

Hines

The Scarcity Advantage

2026 Midyear Outlook



Hinesight



The World Needs More Than It Can Build

A Letter from **David Steinbach**, Global Chief Investment Officer

Over the past several years, investors have spent considerable time debating growth, inflation, rates, geopolitics, and technology. Increasingly, the challenge across markets has not been finding demand, but delivering the supply needed to meet it.

This challenge has been driven by four powerful waves crashing into the global economy:

Intelligence. Advances in artificial intelligence (AI), automation, and computing have been increasing demands on digital infrastructure and the systems that support it.

Energy. Electrification, grid modernization, and rising power needs have put more pressure on energy systems around the world.

Security and Sovereignty. We have seen governments and businesses rethinking supply chains, manufacturing footprints, and strategic capacity after they spent decades prioritizing efficiency.

Demographics. Aging populations, migration patterns, housing shortages, and household formation trends have been changing how and where people live and work.

These waves have been increasing demand for the same things—land, labor, power, materials, infrastructure, and development capacity—at a time when new supply has been difficult to deliver.

Construction activity has fallen sharply across many markets. Entitlement processes have been lengthy. Labor shortages have persisted across key trades.

As supply constraints transform the global economy, opportunities appear to be emerging where demand has been durable and future capacity has been hardest to deliver.

Infrastructure projects have needed years of planning and execution. In many sectors, replacement costs have been rising faster than new supply can be brought online.

Meeting these challenges will likely require significant investment in real assets that expand capacity: the housing that demographic change demands, the industrial facilities needed for reshoring, the infrastructure required by energy systems, and the physical foundation that enables technological advancement.

We see the strongest opportunities where long-term demand is supported by structural constraints on future supply, creating the potential for stronger pricing power and rental growth over time. In some cases, that could mean acquiring existing assets at a reset basis where replacement has become increasingly difficult. In others, it could mean selectively creating new supply where barriers to entry, execution capabilities, and durable demand could support long-term value.

Today, these opportunities are emerging across the global living sector, select industrial markets, powered land, mixed-use developments, retail, office credit,

and targeted development opportunities. But unlike in previous cycles, we expect investment outcomes to rely less on simply identifying where demand will grow and more on understanding where capacity will likely remain constrained.

As a result, we expect this cycle to reward execution as much as market timing—a dynamic that would favor investors with development, operating, and recapitalization capabilities across markets and sectors.

The investment environment will continue to evolve. The relative influence of intelligence, energy, security, and demographics will likely shift over time. What is less likely to change is the importance of capacity.

Markets often focus on what is growing. We believe that investors should pay equal attention to what remains difficult to build, difficult to replace, and difficult to replicate.

Those constraints may prove to be among the most valuable assets of the next decade.

David Steinbach
Global Chief Investment Officer

Moving Before the Recovery Is Obvious

We believe that pricing, financing, and sentiment have normalized enough to create a better entry point for selective capital.

By **Joshua Scoville**, Global Head of Research

The market no longer seems frozen, but some sectors are warming up more than others.

After two years of repricing, tighter financing, and uncertain sentiment, real estate has started to offer a better entry point for selective capital. Debt markets have been reopening, transaction activity has been returning, and pricing has reset across many sectors.

But this is not a broad leasing rebound, and it is not a moment for indiscriminate risk-taking.

We believe the opportunity is more specific: Act where reset pricing, executable capital structures, and credible demand catalysts intersect. That means leaning into assets and markets where fundamentals are supported by scarcity, income durability, operational upside, or long-term structural demand, while avoiding broad beta calls in sectors still working through supply, financing, or demand uncertainty.

The Macro Picture: Growth with Friction

Annual gross domestic product growth has been positive in most major economies, led by India, Hong Kong, Denmark, China, South Korea, and Poland (see Figure 1). The U.S. economy continued to expand as well, but with growth closer to the middle of the pack. That matters for private real estate because positive growth could help stabilize occupier demand, but it

does not automatically create enough demand acceleration to bail out every sector and market.

The harder macro issue is inflation. Several markets have seen annual inflation reaccelerate, and in the U.S., it has remained too high to allow investors to assume an easy and immediate return to aggressive policy easing.

Inflation could support nominal

Key Takeaways

The market has been thawing, but the opportunity set remains selective. Pricing has reset, financing has become more available, and transaction activity has been returning—but broad risk-taking is still premature.

Capital markets have improved faster than leasing fundamentals. Better liquidity has created entry points, but asset-level fundamentals have been uneven across sectors and markets.

