COMMERCIAL REAL ESTATE TRACKER

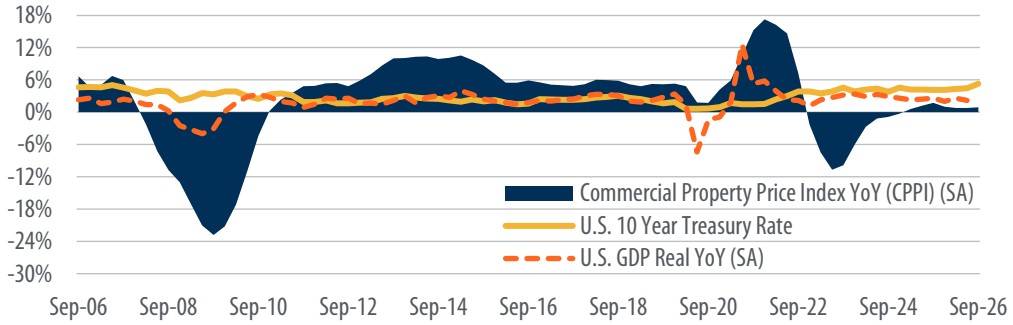
4Q 2026 | First Trust Government and Securitized Products Group

First Trust

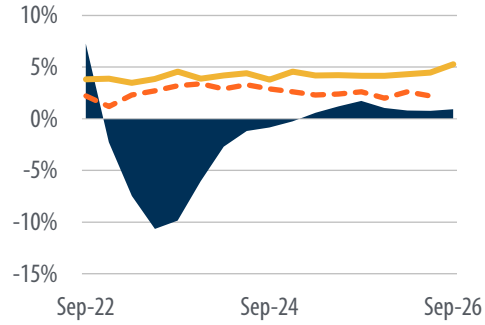
Rising Rates Confront the Commercial Real Estate (CRE) Market, as Data Centers Come Into Focus

Elevated Rates Could Complicate the Recovery in Prices and Transaction Activity

September 2006 to September 2026



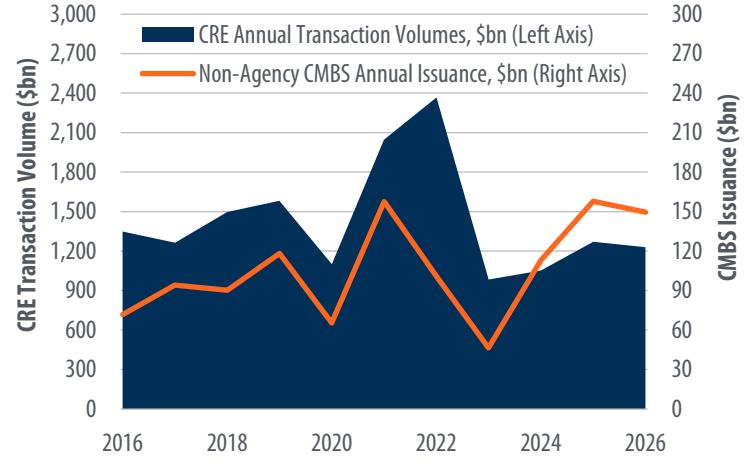
September 2022 to September 2026



Source: Real Capital Analytics, Bureau of Labor Statistics, Bureau of Economic Analysis, Bloomberg. Data as of September 30, 2026. **SA** - Seasonally Adjusted.

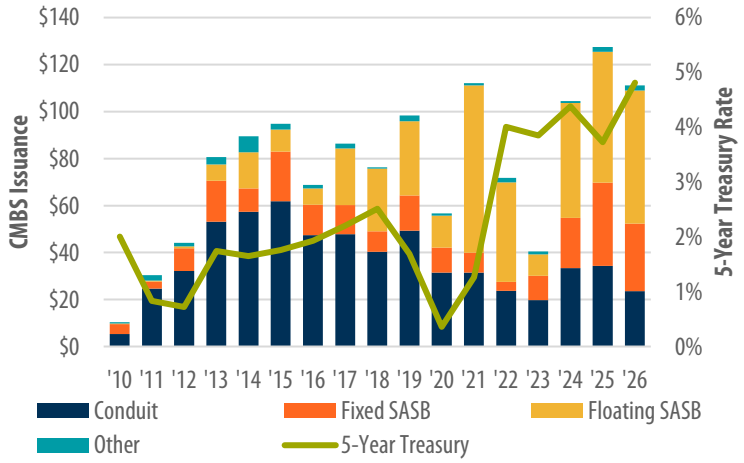
So Far, CRE Activity Holds Steady in 2026

CRE Annual Transaction Volumes & Non-Agency Commercial Mortgage-Backed Securities (CMBS) Annual Issuance



Source: Real Capital Analytics, Morgan Stanley, J.P. Morgan, Commercial Mortgage Alert, Bloomberg. Data from January 2016 to September 2026. 2026 data from January to September 2026.

