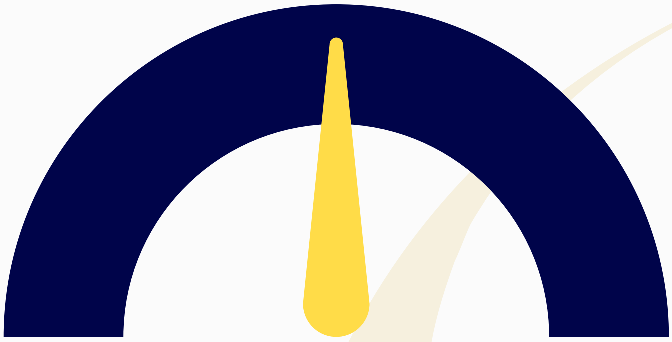
MIDWEST CRE ADVISORS

MID-YEAR CRE OUTLOOK

& HEAT MAPS

2026

CURRENT SCORE



5/10

Mixed/Watch | Move with Precision, Not Aggression

Three Takeaways

✓ Institutional capital is returning.
✓ Credit remains available.
✓ Higher interest rates continue to pressure pricing.

The headlines suggest uncertainty. The data suggests selectivity.

Commercial real estate continues to send mixed signals. Institutional capital is returning to the market, credit conditions remain supportive, and public real estate has outperformed the broader equity market throughout much of 2026. At the same time, elevated interest rates, slowing payroll growth, and tighter lending conditions among regional banks continue to create friction for investors and developers. Our July CRE Cycle Heat Map assigns the market a 5/10 (Mixed / Watch)—a signal that opportunities remain, but success depends less on market momentum and more on disciplined execution. In today's environment, investors should prioritize assets with durable cash flow, conservative capital structures, and strong long-term fundamentals while remaining patient as the next phase of the cycle unfolds.

Why This Framework Exists

THE PROBLEM WITH OPINIONS. THE POWER OF DATA

Commercial real estate is one of the most opinion-driven asset classes in finance. When the headlines change daily, it's easy to react emotionally. Our framework brings discipline to the conversation.

THE TRADITIONAL APPROACH. OPINION DRIVEN.

- **Headlines** - Today's news becomes tomorrow's fears
- **CNBC/Financial Media** - Short-term noise, long-term distraction
- **Social Media -** Amplifies emotion and volatility
- **Last Week's Deal -** Past performance is not a predictor of future results

OUR DATA-DRIVEN APPROACH. EVIDENCE BASED.

- **Five Macro Signals** - We monitor the data that drive the cycle.
- **Objective Scoring** - Each signal is scored: **Green**, **Yellow**, or **Red**
- **Clear Regime -** The total score tells us the market posture
- **Actionable Insight -** Data drives better decisions and better outcomes

THE FIVE SIGNALS WE MONITOR

REIT Performance
Public real estate vs. broad equities

BBB Corporate Credit Spreads
Credit market health & risk appetite

30-Year Treasury Direction
Interest rate levels & direction

Unemployment Trend
Labor Market Strength

Bank Lending Standards
Credit availability & tightening risk

How The Heat Map Works

A simple framework. Monthly data. Clear signals. Smarter decisions.

0-10

FIVE SIGNALS
We track five macro signals that drive commercial real estate cycles

MONTHLY SCORING
- Green = 0 points
- Yellow = 1 point
- Red = 2 points

TOTAL SCORE
Scores are added together for a total Heat Map Score ranging from 0 to 10

INVESTMENT POSTURE
The total score tells us what regime the market is in and how investors should respond

HEAT MAP SCORING GUIDE

SCORE	ZONE	WHAT IT MEANS	INVESTMENT POSTURE
0 – 3	EXPANSION / REPAIR	Early-cycle environment. Fundamentals improving and risk appetite rising.	**DEPLOY AGGRESSIVELY** Easy-money positioning window is open.
4 – 5	MIXED / WATCH	Mixed signals across the market. Conditions vary by sector and region.	**MOVE WITH PRECISION** Deals still get done—require strong fundamentals and conservative leverage.
6 – 7	CAUTION / ELEVATED RISK	Risks are building. Capital becoming more selective and costly.	**PRIORITIZE SELECTIVITY** Do not stretch on price, leverage, or occupancy.
8 – 10	HIGH RECESSION RISK	Economic and credit stress increasing. Distress cycle likely approaching.	**DEFENSIVE POSTURE** Protect existing assets and minimize new exposure.

