

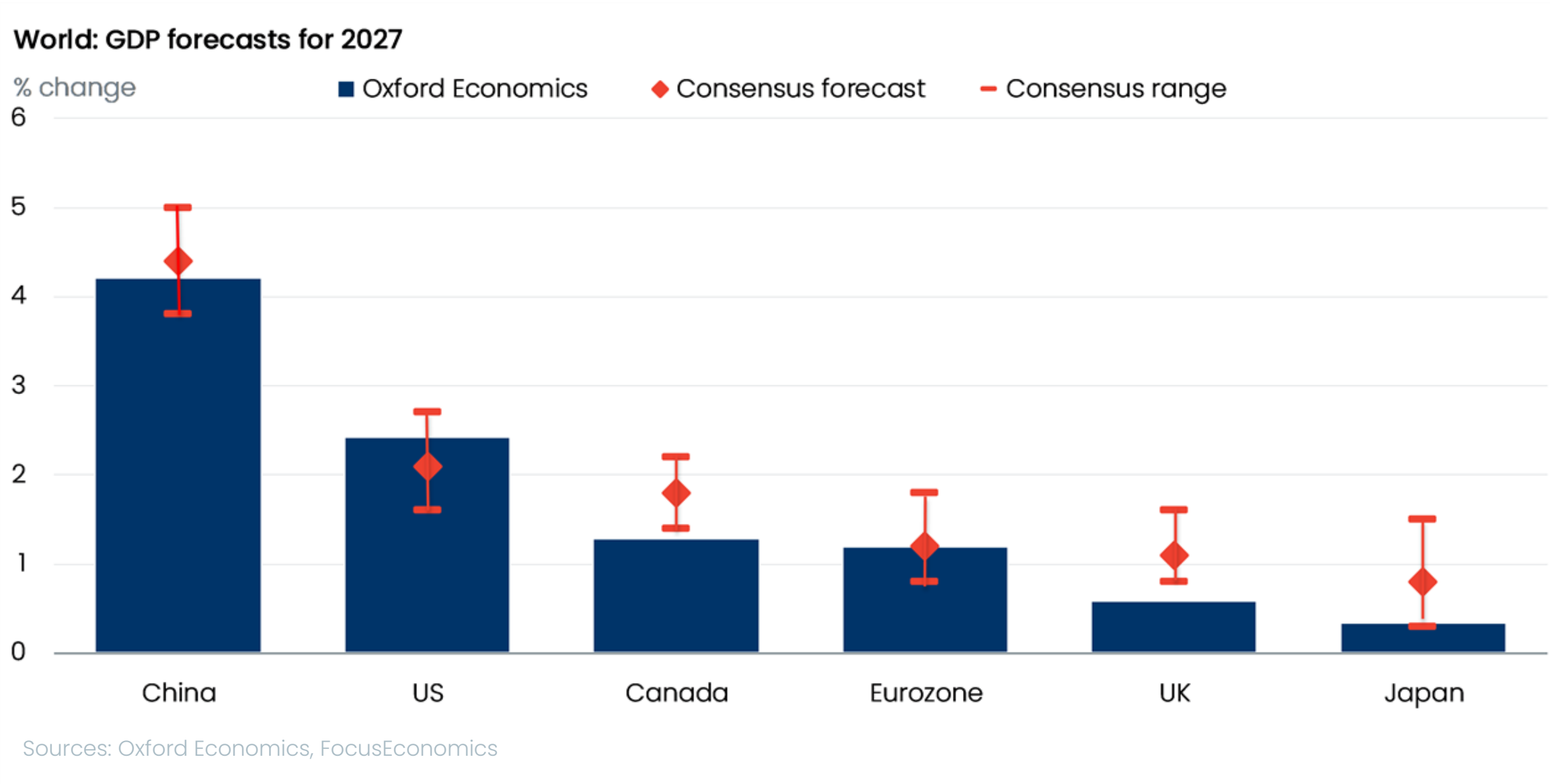
The economic dominoes to watch

Prepared for NCREIF

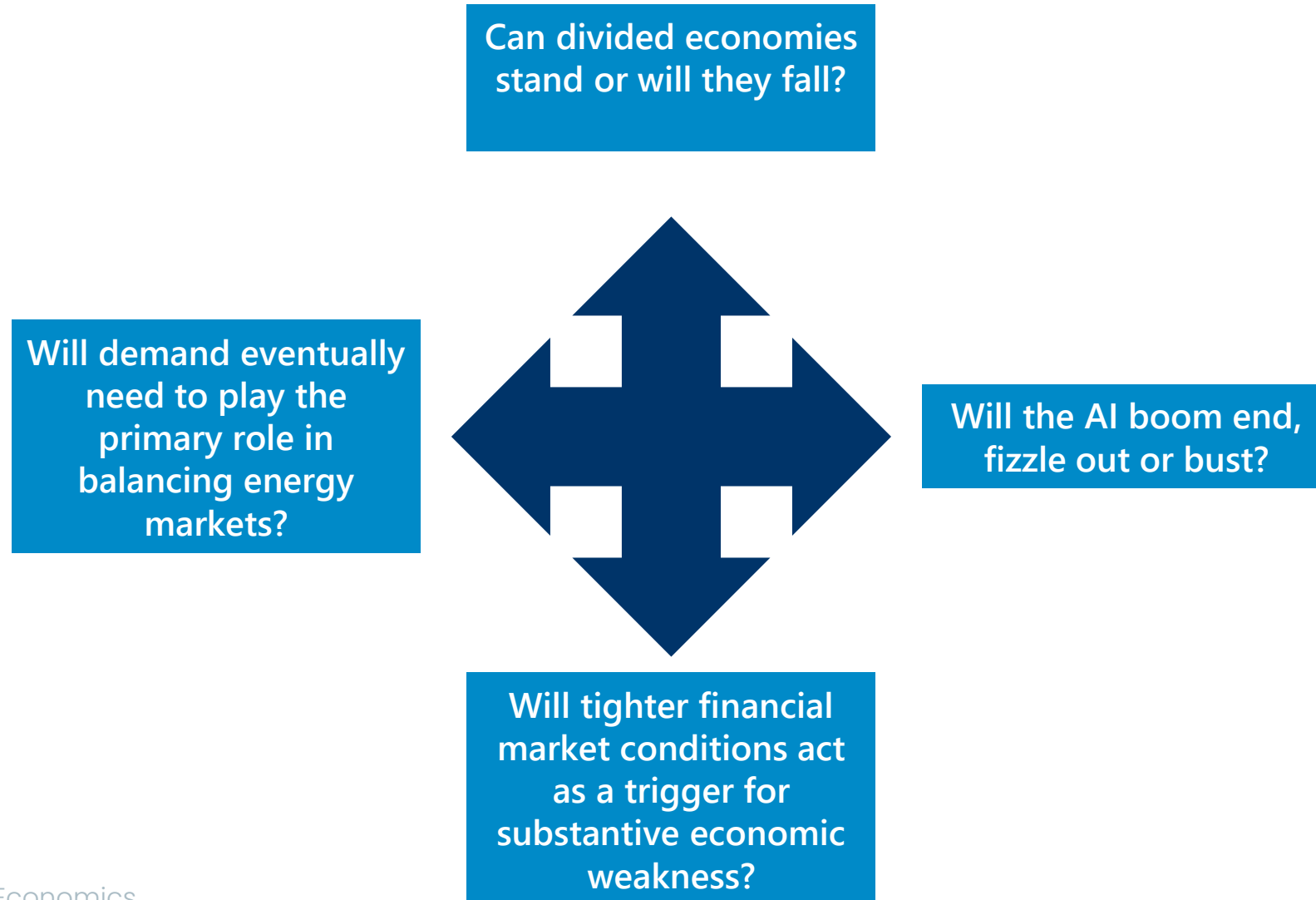
Ryan Sweet, Global Chief Economist
rsweet@oxfordeconomics.com

