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US Roundtable

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Certain uncertainties in US real estate

After a year of economic, political and financial volatility, executives in PERE's US roundtable have grown comfortable with the unknown. By Kevin Carpenter

Many in the private real estate industry expected 2025 would be a year of reduced friction and increased dealflow.

Coming into the year, the Federal Reserve had just lowered interest rates by a full percentage point and many analysts expected more of the same. The new year also brought a new government to Washington, one that promised fewer regulations and a more pro-growth posture.

In practice, however, commercial real estate markets and private capital raising have been in a state of stagnation, gripped by uncertainties around trade, government spending and immigration, as well as secular changes around technology and occupancy demands.

Heading into 2026, there are still many unknowns, but managers and investors alike have learned to live with economic, political and financial uncertainties. Some strategies are even benefiting from the recent upheavals, including real estate credit, data center investment and retail investor-focused products.

Despite the volatile environment, Stephen Rabinowitz, co-chair of the global real estate practice at law firm Greenberg Traurig, says there are legitimate reasons to be optimistic about the sector moving forward.

"So much of what we deal with in the real estate market is not based on data; it's based on instinct. And that's a collective thing," Rabinowitz says. "For real estate, the big difference is just the psychological distance from covid. That was the accelerant of recent changes in how we look at and utilize real estate."

Rabinowitz is one of five industry leaders who participated in this year's *PERE* US roundtable. He was joined by Jim Garman, global head of real estate for manager Goldman Sachs Asset Management; Jason Hernandez, head of manager Nuveen Real Estate's US debt business; Russell Ingrum, executive vice-chairman and head of US offices sales at broker Cushman & Wakefield; and Jonathan Pong, executive vice-president of real estate investment trust Realty Income.

The conversation took place in PEI Group's New York office just days after the Fed delivered its first interest rate cut of 2025, a move that President Donald Trump had been calling for since his return to the White House in January.

The executives unpacked the sector-shaping trends of the past year, their expectations for the year ahead and the recent developments that have shaped their outlook.

'Psychological, not financial'

A lower federal funds rate has myriad downstream effects by lowering borrowing costs and discount rates throughout the financial system. But the impacts were not felt immediately by the private real estate sector and may not be for some time. Ingrum says

PHOTOGRAPHY: **KEITH BARRACLOUGH**

Russell Ingrum

Executive vice-chairman and head of US offices sales, Cushman & Wakefield

Ingrum is the executive vice chairman and head of US offices sales for the real estate services firm Cushman & Wakefield. Based in Dallas, he is focused on the Texas office market. He also leads the firm's national office investment sales platform.

Stephen Rabinowitz

Co-chair, global real estate practice, Greenberg Traurig

Rabinowitz is co-chair of the global real estate practice at Greenberg Traurig, a global law firm with more than 700 lawyers focused on the real estate business. A significant portion of his practice is devoted to venture formation and engineering sophisticated capital structures.

Jim Garman

Global head of real estate, Goldman Sachs Asset Management

Garman is the global head of real estate for the investment bank's asset management arm. He is responsible for designing and implementing the firm's real estate investment strategy, overseeing more than $50 billion of investment in private real estate equity and credit.

Jason Hernandez

Head of real estate debt, Americas, Nuveen Real Estate

Hernandez is Nuveen Real Estate's head of real estate debt, Americas. He oversees the group's investment strategy, originations, asset management and the firm's third-party credit strategies. A 20-year veteran of the real estate industry, he has led more than $30 billion of transactions.

Jonathan Pong

Executive vice-president, Realty Income

Pong is the executive vice-president, chief financial officer and treasurer for Reality Income, an S&P 500 company that owns and manages over 15,600 commercial properties in the US, UK and seven other countries in Europe. The San Diego-based firm recently disclosed its initial close for its debut US core-plus open-end fund.

