

**BARINGS**

# NAVIGATING DISPERSION: REAL ESTATE STRATEGIES FOR 2026

For global real estate markets, 2026 demands active selection and granular analysis. In this roundtable, Barings and Artemis experts from the U.S., Europe and Asia Pacific share insights on sector trends and explore where risks and opportunities are emerging across regions.

*This piece has been adapted from our 2026 Real Estate Outlook.*

[Watch the full webinar here.](#)

CONVERSATIONS



**Nasir Alamgir**

Head of U.S. & European  
Real Estate Debt, Barings



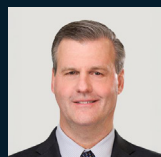
**Nick Pink**

Head of European  
Real Estate Equity, Barings



**Mike Flynn**

Head of Japan  
Real Estate, Barings



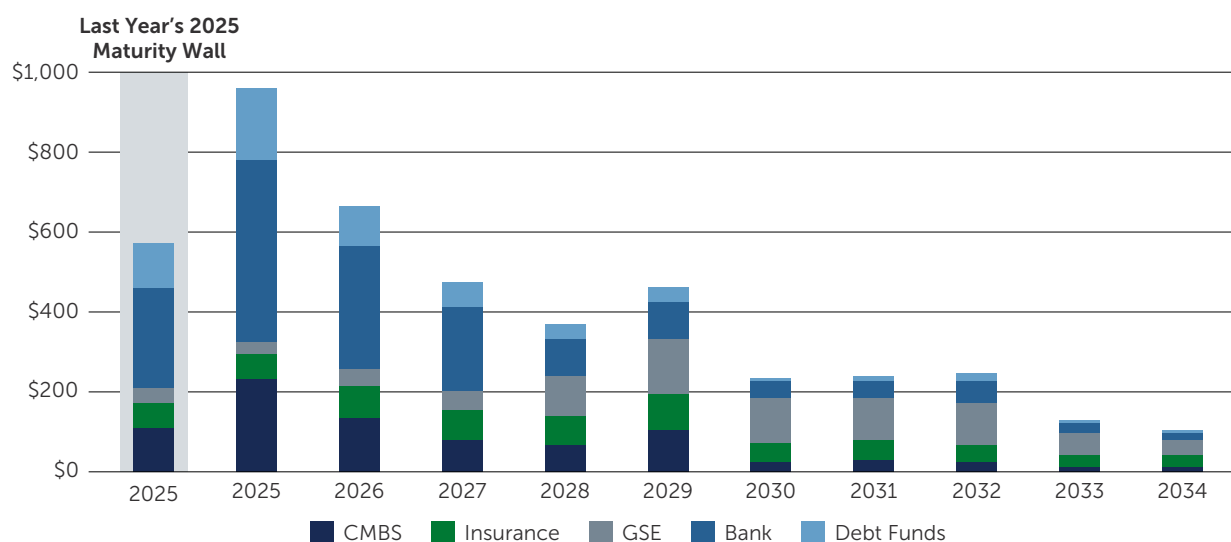
**Alex Gilbert**

Co-CEO of Artemis,  
a Barings Company

## How are macro trends and sector shifts shaping the fundamentals across global real estate markets?

**NASIR ALAMGIR:** The banking sector's pullback continues to reshape real estate finance in both the U.S. and Europe. While banks still hold a substantial portion of commercial mortgage loans in both the U.S. and Europe, lending has tightened since late 2022, opening the door for third-party capital to step in and fill the gap. What's changed—and is becoming a key trend in the U.S. market in particular—is the growing “wall of maturities.” Early projections for 2025 anticipated around \$570 billion in loan maturities, but with nearly \$400 billion rolling over from 2024, the total is now expected to approach \$1 trillion (**Figure 1**). Problem loans aren't rolling off bank balance sheets, and incremental write-downs mean it may take another two to four years to resolve. This creates opportunities for credit investors, especially as banks' lending criteria have tightened, particularly regional and community banks. Today's market is no longer one where “a rising tide lifts all boats”—it's a stock picker's market, requiring micro-market analysis and a clear rationale for each investment.

