Real Estate Research

June 2026

U.S. Real Estate Strategic Outlook

Mid-Year 2026

IN A NUTSHELL

– U.S. real estate has delivered a seventh consecutive quarter of positive total returns.[1]
– While subject to macroeconomic risks, we believe that performance is poised to improve as demand accelerates into a dwindling supply pipeline.
– We continue to favor the industrial, residential, and retail sectors, real estate debt, and Southern markets.

Real Estate Outlook

U.S. commercial real estate started 2026 on a solid footing, in our view, generating positive total returns for a seventh consecutive quarter.[2] Total returns have followed a consistent pattern, holding at about 1.25% quarterly (5% annualized) since the beginning of 2025.[3] Retail has been a clear outperformer, but all major sectors – including Office – have participated in the upturn.[4]

After nearly two years of recovery, we believe that a new cycle is underway. How long will it last? Raw probabilities would put us in the early innings: There have been nine downturns since the 1950s, roughly one every eight years.[5] In practice, however, cycles do not die of old age, in our view – they are murdered by the economy. All but one cycle ended with recession, while the last one suffered an interest-rate shock (in 2023-24).[6] Indeed, our analysis suggests that over the past 30 years, GDP and corporate bond yields have explained 70% of real estate returns.[7] In other words, the economy and interest rates will likely play a critical role in shaping the duration and amplitude of this cycle, in our view. Both factors are naturally uncertain, but on balance, we believe they are benign for real estate in 2026 and beyond.

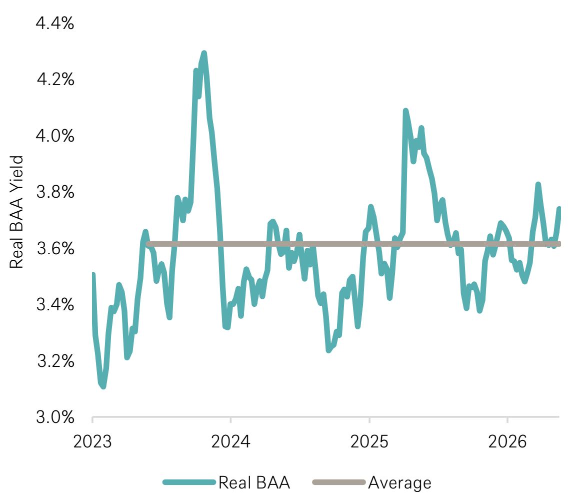
Start with the economy. Last year, despite Liberation Day tariffs and an immigration crackdown, U.S. GDP expanded 2.1%, in line with its 20-year average (2%), a pace that continued in the first quarter of 2026.[8] Over the past three years, rampant investment in artificial intelligence (AI) (technology investment jumped 64%), coupled with wealth-fueled consumption (household financial assets increased by $35 trillion), have bolstered economic activity.[9] While conflict in the Middle East is a concern, we believe that the U.S., as a net energy

[1] NCREIF. As of March 2026.
[2] NCREIF. As of March 2026.
[3] NCREIF. As of March 2026.
[4] NCREIF. As of March 2026.
[5] Federal Reserve. As of December 2025.
[6] Federal Reserve (real estate prices, interest rates); National Bureau of Economic Research (recessions). As of December 2025.
[7] NCREIF (real estate); Bureau of Economic Research (GDP); Moody's (long-term corporate BAA yields); DWS calculations. As of March 2026.
[8] Bureau of Economic Analysis. As of March 2026.
[9] Bureau of Economic Analysis (technology investment); Federal Reserve (financial assets). As of March 2026.

exporter, is somewhat insulated from its adverse effects.[10] In mid-April, the IMF forecast 2026 GDP growth of 2.3%, an upgrade from 2.0% the previous October.[11]

Next, consider interest rates. The Federal Reserve (Fed) held its policy rate steady at its April meeting, and as the Iran conflict has stoked inflation (through energy prices), already above the Fed's 2% target, financial markets have priced out expectations for further reductions this year.[12] Nominal Treasury yields have moved higher, but the increase has been driven mostly by inflation expectations: real interest rates (measured by TIPS) have risen only marginally.[13] Meanwhile, credit spreads (proxied by long-term corporate BAA bonds) have tightened.[14] In our view, as a real asset subject to macro risks, real estate is best valued against risk- and inflation-adjusted interest rates (proxied by TIPS + BAA spreads), which have held close to their three-year average (see Exhibit 1).[15]

Exhibit 1: Risk-Adjusted Real Interest Rate

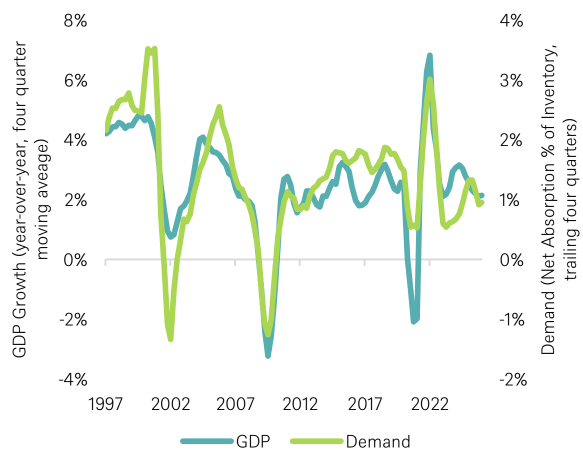


Sources: Federal Reserve (Treasury, TIPS); Moody's (BAA); DWS (real BAA). As of May 2026.

Moderate economic growth and stable real interest rates, a macroeconomic backdrop similar to last year's, would be enough to sustain real estate's positive momentum, in our view. However, we believe that two additional factors will likely tip the scale in a more positive direction: First, structural forces will amplify economic support for demand. Second, supply will largely dissipate.

Until recently, demand was hampered by a series of post-COVID distortions, in our view. These include remote work in the office sector and a hangover from a pandemic boom in the apartment and industrial sectors (exacerbated, in the case of Industrial, by tariffs). However, we believe these forces have moved into reverse. In the office and apartment sectors, absorption is handily outpacing job creation, underpinned, in our view, by a return-to-office and the relative affordability of rental versus for-sale housing.[16] Industrial leasing has also picked up, in our view supported by e-commerce, and in some markets, onshoring and AI (supplying factories and data centers), while the drag from tariffs appears to be fading.[17] After lagging for three years, growth in real estate demand is now commensurate with that of the economy, and poised, in our view, to overshoot it (see Exhibit 2).[18]

Exhibit 2: GDP Growth and Real Estate Demand



Note: Demand is weighted across Industrial (35%), Residential (30%), Office (20%), and Retail (15%).
Sources: Bureau of Economic Analysis (GDP); CBRE-EA (demand). As of March 2026.

Even more impactful, in our view, is an impending supply slump. We believe that the 2023-24 real estate correction, alongside surging labor and materials costs, has upended the economics of development.[19] Construction starts (as a share of inventory) have plunged 60% from their 2022 peak,

[10] Census Bureau. As of February 2026.
[11] IMF. As of April 2026.
[12] Federal Reserve (policy rate); Bureau of Labor Statistics (inflation); CME Group (rate cut expectations). As of May 2026.
[13] Federal Reserve. As of May 2026.
[14] Moody's. As of May 2026.
[15] Federal Reserve (Treasuries, TIPS); Moody's (credit spreads). As of May 2025.
[16] Bureau of Labor Statistics (jobs); CBRE-EA (leasing). As of March 2026.
[17] CBRE-EA (leasing). As of March 226.
[18] CBR-EA (demand); Bureau of Economic Analysis (economy). As of March 2026.
[19] NCREIF (correction); Engineering News-Record (costs). As of March 2026.

pointing to an equivalent reduction in deliveries over the next 2-3 years (see Exhibit 3).[20] With real estate prices sitting at about a 10%-15% discount to replacement costs (varying across sectors and markets), rents and prices would need to rise considerably to rekindle development, in our view.[21]

Exhibit 3: Real Estate Supply

Note: Supply is weighted across Industrial (35%), Residential (30%), Office (20%), and Retail (15%).
Source: CoStar. As of March 2026.

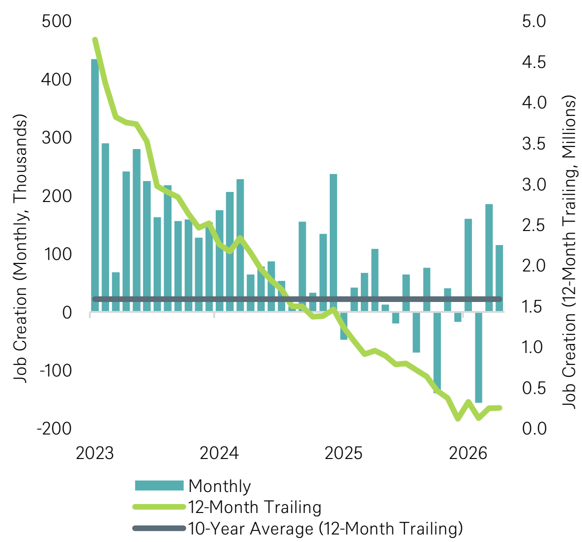
In short, we believe that steady economic growth, stable real interest rates, firming structural demand, and dwindling supply should collectively sustain, and indeed enhance, real estate investment performance. To be sure, macro conditions are inherently uncertain, and could push returns in either direction, but in general, we believe they impose no greater risk to real estate than to other major asset classes.

