



2026 Outlook

Global Real Asset Securities

Seeking a path to alpha in
an uncertain world

BlackRock.

Key takeaways

1.

Record investment

Real assets are at the heart of our transforming world. Capex is accelerating to levels never before seen, driving higher returns across public and private markets.

3.

Attractive valuations

Listed real assets remain at a historic discount to broader equities.¹

In a world shaped by Mega Forces,² we firmly believe that it is only a matter of time before investors seize the opportunity at hand in our asset class.

2.

Challenging convention

Investors are shifting from traditional 60/40 portfolios to 50/30/20 models where private markets make up the 20%.³ Real asset securities, with liquidity, diversification and differentiated exposure, may offer a powerful compliment to private markets.

4.

Alpha opportunities

While the macro backdrop is more stable than it has been in recent years, a shifting world order, polarized electorates and tech disruption generate multi-layered risk.

We believe 2026 will likely bring further volatility and increased alpha potential.



James Wilkinson
Global Head of Real Asset Securities



Raj Rehan
Head of Real Estate Securities



Balfe Morrison
Head of Listed Infrastructure



Benjamin Tai
Portfolio Manager



Sarah Murray
Head of Product Strategy

Diversification does not guarantee profit or protect against loss. Concentrated positions may increase volatility and risk of loss.

Source: (1) FTSE, Factset as of 30 Sept 2025. Infrastructure = FTSE Dev. Core Infrastructure 50/50 Index - Equities = MSCI World Index. 1yr forward EV/EBITDA. Expensive/Cheap = +/- 1 standard deviation from mean spread. As of 31 December 2025, Listed Infrastructure was over 1 standard deviation below mean spread. (2): Mega Forces defined by BlackRock as secular trends set to reshape technology, demographics, finance, and geopolitics. (3): BlackRock, *Rebuilding resilience in 60/40 portfolios*, as of 13 March 2025.

Introduction

Suffice to say that 2025 did not turn out as most expected. A grading of outlook pieces drafted at the tail end of 2024 would award mostly Ds. Tariffs, trade wars and an AI-fueled bull market did not feature highly on most lists of key things to worry about in 2025. The MSCI World index has delivered over 20% in US dollar terms at the time of writing, while a 50/50 allocation to the FTSE EPRA/NAREIT and FTSE Core Infra indices has delivered over 11%.¹ Yet, to read the faces of many active investors, one would think we were in the depths of a deep depression. Sentiment, momentum and capital flows have once again outweighed fundamentals in terms of market impact and many investors whose processes are built on a deep understanding of companies and markets have struggled to gain traction. It has been the most miserable bull market I've ever encountered.

It is therefore with a degree of trepidation that I open the bidding for 2026 with a bullish call on real asset securities based on the appeal of strong fundamentals, exceptional rates of cashflow growth and attractive valuations. First the caveats. In 30 years of investing, I have never encountered a risk-free environment. There is, as ever, plenty for those of us determined to worry about. I believe rates and inflation will continue to demand attention, tariff and trade concerns will persist, technology will continue to advance unevenly and there may be speculation around AI, power build-out and hyperscaler capex.

However, there are numerous subjects that I believe we can worry less about in 2026 than in 2025 or indeed any of the last three years. Runaway inflation concerns have largely been allayed. Disinflation continues broadly, if unevenly and more slowly than expected. Peak policy rates are now behind us in most developed markets, with Japan a notable exception, albeit one in which inflation and higher rates are still perceived as good rather than bad. Real asset capital markets reopened through 2025 with steady secondary issuance across all regions. And energy price spikes from supply shocks are unlikely given that global energy investment is running at record levels -famous last words.

The bull case for real assets is predicated on gentle

disinflation and modest rate cuts across key markets, most particularly the US. Real assets do not depend on heroics from central banks and in fact a period of stability in rates and bonds would be a welcome backdrop and one in which our companies can flourish. Digital transformation, especially, but not only AI, may deliver enormous levels of capex and demand for power, grid, data connections, and land. Capex growth is not just a feature of energy and other AI-adjacent sectors. Water, transportation including airports, ports and toll roads, healthcare real estate, residential housing, and logistics could continue to see capital investment running at multi-decade highs. For real assets, capital investment drives immediate and transparent earnings growth and is forecastable into the medium term. Best of all, real asset securities, whether real estate or infrastructure, continue to trade at historic lows relative to the wider market and could offer prospective returns well above their cost of capital.

