Blackstone



# Real Estate Enters the Next Phase of the Cycle

**By Nadeem Meghji, Global Head of Real Estate**

**Commercial real estate is moving into a new part of the cycle, creating what we believe is one of the most attractive entry points for investors in recent years.**

## Compelling Entry Point

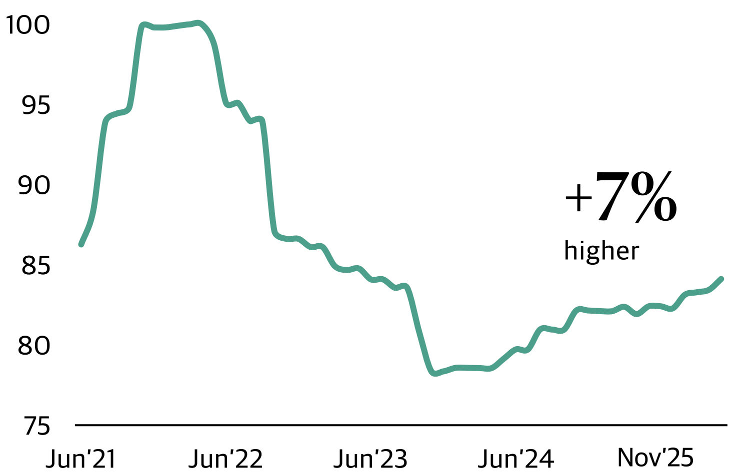
Real estate values peaked in 2022 before declining 22% over the following two years, weighed down by rising base rates and persistent challenges in the office sector.

By early 2024, we began to see clear signs that values were stabilizing. Our view was that the recovery would be gradual rather than a sharp V-shaped rebound, but that the market had reached an attractive point to begin deploying capital. Acting on that conviction, we have invested $42 billion of equity since then, positioning our portfolio to benefit from the upside of a cyclical recovery.

Today, real estate remains very attractively priced on a relative basis: values are only 7% above their trough, compared to equities and fixed income, which are hovering near peak levels. This combination of reset valuations and relative value creates what we believe is one of the most attractive entry points for disciplined investors in recent years.

**Real Estate Recovery**[1]

Green Street CPPI, Apr'22=100




**Attractive Relative Value**[2]

Cumulative Returns

| S&P 500 | Corporate Bonds |
|---|---|
| +100% | +38% |
| Since Oct'22 Trough | Since Sep'22 Trough |

(1) Green Street Advisors, as of November 30, 2025. Reflects the Commercial Property Price Index for All Property, which captures the prices at which US commercial real estate transactions are currently being negotiated and contracted. 7% reflects increase from November 30, 2023 trough.

(2) S&P 500 reflects total gross return, as of November 30, 2025. Oct'22 Trough refers to October 12, 2022. Corporate bonds reflect the total return of the ICE BofA US High Yield Index, as of November 30, 2025. Sep'22 Trough refers to September 29, 2022. During the period from September 30, 2022 to November 30, 2025, S&P 500 total returns were 100.1% and corporate bonds total returns were 37.6%. Comparisons shown are for informational purposes only, do not represent specific investments and are not a portfolio allocation recommendation.

# 2026 Outlook

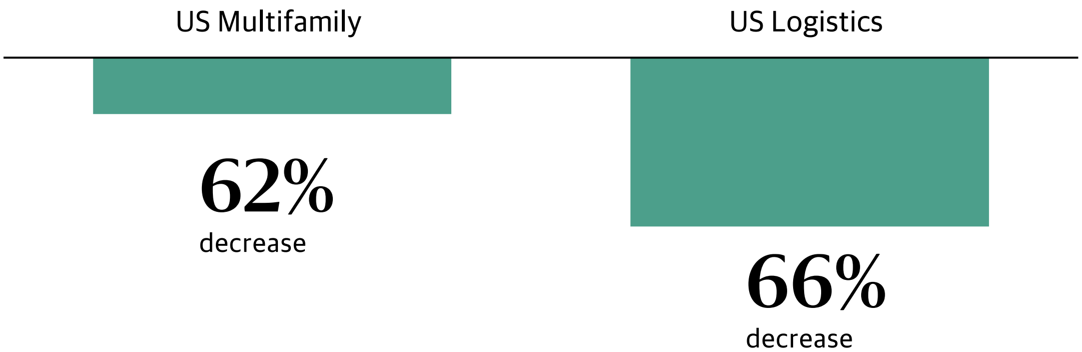
There are a couple of reasons we believe today is a compelling moment to be deploying capital into real estate.

