GLOBAL CAPITAL MARKETS

NORTH AMERICA | Q2 2026

RESEARCH

GLOBAL SUMMARY

CONFLICTING OPPORTUNITIES

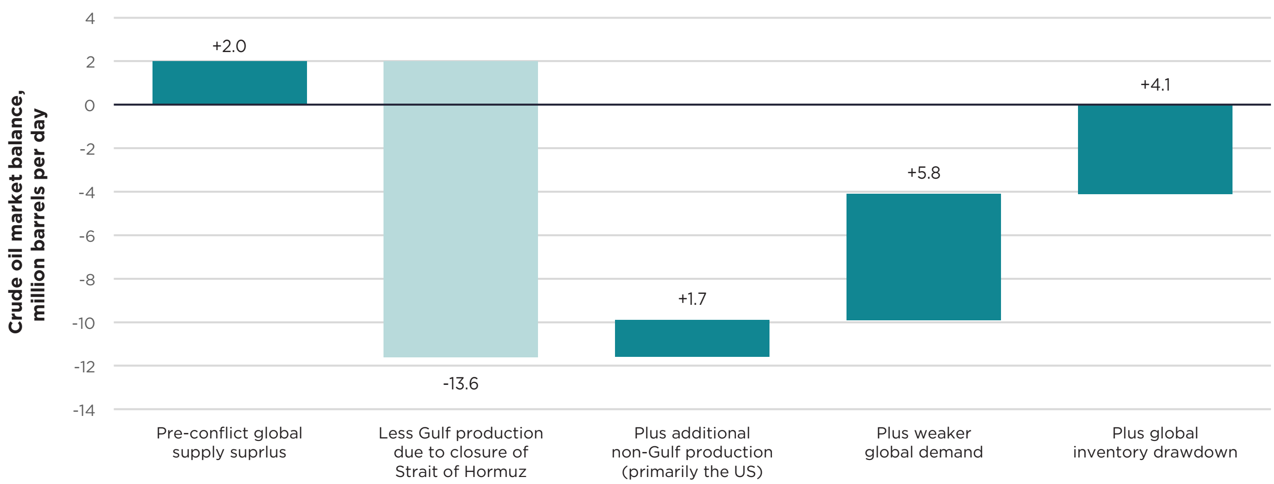
OLIVER SALMON
Director, World Research

As the year unfolds, conflict is becoming a defining global theme. Whether in trade, technology or geopolitics, competition and confrontation are increasingly shaping the economic outlook.

Beginning in Iran, hostilities resumed in July following a brief respite, sending energy prices sharply higher in the process. The global economy has so far proven resilient to what Fatih Birol, head of the International Energy Agency, described as the "biggest energy security threat in history". This resilience reflects weaker energy demand, particularly across Asia Pacific, as well as a substantial drawdown in global inventories, helping to keep the market broadly balanced.

However, reserves have fallen sharply, with inventories held by OECD nations reaching their lowest level since 1990, even before the recent US-Iran framework agreement. This places renewed focus on the duration of the conflict, as the oil market's ability to absorb disruption will diminish over time. The likely result is greater price volatility (even if we get a new deal), with implications extending well beyond energy markets through inflation, consumer and business sentiment, and the fiscal and monetary policy outlook.

GLOBAL OIL MARKET RESPONSE TO IRAN CONFLICT

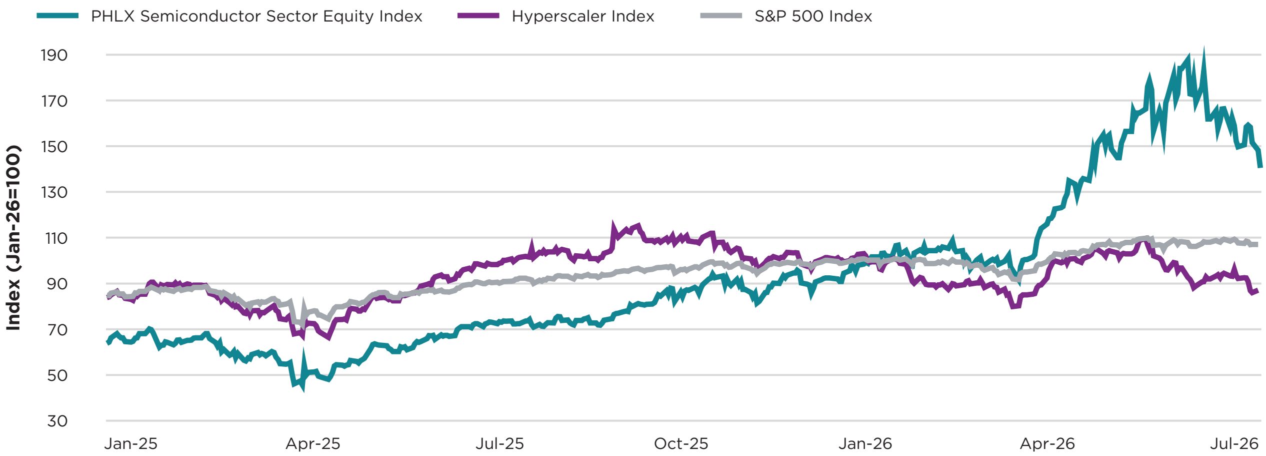


Source: Savills research using IMF. Based on comparison of market conditions in March-May 2026 period vs. January-February 2026.

