

Reset and the Road to 2026

Board Minutes from the Chairman - January 2026

Follow the Money and the Value

Real estate cycles are rarely neat. They don't move in straight lines with announcement... they unfold in chapters with moments of exuberance, pauses of reflection followed by recalibration. Today, we find ourselves in that reflective middle: the reset. Prices have softened, underwriting has sobered, and the market is digesting the excesses of yesterday. This is not a collapse; it is a clearing and a necessary interlude before the next act.

The question isn't whether real estate will matter in the future. It always does. The question is when capital, now comfortably parked in other asset classes, begins its migration back to tangible value. That migration, I believe, will define 2026.

Why? Because money follows value—and value is being reborn.

Over the past two years, investors have sought refuge in fully valued public equities, the predictability of fixed income, and the allure of high yielding alternatives. Those allocations made sense in a world of uncertainty and rising rates. But as those returns normalize and the cost of capital steadies, the gravitational pull toward real estate will strengthen. Why? Because real estate offers what other asset classes cannot: durable cash flow, inflation protection, and the intrinsic appeal of a hard asset.

This isn't about timing the bottom; it's about recognizing the value reset and embracing the ability to buy at a discount to replacement value. Cap rates have widened, debt markets are thawing, and sellers are reconciling yesterday's marks with today's reality. That convergence initiates action. By 2026, we anticipate a market where bid and ask finally shake hands, where underwriting reflects the new cost of capital, and where opportunity feels earned rather than engineered.

The Reset in Context

The past several years have been a story of repricing. Rising interest rates forced a recalibration of values across commercial and multifamily sectors. Office assets bore the brunt of structural change, while multifamily absorbed a wave of new supply that tempered rent growth. Industrial and necessity retail proved resilient, but even they were not immune to the math of higher borrowing costs. The result? A market that has largely digested its correction. Prices are no longer falling at the pace of 2023; they are stabilizing, and in some sectors, modestly recovering. That is the precondition for volume: participants need confidence that today's price will look sensible tomorrow.

Multifamily and Commercial: Leading the Rotation

Multifamily, after a surge of deliveries in 2024 and early 2025, is poised for renewed absorption and rent stability as construction deliveries decline. Fundamentals remain intact—housing demand is structural, not cyclical—and as supply pressure eases, investors will rediscover the appeal of apartments priced at a new basis. Commercial assets tell a similar story. Industrial continues to benefit from e-commerce and supply chain reconfiguration.

Retail, particularly grocery-anchored and necessity-driven formats, has proven its staying power. Even office, though bifurcated, will find its champions willing to invest in this evolving asset class given its vitalness to the future of training and collaboration.

Capital Rotation: Why 2026 Matters

The capital rotation we envision isn't a floodgate opening overnight as other asset classes begin to plateau. Public equities have enjoyed a strong run, but valuations are stretched. Fixed income has seen an increased allocation due to its less risky income generating predictability but as rates decline returns will compress. Alternatives have absorbed significant inflows, yet liquidity constraints, proper valuations, and fee drag are real. Against that backdrop, real estate provides a compelling alternative with a repriced entry point, predictable income, and the potential for appreciation as markets normalize.

This migration will be further aided by the Federal Reserve's policy pivoting from its tightening to a cautious easing, signaling a more stable rate environment. Financing costs may not return to the lows of 2021, but they are becoming predictable—a critical ingredient for underwriting confidence. Debt markets are re-opening, originations are rising, and lenders are recalibrating to the new normal. That liquidity will fuel transaction engagement as consensus forms around reset pricing.

Data points that support a 2026 transaction rebound

- 1. Price stabilization:** The pace of decline has slowed and, in several sectors, turned modestly positive (MSCI CPPI). That is the precondition for volume: participants need confidence that today's price will look sensible tomorrow. [[msci.com](https://www.msci.com)]
- 2. Income realization with muted appreciation:** The Open-Ended Diversified Core Equity administered by NCREIF reflects a 2025 pattern - ~4% trailing total return, primarily from income-affirming ongoing portfolio performance while values normalize. As cap rates settle and financing costs ease, appreciation can resume with more durable footing. [[credaily.com](https://www.credaily.com)]
- 3. Narrowing bid-ask:** Varied market services report sale prices converging toward appraised values and NCREIF marks with spreads compressing from doubledigit gaps in 2024 to low single digits by mid-2025—a predictable setup for increased transactional momentum. [[credaily.com](https://www.credaily.com)]
- 4. Debt market re-opening:** Affirmation that originations were up ~16% in 2025 and projected to go higher in 2026 as lenders return with an increased appetite prompted by a clearer rate environment with new equity flows attracted by the new reset. [[JPM 2026 Commercial Real Estate Outlook](https://www.jpm.com)], [[CRE Lending](https://www.credaily.com)]
- 5. Fed posture:** The 2025 cuts have taken hold and energized the industry's 2026 acquisition plans as 2026 rate guidance while conservative is constructive in its direction to further rate lowering bringing predictability to buyer underwriting of a real hurdle rate versus its ultimate stabilized return on cost, improving relative value for income assets. [[cnbc.com](https://www.cnbc.com)]

How to position now

- **Lean into the reset.** Underwrite to today's cap rates and debt costs; use sensitivity bands with moderate rate relief. Let income—not reversion—be your first line of defense.
- **Prioritize markets with supply discipline.** Multiple market pundits provide analysis suggesting stronger rent trajectories where new construction has fallen and demand is persistent. That is where basis can be your ally. [[CoStar.com](#)], [[Blackstone](#)], [[PWC Multifamily 2026 Outlook](#)]
- **Be thoughtful on office.** CMBS data are flashing caution; if you buy, buy the future, not the past, based on location, sustainability, and a durable tenant mix. Price discovery here will continue to be property-specific. [[commercialsearch.com](#)]
- **Watch the policy tape.** Fed guidance implies stability, not a surge. Build plans that work at 3.25–3.5% funds rate and 10-year Treasuries anchored ~4%—a backdrop consistent with a 2026 transaction recovery, not unrealistic 2021 underwriting. [[cnbc.com](#)]

Bottom line

After a period of adjustment, the reset has largely done its work. As we enter 2026, clearer interest rate signals and completed price discovery are laying the foundation for a healthier, more investable real estate market—one built on income resilience rather than financial engineering. For long-term capital, this is the moment to re-engage with discipline: acquire high-quality assets at reset valuations, underwrite to achievable cash yields, and position for steady appreciation as markets normalize. The real opportunity isn't predicting the next rate cut—it's securing the next decade of durable NOI at a basis you'll be glad you locked in.



Robert Brunswick

Chairman

Robert Brunswick is Co-Founder and Chairman of Buchanan Street Partners, a real estate investment management firm headquartered in Newport Beach, California. In his capacity, Robert has directed the entrepreneurial growth of Buchanan Street since its inception and continues to lead its current strategic direction. In his day-to-day activities, Robert is responsible for chairing the firm's Investment and Executive Management Committees.

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