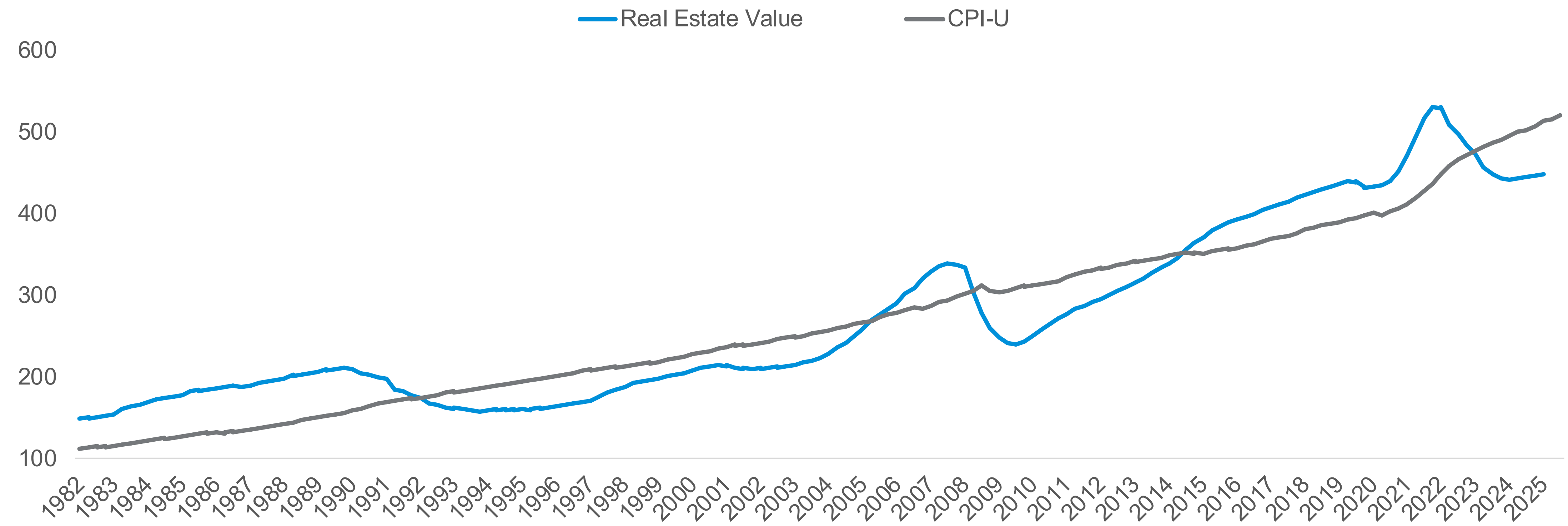


Sources: MIM, FRED. Data as of January 2026.

Inflation Trend Signals CRE Is Undervalued

Over the long term, CRE values trend with inflation. When CRE values are well above their inflation trend, it signals that CRE may be overvalued. Conversely, when CRE values are well below inflation, as they are now, it signals CRE may be undervalued.

NCREIF MVI and CPI (Index)

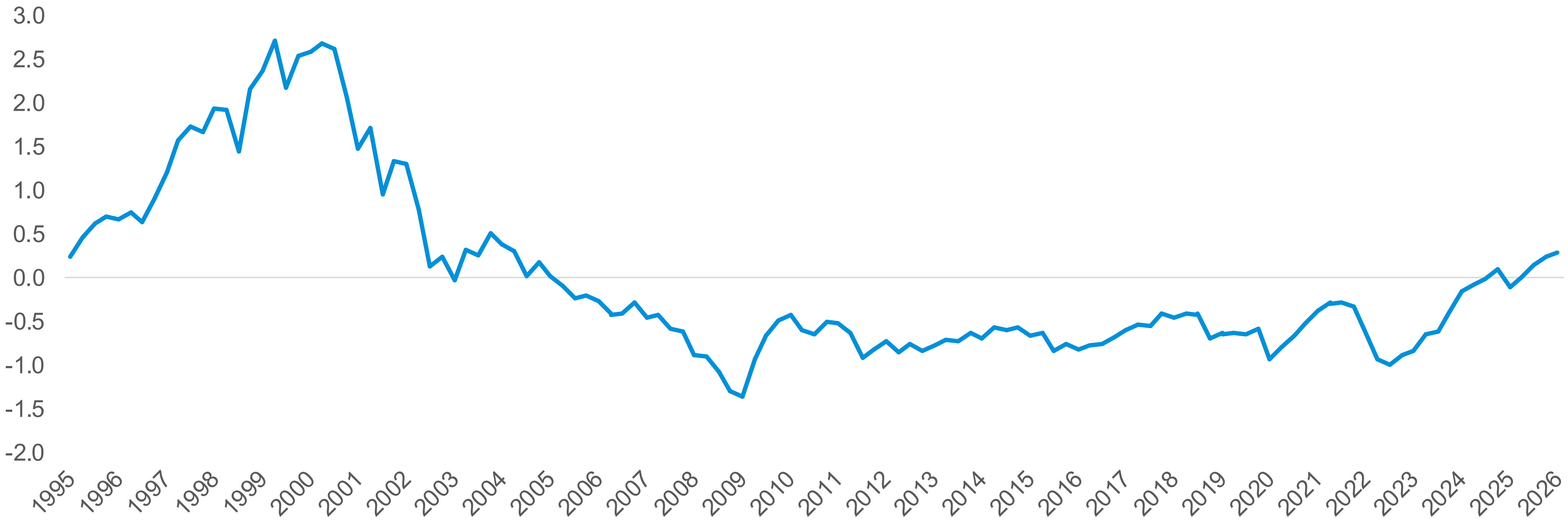


Sources: MIM, NCREIF, Moody's Analytics. Data as of 3Q 2025.

CRE Becomes "Cheap" Relative to U.S. Equities for the First Time in ~20 Years

The price-to-earnings ratio is a valuation metric that compares a company's share price against its earnings per share. Real estate investors typically use cap rates instead, but the inverse of a cap rate is the same as a P/E ratio. As P/E ratios rise (or cap rates decline) it can signal more risk or speculation, and as they decline it can indicate better value. The chart below compares P/E ratios between stock market and private real estate, with higher numbers indicating better potential value for commercial real estate.

Shiller Cyclically Adjusted PE Ratio / CRE PE Ratio, Expressed as a Z-score



Note: CAPE ratio is current (as of 1/16/2026) while NCREIF cap rate data is as of 9/30/2025.
Sources: MIM, Robert Shiller, NCREIF. Data as of 3Q 2025.

Assets Trading Above Appraised Value for the First Time in Several Years, Driven by Office

While price discovery is ongoing across commercial real estate, the gap between appraised and transacted values has narrowed since late 2023. This signals a stabilization in sentiment and transparency, as well as fewer distressed sales. Data is based on assets in the NCREIF database that receive quarterly appraisals.

