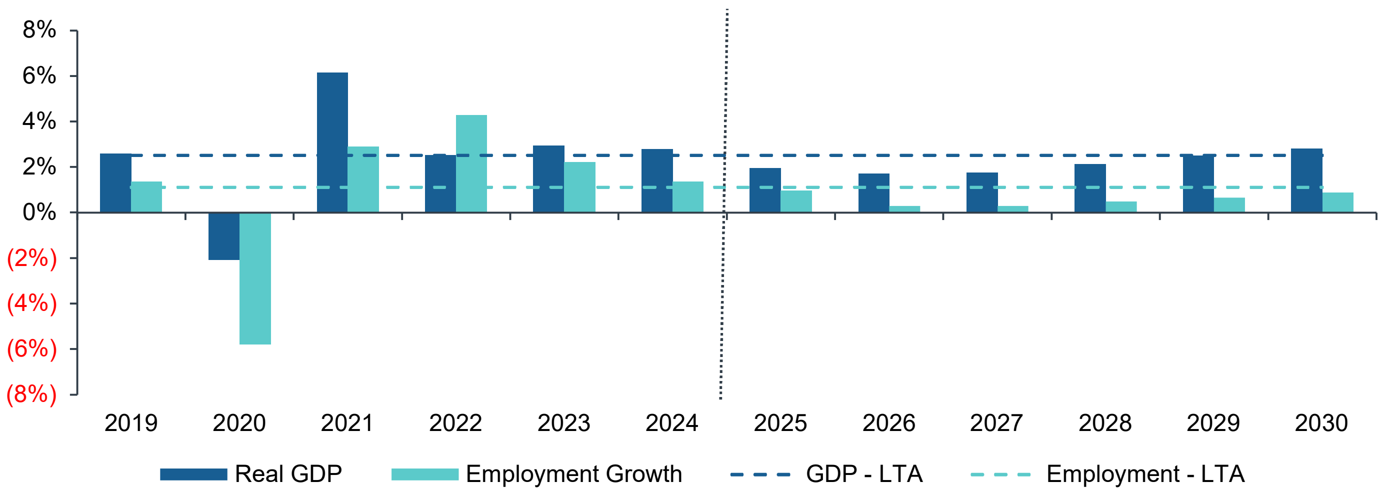
U.S. QUARTERLY MARKET UPDATE: 3Q25

MACROECONOMIC OUTLOOK

- **The GDP growth** estimate for the third quarter was not released due to the federal government shutdown. However, forecasts from other providers point to continued economic growth.
- **Employment growth** estimates from September 2025 onward were also unavailable. As of August 2025 (the most recent data point), employment growth remains flat, with only 22,000 jobs added. This is on par with the average monthly job creation pace since May 2025 and a notable slowdown relative to prior periods.
- In September, **inflation** rose to 3.0% year-over-year, slightly higher than the previous month's 2.9% rate but still below expectations. Despite the recent tariff announcements, price increases have been more subdued than anticipated, which may provide the Federal Reserve with enough confidence to continue lowering interest rates.
- **The Benchmark Policy Rate** now sits at 3.75%-4.00%, 150 bps lower than the recent peak in July 2023, following two consecutive 25 bps rate cuts at the September and October FOMC meetings.
- **The 10-Yr Treasury** has trended downward in the latter half of 2025 and has been hovering in the low 4% range as signs of labor-market weakness and Fed rate cuts have put downward pressure on longer-term yields.
- **Consumer/Business Sentiment** has been mixed, with consumer spending, particularly among higher income households, holding firm. Business investment continues, largely focused on A.I.-related infrastructure.

Employment growth has stalled, and consumer confidence has dropped to its lowest levels since the pandemic. While spending continues, it is increasingly driven by higher-income households, as financial stress becomes more evident among lower-income groups. Investment in artificial intelligence remains robust, but broader spending is being constrained by ongoing tariff uncertainties. This environment of subdued growth is likely to give the Federal Reserve flexibility to further reduce interest rates over the next 12 months, depending on inflation trends. The easing of financial conditions should trickle into the real economy and support stronger demand in 2026. Looking further ahead, the outlook for the U.S. is constructive, though the labor market may be somewhat weaker due to demographic shifts and productivity gains from A.I. (Figure 1).

