State of the U.S. Economy and Real Estate Market
Q2 2026

August 17, 2026

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Contents

About RCLCO Fund Advisors

RCLCO Institutional Advisory Services, the predecessor to RCLCO Fund Advisors, LLC (RFA), was formed in 2011. RFA was incorporated in 2013 and registered with the SEC as a registered investment advisor (RIA) in 2014. RFA specifically addresses the complex global investment environment facing pension funds and similar institutional investors. Our broad background across a wide variety of disciplines—including portfolio analysis, development feasibility, and urban planning—makes us uniquely adept at navigating property markets from both a "bottom-up" and "top-down" approach. The team is comprised of more than 30 members with diverse and relevant experience in research, consulting, investment management, property operations, and lending.

RFA is improving the traditional institutional real estate investment model by: providing customized and aligned advisory and investment management solutions to LPs; facilitating partnerships that generate greater LP control and transparency; and driving and achieving long-term objectives in allocation, access, diversification, and performance with greater fee effectiveness.

Summary Point of View

U.S. Economic Summary

As of Q2 2026

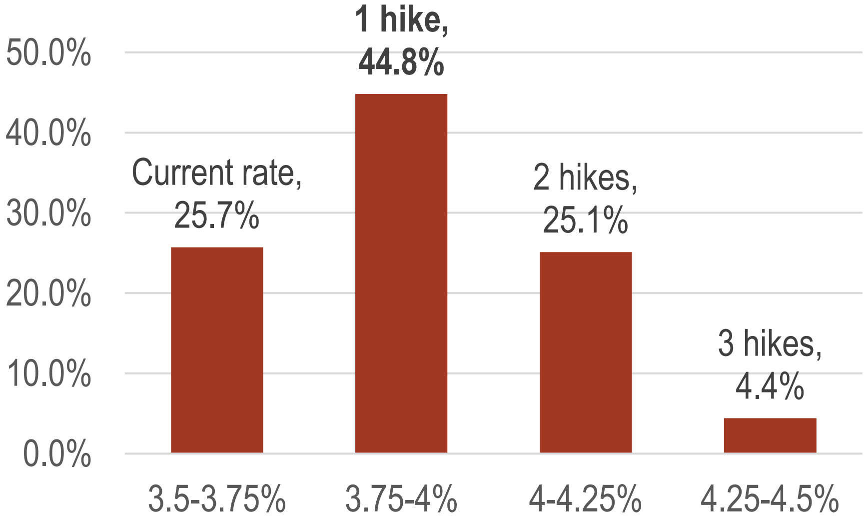
2026 Q2 Review

- **GDP growth decelerated to 1.5%** (annualized) in Q2 2026, down from 2.1% in Q1 2026. A decline in government spending and a deceleration of exports were in part responsible for the slowdown.
- **Employment growth was 231K** in Q2, near Q1 growth but still below average. Employment declined by 23K in July, but the unemployment rate also fell by 10 bps to 4.1%, a very low level.
- **Annual headline CPI inflation accelerated to 3.5%** in Q2 and cooled slightly to 3.4% in July. Core inflation fell to 2.5% in July. Rising energy prices drove the recent rise in headline inflation.
- **The Federal Reserve held rates steady** at 3.50–3.75% in July, although three dissenters voted to increase rates by 25 basis points due to elevated inflation.

Near-term Outlook

- **The war in Iran and disputes over the Strait of Hormuz** have added downside risk to the U.S. economic outlook, primarily through elevated energy prices, supply chain disruption, and higher interest rates.
- **GDP growth of 1.5–2.5%** is forecast in the near term and a recession continues to be unlikely.
- **Inflation will remain elevated (3-3.5%) in the near term,** driven primarily by higher energy prices.
- **The Fed is broadly expected to increase interest rates** in 2026 with 1 or 2 rate hikes most likely by YE.
- **Downside risks** include a prolonged Iran conflict, other geopolitical challenges, AI-led stock market correction, and low population/employment growth.
- **Upside scenarios** include a resolution of the Iran conflict, continued AI-driven capital investment, and ongoing regulatory pullback.

Probability of Fed Funds Rate at YE 2026



Note: Inflation figures are seasonally adjusted.
Source: CME Group

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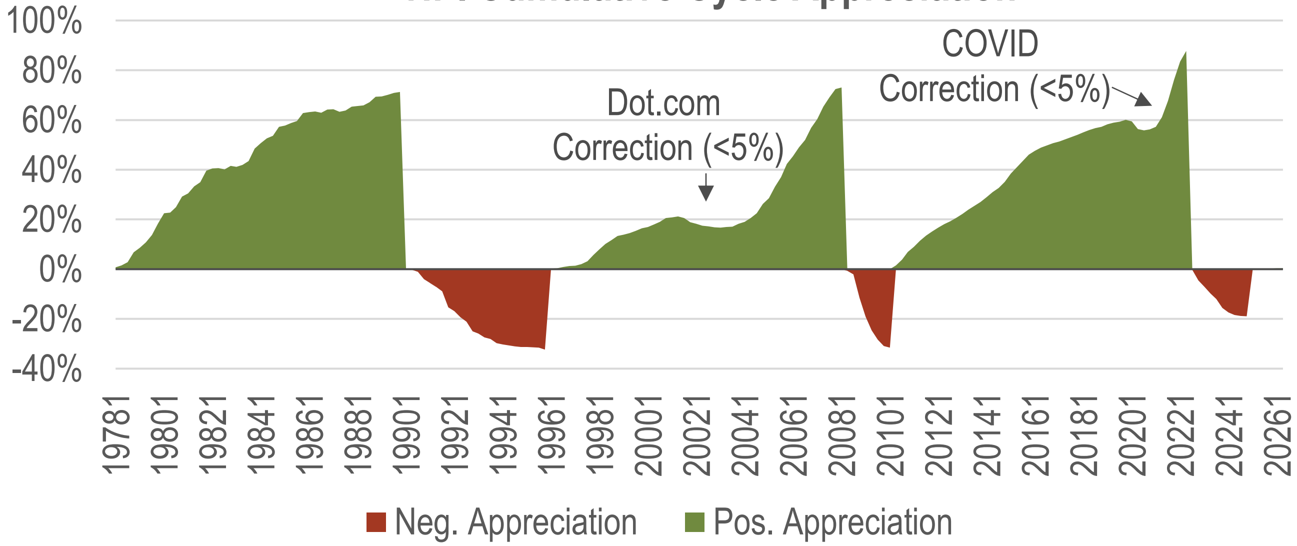
U.S. Real Estate Summary

As of Q2 2026

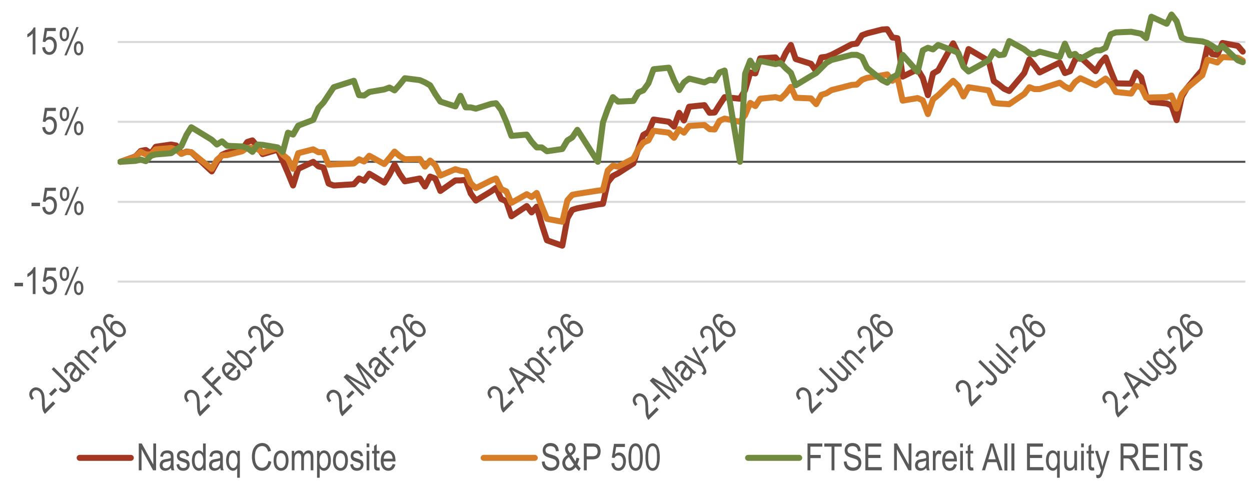
Performance & Capital Markets

- **Annual private real estate unlevered returns increased** for both ODCE and NPI in Q2, registering 4.6% and 5.0%, respectively.
  - Trailing-year **appreciation was slightly positive** for both NPI (0.3%) and ODCE (0.4%).
  - Annual NPI returns are expected to average ~6.7% through 2030.
- NPI and ODCE **annual income yields were 4.7% and 4.1%,** respectively. The NPI yield spread to the 10-Year UST yield remained very tight.
- **NPI appreciation has been close** to zero for six quarters (seven quarters for ODCE). Prior up-cycles have lasted an average of approximately nine years.
- **Annual transaction volumes totaled $605B in Q2**, up 29% from the year prior. Transaction volumes were up for all four major property types.
- **Real estate capital markets remained resilient** despite elevated interest rates. CMBS issuance totaled $32B in Q2, down from the quarter prior but up by 47% year-over-year.
- **REITs have performed well in 2026.** All Equity REITs posted a YTD return of 14.9% through June, outperforming broader public equities.

NPI Cumulative Cycle Appreciation



US Market Performance



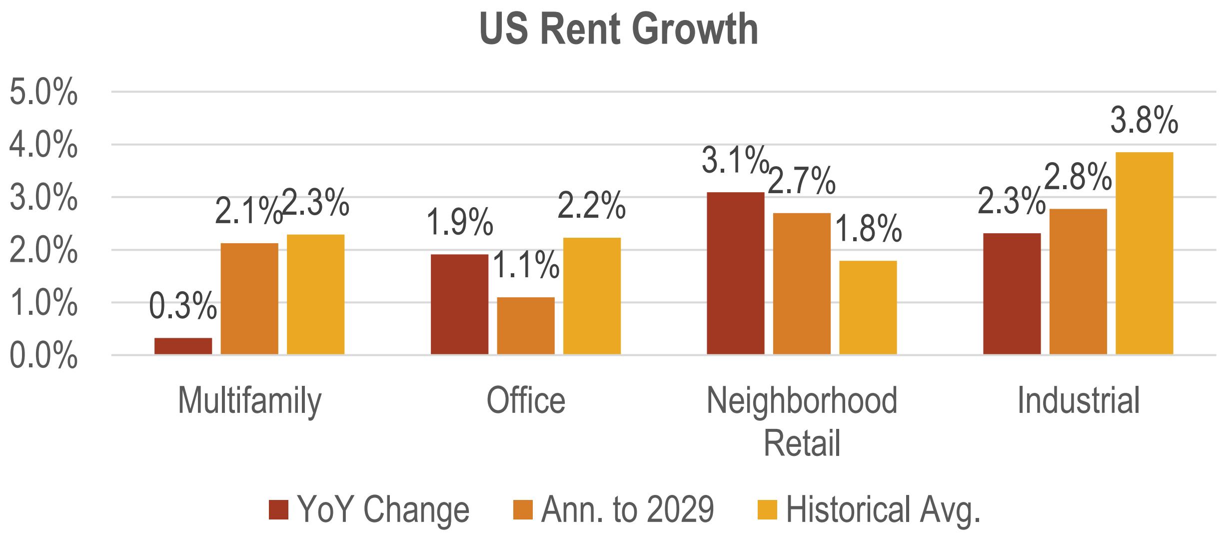
Note: NPI returns are unlevered, gross of fees.
Source: Federal Reserve Bank of St. Louis; Yahoo Finance; NCREIF

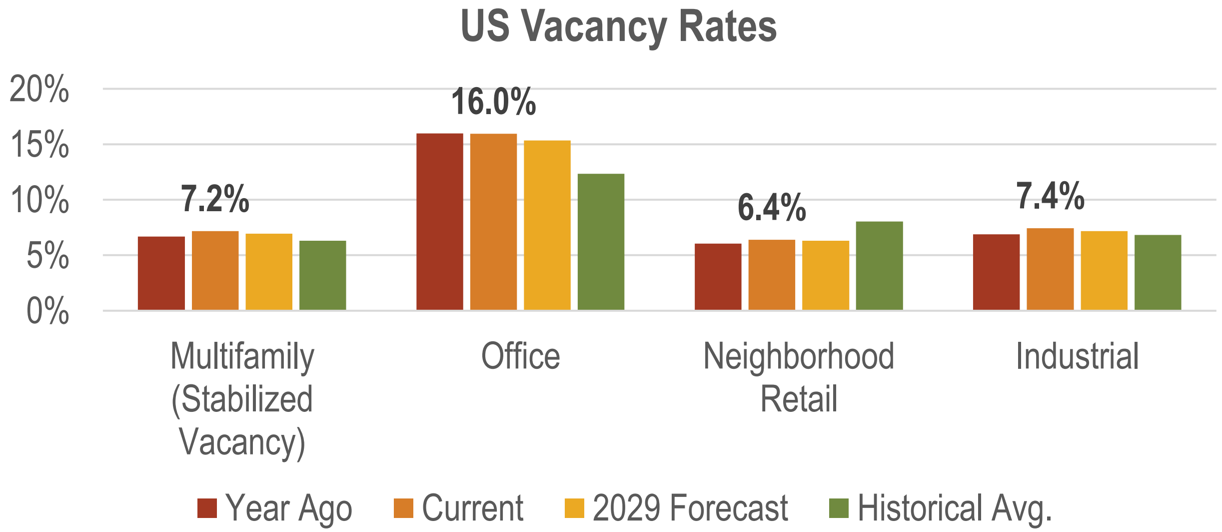
U.S. Property Markets Summary

As of Q2 2026

Operating Fundamentals

- ***Multifamily*** – Annual absorption slightly outpaced completions; however, due to a supply overhang stabilized vacancy rose and YoY rent growth was a low 0.3%. An acceleration of the supply pipeline may keep fundamentals depressed in the near term.
- ***Office*** – Net absorption improved considerably although it remained outpaced by new supply. Vacancy has begun to moderate but rent growth will remain weak. Premium office properties in top submarkets should outperform.
- ***Neighborhood Retail*** – Vacancies ticked up slightly but remain below their long-term average. Rent growth is forecast to soften slightly in 2026 but limited new supply should support stable operating fundamentals through 2029.
- ***Industrial*** – Absorption improved but continued to lag completions, pushing vacancies higher. Rent growth has also slowed considerably. Fundamentals are projected to soften further in the near term before improving in the mid term.
- ***Senior housing, BTR, Self-storage*** – Structural demographic tailwinds and shifting homeownership trends are likely to drive above-inflation rent growth.
- ***Data centers*** – Strong fundamentals in near term but risk of overbuilding in the mid term.





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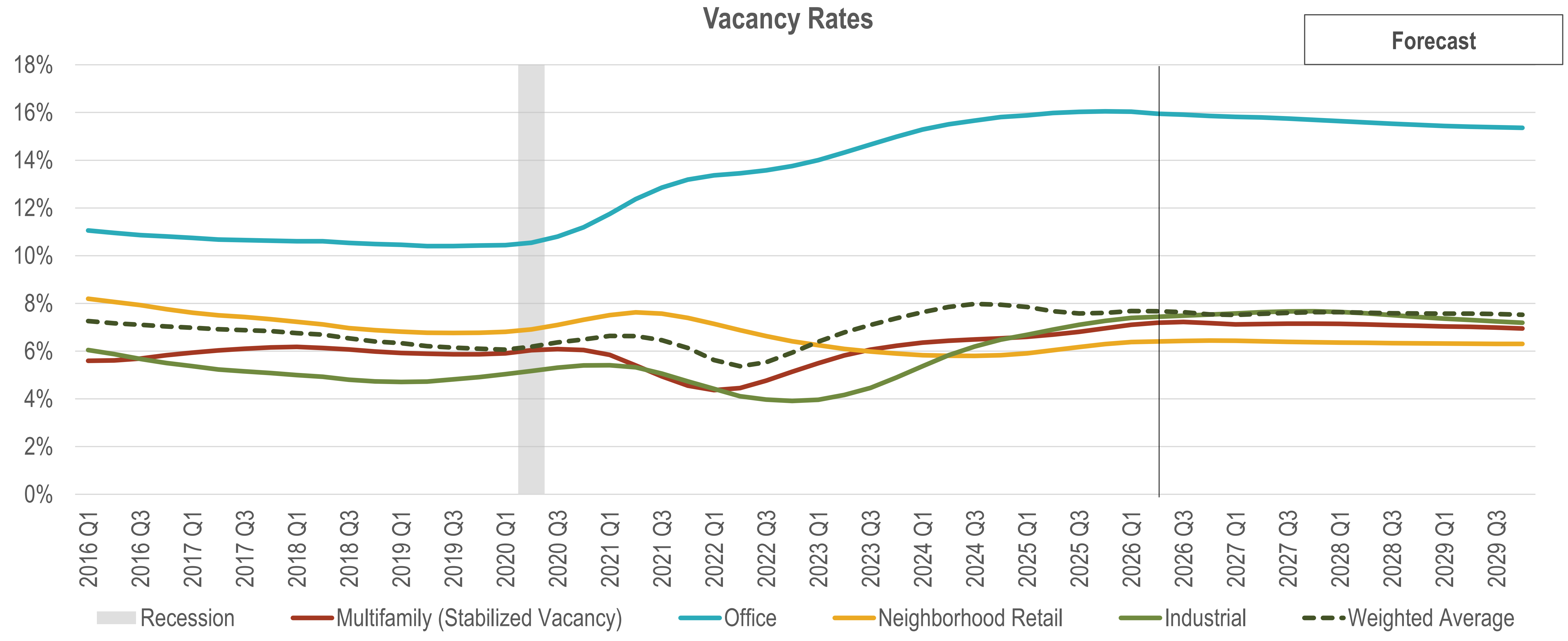
Data are as of 2026 Q2.
Note: Vacancy and rent growth rates are rolling four-quarter averages; office and multifamily data are filtered for Class A&B; apartment vacancy reflects stabilized vacancy.
Source: CoStar