Appraisal Discount / Premium to Transaction Price

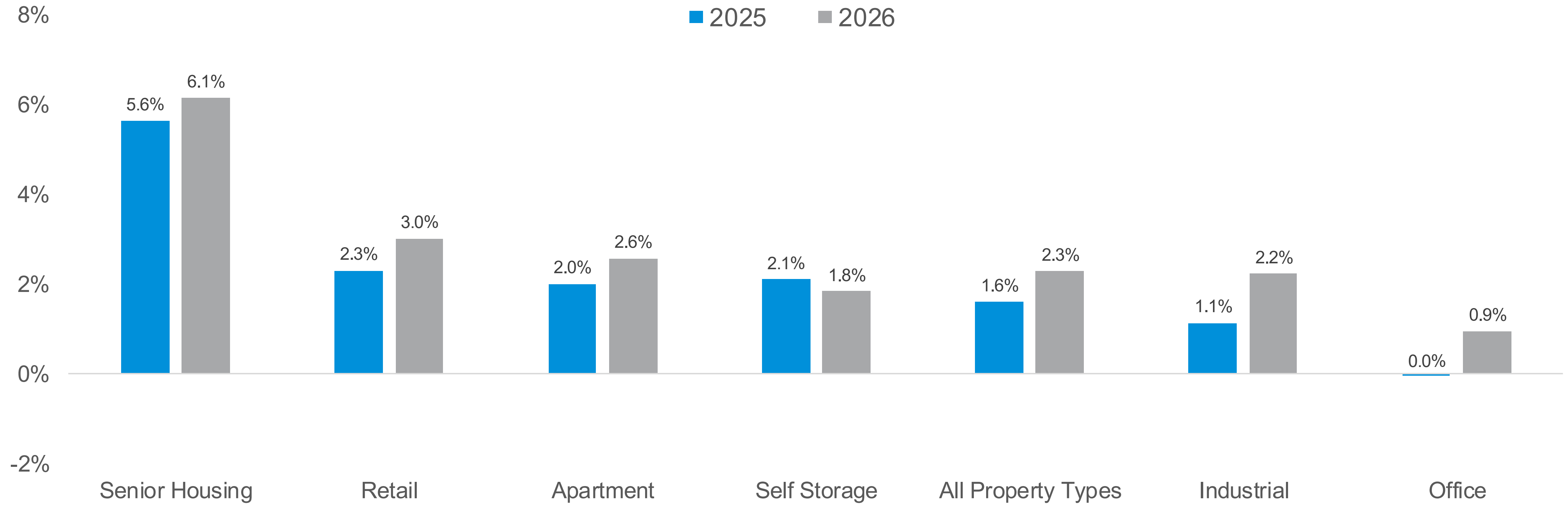
	Apartment	Industrial	Office	Retail	Total
Q1 2023	-5.3%	-4.9%	-8.8%	3.5%	-3.2%
Q2 2023	-3.1%	-5.8%	NA	NA	-4.0%
Q3 2023	-2.6%	-8.1%	-27.7%	-4.2%	-10.0%
Q4 2023	-12.7%	-5.1%	-9.8%	-4.2%	-9.5%
Q1 2024	-6.2%	-1.9%	-17.2%	-3.4%	-7.4%
Q2 2024	-4.3%	-3.2%	-3.7%	-8.0%	-3.9%
Q3 2024	-2.0%	1.2%	-11.6%	-1.5%	-2.0%
Q4 2024	-0.5%	-2.1%	-11.5%	-1.5%	-4.3%
Q1 2025	-5.9%	4.0%	-6.0%	-0.7%	-2.5%
Q2 2025	-5.3%	-4.6%	-4.7%	0.5%	-4.1%
Q3 2025	-1.3%	0.6%	-3.0%	-3.3%	-2.3%
Q4 2025	-4.4%	-2.1%	16.4%	-6.5%	0.9%

Sources: MIM, NCREIF. Data as of 4Q 2025.

Appraised Values Likely to Continue Rising

Property price value growth turned positive in 4Q24, and that momentum continued into 2025. MIM believes there is more upside risk than downside risk to the consensus forecast.

PREA Consensus Market Value Forecast

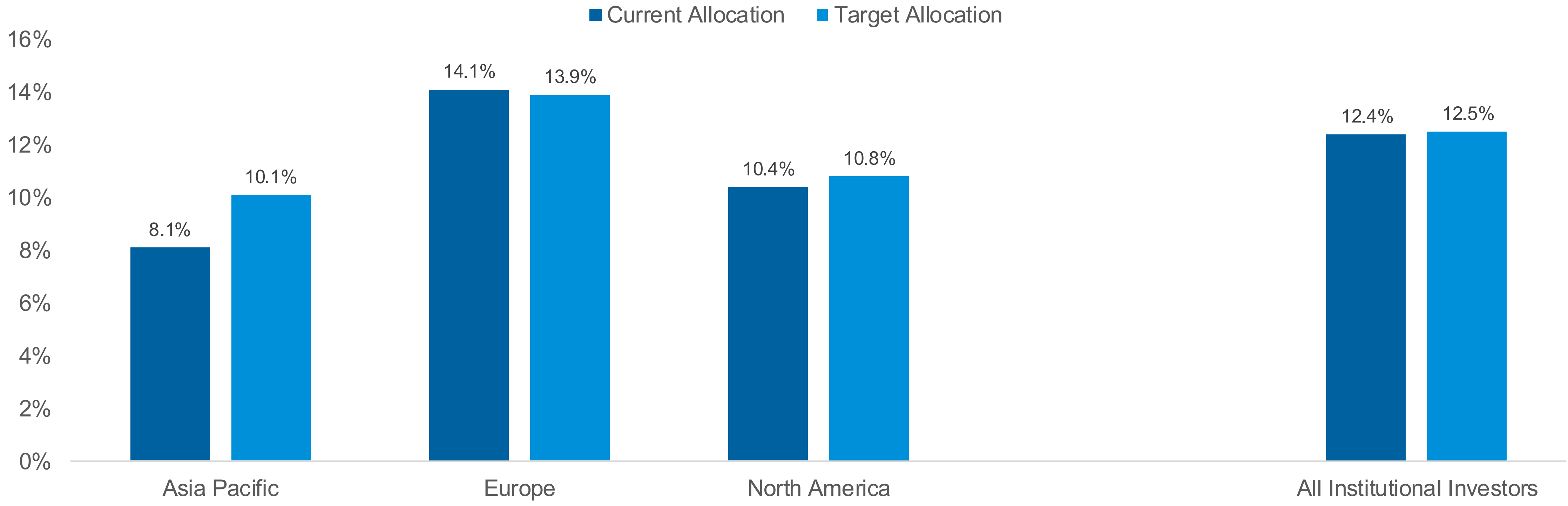


Note: The PREA survey results were adjusted using a methodology that translates appreciation return forecasts to market value forecasts.
Sources: MIM, NCREIF, PREA. Survey conducted November 2025.

Institutional Investors' Real Estate Allocations Are, on Average, In-Line with Targets

Asia Pacific institutional investors remain the most under allocated to real estate, with current allocations at just 8.1% versus a 10.1% target. Europe stands out with a 14.1% allocation — now exceeding its 13.9% target after years of under allocation. North American investors are closest to their targets, with a 10.4% allocation just shy of their 10.8% target.

PREA Current and Target Real Estate Allocations



Note: Weighted by total AUM.
Sources: MIM, PREA. Survey conducted November 2025.

Downside Risks for 2026

Elevated interest rates and inflation. Inflation remains stubbornly above the Fed's target. Tariff impacts and strong consumer spending will likely keep inflation above target through the end of 2026. While we expect three rate cuts this year, long-term rates will likely remain around the current level.

Population growth. Declining immigration has slowed population growth, which will weigh on household formation and residential demand. It will also result in lower job growth compared to the past three years.

K-shaped economy. The top 10% of earners account for about 50% of spending, while real disposable income growth for the bottom 80% has slowed materially. This leaves the economy particularly vulnerable to a stock market correction, which would impact the wealth effect on high-income consumer spending.