THE KEY PRINCIPLE

Public markets reprice first. Credit adjusts second. Private real estate follows – often 18-24 months behind. The Heat Map identifies the regime before the consensus does.

July 2026 Heat Map Dashboard

FIVE SIGNALS. ONE SCORE. CURRENT MARKET POSTURE.

Our July 2026 reading assigns the market score of 5 out of 10, placing us in a Mixed/Watch regime. Opportunities remain, but disciplined underwriting and selective execution are essential.

REIT Relative Strength	BBB Corporate Credit Spreads	10-Year Treasury Direction	Unemployment Rate Trend	Bank Lending Standards
GREEN	GREEN	RED	YELLOW	YELLOW
+5.22pp	96 bps	4.63%	4.2%	DIVERGING
VNQ outperforming SPY by 5.22 percentage points YTD — widest lead of 2026.	Near cycle tights. Credit conditions remain supportive.	Broke back above 4.60% in July after pulling back to 4.44% in June.	June payrolls +57,000 — weakest reading since February.	Large banks easing, community & regional banks tightening.

TOTAL HEAT MAP SCORE

5/10

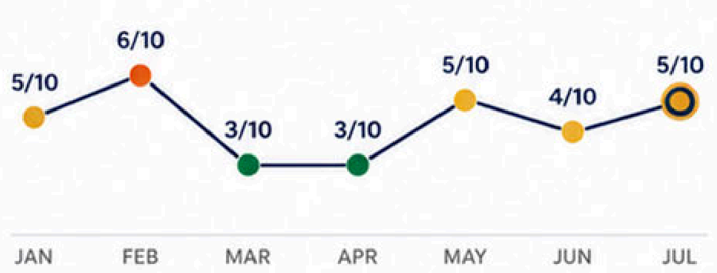
MIXED / WATCH

WHAT THIS MEANS

The market is sending mixed signals. Strength in capital markets and credit availability is being offset by elevated interest rates and softer labor momentum. This is not a time for aggression – it's time for precision.

Focus on assets with an in-place cash flow, conservative leverage, and fundamentals that can perform in today's rate environment.

2026 SCORE TREND



Scores reflect a range from 0 (Expansion) to 10 (High Recession Risk).

CONTEXT BEHIND THE SCORE

Improving: REIT performance, credit spreads, and bank lending conditions among large institutions.

Monitoring: Labor market softness and divergence in community and regional bank lending.

Primary Risk: Interest rates remain elevated, keeping pressure on valuation and deal economics.

> "The Heat Map is not a forecast—it is a framework for understanding the current regime so investors can make smarter decisions with better risk management.

The Five Signals: July 2026 Detail

FIVE MACRO INDICATORS. ONE CLEAR FRAMEWORK.

Each month, we score five leading signals that drive commercial real estate cycles. Below is our July 2026 reading.

- Green = 0 points
- Yellow = 1 point
- Red = 2 points

Signal	Status	Reading	What We're Watching
1. REIT RELATIVE STRENGTH	GREEN 0 POINTS	**+5.22pp** VNQ OUTPERFORMING SPY YTD THROUGH JULY The widest lead of 2026. Institutional capital continues rotating into real estate ahead of the broader market.	WHAT WE'RE WATCHING Sustained outperformance above +2pp historically occurs early in cycle expansion phases.
2. BBB CORPORATE CREDIT SPREADS	GREEN 0 POINTS	**96 bps** CURRENT SPREAD Near cycle tights. Credit markets remain open and supportive for borrowing and refinancing.	WHAT WE'RE WATCHING Spreads staying below 150 bps signals healthy risk appetite. Widening above 180 bps would be a caution signal.
3. 10-YEAR TREASURY DIRECTION	RED 2 POINTS	**4.63%** 10-YEAR TREASURY YIELD Broke back above 4.60% in July after pulling back to 4.44% in June. This is the dominant risk signal.	WHAT WE'RE WATCHING A sustained move above 4.60% compresses cap rates and pressures deal economics. A move below 4.30% would be meaningfully constructive.
4. UNEMPLOYMENT RATE TREND	YELLOW 1 POINT	**4.2%** UNEMPLOYMENT RATE June payrolls +57,000 — the weakest reading since February. Trend has softened but not yet deteriorated.	WHAT WE'RE WATCHING A 0.5% rise in unemployment from here would materially increase recession risk and pressure occupancy and rent growth expectations.
5. BANK LENDING STANDARDS	YELLOW 1 POINT	**DIVERGING** CURRENT READING Large banks are easing while community and regional banks are tightening construction and multifamily lending. A meaningful bifurcation.	WHAT WE'RE WATCHING Next SLOOS survey — if community banks resume easing, credit access improves for middle-market operators and developers.

