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## US Roundtable

ROUNDTABLE

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# US real estate is a market of winners and losers

*Rising rates, macroeconomic uncertainty and structural disruption are forcing managers and investors to become more selective about markets, sectors and individual assets. Stuart Watson reports*

As 2026 draws toward its close, the macroeconomic backdrop for US real estate investing presents a mixed picture. Wholesale oil prices have soared since the start of the war in Iran, fueling inflation. In September, the Federal Reserve responded by hiking target interest rates to 3.75-4 percent, the first rise for more than three years. Meanwhile, a bond market rout has pushed 10-year Treasury yields to more than 5 percent.

On the other hand, stock markets buoyed by optimism surrounding the growth of AI have shrugged off the turmoil in fixed income to reach record highs. Moreover, real GDP has outperformed forecasts, reaching 2.2 percent in the first half of 2026, as consumer spending and business investment remained strong.

Real estate markets have likewise demonstrated resilience. CBRE research suggests US investment volumes remain on track for a 16 percent year-on-year increase to reach approximately $605 billion in full-year 2026. Participants in *PERE*'s US roundtable believe a gradual recovery is underway for US private real estate – but much like the macro picture, it is uneven.

"There is more separation and dispersion now by far than after the global financial crisis. You are not going to be able to broad-brush paint a recovery," says David Binswanger, co-chief executive officer at Dallas-headquartered manager Lincoln Property Company. "The recovery is well underway. It's just not evenly distributed. It's uniquely turbulent out there, but it's also an incredible opportunity to find inefficiencies in efficient markets and invest."

Capital providers are also hesitant, says Eric Poretsky, head of US equity at manager Cain.

"Going into 2026, there was a view that there was an underweighting toward real estate, and that a lot of the big institutions want to deploy more into the asset class. At the same time, there is a level of caution about the direction the market is taking."

The expectation of an influx of foreign capital into US real estate markets has been disrupted by a challenging macro environment that has produced a series of shocks, he adds. For example, the pace of capital deployment from the Middle East, where Cain has continued to expand its partnerships, has moderated in the last six months.

"Spending time together face-to-face is an important part of building relationships," Poretsky says. "That has obviously been more difficult, but we have some very strong partnerships in the region and see real opportunities to continue building on those over the long term."

## A new paradigm

From a capital raising perspective, 2026 is one of the best years Nuveen

PHOTOGRAPHY: **ERIC VAN NYNATTEN**



### Shawn Lese

Chief investment officer and head of funds management, Americas
Nuveen Real Estate

Lese oversees the $104 billion Americas platform for Nuveen Real Estate and is a member of the firm's global executive leadership team. Nuveen manages around $1.4 trillion of real estate assets worldwide on behalf of its parent company, pension fund TIAA.

### Eric Poretsky

Senior managing director, head of US equity
Cain

Poretsky leads Cain's US real estate equity business and oversees the team's strategy, operations and investment management activities. The investment manager, which has total AUM of $14.6 billion, is a partnership with global investment firm Eldridge Industries.

### David Binswanger

Co-chief executive officer
Lincoln Property Company

Binswanger is co-chief executive officer of Lincoln Property Company, an international private commercial real estate firm. The Dallas-headquartered firm offers development, leasing, management and real estate investment services for owners, investors, lenders and occupiers of commercial properties, with total AUM of $31 billion.

### Stephen Rabinowitz

Co-chair, global real estate practice
Greenberg Traurig

Rabinowitz co-chairs the global real estate practice at law firm Greenberg Traurig. He advises a wide variety of institutional and entrepreneurial investors, private equity funds, developers, asset managers and operators in the acquisition, financing, development and leasing of commercial properties.

*"The recovery is well underway. It's just not evenly distributed"*

**DAVID BINSWANGER**
**Lincoln Property Company**



Real Estate has ever had, says Shawn Lese, chief investment officer and head of funds management for the Americas at the New York-based manager. Much of that capital has originated from sovereign wealth and pension investors in the US, as well as from territories including Canada, Germany and Australia. Institutions need to maintain their weighting to real estate in the context of the bull run in equities markets, he explains, and have tended to deploy through separate accounts with a specific risk strategy – core, core-plus, value-add or development.

