

Q1 2026 Market Overview

Inflation, labor markets, and monetary policy continue to dominate the global economic narrative. Beginning with the US during Q1 2026, macroeconomic data pointed to a maturing expansion amid rising geopolitical risk. The advance estimate of US Gross Domestic Product (“GDP”) for Q4 2025, released on February 20, showed growth slowing to 1.4% annualized, down sharply from 4.4% in Q3, as government spending and exports weakened while consumer spending and investment remained supportive. Inflation readings early in the quarter remained sticky, with core Personal Consumption Expenditures near the Federal Reserve’s (the “Fed”) target, but energy prices began rising due to the escalating conflict in the Middle East and disruptions to oil flows through the Strait of Hormuz. Against this backdrop, the Fed held the federal funds rate steady at 3.5%–3.75% at both the January 28, 2026 and March 18, 2026 meetings, emphasizing data dependence and elevated uncertainty while maintaining projections for limited easing later in the cycle.

US Treasury yields rose during Q1 2026 because markets viewed the US–Iran conflict predominantly as an inflationary supply shock, not a demand-driven shock that typically produces a flight-to-quality rally. Disruptions to oil flows through the Strait of Hormuz pushed crude prices sharply higher, raising the likelihood that energy costs would feed into headline inflation and complicate the Fed’s path toward policy easing. As inflation expectations rose, investors reduced expectations for near-term rate cuts and demanded higher yields to compensate for increased price-level uncertainty and term premium risk.

The Japanese economy remains resilient, underpinned by a tight labor market and steady private consumption, in our opinion. Inflation, while still above the Bank of Japan’s (“BOJ”) target, has begun to show signs of moderation. The overall macroeconomic environment continues to support the real estate sector, particularly asset classes positioned to benefit from inflation through rental growth. At its March 2026 Monetary Policy Meeting, the BOJ decided to leave the policy rate unchanged at 0.75%, after its 0.25% rate hike in December 2025, in line with market expectations. In February 2026, The BOJ’s core-core Consumer Price Index (“CPI”) inflation was 2.5% year-over-year, below market consensus of 2.6% year-over-year. The Japanese labor market remained tight in February 2026, with the unemployment rate at 2.6%, edging down marginally from 2.7% month-over-month. Wage growth for the 2026 Spring wage negotiation period shows an average wage hike of 5.26%, marking a third consecutive year of growth over 5%.

In the near term, higher-than-expected inflationary pressure, particularly with risks from the Iran war, has complicated the macro-outlook for Australia. We believe this is exacerbated by the sharp focus of the Reserve Bank of Australia (“RBA”) on containing inflation. After raising the policy rate to 3.85% earlier this year, the RBA raised the cash rate again to 4.10%, in-line with market expectation. The Q4 2025 trimmed mean CPI was 3.3% year-over-year, above the high end of the RBA’s target range of 3.0% year-over-year. In February 2026, the Australian labor market saw some weakness, with unemployment edging up to 4.3% from 4.1% in January.

We believe Hong Kong and Mainland China’s economies have continued to stabilize after renewed government support for private enterprises as well as consumption. In our view, the improving equities market in Mainland China and Hong Kong have started to improve consumer sentiment through wealth effect. Meanwhile, the real estate market in Mainland China continues to weaken, in our opinion, which will take a few more years to stabilize. In Hong Kong, the S&P Global Hong Kong Purchasing Manager’s Index edged up to 53.3 in February 2026 (from 52.3 in January), remaining above the 50 threshold between economic expansion and contraction. As one of the most important economic pillars, the Hong Kong residential market has seen meaningful improvements in 2025, in our view. On a year-to-date basis, we have continued to witness positive signs, including stronger growth forecasts provided by analysts. Additionally, the IPO market has recovered meaningfully as Hong Kong regains its top Global IPO market in the first half of 2025.

Disruptions to oil flows through the Strait of Hormuz pushed crude prices sharply higher, raising the likelihood that energy costs would feed into headline inflation

Q1 2026 began with a mixed inflation backdrop across both the UK and Eurozone as the disinflation seen through 2025 began to lose momentum. In the UK, CPI initially accelerated to 3.4% year-over-year in December 2025 before easing back to 3.0% in January 2026 and holding steady into February. The slowdown was largely driven by softer transport, food and utilities price growth, although services-led inflation, particularly across hospitality, remained comparatively sticky. Against this backdrop of moderating but still above-target inflation, the Bank of England maintained the bank rate at 3.75% through February, adopting a cautious stance following its narrow rate cut in December as policymakers balanced easing price pressures against ongoing wage and services-sector risks.

Labour market conditions across the UK continued to soften gradually over the quarter without signaling a sharper deterioration. The unemployment rate edged higher to 5.2% in the three months to December 2025, while employment stabilized at around 34.24 million people. At the same time, claimant counts continued to rise through December and January and job vacancies tended lower toward approximately 726,000, pointing to weakening hiring intentions as economic momentum remained subdued.