Upside Risks for 2026

Declining construction pipeline. Over the last two years, construction starts have decreased across property types. As a result, new supply will be low in 2026 and 2027, which will support real estate fundamentals.

Easing financial conditions. The 10-year Treasury has come down significantly since the beginning of 2025, and the Fed is in a rate-cutting cycle. Debt availability for commercial real estate has also improved.

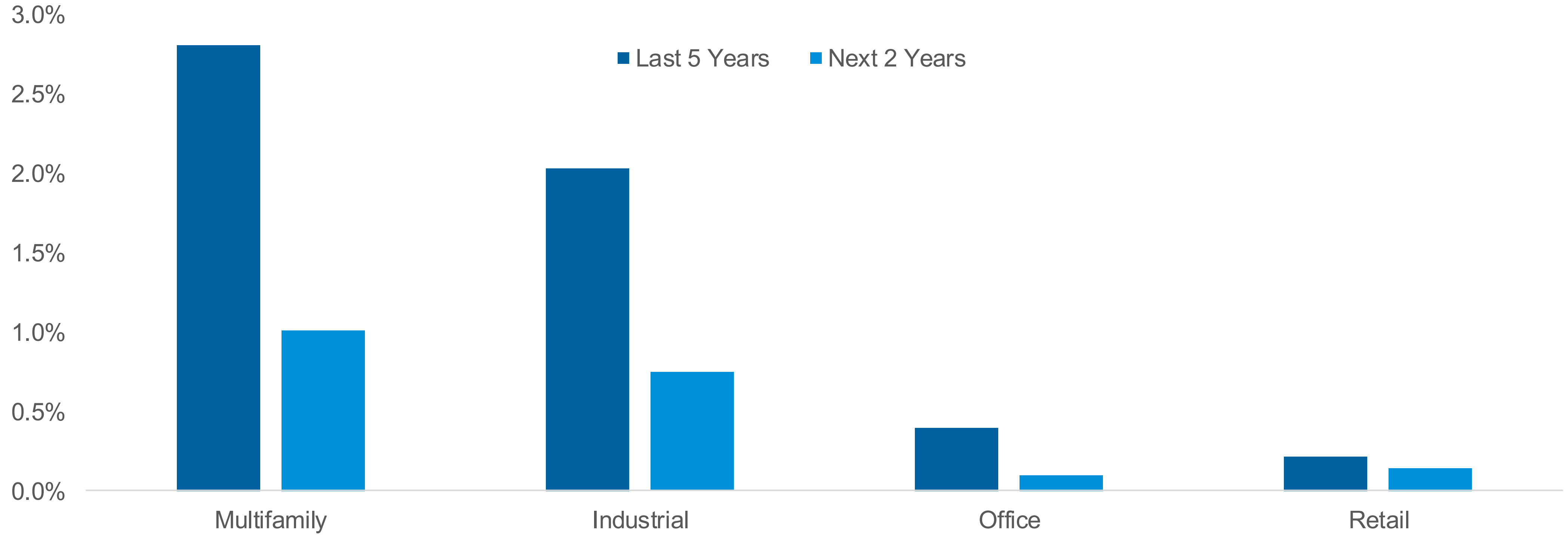
Tax policy. The One Big Beautiful Bill Act provides immediate tax benefits, such as 100% bonus depreciation and a permanent 20% QBI deduction, which incentivize real estate investment.

Property Type Outlook

Dearth of New Supply Across Property Types

After facing elevated supply over the past five years, new completions for multifamily and industrial properties will decline over the next two years. Office and retail have seen little new supply over the past five years, and this trend will continue over the next two years.

Annual Inventory Growth (Last 5 Years & Next 2 Years)

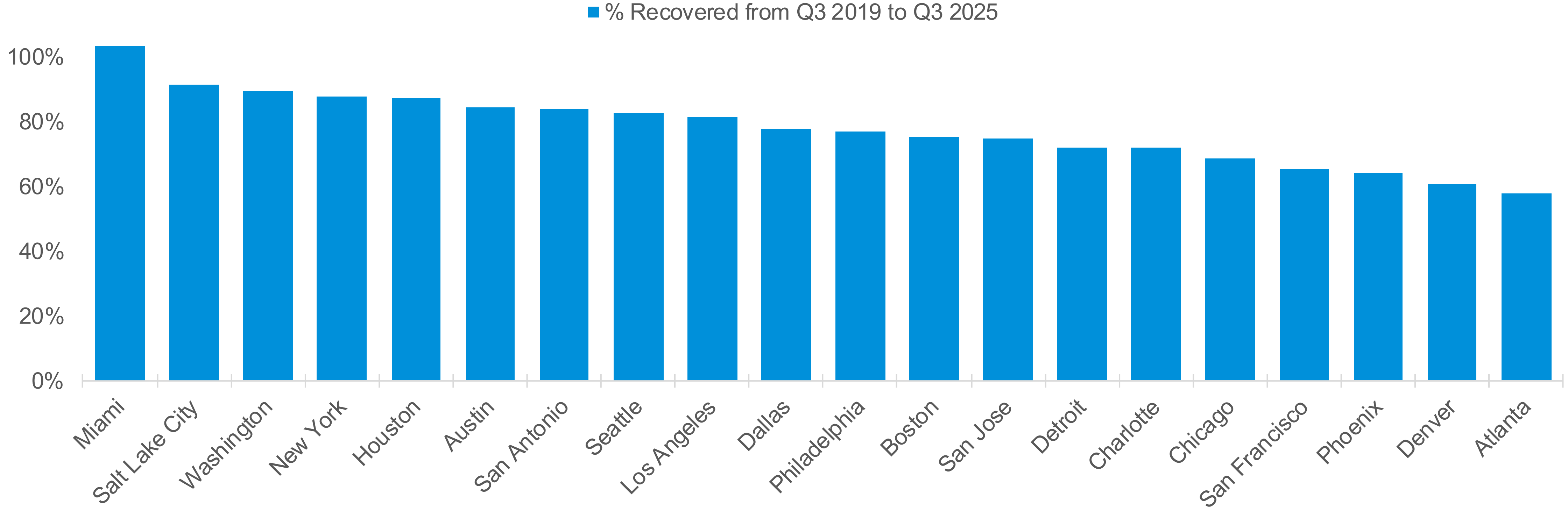


Sources: MIM, CoStar. Data as of 3Q 2025.

Mass Transit Ridership Remains Below Pre-COVID Levels

Work-from-home continues to be a persistent headwind for the office sector. Mass transit ridership across major U.S. cities remains well below pre-COVID levels, which is a trend we expect to continue.

