

U.S. Commercial Real Estate Is Inexpensive Relative to U.S. Equities

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EXECUTIVE SUMMARY

Based on Q3 2025 cross-asset comparisons, we believe U.S. CRE appears inexpensive relative to major U.S. equity indices, creating a potential attractive entry point as fundamentals firm and financial conditions ease.

- **CRE appears to offer strong relative value vs. equities.** Converting cap rates to implied “earnings multiples,” core sectors like industrial (~16x) and multifamily (~18x) sit below the S&P 500 (~28x) and Nasdaq 100 (~37x) as of Q3 2025.
- **Why the gap widened.** In 2025, equities priced in tech/AI optimism, while CRE values were anchored by lower sales volumes and higher financing/refinancing costs.

U.S. COMMERCIAL REAL ESTATE IS INEXPENSIVE RELATIVE TO EQUITIES

We believe U.S. commercial real estate (CRE) appears inexpensive relative to major U.S. equity indices.

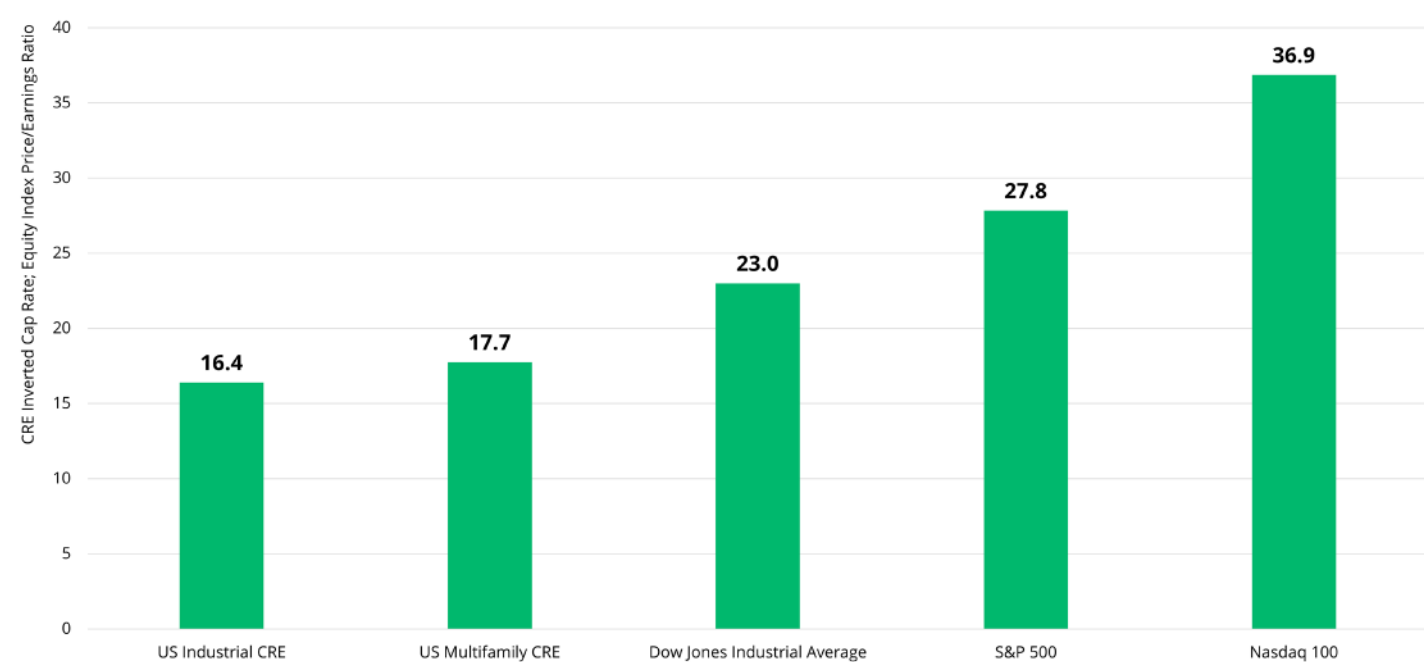
By inverting real estate capitalization rates (cap rates) to “earnings multiples,” we can compare commercial real estate with public equities P/E (price-to-earnings) ratio for approximate comparisons.¹ Using average cap rates from the third quarter of 2025, we see potential signs of differentiation: sectors such as multifamily and industrial have meaningfully lower implied multiples than the S&P 500 or Nasdaq 100 as of Q3 2025.

U.S. industrial properties average around a 6.1% cap rate²—an implied multiple of ~16x. Multifamily averages near a 5.6% cap rate, or ~18x. Public equity indices’ P/E values are higher: for Q3 2025, the S&P 500 was ~28x trailing P/E, the Nasdaq 100 near 37x, and even the Dow Jones Industrial Average—arguably the most value-oriented major index—near 23x (see accompanying visual).³

The divergence between CRE and public equity indices widened in 2025. We believe public equities have benefited from optimism around technology-led productivity gains—and particularly notable is the extreme concentration of AI in the S&P 500⁴. On the other hand, U.S. CRE valuations remained anchored by lower sales volumes and elevated refinancing activities in a higher interest rate environment.

We believe CRE offers attractive value, especially as fundamentals across many property types are resilient and are improving. For example, multifamily occupancy appears poised to improve after late cycle downward pressure, and we see similar signs of improvement in certain segments of the logistics and industrial sector. As financial conditions ease and liquidity returns to commercial real estate markets, we believe that relative value—particularly in multifamily and industrial—presents a compelling opportunity to engage capital into real assets.

Sectors of U.S. CRE Potentially Offer Strong Relative Value to U.S. Equities⁵



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ENDNOTES

¹ Comparisons convert commercial real estate cap rates into implied earnings multiples (1/cap rate) to align with equity P/E. Note, metrics are not perfectly comparable due to differences in NOI, leverage, liquidity, growth, and risk. Results are illustrative and limited to the period stated above.

² MSCI Real Capital Analytics' cap rates include refinance transactions and exclude portfolio transactions.

³ Bloomberg, as of November 4, 2025. The equity indices P/E ratios represent average values for Q3 2025 and are calculated for indices as Last Price divided by Trailing 12M Diluted EPS from Cont Ops (Bloomberg RR900).

⁴ See in particular: Sløk, T. (2025, September 16). *Equity investors are dramatically overexposed to AI*. Apollo Academy. <https://www.apolloacademy.com/equity-investors-are-dramatically-over-exposed-to-ai/>; and Sløk, T. (2025, September 8). *Extreme Concentration in the S&P 500*. Apollo Academy. <https://www.apolloacademy.com/extreme-concentration-in-the-sp-500-3/>

⁵ MSCI Real Capital Analytics, as of Q3 2025. Bloomberg, as of November 4, 2025.

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