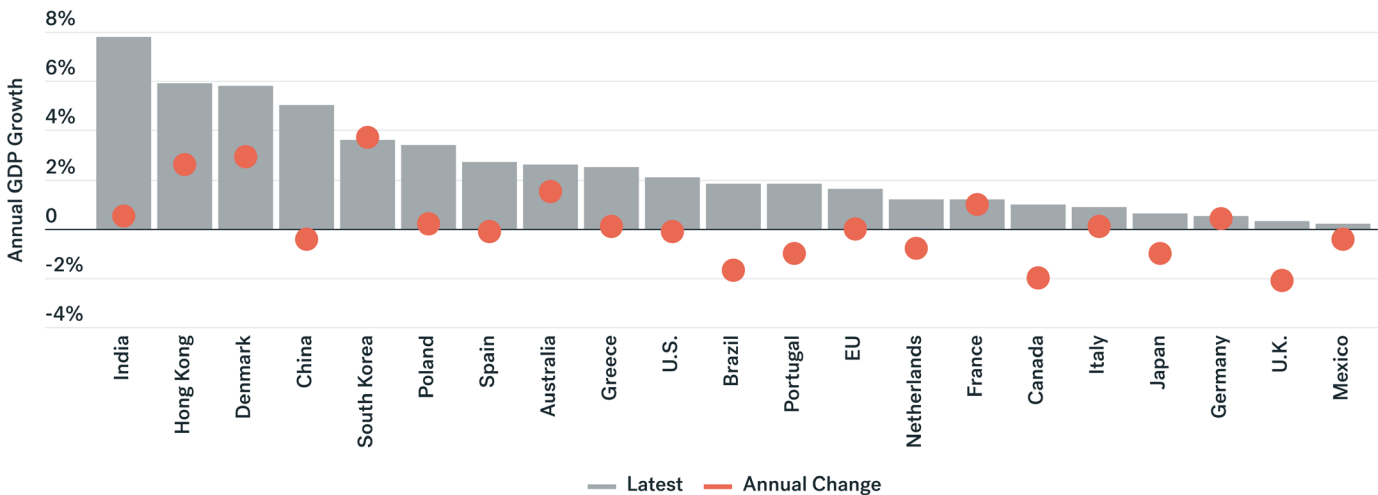
Capacity constraints have been driving the strongest opportunities. Assets and markets with constrained future supply and durable demand have been best positioned for income growth and value creation.

Returns are likely to come from execution, not falling interest rates. We believe investors should focus on income growth, operational performance, and buying at a reset basis rather than relying on capitalization-rate compression.

Conviction matters more than market timing. We see the most compelling opportunities where pricing, capital structure, and long-term demand drivers have aligned.

The broad implication for investors? Selective deployment is warranted, but broad risk-on behavior is premature.

Figure 1: Growth Has Been Positive Across Markets



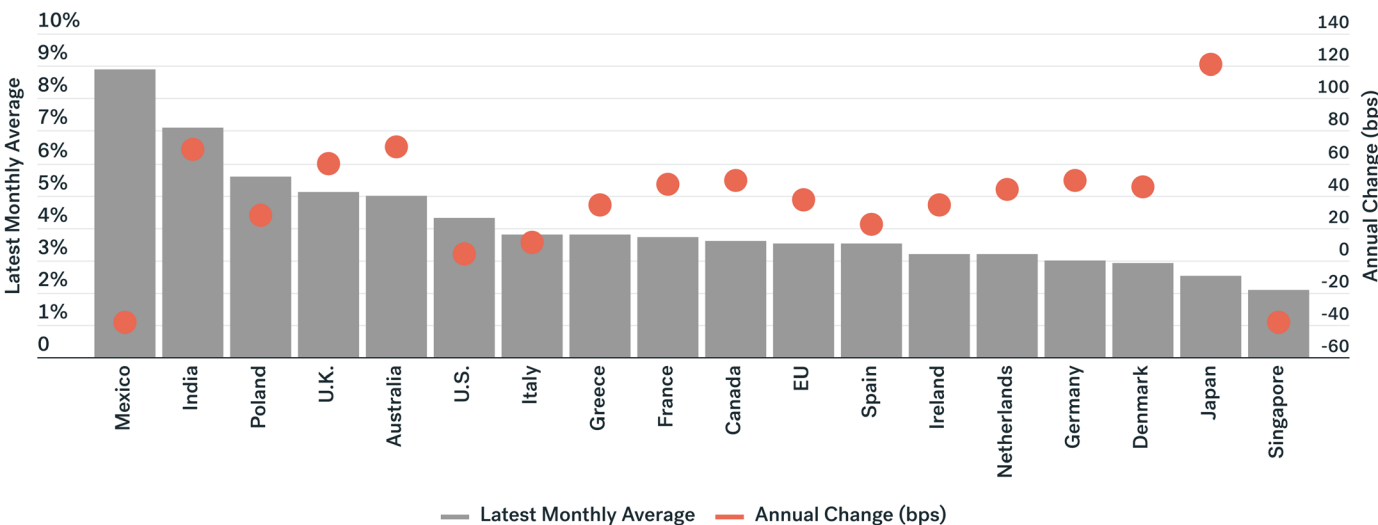
Sources: CEIC and Hines Research. As of Q1 2026.

rent growth, especially where supply is constrained, but it could also raise replacement costs, construction risk, operating expenses, financing costs, and exit-rate uncertainty. That tradeoff is especially important for new development, where higher required returns and uncertain exits could delay starts and create scarcity later in the decade. We expect that

the resulting scarcity could provide a durable foundation for rental growth in markets where structural demand persists. Bond yields have been reinforcing that message. Sovereign yields have been elevated across the U.S., the U.K., Australia, Europe, Japan, and several emerging markets (see Figure 2). Real estate could still perform

when nominal yields are higher. But value creation needs to be driven more by income growth supported by constrained supply, operational execution, and acquiring assets at a reset basis, rather than from cap-rate compression, in our view. This is a different playbook than the one investors used during the long period of falling interest rates.

Figure 2: 10-Year Sovereign Yields Have Been Elevated



Sources: CEIC and Hines Research. Latest monthly averages as of May 27, 2026.

Real estate could still perform when nominal yields are higher. But value creation needs to be driven more by income growth supported by constrained supply, operational execution, and acquiring assets at a reset basis, rather than from cap-rate compression, in our view.