Vacancy to Hold Steady Across Most Property Types

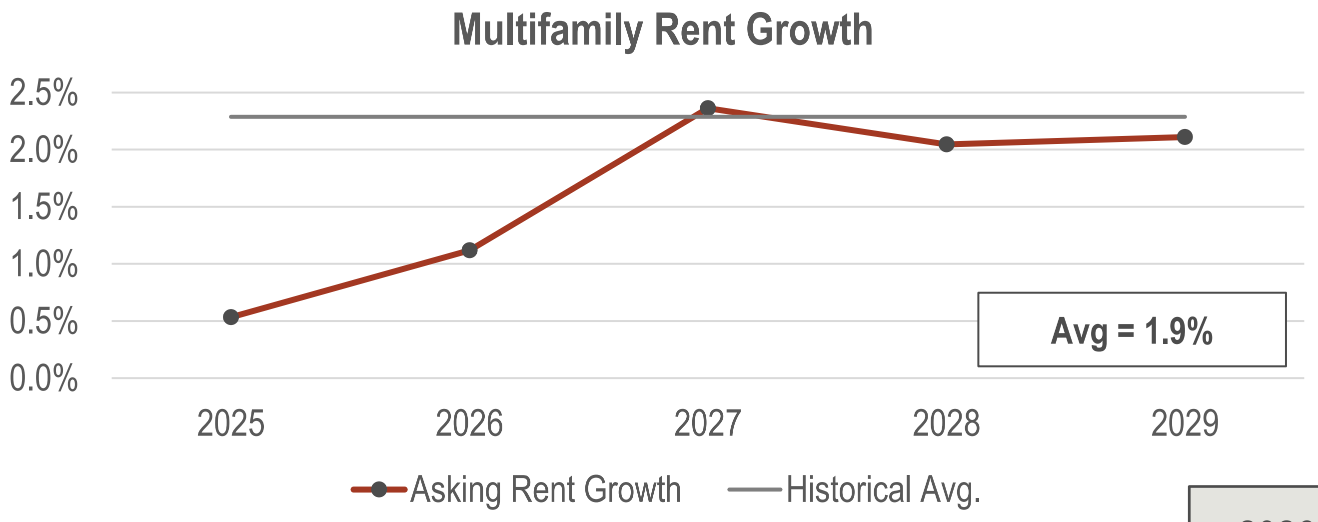
Office Vacancy Rate to Remain High but Slowly Moderate; Retail to Stay Near Current Lows

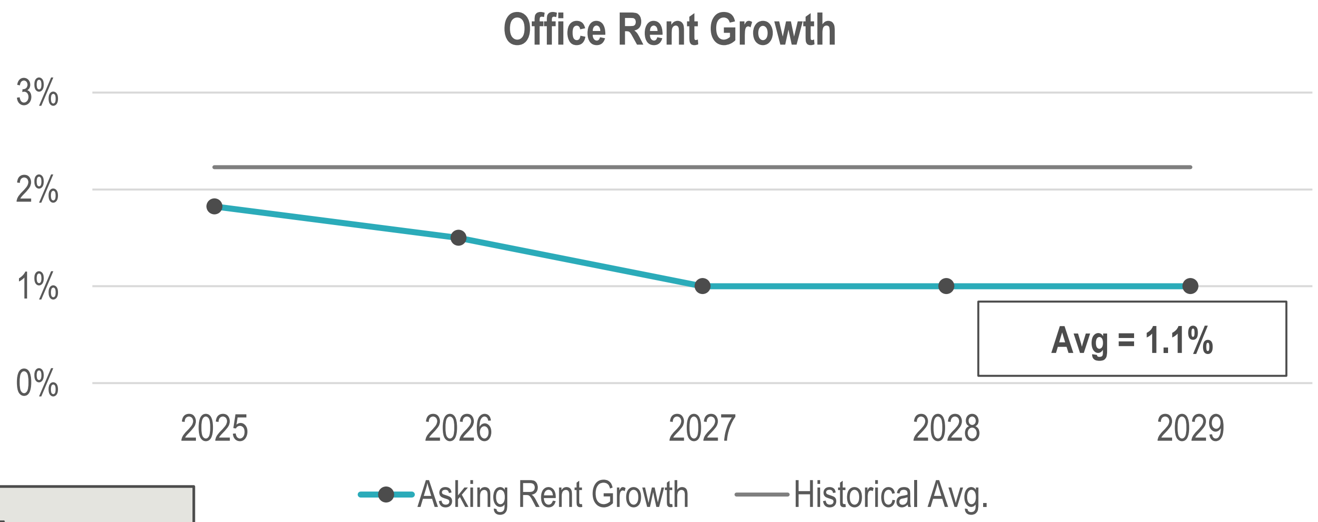


Data are as of 2026 Q2.
Notes: Vacancy rates are rolling four-quarter averages; office and multifamily data are filtered for class A&B. Apartment vacancy is stabilized.
Source: CoStar

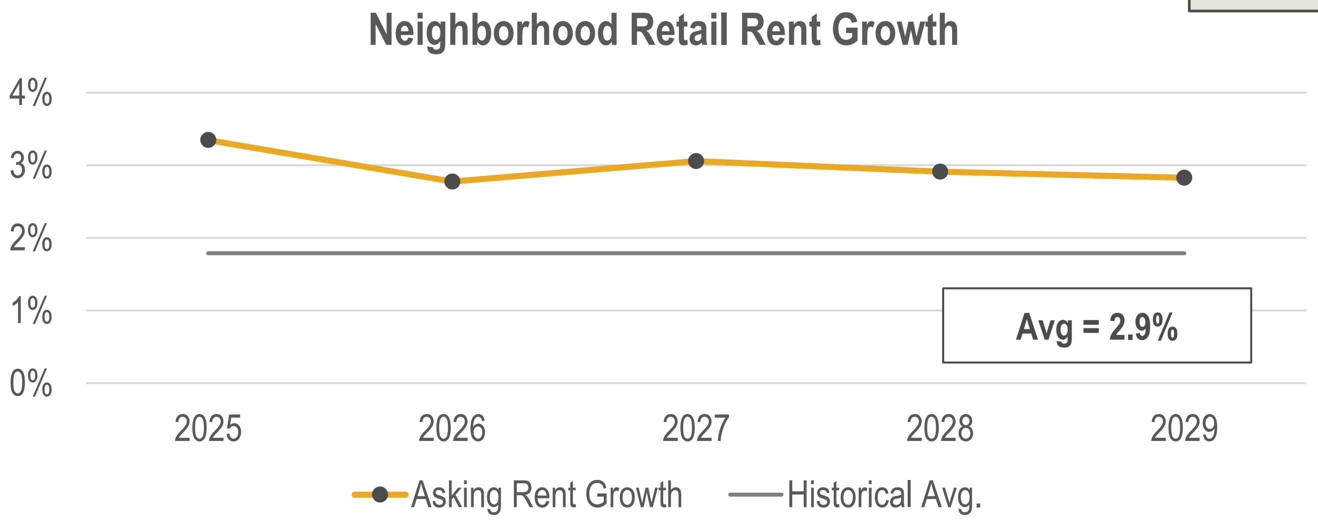
Multifamily and Industrial Rent Growth Forecast to Improve

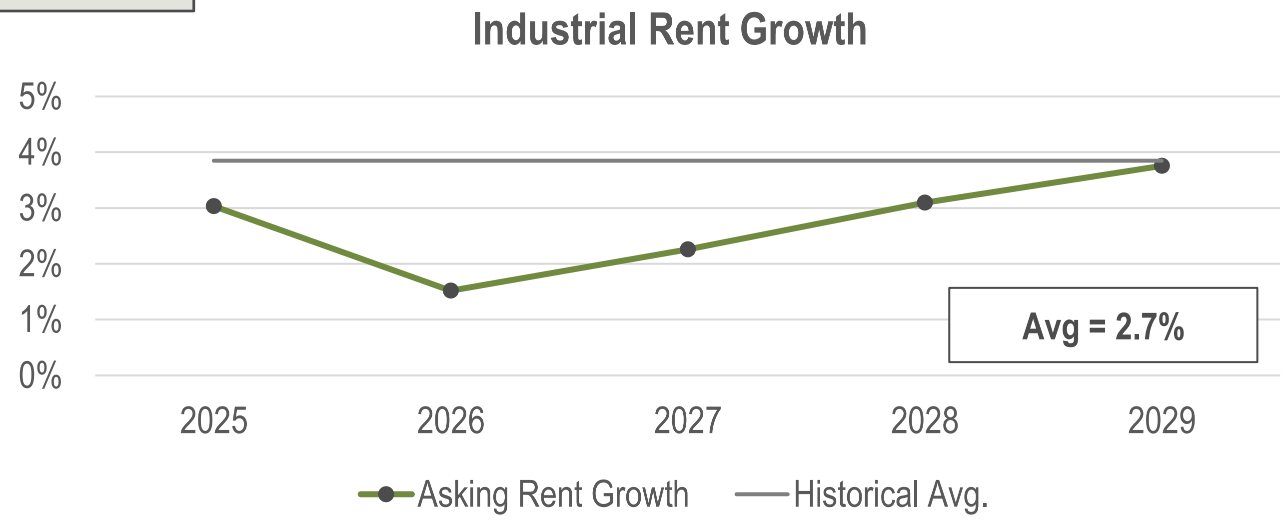
Office Rent Growth to Remain Weak; Neighborhood Retail to Stay Elevated





2026-29 Averages





Data are as of 2026 Q2.

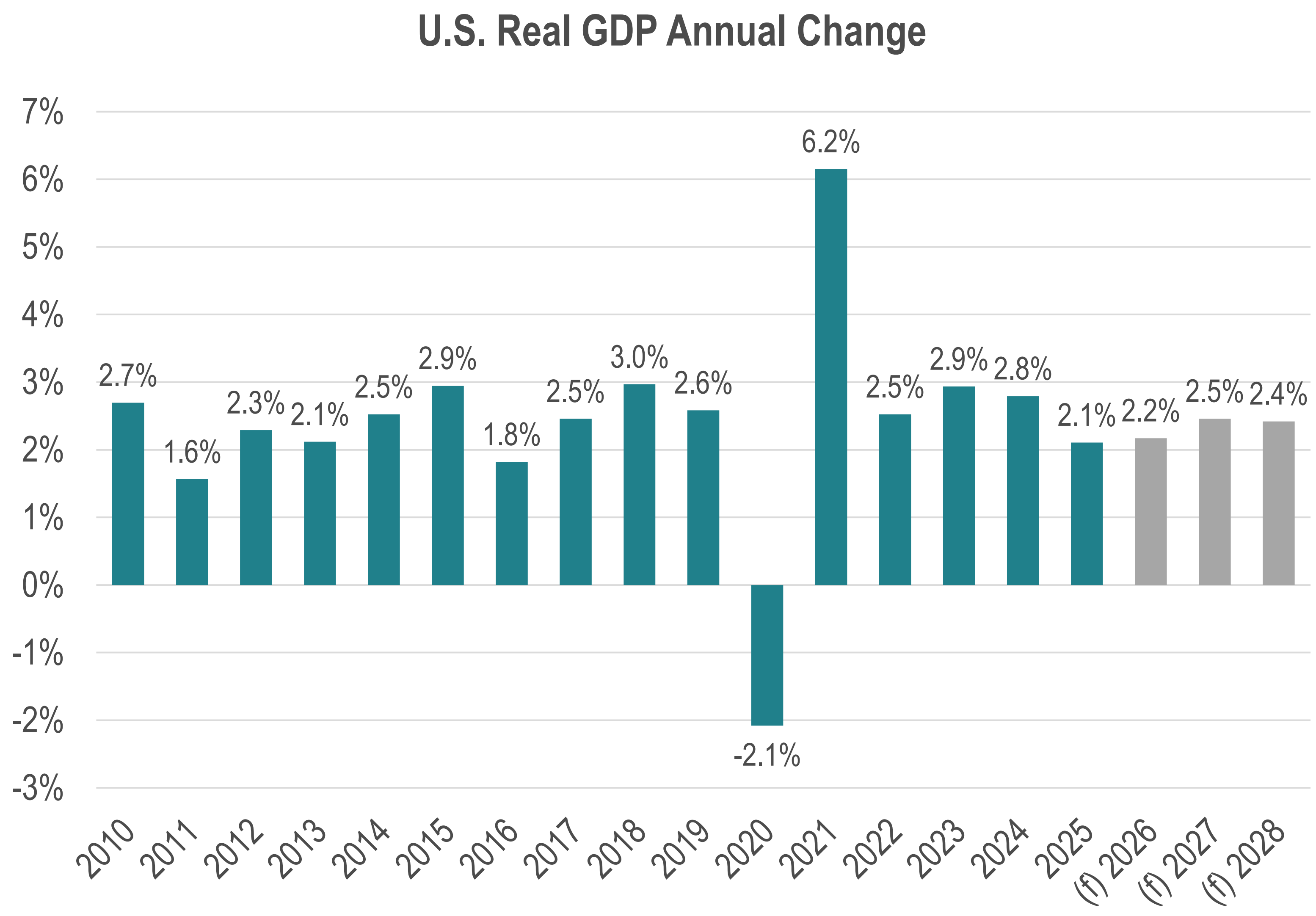
Notes: Rent growth rates are rolling four-quarter averages; office and multifamily data are filtered for class A&B. Rent data reflect asking rent growth.

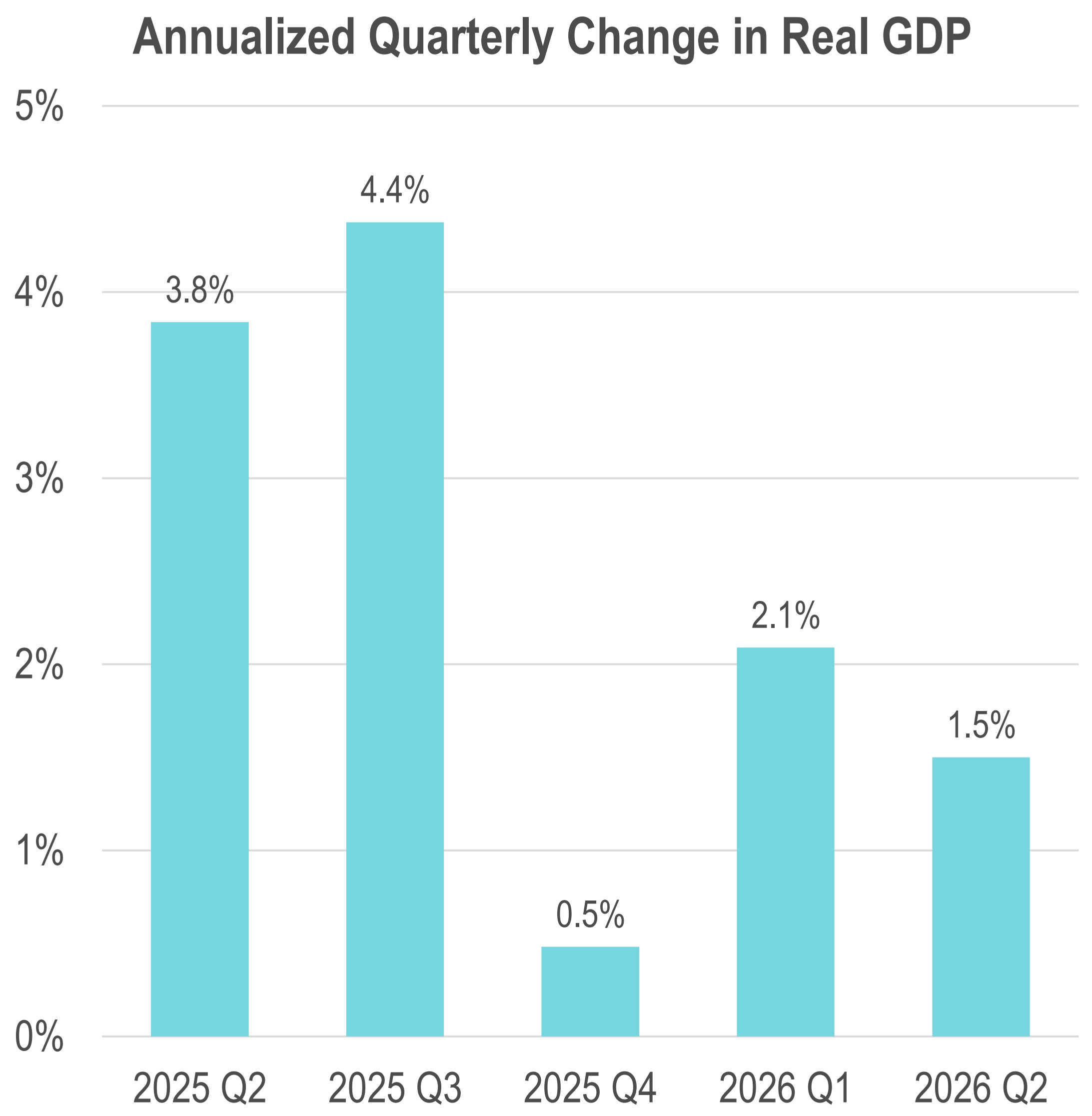
Source: CoStar

Economy

GDP Growth Slowed to 1.5% (Annualized) in Q2

The Slowdown Was Due to Less Government Spending and a Deceleration in Exports





Note: Data are seasonally adjusted.
Source: Bureau of Economic Analysis; Oxford Economics; Wall Street Journal Consensus Forecasts

Probability of Recession Moderating Despite Geopolitical Risk

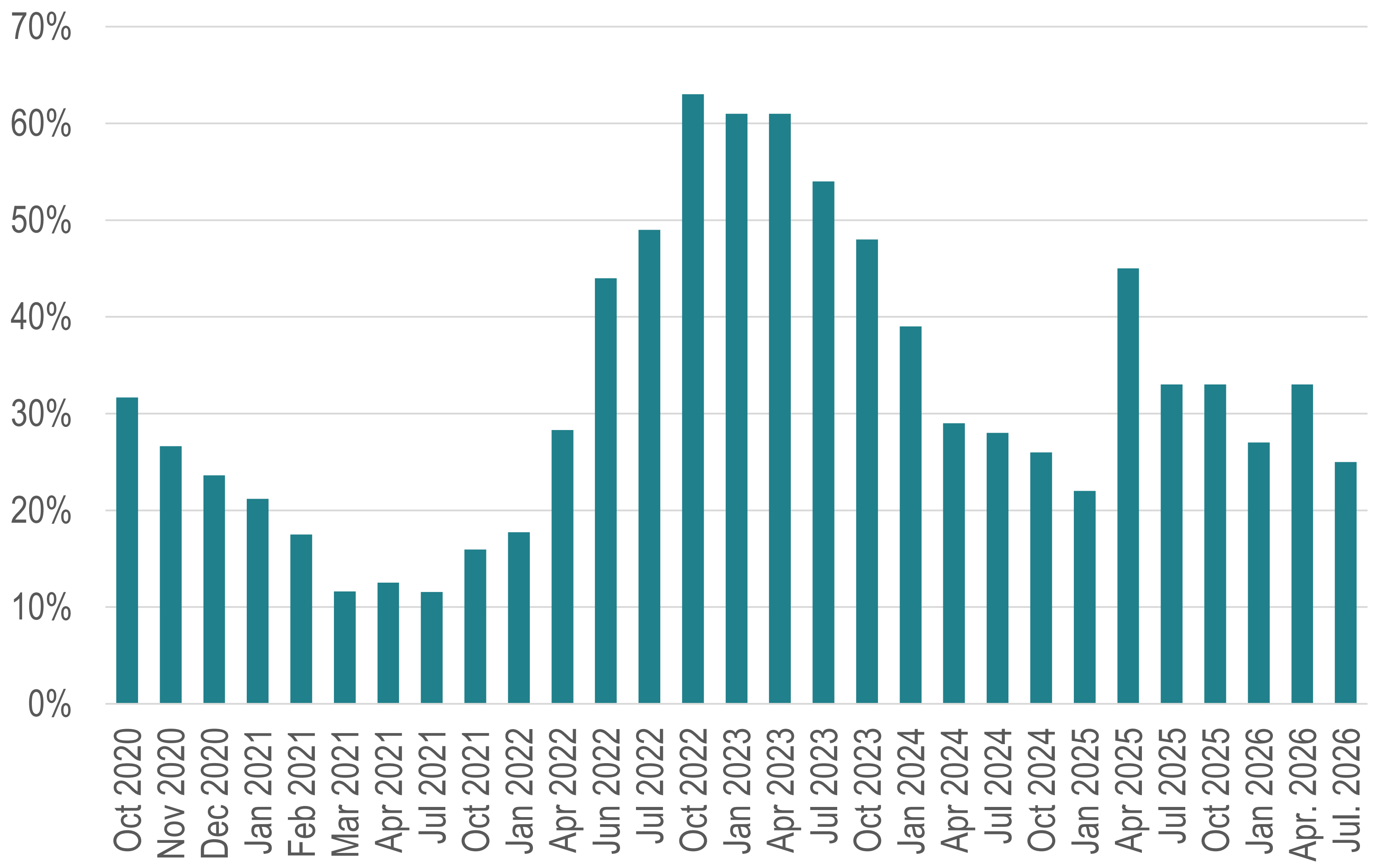
A Weaker Than Expected Labor Market May Increase Concerns of an Economic Slowdown