While the conflict in Iran represents a clear headwind to the global economy, the risks surrounding AI are more balanced. AI remains firmly in a 'build-out' phase, with global hyperscalers competing aggressively for first-mover advantage. This race for technological leadership has already become a significant demand-side tailwind for global growth. The US sits at the centre of this trend, but China is not far behind, while other economies—particularly across East Asia—are benefitting through supply-chain exposure to a seemingly insatiable demand for semiconductors. The gains, however, are unevenly distributed, with other locations currently less exposed to the AI ecosystem and therefore capturing fewer benefits.

At the same time, the AI boom is creating growing concentration risks. Economic growth, corporate investment and equity market performance are becoming increasingly dependent on a small group of technology companies, while AI-related sectors continue to dominate stock market returns.
The sustainability of this trend ultimately depends on whether AI can deliver meaningful productivity gains and whether firms can generate sufficient revenues to justify unprecedented levels of investment. While adoption is occurring faster than in previous technological revolutions, evidence of widespread productivity gains remains limited. Any disappointment in productivity, earnings or growth expectations could prompt a reassessment of valuations, reduce investment and tighten financial conditions, particularly as higher interest rates raise the cost of capital.

US EQUITY MARKETS



Source: Savills research using Macrobond. 'Hyperscaler Index' based on equally-weighted index of Microsoft, Amazon, Alphabet, Meta and Oracle.

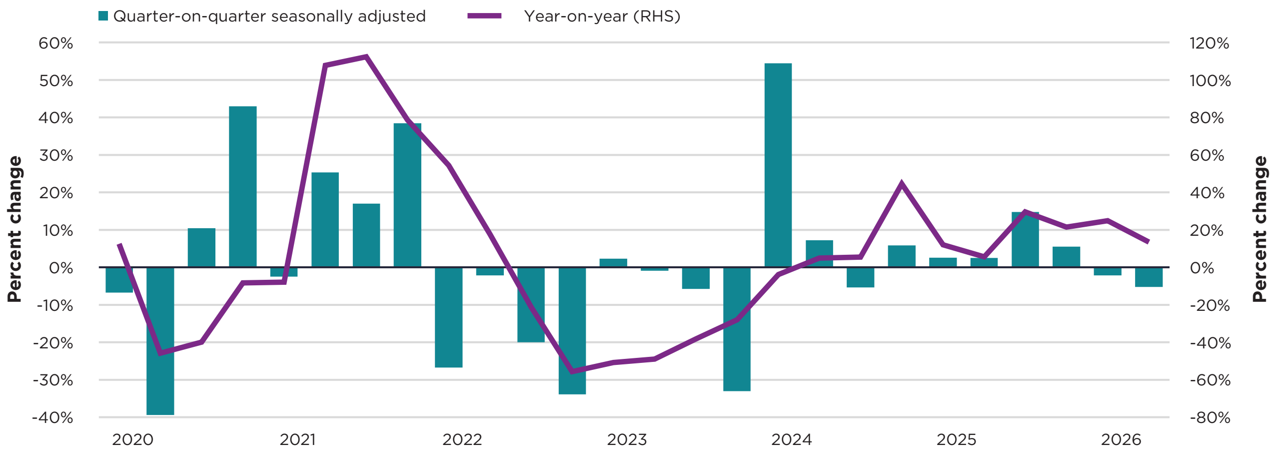
Finally, trade wars are back in the spotlight. US President Donald Trump has announced a new round of broad-based tariffs, using legislation originally designed to combat the use of forced labour. Levies of 10–12.5% have been applied to most US trading partners, replacing temporary rates that were due to expire after 150 days. The move represents the latest legal manoeuvre by the administration following the Supreme Court's decision to strike down the Liberation Day tariffs over the misuse of emergency powers earlier this year.

Tariffs have done little to reduce the US trade deficit or revive domestic manufacturing. However, they have become an important source of government revenue, helping to offset some of the fiscal costs associated with the One Big Beautiful Bill. As a result, while the latest measures do not materially alter the status quo, they signal a continued willingness by the administration to maintain—and potentially increase—tariff rates. Meanwhile, Europe is beginning to face a 'China Shock 2.0', as a wave of competitively priced Chinese exports puts pressure on domestic manufacturers. If met with additional trade barriers, this could become the catalyst for a much broader and more entrenched global trade war.

Against this backdrop, global real estate capital markets continue to display notable resilience. Sequential, seasonally adjusted investment growth fell into negative territory in early 2026, reflecting a deterioration in sentiment linked to the conflict in Iran. Yet the disruption has been relatively modest given the scale of the potential economic spillovers, and the broader trend remains positive. Global investment of approximately US$250bn in Q2 was 13% higher y/y. In addition, pending deals data—transactions under contract but not yet completed—points to an active pipeline entering the second half of the year, supporting our forecast for a 16% increase in global investment activity in the full year 2026.