FIGURE 1. REAL GDP AND EMPLOYMENT GROWTH FORECAST (BASELINE)

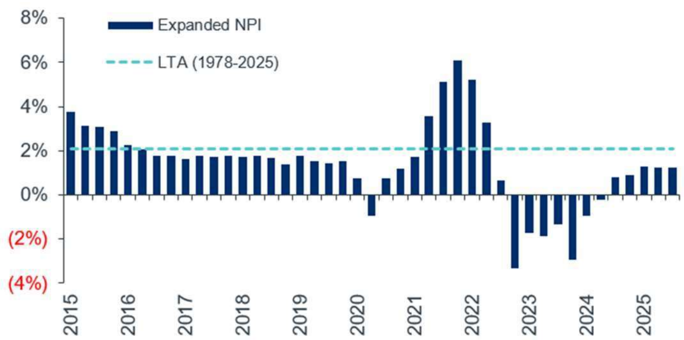


Sources: Moody's Analytics, Clarion Partners Global Research, October 2025. Note: LTA = 1990-2024. Forecasts were provided by Moody's Analytics as of 10/2025. Forecasts have certain inherent limitations and are based on complex calculations and formulas that contain substantial subjectivity and should not be relied upon as being indicative of future performance. Past performance is not indicative of future results. Please see the important disclosures at the end of this presentation.

COMMERCIAL REAL ESTATE OUTLOOK

Investment performance:[1] The commercial real estate recovery continued to build momentum into 3Q25, as the Expanded NCREIF Property Index (NPI) generated a QoQ total return of +1.22%, a fifth consecutive quarter of positive returns. This was driven not only by income returns, but also appreciation returns, which registered a third-consecutive positive quarter. Quarterly returns were positive across all major property types, led by the senior housing (2.88%), self-storage (1.68%), and residential (1.44%) sectors.

QUARTERLY TOTAL RETURN, PRIVATE REAL ESTATE



Source: NCREIF Property Index, Clarion Partners Global Research, 3Q25. Note: Expanded NPI includes all NPI properties and all qualified alternative assets. Alternative assets include storage, senior housing, data centers parking and others).

Debt capital markets: Interest rates have trended downwards, and a broader and more confident lender group contributed to narrowing debt spreads. Lending activity has increased, fueled by a resurgence in CMBS issuance, rising alternative lender volume, and improved bank lending. Despite increasing lending activity, lenders remain highly selective with spreads most attractive for favored property sectors.

Equity capital markets: CRE transaction volume has increased from its recent trough, totaling $347 billion year-to-date through 3Q25 – a 16% increase from the same period in 2024, according to MSCI/Real Capital Analytics.[2] Strong industrial and apartment deal flow contributed to the increase, along with notable above-average annual growth in office, retail and senior housing deal activity.

Real estate occupier demand: Overall, tenant demand remains positive but has cooled relative to previous quarters. The recent wave of major layoff announcements and tariff uncertainty should contribute to the persistence of flat employment readings in the coming months. Despite the pullback, occupancy rates across most property sectors remain above their respective long-term averages, with notable improvements in office and senior housing occupancy rates.

Real estate supply: The combination of elevated development costs, higher return requirements and macroeconomic uncertainty continue to dampen development activity. With starts falling to cyclical lows, the dearth of completions in subsequent years should produce a favorable environment for commercial real estate owners.

PROPERTY TYPE OUTLOOK

INDUSTRIAL / INDUSTRIAL ADJACENT

Industrial: The sector continues to see contrasting fortunes between Class A and B/C products. Class A net absorption remained positive and gained pace (+39 MSF in 3Q and +117 MSF in the trailing four quarters) while Class B/C continued falling, albeit at a lesser rate compared to recent negative quarters (-9 MSF in 3Q and -56 MSF in T4Q). Construction deliveries of 49 MSF exceeded net absorption in 3Q25 but have seen a sharp slowdown from the 100 MSF delivery pace during 2023 and 2024.[3] U.S. industrial vacancy increased 10 bps quarter-over-quarter (QoQ) to 6.6%, just below its long-term average (LTA). Upward pressure on vacancy rates has eased with construction decreasing meaningfully. New construction starts of 43 MSF in 3Q were 62% below peak levels in 2022.[4] Active supply underway totals 194 MSF (1.2% of stock), down 80 MSF year-over-year (YoY), now below LTA annual deliveries, and with a healthy preleased rate of 35%. Average asking rents were flat QoQ but saw a slight 0.1% gain YoY.[5]