Energy and tension in the Middle East have continued to be important swing factors. Oil prices have stayed below their recent peaks, and while the futures curve has ticked up recently, it has remained relatively flat. This suggests that markets expect the conflict to remain benign going forward. Consumers appear less convinced, as inflation expectations have stayed elevated.

The resulting message is neither recessionary enough to stop all deployment nor benign enough to underwrite broad beta calls. We believe that the macro framework supports selective acquisition, credit, and development options where the downside could be protected by basis, scarcity, or strong local fundamentals.

Sector Updates: Where to Find Deployment Opportunities

Across sectors, the strongest opportunities have increasingly shared a common characteristic: Demand has been growing faster than new supply can be delivered. In different ways, the four waves of intelligence, energy, security and sovereignty, and demographics have been contributing to that dynamic, creating pockets of scarcity that have begun to shape fundamentals, capital flows, and development activity.

To assess how those dynamics are showing up in fundamentals across the sectors discussed here,

Hines Research uses its Leasing Environment Health Score (LEHS), a composite measure of vacancy, rent growth, and demand growth (see Figure 3). Scores range from 0 to 100, with higher scores indicating stronger leasing conditions relative to a market's own history. While the score is backward-looking, it can help inform a forward-looking view over the next one to two years. A low score does not necessarily imply a poor investment opportunity, particularly when pricing has reset and future supply and demand trends are improving.

Figure 3: Leasing Environment Health Scores by Market and Sector

U.S. Apartment

Record-high vacancy rates and flat rents, but regional disparity has persisted, with supply-heavy Sunbelt lagging while many others have been resilient. Quarterly starts fell to the lowest level in 14 years, which should set up better conditions in a couple of years

U.S. Industrial

Demand improving, but occupancy and rent growth still declining; starts off significantly, but 340 million square feet still under construction; adjusted construction score hovering near cyclical lows

U.S. Office

Q2 2026 trending toward fourth straight quarter of positive absorption, driven by pent-up demand as office-using employment growth remains weak; construction at record lows

U.S. Retail

Weak demand growth possible due to high occupancy rates; rent growth slowing but remains above average

Europe Apartment

Rent growth was the primary score driver, which has slowed to 3.9%, down from 5.9% a year ago

Score	Quarterly Trend	Annual Trend
30	↓	↓
32	→	↓
26	↑	↑
54	↓	↓
60	↓	↓

	Score	Quarterly Trend	Annual Trend
Europe Industrial Rent growth slowed to 1.8% in 2025, but supply and demand coming into balance	41	↓	↓
Europe Office Prime assets in mixed-use inner-city submarkets outperforming	39	→	↑
Europe Retail Rent growth trending up, surpassing 5% in 2025	48	↑	↑
Tokyo Industrial Recovering from brief period of overbuilding, but vacancy rates declining from record peaks and rent growth accelerating	91	↑	↑
Tokyo Office Market remains tight with strong rent growth in a relatively volatile market	88	↓	↑
Tokyo Residential Market has been very healthy, though softer forward leasing demand growth is possible due to already-high occupancy rates and limited remaining vacancy to absorb. Rent growth has remained at series high, supported by resilient household demand, strong wage growth, and constrained supply	89	↓	↓
Tokyo Retail Fundamentals data limited to rent growth but reaccelerated in Q1 2026 to 8.1%	76	↑	↓
Seoul Office Four quarters of negative net absorption and modest supply causing previously hot market to soften; rent growth still solid and Gangnam outperformed due to lack of supply and stickier demand	50	↑	↓
Seoul Residential We expect that leasing demand should remain supported by Seoul's shift from jeonse ¹ to monthly rent, limited available rental supply, and high for-sale housing costs. Rent growth has remained positive amid tight supply. However, demand growth could moderate if affordability pressures continue to build	57	↓	↑
Seoul Warehouse 10-year time series limits the analysis, but demand growth has continued to soften and vacancy rates remained in the mid-teens due to previous supply wave; overbuilding most acute in the north	15	↑	↓
Singapore Retail Vacancy remained low at <2% but demand has softened over the last 12 months with flat rents. Limited new construction and below-trend rents should support improved go-forward growth	24	↓	↓
Australia Warehouse Analysis limited to rent growth, which slowed to 1.3% in Q1 2026, the weakest in five years	34	↑	↓
Sydney CBD Office Sydney office leasing demand has been on a positive trend, but tenants have been selective, with demand concentrated in high-quality CBD assets; elevated vacancy has given tenants more choice. Rent growth has been accelerating, particularly for prime space, but broader leasing momentum has been constrained by some tenant caution and weaker demand for poorer quality space	60	↑	↑
Sydney Regional Centers Rent growth accelerated to 3.2% in Q1 2026, the strongest in more than 15 years	56	↑	↑

Sources: CoStar, CBRE, JLL, and Hines Research. As of Q1 2026. Scores above 70 indicate landlord-favorable leasing conditions, scores below 30 indicate weak leasing activity, and 50 represents the long-term average.

Living

Living has been the sector with the clearest long-term demand story, but the near-term opportunity has varied sharply by market. The structural case has been grounded in affordability pressure, limited for-sale inventory, demographic formation, and the global undersupply of housing.