PEI Group data showed a strong start to 2026 by North America-focused closed-end private real estate funds, with $30.7 billion raised in Q1, up from $19.2 billion in the first quarter of 2025 and the largest quarterly volume recorded since Q4 2022. Later in the year, that momentum has stalled, however, with only $8.3 billion raised in Q3 2026, a 64 percent year-on-year reduction.

Satisfying investor demand has led Nuveen to become an active seller this year, as the bidding market for high-quality assets has intensified, Lese says. "There has been a lot of capital coming into the system, and debt markets are wide open and easy to access, so that was driving transaction activity. But with interest rates rising, we are in a whole new paradigm, so we have to take a fresh look at the world as of the last couple of months."

One or two interest rate rises were widely anticipated before the end of 2026, and the current increase was already largely priced into the deals that have closed recently, says Poretsky. "The uncertainty is where we go from here."

He believes the direction of travel will depend on whether conditions stabilize, or whether further macro shocks cause increased anxiety. "From where we sit today, we are still seeing lenders very active. They are still pricing competitively. Rates have obviously widened as the markets have adjusted, but not to such an extent that it has prohibited transacting."

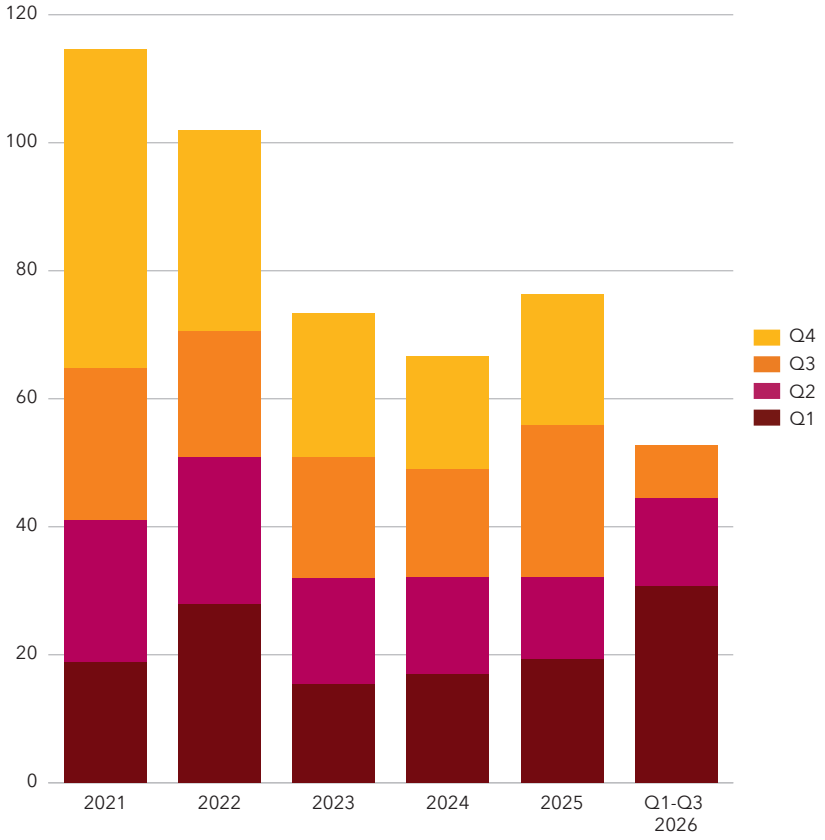
"There are very few occasions during my career when there wasn't some kind of dislocation on the horizon," says

Stephen Rabinowitz, co-chair of the global real estate practice at law firm Greenberg Traurig. "The difference today is that information about dislocation spreads so much faster, so that the reaction, which is sometimes irrational, is much quicker than it used to be."