Investment Strategy

Construction is dropping to modest levels across virtually all sectors and cities.[22] In a market devoid of supply, we believe that relative performance should largely be defined by demand-side conditions.

In our view, there are reasons for optimism in most sectors, including Industrial (e-commerce, onshoring, and AI), Residential (relative rental affordability), Retail (service-driven demand), and Office (return-to-office). However, we believe that shifting economic trends carry further implications for sector-level performance. While GDP growth has been stalwart, only 250,000 new jobs were added over the past year, a fraction of the 1.6 million 10-year annual average (see Exhibit 4).[23] In our view, this divergence is symptomatic of two countervailing trends: Tighter immigration and an ageing population are constraining labor-force growth, while AI is supporting productivity, investment, and spending.

Exhibit 4: Job Creation



Sources: Bureau of Labor Statistics. As of April 2026.

This dichotomy is largely inconsequential for Retail and Industrial; for these sectors, it matters only that more goods and services (GDP) circulate through stores and warehouses, in our view. The Residential sector is also somewhat insulated, we believe, as demographic factors, including an ageing Millennial population, churn out more households. However, in our view, employment is integral to long-term office demand, notwithstanding near-term support from a return to workplaces.

Industrial: Industrial has underperformed the broader real estate market for the first time in nearly 15 years.[24] In our view, the headline number is somewhat misleading, however: Performance has been undermined by falling values in southern California, which accounts for 25% of the index.[25] Returns in other markets have been much stronger, some in double digits (e.g., Houston and Nashville).[26] Moreover, we believe that the recent setback will soon reverse for several reasons. First,

[20] CoStar. As of December 2025.
[21] NCREIF (real estate prices); Engineering News-Record (construction costs); DWS calculations. As of March 2026.
[22] CBRE-EA. As of March 2026.
[23] Bureau of Economic Analysis (GDP); Bureau of Labor Statistics (jobs). As of April 2026.
[24] NCREIF. As of March 2026.
[25] NCREIF. As of March 2026.
[26] NCREIF. As of March 2026.

demand has strengthened since the middle of 2025, signaling, in our view, that a hangover following a COVID leasing binge, extended by last year's tariff uncertainty, has begun to lift.[27] Second, we believe that robust consumer spending, together with AI, e-commerce, and onshoring uses, will likely drive a resurgence. Third, construction starts have plummeted 60% since 2022 (as a share of inventory), presaging low levels of supply through 2027, and likely longer, in our view.[28]

Residential: The residential sector has tread water over the past year, with vacancies hovering near their 20-year average (5%), rents and values holding broadly steady, and total returns, driven mostly by income, hugging the broader index.[29] We believe that fundamentals are poised to tighten, and values could pick up, as supply tapers later this year. To be fair, one area of concern is population growth, which in 2025 fell to its slowest pace (0.2%) since the Spanish Flu in 1918.[30] Yet the housing implications are nuanced, in our view: While the under-25 population shrank as birth rates slipped, the more relevant 25+ population expanded briskly, a trend that is projected to continue for another decade.[31] Moreover, many people are choosing to remain single, translating into more households.[32] And relative affordability continues to favor renting over buying (the discount is at its highest in 18 years).[33]

Retail: Retail has been the best performing major sector for more than three years.[34] Fundamentals are robust: Construction is virtually absent, and a steady stream of tenants, often service-related (e.g., health care and entertainment), are filling vacancies created by the occasional bankruptcy of e-commerce-exposed retailers.[35] Yields are also comparatively attractive, although anecdotally, competition for assets is increasing.[36] We believe that Retail will likely remain in pole position through 2027. Thereafter, we believe that it will be overtaken by the resurgent industrial and residential sectors, but will continue to deliver solid, defensive, income-driven returns.

Office: A recovery in the office sector is underway. Occupancies troughed, and returns turned positive, in the first quarter of 2025, and have steadily improved over the past year.[37] While job creation has been lackluster, a steady return to office (RTO) has generated positive leasing momentum.[38] In our view, conditions will continue to improve, but an underweight allocation remains warranted. Office has a poor track record, trailing the broader index for most of the past 20 years (roughly matching it in 2018-19).[39] We attribute this mainly to the sector's high capex burdens, which we believe will persist in a tenant-friendly environment.[40] Moreover, while RTO may generate demand for a while, we believe that a durable expansion will hinge on stronger office-job creation, which is uncertain in the context of weak labor-force growth (as more people age into retirement) and potential disruption from AI.

Self-Storage: The self-storage sector is currently operating in a transitional environment, with weak demand driven by subdued housing turnover and elevated mortgage rates limiting moving activity. This has resulted in stabilized but below-peak occupancy and a reliance on in-place rent growth rather than new leasing momentum. However, improving indicators—including rising pending home sales, strengthening move-in activity, and a return to positive REIT performance—suggest demand may be bottoming and beginning to normalize. At the same time, easing supply pressures—evidenced by declining deliveries, shrinking pipelines, and elevated deferrals—alongside resilient underlying demand drivers are positioning the sector for a more balanced environment and recovery over the medium term.

Real Estate Debt: Lending spreads (in line with historical averages) are elevated relative to those in listed corporate bonds (near historic tights), and we believe that reset collateral values and improving operating fundamentals mitigate credit risks.[41] From a diversification perspective, we also believe that floating-rate loans can provide a useful hedge to interest-rate risks in longer-duration real estate portfolios. In our view, a multi-year refinancing wave combined with recovering transaction activity should create ample lending opportunities, especially when banks remain constrained by regulation and legacy exposures.

Geographies: Real estate demand has historically correlated with local economic conditions (industrial, sometimes used to channel goods to wider regions or even nationally, is a partial exception).[42] Population and job growth continue to favor Southern over gateway cities, thanks in part to their lower

[27] CBRE-EA. As of March 2026.
[28] CoStar. As of March 2026.
[29] CBRE-EA (vacancies, rents); NCREIF (values, returns). As of March 2026.
[30] Congressional Budget Office. As of March 2026.
[31] Congressional Budget Office. As of March 2026.
[32] Census Bureau. As of April 2026.
[33] National Association of Realtors (own); Census Bureau (rent); DWS calculations. As of March 2026.
[34] NCREIF. As of March 2026.
[35] CBRE-EA. As of March 2026.
[36] NCREIF (yields); DWS (competition). As of March 2026.
[37] CBRE-EA (vacancies); NCREIF (returns). As of March 2026.
[38] Bureau of Labor Statistics (jobs); CBRE-EA (leasing). As of March 2026.
[39] NCREIF. As of March 2026.
[40] NCREIF. As of Mrach 2026.
[41] Cushman & Wakefield (lending spreads); Bloomberg (listed bonds). As of April 2026.
[42] Bureau of Labor Statistics (jobs); CBRE-EA (demand); DWS. As of March 2026.

business and living costs.[43] Growth trends may diverge further, in our view, as gateways are starved of immigration (without which many would suffer population decline).[44] Stronger demand does not always guarantee superior performance – construction has recently subverted several sun belt residential markets – but as supply abates, we believe that demand will largely prevail.[45]

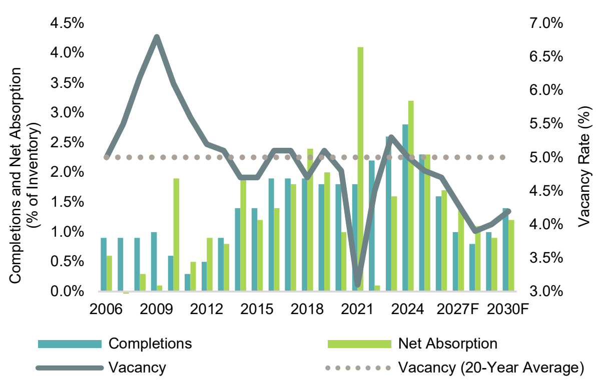
[43] Census Bureau (population); Bureau of Labor Statistics (jobs). As of March 2026.
[44] Census Bureau. As of March 2026.
[45] CBRE-EA. As of March 2026.

Residential

Outlook

The U.S. apartment and build-to-rent ("residential") market saw early signs of seasonal momentum as demand bounced back during first quarter while new supply continued to slow.[46] The DWS Investable Markets[47] ("Investable Markets", "Investable Universe") absorbed roughly 65,000 units in the first three months of the year, 50% higher than the 10-year average, marking one of the strongest first quarter performances in the past decade.[48] This demand swell more than made up for net move-outs seen at the end of 2025.[49] Despite weakness in the second half of 2025, annual demand in the first quarter totalled roughly 240,000 units, essentially tracking the previous ten-year average.[50] Renters are renewing their existing leases at historically high levels.[51] Several large public REITs have reported their lowest turnover in history on recent earnings calls, citing retention in the high 50% to low 60% range and describing renewal trends as "very strong" or at "record levels." [52] We maintain that renewals not only reduce turnover costs and the risk of months of vacancy; they dramatically outpace new leases for rent growth.

