

YAD HOUSE VIEW
U.S. Real Estate Outlook
2026

February 2026

Welcome

Dear Reader,

In this report, we outline our latest US real estate market insights and strategic adjustments.

We are excited to share our perspectives with you.

Yours faithfully,

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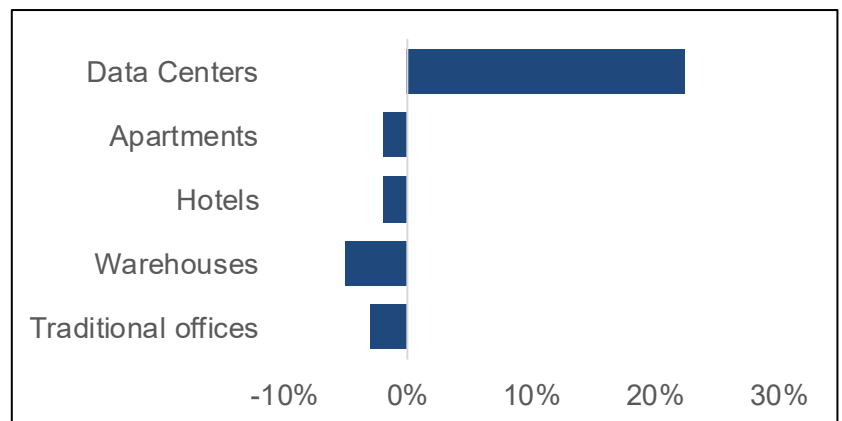
Financial Analyst



Macro Fundamentals

The US real estate landscape in 2026 is shaped by three macro forces. First, **tariffs** imposed by the US administration have meaningfully increased building material costs, adding pressure to new construction economics. Second, **interest rates** are expected to continue their decline as **inflation** trends toward the 2% target, improving financing conditions for real estate transactions. Third, **reduced immigration** is constraining labor supply, which could push construction costs higher through wage increases.

Beyond these traditional macro drivers, the rapid expansion of data centers and AI infrastructure is creating a surge in demand for electricity and construction capacity that is reshaping the real estate landscape. Data center capacity is expected to grow at approximately 22% annually over the next five years, placing enormous strain on local power grids and driving up construction costs.



Projected annual change in construction spending, 2026

Source: FMI Corp.

Over-demand for electricity in key metros is pushing new developments into secondary markets where grid capacity is more readily available. Large users face 1–2 year delays for sufficient power access, and nearly 90% of supply chain executives reported energy disruptions in the past year. This competition for power and construction resources has ripple effects across all real estate sectors, particularly industrial and logistics, where reliable grid access is becoming a prerequisite for site selection.

Our Strategic Positioning

While the growth in data center demand is undeniable, we see the sector approaching an inflection point that the market has yet to fully price in. The convergence of SpaceX and xAI is accelerating the development of space-based data center infrastructure, which could dramatically reshape the sector's cost structure. Early indications suggest that space-based data centers, leveraging SpaceX's launch cost advantages, could operate at a fraction of the marginal cost of terrestrial facilities — removing the dependency on grid connectivity, land availability, and lengthy permitting processes that currently protect incumbent margins.

We see stronger risk-adjusted opportunities in sectors where supply constraints are structural rather than at risk of technological disruption.

Consistent with our broader House View preference for selectivity and quality, we focus our real estate allocation on three core sectors where we have deep knowledge and see the most compelling risk-reward profiles:

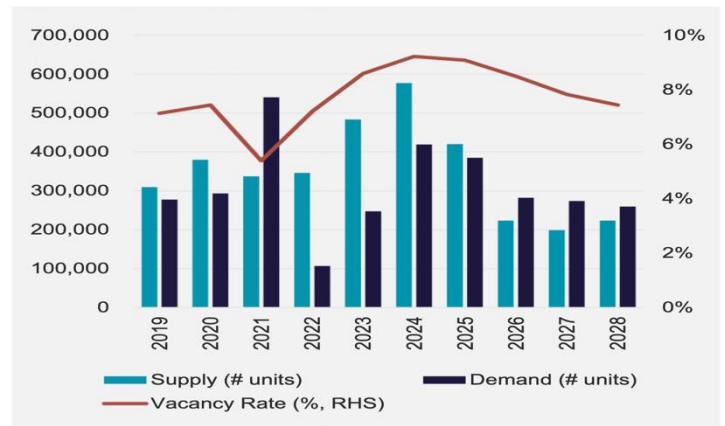
Sector	Opportunity	Key Thesis
Multifamily	Sun Belt metros (attractive entry points), tech hubs, coastal markets	Supply overhang creates opportunity; structural demand from affordability crisis
Senior Housing	High-occupancy, low-construction markets (Boston, Baltimore, Tampa, Portland, Phoenix)	75+ population to grow 40%+ in coming decade; supply constrained
Retail (selective)	Grocery-anchored, affluent suburban centers	Supply scarcity; limited new construction; tight occupancy