"The gulf between what many properties can carry and where rates are at now is still pretty wide"

STEPHEN RABINOWITZ
Greenberg Traurig

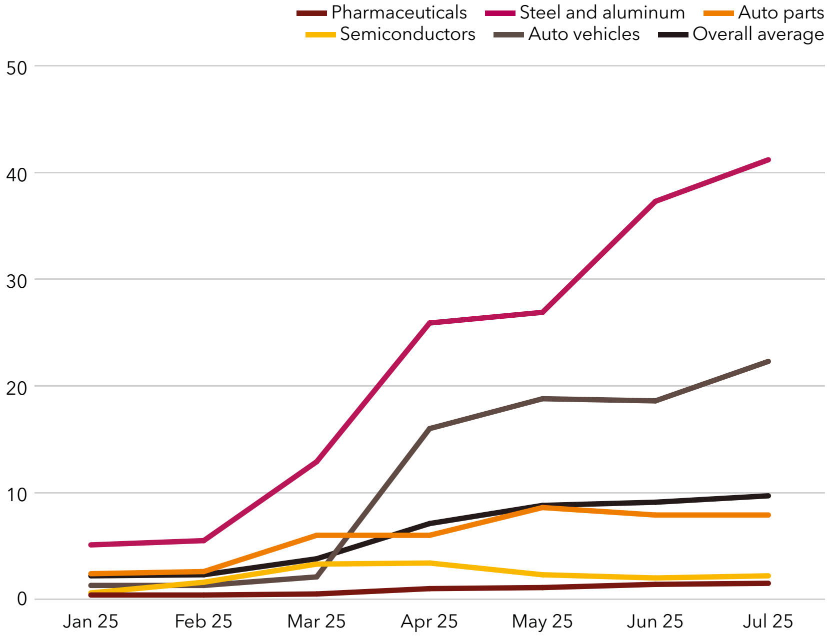
the move directly influences short-term borrowing costs, but has little impact on long-term rates, which hold greater sway over the real estate sector. In fact, some factors that contribute more directly to real estate debt pricing actually moved up slightly in the opposite direction following the September rate cut.

"From an office investment perspective, a change in the short-term [rate] is only going to affect floating rate debt, but doesn't directly change long-term debt," Ingrum says. "We saw 10-year Treasuries pop up 10, 12 basis points following that announcement, which is totally fine."

Hernandez says the impact of the Fed decision has been "minimal" and argues that private real estate managers fixate on rate decisions at their own peril.

"We are not bond traders and can't go long or short the market. We're

Within six months, the overall average US effective tariff rate rose from 2.2% to 9.7% (%)



The effective tariff rate is computed as the value of customs duties as a percentage of the value of imports.

Source: Penn Wharton Budget Model calculations based on data from US International Trade Commission DataWeb

Retail capital on the rise

Participants identified the growth of retail capital in the private real estate space as a key secular theme, but one not without its challenges

Access to retail capital for private real estate is made possible by private REITs and other products aimed at employer-sponsored retirement accounts, known as 401(k) accounts.

"The wealth channel and 401(k) represent the next frontier," Hernandez says, though he notes there are inherent limitations to these types of structures.

"My personal view is that value-add credit investing should stay in closed-end, vintage-focused vehicles given the higher execution risk and leverage," he says. "Wealth products also need some level of liquidity, requiring a hybrid strategy with 20-30 percent commercial mortgage-backed securities allocation."

Pong also notes there is a need for greater regulatory clarity, especially with respect to 401(k) eligibility.

"The regulators need to provide further guidance for this to become a reality. The costs and risks may make it difficult for sponsors to gain traction immediately," he says. "The big players will obviously come out first. There'll be lessons learned, but… it is going to take some time for it to reach scale for that reason alone."