The effect of rate hikes will play out unevenly across sectors depending on the entry price and operational dynamics of the segment, says Lese, with implications for sector, market and asset selection. For example, if an investor is buying a San Francisco office building at an 8 percent cap rate, an increase of 100 basis points in the 10-year Treasury rate over six months is not that dramatic, "because I am buying at a low price per square foot and I see the operational fundamentals in that city coming back in a compelling way."

A widening gap has opened between office and multifamily cap rates over the past five years. While average office yields are now above 8 percent according to CBRE data, multifamily assets trade at just over 5 percent. "So, in multifamily we now have negative

**After a strong start to 2026, capital raised for North America-focused closed-end private real estate vehicles tailed off in Q3 ($bn)**




Source: PEI Group



*"With interest rates rising, we are in a whole new paradigm, so we have to take a fresh look at the world as of the last couple of months"*

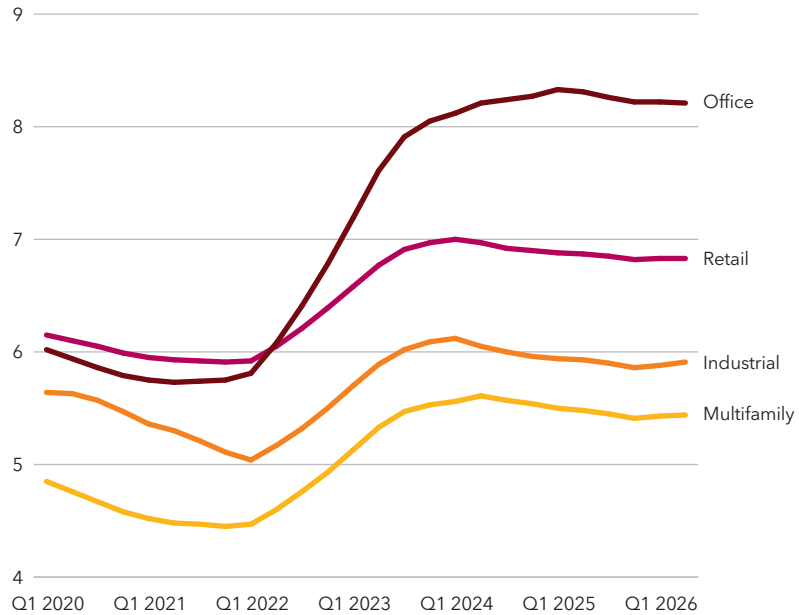
**SHAWN LESE**
**Nuveen Real Estate**

*"Rates have obviously widened as the markets have adjusted, but not to such an extent that it has prohibited transacting"*

**ERIC PORETSKY**
**Cain**



**The gap between office and multifamily cap rates in the US has widened, while retail cap rates have shown modest compression (%)**




Source: CBRE Econometric Advisors, CBRE Research, Q2 2026

spreads to Treasuries for anything that's decent," says Lese. That means it is important to select assets in under-supplied markets where there is strong rental growth potential, he suggests.

## Winners and losers

The advance of AI is helping to fuel business investment and drive the data center development boom. But it will likely lead to yet another wave of disruption in real estate markets. Rabinowitz notes that service businesses like law and accounting firms are currently consuming the new office space being developed in cities such as New York, but he questions whether that will last. "We are all experimenting with machine intelligence. It hasn't really affected the volume of hiring yet, but we are on the edge of a new era, and it's hard to predict where it's going."

## 'Retail isn't all dead'

**Participants eye opportunities in malls and consumer experiences**

Despite concerns over inflation and the cost of living, US consumer spending remains resilient. Overall retail sales increased by 6.7 percent year-on-year in June 2026, according to the US Census Bureau. Meanwhile, new retail property construction is at historic lows, encouraging real estate investors to re-engage with the sector.

Investor demand for grocery-led and convenience retail has grown over the past two and a half years, driving cap rates down from 7 percent to less than 5 percent for some assets, notes Nuveen's Lese. While pricing has reset for many of the best convenience-type retail assets, Lese predicts that investors will begin to look at larger-format retail with proven operational dynamics.