WHY THESE FIVE? These signals lead private real estate by 6 to 24 months. They help us identify the regime the market is actually in — before consensus and pricing fully adjust.

The First Half of 2026: Score Trend

THE STORY BEHIND THE NUMBERS

Our Heat Map score reflects how five leading signals have evolved month-to-month. Below is how the market's regime has shifted so far in 2026.

Month	Score	Regime	Summary
JANUARY	5/10	Mixed / Watch	Rates spiked to 4.60–4.80%, compressing deal math. Credit spreads elevated and widening.
FEBRUARY	6/10	Caution / Elevated Risk	Payrolls fell -92k (DOGE impact), flipping labor signal to red. Two other signals improved.
MARCH	3/10	Expansion / Repair	Payroll shock resolved. Rates pulled back to 4.23%. REIT outperformance surged.
APRIL	3/10	Expansion / Repair	Credit spreads compressed sharply to 101 bps. Lending standards eased for multifamily.
MAY	5/10	Mixed / Watch	10-year rose to 4.59% and REIT outperformance evaporated. Two signals deteriorated simultaneously.
JUNE	4/10	Mixed / Watch (Improving)	Rates pulled back to 4.44%. Spreads hit cycle tights (92 bps). Payrolls recovered to +172k.
JULY	5/10	Mixed / Watch	Rates moved back above 4.60%. Payrolls stalled at +57k. REIT outperformance widened.

Trend Summary

The first half of 2026 has been defined by volatility in interest rates and labor data. Three times this year, the Heat Map swung by two or more points month-over-month highlighting why we focus on trends, not one data point. The Market remains a **Mixed/Watch** regime as we enter the second half of the year.

KEY THEMES FROM THE FIRST HALF

Capital Returning

REITs outperformed SPY in 5 of 7 months, showing institutional interest in real estate is improving.

Credit Remains Open

BBB credit spreads touched cycle tights in June, indicating healthy risk appetite in credit markets.

Rates Are the Risk

The 10-year Treasury remains above 4.60%, pressuring cap rates and limiting pricing expansion.

Labor Softening

Payroll growth slowed meaningfully in July. Further deterioration would increase recession risk.

Lending Diverging

Large banks are easing while regional banks tighten—creating critical differences in capital availability.