**Figure 1: CRE Loan Maturity Wall By Year Matures Across All Lenders (\$B)**



Sources: MSCI RCA; MBA. As of February 2025.

**NICK PINK:** From a European standpoint, persistent macroeconomic and political challenges have kept activity more subdued than expected, although momentum is building. Compared to last year, the market feels healthier—cautious optimism has evolved to pragmatism and realism through the year, prompting increasing numbers of both buyers and sellers to act rather than wait. Underpinning this is the strength of real estate fundamentals, especially on the supply side, which is supporting real rental value growth across sectors. The cycle will be extended, but there are opportunities for those who focus on fundamentals and select the right assets. It's not too late to participate; this remains a generational, cyclical opportunity, and capital is beginning to return to the market.

**ALEX GILBERT:** Looking more closely at the U.S., I would emphasize that real estate is a fundamentally local business. Getting the macro right is important, but success hinges on understanding micro-market dynamics. In terms of sectors, we remain overweight **industrials**, as logistics demand is steady despite tariff and economic uncertainty. However, with vacancy rates around 7%, performance varies widely: Southern California is challenging, for example, while Atlanta and Houston are much stronger.<sup>1</sup> Acquisition opportunities are often more attractive than new development, given the cost advantages and ability to capture mark-to-market rent growth.

In the **residential** sector, conditions are mixed; while home sales are at a 30-year low and apartment absorption is at record levels, new starts are down and excess supply persists. In **office**, performance remains highly polarized. Trophy assets continue to attract demand, while non-trophy properties face steep value declines and require significant capital for leasing and upgrades. Despite recent positive absorption, vacancy remains elevated, and recovery will depend on location, quality and amenities.

**MICHAEL FLYNN:** Asia Pacific real estate fundamentals differ from other regions. Core investors have returned, but recent years have left them cautious, with a clear risk premium now required. While enthusiasm remains, it can be harder to close deals, and the asymmetric risk that has characterized core investing—the potential for core returns but opportunistic-style losses—is only now beginning to recede. Notably, development activity is minimal, and the lack of new supply in markets like Tokyo should continue to support strong market dynamics going forward: in Tokyo office vacancy is just 3% (1.5–2% for higher-quality assets), rents are rising 6–8% annually, and debt costs are low at 1.5%.<sup>2</sup>

In a market where strong fundamentals provide the beta, the opportunity to add alpha comes from stepping into situations where corporates—under pressure from banks, government, and other sources—are offloading certain real estate assets. By sourcing these off-market deals and structuring transactions the corporates cannot execute themselves, investors can secure attractive entry pricing and potentially generate outsized returns for what is essentially core risk in a stable market.

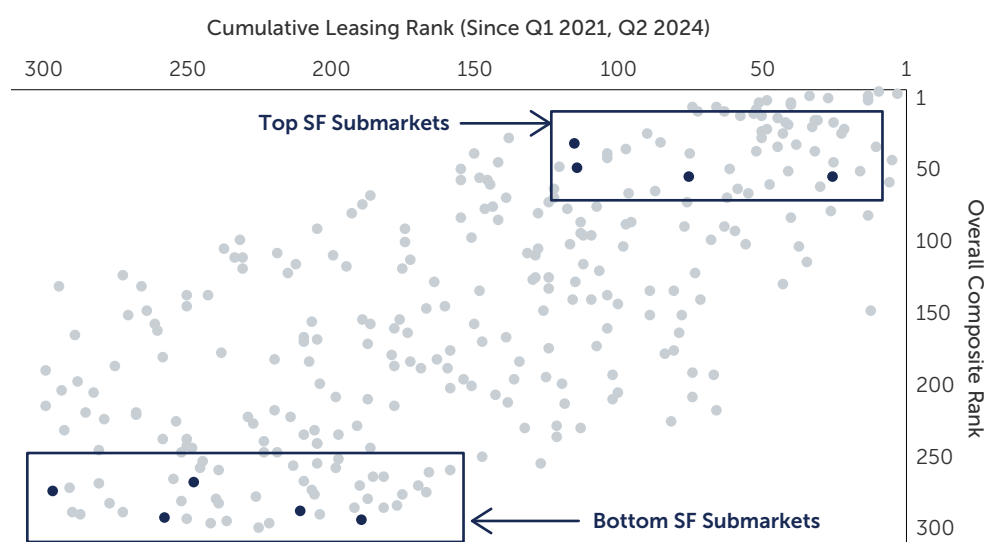
1. Source: CBRE. As of October 2025.