## Collapsing Construction

We are seeing a dramatic decline in new supply across virtually every sector globally, down 60%+ across our major US sectors. This is the #1 reason we are bullish on real estate today: lower supply generally leads to stronger rent growth and higher values.

What's driving this is that construction costs in the US are up 50% over the last five years because of higher input and financing costs.[1] Tariffs and immigration policy in the US will likely further increase build costs and potentially constrain new supply further. When the cost to replace an asset goes up, usually so does the value of existing assets.

**Starts: Today vs. Recent Peak[2]**




## Capital Markets Are Strengthening

Real estate values are heavily dependent on debt financing and the debt market is rapidly improving.

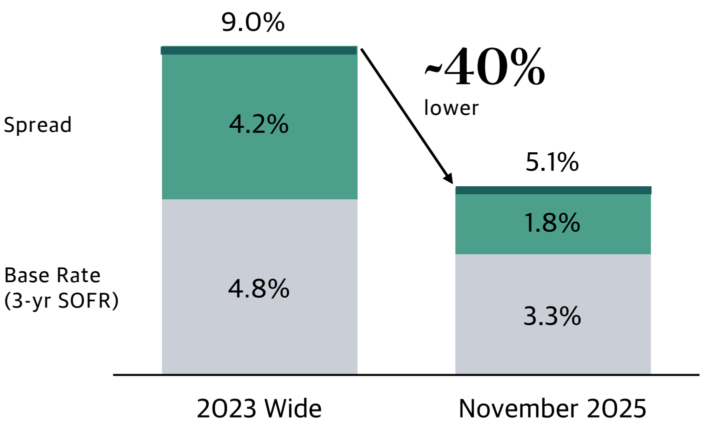
The overall cost of debt capital has declined ~40% from the peak in 2023. Commercial Mortgage-Backed Security issuance volume nearly tripled between 2023 and 2024, and YTD 2025 issuance has surpassed the recent peak in 2021.[3]

We are seeing improved financing translate into more bidders showing up to buy assets and we expect this to continue. With both long- and short-term interest rates declining, real estate's biggest headwind in recent years is becoming a tailwind. Declining rates have historically led to significant outperformance for real estate.[4]

(1) Blackstone Proprietary Data as of September 30, 2025.
(2) US Multifamily: RealPage Market Analytics. Figure reflects 3Q25 TTM starts vs. recent peak (2022). Data reflects institutional-quality product across RealPage Market Analytics Top 150-tracked markets and excludes New York City. US Logistics: CoStar. Figure reflects 3Q25 TTM starts vs. recent peak (2022).
(3) Blackstone Proprietary Data and Green Street Advisors, as of November 21, 2025. Represents total US CMBS volume as of YTD period ended November 21, 2025 compared to YTD period ended November 21, 2024. 2021 peak refers to YTD issuance for the full fiscal year 2021.
(4) Represents historical outperformance of one year returns of the NFI-ODCE following three most recent 100bps+ declines in the 10-Year US Treasury Yield compared to the Bloomberg Aggregate Bond Index and the S&P 500.