Exhibit 5: Rental Net Absorption and Completions as a % of Inventory and Vacancy Rate (2006 – 2030)



Sources: CBRE-EA (history as of 1Q26) & DWS (forecast). As of May 2026.
Note: F = forecast. Aggregate of DWS's investable universe of markets. Past performance is not indicative of future results. No assurance can be given that any forecast or target will be achieved.

U.S. residential construction is showing a continued pullback as market conditions remain challenging for ground-up projects.[53] Completions in the first quarter slid 35% year-over-year to 46,000 units, its lowest level since early 2021. This brought total deliveries to 277,000 over the previous year, marking a sixth consecutive quarter of declining annual supply.[54] Meanwhile, the construction pipeline dropped nearly 50% from its peak in the first quarter of 2023.[55] For the remainder of 2026, we expect elevated financing costs, tighter capital conditions and construction expense inflation to continue to discourage development, reinforcing the slowdown. Given typical 18-month development timelines, most of the current pipeline will likely not reach completion until mid-2027 or later, signaling a prolonged period of subdued delivery volumes ahead.[56]

Occupancy is rebalancing as supply cools.[57] Every Investable Market is now past peak construction exposure, setting the stage for steadily improving fundamentals as absorption catches up.[58] Although slightly higher than a year ago, the Investable Universe's residential vacancy rate was 4.9% in March 2026, down 10 basis points from the close of 2025.[59] Nevertheless, residual continues to limit market rent growth.[60] The national average advertised rent increased $5 to $1,750 per month in March, while the year-over-year growth rate was essentially flat.[61] Rather than cutting headline rents, which can be difficult to reverse, landlords are using concessions as a more flexible tool to compete, particularly in markets still absorbing a wave of new supply.[62]

We think that supply conditions in local markets, rather than broad national demand trends, are increasingly driving performance across the Investable Universe. Markets that avoided the most aggressive construction cycles are already seeing pricing power re-emerge, while oversupplied metros

[46] CBRE-EA; DWS. As of March 2026.
[47] DWS: Residential Investable Markets include 32 major metros in the U.S.
[48] CBRE-EA; DWS. As of March 2026.
[49] CBRE-EA; DWS. As of March 2026.
[50] CBRE-EA; DWS. As of March 2026.
[51] GlobeSt/Apartments.com; DWS. As of April 2026.
[52] GlobeSt/Apartments.com; DWS. As of April 2026.
[53] CBRE-EA; CoStar; DWS. As of March 2026.
[54] CBRE-EA. As of March 2026.
[55] CBRE-EA (completions); CoStar (pipeline). As of March 2026.
[56] Trepp; DWS. As of May 2026.
[57] CBRE-EA; DWS. As of March 2026.
[58] CoStar; DWS. As of March 2026.
[59] CBRE-EA. As of March 2026.
[60] CBRE-EA; DWS. As of March 2026.
[61] Yardi-Matrix. As of March 2026.
[62] RealPage; DWS. As of March 2026.

are still in a period of digestion.[63] Tight coastal and Midwest markets recorded the highest annual market rent growth in the first quarter, led by San Francisco (9.6%), San Jose (4.7%), Chicago (3.6%), and New York (2.8%).[64] That pricing strength stands in contrast to conditions in many high-supply markets in the Sun Belt and Mountain West, where rent growth remains under pressure despite solid leasing activity.[65] As the development pipeline continues to thin in these high-supply markets, we expect that gap will likely narrow, setting the stage for a more synchronized recovery in rent growth.

While we consider 2026 to be a transitional year, with construction slowing and vacancy stabilizing, in our view overall rent growth is likely to remain modest, on average. Even as new supply fades, the market is still working through a meaningful inventory overhang accumulated in 2024 and 2025.[66] Concessions are likely to remain common in newly built properties seeking to stabilize occupancy.[67] As a result, we assume that rent growth should recover gradually in the near term. The silver lining, in our view, is that renting will likely remain significantly more affordable than buying for the foreseeable future, providing a potential tailwind for demand.[68]

Beyond the near term, as new deliveries taper off and demand continues to normalize, overall rent growth is likely to regain positive traction during the second half of 2027. We think the pace of recovery will vary by market, driven primarily by local supply dynamics and labor conditions. Our forecast could improve considerably if an economic downturn tied to the conflict in Iran and the broader Middle East is avoided and market uncertainty eases.

Strategy

We believe a successful investment strategy would be positioned to benefit from evolving demand drivers, affordability challenges in homeownership, and a slowdown in rental housing deliveries. Also, we think three macro-level dynamics stand out as key forces shaping the investment landscape: tighter financing conditions, rising construction costs, and future supply constraints. Together, they are potentially creating a compelling setup for our long-term rent growth outlook despite short-term challenges.

From a geographic perspective, residential demand has correlated with local economic conditions.[69] Population and job growth continue to favor Southern over gateway cities, thanks in part to their lower business and living costs.[70] Growth trends may diverge further, in our view, as gateways are starved of immigration (without which many would suffer population decline).[71] Stronger demand does not always guarantee superior performance – construction has recently subverted several Sun Belt and Mountain West markets – but as supply abates, we believe that demand will largely prevail.[72]

Therefore, we remain focused on the pace of recovery in the Sun Belt and Mountain West with particular attention to markets that saw construction peak earlier, allowing, in our view, supply and demand to rebalance sooner. We expect as new deliveries decrease in 2026, these high-growth markets should experience a supply/demand inflection, leading to positive movements in rent and occupancy. The coastal markets have benefited from an uptick in tech-driven demand and limited new supply.[73] We recommend a tactical approach to investing in high-barrier Northeast and West Coast metros, targeting markets that are magnets for high-tech, biotech and healthcare. We maintain a favorable view on suburban markets in response to demographic and other housing trends.

[63] Berkadia; DWS. As of May 2026.
[64] CBRE-EA. As of March 2026.
[65] Yardi-Matrix. As of March 2026.
[66] CoStar; RealPage; Yardi-Matrix; DWS. As of March 2026.
[67] CoStar; RealPage; DWS. As of March 2026.
[68] Moody's; RealPage; Multifamily Executive; DWS. As of March 2026.
[69] Bureau of Labor Statistics (jobs); CBRE-EA (demand); DWS. As of March 2026.
[70] Census Bureau (population); Bureau of Labor Statistics (jobs). As of March 2026.
[71] Census Bureau. As of March 2026.
[72] CBRE-EA. As of March 2026.
[73] CoStar; CBRE-EA; Moody's Analytics; RealPage; GlobeSt; DWS. As of March 2026.

Exhibit 6: DWS Residential Outlook

Housing Trends Continue to Support the Suburbs	Suburban rental demand should continue to benefit over the long term from ongoing migration trends, demographic tailwinds, evolving lifestyle preferences, and significant barriers to homeownership; all pre-pandemic demand drivers that remain in place. The development of more urbanized suburbs and the ability to work from home should support rental demand over the long term as well, and lead to outperformance. In terms of asset selection, investors should focus on modern, well-amenitized garden-style and mid-rise apartments, as well as build-for-rent communities. These properties should be located near jobs, well-rated schools, and neighborhood amenities. Also, given demographic trends and the strong demand for more space, investors should target larger floor plans and an abundance of open and outdoor amenity space.
Student Housing Remains Resilient	At Tier 1/Power 4 universities, demand is expected to remain strong for modern, purpose-built properties that are walkable to campus and have bed-bath parity. As was the case pre-COVID, as well as throughout the pandemic, modern product that is walkable to campus continued to see the highest occupancy levels this past school year, as well as the strongest pre-leasing velocity and rent growth for the upcoming school year.
Relative Underperformance in Urban Core	High-rise properties have seen improved performance recently, but large supply pipelines, ongoing migration to the suburbs, flexible hybrid work trends, and a high cost of living continue to restrain the segment from a relative perspective. Long term though, performance in the urban core is expected to stabilize as supply comes more into balance with demand and the impact of hybrid working becomes better understood. Gen Z is also expected to backfill Millennials as they graduate college and seek out a live-work-play lifestyle.
Structural Housing Shortage Signals Need for Development	It is more difficult for young households to access homeownership today than for generations prior. While financial market conditions present ongoing challenges for new development currently, build-to-rent (BTR) is uniquely positioned to benefit from the expected increase in demand for high quality rental housing from those priced-out of homeownership. Investor interest for BTR product continues to gain steam, both from an investment–as well as a development–perspective. Over the long term, demographic and structural market trends will likely strengthen STR's tailwinds, advancing its standing within the housing market.

Sources: DWS. As of May 2026.