Post-COVID Mass Transit Ridership Recovery, Expressed as a Percentage (%)

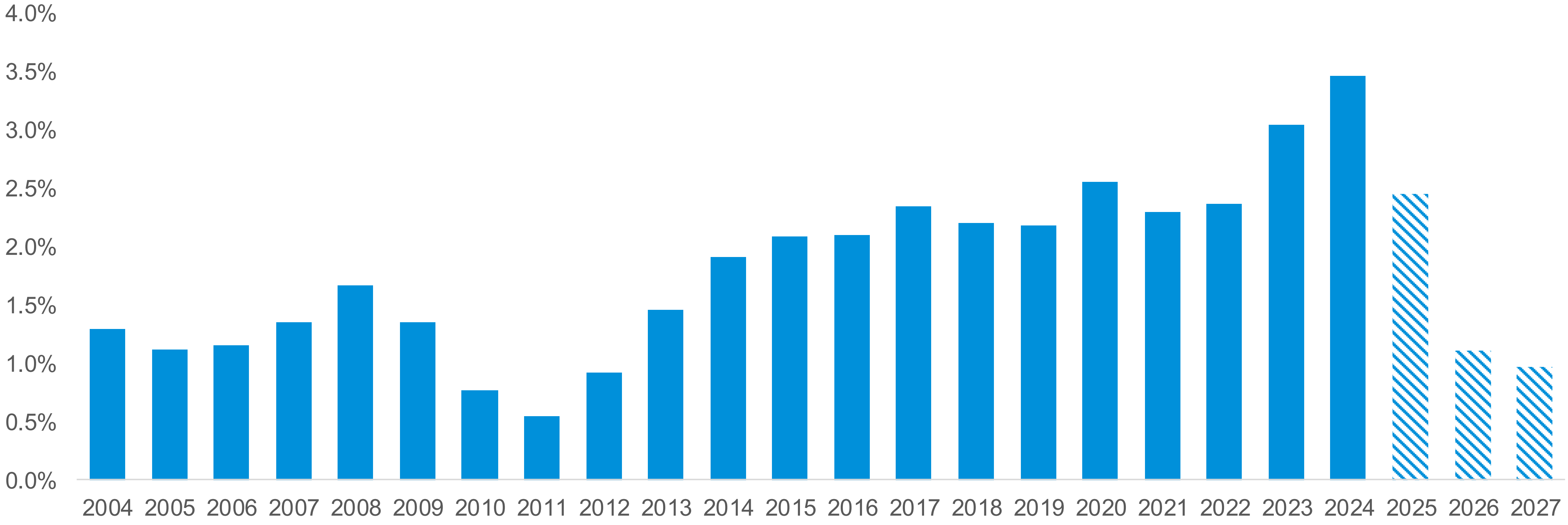


Sources: MIM, APTA. Data as of 3Q 2025.

Apartment Completions Expected to Plummet, Supporting Fundamentals

A wave of new apartment supply came to market from 2023 to H1 2025, boosting vacancy to all-time highs in Sun Belt markets. Over the past two years, construction starts have slowed significantly. This will result in very little new product being delivered in 2026 and 2027. The lack of new supply will support market fundamentals.

Multifamily Completions as a % of Inventory (Units)



Sources: MIM, CoStar. Data as of 3Q 2025.

Sun Belt Multifamily Is Going Through a Downturn, but Some Markets Are Beginning to Recover

Many markets in the Northeast, Midwest, and West Coast experienced elevated vacancy in 2020 and 2021. These markets have since recovered from the pandemic, with very little new supply added. In contrast, Sun Belt markets saw strong renter demand during the pandemic, but also a surge in new supply. As a result, these markets now face elevated vacancy rates.

Multifamily Vacancy Trends by MSA

Market	Current	Peak	Historical Average	% Recovered	Date of Peak
Chicago	4.7%	7.9%	7.1%	100%	2020 Q3
Orange County	3.9%	5.7%	4.5%	100%	2020 Q1
Palm Beach	7.0%	9.2%	7.7%	100%	2024 Q3
San Francisco	4.4%	10.6%	5.5%	100%	2020 Q4
San Jose	5.0%	9.6%	5.1%	100%	2020 Q4
New York	3.4%	3.7%	3.3%	90%	2020 Q3
Minneapolis	6.4%	8.4%	6.0%	80%	2024 Q1
Boston	6.4%	7.9%	5.2%	56%	2020 Q4
East Bay	6.3%	7.8%	5.1%	56%	2020 Q3
Fort Lauderdale	7.6%	8.3%	6.5%	35%	2020 Q3
Portland	7.2%	8.0%	5.7%	33%	2024 Q4
Los Angeles	5.6%	6.0%	4.7%	32%	2020 Q3
Northern NJ	5.5%	5.7%	5.0%	30%	2023 Q4
Atlanta	11.9%	12.8%	9.2%	27%	2025 Q1

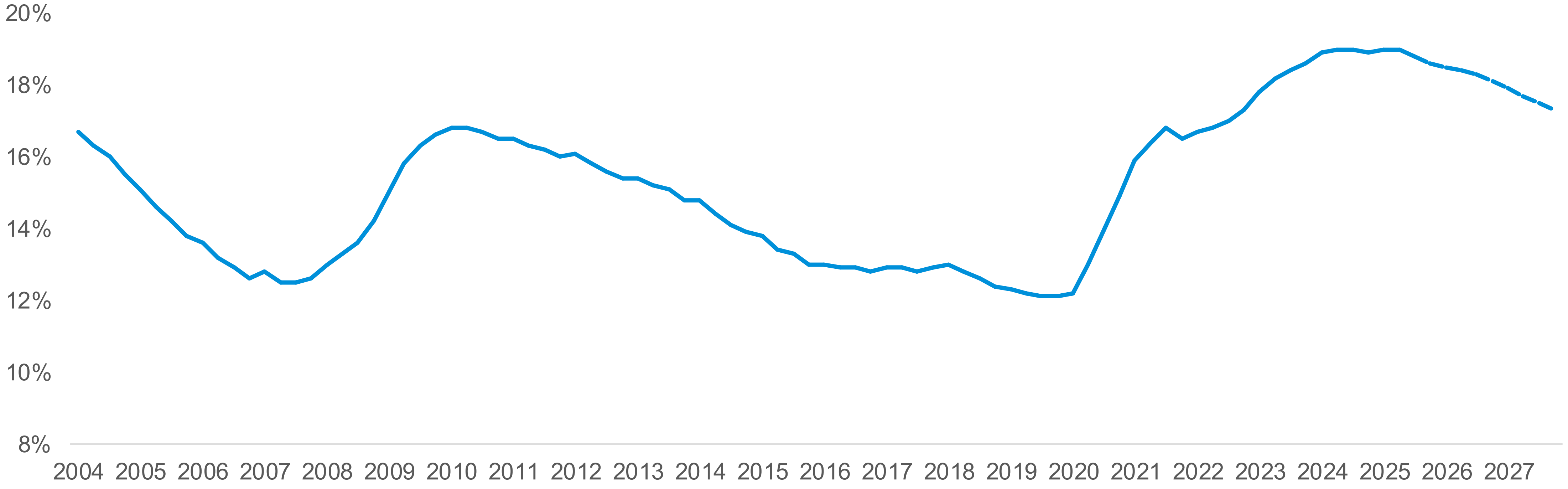
Market	Current	Peak	Historical Average	% Recovered	Date of Peak
Philadelphia	7.5%	7.9%	6.5%	27%	2024 Q3
Miami	7.6%	8.3%	5.4%	27%	2020 Q2
DC	8.1%	8.5%	6.6%	24%	2020 Q4
Nashville	11.5%	12.4%	7.4%	19%	2024 Q2
Austin	14.5%	15.8%	8.4%	18%	2024 Q4
Charlotte	12.3%	12.7%	8.1%	11%	2025 Q1
Seattle	7.3%	7.3%	6.2%	3%	2024 Q4
Dallas	11.9%	12.0%	8.7%	2%	2025 Q2
Tampa	10.1%	10.2%	7.4%	2%	2024 Q2
Baltimore	7.6%	7.6%	6.3%	0%	N/A
Denver	11.6%	11.6%	7.3%	0%	N/A
Houston	11.9%	11.9%	9.7%	0%	N/A
Phoenix	12.5%	12.5%	8.7%	0%	N/A
Orlando	11.1%	11.1%	8.0%	0%	N/A

Sources: MIM, CoStar. Data as of 3Q 2025.

