

## Perspectives

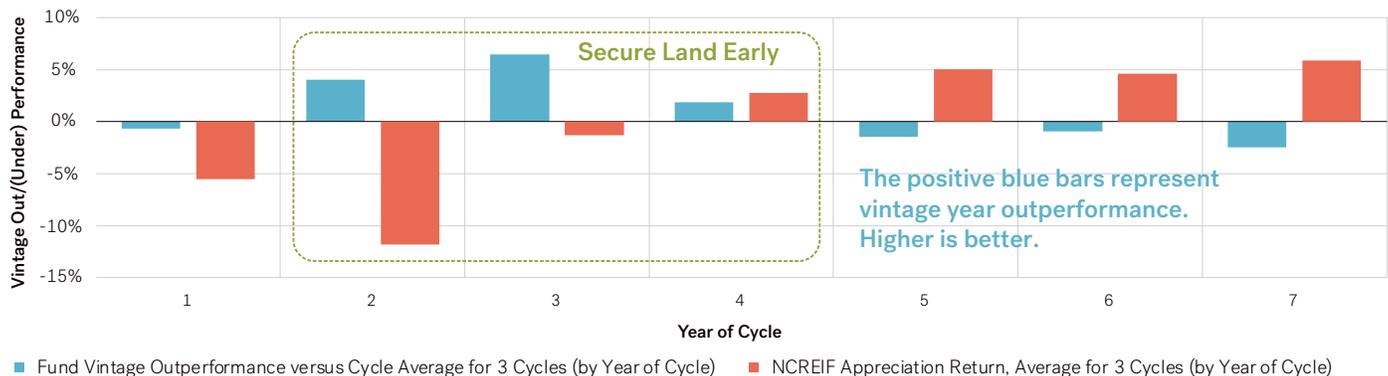
# The Case for U.S. Real Estate Investment and Development Now

Hines Research believes that signals are still saying “go” for real estate investment, and any tangible impact from current uncertainty may be just to slow the pace, not the trajectory, of recovery. Evidence also suggests the ideal time to launch a development strategy is early in the cycle.

### Here’s why:

- History indicates it’s not buy or build, it’s buy and build.
- Data shows that year 3 of a cycle has historically been best for development returns.
- Land pricing + distress = development opportunity.

### U.S. Opportunistic Fund Vintage Average Out or Under Performance Relative to Cycle Averages



**This chart is the case for beginning to build now.** While intuitively it makes sense to buy early in the cycle when pricing is down, the evidence shows that it’s not a case of buy *or* build, but buy *and* build in this environment. It turns out that the most opportune time to start the development process across sectors has been earlier in the cycle.

#### Key factors are:

1. Land pricing has been the most attractive early on, just like overall pricing.
2. If there are owners or developers in distress due to weakening fundamentals, it is early in the cycle when those opportunities to buy from distressed owners at a discount have been on hand.

For the analysis shown here, Hines Research looked at three property cycles since the 1990s and then looked at how strategies launched in the first seven years of each cycle did versus the average for each cycle. The positive blue bars signal outperformance. Historically, the best time to launch a development strategy has been years 2 through 4 of a cycle, with year 3 the strongest. Based on Hines’ analysis, the current recovery is roughly a year behind prior cycles, placing year 3 in 2026. If history rhymes, this could be an attractive window to consider a development strategy.

Source: NCREIF, Prequin, Hines Research. As of 4Q2025 using annual data. For the chart on right, we use three cycles that begin with price declines: 1990- 2000, 2001-2007, 2008-2019. We averaged the NCREIF capital appreciation returns and the North American Opportunistic Fund vintage return per year relative to the overall cycle average return. Then those figures are averaged for years 1-7 for all three cycle, wherever data is available. We stop at seven years as that is the length of the shortest cycle. This material represents subjective opinions of Hines. Other market participants may reasonably have differing opinions. Past performance cannot guarantee future results. Investing in real estate involves a high degree of risk including, but not limited to, risk of substantial loss of principal.

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## About the Indexes and Sources

The NCREIF NPI, short for the NCREIF Property Index, is a quarterly index tracking the performance of core institutional property markets in the U.S. The objective of the NPI is to provide a historical measurement of property-level returns to increase the understanding of and lend credibility to real estate as an institutional investment asset class. The universe of investments: 1) is comprised exclusively of operating properties acquired, at least in part, on behalf of tax-exempt institutions and held in a fiduciary environment; 2) includes properties with leverage, but all returns are reported on an unleveraged basis and 3) includes Apartment, Hotel, Industrial, Office and Retail properties, and sub-types within each type. The database fluctuates quarterly as participants acquire properties, as new members join NCREIF, and as properties are sold. Sold properties are removed from the Index in the quarter the sales take place (historical data remains). Each property's market value is determined by real estate appraisal methodology, consistently applied. Please note that when returns are computed for the NPI, the returns for the levered properties are computed on a de-levered basis, i.e., the impact of financing is excluded. A benchmark Index is not professionally managed. Investors cannot invest directly in an index.

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