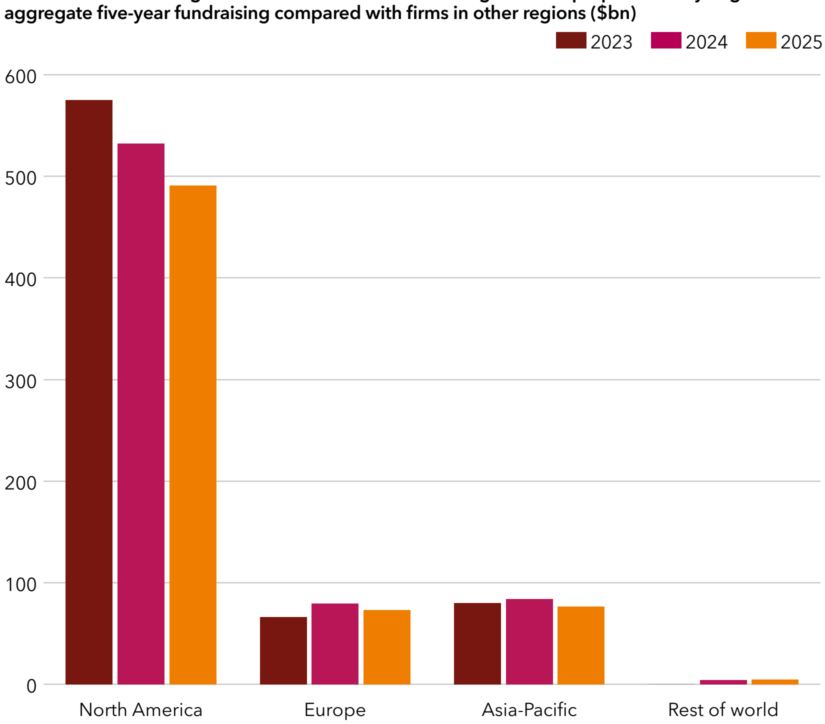
Managers inclined to pursue retail investors will also need to consider how that new source of funding is likely to coexist with institutional capital.

"Investors prefer like-minded co-investors," Hernandez says. "Even among large institutions, fund composition matters – insurance companies want to invest alongside similar institutions, not disparate groups. This preference is amplified between institutional and retail investors who may view each other as fundamentally different counterparties."

However, real estate managers will not be going through this process of discovery alone, Garman notes, observing that all types of private fund managers are thinking about the same dynamics.

"This is a challenge [with] alternatives. It's not unique to real estate. It's happening in private credit, infrastructure, private equity," he says. "Managers are creating vehicles to suit the wealth and retail and 401(k) channels and working out how those can coexist with the traditional closed-end drawdown funds. There are a lot of complications to it, and we've got to work that out."

North American managers on the 2025 PERE 100 ranking saw a disproportionately large fall in aggregate five-year fundraising compared with firms in other regions ($bn)



Source: PERE

longer-term investors – between a three- and 10-year duration," he says. "The reality is that 37 percent of the maturities in the next three years were originated when the Fed funds rate was 25 basis points. Today it is 4.5 percent, so the 25-point cut doesn't really make a difference."

Similarly, Rabinowitz says the slight change to borrowing costs scarcely moves the needle for his clients who are looking to restructure pandemic-era loans.

"When you're looking at restructuring properties where the debt was at 3 percent or slightly above, the recent quarter-point cut still isn't itself going to have a material impact to make a debt burden that was not affordable a month ago affordable today," he says. "The gulf between what many properties can carry and where rates are at now is still pretty wide."

Longer-term borrowing rates are

Data centers: Worth the risk?

Executives confront the rapid expansion of the sector

Some roundtable participants see data centers as a way to capitalize on the various growth trends in the IT space, while others struggle to come to terms with the property type's complexity and sales price.

Hernandez says Nuveen typically limits its data center exposure to equity investments via its large, open-end core fund. The scale of a typical data center investment would overwhelm the firm's debt platforms.

"The check size is, vis-a-vis my annual vintage, just too big," he explains. "We're not going to put 5 percent or 10 percent of our annual deployment across our platform in one asset."