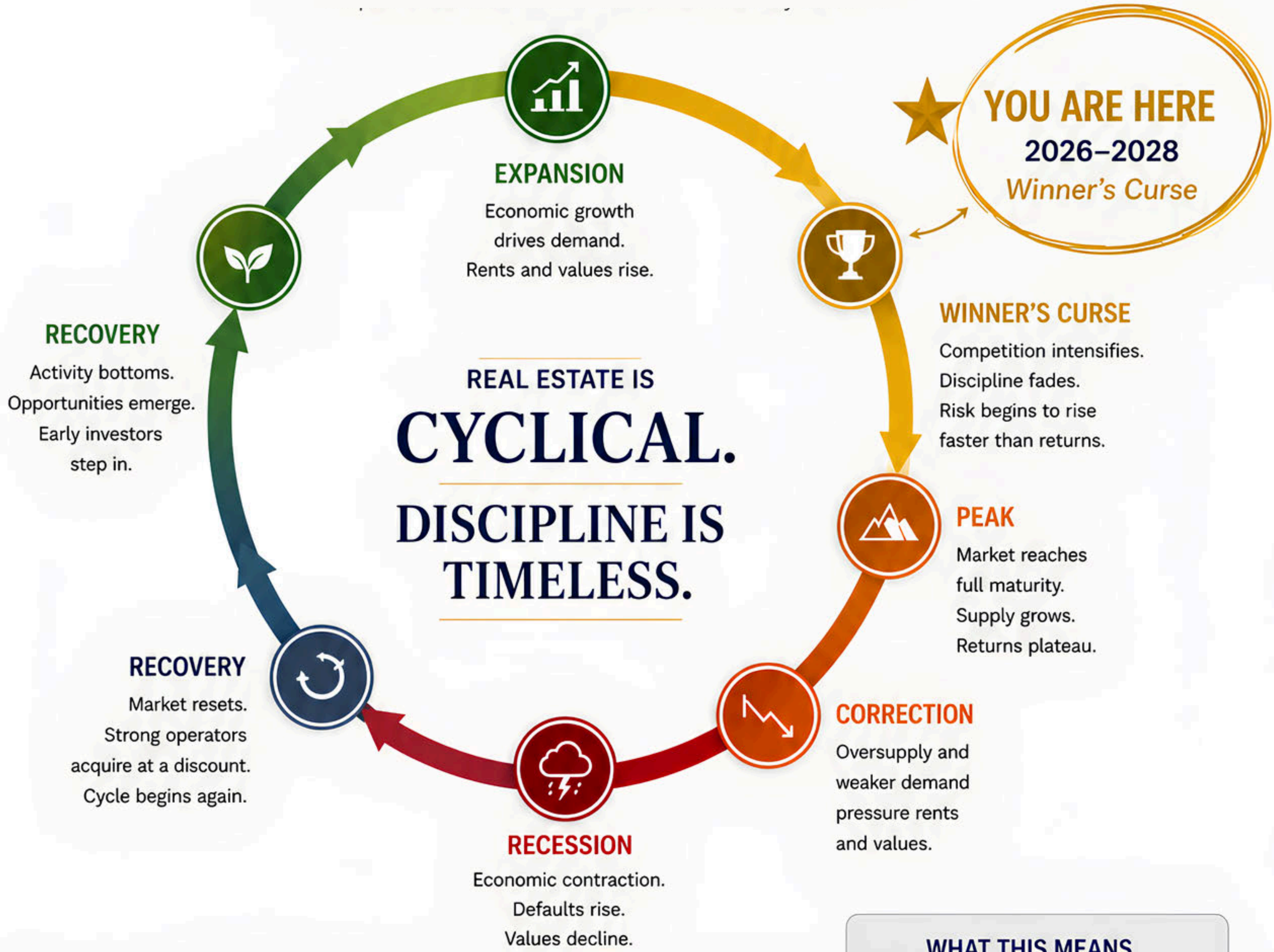
WHAT THIS MEANS

We are not in a clear expansion—and not in recession. The winners in this environment are investors who move with **precision**, not aggression.

The 18.6-Year Real Estate Cycle

WHERE ARE WE TODAY?

Real estate moves in cycles. Understanding where we are in the cycle helps us make better decisions and avoid costly mistakes.



CHARACTERISTICS OF THIS PHASE

RISING ASSET PRICES

Land values accelerate. Competition increases. Cap rates remain compressed.

MAXIMUM OPTIMISM

Investors become aggressive. Leverage increases. FOMO replaces discipline.

HIGHEST RISK

Peaks rarely feel like peaks. Risk rises faster than confidence. Execution matters more than timing.

WHAT THIS MEANS

- Favor cash-flowing assets.
- Avoid speculative underwriting.
- Stress-test higher rates.
- Protect basis.

> *"The most dangerous phase of a cycle isn't when everyone is fearful—it's when everyone is confident."*

The Infrastructure Supercycle

THE NEXT DECADE OF REAL ESTATE DEMAND

The multi-year wave of public and private investment is reshaping the built environment. These long-duration trends will drive lasting demand for commercial real estate.

DIGITAL INFRASTRUCTURE

AI, cloud, and data, explosion driving demand for data centers and power infrastructure.

ENERGY TRANSITION

Grid modernization, renewables, and energy storage require large-scale real estate solutions.

TRANSPORTATION & LOGISTICS

E-commerce, reshoring, & supply chain realignment continue to drive industrial & logistics demands.