UNLOCK THE POWER
OF ECONOMICS

Rising tide doesn't lift all boats evenly

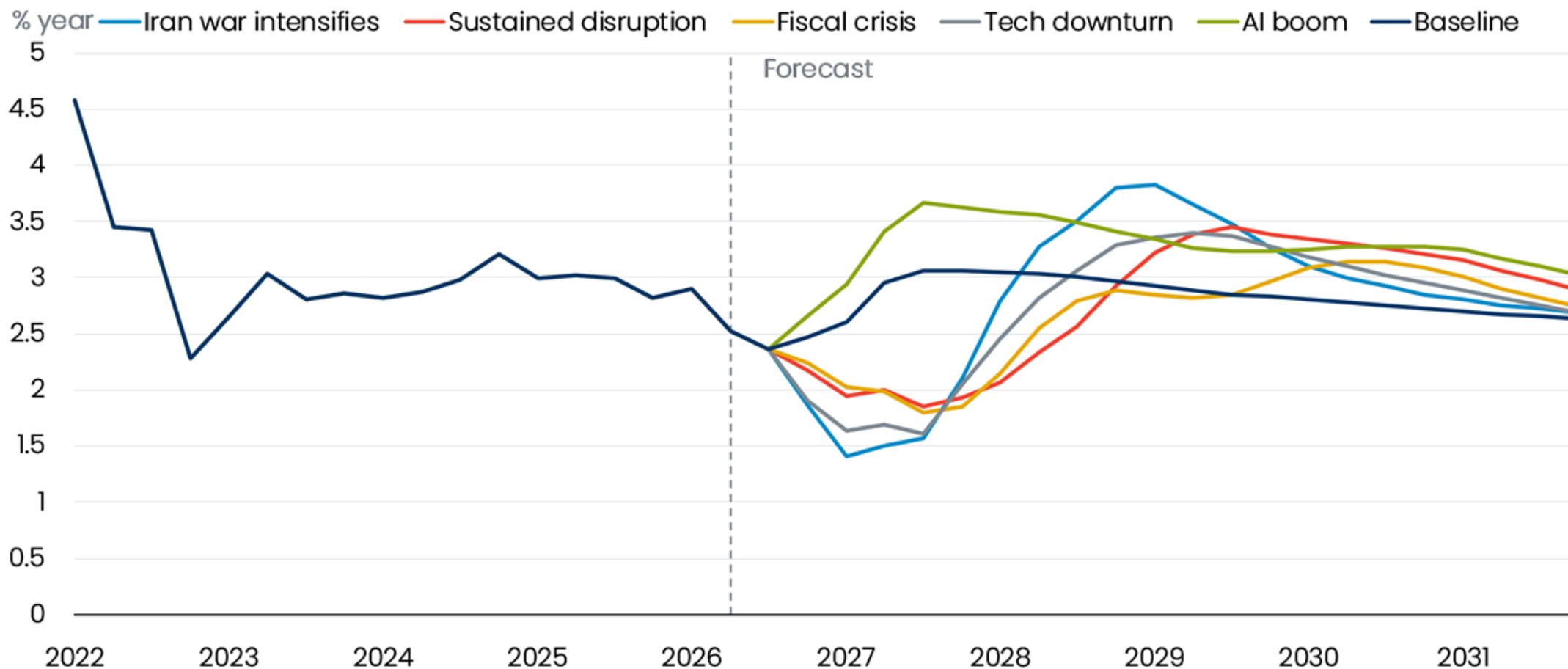


Where we head depends on answers to several questions



Planning for the unexpected

World: GDP



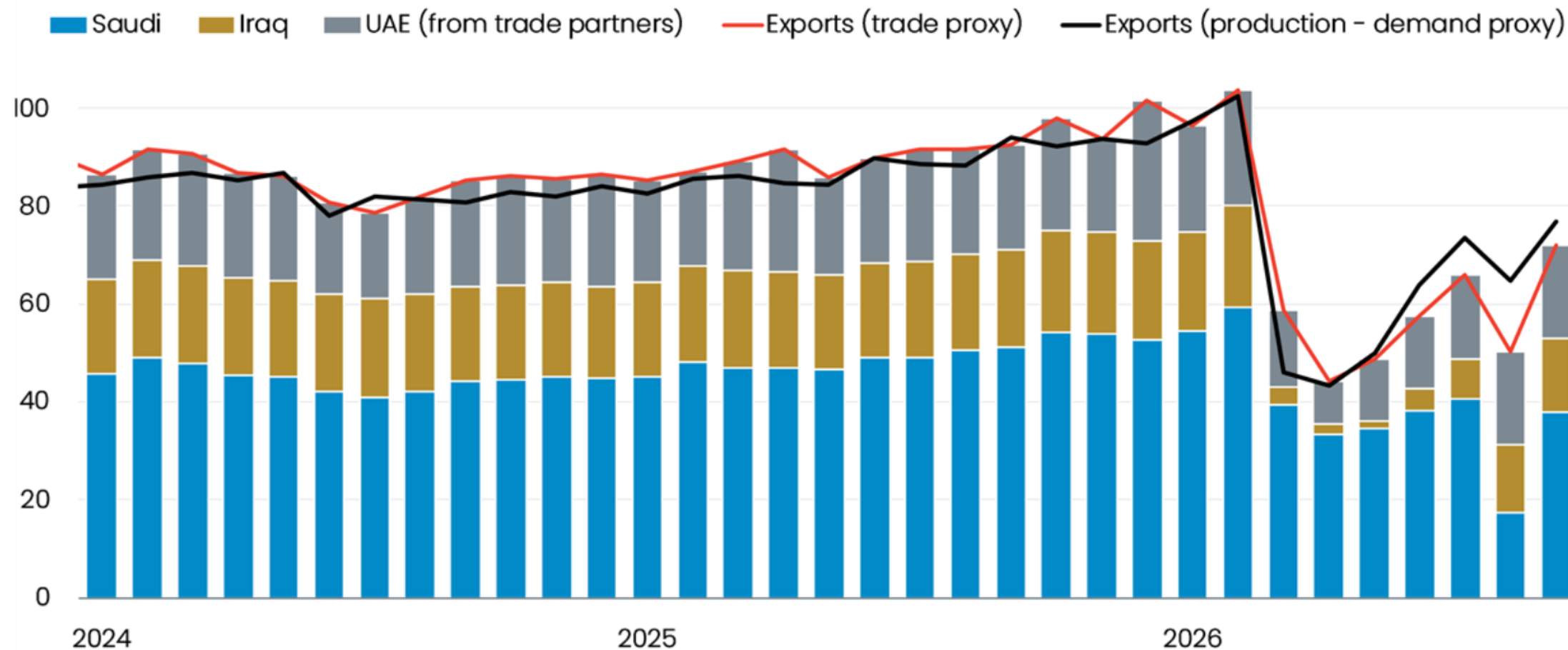
Sources: Oxford Economics

Oil isn't the focus

Oil supply is climbing but nowhere normal

Middle East: Oil exports proxy

Index, Jan-Feb 26=100



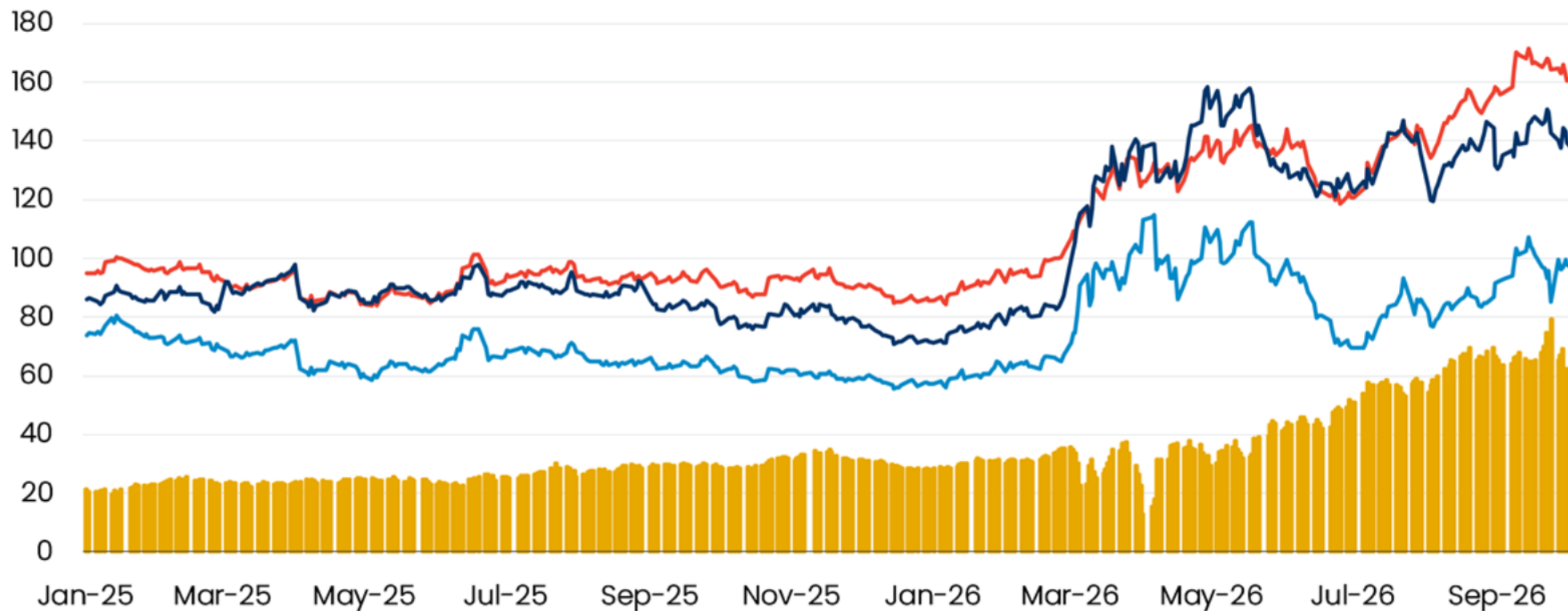
Sources: Oxford Economics , Note: Trade data are released with a lag, so latest estimates are a combination of preliminary estimates and tanker tracking and OE forecasts

Oil takes a back seat to gasoline and diesel

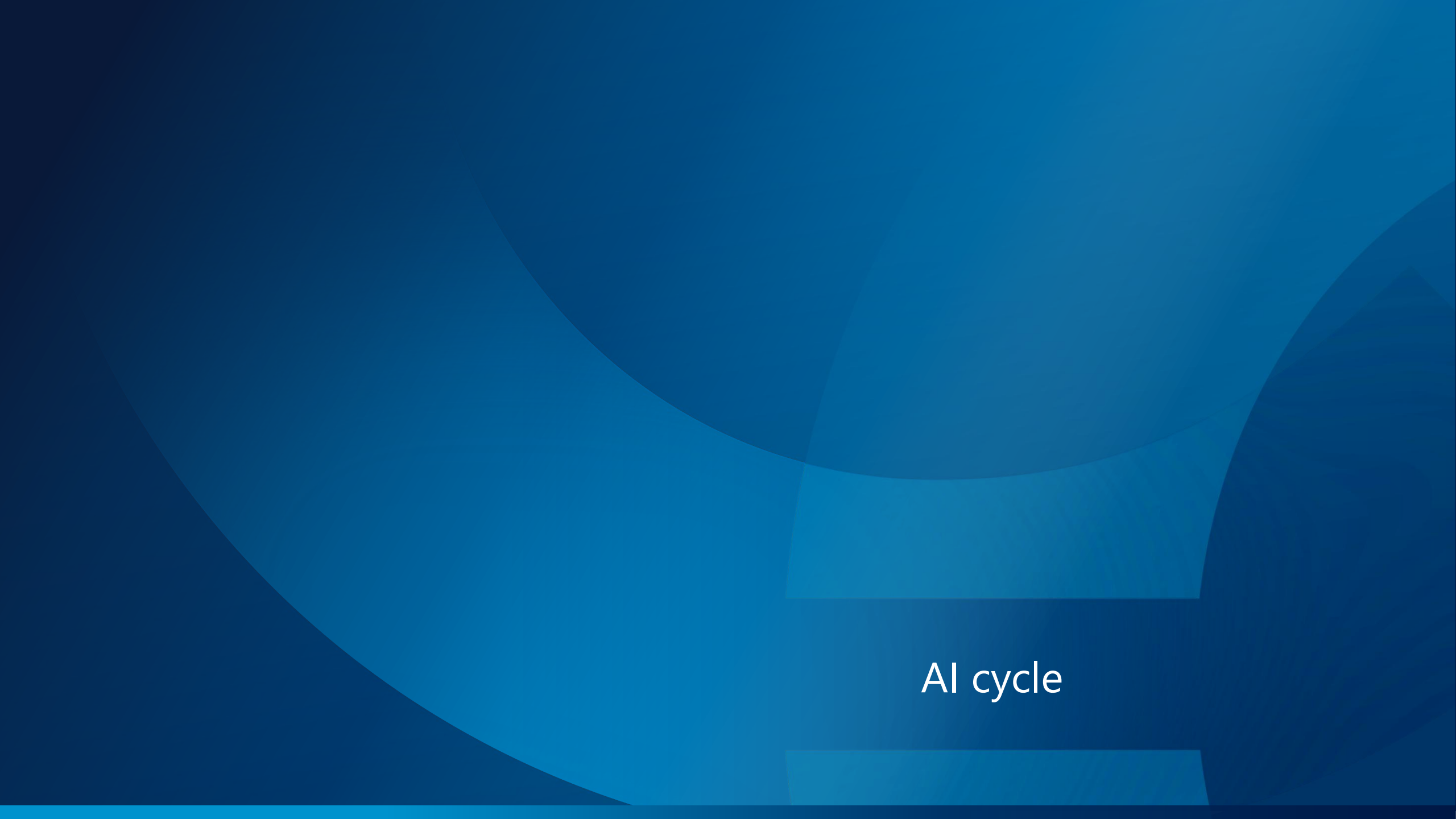
US: crude oil and refined fuel prices

\$ per barrel

■ Diesel crack spread ■ Diesel ■ Gasoline ■ WTI crude



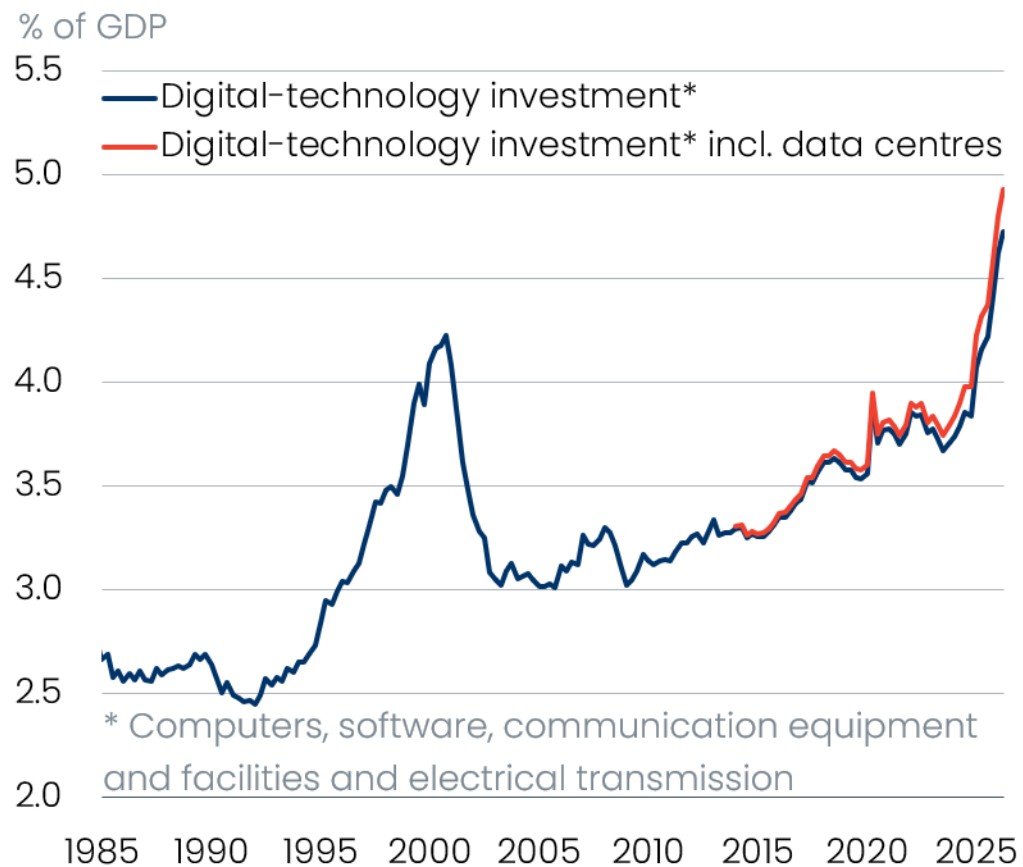
Sources: Oxford Economics, IEA, Haver Analytics

The background is a solid dark blue with several large, overlapping, lighter blue curved shapes that create a sense of depth and movement. These shapes are primarily on the left and right sides, framing the central text.