Industrial

Outlook

The U.S industrial market strengthened in the second half of 2025 and maintained good momentum into 2026. Absorption surged to 73 million square feet (MSF) in the fourth quarter of 2025, the highest quarterly amount since the fourth quarter of 2022.[74] Absorption totaled about 111 MSF for the year while construction deliveries moderated to about 245 MSF, down from 354 MSF in 2024.[75] Supply and demand were in line with our previous forecasts. The market availability rate stabilized at 9.3% during the third and fourth quarters of 2025 and held steady in the first quarter of 2026.[76]

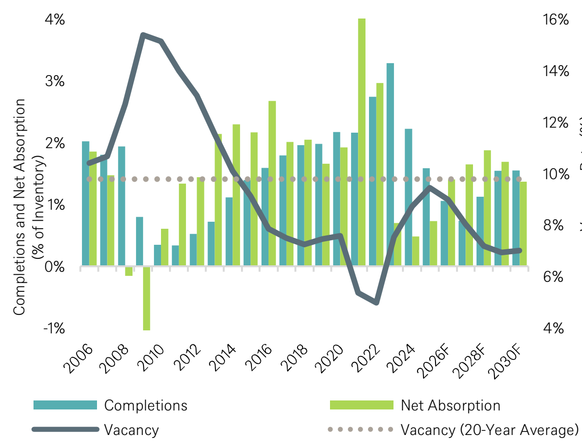
Leasing and construction activity moderated in the first quarter of 2026, with deliveries totaling 44 MSF, and absorption 34 MSF. It is possible that renewed geopolitical tensions in early 2026 dampened activity. Nonetheless, leasing momentum appears resilient, especially for larger modern logistics facilities. Demand remained below typical growth cycle averages, but we believe the underlying occupier businesses are healthy, albeit somewhat cautious.

We believe that industrial fundamentals have turned the corner and are constructive about the sector's long-term potential. We expect demand to trend upwards in 2026, while construction deliveries continue to moderate, which will allow market vacancy to trend downwards. We believe that the recovery cycle is starting from a good point, with the average availability rate slightly below its long-term average (9.8%).[77]

While generally moving in the right direction, conditions continued to be varied across markets and regions. Leasing conditions were competitive in the West and Northeast but healthier in the Southwest, Southeast and Mountain regions, as well as some Midwest markets, supported by strong demand. Washington DC has been a top performer in the Mid-Atlantic region in the past year.[78]

We estimate that on average, market rents declined by about 3-4% in 2025 (after climbing about 30% in the prior five years).[79] Outcomes have varied across markets, submarkets and product types, based on relative new supply and vacancy levels.[80]

Exhibit 7: Industrial Net Absorption and Completions as a % of Inventory and Vacancy Rate (2006 – 2030)



Sources: CBRE-EA (history as of 1Q26) & DWS (forecast). As of May 2026.
Note: F = forecast. Aggregate of DWS's investable universe of markets. Past performance is not indicative of future results. No assurance can be given that any forecast or target will be achieved.

We believe that infill core submarket locations in growth markets have held up better, due to less speculative new supply and still steady occupancies. Submarkets with outsized development pipelines have recently benefited from robust demand for the largest bulk warehouses but remain oversupplied.[81] We estimate that market rents will stabilize in 2026, allowing for healthy mark-to-market opportunities across our target market universe.[82]

Results in Florida were mixed in the first quarter of 2026 as absorption turned negative in Miami, Fort Lauderdale, Orlando and Tampa.[83] New construction deliveries persisted in the past year in the South Florida markets, causing their availability rates to increase on average 90 basis points during the quarter.[84]

The Texas markets and Phoenix have been clear demand leaders in the past year. Notably, several Midwest markets have also posted healthy demand, including Chicago, Cincinnati, Columbus and Indianapolis, perhaps benefiting from

[74] CBRE-EA. As of March 2026.
[75] CBRE-EA. As of March 2026.
[76] CBRE-EA. As of March 2026.
[77] CBRE-EA and DWS. As of March 2026.
[78] CBRE-EA and DWS. As of March 2026.
[79] CBRE-EA and DWS. As of March 2026.
[80] CBRE-EA and DWS. As of March 2026.
[81] DWS and CoStar Analytics. As of March 2026.
[82] DWS and CoStar Analytics. As of March 2026.
[83] CBRE-EA. As of March 2026.
[84] CBRE-EA and DWS. As of March 2026.

major retailers and online merchants executing leases for large bulk warehouses as the implications of tariffs became easier to characterize.[85] Market dynamics reflect flights to quality, to growth and to value. Negative demand trends appear to have moderated in the Pacific and Northeast regions, but conditions remain oversupplied compared to historical norms. [86]

In our view, the foundation for recovery continues to be anchored in the structure of the U.S. economy and industrial property market, plus shifting demographics and linkages to the global economy and trade. Uncertainty may produce volatility in the near term, but over the mid- to longer-term, we believe that the balance achieved between domestic production and international trade will likely be favorable to the U.S. economy and property markets.

We believe that stronger investment performance has already taken hold in our target market universe, supported by leasing fundamentals and capital markets activity. Quarterly transaction volume was up about 17% in the past year and 42% from trough levels in 2024. [87]

When divided into NCREIF subregions, it is evident that outside of the West, most markets have performed well in the past year. This is generally aligned with property market fundamentals. In total, 37 of 44 markets tracked by DWS outperformed the NCREIF Property Index (NPI) and its industrial subsector (NPI-I) in the four-quarters ending 2026Q1.[88] During this period the Midwest, Southeast, and Southwest posted total returns of 8.0%, 7.9%, and 7.6%, respectively, compared to 4.4% for the NPI-I, and 4.9% for NPI overall. [89]

Strategy

We expect that demand will strengthen and broaden in 2026 and 2027, just as we anticipate the development pipeline to slow to cyclical lows. Healthy GDP growth, consumer spending, continued e-commerce growth and reshoring of manufacturing should continue to drive incremental demand for functional logistics space directly and as a function of the multiplier effect of adding high-wage jobs to the economy.[90]

Recovery has been supported by healthy leasing within the development pipeline. We estimate that deliveries in 2025 were about 52% leased and the pipeline in 2026 was about 40% pre-leased as of the first quarter of 2026.[91]

Going forward, we expect that absorption will begin to normalize to healthier levels in 2026, totaling about 225 MSF, or 1.3% of stock, while deliveries will slow to about 180 MSF (1.0% of stock).[92] Future supply appears to be concentrated in growth markets, where demand-supply patterns have been supportive of development and also a larger portion of build-to-suit projects.

A pared down development pipeline should allow for the U.S. availability rate to recede to the 7%-8% range (with market vacancy near 5%) mid-way through our five-year forecast period. [93] On average, we expect market rents to be flat in 2026, but some markets and space size segment will see stronger gains. Broader recovery is expected to resume in 2027 and 2028 allowing for stronger rent growth in the 4%-6% range in the second half of our five-year forecast period.

In our view, industrial market performance will be dependent on economic growth patterns that are varied across regions, so wise market selection will be paramount to investment performance. In our view, future growth will manifest more meaningfully in the Mountain West, Southwest and Southeast regions. However, with less national growth momentum to stimulate demand,[94] even in the regions we favor, we believe market, submarket and asset selection will be more important than it has been in the past decade when economic growth was stronger and e-commerce was booming.

We continue to favor markets we view as having diversified economic growth and elements of land supply constraint. This includes larger metro areas in our growth regions (Dallas, Phoenix, Atlanta) as well as smaller markets that have expanding demand drivers (Raleigh, Orlando, Nashville and Salt Lake City). We intend to hold functional assets in mature markets that are potentially under-served by modern logistics facilities (Washington DC, San Francisco Bay Area and the New York region). The national distribution hubs; Atlanta, Chicago and Dallas are also expected to perform well.

[85] CBRE-EA and DWS. As of March 2026.
[86] CBRE-EA and DWS. As of March 2026.
[87] Real Capital Analytics. As of March 2026.
[88] NCREIF and DWS. As of March 2026.
[89] NCREIF and DWS. As of March 2026.
[90] Moody's, Census Bureau and DWS. As of March 2026.
[91] CoStar, CBRE-EA and DWS. As of March 2026.
[92] CBRE-EA and DWS. As of March 2026.
[93] DWS Research. As of March 2026.
[94] Moody's and DWS. As of March 2026.

Exhibit 8: DWS Industrial Outlook

Growth Markets	High-supply/high-demand markets provide the best near-term opportunities. They have achieved superior rent growth (or at least rent stability) recently.[95] We believe that these high-growth markets have emerging land constraints that may also support longer-term performance.
Regional Hubs	The trends of the past cycle should be renewed upon economic recovery, benefiting regional hubs in Harrisburg, Lehigh Valley, Las Vegas, Phoenix, and Reno, as well as in select Southeast markets such as Savannah, Charlotte and Orlando.
Infill Logistics	Small and mid-sized warehouses in core submarkets of our investable universe have maintained strong rent dynamics and will continue to perform well over the long term. Larger bulk warehouses in expansion corridors or ex-urban locations have seen absorption recently but have lower long-term rent growth prospects.
Large Population Centers Underserved by Modern Logistics	The functional warehouse stock in our large population centers will perform well over the long term, but properties with low functionality may face downside risk in a slow-growth environment. In our view, better assets may achieve relatively strong occupancy and rent growth over the longer-term.

Sources: DWS. As of May 2026.

[95] DWS and CBRE-EA. As of March 2026.