Probability of Recession

	As Of	Time-frame (mos.)	Probability
Goldman Sachs	Jun-26	12	15%
NY Fed's Treasury Spread Model	Jun-26	12	16%
WSJ Survey	Jul-26	12	25%
US Bank	Aug-26	12	25%
RCLCO Sentiment Survey	**Jul-26**	**12/24**	**42/65%**

Decrease from prior forecast
Increase from prior forecast

WSJ Probability of Recession in Next 12 Months



Source: Wall Street Journal Economic Survey

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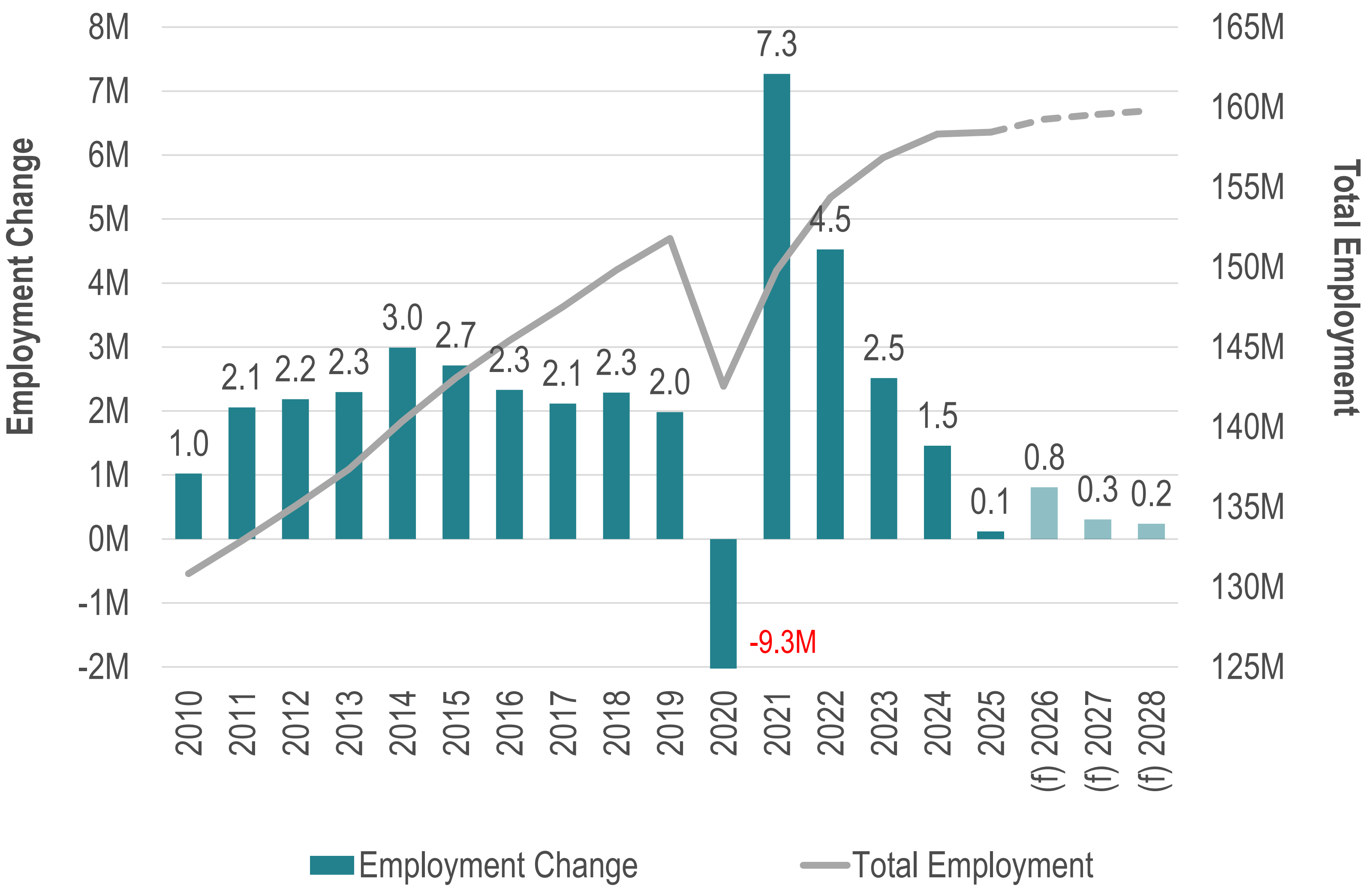
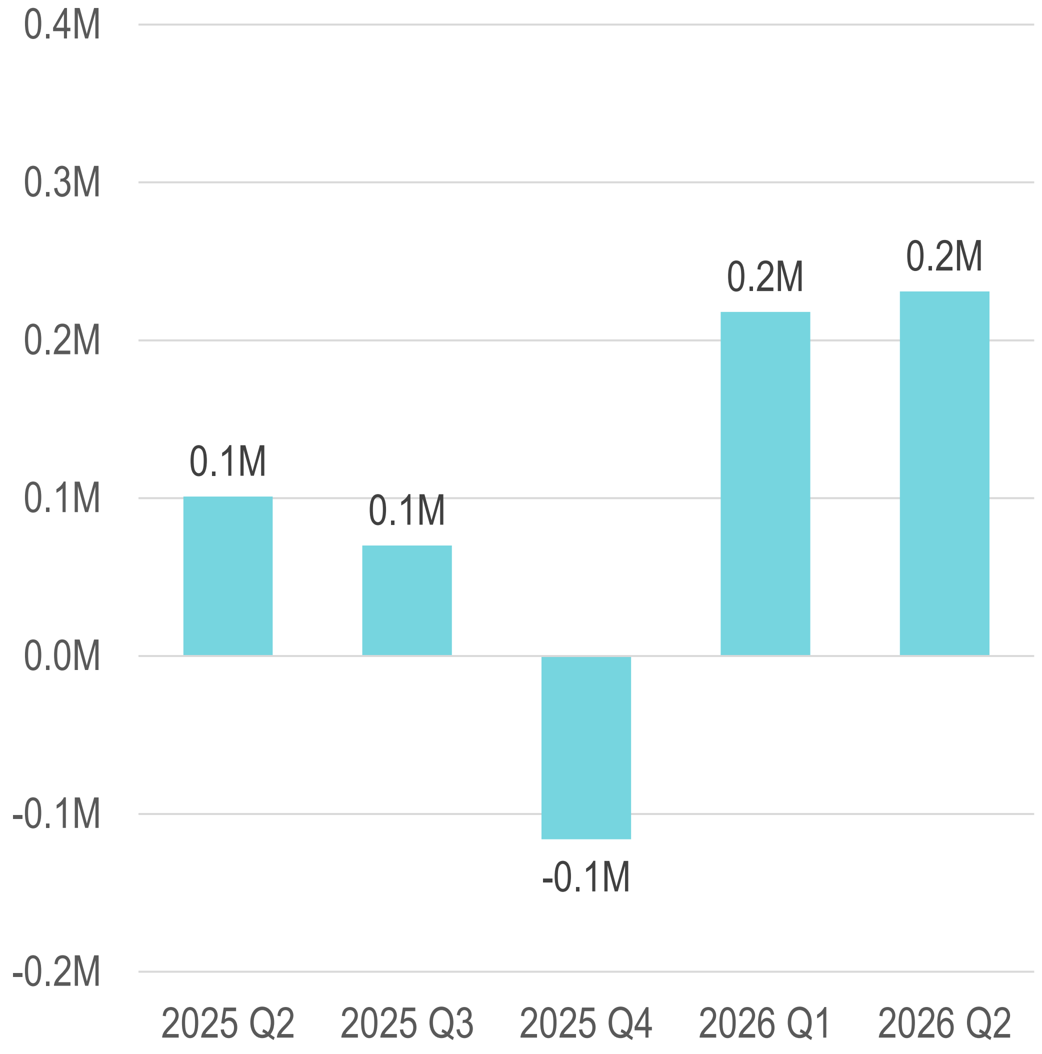
US Labor Market Held Steady in Q2 but with Slow Employment Growth

Employment Growth Is Forecast to Remain Low Amid Declining Population Growth and Immigration

Total Non-Farm Employment



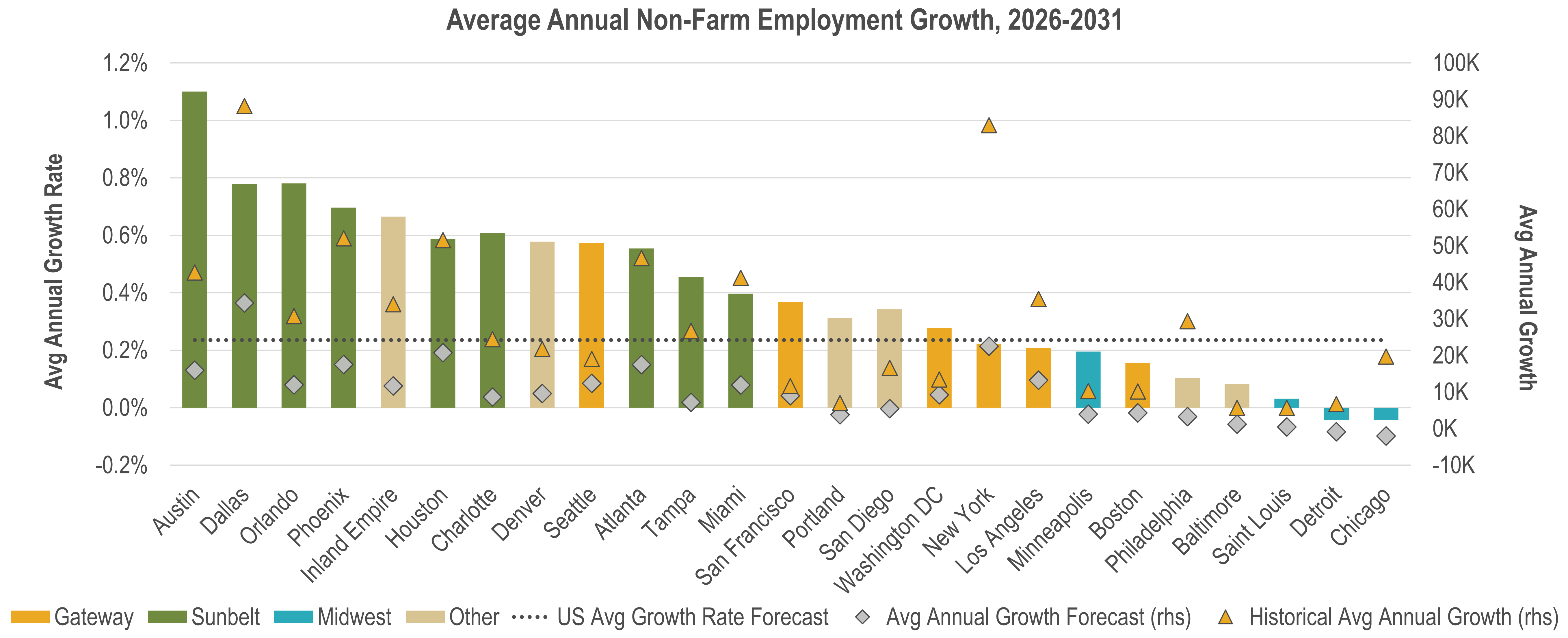
Quarterly Change in Total Employment



Data are as of 2026 Q2.
Source: Bureau of Labor Statistics; Oxford Economics

Sunbelt Job Growth Forecast to Outpace US and Other Markets

Several Midwest Markets Will Lose Employment or See Little Growth Through 2031



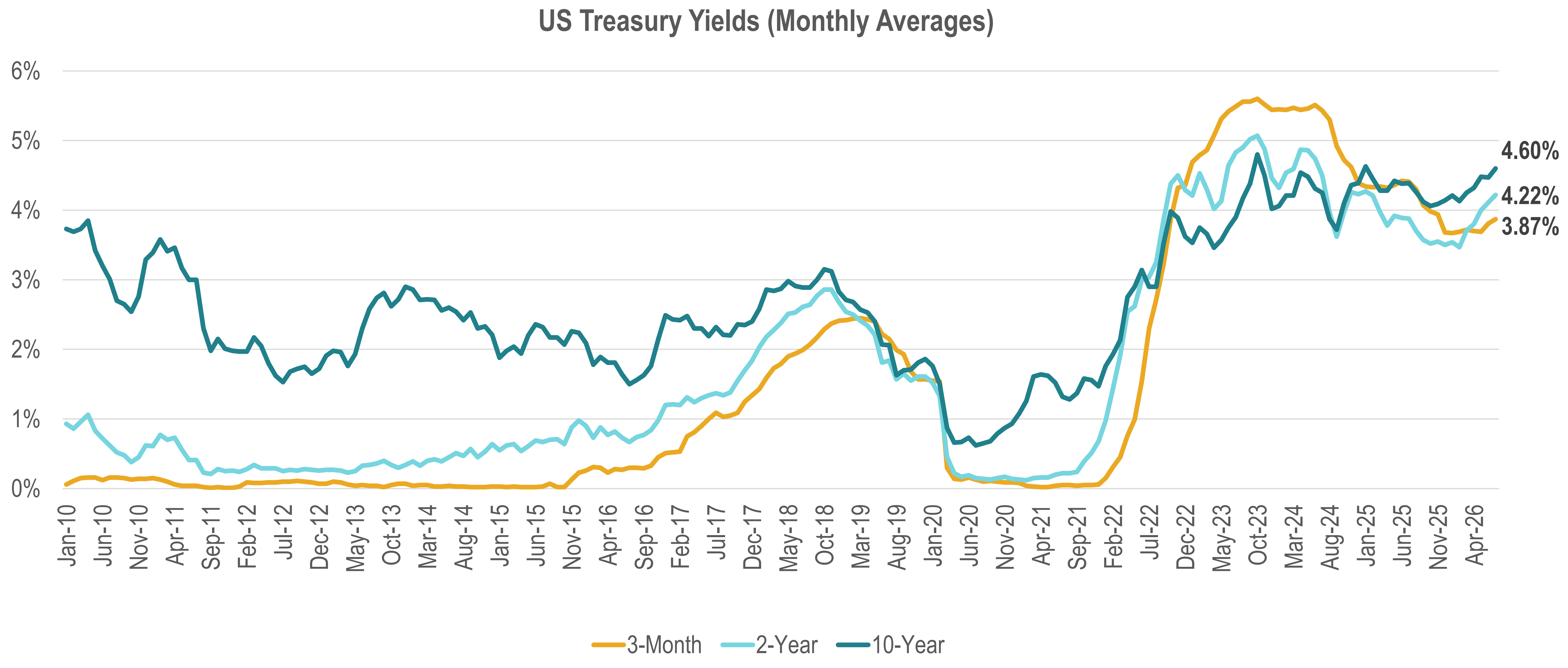
The information contained in this report is confidential, may be legally privileged, and is intended only for the use of select clients of RCLCO Fund Advisors.