In **the U.S.**, however, the leasing environment has remained difficult, with an LEHS of 30 given record vacancy rates and flat rents. That said, the weakness has been uneven. While national market-rent growth has remained subdued, markets with limited new deliveries and well-located high-quality assets have continued to deliver healthy rent growth. Supply-heavy Sunbelt markets have continued to lag, while markets with limited new deliveries in the Bay Area, Midwest, and East Coast regions, as well as stronger household formation in the Northwest, have been better positioned.

Forward-looking fundamentals should strengthen because new starts have fallen sharply. Quarterly apartment starts have fallen to the lowest level in 14 years, which should improve the supply-demand balance over the next couple of years. That

Living has remained a high-conviction sector, but we believe that investors should distinguish between long-term undersupply and near-term oversupply.

could create a window for investors who can buy through near-term weakness at a reset basis, particularly where supply pressure appears temporary and long-term demand remains intact.

In **Europe**, the apartment LEHS was stronger at 60, although rent growth slowed to 3.9% in the latest Q1 data, down from 5.9% a year earlier. That still points to a more durable landlord position than in many U.S. apartment markets.

In Developed **Asia**, institutional rental housing has been less mature outside Japan, but this is rapidly changing with capital drawn to strong fundamentals. The latest apartment LEHS was strong at 72. Wage growth, demographic shifts—particularly increased single-person households—and tight supply conditions in markets

such as Seoul have continued to support above-inflationary rent growth (about 5% year over year) and a favorable medium-term view.²

Student housing has been attractive where low provision rates, strong universities, and restricted development pipelines overlap. That is especially true in Europe, where markets like Paris and Barcelona have been seeing student growth and strong international demand.

Living has remained a high-conviction sector, but we believe that investors should distinguish between long-term undersupply and near-term oversupply. The best opportunities are likely to be acquisitions or recapitalizations in markets where vacancy has been supply-driven, construction starts have fallen, and affordability has supported renter demand.



Case Study: Investing at Scale in Berlin's Structural Housing Shortage

Marienhöfe is an 85,130 square-meter residential-led mixed-use development in Berlin, Germany, comprising 12 buildings and approximately 21,000 square meters of commercial space. The project plans to include 800 residential units, a medical center, a kindergarten, an assisted living facility, and neighborhood retail and leisure spaces. Acquired through an off-market forward-funding transaction, Marienhöfe presented a rare opportunity to deliver a large-scale residential neighborhood in one of Europe's most supply-constrained housing markets.

 [Click Here to Learn More](#)

Retail

Retail has been benefiting from one of the most underappreciated supply stories in commercial real estate. In **the U.S.**, the sector scored 54 in our leasing framework, above the long-term average but not yet signaling a broad landlord boom. Demand growth has slowed, although limited available space may be part of the reason. Retail development has been slower for more than a decade, and obsolete space has been removed or repurposed.

We believe the best retail assets now operate more like localized infrastructure than generic shopping space, demonstrating trade-area dominance, tenant productivity, necessity demand, and the ability to curate a relevant tenant mix and shopper experience.

We believe the best retail assets now operate more like localized infrastructure than generic shopping space, demonstrating trade-area dominance, tenant productivity, necessity demand, and the ability to curate a relevant tenant mix and shopper experience.

Grocery-anchored centers have been the most intuitive institutional opportunity, but selectivity is critical. The spread between winners and losers has widened. A grocer's competitive position, lease structure, rent-to-sales profile, and trade-area

relevance have mattered as much as the presence of the anchor itself.

In **Europe**, retail fundamentals have stabilized, with rent growth accelerating to more than 5% in 2025.³ Retail parks have continued to lead the sector, benefiting from sustained growth in visitor traffic and lower vacancy rates than other retail formats. We favor markets with clear supply constraints and healthy consumer fundamentals, including France, Spain, Italy, and the U.K.

In **Asia**, we continue to favor grocery-anchored retail in Australia, where strong population growth and negligible new supply have been supporting fundamentals. The average LEHS has rebounded from a pandemic low of 8 to 58 as of Q1 2026, its highest since 2010.⁴ Sydney regional shopping centers remain our preferred subsector, supported by accelerating rental growth. We also see relative value in defensive retail in Singapore, where we expect fundamentals to strengthen.

We do not view global retail as a generic recovery call. We see it as an income and scarcity call. The most compelling opportunities have been necessity-led centers,⁵ dominant urban or transit-served assets, and Asian retail markets where supply has been low relative to demand growth.



Case Study: Grocer-Anchored Mixed-Use Retail Positioned for Long-Term Growth

The Source is a 262,031-square-foot grocery-anchored mixed-use retail property in the heart of White Plains, New York. Developed in 2003, the property occupies a prominent, highly visible corner adjacent to I-287, the Westchester Mall, and Bloomingdale's. Acquired in 2023 from a distressed open-end fund, The Source is Hines flagship core-plus strategy's first New York metropolitan acquisition and first grocery-anchored retail investment.



[Click Here to Learn More](#)

Industrial

Industrial fundamentals have been in transition. The sector continued to benefit from long-term tailwinds tied to e-commerce, inventory strategy, AI-related infrastructure investment, supply-chain reconfiguration, and the need for modern logistics near population centers.

The near-term data, however, have been suggesting a more cautious reading. **U.S.** industrial scored 32 in our leasing framework. Demand has been improving, but occupancy and rent growth have continued to decline. While starts have responded to softer fundamentals, 340 million square feet have remained under construction.⁶ That lingering supply wave has continued to pressure rent growth, particularly in outer-ring locations⁷ that

received the heaviest development during the prior cycle. More recently, however, demand trends in that part of the market have also picked up.

