B&I Capital

2026 Nareit Conference

Tours & Meeting Takeaways

Atlanta, Georgia 16-18 Nov 2026

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1. Background

We recently participated in REITworld 2026 in Atlanta, Georgia. Atlanta is the 6th largest metro area in the United States with a population of 6.5m, growing 14% over the last decade. The city is home to many large corporate headquarters including Coca-Cola, Home Depot, UPS, Delta Air Lines, and Chick-fil-A and the world's busiest airport by passenger volume. We toured apartments and single-family rental (SFR) communities in the Atlanta metro to get a better sense of Sunbelt residential trends which we'll discuss in greater depth in a subsequent section.

With rising interest rates and the US 10 Year yield sitting around 5% we think many investors would be surprised to hear that YTD US REITs are up 14.72% on a total return basis. Management teams echoed that strength with confident 2027 outlooks.

Following the conference, we are increasingly positive on the longer-term outlook for REITs which have largely been overlooked during the AI boom. Three topics dominated our tours and meetings: (1) lower supply as a catalyst, (2) the implications of the Bluenami, and (3) the impact of higher rates on cost of capital.

Increasing Development Costs Limit New Supply

Our meetings in Atlanta reiterated what we wrote after our last set of Nareit meetings in NYC in June: *"Falling new supply across nearly every REIT property type (excluding data centers) is now the central bull thesis, and management teams are increasingly confident in the fundamentals supporting their businesses."*

We heard the same refrain repeatedly. Construction materials, labor, and borrowing costs are all higher. That makes development more expensive and keeps a tight lid on new supply, even in sectors like senior housing, where demographics are strongly favorable. Demand is holding up across sectors and, together with limited supply, it is giving landlords pricing power which feeds through to revenue growth.

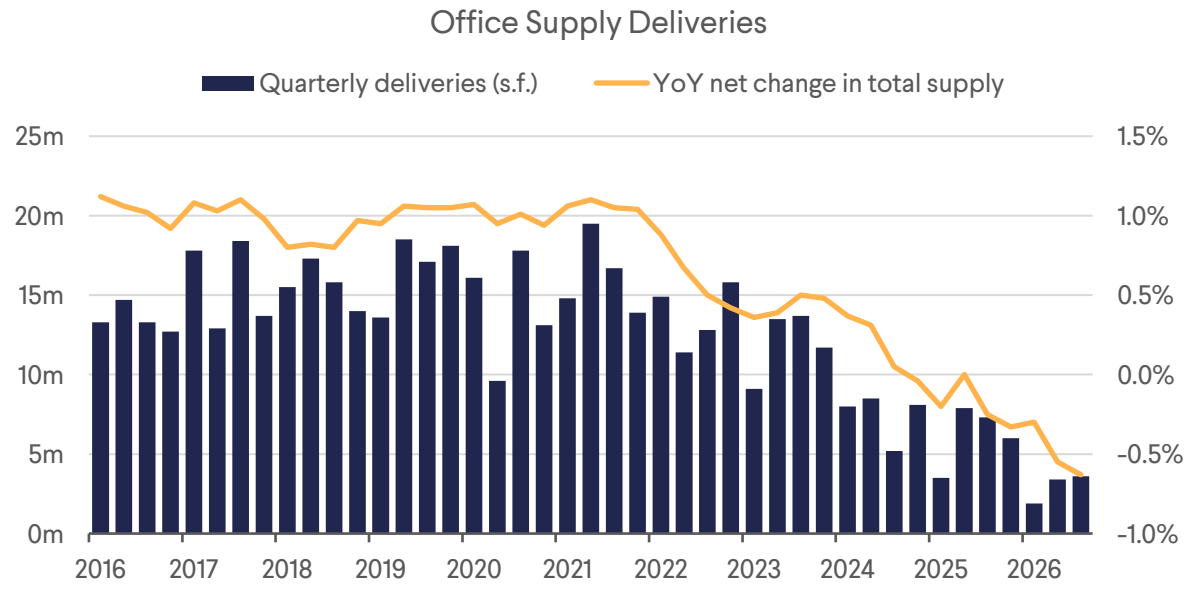


Figure 1: Historical Deliveries & Pipeline (Source: JLL, Q3 2026)