Note: The chart above includes the 25 largest markets by total non-agricultural employment as of 2026 Q2.
Source: Oxford Economics

Capital Markets

US Treasury Yields Up 50-60 bps Year to Date

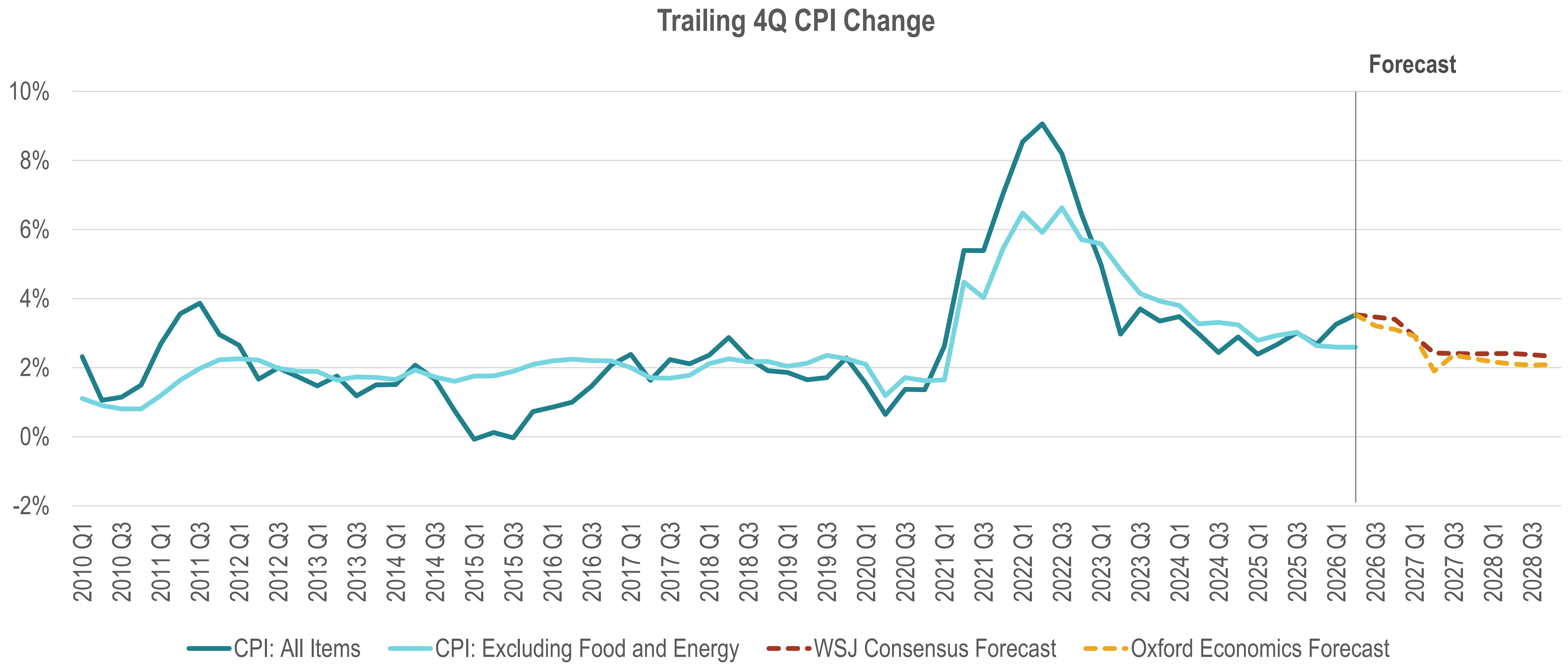
2- and 10-Year UST Yields Have Risen At a Faster Clip Than 3-Month Yields



Data are as of July 31, 2026.
Source: Federal Reserve

All Items CPI Rose to 3.5% in Q2; Core Inflation Held Steady at 2.6%

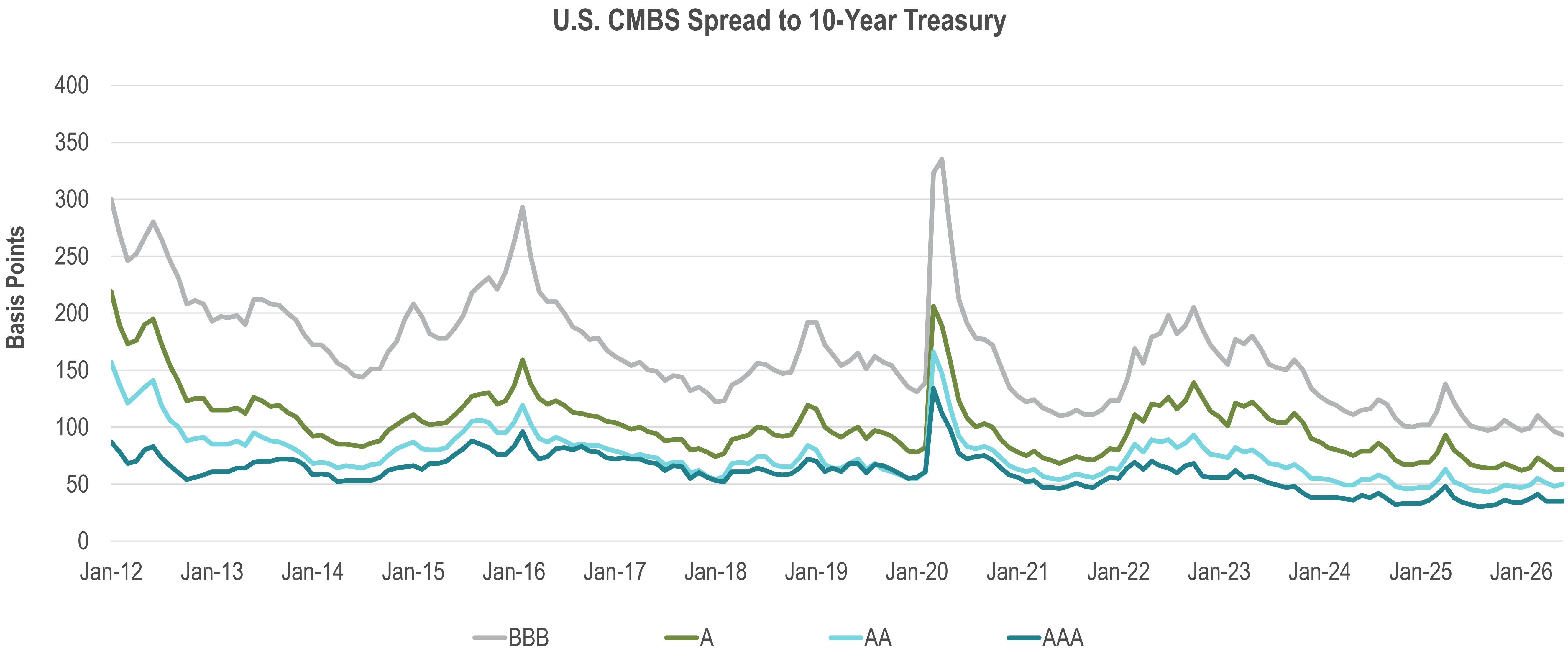
CPI Inflation Is Projected to Remain Elevated in 2026 Before Moderating in 2027



Data are as of Q2 2026.
Note: Figures represent not seasonally adjusted CPI.
Source: U.S. Bureau of Labor Statistics; Federal Reserve Bank of St. Louis; Oxford Economics; WSJ Consensus Forecasts

CMBS Spreads to the 10-Year UST Yield Trending Lower

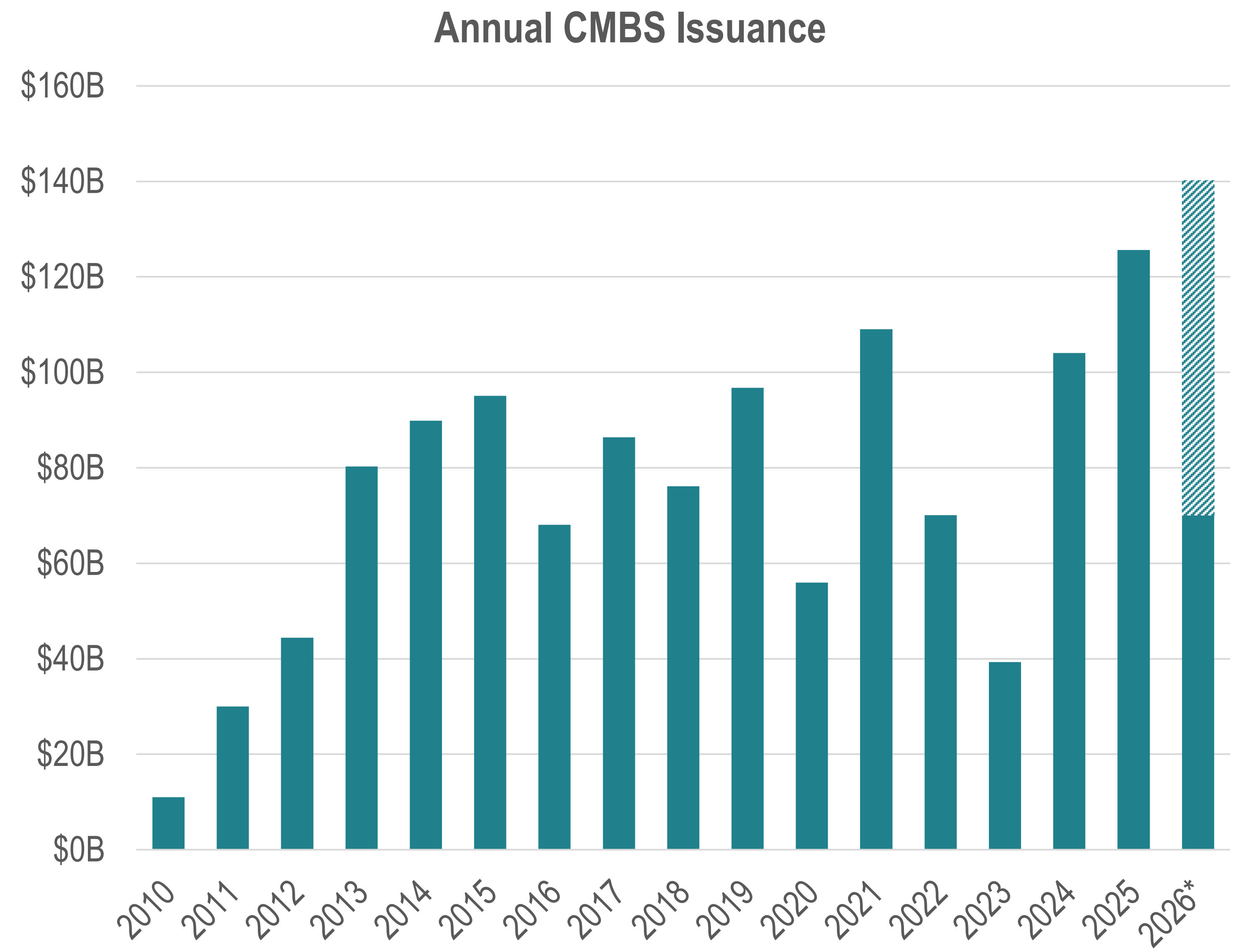
Spreads Remain Historically Tight Across Bond Ratings

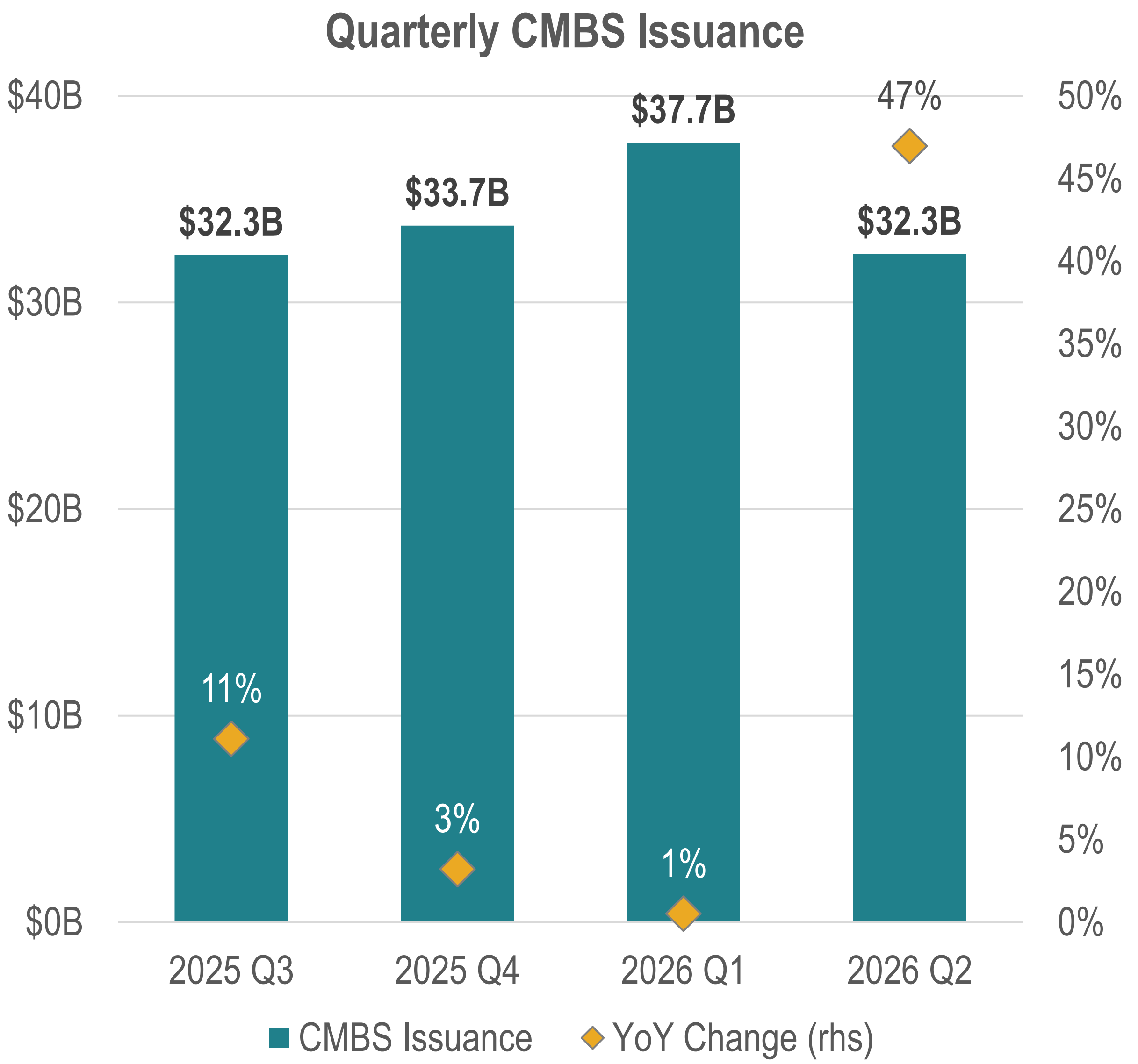


Data are as of June 2026.
Source: Federal Reserve Bank of St. Louis

CMBS Issuance Was Up 47% YoY in Q2

Issuance Is Forecast to Continue Its Upward Trend in 2026, On Track for Its Highest Year Since the GFC





**Annualized using data from first half of 2026.*
Data are as of Q2 2026.
Source: Trepp

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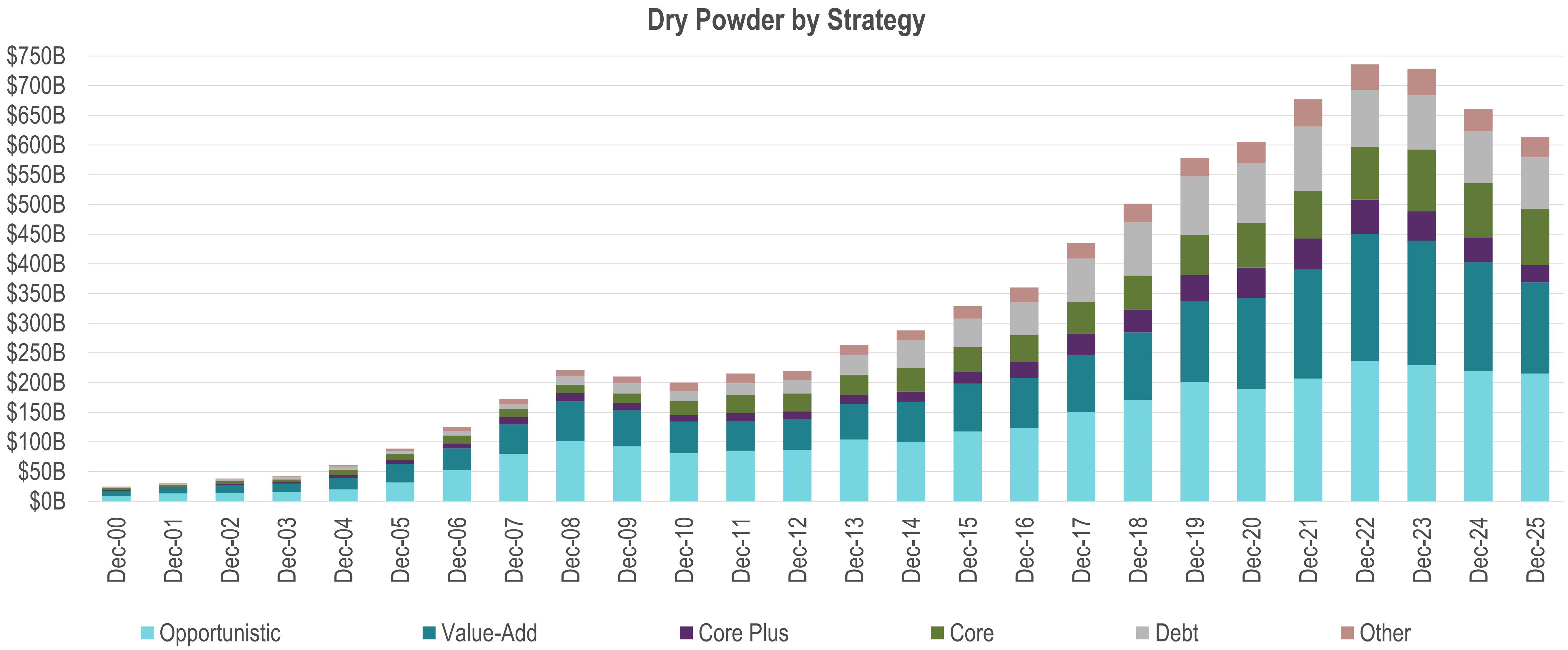
Institutional Dry Powder Continued to Moderate Through June

60% of Real Estate Dry Powder Is Earmarked for Value-Add and Opportunistic Investments



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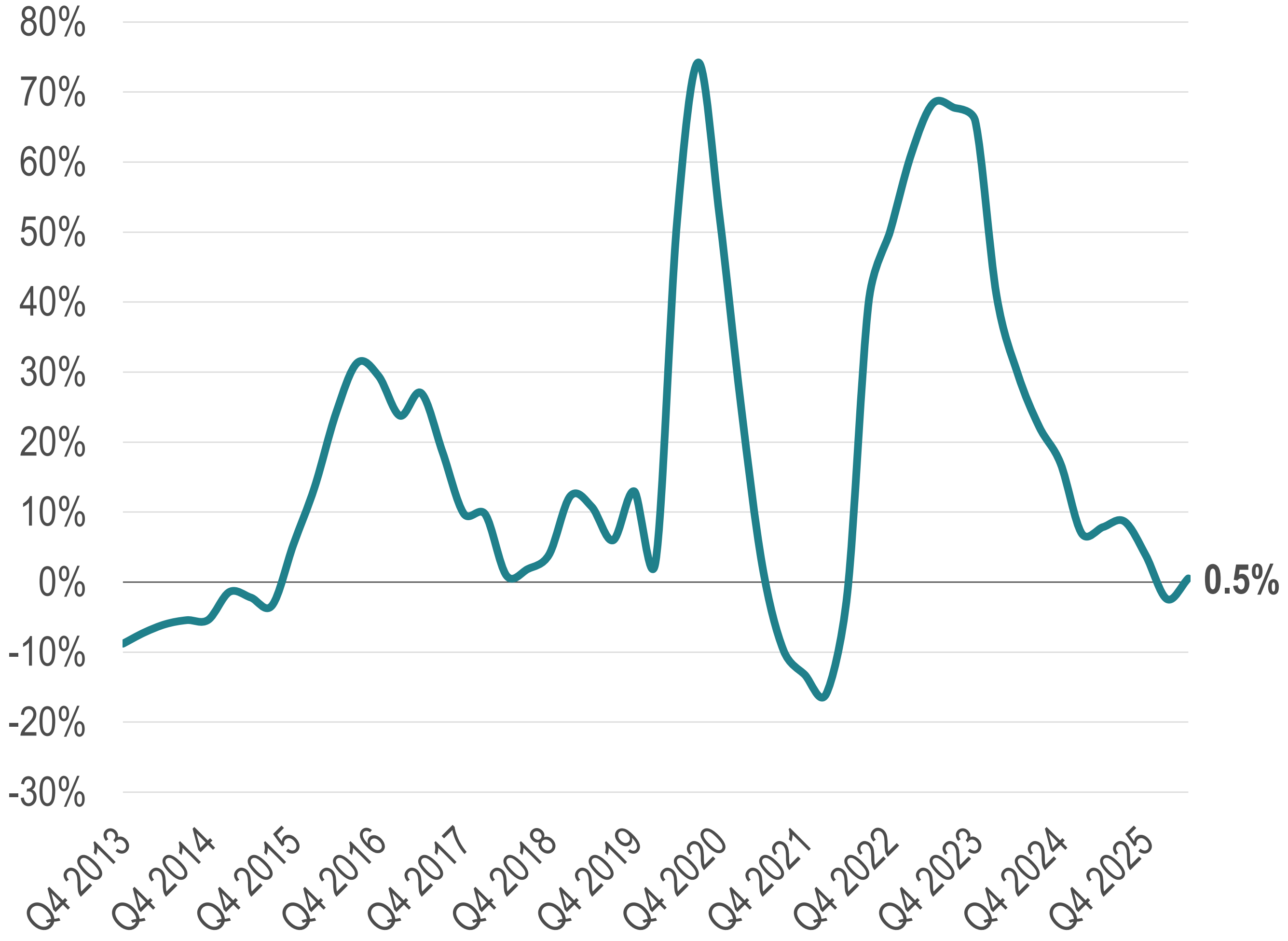
Note: Data are as of June 2026.
Source: Preqin