The industrial market is not uniform. We believe that smaller infill warehouses, facilities near irreplaceable infrastructure, and markets with limited entitled land should hold up better than commodity bulk product in overbuilt corridors.

Europe scored 41 in our leasing framework, with rent growth slowing to less than 2% in the most recent data as supply and demand move closer to balance. Developed **Asia** has been more differentiated, with an aggregate LEHS of 56. Tokyo industrial scored 91, reflecting a strong recovery from recent overbuilding, declining vacancy from record peaks, and accelerating rent growth. Australia's warehouse

sector has been weaker, with rent growth slowing to 1.3% in Q1 2026, the lowest in five years.⁸ Fundamentals in Seoul have been bottoming out after a period of significant oversupply, and development economics have been challenging. We expect dry warehouse vacancy to fall rapidly, though the pace of recovery may vary by submarket.

The implication is that industrial should be a fast-follow strategy rather than a blanket overweight. We believe that investors should focus on scarcity, modern building specifications, infill location, and basis reset. A second wave of supply-chain reconfiguration, together with AI-driven infrastructure investment, could create new corridors of opportunity, but the sector still needs to finish digesting the last supply wave in several markets, in our view.



San Pietro Mosezzo Logistics Park
Province of Novara, Italy

In select U.S. cities, including New York and San Francisco, the office recovery has begun to move beyond the very top of the market. Even so, the financing environment still requires caution.

Office

We no longer see office as a blanket avoid but believe that conviction must come from asset-level evidence, not thematic optimism. **U.S.** office scored 26 in our leasing framework, the weakest among the major U.S. sectors. That number reflects ongoing pressure from weak office-using employment growth, elevated vacancy, and still-uncertain tenant space needs. Yet the trajectory has been improving from a low base. As of early June 2026, the second quarter has been trending toward a fourth consecutive quarter of positive absorption,⁹ helped by pent-up leasing demand and return-to-office policies. Construction has also been at record lows, which is increasingly relevant for

the highest-quality buildings.

The office recovery has been highly stratified. Trophy assets and strong Class A buildings in mixed-use, transit-accessible, amenitized submarkets have a different outlook than undifferentiated commodity assets. In select U.S. cities, including New York and San Francisco, the office recovery has begun to move beyond the very top of the market. Even so, we believe that the financing environment still requires caution. In **Europe**, office scored 39 in our leasing framework, with prime assets in mixed-use inner-city submarkets outperforming. In **Asia**, Tokyo office scored 88 and has remained one of the strongest office markets globally, while Seoul office has softened after a strong period. Australia office has lagged,

but minimal expected new supply from 2027 onward has positioned the sector for a fundamental rebound and above-average forward rent growth, in our view.

U.S. office credit has been more attractive than broad office equity because cautious lenders have been negotiating stronger loan terms and lending against properties at a lower cost basis. Equity opportunities have started emerging, but only where basis, capital needs, leasing trajectory, and sponsor capability have created a margin of safety.



Case Study: Unlocking Tokyo Office Value Through Strategic Lease-Up

Zenith Minami Shinjuku is located in Yoyogi, one of Tokyo's premier office submarkets. Within walking distance of Shinjuku Station and Yoyogi Station, the property provides excellent connectivity to Tokyo's largest employment centers. The new development incorporated modern design with a prime location overlooking Shinjuku Gyoen National Garden, positioning it to benefit from occupier demand for high-quality office space in one of Japan's most dynamic business districts.

 [Click Here to Learn More](#)

Alternatives: Data Centers, Self-Storage, Senior Living

Alternative sectors have continued to benefit from compelling demand drivers, but they are not immune to underwriting discipline.

Data centers have been a powerful secular growth theme, supported by AI, cloud migration, and expanding data processing needs. The bottleneck is no longer simply land or buildings. It is power, interconnection, entitlement, and execution certainty. While access to power has remained essential, we have observed that permitting and community opposition have increasingly influenced where—and how quickly—new capacity

can be delivered. Bespoke direct opportunities or logistics assets with data-center upside are still interesting to us. We see runway for demand but have found the differentiator to be execution rather than thematic enthusiasm.

Self-storage is more complicated than it looked six months ago. Fundamentals have taken a more bearish turn this year. The sector appeared to be in a classic recovery pattern through late 2025, but rent growth has reversed. The supply-demand picture has been more encouraging, with trailing absorption outstripping trailing supply for the first time since 2021.¹⁰ That could create eventual upside if rents revert toward the trend, but near-term momentum may worsen before it improves.

Housing-market illiquidity may also be suppressing move-related demand.

Senior-living assets have been attractive for demographic reasons, but we believe that they should be underwritten as operating businesses, not as simple real estate wrappers. The aging population has been supporting demand, but outcomes have depended on operator quality, care model, local affordability, labor availability, licensing, and the competitive positioning of the asset. Medical office, student housing, and single-family rentals have been relevant alternatives, especially where aging, education, and homeownership affordability have created durable demand.

Alternatives should be pursued through specialized underwriting, in our view. The more attractive themes have been powered land with a clear energy path, self-storage at reset pricing with supply-demand recovery evidence, and alternative living sectors, such as student housing and senior living, where the operating partner and local market have driven institutional-quality investment opportunities.