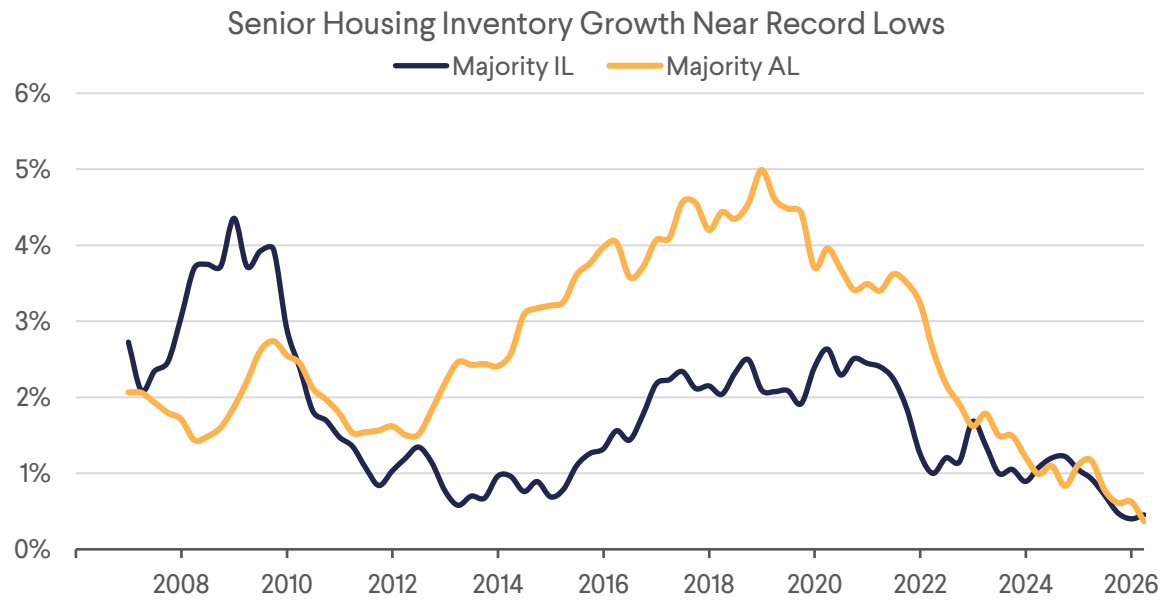


Figure 2: Senior Housing Supply Data (Source: NIC Map Update, 2026)

Real estate is by its nature a slow-moving industry. It takes years to build a property and get it fully leased. This hurts property owners when large amounts of supply are delivered simultaneously and leads to the perception of long, drawn out recoveries. We are seeing this play out in the Sunbelt multifamily and Life Science sectors. However, this supply and leasing lag also cuts the other way.

From conception to stabilization the Senior Housing development cycle takes at a minimum three years and can take as long as seven. Currently, new supply is extremely limited despite very favorable demographics, and the long lead development time extends the bull case well beyond where supply can respond more quickly to demand.



Figure 3: Extended Time from Project Formation to Stabilization (Source: WELL Business Update, Oct 26, 2026)

With the commercial real estate supply spigot largely turned off, we expect REITs in several sectors to slowly regain (Residential) or accelerate (Senior Housing) rent growth. Supply takes years to catch up with demand, so improved pricing power should persist heading into 2028 and beyond. **Today's low supply is tomorrow's occupancy and rent growth.**

Bluenami Implications

The implications of the Democrats gaining a majority in the House and Senate in the midterms along with many positions at the state level were a constant topic. While Democrats hold the majority in the House and Senate they are short of the 60 Senate seats needed to pass most bills because of the filibuster. On top of this President Trump has vowed to use the power of the veto to kill Democratic-led legislation. This all leads to the conclusion that at the Federal level the government will be largely gridlocked. However, many regulations that impact real estate are passed and enforced at the local level.

Rent Control

At lunch with UDR (UDR), management said it expects mayors and city councils in some progressive coastal cities to push for some form of rent control. NYC is a current example. The NYC Rent Guidelines Board voted 7 to 1 for rent freezes starting in October, and Mayor Mamdani appointed six of its nine members. The freeze covers c.1m stabilized apartments. Most of that stock sits with private owners, so the direct hit to REIT earnings is small but we expect to hear more stories like this in the future especially in more West Coast metros. Coastal REITs are seeing a resurgence in rent growth and we are positive on names such as Vivmark (VMRK), but we see the rent control narrative as a risk that the market has and will price into Coastal apartment REIT multiples.