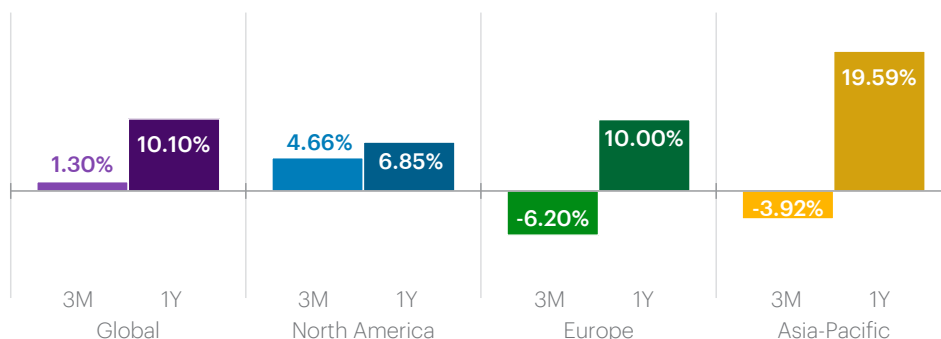
The Eurozone entered 2026 with a more consistent disinflationary trend already in place. Headline inflation declined from 2.1% in November 2025 to 1.9% in December and further to 1.7% in January 2026, moving below the European Central Bank's 2% target, while core inflation also continued to ease. Despite softer economic momentum, labor market conditions remained robust, with unemployment holding at historically low levels and declining to 6.1% by early 2026. Although growth moderated slightly, with GDP easing from 0.3% to 0.2% quarter-over-quarter toward year-end, domestic demand continued to provide some resilience. Taken together, Q1 2026 highlighted a shared theme of easing but incomplete disinflation across both regions alongside modestly weakening activity, complicating the near-term policy outlook.

The overall macroeconomic environment in Japan continues to support the real estate sector

REIT Market Review – Q1 2026

In Q1 2026, the FTSE EPRA/NAREIT Developed Index returned 1.30%. North America led the positive returns at up 4.66%, while Asia-Pacific and Europe lagged at negative at 3.92% and negative 6.20%, respectively.

FTSE EPRA/NAREIT DEVELOPED RETURNS IN USD AS OF 3/31/26



NORTH AMERICA

The North American portion of the Real Estate Investment Trusts ("REITs") Index generated a 4.66% return in Q1 2026. January and February delivered gains of 11.08%, which we believe resulted from contained inflation, expectations for Fed rate cuts later in the year, and attractive

REIT valuations following a return in 2025 that underperformed the underlying earnings growth and dividend yield. Additionally, while AI disruption fears negatively impacted various industries across the broader markets, we found that investors viewed REITs as relatively insulated given the low substitutability of physical real estate. March 2026 saw a 5.78% Index decline amid heightened geopolitical uncertainty related to the Iran conflict, which drove a spike in oil prices and renewed inflation concerns; however, the Fed reiterated its focus on underlying core inflation and labor market conditions rather than transitory geopolitical pressures. Despite the pullback later in Q1 2026, REITs have performed in line with the S&P 500 since the start of the Iran conflict and maintained healthy yeartodate outperformance, which we believe is supported by secular, needsbased demand in various property sectors and strong balance sheets across the asset class.

The \$966 million Janus Living, Inc. IPO in the healthcare sector was a highlight for capital markets activity during the quarter, which received strong investor demand resulting in an upsized offering. Otherwise, equity issuance remained limited during Q1 2026, which we believe is attributed to the current debt “dry power” capacity on the balance sheet and to the discounted valuation that persists across various REIT sectors. Additionally, while outcomes have yet to be reached, activism remained persistent from last quarter that highlights the attractive valuation opportunities across the REIT universe, in our view.

US digital infrastructure/data centers, healthcare, and triple net sectors generated the strongest benchmark contribution returns during Q1 2026. Data center performance was reinforced by the most recent earnings results reporting record leasing activity and elevated capital expenditure commitments from hyperscale and cloud providers. The healthcare sector also performed well, which we believe reflects its necessitybased profile and relative insulation from job growth volatility, with senior housing leading the sector due to favourable demographic trends tied to an aging population. The strong triple net Index contribution was concentrated in Realty Income Corp, which benefited from stable cash flows from long lease terms and necessitybased tenant exposure, in our view.