Market dynamics evolve continuously and as active investors we must adapt. The growth of passive and systematic investing, and the proliferation of traders with little tolerance for short term losses and a consequent propensity to drive short-term volatility can test our nerves as much as our conviction. Ultimately, however, we continue to believe that our combination of fundamental insight, consistent investment process, risk management, market access, and cutting edge research tools including proprietary AI agents will enable us to deliver for our clients.



James Wilkinson
Global Head of Real
Asset Securities

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Note: Listed Real Estate: FTSE EPRA Nareit Developed Index. Listed Infrastructure: FTSE Developed Core Infrastructure 50/50. Source: (1) BlackRock, as of 31 December 2025.

2025 in review

Real Estate

2025 was a constructive year for global real estate securities. The market regained appreciation for the asset class’s ability to deliver durable cash flows. Easing financing costs and disciplined supply pipelines supported sentiment throughout the year.

Technology influence remained dominant, with datacenters benefiting from structural growth tied to AI and cloud expansion. Despite this the sector underperformed as traditional public platforms struggle to capture the GW-scale training-clusters¹ driving growth today. Listed companies may be well positioned for coming growth focused on AI-inference.

Regional dynamics reinforced the importance of security selection. U.S. industrial and healthcare platforms led, while office and life science assets staged a late-year rebound. Europe delivered steady progress on governance and balance-sheet strength. Asia-Pacific was mixed: Japan developers advanced on improved capital policies, while Australia softened as rate expectations shifted.

Capital discipline and scarcity of new supply continued to underpin pricing power. Established platforms accessed equity markets to fund expansion, reinforcing the advantage of scale and liquidity in an environment where capital remains selective.

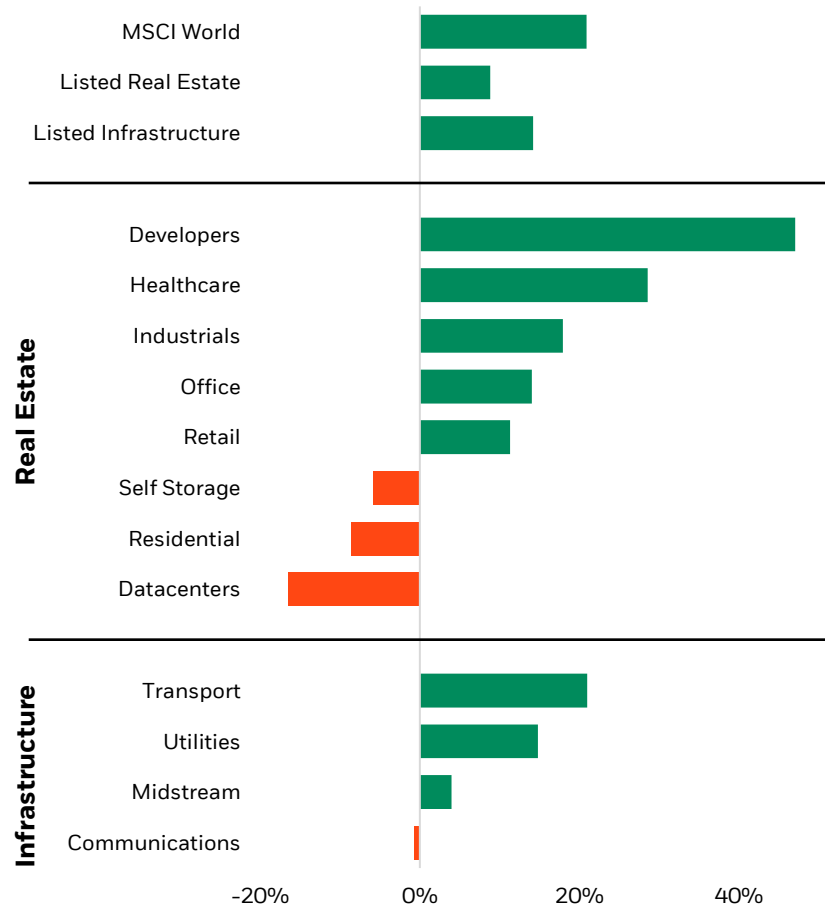
Infrastructure

2025 was a solid year for infrastructure equities. The sector has returned +14% through year end,² only modestly underperforming the broader markets. Throughout the year the market has gained better appreciation for the secular tailwinds benefiting the sector, as well as its defensive qualities.