Data Center Moratoriums

Public opposition to data center development has increased for numerous reasons and in retrospect was a major topic for voters in the midterm elections. Both parties have distanced themselves from supporting uninhibited data center development. With Democrats now gaining power at the state and federal level many investors expect the regulations, costs, and timelines for data center development to all increase making it more difficult and expensive to build them. NY Governor Hochul issued an executive order effectively placing a moratorium on data center development in the state and numerous other states are weighing pauses.

Interestingly, the backlash against data centers in some ways makes current data centers more valuable. Data centers were the one property type we excluded from the falling supply story, but these state moratoriums could change that. The immediate losers are developers and landlords holding sites that need permits and power. The ultimate winners are likely owners of energized, existing capacity such as data center REITs Digital Realty (DLR) and Equinix (EQIX).

Senior Care Regulation

Investors at the conference flagged a risk that Democrats try to revive the Biden-era CMS staffing rule, which mandated more nurses per resident at Skilled Nursing Facilities (SNFs) owned by Omega Healthcare (OHI), Sabra Health Care REIT (SBRA) and CareTrust REIT (CTRE).

These REITs hold triple net leases with operators who provide high levels of medical care to seniors. Labor is the operators' largest and most variable cost, so higher staffing requirements would squeeze margins, lower rent coverage and raise default risk. When the rule was first proposed, SNF REITs came under pressure for that reason, since triple net stocks trade on expectations of tenant rent coverage and credit quality.

We expect that if a Democratic led House attempted to pass similar legislation it would weigh on expectations for the tenants' ability to pay rent in full and the stock prices of the SNF REITs. However, we would see any share price weakness related to CMS as a buying opportunity for four reasons. (1) Without the necessary 60 votes any Democratic legislation can be filibustered in the Senate. (2) Trump is unlikely to approve of Democratic legislation and would veto it. (3) The One Big Beautiful Bill placed a 10-year moratorium on implementing the staffing rule and would have to be worked around. (4) Trump appointees run the CMS until January 2029.

Interest Cost Impacting Cost of Capital and Earnings Growth

Ten years ago, in November 2016 the 10-year US yield was c.2.2%. As of this writing that yield has more than doubled to 5.0%. All borrowers including REITs that need to issue new ten-year bonds are having to do so in a much higher interest rate environment and as a result are going to incur greater interest costs moving forward.

Metric	Level
10-Year US Treasury Yield	5.05%
IG REIT Bond OAS (Bloomberg IG REIT Index)	+82bps
Implied new issuance all-in yield (BBB REIT, 10Y)	c.5.80%
REIT current average weighted effective interest rate	c.3.7–4.2%

Figure 4: Borrowing Cost Increases (Source: Bloomberg, November 2026)

REITs with laddered maturities and lower leverage are better positioned, but debt costs will keep rising if rates stay higher for longer. For example, Public Storage (PSA) has 10.9% of its debt (USD 1.2bn) maturing in each of 2027 and 2028 at a weighted average coupon of 2.81%.

Higher borrowing costs raise the cost of capital for every market participant. As debt costs rise, cap rates should follow and values for owners hoping to sell should fall. Interest expense also eats into earnings, and one Office REIT CEO told us in a meeting that refinancings at higher rates will flatten the FFO/sh growth curve.

It's not all negative. Well-capitalized REITs with investment grade ratings and low leverage are less exposed than debt-funded merchant developers, whom higher rates hit disproportionately. That is a key reason supply growth has stalled, and it benefits existing landlords.

2. Sector Takeaways

Healthcare

Our best meetings were with Senior Housing REITs Welltower (WELL) and American Healthcare REIT (AHR). Both teams were optimistic they can keep executing the playbook: growing occupancy, raising rents well above expense growth, and using a low cost of capital to buy well-located assets at discounts to replacement cost. The senior housing operating portfolio (SHOP) thesis is shifting from occupancy recovery to margin expansion, driven largely by strong revenue growth.