Market activity is being supported by larger single-asset transactions and increased portfolio and M&A activity. This is somewhat counterintuitive in an environment characterised by elevated uncertainty and volatility, but it reflects a growing level of conviction in both market pricing and underlying fundamentals. Deal execution periods have lengthened, yet transactions are still progressing, while substantial pools of capital remain available despite a challenging fundraising environment. More fundamentally, the rebasing in activity that followed the rate-driven downturn of 2022–23 has left behind a more committed investor base that is willing and able to transact through the cycle.

GLOBAL REAL ESTATE INVESTMENT



Source: Savills research using MSCI RCA and Macrobond. Excludes development sites. Based on fixed exchange rates.

Ultimately, current macroeconomic conditions do not support indiscriminate risk-taking. Global growth remains positive, but not strong enough to drive a broad-based acceleration in leasing activity. Inflation risks remain skewed to the upside, keeping interest rates elevated, while geopolitical tensions are likely to remain a persistent source of volatility. The same is true of the financial risks associated with the AI build-out.

The key takeaway is that this is not a market devoid of opportunity, but one that places a greater premium on selectivity, conviction and a clear understanding of fundamentals as the anchor for income growth.

The fundamentals manifest in very different ways across sectors. Within the 'old economy' sectors, scarcity remains a major driver of opportunity, with location increasingly determining asset quality. Development activity across many retail and office markets has fallen sharply in recent years, creating pockets of value where occupiers compete aggressively for the best space.

In the 'new economy' sectors, by contrast, investors are focused more heavily on demand-side dynamics, supported by conviction in long-term structural growth drivers, whether demographic change or the rapid proliferation of new technologies. Investors are also widening their geographic search for value, meaning that while markets are becoming more selective, they are simultaneously broadening in scope.

Amid the noise, the foundations for the next phase of the cycle are being laid, leaving the market on a much healthier footing in the years ahead.

MARKET VIEW

RASHEED HASSAN
Managing Director, Global Capital Markets
shares his view on the market

The overriding theme for this last quarter is one of slight surprise. Since Covid-19, we've spoken often about the resilience of markets. However, that doesn't mean we haven't had 'buyer strikes' and periods of fast moving price falls, particularly after the Russian invasion of Ukraine and the resultant inflation shock and interest rate hikes.

However, overall, Q2 surprised on the upside. The implications of the situation in Iran are not local and the conflict has proven not to be the short, sharp process we were hoping for. Just before the war, oil was trading at c.$70 a barrel. It peaked at over $125, and although by the end of Q2 it was basically back down to where we started (note it has had some significant swings since), the conflict is not over and the World can see there is no simple and lasting resolution to pursue.

Beyond the oil price, the S&P500 was up to 7,500, up over c.7% from pre-war levels and almost 20% from its March low, in the early part of the conflict. Other markets have not had quite the same performance, but globally equity markets have shown strong recovery.

For real estate markets, the key benchmark is not the oil price, nor the equity indices. While these influence sentiment, the relevant risk free rate for government bonds is the measure against which yields/cap rates are compared. The most global metric is, of course, the 10 year US treasury yield. As at the end of Q2 this was up broadly 25bps on the start of the year. Given the macro situation, this doesn't feel dramatic.

When we look at benchmark real estate yields across the key markets and sectors globally, we haven't seen a uniform outward adjustment. Yields have broadly remained flat. I put this down to two things; the first is underlying rental growth/market dynamics, and the second is the low availability of assets to acquire.

To the first point, despite the resilience we speak of, the latest black swan event has knocked confidence again and reconfirmed that we live in a world of semi-permacrisis. The confidence knock affects the courage to develop new assets. Rising risk free rates and the prospect of interest rate rises, or at the very least the deferral of reductions, means aggressive exit underwriting is hard. The result is fewer development starts and those that do, need higher rents to be viable. Fewer starts means less stock availability, which means rising rents for existing assets too. Rising rents means investors can counter any increase in financing costs and exit yields in their underwriting.

The second point has been a feature of the market since 2022. Owners have been waiting for a 'better day' to sell, hoping for interest rates to fall and yields to follow.

As the wait continues, rents have been rising, which is helping asset values, as well as the justification to keep holding. The reduced flow of assets means that when something does become available it gets a greater amount of attention than it might otherwise get in a more liquid market.

Those investors that have equity to deploy and a conviction that now is the right time to enter, therefore have limited choices. Additionally, with a lack of new development, there are simply fewer examples of the very best brand new assets being created. Therefore, if one is released to the market, buyers that want the best don't have the luxury of waiting for another one to come along. This puts some of the power back with the vendor. All of this talks to price and is helping markets to withstand the broader turbulence.

This quarter has shown us that investors are trying to find ways to bid through the today and underwrite a better tomorrow, and we are seeing the effects of this in the numbers. For some, returning to my first point, this might be a surprise.