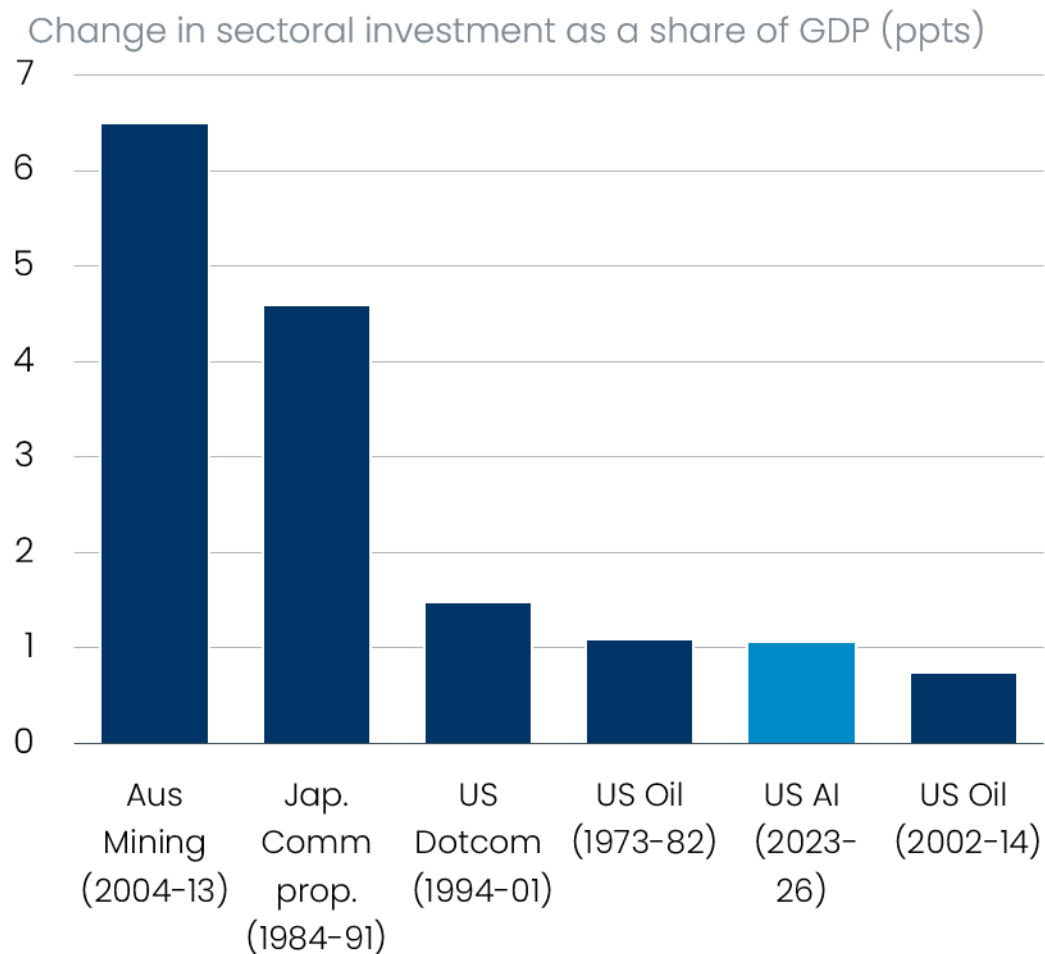
AI cycle

The rise in AI capex has been large, but past booms have been larger

Sectoral investment booms



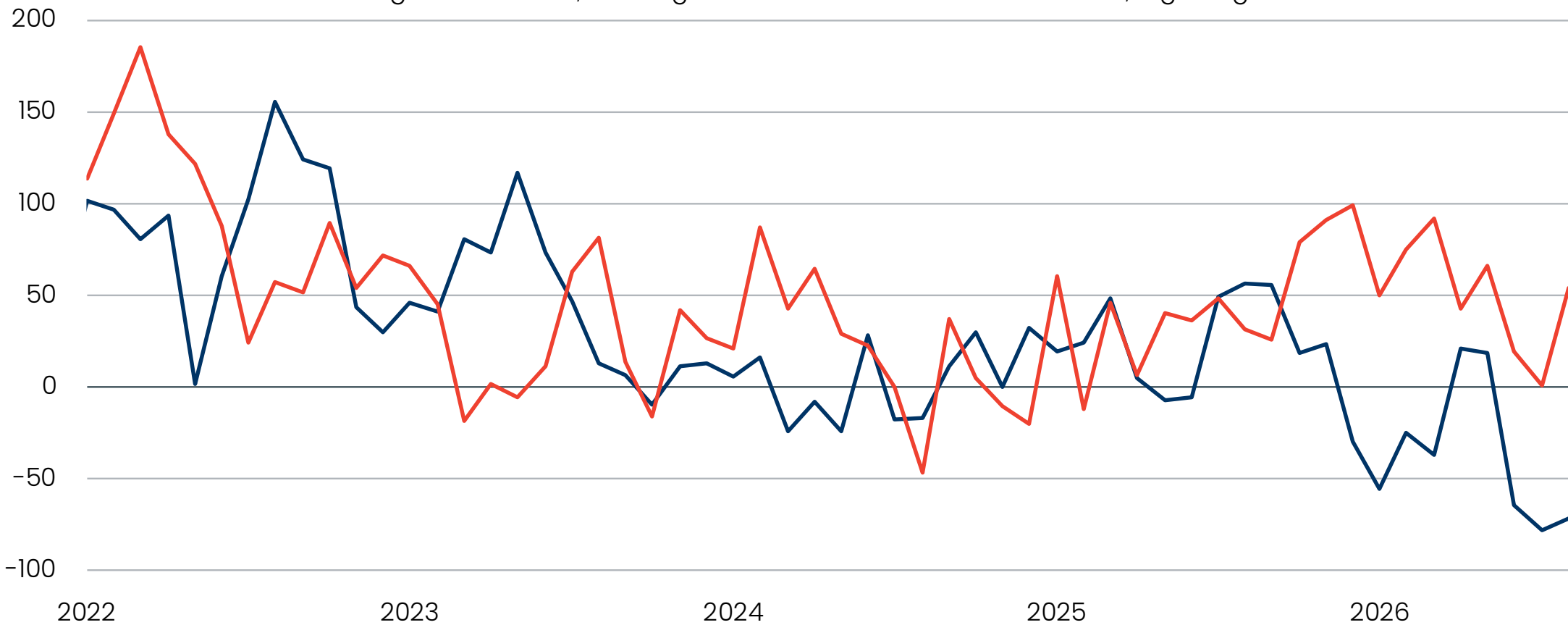
Sources: Oxford Economics, Haver Analytics



A complicated relationship

US: Employment growth by occupational exposure to AI automation and augmentation

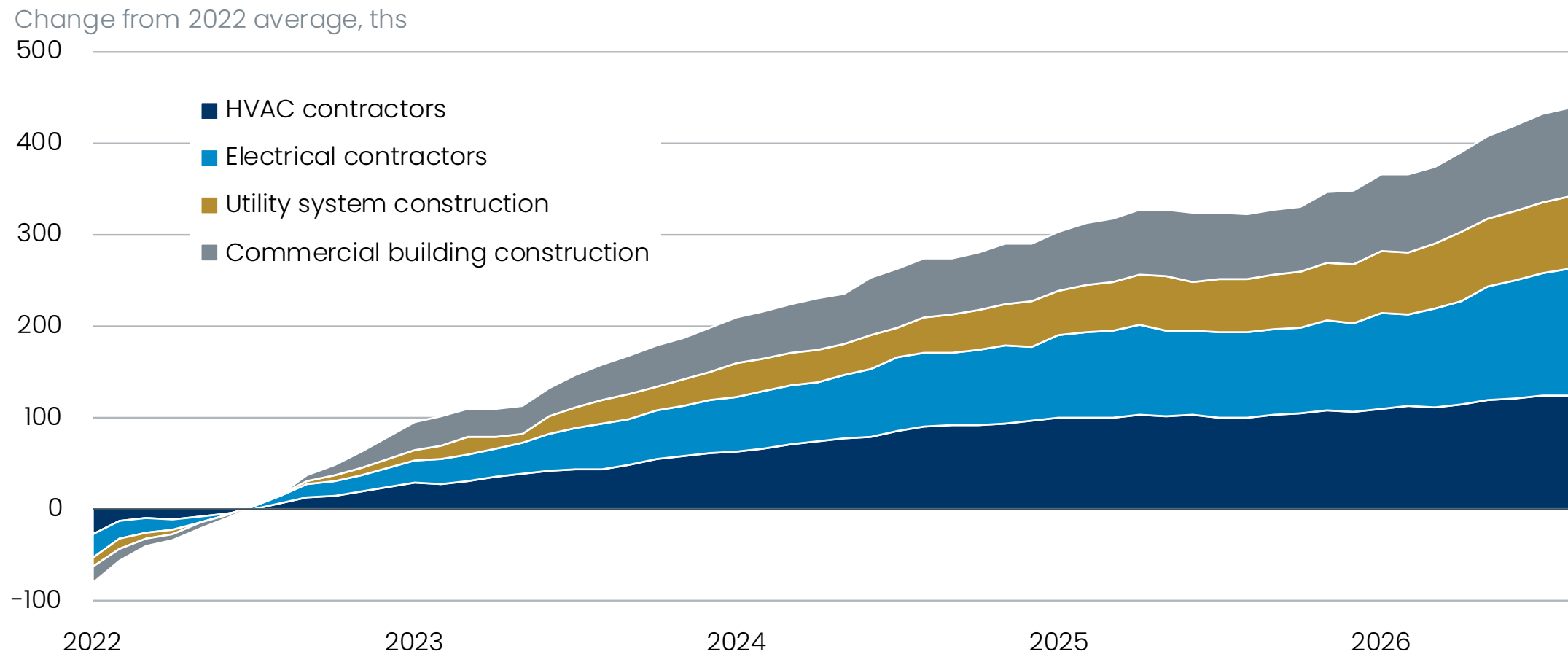
000s, 12mma



Sources: Oxford Economics, IPLUMS

Data center buildout helping cushion hit from ice cold housing market

US: Construction employment exposed to the data-center buildout



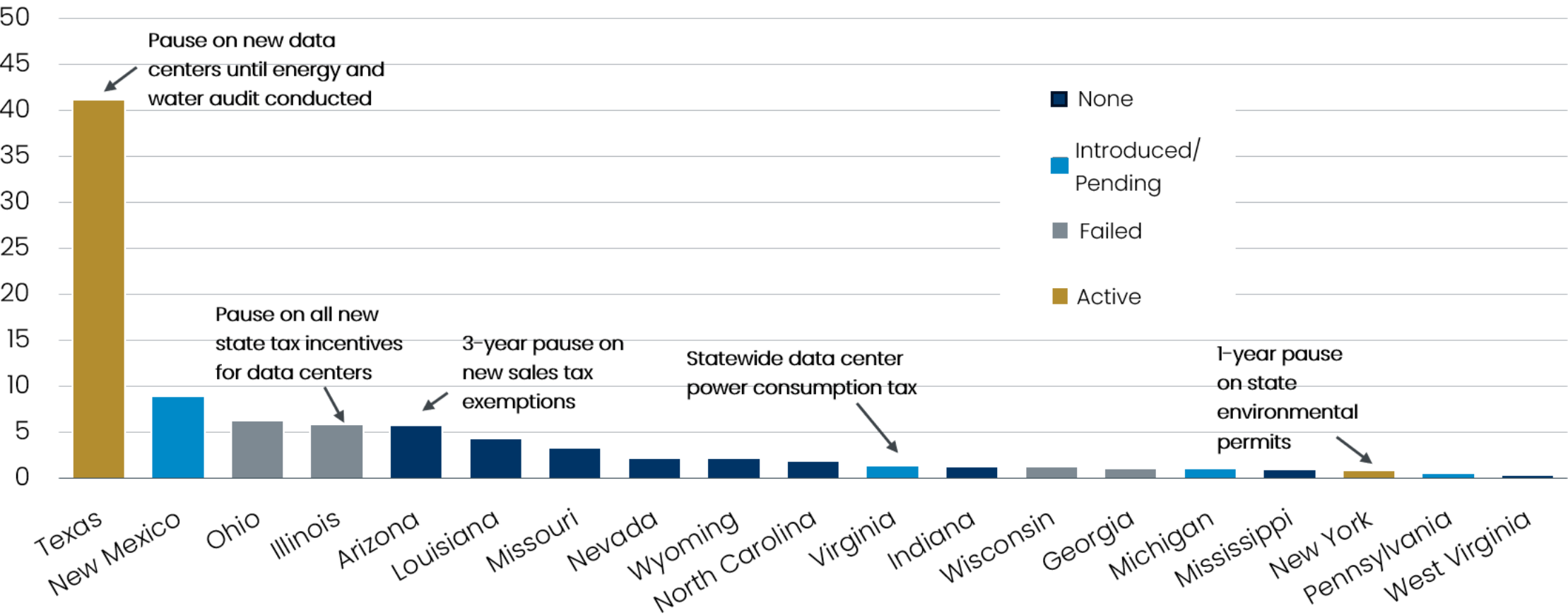
Sources: Oxford Economics, Haver Analytics