In contrast, the US office and residential sectors generated the most negative Index return contribution in Q1 2026. We believe the residential sector experienced softness across the sub-property types of apartments and single-family rental due to the weaker job market while manufactured housing continued to benefit from age demographic-driven demand and limited supply. Office REITs detracted from the Index despite signs of improving leasing demand and rental economics, as investors remained cautious around the durability of office demand in the context of slower hiring and potential job displacement from AI advancements, in our view. Additionally, we believe office sector returns were weighed down by lower nearterm cash flows, as landlords fund tenant improvement and leasing costs associated with increased leasing with near-term occupancy dates.

ASIA-PACIFIC

The Asia-Pacific market delivered a negative quarterly return in Q1 2026, with the FTSE EPRA/NAREIT Developed Asia-Pacific Index declining by 3.92%, primarily driven by the US-Iran conflict. Hong Kong delivered the best return in the region during the quarter, generating a return of 14.32%. The returns are led by residential developers, including Sun Hung Kai Properties Limited (36.41%), Sino Land Company Limited (13.10%), and New World Development Company Limited (10.33%), and driven by the aforementioned recovery in the residential market. The Hong Kong real estate market has continued to experience modest recovery across various sectors. Retail sales in Hong Kong grew 11.8% year-over-year in January and February 2026 combined. According to JLL, Hong Kong Grade A office spot rents increased 0.7% quarter-over-quarter in Q4 2025, marking a reversal from the declining trend of recent years. Performance varied across submarkets: Central and Tsim Sha Tsui recorded healthy rental growth of 1.5% and 1.2% quarter-over-quarter, respectively, while Hong Kong East and Kowloon East saw declines of 0.4% and 1.2% quarter-over-quarter, respectively, reinforcing the ongoing trend toward centralization. Leasing momentum has also begun to improve

Equity issuance
remained limited
during Q1 2026

in the prime Central district. Investment activity has similarly regained traction with JD.com purchasing a 50% stake of the China Construction Bank Tower for HK\$3.5billion (US\$450 million).

Japan generated a negative US Dollar (“USD”) return of 2.69% for Q1 2026. Office-focused names continued their solid performance despite the overall volatile equity market environment, with Mitsubishi Estate Co Ltd. (12.01%), Sumitomo Realty & Development Co., Ltd. (10.60%), and Hulic Co., Ltd (5.25%) leading the charge. The Japanese real estate market remains robust across most sectors, in our opinion. The Tokyo office market remains tight, with the February 2026 Miki Shoji data showing vacancy in Tokyo’s central five wards at 2.20%, a 0.05% month-over-month increase; the average asking rent per tsubo rose 7.27% year-over-year to JPY21,969, reflecting sustained demand. For the Japanese listed REITs, improvements of corporate governance and shareholder return policies have continued, in our view, partially thanks to increasing activities from activist investors.

Singapore generated a negative USD return of 4.23% in Q1 2026. UOL Group Limited delivered a return of 10.85%, driven by strong earnings and management’s continued focus on portfolio optimization. Australia ranked at the bottom again this quarter, with a negative USD return of 13.98%, as rate hikes from the RBA weighed meaningfully on the sector. Residential-focused REITs and fund managers suffered the sharpest loss, including Stockland Corporation Limited (-22.75%), Charter Hall Group (-21.74%), Ingenia Communities Holdings Limited (-20.10%), and Goodman Group (-15.33%).

EUROPE

Q1 2026 showed weak performance across both the UK and Continental European (“CE”) self-storage markets, with losses of 16.23% and 16.79%, respectively, while the CE office and healthcare sectors outperformed with flat performance. Both Shurgard Self Storage Ltd. and Big Yellow Group PLC’s share prices continued to underperform in Q1 2026 following a weak Q4 2025. The companies’ medium- to long-term prospects have been overshadowed by short-term cyclical pressures and by an occupancy-focused strategy that has prioritised volumes over pricing. This led to a deceleration in self-storage revenue growth at a time when geopolitical pressures challenged GDP growth across Europe. Conversely, CE office and healthcare sectors outperformed on a relative basis, while ending the quarter with broadly flat performance. Within the CE office market, performance was largely driven by Swiss Prime Site AG (SPS), PSP Swiss Property AG, and HIAG Immobilien Holding AG due to increased risk aversion and Switzerland’s safe haven status, further supported by interest rate cuts and currency appreciation. The CE healthcare sector followed on the back of the same defensive characteristics, in our opinion.

Furthermore, capital market activity showed similar levels as last year. Investors were willing to provide close to \$20 billion in funding to European real estate (c. \$1.6 billion in equity), with capital raising being on par compared to Q1 2025. On the equity side, Merlin Properties was the biggest issuer, raising c. \$888 million to fund Phase III of their data center growth plan. Credit market activity remained strong, with c. \$18 billion in new issuances. Swedish companies saw the highest level of activity, with new issuances reaching close to \$6 billion at an average coupon of 3.6%.