NOT ALL GROWTH IS CREATED EQUAL

OLIVER SALMON
Director, World Research

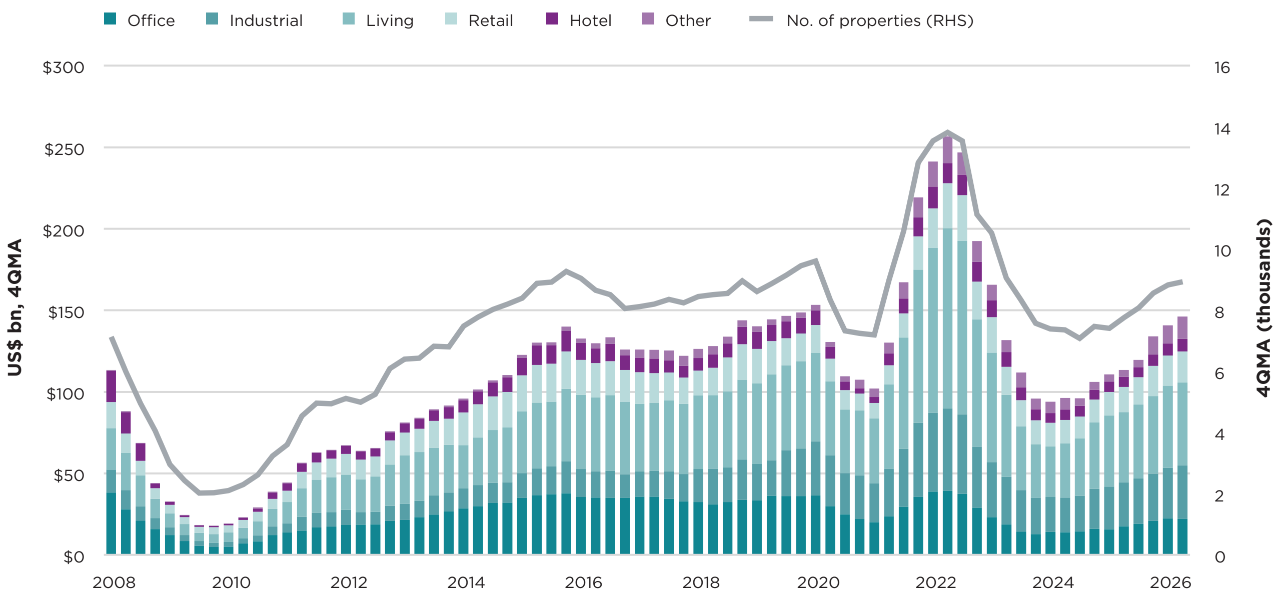
CHARLOTTE RUSHTON
Associate, World Research

The US commercial real estate market extended its recovery in Q2 2026, with investment reaching US$131bn, up 20% y/y. This lifted first-half activity to US$260bn, 23% higher than H1 2025, underscoring the resilience of the world's largest real estate market despite geopolitical uncertainty and concerns around the macroeconomic outlook.

Beneath the headline, however, the recovery is a mixed picture.

Growth continues to be disproportionately supported by portfolio transactions and large-scale M&A activity. Portfolio investment reached US$35bn in Q2, up 60% y/y, compared with 10% growth for individual asset sales. This trend, which has been building since late 2025, reflects both the scale of institutional capital targeting US real estate, and investors' growing preference for platform acquisitions to gain exposure to high-growth sectors.

US REAL ESTATE INVESTMENT



Source: Savills Research using MSCI RCA. Excludes development sites.

That is particularly evident in some of the more operationally intensive sectors. Senior housing, self-storage and data centres all recorded exceptional growth in the quarter, supported by long-term structural themes and increasing investor familiarity. In these sectors, acquiring individual assets can be a slow path to scale, making portfolios, operating platforms and corporate acquisitions a more efficient way to deploy capital.

The appeal of these alternatives helps explain the changing position of multifamily within investor portfolios. For much of the past decade, multifamily was the default operational real estate allocation, offering scale, liquidity and strong income fundamentals. While investment remains significant, capital is increasingly shifting towards sectors with stronger growth narratives and less exposure to supply concerns.

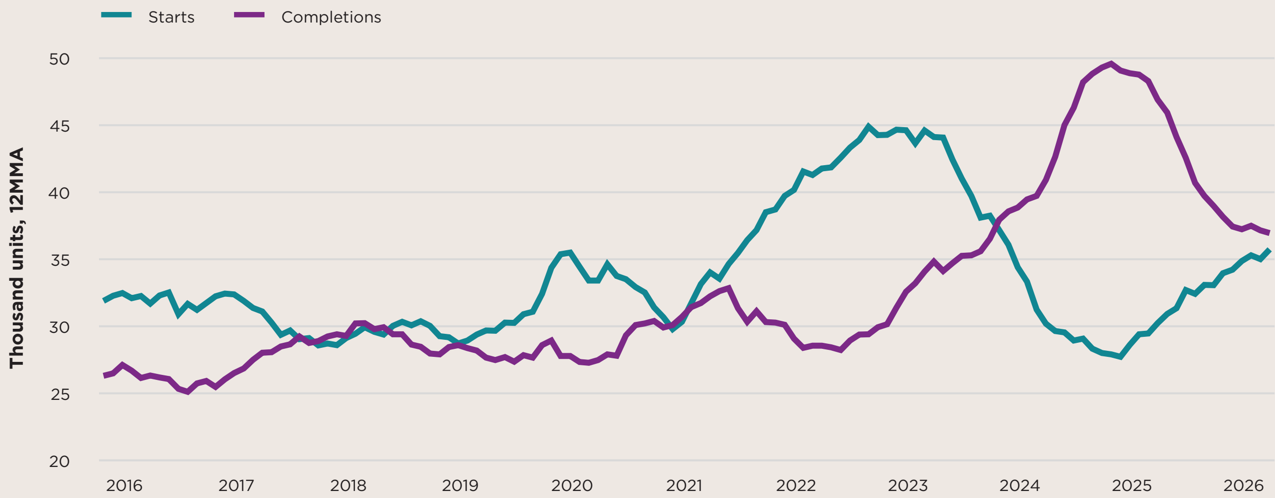
Investment into senior housing reached US$6.4bn, a 34% increase on the year, and the eighth consecutive quarter of double- or triple-digit growth. Indeed, the first and second quarters of 2026 were both the strongest on record. Investor conviction continues to be supported by strong tenant demand, with 19 consecutive quarters of occupancy growth and the lowest level of new supply since 2012. The National Investment Center for Seniors Housing & Care expects occupancy rates to exceed 90% by year-end, further reinforcing the sector's appeal.