A temporary pause will help longer-term

US: Data center projects underway

% share of US construction value (US\$)

** Color coding represents data center statewide regulatory action/moratoriums*



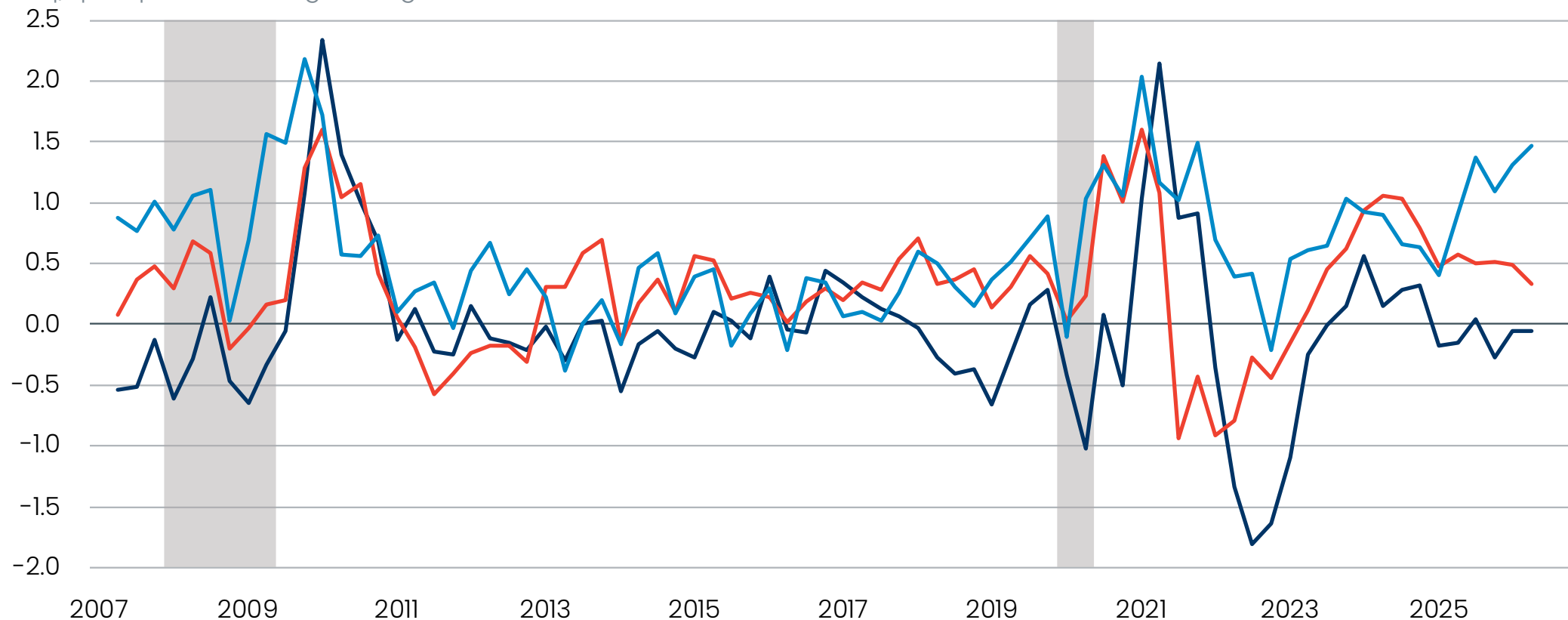
Sources: Oxford Economics, Oxford Economics Construction Service Project Tracker, datacenterbans.com

Timing of AI is a blessing in disguise

US: Sectoral productivity by AI exposure

% q/q, 4-quarter moving average

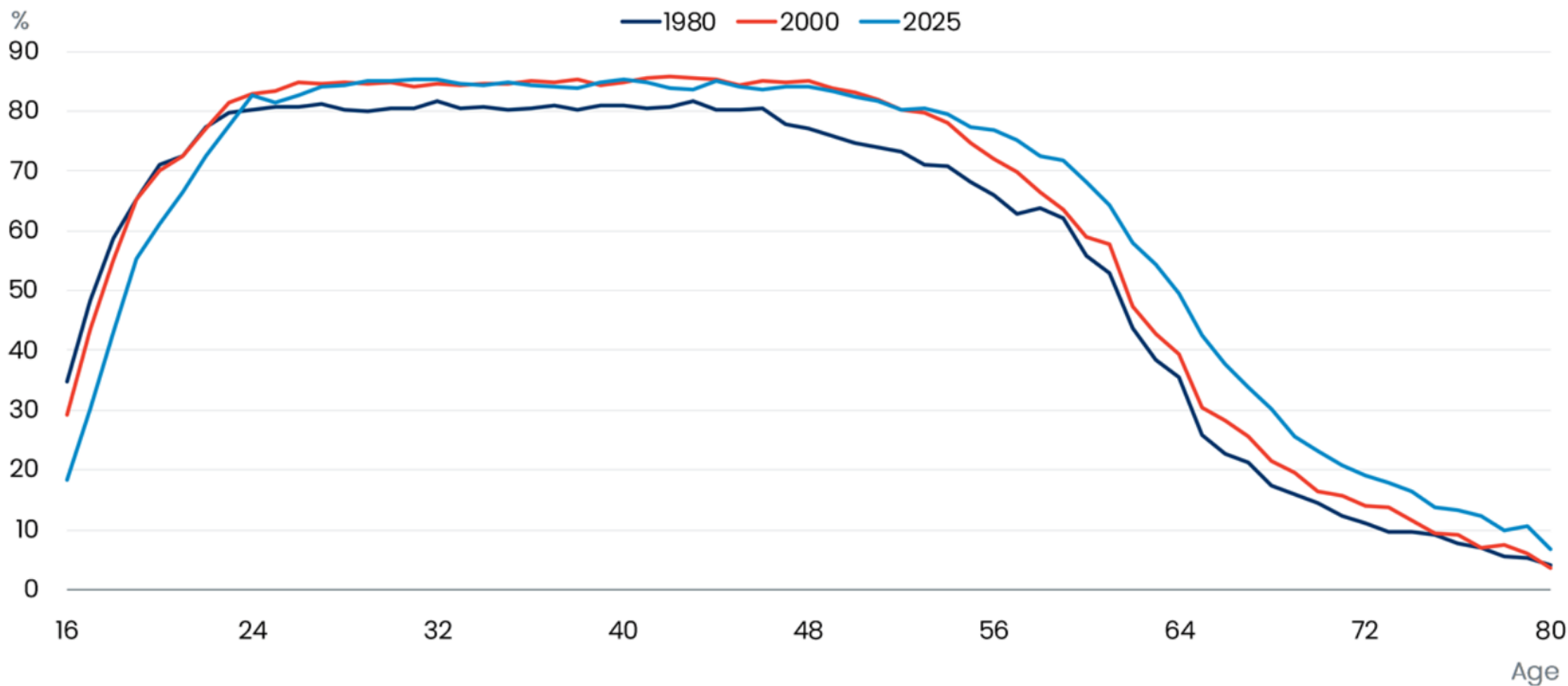
— Low — Medium — High



Sources: Oxford Economics, Haver Analytics

Where are all the workers going to come from?

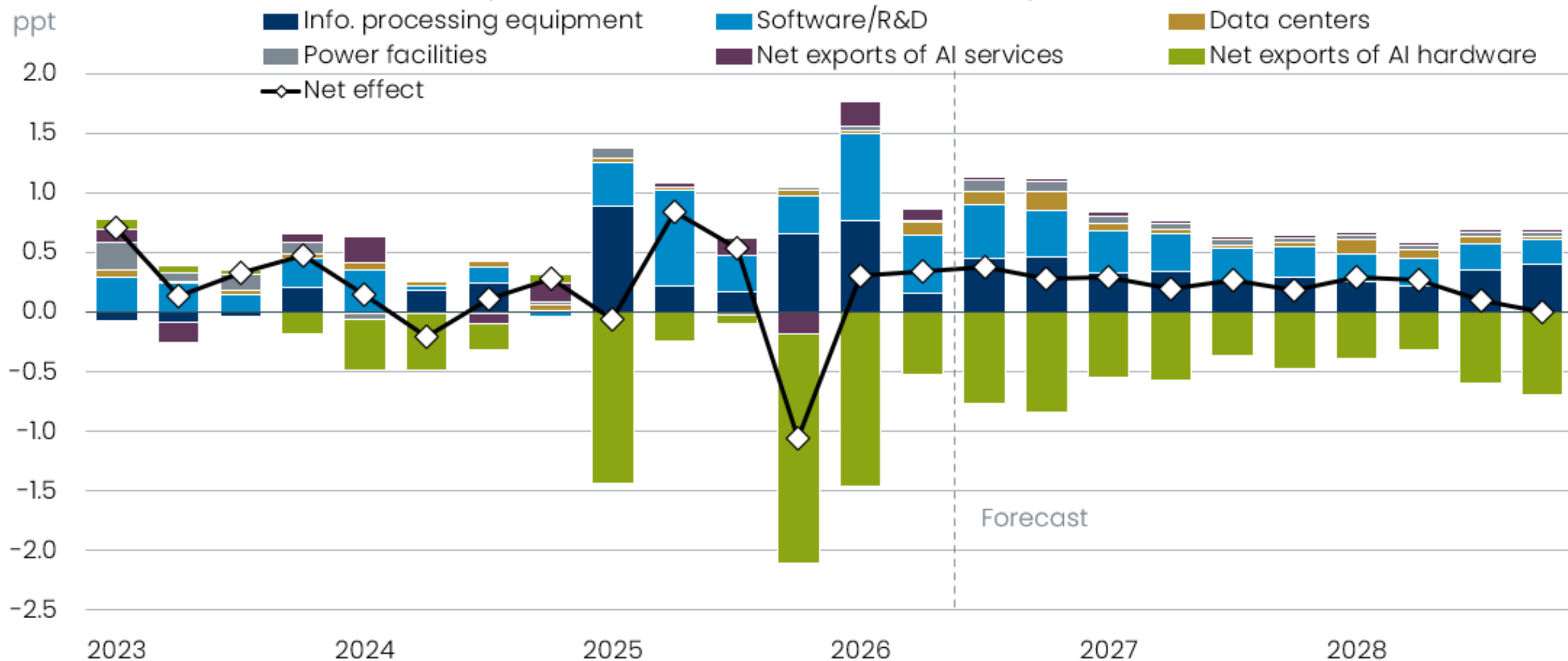
US: Participation rates by age over time



Sources: Oxford Economics, IPLUMS

AI buildout will continue to support growth

US: Contribution of AI-related categories to quarterly annualized real GDP growth