Capital Markets Have Been on the Upswing

Capital markets have been providing the clearest evidence that the real estate cycle is healing. The recovery has been challenging, but we believe that it has too much momentum to ignore.

Using AI-driven analysis of two years of daily emails summarizing articles across the commercial real estate (CRE) press, our U.S. CRE sentiment index shows improvement from the weaker levels of 2024 and has been positive into 2026 (see Figure 4). The three-month moving average was 9.2 in May 2026, above the 7.5 reading from May 2024. That is not a euphoric signal, but instead a sign that the market is no longer stuck in a deterioration phase, in our view.

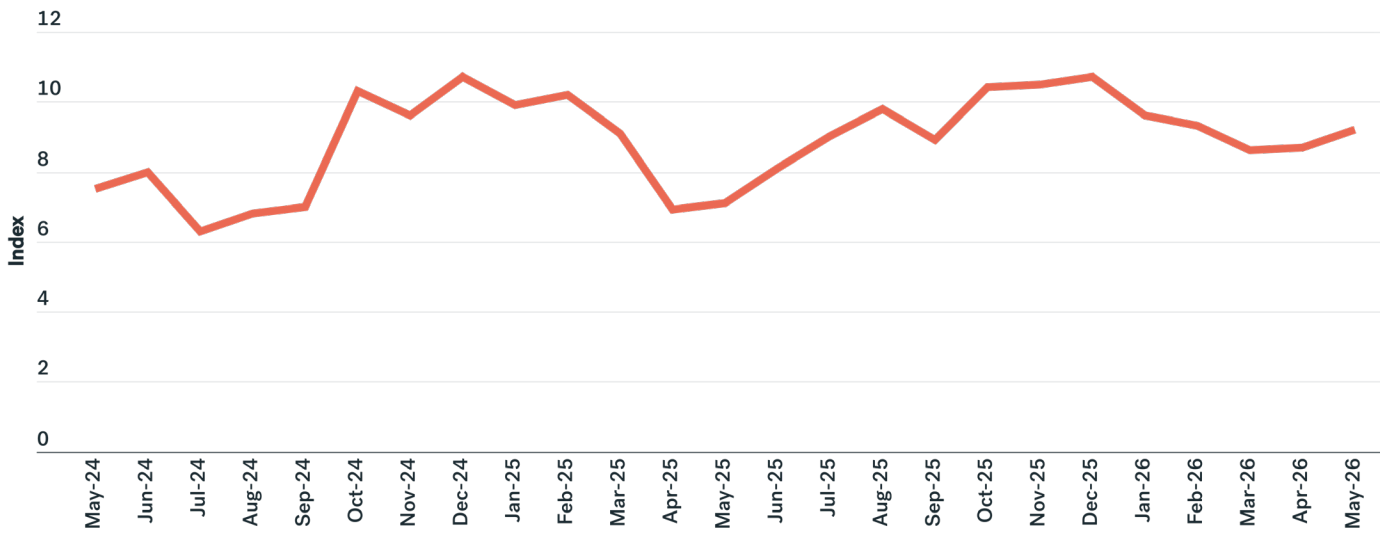


Case Study: Strategic Digital Infrastructure in a Supply-Constrained Market

Lightwave Corporate Center is a 167,000-square-foot data center covered land opportunity in San Diego's Kearny Mesa submarket, comprising approximately 85,000 square feet of dedicated data center space and 82,000 square feet of office space. Originally developed in 1985, the asset has undergone significant renovations, most recently completed in 2024, positioning it to support the growth in digital infrastructure demand.

 [Click Here to Learn More](#)

Figure 4: U.S. CRE Sentiment Has Been Improving (3-Month Moving Average)



Sources: Daily Beat and Hines Research. Data as of May 2026.

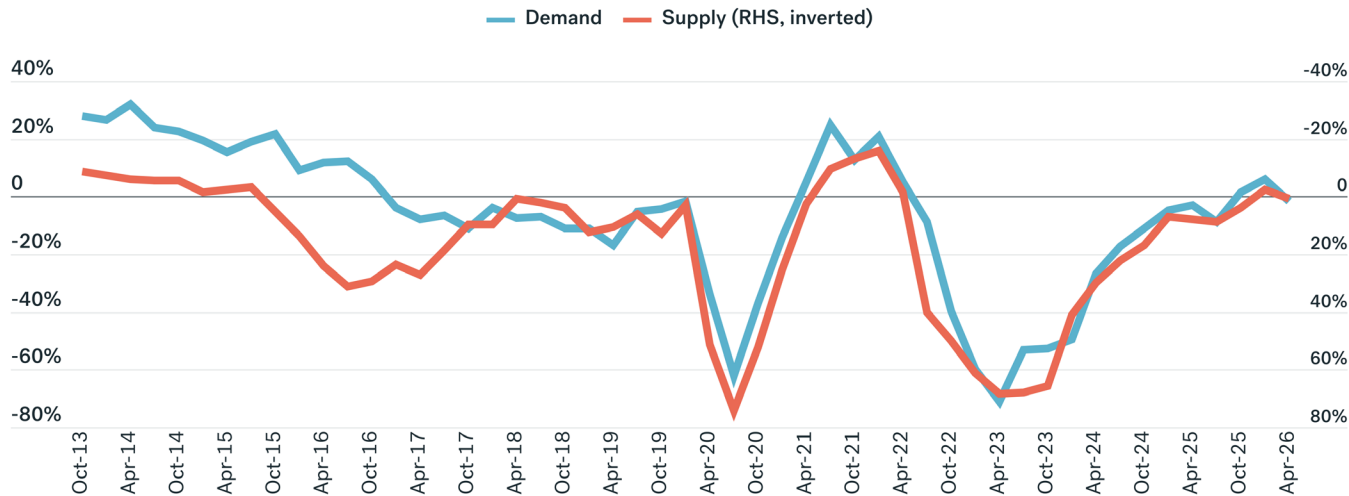
Debt Availability Has Been Improving

U.S. debt markets have been awash in capital for nearly every property type except office, though even office lending has started to see more competition, largely from alternative lenders and mainly for properties that