Multifamily investment totalled US$36bn during the second quarter, broadly unchanged from a year earlier. However, this stability was heavily influenced by the US$3.5bn take-private acquisition of Veris Residential by Affinius Capital, representing Vista Hill Partners. Excluding this transaction, investment activity would have declined by approximately 10%.

Investor caution has also been driven by supply concerns in some regions. After the post-pandemic construction boom, some markets have absorbed elevated levels of new supply, weighing on rents and increasing rental concessions as landlords compete for tenants. This is most common in the South, where over one-fifth of units now have concessions applied, according to RealPage Analytics. Although completions have begun to moderate, housing starts have recently moved back above their long-term average.

However, RealPage data also highlights the strength of underlying fundamentals. The US multifamily market absorbed more than 187,000 units in Q2, with occupancy rising to 95.5%. Rent growth has also strengthened as this wave of new completions has moderated. Still, regional divergence is becoming increasingly important, with Midwestern markets outperforming while parts of the South remain under pressure.

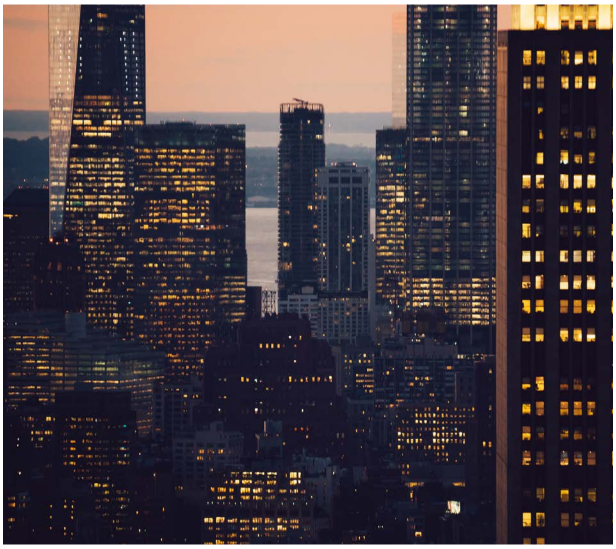
US HOUSING STARTS AND COMPLETIONS



Source: Savills Research using US Census Bureau. Data based on privately owned properties in structures with five or more units.

Selectivity is also shaping office activity, albeit for different reasons. Rather than oversupply concerns, investor demand is focused on a relatively small pool of assets capable of delivering sustainable income growth and long-term leasing resilience. Improving leasing conditions, falling availability and constrained development have supported renewed interest in high-quality assets, particularly in major gateway markets such as New York and San Francisco.

As a result, office transaction activity continues to recover, albeit unevenly. Following four consecutive quarters of growth exceeding 30%, investment fell 5% y/y in Q2, largely due to reduced portfolio activity.



Nevertheless, first-half investment reached US$40bn, up 16% on H1 2025, with gateway markets attracting a disproportionate share of capital, in line with occupational dynamics. Notable transactions included Vornados' acquisition of a 49% interest in Park Avenue Plaza in New York, valuing the asset at US$1.1bn.

Investor conviction is evident in market pricing, with office values now increasing faster than other major sectors, according to MSCI data, albeit from a low base, while a broader pool of active buyers has re-entered the market. Office REITs have also outperformed industrial and residential peers year-to-date, reflecting improved sentiment towards the sector.

Distress remains a feature of the market, but conditions appear to be stabilising. Delinquency rates remain elevated but broadly unchanged, while the pace of newly distressed assets has slowed materially, suggesting the most acute phase of the repricing cycle may now be in the past.

A similar pattern is visible in the retail sector. At first glance, investment appears healthy, rising 16% y/y to US$18bn in Q2. However, much of this growth was driven by the US$2bn acquisition of ECHO Realty by a consortium led by TPG. Beneath the headline, activity has moderated, with individual asset transactions rising just 6%. After more than a year of rapid growth, the pace of retail investment recovery appears to be normalising.

Capital continues to concentrate in segments offering the strongest income durability. Grocery-anchored retail, which makes up the majority of the ECHO Realty portfolio, has emerged as a favoured target for investors, reflecting the resilience of necessity-based spending and the sector's ability to generate stable, predictable cash flows. Domestic institutional capital has become increasingly active in the space, helping sustain activity despite a broader moderation in the sector.