SHOP is a high operating leverage business, so each point of occupancy and rate increase drops through to NOI at an accelerating rate as vacancy declines. WELL's SHOP occupancy troughed at the peak of Covid in March 2021 at 72.3% and today sits at 88%. With Baby Boomers aging and new supply scarce, we expect occupancy to settle in the mid-90s in the coming years, giving operators even more pricing power. WELL said communities above 90% occupancy grew RevPOR by more than 6% vs. 5.3% for the whole SHOP portfolio. Ventas (VTR) said communities with mid-90s occupancy run incremental margins approaching 70%.

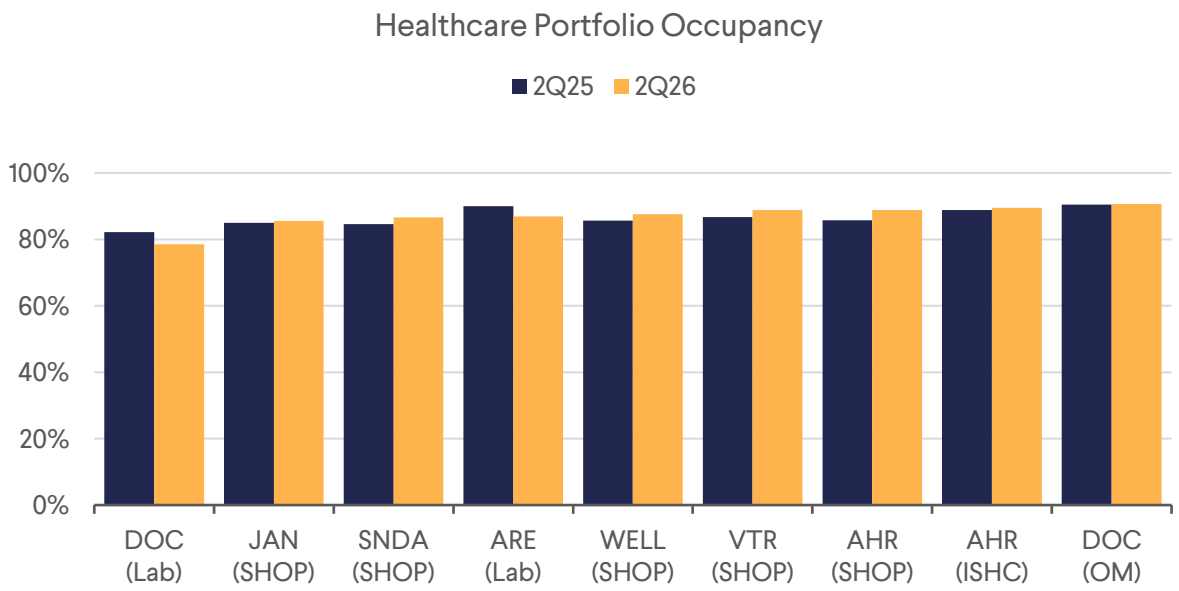


Figure 5: Total Portfolio Occupancy (Source: Morgan Stanley Research, November 2026)

The biggest risk for the SHOP REITs is high expectations. AHR grew SHOP NOI a phenomenal 28% YoY in 3Q26, but trees don't grow to the sky and this pace will ultimately slow. Any slowdown will test multiples even if results stay strong: AHR trades at 23x NTM P/FFO and WELL at 33x. For now, the narrative is that rapid external growth continues, occupancy and margins accelerate, and total return growth justifies the multiples. On PEGY (P/FFO divided by the sum of earnings growth and dividend yield), which shows whether a multiple is fair for the growth on offer, many SHOP names screen cheaper than Apartments.

Office

National Office fundamentals keep improving, supply is the main reason. CBRE puts nationwide 3Q26 vacancy at 18.2%, its fifth straight quarterly decline, with prime vacancy down to 11.9%. Completions are on track for the lowest year since CBRE began tracking in 1990. JLL estimates inventory has shrunk by more than 45m sft from its late 2023 peak as conversions and demolitions outpace new construction. Office supply is not just slowing, it is shrinking.

We met with Kilroy Realty (KRC) where the narrative is tied almost entirely to AI tenants' willingness to lease space in West Coast metros. Leasing is improving especially in San Francisco where demand is broad based even beyond AI. Net effective rents are rising across the portfolio except in a depressed Los Angeles market. The 610bps gap between leased and occupied space for KRC should support occupancy even as large tenants such as DirecTV

move out next year. The question is when strong leasing turns into earnings and free cash flow, given the capex required to lease and operate trophy assets.