Industrial Outdoor Storage:[6] Historically a fragmented sector, larger institutional investors are entering the space, driven by the potential for higher yields and strategic value additions, such as enhanced security, vehicle charging infrastructure, and larger sites to accommodate storage and maintenance. Just 1% of stock has been added to the market over the last two years and the average asking rent is 42% above 2020, as its availability remains historically tight and 400 bps below industrial overall.[7] Supply is especially tight in urban port locations, allowing landlords strong rental pricing power. While the outlook for the sector is positive, investors need to remain focused on end-user retention.

OUTLOOK	INDUSTRIAL	IOS	COLD STORAGE
Drivers	• Demographics • Innovation • Shifting Globalization	• Demographics • Innovation • Shifting Globalization	• Demographics • Innovation
Demand	Soft	Medium	Soft
Supply	Low	Low	Low
Cap-Ex	Low	Low	High
NOI Growth	Strong	Strong	Soft
Total Return	Positive	Positive	Soft

HOUSING

Multifamily: Following a strong spring leasing season, apartment market fundamentals softened modestly in the third quarter, as demand moderated and supply pressures persisted. Net absorption declined to 43,000 units in 3Q25, down from over 190,000 units in the prior quarter, while completions remained steady at approximately 92,000 units. With supply outpacing demand, the national vacancy rate rose 20 bps QoQ to 4.4%. The slowdown in demand coincides with weaker employment growth and declining consumer confidence. Nevertheless, over the trailing 12 months, the sector absorbed more than 350,000 units – equivalent to 3.1% of total inventory, more than twice the long-term average of 1.4%. The current vacancy rate for stabilized assets is 80 bps below its historical norm, underscoring the sector's overall resilience.[8] Institutional quality starts are down 5.5% YoY and have settled about 60% below the post-pandemic peak.[9] This dynamic is expected to support future rent growth, which remains sluggish – average rent is up just 0.5% YoY, as aggressive concessions remain prevalent in high supply markets. Tenant retention remains strong, with a renewal rate of 56% and average renewal rent growth of 3.7%.[10]

Single Family Rentals: Scattered Site Single-Family Rentals (SFRs) continue to demonstrate resilient performance, though at a more moderate pace. Rent growth decelerated to 2.6% YoY, down 120 bps from the same period last year and 100 bps below the long-term average.[11] This slowdown is likely influenced by a growing supply of both for-sale and for-rent homes, with 1.5 million homes listed for sale in 3Q – a 2.2% increase over 2Q.[12] Current vacancy data for the SFR segment is unavailable due to the government shutdown. In contrast, the Build-to-Rent (BTR) segment continues to face headwinds in the form of new deliveries. Rent growth remained subdued at 0.4% YoY, a 30bps decline from 2Q. BTR vacancies held steady at 4.9%.[13]

Manufactured Housing: Affordability, demographics and limited supply pressure are key tailwinds in favor of the manufactured housing (MFH) sector. Total shipments of MFH units declined significantly between the late 1990s and early 2010s and have remained very low since that time. Due to the government shutdown, the most recent available data is from July, when shipments were reported at an annualized rate of 106,000 units – consistent with the five-year trend but roughly half the long-term average dating back to 1959.[14] The lack of significant supply has propelled rents to grow in the range of 5-6% over the past year.[15]

Student Housing: The third quarter coincided with the end of the Fall 2025 leasing season which saw occupancy rise but with a continued moderation in rent growth. Final academic year (AY) occupancy reached 95.1%, a 150-bps improvement from September 2024, but rent growth averaged just 2.7% down from 5.7% last year and 6.9% in 2022-23.[16] The deceleration in rent growth was widespread but the magnitude varied significantly by campus. Markets with significant deliveries of purpose-built student housing, particularly in urban settings like Arizona State, UT Austin, and Central Florida, have experienced negative rent growth due to heightened competition from conventional multifamily supply.