have already reset to lower valuations. Traditional core lenders have been more comfortable with apartments, industrial, and retail than they were even a year ago. Bank lending data have been pointing in the same direction. U.S. banks are no longer tightening CRE underwriting standards in the same way, and demand for

bank debt has been improving from the weakest levels (see Figure 5). Euro-area CRE credit standards have stabilized, and expectations for the next six months have been relatively benign, according to the European Central Bank’s survey of bank underwriting standards.

Figure 5: Demand for U.S. CRE Bank Debt Has Trended Higher



Sources: Federal Reserve and Hines Research. Data as of Q1 2026.

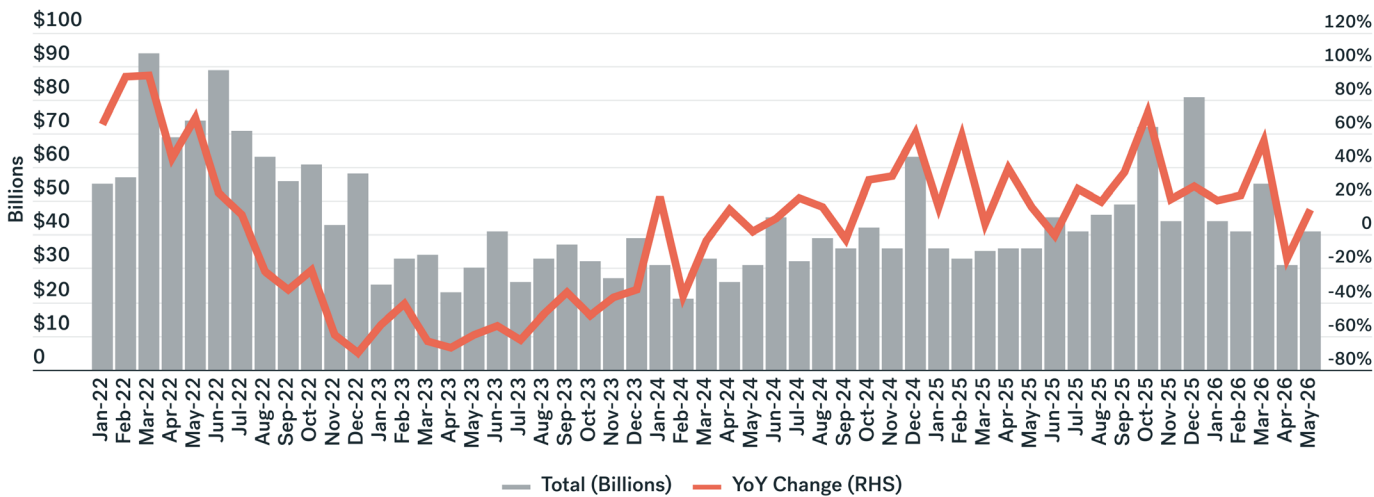
The Equity Market Looks Better, but Liquidity Is Still Limited

Transaction volume has recovered from its weakest period (see Figure 6), but Q1 2026 momentum varied by region and sector. Due to the uncertainty surrounding the Iran conflict, monthly U.S. volume decelerated in April. However, it

reaccelerated in May, underscoring the resilience of the recovery. That pattern is typical of an early capital-market recovery. Buyers and sellers have been re-engaging, but bid-ask spreads have not closed everywhere, and investors have remained cautious about underwriting exit cap rates in the volatile interest rate environment. In our view, the most competitive

equity markets are those where pricing has reset and the debt market has been open. Industrial has remained highly competitive despite softer fundamentals due to embedded NOI growth on legacy leases, while apartments have been improving as supply pressure has begun to crest. Office, meanwhile, has required asset-specific conviction.

Figure 6: Monthly U.S. Transaction Volume Appears to Recover



Sources: MSCI RCA and Hines Research. Data as of Q1 2026.



Lincoln Common
Chicago, IL



83 Avenue Marceau
Paris, France

The Capital-Market Recovery Should Be Used, Not Chased

The better entry point is in recapitalizations, credit, and acquisitions with reset basis, in our view. But investors should not confuse better liquidity with broad fundamental strength. We believe that strong deals are likely to be those where the capital stack is executable today and the asset has a credible path to income growth tomorrow.

The Midyear Message: Be Selective

In our view, this is not a defensive market. It is not an indiscriminately bullish one, either. We believe that it's a market where selectivity matters more than timing the perfect bottom.

The capital markets have been improving faster than leasing fundamentals, potentially creating a window for investors who can act before the recovery is obvious. But better liquidity should not be mistaken for broad fundamental strength. The most attractive opportunities, in our view, will likely be those where scarcity translates into durable pricing power,

supporting long-term income growth alongside attractive entry pricing.