Under the hood, there was once again significant subsector and regional disparities in stock performance. Similar to global equity markets, the dominant theme for the second year in a row was the proliferation of Artificial Intelligence and the significant energy infrastructure investments needed to support it. And for the second year in a row, the main subsector beneficiaries of this dynamic, the electric utility and gas midstream subsectors, materially outperformed. We continue to believe these subsectors will see accelerating earnings growth associated with AI development.

Despite limited AI infrastructure-related investment so far in Europe, European utilities meaningfully outperformed. Investors finally began to appreciate the multi-year inflection in earnings growth for EU utilities associated with building out the grid and the renewable energy fleet. Better corporate governance, enhanced return of capital and excitement regarding potential nuclear restarts drove strong performance for the Japanese utility sector for the second year in a row.

2025 equity returns



The figures shown relate to past performance. Past performance is not a guarantee of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Source: BlackRock, as of 30 November 2025. Listed Real Estate: FTSE EPRA Nareit Developed Index. Listed Infrastructure: FTSE Developed Core Infrastructure 50/50.

Structural growth amid capital scarcity and divergent cycles

Traditional CRE: oxygen has been sucked out of the room

The traditional CRE cycle is now absorbing the delayed impact of past inflation and a cost of capital reset that has already happened. Construction costs are high, wage inflation has been sticky, and financing remains meaningfully more expensive. These shifts are flowing through to development feasibility, the effect on future supply and market rents is significant.

Infrastructure investment has ample private capital. Traditional real estate does not. Risk capital has pulled back and development pipelines sit at multi-decade lows. Higher long-term rates and tighter capital conditions have pushed replacement costs to structurally elevated levels. It takes more capital to build and fewer projects make economic sense. Where demand is stable or improving, market rents must move higher. Vacancies in global gateway markets have peaked and almost no new supply will arrive before 2028. Significant rent spikes have already occurred in certain markets. As these pressures build, we expect this to continue. This is a supply-side story driven by capital withdrawal, a new cost of capital and inflation embedded across the development process.

Unabated structural growth: demographics and datacenters

Two long run forces shape the sector. The first baby boomer turns eighty in 2026 and the demographic wave in front of senior housing, post-acute care and medical office is significant. Supply remains constrained by labor shortages, construction cost inflation and a lost period of development following COVID. This creates one of the most favorable environments the sector has ever seen.

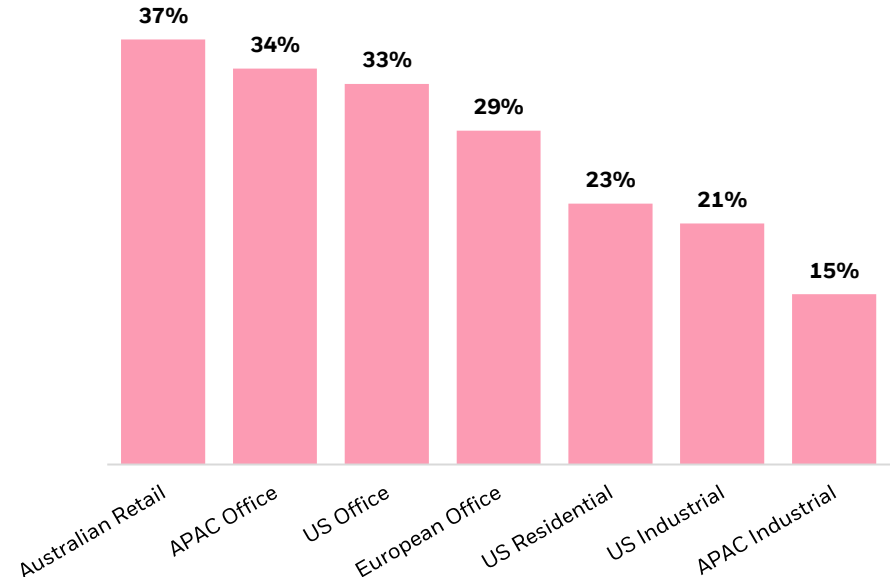
The second force is AI. The scale of AI investment is reshaping land, power and grid economics. Demand for datacenters exceeds available capacity and scarcity is now a defining characteristic. Large operators control the most valuable inputs. They secure power earlier, build faster, and obtain permits more easily. This feeds directly into pricing power, development returns and multi-year visibility on cash flow growth. Listed companies with energized land or strategic grid adjacency are positioned for rerating as these attributes become increasingly scarce.