National Office Vacancy Has Finally Turned the Corner

Office vacancy is at 18.8%, which is 20 bps below its peak. In 3Q 2025, office net absorption totaled +14.6 million SF nationally, the highest level in four years. 4Q 2025 office net absorption was +3.8 million SF. We believe office vacancy will steadily decline over the next two years.

National Office Vacancy (%)



Sources: MIM, CBRE Econometric Advisors. Data as of 4Q 2025.

Office Markets Are at Different Stages of Recovery

U.S. cities are experiencing divergent performance. Markets such as Fort Lauderdale, Miami and Tampa have fully recovered from the COVID downturn, while Los Angeles and Seattle are still struggling. In our view, Class A+ assets in healthy markets offer attractive risk-adjusted returns today. Values for Class B and C assets may continue to decline.

U.S. Office Vacancy Trends by Market

Market	Current	Peak	Historic Avg	% Recovered
Miami	12.1%	16.8%	14.1%	100%
Tampa	14.3%	15.5%	15.0%	100%
West Palm Beach	11.4%	15.4%	14.6%	100%
Fort Lauderdale	14.5%	16.7%	14.0%	83%
Northern NJ	16.8%	19.0%	16.3%	81%
Phoenix	19.7%	22.1%	18.9%	73%
Orange County	15.8%	18.4%	14.2%	64%
Orlando	13.8%	14.9%	13.0%	60%
Dallas	22.4%	23.8%	21.1%	54%
New York	12.7%	15.6%	8.8%	42%
Baltimore	16.1%	17.2%	14.1%	35%
Charlotte	19.6%	21.8%	14.4%	29%
Houston	23.7%	26.0%	18.2%	29%
San Jose	19.9%	21.6%	15.7%	28%

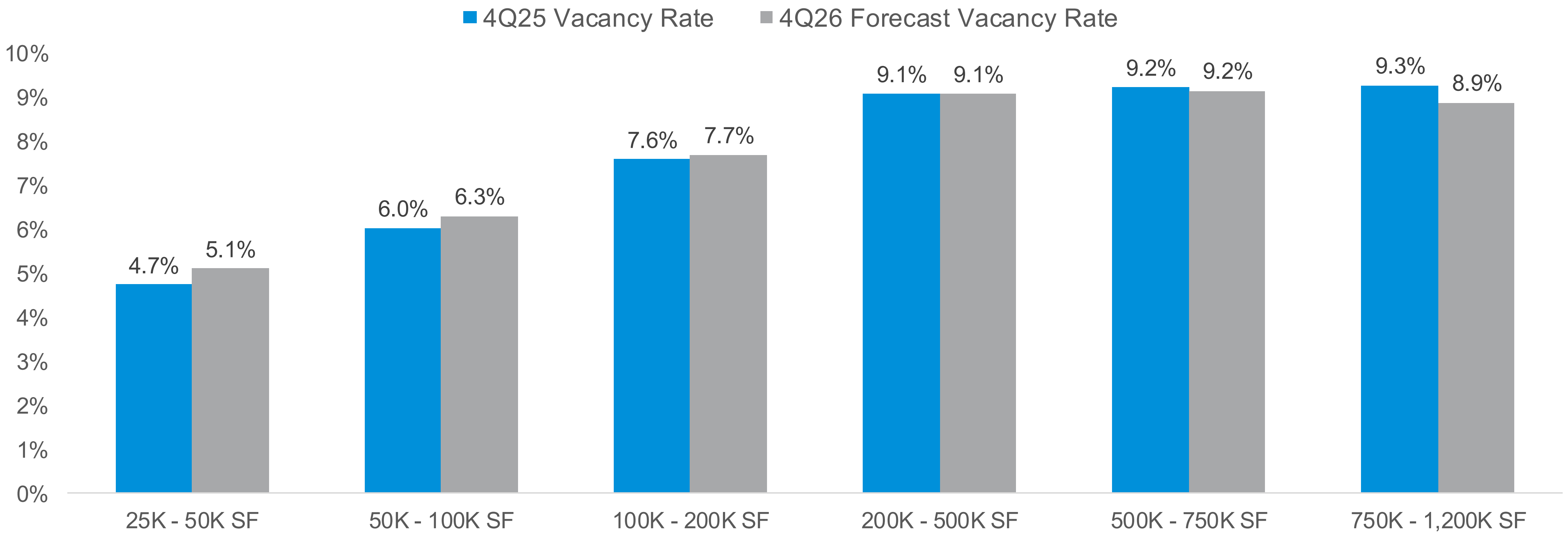
Market	Current	Peak	Historic Avg	% Recovered
Austin	20.7%	21.9%	14.2%	15%
Minneapolis	23.9%	24.9%	18.2%	14%
Philadelphia	15.7%	16.1%	13.1%	14%
Nashville	19.6%	20.3%	12.8%	10%
San Francisco	24.7%	25.5%	11.6%	6%
Washington, DC	19.4%	19.7%	14.4%	6%
Boston	18.5%	18.6%	12.3%	1%
Atlanta	22.1%	22.1%	18.1%	0%
Chicago	21.9%	21.9%	16.6%	0%
Denver	24.2%	24.2%	15.9%	0%
Los Angeles	21.7%	21.7%	15.1%	0%
Portland	27.7%	27.7%	14.8%	0%
San Diego	15.2%	15.2%	13.9%	0%
Seattle	23.3%	23.3%	12.6%	0%

Sources: MIM, CBRE Econometric Advisors. Data as of 4Q 2025.

Small/Infill Industrial Outperforming Larger/Suburban Assets

Smaller infill industrial assets are experiencing lower vacancy rates, in part due to the wave of new large industrial assets that have come onto the market over the past two years. New supply is now slowing, which will support fundamentals for larger assets.

Industrial Vacancy Distribution by Property Size (%)

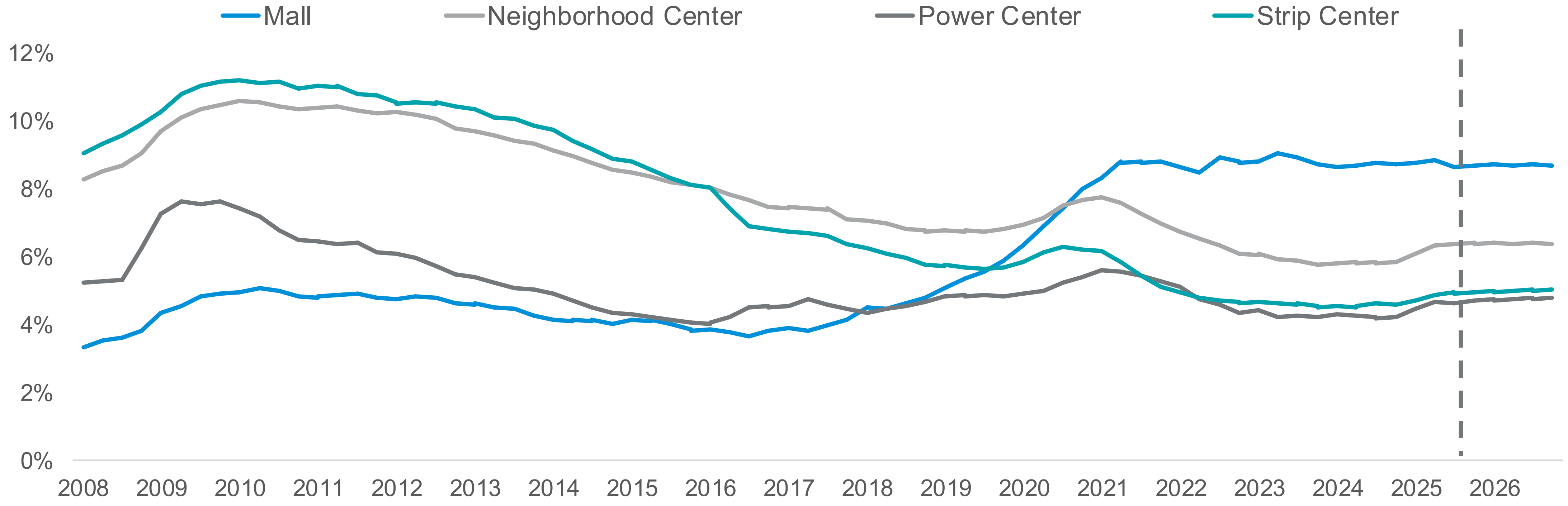


Sources: MIM, CoStar. Data as of 3Q 2025.