OUTLOOK	MULTIFAMILY	MANUFACTURED HOUSING	SFR/BTR
Drivers	Demographics and Housing		
Demand	Strong	Strong	Strong
Supply	Elevated	Low	Low
Cap-Ex	Low	Low	Medium
NOI Growth	Strong	Strong	Strong
Total Return	Positive	Positive	Positive

Note: Multifamily supply is elevated but declining sharply.

OFFICE

Office sector fundamentals remain soft due in large part to slowing job growth and the persistence of hybrid work. However, there are signs that fundamentals are beginning to gradually improve. Nationally, trailing four quarter net absorption as of 3Q25 improved to 0.6% of existing stock (its highest level since 2022), although it was still well below the long-term average of 1.3% of stock.[17] And, supply-side pressure continues to alleviate, with trailing four-quarter completions as of 3Q25 totaling 17.8 MSF, the lowest level in more than a decade. As a result, the office vacancy rate fell by 30 bps YoY to 18.7%, the largest annual decline since 2019. Additionally, national asking rent growth picked up, reaching 2.4% YoY, though leasing concessions remain quite elevated.[18] The office market has a relatively long road to recovery ahead, with the current vacancy rate sitting 380 bps above its long-term average. The office market remains heavily bifurcated between trophy-like assets performing well and other commodity type office struggling or treading water.

OUTLOOK	COMMODITY OFFICE
Demand	Soft
Supply	Low
Cap-Ex	High
NOI Growth	Soft
Total Return	Challenged

RETAIL

Neighborhood and community centers reported just under 2.0 MSF of completions in 3Q, the seventh consecutive quarter below that level.[19] The total square footage of shopping centers under construction in 3Q amounts to less than 0.3% of existing stock, suggesting there is no meaningful supply response in the offing.[20] Quarterly absorption came in at 1.3 MSF, following a cumulative negative 8.3 MSF in 1Q and 2Q, keeping the availability rate, at 6.8%, 40 bps above the 4Q24 level. In the context of minimal construction, net absorption remaining muted suggests that landlords, in the aggregate, may be prioritizing rental growth over sheer occupancy, a dynamic that occurred earlier in such markets as Raleigh (3.8% availability rate in 3Q25, vs. post-COVID low of 3.2% in 4Q23) and Seattle (5.1% availability in 3Q25 vs. 3.5% in 3Q23).[21] U.S. annual asking rent growth came in at 1.8%, below the 2Q annual growth rate of 2.0%.[22]

OUTLOOK	STRIP CENTER	MALL
Drivers	Demographics, Innovation, and Shifting Globalization	
Demand	Strong	Soft
Supply	Low	Low
Cap-Ex	Medium	High
NOI Growth	Strong	Soft
Total Return	Positive	Challenged

HEALTHCARE

Life Sciences: Fundamentals for commodity life sciences softened further in 3Q25, due in large part to heavy supply growth and lackluster leasing. Both start-ups and established firms continue to cut costs, reducing headcount and footprint in response to the challenging funding environment and in preparation for leaner times ahead. As a result, the vacancy rate rose by 40 bps during the third quarter to 32.5% across the three largest U.S. life sciences markets (Boston, San Francisco, and San Diego), while non-same-store average asking rent growth decreased by 7.2% YoY.[23] High quality sponsors and locations continue to fare much better and a substantial amount of new supply is not competitive with Class A product (our estimate is only 15% of new stock is competitive). Construction activity has declined substantially over the last two years but remains relatively robust (4.3% of stock is underway), which will contribute to further downward pressure on occupancy rates and rent growth through the near term.[24]

Medical Offices: Demand remained strong while deliveries continued to slow, resulting in the trailing twelve-month U.S. occupancy rate increasing by roughly 15 bps from one year ago to 92.4% in 3Q25 (50 bps above the average since 2018).[25] Same-store asking rents improved by 1.8% YoY, a solid, but slowing pace from the 2023 high of 2.9%.[26] Going forward, supply-side dynamics continue to look favorable with the sector's under-construction pipeline receding to just under 20 MSF (2.1% of stock), while construction starts have fallen sharply (44% decline in trailing twelve month starts since 3Q22 peak).[27]