The business cycle that cannot make up its mind

Real estate enters 2026 in a cycle that remains fractured. The downturn has been narrow and rolling. Freight and old economy industrials are soft. Lower income consumers have been under pressure. High income households, travel and new economy investments remain resilient

A valuation discount

Spread between current market rents and replacement cost rents (%)



Source: BlackRock. As of 12 December 2025.

“

Listed companies with credible strategies and strong balance sheets can widen their advantage over peers.”



Raj Rehan
Head of Real Estate
Securities

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Pivotal changes ahead in 2026

This K shaped backdrop has shaped performance. Healthcare, digital and experiential real estate continue to outperform. Discretionary retail, lower tier office and freight linked industrial remain challenged.

Specific to North America, we see potential changes in 2026:

1. Tax refunds and potential tariff related credits may provide a lift to lower income consumers. Any refund or rollback of previously collected tariffs effectively transfers cash back to households most exposed to import costs. For real estate, this may support value-oriented retail, affordable lodging and necessity led tenant categories.
2. The 2026 World Cup in North America adds a powerful and unusual catalyst that could drive strength in travel, tourism and advertising. Select service lodging and discretionary hotels may benefit from stronger pricing and better booking visibility. Experiential districts and leisure-oriented assets could gain from higher footfall. Outdoor advertising and billboards could see increased demand as sponsors and brands bid for high visibility space in host cities and along major transport routes. These potential trends support occupancy, rate per panel and cash flow for listed owners of national billboard networks.

Industrial policy and geopolitical fragmentation

The shift toward national industrial policy is decisive. Defense investment, supply chain resilience and accelerated adoption of robotics and AI are now priorities across major economies. These trends require land, logistics space, manufacturing facilities and data adjacent sites. Real estate that serves domestic production and is set to benefit. Real estate also retains an advantage in a world marked by geopolitical uncertainty. Revenues are domestic. Pricing and cash flows are tied to local demand rather than cross border flows. This creates a measure of resilience relative to globally diversified equities.

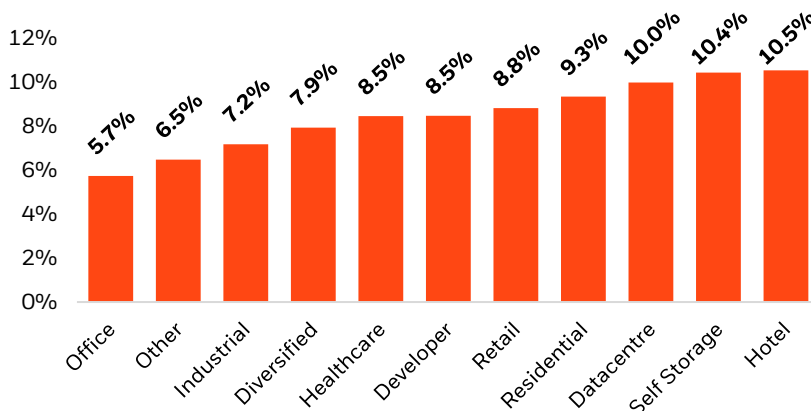
What we think the market will reward in 2026

One message is consistent across our discussions: the market is rewarding companies that act. Operators that develop accretively, recycle capital, repurchase shares or improve operating performance are generating better outcomes. Companies that wait for macro conditions to bail them out are not. Growth and discipline must come together. As capital markets reopen, listed companies with credible strategies and strong balance sheets can widen their advantage over peers.

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Market valuation gaps show wide dispersion

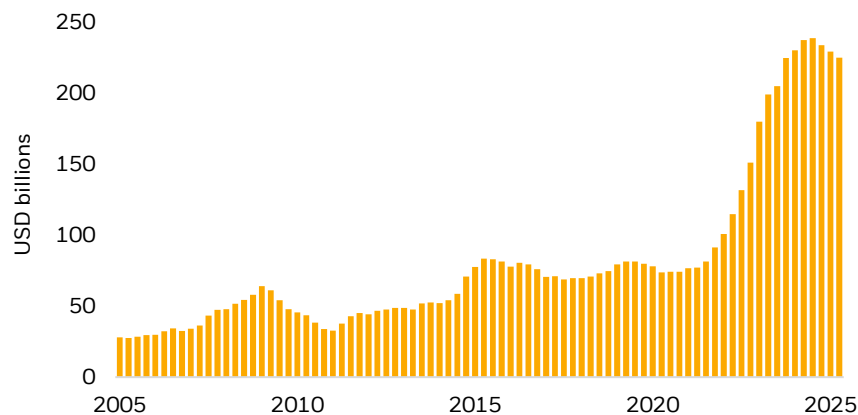
Global real estate securities 10-year IRR



Source: BlackRock, as of 12 December 2025. Analysis based on global real estate securities investment universe.