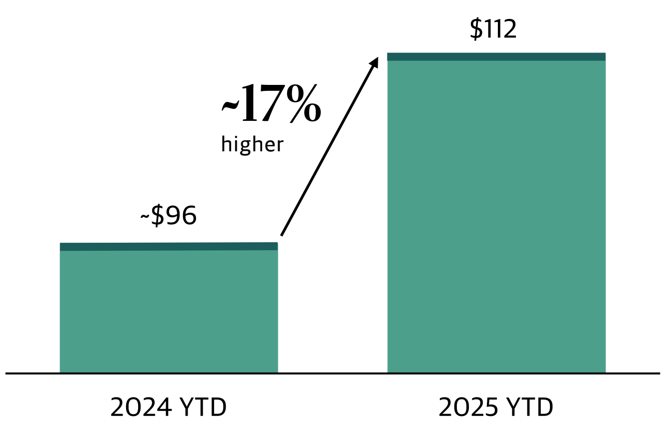
**Declining Financing Costs**[1]

US Blackstone Logistics Transactions




**More Debt Issued**[2]

US CMBS Issuance ($ in billions)




# So Where Are We Focused on Deploying Capital in the US? Here Are Blackstone Real Estate's Best Ideas

## Data Centers

We remain strong believers in digitalization and AI, and are leaning in globally. There has been more data created in the last three years than in all of history combined.[3] It started with social media and cloud adoption, then came streaming and content creation, and today AI is rapidly embedding itself into the global economy and everyday life. ChatGPT, for example, has surpassed 1 billion monthly users, tripling in the past year and becoming the fastest growing consumer product in history.[4] And while this growth in data is staggering, we are still in the early innings. Enterprise adoption of AI is still nascent, and demand from the robotics revolution and autonomous vehicles is only beginning. All of this data lives in data centers, and the world's largest tech leaders are making unprecedented investments into digital infrastructure to meet this demand. Hyperscalers are projected to invest more than $2 trillion in digital infrastructure by 2030, with nearly $415 billion expected in 2025 alone, roughly 75% higher than the prior year.[5]

We believe data centers — the picks and shovels of the AI revolution — are one of the safest and most strategic ways to capture this megatrend. We're now the world's largest data center investor with $110 billion of assets and another $125 billion of development pipeline.[6] As an owner / developer, we are not betting on which AI platform will win; we are delivering the critical infrastructure every AI application requires. It is clear to us that digitalization is the megatrend of our time, and data centers are arguably the most exciting opportunity in any asset class today.

(1) Blackstone Proprietary Data, as of November 2025. Represents estimated all-in borrowing costs for high-quality logistics transactions at ~65-70% avg. LTV. Spread reflects weighted average spread across all rating tranches applied to estimated rating agency capital structures from each respective period. '23 wide reflects peak base rate and spreads for representative BX CMBS transactions in '23. Nov'25 reflects all-in borrowing costs across CMBS and bank balance sheet transactions. There can be no assurance that financing costs will continue to decline.

(2) Blackstone Proprietary Data and Green Street Advisors, as of November 21, 2025. Represents total US CMBS volume as of YTD period ended November 21, 2025 compared to YTD period ended November 21, 2024.

(3) International Data Corporation (IDC), as of May 2024. Reflects change in data created, stored, and consumed in Zettabytes, from 2010 to 2025 (2024 and 2025 represent year-end estimates).

(4) SimilarWeb, as of August 2025. ChatGPT weekly active users per OpenAI. YouTube, Facebook, Instagram, and TikTok users per publicly reported figures.

(5) Dell'Oro estimates, January 2025. Reflects Microsoft, Amazon, Google, Meta, and Oracle. Morgan Stanley Equity Research and publicly reported figures as of 3Q25. Includes finance lease liabilities from Stargate volume.

(6) Size of Blackstone data center portfolio as of September 30, 2025 reflects operating and development assets. Future pipeline reflects prospective pipeline development on owned land.