We expect the next phase of the cycle to reward investors who are willing to move—but only where the evidence supports the risk. For Hines, that means leaning into conviction, staying disciplined on underwriting, and focusing on assets that could compound value through operational execution, location strength, and durable demand.

We believe that windows of opportunity are opening. The most investable ones will likely live where demand remains durable and future supply remains scarce.

About the Author and the Hines Proprietary Research Team

Joshua Scoville serves as Global Head of Research and is a member of the firm's Investment Committee. He and his team are responsible for constructing the Hines macroeconomic view and outlook for commercial real estate market fundamentals and pricing, as well as assisting with the development of investment strategies for the firm's investment programs. They also work closely with the local and fund management teams,

clients, and partners, and support U.S., regional, and international country heads in identifying market/submarket opportunities and risks. The team also includes Michael C. Hudgins, Ryan McCullough, James Purvis, Tim Jowett, Erik Thomas, Michael Spellane, and Anthony Witkowski.



Joshua Scoville
Global Head of Research, Hines

Endnotes

- 1 In South Korea's jeonse system, tenants provide landlords with an initial deposit, often 50% or more of the property's market value, instead of monthly rent. Landlords can then reinvest the funds during the lease period to make a profit. When the lease is up, landlords are required to return the full deposit amount to tenants.
- 2 Source: JLL, ARES, Mitsui, Cotality, Kookmin Bank, Hines Research. As of Q1 2026.
- 3 Source: CBRE, Hines Research. As of Q1 2026.
- 4 Source: JLL, Hines Research. As of Q1 2026.
- 5 Shopping hubs anchored by essential businesses, such as grocery stores, pharmacies, and other businesses providing necessities for everyday life.
- 6 Source: CoStar, Hines Research. As of Q2 2026.
- 7 Suburban corridors located on the periphery of major cities.
- 8 Source: JLL, Hines Research. As of Q1 2026.
- 9 CoStar, Hines Research. As of Q2 2026.
- 10 Green Street Advisors, Hines Research. As of Q1 2026.

Important Disclosures and Risk Factors

Confidential Information

This document is for information purposes only. Hines and its affiliates ("Hines") have deemed all of the information presented and all information contained in these materials strictly confidential and proprietary and to contain legally protectable trade secrets. Hines believes that any disclosure by a recipient is contrary to the best interests of, or could cause irreparable harm to Hines, the funds it advises or their investments. The information contained herein is not generally known by the public. By receiving these materials, recipients agree to maintain all information contained herein strictly confidential and not to disclose the information to anyone, except within the recipient's organization and need to know such information and who are bound by duties of confidentiality or as otherwise required by law. The information presented and contained herein may not be reproduced or redistributed for any other purposes without the prior written permission of Hines. By accepting delivery of this presentation, the recipient thereby agrees to keep it confidential and return it promptly upon request.

Not an Offer

This document does not constitute or form part of an offer to issue or sell or of a solicitation of an offer to subscribe or buy, any securities, units, other participation rights or other financial instruments, nor does it constitute a financial promotion, investment advice or an inducement or incitement to participate in any product, offering or investment. Nothing above or in the report constitutes investment, legal, or tax advice or recommendations. Such content should not be relied upon as a basis for making an investment decision and is not an offer of advisory services or an offer to invest in any product or asset class.

Forward-Looking Statements

Certain information contained in this document constitutes "forward-looking statements" that can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "target," "project," "estimate," "intend," "continue," or "believe" or the negatives thereof or other variations thereon or comparable terminology. Due to the numerous risks and uncertainties inherent in investments, actual events or results, or the actual performance of any Hines funds or investment vehicles, may differ materially from those reflected or contemplated in such forward-looking statements. Accordingly, forward-looking statements cannot be viewed as statements of fact. Actual events or results or the actual performance of any Hines funds or investments may differ materially from those reflected or contemplated in such forward-looking statements. Hines undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. Any projections, estimates, forecasts, targets, prospects and/or opinions expressed in these materials are subject to change without notice.

Third-Party Information

This document contains information in the form of charts, graphs and/or statements that Hines indicates were obtained by it from published sources or provided to it by independent third parties, some of whom Hines pays fees for such information. While Hines considers such sources to be reliable, Hines has not independently verified such information and Hines makes no representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein. It is possible that data and assumptions underlying such third-party information may have changed materially since the date referenced. You should not rely on such third-party information as predictions of future results. None of Hines, its affiliates or any third-party source undertakes to update any such information contained herein. Further, none of Hines, its affiliates or any third-party source purports that such information is comprehensive, and, while it is believed to be accurate, it is not guaranteed to be free from error, omission or misstatement. Hines and its affiliates have not undertaken any independent verification of such information. Finally, you should not construe such third-party information as investment, tax, accounting or legal advice, and neither Hines nor any of its affiliates nor any of their respective partners, officers, affiliates, employees, agents or advisors has verified or assumes any responsibility for the accuracy, reliability or completeness of such information.

Disclosure

The statements in this document are based on information which we consider to be reliable. This document does not, however, purport to be comprehensive or free from error, omission or misstatement. We reserve the right to alter any opinion or evaluation expressed herein without notice. Opinions or beliefs expressed in these materials may differ or be contrary to opinions expressed by others. Statements presented concerning investment opportunities may not be applicable to particular investors. Liability for all statements and information contained in this document is, to the extent permissible by law, excluded.

© 2026 Hines. All rights reserved.