Made in America

US private manufacturing investment, 2005-25



Source: BlackRock, U.S. Bureau of Economic Analysis, as of 12 December 2025.

Infrastructure Themes 2026

Utilities – A differentiated way to “play AI”

The market is increasingly growing to appreciate the need for power to achieve hyperscaler AI goals. A key bottleneck to developing AI is limited access to GPU chips, it's availability of and access to power. These power demands are driving an accelerated buildout of electric grid and power generation infrastructure, which is in turn driving accelerating EPS growth for utilities through the end of this decade and beyond. We see several utilities across the US potentially generating double digit EPS growth for the next 5+ years, an accomplishment that has not been achieved for decades in the space.

Although the market remains concerned regarding the end state of this AI race and whether datacenter-related energy demands will disappoint, potentially leading to stranded investments in the utility sector, we are comforted by the long-term contracts which the hypercalers are signing with utilities, which will compensate them for all the AI-related infrastructure investment, regardless of ultimate usage.

Despite not seeing these same AI tailwinds yet, we are similarly positive on EU utilities given the significant investment needed to retrofit the aging grid and incorporate renewables. These investments should lead to accelerating EPS growth for EU utilities, with potential AI-related power growth a further upside. One positive surprise in 2025, which we think will continue into the new year, has been the rising value of electrified land sites with existing grid connections that can materially accelerate datacentres time to market.

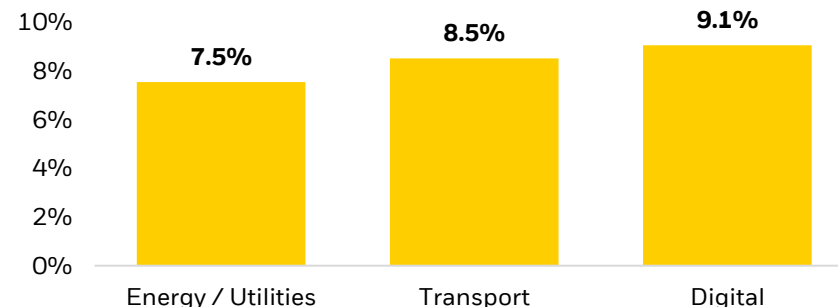
Digital infrastructure: challenging tower fundamentals

Tower company macro remains challenging. Ongoing telecom consolidation risk, and the negative readthrough to current assets and future growth, has weighed on both the U.S. and EU tower sectors. We are cautious near term given these headwinds and limited catalysts, though valuations are starting to screen attractive for select idiosyncratic opportunities, and we remain bullish on long run mobile traffic growth driving an inflection in tower fundamentals.

A potential positive catalyst in 2026 sits with satellite operators that hold C band spectrum rights. The FCC is considering an auction of a portion of this band in the second half of 2026, and if it proceeds, current holders could receive substantial proceeds that would be supportive for fundamentals and share prices:

Ample value in listed markets

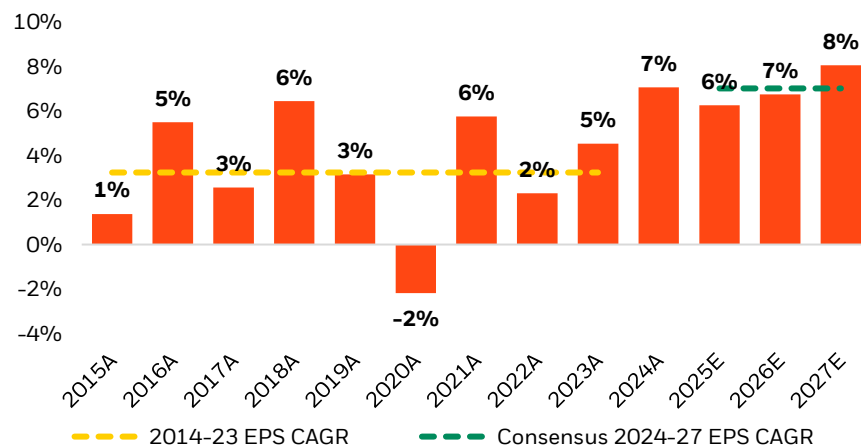
Global listed infrastructure 10-year IRR



Source: BlackRock, as of 12 December 2025. Analysis based on global real estate securities investment universe.