Consensus has AFFO/sh (which accounts for leasing costs and capex) falling 21% in 2026 and another 9% in 2027 before growing by 8% in 2028, with occupancy bottoming at c.78%. We have been encouraged by KRC's leasing YTD and believe that vacancy in office and particularly trophy office properties has peaked. We have seen the office recovery begin to strongly play out in NYC and believe that SF is next and West Coast focused office REITs stand to benefit in 2027 and 2028. We will be closely watching to see if KRC can convert improved leasing and occupancy into higher rents and ultimately stronger earnings and cash flow for investors.

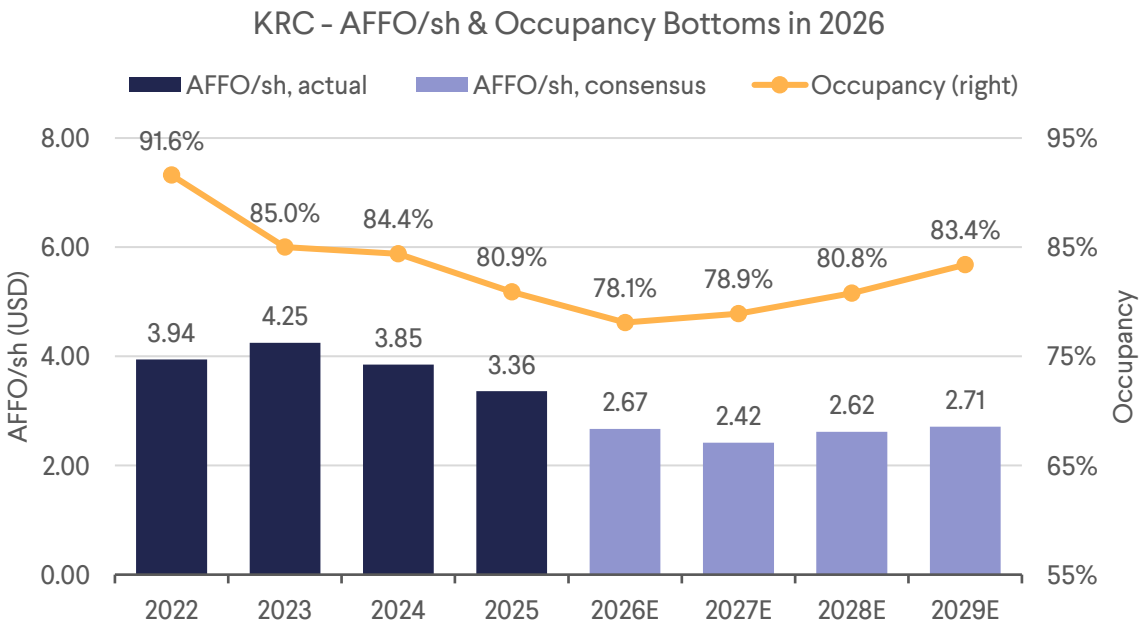


Figure 6: KRC AFFO/sh & Occupancy Bottoms in 2026 (Source: Bloomberg, November 2026)

Apartments

Our takeaway from the Sunbelt property tours in Atlanta with MAA, CPT, and IRT is that the recovery in these names is going to be pushed later into next year and consensus on the Sunbelt REITs was overwhelmingly negative. This bearish sentiment can be seen in the stock prices and the valuations. MAA is trading today at a market implied cap rate of c.7% while Class A Sunbelt properties are being bought in the mid-5% cap rate range.

New lease growth is still negative, and concessions have not gone away. The consensus view is that Sunbelt supply will continue to fall. However, we were surprised to see that in Sunbelt bellwether MAA's markets supply actually ticks back up from 2.2% in 2026 to 2.4% in 2027 and in Atlanta MAA expects supply to rise from 1.7% to 1.9% of stock. Merchant apartment developers who held back projects to hopefully deliver in a more benign supply environment now need to deliver them, and many have become accidental landlords, holding buildings longer than planned and using concessions to fill them. 2028 supply should be lighter at 1.5%, but the recovery looks like a slow grind rather than a hockey stick in new lease growth. The outlook for Sunbelt apartments remains uphill and unclear but buying them when they trade at a 7% implied cap rates or higher is generally a supportive entry point for patient investors.