Industrial and logistics remains the strongest-performing core sector. Investment reached US$33bn in Q2, up 28% y/y and marking the eighth consecutive quarter of double-digit expansion. Unlike many other sectors, growth has been driven by a broad increase in individual asset acquisitions, such as Prologis' US$300m purchase of a warehouse in California, rather than a reliance on large portfolio trades.

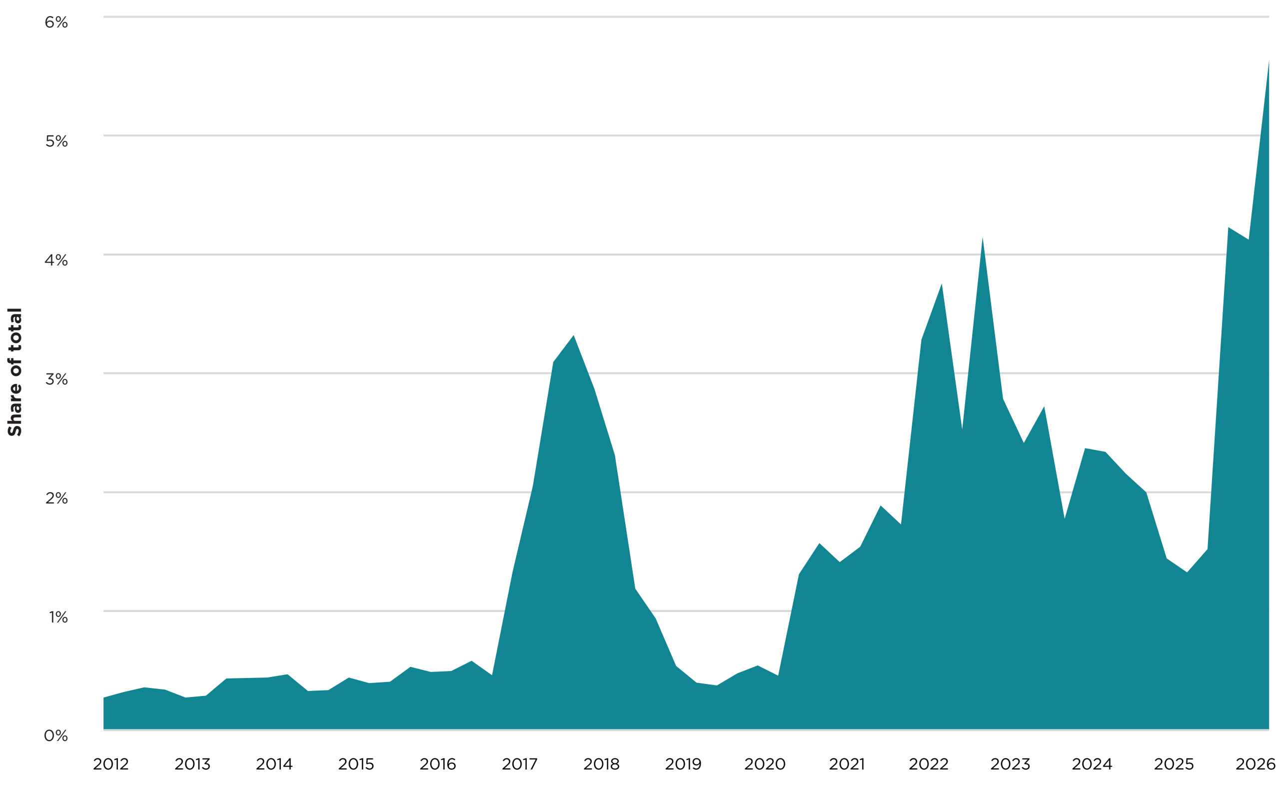
Transaction activity now sits just 2% below its 2021 peak, compared with a wider market shortfall of around 20%, highlighting the sector's continued appeal to both domestic and international capital.

Nevertheless, investors are becoming more discerning, with a performance gap emerging between coastal and inland occupational markets that may become more evident in asset pricing over the coming quarters.

The strongest growth, however, is in data centres. Investment reached US$8.4bn in Q2, almost twenty times higher than a year earlier. While growth rates are amplified by a low base of comparison, data centres now account for nearly 6% of all US real estate investment activity, with the sector attracting some of the largest pools of institutional capital globally.

The growth of this sector is expected to continue, as the sale of Macquarie Asset Management's Aligned Data Centers completed in mid-July for an enterprise value of US$40bn. It was purchased by a consortium including the AI Infrastructure Partnership, MGX and BlackRock's Global Infrastructure Partners, and demonstrates the scale of capital targeting digital infrastructure and its growing importance within real estate portfolios.

US DATA CENTRE INVESTMENT



Source: Savills Research using MSCI RCA.

Despite strong demand for data centres fuelled by the AI investment boom, the bigger question is where new capacity can be delivered. Grid constraints, power availability and connectivity are becoming significant barriers to development. Concerns from local communities about environmental impacts also mean data centre expansion is becoming increasingly politicised.

The growing importance of data centres reinforces a wider characteristic of the current cycle; capital is becoming more concentrated among a smaller number of sectors, transactions and investor groups.