2. Sources: CBRE; Barings market research; Bank of Japan. As of October 2025.

## Dispersion and selectivity have become buzzwords. How do you approach research and investment in this “stock picker’s” market?

**NASIR ALAMGIR:** Dispersion in today’s market is very real, making selectivity essential. Rather than relying on broad themes, we focus on identifying specific opportunities at the micro-market level. As an example, office leasing in the U.S. has rebounded, with 190 million square feet absorbed in the second half of 2024 and another 220 million in the first half of 2025—nearly back to pre-pandemic levels.<sup>3</sup> However, our research shows that 80% of this activity is concentrated in just 20% of 300 micro-markets, highlighting the importance of location, transit access and live-work-play dynamics.<sup>4</sup>

**Figure 2: Office “Recovery and Momentum” Rankings for ~300 Submarkets in ~20 Metros (Based on 4 and 5-Star Properties)**



Source: CoStar. As of September 30, 2025.

In New York, as an example, some micro-markets are top performers while others lag, underscoring the need for granular analysis. This dispersion is also evident in residential and industrial sectors, where factors like migration patterns and local supply shifts drive performance. Ultimately, sharper underwriting and data-driven analysis are critical, as these divergences can lead to greater swings in value and require a clear rationale for each investment.

**NICK PINK:** Operating across multiple European markets, we see sector trends evolving at different speeds, with dispersion and polarization most pronounced in office and retail. The impact of locational, technical, and functional obsolescence is clear—and quality and amenity matter more than ever. In Europe, timely and granular data can be a challenge, so we rely heavily on local teams for real-time insights into shifting tenant demand. Our experience in London highlights how quickly dynamics can change: recent speculative developments in both CBD and edge of CBD office markets have outperformed expectations, driven by the right transport links, amenities and quality of space.

3. Source: CBRE. As of July 2025.

4. Source: Barings market research. As of October 2025.



As employees return to the office, providing attractive, sustainable environments has been key to leasing success. In cities with supply-constrained CBDs, we are beginning to see demand shift toward fringe markets that only 12 months ago we believed were compromised for the long term due to the polarization trend. Notably, areas like Canary Wharf, once facing high vacancy, have seen a dramatic turnaround with their strongest lease-up year in a decade.<sup>5</sup> This underscores how acute shortages of grade-A space can rapidly reshape market fundamentals and create above-trend rental growth—and it highlights the importance of having boots on the ground to ensure you are on top of the shifting demand trends in local markets.

## In terms of portfolio construction, what sectors and strategies are most compelling for the year ahead?

**MICHAEL FLYNN:** When considering long-term portfolio construction across Asia Pacific, we're increasingly turning to alternatives, especially self-storage. Urbanization, smaller living spaces, and high construction costs have kept penetration far below U.S. levels, particularly in dense urban markets. This structural gap supports strong demand fundamentals, while development yields remain attractive and operational models continue to evolve. Technology-driven efficiencies—such as unmanned facilities—are boosting margins and scalability, with valuations reflecting robust investor appetite. As capital seeks diversification and resilience, these platforms can offer a compelling way to capture both property-level income and operational upside in a region where fundamentals remain supportive.

**NASIR ALAMGIR:** From a debt perspective, our new origination has been weighted about 85% toward core-plus risk over the past three years. Looking ahead, we increasingly see opportunities in value-add lending, driven by one of the widest gaps in decades between the cost to build and the cost to buy—making acquisitions more attractive than new development. This dynamic is likely to draw both debt and equity capital toward buying rather than building.