Retail Has Been Silently Outperforming Most Sectors in Recent Quarters, Aside from Malls

Retail outperformance is underpinned by persistently low vacancy rates in strip, power, and neighborhood centers, which have remained near or below 5% through 2026. This reflects disciplined new supply, resilient tenant demand and landlord leverage. With such robust fundamentals, retail quietly stands out as a top-performing sector, with a 7.0% unlevered annualized return compared to the 4.7% average across all sectors.

Retail Vacancy Rate by Subtype

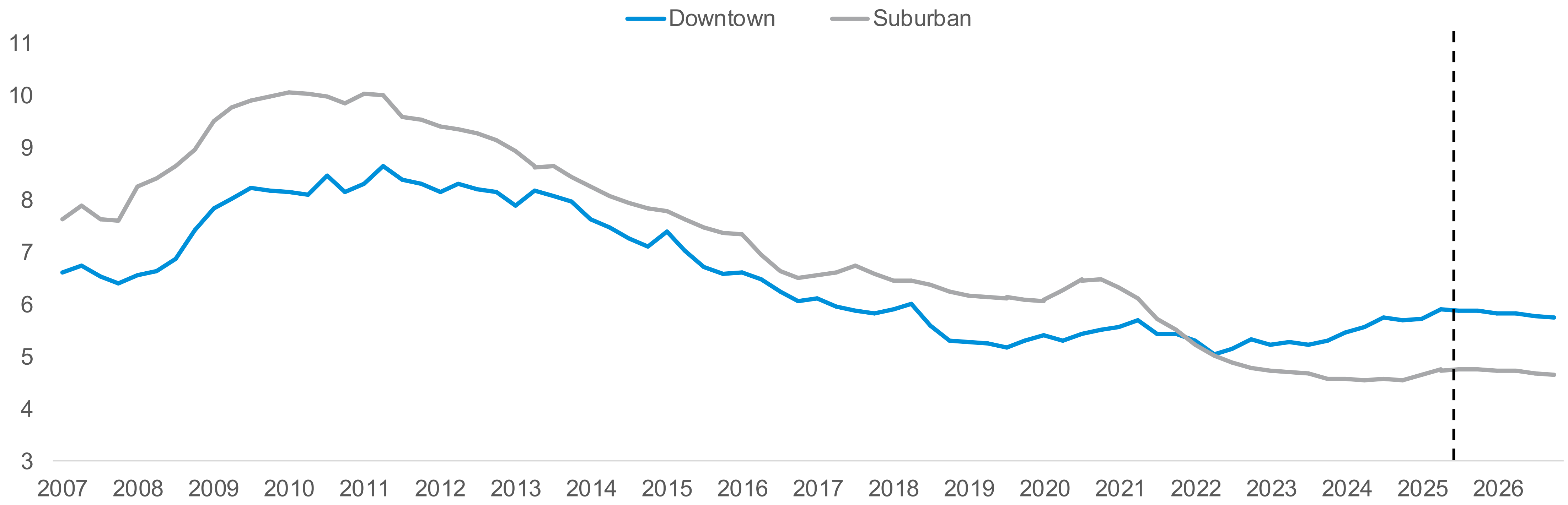


Sources: MIM, CoStar, NCREIF. Data as of 3Q 2025.

Downtown Retail Is Underperforming, and We Expect This to Continue

The post-COVID shift in office use has benefited suburban retail space while hurting downtown retail. Downtown retail availability remains below its historic average and has improved slightly over the past quarter. We expect suburban retail to continue outperforming.

Retail Availability Rate (%) – Downtown vs Suburban

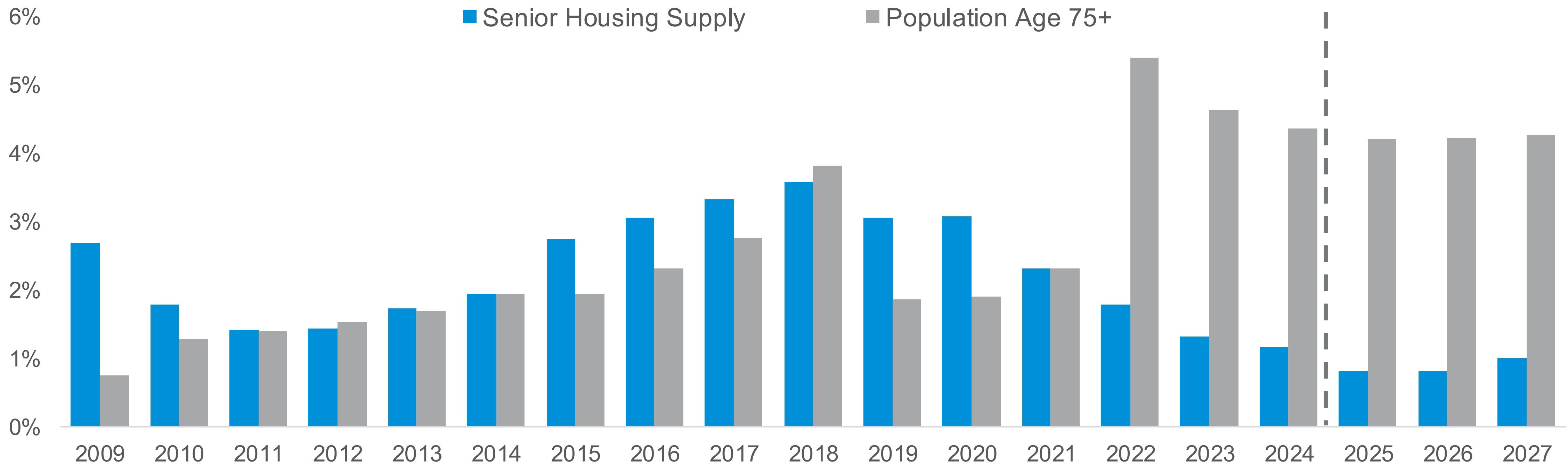


Sources: MIM, CoStar. Data as of 3Q 2025.

Growth in Senior Population Poised to Drastically Outpace Senior Housing Supply

The senior housing sector performed poorly from 2020 to 2022. As a result, very little new supply has been added in the past three years. At the same time, a demographic 'silver tsunami' is expected over the next three years, which will drive senior housing demand.