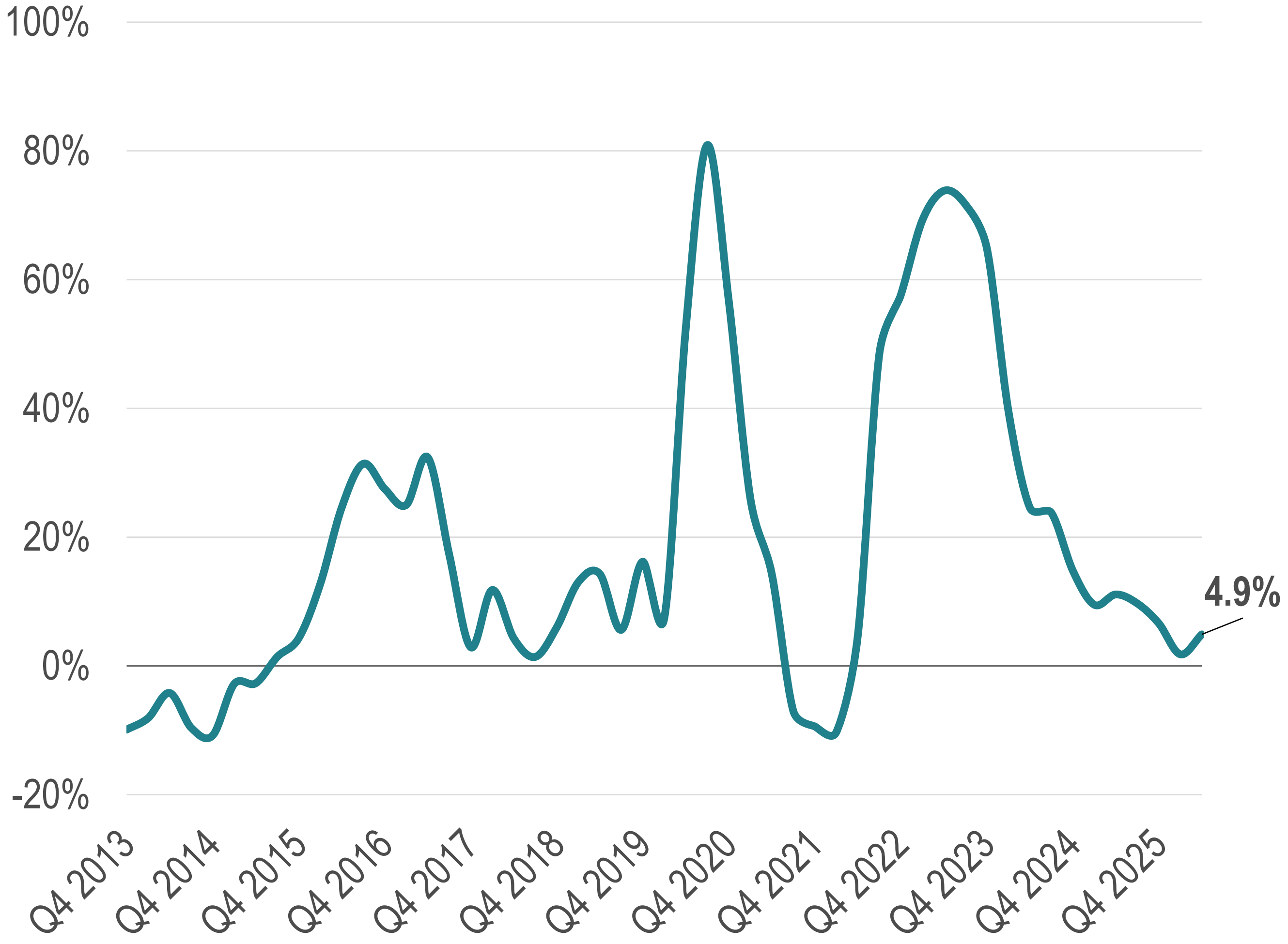
Bank Lending Standards for Commercial Real Estate Have Stabilized

Lending Standards for Construction and Development Purposes Tightened Slightly in Q2

Net % of Banks Tightening Lending Standards for Commercial Real Estate Loans



Net % of Banks Tightening Lending Standards for Construction/Development Purposes



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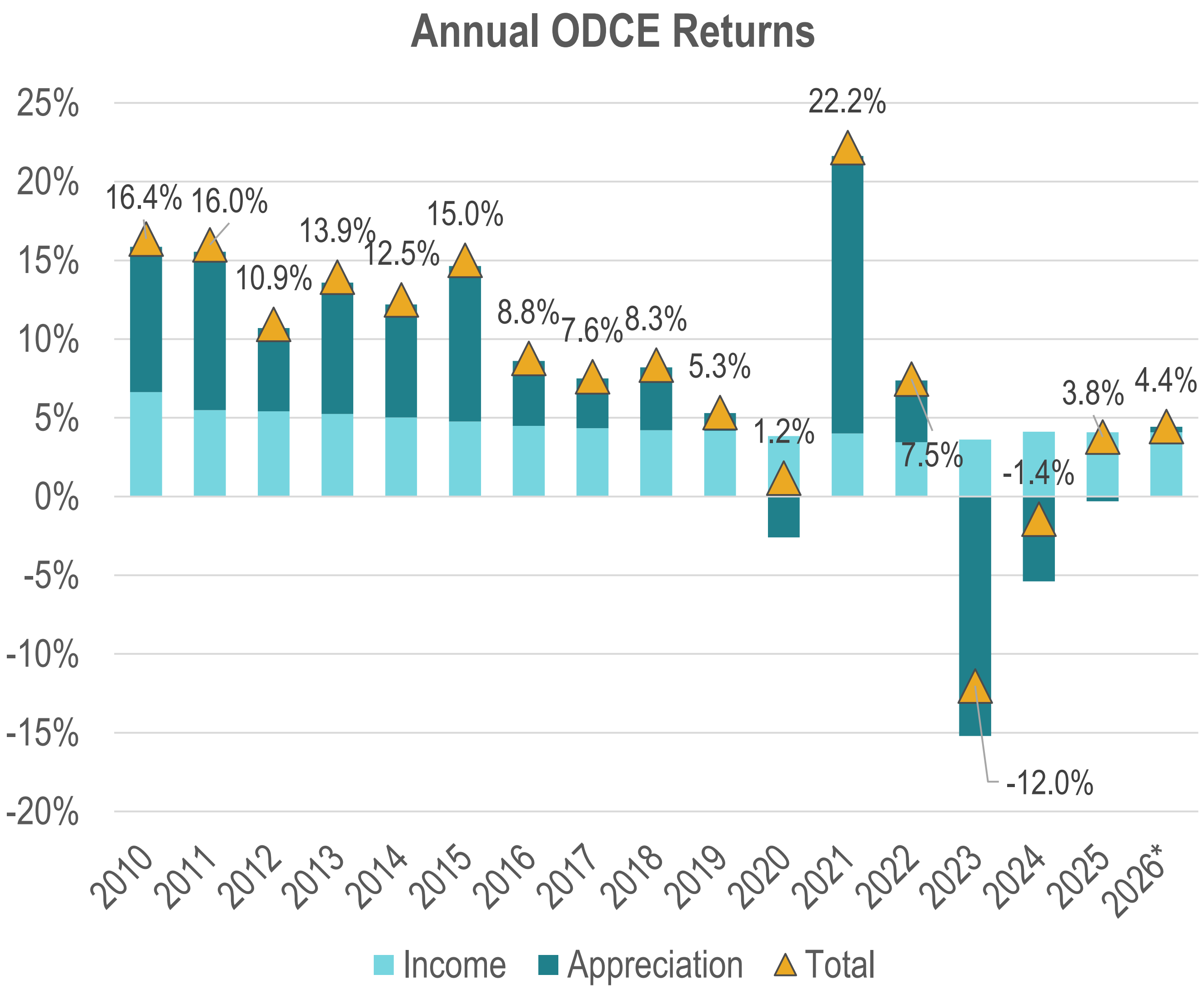
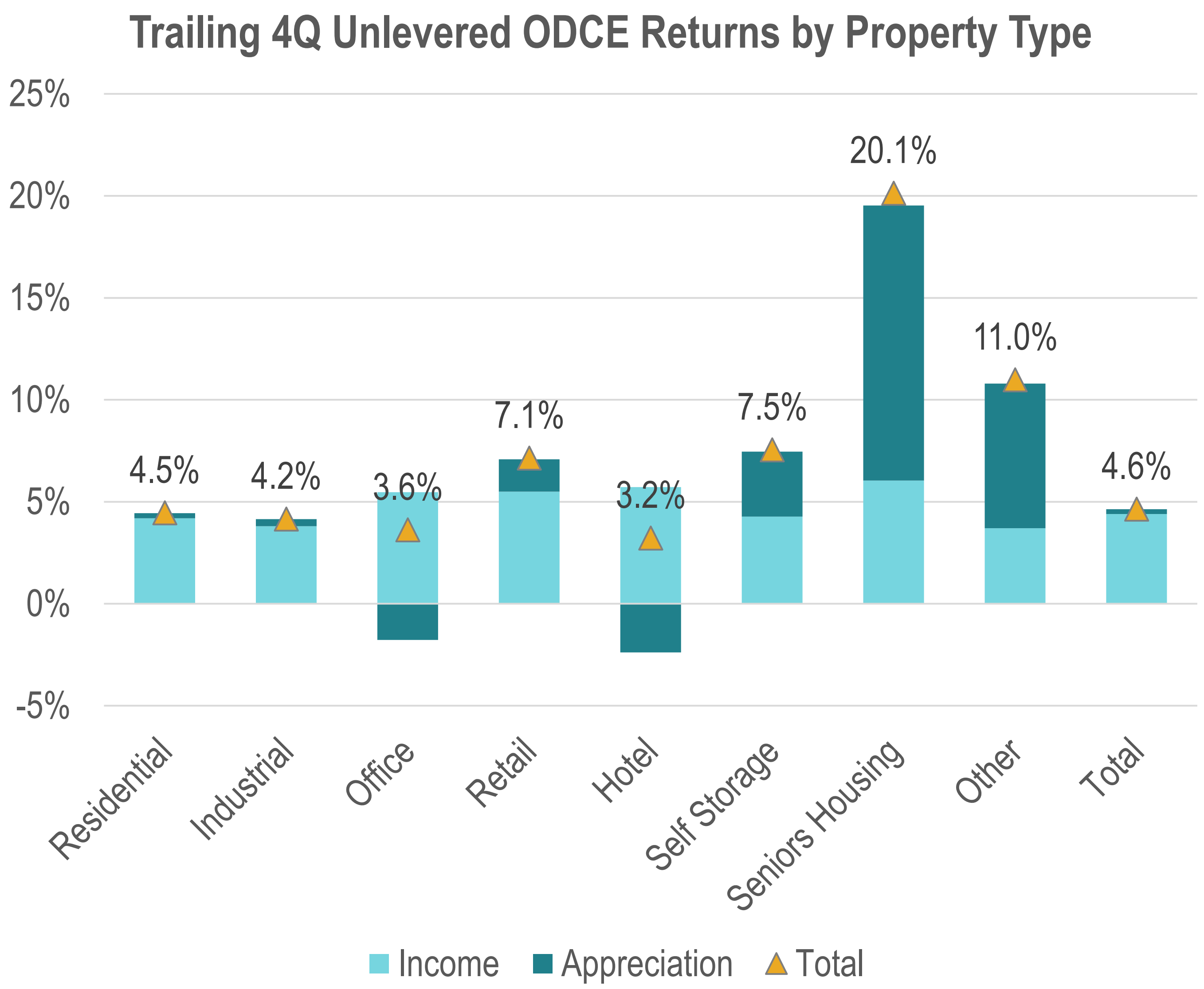
Data are as of 2026 Q2.
Source: Federal Reserve

Real Estate Returns

Annual ODCE Returns Rose Slightly to 4.4% in Q2

Seniors Housing and Other Led ODCE Returns; Hotel and Office Lagged

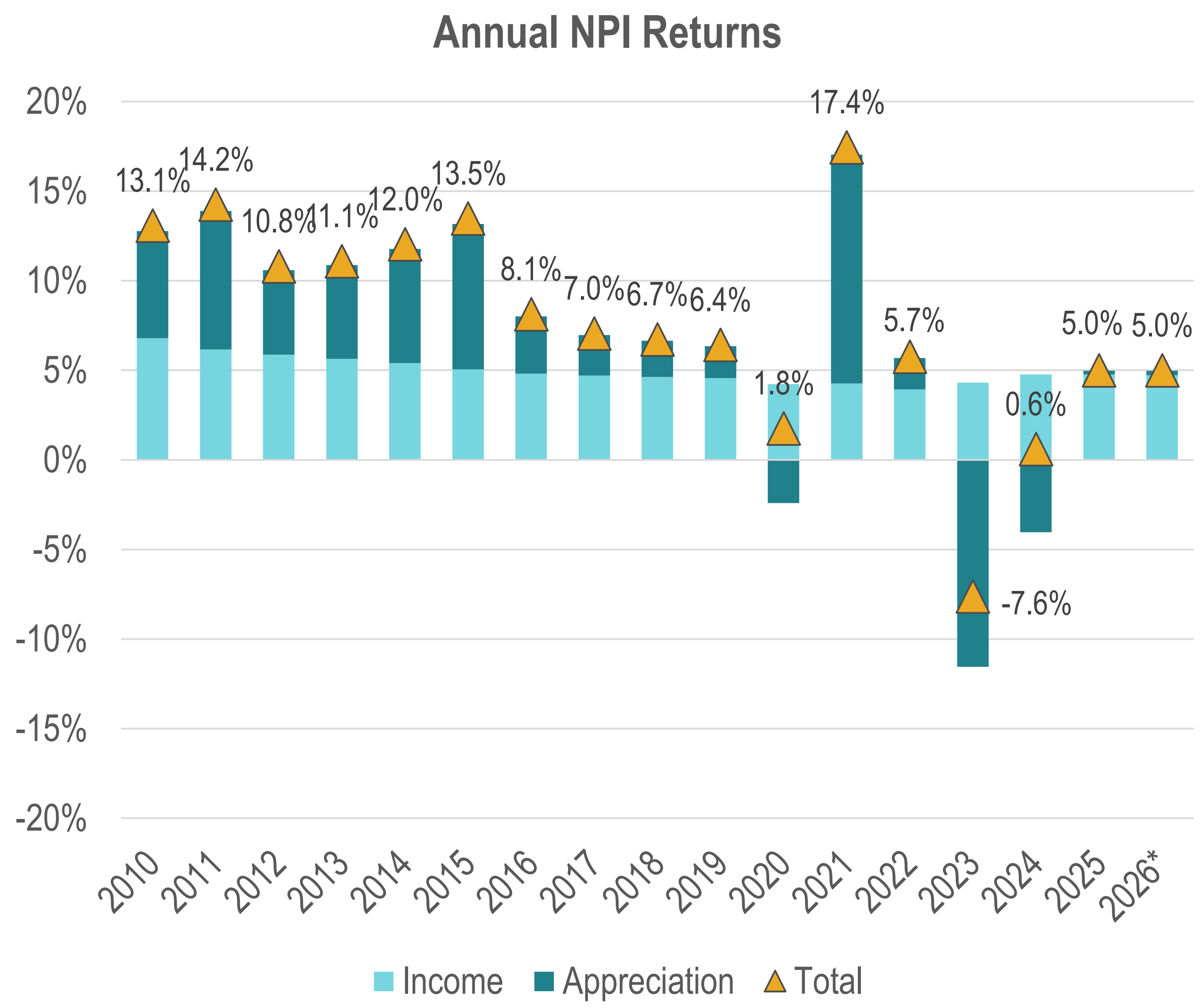


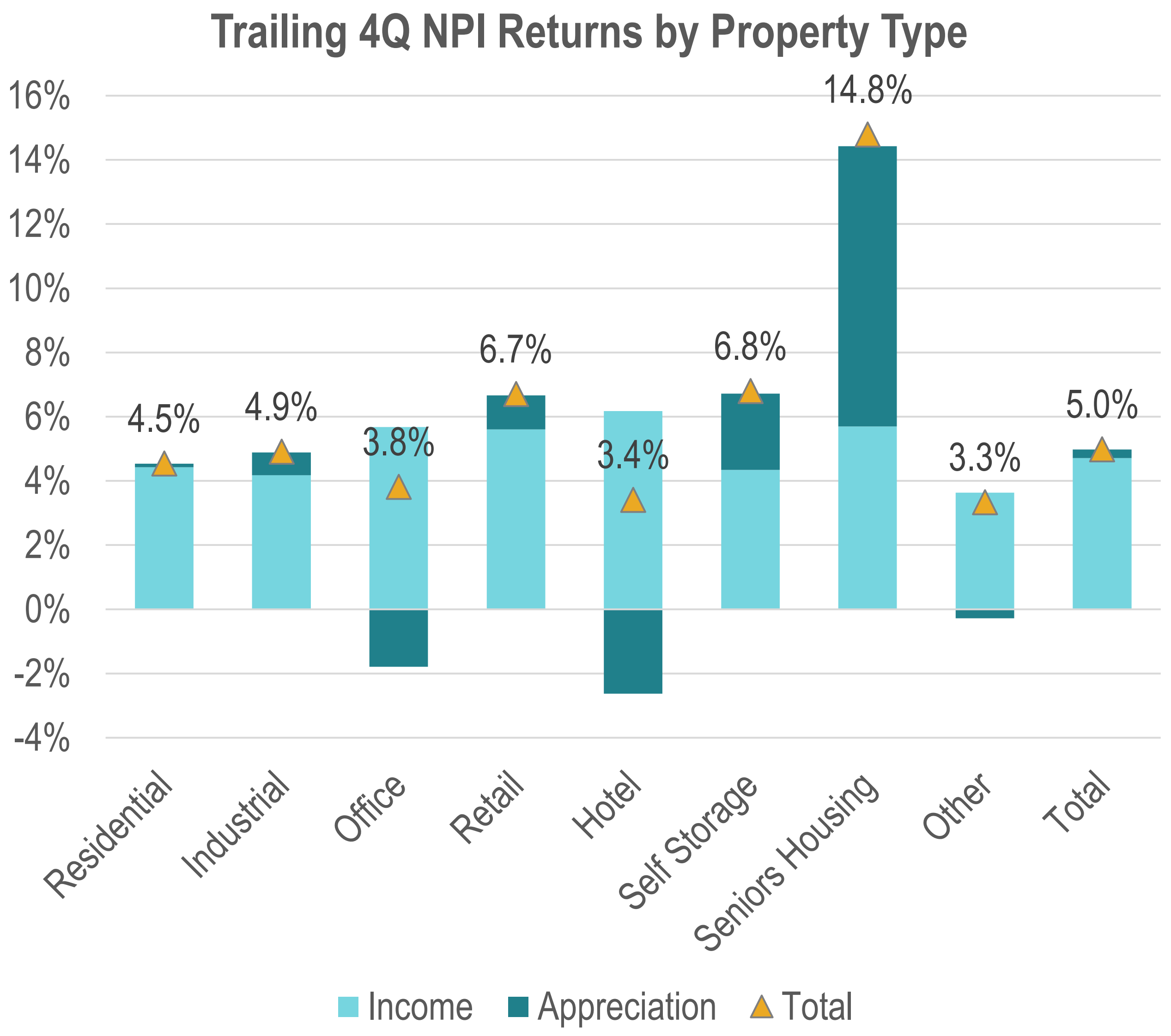


Data are as of 2026 Q2.
Note: Total returns are levered, gross of fees at ownership share; property type returns are unlevered, gross of fees, at ownership share.
Source: NCREIF