Finally, merger and acquisition activity continued Q1 2026 as investors became more confident in the fundamental outlook with asset valuations bottoming out and a significant private/public valuation gap to capitalize on. During the period, Picton Property Income Limited was at the center of investor’s attention as LondonMetric Property PLC and Schroder Real Estate Investment Trust Ltd. submitted a non-binding all share proposal for Picton, planning to split its £695 million portfolio across both buyers.

The Hong Kong real estate market has continued to experience modest recovery across various sectors

CE office and healthcare sectors outperformed on a relative basis

Outlook

In 2026, we expect positive earnings growth, and when coupled with the dividend yield, a greater than 8% return is fundamentally implied. While nuances exist by region, we believe the interest rate outlook remains uncertain, especially with risk of supply shock inflation from the Iran conflict. However, we believe the various secular and necessity-based demand drivers and limited supply will continue to benefit REITs and partially cushion the asset class from global uncertainties, particularly in the US. Additionally, we see countries outside the US making investments in their own regions, most notably Europe, that in our opinion will help drive this fundamental backdrop. We believe Japan remains an attractive country to invest in.

Real estate is a local business and the ability to draw worldwide conclusions is limited, but there are some themes emerging. In the retail sector, there continues to be clear strength in North America and Europe. Additionally, pockets of office sector strength exist in markets like Paris, Tokyo, and New York. The residential sector appears to be mixed depending on the region. Overall, property markets remain healthy at the aggregate level, driving the positive growth rate we expect in 2026.

NORTH AMERICA

In our view, few US sectors remain fundamentally challenged. We believe the US office sector leasing demand in the majority of geographies now rivals pre-COVID-19 pandemic (the “pandemic”) levels, as return to office takes hold and company executives seek out the highest quality space, such as in REIT portfolio assets, to attract employees. Regarding the industrial sector, leasing is staging a strong recovery following tariff impacts and the excess tenant space taken during the pandemic, in our view. Lastly, we believe the self-storage sector appears to have stabilized and is showing signs of modest growth. It is our view that that 30-year fixed mortgage rates of 6.0% and below are required for an improvement in the existing home sales market, and to increase population mobility, which would ultimately increase self-storage demand.

EUROPE

In Europe, we believe real estate entered 2026 under an initial theme of stabilization, supported by an improving macro backdrop. However, renewed geopolitical tensions in March have introduced downside risks to those expectations, slowing capital markets activity despite early signs of recovery in 2025 alongside a shift in lender appetite toward refinancing over new acquisition finance. At the sector level, we believe retail parks are entering 2026 from a position of strength, delivering income returns of around 6% supported by diversified tenant mixes anchored in essential services, while hyper prime districts such as London’s West End face supply shortages that continue to push rents higher. The office sector remains the region’s most sharply divided asset class, with rental fundamentals for prime assets in Central London and Central Paris expected to rise by more than 4% annually amid acute supply shortages, even as secondary assets face valuation pressure and negative like for like growth. Logistics fundamentals remain robust, supported by structural undersupply of modern space with vacancy rates that we expected to fall below 5% in 2026, while demand broadens beyond traditional e commerce into emerging occupier groups such as defense related users. Residential performance is likely to be mixed, with Germany showing bifurcation as Berlin sentiment is weighed down by politically visible expropriation risk ahead of the 2026 local elections, even as operational metrics remain solid with like for like rental growth in the 3–3.5% range and vacancy below 2–3%, underpinned by persistent undersupply due to economically unviable construction activity.

ASIA-PACIFIC

We continue to keep our constructive outlook for the Japanese real estate securities market. In our view, the office market, particularly the Tokyo-centric office assets, are in an early inning

In our view, few US sectors remain fundamentally challenged

The office sector remains the region’s most sharply divided asset class

of a multi-year strong rental growth cycle with the current vacancy at sub-2.5% and potentially going below 2.0% in the next 12-18 months. We believe logistics JREITs and certain diversified JREITs are trading at highly attractive valuations compared to replacement costs. With increasing pressures from investment communities, including activist investors, we expect continued improvement of shareholder return policies to drive valuation improvement.

In Hong Kong, we continue to like the overall retail sector, including both non-discretionary and luxury-oriented segments. The gradually improving retail sales environment, boosted by population inflow from the mainland and the wealth effect from higher equity markets, is expected to lead to better rental reversion numbers, particularly for high-end malls. Additionally, we expect the inclusion of REITs in the Stock Connect would introduce additional investor demand to Hong Kong listed REITs, supporting a recovery in valuations.

In Australia, the residential sector continues to see tight demand and supply fundamentals, partially driven by strong immigration and lack of supply due to high construction and labor costs. While we need to pay incremental attention to the near-term inflation prints and interest rate directors, we believe the fundamental supply shortage remains a key driver for the Australian residential market.

The Australian residential sector continues to see tight demand and supply fundamentals

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