Multifamily

Affordable housing remains a key challenge for American households, and the barriers to homeownership continue to support multifamily demand. Multifamily starts are at the lowest level since 2012, which sets the stage for a supply-demand imbalance that should drive rent growth of approximately 5% through 2027.

Homeownership among under-35s has fallen to its lowest in a decade. As renters' household sizes decline and real wages increase, more households are in a position to move into newly built rental properties. These demographics underpin our constructive view on the sector.

Cushman & Wakefield Baseline Forecast – Multifamily



Source: Costar, Cushman & Wakefield Research

~5% Expected Rent Growth to 2027	Lowest Since 2012 Multifamily Starts	Under-35s Homeownership at Decade Low
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Sun Belt: Temporary Softness, Long-Term Opportunity

The multifamily sector has seen elevated supply in Sun Belt markets, driven by record new deliveries and moderating migration. While many investors are steering clear of these metros, we see this as an **opportunity**. Current pricing reflects oversupply concerns, but the underlying demand drivers — population growth, job creation, and relative affordability compared to coastal markets — remain intact. For patient capital willing to enter at today's more attractive valuations, Sun Belt multifamily offers compelling risk-adjusted returns as absorption catches up with deliveries over the coming 12–18 months.

Apartment Rent Growth Leaders, Year-Ending November 2025

Rank	Market	Annual Effective Rent Change	Annual Supply 3Q25 (units)	Annual Inventory Growth 3Q25
1	San Francisco	6.6%	1,443	0.6%
2	San Jose	4.1%	4,771	2.6%
3	New York	3.8%	24,916	1.3%
4	Chicago	3.5%	5,018	0.4%
5	Virginia Beach	3.0%	1,488	1.0%
6	Cincinnati	2.8%	2,223	1.0%
7 (t)	Minneapolis	2.3%	5,490	1.6%
7 (t)	Pittsburgh	2.3%	758	0.5%
9	St. Louis	2.0%	2,098	1.2%
10	Milwaukee	1.6%	3,848	2.3%

Tech Markets See Sizeable Rent Growth

Optimism over AI is fuelling rent growth in tech-heavy markets, where employment expansion and corporate relocations are driving strong housing demand. These markets complement the Sun Belt opportunity by offering near-term cash flow growth.



Senior Housing

Senior housing is one of our highest-conviction themes. Demand is accelerating as the 75+ population is expected to grow over 40% in the coming decade, creating a structural tailwind that few other real estate sectors can match.

Where the Opportunity Lies

High-occupancy, low-construction markets are positioned for the strongest rent gains. The Northeast leads the market, with occupancy near 91%. In particular, Boston, Baltimore, Tampa, Portland, and Phoenix stand out as markets where the combination of strong demand and limited new supply should support above-average rent growth.

Conversely, markets with heavy construction pipelines — including San Jose, Washington D.C., Denver, New York, and Atlanta — face downward pressure on rents and should be approached with caution.

40%+ 75+ Population Growth Next Decade	~91% Northeast Occupancy Rate
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Retail

We maintain a selective, lower-conviction position in retail, focused on grocery-anchored properties and affluent suburban centers. Retail performance continues to split sharply by format and location: well-located open-air centers benefit from supply scarcity, limited new construction, elevated building costs, and tight occupancy conditions, while weaker malls and aging power centers continue to lag.

Rent growth in the best-positioned retail assets should persist given the supply constraints, but we size this allocation modestly given the sector's structural challenges from e-commerce and shifting consumer habits.

Closing Thoughts

Thank you for reading the YAD House View – February 2026.

As always, we are here to discuss these insights and their implications for your portfolio. We appreciate your trust in YAD Capital and look forward to navigating the next chapter of market opportunities together.

Warm regards,

The YAD Capital Team

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