Senior Housing: Through 3Q25, U.S. senior housing market conditions continued to tighten, with net absorption outpacing completions for a 18th consecutive quarter.[28] As a result, occupancy rates have improved from sub-80% levels in 2021 to 89.1% in 3Q, while average rent growth was 4.3% YoY.[29] The sector's construction pipeline remains in check, with units under construction equating to just 2.3% of existing stock, which is well below the 7% construction rate observed at the height of the previous supply wave from 2016 to 2020.[30] Looking ahead, propelled by the demographic tailwind, specifically the growth of the 80+ year-old population, which is projected to expand by 4.8% per year through 2030,[31] the sector appears poised for strong rent growth.

OUTLOOK	LIFE SCIENCES	MEDICAL OFFICE	SENIOR HOUSING
Drivers	• Demographics • Innovation • Shifting Globalization	• Demographics • Innovation • Housing	• Demographics • Innovation • Housing
Demand	Soft	Strong	Strong
Supply	Elevated	Low	Low
Cap-Ex	Medium	High	High
NOI Growth	Soft	Moderate	Strong
Total Return	Challenged	Positive	Positive

SELF-STORAGE

Fundamentals remain relatively soft, due in large part to continued subdued home sales activity and household movement. Conditions appear to be improving with annual same-store "move-in" rent growth moving back into positive territory for the first time since 2022 at 1.1% in 3Q25.[32] However, national move-in rents remain down by more than 7% since the 2022 peak. Existing customer rate increases (ECRIs) remain healthy and have largely helped to offset the decline in move-in rates over the last few years. This has resulted in flat-to-slightly-down revenue growth YoY. Self-storage demand should improve over the next couple of years with the anticipated recovery in home sales activity. The national construction pipeline also continues to decrease (2.5% of existing space is underway),[33] another tailwind for the sector moving forward.

OUTLOOK	SELF-STORAGE
Drivers	Demographics and Housing
Demand	Soft
Supply	Moderate
Cap-Ex	Low
NOI Growth	Moderate
Total Return	Moderate

DATA CENTERS

Strong demand for data centers continues, supported by rapid AI adoption and cloud computing investments. 3Q25 public market commentary from large tenants was positive, suggesting that current and planned (2025 and 2026) capital expenditures into space and infrastructure are accelerating despite economic uncertainties. As of 1H25 broader market data, the vacancy rates for most primary data center markets fell to record lows despite the significant YoY inventory increase. Northern Virginia and Hillsboro, Oregon had vacancy rates below 1%; Atlanta saw its vacancy drop almost 700 bps to 1.9% while Phoenix fell to 1.5%.[34] The data center construction pipeline saw primary markets grow more than 40% YoY and remains active with more than 5,200 MW currently underway.[35] However, more than 70% of this pipeline is pre-leased.[36] While rent growth has somewhat moderated compared to the last two-year record highs given the persistently active supply, average asking rent continued to rise in 1H with an average gain of 2.5% for 250-to-500-

kW.[37] Several markets saw average pricing for large 10MW+ leases jump double digits ranging from 13% to 19%.

OUTLOOK	DATA CENTERS
Drivers	Demographics and Innovation
Demand	Strong
Supply	Elevated
Cap-Ex	High
NOI Growth	Strong
Total Return	Positive

HOTEL

In September 2025, U.S. hotel occupancy was at 63.4%, down 1.9% from the same month in 2024. [38] Revenue per available room (RevPAR) came in at $103.19, down 2.1% from September 2024. [39] New York City occupancy reached 86.6% in September, driven by Fashion Week, the U.S. Open, and the United Nations General Assembly, as well as a continued rebound in corporate travel. [40] New York also had the highest occupancy level of Top 25 Markets in July and August 2025. [41] In August, U.S. occupancy was 66.1% (down 1.3% from August 2024) and RevPAR was $105.06 (down 1.0%).[42] In July, occupancy was 68.2% (down 1.0% from July 2024) and RevPAR was $110.37 (down 1.1%).[43] Marriott noted that in its overall U.S. and Canada portfolios, in 3Q25 RevPAR declined by 0.4% year-over-year but rose 4% in the luxury segment, with RevPAR performance progressively weakening down the chain scales. [44]