Senior Housing Supply and Population Age 75+ Growth Rates

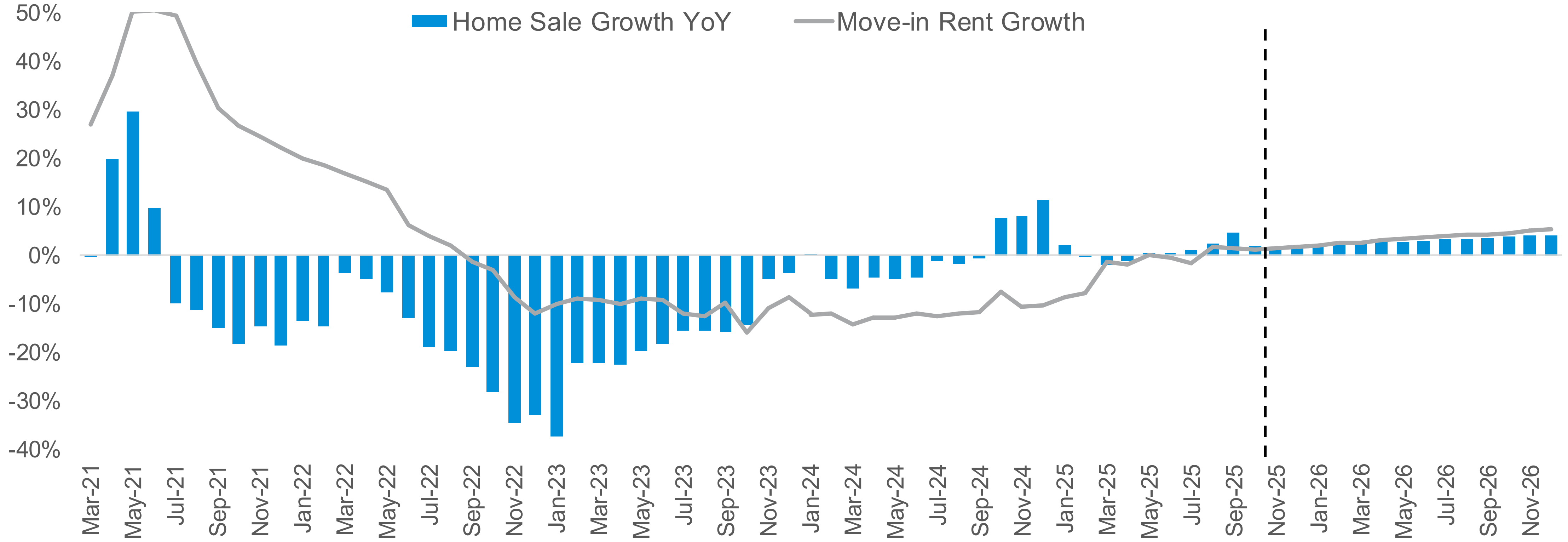


Sources: MIM, Green Street, US Census Bureau, John Burns Research. Data as of 3Q 2025.

Self-Storage Coming Out of Downturn Driven by Single Family Mortgage "Lock-In" Effect

Self-storage rents are correlated with home sales. A slumping for-sale home market over the past several years has weighed on self-storage rents. As home sales gradually recover over the next few years, we expect self-storage rents to follow.

Home Sale Growth And Self Storage Move-In Rent Growth

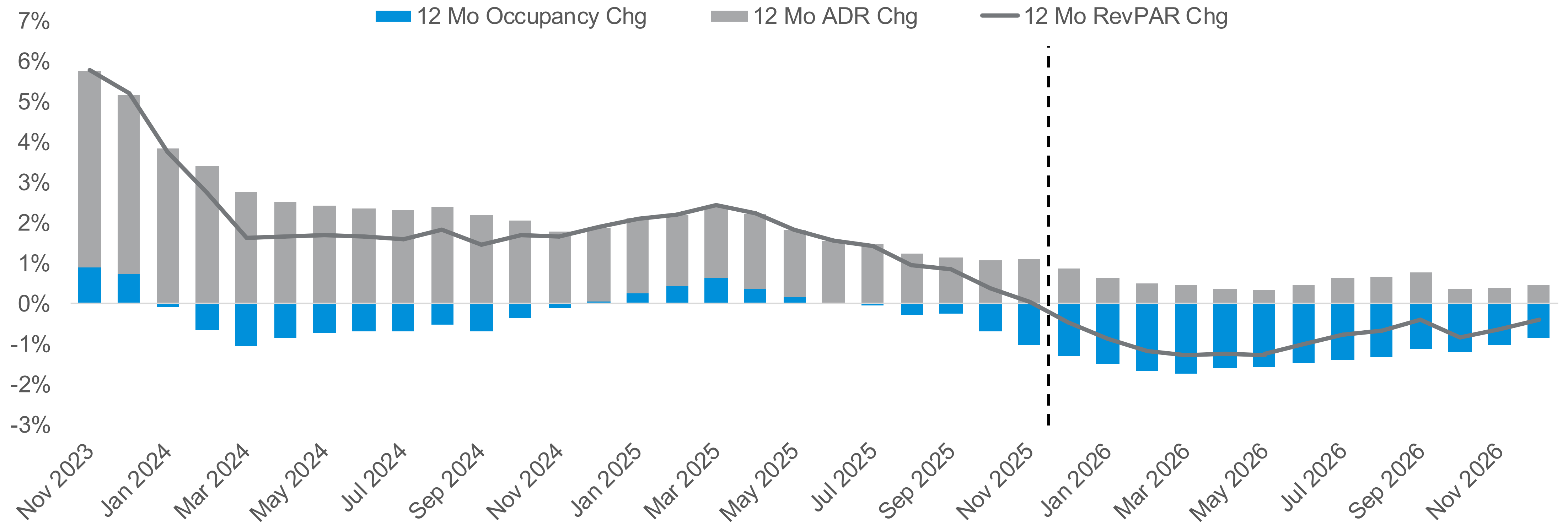


Sources: MIM, Green Street, MIM Forecast. Data as of 1Q 2025.

Hotel Occupancy Losses Lead to Negative Revenue Growth

Despite a strong economic backdrop, the hotel sector has experienced declining occupancy rates. Falling occupancy has been driven by weaker consumer confidence, lower group demand and economic uncertainty. We expect this trend to continue throughout the year.