Annual NPI Returns Were 5.0% with Slightly Positive Appreciation

Seniors Housing, Self Storage, and Retail Led Annual NPI Returns





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*Data are as of 2026 Q2.
Note: All returns are unlevered, gross of fees.
Source: NCREIF

Overall NPI Vacancy Held Steady YoY Below the Long-Term Average

Hotel, Data Centers, and Seniors Housing Vacancies Fell YoY while Life Science Vacancy Rose Considerably

NCREIF Property Index (NPI) Vacancy Rates

As of: 2026 Q2

Property Type	Latest Quarter	Change Past Qtr.	Change Past Year	20-Year Avg.	Current vs. 20-Year Avg.
Industrial	4.9%	-0.1%	0.8%	5.7%	**-0.9%**
Residential	6.0%	-0.4%	0.0%	6.4%	**-0.5%**
Manufactured Housing	5.8%	-0.2%	1.4%	*N/A*	***N/A***
SFR	6.1%	-0.8%	-0.2%	*N/A*	***N/A***
Student Housing	9.1%	1.5%	0.6%	*N/A*	**0.4%****
Office	13.4%	-0.5%	-0.2%	12.4%	**1.0%**
Life Science	17.6%	1.0%	6.5%	7.3%	**10.3%**
MOB	5.5%	0.0%	0.6%	*N/A*	**0.3%****
Retail	6.8%	-0.4%	-0.7%	7.9%	**-1.2%**
Self Storage	11.8%	-1.5%	0.2%	12.8%	**-1.0%**
Other	4.9%	-0.6%	-1.4%	8.3%	**-3.5%**
Data Centers	4.3%	-0.4%	-4.0%	*N/A*	***N/A***
Seniors Housing	9.3%	0.3%	-1.0%	11.8%	**-2.5%**
Hotel	27.3%	3.6%	-8.8%	32.7%	**-5.4%**
Total NPI*	**7.2%**	**-0.4%**	**0.0%**	**8.1%**	**-0.9%**

Data are as of 2026 Q2.
** Average across properties.*
*** Shows current vacancy versus 10-year average.*
Source: NCREIF

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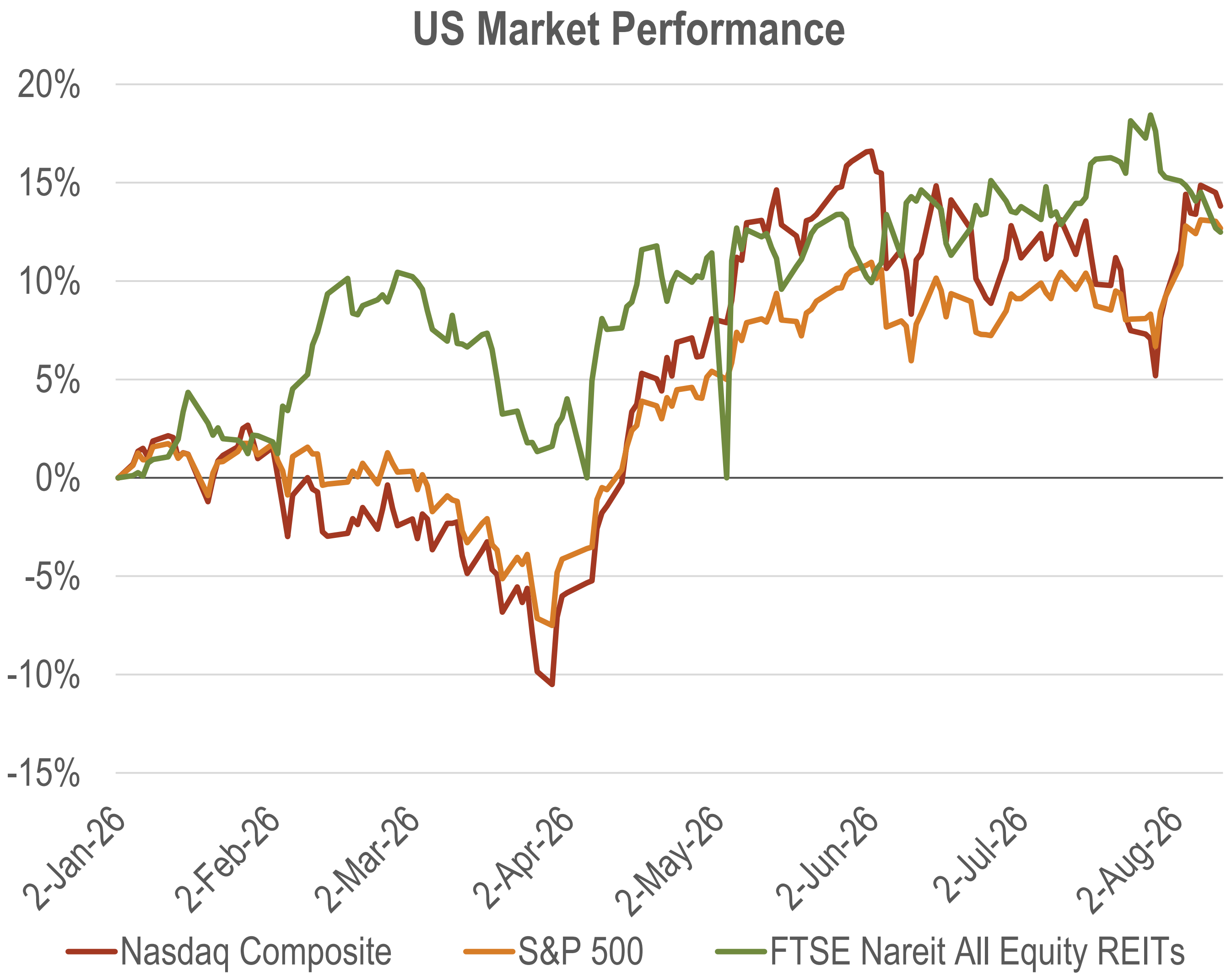
REITs Outperformed Public Equities Throughout Much of 2026

Lodging/Resorts and Data Center REITs Saw Far Greater Total Returns Than the Broader REIT Sector



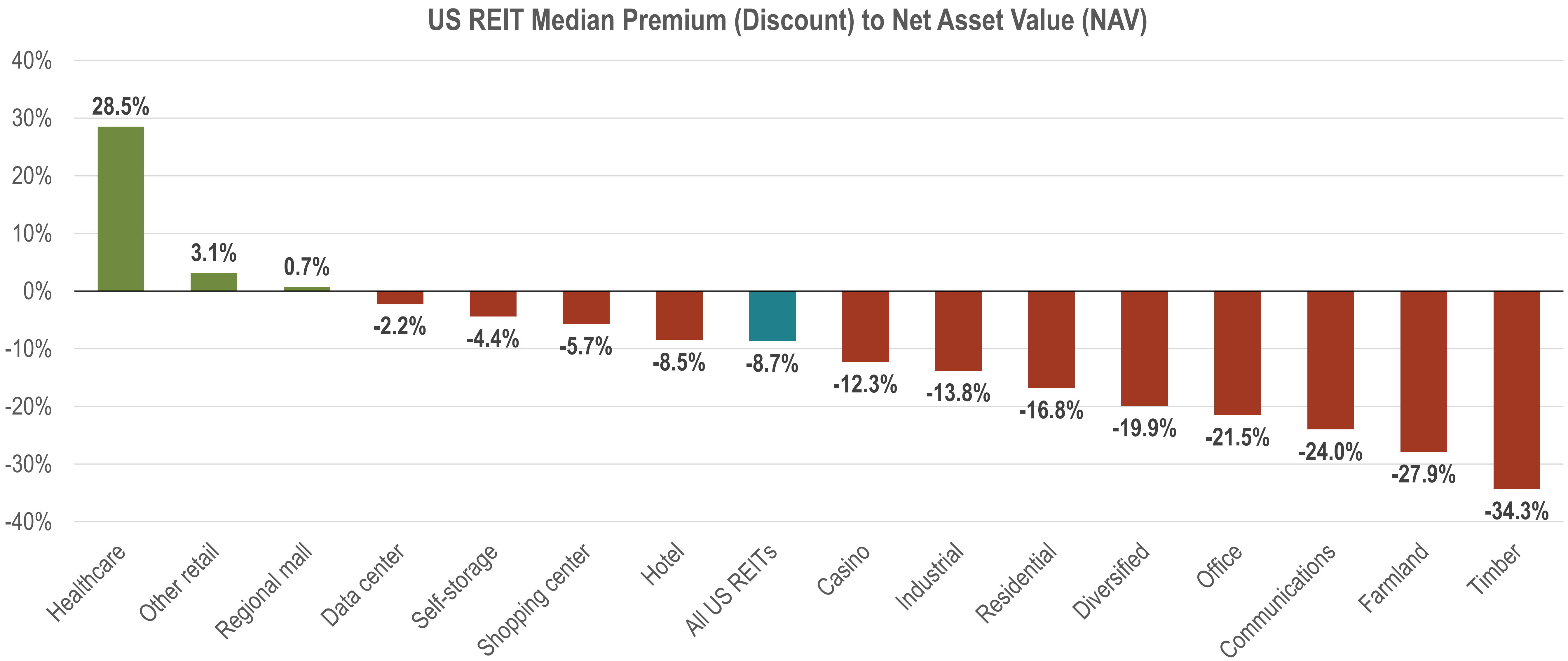
U.S. Equity REIT Total Returns, 2023 – June 2026

Sector	2023	2024	2025	2026 YTD
FTSE Nareit All Equity REITs	11.4%	4.9%	2.3%	14.9%
Industrial	19.2%	-17.8%	17.0%	8.4%
Office	2.0%	21.5%	-14.0%	12.4%
Retail	10.6%	14.0%	5.1%	19.5%
Apartments	5.9%	20.5%	-8.6%	8.3%
Single Family Homes	20.6%	0.6%	-10.2%	9.4%
Lodging/Resorts	23.9%	-2.0%	-5.1%	42.8%
Health Care	13.9%	24.2%	28.5%	20.2%
Self Storage	18.5%	-0.5%	-10.0%	20.8%
Data Centers	30.1%	25.2%	-14.2%	33.2%
S&P 500	4.5%	26.7%	14.5%	9.6%
NASDAQ Composite Index	6.0%	33.0%	18.9%	12.8%

Data are as of August 11, 2026.
Note: Dividends are included in the Nareit total return indices based on their ex-dividend dates.
Source: Nareit; Federal Reserve Bank of St. Louis; Yahoo Finance

U.S. Median REIT Traded at a 9% Discount to Net Asset Value in June

Timber and Farmland REITs Traded at the Greatest Discount; Healthcare and Retail Traded at Premium



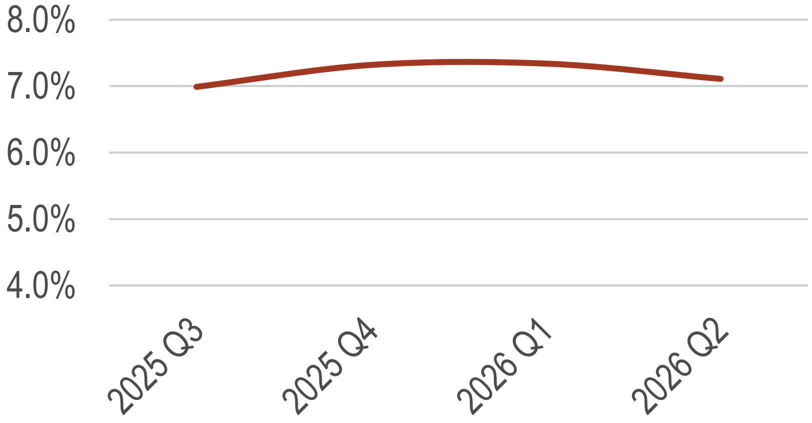
Data are as of June 30, 2026.
Source: S&P Global

Multifamily

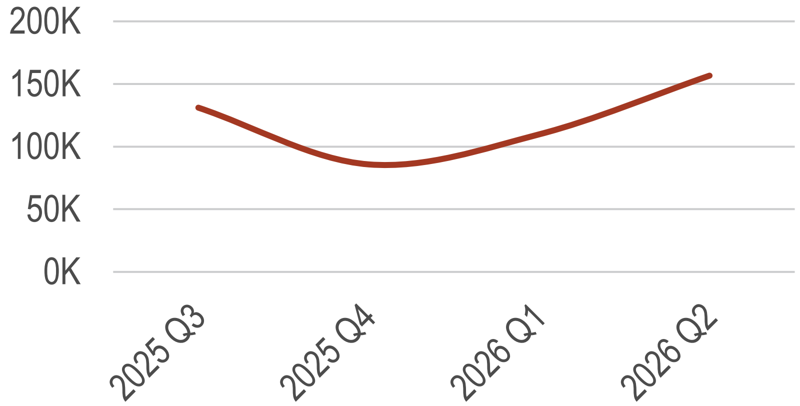
Multifamily Property Market Overview

Rising Absorption Resulted in Slight Decline in Stabilized Vacancy and Uptick in Rent Growth

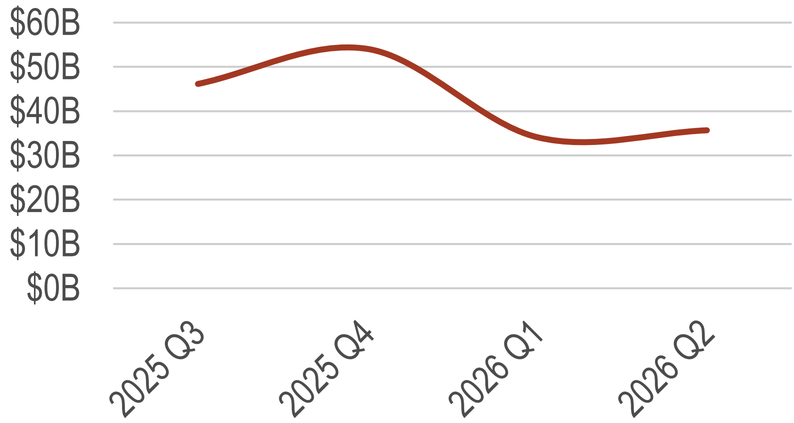
Stabilized Vacancy: 7.1%



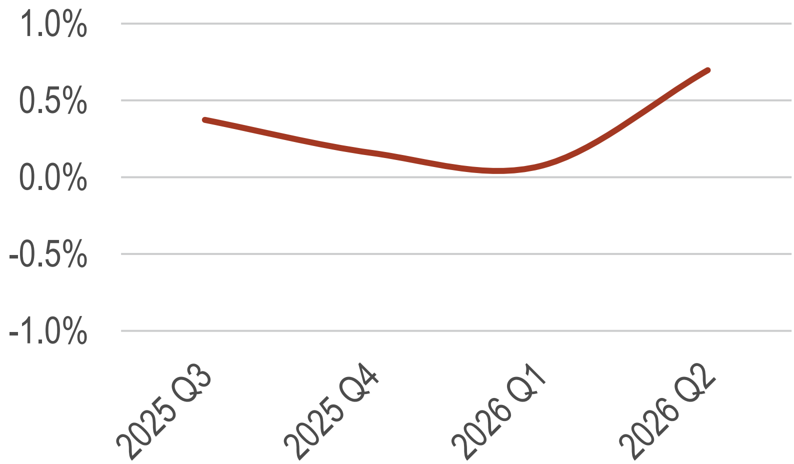
Absorption: 4.0% of Inv. (Trailing 4Q)



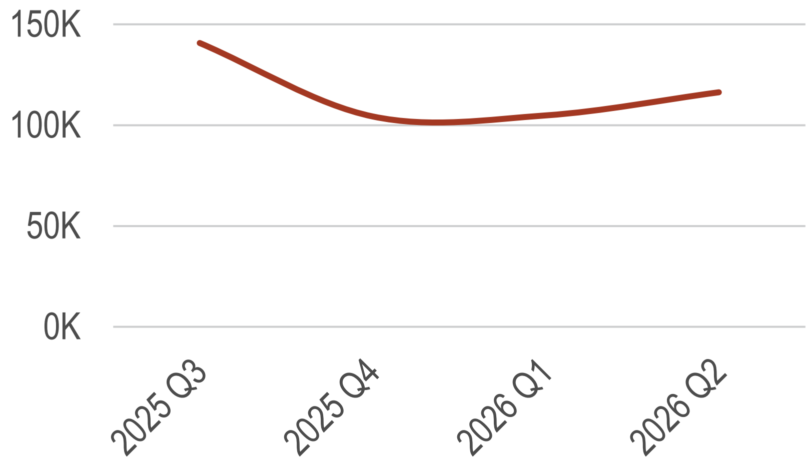
Transaction Volume: $36B



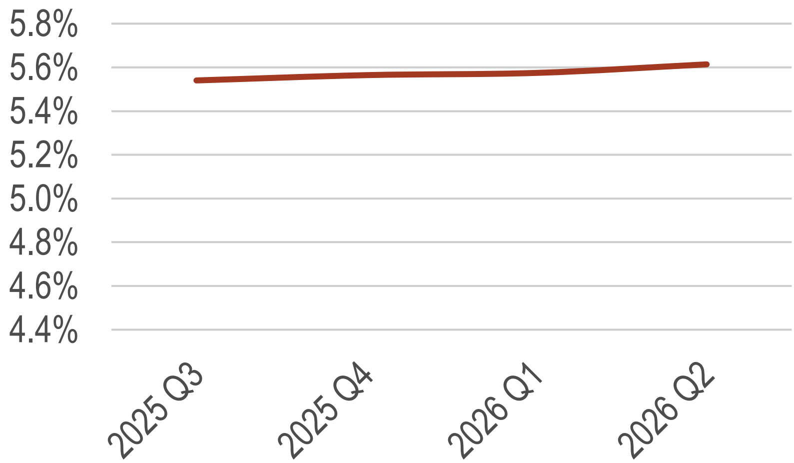
Rent Growth: 0.7%



New Supply: 3.8% of Inv. (Trailing 4Q)