Pong says there are many risks inherent to the data center sector, but his firm has criteria for mitigating them. "Primarily, we seek hyperscale data center assets that are leased or pre-leased to investment-grade, S&P 100 types of tenants," he says.

Ingrum sees a risk that investors become so focused on data centers that they become overexposed to the property type. This is especially dangerous, he notes, given how little is known about the future demand for these assets.

"I really think data centers for the hyperscalers are going to start crowding out other consumers of capital in real estate. We're talking about not $400 million and $500 million deals – one data center deal has an all-in cost over $150 billion. It's mind-numbingly large.

"This is not something to jump into unless you understand it, because if you're 10 percent wrong, that's a lot of money," he says.

influenced chiefly by long-dated government debt, which is priced based on investor expectations around inflation, economic growth, unemployment and the government's ability to service its debts. These variables have largely held steady, despite elevated economic and political uncertainty.

For credit-like products, such as net lease strategies, Pong says the dealmaking environment is likely to remain challenging, as property sellers remain reluctant to sell.

"Sellers have seen cap rates compress when the 10-year moves lower, and unless they're motivated sellers, there may be a bid-ask spread that is hard to overcome. If the 10-year moves lower, transaction volume will likely accelerate as well," he says. "I don't think we're going to see any type of movement in the 10-year unless consumer spending shows a sustained weakening in the US, and we're not currently seeing material signs of that."

Still, Ingrum believes the move toward more accommodative monetary

"After Liberation Day… investors and occupiers and corporates couldn't make decisions because it was so uncertain. A lot of that has now settled down"

JIM GARMAN
Goldman Sachs Asset Management

> *"If the world is more volatile today, economic cycles are shorter and more pronounced, so people are going to want to invest over shorter periods of time"*
>
> **JASON HERNANDEZ**
> **Nuveen Real Estate**

policy will gradually improve the outlook for the sector.

"If it gives companies and tenants across the US confidence that things are going to get better, that there is going to be more liquidity, they're going to be able to raise capital and be confident their business will be fine," he says. "The biggest effect is psychological, not financial."

Garman echoes those sentiments, adding that the rate cut sends a clear signal about where financing costs are heading – something many market participants have been craving for the better part of a year.

"If people have certainty about the environment they're operating in, then they can start to make decisions. It's the volatility that makes it a challenge. Some certainty around the shape of the yield curve is really helpful," he says.

Life after 'Liberation'

One of the biggest shocks of 2025 was the rollout of a sweeping package of new import taxes against the US's biggest trade partners. Dubbed 'Liberation Day' by Trump, April 2 kicked off a period of financial and commercial unrest as the government withdrew, amended and reintroduced various parts of its tariff policy during the ensuing weeks and months.

By the end of July, the administration settled on an effective average tariff rate of 9.7 percent, up from 2.2 percent at the start of the year, although certain countries – China at 40 percent – and categories of goods – steel and aluminum at 41 percent – faced significantly higher levies.

The announcement also rattled bond markets, which had ripple effects throughout the financial sector. "Post-Liberation Day, credit spreads blew out 40 to 65 basis points, mainly because the CLO market shut down," Hernandez says. "All those groups that were pricing deals too tight left the market."

He adds the moment became a "pricing opportunity" for Nuveen, in which it was "able to select credits… at attractive economics." It also dampened the firm's appetite for logistics assets, which are highly exposed to the US import market.

"In our value-add credit fund, we were primarily focused on housing and logistics and now have a slight bias toward housing given some of the uncertainty around industrial," he says.

The higher costs are also impacting construction inputs, Rabinowitz says, noting that his development clients are still trying to get their arms around pricing changes.

"There's inventory that is not tariffed yet, but that's going to change. We're a few quarters away from really starting to see that impact. If you're planning a project now, it can be hard to know what things are going to cost," he says. "We're seeing that more in industrial where you rely on foreign-made specialized equipment and installations."