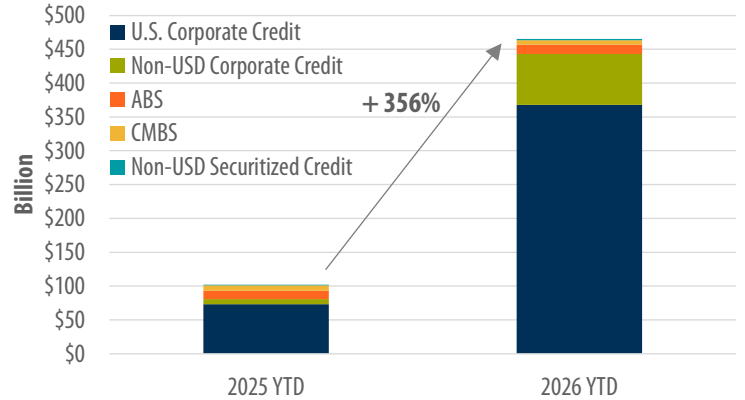
CMBS Deals Looking to Refinance in Higher Rate Environment May Face Challenges
CMBS Annual Issuance & 5-Year Treasury Rate



Source: J.P. Morgan. Data from January 2010 - October 16, 2026.

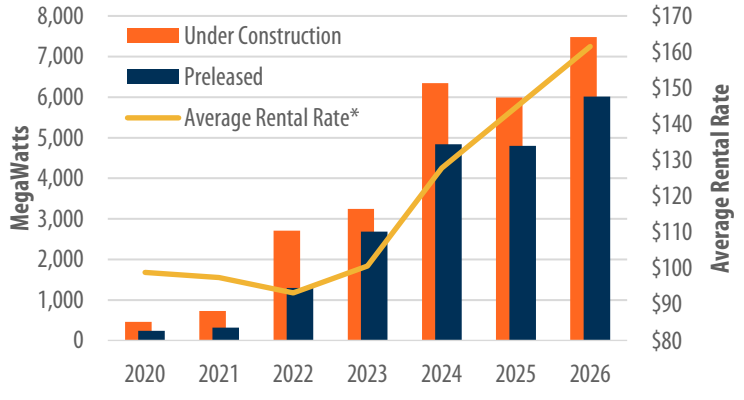
Data Center & AI Debt Financing Grows, While Record Data Center Supply Absorbed

AI-Related Debt Issuance by Debt Sector



Source: Bloomberg, PitchBook | LCD, CreditFlow, TREPP, Morgan Stanley Research estimates. Year-to-Date (YTD) 2026 data includes deals priced until 9/30/26. YTD 2025 data includes deals priced until 9/30/2025. **ABS** - Asset-backed securities.

Data Center Fundamentals: Rents Climb as Supply Surge Absorbed



*Average asking rental rate for 3-10 megawatt Data Center Capacity located in primary markets
Source: CBRE Research, CBRE Data Center Solutions, H1 2026.

Please see the next page for definitions

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4Q 2026

Transaction Volume Climbs as Spreads Tighten

CRE Snapshot

Cap Rate (%)	9/30/26	Change YoY
Office	7.48%	0.06%
Apartments	5.92%	0.30%
Retail	6.99%	0.05%
Industrial	6.55%	0.46%

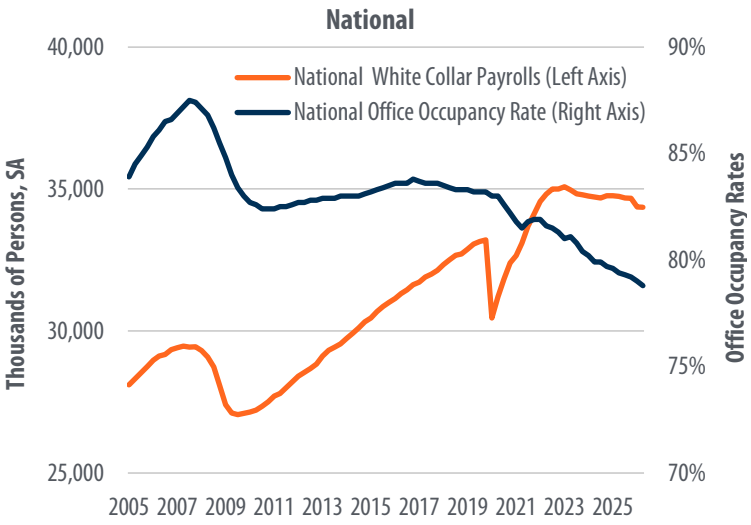
Cap Rate Spreads vs. U.S. 10 Year Treasury (bps)	9/30/26	Change YoY
Office	220	-107
Apartments	64	-83
Retail	171	-108
Industrial	127	-67