This concentration is evident geographically. Despite geo-economic tensions and an increasingly isolationist rhetoric from the current administration, the US remains the world's leading market for cross-border real estate investment, benefiting from its unrivalled scale, liquidity and transparency. However, inbound capital has become increasingly concentrated among a smaller group of buyers. Canadian investors were particularly active during H1, accounting for almost half of all inbound investment, while many other overseas buyer groups were relatively subdued.

One notable exception was Japanese capital, which accounted for 14% of inbound investment in Q2, up 150% y/y, supported by deals such as SMBC's US$300m acquisition of a six-property logistics portfolio across the Southeast.

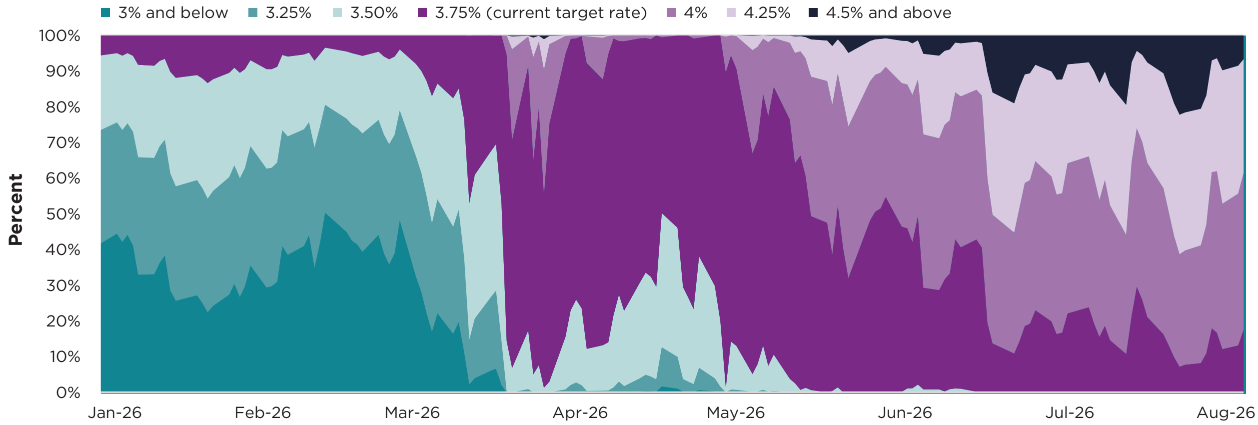
The Aligned Data Centres transaction is also partially backed by overseas capital and, given its scale, could help make 2026 one of the strongest years for cross-border investment in recent history.

Attention is also turning to sizeable refinancing requirements over the next 18 months. While refinancing has been a major theme globally for several years, distress has been contained as lenders have shown flexibility towards borrowers with strong assets and durable income streams. The greater risk is likely to be concentrated in specific assets and financing structures, particularly interest-only loans secured against properties where values remain below previous peaks.

The outlook for interest rates will be central to how this next phase unfolds. Investors have largely adapted to a higher-rate environment, and the recovery in activity suggests that price discovery has improved. However, a further increase in borrowing costs could slow capital deployment and place additional pressure on refinancing.

The US Fed has turned more hawkish, with core inflation remaining stubbornly above target. While rates were held at the July meeting, markets are pricing in the possibility of another rate increase before year-end.

US MARKET-IMPLIED PROBABILITY FOR END-2026 FED POLICY



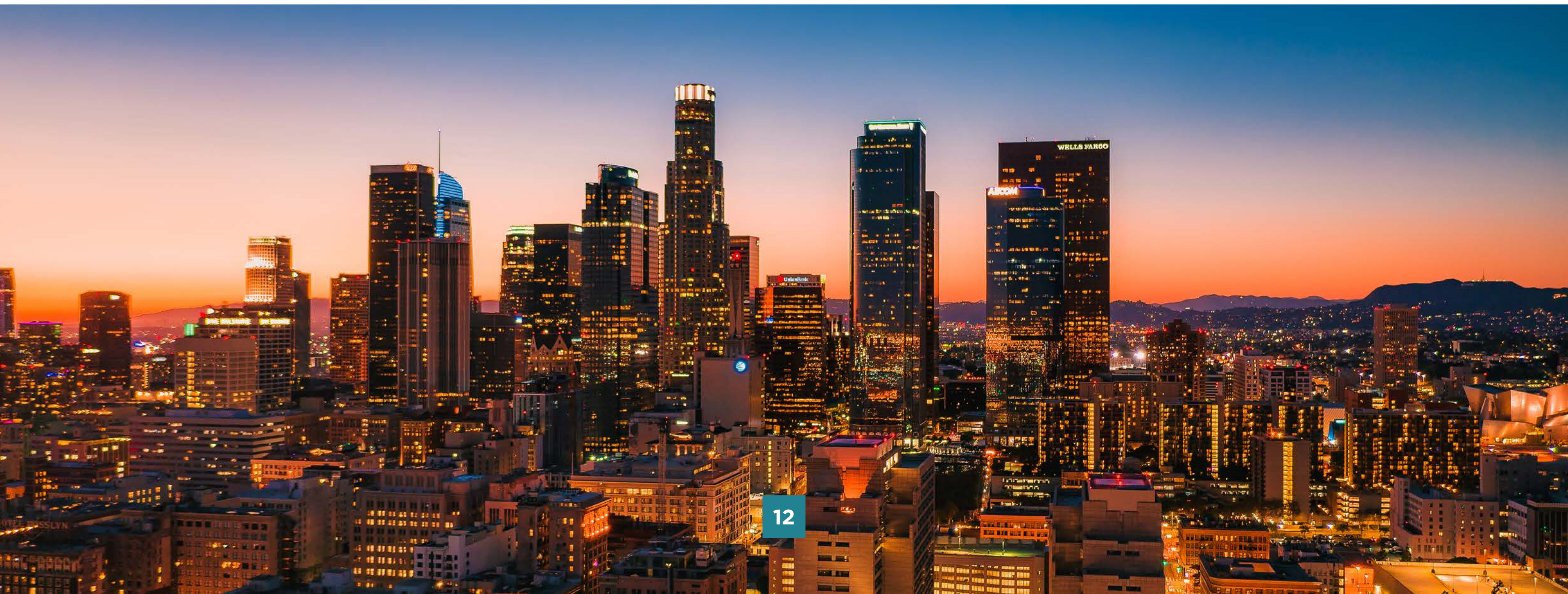
Source: Savills research using Macrobond