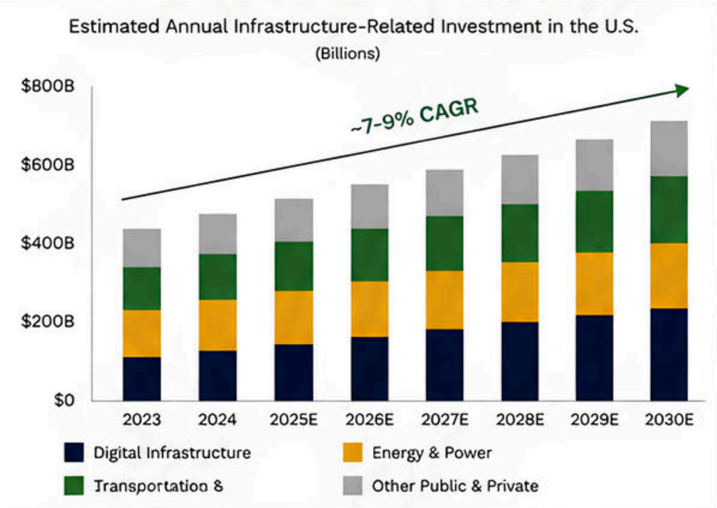
RESIDENTIAL SUPPLY NEED

Housing undersupply remains a generational challenge requiring capital, land, and policy solutions.

PUBLIC SECTOR INVESTMENT

Infrastructure bills and incentives are unlocking billions in capital for communities and real estate.

INFRASTRUCTURE INVESTMENT IS ACCELERATING



Source: McKinsey, Dodge Construction, U.S. Treasury, MWCRE Research

WHY THIS MATTERS FOR CRE

DURABLE DEMAND DRIVERS
Infrastructure needs are long-term, mission-critical, and less sensitive to economic cycles.

BROAD IMPACT ACROSS PROPERTY TYPES
Industrial, data centers, energy, residential, and essential services all benefit.

SUPPORTS RENT GROWTH & VALUES
Scarce, well-located assets tied to infrastructure retain pricing power.

FAVORABLE POLICY ENVIRONMENT
Federal and state incentives continue to reduce risk and attract capital.

KEY TAKEAWAY

THE INFRASTRUCTURE SUPERCYCLE IS REAL.

REAL ESTATE IS HOW IT GETS BUILT.

Capital is flowing into the foundation of the future. The opportunity lies in backing the right assets, in the right places, with the right partners.

- Location Matters
- Relationships Matter
- Execution Matters Most

> *“Infrastructure investment today is tomorrow’s real estate value. Position early. Stay selective. Build for the next decade.”*

Five Principles for Winning This Market

FOR NAVIGATING TODAY'S MARKET

01 PRIORTIZE CASH FLOW

Today's income matters more than tomorrow's assumptions

02 PROTECT YOUR DOWNSIDE

Stress-test every acquisition against higher interest rates & slower growth

03 BE SELECTIVE

Not every deal deserves to get done. Quality wins in mixed markets

04 INVEST IN RELATIONSHIPS

Strong operators and local knowledge create advantages that spreadsheets cannot

05 THINK BEYOND THIS CYCLE

The goal isn't to win this quarter – it's to own assets that outperform over the next decade

THE INVESTOR CHECKLIST

- STRONG CASH FLOW
- CONSERVATIVE LEVERAGE
- DURABLE DEMAND
- REALISTIC EXIT ASSUMPTION
- MARGIN OF SAFETY

> ***In mixed markets, discipline compounds faster than optimism***

Looking Ahead

AUGUST OUTLOOK

July closes with a **Mixed / Watch** posture. The direction of the next report will likely depend on just a handful of macro indicators.

Treasury Yield Direction

Is the 10-year yield ready to break lower or hold above recent levels?

Credit Spreads

Will credit markets remain supportive or show renewed tightening?

Unemployment Trends

Does labor continue to soften or find a new floor?

Public REITS Performance

Is institutional capital still flowing into real estate?

Bank Lending Standards

Any further tightening from regional banks could impact activity.

> ***Markets don't change because opinions change. They change because data changes.***

NEXT REPORT

The August 2026 Heat Map & Outlook will be published next month.

STAY INFORMED

The Heat Map is published monthly. Our insights aren't. Subscribe on YouTube for weekly market updates, expert analysis, property spotlights, and commercial real estate conversations.

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About Midwest CRE Advisors

Midwest CRE Advisors is a Kansas City-based commercial real estate advisory firm focused on investment sales, capital markets, and strategic advisory.

We combine deep local knowledge with institutional discipline to help our clients make smarter real estate decisions and create long-term value.

BLUEPRINTING MIDWEST GROWTH

LET'S CONNECT

EMAIL
Logan@MWCREAdvisors.com

WEBSITE
Logan@MWCREAdvisors.com

LINKEDIN
Logan@MWCREAdvisors.com

YOUTUBE
Logan@MWCREAdvisors.com