Hotel Occupancy, ADR, and RevPAR

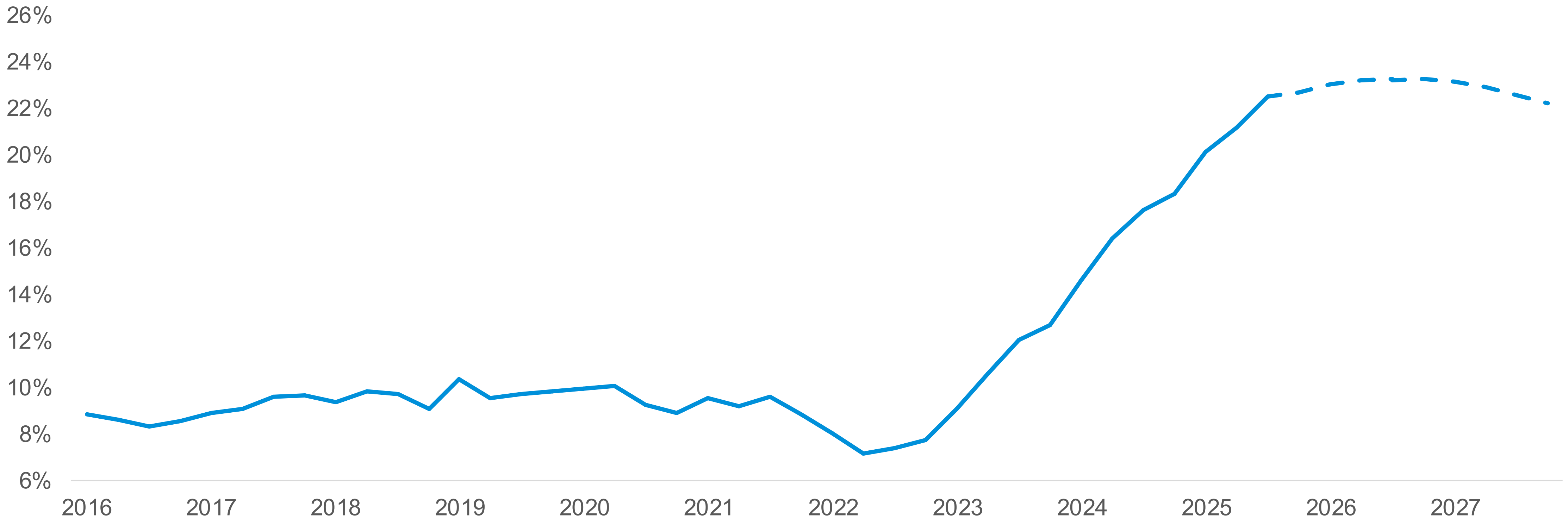


Note: revenue is measured by revenue per available room.
Sources: MIM, CoStar. Data as of 3Q 2025.

Life Science Is Facing Distress

The life science sector has seen vacancy surge from 7% in 2022 to just under 23% currently. We do not expect vacancy in the sector to improve this year.

Life Science Vacancy Rate (%)

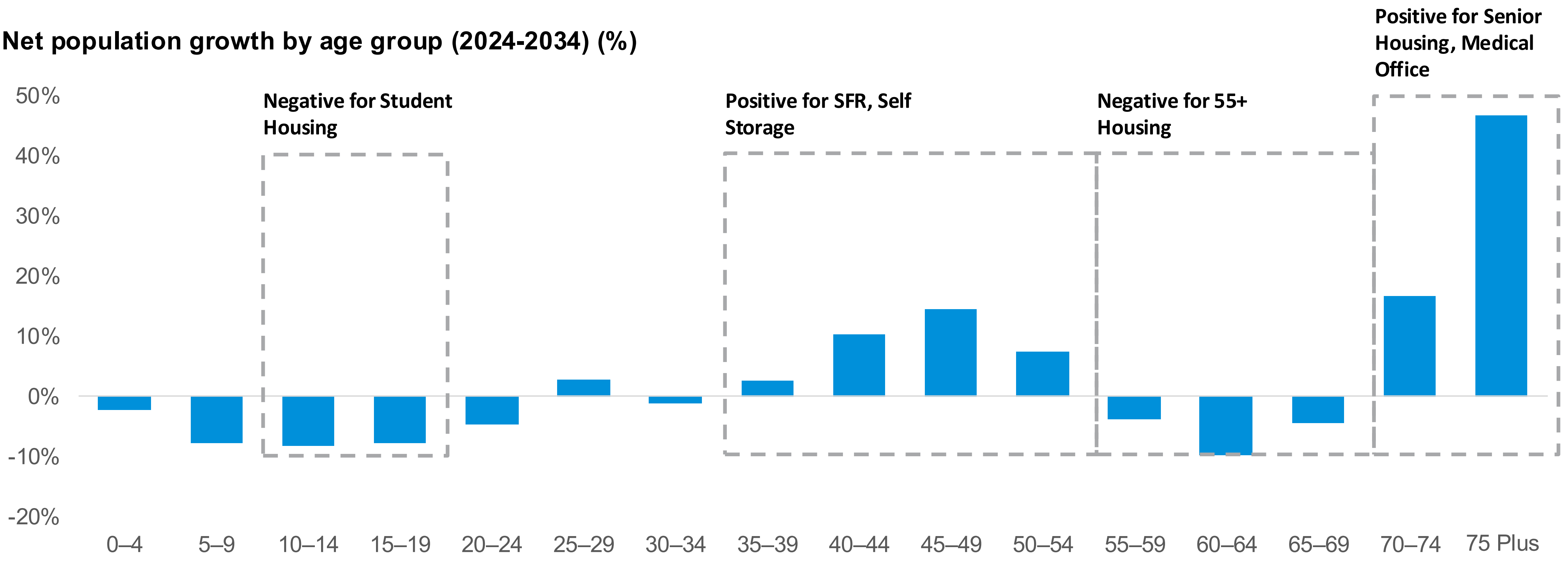


Sources: MIM, CBRE Econometric Advisors. Data as of 3Q 2025.

Population Trends Benefiting Senior Housing, Medical Office, SFR

Shifting demographic trends play an important role in real estate demand. An increase in the 70+ population will benefit medical office and senior housing, while 55+ housing will face challenges. Growth in prime home-buying age groups will benefit single-family rentals (SFR) and self-storage. Student housing, however, will face challenges due to the decline in birth rates following the 2008 financial crisis.

Net population growth by age group (2024-2034) (%)



Sources: MIM, John Burns Research. Data as of 4Q 2025.

MetLife Investment Management Property Type Scorecard

The property types we expect to perform the best in 2026 are Senior Housing, Infill Warehouse, Medical Office, Net Lease Retail and Malls. Each year, we backtest these ratings and have found that an unlevered portfolio modestly tilted toward overweight types and away from underweight, would have returned 6.5% from 2020 to 2024, while the NCREIF Property Index (NPI) benchmark was 3.6%.

Sector	Stochastic Rank	Capital Markets Rank	MIM Rank	YoY Change	Strategy	Benchmark Allocation	Recommended Allocation
Seniors Housing (IL)	2	1	1	1	Overweight	3%	4%
Infill Warehouses	1	5	2	5	Overweight	8%	11%
Medical Office	3	3	3	-2	Overweight	3%	4%
Retail- Net Lease	7	4	4	-1	Overweight	2%	3%
Retail- Mall	12	2	5	3	Overweight	4%	5%
Manufactured Housing	6	9	6	-2	Neutral+	2%	2%
Data Centers	10	8	7	-2	Neutral+	2%	2%
Self Storage	8	11	8	-2	Neutral+	3%	3%
Limited-Service Hotels	5	17	9	3	Neutral	2%	2%
Regional Warehouses	15	6	10	1	Neutral	14%	14%
Single-Family Rentals	9	15	11	3	Neutral	5%	5%
Retail- Strip/Neighborhood	16	7	12	1	Neutral	4%	4%
Moderate Income Housing	11	13	13	-3	Neutral	1%	1%
Cold Storage	4	20	14	-5	Neutral-	1%	1%
Traditional Apartment	13	12	15	3	Neutral-	22%	22%
Life Science	14	16	16	-1	Neutral-	2%	2%
55+ Housing	18	14	17	2	Underweight	2%	1%
Retail- Grocery Anchored	21	10	18	2	Underweight	4%	3%
Full-Service Hotels	17	21	19	-2	Underweight	2%	1%
Student Housing	19	19	20	1	Underweight	2%	1%
Office (Excludes Life Science/Medical)	20	18	21	-5	Underweight	12%	9%

Source: MIM. Based on a January 2026 Delphi consensus survey of MIM's acquisitions staff for current market pricing, aggregated portfolio information, and rations from vendors including CoStar and Green Street. External sources include REIT and Market information from MIM vendors including CBRE-EA, and Green Street.
Note: Pricing analysis is only focused on Core and Stabilized assets.

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