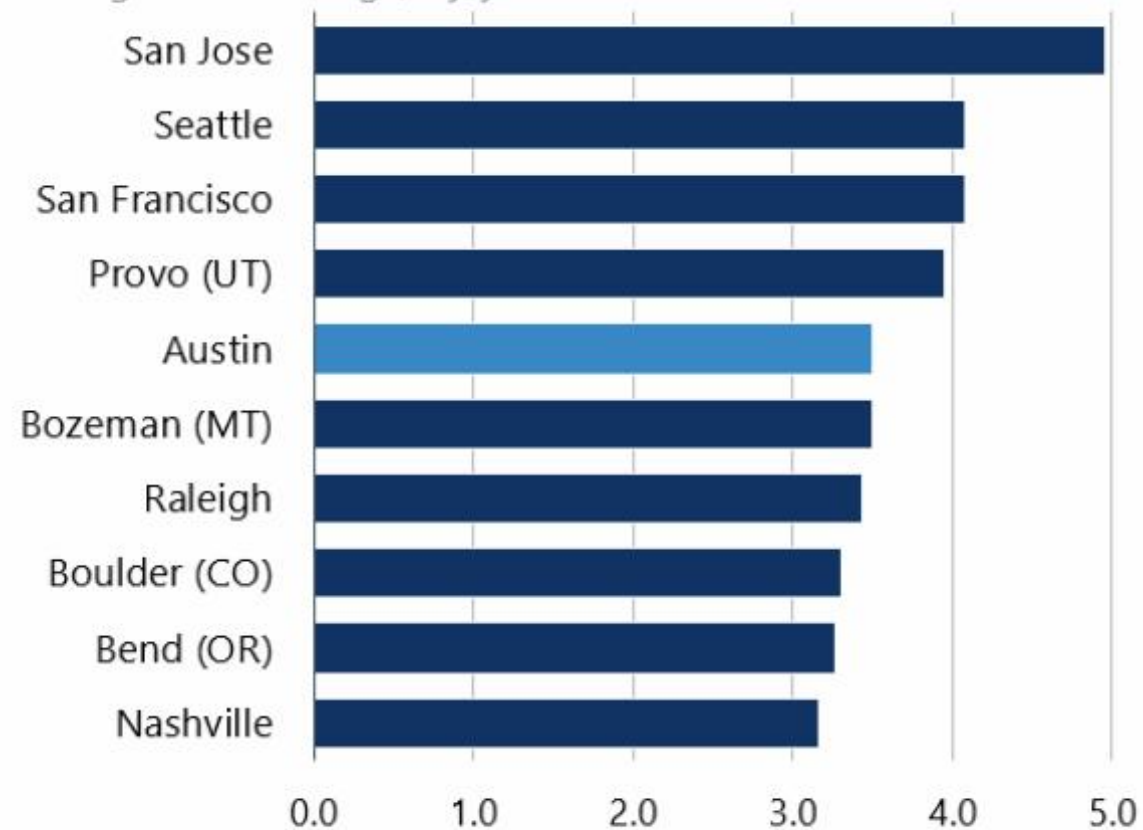


Sources: Oxford Economics, Haver Analytics

Identifying the vulnerabilities to a tech bust

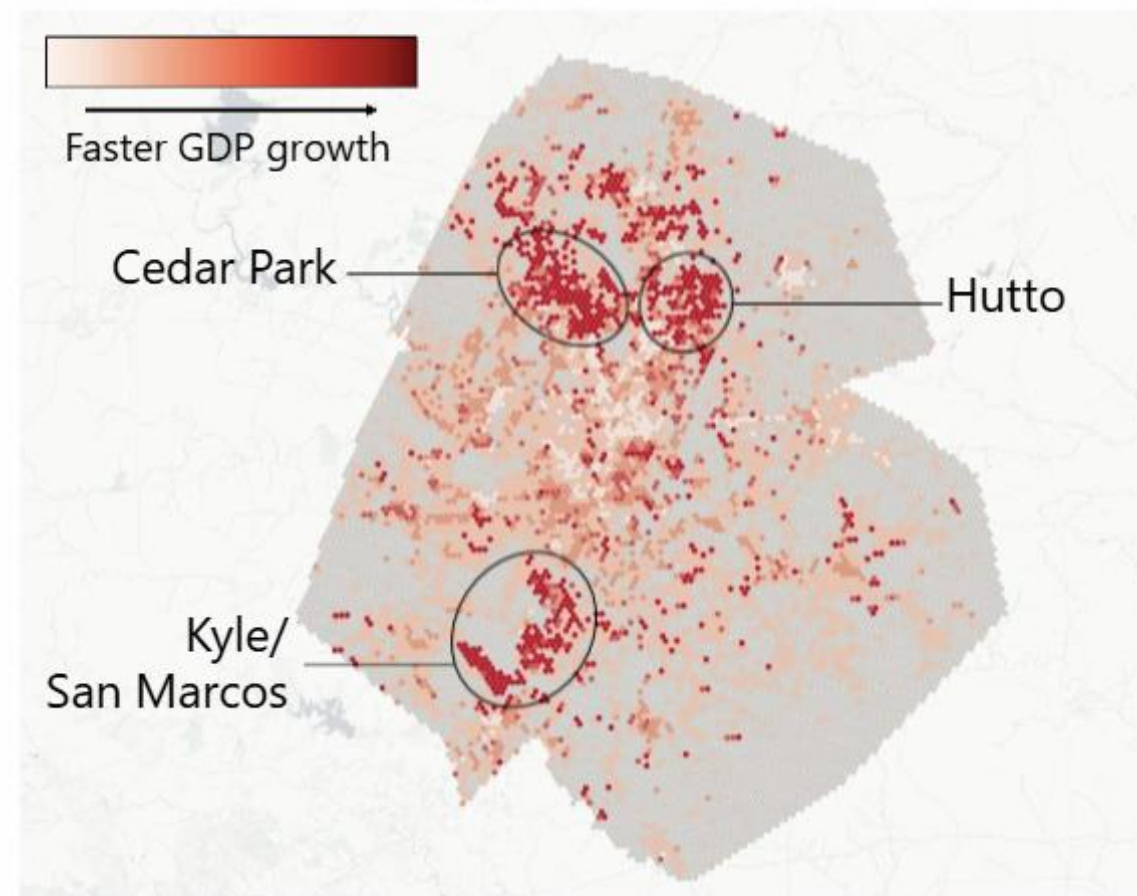
Fastest-growing US metros (GDP), 2026-30

Average annual change, %y/y



Source: Oxford Economics

Austin metro area GDP growth, 2026-30

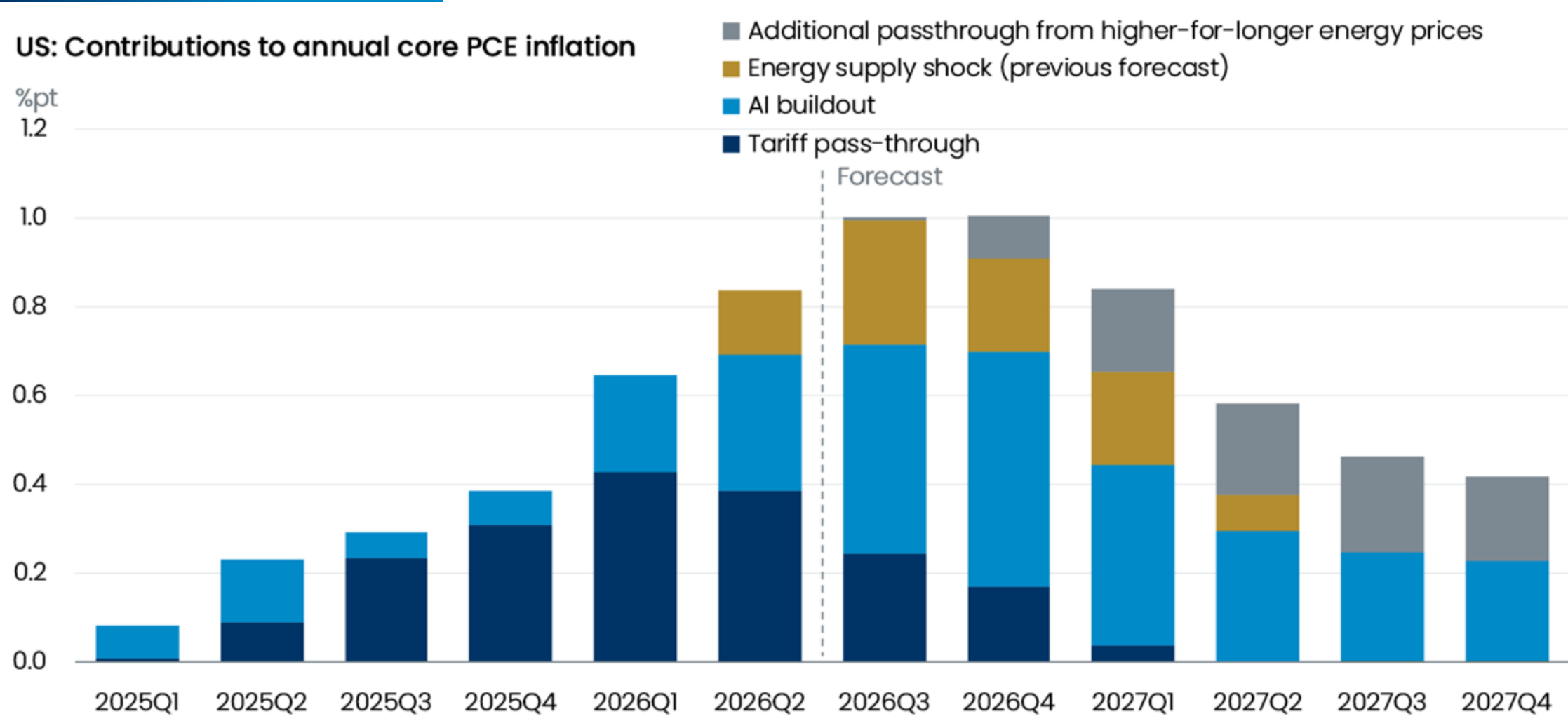


Source: Oxford Economics | © OpenStreetMap contributors, © CARTO

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A fickle bunch

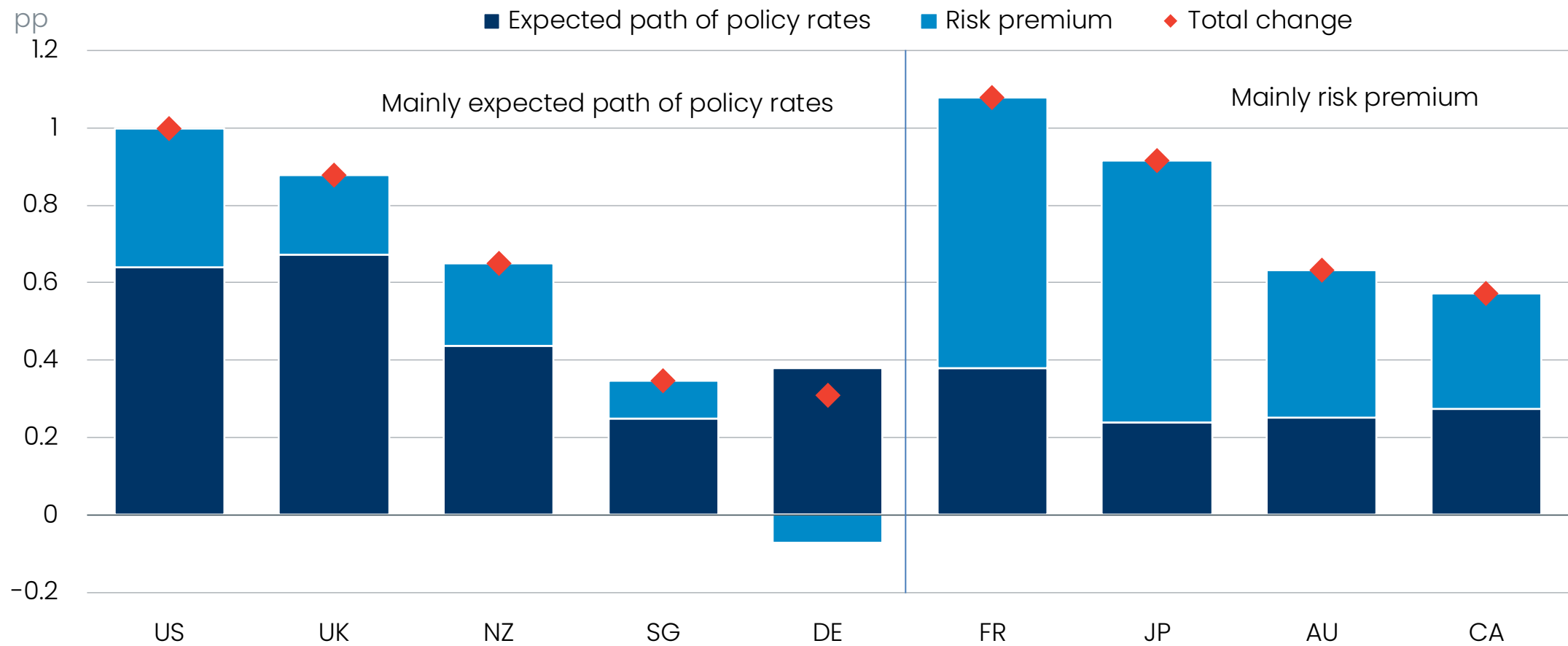
Fed can't solve all the inflation issues