Yet, like other things, the volatility around trade policy has settled down in recent months. Garman observes that some markets, particularly industrial properties, came to a complete stop in the wake of Liberation Day. But now, he adds, things are steadily trending toward normalcy.

"People are getting back to business. Our industrial portfolio in the US is probably 60-70 percent back to where it was pre-Liberation in terms of activity levels, leasing and asset tours by prospective tenants," he says. "There's still the unknown out there of a secondary shock that might come, but I think most occupiers are getting on with it now."

Credit where it's due

Recent uncertainty has done no favors to real estate capital raisers, who were already struggling to secure commitments against a backdrop of persistently high interest rates and persistently low returns.

These headwinds were reflected in the 2025 edition of the PERE 100 ranking of the top fundraisers in the industry, which showed a 7.7 percent decline in aggregate capital raised among the ranked firms in 2025 relative to 2024. The decline from year to year was particularly notable for North American firms on the ranking, which saw their aggregate five-year fundraising total fall for the third consecutive year.

The roundtable participants see this trend as largely unavoidable, given the current state of affairs in the US. But they also maintain that the environment is not universally negative for fundraisers.

One segment of the market that has continued to attract capital is the real estate credit fund segment. Garman says appetite for these products has been "very strong" for the past three years. He and other participants expect this trend to continue as institutions look to reconfigure their portfolios.

"Private real estate credit as an asset class will become established through this cycle as something people want in their portfolio alongside corporate credit and real estate equity," he says. "Clients are very focused on trying to solve problems or create solutions for their portfolio construction. But, as the market starts to bottom out, the rate environment improves and confidence comes back... sentiment is starting to improve."

Pong says the biggest issue many managers are facing is a lack of liquidity to pursue investment opportunities on the debt or equity side.

"We understand that a lot of funds would love to deploy capital to new strategies, but they are still waiting to get out of redemption queues to reinvest their capital, especially in the open-end fund space," he notes. "Full-cycle capital liquidity is a big question for a lot of investors, but those concerns are likely cyclical rather than secular."

Hernandez says these types of redemption queues and liquidity strains often arise after periods of economic upheaval.

"This has happened multiple times, most recently after the GFC. Eventually, asset prices recovered and people got through their redemption queues," he says. "The illusion of liquidity is real, meaning it is there until you need it. With shorter, more volatile economic cycles, investors naturally want shorter investment periods, which should benefit closed-end vehicles."

On the financing side, Pong says regional banks have used funds to build up their exposures to commercial real estate debt after an extended hiatus from the sector. He notes this is especially helpful in the current environment, which is forcing many managers to seek out shorter-term debt financing.

"We're all just trying to fight for another day when the 10-year environment is more benign to lock in longer duration," he says. "That said, we've had all these head fakes where people think it's just a matter of time before the 10-year pushes below three and a

"We're all just trying to fight for another day when the 10-year environment is more benign to lock in longer duration"