Commercial Property Price Index (CPPI)	Change YoY%	% Change from Peak 2022 to 9/2026	% Change Prior Peak (2007) to Trough (2011)
Office	4.01%	-17.92%	-40.7%
Apartments	-4.63%	-22.58%	-30.9%
Retail	1.38%	-4.65%	-36.2%
Industrial	2.18%	13.69%	-33.6%

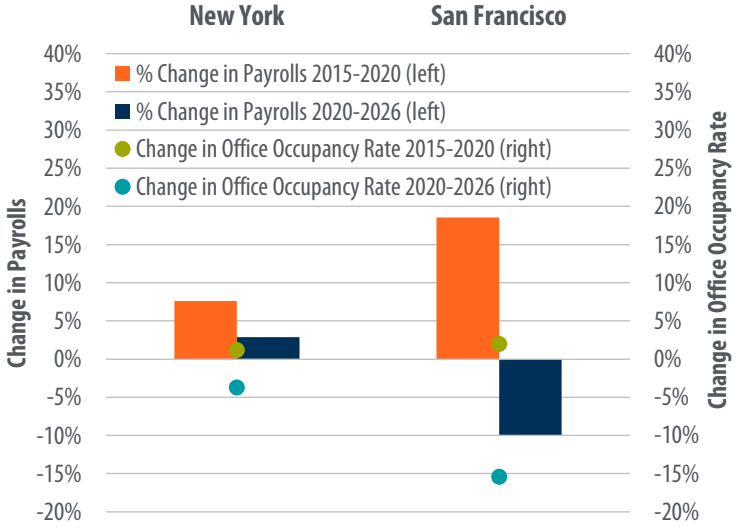
Sales Volume ($mm)	9/30/26	Change YoY%	9/30/25
Office	$25,056	32.8%	$18,872
Apartments	$112,598	145.7%	$45,835
Retail	$15,479	-0.2%	$15,517
Industrial	$41,382	53.3%	$26,992

Source: Real Capital Analytics, Bloomberg. As of 9/30/26, most recent data available. **Bps** - basis points.

Companies Continue to Downsize Their Office Footprint



Source: U.S. Bureau of Labor Statistics, REIS Inc., Bloomberg. Data from March 31, 2005 to June 30, 2026. Most recent data available. White Collar Payroll History is at Metropolitan Statistical Area (MSA) level, seasonally adjusted (SA), and includes professional and business services, financial activities and information.



Source: U.S. Bureau of Labor Statistics, REIS Inc., Bloomberg. Change in Payroll data from March 1, 2015 to March 1, 2020 (2015-2020) and March 1, 2020 to September 1, 2026 (2020-2026). Change in Office Occupancy data from March 31, 2015 to March 31, 2020 (2015-2020) and March 31, 2020 to June 30, 2026 (2015-2026). Most recent data available.

Definitions

Cap Rate: The capitalization rate, or cap rate, is a measure of expected return on a real estate investment. It's determined by dividing the property's expected net income by its value, expressed as a percentage.

Commercial Property Price Index (CPPI): Commercial Property Price Index is a transaction-based index that measures property prices at a national level. The index covers Apartment, Retail, Office, and Industrial sectors.

Commercial Mortgage-Backed Securities (CMBS): Fixed-income investment instruments that are backed by commercial and multifamily mortgages.

Conduit: A type of CMBS backed by a large, diversified pool of commercial real estate loans that have been aggregated, securitized, and sold to investors in tranches with varying risk levels.

SASB: A type of CMBS that is backed by a single commercial loan on a single property to a single owner.

Year-over-Year (YoY): A calculation that helps compare growth over the previous 12 months and automatically negates the effect of seasonality.

Important Considerations

Commercial real estate securities carry several risks, including the possibility that property owners may default on loans or lease obligations. They are also subject to market risk due to fluctuating property values driven by economic cycles, interest rates, and regional demand. Additionally, rising vacancy rates, declining rental income, or shifts in property usage can impact cash flow and valuations. Liquidity risk is also a factor, as some commercial real estate securities can be difficult to sell in volatile markets.

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