For example, footfall and spending per square foot are as high as ever in many of the best large, super-regional malls, he says, and debt markets are offering attractive loans on these assets. Equity investors lag behind when it comes to appreciating the sector's strengths because of the historical taint that still clings to it, but that will likely change over time, he says.

Lincoln invests in the sector through retail owner and operator Centennial, which operates around 30 million square feet of assets. "We are seeing the growth opportunity there, and I also agree it's very difficult to have that conversation with legacy investors," says Binswanger.

Larger malls have "fortress" status, adds Rabinowitz, because of the difficulty of building new space.

Poretsky observes that retailers have responded to competition from e-commerce by focusing on providing enhanced customer experiences through their physical stores while pairing them with their online offer. "A lot of these regional malls and super malls have become entertainment centers."

A further challenge for the real estate business is the increasing amount of property rendered functionally obsolete by successive waves of disruption and still sitting within existing investment portfolios, notes Poretsky. "It no longer makes sense to look at that product as competitive. It needs to be repurposed and redeveloped, which could create opportunities for investors able to unlock value from these assets."

As the impact of wider economic and structural trends across sectors becomes difficult to predict, and polarization within segments increases, US managers are focusing more sharply on the individual markets and assets they believe will outperform. For some, that means looking past the taint left on the once-dominant office and retail sectors by their poor performance in previous cycles.

Convenience and food-anchored retail has already experienced a renaissance that is now starting to spread to larger shopping formats. Some office markets are also back in favor. "A lot of early movers have done incredibly well, particularly the investors that bought properties in San Francisco," says Lese.

"There are winner and loser markets right now," says Poretsky. He identifies New York office and residential in South Florida as winners. Some markets offer cyclically resilient characteristics, he adds. "San Francisco is a really interesting market because it had a very difficult run for years, but the fundamentals remain strong – the quality of life, the universities, the transit, the connectivity with Asia – that's why it's coming back in force."

Office rents in San Francisco are growing despite a headline vacancy rate of 30 percent, observes Lincoln's Binswanger. "If you were just reading headlines, or even smart real estate information, it would have told you to run, and now that market is having its biggest gross leasing year since 2018," he says.

The same market is showing multifamily rental growth of 20 percent, he notes. "The demographics and constraints have to be evaluated. But you have to dig deeper; you have to look at all the product segments at the local level, below the zip code."

### Sticking to a theme

Logistics and multifamily still make up the majority of US investment volume, but some allocators are suffering from "indigestion" after having invested heavily in those sectors over the past five to 10 years, says Lese. That is leading them to focus on subsectors within those asset types, such as student accommodation, senior housing and manufactured housing instead of traditional multifamily.

Meanwhile, managers are increasingly creating investment strategies around themes like demographics or sports and entertainment, rather than property types. "For healthcare-related assets, the demographic trends are undeniable, whether it's senior living or medical outpatient buildings," says Lese.

For outpatient buildings, cap rates offer positive spreads to Treasuries, he notes, while tenants are often "sticky"

with good credit ratings. "We also do a lot of development on the more luxury side of senior living because as the baby boomers retire, many can afford the higher rents." With high rental rates and many units leasing during the construction process, it is one of the few sectors in which development is currently viable, he adds.

The difficulty of developing new space is underpinning values, Lese observes. "The high cost of construction is one of the best things that's going for real estate right now. There are pockets of real demand and sizable growth, but even if it was just a matter of keeping up with GDP growth, there wouldn't be enough new supply. Very little new construction pencils."

Poretsky sees opportunity at the top end of the market, where demand for differentiated experiences and services continues to support premium pricing. The firm has an established customer experience team and has developed a deeper understanding of customer journeys and preferences through its hospitality and sports and entertainment investment vertical, he says.

Recent projects include the comprehensive renovation of the Delano Miami Beach hotel. "We are looking to deliver a unique experience to our guests, whether it's through sports and entertainment, curated hospitality, a member club or wellness. We see the growing demand for people willing to pay for premium experiences."