Cap Rate: 5.6%



Note: Data are filtered for class A&B; rent growth is based on asking market rent and vacancy reflects stabilized vacancy; cap rates are trailing 4Q averages.
Source: CoStar; MSCI

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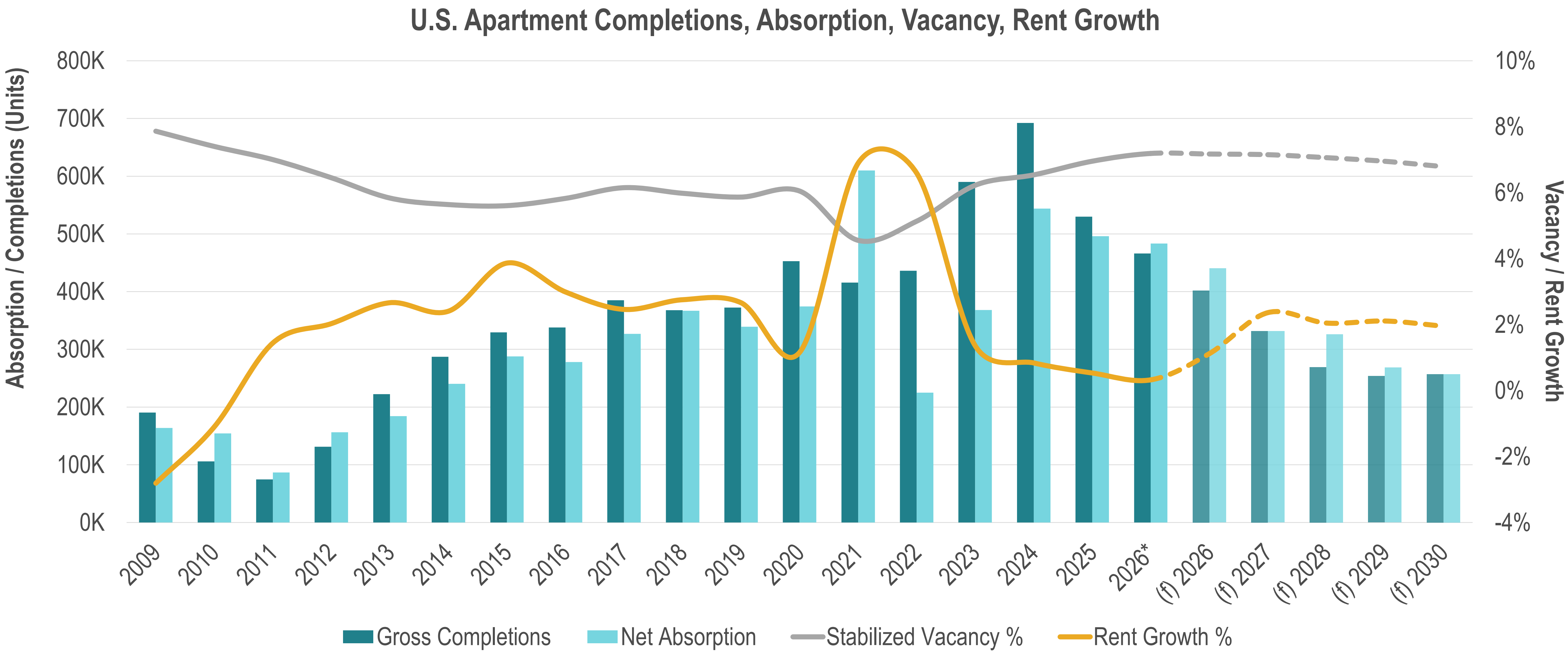
Operating Fundamentals Remain Weak but Are Near Bottom

Rent Growth Forecast to Improve in the Near Term but Vacancy Will Remain Elevated



*As of 2026 Q2.

Note: Data are filtered for class A&B; rent growth and vacancy are rolling four-quarter averages; absorption and completions are four-quarter totals; rent growth is based on market asking rent; vacancy reflects stabilized vacancy.

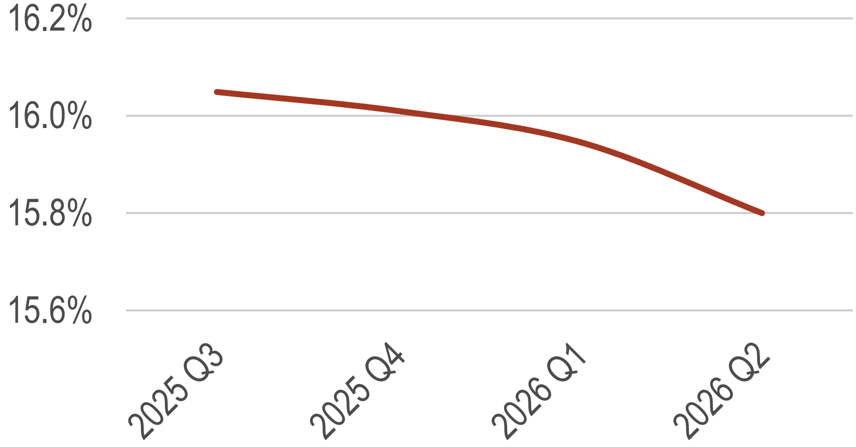
Source: CoStar

Office

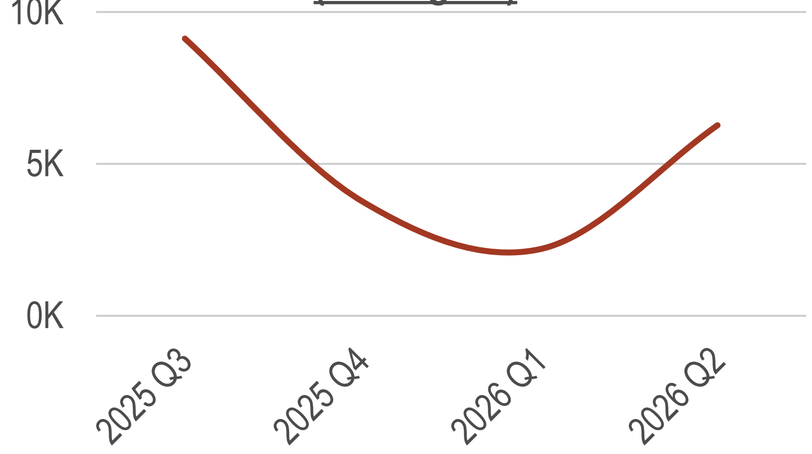
Office Property Market Overview

Vacancy Fell as Absorption Picked Up but Rent Growth Moderated

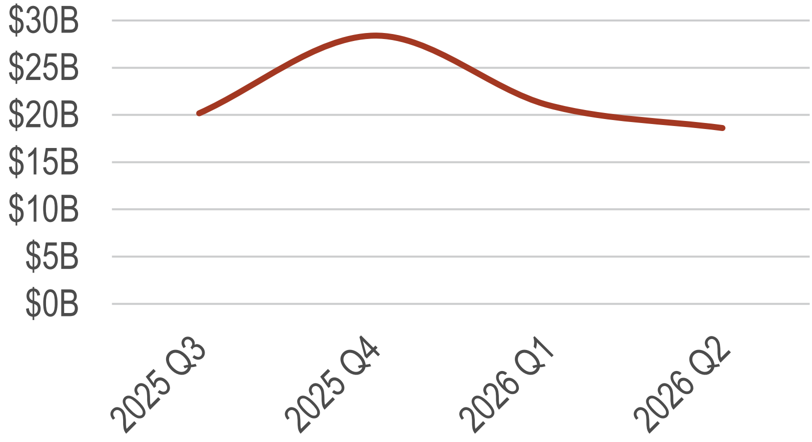
Vacancy: 15.8%



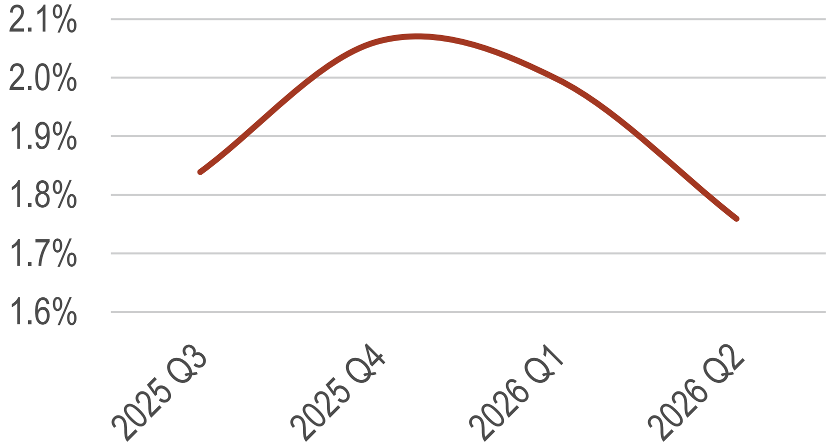
Absorption: 0.3% of Inv. (Trailing 4Q)



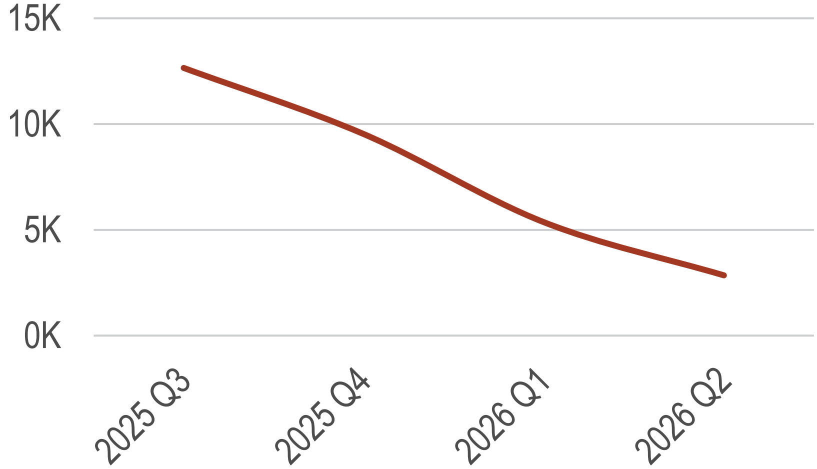
Transaction Volume: $19B



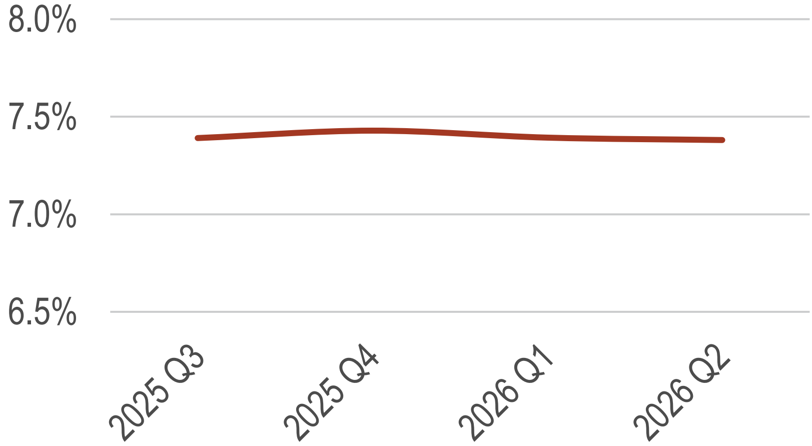
Rent Growth: 1.8%



New Supply: 0.5% of Inv. (Trailing 4Q)



Cap Rate: 7.4%



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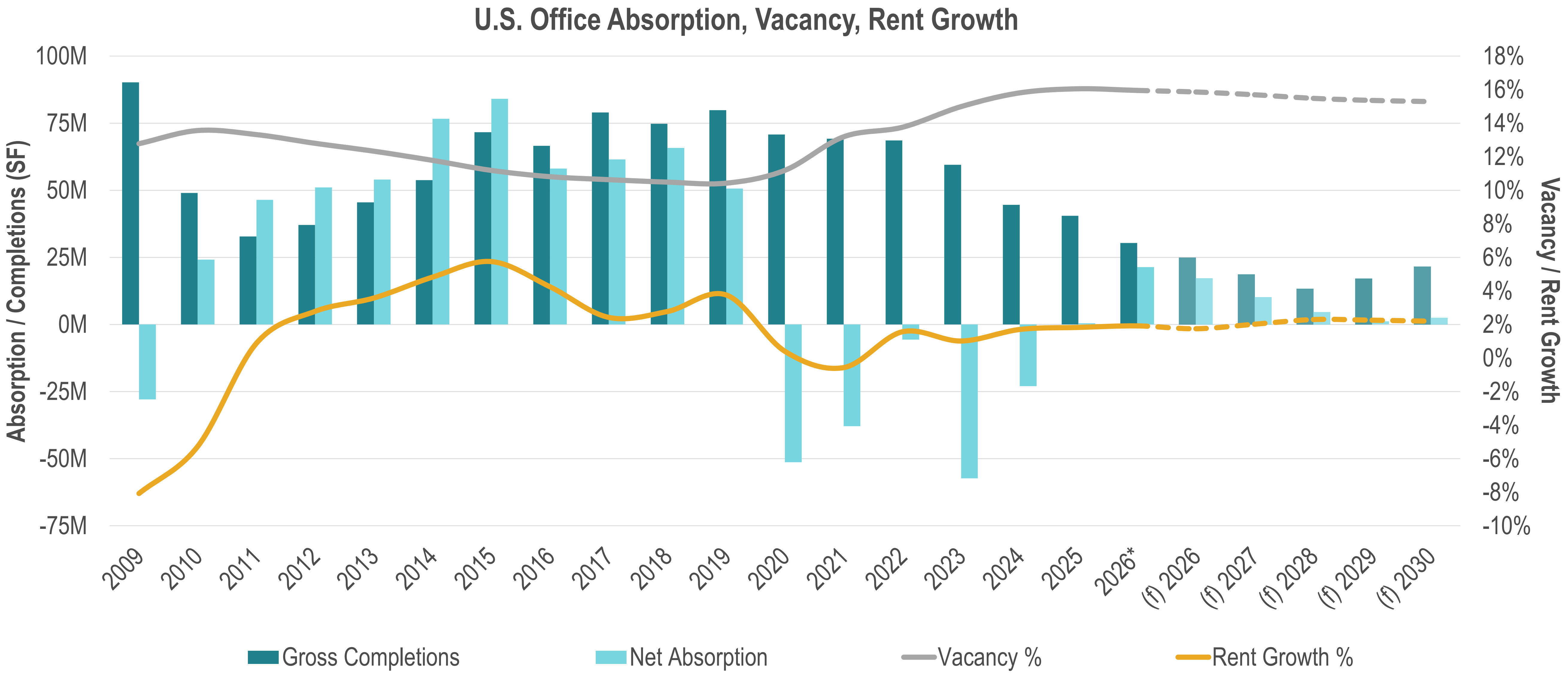
Note: Data are filtered for class A&B; rent growth is based on asking market rent; cap rates are trailing 4Q averages.
Source: CoStar; MSCI

Fundamentals Remained Weak Despite Improving Absorption

Rent Growth to Improve Slightly; Vacancy to Stay Above 15% Through 2030



*As of 2026 Q2.

Note: Data are filtered for class A&B; rent growth and vacancy are rolling four-quarter averages; absorption and completions are four-quarter totals; rent growth is based on asking market rent.

Source: CoStar

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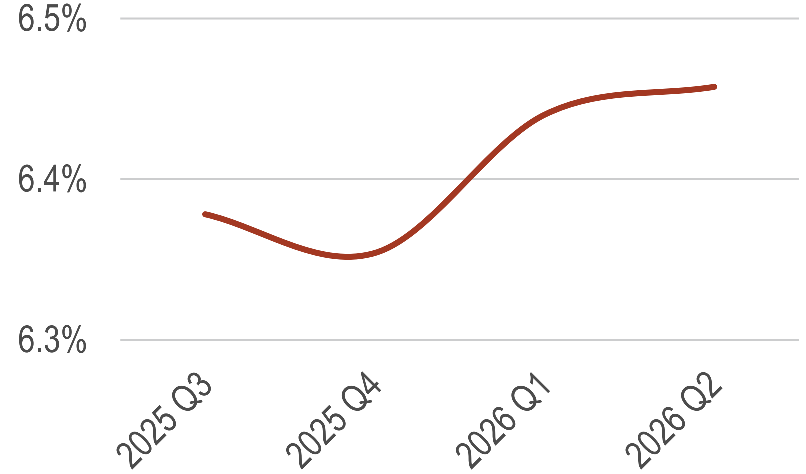
Retail

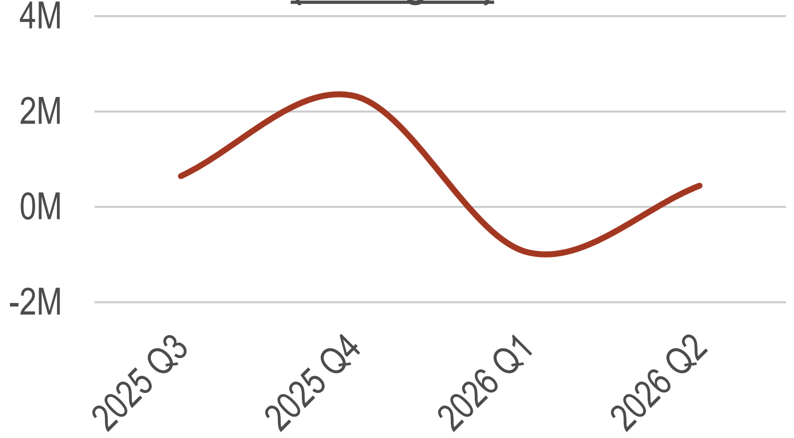
Retail (Neighborhood Center) Property Market Overview

Rent Growth Fell and Vacancy Ticked Up; Trailing-Year Net Absorption and New Supply Were Both Flat in Q2