Projected earnings reflect a step change in power demand

US utility earnings growth



Source: BlackRock, Bloomberg, retrieved on 17 October 2025

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Sector and stock divergence calls for active management

Transport on the wrong side of the K-shaped economy

The outlook for the transportation sector broadly is mixed. We are cautious on EU airports. Passenger traffic growth is decelerating, capex is rising across the sector as airports near their capacity limits, while persistent construction cost inflation and labor shortages could pressure project economics.

We are constructive on US Managed lanes which are expected to see solid profitability, driven by economic activity, population shifts, and dynamic tolling. On the other hand, we see lower growth on both European and Australia toll roads, reflecting softer industry in Europe and moderate, population-driven growth in Australia.

The global economic backdrop is uncertain, particularly for industrial and freight sectors which are acutely exposed to US tariffs. As such, we do not expect to see a material acceleration in traffic and earnings growth for the North American railroad sector, where we see the greatest exposure to industrial activity. We are however positive on the long-term outlook for the sector given near-shoring of manufacturing activity trends. M&A activity in the space could better position the companies to take market share away from other modes of freight transport and re-accelerate growth.

Midstream – Diverging oil and natural gas outlook

2025 represented a significant divergence between oil-focused and natural gas-focused midstream equities. Oil-focused midstream companies meaningfully underperformed due to their greater exposure to economic activity and the pressure on oil prices from OPEC supply increases. Gas-focused midstream equities outperformed for the second year in a row given their material exposure to the buildout of US LNG plants and gas power plants to power AI data center demand.

In 2026 we expect these trends to continue. We remain concerned about the crude oil supply/demand picture and expect strong natural gas demand in the US from new gas power plants and the buildout of LNG facilities, leading to accelerating gas midstream pipeline growth.

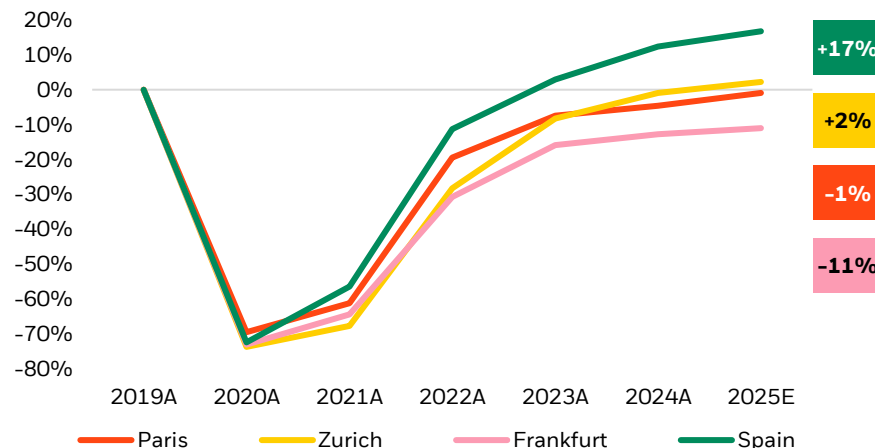
“The market is increasingly growing to appreciate the need for power to achieve hyperscaler AI goals.”



Balfe Morrison
Head of Listed Infrastructure

Airport recovery flatlining

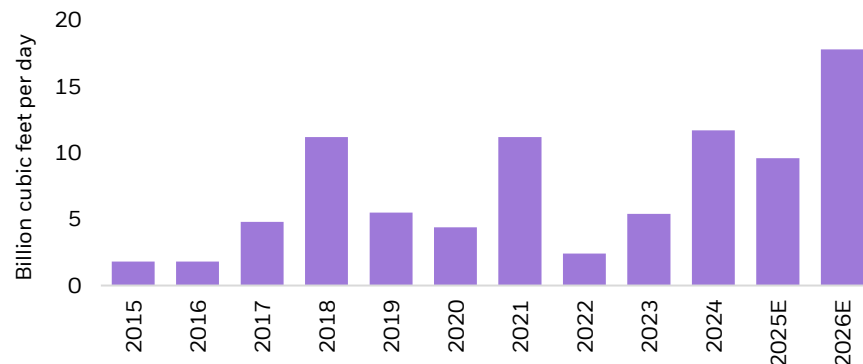
Major EU airport traffic levels – indexed to 2019



Source: BlackRock, Bernstein Research, retrieved on 17 October 2025.

Incremental gas supply increasing

Additional US LNG capacity



Source: BlackRock, Bloomberg, US Energy Information Administration. As of 31 October 2025.

Risk Warnings

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