Greenberg Traurig's sports and stadium practice is a major growth area for the firm, says Rabinowitz, as is the student housing sector. "It is at the nexus between real assets and real estate where we see the most interesting activity now."



*"The biggest variable that I see our clients worried about is the quality of the sponsor. Who am I working with?"*

**STEPHEN RABINOWITZ**
**Greenberg Traurig**

## Sponsorship quality

Despite the interest in US real estate from large institutions, raising capital is "as hard as it has ever been" and will remain so in the year ahead, says Lese. Most capital is flowing toward large, "one-stop-shop" managers or to "local sharpshooters," with mid-sized managers feeling the squeeze, he adds.

To appeal to capital providers, managers need to market themselves as great sponsors, selling their people and their capabilities, rather than just their real estate strategies, says Rabinowitz. "The biggest variable that I see our clients worried about is the quality of the sponsor. 'Who am I working with? Are they going to help me work this out?' That still is a huge part of the soft analysis that real estate people go through."

That shows in the additional time investors are taking over diligence processes when onboarding new managers while they try to build a thorough understanding of an organization and its track record, says Poretsky. "When we sit down with investors, we focus on Cain's entrepreneurial story, about identifying incremental value through our individual asset strategies, and maintaining control over each stage of execution by our team. We'd like to be thought of as doing high-quality work in the sector we're focused in."

Each wave of capital entering the real estate sector goes one of three ways, adds Binswanger: toward the largest managers like Blackstone and Brookfield, toward a small number of allocators based on performance, "and then more than ever, it's breaking a third way, which is: 'I want direct access. I want transparency. I want single-level promote.' But when you really boil it down, it goes back to partnership – can I trust you with my money?"

The emerging picture is less one of a broad-based US real estate recovery than of a market undergoing a significant reallocation of capital. Higher financing costs, constrained new supply and structural shifts in demand are creating greater differentiation between assets and markets, while institutional investors remain willing to deploy where conviction is strongest.

In this environment, scale alone is unlikely to determine outcomes. The advantage may increasingly lie with managers able to identify granular sources of demand, navigate changing capital structures and demonstrate the capability to create value at the asset level. As dispersion increases, so too does the premium on selectivity. ■

## Navigating the data center gold rush

### AI boom fuels demand, but investors face risks and uncertain returns

With take-up propelled to record highs by the AI revolution, data center vacancies across the top four US markets fell to an all-time low in Q1 2026, despite a 33 percent year-on-year inventory increase, according to CBRE figures.

But despite the demand, the combination of enormous investment sizes and obsolescence risk in a market characterized by rapid technological change make it challenging for real estate investors to identify an attractive risk-adjusted strategy for the sector.

The approach of Lincoln's data center group is to focus on the value-add segment through converting existing corporate real estate in urban areas. Over the past five years, that market has benefited from a growing pool of potential tenants, says Binswanger. "And there has been significant liquidity on the back end and a less crowded playing field on the front."

Nuveen has concentrated on investing in operators that develop new assets. The re-leasing risk after 15-year lease terms come to an end can make buying standing investments less attractive, says Lese. Developing assets could potentially offer more favorable risk-adjusted return opportunities, although exit liquidity remains somewhat limited, he observes. "We have seen the odd capitalization of a public company and a few funds aggregating private capital to pursue opportunities in the space. It will be interesting to see what the long-term exit landscape ultimately looks like for data centers."

There is a lingering question over future oversupply as the current generation of data center leases expires, says Poretsky. Cain is not currently an investor in data centers, but he notes the firm's affiliates have hitherto been "more comfortable from a risk-adjusted perspective taking a credit risk than taking an equity risk."

Meanwhile, there is growing public disquiet over the segment's power and water consumption. The backlash saw Virginia introduce tighter controls on data centers in September, notes Rabinowitz. However, he believes policymaking will eventually catch up and the regulatory problems will be resolved. The more serious constraint, he argues, is resource availability. "You can have all the political solutions you want. If there just isn't the power and the water, nothing's going to make it happen until technological solutions catch up."