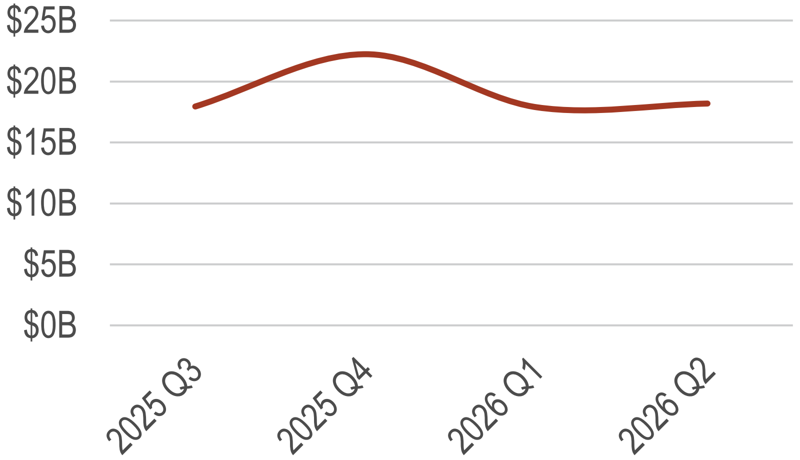
Vacancy: 6.5%



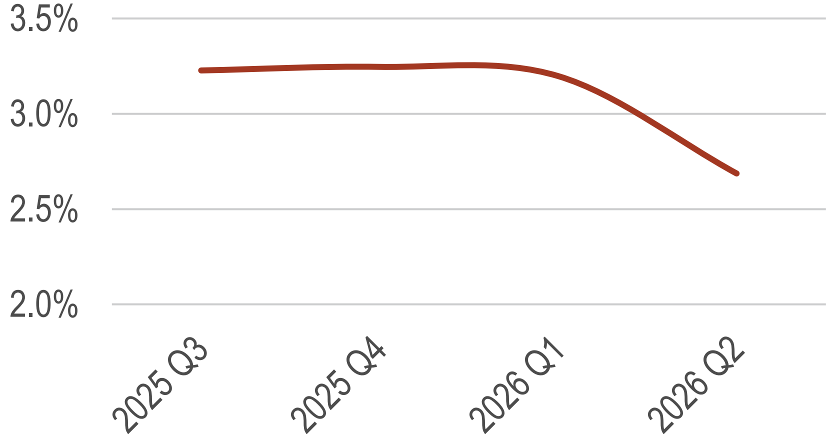
Absorption: 0.1% of Inv. (Trailing 4Q)



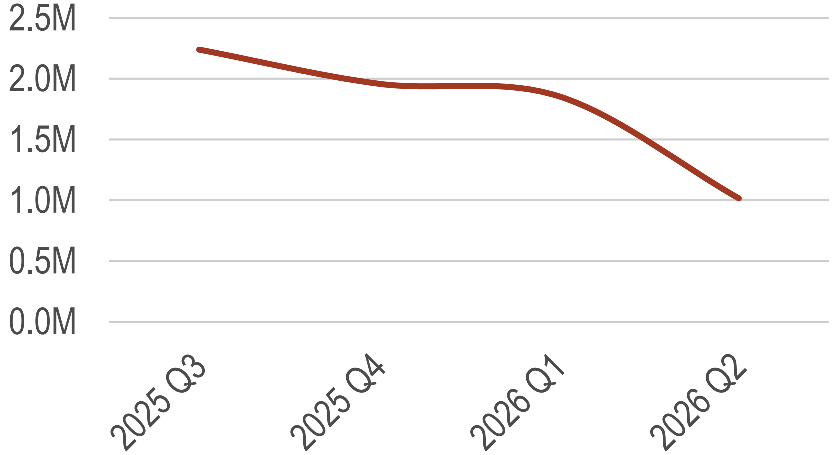
Transaction Volume: $18B



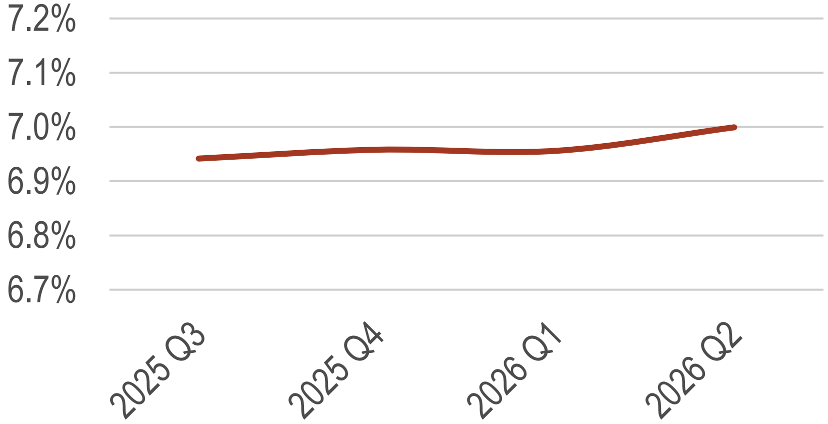
Rent Growth: 2.7%



New Supply: 0.2% of Inv. (Trailing 4Q)



Cap Rate: 7.0%



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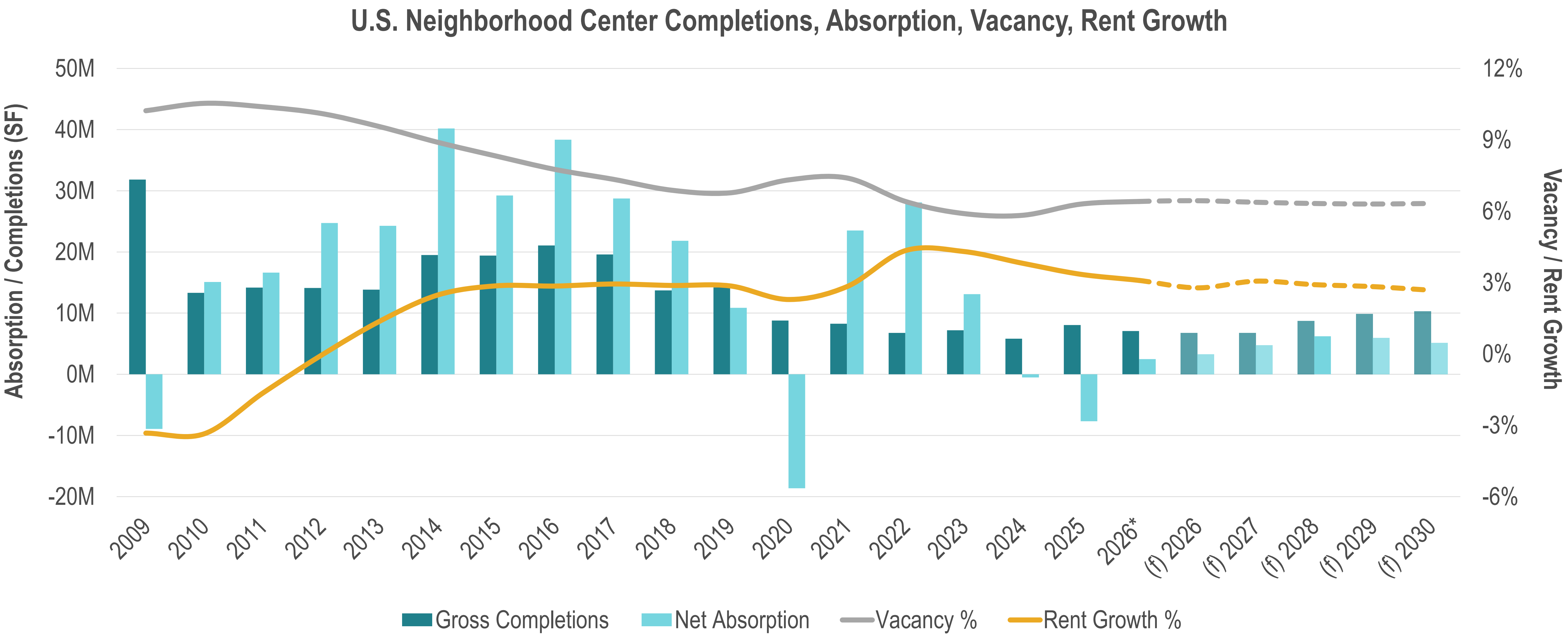
Note: Data are filtered for neighborhood centers; rent growth is based on asking market rent; cap rates are trailing 4Q averages.
Source: CoStar; MSCI

Fundamentals Softened Slightly Over the Past Year

Rent Growth Is Forecast to Hover Near 3% Over Next Several Years and Vacancy Will Remain Low



*As of 2026 Q2.

Note: Data are filtered for neighborhood centers; rent growth and vacancy are rolling four-quarter averages; absorption and completions are four-quarter totals; rent growth is based on asking market rent.

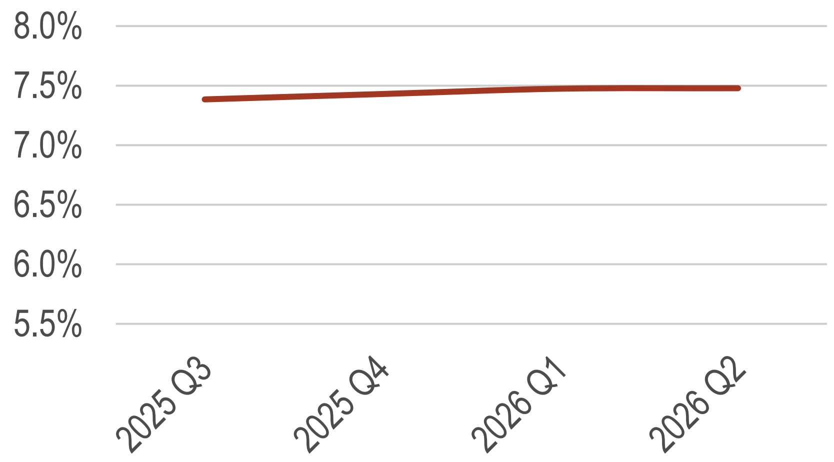
Source: CoStar

Industrial

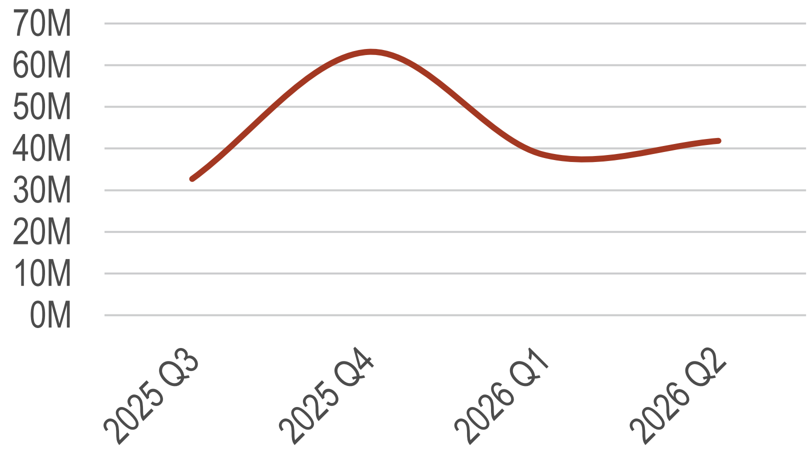
Industrial Property Market Overview

Fundamentals Continued to Weaken Due to Low Absorption and Continued New Supply

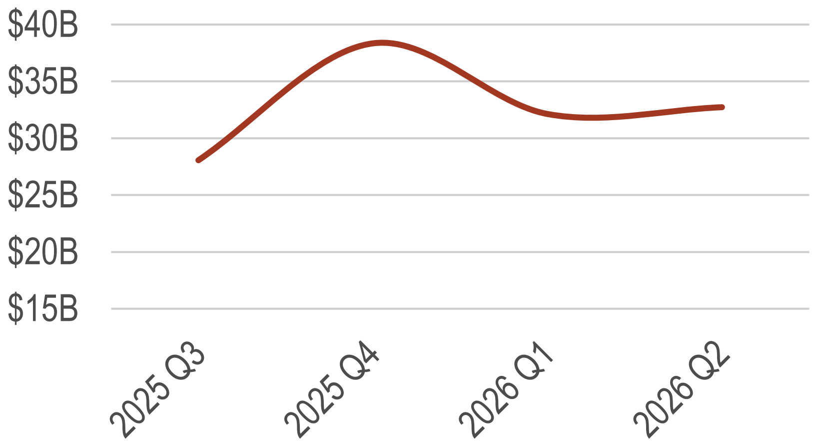
Vacancy: 7.5%



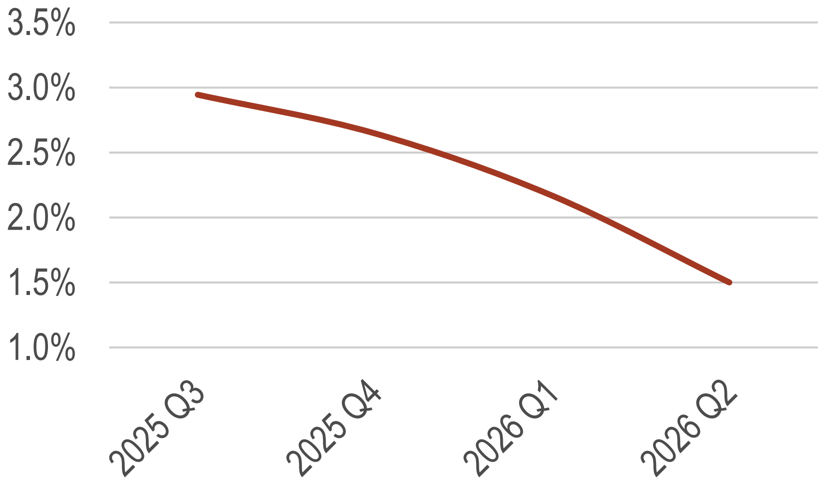
Absorption: 0.9% of Inv. (Trailing 4Q)



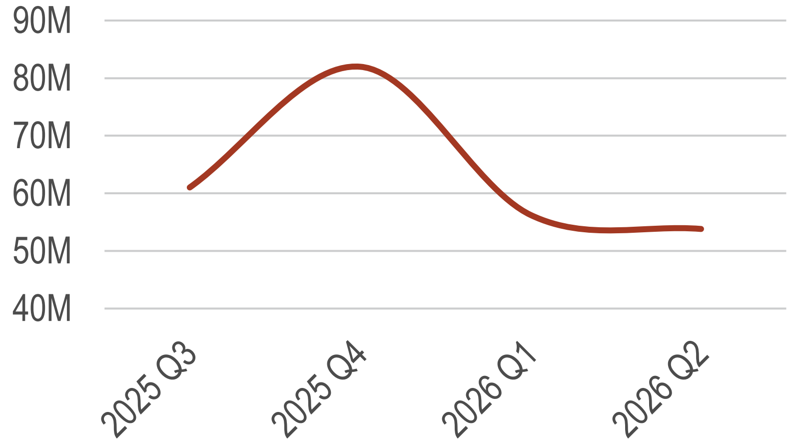
Transaction Volume: $33B



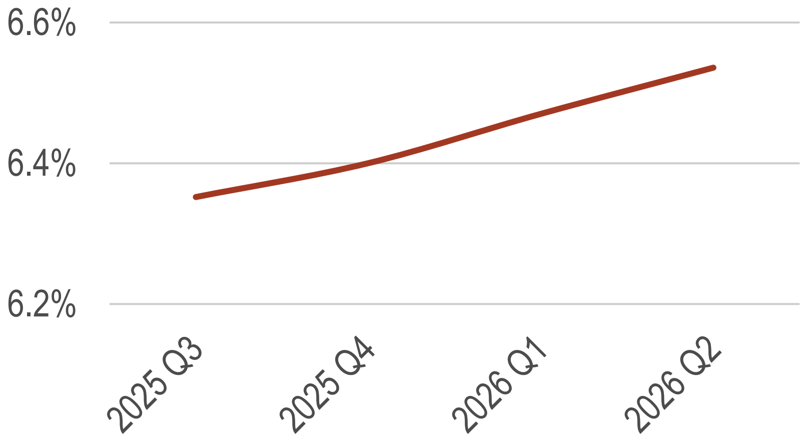
Rent Growth: 1.5%



New Supply: 1.3% of Inv. (Trailing 4Q)



Cap Rate: 6.5%



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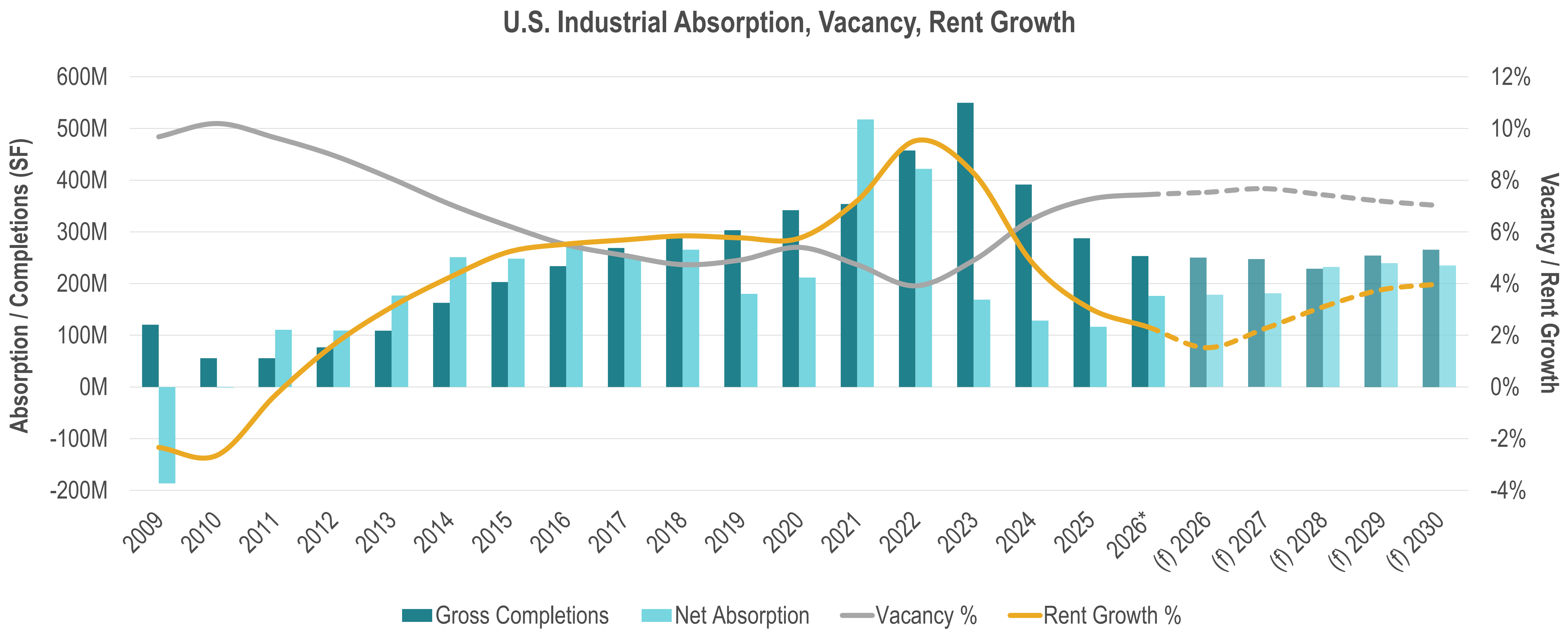
Note: Rent growth is based on asking market rent; cap rates are trailing 4Q averages.
Source: CoStar; MSCI

Fundamentals Softened Further as Absorption Lagged New Supply

Vacancy Is Forecast to Rise Through 2027; Rent Growth to Fall to A Cyclical Low in 2026



*As of 2026 Q2.

Note: Rent growth and vacancy are rolling four-quarter averages; absorption and completions are four-quarter totals; rent growth is based on asking market rent.

Source: CoStar

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The charts depicted within this presentation are for illustrative purposes only and are not indicative of future performance.

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