Sources: Oxford Economics

Behind the rise in long-term rates

Global: decomposition of change in 10-year government bond yields since end-2025

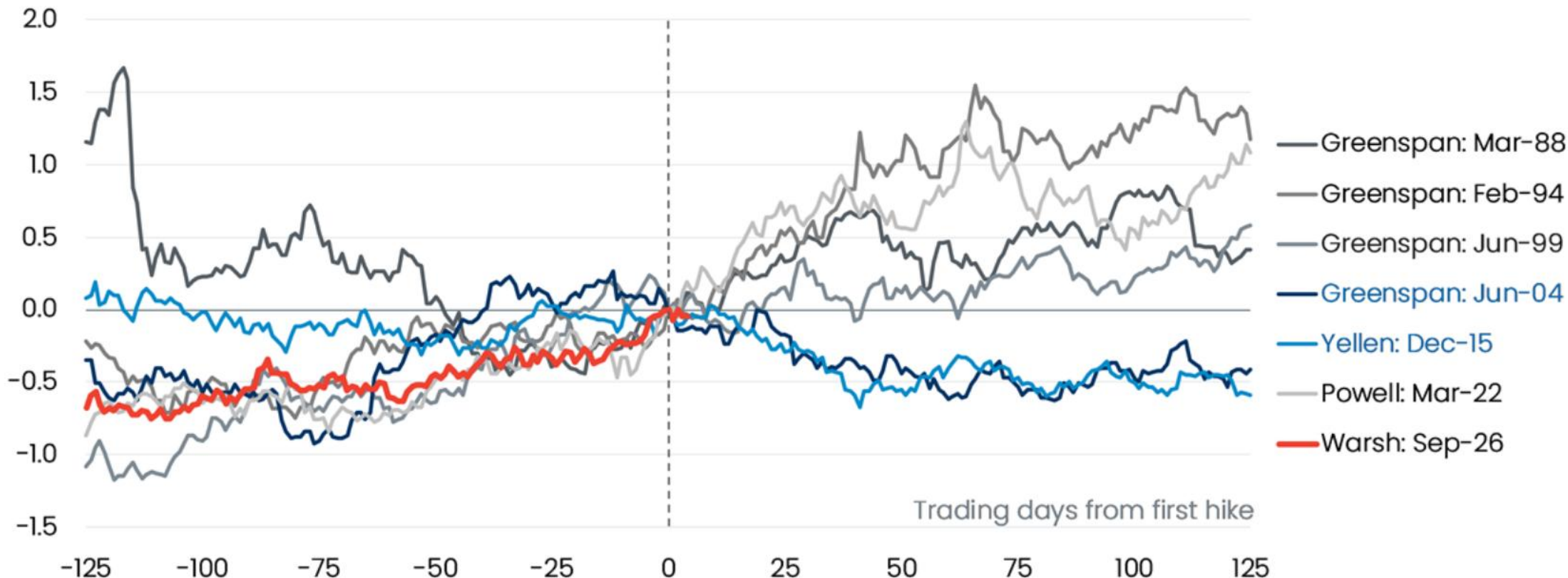


Sources: Oxford Economics, Haver Analytics

Relief at the long-end of the yield curve isn't a slam dunk

United States: 10-year yield changes during rate hiking cycles

ppt changes from first hike, bullish hiking cycles in blue*



*Bullish hiking cycles defined as cycles in which 10-year yields fell following the first hike in the hiking cycle.

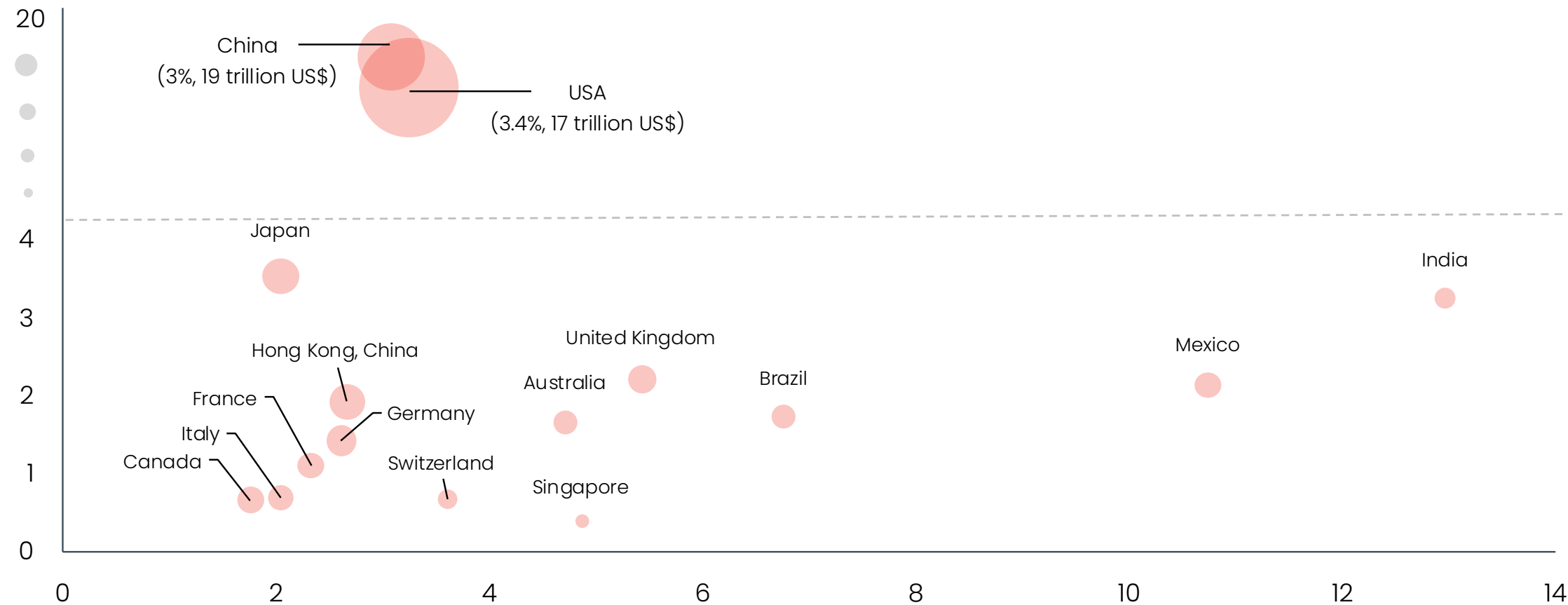
Sources: Oxford Economics

Bifurcated we stand?