## Warehouses

We began investing in warehouses in 2010 and today they represent our single largest exposure across Blackstone Real Estate.(1) The growth of e-commerce — with US sales up more than twofold since 2019 — and the shift from two-day to two-hour delivery have transformed supply chain needs, driving demand for last-mile facilities in major cities.(2) And now, the reindustrialization of the United States is adding fuel to this demand. Since 2021, over $800 billion of new manufacturing projects have been announced in the US, creating a need for additional warehouse space.(3) With new warehouse construction at 12-year lows for reasons discussed earlier, we believe the sector is positioned for several years of sustained rent growth and strong fundamentals.(4)

## Rental Housing

Globally, housing supply is structurally constrained and the US is no exception. Today in the US, we're building essentially the same number of homes as we did in 1960, yet the population has almost doubled.(5) This has resulted in a roughly 4 to 5 million unit housing shortfall in the US.(6) Additionally, owning a home today is ~40% more expensive than renting.(7) In fact, the number of first-time home buyers in 2024 was ~50% lower than the 20-year average.(8) Against this backdrop, it's no surprise that demand for rental housing is well above historical averages, and we continue to have strong conviction in the sector.

Beyond these themes, we see compelling opportunities in high-quality **grocery-anchored retail** trading at discounts to replacement cost despite record-low vacancies, **select trophy office** in markets showing clear signs of recovery, and **real estate credit** strategies where banks have pulled back and where spreads are still wide of long-term averages.

## Now Is the Time

We believe real estate today offers one of the most compelling investment opportunities in years and we see the cycle turning. The recovery is set to accelerate, driven by materially reset values, falling base rates, and historically low supply meeting resilient demand. Even as AI reshapes the global economy, we believe demand for real estate will remain: people will continue to need apartments, e-commerce will depend on warehouses, and data centers will be essential to power the technology of the future. With these structural tailwinds firmly in place, we believe the stage is set for one of the most attractive real estate vintages in decades.

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(1) Refers to Blackstone Real Estate's equity portfolio. As of 3Q25.
(2) US Census Bureau, as of March 31, 2025. Represents e-commerce sales in 2019 vs. e-commerce sales in the trailing one-year period ended March 31, 2025.
(3) Blackstone Proprietary Data, as of September 2025.
(4) Supply: CoStar, as of June 30, 2025. Represents annual starts and deliveries as a percentage of prior year-end stock figures.
(5) US Census Bureau. 1960 reflects average housing starts for the TTM period ended December 31, 1960. Today reflects average housing starts for the TTM period ended August 31, 2025. US Bureau of Economic Analysis. 1960 refers to average for the TTM period ended December 31, 1960. Today refers to average for the TTM period ended August 31, 2025.
(6) Brookings Institute, as of November 2024. Reflects the cumulative shortfall for total residential units (owned and rented) from 2006 to 2023.
(7) Blackstone Proprietary Data as of September 30, 2025. Represents the 1.4x difference between monthly cost of ownership (including mortgage payments, taxes, maintenance costs, insurance, and HOA fees) and monthly rents for HPA and Tricon portfolios. Cost of ownership assumes 30-year fixed rate FHA mortgage, 3.5% amortized loan closing costs, and 3.5% down payment.
(8) National Association of Realtors. Represents total first-time home buyers in 2024 relative to the 20-year average.

## Forward-Looking Statements

This commentary may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which reflect our current views with respect to, among other things, the outlook of the global commercial real estate market. You can identify these forward-looking statements by the use of words such as "outlook," "indicator," "believes," "expects," "potential," "continues," "may," "will," "should," "seeks," "approximately," "predicts," "intends," "plans," "scheduled," "estimates," "anticipates," "opportunity," "leads," "forecast," "possible" or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe these factors include but are not limited to those described under the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2024, as such factors may be updated from time to time in our subsequent filings with the United States Securities and Exchange Commission ("SEC"), which are accessible on the SEC's website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings. The forward-looking statements speak only as of the date of this commentary, and we undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.