JONATHAN PONG
Realty Income

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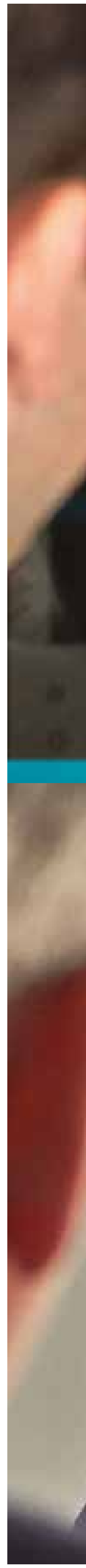
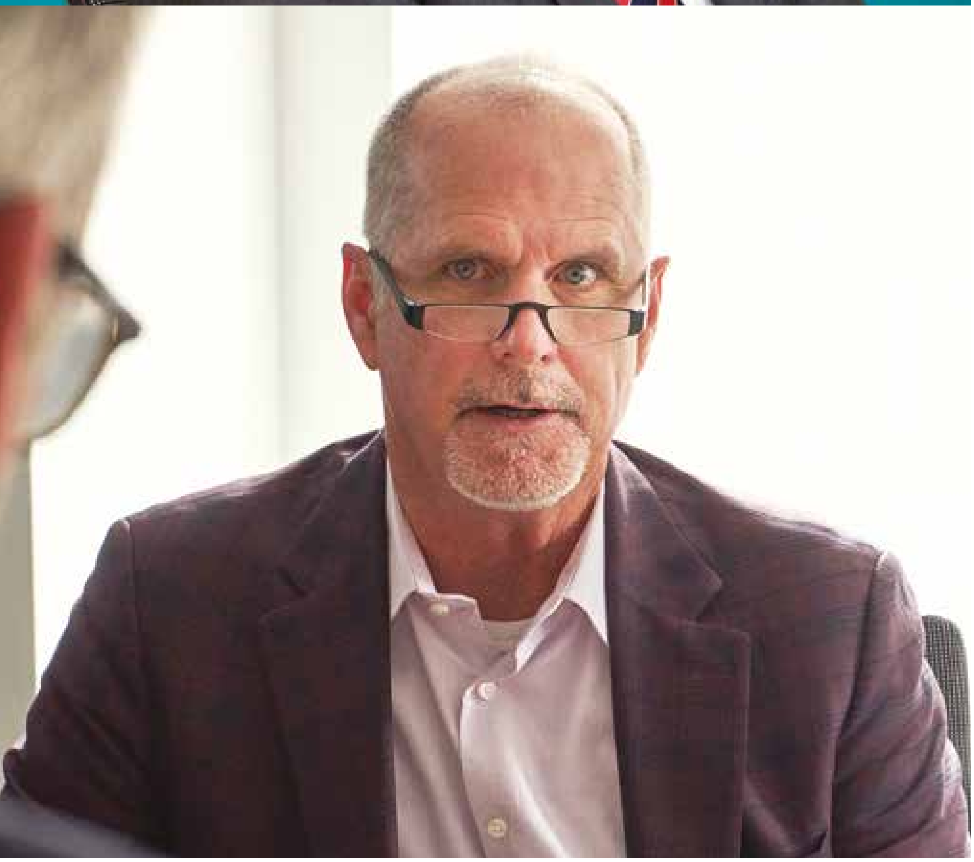
RUSSELL INGRUM
Cushman & Wakefield





half, and maybe it'll settle in around three. But it hasn't happened because the economy is just too darn strong."

Hernandez says this resurgent interest is the result of regulatory changes that have made it more advantageous for banks to provide financing at a fund level rather than to individual assets or projects.

"Banks and credit funds have a symbiotic relationship," he adds. "Today the banks are back, but they're facilitators, not competitors, providing the liquidity that drives our business."

Building confidence

After a year of great expectations that went unmet and a high volume of lingering uncertainty, it would be easy to set the bar low for US real estate in 2026. But the roundtable participants say there are sound arguments for a better year ahead.

Rabinowitz notes the real estate sector is still recalibrating after the covid-19 pandemic, an episode that had a "huge psychological impact on people who occupy real estate and people who invest in it."

"The more distance we get from covid, we're seeing office occupancy recover and housing shortages in big cities," he says. "Investors will start feeling confident that people are back to using real estate in predictable ways again and should become more bullish to invest in it."

Garman also sees reasons for optimism in the recent uptick in the private credit sector. He points to the pickup in large mergers and acquisitions, a resurgence in initial public offerings and all-time highs in equity markets.

"All of this is a leading indicator of CEO confidence and investor confidence improving. While it's not directly correlated with real estate, over time, it will lead to more corporate decision-making about leasing buildings, making capital expenditure decisions and so on," he says. "Eventually, we'll see that flow into real estate." ■