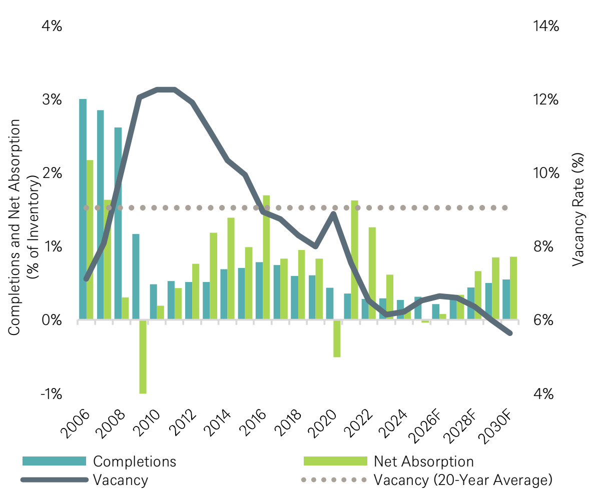
Retail

Outlook

U.S. Retail fundamentals remain healthy in 2026, although the macro backdrop has become more uneven. Consumer sentiment has softened, inflation remains above the Federal Reserve's target, tariff uncertainty is creating additional pressure on retailers and households, and expansion plans remain selective. Inflation increased to 3.8% year-over-year in April 2026, driven partly by a 17.9% increase in energy prices, while lower- and middle-income households remain under pressure from elevated prices for everyday essentials. At the same time, consumer spending has remained resilient, with retail sales increasing 4.9% year-over-year in April.[96]

Retail continues to outperform within the commercial real estate landscape. NCREIF retail total returns reached 6.8% on a trailing four-quarter basis as of 1Q 2026, the strongest performance among the traditional property sectors, ahead of Residential, Industrial, and Office.

Exhibit 9: Retail Net Absorption and Completions as a % of Inventory and Vacancy Rate (2006 – 2030)



Sources: CBRE-EA (history as of 4Q25) & DWS (forecast). As of May 2026.
Note: F = forecast. (1) Forecast for Neighborhood and Community centers. (2) Aggregate of DWS's Investable Universe of markets. There is no guarantee the forecasts shown will materialize. Past performance is not indicative of future results. No assurance can be given that any forecast or target will be achieved.

The sector's resilience is not driven by aggressive demand growth alone. It is primarily a supply-scarcity story. Retail vacancy remains near multi-year lows at approximately 6.5%, while rent growth has continued to hold up well. At the same time, new supply remains essentially negligible.

Net absorption turned slightly negative in 1Q 2026, echoing the pattern from early 2025, when first-quarter closures weighed on demand before leasing recovered later in the year. However, this soft patch should not be interpreted as a broad deterioration in retail fundamentals, as overall vacancy remains restrictively low and available quality space remains scarce across most markets.

Shrinking supply remains the defining feature of the sector. With starts running well below long-term norms and no clear catalyst for a construction rebound, new supply is unlikely to meaningfully pressure vacancy over the forecast horizon. This scarcity is directly influencing leasing patterns. In 1Q 2026, 36% of new leases were signed within five months of space becoming available, indicating that quality space is being backfilled quickly.[97] For landlords, this rapid re-leasing supports occupancy, limits downtime, and preserves pricing power even when headline absorption softens.

Rent growth has moderated but remains positive. National retail rent growth averaged 2% year-over-year in 1Q 2026, with Sun Belt markets continuing to outperform.[3] Charlotte, Atlanta, Phoenix, Orlando, and Nashville posted some of the strongest rent growth, while several coastal and slower-growth markets, including Los Angeles, Philadelphia, and San Francisco, lagged. This reinforces the view that retail performance is increasingly market- and trade-area-specific.

Tenant demand remains positive but selective. Restaurants, grocery, discount, value, fitness, and service-oriented concepts continue to expand, while apparel, accessories, electronics, and certain department-store-related categories remain under pressure. Tariffs and inflation remain key watch points. Rising merchandise costs could erode consumer purchasing power and pressure retailer margins, particularly for discretionary categories and chains serving lower- and middle-income households.

Necessity-based retailers, including grocers, drugstores, value retailers, restaurants, and service providers, should be more insulated given the non-discretionary or recurring nature of demand.

Capital markets are also improving, with more than $15 billion of retail transaction volume in 1Q 2026, up 5% from 1Q

[96] U.S. Census. As of May 2026.
[97] CBRE-EA. As of 1Q 2026.

2025 and the strongest first-quarter retail investment volume since 1Q 2023. Institutional investors represented nearly 24% of multi-tenant retail investment over the trailing 12 months, the highest share since 2017, while deals above $100 million accounted for 26% of retail investment over the past year.[98]

Overall, we expect healthy Retail fundamentals over the forecast horizon. Space released through ongoing chain restructuring should be absorbed relatively quickly in stronger centers, particularly where trade areas are affluent, high-growth, or underserved. Vacancy should remain low, rent growth should remain positive, and limited construction should continue to support landlord pricing power.

Strategy

Strengthening fundamentals and healthier retailer financials have supported robust performance across retail real estate. Retail was the best-performing major property type for the third year in a row, outperforming the NPI benchmark by roughly 190 basis points in 1Q 2026. In a continuation of recent trends, malls and strip retail led the subindex, with total returns of 6.2% and 8.3%, respectively, while street retail underperformed at 2.2%. Consistent with the return profile, vacancy for strip retail was 5.9%, below its long-term average of 7.3%, while street retail vacancy was 12.6%, significantly above its long-term average of 5.7%.[99]

The Retail sector has undergone substantial transformation in response to evolving consumer preferences and the rapid expansion of e-commerce. The industry has made meaningful progress in omnichannel integration, supply-chain optimization, and cost management, with lessons accelerated by both the pandemic and the recent inflationary cycle. With limited distress, minimal overbuilding, and solid fundamentals, the sector is positioned for sustainable, steady performance.

Open-air and grocery-anchored centers remain best positioned to capture demand, benefiting from proximity to residential neighborhoods, essential retail offerings, and resilient foot traffic. Conversely, apparel- and lifestyle-focused centers continue to face structural challenges and will require reinvestment to stay competitive. Yet brick-and-mortar locations remain indispensable for retailers' omnichannel strategies, enabling faster delivery, efficient returns, inventory visibility, and experiential engagement – benefits that pure-play e-commerce cannot fully replicate.

Our Retail outlook remains favorable. Corporate balance sheets across much of the Retail landscape are sound, the disruptive phase of e-commerce has passed, and the risk of oversupply is low. Leasing is expected to remain stable, and the sector faces limited likelihood of major disruption over the coming years. We anticipate retail will provide competitive, income-driven, and relatively stable returns through the next cycle.

Geographically, the strongest risk-adjusted opportunities remain in high-growth Sun Belt markets and select affluent coastal markets where population growth, household formation, income growth, and limited construction reinforce the rent growth outlook. Exposure to slower-growth gateway markets should be more asset-specific, more basis-sensitive, and concentrated only in the best corridors or trade areas.

Our House View maintains a firm preference for necessity-based retail, particularly grocery-anchored and well-located neighborhood centers in high-growth markets. Differences in performance will continue to hinge on geography, asset quality, and tenant mix. As the cycle advances, retail is expected to remain a reliable income-oriented component within diversified real estate portfolios, supported by sustained demand, limited new supply, and stable occupancy.

Retail remains a constructive but selective allocation. The sector benefits from low vacancy, limited new construction, positive rent growth, improving capital flows, and stronger institutional demand. However, the opportunity is concentrated in formats and markets where supply scarcity, tenant demand, and demographic growth align. We remain overweight open-air, necessity-based, grocery-anchored, and service-oriented retail in strong trade areas, while remaining cautious on weaker malls, secondary street retail, and centers dependent on discretionary soft goods or large capital reinvestment.

[98] RCA. As of 1Q 2026.

[99] RCA. As of 1Q 2026.

Exhibit 10: DWS Retail Outlook

Target necessity-based retail	Maintain strong conviction in grocery-anchored, daily-needs, convenience, restaurant, medical, fitness, and service-oriented retail. Open-air suburban centers remain well positioned given recurring traffic, limited new supply, and resilient tenant demand.
Overweight strip and neighborhood centers	Favor well-located strip, neighborhood, and community centers in high-growth or high-income trade areas. These assets should continue to benefit from low vacancy, fast backfill, and landlord pricing power.
Proceed with caution on power centers	Power centers remain more exposed to tariff-related cost pressure, imported-goods retailers, big-box restructuring, and large-format backfill risk. Focus only on dominant centers with strong traffic, productive anchors, and flexible layouts.
Selective exposure to malls	Top-tier malls with luxury, entertainment, food-and-beverage, mixed-use potential, and strong sales can perform, but lower-productivity malls remain challenged by capital needs and tenant turnover. Avoid broad mall exposure.
Avoid transitional street retail and weak urban corridors	Street retail should be limited to prime corridors with durable foot traffic and strong tenant sales. Avoid secondary urban locations dependent on office-worker recovery or discretionary soft-goods tenants.
Favor high-growth and affluent markets	Maintain a market bias toward Sun Belt and select affluent coastal markets where population growth, household formation, income growth, and constrained new supply support rent growth.