In terms of property types, while health care and senior housing remain appealing, I'll highlight office. Despite recent positive leasing momentum, significant vacancy remains to be absorbed, and concerns persist about AI's impact on white-collar employment and office demand. However, dispersion in performance means there are select opportunities to achieve outsized returns for the risk taken. Careful underwriting and a focus on micro-market dynamics are essential to identify the right assets and capitalize on these evolving sector trends.

5. Sources: Savills; Barings market research. As of September 2025.

**ALEX GILBERT:** I would add that health care stands out largely because it's needs-based, meaning demand isn't driven by economic cycles or interest rates, but by necessity. The aging U.S. population is a major tailwind: from 2025 to 2035, the 65+ age group is projected to grow by up to 20%, making senior housing and related health care assets increasingly attractive.<sup>6</sup> COVID had a profound impact, disrupting NOI and halting new supply, which has left lasting caution among investors. As a result, only a handful of operators truly understand the complexities of running health care assets as operating businesses. According to Green Street, senior housing NOI is expected to grow at an average of 11–12% from 2025 to 2029, far outpacing data centers and other sectors.<sup>7</sup> With health care now representing 18% of U.S. GDP, the demographic-driven demand is undeniable.<sup>8</sup>

**NICK PINK:** In Europe, about 70% of our activity is focused on “beds and sheds”—primarily residential and logistics—but these broad sectors contain important niches. Self-storage is particularly interesting; it's still immature in Europe, with per capita space at just 3% of U.S. levels.<sup>9</sup> This immaturity brings risk but also the potential for outsized rewards, especially when partnering with established operators who can navigate barriers to entry and site acquisition in heavily legislated markets.

Student housing is another area of focus. While it's mature in the U.K., it's still emerging in markets like Italy and Spain, where top universities are offering English-language degrees and attracting international students. Where strong demand drivers and quality operators align, these niches present compelling opportunities for growth and portfolio diversification.

**“We increasingly see opportunities in value-add lending, driven by one of the widest gaps in decades between the cost to build and the cost to buy—making acquisitions more attractive than new development.”**

**As housing affordability continues to be a major issue across regions, how are developers and operating partners evaluating new development opportunities?**


**NASIR ALAMGIR:** Political will is increasingly shaping the landscape for housing affordability and development. For example, Los Angeles has recently streamlined its permitting process for affordable housing, reducing approval times from a year to just 60 days. Such policy changes are designed to make development easier, but incentives—both political and economic—are essential to bridge the gap between the cost of existing inventory and new construction.

6. Source: Congressional Budget Office. As of September 2025.

7. Source: Green Street. As of February 2025.

8. Source: Centers for Medicare & Medicaid Services. As of June 2025.

9. Source: Savills; Barings market research. As of November 2025.



The disconnect between what it costs to build and what people can afford remains a major challenge, and developers are relying on targeted incentives to make projects viable. As public sentiment and voting trends continue to prioritize affordability, we expect further policy support and creative solutions to emerge. Ultimately, the combination of expedited permitting and meaningful incentives will be critical in driving new development and addressing the affordability crisis in many markets.

### What is your bold prediction for the real estate market or broader environment in the coming year?

**MICHAEL FLYNN:** Many of the announced data centers in Asia won't be built due to power constraints and infrastructure gaps. Developed markets have moratoriums on new development, and emerging Southeast Asian nations lack the necessary electricity capacity. We think this issue will become increasingly clear over the next couple of years.

**ALEX GILBERT:** The growing dispersion in U.S. consumer spending—where 10% of the population accounts for 50% of spending—poses risks for real estate. In the year ahead, risk management will be crucial, as this imbalance could make the environment trickier than many are expecting.

**NICK PINK:** Core capital is returning to Europe and Asia, but dispersion will create clear winners and losers, likely driving a new wave of fund industry consolidation.

**NASIR ALAMGIR:** Despite political concerns in cities like New York, we believe their impact could be less than feared. History shows these markets are resilient; short-term disruptions may occur, but lasting effects still seem unlikely.

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*\*As of September 30, 2025*

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