We prefer Coastal over Sunbelt, and urban over suburban, heading into 1H27. The main overhang on Coastal Apartment REITs in 2027 is rent regulation in progressive cities such as LA and NYC, although most meaningful changes still need state approval.

Vivmark (VMRK) came out of the conference as our preferred apartment name, offering Coastal exposure at a reasonable price. VMRK will benefit from merger synergies, growth from its development arm, and increased pricing power in low supply Coastal markets. VMRK has the highest total return estimate (dividend yield + FFO/sh growth estimates) in residential at 10.7% and the strongest 2027/28 FFO growth among the apartment REITs at 6.2%. That is on a 15.8x P/FFO, an 18% discount to NAV and a PEGY of 1.38.

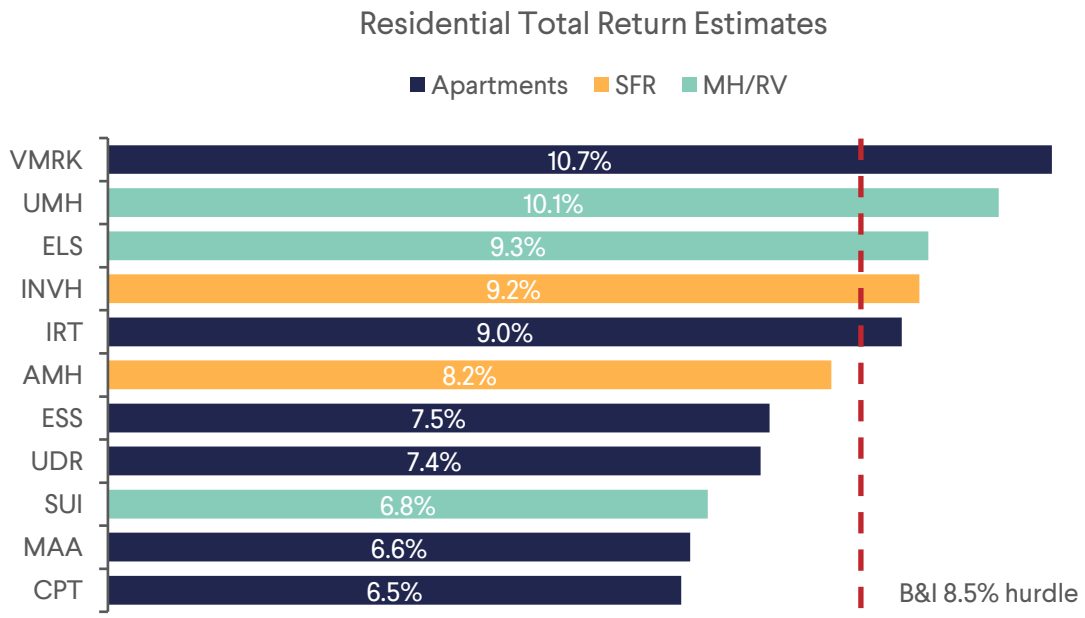


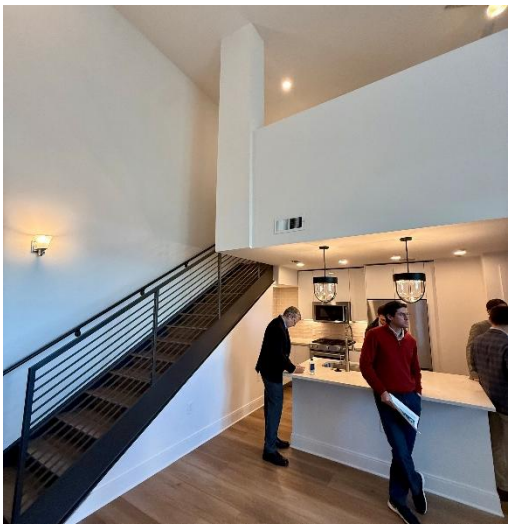
Figure 7: Residential Total Return Estimates (Source: Bloomberg, November 2026)

Asset Tour Pictures

Atlanta Residential Property Tours – 16 Nov 2026









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