Sources: DWS. As of May 2026.

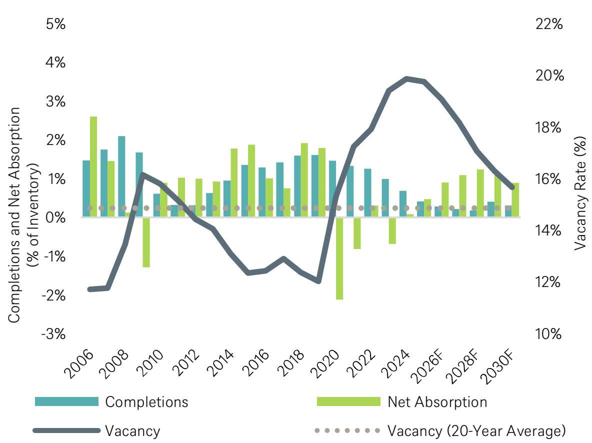
Office

Outlook

Office sector fundamentals are showing clearer signs of improvement in 2026. The sector is not fully recovered, and we are not yet calling an "all clear," but the direction of travel has improved meaningfully. The market has moved from broad-based contraction toward selective expansion, with the strongest momentum concentrated in high-quality buildings and select markets.

Demand has become more constructive. Leasing activity has continued to improve, and net absorption remained positive for the third consecutive quarter in Q1 2026, with San Francisco and New York among the largest contributors.[100] This marks a meaningful shift from the earlier post-pandemic period, when leasing was hampered by downsizing and delayed decision-making. Renewals remain common, but expansions and longer-term commitments are returning in selected markets, suggesting that tenants are becoming more willing to make strategic office decisions again.

Exhibit 11: Office Net Absorption and Completions as a % of Inventory and Vacancy Rate (2006 – 2030)



Source: CBRE-EA (history as of 4Q25) & DWS (forecast). As of May 2026.
Note: F = forecast. Aggregate of DWS's investable universe of markets. Past performance is not indicative of future results. No assurance can be given that any forecast or target will be achieved

The key qualifier is selectivity. This is not a broad "office is back" story. It is more accurately a "best office is tightening first" story. High-quality, well-located buildings are capturing a disproportionate share of demand, while older commodity assets continue to struggle.[101] CBRE data shows overall office vacancy declined to 18.6% in Q1 2026, while prime vacancy tightened more meaningfully to 12.7%.[102] That distinction matters because the recovery is not lifting all assets equally. Prime, amenitized, well-located buildings are benefiting first, while lower-quality assets remain exposed to weak leasing, elevated capital expenditure needs, and impaired ownership structures.

Return-to-office is also less of a headwind than it was earlier in the cycle. Hybrid work remains a structural cap on total office demand, but attendance continues to improve, particularly in financial and professional services, law and AI firms, and large corporate users. Kastle's tracked office occupancy reached 56.3%, while Class A+ buildings reached 78.8%, indicating that premium assets can approach more traditional utilization patterns, particularly on peak days.[103] The implication is that tenants may use less space overall, but they are still willing to pay for better space when it supports talent, culture, collaboration, and brand positioning.

The weaker part of the demand story is employment. While office leasing has improved, macroeconomic trends are becoming less supportive. Office-using employment has softened, and the outlook for several key office-using sectors remains uneven.[104] This limits the pace of recovery and argues against assuming a rapid return to pre-pandemic demand levels. In our view, the recovery is being driven less by a traditional employment-led office cycle and more by a combination of tenant normalization, flight-to-quality, constrained new supply, and inventory removals.

Supply (or a lack thereof) is now the most important structural support for the sector. New construction has fallen sharply, financing remains difficult for speculative projects, and conversions and demolitions are beginning to remove obsolete stock. CBRE noted that 2025 was the first year since it began tracking the market in 1988 in which inventory removals exceeded new completions.[105] This matters because office does not need a 2010s-style demand boom to stabilize. Lower deliveries and inventory removals can reduce vacancy even with only modest absorption.

Vacancy has started to move in the right direction. CBRE reported that overall office vacancy declined by 10 basis points to 18.6% in Q1 2026, while construction completions totaled only 1.3 MSF, the lowest quarterly level since CBRE began

[100] CBRE-EA. As of 1Q 2026.
[101] C&W. As of 1Q 2026.
[102] CBRE-EA. As of 1Q 2026.
[103] Kastle. As of 1Q 2026.
[104] BLS. As of May 2026.
[105] JLL. As of May 2026.

tracking completions in 1990.[106] The under-construction pipeline stood at 15.8 MSF, down 87% from its Q2 2020 peak.[107] These supply conditions should gradually improve the balance between occupied demand and available space, particularly in markets where obsolete buildings are being removed from competitive inventory.

Our vacancy forecast remains broadly consistent with the prior House View. Vacancy is expected to remain elevated in 2026 and 2027 but gradually decline in the outer years of the forecast, approaching a long-term equilibrium of approximately 16% by 2030.[108] This implies a delayed but not derailed recovery. We expect the improvement to become more visible from 2028 onward, as limited new supply, ongoing inventory removals, and selective demand growth work through the sector.

Our baseline forecast anticipates modest rent growth in the near term, with broader market recovery expected to gain traction after 2027. Market performance will remain highly uneven. High-growth Sun Belt markets such as South Florida, Austin, Charlotte, Dallas, and Nashville are expected to outperform, supported by demographic growth, business formation, and relative affordability. Slower-growth mature markets, including Chicago, Washington, D.C., and parts of San Francisco, are likely to remain more challenged, although San Francisco's recent leasing momentum suggests that technology and AI-related demand could create pockets of upside. Technology-focused markets remain uneven in the near term, but leasing momentum should improve as growth resumes across innovation-driven industries, particularly among artificial intelligence firms.

Strategy

The path forward for the U.S. Office sector remains uneven, shaped by wide variation in market performance, asset quality, building vintage, and ownership capitalization. Even so, the cumulative evidence across fundamentals, occupier behavior, supply dynamics, and capital markets indicates that the sector has moved from stabilization toward early-stage recovery.

Performance remains highly segmented. Assets most exposed to remote work, including older CBD and secondary business district properties, continue to face the greatest pressure from elevated vacancy, weak tenant demand, and significant capital expenditure requirements. In contrast, high-quality suburban assets, premier CBD buildings, and specialized subsectors such as medical office continue to show greater resilience. Medical office remains structurally advantaged because demand is less exposed to hybrid work and more closely linked to healthcare utilization, outpatient care growth, and demographic aging.

Elevated demolitions and conversions are continuing to remove obsolete office inventory from the market.[109] This trend should persist as capital markets liquidity improves and more distressed or impaired assets trade at reset pricing. With new office construction remaining historically low, the ongoing removal of older space should contribute to lower headline vacancy beginning in 2027 and become more visible later in the forecast horizon.

Large, expensive office markets have seen the sharpest retrenchment in new supply. The shift away from speculative CBD development began before 2020 and has accelerated. Where development has continued, the composition has changed. Traditional speculative for-lease office projects now represent a smaller share of new construction, while owner-occupied buildings, medical office, and life science space account for a larger share of the remaining pipeline. Looking forward, the office pipeline is likely to remain lean as long as existing buildings can be acquired at prices well below replacement cost. This scarcity of new supply should gradually support higher-quality existing assets, particularly where tenants have fewer first-generation space options.

At the same time, bifurcation between prime and non-prime assets has become one of the defining dynamics of the cycle. High-quality office space is expected to materially outperform the broader market as tenants prioritize location, amenities, transit access, environmental performance, technological readiness, and employee experience. As of Q1 2026, CBRE-EA reported prime vacancy at 12.7%, well below the broader market vacancy rate of 18.6%.[110] This spread confirms that the recovery is occurring first in the best buildings, not across the entire sector.

Capital markets are also showing early signs of improvement. Office investment volume is expected to rise in 2026, with CBRE forecasting a 20% increase.[111] Lender appetite has also begun to improve for higher-quality assets, with office loan-to-value ratios rising in Q1 2026.[112] However, stress has not disappeared. Many assets still face challenged capital structures, near-term debt maturities, limited leasing capital, and impaired ownership. The distinction is critical: buildings under financial pressure often lack the capital needed to transact, lease space, or fund improvements, while assets that traded at reset pricing in 2023 through 2025 are beginning to show better occupancy under new ownership.

Despite mounting signs of improvement, we maintain an underweight position in the Office sector. Near-term vacancies

[106] JLL. As of May 2026.
[107] JLL. As of May 2026.
[108] CBRE-EA, DWS. As of May 2026.
[109] CoStar. As of May 2026.
[110] CBRE-EA. As of May 2026.
[111] CBRE. As of May 2026.
[112] Trepp. As of May 2026.

remain elevated, cash flows are still under pressure, and recovery trajectories will continue to diverge sharply by market, asset quality, lease profile, and basis. Many capital structures remain stressed, and it may take several years for stabilized income to materially improve.