Wealth growth creates a sustainable base for high-income spending

World: Growth in net household wealth in the next 5 years

Absolute change in trillions of US\$ between 2026 and 2030

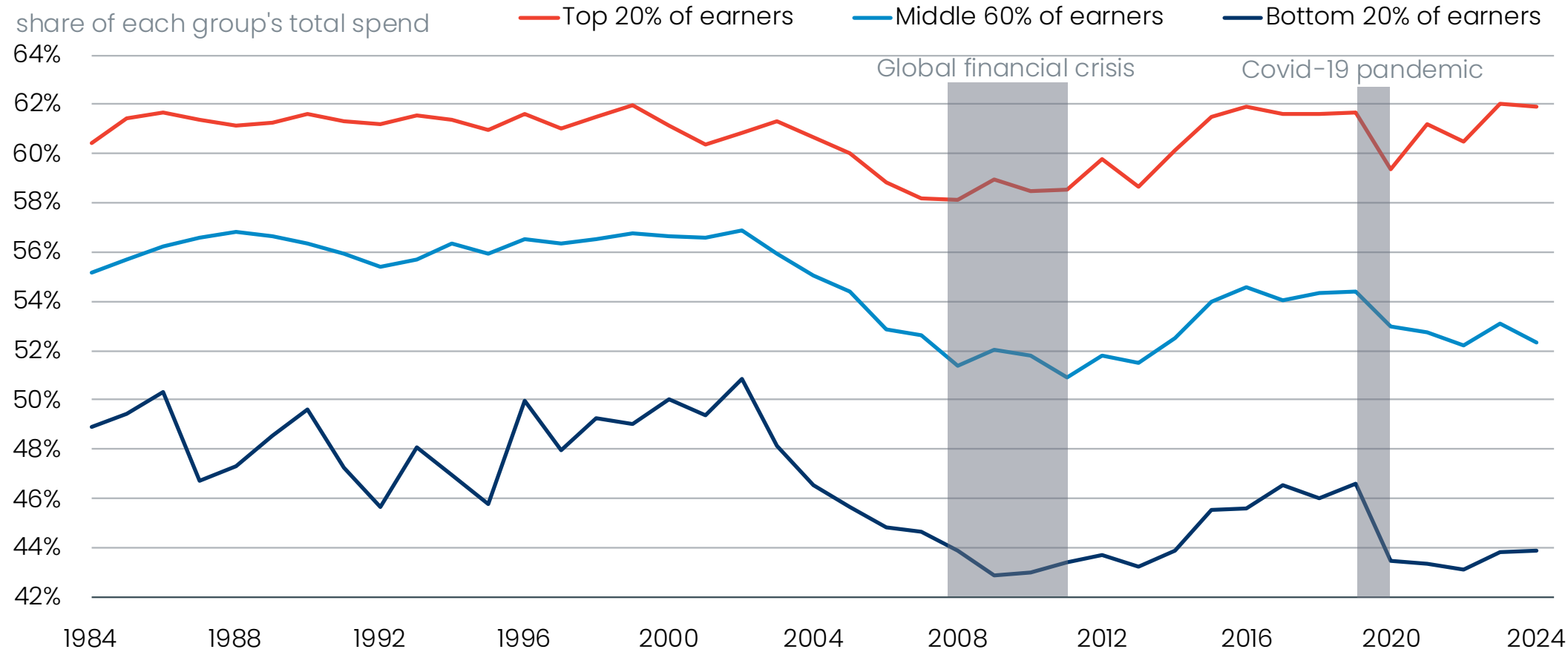


Sources: Oxford Economics, Haver Analytics

%, CAGR 2026-2030

Tale of different consumers

US: Consumer discretionary spending by income

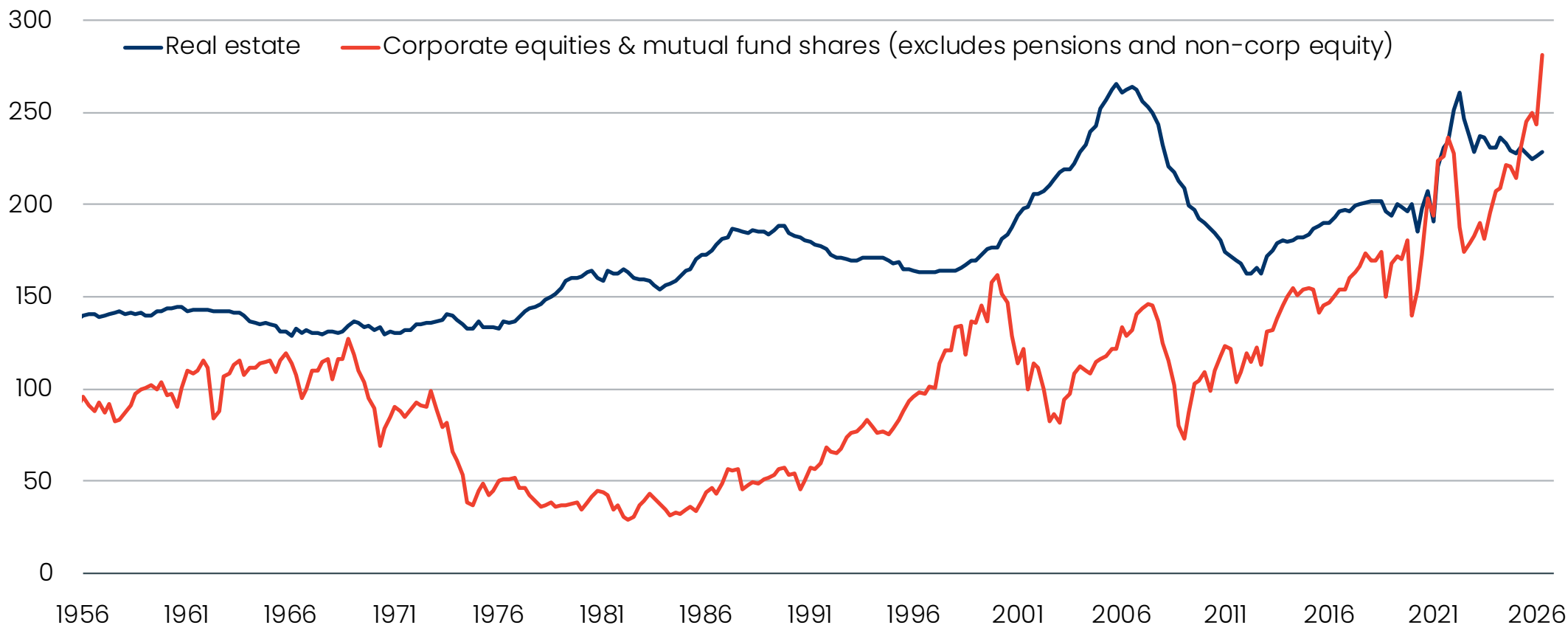


Sources: Oxford Economics, Haver Analytics

Households have never been more exposed to the stock market

US: Household wealth

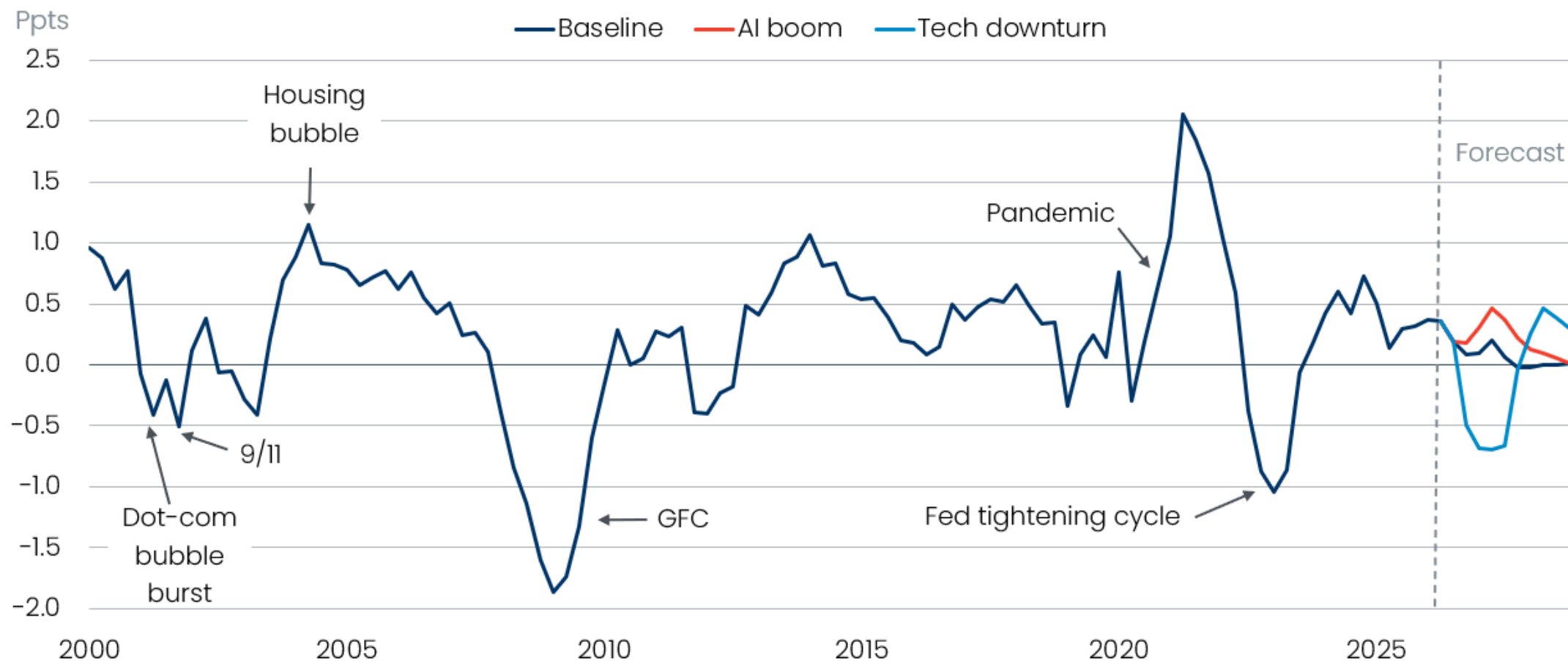
% disposable income



Sources: Oxford Economics, Haver Analytics

Positive wealth effects power spending of high-income consumers

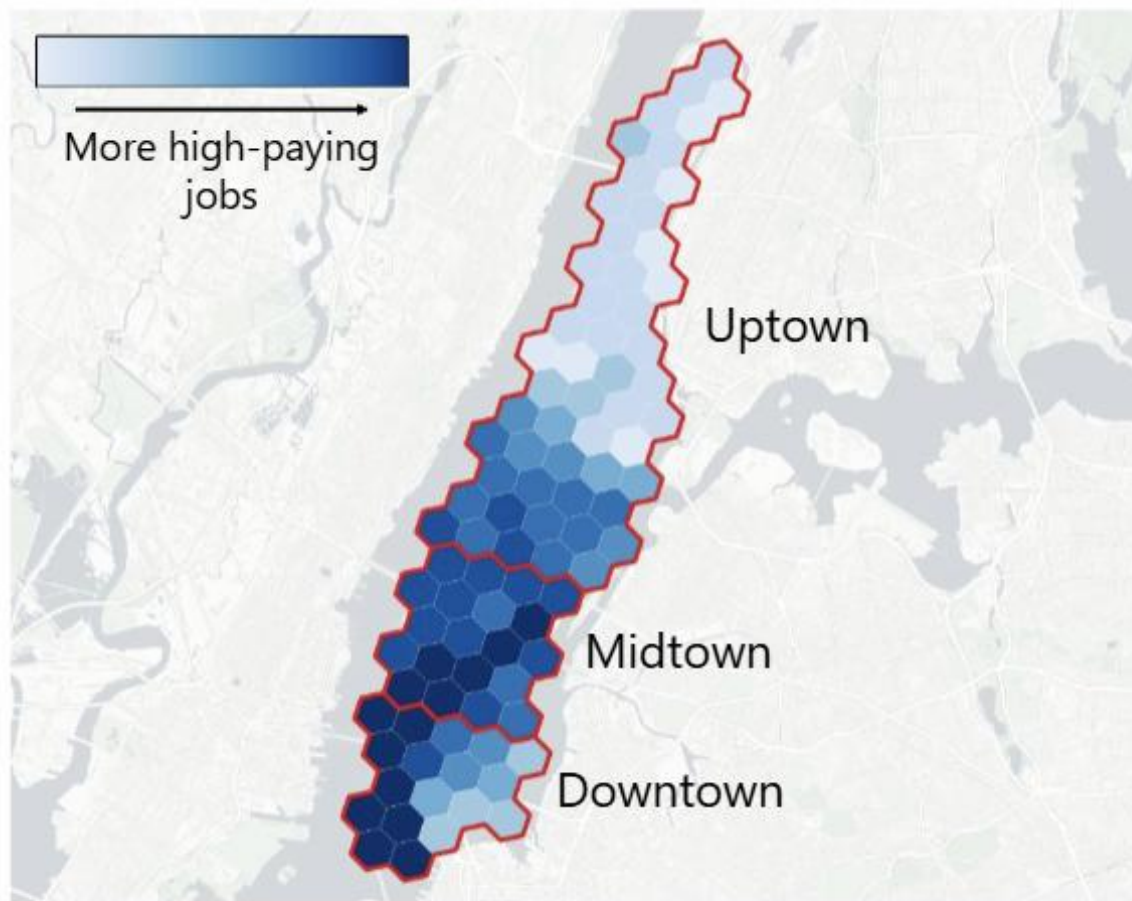
US: Contribution to annualized growth in consumer spending from the wealth effect



Source: Oxford Economics

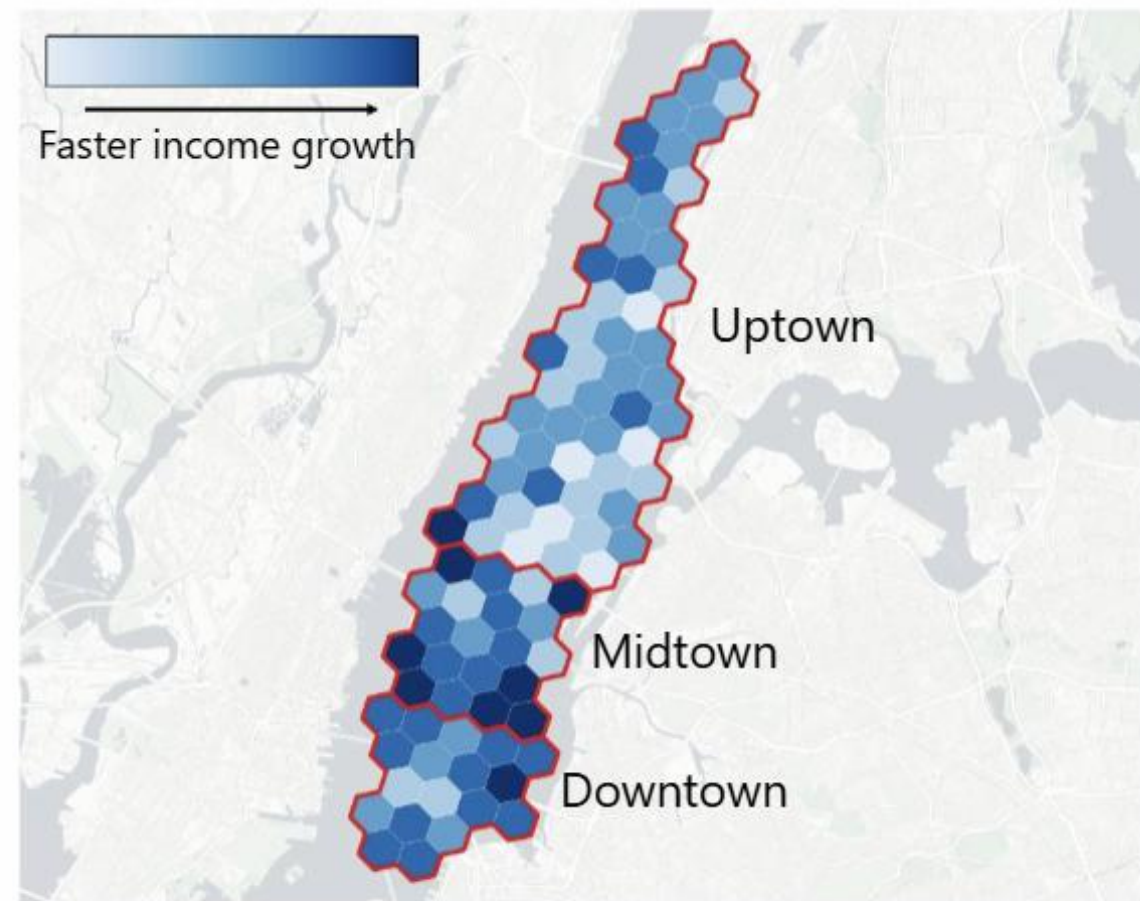
Wealth growth creates a sustainable base for high-income spending