OUTLOOK	HOTELS
Demand	Moderate
Cap-Ex	Moderate
Supply	High
NOI Growth	Soft
Total Return	Challenged

METRIC	CURRENT QUARTER (3Q25)*	PRIOR QUARTER (2Q25)	PRIOR YEAR (3Q24)	20-YR LTA
Real Gross Domestic Product Growth (Annualized %)	n/a	3.8%	3.3%	2.2%
Total Employment Growth Y/Y	n/a	1.0%	1.3%	0.9%
Office-Using Employment Growth Y/Y	n/a	0.0%	-0.6%	1.1%
Unemployment Rate	n/a	4.2%	4.2%	5.8%
Consumer Price Index (CPI) Chg. Y/Y	2.9%	2.5%	2.7%	2.6%
Avg. Hourly Earnings Chg. Y/Y	n/a	3.8%	3.8%	3.1%
Retail Sales Growth Y/Y	n/a	4.3%	2.3%	4.1%
Total Residential Starts (000s, SAAR)	n/a	1,354	1,338	1,169
Multifamily (000s, SAAR)	n/a	413	364	339
Single Family (000s, SAAR)	n/a	941	974	830
Existing Single-Family Median Home Price Chg. Y/Y	1.8%	1.1%	3.3%	3.7%
Existing Single-Family Home Sales (000s, SAAR)	3,653	3,627	3,557	4,438
Fed Funds Rate (Effective)	4.3%	4.3%	5.3%	1.7%
3-mo. Treasury Yield	4.3%	4.4%	5.2%	1.7%
10-yr Treasury Yield	4.3%	4.4%	3.9%	2.9%
BBB Corporate Bond Yield	6.0%	5.7%	5.3%	4.9%
High-Yield Corporate Bond Yield	6.7%	7.5%	7.2%	7.6%

*Missing 3Q data due to government shutdown

Sources: Moody's Analytics, BEA, BLS, U.S. Census Bureau, NAR, FRB, FRED, Clarion Partners Global Research, 3Q25.

1 NCREIF, 3Q25.

2 MSCI/Real Capital Analytics. 3Q25.

3 CBRE-EA, 3Q25. Note: Figures are preliminary and total market net absorption is calculated by Clarion Partners based on quarterly change in occupied stock using vacancy rate.

4 CBRE Research, 3Q25.

5 CBRE-EA, 3Q25.

6 Clarion Partners Investment Research.

7 Clarion Partners Global Research, CBRE-EA, 3Q25.

8 CBRE-EA, 3Q25.

9 Real Page, 3Q25.

10 Real Page, 3Q25.

11 John Burns Real Estate Consulting, August 2025; Note: July and August data used for Q3 as September has yet to be released.

12 National Association of Realtors (NAR), Moody's Analytics, 3Q25.

13 Yardi Matrix, 3Q25.

14 U.S. Census Bureau, June 2025.

15 Public Filings on behalf of Equity Lifestyle Properties, Sun Communities, and UMH Properties, 3Q25.

16 Yardi Matrix, 3Q25.

17 CBRE-EA, 3Q25.

18 CBRE-EA, 3Q25.

19 CBRE-EA, 3Q25.

20 Cushman & Wakefield, 3Q25.

21 CBRE-EA, 3Q25; Cushman & Wakefield, 3Q25.

22 CBRE-EA, 3Q25

23 JLL Research. 3Q25.

24 JLL Research. 3Q25.

25 RevistaMed, 3Q25.

26 RevistaMed, 3Q25.

27 RevistaMed, 3Q25.

28 NIC MAP Vision. 3Q25.

29 NIC MAP Vision. 3Q25.

30 NIC MAP Vision. 3Q25.

31 Moody's Analytics. 3Q25.

32 Yardi Matrix. 3Q25.

33 Yardi Matrix. 3Q25.

34 CBRE, 1H 2025.

35 CBRE, 1H 2025.

36 CBRE, 1H 2025.

37 CBRE, 1H 2025.

38 STR. September 2025.

39 STR. September 2025.

40 STR. September 2025.

41 STR. July and August 2025.

42 STR. August 2025.

43 STR. July 2025.

44 Marriott. 3Q 2025