Therefore, we are selective rather than broadly constructive. We favor markets with strong structural growth drivers, including expanding technology ecosystems, robust job creation, healthy demographic momentum, and diversified occupier bases. We also favor assets with stable rent rolls, low near-term rollover exposure, high-credit tenancy, limited capital expenditure requirements, and clear competitive differentiation. The best opportunities are likely to come from assets that can be acquired at reset pricing but still have durable tenant appeal, manageable capital needs, and a credible path to income stabilization.

The combination of cyclical improvement and structural supply scarcity represents one of the more compelling long-term setups the Office sector has offered since the early 2010s. However, that opportunity is concentrated in a narrow segment of the market. We do not believe investors should underwrite a broad-based office recovery. Instead, the focus should be on future-ready buildings in markets where demand for high-quality space continues to outstrip new deliveries.

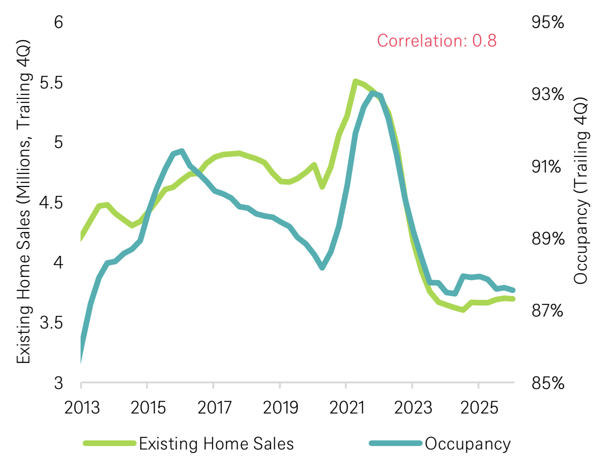
Artificial intelligence adds another layer of both upside and risk. On one hand, AI firms are already supporting leasing demand in markets such as San Francisco, Manhattan, and other innovation hubs. On the other hand, AI could increase workforce volatility over time as routine work becomes more automated. This means we should avoid assuming that AI demand will translate into broad-based office recovery. Instead, AI should be treated as a targeted demand driver for specific innovation markets and high-quality assets, not as a blanket solution for the sector.

In summary, the U.S. Office market is at an important turning point. Expanding tenant footprints, stronger return-to-office behavior, a historic contraction in new development, and rising levels of inventory removal are collectively shifting conditions in a more landlord-favorable direction. This momentum is likely to persist given the depleted state of the construction pipeline. However, the recovery remains selective and capital-intensive. We recommend navigating this transition with disciplined caution, emphasizing long-term positioning, durable income, low capital intensity, and exposure to high-quality, future-ready assets aligned with evolving workplace preferences.

Self-Storage

The Self-Storage sector remains in a transitional phase, shaped by below-trend housing turnover and the aftereffects of the post-pandemic supply surge. Demand has been constrained by elevated mortgage rates and affordability challenges, which have suppressed home sales and, by extension, reduced one of the sector's most important demand catalysts – moving activity. This environment has translated into softer operating fundamentals, with sector-wide occupancy stabilizing but remaining below prior-cycle peaks (Exhibit 12). Pricing power has also been limited on new move-ins, with operators relying heavily on existing customer rent increases to sustain revenue. Importantly, this dynamic reflects a demand environment where performance is being driven less by new leasing velocity and more by in-place rent growth, longer customer duration, and a moderation in deeply discounted move-ins, reinforcing the sector's reliance on existing tenant economics while demand remains subdued.[113]

Exhibit 12: Occupancy and Existing Home Sales



Source: NCREIF (Occupancy) and NAR (Existing Home Sales). As of March 2026.

Despite near-term headwinds, several data points suggest that demand may be inflecting positively off a trough. First, the housing market, while still constrained, has recently shown improvement in forward indicators. According to Redfin, pending home sales increased approximately 9% year-over-year to their highest level since 2022, signaling a meaningful pickup in transaction activity and buyer engagement.[114] Second, REIT operating data reinforces this improving trajectory. Q1 2026 marked an inflection point, with all major REITs posting flat or positive same-store revenue growth for the first time since 2024, alongside improved move-in activity and net absorption trends.[115] Notably, net move-ins increased materially year-over-year, with operators reporting the strongest gains since 2023 in certain portfolios.[116] Third, broader sector indicators point to stabilization in demand fundamentals. Industry data shows that occupancy has begun to stabilize, reflecting the end of the post-pandemic reset and a transition toward normalized seasonal patterns.[117] Additionally, top-of-funnel demand metrics such as search activity and move-in volumes have remained resilient, even amid weak home sales.[118]

The supply side of the equation is also favorable. The sector appears to be moving past the peak of the recent development cycle, with trailing 12-month deliveries declining year-over-year across the majority of markets.[119] While elevated supply from prior years continues to weigh on performance in certain regions, new supply pressures are easing and are expected to moderate further over time. Declines in planned and prospective projects, rising deferrals, and extended construction timelines all point to a more constrained supply outlook over the medium term.[120] At the market level, this dynamic is driving increasing dispersion in performance. High-supply Sun Belt markets such as Florida, Las Vegas, and Phoenix continue to face rent pressure as new deliveries are absorbed, while supply-constrained Midwest and Northeast markets – including Boston and Chicago – are demonstrating relatively stronger revenue and rent trends.[121] This bifurcation underscores the growing importance of localized supply-demand dynamics.

These trends suggest that the Self-Storage sector is moving through the final stages of its post-pandemic adjustment. Demand remains below historical norms but is clearly improving, supported by early recovery in housing activity, strengthening leasing trends, and emerging pricing stability. At the same time, supply growth is moderating as development pipelines contract and new project feasibility remains constrained. This is expected to stabilize occupancy, support rent growth, and position the sector for a more sustainable and durable growth trajectory over the medium term.

[113] Yardi Matrix. As of May 2026.
[114] Redfin. As of May 2026.
[115] TractIQ. As of March 2026.
[116] TractIQ. As of March 2026.
[117] NCREIF. As of March 2026.
[118] TractIQ. As of March 2026.
[119] Yardi Matrix. As of March 2026.
[120] Yardi Matrix. As of March 2026.
[121] Yardi Matrix. As of March 2026.

Real Estate Debt

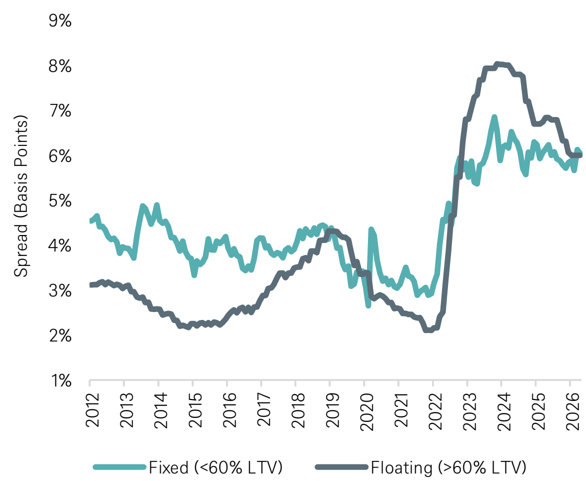
U.S. Real Estate Debt continued to perform comparatively well through the first quarter of 2026. Total returns on core (primarily fixed rate) loans were 6.4% (trailing four quarters), capping three years of superior performance relative to core real estate equity.[122] Underlying credit conditions were also generally healthy, in our view: Although delinquencies pushed higher on CMBS (to 9.1%, a 13-year peak), they stabilized at much lower levels at banks (1.6%) and insurance companies (0.3%).[123]

Lending activity also picked up. Commercial mortgage originations grew 53% (year-over-year) in the first quarter of 2026.[124] In our view, the increase partly stemmed from equity transactions, which jumped 30% (year-over-year) to their highest first quarter total in four years.[125] Yet with $875 billion of existing debt slated to mature in 2026, we believe that refinancing also played a significant role.[126] Alternative lenders, including private debt funds, accounted for the majority (53%) of loan closings in the first quarter, up from under 20% a year earlier, taking market share from banks, CMBS, and (to a lesser extent) insurance companies.[127]

Despite increased borrower demand, pricing has remained competitive, in our view a testament to persistent lender appetite. Apart from some minor volatility at the onset of the Iran conflict, spreads compressed over the past 12 months, converging toward their 10-year average.[128]

We believe that the outlook for real estate debt is positive. Although yields have come down slightly, they remain near their highest levels since the global financial crisis (see Exhibit 13). If interest rates remain broadly stable (our baseline scenario), real estate debt is positioned to potentially deliver historically attractive returns. Moreover, floating rate loans can in our view provide a hedge against the risk that interest rates move higher – whether due to inflation, concerns around fiscal sustainability, or other factors – which could adversely affect longer-duration real estate equity positions.

Exhibit 13: Real Estate Loan Yields



Source: Federal Reserve (Treasury, SOFR), Cushman Wakefield (spreads); DWS (calculations). As of April 2026.

To be sure, other forms of debt also carry elevated yields, a function of higher base rates. Yet unlike listed corporate bonds, in particular, real estate loans offer spreads that are well above historic tights.[129] Meanwhile, we believe that real estate credit risks are relatively contained and poised to ameliorate further. Property values are down around 20% from their peaks (in many cases to levels that are below replacement cost), and have begun to increase, in our view reducing the risk of collateral impairment.[130] And we believe that strengthening fundamentals, as supply is curtailed, should bolster property cash flow and debt service coverage.