Manhattan high-paying jobs as share of total, 2025

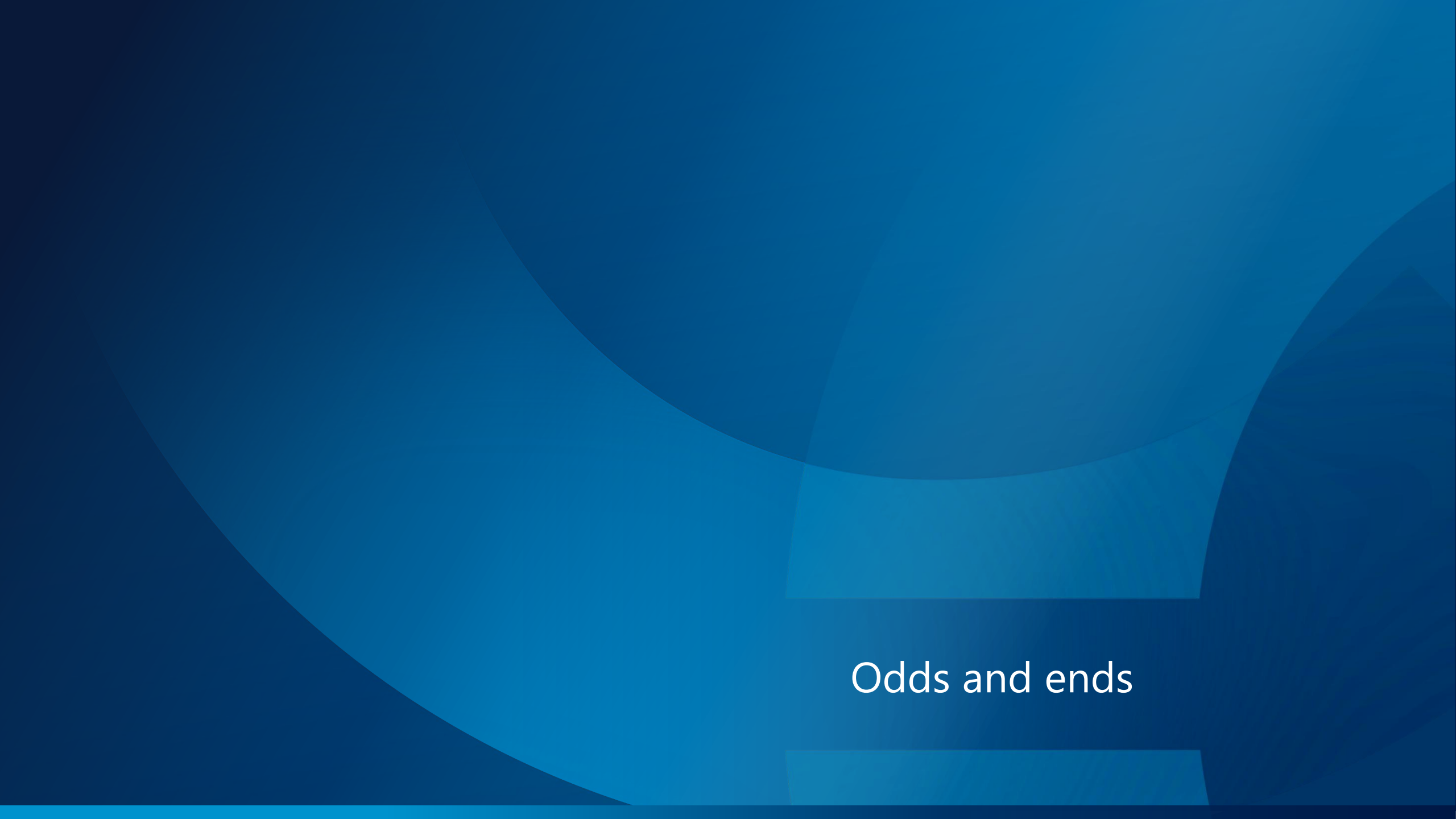


Source: Oxford Economics | © OpenStreetMap contributors, © CARTO

Manhattan median household income growth, 2026-35



Source: Oxford Economics | © OpenStreetMap contributors, © CARTO

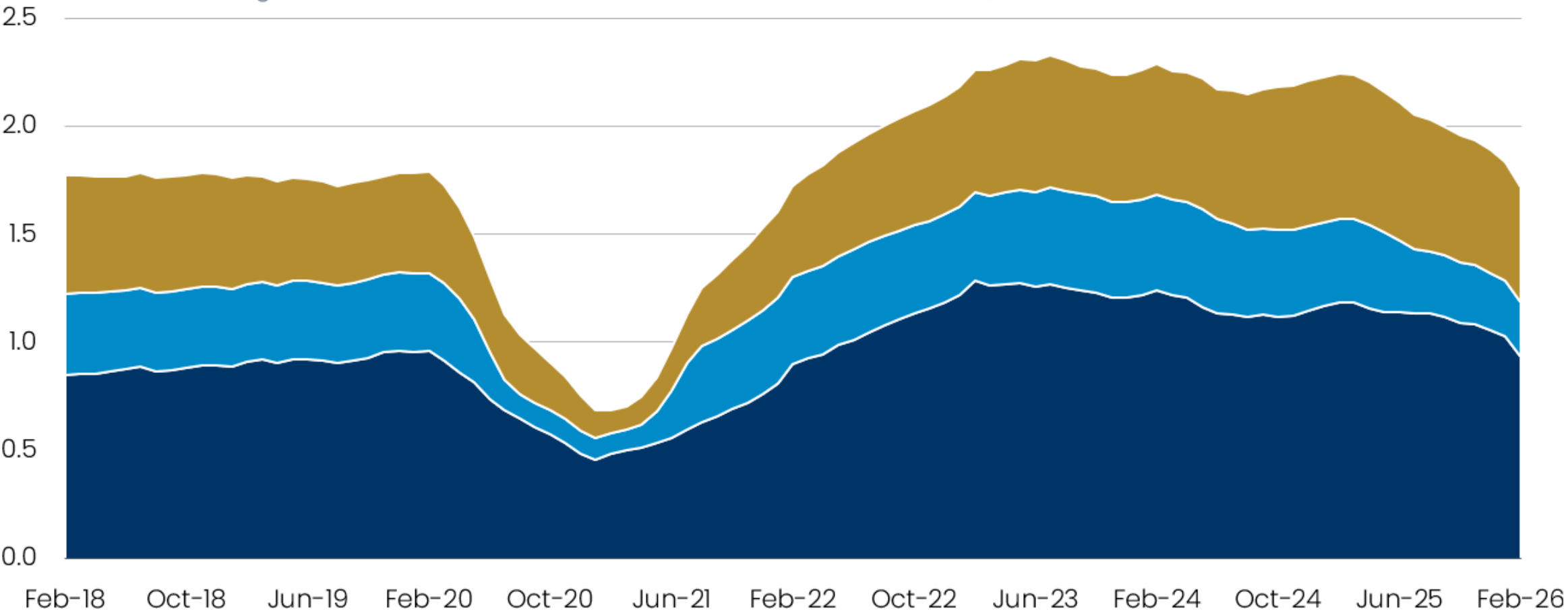
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Odds and ends

Law of holes still holds

US: Visa issuance by category

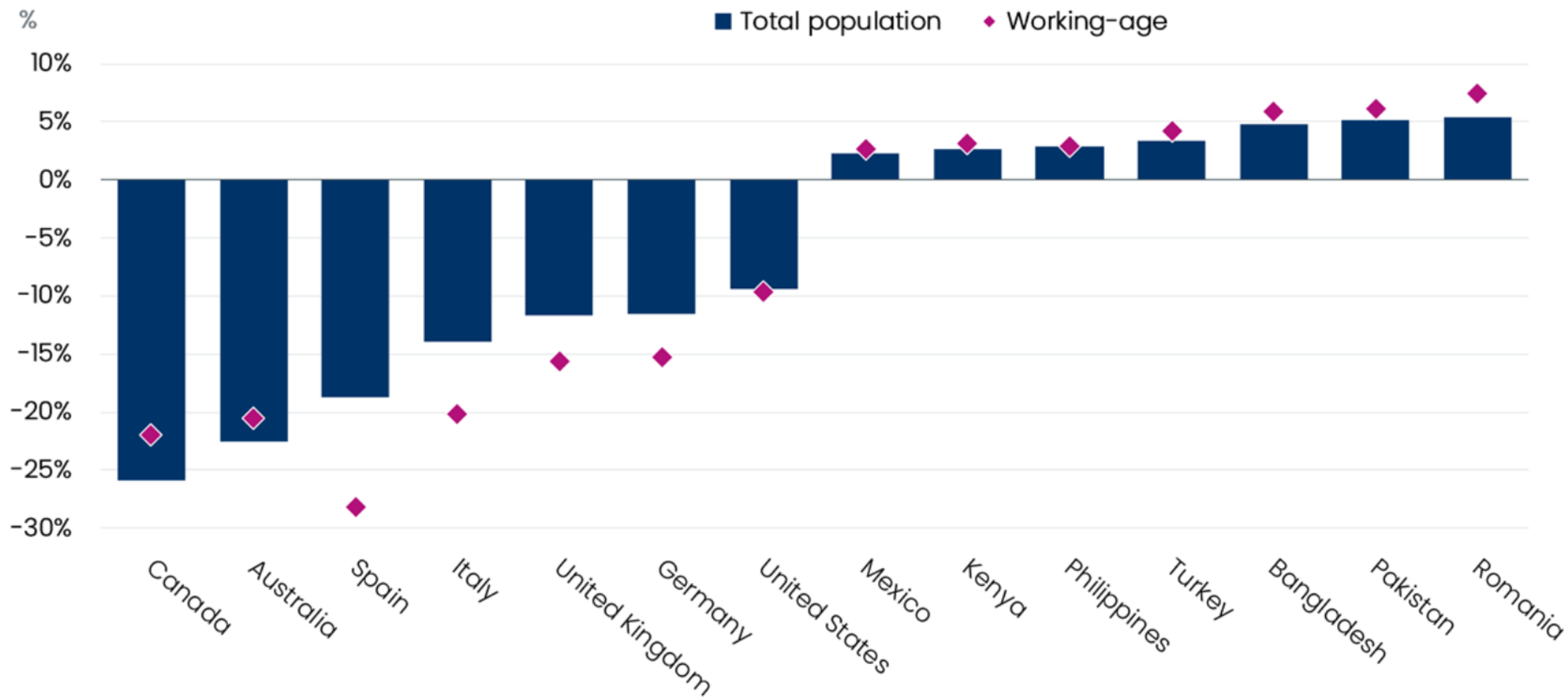
Mn, 12-month moving sum



Sources: Oxford Economics, Haver Analytics

Thinking about the unthinkable

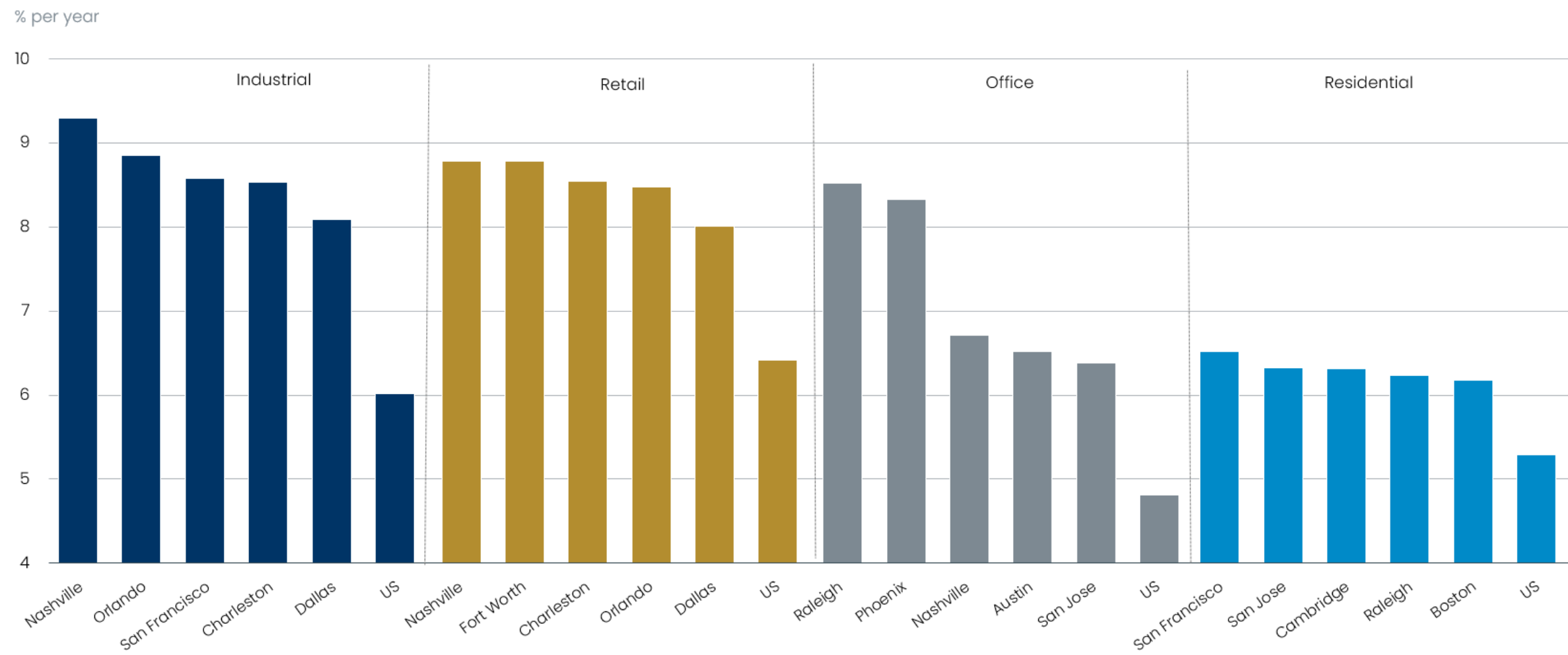
Change in population in Zero Migration relative to baseline, 2060



Sources: Oxford Economics

What this all means for you

US: Total return between 2026 and 2030



Sources: Oxford Economics, NCREIF

Key takeaways

- There are long shadows from energy shocks.
- AI, financial market conditions and energy prices will chart the economy's path forward.
- An upside scenario sees AI gains intensify and spread across industries and geographies over the next 1-2 years, financial conditions don't tighten further, and wealth effects remain tailwinds. A plausible downside, where AI gains falter, financial conditions worsen, and the housing slump deepens and this would put a recession on the table.
- The rise in long-term bond yields is unlikely to go quickly into reverse. In a world of greater supply shocks and shifts in the demand and supply of safe assets higher yields are here to stay.
- Economic regimes change and we're in one characterized by higher interest rates, frequent and adverse supply shocks, volatile inflation, scarcity and likely a compression in monetary policy cycles.
- Demographics are an economies destiny.

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