PRIME US YIELDS, Q2 2026 (AS AT END OF JUNE)

Sector	City	Prime net initial yield	Outlook for yields, next 12 months	Typical LTV	Total cost of debt	Cash-on-cash yield	Risk premium
Logistics	Northern New Jersey	5.25%	No change	65%	6.0%	3.9%	0.8%
Logistics	Los Angeles	5.25%	No change	65%	6.0%	3.9%	0.8%
Logistics	Chicago	5.50%	No change	65%	6.0%	4.6%	1.1%
Logistics	Houston	5.75%	No change	65%	6.0%	5.3%	1.3%
Office	New York	5.50%	No change	65%	6.3%	4.1%	1.1%
Office	Los Angeles	7.50%	No change	65%	6.3%	9.8%	3.1%

Source: Savills Research and Macrobond

Note: yields may be different to quoted values in markets where the convention is to use a gross rather than net value. Values based on end-of-quarter data. See Methodology for details.



VERIS RESIDENTIAL PRIVATISATION

Sector: Multifamily

Tenant: N/A

Lease length (WAULT): N/A

Area: 19 property portfolio

Price/NIY:
US$3.4bn / Undisclosed

Vendor: Veris Residential

Vendor nationality:
United States

Purchaser: Affinius Capital JV Vista Hill Partners

Purchaser nationality:
United States

Other comments:
The acquisition follows Veris Residential's five-year transformation from the office-focused Mack-Cali Realty into a pure-play multifamily REIT concentrated in the US Northeast. The agreed purchase price of US$19 per share represented a reported 13% premium to the company's most recent closing share price.

ECHO REALTY ACQUISITION

Sector: Retail

Tenant: Major anchor tenants include Publix, Whole Foods and Safeway

Lease length (WAULT): N/A

Area: 230 properties

Price/NIY: US$2.0bn / Undisclosed

Vendor: ECHO Realty

Vendor nationality: United States

Purchaser: TPG Real Estate JV PSP Investments JV La Caisse JV NBIM

Purchaser nationality: United States, Canada, Norway

Other comments:
A TPG Real Estate-led consortium acquired ECHO Realty, a grocery-anchored retail specialist that owns and operates approximately 230 retail centres across the Midwest and Southeast US.

METHODOLOGY

Net initial yields are estimated by local Savills experts to represent the achievable yield, including transaction and non-recoverable costs, on a fully let hypothetical grade A asset; for logistics, this is a big-box facility located in a prime location, let to a single good profile tenant on a 10–15-year open-market lease, for office, it is a building a located in the CBD of over 50,000 sqft in size, and for living, it is an asset of institutional scale in a prime location. The typical LTV and cost of debt represent the anticipated lending terms available in each market. Cash-on-cash returns illustrate the initial yield on equity, assuming the aforementioned LTV and debt costs. The risk premium is calculated by subtracting the end-of-period domestic 10-year government bond yield (as a proxy for the relevant risk-free rate of return) from the net initial yield. Yields may be different to quoted values in markets where the convention is to use a gross rather than net value. Data is end-of-quarter values.

Savills Research

We're a dedicated team with an unrivalled reputation for producing well-informed and accurate analysis, research and commentary across all sectors of the UK property market. To view copies of our previous Spotlight publications, go to **www.savills.co.uk/insight-and-opinion/**

Oliver Salmon
Global Capital Markets
World Research
+44 (0) 20 7535 2984
oliver.salmon@savills.com

Lydia Brissy
Director
European Research
+33 1 44 51 73 11
lbrissy@savills.fr

Nicholas Wilson
Senior Director
Strategic Research & Advisory
+65 8669 9267
Nicholas.Wilson@savills.asia

Rasheed Hassan
Managing Director
Global Capital Markets
+44 (0) 20 7409 8836
rhassan@savills.com

Charlotte Rushton
Associate
World Research
+44 (0) 20 7016 3856
charlotte.rushton@savills.com