[122] Giliberto-Levy (GL-1, debt); NCREIF (NPI, equity). As of March 2026.
[123] Moody's (CMBS); Federal Reserve (banks); ACLI (insurance). As of March 2026.
[124] Mortgage Bankers Association. As of March 2026.
[125] MSCI. As of March 2026.
[126] Mortgage Bankers Association. As of March 2026.
[127] CBRE. As of March 2026.
[128] Cushman Wakefield. As of April 2026.
[129] Bloomberg (corporate bonds); Cushman Wakefield (real estate loans). As of March 2026.
[130] NCREIF (values); Engineering News Record (replacement costs). As of March 2026.

Appendix 1: U.S. House Portfolio

The DWS House Portfolio represents our opinion of the allocation by property sector for core portfolios in the United States which we believe would outperform the NFI-ODCE. We develop the House Portfolio as an unlevered portfolio of properties without regard to tax consequences. The House Portfolio is formulated using both quantitative and qualitative modelling, integrated with our House View. The resulting weights, we believe, aid in providing long-term risk-adjusted outperformance to our house portfolios versus the market as a whole and against relevant benchmarks and indices. The analysis focuses on the four major property sectors and excludes hotels. The following table summarizes our conclusions on weightings in comparison with the NFI-ODCE.

Sector	ODCE Weights	House Portfolio	Active Bet (vs ODCE)	Range
Residential	31%	36%	+5%	31% - 41%
Industrial	34%	40%	+6%	35% - 45%
Office	18%	6%	-12%	1% - 11%
Retail	10%	15%	+5%	10% - 20%
Other	7%	3%	-4%	0% - 8%

Note: ODCE weights calculated as gross real estate value at ownership share. Totals might not add up to 100% due to rounding.
Sources: NCREIF; DWS. As of May 2026.

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Forecasts are not a reliable indicator of future returns. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

Appendix 2: Regional Allocations

The DWS House Portfolio represents our opinion of the allocation by region and division for core portfolios in the United States which we believe would outperform the NFI-ODCE. We develop the House Portfolio as an unlevered portfolio of properties without regard to tax consequences. The House Portfolio is formulated using both quantitative and qualitative modelling, integrated with our House View. The resulting weights, we believe, aid in providing long-term risk-adjusted out-performance to our house portfolios versus the market as a whole and against relevant benchmarks and indices. The analysis focuses across all four regions and their divisions. The following table summarizes our conclusions on weightings in comparison with the NFI-ODCE.

Region	Division	Key Markets	ODCE Weights	House Portfolio	Active Bet (vs ODCE)	Range
East	**Total**		**29%**	**24%**	**-5%**	**19% - 29%**
	Northeast	Boston, New York	21%	16%	-5%	11%-21%
	Mideast	D.C., Charlotte, Raleigh	8%	8%	0%	3%-13%
Midwest	**Total**		**6%**	**2%**	**-4%**	**0% - 7%**
South	**Total**		**22%**	**38%**	**+16%**	**33% - 43%**
	Southeast	Florida, Atlanta, Nashville	14%	24%	+10%	19%-29%
	Southwest	Texas	8%	14%	+6%	9%-19%
West	**Total**		**44%**	**36%**	**-8%**	**31% - 41%**
	Pacific West	California, Seattle	36%	26%	-10%	21%-31%
	Mountain West	Phoenix, Las Vegas, Denver	8%	10%	+2%	5%-15%

Note: ODCE weights calculated as gross real estate value at ownership share. Totals might not add up to 100% due to rounding.
Sources: NCREIF; DWS. As of May 2026.

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Appendix 3: Real Estate Target Markets

Investable Metros: We screened top U.S. metros, which represent 90% of the NCREIF Property Index, and identified the investment markets for each property sector that we believe have the best prospects during the market cycle or a portion of it. This metro selection is based on property market size, liquidity, growth characteristics, income, historical returns and other factors indicative of future performance. The list of these metros remains generally static, although some metros may be added or subtracted over time due to structural market changes.

Target Investable Metros: These are a subset of the universe of investable metros and include markets that we expect to outperform, or market-perform during the next three to five years.

Investable and Target Markets

↑ Overweight ↓ Underweight ↔ Market Weight

Market	Residential	Industrial	Office	Retail
EAST - Northeast				
Allentown		↑		
Boston	↔	↔	↔	↔
Harrisburg		↑		
New York	↓	↔	↔	↓
Philadelphia	↓	↔		↓
EAST - Mideast				
Washington D.C.	↓	↑	↓	↔
Raleigh	↑	↑		↑
Baltimore		↔		
Charleston	↑			↑
Charlotte	↑	↑	↑	↑
SOUTH - Southeast				
Atlanta	↑	↑	↑	↑
Ft. Lauderdale	↑	↑	↑	↑
Jacksonville	↑			↑
Miami	↑	↑	↑	↑
Nashville	↑	↑	↑	↑
Orlando	↑	↑		↑
Savannah		↔		
Tampa	↑	↑		↑
West Palm Beach	↑			↑
SOUTH - Southwest				
Austin	↑	↓	↑	↑
Dallas	↑	↑	↑	↔
Houston	↔	↔	↓	↔
MIDWEST				
Chicago	↓	↔	↓	↓
WEST – Mountain West				
Denver	↔	↓	↔	↔
Las Vegas	↔	↔		↔
Phoenix	↑	↑	↔	↑
Reno		↔		
Salt Lake City	↑	↔		
WEST – Pacific West				
Los Angeles	↓	↓	↓	↔
Oakland	↓	↔	↔	↔
Orange County	↔	↓	↓	↔
Portland	↓	↔	↓	↓
Riverside	↔	↓		↔
San Diego	↔	↓	↔	↑
San Francisco	↔	↓	↓	↓
San Jose	↔	↔	↔	↔
Seattle	↔	↓	↔	↑

This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions, and hypothetical models that may prove to be incorrect. Investments come with risk. The value of an investment can fall as well as rise and your capital may be at risk. You might not get back the amount originally invested at any point in time. Source: DWS International GmbH.

Appendix 4: Performance over the past 5 Years (12-month Periods)

	3/25-3/26	3/24-3/25	3/23-3/24	3/22-3/23	3/21-/22
Expanded NCREIF Property Index (NPI)	4.9%	2.8%	-6.9%	-1.2%	21.5%
Residential	4.9%	3.7%	-6.1%	-0.1%	23.9%
Industrial	4.4%	3.9%	-3.2%	2.3%	51.6%
Office	3.9%	-2.9%	-16.7%	-8.2%	7.0%
Retail	6.8%	6.5%	-0.8%	1.0%	6.8%
Other	7.4%	5.5%	-1.3%	4.9%	20.3%
Residential: Apartment	5.0%	3.5%	-6.6%	-0.4%	24.2%
Residential: Student Housing	3.8%	6.5%	2.4%	6.0%	14.2%
Residential: Single Family Rental	2.2%	4.3%	-3.4%	3.3%	N/A
Residential: Manufactured Housing	13.5%	13.4%	11.0%	7.6%	N/A
Office: CBD	4.3%	-3.7%	-21.8%	-11.4%	4.1%
Office: Suburban	5.4%	-0.9%	-12.8%	-6.7%	12.2%
Office: Urban	3.7%	-5.6%	-16.4%	-7.9%	6.1%
Office: Secondary Business District	5.9%	-4.4%	-12.4%	-7.0%	8.8%
Office: Life Science	-1.1%	-2.7%	-8.0%	2.0%	25.1%
Office: Medical Office	5.9%	4.3%	-2.5%	1.2%	12.5%
Industrial: Warehouse	4.3%	3.7%	-3.5%	2.1%	52.3%
Industrial: Specialized	5.5%	5.3%	1.3%	5.2%	47.4%
Industrial: Flex	5.0%	3.8%	-1.5%	5.2%	46.2%
Industrial: Manufacturing	6.0%	6.5%	-4.6%	0.5%	47.3%
Industrial: Life Science	1.1%	2.1%	-4.0%	9.0%	21.4%
Retail: Mall	6.2%	6.8%	-1.8%	-0.4%	5.1%
Retail: Strip	8.3%	7.0%	1.5%	3.1%	9.5%
Retail: Street	2.2%	2.1%	-8.1%	-1.8%	2.8%
Other: Self-Storage	7.8%	4.5%	-2.4%	6.7%	37.9%
Other: Senior Housing	12.8%	5.7%	-3.1%	1.1%	4.4%
Other: Other	4.3%	6.7%	-0.3%	3.5%	11.7%

	3/31/2026	3/31/2025	3/31/2024	3/31/2023	3/31/2022
NASDAQ Composite Index	24.8%	5.6%	34.0%	-14.1%	7.4%
S&P 500 Index	16.3%	6.8%	27.9%	-9.3%	14.0%
FTSE NAREIT All Equity REITs	6.8%	10.3%	10.4%	-19.2%	26.2%

Sources: NCREIF, Bloomberg, NAREIT, and DWS. As of March 2026.

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